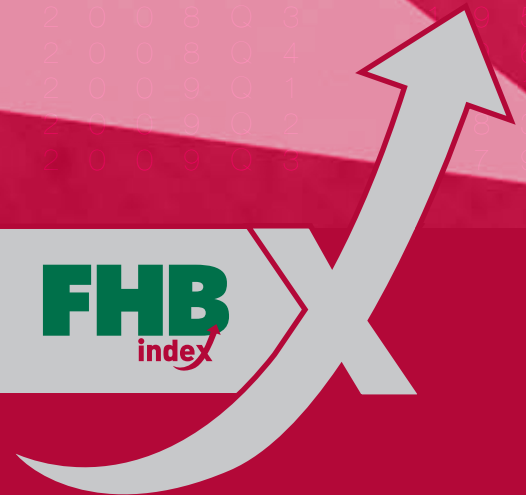


FHB House Price Index 1998-2009

FHB House Price Forecast 2010

1 9 9 8 Q 1 4 5
1 9 9 8 Q 2 5 1
1 9 9 8 Q 3 5 4
1 9 9 8 Q 4 5 4
1 9 9 9 Q 1 5 9
1 9 9 9 Q 2 6 5
1 9 9 9 Q 3 7 0
1 9 9 9 Q 4 7 7
2 0 0 0 Q 1 9 1
2 0 0 0 Q 2 9 9
2 0 0 0 Q 3 1 0 2
2 0 0 0 Q 4 1 0 5
2 0 0 1 Q 1 1 1 4
2 0 0 1 Q 2 1 1 7
2 0 0 1 Q 3 1 1 7
2 0 0 1 Q 4 1 1 9
2 0 0 2 Q 1 1 2 8
2 0 0 2 Q 2 1 3 3
2 0 0 2 Q 3 1 3 5
2 0 0 2 Q 4 1 3 9
2 0 0 3 Q 1 1 5 3
2 0 0 3 Q 2 1 5 9
2 0 0 3 Q 3 1 6 0
2 0 0 3 Q 4 1 6 9
2 0 0 4 Q 1 1 7 3
2 0 0 4 Q 2 1 7 2
2 0 0 4 Q 3 1 7 9
2 0 0 4 Q 4 1 7 5
2 0 0 5 Q 1 1 7 7
2 0 0 5 Q 2 1 7 8
2 0 0 5 Q 3 1 8 3
2 0 0 5 Q 4 1 8 5
2 0 0 6 Q 1 1 8 6
2 0 0 6 Q 2 1 8 9
2 0 0 6 Q 3 1 9 2
2 0 0 6 Q 4 1 9 5
2 0 0 7 Q 1 1 9 2
2 0 0 7 Q 2 2 0 0
2 0 0 7 Q 3 2 0 0
2 0 0 7 Q 4 1 9 6
2 0 0 8 Q 1 1 9 8
2 0 0 8 Q 2 1 9 8
2 0 0 8 Q 3 1 9 6
2 0 0 8 Q 4 1 9 6
2 0 0 9 Q 1 1 9 6
2 0 0 9 Q 2 1 9 7
2 0 0 9 Q 3 1 9 9

FHB
index



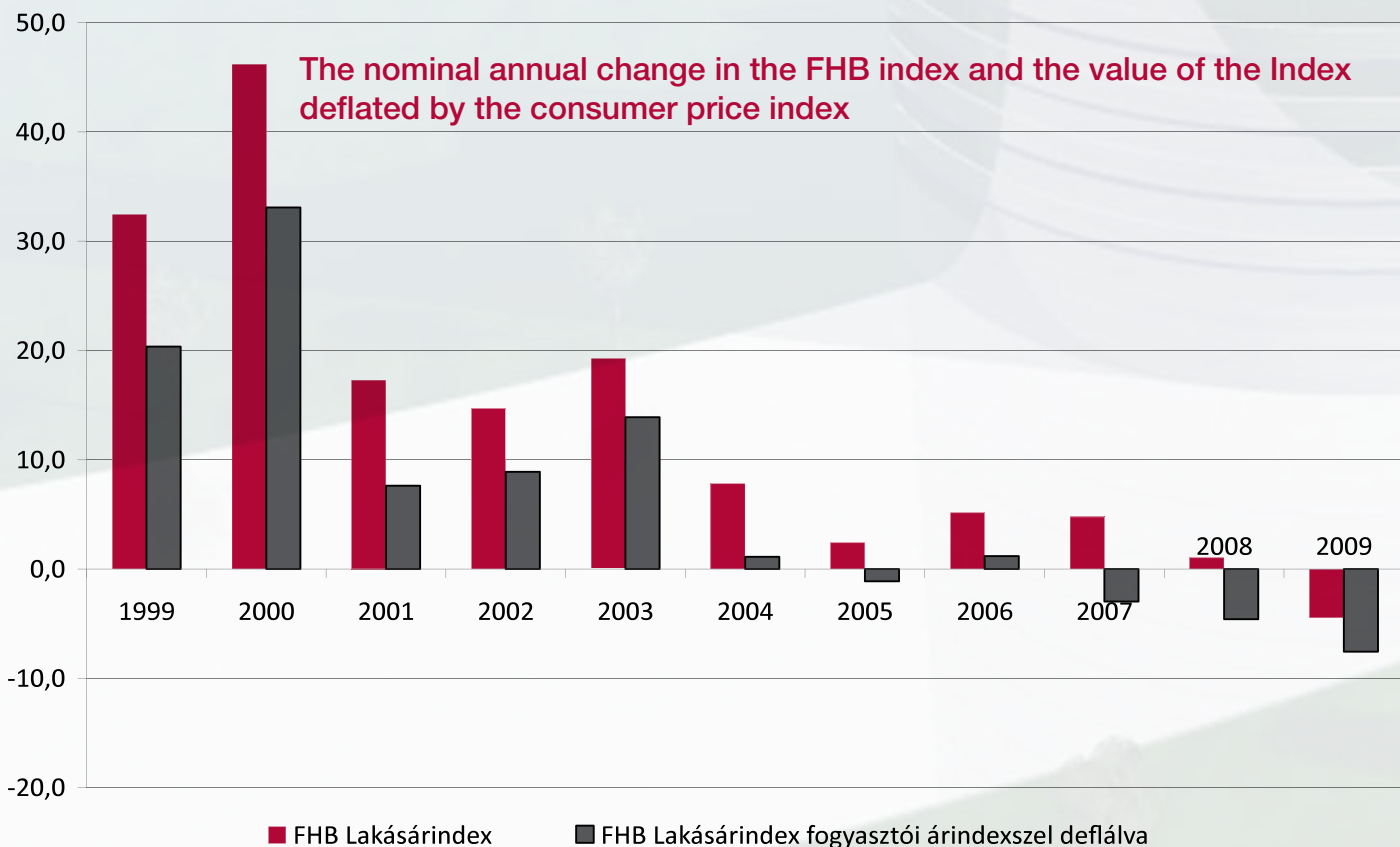
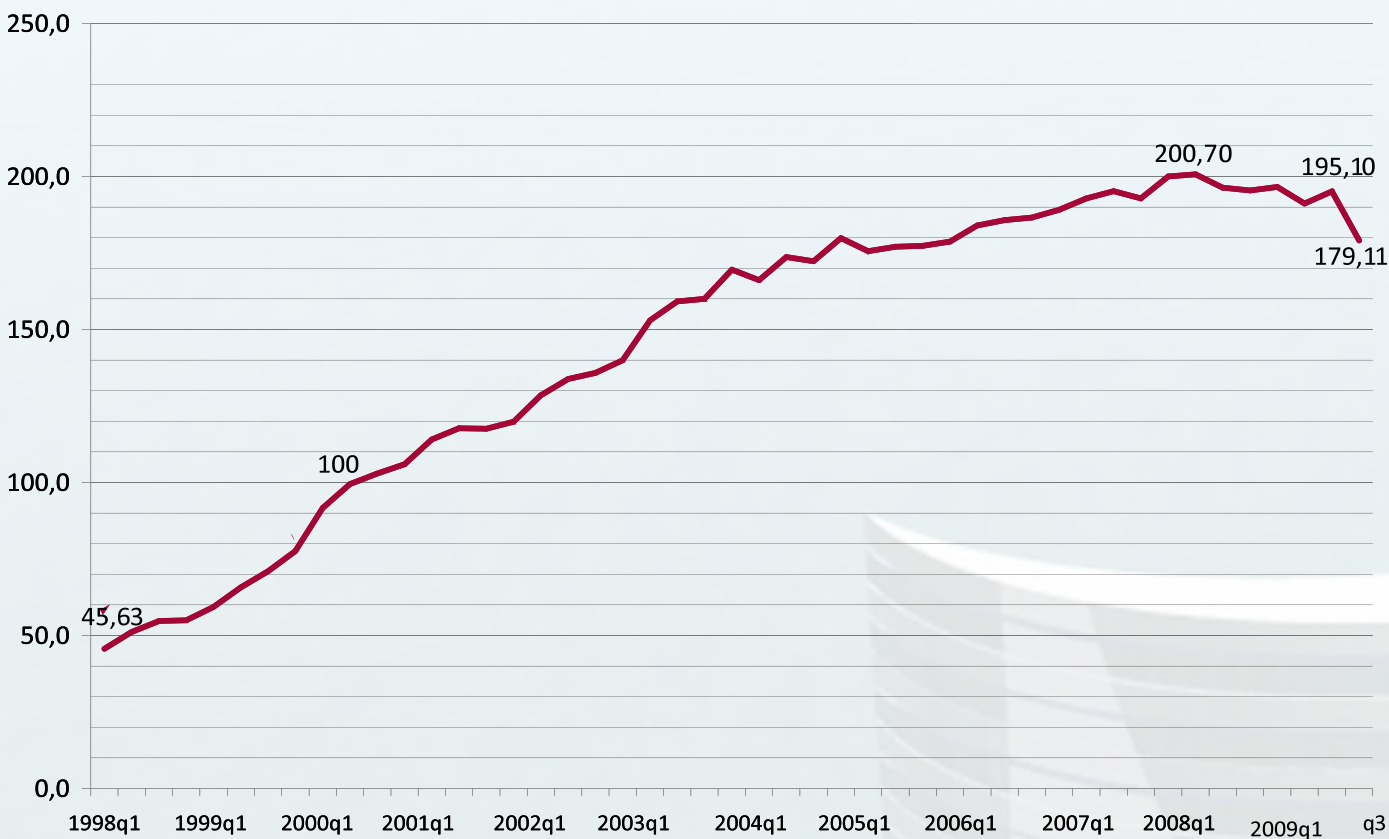
1. FHB index

The FHB Index continues to decline on the basis of data obtained in the third quarter of 2009: compared to the same period in the previous year, we measured an 8.3% reduction in prices, which corresponds to 2005 year-end levels. In producing the latest index, we relied on FHB's market information and observations, as well as the National Tax Authority's (APEH) 2009 third quarter database.

We have refined our view of the first half of 2009, based on 35,000 recently acquired data points. A minimal increase can be observed in the second quarter due to the increased demand generated by the announcement that state-subsidies were to be tightened; the extent of the increase does not affect the general trend. As a result of the price decrease experienced in the third quarter, a cumulative price decrease of 10% can be measured during the entire period from 2008 – referred to as the "setback" period in our previous publication – corresponding to a rate of real growth of -11%.

The value of the FHB House Price Index in the third quarter of 2009: 179.1

Figure: FHB-index from 1998 until Q3/2009 (2000=100)



2. Evaluation of the housing market

A decline can be observed in every segment of the housing market, in line with our expectations. The economic crisis radically affected the demand through two different channels: layoffs and salary corrections resulted in a significant reduction in the real income of the population, while corrective actions taken in the financial industry increased the price of offered loans. While the consequence of the corrections in the financial industry remains stable, personal income continues to deteriorate, resulting in decreased demand for housing. Reduction in demand has led to a decline in the turnover of the housing market, and the speeding up of price accommodation on the offer side (housing for sale). The construction of new housing began to fall in 2009, concurrently with the increase in the number of unsold new housing units experienced by the developers.

The events of the recent past are presented in our Base package, as well as two new elements of the analyses linked to the FHB Index: regional observations and a housing market forecast.

3. Regional and area observations

Using the same methodology applied to the measurement of the change in nationwide prices, we have also measured the price changes in the larger cities over the past ten years, as a reflection of the regional housing markets. A noteworthy tendency can be drawn from our observations: the price increases in the cities located in the eastern half of the country are higher than average, the increases in the western cities tend to be lower than average since 2000

Lower price increases than the nationwide index between 2000 and 2008	Price increases similar to the nationwide index between 2000 and 2008	Higher price increases than the nationwide index between 2000 and 2008
Győr	Budapest	Békéscsaba
Kaposvár	Eger	Debrecen
Sopron	Érd	Kecskemét
Szombathely	Pécs	Miskolc
Veszprém	Szeged	Nyíregyháza
Zalaegerszeg	Székesfehérvár	Szolnok

In relation to the economic crisis, we can state that the setback in the housing market is a result of the movement of price-value in a negative direction as well as a reduction in volumes. From a territorial point of view, a general decrease in price can be observed in the countryside. With very few exceptions, the market in the smallest settlements has slowed down, or has come to a complete halt in some cases, which can be explained by not only a decrease in demand, but also by inelasticity of supply.

A decrease can also be measured in the larger cities, but at the same time, the direction of the demand has shifted in these areas, due to the nature of the real estate stock. There is a greater demand for lower-priced housing, even as expectations regarding quality have risen. In the case of block housing, this can be observed when maintenance costs are of the same order of magnitude as for traditional gas-heated housing and also in those cities, where subsidized renovation of block housing affects a significant percentage of the population. The decrease in the number of transactions in multi-unit housing market is less pronounced than in the case of single-family homes. As a result of the economic crisis, the extent of the price bargain has grown in the case of flats, which has contributed to the fact that the decrease in price is greater for flats than it is for single-family homes.

Detailed information about the evolution of prices regionally and in the larger cities, as well as the related local real estate market analysis are available in our Base package, and in our customized offers.

4. Housing Price Forecast

Methodology

The FHB House Price Forecast is available for the first time in the FHB House Price Index publication, in which we provide a 12-month forecast of housing prices, with updates every 6 months.

The methodology behind the forecast model is based on three pillars:

1. On the basis of international and local experience, we have identified relationships between selected Hungarian macroeconomic indicators, money-market and credit market environment indices, transactional data of the housing market and housing prices. (We base our view of the development of the macroeconomic and financial environment primarily on the forecasts published by the National Bank of Hungary.)

2. FHB Banking Group has been one of the determining players on the Hungarian housing finance market for over a decade. Our operations cover the entire country geographically, and we have access to information from the more significant real estate assessors, to which we contribute the professional experience of FHB Real Estate Zrt. We have therefore utilized processed and verified assessments in our forecast.

3. With respect to the economic crisis, we cannot disregard empirical facts gained from the analyses of similar crises which have affected real estate prices. We have therefore included the international experience obtained from similar crises and observations from the earlier domestic real estate markets in our model.

Consequently, the model does not simply provide a view of the measure of changes in housing prices, but also the dynamics of that change, taking into consideration the modifying effects of the economic crisis.

Continuing, single-digit price decreases

For 2010, we forecast a slowing down of the price decline, an average of 9% for the entire year. Overall, we can state that demand will further decline due to the decrease in real income resulting from the recession, and that supply will also decline in terms of the construction of new homes. The forecast also indicates that price accommodation will be more pronounced on the supply side this year. Price decreases will occur stepwise, and the downward trend will be arrested only when the demand side is enlivened by favourably deemed purchase opportunities and credit environment. The stepwise nature of the fall can be explained by the differences between individual types and locations of real estate, which are clearly differentiated in the FHB price index.

A more detailed justification of the forecast, the extent and dynamics of the changes in price, and an analysis of the risks surrounding the realization of the forecast are available in our Base package, as well as in customized special offers.

Dear Reader!

We are pleased and proud that you have shown an interest in the **FHB Index**.

The FHB Index is a housing price index based on transactional data, using the hedonic regressive method, which presents changes in housing prices from 1997 until the present time. The product, which made its debut in 2009, is the first of its kind to be used in the domestic housing market. In contrast to indicators previously used, the FHB Index is based on a transparent and disclosed methodology, reflects real sale prices and uses large amounts of data (nearly 900,000 data points) over a long period of time. The methodology and reliability conform to those of the professionally recognized, international housing price indices.

The **FHB Index** is a new market gauge and reference tool, which is distinctive in terms of the measured time intervals, and the quality and quantity of underlying data, to which **FHB** has added its own experience in the real estate market.

The **FHB index** Base package is a standard product, which has been developed to provide useful and practical information to the players of the real estate market within and outside of Budapest. The Base package contains the following:

- o the Budapest price index, in addition to the publicly available nationwide index
- o the housing price index for 12-15 larger cities
- o indices for types of real estate (flats, single-family homes, by above locations)
- o the forecast for the development of the nationwide index for 2010 and the presentation of the forecast methodology
- o analysis of actual market processes, as well as analysis by county
- o international comparisons and analysis of market outlook

The Base package can be ordered from FHB Real Estate Zrt. for 300,000 HUF/quarter + VAT (15% discount available for annual subscription, 1,020,000 HUF/year + VAT)

Due to the complexity of the package, the content described above is spread out over an entire year. Based on the needs of our current subscribers, we plan to present content according to the following schedule:

- o 1st quarter: Forecast and area indices (10-12 larger cities)
- o 2nd quarter: full area and type indices + assessment of real estate market for the full year of 2009
- o 3rd quarter: revision of forecast and international outlook
- o 4th quarter: area analyses (presentation: "value-map")

Planned schedule of publication in 2010:

- February 17
- mid-May
- 1st third of September
- 1st third of December.

We are pleased to respond to any inquiries.

Regards,

Zsolt Molnár

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Quarter	Index value
1998Q1	45,63
1998Q2	51,18
1998Q3	54,75
1998Q4	54,96
1999Q1	59,31
1999Q2	65,75
1999Q3	70,98
1999Q4	77,54
2000Q1	91,71
2000Q2	99,45
2000Q3	102,87
2000Q4	105,97
2001Q1	114,04
2001Q2	117,72
2001Q3	117,58
2001Q4	119,84
2002Q1	128,49
2002Q2	133,80
2002Q3	135,78
2002Q4	139,89
2003Q1	153,01
2003Q2	159,14
2003Q3	160,01
2003Q4	169,51
2004Q1	166,08
2004Q2	173,65
2004Q3	172,29
2004Q4	179,87
2005Q1	175,61
2005Q2	177,04
2005Q3	177,35
2005Q4	178,70
2006Q1	183,94
2006Q2	185,73
2006Q3	186,59
2006Q4	189,07
2007Q1	192,82
2007Q2	195,19
2007Q3	192,83
2007Q4	200,03
2008Q1	200,70
2008Q2	196,37
2008Q3	195,40
2008Q4	196,56
2009Q1	191,12
2009Q2	195,10
2009Q3	179,11



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