



FHB Mortgage Bank Plc.

Summary of the full year 2013 results

Budapest, March 13, 2014

I. SUMMARY CONSOLIDATED FIGURES

in HUF million	31/12/2012	30/09/2013	31/12/2013	31/12/2013/ 30/09/2013	31/12/2013/ 31/12/2012
Main balance sheet items					
Total assets	752,625	782,598	737,241	-5.8%	-2.0%
Refinanced loans	164,990	141,161	133,692	-5.3%	-19.0%
Loans (gross)	371,931	376,362	358,033	-4.9%	-3.7%
Mortgage bonds	231,848	205,024	172,607	-15.8%	-25.6%
Senior unsecured bonds	107,905	115,347	99,341	-13.9%	-7.9%
Customer deposits	152,206	211,302	222,501	5.3%	46.2%
Shareholders' equity	77,541	75,574	76,387	1.1%	-1.5%

in HUF million	Q4 2012	Q3 2013	Q4 2013	Q4 2013/ Q3 2013	Q4 2013/ Q4 2012	2012 FY	2013 FY	2013 FY/ 2012 FY
Main P/L items								
Net interest income	3,884.0	4,847.8	5,210.5	7.5%	34.2%	18,545.4	18,729.6	1.0%
<i>Net interest margin</i>	<i>2.05%</i>	<i>2.53%</i>	<i>2.72%</i>	<i>7.61%-pt</i>	<i>32.40%-pt</i>	<i>2.36%</i>	<i>2.51%</i>	<i>0.15%-pt</i>
Net fees and commissions	450.2	1,138.7	1,322.6	16.2%	193.8%	2,591.6	4,326.4	66.9%
Total income (with net fees)	6,141.3	6,341.9	6,213.8	-2.0%	1.2%	23,234.6	20,075.8	-13.6%
Provision for impairment on loan losses	-2,889.2	-1,898.2	-944.7	-50.2%	-67.3%	-9,756.4	-6,778.3	-30.5%
Operating cost	-4,469.2	-4,607.5	-4,534.6	-1.6%	1.5%	-16,892.9	-18,170.9	7.6%
<i>Cost to income ratio</i>	<i>72.8%</i>	<i>72.7%</i>	<i>73.0%</i>	<i>0.4%-pt</i>	<i>0.3%-pt</i>	<i>72.7%</i>	<i>90.5%</i>	<i>17.8%-pt</i>
<i>Cost/income ratio w/o special banking tax</i>	<i>73.4%</i>	<i>64.0%</i>	<i>64.2%</i>	<i>0.2%-pt</i>	<i>-12.6%-pt</i>	<i>66.8%</i>	<i>77.4%</i>	<i>10.6%-pt</i>
Profit before tax	-1,217.1	-163.9	734.5	-548.2%	-	-3,414.8	-4,873.4	-
Profit after tax	-1,908.1	-281.7	343.6	-222.0%	-	-4,464.3	-4,531.7	-
Profit after tax w/o special banking tax	-1,958.9	571.5	1,196.9	109.4%	-	-2,396.0	-1,118.6	-53.3%
Basic EPS (HUF)	-126.1 Ft	-17.0 Ft	19.9 Ft	-	-	-70.4 Ft	-68.9 Ft	-
<i>Return on Assets</i>	<i>-1.01%</i>	<i>-0.15%</i>	<i>0.18%</i>	<i>-222.1%-pt</i>	<i>-</i>	<i>-0.57%</i>	<i>-0.61%</i>	<i>0.0%-pt</i>
<i>Return on Equity</i>	<i>-11.8%</i>	<i>-1.5%</i>	<i>1.8%</i>	<i>-221.6%-pt</i>	<i>-</i>	<i>-6.8%</i>	<i>-5.9%</i>	<i>0.9%-pt</i>
<i>ROAA w/o special banking tax</i>	<i>-1.04%</i>	<i>0.30%</i>	<i>0.62%</i>	<i>109.7%-pt</i>	<i>-160.3%-pt</i>	<i>-0.31%</i>	<i>-0.15%</i>	<i>0.2%-pt</i>
<i>ROAE w/o special banking tax</i>	<i>-12.1%</i>	<i>3.0%</i>	<i>6.2%</i>	<i>108.8%-pt</i>	<i>-151.6%-pt</i>	<i>-3.7%</i>	<i>-1.5%</i>	<i>2.2%-pt</i>

in HUF million	31/12/2012	30/09/2013	31/12/2013	31/12/2013/ 30/09/2013	31/12/2013/ 31/12/2012
Capital adequacy					
Risk weighted assets	310,888	332,463	331,450	-0.3%	6.6%
Capital requirements (SREP)	33,376	35,654	34,400	-3.5%	3.1%
Regulatory capital (HAS)	85,327	59,828	59,952	0.2%	-29.7%
<i>Capital adequacy ratio (HAS)</i>	<i>20.45%</i>	<i>13.42%</i>	<i>13.94%</i>	<i>0.5%-pt</i>	<i>-6.5%-pt</i>
Regulatory capital (IFRS)	94,104	63,543	59,522	-6.3%	-36.7%
<i>Capital adequacy ratio (IFRS)</i>	<i>22.56%</i>	<i>14.26%</i>	<i>13.84%</i>	<i>-0.4%-pt</i>	<i>-8.7%-pt</i>

II. REPORT ON FULL YEAR AND FOURTH QUARTER OF 2013 RESULTS OF FHB GROUP

This report of FHB Mortgage Bank Public Company Limited by Shares for the full year and the fourth 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 2013 and 31 December 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.

1. Summary of the achievements of the past period

FHB Group's consolidated balance sheet total calculated according to International Financial Reporting Standards was HUF 737.2 billion as of December 31 2013, which was 2.0% and HUF 15.4 billion lower than a year before and HUF 45.4 billion or 5.8% down to the previous quarter.

Driver of lending activity was the subsidized housing lending in retail segment and Lending for Growth Scheme of NBH in corporate segment. Concerning retail mortgage loan disbursement, FHB increased its market share in all market segments. FHB reached outstanding 12.7% market share in case of subsidized housing loan disbursement (6.4% in 2012), while share in total yearly mortgage loan disbursement increased to 5.0% (from 3.3% in 2012).

Although volume of new loan disbursement showed increase compared to Q4 2012 and Q2 2013, as well, this can just partially compensate contractual amortisation of loan portfolio. As a result of that, gross loans – after the increase, reported in previous quarter thanks to the first phase of Lending for Growth scheme – moderately decreased on yearly and quarterly bases by 3.7% and 4.9%, respectively.

At the same time, deposits grew significantly: volume of HUF 222.5 billion represents 5.3% growth compared to the previous quarter and over 46% increase compared to the end of 2012. More than half of total are corporate deposits, while share of sight deposits are over 28%. Proportion of deposits from interest bearing liabilities grew above 35%.

FHB realised HUF 344 million profits in Q4 2013; without special banking tax and pro-rata amount of one-off financial transaction levy, consolidated IFRS profit after tax would have been HUF 1.2 billion.

Positive quarterly outcome is the results of increase in net interest and fee income and decrease of operating costs and risk costs:

- **net interest income grew** by 7.5% compared to the previous quarter and over 34% year-on-year, exceeding HUF 5.2 billion ;
- **net interest margin** reached 2.72%, **by 19 basis points higher** quarter-to-quarter;
- **net fees and commissions increased further** and even without financial transaction levy grew by 4.8% compared to the previous quarter and more than doubled on yearly bases, in great part due to guarantee fees and income of subsidiaries (fund management fee and fees related to real estate brokerage and valuation);

- **operating costs amounted to HUF 4.5 billion in Q4 2013**, lower than in Q3 2013 and representing 1.5% growth compared to Q4 2012, or decreasing by 11% calculated without special banking tax and credit institutions levy;
- provision for impairment on loan losses (**risk cost**) **decreased** compared to third quarter, the amount of HUF 945 million was lower by 67% than a year before.

Volume of non-performing loans decreased further (by 3.3% compared to September 30, 2013), and **NPL ratio was 20.4%**. Coverage of non-performing portfolio remained 52%.

In 2013 FHB Group realised HUF 4.5 billion losses, including HUF 3.4 billion special taxes; over HUF 503 million losses 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 HUF 478 million loss, showing significant improvement compared to around HUF 1 billion adjusted loss reported in 2012.

Capital adequacy ratio of FHB Group according to IFRS was 13.84% at the end of the period, showing continuously strong and stable capital position.

In 2013, FHB Mortgage Bank managed several important acquisitions. Diófa Asset Management Ltd. became group member at the end of September, 2013, while acquisition of Díjbeszedő Operational and Service (DÜSZ) Llc. and the jointly controlled companies owned by DÜSZ, such as Díjbeszedő Faktorház Co. Plc., DíjNet Ltd. and Díjbeszedő Informatikai Llc. closed at the end of November and acquisition of the also jointly controlled Magyar Posta Befektetési Szolgáltató Zrt (Hungarian Post Investment Services Ltd.) closed at the beginning of December. These companies did not have substantive impact on consolidated financial results of 2013, but according to the plans, by utilising synergies and business possibilities, in the future will conduct to the performance of FHB Group.

Performance of FHB shares

In terms of capitalisation, FHB is invariably 6th in the rank of "A" rate listed companies and contributes 0.99% to the aggregate capitalisation of the BSE based on 31 December 2013 data.

As of 31 December 2013, FHB's weight in the BUX index was 0.96% (6th biggest weight in the basket), and was 1th with a weight of 18.56% in BUMIX, the index of share prices of mid- and small-cap companies.

The price of FHB Mortgage Bank's shares closed the fourth quarter at 617 HUF.

2. Main activities and subsidiaries' performance

CMB issues, funding

In 2013, global and domestic capital markets were strongly influenced by the FED's (US central bank) steps. Due to low level of US interest rates, American and European funds were stimulated to buy instruments with higher yield and lower risk, such as Hungarian bonds. In consideration of the stable demand, the Government

Debt Management Agency (ÁKK) managed two successful issuances with the volume of USD 3.25 billion in February and USD 2 billion in November with 5 and 10 years maturity, respectively.

In the same time, Hungarian CDS spreads decreased from 390 to 250 points. Concerning the stably low international interest rates, the Monetary Council of National Bank of Hungary cuts the base rate monthly in the whole year. At the end of the year, base rate reached 3.0%. The HUF stayed stable throughout the year, exchange rate against euro moved in the range of 290 and 306, and its volatility index dropped from last year's 13.5% to 6.5% in 2013.

After the positive announcement of ECB, Parliament passed the proposal for the merge of NBH and HFSA with the deadline of 1 October, 2013, which was carried out according to the deadline.

The macroeconomic indicators in Hungary were basically positive during 2013: trade balance improved, budget deficit decreased as a % of GDP and thanks to these achievements the European Commission abrogated the excessive deficit procedure for Hungary.

In Q4 2013, FHB issued HUF 26.3 billion and EUR 3 million senior unsecured bonds, there were no mortgage bonds issued. FHB Mortgage Bank issued between

FHB funded total amount of HUF 60.3 billion from capital market transactions, excluding EUR 10 million of Tier 1 subordinated bond, funds from securities reached HUF 57.4 billion in 2013. January and December altogether HUF 8.1 billion and EUR 15 million of mortgage bonds and HUF 42.9 billion and EUR 16 million (without Tier 1 EUR 6 million) unsecured bonds.

In 2013, FHB purchased back mortgage bonds of HUF 2 billion and EUR 11.3 million and senior unsecured bonds of HUF 1 billion and EUR 0.8 million.

Retail mortgage lending and the housing market

Retail customers' demand for loans remained low in 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, 7,293 new homes were built in 2013, by 31% less than in 2012; the number of new housing construction permits issued was only 7,536, 29% less compared to the 2012 data.

As of 31 December 2013, the volume of retail mortgage loans (HUF 5,495 billion) was down by 5.9% compared to 31 December 2012; the volume growth adjusted by exchange rate volatility was -8.2%. Volume of HUF loans (HUF 2,097 billion) decreased by 2.1% year-on-year; at the same time the FX loan portfolio (HUF 3,398 billion) shrank by 4.4% (-9.6% adjusted by the volatility of exchange rate).

Retail housing loans decreased by 2.0% in Q4, change adjusted by exchange rate volatility was -2.4%. At the end of December 2013, housing loans amounted to HUF 3,336 billion representing decline of 5.6% year-on-year, adjusted by exchange rate volatility -7.6%. Volume of housing loans denominated in HUF was HUF 1,578 billion, showing a 0.7% decrease during the last quarter, while share of FX loans decreased by 3.2% (adjusted by the volatility of exchange rate it was 3.9% decrease).

General-purpose mortgage loans amounted to HUF 2,158 billion as of 31 December 2013; after exchange rate adjustment the portfolio decreased by 3.2% in the last quarter, and shrank by 9.2% year-on-year. HUF denominated general-purpose mortgage loans (HUF 519 billion) decreased by HUF 3 billion quarterly and expanded by 0.9% year-on-year. The exchange rate adjusted change in FX denominated general-purpose mortgage loans was -4.0% in Q4 of 2013 and -12.0% year-on-year.

Own lending

The volume of gross loans of FHB Group amounted to HUF 358 billion as of 31 December 2013, and decreased by 4.9% compared to the 30 September 2013 figure (HUF 376.4 billion). Year-on-year decrease was 3.7%. Quarterly decrease was due to lower figures in disbursements and maturity of existing loans despite of participation of Funding for Growth Scheme (NHP) of National Bank of Hungary.

The rate of FX loans of total outstanding loan portfolio was 51.3% as of 31 December 2013, which is 110 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 57.2% which is a little bit lower than in the previous quarter.

Retail loans continued to dominate within the loan portfolio with a contribution of 78.3% (76.7 % on 30 September 2013). Retail loans were by 3% (or HUF 8.6 billion) down to the figures of 30 September 2013 and HUF 22.8 billion down (-7.5%) year-on-year.

in HUF million	31/12/2012	30/09/2013	31/12/2013	31/12/2013/ 30/09/2013	31/12/2013/ 31/12/2012
Retail loans	303,042	288,820	280,244	-3.0%	-7.5%
Housing loans	152,348	144,673	141,486	-2.2%	-7.1%
Other mortgage loans	139,618	133,312	128,315	-3.7%	-8.1%
Consumer loans	6,348	6,097	6,471	6.1%	1.9%
Loans for employees	1,935	1,615	1,568	-2.9%	-19.0%
Retail leasing	2,793	3,123	2,404	-23.0%	-13.9%
Corporate loans	68,889	87,544	77,789	-11.1%	12.9%
Corporate loans	67,962	86,679	76,801	-11.4%	13.0%
Corporate leasing	927	865	988	14.2%	6.6%
Total own lending, gross	371,931	376,364	358,033	-4.9%	-3.7%
Impairment	-37,348	-39,694	-37,922	-4.5%	1.5%
Loans, net	334,583	336,670	320,111	-4.9%	-4.3%
Refinanced loans	164,990	141,161	133,692	-5.3%	-19.0%

In terms of structure of retail loans, housing loans as the largest volume contributed 50.5% and other mortgage loans contributed 45.8% to the retail loan portfolio. A year before proportion was 50.3% and 46.1%, respectively. Reverse mortgages achieved 3.1 billion HUF as of 31 December 2013, there was no significant change. The volume of consumer loans amounted to 6.5 billion HUF.

Volume of corporate loans amounted to 77.8 billion HUF, representing 21.7% of the total portfolio. The amount decreased by 11.1% compared to the previous quarter and show 12.9% increase year on year.

In 2013, 10.1 billion HUF of retail and 38.3 billion HUF of corporate loans have been disbursed; this is more than three times higher than in the last year, thanks to the loans disbursed within the framework of Funding for Growth Scheme started in June. The Bank placed 29 billion HUF loans to corporate customers under the NHP. Within retail loan disbursement, share of subsidized housing loans exceeded 55%.

Home protection measures also had an impact on the volume of loans. Until 31 December 2013, 47% of entitled clients (37% of the total clients with FX loans) applied for FX rate protection scheme and 7,956 (30%) contracts were already signed. The volume of buffer account amounted to nearly HUF 500 million at the end of the year.

During the year FHB offered more than 1,200 properties to the National Asset Management Company (NET), and most of them were sold to the NET. In 2013 there were 905 transactions closed because of NET sale.

FHB Commercial Bank Ltd.

According to Hungarian Accounting Standards, total assets of FHB Commercial Bank were 530.7 billion HUF on 31 December 2013, showing 22.4% growth compared to the previous year (433.6 billion HUF).

On 31 December 2013, volume of gross loans according to Hungarian Accounting Standards was 223.9 billion HUF increasing by 2.5% compared to year end 2012. The gross loans represent 42.2% of total assets. The FHB Commercial Banks corporate loans – excluding intra-group loans – amounted to HUF 65.2 billion having a share of 29.1% among total loan portfolio.

Interest bearing liabilities amounted to HUF 491.6 billion, representing 92.6% among liabilities, that shows growth both quarter-to-quarter and year-on-year also. Deposits represent 45.2%, 222.2 billion HUF among interest bearing liabilities, while interbank liabilities represent the highest ratio with the amount of 246.3 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.

Deposits increased by nearly one and a half time higher than the previous year, due to a significant increase in corporate deposits. Volume of corporate deposits was above retail deposit's volume by the end of the year; its ratio was 56.2%. Sight deposits with over HUF 20 billion yearly growth represented more than 28% of total deposits.

The number of retail and corporate accounts managed by the Commercial Bank was 167 and 9.4 thousand respectively as of 31 December 2013, 124 thousands retail and 5.8 thousands corporate banking cards related to these accounts. Both number of accounts and cards represented significant growth during the year.

According to Hungarian Accounting Standards, loss for the year was 930 million HUF in 2013, worse than a year before. Net interest income was 12.7% higher as a result decreasing interest income (3.8%), and decline in interest expenses (13.3%). Net fee and commission income was 13.0% higher than in 2012. Operating costs were 4.3% down to 2012.

Shareholder's equity according to HAS was 30.4 billion HUF as of 31 December 2013.

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.

At 3 July 2013, the Parliament accepted amendment in the Act LX of 2003 on Insurance Companies and Insurance Activities. Hence the alterations for profit annuity services could only be pursued according to the Act from 1 of January 2015. The scope of law does not apply to contracts closed until 31 December 2014.

Since the foundation of the company until 31 December 2013, 740 annuity contracts were signed, that represents 624 contracts alive and HUF 10.5 billion real estate volumes (and same amount of total contracted value) after closing 116 contracts amounted to HUF 1.7 billion 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 HUF 296 million revenue in 2013; compared to the same period of 2012 increase was HUF 65.4 million, while real estate sales – performing improvement – reached HUF 27.2 million income, that was less than the income compared to Q3 2013 (HUF 36 million), while yearly growth was 126.5% (145.0 million HUF). The profit after tax of the company was HUF 33 million at the end of the year.

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 31 December 2013, the consolidated loan volume of FHB Real Estate Lease Ltd. according to IFRS reached HUF 7.2 billion. In 2013, lease financing disbursement amounted to 767 million HUF, of which HUF 408 million in Q4. Leasing portfolio reached HUF 3.4 billion as of 31 December 2013. The quarterly change was 6.4% decrease (from 3.7 billion HUF as of 30 September 2013), while the year-on-year rise was 5.0% (from 3.3 billion HUF as of 31 December 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.

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, FHB Money Market Fund and FHB Absolute Yield Fund reached HUF 5.3 billion in four months. Total net value of assets under management increased to HUF 23.8 billion from HUF 15.8 at December 31, 2012.

Asset Management Ltd. closed with HUF 23 million loss the year 2013 (of which pro rata loss of period after change in ownership was around HUF 4 million); subscribed capital amounted to HUF 135.4 million and shareholders' equity HUF 124 million.

Díjbeszedő Operational and Service Llc.

The Díjbeszedő Operational and Service Llc. (DÜSZ) was established by splitting-off from Díjbeszedő Holding Ltd. on 30 September 2013. In course of the demerge DÜSZ own 51% of the shares of Díjbeszedő Faktorház

Co. Plc., 75% of the shares of DíjNET Ltd. and 50% of Díjbeszedő Informatikai Ltd. In December 2013, DÜSZ Ltd. acquired 50% share of Magyar Posta Befektetési Zrt (Hungarian Post Investment Services Ltd.) by exchange of 24% shares of DíjNET Ltd. and additional share price to be paid in next years.

From 2014, DÜSZ Ltd. is going to be subsidiary of FHB Group dealing with facility management. The company's subscribed capital and shareholder's equity according to HAS was HUF 636 million and HUF 1.3 billion, respectively, as of 31 December 2013.

Organisational changes and headcount

As of December 31, 2013, the consolidated full-time headcount was, 773.5 by 0.6 persons less than the 774.1 figure as of September 30, 2013 and 3.4 more than headcount of 770.1 as of December 31, 2012.

Headcounts of the Group members were as follows:

	31/12/2012	30/09/2013	31/12/2013	31/12/2013/ 30/09/2013	31/12/2013/ 31/12/2012
FHB Mortgage Bank Plc.	170.3	173.3	172.2	-0.6%	1.1%
FHB Commercial Bank Ltd.	575.2	567.4	567.0	-0.1%	-1.4%
FHB Life Annuity Ltd.	7.3	5.9	5.8	-2.1%	-21.2%
FHB Real Estate Ltd.	8.1	7.1	7.4	3.5%	-9.3%
FHB Real Estate Leasing Ltd.	9.2	9.8	9.8	0.0%	6.0%
Diófa Asset Management Ltd.		10.6	11.4	8.1%	-
FHB Consolidated	770.1	774.1	773.5	-0.1%	0.4%

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: 1028 Budapest, Bölény str. 16; 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 and Q4 2013, there were no further changes in key positions.

Post-balance sheet date events

On February 3, 2014, FHB Mortgage Bank gained 25% direct share (25%+1) in Magyar Takarékbefektetési és Vagyongazdálkodási Zrt. (MATAK Zrt.) through participating in the share capital increase decided by the general meeting of MATAK Zrt. with a payment at HUF 252 million nominal value.

On March 10, 2014 MATAK Zrt., MFB Magyar Befektetési Bank Zrt. (Hungarian Development Bank) and Magyar Posta Zrt. (Hungarian Post) contracted on the purchase of 929,301 pieces of equity shares of Magyar Takarékbank Zrt.

By the amount of purchased shares MATAK Zrt. gets around 54.8% ownership in Takarékbank Zrt. As a result of the transaction FHB Mortgage Bank acquires 13.75% indirect ownership in Takarékbank Zrt. According to

the contractual will of the parties, but depending on the completion of several regular conditions the transaction shall be closed in the first half of 2014.

On 12 March, 2014 Moody's Investor Service announced the upgrade of the rating of the mortgage covered bonds issued by 15 European banks, among those issued by the FHB Plc's. The rating of the mortgage covered bonds issued by FHB Plc's, has been upgraded to „Ba2” from „Ba3”. This rating action on FHB's covered bonds was prompted by the Moody's update of its covered bond rating methodology.

According to the decision announced today (on March 13, 2014), Financial Stability Board of National Bank of Hungary imposed fine for 35 financial institutions with a total amount of HUF 1.2 billion, which raised fees and charges for customers on unlawful way. Central Bank prohibited these financial institutions from continuing this practice and ordered to pay back the additional fee charges to clients. NBH imposed a fine of HUF 95 million on FHB Commercial Bank Ltd.

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

1. P&L structure

in HUF million	Q4 2012	Q3 2013	Q4 2013	Q4 2013/ Q3 2013	Q4 2013/ Q4 2012	2012 FY	2013 FY	2013 FY/ 2012 FY
Interest income	17,974	16,722	16,174	-3.3%	-10.0%	76,670	66,193	-13.7%
Interest expense	-14,090	-11,874	-10,964	-7.7%	-22.2%	-58,124	-47,464	-18.3%
Net interest income	3,884	4,848	5,210	7.5%	34.2%	18,545	18,730	1.0%
Fees and commissions income	883	1,280	1,560	21.9%	76.7%	3,795	5,060	33.3%
Fees and commissions expense	-433	-141	-238	68.7%	-45.1%	-1,203	-734	-39.0%
Net fees and commissions	450	1,139	1,323	16.2%	193.8%	2,592	4,326	66.9%
Foreign exchange gains, net	930	599	127	-78.8%	-86.3%	-1,392	1,223	-
Fair value adjustment	-738	264	256	-3.2%	-	1,339	-1,945	-
Gain on securities, net	1,513	379	25	-93.4%	-98.4%	4,802	981	-79.6%
Net trading result	1,705	1,242	407	-67.2%	-76.1%	4,749	259	-94.6%
Other operating income	361	147	-189	-	-	664	575	-13.3%
Other operating expenses	-258	-1,033	-538	-47.9%	108.1%	-3,315	-3,814	15.1%
o/w special banking tax	51	-853	-853	0.0%	-	-2,068	-3,413	65.0%
Other results	102	-886	-727	-18.0%	-	-2,651	-3,239	22.2%
Net operating income	6,141	6,342	6,214	-2.0%	1.2%	23,235	20,076	-13.6%
Provision for impairment on loan losses	-2,889	-1,898	-945	-50.2%	-67.3%	-9,756	-6,778	-30.5%
Personnel expenses	-1,397	-1,565	-1,122	-28.3%	-19.7%	-5,795	-5,752	-0.8%
Banking operation cost	-1,993	-1,670	-1,686	1.0%	-15.4%	-7,305	-6,903	-5.5%
Cost of business activity	-261	-177	-386	117.6%	47.6%	-604	-803	32.9%
Depreciation	-625	-640	-642	0.3%	2.7%	-2,497	-2,533	1.4%
Other tax payable	-193	-556	-699	25.8%	262.7%	-691	-2,181	215.4%
Operating costs	-4,469	-4,607	-4,535	-1.6%	1.5%	-16,893	-18,171	7.6%
Income before income taxes	-1,217	-164	735	-	-	-3,415	-4,873	42.7%
Income taxes	-691	-118	-391	231.6%	-43.4%	-1,050	342	-
Profit after tax	-1,908	-282	344	-	-	-4,464	-4,532	1.5%
Profit after tax without special banking tax	-1,959	572	1,197	109.4%	-	-2,396	-1,119	-53.3%
After tax profit w/o special banking tax and other one-offs	-1,353	744	1,380	85.6%	-	-1,051	-478	-54.6%

HUF million	Q4 2012	Q3 2013	Q4 2013	Q4 2013/ Q3 2013	Q4 2013/ Q4 2012	2012 FY	2013 FY	2013 FY/ 2012 FY
<i>Basic EPS (yearly, HUF)</i>	<i>-126.1</i>	<i>-17.0</i>	<i>19.9</i>	<i>-</i>	<i>-</i>	<i>-70.4</i>	<i>-68.9</i>	<i>-2.2%-pt</i>
<i>Diluted EPS (yearly, HUF)</i>	<i>-126.1</i>	<i>-17.0</i>	<i>19.9</i>	<i>-</i>	<i>-</i>	<i>-70.4</i>	<i>-68.9</i>	<i>-2.2%-pt</i>
<i>Net interest margin</i>	<i>2.05%</i>	<i>2.53%</i>	<i>2.72%</i>	<i>7.6%-pt</i>	<i>32.4%-pt</i>	<i>2.36%</i>	<i>2.51%</i>	<i>6.3%-pt</i>
<i>ROAA</i>	<i>-1.01%</i>	<i>-0.15%</i>	<i>0.18%</i>	<i>-</i>	<i>-</i>	<i>-0.57%</i>	<i>-0.61%</i>	<i>6.9%-pt</i>
<i>ROAE</i>	<i>-11.79%</i>	<i>-1.48%</i>	<i>1.79%</i>	<i>-</i>	<i>-</i>	<i>-6.82%</i>	<i>-5.89%</i>	<i>-13.7%-pt</i>
<i>ROAA w/o special banking tax</i>	<i>-1.04%</i>	<i>0.30%</i>	<i>0.62%</i>	<i>109.7%-pt</i>	<i>-</i>	<i>-0.31%</i>	<i>-0.15%</i>	<i>-50.8%-pt</i>
<i>ROAE w/o special banking tax</i>	<i>-12.10%</i>	<i>2.99%</i>	<i>6.25%</i>	<i>108.8%-pt</i>	<i>-</i>	<i>-3.66%</i>	<i>-1.45%</i>	<i>-60.3%-pt</i>

The Bank's consolidated profit after tax by IFRS amounted to HUF 344 million profits in Q4 2013 and HUF 4.5 billion loss as of 2013.

Without the special banking tax, FHB Group's consolidated results would have been HUF 1.2 billion profits in Q4 2013 and HUF 1.1 billion losses for 2013.

Beside HUF 2.8 billion of special banking tax (for the whole year) and payment obligation of HUF 588 million 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 HUF 4.1 billion. Ignoring all these items, the corrected consolidated profit after tax amounted to HUF 475 million losses.

Net interest income

Net interest income was HUF 5.2 billion in Q4 2013, 34.2% lower than the result achieved in the Q4 2012 reference period, and improved by 7.5% quarterly. The net figure emerged as a balance of HUF 16.2 billion interest income (3.3% higher than the figure of Q3 2013, and 10.0% weaker than figures of Q4 2012) and HUF 11.0 billion interest expense (q/q: -7.7%, y/y: -22.2%).

As of 2013, interest expenses decreased greater than the interest incomes and net interest result grew slightly by 1%. 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, deposits and repayment of subordinated capital at the beginning of the year.

Distribution of interest income and expenses shows the following table:

	Q4 2012	Q3 2013	Q4 2013	Q4 2013/ Q3 2013	Q4 2013/ Q4 2012	2012 FY	2013 FY	2013 FY/ 2012 FY
Interest income								
Loans	39.7%	37.7%	38.7%	1.0%-pt	-1.0%-pt	37.6%	37.9%	0.4%-pt
Refinancing	11.9%	10.3%	9.4%	-0.9%-pt	-2.5%-pt	10.7%	10.8%	0.2%-pt
Mortgage bond interest subsidy	13.9%	14.1%	14.2%	0.2%-pt	0.4%-pt	13.9%	14.1%	0.2%-pt
Supplementary interest subsidy	1.3%	1.3%	1.3%	-0.1%-pt	0.0%-pt	1.2%	1.4%	0.1%-pt
Securities and interbank	13.8%	13.4%	15.4%	2.0%-pt	1.6%-pt	15.0%	13.2%	-1.7%-pt
Swap transactions	19.4%	23.3%	20.9%	-2.4%-pt	1.5%-pt	21.6%	22.5%	0.9%-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	50.2%	53.6%	52.5%	-1.1%-pt	2.3%-pt	51.2%	53.1%	1.9%-pt
Interbank activities	17.0%	9.4%	8.5%	-0.9%-pt	-8.5%-pt	12.8%	10.9%	-2.0%-pt
State loan	0.2%	0.0%	0.0%	0.0%-pt	-0.2%-pt	1.7%	0.0%	-1.7%-pt
Customer deposits	13.7%	14.5%	17.4%	2.9%-pt	3.7%-pt	16.0%	14.9%	-1.1%-pt
Derivatives	16.9%	20.3%	19.1%	-1.1%-pt	2.2%-pt	16.5%	19.0%	2.4%-pt
Other interest expense	2.0%	2.2%	2.4%	0.2%-pt	0.4%-pt	1.8%	2.2%	0.4%-pt

The average net interest margin (NIM) was 2.72% in Q4 of 2013 compared to 2.53% in Q3 of 2013 and 2.05% in Q4 of 2012 showing improvement due to higher net interest income. 2.51% NIM as of whole 2013 year increased by 15 bps compared to 2012, 2.36%.

Net fee and commission income

In Q4 of 2013, the Bank achieved a positive balance of HUF 1,323 million of income from, and expenditures on commissions and fees; 16.2% more than Q3 2013 figures and 193.8% higher than Q4 2012, that did not yet contain financial transaction levy. Net fees and commissions adjusted by financial transaction levy performed also growth quarter-on-quarter (+4.8%), while represents 108.4% increase year-on-year.

A full year of net fee and commission income amounted to HUF 4.3 billion, that is nearly 67% higher than the previous year. Without the financial transactions levy, the revenue growth exceeded 28%.

Compared to previous quarter, fees related to bankcards and real-estates increased, but fees related to insurances, mortgages and commissions from bank accounts decreased. Also dynamically grew the volume of guarantee related fee income reaching over HUF 120 million in Q4 2013 and close to HUF 172 million in the whole year. Among expenses, agents' fees also dropped quarterly.

Income from fees and commissions in Q4 of 2013 was HUF 1,560 million, of which 14.2% was contributed by charges related to loans (20.1% in Q3 of 2013), and 29.7% by accounts and card related banking charges (35.7% in Q3 of 2013). Commissions resulting from the strategic cooperation agreement signed with Allianz Insurance Company contributed 6% to income from fees and commissions in the reported quarter (11.4% in Q3 of 2013). The fees as the contribution of financial transaction levy contributed 24.6% to fee income (Q3 of 2013 19.0%).

Card related fee expenses (98 million HUF) rose slightly compared to the previous quarter.

Net result of financial transactions

In 2013 the balance of financial transactions was HUF 258.7 million profit that are lower by HUF 4,490 million than in the same period of 2012. In Q4 of 2013 the balance of financial transactions was HUF 407.5 million profits, which are down by HUF 834.4 million than in Q3 of 2013.

As of Q4 2013, HUF 127 million of foreign exchange profits are deeply below figures of previous quarter (HUF 598.7 profit).

In Q4 of 2013 the changes in the value of financial instruments reported at fair value against earnings was HUF 255.6 million profit, which is almost the same, that the HUF 264.2 million profit achieved in Q3 2013, and it's significantly higher than a year before.

In Q4 2013, securities transactions resulted in only HUF 24.9 million profits as opposed to HUF 379 million in Q3 2013. The decrease is from the issued securities' accrued trading result.

Other operating income and expenditure

In 2013, the balance of other operating income and expenditure was HUF 3,239 million net expenditure; arising from HUF 575.1 million incomes and HUF 3,814.1 million expenditure. As of Q4 2013, other operating results were HUF 726.8 million losses. Other results are down by HUF 829 million than a year before, and by HUF 159.7 million higher than in the previous quarter.

In 2013 real estate related income contributed 36.8%, 225 million HUF to other operating income (real estate rent, revaluation).

88.7% of other expenditure was contributed by the special tax (HUF 2,826 million), and payment obligation of HUF 587.7 million HUF to compensate the lack of financial transaction levy. On the other expenditures side, 395.4 million HUF annuity payments were reported.

Impairments and provisions for possible loan losses

HUF 6.8 billion HUF of risk costs in 2013 performed by 30.5% better figures than a year before, while HUF 945 million volume in Q4 2013 was by 50.2% better quarter-on-quarter, and improved by 67.3% year-on-year. Improvement was related to lower volume of provisions for loan losses in line with decreasing volume of non-performing loans compared to previous quarter. Among loan losses close to HUF 2 billion losses were reported due to closed transactions covered by real-estates sold to National Asset Management Company, but it was partially compensated by release of loan loss provision related to that transactions.

Operating expenses

Operating costs amounted to HUF 18.2 billion in 2013 (Q4: HUF 4.5 billion) which is 7.6% higher than in 2012. Growth was mainly generated by financial institution levy and other fees and taxes. Compared to the previous quarter 1.6% decrease was realised. Operating expenses in 2013 without special banking tax and credit institutions levy show 2.1% decrease compared to the previous year.

Cost-to-income ratio (CIR) was 73.0% in 2013 (as opposed to 72.8% in Q4 2012 and 72.7% in Q3 2013). Adjusting special banking tax, CIR was 64.2% in Q4 2013, while 73.4% in Q4 2012, and 64.0% in Q3 2013.

The contribution of personnel expenses to total operating costs was 24.7% in 2013, 650 bps lower than 31.3% in Q4 2012, and 920 bps higher than 34.0% of Q3 2013 was higher also.

Administrative expenses in Q4 2013 decreased considerably year-on-year but quarter-on-quarter there was a slight increase. In the yearly comparison administrative expenses fell by almost HUF 300 million which was generated by dropping expenses of consultancy fees.

Expenses of business activity show significant change year-on-year and quarterly either. HUF 386 million expenses in Q4 2013 are 47.6% higher than a year before and 117.6% as to Q3 2013.

Depreciation was HUF 642 million in 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 HUF 700 million in 2013 (Q3 2013: HUF 556 million, Q4 2012: HUF 193 million). Growth from the previous year is due to the change in financial transaction and credit institutions levy. 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	31/12/2012	30/09/2013	31/12/2013	31/12/2013/ 30/09/2013	31/12/2013/ 31/12/2012
Cash	2,164	2,079	2,039	-1.9%	-5.8%
Due from banks & NBH	33,981	34,441	32,739	-4.9%	-3.7%
Financial assets available for sale and trading at fair value	166,663	221,505	193,823	-12.5%	16.3%
Fair value of derivative financial assets	4,344	1,385	3,579	158.4%	-17.6%
Investment in associates (jointly controlled companies)			6,165		
Refinanced mortgage loans	164,990	141,161	133,692	-5.3%	-19.0%
Loans and advances	371,931	376,362	358,033	-4.9%	-3.7%
Impairment and provision	-37,348	-39,694	-37,922	-4.5%	1.5%
Tangible assets	5,961	5,640	5,625	-0.3%	-5.6%
Goodwill and other intangible assets	12,753	11,640	11,284	-3.1%	-11.5%
Other assets	27,185	28,079	28,184	0.4%	3.7%
Total Assets	752,625	782,598	737,241	-5.8%	-2.0%
Liabilities total	675,084	707,023	660,854	-6.5%	-2.1%
Interbank borrowings	110,597	134,437	134,841	0.3%	21.9%
Mortgage bonds	231,848	205,024	172,607	-15.8%	-25.6%
Bonds issued	107,905	115,347	99,341	-13.9%	-7.9%
Deposits	152,206	211,302	222,501	5.3%	46.2%
Fair value of derivatives	23,184	21,274	15,365	-27.8%	-33.7%
Leasing liability	11,029	9,700	9,292	-4.2%	-15.7%
Reserves for annuity	2,410	2,442	2,463	0.9%	2.2%
Other liabilities	4,779	7,498	4,444	-40.7%	-7.0%
Subordinated debt	31,126	0	0	-	-100.0%
Shareholders' equity	77,541	75,574	76,387	1.1%	-1.5%
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	0	100	196	-	-
Subordinated capital	28,923	31,749	31,749	0.0%	-
Other reserves	-2	-19	366	-	-
Retained earnings	44,986	40,340	40,340	0.0%	-10.3%
Balance sheet profit	-4,646	-4,875	-4,544	-6.8%	-
Total liabilities and shareholders' equity	752,625	782,598	737,241	-5.8%	-2.0%

As of 31 December 2013, the Bank's consolidated balance sheet total by IFRS amounted to HUF 737.2 billion, 5.8% down to the end of previous quarter and by HUF 15.4 billion, or 2.0% below the balance sheet total as of 31 December 2012.

The decline on the assets side was the joint result of interbank deposits (due from banks) decreased by 3.7%, refinanced loans dropped by 19.0% but impairment and provision decreased by 1.5%.

Liabilities decreased by 2.1% compared to the reference figures of 2012. Significant decrease was generated primarily by repayment of subordinated loan capital. Mortgage bonds issued showed significant decline (-25.6%) and interbank borrowings rose by 22%. Deposits grew by more than 46% year-on-year.

Shareholders' equity decreased by HUF 1.2 billion or 1.5% year-on-year.

Interest earning assets

The Group's interest earning assets decreased from HUF 737.6 billion as of 31 December 2012 to HUF 718.3 billion as of 31 December 2013. Interest earning assets contributed 97.4% to the balance sheet total.

NBH and other interbank lending decreased from HUF 34.0 billion as of 31 December 2012 to HUF 32.7 billion as of 31 December 2013. The item contributed 4.6% to interest earning assets at the end of the fourth quarter of 2013.

The value of Bank's securities available for sale and held for trading at fair value increased from HUF 166.7 billion as of 31 December 2012 to 193.8 billion HUF as of 31 December 2013; while as of 30 September 2013 amounted to 221.5 billion HUF. Securities available for sale and held for trading include NBH bonds amounting to HUF 10.5 billion, discount treasury bills amounting to HUF 143.3 billion and government bonds amounting to HUF 24.6 billion.

Loans

As of 31 December 2013, the volume of loans was 3.7% down year-on-year (adjusted by FX changes it was 3.9%), and the quarterly decrease was 4.9%. Impairment to cover loan losses grew from 37.3 billion HUF as of 31 December 2012 to 37.9 billion HUF as of 31 December 2013, last quarter showed 4.5% decrease. (As of 30 September 2013 39.7 billion HUF)

The year-on-year decline in refinanced loans was 19.0% to 133.7 billion HUF, and there was also a 5.3% drop in this item over the last quarter. As of 31 December 2013, the contribution of refinanced loans and gross own lending was 68.5% in interest earning assets; this rate was 73% a year before.

Portfolio quality

Volume of non-performing loans decreased by 3.3% quarter-on quarter, while NPL ratio grew to 20.4% by 31 December 2013 from 20.1% as of 30 September 2013 as a result of slightly shrinking loan portfolio and decreasing volume of NPL. Coverage of non-performing loans is 52%.

Other assets

Tangible assets amounted to HUF 5.6 billion as of 31 December 2013 and decreased by HUF 336 million year-on-year and by 14.8 million HUF quarter-on-quarter. As of 31 December 2013, intangibles amounted to HUF 11.3 billion, by HUF 1.5 billion or 11.5% down year-on-year and HUF 356 million (-3.1%) below the 30 September 2013 figure. Volume of intangible assets contains goodwill related to the acquisition of Diófa Asset Management Ltd.

Value of investment in jointly controlled companies consolidates by equity method amounted to HUF 6.2 billion as of 31 December, 2013, including goodwill related to the acquisition of DÜSZ.

Other assets amounted to HUF 28.2 billion as of 31 December 2013, increasing by 3.7% (HUF 1.0 billion) year-on-year. Deferred tax assets reached HUF 7.3 billion while value of real estates reported as inventory was HUF 1.7 billion.

Investment properties amounted to HUF 11.3 billion.

Interest bearing liabilities

Interest bearing liabilities decreased from 644.7 billion HUF as of 31 December 2012 to 638.6 billion HUF as of 31 December 2013, representing approximately 86.6% to the balance sheet total. As a year before, issued securities gave major part of interest bearing liabilities with a share of 52.7%, for the end of 2013 their proportion decreased to 42.6%. Despite of that, share of client deposits within interest bearing liabilities grew from 23.6% at the end of 2012 to 34.8% in one year.

Interbank funds

As of 31 December 2013, interbank funds amounted to 134.8 billion HUF showing +0.3% change compared to previous quarter, and volume was 21.9% 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 21.1% as of 31 December 2013.

CMBs issued

172.6 billion HUF book value of mortgage bonds as of 31 December 2013 was by 25.6% or 59.2 billion HUF down from figures of 31 December 2012 (231.8 billion HUF).

in HUF million	31/12/2012		31/12/2013	
	Book value	Nominal value	Book value	Nominal value
Non-listed mortgage bonds				
Fixed	66,038	65,868	29,370	29,226
Floating	291	291	0	0
Listed mortgage bonds				
Fixed	147,387	147,794	126,133	124,220
Floating	11,417	12,263	11,235	11,327
Total	225,134	226,216	166,738	164,774
Accrued interest	6,715		5,868	
Mortgage bonds Total	231,849	226,216	172,606	164,774
Non-listed bonds				
Fixed	54,158	53,774	29,377	29,369
Floating	5,208	5,162	7,100	7,043
Listed bonds				
Fixed	42,999	44,081	52,761	54,969
Floating	1,399	1,396	6,712	6,715
Total	103,764	104,414	95,950	98,095
Accrued interest	5,702		3,391	
Bonds Total	109,466	104,414	99,341	98,095

Mortgage bonds collateral¹

The net collateral value of real estate covering mortgage bonds issued by FHB Mortgage Bank Plc. amounted to 463.4 billion HUF as of 31 December 2013 (308.4 billion HUF of capital and 154.9 billion HUF of interests), 4.8% less than the 486.7 billion HUF as of 30 September 2013 and 18.2% below the figure of 31 December 2012 (566.6 billion HUF).

The value of the group of assets involved as collateral:

in HUF million	31/12/2012	30/09/2013	31/12/2013
Outstanding mortgage bonds in circulation			
Face value	304,041	265,370	225,601
Interest	74,691	60,640	53,899
Total	378,733	326,010	279,500
Value of the regular collateral			
Principal	356,290	320,016	308,444
Interest	210,290	166,697	154,922
Total	566,580	486,713	463,366
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 31 December 2013, the present value of ordinary collateral was HUF 350.7 billion and the present value of mortgage bonds were HUF 261.3 billion, thus the present value of collateral exceeded that of CMBs in circulation not yet repaid, the ratio was 134.2%. As of 31 December 2013 net value of ordinary and supplementary collateral principal to the unpaid face value of mortgage bonds in circulation was 136.7%, and the net ordinary and supplementary collateral principal to the unpaid interest on mortgage bonds in circulation was 287.4%.

The collateral value of real estate covering ordinary collaterals amounted to HUF 874.6 billion as of 31 December 2013, 1.5% down compared to 30 September 2013 (HUF 888.3 billion) and 10.5% below the 31 December 2012 value (HUF 977.3 billion). The LTV ratio applicable for ordinary collateral was 35.1% as of 31 December 2013, lower than the 36.3% LTV as of 31 December 2012.

Bonds issued

The book value of bonds was HUF 99.3 billion as of 31 December 2013, compared to 30 September 2013 (115.3 billion HUF) decreasing by 16.0 billion or 13.9%. The year-on-year decline was 7.9% or HUF 8.6 billion.

Deposits

As of 31 December 2013, deposits amounted to HUF 222.6 billion increasing by 46.2% year-on-year and 5.3% quarterly. In the last one year volume of corporate deposits significantly increased, but retail deposits performed reduction.

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

Both corporate and retail deposits increased in the last quarter – retail deposits grew by 10.3% while corporate volume grew by 1.7%, year-on-year more than 116%. Retail deposits lost its dominant position among FHB Group's consolidated deposits as share of corporate deposits was around 56.2% at the end of the period. The sight deposit ratio grew from 27.6% to 28.1% in a year.

Other liabilities

Other liabilities amounted to HUF 4.4 billion, within that liabilities generated in conjunction with settlements related to clients amounted to HUF 766.2 million. The Bank reported accounts payable HUF 184.9 million as of 31 December 2013, accruals HUF 305.4 million and deferred tax liabilities HUF 502.9 million.

Shareholders' equity

Within one year, shareholders' equity decreased by 1.5% to HUF 76.4 billion as of 31 December 2013. In line with IFRS, the Bank reported the EUR 112 million Tier 1 subordinated bond as part of shareholder's equity. Balance sheet loss was HUF 4.5 billion.

Capital position

Risk-weighted assets amounted to HUF 331.5 billion on 31 December 2013 (according to HAS), essentially the same as at the end of previous quarter and growing by 6.6% compared to RWA a year before. In line with that, capital requirements – before SREP – grew minimally on quarterly and by close to HUF 2 billion on yearly bases. FHB Group's capital requirement (including SREP) amounted to 34.4 billion HUF as of December 31, 2013.

Guarantee capital according to IFRS amounted to HUF 59.5 billion, so capital adequacy ratio was 13.84% (in Q3 2013: 14.26%, and 22.56% in Q4 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, March 13, 2014

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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 Kereskedelmi Bank Zrt. (FHB Commercial Bank Ltd.), Diófa Alapkezelő Zrt. (Diófa Fund Management Ltd.), FHB Ingatlan Zrt. (FHB Real Estate Ltd.) and FHB Életjáradék Ingatlanbefektető Zrt. (FHB Annuity Real Estate Investment Ltd), to FHB Ingatlanlízings Zrt. (FHB Real Estate Leasing Ltd.) and its Croatian affiliate (Central European Credit d.d.), Díjbeszedő Operatív és Szolgálati Kft. (Díjbeszedő Üzemeltetési és Szolgáltatási Kft.), FHB Card Centre Ltd. (FHB Kártyaközpont Zrt.); 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.). Jointly controlled companies – as Díjbeszedő Factorhouse Plc. (Díjbeszedő Faktorház Nyrt.), DíjNet Ltd., Díjbeszedő IT Kft. (Díjbeszedő Informatikai Kft.), and Hungarian Post Investment Services Ltd. (Magyar Posta Befektetési Szolgáltató Zrt.) – are consolidated by equity method.

Consolidated Income Statement

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

in HUF million	2012 FY	2013 FY	2013 FY/ 2012 FY
Interest income	76,670	66,193	-13.7%
Interest expense	-58,124	-47,464	-18.3%
Net interest income	18,545	18,730	1.0%
Fee and commission income	3,795	5,060	33.3%
Fee and commission expense	-1,203	-734	-39.0%
Net fee and commission income	2,592	4,326	66.9%
Profit/(Loss) from FX transactions	-1,392	1,223	-
Change in fair value of financial instruments	1,339	-1,945	-
Gains from securities	4,802	981	-79.6%
Net trading result	4,749	259	-94.6%
Other operating income	664	575	-13.3%
Other operating expense	-3,315	-3,814	15.1%
Operating income	23,235	20,076	-13.6%
Provision for impairment on loan losses	-9,756	-6,778	-30.5%
General and administrative expense	-16,893	-18,171	7.6%
Profit/(Loss) before tax	-3,415	-4,873	-
Income tax benefit/(expense)	-1,050	342	-
Profit/(Loss) for the period	-4,464	-4,532	-
Basic EPS (yearly)	-70.4 Ft	-68.9 Ft	-
Diluted EPS (yearly)	-70.4 Ft	-68.9 Ft	-

Consolidated Comprehensive Income Statement	2012 FY	2013 FY	2013 FY/ 2012 FY
Profit/(Loss) for the period	-4,464	-4,532	1.5%
Change in cash-flow hedge reserve	-249	242	-
Change in fair value of financial assets available for sale	-3	442	-
FX translation reserve	10	-2	-
Deferred tax effect for other comprehensive income	48	-129	-
Other comprehensive income/(loss) for the period net of taxes	-194	553	-
Total comprehensive income/(loss) for the period, net of income taxes	-4,658	-3,979	-

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Consolidated Income Statement (quarterly)

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

in HUF million	Q4 2012	Q3 2013	Q4 2013	Q4 2013 / Q3 2013	Q4 2013 / Q4 2012
Interest income	17,974	16,722	16,174	-3.3%	-10.0%
Interest expense	-14,090	-11,874	-10,964	-7.7%	-22.2%
Net interest income	3,884	4,848	5,210	7.5%	34.2%
Fee and commission income	883	1,280	1,560	21.9%	76.7%
Fee and commission expense	-433	-141	-238	68.7%	-45.1%
Net fee and commission income	450	1,139	1,323	16.2%	193.8%
Profit/(Loss) from FX transactions	930	599	127	-78.8%	-86.3%
Change in fair value of financial instruments	-738	264	256	-3.2%	-
Gains from securities	1,513	379	25	-93.4%	-98.4%
Net trading result	1,705	1,242	407	-67.2%	-76.1%
Other operating income	361	147	-189	-	-
Other operating expense	-258	-1,033	-538	-	108.1%
Operating income	6,141	6,342	6,214	-2.0%	1.2%
Provision for impairment on loan losses	-2,889	-1,898	-945	-50.2%	-67.3%
General and administrative expense	-4,469	-4,607	-4,535	-1.6%	1.5%
Profit/(Loss) before tax	-1,217	-164	735	-	-
Income tax benefit/(expense)	-691	-118	-391	231.6%	-43.4%
Profit/(Loss) for the period	-1,908	-282	344	-	-
Basic EPS (yearly)	-126.1 Ft	-17.0 Ft	19.9 Ft	-	-
Diluted EPS (yearly)	-126.1 Ft	-17.0 Ft	19.9 Ft	-	-

Consolidated Comprehensive Income Statement	Q4 2012	Q3 2013	Q4 2013	Q4 2013 / Q3 2013	Q4 2013 / Q4 2012
Profit/(Loss) for the period	-1,908	-282	344	-	-
Change in cash-flow hedge reserve	-90	123	119	-3.3%	-
Change in fair value of financial assets available for sale	-675	-222	564	-	-
FX translation reserve	-3	2	-3	-	15.6%
Deferred tax effect for other comprehensive income	145	19	-197	-	-
Other comprehensive income/(loss) for the period net of taxes	-623	-78	484	-	-
Total comprehensive income/(loss) for the period, net of income taxes	-2,531	-360	828	-	-

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Investor relations: Beáta Lendvai

Consolidated Financial Position

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

in HUF million	31/12/2012	30/09//2013	31/12/2013	31/12/2013/ 30/09//2013	31/12/2013/ 31/12/2012
Cash on hand	2,164	2,079	2,039	-1.9%	-5.8%
Due from banks & NBH	33,981	34,441	32,739	-4.9%	-3.7%
Securities held for trading	7,815	34,166	41,950	22.8%	-
Financial assets available for sale	158,848	187,338	151,873	-18.9%	-4.4%
Investment in associates (jointly controlled companies)			6,165	-	-
Derivate financial assets	4,344	1,385	3,579	158.4%	-17.6%
Refinanced mortgage loans	164,990	141,161	133,692	-5.3%	-19.0%
Loans and advances to consumers	371,931	376,362	358,033	-4.9%	-3.7%
Impairment and provision	-37,348	-39,694	-37,922	-4.5%	1.5%
Investment property	11,463	11,379	11,311	-0.6%	-1.3%
Tangible assets	5,961	5,640	5,625	-0.3%	-5.6%
Goodwill and other intangible assets	12,753	11,640	11,284	-3.1%	-11.5%
Deferred tax asset	6,396	7,636	7,349	-3.8%	14.9%
Other assets	9,326	9,065	9,523	5.1%	2.1%
Total assets	752,625	782,598	737,241	-5.8%	-2.0%
Due to banks	92,781	116,444	116,847	0.3%	25.9%
Issued securities	252,681	250,576	228,932	-8.6%	-9.4%
Mortgage bonds	191,897	176,561	143,332	-18.8%	-25.3%
Bonds	60,784	74,015	85,601	15.7%	40.8%
Deposits from customers	152,206	211,302	222,501	5.3%	46.2%
Derivative financial liabilities	23,184	21,274	15,365	-27.8%	-33.7%
Financial liabilities at fair value through profit or loss	104,888	87,787	61,009	-30.5%	-41.8%
Finance lease liabilities	11,029	9,700	9,292	-4.2%	-15.7%
Reserve for annuity payments	2,410	2,442	2,463	0.9%	2.2%
Current tax liability	42	34	6	-82.8%	-85.9%
Deferred tax liability	643	539	503	-6.7%	-21.7%
Provisions	173	192	1,141	-	-
Other liabilities	3,922	6,733	2,794	-58.5%	-28.8%
Subordinated debt	31,126	0	0	-	-100.0%
Total liabilities	675,084	707,023	660,854	-6.5%	-2.1%
Share capital	6,600	6,600	6,600	0.0%	0.0%
Share premium	1,709	1,709	1,709	0.0%	0.0%
Treasury shares	-29	-29	-29	0.0%	0.0%
Subordinated Tier 1 capital	28,923	31,749	31,749	0.0%	9.8%
Cash-flow hedge reserve	0	100	196	95.6%	-
Other reserves	-2	-19	366	-	-
Retained earnings	44,986	40,340	40,340	0.0%	-10.3%
Balance sheet profit	-4,646	-4,875	-4,544	-6.8%	-2.2
Total shareholders' equity	77,541	75,574	76,387	1.1%	-1.5%
Total liabilities and shareholders' equity	752,625	782,598	737,241	-5.8%	-2.0%

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Cash Flow Statement

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

in HUF million	31/12/2012	31/12/2013
Cash flow from operating activities		
Profit/(loss) for the year	-4,464	-4,532
<i>Non cash adjustments to net profit from:</i>	0	
Depreciation and amortization	2,496	2,533
(Increase)/Decrease in fair value of Investment property	80	184
Recognition of investment property through income statement	-60	57
Provision for losses	-1,779	1,543
(Gain)/Loss on tangible assets derecognized	29	25
Share option reserve	-106	0
Capitalized interest	-994	-843
Fair value of derivatives	-39,177	-6,858
Fair value adjustment on financial liabilities through profit and loss	1,329	-1,080
Change in fair value of annuity reserve	540	361
Change in foreign currency translation reserve	11	-2
Goodwill on subsidiaries	0	-1,061
Operating profit before change in operating assets	-42,094	-9,675
<i>Decrease/(Increase) in operating assets:</i>		
Financial assets held for trading	-5,983	-34,135
Financial assets available for sale	-72,960	7,347
Refinanced mortgage loans	61,900	31,298
Loans and advances to customers	49,323	15,388
Other assets	2,473	-1,800
<i>Increase/(Decrease) in operating liabilities:</i>		
Deposits	-8,899	70,295
Due to banks	90,389	24,263
Other liabilities	-1,708	-1,303
Net cash flow from operating activities	72,440	101,678
Cash flow from investing activities		
Proceeds from sales of tangible assets	33	6
Purchase of tangible and intangible assets	-800	-607
Purchase of investment property	-313	-409
Sale of investment property	141	319
Paid from reserves on annuity business	-395	-308
Net cash flow from investing activities	-1,334	-6,253
Cash flow from financing activities		
Proceed from issued securities	125,221	77,184
Principal repayment on issued securities	-193,993	-175,224
Long term loans repayment	-63,899	-508
Long term loan borrowings	219	683
Finance lease liabilities repayment	969	-1,737
Additional Tier 1 capital	28,923	2,826
Net cash flow from financing activity	-102,560	-96,776
Net increase in cash and cash equivalents	-31,454	-1,366
Opening balance of cash and cash equivalents	67,599	36,145
Closing balance of cash and cash equivalents	36,145	34,778
Breakdown of cash and cash equivalents:		
Cash	2,164	2,039
Balances with National Bank of Hungary	5,117	11,469
Dues from banks with a maturity of less than 90 days	28,864	21,270
Closing balance of cash and cash equivalents	36,145	34,778
<i>Supplementary data</i>		
Tax paid	-1,429	-960
Interest received	76,639	65,168
Interest paid	-55,426	-52,281

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Statement of Shareholders' Equity

(consolidated non-audited data as of 31 December 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									-13	0
Profit/(Loss)									-4,532	-4,532
Other comprehensive income				196			358	-2		552
Purchase/(Sale) of treasury shares										0
Subordinated Tier 1 capital						2,826				2,826
Change in share option reserve										0
31 December 2013	6,600	-29	1,709	196	0	31,749	142	29	35,796	76,386

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Off-balance Sheet items – Commitments

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

in HUF million	31/12/2012	30/09/2013	31/12/2013
Commitments			
Guarantees	3,601	6,769	15,905
Undrawn commitments	27,020	49,285	44,517
Total	30,621	56,054	60,422

Transactions with related parties

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

in HUF million	Transactions between FHB Mortgage Bank and owners with influential share	
	31/12/2012	31/12/2013
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	1
Total liabilities	0	1
	2012.12.31	2013.12.31
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	-214	-126
Profit for the year	-214	-126

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

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

Owners with more than 5% ownership (as at 31 December 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 31/12/2012	End of last quarter 30/09//2013	Current period closing 31/12/2013
Bank	170	173	172
Consolidated	770	774	774

Persons in senior positions and (strategic) employees having an influence on the operations of the Issuer (as at 31 December 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

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

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