

Notice to Mortgage Bondholders

holding mortgage securities with the following ISIN codes:

HU0000652078 HU0000650452 HU0000650882 HU0000652037 HU0000651823
HU0000652060 HU0000650486 HU0000650890 HU0000651021 HU0000651831
HU0000650148 HU0000650502 HU0000651005 HU0000651104 HU0000651872
HU0000650155 HU0000650528 HU0000651146 HU0000651229 HU0000651898
HU0000650205 HU0000650551 HU0000651278 HU0000651310 HU0000651948
HU0000650247 HU0000650593 HU0000651476 HU0000651369 HU0000651971
HU0000650288 HU0000650650 HU0000651716 HU0000651427 HU0000652045
HU0000650346 HU0000650684 HU0000651906 HU0000651526 HU0000651732
HU0000650379 HU0000650767 HU0000651955 HU0000651617 HU0000652029
HU0000650429 HU0000650825

issued by

FHB Mortgage Bank Co. Plc.

This notice ("**Notice**") is published with regard to the issues of the above mortgage bonds (the "**Mortgage Bonds**") and mortgage notes (the "**Mortgage Notes**") (together in Hungarian: *jelzáloglevelek*, as defined in the Hungarian Act No. XXX. of 1997 on Mortgage Loan Credit Institutions and on Mortgage Bonds (*1997. évi XXX. törvény a jelzálog-hitelintézetéről és a jelzáloglevélről*) (the "**Mortgage Bonds Act**"), (the Mortgage Bonds and the Mortgage Notes are hereinafter referred to as the "**Mortgage Securities**") of FHB Mortgage Bank Co. Plc. ("**FHB Mortgage Bank**" or the "**Issuer**") pursuant to the conditions in each case applicable to the Mortgage Securities. (The Mortgage Securities are hereinafter with all mortgage securities (in Hungarian: *jelzáloglevelek*, as defined in the Mortgage Bonds Act) outstanding from time to time referred to as the "**Rated Mortgage Securities**").

PREAMBLE

On 29 August 2007 the Hungarian State sold its controlling interest of 50 per cent. plus one share in FHB Mortgage Bank, thereafter retaining a *4.1 per cent.* interest in the share capital of FHB Mortgage Bank. As a result of this process, there has been a downgrade in the rating of FHB Mortgage Bank assigned by Moody's Investors Service Ltd. The newly assigned foreign and local currency short-term and long-term bank deposit ratings are Baa3/P-3.

The downgrade in the foreign and local currency short-term and long-term deposit ratings of FHB Mortgage Bank may affect the rating of the Rated Mortgage Securities. The assigned rating of the Rated Mortgage Securities is partly dependent on the Collateralisation Level of the Rated Mortgage Securities and the Liquidity (*as defined below*) of FHB Mortgage Bank.

The statutory requirement for the Collateralisation Level as set out in the Mortgage Bonds Act is that the nominal value and present value of the cover pool shall at all times exceed the nominal value and present value of the aggregate outstanding amount of the principal and interest of the Rated Mortgage Securities.

Since FHB Mortgage Bank aims in the future to maintain the *Aa3* rating of its Rated Mortgage Securities assigned by Moody's Investor Service Ltd., the Issuer hereby undertakes to the holders of the Rated Mortgage Securities (i) to ensure a Collateralisation Level higher than as required by the Mortgage Bonds Act and (ii) to maintain Liquidity (*as defined below*).

COMMITMENT FOR THE BENEFIT OF THE MORTGAGE BOND HOLDERS

1. Collateralisation Level

1.1 Subject to Clause 1.2 below, the Issuer undertakes that:

(i) in the time period of ninety (90) Business Days starting on the date of this Notice it shall maintain a Collateralisation Level which ensures that the outstanding nominal value of the covered pool exceeds the outstanding nominal value of the aggregate amount of the principal of the Rated Mortgage Securities by 8 (eight) per cent.;

(ii) immediately subsequent to the end of the ninety Business Days period as referred to in subclause (i) above until and so long as the Rated Mortgage Securities are outstanding it shall maintain a Collateralisation Level which ensures that the outstanding nominal value of the covered pool exceeds the outstanding nominal value of the aggregate amount of the principal of the Rated Mortgage Securities by thirteen (13) per cent.;

(iii) in the time period of ninety (90) Business Days starting on the date of this Notice it shall maintain a Collateralisation Level which ensures that the outstanding present value of the covered pool exceeds the outstanding present value of the aggregate amount of the principal and interest of the Rated Mortgage Securities by 8 (eight) per cent.; and

(iv) immediately subsequent to the end of the ninety Business Days period as referred to in subclause (iii) above until and so long as the Rated Mortgage Securities are outstanding it shall maintain a Collateralisation Level which ensures that the outstanding present value of the covered pool exceeds the outstanding present value of the aggregate amount of the principal and interest of the Rated Mortgage Securities by thirteen (13) per cent.

Should the Collateralisation Level:

(a) in respect of subclause (i) or (iii) above, fall below 8 per cent., the Issuer hereby undertakes (1) to notify Moody's Investor Services Ltd. in respect of the breach of the Collateralisation Level promptly and (2) to take all necessary steps to ensure that within 5 Business Days (as defined below) the Collateralisation Level reaches at least 8 percent.

(b) in respect of subclause (ii) or (iv) above, fall below 13 per cent., the Issuer hereby undertakes (1) to notify Moody's Investor Services Ltd. in respect of the breach of the Collateralisation Level promptly and (2) to take all necessary steps to ensure that

within 30 Business Days (as defined below) the Collateralisation Level reaches at least 13 per cent.

- 1.2** Clause 1.1 above shall not prevent in any way the Issuer from deciding on the decrease of the Collateralisation Level as set out in Clause 1.1 above, if (i) Moody's Investor Services Ltd. (or its legal successor) provides written confirmation that the Aa3 rating of the Rated Mortgage Securities as assigned by Moody's Investors Service Ltd. (or its legal successor) can be maintained without the commitment as set out in Clause 1.1 above, or (ii) the Rated Mortgage Securities cease to be rated by Moody's Investors Service Ltd.
- 1.3** For the purpose of this Notice, **Collateralisation Level** means the level of collateralisation of the Rated Mortgage Securities calculated in accordance with paragraph 14 of the Mortgage Bonds Act.

2. Liquidity

2.1 The Issuer undertakes:

(a) to ensure within ninety (90) Business Days from the date of this Notice that Liquidity is reached; and

(b) subsequent to subclause (a) above up to and until the date when no Rated Mortgage Bond is outstanding, to continuously maintain Liquidity.

Value of Liquidity Assets and Value of Liquidity Liabilities shall be calculated (a) on each Business Day from the date when Liquidity is reached pursuant to subclause (a) until the date when no Rated Mortgage Bonds are outstanding; and (b) in respect of each and every Business Day within the Relevant Period.

If, on any Business Day on which Value of Liquidity Assets and Value of Liquidity Liabilities are calculated, Liquidity is not maintained, the Issuer undertakes (1) to notify Moody's Investors Service Ltd. in respect of such breach and (2) to cover such shortfall within 30 Business Days by providing Additional Liquidity Assets the value of which is at least equal to the Liquidity Shortfall as of such Business Day.

For the purpose of this Notice:

"**Additional Liquidity Assets**" means additional assets, which will meet the criteria of the Liquidity Assets and the proceeds of which, according to the Mortgage Bonds Act, may be used to pay the covered bondholders on a priority basis.

"**Liquidity Shortfall**" means the amount which represents the biggest projected shortfall of the Value of the Liquidity Assets as compared to the Value of the Liquidity Liabilities on any Business Day within a Relevant Period.

"**Arrears Calculation Date**" means the last business day of the calendar month following the end of a respective calendar quarter.

"**Business Day**" means a day on which commercial banks and FHB Mortgage Bank are open for business in Budapest.

"**Eligible Bank**" means a bank that is not affiliated with the Issuer and:

- (i) is rated at least P-1; or
- (ii) is at least 99% directly or indirectly owned by a parent company that is rated at least P-1; or
- (iii) a bank that is confirmed by Moody's Investors Service Ltd. as an eligible bank.

"**Liquidity**" means that the aggregate Value of the Liquidity Assets in HUF is equal to or exceed the Value of the Liquidity Liabilities in HUF on each Business Day within the Relevant Period,.

"**Liquidity Assets**" means each of A, B, C and D in the formula below and provided that the value of E is deducted.

"**Value of Liquidity Assets**" in respect of a Business Day means, an amount calculated in accordance with the following formula, taking into account the Liquidity Assets available up to such Business Day, and if any Liquidity Assets are in a currency other than HUF, the value of such Liquidity Assets shall be converted into HUF using the National Bank of Hungary's spot rate of exchange for the relevant currencies on the date the calculation is made:

$$LA = A + B + C + D - E$$

where:

LA = Value of Liquidity Assets

A = Principal and interest (including state subsidy and service fees) payments of mortgage loans taken into account as ordinary coverage (as set out in the Mortgage Bonds Act; in Hungarian: "*rendes fedezet*") (the "**Ordinary Coverage**") reduced by the estimated amount of principal, interest, state subsidy and service fee that are due after the date of prepayment.

B = The part of the principal and interest payment that is in excess of the percentages referred to in Subsection (7) of Section 14 of Mortgage Bonds Act and which cannot be accounted as Ordinary Coverage cumulated with the future cash flows deriving from the contracted but not disbursed mortgage loans (the "**Excess Part of the Mortgage Loans**");

C = The prepaid principal and interest amount of (i) mortgage loans that were taken into account as Ordinary Coverage and (ii) the Excess Part of the Mortgage Loans, calculated with a 2 % (two percent.) annual prepayment rate.

D = The following liquid assets:

- a. Hungarian government bonds denominated in HUF or EUR with maximum twelve (12) month maturity (diminished by the blocked amounts) at nominal minus 4%;

- b. National Bank of Hungary bonds and deposits held in HUF with the National Bank of Hungary with maximum one (1) month maturity (diminished by the blocked amounts) at nominal value;
- c. cash deposits with Eligible Banks with maximum one (1) month maturity, denominated in CHF, HUF or EUR. ;
- d. money denominated in HUF, CHF or EUR and held in a separate blocked account at the National Bank of Hungary ;
- e. securities denominated in HUF or EUR issued by (a) the central banks of Member States of the European Union and (b) the European Central Bank with maximum twelve (12) month maturity at nominal minus 4%;
- f. government securities rated at least Aa3 and denominated in HUF or EUR issued by Member States of the European Union, with maximum twelve (12) month maturity at nominal minus 4%;
- g. securities denominated in HUF or EUR, issued and to be paid by the European Investment Bank (EIB), the International Bank for Reconstruction and Development (IBRD) and the European Bank for Reconstruction and Development (EBRD) with maximum three (3) month maturity at nominal minus 1% and rated at least Aa3;
- h. HUF and EUR securities rated at least Aa3 and guaranteed by the Hungarian Government with maximum three (3) month maturity at nominal minus 1%;

E = Principal and interest (including state subsidy and service fees) payments of (i) mortgage loans that were taken into account as Ordinary Coverage and (ii) the Excess Part of the Mortgage Loans, which are not paid when they become due and payable, in the amount outstanding on the last day of a respective calendar quarter ended immediately prior to the Arrears Calculation Date.

“Liquidity Liabilities” mean the principal and interest payments to be paid by the Issuer in connection with the Rated Mortgage Securities.

“Value of Liquidity Liabilities” in respect of a Business Day, mean the value of Liquidity Liabilities on such Business Day, taking into account liabilities arisen and unpaid up to such Business Day, and if any Liquidity Liabilities are in a currency other than HUF, the value of such Liquidity Liabilities shall be converted into HUF using the National Bank of Hungary's spot rate of exchange for the relevant currencies on the date the calculation is made.

“Relevant Period” means the time period of 12 calendar months starting in each case on each respective Business Day on which the Value of Liquidity Assets and Value of Liquidity Liabilities are calculated.

2.2 In addition to, and irrespective of, the commitment set out in Clause 2.1 above, the Issuer undertakes that subsequent to the end of a time period of one hundred and eighty (180) Business Days immediately following the date of this Notice, the Value of Liquidity Assets shall not be lower than the 5 year arithmetic average of the annual principal and interest payments to be paid by the Issuer related to the Rated Mortgage Securities on each Business Day on which the Value of Liquidity Assets and Value of Liquidity Liabilities are calculated.

Should the Value of the Liquidity Assets be less than as required by this Clause 2.2, the Issuer undertakes to (1) notify Moody's Investors Service Ltd. in respect of such breach and (2) cover such shortfall within 30 Business Days by providing sufficient Additional Liquidity Assets.

- 2.3** Clause 2.1 and Clause 2.2 above shall not prevent in any way the Issuer from deciding not to maintain the Liquidity as set out in Clause 2.1 and/or Clause 2.2 above, if (i) Moody's Investor Services Ltd. (or its legal successor) provides written confirmation that the Aa3 rating of the Rated Mortgage Securities as assigned by Moody's Investors Service Ltd. (or its legal successor) can be maintained without the commitment as set out in Clause 2.1 and/or 2.2 above, or (ii) the Rated Mortgage Securities cease to be rated by Moody's Investors Service Ltd.

For the avoidance of doubt, in case the Issuer permanently complies with the provisions set forth in Clause 1 and Clause 2, any downgrade due to any reason effected at any time in the rating of the Rated Mortgage Securities as assigned by Moody's Investor Services Ltd. (or its legal successor) shall not cause or result in any obligation on the part of the Issuer in respect of or towards any of the holders of the Rated Mortgage Securities nor shall it result in the breach of these commitments by the Issuer.

The obligations of the Issuer hereunder are in addition to the obligations of the Issuer under the Rated Mortgage Securities. The breach of the obligations as set forth hereunder shall have the same legal consequences as the breach of the terms of the Rated Mortgage Securities.

This Notice is published in English and in Hungarian. In case of discrepancy between the English and the Hungarian versions, the English version of the Notice shall prevail.

FHB Mortgage Bank Co.Plc.