BANK OF HUNGARIAN SAVINGS COOPERATIVES CO. LTD.

Auditor report and annual report

31. december 2022.

INDEPENDENT AUDITOR'S REPORT
(Free translation)

To the shareholders of MTB Takarékszövetkezeti Bank Zrt.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of MTB Takarékszövetkezeti Bank Zrt. (the "Company") which comprise the separate statement of financial position for the financial year ended on 31 December 2022 (in which the total assets equal to the total liabilities and equity are MHUF 1,742,279), the separate statement of profit or loss, the separate statement of other comprehensive income (in which the total comprehensive result for the year is MHUF 5,273 loss), the separate statement of changes in equity, the separate statement of cash flows for the financial year then ended and the notes to the separate financial statements comprising significant accounting policies and other explanatory information.

In our opinion, the separate financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2022, and of its separate financial performance and its separate cash flows for the financial year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and they have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Accounting Act") relevant for the annual financial statements prepared in accordance with IFRS as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee dated 3 April 2023.

Basis for opinion

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

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

The non-audit services that we have provided to the Company in the business year from 1 January, 2022 to 31 December, 2022 are disclosed in point 10 of the Notes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable laws and regulations in Hungary and that we have not provided non-audit services that are prohibited under Article 5 of Regulation of the European Parliament and Committee No 537/2014 and Subsection (1) and (2) of Section 67/A of Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors.

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

Our audit approach

Overview

Overall materiality	Overall materiality applied was MHUF 292
Key Audit Matters	Measurement of investments in subsidiaries and associates

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

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

Materiality

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

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

Materiality	MHUF 292
Determination	1% of the separate equity
Rationale for the materiality benchmark applied	We chose separate equity as the benchmark because, in our view, it is a balanced benchmark which reflects the interests of the shareholders and of the regulator and is a generally accepted benchmark. We chose 1% as quantitative materiality threshold.

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Measurement of investments in subsidiaries and associates	
In the current year, the Company shows an ownership stake of MHUF 78,637 in investments in subsidiaries and associates. The management disclosed the related assumptions and balances in point 3.12 of the accounting policy section of the separate financial statements and in notes 19. In accordance with the relevant accounting rules, if there is an indication of an impairment, the management prepares an impairment test in order to examine whether it is necessary to account for impairment of the investments. During the impairment test, the determination of the recoverable amount is based on the management's professional judgment and assumptions. We paid special attention to this area because the value of the investments is significant, and its determination requires subjective assumptions and judgments of the management.	We understood the process of evaluating investments. We examined the valuation methods used by the management, the adequacy of the key assumptions, the parameters used during the valuation, the adequacy of the last available information, and checked the calculations. In the case of a complex model, with the help of our experts, we examined the methodology used by the management and checked the related calculations. During the accounting of the impairment, we checked the application of the *IAS 36 Impairment of Assets* standard and the related disclosures.

Other information: the separate business report

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

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

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

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

In our opinion, the 2022 separate business report of the Company is consistent with the 2022 separate financial statements in all material respects; and the separate business report has been prepared in accordance with the provisions of the Accounting Act. As there is no other regulation prescribing further requirements for the separate business report, we do not express an opinion in this respect.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to

continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company on 28 April 2022. Our appointment has been approved by shareholder resolution representing a total period of uninterrupted engagement appointment of 1 year.

Budapest, 3 April 2023

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

Translation note:

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

MTB Bank of Hungarian Saving Cooperatives Co. Ltd.
Separate Financial Statements in accordance with the International Financial Reporting Standards adopted by the European Union

For the year ended 31 December 2022

Separate Financial Statements in accordance with the International Financial Reporting Standards adopted by the European Union – 31 December 2022

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GENERAL INFORMATION

Chairman of the Board of Directors

Levente László Szabó

Chairman of the Supervisory Board
István Sebestyén

Members of the Board of Directors
Levente László Szabó
Ádám Egerszegi
Tibor Görög
Lajos Kovács
Lászlóné Vince Pénzes
István Pongrácz

Responsible person for the control and management of accounting services:
Péter Darazsacz, managing director of finance and riporting
Ildikó Brigitta Tóthné Fodor, registration number 007048

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

Statutory registered auditor
Attila Molnár (until 31 May, 2022)
Árpád Balázs (since 1 June 2022)

As the parent company of the Bank - MKB Bank Plc. - prepare the consolidated financial statements regarding to the companies included in the consolidation.

The annual report does not contain the Business Report, that is prepared by the Bank every year and provided for to be available for inspection on the Bank's website and at the registered office.

Seat of the Bank, central office
Budapest
10 Pethényi köz
1122

Separate Statement of Profit or Loss for the year ended 31 December 2022

Statement of profit or loss	Notes	1 January 2022 – 31 December 2022	1 January 2021 – 31 December 2021
Interest and similar to interest income	4	**88,256**	**25,733**
Interest income using effective interest rate method		51,724	18,685
Other interest income		36,532	7,048
Interest and similar to interest expense	4	**(92,698)**	**(19,000)**
Interest expense using effective interest rate method		(55,488)	(12,588)
Other interest expenses		(37,210)	(6,412)
Net interest income		**(4,442)**	**6,733**
Income from fees and comissions	5	17,591	12,433
Expense from fees and comissions	5	(14,194)	(7,568)
Net income from fees and comission		**3,397**	**4,865**
Results from financial instruments measured at fair value through profit or loss, net	6	15,674	4,566
Results from financial instruments measured at fair values through other comprehensive income, net	7	-	1,892
Results from financial instruments measured at amortized cost, net	7	638	2,622
Results from hedge accounting, net		-	(2,180)
Exchange differences result	8	(7,623)	(1,769)
Results from financial instruments, net		**8,689**	**5,131**
(Impairment) / Reversal on financial instruments held for credit risk management	31	497	(1,442)
Provision (loss) / gain	26	284	(433)
(Impairment) / reversal on investments in subsidiaries and associates	19	(5,052)	(8,792)
(Impairment) / reversal on other financial instruments and non-financial insturments		(3)	13
(Impairment) / Reversal on financial and non-financial instruments		**(4,274)**	**(10,654)**
Dividend income		23	5,365
Operating expense	10,11	(22,366)	(22,118)
Other income	9	11,913	14,736
Other expense	9	(461)	(3)
Result from assets held for sale		4,821	(275)
Profit before taxation		**(2,700)**	**3,780**
Income tax income / (expense)	12	(3,277)	(1,172)
Result for the year		**(5,977)**	**2,608**

All figures in tables are in HUF million except otherwise noted

Separate Statement of Other Comprehensive Income	Notes	1 January 2022 – 31 December 2022	1 January 2021 – 31 December 2021
Result for the year		**(5,977)**	**2,608**
Other comprehensive income	**13**	**704**	**241**
Items that will not be reclassified to profit / (loss)		**1**	**(27)**
Fair value changes of equity instruments measured at fair value through other comprehensive income		1	3
Income tax relating to items that will not be reclassified		-	(30)
Items that may be reclassified to profit / (loss)		**703**	**268**
Hedging instruments (unmarked items)		150	(26)
Debt instruments at fair value through other comprehensive income		-	2,663
Debt instruments measured at fair value against other comprehensive income		553	(2,369)
Total comprehensive result for the year		**(5,273)**	**2,849**

All figures in tables are in HUF million except otherwise noted

Separate Statement of Financial Position as at 31 December 2022

	Notes	31 December 2022	31 December 2021	1 January 2021
Assets				
Cash and cash equivalents	**14**	**265,097**	**143,887**	**320,778**
Financial assets measured at fair value through profit or loss		**148,088**	**76,239**	**74,804**
Loans and advances to customers mandatorily at fair value through profit or loss	16	85	115	189
Securities held for trading	15	41,502	40,200	46,871
Securities mandatorily at fair value through profit or loss	16	11,707	1,678	23,663
Derivative financial assets	15	94,797	34,246	4,081
Hedging derivative assets	**30**	**-**	**-**	**77**
Financial assets measured at fair value through other comprehensive income	**17**	**44,515**	**157**	**57,470**
Securities		44,515	157	57,470
Financial assets measured at amortised cost	**18**	**1,183,182**	**1,053,849**	**797,939**
Loans and advances to banks		843,302	803,611	392,459
Repurchase assets		103,684	25,989	153,808
Securities		233,131	222,677	238,584
Other financial assets		3,065	1,572	13,088
Investments in subsidiaries and associates	**19**	**78,637**	**199,826**	**202,007**
Property, plant and equipment	**20,22**	**2,367**	**3,179**	**3,735**
Intangible assets	**21**	**3,714**	**1,917**	**1,233**
Income tax assets	**12**	**6**	**493**	**203**
Current income tax assets		3	431	203
Deferred income tax assets		3	62	-
Other assets	**23**	**16,673**	**23,753**	**12,322**
Assets held for sale	**19**	**-**	**191**	**-**
Total assets		**1,742,279**	**1,503,491**	**1,470,568**

All figures in tables are in HUF million except otherwise noted

Separate Statement of Financial Position as at 31 December 2022

	Notes	31 December 2022	31 December 2021	1 January 2021
Liabilities				
Financial liabilities measured at fair value through proft or loss	**24**	**129,809**	**54,887**	**9,351**
Derivative financial liabilities		95,718	34,771	5,245
Financial liabilities from short positions		34,091	20,116	4,106
Financial liabilities measured at amortised cost	**25**	**1,573,653**	**1,402,200**	**1,417,483**
Amounts due to banks		1,474,534	1,320,810	1,348,746
Repurchase liabilities		22,201	18,709	4,501
Subordinated debt		8,708	-	-
Other financial liabilities		68,210	62,681	64,236
Hedging derivative liabilities	**30**	**-**	**-**	**1,187**
Provisions	**26**	**375**	**1,206**	**773**
Income tax liabilities	**12**	**2,197**	**76**	**399**
Current income tax liabilities		2,197	76	399
Other liabilities	**27**	**6,998**	**10,602**	**9,704**
Total liabilities		**1,713,032**	**1,468,971**	**1,438,897**
Equity				
Share capital	28	3,390	3,390	3,390
Treasury shares		(2,539)	(2,539)	(2,539)
Share premium		3,479	3,479	3,479
Retained earnings		31,580	23,444	20,172
Other reserves		8	5,536	5,275
Profit for the year		(5,977)	2,608	3,533
Accumulated other comprehensive income		(694)	(1,398)	(1,639)
Total equity		**29,247**	**34,520**	**31,671**
Total liabilities and equity		**1,742,279**	**1,503,491**	**1,470,568**

Budapest, 3 April 2023.

László Levente Szabó
CEO

Péter Krizsanovich
CFO

All figures in tables are in HUF million except otherwise noted

Separate Statement of Cash Flows for the year ended 31 December 2022

	Notes	1 January 2022 – 31 December 2022	1 January 2021 – 31 December 2021
Cash flow from operating activities			
Result for the year		(5,977)	2,608
Non-cash adjustments to net profit from			
Depreciation and amortization		1,755	1,361
Impairment and provision for credit loss expense		(987)	1,711
Other impairment and provision/ (Release of other impairment and provision)		(2,350)	8,991
Profit/Loss on tangible assets derecognized		6	9
Interest expense on the lease liability		1	24
Effective interest rate effect on securities		(1,388)	(1,309)
Fair value adjustments of derivatives held for trading and derivatives from hedge accounting		334	(248)
Fair value adjustments on financial assets mandatorily measured at fair value through profit or loss		-	-
Operating profit before change in operating assets		**(8,606)**	**13,147**
Decrease/ (Increase) in operating assets			
Adjustment on derivatives held for trading and derivatives from hedge accounting		12,738	21,743
Changes in non-trading financial assets mandatorily at fair value through profit or loss		(9,999)	22,059
Changes in financial assets at fair value through other comprehensive income		(43,347)	57,550
Changes in financial assets at amortised cost		(127,526)	(256,097)
Changes in other assets		7 758	(11,721)
Increase/ (Decrease) in operating liabilities			
Financial liabilities at amortised cost		6,276	(28,844)
Other liabilities		(1,483)	575
Net cash flow from operating activities		**(164,189)**	**(181,588)**

All figures in tables are in HUF million except otherwise noted

Separate Statement of Cash Flows for the year ended 31 December 2022 (continued)

	Notes	1 January 2022 – 31 December 2022	1 January 2021 – 31 December 2021
Cash flow from investing activities			
Proceeds from sales of tangible assets		(188)	451
Proceeds from sales of intangible assets		8	-
Purchase of tangible assets		(42)	(1,948)
Purchase of intangible assets		(2,524)	-
Net cash inflow from investing activities		**(2,746)**	**(1,497)**
Cash flow from financing activities			
Repayment of leasing liabilities		(747)	(731)
Borrowing of long term loans		165,924	13,728
Acquisition and sale of subsidiaries, joint ventures and associates and shares held for sale		122,968	(6,803)
Net cash outflow from financing activities		**288,145**	**6,194**
Increase / (Decrease) in cash and cash equivalents		121,210	(176,891)
Opening balance of cash and cash equivalents		143,887	320,778
Closing balance of cash and cash equivalents		**265,097**	**143,887**
Breakdown of cash and cash equivalents			
Cash		5,143	7,106
Balances with the National Bank of Hungary		194,678	80,326
Due from banks with a maturity of less than 90 days		65,276	56,455
Closing balance of cash and cash equivalents		**265,097**	**143,887**
Supplementary data			
Interest received		88,256	25,733
Interest paid		(92,698)	(19,000)

All figures in tables are in HUF million except otherwise noted

Separate Statement of Changes in Equity for the year ended 31 December 2022

	Notes	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Other reserves	(-) Treasury shares	Total equity
At 1 January 2021		**3,390**	**3,479**	**(1,639)**	**23,705**	**5,275**	**(2,539)**	**31,671**
Profit for the year		-	-	-	2,608	-	-	2,608
Other comprehensive income for the year	13	-	-	241	-	-	-	241
General reserve		-	-	-	(261)	261	-	-
At 31 December 2021		**3,390**	**3,479**	**(1,398)**	**26,052**	**5,536**	**(2,539)**	**34,520**
1 January 2022 – Opening		**3,390**	**3,479**	**(1,398)**	**26,052**	**5,536**	**(2,539)**	**34,520**
Loss for the year		-	-	-	(5,977)	-	-	(5,977)
Other comprehensive income for the year	13	-	-	704	-	-	-	704
General reserve		-	-	-	5,528	(5,528)	-	-
At 31 December 2022		**3,390**	**3,479**	**(694)**	**25,603**	**8**	**(2,539)**	**29,247**

After 2022, the Bank did not pay dividends to the owners

All figures in tables are in HUF million except otherwise noted

1. DESCRIPTION OF THE BANK

The separate financial statements of MTB Bank of Hungarian Saving Cooperatives Co. Ltd. (hereinafter MTB Ltd., Bank, Company) for the year ended 31 December 2022 was approved on 3 April 2023. The final approval on the separate financial statements is provided by the General Meeting.

Name:	MTB Bank of Hungarian Saving Cooperatives Co. Ltd.
Seat:	1122 Budapest, Pethényi köz 10.
Website adress:	www.mtb.hu
Mailing adress:	1525 Budapest, Pf.:775
Phone number:	06- 1- 202-3777
Registration number:	01-10-041206
Tax number:	10241662-4-44
KSH statistical number sign:	10241662-6419-114-01
Year of foundation:	1989.

Chairman of the Supervisory Board:	István Sebestyén
Chairman of the Board:	László Levente Szabó

The MTB Bank of Hungarian Saving Cooperatives Co. Ltd. is the business management organisation of the Integration of Cooperative Credit Institutions ensuring the competitive and prudent operation of the integration, whose most important customers were the cooperative credit institutions that founded the Bank.

The Bank provided to the corporate sector among others active and passive type services, besides its main customer was the Integration of Cooperative Credit Institutions. The Bank pursued fully investment services since 2002, during this had been served private person also.

Significant services are beyond the basic financial services (lending, deposit collection, account management) by the Bank:
- Business managing organizational tasks of the Integration's credit institutions
- Bank card issue, acceptance
- Trading of investments
- Custody services
- Securities and customer account management
- Cash processing

All figures in tables are in HUF million except otherwise noted

The legal successor of the Cooperative Credit Institutions, Takarékbank may provide the following banking services to its customers under agency and commission contracts with the Bank, based on the Supervisory Authority's separate permission:
- Foreign currency account management and trading
- Investment services
- Bank card distribution and acceptance
- Intermediation of loans

According to the Takarék Group's new business strategy for the period 2019-2023, which have been adopted by the General Meeting of the Bank on 30 November 2018, in 2019 was established a new, universal, commercial bank in which the savings cooperatives merged and hereinafter the new bank serves the customers of all savings as the national commercial bank of the Takarék Group.
On 14 February 2019, the General Assembly decided to change the name of the Bank, that the new universal commercial bank could take on the name Takarékbank Zrt. in 2019, which came into being with the union of 12 savings banks, 2 regional banks and the Takerék Commercial Bank. From 1 April 2019 the new name of the Integration's central bank is MTB Bank of Hungarian Savings Cooperatives Co. Ltd., short name MTB Ltd.
On 14 February 2019, in its Extraordinary General Meeting the Bank took a resolution to assign the portfolio of deposit and other reiumbursable cash, the stock of the payment services framework contracts, and the contractual portfolio for the provision of credit and cash lending services to Takarékbank Ltd. (previous name: Mohácsi Takarék Bank Ltd.), which assignment took place in early May 2019.

MTB Bank of Hungarian Savings Cooperatives Co. Ltd., MKB Bank Plc. and Budapest Credit and Development Bank Private Company Limited by Shares established Magyar Bankholding Ltd. (cg.: 01-10-140865; registered office: 1122 Budapest, Pethényi köz 10.) on 26 May 2020 with 33.33% direct participation of MTB Bank of Hungarian Savings Cooperatives Co. Ltd. Based on the authorisation of the National Bank of Hungary, the Budapest-Capital Regional Court as Court of Registration registered Magyar Bankholding Ltd. in the company register with its resolution no. 01-10-140865/5.
MTB Bank of Hungarian Savings Cooperatives Co. Ltd. on 30 October 2020 sold all of its equity shares representing a 33.33% share in Hungarian Bankholding Ltd. to Magyar Takarék Befektetési és Vagyongazdálkodási Zártkörűen Működő Részvénytársaság as the Company's owner holding a 75.91% share (99.99% of voting rights) in the Company, and as a result, it has ceased to have a share in Hungarian Bankholding Ltd.

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

On 13 October 2021, the Hungarian Bankholding Ltd. contributed its shares owned in MTB Ltd. in kind to Hungarian Savings Bankholding Ltd. (MTBH). As a result, MTBH acquired 75,91% of the shares and 100% of the voting rights in MTB. MKB Bank as buyer and MTB

Bank of Hungarian Savings Cooperatives Co. Ltd. (hereinafter: “MTB”) as seller entered into a share sale and purchase agreement on 31.03.2022, under which MKB Bank purchased 7,156 series “A” dematerialised ordinary shares with a nominal value and issue value of HUF 10,000,000 issued by Takarékbank, and 200,000 series “B” dematerialised preference shares, including dividend preference shares, with a nominal value and issue value of HUF 10,000. While MTB maintained ownership of 1 series “A” ordinary share.
In conformity with the authorisation by the Magyar Nemzeti Bank (central bank of Hungary, MNB), Budapest Bank and Hungarian Takarék Bankholding (MTBH) merged into MKB Bank on 1 April 2022. At that time, MTB Bank of Hungarian Savings Cooperatives had a direct ownership stake of 88.13% in Takarék Mortgage Bank Co. Plc. and directly owned 88.33% of the voting rights. Given that MTBH had 88.13% ownership stake and 88.33% of the voting rights in Takarék Mortgage Bank Co. Plc. through MTB Bank of Hungarian Savings Cooperatives, as a result of the merger MKB Bank as the legal successor of MTBH became the indirect owner of Takarék Mortgage Bank Co. Plc. with a stake of 88.13%, and indirectly acquired 88.33% of the voting rights that may be exercised in the company. On 18 October 2022, by way of the sale and purchase of shares, MKB Bank Plc. acquired 43,076,417 series “A” dematerialised ordinary shares with a nominal value of HUF 100 each owned by MTB Ltd. in Takarék Mortgage Bank. With this transaction, MKB Bank acquired a 39.8 % direct qualifying holding (voting rights) in Takarék Mortgage Bank. The ownership stake of MTB Ltd. decreased to 48.42%. On 2 December 2022, Magyar Posta Ltd. acquired from MKB Bank Plc. its full stake in Takarék Mortgage Bank by way of an exchange of shares; with this transaction, Magyar Posta Ltd. acquired a 39.8% direct qualifying holding (voting rights) in Takarék Mortgage Bank.

On 9 December 2022, the supreme bodies of MKB Bank and Takarékbank Zrt. adopted the proposals for the merger of the two member banks as part of the implementation of the second step of the merger schedule of Magyar Bankholding. According to the decisions of the General Meetings, the two member banks of the banking group, MKB Bank Nyrt. and Takarékbank Zrt., will merge on 30 April 2023 and will then continue their operations under the name MBH Bank Nyrt, with a single brand name and image. In February 2023, the MNB approved the merger of Takarékbank Zrt. into MKB Bank Nyrt. with effect from 30 April 2023, and the merger was registered by the Court of Registration.

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

The separate financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in all material respects in accordance with the provisions of the Hungarian Act C of 2000 on Accounting (the „Accounting Act") relevant to the entities preparing financial statments in accordance with IFRS adopted by the EU. The auditor is issued in a separate report that the Bank is in compliance with the IFRSs adopted by the EU.

2.2 Functional and presentation currency

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

2.3 Basis of measurment

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

2.4 Change in accounting policies

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

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

- **Amendments to IFRS 3 "Business Combinations"; IAS 16 "Property, Plant and Equipment"; IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - (issued on 14 May 2020 effective for annual periods beginning on or after 1 January 2022).
- **Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41** - (issued on 14 May 2020 effective for annual periods beginning on or after 1 January 2022).
- **Covid-19-Related Rent Concessions – Amendments to IFRS 16** - (an amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022.

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

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

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

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

- **Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2** - Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023),

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

The Bank is currently assessing the impact of the new standard and the above mentioned amendments on its financial statements.

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 1 January 2022 (the effective dates stated below is for IFRS as issued by IASB):

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

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)
- **IFRS 14 "Regulatory Deferral Accounts"** (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.
- **Amendments to IFRS 16 Leases**: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Categories of financial instruments

The Bank groups the recognised financial assets as follows:

- Cash and cash equivalents
- Financial assets held for trading
  - Derivatives
  - Held for trading securities assets
- Non-trading financial assets mandatorily at fair value through profit or loss
  - Loans at fair value
  - Open-ended units, stock exchange shares
- Financial instruments valued at fair value against other comprehensive income
  - Securities valued at fair value against other comprehensive income
- Financial assets at amortised cost:
  - Due from bank
  - Loans and advances to customers at amortised cost
  - Repurchase assets
- Derivatives – Hedge accounting

The Bank groups the recognised financial liabilities as follows:

- Financial liabilities held for trading
  - Derivatives
  - Short position
- Financial liabilities at amortised cost (other financial liabilities):
  - Due to banks
  - Repurchase liabilities
- Derivatives – Hedge accounting

3.2. Cash and cash equivalents

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

3.3. Financial assets held for trading

Securities at fair value through profit or loss are held within a business model whose objective is not to hold securities in order to collect contractual cash flows or not to hold securities both collecting contractual cash flows and selling securities. Securities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recognised in '**Results from financial instruments, net** will be shown in line. **Interest and similar to interest income** and **Interest and similar to interest expense** cumulatively '**Net interest income** under the headings "Other similar income" and "Other similar expenses", while dividend income is listed under the same name on a separate line according to the terms of the contract, or when the right to the payment has been established. Included in this classification are debt securities that have been acquired principally for the purpose of selling or repurchasing in the near term depending on the market price.

3.4. Derivatives

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

3.5. Hedge transactions IFRS 9

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risk, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.
Upon concluding the hedge contract the Bank drafts the hedge document that sets forth the relationship between the transaction and the instrument hedged. The document describes the nature of risk as well as the risk management goals and strategies. The document also sets forth the method of measuring hedge effectiveness.
Once the hedge is established as relationship, the Bank assesses whether the hedge transaction is expected to be effective in the long term in meeting the fair value attributable to the risk hedged or in offsetting cash flow changes. Hedges are reviewed by the responsible banking department on a quarterly basis.
For the purposes of hedge accounting, hedges are classified into two categories:
(a) Fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability; and
(b) Cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.
There are no net investment hedges in foreign operations.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the Consolidated Comprehensive Income Statement along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk.
In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in the other comprehensive income item. The gains or losses on effective cash flow hedges recognized initially in other comprehensive income are either transferred to the statement of profit or loss in the period in which the hedged transaction affects the statement in the profit or loss, or are included in the initial measurement of the cost of the non-financial related asset or liability. The ineffective portion is recognized in the statement of profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognized in other comprehensive income remains in other comprehensive income until the forecasted transaction occurs. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in other comprehensive income is transferred to the net profit/loss for the period.

The following lines in the profit or loss statement contain the gains or losses in connection with the hedging instruments of hedges (swaps):
(a) Interest income or interest expense
(b) Gains or losses from foreign exchange transactions
(c) The remaining change from fair value adjustment in Change in fair value of derivatives.
For hedges, which do not qualify for hedge accounting (economic hedges), any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the statement of profit or loss for the period. At the end of the year, the Bank has not cash flow hedging.

3.6. Securities at fair value through other comprehensive income

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

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

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

Loans and placements and securities with other banks are accounted at amortised cost, stated at the principal amounts outstanding including accrued interest, net of allowance for loan or placement losses, respectively. If there is objective evidence that an impairment loss has been incurred, the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

3.8. Impairment losses on loans

Impairment losses on loans and placements with other banks are recognised by the Bank based on the expected credit loss model in accordance with IFRS 9. Based on the three-stage model allowance for impairment is recognised at an amount equal to 12-month expected credit loss from the initial recognition, unless purchased or originated credit-impaired (POCI). On financial assets with significantly increased credit risk or credit impaired financial assets (based on objective evidences) provision for impairment is recognised in amount of lifetime expected credit loss. An asset that meets the definition of default criteria step into the third stage.
Purchased or originated credit-impaired (POCI) assets are financial assets that are credit-impaired on initial recognition in accordance with IFRS 9 (they meet the definition of default). For purchased or originated credit-impaired (POCI) assets shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. At each reporting date, an entity shall recognise in profit or loss the amount of the change in lifetime expected credit losses. At the end of the year, the Bank does not have such assets.

3.9. Tangible and intangible assets

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

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

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

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

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

Recognition of costs in the carrying amount of an item ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Therefore, costs that incurred while an item capable of his intended operating has yet to be brought into use or is operated at less than full capacity are not included in the carrying amount. Furthermore neither initial operating losses nor costs of relocating or reorganising the Bank's operations are not included.

Depreciation is charged to the statement of profit or loss in the period to which it relates. Depreciation is computed using the straight-line method over the estimated useful lives of the assets considering residual value, as follows:

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

Intangible assets have a definite useful life, excluding goodwill.

3.10. Leases

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

- An agreement contains identified asset. An asset can also be identified by being explicitly or implicitly specified in a contract. An asset has to be physically distinct or it represents substantially all of the capacity of the asset. Even if an asset is specified, a customer does not have the right to use an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use.
- The customer has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use.
- The customer has the right to direct the use of the identified asset throughout the period of use. The lessee has this right if, within the scope of its right of use defined in the contract, the customer has the right to direct how and for what purpose the asset is used throughout the period of use. In that case, the relevant decisions about how and for what purpose the asset is used are predetermined, the customer has the right to direct the use of that asset following one of:
    - the customer has the right to operate the asset throughout the period of use; or
    - the customer designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

The Bank applies the available expedients for all asset being leased, so decided not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.
The Bank shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.
The Bank elect not to apply the requirements of IFRS 16 Leases to intangible assets.

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

All figures in tables are in HUF million except otherwise noted

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

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

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

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

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The Bank shall remeasure the lease liability, if either:

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

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

The Bank did not present the right-of-use assets separately in the statement of financial position that does not meet the definition of investment property include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned. The Bank are presented lease liabilities in the statement of financial position as Financial liabilities measured at amortised cost.Interest income and expenses related to leasing are shown under the headings „Other similar income" and „Other similar expenses".

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

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

3.11. Non-current assets held for sale

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

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

3.12. Impairment of non-financial assets

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

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

3.13. Current tax

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

3.14. Deffered taxes

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

3.15. Classification into financial liabilities or shareholders' equity

Financial liability is any liability that is:

a) a contractual obligation:
   i. to deliver cash or another financial asset to another entity; or
   ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

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

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

3.16. Financial liabilities carried at amortised cost

Financial liabilities, which are not designated at fair value through profit or loss, are classified as financial liabilities carried at amortised cost. At initial measurement, they are recognized at fair value plus transaction fees and charges should adjust the carrying amount at initial recognition that is directly attributable to the acquisition or issue of the financial liability.
The Bank has the following financial liabilities to finance its business: loans from the Hungarian state, interbank loans and customer deposits.
The bank shall classify in this category its non-trading bonds and other non-trading financial liabilities (for example accounts payable, bail/cash deposit).
Cooperative shares that do not meet the criteria for classification as equity are also included in this category. Cooperative shares are classified as liabilities by the Bank if the owner has indicated that he wishes to redeem them, or if there are several shares embodying different rights and obligations, only the most subordinated shares are considered capital items, the other capital items must be shown as liabilities.

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

3.17. Financial liabilities carried at fair value other than derivatives

On initial recognition the management designates the financial liabilities into financial liabilities classified at fair value through profit or loss category. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
- the liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- the financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that otherwise would be required by the contract.

Such financial liabilities are issued, bonds and interbank loans (that are economically closely related to the swaps, which are entered to mitigate risks). Financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in ‘Change in fair value of derivatives’. Interest is earned or incurred is accrued in ‘Interest income’ or ‘Interest expense’.

3.18. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.
Financial guarantee contracts are initially recognised in the financial statements as financial liabilities and measured at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

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

The financial guarantee fee received is recognised in the statement of profit or loss in 'Fee and commission income' on a straight line basis over the lifetime of the guarantee.
Any increase in the liability relating to financial guarantees is recorded in the statement of profit or loss in 'Credit loss expense'. The Bank does not register this type of obligation.

3.19. Derecognition of financial instruments

3.19.1. Derecognising of financial asssets

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

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

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

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

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

3.19.2. Derecognising of financial liabilities

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

3.20. Provisions

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

3.21. Employee benefits

3.21.1. Short-term employee benefits

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

3.21.2. Long-term employee benefits

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

3.22. Repurchased treasury shares

Treasury shares represent the cost of shares of the Bank repurchased and are displayed as a reduction of shareholders' equity. The repurchased treasury shares are recognised on its nominal value whitin 'Treasury shares' at the date, when a supreme member made a decision on repurchasing. Premiums and discounts on repurchase and subsequent disposal are credited and debited directly to retained earnings, no gain or loss is recognized in the statement of profit or loss. In case of beside the decision of repurchasing, if a supreme member is made a decision at the same time to call back shares, then the Bank is reclassified these shares to the liabilities till the date of the effective cancellation.

3.23. Interest and similar income and interest expense

Interest income and interest expense (the interest subsidy received from the Hungarian State or from the client) are recognized time-proportionately using the effective interest rate method.

Interest income and interest expense include the amortization of discount or premium on securities.
The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts.
Interest income and expenses related to financial instruments are separated by the Bank based on each financial istruments category.
Interest income and interest expenses are accounted on a gross basis by the Bank.
"Interest income calculated on the basis of effective interest calculations" includes interest income on financial assets measured at amortised cost and on other financial assets measured at fair value against other comprehensive income. In addition, under the heading "Other similar income", financial instruments held for trading, non-trading financial instruments that are measured at fair value against profit or loss, derivatives, other assets and interest income on financial liabilities are recognised. "Interest expense calculated using effective interest calculations" includes interest expense on financial liabilities measured at amortised cost, while under the heading "Other cost-like expenses" financial liabilities held for trading purposes, financial liabilities marked as measured at fair value against profit or loss, derivatives, other liabilities and interest rates on financial assets are recorded.

3.24. Fees and commission income and expenses

This group shall include fees and commission income and expenses that are not involved in the amortised cost model. Fees and commisions when they relate and have to be included in the amortised cost modell shall immediatly recognised in profit or loss.
Fees and commision incomes can be typically account transaction fees, cash payment fees, portfolio management fees.

3.25. Contingent liabilities / contingent assets

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

3.26. Post balance sheet events

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

3.27. Offsetting

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

3.28. Foreign currency translation

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

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

3.29. Trade date and settlement date accounting

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

3.30. Banktax and extra profit tax

Hungarian credit institutions are obliged to pay banking tax from the year 2010. From 2017 the basis of the adjusted balance sheet total according to IFRS at the actual calendar year minus two years. The Bank tax is presented as other operating expense in the Stand-alone Statement of Profit or Loss because it does not meet the definition of income tax according to IFRS.
Credit institutions and financial institutions are obliged by law (Htv.) to pay extra profit tax based on the net turnover in 2022 and 2023. The extra profit tax is calculated on the basis of previous year’s net turnover in accordance with Htv. (ie. net turnover in 2021 provided the basis for 2022). Extra profit tax obligation has to be paid in two instalments during the year. The extra profit tax liability is presented among the operating expense.

3.31. Significant accounting judgements and estimates

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

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

Fair value of financial instruments
In cases where the fair value of financial assets and liabilities are not measured at marked to market, other kind of assessment model is necessary to be used to determine fair value. Wherever possible, the input of these models is observable market data. Where such data are not available the Bank uses valuation model to determine fair value. (Note 29)

Deffered tax assets
Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. (Note 3.15)

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

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

3.32. Error

After the balance sheet date of the separatefinancial statements of 2020 there were no mistakes or errors discovered which are significant and affect the decision made by the users based on the financial statements.

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

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

- Gov. Decree 151/2022. (IV.14.) on the different application of the provisions of CCXXXVII of 2013 on Credit Institutions and Financial Enterprises and certain related legislative provisions;

- Gov. Decree 197/2022. (VI.4.) on extra profit surtaxes;

- Gov. Decree 292/2022. (VIII.8.) on the introduction of specific rules on the credit moratorium related to the state of emergency;

- MNB Decree 22/2022. (VI.11.) regulating the maturity match of the mortgage-backed assets and liabilities of credit institutions (JMM Decree).

3.34. Change in estimates

There are not any significant areas, where there is any material change in estimates.

3.35. Comparative figures

According to MKB Bank Plc. (the main parent) has standardized the proforma Balance Sheet and Profit and Loss Statement, Bank has changed the presentation of Stand-alone Statement of Profit or Loss and the Stand-alone Statement of Financial Position. The change is not significant, but the Bank has prepared the comparative figures of Stand-alone Statement of Financial Position as at 31 December 2021, and 1 January, 2021.

The lines of the published financial statements in 2021 are presented in the table above, corresponding to the lines of the financial statements for the year ended 31 December 2022. The Bank has changed the disclosure of interest income and modification loss, as well as the disclosure of local business tax and innovation contribution and cash flow hedge in accordance with the uniform accounting policy. The cash flow hedge are reclassified as a synthetic EUR loan among the *"Other financial liabilities" of "Financial liabiliites measured at amortised cost".* These changes have also been presented in the comparative figures. The reclassification had no impact on profit or loss, and only reported in the published financial statements.

List of notes affected by the change:

Note number	Note description
Note 4	Interest and similar income and expense
Note 10	Operating expenses
Note 12	Income tax
Note 25	Financial liabilities measured at amortised cost
Note 27	Other Liabilities

Comparative data of the 2022 statement of financial position / Data from audited statement of financial position 2021	Cash and cash equivalents	Financial instruments held for trading	Financial assets measured at	Financial assets measured at amortised cost	Investments in subsidiaries ...	Tangible assets	Intangible assets	Tax assets	Other assets	Qualifying fixed assets and divestiture groups held for sale	Comparative data of the 2022 accounts
Cash and cash equivalents	**143,887**	-	-	-	-	-	-	-	-	-	**143,887**
Financial assets measured at fair value through profit or loss	-	**74,446**	-	**1,793**	-	-	-	-	-	-	**76,239**
Loans and advances to customers mandatorily at fair value through profit or loss	-	-	-	115	-	-	-	-	-	-	115
Securities held for trading		40,200								-	40,200
Securuties mandatorily at fair value through profit or loss	-	-	-	1,678	-	-	-	-	-	-	1,678
Derivative financial assets	-	34,246	-	-	-	-	-	-	-	-	34,246
Hedging derivative assets	-	-	-	-	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	**157**	-	-	-	-	-	-	-	**157**
Securities	-	-	157	-	-	-	-	-	-	-	157
Financial assets measured at amortised cost	-	-	-	**1,053,849**	-	-	-	-	-	-	**1,053,849**
Loans and advances to banks	-	-	-	803,611	-	-	-	-	-	-	803,611
Repurshace assets	-	-	-	25,989	-	-	-	-	-	-	25,989
Securities	-	-	-	222,677	-	-	-	-	-	-	222,677
Other financial assets	-	-	-	1,572	-	-	-	-	-	-	1,572
Investments in subsidiaries and associates	-	-	-	-	**199,826**	-	-	-	-	-	**199,826**
Property, plant and equipment	-	-	-	-	-	**3,179**	-	-	-	-	**3,179**
Intangible assets	-	-	-	-	-	-	**1,917**	-	-	-	**1,917**
Income tax assets	-	-	-	-	-	-	-	**493**	-	-	**493**
Current income tax assets	-	-	-	-	-	-	-	431	-	-	431
Deferred income tax assets	-	-	-	-	-	-	-	62	-	-	62
Other assets	-	-	-	-	-	-	-	-	**23,753**	-	**23,753**
Qualifying fixed assets and divesiture groups held for sale	-	-	-	-	-	-	-	-	-	**191**	**191**
Total assets	**143,887**	**74,446**	**157**	**1,055,642**	**199,826**	**3,179**	**1,917**	**493**	**23,753**	**191**	**1,503,491**

All figures in tables are in HUF million except otherwise noted

Data from audited statement of financial position 2021 / Comparative data of the 2022 statement of financial position	Financial liabilitites held for trading	Financial liabil-itites measured at amortised cost	Derivatives-Hedge settlements	Provisions	Other liabilitites	Comparative data of the 2022 accounts
Financial liabilities measured at fair value through profit or loss	**54,887**	**-**	**-**	**-**	**-**	**54,887**
Derivative financial liabilities	34,771	-	-	-	-	34,771
Short positions	20,116					20,116
Financial liabilities measured at amrotised cost	**-**	**1,401,636**	**-**	**-**	**-**	**1,402,000**
Amounts due to other banks	-	1,320,810	-	-	-	1,320,810
Repurchase liabilities	-	18,709	-	-	-	18,709
Other financial liabilities	-	62,117	564	-	-	62,681
Hedging derivative liabilities	**-**	**-**	**0**	**-**	**-**	**0**
Provisions	**-**	**-**	**-**	**1,206**	**-**	**1,206**
Income tax liabilities	**-**	**-**	**-**	**-**	**76**	**76**
Current tax liabilities	-	-	-	-	76	76
Other liabilities	**-**	**-**	**-**	**-**	**10,602**	**10,602**
Total liabilities	**54,887**	**1,401,636**	**564**	**1,206**	**10,678**	**1,468,971**

All figures in tables are in HUF million except otherwise noted

Profit or Loss	2021 Revised presentation	Reclassificiation of local business tax and innovation contribution to income tax	2021 as previously presented
Operating expense	(22,118)	1,058	(23,176)
Result before taxation	**3,780**	**1,058**	**2,722**
Income tax income/(expense)	(1,172)	(1,058)	(114)
Results for the year	**2,608**	**-**	**2,608**

All figures in tables are in HUF million except otherwise noted

4. INTEREST AND SIMILAR INCOME AND EXPENSE

	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
Interest income		
Financial assets at amortised cost	49,082	18,565
Financial assets at fair value through other comprehensive income	2,642	121
Interest income calculated using the effective interest method	**51,724**	**18,686**
Financial assets held for trading	36,187	6,973
Derivatives – Hedge accounting, interest rate risk	10	34
Interest income on financial liabilities	335	40
Other interest income	**36,532**	**7,047**
Interest income and similar to interest income	**88,256**	**25,733**

In the context of a significant change in the yield environment and an increase in key interest rates, interest and similar income increased significantly.

	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
Interest expense		
Financial liabilities measured at amortised cost*	55,488	12,564
Other financial liabilities not measured at fair value through profit or loss	-	24
Interest expense calculated using the effective interest method	**55,488**	**12,588**
Financial liabilities held for trading	36,984	6,237
Derivatives – Hedge accounting, interest rate risk	-	39
Interest expense on financial assets	226	136
Other interest expense	**37,210**	**6,412**
Interest expense and similar to interest expense	**92,698**	**19,000**

In connection with the significant change in the yield environment and the increase in key interest rates, interest and similar expenses increased significantly.

** In 2020, the MNB introduced a new fixed-rate secured loan facility to moderate the negative consequences on the money market and the real economy (LTRO-Long Term Refinancing Operations program). The interest expense on the stock of funds borrowed from the MNB is reflected in interest expense on financial liabilities measured at amortized cost.*

All figures in tables are in HUF million except otherwise noted

5 FEE AND COMMISSION INCOME AND EXPENSE

	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
Fee and commission income		
Account maintenance commission income	2,333	2,019
Lending commission income	1,158	759
Security services commission income	7,856	7,018
Card business commission	1,592	1,322
Guarantee fees	31	94
Agency commission income	85	98
Treasury services	4,536	1,123
Total	**17,591**	**12,433**

In general, there is an increase in each type of fee and commission income, mainly generated by the increase in turnover. In addition, in the treasury services line a fee income of HUF 1 900 million (previous year: HUF 130 million) from IRS derivative terminations was the main reason for the increase.

	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
Fee and commission expense		
Agency fee expense	4,699	4,022
Card business	-	609
Security services fee expense	900	400
Treasury services	7,176	1,198
Fees to banks and to clearing house	120	89
Lending fee expense	11	10
Postal giro (PEK) fee	1,105	1,096
Other	183	144
Total	**14,194**	**7,568**

Similarly to fee and commision income, the increase in expense was mainly driven by growth in turnover. In addition, the level of expenses on treasury transactions also increased due to the IRS derivative termination (HUF 3,112 million, previous year HUF 84 million). Beside these, the Bank received a significant card service fee reimbursement on bank card transactions, so it did not incur any expenses related to card business in the reporting period.

All figures in tables are in HUF million except otherwise noted

6 RESULTS FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET

	1 January 2022-31 December 2022	1 January 2021-31 December 2021
Earnings from financial assets and liabilities held for trading	15,634	3,900
from: Securities for trading	3,138	2,113
from: Derivatives	12,168	2,228
from: Change in fair value of participations	328	(441)
Earnings on non-traded financial instruments measured against fair profit or loss	40	666
Total	**15,674**	**4,566**

In the context of significant changes in the yield environment, increases in key interest rates and volatility in foreign exchange rates, derivatives results have increased significantly.

7 GAINS OR LOSSES FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE TO OTHER COMPREHENSIVE INCOME AND AMORTISED COST

	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
Results from financial instruments measured at fair value through other comprehensive income, net	-	1,892
Results from financial instruments measured at amortized cost, net	638	2,622
Total	**638**	**4,514**

** The majority of the contractual credit and cash lending portfolio provided by the Bank to the corporate sector and individuals was transferred to Takarékbank Zrt. in 2019. The above line showed the result of the decommissioning of the NKP bond sold to the MNB.*

8 EXCHANGE DIFFERENCE RESULT, NET

	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
FX transactions realized result	(4,353)	705
FX transactions non-realized result	(3,270)	1,064
Result from foreign exchange transactions	**(7,623)**	**(1,769)**

All figures in tables are in HUF million except otherwise noted

9 OTHER INCOME AND EXPENSE

	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
Other income		
Income on mediated services	1,341	2,447
Net profit or loss on sold property	-	9
Rental income on property	234	159
Profit or loss on derecognition of investments	1,115	-
Invoiced expenses and services*	9,094	11,875
Non-repayable assets received	88	100
Other income	41	146
Total	**11,913**	**14,736**

** The result on derecognition of the investment is included in the profit or loss on derecognition of investments. Information on derecognised investments is disclosed in Note 19.*
***Cost sharing income based on the framework of SLA settlement aggrement among the members of the Bank group.*

	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
Other expense		
Donation	400	-
Fines, late fees	19	
Net profit or loss on sold property	24	-
Other	18	3
Total	**461**	**3**

In 2022, the Bank recognises among other expenses the subsidy charged by law from bank tax.

All figures in tables are in HUF million except otherwise noted

10 GENERAL AND ADMINISTRATIVE EXPENSES

	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
Staff costs	6,737	10,308
Material cost and expenses	958	797
Marketing and advertising	16	185
Data retrieval fees	262	260
Licence fee	369	406
Rental fee	56	70
Depreciation of tangible assets	1,036	954
Depreciation of intangible assets	719	407
Consultancy, advisory and legal fees	1,066	2,862
Expenses related to IT systems	2,341	2,523
Institutional protection fees, supervisory fees, membership fees	2,424	2,477
Bank security service fee	141	149
Affiliation fees	47	43
Stock market fees	28	18
Insurance fees	37	37
Taxes, duties	6,115	560
Other	14	62
Total	**22,366**	**22,118**

**Consultancy fees decreased from HUF 2,862 million in the previous year to HUF 1,066 million, including management service fees decreased from HUF 700 million to HUF 245 million. The audit company's fee under the audit contract for 2022 is HUF 31 million + VAT. No additional fees were incurred for other audit services in 2022. As other services rendered, HUF 12.5 million + VAT was invoiced by the PwC group company in 2022.*

***The line of taxes and duties was increased by HUF 4,315 million extra profit special tax paid during the year, and in connection with this HUF 515 million financial transaction duty was incurred, compared to the previous year, in which no liabilities arose. The costs of the SLA service were settled on the basis of the SLA settlement agreement between the members of MTB Bank Group (among others, HR service, IT service, accounting service, compliance service, controlling management service, marketing service, legal service, background operations services).*

All figures in tables are in HUF million except otherwise noted

11 STAFF COSTS

	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
Wages and salaries	5,820	8,631
Wages contribution	837	1,482
Other personnel related payments	80	195
Total	**6,737**	**10,308**

Wages contribution is payable by the Bank based on gross wages and salaries paid to employees. The consolidated full time head count of the Bank at the end of the reporting period was 414 (2021: 534 person).

12 INCOME TAX

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

	2022	2021
Current tax expense	-	3
Corporate tax charge – on current year profit	-	3
Deffered tax (income) / expense	59	111
Origination (reversal) of temporary differences	59	(14)
Use of deferred tax for transition	-	125
Local tax	2,798	920
Innovation fee	420	138
Income tax (income) / expense	**3,277**	**1,172**

Both in the reporting period and in 2021 9% current income tax rate was applied on taxable profit in Hungary. Due to this, 9% rate was applied both for current income tax and deferred tax purposes.

Reconciliation of effective tax rate

	2022		2021	
	%	HUF million	%	HUF million
Profit before income tax		(2,700)		2,722
Results from discontinued operations		-		
Income tax using the domestic corporation tax rate	9.00%	(243)	9.00%	245
Local tax	(103.63%)	2,798	33.80%	920
Innovation fee	(15.56%)	420	5.07%	138
Permanent difference	11.81%	(319)	(3.86%)	(105)
Re-assessment of unrecognised tax losses carryforwards	(20.26%)	547	-	-
Effect of transition	(2.74%)	74	(0.96%)	(26)
Income tax (income) / expense	**(121.37%)**	**3,277**	**43.06%**	**1,172**

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

On 31 December 2022, the Bank had unused tax losses amounting to HUF 10,164 million (2021: HUF 4,086 million) with the following maturity:

	2022	2021
Maturity up to 2026	4,086	4,086
Maturity up to 2027	6,078	-
Tax loss carryforwards	**10,164**	**4,086**

No deferred tax was accured to the loss carried forward.

The rules of utilization of tax losses carried forward have tax losses arising in following years, can be utilized solely in the subsequent five years following the tax year in which they were generated.

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

2022 P/L-effective and neutral effects on deffered tax assets (DTA) and deffered tax liabilities (DTL)	Opening balance DTA/DTL	P/L-effective movement of DTA/DTL	P/L-neutral movement of DTA/DTL	Closing balance DTA/DTL
Deffered Tax Assets - due to taxable temporary differences				
Assets				
Impairment on receivables	-	3	-	3
Tangible assets	6	2	-	8
Liabilities				
Provisions	59	(51)	-	8
Deffered Tax Assets – due to tax losses	65	(46)	-	19
Deffered Tax Liabilities- due to taxable temporary differences				
Assets				
Intangible asstes	(3)	(13)		(16)
Subtotal Deffered Tax Liabiltities before netting	**(3)**	**(13)**	**-**	**(16)**
Subtotal Deffered Tax Assets after netting of balance sheet position	**62**	**(59)**	**-**	**3**

All figures in tables are in HUF million except otherwise noted

2021 P/L-effective and neutral effects on deffered tax assets (DTA) and deffered tax liabilities (DTL)	Opening balance DTA/DTL	P/L-effective movement of DTA/DTL	P/L-neutral movement of DTA/DTL	Closing balance DTA/DTL
Deffered Tax Assets - due to taxable temporary differences				
Assets				
Tangible assets	5	1	-	6
Other assets	1	(1)	-	-
Liabilities				
Provisions	42	17	-	59
Effect of corporate tax of IFRS adoption	155	(126)	(29)	-
Subtotal Defferd Tax Assets before netting	**203**	**(109)**	**(29)**	**65**
Deffered Tax Liabilities - due to taxable temporary differences				
Assets				
Intangible assets	**-**	**(3)**	**-**	**(3)**
Subtotal Deffered Tax Liabilities before netting	**-**	**(3)**	**-**	**(3)**
Subtotal Deffered Tax Assets after netting	**203**	**(112)**	**(29)**	**62**

Tax audits for closed periods

At the Bank, the tax authority conducted a full tax audit for the years 2019-2020. As a result of the audit, the tax authority determined a tax deficit of HUF 0.5 million for the Bank 2019 and a tax difference of HUF 2 million for the Bank for 2020. At any time within 6 years of the relevant tax year, the tax authority may examine the books and records and impose an additional tax or penalty.

All figures in tables are in HUF million except otherwise noted

13 OTHER COMPREHENSIVE INCOME

Components of other comprehensive income

	31 December 2022	31 December 2021
Items that will not be reclassified to profit or loss	**1**	**(27)**
Fair value changes of equity instruments measured at fair value through other comprehensive income	1	3
Income tax relating to items that will not be reclassified	-	(30)
Items that may be reclassified to profit or loss	**703**	**268**
Cash flow hedges (effective portion)	150	(26)
Hedging instruments	-	2,663
Debt instruments at fair value through other comprehensive income	553	(2,369)
Income tax relating to items that may be reclassified to profit or (-) loss	-	-
Total comprehensive income	**704**	**241**

14 CASH AND CASH EQUIVALENTS

The most part of Cash reserves are the bank account and term deposits at MNB, the rest of it are the nostro accounts at other banks, cash on hand and sweep account related to cash reserves.

	31 December 2022	31 December 2021
Cash on hand	5,143	7,106
Cash balances at central banks	194,678	80,326
Other demand deposits	65,276	56,455
Total	**265,097**	**143,887**

All figures in tables are in HUF million except otherwise noted

15 SECURITIES HELD FOR TRADING AND DERIVATIVE FINANCIAL ASSETS

	31 December 2022	31 December 2021
Derivatives**	94,794	34,246
Equity instruments*	204	546
from this: listed shares	204	544
from this: open-ended investment funds	-	2
Debt securities	41,298	39,654
Discount treasury bills	1,447	3,906
Government bonds	39,837	34,843
Mortgage bonds	10	325
Other bonds	4	580
Total trading securities	**41,502**	**40,200**
Total	**136,296**	**74,446**

Among the equity instruments the Bank shows shares held for trading and open-end units in investment funds.
*** See details about financial assets and financial liabilities from Derivatives held for trading in Note 30.3.*

During the reporting preiod, the Bank recognised dividents in the amount of HUF 11 million related to investments in tading equity instruments.

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

	31 December 2022	31 December 2021
Equity instruments	11,707	1,678
Loans*	85	115
Total	**11,792**	**1,793**

In this category there are loans which do not meet the cash flow test and that's why are required to be measured at fair value through profit or loss.

The Bank are reported in Equity instruments mandatorily at fair value through profit or loss the following securities as at 31 December 2022.

Shares	Fair Value at 31 December 2022
MKB private equity fund	10,953
VISA shares	754
Total	**11,707**

All figures in tables are in HUF million except otherwise noted

During the reporting period, the Bank recognised dividends in the amount of HUF 9 million in relation to investments in capital instruments that were necessarily measured at fair against profit or loss.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2022	31 December 2021
Equity instruments*	119	157
Government bonds**	44,396	-
Other debt securities	-	-
Total	**44,515**	**157**

** A rearrangement can be observed in the securities portfolio. In line with its strategic objectives, the Bank again holds securities measured at fair value through other comprehensive income, which consist only Government Bonds.*

Shares	Fair Value at 31 December 2022
Garantiqua Hitelgarancia Ltd.	10
Magyar Posta Ltd.	-
Takarék Egyesült Szövetkezet	30
S.W.I.T. SCRL	6
Visa Inc. Class C Series/Common Stock	73
Total	**119**

The Bank have been reported dividend of HUF 3 million in equity instruments at fair value through other comprehensive income during the reporting period.
The Bank is not derecognised any investments in equity instruments at fair value through other comprehensive income during the reporting period.

Shares	Fair value at 2021. december 31.
Garantiqua Hitelgarancia Ltd.	10
Magyar Posta Ltd.	50
Takarék Egyesült Szövetkezet	30
S.W.I F.T. SCRL	6
Visa Inc. Class C Series/Common Stock	61
Total	**157**

All figures in tables are in HUF million except otherwise noted

18 FINANCIAL ASSETS AT AMORTISED COST

	31 December 2022	31 December 2021
Debt securities gross	**233,323**	**222,853**
from this: Government bonds	*214,441*	*207,212*
from this: Other bonds	*12,640*	*12,520*
from this: Credit institution bonds	*6,242*	*3,121*
Impairment of debt securities	**(192)**	**(176)**
Loans at amortized cost gross	**572,276**	**426,298**
from this: Corporate loans, and government sector	*-*	*1,346*
from this: Credit institution loans	*468,564*	*400,250*
from this: Repurchase	*103,712*	*24,702*
Impairment of loans and repurchase at amortized cost	**(841)**	**(1,609)**
from this: Credit institution loans	*(813)*	*(1,603)*
from this: Repurchase	*(28)*	*(6)*
Central bank and interbank deposits gross	**375,651**	**405,010**
Impairment of interbank deposits and loans	**(100)**	**(99)**
Advances gross	**3,600**	**2,083**
Impairment on advances	**(535)**	**(511)**
Total	**1,183,182**	**1,053,849**

Impairment under collective and individual assessment

31 December 2022	Stage 1	Stage 2	Stage 3	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	
Individual	-	-	-	-
Collective	1,210	-	535	1,745
Total	**1,210**	**-**	**535**	**1,745**

The above table contains the impairment of other demand deposits (HUF 75 million) and impairment of debt securities measured at fair value against other comprehensive income (HUF 2 million). The gross exposure of collective-impaired financial assets at amortised cost is HUF 1,184,850 million, and at 31 December 2022. The related collective impairment is HUF 1,668 million.

All figures in tables are in HUF million except otherwise noted

31 December 2021	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	Total
Individual	-	-	-	-
Collective	1,933	-	496	2,429
Total	**1,933**	**-**	**496**	**2,429**

19 INVESTMENTS IN SUBSIDARIES AND ASSOCIATES

Equity interests of the Bank in subsidiaries and associates:

	31 December 2022		31 December 2021	
	Gross book value	Held %	Gross book value	Held %
Takarék Faktorház Ltd.	591	100%	591	100%
TAKINFO Ltd.	110	52%	110	52%
Takarék Invest Ltd.	-	-	6,965	100%
Takarék Ingatlan Ltd.	407	100%	407	100%
Takarékbank Ltd.	14	0,01%	87,054	73%
Takarék Mortgage Bank Plc.	32,562	48%	59,262	88%
TAK-INVEST Ltd.	-	-	273	93%
DBH Investment Ltd.	-	-	150	100%
TIHASZ Takarék Ingatlanhasznosító Ltd.	23,419	90%	23,419	90%
TIFOR Takarék Ingatlanforgalmazó Ltd.	4,931	77%	4,931	77%
Takarék Kockázati Tőkealap	2,805	23%	2,287	23%
Takarék Mezőgazdasági Tőkealap	11,434	49%	12,500	100%
Takarék Zártkörű Befektetési Alap	11,820	93%	11,820	93%
MPT Security Ltd.	-	-	1,320	40%
MITRA Informatikai Ltd. (formerly :Takarékinfo Központi Adatfeldolgozó Ltd.*;**	700	2%	700	14%

All figures in tables are in HUF million except otherwise noted

	31 December 2022		31 December 2021	
	Gross book value	**Held %**	**Gross book value**	**Held %**
HUN Bankbiztosítás Ltd.	56	25%	28	25%
Subsidiaries and associates gross	**88,849**	**-**	**211,817**	**-**
Impairment	(10,212)	-	(11,991)	-
Total	**78,637**	**-**	**199,826**	**-**
Takarék Central Debt Management Ltd.	-	-	191	100 %
Non-current assets and disposal groups classified as held for sale	**-**	**-**	**191**	**100 %**

** The subsidiaries and associates group of companies are defined by MKB Bank Plc. as the parent company, MITRA Informatikai Ltd. is a subsidiary from the point of view of MKB Bank Plc.*
***With the merger of Takarékinfo Központi Adatfeldolgozó Ltd., MKB Digital Services Ltd.. and Euro-Immat Operational Ltd. Mitra Informatikai Ltd. was created, in which the Bank ownership changed to 2%.*

With regard to the Bank investments, the following major changes took place in 2022:

During the first quarter, the voluntary liquidation of TAK-Invest Zrt. v.a. was completed, and the company was deleted from the commercial register. Based on the distribution of assets, a higher amount was recovered (HUF 71 million) than the book value.

During the second quarter, the transfer of the entire stake in Takarekbank – all but one share – to MKB Bank Plc. at book value was completed. The book value of the derecognized stake amounted to HUF 87,040 million, the purchase price was HUF 87,042 million, with a minimal exchange gains amounting to HUF 2 million. The Bank retained one share with a book value of HUF 14 million. After the transaction, the Bank's stakes in Takarekbank Zrt. decreased to 0.01%. In the second quarter, MKB Plc. purchased the share of the Bank in Takarek Invest Kft. above the book value. The result of the transaction was a gain of HUF 1,044 million, which was presented in the profit and loss statement under other income as gains on derecognition of investments.

During the third quarter, the sale of the stake in DBH Investment Zrt. was completed, which was realized at book value.
In the fourth quarter, the Bank sold 39.71% of its shares in Takarék Jelzálogbank to MKB Bank Plc. for a total amount of HUF 24,078 million at the net book value of the shares. Impairment losses on the share sold were used. As a result of the transaction, MTB's ownership interest decreased from 88.13% to 48.42%. In addition, the stake in MPT Security Zrt. was sold at book value.
During the previous year (2021), the 100% stake in Takarek Central Debt Management Ltd. was reclassified to non-current assets held for sale, as the Bank began the preparation of the share

All figures in tables are in HUF million except otherwise noted

sale in December 2021. The transaction to sell the stake closed with a profit during the third quarter of 2022. The impact of the transaction is included in the income statement line Result from assets held for sale, amounting to HUF 4,800 million.

	31 December 2022	31 December 2021
Balance as at 1 January	11,991	3,199
Loss allowance	5,454	9,520
Reversal of loss allowance	(1,446)	(542)
Release of loss allowance	(5,787)	(186)
Closing balance	**10,212**	**11,991**

Since the Bank shows the shares at cost according to its Accounting Policy, IAS 36 takes into account impairment of assets when determining whether the shareholding has any signs of impairment and whether it is necessary to account for impairment at the end of the 2022 reporting period. Impairments should be recognised if the recoverable amount is less than the carrying amount of the investment, the amount of impairment is the difference between the carrying amount and the recoverable amount. The change that arose under IAS 36 is considered to be an impairment circumstance, which reduces the recoverable amount of the investment by the Bank. Accordingly, an additional HUF 4,141 million was recorded for the share of Takarék Mortgage Bank Plc. and HUF 4,058 million for the Takarék Invest Ltd. share in the 2021 separate financial statments.
Regarding to Takarek Mortgage Bank Plc., on the one hand, HUF 2,622 million of loss allowance was released during the sale of the shareholding, and on the other hand, HUF 4,136 million of impairment was recorded for the remaining shareholding. An impairment of HUF 1,144 million was accounted for the share in the Takarek Private Investment Fund. Significant impairment use can be linked to the sold of Takarek Invest Zrt. in the amount of HUF 3,164 million.

No income was generated from dividends received from subsidiaries and associates in 2022, compared to HUF 5,072 million in 2021.

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

All figures in tables are in HUF million except otherwise noted

20 TANGIBLE ASSETS

31 December 2022	Property	Plant and equ-ipment	Total
Gross value			
Opening balance	2,375	2,254	4,629
Increase	4	38	42
Decrease	-	(35)	(35)
Closing balance	**2,379**	**2,257**	**4,636**
Depreciation			
Opening balance	777	1,666	2,443
Annual depreciation	50	222	272
Decrease	4	(28)	(24)
Closing balance	**831**	**(1,860)**	**2,691**
Impairment			
Opening balance	-	90	90
Increase	-	-	-
Decrease	-	-	-
Closing balance	**-**	**90**	**90**
Net value	**1,548**	**307**	**1,855**

The tables contains the tangible assets of the Bank expected the right-of-use assets.
The tangible assets line of the Separate Statement of Financial Position includes also the right-of-use assets under IFRS 16. The net carrying amount of the right-of-use assets was HUF 512 million as at 31 December 2022 and HUF 1,083 million as at 31 December 2021.
The right-of-use assets under IFRS 16 have been reported in Note 22.
The Bank has carried out an estimate of recoverable amount of the tangible assets. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised for the asset. In 2022, no impairment recognition was made for tangible assets.

All figures in tables are in HUF million except otherwise noted

31 December 2021	Property	Plant and equipment	Total
Gross value			
Opening balance	2,763	2,458	5,221
Increase	19	392	411
Decrease	(407)	(596)	(1,003)
Closing balance	**2,375**	**2,254**	**4,629**
Depreciation			
Opening balance	843	2,000	2,843
Annual depreciation	58	216	274
Decrease	(124)	(550)	(674)
Closing balance	**777**	**1,666**	**2,443**
Impairment			
Opening balance	-	90	90
Increase	-	-	-
Decrease	-	-	-
Closing balance	**-**	**90**	**90**
Net value	**1,598**	**498**	**2,096**

All figures in tables are in HUF million except otherwise noted

21 INTANGIBLE ASSETS

31 December 2022	Property rights	Investment in-tangible assets	Total
Gross value			
Opening balance	3,962	113	4,075
Increase	1,824	700	2,524
Decrease	(171)	-	(171)
Closing balance	**5,615**	**813**	**6,428**
Depreciation			
Opening balance	2,158	-	2,158
Annual depreciation	719	-	719
Decrease	(163)	-	(163)
Closing balance	**2,714**	**-**	**2,714**
Impairment			
Opening balance	-	-	-
Increase	-	-	-
Reversal	-	-	-
Closing balance	-	-	-
Net value	**2,901**	**813**	**3,714**

31 December 2021	Property rights	Investment in-tangible assets	Total
Gross value			
Opening balance	3,645	-	3,645
Increase	979	113	1,092
Decrease	(662)	-	(662)
Closing balance	**3,962**	**113**	**4,075**
Depreciation			
Opening balance	2,412	-	2,412
Annual depreciation	407	-	407
Decrease	(661)	-	(661)
Closing balance	**2,158**	**-**	**2,158**
Impairment			
Opening balance	-	-	-
Increase	-	-	-
Reversal	-	-	-
Closing balance	-	-	-
Net value	**1,804**	**113**	**1,917**

All figures in tables are in HUF million except otherwise noted

The Bank estimates the recoverable amount of the intangible asset. Based on this were not such an asset by the Bank, where the recoverable amount would have been lower than the the carrying amount of an asset, therefore impairment have not been recognised on intangible assets in 2022 and 2021.

22 IFRS 16 LEASES

Right-of-use assets

	31 December 2022	31 December 2021
Owned property, plant and equipment	1,855	2,096
Right-of-use assets, expect investment properties	512	1,083
Total property, plant and equipment	**2,367**	**3,179**

Lease liabilities

Lease liabilities presented in the statement of financial position

	31 December 2022	31 December 2021
Short term	353	716
Long term	198	425
Total lease liabilities	**551**	**1,141**

Maturity analysis - undiscounted contractual payments

	31 December 2022	31 December 2021
Up to 1 year	364	732
1 year to 5 years	203	432
Over 5 years	-	-
Total undiscounted lease liabilities	**567**	**1,164**

All figures in tables are in HUF million except otherwise noted

Right-of-use assets

	Property	Company Car	Total
Opening balance at 1 January 2021	**962**	**485**	**1,447**
Increase	128	317	445
Amortization for the year	(448)	(234)	(682)
Decrease	(19)	(108)	(127)
Balance at 31 December 2021	**623**	**460**	**1,083**
Increase	952	154	1,106
Amortization for the year	(536)	(227)	(763)
Decrease	(866)	(48)	(914)
Balance at 31 December 2022	**173**	**339**	**512**

Total cash outflow for leases

	31 December 2022	31 December 2021
Total cash outflow for leases	(597)	(402)

Items related to lease liabilities presented in profit or loss

	31 December 2022	31 December 2021
Interest expense on the lease liabilities	(1)	(24)
Expenses related to short-term leases	(1)	(10)
Expenses related to leases of low-value assets, expect the expense relating to short-term leases of low-value assets	-	(11)
Gains or losses arising from sale and leaseback transactions	-	-
Total	**(2)**	**(45)**

Items presented in the statement of cash flows

	31 December 2022	31 December 2021
Interest expense on the lease liabilities	(1)	(24)
Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability	(1)	(21)
Cash payments for the principal portion of the lease liability	(747)	(731)

The Bank, as a lessee, did not apply a practical solution under the lease modifications resulting from the lease facilitation in any lease agreement, as no rental facilities were granted as a direct consequence of the Covid19 pandemic.

All figures in tables are in HUF million except otherwise noted

23 OTHER ASSETS

	31 December 2022	31 December 2021
Mediated services	286	2,430
Commission deals	-	248
Other inventories (materials, goods)	101	166
Prepaid expenses*	13,117	17,250
Reclaimable taxes**	1,840	2,248
Advances for payables	-	22
Accrued amount of fair value difference at initial recognition of loans under Funding for Growth Scheme	623	1,376
Receivables from Health Insurance	13	13
Other	693	-
Total	**16,673**	**23,753**

** A significant part of the Prepaid expenses are accruals due to cost sharing based on the framework of SLA settlement aggrement among the members of the Bank group.*
*** A significant amount from reclaimable taxes has been deferred due to the special epidemiological tax, as 108/2020 on the special tax related to the epidemiological situation of credit institutions for replenishing the Epidemiological Fund in order to implement the Economic Protection Action Plan (IV.14.), The tax paid can be deducted from the special tax liability of financial institutions in the next 5 years.*

24 FINANCIAL LIABILITIES HELD FOR TRADING

	31 December 2022	31 December 2021
Derivatives	95,718	34,771
Short positions	34,091	20,116
Total	**129,809**	**54,887**

Financial instruments arising from derivative contracts for trading purposes, as well as financial liabiltites, are described in detail in Note 30.3.

All figures in tables are in HUF million except otherwise noted

25 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

	31 December 2022	31 December 2021
Deposits	1,474,534	1,320,810
Repurchase liabilities	22,201	18,709
Subordinated liabilities	8,708	-
Other financial liabilities	68,210	62,681
Total	**1,573,653**	**1,402,200**

* *In 2020 the Hungarian Central Bank decided to introduce a new, fixed-rate collateralized credit tool to moderate the negative economic and financial consequences of the turbulences. (Long Term Refinancing Operations (LTRO)). The interest expense on the stock of funds raised from the MNB is reflected in the interest expense on cash liabilities measured at amortised cost.*
***In 2022, the Bank received subordinated loan from MKB Bank Plc. The principal amount of the loan is HUF 8,000 million, maturing on July 2, 2029. The transaction interest rate is 1 month BUBOR + 4.9%, while the interest period is 1 month.*
****Synthetic credit denominated in EUR is presented here.*

26 PROVISIONS

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

2022	Credit risk provision	Provision for amounts relating to accrued vacation pay	Other provision*	Total
Opening balance at 1 January 2022	**544**	**251**	**411**	**1,206**
Increase in the period*	21	91	-	112
Utilization in the period	(281)	(251)	(411)	(943)
Closing balance at 31 December 2022	**284**	**91**	**-**	**375**

** The other provision was created in connection with severance payment obligations under an individual agreement.*
***The amount of the provisions for holidays not taken was updated at the end of 2022 based ont he actual data, resulting in a total on HUF 160 million being decommissioned.*

All figures in tables are in HUF million except otherwise noted

2021	Credit risk provision	Provision for amounts relating to accrued vacation pay	Other provision	Total
Opening balance at 1 January 2021	**309**	**383**	**81**	**773**
Increase in the period	439	-	386	825
Utilization in the period	(204)	(132)	(56)	(392)
Closing balance at 31 December 2021	**544**	**251**	**411**	**1,206**

27 OTHER LIABILITIES

	31 December 2022	31 December 2021
Taxes payable	359	788
Payroll settlement account	-	3
Accrued expenses*	4,824	6,981
Jubilee benefit obligation	10	13
Accured part of disbursed liabilities under Funding for Growth Scheme	1,805	2,817
Total	**6,998**	**10,602**

* A significant portion of accruals relates to expenses for credit card services and general cost accruals.

All figures in tables are in HUF million except otherwise noted

28 SHARE CAPITAL

28.1 Ownership structure

The table shows the structure of the shares as follows:

Type of shares	Number of shares (pieces)		Face value (thousand HUF/pieces)		Total face value of shares (thousand HUF)	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Ordinary shares	1,695,118	1,695,118	2	2	3,390,236	3,390,236
from: treasury shares held by MTB Plc.	329,629	329,629	-	-	-	-
Total	**1,695,118**	**1,695,118**	**-**	**-**	**3,390,236**	**3,390,236**

Shareholder	31 December 2022 Holding (%)	31 December 2021 Holding (%)
Magyar Takarék Bankholding Ltd.	-	75.91
Magyar Bankholding Ltd.	75.91	-
Cooperative Credit Institutions and their legal successors Takarekbank Ltd.	4.65	4.65
MTB Bank of Hungarian Saving Cooperatives Co. Ltd.(Treasury shares)	19.45	19.45
Takarék Egyesült Szövetkezet	0.00	0.00
Takarék Mortgage Bank Co. Plc.	0.00	0.00
Total	**100.00**	**100.00**

Shareholders' name, address and voting rights on 31 December 2022:

Name	Preference shares (pieces)	Ordinary shares (pieces)	Shares (pieces)	Face value (thousand HUF)	Holding (%)	Voting share (%)
Magyar Takarék Bank-holding Ltd.	-	1,286,694	1,286,694	2,573,388	75,91%	94,23%
MTB Bank of Hungarian Saving Cooperatives Co. Ltd.	-	329,659	329,659	659,318	19,45%	-
Takarék Egyesült Szövet-kezet	-	1	1	2	0,00%	-
Takarékbank Ltd.	-	78,763	78,763	157,526	4,65%	5,77%
Takarék Mortgage Bank Co.Plc.	-	1	1	2	0,00%	-

In MTB Magyar Takarékszövetkezeti Bank Plc., 1 member has an ownership share above 10%, the number of shares is 1,286,694, the ownership share: 75.91%, and the voting share is 94.23%. In addition, no other member holds more than 5% of the shares.

28.2 Treasury shares purchased

	31 December 2022	31 December 2021
Opening balance	2,539	2,539
Repurchase	-	-
Closing balance	**2,539**	**2,539**

In its Resolution No. 10/2017 accepted adopted on 26 April 2017, the General Meeting of MTB Bank of Hungarian Saving Cooperatives Co. Ltd. authorized the Board of Directors of the Bank to repurchase a maximum of 422,714 Series “A” ordinary shares by 26 October 2018 at the latest. During the above period, the Bank repurchased a total of 329,659 shares from cooperative credit institutions from the authorized facility. In 2022, the stock of repurchased shares did not change.

28.3 Other reserve

	31 December 2022	31 December 2021
General reserve	-	5,528
Other capital reserve	8	8
Closing balance	**8**	**5,536**

28.3.1 General reserve

In accordance with statutory requirements, the Bank is required to set up a non-distributable general reserve equal to 10% of statutory profit after tax. Increases in the general risk reserve are separated from retained earnings, as calculated under Hungarian regulatory rules, and thus are not charged against income. According to the Section 13 (8) of the Government Decree No. 250/2000 (XII.24.) on the specifics of the annual reporting and bookkeeping tasks of investment companies are required to release the general reserve when loss after tax deduction occurs. The amount of the General reserve is HUF 0 as at 31 December 2022 (General reserve was HUF 5,528 million as at 31 December 2021).

All figures in tables are in HUF million except otherwise noted

28.4 Cumulated other comprehensive income

	31 December 2022	31 December 2021
Opening balance at the beginning of the period	(1,398)	(1,639)
Cumulated other comprehensive income	**704**	**241**
Items that will not be reclassified to profit or loss	**1**	**(27)**
Fair value changes of equity instruments measured at fair value through other comprehensive income	1	3
Income tax relating to items that will not be reclassified	-	(30)
Items that may be reclassified to profit or loss	**703**	**268**
Effective portion cash flow hedges	150	(26)
Hedging instruments	-	2,663
Debt instruments at fair value through other comprehensive income	553	(2,369)
Income tax relating to items that may be reclassified to profit or loss	-	-
Closing balance	**(694)**	**(1,398)**
Direct equity effect of derecognition of equity instruments sold int he current year	-	-
Other capital movements	-	-
Closing balance at the end of the period	**(694)**	**(1,398)**

29 CONTINGENT LIABILITY

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the separate statement of financial position, they do contain credit risk and are therefore part of the overall risk of the bank.

Off-balance sheet commitments comprise of loans not drawn and other contracted future payments to suppliers of the Bank:

All figures in tables are in HUF million except otherwise noted

	31 December 2022	31 December 2021
Guarantees	5,824	5,978
Loan commitments	19,000	19,000
Letter of credit	74	68
Contingent liabilities from other contracts	10	10,160
Total	**24,908**	**35,206**

30 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

30.1 Fair value of financial assets measured at amortised cost

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

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

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

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

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

All figures in tables are in HUF million except otherwise noted

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

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

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

	31 December 2022		31 December 2021	
	Net book value	Fair value	Net book value	Fair value
Loans and advances	1,183,182	1,137,320	1,053,849	1,034,008

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

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

30.3 Fair value of financial instruments carried at fair value

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

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

All figures in tables are in HUF million except otherwise noted

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

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

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

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

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

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

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

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

	31 December 2022		
	Level 1	Level 2	Level 3
Assets			
Derivative financial assets	41,404	94,892	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	11,707	85
Securities at fair value through other comprehensive income	44,396	-	119
Hedging derivative assets	-	-	-
Total assets carried at fair value	**85,800**	**106,599**	**204**

	31 December 2022		
	Level 1	Level 2	Level 3
Liabilities			
Derivative financial liabilities	34,280	95,529	-
Total liabilities carried at fair value	**34,280**	**95,529**	**-**

There were no transfers between the levels of the fair value hierarchy in 2022.

All figures in tables are in HUF million except otherwise noted

	31 December 2021		
	Level 1	Level 2	Level 3
Assets			
Derivative financial assets	33,444	37,526	3,476
Non-trading financial assets mandatorily at fair value through profit or loss	-	1,678	115
Securities at fair value through other comprehensive income	-	-	157
Hedging derivative assets	-	-	-
Total assets carried at fair value	**33,444**	**39,204**	**3,748**

	31 December 2021		
	Level 1	Level 2	Level 3
Liabilities			
Derivative financial liabilities	20,262	34,625	-
Total liabilities carried at fair value	**20,262**	**34,625**	**-**

Instruments' movements in Level 3 2022	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Securities at fair value through other comprehensive income
Opening balance at 1 January 2022	**3,476**	**115**	**157**
Total comprehensive income			
Profit/(Loss)	-	15	11
Other comprehensive income	-	-	1
Transactions			
Purchase/portfolio growth	-	-	-
Sale of assets/Settlement/ Derecognition/	(3,476)	(45)	(50)
Closing balance at 31 December 2022	**-**	**85**	**119**

All figures in tables are in HUF million except otherwise noted

Instruments' movements in Level 3 2021	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Securities at fair value through other comprehensive income
Opening balance at 1 January 2021	**2,954**	**189**	**149**
Total comprehensive income			
Profit/(Loss)	-	(74)	-
Other comprehensive income	-	-	3
Transactions			
Purchase/portfolio growth	3,476	-	-
Sale of assets/Settlement/ Derecognition/	(2,954)	-	5
Transfers			
Transfer to Level 3	-	-	-
Transfer from Level 3	-	-	-
Closing balance at 31 December 2021	**3,476**	**115**	**157**

30.4 Fair value of derivative transactions

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

	Fair value		Notional amount	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Swap deals	1,989	777	134,389	33,264
FX futures deals	-	145	-	28,881
FX margin deals	1,193	1,323	46,038	117,666
Government bonds margin deals	399	31	17,270	2,644
IRS deals	60,779	15,743	279,536	209,854
MIRS deals	21,560	9,784	74,511	74,511
CCIRS deals	7,004	4,811	29,126	23,100
FX options	605	133	111,565	15,842
Futures government bonds	1,265	1,489	5,756	175,344
Other derivative deals	-	9	-	495
Total trading derivative assets	**94,794**	**34,245**	**698,191**	**681,601**
Total derivative financial assets	**94,794**	**34,245**	**698,191**	**681,601**

All figures in tables are in HUF million except otherwise noted

	Fair value		Notional amount	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Swap deals	829	274	77,913	68,522
FX futures deals	189	21	5,112	9,409
FX margin deals	1,958	966	85,297	46,882
Government bonds margin deals	556	99	18,074	27,718
IRS deals	84,667	27,066	361,274	287,408
MIRS deals	-	-	-	-
CCIRS deals	5,896	3,603	24,342	23,260
FX options	351	251	112,758	11,864
Futures government bonds	1,268	1,489	5,743	175,344
Other derivative deals	4	1,001	824	620
Total trading derivative liabilities	**95,718**	**34,770**	**691,337**	**651,027**
Total derivative financial liabilities	**95,718**	**34,770**	**691,337**	**651,027**

All figures in tables are in HUF million except otherwise noted

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

	Gross amounts in Statement of Financial Position	Net amounts in Statement of Financial Position	Potential effects of netting agreements not qualifying for offsetting in Statement of Financial Position		Net amount after potential off-setting
			Financial instruments	Cash collateral received	
Financial assets for trading	73,233	73,233	96,917	-	(23,684)
Repurchase liabilities	103,684	103,684	-	103,684	0
Total	176,917	176,917	96,917	103,684	(23,684)

Liabilities subject to offsetting and potential offsetting agreements – 2022

	Gross amounts in Statement of Financial Position	Net amounts in Statement of Financial Position	Potential effects of netting agreements not qualifying for offsetting in Statement of Financial Position		Net amount after potential offsetting
			Financial instruments	Cash collateral pledged	
Financial liabilitites for trading	96,917	96,917	96,917	0	-
Repo agreements	22,201	22,201	-	22,201	-
Total	119,118	119,118	96,917	22,201	-

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

Repurchase agreements are primarily financing transactions consisting of the sale of securities and their subsequent repurchase at a predetermined date and price. The essence of the transaction is that the transferred security remains with the lending party and serves as security if the debtor is unable to meet its obligations. The effect of netting repurchase agreements is shown in the column "Non-cash financial collateral received". The collateral is presented at the fair value of the securities transferred. In the event that the fair value of the collateral exceeds the carrying amount of the repurchase transaction, the recognised value should be reduced to its carrying amount. The remaining position can be secured with cash. The use of cash and non-cash collateral involved in such transactions shall not be permitted as long as it is designated as collateral.

All figures in tables are in HUF million except otherwise noted

31 RISK MANAGEMENT

31.1 Overview

MTB Magyar Takarékszövetkezeti Bank Zrt. complies with Act CXXXV of 2013 on the integration of cooperative credit institutions. (Szhitv.), is a member of the Integration Organization, as well as the management organization of the Integration. As a result of the Integration membership, the MTB is covered by the Integration Risk Management Regulations, including the Risk Policy / Risk Strategy.

The Integration Organisation and its members are required to accept joint and several responsibility for each other's obligations according to the Act V of 2013 on the Civil Code (Civil Code). The joint and several responsibility system covers also all the receivables to Integration Organisation and its members, independently the date of its occurrence.

Based on the Section 5 of Article 1 of Szhitv the Integration Organisation and its members are under the combined supervision according to Credit Institution Act (Hpt.).

If the conditions are met in the Article 10 of the EU Regulation No 575/2013 (CRR) of the European Parliament and of the Council based on the Section 5 of Article 1 of Szhitv the integration of cooperative credit istitutions is exempted from individual applying of the requirements are defined in the Section (2)-(8) of CRR. According to the resolution no. H-JÉ-I-209/2014 (on 3 March 2014) the National Bank of Hungary (MNB) authorized the members of the Integration to apply individual exemption based on the Article 10 of CRR.
Hungarian Bankholding Ltd. commenced its effective operation on 15 December 2020, after the MNB approved the merger of Budapest Bank Group, MKB Bank Plc. and Takarék Group, and the shares of the key owners were transferred to the joint holding company. Following the transfer of the in-kind contributions, until April 2022 the financial holding company exercised prudential control and group management functions over the three banking groups after this date MKB Bank Plc. is responsible for these.

The H-EN-I-70/2021 resolution of the Hungarian National Bank (MNB) dated 17.02.2021 placed under consolidated supervision Hungarian Bankholding Ltd., MKB Bank Plc., Budapest Bank and MTB Ltd. and its prudential consolidation group, including Takarék Mortgage Bank Co. Plc.. The MNB imposed a sub-consolidation obligation on the MTB Group.
Following the merger of Budapest Bank and Hungarian Savings Bankholding into MKB Bank Plc. and the acquisition of the majority stake in Takarékbank, MKB Bank Plc. became the direct and indirect owner of the former Hungarian Bankholding Group from 1 April 2022.

Hungarian Bankholding Ltd. surrendered its licence to operate with effect from 28 April 2022, which was accepted by the MNB in its resolutions H-EN-119/2022 and H-EN-I-265/2022.

From 29 April 2022 the group controlling function has been transferred from Hungarian Bankholding Ltd. to MKB Bank Plc.

The H-EN-I-267/2022 resolution of the MNB dated 10.05.2022 placed under consolidated supervision MKB Bank Plc., and MTB Ltd. and its prudential consolidation group, including the Integration Organisation and Takarék Mortgage Bank Co. Plc.. The MNB has continued to impose a sub-consolidation obligation on the MTB Group.

Risk Strategy – approved by the Board of Directors of MTB Bank is mandatory for credit institutions and companies under consolidated supervision led by MTB Bank – cover: risk culture, risk taking principles, objectives, risk types, significant risks, risk appetite and risk capacity, risk structure, risk management, the structure and organization of risk management.

The Integration and its member institutions seek to create an integrated risk culture which covering the whole Integration and which is in line with their risk appetite, and their risk tolerance ensure the identification, measurement and management of the emerged risks. The primary tools for creating a risk culture are internal policies, strategies, regulations and guidelines, communication and training of employees.

The risk capacity of MTB Bank of Hungarian Saving Cooperatives Co. Ltd. should be in line with the financial resources that are available to cover potential losses. In order to this the current and future economic, capital requirements and the capital requirements under Pillar 1 for quantifiable risk types are calculated.

Prudent risk taking is a fundamental value for the MTB Bank. In order to this risk management identifies, evaluates and analyses the exposures. It processes the information gained, develops risk guidelines, and operates risk management systems.

The Risk Strategy is based on the following main pillars:

- in risk management application of the best approaches and methods applied in market practice
- identification of risk and yield profile of segments, products and risk positions and continuous monitoring
- consideration of the risks in business decisions
- separation the risk management organisation from the business division
- the importance of all stages of the risk management process
- the risk management process is the part of the Bank Group's management system, its aspects are integrated into the strategic and annual planning.

The exposure is basically credit-, liquidity-, market- and operational risks.

The MTB under the Act Hpt., services provided to consumers and economic operators and the outstanding business portfolio was transferred to Takarékbank Ltd. on the effective date of 1 May 2019 (Registry number: 01 10 140275), with this action the company has no more own credit risk exposure. However the services under the Act Bszt., and treasury activities are provided by the MTB furthermore.

31.2 Risk management structure

Board of Directors

The Boards of Directors are responsible for the MTB Bank's risk management policy and strategy. The Boards of Directors approve the basic framework rules for risk management and guidelines of applicable methodologies. Due to the Integration Membership the Banks follow the risk strategy, apply the uniform risk management policies of the Integration and report about their risks to the central bodies of the Integration – to the MTB Bank of Hungarian Saving Cooperatives Co. Ltd., and the SZHISZ.

Based on regular risk exposure reports, the Boards of Directors evaluate the risk management activities and the level of exposure of the banks. If the level of exposure undertaken by the banks does not correspond to the strategy the Board takes measures to contain risks.

Risk Taking-Risk Management Committee
The members of the Committee are members of the Board of Directors who are not employed by MTB. The Committee shall in particular:
a) preparing an expert opinion for senior executives on MTB's current and future risk-taking strategy and risk appetite,
b) supporting the Board of Directors in supervising the implementation of the risk-taking strategy,
(c) an examination of the consistency between the pricing principles and MTB's business model and risk-taking strategy; and
(d) an examination of the remuneration policy in terms of whether the incentive elements of the remuneration system established take into account MTB's risks, capital and liquidity position, and the probability and timing of incomes.

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

Assets and Liabilities Committe (ALCO)
The risk Assets and Liabilities Committee is exercised its authority relating to the asset and liability management, planning/controlling management, pricing and sales, developing, liquidity risk management, market risk management, credit and counterparty risk, concentration risks, operational risk, risk policy / risk strategy, capital management and categories defined in the internal policies for the Committee.
The risk Assets and Liabilities Committee (ALCO) has the right make decisions according to the defined categories. The committee determines the strategic and development orientations for the business management related to MTB interest bearing assets and liabilities. The committee has different tasks related to the asset and liability management (ensuring liquidity, interest rate risk, exchange rate risk, capital adequacy, interest margin and funding risk management). Continuously monitors the MTB and the Integration the liquidity position, makes suggestion for the interest policy. In order to ensure the prudential requirements, the Bank shall established and maintained the conformity between income and liquity.

Credit and Receivables Committee (CRC)
The committee makes decisions as it is determined in the internal regulation, it has competency for decisions in cases handled by the Credit Risk Management Regulation (Annex for Risk Decision Competence Order), and makes decision in case of credit risk transactions which amounts reached or exceed the defined submission limit for some cooperative credit institutions.

Methodology Committee (MB)
The competence of the Methodology Committee is exercised at the individual level of MBH and the Bank.
The Methodology Committee performs all the tasks required by law or supervisory recommendations from a risk control, a risk methodology, an operational risk management and

an NPL committee in the areas specified in the Rules of Procedure of the Standing Committees. In detail:

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

Modeling framework changes, model validation system approval

Internal Audit

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

Risk evaluation and reporting system

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

31.3 Risk mitigation

Interest rate and exchange rate risks

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

Credit risk

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

The MTB was transferred its loan portfolio to Takarékbank Ltd. on 1 May 2019, so its credit risk exposure mainly has been ceased, and its basic business activity does not contain new credit risk exposure. However, the right exists furthermore, the internal regulatory background is given.

The MTB minimizes risks towards partner banks by means of bilateral agreements.

31.4 Credit risk

31.4.1 Credit rating

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The standard has been endorsed by the European Union (EU).

Impairment

The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortized cost or FVOCI, and to off balance sheet lending commitments such as loan commitments and financial guarantees (hereafter collectively referred to as "Financial Assets").

Under IFRS 9, the Bank first evaluates individually the Financial Assets whether objective evidence of impairment exists for loans that are individually significant. It then collectively assesses loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment available under the individual assessment.

Staged Approach to the Determination of Expected Credit Losses

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

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

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

Stage 3: MTB recognizes a loss allowance at an amount equal to lifetime expected credit losses, reflecting a Probability of Default (PD) of 100 %, via the recoverable cash flows for the asset, for those Financial Assets that are credit-impaired. The Bank definition of default is aligned with the regulatory definition. The treatment of loans in Stage 3 remains substantially the same as the treatment of impaired loans under IAS 39 except for homogeneous portfolios as described below.

Financial Assets that are credit impaired upon initial recognition are categorised purchased or originated credit-impaired (POCI) with a carrying value already reflecting the lifetime expected credit losses. The accounting treatment for these (POCI) assets is discussed further below.

Significant Increase in Credit Risk

Under IFRS 9, when determining whether the credit risk (i.e., risk of default) of a Financial Asset has increased significantly since initial recognition, MTB considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information based on the Bank historical experience, credit risk assessment and forward-looking information (including macro-economic factors). The assessment of significant credit deterioration is key in determining when to move from measuring an allowance based on 12-month ECLs to one that is based on lifetime ECLs (i.e., Stage 1 to Stage 2). The Bank's framework aligns with the internal Credit Risk Management process and covers rating related and process related indicators which are discussed further in the section below on Model Descriptions.

Credit Impaired Financial Assets in Stage 3

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

The determination of whether a Financial Asset is credit impaired focusses exclusively on default risk, without taking into consideration the effects of credit risk mitigants such as collateral or guarantees.

Specifically, a Financial Asset is credit impaired and in Stage 3 when:

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

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

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

A Financial Asset can be classified as in default but without an allowance for credit losses (i.e., no impairment loss is expected). This may be due to the value of collateral. The Bank's ECL calculation is conducted on a quarterly basis.

Default

MTB classifies and treats customers and exposures as defaults under Article 178 (1) of CRR. A default of a particular customer shall be deemed to have occurred if one or both of the following occurs:

(a) the Institution considers that the counterparty is unlikely to meet its credit obligations (UTP) to the institution, its parent undertaking or any of its subsidiaries in full, unless the institution seeks recourse to call the collateral;

(b) a significant credit obligation of the obligor to the Institution, the parent undertaking or any of its subsidiaries is past due for more than 90 days.

Purchased or Originated Credit Impaired Financial Assets

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

Writte-off

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

31.4.2 Model Descriptions - Expected Credit Loss

Stage determination

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

Rating-Related Indicators:

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

Process-Related Indicators:

Process-related indicators are derived via usage of existing risk management indicators, which allow the Bank to identify whether the credit risk of Financial Assets has significantly increased.

These include obligors being added mandatorily to a credit watchlist, being mandatorily transferred to workout status, payments being 30 days or more overdue or in forbearance.

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

Expected Lifetime model

The expected lifetime of a Financial Asset is a key factor in determining the lifetime expected credit losses. Lifetime expected credit losses represent default events over the expected life of a Financial Asset. The MTB measures expected credit losses considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk.
Retail overdrafts, credit card facilities and certain corporate revolving facilities typically include both a loan and an undrawn commitment component. The expected lifetime of such on-demand facilities exceeds their contractual life as they are typically cancelled only when the Bank becomes aware of an increase in credit risk.
The expected lifetime is estimated by taking into consideration historical information and the MTB's Credit Risk Management actions such as credit limit reductions and facility cancellation. Where such facilities are subject to an individual review by Credit Risk Management, the lifetime for calculating expected credit losses.

Forward-Looking Information

Under IFRS 9, the allowance for credit losses is based on reasonable and supportable forward looking information, which takes into consideration past events, current conditions and forecasts of future economic conditions.

To incorporate forward-looking information into allowance for credit losses, the MTB uses two key elements: As its base scenario, the Bank uses the macroeconomic forecasts provided by Hungarian National Bank. These forecasts cover a number of macroeconomic variables (e.g., GDP, unemployment rates) and reflect Regulator search's view as to the most likely development of those variables, typically over a two year period and updated quarterly.

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

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

Assumptions and the Estimation Techniques

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

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

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

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

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

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

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

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

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

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

Impact of the pandemic on credit risk management

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

In addition, MNB expects that the risk arising from modelling uncertainty needs to be mitigated.

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

IFRS 9 credit risk tables are presented below.

Credit risk exposure 2022

31 December 2022	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	POCI Purchased or originated credit-impaired financial asset	Total
Gross carrying amount per asset type					
Cash on hand	5,143	-	-	-	5,143
Investment grade	*5,143*	-	-	-	*5,143*
Cash balances at central banks	194,730	-	-	-	194,730
Investment grade	*194,730*	-	-	-	*194,730*
Other demand deposits	65,299	-	-	-	65,299
Investment grade	*65,299*	-	-	-	*65,299*
Securities at fair value through other comprehensive income	44,397	-	-	-	44,397
Investment grade	44,397	-	-	-	44,397
Securities measured at amortised cost	233,323	-	-	-	233,323
Investment grade	*233,323*	-	-	-	*233,323*
Due from banks	947,927	-	-	-	947,927
Investment grade	*947,927*	-	-	-	*947,927*
Default grade	-	-	-	-	-
Non-investment grade	-	-	-	-	-

All figures in tables are in HUF million except otherwise noted

Credit risk exposure 2022 (continued)

31 December 2022 (continued)	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	POCI Purchased or originated credit-impaired financial asset	Total
Gross carrying amount per asset type					
Advances	3,065	-	535	-	3,600
Investment grade	*3,065*	-	-	-	*3,065*
Default grade	-	-	*535*	-	*535*
Total gross carrying amount	**1,493,884**	**-**	**535**	**-**	**1,494,419**
Loss allowance	1,210	-	535	-	1,745
Total carrying amount	**1,492,674**	**-**	**-**	**-**	**1,492,674**

31 December 2022	Gross exposure	Impairment	Carrying amount	Fair value of collateral held
Credit-impaired assets (stage 3)				
Advances	535	535	-	-
Total credit-impaired assets	**535**	**535**	**-**	**-**

All figures in tables are in HUF million except otherwise noted

31 December 2021	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	POCI Purchased or originated credit-impaired	Total
Gross carrying amount per asset type					
Cash on hand	7,106	-	-	-	7,106
Investment grade	*7,106*	-	-	-	*7,106*
Cash balances at central banks	80,346	-	-	-	80,346
Investment grade	*80,346*	-	-	-	*80,346*
Other demand deposits	56,600	-	-	-	56,600
Investment grade	*56,600*	-	-	-	*56,600*
Securities at fair value through other comprehensive income	-	-	-	-	-
Investment grade	-	-	-	-	-
Securities measured at amortised cost	222,853	-	-	-	222,853
Investment garde	*222,853*	-	-	-	*222,853*
Due from banks	831,308	-	-	-	831,308
Investment grade	*831,308*	-	-	-	*831,308*
Default grade	-	-	-	-	-
Non-investment grade	-	-	-	-	-

All figures in tables are in HUF million except otherwise noted

31 December 2021 (continued)	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	POCI Purchased or originated credit-impaired financial asset	Total
Gross carrying amount per asset type					
Advances	1,572	-	511	-	2,083
Investment grade	*1,572*	-	-	-	*1,572*
Default grade	-	-	*511*	-	*511*
Total gross carrying amount	**1,199,785**	**-**	**511**	**-**	**1,200,296**
Loss allowance	1,933	-	496	-	2,429
Total carrying amount	**1,197,852**	**-**	**15**	**-**	**1,197,867**

All figures in tables are in HUF million except otherwise noted

Impairment

31 December 2021	Gross exposure	Impairment	Carrying amount	Fair value of collateral held
Credit-impaired assets (stage 3)				
Advance	511	511	-	-
Total credit-impaired assets	**511**	**511**	**-**	**-**

Impairment movement table

Type of device	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial assets	
Impairment loss as at 1 January 2022	**1,933**	**-**	**496**	**-**	**2,429**
New financial assets originated or purchased	-	-	-	-	-
Changes in PDs/LGDs/EADs	(723)	-	39	-	(684)
Exchange rate and other movements	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
Impairment loss as at 31 December 2022	**1,210**	**-**	**535**	**-**	**1,745**

All figures in tables are in HUF million except otherwise noted

Type of device	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial assets	
Impairment loss as at 1 January 2021	**511**	**-**	**486**	**-**	**997**
New financial assets originated or purchased	1	-	-	-	1
Changes in PDs/LGDs/EADs	1,421	-	24	-	1,445
Exchange rate and other movements	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	(14)	-	(14)
Impairment loss as at 31 December 2021	**1,933**	**-**	**496**	**-**	**2,429**

Provision movement table

Asset type	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Provision at 1 January 2022	**282**	**348**	**(86)**	**544**
Movements with P&L impact				
New financial assets originated or purchased	-	-	-	-
Changes in PDs/LGDs/EADs	(12)	(244)	-	(256)
Exchange rate and other movements	-	-	-	-
Other movements with no P&L impact				
Financial assets derecognised during the period other than write-offs	(4)	-	-	(4)
Provision as at 31 December 2022	**266**	**104**	**(86)**	**284**

All figures in tables are in HUF million except otherwise noted

Asset type	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	Total
Provision at 1 January 2021	**309**	**-**	**-**	**309**
Movements with P&L impact				
New financial assets originated or purchased	-	-	-	-
Changes in PDs/LGDs/EADs	(27)	348	-	321
Exchange rate and other movements	-	-	-	-
Other movements with no P&L impact				
Financial assets derecognised during the period other than write-offs	-	-	(86)	(86)
Provision as at 31 December 2021	**282**	**348**	**(86)**	**544**

All figures in tables are in HUF million except otherwise noted

Credit risk exposure on loan commitments and financial guarantees

31 December 2022	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	Total
Interbank credit risk exposure	337,763	-	-	337,763
Total credit risk exposure	**337,763**	**-**	**-**	**337,763**

31 December 2021	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	Total
Interbank credit risk exposure	379,553	-	-	379,553
Total credit risk exposure	**379,553**	**-**	**-**	**379,553**

All figures in tables are in HUF million except otherwise noted

31.4.3 Forborne loans

On 14 February 2019, in its Extraordinary General Meeting the Bank took a resolution to assign the portfolio of deposit and other reiumbursable cash, the stock of the payment services framework contracts, and the contractual portfolio for the provision of credit and cash lending services to Takarékbank Ltd. (previous name: Mohácsi Takarék Bank Ltd.), which assignment took place in early May 2019, that's why the Bank has not got any forborne loans at 31 December 2022.

31.4.4 Collaterals and other means for improving the loans portfolio

Collaterals for lending risk applied by the MTB Bank:

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

Deposit
Deposit can take the form of cash, bank deposit or securities. The Bank has only securities as collateral.

The collaterals are related to the loans fully. The mortgage collaterals that are related to own lending are recognised at collateral value (discounted market value) by the Bank, the other collaterals are recognised at its own value (for example in case of assignment at the amount of the assignment).

The table below shows the structure of the collaterals:

	31 December 2022	31 December 2021
Mortgage	-	839
Deposit	22,927	24,423
from: securities	22,927	23,673
Total	**22,927**	**25,262**

All figures in tables are in HUF million except otherwise noted

The table below shows the maximum credit risk exposure:

	31 December 2022	31 December 2021
Other demand deposit	65,276	56,586
Financial assets at fair value through other compre-hensive income	44,396	-
Debt securities measured at amortized cost	233,323	222,853
Corporate loans	-	1,346
Loans from banks	572,276	424,952
Due from banks	375,651	405,010
Advances	3,600	2,083
Off-balance sheet commitments	24,898	25,046
Total gross credit risk exposure	**1,319,420**	**1,137,876**

31.5 Market risk

Market risks are including the interest rate risk and equity risk in the trading book (position risk), furthermore foreign exchange rate risk from the complete banking activity.
The MTB leads trading book, maintains low its interest rate-, equity-, and foreign exchange rate risk exposure by means of eligible limit system and test of key controls.

31.6 Interest risk

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

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

	Sensitivity of inter-est income 12/31/2022+1 bp	Sensitivity of inter-est income 12/31/2021+1 bp	Sensitivity of inter-est income 12/31/2022 +10 bp	Sensitivity of inter-est income 12/31/2022 +25 bp
HUF	(42)	3	(424)	(1,060)
EUR	-	-	-	-
USD	-	-	-	-
CHF	-	-	-	-
Other	-	-	-	-

The sensitivity analysis is performed according to the standard method of using 1 base point increase in interest rates, the excursion is symmetric meaning 1 base point decrease in interest rates would result in the same figures with opposite sign.
The sensitivity of net income is the estimated effect of a 1 basis point increase in interest rates on interest income for one year, which is based on the change in net interest income on floating rate financial assets and liabilities on the last day of the current year or revalued in the following year. This means that one year in advance from 31 December 2022, with an increase in interest rates of 1 basis point, the estimated net interest income for HUF items may decrease by about HUF 42 million, and for EUR, USD and CHF the change is negligible.

31.7 Share risk management

MTB assumes a trading position in equities. MTB basically holds hedging equity positions in investment services, while it holds a minimum of speculative equity positions.

31.8 Exchange rate risk management

According to MTB's business policy intention, it intends to keep the risk arising from different currencies at a low level, and to hold an open currency position up to the limit specified in the trading book.
The business policy of the MTB Bank is to keep exchange rate risk at a low level.
The Bank strives to immediately hedge the exchange risks related to its core business as allowed by market circumstances. The MTB applies VAR calculations and stress tests on the measurement of the foreign exchange exposures.

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

FX	Effect on earning before income tax (31 December 2022)	Effect on capital (31 December 2022)	Effect on earning before income tax (31 December 2021)	Effect on capital (31 December 2021)
EUR	(1,756)	(1,756)	(6,860)	(6,860)
USD	(793)	(793)	(460)	(460)
CHF	140	140	1,180	1,180
Other	(580)	(580)	910	910

The sensitivity analysis is performed according to the standard method of using 1% increase in foreign exchange rates, the excursion is symmetric meaning 1% decrease in foreign exchange rates would result in the same figures with opposite sign.

Due to the Bank's currency position 1 percent increase in the exchange rate in case of EUR items the estimated net earnings before tax and the share capital could decrease with HUF 1,756 thousand, in case of USD items with HUF 793 thousand, and in case of other foreign currency items with HUF 580 thousand, while it could increase in case of CHF items with HUF 140 thousand.

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

31 December 2022	HUF	EUR	CHF	Other	Total
Total assets and derivatives	1,664,521	61,931	814	15,013	1,742,279
Total liabilities and derivatives	(1,636,000)	(66,093)	(920)	(10,019)	(1,713,032)
Shareholders' equity	(29,491)	-	-	-	(29,247)
Off-balance sheet items	(23,978)	(74)	-	-	(24,052)
Position	**(24,704)**	**(4,236)**	**(106)**	**4,994**	**(24,052)**

31 December 2021	HUF	EUR	CHF	Other	Total
Total assets and derivatives	1,364,934	114,244	573	23,740	1,503,491
Total liabilities and derivatives	(1,332,351)	(116,354)	(608)	(19,658)	(1,468,971)
Shareholders' equity	(34,520)	-	-	-	(34,520)
Off-balance sheet items	(34,265)	(192)	-	-	(34,457)
Position	**(36,202)**	**(2,302)**	**(35)**	**4,082**	**(34,457)**

31.9 Liquidity and maturity risk

The liquidity is the ability of the institute to fund its asset increasing and to serve its payment obligations entirely as they fall due without having unplanned liquidation losses.
Liquidity risk is associated with maturity transfers for profitability, long-term placements of short-term funds, environmental impacts and the behavior of other market participants.

MTB is responsible for the liquidity of the Integration. The most common method of measuring and analyzing liquidity risk is based on cash flow analysis. In the liquidity risk analysis, MTB analyzes the funding needs arising from the balance of outflows and inflows into maturity bands and compares the accumulated funding gap measured over different time horizons with the level of balancing capacities. MTB tends to perform the analysis not only on the total cash movements converted into HUF, but also on the most important foreign currencies for the institution. MTB characterizes liquidity risks with several indicators and limits, the most important of which are based on regulatory indicators (DMM, JMM, LCR, NSFR, required reserve ratio) and various liquidity stress tests. In addition, MTB operates an early warning system to detect liquidity disturbances in a timely manner.

All figures in tables are in HUF million except otherwise noted

Contractual maturities of undiscounted cash flows of financial liabilities

31 December 2022	On demand	Within 3 months	3 - 12 months	1 –5 years	5 – 10 years	10 – 15 years	Total
Banking liabilities							
Financial liabilities held for trading	-	34,091	4,963	3,519	22,588	64,648	**129,809**
Deposits	182,419	276,368	-	245,776	-	-	**704,563**
Due to banks	-	23,201	7,235	457,279	28,074	276,383	**792,172**
Subordinated liabilities	-	708		-	8,000		**8,708**
Synthetic EUR loan	-	14	-	-	1,429	-	**1,443**
Other financial liabilities	65,792	596	182	197	-	-	**66,767**
Provisions	-	-	375	-	-	-	**375**
Tax liabilities	-	-	2,197	-	-	-	**2,197**
Other liabilities	-	5,156	6	1,836	-	-	**6,998**
Contingent liabilities (off-balance-sheet item)	-	24,908	-	-	-	-	**24,908**
Total banking liabilities	**248,211**	**365,042**	**14,958**	**708,607**	**60,091**	**341,031**	**1,737,940**

All figures in tables are in HUF million except otherwise noted

31 December 2021	On demand	Within 3 months	3 - 12 months	1 –5 years	5 – 10 years	10 – 15 years	Total
Banking liabilities							
Financial liabilities held for trading	-	-	54,887	-	-	-	**54,887**
Deposits	204,220	89	238,792	225,247	-	-	**668,348**
Due to banks	-	341	18,709	652,121	-	-	**671,171**
Synthetic EUR loan	-	-	-	564	-	-	**564**
Other financial liabilities	52,591	9,526	-	-	-	-	**62,117**
Provisions	-	-	1,206	-	-	-	**1,206**
Income tax	-	-	76	-	-	-	**76**
Other liabilities	-	7,590	-	2,976	28	8	**10,602**
Contingent liabilities (off-balance-sheet item)	-	35,206	-	-	-	-	**35,206**
Total banking liabilities	**256,811**	**52,752**	**313,670**	**880,908**	**28**	**8**	**1,504,177**

All figures in tables are in HUF million except otherwise noted

Notes to the Separate Financial Statements

Maturity analysis of assets and liabilities as of 31 December 2022

	Less than 12 months	Over 12 months	Total
Assets			
Cash, cash balances at central banks and other demand deposits	265,097	-	**265,097**
Financial assets held for trading	33,772	102,524	**136,296**
Non-trading financial assets mandatorily at fair value through profit or loss	10	11,782	**11,792**
Financial assets at fair value through other comprehensive income	-	44,515	**44,515**
Financial assets at amortised cost	607,053	576,129	**1,183,182**
Investments in subsidaries, joint ventures and associates	-	78,637	**78,637**
Tangible assets	-	2,367	**2,367**
Intangible assets	-	3,714	**3,714**
Tax assets	3	3	**6**
Other assets	16,668	5	**16,673**
Total assets	**922,603**	**819,676**	**1,742,279**
Liabilities			
Financial liabilities held for trading	39,054	90,755	**129,809**
Financial liabilities measured at amortised cost	556,515	1,017,138	**1,573,653**
Provisions	375	-	**375**
Tax liabilities	2,197	-	**2,197**
Other liabilities	5,162	1,836	**6,998**
Total liabilities	**603,303**	**1,109,729**	**1,713,032**

All figures in tables are in HUF million except otherwise noted

Maturity analysis of assets and liabilities as of 31 December 2021

	Less than 12 months	Over 12 months	Total
Assets			
Cash, cash balances at central banks and other demand deposits	143 887	-	143,887
Financial assets held for trading	7,654	66,792	74,446
Non-trading financial assets mandatorily at fair value through profit or loss	-	1,793	1,793
Financial assets at fair value through other comprehensive income	-	157	157
Financial assets at amortised cost	458,846	595,003	1,053,849
Derivatives – Hedge accounting	-	199,826	199,826
Investments in subsidaries, joint ventures and associates	-	3,179	3,179
Tangible assets	-	1,917	1,917
Intangible assets	431	62	493
Tax assets	23,753	-	23,753
Other assets	191	-	191
Total assets	**634,762**	**868,729**	**1,503,491**
Liabilities			
Financial liabilities held for trading	54,887	-	54,887
Financial liabilities measured at amortised cost	524,268	877,932	1,402,200
Provisions	1,206	-	1,206
Tax liabilities	76	-	76
Other liabilities	7,590	3,012	10,602
Total liabilities	**588,027**	**880,944**	**1,468,971**

The members of Integration Organisation of Cooperative Credit Institution (SZHISZ) should – with regard to the several responsibility system of the Integration – examine the prudential requirements on consolidation bases. The exemption of individual compliance is ensured for the members of SZHISZ by the relevant statutory and resolution of the National Bank of Hungary. The MTB Bank of Hungarian Saving Cooperatives Co. Ltd. is member of the SZHISZ, as a result above exemption also applies to them, according to this the individual liquidity ratios (LCR and NSFR) are not presented in the separate financial statement.

31.10 Management of operational risk

Operational risk is managed primarily by improving internal rules and regulations, training of staff involved in the various processes, and further enhancement of built-in control mechanisms. The exploration and measurement of the risks is performed by the Bank through the collection of the data of the operational risk events and losses, the monitoring of Key Risk Indicators and the implementation of risk self-assessment.

All figures in tables are in HUF million except otherwise noted

The MTB performed the oprisk self-assessment referring to the key activities, and identified rare but severe loss events that will be assessed by scenario analysis.

In accordance with the supervisory expectations the MTB are compiled an inventory of the models used to assess model risks and a product inventory to identify the risks inherent in the products.

31.11 Treatment of risk concentration

MTB, given that real estate does not account for a significant proportion of collateral, was not exposed to developments in the real estate market on the collateral side.

32 CALCULATION OF REGULATORY CAPITAL, CAPITAL ADEQUACY AND ROAE

The members of Integration Organisation of Cooperative Credit Institution (SZHISZ) should examine the prudential requirements on consolidation bases. The exemption of individual compliance is ensured by the relevant statutory and resolution of the National Bank of Hungary.

The audited financial statements' data of the integration members' capital adequacy will be published by the MTB Ltd. in the Disclosure documents of the business year.

33 RELATED PARTY TRANSACTION

For the purpose of the financial statements, Magyar Bank Holding Ltd. identified related parties based on definition of IAS 24 including all the enterprises that directly or indirectly through one or more intermediaries are controlled by the reporting enterprise (this includes parents and subsidiaries) and key management personnel, including the member of the Board and Supervisory Board. For the purposes of this Report, related parties also include shareholders whose holding in the Bank exceeds 10%. Related parties have the power of control over or have a significant influence in, decisions relating to the finances and operation of another enterprise. The Group enters into transactions with related parties under market conditions.

The list of the related parties, - including the subsidiaries, associates and other shares of the Takarek Mortgage Bank Plc. - as at 31 December 2020 is the following. They are presented from the perspective of **the main parent company, MKB Bank Ltd**.:

Company	Classification	Holding %	Core business
MITRA Informatikai Zrt.	Subsidiary	2%	Data services, web hosting services
Takarékbank Zrt.	Subsidiary	-	Other monetary intermediation
Takarék Jelzálogbank Nyrt.	Subsidiary	48%	Other lending
Takarék Lízing Zrt.	Subsidiary	-	Other lending
Takarék Ingatlan Zrt.	Subsidiary	100%	Estate agent service
Takarék INVEST Kft.	Related company	-	Asset management
TIFOR Takarék Ingatlanforgalmazó Zrt.	Subsidiary	77%	Own property real estate buying and selling
TIHASZ Takarék Ingatlanhasznosító Zrt.	Subsidiary	90%	Own renting and operating real estate
Magyar Bankholding Zrt.	Main Parent company	-	Asset management
Takarék Faktorház Zrt.	Subsidiary	100%	Other lending
Takarékszövetkezeti Informatikai Kft.	Subsidiary	52%	IT service
Takarék Zártkörű Befektetési Alap	Subsidiary	93%	Investment fund
Takarék Mezőgazdasági és Fejlesztési Magántőkealap	Subsidiary	49%	Investment fund
Takarék Kockázati Tőkealap	Associate	23%	Investment fund
OPUS TM1 Ingatlan Befektetési Alap	Related company	-	Investment fund
MKB Magántőkealap	Related company	-	Investment fund
Magyar Strat-Alfa Zrt.	Related company	-	Own property real estate buying and selling
MKB Bank Nyrt.	Parent Company	-	Other monetary intermediation
MKB Üzemeltetési Kft.	Related company	-	Own renting and operating real estate
MKB Euroleasing Autólízing Zrt.	Related company	-	Financial leasing
MKB Bank MRP Szervezet	Related company	-	Other activities auxiliary to financial services
Retail Prod Zrt.	Related company	-	Other lending
Budapest Eszközfinanszírozó Zrt.	Related company	-	Other tangible assets leasing
Budapest Lízing Zrt.	Related company	-	Financial leasing
MKB Befektetési Alapkezelő Zrt.	Related company	-	Fund Management

The Bank did not have any loans to members of the Bank's management bodies as at 31 December 2022 and 2021.

31 december 2022	Outstanding capital	Interest	Type of loans
Loans with maturity within the year	-	-	-
Loans with maturity beyond the year	-	-	-
Total	**-**	**-**	**-**

31 december 2021	Outstanding capital	Interest	Type of loans
Loans with maturity within the year	-	-	-
Loans with maturity beyond the year	-	-	-
Total	**-**	**-**	**-**

	31 December 2022		31 December 2021	
	Head-count	The amount of emoluments	Head-count	The amount of emoluments
Members of Board of Directors	6	28	7	19
Members of Supervisory Board	6	18	6	19
Total payments	**12**	**46**	**13**	**38**

Compensation for managers in a key position includes only short-term benefits.

All figures in tables are in HUF million except otherwise noted

The details of transaction in 2022 and 2021 between the Bank and other related parties are disclosed in the next table.

31 December 2022	Parent	Subsidiearies and Related companies	Key management
Due from banks	259,608	671,538	-
Other assets	1,401	30,258	-
Total assets	**261,009**	**701,796**	**-**
Due to banks	314,478	507,536	-
Other liabilities	10,035	46,243	-
Total liabilities	**324,513**	**553,779**	**-**
Interest income	6,999	17,200	-
Interest expense	(12,152)	(38,629)	-
Net interest income	**(5,153)**	**(21,429)**	**-**
Fee and commission income	-	4,571	-
Fee and commission expense	(35)	(1,965)	-
Net fee and commission income	**(35)**	**2,606**	**-**
Other income	2,548	31,221	-
Other expense	(1,508)	(37,811)	-
Operating income	**1,040**	**(6,590)**	**-**
Operating expense	(229)	86	(46)
Profit/loss on transactions with related parties	**(4,377)**	**(25,327)**	**(46)**

All figures in tables are in HUF million except otherwise noted

31 December 2021	Parent	Subsidiaries and Related companies	Key management
Due from banks	-	447,839	-
Other assets	32	50,568	-
Total assets	**32**	**498,407**	**-**
Due to banks	-	640,503	-
Deposits from customers	-	-	-
Other liabilities	107	9,410	-
Total liabilities	**107**	**649,913**	**-**
Interest income	-	1,018	-
Interest expense	-	(10,260)	-
Net interest income	**-**	**(9,242)**	**-**
Fee and commission income	-	3,323	-
Fee and commission expense	-	(2,391)	-
Net fee and commission income	**-**	**932**	**-**
Other income	83	30,416	-
Other expense	(48)	(21,032)	-
Operating income	**35**	**9,384**	**-**
Operating expense	(271)	(331)	(38)
Profit/loss on transactions with related parties	**(236)**	**743**	**(38)**

All figures in tables are in HUF million except otherwise noted

Subsidiaries and related companies financial data preliminary, data

Related party	31 December 2022				
	Direct holding %	Assets	Liabilities	Equity	Profit or loss
Mitra Informatikai Zrt. (Takarékinfo Központi Adatfeldolgozó Zrt. jogutód)	2%	31,030	24,480	6,550	386
Takarék Jelzálogbank Nyrt.	48%	813,948	742,911	71,037	1,811
Takarék Ingatlan Zrt.	100%	727	127	600	13
TIFOR Takarék Ingatlanforgalmazó Zrt.	77%	6,476	94	6,382	219
TIHASZ Takarék Ingatlanhasznosító Zrt.	90%	26,679	534	26,145	(122)
Takarék Faktorház Zrt.	100%	9,647	8,752	895	253
Takarékszövetkezeti Informatikai Kft.	52%	1,691	6	1,685	(17)
Takarék Zártkörű Befektetési Alap	93%	10,715	6	10,709	51
Takarék Mezőgazdasági és Fejlesztési Magántőkealap	49%	24,119	7	24,112	705
Takarék Kockázati Tőkealap	23%	11,936	109	11,827	169

All figures in tables are in HUF million except otherwise noted

34 NET GAINS

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

1 January 2022 – 31 December 2022	Financial assets/liabilities held for sale	Non-trading financial assets/ liabilities mandatory at fair value through profit or loss	Financial assets/ liabilities at fair value through other comprehensive income	Financial assets/liabilities measured at amortised cost	Derivatives – Hedge accounting, interest rate risk	Other assets/ Other liablities	Not linked to financial instruments	Total
Interest income	36,187	-	2,642	49,082	10	-	335	88,256
Interest expenses	(36,984)	-	-	(55,488)	-	-	(226)	(92,698)
NET INTEREST INCOME	**(797)**	**-**	**2,642**	**(6,406)**	**10**	**-**	**109**	**(4,442)**
Fee and commission income	-	-	-	-	-	17,591	-	17,591
Fee and commission expenses	-	-	-	-	-	(14,194)	-	(14,194)
NET FEE AND COMMISSION INCOME	**-**	**-**	**-**	**-**	**-**	**3,397**	**-**	**3,397**
DIVIDEND INCOME	**11**	**-**	**12**	**-**	**-**	**-**	**-**	**23**
Gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	638	-	-	-	638
Gains on financial assets and liabilities held for trading, net	15,634	-	-	-	-	-	-	15,634
Gains on non-trading financial assets mandatorily at fair value through profit or loss	-	40	-	-	-	-	-	40
(Losses) from hedge accounting, net	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	1,115	10,798	11,913
Other expense	-	-	-	-	-	-	(461)	(461)
OPERATING INCOME	**14,848**	**40**	**2,654**	**(5,768)**	**10**	**4,512**	**10,446**	**26,742**

All figures in tables are in HUF million except otherwise noted

1 January 2021 – 31 December 2021	Financial assets/liabilities held for sale	Non-trading financial assets/liabilities mandatory at fair value through profit or loss	Financial assets/liabilities at fair value through other comprehensive income	Financial assets/liabilities measured at amortised cost	Derivatives – Hedge accounting, interest rate risk	Other assets/ Other liabilities	Not linked to financial instruments	Total
Interest income	6,973	-	121	18,565	34	-	40	25,733
Interest expenses	(6,237)	-	(24)	(12,564)	(39)	(136)	-	(19,000)
NET INTEREST INCOME	**736**	**-**	**97**	**6,001**	**(5)**	**(136)**	**40**	**6,733**
Fee and commission income	-	-	-	-	-	12,433	-	12,433
Fee and commission expenses	-	-	-	-	-	(7,568)	-	(7,568)
NET FEE AND COMMISSION INCOME	**-**	**-**	**-**	**-**	**-**	**4,865**	**-**	**4,865**
DIVIDEND INCOME	**6**	**287**	**12**	**-**	**-**	**5,060**	**-**	**5,365**
Gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	1,892	2,622	-	-	-	4,514
Gains on financial assets and liabilities held for trading, net	3,900	-	-	-	-	-	-	3,900
Gains on non-trading financial assets mandatorily at fair value through profit or loss	-	666	-	-	-	-	-	666
(Losses) from hedge accounting, net	-	-	-	-	(2,180)	-	-	(2,180)
Other income	-	-	-	-	-	-	14,736	14,736
Other expense	-	-	-	-	-	-	(3)	(3)
OPERATING INCOME	**4,642**	**953**	**2,001**	**8,623**	**(2,185)**	**9,789**	**14,773**	**38,596**

All figures in tables are in HUF million except otherwise noted

35 EQUITY CORRELATION TABLE

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

31 December 2022	Share capital	Unpaid capital which has been called up	Capital reserve	General reserve	Retained earnings and other reserves	Revaluation reserves	Tied-up reserve	Treasury shares (-)	Profit for the year	Total equity
Components of Shareholder's equity in accordance with IFRS adopted by EU	***3,390***	***-***	***3,479***	***-***	***30,894***	***-***	***-***	***(2,539)***	***(5,977)***	***29,247***
Unused portion of reserve for developments	-	-	-	-	-	-	-	-	-	-
Other capital reserve	-	-	-	-	-	-	-	-	-	-
Accumulated other comprehensive income	-	-	-	-	694	(694)	-	-	-	-
Repurchased treasury shares	-	-	-	-	(2,539)	-	2,539	-	-	-
General reserve	-	-	-	8	(8)	-	-	-	-	-
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	***3,390***	***-***	***3,479***	***8***	***29,041***	***(694)***	***2,539***	***(2,539)***	***(5,977)***	***29,247***

All figures in tables are in HUF million except otherwise noted

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 31 December 2021:

31 December 2021	Share capital	Unpaid capital which has been called up	Capital reserve	General reserve	Retained earnings and other reserves	Revaluation reserves	Tied-up reserve	Treasury shares (-)	Profit for the year	Total equity
Components of Shareholder's equity in accordance with IFRS adopted by EU	***3,390***	***-***	***3,479***	***-***	***27,582***	***-***	***-***	***(2,539)***	***2,608***	***34,520***
Unused portion of reserve for developments	-	-	-	-	-	-	-	-	-	-
Other capital reserve	-	-	-	-	-	-	-	-	-	-
Accumulated other comprehensive income	-	-	-	-	1,398	(1,398)	-	-	-	-
Repurchased treasury shares	-	-	-	-	(2,539)	-	2,539	-	-	-
General reserve	-	-	-	5,536	(5,536)	-	-	-	-	-
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	***3,390***	***-***	***3,479***	***5,536***	***20,905***	***(1,398)***	***2,539***	***(2,539)***	***2,608***	***34,520***

All figures in tables are in HUF million except otherwise noted

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

	31 December 2022	31 December 2021
Share capital in accordance with IFRS adopted by EU	3,390	3,390
Share capital registered on the Registry Court	3,390	3,390
Difference	**-**	**-**

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

	31 December 2022	31 December 2021
Retained earnings and other reserves	30,894	27,582
Unused portion of reserve for developments	-	-
Other capital reserve	-	-
Accumulated other comprehensive income	694	1,398
Repurchased treasury shares	(2,539)	(2,539)
General reserve	(8)	(5,536)
Net profit for the year	(5,977)	2,608
Untied retained earnings available for the payment of dividends	**23,064**	**23,513**

All figures in tables are in HUF million except otherwise noted

36 POST BALANCE SHEET EVENTS

Changes in the management of MKB Bank Plc.
MKB Bank Plc. has announced that the position of Mr Antal Martzy as Deputy Chief Executive Officer for Finances at the Company, at Magyar Bankholding Zrt., and at members of the MKB Bank Group, Takarékbank Zrt. and MTB Magyar Takarékszövetkezeti Bank Zrt. was terminated with mutual consent as of 31 December 2022. MKB Bank Plc. furthermore has informed capital market participants that Mr Péter Krizsanovich would hold the position of Deputy Chief Executive Officer for Finances of the Company and the MKB Bank Group as of 1 January 2023, but no later than with the effect of the receipt of the relevant approval of the National Bank of Hungary. Mr Péter Krizsanovich has held various management positions in OTP Bank's Strategy and Finance Division for 17 years, including working as the executive director of the Strategy, Planning and Controlling Directorate for 5 years. Having been involved in regional expansion, he has international experience, he participated in the management of several market-leading foreign banks as a board member, achieved significant innovations and results in all parts of the financial field, especially in IT topics.