FHB Mortgage Bank Plc

Interim management report

for the first quarter of 2010

Budapest, 17th May, 2010

Interim management report of FHB Mortgage Bank for the first quarter of 2010

This report of FHB Mortgage Bank Public Company Limited by Shares for the first quarter of 2010 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 31 December 2009, and the consolidated, non-audited figures as of 31 March 2010 and as of 31 March 2009.

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

Earnings after taxation as of 31 March 2010 were 1.5 billion forints, 3.5% higher than the same period of the prior year, and a bit lower than the last quarter's result of 2009. Earnings before taxation was 2.3 billion forints in 2010 Q1, 10.2% lower than in the same period of 2009 (2.6 billion forints).

The average net interest margin increased by 69 basis points year-on-year to 3.49%, from 2.80% as of 31 March 2009. Over the past quarter net interest margin has not changed.

The Bank's consolidated balance sheet total was up by 3.5%, from 746.2 billion forints to 772.4 billion forints year-on-year, the decrease was -3.6% in Q1 2010.

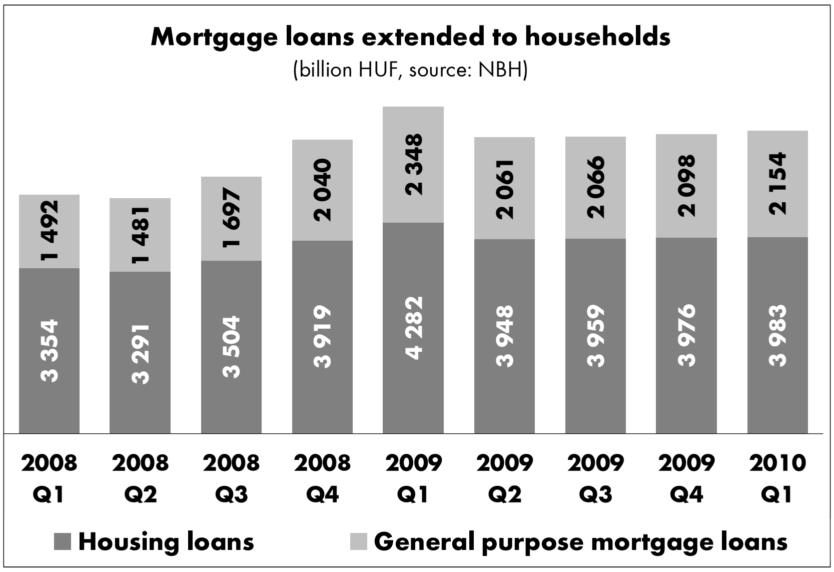
The Group's consolidated cost-income ratio improved from 48.3% in Q1 2009 to 43.3% in the current period.

Shareholders' equity was 48.5 billion forints as of 31 March 2010 as a result of a 10.7% year-on-year increase.

Retail mortgage loan market

According to the statistics published by the National Bank of Hungary retail loan portfolio amounted to 6,137.7 billion forints as of 31 March 2010, achieving only a 64.0 billion forints (or 1.1%) increase over the previous quarter's figure (6,073.6 billion forints) with the year-on-year fall was 492.6 billion forints (or 7.4%). In terms of volume the year-on-year change is significantly smaller than the 1,783.7 billion forints growth achieved between 2008 Q1 and 2009 Q1. Disregarding the impact of exchange rates fluctuation the year-on-year decrease of the retail mortgage loan portfolio was 41.7 billion forints (at 31 March 2010 rate). Decrease over the previous quarter's figure was 17.8 billion forints (or 0.3%).

The portfolio of foreign exchange-denominated loans did not change significantly during the past quarter: the growth was 61.6 billion forints. The annual decrease of the FX loan portfolio was significant, amounted 481.7 billion forints, compared to 1.9 billion forints growth in 2009. At the same time the forint-based loan portfolio shrank by 117.2 billion forints compared to the same period of the previous year and decreased by 10.9 billion forints compared to the previous quarter's figure. At 31 March 2010 the total amount of the FX loan portfolio of retail mortgage loans was 4,590.1 billion forints (which contributed 74.8% of the total retail mortgage loan portfolio), as opposed to the stagnating level of 1,547.5 billion forints HUF loans. The proportion of FX loans was 76.5% in the same period of the reference year.



Quarterly growth in housing loans extended to households was 0.2% or 7.8 billion forints up from Q1 2010 portfolio. The annual decrease was 298.5 billion forints, while the 2009 figure was 927.7 billion forints. The average monthly growth in 2010 was 2.6 billion forints and showed a substantial volatility.

The change in the general-purpose mortgage loan portfolio was generated by the 233.0 billion forints loss in FX lending over the period of a year, and the 38.9 billion forints growth of the HUF denominated loans. The Q1 2009 general-purpose mortgage loan portfolio denominated in foreign currency amounted to 2,314 billion forints and contributed 45.6% to the FX-denominated retail mortgage loans. This contribution dropped to 45.3% by the end of the reported period.

General-purpose mortgage loans contributed 39.4% to the year-on-year change of retail loans.

The increase in the portfolio of general-purpose mortgage loans to retail customers was 8.3% since March 2009 to March 2010, while in the same period in 2009, the growth was 57.4%. Average monthly growth in 2009 Q1 was 102.7 billion forints and dropped to 18.7 billion forints in 2010 Q1. Of the total amount of general-purpose mortgage loans 96.6% was disbursed in foreign exchange; the total portfolio value was 2,154.3 billion forints as of 31 March 2010. General-purpose mortgage loans contributed 69.3% to total consumer loans as of 31 March 2010, similar to the 68.0% level of the reference year.

Own lending

At 31 March, 2010, the gross amount of loans sold by the Bank was 342.4 billion forints, while total outstanding provisions were 9.5 billion forints at period end. The gross amount of loans was 0.4% above the 31 December 2009 figure (341.2 billion forints). The year-on-year increase was 2.6%, mainly caused by FX-rate changes.

No major change has occurred in the breakdown of the Group’s products since 31 December 2009 or 31 March 2009. Retail loans continue to dominate within the loan portfolio with a contribution of approximately 90%; at the same time keener business activity resulted in a steady rise in loans to corporate customers. As of 31 March 2010, 56.9% of outstanding loans were denominated in FX, somewhat below the 59.3% as of Q1 of 2009 and the 57.1% achieved at 31 December 2009.

Loans to retail customers were 8.5% (or 27.4 billion forints) down year-on-year and shrank by 0.03% compared to 31 December 2009. In terms of structure, 60.4% of the retail loans portfolio is contributed by housing loans. The second biggest contribution is from general-purpose mortgage loans with 36.9%. As of 31 March 2009 the contribution of the two dominant items was 59.0% and 39.1% respectively, and as of 31 December 2009, it was 60.7% and 36.8% respectively. Mortgage loans extended to senior citizens achieved 2.2 billion forints as of 31 March 2010, 0.2 billion forints up year-on-year.

The corporate lending business started strengthening in 2010 but the process came to a halt in Q1 of 2010. The portfolio of corporate loans rose from 23.6 billion forints as of 31 March 2009 by 18.1 billion forints year-on-year, and the growth over the 31 December 2009 figure was 1.2 billion forints. The growth was contributed mainly by the SME business. The increase in the portfolio of housing project loans exceeded 0.4 billion forints in the last twelve months, while commercial real estate financing loans dropped by 2.0 billion forints.

Refinancing

As of 31 March 2010 the portfolio of refinanced loans dropped by 13.6% or 40.7 billion forints year-on-year and amounted to 257.9 billion forints. Compared to the 263.0 billion forints realized as of 31 December 2009, the portfolio shrank by 5.1 billion forints or 1.9%.

FHB Commercial Bank Ltd.

Excluding loans extended to other FHB Group members, gross loans extended by the Commercial Bank exceeded 117.9 billion forints and the portfolio increased by 3.1% over the year. The portfolio achieved 4.4 billion forints growth compared to the 31 December 2009 value, mainly as a result of the growth in corporate disbursements. The retail loan portfolio shrank by almost 1.0 billion forints in Q1 of 2010.

The retail loan portfolio was 99.8 billion forints as at 31 March, 2010. Corporate loans were in excess of 18.1 billion forints at the end of Q1 2010 and multiplied over the year, achieving a contribution of 15.4%. Portfolio growth was mainly based on the achievement of the SME lending business.

The number of retail current accounts was over 42.5 thousand as of 31 March 2010, 9.5% above the Q4 2009 and 27.5% above the Q1 2009 figure. The balance of retail and corporate accounts was 33.6% over than in Q1 2009, and contributed 10.0% at 2010 Q1 to total funds, while the level was 7.9% as of 31 March 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 Mortgage Bank.

Since its foundation to 31 March 2010 FHB Annuity signed annuity contracts amounting to 10.4 billion forints, from which 796 million forints in Q1 2010. The reported period's achievement increased by 8.6% from the 733 million forints achieved in Q1 2009. Annuity payments since the launch of the product have amounted to 3.2 billion forints with 220 million forints disbursed in Q1 2010.

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 and real estate agency services to external customers.

Central European Credit Ltd.

CEC Ltd. offered mortgage products (general-purpose, consumer and refinancing loans) solely on a cover basis to retail and corporate customers. In the second half of 2009 the company expanded its portfolio of products and started offering real estate lease services. Member of the FHB Group, CEC Ltd. continues to cooperate with other Group companies in the premium real estate financing market. In Q1 of 2010 lease financing amounted to 324 million forints and as a result the leasing portfolio rose to 1.5 billion forints as of 31 March 2010.

Mortgage bond issues and financing

In Q1 of 2010 the Hungarian capital market picked up to some extent with investors showing a keener interest in securities issued by FHB Plc. The National Bank of Hungary played a key role in restoring investors' trust by announcing a mortgage bonds purchase programme in mid-February, in the context of which NBH commits a total of 100 billion forints to by mortgage bonds of the three Hungarian mortgage banks at issue and on the secondary market from March until the end of 2010. NBH's condition for participation in new issues is that the total nominal value of a series should be no less than 50 billion forints after tap issues, and that at least three market makers should provide the liquidity of the securities concerned.

The HFSA approved the Bank's 2010 Covered Mortgage Bond and Senior Unsecured Bond Issues Programme in early February and issues commenced accordingly. In Q1 of 2010 the Bank issued one series of mortgage bonds and two series of bonds in the context of a private placement and two auctions. At the two auctions staged in February and March the Bank offered to repurchase several series of its securities. In February a smaller, one billion forints mortgage bond series was launched, and the first tranche of a series with a maturity of five and a half years (FJ15NF01) was issued with a total nominal value of 7.7 billion forints. In March the auction of the five-year paper continued with the NBH featuring among the buyers and the total nominal value approaching 24 billion forints. The appearance of the NBH as a buyer gave a major boost to demand; at the same time, margins were narrowing. At the March auction the Bank launched its bond series FK13NF01 of a total nominal value exceeding 4.8 billion forints.

In the first quarter the Bank repurchased almost eight billion forints total nominal value of its HUF denominated securities in the framework of its active asset-liability management.

Changes in the legislative environment

In Q1 of 2010 the main changes in the legislative environment concerning the Group were as follows:

Act XV of 2010 on the Entering into Effect and Implementation of Act CXX of 2009 on the Civil Code
The Act provides for the entering into effect of the Civil Code as well as for the laws that shall thereupon be abrogated or amended, and sets forth the necessary implementation and transitional provisions.

Act XII of 2010 on the Amendment of Certain Financial Acts in Respect of the New Civil Code
The new Civil Code necessitated consolidation of certain financial laws with the new terms introduced by the Civil Code and other technical amendments.

Act CL of 2009 on the Amendment of Certain Financial Acts
The Act specifies the provisions of Act XIII of 2009 on the Amendment of Certain Acts with a View to Enhancing the Efficiency of the Financial Mediation System with greater accuracy and provides for the operation of mediators. Furthermore, it amends the Act on bankruptcy and liquidation proceedings.

Act CXLVIII of 2009 on the Amendment of Certain Acts with a View to Enhancing the Efficiency of the Financial Mediation System
The purpose of the Act is, on the one hand, to strengthen micro and macro level prudence in the supervision of the financial mediation system and the tools available for the organizations concerned; and on the other hand, to grant the Hungarian Financial Supervisory Authority a more prominent role in consumer protection.

Act CXXI of 2009 on the Amendment of Ac IV of 2006 on Business Associations and Act V of 2006 on Public Company Information, Company Registration and Winding-Up Proceedings
The principal purpose of amending Act IV of 2006 on Business Associations was to incorporate Directive 2007/36/EC of the European Parliament and of the Council on the exercise of certain rights of shareholders in listed companies.

Act CXIV of 2009 on the Amendment of Act IV of 2009 on State Guarantee in Respect of Housing Loans
The Act amends Act IV of 2009 on State Guarantee in Respect of Housing Loans in order to expand the group of persons eligible for bridging loans so that they can manage their financial problems with the help of the State.

Act CLXII of 2009 on Consumer Loans
The Act incorporates Directive 2008/48/EC on consumer loan agreements in Hungarian legislation and lays down similar provisions for mortgage loans that are outside the scope of the Directive but constitute a large portion of loans.

Act LXXXV of 2009 on Provision of Payment Services
The magnitude of payment services has been rapidly increasing in the European Union. It gave rise to the Single Euro Payment Area (SEPA), an initiative of the European financial institutions. SEPA's goal is to create uniform framework and conditions in financial services, specifically, to develop common financial instruments, standards, procedures and infrastructure in order to eliminated the difference between national and intra-European cross-border payments.

Act XLI of 2009 amending the provisions of Act CXII of 1996 on Credit Institutions and Financial Enterprises Pertaining to Deposit Guarantee
With a view to strengthening deposit holders' trust the deadline for indemnification is significantly reduced under the Act and the indemnification process is simplified in order to allow for speedy payments.

Act XXXV of 2009 on the Amendment of Certain Tax Acts and other Related Acts
Promoting the competitiveness of the Hungarian economy, crisis management and boosting growth are key concepts in the 2009-2010 fiscal measures. The package is aimed at widening the tax base and narrowing or eliminating exceptions, allowances and tax breaks thereby simplifying the fiscal system.

Organizational changes and staff figures

Staff figures

The consolidated full-time equivalent headcount was 586.8 as of 31 March 2010, 11.5 more than the 575.2 staff as of 31 December 2009 and 14.8% up from the Q1 2009 figure of 511.0. As of 31 March 2010, branch staff was 143.1 (144.1 in Q4 2009) and that of headquarters was 443.7 (431.1 in Q4). All of the branch staff are employed by FHB Commercial Bank. Group companies had the following staff figures as of 31 March 2010: FHB Mortgage Bank Plc. 71.1, FHB Commercial Bank Ltd. 262.6, FHB Services Ltd. 204.1, FHB Annuity Ltd. 12.2, FHB Real Estate Ltd. 12.1, CEC Hungary Ltd. 10.1, and Pomo Group 14.5.

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 3.5%, from 746.2 billion forints to 772.4 billion forints. The increase was generated by the growth in interest earning assets on the asset side and the loan received from the Hungarian State on the liabilities side of the balance sheet.

Shareholders' equity grew by 10.7% year-on-year to reach 48.5 billion forints at the end of March, 2010, due primarily to an increase in retained earnings.

After tax profit were 1.5 billion forints in Q1 2010, 3.5% up from the reference period figure.

Key financial indicators	Consolidated figures by IFRS		
	31 March 2009	31 March 2010	31 March 2010. / 31 March 2009
Balance sheet total (HUF million)	746,238	772,378	3.5%
Book value of loans (HUF million)	647,021	590,792	-8.7%
Book value of loans (HUF million)	348,429	332,893	-4.5%
Book value of mortgage bonds (HUF million)	526,589	420,455	-20.2%
Bonds issued (HUF million)	62,219	61,232	-1.6%
Shareholders' equity (HUF million)	43,779	48,460	10.7%
Earnings before taxation (HUF million)	2,568	2, 307	-10.2%
After tax profit (HUF million)	1,452	1,503	3.5%
Net interest margin (NIM)	2.80%	3.49%	+69 bp
EPS (HUF)	91	95	4.4%
P/E (share price/EPS)	5.9	15.4	160.0%
P/BV (share price/equity/number of shares)	0.8	2.0	145.1%
ROAA (return on average assets)	0.9%	0.8%	-
ROAE (return on average equity)	14.9%	13.1%	-

[1] IFRS, consolidated figures

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

P/L structure[2]

Data in HUF million

DESCRIPTION	2009 Q1 (Jan-March)	2009 Q4 (Oct-Dec)	2010 Q1 (Jan-March)	2010 Q1/ 2009 Q1	2010 Q1/ 2009 Q4
Net interest income	4,741	9,737	6,839	44.3%	-29.8%
Net fees and commission income	420	436	229	-45.6%	-47.5%
Net profit from financial transactions	1,229	-414	261	-78.8%	-163.1%
Other income and expenditure	507	-907	300	-40.8%	-133.1%
Gross operating income	**6,897**	**8,852**	**7,629**	**10.6%**	**-13.8%**
Operating expenses	-3,334	-3,834	-3,306	-0.8%	-13.8%
Net operating income	3,563	5,018	4,323	21.3%	-13.9%
Losses from lending and impairment	-995	-2,819	-2,016	102.6%	-28.5%
Profit before taxation	**2,568**	**2,199**	**2,307**	**-10.2%**	**4.9%**
Taxes	-1,116	-649	-804	-28.0%	23.9%
After tax profit	**1,452**	**1,550**	**1,503**	**3.5%**	**-3.0%**

In the first quarter of 2010 the Bank realised **1.5 billion forints consolidated after-tax profit by IFRS,** 3.0% less than in previous quarter but 3.5% higher than in Q1 2009. **Profit before tax was 2.3 billion forints** in the first quarter of 2010.

Net interest income

Net interest income was 6.8 billion forints in Q1 of 2010, 44.3% up from the performance achieved in the reference period of last year (4.7 billion forints) but 29.8% below the Q4 of 2009 figure (excluding the effect of the adjustment in Q4 2009 related to the repayment of state capital, the net interest income in Q1 2010 is 1.5% lower than in the previous quarter, due to the lower amount of assets, mainly). The net figure emerged as a balance of 18.8 billion forints interest income (6.7% down from the Q1 of 2009 figure and 13.5% below the Q4 of 2009 figure) and 12.0 billion forints interest expenditures (22.3% less than in Q1 of 2008 and 0.4% less than the Q4 of 2009 figure).

In the first quarter of 2010, 43.3% of interest income was contributed by interest on own lending (compared to 39.0% in Q4 of 2009 and 41.6% in reference quarter of 2009), and 28.0% was contributed by interest on refinanced loans (compared to 25.5% in Q4 of 2009 and 28.6% in Q1 of 2008). The aggregate interest on interbank loans and securities contributed 10.0% (as opposed to 11.1% in Q4 of 2009 and 3.1% in the reference period

[2] IFRS, consolidated

of 2009). The contribution of interest income on derivatives was 18.6% to total interest income (compared to 15.0% in Q4 of 2009 and 26.7% in the reference period of 2009).

Within the line item of interest income, the contribution of interest subsidy (subsidy of interest on mortgage bonds and supplementary interest subsidy combined) was 23.2% in Q1 of 2009, 20.4% in Q4 of 2009, and 22.5% in Q1 of 2010. In line with the trend in earlier years, income from state subsidized interest has been dropping while income from customers has increased steadily.

As regards interest expense in Q1 of 2010, 51.3% was incurred in conjunction with mortgage bonds, and 9.1% was contributed by expenditure on interest on bonds. Interbank borrowings contributed 0.5% to expenditure on interest and interest paid on deposits contributed 8.3%. The contribution of interest expenditures on mortgage bonds was 51.8% in Q4 of 2009 and as much as 55.6% in Q1 of 2009. Interest on derivatives contributed 22.1% to interest expense in Q1 of 2010 as opposed to 21.4% in Q4 of 2009. In Q1 of 2009, interest paid on deposits contributed 7.6% as opposed to 7.2% in Q4 of 2009.

Interest paid on the state loan amounted to 1.0 billion forints in Q1 of 2010 and contributed 8.6% to interest expense. The ratio was 9.3% in Q4 of 2009.

The average net interest margin (NIM) was 3.49% as of 31 March 2010 and 31 December 2009 compared to 2.80% as of 31 March 2009. In the reported quarter the average NIM was stabilised and increased considerably over the previous quarter's figure due mainly to dropping costs of liabilities as a result of repricing of liabilities denominated in currency with variable interest rates.

Net fees and commission income

In Q4 of 2009, the Bank achieved a positive balance of 436 million forints of income from, and expenditures on, commissions and fees; the Q1 of 2010 achievement was considerably less by comparison, 229 million forints. This is 45.6% below the 420 million forints achieved in Q1 of 2009. Net income from fees contributed 4.9% to gross operating profit in Q4 of 2009 and dropped to 3.0% in Q1 of 2010. The year-on-year shrinking of net income from fees was due primarily to lower early repayment rates, higher commission paid to agents and higher securities issue related fees.

Income from fees and commissions in Q1 of 2010 was 349 million forints, almost half of which (46.7%) was contributed by early repayment charges, 18.7% by handling fees, and 18.6% by accounts and card related banking charges. Other line items include other administration, contracting, valuation and Takarnet fees paid by customers. Fees related to mortgage bond issues contributed 38.6% to expenditures on fees and commissions, agents' fees contributed 38.2%, card related fees were 7.2%, and the remaining items are typically fees paid to other financial institutions and clearing houses.

Net profit from financial transactions

In Q1 of 2010 the balance of the result from financial transactions was 261 million forints profit as opposed to –414 million forints in Q4 of 2009 and +1,229 million forints in Q1 of 2009. The Q1 of 2010 achievement emerged as a result of the change in the fair value of short-term currency swaps and conversion as well as an exchange rate gain from securities transactions.

As a result of the adjustment of currency changes in the course of the reported quarter and the effect on currency revaluation of FX swaps to earnings from FX operations reduced the item by 210 million forints in Q1 of 2010. The overall achievement is considerably below the 2009 reference figure (2.4 billion forints profit) but much better than the 895 billion forints loss generated in Q4 of 2009.

After the 141 million forints profit on derivatives in Q4 of 2009 a loss of 396 was generated in Q1 of 2010. On the other hand, the loss on the same item was over one billion forints in the reference period of 2009.

In Q4 of 2009, securities transactions generated a profit of 340 million forints contributed primarily by the sales of securities held for sale. Profit for Q1 of 2010 amounted to 866 million forints, the bulk of which emerged in conjunction with repurchased securities issued by the Bank. The result of securities transactions was –179 million forints in the first quarter of 2009.

Other income

As of 31 March 2010 the balance of other income and expenditure was 300 million forints, arising from 871 million forints income net of 570 million forints expenditure. As of 31 March 2009 the balance of other income and expenditure was 507 million forints. In 2010, the item of other income contains 750 million forints related to the business performance of FHB Annuity Ltd., which includes income from the adjustment of the value of real estates passed into FHB Annuities' ownership to market value. Of the remaining items 75 million forints was a one-off income related to the CEC acquisition. On the other expenditures side, 95% was contributed by the aggregate 542 million forints from revaluation of annuity payment liabilities. The same item was 1.4 billion forints (52.2%) in Q4 of 2009.

Operating expenses

Data in million HUF

DESCRIPTION	2009 Q1 (Jan-March)	2009 Q4 (Oct-Dec)	2010 Q1 (Jan-March)	2010 Q1/ 2009 Q1	2010 Q1/ 2009 Q4
General administrative costs	2,692	3,092	2,704	0.4%	-12.5%
Personnel expenses	1,415	1,074	1,304	-7.9%	21.5%
- wages	949	748	902	-5.0%	20.6%
- other personnel expenses	137	72	271	98.1%	280.3%
- social security expenses	329	254	131	-60.2%	-48.4%
Administrative costs	1,277	2,018	1,400	9.7%	-30.6%
Taxes paid	217	303	204	-5.9%	-32.8%
Depreciation	425	439	398	-6.4%	-9.3%
TOTAL OPERATING EXPENSES	**3,334**	**3,834**	**3,306**	**-0.8%**	**-13.8%**

Operating expenses amounted to 3.3 billion forints in the first quarter of 2010, 13.8% below the Q4 2009 cost level. Operating expenses in the reported quarter were 0.8% lower than the 3.3 billion forints achieved in the first quarter of 2009. The cost/income ratio (CIR) was 48.3% as of 31 March 2009. CIR was 43.6% as of 31 December 2009, and 43.3% as of 31 March 2010.

There was a minor change in the breakdown of operating costs compared to previous quarters. The contribution of personnel expenses in Q1 of 2010 was 39.4% compared to 28.0% in Q4 of 2009 and 42.5% in Q1 of 2009. There was a 21.5% increase in personnel expenses compared to the previous quarter's figure and a 7.9% decrease over the Q1 of 2001 figure. In Q1 of 2010 other administrative costs were 30.6% down from the Q4 of 2009 figure and were 9.7% higher than the Q1 of 2009 figure. There is a slight upward change in the contribution of this item to operating costs, from 38.3% in Q1 of 2009 to 42.4 % by the end of the reported quarter.

Over the past period there has been a change in the breakdown and amounts of the items contributing to administrative costs. Rents amounted to 264 million forints in Q1 of 2010 as opposed to 318 million forints in Q4 of 2009 and 290 million forints in Q1 of 2009. As of 31 March 2010, rents contributed 18.9% to administrative costs. The contribution of this item was 22.7% in Q1 of 2009.

Advisory fees amounted to 160 million forints in Q1 of 2010 as opposed to 285 million forints in Q4 of 2009. The contribution of advisory fees to administrative costs in Q4 of 2009 was 14.1% compared to 11.4% in Q1 of 2010.

Within the line item of administrative costs other general administrative costs amounted to 410 million forints in Q4 of 2009. The item in Q1 of 2010 was 14.5% less, 351 million forints and 13.6% down from the 406 million forints reported in Q1 of 2009.

Direct costs of business activities contribute 15.4% to administrative costs in the first quarter of 2010 (13.7% in Q1 of 2009 and 14.8% in Q4 of 2009). There has been a shift in the breakdown of business activity costs: moderate 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 of the same items to operating costs was 24.0% in Q1 of 2010.

Depreciation amounted to 398 million forints in Q1 2010 and 439 million forints in Q4 of the reference year. Amortisation on intangibles contributed 60.1% and depreciation of tangible assets contributed 39.9% in the reported period of 2010.

Other taxes paid was 217 million forints in Q1 2009 and 303 million forints in Q4 2009, taxes paid by the Bank in the fourth quarter of 2009 amounted to 303 million forints, while it was 204 million forints in Q1 2010. Almost all of the taxes paid were contributed by the statutory banking contribution. Taxes paid in the prior quarter also contained VAT payments, resulting in a significant surplus over the Q1 taxes of 2009 and 2010.

Portfolio quality, loss in value and provisions

Portfolio quality – considering the macroeconomic changes and the average of the banking sector – continues to be good, though there was a decline in the proportion of problem-free loans compared both to the first quarter of 2009 and to the end of the prior quarter. The portfolio value determined according to IFRS amounted to 649.6 billion forints as of 31 March 2010 as opposed to 645.1 billion forints as of 31 December 2009 and 702.8 billion forints as of 31 March 2009.

The portion of the non-performing loan portfolio constituting the basis for provision reported according to IFRS rules was 5.18% as of 31 March 2010, 4.77% as of 31 December 2009, and 2.01% as of 31 March 2009. Impairment to the entire portfolio was 1.47% as of 31 March 2010, 1.04% as of 31 December 2009, and 0.55% as of 31 March 2009.

At the end of the period the outstanding provision was 9.5 billion forints, 2.1 billion forints over the 31 December 2009 figure. The portfolio and its breakdown are shown in the table below.

Data in thousand HUF

Description	31 March 2009	31 March 2010
Loan loss provisions as at 1st January	**1,848,262**	**7,393,352**
Charge for the period	2,685,863	2,993,403
FX change of provisions	285,513	96,143
Release during the period	-1,765,821	-996,836
Loan loss provisions at period end	**3,053,817**	**9,486,062**
Net effect of charge and release	**920,084**	**1,993,114**
Loss on loans sold	-688	0
Loss on terminated loans	20,573	21,037
Charge/(release) for commitments	55,209	2,242
Losses on loans / provisions	**995,177**	**2,016,394**

Balance sheet

Data in HUF million

DESCRIPTION	31.03.2009.	31.12.2009.	31.03.2010.	31.03.2010./ 31.03.2009.	31.03.2010./ 31.12.2009.
Cash	938	1,100	847	-9.7%	-23.0%
Receivables from NBH	744	2,449	836	12.3%	-65.9%
Interbank deposits	39,985	37,974	49,620	24.1%	30.7%
Available for trade securities	-	-	995	-	-
Available for sale securities	17,393	131,022	96,192	515.1%	-20.3%
Refinanced mortgage loans	298,592	263,015	257,899	-13.6%	-1.9%
Loans	348,429	333,759	332,893	-4.5%	-0.3%
Fair value of derivatives	18,394	3,555	2,812	-84.7%	-20.9%
Property for investment	6,704	9,560	10,394	55.0%	8.7%
Tangible assets	2,315	2,448	2,257	-2.5%	-7.8%
Goodwill and intangible assets	8,548	11,317	11,589	35.6%	2.4%
Other assets	4,195	4,816	6,044	44.1%	25.5%
Assets total	***746,238***	***801,015***	***772,378***	***3.5%***	***-3.6%***
Payables total	702,459	753,579	723,918	3.1%	-3.9%
Interbank borrowings	9,385	26,429	24,533	161.4%	-7.2%
Mortgage bonds	526,589	438,423	420,455	-20.2%	-4.1%
Bonds issued	62,219	52,710	61,232	-1.6%	16.2%
Deposits	51,114	63,562	68,274	33.6%	7.4%
State loan	0	138,958	107,216	-	-22.8%
Fair value of derivatives	45,634	25,058	33,309	-27.0%	32.9%
Reserves for annuity	1,133	1,864	2,173	91.8%	16.6%
Other liabilities	6,385	6,575	6,725	5.3%	2.3%
Shareholders' equity	43,779	47,436	48,460	10.7%	2.2%
Subscribed capital	6,600	6,600	6,600	-	-
Repurchased own shares	-1,199	-1,546	-1,546	28.9%	-
Share premium	1,709	1,709	1,709	-	-
General reserve	3,910	4,470	4,604	17.7%	3.0%
Cash-flow hedge reserve	3,380	833	349	-89.7%	-58.1%
Stock option reserve	117	0	0	-	-
Changes in fair value of avail. for sale fin. assets	-135	915	920	-	0.6%
FX reserve	0	21	21	-	-
Retained earnings	29,397	34,434	35,803	21.8%	4.0%
Total liabilities and shareholders' equity	***746,238***	***801,015***	***772,378***	***3.5%***	***-3.6%***

As of 31 March 2010 the Bank's consolidated balance sheet total by IFRS amounted to 772.4 billion forints, which is 26.1 billion forints or approximately 3.5% up from 31 March 2009. The increase on the asset side over the reference figure as of 31 March 2009 was the joint result of several factors. It included a 3.7 billion forints increase in real estate held for investment purposes reduced by 40.7 billion forints refinancing and 15.5 billion forints shrinkage of the portfolio of own loans. The 9.6 billion forints increase in interbank lending increased the balance sheet total. Securities held for sale were 78.8 billion forints higher year-on-year and securities for trading added almost one billion forints to the balance sheet total.

On the liabilities side, 107.2 billion forints of the increase were contributed by the borrowing from the State (including 4.2 billion forints fair value, change in the fair value has a -65.7 million forints effect on profit) and 17.2 billion forints by the expansion of the deposit portfolio. Interbank borrowings were 15.1 billion forints higher year-on-year. The shrinkage of the mortgage bond portfolio was more substantial, 106.1 billion forints (and included 23.5 billion forints change in fair value) added to an almost one billion forints shrinkage in the portfolio of bonds issued. Shareholders' equity increased by approximately 4.7 billion forints year-on-year, primarily as a result of an increase in accumulated assets. The year-on-year increase in general reserve was 0.7 billion forints. By contrast, cash flow hedge reserve dropped by approximately three billion forints.

The balance sheet total was 3.6% below the 31 December 2009 figure. The drop was due predominantly to a 34.8 billion forints shrinking of the portfolio of securities held for sale. The portfolio of own loans decreased by 0.9 billion forints and refinanced loans dropped by 5.1 billion forints in the reported quarter. The change in the fair value of derivatives decreased the balance sheet total by 0.7 billion forints. Conversely, interbank lending grew by 11.6 billion forints, but a 1.6 billion forints increase in receivables from the NBH reduced the balance sheet total.

As regards changes on the liabilities side, the biggest negative impact was the repayment of the state capital reported as liability in the IFRS balance sheet, as a result of which liabilities dropped by 31.7 billion forints. Added to this was the 18.0 billion forints decrease in the mortgage bond portfolio. The portfolio of deposits expanded by 4.7 billion forints in the first quarter and exceeded the Q4 of 2009 figure by 8.5 billion forints. Shareholders' equity increased by 1.0 billion forints in Q4 of 2009 due primarily to a 1.4 billion forints increase in accumulated assets net of a 0.5 million forints decrease in the fair value of cash flow hedges.

Interest earning assets

The Group's interest earning assets increased from 705.1 billion forints as of 31 March 2009 to 768.2 billion forints as of 31 December 2009, and then dropped to 738.4 billion forints as of 31 March 2010. The year-on-year growth over the 31 March figure was 4.7%. Expansion of loans disbursed by the Bank as of 31 March 2010 was 4.5% down year-on-year and 0.3% down from the Q4 of 2009 figure. Provisions to cover lending losses was up from 3.1 billion forints as of 31 March 2009 to 9.5 billion forints year-on-year. The increase in Q1 of 2010 amounted to 2.1 billion forints. The portfolio of refinanced loans shrank by 13.6% year-on-year. The Q1 decrease was 1.9% as a consequence of exchange rate volatility. As of 31 March 2009 the combined contribution of refinanced loans and own lending was 91.8%. The contribution was down to 80.0% as of 31 March 2010.

The collateral value of real estates covering ordinary collateral amounted to 1,305.2 billion forints as of 31 March 2010, 6.7% lower than the figure (1,399.2 billion forints) as of 31 March 2009 and 4.6% down from the figure in Q4 2009 (1,368.4 billion forints). The LTV ratio applicable for ordinary collateral (loan principal receivable to collateral value) was 39.6% as of 31 March 2010, somewhat lower than the 41.1% LTV ratio as of 31 March 2009. The LTV ratio was 38.6% as of 31 December, 2009.

The portfolio of NBH and other interbank loans was down from 40.7 billion forint as of 31 March 2009 to 40.4 billion forints as of 31 December 2009 and up to 50.5 billion forints as of 31 March 2010. The contribution of this item to total interest earning assets was 6.8%.

The value of the securities portfolio of the Bank held for sale shrank from 17.4 billion forints as of 31 March 2009 to 131.0 billion forints as of 31 December 2009, and then sharply declined to achieve 96.2 billion forints as of 31 March 2010. Thus the Q1 of 2010 contribution of securities held for sale to interest earning assets was 13.0%. Securities include NBH bonds amounting to 40.0 billion forints, discount treasury bills amounting to 11.8 billion forints as well as government bonds and bonds issued by other credit institutions amounting to 44.4 billion forints. The Bank's portfolio of securities held for sale continues to serve exclusively as a liquidity reserve.

As of 31 March 2010 the Bank held a very small portfolio of securities held for trading, which contributed 0.1% to interest bearing assets.

Property for investment, own and other assets

The value of real estates transferred into the Bank's ownership as a result of the annuity products sold during the reported period amounted to 10.4 billion forints as of 31 March 2010, 8.7% up from the 9.6 billion forints achieved in the previous quarter. The year-on-year increase was 55.0%.

The net value of tangibles as of 31 March 2010 was 2.3 billion forints and was the balance of IT and other tangible assets acquired in conjunction with product developments net of depreciation and did not change compared to the previous period. As a result of software investments and the changes in the acquisition-related portfolio value and goodwill the value of intangible assets grew from 8.5 billion forints as of Q1 of 2009 to 11.5 billion forints as of 31 March 2010.

Other assets amounted to 6.0 billion forints as of 31 March 2010 as opposed to 4.8 billion forints in Q4 of 2009.

Interest bearing liabilities

The contribution of mortgage bonds to the Bank's interest bearing liabilities grew to reach 81.1% as of 31 March 2009. The same item contributed 60.9% as of 31 December 2009 and achieved 61.7% as of 31 March 2010. The change in the breakdown of liabilities in the course of 2009 was caused by the steady shrinking of the mortgage bond portfolio and the appearance of the State loan among the liabilities items. The 420.5 billion forints book value of mortgage bonds as of 31 March 2010 was 4.1% down from the 31 December of 2009 figure (438.4 billion forints), and was 20.2% down from the 526.6 billion forints achieved as of 31 March 2009. The aggregate effect of new mortgage bond issues, redemptions and repurchases and the related exchange rate and fair value changes reduced the portfolio by 106.1 billion forints year-on-year.

Mortgage bond collateral

The value of assets used as ordinary collateral for the mortgage bonds issued by the Bank was 875.8 billion forints as of 31 March 2010, 4.0% down from the figure as of 31 December 2009 (912.7 billion forints), and 12.2% less than the figure as of 31 March 2009 (997.1 billion forints).

The value of the group of assets involved as collateral as of 31 March 2010 (HUF million)

Outstanding mortgage bonds in circulation	
Face value:	445,077
Interest:	107,651
Total:	**552,728**
Value of the regular collateral	
Principal:	520,985
Interest:	354,858
Total:	**875,843**
Value of assets involved as supplementary collateral	
Balance of the separate blocked account at the NBH – principal:	0
Total:	**0**

The present value of mortgage bonds amounted to 539.3 billion forints, and the present value of collateral was 625.6 billion forints as of 31 March 2009, thus the rate of coverage was 116%. As of 31 December 2009 the present value of mortgage bonds decreased to reach 496.5 billion forints, and that of collateral to 587.7 billion forints. The rate of coverage was 118%. As of 31 March 2010 the present value of mortgage bonds increased to reach 490.1 billion forints, and that of collateral to 583.8 billion forints. The rate of coverage was 119.1%.

As of 31 March 2010 net ordinary and supplementary collateral principle to the face value of mortgage bonds in circulation not yet repaid was 117.1%. Net interest on ordinary and supplementary collateral to interest on mortgage bonds in circulation not yet repaid was 329.6%.

Bonds issued

The book value of unsecured bonds was 52.7 billion forints as of the 31 December 2009 balance sheet date and 62.2 billion forints as of 31 March 2009. At the end of Q1 of 2010 the consolidated bonds portfolio changed to 61.2 billion forints as the combined effect of 14.6 billion forints issues, 16.0 billion forints repayments and repurchases and IFRS adjustments over the year.

Interbank funds

As of 31 March 2010 the 24.5 billion forints interbank portfolio contained interbank drawdown amounting to 16.5 billion forints, a Schuldschein loan equivalent to 8.0 billion forints denominated in EUR. The Bank has used the interbank facilities as supplementary funds.

Customer deposits

As of 31 March 2010 the portfolio of customer deposits amounted to 68.3 billion forints and included 51.1 billion forints deposits from retail customers and 14.1 billion forints deposits from corporate customers raised by the Commercial Bank. The book value of deposits was 63.6 billion forints as of 31 December 2009 and 51.1 billion forints as of 31 March 2009. The aggregate value of deposits from clients on collateral accounts related to corporate loans was 1.9 million forints as of 31 March 2010.

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 31 March 2010 the Bank has 107.2 billion forints (400 million EUR at 31 March 2010 NBH rate) of the State funds available.

Other liabilities

The Bank's other liabilities amounting to 6.7 billion forints include, among others, debts to suppliers (contributing 4.7% as of 31 March 2010 compared to 11.1% as of 31 December 2009, and 5.0% as of 31 March 2009), passive accruals (7.0% as of 31 March 2010 compared to 10.0% as of 31 December 2009, and 5.3% as of 31 March 2009), and taxes (7.5% as of 31 March 2010 compared to 11.7% as of 31 December 2009, and 8.4% as of 31 March 2009), deferred taxes (25.8% as of 31 March 2010 compared to 23.2% as of 31 December 2009, and 35.5% as of 31 March 2009). Liabilities from settlement with customers were 1.3 billion forints contributing 18.9% to other liabilities.

Shareholders' equity

The year-on-year increase in shareholders' equity was 10.7% (4.7 billion forints), reaching 48.5 billion forints as of 31 March 2010. The Q1 increase was 1.0 billion forints, or 2.2%.

The bulk of the year-on-year increase resulted from a 6.4 billion forints increase in retained earnings, and the 1.1 billion forints increase of fair value of available for sale assets. Cash-flow hedge reserves were down by 3.0 billion forints year-on-year due to the change in fair value in the wake of yield and exchange rate changes had a negative, 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 the increase in repurchased treasury shares.

Overall, shareholders' equity increased by 1.0 billion forints in Q1 2010. The main contributing factors in Q1 growth included a 1.4 billion forints increase in retained earnings boosted by a 135 million forints increase in general reserve, the amount of repurchased treasury shares did not change, the changes in cash-flow hedge reserve reduced the amount of shareholders' equity by 485 million forints.

Off balance sheet items

The Bank's pending liabilities towards customers among the off-balance sheet items were 0.7 billion forints. Contracted but not yet disbursed loans amounted to 2.8 billion forints. Future liabilities amounted to 371.6 billion forints and mainly include swap transactions relating to mortgage bonds. Liabilities from other currency swaps amounted to 50.0 billion forints.

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

Capital structure

Data in HUF million

DESCRIPTION	31 March 2009	31 December 2009	31 March 2010
Risk weighted assets	308,612	349,718	249,038
Regulatory capital	57,799	57,653	28,101
Statutory capital adequacy ratio	16.8%	14.9%	9.7%

If the annulment of the shares issues as a result of the state capital increase would had been finished until 31 March, 2010, the calculation of the consolidated capital adequacy ratio would have contained the Q1 2010 profit. Consolidated capital adequacy ratio of FHB at the end of the first quarter of 2010 determined according to this condition is 10.3%.

III. Major events during the accounting period

Legal events

The Company's Board of Directors, based on the agreement on the capital increase and interest acquisition by the State executed by and between the Hungarian State and the Company on March 31, 2009, decided on its Board meeting of February 19, 2010, on the exercise of its call option right against the Hungarian State regarding the series 'C' Special Dividend Preference Shares issued by the Company and on the repurchase of the total amount of the Special Dividend Preference Shares

The repurchase price of the Special Dividend Preference Shares is equal to the issue value of the Special Dividend Preference Shares, which is HUF 30 billion. The amount has been paid at 19 February, 2010, the shares has been transferred at 22 March, 2010.

The Company's Board of Directors has analyzed the circumstances – the effects of the financial crisis evolved in the United State of America and spread throughout the entire world economy, the extreme downturn of the Hungarian economy, the significantly deteriorating conditions of the credit markets and the extraordinary volatility of the forint - which have jointly lead to the capital increase contract signed with the Hungarian state in the beginning of 2009. As a result of the changes in the above mentioned external circumstances since the conclusion of the agreement – primarily but not exclusively the favourable atmosphere of the international economy and the relative positive changes achieved by the Hungarian economy after the fiscal corrections – the Company's Board of Directors has come to the conclusion that the external circumstances supporting the capital increase have changed so that they do not justify the presence of the state capital according to the Stabilization Act. The Company has continuously complied with the prudential requirements and will safely comply after the state capital has been returned.

According to the Agreement, the rights embodying by the Special Voting Preference Share would be terminated, as a consequence of the acquisition of the Special Dividend Preference Shares by the Company. The Special Dividend Preference Shares and the Special Voting Preference Share are to be terminated mandatorily, and, simultaneously, the share capital is to be decreased within thirty days of the acquisition of the Special Dividend Preference Shares, by the Company, after the receiving of the approval of the HFSA.

FHB Mortgage Bank received the decision of the HFSA (No. EN-I253/2010) on the approval of the capital decrease. According to this approval, the decision of the Board of Directors about the annulment of the shares C and D series made at 18 March, 2010 has been entered into effect.

The Annual General Meeting of the company has been held at 21 April, 2010.

The General Meeting decided to elect Tamás Vojnits to serve on the Board of Directors as an external member, and Gyula Köbli and Tamás Foltányi to serve on the Board of Directors each as internal members with mandate from the date of the AGM, 21 April 2010 until 29 April 2013. In its order dated 16 April 2010 the Hungarian Financial

Supervisory Authority approved the appointment of Tamás Vojnits as an external Bard member and of Gyula Köbli and Tamás Foltányi as internal Board members.

The General Meeting elected Enikő Márton Uhrin to serve on the Company's Supervisory Board with a mandate of five years from the date of the AGM, 21 April 2010 until 21 April 2015. In its approval dated 16 April 2010 the Hungarian Financial Supervisory Authority approved the appointment of Enikő Márton Uhrin as a Supervisory Board member.

Ágnes Winkler resigned of her seat on the Supervisory Board with effect from 14 April 2010.

The mandate of Kata Orsolya Molnár as member of the Supervisory Board will expire on 5 May 2010 and thus her membership of the Supervisory Board shall thereupon automatically cease.

Declaration

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

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

Budapest, 14th May, 2010

Dániel Gyuris	Gyula Köbli
CEO	Deputy CEO

Name:	FHB Mortgage Bank Plc.	Telephone:	(1) 452 - 9100
Address:	1082 Budapest, Üllői út 48.	Fax:	(1) 452 - 9200
Sector code:	6522	E-mail:	bardosp@fhb.hu
Reporting period:	01.01.2010 – 31.03.2010	Investor relations:	Péter Bárdos

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 Életjáradék Ingatlanbefektető Zrt. (FHB Annuity Real Estate Investment Ltd), and to CEC Magyarország Zrt. and its affiliates (Central European Credit d.d.; Central European Leasing d.d.; Portfolio Money Zrt.; Hitelunió Kft.; Portfolio Money FBK Kft.).

Profit and Loss Statement

(consolidated, non-audited data as at 31 March, 2010 and audited, consolidated data as at 31 March, 2009, according to IFRS, data in thousand HUF)

DESCRIPTION	31 March, 2010	31 March, 2009	Change (%)
Interest income	18,836,805	20,182,520	-6.7%
Interest expense	-11,997,505	-15,441,373	-22.3%
Net interest income	**6,839,300**	**4,741,147**	**44.3%**
Fee and commission income	349,489	438,259	-20.3%
Fee and commission expense	-120,625	-17,892	574.2%
Profit from FX transactions	-209,555	2,410,405	-108.7%
Profit from changes of fair value of derivatives	-395,750	-1,002,554	-60.5%
Gain less losses from securities	866,193	-178,753	-584.6%
Other operating income	870,584	516,567	68.5%
Other operating expense	-570,278	-9,565	5.863.3%
Operating income	**7,629,357**	**6,897,614**	**10.6%**
Losses/provisions on loans and impairment	-2,016,394	-995,177	102.6%
Operating expenses	-3,306,201	-3,333,753	-0.8%
Profit before tax	**2,306,762**	**2,568,683**	**-10.2%**
Taxation expense	-803,373	-1,116,320	-28.0%
Profit for the period	**1,503,390**	**1,452,363**	**3.5%**

Statement of comprehensive income	31 March, 2010	31 March, 2009	Change (%)
Profit for the period	1,503,390	1,452,363	3.4%
Other comprehensive income	0	0	-
Cash-flow hedge reserve	-599,635	2,779,716	-563.6%
Variation in fair value of tradable financial assets	6,303	-112,701	-1,888.1%
FX reserve	0	0	-
Other comprehensive income with deferred tax	113,957	-514,217	-551.2%
Total comprehensive income	**1,024,015**	**3,605,161**	**-252.1%**

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Reporting period:	01.01.2010 – 31.03.2010	Investor relations:	Péter Bárdos

Balance Sheet

(consolidated, non-audited data as at 31 March, 2009 and 31 March, 2010, according to IFRS, data in thousand HUF)

DESCRIPTION	31 March, 2010	31 March, 2009	Change (%)
Assets			
Cash	847,296	938,049	-9.7%
Due from National Bank of Hungary	835,525	743,738	12.3%
Placements with other banks	49,619,673	39,985,472	24.1%
Available for sale securities and investments	96,191,885	17,393,411	515.1%
Available for trade securities	994,681	-	-
Refinancing of mortgage loans	257,899,465	298,591,859	-13.6%
Loans	332,892,822	348,429,271	-4.5%
Fair value of derivatives	2,812,055	18,394,329	-84.7%
Property for investment	10,393,724	6,704,288	55.0%
Goodwill and intangible assets	11,588,719	8,548,046	35.6%
Tangible assets	2,256,933	2,314,795	-2.5%
Other assets	6,044,883	4,194,833	44.1%
Total Assets	**772,377,661**	**746,238,091**	**3.5%**
Liabilities			
Deposits from banks	24,533,545	9,384,806	161.4%
From this: fair value to P/L	*7,979,116*	*9,232,376*	*13.6%*
Mortgage bond liabilities	420,454,576	526,588,752	-20.2%
From this: fair value to P/L	*119,562,958*	*143,083,952*	*-16.4%*
Bonds issued	61,231,872	62,219,490	-1.6%
From this: fair value to P/L	*48,178,656*	*53,749,207*	*-10.4%*
Deposits	68,274,836	51,113,891	33.6%
State loan received	107,215,729	0	-
From this: fair value to P/L	*4,188,882*	*0*	-
Fair value of derivatives	33,309,311	45,633,725	-27.0%
Reserve for annuity payment	2,173,218	1,132,917	91.8%
Other liabilities	6, 724,853	6,385,611	5.3%
Total Liabilities	**723,917,939**	**702,459,194**	**3.1%**
Share capital	6,600,001	6,600,001	-
Repurchased own shares	-1,546,020	-1,199,272	28.9%
Share premium	1,709,014	1,709,014	-
General reserve	4,604,077	3,910,150	17.7%
Cash-flow hedge reserve	348,989	3,379,854	-89.7%
Stock option reserve	0	117,177	-
Variation in fair value of tradable financial assets	920,078	-135,495	-779.0%
FX reserve	20,655	0	-
Retained earnings/(deficit)	35,802,928	29,397,469	21.8%
Total Shareholders' Equity	**48,459,722**	**43,778,897**	**10.7%**
Total Liabilities and Shareholders' Equity	**772,377,661**	**746,238,091**	**3.5%**

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Cash Flow

(consolidated, non-audited data as at 31 March, 2009 and 31 March, 2010, according to IFRS, data in thousand HUF)

DESCRIPTION	31 March, 2010	31 March, 2009
Cash flows from operating activities		
Net profit	**1,503,390**	**1,452,363**
Non cash adjustments to net income to net cash from operating activities:		
Depreciation	397,998	425,146
Change of fair value of property for investment	-369,650	-418,765
Provision for losses	2,101,147	1,266,415
Loss/(profit) on sale of fixed assets	10,494	15,765
Stock option reserve	0	31,387
Share granted	0	0
Derivatives	8,510,185	6,324,696
Purchased tangible and intangible assets during acquisition	309,304	27,204
Real value of annuity	0	0
FX reserve	0	0
Operating profit / (loss) before changes in operating assets	**12,462,868**	**9,124,211**
Increase (decrease) in operating assets:		
Refinancing of mortgage loans	5,115,566	-11,979,347
Loans	-1,226,053	-22,500,692
Accrued interest receivable	0	0
Other assets	-1,229,324	707,838
Increase (decrease) in operating liabilities:		
Deposits	4,713,249	17,347,426
Due to other banks	-1,761,574	-6,181,101
Accrued interest payable	0	0
Other liabilities	140,297	1,689,633
Net cash used in operating activities	**18,215,029**	**-11,792,032**
Cash flows from investing activities		
Increase in available for sale securities	34,834,863	907,877
Increase in available for trade securities	-994,681	0
Proceeds from sale of property and equipment	-5,208	0
Purchase of property and equipment	-483,584	-466,311
Purchase of property for investment	-479,126	-305,457
Investment service	15,466	-20,112
Purchased subsidiary's net cash-flow	0	0
Net cash used in investing activities	**32,887,730**	**115,997**
Cash flows from financing activities		
Sale/(purchase) of own shares		-44,553
own shares of prior year		
Long term loans	-31,742,239	1,333,200
Long term loans	-133,500	
Paid dividend		
Cash flow hedge reserve		
Instalment from mortgage bonds	-39,255,101	-26,283,780
Proceeds from issue of mortgage bonds	29,808,330	46,641,050
Net cash from financing activities	**-41,322,510**	**21,645,917**
Net increase in cash and cash equivalents	9,780,249	9,969,882
Cash and cash equivalents at beginning of year	41,522,245	31,697,377
Cash and cash equivalents at end of period	**51,302,494**	**41,667,259**
Cash and cash equivalents comprises of:		
Cash	847,296	938,049
Due from Central Bank	835,525	743,738
Placements with other banks, with a maturity of less than 90 days	49,619,673	39,985,472
Cash and cash equivalents at end of period	**51,302,494**	**41,667,259**
Supplemental information		
Interest received	*17,938,321*	*19,643,729*
Interest paid	*-11,499,549*	*-16,241,228*
Tax paid	*-353,931*	*-209,727*

Statement of Shareholders' Equity

(consolidated, non-audited data as at 31 March, 2009 and 31 March, 2010 and audited, consolidated data as at 31 December, 2009, 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)	Share-holders' Equity
31 March, 2009	**6,600,001**	**-1,199,272**	**1,709,014**	**3,910,150**	**3,379,854**	**117,177**	**-135,495**	**0**	**29,397,469**	**43,778,897**
Transfer to general reserve				559,352					-738,721	-179,369
Total comprehensive income					-2,546,384		1,050,468	20,654	5,775,367	4,300,105
Own shares purchase										
Shares granted		-346,750								-346,750
Creation of stock option reserve						-117,177				-117,177
31 December, 2009	**6,600,001**	**-1,546,021**	**1,709,014**	**4,469,502**	**833,470**	**0**	**914,973**	**20,654**	**34,434,114**	**47,435,707**
Transfer to general reserve				134,575					-134,575	0
Total comprehensive income		1			-484,481		5,105	1	1,503,390	1,024,015
Own shares purchase										0
Shares granted										0
Creation of stock option reserve										0
31 March, 2010	**6,600,001**	**-1,546,020**	**1,709,014**	**4,604,077**	**348,989**	**0**	**920,078**	**20,655**	**35,802,928**	**48,459,722**

Loans

(consolidated, non-audited data as at 31 March, 2009 and 31 March, 2010, according to IFRS, data in thousand HUF)

DESCRIPTION	31 March, 2010	31 March, 2009
Real estate purchase	116, 487,089	124,663,872
Real estate construction	49,585,060	51,601,441
Real estate reconstruction	4,210,652	5,100,181
Real estate extension	9,892,385	11,044,883
Other loans secured by real estate	137,403,767	151,732,846
Loans secured by non real estate	16,684,728	1,156,344
Employee loans	2,320,176	2,214,044
Leasing	1,532,607	0
Other	6,505	0
Loans, gross	**338,122,969**	**347,513,611**
from this: retail loans	296, 463,372	323,913,289
other	41,659,597	23,600,322
Loan loss provision	-9,468,062	-3,053,817
Accrued interest	2,362,954	1,772,338
Amortised cost	1,892,962	2,197,139
Loans, net	**332,892,822**	**348,429,271**

Mortgage bonds

(consolidated, non-audited data as at 31 March, 2009 and 31 March, 2010, according to IFRS, data in thousand HUF)

DESCRIPTION	Carrying amount	Nominal value	Carrying amount	Nominal value
	31 March, 2010		31 March, 2009	
Non-listed mortgage bonds				
Fixed	157.704.857	157.447.415	167.866.022	167.506.790
Floating	45.282.962	46.589.495	79.332.816	58.231.090
Listed mortgage bonds				
Fixed	99,690,600	99,744,870	133,024,144	141,322,480
Floating	106,956,265	107,217,261	134,571,704	136,933,655
Accrued interest	10,819,893		11,794,065	
Total	**420,454,576**	**410,999,041**	**526,588,752**	**503,994,015**

Name:	FHB Mortgage Bank Plc.	Telephone:	(1) 452 - 9100
Address:	1082 Budapest, Üllői út 48.	Fax:	(1) 452 - 9200
Sector code:	6522	E-mail:	bardosp@fhb.hu
Reporting period:	01.01.2010 – 31.03.2010	Investor relations:	Péter Bárdos

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 current year			End of reporting period			Beginning of current year			End of reporting period		
	(01.01.2010.)			(31.03.2010.)			(01.01.2010.)			(31.03.2010.)		
	%[2]	%[3]	Pcs	%[2]	%[3]	Pcs	%[2]	%[3]	Pcs	%[2]	%[3]	Pcs
Domestic institutional / company	36.91	64.51	41,394,763	40.32	70.47	45,220,640	62.72	64.51	41,394,763	68.52	70.47	45,220,640
Foreign institutional / company	16.47	28.79	18,473,958	12.21	21.33	13,688,564	27.99	28.79	18,473,958	20.74	21.33	13,688,564
Domestic private individuals	1.32	2.31	1,484,433	2.18	3.81	2,443,950	2.25	2.31	1,484,433	3.70	3.81	2,443,950
Foreign private individuals	0.02	0.04	24,255	0.02	0.04	24,255	0.04	0.04	24,255	0.04	0.04	24,255
Employees, executives	0.07	0,12	78,437	0.07	0.12	78,437	0.12	0.12	78,437	0.12	0.12	78,437
Treasury shares	1.63	0.00	1,829,864	42.78	0.00	47,983,863	2.77	0.00	1,829,864	2.77	0.00	1,829,864
State[4]	2.42	4.23	2,714,300	2.42	4.23	2,714,300	4.11	4.23	2,714,300	4.11	4.23	2,714,300
International Development Institutes[5]	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0
Hungarian State - Ministry of Finance "C" special dividend preference shares[6]	41.16	0.00	46, 153.,99	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0
Other ("D" special voting preference shares[7])	0.00	0.00	1	0.00	0.00	1	0.00	0.00	0	0.00	0.00	0
TOTAL	100.00	100.00	112,154,010	100.00	100.00	112,154,010	100.00	100.00	66,000,010	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 2010		31 March 2010	
	Number of shares (pcs)	%	Number of shares (pcs)	%
Company	1,829,864	2.77	1,829,864	2.77
Subsidiaries[1]	0	0,00	0	0,00
TOTAL	1,829,864	2.77	1,829,864	2.77

Name:	FHB Mortgage Bank Plc.	Telephone:	(1) 452 - 9100
Address:	1082 Budapest, Üllői út 48.	Fax:	(1) 452 - 9200
Sector code:	6522	E-mail:	bardosp@fhb.hu
Reporting period:	01.01.2010 – 31.03.2010	Investor relations:	Péter Bárdos

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

Name	Depository	Number of shares	Interest (%)	Voting right (%)
VCP Finanz Holding Kft.	no	15,970,000	24.20	24.20
A64 Vagyonkezelő Kft.	no	10,746,468	16.28	16.28
Allianz Hungária Biztosító Zrt.	no	6,318,105	9.57	9.57
Silvermist Estate SA	no	6,303,545	9.55	9.55
Total		**36,338,118**	**59.60**	**59.60**

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

Name	Depository	Number of shares	Interest (%)	Voting right (%)
FHB Mortgage Bank Plc.	no	47,983,863	42.78	0.00
VCP Finanz Holding Kft.	no	15,970,000	14.24	24.20
A64 Vagyonkezelő Kft.	no	10,746,468	9.58	16.28
Allianz Hungária Biztosító Rt.	no	6,318,105	5.63	9.57
Silvermist Estate SA	no	6,303,545	5.62	9.55
Total		**87,321,981**	**77.85**	**59.60**

Data forms related to the organisation and operation of the issuer

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

	Beginning of current year (1 January 2010)	End of reporting period (31 March 2010)
Bank	69	71
Consolidated	575	587

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
IT	Gyula Köbli	Member, CFO	21.04.2010.	29.04.2013.	0
IT	Tamás Foltányi	Member, CIO	21.04.2010.	29.04.2013.	12,000
IT	Tamás Vojnits	Member	21.04.2010.	29.04.2013.	0
FB	Csaba Lantos	Chairman	29.04.2009.	29.04.2014.	0
FB	Róbert Somfai	Member	29.04.2008.	29.04.2013.	5,000
FB	Ágnes Winkler	Member	26.07.2002.	14.04.2010.	0
FB	Kata Orsolya Molnár	Member	05.05.2005.	05.05.2010.	0
FB	Dr. Erik Landgraf	Member	02.05.2006.	02.05.2011.	4,000
FB	Nguyen Hoang Viet	Member	02.05.2006.	02.05.2011.	5,245
FB	Enikő Mártonné Uhrin	Member	21.04.2010.	21.04.2015.	0
Shares held (pcs) TOTAL:					78,437

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

INFORMATION AND DISCLOSURES

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

- Events relating to Group operation (banking announcements, changes in the Rules of Operation);
- 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
- Interim management reports
- Announcement of FHB Plc regarding to the decision of repurchase the special dividend rights shares held by the Hungarian State
- Proposals submitted to the AGM and invitation to the AGM.

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

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