



FHB Mortgage Bank Plc.

**Interim management report for the third
quarter of 2013**

Budapest, 14th November, 2013

I. SUMMARY CONSOLIDATED FIGURES

in HUF million	30/09/2012	30/06/2013	30/09/2013	30/09/2013/ 30/06/2013	30/09/2013/ 30/09/2012
Main balance sheet items					
Total assets	751,450	739,032	782,598	5.9%	4.1%
Refinanced loans	170,202	148,842	141,161	-5.2%	-17.1%
Loans (gross)	371,667	365,781	376,362	2.9%	1.3%
Mortgage bonds	232,789	234,971	205,024	-12.7%	-11.9%
Senior unsecured bonds	120,350	110,777	115,347	4.1%	-4.2%
Customer deposits	151,314	168,957	211,302	25.1%	39.6%
Shareholders' equity	51,227	75,929	75,574	-0.5%	47.5%

in HUF million	Q3 2012	Q2 2013	Q3 2013	Q3 2013/ Q2 2013	Q3 2013/ Q3 2012	M9 2012	M9 2013	M9 2013/ M9 2012
Main P/L items								
Net interest income	4,243.6	4,398.8	4,847.8	10.2%	14.2%	14,661.4	13,519.2	-7.8%
<i>Net interest margin</i>	<i>2.16%</i>	<i>2.43%</i>	<i>2.53%</i>	<i>3.84%-pt</i>	<i>16.88%-pt</i>	<i>2.50%</i>	<i>2.35%</i>	<i>-0.14%-pt</i>
Net fees and commissions	609.8	1,010.1	1,138.7	12.7%	86.7%	2,141.3	3,003.8	40.3%
Total income (with net fees)	3,682.1	2,692.0	6,341.9	135.6%	72.2%	17,093.2	13,862.0	-18.9%
Provision for impairment on loan losses	-2,444.0	-1,283.6	-1,898.2	47.9%	-22.3%	-6,867.3	-5,833.6	-15.1%
Operating cost	-4,196.0	-4,670.4	-4,607.5	-1.3%	9.8%	-12,423.7	-13,636.3	9.8%
<i>Cost to income ratio</i>	<i>114.0%</i>	<i>173.5%</i>	<i>72.7%</i>	<i>-58.1%-pt</i>	<i>-36.2%-pt</i>	<i>72.7%</i>	<i>98.4%</i>	<i>25.7%-pt</i>
<i>Cost/income ratio without special banking tax</i>	<i>95.6%</i>	<i>126.5%</i>	<i>64.0%</i>	<i>-49.4%-pt</i>	<i>-33.0%-pt</i>	<i>64.7%</i>	<i>83.0%</i>	<i>18.4%-pt</i>
Profit before tax	-2,957.9	-3,262.1	-163.9	-95.0%	-	-2,197.8	-5,607.9	-
Profit after tax	-2,623.8	-3,004.1	-281.7	-90.6%	-	-2,556.2	-4,875.3	-
Profit after tax without special banking tax	-1,917.4	-2,003.9	571.5	-128.5%	-	-437.2	-2,315.5	429.7%
<i>Return on Assets</i>	<i>-1.34%</i>	<i>-1.66%</i>	<i>-0.15%</i>	<i>-91.2%-pt</i>	<i>-</i>	<i>-0.44%</i>	<i>-0.85%</i>	<i>-0.4%-pt</i>
<i>Return on Equity</i>	<i>-19.9%</i>	<i>-15.9%</i>	<i>-1.5%</i>	<i>-90.7%-pt</i>	<i>-</i>	<i>-6.7%</i>	<i>-8.5%</i>	<i>-1.8%-pt</i>
<i>ROAA without special banking tax</i>	<i>-0.99%</i>	<i>-1.12%</i>	<i>0.30%</i>	<i>-</i>	<i>-</i>	<i>-0.07%</i>	<i>-0.40%</i>	<i>-0.3%-pt</i>
<i>ROAE without special banking tax</i>	<i>-14.7%</i>	<i>-10.7%</i>	<i>3.0%</i>	<i>-</i>	<i>-</i>	<i>-1.1%</i>	<i>-4.0%</i>	<i>-2.9%-pt</i>

in HUF million	30/09/2012	30/06/2013	30/09/2013	30/09/2013/ 30/06/2013	30/09/2013/ 30/09/2012
Capital adequacy					
Risk weighted assets	304,325	316,913	332,463	4.9%	9.2%
Regulatory capital (HAS)	43,631	60,088	59,828	-0.4%	37.1%
<i>Capital adequacy ratio (HAS)</i>	<i>10.6%</i>	<i>14.0%</i>	<i>13.4%</i>	<i>2.8%-pt</i>	<i>2.8%-pt</i>
Regulatory capital (IFRS)	56,081	63,371	63,543	0.3%	13.3%
<i>Capital adequacy ratio (IFRS)</i>	<i>13.6%</i>	<i>14.7%</i>	<i>14.3%</i>	<i>-0.5%-pt</i>	<i>0.6%-pt</i>

II. REPORT ON FIRST NINE MONTHS AND THIRD QUARTER OF 2013 RESULTS OF FHB GROUP

This report of FHB Mortgage Bank Public Company Limited by Shares for third quarter of 2013 are 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 2012, and the consolidated, non-audited figures as of 30 September 2012, 30 June 2013 and 30 September 2013. The same accounting policy has been applied by this report and consolidated balance sheet and profit and loss account according to the International Financial Reporting Standards (IFRS) as of 31 December 2012.

The Group accounted the entire amount of special banking tax prescribed for 2013 according to IFRS 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 2013 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. The obligations to compensate the lack of financial transaction levy, based on Paragraph 3 Section 11 of Act of CXVI of 2012 is accounted and reported on the same way.

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.

1. Summary of the achievements of the past period

FHB Group's consolidated balance sheet total calculated according to International Financial Reporting Standards was 782.6 billion HUF as of 30 September 2013, which was 4.1% and 31.1 billion HUF higher than a year before and 43.6 billion HUF or 5.9% up to the previous quarter. Quarterly increase of balance sheet total was driven by increasing deposits on the liability side, while on the asset side by growth of securities. Gross loans – first time since 2011, the beginning of fixed-rate final repayment program – showed growth (+1.3%) even on yearly bases, as a result of increasing volume of new loan disbursements. Gross loans increased by close to 3% or 10.6 billion HUF in the last quarter.

Growth of loans was primarily driven by successful participation in Lending for Growth Program of NBH. Within the framework of the program close to 30 billion HUF were outplaced and mainly disbursed. As a result of that, volume of corporate loans was by over 22 billion HUF and 34.2% higher, than a year before and its share from consolidated loans grew above 23%.

Retail lending picked up in the third quarter, as well; volume of mortgage loans disbursements was 40% higher than in second quarter.

FHB realised 282 million HUF loss in Q3 2013; without special banking tax and pro-rata amount of one-off financial transaction levy, consolidated IFRS profit after tax would have been +571.5 million HUF.

Concerning core banking activity, improvements of previous quarter continued:

- net interest income grew by 10% compared to second quarter and over 14% year-on-year;
- net interest margin reached 2.53%, by 10 basis points higher quarter-to-quarter;
- net fees and commissions increased significantly compared to previous year and even without financial transaction levy grew by 11% and close to 47% on quarterly and yearly bases, respectively.

Although provision for impairment on loan losses (risk cost) increased compared to second quarter, it also reflects the one-off impact of portfolio purification measures and level of provisioning and loan losses was 22% better than a year before.

As a result of the above mentioned portfolio purification measures, volume of non-performing loans decreased further and – first time after a long period – NPL ratio showed decline, as well, and decreased by 60 basis points from 20.7% at the end of Q2 2013 to 20.1% as a result of decreasing NPL volume and slightly growing total loan volume. Coverage of non-performing portfolio increased in a small compass, to 52.5%.

Operating costs practicably did not change compared to previous quarter (-63 million HUF or 1.3% decrease), while compared to Q3 2012 showed close to 10% increase. The increase is almost fully the impact of higher financial institution levy related to exchange rate protection scheme and financial transaction levy, reported also as operating cost. Excluding these items, level of operating expenses stood at the same level of 4.2 billion HUF as a year before.

In 1-9 months of 2013 FHB Group realised 4.9 billion HUF loss, including above special taxes 325 million HUF loss on exchange rate protection scheme and also the not shifted part of financial transaction levy. The adjusted consolidated profit after tax (without special banking tax, payment obligation to compensate the lack of financial transaction levy, not shifted part of financial transaction levy and loss on exchange rate protection scheme) was 1.9 billion HUF loss, showing significant improvement compared to 2.6 billion HUF adjusted loss reported at the end of half year.

Capital adequacy ratio according to IFRS in FHB Group was 14.26% at the end of the period.

Performance of FHB shares

In terms of capitalisation, FHB is invariably 7th in the rank of "A" rate listed companies and contributes 0.51% to the aggregate capitalisation of the BSE based on 30 September 2013 data.

As of 30 September 2013, FHB's weight in the BUX index was 0.44% (8th biggest weight in the basket), and was 4th with a weight of 7.34% in BUMIX, the index of share prices of mid- and small-cap companies.

The price of FHB Mortgage Bank's shares closed the third quarter at 325 HUF.

The total turnover of mortgage bonds and senior bonds issued by FHB, amounted to 30.5 million HUF in the first nine months of 2013.

2. Main activities and subsidiaries' performance

CMB issues, funding

For the end of September 2013, risk-taking willingness reduced further on the global markets. FED – as US central bank – lengthened its bond buying program for maintaining liquidity and postponed the expected date of first rate increase (for 2016), but concerns about the state budgets diminished the market impacts of these monetary policy expectations.

In the last months, investors' confidence toward money markets strengthened in Western Europe, but even analysts do not believe in success of measures of ECB to stabilise markets and reassuringly solve the crisis.

Regarding the Hungarian banking and capital markets, extension of Lending for Growth Program of National Bank of Hungary and full repayment of IMF loan were important events in Q3, however these events did not have significant impact on markets, moreover CDS spreads increased slightly to 318 points.

The Forint can strengthen further despite the unfavourable international environment: exchange rate against euro hit the 296-297 level in September. (At the date of base rate cut in August, it fluctuated above 303 HUF/EUR.)

After the positive announcement of ECB, Parliament passed the proposal for merge of NBH and HFSA with the deadline of 1 October, 2013.

The Monetary Council of National Bank of Hungary continued the rate cuts also in the third quarter. After the fourteenth cut base rate reached its newer historical low point as of 3.6% in September. After the rate cut in October, base rate stays actually at 3.4% and further cuts are expected until the end of this year.

In Q3 2013, FHB managed 4 issuances: two series of mortgage bonds and two series of senior bonds were released through public placement or auction. In the course of that, the Bank issued 6.2 billion HUF senior unsecured bonds and 6.7 billion HUF mortgage bonds. Between January and end of September 2013, 8.1 billion HUF and 15 million EUR mortgage bond and 16.6 billion HUF and 13 million EUR senior bonds were issued.

In Q3 2013, mortgage bonds of 37.6 billion HUF matured. Besides FHB purchased back mortgage bonds in value of 6.7 million EUR, while outstanding amount of senior bonds decreased by 850 thousands EUR and 1 billion HUF.

Retail mortgage lending and the housing market

Retail customers' demand for loans remained low in Q3 2013, but interest for subsidized loans was similar to previous quarter. In line with the loan market, the housing market and the housing construction keep touching bottom. According to CSO statistics, 4,077 new homes were built in 9M 2013, by 37% less than in 9M 2012; the number of new housing construction permits issued was only 5,327, 32% less compared to the 2012 data.

As of 30 September 2013, the volume of retail mortgage loans (5,622 billion HUF) was down by 3.8% compared to 30 September 2012; the volume growth adjusted by exchange rate volatility was -4.6%. Volume of HUF loans (2,111 billion HUF) decreased by 2.7% year-on-year; at the same time the FX loan portfolio (3,511 billion HUF) shrank by 4.4% (-5.7% adjusted by the volatility of exchange rate).

Retail housing loans decreased by 0.3% in Q3, change adjusted by exchange rate volatility was +0.3%. At the end of September 2013, housing loans amounted to 3,406 billion HUF representing decline of 3.8% year-on-year, adjusted by exchange rate volatility -4.4%. Volume of housing loans denominated in HUF was 1,589 billion HUF, showing a 0.3% decrease during the last quarter, while share of FX loans decreased by 0.4% (adjusted by the volatility of exchange rate it was 0.9% increase).

General-purpose mortgage loans amounted to 2,216 billion HUF as of 30 September 2013; after exchange rate adjustment the portfolio grew by 0.1% in the last quarter, and shrank by 4.9% year-on-year. HUF denominated general-purpose mortgage loans (522 billion HUF) increased by 2 billion HUF quarterly and expanded by 8.9% year-on-year. As opposed, the exchange rate adjusted change in FX denominated general-purpose mortgage loans was +0.1% in Q3 of 2013 and -6.4% year-on-year.

Own lending

The volume of gross loans of FHB Group amounted to 376.4 billion HUF as of 30 September 2013, by 2.9% up to the 30 June 2013 figure (365.8 billion HUF). Year-on-year growth was 1.3%. Quarterly increase was due to expansion of corporate loans thanks to the successful participation of Funding for Growth Scheme (NHP) of National Bank of Hungary.

The rate of FX loans of total outstanding loan portfolio was 52.4% as of 30 September 2013, which is 326 bps lower than the previous quarter, where also played a role the program offered by the NBH. The share of FX loans of retail loans was 57.7% which is a little bit higher than in the previous quarter due to the weakening of the forint.

Retail loans continued to dominate within the loan portfolio with a contribution of 76.7% (79.8 % on 30 June 2013). Retail loans were by 1% (or 2.9 billion HUF) down to the figures of 30 June 2013 and 17.6 billion HUF down (-5.8%) year-on-year.

in HUF million	30/09/2012	30/06/2013	30/09/2013	30/09/2013/ 30/06/2013	30/09/2013/ 30/09/2012
Retail loans	306,444	291,784	288,820	-1.0%	-5.8%
Housing loans	155,112	146,307	144,673	-1.1%	-6.7%
Other mortgage loans	139,619	134,303	133,312	-0.7%	-4.5%
Consumer loans	6,826	6,270	6,097	-2.8%	-10.7%
Loans for employees	1,929	1,652	1,615	-2.2%	-16.3%
Retail leasing	2,959	3,252	3,123	-4.0%	5.5%
Corporate loans	65,223	73,998	87,544	18.3%	34.2%
Corporate leasing	64,353	73,049	86,679	18.7%	34.7%
Corporate loans	870	949	865	-8.9%	-0.6%
Total own lending, gross	371,667	365,782	376,364	2.9%	1.3%
Impairment	-34,987	-39,372	-39,694	0.8%	13.5%
Loans, net	336,681	326,410	336,670	3.1%	0.0%
Refinanced loans	170,202	148,842	141,161	-5.2%	-17.1%

In terms of structure of retail loans, housing loans as the largest volume contributed 50.1% and other mortgage loans contributed 46.2% to the loan portfolio. A year before proportion was 50.6% and 45.6%, respectively. Reverse mortgages achieved 3.1 billion HUF as of 30 September 2013, there was no significant change. The volume of consumer loans amounted to 6.1 billion HUF.

Volume of corporate loans amounted to 87.5 billion HUF, representing 23.3% of the total portfolio. The amount grew by 18.3% compared to the previous quarter and show 34.2% increase year on year.

In 9M 2013, 7.5 billion HUF of retail and 36.3 billion HUF of corporate loans have been disbursed; this is more than five times higher than in the last year, thanks to the loans disbursed within the framework of Funding for Growth Scheme started in June. Related to Pillar 1 and Pillar 2, the Bank contracted for outplacement of 30 billion HUF, of which 27.7 billion was disbursed by the end of October.

The ratio of disbursement of subsidized loans within the retail loans exceeds 55%. Until 30 September 2013, 45% of entitled clients (26% of the total clients with FX loans) applied for the buffer account scheme and more than 7,762 (22%) contracts were already signed.

FHB Commercial Bank Ltd.

According to Hungarian Accounting Standards, total assets of FHB Commercial Bank were 528.3 billion HUF on 30 September 2013, showing 14.5% growth compared to Q2 2013 (24.3% growth compared to 1-9M. 2012).

In Q3 2013, volume of gross loans according to Hungarian Accounting Standards was 236.0 billion HUF increasing by 10.9% compared to Q3 2012, and by 6.9% quarterly – representing 44.7% among total assets, that shows fall both yearly and quarterly. Corporate loans amounted to 91.8 billion HUF having a share of 39.0% among total loan portfolio, which grew compared to Q2 2013.

Interest bearing liabilities amounted to 488.6 billion HUF, representing 92.5% among liabilities, that shows growth both quarter-to-quarter and year-on-year also. Deposits represent 43.6%, 212.8 billion HUF among interest bearing liabilities, while interbank liabilities represent the highest ratio with the amount of 261.3 billion HUF, containing refinanced loans from FHB Mortgage Bank, 2Y liabilities covered by mortgage bonds introduced by NBH to stimulate corporate lending, and refinancing related to already disbursed loans under Funding for Growth Scheme.

Ratio of deposits among interest bearing liabilities was 43.6% representing growth both yearly and quarterly due to higher level of corporate deposits. Volume of corporate deposits was above retail deposit's volume by the end of Q3 2013; its ratio was 56.5%. 20% of deposits are sight deposit.

The number of retail and corporate accounts managed by the Commercial Bank was 169.8 and 8.8 thousand respectively as of 30 September 2013, 127.7 thousands retail and 5.6 thousands corporate banking cards related to these accounts. Both number of accounts and cards represented significant growth in 2013 Q3.

According to Hungarian Accounting Standards, loss for the year was 575 million HUF in 1-9M 2013, significantly better than a year before. Net interest income was 17.2% higher due to decreasing interest income (2.8%), and decline in interest expenses (14.0%). Net fee and commission income was 7.6% higher than a year before. Operating costs were 2.8% down to 9M 2012.

Shareholder's equity according to HAS was 30.7 billion HUF.

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.

Since the foundation of the company until 30 September 2013, 739 annuity contracts were signed, that represents 629 contracts alive and 10.5 billion HUF real estate volumes after closing 110 contracts amounted to 1.7 billion HUF of the real estate portfolio.

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 services related to energy certification.

The real estate brokerage business generated 94 million HUF revenue in 1-9M 2013; compared to the same period of 2012 decrease was 7.9 million HUF, while real estate sales – performing improvement – reached 30.8 million HUF income, that was less than the income compared to Q2 2013 (68.9 million HUF), while yearly

growth was 3 times higher (12.0 million HUF). The total income of real estate sales during 1-9M of 2013 was 117 million HUF.

FHB Real Estate Lease Ltd.

Since 2011, the Company has exclusively sold real estate lease products (besides managing its existing mortgage loan portfolio).

As at 30 September 2013, the consolidated loan volume of FHB Real Estate Lease Ltd. according to IFRS reached 7.6 billion HUF. In 1-9M 2013, lease financing disbursement amounted to 359 million HUF (Q1: 73 million HUF, Q2: 139 million HUF, Q3: 147 million HUF). Leasing portfolio reached 3.7 billion HUF as of 30 September 2013. The quarterly change was 7.5% increase (from 3.4 billion HUF as of 30 June 2013), while the year-on-year fall was 7.6% (from 4.0 billion HUF as of 30 September 2012).

Diófa Asset Management Ltd.

Diófa Asset Management Ltd. had been established by Evgyuruk Pension Fund in February 2009. Initially, Diófa focused on dedicated wealth management for Evgyuruk Pension Fund, later on the changing regulation in the private pension fund sector required a new sustainable business model.

The Company announced on 8th July 2013, that it signed a contract to buy 100% of the ordinary shares of the Diófa Asset Management Ltd. Pursuant the specified contractual conditions required for the effective transfer of the shares are satisfied by the parties on 2 September 2013, since then the 100% of the ordinary shares of the Asset Management company is owned by FHB Mortgage Bank Plc.

After the change in ownership, Diófa Asset Management is a fully consolidated member of FHB Group and belongs to common supervision since September 2013. Total assets of Asset Management Ltd. amounted to HUF 140.8 billion, proportional (one month) profit after tax was HUF -3.5 million.

Before the acquisition, Diofa Asset Management was focusing on real estate investments, pension fund wealth management and tailor made solutions for institutional clients. From September 2013 Diofa Asset Management Ltd. still sustains its former focus areas, in addition new retail funds have been launched in the branch network of FHB Banking Group. Sales volume of FHB Forte Short Bond Fund and FHB Money Market Fund reached almost HUF 1 billion in one month.

Organisational changes and headcount

As of 30 September 2013, the consolidated full-time headcount was 774.1, by 11 persons more than the 763.1 figure as of 30 June 2013 and 14.6 persons below the 30 September 2012 headcount of 788.7. The Diófa Asset Management Ltd. as new member of the Group is the main reason for quarterly raise.

Headcounts of the Group members were as follows:

	30/09/2012	30/06/2013	30/09/2013	30/09/2013/ 30/06/2013	30/09/2013/ 30/09/2012
FHB Mortgage Bank Plc.	174.7	171.3	173.3	1.2%	-0.8%
FHB Commercial Bank Ltd.	589.3	567.1	567.4	0.1%	-3.7%
FHB Life Annuity Ltd.	6.6	7.2	5.9	-17.5%	-10.3%
FHB Real Estate Ltd.	8.1	8.1	7.1	-12.3%	-12.3%
FHB Real Estate Leasing Ltd.	10.1	9.5	9.8	2.6%	-3.2%
Diófa Asset Managemet Ltd.			10.6	-	-
FHB Consolidated	788.7	763.1	774.1	1.4%	-1.9%

Changes in key position

The Annual General Meeting of the Company on 24th April 2013 elected Deloitte Hungary Audit and Consulting Ltd. for the auditor for 2013 (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 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).

The Annual General Meeting of the Company re-elected Dr Zoltán Spéder, Dr Christian Riener, Gyula Köbli and Tamás Foltányi as members of Board of Directors. Gabriella Balogh, Gábor Gergő Soltész and Ákos Starcz were elected as new Board members. Tibor Kádár was elected as member of Supervisory Board.

In Q3 2013, there were no further changes in key positions.

Post-balance sheet date events

On May 14, 2013, FHB Mortgage Bank announced, that as a result of several months of negotiations, FHB has signed a letter of intent on 30 April, 2013 with the shareholders representing more than 76% stake in Díjbeszedő Holding Ltd. (DBH) on long term exclusive strategic cooperation and the change of ownership of DBH.

In compliance with this, on 10 July 2013, FHB signed a purchase agreement with the majority shareholders – and later on with the other owners – of Díjbeszedő Holding Ltd. (“DBH”), to the business shares of Díjbeszedő Üzemeltetési és Szolgáltatási Kft. (in English: Díjbeszedő Operational and Service Limited Liability Company; hereinafter the “DÜSZ Llc.”) that will come into being after a demerge from DBH. In course of the demerge DÜSZ shall own 51% of the shares of Díjbeszedő Faktorház Co. Plc., 75% of the shares of DíjNET Ltd. and 50% of the shares of Díjbeszedő Informatikai Llc.

Related to the transaction of the business shares and the shares, FHB and the Magyar Posta enter into a strategic cooperation, and in the scope of that they shall cooperate in the ownership and control of DÜSZ Llc., DBH and the Jointly Controlled Companies, furthermore in course of the harmonization of the business activities of DÜSZ Llc. and the members of the DBH Group. By the Syndicate Agreement, FHB and the Magyar Posta also conclude an agreement on strategic cooperation. The Syndicate Agreement was signed by the Parties on 31 July 2013, and will come into effect at the closing of the transaction.

By signing the Syndicate Agreement, the Parties also agree to acquire additional shares by exchange of shares. Accordingly, FHB will acquire 50% of shares of Magyar Posta Befektetési Zrt. (Hungarian Post Investment Services Ltd., hereinafter the “MPB Ltd.”). The MPB Ltd., which is subject to the provisions of rules on companies jointly owned by the Parties according to the Syndicate Agreement, intends to sell investment products and provide such investment services to clients at post offices.

The transactions expected to close until the end of December 2013.

At the beginning of November, the Parliament passed the modification of act on measures needed to protect FX loan debtors, which stepped into effect after its publication, on 9 November 2013. The law introduced essentially immediate moratorium on evictions until 30 April 2014, and decided on the extension of range of debtors entitled to participate in FX rate protection scheme. According to the new regulation:

- also debtors with more than 90 days delay can apply for buffer account, including clients, who's real estate bothered with more than one of such mortgage;

- participation in client support program is not disqualifying;
- previous 20 million HUF limit were abolished, so clients with loans over 20 million HUF original value can also apply;
- conditions of state guarantee behind buffer accounts opened after modification coming into effect became more stringent:
 - in case of newly opened buffer accounts, state provide guaranty solely if outstanding loan volume not exceeds 95% of collateral real estate value;
 - Banks can exercise the guaranty if buffer accounts past due over 180 days and the bank terminates the contract because of that.

III. ANALYSIS OF FHB MORTGAGE BANK PLC.'S CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IFRS

1. P&L structure

in HUF million	Q3 2012	Q2 2013	Q3 2013	Q3 2013/ Q2 2013	Q3 2013/ Q3 2012	M9 2012	M9 2013	M9 2013/ M9 2012
Interest income	18,850	15,914	16,722	5.1%	-11.3%	58,695	50,019	-14.8%
Interest expense	-14,606	-11,515	-11,874	3.1%	-18.7%	-44,034	-36,500	-17.1%
Net interest income	4,244	4,399	4,848	10.2%	14.2%	14,661	13,519	-7.8%
Fees and commissions income	883	1,184	1,280	8.0%	45.0%	2,912	3,500	20.2%
Fees and commissions expense	-273	-174	-141	-19.1%	-48.4%	-771	-497	-35.6%
Net fees and commissions	610	1,010	1,139	12.7%	86.7%	2,141	3,004	40.3%
Foreign exchange gains, net	-554	-1,070	599	-	-	-2,322	1,096	-
Fair value adjustment	-922	-909	264	-	-	2,077	-2,200	-
Gain on securities, net	1,348	261	379	45.3%	-71.9%	3,288	956	-70.9%
Net trading result	-128	-1,718	1,242	-	-	3,044	-149	-
Other non-interest income	-37	295	147	-50.2%	-	303	764	152.2%
Other non-interest expenses	-1,006	-1,293	-1,033	-20.1%	2.7%	-3,056	-3,276	7.2%
o/w special banking tax	-706	-1,000	-853	-14.7%	20.8%	-2,119	-2,560	20.8%
Other results	-1,043	-999	-886	-11.2%	-15.0%	-2,753	-2,512	-8.8%
Net operating income	3,682	2,692	6,342	135.6%	72.2%	17,093	13,862	-18.9%
Provision for impairment on loan losses	-2,444	-1,284	-1,898	47.9%	-22.3%	-6,867	-5,834	-15.1%
Personnel expenses	-1,496	-1,539	-1,565	1.7%	4.6%	-4,398	-4,630	5.3%
Banking operation cost	-1,766	-1,792	-1,670	-6.8%	-5.4%	-5,313	-5,217	-1.8%
Cost of business activity	-117	-158	-177	12.2%	51.4%	-343	-417	21.6%
Depreciation	-628	-630	-640	1.6%	1.8%	-1,872	-1,891	1.0%
Other tax payable	-189	-552	-556	0.7%	193.9%	-499	-1,482	197.2%
Operating costs	-4,196	-4,670	-4,607	-1.3%	9.8%	-12,424	-13,636	9.8%
Income before income taxes	-2,958	-3,262	-164	-95.0%	-94.5%	-2,198	-5,608	155.2%
Income taxes	334	258	-118	-	-	-358	733	-
Profit after tax	-2,624	-3,004	-282	-90.6%	-89.3%	-2,556	-4,875	90.7%
Profit after tax w/o special banking tax	-1,917	-2,004	572	-	-	-437	-2,316	429.7%

HUF million	Q3 2012	Q2 2013	Q3 2013	Q3 2013/ Q2 2013	Q3 2013/ Q3 2012	M9 2012	M9 2013	M9 2013/ M9 2012
<i>Basic EPS (yearly, HUF)</i>	<i>-158.3</i>	<i>-182.7</i>	<i>-17.0</i>	<i>-90.7%-pt</i>	<i>-89.3%-pt</i>	<i>-51.8</i>	<i>-98.8</i>	<i>90.9%-pt</i>
<i>Diluted EPS (yearly, HUF)</i>	<i>-158.3</i>	<i>-182.7</i>	<i>-17.0</i>	<i>-90.7%-pt</i>	<i>-89.3%-pt</i>	<i>-51.8</i>	<i>-98.8</i>	<i>90.9%-pt</i>
<i>Net interest margin</i>	<i>2.16%</i>	<i>2.43%</i>	<i>2.53%</i>	<i>3.8%-pt</i>	<i>16.9%-pt</i>	<i>2.50%</i>	<i>2.35%</i>	<i>-5.8%-pt</i>
<i>ROAA</i>	<i>-1.34%</i>	<i>-1.66%</i>	<i>-0.15%</i>	<i>-91.2%-pt</i>	<i>-89.0%-pt</i>	<i>-0.44%</i>	<i>-0.85%</i>	<i>94.9%-pt</i>
<i>ROAE</i>	<i>-19.9%</i>	<i>-15.9%</i>	<i>-1.48%</i>	<i>-90.7%-pt</i>	<i>-92.6%-pt</i>	<i>-6.7%</i>	<i>-8.5%</i>	<i>27.7%-pt</i>
<i>ROAA w/o special banking tax</i>	<i>-0.99%</i>	<i>-1.12%</i>	<i>0.30%</i>	<i>-</i>	<i>-</i>	<i>-0.07%</i>	<i>-0.40%</i>	<i>441.3%-pt</i>
<i>ROAE w/o special banking tax</i>	<i>-14.7%</i>	<i>-10.7%</i>	<i>3.03%</i>	<i>-</i>	<i>-</i>	<i>-1.1%</i>	<i>-4.0%</i>	<i>254.7%-pt</i>

The Bank's consolidated profit after tax by IFRS amounted to 282 million HUF loss in Q3 2013, and 4.9 billion HUF loss as of 9M 2013. Quarterly result shows significant improvement compared to previous periods.

Without the special banking tax, FHB Group's consolidated results have been 572 million HUF in Q3 2013 and 2.3 billion HUF losses for 1-9M 2013.

Beside 2.1 billion HUF of special banking tax (for the 1-9M of the year) and payment obligation of 441 million HUF to compensate the lack of financial transaction levy, financial institution levy related to exchange rate protection scheme and non-shifted financial transaction levy had negative impact on the result as extraordinary (one-off) items by 3 billion HUF.

Net interest income

Net interest income was 4.8 billion HUF in Q3 2013, 14.2% higher than the result achieved in the Q3 2012 reference period, and improved by 10.2% quarterly. The net figure emerged as a balance of 16.7 billion HUF interest income (5.1% higher than the figure of Q2 2013, and 11.3% weaker than figures of Q3 2012) and 11.9 billion HUF interest expense (q/q: 3.1%, y/y: -18.7%). Fall of expenses was higher than incomes generating increase in net interest income compared to previous quarter.

As of 1-9M 2013, interest incomes and expenses decreased almost equally influencing fall in net result close to 8%. Reduction of interest income was generated by fall in interest rates realised on FX and HUF loans (related to sloping yield curve) and lower interest incomes from securities compared to previous quarter. Fall of interest expenses was due to lower interest expenses from issued securities and repayment of subordinated capital at the beginning of the year.

Distribution of interest income and expenses shows the following table:

	Q3 2012	Q2 2013	Q3 2013	Q3 2013/ Q2 2013	Q3 2013/ Q3 2012	M9 2012	M9 2013	M9 2013/ M9 2012
Interest income								
Loans	37.0%	37.7%	37.7%	0.0%-pt	0.7%-pt	36.9%	37.7%	0.8%-pt
Refinancing	10.8%	11.8%	10.3%	-1.6%-pt	-0.6%-pt	10.3%	11.3%	1.0%-pt
Mortgage bond interest subsidy	13.7%	14.6%	14.1%	-0.6%-pt	0.3%-pt	13.9%	14.1%	0.2%-pt
Supplementary interest subsidy	1.2%	1.5%	1.3%	-0.1%-pt	0.1%-pt	1.2%	1.4%	0.2%-pt
Securities and interbank activities	15.9%	12.3%	13.4%	1.1%-pt	-2.5%-pt	15.3%	12.6%	-2.8%-pt
Swap transactions	21.3%	22.2%	23.3%	1.1%-pt	2.0%-pt	22.3%	23.0%	0.7%-pt
Other interest income	0.0%	0.0%	0.0%	0.0%-pt	0.0%-pt	0.0%	0.0%	0.0%-pt
Interest expenses								
Bonds issued	48.4%	56.0%	53.6%	-2.4%-pt	5.2%-pt	51.5%	53.3%	1.8%-pt
Interbank activities	19.4%	10.8%	9.4%	-1.4%-pt	-9.9%-pt	11.5%	11.5%	0.1%-pt
State loan	1.2%	0.0%	0.0%	0.0%-pt	-1.2%-pt	2.1%	0.0%	-2.1%-pt
State loan interest expenses	0.0%	0.0%	0.0%	0.0%-pt	0.0%-pt	0.0%	0.0%	0.0%-pt
Customer deposits	15.4%	14.8%	14.5%	-0.3%-pt	-0.8%-pt	16.7%	14.1%	-2.6%-pt
Derivatives	13.9%	16.2%	20.3%	4.0%-pt	6.4%-pt	16.4%	18.9%	2.5%-pt
Other interest expense	1.8%	2.2%	2.2%	0.0%-pt	0.4%-pt	1.7%	2.1%	0.4%-pt

The average net interest margin (NIM) was 2.53% in Q3 of 2013 compared to 2.43% in Q2 of 2013 and 2.16% in Q3 of 2012 showing improvement due to higher net interest income. 2.35% NIM as of 1-9M 2013 dropped by 15 bps compared to 1-9M of 2012, 2.50%.

Net fee and commission income

In Q3 of 2013, the Bank achieved a positive balance of 1,139 million HUF of income from, and expenditures on commissions and fees; 12.7% more than Q2 2013 figures and 86.7% higher than Q3 2012, that did not yet contain financial transaction levy. Net fees and commissions adjusted by financial transaction levy performed also growth quarter-on-quarter (+11.3%).

Compared to previous quarter, fees related to mortgages, fees and commissions from bank accounts and financial transaction levy increased, but fees related to insurances decreased. Among expenses, agents' fees also dropped quarterly.

Income from fees and commissions in Q3 of 2013 was 1,279.5 million HUF, of which 20.1% was contributed by charges related to loans (17.8% in Q2 of 2013), and 35.7% by accounts and card related banking charges (28.2% in Q2 of 2013). Commissions resulting from the strategic cooperation agreement signed with Allianz Insurance Company contributed 11.4% to income from fees and commissions in the reported quarter (18.3% in Q2 of 2013). The fees as the contribution of financial transaction levy contributed 19.0% to fee income (Q2 of 2013 17.4%).

Card related fee expenses (95 million HUF) rose slightly compared to the previous quarter.

Net result of financial transactions

In 1-9M of 2013 the balance of financial transactions was 148.7 million HUF losses that are down by 3,192 million HUF than in the same period of 2012 achievement. In Q3 of 2013 the balance of financial transactions was 1,242 million HUF profits, which are higher by 2,960 million HUF than in Q2 of 2013.

As of Q3 2013, 598.7 HUF of foreign exchange profits are deeply above figures of previous quarter (1,070 HUF loss).

In Q3 of 2013 the changes in the value of securities reported at fair value against earnings was 264.2 million HUF profit, as opposed to the 909 million HUF loss achieved in Q2 2013, and it's significantly higher than a year before.

In Q3 2013, securities transactions resulted in 379 million HUF profit as opposed to 260.9 million HUF in Q2 2013.

Other operating income and expenditure

In 1-9M of 2013, the balance of other operating income and expenditure was 2,512 million HUF net expenditure; arising from 763.9 million HUF incomes and 3,276 million HUF expenditure. As of Q3 2013, other operating results were 886.5 million HUF losses from 146.6 million HUF of income and 1,033 million HUF of expenses. Other results are higher by 156.4 million HUF than a year before, and by 112.3 million HUF higher than in the previous quarter.

In Q3 of 2013 real estate related income contributed 12.2%, 51.2 million HUF to other operating income (real estate rent, revaluation). In Q2 of 2013 real estate related income amounted to 83.6 million HUF.

82.6% of other expenditure was contributed by the special tax (706 million HUF), and payment obligation of 147 million HUF to compensate the lack of financial transaction levy. On the other expenditures side, 93 million HUF annuity payments were reported.

Impairments and provisions for possible loan losses

5.8 billion HUF of risk costs performed by 15.1% better figures than a year before, while 1.9 billion HUF of Q3 2013 worse by 47.9% quarter-on-quarter, and improved by 22.3% year-on-year. Improvement was related to lower volume of provisions for loan losses having better loan portfolio quality. Among loan losses 953 million HUF losses were reported due to closed transactions covered by real-estates sold to National Asset Management Company.

Operating expenses

Operating costs amounted to 13.6 billion HUF in 1-9M 2013 (2013 q1: 4.4 billion HUF, Q2: 4.7 billion HUF, Q3: 4.6 billion HUF) which is 9.8% higher than the same period in 2012. Growth was mainly generated by financial institution levy and other fees and taxes. Compared to the previous quarter 1.3% decrease was realised.

Cost-to-income ratio (CIR) was 72.7% in Q3 of 2013 (as opposed to 114.0% in Q3 2012 and 173.5% in Q2 2013). Adjusting special banking tax, CIR was 64.0% in Q3 2013, while 95.6% in Q3 2012, and 126.5% in Q2 2013. Strengthening of CIR was influenced by significant raise of incomes. Growth of operating expenses in 1-9M adjusted by credit institutions levy related to exchange rate protection scheme and financial transaction levy 2013 would have been 6.7% year-on-year, and 1.6% decrease quarterly.

The contribution of personnel expenses to total operating costs was 34.0% in Q3 2013, 169 bps lower than 35.6% in Q3 2012, and 101 bps higher than 32.9% of Q2 2013 was higher also.

Administrative expenses in Q3 2013 slightly decreased year-on-year and quarterly also, generated by dropping expenses of consultancy fees and seasonality in marketing expenses.

Expenses of business activity show significant change year-on-year and quarterly either. 177 million HUF of expenses in Q3 2013 are 51.4% higher than a year before and 12.2% op to Q2 2013.

Depreciation was 640 million HUF in Q3 of 2013, no material change occurred compared to basis periods. Approximately three-quarters of depreciation are related to intangibles.

Other taxes paid reported among operating costs amounted to 556 million HUF in Q3 2013 (Q2 2013: 552 million HUF, Q3 2012: 189 million HUF). Increase of credit institutions levy was related to the FX rate protection scheme, as total losses realised on exchange rate protection program are reimbursed by the state to the bank, than 50% of these amount is to be paid as credit institutions levy – causing significant yearly increase of operating expenses.

2. Balance Sheet

in HUF million	30/09/2012	30/06/2013	30/09/2013	30/09/2013/ 30/06/2013	30/09/2013/ 30/09/2012
Cash	2,283	1,806	2,079	15.2%	-8.9%
Due from banks & NBH	33,400	31,797	34,441	8.3%	3.1%
Financial assets available for sale and trading at fair value	159,256	181,395	221,505	22.1%	39.1%
Fair value of derivative financial assets	4,085	1,485	1,385	-6.7%	-66.1%
Refinanced mortgage loans	170,202	148,842	141,161	-5.2%	-17.1%
Loans and advances	371,667	365,781	376,362	2.9%	1.3%
Impairment and provision	-34,987	-39,372	-39,694	0.8%	13.5%
Tangible assets	6,098	5,750	5,640	-1.9%	-7.5%
Goodwill and other intangible assets	13,005	11,927	11,640	-2.4%	-10.5%
Other assets	26,440	29,621	28,079	-5.2%	6.2%
Total Assets	751,450	739,032	782,598	5.9%	4.1%
Liabilities total	700,223	663,103	707,023	6.6%	1.0%
Interbank borrowings	109,671	112,660	134,437	19.3%	22.6%
Mortgage bonds	232,789	234,971	205,024	-12.7%	-11.9%
Bonds issued	120,350	110,777	115,347	4.1%	-4.2%
Deposits	151,314	168,957	211,302	25.1%	39.6%
State loans	14,296	0	0	-	-100.0%
Fair value of derivatives	23,396	17,146	21,274	24.1%	-9.1%
Leasing liability	10,775	9,449	9,700	2.6%	-10.0%
Reserves for annuity	2,316	2,420	2,442	0.9%	5.4%
Other liabilities	5,294	6,722	7,498	11.5%	41.6%
Subordinated debt	30,023	0	0	-	-100.0%
Shareholders' equity	51,227	75,929	75,574	-0.5%	47.5%
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	-29	-29	-29	0.0%	0.0%
Cash-flow hedge reserve	72	0	100	-	37.9%
Subordinated capital	0	31,749	31,749	0.0%	-
Other reserves	444	154	-19	-112.7%	-104.4%
Retained earnings	44,986	40,340	40,340	0.0%	-10.3%
Balance sheet profit	-2,556	-4,594	-4,875	6.1%	-
Total liabilities and shareholders' equity	751,450	739,032	782,598	5.9%	4.1%

As of 30 September 2013, the Bank's consolidated balance sheet total by IFRS amounted to 782.6 billion HUF, 5.9% up to the end of previous quarter and by 70.6 billion HUF, or 4.1% below the balance sheet total as of 30 September 2012.

The decline on the assets side, compared to the reference figures as of 30 September 2012, was the joint result of interbank deposits increased by 3.1%, refinanced loans dropped by 17.1% but impairment and provision increased by 13.5%. Compared to the previous quarter securities' portfolio increased significantly by 22.1%.

Liabilities increased by 1% compared to the reference figures of 9M 2012. Significant decrease was generated primarily by repayment of state loan and subordinated loan capital. Mortgage bonds issued showed significant decline and interbank borrowings rose by 22%. Deposits grew by 40% year-on-year.

Shareholders' equity grew by 24.3 billion HUF year-on-year as Tier 1 subordinated bonds are reported as part of shareholder's equity.

Interest earning assets

The Group's interest earning assets increased from 734.5 billion HUF as of 30 September 2012 to 773.5 billion HUF as of 30 September 2013. Interest earning assets contributed 98.8% to the balance sheet total.

NBH and other interbank lending increased from 33.4 billion HUF as of 30 September 2012 to 34.4 billion HUF as of 30 September 2013. The item contributed 4.5% to interest earning assets as of 30 September 2013.

The value of Bank's securities available for sale and held for trading at fair value increased from 159.3 billion HUF as of 30 September 2012 to 221.5 billion HUF as of 30 September 2013; while as of 30 June 2013 amounted to 181.4 billion HUF. Contribution of securities available for sale to interest earning assets was 28.6% in Q3 2013. Securities available for sale include NBH bonds amounting to 51.9 billion HUF, discount treasury bills amounting to 84.1 billion HUF and government bonds amounting to 19.3 billion HUF. As of 30 Sept 2013, the Bank held a portfolio of securities held for trading (31.2 billion HUF), which contributed 4.4% to interest earning assets.

Loans

As of 30 September 2013, the volume of loans was 1.3% up year-on-year (adjusted by FX changes it was 0.7%), and the quarterly increase was 2.9%. Impairment to cover loan losses grew from 35.0 billion HUF as of 30 September 2012 to 39.7 billion HUF as of 30 September 2013, last quarter showed only 0.8% increase. Stagnation of provisions in last quarter was influenced – beside FX changes – by portfolio quality improvement efforts occurred in previous periods.

The year-on-year decline in refinanced loans was 17.1% and there was also a 5.2% drop in this item over the last quarter. As of 30 September 2013, the contribution of refinanced loans and gross own lending was 66.9% in interest earning assets.

Portfolio quality

The ratio of non-performing loans decreasing, and the total volume of non-performing loans decreased, as well. NPL ratio has been decreasing to 20.1% by 30 September 2013 from 20.7% as of 30 June 2013 thanks to the slightly expanding loan portfolio and the decreasing of volume of NPL. Coverage of non-performing loans slightly increased to 52.5%

Other assets

Tangible assets amounted to 5.7 billion HUF as of 30 September 2013 and decreased by 458 million HUF year-on-year and by 110 million HUF quarter-on-quarter. As of 30 September 2013, intangibles amounted to 11.6 billion HUF, by 1.4 billion HUF or 10.5% down year-on-year and 286 million HUF (-2.4%) below the 30 June 2013 figure.

Other assets amounted to 28.1 billion HUF as of 30 September 2013, increasing by 6.2% (1.6 billion HUF). Deferred tax assets reached 7.6 billion HUF. Investment properties amounted to 11.4 billion HUF. Real estates displayed among inventories contributed to other assets 7.5%.

Interest bearing liabilities

Interest bearing liabilities increased from 658.4 billion HUF as of 30 September 2012 to 666.1 billion HUF as of 30 September 2013, representing approximately 85.1% to the balance sheet total. The majority of interest bearing liabilities was contributed by securities issued and deposits from clients, furthermore interbank borrowings grown in the year.

Interbank funds

As of 30 September 2013, interbank funds amounted to 134.4 billion HUF showing +19.3% change compared to previous quarter, and volume was 22.6% up year-on-year containing also 2 years covered loan facility issued by Hungarian National Bank to stimulate corporate lending and disbursed loans within the framework of Funding for Growth Scheme (NHP). Contribution of interbank borrowings to interest bearing liabilities was 20.2% as of 30 September 2013.

CMBs issued

The contribution of covered mortgage bonds to the Bank's interest bearing liabilities was 30.8% as of 30 September 2013, ratio decrease year-on-year. 205.0 billion HUF book value of mortgage bonds as of 30 September 2013 was by 11.9% or 27.8 billion HUF down from figures of 30 September 2012 (232.8 billion HUF).

in HUF million	30/09/2012		30/09/2013	
	Book value	Nominal value	Book value	Nominal value
Non-listed mortgage bonds				
Fixed	66,545	66,368	45,978	45,828
Floating	284	284	298	298
Listed mortgage bonds				
Fixed	143,658	144,737	139,818	138,469
Floating	15,188	16,781	11,319	11,477
Total	225,674	228,170	197,414	196,071
Accrued interest	7,116		7,615	
Mortgage bonds Total	232,790	228,170	205,029	196,071
Non-listed bonds				
Fixed	53,041	52,883	54,535	54,375
Floating	3,257	3,248	6,763	6,693
Listed bonds				
Fixed	55,334	56,563	41,687	42,956
Floating	2,270	2,259	6,537	6,539
Total	143,088	144,138	109,521	110,563
Accrued interest	7,284		5,822	
Bonds Total	150,372	144,138	115,343	110,563

Mortgage bonds collateral¹

The net collateral value of real estate covering mortgage bonds issued by FHB Mortgage Bank Plc. amounted to 486.7 billion HUF as of 30 September 2013 (320.0 billion HUF of capital and 166.7 billion HUF of interests), 5.1% less than the 512.7 billion HUF as of 30 June 2013 and 17.0% below the figure of 30 September 2012 (586.1 billion HUF).

The value of the group of assets involved as collateral:

in HUF million	30/09/2012	30/06/2013	30/09/2013
Outstanding mortgage bonds in circulation			
Face value	298,622	297,736	265,370
Interest	75,534	64,933	60,640
Total	374,156	362,669	326,010
Value of the regular collateral			
Principal	367,087	333,090	320,016
Interest	218,972	179,615	166,697
Total	586,059	512,705	486,713
Value of assets involved as supplementary collateral			
Balance of the separate blocked account at the NBH - principal	0	0	0
Total	0	0	0

As of 30 September 2013, the present value of ordinary collateral was 364.0 billion HUF and the present value of mortgage bonds was 303.6 billion HUF, 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 119.9% in the same period. As of 30 September 2013 net value of ordinary and supplementary collateral principal to the unpaid face value of mortgage bonds in circulation was 120.6%, and the net ordinary and supplementary collateral principal to the unpaid interest on mortgage bonds in circulation was 274.9%.

The collateral value of real estate covering ordinary collaterals amounted to 888.3 billion HUF as of 30 September 2013, 4% down compared to 30 June 2013 (925.2 million HUF) and 9.1% below the 31 Dec 2012 value (977.3 million HUF). The LTV ratio applicable for ordinary collateral was 35.9% as of 30 September 2013, lower than the 36.2% LTV as of 30 September 2012 and also lower than the 36.3% LTV as of 30 December 2012.

Bonds issued

The book value of bonds was 115.4 billion HUF as of 30 September 2013, compared to 30 June 2013 (110.8 billion HUF) increasing by 4.6 billion or 4.1%. The year-on-year decline was 4.2% or 5 billion HUF.

¹ Non-consolidated data of FHB Mortgage Bank Plc. only, according to HAS

Deposits

As of 30 September 2013, deposits amounted to 211.3 billion HUF increasing by 39.6% year-on-year and 25.1% quarterly. In the last one year volume of corporate deposits significantly increased, but retail deposits performed reduction.

Both corporate and retail deposits increased in the last quarter – corporate volume grew by 41.3%. Among FHB Group's consolidated retail deposits lost its dominant position as share of corporate deposits was around 54% at the end of the period.

Other liabilities

Other liabilities amounted to 7.5 billion HUF, within that liabilities generated in conjunction with settlements related to clients amounted to 963.4 million HUF. The Bank reported accounts payable (335.6 million HUF as of 30 September 2013), accruals (1.2 billion HUF) and deferred taxes (538.8 million HUF).

Shareholders' equity

Within one year, shareholders' equity increased by 47.5% to 75.6 billion HUF as of 30 September 2013. In line with IFRS, the Bank reported the EUR 112 million Tier 1 subordinated bond as part of shareholder's equity, which is the main driver of the growth. Balance sheet loss was 4.9 billion HUF.

Capital position

Risk-weighted assets amounted to 332.5 billion HUF on 30 September 2013 (according to HAS), growing 4.9% compared to RWA in Q2 2013 and 9.2% year-on-year. In line with that, capital requirements for credit risk grew on quarterly and yearly bases, as well, while capital requirements of operational risk and market risk decreased compared to previous quarter. FHB Group's capital requirement amounted to 35.7 billion HUF as of 30 September 2013.

Guarantee capital according to IFRS amounted to 63.5 billion HUF, so capital adequacy ratio was 14.26% (in Q2 2013: 14.72%, and 13.63% in Q3 2012).

DECLARATION

This 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 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, 14 November, 2013

Mr. Gyula Köbli
Chief Executive Officer

Mr. Gergő Soltész
Deputy-CEO, Business

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

The consolidation fully applies also to FHB Kereskedelmi Bank Zrt. (FHB Commercial Bank Ltd.), Diófa Alapkezelő Zrt. (Diofa Fund Management Ltd.), FHB Ingatlan Zrt. (FHB Real Estate Ltd.) and FHB Életjárdék Ingatlanbefektető Zrt. (FHB Annuity Real Estate Investment Ltd), to FHB Ingatlanlizing Zrt. (FHB Real Estate Leasing Ltd.) and its Croatian affiliate (Central European Credit 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.).

Consolidated Income Statement 'A'

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

(consolidated non-audited data as of 30 September 2012 and of 30 September 2013 according to IFRS)

in HUFmillion	M9 2012	M9 2013	M9 2013/ M9 2012
Interest income	58,695	50,019	-14.8%
Interest expense	-44,034	-36,500	-17.1%
Net interest income	14,661	13,519	-7.8%
Fee and commission income	2,912	3,500	20.2%
Fee and commission expense	-771	-497	-35.6%
Net fee and commission income	2,141	3,004	40.3%
Profit/(Loss) from FX transactions	-2,322	1,096	-
Change in fair value of financial instruments	2,077	-2,200	-
Gains from securities	3,288	956	-70.9%
Net trading result	3,044	-149	-
Other operating income	303	764	152.2%
Other operating expense	-3,056	-3,276	7.2%
Operating income	17,093	13,862	-18.9%
Provision for impairment on loan losses	-6,867	-5,834	-15.1%
General and administrative expense	-12,424	-13,636	9.8%
Profit/(Loss) before tax	-2,198	-5,608	155.2%
Income tax benefit/(expense)	-358	733	-
Profit/(Loss) for the period	-2,556	-4,875	90.7%

Basic EPS (yearly)	-51.8 Ft	-98.8 Ft	90.9%
Diluted EPS (yearly)	-51.8 Ft	-98.8 Ft	90.9%

Consolidated Comprehensive Income Statement	M9 2012	M9 2013	M9 2013/ M9 2012
Profit/(Loss) for the period	-2,556	-4,875	90.7%
Revaluation reserve	0	0	-
Change in cash-flow hedge reserve	-159	123	-
Change in fair value of financial assets available for sale	672	-122	-
FX reserve	13	1	-92.3%
Deferred tax effect for other comprehensive income	-97	68	-
Other comprehensive income/(loss) for the period net of taxes	429	70	-83.7%
Total comprehensive income/(loss) for the period, net of taxes	-2,127	-4,805	125.9%

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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 September 2012, 30 June 2013 and of 30 September 2013 according to IFRS)

in HUFmillion	Q3 2012	Q2 2013	Q3 2013	Q3 2013 / Q2 2013	Q3 2013 / Q3 2012
Interest income	18,850	15,914	16,722	5.1%	-11.3%
Interest expense	-14,606	-11,515	-11,874	3.1%	-18.7%
Net interest income	4,244	4,399	4,848	10.2%	14.2%
Fee and commission income	883	1,184	1,280	8.0%	45.0%
Fee and commission expense	-273	-174	-141	-19.1%	-48.4%
Net fee and commission income	610	1,010	1,139	12.7%	86.7%
Profit/(Loss) from FX transactions	-554	-1,070	599	-	-
Change in fair value of financial instruments	-922	-909	264	-	-
Gains from securities	1,348	261	379	45.3%	-71.9%
Net trading result	-128	-1,718	1,242	-	-
Other operating income	-37	295	147	-50.2%	-
Other operating expense	-1,006	-1,293	-1,033	-	2.7%
Operating income	3,682	2,692	6,342	135.6%	72.2%
Provision for impairment on loan losses	-2,444	-1,284	-1,898	47.9%	-22.3%
General and administrative expense	-4,196	-4,670	-4,607	-1.3%	9.8%
Profit/(Loss) before tax	-2,958	-3,262	-164	-95.0%	-94.5%
Income tax benefit/(expense)	334	258	-118	-	-
Profit/(Loss) for the period	-2,624	-3,004	-282	-90.6%	-89.3%
Basic EPS (yearly)	-158.3 Ft	-182.7 Ft	-17.0 Ft	-90.7%	-
Diluted EPS (yearly)	-158.3 Ft	-182.7 Ft	-17.0 Ft	-90.7%	-

Consolidated Comprehensive Income Statement	Q3 2012	Q2 2013	Q3 2013	Q3 2013 / Q2 2013	Q3 2013 / Q3 2012
Profit/(Loss) for the period	-2,624	-3,004	-282	-90.6%	-89.3%
Revaluation reserve	0	0	0	-	-
Change in cash-flow hedge reserve	98	0	123	-	25.5%
Change in fair value of financial assets available for sale	-14	44	-222	-	-
FX reserve	-2	3	2	-33.3%	-
Deferred tax effect for other comprehensive income	-16	-9	19	-	-
Other comprehensive income/(loss) for the period net of taxes	66	38	-78	-	-
Total comprehensive income/(loss) for the period, net of taxes	-2,558	-2,966	-360	-87.9%	-85.9%

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Consolidated Income Statement 'B'

Table includes the special banking tax for the entire business year

(consolidated non-audited data as of 30 September 2012 and of 30 September 2013 according to IFRS)

in HUF million	M9 2012	M9 2013	M9 2013/ M9 2012
Interest income	58,695	50,019	-14.8%
Interest expense	-44,034	-36,500	-17.1%
Net interest income	14,661	13,519	-7.8%
Fee and commission income	2,912	3,500	20.2%
Fee and commission expense	-771	-497	-35.6%
Net fee and commission income	2,141	3,004	40.3%
Profit/(Loss) from FX transactions	-2,322	1,096	-147.2%
Change in fair value of financial instruments	2,077	-2,200	-205.9%
Gains from securities	3,288	956	-70.9%
Net trading result	3,044	-149	-104.9%
Other operating income	303	764	152.2%
Other operating expense	-3,762	-4,129	9.8%
Operating income	16,387	13,009	-20.6%
Provision for impairment on loan losses	-6,867	-5,834	-15.1%
General and administrative expense	-12,424	-13,636	9.8%
Profit/(Loss) before tax	-2,904	-6,461	-
Income tax benefit/(expense)	-224	895	-499.0%
Profit/(Loss) for the period	-3,128	-5,566	-
Basic EPS (yearly)	-63.4 Ft	-112.9 Ft	-
Diluted EPS (yearly)	-63.4 Ft	-112.9 Ft	-

Consolidated Comprehensive Income Statement	M9 2012	M9 2013	M9 2013/ M9 2012
Profit/(Loss) for the period	-3,128	-5,566	-
Revaluation reserve	0	0	-
Change in cash-flow hedge reserve	-159	123	-177.4%
Change in fair value of financial assets available for sale	672	-122	-118.2%
FX reserve	13	1	-92.3%
Deferred tax effect for other comprehensive income	-97	68	-170.1%
Other comprehensive income/(loss) for the period net of taxes	429	70	-83.7%
Total comprehensive income/(loss) for the period, net of taxes	-2,699	-5,496	-

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Consolidated Income Statement (quarterly) 'B'

Table includes the special banking tax for the entire business year

(consolidated non-audited data as of 30 September 2012, 30 June 2013 and of 30 September 2013 according to IFRS)

in HUF million	Q3 2012	Q2 2013	Q3 2013	Q3 2013 / Q2 2013	Q3 2013 / Q3 2012
Interest income	18,850	15,914	16,722	5.1%	-11.3%
Interest expense	-14,606	-11,515	-11,874	3.1%	-18.7%
Net interest income	4,244	4,399	4,848	10.2%	14.2%
Fee and commission income	883	1,184	1,280	8.0%	45.0%
Fee and commission expense	-273	-174	-141	-19.1%	-48.4%
Net fee and commission income	610	1,010	1,139	12.7%	86.7%
Profit/(Loss) from FX transactions	-554	-1,070	599	-155.9%	-208.0%
Change in fair value of financial instruments	-922	-909	264	-129.1%	-128.7%
Gains from securities	1,348	261	379	45.3%	-71.9%
Net trading result	-128	-1,718	1,242	-172.3%	-
Other operating income	-37	295	147	-50.2%	-497.8%
Other operating expense	-300	-881	-180	-	-40.0%
Operating income	4,388	3,104	7,195	131.8%	64.0%
Provision for impairment on loan losses	-2,444	-1,284	-1,898	47.9%	-22.3%
General and administrative expense	-4,196	-4,670	-4,607	-1.3%	9.8%
Profit/(Loss) before tax	-2,252	-2,850	689	-124.2%	-
Income tax benefit/(expense)	200	180	-280	-	-
Profit/(Loss) for the period	-2,052	-2,670	409	-115.3%	-
Basic EPS (yearly)	-123.9 Ft	-162.4 Ft	24.6 Ft	-	-
Diluted EPS (yearly)	-123.9 Ft	-162.4 Ft	24.6 Ft	-	-

Consolidated Comprehensive Income Statement	Q3 2012	Q2 2013	Q3 2013	Q3 2013 / Q2 2013	Q3 2013 / Q3 2012
Profit/(Loss) for the period	-2,052	-2,670	409	-	-
Revaluation reserve	0	0	0	-	-
Change in cash-flow hedge reserve	98	0	123	-	25.5%
Change in fair value of financial assets available for sale	-14	44	-222	-	-
FX reserve	-2	3	2	-33.3%	-
Deferred tax effect for other comprehensive income	-16	-9	19	-	-
Other comprehensive income/(loss) for the period net of taxes	66	38	-78	-	-
Total comprehensive income/(loss) for the period, net of taxes	-1,986	-2,632	331	-	-

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Consolidated Financial Position 'A'

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

(consolidated audited data as of 31 December 2012 and non-audited data as of 30 September 2012, 30 June 2013 and of 30 September 2013 according to IFRS)

in HUF million	30/09/2012	31/12/2012	30/06/2013	30/09/2013	30/09/2013/ 30/06/2013	30/09/2013/ 31/12/2012	30/09/2013/ 30/09/2012
Cash	2,283	2,164	1,806	2,079	15.2%	-3.9%	-8.9%
Due from banks & NBH	33,400	33,981	31,797	34,441	8.3%	1.4%	3.1%
Financial assets held for trading at fair value	6,036	7,815	32,574	34,166	4.9%	337.2%	-
Financial assets available for sale at fair value	153,220	158,848	148,822	187,338	25.9%	17.9%	22.3%
Fair value of derivative financial assets	4,085	4,344	1,485	1,385	-6.7%	-68.1%	-66.1%
Refinanced mortgage loans	170,202	164,990	148,842	141,161	-5.2%	-14.4%	-17.1%
Loans and advances to consumers	371,667	371,931	365,781	376,362	2.9%	1.2%	1.3%
Impairment and provision	-34,987	-37,348	-39,372	-39,694	0.8%	6.3%	13.5%
Investment property	11,222	11,463	11,457	11,379	-0.7%	-0.7%	1.4%
Tangible assets	6,098	5,961	5,750	5,640	-1.9%	-5.4%	-7.5%
Goodwill and other intangible assets	13,005	12,753	11,927	11,640	-2.4%	-8.7%	-10.5%
Deferred tax asset	6,567	6,396	7,560	7,636	1.0%	19.4%	16.3%
Other assets	8,651	9,326	10,604	9,065	-14.5%	-2.8%	4.8%
Total assets	751,450	752,625	739,032	782,598	5.9%	4.0%	4.1%
Due to banks	91,792	92,781	94,689	116,444	23.0%	25.5%	26.9%
Issued securities	258,173	252,681	268,481	250,576	-6.7%	-0.8%	-2.9%
Mortgage bonds	190,332	191,897	199,488	176,561	-11.5%	-8.0%	-7.2%
Bonds	67,840	60,784	68,993	74,015	7.3%	21.8%	9.1%
Deposits	151,314	152,206	168,957	211,302	25.1%	38.8%	39.6%
State loans	14,296	0	0	0	-	-	-100.0%
Derivative financial liabilities at fair value	23,396	23,184	17,146	21,274	24.1%	-8.2%	-9.1%
Financial liabilities at fair value through profit and loss	112,844	104,888	95,236	87,787	-7.8%	-16.3%	-22.2%
Leasing liability	10,775	11,029	9,449	9,700	2.6%	-12.1%	-10.0%
Reserve for annuity payments	2,316	2,410	2,420	2,442	0.9%	1.3%	5.4%
Current tax liability	41	42	16	34	111.4%	-	-16.5%
Deferred tax liability	625	643	587	539	-8.2%	-16.1%	-13.8%
Provisions	212	173	232	192	-17.5%	10.9%	-9.4%
Other liabilities	4,416	3,922	5,887	6,733	14.4%	71.7%	52.5%
Subordinated debt	30,023	31,126	0	0	-	-100.0%	-100.0%
Total liabilities	700,223	675,084	663,103	707,023	6.6%	4.7%	1.0%
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	-29	-29	-29	-29	0.0%	0.0%	0.0%
Subordinated Tier 1 capital	0	28,923	31,749	31,749	0.0%	9.8%	-
Cash-flow hedge reserve	72	0	0	100	-	-	-
Other reserves	444	-2	154	-19	-112.7%	718.5%	-104.4%
Retained earnings	44,986	44,986	40,340	40,340	0.0%	-10.3%	-10.3%
Balance sheet profit	-2,556	-4,646	-4,594	-4,875	6.1%	4.9%	-
Total shareholders' equity	51,227	77,541	75,929	75,574	-0.5%	-2.5%	47.5%
Total liabilities and shareholders' equity	751,450	752,625	739,032	782,598	5.9%	4.0%	4.1%

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Consolidated Financial Position 'B'

Table includes the special banking tax for the entire business year

(consolidated audited data as of 31 December 2012 and non-audited data as of 30 September 2012, 30 June 2013 and of 30 September 2013 according to IFRS)

in HUFmillion	30/09/2012	31/12/2012	30/06/2013	30/09/2013	30/09/2013/ 30/06/2013	30/09/2013/ 31/12/2012	30/09/2013/ 30/09/2012
Cash	2,283	2,164	1,806	2,079	15.2%	-3.9%	-8.9%
Due from banks & NBH	33,400	33,981	31,797	34,441	8.3%	1.4%	3.1%
Financial assets held for trading at fair value	6,036	7,815	32,574	34,166	4.9%	337.2%	-
Financial assets available for sale at fair value	153,220	158,848	148,822	187,338	25.9%	17.9%	22.3%
Fair value of derivative financial assets	4,085	4,344	1,485	1,385	-6.7%	-68.1%	-66.1%
Refinanced mortgage loans	170,202	164,990	148,842	141,161	-5.2%	-14.4%	-17.1%
Loans and advances to consumers	371,667	371,931	365,781	376,362	2.9%	1.2%	1.3%
Impairment and provision	-34,987	-37,348	-39,372	-39,694	0.8%	6.3%	13.5%
Investment property	11,222	11,463	11,457	11,379	-0.7%	-0.7%	1.4%
Tangible assets	6,098	5,961	5,750	5,640	-1.9%	-5.4%	-7.5%
Goodwill and other intangible assets	13,005	12,753	11,927	11,640	-2.4%	-8.7%	-10.5%
Deferred tax asset	6,701	6,396	7,885	7,798	-1.1%	21.9%	16.4%
Other assets	8,186	9,326	9,675	8,600	-11.1%	-7.8%	5.1%
Total assets	751,119	752,625	738,427	782,295	5.9%	3.9%	4.2%
Due to banks	91,792	92,781	94,689	116,444	23.0%	25.5%	26.9%
Issued securities	258,173	252,681	268,481	250,576	-6.7%	-0.8%	-2.9%
Mortgage bonds	190,332	191,897	199,488	176,561	-11.5%	-8.0%	-7.2%
Bonds	67,840	60,784	68,993	74,015	7.3%	21.8%	9.1%
Deposits	151,314	152,206	168,957	211,302	25.1%	38.8%	39.6%
State loans	14,296	0	0	0	-	-	-100.0%
Derivative financial liabilities at fair value	23,396	23,184	17,146	21,274	24.1%	-8.2%	-9.1%
Financial liabilities at fair value through profit and loss	112,844	104,888	95,236	87,787	-7.8%	-16.3%	-22.2%
Leasing liability	10,775	11,029	9,449	9,700	2.6%	-12.1%	-10.0%
Reserve for annuity payments	2,316	2,410	2,420	2,442	0.9%	1.3%	5.4%
Current tax liability	41	42	16	34	111.4%	-18.0%	-16.5%
Deferred tax liability	625	643	587	539	-8.2%	-16.1%	-13.8%
Provisions	212	173	232	192	-17.5%	10.9%	-9.4%
Other liabilities	4,658	3,922	6,664	7,122	6.9%	81.6%	52.9%
Subordinated debt	30,023	31,126	0	0			
Total liabilities	700,465	675,084	663,880	707,412	6.6%	4.8%	1.0%
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	-29	-29	-29	-29	0.0%	0.0%	-
Subordinated Tier 1 capital	0	28,923	31,749	31,749	0.0%	9.8%	-
Cash-flow hedge reserve	72	0	0	100	-	-	-
Other reserves	444	-2	154	-19	-	-	-104.4%
Retained earnings	44,986	44,986	40,340	40,340	0.0%	-10.3%	-10.3%
Balance sheet profit	-3,128	-4,646	-5,976	-5,566	-6.9%	19.8%	-
Total shareholders' equity	50,655	77,541	74,547	74,883	0.5%	-3.4%	47.8%
Total liabilities and shareholders' equity	751,119	752,625	738,427	782,295	5.9%	3.9%	4.2%

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Cash Flow Statement 'A'

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

(consolidated audited data as of 31 December 2012 and non-audited data as of 30 September 2013 according to IFRS)

in HUF million	31/12/2012	30/09/2013
Cash flow from operating activities		
Profit/(loss) for the year	-4,464	-4,875
<i>Non cash adjustments to net profit from:</i>	0	
Depreciation and amortization	2,496	1,891
(Increase)/Decrease in fair value of Investment property	80	167
Recognition of investment property through income statement	-60	78
Provision for losses	-1,779	2,365
(Gain)/Loss on tangible assets derecognized	29	21
Share option reserve	-106	12
Capitalized interest	-994	-266
Fair value of derivatives	-39,177	1,149
Fair value adjustment on financial liabilities through profit and loss	1,329	-727
Change in fair value of annuity reserve	540	4,935
Change in foreign currency translation reserve	11	-4
Goodwill on subsidiaries	0	-151
Operating profit before change in operating assets	-42,094	4,595
<i>Decrease/(Increase) in operating assets:</i>		
Financial assets held for trading	-5,983	-26,351
Financial assets available for sale	-72,960	-28,516
Refinanced mortgage loans	61,900	23,829
Loans and advances to customers	49,323	-4,168
Other assets	2,473	-976
<i>Increase/(Decrease) in operating liabilities:</i>		
Deposits	-8,899	59,096
Due to banks	90,389	23,840
Other liabilities	-1,708	2,695
Net cash flow from operating activities	72,440	54,044
Cash flow from investing activities		
Proceeds from sales of tangible assets	33	2
Purchase of tangible and intangible assets	-800	-329
Purchase of investment property	-313	-404
Sale of investment property	141	243
Paid from reserves on annuity business	-395	-4,903
Net cash flow from investing activities	-1,334	-5,390
Cash flow from financing activities		
Proceed from issued securities	125,221	37,164
Principal repayment on issued securities	-193,993	-87,116
Long term loans repayment	-63,899	-340
Long term loan borrowings	219	517
Finance lease liabilities repayment	969	-1,329
Additional Tier 1 capital	28,923	2,826
Net cash flow from financing activity	-102,560	-48,278
Net increase in cash and cash equivalents	-31,454	376
Opening balance of cash and cash equivalents	67,599	36,145
Closing balance of cash and cash equivalents	36,145	36,520
Breakdown of cash and cash equivalents:		
Cash	2,164	2,079
Balances with National Bank of Hungary	5,117	10,239
Dues from banks with a maturity of less than 90 days	28,864	24,202
Closing balance of cash and cash equivalents	36,145	36,520
<i>Supplementary data</i>		
Tax paid	-1,429	-769
Interest received	76,639	49,486
Interest paid	-55,426	-37,163

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Cash Flow Statement 'B'

Table includes the special banking tax for the entire business year

(consolidated audited data as of 31 December 2012 and non-audited data as of 30 September 2013 according to IFRS)

in HUF million	31/12/2012	30/09/2013
Cash flow from operating activities		
Profit/(loss) for the year	-4,464	-5,566
<i>Non cash adjustments to net profit from:</i>		
Depreciation and amortization	2,496	1,891
(Increase)/Decrease in fair value of Investment property	80	167
Recognition of investment property through income statement	-60	78
Provision for losses	-1,779	2,365
(Gain)/Loss on tangible assets derecognized	29	21
Share option reserve	-106	12
Capitalized interest	-994	-266
Fair value of derivatives	-39,177	1,149
Fair value adjustment on financial liabilities through profit and loss	1,329	-727
Change in fair value of annuity reserve	540	4,935
Change in foreign currency translation reserve	11	-4
Goodwill on subsidiaries	0	-151
Operating profit before change in operating assets	-42,094	3,904
<i>Decrease/(Increase) in operating assets:</i>		
Financial assets held for trading	-5,983	-26,351
Financial assets available for sale	-72,960	-28,516
Refinanced mortgage loans	61,900	23,829
Loans and advances to customers	49,323	-4,168
Other assets	2,473	-673
<i>Increase/(Decrease) in operating liabilities:</i>		
Deposits	-8,899	59,096
Due to banks	90,389	23,840
Other liabilities	-1,708	3,083
Net cash flow from operating activities	72,440	54,043
Cash flow from investing activities		
Proceeds from sales of tangible assets	33	2
Purchase of tangible and intangible assets	-800	-329
Purchase of investment property	-313	-404
Sale of investment property	141	243
Paid from reserves on annuity business	-395	-4,903
Net cash flow from investing activities	-1,334	-5,390
Cash flow from financing activities		
Proceed from issued securities	125,221	37,164
Principal repayment on issued securities	-193,993	-87,116
Long term loans repayment	-63,899	-340
Long term loan borrowings	219	517
Finance lease liabilities repayment	969	-1,329
Additional Tier 1 capital	28,923	2,826
Net cash flow from financing activity	-102,560	-48,278
Net increase in cash and cash equivalents	-31,454	376
Opening balance of cash and cash equivalents	67,599	36,145
Closing balance of cash and cash equivalents	36,145	36,520
Breakdown of cash and cash equivalents:		
Cash	2,164	2,079
Balances with National Bank of Hungary	5,117	10,239
Dues from banks with a maturity of less than 90 days	28,864	24,202
Closing balance of cash and cash equivalents	36,145	36,520
<i>Supplementary data</i>		
Tax paid	-1,429	-769
Interest received	76,639	49,486
Interest paid	-55,426	-37,163

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Investor relations: Beáta Lendvai

Statement of Shareholders' Equity 'A'

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

(consolidated non-audited data as of 30 September 2013 according to IFRS)

in HUF million	Share Capital	Treasury Shares	Share Premium	Cash-flow hedge reserve	Share option reserve	Subordinated Tier 1 capital	Change in fair value (financial assets AFS)	Foreign currency transaction reserve	Retained earnings (deficit)	Shareholders' Equity
1 January 2012	6,600	-29	1,709	201	106	0	-212	20	44,986	53,381
Transfer to general reserve									-181	
Profit/(Loss)									-4,464	-4,464
Other comprehensive income				-201			-4	11		-194
Purchase/(Sale) of treasury shares										0
Subordinated Tier 1 capital						28,923				28,923
Change in share option reserve					-106					-106
1 January 2013	6,600	-29	1,709	0	0	28,923	-216	31	40,341	77,540
Transfer to general reserve										0
Profit/(Loss)									-4,875	-4,875
Other comprehensive income				100			-26	-4		70
Purchase/(Sale) of treasury shares										0
Subordinated Tier 1 capital						2,826				2,826
Change in share option reserve					12					12
30 September 2013	6,600	-29	1,709	100	12	31,749	-242	27	35,466	75,573

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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 of 30 September 2013 according to IFRS)

in HUF million	Share Capital	Treasury Shares	Share Premium	Cash-flow hedge reserve	Share option reserve	Subordinated Tier 1 capital	Change in fair value (financial assets AFS)	Foreign currency transaction reserve	Retained earnings (deficit)	Shareholders' Equity
1 January 2012	6,600	-29	1,709	201	106	0	-212	20	44,986	53,381
Transfer to general reserve									-181	0
Profit/(Loss)									-4,464	-4,464
Other comprehensive income				-201			-4	11		-194
Purchase/(Sale) of treasury shares										0
Subordinated Tier 1 capital						28,923				28,923
Change in share option reserve					-106					-106
1 January 2013	6,600	-29	1,709	0	0	28,923	-216	31	40,341	77,540
Transfer to general reserve										0
Profit/(Loss)									-5,566	-5,566
Other comprehensive income				100			-26	-4		70
Purchase/(Sale) of treasury shares										0
Subordinated Tier 1 capital						2,826				2,826
Change in share option reserve					12					12
30 September 2013	6,600	-29	1,709	100	12	31,749	-242	27	34,775	74,882

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Off-balance Sheet items – Commitments

(consolidated non-audited data as of 30 September 2012, 30 June 2013 and of 30 September 2013 according to IFRS)

in HUF million	30/09/2012	30/06/2013	30/09/2013
Guarantees	3,563	7,449	6,769
Undrawn commitments	19,933	35,663	43,252
Total	23,496	43,112	50,021

Transactions with related parties

(consolidated non-audited data as of 30 September 2012 and of 30 September 2013 according to IFRS)

in HUF million	Transactions between FHB Mortgage Bank and owners with influential share	
	30/09/2012	30/09/2013
Due from banks	0	0
Refinanced mortgage loans	0	0
Fair value of derivatives	0	0
Other assets	0	0
Total assets	0	0
Due to banks	0	0
Issued securities	0	0
Financial liabilities at fair value through profit and loss	0	0
Other liabilities	0	3
Total liabilities	0	3
	2012.09.30	2013.09.30
Interest income	0	0
Interest expense	0	0
Net interest income	0	0
Fees and commission income	0	0
Fees and commission expense	0	0
Net fees and commissions	0	0
Gains from securities	0	0
Net trading result	0	0
Other operating income	0	0
Other operating expense	0	0
Operating profit	0	0
Credit loss expense	0	0
General and administrative expense	-163	-112
Profit for the year	-163	-112

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 ¹					
	At the beginning of actual year			End of actual period		
	% ²	% ³	Qty	%	%	Qty
Domestic institution/company	55.8%	55.8%	36,795,859	57.6%	57.7%	38,040,017
Foreign institution/company	22.0%	22.0%	14,509,484	21.7%	21.7%	14,297,742
Domestic individual	5.9%	6.0%	3,923,000	7.5%	7.5%	4,943,054
Foreign individual	0.0%	0.0%	18,792	0.1%	0.1%	45,045
Employees, senior officers	0.3%	0.3%	177,055	0.2%	0.2%	148,055
Treasury shares	0.1%	0.0%	53,601	0.1%	0.0%	53,601
Government held owner ⁴	7.2%	7.2%	4,724,833	7.2%	7.2%	4,724,833
International Development Institutions ⁵	0.0%	0.0%	0	0.0%	0.0%	0
Other	8.8%	8.8%	5,797,386	5.7%	5.7%	3,747,663
TOTAL	100.0%	100.0%	66,000,010	100.0%	100.0%	66,000,010

¹If 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.

²Ownership share

³The 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!

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

⁵E.g.: EBRD, EIB, etc.

Number of treasury shares held in the year under review

	30/09/2012		31/12/2012		30/06/2013		30/09/2013	
FHB Nyrt.	53,601	0.08%	53,601	0.08%	53,601	0.08%	53,601	0.08%

Owners with more than 5% ownership (as at 30 September 2013)

Name	Custodian Bank (yes/no)	Number of shares	Stake (%)
VCP Finanz Holding Ltd.	no	15,970,000	24.20%
A64 Vagyonkezelő Ltd.	no	10,746,468	16.28%
Allianz Hungária Biztosító Ltd.	no	6,856,662	10.39%
Silvermist Estate SA	no	6,318,116	9.57%
Hungarian National Asset Management Inc.	no	4,724,833	7.16%
Total		44,616,079	67.60%

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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 30/09/2012	Current period opening 31/12/2012	End of last quarter 30/06//2013	Current period closing 30/09/2013
Bank	175	170	171	173
Consolidated	789	770	763	774

Persons in senior positions and (strategic) employees having an influence on the operations of the Issuer (as at 30 September 2013)

Type ¹	Name	Position	Beginning of mandate	End/ termination of mandate	No. of shares held
BoD	Dr. Zoltán Spéder	Chairman	29.04.2008	29.04.2018	16,000
BoD	Gabriella Balogh	Member	30.04.2013	29.04.2018	0
BoD	Dr. Christian Riener	Member	29.04.2008	29.04.2018	8,000
BoD	Gyula Köbli	Member, CEO	21.04.2010	29.04.2018	16,000
BoD	Tamás Foltányi	Member, Deputy CEO	21.04.2010	29.04.2018	12,000
BoD	Gábor Gergő Soltész	Member, Deputy CEO	30.04.2013	29.04.2018	0
BoD	Ákos Zoltán Starcz	Member	30.04.2013	29.04.2018	0
SB	Csaba Lantos	Chairman	28.04.2009	28.04.2014	0
SB	Enikő Mártonné Uhrin	Member	21.04.2010	21.04.2015	0
SB	Tibor Kádár	Member	24.04.2013	23.04.2018	0
SB	Miklós Szabó	Member	20.04.2011	20.04.2016	2,200
TOTAL No. of shares held by management:					54,200

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

Information and disclosures in 2013

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
www.kozzetetelek.hu
www.fhb.hu