Translation of the Hungarian original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Magyar Takarék Bankholding Zrt.

Opinion

We have audited the activity closing separate financial statements of Magyar Takarék Bankholding Zrt. (the „Company") for March 31 2022 which comprise the statement of separate financial position as at March 31, 2022 – which shows a total assets of mnHUF 102.162 –, and the related statement of recognized income, statement of comprehensive income – which shows a net loss for the year of mnHUF 22 –, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying activity closing separate financial statements give a true and fair view of the financial position of the Company as at March 31, 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS"), and the separate financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (the „Accounting Act") relevant to the entities preparing separate financial statements in accordance with EU IFRS.

Basis for Opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the "*The Auditor's Responsibilities for the Audit of the Financial Statements*" section of our report.

We are independent of the Company in compliance with the relevant effective Hungarian regulations and the "Rules of conduct (ethical rules) of the auditor profession and the disciplinary process" of the Chamber of Hungarian Auditors and, in respect of matters not regulated therein, the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

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

Emphasis of Matter

We draw attention to Note 1 of the activity closing separate financial statements (Presentation of the Company), according to that note the Company was merged into MKB Bank Nyrt. on March 31 2022. Accordingly, the Company prepared activity closing separate financial statements for the financial year ending as at March 31 2022. Our opinion is not qualified on this issue.

Other Information: The Business Report

Other information includes the business report of the Company for 2022. Management is responsible for the preparation of the business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the activity closing separate financial statements provided in the section of our independent auditor's report entitled *„Opinion"* does not apply to the business report.

Our responsibility in connection with our audit of the activity closing separate financial statements is to read the business report and, in doing so, consider whether the business report is materially inconsistent with the activity closing separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, in accordance with the Accounting Act, our responsibilities also include assessing whether the business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, and to express an opinion on the above and on whether the business report is consistent with the activity closing separate financial statements.

In our opinion, the business report of the Company for 2022 corresponds to the activity closing separate financial statements of the Company for 2022 and the relevant provisions of the Accounting Act in all material respects. As the Company is not subject to additional requirements under any other regulation in connection with the business report, we have not formulated an opinion on this matter.

In addition to the above, based on the information obtained about the Company and its environment, we must report on whether we became aware of any material misstatements in the business report and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the activity closing separate financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of activity closing separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the activity closing separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the activity closing separate financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the activity closing separate financial statements, including the disclosures, and whether the activity closing separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Budapest, 1 June 2022

The original Hungarian version has been signed.

Molnár Gábor
on behalf of Deloitte Auditing and Consulting Ltd.
and as a statutory registered auditor

Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
Registration number: 000083

Registration number of statutory registered auditor: 007239

Magyar Takarék Bankholding Zártkörűen Működő Részvénytársaság
Separate Financial Statements prepared under the International Financial Reporting Standards as approved by the European Union

for the financial year beginning on 1 January 2022 and ending on 31 March 2022

Separate Financial Statements prepared under the International Financial Reporting Standards as approved by the European Union 31 March 2022

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Separate Comprehensive Income Statement for the financial year beginning on 1 January 2022 and ending on 31 March 2022

	Note	1 January 2022 - 31 March 2022	9 July 2021-31 December 2021
Interest revenue	4	3	3
Interest expense	4	0	0
Net interest income		**3**	**3**
Fee and commission income		**0**	**0**
Profit/loss of foreign currency transactions	5	0	0
Net business (trading) profit or loss		**0**	**0**
Gross operating profit/loss		**3**	**3**
Operating expenses	5.6	-25	-30
Impairment of participations	8	0	-184,100
Loss before tax		**-22**	**-184,127**
Income tax		0	0
Loss of the reporting year		**-22**	**-184,127**

Separate Other Comprehensive Income Statement for the financial year beginning on 1 January 2022 and ending on 31 March 2022

Loss of the financial year	**-22**	**-184,127**
Other overall profit/loss	**0**	**0**
Items not to be reclassified into P&L	0	0
Items that can be reclassified to P&L	0	0
Total comprehensive income for the reporting year	**-22**	**-184,127**

All figures in the tables are in mln of Hungarian forints unless otherwise indicated in the remark.

Separate statement of the financial position as of 31 March 2022

	Note	31 March 2022	31 December 2021
Assets			
Cash, account balances with banks, and other sight deposits	7	4,062	4,094
Investments into subsidiaries	8	98,100	98,100
Total assets		**102,162**	**102,194**
Liabilities			
Financial liabilities valued at amortised cost	12	0	8
Other liabilities	13	11	13
Total liabilities		**11**	**21**
Equity			
Subscribed capital	14	30,220	30,220
Payment above face value (premium)	14	256,080	256,080
Profit reserve		-184,127	0
Loss of the financial year		-22	-184,127
Total equity		**102,151**	**102,173**
Total liabilities and equity		**102,162**	**102,194**

Budapest, 1 June 2022

Dr. Zsolt Barna Successor MKB Bank Nyrt. Chairman of the Board of Directors	Antal Martzy Successor MKB Bank Nyrt. Chief Finnancial Officer

All figures in the tables are in mln of Hungarian forints unless otherwise indicated in the remark.

Separate Cash Flow Statement for the financial year beginning on 1 Janary 2022 and ending on 31 March 2022

	Note	1 January 2022 - 31 March 2022	9 July 2021-31 December 2021
Cash flows of the business activities			
Loss of the reporting year		-22	-184,127
Effects on net profit of non-cash items:			
Depreciation and amortisation		0	0
Impairment	8	0	184,100
Business profit or loss before changes in operating asets		**-22**	**-27**
Decrease /(-) increase in operating assets			
Other assets	11	0	0
Decrease / (-) increase in operating liabilities		-8	8
Other liabilities	13	-2	13
Net cash flow from operation		**-32**	**-6**

All figures in the tables are in mln of Hungarian forints unless otherwise indicated in the remark.
The Notes, which contain a summary of significant accounting policies and other supplementary information, form an integral part of the financial statements.

Separate Cash flow statement for the period ending on 31 March 2022

	Note	1 January 2022 - 31 March 2022	9 July 2021-31 December 2021
Cash flows of investing activities			
Purchase of property, plant and equipment and intangible assets	9	0	0
Net cash flows of investing activities		**0**	**0**
Cash flows of financing activities			
Establishment of the company		0	4,100
Net cash flows of financing activities		**0**	**4,100**
Net increase and decrease of cash and cash equivalents		-32	4,094
Balance of cash and cash equivalents at the beginning of the year		4,094	0
Balance of cash and cash equivalents at the end of the year		**4,062**	**4,094**
Composition of cash and cash equivalents:			
Demand bank account receivables	8	4,062	4,094
Bank accounts maturing in less than 90 days	8	0	0
Balance of cash and cash equivalents at the end of the year		**4,062**	**4,094**
Supplementary information			
Interests received	4	3	3
Interests paid	4	0	0

The separate cash flow statement is not affected by the capital increase, as the shares were contributed as contribution in kind

All figures in the tables are in mln of Hungarian forints unless otherwise indicated in the remark.

Separate statement of changes in equity for the period ending on 31 March 2022

	Note	Subscribed capital	Payment above face value (premium)	Accumulated other comprehensive income	Retained earnings	Other reserves	Total equity
1 January 2022 - opening bal.		**30,220**	**256,080**	**0**	**-184,127**	**0**	**102,173**
Capital increase as contribution in kind		0	0	0	0	0	0
Loss of the financial year		0	0	0	-22	0	-22
31 March 2022 - closing bal.		**30,220**	**256,080**	**0**	**-184,149**	**0**	**102,151**

All figures in the tables are in mln of Hungarian forints unless otherwise indicated in the remark.

1. PRESENTATION OF THE COMPANY

GENERAL DATA

Nsme:	Magyar Takarék Bankholding Zrt.
Registered office of the Company:	1134 Budapest, Kassák Lajos utca 18.
Website:	https://www.magyar.bankholding.hu
Postal address:	info@magyarbankholding.hu
Company registration number:	01-10-141497
Tax number:	27401002-2-41 (from 1 January 2022: 27401002-4-41)
KSH Statistical code:	27401002-6420-114-01
Year of foundation:	2021.
Scope of activity:	6420'08 Asset management (Holding)

Chairman of the Supervisory Board: Zsolt Rózsa
Chairman of the Board of Directors: Dr. Zsolt Barna

The Company does not prepare consolidated financial statements; its parent company, Magyar Bankholding Zrt., includes it in the consolidation.

FOUNDATION AND PURPOSE OF OPERATION

Magyar Takarék Bankholding Zártkörűen Működő Részvénytársaság (hereinafter the 'Company') was established by Magyar Bankholding Zrt. (hereinafter 'Bankholding' or 'Magyar Bankholding') on 9 July 2021 with a capital of HUF 4,100 mln (HUF 2,000 mln subscribed capital, HUF 2,100 mln registered capital).

The Company's owner, Magyar Bankholding, was established on 26 May 2020 to explore and prepare the ground for the creation of a Hungarian-owned banking group with a significant market share. Magyar Bankholding is the majority shareholder of three commercial banks that have a substantial share in the Hungarian banking sector: Magyar Külkereskedelmi Bank Nyrt, Budapest Bank Zrt. and Magyar Takarékszövetkezeti Bank Zrt. and, indirectly, of their subsidiaries (in total: 'bank group'). During 2021, the three banks continued to operate independently but in a coordinated manner as part of the bank group. According to the Group's strategic plan, the three institutions will merge as one bank in the next two years, becoming one of the most important players in the domestic banking sector.

The Company's mission is to ensure that the Group's major investments and subsidiaries contribute to the realisation of this plan in the most optimal group structure. The Company performs this task as a financial holding company providing financial services, including asset management as its main activity.

As part of the Bank Group's strategic plan, Bankholding has decided to contribute shares of Magyar Takarékszövetkezeti Bank Zrt. (hereinafter MTB Zrt) representing 99.9% of the votes (as a contribution in kind) to the Company as a non-cash contribution on 13 October 2021.(see note 8.)

All figures in the tables are in mln of Hungarian forints unless otherwise indicated in the remark.

The Bankholding is responsible for the Group's compliance on a consolidated basis under Act CCXXVII of 2013 on Credit Institutions and Financial Enterprises (Hungarian abbreviation Hpt.) in accordance with the Hpt. and Regulation (EU) No 575/2013 on prudential requirements for credit institutions. Therefore, for prudential supervision and in accordance with it, the Company prepares its accounting reports only on a 'separate', non-consolidated basis.

The business report does not form part of the Company's annual financial statements, but the Company prepares it each year and ensures that it is available to interested parties at its registered office and on its website.

The Company commenced effective operations on 9 August 2021, following its registration at the Companies Court. Magyar Nemzeti Bank has authorised the operation of the Company

The Company merged into MKB Bank Nyrt on 31.03.2022. The separate financial statements of the Company as at 31 March 2022 have already been approved by the legal successor.

OFFICIALS

Members of the Board of Directors

József Vida
Dr. Ádám Balog
Dr. Koppány Tibor Lélfai
Dr. Attila Tamás Tajthy

Members of the Supervisory Board

Dr. Erszébet Beáta Bánkuti
Dr László Ipacs
Rita Inámi-Bolgár
Zoltán Váradi

Individuals responsible for the control and management of tasks classified as accounting services:

Zoltán Szűcs

Audit firm:

Deloitte Könyvvizsgáló és Tanácsadó Kft.

Person responsible for the audit:

Gábor Molnár

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENT

2.1. Statement of compliance

The Company's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and their respective interpretations as published in the Official Journal of the European Union in the form of a regulation, using the option provided by Act C of 2000 on Accounting (hereinafter the 'Accounting Act'). The auditor has issued a separate report to confirm the Company's readiness to report under IFRS.

2.2. Functional and presentation currency

The financial statements are presented in Hungarian forint, which is the Company's functional currency. Unless otherwise indicated, data are rounded to HUF mln.

2.3. Basis of the valuation

The separate financial statements are prepared on cost basis in accordance with the valuation methods prescribed or permitted by IFRS.

2.4. Changes of the accounting principles

2.4.1. Impact on the financial statements of the amendments to IFRSs and the introduction of new standards effective from 1 January 2022

- **Amendments to IFRS 3 'Business combinations'; IAS 16 'Property, plant and equipment'; IAS 37 'Provisions, contingent liabilities and contingent assets'** - Annual developments- adopted by the EU from 2 July 2021 (effective for annual periods beginning on or after 1 January 2022),

There has been no change in accounting principles presented in the accounting policies.

2.4.2. New and modified standards and interpretations issued by the IASB and adopted by the EU but not yet valid.

- **IFRS 17 Insurance contracts, including amendments to IFRS 17** - adopted by the EU from 23 November 2021 – (will enter into force for reporting periods starting on 1 January 2023 or later)
- **Amendments to IAS 1 'Presentation of financial statements' and IFRS Practice Statement 2** - Disclosure of the accounting policy (will enter into force for reporting periods starting on 1 January 2023 or later),
- **Amendments to IAS 8 'Accounting policies, changes in accounting estimates and errors'** - Definition of accounting estimates (will enter into force for reporting periods starting on 1 January 2023 or later),

2.4.3. Standards and interpretations issued by the IASB and not adopted by the EU

The IFRS adopted by the EU do not currently differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards, amendments to existing standards and new interpretations that have not yet been adopted in the EU at the date of disclosure of the financial statements:

- **Amendments to IAS 1 'Presentation of financial statements'**- Classification of current and non-current liabilities – (will enter into force for reporting periods starting on 1 January 2023 or later),

- **Amendments to IAS 12 'Income taxes'** - deferred tax relating to assets and liabilities arising from a single transaction (will enter into force for reporting periods starting on 1 January 2023 or later).

- **Amendments to IAS 17 'Insurance':** Initial application of IFRS 17 and IFRA 9 - Comparative Information (effective from 1 January 2023)

The implementation of the above amendments, new standards and interpretations would not have a material impact on the Company's separate financial statements.

3. MAIN ELEMENTS OF THE ACCOUNTING POLICY

The separate financial statements present the separate financial information of the Company. The preparation of a separate financial statement is required by local legislation. The Company presents its separate financial statements in accordance with the requirements of IAS 27. The Company does not prepare consolidated financial statements, and prepares its prudential reports on a separate sheet, based on the exemption granted by the Magyar Nemzeti Bank.

3.1. Financial instrument categories

The Company has the following financial assets:

- Cash and cash equivalents
- Financial assets at amortised cost
  - Inter-bank lending
  - Investments

The Company has the following financial liabilities:

- Financial assets valued at amortised cost (other financial liabilities)

3.2. Cash and cash equivalents

The cash and cash equivalents in the separate cash flow statement include cash and cash equivalents, demand deposits and liquid claims on banks with an original maturity of less than 90 days. Cash and cash equivalents are carried in the balance sheet at amortised cost.

3.3. Investments

IAS 27 Separate financial statements governs the accounting for investments in subsidiaries when an entity chooses, or is required by local regulations, to prepare separate financial statements.

Investments in subsidiaries are not financial instruments or monetary items. However, participations in entities that are not consolidated are considered as financial instruments or monetary items.

Investments include participations that enable the Company to exercise control over the operating and financial policies of companies. These items are the following:

a. investments in subsidiaries,

b. investments in jointly managed businesses

c. investments in associates,

d. structured entities that are not consolidated.

The Company makes a distinction in the proportion of its participation in each business:

a. a controlling interest is defined as a participation of more than 50%,

b. a significant interest is defined as a participation of more than 20%.

The Company must recognise an acquisition of a subsidiary or investment in the balance sheet if and when the acquirer obtains effective control of the acquired entity. The date of each sale is the date of the sale, in case there is more than one sale.

The historical cost is determined at fair value, which is generally the consideration transferred. The historical cost and subsequent value of the Company's investments is determined based on market valuation data at the date of acquisition and at the balance sheet date.

The Company may account for investments in subsidiaries, joint businesses and associates in its separate financial statements as follows:

a. at cost (IFRS carrying amount at the date of acquisition, calculated at the original exchange rate, adjusted for potential impairment losses),

b. Investments accounted for under IFRS 9 Financial instruments (at fair value),

c. Using the equity method under IAS 28.

The Company values its investments at cost. Transaction costs incurred in making an investment are capitalised in cost, but only if the costs are directly attributable to the acquisition of the investment.

The Company considers only those costs and expenses directly attributable to the investment that would not have been incurred if the transaction, i.e. the acquisition of the investment, had not taken place. For example, in the due diligence process for a potential investment, the Company will use external consultants to conduct the due diligence, but these costs will be incurred in any project even if the investment is not ultimately acquired. As due diligence costs are incurred in all projects, they are not considered to be a cost that is essential to obtaining the investment. In other words, costs that are exclusively related to the acquisition of the participation can be considered as transaction costs, other overhead costs related to the development of the business strategy, operating model, changes cannot be considered as transaction costs.
Furthermore, when identifying transaction costs, it is necessary to examine when, for example, the transaction was finalised. Transaction costs can only be capitalised in the year in which they are incurred, for directly attributable acquired participations. Otherwise, the Company may not capitalise the transaction costs incurred and they are charged to profit or loss in the year in which they are incurred.
For potential impairment loss adjustments, the Company follows the provisions of IAS 36.

Impairment loss of investments

As the Company carries its participations at cost, it considers IAS 36 Impairment of assets in determining whether an impairment loss should be recognised. Impairment loss should be tested at the end of each reporting period, i.e. whether there is any indication of impairment loss.

Where such an indication or circumstance exists, the amount of the impairment loss is determined in accordance with IAS 36. According to the standard, the higher of fair value less costs to sell and value in use is considered recoverable amount. Fair value is the price that could be received to sell an asset or paid to transfer a liability in an arm's length transaction between market participants at the measurement date. The following approaches to value in use can be adopted, which, if properly applied, lead to the same result:

a. a proportionate share of the present value of the future cash flows generated by the business (proportionate to ownership interest),

b. the present value of future dividends and cash flows realised on the eventual final sale.

An impairment loss is recognised if the recoverable amount is less than the carrying amount of the investment, where the amount of the impairment loss is the difference between the carrying amount and the recoverable amount.

3.4. Property, plant and equipment and intangible assets

The Company measures property, plant and equipment and intangible assets, if any, at cost less depreciation and impairment loss.

The cost of property, plant and equipment and intangible assets essentially comprises:

a) the purchase price of the asset, including import duties, non-deductible sales taxes, adjusted for the effects of trade and quantitative concessions;
b) direct costs attributable to preparing the asset for its intended use, such as:
    - cost of employee benefits,
    - costs of site preparation;
    - delivery and handling costs;
    - insurance premiums
    - installation costs,
    - costs of test operation,
    - expert fees,
    - costs of spare parts and maintenance equipment.
c) expected dismantling costs.

The following costs are never included in the cost of an item of property, plant and equipment:

- costs of opening a new facility,
- costs of introducing a new service,
- the costs of expanding the activity into new geographic markets or customer bases,
- administration and other general overhead costs.

Costs are capitalised until the asset is in a location and condition such that it is capable of operating in the manner intended by management. Consequently, costs incurred between the time the asset is ready for use and the time it is actually put into use or reaches its full capacity cannot be capitalised. Furthermore, initial operating losses and costs related to the relocation or restructuring of the Company's activities cannot be capitalised.

Depreciation is charged to profit or loss in the period in which it is incurred. Depreciation is generally calculated on a straight-line basis, taking into account the estimated useful lives and residual values of the assets concerned, as follows:

Rights and titles	33.33%
Software	20% - 33.33%
Buildings	2% -10%
Machinery, equipment, installations	10% - 33.33%
Vehicles	20% - 33%
Other equipment	14.29% - 50%

The useful lives of intangible assets, except goodwill, which has a finite life.

3.5. Leases

For each contract entered into, the Company assesses whether the contract contains a lease or rental in accordance with IFRS 16.
The Company, as lessee only, may typically have real property leases.

The Company does not apply the requirements of IFRS 16 Leases to intangible assets. At 31 March 2022, the Company had no intangible assets.

The Company as lessee

The Company, as lessee, recognises the right-of-use asset and the related lease liability on the commencement date of the lease contract. The Company measures the right-of-use asset at cost at the commencement date.

The cost includes the following:

- the initial recognition of the lease liability;
- lease fees paid on or before the starting date;
- the lessee's initial direct costs; and
- the lessee's estimated costs of dismantling, removing and restoring the underlying asset to its original condition or to the condition required by the lease terms
- less the lease incentives received.

After initial recognition, the Company measures the right-of-use asset using the cost model. The Company depreciates the right-of-use asset on a straight-line basis from the earlier of the end of

All figures in the tables are in mln of Hungarian forints unless otherwise indicated in the remark.

the useful life of the right-of-use asset and the end of the lease term. The estimated useful lives of right-of-use assets are determined in a similar way to those of owned property, plant, equipment and vehicles. The Company applies IAS 36 Impairment of assets to determine whether a right-of-use asset is impaired and recognises an identified impairment loss in accordance with the standard.
The Company measures the lease liability at present value of the lease fees unpaid to that date, discounted at the implicit lease rate, if readily determinable. If this rate is difficult to determine, the Company will apply the lessee's incremental interest rate. The lease fees taken into account in the lease liability consist of the following amounts due for the right to use the underlying asset during the lease term but not paid by the commencement date:

- fixed charges, including substantially fixed charges;
- variable lease fees, which are dependent on an index or rate (their initial valuation is based on the index or rate at the start date);
- amounts expected to be paid by the Company under residual value guarantees;
- the exercise price of the call option if the Company is reasonably certain to exercise the option;
- lease termination penalties if the lease term reflects the exercise by the Company of a lease termination option;
- reduced by the lease incentives due.

After initial recognition, the Company measures the lease liability as follows:

- increases the carrying amount to reflect interest on the lease liability;
- reduces the carrying amount to reflect the lease fees paid; and
- the carrying amount is reassessed or restated as a result of a revaluation or lease modification or revised substantially fixed lease fee payments.

The Company shall reassess the lease liability if:

- the lease term is changed; or
- in connection with a call option, the valuation of the option to purchase the underlying asset changes; or
- the amounts expected to be paid under the residual value guarantee change; or
- future lease fees change due to changes in the index or rate on which they are based.

The Company recognises the amount of the redetermination of the lease fee as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further decrease in the measurement of the lease liability, the Company recognises the remaining redetermined amount in profit or loss.

The Company does not present right-of-use assets that are not investment property separately in the statement of financial position, but includes them in the same line item as the underlying assets would be presented if they were owned. The Company presents lease liabilities as financial liabilities measured at amortised cost in its statements of financial position.

In accordance with the exemption exceptions permitted by the standard, the Company has decided not to apply the requirements of the standard to leases with short terms and leases where the underlying asset is of low value. Lease fees paid in respect of these lease contracts are recognised in profit or loss on a straight-line basis over the lease term.

For all leased assets, the Company uses the relief permitted by the standard, i.e. it does not separate the non-lease component from the lease components and accounts for each lease component and the related non-lease components as a single lease component.

The Company does not own any right-of-use assets that qualify as investment property.
In the statement of cash flows, payments related to the capital portion of the lease liability are classified as financing activities, while payments for short-term leases, lease fees for leases of low-value assets and variable lease fees not included in the valuation of the lease liability are classified as operating activities. Payments related to the interest portion of a lease liability are classified in the cash flow statement in accordance with the requirements of IAS 7 Statement of cash flows for interest paid.

The Company has entered into a lease contract for the purpose of representation and correspondence of its registered office, which it does not consider to be a finance lease due to the purpose of the contract and the absence of an actual operation. The cost incurred is charged as a rental fee on a straight-line basis.

3.6. Impairment loss of non-financial assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If there is, or an annual impairment loss test is required to be performed, the Company estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of an asset's fair value less costs to sell and its value in use. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered as an impairment loss. In determining the value in use, the expected cash flows are discounted taking into account the time value of money and the asset-specific risks. The appropriate valuation method is used to determine fair value less costs to sell. The calculations are backed up by various valuations, quoted share prices or other available fair value indicators.

An assessment is made annually for all assets to assess whether there is any indication that previously impaired assets may no longer be impaired or may be impaired. If any indication exists, the Company estimates the recoverable amount of the asset. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognised. The reversal is recognised in the income statement. Reversal is limited, i.e. the carrying amount may not exceed the recoverable amount and may not exceed the calculated carrying amount less depreciation that would have been recorded if the asset had not been previously impaired. Impairment losses on goodwill cannot be reversed in subsequent periods.

3.7. Actual tax

The actual tax amount includes the amount of taxes payable to the tax authorities, or from the refundable taxes the amount of corporation tax. Current tax is recorded on the amount paid to the tax authority, the amount expected to be paid and the amount expected to be received back from the tax authority. The tax rates and tax laws in force at the balance sheet date are used to determine the tax liability.

3.8. Deferred tax

In calculating deferred tax, the Company determines temporary differences between the tax base and the carrying amount of assets and liabilities. All deferred tax liabilities are recognised. Deferred tax assets are recognised only to the extent that it is probable that they will be utilised against taxable profit. Deferred tax assets and liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date and that are expected to apply to the period when the amount is expected to be recovered or settled. Deferred tax assets and liabilities are netted if there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes belong to the same company and the same tax authority. The Company considers, based on the Bank Group's strategic plan, that the recoverability of the deferred tax asset is uncertain and therefore no deferred tax asset has been recognised in 2022.

3.9. Classification as financial liabilities or equity

A financial liability is any liability that

a) creates a contractual obligation:
   i. for the transfer of cash or another financial asset to another entity; or
   ii. for an exchange of financial assets or financial liabilities with another entity on potentially unfavourable terms; or
b) is a contract that will or may be settled in the entity's own equity instruments and that is
   i. a non-derivative that requires or may oblige an entity to transfer a variable number of its own equity instruments; or
   ii. a derivative that will or may be settled in a way other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

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

3.10. Financial liabilities valued at amortised cost

The Company recognises financial liabilities in the amortised cost category at fair value at the date of initial recognition. Transaction costs, fees and commissions that are directly attributable to the origination of a financial liability in a category measured at amortised cost shall be added to (or deducted from) the initial cost.

The Company typically classifies trade payables in this category.

Financial liabilities in the amortised cost category are subsequently measured at amortised cost using the effective interest method.

3.9.1 Derecognition of financial liabilities

The Company derecognises a financial liability (or a part of a financial liability) from its balance sheet when, and only when, it is extinguished — i.e. when the obligation specified in the contract has been discharged or cancelled or expires. The exchange of all or part of an existing financial liability on substantially different terms, or a significant modification of the terms of an existing financial liability, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability in accordance with the relevant parts of IFRS 9. The difference between the carrying amount of the financial liability (or part of it) extinguished or transferred to a third party and the consideration paid is recognised in profit or loss.

3.11. Provisions

The Company recognises a provision when it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Company records provisions against the category of profit or loss to which they relate. No provision has been made for the year 2022.

3.12. Employee benefits

3.11.1 Short-term employee benefits

Short-term employee benefits, such as salaries, compensated absences, performance-based cash bonuses and social security costs, are recognised by the Company over the period in which the employees render the related services. The Company's practice is that the Employer must grant paid leave to Employees during the reference period, except for leave accruing during maternity leave. The accrual for the value of expected leave applies to the Company, but is only recognised when significant.

3.11.2 Long-term employee benefits

In the ordinary course of business, the Company makes a fixed contribution for its employees to state pension funds, which is recognised as an expense in social security contributions and is not deductible as a long-term employee benefit. In addition, the Company does not provide any other post-retirement benefits to its employees, and consequently there are no legal or contractual obligations.

3.13. Own shares repurchased

If the Company repurchases its own shares, these shares are presented separately in equity under the Treasury shares row with a negative sign. The repurchased treasury shares are recognised by the Company at their face value in the Treasury shares row at the date of the decision of the highest governing body to repurchase them. The difference between the repurchase price and the face value is recognised in the profit and loss reserve. If the decision to repurchase is accompanied by a decision by the supreme body to cancel the shares, the Company shall reclassify the shares concerned as liabilities from the date of the decision until the date of actual cancellation. The Company has no repurchased treasury shares in 2022.

3.14. Interest revenues and expenses

Interest income and expenses are recognised on a time proportion basis using the effective interest method.

The effective interest rate is the interest rate that discounts estimated future cash flows through the expected life of the financial instrument or a shorter period, taking into account the carrying amount of the financial asset or financial liability.
The calculation includes all contractual terms of the financial instrument (e.g. early repayment option) and all fees, initial costs directly attributable to the instrument and integral to the effective interest rate, but excludes future lending losses.
The carrying amount of a financial asset or financial liability is adjusted when the Company revises its estimates of cash flows. The adjusted carrying amount is calculated on the basis of the original effective interest rate and the change in carrying amount is recognised as income or expense.
The Company accounts for interest income and interest expense on a gross basis.

3.15. Fee and commission income, expense

The Company recognises fee and commission income or expense that does not form part of the amortised cost of financial instruments on this row. Fees and commissions that form part of amortised cost are recognised through interest income.
The Company recognises fee and commission revenue as revenue when the performance obligations have been fulfilled in accordance with the customer contract and the services have been rendered to the customers. This will be done in accordance with the principles of IFRS 15.

3.16. Contingent liabilities and contingent assets

The Company accounts for its contingent liabilities in its off-balance sheet records and does not recognise them in the statement of financial position. Contingent liabilities are disclosed in the Notes. The Company monitors the development of its contingent liabilities on an ongoing basis. If it becomes more likely that an outflow of assets will be required to settle an obligation previously treated as a contingent liability, the Company recognises a provision for the amount of the obligation and recognises it in the statement of financial position.

The Company accounts for its contingent assets in its off-balance sheet records and does not recognise them in the statement of financial position. Contingent assets are disclosed in the Notes when an inflow of economic benefits from contingent assets is probable (i.e. the probability of occurrence is between 50% and 90%). If the probability of occurrence is greater than 90%, the Company recognises the contingent asset in the statement of financial position.

3.17. Events subsequent to the balance sheet date

Events after the balance sheet date are events that occur between the balance sheet date and the date on which the financial statements are authorised for disclosure by management (board of directors, supervisory board).
For events after the balance sheet date, the Company distinguishes between adjusting and non-adjusting events. Adjusting events are events that provide evidence that a particular fact existed at the date of the statement of financial position, only information about its existence was received later. With the adjusting event, the Company also adjusts the numerical part of the financial statements. Non-adjusting events are events that provide evidence that a fact did not exist at the date of the statement of financial position. Non-adjusting events do not change the numerical presentation of the financial statements, but their nature and expected effect should be disclosed in the Notes if they are likely to be material to users of the financial statements.

3.18. Offsets

The Company does not offset assets and liabilities, income and expenses unless their aggregation is permitted or required by a standard (e.g. unrealised exchange rate differences at year-end, or exceptionally for financial instruments, cash flow statement). Generally, the Company nets when the economic events are the same or similar in nature and the resulting gains or losses are not material or their separation is not significant because netting better describes the economic substance.

3.19. Currency conversion

Items denominated in foreign currency are converted by the Company into its functional currency, if available. A foreign currency transaction is a transaction that is denominated or requires settlement in a foreign currency.
A foreign currency transaction shall be recorded, on initial recognition in the functional currency by the Company, applying to the amount in foreign currency the daily spot exchange rate between the functional currency and the foreign currency at the time of the transaction, as published by the MNB. The Company, at the end of the reporting period:

- translates monetary items in foreign currency at the closing rate,
- translates non-monetary items measured at cost in a foreign currency at the exchange rate at the date of the transaction; and
- translates non-monetary items measured at fair value in a foreign currency at the exchange rate at the date when the fair value was measured.

3.20. Settlement of the regular sale and purchase of financial assets

The ‘regular’ sale or purchase of financial assets is settled by the Company on the day of performance. The settlement date is the date on which the asset becomes the property of the group. By 'regular’ sale or purchase transactions, we mean a sale or purchase transaction where the asset must be delivered within the timeframe specified by the relevant legislation or established in the market.

3.21. Special tax levied on financial organisations (Recognition according to IFRIC 21)

Financial businesses and financial organisations in Hungary are subject to a special tax. The basis for the calculation of the special tax is the aggregate amount of interest income and fee and commission income provisionally calculated from the data in the second tax year preceding the tax year, or, for a financial business preparing its annual financial statements in accordance with IFRS, the equivalent amount determined in accordance with IFRS.
Given that in 2021 and 2022 the Company cannot have the second tax year's reporting data prior to the tax year required for the tax calculation under the Tax Act, the Company will only be liable to pay tax for the first time in 2023.

3.22. Significant accounting estimates and assumptions

Financial statements prepared in accordance with IFRS principles require the use of estimates and assumptions, which modify the amounts included in the financial statements and the related Notes. Although these calculations are based on the best knowledge of the Company's management of current events, actual results may differ. The Company has applied the estimate in the following main areas.

Going concern

The Company's management has assessed the Company's ability to continue as a going concern and concluded that the Company has the necessary resources to continue as a going concern following the merger. Furthermore, the Company's management is not aware of any material uncertainty that would cast significant doubt about the Company's ability to continue the business as a going concern.

Deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that they will be utilised against taxable profit. The Company's judgement is required in determining the deferred tax assets that can be recognised, the level of future taxable profit and the likely timing of future taxable profit, together with future tax planning strategies.

Impairment loss of non-financial assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If there is, or when an annual impairment loss test is required to be performed, the Company estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of an asset's fair value less costs to sell and its value in use. In determining the value in use, the expected cash flows are discounted taking into account the time value of money and the asset-specific risks. An assessment is made annually (unless otherwise indicated) for all assets to assess whether there is any indication that previously impaired assets may no longer be impaired or may be impaired. If any indication exists, the Company estimates the recoverable amount of the asset.

3.23. Changes in the legal environment and their impact on the separate financial statements

The following governmental decrees and other legal regulatory instruments, issued in the context of the state of emergency declared due to the epidemic caused by the new type of coronavirus (COVID-19), have had an impact on the activities of the Company's subsidiaries:

- On the basis of Government Decree 536/2021 (15 September), which entered into force on 16 September 2021, the moratorium on payments was extended from 1 November 2021 to 30 June 2022 for customers in payment difficulties who make a declaration within the established deadline.

The change in the legal environment did not have any significant impact on the 2022 separate financial statements, as the Company has no customers subject to moratorium.

3.24. Changes in estimates

There were no areas where there was a significant change in the estimates.

4. INTEREST REVENUE AND INTEREST EXPENSE

	1 January 2022 - 31 March 2022	9 July 2021-31 December 2021
Interest revenue		
Financial assets at amortised cost*	3	3
Total	**3**	**3**

	1 January 2022 - 31 March 2022	9 July 2021-31 December 2021
Interest expense	0	0
Total	**0**	**0**

5. Operating expenses

	1 January 2022 - 31 March 2022	9 July 2021-31 December 2021
Staff expenses	2	4
Audit fee	8	12
Expert fees	6	8
Account management costs	2	0
Regulatory fees	7	6
Total	**25**	**30**

6. Staff expenses

	1 January 2022 - 31 March 2022	9 July 2021-31 December 2021
Wage cost	2	3
Wage contributions	0	1
Total	**2**	**4**

Payroll taxes are payable by the Company on gross wages and fringe benefits paid. The Company has no regular employees, as it performs its administrative tasks through SLA contracts.

7. Cash, account balances with banks, and other sight deposits

	31 March 2022	31 December 2021

All figures in the tables are in mln of Hungarian forints unless otherwise indicated in the remark.

Cash	0	0
Other sight deposits	4,062	4,094
Total	**4,062**	**4,094**

The Company has no cash on hand and maintains a bank account with a credit institution in Hungary.

8. Investments into subsidiaries

The Company's subsidiaries were acquired through the contribution of shares as contribution in 2021.

Subsidiary	Ownership rights (%)	Voting rights (%)	Carrying amount of the participation
Magyar Takarékszövetkezeti Bank Zrt.	100.00%	99.99%	98,100

As pursuant to its Accounting Policy the Company carries its participations at historical cost ,takes IAS 36 Impairment of assets into account in determining whether a participation has an indication of impairment loss and whether an impairment loss should be recognised at the end of the reporting period in 2022. An impairment loss is recognised if the recoverable amount is less than the carrying amount of the investment, where the amount of the impairment loss is the difference between the carrying amount and the recoverable amount. No circumstance arose that may be considered a significant circumstance that reduces the recoverable amount of the investment by the Company and is considered an impairment loss under IAS 36.

9. Tangible assets

The Company has no property, plant and equipment in the absence of any material operating activity.

10. IFRS 16 Leases

The Company had no right-of-use assets and no lease obligations in 2022.

The Company uses a simplified methodology for short-term leases and the underlying low value asset. In such cases, the Company recognises the related lease fees as an expense on a straight-line basis over the lease term.
Short-term leases are leases where the lease term is 12 months or less on the starting date. The Company's office rent recognised as a short-term lease in 2022 did not reach HUF 1 mln.

All figures in the tables are in mln of Hungarian forints unless otherwise indicated in the remark.

11. Other assets

The Company has no other assets in the absence of any material operating activity.

12. Financial liabilities valued at amortised cost

	31 March 2022	31 December 2021
Domestic accounts payable	0	8
Total	**0**	**8**

13. Other liabilities

	31 March 2022	31 December 2021
Tax liabilities	0	0
Accrued costs and expenses	11	13
Total	**11**	**13**

14. Equity

14.1. Equity of the Company:

Shares	Nominal value HUF/share	Issue value HUF/share	31 March 2022			
			Number of shares	Total nominal value	Ownership ratio (%)	Total issue value
"A" series ordinary shares	1,000	2,050	2,000,000	2,000	*6.62%*	4,100
"A" series ordinary shares	1,000	10,000	28,220,000	28,220	*93.38%*	282,200

All figures in the tables are in mln of Hungarian forints unless otherwise indicated in the remark.

Shares	Nominal value HUF/share	Issue value HUF/share	31 December 2021			
			Total number of shares	Total nominal value	Ownership ratio (%)	Total issue value
"A" series ordinary shares	1,000	2,050	2,000,000	2,000	*6.62%*	4,100
"A" series ordinary shares	1,000	10,000	28,220,000	28,220	*93.38%*	282,200

14.2. Ownership structure (31 March 2022)

Name	Number of ordinary shares	Number of preference shares	Participation (%)
Magyar Bankholding Zrt.	30,220,000		100%
Total	30,220,000		100%

15. Contingent liabilities

The Company had no contingent liabilities at 31 March 2022.

16. THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Financial assets carried at carrying amount: Due to their short maturities, the carrying amounts of certain financial assets and liabilities in the balance sheet approximate their fair values. This category includes cash, current receivables, financial assets and liabilities measured at amortised cost.

17. RISK MANAGEMENT

17.1. Overview

The Risk Policy / Risk Strategy is developed and implemented at the level of the Bankholding Group and is based on the following main pillars:

- applying best market practice approaches and methods in risk management
- identifying and continuously monitoring the risk and return profiles of business lines, products and risk positions
- taking risks into account in business decisions

All figures in the tables are in mln of Hungarian forints unless otherwise indicated in the remark.

- the separation of the risk management organisation from the business area
- the importance of all stages of the risk management process
- the risk management process is part of the overall management system and its aspects are integrated into strategic and annual planning.

The exposure is mainly to credit, liquidity, market and operational risks.

If the Company applies the internal rules used by the bank group in all respects, namely:
Risk Taking Policy
Money and Value Management Policy
Assets and Liabilities Inventory Policy
Accounting Policy (including valuation of assets and liabilities)
Operational competence, supporting documents and payment procedures
Internal Audit Policy.

17.2. Risk management structure

Board of Directors

The Board of Directors is responsible for the Company's risk policy and risk strategy. It ensures that the Company's operations are in line with the risk expectations of the bank group, implements and applies the Bankholding's internal policies as described above, assesses risk management activities and the extent of risks on the basis of regular risk reports. If the level of risk taken is not in line with the risk strategy, the Board of Directors will take measures to mitigate the risks.

Supervisory Board

The Supervisory Board of the Company has the duty and responsibility to oversee the risk taking and risk management processes. The Supervisory Board is also responsible for supervising and regularly evaluating the operation of the internal security lines.

Risk Committee structure

The operations of the Company's owner, Bankholding, and the Company's subsidiary, Magyar Takarékszövetkezeti Bank Zrt. are supported by several standing committees. Although these Committees do not operate at the Company, their activities are instrumental in reducing the Company's risk exposures and compliance with the policies and procedures implemented by the Committees is the responsibility of the Company's Board of Directors.

The standing committees with risk powers are the Risk Committee, the Assets and Liabilities Committee and the Workout Committee. The committees may delegate their powers, subject to an ex post reporting obligation, to the members of the committee, to the various departments of the Bank Holding or to its management.

<u>Risk Committee (RC)</u>

The Risk Committee exercises its powers at separate or group level.

Main competences:
- To give a preliminary opinion on the risk strategy and risk policies, and to make recommendations to the Board of Directors regarding the risk limits set out therein.
- Approval of ICAAP risk capital parameters.
- Monitoring compliance with risk limits, and taking action in the event of a breach.
- Approval of risk methodologies under the responsibility of the Commission.
- Definition of the risk reporting system
- Determination, allocation and back-testing of concentration risk limits at group level.
- Defining the general framework for credit risk and operational risk management, taking operational measures to mitigate risk.
- Preliminary opinion on the Bankholding Group's Recovery Plan, proposal to the Board of Directors, approval of Recovery Plans for member banks.
- Based on the Supervisory Review and Evaluation Process (SREP), it develops action plans, appoints a manager responsible for implementation, sets deadlines and holds implementation to account.
- Determining and proposing to the Board of Directors the methods, parameters, rating agencies, etc. for the calculation of capital requirements and internal capital requirements.
- Providing preliminary opinions on disclosure policy, making proposals to the Board of Directors.
- Providing opinions on cases submitted by members of the Bankholding Group which fall within the competence of the Bankholding Group.

Asset and Liability Committee (ALCO)

The Assets and Liabilities Committee exercises its powers at separate or group level.

Main competences:
- Primary responsibility for asset and liability management at separate and group level
- Develop and monitor appropriate balance sheet risk policies, asset and liability management policies and their application.
- Take the necessary measures in the field of asset and resource management and to initiate the necessary actions towards the competent decision makers.
- Approve the training principles for clearing prices (transfer prices), determine internal clearing prices.
- Approve product profitability model, channel model and customer profitability model.
- Approve the product development principles, propose product development targets to the Board of Directors, monitor product launches, measure back.
- Propose to the Board of Directors the sales targets and approves the sales channel requirements.
- Monitoring market and liquidity risks, setting limits, allocating and monitoring them, taking the necessary measures, proposing principles and regulations.
- Setting group-wide capital limits, allocating them to the members of the Bankholding Group, making proposals to the Board of Directors, monitoring compliance with the limits, and taking measures in the event of a breach of the limits. Proposal for principles, regulation.

- Continuous monitoring of the indicators within the Commission's scope to be monitored under the Recovery Plan and taking the necessary decisions in case of lower severity alarms.

Workout Commttee (WOB)

The Workout Committee exercises its powers at separate or group level.

Main competences:

- The Committee, in its role as group governor, may prescribe a plan of action for the members of the Bankholding Group on matters within its scope.
- It continuously monitors the implementation of the required action plans and reports on the action plans to the departments concerned.
- Commenting on and proposing a group-level NPL and recovery strategy/problematic case management risk policy and monitoring its compliance and enforcement.
- Regular review of NPL portfolio, problem case management process.
- Approval of risk methodologies under the responsibility of the Committee.
- Definition of a risk reporting system within the Committee's competence.
- Taking decisions on matters delegated to the Commission in internal instructions/policies.
- Taking decisions on matters delegated to the Committee by the Board of Directors.
- Providing opinions on cases submitted by members of the Bankholding Group which fall within the competence of the Bankholding Group.
- Supervising and managing the sale of receivables and its process.

Risk-management organisation

Within the Bankholding, the Risk Management and Prudential Control Division is responsible for business risk management and risk control.

The following departments have been set up within the Division:

- Integrated Risk Control
- ALM Control
- Prudential Capital Requirement Control
- Retail Business Risk Management
- Corporate Business Risk Management
- Workout Control
- Risk Harmonisation

The Risk Management and Prudential Control area is responsible for the effective, comprehensive and independent management, harmonisation and supervision of risk control activities covering all significant risks of the Bankholding Group, as well as business risk management and workout control activities at the level of the Bankholding Group. It is also responsible for the supervision of Pillar I and Pillar II (ICAAP, ILAAP, SREP) capital adequacy and the supervision of the MREL and

resolution framework, including the preparation, maintenance, operation and control of the Recovery Plan. It manages and supervises the harmonisation of risk management and prudential functions at the level of the Bankholding Group, identifies and acts to exploit Group synergies.
The Risk Management and Prudential Control area operates in a dual reporting structure, with the Risk Management and Prudential Control area reporting directly to the Chairman of the Board for the prudential control functions, and the Deputy Chief Executive Officer for Risk Management and Prudential Control reporting directly to the Chief Executive Officer for the Retail and Corporate Business Risk Management and Workout Control functions and areas.

Internal Audit

The elements of the internal control system (process-based, management control, management information system and independent internal audit organisation) cover the entire organisation and activities of the bank group, are integrated into daily activities and can be monitored, and provide regular feedback to the appropriate management and governance level.
Internal Audit conducts a risk analysis covering the whole organisation, including the risk management area, in order to prepare the annual audit plan. It regularly reports to the Board of Directors and the Supervisory Board on the design and functioning of the group internal audit function, the risks identified by Internal Audit or external authorities and their management.

Risk measurement and reporting system

The Bankholding Group develops and applies a comprehensive risk management and measurement framework at separate and group level.
Its key elements are:
It measures its credit risk exposure using the methods set out in the legislation and integration requirements.
In terms of liquidity, interest rate and foreign exchange risk, risk is monitored and controlled essentially by setting limits that reflect risk appetite and the market environment.
The bank group collects and analyses operational risk events and loss data at separate and group level.
As a result of the risk measurement, the bank group determines the amount of economic capital justified by the risk exposure.
On a quarterly basis, the Risk Committee and the Board of Directors review the bank group's risk report.

17.3. Risk mitigation

Interest and exchange rate risk

The bank group seeks to mitigate interest rate and foreign exchange rate risk through an appropriate asset-liability structure.

Market risk

The Company's exposure to maturity risk, interest rate risk and foreign exchange risk on assets and liabilities, off-balance sheet items is at a low level at 31 March 2022. There is therefore no need to further demonstrate its sensitivity.

Management of currency risk

The Company's business policy is to keep the risk arising from different currencies at a low level. The Company had no foreign currency denominated assets or liabilities at 31 Mach 2022.

Liquidity and maturity risks

Liquidity risk is the risk that the Company is experiencing difficulties in meeting its financial obligations, which result in an outflow of cash or other financial assets.

The Company shall prepare its liquidity plan and financing position in accordance with the terms of its business plan.

Breakdown by maturity of the Company's assets and liabilities at 31 March 2022:

	Short-term	Long-term	Total
Assets			
Cash, account balances with central banks, and other sight deposits	4,062	0	4,062
Total	**4,062**	**0**	**4,062**
Liabilities			
Financial liabilities valued at amortised cost	0	0	0
Total	**0**	**0**	**0**

Management of the Covid pandemic

On 11 March 2020, the Executive Board of the Talarál Group, which is owned by the Company, approved the Pandemic Plan and the amendment of the Business Continuity Policy, and the Pandemic Operational Team (POT) was established. From now on, this department will coordinate the Takarék Group's tasks related to the coronavirus crisis, in close cooperation with the Executive

All figures in the tables are in mln of Hungarian forints unless otherwise indicated in the remark.

Board and other relevant departments. The POT will continue to issue instructions and recommendations to all employees, and will continue to send information on this at regular intervals in line with the frequency of meetings in 2022.

18. OWN FUNDS, CAPITAL ADEQUACY

Own funnds and the capital adequacy ratio are presented only on a consolidated basis in the disclosure of the Bankholding's consolidated financial statements.

19. Related party transactions.

For the purpose of financial statements, Magyar Bankholding Zrt. has defined related parties in accordance with IAS 24, so a related party is any business controlled by the reporting entity (which means parent companies and subsidiaries), directly or indirectly, through one or more intermediaries, and key management personnel including members of the Board of Directors and the Supervisory Board (including key management personnel of the parent company). For the purposes of these financial statements, related parties are shareholders whose shareholding in the Company exceeds 10%. The affiliate has control or significant influence over decisions affecting the finances and operations of another business. Transactions with affiliate parties are market-based. The following table shows the Company's subsidiaries, affiliates and other participations as of 31 March 2022.

Notes to the Separate Financial Statements

Név	Besorolás	Részesedés	Fő tevékenység
Takarékinfo Központi Adatfeldolgozó Zrt.	Társult vállalat	0%	Adatszolgáltatás, web-hoszting szolgáltatás
MTB Zrt.	**Leányvállalat**	**100%**	Egyéb hitelnyújtás
Takarék Jelzálogbank Nyrt.	Leányvállalat	0%	Egyéb hitelnyújtás
Takarék Lízing Zrt.	Leányvállalat	0%	Egyéb hitelnyújtás
Takarék Ingatlan Zrt.	Leányvállalat	0%	Ingatlanügynöki tevékenység
Takarék INVEST Kft.	Leányvállalat	0%	Vagyonkezelés
TIFOR Takarék Ingatlanforgalmazó Zrt.	Leányvállalat	0%	Saját tulajdonú Ingatlan adásvétele
TIHASZ Takarék Ingatlanhasznosító Zrt.	Leányvállalat	0%	Saját tulajdonú, bérelt ingatlan bérbeadása, üzemeltetése
Magyar Bankholding Zrt.	**Anyavállalat**	**100%**	**Holding tevékenység**
Takarék Faktorház Zrt.	Leányvállalat	0%	Egyéb hitelnyújtás
Takarék Központi Követelés Kezelő Zrt.	Leányvállalat	0%	Máshova nem sorolt egyéb pénzügyi közvetítés
Takinfo Kft.	Leányvállalat	0%	Számítógép-üzemeltetés
Takarék Zártkörű Befektetési Alap	Leányvállalat	0%	Befektetési alap
Takarék Mezőgazdasági és Fejlesztési Magántő	Leányvállalat	0%	Befektetési alap
Takarék Kockázati Tőkealap	Társult vállalat	0%	Befektetési alap
OPUS Tm1	Leányvállalat	0%	Befektetési alap
MPT Security Zrt.	Társult vállalat	0%	Személybiztonsági tevékenység
DBH Investment Zrt.	Leányvállalat	0%	Máshova nem sorolt egyéb pénzügyi közvetítés
HUN Bankbiztosítás Kft.	-	0%	Biztosítási ügynöki, brókeri tevékenység
EQUILOR II. Magántőkealap	Társult vállalat	0%	Befektetési alap
Budapest Bank Zrt.	Leányvállalat	0%	Egyéb monetáris közvetítés
MKB Bank Nyrt.	Leányvállalat	0%	Egyéb monetáris közvetítés
MKB Üzemeltetési Kft.	Leányvállalat	0%	Saját tulajdonú, bérelt ingatlan bérbeadása, üzemeltetése
Euro-Immat Kft.	Leányvállalat	0%	Immateriális javak kölcsönzése
MKB Digital Szolgáltató Zrt.	Leányvállalat	0%	Számítógépes programozás
MKB- Euroleasing Autólízing Szolgáltató Zrt.	Leányvállalat	0%	Pénzügyi lízing
MKB Bank MRP Szervezet	Leányvállalat	0%	Egyéb pénzügyi kiegészítő tevékenység
Retail Prod Zrt.	Leányvállalat	0%	Egyéb hitelnyújtás
MKB-Pannónia Alapkezelő Zrt.	Társult vállalat	0%	Alapkezelés
Budapest Eszközfinanszírozó Zrt.	Leányvállalat	0%	Egyéb gép, tárgyi eszköz kölcsönzése
Budapest Lízing Zrt.	Leányvállalat	0%	Pénzügyi lízing
Budapest Alapkezelő Zrt.	Leányvállalat	0%	Alapkezelés
Takarék Egyesült Szövetkezet (TESZ)	-	0%	Máshova nem sorolt egyéb pénzügyi közvetítés
Integrált Hitelintézetek Központi Szervezete	-	0%	Máshova nem sorolt egyéb pénzügyi közvetítés
Takarékbank Zrt.	Leányvállalat	0%	Egyéb monetáris közvetítés

The Company had no loans to members of its governing bodies as at 31 March 2022.

	31 March 2022	
	Headcount figure (persons)	Emoluments total
Members of the Board of Directors (management)	5	1
Members of the Supervisory Board	5	0
Total payments	**10**	**1**

Details of the transactions between the Company and other affiliated parties in 2022 are shown in the table below.

31 December 2021	Owners and their Groups	Parent company Subsidiary	Associ-ated compa-nies	Executive officers	Other re-lated parties
Cash, account balances with banks, and other sight deposits	0	0	0	0	0
Investments into subsidiar-ies	0	98,100	0	0	0
Total assets	**0**	**98,100**	**0**	**0**	**0**
Financial liabilities valued at amortised cost	0	8	0	0	0
Other liabilities	0	0	0	0	0
Total liabilities	**0**	**8**	**0**	**0**	**0**
Interest revenue	0	0	0	0	0
Interest expense	0	0	0	0	0
Net interest income	**0**	**0**	**0**	**0**	**0**
Fee and commission in-come	**0**	**0**	**0**	**0**	**0**
Profit/loss of foreign cur-rency transactions	0	0	0	0	0
Net business (trading) profit or loss	**0**	**0**	**0**	**0**	**0**
Operating profit	**0**	**0**	**0**	**0**	**0**
Operating expenses	0	-8	0	1	0
Impairment of participations	0	-184,100	0	0	0
Annual profit or loss with respect to related parties	**0**	**-184,108**	**0**	**1**	**0**

31 March 2022	Owners and their Groups	Parent company Subsidiary	Associated companies	Executive officers	Other related parties
Cash, account balances with banks, and other sight deposits	0	0	0	0	0
Investments into subsidiaries	0	98,100	0	0	0
Total assets	**0**	**98,100**	**0**	**0**	**0**
Financial liabilities valued at amortised cost	0	0	0	0	0
Other liabilities	0	0	0	0	0
Total liabilities	**0**	**8**	**0**	**0**	**0**
Interest revenue	0	0	0	0	0
Interest expense	0	0	0	0	0
Net interest income	**0**	**0**	**0**	**0**	**0**
Fee and commission income	**0**	**0**	**0**	**0**	**0**
Profit/loss of foreign currency transactions	0	0	0	0	0
Net business (trading) profit or loss	**0**	**0**	**0**	**0**	**0**
Operating profit	**0**	**0**	**0**	**0**	**0**
Operating expenses	0	-8	0	-1	0
Impairment of participations	0	0	0	0	0
Annual profit or loss with respect to related parties	**0**	**-8**	**0**	**-1**	**0**

20. NET PROFIT

Allocation of operating profit by financial instrument category, except for the result of foreign exchange transactions:

1 January 2022 - 31 March 2022	Financial assets/liabilities designated at fair value through profit or loss	Financial assets/liabilities at fair value through other comprehensive income	Financial assets/liabilities measured at amortised cost	Other assets/other liabilities	TOTAL
Interest revenue	0	0	3	0	3
Interest expense	0	0	0	0	0
NET INTEREST INCOME	**0**	**0**	**3**	**0**	**3**
Fee and commission income	0	0	0	0	0
Fee and commission expense	0	0	0	0	0
NET FEE AND COMMISSION INCOME	**0**	**0**	**0**	**0**	**0**
DIVIDEND INCOME*	**0**	**0**	**0**	**0**	**0**
Income from the derecognition of non-financial assets	0	0	0	0	0
Net other operating income	0	0	0	0	0
Net other operating expense	0	0	0	-25	-25
OPERATING PROFIT	**0**	**0**	**0**	**-25**	**-25**

21. EQUITY RECONCILIATION TABLE

Pursuant to Section 114/B of the Accounting Act, the Company is required to prepare a specific equity reconciliation table for the balance sheet date and present it as part of the explanatory notes to the financial statements.

The equity reconciliation table includes the opening and closing figures for each component of equity under IFRS and, derived from these, the opening and closing figures for certain specific components of equity. It should also include any available retained earnings available for dividend payments, is the sum of the amount of the retained earnings, including the profit after tax for the financial year and reporting year to which the last annual financial statements relate, plus the cumulative amount of profit tax recognised in accordance with the related IAS 12 Profit taxes. The equity reconciliation table also includes a reconciliation of the amount of capital registered with the court of registration to the amount of subscribed capital under IFRS.

Pursuant to Section 114/B of the Accounting Act, the Company's equity reconciliation table for 31 March 2022 is as follows:

31 March 2022	Subscribed capital	capital	Retained earnings and net profit or loss for the current period	Total equity
Equity elements according to IFRS as adopted by the EU	**30,220**	**256,080**	**-184,149**	**102,151**
	0	0	0	0
Equity elements according to Section 114/B of the Accounting Act	**30,220**	**256,080**	**-184,149**	**102,151**

Reconciliation of the amount of registered capital with the amount of subscribed capital under IFRS:

	31 March 2022
Registered capital under IFRS as adopted by the EU	30,220
Share capital registered at the court of registration	30,220
Difference	**0**

All figures in the tables are in mln of Hungarian forints unless otherwise indicated in the remark.

Calculation of disposable retained earnings available for dividend payment:

	31 March 2022
Retained earnings and other reserves	-184 127
Settlement of other reserves	0
Net profit or loss for the current period	-22
Disposable retained earnings available for dividend payment	**0**

22. MAJOR EVENTS AFTER THE BALANCE SHEET DATE

Merger

On 15 December 2021, the highest bodies of MKB Bank, Budapest Bank and Magyar Takarék Bankholding Zrt., which owns the Takarék Group, approved the first step of the merger timetable of Budapest Bank, MKB Bank and the Takarék Group. Accordingly, the Company will merge with the two member banks of the bank group, Budapest Bank and MKB Bank, are scheduled to merge on 31 March 2022, while the Takarék Group will join the merged bank by the end of the second quarter of 2023. The supervisory clearance required to implement the merger is in progress.

The merged bank, established on 31 March 2022, has temporarily operated under the name MKB Bank Nyrt. The brand name, logo, brand values and other branding elements of the new big bank are also being developed. The launch of the single financial institution brand is planned for early 2023.

The owners have also confirmed the merger process in line with the previously disclosed strategy. This is the first concrete step towards the creation of a super-bank that will play a dominant role in the Hungarian financial market.

Legal consequences of changes to the Integration Act (CXXXV of 2013)

The parent financial holding company defined under Section 20/H (4) of Act CXXXV of 2013 on the Integration of Cooperative Credit Institutions (the ‘Integration Act’ or ‘Szhitv.’), effective from 29 October 2021, paid the funds from the bond subscription to the merged, legal successor MKB Bank Nyrt. in the form of a capital increase simultaneously with the "Bank Merger” and MKB Bank Nyrt. ensured that the holding has the required capital adequacy.

Russia-Ukraine war

After the end of the fourth quarter of 2021, the Russian-Ukrainian conflict that unfolded at the end of February 2022 brought an important change in the economic environment. Geopolitical conflicts contribute to the uncertainty of growth prospects. The positive economic prospects that emerged in the first two months of 2022 have been overridden by the conflict. The positive economic outlook had already given way to gloomier growth prospects and rising inflationary pressures, and these trends have been exacerbated by the war. The conflict, and the sanctions imposed in response to Russia and Belarus, are affecting strategically important industries and exacerbating supply-demand frictions that have been building for months. The trend is towards intensified inflationary pressures, shortages of raw materials and price pressures on a wider range of products than before.

Central banks have responded to high inflation (euro area inflation rose by 5.8% year-on-year in February, up from 5.1% in January). Domestic price pressures rose to 8.3% year-on-year in February from 7.9% in January.) The ECB left the euro zone's interest rate conditions unchanged at its March interest decision meeting, but accelerated the pace of the phasing out of its traditional asset purchase programme (APP), which could end in June 2022, with an interest rate hike at the earliest. In response to the developments since the end of February, on 8 March the Magyar Nemzeti Bank raised the interest rate on the O/N loan, the upper part of the interest rate corridor, by 100 basis points to 6.4%, while the base rate and the overnight deposit rate remained unchanged. On 10 March, the MNB announced its one-week deposit tender at 5.85%, an increase of 50 basis points in the effective interest rate compared to the previous week (on 3 March, it raised the one-week deposit rate by 75 basis points to 5.35%). On 22 March, the Monetary Council of the MNB raised the base rate by 100 basis points to 4.4%. High inflation could dampen this year's buoyant economic growth, both for the European and domestic economies.

The Russian-Ukrainian war conflict has not caused any significant direct business disadvantage for the Company, nor for the other member banks of Magyar Bankholding. Both the Company's capital and liquidity positions are stable and it has sufficient reserves. There was no material direct banking risk in either the retail or corporate customer base. Interbank money market limits towards the countries concerned were immediately closed (no exposure). Hedge monitoring of customer positions was confirmed (no customer positions below the hedging limit).

None of the Bankholding's member banks had any significant open foreign exchange positions, and the hectic movements in foreign exchange rates did not cause any direct losses.

The Strategic Analysis Centre of Magyar Bankholding continuously monitors and analyses relevant developments in the money and capital markets. The forint's exchange rate volatility has increased in line with that of the currencies of the region. Despite this, the Company has not experienced any significant demand for retail foreign currency exchange or foreign currency borrowing compared to normal business. Possible changes in asset prices (including hedged financial assets and real estate) are also a focus of monitoring.

All members of Bankholding comply with EU and US sanctions lists, including the requirements to exclude several commercial banks in Russia and Belarus from the SWIFT system. However, the exclusion of a significant proportion of Russian and Belarusian banks from SWIFT makes trade and settlement relations more difficult for Hungarian businesses involved in the Russian relationship.

In the context of the Russian-Ukrainian crisis, the detection of direct and indirect stakeholders at the MBH level has been performed and their follow-up is regularly performed by the Member Banks on the basis of the MBH guidelines. The risks associated with each counterparty are ranked in terms of their severity based on the nature of the exposure, the country involved, the member bank exposures and other available information.

The Company does not engage in lending, has no corporate loan portfolio, and the effects of the Russian-Ukrainian war may have an impact on the valuation of its participations, but these effects are not yet quantifiable and are not significant as described above.

Strategy for the next 5 years

By mid-2023, an integrated bank with unified management will be created through a merger of banks, building on the undeniable strengths and outstanding market positions of Budapest Bank, MKB Bank and Takarékszövetkezeti Bank in each segment, while remaining resilient in the face of challenges such as rapidly changing customer needs, unprecedented speed of technological development, increasing market competition and even the current pandemic.

The following key strategic objectives and directions have been set:

- To become the most customer-centric bank in Hungary, offering value to all Hungarian citizens and businesses.
- It actively contributes to the development of the Hungarian economy by supporting segments of national economic importance, such as young people, SMEs and the agricultural sector, while remaining committed to local communities.
- It will create the most advanced banking technology platform and digital channels in the Central and Eastern European region.
- In the long term, it will remain the largest branch network in Hungary, providing nationwide coverage while contributing to quality, value-based customer service through efficient operations.
- It is building an innovative organisation and corporate culture, with a strong focus on its people, continuous capability development and a state-of-the-art corporate culture.

Magyar Takarék Bankholding Zártkörűen Működő Részvénytársaság

Business Report

for the financial year beginning on 1 January 2022 and ending on 31 March 2022

Business Report

The purpose of operation of the Company

Magyar Takarék Bankholding Zártkörüen Működő Részvénytársaság (hereinafter the 'Company') was established by Magyar Bankholding Zrt. (hereinafter 'Bankholding')on 9 July 2021 with a capital of HUF 4,100 mln (HUF 2,000 mln subscribed capital, HUF 2,100 mln registered capital). The Company commenced effective operations on 9 August 2021, following its registration at the Companies Court.

The Company's owner, Magyar Bankholding, was established on 26 May 2020 to explore and prepare the ground for the creation of a Hungarian-owned banking group with a significant market share. Magyar Bankholding is the majority shareholder of three commercial banks that have a substantial share in the Hungarian banking sector: Magyar Külkereskedelmi Bank Nyrt, Budapest Bank Zrt. and Magyar Takarékszövetkezeti Bank Zrt. During 2021, the three banks continued to operate independently but in a coordinated manner as part of the banking group. According to the Group's strategic plan, the three institutions will merge as one bank in the next two years, becoming one of the most important players in the domestic banking sector.

The Company's mission is to ensure that the Group's major investments and subsidiaries contribute to the realisation of this plan in the most optimal group structure. The Company performs this task as a financial holding company providing financial services, including asset management as its main activity.

As part of the Bank Group's strategic plan, Bankholding decided to contribute shares of Magyar Takarékszövetkezeti Bank Zrt. (hereinafter MTB Zrt) representing 99.9% of the votes (as a contribution in kind) to the Company as a non-cash contribution on 13 October 2021.

On 15 December 2021, the highest bodies of MKB Bank, Budapest Bank and Magyar Takarék Bankholding Zrt., which owns the Takarék Group, approved the first step of the merger timetable of Budapest Bank, MKB Bank and the Takarék Group. According to the plan, the two member banks of the banking group, Budapest Bank and MKB Bank, and Magyar Takarék Bankholding merged on 31 March 2022. The merged bank temporarily operates under the name MKB Bank Nyrt. The third major member of the banking group, the Takarék Group, will join the merged bank by the end of the second quarter of 2023. The MNB approved the proposed merger in January 2022. The merger does not imply any change in the ownership structure of the bank group, the dominant shareholder of the banks involved in the merger process will remain Magyar Bankholding Zrt.

Profitability

The Company closed the first quarter of 2022 with a loss of HUF 22 million. The loss was the net result of operating expenses of HUF 25 million and interest income of HUF 3 million. The Company did not pursue any profitable operating activities other than asset management.

Business Plan

By mid-2023, Magyar Bankholding will create an integrated bank with unified management, through a merger of the Bankholding's banks and the Company. The merged bank will build on the undeniable strengths and outstanding market positions of Budapest Bank, MKB Bank and Takarékbank in each of their respective segments, while remaining resilient in the face of challenges such as rapidly changing customer needs, unprecedented speed of technological development, increasing market competition and even the current pandemic.

The following key strategic objectives and directions have been set:

- To become the most customer-centric bank in Hungary, offering value to all Hungarian citizens and businesses.
- It actively contributes to the development of the Hungarian economy by supporting segments of national economic importance, such as young people, SMEs and the agricultural sector, while remaining committed to local communities.
- It will create the most advanced banking technology platform and digital channels in the Central and Eastern European region.
- In the long term, it will remain the largest branch network in Hungary, providing nationwide coverage while contributing to quality, value-based customer service through efficient operations.
- It is building an innovative organisation and corporate culture, with a strong focus on its people, continuous capability development and a state-of-the-art corporate culture.

Corporate social responsibility

Responsible thinking is applied at all levels of Magyar Bankholding Group's activities. Our Corporate Social Responsibility (CSR) strategy is defined by responsible behaviour and operations throughout our operating environment, and by a commitment to our customers, employees and civil society. A key element is the development of a financial culture, a commitment to community values, volunteering, ensuring equal opportunities and protecting the environment.

Budapest, 1 June 2022

Dr. Zsolt Barna
Successor MKB Bank Nyrt.
Chairman of the Board of Directors

Antal Martzy
Successor MKB Bank Nyrt.
Chief
Finnancial Officer