



**FHB Mortgage Bank Plc.**

**Half-year financial report  
for the first half of 2016**

Budapest, 18 August, 2016

**I. SUMMARY CONSOLIDATED FIGURES AND TREND OF KEY PERFORMANCE INDICATORS**

in HUF million	30/06/2015	31/12/2015	31/03/2016	30/06/2016	30/06/2016/ 31/03/2016	30/06/2016/ 31/12/2015	30/06/2016/ 30/06/2015
<b>Main balance sheet items</b>							
Total assets	753,629	744,821	738,741	617,647	-16.4%	-17.1%	-18.0%
Refinanced loans	93,329	82,790	78,116	73,783	-5.5%	-10.9%	-20.9%
Loans (gross)	326,211	314,855	310,231	313,982	1.2%	-0.3%	-3.7%
Mortgage bonds	163,370	194,470	196,643	148,512	-24.5%	-23.6%	-9.1%
Senior unsecured bonds	108,443	60,524	52,972	45,682	-13.8%	-24.5%	-57.9%
Customer deposits	337,388	329,048	331,740	290,301	-12.5%	-11.8%	-14.0%
Shareholders' equity	82,528	108,532	107,448	71,057	-33.9%	-34.5%	-13.9%
<i>Capital adequacy ratio</i>	<i>17.24%</i>	<i>20.13%</i>	<i>25.89%</i>	<i>14.56%</i>	<i>-11.33%-pt</i>	<i>-5.57%-pt</i>	<i>-2.69%-pt</i>
<i>CET1 ratio</i>	<i>10.50%</i>	<i>12.54%</i>	<i>14.80%</i>	<i>13.07%</i>	<i>-1.73%-pt</i>	<i>0.53%-pt</i>	<i>2.56%-pt</i>

in HUF million	Q2 2015	Q1 2016	Q2 2016	Q2 2016 / Q1 2016	Q2 2016 / Q2 2015	H1 2015	H1 2016	H1 2016 / H1 2015
<b>Main P/L items</b>								
Net interest income	3,347	3,474	3,502	0.8%	4.6%	8,502	6,976	-17.9%
<i>Net interest margin</i>	<i>1.70%</i>	<i>1.90%</i>	<i>2.07%</i>	<i>0.17%-pt</i>	<i>0.37%-pt</i>	<i>2.25%</i>	<i>2.06%</i>	<i>-0.19%-pt</i>
Net fees and commissions	1,697	1,704	1,906	11.9%	12.3%	3,277	3,610	10.2%
Net operating income	4,296	5,366	5,405	0.7%	25.8%	2,095	10,771	414.1%
Provision for impairment on loan losses	-2,137	-1,586	-413	-73.9%	-80.7%	3,335	-2,000	-160.0%
Operating cost	-5,155	-4,604	-4,952	7.6%	-3.9%	-9,579	-9,556	-0.2%
<i>Cost to income ratio</i>	<i>120.0%</i>	<i>85.8%</i>	<i>91.6%</i>	<i>5.8%-pt</i>	<i>-28.4%-pt</i>	<i>457.2%</i>	<i>88.7%</i>	<i>-</i>
<i>Cost/income ratio w/o special banking tax</i>	<i>103.0%</i>	<i>81.3%</i>	<i>86.8%</i>	<i>5.6%-pt</i>	<i>-16.2%-pt</i>	<i>273.1%</i>	<i>84.1%</i>	<i>-189.0%-pt</i>
<b>Profit before tax</b>	<b>-2,996</b>	<b>-824</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>-4,149</b>	<b>-785</b>	<b>-81.1%</b>
<b>Profit after tax</b>	<b>-1,491</b>	<b>-1,277</b>	<b>-268</b>	<b>-79.0%</b>	<b>-82.0%</b>	<b>-5,295</b>	<b>-1,546</b>	<b>-70.8%</b>
<b>Profit after tax w/o special banking tax and other one-offs</b>	<b>-91</b>	<b>-710</b>	<b>-81</b>	<b>-88.6%</b>	<b>-10.9%</b>	<b>-1,307</b>	<b>-791</b>	<b>-39.5%</b>
<i>Basic EPS (HUF)</i>	<i>-26.73 Ft</i>	<i>-14.68 Ft</i>	<i>-6.08 Ft</i>	<i>-58.6%</i>	<i>-77.3%</i>	<i>-76.74 Ft</i>	<i>-10.35 Ft</i>	<i>-86.5%</i>
<i>Return on Assets</i>	<i>-0.76%</i>	<i>-0.70%</i>	<i>-0.16%</i>	<i>0.5%-pt</i>	<i>0.6%-pt</i>	<i>-1.40%</i>	<i>-0.46%</i>	<i>0.9%-pt</i>
<i>Return on Equity</i>	<i>-7.2%</i>	<i>-4.8%</i>	<i>-1.2%</i>	<i>3.6%-pt</i>	<i>6.0%-pt</i>	<i>-12.5%</i>	<i>-8.8%</i>	<i>3.7%-pt</i>
<i>ROAA w/o special banking tax and other one-offs</i>	<i>-0.05%</i>	<i>-0.39%</i>	<i>-0.05%</i>	<i>0.3%-pt</i>	<i>0.0%-pt</i>	<i>-0.35%</i>	<i>-0.23%</i>	<i>0.1%-pt</i>
<i>ROAE w/o special banking tax and other one-offs</i>	<i>-0.4%</i>	<i>-2.7%</i>	<i>-0.4%</i>	<i>2.3%-pt</i>	<i>0.1%-pt</i>	<i>-3.1%</i>	<i>-4.5%</i>	<i>-1.4%-pt</i>

## II. REPORT ON THE FIRST HALF-YEAR OF 2016 RESULTS OF FHB GROUP

This report of FHB Mortgage Bank Public Co Plc. for the first half-year 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, audited figures as of 31 December 2015, non-audited figures as of 30 June 2015 and 30 June 2016, and also figures as of 31 March 2016.

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

FHB Banking group closed the second quarter of 2016 with HUF 38.9 million profit before tax. The significant improvement of the result was contributed by increasing volume of net fee and commission income, decrease of loan losses and improving other results.

The Banking Group shall continue to focus on increase of lending activity, within which special attention was given to Non-Refundable Family Home Creating Benefit ('CSOK') and to Postal personal loans, and to the launch of MFB Points concerning the corporate business.

#### *Lending*

In the second quarter the new lending volumes in both retail and corporate segments exceeded significantly the performance of the previous periods. **New retail lending volume of HUF 6.5 billion increased** by 24.0% compared to the first quarter and exceeded **by 82% the volume a year before, while the volume of disbursed corporate loans of HUF 12.0 billion** reflect a 33% jump compared to the first quarter of 2016 and means **37% increase year-on-year**. In the first half of 2016, volume of retail loan disbursement amounted to close to HUF 12 billion; volume of corporate disbursement was close to HUF 21 billion.

Retail loan disbursement is still determined by the over HUF 4 billion of retail housing lending, while disbursed personal and security-backed loan volume came near to HUF 1.5 billion, of which volume of new Postal personal loans was 80% higher compared to the previous quarter.

In case of Non-Refundable Family Home Creating Benefit ('CSOK'), from the launch in June, 2015 until the end of June 2016 more than 1,500 loan applications had been approved, from which the number of disbursed loans almost reached 850 with the total volume amounting to HUF 1.5 billion. In case of nearly 45% of 'CSOK' applications clients submitted loan applications as well. In the second quarter, **in case of close to 45% of 'CSOK' applications clients submitted loan applications** as well. In terms of claimed subsidy volume FHB's market share is estimated to exceed 12.5%.

**In case of corporate lending, volume of project loans amounted to HUF 6.8 billion** in the second quarter, and exceeded HUF 9 billion in the first half; while in case of the new business line of FHB Leasing Ltd., the **equipment leasing** launched in 2015, volume of new disbursements exceeded HUF 1 billion in the second quarter.

For the end of June, FHB Commercial Bank Ltd. opened the 21 MFB Points (3 MFB Points in Budapest and 18 in the chief towns of the respective counties) undertaken on the contact with the Hungarian Development Bank Ltd. (MFB). There is a huge interest toward the interest-free credit facilities for developments. During the less than two months since the opening of MFB Points, for several billion HUF of loan interest get in, and the evaluation and preparation is in progress. The first contracts will be signed in the upcoming days.

**Gross loans** amounted to HUF 314.0 billion as of June 30, 2016, showing 1.2%, close to HUF 4 billion increase compared to the previous quarter.

Due to the increasing new loan disbursement the quality of the loan portfolio improved further. Rate of non-performing loans (**NPL ratio**) **dropped to 12.6%** by the end of June 2016 from 13.5% at the end of March or 14.7% as of December 31, 2015, while it was 18% on June 30, 2015. Coverage of non-performing portfolio improved as well, and exceeded 57% at the end of the second quarter.

### **Savings**

Within savings managed by members of the Bank Group, the volume of investment funds and other securities increased in the second quarter, while in case of deposits – including corporate deposits – a significant decrease can be observed.

Consolidated deposit volume amounted to HUF 290.3 billion at the end of the second quarter, showing a decrease of HUF 40 billion compared to the end of the previous quarter. The vast majority of the fall in deposit volume occurred in course of June, and affected primarily the corporate deposits as FHB Bank Group was insulted several times in the press at the end of May and at the beginning of June. This made the volume of corporate deposits to decrease by nearly 17% and to HUF 171 billion, while the drop in volume of retail deposits was much lower, 5.5% and HUF 119 billion. Since then the volume of deposits has been stabilised. The mentioned decrease of deposit volume did not influenced the liquidity position of the Banking Group, moreover **the volume of sight deposits within retail deposits has increased** compared to the the end of the first quarter. The volume of Postal deposits still represents a notable share in retail deposits with its volume of HUF 35 billion. The **number of current accounts opened in the Hungarian Postal network increased to nearly to 60 thousand** by the end of the quarter. The majority of postal accounts is active, the volume of income transfers arriving onto the accounts is around HUF 5 billion on monthly basis, which volume was exceeded it in July.

Volume of – **non-consolidated** – **total savings managed** by the members of FHB Group was **HUF 818 billion** as of June 30, 2016. Including assets under management by **Magyar Posta Investment Ltd. (MPBSZ)** **reached HUF 153 billion** by the end of the quarter up by 9% versus Q1 2016, while it **showed 89% increase on annual basis**. The number of securities and investment accounts managed by the company was 48 thousand at end of June, 2016.

The **total net value of assets** and other portfolios under management of **Diófa Asset Management Ltd.** exceeded **HUF 412.9 billion** at the end of the second quarter, **including net asset value of open-ended investment funds increased by more than 7%**. Open-ended investment funds represent 40% of the value of total net assets managed by Diófa Asset Management. The largest contribution to the increase of those investment funds comes from Magyar Posta Takarék Real Estate Fund, of which the net asset value approached **HUF 117 billion** at the end of June – by 11% growth compared to the previous quarter -.

FHB Group's consolidated total assets amounted to HUF 616.6 billion on June 30, 2016, that is lower by 16.4% compared to the previous quarter and by 17.1% compared to the balance sheet total as of 31 December 2015.

### **Main P&L items**

The Bank Group's **profit after tax** showing a slight increase amounted to **HUF 3.5 billion in the second quarter**, so the **net interest margin** to average total assets **grew to 2.07%** from 1.90% of previous quarter.

**Net fees and commissions reached HUF 1.9 billion** increasing by nearly 12% compared to the first quarter of 2016 and to the same period of the previous year. Increase was contributed primarily by 16% growth of fees related to accounts management and bank card services, and the 27% annual increase – with more than 12% growth on quarterly basis – of investment services and fund management fees.

**Operating costs** amounted to nearly HUF 5 billion in the second quarter of 2016, the amount of which **decreased by 3.9%** and by nearly HUF 203 million **compared to the same period of previous year**. Concerning the first half, the volume of operating costs came close to the same level as a year before.

**The risk cost** was HUF 413 million in the second quarter compared to HUF 1.6 billion of previous quarter. The volume of impairments – besides **improving coverage** by more than 6‰ on yearly basis, from 50.9% to 57.2%- decreased by 4% compared to the previous quarter, by 24% compared to the same period of the previous year, or by HUF 7 billion, in line with the improving NPL ratio.

The **net income of associated companies** contributed to the total revenue by HUF 197 million during the second quarter and by HUF 394 billion concerning the first half of the year. Among the companies in the scope of consolidation the result of **Diófa Asset Management Plc.** is still noteworthy, which closed the second quarter with **a profit after tax of HUF 352 million based on Hungarian Accounting Standards. FHB Commercial Bank Ltd.** significantly improved its results and reached **HUF 728 million IFRS-based profit before tax** and HUF 490 million profit after tax, respectively.

Pro rata special banking tax amounted to HUF 598 million during the first half of the year; 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 before tax without the special banking tax and other one-off items** was HUF 30 million loss in the first half of the year and **HUF 226 million gain in the second quarter**, showing significant improvement compared to the previous year.

### **Capital position**

The first pillar **capital adequacy ratio** of FHB Group was **14.56% as of 30 June 2016**, compared to 25.89% on 31 March 2016, and to 20.13% at the end of December 2015. The reason of the decrease of regulatory capital is the fact that FHB Mortgage Bank Plc. – with prior authorization of NBH – repurchased the subordinated Tier1 capital on 17 June 2016, which transaction resulted in HUF 35 billion decrease of solvency/regulatory capital of the Bank Group. CET1 ratio is 13.07% at the end of June 2016, while it was 14.80% on 31 March 2016 and 12.54% on 31 December 2015. Consolidated regulatory capital was HUF 49.7 billion that is lower by 25% compared to the end of 2015 and to the value a year before, and shows a decrease of 43% compared to the end of previous quarter.

### *Performance of FHB shares*

In terms of capitalisation, FHB is 5th in the rank of "Premium" category listed companies and contributes 0.66% to the aggregate capitalisation of the BSE based on 30 June 2016 data.

As of the end of the June in 2016, FHB's weight in the BUX index was 0.47% which meant that it stands at the seventh place, while it was the 4<sup>th</sup> biggest member with a weight of 11.12% (in the first quarter of 2016 13.91%) in BUMIX, the index of share prices of mid- and small-cap companies.

The price of FHB Mortgage Bank's shares, compared to the previous quarter by a higher volatility, showed decreasing in the second quarter of 2016. Closed the second quarter of 2016 at HUF 568 – that meant a HUF 169 decrease compared to 30 March 2016 data.

*Strategy of the Banking Group, targets and outlook*

FHB Mortgage Bank Plc. and FHB Commercial Bank Ltd. became a member of Integration Organisation of Cooperative Credit Institution (SZHISZ) on September 23, 2015, based on the Act CXXXV of 2013 on integration of cooperative financial institutions and modification of certain rules on economic issues (Szhitv).

The main target of FHB is to become a medium-size bank, focusing to the customers and to the sales activity, acting as the “Bank of the family”, providing high level financial services, building on the results of the previous years, and the loyalty of the employees. On its traditional market, in mortgage lending, the Bank targeted to maintain its market share due to provide full range of related services as well as the state subsidies.

The introduction of the Mortgage Financing Adequacy Ratio (hereinafter: “JMM”) from 2017 as determined in the Decree No. 20/2015 (VI.29) of the Central Bank of Hungary (MNB) on the forint maturity match of credit institutions, will provide new business opportunities for the FHB Mortgage Bank within the integration of cooperative credit institutions, and also in the direction of other market players.

The Bank and its subsidiaries give particular attention to the innovative financial services and development of the online banking channels.

In the corporate segment the most important target group are the SMEs, the goal is to provide high level services and strengthen the position of the Bank in this segment. The FHB Bank, the Bank of Hungarian Savings Cooperatives Co. Ltd (75 Savings Cooperatives as subcontractors), the B3 Saving Bank and the Budapest Bank jointly applied for operation of MFB Points. Under this Program 442 points of sale are to be opened through which the so called EU repayable assistance in form of ‘0’ interest rate loans are available for SMEs for their development plans. FHB undertook to open 21 MFB Points. Beyond sales potential provided by MFB Points, corporate segment and increase of corporate lending are supported by new operational model and effective sales organization.

Based on the results of the first half of 2016, the performance of the Bank expected to be in line with the plans for this year.

## **2. Trend of market environment, main activities and subsidiaries’ performance**

*The housing market and retail mortgage lending*

The housing construction increased in the second quarter of 2016. According to CSO statistics, 3,420 new homes were built in the first half of 2016, 11% more than a year before. The total number of new housing construction permits issued and simple declarations concerning the construction of new residential buildings was 13,236, more than twofold of the first half of 2015 data out of which the biggest increase was in towns of county rank (36%) regarding territorial units.

As of 30 June 2016, the volume of retail mortgage loans (HUF 4,581 billion) was down by 6.7% compared to 30 June 2015. Volume of HUF loans (HUF 4,561 billion) decreased by 5.9% year-on-year; while the FX loan portfolio (HUF 20 billion) declined by 68.4% (-67.5% adjusted by the volatility of exchange rate).

The amount of retail housing loans decreased in Q2 by 0.1%. At the end of June 2016, housing loans amounted to HUF 2,968 billion. This meant 3.7% decrease compared to 30 June. Volume of housing loans denominated in HUF was HUF 2,961 billion, showing a 0.1% decrease during the last quarter, while volume of FX loans decreased by 4.7% (adjusted by the volatility of exchange rate it was -5.6%).

General-purpose mortgage loans amounted to HUF 1,614 billion as of 30 June 2016; after exchange rate adjustment the portfolio decreased by 11.8% and 2.7% year-on-year and quarter-on-quarter, respectively.



### Own lending

Volume of gross loans of FHB Group amounted to HUF 314.0 billion as of 30 June 2016 increased by 1.2% compared to the previous quarter's figure (HUF 310.2 billion) and year-on-year the decrease was 3.7%. Share of FX based loans in total outstanding loan portfolio was 9.1%, in the contrary of the percentage in previous quarter and a year before, which was 7.9% and 6.6%, respectively. The share of FX loans of retail loans is 1.0%, what is practically the same as it was at the end of the previous quarter, while this proportion was 1.5% on 30 June 2015.

Retail loans remained dominating within the loan portfolio with a contribution of 68.1% (70.1% on 31 March 2016). Retail loans decreased by 1.6% (or by HUF 3.6 billion) and by 10.2% (or by HUF 24.2 billion) quarter-on-quarter and year-on-year, respectively.

in HUF million	30/06/2015	31/12/2015	31/03/2016	30/06/2016	30/06/2016/ 31/03/2016	30/06/2016/ 31/12/2015	30/06/2016/ 30/06/2015
<b>Retail loans</b>	<b>238,024</b>	<b>223,584</b>	<b>217,391</b>	<b>213,826</b>	<b>-1.6%</b>	<b>-4.4%</b>	<b>-10.2%</b>
Housing loans	124,929	118,120	114,588	113,402	-1.0%	-4.0%	-9.2%
Other mortgage loans	102,828	94,564	90,051	85,914	-4.6%	-9.1%	-16.4%
Consumer loans	5,887	6,871	8,729	10,423	19.4%	51.7%	77.1%
Loans for employees	1,378	1,306	1,322	1,293	-2.2%	-1.0%	-6.2%
Retail real estate leasing	3,002	2,724	2,701	2,794	3.4%	2.6%	-6.9%
<b>Corporate loans</b>	<b>88,187</b>	<b>91,271</b>	<b>92,839</b>	<b>100,156</b>	<b>7.9%</b>	<b>9.7%</b>	<b>13.6%</b>
Corporate loans	86,418	87,862	89,289	95,339	6.8%	8.5%	10.3%
Corporate real estate leasing	1,416	1,397	1,384	1,690	22.1%	21.0%	19.4%
Equipment leasing	353	2,012	2,166	3,127	44.4%	55.4%	-
<b>Total own lending, gross</b>	<b>326,211</b>	<b>314,855</b>	<b>310,230</b>	<b>313,982</b>	<b>1.2%</b>	<b>-0.3%</b>	<b>-3.7%</b>
Impairment	-29,897	-26,557	-23,531	-22,588	-4.0%	-14.9%	-24.4%
<b>Loans, net</b>	<b>296,314</b>	<b>288,299</b>	<b>286,700</b>	<b>291,394</b>	<b>1.6%</b>	<b>1.1%</b>	<b>-1.7%</b>
Refinanced loans	93,329	82,790	78,116	73,783	-5.5%	-10.9%	-20.9%

In the first half of 2016, HUF 11.8 billion of retail and HUF 20.9 billion of corporate loans have been disbursed; the latter figure is 40.2% higher than in the same period of 2015. During the second quarter of the year the volume of retail disbursement was HUF 6.5 billion, while the disbursement of corporate loans was HUF 12.0 billion, showing 24.0% and 33.0% growth compared to the first quarter of 2016, respectively. In the first half of 2016, the Bank placed HUF 2.8 billion loans out to corporate customers within the framework of Funding for Growth Scheme, which is 12.0% higher than in the same period of 2015. Among corporate loans the disbursement of fixed purpose loans was outstanding (HUF 11.9 billion during the first half year, in Q2 2016 HUF 7.3 billion), which shows 125.9% increase in the first half of 2016 compared to the same period of previous year, while the disbursement of Q2 is 61.6% higher than in Q1 2016. The most significant retail products were housing loans and personal loans, the disbursement during the half of the year was HUF 6.3 billion in case of first product, while in case of latter HUF 3.5 billion. In the first 6 months of 2016 the volume of disbursed housing loans was 45.1% higher than in the same period of 2015, while the disbursement of personal loans remarkably increased too. The disbursement of housing loans during the second quarter exceeded the volume of the previous quarter by 77.2%.

In case of Non-Refundable Family Home Creating Benefit ('CSOK'), from the launch in June, 2015 until the end of June 2016 more than 1,500 loan applications had been approved, from which the number of disbursed loans almost reached 850 with the total volume amounting to HUF 1.5 billion. In case of nearly 45% of 'CSOK' applications clients submitted loan applications as well.

During the quarter FHB offered further 60 properties to the National Asset Management Company (NET) and 152 transactions were closed because of NET sale with a total debt HUF 715 million. Since the start of the program the number of completed transactions exceeded 3,100 units.

#### *FHB Commercial Bank Ltd.*

According to Hungarian Accounting Standards (HAS), total assets of FHB Commercial Bank were HUF 436.4 billion as of 30 June 2016, showing a 20.6% decrease compared to a year before (HUF 549.5 billion) and 7.9% decrease compared to the end of 2015.

On 30 June 2016, volume of gross loans according to HAS stood at HUF 218.0 billion increasing by 1.9% compared to 30 June 2015. Gross loans represented 50.0% of total assets. Corporate loans of FHB Commercial Bank according to HAS – excluding intra-group loans – amounted to HUF 86.1 billion at the end of the period (showing a 5.8% increase compared to 31 March 2016), having a share of 39.5% in the total loan portfolio.

Interest bearing liabilities amounted to HUF 390.4 billion; representing 89.5% of liabilities, showing 21.9% decrease year-on-year, 8.7% decrease compared to the year end and 8.3% decrease quarter-on-quarter. According to HAS deposits of HUF 292.2 billion represented 67.0% of interest bearing liabilities, while interbank liabilities represented 22.6% with the amount of HUF 88.2 billion, containing refinanced loans from FHB Mortgage Bank, and refinancing related to outstanding loans drawn under the Funding for Growth Scheme.

Deposits decreased by 14.4% compared to the same period of the previous year and decreased by 12.6% during the second quarter, mainly due to a decrease in the volume of corporate deposits. The majority of the decline in deposits experienced in the period (HUF 40 billion, 12.1%) in June occurred due to numerous insults in the press against the Bank Group. As far as the outflow of retail deposits it was not higher than the usual rate. Volume of sight deposits amounted to HUF 87.5 billion, representing 29.9% of total deposits.

At the end of June 2016, the number of retail and corporate accounts managed by Commercial Bank was nearly 206.5 thousand and more than 12 thousand, respectively, and 164.8 thousand retail and 6.9 thousand corporate banking cards related to these accounts. Both number of retail accounts and retail cards represented growth on annual basis. The sale of postal account packages, largely contributed to the growth of number of accounts (in the half year 14.1 thousand new bank accounts) at the end of June 2016 the number of post accounts was 59.8 thousand.

According to HAS profit after tax of Commercial Bank for first half of 2016 was HUF 1,420 million loss, net results were influenced by the non-shifted part of financial transaction levy (HUF 333 million) and by the special banking tax (HUF 147 million), while the Bank accounted one-off revenues from release of provision originating from fine and from sale of VISA shares. Adjusted by special banking tax and other one-off items, profit after tax of FHB Commercial Bank was HUF 1,857 million loss in the first half year.

According to HAS profit after tax of Commercial Bank for 2016 Q2 was HUF 255 million gain, adjusted by the aforementioned one-off items, profit after tax of FHB Commercial Bank was HUF 283 million loss.

Net interest income in the second quarter of 2016 – in controlling approach – was 8.0% higher than a year before as a result of decreasing interest income (by 21.9%) and decreasing interest expenses (by 51.0%). Net fee and commission income was 14.1% higher than a year before, while it increased by 11.0% quarter-on-quarter. Operating costs increased by 3.1% compared to Q2 2015, while they increased by 5.9% compared to the previous quarter.



The capital adequacy ratio of the Bank on 30 June 2016 was 17.05% that shows a decline compared to the end of previous quarter (17.89%) and an increase compared to 30 June 2015 (16.93%). Shareholder's equity according to HAS was HUF 35.8 billion as of 30 June 2016 and the solvency capital was HUF 44.3 billion.

#### *FHB Real Estate Ltd.*

Main business of FHB Real Estate Ltd. is to provide collateral valuation, real estate investment, sales and management services, and real estate valuation services for FHB Group, in addition it provides valuation services, services related to energy certification and real estate agency to external customers.

The real estate collateral valuation business generated HUF 133.7 million revenue in 2016 Q2, which is HUF 22 million less than a year before, while real estate brokerage reached HUF 30.2 million income in 2016 H1, which is significantly less than the same period in 2015 (HUF 109,7 million).

FHB Real Estate closed in the first quarter of 2016 with HUF 61.1 million loss.

#### *FHB Lease Ltd.*

As of 30 June 2016, the consolidated loan volume of FHB Lease Ltd. according to IFRS was HUF 10.4 billion. Lease financing disbursement amounted to HUF 2.1 billion in 2016, of which HUF 1.5 billion is from the equipment leasing. Leasing portfolio reached nearly HUF 7 billion as of 30 June 2016. FHB Lease Ltd. closed the first half of 2016 with HUF 98 million loss consolidated according to IFRS, the profit after tax of the second quarter was HUF 13.6 million gain.

Consolidated net interest income according to IFRS in the first half of the year was HUF 145.2 million (during the second quarter it is 83.2% higher than in Q1 2016), net fee and commission income was close to HUF 21 million. Loan losses were HUF – 22.2 million, operating cost exceeded HUF 175.7 million (in Q2 2016 22.7% lower than in the first quarter).

Volume of non-performing loans in FHB Lease Ltd. according to IFRS was HUF 472.7 million as of 30 June 2016, which is HUF 128.0 million less than at the end of the previous quarter.

#### *Diófa Asset Management Ltd.*

In the first quarter of 2016 the transformation of retail portfolio was completed, so it was able to start the second quarter with a reshuffled portfolio, complying with the requirements of distribution networks. In the second quarter, the typical trend of the entire sector continued: low-risk hence offering low yield money market and short bond funds met with outflow of money, joint funds and real estate funds realized inflow of money. Accordingly, the retail funds of Diófa Asset Management Ltd the Hungarian Post Takarékszövetkezet Harmónia Joint Fund and the Hungarian Post Takarékszövetkezet Real Estate Fund was able to demonstrate significant volume expansion. In case of Hungarian Post Takarékszövetkezet Real Estate Fund numerous real estate transactions were finalized. The following real estates entered into the Fund: Tabán Office Building and Europark Shopping Mall from Budapest, Zala Park Shopping Mall from Zalaegerszeg and the Hotel Pátria from Pécs, which are significantly raising the value of real estate's in the Fund.

At the end of the second quarter of 2016 the total net value of assets and other portfolios under management increased to HUF 412.9 billion from HUF 376.8 as of 30 June 2016. That means almost 10.0% expansion during 12 months thanks to the growth of net asset value of investment funds. Magyar Posta Takarékszövetkezet Real Estate Fund with volume of HUF 116.9 billion at the end of June 2016 contributed mainly to the growth of investment funds. In case of investment funds, market share of Diófa Alapkezelő increased from 2.4% as of

the second quarter of 2015 to 3.4% for the end of June 2016, while its market share from wealth management of pension funds reached 15.6%.

Asset Management Ltd. closed the second quarter of 2016 with HUF 352.1 million profit after tax according to HAS, subscribed capital amounted to HUF 196.2 million and shareholders' equity to HUF 669.9 million as of 30 June 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 30 June 2016, shareholder's equity amounted to HUF 7.0 billion and profit after tax reached HUF 2.9 million loss (according to HAS) in 2016 Q2.

*Jointly controlled and associated companies*

Profit after tax according to IFRS of the **Díjbeszedő Faktorház Ltd. (DBF)** was HUF 272.3 million in 2016 H1. Pre-tax profit related to the purchased receivables before maturity in 30 June 2016 was HUF 501.7 million, while pre-tax profit from purchased expired receivables amounted to HUF -32.4 million according to IFRS. Shareholder's equity of the Company according to IFRS amounted to HUF 5.5 billion in the second quarter of 2016.

The main activity of **DíjNET Ltd.** is operation and development of an electronic bill presentment and payment system. In the first half of 2016, profit after tax (according to HAS) was HUF 33.1 million gain. Subscribed capital amounted to HUF 5 million, while shareholder's equity was HUF 229.8 million at 30 of June 2016.

**Díjbeszedő IT Llc. (DBIT)**, which provides services related to the IT activities of companies belonging to the Díjbeszedő Group, reached HUF 63.8 million loss after tax in 2016 H1. Subscribed capital amounted to HUF 672 million, while shareholder's equity amounted to HUF 616.4 million.

By the end of June 2016, **Magyar Posta Investment Services Ltd. (MPBSZ)** opened about 48 thousand securities and long-term investment accounts; the securities portfolio managed on accounts was HUF 153.5 billion at the end of June 2016, compared to HUF 81.1 billion at the end of June 2015. MPBSZ closed H1 2016 with HUF 142.9 million loss (according to HAS). The company's shareholder's equity was HUF 282.6 million and total assets amounted to HUF 4.3 billion.

**Magyar Takarékszövetkezet (MATAK) Ltd.'s result** - including net result of Bank of Hungarian Savings Cooperatives Co. Ltd. (Takarékbank) and its consolidated subsidiaries - contributed by HUF 360 million to the consolidated result of 2016 H1 of FHB Group.

### Organisational changes and headcount

As of 30 June 2016, the consolidated full-time headcount was 976.8, by 71.2 persons more than the headcount of 905.6 as of 31 March 2016, and 172 persons more than the headcount of 804.8 as of 30 June 2015. The main reason of this rise is the headcount increase in the FHB Commercial Bank, where the headcount for the end of the half-year exceeded the headcount data of previous quarter by 63,6 persons, thanks to the new organisations and positions formed in the bank (e.g. due to formerly established MFB Points); furthermore to employment of country referents in corporate segment; and the gradually taking-over of hired headcounts as own employees.

Headcounts of the Group members were as follows:

	30/06/2015	31/12/2015	31/03/2016	30/06/2016	30/06/2016/ 31/03/2016	30/06/2016/ 31/12/2015	30/06/2016/ 30/06/2015
FHB Mortgage Bank Plc.	129.5	129.4	129.5	128.8	-0.5%	-0.5%	-0.6%
FHB Commercial Bank Ltd.	613.4	657.4	696.4	760.0	9.1%	15.6%	23.9%
FHB Real Estate Ltd.	9.9	9.9	6.0	8.6	43.3%	-12.9%	-12.9%
FHBLeasing Ltd.	12.9	14.3	14.8	15.8	6.9%	10.7%	22.7%
Diófa Asset Managemet Ltd.	23.8	32.1	36.2	37.7	4.3%	17.6%	58.6%
Diófa Real Estate Mgmt Llc	5.0	8.4	9.4	11.4	21.6%	36.1%	129.4%
FHB Invest Ltd.	1.1	1.1	1.1	1.1	-2.2%	-2.2%	-2.2%
Hungarian Card Ltd.	9.3	11.3	12.3	13.4	9.4%	19.1%	-
<b>FHB Consolidated</b>	<b>804.8</b>	<b>863.8</b>	<b>905.6</b>	<b>976.8</b>	<b>7.9%</b>	<b>13.1%</b>	<b>21.4%</b>

### 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 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. The permission of NBH necessary for the election and reelection of the members of Supervisory Board and the Audit Committee was issued, so their membership started; regarding the new member of the Board of Directors – upon request of the person concerned – the authorization procedure has not been carried out yet, thus this decision of General Meeting has not entered into force.

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

In Q2 of 2016 there was no change in the management of the Bank.

### Post-balance sheet date events

After June 3, 2016 until the date of publication of the report no significant events have occurred that could have any impact on the operation or financial situation of FHB Bank Group.

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

#### 1. P&L structure

in HUF million	Q2 2015	Q1 2016	Q2 2016	Q2 2016 / Q1 2016	Q2 2016 / Q2 2015	H1 2015	H1 2016	H1 2016 / H1 2015
Interest income	9,951	8,523	7,548	-11.4%	-24.1%	23,139	16,072	-30.5%
Interest expense	-6,605	-5,049	-4,046	-19.9%	-38.7%	-14,637	-9,096	-37.9%
<b>Net interest income</b>	<b>3,347</b>	<b>3,474</b>	<b>3,502</b>	<b>0.8%</b>	<b>4.6%</b>	<b>8,502</b>	<b>6,976</b>	<b>-17.9%</b>
Fees and commissions income	1,985	2,007	2,280	13.6%	14.8%	3,854	4,287	11.2%
Fees and commissions expense	-289	-303	-373	23.2%	29.4%	-578	-676	17.0%
<b>Net fees and commissions</b>	<b>1,697</b>	<b>1,704</b>	<b>1,906</b>	<b>11.9%</b>	<b>12.3%</b>	<b>3,277</b>	<b>3,610</b>	<b>10.2%</b>
Foreign exchange gains, net	301	-81	491	-	63.2%	-924	410	-
Fair value adjustment	-437	110	-307	-	-29.8%	-1,842	-197	-89.3%
Gain on securities, net	236	1,112	-72	-	-	1,425	1,040	-27.0%
Net result of investment services	-13	132	25	-81.3%	-	19	156	-
<b>Net financial (trading) result</b>	<b>87</b>	<b>1,273</b>	<b>136</b>	<b>-89.3%</b>	<b>56.5%</b>	<b>-1,322</b>	<b>1,409</b>	<b>-</b>
Other operating income	5,323	723	1,663	129.8%	-68.8%	21,579	2,386	-88.9%
Other operating expenses	-6,569	-2,005	-1,999	-0.3%	-69.6%	-30,543	-4,005	-86.9%
o/w special banking tax & one-off PTI	-706	-299	-299	0.0%	-57.6%	-1,413	-598	-57.6%
<b>Other results</b>	<b>-1,246</b>	<b>-1,282</b>	<b>-337</b>	<b>-73.7%</b>	<b>-73.0%</b>	<b>-8,964</b>	<b>-1,618</b>	<b>-81.9%</b>
<b>Net income of associated companies</b>	<b>412</b>	<b>197</b>	<b>197</b>	<b>-0.1%</b>	<b>-52.1%</b>	<b>603</b>	<b>394</b>	<b>-34.6%</b>
<b>Total non-interest income (with net fees)</b>	<b>950</b>	<b>1,892</b>	<b>1,903</b>	<b>0.6%</b>	<b>100.4%</b>	<b>-6,407</b>	<b>3,795</b>	<b>-</b>
<b>Net operating income</b>	<b>4,296</b>	<b>5,366</b>	<b>5,405</b>	<b>0.7%</b>	<b>25.8%</b>	<b>2,095</b>	<b>10,771</b>	<b>414.1%</b>
<b>Net operating income w/o provisions</b>	<b>4,296</b>	<b>5,366</b>	<b>5,405</b>	<b>0.7%</b>	<b>25.8%</b>	<b>2,095</b>	<b>10,771</b>	<b>414.1%</b>
<b>Provision for impairment on loan losses</b>	<b>-2,137</b>	<b>-1,586</b>	<b>-413</b>	<b>-73.9%</b>	<b>-80.7%</b>	<b>3,335</b>	<b>-2,000</b>	<b>-</b>
Personnel expenses	-1,789	-1,849	-1,924	4.1%	7.6%	-3,497	-3,773	7.9%
Banking operation cost	-2,338	-2,475	-2,590	4.7%	10.8%	-4,115	-5,065	23.1%
Cost of business activity	-365	-133	-299	124.8%	-18.1%	-502	-433	-13.8%
Depreciation	-655	-107	-131	23.1%	-80.0%	-1,439	-238	-83.5%
Other tax payable	-8	-40	-7	-81.8%	-2.1%	-28	-48	72.3%
<b>Operating costs</b>	<b>-5,155</b>	<b>-4,604</b>	<b>-4,952</b>	<b>7.6%</b>	<b>-3.9%</b>	<b>-9,579</b>	<b>-9,556</b>	<b>-0.2%</b>
<b>Income before income taxes</b>	<b>-2,996</b>	<b>-824</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>-4,149</b>	<b>-785</b>	<b>-81.1%</b>
Income taxes	1,505	-453	-307	-32.2%	-	-1,146	-761	-33.6%
<b>Profit after tax</b>	<b>-1,491</b>	<b>-1,277</b>	<b>-268</b>	<b>-79.0%</b>	<b>-82.0%</b>	<b>-5,295</b>	<b>-1,546</b>	<b>-70.8%</b>
<b>Profit after tax w/o special banking tax</b>	<b>-785</b>	<b>-978</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>-3,882</b>	<b>-947</b>	<b>-75.6%</b>
<b>After tax profit w/o special banking tax and other one-offs</b>	<b>-91</b>	<b>-710</b>	<b>-81</b>	<b>-88.6%</b>	<b>-10.9%</b>	<b>-1,307</b>	<b>-791</b>	<b>-39.5%</b>

The Bank's consolidated profit after tax according to IFRS amounted to HUF 1,546 million loss in 2016 H1, while the consolidated total comprehensive income of the Bank amounted to HUF 2,039 million loss.

In the second quarter of 2016 the profit before tax of the Bank Group was HUF 38.9 million gain, the profit after tax was HUF 268 million loss, which represents a more than HUF 1 billion improvement compared to both the previous quarter and the second quarter of 2015.

In the first 6 months of 2016 amount of HUF 598 million of special banking tax and the non-shifted financial transaction levy had negative impact on the result as a significant one-off items. The Bank Group's IFRS consolidated profit after tax – ignoring the special banking tax and one-off items – was HUF 791 million loss in H1 of 2016, while before tax it was HUF 226 million gain in the second quarter.

#### *Net interest income*

Net interest income was HUF 7.0 billion in H1 2016, 17.9% lower than a year before; while results of second quarter were by 0.8% (HUF 3.5 billion) higher compared to the previous quarter.

The net figure of second quarter emerged as a balance of HUF 7.5 billion interest income (11.4% lower quarter-on-quarter and 24.1% lower year-on-year, respectively) and HUF 4.0 billion interest expense (q/q: -19.9%, y/y: -38.7%).

Distribution of interest income and expenses shows the following table:

	2015 Q2	2016 Q1	2016 Q2	2016 Q2 / 2016 Q1	2016 Q2 / 2015 Q2	2015 H1	2016 H1	2016 H1 / 2015 H1
<b>Interest income</b>								
Loans	44.4%	56.8%	54.4%	-2.4%-pt	10.0%-pt	43.9%	55.6%	11.8%-pt
Refinancing	9.0%	8.1%	8.5%	0.4%-pt	-0.5%-pt	8.5%	8.3%	-0.2%-pt
Mortgage bond interest subsidy	16.1%	16.8%	13.8%	-2.9%-pt	-2.3%-pt	14.0%	15.4%	1.4%-pt
Supplementary interest subsidy	1.4%	1.4%	1.5%	0.1%-pt	0.1%-pt	1.2%	1.4%	0.2%-pt
Securities and interbank activities	17.2%	14.1%	18.9%	4.8%-pt	1.7%-pt	16.4%	16.3%	-0.1%-pt
Swap transactions	11.9%	2.9%	2.9%	0.0%-pt	-9.0%-pt	15.9%	2.9%	-13.0%-pt
<b>Interest expenses</b>								
Bonds issued	71.4%	80.9%	78.2%	-2.7%-pt	6.8%-pt	65.2%	79.7%	14.5%-pt
Interbank activities	0.5%	0.4%	0.3%	-0.1%-pt	-0.3%-pt	0.8%	0.3%	-0.4%-pt
Customer deposits	18.9%	15.2%	16.0%	0.7%-pt	-2.9%-pt	17.8%	15.6%	-2.3%-pt
Derivatives	8.6%	3.5%	5.5%	2.0%-pt	-3.1%-pt	15.6%	4.4%	-11.2%-pt
Other interest expense	0.6%	0.0%	0.0%	0.0%-pt	-0.6%-pt	0.6%	0.0%	-0.6%-pt

The net interest margin to average total assets (NIM) was 2.07% in Q2 2016, 17 bps higher compared to previous quarter.

#### *Net fee and commission income*

In the first half of 2016, the Bank achieved a positive balance of HUF 3,610 million from income and expenditures on commissions and fees; 11.9% higher than in Q1 2016; and 10.2% higher than a year before. The income on net fees and commissions adjusted by financial transaction levy performed a 11.8% and 22.2% increase quarter-on-quarter and year-on-year, respectively.

Compared to the previous quarter, result of commissions on insurance sales and guarantee fees decreased; while income from commissions on investment services, fund management fees and income from card business line increased.

Income from fees and commissions – with incomes from investment services - in Q2 2016 amounted to HUF 2,399 million, of which 9,0% was contributed by charges related to loans (10.2% in Q1 2016) and 39.6% by

accounts and card related banking charges without financial transaction levy (38.8% in previous quarter). Volume of HUF 363 million of fund management fees contributed by 15.1% to quarterly fee income.

Card related fee expenses (HUF 172 million) increased by 22.9% quarter-on-quarter, while payment fees reached HUF 53 million in Q2 2016.

#### *Net result of financial transactions*

In H1 2016, the balance of financial transactions was HUF 1,409 million profits, which is significantly more favourable than the loss in the previous quarter (HUF 1,322 million). The result of the second quarter (HUF 136 million) decreased significantly compared to HUF 1,273 million of the previous quarter.

In Q2 2016, the volume of foreign exchange profit was HUF 490.9 million gain, that is remarkably higher compared to the previous quarter's figure (HUF 81.3 million loss).

In Q2 2016, the change in the value of financial instruments reported at fair value through P&L was HUF 307.1 million loss, which is more unfavourable than the HUF 110.2 million profits in Q1 2016, but better than the results a year before.

In the second quarter of 2016, the securities transactions resulted in HUF 72.2 million loss as opposed to HUF 1,112 million profits in the previous quarter.

#### *Other operating income and expenditure*

In 2016 H1, the balance of other operating income and expenditure was HUF 1.6 billion net expenditure; arising from HUF 2,4 billion incomes and HUF 4 billion expenditures.

The other results in the first 6 months mainly were defined mainly by effects of releasing the provisions for lawsuit due to the previous NBH' resolution subject to the financial transaction levy, and the effects of settlement law due to the 2016 year tasks.

In the first half of 2016, real estate rent related income contributed HUF 100 million from other operating income. The Bank group also had HUF 154 million income from card service fees of Hungarian Card Service Plc.

Special banking tax amounted to HUF 598 million in the first 6 months of 2016, the fees of deposit protection funds, other statutory and voluntary funds, and membership fees of SzHISz amounted to HUF 636 million, while paid financial transaction levy was HUF 1,121 million.

Net income of associated companies contributed HUF 394 million to consolidated figures in 2016 H1, which mainly resulted from three important influencing items of the HUF 360 million (half-year proportional, consolidated) profit of Magyar Takarékszövetkezet Asset Management (MATAK) Ltd. and its investments, DB Factoring House proportional, HUF 139 million profit and from the HUF 71 million loss realised by Magyar Posta Investment Services.

#### *Impairments for loan losses*

Risk costs amounted to HUF 2,000 million in the first half of 2016, while in the second quarter it amounted to HUF 413 million. Beyond the provisioning/releasing impairment for loan losses connected to change in portfolio, the risk cost line is imposed by the collection costs and results of factoring. Loan losses were



primarily burdened by the provisioning/releasing impairment in relation to the development of the portfolio. The impairments amount decreased by 4.0%, by HUF 0.9 billion compared to the end of previous quarter.

### *Operating costs*

Operating costs amounted to HUF 4.95 billion in Q2 2016, which is 3.9% lower than in the same period of the previous year, while 7.6% higher than in the previous quarter, mainly caused by the increase in business activity-, administrative -, and personnel expenses.

Personnel expenses were higher than both in the same period of previous year, and in the previous quarter. Their amounts are higher by 7,6% than the former and by 4,1% than the latter. The growth of personnel expenses was resulted by the gradually taking-over of hired headcounts in FHB Commercial Bank; by new organisations and positions established in the bank (e.g. in connection with opening and operation of MFB Points); by employment of country referents in corporate segment, furthermore by the increase of staff because of the growth of business activity related to corporate and retail lending, to the evaluation and disbursement of CSOK;

Administrative expenses (HUF 2,590.3 million) increased in Q2 2016 compared to the same period of 2015 (HUF 2,338.1 million), and also to the previous quarter (HUF 2,474.8 million) as well.

Expenses of business activity (HUF 299.4 million) show a decreasing level compared to the same period in 2015 (HUF 365.5 million) – primarily because of a decrease in marketing-, general administrative costs and insurance fees-; however – similar to previous years – they are higher than in the first quarter (HUF 133.2 million).

Depreciation was HUF 131.2 million in Q2 2016, which means an increase compared to the previous quarter (HUF 106.5 million).

Other taxes paid reported among operating costs (for example real estate tax, vehicle tax, etc.) amounted to HUF 7.4 million in Q2 of 2016, which is lower by HUF 33.0 million than in previous quarter (HUF 40.3 million).

## 2. Balance Sheet

in HUF million	30/06/2015	31/12/2015	31/03/2016	30/06/2016	30/06/2016 / 31/03/2016	30/06/2016 / 31/12/2016	30/06/2016 / 30/06/2015
Cash	2,770	3,017	2,801	4,813	71.9%	59.6%	73.8%
Due from banks & NBH	235,714	210,957	153,341	69,997	-54.4%	-66.8%	-70.3%
Financial assets available-for-sale and held for trading	87,403	125,955	186,334	146,130	-21.6%	16.0%	67.2%
Fair value of derivative financial assets	2,211	884	1,672	1,619	-3.2%	83.2%	-26.8%
Investment in associates and jointly controlled companies	7,615	7,755	4,382	4,580	4.5%	-40.9%	-39.9%
Refinanced mortgage loans	93,329	82,790	78,116	73,783	-5.5%	-10.9%	-20.9%
Loans and advances	326,211	314,855	310,231	313,982	1.2%	-0.3%	-3.7%
Impairment and provision	-29,897	-26,557	-23,531	-22,588	-4.0%	-14.9%	-24.4%
Tangible assets	6,395	6,168	6,110	6,046	-1.0%	-2.0%	-5.5%
Goodwill and other intangible assets	2,830	1,915	1,920	1,932	0.6%	0.9%	-31.7%
Other assets	19,048	17,082	17,365	17,352	-0.1%	1.6%	-8.9%
<b>Total Assets</b>	<b>753,629</b>	<b>744,821</b>	<b>738,741</b>	<b>617,647</b>	<b>-16.4%</b>	<b>-17.1%</b>	<b>-18.0%</b>
<b>Liabilities total</b>	<b>671,101</b>	<b>636,289</b>	<b>631,293</b>	<b>546,590</b>	<b>-13.4%</b>	<b>-14.1%</b>	<b>-18.6%</b>
Interbank borrowings	42,876	39,774	40,181	51,020	27.0%	28.3%	19.0%
Mortgage bonds	163,370	194,470	196,643	148,512	-24.5%	-23.6%	-9.1%
Bonds issued	108,443	60,524	52,972	45,682	-13.8%	-24.5%	-57.9%
Deposits	337,388	329,048	331,740	290,301	-12.5%	-11.8%	-14.0%
Fair value of derivative financial liabilities	4,292	2,308	2,971	3,562	19.9%	54.3%	-17.0%
Leasing liability	12	12	12	12	0.0%	0.0%	0.0%
Other liabilities	14,720	10,153	6,776	7,500	10.7%	-26.1%	-49.0%
<b>Shareholders' equity</b>	<b>82,528</b>	<b>108,532</b>	<b>107,448</b>	<b>71,057</b>	<b>-33.9%</b>	<b>-34.5%</b>	<b>-13.9%</b>
Subscribed capital	6,600	10,849	10,849	10,849	0.0%	0.0%	64.4%
Capital reserve	1,709	27,926	27,926	27,926	0.0%	0.0%	-
Treasury shares	-207	-207	-207	-207	0.0%	0.0%	0.0%
Subordinated Tier1 capital	31,749	31,749	31,749	0	-	-	-
Other reserves	-195	599	751	108	-85.6%	-81.9%	-
Retained earnings	24,444	24,442	16,137	12,661	-21.5%	-48.2%	-48.2%
Non-controlling interest	20,931	21,480	20,635	20,276	-1.7%	-5.6%	-3.1%
Balance sheet profit	-2,502	-8,304	-392	-556	41.9%	-93.3%	-77.8%
<b>Total liabilities and shareholders' equity</b>	<b>753,629</b>	<b>744,821</b>	<b>738,741</b>	<b>617,647</b>	<b>-16.4%</b>	<b>-17.1%</b>	<b>-18.0%</b>

As of 30 June 2016, the Bank's consolidated balance sheet total by IFRS amounted to HUF 617.6 billion, moving 16.4% (HUF 121 billion) down from the end of previous quarter; and 18% 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 58.7 billion or 67.2% year-on-year, while the refinanced loans fell by HUF 19.5 billion and 20.9% according to the same period of previous year. During the second quarter, the due from banks and NBH decreased by 54.4%, the fair value of derivative financial assets by 3.2%, while cash increased by 71.9%.

Liabilities decreased by 18.6% compared to the reference figures of previous year. Compared to the same period in 2015 interbank liabilities increased by 19.0%, the portfolio of mortgage bonds issued decreased by 9.1%, the volume of bonds issued decreased by 57.9% respectively. In contrast, the deposits decreased by 14% over a year. In the second quarter the volume of the issued bonds - especially the mortgage bonds

issued – decreased by HUF 55.4 billion, and the fair value of derivative financial liabilities increased by HUF 591 million.

Shareholders' equity decreased by HUF 11.5 billion or 13.9% year-on-year, while during the second quarter it decreased by HUF 36.4 billion (33.9%) in consequence of repurchase of subordinated Tier 1 capital.

#### *Interest earning assets*

The Group's interest earning assets decreased from HUF 744.5 billion as of 30 June 2015 to HUF 607.3 billion as of 30 June 2016, while this value was HUF 736.6 billion at the end of 2015. Interest earning assets contributed 98.3% to the balance sheet total.

NBH and other interbank lending decreased from HUF 235.7 billion as of 30 June 2015 to HUF 211.0 billion by the end of 2015, and to HUF 70.0 billion as of 30 June 2016. The ratio of this item in interest earning assets was 11.6% at the end of second quarter of 2016. During the quarter the volume of interbank lending was HUF 83.3 billion, which meant a 54.4% decrease.

The value of Bank's securities available-for-sale and held for trading increased from HUF 87.4 billion as of 30 June 2015 to HUF 126.0 billion by 31 December 2015, while by the end of the first half of 2016 reached HUF 146.1 billion, and decreased by 21.6% compared to HUF 186.3 billion as of 31 March 2016. At the end of Q2 2016, securities available for sale and held for trading contributed 24.2% to interest earning assets.

#### *Loans*

As of 30 June 2016, volume of loans was 3.7% down year-on-year, and increased on quarterly basis by 1.2%. Compared to the end of year, volume of own loans is lower by 0,3% in total. On 30 June 2016 the volume of impairment to cover loan losses amounted HUF 22.6 billion, in the reported quarter showed 4% decrease, while compared to 31 December 2015 it was lower by 14.9 % in connection with the drop of volume of non-performing loans.

Year-on-year decline in refinancing loans was 20.9% to HUF 73.8 billion, and there was also a 5.5% drop in this item over the last quarter. As of 30 June 2016, contribution of refinanced loans and gross own lending was 64.2% to interest earning assets; this rate was 56.5% a year before, while 54.1 % at the end of 2015.

#### *Portfolio quality*

In the second quarter the volume of non-performing loans decreased by 6.0%, HUF 2.5 billion quarter-on-quarter, mainly due to steps in portfolio cleaning, while it decreased by 32.8% year-on-year basis mainly because of the settlement of FX loans. NPL ratio declined from 13.5% of previous quarter to 12.6% by 30 June 2016. NPL ratio was 14.7% on 31 December 2015, and 18.0% on 30 June 2015. The coverage of non-performing loans is 57.2% according to IFRS, while it was 56.0% in Q1 2016, and 50.9% a year before.

#### *Other assets*

Tangible assets amounted to HUF 6.0 billion as of 30 June 2016 and decreased by HUF 0.3 billion year-on-year and by HUF 63 million quarter-on-quarter. As of 30 June 2016, intangibles amounted to HUF 1.9 billion, down by HUF 0.9 billion or 31.7% year-on-year and HUF 12.2 million (0.6%) higher compared to the 31 March 2016 figure. The year-on-year 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 4.6 billion as of 30 June 2016.

Other assets amounted to HUF 17.4 billion as of 30 June 2016, decreasing by 8.9% (HUF 1.7 billion) year-on-year. Deferred tax assets reached HUF 8.0 billion, and value of real estates reported as inventory was HUF 0.5 billion.

### *Interest bearing liabilities*

Interest bearing liabilities decreased from HUF 652.1 billion as of 30 June 2015 to HUF 535.5 billion as of 30 June 2016, representing approximately 86.7% to the balance sheet total. As a year before, client deposits gave the major part of interest bearing liabilities with a share of 51.7%. For the end of June 2016 their proportion grew to 54.2%, while share of securities issued within interest bearing liabilities decreased from 41.7% to 36.3% year-on-year.

### *Interbank funds*

As of 30 June 2016, interbank funds amounted to HUF 51.0 billion, showing a 27.0% increase compared to previous quarter, and 28.3% compared to the end of previous year; and volume was 19.0% higher year-on-year. The volume of interbank funds at the end of the second quarter includes the amount of refinancing within the framework of Funding for Growth Scheme (NHP). Contribution of interbank borrowings to interest bearing liabilities was 9.5% at the end of second quarter of 2016.

### *CMBs issued*

The Bank completed one issuance in the second quarter in the course of which the first tap of 10-year FJ26NF01 mortgage bonds series were issued in total nominal value of HUF 5.65 billion by involving consortium members and upon public auction procedure.

HUF 148.5 billion book value of mortgage bonds as of 30 June 2016 decreased by 9.1% or HUF 14.9 billion from figures of 30 June 2015 (HUF 163.4 billion).

in HUF million	30/06/2015		30/06/2016	
	Book value	Nominal value	Book value	Nominal value
<b>Non-listed mortgage bonds</b>				
Fixed	33,203	33,050	33,315	33,050
Floating	0	0	0	0
<b>Listed mortgage bonds</b>				
Fixed	107,712	100,873	80,977	72,947
Floating	17,130	17,149	30,048	30,111
<b>Total</b>	<b>158,045</b>	<b>151,072</b>	<b>144,340</b>	<b>136,108</b>
<b>Accrued interest</b>	5,324		4,173	
<b>Mortgage bonds Total</b>	<b>163,369</b>	<b>151,072</b>	<b>148,513</b>	<b>136,108</b>
<b>Non-listed bonds</b>				
Fixed	34,247	34,190	19,907	19,865
Floating	9,556	9,612	7,086	7,112
<b>Listed bonds</b>				
Fixed	56,488	61,229	15,125	15,069
Floating	4,474	7,011	1,945	3,198
<b>Total</b>	<b>104,765</b>	<b>112,042</b>	<b>44,063</b>	<b>45,245</b>
<b>Accrued interest</b>	3,678		1,618	
<b>Bonds Total</b>	<b>108,443</b>	<b>112,042</b>	<b>45,681</b>	<b>45,245</b>

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

The net value of ordinary collateral of mortgage bonds issued by FHB Mortgage Bank amounted to HUF 256.2 billion as of 30 June 2016 (HUF 189.3 billion of capital and HUF 66.9 billion of interests), 7.5% less than the HUF 277 billion as of 31 March 2016 and 26% below the figure of 30 June 2015 (HUF 346 billion).

in HUF million	30/06/2015	31/12/2015	31/03/2016	30/06/2016
<b>Outstanding mortgage bonds in circulation</b>				
Face value	180,441	195,084	196,414	151,563
Interest	35,385	40,676	39,749	33,294
<b>Total</b>	<b>215,825</b>	<b>235,760</b>	<b>236,163</b>	<b>184,857</b>
<b>Value of the regular collateral</b>				
Principal	244,162	207,402	197,520	189,347
Interest	101,871	85,178	79,459	66,872
<b>Total</b>	<b>346,033</b>	<b>292,580</b>	<b>276,978</b>	<b>256,219</b>
<b>Value of assets involved as supplementary collateral</b>				
Government and Hungarian Development Bank bonds	0	17,007	29,059	0
<b>Total</b>	<b>0</b>	<b>17,007</b>	<b>29,059</b>	<b>0</b>

As of 30 June 2016, the net present value of ordinary collateral was HUF 217.9 billion and the present value of mortgage bonds were HUF 178.4 billion, thus the present value of collateral exceeded that of CMBs in circulation not yet repaid, ratio was 122.2%. As of 30 June 2016, net value of ordinary and supplementary collateral principal to unpaid face value of mortgage bonds in circulation was 129.4%, and the net ordinary and supplementary collateral principal to the unpaid interest on mortgage bonds in circulation was 200.9%.

The collateral value of real estate covering ordinary collaterals amounted to HUF 666.6 billion as of 30 June 2016, 2.6% below the 31 March 2016 value (HUF 684.4 billion). The LTV ratio applicable for ordinary collateral was 28.32% as of 30 June 2016, lower than the 28.8% LTV as of 31 March 2016.

### *Bonds issued*

The book value of bonds was HUF 45.7 billion as of 30 June 2016, compared to 31 March 2016 (HUF 53 billion) decreasing by HUF 7.3 billion or 13.8%. The stock of bonds decreased by HUF 62.8 billion (57.9%) in one year, and by HUF 14.8 billion compared to the end of previous year.

### *Deposits*

As of 30 June 2016, deposits amounted to HUF 290.3 billion decreasing by 14.0% year-on-year, decreasing by 12.5% quarterly, and 11.8% according to the end of previous year. Volume of corporate deposits (-18.5%), and volume of retail deposits (-6.5%) decreased compared to the previous year.

The volume of deposits decreased by HUF 41.4 billion compared to data of the first quarter, and the major outflow of which was in June. In the decrease of deposit volume took role that FHB Bank Group was subject to several insults during this period. The withdrawal of deposits affected principally corporate deposits, and it did not threaten the liquidity of the Bank Group. Since then the volume of deposits has been stabilized.

The sight deposit ratio changed to 40.2% by 30 June 2016 from 32.1% a year before and 37.1% at the end of previous quarter.

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

*Other liabilities*

The Bank reported among the HUF 7.5 billion of other liabilities the generated provisions related to contingent and future liabilities, amounting HUF 0.7 billion. At the end of June 2016 prepayments of clients reached HUF 754 million. The Bank reported accounts payable of HUF 754.1 million as of the second quarter of 2016, accruals HUF 1,427.2 million.

*Shareholders' equity*

Shareholders' equity decreased from HUF 108.5 billion as of 31 December 2015 to HUF 71.1 billion by 30 June 2016 (both in yearly and quarterly comparison there was decline). On 17 June 2016 the Bank repurchased subordinated Tier 1 capital bond with a nominal value of EUR 112 million formerly reported as part of shareholder's equity, in the consequence of which the value of equity decreased by HUF 35.2 billion. The Bank reported HUF 20.3 billion as non-controlling interest as part of shareholder's equity. Balance sheet profit relating to the Bank was HUF 0.6 billion loss at the end of June 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 14.56% as of 30 June 2016, compared to 25.89% in the previous quarter and 17.24% in the previous year. CET1 ratio is 13.07% on 30 June 2016 and it was 14.80% on 31 March 2016 and 10.50% on 30 June 2015. Total risk exposure amount reached HUF 341.3 billion at the end of the period, while HUF 336.4 billion at the end of the previous quarter. Amount of consolidated regulatory capital was HUF 49.7 billion that is lower by 42.9% as of data at the end of previous quarter (HUF 87 billion) principally because of the repurchase of subordinated Tier 1 capital.



## DECLARATION

The management report of first half-year 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, August 18, 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 non-audited data as of 30 June 2015, and 30 June 2016 according to IFRS)

in HUF million	2015 H1	2016 H1	2016 H1/ 2015 H1
Interest income	23,139	16,072	-30.5%
Interest expense	-14,637	-9,096	-37.9%
<b>Net interest income</b>	<b>8,502</b>	<b>6,976</b>	<b>-17.9%</b>
Fee and commission income	3,854	4,287	11.2%
Fee and commission expense	-578	-676	17.0%
<b>Net fee and commission income</b>	<b>3,277</b>	<b>3,610</b>	<b>10.2%</b>
Profit/(Loss) from FX transactions	-924	410	-
Change in fair value of financial instruments	-1,842	-197	-89.3%
Gains from securities	1,425	1,040	-27.0%
Gains from investment services	19	156	-
<b>Net trading result</b>	<b>-1,322</b>	<b>1,409</b>	<b>-</b>
Other operating income	21,579	2,386	-88.9%
Other operating expense	-30,543	-4,005	-86.9%
<b>Net other operating result</b>	<b>-8,964</b>	<b>-1,618</b>	<b>-81.9%</b>
<b>Net income of associated companies</b>	<b>603</b>	<b>394</b>	<b>-34.6%</b>
<b>Operating income</b>	<b>2,095</b>	<b>10,771</b>	<b>-</b>
Provision for impairment on loan losses	3,335	-2,000	-
General and administrative expense	-9,579	-9,556	-0.2%
<b>Profit/(Loss) before tax</b>	<b>-4,149</b>	<b>-785</b>	<b>-81.1%</b>
Income tax benefit/(expense)	-1,146	-761	-33.6%
<b>Profit/(Loss) for the period</b>	<b>-5,295</b>	<b>-1,546</b>	<b>-70.8%</b>

Basic EPS (yearly)	-76.7 Ft	-10.4 Ft	-86.5%
Diluted EPS (yearly)	-76.7 Ft	-10.4 Ft	-86.5%

	2015 H1	2016 H1	2016 H1/ 2015 H1
Profit/(Loss) for the period	-5,295	-1,546	-70.8%
Change in fair value of financial assets available for sale	-363	-593	63.3%
FX translation reserve	-5	-14	175.0%
Deferred tax effect for other comprehensive income	69	113	63.3%
Other comprehensive income/(loss) for the period net of taxes	-299	-494	65.1%
<b>Total comprehensive income/(loss) for the period, net of income taxes</b>	<b>-5,594</b>	<b>-2,039</b>	<b>-63.5%</b>

## 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 June 2015, 31 March 2016, and of 30 June 2016 according to IFRS)

in HUF million	2015 Q2	2016 Q1	2016 Q2	2016 Q2 / 2016 Q1	2016 Q2 / 2015 Q2
Interest income	9,951	8,523	7,548	-11.4%	-24.1%
Interest expense	-6,605	-5,049	-4,046	-19.9%	-38.7%
<b>Net interest income</b>	<b>3,347</b>	<b>3,474</b>	<b>3,502</b>	<b>0.8%</b>	<b>4.6%</b>
Fee and commission income	1,985	2,007	2,280	13.6%	14.8%
Fee and commission expense	-289	-303	-373	23.2%	29.4%
<b>Net fee and commission income</b>	<b>1,697</b>	<b>1,704</b>	<b>1,906</b>	<b>11.9%</b>	<b>12.3%</b>
Profit/(Loss) from FX transactions	301	-81	491	-	63.2%
Change in fair value of financial instruments	-437	110	-307	-	-29.8%
Gains from securities	236	1,112	-72	-	-
Gains from investment services	-13	132	25	-81.3%	-
<b>Net trading result</b>	<b>87</b>	<b>1,273</b>	<b>136</b>	<b>-89.3%</b>	<b>56.5%</b>
Other operating income	5,323	723	1,663	129.8%	-68.8%
Other operating expense	-6,569	-2,005	-1,999	-0.3%	-69.6%
<b>Net other operating result</b>	<b>-1,246</b>	<b>-1,282</b>	<b>-337</b>	<b>-73.7%</b>	<b>-73.0%</b>
<b>Net income of associated companies</b>	<b>412</b>	<b>197</b>	<b>197</b>	<b>-0.1%</b>	<b>-52.1%</b>
<b>Operating income</b>	<b>4,296</b>	<b>5,366</b>	<b>5,405</b>	<b>0.7%</b>	<b>25.8%</b>
Provision for impairment on loan losses	-2,137	-1,586	-413	-73.9%	-80.7%
General and administrative expense	-5,155	-4,604	-4,952	7.6%	-3.9%
<b>Profit/(Loss) before tax</b>	<b>-2,996</b>	<b>-824</b>	<b>39</b>	<b>-</b>	<b>-</b>
Income tax benefit/(expense)	1,505	-453	-307	-32.2%	-
<b>Profit/(Loss) for the period</b>	<b>-1,491</b>	<b>-1,277</b>	<b>-268</b>	<b>-79.0%</b>	<b>-82.0%</b>
Basic EPS (yearly)	-26.7 Ft	-14.7 Ft	-6.1 Ft	-58.6%	-77.3%
Diluted EPS (yearly)	-26.7 Ft	-14.7 Ft	-6.1 Ft	-58.6%	-77.3%

	2015 Q2	2016 Q1	2016 Q2	2016 Q2 / 2016 Q1	2016 Q2 / 2015 Q2
Profit/(Loss) for the period	-1,491	-1,277	-268	-79.0%	-82.0%
Change in fair value of financial assets available for sale	111	199	-791	-	-
FX translation reserve	-21	-10	-4	-62.5%	-82.4%
Deferred tax effect for other comprehensive income	-21	-38	150	-	-
Other comprehensive income/(loss) for the period net of taxes	69	151	-645	-	-
<b>Total comprehensive income/(loss) for the period, net of income taxes</b>	<b>-1,422</b>	<b>-1,126</b>	<b>-913</b>	<b>-18.9%</b>	<b>-35.8%</b>

## Consolidated Income Statement 'B'

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

(consolidated, non-audited data as of 30 June 2015, and 30 June 2016 according to IFRS)

in HUF million	2015 H1	2016 H1	2016 H1/ 2015 H1
Interest income	23,139	16,072	-30.5%
Interest expense	-14,637	-9,096	-37.9%
<b>Net interest income</b>	<b>8,502</b>	<b>6,976</b>	<b>-17.9%</b>
Fee and commission income	3,854	4,287	11.2%
Fee and commission expense	-578	-676	17.0%
<b>Net fee and commission income</b>	<b>3,277</b>	<b>3,610</b>	<b>10.2%</b>
Profit/(Loss) from FX transactions	-924	410	-
Change in fair value of financial instruments	-1,842	-197	-89.3%
Dividend received	0	0	-
Gains from securities	1,425	1,040	-27.0%
Gains from investment services	19	156	-
<b>Net trading result</b>	<b>-1,322</b>	<b>1,409</b>	<b>-</b>
Other operating income	21,579	2,386	-
Other operating expense	-31,956	-4,603	-
<b>Net other operating result</b>	<b>-10,377</b>	<b>-2,217</b>	<b>-78.6%</b>
<b>Net income of associated companies</b>	<b>603</b>	<b>394</b>	<b>-34.6%</b>
<b>Operating income</b>	<b>683</b>	<b>10,172</b>	<b>-</b>
Provision for impairment on loan losses	3,335	-2,000	-
General and administrative expense	-9,579	-9,556	-0.2%
<b>Profit/(Loss) before tax</b>	<b>-5,561</b>	<b>-1,383</b>	<b>-</b>
Income tax benefit/(expense)	-878	-647	-
<b>Profit/(Loss) for the period</b>	<b>-6,439</b>	<b>-2,030</b>	<b>-</b>

Basic EPS (yearly)	-111.8 Ft	-19.4 Ft	-82.7%
Diluted EPS (yearly)	-111.8 Ft	-19.4 Ft	-82.7%

Consolidated Comprehensive Income Statement	2015 H1	2016 H1	2016 H1/ 2015 H1
Profit/(Loss) for the period	-6,439	-2,030	-
Change in fair value of financial assets available for sale	-363	-593	63.3%
FX translation reserve	-5	-14	175.0%
Deferred tax effect for other comprehensive income	69	113	63.3%
Other comprehensive income/(loss) for the period net of taxes	-299	-494	65.1%
<b>Total comprehensive income/(loss) for the period, net of income taxes</b>	<b>-6,738</b>	<b>-2,524</b>	<b>-</b>

## Consolidated Income Statement 'B' (quarterly)

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

(consolidated, non-audited data as of 30 June 2015, 31 March 2016, and of 30 June 2016 according to IFRS)

in HUF million	2015 Q2	2016 Q1	2016 Q2	2016 Q2 / 2016 Q1	2016 Q2 / 2015 Q2
Interest income	9,951	8,523	7,548	-11.4%	-24.1%
Interest expense	-6,605	-5,049	-4,046	-19.9%	-38.7%
<b>Net interest income</b>	<b>3,347</b>	<b>3,474</b>	<b>3,502</b>	<b>0.8%</b>	<b>4.6%</b>
Fee and commission income	1,985	2,007	2,280	13.6%	14.8%
Fee and commission expense	-289	-303	-373	23.2%	29.4%
<b>Net fee and commission income</b>	<b>1,697</b>	<b>1,704</b>	<b>1,906</b>	<b>11.9%</b>	<b>12.3%</b>
Profit/(Loss) from FX transactions	301	-81	491	-	63.2%
Change in fair value of financial instruments	-437	110	-307	-	-29.8%
Dividend received	0	0	0	-	-
Gains from securities	236	1,112	-72	-	-
Gains from investment services	-13	132	25	-81.3%	-
<b>Net trading result</b>	<b>87</b>	<b>1,273</b>	<b>136</b>	<b>-89.3%</b>	<b>56.5%</b>
Other operating income	5,323	723	1,663	129.8%	-68.8%
Other operating expense	-5,863	-2,903	-1,700	-41.4%	-71.0%
<b>Net other operating result</b>	<b>-540</b>	<b>-2,179</b>	<b>-37</b>	<b>-98.3%</b>	<b>-93.1%</b>
<b>Net income of associated companies</b>	<b>412</b>	<b>197</b>	<b>197</b>	<b>-0.1%</b>	<b>-52.1%</b>
<b>Operating income</b>	<b>5,003</b>	<b>4,468</b>	<b>5,704</b>	<b>27.6%</b>	<b>14.0%</b>
Provision for impairment on loan losses	-2,137	-1,586	-413	-73.9%	-80.7%
General and administrative expense	-5,155	-4,604	-4,952	7.6%	-3.9%
<b>Profit/(Loss) before tax</b>	<b>-2,290</b>	<b>-1,721</b>	<b>338</b>	-	-
Income tax benefit/(expense)	1,371	-283	-364	28.7%	-
<b>Profit/(Loss) for the period</b>	<b>-919</b>	<b>-2,004</b>	<b>-26</b>	<b>-98.7%</b>	<b>-97.2%</b>

Basic EPS (yearly)	8.2 Ft	-41.9 Ft	2.9 Ft	-	-64.5%
Diluted EPS (yearly)	8.2 Ft	-41.9 Ft	2.9 Ft	-	-64.5%

Consolidated Comprehensive Income Statement	2015 Q2	2016 Q1	2016 Q2	Q2 2016 / Q1 2016	Q2 2016 / Q2 2015
Profit/(Loss) for the period	-919	-2,004	-26	-98.7%	-97.2%
Change in fair value of financial assets available for sale	111	199	-791	-	-
FX translation reserve	-21	-10	-4	-62.5%	-82.4%
Deferred tax effect for other comprehensive income	-21	-38	150	-	-
Other comprehensive income/(loss) for the period net of taxes	69	151	-645	-	-
<b>Total comprehensive income/(loss) for the period, net of income taxes</b>	<b>-850</b>	<b>-1,853</b>	<b>-671</b>	<b>-63.8%</b>	<b>-21.1%</b>

## Consolidated Financial Position 'A'

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

(consolidated non-audited data as of 30 June 2015, 31 March 2016 and 30 June 2016 and audited data as of 31 December 2015 according to IFRS)

in HUF million	Jun 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	30/06/2016/ 31/03/2016	30/06/2016/ 31/12/2015	30/06/2016/ 30/06/2015
Cash on hand	2,770	3,017	2,801	4,813	71.9%	59.6%	73.8%
Due from banks & NBH	235,714	210,957	153,341	69,997	-54.4%	-66.8%	-70.3%
Securities held for trading	38,013	51,913	72,319	72,229	-0.1%	39.1%	90.0%
Financial assets available for sale	49,390	74,042	114,016	73,902	-35.2%	-0.2%	49.6%
Investment in associates	7,615	7,755	4,382	4,580	4.5%	-40.9%	-39.9%
Derivate financial assets	2,211	884	1,672	1,619	-3.2%	83.2%	-26.8%
Refinanced mortgage loans	93,329	82,790	78,116	73,783	-5.5%	-10.9%	-20.9%
Loans and advances to consumers	326,211	314,855	310,231	313,982	1.2%	-0.3%	-3.7%
Impairment and provision	-29,897	-26,557	-23,531	-22,588	-4.0%	-14.9%	-24.4%
Tangible assets	6,395	6,168	6,110	6,046	-1.0%	-2.0%	-5.5%
Goodwill and other intangible assets	2,830	1,915	1,920	1,932	0.6%	0.9%	-31.7%
Deferred tax asset	9,631	8,232	8,018	8,017	0.0%	-2.6%	-16.8%
Other assets	9,417	8,849	9,347	9,336	-0.1%	5.5%	-0.9%
<b>Total assets</b>	<b>753,629</b>	<b>744,821</b>	<b>738,741</b>	<b>617,647</b>	<b>-16.4%</b>	<b>-17.1%</b>	<b>-18.0%</b>
Due to banks	42,876	39,774	40,181	51,020	27.0%	28.3%	19.0%
Issued securities	240,397	235,115	230,501	182,601	-20.8%	-22.3%	-24.0%
Mortgage bonds	143,723	174,592	177,529	136,919	-22.9%	-21.6%	-4.7%
Bonds	96,674	60,524	52,972	45,682	-13.8%	-24.5%	-52.7%
Deposits from customers	337,388	329,048	331,740	290,301	-12.5%	-11.8%	-14.0%
Derivative financial liabilities	4,292	2,308	2,971	3,562	19.9%	54.3%	-17.0%
Financial liabilities at fair value through profit or loss	31,416	19,878	19,113	11,593	-39.3%	-41.7%	-63.1%
Finance lease liabilities	12	12	12	12	0.0%	0.0%	0.0%
Current tax liability	23	1	1	1	22.2%	-	-93.5%
Deferred tax liability	0	1	1	1	19.5%	-	226.5%
Provisions	4,279	999	815	705	-13.5%	-29.4%	-83.5%
Other liabilities	10,417	9,152	5,959	6,793	14.0%	-25.8%	-34.8%
<b>Total liabilities</b>	<b>671,101</b>	<b>636,289</b>	<b>631,293</b>	<b>546,590</b>	<b>-13.4%</b>	<b>-14.1%</b>	<b>-18.6%</b>
Share capital	6,600	10,849	10,849	10,849	0.0%	0.0%	64.4%
Share premium	1,709	27,926	27,926	27,926	0.0%	0.0%	-
Treasury shares	-207	-207	-207	-207	0.0%	0.0%	0.0%
Subordinated Tier 1 capital	31,749	31,749	31,749	0	-100.0%	-100.0%	-100.0%
Other reserves	-195	599	751	108	-85.6%	-81.9%	-
Retained earnings	24,444	24,442	16,137	12,661	-21.5%	-48.2%	-48.2%
Minority interest	20,931	21,480	20,635	20,276	-1.7%	-5.6%	-3.1%
Balance sheet profit	-2,502	-8,304	-392	-556	41.9%	-93.3%	-77.8%
<b>Total shareholders' equity</b>	<b>82,528</b>	<b>108,532</b>	<b>107,448</b>	<b>71,057</b>	<b>-33.9%</b>	<b>-34.5%</b>	<b>-13.9%</b>
<b>Total liabilities and shareholders' equity</b>	<b>753,629</b>	<b>744,821</b>	<b>738,741</b>	<b>617,647</b>	<b>-16.4%</b>	<b>-17.1%</b>	<b>-18.0%</b>



## Consolidated Financial Position 'B'

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

(consolidated non-audited data as of 30 June 2015, 31 March 2016 and 30 June 2016 and audited data as of 31 December 2015 according to IFRS)

in HUF million	Jun 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	30/06/2016/ 31/03/2016	30/06/2016/ 31/12/2015	30/06/2016/ 30/06/2015
Cash on hand	2,770	3,017	2,801	4,813	71.9%	59.6%	73.8%
Due from banks & NBH	235,714	210,957	153,341	69,997	-54.4%	-66.8%	-70.3%
Securities held for trading	38,013	51,913	72,319	72,229	-0.1%	39.1%	90.0%
Financial assets available for sale	49,390	74,042	114,016	73,902	-35.2%	-0.2%	49.6%
Investment in associates	7,615	7,755	4,382	4,580	4.5%	-40.9%	-39.9%
Derivative financial assets	2,211	884	1,672	1,619	-3.2%	83.2%	-26.8%
Refinanced mortgage loans	93,329	82,790	78,116	73,783	-5.5%	-10.9%	-20.9%
Loans and advances to consumers	326,211	314,855	310,231	313,982	1.2%	-0.3%	-3.7%
Impairment and provision	-29,897	-26,557	-23,531	-22,588	-4.0%	-14.9%	-24.4%
Tangible assets	6,395	6,168	6,110	6,046	-1.0%	-2.0%	-5.5%
Goodwill and other intangible assets	2,830	1,915	1,920	1,932	0.6%	0.9%	-31.7%
Deferred tax asset	9,899	8,232	8,188	8,130	-0.7%	-1.2%	-17.9%
Other assets	9,400	8,849	9,321	9,318	0.0%	5.3%	-0.9%
<b>Total assets</b>	<b>753,880</b>	<b>744,821</b>	<b>738,886</b>	<b>617,743</b>	<b>-16.4%</b>	<b>-17.1%</b>	<b>-18.1%</b>
Due to banks	42,876	39,774	40,181	51,020	27.0%	28.3%	19.0%
Issued securities	240,397	235,115	230,501	182,601	-20.8%	-22.3%	-24.0%
Mortgage bonds	143,723	174,592	177,529	136,919	-22.9%	-21.6%	-4.7%
Bonds	96,674	60,524	52,972	45,682	-13.8%	-24.5%	-52.7%
Deposits from customers	337,388	329,048	331,740	290,301	-12.5%	-11.8%	-14.0%
Derivative financial liabilities	4,292	2,308	2,971	3,562	19.9%	54.3%	-17.0%
Financial liabilities at fair value through profit or loss	31,416	19,878	19,113	11,593	-39.3%	-41.7%	-63.1%
Finance lease liabilities	12	12	12	12	0.0%	0.0%	0.0%
Current tax liability	23	1	1	1	22.2%	26.7%	-93.5%
Deferred tax liability	0	1	1	1	19.5%	53.3%	226.5%
Provisions	4,279	999	815	705	-13.5%	-29.4%	-83.5%
Other liabilities	11,813	9,152	6,830	7,374	8.0%	-19.4%	-37.6%
<b>Total liabilities</b>	<b>672,496</b>	<b>636,289</b>	<b>632,165</b>	<b>547,171</b>	<b>-13.4%</b>	<b>-14.0%</b>	<b>-18.6%</b>
Share capital	6,600	10,849	10,849	10,849	0.0%	0.0%	64.4%
Share premium	1,709	27,926	27,926	27,926	0.0%	0.0%	-
Treasury shares	-207	-207	-207	-207	0.0%	0.0%	0.0%
Subordinated Tier 1 capital	31,749	31,749	31,749	0	-100.0%	-100.0%	-100.0%
Other reserves	-195	599	751	108	-85.6%	-	-155.7%
Retained earnings	24,444	24,442	16,137	12,661	-21.5%	-48.2%	-48.2%
Minority interest	20,931	21,480	20,635	20,276	-1.7%	-5.6%	-3.1%
Balance sheet profit	-3,646	-8,304	-1,119	-1,040	-7.0%	-87.5%	-71.5%
<b>Total shareholders' equity</b>	<b>81,384</b>	<b>108,532</b>	<b>106,721</b>	<b>70,572</b>	<b>-33.9%</b>	<b>-35.0%</b>	<b>-13.3%</b>
<b>Total liabilities and shareholders' equity</b>	<b>753,880</b>	<b>744,821</b>	<b>738,886</b>	<b>617,743</b>	<b>-16.4%</b>	<b>-17.1%</b>	<b>-18.1%</b>

## 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 30 June 2016 according to IFRS)

in HUF million	31 December 2015	30 June 2016
<b>Cash flow from operating activities</b>		
<b>Profit/(loss) for the year</b>	<b>-10,549</b>	<b>-1,546</b>
<i>Non cash adjustments to net profit from:</i>		
Depreciation and amortization	1,710	237
Provision for losses	-34,104	-4,010
(Gain)/Loss on tangible assets derecognized	74	0
(Gain)/Loss on intangible assets derecognized	-170	1
Capitalized interest	750	272
Fair value of derivatives	-8,765	519
Fair value adjustment on financial liabilities through profit and loss	-1,494	-828
Change in foreign currency translation reserve	0	-11
Change of investments in associates	-823	3,175
<b>Operating profit before change in operating assets</b>	<b>-53,371</b>	<b>-2,191</b>
<i>Decrease/(Increase) in operating assets:</i>		
Financial assets held for trading	-17,317	-20,316
Financial assets available for sale	1,901	-340
Refinanced mortgage loans	33,392	9,007
Loans and advances to customers	39,954	348
Other assets	3,312	-272
Deposits	30,286	-38,747
Due to banks	-30,719	-34,766
Other liabilities	5,114	-2,355
<b>Net cash flow from operating activities</b>	<b>12,552</b>	<b>-89,632</b>
<b>Cash flow from investing activities</b>		
Proceeds from sales of tangible assets	1,189	2
Purchase of tangible and intangible assets	-640	-135
Purchase of investment property	-780	0
<b>Net cash flow from investing activities</b>	<b>-230</b>	<b>-133</b>
<b>Cash flow from financing activities</b>		
Proceed from issued securities	77,992	1,323
Principal repayment on issued securities	-113,349	-61,295
Long term loans repayment	27,457	46,012
Finance lease liabilities repayment	-949	0
Cash income from capital raise	30,466	1
Change in the minority interest	8	-214
Subordinated Tier 1 capital	0	-35,226
<b>Net cash flow from financing activity</b>	<b>21,626</b>	<b>-49,399</b>
Net increase in cash and cash equivalents	33,946	-139,164
Opening balance of cash and cash equivalents	180,028	213,974
<b>Closing balance of cash and cash equivalents</b>	<b>213,974</b>	<b>74,810</b>
<b>Breakdown of cash and cash equivalents:</b>		
Cash	3,017	4,813
Balances with National Bank of Hungary	162,749	21,448
Dues from banks with a maturity of less than 90 days	48,208	48,549
<b>Closing balance of cash and cash equivalents</b>	<b>213,974</b>	<b>74,810</b>
<i>Supplementary data</i>		
Tax paid	-2,045	-548
Interest received	47,669	16,070
Interest paid	-32,529	-14,082

## 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 30 June 2016 according to IFRS)

in HUF million	31 December 2015	30 June 2016
<b>Cash flow from operating activities</b>		
<b>Profit/(loss) for the year</b>	<b>-10,549</b>	<b>-2,030</b>
<i>Non cash adjustments to net profit from:</i>		
Depreciation and amortization	1,710	237
Provision for losses	-34,104	-4,010
(Gain)/Loss on tangible assets derecognized	74	0
(Gain)/Loss on intangible assets derecognized	-170	1
Capitalized interest	750	272
Fair value of derivatives	-8,765	519
Fair value adjustment on financial liabilities through profit and loss	-1,494	-828
Change in foreign currency translation reserve	0	-11
Change of investments in associates	-823	3,175
<b>Operating profit before change in operating assets</b>	<b>-53,371</b>	<b>-2,675</b>
<i>Decrease/(Increase) in operating assets:</i>		
Financial assets held for trading	-17,317	-20,316
Financial assets available for sale	1,901	-340
Refinanced mortgage loans	33,392	9,007
Loans and advances to customers	39,954	348
Other assets	3,312	-367
Deposits	30,286	-38,747
Due to banks	-30,719	-34,766
Other liabilities	5,114	-1,776
<b>Net cash flow from operating activities</b>	<b>12,552</b>	<b>-89,632</b>
<b>Cash flow from investing activities</b>		
Proceeds from sales of tangible assets	1,189	2
Purchase of tangible and intangible assets	-640	-135
Purchase of investment property	-780	0
Net cash flow from disposal of subsidiaries	0	0
<b>Net cash flow from investing activities</b>	<b>-230</b>	<b>-133</b>
<b>Cash flow from financing activities</b>		
Proceed from issued securities	77,992	1,323
Principal repayment on issued securities	-113,349	-61,295
Long term loans repayment	27,457	46,012
Finance lease liabilities repayment	-949	0
Cash income from capital raise	30,466	1
Change in the minority interest	8	-214
Subordinated Tier 1 capital	0	-35,226
<b>Net cash flow from financing activity</b>	<b>21,626</b>	<b>-49,399</b>
Net increase in cash and cash equivalents	33,946	-139,164
Opening balance of cash and cash equivalents	180,028	213,974
<b>Closing balance of cash and cash equivalents</b>	<b>213,974</b>	<b>74,810</b>
<b>Breakdown of cash and cash equivalents:</b>		
Cash	3,017	4,813
Balances with National Bank of Hungary	162,749	21,448
Dues from banks with a maturity of less than 90 days	48,208	48,549
<b>Closing balance of cash and cash equivalents</b>	<b>213,974</b>	<b>74,810</b>
<i>Supplementary data</i>		
Tax paid	-2,045	-548
Interest received	47,669	16,070
Interest paid	-32,529	-14,082

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Sector: Financial services  
Reporting period: 01.01.2016 – 30.06.2016

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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 30 June 2016 according to IFRS)

in HUF million	Share Capital	Treasury Shares	Share Premium	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
<b>1 January 2015</b>	<b>6,600</b>	<b>-207</b>	<b>1,709</b>	<b>31,749</b>	<b>18</b>	<b>14</b>	<b>23,717</b>	<b>24,448</b>	<b>88,048</b>
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
Change in non-controlling interest							49	-7	42
Dividend in 2014							-41		-41
<b>1 January 2016</b>	<b>10,849</b>	<b>-207</b>	<b>27,926</b>	<b>31,749</b>	<b>584</b>	<b>14</b>	<b>21,481</b>	<b>16,139</b>	<b>108,532</b>
Profit/(Loss)							-990	-555	-1,545
Other comprehensive income					-480	-11			-491
Purchase/(Sale) of treasury shares									0
Subordinated Tier 1 capital				-31,749				-3,479	-35,228
Change in share option reserve									0
Dividend in 2015							-215		-215
<b>30 June 2016</b>	<b>10,849</b>	<b>-207</b>	<b>27,926</b>	<b>0</b>	<b>104</b>	<b>3</b>	<b>20,276</b>	<b>12,106</b>	<b>71,056</b>

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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 30 June 2016 according to IFRS)

in HUF million	Share Capital	Treasury Shares	Share Premium	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
<b>1 January 2015</b>	<b>6,600</b>	<b>-207</b>	<b>1,709</b>	<b>31,749</b>	<b>18</b>	<b>14</b>	<b>23,717</b>	<b>24,448</b>	<b>88,048</b>
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
Change in non-controlling interest							49	-7	42
Dividend in 2014							-41		-41
<b>1 January 2016</b>	<b>10,849</b>	<b>-207</b>	<b>27,926</b>	<b>31,749</b>	<b>584</b>	<b>14</b>	<b>21,480</b>	<b>16,137</b>	<b>108,532</b>
Profit/(Loss)							-990	-1,039	-2,029
Other comprehensive income					-480	-11			-491
Purchase/(Sale) of treasury shares									0
Subordinated Tier 1 capital				-31,749				-3,479	-35,228
Change in share option reserve									0
Dividend in 2015							-215		-215
<b>30 June 2016</b>	<b>10,849</b>	<b>-207</b>	<b>27,926</b>	<b>0</b>	<b>104</b>	<b>3</b>	<b>20,276</b>	<b>11,621</b>	<b>70,571</b>

## Off-balance Sheet items – Commitments

(consolidated non-audited data as of 30 June 2015, 31 March 2016 and 30 June 2016 and audited data as of 31 December 2015 according to IFRS)

in HUF million	30 June 2015	31 December 2015	31 March 2016	30 June 2016
<b>Commitments</b>				
Guarantees	15,700	15,272	12,473	12,925
Undrawn commitments	41,082	49,971	50,007	62,443
<b>Total</b>	<b>56,781</b>	<b>65,243</b>	<b>62,480</b>	<b>75,368</b>

## Transactions with related parties

(consolidated non-audited data as of 30 June 2015 and as of 30 June 2016 according to IFRS)

in HUF million	Transactions between FHB Mortgage Bank and owners with influential share	
	30 June 2015	30 June 2016
Due from banks	0	0
Refinanced mortgage loans	0	0
Fair value of derivatives	0	0
Other assets	0	0
<b>Total assets</b>	<b>0</b>	<b>0</b>
Due to banks	0	0
Issued securities	0	0
Financial liabilities at fair value through profit and loss	0	0
Other liabilities	0	0
<b>Total liabilities</b>	<b>0</b>	<b>0</b>
	30 June 2015	30 June 2016
Interest income	0	0
Interest expense	0	0
<b>Net interest income</b>	<b>0</b>	<b>0</b>
Fees and commission income	0	0
Fees and commission expense	0	0
<b>Net fees and commissions</b>	<b>0</b>	<b>0</b>
Gains from securities	0	0
<b>Net trading result</b>	<b>0</b>	<b>0</b>
Other operating income	0	0
Other operating expense	0	0
<b>Operating profit</b>	<b>0</b>	<b>0</b>
Credit loss expense	0	0
General and administrative expense	-37	-8
<b>Profit for the year</b>	<b>-37</b>	<b>-33</b>

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



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

### Ownership structure, participation and voting rates (as at 30 June 2016)

Description of owner	Total equity <sup>1</sup>						Listed series <sup>1</sup>					
	At the beginning of actual year			End of actual period			At the beginning of actual year			End of actual period		
	% <sup>2</sup>	% <sup>3</sup>	Qty	%	%	Qty	%	%	Qty	%	%	Qty
<b>Series "A" shares listed on BSE</b>												
Domestic institution/company	38.6%	44.6%	41,911,917	39.0%	45.0%	42,345,991	38.6%	44.6%	41,911,917	39.0%	45.0%	42,345,991
Foreign institution/company	10.7%	12.4%	11,642,388	10.7%	12.3%	11,597,658	10.7%	12.4%	11,642,388	10.7%	12.3%	11,597,658
Domestic individual	6.1%	7.1%	6,669,193	5.9%	6.8%	6,435,206	6.1%	7.1%	6,669,193	5.9%	6.8%	6,435,206
Foreign individual	0.0%	0.0%	16,326	0.0%	0.0%	22,330	0.0%	0.0%	16,326	0.0%	0.0%	22,330
Employees, senior officers	0.1%	0.1%	77,808	0.1%	0.1%	87,963	0.1%	0.1%	77,808	0.1%	0.1%	87,963
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 <sup>4</sup>	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
Other	0.5%	0.6%	596,552	0.4%	0.5%	425,036	0.5%	0.6%	596,552	0.4%	0.5%	425,036
<b>Series total</b>	<b>60.8%</b>	<b>69.9%</b>	<b>66,000,010</b>	<b>60.8%</b>	<b>69.9%</b>	<b>66,000,010</b>	<b>60.8%</b>	<b>69.9%</b>	<b>66,000,010</b>	<b>60.8%</b>	<b>69.9%</b>	<b>66,000,010</b>
<b>Series "B" shares non-listed on BSE</b>												
Domestic institution/company	13.1%	0.0%	14,163,430	13.1%	0.0%	14,163,430						
<b>Series total</b>	<b>13.1%</b>	<b>0.0%</b>	<b>14,163,430</b>	<b>13.1%</b>	<b>0.0%</b>	<b>14,163,430</b>						
<b>Series "C" shares non-listed on BSE</b>												
Domestic institution/company	26.1%	30.1%	2,832,686	26.1%	30.1%	2,832,686						
<b>Series total</b>	<b>26.1%</b>	<b>30.1%</b>	<b>2,832,686</b>	<b>26.1%</b>	<b>30.1%</b>	<b>2,832,686</b>						
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>82,996,126</b>	<b>100.0%</b>	<b>100.0%</b>	<b>82,996,126</b>						

<sup>1</sup>If the listed series is the same as the entire share capital, this must be indicated and no completion is required. If there are several series on the Stock Market, the ownership structure must be given for every series.

<sup>2</sup> Ownership share

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

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

Name: FHB Mortgage Bank Plc.  
 Address: 1082 Budapest, Üllői út 48.  
 Sector: Financial services  
 Reporting period: 01.01.2016 – 30.06.2016

Telephone: (1) 452 - 9100  
 Fax: (1) 452 - 9200  
 E-mail: Bozzai.Rita@fhb.hu  
 Investor relations: Rita Bozzai

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

	30 June 2015		31 December 2015		31 March 2016		30 June 2016	
FHB Mortgage Bank Plc.	253,601	0.38%	253,601	0.23%	253,601	0.23%	253,601	0.23%

### Owners with more than 5% ownership relating to listed series (as at 30 June 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	6,869,967	10.41%
Clearstream Nominee	yes	6,327,521	9.59%
Hungarian National Asset Management Inc.	no	4,832,225	7.32%
<b>Total</b>		<b>49,722,381</b>	<b>75.34%</b>

### Owners with more than 5% ownership relating to total equity (as at 30 June 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	6,869,967	6.33%
Clearstream Nominee	yes	6,327,521	5.83%
Hungarian National Asset Management Inc.	no	4,832,225	4.45%
<b>Total</b>		<b>49,722,381</b>	<b>45.82%</b>

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

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

	End of reference period 30/06/2015	Current period opening 31/12/2015	End of last quarter 31/03/2016	Current period closing 30/06/2016
Bank	130	129	130	129
Consolidated	805	864	906	977

### Persons in senior positions and (strategic) employees having an influence on the operations of the Issuer (as at 30 June 2016)

Type <sup>1</sup>	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	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	30.04.2013	29.04.2018	0
BoD	Ákos Zoltán Starcz	Member	30.04.2013	29.04.2018	0
BoD	Zoltán Kovács	Member	06.05.2015	06.05.2020	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	Tibor Kádár	Member	24.04.2013	23.04.2018	0
SB	István Sebestyén	Member	06.05.2016	06.05.2021	0
SB	Miklós Szabó	Member	06.05.2016	06.05.2021	2,200
<b>TOTAL No. of shares held by management:</b>					<b>46,200</b>

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

## Information and disclosures in the second 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](http://www.bet.hu)  
[www.kozzetetelek.hu](http://www.kozzetetelek.hu)  
[www.fhb.hu](http://www.fhb.hu)