



**FHB Mortgage Bank Plc.**  
**Interim management report**  
**for the first half of 2012**

Budapest, 17<sup>th</sup> August, 2012

## Summary consolidated figures

In HUF million	30/06/2011	31/03/2012	30/06/2012	30/06/2012 / 30/06/2011	30/06/2012 / 31/03/2012
<b>Main balance sheet items</b>					
Total assets	839,767	778,877	809,618	-3.6%	3.9%
Refinanced loans	244,005	187,479	178,821	-26.7%	-4.6%
Loans (gross)	397,855	388,001	380,766	-4.3%	-1.9%
Mortgage bonds	359,405	303,100	259,862	-27.7%	-14.3%
Senior unsecured bonds	101,285	118,700	118,579	17.1%	-0.1%
Customer deposits	127,077	178,895	154,651	21.7%	-13.6%
Shareholders' equity	59,850	53,461	53,759	-10.2%	0.6%

In HUF million	Q2 2011	Q1 2012	Q2 2012	Q2 2012 / Q1 2012	Q2 2012 / Q2 2011	H1 2011	H1 2012	H1 2012 / H1 2011
<b>Main P/L items</b>								
Net interest income	5,604.4	5,614.1	4,803.7	-14.4%	-14.3%	11,709.8	10,417.8	-11.0%
<i>Net interest margin</i>	<i>2.70%</i>	<i>2.85%</i>	<i>2.43%</i>	<i>-0.43%-pt</i>	<i>-0.27%-pt</i>	<i>2.76%</i>	<i>2.58%</i>	<i>-0.17%-pt</i>
Net fees and commissions	506.0	903.8	627.7	-30.6%	24.1%	1,245.0	1,531.5	23.0%
Total income (with net fees)	6,442.4	5,559.4	7,851.7	41.2%	21.9%	13,222.1	13,411.1	1.4%
Credit loss expense	-621.1	-988.7	-3,434.6	247.4%	453.0%	-2,077.2	-4,423.2	112.9%
Operating cost	-4,715.1	-4,173.3	-4,054.5	-2.8%	-14.0%	-9,527.9	-8,227.8	-13.6%
<i>Cost to income ratio</i>	<i>73.2%</i>	<i>75.1%</i>	<i>51.6%</i>	<i>-23.4%-pt</i>	<i>-21.5%-pt</i>	<i>72.1%</i>	<i>61.4%</i>	<i>-10.7%-pt</i>
<i>Cost/income ratio without special banking tax</i>	<i>66.9%</i>	<i>66.6%</i>	<i>47.4%</i>	<i>-19.2%-pt</i>	<i>-19.5%-pt</i>	<i>64.2%</i>	<i>55.5%</i>	<i>-8.7%-pt</i>
<b>Profit before tax</b>	<b>1,106.1</b>	<b>397.5</b>	<b>362.7</b>	<b>-8.8%</b>	<b>-67.2%</b>	<b>1,616.9</b>	<b>760.1</b>	<b>-53.0%</b>
<b>Profit after tax</b>	<b>759.3</b>	<b>13.9</b>	<b>53.7</b>	<b>287.9%-</b>	<b>-92.9%</b>	<b>928.0</b>	<b>67.6</b>	<b>-92.7%</b>
Profit before tax without special banking tax	1,711.0	1,103.8	1,069.0	-3.2%	-37.5%	3,232.5	2,172.8	-32.8%
<b>Profit after tax without special banking tax</b>	<b>1,364.2</b>	<b>720.2</b>	<b>760.1</b>	<b>5.5%</b>	<b>-44.3%</b>	<b>2,543.5</b>	<b>1,480.3</b>	<b>-41.8%</b>
Basic EPS (HUF)	15.5	-2.4	6.5	-	-58.0%	10.3	2.1	-80.0%
<i>Return on Assets</i>	<i>0.37%</i>	<i>0.01%</i>	<i>0.03%</i>	<i>0.02%-pt</i>	<i>-0.34%-pt</i>	<i>0.22%</i>	<i>0.02%</i>	<i>-0.21%-pt</i>
<i>Return on Equity</i>	<i>5.11%</i>	<i>0.10%</i>	<i>0.40%</i>	<i>0.30%-pt</i>	<i>-4.71%-pt</i>	<i>3.14%</i>	<i>0.25%</i>	<i>-2.89%-pt</i>
<i>ROAA without special banking tax</i>	<i>0.66%</i>	<i>0.36%</i>	<i>0.38%</i>	<i>0.02%-pt</i>	<i>-0.27%-pt</i>	<i>0.62%</i>	<i>0.37%</i>	<i>-0.24%-pt</i>
<i>ROAE without special banking tax</i>	<i>9.19%</i>	<i>5.42%</i>	<i>5.70%</i>	<i>0.28%-pt</i>	<i>-3.48%-pt</i>	<i>8.61%</i>	<i>5.55%</i>	<i>-3.06%-pt</i>

In HUF million	Q2 2011	Q1 2012	Q2 2012	Q2 2012 / Q1 2012	Q2 2012 / Q2 2011	H1 2011	H1 2012	H1 2012 / H1 2011
<b>Capital adequacy</b>								
Risk weighted assets	280,525	306,750	318,610	3.9%	13.6%	280,525	318,610	13.6%
Guarantee capital (IFRS)	40,054	36,729	58,689	59.8%	46.5%	40,054	58,689	46.5%
<i>Capital adequacy ratio (IFRS)</i>	<i>11.1%</i>	<i>10.2%</i>	<i>13.7%</i>	<i>3.5%-pt</i>	<i>2.6%-pt</i>	<i>11.1%</i>	<i>13.7%</i>	<i>2.6%-pt</i>

## Interim report on the results of FHB Group for the first half of 2012

This report of FHB Mortgage Bank Public Company Limited by Shares for the first half of 2012 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 2011, and the consolidated, non-audited figures as of 30 June 2011, 31 March 2012 and 30 June 2012. The same accounting policy and calculation methods have been applied by interim report and consolidated balance sheet and profit and loss account according to the International Financial Reporting Standards (IFRS) as of 31 December 2011.

The Group accounted the entire amount of special banking tax prescribed for 2012 pursuant to the provisions of Act LIX of 2006. The Group accepts and does not contest this amount set by law, the Group is bound to pay during the course of the year 2012 the full amount. However, in order to present the impacts of actual operation, the analysis and comparative indicators of interim reports are based on the adjusted financial statements that include special banking tax pro rata.

For the information of investors, appendix of this interim report presents the financial statements including the special banking tax for the entire business year and the financial statements that include special banking tax pro rata, as well.

### I. Summary of the achievements of the past period

FHB Group's **consolidated balance sheet total** calculated according to International Financial Reporting Standards decreased by 3.6%, from 839.9 billion forints to 809.6 billion forints. Primarily fixed-rate final repayments contributed to fall of loans and mortgage bonds generating decline in balance sheet total.

**Consolidated shareholders' equity** decreased by 10.2% year-on-year and amounted to 53.8 billion forints as of 30 June 2012.

**Consolidated after-tax profit** for H1 of 2012 was 67.6 million forints; adjusted with the special banking tax it is 41.8% below the 2011 reference period figure.

The **average net interest margin (NIM)** slipped from 2.76% in H1 2011 by 17 basis points, to 2.58% year-on-year. Average net interest margin in Q2 2012 decreased by 43 bp to 2.43% from 2.85% in Q1 2012.

In H1 of 2012 the Group's **cost to income ratio (CIR)** was **61.4%** compared to 72.1% in the reference period of 2011. Same figures adjusted with the special banking tax show better performance as of 64.2% in H1 2011 and 55.5% in H1 2012. Operating cost declined by 13.6% improving CIR, on the other side, amount of total income didn't change significantly compared to figures a year before.

On 1 April 2012, FHB Mortgage Bank started to collect and process the application for the new buffer account scheme. Because of the low initial interest, Banking Association suggested to bring forward the further deadlines of registration for exchange rate protection, in agreement with the Government. Accordingly, since 2 May 2012, FHB Bank also accepts the applications of clients owning housing loan. Demand for buffer account scheme is growing continuously, by mid-August, 12% of entitled customer applied for the program. Volume of accepted application (decided, contracted or disbursed) attached approximately 18 billion forints. Concerning these transactions, released interest will be around 35-38 million forints in 2012, while expected to reach 710-720 million forints during the whole period of buffer account scheme. FHB Bank investigates the necessity of provisioning because of expected change in future cash-flows of interest income according to IFRS, concerning original effective interest rate of loans.

Until statutory deadline, FHB Bank informed all of its customers entitled in conversion of FX loan into HUF. From applicants, 455 clients accepted the conditions of the transactions and will be converted, that means close to 20% of clients entitled to conversion. Total receivables from the portfolio taking part in the program, amounts to 2.7 billion forints. FHB Group expects 100-130 million forints of losses on receivables' release, while considering possible changes in impairment, no significant result is expected.

In case of this non-performing client segment, FHB intend to apply the other conversion possibilities ensured by the law, accordingly started to contact these clients and provide personalised offers within the legislative framework.

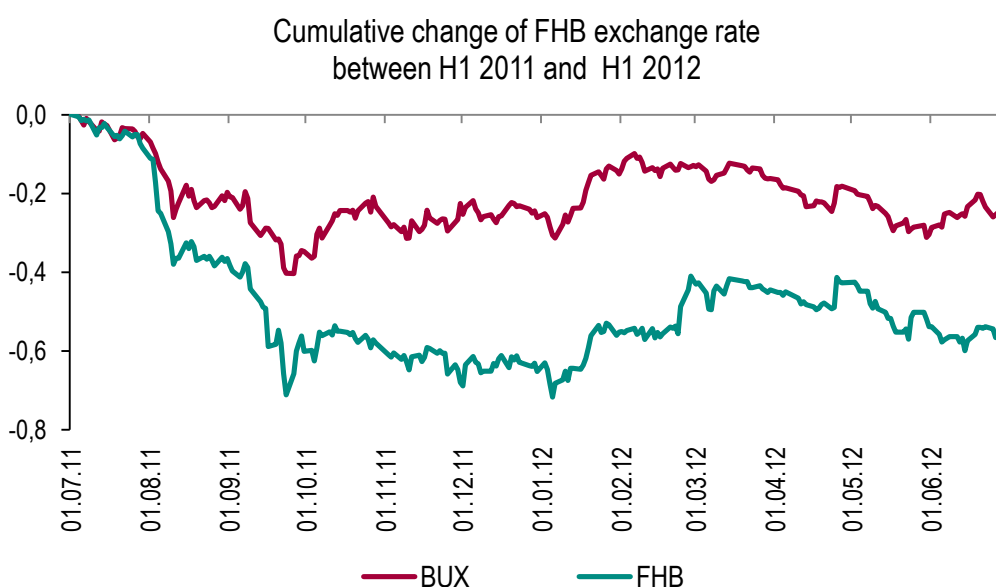
### Performance of FHB shares

In terms of capitalisation, FHB is currently 7th in the rank of "A" rate listed companies and contributes 0.81% to the aggregate capitalisation of the BSE based on 30 June 2012 data.

As of 30 June 2012, FHB's weight in the BUX index was 0.86% (improving its ranking from 7th place, 6th biggest weight in the basket), and was 2nd with a weight of 13.52% in BUMIX, the index of share prices of mid- and small-cap companies.

The price of FHB Mortgage Bank's shares decreased by 9.6%, compared to Q1 and closed the first half at 510 forints.

The total turnover of mortgage bonds and senior bonds issued by FHB, amounted to 154 million forints in Q2 of 2012, decreasing by more than 1 billion forints compared to Q1 2012 (during Q1, turnover of bonds amounted to 1,225 million forints representing an extremely high performance in comparison to recent years' average).



## II. Main activities and subsidiaries' performance

### *CMB issues, funding*

In second quarter of 2012 – just like in the first quarter - uncertainties related to the EU, market judgement on the debt crisis of euro zone influenced the macroeconomic environment. Falling in stock markets, weakening of euro, declining German and US yields described the actual uncertainty.

In June, shaping long-term solutions of European crisis have moderated uncertainty. Fiscal union, banking union and common deposit insurance fund have become part of European political discourse. For the markets was positive the unexpected 25 basis point interest rate cut of Chinese central bank, news about Spanish bank rescue package and also the success of European Union summit. Euro strengthened to 1.259 to USD and major stock markets showed a small increase, and trading on European bond markets calmed down.

FHB remained active on the domestic bond market, in H1 of 2012 issue of senior uncovered bonds amounted to 33.2 billion forints and 95 million euros and approximately 54 billion forints of CMB have been issued. In the first half of 2012 total amount of bonds issued was over 119 billion forints.

In the first six months, 45.2 billion forints of CMBs and 9.4 billion forints of senior uncovered bonds matured. The Bank redeemed approximately 111.3 million euros and 10.6 billion forints of CMBs and 10 billion forints of senior uncovered bonds.

### *Retail mortgage lending and the housing market*

Retail customers' demand for loans remained very low in the H1 2012; at the same time, the supply side was weakened by unfavourable changes in the regulatory and market environment. Parallel with the loan market, the housing market as well as housing construction have hit rock bottom. According to CSO statistics, 4,463 new homes were built in H1 2012, by 20% less than in H1 2011; the number of new housing construction permits issued was only 4,888, 17% less compared to the 2011 data. Based on preliminary data of FHB House Price Index, also number of used flat transactions dropped in the first half of the year.

As of 30 June 2012, the retail mortgage loans portfolio (6,009 billion forints) was down by 10.1% compared to 30 June 2011; the volume growth adjusted by exchange rate volatility was -16.9%. Volume of HUF loans expanded (+18.5%, or +341 billion forints); at the same time the FX loan portfolio shrank because of fixed rate final repayments (-29.0% once adjusted by the volatility of exchange rate) in H1 2012.

Retail housing loans declined by 2.5% in Q2, adjusted by exchange rate volatility, change was -2.3%, at the end of June 2012 housing loans amounted to 3,633 billion forints. Figures declined by 14.3% year-on-year, adjusted by exchange rate volatility by -20.0%. Loans denominated in HUF fell by 1.0% or 23 billion forints during the last quarter, while FX loan portfolio dropped by 126 billion forints or 3.1% adjusted by exchange rate.

Against the increase over the past 3 months, in Q2 2012 the housing loan portfolio – in line with the real estate market figures – declined by 20 billion forints, while year-on-year growth was +7.9% or +120 billion forints. FX denominated housing loans dropped by 3.2% in Q2 and by 34.0% year-on-year after exchange rate adjustment.

General-purpose mortgage loans amounted to 2,376 billion forints as of 30 June 2012; after exchange rate adjustment the portfolio shrank by 2.3% in the last three months, and by 11.8% year-on-year. Similarly to the previous quarter, HUF denominated general-purpose mortgage loans expanded by 0.9% (+4 billion forints) quarter-on-quarter and by 106.5% (or 247 billion forints) year-on-year. As opposed, the exchange rate adjusted change in FX denominated general-purpose mortgage loans was -3.1% in Q2 of 2012 and -22.9% year-on-year.

### Own lending

The gross loan portfolio of FHB Group amounted to 380.8 billion forints as of 30 June 2012, 4.3% down from the 30 June 2011 figure (397.9 billion forints). Year-on-year decline is attributed to fixed rate final repayment, that couldn't have been offset by 48% increase of SME loans. Compared to 31 March 2012 (388.0 billion forints) the portfolio was down by 1.9%, partly as a result of FX rate change.

Retail loans continued to dominate within the loan portfolio with a contribution exceeding 82.8%. As of 30 June 2012, 57.1% of outstanding loans were denominated in FX, close to level at the end Q1 of 2012, but as a result of fixed rate final repayment, significantly lower compared to 62.3% a year before.

In HUF million	30/06/2011	31/03/2012	30/06/2012	30/06/2012 / 30/06/2011	30/06/2012 / 31/03/2012
Housing loans	189,880	162,856	159,650	-15.9%	-2.0%
Other mortgage loans	152,815	151,339	143,894	-5.8%	-4.9%
Consumer loans	6,398	7,046	6,967	8.9%	-1.1%
Loans for employees	2,406	2,072	1,970	-18.1%	-4.9%
Retail leasing	2,165	2,100	2,858	32.0%	36.1%
Corporate leasing	43,702	61,330	64,508	47.6%	5.2%
Corporate loans	489	1,258	918	87.7%	-27.0%
<b>Loans, gross</b>	<b>397,855</b>	<b>388,001</b>	<b>380,765</b>	<b>-4.3%</b>	<b>-1.9%</b>
Provisions	-25,262	-31,628	-34,321	35.9%	8.5%
<b>Loans, net</b>	<b>372,593</b>	<b>356,373</b>	<b>346,444</b>	<b>-7.0%</b>	<b>-2.8%</b>

Loans to retail customers were by 3.1% (or 10.1 billion forints) down from the 31 March 2012 figure. In terms of structure, 41.9% of the retail loan portfolio is contributed by housing loans. Other mortgage loans contributed 37.8% to the loan portfolio. As of 30 June 2011, the contribution of the two dominant items was 47.7% and 38.4%, respectively. Mortgage loans extended to senior citizens (reverse mortgage) achieved 3.1 billion forints as of 30 June 2012.

Volume of corporate loans rose from 44.2 billion forints as of 30 June 2011 by 21.2 billion forints (or 48.1%) year-on-year, growth over the 31 March 2012 figure was 2.8 billion forints (4.5%). The corporate business represents 17.2% of the total loan portfolio; this rate was 11.1% on 30 June, 2011.

In HUF million	30/06/2011	31/03/2012	30/06/2012	30/06/2012 / 30/06/2011	30/06/2012 / 31/03/2012
Retail loans	353,664	325,413	315,339	-10.8%	-3.1%
Corporate loans	44,191	62,588	65,426	48.1%	4.5%
<b>Total own lending, gross</b>	<b>397,855</b>	<b>388,001</b>	<b>380,765</b>	<b>-4.3%</b>	<b>-1.9%</b>
Refinanced loans	244,005	187,479	178,821	-26.7%	-4.6%

### Refinancing

To the end of June 2012, volume of refinanced loans dropped by 26.7%, to 178.8 billion forints compared to 30 June 2011. The portfolio shrank by 4.6% compared to the 187.5 billion forints at 31 March, 2012. Final repayments played the major role also in decrease of refinanced loans.

### FHB Commercial Bank Ltd.

On 30 June 2012, gross loans of Commercial Bank were nearly 195.2 billion forints, representing 1.0% decrease down the 30 June 2011 figure. Loans to corporates amounted to 63.0 billion forints at the end of the reported period with a 29.2% contribution to total loans.

The number of retail accounts managed by the Commercial Bank was over 154.5 thousand as of 30 June 2012, and number of corporate accounts rose from 5,437 pcs to 6,774 pcs in the last one year. As of 30 June 2012, the aggregated amount of retail and corporate deposits was 21.7% above the 30 June 2011 figure and exceeded 153.3 billion forints.

#### *FHB Annuity Ltd.*

FHB Annuity Ltd. offers two kinds of products to senior customers. FHB Annuity product is sold directly by FHB Annuity Ltd. FHB Mortgage Annuity product is a reverse mortgage loan, which means the contracts being reported in the balance sheet of FHB Mortgage Bank Plc.

In Q1 2012 two new annuity contracts were signed with a total value of 46 million forints. In Q2 two other new annuity contracts were signed with a total value of 19 million forints. Since its foundation up until 30 June 2012, the Company acquired 727 annuity contracts; at the end of the reported period, after the withdrawal of 70 properties with a value of 936 million forints, the portfolio contained 657 contracts with 11.2 billion forints combined property value (which is the same as total value of annuity contracts).

In 2012 the number of new reverse mortgage contracts signed was 4 in Q1 and 3 in Q2, total number of contracts reached 659 by 30 June 2012. At the end of H1 2012, 88 contracts had ceased and the number of running contracts was 569.

#### *FHB Real Estate Ltd.*

The main business of FHB Real Estate Ltd. is to provide cover valuation, real estate investment, sales and management services, and real estate valuation services for FHB Group, in addition provide valuation services to external customers and – since the end of 2011 – services related to energy certification.

Besides significantly reduced real estate transactions and lending due to the crisis, the valuation business generated 27 million forints revenue in the Q2 2012, 24 million forints lower than in Q1 of 2012 and 31 million forints less than the Q2 2011 performance. Up to 30 June 2012, the total number of valuations reached 7,692, of which 1,657 (21.5%) was Group transactions. In 2011, the total number of valuation was 8,883 (without Basel II revaluation), of which Group transactions reached 4,549 (51.2%).

The real estate brokerage business generated 16 million forints in H1 2012; the revenue in Q2 2012 was significantly higher (13 million) than in Q1 2012 (3 million forints). Compared to the same period of 2011, the increase is 30% (the income of H1 2011 was 10 million HUF).

In April 2012, FHB Real Estate Ltd. in cooperation with FHB Commercial Bank launched a new product, the "Otthonterkép" ("Homemap"). which is a unique service in Hungary, The homepage at [www.otthonterkep.hu](http://www.otthonterkep.hu) helps to get information with an interactive map application, gives comparison of locations, the overlook of real estate market gives a clear view about the offers, about the number of sold real estates, about the offer and bid prices, and there is a picture gallery with text analysis about the city boroughs. The main target of the portal and additional services of FHB Group is to help decision making regarding real estate and banking services. Since the launch of the website in April 2012, the number of visitors exceeded 43,000.

#### *FHB Real Estate Lease Ltd.*

Since 2011, the Company has exclusively sold real estate lease products (besides managing its existing mortgage loan portfolio). In 2012, until 30 June, lease financing disbursement amounted to approximately 822 million forints (411 million forints in Q1 and Q2 2012, as well); and as a result the leasing portfolio rose to

3.9 billion forints as of 30 June 2012. The quarterly change was 2.4% increase (from 3.8 billion forints as of 31 March 2012), while the year-on-year rise was 47.2% (from 2.7 billion forints as of 30 June 2011).

### *Organisational changes and headcount*

As of 30 June 2012, the consolidated full-time headcount was 803.9, by 8.2 persons less than the 812.1 figure as of 31 March 2012 and 5.3% below the 30 June 2011 headcount of 848.7. Headcounts of the Group members were as follows as of 30 June 2012 and 2011:

Divisions	30/06/2011	30/06/2012	Change%
FHB Mortgage Bank Plc.	61.6	181.1	194.2%
FHB Commercial Bank Ltd.	481.9	597.0	23.9%
FHB Life Annuity Ltd.	7.5	6.6	-11.7%
FHB Real Estate Ltd.	10.6	9.1	-14.1%
FHB Real Estate Leasing Ltd.	9.6	10.1	5.2%
FHB Others*	277.6	0.0	-
<b>FHB Consolidated</b>	<b>848.7</b>	<b>803.9</b>	<b>-5.3%</b>

\*FHB Services Ltd. 273.6 TMD

### *Changes in key position*

The Annual General Meeting of the Company elected Deloitte Hungary Audit and Consulting Ltd. as the auditor for 2012 (location: 1068 Budapest, Dózsa György str. 84/C; reg. number: 01-09-071057; chamber membership number: 000083; HFSA number: T-000083/94). The appointed auditor as responsible is Tamás Horváth (mother's name: Veronika Grósz; birth place, date: Budapest, 08/03/1969; location: 1029 Budapest, Ördögárok str. 100; chamber membership number: 003449; HFSA number: E003449).

There were no changes in key management or board positions in Q2 of 2012.

### *Post-balance sheet date events*

Following the modification of Government Decree No. 341/2011 on Subsidized Housing Loans in July 2012, FHB announced its subsidized housing loan construction as the second player on the market. From 13 August 2012, FHB provide subsidised loans for purchase of new or used homes and home modernization such as buying properties covering delayed or resigned mortgage loans or purchase of smaller properties by 90+ clients and redemption of past due (and converted) FX mortgage loans, as well.



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

#### P&L structure

In HUF million	Q2 2011	Q1 2012	Q2 2012	Q2 2012/ Q2 2011	Q2 2012/ Q1 2012	H1 2011	H1 2012	H1 2012/ H1 2011
Interest income	18,531	20,337	19,509	5.3%	-4.1%	37,314	39,846	6.8%
Interest expense	-12,926	-14,723	-14,705	13.8%	-0.1%	-25,604	-29,428	14.9%
<b>Net interest income</b>	<b>5,604</b>	<b>5,614</b>	<b>4,804</b>	<b>-14.3%</b>	<b>-14.4%</b>	<b>11,710</b>	<b>10,418</b>	<b>-11.0%</b>
Fees and commissions income	734	1,162	867	18.2%	-25.3%	1,762	2,029	15.2%
Fees and commissions expense	-228	-258	-240	5.1%	-7.1%	-517	-498	-3.7%
<b>Net fees and commissions</b>	<b>506</b>	<b>904</b>	<b>628</b>	<b>24.1%</b>	<b>-30.6%</b>	<b>1,245</b>	<b>1,532</b>	<b>23.0%</b>
Foreign exchange gains, net	560	-1,319	-449	-180.2%	-66.0%	430	-1,768	-
Fair value adjustment	-718	-397	3,396	-	-	496	2,999	-
Gain on securities, net	1,102	1,646	294	-73.3%	-82.1%	1,145	1,940	69.5%
<b>Net trading result</b>	<b>945</b>	<b>-70</b>	<b>3,242</b>	<b>243.1%</b>	<b>-</b>	<b>2,071</b>	<b>3,172</b>	<b>53.2%</b>
Other non-interest income	354	106	234	-33.9%	120.2%	632	340	-46.2%
Other non-interest expenses	-966	-995	-1,055	9.2%	6.0%	-2,435	-2,050	-15.8%
o/w special banking tax	-605	-706	-706	16.8%	0.0%	-1,616	-1,413	-12.6%
<b>Other results</b>	<b>-613</b>	<b>-889</b>	<b>-821</b>	<b>34.0%</b>	<b>-7.6%</b>	<b>-1,804</b>	<b>-1,710</b>	<b>-5.2%</b>
<b>Total non-interest income (with net fees)</b>	<b>838</b>	<b>-55</b>	<b>3,048</b>	<b>263.7%</b>	<b>-</b>	<b>1,512</b>	<b>2,993</b>	<b>97.9%</b>
<b>Net operating income</b>	<b>6,442</b>	<b>5,559</b>	<b>7,852</b>	<b>21.9%</b>	<b>41.2%</b>	<b>13,222</b>	<b>13,411</b>	<b>1.4%</b>
<b>Provision for possible loan losses</b>	<b>-621</b>	<b>-989</b>	<b>-3,435</b>	<b>-</b>	<b>-</b>	<b>-2,077</b>	<b>-4,423</b>	<b>-</b>
Personnel expenses	-1,802	-1,505	-1,397	-22.5%	-7.2%	-3,854	-2,902	-24.7%
Banking operation cost	-1,898	-1,743	-1,804	-4.9%	3.6%	-3,836	-3,547	-7.5%
Cost of business activity	-222	-131	-95	-57.3%	-27.8%	-274	-226	-17.8%
Depreciation	-614	-631	-612	-0.3%	-3.0%	-1,202	-1,244	3.4%
Other tax payable	-179	-163	-146	-18.5%	-10.6%	-361	-309	-14.3%
<b>Operating costs</b>	<b>-4,715</b>	<b>-4,173</b>	<b>-4,054</b>	<b>-14.0%</b>	<b>-2.8%</b>	<b>-9,528</b>	<b>-8,228</b>	<b>-13.6%</b>
<b>Operating costs w/o special banking tax</b>	<b>-4,110</b>	<b>-3,467</b>	<b>-3,348</b>	<b>-18.5%</b>	<b>-3.4%</b>	<b>-7,912</b>	<b>-6,815</b>	<b>-13.9%</b>
<b>Income before income taxes</b>	<b>1,106</b>	<b>397</b>	<b>363</b>	<b>-67.2%</b>	<b>-8.8%</b>	<b>1,617</b>	<b>760</b>	<b>-53.0%</b>
Income taxes	-347	-384	-309	-10.9%	-19.5%	-689	-693	0.5%
<b>After tax profit</b>	<b>759</b>	<b>14</b>	<b>54</b>	<b>-92.9%</b>	<b>287.9%</b>	<b>928</b>	<b>68</b>	<b>-92.7%</b>
<b>After tax profit w/o special banking tax</b>	<b>1,364</b>	<b>720</b>	<b>760</b>	<b>-44.3%</b>	<b>5.5%</b>	<b>2,544</b>	<b>1,480</b>	<b>-41.8%</b>

In HUF million	Q2 2011	Q1 2012	Q2 2012	Q2 2012/ Q2 2011	Q2 2012/ Q1 2012	H1 2011	H1 2012	H1 2012/ H1 2011
<i>EPS (yearly, HUF)</i>	<i>15.5</i>	<i>-2.4</i>	<i>6.5</i>	<i>-</i>	<i>-</i>	<i>10.3</i>	<i>2.1</i>	<i>-</i>
<i>Diluted EPS (yearly, HUF)</i>	<i>15.5</i>	<i>-2.4</i>	<i>6.5</i>	<i>-</i>	<i>-</i>	<i>10.3</i>	<i>2.1</i>	<i>-</i>
<i>Net interest margin</i>	<i>2.70%</i>	<i>2.85%</i>	<i>2.43%</i>	<i>-10%-pt</i>	<i>-15%-pt</i>	<i>2.76%</i>	<i>2.58%</i>	<i>-6%-pt</i>
<i>ROAA</i>	<i>0.37%</i>	<i>0.01%</i>	<i>0.03%</i>	<i>-93%-pt</i>	<i>290%-pt</i>	<i>0.22%</i>	<i>0.02%</i>	<i>-92%-pt</i>
<i>ROAE</i>	<i>5.11%</i>	<i>0.10%</i>	<i>0.40%</i>	<i>-92%-pt</i>	<i>287%-pt</i>	<i>3.14%</i>	<i>0.25%</i>	<i>-92%-pt</i>
<i>ROAA w/o special banking tax</i>	<i>0.66%</i>	<i>0.36%</i>	<i>0.38%</i>	<i>-41%-pt</i>	<i>6%-pt</i>	<i>0.62%</i>	<i>0.37%</i>	<i>-39%-pt</i>
<i>ROAE w/o special banking tax</i>	<i>9.19%</i>	<i>5.42%</i>	<i>5.70%</i>	<i>-38%-pt</i>	<i>5%-pt</i>	<i>8.61%</i>	<i>5.55%</i>	<i>-36%-pt</i>

The Bank's consolidated after-tax profit by IFRS amounted to 68 million forints in H1 2012, 860 million forints below H1 2011 figure. In Q2, after-tax profit was 53.7 million forints, nearly 40 billion forints above result in Q1 2012.

Without the special banking tax, FHB Group's consolidated after-tax profit by IFRS would have been 1.5 billion forints, 41.8% below H1 2011 and by 5.5% higher than profit in Q1 2012.

Based on the figures of the previous quarter, 41.2% growth of net income was significantly influenced by net trading results, while net interest income and net fees decreased. Net operating income increased by 1.4% and operating costs decreased by 13.6% compared to Q1 2012.

### *Net interest income*

Net income from interest was 10.4 billion forints in H1 of 2012, 11.0% down from the result achieved in the reference period of last year. The net figure emerged as a balance of 39.8 billion forints income from interest (6.8% up from the H1 of 2011 figure) and 29.4 billion forints interest expense (14.9% higher than in the same period of 2011). Net interest income was 4.8 billion forints in Q2 of 2012, 14.4% below the Q1 of 2012 figure. The net figure emerged as a balance of 19.5 billion forints interest income (4.1% down from the Q1 of 2012 figure) and 14.7 billion forints interest expense (0.1% below the Q1 of 2012 figure).

Decline of interest income compared to Q1 2012 is due to lower interest income from decreasing loan portfolio and hereby lower state subsidy, as well as extra interest income from closed derivatives in Q1 generating higher bases. Interest expenses didn't change significantly quarter to quarter.

In the second quarter of 2012, 43.9% of income from interest was contributed by interest on own lending (compared to 43.3% in Q1 of 2012), and 18.4% was contributed by interest on refinanced loans (compared to 18.5% in Q1 of 2012). The interest on interbank loans and securities contributed 16.1% (compared to 14.1% in Q1 of 2012). The contribution of income from interest on derivatives was 21.5% of total income from interest (as opposed to 24.1% in Q1 of 2012).

In H1 of 2012, 43.6% of income from interest was contributed by own lending (compared to 48.5% in H1 2011), 18.4% by interest on refinanced loans (23.2% in H1 2011), 15.1% by interest on securities and interbank loans (7.7% in H1 2011). Income from interest on derivatives contributed 22.8% in H1 2012 (compared to 20.5% in H1 2011).

Within interest income, contribution of interest subsidy (subsidy of interest on covered mortgage bonds and supplementary interest subsidy) was 14.9% in Q2 of 2012, thus the downward trend of interest subsidies continued (15.5% in Q1 of 2012).

As regards interest expenses in Q2 of 2012, 32.2% was incurred in conjunction with CMBs and 17.1% was contributed by expenditure on interest on senior unsecured bonds. Interest paid on deposits contributed 18.0%, and interest on derivatives contributed 17.0%. Interest paid on covered mortgage bonds contributed 39.5% in Q1 of 2012 as opposed to 47.3% in Q2 of 2011. Interest paid on senior unsecured bonds contributed 17.3% in Q1 of 2012 and were 14.3% in Q2 of 2011. Interest on derivatives contributed 18.3% to expenditure on interest in Q1 of 2012 and 18.7% in the reference quarter of 2011. In Q1 of 2012, interest paid on deposits contributed 16.8% and near 11% in Q2 of 2011. On the mostly repaid state loan, the interest was 306.5 million forints in Q2 of 2012, which is 2.1% of interest expenses. Share of interest expenses on interbank liabilities was 11.8% compared to 1.3% a year before.

The average net interest margin (NIM) was 2.43% in Q2 2012 compared to 2.85% in Q1 of 2012 and 2.70% in Q2 of 2011. The NIM drop 43bp compared to Q1 of 2012.

### *Net fee and commission income*

In Q2 of 2012, the Bank achieved a positive balance of 627.7 million forints of income from, and expenditures on commissions and fees; 30.6% below the Q1 of 2012 achievement and 24.1% more than the Q2 of 2011 net income from fees and commissions. Decrease came mainly from decline in fee income from mortgage loans. Year on year increase was based on fees of mortgage loans, sale of insurance and managing contracts.

Income from fees and commissions in Q2 of 2012 was 867 million forints, 33.1% of which was contributed by charges related to loans (48.8% in Q1 of 2012), and 32.8% by accounts and card related banking charges (27.9% in Q1 of 2012). Commissions resulting from the strategic cooperation agreement signed with Allianz Insurance Company contributed 18.0% to income from fees and commissions in the reported quarter (after 13.8% in Q1 of 2012).

Agents' fees contributed 43.9% to the Q2 of 2012 expenditure on fees and commissions (Q1 of 2012: 34.0%); card related fees contributed 36.0% to expenditure on fees (as opposed to 34.5% in Q1 2012). The considerable parts of the remaining items are paid payment fees (39 million forints).

#### *Net result of financial transactions*

In H1 of 2012 the balance of financial transactions was 3,172.0 million forints profit, which is by 1.1 billion forints higher than in the same period of 2011. In Q2 of 2012 the balance of financial transactions was 3,241.6 million forints profit, with a significant improvement compared to the Q1 of 2012 figure.

Exchange rate volatility in the course of the reported quarter and the effect of short term currency swaps reduced earnings from FX transactions by 1,767.6 million forints in H1 of 2012. The overall achievement is considerably worse than the 2011 reference figure (430 million forints profit). In Q2 of 2012 the result from FX transactions was 448.9 million forints loss, compared to 1,318.7 million forints loss in Q1 of 2012.

Changes in the fair value of securities reported at fair value against earnings was 2,999.4 million forints profit in H1 of 2012, as opposed to the 495.8 million forints profit achieved in H1 of 2011. Ascribing to the rate and exchange rate movements, in Q2 of 2012 the 3.4 billion forints profit represented significant improvement over 397 million forints loss in last quarter.

In H1 of 2012 securities transactions resulted in 1.9 billion forints profit. In Q2 of 2012 securities transactions resulted in 294.1 million forints profit as opposed to – as a result of repurchasing issued bonds - 1.6 billion forints in Q1 of 2012.

#### *Other operating income and expenditure*

In H1 2012, the balance of other operating income and expenditure was 1,710.3 million forints loss, arising from 339.7 million forints income and 2,050.0 million forints expenditure. The balance of other operating income and expenditure was 93.3 million forints better than the figure achieved in the reference period of 2011. In Q2 2012, net operating results decreased net profit by 821.4 million forints, while 888.9 million forints in Q1 2012.

In H1 of 2012, real estate related revenues contributed 26.0% or 68.2 million forints to other operating income (real estate rent, evaluation). In H1 of 2011 real estate related income amounted to 109 million forints.

71.6% of other expenditure was contributed by the special banking tax (1,413 million forints, pro rata). Within other operating expenditures, 194 million forints was accounted for life annuity payments, and impairment of real estates amounted to 134 million forints.

#### *Operating costs*

Operating costs amounted to 8.2 billion forints in H1 of 2012 (4.2 billion forints in Q1 2012 and 4.0 billion forints in Q2 2012) by 13.6% lower than the H1 2011 level. The Q2 2012 operating cost amount is 14.0% lower than the Q2 2011 figure and is 2.8% below the Q1 2012 amount. Year-on-year decrease (2012 Q2 vs. 2011 Q2) appears primarily on personnel expenses (405 million forints), as a result of rationalisation after the successful migration of Allianz Bank – as removal of the parallel positions or closing poor performing branches. Business activity costs were also significantly lower in Q2 2012, by 127 million forints below the Q2 2011 figure thanks to the lower business levels.

Cost-to-income ratio (CIR) was 51.6% in Q2 of 2012 as opposed to 75.1% in Q1 of 2012 and to 73.2% in Q2 of 2011. Excluding the special bank tax, CIR was 47.4% in Q2 of 2012, while 66.6% in Q1 2012 and 66.9% in Q2 2011. The favourable change of this indicator is the result of cost level lowering.

The contribution of personnel expenses to total operating costs was 34.5% in Q2 2012 as opposed to the 36.1% in Q1 2012 and 38.2% of Q2 2011. There was a 7.2% decrease in personnel expenses compared to the previous quarter's figure and a 22.5% decrease year-on-year.

In Q2 2012, material costs were 1.4% up compared to the Q1 2012 figure and was 10.4% less than the Q2 2011 figure. The contribution of this item to total costs was 46.8% in Q2 2012 compared to 44.9% in Q2 2011. Material costs in the first half of 2012 was 3.8 billion forints total (1.9 billion forints both in Q1 and Q2 2012).

The breakdown of material costs in Q2 2012 includes 25.3% administrative and general costs, 32.5% maintenance costs, 12.4% real estate lease paid, 12.8% consultancy fees, 4.7% advertising and marketing costs, 3.0% insurance, 2.6% information related expenses, and 6.7% other costs.

Depreciation was 612 million forints in Q2 of 2012, by 3.0% down from the Q1 of 2012 and by 0.3% above the Q2 of 2011 amounts. Approximately three-quarters of depreciation related to intangibles.

Other taxes paid reported in the operating costs line amounted to 146 million forints in Q2 of 2012, 163 million forints in Q1 of 2012, and 179 million forints in Q2 of 2011.

## Balance Sheet

In HUF million	30/06/2011	31/03/2012	30/06/2012	30/06/2012 / 30/06/2011	30/06/2012 / 31/03/2012
Cash	2,458	2,432	2,119	-13.8%	-12.9%
Due from banks & NBH	66,446	53,585	37,438	-43.7%	-30.1%
Financial assets held for trading at fair value	639	6,732	5,456	-	-19.0%
Financial assets available for sale at fair value	105,421	123,859	187,955	78.3%	51.7%
Fair value of derivative financial assets	800	2,197	4,462	-	103.1%
Refinanced mortgage loans	244,005	187,479	178,821	-26.7%	-4.6%
Loans and advances to consumers	397,855	388,001	380,766	-4.3%	-1.9%
Impairment and provision	-25,262	-31,628	-34,321	35.9%	8.5%
Tangible assets	6,362	6,161	6,126	-3.7%	-0.6%
Goodwill and other intangible assets	14,308	13,747	13,343	-6.7%	-2.9%
Other assets	26,735	26,313	27,451	2.7%	4.3%
<b>Total Assets</b>	<b>839,767</b>	<b>778,877</b>	<b>809,618</b>	<b>-3.6%</b>	<b>3.9%</b>
<b>Liabilities total</b>	<b>779,917</b>	<b>725,415</b>	<b>755,859</b>	<b>-3.1%</b>	<b>4.2%</b>
Interbank borrowings	48,138	27,235	117,676	144.5%	-
Mortgage bonds	359,405	303,100	259,862	-27.7%	-14.3%
Bonds issued	101,285	118,700	118,579	17.1%	-0.1%
Deposits	127,077	178,895	154,651	21.7%	-13.6%
State loans	80,133	44,631	29,014	-63.8%	-35.0%
Fair value of derivatives	50,468	34,573	26,577	-47.3%	-23.1%
Leasing liability	0	10,509	10,518	-	0.1%
Reserves for annuity	2,463	2,247	2,301	-6.6%	2.4%
Other liabilities	10,949	5,526	7,138	-34.8%	29.2%
Subordinated debt	0	0	29,542	-	-
<b>Shareholders' equity</b>	<b>59,850</b>	<b>53,461</b>	<b>53,759</b>	<b>-10.2%</b>	<b>0.6%</b>
Subscribed capital	6,600	6,600	6,600	0.0%	0.0%
Capital reserve	1,709	1,709	1,709	0.0%	0.0%
Treasury shares	-2	-29	-29	-	0.0%
Cash-flow hedge reserve	-81	81	-7	-91.5%	-108.5%
Other reserves	683	154	432	-36.7%	181.2%
Retained earnings	50,604	44,986	44,986	-11.1%	0.0%
Balance sheet profit	337	-39	68	-	-
<b>Total liabilities and shareholders' equity</b>	<b>839,767</b>	<b>778,877</b>	<b>809,618</b>	<b>-3.6%</b>	<b>3.9%</b>

As of 30 June 2012 the Bank's consolidated balance sheet total by IFRS amounted to 809.6 billion forints, by 30.7 billion forints, or approximately 3.9% up to 31 March 2012 and by 30.2 billion forints, or 3.6%, below the balance sheet total as of 30 June 2011.

The decline on the assets side compared to the reference figures as of 30 June 2011 was the joint result of several factors. It included a drop in interbank deposits of 43.7% and refinanced loans of 26.7% that could be partly compensated by growth in securities held for trading of 78.3%.

Liabilities decreased by 3.1% compared to the year-on-year figures on the liabilities side. Significant decrease was generated primarily by mortgage bonds (-27.7%) and state loans (-63.8%) and fair value of derivatives (47.3%), meanwhile interbank borrowings increased by nearly 1.5-times (+144.5%).

Shareholders' equity fell by 6 billion forint year-on-year primarily owing to the realised losses in H2 2011.

Compared to figures as of 31 March 2012, decline in interbank borrowings of 30.1% and refinancing of 4.6% had important impact on balance sheet total. 51.7% increase of securities available for sale and growth in fair value of derivatives offset decline of balance sheet total.

On the liabilities side, 14.3% decline of mortgage bonds and 35.0% fall of state loans played a negative role in value of balance sheet total, compensated by more than four times higher volume of interbank borrowings than a quarter before.

### *Interest earning assets*

The Group's interest earning assets decreased from 813.6 billion forints as of 30 June 2011 to 790.4 billion forints as of 30 June 2012. Interest earning assets contribute approximately 97.6% to the balance sheet total.

NBH and other interbank lending decreased from 66.4 billion forints as of 30 June 2011 to 37.4 billion forints as of 30 June 2012, figures as of 31 March 2012 amounted to 53.6 billion forints. The item contributed 4.7% to interest earning assets as of 30 June 2012.

The value of Bank's securities held for sale increased from 105.4 billion forints as of 30 June 2011 to 188 billion forints as of 30 June 2012; while the value of securities amounted to 123.9 billion forints as of 31 March 2012. Contribution of securities held for sale to interest earning assets was 23.8% in H1 2012. Securities include NBH bonds amounting to 95 billion forints, discount treasury bills amounting to 27.5 billion forints and government bonds amounting to 51.6 billion forints and other bank and corporate bonds for sale amounting to 13.9 billion forints. As of 30 June 2012, the Bank held a portfolio of securities held for trading (5.5 billion forints), which contributed 0.7% to interest earning assets.

### *Loans*

As of 30 June 2012, the volume of loans was 4.3% down year-on-year and 1.9% down from the 31 March 2012 figure. Impairment to cover loan losses was up from 25.3 billion forints as of 30 June 2011 to 34.3 billion forints as of 30 June 2012. The year-on-year decline in refinanced loans was 26.7%, and there was also a 4.6% drop in this item over the last quarter. As of 30 June 2012 the contribution of refinanced loans and own lending was 70.8% in total assets.

The collateral value of real estate covering ordinary collateral amounted to 1,037 billion forints as of 30 June 2012, 16.1% down compared to 30 June 2011 (1,236 billion forints) and 8.2% below the 31 December 2011 value (1,130 billion forints). The LTV ratio applicable for ordinary collateral was 36.46% as of 30 June 2012, slightly lower than the 39.05% LTV as of 30 June 2011 and the 38.59% as of 31 December 2011.

### *Portfolio quality*

The ratio of not performing loans continued increasing in the last quarter. NPL ratio has been growing to 18.7% by 30 June 2012 from 16.6% as of 31 March 2012. Increase of performing loans was a result of realignment of portfolio as quality of outstanding's previously evaluated as "below average" or "doubtful" declined. To the growths of ratio of non-performing loans also contributed the migration of several SME loans – joined the portfolio by Allianz Bank's acquisition – to the category with delay of more than 90 days. Coverage of non-performing loans is nearly 50%, almost the same as figure of Q1 2012.

### *Other assets*

Tangible assets amounted to 6.4 billion forints as of 30 June 2011 and decreased by 236 million forints year-on-year, but decreased by 35 million forints q/q. As of 30 June 2012, intangibles and goodwill amounted to 13.3 billion forints, 964 million forints, or 6.7% down year-on-year and 403 million forints (-2.9%) below the 31 March 2012 figure.

Other assets amounted to 27.5 billion forints as of 30 June 2012, nearly unchanged year-on-year. Deferred tax assets amounted to 6.1 billion forints. Real estates displayed among inventories contributed to other assets with 21.1%, while share of deferred expenses reached 21.2%

### Interest bearing liabilities

Interest bearing liabilities dropped from 716 billion forints as of 30 June 2011 to 672.6 billion forints as of 31 March 2012 and increased to 709.3 billion forints as of 30 June 2012, contributing approximately 87.6% to the balance sheet total. The bulk of interest bearing liabilities was contributed by securities issued, deposits from clients and interbank borrowings grown significantly in the last quarter.

#### Interbank funds

As of 30 June 2012, 117.7 billion forints value of interbank funds was more than four times larger than a year before significantly containing also 2 years covered loan facility issued by Hungarian National Bank to stimulate corporate lending. Contribution of interbank borrowings to interest bearing liabilities was 16.6% as of 30 June 2012.

#### CMBs issued

The contribution of covered mortgage bonds to the Bank's interest bearing liabilities dropped to 36.6% as of 30 June 2012. The same ratio was 50.2% as of 30 June 2011. 259.9 billion forints book value of mortgage bonds as of 30 June 2012 was 27.7% down from figures of 30 June 2011. Decrease in the value of the CMB portfolio was 99.5 billion forints year-on-year.

In HUF million	30/06/2011		30/06/2012	
	Book value	Nominal value	Book value	Nominal value
<b>Non-listed mortgage bonds</b>				
Fixed	132,518	132,248	66,552	66,368
Floating	764	764	288	288
<b>Listed mortgage bonds</b>				
Fixed	100,093	98,780	150,040	150,970
Floating	31,413	31,423	32,848	34,817
<b>Total</b>	<b>264,789</b>	<b>263,215</b>	<b>249,728</b>	<b>252,443</b>
<b>Accrued interest</b>	10,415		10,134	
<b>Mortgage bonds Total</b>	<b>368,255</b>	<b>358,978</b>	<b>259,862</b>	<b>252,443</b>
<b>Non-listed bonds</b>				
Fixed	3,000	3,000	53,024	53,082
Floating	0	0	3,248	3,230
<b>Listed bonds</b>				
Fixed	36,229	35,888	55,195	56,722
Floating	5,840	5,860	1,016	1,026
<b>Total</b>	<b>45,069</b>	<b>44,748</b>	<b>141,893</b>	<b>143,471</b>
<b>Accrued interest</b>	1,817		6,229	
<b>Bonds Total</b>	<b>46,886</b>	<b>44,748</b>	<b>148,122</b>	<b>143,471</b>

#### Mortgage bonds collateral<sup>1</sup>

The net collateral value of real estate covering mortgage bonds issued by FHB Mortgage Bank Plc. amounted to 601.9 billion forints as of 30 June 2012 (380.1 billion forints of principal and 221.8 billion forints of interests), 21.1% less than the 762.4 billion forints as of 30 June 2011 and 1.5% below the figure of 31 March 2012 (611.1 billion forints).

<sup>1</sup> (non-consolidated data of FHB Mortgage Bank Plc. only, according to HAS)

*The value of the group of assets involved as collateral as of 30 June 2012*

<b>Outstanding mortgage bonds in circulation</b>			
<b>In HUF million</b>	<b>30/06/2011</b>	<b>31/03/2012</b>	<b>30/06/2012</b>
Face value	381,929	322,447	317,897
Interest	90,268	74,226	83,120
<b>Total</b>	<b>472,198</b>	<b>396,673</b>	<b>401,016</b>
<b>Value of the regular collateral</b>			
Principal	485,842	388,225	380,089
Interest	276,534	222,851	221,777
<b>Total</b>	<b>762,376</b>	<b>611,076</b>	<b>601,866</b>
<b>Value of assets involved as supplementary collateral</b>			
Balance of the separate blocked account at the NBH - principal	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

As of 30 June 2012, the present value of ordinary collateral was 416.4 billion forints and the present value of mortgage bonds was 349.7 billion forints, thus the present value of collateral exceeded that of CMBs in circulation not yet repaid. The combined present value of collateral to the combined value of mortgage bonds in circulation was 119.1% in the same period. As of 30 June 2012 net value of ordinary and supplementary collateral principal to the unpaid face value of mortgage bonds in circulation was 119.6%, and the net ordinary and supplementary collateral principal to the unpaid interest on mortgage bonds in circulation was 266.8%.

*Bonds issued*

The book value of bonds was 118.6 billion forints as of 30 June 2012, 121 million forints or 0.1% below figures as of 31 March 2012 value (118.7 billion forints). On the other hand, the year-on-year increase was 17.3 billion forints or 17.1%.

In mid-June 2012, FHB Bank within the frames and on the basis of private placement closed subscription procedures issued floating rate bond series out of which one is denominated in Hungarian Forints, maturing on 31 March 2022 and having total face value of 15 billion HUF, while the other is denominated in Euro, maturing on 31 March 2022 and having total face value of 50 million EUR. The interest of the bonds of the HUF denominated series is linked to the rate of the 5 year term Hungarian Government Bonds issued by the Hungarian State, while the interest of the bonds of the EUR denominated series is linked to 6 month EURIBOR as reference. Bonds in both of the series shall represent so-called subordinated loan capital and shall qualify to be non-secured obligations of the Company.

*Deposits*

As of 30 June 2012, deposits amounted to 154.7 billion forints in contrast to 178.9 billion forints as of 31 March 2012 and 127.1 billion forints as of 30 June 2011. Year-on-year growth was attributed to activity in both retail and corporate markets (growth was 72.1% and 51.1%, respectively). In Q2 FHB Bank diversified further its funding structure and lengthened maturity of funds using available market possibilities and mid-term HNB facilities. As a result of that, volume of higher interest rate deposits within one year – primarily corporate deposits – declined significantly. Total deposit portfolio decreased by 13.6% compared to Q1 2012, concerning corporate deposits fall by 35.6%. Growth in retail deposits was 3.6% in Q2 primarily as a result of growth in sight deposits of 9.8%, thanks to the expansion of stable retail and corporate client base with active current account turnover. FHB Group's consolidated deposit portfolio is dominated by deposits from retail customers with a contribution of approximately 67.5%. Sight deposits amounted to 32.8 billion forints, representing 31.2% of deposits.



### *State loan received*

As of 30 June 2012, 29 billion forints of the State loan were available for the Bank (100 million EUR), 35% less than 31 March 2012 (44.6 billion forints). According to the agreement, the Bank redeems the whole state loan quarterly in the same amounts till the end of 2012.

### *Other liabilities*

Other liabilities amounted to 7.1 billion forints, within that liabilities generated in conjunction with settlements related to clients amounted to 1.0 billion forints. The Bank reported accounts payable (358 million forints as of 30 June 2012), accruals (395 million forints), taxes due (1.6 billion forints) and deferred taxes (649.7 million forints).

### *Shareholders' equity*

Within one year, shareholders' equity decreased by 10.2% to 53.8 billion forints as of 30 June 2012. The year-on-year decrease resulted from a 5.6 billion forints decrease in retained earnings. Balance sheet profit was 68 million forints. Shareholders' equity decreased by 6.1 billion forints compared to H1 2011.

### *Capital position*

Risk-weighted assets amounted to 318.6 billion forints on 30 June 2012 (according to HAS), 3.9% higher than RWA in Q1 2012 and 13.6% higher year-on-year.

After several consultations with Hungarian Financial Supervisory Authority (HFSA) supervisory review has been completed (SREP). According to review, HFSA defined significantly higher capital requirement to FHB Group than before. Concerning this, FHB Group's capital requirement amounted to 34.2 billion forints at the end of Q2 2012.

In H2 2012, guarantee capital according to IFRS amounted to 58.7 billion forints and capital adequacy ratio by IFRS was 13.7% (respectively 10.2% and 11.1% on 30 June 2011 and 31 March 2012).

## Declaration

This Interim management report of FHB Jelzálogbank Nyrt. (FHB Mortgage Bank Plc.) is based on consolidated, non-audited IFRS financial statements.

FHB Jelzálogbank Nyrt. 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 judgment 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, 17<sup>th</sup> August, 2012

László Harmati  
CEO, Business

Gyula Köbli  
CEO, Strategy and Finance

Name: FHB Mortgage Bank Plc.  
 Address: 1082 Budapest, Üllői út 48.  
 Sector: Financial services  
 Reporting period: 01.01.2012 – 30.06.2012

Telephone: (1) 452 - 9100  
 Fax: (1) 452 - 9200  
 E-mail: Lendvai.Beata@fhb.hu  
 Investor relations: Beáta Lendvai

## 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. till 30 November, 2011), FHB Kereskedelmi Bank Zrt. (FHB Commercial Bank Ltd.), Allianz Kereskedelmi Bank Zrt. (Allianz Commercial Bank Ltd. till 31 March, 2011), FHB Ingatlan Zrt. (FHB Real Estate Ltd.) and FHB Életjáradék Ingatlanbefektető Zrt. (FHB Annuity Real Estate Investment Ltd), to FHB Ingatlanlízing Zrt. (FHB Real Estate Leasing Ltd.) and its affiliates (Central European Credit d.d.; Central European Leasing d.d.); and to "WODOMUS 54" Ingatlanfejlesztő Kft. (WODOMUS 54 Property Development Ltd.); Káry-Villa Ingatlanfejlesztő Kft (Káry-Villa Property Development Ltd.); FHB DWH Ltd. (formerly known as Portfolio Money cPlc.); Hitelunió Kft. (Creditunion Ltd.); Portfolio Money FBK Kft. (Portfolio Money FBK Ltd. till 30 September, 2011)).

### Consolidated Income Statement "A"

Table includes the special banking tax for the period of reporting pro rata  
 (consolidated non-audited data as of 30 June 2011 and 30 June 2012 according to IFRS)

in HUF million	1H 2011	1H 2012	30/06/2012 / 30/06/2011
Interest income	37,314	39,846	6.8%
Interest expense	-25,604	-29,428	14.9%
<b>Net interest income</b>	<b>11,710</b>	<b>10,418</b>	<b>-11.0%</b>
Fee and commission income	1,762	2,029	15.2%
Fee and commission expense	-517	-498	-3.7%
<b>Net fee and commission income</b>	<b>1,245</b>	<b>1,532</b>	<b>23.0%</b>
Profit/(Loss) from FX transactions	430	-1,768	-
Change in fair value of financial instruments	496	2,999	-
Gains from securities	1,145	1,940	69.5%
<b>Net trading result</b>	<b>2,071</b>	<b>3,172</b>	<b>53.2%</b>
Other operating income	632	340	-46.2%
Other operating expense	-2,435	-2,050	-15.8%
<b>Operating income</b>	<b>13,222</b>	<b>13,411</b>	<b>1.4%</b>
Credit loss expense	-2,077	-4,423	112.9%
General and administrative expense	-9,528	-8,228	-13.6%
<b>Profit/(Loss) before tax</b>	<b>1,617</b>	<b>760</b>	<b>-53.0%</b>
Income tax benefit/(expense)	-689	-693	0.5%
<b>Profit/(Loss) for the period</b>	<b>928</b>	<b>68</b>	<b>-92.7%</b>

Basic EPS (yearly)	10.32	2.07	-80.0%
Diluted EPS (yearly)	10.32	2.07	-80.0%

Consolidated Comprehensive Income Statement	1H 2011	1H 2012	30/06/2012 / 30/06/2011
Profit/(Loss) for the period	928	68	-92.7%
Revaluation reserve	0	0	-
Change in cash-flow hedge reserve	-211	-257	21.8%
Change in fair value of financial assets available for sale	214	686	220.6%
FX reserve	12	15	25.0%
Deferred tax effect for other comprehensive income	11	-81	-
Other comprehensive income/(loss) for the period net of taxes	26	363	-
<b>Total comprehensive income/(loss) for the period, net of taxes</b>	<b>954</b>	<b>431</b>	<b>-54.9%</b>

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Sector: Financial services  
Reporting period: 01.01.2012 – 30.06.2012

Telephone: (1) 452 - 9100  
Fax: (1) 452 - 9200  
E-mail: Lendvai.Beata@fhb.hu  
Investor relations: Beáta Lendvai

## Consolidated Income Statement (quarterly) "A"

Table includes the special banking tax for the period of reporting pro rata

(consolidated non-audited data as of 30 June 2011, 31 March 2012 and 30 June 2012 according to IFRS)

in HUF million	2Q 2011	1Q 2012	2Q 2012	30/06/2012 / 31/03/2012	30/06/2012 / 30/06/2011
Interest income	18,531	20,337	19,509	-4.1%	5.3%
Interest expense	-12,926	-14,723	-14,705	-0.1%	13.8%
<b>Net interest income</b>	<b>5,604</b>	<b>5,614</b>	<b>4,804</b>	<b>-14.4%</b>	<b>-14.3%</b>
Fee and commission income	734	1,162	867	-25.3%	18.2%
Fee and commission expense	-228	-258	-240	-7.1%	5.1%
<b>Net fee and commission income</b>	<b>506</b>	<b>904</b>	<b>628</b>	<b>-30.6%</b>	<b>24.1%</b>
Profit/(Loss) from FX transactions	560	-1,319	-449	-66.0%	-
Change in fair value of financial instruments	-718	-397	3,396	-	-
Gains from securities	1,102	1,646	294	-82.1%	-73.3%
<b>Net trading result</b>	<b>945</b>	<b>-70</b>	<b>3,242</b>	<b>-</b>	<b>243.1%</b>
Other operating income	354	106	234	120.2%	-33.9%
Other operating expense	-966	-995	-1,055	6.0%	9.2%
<b>Operating income</b>	<b>6,442</b>	<b>5,559</b>	<b>7,852</b>	<b>41.2%</b>	<b>21.9%</b>
Credit loss expense	-621	-989	-3,435	247.4%	453.0%
General and administrative expense	-4,715	-4,173	-4,054	-2.8%	-14.0%
<b>Profit/(Loss) before tax</b>	<b>1,106</b>	<b>397</b>	<b>363</b>	<b>-8.8%</b>	<b>-67.2%</b>
Income tax benefit/(expense)	-347	-384	-309	-19.5%	-10.9%
<b>Profit/(Loss) for the period</b>	<b>759</b>	<b>14</b>	<b>54</b>	<b>287.9%</b>	<b>-92.9%</b>
Basic EPS (yearly)	15.46	-2.41	6.50	-	-58.0%
Diluted EPS (yearly)	15.46	-2.41	6.50	-	-58.0%
<b>Comprehensive income statement</b>	<b>2Q 2011</b>	<b>1Q 2012</b>	<b>2Q 2012</b>	<b>30/06/2012 / 31/03/2012</b>	<b>30/06/2012 / 30/06/2011</b>
Profit/(Loss) for the period	759	14	54	282.8%	-92.9%
Revaluation reserve	0	0	0	-	-
Change in cash-flow hedge reserve	38	-149	-108	-27.5%	-
Change in fair value of financial assets available for sale	-186	187	499	166.8%	-
FX reserve	7	9	6	-33.3%	-14.3%
Deferred tax effect for other comprehensive income	17	-7	-74	-	-
Other comprehensive income/(loss) for the period net of taxes	-124	40	323	-	-
<b>Total comprehensive income/(loss) for the period, net of taxes</b>	<b>635</b>	<b>54</b>	<b>377</b>	<b>-</b>	<b>-40.7%</b>

Name: FHB Mortgage Bank Plc.  
Address: 1082 Budapest, Üllői út 48.  
Sector: Financial services  
Reporting period: 01.01.2012 – 30.06.2012

Telephone: (1) 452 - 9100  
Fax: (1) 452 - 9200  
E-mail: Lendvai.Beata@fhb.hu  
Investor relations: Beáta Lendvai

## Consolidated Income Statement “B”

Table includes the special banking tax for the entire business year  
(consolidated non-audited data as of 30 June 2011 and 30 June 2012 according to IFRS)

In HUF million	1H 2011	1H 2012	30/06/2012 / 30/06/2011
Interest income	37,314	39,846	6.8%
Interest expense	-25,604	-29,428	14.9%
<b>Net interest income</b>	<b>11,710</b>	<b>10,418</b>	<b>-11.0%</b>
Fee and commission income	1,762	2,029	15.2%
Fee and commission expense	-517	-498	-3.7%
<b>Net fee and commission income</b>	<b>1,245</b>	<b>1,532</b>	<b>23.0%</b>
Profit/(Loss) from FX transactions	430	-1,768	-
Change in fair value of financial instruments	496	2,999	-
Gains from securities	1,145	1,940	69.5%
<b>Net trading result</b>	<b>2,071</b>	<b>3,172</b>	<b>53.2%</b>
Other operating income	632	340	-46.2%
Other operating expense	-3,645	-3,463	-
<b>Operating income</b>	<b>12,012</b>	<b>11,998</b>	<b>-0.1%</b>
Credit loss expense	-2,077	-4,423	112.9%
General and administrative expense	-9,528	-8,228	-13.6%
<b>Profit/(Loss) before tax</b>	<b>407</b>	<b>-653</b>	<b>-</b>
Income tax benefit/(expense)	-528	-424	-19.7%
<b>Profit/(Loss) for the period</b>	<b>-121</b>	<b>-1,077</b>	<b>-</b>
Basic EPS (yearly)	-21.78	-32.92	51.2%
Diluted EPS (yearly)	-21.78	-32.92	51.2%
<b>Consolidated Comprehensive Income Statement</b>	<b>1H 2011</b>	<b>1H 2012</b>	<b>30/06/2012 / 30/06/2011</b>
Profit/(Loss) for the period	-121	-1,077	-
Revaluation reserve	0	0	-
Change in cash-flow hedge reserve	-211	-257	121.8%
Change in fair value of financial assets available for sale	214	686	-
FX reserve	12	15	125.0%
Deferred tax effect for other comprehensive income	11	-81	-
Other comprehensive income/(loss) for the period net of taxes	26	363	-
<b>Total comprehensive income/(loss) for the period, net of taxes</b>	<b>-95</b>	<b>-714</b>	<b>-</b>

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Address: 1082 Budapest, Üllői út 48.  
Sector: Financial services  
Reporting period: 01.01.2012 – 30.06.2012

Telephone: (1) 452 - 9100  
Fax: (1) 452 - 9200  
E-mail: Lendvai.Beata@fhb.hu  
Investor relations: Beáta Lendvai

## Consolidated Income Statement (quarterly) “B”

Table includes the special banking tax for the entire business year

(consolidated non-audited data as of 30 June 2011, 31 March 2012 and 30 June 2012 according to IFRS)

In HUF million	2Q 2011	1Q 2012	2Q 2012	30/06/2012 / 31/03/2012	30/06/2012 / 30/06/2011
Interest income	18,531	20,337	19,509	-4.1%	5.3%
Interest expense	-12,926	-14,723	-14,705	-0.1%	13.8%
<b>Net interest income</b>	<b>5,604</b>	<b>5,614</b>	<b>4,804</b>	<b>-14.4%</b>	<b>-14.3%</b>
Fee and commission income	734	1,162	867	-25.3%	18.2%
Fee and commission expense	-228	-258	-240	-7.1%	5.1%
<b>Net fee and commission income</b>	<b>506</b>	<b>904</b>	<b>628</b>	<b>-30.6%</b>	<b>24.1%</b>
Profit/(Loss) from FX transactions	560	-1,319	-449	-66.0%	-
Change in fair value of financial instruments	-718	-397	3,396	-	-
Gains from securities	1,102	1,646	294	-82.1%	-
<b>Net trading result</b>	<b>945</b>	<b>-70</b>	<b>3,242</b>	<b>-</b>	<b>243.1%</b>
Other operating income	354	106	234	120.2%	-33.9%
Other operating expense	-361	-3,114	-349	-	-3.5%
<b>Operating income</b>	<b>7,047</b>	<b>3,440</b>	<b>8,558</b>	<b>148.8%</b>	<b>21.4%</b>
Credit loss expense	-621	-989	-3,435	247.4%	453.0%
General and administrative expense	-4,715	-4,173	-4,054	-2.8%	-14.0%
<b>Profit/(Loss) before tax</b>	<b>1,711</b>	<b>-1,722</b>	<b>1,069</b>	<b>-162.1%</b>	<b>-37.5%</b>
Income tax benefit/(expense)	-427	19	-443	-	3.7%
<b>Profit/(Loss) for the period</b>	<b>1,284</b>	<b>-1,703</b>	<b>626</b>	<b>-136.8%</b>	<b>-51.2%</b>

Basic EPS (yearly)	47.95	-105.62	41.75	-139.5%	-
Diluted EPS (yearly)	47.95	-105.62	41.75	-139.5%	-

Comprehensive income statement	Q2 2011	Q1 2012	Q2 2012	30/06/2012 / 31/03/2012	30/06/2012 / 30/06/2011
Profit/(Loss) for the period	1,284	-1,703	626	-	-51.2%
Revaluation reserve	0	0	0	-	-
Change in cash-flow hedge reserve	38	-149	-108	-27.5%	-
Change in fair value of financial assets available for sale	-186	187	499	166.8%	-
FX reserve	7	9	6	-33.3%	-14.3%
Deferred tax effect for other comprehensive income	17	-7	-74	-	-
Other comprehensive income/(loss) for the period net of taxes	-124	40	323	-	-
<b>Total comprehensive income/(loss) for the period, net of taxes</b>	<b>1,160</b>	<b>-1,663</b>	<b>949</b>	<b>-</b>	<b>-18.2%</b>

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Address: 1082 Budapest, Üllői út 48.  
Sector: Financial services  
Reporting period: 01.01.2012 – 30.06.2012

Telephone: (1) 452 - 9100  
Fax: (1) 452 - 9200  
E-mail: Lendvai.Beata@fhb.hu  
Investor relations: Beáta Lendvai

## Consolidated Financial Position “A”

### Table includes the special banking tax for the period of reporting pro rata

(consolidated non-audited data as at 30 June 2011, 31 March 2012, 30 June 2012 and audited data as at 31 December 2011, according to IFRS)

In HUF million	30/06/2011	31/12/2011	31/03/2012	30/06/2012	30/06/2012 / 31/03/2012	30/06/2012 / 31/12/2011	30/06/2012 / 30/06/2011
Cash	2,458	2,554	2,432	2,119	-12.9%	-17.0%	-13.8%
Due from banks & NBH	66,446	65,046	53,585	37,438	-30.1%	-42.4%	-43.7%
Financial assets held for trading at fair value	639	1,832	6,732	5,456	-19.0%	197.8%	-
Financial assets available for sale at fair value	105,421	85,891	123,859	187,955	51.7%	118.8%	78.3%
Fair value of derivative financial assets	800	2,695	2,197	4,462	103.1%	65.5%	-
Refinanced mortgage loans	244,005	226,890	187,479	178,821	-4.6%	-21.2%	-26.7%
Loans and advances to consumers	397,855	420,260	388,001	380,766	-1.9%	-9.4%	-4.3%
Impairment and provision	-25,262	-39,033	-31,628	-34,321	8.5%	-12.1%	35.9%
Investment property	11,304	11,311	11,315	11,279	-0.3%	-0.3%	-0.2%
Tangible assets	6,362	6,299	6,161	6,126	-0.6%	-2.7%	-3.7%
Goodwill and other intangible assets	14,308	14,174	13,747	13,343	-2.9%	-5.9%	-6.7%
Deferred tax asset	3,044	6,345	6,270	6,079	61.0%	59.1%	99.7%
Other assets	12,388	11,849	8,727	10,094	-30.3%	-48.7%	-18.5%
<b>Total assets</b>	<b>839,768</b>	<b>816,114</b>	<b>778,877</b>	<b>809,618</b>	<b>3.9%</b>	<b>-0.8%</b>	<b>-3.6%</b>
Due to banks	48,138	20,992	27,235	99,861	-	-	107.4%
Issued securities	322,089	341,181	320,816	278,983	-13.0%	-18.2%	-13.4%
Mortgage bonds	275,203	290,423	252,994	212,611	-16.0%	-26.8%	-22.7%
Bonds	46,886	50,758	67,821	66,372	-2.1%	30.8%	41.6%
Deposits	127,077	161,105	178,895	154,651	-13.6%	-4.0%	21.7%
State loans	80,133	62,694	44,631	29,014	-35.0%	-53.7%	-63.8%
Derivative financial liabilities at fair value	50,468	60,511	34,573	26,577	-23.1%	-56.1%	-47.3%
Financial liabilities at fair value through profit and loss	138,600	97,342	100,985	117,274	16.1%	20.5%	-15.4%
Leasing liability	-	10,060	10,509	10,518	0.1%	4.5%	-
Reserve for annuity payments	2,463	2,265	2,247	2,301	2.4%	1.6%	-6.6%
Current tax liability	40	6	22	28	27.4%	-	-30.3%
Deferred tax liability	388	710	680	650	-4.5%	-8.5%	67.6%
Provisions	523	267	209	193	-7.3%	-27.6%	-63.0%
Other liabilities	9,998	5,600	4,615	6,267	35.8%	11.9%	-37.3%
Subordinated debt	-	-	-	29,542	-	-	-
<b>Total liabilities</b>	<b>779,917</b>	<b>762,733</b>	<b>725,415</b>	<b>755,859</b>	<b>4.2%</b>	<b>-0.9%</b>	<b>-3.1%</b>
Share capital	6,600	6,600	6,600	6,600	0.0%	0.0%	0.0%
Share premium	1,709	1,709	1,709	1,709	0.0%	0.0%	0.0%
Treasury shares	-2	-29	-29	-29	0.0%	0.0%	-
Cash-flow hedge reserve	-81	201	81	-7	-108.5%	-103.4%	-91.5%
Other reserves	683	-86	154	432	181.2%	-	-36.7%
Retained earnings	50,604	50,604	44,986	44,986	0.0%	-11.1%	-11.1%
Balance sheet profit	338	-5,618	-39	68	-	-101.2%	-80.0%
<b>Total shareholders' equity</b>	<b>59,850</b>	<b>53,382</b>	<b>53,461</b>	<b>53,759</b>	<b>0.6%</b>	<b>0.7%</b>	<b>-10.2%</b>
<b>Total liabilities and shareholders' equity</b>	<b>839,768</b>	<b>816,114</b>	<b>778,877</b>	<b>809,618</b>	<b>3.9%</b>	<b>-0.8%</b>	<b>-3.6%</b>

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Reporting period: 01.01.2012 – 30.06.2012

Telephone: (1) 452 - 9100  
Fax: (1) 452 - 9200  
E-mail: Lendvai.Beata@fhb.hu  
Investor relations: Beáta Lendvai

## Consolidated Financial Position “B”

**Table includes the special banking tax for the entire business year**

(consolidated non-audited data as at 30 June 2011, 31 March 2012, 30 June 2012 and audited data as at 31 December 2011, according to IFRS)

In HUF million	30/06/2011	31/12/2011	31/03/2012	30/06/2012	30/06/2012 / 31/03/2012	30/06/2012 / 31/12/2011	30/06/2012 / 30/06/2011
Cash	2,458	2,554	2,432	2,119	-12.9%	-17.0%	-13.8%
Due from banks & NBH	66,446	65,046	53,585	37,438	-30.1%	-42.4%	-43.7%
Financial assets held for trading at fair value	639	1,832	6,732	5,456	-19.0%	197.8%	-
Financial assets available for sale at fair value	105,421	85,891	123,859	187,955	51.7%	118.8%	78.3%
Fair value of derivative financial assets	800	2,695	2,197	4,462	103.1%	65.5%	-
Refinanced mortgage loans	244,005	226,890	187,479	178,821	-4.6%	-21.2%	-26.7%
Loans and advances to consumers	397,855	420,260	388,001	380,766	-1.9%	-9.4%	-4.3%
Impairment and provision	-25,262	-39,033	-31,628	-34,321	8.5%	-12.1%	35.9%
Investment property	11,304	11,311	11,315	11,279	-0.3%	-0.3%	-0.2%
Tangible assets	6,362	6,299	6,161	6,126	-0.6%	-2.7%	-3.7%
Goodwill and other intangible assets	14,308	14,174	13,747	13,343	-2.9%	-5.9%	-6.7%
Deferred tax asset	3,205	6,345	6,673	6,347	-4.9%	0.0%	98.1%
Other assets	11,178	11,849	6,608	8,681	31.4%	-26.7%	-22.3%
<b>Total assets</b>	<b>838,718</b>	<b>816,114</b>	<b>777,160</b>	<b>808,474</b>	<b>4.0%</b>	<b>-0.9%</b>	<b>-3.6%</b>
Due to banks	48,138	20,992	27,235	99,861	266.7%	375.7%	107.4%
Issued securities	322,089	341,181	320,816	278,983	-13.0%	-18.2%	-13.4%
Mortgage bonds	275,203	290,423	252,994	212,611	-16.0%	-26.8%	-22.7%
Bonds	46,886	50,758	67,821	66,372	-2.1%	30.8%	41.6%
Deposits	127,077	161,105	178,895	154,651	-13.6%	-4.0%	21.7%
State loans	80,133	62,694	44,631	29,014	-35.0%	-53.7%	-63.8%
Derivative financial liabilities at fair value	50,468	60,511	34,573	26,577	-23.1%	-56.1%	-47.3%
Financial liabilities at fair value through profit and loss	138,600	97,342	100,985	117,274	16.1%	20.5%	-15.4%
Leasing liability	-	10,060	10,509	10,518	0.1%	4.5%	-
Reserve for annuity payments	2,463	2,265	2,247	2,301	2.4%	1.6%	-6.6%
Current tax liability	40	6	22	28	27.4%	-	-30.3%
Deferred tax liability	388	710	680	650	-4.5%	-8.5%	67.6%
Provisions	523	267	209	193	-7.3%	-27.6%	-63.0%
Other liabilities	9,998	5,600	4,615	6,267	35.8%	11.9%	-37.3%
Subordinated debt	-	-	-	29,542	-	-	-
<b>Total liabilities</b>	<b>779,917</b>	<b>762,733</b>	<b>725,415</b>	<b>755,859</b>	<b>4.2%</b>	<b>-0.9%</b>	<b>-3.1%</b>
Share capital	6,600	6,600	6,600	6,600	0.0%	0.0%	0.0%
Share premium	1,709	1,709	1,709	1,709	0.0%	0.0%	0.0%
Treasury shares	-2	-29	-29	-29	0.0%	0.0%	-
Cash-flow hedge reserve	-81	201	81	-7	-108.5%	-103.4%	-91.5%
Other reserves	683	-86	154	432	181.2%	-	-36.7%
Retained earnings	50,604	50,604	44,986	44,986	0.0%	-11.1%	-11.1%
Balance sheet profit	-712	-5,618	-1,756	-1,077	-38.7%	-80.8%	51.3%
<b>Total shareholders' equity</b>	<b>58,801</b>	<b>53,382</b>	<b>51,745</b>	<b>52,615</b>	<b>1.7%</b>	<b>-1.4%</b>	<b>-10.5%</b>
<b>Total liabilities and shareholders' equity</b>	<b>838,718</b>	<b>816,114</b>	<b>777,160</b>	<b>808,474</b>	<b>4.0%</b>	<b>-0.9%</b>	<b>-3.6%</b>



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Telephone: (1) 452 - 9100  
Fax: (1) 452 - 9200  
E-mail: Lendvai.Beata@fhb.hu  
Investor relations: Beáta Lendvai

## Cash Flow Statement “A”

Table includes the special banking tax for the period of reporting pro rata

(consolidated non-audited data as at 30 June 2012 and audited 31 December 2012, according to IFRS)

In HUF million	31/12/2011	30/06/2012
<b>Cash flow from operating activities</b>		
<b>Profit/(loss) for the year</b>	<b>-5,618</b>	<b>68</b>
<i>Non cash adjustments to net profit from:</i>		
Depreciation and amortization	2,454	1,241
(Increase)/Decrease in fair value of Investment property	106	29
Recognition of investment property through income statement	-46	-24
Provision for losses	15,204	-4,786
(Gain)/Loss on tangible assets derecognized	1,410	2
(Gain)/Loss on intangible assets derecognized	-2,332	3
Share option reserve	-135	-53
Share option	163	0
Derecognition of treasury shares	-1,672	-590
Capitalized interest	-831	-35,909
Fair value of derivatives	9,433	4,211
Fair value adjustment on financial liabilities through profit and loss	263	230
Change in fair value of annuity reserve	1	16
Change in foreign currency translation reserve	1,126	0
Impairment of goodwill and intangible assets	0	0
<b>Operating profit before change in operating assets</b>	<b>19,526</b>	<b>-35,562</b>
Financial assets held for trading	2,926	-3,624
Financial assets available for sale	17,362	-101,509
Refinanced mortgage loans	33,430	48,069
Loans and advances to customers	1,552	40,084
Other assets	-6,999	2,020
<i>Increase/(Decrease) in operating liabilities:</i>	0	
Deposits	48,365	-6,454
Due to banks	-1,149	97,453
Other liabilities	868	629
<b>Net cash flow from operating activities</b>	<b>115,881</b>	<b>41,106</b>
<b>Cash flow from investing activities</b>		
Proceeds from sales of tangible assets	60	6
Purchase of tangible and intangible assets	-1,260	-247
Purchase of investment property	-10	-6
Sale of investment property	65	33
Paid from reserves on annuity business	-377	-194
Net cash flow from acquisition of subsidiary	0	0
Net cash flow from disposal of subsidiaries	-6	0
<b>Net cash flow from investing activities</b>	<b>-1,528</b>	<b>-408</b>
<b>Cash flow from financing activities</b>		
Proceed from issued securities	26,201	20,187
Principal repayment on issued securities	-94,919	-54,742
Treasury shares purchased	-69	0
Long term loans repayment	-50,168	-34,785
Long term loan borrowings	233	142
Finance lease liabilities repayment	-4,140	458
<b>Net cash flow from financing activity</b>	<b>-122,862</b>	<b>-68,740</b>
Net increase in cash and cash equivalents	-8,508	-28,042
Opening balance of cash and cash equivalents	76,107	67,599
<b>Closing balance of cash and cash equivalents</b>	<b>67,599</b>	<b>39,556</b>
<b>Breakdown of cash and cash equivalents:</b>		
Cash	2,554	2,119
Balances with National Bank of Hungary	8,707	2,497
Dues from banks with a maturity of less than 90 days	56,338	34,941
<b>Closing balance of cash and cash equivalents</b>	<b>67,599</b>	<b>39,557</b>
<i>Supplementary data</i>		
Tax paid	-1,245	-385
Interest received	76,322	73,339
Interest paid	-55,911	-53,324

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Fax: (1) 452 - 9200  
E-mail: Lendvai.Beata@fhb.hu  
Investor relations: Beáta Lendvai

## Cash Flow Statement “B”

Table includes the special banking tax for the entire business year

(consolidated non-audited data as at 30 June 2012 and audited 31 December 2012, according to IFRS)

In HUF million	31/12/2011	30/06/2012
<b>Cash flow from operating activities</b>		
<b>Profit/(loss) for the year</b>	<b>-5,618</b>	<b>-1,077</b>
<i>Non cash adjustments to net profit from:</i>		
Depreciation and amortization	2,454	1,241
(Increase)/Decrease in fair value of Investment property	106	29
Recognition of investment property through income statement	-46	-24
Provision for losses	15,204	-4,786
(Gain)/Loss on tangible assets derecognized	1,410	2
(Gain)/Loss on intangible assets derecognized	-2,332	3
Share option reserve	-135	-53
Share option	163	0
Derecognition of treasury shares	-1,672	-590
Capitalized interest	-831	-35,909
Fair value of derivatives	9,433	4,211
Fair value adjustment on financial liabilities through profit and loss	263	230
Change in fair value of annuity reserve	1	16
Change in foreign currency translation reserve	1,126	0
Impairment of goodwill and intangible assets	0	0
<b>Operating profit before change in operating assets</b>	<b>19,526</b>	<b>-36,707</b>
Financial assets held for trading	2,926	-3,624
Financial assets available for sale	17,362	-101,509
Refinanced mortgage loans	33,430	48,069
Loans and advances to customers	1,552	40,084
Other assets	-6,999	3,166
<i>Increase/(Decrease) in operating liabilities:</i>		
Deposits	48,365	-6,454
Due to banks	-1,149	97,453
Other liabilities	868	629
<b>Net cash flow from operating activities</b>	<b>115,881</b>	<b>41,108</b>
<b>Cash flow from investing activities</b>		
Proceeds from sales of tangible assets	60	6
Purchase of tangible and intangible assets	-1,260	-247
Purchase of investment property	-10	-6
Sale of investment property	65	33
Paid from reserves on annuity business	-377	-194
Net cash flow from acquisition of subsidiary	0	0
Net cash flow from disposal of subsidiaries	-6	0
<b>Net cash flow from investing activities</b>	<b>-1,528</b>	<b>-408</b>
<b>Cash flow from financing activities</b>		
Proceed from issued securities	26,201	20,187
Principal repayment on issued securities	-94,919	-54,742
Treasury shares purchased	-69	0
Long term loans repayment	-50,168	-34,785
Long term loan borrowings	233	142
Finance lease liabilities repayment	-4,140	458
<b>Net cash flow from financing activity</b>	<b>-122,862</b>	<b>-68,740</b>
Net increase in cash and cash equivalents	-8,508	-28,042
Opening balance of cash and cash equivalents	76,107	67,599
<b>Closing balance of cash and cash equivalents</b>	<b>67,599</b>	<b>39,556</b>
<b>Breakdown of cash and cash equivalents:</b>		
Cash		2,554
Balances with National Bank of Hungary	8,707	2,497
Dues from banks with a maturity of less than 90 days	56,338	34,941
<b>Closing balance of cash and cash equivalents</b>	<b>67,599</b>	<b>39,557</b>
<i>Supplementary data</i>		
Tax paid	-1,245	-385
Interest received	76,322	73,339
Interest paid	-55,911	-53,324

2,119

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## Statement of Shareholders' Equity "A"

Table includes the special banking tax for the period of reporting pro rata  
(consolidated non-audited data as at 30 June 2012, according to IFRS)

In HUF million	Share Capital	Treasury Shares	Share Premium	Cash-flow hedge reserve	Share option reserve	Change in fair value (financial assets AFS)	Foreign currency transaction reserve	Retained earnings (deficit)	Shareholders' Equity
<b>1 January 2011</b>	<b>6,600</b>	<b>-123</b>	<b>1,709</b>	<b>101</b>	<b>241</b>	<b>-187</b>	<b>19</b>	<b>50,604</b>	<b>58,964</b>
Transfer to general reserve									
Profit/(Loss)								-5,618	-5,618
Other comprehensive income				100		-25	1		76
Purchase/(Sale) of treasury shares		94							94
Share based payment					-161				-161
Change in share option reserve					26				26
<b>1 January 2012</b>	<b>6,600</b>	<b>-29</b>	<b>1,709</b>	<b>201</b>	<b>106</b>	<b>-212</b>	<b>20</b>	<b>44,986</b>	<b>53,381</b>
Transfer to general reserve									
Profit/(Loss)								66	68
Other comprehensive income				-208		555	16		363
Purchase/(Sale) of treasury shares									
Share based payment									
Change in share option reserve					-53				-53
<b>30 June 2012</b>	<b>6,600</b>	<b>-29</b>	<b>1,709</b>	<b>-7</b>	<b>53</b>	<b>343</b>	<b>36</b>	<b>45,052</b>	<b>53,759</b>

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## Statement of Shareholders' Equity "B"

Table includes the special banking tax for the entire business year  
(consolidated non-audited data as at 30 June 2012, according to IFRS)

In HUF million	Share Capital	Treasury Shares	Share Premium	Cash-flow hedge reserve	Share option reserve	Change in fair value (financial assets AFS)	Foreign currency transaction reserve	Retained earnings (deficit)	Shareholders' Equity
<b>1 January 2011</b>	<b>6,600</b>	<b>-123</b>	<b>1,709</b>	<b>101</b>	<b>241</b>	<b>-187</b>	<b>19</b>	<b>50,604</b>	<b>58,964</b>
Transfer to general reserve									0
Profit/(Loss)								-5,618	-5,618
Other comprehensive income				100		-25	1		76
Purchase/(Sale) of treasury shares		94							94
Share based payment					-161				-161
Change in share option reserve					26				26
<b>1 January 2012</b>	<b>6,600</b>	<b>-29</b>	<b>1,709</b>	<b>201</b>	<b>106</b>	<b>-212</b>	<b>20</b>	<b>44,986</b>	<b>53,381</b>
Transfer to general reserve									0
Profit/(Loss)								-1,077	-1,077
Other comprehensive income				-208		555	16		363
Purchase/(Sale) of treasury shares									0
Share based payment									0
Change in share option reserve					-53				-53
<b>30 June 2012</b>	<b>6,600</b>	<b>-29</b>	<b>1,709</b>	<b>-7</b>	<b>53</b>	<b>343</b>	<b>36</b>	<b>43,856</b>	<b>52,614</b>

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## Off-balance Sheet items – Commitments

(consolidated non-audited data as at 30 June 2011, 31 March 2012 and 30 June 2012 according to IFRS)

In HUF million	30/06/2011	31/03/2012	30/06/2012
<b>Commitments</b>			
Guarantees	871	2,321	2,301
Undrawn commitments	17,491	16,414	17,155
<b>Total</b>	<b>18,362</b>	<b>18,735</b>	<b>19,456</b>

## Transactions with related parties

(consolidated non-audited data as at 30 June 2011, 30 March 2012 and 30 June 2012, according to IFRS)

In HUF millions	Transactions between Mortgage Bank and owners with influential share		
	30/06/2011	31/03/2012	30/06/2012
Due from banks	0	0	0
Refinanced mortgage loans	0	0	0
Fair value of derivatives	0	0	0
Other assets	0	0	0
<b>Total assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
Due to banks	0	0	0
Issued securities	0	0	0
Financial liabilities at fair value through profit and loss	0	0	0
Other liabilities	0	4	0
<b>Total liabilities</b>	<b>0</b>	<b>4</b>	<b>0</b>
	<b>30/06/2011</b>	<b>31/03/2012</b>	<b>30/06/2012</b>
Interest income	0	0	0
Interest expense	0	0	0
<b>Net interest income</b>	<b>0</b>	<b>0</b>	<b>0</b>
Fees and commission income	0	0	0
Fees and commission expense	0	0	0
<b>Net fees and commissions</b>	<b>0</b>	<b>0</b>	<b>0</b>
Gains from securities	0	0	0
<b>Net trading result</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other operating income	0	0	0
Other operating expense	0	0	0
<b>Operating profit</b>	<b>0</b>	<b>0</b>	<b>0</b>
Credit loss expense	0	0	0
General and administrative expense	-104	-65	-112
<b>Profit for the year</b>	<b>-104</b>	<b>-65</b>	<b>-112</b>

For the purpose of the financial statements, related parties include all the enterprises that directly or indirectly through one or more intermediaries are controlled by the reporting enterprise (this includes parents and subsidiaries) and key management personnel, including the member of the Board and Supervisory Board. For the purposes of this Report, related parties also include shareholders whose holding in the Bank exceeds 10% (VCP Finanz Holding Ltd., A64 Trustee Ltd. and from 2010 also Allianz Hungary Insurance Ltd). Related parties have the power of control over or have a significant influence in, decisions relating to the finances and operation of another enterprise. The Group enters into transactions with associated parties under market conditions.

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

### Ownership structure, participation and voting rates

(The listed series is the same as the entire share capital.)

Description of owner	Total equity					
	At the beginning of actual year			End of actual period		
	% <sup>2</sup>	% <sup>3</sup>	Qty	%	%	Qty
Domestic institution/company	73.6%	73.6%	48,585,278	58.5%	58.6%	38,620,662
Foreign institution/company	18.5%	18.5%	12,216,058	22.0%	22.0%	14,509,484
Domestic individual	3.3%	3.4%	2,170,577	6.2%	6.2%	4,092,055
Foreign individual	0.0%	0.0%	19,884	0.0%	0.0%	26,792
Employees, senior officers	0.4%	0.4%	240,312	0.3%	0.3%	185,730
Treasury shares	0.1%	0.0%	53,601	0.1%	0.0%	53,601
Government held owner <sup>4</sup>	4.1%	4.1%	2,714,300	4.1%	4.1%	2,714,300
International Development Institutions <sup>5</sup>	0.0%	0.0%	0	0.0%	0.0%	0
Other	0.0%	0.0%	0	8.8%	8.8%	5,797,386
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>66,000,010</b>	<b>100.0%</b>	<b>100.0%</b>	<b>66,000,010</b>

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.

<sup>2</sup> Ownership share

<sup>3</sup> 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!

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

<sup>5</sup> E.g.: EBRD, EIB, etc.

### Number of treasury shares held in the year under review

	01 January 2012	30 June 2012	30 June 2012
FHB Mortgage Bank Plc.	53,601	53,601	53,601

### Owners with more than 5% ownership (as at 30 June 2012)

Name	Custodian Bank (yes/no)	Number of shares	Stake (%)	Voting rights (%) <sup>1</sup>
VCP Finanz Holding Ltd.	no	15,970,000	24.20%	24.20%
A64 Vagyonkezelő Ltd.	no	10,746,468	16.28%	16.28%
Allianz Hungária Biztosító Ltd.	no	7,533,850	11.42%	11.42%
Silvermist Estate SA	no	6,316,366	9.57%	9.57%
<b>Total</b>		<b>40,566,684</b>	<b>61.47%</b>	<b>61.47%</b>

<sup>1</sup> Voting rights calculated according to Tpt. 61. §.

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## Data forms related to the organisation and operation of the issuer

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

	End of reference period 30/06/2011	Current period opening 31/12/2011	Current period closing 30/06/2012
Bank	62	178	181
Consolidated	849	836	804

### Persons in senior positions and (strategic) employees having an influence on the operations of the Issuer (as at 30 June 2012)

Type <sup>1</sup>	Name	Position	Beginning of mandate	End/ termination of mandate	No. of shares held
BoD	Dr. Zoltán Spéder	Chairman	2008.04.29	2013.04.29	16,000
BoD	István Somkuti	Member	2008.04.29	2013.04.29	8,000
BoD	László Harmati	Member, CEO	2008.04.29	2013.04.29	32,192
BoD	Dr. Christian Riener	Member	2008.04.29	2013.04.29	8,000
BoD	Gyula Köbli	Member, CEO	2010.04.21	2013.04.29	16,000
BoD	Tamás Foltányi	Member, Deputy CEO	2010.04.21	2013.04.29	28,000
BoD	Tamás Vojnits	Member	2010.04.21	2013.04.29	8,675
SB	Csaba Lantos	Chairman	2009.04.29	2014.04.29	0
SB	Róbert Somfai	Member	2008.04.29	2013.04.29	5,000
SB	Enikő Mártonné Uhrin	Member	2010.04.21	2015.04.21	0
SB	Ákos Starcz	Member	2011.04.20	2016.04.20	0
SB	Miklós Szabó	Member	2011.04.20	2016.04.20	2,200
<b>TOTAL No. of shares held by management:</b>					<b>124,067</b>

<sup>1</sup> Employee in a strategic position (SP), Member of the Board of Directors (BoD), member of the Supervisory Board (SB)

## Information and disclosures in 2012

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

- Events relating to Group operation (banking announcements, changes in the Rules of Operation)
- Interim management reports, annual reports
- Information in relation to mortgage bonds (offerings and repurchase, updating of the domestic and international mortgage bond issues program, value of mortgage bonds and their cover)
- Month end information about the amount of issued capital and the voting rights
- Proposals submitted to the AGM and invitation to the AGM
- Shareholders' announcements, report FHB share transaction

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

[www.bet.hu](http://www.bet.hu)  
[www.kozzetetelek.hu](http://www.kozzetetelek.hu)  
[www.fhb.hu](http://www.fhb.hu)