



FHB Mortgage Bank Plc.

**Interim management report
for the third quarter of 2015**

Budapest, 16 November, 2015

I. SUMMARY CONSOLIDATED FIGURES

in HUF million	30/09/2014	30/06/2015	30/09/2015	30/09/2015/ 30/06/2015	30/09/2015/ 30/09/2014
Main balance sheet items					
Total assets	759,949	753,629	748,068	-0.7%	-1.6%
Refinanced loans	120,047	93,329	87,768	-6.0%	-26.9%
Loans (gross)	366,823	326,211	326,390	0.1%	-11.0%
Mortgage bonds	176,536	163,370	193,460	18.4%	9.6%
Senior unsecured bonds	105,979	108,443	91,328	-15.8%	-13.8%
Customer deposits	297,664	337,388	328,846	-2.5%	10.5%
Shareholders' equity	91,198	82,528	82,260	-0.3%	-9.8%
<i>Capital adequacy ratio</i>	<i>14.10%</i>	<i>10.78%</i>	<i>11.53%</i>	<i>0.76%pt</i>	<i>-2.56%pt</i>
<i>CET1 ratio</i>	<i>13.39%</i>	<i>7.87%</i>	<i>8.45%</i>	<i>0.58%pt</i>	<i>-4.94%pt</i>

in HUF million	Q3 2014	Q2 2015	Q3 2015	Q3 2015 / Q2 2015	Q3 2015 / Q3 2014	2014 M9	2015 M9	2015 M9 / 2014 M9
Main P/L items								
Net interest income	4,834	3,347	2,901	-13.3%	-40.0%	15,122	11,402	-24.6%
<i>Net interest margin</i>	<i>2.67%</i>	<i>1.70%</i>	<i>1.53%</i>	<i>-0.17%pt</i>	<i>-1.14%pt</i>	<i>2.70%</i>	<i>2.01%</i>	<i>-0.69%pt</i>
Net fees and commissions	1,283	1,697	1,753	3.3%	36.6%	3,611	5,029	39.3%
Net operating income	-1,577	4,296	4,760	10.8%	-401.8%	6,478	6,856	5.8%
Provision for impairment on loan losses	-1,658	-2,137	-513	-76.0%	-69.1%	-4,247	2,822	-166.4%
Operating cost	-4,134	-5,155	-4,717	-8.5%	14.1%	-12,375	-14,297	15.5%
<i>Cost to income ratio</i>	<i>-262.1%</i>	<i>-120.0%</i>	<i>99.1%</i>	-	-	<i>191.0%</i>	<i>208.5%</i>	-
<i>Cost/income ratio w/o special banking tax</i>	<i>-475.0%</i>	<i>-143.6%</i>	<i>86.3%</i>	-	-	<i>143.9%</i>	<i>159.3%</i>	<i>15.4%pt</i>
Profit before tax	-7,370	-2,996	-470	-	-	-10,145	-4,619	-
Profit after tax	-7,190	-1,491	-502	-	-	-9,599	-5,797	-
Profit after tax w/o special banking tax and other one-offs	-1,113	-91	-1,857	-	66.8%	1,830	-3,033	-
<i>Basic EPS (HUF)</i>	<i>-433.9 Ft</i>	<i>-26.7 Ft</i>	<i>-88.4 Ft</i>	-	-	<i>-195.1 Ft</i>	<i>-80.7 Ft</i>	<i>-58.6%</i>
<i>Return on Assets</i>	<i>-3.98%</i>	<i>-0.76%</i>	<i>-0.27%</i>	<i>0.5%pt</i>	<i>3.7%pt</i>	<i>-1.71%</i>	<i>-1.02%</i>	<i>0.7%pt</i>
<i>Return on Equity</i>	<i>-34.7%</i>	<i>-7.2%</i>	<i>-2.4%</i>	<i>4.8%pt</i>	<i>32.2%pt</i>	<i>-15.3%</i>	<i>-9.1%</i>	<i>6.2%pt</i>

II. REPORT ON THE FIRST NINE MONTHS AND THE THIRD QUARTER OF 2015 RESULTS OF FHB GROUP

This report of FHB Mortgage Bank Public Co Plc. for the first nine months of 2015 is based on the data of the consolidated balance sheet and profit and loss account prepared according to the International Financial Reporting Standards (IFRS). The narratives compare the consolidated, non-audited figures as of 30 September 2014, 30 June 2015 and 30 September 2015, and also audited figures as of 31 December 2014.

The Group accounted the entire amount of special banking tax prescribed for 2015 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 2015 the full amount. However, in order to present the impacts of actual operation, the analysis and comparative indicators of interim reports are based on the adjusted financial statements that include special banking tax pro rata.

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

1. Summary of the achievements of the past period

Based on the Act CXXXV of 2013 on integration of cooperative financial institutions and modification of certain rules on economic issues (Szhiv), **FHB Mortgage Bank Plc.** and the under its qualifying holding and prudential supervisory **FHB Commercial Bank Ltd.** became a member of **Integration Organisation of Cooperative Credit Institution (SZHISZ) on September 23, 2015.**

From September 24, 2015, the **joint and several responsibilities** defined in the Section 4 of Article 1 of Szhiv cover also Mortgage Bank and Commercial Bank, according to the decision of the Board of Directors of Takarékbank Ltd.

In the third quarter of 2015, FHB Banking Group realised significantly improving HUF -0.5 billion consolidated profit after tax based on IFRS. In spite of decreasing net interest income quarterly result improved due to increase of net fee and commission income and decrease of operating costs and other expenses.

Profit after tax of FHB Group adjusted by special banking tax and other one-off items reached HUF -1.9 billion in the third quarter. Level of adjusted result came from quarterly amount of released provision that was higher than quarterly losses due to the status of implementation of settlements.

Consolidated total assets of FHB Group amounted to HUF 748.1 billion on 30 September 2015, by 0.7% or approximately HUF 5.6 billion lower than at the end of previous quarter and by HUF 11.9 billion or 1.6% lower than a year before.

Volume of new loan disbursements was outstanding in the third quarter in the retail and corporate segment, as well. **HUF 6.8 billion of retail loan disbursement** was 89% higher than in the previous quarter and 38% higher than a year before. In the first nine months volume of new retail loans reached close to HUF 14 billion.

Since June 30, 2015, FHB Group started **among firsts** to provide the **newly introduced, for broader number of people relevant Home-admittance Subsidy of Families** (Családi Otthonteremtési Kedvezmény, CSOK). There is a huge demand for the new subsidy: until September 30, 2015, 391 applications were received, of which 218 was disbursed with the total amount of HUF 247 million. In case of **more than 40%** of application clients **applied for banking loan, as well.** Concerning contracted subsidies, market share of FHB Group exceeded 10%.

Corporate loan disbursement exceeded HUF 13.8 billion in the third quarter and reached HUF 28.8 billion in the first nine month of the year. Quarterly performance was 77% better than in the previous quarter and by 58% year-on-year.

Gross loans amounted to HUF 326.4 billion on 30 September 2015, almost the same as a quarter before.

Rate of non-performing loans (**NPL ratio**) **decreased to 16.5%** for the end of the quarter from 20.2% at the end of 2014 and from 18% at the end of the previous quarter; including further improvement of so far excellent corporate portfolio. NPL ratio in the corporate segment decreased to 2.4% from the 5% level until now. Coverage of non-performing portfolio stood at 52.2% against 50.9% at the end of the second quarter.

The volume growth experienced in the previous periods continued also in case of savings. **Volume of – non-consolidated – total savings managed** by members of FHB Group **exceeded HUF 781 billion** on 30 September 2015, representing HUF 30 billion growth in the last quarter and more than HUF 211 billion in one year. Major part of growth arises from wealth of customers managed on securities accounts. Above that worth to mention, that **wealth under management of Magyar Posta Investment Ltd. (MPBSZ)**, who started its activity just 2 years ago, **exceeded HUF 100 billion** for the end of the quarter.

The total **net value of assets and other portfolios under management of Diófa Asset Management Ltd.** increased from HUF 338.7 billion as of 31 December 2014 **to HUF 377.1 billion** as of 30 September 2015. Magyar Posta Takarékszövetkezet Real Estate Fund with volume HUF 62.1 billion contributed mainly to the growth of investment funds representing over 30% of total assets under management of Diófa.

Volume of deposits based on IFRS amounted to HUF 328.8 billion at the end of September 2015, which meant **an increase of 10% in one year**, while slightly, by 2.5% decreased compared to the end of second quarter. Share of sight deposits increased further and reached 36.1% at the end of September, against of 32.1% as of 30 June 2015. Also volume of deposits collected in the Postal network increased by 46% year-on-year and represented 9% of total deposits. The number of Postal current accounts increased to almost 48 thousand for the end of September 2015 from 24 thousand at the end of 2014, which meant an over 100% rise.

Main P&L items are reported as follows:

- **Net interest income** decreased by HUF 0.4 billion or 13.3% compared to the previous quarter as a consequence of low interest rate environment and implementation of the Settlement and “Fair Banking” acts. Amount of more than HUF 2.9 billion net interest income represented 1.53% net interest margin on average total assets, by 17 basis point lower compared to the previous quarter.
- **Net fees and commissions** amounted to HUF 1.8 billion, which was close to 36% higher than a year before and it was 3.3% higher compared to the previous quarter. The growth resulted by 40% increase of fees related to lending and 86.2% quarter-on-quarter growth of fee incomes from insurance policies.
- Amount of **operating costs** was HUF 4.7 billion in the third quarter, 8.5% lower than in the previous quarter. Extraordinary costs of settlements contributed so far HUF 355 million to increase in operating costs, of which HUF 156 million was accounted in the third quarter.
- The volume of **risk costs** amounted to HUF 513 million in the third quarter of 2015. Besides improving coverage, the volume of impairments decreased by 6.1%, or HUF 1.8 billion compared to the second quarter, in line with improving NPL ratio.
- The net income of associated companies contributed to the total revenue by HUF 744 million in the first nine month of the year and HUF 144.5 million in the third quarter.

Capital adequacy ratio of FHB Group based on regulation effective since 1 January 2014 (CRR) – including also additional supervisory capital requirements (SREP) – **improved to 11.5%** as of 30 September 2015, compared to 10.8% at the End of June. CET1 ratio reached 8.5%, while at the end of previous quarter stood at 7.8%. During the third quarter, regulatory capital rose by HUF 1.7 billion (+2.5%), while total capital requirements decreased by HUF 2.5 billion (-5.0%).

Performance of FHB shares

In terms of capitalisation, FHB is 5th in the rank of "Premium" category listed companies and contributes 1.1% to the aggregate capitalisation of the BSE based on 30 September 2015 data.

As of the end of the third quarter in 2015, FHB's weight in the BUX index was 0.76% which meant that it stands at the sixth place (in the previous quarter stood also at the sixth place), while in the previous quarter it was the third biggest member but Q3 2015 it has risen to the 2nd place with a weight of 13.10% (from 12.43%) in BUMIX, the index of share prices of mid- and small-cap companies.

The price of FHB Mortgage Bank's shares showed strengthening. Closed the third quarter of 2015 at HUF 713 – that meant a HUF 67 decrease compared to 30 June 2015 data.

2. Main activities and subsidiaries' performance

The housing market and retail mortgage lending

The housing construction has decreased in the nine months of 2015. According to CSO statistics, 4,657 new homes were built in 2015, 9.5% less than in the same period of 2014 while the number of new housing construction permits issued was 8,616, 24.0% higher compared to the same period of 2014 data of which the biggest increase was in Budapest (73%) regarding territorial units.

As of 30 September 2015, the volume of retail mortgage loans (HUF 4,826 billion) was down by 11.7% compared to 30 September 2014; the volume change adjusted by exchange rate volatility was -16.9%. Volume of HUF loans (HUF 4,775 billion) increased by 126.2% year-on-year due to HUF conversion; while the FX loan portfolio (HUF 51 billion) declined by 98.5% for the same reason (-98.6% adjusted by the volatility of exchange rate).

The amount of retail housing loans decreased in Q3 by 1.0. At the end of September 2015, housing loans amounted to HUF 3,050 billion. This meant 8.7% decrease compared to 30 September 2014 which is -13.3% adjusted by exchange rate volatility. Volume of housing loans denominated in HUF was HUF 3,029 billion, showing a 0.9% decrease (during the last quarter, while volume of FX loans decreased by 13.8% (adjusted by the volatility of exchange rate it was -10.6%).

General-purpose mortgage loans amounted to HUF 1,776 billion as of 30 September 2015; after exchange rate adjustment the portfolio decreased by 22.4% and 2.9% year-on-year and quarter-on-quarter, respectively. HUF denominated general-purpose mortgage loans (HUF 1,746 billion) decreased by HUF 45 billion quarter-on-quarter and increased by 234.2% year-on-year. The exchange rate adjusted change in FX denominated general-purpose mortgage loans decreased 21.9% quarter-on-quarter and 98.3% year-on-year.

Own lending

Volume of gross loans of FHB Group amounted to HUF 326.4 billion as of 30 September 2015 grew by 0.1% compared to the previous quarter's figure (HUF 326.2 billion) and year-on-year the decrease was 11.0%. Share of FX based loans in total outstanding loan portfolio was 7.5%, in the contrary of the percentage in previous quarter and in Q3 2014, which was 6.6% and 48.7%, respectively. The share of FX loans of retail loans decreased from 1.5% (30 June 2015) and from 57.4% (30 September 2014) to 1.3% in Q3 2015.

Retail loans remained dominating within the loan portfolio with a contribution of 71.9% (73.0% on 30 June 2015). Retail loans decreased by 1.4% (or HUF 3.3 billion) and by 16.3% (or HUF 45.8 billion) quarter-on-quarter and year-on-year, respectively.

in HUF million	30/09/2014	30/06/2015	30/09/2015	30/09/2015/ 30/06/2015	30/09/2015/ 30/09/2014
Retail loans	280,576	238,024	234,763	-1.4%	-16.3%
Housing loans	137,918	124,929	122,207	-2.2%	-11.4%
Other mortgage loans	127,799	102,828	101,675	-1.1%	-20.4%
Consumer loans	10,387	5,887	6,529	10.9%	-37.1%
Loans for employees	1,555	1,378	1,352	-1.9%	-13.1%
Retail leasing	2,917	3,002	3,000	-0.1%	2.8%
Corporate loans	86,247	88,187	91,627	3.9%	6.2%
Corporate loans	85,173	86,418	88,991	3.0%	4.5%
Corporate leasing	1,074	1,416	1,506	6.4%	40.2%
Equipment leasing	0	353	1,130	220.1%	-
Total own lending, gross	366,823	326,211	326,390	0.1%	-11.0%
Impairment	-40,379	-29,897	-28,086	-6.1%	-30.4%
Loans, net	326,444	296,314	298,304	0.7%	-8.6%
Refinanced loans	120,047	93,329	87,768	-6.0%	-26.9%

In terms of structure of retail loans, housing loans as the largest volume contributed 52.1% and other mortgage loans contributed 43.3% to the retail loan portfolio. A year before proportion was 49.2% and 45.5%, respectively. The volume of consumer loans amounted to HUF 6.5 billion, which is 10.9% higher than in the previous quarter. Volume of corporate loans amounted to HUF 91.6 billion, representing 28.1% of the total portfolio. The amount increased by 3.9% compared to the previous quarter and by 6.2% year-on-year. Within corporate loans volume of leasing assets grew by 49% during the third quarter.

In Q3 2015, HUF 6.8 billion of retail and HUF 13.8 billion of corporate loans have been disbursed; the last figure is more than 77.3% higher than in last year. In the third quarter of 2015, the Bank placed HUF 3.7 billion loans out to corporate customers within the framework of Funding for Growth Scheme.

During the quarter FHB offered further 55 properties to the National Asset Management Company (NET) in Q3 2015 and 247 transactions were closed because of NET sale with a total debt almost HUF 1,232 million. Since the start of the program the number of completed transactions exceeded 2,510 units.

FHB Commercial Bank Ltd.

According to Hungarian Accounting Standards (HAS), total assets of FHB Commercial Bank were HUF 505.5 billion as of 30 September 2015, showing a 6.5% decrease compared to a year before (HUF 540.8 billion).

On 30 September 2015, volume of gross loans according to HAS was HUF 220.3 billion decreasing by 8.6% compared to 30 September 2014. Gross loans represented 43.6% of total assets. Corporate loans of FHB Commercial Bank – excluding intra-group loans – amounted to HUF 79.7 billion (compared to 30 June 2015, it is an increase of HUF 4,7 billion) having a share of 36.2% among total loan portfolio.

Interest bearing liabilities amounted to HUF 457.1 billion; representing 90.4% among liabilities, and showed 4.7% decrease year-on-year and 8.5% decrease quarter-on-quarter. Deposits of HUF 332.6 billion represented 72.8% among interest bearing liabilities, while interbank liabilities represented the second highest ratio with the amount of HUF 100.7 billion, containing refinanced loans from FHB Mortgage Bank, and refinancing related to outstanding loans drawn under the Funding for Growth Scheme.

Deposits increased by more than 11% compared to the same period of the previous year and decreased by 2.6% during the third quarter, due to a significant increase in corporate deposits and the deposits hold on

postal accounts. Volume of corporate deposits was significantly above retail deposit's volume as of 30 September 2015; its share was 63.7%. Volume of sight deposits increased by HUF 26.6 billion year-on-year, while it grew by HUF 4.1 billion quarter-on-quarter. As a result, sight deposits represented 28.0% of total deposits.

At the end of September 2015, number of retail and corporate accounts managed by Commercial Bank was 204 thousands and 12 thousand, respectively, and 163 thousand retail and 7.1 thousand corporate banking cards related to these accounts. Both number of accounts and cards represented growth in yearly. The sale of postal account packages, which has started in April 2014, contributed to the growth of number of accounts also. At the end of September 2015 the number of post accounts was nearly 48 thousand.

According to HAS profit after tax of Commercial Bank for the first nine months of 2015 was HUF 394 million loss, net results were bothered by the non-shifted part of financial transaction levy (HUF 527 million) and by the expenses of FX rate protection scheme (HUF 44 million). Settlement and HUF conversion did not affect substantively the results of the quarter due to the previously generated impairments and provisions. Adjusted by special banking tax and therein before mentioned one-off items, profit after tax of FHB Commercial Bank was HUF 903 million profit.

Net interest income – in controlling approach – was 7.1% lower than a year before as a result of decreasing interest income (by 18.9%) and decreasing interest expenses (by 30.0%). Net fee and commission income was 16.6% higher than a year before, while it increased by 9.2% quarter-on-quarter. Operating costs increased by 10.8% compared to the first nine months of 2014, while they decreased by 1.5% compared to the previous quarter. The reason of this increase is partly the rise of headcount, and partly the consequence of business activity, but – just like in the whole Group – the extraordinary costs that are connected to the settlement, also contributed to this rise.

The capital adequacy ratio of the Bank on 30 September 2015 was 11.35%. Shareholder's equity according to HAS was HUF 38.9 billion as of 30 September 2015 and the solvency capital was HUF 49.1 billion.

FHB Real Estate Ltd.

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, services related to energy certification and real estate agency to external customers.

The real estate cover valuation business generated HUF 261.1 million revenue in 2015 Q3, which is HUF 106.1 million more than a year before, while real estate brokerage reached HUF 155.8 million income in 2015, which is significantly higher than the same period in 2014 (HUF 74.8 million).

FHB Real Estate closed the first nine months with HUF 15.7 million loss.

FHB Lease Ltd.

As of 30 September 2015, the consolidated loan volume of FHB Lease Ltd. according to IFRS was HUF 8.7 million. Lease financing disbursement amounted to HUF 1,883 million in 2015, of which more than HUF 1,185 million is from the equipment leasing that started in the beginning of the first quarter of 2015. Leasing portfolio reached more than HUF 5.5 billion as of 30 September 2015. FHB Lease Ltd. closed the 2015 Q3 with HUF 393 million loss consolidated according to IFRS.

Diófa Asset Management Ltd.

Diófa Asset Management Ltd. as the member of FHB Banking Group is focusing on investment fund management, real estate investments, pension fund wealth management and tailor made solutions for institutional and private clients.

Diófa Asset Management Ltd. in Q3 2015 continued to reform significantly those investment funds that are sold for their retail clients. Before the transformation the Asset Management in several cases used to manage different kind of investment funds, which had the same profile, and which funds were sold separately in distribution networks (eg. money market funds). During the process, the funds with same profile will be combined and transformed, so a coherent and organised product-structure will be able to establish. The reason of this reformation is to improve the efficiency of production and marketing activities, and to decline the administrative burdens. In Q3 2015 FHB Pénzpiaci Alap and TI Likviditási Alap merged to Magyar Posta Pénzpiaci Alap, so now it will market as MPT Pénzpiaci Alap in the network of MPBSZ, FHB and Takarékbank. The TI Haza Kötvény Alap became MPT Hosszú Kötvény Alap, so from this point the distributors will be MPBSZ, FHB and Takarékbank. The Theta Plus Származtatott Alap, that has been closed formerly, became opened, and will be distributed by FHB and Takarékbank as Takaré FHB Származtatott Alap. FHB Forte Rövid Kötvény Alap changed to Takaré FHB Rövid Kötvény Alap, and TI KKE Részvény Alap became Takaré FHB Nemzetközi Részvény Alap, where - in both cases - the distributors are FHB and Takarékbank. Diófa Asset Management is planning another merger in the coming year.

At the end of the third quarter of 2015 the total net value of assets and other portfolios under management increased to HUF 377.1 billion from HUF 241.2 as of 30 September 2014. That means more than 56.4% expansion during 12 months thanks to the growth of net asset value of investment funds and increase in wealth under management of pension funds. Magyar Posta Takaré Real Estate Fund with volume of more than HUF 62.1 billion at the end of Q3 2015 contributed mainly to the growth of investment funds. In case of investment funds, market share of Diófa Alapkezelő increased from 0.6% as of beginning of 2014 to almost 2.5% for the end of September 2015, while its market share from wealth management of pension funds grew to 15.6% from 15.2% in one year.

Asset Management Ltd. closed first nine months of 2015 with HUF 526.7 million profit after tax according to HAS, subscribed capital amounted to HUF 196.2 million and shareholders' equity to HUF 844.6 million as of 30 September 2015.

FHB INVEST Investment and Real Estate Management Llc.

FHB INVEST Investment and Real Estate Management Llc. (its former name: Díjbeszedő Operational and Service Llc.; DÜSZ) is a subsidiary of FHB Mortgage Bank dealing with facility management and also real estate lease since 2014.

Share capital of the Company was HUF 636 million in 30 September 2015, shareholder's equity amounted to HUF 3.5 billion and profit after tax reached HUF 14.4 million loss (according to HAS) in the first nine months of 2015.

Jointly controlled and associated companies

Profit after tax according to IFRS of the **Díjbeszedő Faktorház Ltd. (DBF)** was HUF 196.8 million in the first nine months of 2015. Pre-tax profit related to the purchased receivables before maturity in Q3 2015 was HUF 462 million, while pre-tax profit from purchased expired receivables amounted to HUF -88 million according to IFRS. Shareholder's equity of the Company according to IFRS amounted to HUF 12.2 billion at the end of first nine months 2015.

The main activity of **DijNET Ltd.** is operation and development of an electronic bill presentment and payment system. In the first nine months of 2015, profit after tax (according to HAS) was HUF 77.8 million. Subscribed capital amounted to HUF 5 million, while shareholder's equity was HUF 184 million at 30 of September 2015.

Díjbeszedő IT Llc. (DBIT), which provides services related to the IT activities of companies belonging to the Díjbeszedő Group, reached HUF 6.5 million profit after tax in the first nine months of 2015. Subscribed capital amounted to HUF 672 million, while shareholder's equity amounted to HUF 678 million at the end of September 2015.

By the end of September 2015, **Magyar Posta Investment Services Ltd. (MPBSZ)** opened more than 36.7 thousand securities and long-term investment accounts; the securities portfolio managed on accounts was HUF 103.9 billion at the end of September 2015, compared to HUF 58.1 billion at the end of December 2014. MPBSZ closed the third quarter with HUF 193.5 million loss (according to HAS). The company's shareholder's equity was HUF 373.4 million and total assets amounted to HUF 3.7 billion.

Magyar Takaréék Asset Management (MATAK) Ltd.'s result - including net result of Bank of Hungarian Savings Cooperatives Co. Ltd. (Takarékbank) and its consolidated subsidiaries - contributed by HUF 700 million to the consolidated third quarter result of 2015 of FHB Group.

Organisational changes and headcount

As of 30 September 2015, the consolidated full-time headcount was 827.9, by 23.1 persons more than the headcount of 804.8 as of 30 June 2015 and 16.4 persons more than the headcount of 811.5 as of 30 September 2014. The main reason of this rise is the headcount increase in the Commercial Bank-.

Headcounts of the Group members were as follows:

	30/09/2014	30/06/2015	30/09/2015	30/09/2015/ 30/06/2015	30/09/2015/ 30/09/2014
FHB Mortgage Bank Plc.	183.2	129.5	125.7	-3.0%	-31.4%
FHB Commercial Bank Ltd.	581.8	613.4	633.5	3.3%	8.9%
FHB Life Annuity Ltd.	5.9	0.0	0.0	-	-100.0%
FHB Real Estate Ltd.	8.9	9.9	9.9	0.0%	11.3%
FHB Leasing Ltd.	9.7	12.9	12.9	0.0%	32.4%
Diófa Asset Managemet Ltd.	17.9	23.8	27.6	15.9%	53.7%
Diófa Real Estate Management Llc	0.0	5.0	5.0	0.0%	-
FHB Invest Ltd.	1.1	1.1	1.1	0.0%	0.0%
Hungarian Card Ltd.	3.0	9.3	12.3	32.4%	-
FHB Consolidated	811.5	804.8	827.9	2.9%	2.0%

Changes in key position

The Annual General Meeting of the Company on 28 April 2015 elected Deloitte Hungary Audit and Consulting Ltd. for the auditor also for 2015 (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 elected Márton Oláh and Zoltán Kovács as members of Board of Directors, and based on the proposal of Board of Directors, Annual General Meeting re-elected Enikő Mártonné Uhrin as member of Supervisory Board and of Audit Committee.

Tamás Foltányi resigned from his position held at FHB Mortgage Bank as the member of the Board of Directors, and his other positions in the FHB Group, while his mandate held at FHB Mortgage Bank as IT deputy chief executive officer was terminated by mutual consent on 15 June 2015. Responsibilities of the IT deputy chief executive officer of FHB carried out by Gábor Fejér.

On 27 July 2015, Ms Gabriella Balogh resigned from her position held at the Company as the member of the Board of Directors.

Post-balance sheet date events

The Financial Stability Board of NBH imposed a HUF 22 million penalty payment for the FHB Commercial Bank Ltd. with its resolution on 7 October 2015 because of cash flow irregularities, and the Board also pledged the Bank to give extraordinary data service. The imperfections, which were mentioned in the resolution of NBH, was discovered in February of 2015, during a revision. Mostly of the sanctioned infringements were corrected during the on-the-spot investigation and NBH was also immediately informed about these corrections by the FHB Bank. Taking into consideration, that these infringements were no longer valid at the time that the resolution were dated, the Bank requested a modification of the NBH's resolution in a form of administrative procedure. On 2 November 2015 the NBH accepted the arguments of FHB Bank, so the NBH modified the resolution, deleted and changed the actions provided in the resolution, while the amount of imposed payment penalty remained the same.

The NBH made a total and risk-based revision on the FHB Mortgage Bank and on its three subsidiaries (FHB Commercial Bank, FHB Leasing and Díjbeszedő Faktorház) according to the suitable legal provision at the head office of Mortgage Bank. The revision was from 2 February 2015 to 6 March 2015, and also on 19 March 2015.

On 13 October 2015, the Bank Group has received the closing report on group investigation, findings and decisions given by the Financial Stability Board on 6 October 2015.

The investigation of NBH closed with decision number H-JÉ-I-B-209/2015 in relation of Mortgage Bank and containing HUF 70 million fine. The NBH has concluded its investigation containing measures for Commercial Bank with number H-JÉ-I-200/2015, and for the Factoring Ltd with number H-JÉ-I-202/2015. As regards of FHB Leasing Zrt the investigation closed without applying measures with No. H-JÉ-I-201/2015.

On 15 October 2015 FHB Mortgage Bank signed its first refinancing agreement with B3 TAKARÉK SZÖVETKEZET – formed by the recent merger of ten co-operative credit institutions – being one of the major players of the co-operative credit institution sector in the Central Transdanubian region. FHB Mortgage Bank foresees similar agreements with further members of the co-operative credit institution sector.

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

1. P&L structure

in HUF million	Q3 2014	Q2 2015	Q3 2015	Q3 2015 / Q2 2015	Q3 2015 / Q3 2014	2014 M9	2015 M9	2015 M9 / 2014 M9
Interest income	12,981	9,951	9,179	-7.8%	-29.3%	41,819	32,317	-22.7%
Interest expense	-8,148	-6,605	-6,278	-4.9%	-22.9%	-26,697	-20,915	-21.7%
Net interest income	4,834	3,347	2,901	-13.3%	-40.0%	15,122	11,402	-24.6%
Fees and commissions income	1,529	1,985	2,088	5.2%	36.6%	4,330	5,943	37.2%
Fees and commissions expense	-245	-289	-335	16.3%	36.8%	-719	-913	27.0%
Net fees and commissions	1,283	1,697	1,753	3.3%	36.6%	3,611	5,029	39.3%
Foreign exchange gains, net	78	301	-873	-	-	772	-1,796	-
Fair value adjustment	-748	-437	-579	32.5%	-22.5%	-469	-2,421	416.4%
Gain on securities, net	4,197	236	750	217.5%	-82.1%	5,521	2,175	-60.6%
Net result of investment services	0	-13	92	-	-	0	110	-
Net financial (trading) result	3,527	87	-610	-	-	5,824	-1,932	-
Other operating income	3	5,323	5,282	-0.8%	-	723	26,861	-
Other operating expenses	-14,809	-6,569	-4,706	-28.4%	-68.2%	-23,045	-35,249	53.0%
o/w special banking tax & one-off PTI	-707	-706	-706	0.0%	-0.1%	-2,121	-2,119	-0.1%
Other results	-14,805	-1,246	575	-	-	-22,323	-8,388	-
Net income of associated companies	3,584	412	141	-65.7%	-96.1%	4,243	744	-82.5%
Total non-interest income (with net fees)	-6,411	950	1,860	95.9%	-	-8,644	-4,547	-
Net operating income	-1,577	4,296	4,760	10.8%	-	6,478	6,856	5.8%
Provision for impairment on loan losses	-1,658	-2,137	-513	-76.0%	-69.1%	-4,247	2,822	-
Personnel expenses	-1,698	-1,789	-1,724	-3.6%	1.5%	-4,963	-5,221	5.2%
Banking operation cost	-1,620	-2,338	-2,542	8.7%	56.9%	-4,957	-6,657	34.3%
Cost of business activity	-148	-365	-272	-25.6%	83.8%	-487	-774	58.8%
Depreciation	-647	-655	-160	-75.6%	-75.3%	-1,915	-1,599	-16.5%
Other tax payable	-21	-8	-19	-	-	-52	-47	-10.2%
Operating costs	-4,134	-5,155	-4,717	-8.5%	14.1%	-12,375	-14,297	15.5%
Income before income taxes	-7,370	-2,996	-470	-84.3%	-93.6%	-10,145	-4,619	-54.5%
Income taxes	180	1,505	-32	-	-	546	-1,178	-
Profit after tax	-7,190	-1,491	-502	-66.3%	-93.0%	-9,599	-5,797	-39.6%
After tax profit w/o special banking tax and other one-offs	-1,113	-91	-1,857	-	66.8%	1,830	-3,033	-

The Bank's consolidated profit after tax according to IFRS amounted to HUF 5,797 million losses in Q3 2015, the consolidated total comprehensive income of the Bank amounted to HUF 5,897 million loss.

The negative result is mainly due to the significant drop of net interest income and also due to the negative financial trading result, which is caused by the changes of interests and exchange rates..

In addition, amount of HUF 2,119 million of special banking tax and the non-shifted financial transaction levy had negative impact on the result. The Bank Group's IFRS consolidated profit before tax – ignoring the special banking tax and above-mentioned one-off items – was HUF 1,857 million loss in Q3 of 2015.

Net interest income

Net interest income was HUF 2,9 billion in Q3 2015, 40.0% lower than a year before and 13.3% lower compared to the previous quarter. The net figure emerged as a balance of HUF 9.2 billion interest income (7.8% lower quarter-on-quarter and 29.3% lower year-on-year, respectively) and HUF 6.3 billion interest expense (q/q: -4.9%, y/y: -22.9%).

Distribution of interest income and expenses shows the following table:

	Q3 2014	Q2 2015	Q3 2015	Q3 2015 / Q2 2015	Q3 2015 / Q3 2014	2014 M9	2015 M9	2015 M9 / 2014 M9
Interest income								
Loans	46.2%	44.4%	41.3%	-3.2%-pt	-4.9%-pt	43.5%	43.1%	-0.3%-pt
Refinancing	9.2%	9.0%	8.5%	-0.5%-pt	-0.6%-pt	9.2%	8.5%	-0.6%-pt
Mortgage bond interest subsidy	14.3%	16.1%	17.0%	0.9%-pt	2.7%-pt	14.4%	14.9%	0.4%-pt
Supplementary interest subsidy	1.2%	1.4%	1.4%	0.0%-pt	0.2%-pt	1.2%	1.2%	0.0%-pt
Securities and interbank activities	9.8%	17.2%	15.4%	-1.8%-pt	5.5%-pt	11.6%	16.1%	4.5%-pt
Swap transactions	19.2%	11.9%	16.4%	4.5%-pt	-2.8%-pt	20.0%	16.0%	-4.0%-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	60.8%	71.4%	69.9%	-1.5%-pt	9.1%-pt	56.3%	66.6%	10.3%-pt
Interbank activities	0.3%	0.5%	0.3%	-0.3%-pt	-0.1%-pt	3.5%	0.6%	-2.9%-pt
Customer deposits	17.3%	18.9%	16.7%	-2.1%-pt	-0.6%-pt	17.3%	17.5%	0.2%-pt
Derivatives	18.4%	8.6%	13.2%	4.6%-pt	-5.2%-pt	20.0%	14.9%	-5.2%-pt
Other interest expense	3.2%	0.6%	0.0%	-0.6%-pt	-3.2%-pt	2.9%	0.4%	-2.5%-pt

The net interest margin to average total assets (NIM) was 1.53% in Q3 2015, 17 bps lower compared to Q2 2015 (1.70%).

Net fee and commission income

In Q3 2015, the Bank achieved a positive balance of HUF 1,753 million from income and expenditures on commissions and fees; 3.3% higher than in Q2 2015 and 36.6% higher than a year before. Net fees and commissions adjusted by financial transaction levy performed an 3.85% and 43.0% increase quarter-on-quarter and year-on-year, respectively.

Compared to the previous quarter, mortgage loan commissions, insurance agent fees and account related fees increased but fund management fee income decreased.

Income from fees and commissions in Q3 2015 amounted to HUF 2,088 million, of which 10.6% was contributed by charges related to loans (8.0% in Q2 2015) and 40.3% by accounts and card related banking charges without financial transaction levy (39.6% in Q2 2015). Volume of HUF 375 million of fund management fees contributed by 18.0% to quarterly fee income.

Card related fee expenses (HUF 129 million) increased by 9.7% quarter-on-quarter, while payment fees reached HUF 63 million in Q3 2015.

Net result of financial transactions

In Q1-Q3 2015, the balance of financial transactions was HUF 1,932 million losses, which is by HUF 7,756 million lower than a year before. The net result of financial transactions was HUF 609.8 million loss in the third quarter of 2015, which is HUF 697 million less than it was in Q2 of 2015.

In Q3 2015, the volume of foreign exchange profit was HUF 872.6 million loss, more unfavourable than the previous quarter's figure (HUF 301 million profit) primarily due to unrealised FX loss from revaluation.

In Q3 2015, the change in the value of financial instruments reported at fair value through P&L was HUF 579.3 million losses, which is worse than the HUF 437 million losses in Q2 2015, but favourable than a year before.

In the third quarter of 2015, the securities transactions resulted in HUF 750.5 million profits as opposed to HUF 236 million profits in the previous quarter.

Other operating income and expenditure

In the first three quarter of 2015, the balance of other operating income and expenditure was HUF 8.4 billion net expenditure; arising from HUF 26.9 billion incomes and HUF 35.2 billion expenditures. In Q3 2015, the balance of other operating income and expenditure was HUF 0.6 billion net income; arising from HUF 5.3 billion incomes and HUF 4.7 billion expenditures.

The other expenses mainly were amounted to the P&L effects of settlement law in first nine months (HUF 28.0 billion net expenditures). These items were partly compensated by HUF 23.4 billion provision and impairment release.

In Q3 2015, real estate related income contributed HUF 77 million to other operating income (real estate rent, sales). Special banking tax amounted to HUF 706 million in Q3 2015.

Net income of associated companies contributed HUF 141 million to consolidated figures in Q3 2015, which mainly resulted from the HUF 209 million (proportional, consolidated) profit of Magyar Takarék Asset Management (MATAK) Ltd. and its investments and from the HUF 96 million loss (consolidated) realised by Magyar Posta Investment Services. Net income contribution from associated companies exceeded HUF 744 million in the first three quarters.

Impairments and provisions for possible loan losses

The risk costs amounted to HUF -2.8 billion (release) in the first three quarters of 2015. After the significant HUF 6.6 billion release of Q1 – due to the implementation of settlement law - the exposures and arrears of affected FX loans decreased, in Q3 a HUF 0.5 billion loan risk cost was generated. This amount was contributed primarily by the written off losses and sold claims. The impairments amount raised by 6.1%, HUF 1.8 billion compared to the end of last quarter.

Operating expenses

Operating costs amounted to HUF 4.7 billion in Q3 2015 which is 14.1% higher than in the same period of 2014. Operating expenses are 8.5% lower than in the previous quarter, mainly caused by the decline of the depreciation and expenses of business activity.

Personnel expenses were higher than in the same period of 2014 (+1.5%) and were lower than in the previous quarter (-3.6%). The main reason behind the significant year-on-year raise of personnel expenses is the

growth of the headcount associated mainly with the expansion of the Bank Group, while the quarter-on-quarter decrease is linked to the outsourced activities that happened in the second quarter of 2015.

Administrative expenses in Q3 2015 (HUF 2,542 million) reveal an increase compared to the second quarter of 2015 (HUF 2,338.1 million), and also to the same period of 2014 (HUF 1,620.1 million).

Expenses of business activity (HUF 272.1 million) were higher than in the same period in 2014 (HUF 148.0 million), while it is lower than it was in the previous quarter (HUF 365.5 million).

Depreciation was HUF 160.1 million in Q3 2015, which means a significant decrease compared to the previous quarter (HUF 655.1 million). The reason of decrease is the sale of assets that are linked to the formerly mentioned outsourced activities.

Other taxes paid reported among operating costs amounted to HUF 19.2 million in Q3 2015. The amount of other taxes among cost (for example real estate tax, vehicle tax, etc.) is significantly higher (by HUF 11.6 million) than in Q2 2015 (HUF 7.5 million).

2. Balance Sheet

in HUF million	30/09/2014	30/06/2015	30/09/2015	30/09/2015/ 30/06/2015	30/09/2015/ 30/09/2014
Cash	2,071	2,770	2,594	-6.3%	25.3%
Due from banks & NBH	163,664	235,714	209,678	-11.0%	28.1%
Financial assets available-for-sale and held for trading	89,903	87,403	107,846	23.4%	20.0%
Fair value of derivative financial assets	151	2,211	1,191	-46.1%	-
Investment in associates and jointly controlled companies	10,068	7,615	7,877	3.4%	-21.8%
Refinanced mortgage loans	120,047	93,329	87,768	-6.0%	-26.9%
Loans and advances	366,823	326,211	326,390	0.1%	-11.0%
Impairment and provision	-40,379	-29,897	-28,086	-6.1%	-30.4%
Tangible assets	7,022	6,395	6,236	-2.5%	-11.2%
Goodwill and other intangible assets	10,239	2,830	1,908	-32.6%	-81.4%
Other assets	30,339	19,048	24,666	29.5%	-18.7%
Total Assets	759,949	753,629	748,068	-0.7%	-1.6%
Liabilities total	668,751	671,101	665,808	-0.8%	-0.4%
Interbank borrowings	43,317	42,876	37,723	-12.0%	-12.9%
Mortgage bonds	176,536	163,370	193,460	18.4%	9.6%
Bonds issued	105,979	108,443	91,328	-15.8%	-13.8%
Deposits	297,664	337,388	328,846	-2.5%	10.5%
Fair value of derivative financial liabilities	10,263	4,292	2,425	-43.5%	-76.4%
Leasing liability	7,777	12	12	0.0%	-99.8%
Reserves for annuity	2,521	0	0	-	-
Other liabilities	24,694	14,720	12,015	-18.4%	-51.3%
Shareholders' equity	91,198	82,528	82,260	-0.3%	-9.8%
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	-207	-207	-207	0.0%	0.0%
Subordinated Tier1 capital	31,749	31,749	31,749	0.0%	0.0%
Other reserves	252	-195	39	-	-84.5%
Retained earnings	35,663	24,444	24,442	0.0%	-31.5%
Non-controlling interest	25,032	20,931	21,895	4.6%	-12.5%
Balance sheet profit	-9,599	-2,502	-3,966	58.5%	-58.7%
Total liabilities and shareholders' equity	759,949	753,629	748,068	-0.7%	-1.6%

As of 30 September 2015, the Bank's consolidated balance sheet total by IFRS amounted to HUF 748.1 billion, moving 0.7% down from the end of previous quarter or HUF 11.8 billion, 1.6% lower than the balance sheet total as of 30 June 2014.

On the asset side on an annual basis, the volume of financial assets available-for-sale and held for trading increased by HUF 17.9 billion, or 20.0%, while the refinanced loans fell by 32.3 billion and 26.9%. During the third quarter, the due from banks and NBH decreased by 11.0%, and the fair value of derivative financial assets fell by 46.1%.

Liabilities decreased by 0.4% compared to the reference figures of 2014. Compared to the same period in 2014 interbank liabilities decreased by 12.9%, the portfolio of mortgage bonds issued rose by 9.6%, the volume of bonds issued decreased by 13.8% respectively. In contrast, the deposits grew by 10.5% over a year. In the third quarter the volume of the financial assets - especially the bonds issued - decreased more than HUF 13 billion, and the volume of derivative financial assets decreased by HUF 1.9 billion.

Shareholders' equity decreased by HUF 8.9 billion or 9.8% year-on-year, while during the third quarter it decreased by HUF 269 million.

Interest earning assets

The Group's interest earning assets decreased from HUF 740.7 billion as of 30 September 2014 to HUF 731.7 billion as of 30 September 2015. Interest earning assets contributed 98.0% to the balance sheet total.

NBH and other interbank lending increased from HUF 163.7 billion as of 30 September 2014 to HUF 209.7 billion as of 30 September 2015. The ratio of this item in interest earning assets was 28.6% at the third quarter of 2015. During the quarter the volume of interbank lending was HUF 26.0 billion, which meant a 11.0% decrease.

The value of Bank's securities available-for-sale and held for trading increased from HUF 89.9 billion as of 30 September 2014 to HUF 107.8 billion, while to HUF 87.4 billion as of 30 June 2015, increased by 23.4%. At the end of Q3 2015, securities available for sale and held for trading contributed 14.7% to interest earning assets.

Loans

As of 30 September 2015, volume of loans was 11.0% down year-on-year, and increased quarterly by 0.1%. Impairment to cover loan losses amounted HUF 28.1 billion, compared to 30 June 2015, in the reported quarter showed 6.1% decrease (from HUF 29.9 billion as of 30 June 2015).

Year-on-year decline in refinanced loans was 26.9% to HUF 87.8 billion, and there was also a 6.0% drop in this item over the last quarter. As of 30 September 2015, contribution of refinanced loans and gross own lending was 56.5% to interest earning assets; this rate was 65.6% a year before.

Portfolio quality

In the third quarter volume of non-performing loans decreased by 8.4% quarter-on-quarter, and it has decreased by 28.4% year-on-year mainly because of the settlement. NPL ratio declined from 18.0% to 16.5% by 30 September 2015, while a year before it was 20.5%. The coverage of non-performing loans is 52.2% according to IFRS, while it was 50.9% in Q2.

Other assets

Tangible assets amounted to HUF 6.2 billion as of 30 September 2015 and decreased by HUF 0.8 billion year-on-year and by HUF 0.2million quarter-on-quarter. As of 30 September 2015, intangibles amounted to HUF 1.9 billion, down by HUF 8.3 billion or 81.4% year-on-year and HUF 0.9 billion (-32.6%) below the 30 June 2015 figure. The stock decline is caused by the sale of tangible and intangibles assets, that are linked to the outsourced activity.

Value of investment in associated and jointly controlled companies consolidated by equity method amounted to HUF 7.9 billion as of 30 September 2015.

Other assets amounted to HUF 24.6 billion as of 30 September 2015, decreasing by 18.7% (HUF 5.7 billion) year-on-year. Deferred tax assets reached HUF 9.9 billion while value of real estates reported as inventory was HUF 1.5 billion.

Interest bearing liabilities

Interest bearing liabilities increased from HUF 631.3 billion as of 30 September 2014 to HUF 651.4 billion as of 30 September 2015, representing approximately 87.1% to the balance sheet total. As a year before, issued securities gave major part of client deposits with a share of 47.6%. For the end of September 2015 their

proportion grew to 50.5%, while share of bonds issued within interest bearing liabilities decreased from 44.8% to 43.7% year-on-year. Compared to 30 June 2015, the volume of interest bearing liabilities decreased by HUF 721 billion, 0.11%.

Interbank funds

As of 30 September 2015, interbank funds amounted to HUF 37.7 billion, showing a 12.0% decrease compared to previous quarter, and volume was 12.9% down year-on-year. The volume of interbank funds at the end of the third quarter includes the amount of refinancing within the framework of Funding for Growth Scheme (NHP). Contribution of interbank borrowings to interest bearing liabilities was 5.8% as of the first nine months of 2015.

CMBs issued

The Bank completed seven bond issuances in the third quarter: in all the seven cases, mortgage bonds were issued, of which six of them took place through auctions, and one of them in the form of subscription. In the first nine months of 2015 FHB raised HUF 70.4 billion new funds from covered mortgage bonds and senior unsecured bonds.

HUF 193.5 billion book value of mortgage bonds as of 30 September 2015 grew by 9.6% or HUF 16.9 billion from figures of 30 September 2014 (HUF 176.5 billion).

in HUF million	30/09/2014		30/09/2015	
	Book value	Nominal value	Book value	Nominal value
Non-listed mortgage bonds				
Fixed	29,349	29,226	33,193	33,050
Floating	0	0	0	0
Listed mortgage bonds				
Fixed	141,162	136,408	122,590	111,403
Floating	0	0	31,102	31,135
Total	170,512	165,634	186,885	175,588
Accrued interest	6,025		6,570	
Mortgage bonds Total	176,537	165,634	193,455	175,588
Non-listed bonds				
Fixed	33,084	33,087	34,009	33,955
Floating	4,134	4,716	9,561	9,612
Listed bonds				
Fixed	61,885	67,213	39,694	43,677
Floating	2,960	5,467	4,419	6,963
Total	102,063	110,482	87,683	94,208
Accrued interest	3,916		3,645	
Bonds Total	105,979	110,482	91,328	94,208

Mortgage bonds collateral¹

The net collateral value of real estate covering mortgage bonds issued by FHB Mortgage Bank amounted to HUF 327.9 billion as of 30 September 2015 (HUF 233.0 billion of capital and HUF 94.9 billion of interests), 5.2% less than the HUF 346.0 billion as of 30 June 2015 and 19.8% below the figure of 30 September 2014 (HUF 408.9 billion).

in HUF million	30/09/2014	30/06/2015	30/09/2015
Outstanding mortgage bonds in circulation			
Face value	197,540	180,441	189,090
Interest	39,989	35,385	42,550
Total	237,529	215,825	231,640
Value of the regular collateral			
Principal	284,709	244,162	232,962
Interest	124,146	101,871	94,981
Total	408,854	346,033	327,943

As of 30 September 2015, the present value of ordinary collateral was HUF 268.6 billion and the present value of mortgage bonds were HUF 222.2 billion, thus the present value of collateral exceeded that of CMBs in circulation not yet repaid, ratio was 120.9%. As of 30 September 2015, net value of ordinary and supplementary collateral principal to unpaid face value of mortgage bonds in circulation was 123.2%, and the net ordinary and supplementary collateral principal to the unpaid interest on mortgage bonds in circulation was 223.2%.

The collateral value of real estate covering ordinary collaterals amounted to HUF 738.7 billion as of 30 September 2015, 2.85% below the 30 June 2015 value (HUF 760.4 billion) and 8.6% down compared to 31 December 2014 (HUF 808.6 billion). The LTV ratio applicable for ordinary collateral was 31.5% as of 30 September 2015, lower than the 34.3% LTV as of 31 December 2014.

Bonds issued

The book value of bonds was HUF 91.3 billion as of 30 September 2015, compared to 30 June 2015 (108.4 billion HUF) decreasing by HUF 17.1 billion or 15.8%. The stock of bonds decreased by HUF 14.6 billion (13.8%) in one year.

Deposits

As of 30 September 2015, deposits amounted to HUF 328.8 billion increasing by 10.5% year-on-year and decreasing by 2.5% quarterly. In the last year, volume of corporate deposits increased (+15.4%), similarly to retail deposits (+2.9%).

The sight deposit ratio changed to 36.1% on 30 September 2015 from 29.8% a year before and 32.1% at the end of previous quarter.

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

Other liabilities

The Bank reported among the HUF 12.0 billion of other liabilities the generated provisions related to settlement and unused during the settlement of FX based loans, and provisions related to other expected losses. At the end of September 2015 early instalments of clients reached HUF 739.7 million. The Bank reported accounts payable HUF 469.4 million as of the third quarter of 2015, accruals HUF 1.74 billion.

Shareholders' equity

Within one year, shareholders' equity dropped by 9.8% to HUF 82.3 billion to 30 September 2015. In line with IFRS, the Bank reported the EUR 112 million Tier 1 subordinated bond as part of shareholder's equity. Due to the selling of share package representing 49% of FHB Commercial Bank, the Bank reported HUF 21.9 billion as minority interest as part of shareholder's equity. Balance sheet profit relating to the parent company was HUF 4.0 billion loss at the end of September 2015.

Capital position

Capital adequacy ratio of FHB Group – based on regulation (EU) no 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) including also additional supervisory capital requirements (SREP) is 11.53% as of 30 September 2015, compared to 10.78% in the previous quarter. CET1 ratio is 8.45% on 30 September 2015 and it was 7.8% on 30 June 2015. Total risk exposure amount reached HUF 369 billion at the end of the period, representing 5.0% decrease compared to the previous quarter.

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.

Please note, that according to the rules of Act XXXVIII of 2014 on the settlement of particular issues related to the uniformity decision of the Supreme Court (Curia) on consumer loans provided by financial institutions ("Curia Act") and Act XL of 2014 on the rules of settlement defined in Curia Act and on certain other provisions – taking into account the pending legal procedures and those that may be initiated by the clients in this connection, furthermore taking into consideration that the accounting date (1 February 2015) of the settlements and re-pricings may cause measures with retroactive effect – the facts and figures provided in this interim management report may change significantly.

Budapest, November 16, 2015

Mr Gyula Köbli
Chief Executive Officer

Mr Márton Oláh
Deputy-CEO, Business

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.), to FHB Lízing Zrt. (FHB Leasing Ltd.) and its Croatian affiliate (Central European Credit d.d.), FHB Invest Llc. Magyar Kártya Szolgáltató Zrt. (Hungarian Card Service Ltd.); Káry-Villa Ingatlanfejlesztő Kft (Káry-Villa Property Development Ltd.); FHB DWH Ltd.; Diófa Real Estate Management Llc. Jointly controlled companies – as Díjbeszedő Faktorház Zrt. (Díjbeszedő Factoring Ltd.), DíjNet Ltd., Díjbeszedő Informatikai Kft. (Díjbeszedő IT Llc.), and Magyar Posta Befektetési Szolgáltató Zrt. (Hungarian Post Investment Services Ltd.) – and Magyar Takarékbefektetési és Vagyonkezelő Zrt. (Magyar Takarékbefektetési és Vagyonkezelő Zrt.) are consolidated by equity method.

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 2014, and 30 September 2015 according to IFRS)

in HUF million	2014 M9	2015 M9	2015 M9/ 2014 M9
Interest income	41,819	32,317	-22.7%
Interest expense	-26,697	-20,915	-21.7%
Net interest income	15,122	11,402	-24.6%
Fee and commission income	4,330	5,943	37.2%
Fee and commission expense	-719	-913	27.0%
Net fee and commission income	3,611	5,029	39.3%
Profit/(Loss) from FX transactions	772	-1,796	-
Change in fair value of financial instruments	-469	-2,421	416.4%
Gains from securities	5,521	2,175	-60.6%
Gains from investment services	0	110	-
Net trading result	5,824	-1,932	-
Other operating income	723	26,861	-
Other operating expense	-23,045	-35,249	53.0%
Net other operating result	-22,323	-8,388	-62.4%
Net income of associated companies	4,243	744	-82.5%
Operating income	6,478	6,856	5.8%
Provision for impairment on loan losses	-4,247	2,822	-
General and administrative expense	-12,375	-14,297	15.5%
Profit/(Loss) before tax	-10,145	-4,619	-54.5%
Income tax benefit/(expense)	546	-1,178	-
Profit/(Loss) for the period	-9,599	-5,797	-39.6%

Basic EPS (yearly)	-195.0 Ft	-80.7 Ft	-58.6%
Diluted EPS (yearly)	-195.0 Ft	-80.7 Ft	-58.6%

	2014 1-9hó	2015 1-9hó	2015 1-9hó/ 2014 1-9hó
Profit/(Loss) for the period	-9,599	-5,797	-39.6%
Change in cash-flow hedge reserve	0	0	-
Change in fair value of financial assets available for sale	-194	-125	-35.7%
FX translation reserve	-14	1	-
Deferred tax effect for other comprehensive income	39	24	-39.9%
Other comprehensive income/(loss) for the period net of taxes	-168	-100	-40.5%
Total comprehensive income/(loss) for the period, net of income taxes	-9767	-5,896	-

Consolidated Income Statement 'A' (quarterly)

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

(consolidated, non-audited data as of 30 September 2014, 30 June 2015, and of 30 September 2015 according to IFRS)

in HUF million	Q3 2014	Q2 2015	Q3 2015	Q3 2015 / Q2 2015	Q3 2015 / Q3 2014
Interest income	12,981	9,951	9,179	-7.8%	-29.3%
Interest expense	-8,148	-6,605	-6,278	-4.9%	-22.9%
Net interest income	4,834	3,347	2,901	-13.3%	-40.0%
Fee and commission income	1,529	1,985	2,088	5.2%	36.6%
Fee and commission expense	-245	-289	-335	16.3%	36.8%
Net fee and commission income	1,283	1,697	1,753	3.3%	36.6%
Profit/(Loss) from FX transactions	78	301	-873	-	-
Change in fair value of financial instruments	-748	-437	-579	32.5%	-22.5%
Gains from securities	4,197	236	750	217.5%	-82.1%
Gains from investment services	0	-13	92	-	-
Net trading result	3,527	87	-610	-	-
Other operating income	3	5,323	5,282	-0.8%	-
Other operating expense	-14,809	-6,569	-4,706	-28.4%	-68.2%
Net other operating result	-14,805	-1,246	575	-	-
Net income of associated companies	3,584	412	141	-65.7%	-96.1%
Operating income	-1,577	4,296	4,760	10.8%	-
Provision for impairment on loan losses	-1,658	-2,137	-513	-76.0%	-69.1%
General and administrative expense	-4,134	-5,155	-4,717	-8.5%	14.1%
Profit/(Loss) before tax	-7,370	-2,996	-470	-84.3%	-93.6%
Income tax benefit/(expense)	180	1,505	-32	-	-
Profit/(Loss) for the period	-7,190	-1,491	-502	-66.3%	-93.0%

Basic EPS (yearly)	-433.8 Ft	-26.7 Ft	-88.4 Ft	230.6%	-79.6%
Diluted EPS (yearly)	-433.8 Ft	-26.7 Ft	-88.4 Ft	230.6%	-79.6%

	2014 Q3	2015 Q2	2015 Q3	2015 Q3 / 2015 Q2	2015 Q3 / 2014 Q3
Profit/(Loss) for the period	-7,190	-1,491	-502	-66.3%	-93.0%
Change in cash-flow hedge reserve	0	0	0	-	-
Change in fair value of financial assets available for sale	-68	111	238	114.4%	-
FX translation reserve	4	-21	6	-	66.7%
Deferred tax effect for other comprehensive income	12	-21	-45	114.4%	-
Other comprehensive income/(loss) for the period net of taxes	-52	69	199	188.6%	-
Total comprehensive income/(loss) for the period, net of income taxes	-7242	-1,422	-303	-78.7%	-

Consolidated Income Statement 'B'

Table includes the special banking tax for the entire business year

(consolidated, non-audited data as of 30 September 2014, and 30 September 2015 according to IFRS)

in HUF million	2014 M9	2015 M9	2015 M9/ 2014 M9
Interest income	41,819	32,317	-22.7%
Interest expense	-26,697	-20,915	-21.7%
Net interest income	15,122	11,402	-24.6%
Fee and commission income	4,330	5,943	37.2%
Fee and commission expense	-719	-913	27.0%
Net fee and commission income	3,611	5,029	39.3%
Profit/(Loss) from FX transactions	772	-1,796	-
Change in fair value of financial instruments	-469	-2,421	416.4%
Gains from securities	5,521	2,175	-60.6%
Gains from investment services	0	110	-
Net trading result	5,824	-1,932	-
Other operating income	723	26,861	-
Other operating expense	-23,752	-35,956	-
Net other operating result	-23,029	-9,095	-60.5%
Net income of associated companies	4,243	744	-82.5%
Operating income	5,771	6,149	6.5%
Provision for impairment on loan losses	-4,247	2,822	-
General and administrative expense	-12,375	-14,297	15.5%
Profit/(Loss) before tax	-10,851	-5,325	-
Income tax benefit/(expense)	680	-1,044	-
Profit/(Loss) for the period	-10,171	-6,369	-

Basic EPS (yearly)	-206.6 Ft	-92.3 Ft	-55.3%
Diluted EPS (yearly)	-206.6 Ft	-92.3 Ft	-55.3%

	2014 1-9hó	2015 1-9hó	2015 1-9hó/ 2014 1-9hó
Profit/(Loss) for the period	-10,171	-6,369	-
Change in fair value of financial assets available for sale	-194	-125	-35.7%
FX translation reserve	-14	1	-
Deferred tax effect for other comprehensive income	39	24	-39.9%
Other comprehensive income/(loss) for the period net of taxes	-168	-100	-40.6%
Total comprehensive income/(loss) for the period, net of income taxes	-10,339	-6,469	-

Consolidated Income Statement 'B' (quarterly)

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

(consolidated, non-audited data as of 30 September 2014, 30 June 2015, and of 30 September 2015 according to IFRS)

in HUF million	Q3 2014	Q2 2015	Q3 2015	Q3 2015 / Q2 2015	Q3 2015 / Q3 2014
Interest income	12,981	9,951	9,179	-7.8%	-29.3%
Interest expense	-8,148	-6,605	-6,278	-4.9%	-22.9%
Net interest income	4,834	3,347	2,901	-13.3%	-40.0%
Fee and commission income	1,529	1,985	2,088	5.2%	36.6%
Fee and commission expense	-245	-289	-335	16.3%	36.8%
Net fee and commission income	1,283	1,697	1,753	3.3%	36.6%
Profit/(Loss) from FX transactions	78	301	-873	-	-
Change in fair value of financial instruments	-748	-437	-579	32.5%	-22.5%
Gains from securities	4,197	236	750	217.5%	-82.1%
Gains from investment services	0	-13	92	-	-
Net trading result	3,527	87	-610	-	-
Other operating income	3	5,323	5,282	-	-
Other operating expense	-14,102	-5,863	-4,000	-31.8%	-
Net other operating result	-14,099	-540	1,282	-	-
Net income of associated companies	3,584	412	141	-65.7%	-96.1%
Operating income	-871	5,003	5,467	9.3%	-
Provision for impairment on loan losses	-1,658	-2,137	-513	-76.0%	-69.1%
General and administrative expense	-4,134	-5,155	-4,717	-8.5%	14.1%
Profit/(Loss) before tax	-6,663	-2,290	236	-	-
Income tax benefit/(expense)	46	1,371	-166	-	-
Profit/(Loss) for the period	-6,617	-919	70	-	-

Basic EPS (yearly)	-399.3 Ft	8.2 Ft	-53.8 Ft	-	-
Diluted EPS (yearly)	-399.3 Ft	8.2 Ft	-53.8 Ft	-	-

	2014 Q3	2015 Q2	2015 Q3	Q3 2015 / Q2 2015	Q3 2015 / Q3 2014
Profit/(Loss) for the period	-6,617	-919	70	-	-
Change in fair value of financial assets available for sale	-68	111	238	114.4%	-
FX translation reserve	4	-21	6	-	66.7%
Deferred tax effect for other comprehensive income	12	-21	-45	114.4%	-
Other comprehensive income/(loss) for the period net of taxes	-54	69	199	188.6%	-
Total comprehensive income/(loss) for the period, net of income taxes	-6,671	-850	269	-	-

Consolidated Financial Position 'A'

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

(consolidated audited data as of 31 December 2014, and non-audited data as of 30 September 2014, 30 June 2015 and 30 September 2015 according to IFRS)

in HUF million	Sep 30, 2014	Dec 31, 2014	Jun 30, 2015	Sep 30, 2015	30/09/2015/ 30/06/2015	30/09/2015/ 30/09/2014
Cash on hand	2,071	2,348	2,770	2,594	-6.3%	25.3%
Due from banks & NBH	163,664	177,680	235,714	209,678	-11.0%	-
Securities held for trading	37,642	34,596	38,013	51,514	35.5%	36.9%
Financial assets available for sale	52,261	75,377	49,390	56,332	14.1%	7.8%
Investment in associates	10,068	6,932	7,615	7,877	3.4%	-21.8%
Derivate financial assets	151	2,547	2,211	1,191	-46.1%	-
Refinanced mortgage loans	120,047	116,182	93,329	87,768	-6.0%	-26.9%
Loans and advances to consumers	366,823	357,773	326,211	326,390	0.1%	-11.0%
Impairment and provision	-40,379	-38,669	-29,897	-28,086	-6.1%	-30.4%
Investment property	10,797	0	0	0	-	-100.0%
Tangible assets	7,022	6,733	6,395	6,236	-2.5%	-11.2%
Goodwill and other intangible assets	10,239	8,326	2,830	1,908	-32.6%	-81.4%
Deferred tax asset	8,740	9,364	9,631	9,877	2.6%	13.0%
Other assets	10,802	10,247	9,417	14,789	57.0%	36.9%
Total assets	759,949	769,438	753,629	748,068	-0.7%	-1.6%
Due to banks	43,317	43,036	42,876	37,723	-12.0%	-12.9%
Issued securities	246,824	255,344	240,397	264,979	10.2%	7.4%
Mortgage bonds	154,082	156,385	143,723	173,651	20.8%	12.7%
Bonds	92,742	98,958	96,674	91,328	-5.5%	-1.5%
Deposits from customers	297,664	298,762	337,388	328,846	-2.5%	10.5%
Derivative financial liabilities	10,263	12,736	4,292	2,425	-43.5%	-76.4%
Financial liabilities at fair value through profit or loss	35,691	36,501	31,416	19,809	-36.9%	-44.5%
Finance lease liabilities	7,777	5,772	12	12	0.0%	-99.8%
Reserve for annuity payments	2,521	0	0	0	-	-
Current tax liability	23	145	23	24	5.8%	8.1%
Deferred tax liability	394	0	0	1	-	-
Provisions	19,005	25,203	4,279	949	-77.8%	-95.0%
Other liabilities	5,272	3,891	10,417	11,041	6.0%	109.4%
Total liabilities	668,751	681,390	671,101	665,808	-0.8%	-0.4%
Share capital	6,600	6,600	6,600	6,600	0.0%	0.0%
Share premium	1,709	1,709	1,709	1,709	0.0%	0.0%
Treasury shares	-207	-207	-207	-207	0.0%	0.0%
Subordinated Tier 1 capital	31,749	31,749	31,749	31,749	0.0%	0.0%
Other reserves	252	33	-195	39	-120.0%	-84.5%
Retained earnings	35,663	39,133	24,444	24,442	0.0%	-31.5%
Minority interest	25,032	23,717	20,931	21,895	4.6%	-12.5%
Balance sheet profit	-9,599	-14,685	-2,502	-3,966	58.5%	-58.7%
Total shareholders' equity	91,198	88,048	82,528	82,260	-0.3%	-9.8%
Total liabilities and shareholders' equity	759,949	769,438	753,629	748,068	-0.7%	-1.6%

Consolidated Financial Position 'B'

Table includes the special banking tax for the entire business year

(consolidated audited data as of 31 December 2014, and non-audited data as of 30 September 2014, 30 June 2015 and 30 September 2015 according to IFRS)

in HUF million	Sep 30, 2014	Dec 31, 2014	Jun 30, 2015	Sep 30, 2015	30/09/2015/ 30/06/2015	30/09/2015/ 30/09/2014
Cash on hand	2,071	2,348	2,770	2,594	-6.3%	25.3%
Due from banks & NBH	163,664	177,680	235,714	209,678	-11.0%	-
Securities held for trading	37,642	34,596	38,013	51,514	35.5%	36.9%
Financial assets available for sale	52,261	75,377	49,390	56,332	14.1%	7.8%
Investment in associates	10,068	6,932	7,615	7,877	3.4%	-21.8%
Derivative financial assets	151	2,547	2,211	1,191	-46.1%	-
Refinanced mortgage loans	120,047	116,182	93,329	87,768	-6.0%	-26.9%
Loans and advances to consumers	366,823	357,773	326,211	326,390	0.1%	-11.0%
Impairment and provision	-40,379	-38,669	-29,897	-28,086	-6.1%	-30.4%
Investment property	10,797	0	0	0	-	-100.0%
Tangible assets	7,022	6,733	6,395	6,236	-2.5%	-11.2%
Goodwill and other intangible assets	10,239	8,326	2,830	1,908	-32.6%	-81.4%
Deferred tax asset	8,875	9,364	9,899	10,011	1.1%	12.8%
Other assets	10,793	10,247	9,400	14,780	57.2%	36.9%
Total assets	760,075	769,438	753,880	748,193	-0.8%	-1.6%
Due to banks	43,317	43,036	42,876	37,723	-12.0%	-12.9%
Issued securities	246,824	255,344	240,397	264,979	10.2%	7.4%
Mortgage bonds	154,082	156,385	143,723	173,651	20.8%	12.7%
Bonds	92,742	98,958	96,674	91,328	-5.5%	-1.5%
Deposits from customers	297,664	298,762	337,388	328,846	-2.5%	10.5%
Derivative financial liabilities	10,263	12,736	4,292	2,425	-43.5%	-76.4%
Financial liabilities at fair value through profit or loss	35,691	36,501	31,416	19,809	-36.9%	-44.5%
Finance lease liabilities	7,777	5,772	12	12	0.0%	-99.8%
Reserve for annuity payments	2,521	0	0	0	-	-100.0%
Current tax liability	23	145	23	24	5.8%	8.1%
Deferred tax liability	394	0	0	1	151.4%	-99.8%
Provisions	19,005	25,203	4,279	949	-77.8%	-95.0%
Other liabilities	5,969	3,891	11,813	11,739	-0.6%	96.6%
Total liabilities	669,449	681,390	672,496	666,506	-0.9%	-0.4%
Share capital	6,600	6,600	6,600	6,600	0.0%	0.0%
Share premium	1,709	1,709	1,709	1,709	0.0%	0.0%
Treasury shares	-207	-207	-207	-207	0.0%	0.0%
Subordinated Tier 1 capital	31,749	31,749	31,749	31,749	0.0%	0.0%
Other reserves	252	33	-195	39	-120.0%	-84.5%
Retained earnings	35,663	39,133	24,444	24,442	0.0%	-31.5%
Minority interest	25,032	23,717	20,931	21,895	4.6%	-12.5%
Balance sheet profit	-10,171	-14,685	-3,646	-4,538	24.5%	-55.4%
Total shareholders' equity	90,626	88,048	81,384	81,688	0.4%	-9.9%
Total liabilities and shareholders' equity	760,075	769,438	753,880	748,193	-0.8%	-1.6%

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Sector: Financial services
Reporting period: 01.01.2015 – 30.09.2015

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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 2014 and non-audited data as of 30 September 2015 according to IFRS)

in HUF million	31 December 2014	30 September 2015
Cash flow from operating activities		
Profit/(loss) for the year	-16,196	-5,797
<i>Non cash adjustments to net profit from:</i>		
Depreciation and amortization	2,452	1,602
Extraordinary depreciation and amortization	2,236	0
(Increase)/Decrease in fair value of Investment property	0	0
Recognition of investment property through income statement	-166	0
Provision for losses	24,798	-34,837
(Gain)/Loss on tangible assets derecognized	52	68
(Gain)/Loss on intangible assets derecognized	0	204
Share option reserve	0	105
Capitalized interest	-1,138	156
Fair value of derivatives	-1,597	-8,955
Fair value adjustment on financial liabilities through profit and loss	-1,043	-1,762
Change in fair value of annuity reserve	0	0
Change in foreign currency translation reserve	-15	1
Change in minority interest	23,717	9
Change of investments in associates	-774	-945
Change in leasing liabilities	-2,236	0
Operating profit before change in operating assets	30,089	-50,152
<i>Decrease/(Increase) in operating assets:</i>		
Financial assets held for trading	7,354	-16,918
Financial assets available for sale	76,358	18,944
Refinanced mortgage loans	17,510	28,414
Loans and advances to customers	1,370	31,226
Other assets	-2,848	-5,053
<i>Increase/(Decrease) in operating liabilities:</i>		
Deposits	76,261	30,084
Due to banks	-91,314	-4,243
Other liabilities	2,028	7,024
Net cash flow from operating activities	116,808	39,326
Cash flow from investing activities		
Proceeds from sales of tangible assets	56	1,161
Purchase of tangible and intangible assets	-2,857	-930
Net cash flow from disposal of subsidiaries	12,626	0
Net cash flow from investing activities	9,826	231
Cash flow from financing activities		
Proceed from issued securities	90,883	87,553
Principal repayment on issued securities	-70,326	-92,847
Treasury shares purchased	-178	0
Long term loans repayment	-557	-1,070
Long term loan borrowings	78	0
Finance lease liabilities repayment	-1,284	-949
Net cash flow from financing activity	18,616	-20,239
Net increase in cash and cash equivalents	145,250	32,244
Opening balance of cash and cash equivalents	34,778	180,028
Closing balance of cash and cash equivalents	180,028	212,272
Breakdown of cash and cash equivalents:		
Cash	2,348	2,594
Balances with National Bank of Hungary	158,616	202,287
Dues from banks with a maturity of less than 90 days	19,064	7,391
Closing balance of cash and cash equivalents	180,028	212,272
<i>Supplementary data</i>		
Tax paid	-1,139	-971
Interest received	56,680	37,117
Interest paid	-37,326	-27,348

Cash Flow Statement 'B'

Table includes the special banking tax for the entire business year

(consolidated audited data as of 31 December 2014 and non-audited data as of 30 September 2015 according to IFRS)

in HUF million	31 December 2014	30 September 2015
Cash flow from operating activities		
Profit/(loss) for the year	-16,196	-6,369
<i>Non cash adjustments to net profit from:</i>		
Depreciation and amortization	2,452	1,602
	2,236	0
(Increase)/Decrease in fair value of Investment property	0	0
Recognition of investment property through income statement	-166	0
Provision for losses	24,798	-34,837
(Gain)/Loss on tangible assets derecognized	52	68
(Gain)/Loss on intangible assets derecognized	0	204
Share option reserve	0	105
Capitalized interest	-1,138	156
Fair value of derivatives	-1,597	-8,955
Fair value adjustment on financial liabilities through profit and loss	-1,043	-1,762
Change in fair value of annuity reserve	0	0
Change in foreign currency translation reserve	-15	1
Change in minority interest	23,717	9
Change of investments in associates	-774	-945
Leasing liabilities	-2,236	0
Operating profit before change in operating assets	30,089	-50,724
<i>Decrease/(Increase) in operating assets:</i>		
Financial assets held for trading	7,354	-16,918
Financial assets available for sale	76,358	18,944
Refinanced mortgage loans	17,510	28,414
Loans and advances to customers	1,370	31,226
Other assets	-2,848	-5,178
<i>Increase/(Decrease) in operating liabilities:</i>		
Deposits	76,261	30,084
Due to banks	-91,314	-4,243
Other liabilities	2,028	7,722
Net cash flow from operating activities	116,808	39,327
Cash flow from investing activities		
Proceeds from sales of tangible assets	56	1,161
Purchase of tangible and intangible assets	-2,857	-930
Net cash flow from disposal of subsidiaries	12,626	0
Net cash flow from investing activities	9,826	231
Cash flow from financing activities		
Proceed from issued securities	90,883	87,553
Principal repayment on issued securities	-70,326	-92,847
Treasury shares purchased	-178	0
Long term loans repayment	-557	-1,070
Long term loan borrowings	78	0
Finance lease liabilities repayment	-1,284	-949
Net cash flow from financing activity	18,616	-7,313
Net increase in cash and cash equivalents	145,250	32,245
Opening balance of cash and cash equivalents	34,778	180,028
Closing balance of cash and cash equivalents	180,028	212,273
Breakdown of cash and cash equivalents:		
Cash	2,348	2,594
Balances with National Bank of Hungary	158,616	202,287
Dues from banks with a maturity of less than 90 days	19,064	7,391
Closing balance of cash and cash equivalents	180,028	212,272
<i>Supplementary data</i>		
Tax paid	-1,139	-971
Interest received	56,680	37,117
Interest paid	-37,326	-27,348

Name: FHB Mortgage Bank Plc.
Address: 1082 Budapest, Üllői út 48.
Sector: Financial services
Reporting period: 01.01.2015 – 30.09.2015

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E-mail: Bozzai.Rita@fhb.hu
Investor relations: Rita Bozzai

Statement of Shareholders' Equity 'A'

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

(consolidated audited data as of 1 January 2014, and 1 January 2015 and non-audited data as of 30 September 2015 according to IFRS)

in HUF million	Share Capital	Treasury Shares	Share Premium	General reserve	Share option reserve	Subordinated Tier 1 capital	Change in fair value (financial assets AFS)	Foreign currency transaction reserve	Changes due to minority interest	Retained earnings (deficit)	Shareholders' Equity
1 January 2014	6,600	-29	1,709	194	0	31,749	156	29	0	35,664	76,072
Transfer to general reserve				-194						194	0
Profit/(Loss)									-1,316	-14,880	-16,196
Other comprehensive income							-138	-15			-153
Purchase/(Sale) of treasury shares		-178									-178
Subordinated Tier 1 capital											0
Change in share option reserve											0
Change in non-controlling interest									25,033	3,470	28,503
1 January 2015	6,600	-207	1,709	0	0	31,749	18	14	23,717	24,448	88,048
Transfer to general reserve				0							0
Profit/(Loss)									-1,831	-3,966	-5,797
Other comprehensive income							-101	1			-100
Purchase/(Sale) of treasury shares											0
Changes due to minority interest											0
Subordinated Tier 1 capital						0					0
Change in share option reserve					105						105
Change in non-controlling interest									49	-4	43
Dividend in 2015									-41		-41
30 September 2015	6,600	-207	1,709	0	105	31,749	-83	15	21,895	20,475	82,258

Name: FHB Mortgage Bank Plc.
Address: 1082 Budapest, Üllői út 48.
Sector: Financial services
Reporting period: 01.01.2015 – 30.09.2015

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Investor relations: Rita Bozzai

Statement of Shareholders' Equity 'B'

Table includes the special banking tax for the entire business year

(consolidated audited data as of 1 January 2014, and 1 January 2015 and non-audited data as of 30 September 2015 according to IFRS)

in HUF million	Share Capital	Treasury Shares	Share Premium	General reserve	Share option reserve	Subordinated Tier 1 capital	Change in fair value (financial assets AFS)	Foreign currency transaction reserve	Changes due to minority interest	Retained earnings (deficit)	Shareholders' Equity
1 January 2014	6,600	-29	1,709	194	0	31,749	156	29	0	35,664	76,072
Transfer to general reserve				-194						194	0
Profit/(Loss)									-1,316	-14,880	-16,196
Other comprehensive income							-138	-15			-153
Purchase/(Sale) of treasury shares		-178									-178
Subordinated Tier 1 capital											0
Change in share option reserve											0
Change in non-controlling interest									25,033	3,470	28,503
1 January 2015	6,600	-207	1,709	0	0	31,749	18	14	23,717	24,448	88,048
Transfer to general reserve				0							0
Profit/(Loss)									-1,831	-4,539	-6,370
Other comprehensive income							-101	1			-100
Purchase/(Sale) of treasury shares											0
Changes due to minority interest											0
Subordinated Tier 1 capital						0					0
Change in share option reserve					105						105
Change in non-controlling interest									49	-6	43
Dividend in 2015									-41		-41
30 September 2015	6,600	-207	1,709	0	105	31,749	-83	15	21,895	19,902	81,685

Off-balance Sheet items – Commitments

(consolidated non-audited data as of 30 September 2014, 30 June 2015 and 30 September 2015 according to IFRS)

in HUF million	30 September 2014	30 June 2015	30 September 2015
Guarantees	15,754	15,700	15,778
Undrawn commitments	43,423	41,082	47,427
Total	59,177	56,781	63,206

Transactions with related parties

(consolidated non-audited data as of 30 September 2014 and 30 September 2015 according to IFRS)

in HUF million	Transactions between FHB Mortgage Bank and owners with influential share	
	30 September 2014	30 September 2015
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	0
Total liabilities	0	0
	30 September 2014	30 September 2015
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	-49	-50
Profit for the year	-49	-50

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.

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

Ownership structure, participation and voting rates (as at 30 September 2015)

(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	61.3%	61.6%	40,475,017	63.6%	63.8%	41,963,930
Foreign institution/company	21.7%	21.7%	14,297,742	17.8%	17.8%	11,724,614
Domestic individual	7.5%	7.5%	4,943,054	7.3%	7.3%	4,796,731
Foreign individual	0.1%	0.1%	45,045	0.0%	0.0%	20,823
Employees, senior officers	0.2%	0.2%	148,055	0.1%	0.1%	46,200
Treasury shares	0.4%	-	253,601	0.4%	0.0%	253,601
Government held owner ⁴	7.3%	7.3%	4,832,225	7.3%	7.3%	4,832,225
International Development Institutions ⁵	0.0%	0.0%	0	0.0%	0.0%	0
Other	1.5%	1.5%	1,005,271	3.6%	3.6%	2,361,886
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 September 2014		30 June 2015		30 September 2015	
FHB Mortgage Bank Plc.	253,601	0.38%	253,601	0.38%	253,601	0.38%

Owners with more than 5% ownership (as at 30 September 2015)

Name	Custodian Bank (yes/no)	Number of shares	Stake (%)
VCP Finanz Holding Ltd.	no	15,970,000	24.20%
A64 Vagyonkezelő Ltd.	no	16,172,668	24.50%
Allianz Hungária Biztosító Ltd.	no	6,874,162	10.42%
Silvermist Estate SA	no	6,337,089	9.60%
Hungarian National Asset Management Inc.	no	4,832,225	7.32%
Total		50,186,144	76.04%

Data forms related to the organisation and operation of the issuer

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

	End of reference period 30/09/2014	End of last quarter 30/06/2015	Current period closing 30/09/2015
Bank	183	130	126
Consolidated	811	805	828

Persons in senior positions and (strategic) employees having an influence on the operations of the Issuer (as at 30 September 2015)

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	Zoltán Kovács	Member	05.06.2015	05.06.2020	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	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
BoD	Márton Oláh	Member, Deputy CEO	28.04.2015	28.04.2020	4,000
SB	Csaba Lantos	Chairman	28.04.2009	29.04.2018	0
SB	Enikő Mártonné Uhrin	Member	28.04.2015	29.04.2018	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:					46,200

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

Information and disclosures in the third quarter of 2015

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 (Annual General Meeting) 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