

FHB Mortgage Bank Co. Plc. Press Release

23 July 2010.

FHB Mortgage Bank Plc. was subject to the 2010 EU-wide stress testing exercise coordinated by the Committee of European Banking Supervisors (CEBS), in cooperation with the European Central Bank, and the **Hungarian Financial Supervisory Authority**.

FHB Mortgage Bank Plc. acknowledges the outcomes of the EU-wide stress tests. This stress test complements the risk management procedures and regular stress testing programmes set up in **FHB Mortgage Bank Plc.** under the Pillar 2 framework of the Basel II and CRD¹ requirements **and the relevant Hungarian legislation**.

The exercise was conducted using the scenarios, methodology and key assumptions provided by CEBS (see the aggregate report published on the CEBS website²). As a result of the assumed shock under the adverse scenario, the estimated consolidated Tier 1 capital ratio would change to **10.8 %** in 2011 compared to **8.6 %** as of end of 2009. An additional sovereign risk scenario would have a further impact of **0.2** percentage point on the estimated Tier 1 capital ratio, bringing it to **10.6%** at the end of 2011, compared with the regulatory minimum of 4%.

The results of the stress suggest a **buffer** of **73,6** mln EUR of the Tier 1 capital against the threshold of 6% of Tier 1 capital adequacy ratio for **FHB Mortgage Bank Plc.** agreed exclusively for the purposes of this exercise. This threshold should by no means be interpreted as a regulatory minimum (the regulatory minimum for the Tier 1 capital ratio is set to 4%), nor as a capital target reflecting the risk profile of the institution determined as a result of the supervisory review process in Pillar 2 of the CRD.

¹ Directive EC/2006/48 – Capital Requirements Directive (CRD)

² See: <http://www.c-ebs.org/EU-wide-stress-testing.aspx>

Background

The objective of the 2010 EU-wide stress test exercise conducted under the mandate from the EU Council of Ministers of Finance (ECOFIN) and coordinated by CEBS in cooperation with the ECB, national supervisory authorities and the EU Commission, is to assess the overall resilience of the EU banking sector and the banks' ability to absorb further possible shocks on credit and market risks, including sovereign risks.

The exercise has been conducted on a bank-by-bank basis for a sample of 91 EU banks from 20 EU Member States, covering at least 50% of the banking sector, in terms of total consolidated assets, in each of the 27 EU Member States, using commonly agreed macro-economic scenarios (benchmark and adverse) for 2010 and 2011, developed in close cooperation with the ECB and the European Commission.

Given that the stress test was carried out under a number of key common simplifying assumptions (e.g. constant balance sheet) the information on benchmark scenarios is provided only for comparison purposes and should in no way be construed as a forecast. In the interpretation of the outcome of the exercise, it is imperative to differentiate between the results obtained under the different scenarios developed for the purposes of the EU-wide exercise. The results of the adverse scenario should not be considered as representative of the current situation or possible present capital needs. A stress testing exercise does not provide forecasts of expected outcomes since the adverse scenarios are designed as "what-if" scenarios including plausible but extreme assumptions, which are therefore not very likely to materialise. Different stresses may produce different outcomes depending on the circumstances of each institution.

More information on the scenarios, methodology, aggregate and detailed individual results is available from CEBS³. Information can also be obtained from the website of the **Hungarian Financial Supervisory Authority**. (www.pszaf.hu)

³ See: <http://www.c-ebs.org/EU-wide-stress-testing.aspx>

Name of bank: FHB JELZÁLOGBANK NYILVÁNOSAN MŰKÖDŐ RT.

Actual results

At December 31, 2009	mIn EUR
Total Tier 1 capital	122
Total regulatory capital	122
Total risk weighted assets	1 428
Pre-impairment income (including operating expenses)	66
Impairment losses on financial assets in the banking book	-29
1 yr Loss rate on Corporate exposures (%) ¹	4,39%
1 yr Loss rate on Retail exposures (%) ¹	1,43%
Tier 1 ratio (%)	8,6 %

Outcomes of stress test scenarios

The stress test was carried out under a number of key common simplifying assumptions (e.g. constant balance sheet, uniform treatment of securitisation exposures). Therefore, the information relative to the benchmark scenarios is provided only for comparison purposes. Neither the benchmark scenario nor the adverse scenario should in any way be construed as a forecast.

Benchmark scenario at December 31, 2011²

	mIn EUR
Total Tier 1 capital after the benchmark scenario	181
Total regulatory capital after the benchmark scenario	181
Total risk weighted assets after the benchmark scenario	1 286
Tier 1 ratio (%) after the benchmark scenario	14,1 %

Adverse scenario at December 31, 2011²

	mIn EUR
Total Tier 1 capital after the adverse scenario	170
Total regulatory capital after the adverse scenario	170
Total risk weighted assets after the adverse scenario	1 573
2 yr cumulative pre-impairment income after the adverse scenario (including operating expenses) ²	111
2 yr cumulative impairment losses on financial assets in the banking book after the adverse scenario ²	-40
2 yr cumulative losses on the trading book after the adverse scenario ²	0
2 yr Loss rate on Corporate exposures (%) after the adverse scenario ^{1, 2}	8,41%
2 yr Loss rate on Retail exposures (%) after the adverse scenario ^{1, 2}	2,46%
Tier 1 ratio (%) after the adverse scenario	10,8 %

Additional sovereign shock on the adverse scenario at December 31, 2011

	mIn EUR
Additional impairment losses on the banking book after the sovereign shock ²	-3
Additional losses on sovereign exposures in the trading book after the sovereign shock ²	0
2 yr Loss rate on Corporate exposures (%) after the adverse scenario and sovereign shock ^{1, 2, 3}	8,64%
2 yr Loss rate on Retail exposures (%) after the adverse scenario and sovereign shock ^{1, 2, 3}	2,64%
Tier 1 ratio (%) after the adverse scenario and sovereign shock	10,6 %
Additional capital needed to reach a 6 % Tier 1 ratio under the adverse scenario + additional sovereign shock, at the end of 2011	-

¹. Impairment losses as a % of corporate/retail exposures in AFS, HTM, and loans and receivables portfolios

². Cumulative for 2010 and 2011

³. On the basis of losses estimated under both the adverse scenario and the additional sovereign shock

Exposures to central and local governments

*Banking group's exposure on a consolidated basis
Amount in million reporting currency (EUR millions)*

Name of bank	FHB Mortgage Bank Plc.
Reporting date	31.03.2010

	Gross exposures	of which Banking book	of which Trading book	Net exposures
Austria				
Belgium				
Bulgaria				
Cyprus				
Czech Republic				
Denmark				
Estonia				
Finland				
France				
Germany	0,1	0,1		0,1
Greece				
Hungary	340	340		340
Iceland				
Ireland				
Italy				
Latvia				
Liechtenstein				
Lithuania				
Luxembourg				
Malta				
Netherlands				
Norway				
Poland				
Portugal				
Romania				
Slovakia				
Slovenia				
Spain				
Sweden				
United Kingdom				