MBH Bank Nyrt.

Flash Report on
Q1 2023 results

Budapest, 31 May 2023

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1 MBH GROUP Q1 2023 RESULTS – OVERVIEW

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

Main components of P&L (in HUF million)	Period					YTD		
	2022Q1	2022Q4	2023Q1	P/P	Y/Y	2022Q1	2023Q1	Y/Y
TOCI accounting (Total Comprensive Income)	**-17,142**	**30,620**	**24,139**	**-21.2%**	**-240.8%**	**-17,142**	**24,139**	**-240.8%**
Other comprehensive income	-41,221	15,793	1,799	-88.6%	-104.4%	-41,221	1,799	-104.4%
Consolidated Profit after tax (accounting)	**24,078**	**14,827**	**22,340**	**50.7%**	**-7.2%**	**24,078**	**22,340**	**-7.2%**
Profit after tax accounting (including BB 1Q 2022 results)*	40,323	14,827	22,340	50.7%	-44.6%	40,323	22,340	-44.6%
Adjustments total on PAT	14,758	5,468	68,436	-	-	14,758	68,436	363.7%
Adjusted TOCI	**7,449**	**36,088**	**92,575**	**156.5%**	**-**	**7,449**	**92,575**	**1142.8%**
Adjusted Other comprehensive income (OCI)	-47,633	15,793	1,799	-88.6%	-103.8%	-47,633	1,799	-103.8%
Adjusted Consolidated Profit after tax	**55,082**	**20,295**	**90,776**	**-**	**64.8%**	**55,082**	**90,776**	**64.8%**
Profit before tax (adjusted)	**59,972**	**9,549**	**107,829**	**-**	**79.8%**	**59,972**	**107,829**	**79.8%**
Gross Operating Income (adjusted)	**98,081**	**140,558**	**167,611**	**19.2%**	**70.9%**	**98,081**	**167,611**	**70.9%**
Net Interest Income (adjusted)	75,414	135,678	150,044	10.6%	99.0%	75,414	150,044	99.0%
Net Fee Income (adjusted)	17,507	20,274	18,690	-7.8%	6.8%	17,507	18,690	6.8%
Net Other Income (adjusted)	5,161	-15,394	-1,123	-92.7%	-121.8%	5,161	-1,123	-121.8%
General Administrative Expenses (adjusted)	-48,944	-79,599	-60,418	-24.1%	23.4%	-48,944	-60,418	23.4%
Provision for losses on loans (adjusted)	10,835	-51,410	636	-101.2%	-94.1%	10,835	636	-94.1%
Main components of Balance sheet (in HUF million)	**Volumes at the end of period**					**YTD average**		
	2022Q1	2022Q4	2023Q1	P/P	Y/Y	2022Q1	2023Q1	Y/Y
Total Assets	**10,289,400**	**10,614,422**	**10,446,808**	**-1.6%**	**1.5%**	**10,017,776**	**10,530,615**	5.1%
Customer Loans (net)	4,454,837	4,761,318	4,740,035	-0.4%	6.4%	4,357,768	4,750,676	9.0%
Customer Loans (gross)	4,615,730	5,011,099	4,955,838	-1.1%	7.4%	4,522,202	4,983,469	10.2%
Provision for Customer loans	-160,893	-249,781	-215,804	-13.6%	34.1%	-164,434	-232,792	41.6%
Deposits & C/A	6,188,435	6,574,357	6,421,763	-2.3%	3.8%	6,203,593	6,498,060	4.7%
Subordinated debt	93,340	88,887	112,704	26.8%	20.7%	212,549	100,796	-52.6%
Shareholders' Equity	711,697	808,736	831,707	2.8%	16.9%	701,873	820,222	16.9%
KPIs based on adjusted and unadjusted PAT (%)	**Period**					**YTD**		
	2022Q1	2022Q4	2023Q1	P-P	Y-Y	2022Q1	2023Q1	Y-Y
ROAE (Return on Average Equity - accounting)	13.7%	7.6%	10.9%	3.3%-pt	-2.8%-pt	13.7%	10.9%	-2.8%-pt
ROAE (Return on Average Equity - adjusted)	31.4%	10.4%	44.3%	33.9%-pt	12.9%-pt	31.4%	44.3%	12.9%-pt
ROMC (Return on Minimum Capital - adjusted)	41.8%	15.8%	71.5%	55.6%-pt	29.7%-pt	41.8%	71.5%	29.7%-pt
ROAA (Return on Average Assets - adjusted)	2.2%	0.8%	3.4%	2.7%-pt	1.2%-pt	2.2%	3.4%	1.2%-pt
TRM (Total Revenue Margin - adjusted)	3.9%	5.2%	6.4%	1.1%-pt	2.5%-pt	3.9%	6.4%	2.5%-pt
CIM (Core income margin - adjusted)	3.7%	5.8%	6.4%	0.6%-pt	2.7%-pt	3.7%	6.4%	2.7%-pt
NIM (Net Interest Margin - adjusted)	3.0%	5.0%	5.7%	0.7%-pt	2.7%-pt	3.0%	5.7%	2.7%-pt
NFM (Net Fee Margin - adjusted)	0.7%	0.8%	0.7%	0.0%-pt	0.0%-pt	0.7%	0.7%	0.0%-pt
C/TA (Cost to Total Assets - adjusted)	2.0%	3.0%	2.3%	-0.7%-pt	0.3%-pt	2.0%	2.3%	0.3%-pt
CIR (Cost Income Ratio - adjusted)	49.9%	56.6%	36.0%	-20.6%-pt	-13.9%-pt	49.9%	36.0%	-13.9%-pt
Risk% (Risk cost rate - adjusted)	-0.2%	2.1%	0.0%	-2.1%-pt	0.2%-pt	-0.2%	0.0%	0.2%-pt
GOI/RWA (RWA efficiency - adjusted)	10.6%	13.6%	16.3%	2.6%-pt	5.7%-pt	10.6%	16.3%	5.7%-pt
EPS (Earning Per Share - adjusted)	707.7	263.1	1138.7	875.5	431.0	707.7	1138.7	431.0
Volume KPIs (%)	**Period**					**YTD**		
	2022Q1	2022Q4	2023Q1	P-P	Y-Y	2022Q1	2023Q1	Y-Y
Provision/Total Assets	1.6%	2.4%	2.1%	-0.3%-pt	0.5%-pt	1.6%	2.1%	0.5%-pt
CAR (Capital Adequacy Ratio)	17.6%	19.7%	19.7%	-0.1%-pt	2.1%-pt	17.6%	19.7%	2.1%-pt
RWA/Total Assets	36.1%	38.9%	39.3%	0.4%-pt	3.2%-pt	36.1%	39.3%	3.2%-pt
LTD (Loan to Deposit)	74.6%	76.2%	77.2%	1.0%-pt	2.6%-pt	74.6%	77.2%	2.6%-pt
DPD90+ rate**	3.4%	1.9%	2.0%	0.1%-pt	-1.4%-pt	3.4%	2.0%	-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.*

Note: Corrections applied in recent years have been reviewed and has concluded a revision of adjustments to bring them closer to the underlying figures. In order to support comparability adjustments for year 2021 and 2022 were also restated.

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 comprehensive present the financial performance of the 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 Q1 2023 chapter 4.1 – Financial indicators.

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

MBH Bank's main goal is to build an integrated bank in a modern banking culture, with sustainable value adding potential based on the strengths of the 3 banks, whilst being at the forefront of digitalisation.

The MBH group well prepared for the legal merger of MKB Bank and Takarékbank: strong profitability, stable capital adequacy and liquidity together with sound portfolio quality formed the basis of Q1 results.

In Q1 2023 the following main factors were instrumental:

- Declining real earnings and demand in Q1 resulting in narrowing retail market.
- **Baross Gábor Reindustrialisation Loan Programme:** running from 1 February 2023 to 15 December 2023, with a total available amount of HUF 700 bn: HUF 400 bn available for a loan programme for banks to provide HUF loans at a fixed interest rate of 6% and EUR loans at a fixed interest rate of 3.5%. The remaining HUF 300 bn is for EXIM loan programme. On 10 March, the budget was increased to HUF 1,000 bn in total. MBH actively participates in the loan program.
- **Market trends**: NBH left the monetary conditions unchanged in Q1 2023.
- Inflation peaked at 25.7% in January and moderated slowly in February and March, continuously putting heavy pressure on costs.
- **S&P downgrading for Hungary:** S&P on 27 January cut Hungary's long- and short-term foreign and local currency ratings to 'BBB-/A-3' from 'BBB/A-2'. The outlook on the long-term ratings is stable.
- **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 1 April. Required reserve ratio rose to 10 percent. In addition, a system of tiered interest rates was applied to the reserve account.

The main performance indicators of Q1 2023:

- **HUF 10,447 bn total assets** (+1.5% y/y; -1.6% p/p) partially supported by the boosting gross loan (+7.4% y/y) and deposit portfolio (+3.8% y/y).
- **HUF 90.8 bn adjusted profit after taxes** in Q1 2023: boosting GOI in Q1 mostly driven by further increasing net interest income.
- 23.4% y/y cost increase in line with inflation, C/I of 36.0%.
- **HUF 0.6 bn credit risk cost** (provisions and other impairments) was released last quarter accompanied with stable portfolio quality.
- **Sound capital position: 19.7% capital adequacy and 17.4% CET1 ratio** significantly above the regulatory requirement.

Stable customer volumes in Q1 2023:

- **Retail segment:**

  Gross loan portfolio increased by 7.7% y/y, supported by the acquisition of Sberbank portfolio, and decreased by 1.9% p/p, in line with market trends.

  In Q1 2023, the Takarék GO and Takarék GO Platinum credit cards were introduced more than 500 credit cards were issued in the first 3 months.

  New investment funds from prestigious international market players are now available in the MBH Private Banking network.

  MBH Bank was ranked 1st in the *Premium Banking Activity of the Year 2022* category, announced by Mastercard on 16 February 2023.

  In Q1 2023, demand for government-backed loans remained strong among Micro and Small Business customers, Széchenyi Card MAX+ scheme was the most popular.

- **Corporate segment**:

  16.3% y/y increase in loan portfolio, 12.3% 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 March 2023. In the MAX+ programme which has been launched this year, MBH Bank has a 40% market share of the number of loan applications.

- **Leasing segment:**

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

  Leasing volume of MBH Group amounted to HUF 522.6 bn at the end of Q1 2023.

MBH Group's **unadjusted** total comprehensive income was HUF 24.1 bn (HUF +31.4 bn y/y) in Q1, as a result of y/y increasing other comprehensive income (Q1: HUF 1.8 bn, HUF +49.4 bn y/y and decreasing profit after tax (Q1: HUF 22.3 bn, HUF -18.0 bn y/y).

In Q1 2023 the **adjusted** total comprehensive income (TOCI) was HUF 92.6 bn (HUF +85.1 bn y/y), including HUF +68.4 bn TOCI adjustment. The adjusted profit after tax was HUF 90.8 bn (HUF +35.7 bn y/y), adjusted other comprehensive income amounted to HUF 1.8 bn (HUF +49.4 bn y/y) in Q1 2023.

Total assets amounted to HUF 10,446.8 bn (-1.6% p/p; +1.5% y/y) by the end of Q1 2023. The Group's customer **deposits portfolio** was HUF **6,421.8** bn by the end of the quarter (HUF -152.6 bn p/p; HUF +233.3 bn y/y). **Gross customer loans** portfolio changed to HUF 4,955.8 bn (-1.1% p/p), however the annual growth is HUF +340.1 bn. Securities portfolio together with trading portfolio increased by 12.5% y/y (+3.7% p/p). In Q1 2023 the loans to deposits ratio slightly increased to 77.2% (+1.0%-pt p/p) by the end of the period. The **shareholders' equity** increased from HUF 808.7 bn at the end of Q4 2022 to HUF **831.7** bn. Capital adequacy ratio was steadily high, at 19.7% (+2.1%pt y/y), while MBH Group's adjusted return on shareholders' equity (ROE) was 44.3% (the unadjusted ROE was 10.9%) in Q1 2023.

Post-closing events:

- **The regulations on interest rate cap and extra profit tax of credit institutions have been amended:** according to the government decisions announced on 11 May, the interest rate cap applied to households and SMEs will be extended till 31 December. From 1st July the tax will be based on 50% of the pre-tax profit adjusted for special taxes, at a progressive rate. MBH Bank recalculated extra profit tax is HUF 50.6 bn. Extra profit tax to remain next year under government proposal.
- **Branch modernization programme:** The first fully renewed branch of the new MBH Bank was opened in Miskolc, and the first digital MBH banking kiosk was launched on the campus of the University of Miskolc, where a bank account can be opened without visiting the bank in person.
- **MBH and Hungarian Interchurch Aid announced a strategic partnership:** MBH supports the aid organisation with a programme package worth nearly HUF 100 million.
- **Debt cap rules:** in the light of the inflationary processes and wage dynamics of recent years, the Central Bank decided on raising the income threshold allowing higher debt-to-income ratio (HUF 500 thousand → HUF 600 thousand), as well as the threshold of the exception rule for small loans from the applicability of the debt cap (HUF 300 thousand → HUF 450 thousand) from 1 July 2023.
- **Duna Takarék Bank Zrt. initiated the credit institution's joining of the Central Organisation of Integrated Credit Institutions** of which it notified MBH Befektetési Bank Zrt. – a member of the MBH Bank Group – as business management organisation. Duna Takarék Bank Zrt. plans to join the Central Organisation of Integrated Credit Institutions as of 1 August 2023, provided it obtains the necessary authorisations and all other necessary conditions are met. At the same time, MBH Bank is conducting negotiations with the owners of Duna Takarék Bank Zrt. on the potential purchase of shares constituting an at least 75% influence in Duna Takarék Bank Zrt. after the above accession.
- **Policy rate cut:** HNB has cut the overnight deposit rate by 100 basis points to 17% effective from 24 May 2023.
- **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. The aim is to shift as much of the funds' investments as possible from bank deposits to government securities.

Substantial changes within subsidiaries of MBH Group:

- **MBH Bank Nyrt.** registered a new subsidiary, **MBH DOMO Kft.** on 2 May 2023, established and fully owned by the Company, with a registered capital of HUF 3,000,000.

Financial and capital market developments, global and local macroeconomic environment during Q1:

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

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

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

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

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

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

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

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

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

2 Management Report on the Q1 2023 Results of MBH Group

2.1 P&L development

MBH Group								
Consolidated, IFRS P&L (in HUF million)	Period					YTD		
	2022Q1	2022Q4	2023Q1	P/P	Y/Y	2022Q1	2023Q1	Y/Y
TOCI accounting (Total Comprensive Income)	**-17,142**	**30,620**	**24,139**	**-21.2%**	**-240.8%**	**-17,142**	**24,139**	**-240.8%**
Other comprehensive income	*-41,221*	*15,793*	*1,799*	***-88.6%***	***-104.4%***	*-41,221*	*1,799*	*-104.4%*
Profit after tax (accounting)	**24,078**	**14,827**	**22,340**	**50.7%**	**-7.2%**	**24,078**	**22,340**	**-7.2%**
Profit after tax (BB 1Q 2022 results)*	**16,245**	**0**	**0**	**-**	**-100.0%**	**16,245**	**0**	**-100.0%**
Profit after tax accounting (including BB 1Q 2022 results)*	**40,323**	**14,827**	**22,340**	**50.7%**	**-44.6%**	**40,323**	**22,340**	**-44.6%**
Adjustments total on PAT	**14,758**	**5,468**	**68,436**	**-**	**-**	**14,758**	**68,436**	**363.7%**
Banking tax	*14,418*	*0*	*15,454*	*-*	*7.2%*	*14,418*	*15,454*	*7.2%*
Extra profit tax	*0*	*0*	*57,498*	*-*	*-*	*0*	*57,498*	*-*
Extra OBA fee expenses	*0*	*4,756*	*-4,756*	*-200.0%*	*-*	*0*	*-4,756*	*-*
Integration costs	*340*	*712*	*241*	*-66.2%*	*-29.3%*	*340*	*241*	*-29.3%*
Other, one-off items	*0*	*0*	*0*	*-*	*-*	*0*	*0*	*-*
Adjusted TOCI	**7,449**	**36,088**	**92,575**	**156.5%**	**-**	**7,449**	**92,575**	**1142.8%**
Adjusted Other comprehensive income (OCI)	*-47,633*	*15,793*	*1,799*	-88.6%	-103.8%	*-47,633*	*1,799*	-103.8%
Adjusted Profit after tax	**55,082**	**20,295**	**90,776**	**-**	**64.8%**	**55,082**	**90,776**	**64.8%**
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Gross Operating Income (adjusted)	**98,081**	**140,558**	**167,611**	**19.2%**	**70.9%**	**98,081**	**167,611**	**70.9%**
Net Interest Income (adjusted)	**75,414**	**135,678**	**150,044**	**10.6%**	**99.0%**	**75,414**	**150,044**	**99.0%**
Interest Income (adjusted)	*108,507*	*275,181*	*306,417*	*11.4%*	*182.4%*	*108,507*	*306,417*	*182.4%*
Interest Expense (adjusted)	*-33,093*	*-139,503*	*-156,374*	*12.1%*	*-*	*-33,093*	*-156,374*	*372.5%*
Net Fee Income (adjusted)	**17,507**	**20,274**	**18,690**	**-7.8%**	**6.8%**	**17,507**	**18,690**	**6.8%**
Net Other Income (adjusted)	**5,161**	**-15,394**	**-1,123**	**-92.7%**	**-121.8%**	**5,161**	**-1,123**	**-121.8%**
FX and FV result	*10,518*	*-7,782*	*-3,919*	*-49.6%*	*-137.3%*	*10,518*	*-3,919*	*-137.3%*
Other Income (adjusted)	*-5,357*	*-7,612*	*2,796*	*-136.7%*	*-152.2%*	*-5,357*	*2,796*	*-152.2%*
General Administrative Expenses (adjusted)	**-48,944**	**-79,599**	**-60,418**	**-24.1%**	**23.4%**	**-48,944**	**-60,418**	**23.4%**
Personnel Expenses (adjusted)	*-25,083*	*-35,930*	*-30,422*	*-15.3%*	*21.3%*	*-25,083*	*-30,422*	*21.3%*
Operating Expenses (adjusted)	*-17,751*	*-35,003*	*-23,110*	*-34.0%*	*30.2%*	*-17,751*	*-23,110*	*30.2%*
Amortisation and depreciation (adjusted)	*-6,111*	*-8,666*	*-6,886*	*-20.5%*	*12.7%*	*-6,111*	*-6,886*	*12.7%*
Provisions (adjusted)	**10,835**	**-51,410**	**636**	**-101.2%**	**-94.1%**	**10,835**	**636**	**-94.1%**
Banking tax	***0***	***0***	***0***	**-**	**-**	***0***	***0***	**-**
Corporate income tax (adjusted)	**-4,890**	**10,746**	**-17,053**	**-258.7%**	**248.7%**	**-4,890**	**-17,053**	**248.7%**
KPIs based on adjusted PAT (%)	Period					YTD		
	2022Q1	2022Q4	2023Q1	P-P	Y-Y	2022Q1	2023Q1	Y-Y
ROAE (Return on Average Equity - adjusted)	31.4%	10.4%	44.3%	33.9%-pt	12.9%-pt	31.4%	44.3%	12.9%-pt
ROAA (Return on Average Assets - adjusted)	2.2%	0.8%	3.4%	2.7%-pt	1.2%-pt	2.2%	3.4%	1.2%-pt
TRM (Total Revenue Margin - adjusted)	3.9%	5.2%	6.4%	1.1%-pt	2.5%-pt	3.9%	6.4%	2.5%-pt
CIM (Core income margin - adjusted)	3.7%	5.8%	6.4%	0.6%-pt	2.7%-pt	3.7%	6.4%	2.7%-pt
NIM (Net Interest Margin - adjusted)	3.0%	5.0%	5.7%	0.7%-pt	2.7%-pt	3.0%	5.7%	2.7%-pt
NFM (Net Fee Margin - adjusted)	0.7%	0.8%	0.7%	0.0%-pt	0.0%-pt	0.7%	0.7%	0.0%-pt
C/TA (Cost to Total Assets - adjusted)	2.0%	3.0%	2.3%	-0.7%-pt	0.3%-pt	2.0%	2.3%	0.3%-pt
CIR (Cost Income Ratio - adjusted)	49.9%	56.6%	36.0%	-20.6%-pt	-13.9%-pt	49.9%	36.0%	-13.9%-pt
Risk% (Risk cost rate - adjusted)	-0.2%	2.05%	-0.01%	-2.1%-pt	0.2%-pt	-0.2%	-0.01%	0.2%-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.*

Note: Corrections applied in recent years have been reviewed and has concluded a revision of adjustments to bring them closer to the underlying figures. In order to support comparability adjustments for year 2021 and 2022 were also restated.

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 Q1 2023 the adjusted profit after tax of MBH Group amounted to **HUF 90.8 bn**, mostly driven by further increasing net interest income. The adjusted total comprehensive income was HUF 92.6 bn, the increase of HUF +85.1 bn y/y was mainly driven by the boosting gross operating income, underpinned also by slight risk cost release due to sound portfolio quality.

The (adjusted) **ROAE** was 44.3% (+12.9%-pt y/y) as a result of outstanding PAT.

The steep increase in the core income (HUF +75.8 bn, +81.6% y/y; HUF +12.8 bn, +8.2% p/p) was driven by the growth of the **net interest income**, as the composition of MBH group's assets allowed for exploiting the market potential using its excess liquidity. The adjusted **total revenue margin** (TRM) increased by 2.5%-pt y/y to 6.4%.

HUF 0.6 bn **provisions and impairments** were released in Q1 2023. The adjusted risk cost rate was -0.01%.

The 23.4% y/y increase in **general administrative expense** was mainly attributable to the significant inflation pressure.

2.1.1 Adjusted profit after taxation

MBH Group's **adjusted consolidated profit after tax** amounted to HUF 90.8 bn (HUF +35.7 bn y/y, HUF +70.5 bn p/p) in Q1 2023. The impressive profit marks robust money market impact.

Adjustments amounted to HUF +68.4 bn in Q1 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.

The corrections applied in recent years have been reviewed and has concluded a revision of adjustments to bring them closer to the underlying figures. In order to support comparability adjustments for year 2021 and 2022 were also restated.

2.1.2 Total comprehensive income

MBH Group's **accounting** (unadjusted) **total comprehensive income** (TOCI) in Q1 2023 amounted to HUF 24.1 bn.

The unadjusted TOCI was HUF 31.4 bn higher than in Q1 2022 (including the Q1 2022 results of merged Budapest Bank).

The HUF 92.6 bn Q1 **adjusted total comprehensive income** (HUF +56.5 bn p/p) was a result of the HUF 90.8 bn profit after tax and the HUF 1.8 bn other comprehensive income (OCI). The Q1 adjusted total comprehensive income increased by HUF +85.1 bn y/y.

2.1.3 Net interest income

MBH Group's cumulated **net interest income** was HUF 150.0 bn in Q1 2023 (HUF +74.6 bn y/y, HUF +14.4 bn p/p), the 99.0% y/y upturn is due to the existing customer portfolio, growth in the ALM portfolio, the favourable yield environment and the portfolio quality.

The interest income for Q1 amounted to HUF 306.4 bn (HUF +197.9 bn, +182.4% y/y). The interest income increased by HUF 31.2 bn (11.4% p/p) compared to Q4. Growing customer loans (+7.4% y/y) and securities portfolio (+12.5% 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 156.4 bn in Q1 2023, the HUF 123.3 bn (+372.5%) y/y increase was driven by market yields and high customer- and interbank deposit portfolio.

The net interest margin (NIM) increased from 5.0% to 5.7% in Q1 (+2.7%-pt y/y) because the net interest income grew faster than average total assets.

2.1.4 Net fee and commission revenues

The **net fee and commission income** was HUF 18.7 bn in Q1 2023 (+6.8% y/y). The commission income decreased by HUF 1.6 bn (-7.8% p/p), relative to the preceding quarter due to fees collected on the decreased volume of customer transactions.

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

In Q1 2023 the **profit on financial transactions** amounted to HUF -3.9 bn, 137.3% (HUF -14.4 bn) less year-on-year.

As a result of the yields shifting upwards, the exchange and revaluation result was HUF -3.9 bn (HUF +3.9 bn p/p) in Q1, while the OCI effect due to revaluation of the fixed rate government securities portfolio was HUF 1.8 bn (HUF -14.0 bn p/p; HUF +49.4 bn y/y). The quarterly **net revaluation result and exchange rate gain** – as a result of the two impacts – was HUF -2.1 bn.

The increase in yields of a few basis points resulted in a slight increase in the fair value of swaps portfolio and a larger decrease in the loan and bond portfolio. The value of floating rate portfolio continues to decline amid more favourable short-term return expectations.

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 expenditure was HUF 2.8 bn in Q1 (HUF +10.4 bn p/p; HUF +8.2 bn y/y).

2.1.7 General administrative expenses

MBH Group's **general administrative expenses** were HUF 60.4 bn in Q1 2023. The +23.4% (HUF +11.5 bn) y/y increase is in line with inflation. The **cost-to-income** ratio fell to 36.0% as costs normalised after a seasonal rise in Q4 and revenues grew strongly (-13.9%-pts y/y). Cost-to-asset ratio (C/A) decreased to 2.3% (-67 bps p/p) in Q1 due to lower operating costs.

The **personnel expenses** amounted to HUF 30.4 bn in Q1 2023, decreased by 15.3% compared to previous quarter as a result of seasonal effect. 21.3% y/y increase in PEREX is the impact of wage inflation (originated mainly from base salary increase).

The number of employees of MBH Group at the end of March 2023 was 9,606.0 FTE (-141.7 FTE; -1.5% y/y).

Operational costs in Q1 2023 were HUF 23.1 bn (+30.2% y/y, HUF +5.4 bn). The y/y increase was driven by heavy inflation and volume effects.

Depreciation in Q1 2023 amounted to HUF 6.9 bn (+12.7% 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 0.6 bn (release) in Q1 2023, thanks to stable portfolio quality.

The **NPL closing portfolio** was HUF 225.8 bn at the end of Q1 2023, did not change significantly during the quarter (+0.7%-pt p/p). **IFRS-based NPL ratio** changed to 4.6% (+8 bps p/p), the reason for the deterioration in NPL ratio was the decline in gross loans outside the retail and corporate segments. The **direct NPL coverage** was 47.5%.

2.1.9 Corporate income tax

In Q1 2023 HUF +10.3 bn unadjusted **corporate income tax expense** was recorded, as a result of HUF 1.9 bn current corporate income tax expense, HUF 1.6 bn deferred tax expense, HUF 5.9 bn local business tax and HUF 0.9 bn innovation contribution.

The adjustments in the flash report had a tax effect of HUF 6.8 bn therefore the **adjusted corporate income tax** was HUF 17.1 bn expense.

2.2 Balance sheet

MBH Group					
Adjusted balance sheet (in HUF million)	**2022Q1**	**2022Q4**	**2023Q1**	**P/P**	**YTD**
Financial assets	**1,838,042**	**1,545,534**	**1,315,836**	-14.9%	-28.4%
Trading portfolios	**337,579**	**489,012**	**409,330**	**-16.3%**	**21.3%**
Securities	**3,120,844**	**3,403,370**	**3,564,627**	**4.7%**	**14.2%**
Loans and advances to customers/Customer Loans (net)	**4,454,837**	**4,761,318**	**4,740,035**	**-0.4%**	**6.4%**
Loans and advances to customers/Customer Loans (gross)	4,615,730	5,011,099	4,955,838	-1.1%	7.4%
Retail business segment	*1,597,617*	*1,754,478*	*1,721,082*	*-1.9%*	*7.7%*
Corporate business segment	*2,266,806*	*2,696,468*	*2,636,196*	*-2.2%*	*16.3%*
Leasing	*511,161*	*522,911*	*522,600*	*-0.1%*	*2.2%*
Other	*240,147*	*37,242*	*75,960*	*104.0%*	*-68.4%*
Provision for Customer loans	-160,893	-249,781	-215,804	-13.6%	34.1%
Total other assets	**538,098**	**415,188**	**416,979**	**0.4%**	**-22.5%**
Investments in jointly controlled entities and associates	*238,647*	*83,531*	*88,985*	*6.5%*	*-62.7%*
Intangibles, property and equipment	*141,598*	*169,158*	*163,372*	*-3.4%*	*15.4%*
Other assets	*157,853*	*415,188*	*416,979*	*0.4%*	*164.2%*
Total Assets	**10,289,400**	**10,614,422**	**10,446,808**	**-1.6%**	**1.5%**
Interbank liabilities	**2,456,650**	**2,447,407**	**2,361,338**	**-3.5%**	**-3.9%**
Deposits & C/A	***6,188,435***	***6,574,357***	***6,421,763***	***-2.3%***	***3.8%***
Retail business segment	*2,894,047*	*2,816,340*	*2,591,457*	*-8.0%*	*-10.5%*
Corporate business segment	*3,147,259*	*3,564,390*	*3,535,502*	*-0.8%*	*12.3%*
Other	*147,129*	*193,627*	*294,804*	*52.3%*	*100.4%*
Issued debt securities	**373,225**	**379,725**	**383,493**	**1.0%**	**2.8%**
Other liabilities	**559,392**	**404,198**	**448,507**	**11.0%**	**-19.8%**
Shareholders' Equity	**711,697**	**808,736**	**831,707**	**2.8%**	**16.9%**
Total Liabilities & Equity	**10,289,400**	**10,614,422**	**10,446,808**	**-1.6%**	**1.5%**
Loan commitments given	1,211,883	1,154,318	1,227,263	6.3%	1.3%
Financial guarantees given	160,221	107,237	102,721	-4.2%	-35.9%
Other Commitments given	117,790	255,330	264,146	3.5%	124.3%
Customer off Balance items	**1,489,893**	**1,516,885**	**1,594,130**	**5.1%**	**7.0%**

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 10,446.8 bn by the end of Q1 2023 (HUF +157.4 bn; +1.5% y/y), with a quarterly decrease of HUF 167.6 bn (-1.6% p/p), mainly driven by the customer **deposit portfolio** (-2.3% y/y). The changes in deposit volumes were significantly influenced by market processes.

Loan portfolio increased by HUF 340.1 bn (+7.4%) year-on-year, primarily driven by the performance of the corporate business. P/p 1.1% decrease was due to the unfavourable market environment.

Loan-to-deposit ratio increased slightly (+2.6%-pts y/y) to 77.2%. **LCR** (132.0%) and **NSFR** (129.6%) ratios are well above the regulatory minimum.

Shareholders' equity increased to HUF 831.7 bn (+2.8% p/p; +16.9% y/y). The **19.7% capital adequacy ratio** at the end of the period, significantly exceeded the regulatory minimum requirements. **17.4% CET1 ratio.**

2.2.1 Loans

Gross loans increased (+7.4%; net: +6.4% y/y) compared to the first quarter of previous year, supported by the acquisition of the Sberbank portfolio. Gross customer loans decreased by 1.1% (HUF -55.3 bn) p/p due to the 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 +16.3% y/y (-2.2% p/p), retail segment loans +7.7% y/y (-1.9% p/p). The leasing portfolio increased by 2.2% y/y).

The corporate business grew by 16.3% during the last year in term of loans to customers, reaching HUF 2,636.2 bn at the end of Q1 2023. The change in the **retail loan portfolio** was mainly driven by the reduction in demand for secured loans.

Provisions for customer loans decreased by 13.6% p/p and increased by 34.1% 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 397.2 bn (+12.5%) y/y, and as a result, the **portfolio of securities** amounted to HUF 3,580.3 bn at the end of Q1 2023 (+3.7% p/p).

2.2.3 Financial assets

The **portfolio of financial assets** decreased by 14.9% during the quarter (HUF -229.7 bn) to HUF 1,315.8 bn at the end of the period due to lower stock of MNB loans and 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 6,421.8 bn at the end of Q1 2023. Decrease during the quarter (-2.3% p/p) was characterised by the drop in retail segment deposits (-8.0% p/p), while **corporate segment deposits** slightly decreased (-0.8% p/p).

The deposit portfolio of the corporate segment contributed 12.3% to the annual increase of HUF 233.3 bn (+3.8% y/y), while the stock of the retail segment decreased (-10.5% y/y).

2.2.5 Interbank liabilities

The portfolio of **interbank liabilities** amounted to HUF 2,361.3 bn (HUF -86.1 bn p/p; HUF -95.3 bn y/y) at the end of Q1 2023. The decrease was primarily due to the reduction of refinancing liabilities.

2.2.6 Capital

MBH Group's **capital amounted to HUF 831.7 bn** at the end of Q1 2023.

Capital accumulation continued both in p/p and y/y terms: +2.8% and +16.9% respectively, significantly increasing the shock absorbing capabilities of the Bank.

2.2.7 Off-balance sheet exposures to customers

MBH Group's **off-balance sheet exposure** was HUF 1,594.1 bn at the end of Q1 2023, corresponding to a 5.1% (HUF +77.2 bn p/p) increase on a quarterly basis (+7.0%; HUF +104.2 bn y/y). The year-on-year growth was mainly attributable to an increase in the volume of other commitments given (+124.3% 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 Q1 2023 (+210 bps y/y), and **CET1** ratio of **17.4%**. The capital adequacy ratio significantly exceeds the regulatory minimum requirements, thus providing a convenient capital buffer for the Group's operations.

T1 Capital decreased by 4.0%-pts p/p, due to elimination of OCI discount for COVID-19 and reduction of IFRS9 discount. On the other hand, T2 Capital grew by new subordinated debt issued in January 2023 (HUF 24.7 bn). As a result of those, there was no significant change in CAR (-0.06%-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 slight reduce in RWA (HUF -27.2 bn) in Q1 was parallel with the gross loan decrease, resulting in HUF 4,105.5 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.

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

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

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

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

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 the first quarter of 2023, there was strong demand for subsidised loan products (compared to market-rate loans). Thanks to surging demand, the loan volume of contracts signed with Corporate clients in the first quarter was 29% 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 2,277.7 bn, corresponding to a decrease of -2.9% quarter-on-quarter (HUF -69.1 bn) and +10.1% (HUF +208.9 bn) year-on-year.

The gross loan portfolio of large non-financial corporations decreased by HUF 57.8 bn to HUF 607.8 bn (-8.7% p/p). The loan portfolio of medium-sized enterprises decreased to HUF 1,075.8 bn (-7.4% p/p).

The non-financial corporate deposit portfolio (based on the segmentation as per the HNB's statistics requirements) increased by 5.2% y/y to HUF 2,755.2 bn (HUF -174.6 bn p/p).

2.4.2 Retail customers

In preparation for the merger of MKB Bank and Takarékbank in April 2023, the unification of products and the harmonization of processes has started. The merger of MKB and BB took place on 1 April 2022. From the date of the merger, new account packages with consolidated pricing became available not only in the two merged banks, but also in Takarékbank, the third member bank of the Magyar Bankholding, paving the way towards the complete integration. The new account packages cover a wide range of customer needs and fit in with the future strategy of Magyar Bankholding.

In retail products, the first quarter was mainly driven by acquisition promotions and cross-selling initiatives to support the fulfilment of business plans. In order to attract customers with loans previously taken over from Sberbank, the Bank launched a discounted account promotion, with the aim of encouraging these customers to use the Bank's account services and to direct their income to the Bank.

The Bank's Partner Programme has been restructured, offering discounted products and offers to employees of the companies contracted with the Bank. Within the framework of the restructuring, a unified set of conditions has been established in MKB and Takarékbank, and the range of discounts has been extended.

Among savings and investment solutions, investment funds were particularly popular in Q1 2023. The Bank primarily met customer needs with the wide range of products offered by MKB Fund Manager, which was merged as a result of the merger of Budapest Fund Manager and MKB-Pannónia Fund Manager in 2022. Among investment funds, short bond funds combining high return potential with flexible investment horizons were particularly popular, and their portfolio growth continued to be dynamic in the first quarter of 2023. Within retail sovereign debts, longer-dated inflation-linked instruments were particularly popular.

The closing volume of retail deposits (based on segmentation according to the HNB's statistics criteria) was HUF 1,818.3 bn, which means a decrease of 5.2% p/p.

In the case of home loan products, the Bank continued in 2023 with the loan actions related to the Baby Loan and the loan actions announced for the Market mortgage products in the ECO Modernisation Programme. As regards the Qualified Consumer Friendly Home Loan product, the Green Interest Rate Rebate was introduced for new home purchase loans from 1 April 2023, in line with MNB's tender.
With the date of 01 April 2023, the Bank has implemented a portfolio-level repricing and increased the non-regular fees related to the transaction by the rate of the previous year's annual consumer price index (14.5%) published by the Hungarian Central Statistical Office (KSH).

In the case of personal loans, seasonality was a feature of low new lending in the first month of the year, but by the end of the quarter the market had returned to forecast levels. The Bank fully maintained its 15% market share, with a significant increase in new volumes. The interest rate on individual personal loans was adjusted to changes in funding costs and market conditions, and the Bank's online campaigning activity was strengthened. 2023 Q1 was dominated by activities related to the merger in May.

In Q1 2023, the Takarék GO and Takarék GO Platinum credit cards were introduced, and the Bank started offering them through 28 Takarékbank branches. More than 500 credit cards were issued in the first 3 months. Credit card sales in all three months of the first quarter were ahead of plan, both in the branch network and in the partner sales channel. Euronics and ÉnPostám credit card sales were outstanding.

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Reporting period:	01.01.2023-31.03.2023	**Investors' contact person:**	Dóra Bertalan

As of 9 January 2023, the former accommodation, catering and leisure sub-accounts were merged for the MBH SZÉP Card, thus the balances in these accounts were added together. As a result, payment has become easier for SZÉP Card holders and acquiring points which may encourage cardholders to use additional services.

A one-off fee of 15%, minimum HUF 100, will be charged as of 1 June 2023 on the amount of funds transferred to SZÉP Card accounts as benefits by 15 October 2022 and not used by 31 May 2023. In accordance with its regulatory obligation, the Bank informed MBH SZÉP cardholders by 15 January 2023 of the balance of their unused funds received by 15 October 2022 and not used by the date of the information, as well as the amount of the 15% fee calculated in advance on the unused funds.

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

Intermediary partner activity is increasing, with 56% of secured retail loan disbursements being achieved through partner channels.

MBH Bank currently works with a total of 101 retail partners.

In addition to this, due to the successful cooperation of the past years and the latest agreement with Euronics, the Bank will continue its cooperation with the technical goods chain in 2023.

The volume of MBH Group's retail loans (based on segmentation according to the HNB's statistics criteria) at the end of Q1 2023 amounted to HUF 1,538.4 bn, which represents a decrease of HUF 22.3 bn compared to the previous quarter and an increase of HUF 114.7 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 906.1 bn at the end of the quarter (HUF -1.5 bn y/y, HUF -19.2 bn p/p). The portfolio of consumer and other unsecured loans increased by 22.5% compared to the first quarter of 2022, thus amounting to HUF 632.4 bn at the end of the period (+116.3 bn y/y).

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

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

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

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

After the successful first phase of the merger of the Private Banking business, preparations for full integration continued. After the merger on April 30, the private banking network will continue to expand, thus providing personal access opportunities in more locations than before.
In addition to easier personal contact, the business branch continues to provide the possibility of telephone administration for all services.

The services provided to clients have continued to expand: even the investment funds of an internationally recognized market player are available in MBH Private Banking network.

In 2023, the business division performed particularly well in investment funds, and also successfully participated in the issuance of certificates. In addition, the sale of inflation-tracking government securities is still popular with customers.

In February 2023, **MBH Bank was awarded 1st place in the Premium Banking Activity of the Year 2022** category, announced by Mastercard on 16 February 2023.

Micro and small business segment:

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

In the Széchenyi Programme MAX+ scheme, the share of investment loans further decreased. In the MAX+ programme, the share of investment loan transactions is only one fifth of the previous MAX programme. It is assumed that macroeconomic changes are not favourable for the development and investment appetite of enterprises. Demand for own-funded loans remains low among MKV's client base.

In Q1 2023, total loan disbursements in the branches dedicated as MFB Points amounted to more than HUF 44 bn. The loan portfolio related to MFB Points reached HUF 360 bn, the highest in the current period.

Within non-financial corporations, the loan portfolio of microenterprises stood at HUF 563.7 bn (HUF +78.1 bn p/p; +18.6% y/y) at the end of the period.

Branch network

In Q1 2023, MBH Bank continued the developments started in 2022, with a strong emphasis on the physical layout of the branch network and on improving the quality of customer service.

The Bank ensured personal customer service with 122 branches nationwide, while the range of online services was also expanded.

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

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

2.4.3 Leasing

The consolidated MBH Group includes the dominant operators of the domestic leasing market, Euroleasing Zrt., Budapest Leasing Zrt. and Takarék Leasing Zrt. As an important step in the merger process, from the first day of 2022, Euroleasing Zrt., Budapest Leasing Zrt., Takarék Leasing Zrt., and Budapest Bank's (from April 2022 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 – showing the importance of this step. 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 522.6 bn on March 31, 2023, which is the same as the previous quarter's level (HUF 522.9 bn).

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 noticable 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 unfavourable 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. An important factor is that the general trend of rising interest rates reduced the demand for financing, while rising prices had a negative effect on the sales market.

Euroleasing Zrt. and RCI Services Kft. signed a cooperation agreement on 27.02.2023 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 the market leader in its two most significant segments, the financing of agricultural equipment and truck financing. 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 volatility in the forint market - which was particularly high in March - contributed positively to the performance of FX trading. High funding costs made bond trading very difficult in the first quarter, but this was offset by a solid performance of Money Market activity in a high short-term interest rate environment. 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: Forint volatility remained at elevated levels seen in the second half of last year, providing opportunities for both exporting and importing enterprises to effectively hedge their foreign exchange exposure. Turnover in derivative transactions surpassed expectations, as a result of this and the investment advisory role of the treasury. High yields have continued to attract substantial interest on the investment side as compared with previous years, which was met by offers for deposits, security investments as well as structured investment opportunities by the bank. The strong sales activity was complemented by the preparations of merger milestones, aiming to establish an organization and service model beneficial for the clients of all three entities.

Investment services

In the first quarter of 2023, government bond sales continued to be the main focus of investment services. Inflation and yield environment continued to support demand for inflation-tracking retail government securities (PMÁP), but the main focus of sales was on investment funds, including money market/short bond 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.

The decline in equity market activity of the previous quarter continued in the first quarter of 2023. 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 owing to high volatility. The trend in the retail government bond market continues, with investors moving away from MÁP+ in favour of inflation-tracking bonds with much higher interest rates. Discount Treasury Bills (DKJ) sales also boosted during the quarter, popular with clients with shorter investment time horizons and those excluded from the retail government bond market (typically corporate clients).

After the last year merger of the asset management companies, the MBH Befektetési Alapkezelő Zrt., the MKB Bank and the Takarékbank elaborated a joint cooperation strategy in order to help the sales in a unified and efficient way. The asset manager can support the goals from the aspects of product development and sales support.

In connection with the investment funds, the Asset Manager intends to cover the whole range of interests of the potential clientele. A major part of the business strategy is to develop new products and product lines, which can provide attractive saving opportunities on the current market. Besides the product development, the Asset Manager works on optimizing the existing product range in order to offer a clean and compact scale of investment funds.

As at 31 March 2023, the Asset Manager managed a total of HUF 1,324 bn in net asset value investments, representing a market share[1] of 9.65%. The MBH Befektetési Alapkezelő Zrt. 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 future 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

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Address:	1056 Budapest, Váci u. 38.	**Fax:**	+36 (1) 268-7555
Sector:	Other monetary activity	**E-mail address:**	investorrelations@mbhbank.hu
Reporting period:	01.01.2023-31.03.2023	**Investors' contact person:**	Dóra Bertalan

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 will create one of the largest banks in Hungary, and ESG and sustainability will be a key principle in the transformation.

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 triumphed in two categories at **Mastercard „Bank of the Year**" competition.
We received **„Employer Branding Activity of the Year"** and **„Premium Banking Activity of the Year"** awards.

At **'Companies for the Future Award 2023'** by Joint Venture Association, our banking group came third in **Best talent** category.

At Best of Budapest Stock Exchange („BÉT") Gala, MBH Bank was recognised with „**The Capital Increase of the Year**" Award, for last year's largest capital increase through a merger.

Magyar Takarékszövetkezeti Bank came 2nd in the retail segment in the ranking of „**The Best Issuer of Government Securities in 2022**", by the Government Debt Management Agency („ÁKK").

Declaration

MBH Bank Nyrt. (hereinafter Bank) issues the following declaration in relation to its report on the Q1 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 Q1 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 May 2023

MBH Bank Nyrt.

Mr Zsolt Barna, dr.
Chairman Chief Executive

Mr Péter Krizsanovich
Deputy Chief Executive Officer for Finances

3 Financial figures

3.1 Correction factors Q1 2023

in HUF million	2023 Q1 Accounting Report	Structure corrections	Business corrections				Adjusted PAT
			Banking tax	Extra profit tax	Extra OBA fee	Integration costs	
Interest income	302,504	3,913	0	0	0	0	306,417
Interest expense	-151,518	-4,856	0	0	0	0	-156,374
Net interest income	**150,986**	**-942**	**0**	**0**	**0**	**0**	**150,044**
Net income from commissions and fees	32,172	-13,482	0	0	0	0	18,690
Results from financial instruments	-3,820	-99	0	0	0	0	-3,919
Other operating income / (expense), net	4,364	372	7,957	0	-9,897	0	2,796
Impairments and provisions for losses	541	96	0	0	0	0	636
Dividend income	0	0	0	0	0	0	0
Share of jointly controlled and associated comp	211	-211	0	0	0	0	0
Operating expenses	-151,829	14,267	9,025	63,184	4,671	264	-60,418
Profit / (Loss) before taxation	**32,625**	**0**	**16,982**	**63,184**	**-5,226**	**264**	**107,829**
Income tax expense / (income)	-10,285	0	-1,528	-5,687	470	-24	-17,053
PROFIT/ (LOSS) FOR THE YEAR	**22,340**	**0**	**15,454**	**57,498**	**-4,756**	**241**	**90,776**
Other comprehensive income	*1,799*	*0*	*0*	*0*	*0*	*0*	*1,799*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**24,139**	**0**	**15,454**	**57,498**	**-4,756**	**241**	**92,575**

in HUF million	Q1 2023 Report	Structure corrections				Adjusted BS structure
		Liabilities	Assets			
		Interbank liabilites and other liabilities reclassification	Custormer loans and other assets reclassification	Custormer loans and interbank loans reclassification	Securities and interbank loans reclassification	
Total Assets	**10,446,808**	**0**	**0**	**0**	**0**	**10,446,808**
Cash reserves	79,020					79,020
Loans and advances to banks	1,573,740			-336,935	11	1,236,816
Trading portfolio	409,330					409,330
Securities	3,564,638				-11	3,564,627
Loans and advances to customers	4,404,763		-1,664	336,935		4,740,035
Other assets	163,029		1,593			164,621
Investments in jointly controlled entities and associates	88,985					88,985
Intangibles, property and equipment	163,301		71			163,372
Total liabilities and equity	**10,446,808**	**0**	**0**	**0**	**0**	**10,446,808**
Total liabilities	**9,615,100**	**0**	**0**	**0**	**0**	**9,615,100**
Amounts due to other banks	2,349,788	11,549				2,361,338
Deposits and current accounts	6,421,763					6,421,763
Derivate financial liabilities	229,810					229,810
Other liabilities and provisions	230,247	-11,549				218,698
Issued debt securities	383,493					383,493
Shareholders' Equity	**831,707**	**0**	**0**	**0**	**0**	**831,707**
Share capital	321,699					321,699
Reserves	510,008					510,008

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

3.2.1 Income statement

in HUF million	2022 Q1	2023 Q1
Interest and similar to interest income	44,401	302,504
Interest and similar to interest expense	(27,700)	(151,517)
Net interest income	**16,701**	**150,986**
Net income from commissions and fees	5,878	32,172
Results from financial instruments	23,857	(3,820)
Other operating income / (expense), net	(986)	4,575
(Impairment) / Reversal on financial and non-financial instruments	3,888	541
Dividend income	2	-
Operating expense	(23,691)	(151,829)
Profit before taxation	**25,649**	**32,625**
Income tax income / (expense)	(2,166)	(10,285)
PROFIT FOR THE YEAR	**23,483**	**22,340**
Other comprehensive income	(12,691)	1,799
TOTAL COMPREHENSIVE INCOME	**10,792**	**24,139**

3.2.2 Balance sheet

in HUF million	2022Q1	2023Q1
Assets		
Cash and cash equivalents	**1,361,315**	**1,213,031**
Financial assets measured at fair value through profit or loss	**819,718**	**763,007**
Loans and advances to customers mandatorily at fair value through profit or loss	418,517	435,238
Securities held for trading	49,923	15,687
Securities mandatorily at fair value through profit or loss	24,869	30,279
Derivative financial assets	326,409	281,803
Hedging derivative assets	**164,338**	**147,500**
Financial assets measured at fair value through other comprehensive income (Securities)	**630,845**	**765,426**
Financial assets measured at amortised cost	**7,377,255**	**7,295,210**
Loans and advances to banks	179,088	145,089
Loans and advances to customers	4,342,801	4,242,335
Repurchase assets	1,070	320
Securities	2,781,620	2,808,715
Other financial assets	72,676	98,751
Investments in subsidiaries and associates	**49,599**	**49,223**
Intangible assets, Property, plant and equipment	**168,856**	**163,068**
Other assets	**42,496**	**50,342**
Total assets	**10,614,422**	**10,446,807**
Liabilities		
Financial liabilities measured at fair value through profit or loss	**278,203**	**233,662**
Financial liabilities measured at amortised cost	**9,416,275**	**9,194,501**
Amounts due to banks	2,378,471	2,275,420
Amounts due to customers	6,574,357	6,421,742
Repurchase liabilities	0	44,845
Issued debt securities	290,838	270,788
Subordinated debt	88,887	112,704
Other financial liabilities	83,722	69,000
Hedging derivative liabilities	**1,365**	**4,877**
Provisions	**22,623**	**22,365**
Other liabilities	**87,220**	**159,695**
Total liabilities	**9,805,686**	**9,615,100**
Equity		
Share capital	321,699	321,699
Reserves	487,037	510,008
Total equity	**808,736**	**831,707**
Total liabilities and equity	**10,614,422**	**10,446,807**

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 2021	**100,000**	**21,729**	**80,162**	**11,448**	**(3,560)**	**-**	**209,779**
Profit/ (loss) for the year	-	-	59,983	-	-	-	**59,983**
Other comprehensive income for the year	-	-	-	-	(20,009)	-	**(20,009)**
Total comprehensive income	-	-	59,983	-	(20,009)	-	**39,974**
General reserve for the year	-	-	(5,592)	5,592	-	-	-
At 31 December 2021	**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 Takarél	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	-	-	21,369	-	-	972	**22,341**
Other comprehensive income for the year	-	-	-	-	1,743	56	**1,799**
Total comprehensive income	-	-	21,369	-	1,743	1,028	**24,140**
Other increases and decreases from business combinations	-	-	(254)	-	(413)	(502)	**(1,169)**
At 31 March 2023	**321,699**	**313,947**	**142,649**	**32,552**	**(20,027)**	**40,887**	**831,707**

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

3.3.1 Income statement

in HUF million	2022Q1	2023Q1
Interest and similar to interest income	42,924	234,072
Interest and similar to interest expense	(27,825)	(148,999)
Net interest income	**15,099**	**85,073**
Net income from commissions and fees	5,557	16,677
Results from financial instruments	23,891	(8,773)
Other operating income / (expense), net	(8,184)	4,470
(Impairment) / Reversal on financial and non-financial instruments	3,649	(1,453)
Dividend income	2	-
Operating expense	(15,734)	(83,509)
Profit before taxation	**24,280**	**12,485**
Income tax income / (expense)	(2,070)	(3,664)
PROFIT FOR THE YEAR	**22,210**	**8,821**
Other comprehensive income	12,692	(1,173)
TOTAL COMPREHENSIVE INCOME	**34,902**	**7,648**

3.3.2 Balance sheet

in HUF million	2022Y	2023Q1
Assets		
Cash and cash equivalents	1,081,158	764,151
Financial assets measured at fair value through profit or loss	476,909	461,600
Loans and advances to customers mandatorily at fair value through profit or loss	182,875	188,940
Securities held for trading	8,434	5,362
Securities mandatorily at fair value through profit or loss	18,017	23,128
Derivative financial assets	267,583	244,170
Hedging derivative assets	142,874	121,003
Financial assets measured at fair value through other comprehensive income (Securities)	428,520	554,910
Financial assets measured at amortised cost	4,823,478	4,899,274
Loans and advances to banks	448,627	473,440
Loans and advances to customers	2,565,343	2,530,648
Repurchase assets	9,080	1,291
Securities	1,772,915	1,857,238
Other financial assets	27,513	36,657
Investments in subsidiaries and associates	424,367	431,816
Intangible assets, Property, plant and equipment	81,931	75,928
Other assets	9,541	28,967
Total assets	**7,468,778**	**7,337,649**
Liabilities		
Financial liabilities measured at fair value through profit or loss	196,728	184,221
Financial liabilities measured at amortised cost	6,417,607	6,253,780
Amounts due to banks	1,965,931	1,817,340
Amounts due to customers	4,207,025	4,166,526
Repurchase liabilities	73,429	80,774
Issued debt securities	12,906	20,413
Subordinated debt	88,887	112,704
Other financial liabilities	69,429	56,023
Hedging derivative liabilities	158	3,209
Provisions	13,977	14,163
Other liabilities	47,296	81,616
Total liabilities	**6,675,766**	**6,536,989**
Equity		
Share capital	321,699	321,699
Reserves	471,313	478,961
Total equity	**793,012**	**800,660**
Total liabilities and equity	**7,468,778**	**7,337,649**

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	-	-	8,821	-	-	**8,821**
Other comprehensive income for the year	-	-	-	-	(1,173)	**(1,173)**
Total comprehensive income	**-**	**-**	**8,821**	**-**	**(1,173)**	**7,648**
On 31 March 2023	**321,699**	**313,947**	**157,613**	**32,552**	**(25,151)**	**800,660**

*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 Befektetési Alapkezelő Zrt.	MKB 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
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	80,55	100,00
MBH Bank Nyrt.	Takarékbank Zrt.	Hungary	Universal banking services	98,83	98,83
MBH Jelzálogbank Nyrt.	Takarék Jelzálogbank Nyrt.	Hungary	Issuance of mortgage bonds, refinancing of mortgage loans	50,67	51,33
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
Euroleasing Ingatlan Zrt.	TAKARÉK Lízing Zrt.	Hungary	Other credit granting	100,00	100,00
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	87,73	87,73
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 (31.03.2023)

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

Full-time employees

FTE, end of period	31.03.2022	30.06.2022	30.09.2022	31.12.2022	31.03.2023
MBH Bank Nyrt.	4,462.73	4,613.90	4,743.75	4,737.63	5,170.95
MBH	60.90	13.55	12.65	1.25	0.00
MITRA Informatikai Zrt.	190.35	168.40	403.80	402.00	149.00
MKB Üzemeltetési KFt.	45.11	30.61	32.61	31.72	30.97
Eurolízing	184.72	195.15	204.37	347.55	346.00
Alapkezelő	16.85	15.25	45.00	42.75	40.75
Budapest Eszközfinanszírozó Zrt.	6.23	3.25	4.25	3.25	4.25
Budapest Lízing Zrt.	33.80	24.50	23.75	0.00	0.00
MKB Bank MRP Szervezet	2.00	2.00	2.00	2.00	2.00
MTB Zrt.	497.47	456.75	419.09	414.24	407.69
Takarékbank Zrt.	4,074.68	3,919.74	3,686.60	3,398.60	3,342.57
Takarék Jelzálogbank Nyrt.	15.41	14.88	14.88	14.23	14.23
Takarék Központi Követelésbehajtó Zrt.	0.25	0.25	0.00	0.00	0.00
Takarék Faktorház Zrt.	11.38	10.38	8.28	7.88	7.88
Takarék Ingatlan Zrt.	22.50	19.63	18.63	17.63	17.63
Takarék Lizing Zrt.	20.74	15.54	15.54	0.50	1.50
TIFOR Takarék Ingatlanforgalmazó Zrt.	3.65	4.05	3.55	0.00	0.00
TIHASZ Takarék Ingatlanhasznosító Zrt.	39.35	37.95	49.45	52.95	70.53
MATAKEL	0.00	0.00	0.00	0.00	0.00
Takarék Központi Követelés Kezelő Zrt.	59.50	58.50	0.00	0.00	0.00
MKB Group	**9,747.61**	**9,604.28**	**9,688.20**	**9,474.18**	**9,605.95**

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	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	Annualised adjusted PAT (HUF bln) / Average equities (HUF bln)	90,776 / 820,222 = 44.27%
ROMC	Adjusted rate on minimum capital	Annualised adjusted PAT (HUF bln) / Average minimum capital (HUF bln)	90,776 / 508,173 = 71.45%
ROAA	Adjusted rate on average total assets	Annualised adjusted PAT (HUF bln) / Average Total assets (HUF bln)	90,776 / 10,530,615 = 3.45%
TRM	Adjusted total revenue margin	Annualised adjusted Gross Operating Income (HUF bln) / Average Total assets (HUF bln)	167,611 / 10,530,615 = 6.37%
CIM	Adjusted core income margin	Annualised adjusted net interest + net fee (HUF bln) / Average Total assets (HUF bln)	(150,044 + 18,690) / 10,530,615 = 6.41%
NIM	Adjusted net interest income margin	Annualised adjusted Net Interest Income (HUF bln) / Average Total assets (HUF bln)	150,044 / 10,530,615 = 5.70%
NFM	Adjusted net fee margin	Annualised adjusted Net Fee Income (HUF bln) / Average Total assets (HUF bln)	18,690 / 10,530,615 = 0.71%
C/TA	Adjusted cost to total assets	Annualised adjusted General Admin. Expenses (HUF bln) / Average Total assets (HUF bln)	60,418 / 10,530,615 = 2.29%
CIR	Adjusted cost-income ratio	Adjusted General Admin. Expenses (HUF bln) / Adjusted Gross Operating Income (HUF bln)	60,418 / 167,611 = 36.05%
Risk%	Adjusted risk cost rate	Annualised adjusted provision for losses on loans (HUF bln) / Average gross loans (HUF bln)	-91 / 4,983,469 = -0.01%
GOI/RWA	Adjusted RWA efficiency	Annualised adjusted Gross Operating Income (HUF bln) / Average Total RWA (HUF bln)	167,611 / 4,119,115 = 16.28%
EPS	Adjusted earnings per share	Annualised adjusted PAT (HUF bln) / Average number of shares (bln pcs)	90,776 / 319 = 1138.67

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)	22,340 / 820,222 = **10.89%**
ROMC	Rate on minimum capital	Annualised PAT (HUF bln) / Average minimum capital (HUF bln)	22,340 / 508,173 = **17.58%**
ROAA	Rate on average total assets	Annualised PAT (HUF bln) / Average Total assets (HUF bln)	22,340 / 10,530,615 = **0.85%**
TRM	Total revenue margin	Annualised Gross Operating Income (HUF bln) / Average Total assets (HUF bln)	172,006 / 10,530,615 = **6.53%**
CIM	Core income margin	Annualised net interest + net fee (HUF bln) / Average Total assets (HUF bln)	(150,044 + 18,690) / 10,530,615 = **6.41%**
NIM	Net interest income margin	Annualised Net Interest Income (HUF bln) / Average Total assets (HUF bln)	150,044 / 10,530,615 = **5.70%**
NFM	Net fee margin	Annualised Net Fee Income (HUF bln) / Average Total assets (HUF bln)	18,690 / 10,530,615 = **0.71%**
C/TA	Cost to total assets	Annualised General Admin. Expenses (HUF bln) / Average Total assets (HUF bln)	60,682 / 10,530,615 = **2.30%**
CIR	Cost-income ratio	General Admin. Expenses (HUF bln) / Gross Operating Income (HUF bln)	60,682 / 172,006 = **35.28%**
Risk%	Risk cost rate	Annualised provision for losses on loans (HUF bln) / Average gross loans (HUF bln)	91 / 4,983,469 = **-0.01%**
GOI/RWA	RWA efficiency	Annualised Gross Operating Income (HUF bln) / Average Total RWA (HUF bln)	172,006 / 4,119,115 = **16.70%**
EPS	Earnings per share, IFRS	PAT (HUF bln) / Average number of shares (bln pcs)	22,340 / 319 = **280.2**

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)	215,804 / 10,446,808 =	2.07%
Securities rate	Securities to Total assets	Securities (HUF bln) / Total Assest (HUF bln)	3,580,334 / 10,446,808 =	34.27%
CAR	Capital adequacy ratio	Regulatory capital (HUF bln) / Total RWA (HUF bln)	808,274 / 4,105,513 =	19.69%
RWA/ Total Assets	Risk weighted assets to Total assets ratio	Total RWA (HUF bln) / Total Assest (HUF bln)	4,105,513 / 10,446,808 =	39.30%
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)	215,804 / 99,261 =	217.41%
NPL rate	Rate of non-performing loans	Non-performing customer loans (HUF bln) / Gross customer loans (HUF bln)	225,825 / 4,955,838 =	4.56%
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)	107,315 / 225,825 =	47.52%
Indirect NPL coverage	Rate of non-performing loans covered by provision	Provision for customer loans (HUF bln) / Non-performing customer loans (HUF bln)	215,804 / 225,825 =	95.56%

4.2 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

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