MBH BANK

MBH Bank Nyrt.

Flash Report on H1 2023 results

Budapest, 31 August 2023

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1 MBH Group H1 2023 Results – overview

Main components of P&L and balance sheet, key performance indicators

Main components of P&L (in HUF million)	Period					YTD		
	2022Q2	2023Q1	2023Q2	P/P	Y/Y	2022H1	2023H1	Y/Y
TOCI accounting (Total Comprensive Income)	**45,923**	**24,139**	**86,251**	**257.3%**	**87.8%**	**-14,675**	**110,391**	**-852.2%**
Other comprehensive income	36,482	1,799	23,884	-	-34.5%	-4,739	25,683	-641.9%
Consolidated Profit after tax (accounting)	**9,442**	**22,340**	**62,366**	**179.2%**	**-**	**-9,936**	**84,708**	**-952.5%**
Profit after tax accounting (including BB 1Q 2022 results)*	9,442	22,340	62,366	179.2%	-	6,309	84,708	1242.7%
Adjustments total on PAT	30,076	68,463	-11,037	-116.1%	-136.7%	88,291	57,426	-35.0%
Adjusted TOCI	**75,999**	**92,602**	**75,214**	**-18.8%**	**-1.0%**	**83,448**	**167,816**	**101.1%**
Adjusted Other comprehensive income (OCI)	36,482	1,799	23,884	-	-34.5%	-11,152	25,683	-330.3%
Adjusted Consolidated Profit after tax	**39,518**	**90,803**	**51,330**	**-43.5%**	**29.9%**	**94,600**	**142,133**	**50.2%**
Profit before tax (adjusted)	**43,011**	**107,859**	**57,604**	**-46.6%**	**33.9%**	**102,983**	**165,463**	**60.7%**
Gross Operating Income (adjusted)	**119,107**	**167,640**	**160,274**	**-4.4%**	**34.6%**	**217,189**	**327,914**	**51.0%**
Net Interest Income (adjusted)	96,949	150,044	138,093	-8.0%	42.4%	172,363	288,137	67.2%
Net Fee Income (adjusted)	22,693	21,010	22,025	4.8%	-2.9%	42,205	43,035	2.0%
Net Other Income (adjusted)	-534	-3,413	156	-104.6%	-129.2%	2,621	-3,258	-224.3%
General Administrative Expenses (adjusted)	-60,242	-60,418	-64,410	6.6%	6.9%	-109,186	-124,828	14.3%
Provision for losses on loans (adjusted)	-15,855	636	-38,260	-	141.3%	-5,020	-37,624	649.5%
Main components of Balance sheet (in HUF million)	**Volumes at the end of period**					**YTD average**		
	2022Q2	**2023Q1**	**2023Q2**	**P/P**	**Y/Y**	**2022H1**	**2023H1**	**Y/Y**
Total Assets	**10,189,745**	**10,446,808**	**10,487,212**	**0.4%**	**2.9%**	**10,239,572**	**10,467,010**	2.2%
Customer Loans (net)	4,472,888	4,740,035	4,708,313	-0.7%	5.3%	4,463,863	4,724,174	5.8%
Customer Loans (gross)	4,640,508	4,955,838	4,944,384	-0.2%	6.5%	4,628,119	4,950,111	7.0%
Provision for Customer loans	-167,620	-215,804	-236,071	9.4%	40.8%	-164,257	-225,937	37.6%
Deposits & C/A	6,267,540	6,421,763	6,270,902	-2.3%	0.1%	6,227,988	6,346,332	1.9%
Subordinated debt	88,306	112,704	107,882	-4.3%	22.2%	90,823	110,293	21.4%
Shareholders' Equity	727,783	831,707	892,980	7.4%	22.7%	719,740	862,344	19.8%
KPIs based on adjusted and unadjusted PAT (%)	**Period**					**YTD**		
	2022Q2	**2023Q1**	**2023Q2**	**P-P**	**Y-Y**	**2022H1**	**2023H1**	**Y-Y**
ROAE (Return on Average Equity - accounting)	5.2%	10.9%	28.9%	18.0%-pt	23.7%-pt	9.4%	20.1%	10.7%-pt
ROAE (Return on Average Equity - adjusted)	22.0%	44.3%	23.8%	-20.5%-pt	1.8%-pt	26.6%	33.8%	7.2%-pt
ROMC (Return on Minimum Capital - adjusted)	30.9%	71.5%	39.5%	-32.0%-pt	8.6%-pt	36.4%	55.3%	18.9%-pt
ROAA (Return on Average Assets - adjusted)	1.5%	3.4%	2.0%	-1.5%-pt	0.4%-pt	1.9%	2.7%	0.8%-pt
TRM (Total Revenue Margin - adjusted)	4.7%	6.4%	6.1%	-0.2%-pt	1.5%-pt	4.3%	6.2%	2.0%-pt
CIM (Core income margin - adjusted)	4.7%	6.5%	6.1%	-0.4%-pt	1.4%-pt	4.2%	6.3%	2.1%-pt
NIM (Net Interest Margin - adjusted)	3.8%	5.7%	5.3%	-0.4%-pt	1.5%-pt	3.4%	5.5%	2.1%-pt
NFM (Net Fee Margin - adjusted)	0.9%	0.8%	0.8%	0.0%-pt	0.0%-pt	0.8%	0.8%	0.0%-pt
C/TA (Cost to Total Assets - adjusted)	2.4%	2.3%	2.5%	0.2%-pt	0.1%-pt	2.2%	2.4%	0.2%-pt
CIR (Cost Income Ratio - adjusted)	50.6%	36.0%	40.2%	4.1%-pt	-10.4%-pt	50.3%	38.1%	-12.2%-pt
Risk% (Risk cost rate - adjusted)	0.1%	0.0%	1.6%	1.6%-pt	1.4%-pt	0.0%	0.8%	0.8%-pt
GOI/RWA (RWA efficiency - adjusted)	12.3%	16.3%	15.4%	-0.8%-pt	3.1%-pt	11.5%	15.9%	4.4%-pt
EPS (Earning Per Share - adjusted)	507.7	1139.0	643.9	-495.1	136.1	607.7	891.4	283.7
Volume KPIs (%)	**Period**					**YTD**		
	2022Q2	**2023Q1**	**2023Q2**	**P-P**	**Y-Y**	**2022H1**	**2023H1**	**Y-Y**
Provision/Total Assets	1.6%	2.1%	2.3%	0.2%-pt	0.6%-pt	1.6%	2.3%	0.6%-pt
CAR (Capital Adequacy Ratio)	16.9%	19.7%	19.7%	0.0%-pt	2.8%-pt	16.9%	19.7%	2.8%-pt
RWA/Total Assets	39.3%	39.3%	40.0%	0.7%-pt	0.7%-pt	39.3%	40.0%	0.7%-pt
LTD (Loan to Deposit)	74.0%	77.2%	78.8%	1.7%-pt	4.8%-pt	74.0%	78.8%	4.8%-pt
DPD90+ rate**	3.8%	2.0%	2.4%	0.4%-pt	-1.4%-pt	3.8%	2.4%	-1.4%-pt

** Legal merger of Magyar Bankholding Zrt's two member banks, i.e. Budapest Bank Zrt. and MBH Bank Nyrt. took place on 31st March 2022. Since MBH Bank's Q1 2022 accounting profit does not include the Q1 profits/losses of Budapest Bank, the profit and loss data are presented in 2022 on the basis of modelled data, adjusted with the profits and losses of Budapest Bank, for comparability.*
*** There was a methodological change from Q3 2022.*

The report is based on "Adjusted" figures presenting the indicators of the underlying business performance, the list of correction factors is included in Chapter 3.1. In order to comprehensively present the financial performance of MBH Group, all data in the report and in the investor presentation are - unless otherwise indicated - alternative performance measurement indicators (Alternative Financial Indicator - APM).
For definition and calculation methodology of alternative performance measurement indicators used to depict the underlying business performance please refer to the Report for H1 2023 chapter 4.1 – Financial indicators.

The merger of MKB Bank Nyrt. and Takarékbank Zrt. took place on 30th April 2023, the merged financial institution has been operating under the name MBH Bank Nyrt. with a new, unified image since 1st May 2023. The technical and IT transition needed for the legal merger was successfully completed.

With this step the merger process, which lasted more than two years in the framework of Magyar Bankholding, has been completed, resulting in Hungary's second largest, market leader bank in terms of coverage of several customer segments and branch network.

The primary objective of the merger process is to provide the Bank's customers with the best possible services. As well as modernising its systems and branches, MBH Bank also wants to provide an inspiring working environment for its colleagues to continue the work they have started to build a market-leading, modern, digital bank. As an important milestone in this initiative, MBH Bank's subsidiary MBH DOMO Ltd. signed a sale and purchase agreement on 28 June 2023 for the purpose of a high-value real estate development, based on which the construction of the new central office buildings of MBH Bank Group can begin according to the plans.

The merged MBH Bank achieved an excellent first-half result, with robust profitability, strong cost efficiency despite a high inflation environment, stable capital adequacy and liquidity positions, coupled with sound portfolio quality.

In Q2 2023 the following main factors were impacting the operating environment:

- **Szocho:** During the state of emergency, persons are liable to pay social contribution tax (szocho) on interest income from July 1, 2023 (does not apply to government securities and real estate fund investment certificates).
- **Benchmark one-day deposit tender interest rate** was cut in two steps from 18% to 16%. in the Q2.
- Inflation peaked at 25.7% at the beginning of the year and gradually moderated to 20.1% by the end of June, putting pressure on costs.
- **The regulation on extra profit tax of credit institutions has been amended:** from July 1st the tax will be based on 50% of the pre-tax profit adjusted for special taxes, the rate will be tiered.
- **Interest rate cap and extra profit taxes:** according to the government decisions announced on 11 May, interest rate cap applied to households and SMEs will be extended till 31 December, 2023. In addition, the payment obligation remains for all special taxes that have already been introduced, but the amount of some of them may be reduced.
- **Debt cap rules:** the Central Bank, in the light of the inflationary processes and wage dynamics of recent years, from 1 July 2023 decided on raising the income threshold allowing higher debt-to-income ratio (HUF 500 ths → HUF 600 ths), as well as the threshold of the exception rule for small loans from the applicability of the debt cap (HUF 300 ths → HUF 450 ths).
- **Increasing the weight of securities in funds:** As of 1 July 2023, bond funds, equity funds and balanced funds must have a minimum 60% weighting of securities in their portfolios.
- **Reserve requirement ratio**: Monetary Council has further tightened the effect of required reserves on interbank liquidity by raising the reserve requirement ratio and changing its interest rate structure effective from 21 June. No interest is paid on 25% of the minimum required reserve. Pursuant to Article 1(3) of NBH Regulation 11/2023 (31.III.03), the NBH paid

interest at the rate of 16% on the amount of the minimum reserve in excess of the amounts specified in paragraphs (1) and (2) of the Regulation.

The main performance indicators of H1 2023:

- **HUF 10,487 bn total assets** (+2.9% y/y; +0.4% p/p) partially supported by the boosting gross loan (+7.9% y/y) and shareholder's equity (+22.7% y/y), increasing through the outstanding profit after tax.
- **HUF 142.1 bn adjusted profit after taxes (+50.2% y/y)** in H1 2023 and exceptionally high **33.8% adjusted ROE mainly driven** by further increasing net interest income in H1 2023
- 14.3% y/y cost increase significantly below the impact of inflation, C/I of 38.1% in H1 2023 .
- **HUF 37.6 bn risk cost** (provisions and other impairments) was charged in H1, HUF 38.3 bn in Q2, primarily reflecting the impairment charge and modification loss recognised for the interest rate cap extended until the end of the year and moratorium (HUF 16.5 bn), and merger-related methodological harmonisation using common, updated risk parameters (HUF 19.0 bn).
- **Sound capital position: 19.7% capital adequacy and 17.6% CET1 ratio** significantly above the regulatory requirement.

Main business events/developments in Q2 2023:

- **Retail segment:**

  Gross loan portfolio increased by 7.4% y/y, supported by the acquisition of Sberbank portfolio, and decreased minimally by 0.2% p/p.

  ECO Home loan construction was renewed from 2 May, which is now available not only for renovation purposes, but for new home purchase.

  Regarding Qualified Consumer Friendly Home Loan product, the Bank implemented the Green Interest Rate Rebate for new home purchases from 1 April 2023.

  As of 1 May 2023, the SZÉP Card will continue to be marketed under the name MBH SZÉP Card.

  In Q2 2023, demand for government-backed loans remained strong among Micro and Small Business customers, Széchenyi Card MAX+ scheme was the most popular.

- **Corporate segment**:

  13.0% y/y increase in loan portfolio, 7.3% y/y increase in deposit volumes.

  The significantly rising interest rate environment generated higher demand for Széchenyi Card Programmes and Baross Gábor Reindustrialisation Loan Programme.

  MBH Bank Group is one of the main participants in the renewed Széchenyi Program. The Bank has achieved a 37% market share in terms of contracted amount in Széchenyi MAX products by the end of June 2023. In the MAX+ programme which has been launched this year, MBH Bank has a 30% market share of the number of loan applications in the Corporate business line, including micro and small companies.

- **Leasing segment:**

Euroleasing Zrt. became the exclusive Hungarian financier for Renault, Dacia and Alpine brands.

Leasing volume of MBH Group amounted to HUF 532.0 bn at the end of Q2 2023 which means an increase of 1.8% compared to Q1 2023.

MBH Group's **unadjusted** total comprehensive income was HUF 110.4 bn (HUF +71.8 bn y/y) in H1, as a result of y/y increasing other comprehensive income (H1: HUF 25.7 bn, HUF +36.8 bn y/y) and profit after tax (H1: HUF 84.7 bn, HUF +34.9 bn y/y). The unadjusted total comprehensive income (TOCI) in Q2 grew by HUF 40.3 billion y/y, as a result of a HUF 52.9 billion increase y/y in the accounting profit after taxes and a HUF 12.6 billion y/y drop in the other comprehensive income (OCI).

In H1 2023 the **adjusted** total comprehensive income (TOCI) was HUF 167.8 bn (HUF +84.4 bn y/y), including HUF +57.4 bn profit adjustment. The adjusted profit after tax was HUF 142.1 bn (HUF +47.5 bn y/y), adjusted other comprehensive income amounted to HUF 25.7 bn (HUF +36.8 bn y/y) in H1 2023.

Total assets amounted to HUF 10,487.2 bn (+0.4% p/p; +2.9% y/y) by the end of H1 2023. The Group's customer **deposits portfolio** was HUF 6,270.9 bn by the end of the half year (HUF -150.9 bn p/p; HUF +3.4 bn y/y). **Gross customer loans** portfolio decreased to HUF 4,944.4 bn (-0.2% p/p), the annual growth is HUF +303.9 bn. Securities portfolio together with trading portfolio increased by 12.7% y/y (+4.7% p/p). In H1 2023 the loans to deposits ratio slightly increased to 78.8% (+1.7%-pt p/p) by the end of the period. The **shareholders' equity** increased from HUF 831.7 bn at the end of Q1 2023 to HUF **893.0** bn. Capital adequacy ratio was steadily high, at 19.7% (+2.8%pt y/y), while MBH Group's adjusted return on shareholders' equity (ROE) was 33.8% (the unadjusted ROE was 20.1%) in H1 2023.

Changes in the management of the Bank:

- The National Bank of Hungary approved the Deputy CEO appointment of Mr. András Bakonyi by its decision H-EN-I-316/2023. dated on 15 June 2023, and that of Mr. András Puskás by its decision H-EN-I-326/2023. dated on 16 June 2023.

Post-closing events:

- The company held its next **Extraordinary General Meeting** on 28 July 2023. The agenda of the General Meeting will include:
  - Approval of the interim balance sheet of MBH Bank Nyrt. as at 30 April 2023,
  - Approval of the Separate Annual Report and the Separate Financial Statements of Takarékbank Zrt. for the financial year from 1 January 2023 to 30 April 2023
  - Decision to transfer the full amount of the profit after tax of Takarékbank Zrt. to the retained earnings of the successor MBH Bank Nyrt.
- **Duna Takarék Bank Zrt**. initiated the credit institution's joining of the Central Organisation of Integrated Credit Institutions. As a conclusion of the membership process, the Central Organisation of Integrated Credit Institutions, in accordance with the Resolution of its General Assembly KGy 19/2023 (13.07.2023), **admits Duna Takarék Bank as a member of the Integration Organisation as of 1 August 2023, which was approved by the National Bank of Hungary (NBH) in its Resolution H-EN-I-392/2023 dated 27 July 2023.**

- **CSOK and Baby expecting subsidy:** The rules for home building subsidies have changed fundamentally. One of the most important changes is that home building subsidies will only be available in small towns and villages from January 1, 2024. The maximum age of the applicant wife will change to 30 years from January 1, 2024. Until December 31, 2024, however, if the wife is over 30 but has not yet turned 41 and proves her pregnancy, the married couple may still be entitled to the subsidy. The amount of the subsidy will increase from HUF 10 million to HUF 11 million.
- **SZÉP card:** A one-time benefit of maximum of HUF 200,000 transferred to the employee until December 31 is considered a non-salary benefit. Payment initiated with the SZÉP Card can also be used for the purchase of food (cold food) sold by the merchant until December 31, 2023.
- **Policy rate cut:** HNB has cut the overnight deposit rate by 100 basis points to 15% effective from 26 July 2023 and then by 100 basis points to 14% effective from 30 August 2023.
- **Minimum reserve ratio:** The NBH, instead of using only turn dates' balance sheets to calculate reserve requirements, will undertake a transition to a monthly average calculation basis from daily balance sheet items subject to reserve requirements by every obliged credit institution.
- **Strengthening liquidity management:** the NBH expects the LCR ratio to be calculated on a daily basis, without any meaningful estimation, below the 140% level, and to have the tools and funding to ensure that the institution can quickly manage the risks that arise. It is also recommended that the warning and **intervention levels** in the recovery plan be **increased to a minimum level of 120%.**
- **Moody's rating:** Moody's affirmed the Baa3/P-3 long- and short-term deposit ratings and Baa2/P-2 counterparty risk ratings of MBH Bank Plc. on 7 August 2023.

Financial and capital market developments, global and local macroeconomic environment during Q2:

Federal Reserve continued the cycle of interest rate hikes in May 2023, with an increase of 25 basis points, then the US benchmark interest rate remained unchanged for the first time in June 2023 (5-5.25%) after ten consecutive rate hikes. Keeping interest rates on hold has given central bankers the opportunity to examine the lagged real economic effects of the tightening measures taken so far, it will take time for the interest rate rises to feed through to the economy, especially on inflation. In June, US inflation eased more than expected, with the year-on-year rate of inflation falling to 3%, the lowest level since March 2021, and core inflation rising at the slowest pace since late 2021. Services inflation, a sub-data also closely watched by the Fed, showed a 4% y/y expansion in June, last seen in late 2021. In addition, producer prices are also showing significant disinflation. While the inflation picture is much more favourable, it remains well above the central bank's 2% target level, and the labour market remains tight. Against this background, the Fed should continue to maintain its tight monetary conditions and will also continue to tighten its balance sheet.

The **European Central Bank's** cycle of interest rate hikes, which started in July 2022, continued in the second quarter of this year, but in 2023 the rate of interest rate hikes gradually moderated, with the main refinancing operations rate rising to 4.0% and the deposit rate to 3.5% by June. In the euro area, inflation indicators are improving only slowly and are still far from the 2% level of price stability. Although the headline inflation fell to a 1.5-year low in June; core inflation, which reflects underlying price pressure, also rose in June. The European Central Bank primarily takes core inflation into account in its monetary policy decisions. The ECB president also indicated in June that in order to stop raising interest rates, they would like to see a clear decline in core inflation, the components of which have been mixed so far. The labour market remains tight, with the unemployment rate hovering near record low levels in the spring, and in this environment wage growth may only moderate slowly, which could dampen disinflation. With the slow progress seen in inflation, further tightening steps are likely to come from the ECB.

The National Bank of Hungary (MNB) due to the trend-like improvement in the risk perception of the domestic economy opened the way for the reduction of the benchmark one-day deposit tender interest rate in the second quarter, which was cut in two steps from 18% to 16% by June. During the interest rate reduction cycle, caution and gradualism are still justified, and in order to anchor inflation expectations, it is necessary to keep the real interest rate in a permanently positive range, which could become achievable in the last quarter of 2023. With the improvement of risk assessment and the expected peak of the interest rate cycle of the Fed and the ECB, the longer yields may also gradually decrease, but to a lesser extent than the pace of domestic interest rate cuts.

As expected, inflation decreased to 20.1% in June from 21.5% in April, and almost all factors contributed to it except services. Food price increases moderated as expected, household energy prices continued to decrease due to lower energy consumption, durable consumer goods prices decreased due to the strengthening of the forint. The easing of inflationary pressure is reflected by the fact that core inflation also decreased to 20.8% from 22.8% in the previous month.

FX market: During the second quarter, the domestic currency has shown remarkable stability, as it had barely left the range of 370-375 against the euro. Hence, it can be stated that the expectations that the beginning of the reduction of the extremely high domestic interest rate could result in a weakening path have not been confirmed. One of the main factors behind the stability of the forint in the second quarter, besides the protective base rate which is also outstanding in the region, was the fall in European energy prices, caused by the particularly mild winter weather throughout Europe, the high level of European gas storage capacity, and the volume of enormous LNG shipments arriving in Europe. However, a significant deterioration in international investor sentiment may change this trend and put emerging market currencies, including the forint, under pressure.

Public finances: A deficit of HUF 2,763 billion was created in the central budget during the first five months, so 81% of this year's appropriation was fulfilled. The deficit figure for the first five months of this year was HUF 26 billion higher compared to the same period in 2022, which also included the personal income 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 four months, EU payments reached HUF 1,151 billion, while revenues from the EU were only HUF 603 billion. Without that cash flow deficit would have been HUF 548 billion 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. This may further decrease to close to 67% by the end of 2023.

Wages and employment: In June, wage dynamics showed a 16.0% increase, the gross average wage was HUF 566,800 for full-time employees, while the net average wage was HUF 390,900. In the competitive sector, which captures market processes better, and includes companies, the average salary was HUF 577,700, after an annual increase of 17.3%. The net average wage calculated without tax benefits also increased by 16.0%, while net real wages showed a 3.4% decrease in the month. The growth of regular wages was 14.9% in the month after 16.9% in the previous month.

Employment rose to a new peak at summer 2023, 31,000 new jobs were created in the domestic primary labour market compared to the same period of the previous year, so the total number of employed persons was 4,724,000 in April-June. 67.7% of the 15-74 year old population was present on the labour market in this period, compared to the 66.6% activity rate measured in the same month of last year and the 67.0% level measured in the previous month. In the same period, the unemployment rate according to the international statistical methodology was 3.8%, while it was 3.4% measured in the same month of the previous year.

GDP: In the second quarter, GDP decreased by 2.4%, while the seasonally and calendar adjusted drop was 2.3%. Compared to the previous quarter, the performance of the economy decreased by 0.3%, so contrary to expectations, the domestic economy remained in a technical recession. Industry and market services, including trade and transport and warehousing, contributed the most to the decline in economic performance. However, the decline was mitigated by the favourable performance of agriculture compared to last year's very low base. The decrease in the added value of services was partially offset by a significant increase in healthcare services, which reached its output levels seen before the coronavirus pandemic. In the second quarter, the drop in real wages continued to put pressure on retail trade, but cautious spending by households also contributed to the decline. Among the sub-sectors of the industry, last year's explosion in energy prices negatively affected the energy-intensive sectors, some players were forced to temporarily shut down or restraint production. In addition, the decrease in internal and external demand for food led to a decline in the food industry as well. On the other hand, thanks to the easing of supplier problems, vehicle production performed well, and thanks to the upswing in battery production, the production of electrical equipment was also a strong sector. The construction industry also performed weakly due to the decline in state and EU-funded investments, and due to the declining demand and high interest rates.

2 MANAGEMENT REPORT ON THE H1 2023 RESULTS OF MBH GROUP

2.1 P&L development

MBH Group								
Consolidated, IFRS P&L (in HUF million)	**Period**					**YTD**		
	2022Q2	**2023Q1**	**2023Q2**	**P/P**	**Y/Y**	**2022H1**	**2023H1**	**Y/Y**
TOCI accounting (Total Comprensive Income)	**45,923**	**24,139**	**86,251**	**257.3%**	**87.8%**	**-14,675**	**110,391**	**-852.2%**
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Profit after tax (accounting)	**9,442**	**22,340**	**62,366**	**179.2%**	**-**	**-9,936**	**84,708**	**-952.5%**
Profit after tax (BB 1Q 2022 results)*	**0**	**0**	**0**	**-**	**-**	**16,245**	**0**	**-100.0%**
Profit after tax accounting (including BB 1Q 2022 results)*	**9,442**	**22,340**	**62,366**	**179.2%**	**-**	**6,309**	**84,708**	**1242.7%**
Adjustments total on PAT	**30,076**	**68,463**	**-11,037**	**-116.1%**	**-136.7%**	**88,291**	**57,426**	**-35.0%**
Banking tax and extra profit tax	*29,038*	*72,978*	*-12,232*	*-116.8%*	*-142.1%*	*43,456*	*60,746*	*39.8%*
Extra OBA fee expenses	*0*	*-4,756*	*0*	*-100.0%*	*-*	*0*	*-4,756*	*-*
Integration costs	*1,038*	*241*	*1,195*	*-*	*15.2%*	*1,378*	*1,436*	*4.2%*
Adjusted TOCI	**75,999**	**92,602**	**75,214**	**-18.8%**	**-1.0%**	**83,448**	**167,816**	**101.1%**
Adjusted Other comprehensive income (OCI)	*36,482*	*1,799*	*23,884*	-	-34.5%	*-11,152*	*25,683*	-330.3%
Adjusted Profit after tax	**39,518**	**90,803**	**51,330**	**-43.5%**	**29.9%**	**94,600**	**142,133**	**50.2%**
Adjusted Profit before tax	**43,011**	**107,859**	**57,604**	**-46.6%**	**33.9%**	**102,983**	**165,463**	**60.7%**
Gross Operating Income (adjusted)	**119,107**	**167,640**	**160,274**	**-4.4%**	**34.6%**	**217,189**	**327,914**	**51.0%**
Net Interest Income (adjusted)	**96,949**	**150,044**	**138,093**	**-8.0%**	**42.4%**	**172,363**	**288,137**	**67.2%**
Interest Income (adjusted)	*153,739*	*306,417*	*292,995*	*-4.4%*	*90.6%*	*262,246*	*599,412*	*128.6%*
Interest Expense (adjusted)	*-56,790*	*-156,374*	*-154,901*	*-0.9%*	*172.8%*	*-89,884*	*-311,275*	*246.3%*
Net Fee Income (adjusted)	**22,693**	**21,010**	**22,025**	**4.8%**	**-2.9%**	**42,205**	**43,035**	**2.0%**
Net Other Income (adjusted)	**-534**	**-3,413**	**156**	**-104.6%**	**-129.2%**	**2,621**	**-3,258**	**-224.3%**
FX and FV result	*1,976*	*-6,239*	*442*	*-107.1%*	*-77.6%*	*10,488*	*-5,797*	*-155.3%*
Other Income (adjusted)	*-2,510*	*2,826*	*-286*	*-110.1%*	*-88.6%*	*-7,867*	*2,539*	*-132.3%*
General Administrative Expenses (adjusted)	**-60,242**	**-60,418**	**-64,410**	**6.6%**	**6.9%**	**-109,186**	**-124,828**	**14.3%**
Personnel Expenses (adjusted)	*-29,881*	*-30,422*	*-31,729*	*4.3%*	*6.2%*	*-54,964*	*-62,151*	*13.1%*
Operating Expenses (adjusted)	*-24,231*	*-23,110*	*-25,782*	*11.6%*	*6.4%*	*-41,982*	*-48,892*	*16.5%*
Amortisation and depreciation (adjusted)	*-6,129*	*-6,886*	*-6,898*	*0.2%*	*12.5%*	*-12,240*	*-13,784*	*12.6%*
Provisions (adjusted)	**-15,855**	**636**	**-38,260**	**-**	**141.3%**	**-5,020**	**-37,624**	**649.5%**
Banking tax	***0***	***0***	***0***	**-**	**-**	***0***	***0***	**-**
Corporate income tax (adjusted)	**-3,493**	**-17,056**	**-6,274**	**-63.2%**	**79.6%**	**-8,383**	**-23,330**	**178.3%**
KPIs	**Period**					**YTD**		
based on adjusted PAT (%)	**2022Q2**	**2023Q1**	**2023Q2**	**P-P**	**Y-Y**	**2022H1**	**2023H1**	**Y-Y**
ROAE (Return on Average Equity - adjusted)	22.0%	44.3%	23.8%	-20.5%-pt	1.8%-pt	26.6%	33.8%	7.2%-pt
ROAA (Return on Average Assets - adjusted)	1.5%	3.4%	2.0%	-1.5%-pt	0.4%-pt	1.9%	2.7%	0.8%-pt
TRM (Total Revenue Margin - adjusted)	4.7%	6.4%	6.1%	-0.2%-pt	1.5%-pt	4.3%	6.2%	2.0%-pt
CIM (Core income margin - adjusted)	4.7%	6.5%	6.1%	-0.4%-pt	1.4%-pt	4.2%	6.3%	2.1%-pt
NIM (Net Interest Margin - adjusted)	3.8%	5.7%	5.3%	-0.4%-pt	1.5%-pt	3.4%	5.5%	2.1%-pt
NFM (Net Fee Margin - adjusted)	0.9%	0.8%	0.8%	0.0%-pt	0.0%-pt	0.8%	0.8%	0.0%-pt
C/TA (Cost to Total Assets - adjusted)	2.4%	2.3%	2.5%	0.2%-pt	0.1%-pt	2.2%	2.4%	0.2%-pt
CIR (Cost Income Ratio - adjusted)	50.6%	36.0%	40.2%	4.1%-pt	-10.4%-pt	50.3%	38.1%	-12.2%-pt
Risk% (Risk cost rate - adjusted)	0.15%	-0.01%	1.56%	1.6%-pt	1.4%-pt	0.0%	0.78%	0.8%-pt

** Legal merger of Budapest Bank Zrt. and MKB Bank Nyrt. took place on 31st March 2022. Since MBH Bank's Q1 2022 accounting profit does not include the Q1 profits/losses of Budapest Bank, the profit and loss data are presented in 2022 on the basis of modelled data, adjusted with the profits and losses of Budapest Bank, for comparability.*

The presentation of financials in this report is based on Total Comprehensive Income ("TOCI"), which is an IFRS category aimed at presenting the economic impact for the given period by incorporating "fair value through other comprehensive income" (FVTOCI) results. Based on the fact that MBH Bank holds a large securities portfolio, part of which is valued against capital (FVTOCI), and hedges its interest risk position with IRS transactions, TOCI figures should only be used to evaluate the results.

In H1 2023 an in Q2 **the adjusted profit after tax of MBH Group** amounted to **HUF 142.1 bn** and HUF 51.3 billion, mostly driven by further increasing net interest income. Thanks to the other comprehensive income in Q2 (HUF 23.9 billion) the H1 adjusted total comprehensive profit amounted to HUF +167.8 billion (HUF +84.4 billion y/y).

The (adjusted) **ROAE** was 33.8% (+7.2%-pt y/y) as a result of outstanding PAT.

The increase in the operating income was mostly driven by rising **net interest income** (HUF +115.8 bn, +67.2% y/y). The composition of MBH group's assets allowed for exploiting the market potential using its excess liquidity. The adjusted **total revenue margin** (TRM) increased significantly by 2.0%-pt y/y to 6.2%.

HUF 37.6 bn **provisions and impairments** were charged in H1 2023. The adjusted risk cost rate was 0.78%.

General administrative expense increased by 14.3% year-on-year, below inflation.

2.1.1 Adjusted profit after taxation

Adjusted consolidated profit after tax of MBH Group in Q2 2023 reached HUF 51.3 billion, while in H1 2023 profit amounted to HUF 142.1 bn (HUF +47.5 bn y/y). The impressive profitability of the period was supported by the favourable interest rate environment.

Adjustments amounted to HUF +57.4 bn in H1 2023, relating primarily to the special tax on the extra profit, the banking tax, and the reimbursement of the extraordinary OBA fee due to Sberbank bankruptcy and one-off integration costs.

2.1.2 Total comprehensive income

MBH Group's **accounting** (unadjusted) **total comprehensive income** (TOCI) in H1 2023 amounted to HUF 110.4 bn.

The unadjusted TOCI was HUF 71.8 bn higher than in H1 2022 (including the Q1 2022 results of merged Budapest Bank).

The HUF 75.2 bn Q2 **adjusted total comprehensive income** (HUF -17.4 bn p/p) was a result of the HUF 51.3 bn profit after tax and the HUF 23.9 bn other comprehensive income (OCI). The Q2 adjusted total comprehensive income decreased by HUF 0.8 bn y/y. The adjusted total comprehensive income in H1 amounted to HUF 167.8 bn (HUF 84.4 bn y/y), boosting TOCI mostly driven by further increasing net interest income.

2.1.3 Net interest income

MBH Group's cumulated **net interest income** was HUF 288.1 bn in H1 2023 (HUF +115.8 bn y/y), the 67.2% y/y upturn is due to the growth customer portfolio, existing ALM portfolio, the favourable yield environment and the portfolio quality. The quarterly decline in interest income (-8.0% p/p) is explained by the changes in the reserve requirements, the increase in the client interest expense margin and the increased weight of interbank funding in the context of a decrease in customer deposits.

The interest income for H1 amounted to HUF 599.4 bn (HUF +337.2 bn, +128.6% y/y). The interest income in Q2 increased by HUF 13.4 bn (4.4% p/p) compared to Q1 (+90.6% y/y). Growing customer loans (+7.9% y/y) and securities portfolio (+12.2% y/y) both supported incomes but the main driver of the interest income increase was that MBH group successfully exploited the market potential using its excess liquidity to generate interest income amid rapid interest rate hike.

The **interest expense** amounted to HUF 311.3 bn in H1 2023, the HUF 221.4 bn (+246.3%) y/y increase was driven by market yields and high customer- and interbank deposit portfolio.

The net interest margin (NIM) decreased from 5.7% to 5.3% in Q2 (+1.5%-pt y/y) because decrease in net interest income. The H1 accumulated ratio was 5.5%, significantly, by 209 bps, year-on-year.

2.1.4 Net fee and commission revenues

The **net fee and commission income** was HUF 43.0 bn in H1 2023 (+2.0% y/y). The commission income for Q2 increased by HUF 1.0 bn (+4.8% p/p), relative to the preceding quarter mainly due to fees collected on the increased volume of customer.

2.1.5 Profit/loss on financial transactions (FX and FV result)

In H1 2023 the **profit on financial transactions** amounted to HUF -5.8 bn, 155.3% (HUF -16.3 bn) less year-on-year.

As a result of falling yields, the exchange and revaluation result was HUF 0.4 bn (HUF +6.7 bn p/p) in Q2, while the OCI effect due to revaluation of the fixed rate government securities portfolio was HUF 23.9 bn (HUF +22.1 bn p/p; HUF -12.6 bn y/y). The quarterly **net revaluation result and exchange rate gain** – as a result of the two impacts – was HUF 24.3 bn.

2.1.6 Other results

The tax and/or regulatory fees and commission expenses of MBH Group are recognized under other profit/loss: levy, OBA and IPF fees and other revenues/expenses of ordinary business operation. Other results was HUF 2.5 bn in H1 (HUF +10.4 bn y/y), and HUF -0.3 bn (HUF -3.1 bn p/p, HUF +2.2 bn y/y) in Q2.

2.1.7 General administrative expenses

MBH Group's **general administrative expenses** were HUF 124.8 bn in H1 2023 (Q2: HUF 64.4 billion, +6.6% p/p, +6.9% y/y). The +14.3% (HUF +15.6 bn) y/y increase is below inflation. The **cost-to-income** ratio for H1 fell to 38.1% as revenues grew strongly (-12.2%-pts y/y). Q2 cost-to-asset ratio (C/A) increased to 2.5% (+17 bps p/p, +11 bp y/y) in Q2 due to higher operating costs.

The **personnel expenses** amounted to HUF 31.7 bn in Q2 2023, increased by 4.3% compared to previous quarter. 13.1% y/y increase in H1 PEREX (HUF 62.2 billion) is the impact of wage inflation (originated mainly from base salary increase).

The number of employees of MBH Group at the end of June 2023 was 9,424.0 FTE (-179.9 FTE; -1.9% y/y).

Operational costs in Q2 2023 were HUF 25.8 bn (+6.4% y/y, HUF +1.6 bn). The y/y increase was driven by heavy inflation and volume effects.

Depreciation in Q2 2023 amounted to HUF 6.9 bn (+12.5% y/y) as a result of previously implemented digitalization and regulatory compliance projects.

2.1.8 Risk costs

The adjusted credit risk cost was HUF 38.3 bn (charge) in Q2 2023, reflecting the impairment charge and modification loss recognised for the interest rate cap extended until the end of the year, the moratorium (HUF 16.5 bn) and merger-related methodological harmonisation using common, updated risk parameters (HUF 19.0 bn). The quality of the portfolio does not justify an increase in the impairment coverage on non-moratorium stocks.

The **NPL closing portfolio** was HUF 228.7 bn at the end of Q2 2023, increased by HUF 2.8 bn during the quarter (+1.3%-pt p/p). **IFRS-based NPL ratio** didn't change (4.6%). The **direct NPL coverage** was 48.5%.

2.1.9 Corporate income tax

In H1 2023 HUF 17.7 bn unadjusted **corporate income tax expense** was recorded, as a result of HUF 4.9 bn current corporate income tax expense, HUF 3.9 bn deferred tax expense, HUF 7.7 bn local business tax and HUF 1.2 bn innovation contribution.

The adjustments in the flash report had a tax effect of HUF 5.7 bn therefore the **adjusted corporate income tax** was HUF 23.3 bn expense.

2.2 Balance sheet

MBH Group					
Adjusted balance sheet (in HUF million)	**2022Q2**	**2023Q1**	**2023Q2**	**P/P**	**YTD**
Financial assets	**1,633,985**	**1,315,836**	**1,234,057**	-6.2%	-24.5%
Trading portfolios - Assets	**375,704**	**393,624**	**327,222**	**-16.9%**	**-12.9%**
Securities	**3,325,476**	**3,580,334**	**3,746,909**	**4.7%**	**12.7%**
Loans and advances to customers/Customer Loans (net)	**4,472,888**	**4,740,035**	**4,708,313**	**-0.7%**	**5.3%**
Loans and advances to customers/Customer Loans (gross)	4,640,508	4,955,838	4,944,384	-0.2%	6.5%
Retail business segment	*1,598,571*	*1,721,082*	*1,717,444*	*-0.2%*	*7.4%*
Corporate business segment	*2,357,455*	*2,636,196*	*2,663,712*	*1.0%*	*13.0%*
Leasing	*527,510*	*522,600*	*531,997*	*1.8%*	*0.9%*
Other	*156,971*	*75,960*	*31,231*	*-58.9%*	*-80.1%*
Provision for Customer loans	-167,620	-215,804	-236,071	9.4%	40.8%
Total other assets	**381,692**	**416,979**	**470,710**	**12.9%**	**23.3%**
Investments in jointly controlled entities and associates	*96,447*	*88,985*	*77,698*	*-12.7%*	*-19.4%*
Intangibles, property and equipment	*143,569*	*163,372*	*168,701*	*3.3%*	*17.5%*
Other assets	*141,677*	*164,621*	*224,312*	*36.3%*	*58.3%*
Total Assets	**10,189,745**	**10,446,808**	**10,487,212**	**0.4%**	**2.9%**
Interbank liabilities	**2,427,047**	**2,361,338**	**2,493,127**	**5.6%**	**2.7%**
Deposits & C/A	***6,267,540***	***6,421,763***	***6,270,902***	***-2.3%***	***0.1%***
Retail business segment	*2,868,245*	*2,591,457*	*2,512,252*	*-3.1%*	*-12.4%*
Corporate business segment	*3,303,921*	*3,535,502*	*3,546,253*	*0.3%*	*7.3%*
Other	*95,375*	*294,804*	*212,397*	*-28.0%*	*122.7%*
Issued debt securities	**377,105**	**383,493**	**465,020**	**21.3%**	**23.3%**
Other liabilities	**390,270**	**448,507**	**365,183**	**-18.6%**	**-6.4%**
Shareholders' Equity	**727,783**	**831,707**	**892,980**	**7.4%**	**22.7%**
Total Liabilities & Equity	**10,189,745**	**10,446,808**	**10,487,212**	**0.4%**	**2.9%**
Loan commitments given	1,226,451	1,227,263	1,170,068	-4.7%	-4.6%
Financial guarantees given	124,378	102,721	105,565	2.8%	-15.1%
Other Commitments given	258,201	264,146	264,462	0.1%	2.4%
Customer off Balance items	**1,609,031**	**1,594,130**	**1,540,095**	**-3.4%**	**-4.3%**

The balance sheet of the MBH Group is presented on the basis of consolidated financial statements prepared according to IFRS.

MBH Group's **total assets** amounted to HUF 10,487.2 bn by the end of Q2 2023 (HUF +40.4 bn; +0.4% p/p), with a yearly increase of HUF 297.5 bn (+2.9% y/y), primarily due to the **expanding customer loan portfolio** on the asset side, while on liabilities side due to the **increasing capital**.

Loan portfolio increased by HUF 303.9 bn (+6.5%) year-on-year, primarily driven by the performance of the corporate business. P/p 0.2% decrease was due to unfavourable market environment.

The changes in **deposit volumes** were significantly influenced by market processes, with the stock declining to HUF 6,270.9 billion at the end of Q2 2023, but corporate deposits continued to show an increase (+0.3% p/p, +7.3% y/y).

Loan-to-deposit ratio increased (+4.8%-pts y/y) to 78.8%. **LCR** (134.4%) and **NSFR** (138.8%) ratios are well above the regulatory minimum.

Shareholders' equity increased to HUF 893.0 bn (+7.4% p/p; +22.7% y/y). The **19.7% capital adequacy ratio** at the end of the period, significantly exceeded the regulatory minimum requirements. **17.6% CET1 ratio.**

2.2.1 Loans

Gross loans increased (+6.5%; net: +5.3% y/y) compared to the second quarter of previous year, primarily driven by the performance of the corporate business and supported by the acquisition of the Sberbank portfolio. Gross customer loans decreased by 0.2% (HUF -11.5 bn) p/p due to unfavourable economic environment.

Yearly increase in the asset volumes of the retail and corporate business segments both contributed positively to the growth of gross loan portfolio: corporate segment loans +13.0% y/y (+1.0% p/p), retail segment loans +7.4% y/y (-0.2% p/p). The leasing portfolio increased by 0.9% y/y).

The corporate business grew by 13.0% during the last year in term of loans to customers, reaching HUF 2,663.7 bn at the end of Q2 2023. The strongest growth was in the medium and large business segments (+15.7%, +13.4% y/y). The change in the **retail loan portfolio** was mainly driven by the reduction in demand for secured loans.

Provisions for customer loans increased by 9.4% p/p and increased by 40.8% y/y.

2.2.2 Securities

In a changing inflation and yield environment, the popularity of different securities is undiminished, and this is reflected in the performance of the portfolio.

Securities portfolio together with trading portfolio increased by HUF 421.4 bn (+12.7%) y/y, and as a result, the **portfolio of securities** amounted to HUF 3,746.9 bn at the end of Q2 2023 (+4.7% p/p).

2.2.3 Financial assets

The **portfolio of financial assets** decreased by 6.2% during the quarter (HUF -81.8 bn) to HUF 1,234.1 bn at the end of the period due to lower stock of MNB O/N deposits.

2.2.4 Deposits and C/A

The changes in deposit volumes were significantly influenced by market processes. **The customer deposit portfolio** amounted to HUF 6,270.9 bn at the end of Q2 2023. Decrease during the quarter (-2.3% p/p) was characterised by the drop in retail segment deposits (-3.1% p/p), while **corporate segment deposits** slightly increased (+0.3% p/p).

The deposit portfolio of the corporate segment contributed 7.3% to the annual increase of HUF 3.4 bn (+0.1% y/y), while the stock of the retail segment decreased (-12.4% y/y).

2.2.5 Interbank liabilities

The portfolio of **interbank liabilities** amounted to HUF 2,493.1 bn (HUF +131.8 bn p/p; HUF +66.1 bn y/y) at the end of Q2 2023. The increase was primarily due to the growth of repo liabilities.

2.2.6 Issued debt securities

The stock of issued debt securities increased by 21.3% (HUF +81.5 bn p/p) over the quarter to HUF 465.0 bn at the end of Q2 2023 (HUF +87.9 bn y/y), largely driven by an increase in the stock of issued MREL-eligible bonds and mortgage bonds.

During Q2 2023, the Bank announced an auction for a senior non-preferred euro-denominated bond maturing in 2026. The auction was announced for the nominal amount of EUR 50 million, while offer was received in the nominal amount EUR 104.77 million, of which MBH Bank finally accepted EUR

74.98 million. The issue took place within the framework of the HUF 300 billion issuance programme of the Bank approved by the NBH on 29 November 2022 by Resolution H-KE-III-742/2022. In view of the need to comply with MREL requirements and the increasing need to restructure the customer funding structure from deposits to bonds, MBH Bank plans to renew its current issuance programme with a total amount of HUF 400 billion. The renewal of the bond programme will be subject to the approval of the new Base Prospectus by the NBH, which is expected in Q4 2023.

2.2.7 Capital

MBH Group's **capital amounted to HUF 893.0 bn** at the end of Q2 2023.

Capital accumulation continued both in p/p and y/y terms: +7.4% and +22.7% respectively, significantly increasing the shock absorbing capabilities of the Bank.

2.2.8 Off-balance sheet exposures to customers

MBH Group's **off-balance sheet exposure** was HUF 1,540.1 bn at the end of Q2 2023, corresponding to a 3.4% (HUF -54.0 bn p/p) decrease on a quarterly basis (-4.3%; HUF -68.9 bn y/y). The year-on-year reduction was mainly attributable to a decrease in the volume of loan commitments given (-56.4% y/y).

2.3 Capital adequacy

The capital adequacy of MBH Bank Group remains strong, with a **capital adequacy ratio (CAR)** of **19.7%** at the end of Q2 2023 (+266 bps y/y), and **CET1** ratio of **17.6%**. The capital adequacy ratio significantly exceeds the regulatory minimum requirements, thus providing a convenient capital buffer for the Group's operations.

T1 Capital increased by 3.3%-pts p/p, due to growth of capital reserve and IFRS9 discount. Otherwise, T2 Capital reduced by movement in the EUR/HUF exchange rate and by the purchase of investment units in T2 subordinated bonds. As a result of those, there was no significant change in CAR (-0.01%-pts). Please note, that the intra-year unaudited after-tax profit is not taken into account in the regulatory capital under the IFRS rules.

The growth in RWA (HUF +92.9 bn) in Q2 was parallel with the gross loan increase, resulting in HUF 4,198.5 bn volume.

2.4 Presentation of business segment results

In this chapter, MBH Group's customer portfolio and market share are presented by segments. The segments are formed according to the requirements used in the reports prepared for the National Bank of Hungary (HNB), and the portfolios are presented accordingly.

2.4.1 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.

The focus of the second quarter of 2023 was on closing of the merger, ensuring all conditions of the framework for joint operations.

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

The Bank has achieved a 37% market share in terms of contracted amount in Széchenyi MAX products by the end of June 2023. In the MAX+ programme which has been launched this year, MBH Bank has a 30% market share of the number of loan applications in the Corporate business line, including micro and small companies.

MBH Bank 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.

In Q2 2023, there was strong demand for subsidised loan products compared to market-rate loans thanks to surging demand. The subsidised loan volume of Corporate clients at the end of the second quarter was 7% higher than a year earlier.

Among the corporate loans, the portfolio of non-financial enterprises (based on the segmentation as per the HNB's statistics requirements) amounts to HUF 2,278.9 bn, corresponding to an increase of 0.1% quarter-on-quarter (HUF +1.2 bn) and +5.3% (HUF +114.5 bn) year-on-year.

The gross loan portfolio of large non-financial corporations increased by HUF 36.0 bn to HUF 643.8 bn (+5.9% p/p). The loan portfolio of medium-sized enterprises decreased to HUF 1,047.8 bn (-2.6% p/p).

The non-financial corporate deposit portfolio (based on the segmentation as per the HNB's statistics requirements) increased by 5.3% y/y to HUF 2,835.9 bn (HUF +74.9 bn p/p).

Agricultural customers

During the period under review, the merger of MKB Bank Plc. and Takarékbank Zrt. was completed, resulting in the establishment of uniform customer service processes, product range and risk management principles in the Business Unit. This has created the largest, uniformly operating agri-food business in the Hungarian banking market, which has taken forward the customer service principles and best practices already proven in its predecessors.

The Bank's approach to financing the sector is based on a value chain approach to the food industry, and therefore the segmentation principles have not changed, in that the business continues to include agriculture and food, as well as other agribusiness clients, including primarily grain traders, integrators and input material traders. The single and unified MBH Bank will continue to serve its clientele with dedicated colleagues specialised in financing the agri-food value chain. The business will therefore serve a clientele of all sizes, with segmentation based on client size: segmentation will be partly based on turnover and partly on production characteristics.

The Division is organised in a flat organisational structure, with the main organisational unit being the geographical region, in addition to a streamlined central management structure. MBH Bank will keep the Agrárcentrum sub-brand, which has already proven its worth in the predecessor organisation, and following the merger the Division will be embodied in the MBH Agrárcentrum sub-brand, which will also be the name of the locations nationwide providing lending services to the clientele. In addition, the agribusiness and large agri-food clientele is served by a specialised centralised service unit. In addition, leasing and factoring, tendering advice (EU Rural Development Programme – RDP) and insurance services, which are provided to the clients through cooperation partners, play an important role in serving the agribusiness and food industry clientele.

Key developments affecting day-to-day business during the period under review:

- the Division, in cooperation with the factoring department, introduced a factoring product for the pre-financing of normative EU agricultural subsidies, which will result in a simpler and faster service process;
- preparatory work has started on the loan financing of farmlands to be sold by the National Land Centre (NFK) through tenders and auctions;
- the Bank is actively involved in the work of the Hungarian Banking Association; the Managing Director of the Division, Mr Dávid Hollósi, became Chairman of the Agricultural Working Committee of the Banking Association;
- the Baross Gábor Reindustrialisation Loan Programme was mainly used by larger food enterprises;
- the Bank and the Division were represented at various events of national importance in the agriculture and food sector, including the NAK Farmland Days, Eger Wine Meetup, Alföld Livestock and Agriculture Days, the Winemaker of the Winemakers Round-Tasting Event, Veszprémfest together with its professional partners.

During the period under review, complex macroeconomic and sectoral developments determined the business performance of the Division. The sector's liquidity situation deteriorated due to the previous year's drought and significantly rising input material costs, so financing needs were mainly intra-year, for day-to-day operations. Small and medium sized enterprises reported investment loan needs mainly under the ASZB scheme, larger ones under the aforementioned Baross Gábor programme, while long-term financing needs at market interest rates were moderate compared to previous periods.

On-balance sheet loans managed by the business increased slightly (by 1%) in the quarter, with the 12-month change slightly above 10%, better reflecting the impact of seasonal movements in agriculture.

The Bank has a dominant, market-leading position in the agricultural products of the Széchenyi Programme. At the end of the period, MBH financed four out of every five transactions in the Agricultural Széchenyi Card (ASZK) product on the domestic market (market share of over 80%), and has a market share close to this level in terms of the amounts financed. The Bank's share in the Agricultural Széchenyi Investment Loan (ASZB) is also above 70% in terms of number of transactions and slightly below 60% in terms of amounts financed.

2.4.2 Retail customers

For the retail customer segment as well, the second quarter – besides supporting the realization of the business plans – was mainly driven by the work related to the merger of MKB Bank and Takarékbank. The merger was successfully executed without any interruption in account sales and client service. Campaigns linked to the creation of MBH Bank supported new account openings in the adult and student customer segments.

Among savings and investment solutions, investment funds were again particularly popular for the retail customers in Q2 2023. The wide range of products of MKB Alapkezelő, created in 2022 by the merger of Budapest Alapkezelő and MKB-Pannónia Alapkezelő, ensures flexible solutions for the diverse customer needs from simple, low risk short bond funds to mixed and equity funds for portfolio construction. Among investment funds, short bond funds combining high return potential with flexible investment horizons were still particularly popular, for which portfolio growth continued to be dynamic in the second quarter of 2023. Within retail sovereign debts, longer-dated inflation-linked instruments were extremely popular.

The closing volume of retail deposits (based on segmentation according to the HNB's statistics criteria) was HUF 1,712.3 bn, which means a decrease of 5.8% p/p.

In case of home loan products, the unification of mortgage products and the harmonization of processes was successfully executed by the creation of MBH Bank. The bank remains engaged to finance green real estate investments to increase energy efficiency. With this aim home loan construction was renewed from 2 May, which is now available not only for renovation purposes, but for new home purchase. Regarding Qualified Consumer Friendly Home Loan product, the Bank implemented the Green Interest Rate Rebate for new home purchases from 1 April 2023, in line with MNB's tender. Credit promotion offer related to Baby Loan is continued from 1 July.

In case of personal loans new lending increased significantly in the spring period, the financed volume increased by 10% compared to the same period of 2022. Strong growth is visible on the whole market, the monthly volume of new personal loan outstanding landed near HUF 50 billion. The Bank's market share slightly shrank due to the effect of the merger in May and also to the market boom. Due to the modification of the pricing structure in June, a pillar for further growth is also in place and thanks to the effect of decreasing funding costs the profitability of the product significantly increased. The Bank's online and offline campaign activity remained strong for personal loan, which helped to mitigate the negative effect of the merger in May on the sales result.

Thanks to the campaigns credit card sales performance was favourably in Q2 2023 both in the branch network and in the partner sales channel. As the peak travel season is approaching, GO! Platinum credit card, which offers several benefits (MasterCard Lounge in Budapest and Vienna Airports, fast track) has more and more success.

The Bank continues the sales of SZÉP cards under the name of MBH SZÉP Kártya from 1 May, but MKB SZÉP cards remain in use until their expiration.

According to the law the Bank charged the one-off fee of 15%, minimum 100 HUF for the non-used amounts and transferred half of the fee to the Hungarian Tourism Association Foundation. At the moment of the fee charging approximately 15% of the amounts on the SZÉP card holders' account was qualified as non-used balance.

Based on the government decree 237/2023. (VI.19.) the Bank started to realize the technical conditions to enable buying food products with SZÉP card.

In the second quarter of 2023, the merger of MBH Bank was successfully completed. In the weeks preceding the merger, the acceptance of various products was stopped at Takarékbank, and the Bank's intermediary partners were prepared for this special situation. In the second quarter, the volume of intermediary sales declined slightly as a result of the above. Following the merger, the third party sales department devoted all its resources to fostering intermediary relationships and enhancing mutual trust. The Bank is constantly working on improvements that will simplify and thus ease the daily work of its partners.

Intermediary partner activity is increasing, with 49% of secured retail loan disbursements being achieved through partner channels.

MBH Bank currently works with a total of 74 credit intermediaries 95 retail partners.

In the second quarter introduction of the personal loan brokerage service at Magyar Posta's post offices has ended. Posta customers can now apply for a personal loan at 200 post offices.

The volume of MBH Group's retail loans (based on segmentation according to the HNB's statistics criteria) at the end of Q2 2023 amounted to HUF 1,534.2 bn, which represents a decrease of HUF 4.2 bn compared to the previous quarter and an increase of HUF 114.1 bn compared to the same period last year. Both home mortgage-backed loans and unsecured loans contributed positively to the year-on-year increase.

The closing portfolio of secured loans amounted to HUF 896.6 bn at the end of the quarter (HUF -8.2 bn y/y, HUF -9.4 bn p/p). The portfolio of consumer and other unsecured loans increased by 23.7% compared to the second quarter of 2022, thus amounting to HUF 637.6 bn at the end of the period (+122.3 bn y/y).

In the second quarter of 2023, the Bajtárs accidental insurance product of CIG Pannónia Életbiztosító Nyrt. was renewed and it is now better adapted to the clients' needs. The renewed product offers upgraded service package for the clients, contains more coverage and limits were also modified.

Group insurances reached 48% growth in Q2 2023 compared to the same period of the previous year, from which PPI was the main driver with 165% growth compared to last year.

In individual life insurances, the annual portfolio premium increased to 445% of the previous year's first quarter result in case of regular premium insurance, while in case of one-time fee insurances the increase was 464% for the whole Banking group.

In terms of home insurances, the negative effect of the change in the housing market is still visible, thus the portfolio premium volume reached 90% of the previous year's same period.

Thanks to the merger with Takarékbank, the number of premium clients increased to 32,000 and the amount of managed assess is around 690 billion HUF. Investment penetration rate of the portfolio is 80% with a steadily growing trend. Positive trend is visible in the product level diversification of investment portfolios, moving in opposite direction with market trends, the share of investment funds reached 41% in a portfolio with strong focus on government bonds.

With the integration of Takarékbank on 30 April further expanded the coverage of the private banking network and the business growth potential. After the closure of legal merger process, the preparation for full IT integration continued and took further steps to improve the services provided by the business and to include additional service elements.

The beginning of Q2 2023 was characterized by portfolio optimizations related to the introduction of „szocho". While the change may push investors in the direction of government securities when making shorter-term investment decisions (less than 5 years), customers thinking in the longer term may increase the rate of opening TBSZ and NYESZ accounts to unprecedented levels. The business continued to focus on the sale of investment funds and made an outstanding contribution to successful certificate issuances throughout the quarter.

Micro and small business segment:

In Q2 2023, government-backed loans aimed at stimulating the economy continued to be the most popular among Micro and Small Business customers, and the Széchenyi Card MAX+ scheme was the most requested. The vast majority of loan disbursement performed via these state-subsidized programs.

The current intensity of loans is expected to continue for the rest of the year. There are no significant shifts in the sectoral distribution and company size in Standard MKV lending. There is no significant change in the size of the sector based on the size of the companies with annual net sales between HUF 0 and 1 billion, and no significant movement is expected in this breakdown.

In H1 2023, total loan disbursements in the branches dedicated as MFB Points amounted to more than HUF 83 bn. The loan portfolio related to MFB Points continued to grow, exceeding HUF 380 bn, still the highest in the current period.

Within non-financial corporations, the loan portfolio of microenterprises stood at HUF 554.8 bn (-1.6% p/p; +15.2% y/y) at the end of the period.

Branch network

On 30 April 2023, the merger of MKB Bank Plc. and Takarékbank Zrt. was completed, thus concluding the two-year-long process of Magyar Bankholding. Since 1 May, the second largest, solely Hungarian-owned credit institution in Hungary continue its activities under the name of MBH Bank with a new image and customer service. The Bank will rebrand its entire branch network in several phases, planned for the end of this year. In some locations, the replacement of external branding elements will only provide a temporary and partial solution until the entire branch network is renovated. The internal refurbishment of the branches is aiming to create a modern branch network, supported by state-of-the-art digital solutions, providing a standardised level of service throughout the country, and primarily based on advisory services.

In addition to rebranding its branch network, MBH Bank continued the developments started in 2022, with a strong focus on enhancing a uniformed, more efficient and more convenient customer service. By the end of Q2 2023, a standardised cashiering and safe system was completed for the entire branch network, which enables uniformed cash service regardless of the (former) member bank entity. The merger of Takarékbank has also led to new, standardised branch processes, new consultancy trainings, which have contributed to an increased level of customer satisfaction and more efficient customer service.

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.

2.4.3 Leasing

The consolidated MBH Group includes the dominant operators of the domestic leasing market, Euroleasing Zrt., Budapest Leasing Zrt. and Euroleasing Ingatlan Zrt. (former name: Takarék Leasing Zrt.) As an important step in the merger process, from the first day of 2022, Euroleasing Zrt., Budapest Leasing Zrt., Euroleasing Ingatlan Zrt., and Budapest Bank's (from May 2023 MBH Bank) car financing segment continue to operate under the same management structure, in a coordinated and integrated manner.

The leasing group has a national network and a market share of more than 20 percent based on the newly placed, aggregated leasing stock– all showing the importance of this step. The Group is a market leader in several segments on the leasing market. After the integration, new loan and leasing services will primarily be provided by Euroleasing Zrt., while contracts concluded before January 1, 2022 will continue to be managed by the original leasing companies or their legal successors.

The leasing portfolio was HUF 532.0 billion on June 30, 2023, which is 1.8% higher (HUF +9.4 billion) as the previous quarter's level.

Car financing activity

The leasing group has become a key operator in the vehicle financing segment of the leasing market. From the third quarter of 2021, the international trends - primarily the shortage of chips holding back production and the slowdown of supply chains - became noticeable in the Hungarian car sales market, and through it also in the vehicle financing market, which had a strong negative impact on the sales and financing markets as well. However, starting from the fourth quarter of 2021, the introduction of the subsidized Széchenyi Leasing GO! and then Széchenyi Leasing MAX products had a stimulating effect on the financing market, which in 2022 drove a significant number of buyers towards the financing market in the affected segments. In addition to previous unfavorable factors, the Russo Ukrainian war also had a negative impact on the production and sale of new vehicles, and at the same time on the financing market. The general trend of rising interest rates reduced the demand for financing, while rising prices had a negative effect on the sales market. We do not expect any changes in these factors in the short term.

Euroleasing Zrt. and RCI Services Kft. have signed a cooperation agreement on 27.03.2023 under which the leasing company became the official domestic financier of the Renault, Dacia and Alpine brands from 1 March 2023.

Asset financing activity

The leasing group has a dominant market position in the asset financing leasing market and is market leader in several segments. State support programs (EXIM, KAVOSZ) had a significant impact on the asset financing market segment, while the leasing group played a prominent role in bringing these subsidized products to market. The deterioration of the economic environment has had an effect on the asset financing market in the past period through the narrowing of investment desire and demand, as well as investment opportunities, which will hopefully be mitigated adequately in the future by state economic stimulus programs.

2.4.4 Investment services and Treasury activities

Treasury Trading and Sales activities

In the Treasury Trading division, the second quarter was a successful one for foreign exchange trading, despite reduced volatility in the forint market. Continued high funding costs made bond trading very difficult in the second quarter, but Money Market activity performed well. The Bank was active both in the FX and bond markets. As the Treasury Trading activity is also directly affected by the transformation of MBH Group, the division placed a strong focus during the quarter under review on developing an operational structure adapted to the changing environment, implementing various forward-looking IT developments and supporting the merger process

Treasury Sales

The forint was trading in a narrower range in the second quarter compared to the previous period mostly testing the lower bound of its trend channel. This tendency was fundamentally unfavourable for corporate FX hedge flows, but structured hedging strategies helped to maintain the dynamics of the first quarter. The benchmark overnight rate and the yield curve started to decline but it didn't affect the active interest in individual deposits and bond investments.
Besides everyday business activity the fusion and harmonisation process continued to require significant resources, but it should lead to the implementation of a new unified service model with the adequate infrastructure by the end of the year.

Investment services

In the second quarter of 2023, government bond sales continued to be the main focus of investment services. Inflation and yield environment supported demand for inflation-tracking retail government securities (PMÁP), but the main focus of sales was on investment funds, including bond-type funds. Demand for fixed-rate bonds with a maturity of over one year and discount Treasury bills remained strong. As a result of earlier expansion of the investment product range, clients are able to choose from a greater number of third-party and proprietary funds, which are best suited to their interests and risk appetite, and have seen a greater inflow into these products.

Equity market activity, which had appeared to stagnate, did not pick up significantly in the second quarter. Lower turnover was driven by more moderate equity market movements and, in the case of foreign equities, by the freezing of positions from foreign exchange bought at higher FX levels. FX products continued to be the most traded products despite decreasing volatility. In addition to forward foreign exchange transactions, the volume of options is also becoming increasingly pronounced. In the government bond market, the majority of investors have already unloaded their MÁP+ and there is continued interest in inflation-linked bonds with much higher interest rates. Discount Treasury Bills (DKJ) sales also boosted during the quarter, although they appear to have declined following a significant drop in yields as achievable yields fell below 10%. Among clients with shorter investment horizons and those excluded from the retail government bond market (typically corporate clients), the MNB's one-week discount bond issues are increasingly popular despite the rate cut cycle.

In Q2 2023 the MBH Befektetési Alapkezelő Zrt. has started the optimalization of the existing product range in order to offer a clean and compact scale of investment funds. The authorisation procedures were started at the Hungarian National Bank regarding the changes of investment funds. In consequence changes of names, change of settlement practice, launch of investment series and a merger will be placed in July.

As at 30 June 2023, the Asset Manager managed a total of HUF 1,778 bn in net asset value investments, representing a market share[1] of 10.64%. The MKB Asset Management Co. is ranked second among pension fund managers (in terms of assets under management).

2.5 ESG strategy of MBH Group

Identifying the main challenge of our time, environmental and operational sustainability, the MBH Group is committed to being a key player in the creation of sustainable economic operations in the domestic financial markets. International and domestic financial market expectations and regulatory requirements set out clear and increasing sustainability expectations for the banking sector for the coming years. Global, European Union and domestic financial trends increasingly point to the fact that large domestic banks that do not adapt sustainability considerations into their operations may find themselves in an increasingly difficult position in the market.

The market share of the MBH Group means that customers and partners have high expectations of the Bank. As the second largest banking group in Hungary, MBH Bank has a key role and responsibility in supporting and financing sustainable and climate-friendly investments. MBH Group is thus able to make a significant contribution, commensurate with its weight, to the achievement of the domestic climate goals and to the achievement of a sustainable economy.

MBH’s environmental, social responsibility and corporate governance (ESG) strategy was announced in 2022. MHB has set ambitious targets in the course of its strategic work. MBH’s goal is to place the Group at the forefront of the Hungarian banking market in terms of sustainability.

The MBH Group aims to be a partner to its customers in achieving their sustainability goals, has a key role and responsibility in supporting and financing sustainable and climate investments and aims to raise awareness of sustainability issues among its customers.

Based on its corporate role, the MBH Group aims to make its internal operations sustainable, thereby setting an example of responsible operations for its partners and customers. It aims to achieve decarbonisation in its own operations, incorporate ESG aspects, train employees and ensure their well-being.

To achieve the strategic objectives, five strategic pillars and their corresponding action plans are identified:

1. Sustainability as a business opportunity and sustainability awareness,
2. Taking ESG risks into account in risk management decisions,
3. Decarbonisation efforts,
4. Responsible corporate governance, transformation and transparency,
5. Employee well-being and attitudinal change.

The ESG Strategy is aligned with MBH Group's business strategy. Digitalisation efforts support, among other things, decarbonisation goals and sustainability-related product and service development.

In terms of decarbonisation targets, the MBH Group aims to maximise its contribution to the Paris Agreement targets by reducing its carbon emissions as quickly as possible. This is why, MBH has launched the "Net Zero" project, which aims, as a first step, to establish a carbon inventory.

[2] Source: BAMOSZ

The MBH Group aims to develop transparent, sustainability-friendly external and internal operations based on its role as a responsible corporate citizen. It is committed to integrating sustainability considerations into its management processes and its requirements towards its partners.

One of MBH's flagship projects, launched in 2022, is the integration of ESG aspects into the lending framework. The aim of the project is to assess the existing overall loan portfolio from an ESG risk rating perspective, which is necessary to provide a baseline from which the Group can increase its green lending. This will be used as a basis for adjusting business and risk strategy, which will have an indirect impact on the environment.

The bank merger created one of the largest banks in Hungary, and ESG and sustainability have been a key principle in the transformation.

In line with its ESG Strategy, in spring of 2023 MBH Bank planted 10,000 trees on 2.5 hectares in Tolna County with the collaboration of 140 of the Bank's employees. The programme's aim was twofold, as it combines the net zero targets laid down in the strategy and the efforts to actively raise awareness around sustainability issues among its employees and clients.

Also this spring, the Bank launched a new green loan: right after the National Bank of Hungary relaunched its revised framework, the Bank was the first on the market to introduce a Green Certified Consumer-friendly Housing Loan on 1st April.

Monitoring of ESG Strategy and coordination of its implementation is carried out by the ESG department, under the direction of the senior manager responsible for this area. The Executive Board and the Board of Directors monitor the implementation of the strategy through regular reporting.

2.6 Awards and recognitions

MBH Bank is ranked in Newsweek's annual list of the „Global Top100 Most Loved Workplaces".

Our digital preboarding solution came first at HRBest, HR Fest's HR solutions competition, in the category of 'Digital Employee Experience'.

Privátbankár recognised MBH Fund Management with four „Klasszis 2023" awards, among them the 'Emerging Fund Manager of the Year' award.

The MBH Start internship programme won two silver medals at the Zynternship Awards, in the „Talent Starter" category.

By incorporating ESG aspects into product development, MBH Bank was recognised with „Zöld Kerék Award" by IFUA Horváth.

Declaration

MBH Bank Nyrt. (hereinafter Bank) issues the following declaration in relation to its report on the H1 2023 results (Flash Report):

The Bank declares that the Flash Report has been prepared in compliance with the applicable accounting regulations. The Flash Report, prepared according to the best knowledge and information of the experts and decision-making managers of the Bank concerned reflects a true and fair view of the assets and liabilities, financial position and profit and loss of the Bank as securities issuer and the consolidated companies, furthermore the H1 2023 financial statements give a fair view of the position, development and performance of the Bank, disclosing the risks and the factors of uncertainty.

No independent audit report has been prepared for the Flash Report.

Budapest, 31 August 2023

MBH Bank Nyrt.

Mr Zsolt Barna, dr.	Mr Péter Krizsanovich
Chairman Chief Executive	Deputy Chief Executive Officer for Finances

3 FINANCIAL FIGURES

3.1 Correction factors H1 2023

in HUF million	2023 H1 Accounting Report	Structure corrections	Business corrections				Adjusted PAT
			Banking tax	Extra profit tax	Extra OBA fee	Integration costs	
Interest income	589 449	9 963	0	0	0	0	599 412
Interest expense	-306 112	-5 163	0	0	0	0	-311 275
Net interest income	**283 337**	**4 800**	**0**	**0**	**0**	**0**	**288 137**
Net income from commissions and fees	64 635	-21 600	0	0	0	0	43 035
Results from financial instruments	-1 846	-3 951	0	0	0	0	-5 797
Other operating income / (expense), net	8 512	21	7 212	0	-13 204	0	2 539
Impairments and provisions for losses	-30 080	-7 544	0	0	0	0	-37 624
Dividend income	0	0	0	0	0	0	0
Share of jointly controlled and associated comp	640	-640	0	0	0	0	0
Operating expenses	-222 839	28 913	8 966	50 576	7 978	1 578	-124 828
Profit / (Loss) before taxation	**102 359**	**0**	**16 178**	**50 576**	**-5 226**	**1 578**	**165 463**
Income tax expense / (income)	-17 651	0	-1 456	-4 552	470	-142	-23 330
PROFIT/ (LOSS) FOR THE YEAR	**84 708**	**0**	**14 722**	**46 024**	**-4 756**	**1 436**	**142 133**
Other comprehensive income	*25 683*	*0*	*0*	*0*	*0*	*0*	*25 683*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**110 391**	**0**	**14 722**	**46 024**	**-4 756**	**1 436**	**167 816**

in HUF million	2023 H1 Report	Structure corrections		Adjusted BS structure
		Liabilities	Assets	
		Custormer deposits and other liabilities reclassification	Custormer loans and other assets reclassification	
Total Assets	10,487,212	0	0	10,487,212
Cash reserves	124,447			124,447
Loans and advances to banks	1,109,610			1,109,610
Trading portfolio	341,109			341,109
Securities	3,733,022			3,733,022
Loans and advances to customers	4,708,313		0	4,708,313
Other assets	224,383		-71	224,312
Investments in jointly controlled entities and associates	77,698			77,698
Intangibles, property and equipment	168,630		71	168,701
Total liabilities and equity	10,487,212	0	0	10,487,212
Total liabilities	**9,594,232**	**0**	**0**	**9,594,232**
Amounts due to other banks	2,493,127			2,493,127
Deposits and current accounts	6,270,902			6,270,902
Derivate financial liabilities	189,438			189,438
Other liabilities and provisions	175,745			175,745
Issued debt securities	465,020			465,020
Shareholders' Equity	**892,980**	**0**	**0**	**892,980**
Share capital	322,530			322,530
Reserves	570,451			570,451

Company name: MBH Bank Nyrt.
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Sector: Other monetary activity
Reporting period: 01.04.2023-30.06.2023
Phone: +36 (1) 268-8004
Fax: +36 (1) 268-7555
E-mail address: investorrelations@mbhbank.hu
Investors' contact person: Dóra Bertalan

3.2 Consolidated, non-audited financial statements of the MBH Group according to IFRS

3.2.1 Income statement

in HUF million	2022 H1	2023 H1
Interest and similar to interest income	201,565	589,449
Interest and similar to interest expense	(87,975)	(306,112)
Net interest income	**113,590**	**283,337**
Net income from commissions and fees	39,247	64,635
Results from financial instruments	29,511	(1,846)
Other operating income / (expense), net	(334)	7,542
(Impairment) / Reversal on financial and non-financial instruments	(17,787)	(30,080)
Dividend income	4,599	1,610
Operating expense	(128,387)	(222,839)
Profit before taxation	**40,439**	**102,359**
Income tax income / (expense)	(6,919)	(17,651)
PROFIT FOR THE YEAR	**33,520**	**84,708**
Other comprehensive income	(4,738)	25,683
TOTAL COMPREHENSIVE INCOME	**28,782**	**110,391**

3.2.2 Balance sheet

in HUF million	2022Q1	2023 H1
Assets		
Cash and cash equivalents	**1,361,315**	**1,115,715**
Financial assets measured at fair value through profit or loss	**819,718**	**720,607**
Loans and advances to customers mandatorily at fair value through profit or loss	418,517	456,223
Securities held for trading	49,923	13,867
Securities mandatorily at fair value through profit or loss	24,869	17,453
Derivative financial assets	326,409	233,064
Hedging derivative assets	**164,338**	**114,145**
Financial assets measured at fair value through other comprehensive income (Securities)	**630,845**	**823,527**
Financial assets measured at amortised cost	**7,377,255**	**7,409,949**
Loans and advances to banks	179,088	111,992
Loans and advances to customers	4,342,801	4,252,090
Repurchase assets	1,070	4,315
Securities	2,781,620	2,919,844
Other financial assets	72,676	121,708
Investments in subsidiaries and associates	**49,599**	**49,930**
Intangible assets, Property, plant and equipment	**168,856**	**168,399**
Other assets	**42,496**	**84,940**
Total assets	**10,614,422**	**10,487,212**
Liabilities		
Financial liabilities measured at fair value through profit or loss	**278,203**	**204,519**
Financial liabilities measured at amortised cost	**9,416,275**	**9,253,570**
Amounts due to banks	2,378,471	2,203,364
Amounts due to customers	6,574,357	6,270,902
Repurchase liabilities	0	234,112
Issued debt securities	290,838	357,138
Subordinated debt	88,887	107,882
Other financial liabilities	83,722	80,172
Hedging derivative liabilities	**1,365**	**8,472**
Provisions	**22,623**	**27,533**
Other liabilities	**87,220**	**100,138**
Total liabilities	**9,805,686**	**9,594,232**
Equity		
Share capital	321,699	322,530
Reserves	487,037	570,450
Total equity	**808,736**	**892,980**
Total liabilities and equity	**10,614,422**	**10,487,212**

3.2.3 Shareholders' assets

in HUF million	Share capital	Share premium	Retained earnings	Other reserves	Accumulated other comprehensive income	Non-controlling interests	Total equity
On 1 January 2022	100,000	21,729	134,553	17,040	(23,569)	-	249,753
Profit/ (loss) for the year	-	-	88,942	-	-	2,226	**91,168**
Other comprehensive income for the year	-	-	-	-	4,664	98	**4,762**
Total comprehensive income	**-**	-	88,942	-	4,664	2,324	**95,930**
Share issue and share premium	85,982	122,239	-	-	-	-	**208,221**
Dividend	-	-	(4,300)	-	-	-	**(4,300)**
General reserve for the year	-	-	(6,463)	6,463	-	-	**-**
Changes from business combination - Budapest Bank, Magyar Takarék Bankholding merger	135,717	169,979	(88,101)	9,049	(2,452)	37,125	**261,317**
Other increases and decreases from business combinations	-	-	(3,097)	-	-	912	**(2,185)**
Transactions with owners	**221,699**	**292,218**	**(101,961)**	**15,512**	**(2,452)**	**38,037**	**463,053**
At 31 December 2022	321,699	313,947	121,534	32,552	(21,357)	40,361	808,736
Profit/ (loss) for the year	-	-	81,953	-	-	2,754	**84,707**
Other comprehensive income for the year	-	-	-	-	25,359	324	**25,683**
Total comprehensive income	-	-	81,953	-	25,359	3,078	**110,390**
Share issue and share premium	-	-	-	-	-	-	**-**
Dividend	-	-	(25,092)	-	-	-	**(25,092)**
General reserve for the year	-	-	-	-	-	-	**-**
Changes from business combination - Budapest Bank, Magyar Takarék Bankholding merger	831	34,947	(39,578)	6,682	-	(3,108)	**(226)**
Other increases and decreases from business combinations	-	-	155	-	268	(1,251)	**(828)**
Transactions with owners	**831**	**34,947**	**(64,515)**	**6,682**	**268**	**(4,359)**	**(26,146)**
At 30 June 2023	322,530	348,894	138,972	39,234	4,270	39,080	892,980

3.3 Individual, non-audited financial statements of MBH Bank Nyrt. according to IFRS

3.3.1 Income statement

in HUF million	2022 H1	2023 H1
Interest and similar to interest income	146,095	501,820
Interest and similar to interest expense	(76,613)	(317,334)
Net interest income	**69,482**	**184,486**
Net income from commissions and fees	23,456	41,156
Results from financial instruments	30,632	(9,362)
Other operating income / (expense), net	(1,845)	6,769
(Impairment) / Reversal on financial and non-financial instruments	(3,782)	(25,942)
Dividend income	4,014	6,068
Operating expense	(77,178)	(149,230)
Profit before taxation	**44,779**	**53,945**
Income tax income / (expense)	(4,094)	(8,882)
PROFIT FOR THE YEAR	**40,685**	**45,063**
Other comprehensive income	(33,660)	21,120
TOTAL COMPREHENSIVE INCOME	**7,025**	**66,183**

3.3.2 Balance sheet

in HUF million	2022Y	2023 H1
Assets		
Cash and cash equivalents	1,081,158	1,154,033
Financial assets measured at fair value through profit or loss	476,909	705,579
Loans and advances to customers mandatorily at fair value through profit or loss	182,875	449,969
Securities held for trading	8,434	4,492
Securities mandatorily at fair value through profit or loss	18,017	31,956
Derivative financial assets	267,583	219,162
Hedging derivative assets	142,874	118,887
Financial assets measured at fair value through other comprehensive income (Securities)	428,520	796,150
Financial assets measured at amortised cost	4,823,478	7,421,050
Loans and advances to banks	448,627	487,641
Loans and advances to customers	2,565,343	4,169,259
Repurchase assets	9,080	18,075
Securities	1,772,915	2,598,143
Other financial assets	27,513	147,932
Investments in subsidiaries and associates	424,367	240,857
Intangible assets, Property, plant and equipment	81,931	89,204
Other assets	9,541	45,896
Total assets	**7,468,778**	**10,571,656**
Liabilities		
Financial liabilities measured at fair value through profit or loss	196,728	178,714
Financial liabilities measured at amortised cost	6,417,607	9,400,507
Amounts due to banks	1,965,931	2,530,331
Amounts due to customers	4,207,025	6,287,862
Repurchase liabilities	73,429	330,290
Issued debt securities	12,906	79,156
Subordinated debt	88,887	112,243
Other financial liabilities	69,429	60,625
Hedging derivative liabilities	158	8,471
Provisions	13,977	27,087
Other liabilities	47,296	79,773
Total liabilities	**6,675,766**	**9,694,552**
Equity		
Share capital	321,699	322,530
Reserves	471,313	554,574
Total equity	**793,012**	**877,104**
Total liabilities and equity	**7,468,778**	**10,571,656**

3.3.3 Shareholders' assets

in HUF million	Share capital	Share premium	Retained earnings	Other reserve	Accumulated other comprehensive income	Total equity
On 1 January 2022	**100,000**	**21,729**	**123,681**	**17,040**	**(23,569)**	**238,881**
Profit/ (loss) for the year	-	-	64,637	-	-	**64,637**
Other comprehensive income for the year	-	-	-	-	3,693	**3,693**
Total comprehensive income for the year	**-**	**-**	**64,637**	**-**	**3,693**	**68,330**
Issue of share capital and share premium	85,982	122,239	-	-	-	**208,221**
Dividend	-	-	(4,300)	-	-	**(4,300)**
General reserve for the year	-	-	(6,463)	6,463	-	**-**
Increase / decrease due to the merger	135,717	169,979	(28,763)	9,049	(4,102)	**281,880**
On 31 December 2022	**321,699**	**313,947**	**148,792**	**32,552**	**(23,978)**	**793,012**
Profit/ (loss) for the year	-	-	45,063	-	-	**45,063**
Other comprehensive income for the year	-	-	-	-	21,120	**21,120**
Total comprehensive income	**-**	**-**	**45,063**	**-**	**21,120**	**66,183**
Dividend	**-**	-	(25,093)	**-**	**-**	**(25,093)**
Increase / decrease due to the merger	831	34,947	6,952	6,682	(6,410)	**43,002**
On 30 June 2023	**322,530**	**348,894**	**175,714**	**39,234**	**(9,268)**	**877,104**

*Due to the application of uniform accounting policy principles, the general reserve is separated in the other reserve.

3.4 Other information

Consolidated companies

Name of Company from 01.05.2023	Company (earlier name)	Country of incorporation	Brief description of activities	MKB's share of ownership, total, according to Credit Institutions Act (%)	MKB's share of voting right, total (%)
MBH DOMO Kft.	MBH DOMO Kft.	Hungary	Renting and operating of own or leased real estate	100.00	100.00
MBH Befektetési Alapkezelő Zrt.	MBH Befektetési Alapkezelő Zrt.	Hungary, Czech Republic	Fund management	75.54	75.54
Budapest Lízing Zrt.	Budapest Lízing Zrt.	Hungary	Financial leasing	100.00	100.00
Euroleasing Ingatlan Zrt.	TAKARÉK Lízing Zrt.	Hungary	Other credit granting	100.00	100.00
Budapest Eszközfinanszírozó Zrt.	Budapest Eszközfinanszírozó Zrt.	Hungary	Renting and leasing of other machinery, equipment and tangible goods	100.00	100.00
MBH Ingatlanfejlesztő Kft.	MKB Üzemeltetési Kft.	Hungary	Renting and operating of own or leased real estate	100.00	100.00
Euroleasing Zrt.	Euroleasing Zrt.	Hungary	Financial leasing	100.00	100.00
Retail Prod Zrt.	Retail Prod Zrt.	Hungary	Other credit granting	100.00	100.00
MBH Bank MRP Szervezet	MKB Bank MRP Szervezet	Hungary	Entity operating based on the ESOP Act	100.00	100.00
MBH Befektetési Bank Zrt.	MTB Magyar Takarékszövetkezeti Bank Zrt.	Hungary	Credit institution, investment and Treasury services	80.56	100.00
MBH Jelzálogbank Nyrt.	Takarék Jelzálogbank Nyrt.	Hungary	Issuance of mortgage bonds, refinancing of mortgage loans	48.42	48.53
Takarék Faktorház Zrt.	Takarék Faktorház Zrt.	Hungary	Other credit granting	100.00	100.00
Takinfo Kft.	Takinfo Kft.	Hungary	Formerly: computer facilities management activities, now only operation and utilisation of real	52.38	52.38
TAKARÉK Ingatlan Zrt.	TAKARÉK Ingatlan Zrt.	Hungary	Management of real estate on a fee or contract basis	100.00	100.00
MBH Blue Sky Kft.	Takarék Invest Kft.	Hungary	Asset manafement (holding)	100.00	100.00
MITRA Informatikai Zrt.	MITRA Informatikai Zrt.	Hungary	Data processing, hosting and related activities	96.47	96.47
MBH Szolgáltatások Zrt.	TIHASZ Takarék Ingatlanhasznosító Zrt.	Hungary	Renting and operating of own or leased real estate	100.00	100.00
Magyar Strat-Alfa Befektetési Zrt.	Magyar Strat-Alfa Befektetési Zrt.	Hungary	Buying and selling of own real estate Renting and operating of own or leased real estate	50.00	50.00

List and presentation of owners with more than 5% participation (30.06.2023)

Name	Number of shares	Ownership share (%)	Voting rights (%)
Hungarian Bankholding Ltd.	318,883,966	99.12%	99.12%

Shareholders with over/around 5% stake (after generation and the stock exchange listing of shares issued regarding the merger of Takarékbank Zrt. into MBH Bank Plc. approved by way of Resolution No. 57/2022 (9 December 2022) of the Extraordinary General Meeting)

Name	Number of shares	Ownership share (%)	Voting rights (%)
Hungarian Bankholding Ltd.	318 883 966	98.87%	98.87%

Full-time employees

FTE, end of period	30.06.2022	30.09.2022	31.12.2022	31.03.2023	30.06.2023
MBH Bank Nyrt.	4,613.90	4,743.75	4,737.63	5,170.95	8,371.01
MBH	13.55	12.65	1.25	0.00	0.00
MITRA Informatikai Zrt.	168.40	403.80	402.00	149.00	149.55
MBH Ingatlanfejlesztő Kft.	30.61	32.61	31.72	30.97	28.72
Eurolízing	195.15	204.37	347.55	346.00	347.75
Alapkezelő	15.25	45.00	42.75	40.75	44.00
Budapest Eszközfinanszírozó Zrt.	3.25	4.25	3.25	4.25	4.25
Budapest Lízing Zrt.	24.50	23.75	0.00	0.00	0.00
MBH Bank MRP Szervezet	2.00	2.00	2.00	2.00	2.00
MBH Befektetési Bank Zrt.	456.75	419.09	414.24	407.69	386.38
Takarékbank Zrt.	3,919.74	3,686.60	3,398.60	3,342.57	0.00
MBH Jelzálogbank Nyrt.	14.88	14.88	14.23	14.23	16.20
Takarék Központi Követelésbehajtó Zrt.	0.25	0.00	0.00	0.00	0.00
Takarék Faktorház Zrt.	10.38	8.28	7.88	7.88	3.50
Takarék Ingatlan Zrt.	19.63	18.63	17.63	17.63	1.00
Euroleasing Ingatlan Zrt.	15.54	15.54	0.50	1.50	0.50
TIFOR Takarék Ingatlanforgalmazó Zrt.	4.05	3.55	0.00	0.00	0.00
MBH Szolgáltatások Zrt.	37.95	49.45	52.95	70.53	69.53
Takarék Központi Követelés Kezelő Zrt.	58.50	0.00	0.00	0.00	0.00
MBH Group	9,604.28	9,688.20	9,474.18	9,605.95	9,424.38

Managers and strategic employees

Type[1]	Name	Position	Beginning of mandate	End/termination of mandate	Number of shares held
IT, SP	Dr. Zsolt Barna	Chairman and CEO	01.01.2021	31.12.2025	0
IT	István Sárváry	member	04.04.2022	12.31.2025	0
IT	Dr. Balázs Vinnai	member	05.04.2022	12.31.2025	0
IT	Marcell Tamás Takács	member	30.07.2020	29.07.2025	0
IT, SP	Ádám Egerszegi	member	04.04.2022	12.31.2025	0
IT, SP	Levente László Szabó	member	04.04.2022	12.31.2025	0
IT	Andrea Mager	member	01.09.2022	31.08.2024	0
FB	Dr. Andor Nagy	Chairman	04.04.2022	12.31.2025	0
FB	Zsigmond Járai	member	04.04.2022	12.31.2025	0
FB	Miklós Vaszily	member	04.04.2022	12.31.2025	0
FB	dr. Géza Láng	member	01.09.2022	12.31.2025	0
FB	Rita Feodor	member	01.09.2022	12.31.2025	0
FB	dr. Péter Magyar	member	01.09.2022	12.31.2025	0
FB, SP	Kitti Dobi	member	26.07.2021	24.07.2026	0
FB	Balázs Bechtold	member	26.07.2021	06.07.2026	0
FB	dr. Ilona Török	member	02.09.2022	31.03.2026	0
SP	Ildikó Ginzer	Deputy CEO	21.12.2016		0
SP	Ádám Egerszegi	Deputy CEO	10.12.2021		0
SP	Levente László Szabó	Deputy CEO	10.12.2021		0
SP	Péter Krizsanovich	Deputy CEO	02.02.2023		0
SP	Kitti Dobi	Deputy CEO	09.12.2021		0
SP	András Bakonyi	Deputy CEO	15.06.2023		0
SP	András Puskás	Deputy CEO	16.06.2023		0
SP	Dr. Beatrix Mészáros	Deputy CEO	10.02.2022		0

[1] Employee in strategic position (SP), Board of Directors member (IT), Supervisory Board member (FB)

4 ANNEXES

4.1 Financial indicators

4.1.1 Adjusted KPIs on profit&loss

KPI	Short description	Formulation	Current cumulated figures
ROAE	Adjusted rate on average equities	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average equities (HUF bln)}}$	$\frac{142,133}{841,283} * \frac{4}{2} =$ **33.79%**
ROMC	Adjusted rate on minimum capital	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average minimum capital (HUF bln)}}$	$\frac{142,133}{514,283} * \frac{4}{2} =$ **55.27%**
ROAA	Adjusted rate on average total assets	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{142,133}{10,498,812} * \frac{4}{2} =$ **2.71%**
TRM	Adjusted total revenue margin	$\frac{\text{Annualised adjusted Gross Operating Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{327,914}{10,498,812} * \frac{4}{2} =$ **6.25%**
CIM	Adjusted core income margin	$\frac{\text{Annualised adjusted net interest + net fee (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{(288,137 + 43,035)}{10,498,812} * \frac{4}{2} =$ **6.31%**
NIM	Adjusted net interest income margin	$\frac{\text{Annualised adjusted Net Interest Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{288,137}{10,498,812} * \frac{4}{2} =$ **5.49%**
NFM	Adjusted net fee margin	$\frac{\text{Annualised adjusted Net Fee Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{43,035}{10,498,812} * \frac{4}{2} =$ **0.82%**
C/TA	Adjusted cost to total assets	$\frac{\text{Annualised adjusted General Admin. Expenses (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{124,828}{10,498,812} * \frac{4}{2} =$ **2.38%**
CIR	Adjusted cost-income ratio	$\frac{\text{Adjusted General Admin. Expenses (HUF bln)}}{\text{Adjusted Gross Operating Income (HUF bln)}}$	$\frac{124,828}{327,914} =$ **38.07%**
Risk%	Adjusted risk cost rate	$\frac{\text{Annualised adjusted provision for losses on loans (HUF bln)}}{\text{Average gross loans (HUF bln)}}$	$\frac{19,251}{4,966,790} * \frac{4}{2} =$ **0.78%**
GOI/RWA	Adjusted RWA efficiency	$\frac{\text{Annualised adjusted Gross Operating Income (HUF bln)}}{\text{Average Total RWA (HUF bln)}}$	$\frac{327,914}{4,135,550} * \frac{4}{2} =$ **15.86%**
EPS	Adjusted earnings per share	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average number of shares (bln pcs)}}$	$\frac{142,133}{319} * \frac{4}{2} =$ **891.44**

4.1.2 KPIs on profit&loss as in financial statement (unadjusted)

KPI	Short description	Formulation	Current cumulated figures
ROAE	Rate on average equities	Annualised PAT (HUF bln) / Average equities (HUF bln)	84,707 / 841,283 * 4/2 = **20.14%**
ROMC	Rate on minimum capital	Annualised PAT (HUF bln) / Average minimum capital (HUF bln)	84,707 / 514,283 * 4/2 = **32.94%**
ROAA	Rate on average total assets	Annualised PAT (HUF bln) / Average Total assets (HUF bln)	84,707 / 10,498,812 * 4/2 = **1.61%**
TRM	Total revenue margin	Annualised Gross Operating Income (HUF bln) / Average Total assets (HUF bln)	333,140 / 10,498,812 * 4/2 = **6.35%**
CIM	Core income margin	Annualised net interest + net fee (HUF bln) / Average Total assets (HUF bln)	(288,137 + 43,035) / 10,498,812 * 4/2 = **6.31%**
NIM	Net interest income margin	Annualised Net Interest Income (HUF bln) / Average Total assets (HUF bln)	288,137 / 10,498,812 * 4/2 = **5.49%**
NFM	Net fee margin	Annualised Net Fee Income (HUF bln) / Average Total assets (HUF bln)	43,035 / 10,498,812 * 4/2 = **0.82%**
C/TA	Cost to total assets	Annualised General Admin. Expenses (HUF bln) / Average Total assets (HUF bln)	126,405 / 10,498,812 * 4/2 = **2.41%**
CIR	Cost-income ratio	General Admin. Expenses (HUF bln) / Gross Operating Income (HUF bln)	126,405 / 333,140 = **37.94%**
Risk%	Risk cost rate	Annualised provision for losses on loans (HUF bln) / Average gross loans (HUF bln)	-19,251 / 4,966,790 * 4/2 = **0.78%**
GOI/RWA	RWA efficiency	Annualised Gross Operating Income (HUF bln) / Average Total RWA (HUF bln)	333,140 / 4,135,550 * 4/2 = **16.11%**
EPS	Earnings per share, IFRS	PAT (HUF bln) / Average number of shares (bln pcs)	84,707 / 319 * 4/2 = **531.3**

4.1.3 Volume KPIs

KPI	Short description	Formulation	Current cumulated figures
Provision/ Total Assets	Provision to Total Assets	Provision for customer loans (HUF bln) / Total Assest (HUF bln)	236,071 / 10,487,211 = 2.25%
Securities rate	Securities to Total assets	Securities (HUF bln) / Total Assest (HUF bln)	3,746,909 / 10,487,211 = 35.73%
CAR	Capital adequacy ratio	Regulatory capital (HUF bln) / Total RWA (HUF bln)	826,308 / 4,198,456 = 19.68%
RWA/ Total Assets	Risk weighted assets to Total assets ratio	Total RWA (HUF bln) / Total Assest (HUF bln)	4,198,456 / 10,487,211 = 40.03%
DPD coverage	Rate of loans past due for more than 90 days covered by provision	Provision for customer loans (HUF bln) / Loans past due for more than 90 days (HUF bln)	236,071 / 117,066 = 201.66%
NPL rate	Rate of non-performing loans	Non-performing customer loans (HUF bln) / Gross customer loans (HUF bln)	228,663 / 4,944,384 = 4.62%
Direct NPL coverage	Rate of non-performing loans covered directly by provision	Provision for non-performing customer loans (HUF bln) / Non-performing customer loans (HUF bln)	110,885 / 228,663 = 48.49%
Indirect NPL coverage	Rate of non-performing loans covered by provision	Provision for customer loans (HUF bln) / Non-performing customer loans (HUF bln)	236,071 / 228,663 = 103.24%

4.2 Summary of the methodology underlying the H1 2023 report

Concerning comparisons to base year figures, this half yearly report and the related investment presentation are – unless otherwise indicated – based on the pro forma statement prepared by the Bank Group for year 2022.

MBH Bank prepared and published the pro forma consolidated balance sheet and profit and loss statement for 2021, as presented in the Exemption Document. The pro forma information in the balance sheet and profit and loss statements show the consolidated financial position as well as profit and loss of MBH Bank and its consolidated subsidiaries as of the reporting date of 31st December 2021, assuming the Merger had been executed on 1st January 2021.

The pro forma data and related statements are given only for information purposes; by their very nature they apply to a presumed situation and illustrate the impacts of the Merger if it had taken place at an earlier date.

Principles underlying the preparation of pro forma statements:

- It was compiled in accordance with the single consolidated accounting policy applied in business years 2021 and 2022. Consequently, it does not contain any adjustments that might stem from potential differences between accounting policies.
- The unadjusted initial information used in the preparation of the accounting statements was taken from the consolidated audited IFRS annual report of the business year ending on 31st December 2021.
- Since on 15th December 2020 Magyar Bankholding Zrt. acquired majority influence in MKB Bank, Budapest Bank and the Takarék Group, the consolidated annual report prepared by Magyar Bankholding Zrt. for the business year 2021 includes the data of these companies as well as their subsidiaries consolidated for accounting purposes.
- Main steps of the preparation of pro forma statements

  The following steps were taken into consideration during the preparation of the pro forma statements:

  1. Step One: subtraction of Magyar Bankholding Zrt's individual data from its consolidated data;
  2. Step Two: elimination of consolidation steps from Magyar Bankholding Zrt's consolidated statements to generate the aggregated individual data of the new Issuer group created by the Merger.
  3. Step Three: various steps of the consolidation of the new Issuer group resulting from the Merger, i.e.
     - Capital consolidation; and
     - Intra-group debt and yield consolidation;
  4. Step Four: separate presentation of the impacts of Magyar Bankholding Zrt's additional asset contribution made simultaneously with the Merger.
- MBH Bank's Q1 2022 accounting profit does not include the Q1 profits/losses of the merging companies. Therefore, the profit and loss data are presented on the basis of modelled pro forma data, adjusted with the profits and losses of the merging entities, for comparability.

- For year 2021 and Q1 2022 the items and principles used in the generation of the adjusted (normalised) profit and loss were modelled retroactively for the pro forma accounting statements in accordance with the Q2, Q3 and Q4 2022 principles, to ensure comparability of the adjusted profit and loss data.
- From Q2 2022 the Consolidated Financial Data are presented including the merged banks.
- MBH Nyrt's information on its H1 2023 performance is based on data contained in the consolidated balance sheet and profit and loss statement prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The analysis of the Bank's activity was based on unaudited data as at 31st December 2021, audited data as at 31st December 2022 and unaudited data as at 30th June 2023.

4.3 Abbreviations

MBH, MBH Bank, MBH Group	MBH Group
HNB, NBH, MNB	National Bank of Hungary (the central bank of Hungary)
y/y	Year on year
p/p	Period on period
bp	Basis point
CAGR	Compounded Annual Growth Rate
(Y), YTD	Year to date data
PAT	Profit after tax
PBT	Profit before tax
GOI	Gross Operating Income
GAE	General Administrative Expenses
OCI	Other comprenesive income
TOCI	Total other comprenesive income
FX	FX result
FV	Revaluation result
IRS	Interest rate swap
TA	Total assets
RWA	Risk weighted assets
Secured loans	Home Loans + Free-to-Use Mortgages
FVTOCI	Fair value through OCI
FVTPL	Fair value through P&L
FTE	Full time equivalent
NPL	Non performing loans
NPE	Non performing exposures
DPD90+	Days past due over 90 days
POCI	Purchased or Originated Credit Impaired Asset
ROE, ROAE	Return on average equity
ROMC	Return on minimum capital
ROA, ROAA	Return on average assets
CIR	Cost-to-income ratio
TRM	Total revenue margin
NIM	Net interest margin
NFM	Net fee margin
CIM	Core Income Margin
CAR	Capital adequacy ratio
LTD	Loans to deposits
EPS	Earning per share
AVA	Asset value adjustment – CRR specification
ÁKK	Price of government bond reference yields determined daily by the National Debt Management Center (ÁKK)
GDMA	Goverment Debt Management Agency
NHP	FGS, Funding for Growth Scheme
KSH	Hungarian Central Statistical Office
ESG	Environmental, Social, Governance