



FHB Mortgage Bank Plc.

**Interim management report
for the first quarter of 2016**

Budapest, 12 May, 2016

I. SUMMARY CONSOLIDATED FIGURES

in HUF million	31/03/2015	31/12/2015	31/03/2016	31/03/2016/ 31/12/2015	31/03/2016/ 31/03/2015
Main balance sheet items					
Total assets	821,973	744,821	738,741	-0.8%	-10.1%
Refinanced loans	104,711	82,790	78,116	-5.6%	-25.4%
Loans (gross)	333,654	314,855	310,231	-1.5%	-7.0%
Mortgage bonds	190,604	194,470	196,643	1.1%	3.2%
Senior unsecured bonds	110,341	60,524	52,972	-12.5%	-52.0%
Customer deposits	346,811	329,048	331,740	0.8%	-4.3%
Shareholders' equity	83,917	108,532	107,448	-1.0%	28.0%
<i>Capital adequacy ratio</i>	<i>16.10%</i>	<i>20.13%</i>	<i>25.89%</i>	<i>5.76%-pt</i>	<i>9.78%-pt</i>
<i>CET1 ratio</i>	<i>10.47%</i>	<i>12.54%</i>	<i>14.80%</i>	<i>2.26%-pt</i>	<i>4.32%-pt</i>

in HUF million	Q1 2015	Q4 2015	Q1 2016	Q1 2016 / Q4 2015	Q1 2016 / Q1 2015
Main P/L items					
Net interest income	5,155	3,225	3,474	7.7%	-32.6%
<i>Net interest margin</i>	<i>2.63%</i>	<i>1.71%</i>	<i>1.90%</i>	<i>0.19%-pt</i>	<i>-0.73%-pt</i>
Net fees and commissions	1,580	1,989	1,704	-14.3%	7.9%
Net operating income	-2,201	5,060	5,366	6.1%	-
Provision for impairment on loan losses	5,473	-3,685	-1,586	-57.0%	-129.0%
Operating cost	-4,424	-4,468	-4,604	3.0%	4.1%
<i>Cost to income ratio</i>	<i>-201.0%</i>	<i>40.0%</i>	<i>85.8%</i>	<i>45.8%-pt</i>	<i>286.8%-pt</i>
<i>Cost/income ratio w/o special banking tax</i>	<i>-296.0%</i>	<i>37.6%</i>	<i>81.3%</i>	<i>43.6%-pt</i>	<i>-</i>
Profit before tax	-1,153	-3,093	-824	-73.4%	-28.5%
Profit after tax	-3,804	-4,753	-1,277	-73.1%	-66.4%
Profit after tax w/o special banking tax and other one-offs	-1,085	-926	-800	-13.6%	-26.3%
<i>Basic EPS (HUF)</i>	<i>-127.32 Ft</i>	<i>-261.78 Ft</i>	<i>-24.16 Ft</i>	<i>-</i>	<i>-</i>
<i>Return on Assets</i>	<i>-1.94%</i>	<i>-2.53%</i>	<i>-0.70%</i>	<i>1.8%-pt</i>	<i>1.2%-pt</i>
<i>Return on Equity</i>	<i>-17.9%</i>	<i>-19.8%</i>	<i>-4.8%</i>	<i>15.0%-pt</i>	<i>13.1%-pt</i>
<i>ROAA w/o special banking tax and other one-offs</i>	<i>-0.55%</i>	<i>-0.49%</i>	<i>-0.44%</i>	<i>0.1%-pt</i>	<i>0.1%-pt</i>
<i>ROAE w/o special banking tax and other one-offs</i>	<i>-5.1%</i>	<i>-3.8%</i>	<i>-3.0%</i>	<i>0.8%-pt</i>	<i>2.1%-pt</i>

II. REPORT ON THE FOURTH QUARTER AND FULL YEAR OF 2015 RESULTS OF FHB GROUP

This report of FHB Mortgage Bank Public Co Plc. for the first quarter of 2016 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 31 March 2015 and 31 March 2016, and also audited figures as of 31 December 2015.

1. Summary of the achievements of the past period

In the first quarter of 2016, FHB Banking group focused on increase of lending activity, within which special attention was given to Non-Refundable Family Home Creating Benefit ('CSOK') and latch on to subsidized loan programs concerning the corporate business.

Lending

New lending volumes in both retail and corporate segments exceeded significantly the performance of the period a year before. **New retail lending volume of HUF 5.3 billion increased by 54.0%, while the volume of disbursed corporate loans of close to HUF 9.0 billion reflect a 45.1% jump** compared to the first quarter of 2015.

Major part of the retail loan disbursement originates from the HUF 2.3 billion of retail housing lending, while disbursed personal and security-backed loan volume of over HUF 2 billion is almost three times higher compared to the previous quarter.

The Bank made first available the extended **Non-Refundable Family Home Creating Benefit** ('CSOK'), and organised a country-wide road-show related to the regulatory changes to advise the interested customers even better. Success of these events also contributed to the close to **500 regular and the additional 122 extended (10+10) 'CSOK' applications** by the end of April in 2016, from which the number of disbursed subsidies reached 215 with the total volume amounting to HUF 428.5 million. It means a total of around HUF 823 million disbursement from the launch of 'CSOK' in June, 2015.

In case of close to 40% of 'CSOK' applications clients submitted loan applications as well. In terms of claimed subsidy volume FHB's market share is estimated to exceed 10%.

Corporate lending volume amounted to HUF 9 billion in the first quarter, of which disbursed amount within the framework of Funding for Growth Scheme ('NHP') exceeded HUF 1.8 billion. Also the new business line of FHB Leasing Ltd., the **equipment leasing** launched in 2015 substantively contributed to the loan disbursements with close to HUF 400 million new volume in the first quarter.

On 20 April 2016 the FHB Commercial Bank Ltd. as a member of the Consortium for Development MFB Points with the Bank of Hungarian Savings Cooperatives Co. Ltd., the B3 Savings Cooperatives and the Budapest Bank Ltd. entered into an Intermediation Contract with the Hungarian Development Bank Ltd. (hereinafter referred to as the "MFB"). Under the Intermediation Contract **the Commercial Bank shall participate in the development of the network of MFB Points**, and have undertaken to open and operate 3 MFB Points in Budapest and 18 in the chief towns of the respective counties based on its branch network. Entering into the Intermediation Contract is a unique opportunity to expand on the corporate market; interest-free credit facilities for developments will be widely available for corporates with a plan to expand, and the entire product range of the Commercial Bank shall be available to supplement the necessary funds.

Gross loans amounted to HUF 310.2 billion as of March 31, 2016, contributing to 1.5% decrease compared to the previous quarter and 7.0% shrinkage versus the same period of 2015.

The Bank continued its programs with the aim of improving portfolio quality further. These measures and the increasing new loan disbursement contributed to the rate of non-performing loans (**NPL ratio**) **to drop to 13.5%** by the end of March 2016 from 20.2% at the end of 2014, as a result of around 42% decrease of volume of non-performing loans during the same period. Coverage of non-performing portfolio stood at 56.0% at the end of the quarter.

Savings

Consolidated deposit volume amounted to HUF 331.7 billion at the end of the first quarter, showing slight increase compared to HUF 329 billion by the end of 2015. Corporate deposit volume reached almost HUF 206

billion, while volume of retail deposits was HUF 126 billion after a slight decrease. Volume of Postal deposits of more than HUF 37 billion still represented a notable share in retail deposits. The **number of current accounts opened in the Hungarian Postal network increased to 57.5 thousands (+9.2%)** by the end of the quarter.

Volume of – **non-consolidated – total savings managed** by members of FHB Group broadened more than the deposits and **neared to HUF 835 billion** as of March 31, 2016. It means the volume of savings at the Group increased by nearly 15%, by more than HUF 106 billion on annual basis. The bulk of the growth comes from the expansion of funds held on securities accounts. Assets under management of **Magyar Posta Investment Ltd. (MPBSZ) reached almost HUF 140 billion** by the end of the quarter up by 19% versus Q4 2015, while **showing 93% increase on annual basis**. The number of securities and investment accounts managed by the company was 44.4 thousands at end of March, 2016.

The **total net value of assets** and other portfolios under management of **Diófa Asset Management Ltd.** exceeded **HUF 412.5 billion**. Investment funds represent 38% of the value of net assets managed by Diófa Asset Management. The largest contribution to the increase of those investment funds comes from Magyar Posta Takarékszövetkezet Real Estate Fund, which net asset value **overstepped HUF 100 billion** at mid-March.

FHB Group's consolidated total assets amounted to HUF 738.7 billion on March 31, 2016, that is 0.8% (about HUF 6.1 billion) lower compared to the previous quarter.

Main P&L items

Consolidated IFRS-based profit after tax of FHB Group amounted to HUF 1,277 million losses in the first quarter of 2016, representing a significant (66.4%) improvement compared to the same period a year before.

Net interest income was HUF 3,5 billion in first quarter 2016, - partly due to the decreasing loan volume, but mainly as a consequence of **implementation of the Settlement and "Fair Banking" acts** in 2015 – it was 32.6% lower than a year before and 7.7% higher compared to the previous quarter. The **net interest margin** to average total assets was 1.90% in first quarter 2016, **19 bps higher** compared to fourth quarter of 2015.

Net fees and commissions reached HUF 1,704 million increasing by close to 8% compared to the first quarter of 2015. Increase was contributed by yearly 11% growth of charges related to loans, 27% growth of fees related to banking accounts and 33% increase of fund management fees.

Operating costs amounted to HUF 4.6 billion in Q1 2016, which is 4.1% higher (close to HUF 180 million) than in the same period of 2015 and 3.0% higher than in the previous quarter.

The **risk cost** was HUF 1.6 billion in the first quarter. The volume of impairments – besides **improving coverage**, i.e. 56% level at the end of period – decreased by 11.4% or by HUF 3.0 billion compared to the previous quarter, in line with the improving NPL ratio.

The **net income of associated companies** contributed to the total revenue by HUF 197 million. Among the companies in the scope of consolidation the result of **Diófa Asset Management Plc.** is noteworthy, which closed the first quarter with a profit after tax of HUF 164 million.

Pro rata special banking tax amounted to HUF 299 million as a result of regulatory changes, above that the non-shifted financial transaction levy and costs and expenses of implementation of settlements and HUF conversion scheduled to 2016 had negative impact on the result. The Bank Group's IFRS consolidated profit after tax ignoring the special banking tax and other one-off items **improved by over 26% compared to the same period of previous year** and was HUF 799.7 million loss in the first quarter.

Capital position

The first pillar **capital adequacy ratio** of FHB Group reached **25.89%** as of 31 March 2016, compared to 20.13% at the end of previous quarter. **CET1 ratio is 14.80% on 31 March 2016** and it was 12.54% on 31 December 2015 and 10.47% on 31 March 2015. Amount of consolidated regulatory capital exceeded HUF 87 billion that is higher by 31.0% as of at the end of 2015. Increase of regulatory capital is the result of the fact that the Series "B" dividend preference shares and Series "C" ordinary shares issued at the capital increase on 30 December 2015 received the permit of NBH on 9 March 2016, and on its basis the amount of capital increase has been taken into account by calculation of regulatory capital from the end of March. Changes of regulatory capital was also influenced significantly by NBH Decree No. 43/2015 (X.15.) entered into force on 1 January 2016 that modified NBH Decree No. 10/2014 (IV.3.) on own funds requirements, on unrealized gains and losses measured at fair value, on deductions related to unrealized gains and losses and on grandfathering of capital instruments, and by this it stated the introduction of stricter calculation methods referring to the calculation of capital requirements. The modification of decree affected principally the common equity tier 1 capital (CET1).

Performance of FHB shares

In terms of capitalisation, FHB is 5th in the rank of "Premium" category listed companies and contributes 0.86% to the aggregate capitalisation of the BSE based on 31 March 2016 data.

As of the end of the first quarter in 2016, FHB's weight in the BUX index was 0.60% which meant that it stands at the sixth place (in the previous quarter stood also at the sixth place), while in the first quarter it was the second biggest member with a weight of 13.91% (in the 4th quarter of 2015 12.73%) in BUMIX, the index of share prices of mid- and small-cap companies.

The price of FHB Mortgage Bank's shares showed slight strengthening. Closed the first quarter of 2016 at HUF 737 – that meant a HUF 38 increase compared to 31 December 2015 data.

2. Main activities and subsidiaries' performance

The housing market and retail mortgage lending

The housing construction has decreased in the first quarter of 2016. According to CSO statistics, 1,407 new homes were built in the first three months of 2016, 10% less than in the same period of 2015. The total number of new housing construction permits issued and simple declarations concerning the construction of new residential buildings was 4,765, more than 100.1% higher compared to the same period of 2015 data of which the biggest increase was in towns of county rank (144.5%) regarding territorial units.

As of 31 March 2016, the volume of retail mortgage loans (HUF 4,627 billion) was down by 7.1% compared to 31 March 2015; the volume change adjusted by exchange rate volatility was -7.2%. Volume of HUF loans (HUF 4,606 billion) decreased by 5.3% year-on-year; while the FX loan portfolio (HUF 21 billion) declined by 81.9% (-82.2% adjusted by the volatility of exchange rate).

The amount of retail housing loans decreased in Q1 by 1.2%. At the end of March 2016, housing loans amounted to HUF 2,970 billion. This meant 4.5% decrease compared to 31 March 2015 which is -4.5% adjusted by exchange rate volatility. Volume of housing loans denominated in HUF was HUF 2,963 billion, showing a 1.2% decrease during the last quarter, while volume of FX loans increased by 4.0% (adjusted by the volatility of exchange rate it was +4.3%).

General-purpose mortgage loans amounted to HUF 1,657 billion as of 31 March 2016; after exchange rate adjustment the portfolio decreased by 11.6% and 3.3% year-on-year and quarter-on-quarter, respectively. HUF denominated general-purpose mortgage loans (HUF 1,643 billion) decreased by HUF 55 billion quarter-on-quarter and decreased by 9.0% year-on-year. The exchange rate adjusted change in FX denominated general-purpose mortgage loans was -3.5% quarter-on-quarter and -79.3% year-on-year.

Own lending

Volume of gross loans of FHB Group amounted to HUF 310.2 billion as of 31 March 2016 decreased by 1.5% compared to the previous quarter's figure and year-on-year the decrease was 7.0%. Share of FX based loans in total outstanding loan portfolio was 8.0%, in the contrary of the percentage in previous quarter and in Q1 2015, which was 7.8% and 11.6%, respectively. The share of FX loans of retail loans is 1.0%, the data of previous quarter was 1.3%, while this proportion was 7.6% on 31 March 2015.

Retail loans remained dominating within the loan portfolio with a contribution of 70.1% (71.0% on 31 December 2015). Retail loans decreased by 2.8% (or HUF 6.2 billion) and by 11.8% (or HUF 29.0 billion) quarter-on-quarter and year-on-year, respectively.

in HUF million	31/03/2015	31/12/2015	31/03/2016	31/03/2016/ 31/12/2015	31/03/2016/ 31/03/2015
Retail loans	246,432	223,584	217,391	-2.8%	-11.8%
Housing loans	127,946	118,120	114,588	-3.0%	-10.4%
Other mortgage loans	108,324	94,564	90,051	-4.8%	-16.9%
Consumer loans	6,071	6,871	8,729	27.0%	43.8%
Loans for employees	1,449	1,306	1,322	1.2%	-8.8%
Retail real estate leasing	2,642	2,724	2,701	-0.8%	2.2%
Corporate loans	87,222	91,271	92,839	1.7%	6.4%
Corporate loans	86,036	87,862	89,289	1.6%	3.8%
Corporate real estate leasing	1,186	1,397	1,384	-0.9%	16.7%
Equipment leasing	0	2,012	2,166	7.7%	-
Truck leasing	0	0	0	-	-
Total own lending, gross	333,654	314,855	310,230	-1.5%	-7.0%
Impairment	-28,710	-26,557	-23,531	-11.4%	-18.0%
Loans, net	304,945	288,299	286,700	-0.6%	-6.0%
Refinanced loans	104,711	82,790	78,116	-5.6%	-25.4%

In Q1 2016, HUF 5.3 billion of retail and HUF 9.0 billion of corporate loans have been disbursed; the last figure is 45.1% higher than in the same period of 2015. In the first quarter of 2016, the Bank placed HUF 1.8 billion loans out to corporate customers within the framework of Funding for Growth Scheme, which is 105.2% higher than in Q1 2015. Among corporate loans the disbursement of fixed purpose loans was outstanding (HUF 4.5 billion), which shows 26.4% increase compared to the previous quarter. The most significant retail products were housing loans and personal loans, the disbursement during the quarter was higher than HUF 2 billion in case of both products. In Q1 2016 the volume of disbursed housing loans was 18.3% higher than in the same period of 2015, while the disbursement of personal loans increased by 185.8% compared to the previous quarter.

In case of Non-Refundable Family Home Creating Benefit ('CSOK'), from the launch in June, 2015 by the end of March 2016 around 1000 loan applications had been approved, from which the number of disbursed loans almost reached 500 with the total volume amounting to HUF 625 million. In case of nearly 40% of 'CSOK' applications clients submitted loan applications as well.

During the quarter FHB offered further 51 properties to the National Asset Management Company (NET) and 160 transactions were closed because of NET sale with a total debt HUF 674 million. Since the start of the program the number of completed transactions reached nearly 2,950 units.

FHB Commercial Bank Ltd.

According to Hungarian Accounting Standards (HAS), total assets of FHB Commercial Bank were HUF 470.4 billion as of 31 March 2016, showing a 17.5% decrease compared to a year before (HUF 570.5 billion).

On 31 March 2016, volume of gross loans according to HAS was HUF 211.3 billion decreasing by 1.3% compared to 31 March 2015. Gross loans represented 44.9% of total assets. Corporate loans of FHB Commercial Bank according to HAS – excluding intra-group loans – amounted to HUF 81.4 billion at the end of the period (showing a 2.1% increase compared to 31 December 2015), having a share of 38.5% among total loan portfolio.

Interest bearing liabilities amounted to HUF 425.9 billion; representing 90.5% among liabilities, and showed 17.3% decrease year-on-year and 0.4% decrease quarter-on-quarter. According to HAS deposits of HUF 334.3 billion represented 78.5% among interest bearing liabilities, while interbank liabilities represented the second highest ratio with the amount of HUF 81.6 billion, containing refinanced loans from FHB Mortgage Bank, and refinancing related to outstanding loans drawn under the Funding for Growth Scheme.

Deposits decreased by 3.8% compared to the same period of the previous year and increased by 0.9% during the first quarter, mainly due to a significant increase in corporate deposits. Volume of corporate deposits was significantly above retail deposit's volume as of 31 March 2016; its share was 62.2%. Volume of sight deposits increased by HUF 15.8 billion year-on-year, while it declined by HUF 1.8 billion quarter-on-quarter. As a result, sight deposits represented 30.8% of total deposits.

At the end of March 2016, number of retail and corporate accounts managed by Commercial Bank was nearly 209 thousands and more than 12 thousand, respectively, and 166.5 thousand retail and 7.0 thousand corporate banking cards related to these accounts. Both number of retail accounts and retail 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 March 2016 the number of post accounts was 57.5 thousand.

According to HAS profit after tax of Commercial Bank for 2016 Q1 was HUF 1.7 billion loss, net results were bothered by the non-shifted part of financial transaction levy (HUF 186 million) and by the special banking tax (HUF 73.7 million). The Curia gave its ruling in January in connection with the lawsuit filed by FHB Commercial Bank against NBH about the financial transaction levy. According to the judgement announced FHB remained completely prevailing party, so the HUF 143 million provision generated in 2014 concerning the case was released during the quarter. Adjusted by special banking tax and therein before mentioned one-off items, profit after tax of FHB Commercial Bank was HUF 1,559 million loss.

Net interest income in the first quarter of 2016 – in controlling approach – was 10.1% lower than a year before as a result of decreasing interest income (by 25.8%) and decreasing interest expenses (by 48.7%). Net fee and commission income was 7.8% higher than a year before, while it increased by 24.4% quarter-on-quarter. Operating costs increased by 6.9% compared to Q1 2015, while they decreased by 7.1% compared to the previous quarter.

The capital adequacy ratio of the Bank on 31 March 2016 was 17.89% that shows a decline compared to the end of previous quarter (20.02%) and an increase compared to 31 March 2015 (17.81%). Shareholder's equity according to HAS was HUF 35.6 billion as of 31 March 2016 and the solvency capital was HUF 45.1 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 35.1 million revenue in 2016 Q1, which is HUF 24,3 million less than a year before, while real estate brokerage reached HUF 2.8 million income in 2016 Q1, which is significantly less than the same period in 2015 (HUF 45.7 million).

FHB Real Estate closed in the first quarter of 2016 with HUF 65.0 million loss.

FHB Lease Ltd.

As of 31 March 2016, the consolidated loan volume of FHB Lease Ltd. according to IFRS was HUF 9.2 billion. Lease financing disbursement amounted to HUF 528 million in 2016, of which HUF 399 million is from the equipment leasing. Leasing portfolio reached more than HUF 5.7 billion as of 31 March 2016. FHB Lease Ltd. closed first quarter of 2016 with HUF 112 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 through funds, pension fund wealth management and tailor made solutions for institutional and private clients.

Diófa Asset Management Ltd. has completed the transformation of its residential fund structure, in which the former Takarékinvest Derived Open-End Fund merged into Takarék FHB Short Bond Fund. As an expansion of the portfolio, the Asset Management launched new investment funds in January and February: in January the Takarék FHB Apollo Derivative Equity Fund, and in February the Magyar Posta Takarék Harmónia Mixed Fund. The latter became popular very quickly among investors, which is indicated that the net asset of the Fund exceeded HUF 1 billion in the past one and half month. The success product of the Asset Management remained the Magyar Posta Takarék Real Estate Fund, which celebrated its second year of operation on 17 March 2016 with reaching HUF 100 billion net asset value.

At the end of the first quarter of 2016 the total net value of assets and other portfolios under management increased to HUF 412.6 billion from HUF 356.2 as of 31 March 2015. That means almost 16.0% 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 Takarék Real Estate Fund with volume of more than HUF 105.2 billion at the end of Q1 2016 contributed mainly to the growth of investment funds. In case of investment funds, market share of Diófa Alapkezelő increased from 2.2% as of the first quarter of 2015 to 3.2% for the end of March 2016, while its market share from wealth management of pension funds grew to 15.7% from 15.2% in one year.

Asset Management Ltd. closed the first quarter of 2016 with HUF 163.8 million profit after tax according to HAS, subscribed capital amounted to HUF 196.2 million and shareholders' equity to HUF 481.7 million as of 31 March 2016.

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 636.4 million in 31 March 2016, shareholder's equity amounted to HUF 7.0 billion and profit after tax reached HUF 1.7 million loss (according to HAS) in 2016 Q1.

Jointly controlled and associated companies

Profit after tax according to IFRS of the **Díjbeszedő Faktorház Ltd. (DBF)** was HUF 120.1 million in 2016 Q1. Pre-tax profit related to the purchased receivables before maturity in 31 March 2016 was HUF 226.3 million, while pre-tax profit from purchased expired receivables amounted to HUF -15.4 million according to IFRS. Shareholder's equity of the Company according to IFRS amounted to HUF 5.4 billion in the first quarter of 2016.

The main activity of **DíjNET Ltd.** is operation and development of an electronic bill presentment and payment system. In the first quarter of 2016, profit after tax (according to HAS) was HUF 17.3 million. Subscribed capital amounted to HUF 5 million, while shareholder's equity was HUF 213.9 million at 31 of March 2016.

Díjbeszedő IT Llc. (DBIT), which provides services related to the IT activities of companies belonging to the Díjbeszedő Group, reached HUF 38.8 million loss after tax in 2016 Q1. Subscribed capital amounted to HUF 672 million, while shareholder's equity amounted to HUF 641.5 million.

By the end of March 2016, **Magyar Posta Investment Services Ltd. (MPBSZ)** opened more than 44.4 thousand securities and long-term investment accounts; the securities portfolio managed on accounts was HUF 138.5 billion at the end of March 2016, compared to HUF 71.8 billion at the end of March 2015. MPBSZ closed the year with HUF 44.7 million loss (according to HAS). The company's shareholder's equity was HUF 380.8 million and total assets amounted to HUF 4.7 billion.

Magyar Takarékné 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 179 million to the consolidated result of 2016 Q1 of FHB Group.

Organisational changes and headcount

As of 31 March 2016, the consolidated full-time headcount was 905.6, by 41.7 persons more than the headcount of 863.8 as of 31 December 2015, and 53.5 persons more than the headcount of 852.1 as of 31 March 2015. The main reason of this rise is the headcount increase in the Commercial Bank, where the headcount for the end of the quarter exceeded the headcount data of previous quarter by 39 persons, thanks to the new organisation formed in the bank (with absolutely new positions, e.g. corporate relationship manager); and the gradually taking-over of hired headcounts from headcount hiring companies.

Headcounts of the Group members were as follows:

	31/03/2015	31/12/2015	31/03/2016	31/03/2016/ 31/12/2015	31/03/2016/ 31/03/2015
FHB Mortgage Bank Plc.	183.1	129.4	129.5	0.1%	-29.3%
FHB Commercial Bank Ltd.	615.1	657.4	696.4	5.9%	13.2%
FHB Real Estate Ltd.	8.9	9.9	6.0	-39.2%	-32.4%
FHBLeasing Ltd.	12.0	14.3	14.8	3.5%	23.1%
Diófa Asset Managemet Ltd.	21.3	32.1	36.2	12.8%	69.5%
Diófa Real Estate Management Llc	3.3	8.4	9.4	11.9%	188.5%
FHB Invest Ltd.	1.1	1.1	1.1	0.0%	0.0%
Hungarian Card Ltd.	7.3	11.3	12.3	8.9%	-
FHB Consolidated	852.1	863.8	905.6	4.8%	6.3%

Changes in key position

The Annual General Meeting of the Company on 28 April 2016 elected Deloitte Hungary Audit and Consulting Ltd. for the auditor also for 2016 and 2017 (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 (chamber membership number: 003449; HFSA number: E003449). In case Tamás Horváth as appointed person would be unable to perform his duties as appointed auditor due to permanent absence, the General Meeting accepts the appointment of Gábor Molnár, registration number at the Chamber of Auditors: 007239; number on financial institution qualification at the financial authority: EBV007239) as deputy auditor.

The General Meeting elected Levente László Szabó as the external member of the Board of Directors; and on the basis of proposal of Board of Directors the General Meeting re-elected Miklós Szabó as a member of the Supervisory Board and the Audit Committee; while István Sebestyén was elected as member of Supervisory Board and the Audit Committee.

In Q1 of 2016 there was no change in the management of the Bank.

On 9 May 2016 Enikő Uhrin Mártonné announced her resignation from her position as member of Supervisory Board.

Post-balance sheet date events

On 20 April 2016 the FHB Commercial Bank Ltd. as a member of the Consortium for Development MFB Points with the Hungarian Savings Cooperatives Pte. Ltd., the B3 Savings Cooperatives and the Budapest Bank Ltd. entered into an Intermediation Contract with the Hungarian Development Bank Ltd. (hereinafter referred to as the "MFB") as the implementing body designated as fund of funds according to the Government Decree 272/2014. (XI. 5.) on the Rules of the Use of Funds from Certain European Union Funds.

Under the Intermediation Contract the Commercial Bank shall participate in the development of the network of MFB Points, and have undertaken to open and operate 3 MFB Points in Budapest and 18 in the chief towns of the respective counties based on its branch network. The Commercial Bank, as the contractual partner of MFB, via the MFB Points operated by it, shall participate in the intermediation of development loans combined with interest-free grants as part of reimbursable grants launched within the framework of EU loan programmes for the 2014-2020 programming period, and shall provide loan aftercare during the repayment period.

The Commercial Bank is committed to servicing the Hungarian SME businesses, as it has been proven by building markets strongly in the past years and being active in the intermediation of subsidized credit facilities. Entering into the Intermediation Contract is a unique opportunity to expand on the corporate market, and based on its professional knowledge and expanding corporate lending network, the Commercial Bank is aiming to be a partner for Hungarian small and medium enterprises that are planning to have developments. Interest-free credit facilities for developments will be widely available for businesses with a plan to expand, and the entire product range of the Commercial Bank shall be available to supplement the necessary funds.

The agreement on operating the MFB Points forms an integral part of the business strategy of the Integration of Cooperative Credit Institutions and the Commercial Bank and supports the concepts of the Integration and the Banking group on growth on a long-term basis furthermore improves the expansion of the business activity of the Commercial Bank and the increase of its market share.

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

1. P&L structure

in HUF million	Q1 2015	Q4 2015	Q1 2016	Q1 2016 / Q4 2015	Q1 2016 / Q1 2015
Interest income	13,187	8,841	8,523	-3.6%	-35.4%
Interest expense	-8,032	-5,616	-5,049	-10.1%	-37.1%
Net interest income	5,155	3,225	3,474	7.7%	-32.6%
Fees and commissions income	1,869	2,409	2,007	-16.7%	7.4%
Fees and commissions expense	-289	-421	-303	-27.9%	4.7%
Net fees and commissions	1,580	1,989	1,704	-14.3%	7.9%
Foreign exchange gains, net	-1,225	-149	-81	-45.3%	-93.4%
Fair value adjustment	-1,404	241	110	-54.3%	-
Gain on securities, net	1,188	1,352	1,112	-17.8%	-6.4%
Net result of investment services	31	129	132	2.2%	318.4%
Net financial (trading) result	-1,409	1,574	1,273	-19.1%	-
Other operating income	16,256	-25,463	723	-	-95.5%
Other operating expenses	-23,974	23,859	-2,005	-	-91.6%
o/w special banking tax & one-off PTI	-706	-706	-299	-57.6%	-57.6%
Other results	-7,718	-1,604	-1,282	-20.1%	-83.4%
Net income of associated companies	191	-124	197	-	3.4%
Total non-interest income (with net fees)	-7,356	1,834	1,892	3.1%	-
Net operating income	-2,201	5,060	5,366	6.1%	-
Net operating income w/o provisions	-2,201	5,060	5,366	6.1%	-
Provision for impairment on loan losses	5,473	-3,685	-1,586	-57.0%	-
Personnel expenses	-1,708	-1,460	-1,849	26.7%	8.2%
Banking operation cost	-1,777	-2,543	-2,475	-2.7%	39.3%
Cost of business activity	-136	-344	-133	-61.3%	-2.1%
Depreciation	-784	-111	-107	-4.2%	-86.4%
Other tax payable	-20	-9	-40	328.5%	100.1%
Operating costs	-4,424	-4,468	-4,604	3.0%	4.1%
Profit before income taxes	-1,153	-3,093	-824	-73.4%	-28.5%
Income taxes	-2,651	-1,660	-453	-72.7%	-82.9%
Profit after tax	-3,804	-4,753	-1,277	-73.1%	-66.4%
Profit after tax w/o special banking tax	-3,097	-4,047	-978	-75.8%	-68.4%
After tax profit w/o special banking tax and other one-offs	-1,085	-926	-800	-13.6%	-26.3%

The Bank's consolidated profit after tax according to IFRS amounted to HUF 1,277 million losses in 2016 Q1, the consolidated total comprehensive income of the Bank amounted to HUF 1,125 million loss.

The negative result is mainly due to the significant low of net interest income.

In addition, amount of HUF 299 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 after tax – ignoring the special banking tax and one-off items – was HUF 800 million loss in Q1 of 2016.

Net interest income

Net interest income was HUF 3,5 billion in Q1 2016, 32.6% lower than a year before and 7.7% higher compared to the previous quarter.

The net figure emerged as a balance of HUF 8.5 billion interest income (3.6% lower quarter-on-quarter and 35.4% lower year-on-year, respectively) and HUF 5.0 billion interest expense (q/q: -10.1%, y/y: -37.1%).

Distribution of interest income and expenses shows the following table:

	2015 Q1	2015 Q4	2016 Q1	2016 Q1 / 2015 Q4	2016 Q1 / 2015 Q1
Interest income					
Loans	43.4%	60.6%	56.8%	-3.8%-pt	13.3%-pt
Refinancing	8.2%	8.8%	8.1%	-0.7%-pt	-0.1%-pt
Mortgage bond interest subsidy	12.5%	17.2%	16.8%	-0.4%-pt	4.3%-pt
Supplementary interest subsidy	1.1%	1.4%	1.4%	0.0%-pt	0.3%-pt
Securities and interbank activities	15.9%	11.2%	14.1%	2.9%-pt	-1.8%-pt
Swap transactions	19.0%	0.9%	2.9%	2.0%-pt	-16.0%-pt
Other interest income	0.0%	0.0%	0.0%	0.0%-pt	0.0%-pt
Interest expenses					
Bonds issued	60.1%	78.9%	80.9%	2.0%-pt	20.8%-pt
Interbank activities	0.9%	0.2%	0.4%	0.1%-pt	-0.6%-pt
Customer deposits	17.0%	17.0%	15.2%	-1.7%-pt	-1.8%-pt
Derivatives	21.4%	3.9%	3.5%	-0.4%-pt	-17.9%-pt
Other interest expense	0.5%	0.0%	0.0%	0.0%-pt	-0.5%-pt

The net interest margin to average total assets (NIM) was 1.90% in Q1 2016, 19 bps higher compared to Q4 2015.

Net fee and commission income

In Q1 2016, the Bank achieved a positive balance of HUF 1,704 million from income and expenditures on commissions and fees; 14.3% lower than in Q4 2015; and 7.9% higher than a year before. Net fees and commissions adjusted by financial transaction levy performed a 24% decrease and 16% increase quarter-on-quarter and year-on-year, respectively.

Compared to the previous quarter, result on investment services (mainly gov. bonds agent's commission), guarantee fees and card related fees decreased; while fund management fees and insurance agent fees increased.

Income from fees and commissions – with incomes from investment services - in Q1 2016 amounted to HUF 2,114 million, of which 10.2% was contributed by charges related to loans (9.0% in Q4 2015) and 38.8% by accounts and card related banking charges without financial transaction levy (32.2% in Q4 2015). Volume of HUF 326 million of fund management fees contributed by 15.4% to quarterly fee income.

Card related fee expenses (HUF 140 million) decreased by 6.7% quarter-on-quarter, while payment fees reached HUF 50 million in Q1 2016.

Net result of financial transactions

In Q1 2016, the balance of financial transactions was HUF 1,273 million profits, which is slightly lower than in the previous quarter (HUF 1,574 million).

In Q1 2016, the volume of foreign exchange profit was HUF -81.3 million loss, similar to the previous quarter's figure (HUF 149 million loss).

In Q1 2016, the change in the value of financial instruments reported at fair value through P&L was HUF 110.2 million profits, which is unfavourable than the HUF 241 million profits in Q4 2015 and results a year before.

In the first quarter of 2016, the securities transactions resulted in HUF 1,112 million profits as opposed to HUF 1,352 million profits in the previous quarter.

Other operating income and expenditure

In 2016 Q1, the balance of other operating income and expenditure was HUF 1.3 billion net expenditure; arising from HUF 724 million incomes and HUF 2 billion expenditures.

The other expenses mainly were amounted to the p&l effects of releasing the provisions for lawsuit against NBH subject to the financial transaction levy, and the effects of settlement law due to the 2016 year tasks.

In Q1 2016, real estate related income contributed HUF 59 million to other operating income (real estate rent, sales). The Bank group also had HUF 42 million income from card service fees of Hungarian Card Service Plc.

Special banking tax amounted to HUF 299 million in 2016 Q1, the fees of protection funds, other statutory and voluntary funds, and membership fees of SzHISz amounted to HUF 215 million, while paid financial transaction levy was HUF 542 million.

Net income of associated companies contributed HUF 197 million to consolidated figures in 2016 Q1, which mainly resulted from three important influencing items of the HUF 179 million (proportional, consolidated) profit of Magyar Takarék Asset Management (MATAK) Ltd. and its investments, DB Factoring House proportional, HUF 61 million profit and from the HUF 22 million loss (consolidated) realised by Magyar Posta Investment Services.

Impairments for loan losses

The credit risk costs amounted to HUF 1.586 million in 2016 Q1. HUF 540 million profit of risk cost derives from release of impairment for loan losses. Beyond the provisioning/releasing impairment for loan losses, the risk cost line is imposed by the collection costs and results of factoring. The impairments amount – considering the significant portfolio-cleaning in Q1 - reduced by 11.4%, HUF 3 billion compared to the end of last quarter.

Operating costs

Operating costs amounted to HUF 4.6 billion in Q1 2016, which is 4.1% higher than in the same period of 2015. Operating expenses are 3.0% higher than in the previous quarter, mainly caused by the increase in personnel expenses and other tax payable.

Personnel expenses were higher than both in the same period of 2015 (+8.2%) and in the previous quarter (+26.7%). Several factor influenced the raise of personnel expenses: increasing headcount thanks to the gradually taking-over of hired headcounts; new organisation established in the bank; increase of business activity (related to corporate and retail loans, CSOK); furthermore increasing headcount in connection with preparing activity to development and operation of MNB Points based on branches in the country

Administrative expenses in Q1 2016 (HUF 2,474.8 million) increased compared to the same period of 2015 (HUF 1,776.5 million), while are at a lower level compared to the previous quarter of 2015 (HUF 2,543.1 million).

Expenses of business activity (HUF 133.2 million) reveal a similar level compared to the same period in 2015 (HUF 136.1 million), while it is lower as it was in the previous quarter (HUF 344.2 million).

Depreciation was HUF 106.5 million in Q1 2016, which means a slight decrease compared to the previous quarter (HUF 111.3 million).

Other taxes paid reported among operating costs amounted to HUF 40.3 million in Q1 of 2016. The amount of other taxes among cost (for example real estate tax, vehicle tax, etc.) is higher (by HUF 30.9 million) than in Q4 2015 (HUF 9.4 million).

2. Balance Sheet

in HUF million	31/03/2015	31/12/2015	31/03/2016	31/03/2016/ 31/12/2015	31/03/2016/ 31/03/2015
Cash	2,331	3,017	2,801	-7.2%	20.2%
Due from banks & NBH	274,758	210,957	153,341	-27.3%	-44.2%
Financial assets available-for-sale and held for trading	80,996	125,955	186,334	47.9%	130.1%
Fair value of derivative financial assets	11,972	884	1,672	89.2%	-86.0%
Investment in associates and jointly controlled companies	7,123	7,755	4,382	-43.5%	-38.5%
Refinanced mortgage loans	104,711	82,790	78,116	-5.6%	-25.4%
Loans and advances	333,654	314,855	310,231	-1.5%	-7.0%
Impairment and provision	-28,710	-26,557	-23,531	-11.4%	-18.0%
Tangible assets	6,507	6,168	6,110	-0.9%	-6.1%
Goodwill and other intangible assets	7,771	1,915	1,920	0.3%	-75.3%
Other assets	20,860	17,082	17,365	1.7%	-16.8%
Total Assets	821,973	744,821	738,741	-0.8%	-10.1%
Liabilities total	738,056	636,289	631,293	-0.8%	-14.5%
Interbank borrowings	42,466	39,774	40,181	1.0%	-5.4%
Mortgage bonds	190,604	194,470	196,643	1.1%	3.2%
Bonds issued	110,341	60,524	52,972	-12.5%	-52.0%
Deposits	346,811	329,048	331,740	0.8%	-4.3%
Fair value of derivative financial liabilities	27,166	2,308	2,971	28.7%	-89.1%
Leasing liability	4,716	12	12	0.0%	-99.7%
Other liabilities	15,951	10,153	6,776	-33.3%	-57.5%
Shareholders' equity	83,917	108,532	107,448	-1.0%	28.0%
Subscribed capital	6,600	10,849	10,849	0.0%	64.4%
Capital reserve	1,709	27,926	27,926	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	-322	599	751	25.5%	-
Retained earnings	24,444	24,442	16,137	-34.0%	-34.0%
Non-controlling interest	22,008	21,480	20,635	-3.9%	-6.2%
Balance sheet profit	-2,064	-8,304	-392	-95.3%	-81.0%
Total liabilities and shareholders' equity	821,973	744,821	738,741	-0.8%	-10.1%

As of 31 March 2016, the Bank's consolidated balance sheet total by IFRS amounted to HUF 738.7 billion, moving 0.8% down from the end of previous quarter; and HUF 83.2 billion, 10.1% lower than the same period of previous year.

On the asset side on an annual basis, the volume of financial assets available-for-sale and held for trading increased by HUF 105.3 billion, or 130.1%, while the refinanced loans fell by HUF 26.6 billion and 25.4%. During the first quarter, the due from banks and NBH decreased by 27.3%, and the fair value of derivative financial assets increased by 89.2%.

Liabilities decreased by 14.5% compared to the reference figures of 2015. Compared to the same period in 2015 interbank liabilities decreased by 5.4%, the portfolio of mortgage bonds issued rose by 3.2%, the volume of bonds issued decreased by 52.0% respectively. In contrast, the deposits decreased by 4.3% over a year. In the first quarter the volume of the financial assets - especially the bonds issued - decreased by close to HUF 7.6 billion, and the volume of derivative financial assets increased by HUF 663 million.

Shareholders' equity increased by HUF 23.5 billion or 28.0% year-on-year, while during the first quarter it decreased by HUF 1.1 billion.

Interest earning assets

The Group's interest earning assets decreased from HUF 794.1 billion as of 31 March 2015 to HUF 728.0 billion as of 31 March 2016. Interest earning assets contributed 98.8% to the balance sheet total.

NBH and other interbank lending decreased from HUF 274.8 billion as of 31 March 2015 to HUF 153.3 billion as of 31 March 2016. The ratio of this item in interest earning assets was 21.0% at the end of first quarter of 2016. During the quarter the volume of interbank lending was HUF 57.6 billion, which meant a 27.3% decrease.

The value of Bank's securities available-for-sale and held for trading increased from HUF 81 billion as of 31 March 2015 to HUF 186.3 billion, while to HUF 126 billion as of 31 December 2015, increased by 47.9%. At the end of Q1 2016, securities available for sale and held for trading contributed 25.5% to interest earning assets.

Loans

As of 31 March 2016, volume of loans was 7% down year-on-year, and decreased quarterly by 1.5%. Impairment to cover loan losses amounted HUF 23.5 billion, compared to 31 December 2015, in the reported quarter showed 11.4% decrease (from HUF 26.6 billion as of 31 December 2015).

Year-on-year decline in refinanced loans was 25.4% to HUF 78.1 billion, and there was also a 5.6% drop in this item over the last quarter. As of 31 March 2016, contribution of refinanced loans and gross own lending was 53.2% to interest earning assets; this rate was 55.1% a year before.

Portfolio quality

In the first quarter the volume of non-performing loans decreased by 9.2%, HUF 4.3 billion quarter-on-quarter, mainly due to steps in portfolio cleaning, while it decreased by 25.5% year-on-year basis mainly because of the settlement of FX loans. NPL ratio declined from 14.7% to 13.5% by 31 March 2016, while a year before it was 16.9%. The coverage of non-performing loans is 56.0% according to IFRS, while it was 57.4% in Q4 2015.

Other assets

Tangible assets amounted to HUF 6.1 billion as of 31 March 2016 and decreased by HUF 0.4 billion year-on-year and by HUF 0.06 billion quarter-on-quarter. As of 31 March 2016, intangibles amounted to HUF 1.9 billion, down by HUF 5.9 billion or 75.3% year-on-year and HUF 5.1 million (0.3%) higher compared to the 31 December 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 4.4 billion as of 31 March 2016.

Other assets amounted to HUF 17.4 billion as of 31 March 2016, decreasing by 16.8% (HUF 3.5 billion) year-on-year. Deferred tax assets reached HUF 8.0 billion while value of real estates reported as inventory was HUF 0.7 billion.

Interest bearing liabilities

Interest bearing liabilities decreased from HUF 694.9 billion as of 31 March 2015 to HUF 621.5 billion as of 31 March 2016, representing approximately 84.1% to the balance sheet total. As a year before, issued securities gave major part of client deposits with a share of 49.9%. For the end of March 2016 their proportion grew to

53.4%, while share of bonds issued within interest bearing liabilities decreased from 43.3% to 40.2% year-on-year. Compared to 31 December 2015, the volume of interest bearing liabilities decreased by HUF 2.3 billion, 0.37%.

Interbank funds

As of 31 March 2016, interbank funds amounted to HUF 40.2 billion, showing a 1.0% increase compared to previous quarter, and volume was 5.4% down year-on-year. The volume of interbank funds at the end of the first quarter includes the amount of refinancing within the framework of Funding for Growth Scheme (NHP). Contribution of interbank borrowings to interest bearing liabilities was 6.5% at the end of first quarter of 2016.

CMBs issued

The Bank completed one issuance in the first quarter in the course of which upon public listing procedure FJ21NV01 mortgage bonds series were issued in total nominal value of HUF 19 billion.

HUF 196.6 billion book value of mortgage bonds as of 31 March 2016 grew by 3.2% or HUF 6.0 billion from figures of 31 March 2015 (HUF 190,6 billion).

in HUF million	31/03/2015		31/03/2016	
	Book value	Nominal value	Book value	Nominal value
Non-listed mortgage bonds				
Fixed	33,213	33,050	33,338	33,050
Floating	0	0	0	0
Listed mortgage bonds				
Fixed	137,170	132,092	122,017	113,329
Floating	11,932	11,940	32,136	32,213
Total	182,314	177,082	187,491	178,592
Accrued interest	8,290		9,151	
Mortgage bonds Total	190,604	177,082	196,642	178,592
Non-listed bonds				
Fixed	33,342	33,283	20,578	20,527
Floating	11,470	11,676	9,572	9,612
Listed bonds				
Fixed	58,468	62,972	17,543	17,471
Floating	4,519	7,049	3,945	5,199
Total	107,799	114,981	51,638	52,809
Accrued interest	2,542		1,334	
Bonds Total	110,341	114,981	52,972	52,809

Mortgage bonds collateral¹

The net collateral value of real estate covering mortgage bonds issued by FHB Mortgage Bank amounted to HUF 277.0 billion as of 31 March 2016 (HUF 197.5 billion of capital and HUF 79.5 billion of interests), 5.3% less than the HUF 292.6 billion as of 31 December 2015 and 25.2% below the figure of 31 March 2015 (HUF 370.3 billion).

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

in HUF million	31/03/2015	31/12/2015	31/03/2016
Outstanding mortgage bonds in circulation			
Face value	207,846	195,084	196,414
Interest	39,542	40,676	39,749
Total	247,387	235,760	236,163
Value of the regular collateral			
Principal	262,509	207,402	197,520
Interest	107,784	85,178	79,459
Total	370,294	292,580	276,978
Value of assets involved as supplementary collateral			
Government and Hungarian Development Bank bonds	0	17,007	29,059
Total	0	17,007	29,059

As of 31 March 2016, the present value of ordinary collateral was HUF 261.2 billion and the present value of mortgage bonds were HUF 230.3 billion, thus the present value of collateral exceeded that of CMBs in circulation not yet repaid, ratio was 113.4%. As of 31 March 2016, net value of ordinary and supplementary collateral principal to unpaid face value of mortgage bonds in circulation was 115.3%, and the net ordinary and supplementary collateral principal to the unpaid interest on mortgage bonds in circulation was 200.1%.

The collateral value of real estate covering ordinary collaterals amounted to HUF 684.4 billion as of 31 March 2016, 2.79% below the 31 December 2015 value (HUF 704.1 billion). The LTV ratio applicable for ordinary collateral was 28.8% as of 31 March 2016, lower than the 29.3% LTV as of 31 December 2015.

Bonds issued

The book value of bonds was HUF 53.0 billion as of 31 March 2016, compared to 31 December 2015 (HUF 60.5 billion) decreasing by HUF 7.6 billion or 12.5%. The stock of bonds decreased by HUF 57.4 billion (52.0%) in one year.

Deposits

As of 31 March 2016, deposits amounted to HUF 331.7 billion decreasing by 4.3% year-on-year and increasing by 0.8% quarterly. In the last year, volume of corporate deposits decreased (-6.8%), while volume of retail deposits slightly increased (+0.03%).

The sight deposit ratio changed to 37.1% on 31 March 2016 from 31.3% a year before and 37.9% at the end of previous quarter.

Other liabilities

The Bank reported among the HUF 6.8 billion of other liabilities the generated provisions related to contingent and future liabilities, amounting HUF 0.8 billion. At the end of March 2016 early installments of clients reached HUF 679.9 million. The Bank reported accounts payable HUF 752.3 million as of the first quarter of 2016, accruals HUF 1,308.4 million.

Shareholders' equity

Within one year, shareholders' equity decreased to HUF 107.5 billion by 31 March 2016. In line with IFRS, the Bank reported the EUR 112 million Tier 1 subordinated bond as part of shareholder's equity. The Bank reported HUF 20.6 billion as non-controlling interest as part of shareholder's equity. Balance sheet profit relating to the parent company was HUF 0.4 billion loss at the end of March 2016.

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) is 25.89% as of 31 March 2016, compared to 20.13% in the previous quarter and 16.1% in the previous year. CET1 ratio is 14.80% on 31 March 2016 and it was 12.54% on 31 December 2015 and 10.47% on 31 March 2015. Total risk exposure amount reached HUF 336.4 billion at the end of the period, representing 1.9% increase compared to the end of the previous quarter. Amount of consolidated regulatory capital exceeded HUF 87 billion that is higher by 31.0% as of at the end of 2015. Increase of regulatory capital is the result of the fact that the Series "B" dividend preference shares and Series "C" ordinary shares issued at the capital increase on 30 December 2015 received the permit of NBH on 9 March 2016, and on its basis the amount of capital increase is taken into account by calculation of regulatory capital from the end of March. Changes of regulatory capital was also influenced significantly by NBH Decree No. 43/2015 (X.15.) entered into force on 1 January 2016 that modified NBH Decree No. 10/2014 (IV.3.) on own funds requirements, on unrealized gains and losses measured at fair value, on deductions related to unrealized gains and losses and on grandfathering of capital instruments, and by this it stated the introduction of stricter calculation methods referring to the calculation of capital requirements. The modification of decree affected principally the common equity tier 1 capital (CET1) that became higher by HUF 8.3 billion as of at the end of 2015 inspite of the capital increase of HUF 30.5 billion.

DECLARATION

The management report of first quarter of 2016 of FHB Jelzálogbank Nyrt. (FHB Mortgage Bank Plc.) is based on consolidated, non-audited IFRS financial statements.

FHB Jelzálogbank Nyrt. hereby declares that the quarterly financial statement was made in good faith and gives a true and fair view of the issuer and its consolidated subsidiaries assets, liabilities, financial position, profit and losses and does not conceal any fact or information which is relevant for the assessment of the situation.

Budapest, 12 May, 2016

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 audited data as of 31 December 2015 and non-audited data as of 31 March 2016 and 31 March 2015 according to IFRS)

in HUF million	2015 Q1	2015 Q4	2016 Q1	2016 Q1 / 2015 Q4	2016 Q1 / 2015 Q1
Interest income	13,187	8,841	8,523	-3.6%	-35.4%
Interest expense	-8,032	-5,616	-5,049	-10.1%	-37.1%
Net interest income	5,155	3,225	3,474	7.7%	-32.6%
Fee and commission income	1,869	2,409	2,007	-16.7%	7.4%
Fee and commission expense	-289	-421	-303	-27.9%	4.7%
Net fee and commission income	1,580	1,989	1,704	-14.3%	7.9%
Profit/(Loss) from FX transactions	-1,225	-149	-81	-45.3%	-93.4%
Change in fair value of financial instruments	-1,404	241	110	-54.3%	-
Dividend received	0	0	0	-	-
Gains from securities	1,188	1,352	1,112	-17.8%	-6.4%
Gains from investment services	31	129	132	2.2%	-
Net trading result	-1,409	1,574	1,273	-19.1%	-
Other operating income	16,256	-25,463	723	-	-95.5%
Other operating expense	-23,974	23,859	-2,005	-	-91.6%
Net other operating result	-7,718	-1,604	-1,282	-20.1%	-83.4%
Net income of associated companies	191	-124	197	-	3.4%
Operating income	-2,201	5,060	5,366	6.1%	-
Provision for impairment on loan losses	5,473	-3,685	-1,586	-57.0%	-
General and administrative expense	-4,424	-4,468	-4,604	3.0%	4.1%
Profit/(Loss) before tax	-1,153	-3,093	-824	-73.4%	-28.5%
Income tax benefit/(expense)	-2,651	-1,660	-453	-72.7%	-82.9%
Profit/(Loss) for the period	-3,804	-4,753	-1,277	-73.1%	-66.4%

Basic EPS (yearly)	-127.3 Ft	-261.8 Ft	-24.2 Ft	-90.8%	-81.0%
Diluted EPS (yearly)	-127.3 Ft	-261.8 Ft	-24.2 Ft	-90.8%	-81.0%

Consolidated Comprehensive Income Statement	Q1 2015	Q4 2015	Q1 2016	Q1 2016 / Q4 2015	Q1 2016 / Q1 2015
Profit/(Loss) for the period	-3,804	-4,753	-1,277	-73.1%	-66.4%
Revaluation reserve	0	0	0	-	-
Change in cash-flow hedge reserve	0	0	0	-	-
Change in fair value of financial assets available for sale	-474	823	199	-75.9%	-
FX translation reserve	16	-1	-10	-	-
Deferred tax effect for other comprehensive income	90	-156	-38	-75.9%	-
Other comprehensive income/(loss) for the period net of taxes	-368	666	151	-77.3%	-
Total comprehensive income/(loss) for the period, net of income taxes	-4,171	-4,087	-1,126	-72.4%	-73.0%

Consolidated Income Statement 'B'

Table includes the special banking tax for the entire business year

(consolidated audited data as of 31 December 2015, non-audited data as of 31 March 2016, and 31 March 2015 according to IFRS)

in HUF million	2015 Q1	2015 Q4	2016 Q1	2016 Q1 / 2015 Q4	2016 Q1 / 2015 Q1
Interest income	13,187	8,841	8,523	-3.6%	-35.4%
Interest expense	-8,032	-5,616	-5,049	-10.1%	-37.1%
Net interest income	5,155	3,225	3,474	7.7%	-32.6%
Fee and commission income	1,869	2,409	2,007	-16.7%	7.4%
Fee and commission expense	-289	-421	-303	-27.9%	4.7%
Net fee and commission income	1,580	1,989	1,704	-14.3%	7.9%
Profit/(Loss) from FX transactions	-1,225	-149	-81	-45.3%	-93.4%
Change in fair value of financial instruments	-1,404	241	110	-54.3%	-
Dividend received	0	0	0	-	-
Gains from securities	1,188	1,352	1,112	-17.8%	-6.4%
Gains from investment services	31	129	132	2.2%	-
Net trading result	-1,409	1,574	1,273	-19.1%	-
Other operating income	16,256	-25,463	723	-	-95.5%
Other operating expense	-26,093	24,565	-2,903	-	-88.9%
Net other operating result	-9,837	-898	-2,179	142.7%	-77.8%
Net income of associated companies	191	-124	197	-	3.4%
Operating income	-4,320	5,766	4,468	-22.5%	-
Provision for impairment on loan losses	5,473	-3,685	-1,586	-57.0%	-
General and administrative expense	-4,424	-4,468	-4,604	3.0%	4.1%
Profit/(Loss) before tax	-3,272	-2,386	-1,721	-27.9%	-47.4%
Income tax benefit/(expense)	-2,248	-1,794	-283	-84.2%	-87.4%
Profit/(Loss) for the period	-5,520	-4,181	-2,004	-52.1%	-63.7%

Basic EPS (yearly)	-233.2 Ft	-227.3 Ft	-69.0 Ft	-69.6%	-70.4%
Diluted EPS (yearly)	-233.2 Ft	-227.3 Ft	-69.0 Ft	-69.6%	-70.4%

Consolidated Comprehensive Income Statement	2015 Q1	2015 Q4	2016 Q1	Q1 2016 / Q4 2015	Q1 2016 / Q1 2015
Profit/(Loss) for the period	-5,520	-4,181	-2,004	-52.1%	-63.7%
Revaluation reserve	0	0	0	-	-
Change in cash-flow hedge reserve	0	0	0	-	-
Change in fair value of financial assets available for sale	-474	823	199	-75.9%	-
FX translation reserve	16	-1	-10	-	-
Deferred tax effect for other comprehensive income	90	-156	-38	-75.9%	-
Other comprehensive income/(loss) for the period net of taxes	-368	666	151	-77.3%	-
Total comprehensive income/(loss) for the period, net of income taxes	-5,888	-3,515	-1,853	-47.3%	-68.5%

Consolidated Financial Position 'A'

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

(consolidated audited data as of 31 December 2015, and non-audited data as of 31 March 2016, and 31 March 2015 according to IFRS)

in HUF million	Mar 31, 2015	Dec 31, 2015	Mar 31, 2016	31/03/2016/ 31/12/2015	31/03/2016/ 31/03/2015
Cash on hand	2,331	3,017	2,801	-7.2%	20.2%
Due from banks & NBH	274,758	210,957	153,341	-27.3%	-44.2%
Securities held for trading	21,083	51,913	72,319	39.3%	243.0%
Financial assets available for sale	59,912	74,042	114,016	54.0%	90.3%
Investment in associates	7,123	7,755	4,382	-43.5%	-38.5%
Derivate financial assets	11,972	884	1,672	89.2%	-86.0%
Refinanced mortgage loans	104,711	82,790	78,116	-5.6%	-25.4%
Loans and advances to consumers	333,654	314,855	310,231	-1.5%	-7.0%
Impairment and provision	-28,710	-26,557	-23,531	-11.4%	-18.0%
Tangible assets	6,507	6,168	6,110	-0.9%	-6.1%
Goodwill and other intangible assets	7,771	1,915	1,920	0.3%	-75.3%
Deferred tax asset	8,857	8,232	8,018	-2.6%	-9.5%
Other assets	12,003	8,849	9,347	5.6%	-22.1%
Total assets	821,973	744,821	738,741	-0.8%	-10.1%
Due to banks	42,466	39,774	40,181	1.0%	-5.4%
Issued securities	267,743	235,115	230,501	-2.0%	-13.9%
Mortgage bonds	170,738	174,592	177,529	1.7%	4.0%
Bonds	97,004	60,524	52,972	-12.5%	-45.4%
Deposits from customers	346,811	329,048	331,740	0.8%	-4.3%
Derivative financial liabilities	27,166	2,308	2,971	28.7%	-89.1%
Financial liabilities at fair value through profit or loss	33,203	19,878	19,113	-3.8%	-42.4%
Finance lease liabilities	4,716	12	12	0.0%	-99.7%
Reserve for annuity payments	0	0	0	-	-
Current tax liability	30	1	1	3.7%	-95.9%
Deferred tax liability	0	1	1	28.3%	42.9%
Provisions	8,716	999	815	-18.4%	-90.6%
Other liabilities	7,205	9,152	5,959	-34.9%	-17.3%
Total liabilities	738,056	636,289	631,293	-0.8%	-14.5%
Share capital	6,600	10,849	10,849	0.0%	64.4%
Share premium	1,709	27,926	27,926	0.0%	-
Treasury shares	-207	-207	-207	0.0%	0.0%
Subordinated Tier 1 capital	31,749	31,749	31,749	0.0%	0.0%
Other reserves	-322	599	751	25.5%	-
Retained earnings	24,444	24,442	16,137	-34.0%	-34.0%
Minority interest	22,008	21,480	20,635	-3.9%	-6.2%
Balance sheet profit	-2,064	-8,304	-392	-95.3%	-81.0%
Total shareholders' equity	83,917	108,532	107,448	-1.0%	28.0%
Total liabilities and shareholders' equity	821,973	744,821	738,741	-0.8%	-10.1%

Consolidated Financial Position 'B'

Table includes the special banking tax for the entire business year

(consolidated audited data as of 31 December 2015, and non-audited data as of 31 March 2016, and 31 March 2015 according to IFRS)

in HUF million	Mar 31, 2015	Dec 31, 2015	Mar 31, 2016	31/03/2016/ 31/12/2015	31/03/2016/ 31/03/2015
Cash on hand	2,331	3,017	2,801	-7.2%	20.2%
Due from banks & NBH	274,758	210,957	153,341	-27.3%	-44.2%
Securities held for trading	21,083	51,913	72,319	39.3%	243.0%
Financial assets available for sale	59,912	74,042	114,016	54.0%	90.3%
Investment in associates	7,123	7,755	4,382	-43.5%	-38.5%
Derivative financial assets	11,972	884	1,672	89.2%	-86.0%
Refinanced mortgage loans	104,711	82,790	78,116	-5.6%	-25.4%
Loans and advances to consumers	333,654	314,855	310,231	-1.5%	-7.0%
Impairment and provision	-28,710	-26,557	-23,531	-11.4%	-18.0%
Tangible assets	6,507	6,168	6,110	-0.9%	-6.1%
Goodwill and other intangible assets	7,771	1,915	1,920	0.3%	-75.3%
Deferred tax asset	9,260	8,232	8,188	-0.5%	-11.6%
Other assets	11,977	8,849	9,321	5.3%	-22.2%
Total assets	822,349	744,821	738,886	-0.8%	-10.1%
Due to banks	42,466	39,774	40,181	1.0%	-5.4%
Issued securities	267,743	235,115	230,501	-2.0%	-13.9%
Mortgage bonds	170,738	174,592	177,529	1.7%	4.0%
Bonds	97,004	60,524	52,972	-12.5%	-45.4%
Deposits from customers	346,811	329,048	331,740	0.8%	-4.3%
Derivative financial liabilities	27,166	2,308	2,971	28.7%	-89.1%
Financial liabilities at fair value through profit or loss	33,203	19,878	19,113	-3.8%	-42.4%
Finance lease liabilities	4,716	12	12	0.0%	-99.7%
Reserve for annuity payments	0	0	0	-	-
Current tax liability	30	1	1	3.7%	-95.9%
Deferred tax liability	0	1	1	28.3%	42.9%
Provisions	8,716	999	815	-18.4%	-90.6%
Other liabilities	9,298	9,152	6,830	-25.4%	-26.5%
Total liabilities	740,149	636,289	632,165	-0.6%	-14.6%
Share capital	6,600	10,849	10,849	0.0%	64.4%
Share premium	1,709	27,926	27,926	0.0%	-
Treasury shares	-207	-207	-207	0.0%	0.0%
Subordinated Tier 1 capital	31,749	31,749	31,749	0.0%	0.0%
Other reserves	-322	599	751	25.5%	-
Retained earnings	24,444	24,442	16,137	-34.0%	-34.0%
Minority interest	22,008	21,480	20,635	-3.9%	-6.2%
Balance sheet profit	-3,780	-8,304	-1,119	-86.5%	-70.4%
Total shareholders' equity	82,200	108,532	106,721	-1.7%	29.8%
Total liabilities and shareholders' equity	822,349	744,821	738,886	-0.8%	-10.1%

Cash Flow Statement 'A'

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

(consolidated audited data as of 31 December 2015 and non-audited data as of 31 March 2016 according to IFRS)

in HUF million	31 December 2015	31 March 2016
Cash flow from operating activities		
Profit/(loss) for the year	-10,549	-1,278
<i>Non cash adjustments to net profit from:</i>		
Depreciation and amortization	1,710	107
Extraordinary depreciation and amortization	0	0
Recognition of investment property through income statement	0	0
Provision for losses	-34,104	-2,893
(Gain)/Loss on tangible assets derecognized	74	-1
(Gain)/Loss on intangible assets derecognized	-170	1
Capitalized interest	750	232
Fair value of derivatives	-8,765	-125
Fair value adjustment on financial liabilities through profit and loss	-1,494	-1,057
Change in foreign currency translation reserve	0	-8
Change of investments in associates	-823	3,373
Change in leasing liabilities	0	0
Operating profit before change in operating assets	-53,371	-1,649
<i>Decrease/(Increase) in operating assets:</i>		
Financial assets held for trading	-17,317	-20,406
Financial assets available for sale	1,901	-39,813
Refinanced mortgage loans	33,392	4,674
Loans and advances to customers	39,954	4,075
Other assets	3,312	-284
Deposits	30,286	2,692
Due to banks	-30,719	-11,019
Other liabilities	5,114	-3,190
Net cash flow from operating activities	12,552	-64,920
Cash flow from investing activities		
Proceeds from sales of tangible assets	1,189	0
Purchase of tangible and intangible assets	-640	-54
Purchase of investment property	-780	0
Net cash flow from disposal of subsidiaries	0	0
Net cash flow from investing activities	-230	-54
Cash flow from financing activities		
Proceed from issued securities	77,992	5,785
Principal repayment on issued securities	-113,349	-10,107
Treasury shares purchased	0	0
Long term loans repayment	27,457	11,426
Long term loan borrowings	0	0
Finance lease liabilities repayment	-949	0
Cash income from capital raise	30,466	-1
Change in the minority interest	8	41
Net cash flow from financing activity	21,626	7,144
Net increase in cash and cash equivalents	33,946	-57,831
Opening balance of cash and cash equivalents	180,028	213,974
Closing balance of cash and cash equivalents	213,974	156,143
Breakdown of cash and cash equivalents:		
Cash	3,017	2,801
Balances with National Bank of Hungary	162,749	88,754
Dues from banks with a maturity of less than 90 days	48,208	64,588
Closing balance of cash and cash equivalents	213,974	156,143
<i>Supplementary data</i>		
Tax paid	-2,045	-478
Interest received	47,669	8,233
Interest paid	-32,529	-4,456

Cash Flow Statement 'B'

Table includes the special banking tax for the entire business year

(consolidated audited data as of 31 December 2015 and non-audited data as of 31 March 2016 according to IFRS)

in HUF million	31 December 2015	31 March 2016
Cash flow from operating activities		
Profit/(loss) for the year	-10,549	-2,004
<i>Non cash adjustments to net profit from:</i>		
Depreciation and amortization	1,710	107
Extraordinary depreciation and amortization	0	0
Recognition of investment property through income statement	0	0
Provision for losses	-34,104	-2,893
(Gain)/Loss on tangible assets derecognized	74	-1
(Gain)/Loss on intangible assets derecognized	-170	1
Capitalized interest	750	232
Fair value of derivatives	-8,765	-125
Fair value adjustment on financial liabilities through profit and loss	-1,494	-1,057
Change in foreign currency translation reserve	0	-8
Change of investments in associates	-823	3,373
Leasing liabilities	0	0
Operating profit before change in operating assets	-53,371	-2,375
<i>Decrease/(Increase) in operating assets:</i>		
Financial assets held for trading	-17,317	-20,406
Financial assets available for sale	1,901	-39,813
Refinanced mortgage loans	33,392	4,674
Loans and advances to customers	39,954	4,075
Other assets	3,312	-428
Deposits	30,286	2,692
Due to banks	-30,719	-11,019
Other liabilities	5,114	-2,319
Net cash flow from operating activities	12,552	-64,919
Cash flow from investing activities		
Proceeds from sales of tangible assets	1,189	0
Purchase of tangible and intangible assets	-640	-54
Purchase of investment property	-780	0
Net cash flow from disposal of subsidiaries	0	0
Net cash flow from investing activities	-230	-54
Cash flow from financing activities		
Proceed from issued securities	77,992	5,785
Principal repayment on issued securities	-113,349	-10,107
Treasury shares purchased	0	0
Long term loans repayment	27,457	11,426
Long term loan borrowings	0	0
Finance lease liabilities repayment	-949	0
Cash income from capital raise	30,466	-1
Change in the minority interest	8	41
Net cash flow from financing activity	21,626	7,144
Net increase in cash and cash equivalents	33,946	-57,831
Opening balance of cash and cash equivalents	180,028	213,974
Closing balance of cash and cash equivalents	213,974	156,143
Breakdown of cash and cash equivalents:		
Cash	3,017	2,801
Balances with National Bank of Hungary	162,749	88,754
Dues from banks with a maturity of less than 90 days	48,208	64,588
Closing balance of cash and cash equivalents	213,974	156,143
<i>Supplementary data</i>		
Tax paid	-2,045	-478
Interest received	47,669	8,233
Interest paid	-32,529	-4,456

Name: FHB Mortgage Bank Plc.
Address: 1082 Budapest, Üllői út 48.
Sector: Financial services
Reporting period: 01.01.2016 – 31.03.2016

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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 2015, and 1 January 2016 and non-audited data as of 31 March 2016 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 2015	6,600	-207	1,709	0	0	31,749	18	14	23,717	24,448	88,048
Transfer to general reserve											0
Capital increase	4,249		26,217								30,466
Profit/(Loss)									-2,245	-8,304	-10,549
Other comprehensive income							566				566
Changes due to minority interest											0
Subordinated Tier 1 capital						0					0
Change in share option reserve											0
Change in non-controlling interest									49	-6	43
Dividend in 2014									-41		-41
1 January 2016	10,849	-207	27,926	0	0	31,749	584	14	21,480	16,138	108,533
Transfer to general reserve											0
Capital increase											0
Profit/(Loss)									-886	-390	-1,276
Other comprehensive income							161	-8			153
Purchase/(Sale) of treasury shares											0
Subordinated Tier 1 capital						0					0
Change in share option reserve											0
Change in non-controlling interest									40		40
Dividend in 2015											0
31 March 2016	10,849	-207	27,926	0	0	31,749	745	6	20,635	15,748	107,449

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Statement of Shareholders' Equity 'B'

Table includes the special banking tax for the entire business year

(consolidated audited data as of 1 January 2015, and 1 January 2016 and non-audited data as of 31 March 2016 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 2015	6,600	-207	1,709	0	0	31,749	18	14	23,717	24,448	88,048
Transfer to general reserve											0
Capital increase	4,249		26,217								30,466
Profit/(Loss)									-2,245	-8,304	-10,549
Other comprehensive income							566				566
Changes due to minority interest											0
Subordinated Tier 1 capital											0
Change in share option reserve											0
Change in non-controlling interest									49	-6	43
Dividend in 2014									-41		-41
1 January 2016	10,849	-207	27,926	0	0	31,749	584	14	21,480	16,138	108,533
Transfer to general reserve											0
Capital increase											0
Profit/(Loss)									-886	-1 119	-2 005
Other comprehensive income							161	-8			153
Purchase/(Sale) of treasury shares											0
Subordinated Tier 1 capital											0
Change in share option reserve											0
Change in non-controlling interest									40		40
Dividend in 2015											0
31 March 2016	10,849	-207	27,926	0	0	31,749	745	6	20,635	15,019	106,721

Off-balance Sheet items – Commitments

(consolidated audited data as of 31 December 2015, non-audited data as of 31 March 2015, and 31 March 2016 according to IFRS)

in HUF million	31 March 2015	31 December 2015	31 March 2016
Commitments			
Guarantees	13,969	15,272	12,473
Undrawn commitments	37,918	49,971	50,007
Total	51,887	65,243	62,480

Transactions with related parties

(consolidated non-audited data as of 31 March 2015 and as of 31 March 2016 according to IFRS)

in HUF million	Transactions between FHB Mortgage Bank and owners with influential share	
	31 March 2015	31 March 2016
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	4
Total liabilities	0	4
	31 March 2015	31 March 2016
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	-24	-24
Profit for the year	-24	-24

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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Investor relations: Rita Bozzai

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

Ownership structure, participation and voting rates (as at 31 March 2016)

Description of owner	Total equity ¹						Listed series ¹					
	At the beginning of actual year		End of actual period		At the beginning of actual year		End of actual period					
	% ²	% ³	Qty	%	%	Qty	%	%	Qty	%	%	Qty
Series "A" shares listed on BSE												
Domestic institution/company	38.6%	44.6%	41,911,917	38.6%	44.6%	41,911,917	38.6%	44.6%	41,911,917	38.6%	44.6%	41,911,917
Foreign institution/company	10.7%	12.4%	11,642,388	10.7%	12.4%	11,642,388	10.7%	12.4%	11,642,388	10.7%	12.4%	11,642,388
Domestic individual	6.1%	7.1%	6,669,193	6.1%	7.1%	6,669,193	6.1%	7.1%	6,669,193	6.1%	7.1%	6,669,193
Foreign individual	0.0%	0.0%	16,326	0.0%	0.0%	16,326	0.0%	0.0%	16,326	0.0%	0.0%	16,326
Employees, senior officers	0.1%	0.1%	77,808	0.1%	0.1%	77,808	0.1%	0.1%	77,808	0.1%	0.1%	77,808
Treasury shares	0.2%	0.0%	253,601	0.2%	0.0%	253,601	0.2%	0.0%	253,601	0.2%	0.0%	253,601
Government held owner ⁴	4.5%	5.1%	4,832,225	4.5%	5.1%	4,832,225	4.5%	5.1%	4,832,225	4.5%	5.1%	4,832,225
International Development Institutions ⁵	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0
Other	0.5%	0.6%	596,552	0.5%	0.6%	596,552	0.5%	0.6%	596,552	0.5%	0.6%	596,552
Series total	60.8%	69.9%	66,000,010	60.8%	69.9%	66,000,010	60.8%	69.9%	66,000,010	60.8%	69.9%	66,000,010
Series "B" shares non-listed on BSE												
Domestic institution/company	13.1%	0.0%	14,163,430	13.1%	0.0%	14,163,430						
Series total	13.1%	0.0%	14,163,430	13.1%	0.0%	14,163,430						
Series "C" shares non-listed on BSE												
Domestic institution/company	26.1%	30.1%	2,832,686	26.1%	30.1%	2,832,686						
Series total	26.1%	30.1%	2,832,686	26.1%	30.1%	2,832,686						
TOTAL	100.0%	100.0%	82,996,126	100.0%	100.0%	82,996,126						

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.

² Ownership share

³ The voting rights ensuring participation in decision making at the General Shareholder's Meeting of Issuer. If the ownership share and the voting rights are identical, only the ownership share column must be completed and submitted/disclosed, while the fact must be indicated!

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

⁵ E.g.: EBRD, EIB, etc.

Name: FHB Mortgage Bank Plc.
 Address: 1082 Budapest, Üllői út 48.
 Sector: Financial services
 Reporting period: 01.01.2016 – 31.03.2016

Telephone: (1) 452 - 9100
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 E-mail: Bozzai.Rita@fhb.hu
 Investor relations: Rita Bozzai

Number of treasury shares held in the year under review relating to listed series

	31 March 2015		31 December 2015		31 March 2016	
FHB Mortgage Bank Plc.	253,601	0.38%	253,601	0.23%	253,601	0.23%

Owners with more than 5% ownership relating to listed series (as at 31 March 2016)

Name	Custodian Bank (yes/no)	Number of shares	Stake (%)
VCP Finanz Holding Ltd.	no	15,970,000	24.20%
A64 Vagyonkezelő Ltd.	no	15,722,668	23.82%
Allianz Hungária Biztosító Ltd.	no	6,874,162	10.42%
Silvermist Estate SA (Clearstream Nominee)	yes	6,337,089	9.60%
Hungarian National Asset Management Inc.	no	4,832,225	7.32%
Total		49,736,144	75.36%

Owners with more than 5% ownership relating to total equity (as at 31 March 2016)

Name	Custodian Bank (yes/no)	Number of shares	Stake (%)
VCP Finanz Holding Ltd.	no	15,970,000	14.72%
A64 Vagyonkezelő Ltd.	no	15,722,668	14.49%
Allianz Hungária Biztosító Ltd.	no	6,874,162	6.33%
Silvermist Estate SA (Clearstream Nominee)	yes	6,337,089	5.84%
Hungarian National Asset Management Inc.	no	4,832,225	4.45%
Total		49,736,144	45.83%

Data forms related to the organisation and operation of the issuer

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

	End of reference period 31/03/2015	End of last quarter 31/12/2015	Current period closing 31/03/2016
Bank	183	129	130
Consolidated	852	864	906

Persons in senior positions and (strategic) employees having an influence on the operations of the Issuer (as at 31 March 2016)

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	06.05.2015	06.05.2020	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)

On 28 April 2016 the General Meeting elected Levente László Szabó as the member of the Board of Directors; while István Sebestyén was elected and Miklós Szabó was re-elected as a member of the Supervisory Board.

Information and disclosures in the first quarter of 2016

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