Supplement dated 16 August 2011
to the Base Prospectus dated 31 May 2011

FHB MORTGAGE BANK CO. PLC.
(FHB JELZÁLOGBANK NYILVÁNOSAN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG)
(incorporated with limited liability in the Republic of Hungary)

EUR 3,000,000,000
Euro Mortgage Securities and Euro Medium Term Note Programme
for the issuance of
Hungarian Mortgage Bonds and Mortgage Notes (*jelzáloglevelek*) and Notes

This supplement (the **Supplement**) constitutes a supplement for the purposes of Directive 2003/71/EC (the **Prospectus Directive**) and for the purposes of Article 13 of Chapter 1 of Part II of the Luxembourg Law of 10 July 2005 on Prospectuses for Securities (the **Prospectus Law**) implementing the Prospectus Directive. This Supplement is supplemental to, forms part of, and must be read in conjunction with, the Base Prospectus dated 31 May 2011 (the **Base Prospectus**) prepared by FHB Mortgage Bank Co. Plc. *(FHB Jelzálogbank Nyilvánosan Működő Részvénytársaság)* (the **Issuer**) with respect to the EUR 3,000,000,000 Euro Mortgage Securities and Euro Medium Term Note Programme for the issuance of Hungarian Mortgage Bonds and Mortgage Notes (*jelzáloglevelek*) and Notes (the **Programme**). Unless the context otherwise requires, terms defined in the Base Prospectus shall have the same meaning when used in this Supplement.

This Supplement has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority for the purposes of the Prospectus Law.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statement in (a) above will prevail.

Save as disclosed in this Supplement and any prior supplements to the Base Prospectus, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

In accordance with paragraph 2 of Article 13 of the Prospectus Law, investors who have already agreed to purchase or subscribe for the Mortgage Bonds, the Mortgage Notes or the Notes before this Supplement is published, shall have the right, exercisable within a time limit of a minimum two working days after the publication of this Supplement, to withdraw their acceptances.

Copies of this Supplement and the Base Prospectus are available on the Luxembourg Stock Exchange's website (www.bourse.lu) and on the website of the Issuer (www.fhb.hu), and such documents are available free of charge from the specified office of any paying agent or the principal office in Luxembourg of Deutsche Bank Luxembourg S.A., being 2, boulevard Konrad Adenauer, 1115 Luxembourg, Luxembourg.

The purpose of this Supplement

This Supplement has been prepared for the purposes of: (i) disclosing, and including in the relevant section of the Base Prospectus, information on legislative developments recently adopted in Hungary with the aim of providing relief to distressed borrowers under certain housing mortgage loans, addressing increased default rates on such loans and stabilising the market for residential mortgage lending; and (ii) updating the relevant section of the Base Prospectus with recent changes in respect of the issuer's Supervisory Board.

By virtue of this Supplement, the information appearing in, or incorporated by reference into, the Base Prospectus shall be amended and/or supplemented in the manner described in the section headed "*Amendments to the Base Prospectus*" of this Supplement below and consequential amendments shall be deemed to have been made to page numbering and all cross-references to page numbering in the Base Prospectus.

AMENDMENTS TO THE BASE PROSPECTUS

(1) **The text "*as at the date of this Base Prospectus*" and the brackets around thereof immediately following the subheading "*Administrative, management and supervisory bodies*" at page 168 shall be deemed to have been deleted.**

(2) **The names "*Dr Erik Landgraf*" and "*Viet Nguyen Hoang*" and their respective biographies in the subsubsection headed "*Members of the Supervisory Board*" of the subsection headed "*Administrative, management and supervisory bodies*" in the section headed "*Description of the Issuer*" of the Base Prospectus at page 169 shall be deemed to have been deleted.**

(3) **The following text shall be deemed to have been inserted at the end of the subsubsection headed "*Limitations in respect of foreign currency credits*" of the subsection headed "*Legislative and financial measures intended to stabilise the markets as a response to the global financial crisis*" in the section headed "*The Hungarian Banking System and Capital Market*" of the Base Prospectus at page 230:**

"The transitional statutory ban on foreign currency denominated retail mortgage lending was lifted with effect from 1 July 2011; nevertheless, it is expected that foreign currency denominated mortgage lending will remain subject to strict conditions and will be limited to lending to those borrowers whose income is denominated in the currency of the respective loan and reaches at least 15 times the mandatory minimum monthly wage."

(4) **The subsubsection headed "*Moratorium on evictions and transitional restrictions on enforcement sales outside court enforcement*" of the subsection headed "*Legislative and financial measures intended to stabilise the markets as a response to the global financial crisis*" in the section headed "*The Hungarian Banking System and Capital Market*" of the Base Prospectus at page 230 shall be deemed to have been deleted in its entirety.**

(5) **The reference to "*Moratorium on evictions and transitional restrictions on enforcement sales outside court enforcement*" at each of pages 15 and 199 shall be deemed to have been deleted and replaced with a reference to "*Mortgage relief programme - Transitional quota regime for foreclosure proceedings*".**

(6) **The following subtitle and text shall be deemed to have been inserted in the section headed "*The Hungarian Banking System and Capital Market*" of the Base Prospectus immediately following the subsubsection headed "*Special "bank tax"*" at page 231:**

"***Mortgage relief programme***

The blanket ban on foreign currency mortgage lending and the statutory moratorium on evictions and forced sales outside court enforcement have been replaced by a comprehensive package of measures, recently announced by the Hungarian government, which aims to alleviate increased borrower default on foreign currency denominated residential mortgage loans in a more sustainable manner and to mitigate significant potential distortions in the real estate market, which could have resulted from a large number of simultaneous enforcement actions following the expiry of the statutory moratorium on evictions and forced sales outside court enforcement.

As part of the package (the **Mortgage Relief Programme**), Parliament has adopted Act LXXV of 2011 on the fixing of exchange rates for repayments on foreign currency denominated loans and on the regime applicable to enforcement sales of residential properties (the **Mortgage Relief Act**).

Fixed exchange rates for regular repayments on covered foreign currency mortgage loans

Under the scheme envisaged by the Mortgage Relief Act (the **Scheme**), regular repayments on retail mortgage loans that are (i) denominated in EUR, Swiss Francs or Japanese Yen, (ii) to be repaid in HUF, and (iii) covered by a mortgage interest in residential real estate situated in the territory of Hungary, whose market value does not exceed HUF 30 million as established by the relevant creditor financial institution at the time of its acceptance as collateral (the **Covered Mortgage Loans**) will, at the option of the relevant borrowers, be calculated at fixed exchange rates set by statute, provided that the relevant borrowers (the **Eligible Borrowers**) satisfy the eligibility criteria for participating in the Scheme. The Scheme is available to Eligible Borrowers for a period of 36 months, subject to an ultimate deadline expiring on 31 December 2014 (the **Fixed Rate Period**). Eligible Borrowers may opt for the application of the Scheme between 12 August and 31 December 2011 under each of their Covered Mortgage Loans, in respect of which the eligibility criteria for participation are met. The application of the Scheme is mandatory for the creditor financial institution that is deemed to be the creditor under the relevant Covered Mortgage Loan (the **Relevant Creditor**) if an Eligible Borrower so elects. Following the expiry of the Scheme, the exchange rates, at which repayments on Covered Mortgage Loans are calculated, will switch back to market rates.

The statutory fixed exchange rate (the **Fixed Rate**) is set at (i) HUF 180 to the Swiss Franc in the case of Swiss Franc denominated Covered Mortgage Loans, (ii) HUF 250 to the EUR in respect of EUR denominated Covered Mortgage Loans, and (iii) HUF 200 per JPY 100 for Covered Mortgage Loans denominated in Japanese Yen.

In order to qualify as an Eligible Borrower, (i) the relevant borrower (A) must be a natural person (i.e. retail borrower), (B) must meet certain status requirements (such as Hungarian citizenship or registered Hungarian place of residence in the case of EU citizens with the right to free movement and residence, etc.), (C) may not be more than 90 days late on repayments on the relevant Covered Mortgage Loan and, if a mortgage interest is taken by more than one financial institution in the mortgaged residential property underlying the relevant Covered Mortgage Loan, in respect of all obligations secured by that mortgaged residential property, (D) may not be covered by a restructuring programme other than the Scheme, which is granted by the Relevant Creditor and eases repayments; (ii) the maturity of the relevant Covered Mortgage Loan must fall after 31 December 2014; and (iii) the mortgaged residential property underlying the relevant Covered Mortgage Loan may not be subject to any ongoing enforcement proceeding.

During the Fixed Rate Period, the balance resulting from the difference between the Fixed Rate and the exchange rate that the Relevant Creditor would otherwise apply to the currency concerned at the time when the relevant repayment instalment is calculated (the **Actual Rate**) will be paid by way of borrowings denominated in HUF against a special "overflow" credit line ("*gyűjtőszámlahitel*") (the **Accumulation Credit Line**) to be provided by the Relevant Creditor, which will accumulate in a separate loan accumulation account (the **Accumulation Account**). The HUF equivalent of arrears outstanding on the relevant Covered Mortgage Loan at the commencement of the Fixed Rate Period will also be debited in the Accumulation Account. Should the Actual Rate fall below the respective Fixed Rate, repayments on Covered Mortgage Loans will still be calculated on the basis of that Fixed Rate; nevertheless, the resulting difference is to be deducted from the balance outstanding in the relevant Eligible Borrower's Accumulation Account. If there is no balance outstanding in the relevant Eligible Borrower's Accumulation Account at the time of calculation, repayments will be calculated on the basis of the Fixed Rate or the Actual Rate, whichever is lower. Prepayments will, in each case, be converted at the relevant Actual Rate.

Loans made under the Accumulation Credit Line attached to Covered Mortgage Loans (the **Accumulated Loans**) will bear interest at a rate to be set for a three-month interest period. Such interest rate may not exceed (i) during the Fixed Rate Period, the three-month BUBOR prevailing on the first day of the month in which the interest commencement date falls, and (ii) following the termination of the Fixed Rate Period, the interest rate applied by the Relevant Creditor to HUF denominated loans made for the same purpose as that of the underlying Covered Mortgage Loan. Interest accrued on Accumulated Loans may be capitalised every three months. The maturity of Accumulated Loans may not be shorter than that of the Covered Mortgage Loans to which they are attached. Eligible Borrowers must commence repaying Accumulated Loans on 1 January 2015 in accordance with a loan amortisation schedule to be set by the Relevant Creditor on the basis of annuity. Relevant Creditors must set such loan amortisation schedules in a manner which ensures that the aggregate amount of the instalments payable on Accumulated Loans and regular repayments on the underlying Covered Mortgage Loan does not result in a disproportionately excessive monthly debt servicing obligation (to be defined by an order of the government) on the part of the relevant borrower.

Upon request by the Relevant Creditor, Accumulated Loans will be covered by a state guarantee in the form of (i) first-demand suretyship ("*készfizető kezesség*") (within a meaning comparable to that of a guarantee of payment) up to 100% during the Fixed Rate Period, and (ii) suretyship with the benefit of excursion ("*sortartó kezesség*") (within a meaning comparable to that of a guarantee of collection) up to 25% following the termination of the Fixed Rate Period in respect of the balance outstanding in the Accumulation Account at the time of the termination of the Fixed Rate Period, in each case in consideration for a guarantee fee at a rate to be determined by an order of the government. Such guarantee fee may not in any manner be passed on to the relevant borrowers.

The mortgage interest taken by the Relevant Creditor in the residential mortgaged property underlying the relevant Covered Mortgage Loan will, by operation of law, also cover Accumulated Loans, subject to consent by the mortgagor, if different from the relevant Eligible Borrower.

Transitional quota regime for foreclosure proceedings

The initial measures aimed at assisting masses of distressed borrowers and mitigating the material adverse effects, resulting primarily from the significant volatility of the HUF, on the residential mortgage market also included a statutory blanket moratorium on evictions and forced sales outside court enforcement in respect of properties where the relevant obligor had his habitual residence. Following an extension, such blanket moratorium expired on 1 July 2011.

A limited moratorium remains in effect until 1 October 2011 on (i) evictions in respect of (A) repossessions under financial lease agreements concluded with consumers, and (B) judicial forced sales in the enforcement of mortgage interest taken under housing mortgage loans granted to consumers or mortgage loans provided to consumers, the proceeds of which were applied (in full or in part) to finance the acquisition, modernisation or extension of the underlying mortgaged property, and where the market value of that underlying mortgaged property (as established in the respective mortgage loan agreement or, if not determined therein, at the time of disbursement) and the amount of the relevant mortgage loan at the time of disbursement did not exceed the HUF 30 million and HUF 20 million thresholds, respectively (the **Qualifying Mortgages**); and (ii) non-judicial enforcement sales in the case of Qualifying Mortgages. Under this limited statutory moratorium, non-judicial enforcement sales under Qualifying Mortgages are conditional on the consent of the relevant obligor, who has his habitual residence in the property concerned, to be given in person before, and recorded in writing at, the competent tax authority.

Where the underlying housing mortgage loans granted to consumers are not Qualifying Mortgages, non-judicial enforcement sales may be effected in respect of the relevant residential properties, designated by the Relevant Mortgagee Creditor (as defined below) until 15 July 2011, subject to a 2% threshold in each county and in the capital as calculated against the total number of residential properties situated in the relevant county or, as the case may be, in the capital, in which a mortgage interest has been taken by the Relevant Mortgagee Creditor (excluding those underlying Qualifying Mortgages). Non-judicial enforcement sales against the so designated residential properties must be initiated by no later than 1 October 2011. Such designated residential properties may be substituted by the Relevant Mortgagee Creditor only in limited circumstances.

The Mortgage Relief Act envisages a transitional quarterly quota regime (the **Quota Regime**), commencing on 1 October 2011 and expiring on 31 December 2014, for court enforcement and non-judicial forced sales (together, the **Foreclosure Proceedings**) against residential properties, mortgaged to secure housing mortgage loans granted to consumers (the **Covered Properties**). Under the Quota Regime, Foreclosure Proceedings may be initiated against Covered Properties that have been previously designated by the relevant mortgagee creditor under such loans (including any person or entity that is deemed to be a creditor under housing mortgage loans granted to consumers) (the **Relevant Mortgagee Creditors**) and only if the underlying housing mortgage loan is in arrear for over 90 days. Each Relevant Mortgagee Creditor may designate Covered Properties for the purposes of Foreclosure Proceedings subject to quarterly quotas in respect of each county and the capital. Quotas for the fourth quarter of 2011 are set at 2% of the total number of residential properties situated in the relevant county or, as the case may be, in the capital, in which a mortgage interest has been taken by the Relevant Mortgagee Creditor. Quarterly quotas will be increased to 3% in 2012, 4% in 2013 and 5% in 2014. For the purposes of the Quota Regime, all Relevant Mortgagee Creditor members of the same banking group will be deemed to form one single Relevant Mortgagee Creditor.

The Quota Regime will not apply to court enforcement proceedings initiated against Covered Properties prior to the Mortgage Relief Act coming into force. Where the housing mortgage loan underlying a designated Covered Property is repaid before an enforcement sale is effected or a Foreclosure Proceeding is initiated in respect of that Covered Property during the relevant quarter, the Relevant Mortgagee Creditor may designate another Covered Property in substitution thereof above the quota for that quarter. Covered Properties already designated in the preceding quarter will be disregarded when establishing the quota for the current quarter. If a Relevant Mortgagee Creditor assigns the housing mortgage loan underlying its mortgage interest in a designated Covered Property to a creditor not supervised by the Hungarian Financial Supervisory Authority (the **HFSA**), each such Covered Property must be deducted from the quota for each subsequent quarter in respect of the relevant county or, as the case may be, the capital throughout the term of the Quota Regime.

Relevant Mortgagee Creditors must designate the Covered Properties against which Foreclosure Proceedings are intended to be initiated on the first day of the relevant quarter, which has to be reported to the HFSA (or, if the Relevant Mortgagee Creditor is not supervised by the HFSA, to the Hungarian Consumer Protection Authority) by no later than the 15th day of the same quarter. Foreclosure Proceedings against the so designated Covered Properties must be initiated until the end of the relevant quarter at the latest.

National Asset Manager

Pursuant to resolution No 1191/2011 (VI. 14) of the government, setting out the main elements of the Mortgage Relief Programme, the Hungarian government is expected to submit a legislative proposal for an act of Parliament on the establishment of a national asset management body (the **National Asset Manager**). It is envisaged that the National Asset Manager will set up a social housing scheme, which includes (i) a state-funded home building programme for those who have been evicted due to mortgage arrears, and (ii) a mortgage buy-out programme to support distressed borrowers under non-performing housing mortgages, pursuant to which it is planned that the National Asset Manager will purchase mortgaged residential properties and the underlying housing mortgages. The properties so purchased by the National Asset Manager will be leased back to the underlying borrowers. Benefits under such programmes are expected to be available subject to strict eligibility criteria.

State subsidised mortgage interest rates

Pursuant to the Mortgage Relief Programme, the Hungarian government is also expected to adopt legislative measures, in the near future, which will establish a limited mortgage interest rate subsidy scheme, under which those distressed borrowers who move into a smaller property will be able to apply for an interest rate subsidy (up to a cap to be set by the relevant legislative act and subject to a threshold as to its term) on the housing mortgage loans financing the acquisition of such smaller properties. The aggregate amount of interest rate subsidies that may be provided under the scheme is expected to be capped in each relevant year."

GENERAL INFORMATION

There has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.