Takarékbank Zrt.

Separate Business Report 2023

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1. THE HISTORY OF TAKARÉKBANK LTD.

Takarékbank Ltd. is an universal commercial bank.

Takarékbank was formed through the fusion of three savings cooperatives, with Pannon Takarék Bank Ltd. and B3 Takarék Szövetkezet merging into Mohácsi Takarék Bank Ltd. on 30 April 2019, which then changed its name to Takarékbank Ltd. On the same date, the central bank of Takarék Group, MTB Magyar Takarékszövetkezeti Bank Ltd. (“MTB”), transferred its corporate and retail account, deposit, loan and guarantee portfolio to the new Takarékbank.

On 31 October 2019, with further 11 savings cooperatives and 2 banks legally merging, the nearly 5-year process ended, in the course of which almost 120 former savings cooperatives merged to create a single, universal commercial bank with nationwide coverage. All of the clients, employees, the whole branch network, deposit, loan and contract portfolio of every credit institution were taken over by Takarékbank Ltd.

The unified Takarékbank has one of the largest corporate and retail loan and deposit portfolios of the Hungarian banking market. According to the retail business policy, the bank offers complex, innovative financial solutions to families, younger and older residents and economic actors for the most typical life situations without geographical limitations. The Bank further strengthens its positions among micro-, small and mid-sized enterprises, with a key focus on agriculture. As a bank of the communities, it fosters the development of local initiatives and enterprises, their networking and cooperation, and the market entry of start-up businesses. With the largest branch network by far in the country, it continues providing personal consultation, contributes to creating equal opportunities and convergence of the rural regions.

On 15 December, 2020, Magyar Bankholding Ltd. commenced its operations as owner after the significant owners of Budapest Bank Ltd., MKB Bank Plc. and MTB Ltd., with the permission of the Central Bank of Hungary, transferred their shares in the bank to the common holding company. This led to the creation of the second largest banking group in Hungary, in which the Hungarian State has a share of 30.35% through Corvinus Nemzetközi Befektetési Ltd., the current direct owners of MKB have a share 31.96%, while the current direct owners of MTB have a share of 37.69%. The management of MBH was appointed, and the development of the five-year strategy of the new group was initiated and, on 18 March 2021, adopted by the Board of Directors and the Supervisory Board.

On 15 December 2021, the supreme bodies of MKB Bank, Budapest Bank and Magyar Takarék Bankholding Zrt., which owns MTB, approved the first step of the merger timetable of Budapest Bank, MKB Bank and the MTB. According to the merger schedule, based on the relevant decisions of the supreme bodies and subject to the necessary regulatory permits, the two member banks of Magyar Bankholding Zrt., Budapest Bank Zrt. and MKB Bank Nyrt., as well as Magyar Takarék Bankholding Zrt. merged on 31 March 2022. As a result of the merger, Budapest Bank was merged into MKB Bank and MTB Bank Zrt. continues to operate as a subsidiary bank of the merged bank. The merged bank, created on 31 March, became the group leader and temporarily operates under the name MKB Bank Nyrt. In the second quarter of 2023 Takarékbank joined the bank merged in the spring of 2022.

Having obtained the necessary preliminary approvals exercised the option provided by law, on 1 April 2022 Takarékbank, as a company to be included in the consolidation of MKB Bank, withdrew from the Integration Organisation, the mandatory institution protection organisation of integrated credit institutions.

The Board of Directors adopted the Bank's Strategic Plan for 2023-2027 on 14 September 2022. It confirmed the intention to merge MKB and Takarékbank, emphasised the solution-oriented digital IT system and process improvements, the merger process, and the further development of service quality and value proposition. The new strategy also took into account the rapidly changing economic and regulatory environment.

On 9 December 2022, the supreme bodies of MKB Bank and Takarékbank Zrt. adopted the proposals for the merger of the two member banks as part of the implementation of the second step of merger timetable. According to the decision of the General Meetings, the two member banks of the banking group, MKB Bank Nyrt. and Takarékbank Zrt. merged on 30 April 2023, or, and will then continue to operate under the name MBH Bank Nyrt. with a single brand name and image. On 6 February 2023, the MNB approved the merger of Takarékbank Zrt. into MKB Bank Nyrt. as of 30 April 2023, and the merger has been registered by the Court of Registration.

Upon request of Hungarian Bankholding the National Bank of Hungary with its decision nr. H-EN-I-119/2022. dated on 8 March 2022, revoked the licence issued to Hungarian Bankholding by decision nr. H-EN-I-358/2020. dated 12 June 2020 for operating as a financial holding company with effect from 29 April 2022, and MKB Bank took over the group management function over the banking group after 29 April 2022, based on a new group resolution issued by the National Bank.

Based on the authorisation of the General Meeting, the Board of Directors of Takarékbank decided on 9 December 2022 to increase the share capital of Takarékbank to HUF 186.96 billion. The share capital was increased by the issuance of 867 dematerialised ordinary shares of series 'C' with a nominal value of HUF 100 million each and an issue value of HUF 115,340,254. In the framework of the capital increase MKB Bank took over dematerialised ordinary shares of series 'C' with a total issue value of HUF 100,000,000,218, thus MKB Bank acquires a direct holding of 46.37% in Takarékbank, and, subject to the share sale and purchase agreement described in the next section, its share in Takarékbank is 85.72%.
A share sale and purchase agreement was concluded between MKB Bank as buyer and MTB Magyar Takarékszövetkezeti Bank Zrt. as seller, on the basis of which MKB Bank purchased 7,156 dematerialised ordinary shares of series 'A' with a nominal value and issue value of HUF 10 million and 200,000 dematerialised preference shares of series 'B' with a nominal value and issue value of HUF 10,000, including preference shares with dividend rights, issued by Takarékbank and owned by MTB. The share package represents 39.35% of the share capital of Takarékbank, subject to the share capital increase described in the previous section.

The legal merger of Takarékbank Zrt. and MKB Bank Nyrt. took place on 30 April 2023, followed by a groupwide rebranding: The merged bank has been operating under the name MBH Bank Nyrt. since 1st May 2023. With this step the triple bank merger was completed, resulting in Hungary's second largest bank in terms of total assets.

2. THE OPERATING (ECONOMIC) ENVIRONMENT OF TAKARÉKBANK

Federal Reserve continued the cycle of interest rate hikes in the first quarter of 2023, with a total increase of 50 basis points interest rates during the quarter (the Fed raised the US benchmark interest rate by 25-25 basis points at its meetings in February and March), bringing the US benchmark interest rate to between 4.75% and 5.00% by the end of the first quarter of 2023. In the week of 13th March, the globally reducing risk appetite (due to banking sector developments in US and Switzerland) questioned further Fed rate hikes. According to the Fed's communication, they prioritize achieving inflation target over financial stability, and added recent developments are likely to result in tighter credit conditions. Recent indicators point to modest growth and US economy gradually slowing (2023.Q1 US GDP growth was 1.1% from preceding period, at annual rates). Job creation has been strong (1 million new jobs added during Q1), and even though inflation has been decelerating (March 5.0% yoy), it's far from 2% inflation target. The Fed said some additional policy firming may be appropriate and they continue quantitative tightening.

The European Central Bank continued with interest rate hikes in the first quarter of 2023. Accordingly, in February and March the monetary conditions for the euro area were tightened by 50-50 basis points. The total increase of 100 basis points pushed up key refinancing operations rate to 3.50% by the end of the quarter. Inflation reached its peak (March 6.9% y/y) but is still too high and underlying price pressure (core inflation) remained elevated, therefore ECB stand ready to adjust its instruments to ensure that inflation returns to target. From March 2023 onwards, the ECB would no longer reinvest €15 bn per month from its traditional asset purchase program (APP) portfolio, thus also started quantitative tightening in the euro area. ECB said previous interest rate hikes have made their impact in the real economy (tighter credit conditions). As for the market turbulence in March, ECB stood ready to respond as necessary to preserve price stability and financial stability in the euro area, but emphasized its main mandate is to ensure that inflation returns to medium-term target.

The National Bank of Hungary (NBH) not changed monetary conditions in the first quarter of 2023. The Monetary Council kept the base rate at 13%, and the effective one-day deposit tender rate at 18% until the end of March. The HNB meanwhile made some changes in other instruments and decided that euro swap instrument will remain available until 31 March 2023, in line with decreasing energy prices and improving domestic energy balance. This instrument has contributed effectively to achieving stability in the foreign exchange market. As per its earlier communication, the Monetary Council raised the reserve requirement ratio to 10%, and in addition announced changing its interest rate structure (to a system of tiered interest rates) from 1 April. According to the central bank's communication, the Hungarian benchmark rate, which is outstandingly high even by international comparison, should remain stable until the country's risk perception shows a continuous improvement.

Inflation in Hungary peaked in January 2023, after reaching a record rate at 25.7%, inflation moderated slowly in February and March, respectively. However, these rates, headline inflation and core inflation above 25% are still considered to be elevated. Regarding inflation components, while fuel and processed food price inflation declined, alcoholic beverage and tobacco and service prices continued to rise, which is an unfavorable development from the point of view of price stability.

FX market: Until March, the forint continued to strengthen thanks to the fundamental factors and even fell below 375 against the euro. However, the American and Swiss banking developments in mid-March intensified risk aversion again and the regional currencies came under pressure, too. In the fundamental background of the strengthening (in addition to the protective domestic base interest level, which is also outstanding in the region), one of the most important factors was the drop in European energy prices, which was caused by the particularly mild winter weather throughout Europe. Furthermore, the high level of European gas reserves, and the volume of enormous LNG shipments arriving to Europe also played a substantial role. The current account deficit and the related concerns (fiscal stability) track the drop in energy prices with a delay of a few months – as can be seen from the positive foreign trade data. In addition, it is still important from the perspective of international investors that the war in Ukraine is taking place in a neighbouring country, so regional currencies may be characterized by high volatility even within emerging markets, due to the geographical proximity. Another negative factor is that the forint is fundamentally not helped by the fact that the real interest rates, which are closely monitored, are still negative due to high inflation – although the forint is not alone with this phenomenon on the world market. However, the real interest rate may become positive by the end of the year, which may further stabilize the forint exchange rate.

Public finances: The deficit was HUF 2,090 bn in the central budget in Q1 2023, so 61% of this year's appropriation was fulfilled. This year's first quarter deficit figure was HUF 219 bn lower compared to the deficit in the first three months of 2022, which also included the tax refund and the half-yearly allowance for employees of the armed forces. The cash flow balance of the budget is worsened by the fact that in the first two months EU payments reached HUF 313 bn, while revenues from the Union were only HUF 208 bn. Without this the cash flow deficit would have been HUF 52 bn lower. As a result of the decreasing need for financing, former pre-financing, and substantially improving nominal growth, the government debt ratio started to fall again from last year, so the debt ratio fell to 76.8% in 2021, 73.3% in 2022, which may further decrease to close to 67% by the end of 2023.

Wages and employment: In the second month of the first quarter, regular wages increased by 17.3%, while the average wage showed an increase of 0,8%, but the latter figure is strongly distorted by last year's very high monthly base. In the examined month, the gross average salary was HUF 531,200 for full-time employees, while the average net salary was HUF 366,400. The net average wage calculated without tax benefits also increased by 0.8% taking into account the base effect, and net real wages showed a 7.8% decrease in the month - excluding the base effect -, strong inflationary environment leaves a clear mark on wage growth.

Employment remains close to its peak, 18,000 new jobs were created in the domestic primary labour market in one year, so the total number of employed persons was 4,696,000 on average between January and March. 67.0% of the population aged 15-74 was present on the labour market, compared to the 66.3% activity rate measured in the same month of last year and the 66.8% level measured in the previous month. The unemployment rate according to the international statistical methodology was 4.0% in March, after 4.0% in the previous month, and after the level of 3.6% measured in the same month of the previous year.

GDP: In the first quarter of 2023, domestic GDP decreased by 0.9%, although, adjusted for the effect of working days, the decline was 1.1%. Compared to the previous quarter, the performance of the economy decreased by 0.2%, much less than expected, but the economy still remained in a technical recession. Industry contributed the most to the decline in economic performance. At the same time, the decline was moderated by the favourable performance of agriculture and services. Healthcare services contributed the most to the growth of services. From the second quarter, with the end of the heating season and falling energy prices, a significant turnaround may occur, and the industrial and service units that were forced to stop temporarily due to energy prices may restart. The domestic economy has probably passed the bottom, and the technical recession may end in the second quarter. It is favourable that the order stock of the industry continues to show growth, and new manufacturing capacities can also contribute to the improvement. Growth can also be supported to a greater extent by agriculture due to the exceptionally low base in last year. For the time being, consumption is held back by falling real wages, but the extent of the deterioration will moderate during the year as inflation begins to fall.

3. THE PROFIT AND PROFITABILITY OF TAKARÉKBANK IN 2023

Main financial indicators

Main figures in HUF million	30.04.2023	31.12.2022	Change %*	Change
Total assets	3,344,134	3,511,686	-4.8%	-167,552
Financial assets valued at amortized costs and financial assets mandatorily measured at fair value through profit/loss	2,419,652	2,813,745	-14.0%	-394,093
o/w net client loans	1,606,328	1,653,580	-2.9%	-47,252
Financial liabilities valued at amortized costs	3,007,130	3,228,520	-6.9%	-221,390
o/w client deposits	2,391,667	2,521,337	-5.1%	-129,670
Equity	262,024	226,838	15.5%	35,186
Profit/Loss before tax	38,281	34,247	11.8%	4,034
Profit/loss for the year	32,146	25,481	26.2%	6,665
Total comprehensive income	35,186	20,437	72.2%	14,749

* *The percentage of the change is not shown in the table above if it is mathematically meaning less or greater than 300% in absolute value.*

The total assets of Takarékbank decreased by HUF 167.6 billion within four month and stood at HUF 3,344.1 billion at the end of April 2023. Profit before taxes exhibited a gain of HUF 38,281 million. In the first four month of 2023, total comprehensive income for the year concerned was at HUF 35,186 million.

The sale of claims and the settlement of impairment/provisions dragged profit down by HUF 5.7 billion, while modification loss amounted to HUF 11 million. Banking tax reduced profit by HUF 2.4 billion and extra profit tax by HUF 21.0 billion in 2023.

4. PERFORMANCE OF THE BANKING BUSINESS LINES

Retail clients

In preparation for the merger of MKB Bank and Takarékbank in May 2023, a process of unification of products and the harmonisation of processes has started. The merger of MKB Bank and Budapest Bank took place on 1 April 2022. From then onwards, new account packages with uniform pricing were launched not only in the two former, already merged, member banks, but also in Takarékbank, the third member bank of Bank Group, paving the way for full integration. The new account packages cover a wide range of customer needs and are in line with Bank Group's future strategy.

In retail products, the first four month was mainly driven by acquisition promotions and cross-selling initiatives to support the fulfilment of business plans.

The Bank's Partner Programme has been restructured, offering discounted products and offers to employees of the companies contracted with the Bank. Within the framework of the restructuring, a unified set of conditions has been established in MKB and Takarékbank, and the range of discounts has been extended.
Among savings and investment solutions, investment funds were particularly popular in the first four month of 2023. The Bank primarily met customer needs with the wide range of products offered by MKB Fund Manager, which was merged as a result of the merger of Budapest Fund Manager and MKB-Pannónia Fund Manager in 2022. Among investment

funds, short bond funds combining high return potential with flexible investment horizons were particularly popular, and their portfolio growth continued to be dynamic in the first four month of 2023. Within retail sovereign debts, longer-dated inflation-linked instruments were particularly popular.

In the field of housing loan products, the Bank continued the credit promotions related to the Baby Loan and market-rate mortgage products in the ECO Modernisation Programme. As regards the Qualified Consumer Friendly Home Loan product, the Green Interest Rate Rebate was introduced for new home purchase loans from 1 April 2023, in line with MNB's tender.

In the case of personal loans, seasonality was a feature of low new disbursements in the first month of the year, but by the end of the quarter the market had returned to forecast levels. The Bank maintained its 15% market share, with a significant increase in new volumes. The interest rate on personal loans was adjusted to changes in funding costs and market conditions, and the Bank's online campaigning activity was strengthened.

In first months of 2023, the Takarék GO and Takarék GO Platinum credit cards were introduced, and the Bank started offering them through 28 Takarékbank branches. More than 500 credit cards were issued in the first 3 months. Euronics and ÉnPostám credit card sales were outstanding also.

In the first four month of 2023, MBH Bank, in addition to the merger processes, also continued to renew its product range, further strengthening its market position in order to provide competitive offers to the financial market intermediaries cooperating with it in retail and small business lending. Intermediary sales continued to be strong, driven mainly by competitive product terms, lending processes and lending conditions. The Bank continues to work on improvements that will simplify and thereby facilitate partner collaboration in day-to-day operations.

In the first quarter of 2022, the member banks of Magyar Bankholding signed a strategic cooperation agreement with CIG Pannónia Group. Within the framework of this agreement, the merged banks have developed the range of insurance products for sale, which is based on the products of CIG Pannónia Insurance.

In the first quarter of 2023, compared to the same period of the previous year, the Banking Group realized a minimal decrease in group insurance, but within group insurance products, credit insurance increased by 10%.

In individual life insurance, the annual portfolio premiums rose to 216% of the previous year's first quarter result for regular premium insurance. The distribution of member banks in terms of sales volume was almost identical in Q1 2023 (MBH: 52%, Takarékbank 48%). For single premium life insurance, the Group realised an 11% increase compared to Q1 2022. In the first quarter of 2023, the member bank distribution in terms of annual portfolio fees will be similar to that for regular premium life insurance (MBH: 46%, Takarékbank 54%).

In terms of home insurance, the decline in the mortgage market is reflected in the number and volume of home insurance sales.

Branch network

In the first four quarter of 2023, MBH Bank continued the developments started in 2022, with a strong emphasis on the physical layout of the branch network and on improving the quality of customer service.

The Bank ensured personal customer service with more than 400 branches nationwide, while the range of online services was also expanded.

In order to increase customer satisfaction and ensure high quality customer service and efficiency, a new internal information platform and standardised branch processes have been developed, in addition to continuous training of advisors and professional developments.

The Bank pays special attention to the continuous modernisation of its branches and the provision of related information, thus ensuring convenient and fast service for existing and prospective customers. Based on the results of regular representative online surveys of our own customer base, further improvement directions and actions will be identified, as increasing the customer experience is a constant priority.

Micro and small enterprise clients

In the first four month of 2023, demand for government-backed loans remained strong among Micro and Small Business customers, and the Széchenyi Card MAX+ scheme was the most popular. The vast majority of loan disbursement performed via these state-subsidized programs.

In the Széchenyi Programme MAX+ scheme, the share of investment loans further decreased. In the MAX+ programme, the share of investment loan transactions is only one fifth of the previous MAX programme. It is assumed that macroeconomic changes are not favourable for the development and investment appetite of enterprises.

MFB Points

In the first quarter of 2023, total loan disbursements in the branches dedicated as MFB Points amounted to more than HUF 44 billion. The loan portfolio related to MFB Points reached HUF 360 billion, the highest in the current period.

Corporate and institutional customers

Relying on its traditional strengths, MBH Bank’s strategic goal is to further develop and build a strong corporate business line. The business line focuses on local knowledge, professional service, consulting-based sales and the provision of innovative solutions.

Bank provides comprehensive business solutions and advice to its customers, sets up comprehensive loan schemes if necessary and satisfies special financial customer needs. Bank is able to provide efficient and unique solutions to all players in the corporate segment.

The focus of the first four month of 2023 was on preparing for the merger, creating the framework for joint operations.

In line with its strategy, MBH Bank continued to play a key role in the introduction of economic stimulus programs and their delivery to customers. The significantly rising interest rate environment generated more demand in Széchenyi Card Programs and Baross Gábor Reindustrialisation Loan Programme than ever before, there was particularly high demand for working capital and current account loans.

The Bank provided information and processes concerning the repayment moratorium to its customers on a regular basis, facilitating a temporary solution to any potential liquidity problem.

In 2023, the Bank continued to regard customers among small and medium-sized enterprises (SMEs) as a key segment and increasing product penetration played a central role here.

Bank remained an active participant in the continually renewed Széchenyi Programme. The Bank has achieved a 37% market share in terms of contracted amount in Széchenyi MAX products by the end of March 2023. In the MAX+ programme which has been launched this year, MBH Group has a 40% market share of the number of loan applications.

MBH Group has traditionally maintained close ties with Eximbank to enable customers to benefit from EXIM financing sources. In the Baross Gábor Reindustrialisation Loan Programme, a total of HUF 1,000 bn loan has become available in euros as well as in forints at a fixed low interest rate. The majority of the facility was allocated to working capital loans. The Bank's customers also requested a significant amount of these products.

Private banking

The first phase of the merger of the Private Banking segment was successfully completed. A nationwide network has established. The Bank established dedicated private banking service centers in several locations in Budapest and in nearly twenty locations nationwide. In addition to easier personal contact, Private Banking continues to provide telephone administration covering all of its services.

Services provided to customers were further expanded: investment funds of a new, internationally recognized market player became available in the MBH Private Banking network.
In 2023, the Private Banking performed particularly well in the sales of investment funds, and also successfully participated in the issuance of certificates. In addition, the sale of inflation-tracking government securities is still popular with customers.

Agricultural clients

Implementation of the sector-specific service model for the agricultural and food industry, (which was already developed and introduced earlier in the Takarékbank), has launched in 2022 for the entire MBH Group. Within this framework, the agri-food business line was established in the merged MKB Bank in parallel with the legal merger of Budapest Bank and MKB Bank, with a unified management structure. With this step, the Group has created a dedicated agri-food business line, which serves almost 40,000 customers, from the smallest farmers to large food companies and agricultural-integrators, has a market share of around 25 percent in financing the agri-food industry, and has disbursed almost a third of agricultural loans, approximately 30 percent.

In Takarékbank, the customers segmented to the Business Unit (farmers, food processing companies and other customers belonging to the agri-business) continued to be served in 2023 in the previously established organisational structure.

A unique feature of the agribusiness's service model is that farm sizes of up to 200 hectares - or equivalent in the livestock sector - the service line assigns a dedicated agricultural advisor to its customers, who can also meet with customers at their premises as required.

The business line is organised into a separate organisational structure within a horizontal organisation, with a small central governing body, its main organisational unit is the agricultural region. Takarékbank's agri-food business line is represented by the Agri Centres in more than 40 locations in 8 regions across the country. In addition, large corporate agri-business customers are served by a specialised central unit. In addition, leasing and factor financing, advisory services on tenders and insurance activities play an important role in serving the agri-food customers, which the Bank provides to the customers through its partners.

In order to strengthen direct customer relationships and attract new customers, the Bank continued to hold regular regional agricultural meetings for customers.

Takarékbank continues to be a major financing partner for agricultural and food businesses: In 2023, the loan portfolio managed by Bank Group's agri-food business developed in line with the normal trend of agricultural seasonality.

5. INVESTMENT

Investments during the year

The gross carrying value of Takarékbank Ltd. subsidiaries and associates was HUF 5.27 billion as of 30 April 2023, with the net value being HUF 5.05 billion.

Takarékbank subsidiaries
Takarékbank subsidiaries predominantly include companies dealing with property management, maintenance and sale.

The property management concept adopted by the General Meeting of Takarékbank stated that subsidiaries dealing with property management, maintenance and sale that were transferred to the Takarékbank's portfolio during the merger process of the savings cooperatives will transfer their real estate portfolios to the two newly founded companies dealing with property management, maintenance and sale activities, after which the former will undergo voluntary liquidation.

TIFOR Takarék Ingatlanforgalmazó Ltd.
TIFOR Takarék Ingatlanforgalmazó Ltd. was established by Takarékbank Ltd. on 4 October 2019 with a share capital of HUF 50 million, with the purpose of allocating the real properties of the cooperative integration not related to banking into this company, which, as its core function, would manage and sell these real properties to buyers outside the integration.
As result of multiple capital increases by way of transfers (of real estate), the share capital of TIFOR Takarék Zrt. reached by the end of 2022 HUF 6.45 billion.
TIFOR Zrt. was merged with TIHASZ Zrt. on 31 December 2022.

As of 31 December 2022, TIFOR Zrt. was merged into TIHASZ Zrt. together with two other MKB subsidiaries with real estate profiles.

TIHASZ Takarék Ingatlanhasznosító Ltd.
Takarékbank established TIHASZ Takarék Ingatlanhasznosító Ltd. on 4 October 2019 with a share capital of HUF 50 million with the purpose of allocating the real estate properties of the cooperative integration related to banking into this company, which, as its core function, would manage these real properties and lease them to Takarékbank Ltd.

As a result of multiple capital increases by way of transfers (of real estate), the share capital of TIHASZ Takarék Ltd. reached approximately HUF 25.8 billion during 2020, while by the end of 2022 it reached HUF 26.1 billion.

The equity capital of the merged TIHASZ Takarék Zrt. is HUF 32.77 billion on 30 April 2023, and Takarékbank's share is 11.726%.

Property management, maintenance and trading company transferred from the savings cooperatives into the Takarékbank portfolio by way of a transfer:

The circle of Takarékbank Ltd.'s subsidiaries includes the below listed property managing, property maintenance and property trading subsidiaries of cooperative credit institutions merged into Takarékbank Ltd. which are mostly under voluntary liquidation: ANTAK 2000 Llc.; Szetak-Szolg Llc. "u.l."; F House Llc.; and Környei Tak-Ing Llc. "u.l.". The gross total carrying value of the 4 companies is HUF289.7 million, net value is HUF 233.8 million.

The TM1 fund of Diófa Alapkezelő Ltd. was recognised in the category of investment into subsidiaries in the carrying value of HUF 350 million. Moreover, Takarékbank Ltd. recognizes its shares in MTB Magyar Takarékszövetkezeti Bank Ltd. among financial assets measured at fair value through other comprehensive income, in a total carrying value of HUF 643.5 million.

Takarékbank associates:
The shares of two companies allocated to the Takarékbank Ltd. portfolio after the merger of the cooperative credit institutions, i.e. the shares of Euro Eco Pénzügyi Szolgáltató Ltd. "u.l." representing an ownership share of 22.5% and the shares of Humán Pénzügyi Mediátor Llc. "u.l." representing an ownership share of 48.7% were recognised among associates.

The shares of Garantiqa Hitelgarancia Ltd., the investment in Agrárvállalkozási Hitelgarancia Alapítvány investment and several other smaller value investments were recognised among Takarékbank's financial assets measured at fair value through other comprehensive income. VISA shares are recognised in the category of non-trading financial assets mandatorily measured at fair value through profit or loss.

6. THE FINANCIAL AND RISK SITUATION OF TAKARÉKBANK

6.1. Takarékbank's financial performance

The total assets of the Bank calculated according to International Financial Reporting Standards (IFRS) was HUF 3,344.1 billion as of 30 April 2023, a decrease of 4.8% (HUF -167.6 billion) compared to the previous year's end figure. Drop of the asset side was caused primarily by the decreasing of loans and advances to banks. Compared to the previous year-end, the volume of loans and advances to customers at amortised cost decreased by HUF 6.1 billion, reaching HUF 1,647.5 billion by the end of the period. On the liabilities side, the four months change was mostly driven by decrease of client deposits (HUF -129.7 billion), and decline in intra-group, MNB-backed and other interbank financing (HUF -65.5 billion).

BALANCE SHEET (in HUF million)	30.04.2023	31.12.2022	Change %	Change
Assets				
Cash and cash equivalents	**440,747**	**234,753**	**87.7%**	**205,994**
Financial assets measured at fair value through profit or loss	**276,299**	**263,747**	**4.8%**	**12,552**
Loans and advances to customers mandatorily at fair value through profit or loss	*247,502*	*229,029*	*8.1%*	*18,473*
Securities mandatorily at fair value through profit or loss	*8,385*	*6,520*	*28.6%*	*1,865*
Derivative financial assets	*20,412*	*28,198*	*-27.6%*	*-7,786*
Hedging derivative assets	**21,648**	**27,716**	**-21.9%**	**-6,068**
Financial assets measured at fair value through other comprehensive income	**160,829**	**146,909**	**9.5%**	**13,920**
Securities	160,829	146,909	9.5%	13,920
Financial assets measured at amortised cost	**2,419,652**	**2,813,745**	**-14.0%**	**-394,093**
Loans and advances to banks	*308,471*	*601,195*	*-48.7%*	*-292,724*
Loans and advances to customers	*1,606,328*	*1,653,580*	*-2.9%*	*-47,252*

Repurchase assets	*0*	*14,188*	*-100.0%*	*-14,188*
Securities	*440,569*	*494,611*	*-10.9%*	*-54,042*
Other financial instruments	*64,284*	*50,171*	*28.1%*	*14,113*
Investments in subsidiaries and associates	**5,050**	**5,050**	**0.0%**	**0**
Property, plant and equipment	**10,392**	**8,360**	**24.3%**	**2,032**
Intangible assets	**1,334**	**1,134**	**17.6%**	**200**
Income tax assets	**3,849**	**5,867**	**-34.4%**	**-2,018**
Current income tax assets	*0*	*0*	*0.0%*	*0*
Deferred income tax assets	*3,849*	*5,867*	*-34.4%*	*-2,018*
Other assets	**4,334**	**4,405**	**-1.6%**	**-71**
Total assets	**3,344,134**	**3,511,686**	**-4.8%**	**-167,552**
Liabilities				
Financial liabilities measured at fair value through profit or loss	**18,985**	**19,039**	**-0.3%**	**-54**
Derivative financial liabilities	18,985	19,039	*-0.3%*	*-54*
Financial liabilities measured at amortised cost	**3,007,130**	**3,228,520**	**-6.9%**	**-221,390**
Amounts due to banks	647,908	762,585	*-15.0%*	*-114,677*
Amounts due to customers	2,323,487	2,403,973	*-3.3%*	*-80,486*
Repurchase liabilities	0	30,283	*-100.0%*	*-30,283*
Subordinated debt	25,552	23,947	*6.7%*	*1,605*
Other financial liabilities	10,183	7,732	*31.7%*	*2,451*
Hedging derivative liabilities	**300**	**522**	**-42.5%**	**-222**
Provision	**8,068**	**8,267**	**-2.4%**	**-199**
Income tax liabilities	**4,676**	**4,416**	**5.9%**	**260**
Current income tax liabilities	4,676	4,416	*5.9%*	*260*
Other liabilities	**42,951**	**24,084**	**78.3%**	**18,867**
Total liabilities	**3,082,110**	**3,284,848**	**-6.2%**	**-202,738**
Equity				
Share capital	186,960	186,960	*0.0%*	*0*
Share premium	34,947	34,947	*0.0%*	*0*
Retained earnings	7,712	-14,544	*-153.0%*	*22,256*
Other reserve	6,682	3,467	*92.7%*	*3,215*
Profit for the year	32,146	25,481	*26.2%*	*6,665*
Accumulated other comprehensive income	-6,423	-9,473	*-32.2%*	*3,050*
Total equity	**262,024**	**226,838**	**15.5%**	**35,186**
Total liabilities and equity	**3,344,134**	**3,511,686**	**-4.8%**	**-167,552**

The value of the financial assets of the Bank measured at fair value through other comprehensive income at the end of April 2023 reached HUF 160.8 billion, compared to HUF 146.9 billion in the previous year. Within this, the volume of debt securities (typically government securities held for sale) is significant, while the proportion of equity type instruments is below 1%.
The changes in the volume of debt securities was characterised by the increase of government bonds.

The value of financial assets measured at fair value through profit or loss increased by HUF 12.6 billion in the year of 2023, at the end of April 2023 it was HUF 276.3 billion. Loans and advances to customers mandatorily at fair value through profit or loss increased to HUF 247.5 billion.

The value of financial assets measured at amortised cost decreased by HUF 394.1 billion during the four month, and reached HUF 2,419.7 billion by the end of the period.
The net volume of loans and advances to customers decreased by HUF 47.3 billion during the four month, was HUF 1,606.3 billion by the end of April 2023. Gross retail credit volume at the end of April 2023 was HUF 430.4 billion (2022: HUF 432.5 billion) and gross corporate credit volume (together with local governments) was HUF 1,259.8 billion (2022: HUF 1,303.3 billion). The volume of central bank and interbank deposits decreased from HUF 601.2 billion to HUF 308.5 billion by the end of April 2023.

Financial liabilities at amortised costs comprise approximately 90.0% of the liabilities of Takarékbank. Their value was 6.9% lower than compared to the end of the year preceding the year in question and reached HUF 3,007.1 million by April 2023. The largest share in this liability is represented by the volume of deposits. The value of client deposits at the end of April 2023 was HUF 2,391.7 billion (retail deposit volume: HUF 1,158.7 billion, corporate, municipal deposit volume: HUF 1,124.5 billion, investments volume HUF 8.2 billion and interbank volume: HUF 185.8 billion), this figure is HUF 63.4 billion down on 2022.

The value of the **share capital** of the Bank as of 30 April 2023 was HUF 262.0 billion, increasing by HUF 35.2 billion compared to the end of 2022, due to increase in retained earnings of Takarékbank (as a result of the significant profit after tax).
Takarékbank is part of the MBH Group, but has to meet the capital adequacy ratio requirement at an individual level, which was firmly satisfied throughout the period, and at the end of April it reached 21.6%.

STATEMENT OF PROFIT AND LOSS (in HUF million)	30.04.2023	2022	Change %*	Change
Interest income and similar to interest income	126,341	237,489	-46.8%	-111,148
Interest expense and expense similar to interest expense	-43,881	-71,567	-	27,686
Net interest income	**82,460**	**165,922**	**116.5%**	**-83,462**
Fee and commission income	22,432	68,072	15.0%	-45,640
Fee and commission expense	-8,433	-19,886	20.5%	11,453
Net fee and commission income	**13,999**	**48,186**	**12.9%**	**-34,187**
Results from financial instruments	**4,042**	**-20,715**	**-**	**24,757**
Results from financial instruments measured at fair value through profit or loss, net	-7,976	-14,430	-	6,454
Results from financial instruments measured at fair value through other comprehensive income, net	0	-3,780	-	3,780
Results from financial instruments measured at amortized cost, net	-63	-243	-57.5%	180
Results from hedge accounting, net	-185	325	-128.2%	-510
Exchange differences result, net	12,266	-2,587	-177.8%	14,853
(Impairment) / Reversal on financial and non-financial instruments	**-5,660**	**-36,677**	**56.9%**	**31,017**
(Impairment) / Reversal on financial instruments held for credit risk management	-5,738	-23,288	6.5%	17,550
Provision (loss) / gain	87	-2,167	-	2,254
Modification (loss) / gain on financial instruments	-11	-10,916	-	10,905
(Impairment) / Reversal on investments in subsidiaries and associates	0	-113	-217.7%	113
(Impairment) / Reversal on other financial and non-financial instruments	2	-193	-54.0%	195
Dividend income	0	574	-	-574
Operating expense	-56,773	-122,312	21.0%	65,539
Other income	2,824	882	-84.7%	1,942
Other expense	-2,611	-1,562	-58.1%	-1,049
Result from assets held for sale	0	-51	-115.6%	51
Profit before taxation	**38,281**	**34,247**	**-**	**4,034**
Deferred tax (income) / expense	-6,135	-8,766	-	2,631
Profit for the year	**32,146**	**25,481**	**-**	**6,665**

STATEMENT OF OTHER COMPREHENSIVE INCOME				
Profit for the year	**32,146**	**25,481**	**-**	**6,665**
Other comprehensive income	**3,040**	**-5,044**	**7.0%**	**8,084**
Items that may not be reclassified to profit or loss	**0**	**25**	**-**	**-25**
Fair value changes of equity instruments measured at fair value through other comprehensive income	*0*	*25*	-	*-25*
Items that may be reclassified to profit or loss	**3,040**	**-5,069**	**7.6%**	**8,109**
Hedging instruments (unmarked items)	*-25*	*687*	*-68.5%*	*-712*
Income tax relating to items reclassified to profit or (-) loss	*-395*	*910*	-	*-1,305*

Revaluation on debt securities measured at fair value through other comprehensive income	*3,460*	*-6,666*	*-3.3%*	*10,126*
Total Comprehensive Income for the year	**35,186**	**20,437**	**-**	**14,749**

*A change of more than +/- 300% compared to the previous year cannot be interpreted, marked with "-".

In 2023, Takarékbank's **profit/loss before tax** exhibited HUF 38.3 billion in profit, which was a HUF 4.0 billion improvement compared to the profit of HUF 34.2 billion in the previous year. Profit after tax for the period was HUF 32.1 billion (2022: HUF 25.5 billion). Total comprehensive income in the first four month of 2023 amounted to HUF 35.2 billion.

The largest factor current year's profit in Takarékbank was the high net interest income achieved due to changes in the market environment and favourable net fee and commission income.

Net interest income in 2023 amounted to HUF 82.5 billion and it resulted from HUF 126.3 billion gross interest income and HUF 43.9 billion interest expense. Strong net interest income was driven by the significant portfolio of securities and favourable yield environment.

Takarékbank's **net fee and commission income** amounted to a profit of HUF 14.0 billion in the first four month of 2023, which resulted from the balance of the HUF 22.4 billion gross income from fees and commissions and HUF 8.4 billion in expenses. The payment-related net commissions showed an increase in a slowing economic environment.

Results from financial instruments were a profit of HUF 4.0 billion compared to a loss of HUF 20.7 billion last year. A significant part of the loss can be explained by the change in the fair value of the subsidised loan portfolio. The result was boosted by the result of foreign exchange operations (HUF +12.3 billion).

Other income amounted to HUF 213 million in the first four months of 2023, which includes the reimbursement of the OBA fee liability in amount of HUF 2.6 billion.

The operating costs of Takarékbank were HUF 56.8 billion in the first four month of 2023, the overall cost includes operating costs as well as taxes and other fees associated with operations, too. Of this, the operating costs that the bank has a direct influence on (salaries, IT, other material, depreciation) represent 39.8% of total accounted operating expenses. Of this, salaries and staff costs stand out at HUF 10.0 billion, general and administrative expenses at HUF 5.3 billion, and annual information technology expenses at HUF 5.1 billion. The change in other taxes and fees was due to the increase in tax payment costs due to the transaction fee and the extra profit tax, which was HUF 32.3 billion. Supervisory and regulatory fees amounted to HUF 1.9 billion.

Operating costs in HUF million	30.04.2023	2022	Change
Personnel costs	9,996	32,750	-22,754
Leasing fees	243	191	52
Depreciation of tangible assets	1,129	3,881	-2,752
Depreciation of intangible assets	218	797	-579
General administrative costs and auditor's fee	5,276	15,077	-9,801
Advertisements	436	1,070	-634
Consultancy fees	101	1,192	-1,091
IT costs	5,146	15,300	-10,154
Other taxes and fees	32,266	44,640	-12,374
Insurance costs	35	133	-98
Fees for supervisory and other prudential activities	1,891	7,189	-5,298
Other non-specified costs	36	92	-56
Total costs	**56,773**	**122,312**	**-65,539**

The net balance of impairment and provisioning was HUF 5.7 billion in the first four month of 2023. Furthermore, a modification loss of HUF 11 million is recognised due to the 2021 and 2022 impacts of the repayment moratorium and to a negative net present value effect expected for 2023.

6.2. The risk position of Takarékbank

Takarékbank's risk management is governed by the Hungarian and EU legislation in force and additional supervisory regulations. Takarékbank is a member of the MBH Group and must also comply with the internal regulations of the MBH banking group. Takarékbank considers prudent risk-taking to be a core value, and its risk management and risk control activities are performed in accordance with the principles laid down in the Risk Strategy. Takarékbank's risk management is subject to several levels of control, the most important of which are ultimate control at the level of the Board of Directors, independent control separate from the risk-taking areas, and appropriate measurement, diversification, monitoring and reporting of risks. Takarékbank continued to comply with the regulatory requirements throughout 2022.

Risk Strategy

MBH's Group level Risk Strategy defines the scope of risks that Takarékbank can take and the risk management and measurement tools to be applied, as well as the general risk-taking principles and rules to be followed by Takarékbank.
In its operations, Takarékbank strives to maintain a risk culture that ensures the identification, measurement and management of emerging risks in accordance with the risk appetite. Internal policies, strategies, regulations and guidelines, communication and employee training are the primary means of ensuring a corresponding risk culture.
The primary objectives of Takarékbank's risk management activities are to protect the Bank's financial strength and reputation and to contribute to the use of capital for competitive business activities that enhance shareholder value.
The Bank's risk appetite should be consistent with the financial resources available to cover potential losses. In order to ensure this, the Bank calculates the current and future economic capital requirements for the quantifiable types of risk, as well as the capital requirements under Pillar 1.
Takarékbank is primarily exposed to credit, liquidity, market and operational risks.
In its risk appetite, MBH Group defines separate risk category targets in line with the respective business strategy, which describe the level of risk that can be assumed in a qualitative manner. The targets are broken down to different entity levels within the Group, including the level of Takarekbank. Regular back-testing of these targets ensures that risk appetite is monitored on an ongoing basis, results are evaluated and any necessary interventions are made on this basis to bring the Bank back on track.

Credit risk

No significant change was in credit risk in 2023.

In line with the MNB's expectations and the uniform impairment calculation methodology at MBH banking group level, the staging logic for customers in the moratorium and leaving the moratorium was standardised.

For customers exiting the moratorium or not on a contracted repayment schedule, the measurement of traditional credit behaviour continues to be implemented. For retail customers, the Bank has reverted to the standard lifetime ECL calculation.

For corporate customers, the Bank continues to determine the level of impairment based on the rating and the monitoring result.

In addition to the above, the Bank has updated the macro parameters for the entire portfolio, using the latest parameters available in the MNB Inflation Report. The updated risk parameters have also been implemented in the lifetime ECL calculation.

Given that no new information on the paying capacity of customers has emerged during the moratorium period and that the repayment rates of customers affected by the interest rate freeze are lower than those in the contracts, it is necessary to take into account the uncertainties about the capacity and willingness of debtors to pay. In addition, MNB expects that the risk arising from modelling uncertainty needs to be mitigated.

The Bank has considered the following aspects in determining the management overlays:

- the rate at which the income of customers entering the moratorium4 has decreased compared to 18.03.2020,
- for customers entering the agricultural moratorium, the models are not aware of the agricultural moratorium and therefore the willingness and capacity to pay may contain a hidden high probability of default,
- the application of transitional staging rules alone does not always reflect the full increase in lifetime loss, even when macro parameters are updated.

In summary, the Bank's current modelling methodology, using the above information, provides the opportunity to develop risk profiles that are well-defined from a customer management perspective. The management overlays have been formed due to the uncertainties arising from the current economic situation, the expectations of the regulatory environment and the future volatility of the economic situation.

Up to April, a significant part of the increase in credit risk relates to only one counterparty, but even so, the stock of non-performing loans has fallen slightly due to the sale of receivables.

Market risk

Market risks include interest rate risk and foreign exchange risk arising from all banking activities. Takarékbank keeps its market risks low by means of an appropriate limit system and in-process controls.

Interest rate risk:

Interest rate risk arises from the fact that changes in interest rates affect the value of a financial instrument. A credit institution is also exposed to interest rate risk if the amounts of its maturing or repricing assets, liabilities and off-balance sheet instruments are not consistent with each other in a given period. Takarékbank measures interest rate risk by performing sensitivity tests on an ongoing basis. In addition, the impact of adverse interest rate scenarios is continuously measured and limited through the application of stress tests. Interest rate risks are managed through an appropriate composition of the securities and derivatives portfolio and through the consistency of other assets and liabilities in the bank's books.

Management of currency risk

Takarékbank aims to keep its exposure to foreign exchange risk low by maintaining open foreign exchange positions up to the limit set in the banking book.

Foreign exchange risk arising in the course of core banking activities is managed by the Bank in the course of its operations, depending on market conditions. The Bank also performs VAR calculations and stress tests to measure foreign exchange risk.

Liquidity and solvency risks

Takarékbank analyses liquidity risks with a number of indicators and mitigates them with limits, the most important of which are based on regulatory indicators (LCR, NSFR, required reserve ratio) and stress tests relevant to liquidity. In addition, Takarékbank operates an early warning system for the timely detection of liquidity disturbances, which is presented to the Asset and Liability Committee and to management without delay in the case of an alert and on a regular basis during normal operations.

Operational risk

Takarékbank continues to manage operational risk primarily through internal policies, rules of procedure and the operation of built-in control mechanisms in line with defined supervisory requirements. MBH's Group Level Operational Risk Management Policy and Operational Risk Management Rules set out the methodology for the operational risk management framework tools used by Takarékbank.

The operational risk loss data collection is based on uniform definitions and limits. The Bank promotes the recognition and identification of operational risks with internal training.

The adequacy of key risk indicators (KRIs) is reviewed by the Bank every year, new group level KRIs defined by MBH were introduced. As part of the annual KRI review, the Bank has identified the indicators that will be collected following the merger.

Takarékbank conducts operational risk self-assessments for its key activities, and uses scenario analysis to assess the impact of events that occur infrequently but could result in severe losses if they were to occur.

Takarékbank's operational risk events and the results of operational risk monitoring are reported on a quarterly basis.

With regard to operational risk, the Bank's management attaches great importance to feedback. An essential aspect is the implementation and monitoring of the effectiveness of the measures taken to eliminate operational risks.

7. THE ECONOMIC ENVIRONMENT AND THE FINANCIAL SECTOR

Taking into account both upside and downside risks, we expect GDP to expand by 0.8% in real terms in 2023. The protracted war in the neighbourhood, the negative impacts of energy price rises, the partial termination of preferential energy prices for households and losses associated with the severe drought led to a marked deterioration in last year's economic performance and continue to exert an impact in 2023 as well. Given the low basis last year, agriculture has a good chance to contribute to growth positively in 2023, provided the severe drought does not repeat itself. Still, the growth outlook continues to be blurred by the partial termination of preferential household energy prices, the high energy bills of the economy's other sectors like companies, state institutions and municipalities. Some sectors may experience transitional, but some also enduring reductions in production levels or even halts in production. These can partly be offset by subsidies and preferential loan schemes by the government, especially for actors in the most energy-intensive industrial branches. Further risks to growth are posed by supply chain disruptions caused either directly by the war in Ukraine or indirectly through the resulting sanctions, which culminate in a lack of or insufficient availability of base and raw materials and steeply rising costs. Purchasing power may be hit by lastingly strong inflation and the high costs of credit. External demand may also get weaker as purchasing power is also undermined in Hungary's main export destinations. The most severe risk would be the complete stop of Russian gas and oil deliveries, but apart from minor incidences this has not yet taken place and there is small probability for such an event in the future. On the other hand, upside risks are also present in the form of new industrial capacities entering production phase, the easing of the lack or insufficient supply of electronic chips, semiconductors and other appliances, the outstanding level of the order book in the industrial sector, which may help the sector to overachieve current expectations. The recovery in international tourism may give a further boost to growth especially with the termination of Covid-related travel restrictions in China. Large scale investment projects announced more recently will also help economic growth accelerate to its previous pace on medium term; from the middle of this decade Hungary's GDP-growth may lastingly exceed 4%.

The termination of the price cap for fuels was only partially reflected in inflation figures in December, the full impact will emerge in January's figures, hence inflation may still accelerate slightly further in the first month of 2023. However, due to base effects we expect at first gradual, but later quite substantial moderations in inflation figures in the coming months. These base effects will be reinforced by a recent fall in international commodity and energy prices, hence no new piece hikes are on the horizon, and the Forint's expected correction (appreciation) should also dampen inflationary pressures. As for food prices, weaker demand will likely drive prices somewhat down, or at least prevent them from rising further. In the course of the last year higher excise taxes pushed tobacco and alcoholic beverage prices up, and the same was true for many processed food items that were subject to the rising of the public health product tax. These effects will, however, disappear from the annual rate of inflation this year. Yet, a wage-price spiral may be forming in some sectors, which can slightly reduce the pace of disinflation. This still won't prevent from inflation declining to below 10% by year-end, however, it will still be as high as 17.5% on annual average in 2023.

The current 18% effective policy rate (the rate on the quick deposit tender) is expected to be gradually cut from the middle of 2023, but from then on it may quite rapidly close the gap with the base rate at 13%. As the disinflation process speeds up, the last quarter may bring especially steep rate cuts from the central bank, hence the base rate may sink to as low as 9% by the end of the year. In the still high inflation environment the growth of budget revenues will definitely exceed that of expenditures, hence on accruals basis the budget deficit may improve by at least 2 percentage points compared to 2022, i.e. it may decline to 4% of GDP, while public debt may sink below 70% of GDP by year-end. Since improvements are likely in the terms of trade, the deficit of the current account may considerably narrow, and improved external balances may lend support to the Forint's exchange rate.

With respect to net interest revenues the banking system may experience a further improvement to last year's figures, but a marked slowdown in lending activity (mainly the disbursement of new housing loans will suffer a dramatic setback compared to 2022 figures) will curb the opportunities for improvement in net fee and commission revenues. As for operating and risk costs, a continued deterioration is well on the cards. The preceding years' fast growth in total assets as well as last year's sharp increase in fundamental operating revenues means that the tax base will be higher both for the special sectoral tax and the so-called extra profit tax, which will still be imposed upon the banking system in 2023, hence the tax burden continues to become even stricter. In addition, interest rate caps introduced in 2022 will involve substantial losses in the form of foregone revenues. All in all, the entire banking system may expect HUF 80 to 100 billion lower after-tax profit than it realized last year, while the return on equity ratio may moderate to as low as 5 to 5.5% following the previous year's 7%.

8. PROTECTION OF THE ENVIRONMENT

Although Takarékbank has no business or non-profit activity connected to environmental protection, it strives to maintain environment friendly workplaces, it keeps up and nourishes the natural vegetation and ornamental plants in its surroundings. It pursues to apply energy efficient solutions when performing its activities. In its internal trainings it emphasizes the importance of being energy- and environmentally conscious both on corporate and individual level.

9. HUMAN RESOURCES POLICY

The full-time equivalent employment of Takarékbank at the end of April 2023 was 3.304, below the same figure in 2022 (2022: 3.399).

10. OTHER SERVICES PERFORMED BY THE AUDITING COMPANY

The auditing company invoiced Takarékbank HUF 57.8 million according to the auditing contract for year 2023.

11. POST BALANCE SHEET DATE EVENTS

Legislative changes

Amendment of Government Decree No 782/2021 (XII. 24.) on the different application of Act CLXII of 2009 on credit to consumers in emergency situations
Interest rate cap extended until 31 December 2023. The Group has started to quantify the financial impact of the extension for 2023, but these have not yet been finalised.

Merger of Duna Takarék Bank Zrt.

Duna Takarék Bank Zrt. initiated the credit institution's joining of the Central Organisation of Integrated Credit Institutions of which it notified MBH Befektetési Bank Zrt. – a member of the MBH Bank Group – as business management organisation. Duna Takarék Bank Zrt. plans to join the Central Organisation of Integrated Credit Institutions as of 1 August 2023, provided it obtains the necessary authorisations and all other necessary conditions are met. At the same time, MBH Bank is conducting negotiations with the owners of Duna Takarék Bank Zrt. on the potential purchase of shares constituting an at least 75% influence in Duna Takarék Bank Zrt. after the above accession.

Takarékbank Private Limited Company by Shares

Separate Financial Statements in accordance with the International Financial Reporting Standards as adopted by the European Union

For the year ended 30 April 2023

Separate Financial Statements in accordance with the International Financial Reporting Standards as adopted by the European Union – 30 April 2023

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GENERAL INFORMATION

Chairman of the Board of Directors
Levente László Szabó

Chairman of the Supervisory Board
Béla Hetzmann

Members of the Board of Directors
Levente László Szabó
Ádám Egerszegi
János Zoltán Bogdán
György Schamschula
dr. Edina Tófeji
Zoltán Váradi

Responsible person for the control and management of accounting services:
Edit Júlia Tóth-Zsinka, managing director of finance and riporting
Ildikó Brigitta Tóthné Fodor, registration number 007048

Auditor company
PricewaterhouseCoopers Auditing Ltd. (since 1 June 2022)

Statutory registered auditor
Árpád Balázs (since 1 June 2022)

The Separate Financial Statements do not contain the Business Report that is prepared by the Bank every year and provided for to be available for inspection on the Bank's website and at the registered office.

Seat of the Bank, central office
Budapest
Magyar tudósok körútja 9. G. ép.
1117

Separate Statement of Profit or Loss for the year ended 30 April 2023

	Notes	1 January 2023 - 30 April 2023	1 January 2022 - 31 December 2022
Interest and similar to interest income	**4**	**126,341**	**237,489**
Interest income using effective interest rate method		98,365	196,363
Other interest income		27,976	41,126
Interest and similar to interest expense	**4**	**(43,881)**	**(71,567)**
Interest expense using effective interest rate method		(34,265)	(53,640)
Other interest expenses		(9,616)	(17,927)
Net interest income		**82,640**	**165,922**
Fee and commission income	5	22,432	68,072
Fee and commission expense	5	(8,433)	(19,886)
Net income from commissions and fees		**13,999**	**48,186**
Results from financial instruments measured at fair value through profit and loss	8,17	(7,976)	(14,430)
Results from financial instruments measured at fair value through other comprehensive income	7	-	(3,780)
Results from financial instruments measured at amortized cost	7	(63)	(243)
Results from hedge accounting, net	29	(185)	325
Exchange differences result	6	12,266	(2,587)
Result from financial instruments		**4,042**	**(20,715)**
(Impairment) / Reversal on financial instruments held for credit risk management	30	(5,738)	(23,288)
Provision (loss) / gain	25	87	(2,167)
Modification (loss) / gain on financial instruments	30	(11)	(10,916)
(Impairment) / Reversal on investments in subsidiaries and associates		-	(113)
(Impairment) / Reversal on other financial instruments		2	(193)
(Impairment) / Reversal on financial and non-financial instruments		**(5,660)**	**(36,677)**

All figures in tables are in HUF million except otherwise noted

Separate Statement of Profit or Loss (continued)	Notes	1 January 2023 - 30 April 2023	1 January 2022 - 31 December 2022
Dividend income	17	-	574
Operating expense	10,11	(56,773)	(122,312)
Other income	9	2,824	882
Other expense	9	(2,611)	(1,562)
(Losses) or gains on non-discontinued non-current assets held for sale and disposal groups	19	-	(51)
Result before taxation from continuing operations		**38,281**	**34,247**
Income tax income / (expense)	12	(6,135)	(8,766)
Result for the year		**32,146**	**25,481**

Separate Statement of Other Comprehensive Income for the year ended 30 April 2023

	Notes	1 January 2023 - 30 April 2023	1 January 2022 - 31 December 2022
Result for the year		**32,146**	**25,481**
Other comprehensive income	13	**3,040**	**(5,044)**
Items that will not be reclassified to profit or loss		**-**	**25**
Fair value changes of equity instruments measured at fair value through other comprehensive income		-	25
Items that may be reclassified to profit or loss		**3,040**	**(5,069)**
Hedging instruments		(25)	687
Debt instruments at fair value through other compre-hensive income		3,460	(6,666)
Income tax relating to items that may be reclassified to profit or (-) loss		(395)	910
Total comprehensive income		**35,186**	**20,437**

All figures in tables are in HUF million except otherwise noted

Separate Statement of Financial Position as at 30 April 2023

	Notes	30 April 2023	31 December 2022
Assets			
Cash and cash equivalents	**14**	**440,747**	**234,753**
Financial assets measured at fair value through profit or loss		**276,299**	**263,747**
Loans and advances to customers mandatorily at fair value through profit or loss	17	247,502	229,029
Securities mandatorily at fair value through profit or loss	17	8,385	6,520
Derivative financial assets	15	20,412	28,198
Hedging derivative assets	**29**	**21,648**	**27,716**
Financial assets measured at fair value through other comprehensive income	**16**	**160,829**	**146,909**
Securities		160,829	146,909
Financial assets measured at amortised cost		**2,419,652**	**2,813,745**
Loans and advances to banks	18	308,471	601,195
Loans and advances to customers	18	1,606,328	1,653,580
Repurchase assets	18	-	14,188
Securities	18	440,569	494,611
Other financial assets	18	64,284	50,171
Investments in subsidiaries and associa-tes	**19**	**5,050**	**5,050**
Property, plant and equipment	**20,22**	**10,392**	**8,360**
Intangible assets	**21**	**1,334**	**1,134**
Income tax assets		**3,849**	**5,867**
Current income tax assets	12	-	-
Deferred income tax assets	12	3,849	5,867
Other assets	**23**	**4,334**	**4,405**
Total assets		**3,344,134**	**3,511,686**

All figures in tables are in HUF million except otherwise noted

Separate Statement of Financial Position as at 30 April 2023

	Notes	30 April 2023	31 December 2022
Liabilities			
Financial liabilities measured at fair value through profit or loss	**15**	**18,985**	**19,039**
Derivative financial liabilities		18,985	19,039
Financial liabilities measured at amortised cost	**24**	**3,007,130**	**3,228,520**
Amounts due to other banks		647,908	762,585
Deposits and current accounts		2,323,487	2,403,973
Repurchase liabilities		-	30,283
Subordinated liabilities		25,552	23,947
Other financial liabilities		10,183	7,732
Hedging derivative liabilities	**29**	**300**	**522**
Provisions	**25**	**8,068**	**8,267**
Income tax liabilities	**12**	**4,676**	**4,416**
Current tax liabilities		4,676	4,416
Other liabilities	**26**	**42,951**	**24,084**
Total liabilities		**3,082,110**	**3,284,848**
Equity			
Share capital	27	186,960	186,960
Share premium		34,947	34,947
Retained earnings		7,712	(14,544)
Other reserves	27	6,682	3,467
Result for the year		32,146	25,481
Accumulated other comprehensive income	27	(6,423)	(9,473)
Total equity		**262,024**	**226,838**
Total liabilities and equity		**3,344,134**	**3,511,686**

Budapest, 6 July 2023.

dr. Zsolt Barna
Chairman of the Board of Director

Péter Krizsanovich
Deputy CFO

All figures in tables are in HUF million except otherwise noted

Separate Statement of Cash Flows for the year ended 30 April 2023

	Notes	1 January 2023 - 30 April 2023	1 January 2022 - 31 December 2022
Cash flow from operating activities			
Result for the year		32,146	25,481
Non-cash adjustments to net profit from:			
Depreciation and amortization		1,347	4,678
Writte of tangible and intangible assets		242	452
Impairment and provision for credit loss expense		4,844	21,305
Release of other provision		(150)	2,140
(Loss)/Profit on tangible assets derecognized		37	35
Interest expense on the lease liability		47	125
Non cash adjustment on securities		1,227	(513)
Received dividend		-	574
Fair value adjustments of derivatives held for trading and derivatives from hedge accounting		34,433	(31,710)
Fair value adjustments on financial assets mandatorily at fair value through profit or loss		(18,587)	28,426
Operating profit or loss before change in operating assets		**55,586**	**50,993**
Decrease/ (-) Increase in operating assets			
Trading transactions and hedging		(20,855)	(1,131)
Changes in non-trading financial assets mandatorily at fair value through profit or loss		(1,751)	(40,143)
Financial assets valued at fair value against other comprehensive income		(11,024)	47,724
Changes in financial assets at amortised cost		388,474	(283,504)
Changes in other assets		1,694	2,798
Increase/ (-) Decrease in operating liabilities			
Changes in financial liabilities at amortised cost		(23,824)	31,044
Changes in other liabilities		19,117	933
Net cash flow from operating activities		**407,418**	**(191,286)**

All figures in tables are in HUF million except otherwise noted
The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Separate Statement of Cash Flows for the year ended 30 April 2023

	Notes	1 January 2023 - 30 April 2023	1 January 2022 - 31 December 2022
Cash flow from investing activities			
Proceeds from sales of tangible		1	2,808
Proceeds from sales of intangible assets		-	2
Purchase of tangible		(3,441)	(3,977)
Purchase of intangible assets		(418)	(182)
Sale or purchase of shares in subsidiaries and associates		-	(440)
Net cash outflow from investing activities		**(3,858)**	**(1,789)**
Cash flow from financing activities			
Borrowing of long-term loans		(195,162)	112,791
Capital increase		-	100,000
Repayment of leasing liabilities		(2,404)	(2,427)
Net cash flow from financing activities		**(197,556)**	**210,364**
Increase/ (-) Decrease in cash and cash equivalents		205,994	17,289
Opening balance of cash and cash equivalents		234,753	217,464
Closing balance of cash and cash equivalents		**440,747**	**234,753**
Breakdown of cash and cash equivalents:			
Cash		20,776	22,966
Balances with the National Bank of Hungary		-	-
Due from banks with original maturity of less than 90 days		419,971	211,787
Closing balance of cash and cash equivalents		**440,747**	**234,753**
Supplementary data			
Interest received		*126,341*	*237,489*
Interest paid		*(43,881)*	*(71,567)*

All figures in tables are in HUF million except otherwise noted

Separate Statement of Changes in Equity for the year ended 30 April 2023

	Share capital	Share premium	Accumulated other compre-hensive income	Retained earnings	Other reserves	Total equity
Opening at 1 January 2022	**100,260**	**21,647**	**(4,429)**	**(11,996)**	**919**	**106,401**
Capital increase	86,700	13,300				100,000
Total comprehensive income			(5,044)	25,481		20,437
of which: Profit for the year	-	-	-	*25,481*	-	*25,481*
of which: Other comprehensive income	-	-	*(5,044)*	-	-	*(5,044)*
General reserves	-	-	-	(2,548)	2,548	-
Closing at 31 December 2022	**186,960**	**34,947**	**(9,473)**	**10,937**	**3,467**	**226,838**
Opening at 1 January 2023	**186,960**	**34,947**	**(9,473)**	**(10,937)**	**3,467**	**226,838**
Total comprehensive income	-	-	3,040	32,146	-	35,186
of which: Profit for the year	-	-	-	*32,146*	-	*32,146*
of which: Other comprehensive income	-	-	*3,040*	-	-	*3,040*
Other reclassification	-	-	10	(10)	-	-
General reserves	-	-	-	(3,215)	3,215	-
Closing at 30 April 2023	**186,960**	**34,947**	**(6,423)**	**39,858**	**6,682**	**262,024**

All figures in tables are in HUF million except otherwise noted

1. DESCRIPTION OF THE BANK

The separate financial statements of Takarékbank Plc. (hereinafter Bank, Takarékbank, Company) for the year ended 30 April 2023 were authorized for issue in with a resolution of the Board of Directors on 6 July 2023. The final approval on the separate financial statements is provided by the General Meeting.

Name:	Takarékbank Zrt.
Seat:	1117 Budapest, Magyar tudósok körútja 9. G. ép.
Website address:	www.takarekbank.hu
Mailing address:	Budapest, Pf.:1942
Phone number:	06-1-311-3110
Registration number:	01-10-140275
Tax number:	14479917-4-44
KSH statistical number sign:	14479917-6419-114-01
Year of foundation:	2008

Chairman of the Supervisory Board: Béla Hetzmann
Chairman of the Board: Levente László Szabó
Chairman of the Supervisory Board of the successor MBH Bank Plc: dr Andor Nagy
Chairman of the Board of the successor MBH Bank Plc: dr Zsolt Barna

The Integration of Cooperative Credit Institution (hereinafter: Integration) was a cooperation of 16 privately owned cooperative credit institutions – savings bank, credit union, and smaller bank – in the beginning of the year 2019, then following the mergers completed on 30 April 2019 and 31 October 2019 the number of the cooperative credit institutions was reduced to two credit institutions, and the Takarék United Cooperative was established bringing together the small owners of Takarékbank Zrt.

On October 31, 2019, the fifth largest credit institution in the country entered the market following the national merger of Saving Cooperatives and Takarék Commercial Bank. As a result of the mergers, the number of customers of the nationwide Takarékbank has grown to more than 1.1 million, and it operates the largest nationwide branch networkwith 750 branches and 15 Takarék mobile bank branches.

With the merger of the 11 savings cooperatives and 2 banks, the almost five-year process has ended, during which the former nearly 120 savings cooperatives have now become one universal commercial bank with national coverage.

In the last merger (October 2019), the 3A Takarékszövetkezet, the Békés Takarék Szövetkezet, the CENTRÁL TAKARÉK Szövetkezet, the Dél TAKARÉK Szövetkezet, the Fókusz Takarékszövetkezet, the Hungária Takarék Takarékszövetkezet, the KORONA TAKARÉK Takarékszövetkezet, the M7 TAKARÉK Szövetkezet, the Nyugat Takarék Szövetkezet, the Pátria Takarékszövetkezet, the TISZÁNTÚLI TAKARÉK Takarékszövetkezet, Takarék

All figures in tables are in HUF million except otherwise noted

Commercial Bank Ltd. and Takarékbank Ltd., which has been operating regionally until now, participated. Takarékbank Ltd. took over the customers, employees, entire branch network, deposit-loan and contract portfolios of all credit institutions.

The Company's controlling owner - MTB Bank of Hungarian Savings Cooperatives Co. Ltd.-, MKB Bank Plc. and Budapest Credit and Development Bank Private Company Limited by Shares established Magyar Bankholding Ltd. (registration number: 01-10-140865; registered office: 1122 Budapest, Pethényi köz 10., hereinafter Magyar Bankholding Ltd.) on 26 May 2020 with 33.33% direct participation of MTB Bank of Hungarian Savings Cooperatives Co. Ltd. Based on the authorisation of the National Bank of Hungary, the Budapest-Capital Regional Court as Court of Registration registered Magyar Bankholding Ltd. in the company register with its resolution no. 01-10-140865/5.
On 30 October 2020, MTB Zrt. sold all of its shares representing its 33.33% shareholding in Magyar Bankholding Ltd. to Magyar Takarék Befektetési és Vagyongazdálkodási Zrt., the owner of 75.91% (99.99% voting rights) of the Bank's share package, and thus no longer holds any ownership stake in Magyar Bankholding Ltd.

Magyar Bankholding Ltd. commenced its effective operation on 15 December 2020, after MNB (acting as the central bank of Hungary) approved the merger of Budapest Bank Group, MKB Bank Plc. and Takarék Group, and the shares of the key owners were transferred to the joint holding company. By transferring the in-kind contributions, the second largest banking group in Hungary has been established, with the Hungarian State owning 30.35 percent of the shares through Corvinus International Investment Ltd..

Under the authorisation of its general meeting, the Board of Takarékbank decided on 28.03.2022 to increase the share capital of Takarékbank from HUF 100,260,000,000 to HUF 186,960,000,000 by HUF 86,700,000,000. The share capital was increased by the private placment of 867 pieces dematerialised ordinary shares of series "C" with a nominal value of HUF 100.000.000 and an issue value of HUF 115,340,254 each in the form of private placement. Within the framework of the capital increase, MKB Bank took over a total of 867 series "C" dematerialised ordinary shares with a nominal value of HUF 100,000,000 and an issue value of HUF 115,340,254 each, i.e., a total issue value of HUF 100,000,000,218, thus MKB Bank acquired a direct stake of 46.37% in Takarékbank.

On 31 March 2022, a share sale purchase agreement was concluded between MKB Bank as buyer and MTB Bank of Hungarian Savings Cooperatives Co. Ltd. (hereinafter: "MTB") as seller, under which MKB Bank purchased 7,156 pieces dematerialised ordinary shares of series "A" with a nominal value and issue value of HUF 10,000,000, and 200,000 pieces dematerialised preference shares – including dividend preference shares – of series "B" with a nominal value and issue value of HUF 10,000 issued by Takarékbank. The share package represented 39.35% of the share capital of Takarékbank. As a result of the two transactions, MKB Bank Plc. acquired a qualified majority stake of 85.72% in Takarékbank, while 1 ordinary share of series "A" left in the ownership of MTB.

The legal merger of the two member banks of Magyar Bankholding Ltd.: Budapest Bank Ltd. and MKB Bank Plc., as well as the merger of Hungarian Takarék Bankholding (as the direct owner of MTB) into MKB Bank Plc. were completed at midnight on 31 March 2022.

Takarékbank as a company to be included in the consolidation as a subsidiary of MKB Bank left the mandatory institution protection organisation of integrated credit institutions, the Integration Organisation (Central Organisation of Integrated Credit Institutions,) with effect from 23 o'clock and 59 minutes on 1 April 2022 in possession of the necessary preliminary approvals and taking advantage of the opportunity granted by the law.
The the National Bank of Hungary ("MNB"), by its decision No. H-EN-I-119/2022 dated 8 March 2022, based on the request of Magyar Bankholding Zrt., revoked the licence to operate as a financial holding company granted to Magyar Bankholding Zrt. by its decision No. H-EN-I-358/2020 dated 12 June 2020, with effect from 29 April 2022, subject to the conditions set out in the decision. Given the withdrawal of the licence, MKB Bank took over the group management function of the banking group after 29 April 2022 based on the new group establishment decision issued by MNB.

Due to the fact that MKB Bank Plc. acquired a qualified majority influence in Takarékbank, pursuant to Section 3:324 of Act V of 2013 (Civil Code), an obligation to purchase arose for MKB Bank Plc. in respect of all shareholders who announced their intention to sell their shares within the limitation period. As a result of the transactions, MKB Bank Plc. increased its holding in Takarékbank further.

Based on the share transfer agreement concluded on 28.03.2022, then amended several times, MKB Bank Plc. acquired the share package of Magyar Posta Ltd. in Takarékbank consisting of 1,771 pieces dematerialised ordinary shares of series "A" with a nominal value of HUF 10,000,000 each, i.e. ten million Hungarian forints, a total nominal value and issue value of HUF 17,710,000,000, i.e., seventeen billion seven hundred and ten million Hungarian forints. By way of this transaction, MKB Bank Plc. increased its shareholding to 98.83%.

On 9 December 2022, the supreme bodies of MKB Bank and Takarékbank Zrt. adopted the proposals for the merger of the two member banks as part of the implementation of the second step of the merger schedule of Magyar Bankholding. According to the decisions of the General Meetings, the two member banks of the banking group, MKB Bank Nyrt. and Takarékbank Zrt., merged on 30 April 2023 and will then continue their operations under the name MBH Bank Plc, with a single brand name and image.

By decision H-EN-I-57/2023 dated 6 February 2023, the Magyar Nemzeti Bank authorised the merger of Takarékbank Zrt. into MKB Bank Plc. as of 30 April 2023, in accordance with the terms of the Merger Agreement dated 9 December 2022.

By order Cg.01-10-040952/3393 dated 14 February 2023, the Court of Registry of the Budapest Regional Court registered the merger of Takarekbank Zrt. into MKB Bank Nyrt. as of 30 April 2023.

Takarékbank Ltd., as the universal commercial bank, carries out the following activities in accordance with the provisions of the Act on Credit Institutions and Financial Enterprises (Hpt.) and the legislation related to financial services, within the framework thereof, with the permission of the Central Bank:

Activities under TEAOR'08:

- other monetary intermediation,
- other information technology services,
- finance leasing,
- other lending,
- other financial intermediation n.e.c.,
- securities and commodity contracts brokerage,
- other financial auxiliary activities,
- activities of insurance agents and brokers,
- other activities auxiliary to insurance and pension funding,
- buying or selling of own real estate,
- renting and operating of own or leased real estate,
- accounting, bookkeeping and auditing activities, tax consulting,
- business and other management consultancy activities.

Takarékbank Ltd. is entitled to carry out business activities in accordance with Hpt. and Bszt.:

- collecting deposits and accepting other repayable funds from the public,
- granting credit and cash loans,
- financial leasing,
- provision of payment services,
- issuing electronic money,
- issuing a paper-based cash alternative payment instrument (such as a paper-based traveler's check, bill of exchange) or providing a related service that does not qualify as a payment service,
- undertaking guarantees and other banking obligations, trading in currency, foreign exchange, excluding currency exchange activities, with a bill of exchange or check for own account or as a commission agent,
- intermediation of financial services, in the framework of which mortgage credit intermediation activity as a dependent priority intermediary,
- escrow service, safe deposit box service, credit reference service,
- receivables purchase activity,
- currency exchange activity,
- own account trading in accordance with Bszt. with regard to financial instruments pursuant to Section 6,
- investment consultation in accordance with Bszt. within the financial instruments referred to in Section 6 a), only for spot transactions concluded in respect of government securities issued by the Hungarian State.
  Takarékbank Ltd performs the following activities on the basis of a report:
- insurance intermediation, Hpt. Section 7 (3) c) and Bszt. Section 111-116 on mediation activity.

Other business activities:

- "an activity aimed at utilizing collateral or collateral or participating in sales in order to reduce or eliminate a loss arising from a financial service" in accordance with the Section 7 (3) (i) on Credit Institutions Act.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The separate financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in all material respects in accordance with the provisions of the Hungarian Act C of 2000 on Accounting (the „Accounting Act") relevant to the entities preparing financial statements in accordance with IFRS as adopted by the EU. Bank shall prensent consolidated financial statements, expect if it meets the criteria of IFRS 10 (4). The parent company of the Bank - MKB Bank Plc. - prepare the consolidated financial statements so the Bank shall present the separate financial statements.

Given the expected merger of Takarékbank Zrt. into MKB Bank Nyrt., Takarékbank Zrt.(into MBH Bank Nyrt. from 01 May 2023). will ceased to exist as a legal entity, so the principle of going concern could not be applied. At the same time, since the Bank's activities has continued within MBH Bank Plc. after the merger, the Bank has prepared its financial statements with full consideration of IFRS standards.

2.2 Functional and presentation currency

The separate financial statements are presented in Hungarian forint (HUF), that is the functional and presentation currency used by Bank. The figures are rounded to the nearest million, except if indicated otherwise.

2.3 Basis of measurement

The separate financial statements have been prepared on a historical cost basis,- in accordance with permitted assessment methods - except for financial assets and liabilities held for trading, financial assets mandatorily at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI), that are recorded at fair value in the financial statements.

2.4 Change in accounting policies

2.4.1 Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 17 "Insurance Contracts"** - (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IFRS 17 and an amendment to IFRS 4** (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2** - Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies.

- **Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.
- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IFRS 17 "Insurance contracts"** Transition option to insurers applying IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023),

The adoption of these amendments to the existing standards has not led to any material changes in the successor Bank's financial statements.

2.4.2 New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 1 January 2023 (the effective dates stated below is for IFRS as issued by IASB):

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)

- **IFRS 14 "Regulatory Deferral Accounts"** (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

- **Amendments to IFRS 16 Leases**: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).

- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures:** Supplier Finance Arrangements (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024).

- **Amendments to IAS 12 Income taxes**: International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023 and effective for annual periods beginning on or after 1 January 2023).

The Bank anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the successor Bank in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Categories of financial instruments

The Bank groups the recognised financial assets as follows:

- Cash and cash equivalents
- Financial assets held for trading
    - Derivatives financial assets
- Non-trading financial assets mandatorily at fair value through profit or loss
    - Loans at fair value
    - Open-ended units, stock exchange shares
- Financial assets measured at fair value through other comprehensive income
    - Securities measured at fair value through other comprehensive income
- Financial assets at amortised cost:
    - Due from bank
    - Loans and advances to customers at amortised cost
    - Securities valued at amortised costs
    - Repurchase assets
    - Subordinated liabilities
- Hedging derivative assets

The Bank groups the recognised financial liabilities as follows:
- Financial liabilities held for trading
    - Derivative financial liabilities
- Financial liabilities at amortised cost (other financial liabilities):
    - Due to banks
    - Deposits from customers
    - Repurchase liabilities
- Hedging derivative liabilities

3.2 Cash and cash equivalents

For the purpose of the Separate Statement of Cash Flows, cash and cash equivalents include cash at hand, receivables from the National Bank of Hungary, and receivables from banks with an original maturity of not more than 90 days.
Cash and cash equivalents are presented in the statement of financial position at amortised cost.

3.3 Financial assets at fair value through profit or loss

Securities at fair value through profit or loss are held within a business model whose objective is not to hold securities in order to collect contractual cash flows or not to hold securities both collecting contractual cash flows and selling securities. Securities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recognised in 'Results from financial instruments measured at fair value through profit and loss . Interest income is recorded in 'Interest and similar income', dividend income is recorded in "dividend income" according to the terms of the contract, or when the right to the payment has been established.
Included in this classification are debt securities that have been acquired principally for the purpose of selling or repurchasing in the near term depending on the market price.

3.4 Derivatives

A derivative transaction is a financial contract between two parties where payments are dependent upon movements in rice in one or more underlying financial instrument, reference yield or index, it is settled in a future date and there is no or low initial investment.
Derivatives are recorded at fair value and carried as assets when their fair value is positive or as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in 'Result from financial instruments measured at fair value through profit or loss'. The resulting gain or loss is recognised immediately in 'Result from financial instruments measured at fair value through profit or loss' the interest effects are recorded among other interest income or other interest expense.
Derivatives include forwards, futures, swaps and options.

3.5 Hedge transactions IFRS 9

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risk, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.
Upon concluding the hedge contract the Bank drafts the hedge document that sets forth the relationship between the transaction and the instrument hedged. The document describes the nature of risk as well as the risk management goals and strategies. The document also sets monthly the method of measuring hedge effectiveness.
For the purposes of hedge accounting, hedges are classified into two categories:

a) Fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability; and
b) Cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.

There are no net investment hedges in foreign operations.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the Separate Statement of Profit or Loss along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk.

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in the other comprehensive income item.

The following lines in the profit or loss statement contain the gains or losses in connection with the hedging instruments of hedges (swaps):

i. Interest income or interest expense
ii. Exchange differences result
iii. Results from financial instruments measured at fair value through profit and loss.

For hedges, which do not qualify for hedge accounting (economic hedges), any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the statement of profit or loss for the period. The Bank has recorded only fair value hedge during 2023.

3.6 Securities at fair value through other comprehensive income

Securities at fair value through other comprehensive income (FVTOCI) are held within a business model whose objective is achieved by both collecting of contractual cash flows and selling securities, and the contractual terms of these securities give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities at fair value through other comprehensive income are measured at subsequent reporting dates at fair value.
Unrealized gains and losses (Fair value difference) on securities at fair value through other comprehensive income are recognized directly in other comprehensive income, interest and foreign exchange gains/losses on this items are recognized separate statement of profit or loss. All investments in equity instruments that are not held for trading are classified as at equity instruments measured at fair value through other comprehensive income. The expected credit loss on secrurities at fair value through other comrehesnsive income are recorded in separate statement of profit or loss. The Bank shall make an irrevocably election to measure the investments in equity instruments at initial recognition on a share-by-share basis. Equity instruments at fair value through other comprehensive income are measured at fair value and the total changes in fair value are presented in other comprehensive income. Amounts presented in other comprehensive income are not transferred to profit or loss, even if the investment were sold. The dividends earned on equity instruments are recognised in separate statement of profit or loss.

3.7 Financial instruments mandatorily at fair value through profit or loss

The financial instruments mantatorily at fair value throhg profit or loss those instruments which are not meet the criteria for valuation at amortised cost or against other comprehensive income.
The Bank shall, in contrast to the result, assess at fair value the financial resources which are not held for trading purposes and result in the payment of interest on capital and outstanding principal amounts not recovered on the basis of the characteristics of the cash flow.

3.8 Loans and advances to customers, due from banks securities at amortised cost

The Bank measures at amortised cost those loans and placements with other banks securities, which are held to collect contractual cash flows, and contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Loans and advances to customers and securities measured at amortized cost are initially recognized at fair value at the date of settlement by Bank, increased or decreased by transaction costs that are directly attributable to the acquisition or origination of the receivables.
Loans and placements with other banks and securities are measured at amortised cost, stated at the principal amounts outstanding including accrued interest, expected credit loss for loan or placement losses, respectively.

3.9 Restructuring of loans

In cases of default the Bank favours renegotiating the loans to customers instead of foreclosure wherever possible. Renegotiated loans may be restructured by extending of the loan term and/or agreeing on new conditions. The Bank doesn’t measure any significant gain or losses on the restructuring loans.
The Bank management keeps track of renegotiated loans to ensure all terms and conditions are met and to secure future cash payments. Provision for impairment of restructured loans is set up on an individual as well as on a portfolio basis and with the application of the original effective interest rate of the loan.
In case of renegotiated loans, the classification of the clients (and eventually the impairment) may improve if the clients start to pay their instalments as scheduled.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, Bank shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss among 'Modification gain or loss on financial instrument’, if it is connected for stage 2, or stage 3 financial asset. Bank presents the modficiation loss of stage 1 financial assets among the “Interest and similar income” The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset’s original effective interest rate.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset’s credit risk has increased significantly since initial recognition. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on restructured loans will generally only be measured based on 12-month ECL when there is evidence of the borrower’s improved repayment behaviour following modification leading to a reversal of the previous significant in-crease in credit risk.

3.10 Impairment losses on loans

Impairment losses on loans and placements with other banks and securities are recognised by the Bank based on the expected credit loss model in accordance with IFRS 9. Based on the three stage model allowance for impairment is recognised at an amount equal to 12-month

expected credit loss from the initial recognition, unless purchased or originated credit impaired (POCI). On financial assets with significantly increased credit risk or credit impaired financial assets (based on objective evidences) impairment is recognised in amount of lifetime expected credit loss. An asset that meet the definition of default criteria step into the third stage.
Purchased or originated credit-impaired (POCI) assets are financial assets that are credit-impaired on initial recognition in accordance with IFRS 9 (they meet the definition of default). For purchased or originated credit-impaired (POCI) assets shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. At each reporting date, an entity shall recognise in profit or loss the amount of the change in lifetime expected credit.

3.11 Investment in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost by the Bank.

Subsidiaries are entities controlled by the Bank. Control exists when the Bank is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. In assessing control, substantive potential voting rights are also taken into account.

Where the Bank is a party to a contractual arrangement whereby, the parties that have joint control of the arrangement have rights to the net assets of the arrangement, the Bank classifies its interest in the venture as a joint venture.

Bank classifies investments in entities over which it has significant influence, and that are neither subsidiaries nor joint ventures, as associates. For the purpose of determining this classification, control is considered to be the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

3.12 Tangible and intangible assets

Tangible (fixed) and intangible assets are presented at cost, less accumulated depreciation, and less impairment if any.

The cost of an item of tangible and intangible asset includes the following elements:

a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and quantitative discount;
b) any costs directly attributable for the assets to be ready their intended use:
    - costs of employee benefits,
    - costs of site preparation,
    - delivery and handling costs,
    - insurance fees,
    - installation and assembly costs,
    - costs of testing,
    - professional fees,
    - costs of parts and maintenance.
c) the initial estimate of the costs of dismantling and removing the item.

Following elements of costs that are not costs of an item of tangible asset are:

- costs of opening a new facility,

- costs of introducing a new product or service,
- costs of conducting business in a new location or with a new class of customer,
- administration and other general overhead costs

Recognition of costs in the carrying amount of an item ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Therefore, costs that incurred while an item capable of his intended operating has yet to be brought into use or is operated at less than full capacity are not included in the carrying amount. Furthermore, neither initial operating losses nor costs of relocating or reorganising the Bank's operations are not included.
Depreciation is charged to the statement of profit or loss in the period to which it relates.
The useful lives are reviewed annually.
Depreciation is computed using the straight-line method over the estimated useful lives of the assets considering residual value, as follows:

Property	0-2%
Non-owned leasehold improvement	6% - 14.7%
Equipment and furniture	9% - 33%
Software	5% - 50%
Rights representing assets	3.5% - 25%
Hardware	33% - 50%
Vehicles	10% - 33%
Other fixed assets	7% - 50%

Intangible assets have a definite useful life, excluding goodwill.

3.13 Leases

The Bank assessed all lease contracts entered into or modified after the date of 1 January 2018 under IFRS 16 whether a contract is, or contains, a lease.
Determination of whether an agreement is a lease agreement or contains a lease transaction is based on its contents. The Bank analyses agreements to decide whether delivery under the agreement involves the use of a specific asset or assets and transfers the right to use such assets.

An agreement transfers the rights to control the use of an identified asset, if:

- An agreement contains identified asset. An asset can also be identified by being explicitly or implicitly specified in a contract. An asset has to be physically distinct or it represents substantially all of the capacity of the asset. Even if an asset is specified, a customer does not have the right to use an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use.
- The customer has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use.
- The customer has the right to direct the use of the identified asset throughout the period of use. The lessee has this right if, within the scope of its right of use defined in the contract, the customer has the right to direct how and for what purpose the asset is used throughout the period of use.

All figures in tables are in HUF million except otherwise noted

In that case, the relevant decisions about how and for what purpose the asset is used are pre-determined, the customer has the right to direct the use of that asset following one of:

- the customer has the right to operate the asset throughout the period of use; or
- the customer designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

The Bank shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.
The Bank elect not to apply the requirements of IFRS 16 Leases to intangible assets.

The Bank as a lessee
The Bank as lessee shall recognise a right-of-use asset and a lease liability at the commencement date of the lease agreement. Right-of-use assets are initially measured at cost. The cost of a right-of-use asset comprises:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred by the lessee; and
- estimates of costs to be incurred by the lessee as a result of an obligation to disassemble and remove an underlying asset or to carry out restoration
- less any lease incentives received.

After the commencement date, the Bank shall measure the right-of-use asset applying a cost model. The Bank depreciates the right-of-use asset using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The determination of the useful life of the right-of-use assets are presented similar to owned property, plant, equipment and vehicles. The Bank applies IAS 36 Impairment of Assets standard to determine whether the right-of-use asset is impaired, and to recognise any impairment loss identified in accordance with the standard.
The Bank shall measure the lease liability at the present value of lease payments that are not paid as at the date of commencement. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank use the lessee's incremental borrowing rate. Typically, the Bank use its own incremental borrowing rate to recognise lease liabilities.

At their date of initial re-cognition, lease payments contained in the measurement of lease liabilities comprise the following types of payments for the right to use the underlying asset for the life of the lease:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date);
- amounts expected to be payable by the Bank under residual value guarantees;
- the exercise price of a purchase option if the Bank is reasonably certain to exercise that option;
- payments of contractual penalties for terminating the lease, if the lease period reflects that the Bank used the option of terminating the lease;
- less any lease incentives receivable.

After the commencement date, the Bank shall measure the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and

- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The Bank shall remeasure the lease liability, if either:

- there is a change in the lease term; or
- there is a change in the assessment of an option to purchase the underlying asset; or
- there is a change in the amounts expected to be payable under a residual value guarantee; or
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

The Bank shall recognise the amount of the remeasurement of the lease payments as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Bank shall recognise any remaining amount of the remeasurement in profit or loss.

The Bank did not present the right-of-use assets separately in the statement of financial position that does not meet the definition of investment property include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned. The Bank are presented lease liabilities in the statement of financial position as Financial liabilities measured at amortised cost. The interest expense is presented among “Other interest expense”.

The Bank has elected not to apply the requirements for short-term leases and to leases for which the underlying asset is of low-value. These types of lease payments will be recognised in the statement of profit or loss as costs using the straight-line method during the life of the lease.
The Bank does not have right-of-use assets that meet the definition of investment property.
In the statement of cash flows are classified cash payments for the principal portion of the lease liability within financing activities and short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lea-se liability within operating activities. Cash payments for the interest portion of the lease liability are classified applying the requirements in IAS 7 Statement of Cash Flows for interest paid.
The Bank as a lessee has typically property and company car lease agreements.

The Bank as a lessor
The Bank as a lessor shall classify the leases as finance or operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.
When a contract includes both lease and non-lease components, the Bank applies IFRS 15 to allocate the consideration under the contract to each component. The Bank shall recognise lease payments from operating leases as income in profit or loss on a straight-line basis.
The Bank does not have sublease, sale and leaseback transactions.

3.14 Non-current assets held for sale

The Bank classifies a non-current asset (or a disposal group) as held for sale, if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. The asset (or disposal group) must be available for immediate sale in its present condition and the sale must be highly probable. The Bank must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The Bank measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less cost to sell on initial recognition at the date of classification as held for sale.
An entity shall not depreciate (or amortise) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

3.15 Impairment of non-financial assets

On the balance sheet date the Bank assesses if there is any indication of impairment. If there is, or in cases where an annual impairment test is required the Bank estimates the recoverable amount of the asset. Recoverable amount is the fair value of the asset net of the costs of sale, or the value in use, whichever is higher. Where the carrying amount of an asset exceeds its recoverable amount, the Bank recognises impairment on the asset, by this the carrying amount is written down to the recoverable amount. When determining value in use the estimated future cash flows are discounted to their present value considering current market assessment of the time value of money and the risks specific to the asset. The appropriate valuation method is applied for the determining fair value net of cost of sales. Several assessments are used to underpin these calculations such as listed share prices or other available fair value indicators.

Each impaired asset is assessed annually, when any indication of a reversal or reduction of earlier impairment is performed. If there is such an indication the Bank estimates the recoverable value of the asset. Reversal of previously entered impairment is only done in cases where there has been a change in the estimates applied for determining the asset's recoverable value since the last reporting of impairment.
The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

3.16 Current tax

Current taxes include the corporate income tax, local business tax and innovation contribution payable and refundable amounts and are measured at the amount expected to be recovered from or paid to the tax authorities. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. The tax rates and tax laws in effect at the balance sheet date are used to determine the current tax liability.

3.17 Deferred taxes

Deferred tax is provided on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. All important deferred tax liabilities are recognized. Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which it can be utilized. Deferred tax assets and liabilities are measured at the enacted tax rates that are expected to apply in the year when the asset is realized or the liability is settled. Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current taxes liabilities and the deferred tax relate to the same company and the same tax authority.

3.18 Classification into financial liabilities or shareholders' equity

Financial liability is any liability that is:

a) a contractual obligation:
   i. to deliver cash or another financial asset to another entity; or
   ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
b) a contract that will or may be settled in the entity's own equity instruments and is:
   i. a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
   ii. a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

3.19 Financial liabilities carried at amortised cost

Financial liabilities, which are not designated at fair value through profit or loss, are classified as financial liabilities carried at amortised cost. At initial measurement, they are recognized at fair value plus transaction fees and charges should adjust the carrying amount at initial recognition that is directly attributable to the acquisition or issue of the financial liability.

The Bank has the following financial liabilities to finance its business: loans from the Hungarian state, interbank loans and customer deposits.

The bank shall classify in this category its non-trading bonds and other non-trading financial liabilities (for example accounts payable, bail/cash deposit).

Financial liabilities that are designated at amortised cost are measured subsequently at amortised cost using the effective interest method.

3.20 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised in the financial statements as financial liabilities and measured at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the amount recognised less cumulative amortisation, and the best estimate of expense required to settle any financial obligation arising as a result of the guarantee.

The financial guarantee fee received is recognised in the statement of profit or loss in 'Fee and commission income' on a straight line basis over the lifetime of the guarantee.
Any increase in the liability relating to financial guarantees is recorded in the statement of profit or loss in 'Credit loss expense'. Bank has not a significant amount of non financial guarantee contracts.

3.21 Derecognition of financial instruments

3.21.1 ***Derecognition of financial assets***

The Bank derecognises a financial asset at fair value on the settlement date. The settlement date is the date that an asset is delivered by the Bank or the asset is terminated or expired.

A financial asset (or a part of a financial asset or a group of financial assets) is derecognised when:

- the rights under contract related to the cash flows from the financial asset cease; or
- the rights under contract related to the cash flows from the financial asset are transferred; or an obligation is undertaken by virtue of a transfer agreement to pay the cash flows from the financial asset to third parties; and
- the Bank has transferred substantially all risks and rewards of the asset, or
- the Bank has not retained nor transferred substantially all risks and rewards associated with the asset but has transferred control of the asset.

If the Bank has not retained nor transferred substantially all risks and rewards associated with the asset but has retained control of the financial asset, it continues to recognize the transferred asset in proportion to its continuing involvement. The rate of continuing involvement in a transferred asset is the Bank's rate of exposure to the risks associated with changes in the value of the transferred asset.
When the Bank continues to report the transferred asset in proportion to its continuing involvement it also reports an associated liability.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable shall be recognised in profit or loss. On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Bank has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

*3.21.2 **Derecognition of financial liabilities***

A financial liability (or a part of a financial liability) is derecognised when it ceases, is executed or matured. Exchange or partial exchange of existing financial liabilities or a part thereof with significantly different terms and conditions or significant modification of its terms and conditions is also considered as cessation of the financial liability and is reported as a new financial liability, taking the relevant part of IFRS 9. The difference between the book value of, and the consideration paid for financial liabilities (or a part thereof) that ceased or have been transferred to third parties is reported in the profit or loss.

3.22 Provisions

Provisions are recognized when the Bank has present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
Expense relating to lending provision is a part of provision for impairment losses on loan expense. On provision for contingent liabilities related to business combinations is recognized in provisions.

3.23 Employee benefits

*3.23.1 **Short-term employee benefits***

Short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave are settled in the period in which the employees render the related service. Under the Bank's policy, the employer must grant employees their paid leave in the period the leave is earned, except for the paid leave emerges during maternity leave. Deferment of the expected cost of leave is applicable to the Bank and its subsidiaries, but this cost is recognized only if it is material.

*3.23.2 **Long-term employee benefits***

The Bank has a defined jubilee benefit plan for all employees of the Group. The employees receive jubilee benefit only if they remain with the entity for a specified period and benefits are determined by the length of their service. The authority for jubilee benefit, its condition and the benefit are regulated in the Bank's policy.
In the normal course of business, the Bank pays fixed contributions into the Hungarian State and private pension funds on its employees, which is recognized in social security contributions and which cannot be considered as employee benefit plan. The Bank itself does not offer a pension scheme or post-retirement benefit plan, and consequently has no legal or contractual obligation to make further contributions.

3.23.3 Information on Employee share system

From 2022 MKB manages the settlements of the variable pays as regulated by ESP's Remuneration Policy for Takarekbank Plc, because the Bank is the part of MKB Group,. Eligible

employees submit a participation declaration, become participants and subject to the relevant regulations.
In order to settle the variable payments of the participants ESP subscribes bonds and buys options. The timing of the bonds that cover the cash part of the variable pay and of the options that cover for the instrument part of the variably pay are aligned with the cycles of the deferred payments. The participants will not become owners, it is the ESP, but they will have a participants' share. They will be entitled for the financial settlement as regulated by the ESP Remuneration Policy, including the deferred payment periods. The settlements and the payments are based on the participants' approved variably pay in line with the deferred periods after the financial instruments are converted to cash.
This share system has not got a significant effect to the separate profit or loss statement of TakarekbankPlc.

3.24 Interest and similar income expense

Interest income and interest expense (the interest subsidy received from the Hungarian State or from the client) are recognized time-proportionately using the effective interest rate method. Interest income and interest expense include the amortization of discount or premium on securities.
The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense. Bank has recorded the modification loss of stage 1 financial asset among the interes income.
Interest income and expenses related to financial instruments are separated by the Bank based on each financial instruments category.
Interest income and interest expenses are accounted on a gross basis by the Bank.
"Interest income using effective interest rate method" includes interest income on financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income. In addition, "Other interest income" includes interest income on financial assets held for trading, financial assets not held for trading that are required to be measured at fair value through profit or loss, derivatives, other assets and financial liabilities.
"Interest expense using effective interest rate method" includes interest expense on financial liabilities measured at amortised cost, while "Other interest expense" includes interest expense on financial liabilities held for trading, financial liabilities designated as at fair value through profit or loss, derivatives, other liabilities and financial receivables.

3.25 Fees and commission income and expenses

This group shall include fees and commission income and expenses that are not involved in the amortised cost model. Fees and commissions when they relate and have to be included in the amortised cost model shall immediately recognised in profit or loss.

Fees and commission incomes can be typically account transaction fees, cash payment fees, portfolio management fees.

3.26 Contingent liabilities / contingent assets

The Bank has recorded into off-balance sheet their contingent liabilities, they are not recognised in the financial statements. The contingent liabilities are presented in the Notes. This off-balance sheet items such as guarantees and similar obligations, commitments to extend credit, accepted value of non-balance sheet assets serving as collateral for third party debt.
Contingent liabilities are reported in the balance sheet when it becomes probable.
The Bank has recorded into off-balance sheet their contingent assets, they are not recognised in the financial statements. The contingent assets are disclosed in the Notes where an inflow of economic benefits is probable (more than 50%).
This off-balance sheet items such as write-off uncollected debts, received guarantees and bailment.

3.27 Post balance sheet events

Events after the balance sheet date are those events that occur between the balance sheet date and the date when the financial statements are authorised by management (Board of Directors, Supervisory Board) for issue.
The Bank is identified adjusting events after the balance sheet date and non-adjusting events after the balance sheet date. Adjusting events after the balance sheet date are incidences that provide evidence of conditions that existed at the balance sheet date, but information is received after the balance sheet date. The Bank shall adjust the amounts recognised in its financial statements to reflect adjusting events after the balance sheet date. Non-adjusting events after the balance sheet date are incidences that are indicative of conditions that arose after the balance sheet date. The Bank shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the balance sheet date, but its expected effects are disclosed in the Notes when material.

3.28 Offsetting

The Bank does not offset financial assets and financial liabilities, incomes and expenses unless required or permitted by a standard or an interpretation. (For example year-end not realized foreign exchange gains and losses, or exceptional financial instruments and cash-flow statements.). Usually the Bank use offsetting if the economic events are the same or similar and gains and losses arising from similar transactions are not material or their separation is not material, when offsetting reflects the economic content better.

3.29 Foreign currency translation

Items included in the financial statements in foreign currencies are translated to the respective functional currencies of the Bank. Transactions in foreign currencies are like transactions that set in foreign currencies or have/had to paid in foreign currencies.
At initial recognition the Bank are translated transactions in foreign currencies to the respective functional currency at the valid NBH rate on the date of the transaction.
At the end of the reporting periods:

- monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate on the balance sheet date;

- non-monetary items reported at amortised cost are converted at the exchange rate on the initial day of the transaction; furthermore
- non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

3.30 Trade date and settlement date accounting

A regular purchase or sale of a financial asset is recognized on the settlement date. Exemptions are derivatives where recognition of purchase is done on the day when the deal is contracted. The date of settlement is the day on which the Bank takes possession of the asset. A regular sale or purchase transaction is a transaction where the asset sold and purchased must be delivered within a set interval prescribed by law or as customary in the market.

3.31 Bank tax

Since 2010, credit institutions in Hungary have been obliged to pay a so-called bank tax on financial institutions. From 2017, the basis for calculating bank tax is the balance sheet total according to the year-end financial statements two years before the tax year. Given that the bank tax is based on non-net income values, it does not meet the conditions for corporate income tax under IFRS, therefore the Bank recognises it as an operating expense in the profit and loss account. Credit institutions and financial enterprises are subject to extra-profit tax in 2022 and 2023. The tax liability was based on the net sales revenue calculated on the basis of the annual accounts of the previous tax year, i.e. net sales revenue in 2021 for 2022. The tax liability had to be paid in two equal installments during the year.

Regarding the determination of the tax base for 2023, an amendment has been published, according to which the amount of the tax base for the first half of the year is 50% of net sales according to the Act on Tax of 2022, while the part of the tax base for the second half of the year is determined on the basis of the annual report of the tax year preceding the tax year, adjusted in accordance with the regulation. The Bank recognised the total annual amount of the extra-profit tax as an expense, including the above adjustment. The amount of the 2023 extra profit tax was paid by the legal successor on May 30, 2023. Liabilities for 2022 and 2023 are presented under bank operating expenses in note 10.

3.32 Critical accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires using of estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Although these estimates are based on management’s best knowledge of current event and actions the actual results may differ from those estimates. Estimates are applied in the following areas.

Going concern

The Bank’s management assessed the Bank’s capabilities to continue operation and found that the Bank has the resources necessary for continued operation after the merge to MKB Bank Plc. Furthermore, the management is not aware of any significant uncertainty that might raise serious doubts in respect of the Bank’s ability to exist as a going concern.

Given the expected merger of Takarékbank Zrt. into MKB Bank Nyrt., Takarékbank Zrt. was cease to exist as a legal entity, so the principle of going concern could not be applied. At the same time, since the Bank's activities has continued within MBH Bank Nyrt. after the merger, the Bank has prepared its financial statements with full consideration of IFRS standards.

Fair value of financial instruments
In cases where the fair value of financial assets and liabilities are not measured at marked to market, other kind of assessment model is necessary to be used to determine fair value. Wherever possible, the input of these models is observable market data. Where such data are not available the Bank uses valuation model to determine fair value. (Note 25)

Deferred tax assets
Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. (Note 12)

Loan impairment test and its result
The Bank assesses whether it is necessary to set up provisions for impairment of loans and advances to customers. The management makes the relevant decision in view of estimations of amounts and future cash flows. When estimating future cash flows the Bank makes judgments regarding the debtor’s financial situation and the net sales price of the collateral. For the loans and advances that have been assessed individually and found not to be impaired as well as for individually insignificant loans and advances, impairment is also assessed on a portfolio basis, if necessary, taking into consideration the type and classification of loan into homogeneous categories based on clearly defined transaction risks, non-performance history and losses. (Note 30)

Impairment of non-financial assets
The Bank assesses the existence of possible impairment of assets. The Bank estimates the recoverable value of the asset. Recoverable value is the fair value of the asset net of the costs of sale, or the value in use, whichever higher.
When determining value in use expected cash is discounted in consideration of the time value of cash and asset-specific risks.
Each asset is assessed annually (except stated otherwise), when any indication of a reversal or reduction of earlier impairment is assessed. If there is such an indication the Bank estimates the recoverable value of the asset.

3.33 Reclassification and error

After the balance sheet date of the 2022 separate financial statements, no errors have been identified that would materially affect users' decisions based on the separate financial statements closing activities as of April 30 2023. In the separate financial statements closing activities as at 30 April 2023, 31 December 2022 has been reclassified. Of the items shown under the line liabilities to customers, HUF 117,364 million is payable to credit institutions. This reclassification occurred within the main line financial liabilities measured at amortised cost.

3.34 Changes in the legal and regulatory environment and its effect on the separate financial statements

Due to the Russian-Ukrainian armed conflict in the territory of Ukraine and the resulting humanitarian catastrophe, the below government decrees and other legal instruments adopted in the state of emergency declared with Act XLII of 2022 influenced the Bank's activity:

- Gov. Decree 197/2022. (VI.4.) on extra profit taxes, amended by Gov. Decree 144/2023. (IV.24.) (Note 10)
- Client effected by payment relief program in 2022 (Note 30)

3.35 Change in estimates

There were no areas where there was a significant change in estimates, except in relation to changes in fair value of loans to credit risk and loans to customers measured at fair value through mandatory profit or loss. (Notes 29 and 30).

4. INTEREST AND SIMILAR INCOME AND EXPENSE

	1 January 2023 - 30 April 2023	1 January 2022 - 31 December 2022
Interest income		
Financial assets at amortised cost	95,260	187,748
Financial assets at fair value through other comprehensive income	3,105	8,615
Interest income calculated using the effective interest method	**98,365**	**196,363**
Financial assets held for trading	12,427	16,337
Non-trading financial assets mandatorily at fair value through profit or loss	5,020	11,315
Derivatives – Hedge accounting, interest rate risk	4,568	6,601
Other assets/sight deoposit	5,913	6,771
Interest income on financial liabilities	48	102
Income similar to interest income	**27,976**	**41,126**
Interest income and similar to interest income	**126,341**	**237,489**

**From the Modification (loss) / gain on financial instruments in case of the stage1 financial instruments the Company recognizes the impact in the line "Interest incomeit was not significant in 2023 (HUF 2,541 million in 2022).*

Interest and similar income increased in line with the general market environment.

All figures in tables are in HUF million except otherwise noted

	1 January 2023 - 30 April 2023	1 January 2022 - 31 December 2022
Interest expense		
Financial liabilities measured at amortised cost	34,265	53,640
Interest expense calculated using the effective interest method	**34,265**	**53,640**
Financial liabilities held for trading	8,471	14,519
Derivatives — Hedging accounts, interest rate risk / Hedging derivatives	1,153	3,229
Interest expense on financial assets	(8)	179
Other interest expense	**9,616**	**17,927**
Interest expense and expense similar to interest expense	**43,881**	**71,567**

Interest and similar income increased in line with the general market environment.

All figures in tables are in HUF million except otherwise noted

5. FEE AND COMMISSION INCOME AND EXPENSE

	1 January 2023 - 30 April 2023	1 January 2022 - 31 December 2022
Fee and commission income		
Account management fees	14,815	46,080
Fee and commission income related to bank cards	4,121	12,766
Lending fees income	767	2,702
Agency fee income	2,704	6,473
Other	25	51
Total	**22,432**	**68,072**

The following fee and commission income is recorded in accordance with IFRS 15:
Fee income related to account management
The Bank provides account management services to its retail and business clientele. The main types of service are: opening an account, monitoring the balance, arranging transactions within and outside the bank on the basis of a customer order/provision, arranging deposit transactions in relation to the account, cash flow, closing of accounts. Depending on the regularity of the service, their service fee and jute receipts will be charged to customer accounts on a daily, monthly (or more regular basis) or on a case-by-case basis.
In the case of continuous services (e.g. monthly fee for account management, monthly fee for sms services, etc.), fee receipts are recorded monthly on the last day of the month. These fees are typically fixed fees.
In the case of transaction-based services (e.g. remittance orders, direct debits, cash payments, etc.), transaction fees are settled at the same time as the transaction or by collecting monthly transaction fees. Fees are determined on the basis of the amount of the transaction, in % or in combination with a fixed and % combination.
Credit card fee and commission income
Credit card fees are typically fixed fees because card transactions are free of charge. Fixed fees are related to the maintenance of the card (annual card fee), card re-manufacture and replacement.
Fee income related to lending
Non-interest charges related to credit transactions are regular monitoring fees, fees for validation, verification, review and administration fees. These fees are recorded when the service is incurred or, in the case of a continuous service, monthly, ex post.
Agent fees
The Bank provides brokerage services to other banks, insurers, investment service providers, factor companies. The fees for these services are charged monthly, depending on the volume and value of the customers, transactions, transactions, usually monthly, sold or served on the order.

All figures in tables are in HUF million except otherwise noted

	1 January 2023 - 30 April 2023	1 January 2022 - 31 December 2022
Fee and commission expense		
Account management fees	1,930	5,363
Fee and commission expense related to bank cards	2,393	5,278
Lending fees expenses	3,734	8,044
Agency fee expense	354	1,119
Other	22	82
Total	**8,433**	**19,886**

**Lending fees increased proportionally compared to th previous year due to an increase in turnover.*

The following fee and commission expenses are recorded in accordance with IFRS 15:
Fee expenses related to account management
The fees paid for ancillary services related to account management services provided to customers are typically fees incurred in connection with the payment of account management fees (nostro) to other banks, the sending of statements, cash logistics, cash processing, postal cash transfers, postal payments, postal payments incurred in order to serve the account management of customers. They are usually monthly and regularly in line with continuous account management.
Fee and commission expense related to bank cards In connection with the provision of bank card services, the Bank pays the transaction and production and distribution fees of the bank card to the parent company who is the bank card provider. The amount of these fees depends on the number, volume and value of card transactions, so there are variable rates, but there are also fixed monthly fees. They are accounted for on a monthly basis.
Lending fees
Fees and commissions incurred in connection with the lending of the Bank's clients to other banks and refinancing institutuions are recorded (one-off disbursement fees for refinancing loans, verification fees, etc.). They shall be accounted for on a regular basis and may be subject to variable remuneration depending on the refinancing facility or transactions, but may also be fixed remuneration. They shall be accounted for on a monthly basis or on a case-by-case basis for one-offs.
Fees paid to other entities in connection with client loans are also incurred if they are not part of the effective calculation of interest, e.g. notarial fees, valuation fees, national or other central database usage fees, if they have been re-invoiced to the customer. They are accounted for on a monthly basis on a case-by-case basis or on a continuous basis.
Agent's fee
The Bank also sells its products through agents, so its payments for brokering are typically made on a monthly basis, depending on the volumes sold. Typically used broker services include currency exchange by currency exchange agents, etc.

All figures in tables are in HUF million except otherwise noted

6. RESULTS FROM HEDGE ACCOUNTING, NET

	1 January 2023 - 30 April 2023	1 January 2022 - 31 December 2022
FX transactions realized gains	1,326	4,108
FX transactions non-realized (loss)/gains	10,940	(6,695)
Profit from foreign exchange transactions	**12,266**	**(2,587)**

7. RESULTS FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND RESULTS FROM FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

	1 January 2023 - 30 April 2023	1 January 2022 - 31 December 2022
Sale of total debt securities	-	(3,780)
(Losses) and gains from financial instruments measured at fair value through other comprehensive income	**-**	**(3,780)**
Sale of total debt securities	-	(226)
Gains and (losses) from loans	(63)	(17)
Gains and (losses) from financial instruments measured at amortised cost	**(63)**	**(243)**
Total	**(63)**	**(4,023)**

**Results from other comprehensive income through financial instruments measured at fair value was in line with market conditions.*

All figures in tables are in HUF million except otherwise noted

8. RESULTS FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS

	1 January 2023 - 30 April 2023	1 January 2022 - 31 December 2022
IRS deals*	(6,060)	11,057
MIRS deals**	(2,323)	4,692
FX deals***	(14)	118
FX Swap deals****	(18,359)	(926)
Other	193	(945)
Total gains or losses on financial assets and liabilities held for trading, net	**(26,563)**	**13,996**
Non-trading financial assets mandatorily at fair value through profit or loss*****	**18,587**	**(28,426)**
Total	**(7,976)**	**(14,430)**

** Interest rate swaps (IRS)*
*** Monetary interest rate swaps (MIRS)*
**** Foreign exchange transactions (hereinafter FX)*
****The result related to FX Swaps was caused by developments in the market environment (exchange rate).
****** See note 18*

All figures in tables are in HUF million except otherwise noted

9. OTHER INCOME AND EXPENSE

	1 January 2023 - 30 April 2023	1 January 2022 - 31 December 2022
Other income		
Result of a discontinued shares	15	94
Net profit on sold property and inventory	43	44
Rental income on property	39	326
Invoiced expenses and services	8	147
Non-repayable assets received	30	86
Received compensation for damages	-	4
Other income for previous years	16	150
Provision use	-	1
Other*	2,673	30
Total	**2,824**	**882**

**Reimbursement of the amount paid to OBA in 2022 due to compensation of Sberbank (HUF 2,648 million) was recorded as other income according to Section 234 (8) of the Hpt.*

	1 January 2023 - 30 April 2023	1 January 2022 - 31 December 2022
Other expense		
Scrapping of tangible and intangible assets	50	452
Other credit related to account management	25	-
Bank tax and subsidies to other organisations*	2,376	650
Damages	116	196
Other	44	264
Total	**2,611**	**1,562**

**According to the Bank's internal regulations, subsidy from bank tax.*

All figures in tables are in HUF million except otherwise noted

10. OPERATING EXPENSES

	1 January 2023 - 30 April 2023	1 January 2022 - 31 December 2022
Staff costs	9,996	32,750
Rental fee	243	191
Depreciation of tangible assets	1,129	3,881
Depreciation of intangible assets	218	797
General administrative costs and auditors fee*	5,276	15,077
Marketing and advertising	436	1,070
Consultancy fees	101	1,192
IT costs	5,146	15,300
Other taxes and contributions **	32,266	44,640
Insurance fees	35	133
Supervisory, authority fees***	1,891	7,189
Other	36	92
Total	**56,773**	**122,312**

**Cost allocations resulting from SLA-based settlement agreements concluded between the banks of the Bank Group, which include wage, material, IT services and depreciation. The auditor's fee for the Individual Financial Statements closing the activity accounted for for 2023 was HUF 57,750 million (+ VAT).*
***In 2023, the amount of costs according to the amended legislation due to the extra profit special tax is HUF 21 billion. (HUF 14.2 billion in 2022.)*
****Obligation to pay fees to OBA. HUF 1,462 million (HUF 5,262 million in 2022)*

11. STAFF COSTS

	1 January 2023 - 30 April 2023	1 January 2022 - 31 December 2022
Wages and salaries	7,793	25,848
Social contribution	1,314	4,070
Other personnel related payments	855	2,831
Jubilee benefit obligation	34	1
Total	**9,996**	**32,750**

Wages contribution is payable by the Bank based on gross wages and salaries paid to employees. The full-time headcount of the Bank at the end of the reporting period was 3,304. The average annual full-time headcount in 2022 was 3,399.

12. INCOME TAX

Income tax expense recognized in the Statement of Profit or Loss and Other Comprehensive Income

All figures in tables are in HUF million except otherwise noted

	2023	2022
Current tax expense	*1,493*	*1,386*
Corporate tax charge – on current year profit	1,493	1,386
Deffered tax (income) / expense	*1,624*	*1,295*
Origination (reversal) of temporary differences	64	(334)
Origination (reversal) of non-temporary differences	1,560	1,629
Local tax	2,625	5,292
Innovation fee	393	793
Income tax (income) / expense	**6,135**	**8,766**

Both in the reporting period and in 2022 9% current income tax rate was applied on taxable profit in Hungary. Due to this, 9% rate was applied both for current income tax and deferred tax purposes.

Reconciliation of effective tax rate

	2023		2022	
	%	HUF million	%	HUF million
Profit before income tax		38,281		34,247
Income tax using the domestic corporation tax rate	9.00%	3,445	9.00%	3,082
Local tax	6.86%	2,625	15.45%	5,292
Innovation fee	1.03%	393	2.32%	793
Non-temporary difference	-	-	1.68%	576
Re-assessment of unrecognised tax losses carryforwards	(0.60%)	(230)	(1.48%)	(507)
Difference due to Corporate tax group	(0.24%)	(90)	-	-
Other tax effect	(0.02%)	(8)	(1.37%)	(470)
Income tax (income) / expense	**16.03%**	**6,135**	**25.60%**	**8,766**

The Bank relied on its available business plans for calculating the amount of tax losses that can be offset against future tax bases after the merge. Tax losses can be offset against up to 50% of future tax bases.

On 30 April 2023, the Bank had unused tax losses amounting to HUF 34,031 million (2022: HUF 51,363 million) with the following maturity (the following amount is usable by MBH Bank Nyrt. too)

	2023	2022
Maturity up to 2023	-	3,067
Maturity up to 2024	12,926	18,733
Maturity up to 2025	18,196	18,196
Maturity up to 2026	2,909	2,909
Maturity up to 2030	-	8,458
Tax loss carryforwards	**34,031**	**51,363**

In 2015, the rules of utilization of tax losses carried forward have changed in Hungary: tax losses arising in 2015 and in following years, can be utilized solely in the subsequent five years following the tax year in which they were generated. Tax losses incurred before 2015 can be utilized until 2030. The unused tax loss is available only the end of the maturity, after the date of maturity the amount of unused tax loss is not part of the deferred tax calculation.

The following table presents the main factors of change in deferred tax:

2023 P/L-effective and neutral effects on deffered tax assets (DTA) and deffered tax liabilities (DTL)	Opening balance DTA/DTL	P/L-effective movement of DTA/DTL	FVOCI movement of DTA/DTL	Closing balance DTA/DTL
Deffered Tax Assets - due to taxable temporary differences				
<u>Assets</u>				
Impairment on receivables	3	(2)	-	1
Securities	910	-	(395)	515
Intangible assets	3	(3)	-	-
Tangible assets	45	(45)	-	-
<u>Liabilities</u>				
Provision	283	(13)	-	270
Deffered Tax Assets – due to tax losses	4,623	(1,560)	-	3,063
Subtotal DTA before netting	**5,867**	**(1,623)**	**(395)**	**3,849**
Subtotal DTA after netting of balance sheet position	**5,867**	**(1,623)**	**(395)**	**3,849**

All figures in tables are in HUF million except otherwise noted

2022 P/L-effective and neutral effects on deffered tax assets (DTA) and deffered tax liabilities (DTL)	Opening balance DTA/DTL	P/L-effective movement of DTA/DTL	FVOCI movement of DTA/DTL	Closing balance DTA/DTL
Deffered Tax Assets - due to taxable temporary differences				
<u>Assets</u>				
Impairment on receivables	-	3	-	3
Tangible assets	-	45	-	45
Intangible assets	-	3	-	3
Securities	-	-	910	910
<u>Liabilities</u>				
Provision	-	283	-	283
Deffered Tax Assets – due to tax losses	6,252	(1,629)	-	4,623
Subtotal DTA before netting	**6,252**	**(1,295)**	**910**	**5,867**
Subtotal DTA after netting of balance sheet position	**6,252**	**(1,295)**	**910**	**5,867**

The tax authority conducted a full-scale tax audit at the Company for the years 2014-2016. The tax authority can examine the accounting records for up to six years after the period to which they relate, and additional tax or fines may be imposed.

All figures in tables are in HUF million except otherwise noted

13. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income

	30 April 2023	31 December 2022
Items that will not be reclassified to profit or loss	**-**	**25**
Fair value changes of equity instruments measured at fair value through other comprehensive income	-	25
Income tax relating to items that will not be reclassified	-	-
Items that may be reclassified to profit or loss	**3,040**	**(5,069)**
Hedging instruments	(25)	687
Debt instruments at fair value through other comprehensive income	3,460	(6,666)
Income tax relating to items that may be reclassified to profit or (-) loss	(395)	910
Other comprehensive income	**3,040**	**(5,044)**

14. CASH AND CASH EQUIVALENTS

The main part of Cash reserves are the bank account and term deposits at MTB Bank, the rest of it are the nostro accounts at other banks, cash on hand and the transfer account related to cash reserves.

	30 April 2023	31 December 2022
Cash on hand	20,776	22,966
Other demand deposits	419,971	211,787
Total	**440,747**	**234,753**

All figures in tables are in HUF million except otherwise noted

15. DERIVATIVE FINANCIAL ASSETS

	30 April 2023	31 December 2022
Derivative financial assets		
IRS transactions	12 196	18,042
Forward transactions	1	-
FX Swap deals	-	131
MIRS transactions	8,215	10,025
Total	**20,412**	**28,198**

	30 April 2023	31 December 2022
Derivative financial liabilities		
IRS transactions	15,546	15,860
Forward transactions	1	-
Other derivatives	3,438	3,179
Total	**18,985**	**19,039**

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 April 2023	31 December 2022
Equity instruments	96	96
Debt securities	160,733	146,813
from this: Government Bonds	120,478	117,587
from this: Credit Institution Bonds	27,331	16,999
from this: Mortgage Bonds	7,625	7,109
from this: Other Bonds	5,299	5,118
Total	**160,829**	**146,909**

All figures in tables are in HUF million except otherwise noted

The Equity instruments contain securities acquired for non-trading purposes by the Bank that its ownership ratio is under 20%. The table below presents the fair value of this shares as at 30 April 2023:

Shares	Fair value
Garantiqua Hitelgarancia Ltd.	85
Integrációs Hitelintézetek Központi Szervezete	10
SWIFT	1
Soltvadkert és Vidéke Tksz."fa"	-
Takarék Egyesült Szövetkezet	-
Dél Alföldi Szakképzési és Nonprofit Zrt.	-
Golf & Country Club Zrt.	
Agrárvállalkozási Hitelgarancia Alapítvány	-
Általános Közlekedési Hitelszövetkezet	-
Total	**96**

The Bank have been reported dividend of HUF zero in equity instruments at fair value through other comprehensive income during the reporting period.

31 December 2022

Shares	Fair value
Garantiqua Hitelgarancia Ltd.	85
Integrációs Hitelintézetek Központi Szervezete	10
SWIFT	1
Soltvadkert és Vidéke Tksz."fa"	-
Takarék Egyesült Szövetkezet	-
Dél Alföldi Szakképzési és Nonprofit Zrt.	-
Golf & Country Club Zrt.	
Agrárvállalkozási Hitelgarancia Alapítvány	-
Általános Közlekedési Hitelszövetkezet	-
Total	**96**

17. NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 April 2023	31 December 2022
Securities mandatorily at fair value through profit or loss	8,385	6,520
from this investment in equity instruments	8,385	6,520
Loans to customers mandatorily at fair value through profit or loss	247,502	229,029

All figures in tables are in HUF million except otherwise noted

Total	**255,887**	**235,549**

Loans included in non-trading financial assets that are required to be measured at fair value through profit or loss are those groups of loans that do not pass the test of solely payments of principal and interest. In 2023, HUF 18,587 million gain (HUF 28,426 million in 2022) loss was booked in connection with non-trading loans to customers mandatorily at fair value through profit or loss.

18. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	30 April 2023	31 December 2022
Debt securities	445,929	497,040
from: Government Bonds	*279,106*	*279,243*
from: Other issued Bonds	*106,653*	*110,129*
from: Mortgage Bonds	*60,170*	*107,668*
Impairment of debt securities	(5,360)	(2,429)
Loans at amortised cost gross *	1,731,350	1,802,581
from: Loans to bank	*41,194*	*52,649*
from: Repurshase assets	-	*14,191*
from: Retail	*430,350*	*432,462*
from: Corporate	*1,250,848*	*1,296,269*
from: Local government	*8,958*	*7,010*
Impairment on loans at amortised cost	(83,831)	(82,170)
from: Loans to bank	(3)	(6)
from: Repurshase assets	-	(3)
from: Retail	(21,127)	(20,921)
from: Corporate	(62,701)	(61,240)
from: Local government	-	-
Interbank deposits, loans gross	267,352	548,687
Impairment of inter-bake deposits and loans	(71)	(135)
Advances gross	68,706	54,228
Impairment on advances	(4,421)	(4,057)
Total	**2,419,652**	**2,813,745**

Impairment under collective and individual assessment:

30 April 2023	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired assets	
Individual	-	1,501	23,034	171	24,706
Collective	16,781	26,678	25,518	-	68,977

All figures in tables are in HUF million except otherwise noted

Total	**16,781**	**28,179**	**48,552**	**171**	**93,683**

The table above also includes the impairment of securities at fair value through other comprehensive income (HUF 5,360 million), the impairment of other demand deposits (HUF 71 million) and the impairment on advances (HUF 4,421 million). The gross exposure of individual-impaired loans at amortised cost (retail, corporate, local government) is HUF 50,264 million (related impairment HUF 20,162 million) at 30 April 2023. The gross exposure of collective-impaired loans at amortised cost (retail, corporate, local government) is HUF 1,684,676 million (related impairment HUF 63,626 million) at 30 April 2023.

31 December 2022	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired assets	
Individual	4	1,498	15,329	101	16,932
Collective	16,941	28,683	26,235	-	71,859
Total	**16,945**	**30,181**	**41,564**	**101**	**88,791**

19. INVESTMENTS IN SUBSIDIARIES

Gross value	30 April 2023	31 December 2022
Balance as at 1 January	5,265	4,825
Increase in subsidiary shares	-	1,128
Decrease in subsidiary shares	-	(687)
Closing balance	**5,265**	**5,265**

The Bank measures its investments in subsidiaries, jointly controlled enterprises or associates at cost based on its accounting policy decision in accordance with IAS 27.

The changes of the impairment losses in subsidiaries and associates are the follows.

Impairment	30 April 2023	31 December 2022
Balance as at 1 January	215	159
Loss allowance	-	244
Reversal of loss allowance	-	(51)
Use of loss allowance	-	(137)
Closing balance	**215**	**215**

All figures in tables are in HUF million except otherwise noted

Equity interests of the Bank in subsidiaries and associates as at 30 April 2023:

	Gross value	Impairment	Book value	Held %
ANTAK 2000 Ltd.	104	-	104	100%
F House Ltd.	56	56	-	100%
Szetak-Szolg. Ltd.	120	-	120	99.92%
TIHASZ Takarék Ingatlanhasznosító Ltd.*	3,899	76	3,823	11.73%
Környei Tak-Ing Ltd. va	10	-	10	100%
DIÓFA TM-1*	350	-	350	23.99%
MTB Ltd.*	673	30	643	6.01%
Subsidiaries total	**5,212**	**162**	**5,050**	**-**
Euro Eco Ltd.	13	13	-	22.48%
Humán Pénzügyi Mediátor Ltd. “v.a.”	40	40	-	48.70%
Associates total	**53**	**53**	**-**	**-**
Subsidiaries and associates total	**5,265**	**215**	**5,050**	**-**

**The related group of companies is determined by MKB Bank Plc. as the parent company, MTB Plc. is a subsidiary from the point of view of MKB Bank Plc.*

Dividends received from subsidiaries and associates was 0 HUF in 2023 and in 2022.

All figures in tables are in HUF million except otherwise noted

Equity interests of the Bank in subsidiaries and associates as at 31 December 2022:

	Gross value	Impairment	Book value	Held %
ANTAK 2000 Ltd.	104	-	104	100%
F House Ltd.	56	56	-	100%
Szetak-Szolg. Ltd.	120	-	120	99.92%
TIFOR Takarék Ingatlanforgalmazó Ltd.*	1,515	76	1,439	22.52%
TIHASZ Takarék Ingatlanhasznosító Ltd.*	2,384	-	2,384	9.21%
Környei Tak-Ing Ltd. va	10	-	10	100%
DIÓFA TM-1*	350	-	350	23.99%
MTB Ltd.*	673	30	644	6.01%
Subsidiaries total	**5,212**	**162**	**5,050**	**-**
Euro Eco Ltd.	13	13	-	22.48%
Humán Pénzügyi Mediátor Ltd. “v.a.”	40	40	-	48.70%
Associates total	**53**	**53**	**-**	**-**
Subsidiaries and associates total	**5,265**	**215**	**5,050**	**-**

**The related group of companies is determined by MKB Bank Plc. as the parent company, MTB Plc. is a subsidiary from the point of view of MKB Bank Plc.*

Dividends received from subsidiaries and associates was 0 HUF in 2023 and in 2022.

All figures in tables are in HUF million except otherwise noted

20. TANGIBLE ASSETS

30 April 2023	Property	Technical and office equipment, machines, vehicles	Investment in tangible assets	Total
Gross value				
Opening balance	2,057	4,310	684	7,051
Increase	-	152	100	252
Decrease	(49)	(191)	(152)	(392)
Closing balance	**2,008**	**4,271**	**632**	**6,911**
Depreciation				
Opening balance	689	2,697	-	3,386
Annual depreciation	80	199	-	279
Decrease*	(19)	(171)	-	(190)
Closing balance	**750**	**2,725**	**-**	**3,475**
Impairment				
Opening balance	-	-	-	-
Increase	-	-	-	-
Decrease	-	-	-	-
Closing balance	**-**	**-**	**-**	**-**
Net value	**1,258**	**1,546**	**632**	**3,436**

All figures in tables are in HUF million except otherwise noted

TANGIBLE ASSETS (CONTINUING)

31 December 2022	Property	Technical and office equipment, machines, vehicles	Investment in tangible assets	Total
Gross value				
Opening balance	2,133	3,663	783	6,579
Increase	-	801	727	1,528
Decrease	(76)	(154)	(826)	(1,056)
Closing balance	**2,057**	**4,310**	**684**	**7,051**
Depreciation				
Opening balance	462	1,916	-	2,378
Annual depreciation	256	877	-	1,133
Decrease*	(29)	(96)	-	(125)
Closing balance	**689**	**2,697**	**-**	**3,386**
Impairment				
Opening balance	-	-	-	-
Increase	-	-	-	-
Decrease	-	-	-	-
Closing balance	**-**	**-**	**-**	**-**
Net value	**1,368**	**1,613**	**684**	**3,665**

The tables contain the tangible assets of the Bank expected the right-of-use assets.
Tangible assets of the separate financial statement contain the right-of-use assets under IFRS 16. The net carrying amount of the right-of-use assets was HUF 6,956 million as at 30 April 2023 and HUF 4,695 million as at 31 December 2022. The reason for the increase was the extension of the leas of the Bank's one of the office building.
The right-of-use assets under IFRS 16 have been reported in Note 22.
The Bank estimates the recoverable amount of the tangible asset. Recoverable amount is the fair value of the asset net of the costs of sale, or the value in use, whichever is higher. Where the carrying amount of an asset exceeds its recoverable amount, the Bank recognises impairment on the asset, by this the carrying amount is written down to the recoverable amount. The Bank had not been recognised impairment on tangible assets in 2023, as the use of the assets continues in the successor MBH Bank Plc.

All figures in tables are in HUF million except otherwise noted

21. INTANGIBLE ASSETS

30 April 2023	Intangible assets	Total
Gross value		
Opening balance	2,079	2,079
Increase	418	418
Decrease	(17)	(17)
Closing balance	**2,480**	**2,480**
Depreciation		
Opening balance	945	945
Annual depreciation	218	218
Decrease	(17)	(17)
Closing balance	**1,146**	**1,146**
Impairment		
Opening balance	-	-
Increase	-	-
Reversal	-	-
Closing balance	**-**	**-**
Net value	**1,334**	**1,334**

The Bank uses software, licenses, trademarks, telephone line locks, ISDN connection fees and utility development contributions purchased as intangible assets.

The Bank carried out an estimate of the rate of return on intangible assets. Based on this, there were no assets at the Bank where recoverable amount was lower than the carrying amount of the asset, so no impairment was recognised for intangible assets in 2023, as the use of the intangible assets continues in the successor MBH Bank Plc.

All figures in tables are in HUF million except otherwise noted

INTANGIBLE ASSETS (CONTINUING)

31 December 2022	Intangible assets	CDI asset related to MTB portfolio transfer	Total
Gross value			
Opening balance	1,936	1,275	3,211
Increase	181	-	181
Decrease	(38)	(1,275)	(1,313)
Closing balance	**2,079**	**-**	**2,079**
Depreciation			
Opening balance	351	738	1,089
Annual depreciation	630	166	796
Decrease	(36)	(904)	(940)
Closing balance	**945**	**-**	**945**
Impairment			
Opening balance	-	-	-
Increase	-	373	373
Reversal	-	(373)	(373)
Closing balance	**-**	**-**	**-**
Net value	**1,134**	**-**	**1,134**

All figures in tables are in HUF million except otherwise noted

22. IFRS 16 LEASES

Right-of-use and tangible assets

	30 April 2023	31 December 2022
Owned property, plant and equipment	3,436	3,665
Right-of-use assets, except investment properties	6,956	4,695
Total property, plant and equipment	**10,392**	**8,360**

Lease liabilities

Lease liabilities presented in the statement of financial position

	30 April 2023	31 December 2022
Short term	2,355	2,003
Long term	4,720	2,919
Total lease liabilities	**7,075**	**4,922**

Maturity analysis - undiscounted contractual payments

	30 April 2023	31 December 2022
Up to 1 year	2,567	2,108
1 year to 5 years	4,968	3,018
Over 5 years	6	11
Total undiscounted lease liabilities	**7,541**	**5,137**

Right-of-use assets

	Property	Company car	Total
Opening balance at 1 January 2022	**5,833**	**1,153**	**6,986**
Increase	2,180	269	2,449
Amortization for the year	(2,225)	(524)	(2,749)
Decrease	(1,955)	(36)	(1,991)
Balance at 31 December 2022	**3,833**	**862**	**4,695**
Increase	3,313	28	3,341
Amortization for the year	(696)	(154)	(850)
Decrease	(229)	(1)	(230)
Balance at 30 April 2023	**6,221**	**735**	**6,956**

The reason for the increase in the right of use asset was the extension of the lease of one of the Bank's central buildings.

All figures in tables are in HUF million except otherwise noted

Total cash outflow for leases

	30 April 2023	31 December 2022
Total cash outflow for leases	(2,404)	(2,427)

Items related to lease liabilities presented in profit or loss

	30 April 2023	31 December 2022
Interest expense on the lease liabilities	(47)	(125)
Total	**(47)**	**(125)**

Items presented in the statement of cash flows

	30 April 2023	31 December 2022
Interest expense on the lease liabilities	(47)	(125)
Financing cash flow	(2,404)	(2,427)

The Bank, as the lessee, did not apply the practical solution under the lease payment modifications resulting from the lease relief to any of the lease agreements, as it was not provided with lease relief as a direct consequence of the Covid19 pandemic.

23. OTHER ASSETS

	30 April 2023	31 December 2022
Accrued income and prepaid expenses*	3,675	3,562
Reclaimable taxes	114	221
Repossessed collateral	194	194
Accrued amount of fair value difference at initial recognition of loans under Funding for Growth Scheme	313	405
Other	38	23
Total	**4,334**	**4,405**

**Accruals are mainly related to accruals for credit card services, MFB point accruals and OBA fee accruals.*

All figures in tables are in HUF million except otherwise noted

24. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

	30 April 2023	31 December 2022
Deposits	2,391,667	2,521,337
Amounts due to other banks*	579,728	645,221
Repurchased liabilities	-	30,283
Subordinated liabilities**	25,552	23,947
Other financial liabilities	10,183	7,732
Total	**3,007,130**	**3,228,520**

**This line shows the stock of refinanced loans disbursed under the Funding for Growth Scheme (NHP).*
*** Subordinated liabilities include subordinated loans granted by MKB Plc, qualifying as additional capital instruments under Article 63 of the CRR, amounting to HUF 22 billion. The original maturity of the loan capital is 2 July 2029. The transaction interest rate is 1 month BUBOR + 4.9%, while the interest period is 1 month. The loan capital was settled with MKB Bank Plc. during the merger of Takarékbank Zrt.*

25. PROVISIONS

Provisions are set up mainly for current and contractual obligation. Provision is also set up for a pending lawsuit. The changes in provisions are accounted for in credit loss expense or in other operating expense.

2023	Credit risk provision	Provision for reorganization	Provision for amounts relating to accrued vacation pay	Other provision	Provision for pending lawsuit	Total
Opening balance at 1 January 2023	**5,116**	**2,299**	**419**	**394**	**39**	**8,267**
Increase in the period	3,780	-	389	-	121	4,290
Use of provision in the period	-	-	-	(34)	(24)	(58)
Derecognition of provision in the period	(3,829)	(168)	(419)	(7)	(8)	(4,431)
Closing balance at 30 April 2023	**5,067**	**2,131**	**389**	**353**	**128**	**8,068**

The net balance of provisions and expenses for 2023 was HUF -199 million, of which HUF -101 million was recognised under provisions in the income statement, while HUF -64 million was recognised under bank operating expenses. In relation to under-balance sheet exposures denominated in foreign currency, the annual revaluation difference of provisions recognised in the currency of the exposures amounts to HUF 34 million, which is reflected in the profit or loss of the exchange difference in the profit and loss account.

All figures in tables are in HUF million except otherwise noted

2022	Credit risk provision	Provision for reorganization*	Provision for amounts relating to accrued vacation pay	Other provision	Provision for pending lawsuit	Total
Opening balance at 1 January 2022	**4,567**	**-**	**657**	**240**	**170**	**5,634**
Increase in the period	17,438	2,576	419	900	414	21,747
Use of provision in the period	-	-	-	(1)	(492)	(493)
Derecognition of provision in the period	(16,889)	(277)	(657)	(745)	(54)	(18,622)
Closing balance at 31 December 2022	**5,116**	**2,299**	**419**	**394**	**39**	**8,267**

**The provision was made in connection with liabilities related to lending activities, remuneration programs, restructuring and severance payments.*

26. OTHER LIABILITIES

	30 April 2023	31 December 2022
Taxes payable	25,939	3,930
Suppliers	-	-
Accrued expenses*	16,325	19,370
Accrued part of disbursed liabilities under Funding for Growth Scheme	551	694
Other	136	89
Total	**42,951**	**24,083**

**In 2023, the amount of tax payment costs due to the extra profit special tax is HUF 21 billion.*
***A significant proportion of the accruals represent the amount of accruals due to cost divisions accounted for as a result of the SLA settlement agreement between the banks of the Banking Group. (SLA see note 10)*

All figures in tables are in HUF million except otherwise noted

27. SHARE CAPITAL

27.1 Ownership structure

The table shows the structure of the shares as follows:

Type of shares	Number of shares		Face value (HUF/pieces)		Total face value (million HUF)	
	30.04.2023	31.12.2022	30.04.2023	31.12.2022	30.04.2023	31.12.2022
Ordinary shares (Series "A")	9,826	9,826	10,000,000	10,000,000	98,260	98,260
Ordinary shares (Series "C")	867	867	100,000,000	100,000,000	86,700	86,700
Priority shares (Series"B")	200,000	200,000	10,000	10,000	2,000	2,000
Total	**210,693**	**210,693**	**-**	**-**	**186,960**	**186,960**

Ordinary shares (Series "A") and ordinary shares (Series "C") embody general shareholder rights.

Priority shares (divident preference shares) (Series „B")

The owners of the Company's dividend preference shares of series 'B' shall jointly be entitled to 12.5% (twelve point five percent) of the after-tax profit for the previous financial year, or of the after-tax profit supplemented with available profit reserves from the current year that is available for distribution to the benefit of members, and has been ordered for distribution by the supreme body, in proportion of the nominal value of their respective shares. Voting rights shall be linked to the Company's dividend preference shares of series 'B' irrespective of dividend payment.

Shareholders	30 April 2023			31 December 2022		
	Number of share-holders	Face value (in HUF million)	Holding (%)	Number of share-holders	Face value (in HUF million)	Holding (%)
MKB Bank Plc.	1	184,770	98.83%	1	184,770	98.83%
MTB Bank of Hungarian Saving Cooperatives Co. Ltd.	1	10	0.01%	1	10	0.00%
Other legal entity	10	170	0.09%	10	170	0.09%
Natural person	152	1,990	1.06%	152	1,990	1.07%
Other organization	1	20	0.01%	1	20	0.01%
Total	**165**	**186,960**	**100.00%**	**165**	**186,960**	**100.00%**

One of the 165 members have more than 5% ownership. Names, registered offices and voting rights of owners above 5% on 30 April 2023:

Name	Registered office	Priority shares (pieces)	Ordinary shares (pieces)	Number of shares (pieces)	Face value	Holding (%)
MKB Bank Plc.	Budapest	200,000	10,474	210,474	184,770	98.83%

In the Takarékbank Ltd. has 1 owner with more than 10% ownership, the number of shares are 210,474 pieces, their total controlling interests are 98.83%. In addition, no member shall achieve a share of ownership above 5%.

The parent company of the MKB Bank Plc. is the Magyar Bankholding Zrt., beyond that, the ultimate owner cannot be identified.

27.2. Other reserves

	30 April 2023	31 December 2022
General reserve	5,763	2,548
Other retained earnings	919	919
Closing balances	**6,682**	**3,467**

27.2.1 General reserve

In accordance with statutory requirements, the Bank is required to set up a non-distributable general reserve equal to 10% of statutory profit after tax. Increases in the general risk reserve are separated from retained earnings, as calculated under Hungarian regulatory rules, and thus are not charged against income. According to the Section 13 (8) of the Government Decree No. 250/2000 (XII.24.) on the specifics of the annual reporting and bookkeeping tasks of investment companies are required to release the general reserve when loss after tax deduction occurs.
In 2023, HUF 3,215 million general reserve was booked.

27.3 Cumulated other comprehensive income

	30 April 2023	31 December 2022
Opening balance	(9,473)	(4,429)
Cumulated other comprehensive income	**3,040**	**(5,044)**
Items that will not be reclassified to profit or loss	**-**	**25**
Fair value changes of equity instruments measured at fair value through other comprehensive income	-	25
Items that may be reclassified to profit or loss	**3,040**	**(5,069)**
Hedging Instruments (unmarked items)	(25)	687
Debt instruments at fair value through other comprehensive income	3,460	(6,666)
Income tax relating to items that may be reclassified to profit or (-) loss	(395)	910
Other reclassification	10	-
Closing balance	**(6,423)**	**(9,473)**

All figures in tables are in HUF million except otherwise noted

28. CONTINGENT LIABILITIES

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the separate statement of financial position, they do contain credit risk and are therefore part of the overall risk of the bank.
Off-balance sheet commitments comprise of loans not drawn and other contracted future payments to suppliers of the Bank:

	30 April 2023	31 December 2022
Guarantees	62,041	47,122
Loan commitments	371,483	358,568
Contingents liabilities from litigation	488	463
Total	**434,012**	**406,153**

All figures in tables are in HUF million except otherwise noted

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of the on- and off-balance sheet financial assets and liabilities:

Financial instruments stated at amortized cost: due to short-term maturity profiles, the carrying values of certain financial assets and liabilities were assumed to approximate their fair values. These include cash and due from banks and with the National Bank of Hungary as well as deposits.

Securities at fair value through other comprehensive income: Securities at fair value through other comprehensive income held for liquidity purposes are marked to market. For investments traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is based on the expected discounted cash flows.

29.1 Financial assets at amortised cost

The Bank calculates the fair value (level 3) of loans and advances to customers and refinanced loans at amortized cost on an individual basis.
The applied valuation model takes into account the following:

- The scheduled and calculated repayments, with certain restrictions.
- In case of loan repricing events the model recalculates the interest cash flow.
- In case of loans where amortized cost is calculated with simplified approach no FV correction is applied.

The cash flow series calculated in this way are discounted with the yield curve applied in the Bank's evaluation, which contains the following components:

- Relevant market yield curve
- Spread implied by the annual risk cost
- Premium implied by annual risk costs
- Spread implied by the capital allocated to the loans (regulatory minimum requirement and all addons)
- Allocated operational costs

The net value of assets, i.e. the fair value of the total portfolio of loans is determined by combining and exchanging to HUF the FX values.

Under IFRS 13 a fair value measurement requires during the selection of appropriate valuation techniques an entity to determine all the following:

- all information what is reasonably available for the Bank;
- current and expected market conditions;
- the investment timeline and the type of investment (for example in measuring the fair value of short-term financial investment the current market sentiment to be better reflected some valuation technique than others);
- an entity's lifecycle of an equity instruments (the fair value of the investments in different life cycles is better reflected by some valuation models than by others);
- pro- and counter-cyclicality of an entity's business activity; and
- there are entity-specific factors, in which the entity operates.

In case of illiquid quoted equity instruments are applied 180 days weighted average price in accordance with the market practice for measuring fair value by the Bank.
When a quoted price of an equity instrument is not available the Bank shall measure during the selection of appropriate valuation techniques that primarily takes into account the future cash flows that a market participant would expect to receive from holding the equity instruments. Dividend and cash flow expectations are available from market reporting agent (Bloomberg, Refiniti), business reports, management letter of intent, etc.

The fair value of financial assets at amortized cost is shown in the table below:

	30 April 2023		31 December 2022	
	Net book value	Fair value	Net book value	Fair value
Fair value of financial assets at amortized cost	2,419,653	2,202,428	2,813,745	2,533,356

29.2 Fair value of other items in the statement of financial position

No estimation is made in respect of the fair value of assets and liabilities that are not considered to be financial instruments, such as fixed assets and other assets and liabilities. Given the use of subjective judgement and uncertainties, the fair values should not be interpreted as being realisable in an immediate settlement of the instruments.

29.3 Fair value of derivative transactions

Swap transactions are contracts between two parties to swap the differences of interests or exchange rates for a fixed amount. In case of interest rate swap (IRS) transactions, parties usually swap the fixed and variable interest payments of a given currency. In FXS, they swap fixed payments and given amounts of different currencies. CCIRSs are swap transactions where parties swap fix amounts in different currencies as well as fixed and variable interest payments.

	Fair value		Notional amount	
	30 April 2023	31 December 2022	30 April 2023	31 December 2022
Swap deals	-	131	-	32,020
IRS deals	12,197	18,043	150,582	196,582
MIRS	8,214	10,024	33,870	35,472
Other derivatives	1	-	202	-
Total trading derivate assets	**20,412**	**28,198**	**184,654**	**264,074**
Hedge derivative deals	21,648	27,716	89,350	121,409
Total derivative financial assets	**42,060**	**55,914**	**274,004**	**385,483**

All figures in tables are in HUF million except otherwise noted

	Fair value		Notional amount	
	30 April 2023	31 December 2022	30 April 2023	31 December 2022
Swap deals	435	1,916	164,776	122,330
IRS deals	15,546	15,859	105,542	38,941
State bonds forward deals	3,003	1,264	5,693	5,693
Other derivatives	1	-	351	-
Total trading derivate liabilities	**18,985**	**19,039**	**276,362**	**166,964**
Hedge derivative deals	300	522	4,000	4,051
Total derivative financial liabilities	**19,285**	**19,561**	**280,362**	**171,015**

The fair value of derivative deals is also calculated based on a cash flow basis by the Bank, the derivatives are broken down to elementary cash flows and the present value is calculated. The present value of the future cash flows of fixed interest rate deals is calculated by the Bank using the zero-coupon swap yield curve corresponding to the appropriate currency. The fair value of swap deals is the difference of the present value of the two series of cash flows not yet due (incoming and outgoing).

In the case of floating rate deals the expected interest rates are estimated on a forward basis including interest premium. The interest cash flow calculated and the principal payments are discounted to present value using the multi-level yield curve (forward yield curve, and discounting curve). The fair value of the deal is the aggregate of the present values.

For the Bank's existing derivative contracts designated as fair value hedges, the purpose of the transaction is to exchange fixed interest rate contracts for floating rate transactions and to hedge the resulting fair value risk. The parameters of the hedging instrument (maturity, amount, currency, interest rate, etc.) and thus its cash flow are the same as the hedged security's cash flow of capital and interest.

In the valuation of hedging transactions, the Bank establishes a so-called hypothetical swap and measures its efficiency accordingly.

The Bank reported hedge for swap transactions in the separate IFRS financial statements of Bank. The effect of this is shown in the table on 30 April 2023.

29.4 Fair value hedging

30 April 2023

Hedging type	Hedged transaction type	Fair value of hedging	Fair value of a hedged contract	Hedging gain/loss	Loss/gain on a hedged transaction
IRS	Instruments measured at amortised costs	20,796	63,136	(6,529)	6,222
IRS	Securities valued against other comprehensive income	553	7,715	(121)	122

All figures in tables are in HUF million except otherwise noted

Financial assets subject to offsetting and potential offsetting agreements in- 2023

	Gross amounts in Statement of Financial Position	Net amounts in Statement of Financial Position	Potential effects of netting agreements not qualifying for offsetting in Statement of Financial Position			Net amount after potential offsetting
			Financial instruments	Cash collateral received	Financial security received	
Financial assets for trading	33,845	33,845	16,281	-	-	17,564
Total	**33,845**	**33,845**	**16,281**	**-**	**-**	**17,564**

Liabilities subject to offsetting and potential offsetting agreements – 2023

	Gross amounts in Statement of Financial Position	Net amounts in Statement of Financial Position	Potential effects of netting agreements not qualifying for offsetting in Statement of Financial Position			Net amount after potential offsetting
			Financial instruments	Cash collateral pledged	Financial security received	
Financial liabilitites for trading	16,281	16,281	16,281	-	-	-
Total	**16,281**	**16,281**	**16,281**	**-**	**-**	**-**

All figures in tables are in HUF million except otherwise noted

Financial assets subject to offsetting and potential offsetting agreements in- 2022

	Gross amounts in Statement of Financial Position	Net amounts in Statement of Financial Position	Potential effects of netting agreements not qualifying for offsetting in Statement of Financial Position			Net amount after potential offsetting
			Financial instruments	Cash collateral pledged	Cash collateral received	
Financial assets for trading	45,889	45,889	19,561	-	-	26,328
Repurchase liabilities	14,188	14,188	-	-	14,188	-
Total	**60,077**	**60,077**	**19,561**	**-**	**14,188**	**26,328**

Liabilities subject to offsetting and potential offsetting agreements – 2022

	Gross amounts in Statement of Financial Position	Net amounts in Statement of Financial Position	Potential effects of netting agreements not qualifying for offsetting in Statement of Financial Position			Net amount after potential offsetting
			Financial instruments	Cash collateral pledged	Cash collateral pledged	
Financial liabilities for trading	19,561	19,561	19,561	-	-	-
Repo agreements	30,283	30,283	-	-	30,283	-
Total	**49,844**	**49,844**	**19,561**	**-**	**30,283**	**-**

All figures in tables are in HUF million except otherwise noted

Bank employs repurchase agreements and master netting agreements as a means of reducing credit risk of derivative and financing transactions. They qualify as potential offsetting agreements. Master netting agreements are relevant for counterparties with multiple derivative contracts. They provide for the net settlement of all the contracts in the event of default of any counterparty. For derivatives transactions the values of assets and liabilities that would be set off as a result of master netting agreements are presented in the column ‘Financial instruments’. If the net position is further secured by cash collateral or non-cash financial collaterals the effects are disclosed in columns ‘Cash collateral received / pledged’ and ‘Non-cash financial collateral received / pledged’ respectively.

Repurchase agreements are primarily financing transactions. They are structured as a sale and subsequent repurchase of securities at a pre-agreed price and time. This ensures that the securities remain in the hands of the lender as collateral in case the borrower defaults on fulfilling any of its obligations. Offsetting effects from repurchase agreements are disclosed in the column ‘Non-cash financial collateral received / pledged’ respectively. Collateral is presented at the fair value of the transferred securities. However, if the fair value of collateral exceeds the carrying amount of the receivable/liability from the repo transaction the value is capped at the level of the carrying amount. Remaining position may be secured by cash collateral. Cash and non-cash financial collateral involved in these transactions is restricted from being used it by the transferor during the time of the pledge.

29.5 Fair value of financial instruments carried at fair value

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Bank calculates the fair value of non-trading financial assets mandatorily at fair value through profit or loss on an individual basis.
The applied valuation model takes into account the following:

- The scheduled and calculated repayments, with certain restrictions.
- In case of loan repricing events the model recalculates the interest cash flow
- In case of loans where amortized cost is calculated with simplified approach no FV correction is applied

The cash flow series calculated in this way are discounted with the yield curve applied in the Bank’s evaluation, which contains the following components:

- Relevant market yield curve
- Spread implied by the annual risk cost
- Spread implied by the capital allocated to the loans (regulatory minimum requirement and all addons)
- Allocated operational costs

The net value of assets, i.e. the fair value of the total portfolio of loans is determined by combining and exchanging to HUF the FX values.

Under IFRS 13 a fair value measurement requires during the selection of appropriate valuation techniques an entity to determine all the following:

- all information what is reasonably available for the Bank;
- current and expected market conditions;

- the investment timeline and the type of investment (for example in measuring the fair value of short-term financial investment the current market sentiment to be better reflected some valuation technique than others);
- an entity's lifecycle of an equity instruments (the fair value of the investments in different life cycles is better reflected by some valuation models than by others);
- pro- and counter-cyclicality of an entity's business activity; and
- there are entity-specific factors, in which the entity operates.

In case of illiquid quoted equity instruments are applied 180 days weighted average price in accordance with the market practice for measuring fair value by the Bank.

When a quoted price of an equity instrument is not available the Bank shall measure during the selection of appropriate valuation techniques that primarily takes into account the future cash flows that a market participant would expect to receive from holding the equity instruments. Dividend and cash flow expectations are available from market reporting agent (Bloomberg,Refinitiv), business reports, management letter of intent, etc.

The following table shows an analysis of financial instruments carried at fair value.

	30 April 2023		
	Level 1	Level 2	Level 3
Assets			
Derivative financial assets	-	20,412	-
Non-trading financial assets mandatorily at fair value through profit or loss	8,385	-	247,502
Securities at fair value through other comprehensive income	153,108	7,625	96
Hedging derivative assets	-	21,648	-
Total assets carried at fair value	**161,493**	**49,685**	**247,598**

	30 April 2023		
	Level 1	Level 2	Level 3
Liabilities			
Derivative financial liabilities	3,003	15,982	-
Hedging derivative liabilities	-	300	-
Total liabilities carried at fair value	**3,003**	**16,282**	**-**

	31 December 2022		
	Level 1	Level 2	Level 3
Assets			
Derivative financial assets	-	28,198	-
Non-trading financial assets mandatorily at fair value through profit or loss	6,520	-	229,030

All figures in tables are in HUF million except otherwise noted

Securities at fair value through other comprehensive income	139,704	7,109	96
Hedging derivative assets	-	27,716	-
Total assets carried at fair value	**146,224**	**63,023**	**229,126**

	31 December 2022		
	Level 1	Level 2	Level 3
Liabilities			
Derivative financial liabilities	1,264	17,775	-
Hedging derivative liabilities	-	522	-
Total liabilities carried at fair value	**1,264**	**18,297**	**-**

Instruments' movements in Level 3 2023	Non-trading financial assets mandatorily at fair value through profit or loss	Securities at fair value through other comprehensive income
Opening balance at 1 January 2023	**229,030**	**96**
Statement of profit or loss		
(Loss)/Profit	18,587	-
Other comprehensive income	-	-
Transactions		
Purchase/portfolio growth	4,218	-
Sale/settlement/disposal	(4,333)	-
Transfers	-	-
Closing balance at 30 April 2023	**247,502**	**96**

**There was not transfer among the fair value hierarchy levels in 2023.*

Based on the experience of the past period, the auditor has proposed several changes to improve the model, which increase the confidence level of the model.

- Updating statistical data in the cash flow amortization model
- Changes to the methodology for calculating the cost of capital
- Direct incorporation of the credit spread into the discounting through shifting the yield curve, while at the same time removing the credit spread from the T-Motor
- Annual review of other spreads on discount factor (operating costs, liquidity premium)

By processing the parameters obtained and applying them to the Fair Value methodology, the following effects were identified on stocks 04.30.

- The increase of **operating expenses** from 1.1% to 1.2% would decrease the profit or loss by HUF 1.07 billion (HUF -6.248 billion vs HUF -7.318 billion).
- The cost of capital under the current methodology is excluded, but in agreement with the auditor, the cost of capital under the new methodology is taken into account, which is 0.16% per month, taking into account the expected annual ROE of 16% for 2023 and the

All figures in tables are in HUF million except otherwise noted

maximum level 80% of interest rate risk coverage for banking book. This effect must also be passed through to **the cost of capital**, which is reduced by 8bp to 0.16%. The effect is **a profit of HUF 0,849 billion**.

- We recommend adding 3.6bp (value calculated by Gáborék Gelencsér) to the **Credit Risk Spread** when shifting the SWAP yield curve, which has a negative effect of HUF 0.384 billion on profit or loss. In the case of the Takarék Group, there is no qualified capital for the reversal of the credit risk effect outside the current model.
- The observation frequency of unborn children in two categories decreased from 6% to 5% which would **worsen the profit or loss by HUF 0.118 billion.**
- **The sum of the four effects is** -1,07+0,849-0,384-0,118 = **HUF - 0,723 billion.**

Instruments' movements in Level 3 2022	Non-trading financial assets mandatorily at fair value through profit or loss	Securities at fair value through other comprehensive income
Opening balance at 1 January 2022	**224,406**	**96**
Statement of profit or loss		
(Loss)/Profit	(28,426)	-
Other comprehensive income	-	25
Transactions		
Purchase/portfolio growth	33,050	-
Sale/settlement/disposal	-	-
Transfers	-	-
Closing balance at 31 December 2022	**229,030**	**96**

All figures in tables are in HUF million except otherwise noted

30. RISK MANAGEMENT

30.1 Overview

On 15 December 2020, Magyar Bankholding Zrt. started its actual operations, after the dominant owners of MTB Zrt., the majority owner of Budapest Bank Plc., MKB Bank Plc. and Takarékbank, the majority owner of the National Bank of Hungary, transferred their bank shares to the joint holding company. Following the contribution, the financial holding company performed prudential control and group governance functions over the three banking groups until the end of April 2022.

Significant changes affecting the governance of Takarékbank in 2022:

- Takarékbank Shitv. terminated its integration membership at the end of March,
- the main owner of Takarékbank is MKB Bank Plc. from 01.04.2022,
- Magyar Bankholding Zrt.'s role as group manager was terminated at the end of April 2022,
- Takarékbank will be managed by MKB Bank Plc., which has also taken over the role of group manager since May 2022.

MKB Bank Plc., as group leader, issues group-level risk regulations, which must either be implemented without modification by group members or applied after implementation taking into account the characteristics of the group member.

At the time of reporting, Takarékbank Zrt. is an institution under the prudential supervision of MKB Bank (member of MKB Group).

Takarékbank's risk appetite should be in line with the financial resources available to cover potential losses. To this end, it calculates the current and future Economic Capital Requirement and the Capital Requirement under Pillar 1 for quantifiable risk types.

Takarékbank considers prudent risk-taking to be a fundamental value. To this end, the risk management organisation measures and analyses risk exposures, processes the information obtained, formulates underwriting rules and operates risk management systems.

MKB's Risk Strategy, which directly covers group members, is based on the following main pillars:

● applying the best approaches and methods accepted in market practice during risk man agement,
● exploration and continuous monitoring of the risk and return profile of business lines, prod ucts and risk positions,
● taking risks into account in business decisions, separation of the risk management entity from the business area,
● the importance of all stages of the risk management process,
● the risk management process is part of the overall management system,
● its aspects are integrated into the strategic and annual planning.

Exposure is essentially to credit, liquidity, market and operational risks.

30.2 Risk management structure

MKB Group operates a unified management concept, according to which the Group Manager (MKB Bank) Chief Risk Management Officer (CRO), Managing Director of Risk Management Division director-level managers hold the same position as member institutions of credit institutions. Another pillar of the single management concept is that committees with unified powers started their operations at group and member institution level, which are on the same day and in person They meet in composition, decide in several roles, issuing decisions at the appropriate level.

Board of Directors

The Boards of Directors are responsible for the Bank's risk management policy and strategy. The Boards of Directors approve the basic framework rules for risk management and guidelines of applicable methodologies.
Based on regular risk exposure reports, the Boards of Directors evaluate the risk management activities and the level of exposure of the banks. If the level of exposure undertaken by the banks does not correspond to the strategy the Board takes measures to contain risks.

Risk Taking-Risk Management Committee

The members of the Committee are members of the Board of Directors who are not employed by Takarékbank Ltd. The Committee shall in particular:

a) preparing an expert opinion for senior executives on Bank's current and future risk-taking strategy and risk appetite,
b) supporting the Board of Directors in supervising the implementation of the risk-taking strategy,
c) an examination of the consistency between the pricing principles and Bank's business model and risk-taking strategy; and
d) an examination of the remuneration policy in terms of whether the incentive elements of the remuneration system established take into account Takarékbank's risks, capital and liquidity position, and the probability and timing of incomes.

Supervisory Board

The Supervisory Boards of the Takarékbank are responsible for monitoring the overall risk and risk management processes within the Bank. In this context they supervise and monitor the suitability of methods and systems applied by the Takarékbank in order to ensure compliance with the statutory capital adequacy requirements.

Assets and Liabilities Committee (ALCO)

Assets and Liabilities Committee is exercised its authority relating to the asset and liability management, planning/controlling management, pricing and sales, developing, liquidity risk management, market risk management, credit and counterparty risk, concentration risks, operational risk, risk policy / risk strategy, capital management and categories defined in the internal policies for the Committee.

The ALCO has the right make decisions according to the defined categories. The committee determines the strategic and development orientations for the business management related to Takarékbank interest bearing assets and liabilities. The committee has different tasks related to the asset and liability management (ensuring liquidity, interest rate risk, exchange rate risk, capital adequacy, interest margin and funding risk management). Continuously monitors the Takarékbank makes suggestion for the interest policy. In order to ensure the prudential requirements, the Bank shall establish and maintained the conformity between income and liquidity.

Lending Committee (HB)
The Commission decides on matters delegated to the Commission in the internal regulations, decides on matters referred to it by the Credit Regulation (Decision Competence Order Annex)

Methodology Committee (MB)
The competence of the Methodology Committee is exercised at the individual level of the Bank. The Methodology Committee performs all the tasks required by law or supervisory recommendations from a risk control, a risk methodology, an operational risk management and an NPL committee in the areas specified in the Rules of Procedure of the Standing Committees. In detail:

- Defining risk strategy, risk self-assessment, risk appetite and related limits - proposing to the Board of Directors, allocating limits to group members
- Setting concentration and country risk limits, approving risk management principles, allocating and re-measuring limits
- Approval of changes in risk parameters affecting risk appetite, including risk methodological proposals related to product development
- Approval of risk regulations
- Regular and adhoc risk reports (credit risk, operational risk, large exposures, internal credit, other risks, except market and liquidity, which is the responsibility of the EFB)
- ICAAP-SREP methodological changes, parameters, credit ratings, etc. approval (Pillar 1 and Pillar 2, including market risk topics), monitoring, supervisory control
- Develop and monitor an SREP action plan
- Modeling framework changes, model validation system approval

Department of Risk Management is responsible for determining the requirements necessary for the prudent operation. They develop the risk guidelines and manage credit, liquidity, market and operational risk.

Internal Audit
The elements of the internal control system (management control and management information system incorporated in processes, and an independent internal control unit function) cover the Takarékbank's all organizational units and are incorporated in day-to-day operation. They are traceable and provide feedback to the appropriate levels of management and control.
Risk management processes are audited regularly by the internal audit organization that examines both the adequacy of the procedures and the compliance with the procedures. Internal Audit reports its findings to the Takarékbank's Supervisory Board and the Management of the Takarékbank.

Risk evaluation and reporting system

Takarékbank is measured the risk exposure in accordance with the methods defined in laws and integration policies.
In terms of liquidity as well as interest, shares and exchange rate risks, risks are essentially monitored and controlled by means of setting up limits of acceptable exposure. The limits reflect the willingness to undertake risks, and the market environment. Takarékbank collects and analyses data about events and losses related to risk from operation. As a result of risk assessment the Bank determines the level of capital justified by the level of acceptable exposure.
Risk Taking-Risk Management Committee, The Boards of Directors and The Supervisory Board evaluate the reports on risks of the Takarékbank on a quarterly basis.

30.3 Risk mitigation

Interest rate and exchange rate risks
To minimize the risk of interest- and foreign exchange rate risks Takarékbank manage their asset and liability structure.

Credit risk
Credit risk is the risk of the Bank suffering losses because the borrowers (clients or partners) fail to meet their contractual obligation to the Takarékbank.

Risk-taking for retail customers was carried out using standardized loan facilities and lending processes, which resulted in a high number of customers, a low amount of individual loans, diversification and thus the spraying of risks.

There are also standardized product deliveries for micro and small businesses. Risk-taking against medium-sized and large companies is based on individual analysis and decisions, and continuous monitoring is given great emphasis.

Takarékbank applies strict regulations to determine the scope of eligible collaterals, their valuation method and the coverage ratio.
The majority of the credit insurance value of real estate collateral is determined by Takarék Ingatlan, which belongs to the Takarék Group, while the Credit Collateral Value is approved by Takarékbank's Collateral Management team.

Credit risk

*30.4.1 **Credit risk***

Impairment

The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortized cost or FVOCI, and to off balance sheet lending commitments such as loan commitments and financial guarantees (hereafter collectively referred to as "Financial Assets").
Under IFRS 9 the bank uses all reasonable and supportable information available without undue cost and effort, the Bank first evaluates individually the Financial Assets whether objective evidence of impairment exists for loans that are individually significant. It then collectively assesses loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment available under the individual assessment.

Staged Approach to the Determination of Expected Credit Losses

IFRS 9 introduces a three stage approach to impairment for Financial Assets that are performing at the date of origination or purchase. This approach is summarised as follows.

Stage 1:
Takarékbank recognizes a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition.

Stage 2:
Takarékbank recognizes a credit loss allowance at an amount equal to lifetime expected credit losses (LTECL) for those Financial Assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default (LTPD) that represents the probability of default occurring over the remaining lifetime of the Financial Asset. Allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3:
Takarékbank recognizes a loss allowance at an amount equal to lifetime expected credit losses, reflecting a Probability of Default (PD) of 100 %, via the recoverable cash flows for the asset, for those Financial Assets that are credit-impaired. The Bank definition of default is aligned with the regulatory definition.
Financial Assets that are credit impaired upon initial recognition are categorised purchased or originated credit-impaired (POCI) with a carrying value already reflecting the lifetime expected credit losses. The accounting treatment for these (POCI) assets is discussed further below.

Significant Increase in Credit Risk
Under IFRS 9, when determining whether the credit risk (i.e., risk of default) of a Financial Asset has increased significantly since initial recognition, Takarékbank considers reasonable and sup-

portable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information based on the Bank historical experience, credit risk assessment and forward-looking information (including macro-economic factors). The assessment of significant credit deterioration is key in determining when to move from measuring an allowance based on 12-month ECLs to one that is based on lifetime ECLs (i.e., Stage 1 to Stage 2). The Bank's framework aligns with the internal Credit Risk Management process and covers rating related and process related indicators which are discussed further in the section below on Model Descriptions.

Credit Impaired Financial Assets in Stage 3

Takarékbank has aligned its definition of credit impaired under IFRS 9 to when a Financial Asset has defaulted for regulatory purposes, according to the Capital Requirements Regulation (CRR) under Art. 178.

The determination of whether a Financial Asset is credit impaired focusses exclusively on default risk, without taking into consideration the effects of credit risk mitigates such as collateral or guarantees. Specifically, a Financial Asset is credit impaired and in Stage 3 when:

- The Takarékbank considers the obligor is unlikely to pay its credit obligations. Determination may include forbearance actions, where a concession has been granted to the borrower or economic or legal reasons that are qualitative indicators of credit impairment; or
- Contractual payments of either principal or interest by the obligor are past due by more than 90 days.

For Financial Assets considered to be credit impaired, the ECL allowance covers the amount of loss the Bank is expected to suffer. The estimation of ECLs is done on a case-by-case basis for non-homogeneous portfolios, or by applying portfolio based parameters to individual Financial Assets in these portfolios via the Bank's ECL model for homogeneous portfolios.

Forecasts of future economic conditions when calculating ECLs are considered. The lifetime expected losses are estimated based on the probability-weighted present value of the difference between 1) the contractual cash flows that are due to the Bank under the contract; and 2) the cash flows that the Group expects to receive.

Default

The Savings Bank classiest and treats clients and exposures as defaults in accordance with Article 178(1) of the CRR. A customer's default shall be deemed to have occurred if one or both of the following occurs:
(a) the Institution considers that the client is unlikely to fully meet its credit obligations (UTP) to the institution, its parent company or a subsidiary company unless the institution seeks a return in order to draw down the collateral;
(b) the customer's significant credit obligation to the Institution, the parent company or any of its subsidiaries is delayed by more than 90 days

Purchased or Originated Credit Impaired Financial Assets

A Financial Asset is considered purchased or originated credit-impaired if there is objective evidence of impairment at the time of initial recognition (i.e., rated in default by Credit Risk Management). Such defaulted Financial Assets are termed POCI Financial Assets. Typically, the purchase price or fair value at origination embeds expectations of lifetime expected credit losses and therefore no separate credit loss allowance is recognised on initial recognition. Subsequently, POCI Financial Assets are measured to reflect lifetime expected credit losses, and all subsequent changes in lifetime expected credit losses, whether positive or negative, are recognised in the income statement as a component of the provision for credit losses.

Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirely or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in Provision for impairment losses in the separate statement of Profit or Loss.

30.4.2 ***Model Descriptions - Expected Credit Loss***

Stage determination

At initial recognition, Financial Assets which are not POCI are reflected in Stage 1. If there is a significant increase in credit risk, the Financial Asset is transferred to Stage 2. Significant increase in credit risk is determined by using rating-related and process- related indicators as discussed below. In contrast, the assignment of a financial instrument to Stage 3 is based on the status of the obligor being in default.

Rating-Related Indicators:

Based on a dynamic change in counterparty PDs that is linked to all transactions with the counter- party, the Bank compares lifetime PD at the reporting date, with expectations at the date of initial recognition. Based on historically observed migration behaviour and available forward-looking information, an expected forward rating distribution is obtained. A quantile of this distribution, which is defined for each counterparty class, is chosen as the threshold. If for the remaining lifetime the PD of a transaction given current expectations exceeds the PD of the relevant threshold rating, the Financial Asset is considered as significantly deteriorated. The thresholds used to determine Stage 2 indicators are determined using expert judgment and validated annually.

Process-Related Indicators:

Process-related indicators are derived via usage of existing risk management indicators, which allow the Bank to identify whether the credit risk of Financial Assets has significantly increased. These include obligors being added mandatorily to a credit watchlist, being mandatorily transferred to workout status, payments being 30 days or more overdue or in forbearance.

On an ongoing basis, as long as the condition for one or more of the indicators is fulfilled and the Financial Asset is not recognized as defaulted, the asset will remain in Stage 2. If none of the indicator conditions is any longer fulfilled and the Financial Asset is not defaulted, the asset transfers back to Stage 1. In case of a default, the Financial Asset is allocated to Stage 3.

Expected Lifetime model

The expected lifetime of a Financial Asset is a key factor in determining the lifetime expected credit losses. Lifetime expected credit losses represent default events over the expected life of a Financial Asset. Takarékbank measures expected credit losses considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk.

Retail overdrafts, credit card facilities and certain corporate revolving facilities typically include both a loan and an undrawn commitment component. The expected lifetime of such on-demand facilities exceeds their contractual life as they are typically cancelled only when the Bank becomes aware of an increase in credit risk. The expected lifetime is estimated by taking into consideration historical information and the Bank's Credit Risk Management actions such as credit limit reductions and facility cancellation. These facilities can be incorporated in an individual review by Credit Risk Management.

Forward-Looking Information

Under IFRS 9, the allowance for credit losses is based on reasonable and supportable forward looking information obtainable, which takes into consideration past events, current conditions and forecasts of future economic conditions.
To incorporate forward-looking information into allowance for credit losses, the Bank uses two key elements: As its base scenario, the Bank uses the macroeconomic forecasts provided by Hungarian National Bank. These forecasts cover a number of macroeconomic variables (e.g., GDP, unemployment rates, inflation) and reflect Regulator search's view as to the most likely development of those variables, typically over a two-year (three in the medium/large sized enterprise segments) period and updated quarterly.

This base scenario is then translated into a multiple scenario analysis by leveraging the stress test environment. This environment generates the impact of a multitude of economic scenarios and is used as basis for deriving multi-year PD curves for different rating and counterparty classes, which are applied in the calculation of expected credit losses and in the identification of significant deterioration in credit quality of Financial Assets.

The general use of forward-looking information, including macro-economic factors, as well as adjustments taking into account extraordinary factors, are monitored by the Bank's Risk Management.

Assumptions and the Estimation Techniques

IFRS 9 does not distinguish between individually significant or not individually significant Financial Assets and as such the Bank calculates expected credit losses for each Financial Asset individually. Similarly, the determination of the need to transfer between stages is made on an individual asset basis.

The Bank uses three main components to measure ECL. These are Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

Incorporating forecasts of future economic conditions into the measurement of expected credit losses influences the allowance for credit losses for each stage. In order to calculate lifetime expected credit losses, the Bank's calculation includes the PDs that reflect economic forecasts.

The expected credit loss calculation for stage 3 distinguishes between transactions in homogeneous and non-homogenous portfolios, and purchased or originated credit-impaired transactions. For transactions that are in Stage 3 and in a homogeneous portfolio, a similar approach as for Stage 1 and 2 transactions is taken. Since a Stage 3 transaction is defaulted, the probability of default is equal to 100 %.

Below the estimation techniques for the input factors are described in more detail.

The one-year PD for counterparties is derived from our internal PD model. The Bank assigns a PD to each relevant counterparty credit exposure for our exposure.

The counterparty ratings assigned are derived based on internally developed rating models which specify consistent and distinct customer-relevant criteria and assign a rating grade based on a specific set of criteria as given for a certain customer. The set of criteria is generated from information sets relevant for the respective customer segments including general customer behaviour, financial and external data. The methods in use range from statistical scoring models to expert-based models taking into account the relevant available quantitative and qualitative information. Expert-based models are usually applied for counterparties in the exposure classes "Central governments and central banks", "Institutions" and "Corporates" with the exception of those "Corporates" segments. For the latter as well as for the retail segment statistical scoring or hybrid models combining both approaches are commonly used. Quantitative rating methodologies are developed based on applicable statistical modelling techniques, such as logistic regression.

One-year PDs are extended to multi-year PD curves using conditional transition matrices. The first step in the estimation process is the calculation of through-the-cycle (TTC) matrices, which are derived from a multi-year rating history. For the next two years, economic forecasts are available. These forecasts are used to establish "point-in time" (PIT) PDs based on TTC matrices.

LGD is defined as the likely loss intensity in case of a counterparty default. It provides an estimation of the exposure that cannot be recovered in a default event and therefore captures the severity of a loss. Conceptually, LGD estimates are independent of a customer's probability of default. The LGD models ensure that the main drivers for losses (i.e., different levels and quality of collateralization and customer or product types or seniority of facility) are reflected in specific LGD factors. In our LGD models we assign collateral type specific LGD parameters to the collateralized exposure.

The EAD over the lifetime of a Financial Asset is modelled taking into account expected repayment profiles. We apply specific Credit Conversion Factors (CCFs) in order to calculate an EAD value. Conceptually, the EAD is defined as the expected amount of the credit exposure to a counterparty at the time of its default. In instances where a transaction involves an unused limit, a percentage share of this unused limit is added to the outstanding amount in order to appropriately reflect the expected outstanding amount in case of a counterparty default.

ESG

Until the end of reporting period ESG aspects have not been taken into consideration in the risk models. After the merger is completed the Bank will collect and oraganise the ESG data and will examine the possibilities to use it in the models.

Macroscenario

The macroeconomic scenarios will be updated and used in the bank processes the same time the new inflation report from the National Bank of Hungary is recieved. Based on the forcasts the Bank will use the currenct marcoeconimical PD forcast models to calculate the new parameters required for macroeconomic adjustments (Macro overlay factor – MOF) on a segment level. Using these new parameters the IFRS PD (without macro correction) values will be adjusted to reflect the expectations of the macroeconomic scenarios. The weighting of the macroeconomic scenarios is calculated in accoredance with the recommendations of the (internal use only) management letter from the National Bank of Hungary. At the end of the year 2022 the weights used are the following: 25% - stress scenario, 70% - base scenario, 5% - optimistic scenario. The resulting IFRS PD values adjusted to the new macroeconomic environment and expectations will be implemented after the approval of the Methodology Committee. The Banks macroeconomic models will be validated with every update both with statistical methods and business side validation - thus ensuring the applicability of the model.

Impact of the pandemic on credit risk management

In accordance with the MNB's expectations, and in line with the Magyar Bankholding's uniform impairment calculation methodology the staging logic for customers still in and out of moratorium has been standardised by adding the following to the normal processes:

- for retail customers in moratorium 1-2, not affected by moratorium 3 and/or moratorium 4, or who have exited from moratorium 1-2-3-4 and no other Stage 3 indicator, then Stage 2 classification is justified for at least 6 months after the end of the moratorium,
- for retail customers entering moratorium 3 or 4, a Stage 3 classification is justified for the entire period of the moratorium if a significant deterioration in the income situation is justified on the basis of the client's declaration,
- for corporate customers in moratorium 1-2 that have been reclassified to Stage 2 and is not affected by moratorium 3 and or moratorium 4, or have exited moratorium 1-2-3-4 and no other Stage 3 indicator is present, then Stage 2 classification is justified for at least 24 months after the end of the moratorium,
- for corporate customers entering moratorium 3 or moratorium 4, a Stage 3 classification is justified for the entire duration of the moratorium, from which can only be deviated with a detailed, objective justification supported by evidence, but only up to maximum of stage 2.
- customers who entered into „agricultural moratorium" have to be classified minimum as Stage 2, but if the customer previously spent at least 9 months in moratorium has to be classified as stage 3. They can be classified in Stage 1 only on the basis of individual monitoring after the declaration has been made and taken into account.

Individual deviations are possible from the application of Stage 3 and Stage 2 triggers, which must be supported by detailed justification based on objective evidence in all cases.

For customers exiting the moratorium or customers on a contractual repayment schedule who never taking advantage of moratorium, the measurement of traditional credit behaviour will continue to be implemented. For retail customers, the Bank has reverted to the normal lifetime ECL/Expected Credit Loss calculation.
In case of corporate customers, the Bank will continue to determine the level of impairment based on the rating and the monitoring result.
In addition to the above, the Bank has updated the macro parameters for the entire portfolio, using the latest parameters available in the MNB Inflation Report. The updated risk parameters have also been implemented in the lifetime ECL calculation.

Given that no new information has emerged on the payment ability of customers during the moratorium period and that the repayments of customers affected by the interest rate cap are lower than the contractual installments, it is necessary to take into account the uncertainties about the ability and willingness of debtors to pay. In addition, MNB expects that the risk arising from modelling uncertainty needs to be mitigated.

In determining the management overlays, the Bank has taken into account the following criteria:

- the proportion by which the income of customers entering the moratorium4 has decreased compared to 18.03.2020,
- in case of customers who entered into „agricultural moratorium", the models are not aware of the agricultural moratorium and therefore the willingness and ability to pay may contain a hidden high probability of default,
- the application of transitional staging rules alone does not always translate into a full increase in lifetime credit loss, even if macro parameters are updated.

The breakdown of the management overlay on 30 April 2023 is as follows:

- overlay for income reduction: HUF 2,149 million
- overlay for agricultural moratorium: HUF 2,804 million
- overlay for corporate customers with specific ratings: HUF 848 million

In summary, the Bank's current modelling methodology, using the above information, provides the opportunity to develop risk profiles that are well-defined from a client management perspective. The management overlays have been created due to the uncertainties arising from the current economic situation, the expectations of the regulatory environment and the future volatility of the economic situation.

IFRS 9 credit risk tables are presented below.

Credit risk exposure 30 April 2023

30 April 2023	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Gross carrying amount per asset type					
Cash on hand	20,776	-	-	-	20,776
Investment grade	*20,776*	-	-	-	*20,776*
Other demand deposits	420,083	-	-	-	420,083
Investment grade	*420,083*	-	-	-	*420,083*
Securities at fair value through other comprehensive income	160,744	-	-	-	160,744
Investment grade	*160,744*	-	-	-	*160,744*
Securities measured at amortised cost	441,391	-	*4,537*	-	445,928
Investment grade	*441,391*	-	-	-	*441,391*
Default grade	-	-	*4,537*	-	*4,537*
Interbank	267,352	-	-	-	267,352
Investment grade	*267,352*	-	-	-	*267,352*
Non-investment grade	-	-	-	-	-
Loans to banks	37,604	-	-	-	37,604
Investment grade	*37,604*	-	-	-	*37,604*
Retail	315,760	93,969	20,389	233	430,351
Investment grade	*308,576*	*83,177*	-	*65*	*391,818*
Default grade	*640*	*3,565*	*20,389*	*168*	*24,762*
Non-investment grade	*6,544*	*7,227*	-	-	*13,771*

All figures in tables are in HUF million except otherwise noted

Credit risk exposure 30 April 2023 (continuing)

30 April 2023 (continuing)	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Gross carrying amount per asset type					
Corporate	827,785	359,435	66,664	552	1,254,436
Investment grade	*750,093*	*327,542*	-	*45*	*1,077,680*
Default grade	*409*	*4,623*	*66,664*	*507*	*72,203*
Non-investment grade	*77,283*	*27,270*	-	-	*104,553*
Local government	8,958	-	-	-	8,958
Investment grade	*8,895*	-	-	-	*8,985*
Default grade	-	-	-	-	-
Non-investment grade	*63*	-	-	-	*63*
Advances	64,139	-	4,567	-	68,706
Investment grade	*64,139*	-	-	-	*64,139*
Default grade	-	-	*4,567*	-	*4,567*
Total gross carrying amount	**2,564,592**	**453,404**	**96,157**	**785**	**3,114,938**
Loss allowance	*16,905*	*28,180*	*48,552*	*171*	*93,808*
Carrying amount	**2,547,687**	**425,224**	**47,605**	**614**	**3,021,130**

All figures in tables are in HUF million except otherwise noted

Credit risk exposure 31 December 2022

31 December 2022	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	POCI Purchased or originated credit-impaired financial asset	Total
Gross carrying amount per asset type					
Cash on hand	22,966	-	-	-	22,966
Investment grade	*22,966*	-	-	-	*22,966*
Other demand deposits	211,830	-	-	-	211,830
Investment grade	*211,830*	-	-	-	*211,830*
Securities at fair value through other comprehensive income	146,948	-	-	-	146,948
Investment grade	*146,948*	-	-	-	*146,948*
Securities measured at amortised cost	492,496	*4,544*	-	-	497,040
Investment grade	*492,496*	*4,544*	-	-	*497,040*
Interbank	548,687	-	-	-	548,687
Investment grade	*548,687*	-	-	-	*548,687*
Non-investment grade	-	-	-	-	-
Loans to banks	66,840	-	-	-	66,840
Investment grade	*66,840*	-	-	-	*66,840*
Retail	313,253	96,240	22,741	228	432,462
Investment grade	*306,388*	*86,781*	-	*54*	*393,223*
Default grade	-	*816*	*22,741*	*174*	*23,731*
Non-investment grade	*6,865*	*8,643*	-	-	*15,508*

All figures in tables are in HUF million except otherwise noted

Credit risk exposure 31 December 2022 (continuing)

31 December 2022 (continuing)	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	POCI Purchased or originated credit-impaired financial asset	Total
Gross carrying amount per asset type					
Corporate	859,522	371,083	65,176	488	1,296,269
Investment grade	*768,007*	*337,279*	-	*9*	*1,105,295*
Default grade	-	*1,604*	*65,176*	*479*	*67,259*
Non-investment grade	*91,515*	*32,200*	-	-	*123,715*
Local government	7,010	-	-	-	7,010
Investment grade	*6,699*	-	-	-	*6,699*
Default grade	-	-	-	-	-
Non-investment grade	*311*	-	-	-	*311*
Advances	50,104	-	4,124	-	54,228
Investment grade	*50,104*	-	-	-	*50,104*
Default grade	-	-	*4,124*	-	*4,124*
Total gross carrying amount	**2,719,656**	**471,867**	**92,041**	**716**	**3,284,280**
Loss allowance	*17,123*	*30,181*	*41,564*	*101*	*88,969*
Carrying amount	**2,705,533**	**441,686**	**50,477**	**615**	**3,195,311**

All figures in tables are in HUF million except otherwise noted

Credit-impaired (Stage 3) assets at 30 April 2023

30 April 2023	Gross exposure	Impairment	Carrying amount
Securities measured at amortised cost	4,537	4,492	45
Retail other loan	10,078	9,073	1,005
Retail mortgage	10,311	3,679	6,632
Corporate loan	66,664	27,198	39,466
Advances	4,567	4,110	457
Total credit-impaired assets	**96,157**	**48,552**	**47,605**

Credit-impaired (Stage 3) assets at 31 December 2022

31 December 2022	Gross exposure	Impairment	Carrying amount
Retail other loan	26,207	14,334	11,873
Retail mortgage	13,041	4,547	8,494
Corporate loan	48,669	18,971	29,698
Advances	4,124	3,712	412
Total credit-impaired assets	**92,041**	**41,564**	**50,477**

All figures in tables are in HUF million except otherwise noted

Impairment movement table 2023

Type of device	Stage 1	Stage 2*	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Impairment loss as at 1 January 2023	**17,123**	**30,181**	**41,564**	**101**	**88,969**
Reclassification					
Reclassification from Stage 1 to Stage 2	(160)	1,158	-	-	998
Reclassification from Stage 1 to Stage 3	(56)	-	1,011	-	955
Reclassification from Stage 2 to Stage 1	157	(687)	-	-	(530)
Reclassification from Stage 2 to Stage 3	-	(2,445)	8,222	-	5,777
Reclassification from Stage 3 to Stage 1	17	-	(442)	-	(425)
Reclassification from Stage 3 to Stage 2	-	619	(2,964)	-	(2,345)
Changes in PDs/LGDs/EADs	(574)	(114)	2,592	70	1,974
New financial assets originated or purchased	1,083	727	-	-	1,810
Exchange rate and other movements	-	-	-	-	-
Financial assets derecognised during the period	(685)	(1,259)	(1,431)	-	(3,312)
Impairment loss as at 30 April 2023	**16,905**	**28,180**	**48,552**	**171**	**93,808**

* The reclassification effect comes from the new monitoring and interest rate cap program.

All figures in tables are in HUF million except otherwise noted

Impairment movement table 2023 (continuing)

Type of device	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Impairment loss as at 1 January 2023	**17,123**	**30,181**	**41,564**	**101**	**88,969**
Interbank exposure	**(65)**	**-**	**-**	**-**	**(65)**
Change in PDs/LGDs/EADs	(65)	-	-	-	(65)
Securities	**(158)**	**(1,403)**	**4,492**	**-**	**2,931**
Reclassification between Stage categories	-	(1,403)	4,492	-	3,089
Change in PDs/LGDs/EADs	(158)	-	-	-	(158)
Retail	**(83)**	**165**	**(361)**	**71**	**(208)**
Real estate covered	**9**	**267**	**(862)**	**71**	**(515)**
Reclassification between Stage categories	12	38	(757)	-	(707)
Change in PDs/LGDs/EADs	(21)	357	14	69	419
New financial asset purchased or created	37	6	-	-	43
Exchange rate and other movements	-	-	-	-	-
Financial assets decreed during the period	(19)	(134)	(119)	2	(270)

All figures in tables are in HUF million except otherwise noted

Impairment movement table 2023 (continuing)

Asset type	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	POCI Purchased or originated credit-impaired financial asset	Total
Revolving	**(17)**	**5**	**140**	**-**	**128**
Reclassification between Stage categories	(3)	6	58	-	61
Change in PDs/LGDs/EADs	10	3	142	-	155
New financial asset purchased or created	3	-	-	-	3
Financial assets decreed during the period	(27)	(4)	(60)	-	(91)
Other covered	**(1)**	**2**	**(19)**	**-**	**(18)**
Reclassification between Stage categories	-	(3)	(6)	-	(9)
Change in PDs/LGDs/EADs	(1)	5	2	-	6
Financial assets decreed during the period	-	-	(15)	-	(15)
Other unsecured	**(74)**	**(109)**	**380**	**-**	**197**
Reclassification between Stage categories	(30)	62	145	-	177
Change in PDs/LGDs/EADs	(197)	(43)	697	-	457
New financial asset purchased or created	271	433	-	-	704
Financial assets decreed during the period	(118)	(561)	(462)	-	(1,141)

All figures in tables are in HUF million except otherwise noted

Impairment movement table 2023 (continuing)

Asset type	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	POCI Purchased or originated credit-impaired financial asset	Total
Corporate	**117**	**(763)**	**2,459**	**(1)**	**1,812**
Reclassification between Stage categories	(20)	(54)	1,896	-	1,822
Change in PDs/LGDs/EADs	(55)	(437)	1,339	(1)	846
New financial asset purchased or created	772	288	-	-	1,060
Financial assets decreed during the period	(580)	(560)	(776)	-	1,916
Municipalities	**-**	**-**	**-**	**-**	**-**
Reclassification between Stage categories	-	-	-	-	-
Change in PDs/LGDs/EADs	-	-	-	-	-
New financial asset purchased or created	-	-	-	-	-
Financial assets decreed during the period	-	-	-	-	-
Bank loans	**5**	**-**	**-**	**-**	**5**
Change in PDs/LGDs/EADs	5	-	-	-	5
New financial asset purchased or created	-	-	-	-	-
Advances	**(34)**	**-**	**398**	**-**	**364**
Change in PDs/LGDs/EADs	(34)	-	398	-	364
Provision as at 30 April 2023	**16,905**	**28,180**	**48,552**	**171**	**93,808**

All figures in tables are in HUF million except otherwise noted

Impairment movement table 2022

Type of device	Stage 1	Stage 2*	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Impairment loss as at 1 January 2022	**19,505**	**19,136**	**28,822**	**637**	**68,100**
Reclassification					
Reclassification from Stage 1 to Stage 2	(3,297)	19,285	-	-	15,988
Reclassification from Stage 1 to Stage 3	(305)	-	6,037	-	5,732
Reclassification from Stage 2 to Stage 1	476	(3,399)	-	-	(2,923)
Reclassification from Stage 2 to Stage 3	-	(1,940)	7,051	-	5,111
Reclassification from Stage 3 to Stage 1	9	-	(480)	-	(471)
Reclassification from Stage 3 to Stage 2	-	286	(1,119)	-	(833)
Changes in PDs/LGDs/EADs	(1,775)	(2,445)	5,987	(536)	1,231
New financial assets originated or purchased	5,141	2,823	945	-	8,909
Exchange rate and other movements	-	-	-	-	-
Financial assets derecognised during the period	(2,631)	(3,565)	(5,679)	-	(11,875)
Impairment loss as at 31 December 2022	**17,123**	**30,181**	**41,564**	**101**	**88,969**

All figures in tables are in HUF million except otherwise noted

Impairment movement table 2022

Type of device	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	POCI Purchased or originated credit-impaired financial asset	Total
Impairment loss as at 1 January 2022	**19,505**	**19,136**	**28,822**	**637**	**68,100**
Interbank exposure	**24**	**-**	**-**	**-**	**24**
Change in PDs/LGDs/EADs	24	-	-	-	24
Securities	**466**	**1,403**	**-**	**-**	**1,869**
Change in PDs/LGDs/EADs	466	1,403	-	-	1,869
Retail	**(411)**	**(4,036)**	**2,089**	**(2)**	**(2,360)**
Real estate covered	**(387)**	**(2,151)**	**(237)**	**(2)**	**(2,777)**
Reclassification between Stage categories	(165)	(483)	490	-	(158)
Change in PDs/LGDs/EADs	(307)	(1,068)	(339)	(2)	(1,716)
New financial asset purchased or created	252	63	-	-	315
Exchange rate and other movements	-	-	-	-	-
Financial assets decreed during the period	(167)	(663)	(388)	-	(1,218)

All figures in tables are in HUF million except otherwise noted

Provision movement table 2022

Asset type	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Revolving	**30**	**(117)**	**411**	**-**	**324**
Reclassification between Stage categories	39	(95)	427	-	371
Change in PDs/LGDs/EADs	(7)	(3)	15	-	5
New financial asset purchased or created	22	2	-	-	24
Financial assets decreed during the period	(24)	(21)	(31)	-	(76)
Other covered	**(11)**	**(43)**	**22**	**-**	**(32)**
Reclassification between Stage categories	3	(29)	21	-	(5)
Change in PDs/LGDs/EADs	(3)	(6)	4	1	(5)
Financial assets decreed during the period	(11)	(8)	(3)	-	(22)
Other unsecured	**(43)**	**(1,725)**	**1,893**	**-**	**125**
Reclassification between Stage categories	118	(1,369)	1,613	-	362
Change in PDs/LGDs/EADs	(489)	(255)	884	(1)	140
New financial asset purchased or created	602	206	-	-	808
Financial assets decreed during the period	(274)	(307)	(604)	-	(1,185)

All figures in tables are in HUF million except otherwise noted

Provision movement table 2022

Asset type	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Corporate	**(2,727)**	**13,678**	**9,708**	**(534)**	**20,125**
Reclassification between Stage categories	(3,112)	14,805	8,938	-	20,631
Change in PDs/LGDs/EADs	(885)	(1,113)	5,423	(534)	2,891
New financial asset purchased or created	3,425	2,552	-	-	5,977
Financial assets decreed during the period	(2,155)	(2,566)	(4,653)	-	(9,374)
Municipalities	**(2)**	**-**	**-**	**-**	**(2)**
Reclassification between Stage categories	-	-	-	-	-
Change in PDs/LGDs/EADs	(2)	-	-	-	(2)
New financial asset purchased or created	-	-	-	-	-
Financial assets decreed during the period	-	-	-	-	-
Bank loans	**(77)**	**-**	**-**	**-**	**(77)**
Change in PDs/LGDs/EADs	(78)	-	-	-	(78)
New financial asset purchased or created	1	-	-	-	**1**
Advances	**345**	**-**	**945**	**-**	**1,290**
Change in PDs/LGDs/EADs	345	-	945	-	1,290
Provision as at 31 December 2022	**17,123**	**30,181**	**41,564**	**101**	**88,969**

All figures in tables are in HUF million except otherwise noted

Provision movement table 2023

Asset type all	Stage 1	Stage 2	Stage 3	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	
Risk provision as of 1 January 2023	**2,522**	**1,424**	**1,170**	**5,116**
Movements with P&L impact				
Reclassification:				
Reclassification from Stage 1 to Stage 2	(13)	33	-	20
Reclassification from Stage 1 to Stage 3	(1)	-	14	13
Reclassification from Stage 2 to Stage 1	9	(57)	-	(48)
Reclassification from Stage 2 to Stage 3	-	(3)	5	2
Reclassification from Stage 3 to Stage 1	-	-	(10)	(10)
Reclassification from Stage 3 to Stage 2	-	16	(201)	(185)
New financial assets originated or purchased	166	160	-	326
Changes in PDs/LGDs/EADs	486	385	14	885
Other movements with no P&L impact				
Financial assets derecognised during the period	(450)	(463)	(139)	(1,052)
Impairment loss as at 30 April 2023	**2,719**	**1,495**	**853**	**5,067**

All figures in tables are in HUF million except otherwise noted

Provision movement table 2022

Asset type all	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	Total
Risk provision as of 1 January 2022	**2,996**	**1,144**	**427**	**4,567**
Movements with P&L impact				
Reclassification:				
Reclassification from Stage 1 to Stage 2	(328)	778	-	450
Reclassification from Stage 1 to Stage 3	(12)	-	175	163
Reclassification from Stage 2 to Stage 1	22	(48)	-	(26)
Reclassification from Stage 2 to Stage 3	-	(6)	63	57
Reclassification from Stage 3 to Stage 1	-	-	(6)	(6)
Reclassification from Stage 3 to Stage 2	-	1	(25)	(24)
New financial assets originated or purchased	1,272	503	687	2,462
Changes in PDs/LGDs/EADs	57	(363)	6	(300)
Other movements with no P&L impact				
Financial assets derecognised during the period	(1,485)	(585)	(157)	(2,227)
Impairment loss as at 31 December 2022	**2,522**	**1,424**	**1,170**	**5,116**

All figures in tables are in HUF million except otherwise noted

Exposure to credit risk on loan commitments and financial guarantees

30 April 2023	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	Total
Retail exposure	18,391	649	31	19,071
Corporate exposure	342,396	58,418	3,949	404,763
Local government exposure	9,346	-	-	9,346
Interbank exposure	-	-	-	-
Total exposure to credit risk	**370,133**	**59,067**	**3,980**	**433,180**

31 December 2022	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	Total
Retail exposure	63,636	23,670	1,399	88,705
Corporate exposure	259,086	47,678	3,236	310,000
Local government exposure	6,603	-	-	6,603
Interbank exposure	138	-	-	138
Total exposure to credit risk	**329,463**	**71,348**	**4,635**	**405,446**

All figures in tables are in HUF million except otherwise noted

30.4.3 Client effected by payment relief program

Due to the first moratorium on repayment set out in Act LVIII of 2020 on transitional rules and epidemiological preparedness related to the cessation of emergency, it is not necessary to pay installments for all corporate and retail loan agreements from 19 March 2020.
The next piece of legislation is Act CVII of 2020 on transitional measures to stabilize the situation of certain priority social groups and enterprises in financial difficulties, supplementing it Act 637/2020 (XII.22.), (second moratorium) entered into force on 1 January 2021, according to which the repayment moratorium can be used until 30 June 2021. This legislation was extended until 31 July 2022, and then, according to a further statement, until 31 December 2022.

Unpaid interest accrued during the moratorium, together with the installment due for the remaining term, shall be paid in equal annual installments during the term of the moratorium after the expiration of the moratorium on payment. The monthly installment cannot increase due to unpaid interest and principal. The term is extended accordingly.

Based on Government Decree No. 782/2021 (XII.24.) (second modification No. 390/2022 (X.14.) Government Decre) on different application in the state of emergency of Act CLXII of 2009 on Consumer Credit in the case of a mortgage contract tied to a reference interest rate, if the repricing date is between 1 January 2022 and 30 June 2023 the applicable reference interest rate must not be higher than the reference interest rate the applicable reference interest rate must not be higher than the reference interest rate valid on 27 October 2021.

The modification loss due to the program was calculated based on the expected cash flow, which ones are estimated under this legislations.
Takarék Bank modified the impairment methodology in accordance with the legislation and recommendations after the onset of the emergency. Credit risk monitoring is a key element in the methodology for measuring the significant increase in credit risk since its initial publication. During the pandemic period, the Bank placed even more emphasis on this activity.
In the individual monitoring processes, a stricter procedure was applied, and new methodologies were introduced to identify companies in a deteriorating risk situation. In addition, the Bank has recalculated the parameters of the previously applied IFRS, taking into account the expected macroeconomic effects. This ensured that appropriate loss levels were established for the different credit risk categories.

In the first four months of 2023, no further payment facilitation programs were provided by law, so due to comparative data, salary facilitation programs for 2022 were presented.

30.4.3.1 *Clients affected by payment relief program 2022*

30.4.3.1.1 Clients affected by interest rate cap program 2022 (1 July 2022 - 31 December 2022)

Based on Government Decree No. 782/2021 (XII.24.) (first modification No. 215/2022 (VI.17.) Government Decree) on different application in the state of emergency of Act CLXII of 2009 on Consumer Credit in the case of a mortgage contract tied to a reference interest rate, if the repricing date is before or between 1 January 2022 and 31 December 2022 the applicable reference interest rate must not be higher than the reference interest rate the applicable reference interest rate must not be higher than the reference interest rate valid on 27 October 2021.

Financial assets modified during the period 31 December 2022 (interest rate cap extend until the year end 2022)	with loss allowance based 12 months ECL	with loss allowance based on lifetime ECL	Total
Gross carrying amount before modification	46,527	38 767	85,294
Loss allowance before modification	(190)	(4,611)	(4,801)
Net amortised cost before modification	46,337	34,156	80,493
Net modification gain/(loss) (change in gross carrying amount)	(1,427)	(1,168)	(2,595)
Impairment gain or loss	17	130	147
Net amortised cost after modification	**44,926**	**33,118**	**78,045**

Clients affected by payment relief program /
Characteristics of loans *30 June 2022*

30 Jun 2022 (Extend of interest rate cap program until 31 December)	Number of loans	Outstanding balance	% of portfolio
Retail loans	20,622	78,045	11,86%
Total (retail and corporate loans)	**20,622**	**78,045**	**11,86%**

Clients affected by payment relief program/
Carrying amount of loans

30 June 2022	*Non-impaired loans*		*Impaired loans*	*Total*
	Stage 1	*Stage 2*	*Stage 3*	
Retail loans	*45,100*	*30,904*	*6,695*	*82,699*
Investment grade	*45,100*	*25,810*	*-*	*70,910*
Default grade	*-*	*-*	*6,629*	*6,629*
Non-Investment grade	*-*	*5,094*	*66*	*5,160*
Gross carrying amount	*45,100*	*30,904*	*6,695*	*82,699*
Allowances for credit losses	*(174)*	*(1,154)*	*(3,327)*	*(4,654)*

All figures in tables are in HUF million except otherwise noted

Carrying amount	***44,926***	***29,750***	***3,368***	***78,045***

30.4.3.1.2 ***Clients effected by interest rate cap program 2022 (1 January 2023 – 30 June 2023)***

Based on Government Decree No. 782/2021 (XII.24.) (second modification No. 390/2022 (X.14.) Government Decree) on different application in the state of emergency of Act CLXII of 2009 on Consumer Credit in the case of a mortgage contract tied to a reference interest rate, if the repricing date is before or between 1 January 2022 and 30 Jun 2023 the applicable reference interest rate must not be higher than the reference interest rate the applicable reference interest rate must not be higher than the reference interest rate valid on 27 October 2021.

Financial assets modified during the period 31 December 2022 (extend of interest rate cap program until the end of June 2023)	with loss allowance based 12 months ECL	with loss allowance based on lifetime ECL	Total
Gross carrying amount before modification	11,473	74,932	86,406
Loss allowance before modification	(110)	(6,235)	(6,346)
Net amortised cost before modification	11,363	68,697	80,060
Net modification gain/(loss) (change in gross carrying amount)	(692)	(5,214)	(5,906)
Impairment gain or loss	8	418	425
Net amortised cost after modification	**10,679**	**63,900**	**74,579**

Clients affected by payment relief program/
Characteristics of loans *31 October 2022*

31 October 2022 (Extend of interest rate cap program until the end of June 2023)	Number of loans	Outstanding balance	% of portfolio
Retail loans	19,932	74,579	11,33%
Total (retail and corporate loans)	**19,932**	**74,579**	**11,33%**

Clients affected by payment relief program/
Carrying amount of loans

31 October 2022 (Extend of interest rate cap program until the end of June 2023)	*Non-impaired loans*		*Impaired loans*	*Total*
	Stage 1	*Stage 2*	*Stage 3*	
Retail loans	*10,781*	*64,074*	*5,620*	*80,475*
Investment grade	*10,470*	*58,018*	-	*68,488*

All figures in tables are in HUF million except otherwise noted

Default grade	-	-	*5,613*	*5,613*
Non-Investment grade	*312*	*6,056*	*7*	*6,375*
Gross carrying amount	*10,781*	*64,074*	*5,620*	*80,475*
Allowances for credit losses	*(102)*	*(3,942)*	*(1,852)*	*(5,896)*
Carrying amount	***10,679***	***60,132***	***3,769***	***74,579***

30.4.3.1.3 ***Client affected by payment relief program 2022 (based on statement about repayment moratorium)***

Those financially disadvantaged clients who made a separate declaration until 31 October 2021 (filling a statement about repayment moratorium) can participate in the moratorium until 30 June 2022. The modification loss under this legislation was calculated based on the expected payment schedules as of 31 October 2021. In 2022, this option was extended for one month, the Government Decree No. 216/2022 allowed the moratorium participant to further extend it until December 31, 2022 (filling statement again). The recorded adjustment loss was HUF 226 million for this transaction.

31.4.3.1.4 Clients effected by interest rate cap program 2022 415/2022 (X.26 Government Decree)

Based on Government Decree 2022 (X.26.) which is about considering the emergency, in the interest of moderate the negative economic effects related to micro, small and medium-sized enterprises, in the case of borrowers tied to a reference interest rate, if the repricing date is before or between 15 November 2022 and 30 Jun 2023 the applicable reference interest rate must not be higher than the reference interest rate the applicable reference interest rate must not be higher than the reference interest rate valid on 28 June 2022.

Financial assets modified during the period 31 December 2022 (extend of interest rate cap program until 30 June 2023)	with loss allowance based 12 months ECL	with loss allowance based on lifetime ECL	Total
Gross carrying amount before modification	64,873	94,289	159,161
Loss allowance before modification	(1,321)	(13,452)	(14,773)
Net amortised cost before modification	63,552	80,837	144,389
Net modification gain/(loss) (change in gross carrying amount)	(2,494)	(3,489)	(5,983)
Impairment gain or loss	50	483	533

All figures in tables are in HUF million except otherwise noted

Net amortised cost after modification	**61,108**	**63,900**	**138,939**

Clients affected by interest rate cap program / number of loans 2022 *30 November 2022*

30 November 2022 (Extend of interest rate cap program until 30 June 2023)	Number of loans	Outstanding balance	% of portfolio
Micro corporate loans	4,050	40,798	6.8%
Corporate loans	1,909	98,141	8.7%
Total (retail and corporate loans)	**5,959**	**138,939**	**-%**

All figures in tables are in HUF million except otherwise noted

Client affected by payment relief program

30 November 2022 (extend of interest rate cap program until the end of June 2023)	*Non-impaired loans*		*Impaired loans*	*Total*
	Stage 1	*Stage 2*	*Stage 3*	
Micro corporate loans	*14,042*	*23,629*	*7,574*	*45,245*
Investment grade	*13,861*	*22,980*	-	*36,841*
Default grade	-	-	*7,541*	*7,541*
Non-Investment grade	*181*	*648*	*33*	*863*
Corporate loans	*48,853*	*42,861*	*16,043*	*107,933*
Investment grade	*48,375*	*40,742*	-	*89,118*
Default grade	-	*191*	*16,016*	*16,383*
Non-Investment grade	*478*	*1,927*	*27*	*2,432*
Gross carrying amount	*62,895*	*66,490*	*23,617*	*153,178*
Allowances for credit losses	*(1,271)*	*(2,705)*	*(10,191)*	*(14,239)*
Carrying amount	***61,625***	***63,785***	***13,426***	***138,939***

All figures in tables are in HUF million except otherwise noted

30.4.4. **Restructured loans**

As a restructured claim, Takarékbank records a claim containing a discount for which the original contract giving rise to the claim was amending in order to avoid non-payment because the debtor could not meet his repayment obligation under the original contractual terms or could not comply with it in the absence of the concession.

Cases of contract change that is considered a discount
a) A contract amendment which constitutes a concession may relate, inter alia:

- deferring repayments (interest and principal payments) for a temporary period (grace period),
- payment of instalments,
- to change the rate of interest, re-price it (e.g. in the form of an interest discount),
- capitalisation of interest,
- to change the currency,
- to extend the duration of the loan,
- to reschedule repayments,
- to reduce the amount of collateral, collateral required, to exchange it with other collateral, with collateral, to forset cover (for margin release),
- to establish new contractual terms and conditions, to terminate part of the original terms.

b) On the basis of an amendment to the contract which constitutes a concession, an additional agreement or a new contract may be concluded between the parties or between the parties and the related undertaking of the original creditor, which relates to a new loan for the purpose of repaying the debt (principal or interest owed) due to the cancelled or unresisted original contract, or to an additional commitment to avoid an increase in risk and mitigate losses, in which case claims incurred by Takarékbank as a result of this additional stop or related new contract are also considered to be restructuring claims.

The Savings Bank treats the following cases as non-performing restructuring:

a. the amended contract was considered non-performing prior to the amendment or, in the absence of the modification, the original contract would be deemed to be non-performing,
b. the contract amendment includes partial or total debt waiver,
c. at the same time as or close to the discount granted in respect of other debt, the debtor has made interest payments or principal repayments in respect of his loan to Savings Bank, which is covered by the non-performing exposure or, in the absence of a discount, which constitutes a loan,
d. a change in the contract involving repayment by validating the collateral, if the modification includes a discount.

Change of monitoring grades/cure

- The total recovery period for restructured performing transactions is 730 days (there should be no significant delay of more than 30 days during this period), after successful recovery it can be put into normal or enhanced monitoring client management.
- The recovery period for non-performing - restructured or default - restructured transactions is 365 days (there can be no significant delay during this period) after successful recovery-weeks of preventive/intensive customer treatment.

Restructured loan book broken down by type of loan

30 April 2023	Gross value	Impairment	Carrying amount	Number of loans
Retail exposure	13,737	1,509	15,246	3,451
Corporate exposure	708	143	851	47
Municipal exposure	-	-	-	1
Total	**14,445**	**1,652**	**16,097**	**3,499**

31 December 2022	Gross value	Impairment	Carrying amount	Number of loans
Retail exposure	14,116	(1,540)	12,576	3,634
Corporate exposure	616	(122)	494	39
Municipal exposure	-	-	-	1
Total	**14,732**	**(1,662)**	**13,070**	**3,674**

All figures in tables are in HUF million except otherwise noted

*30.4.4.1**Collaterals for lending risk applied by Takarékbank**:*

The credit risk collateral of the Savings Bank, as applied to its existing exposures in the course of the risk-taking process:

Real estate
The Bank accepts as collateral mortgages, independent or separated liens established on such real estate that is registered in Hungary and have long live stable value.
Real estate is valued by independent appraisers who are not involved in decision-making regarding the loan and who establish the collateral value conservatively.

State guarantee and GHG Ltd. or AVGHA guarantee
All instances of State guarantee and other guarantee accepted by Takarékbank involve joint and several liabilities set forth by law. The rules governing the guarantee are laid down in statutory provisions.

Deposit
Deposit can take the form of cash, bank deposit or securities.

Other
In addition to the above the Banks also accept assigned claims, lien on claims, otherwise its credit risk has been decreased with assets that covered loans taking into collaterals.

The table below shows the structure of the collaterals:

	30 April 2023	31 December 2022
Mortgage	1,748,006	1,755,214
Deposit	64,073	73,367
Guarantee	911,947	889,807
Other collaterals, fuses	140,938	140,857
Total	**2,864,964**	**2,859,245**

The above detailed collaterals cover fully the amount of the loans. Among the collaterals the value of mortgage represents the collateral value allocated to the mortgage at disbursement (market value less discount factor) in case of Customer loans. All other items are valued at their own value (for example the assignment is valued at the amount which was assigned). The category of other collaterals contains the insurances.

All figures in tables are in HUF million except otherwise noted

The table below shows the maximum credit risk exposure:

	30 April 2023	31 December 2022
Other demand deposit	419 971	211,787
Financial assets at fair value through other comprehensive income	160,829	146,909
Financial instruments held for non-trading purposes valued at fair value against the mandatory origin	255,887	235,549
Retail loans	430,350	432,462
Corporate loans	1,254,438	1,296,269
Local government loans	8,958	7,010
Due from banks	304,956	601,336
Advances	68,706	54,228
Off-balance sheet commitments	371,483	358,568
Total gross credit risk exposure	**3,275,578**	**3,344,118**

30.5 Market risk

Market risks are including the interest rate risk and equity risk in the trading book (position risk), furthermore foreign exchange rate risk from the complete banking activity.
Takarékbank keeps its risks low with the help of an appropriate limit system and controls built into the process.

30.6 Interest risk

Interest risk derives from interest changes, which affect the value of financial instruments. A bank is also exposed to interest risk when the amounts of assets, liabilities and off-balance sheet instruments maturing or re-priced in a particular period are not in harmony. Takarékbank assess interest risk on a continuous basis with the help of Gap-analysis and sensitivity analysis. Besides the effect of the unbeneficial interest scenarios is monitored continuously with stress testing: how can change the Bank's interest income and expense, or the long-term economic capital value. The Bank manages market risk mainly by natural hedging through the eligible content of securities and derivative portfolio.

Interest risk exposure – sensitivity analysis (figures in HUF million)

	Sensitivity of interest income 2023	Sensitivity of interest income 2022	Sensitivity of interest income 04/30/2023 +10 bp	Sensitivity of interest income 04/30/2023 +25 bp
HUF	(26)	(79)	(264)	(661)
EUR	2	(5)	18	45
USD	-	-	1	2

The sensitivity analysis is performed according to the standard method of using 1 base point increase in interest rates, the excursion is symmetric meaning 1 base point decrease in interest rates would result in the same figures with opposite sign.
Sensitivity of net income is the estimated effect of one base point increase in interest rates to net interest income realized in advance over a period of one year, based on floating rate financial assets and liabilities or those financial assets and liabilities to be re-priced next year carried as of the last day of the given year. It means that if interest increase by one basis point from the close of business 30 April 2023 net interest income would decrease by HUF 26 million in case of HUF, it would decrease by HUF 2 million in case of EUR.

30.7 Exchange rate risk management

The business policy of Takarékbank is to keep exchange rate risk at a low level, it may hold an open foreign exchange position up to the limit specified in the banking book

The Bank strives to immediately hedge the exchange risks related to its core business as allowed by market circumstances. Takarékbank applies VAR calculations and stress tests on the measurement of the foreign exchange exposures.

FX risk (in the case of 1% increase in exchange rate) HUF thousand

FX	Effect on earnings before income tax (30 April 2023)	Effect on capital (30 April 2023)	Effect on earnings before income tax (31 December 2022)	Effect on capital (31 December 2022)
EUR	1,694	1,694	1,737	1,737
USD	233	233	239	239
CHF	1,268	1,268	1,300	1,300
Other	490	490	520	520

The sensitivity analysis is performed according to the standard method of using 1% increase in foreign exchange rates, the excursion is symmetric meaning 1% decrease in foreign exchange rates would result in the same figures with opposite sign.
In addition to the 1 % increase in the exchange rate due to the Bank's foreign exchange positions, the estimated pre-tax profit and equity may increase by approximately HUF 1,694,000 for EUR items, HUF 1,268,000 for CHF, HUF 233,000 for USD and HUF 490,000 for other currencies.

Separate FX financial position of the bank in terms of main currencies:

30 April 2023	HUF	EUR	CHF	Other	Total
Total assets and derivatives	3,057,519	274,043	4,025	8,548	3,344,135
Total liabilities and derivatives	(2,685,978)	(363,571)	(3,820)	(28,741)	(3,082,111)
Shareholders' equity	(262,024)	-	-	-	(262,024)
Off-balance sheet items	126,712	90,603	-	20,361	237,676
Position	**236,229**	**1,075**	**205**	**168**	**237,676**

31 December 2022	HUF	EUR	CHF	Other	Total
Total assets and derivatives	3,155,725	350,735	2,037	3,189	3,511,686
Total liabilities and derivatives	(2,863,694)	(398,320)	(4,042)	(18,791)	(3,284,847)
Shareholders' equity	(226,839)	-	-	-	(226,839)
Off-balance sheet items	308,893	44,761	1,860	19,911	375,425
Position	**374,085**	**(2,824)**	**(145)**	**4,309**	**375,425**

30.8 Liquidity and maturity risk

The liquidity is the ability of the institute to fund its asset increasing and to serve its payment obligations entirely as they fall due without having unplanned liquidation losses.

Liquidity risk is associated with maturity transfers for profitability, long-term placements of short-term funds, environmental impacts and the behaviour of other market participants.
The most common method of measuring and analysing liquidity risk is based on cash flow analysis. In the liquidity risk analysis, Takarékbank analyses the funding needs arising from the balance of outflows and inflows into maturity bands and compares the accumulated funding gap measured over different time horizons with the level of balancing capacities. Takarékbank tends to perform the analysis not only on the total cash movements converted into HUF, but also on the most important foreign currencies for the institution.

Takarékbank characterizes liquidity risks with several indicators and limits, the most important of which are based on regulatory indicators (DMM, JMM, LCR, NSFR, required reserve ratio) and various liquidity stress tests. In addition, Takarékbank operates an early warning system to detect liquidity disturbances in a timely manner.

All figures in tables are in HUF million except otherwise noted

Maturities of undiscounted cash flows of financial liabilities

30 April 2023	On demand	Within 3 months	3 - 12 months	1 - 5 years	5 - 10 years	10 - 15 years	Over 15 years	Total
Financial Derivative financial liabilities	-	436	882	13,622	3,569	476	-	18,985
Financial liabilities measured ta amortised cost	1,854,177	677,291	94,521	72,346	28,119	26,856	253,820	3,007,130
of which leasing	-	606	1,749	4,714	6	-	-	7,075
Derivatives - hedging settlements	-	-	300	-	-	-	-	300
Provisions	128	582	3,891	1,636	1,363	292	176	8,068
Other financial liabilities and taxes	13	46,846	69	590	105	4	-	47,627
Total banking liabilities	**1,854,318**	**725,155**	**99,663**	**88,194**	**33,156**	**27,628**	**253,996**	**3,082,110**
Contingent liabilities	**488**	**433,524**	**-**					**434,012**
of which credit line		*62,041*						
of which guarantee		*371,483*						

31 December 2022	On demand	Within 3 months	3 - 12 months	1 - 5 years	5 - 10 years	10 - 15 years	Over 15 years	Total
Financial Derivative financial liabilities	-	1,916	-	3,243	13,060	820	-	19,039
Financial liabilities measured ta amortised cost	2,016,160	722,916	59,644	97,890	27,315	28,064	276,532	3,228,520
of which leasing		639	1,364	2,908	11			4,922
Derivatives - hedging settlements	-	-	522	-	-	-	-	522
Provisions	45	389	4,311	2,099	982	240	201	8,267
Other financial liabilities and taxes	-	19,554	8,316	500	126	3	-	28,499
Total banking liabilities	**2,016,205**	**744,775**	**72,793**	**103,732**	**41,483**	**29,127**	**276,733**	**3,284,847**
Contingent liabilities	**463**	**405,677**	**13**					**406,153**
of which credit line		*47,122*						
of which guarantee		*358,055*						

In the table, the undiscounted interest cash flows includes only the accrued interest.
Contract undiscounted data are presented in the table above.

All figures in tables are in HUF million except otherwise noted

Maturity analysis of assets and liabilities as of 30 April 2023

	Less than 12 months	Over 12 months	Total
Assets			
Cash and cash equivalents	440,747	-	440,747
Financial assets held for trading	11,359	9,053	20,412
Non-trading financial assets mandatorily at fair value through profit or loss	8,633	247,254	255,887
Financial assets measured at fair value through other comprehensive income	72,927	87,902	160,829
Financial assets mandatorily at fair valu-ethrough profit or loss measured at amortised cost	509,792	1,909,860	2,419,652
Hedging derivative assets	315	21,333	21,648
Investments in subsidiaries and associates	-	5,050	5,050
Property, plant and equipment	-	10,392	10,392
Intangible assets	-	1,334	1,334
Income tax assets	-	3,849	3,849
Other assets	4,099	235	4,334
Total assets	**1,047,872**	**2,296,262**	**3,344,134**
Liabilities			
Financial liabilities held for trading	1,319	17,666	18,985
Financial liabilities measured at amortised cost	2,625,989	381,142	3,007,130
Hedging derivative liabilities	300	-	300
Provisions	4,601	3,466	8,068
Income tax liabilities	4,676	-	4,676
Other liabilities	42,252	699	42,951
Total liabilities	**2,679,137**	**402,973**	**3,082,110**

All figures in tables are in HUF million except otherwise noted

Maturity analysis of assets and liabilities as of 31 December 2022

	Less than 12 months	Over 12 months	Total
Assets			
Cash and cash equivalents	234,753	-	234,753
Financial assets held for trading	131	28,067	28,198
Non-trading financial assets mandatorily at fair value through profit or loss	7,612	227,937	235,549
Financial assets measured at fair value through other comprehensive income	69,004	77,905	146,909
Financial assets mandatorily at fair valu-ethrough profit or loss measured at amortised cost	695,621	2,118,124	2,813,745
Hedging derivative assets	537	27,179	27,716
Investments in subsidiaries and associates	-	5,050	5,050
Property, plant and equipment	-	8,360	8,360
Intangible assets	-	1,134	1,134
Income tax assets	-	5,867	5,867
Other assets	4,170	235	4,405
Total assets	**1,011,828**	**2,499,858**	**3,511,686**
Liabilities			
Financial liabilities held for trading	1,916	17,123	19,039
Financial liabilities measured at amortised cost	2,798,719	429,801	3,228,520
Hedging derivative liabilities	522	-	522
Provisions	4,745	3,523	8,267
Income tax liabilities	4,416	-	4,416
Other liabilities	23,455	628	24,083
Total liabilities	**2,833,773**	**451,075**	**3,284,847**

30.9 Management of operational risk

The Takarékbank manages operational risks primarily by improving internal policies, procedures, adequate training of employees involved in work processes and the further development of built-in control mechanisms. Takarékbank collects and analyses operational risk loss data and key risk indicators (KRI) that are reported on a monthly basis.

The Savings Bank carried out an operational risk self-assessment of key activities and identified rare events with heavy losses in the event of them, the impact of which is assessed by a scenario analysis.

All figures in tables are in HUF million except otherwise noted

In line with supervisory requirements, Takarékbank has compiled an inventory of the models used to assess the model risks and an inventory of the products to identify the risks inherent in the products.

30.10 Treatment of risk concentration

The Bank is significantly exposed to the status of real estate market regarding the high proportion of real estate in securities. This concentration risk is mitigated by applying conservative method in collateral values and cover rate and also by diversifying their product portfolio from collateral perspective (meaning to increase the proportion of other than real estate securities) seeks to atomize risks and enforce a wide range of collateral.

31 CALCULATION OF REGULATORY CAPITAL, CAPITAL ADEQUACY

On 1 April 2022, Takarékbank as a company to be included in the consolidation as a subsidiary of MKB Bank left the mandatory institution protection organisation of integrated credit institutions, the Integration Organisation in possession of the necessary preliminary approvals and taking advantage of the opportunity granted by the law.

The regulatory capital is shown in the table below, which includes the following elements: subscribed capital + capital reserve + general reserve + retained earnings - intangible assets- non-temporary deferred tax + - other adjustments + Tier 2 capital.

	30 April 2023	31 December 2022
Own funds	**260,336**	**271,213**
TIER 1 Capital	238,332	249,210
Common Equity TIER 1 Capital	238,332	249,210
Additional TIER 2 Capital	22,003	22,003
Risk weighted assets (RWA)	933,567	968,956
Operational risk (OR)	269,762	269,762
Market risk positions (MR)	-	-
Total risk-weighted assets	**1,203,328**	**1,238,718**
Tier 1 ratio	19.81%	20.12%
Capital adequacy ratio	**21.63%**	**21.89%**

All figures in tables are in HUF million except otherwise noted

32 RELATED PARTY TRANSACTION

For the purpose of the financial statements, MKB Bank Plc.. identified related parties based on definition of IAS 24 including 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%. 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 related parties under market conditions.

The list of the related parties, - including the parent companies and main subsidiaries of the Takarek Bank Plc. - as of 30 April 2023 is the following. The following table shows the Bank „Related company" from the point of view of MKB Bank Plc..

30 April 2023

Company	Classification	Core business
MTB Zrt.	Related company	Other monetary intermediation
Magyar Bankholding Zrt.	**Main Parent company**	**Asset management**
MITRA Informatikai Zrt.	Related company	Data services, web hosting ser-vices
Takarék Jelzálogbank Nyrt.	Related company	Other lending
Takarék Lízing Zrt.	Related company	Other lending
Takarék Ingatlan Zrt.	Related company	Estate agent service
Takarék INVEST Kft.	Related company	Asset management
TIHASZ Takarék Ingatlanhasz-nosító Zrt.	Subsidiary	Own renting and operating real estate
Takarék Faktorház Zrt.	Related company	Other lending
Takarékszövetkezeti Informatikai Kft.	Related company	IT service
Takarék Zártkörű Befektetési Alap	Related company	Investment fund
Takarék Mezőgazdasági és Fej-lesztési Magántőkealap	Related company	Investment fund
Takarék Kockázati Tőkealap	Related company	Investment fund
OPUS TM1 Ingatlan Befektetési Alap	Related company	Investment fund
MKB Magántőkealap	Related company	Investment fund
Magyar Strat-Alfa Zrt.	Related company	Own property real estate buying and selling
MKB Bank Nyrt.	**Parent Company**	**Other monetary intermediation**
MKB Üzemeltetési Kft.	Related company	Own renting and operating real estate
MKB Euroleasing Autólízing Zrt.	Related company	Financial leasing
MKB Bank MRP Szervezet	Related company	Other activities auxiliary to financial services
Retail Prod Zrt.	Related company	Other lending
Budapest Eszközfinanszírozó Zrt.	Related company	Other tangible assets leasing
Budapest Lízing Zrt.	Related company	Financial leasing
MKB Befektetési Alapkezelő Zrt.	Related company	Fund Management

Loans disbursed to members of the Bank's management bodies amounted to HUF 203 million as at 30 April 2023, and HUF 197 million as at 31 December 2022.

30 April 2023	Outstanding amount	Type of loans
Loans less than 12 months	-	overdraft
Loans over 12 months	203	housing mortgage loan
Total	**203**	

31 December 2022	Outstanding amount	Type of loans
Loans less than 12 months	-	overdraft
Loans over 12 months	197	housing mortgage loan
Total	**197**	

	30 April 2023		31 December 2022	
	Headcount	Total payment	Head-count	Total payment
Members of Board of Directors	5	5	6	29
Members of Supervisory Board	6	8	5	16
Total payments	**11**	**13**	**11**	**45**

All figures in tables are in HUF million except otherwise noted

Details of transaction in 30 April 2023 and 2022 between the Bank and other related parties are disclosed on the next table.

30 April 2023	Parent and main parent company	Subsidiaries and related company	Other related companies and senior executives*
Due from banks	-	686,999	-
Loans	8,706	46,756	106,454
Other assets	9,074	62,707	-
Total assets	**17,780**	**796,462**	**106,454**
Due to banks	63,096	623,199	27,704
Other liabilities	5,327	20,902	-
Total liabilities	**68,423**	**644,101**	**27,704**
Interest income	18,529	35,561	5,258
Interest expense	(8,092)	(13,561)	(70)
Net interest income	**10,437**	**22,000**	**5,188**
Fee and commission income	83	852	-
Fee and commission expense	(210)	(3,969)	-
Net fee and commission income	**(127)**	**(3,117)**	**-**
Other income	2,090	1,211	-
Other expense	(8,836)	(6,241)	-
Operating income	**(6,746)**	**(5,030)**	**-**
Operating expense	(14)	(4,939)	(13)
Profit/loss on transactions with related parties	**3,550**	**8,914**	**5,175**

**Exposures to other related companies and directors include exposures to owners and their groups..*

The compensation of key employees includes only short-term benefits.

All figures in tables are in HUF million except otherwise noted

*Ex-
po-

31 December 2022	Parent and main parent company	Subsidiaries and related company	Other related companies and senior executi-ves*
Due from banks	212,796	500,168	-
Loans	-	66,600	133,758
Other assets	13,117	60,984	-
Total assets	**225,913**	**627,752**	**133,758**
Due to banks	64,070	782,613	20,970
Other liabilities	3,140	31,050	-
Total liabilities	**67,210**	**813,663**	**20,970**
Interest income	35,753	41,429	8,468
Interest expense	(13,586)	(19,105)	(199)
Net interest income	**22,167**	**22,324**	**8,269**
Fee and commission income	243	2,983	-
Fee and commission expense	(311)	(5,761)	-
Net fee and commission income	**(68)**	**(2,778)**	**-**
Other income	23,153	32,488	-
Other expense	(18,503)	(16,802)	-
Operating income	**4,650**	**15,686**	**-**
Operating expense	(410)	(7,754)	(45)
Profit/loss on transactions with related parties	**26,339**	**27,478**	**8,224**

sures to other related companies and directors include exposures to owners and their groups..

All figures in tables are in HUF million except otherwise noted

The financial data of related parties - preliminary, draft data, significant companies

Related party	30 April 2023			
	Assets	Liabilities	Equity	Profit or loss
MTB Zrt.	1,674,992	1,645,579	29,413	165
TIHASZ Takarék Ingatlanhasznosító Zrt.	33,865	1,079	32,786	160

Related party	31 December 2022			
	Assets	Liabilities	Equity	Profit or loss
MTB Zrt.	1,742,279	1,712,788	29,491	(5,361)
TIFOR Takarék Ingatlanforgalmazó Zrt.	6,476	94	6,382	219
TIHASZ Takarék Ingatlanhasznosító Zrt.	26,679	534	26,145	(122)

All figures in tables are in HUF million except otherwise noted

33 NET GAINS

The allocation of operating income to financial instrument categories excluding gains from foreign exchange transactions:

1 January 2023 – 30 April 2023	Financial assets and liabilities held for sale	Financial assets and liabilities designated at fair value through profit or loss	Financial assets and liabilities at fair value through other comprehensive income	Financial assets and liabilities measured at amortised cost	Derivatives – Hedge accounting, interest rate risk	Other assets/ Other liabilities	Not linked to financial instruments	TOTAL
Interest income	12,427	5,020	3,105	95,260	4,568	5,961	-	126,341
Interest expenses	(8,470)	-	-	(34,265)	(1,153)	7	-	(43,881)
NET INTEREST INCOME	**3,957**	**5,020**	**3,105**	**60,995**	**3,415**	**5,968**	**-**	**82,460**
Fee and commission income	-	-	-	-	-	22,432	-	22,432
Fee and commission expenses	-	-	-	-	-	(8,433)	-	(8,433)
NET FEE AND COMMISSION INCOME	**-**	**-**	**-**	**-**	**-**	**13,999**	**-**	**13,999**
DIVIDEND INCOME	**-**	**-**	**-**	**-**	**-**	**-**		**-**
Results from derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	(63)	-	-	-	(63)
Results from financial assets and liabilities held for trading, net	(26,563)	-	-	-	-	-	-	(26,563)
Non-trading financial assets mandatorily at fair value through profit or loss	-	18,587	-	-	-	-	-	18,587
Gains and losses on hedge accounting, net	-	-	-	-	(185)	-	-	(185)
Other income	-	-	-	-	-	-	2,824	2,824
Other expense	-	-	-	-	-	-	(2,611)	(2,611)
OPERATING INCOME	**(22,606)**	**23,607**	**3,105**	**60,932**	**3,230**	**19,967**	**213**	**88,447**

All figures in tables are in HUF million except otherwise noted

1 January 2022 – 31 December 2022	Financial assets and liabilities held for sale	Financial assets and liabilities designated at fair value through profit or loss	Financial assets and liabilities at fair value through other comprehensive income	Financial assets and liabilities measured at amortised cost	Derivatives – Hedge accounting, interest rate risk	Other assets/ Other liabilities	Not linked to financial instruments	TOTAL
Interest income	16,337	11,315	8,615	187,748	6,601	6,873	-	237,489
Interest expenses	(14,519)	-	-	(53,765)	(3,229)	(54)	-	(71,567)
NET INTEREST INCOME	**1,818**	**11,315**	**8,615**	**133,983**	**3,372**	**6,819**	**-**	**165,922**
Fee and commission income	-	-	-	-	-	68,072	-	68,072
Fee and commission expenses	-	-	-	-	-	(19,886)	-	(19,886)
NET FEE AND COMMISSION INCOME	**-**	**-**	**-**	**-**	**-**	**48,186**	**-**	**48,186**
DIVIDEND INCOME	**-**	**574**	**-**	**-**	**-**	**-**		**574**
Results from derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	(3,780)	(243)	-	-	-	(4,023)
Results from financial assets and liabilities held for trading, net	13,996	-	-	-	-	-	-	13,996
Non-trading financial assets mandatorily at fair value through profit or loss	-	(28,426)	-	-	-	-	-	(28,426)
Gains and losses on hedge accounting, net	-	-	-	-	325	-	-	325
Other income	-	-	-	-	-	-	882	882
Other expense	-	-	-	-	-	-	(1,562)	(1,562)
OPERATING INCOME	**15,814**	**(16,547)**	**4,835**	**133,740**	**3,697**	**55,005**	**(680)**	**195,874**

All figures in tables are in HUF million except otherwise noted

34 EQUITY CORRELATION TABLE

Based on paragraph 114/B of Act on Accounting, Equity Correlation Table is prepared and disclosed as a part of the Notes for the reporting date by the Bank.

Equity correlation table shall contain the opening and closing balances of the shareholder's equity in accordance with IFRS, furthermore deducted from this the opening and closing balances of the specified equity elements. Equity correlation table shall contain also untied retained earnings available for the payment of dividends, covering retained earnings from the last financial year for which accounts have been adopted comprising net pro-fit for the last financial year, reduced by the cumulative income tax accounted for under IAS 12 - Income Taxes. Furthermore, the equity correlation table contains the reconciliation of the value of Share capital registered on the Registry Court and the value of Share capital in accordance with IFRS adopted by EU.

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 30 April 2023:

30 April 2023	Share Capital	Unpaid capital which has been called up	Capital reserve	General reserve	Retained earnings and other reserves	Revaluation re-serves	Tied-up re-serve	Profit for the year	Total equity
Components of Shareholder's equity in accordance with IFRS adopted by EU	**186,960**	**-**	**34,947**	**-**	**7,971**	**-**	**-**	**32,146**	**262,024**
Accumulated other comprehensive income	-	-	-	-	6,423	(6,423)	-	-	-
General reserve	-	-	-	5,763	(5,763)	-	-	-	-
Capital not registered at the court of registration	-	-	-	-	-	-	-	-	-
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	**186,960**	**-**	**34,947**	**5,763**	**8,631**	**(6,423)**	**-**	**32,146**	**262,024**

All figures in tables are in HUF million except otherwise noted

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 31 January 2022:

31 December 2022	Share Capital	Unpaid capital which has been called up	Capital reserve	General reserve	Retained earnings and other reserves	Revaluation re-serves	Tied-up re-serve	Profit for the year	Total equity
Components of Shareholder's equity in accordance with IFRS adopted by EU	**186,960**	**-**	**34,947**	**-**	**(20,550)**	**-**	**-**	**(25,481)**	**226,838**
Accumulated other comprehensive income	-	-	-	-	9,473	(9,473)	-	-	-
General reserve	-	-	-	2,548	(2,548)	-	-	-	-
Capital not registered at the court of registration	-	-	-	-	-	-	-	-	-
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	**186,960**	**-**	**34,947**	**2,548**	**(13,625)**	**(9,473)**	**-**	**(25,481)**	**226,838**

Reconciliation of the value of Share capital registered on the Registry Court and the value of Share capital in accordance with IFRS adopted by EU:

	30 April 2023	31 December 2022
Share capital in accordance with IFRS adopted by EU	186,960	186,960
Share capital registered on the Registry Court	186,960	186,960
Difference	**-**	**-**

Untied retained earnings available for the payment of dividends are as follows:

	30 April 2023	31 December 2022
Retained earnings and other reserves	7,971	(20,550)
Accumulated other comprehensive income	6,423	9,473

All figures in tables are in HUF million except otherwise noted

General reserve	(5,763)	(2,548)
Net profit for the year	32,146	25,481
Untied retained earnings available for the payment of dividends	**40,777**	**11,856**

35 POST BALANCE SHEET EVENTS

Legislative changes

Amendment of Government Decree No 782/2021 (XII. 24.) on the different application of Act CLXII of 2009 on credit to consumers in emergency situations
Interest rate cap extended until 31 December 2023. The Group has started to quantify the financial impact of the extension for 2023, but these have not yet been finalised.

INDEPENDENT AUDITOR'S REPORT
(Free translation)

To the shareholders of MBH Bank Nyrt. (as the legal successor of Takarékbank Zrt.)

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Takarékbank Zrt. (the "Company") which comprise the separate statement of financial position for the financial year ended on 30 April 2023 (in which total assets equal to total liabilities and equity are MHUF 3,344,134), the separate statement of profit or loss, the separate statement of other comprehensive income (in which the total comprehensive income for the year is MHUF 35,186 profit), the separate statement of changes in equity, the separate statement of cash flows for the financial year then ended and the notes to the separate financial statements comprising significant accounting policies and other explanatory information.

In our opinion, the separate financial statements give a true and fair view of the separate financial position of the Company as at 30 April 2023, and of its separate financial performance and its separate cash flows for the financial year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and they have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Accounting Act") relevant for the annual financial statements prepared in accordance with IFRS as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing ("HNSA") and with applicable laws and regulations in force in Hungary. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the separate financial statements" section of our report.

We are independent of the Company in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, for matters not regulated in the Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and we also comply with further ethical requirements set out in these.

We have not provided any non-audit services to the Company in the period from 1 January 2023 to 30 April 2023.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the point 1 of the Notes, where it is presented that the resolution No. H-EN-I-57/2023. issued by the National Bank of Hungary ("NBH") allowed Takarékbank Zrt. to merge into MKB Bank Nyrt on 30 April 2023. After the merger the new name of the MKB Bank Nyrt. became MBH Bank Nyrt.

Our opinion is not modified in respect of this matter.

Our audit approach

Overview

Overall materiality	Overall materiality applied was MHUF 2,600
Key Audit Matters	• Expected credit loss allowance on loans and advances to customers • Financing transactions with related parties

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the separate financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the separate financial statements as a whole.

Materiality	MHUF 2,600
Determination	1% of the separate equity

Rationale for the materiality benchmark applied	We chose separate equity as the benchmark because, in our view, it is a balanced benchmark which reflects the interests of the shareholders and of the regulator and is a generally accepted benchmark. We chose 1% as quantitative materiality threshold.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Expected credit loss allowance on loans and advances to customers The net balance of loans and advances to customers at amortised cost was MHUF 1,681,198 as at 30 April 2023, representing 50% of total assets. Credit loss allowance recognised in the balance sheet amounted to MHUF 83,828. Management disclosed related assumptions, balances and estimates in section 3.10 of the notes to the separate financial statements on accounting policy, as well as in notes 18. and 30. Credit loss allowance recognised on expected credit losses is determined on the basis of subjective criteria and management is required to apply significant judgement when calculating individual and collective expected credit loss allowances especially when considering the current uncertain economic environment. The first step in the expected credit loss calculation is to identify whether there was significant increase in credit risk. The selected indicators will determine whether a 12-month or a lifetime expected credit loss is calculated. In the calculation of individual expected credit loss, the most significant uncertainty is involved in the estimation of expected future cash flows, and in probability weighting of cash-flow scenarios, where cash flows include recoveries	We gained an understanding of the lending process from disbursement to monitoring and to the calculation of impairment, identified the main control points, and tested their operational effectiveness, including management's approval. Thereby the focus was on adaptations of methods and processes introduced to capture the increased uncertainties of the present and future environment in expected credit losses. We performed credit review for individually significant loans on a sample basis. We checked the stage classification of the loans based on credit application and monitoring documents as well as customer-related financial and non-financial information. For a sample of individually impaired loans, we checked whether assumptions, estimations and scenario weightings applied in calculations of the recoverable amount are reasonable and whether the calculations are correct. For collective loss allowances we assessed whether the methodology applied by the Group was compliant with *IFRS 9 Financial Instruments* with the support of our internal modelling experts. We recalculated the selected model parameters and the expected credit loss allowances.

both from collections of contractual cash flows and from collaterals.

The Company applies impairment models to calculate collective credit loss allowances. These models quantify the probability of default, exposure at default and the loss given default as the primary parameters in the estimation of the recoverable amount, taking into account forward looking information – in line with the requirements of *IFRS 9 Financial Instruments*.

The modelling methodologies are developed using historical experience, which - in uncertain economic conditions that currently vary across customer segments and industry sectors - can result in limitations in their reliability to appropriately estimate expected credit loss.

A further limitation is caused by the fact, that, to reduce the economic consequences of the COVID-19 pandemic and the uncertain economic environment the Hungarian government maintained various loan support programs introduced first in 2020, including moratoria on loan repayment transactions. Although a significant part of these programs expired on 31 December 2022, these complicate a timely reflection of a potential deterioration of the loan portfolio and resulted in artificially low observed default rates.

To address these limitations, management applied quantitative and qualitative adjustments to expected credit loss that include the following:

- Additional criteria to assess significant increase in credit risk, partly relating to those staying in the moratoria
- Additional expert judgement based adjustment of the estimation method of credit risk parameters

We paid considerable attention to this area during our audit due to the significance of the amounts involved and because of the subjective nature of the judgments and assumptions that management is required to make, particularly due the high level of uncertainty that can be

We checked input data for the expected credit loss allowance calculation (both historical and measurement data), indicators used to determine whether there was significant increase in credit risk and analysed the development of credit losses.

To address increased estimation uncertainty, we evaluated the adequacy of credit risk parameters and models taking into consideration possible distortions of currently observed data due to state payment support programs. We also critically assessed the plausibility of expectations and estimates, that have been introduced due to aforementioned distortions, to identify significant increases in credit risk of single customers or customer groups.

We read section 3.10 and points 18. and 30. of the notes to the separate financial statements to assess whether disclosures are in line are in line with IFRS 9 *Financial Instruments* and *IFRS 7 Financial Instruments: Disclosures* standards.

experienced in the current economic environment.

Financing transactions with related parties	
The Company, in the course of its banking operations, has significant financing transactions with related parties including entities belonging to the shareholders (other than state owned enterprises) that have significant influence over the parent entity and other related parties. Related party transactions are disclosed in Note 32 to the separate financial statements. We identified related party financing transactions as a key audit matter because of risks with respect to completeness of identification of related parties and disclosures made in the separate financial statements.	We understood the process of identifying and disclosing related party transactions. We obtained company registry records and other publicly available information and compared to the listing of related parties maintained by the Company to check completeness of related parties identified. We agreed, on a sample basis, the amounts disclosed to underlying documentation and read relevant agreements We tested, on a sample basis, the financing arrangements between the related parties along with supporting documents to evaluate the management's assertions that the transactions were at arm's length and in the ordinary course of business. We inspected relevant ledgers, agreements and other information that may indicate the existence of related party financing relationships or transactions. We checked the relevant disclosures in the notes and assessed whether they are in line with IAS 24 *Related Party Disclosures* standard.

Other information: the separate business report

Other information comprises the separate business report of the Company. Management is responsible for the preparation of the separate business report in accordance with the provisions of the Accounting Act and other relevant regulations. Our opinion on the separate financial statements does not cover the separate business report.

In connection with our audit of the separate financial statements, our responsibility is to read the separate business report and, in doing so, consider whether the separate business report is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that the separate business report is materially misstated we are required to report this fact and the nature of the misstatement.

Based on the Accounting Act, it is also our responsibility when reading the separate business report to consider whether the separate business report has been prepared in accordance with the provisions of the Accounting Act and other relevant regulations, if any, and to express an opinion on this and on whether the separate business report is consistent with the separate financial statements.

As the Company is a public interest entity and the conditions in Paragraph a) and b) of Subsection (1) of Section 95/C of the Accounting Act are met at the balance sheet date, the Company shall publish a non-financial statement required by 95/C in its separate business report. In this respect, we shall state whether the separate business report includes the non-financial statement required by Section 95/C of the Accounting Act.

In our opinion, the 2023 separate business report of the Company is consistent with the 2023 separate financial statements in all material respects; and the separate business report has been prepared in accordance with the provisions of the Accounting Act. As there is no other regulation prescribing further requirements for the separate business report, we do not express an opinion in this respect.

We are not aware of any other material inconsistency or material misstatement in the separate business report and therefore we have nothing to report in this respect.

The separate business report includes the non-financial statement required by Section 95/C of the Accounting Act.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation of the separate financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and to prepare the separate financial statements in accordance with the supplementary requirements of the Accounting Act relevant for the annual financial statements prepared in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HNSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with HNSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company on 26 April 2022. Our appointment has been approved by shareholder resolution representing a total period of uninterrupted engagement appointment of 2 years.

Budapest, 6 July 2023

Árpád Balázs
Partner
Statutory auditor
Licence number: 006931
PricewaterhouseCoopers Könyvvizsgáló Kft.
1055 Budapest, Bajcsy-Zsilinszky út 78.
Licence Number: 001464

Translation note:

This English version of our report is a translation from the original version prepared in Hungarian on the separate financial statements prepared in Hungarian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this English translation.