MTB Bank of Hungarian Saving Cooperatives Co. Ltd.
Separate Financial Statements
and
Independent Auditor's Report

For the year ended 31 December 2021

Deloitte Auditing
and Consulting Ltd.

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1068 Budapest
Hungary

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Pf. 471, Hungary

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Company Registration Number:
01-09-071057

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MTB Bank of Hungarian Saving Cooperatives Co Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of MTB Bank of Hungarian Saving Cooperatives Co Ltd. (the „Bank") for the year 2021 which comprise the separate statement of financial position as at December 31, 2021 – which shows a total assets of mHUF 1,503,491, and the related separate statement of recognized income, separate statement of comprehensive income – which shows a net gain for the year of mHUF 2,608 –, separate statement of changes in equity and separate statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS"), and the financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (the „Accounting Act") relevant to the entities preparing financial statements in accordance with EU IFRS.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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	Related audit procedures in the area
Valuation of investments	
(Details Notes to the Report in Note 18) In the current year, the Bank shows „Investments in subsidiaries, joint ventures and associates” in the amount of HUF 199,826 million in the separate financial statements. In accordance with applicable accounting rules, management regularly performs an impairment test to determine whether it is necessary to account for the measurement of impairment. The determination of recoverable amounts during the impairment test is based on the assumptions of the Bank and the professional judgment of the management. In view of the above, the evaluation of „Investments in subsidiaries, joint ventures and associates” was considered a key audit area.	Our audit procedures include the following: - examination of the adequacy of the key assumptions used by the management, examination of the adequacy of the applied parameters review of the valuation models used by the management during valuation and latest available information, - review of valuation models used by the management from numerical and methodological aspects, - evaluating whether management's past plans are consistent with historical results, - verify the proper application of relevant accounting rules in accounting for potential impairment and examine related disclosures.

Other Information: The Business Report

Other information includes the business report of the Bank for 2021. Management is responsible for the preparation of the business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the financial statements provided in the section of our independent auditor's report entitled „Opinion” does not apply to the business report.

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

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

In our opinion, the business report of the Bank for 2021 corresponds to the financial statements of the Bank for 2021 and the relevant provisions of the Accounting Act in all material respects. As the Bank is not subject to additional requirements under any other regulation in connection with the business report, we have not formulated an opinion on this matter.

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

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

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

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the 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 Bank'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement
We were appointed as the auditors of the Bank by Founders 27 April 2021 and our uninterrupted engagement has lasted since our appointment for 8 years.

Consistence with the Additional Report to the Audit Committee
We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Bank, which we issued on 11 April 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services
We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Bank. In addition, there are no other non-audit services which were provided by us to the Bank and its controlled undertakings and which have not been disclosed in the financial statements/ in the business report.

The engagement partners on the audit resulting in this independent auditor's report are the signatory of the report.

Budapest, 11 April 2022

The original Hungarian version has been signed.

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

Molnár Attila
Statutory registered auditor
Registration number: 007379

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 2021

Separate Financial Statements in accordance with the International Financial Reporting Standards adopted by the European Union – 31 December 2021

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GENERAL INFORMATION

Chairman of the Board of Directors
József Vida (to 31 December, 2021)
Levente László Szabó (since 1 January, 2022)

Chairman of the Supervisory Board
István Sebestyén

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

Responsible person for the control and management of accounting services:
Marianna Bense, PM Registration number: 192618

Auditor company
Deloitte Auditing and Consulting Ltd.

Statutory registered auditor
Attila Molnár

Consolidated financial statements are prepared by the Bank regarding to the companies included in the scope 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 2021

	Notes	1 Januar 2021- 31 December 2021	1 Januar 2020- 31 December 2020
Interest income	4	25,733	8,753
Interest expense	4	(19,000)	(6,575)
Net interest income		**6,733**	**2,178**
Fee and commission income	5	12,433	14,099
Fee and commission expense	5	(7,568)	(9,281)
Net fee and commission income		**4,865**	**4,818**
Dividend income		5,365	867
(Loss)/Profit from foreign exchange transactions	6	(1,769)	(1,785)
Gains on derecognition of financial assets and liabilities not measured at fair value through pro-fit or loss, net	7	4,514	5,253
(Losses)/Gains on financial assets and liabilities held for trading, net	14	3,900	4,800
Gains/(Losses) on non-trading financial assets mandatiroly at fair value through profit or loss, net		666	993
(Losses)/Gains from hedge accounting, net	29.3	(2,180)	(2,652)
Net trading result		**10,496**	**7,476**
Other operating income	8	14,736	12,085
Other operating expense	8	(3)	(434)
Operating income, net		**36,827**	**26,123**
Provisions/ reversal of provision	24	(433)	420
Impairment on financial assets not measured at fair value through profit or loss		(1,442)	(256)
Impairment on investments in subsidaries, joint ventures and associates accounted for using the equity method	18	(8,792)	(103)
Impairment or (-) reversal of impairment on non-financial assets	19	13	(112)
General and administrative expenses	9,10	(23,176)	(21,125)
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	18	(275)	(506)
Profit before tax		**2,722**	**4,441**
Income tax expense	11	(114)	(908)
Profit for the year		**2,608**	**3,533**

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

Separate Statement of Other Comprehensive Income for the year ended 31 December 2020

	Notes	2021	2020
Profit for the year		2,608	3,533
Other comprehensive income	**12**	**241**	**(3,825)**
Items that will not be reclassified to profit or loss		**(27)**	**(191)**
Fair value changes of equity instruments measured at fair value through other comprehensive income		3	(161)
Income tax relating to items that will not be reclassified	12	(30)	(30)
Items that may be reclassified to profit or loss		**268**	**(3,634)**
Cash flow hedges (effective portion)		(26)	(48)
Hedging instruments (not designated elements)		2,663	2,081
Debt instruments at fair value through other comprehensive income		(2,369)	(5,667)
Income tax relating to items that may be reclassified to profit or (-) loss	12	-	-
Total comprehensive income for the year		**2,849**	**(292)**

All figures in tables are in HUF million except otherwise noted
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Separate Statement of Financial Position as at 31 December 2021

	Notes	31 December 2021	31 December 2020
Assets			
Cash, cash balances at central banks and other demand deposits	13	143,887	320,778
Financial assets held for trading	14	74,446	50,952
Non-trading financial assets mandatorily at fair value through profit or loss	15	1,793	23,852
Financial assets at fair value through other comprehensive income	16	157	57,470
Financial assets at amortised cost	17	1,053,849	797,939
Derivatives – Hedge accounting	29	-	77
Investments in subsidiaries, joint ventures and associates	18	199,826	202,007
Tangible assets	19,21	3,179	3,735
Intangible assets	20	1,917	1,233
Tax assets	11	493	203
Other assets	22	23,753	12,322
Non-current assets held for sale	18	191	-
Total assets		**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 2021

	Notes	31 December 2021	31 December 2020
Liabilities			
Financial liabilities held for trading	23	54,887	9,351
Financial liabilities measured at amortised cost	24	1,401,636	1,417,483
Derivatives – Hedge accounting	29	564	1,187
Provisions	25	1,206	773
Tax liabilities	11	-	251
Other liabilities	26	10,678	9,852
Total liabilities		**1,468,971**	**1,438,897**
Equity			
Share Capital	27	3,390	3,390
Share premium		3,479	3,479
Accumulated other comprehensive (loss)	27	(1,398)	(1,639)
Retained earnings		23,444	20,172
Other reserve	27	5,536	5,275
Treasury shares (-)	27	(2,539)	(2,539)
Profit for the year		2,608	3,533
Total equity		**34,520**	**31,671**
Total equity and total liabilities		**1,503,491**	**1,470,568**

Budapest, 11 April 2022

Antal Martzy
CFO

Péter Darazsacz
Managing Director of Finance and reporting

All figures in tables are in HUF million except otherwise noted

Separate Statement of Cash Flows for the year ended 31 December 2021

	Notes	2021	2020
Cash flow from operating activities			
Profit for the year		2,608	3,533
Non-cash adjustments to net profit from			
Depreciation and amortization		1,361	968
Impairment and provision for credit loss expense		1,711	(46)
Other impairment and provision/ (Release of other impairment and provision)		8,991	(342)
Profit/Loss on tangible assets derecognized		9	27
Interest expense on the lease liability		24	23
Fair value adjustments of derivatives held for trading and derivatives from hedge accounting		(248)	1,630
Fair value adjustments on financial assets mandatorily measured at fair value through profit or loss		-	993
Operating profit before change in operating assets		**14,456**	**6,786**
Decrease/ (Increase) in operating assets			
Adjustment on derivatives held for trading and derivatives from hedge accounting		21,743	(14,417)
Changes in non-trading financial assets mandatorily at fair value through profit or loss		22,059	(937)
Changes in financial assets at fair value through other comprehensive income		57,554	228,811
Changes in financial assets at amortised cost		(257,410)	(577,178)
Changes in other assets		(11,721)	2,620
Increase/ (Decrease) in operating liabilities			
Financial liabilities at amortised cost		(28,844)	251,038
Other liabilities		575	(560)
Net cash flow from operating activities		**(181,588)**	**(103,837)**

All figures in tables are in HUF million except otherwise noted

Separate Statement of Cash Flows for the year ended 31 December 2021 (continued)

	Notes	2021	2020
Cash flow from investing activities			
Proceeds from sales of tangible and intangible assets		451	(27)
Purchase of tangible and intangible assets		(1,948)	(2,150)
Net cash outflow from investing activities		**(1,497)**	**(2,177)**
Cash flow from financing activities			
Repayment of leasing liabilities		(731)	(650)
Borrowing of long term loans		13,728	408,167
Acquisition and sale of subsidiaries, joint ventures and associates and shares held for sale		(6,803)	(31,452)
Net cash outflow from financing activities		**6,194**	**376,065**
Increase/ (-) Decrease in cash and cash equivalents		(176,891)	270,051
Opening balance of cash and cash equivalents		320,778	50,727
Closing balance of cash and cash equivalents		**143,887**	**320,778**
Breakdown of cash and cash equivalents			
Cash		7,106	8,406
Balances with the National Bank of Hungary		80,326	249,983
Due from banks with a maturity of less than 90 days		56,455	62,389
Closing balance of cash and cash equivalents		**143,887**	**320,778**
Supplementary data			
Interest received		25,733	*8,753*
Interest paid		19,000	*(6,575)*

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

Separate Statement of Changes in Equity for the year ended 31 December 2021

	Notes	Share capi-tal	Share premium	Accumulated other comprehensive income	Retained earnings	Other reserves	(-) Treasury shares	Total equity
At 1 January 2020		**3,390**	**3,479**	**10,378**	**13,887**	**4,922**	**(2,539)**	**33,517**
Profit for the year		-	-	-	3,533	-	-	3,533
Other comprehensive income for the year	12	-	-	(3,825)	-	-	-	(3,825)
General reserve		-	-	-	(353)	353	-	-
Direct capital effect of derecognition of equity instruments sold in the current year - in 2020	16	-	-	-	(1,568)	-	-	(1,568)
Direct capital effect of derecognition of equity instruments sold in the current year - in the previous years	16	-	-	(8,206)	8,206	-	-	-
Other capital movements		-	-	14	0	-	-	14
At 31 December 2020		**3,390**	**3,479**	**(1,639)**	**23,705**	**5,275**	**(2,539)**	**31,671**
1 January 2021 - Opening		**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	12	-	-	241	-	-	-	241
General reserve		-	-	-	(261)	261	-	-
At 31 December 2021		**3,390**	**3,479**	**(1,398)**	**26,052**	**5,536**	**(2,539)**	**34,520**

After 2021, 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 2021 was approved by the Board of Directors on 11 April 2022. 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:	József Vida (to 31.12.2021.)
	Levente László Szabó (since 01.01.2022.)

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

Notes to the Separate Financial Statements

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.

On 11 March 2020, the Management Board of the Takarek Group approved the Pandemic Plan and the amendment of the Business Continuity Policy, and the Pandemic Operational Staff (POT) was established. From then on, this department coordinates the tasks of the Takarék Group in relation to the corovirus crisis, in close cooperation with the Management Board and other relevant departments. The POT continuously formulates instructions and recommendations to all employees and about this send information with the frequency corresponding to the meetings, also in 2021. Changes in the law due to the pandemic are set out in note 3.34.

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, with the Hungarian State owning 30.35 percent of the shares through Corvinus International Investment Ltd., the previous direct owners of MKB acquiring 31.96 percent of the shares and the previous direct owners of MTB Ltd. acquiring 37.69 percent of the shares.

Following the successful transfer of the in-kind contributions, the financial holding company exercise prudential control and group management functions over the three banking groups and plan and conducts a merger process that optimizes the operation of banks. The detailed merger roadmap and business strategy have been developed and the exploiting synergies from group operations have been taken place in 2021. The Board of Directors and the Supervisory Board of Hungarian Bankholding Ltd. have approved the strategy of the company for the next five years (2021-2025) in 2021.

MTB Ltd. made a mandatory public purchase offer for all shares issued by Takarék Mortgage Bank Co. Plc. on 30 December 2020. The deadline for acceptance of the offer expired on February 17, 2021. MTB Zrt. accepted the offered shares and classified mandatory public purchase offer as successful. After the transfer of the offered shares, the share of MTB Zrt. in Takarék Mortgage Bank Co. Plc. increased from 86.20% to 88.13%, and the combined share of MTB Zrt. and the persons acting in consultation with it, increased from 94.82% to 96.76%.

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.

On December 15, 2021 the main bodies of MKB, Budapest Bank and Hungarian Savings Bankholding Ltd. (MTBH) (which is the owner of Takarék Group) approved the first step of the fusion process of MKB, Budapest Bank and Takarék Group. According to this, two member banks of Hungarian Bankholding Ltd., namely MKB and Budapest Bank are going to merge on March 31, 2022, while Takarék Group will join the merged bank in the second quarter of 2023. In January 2022, the MNB approved the merger of Budapest Bank Zrt. and MTBH Ltd. (which is the owner of Takarék Group) into MKB Bank Plc. on March 31, 2022. The merged bank will temporarily operate under the name of MKB Bank Plc. The merger does not mean a change in the ownership structure of the banking group, the controlling owner of the banks participating in the fusion process will continue to be Hungarian Bankholding Ltd.

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. First-time Adoption of International Financial Reporting Standards

The separate financial statements of the Bank are the first annual financial statements in which the Bank adopts IFRSs for the reporting date 31 December 2019.
In the previous periods its bookkeeping were in accordance with the Hungarian Accounting Standards. 1 January 2018 is the date of the transition under IFRS 1, which day the Bank were prepared the comparative period data based on IFRS.

2.3. 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.

2.4. 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.

2.5. Change in accounting policies

2.5.1. 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"** - Annual Improvements (effective for annual periods beginning on or after 1 January 2022).

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

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

- **IFRS 17 "Insurance Contracts" including amendments to IFRS 17** (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 (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 (effective for annual periods beginning on or after 1 January 2023).

2.5.3. 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 [date of publication of financial statements] (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 (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 ((effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17 "Insurance contracts"** Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023),
- **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 (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **IFRS 14 "Regulatory Deferral Accounts"** (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.

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
- Securities at fair value through other comprehensive income
- 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
  - Securities valued at amortised costs
- Derivatives – Hedge accounting

The Bank groups the recognised financial liabilities as follows:

- Financial liabilities held for trading
  - Derivatives
- Financial liabilities at amortised cost (other financial liabilities):
  - Due to banks
  - Deposits from customers
- 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 'Net trading income'. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established.
Included in this classification are debt securities that have been acquired principally for the purpose of selling or repurchasing in the near term depending on the market price.

3.4. Derivatives

A derivative transaction is a financial contract between two parties where payments are dependent upon movements in 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 'Net trading result'. The resulting gain or loss is recognised immediately in 'Net trading result'.
Derivatives include forwards, futures, swaps and options.

3.5. Hedge transactions (according to IAS 39)

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. A hedge transaction is considered effective if, as a result, the fair value attributable to the risk hedged or the cash flow change offset by the hedge is within a range of 80-125% in the period to which the hedge refers.
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.

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. Restructuring of loans

In cases of default the Bank favours renegotiating the loans to customers instead of foreclosure wherever possible. Renegotiated loans may be restructured by extending of the loan term and/or agreeing on new conditions. The Bank doesn't measure any significant gain or losses on the restructuring loans.
The Bank management keeps track of renegotiated loans to ensure all terms and conditions are met and to secure future cash payments. Provision for impairment of restructured loans is set up on an individual as well as on a portfolio basis and with the application of the original effective interest rate of the loan.
In case of renegotiated loans the classification of the clients (and eventually the provision) may improve if the clients start to pay their instalments as scheduled. The new buffer account scheme and the converted HUF loans (under the State program) were dealt with the same process like other refinanced mortgage loans in spite of the originated loan has not got any payment problem.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, Bank shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate.

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

3.9. Impairment losses on loans

Impairment losses on loans and placements with other banks and securities are recognised by the Bank based on the expected credit loss model in accordance with IFRS 9. Based on the three stage model allowance for impairment is recognised at an amount equal to 12-month expected credit loss from the initial recognition, unless purchased or originated credit-impaired (POCI). On financial assets with significantly increased credit risk or credit impaired financial assets (based on objective evidences) provision for impairment is recognised in amount of lifetime expected credit loss. An assets that meet the definition of default criteria step into the third stage.

Purchased or originated credit-impaired (POCI) assets are financial assets that are credit-impaired on initial recognition in accordance with IFRS 9 (they meet the definition of default). For purchased or originated credit-impaired (POCI) assets shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. At each reporting date, an entity shall recognise in profit or loss the amount of the change in lifetime expected credit losses.

3.10. 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	2%
Non-owned leasehold improvement	6% - 20%
Equipment and furniture	9% - 33%
Software	10% - 33%
Rights representing assets	3.5% - 16.7%
Hardware	33% - 50%
Vehicles	20% - 33%
Other fixed assets	9% - 14,5%

Intangible assets have a definite useful life, excluding goodwill.

3.11. 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.

All figures in tables are in HUF million except otherwise noted

The Bank as a lessee

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

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

After the commencement date, the Bank shall measure the right-of-use asset applying a cost model. The Bank depreciates the right-of-use asset using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The determination of the useful life of the right-of-use assets are presented similar to owned property, plant, equipment and vehicles. The Bank applies IAS 36 Impairment of Assets standard to determine whether the right-of-use asset is impaired, and to recognise any impairment loss identified in accordance with the standard.

The Bank shall measure the lease liability at the present value of lease payments that are not paid as at the date of commencement. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank use the 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.

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. The Bank as a lessor has typically property lease agreements.

3.12. 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.

3.13. 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.

3.14. 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.

3.15. 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.

3.16. 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.

3.17. 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.

3.18. 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 mortgage bonds, 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', respectively, using the effective interest rate (EIR).

In case financial liabilities classified as measured at fair value through profit or loss because it eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) changes in fair value related to credit risk are recognised in consolidated statement of profit or loss.

3.19. 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'.

3.20. Derecognition of financial instruments

3.20.1. 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.

3.20.2. 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.

3.21. 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.

3.22. Employee benefits

3.22.1. 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.

3.22.2. Long-term employee benefits

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

3.23. 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.

3.24. Interest 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. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.
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.

3.25. Fees and commission income and expenses

This group shall include fees and commission income and expenses that are not involved in the amortised cost model. Fees and 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.

3.26. 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.

3.27. Post balance sheet events

Events after the balance sheet date are those events that occur between the balance sheet date and the date when the financial statements are authorised by management (Board of Directors, Supervisory Board) for issue. The Bank is identified adjusting events after the balance sheet date and non-adjusting events after the balance sheet date. Adjusting events after the balance sheet date are incidences that provide evidence of conditions that existed at the balance sheet date, but information 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.

3.28. Offsetting

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

3.29. Foreign currency translation

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

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

3.30. Trade date and settlement date accounting

A regular purchase or sale of a financial asset is recognized on the 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.

3.31. Banktax

The Hungarian credit institutions are obliged to pay Bank tax from the year 2010.
From 2017 the base of the Hungarian banking tax is the adjusted balance sheet total according to Hungarian Accounting Standards at the actual calendar year minus two years. The Bank tax is presented as other operating expense in the Separate Statement of Profit or Loss because it does not meet the definition of income tax according to IFRS.
The total annual amount of the banking tax payable in 2019 and 2020 was already booked in one sum at the first of the year.

3.32. 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.

3.33. Reclassification and 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.

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

The Bank's activity was affected by the following government decrees and other legal-regulatory means adopted during the state of emergency declared due to the pandemic caused by the new coronavirus (COVID-19):

- Government Decree No. 639/2020 (XII.22.) on immediate measures necessary for alleviating the effects of the coronavirus pandemic on national economy,
- MNB Decree No. 20/2021 (VI.23.) of the Governor of the National Bank of Hungary (MNB) on the regulation of financial institutions' maturity matching of forint assets and liabilities;
- Government Decree No. 637/2020 (XII.21.) on the introduction of the special rules of the payment moratorium related to the state of emergency

3.35. Change in estimates

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

4. INTEREST AND SIMILAR INCOME AND EXPENSE

	1 Januar 2021-31 December 2021	1 Januar 2020-31 December 2020
Interest income		
Financial assets at amortised cost	18,565	4,647
Financial assets at fair value through other comprehensive income	121	1,900
Interest income calculated using the effective interest method	**18,686**	**6,547**
Financial assets held for trading	6,973	1,724
Derivatives – Hedge accounting, interest rate risk	34	458
Interest income on financial liabilities	40	24
Other interest income	**7,047**	**2,206**
Interest income and similar to interest income	**25,733**	**8,753**

* *The securities portfolio was restructured during 2020. The Bank applied the contractual cash flow collection business model for securities purchased in 2020 and continuously sold its securities in the contractual cash flow collection and selling business model.*

	1 Januar 2021-31 December 2021	1 Januar 2020-31 December 2020
Interest expense		
Financial liabilities measured at amortised cost*	12,564	4,267
Other financial liabilities not measured at fair value through profit or loss	24	23
Interest expense calculated using the effective interest method	**12,588**	**4,290**
Financial liabilities held for trading	6,237	1,116
Derivatives – Hedge accounting, interest rate risk	39	1,129
Interest expense on financial assets	136	40
Other interest expense	**6,412**	**2,285**
Interest expense and similar to interest expense	**19,000**	**6,575**

* *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. From that case the sources from the MNB increased, which cause the growth of the interest expenditure volume. (Long Term Refinancing Operations (LTRO))*

All figures in tables are in HUF million except otherwise noted

5. FEE AND COMMISSION INCOME AND EXPENSE

	1 Januar 2021- 31 December 2021	1 Januar 2020- 31 December 2020
Fee and commission income		
Account maintenance fee income	2,019	1,999
Lending commission income	759	501
Security services fee income	7,018	7,097
Card business commission	1,322	1,111
Guarantee fees	94	82
Agency fee income	98	34
Treasury services	1,123	3,275
Total	**12,433**	**14,099**

	1 Januar 2021- 31 December 2021	1 Januar 2020- 31 December 2020
Fee and commission expense		
Agency fee expense	4,022	3,616
Card business	609	716
Security services fee expense	400	311
Treasury services	1,198	3,156
Fees and commissions to banks and to clearing house	89	83
Lending commission expense	10	17
Postal giro (PEK) commission	1,096	882
Other	144	500
Total	**7,568**	**9,281**

6. LOSS/PROFIT FROM FOREIGN EXCHANGE TRANSACTIONS

	1 Januar 2021- 31 December 2021	1 Januar 2020- 31 December 2020
FX transactions realized (loss)	(1,064)	(672)
FX transactions non-realized (loss)/gains	(705)	(1,113)
(Loss)/Profit from foreign exchange transactions	**(1,769)**	**(1,785)**

All figures in tables are in HUF million except otherwise noted

7. GAINS ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	1 Januar 2021-31 December 2021	1 Januar 2020-31 December 2020
Gains on derecognition of financial assets at fair value through other comprehensive income, net*	1,892	5,376
Gains or (losses) on derecognition of financial assets at amortised cost, net**	2,622	(123)
Gains on derecognition of financial liabilities at amortised cost, net	0	0
Total	**4,514**	**5,253**

** A rearrangement can be observed in the securities portfolio. In the case of securities acquired in 2020, the Bank applied the contractual cash flow collection business model and continuously sold its securities from the contractual cash flow collection and sale business model.*
*** 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., the effect of the transfer of the portfolio will be reflected in the derecognition value of financial assets measured at amortized cost in 2019.*

8. OTHER OPERATING INCOME AND EXPENSE

	1 Januar 2021-31 December 2021	1 Januar 2020-31 December 2020
Other operating income		
Income on mediated services	2,447	1,984
Net profit or loss on sold property	9	0
Rental income on property	159	23
Invoiced expenses and services*	11,875	9,947
Non-repayable assets received	100	0
Tax refunds for previous years	7	0
Other income for previous years	4	63
Other income	135	68
Total	**14,736**	**12,085**

**Cost sharing income based on the framework of SLA settlement aggrement among the members of the Bank group.*

All figures in tables are in HUF million except otherwise noted

	1 Januar 2021-31 December 2021	1 Januar 2020-31 December 2020
Other operating expense		
Donation	-	411
Fines, late fees	-	3
Sale of assets	-	10
Other	3	10
Total	**3**	**434**

9. GENERAL AND ADMINISTRATIVE EXPENSES

	1 Januar 2021-31 December 2021	1 Januar 2020-31 December 2020
Staff costs	10,308	8,947
Material cost and expenses	797	732
Marketing and advertising	185	425
Data retrieval fees	260	311
Licence fee	406	369
Rental fee	70	72
Depreciation of tangible assets	954	794
Depreciation of intangible assets	407	174
Consultancy, advisory and legal fees	2,862	2,080
Expenses related to IT systems	2,523	2,430
Institutional protection fees, supervisory fees, membership fees	2,477	2,210
Bank security service fee	149	152
Affiliation fees	43	32
Stock market fees	18	17
Insurance fees	37	43
Taxes, duties	1,618	2,188
Other	62	181
Total	**23,176**	**21,125**

All figures in tables are in HUF million except otherwise noted

10. STAFF COSTS

	1 Januar 2021- 31 December 2021	1 Januar 2020- 31 December 2020
Wages and salaries	8,631	7,228
Wages contribution	1,482	1,393
Other personnel related payments	195	326
Total	**10,308**	**8,947**

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 534 (2020: 599 person).

11. INCOME TAX

	31 December 2021	31 December 2020
Current income tax	**(3)**	**(740)**
Corporate income tax	(3)	(740)
Deferred tax expense	**(111)**	**(169)**
Total	**(114)**	**(909)**

Reconciliation of expected tax based on book earnings and actual tax paid is presented as follows:
The Act LXXXI of 1996 on Corporate Tax applied 9% current income tax rate. Based on this information the Bank calculated the deferred tax with the 9% tax rate in 2021 and in 2020.

	31 December 2021	31 December 2020
Profit and loss before tax	*2,722*	*4,441*
Calculated corporate income tax (9%)	(245)	(400)
Items modifying the Hungarian tax base	105	(509)
Tax of other modifying	26	-
Total	**(114)**	**(909)**

All figures in tables are in HUF million except otherwise noted

Deferred tax position

	31 December 2021				
	Deferred tax assets	Deferred tax liabilities	Deferred tax net position	Income statement effect	Deferred tax position in reserves
Items modifying corporate tax base	62	-	62	14	-
Effect of corporate tax of IFRS adoption	-	-	-	(125)	-
Net deferred tax position	**62**	**0**	**62**	**(111)**	**-**

	31 December 2020				
	Deferred tax assets	Deferred tax liabilities	Deferred tax net position	Income statement effect	Deferred tax position in re-serves
Items modifying corporate tax base	48	-	48	(36)	-
Effect of corporate tax of IFRS adoption	155	-	155	(125)	(29)
Effect of local business tax of IFRS adoption	0	-	-	(8)	-
Net deferred tax position	**203**	**-**	**203**	**(169)**	**(29)**

All figures in tables are in HUF million except otherwise noted

12. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income

	31 December 2021	31 December 2020
Items that will not be reclassified to profit or loss	**(27)**	**(191)**
Fair value changes of equity instruments measured at fair value through other comprehensive income	3	(161)
Income tax relating to items that will not be reclassified	(30)	(30)
Items that may be reclassified to profit or loss	**268**	**(3,634)**
Cash flow hedges (effective portion)	(26)	(48)
Hedging instruments	2,663	2,081
Debt instruments at fair value through other comprehensive income	(2,369)	(5,667)
Income tax relating to items that may be reclassified to profit or (-) loss	-	-
Total comprehensive income	**241**	**(3,825)**

13. CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS

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

	31 December 2021	31 December 2020
Cash on hand	7,106	8,406
Cash balances at central banks	80,326	249,983
Other demand deposits	56,455	62,389
Total	**143,887**	**320,778**

All figures in tables are in HUF million except otherwise noted

14. FINANCIAL ASSETS HELD FOR TRADING

	31 December 2021	31 December 2020
Derivatives**	34,246	4,081
Equity instruments*	546	308
from this: listed shares	544	170
from this: open-ended investment funds	2	138
Debt securities	39,654	46,563
Discount treasury bills	3,906	351
Government bonds	34,843	45,480
Mortgage bonds	325	704
Other bonds	580	28
Total	**74,446**	**50,952**

**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 28.3.*

15. NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THRUGH PROFIT OR LOSS

	31 December 2021	31 December 2020
Equity instruments	1,678	23,663
Loans*	115	189
Total	**1,793**	**23,852**

**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 2021.

Shares	Fair Value at 31 December 2021
BÉT shares and VISA shares	1 678
Total	**1 678**

All figures in tables are in HUF million except otherwise noted

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2021	31 December 2020
Equity instruments*	157	149
Government bonds**	-	51,391
Other debt securities	-	5,930
Total	**157**	**57,470**

** Equity instruments have been sold, which effect can not be reclassified to profit or loss, it is recognized directly in retained earnings. The effect of 2020 is a loss of HUF 1,568 million.*
*** A rearrangement can be observed in the securities portfolio. In the case of securities acquired in 2020, the Bank applied the contractual cash flow collection business model and continuously sold its securities in the contractual cash flow collection and sale business model.*

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

The Bank have been reported dividend of HUF 12 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.

All figures in tables are in HUF million except otherwise noted

17. FINANCIAL ASSETS AT AMORTISED COST

	31 December 2021	31 December 2020
Debt securities gross*	222,853	238,919
from this: Government bonds	*207,212*	226,937
from this: Other bonds	*12,520*	*11,982*
from this: Credit institution bonds	*3,121*	-
Impairment of debt securities	(176)	(335)
Loans at amortized cost gross	426,298	408,648
from this: Corporate loans, and government sector	*1,346*	*153,356*
*from this: Credit institution loans***	*424,952*	*255,292*
Impairment of loans at amortized cost	(1,609)	(63)
*from this: Credit institution loans***	*(1,609)*	*(63)*
Central bank and interbank deposits gross	405,010	137,717
Impairment of interbank deposits and loans	(99)	(35)
Advances gross	2,083	13,574
Impairment on advances	(511)	(486)
Total	**1,053,849**	**797,939**

** A rearrangement can be observed in the securities portfolio. In the case of securities acquired in 2020, the Bank applied the contractual cash flow collection business model and continuously sold its securities in the contractual cash flow collection and sale business model.*

Impairment under collective and individual assessment

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**

The above table contains the impairment of other demand deposits (HUF 34 million). The gross exposure of collective-impaired financial assets at amortised cost is HUF 1,056,244 million, and at 31 December 2021. The related collective impairment is HUF 2,395 million.

All figures in tables are in HUF million except otherwise noted

31 December 2020	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	511	-	486	997
Total	**511**	**-**	**486**	**997**

18. INVESTMENTS IN SUBSIDARIES, JOINT VENTURES AND ASSOCIATES

Equity interests of the Bank in subsidiaries, joint ventures and associates:

	31 December 2021		31 December 2020	
	Gross book value	Held %	Gross book value	Held %
Takarék Faktorház Ltd.	591	100 %	591	100 %
TAKINFO Ltd.	110	52 %	110	52 %
MATAK-EL Ltd.	0	0 %	118	59 %
Takarék Invest Ltd.	6,965	100 %	6,965	100 %
Takarék Ingatlan Ltd.	407	100 %	407	100 %
Takarékbank Ltd.	87,054	73 %	87,054	73 %
Takarék Mortgage Bank Plc.	59,262	88 %	57,877	86 %
Takarék Központi Követeléskezelő Ltd.	-	-	191	100 %
TAK-INVEST Ltd.	273	93 %	272	93 %
DBH Investment Ltd.	150	100 %	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	2,287	-	1,807	-
Takarék Mezőgazdasági Tőkealap	12,500	-	7,000	-
Takarék Zártkörű Befektetési Alap	11,820	-	12,291	-
MPT Security Ltd.	1,320	40 %	1,320	40 %
Takarékinfo Központi Adatfeldolgozó Ltd.	700	14 %	700	14%

All figures in tables are in HUF million except otherwise noted

	31 December 2021		31 December 2020	
	Gross book value	Held %	Gross book value	Held %
HUN Bankbiztosítás Ltd.	28	25 %	3	25 %
Subsidiaries, joint ventures and associates gross	**211,817**	**-**	**205,206**	**-**
Impairment	(11,991)	-	(3,199)	-
Total	**199,826**	**-**	**202,007**	**-**

*The share of Takarék Central Receivables Management Zrt. has been reclassified to non-current assets held for sale, as in December 2021 the Bank began the preparation of the share sale, the transaction will be realized and closed in 2022. The sales price will be above the book value according to the planned transaction, so no impairment is required at 31 December 2021.

In 2021, the existing share in MATAK-EL Zrt. was sold. The transaction was carried out at book value with a 100% impairment.

On 30 December 2020, the qualified majority owner of Takarék Jelzálogbank Nyrt., MTB Zrt., made a mandatory public tender offer for all shares issued by Takarék Jelzálogbank nyrt. The deadline for acceptance of the offer has expired on 17 February 2021. MTB Zrt. accepted the shares offered by the shareholders of the Mortgage Bank and qualified the mandatory public tender offer as successful. After the transfer of the offered shares, the share of MTB Zrt. In Takarék Jelzálogbank Nyrt. increased from 86.20% to 88.13%.

MTB Zrt. MKB Bank Nyrt. and Budapest Bank Zrt. established the Hungarian Bankholding Private Limited Company on 26 May 2020 with a 33.33% direct ownership share of MTB Zrt.

On October 30, 2020, MTB sold all its shares representing the 33.33% shareholding in Magyar Bankholding Zrt. to Magyr Takarék Befektetési és Vagyongazdálkodási Zrt., so no longer has an ownership interest.

The changes of the impairment losses in subsidiries and joint ventures are the follows.

	31 December 2021	31 December 2020
Balance as at 1 January	3,199	3,096
Loss allowance	9,520	392
Reversal of loss allowance	(542)	(289)
Release of loss allowance	(186)	-
Closing balance	**11,991**	**3,199**

Among others, in 2021 impairment losses were recognized on the shares in Takarék Invest Kft. and Takarék Mortgage Plc.

All figures in tables are in HUF million except otherwise noted

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 2021 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.

Dividends received from subsidiaries and joint ventures was HUF 5,072million in 2021, and HUF 845 million in 2020.

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.

19. TANGIBLE ASSETS

31 December 2021	Property	Plant and equipment	Total tangible assets
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**

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 1,083 million as at 31 December 2021 and HUF 1,447 million as at 31 December 2020.
The right-of-use assets under IFRS 16 have been reported in Note 21.
The Bank estimates the recoverable amount of the tangible asset. Recoverable amount is the fair value of the asset net of the costs of sale, or the value in use, whichever is higher. Where the carrying amount of an asset exceeds its recoverable amount, the Bank recognises impairment on the asset, by this the carrying amount is written down to the recoverable amount. Based on the estimation of the recoverable amount the Bank recorded an impairment of HUF 90 million on plant and equipment on the line of Impairment or (-) reversal of impairment on non-financial assets in 2020, and no impairments were recorded for tangible assets in 2021.

All figures in tables are in HUF million except otherwise noted

31 December 2020	Property	Plant and equipment	Total tangible assets
Gross value			
Opening balance	2,510	2,228	4,738
Increase	253	245	498
Decrease	-	(15)	(15)
Closing balance	**2,763**	**2,458**	**5,221**
Depreciation			
Opening balance	788	1,824	2,612
Annual depreciation	55	191	246
Decrease	-	(15)	(15)
Closing balance	**843**	**2,000**	**2,843**
Impairment			
Opening balance	-	-	-
Increase	-	90	90
Decrease	-	-	-
Closing balance	**-**	**90**	**90**
Net value	**1,920**	**368**	**2,288**

All figures in tables are in HUF million except otherwise noted

20. INTANGIBLE ASSETS

31 December 2021	Property rights	Intellectual products	Investment in-tangible assets	Total
Gross value				
Opening balance	1,158	2,487	-	3,645
Increase	700	279	113	1,092
Decrease	(30)	(632)	-	(662)
Closing balance	**1,828**	**2,134**	**113**	**4,075**
Depreciation				
Opening balance	264	2,148	-	2,412
Annual depreciation	282	125	-	407
Decrease	(30)	(631)	-	(661)
Closing balance	**516**	**1,642**	**-**	**2,158**
Impairment				
Opening balance	-	-	-	-
Increase	-	-	-	-
Decrease	-	-	-	-
Closing balance	-	-	-	-
Net value	**1,312**	**492**	**113**	**1,917**

31 December 2020	Property rights	Intellectual products	Investment in-tangible assets	Total
Gross value				
Opening balance	390	2,787	28	3,205
Increase	840	-	812	1,652
Decrease	(72)	(300)	(840)	(1,212)
Closing balance	**1,158**	**2,487**	**-**	**3,645**
Depreciation				
Opening balance	262	2,348	-	2,610
Annual depreciation	74	100	-	174
Decrease	(72)	(300)	-	(372)
Closing balance	**264**	**2,148**	**-**	**2,412**
Impairment				
Opening balance	-	-	-	-
Increase	-	-	-	-
Decrease	-	-	-	-
Closing balance	-	-	-	-
Net value	**894**	**339**	**-**	**1,233**

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 2021 and 2020.

21. IFRS 16 LEASES

Right-of-use assets

	31 December 2021	31 December 2020
Owned property, plant and equipment	2,096	2,288
Right-of-use assets, expect investment properties	1,083	1,447
Total property, plant and equipment	**3,179**	**3,735**

Lease liabilities

Lease liabilities presented in the statement of financial position

	31 December 2021	31 December 2020
Short term	716	668
Long term	425	868
Total lease liabilities	**1,141**	**1,536**

Maturity analysis - undiscounted contractual payments

	31 December 2021	31 December 2020
Up to 1 year	732	697
1 year to 5 years	432	869
Over 5 years	-	-
Total undiscounted lease liabilities	**1,164**	**1,566**

All figures in tables are in HUF million except otherwise noted

Right-of-use assets

	Property	Company Car	Total
Opening balance at 1 January 2020	**1,522**	**578**	**2,100**
Increase	425	251	676
Amortization for the year	(307)	(241)	(548)
Decrease	(678)	(103)	(781)
Balance at 31 December 2020	**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**

Total cash outflow for leases

	31 December 2021	31 December 2020
Total cash outflow for leases	(402)	(650)

Items related to lease liabilities presented in profit or loss

	31 December 2021	31 December 2020
Interest expense on the lease liabilities	(24)	(23)
Expenses related to short-term leases	(10)	(14)
Expenses related to leases of low-value assets, expect the expense relating to short-term leases of low-value assets	(11)	(48)
Gains or losses arising from sale and leaseback transactions	-	-
	(45)	**(85)**

Items presented in the statement of cash flows

	31 December 2021	31 December 2020
Interest expense on the lease liabilities	(24)	(23)
Short-term lease payments, payments for leases of low-value assets and variable lease payments not inc-luded in the measurement of the lease liability	-	(62)
Cash payments for the principal portion of the lease lia-bility	(731)	(588)

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

22. OTHER ASSETS

	31 December 2021	31 December 2020
Mediated services	2,430	2,780
Commission deals	248	2
Other inventories (materials, goods)	166	269
Prepaid expenses*	17,250	4,560
Reclaimable taxes**	2,248	1,863
Advances for payables	22	46
Accrued amount of fair value difference at initial recognition of loans under Funding for Growth Scheme	1,376	2,794
Receivables from Health Insurance	13	9
Total	**23,753**	**12,323**

** 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.*
In addition, the VAT claim of MTB - as a group representative - increased against a member of the VAT group compared to 2020.

23. FINANCIAL LIABILITIES HELD FOR TRADING

	31 December 2021	31 December 2020
Derivatives	34,771	5,245
Short positions	20,116	4,106
Total	**54,887**	**9,351**

24. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

	31 December 2021	31 December 2020
Deposits	668,348	822,267
Loans received*	671,171	530,980
Other financial liabilities	62,117	64,236
Total	**1,401,636**	**1,417,483**

** 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. From that case the sources from the MNB increased, which cause the growth of the interest expenditure volume. (Long Term Refinancing Operations (LTRO))*

All figures in tables are in HUF million except otherwise noted

25. PROVISIONS

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

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**

** The other provision was created in connection with severance payment obligations under an individual agreement.*
The increase for the period is HUF 386 million, which is shown in the Separate Statment of Profit or Loss under the line provisions / release of provisions.

2020	Credit risk provision	Provision for amounts relating to accrued vacation pay	Other provision	Total
Opening balance at 1 January 2020	**301**	**416**	**471**	**1,188**
Increase in the period	196	-	81	277
Utilization in the period	(188)	(33)	(471)	(692)
Closing balance at 31 December 2020	**309**	**383**	**81**	**773**

All figures in tables are in HUF million except otherwise noted

26. OTHER LIABILITIES

	31 December 2021	31 December 2020
Taxes payable	864	621
Payroll settlement account	3	878
Accrued expenses*	6,981	4,475
Jubilee benefit obligation	13	16
Commission settlements	0	-
Accrued part of disbursed liabilities under Funding for Growth Scheme	2,817	3,863
Total	**10,678**	**9,853**

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

27. SHARE CAPITAL

27.1. 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)	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Voting preference shares B	-	1	-	2	-	2
Voting preference shares C	-	160	-	2	-	320
Ordinary shares	1,695,118	1,694,957	2	2	3,390,236	3,389,914
Treasury shares	408,323	408,323	-	-	-	-
Total	**2,103,441**	**2,103,441**	**-**	**-**	**3,390,236**	**3,390,236**

Shareholder	31 December 2021 Holding (%)	31 December 2020 Holding (%)
Magyar Takarék Bankholding Ltd.	75,91	0,00
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 2021:

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%	99,99%
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%	-
Takarék Mortgage Bank Co.Plc.	-	1	1	2	0,00%	-

On September 23, 2015 Takarék Mortgage Bank Co. Plc. and Takarék Commercial Bank Ltd. entered into the Integration of Cooperative Credit Institution. Takarék Commercial Bank at the effective date 31 October 2019 was merged into Takarékbank Ltd. and was terminated with succession. Furthermore the Takarék Mortgage Bank has 1 piece of voting preference share.

In the MTB Bank of Hungarian Saving Cooperatives Co. Ltd. has 1 owner with more than 10 % ownership, its number of shares are 1,286,694 pieces, its controlling interest are 75,91 %, while voting share is 99,99%. In addition there are no owner with more than 5 % ownership.

27.2. Treasury shares purchased

	31 December 2021	31 December 2020
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, and a further 78,764 shares owned by institutions in which MTB has become the majority shareholder in the meantime. In 2021, the stock of repurchased shares did not change.

27.3. Other reserve

	31 December 2021	31 December 2020
General reserve	5,528	5,267
Other capital reserve	8	8
Closing balance	**5,536**	**5,275**

27.3.1. 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 5,528 million as at 31 December 2021 (General reserve was HUF 5,267 million as at 31 December 2020).

All figures in tables are in HUF million except otherwise noted

27.4. Cumulated other comprehensive income

	31 December 2021	31 December 2020
Opening balance	(1,639)	10,378
Cumulated other comprehensive income	**241**	**(3,825)**
Items that will not be reclassified to profit or loss	**(27)**	**(191)**
Fair value changes of equity instruments measured at fair value through other comprehensive income	3	(161)
Income tax relating to items that will not be reclassified	(30)	(30)
Items that may be reclassified to profit or loss	**268**	**(3,634)**
Effective portion cash flow hedges	(26)	(48)
Hedging instruments	2,663	2,081
Debt instruments at fair value through other comprehensive income	(2,369)	(5,667)
Income tax relating to items that may be reclassified to profit or loss	-	-
Closing balance	**(1,398)**	**6,553**
Direct equity effect of derecognition of equity instruments sold int he current year	-	(8,206)
Other capital movements	-	14
Closing balance	**(1,398)**	**(1,639)**

**Effect of the derecognition of the equity intsruments on other comprehensive income not to be reclassified to profit or loss.*

28. 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.

All figures in tables are in HUF million except otherwise noted

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

	31 December 2021	31 December 2020
Guarantees	5,978	9,858
Loan commitments	19,000	19,000
Letter of credit	68	338
Contingent liabilities from other contracts	10,160	4,497
Total	**35,206**	**33,693**

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

29.1. Loans and advances

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

All figures in tables are in HUF million except otherwise noted

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 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 2021		31 December 2020	
	Net book value	Fair value	Net book value	Fair value
Loans and advances	1,053,849	1,034,008	559,355	559,355

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

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

29.3. Fair value of 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.

All figures in tables are in HUF million except otherwise noted

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

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

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

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

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

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

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

Notes to the Separate Financial Statements

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

	31 December 2021		
	Level 1	Level 2	Level 3
Assets			
Financial assets held for trading	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
Derivatives – Hedge accounting	-	-	-
Total assets carried at fair value	**33,444**	**39,204**	**3,748**

	31 December 2021		
	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities held for trading	20,262	34,625	-
Derivatives – Hedge accounting	-	564	-
Total liabilities carried at fair value	**20,262**	**35,189**	**-**

There were no transfers between the levels of the fair value hierarchy in 2021.

All figures in tables are in HUF million except otherwise noted

	31 December 2020		
	Level 1	Level 2	Level 3
Assets			
Financial assets held for trading	43,280	4,719	2,954
Non-trading financial assets mandatorily at fair value through profit or loss	19,551	4,112	189
Securities at fair value through other comprehensive income	57,321	-	149
Derivatives – Hedge accounting	-	77	-
Total assets carried at fair value	**120,152**	**8,907**	**3,292**

	31 December 2020		
	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities held for trading	4,121	5,230	-
Derivatives – Hedge accounting	-	1,187	-
Total liabilities carried at fair value	**4,121**	**6,417**	**-**

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**
Statement of profit or loss	-	-	-
(Loss)/Profit	-	(74)	-
Other comprehensive income	-	-	3
Transactions	-	-	-
Purchase/portfolio growth	3,476	-	-
Sale of assets/Settlement/ Derecognition/	(2,954)	-	5
Tansfers	-	-	-
Transfer to Level 3	-	-	-
Transfer from Level 3	-	-	-
Closing balance at 31 December 2021	**3,476**	**115**	**157**

All figures in tables are in HUF million except otherwise noted

Instruments' movements in Level 3 2020	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 2020	**25,259**	**238**	**574**
Statement of profit or loss			
(Loss)/Profit	-	(49)	(161)
Other comprehensive income	-	-	-
Transactions			
Purchase/portfolio growth	2,954	-	-
Sale of assets/Settlement/ Derecognition/	(25,259)	-	(264)
Tansfers			
Transfer to Level 3	-	-	-
Transfer from Level 3	-	-	-
Closing balance at 31 December 2020	**2,954**	**189**	**149**

29.4. 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.

All figures in tables are in HUF million except otherwise noted

	Fair value		Notional amount	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Swap deals	777	398	33,264	31,804
FX futures deals	145	70	28,881	4,228
FX margin deals	1,323	1,811	117,666	106,496
Government bonds margin deals	31	6	2,644	3,400
IRS deals	15,743	899	209,854	68,844
MIRS deals	9,784	-	74,511	-
CCIRS deals	4,811	-	23,100	-
FX options	133	114	15,842	32,124
Shares options	-	775	-	8,611
Futures government bonds	1,489	-	175,344	-
Other derivative deals	9	8	495	1,254
Total trading derivative assets	**34,245**	**4,081**	**681,601**	**256,761**
Hedge derivative deals*	-	77	6,267	24,450
Total derivative financial assets	**34,245**	**4,158**	**687,868**	**281,211**

** The portfolio of hedging derivatives decreased significantly in December 2020 as the underlying transaction, a security that are not recognized at fair value through profit or loss, was sold. The effect of this breakdown of the hedging relationship on derivative transactions is recognized in the Individual Comprehensive Income Statement as a net gain or (-) loss on hedge accounting.*

All figures in tables are in HUF million except otherwise noted

	Fair value		Notional amount	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Swap deals	274	1,042	68,522	33,939
FX futures deals	21	16	9,409	1,393
FX margin deals	966	302	46,882	72,398
Government bonds margin deals	99	124	27,718	32,011
IRS deals	27,066	1,024	287,408	50,796
MIRS deals	-	1,138	-	24,185
CCIRS deals	3,603	88	23,260	538
FX options	251	114	11,864	32,050
Shares options	-	1,339	-	8,611
Futures government bonds	1,489	-	175,344	-
Other derivative deals	1,001	58	620	328
Total trading derivative liabilities	**34,770**	**5,245**	**651,027**	**256,249**
Hedge derivative deals	570	1,187	5,591	31,304
Total derivative financial liabilities	**35,340**	**6,432**	**656,618**	**287,553**

30. RISK MANAGEMENT

30.1. Overview

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

For the obligations of each other, the Integration Organization and its members shall comply with the provisions of the Civil Code. are jointly and severally liable under its rules. Joint and several liability shall extend to all claims against the Integration Organization and its members, regardless of the date on which they arose.

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

All figures in tables are in HUF million except otherwise noted

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 financial 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 authorized the members of the Integration to apply individual exemption based on the Article 10 of CRR.
In the future, Magyar Bankholding Zrt. will perform prudential control and group management functions over the three banking groups.

Risk Strategy – approved by the Board of Directors of MTB Bank of Hungarian Saving Cooperatives Co. Ltd. is mandatory for credit institutions and companies under consolidated supervision led by MTB Bank of Hungarian Saving Cooperatives Co. Ltd. – 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.

30.2. 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.

Risk Control and Asset Resource Committee (ALCO)

The supervisory board of the MTB is responsible and responsible for monitoring the risk-taking management processes. In particular, it shall monitor and monitor the adequacy of the use of the methods and tidy agents used by the MTB in order to comply with the requirements laid down in the legislation.

The Risk Controll and Assets and Liabilities Committe (ALCO)

The Risk Control and Assets and Liabilities Committee is exercised its authority on an individual level referring to the Bank.

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 Committee (CC)

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

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

Internal Audit

The elements of the internal control system (management control and management information system incorporated in processes, and an independent internal control unit function) cover the 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.

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 Takarék Groups on a quarterly basis.

30.3. Risk mitigation

Interest rate and exchange rate risks

To minimize the risk of interest- and foreign exchange rate risks 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 are minimized risks towards partner banks by means of bilateral agreements.

30.4. Credit risk

30.4.1. 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”). This contrasts to the IAS 39 impairment model which was not applicable to loan commitments and financial guarantee contracts, as these were instead covered by International Accounting Standard 37: “Provisions, Contingent Liabilities and Contingent Assets” (IAS 37).

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.

30.4.2. Model Descriptions - Expected Credit Loss

Stage determination

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

Rating-Related Indicators:

Based on a dynamic change in counterparty PDs that is linked to all transactions with the 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.

IFRS 9 credit risk tables are presented below.

Credit risk exposure

31 December 2021	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	
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 grade	*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	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
Carrying amount	**1,197,852**	**-**	**15**	**-**	**1,197,867**

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

All figures in tables are in HUF million except otherwise noted

31 December 2020	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	
Gross carrying amount per asset type					
Cash on hand	8,406	-	-	-	8,406
Cash balances at central banks	250,044	-	-	-	250,044
Investment grade	*250,044*	-	-	-	*250,044*
Other demand deposits	62,404	-	-	-	62,404
Investment grade	*62,404*	-	-	-	*62,404*
Securities at fair value through other comprehensive income	57,323	-	-	-	57,323
Investment grade	*57,323*	-	-	-	*57,323*
Securities measured at amortised cost	238,919	-	-	-	238,919
Investment grade	*238,919*	-	-	-	*238,919*
Due from banks	393,009	-	-	-	393,009
Investment grade	*393,009*	-	-	-	*393,009*
Corporate	153,356	-	-	-	153,356
Investment grade	*153,356*	-	-	-	*153,356*

All figures in tables are in HUF million except otherwise noted

31 December 2020 (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	Total
Gross carrying amount per asset type					
Advances	*13,088*	-	*486*	-	*13,574*
Investment grade	*13,088*	-	*0*	-	*13,088*
Default grade	-	-	*486*	-	*486*
Total gross carrying amount	***1,176,549***	**-**	***486***	**-**	***1,177,035***
Loss allowance	*511*	-	*486*	-	*997*
Carrying amount	**1,176,038**	**-**	**-**	**-**	**1,176,038**

All figures in tables are in HUF million except otherwise noted

Notes to the Separate Financial Statements

Impairment

31 December 2020	Gross exposure	Impairment	Carrying amount	Fair value of collateral held
Credit-impaired assets (stage 3)				
Advance	486	486	-	-
Total credit-impaired assets	**486**	**486**	**-**	**-**

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	
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**

All figures in tables are in HUF million except otherwise noted

Type of device	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	POCI Purchased or originated credit-impaired	Total
Impairment loss as at 1 January 2020	**121**	**-**	**613**	**-**	**734**
New financial assets originated or purchased	149	-	-	-	149
Changes in PDs/LGDs/EADs	241	-	-	-	241
Exchange rate and other movements	-	-	-	-	0
Financial assets derecognised during the period other than write-offs	-	-	(127)	-	(127)
Impairment loss as at 31 December 2020	**511**	**-**	**486**	**-**	**997**

Provision movement table

Asset type	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime 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

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 2020	**301**	**-**	**-**	**301**
Movements with P&L impact				
New financial assets originated or purchased	2	-	-	**2**
Changes in PDs/LGDs/EADs	141	-	-	141
Exchange rate and other movements	-	-	-	-
Other movements with no P&L impact		-	-	
Financial assets derecognised during the period other than write-offs	(135)	-	-	(135)
Provision as at 31 December 2020	**309**	**-**	**-**	**309**

All figures in tables are in HUF million except otherwise noted

Credit risk exposure on loan commitments and financial guarantees

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	379,553	-	-	379,553
Total credit risk exposure	**379,553**	**-**	**-**	**379,553**

31 December 2020	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	Total
Interbank	258,530	-	-	258,530
Total credit risk exposure	**258,530**	**-**	**-**	**258,530**

All figures in tables are in HUF million except otherwise noted

30.4.3. 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 2020 and 2019.

30.4.4. 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.

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

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

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

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 Other collaterals category includes the value of the insurances.

The table below shows the structure of the collaterals:

	31 December 2021	31 December 2020
Mortgage	839	897
Deposit	750	750
Securities	23,673	21,469
Total	**25,262**	**23,116**

All figures in tables are in HUF million except otherwise noted

The table below shows the maximum credit risk exposure:

	31 December 2021	31 December 2020
Other demand deposit	56,586	62,389
Financial assets at fair value through other comprehensive income	-	63,251
Debt securities measured at amortized cost	222,853	238,919
Corporate loans	1,346	153,356
Loans from banks	424,952	255,292
Due from banks	829,962	393,009
Advances	2,083	13,574
Off-balance sheet commitments	25,046	29,196
Total gross credit risk exposure	**1,562,828**	**1,208,986**

30.5. Market risk

Market risks are including the interest rate risk and equity risk in the trading book (position risk), furthermore foreign exchange rate risk from the complete banking activity.
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.

30.6. 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 interest income 12/31/2021+1 bp	Sensitivity of interest income 12/31/2020+1 bp	Sensitivity of interest income 12/31/2021 +10 bp	Sensitivity of interest income 12/31/2021 +25 bp
HUF	3	(4)	30	74
EUR	-	-	(1)	(3)
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 2021, with an increase in interest rates of 1 basis point, the estimated net interest income for forint items may increase by about HUF 3 million, and for EUR, USD and CHF the change is negligible.

30.6.1. 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.

30.6.2. 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 2021)	Effect on capital (31 December 2021)	Effect on earning before income tax (31 December 2020)	Effect on capital (31 December 2020)
EUR	(6,860)	(6,860)	(1,370)	(1,370)
USD	(460)	(460)	60	60
CHF	1,180	1,180	140	140
Other	910	910	(580)	(580)

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 6,860 thousand, in case of USD items with HUF 460 thousand, while it could increase in case of CHF items with HUF 1,180 thousand and in case of other foreign currency items with HUF 910 thousand, .

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

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 December 2020	HUF	EUR	CHF	Other	Total
Total assets	1,434,199	28,543	1,049	6,777	1,470,568
Total liabilities	(1,373,598)	(46,448)	(952)	(17,899)	(1,438,897)
Shareholders' equity	(31,671)	-	-	-	(31,671)
Off-balance sheet items	(22,504)	(509)	-	-	(23,013)
Position	**6,426**	**(18,414)**	**97**	**(11,122)**	**(23,013)**

30.7. 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 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
Derivatives- Hedge accounting	-	-	-	564	-	-	564
Other financial liabilities	52,591	9,526	-	-	-	-	62,117
Provisions	-	-	1,206	-	-	-	1,206
Other liabilities	-	7,666	0	2,976	28	8	10,678
Total banking liabilities	**256,811**	**17,622**	**313,594**	**880,908**	**28**	**8**	**1,468,971**

31 December 2020	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	-	9,351	-	-	-	-	9,351
Deposits	72,899	570,771	-	178,597	-	-	822,267
Due to banks	-	-	1,076	529,904	-	-	530,980
Other financial liabilities	62,583	-	117	1,536	-	-	64,236
Derivatives- Hedge accounting	-	-	1,187	-	-	-	1,187
Provisions	-	-	773	-	-	-	773
Tax liabilities	-	251	-	-	-	-	251
Other liabilities	8,961	876	-	16	-	-	9,853
Total banking liabilities	**144,443**	**581,249**	**3,153**	**710,053**	**-**	**-**	**1,438,898**

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
Investments in subsidaries, joint ventures and associates	-	199,826	199,826
Tangible assets	-	3,179	3,179
Intangible assets	-	1,917	1,917
Tax assets	431	62	493
Other assets	23,753	-	23,753
Non-current assets held for sale	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	877,368	1,401,636
Derivatives – Hedge accounting	-	564	564
Provisions	1,206	-	1,206
Tax liabilities	-	-	-
Other liabilities	7,666	3,012	10,678
Total liabilities	**588,027**	**880,944**	**1,468,971**

All figures in tables are in HUF million except otherwise noted

Maturity analysis of assets and liabilities as of 31 December 2020

	Less than 12 months	Over 12 months	Total
Assets			
Cash, cash balances at central banks and other demand deposits	320,778	-	320,778
Financial assets held for trading	50,644	308	50,952
Non-trading financial assets mandatorily at fair value through profit or loss	-	23,852	23,852
Financial assets at fair value through other comprehensive income	-	57,470	57,470
Financial assets at amortised cost	289,754	508,185	797,939
Derivatives – Hedge accounting	77	-	77
Investments in subsidaries, joint ventures and associates	-	202,007	202,007
Tangible assets	-	3,735	3,735
Intangible assets	-	1,233	1,233
Tax assets	-	203	203
Other assets	12,323	-	12,323
Total assets	**673,576**	**796,993**	**1,470,569**
Liabilities			
Financial liabilities held for trading	9,351	-	9,351
Financial liabilities measured at amortised cost	707,446	710,037	1,417,483
Derivatives – Hedge accounting	1,187	-	1,187
Provisions	773	-	773
Tax liabilities	251	-	251
Other liabilities	9 836	16	9 852
Total liabilities	**728 844**	**710 053**	**1 438 897**

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.

All figures in tables are in HUF million except otherwise noted

30.8. 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.
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.

30.9. 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.

31. 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.

32. 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, Magyar Bankholding Ltd** and MTB Ltd.

:

Company	Classification		Core business
Magyar Bankholding Ltd.	**main parent**	**0%**	**Asset management**
Takarékinfo Központi Adatfeldolgozó Zrt.	Associate	14%	Data services, web hosting services
Takarék Jelzálogbank Nyrt.	Subsidiary	88%	Other lending
Takarék Lízing Zrt.	Subsidiary	0%	Other lending
Takarék Ingatlan Zrt.	Subsidiary	100%	Estate agent service
Takarék INVEST Kft.	Subsidiary	100%	Asset management
TIFOR Takarék Ingatlanforgalmazó Zrt.	Subsidiary	77%	Own property real estate buying and selling
TIHASZ Takarék Ingatlanhasznosító Zrt.	Subsidiary	90%	Sale of owned property
Magyar Takarék Bankholding Zrt.	Subsidiary	0%	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	100%	Investment fund
Takarék Kockázati Tőkealap	Associate	23%	Investment fund
OPUS TM1 Ingatlan Befektetési Alap	Subsidiary	0%	Investment fund
MPT Securty Zrt.	Associate	40%	Security services
DBH Investment Zrt.	Subsidiary	100%	Other activities auxiliary to financial services
EQUILOR II. Magántőkealap	Associate	15%	Investment fund
Budapest Bank Zrt.	Subsidiary	0%	Other monetary intermediation
MKB Bank Nyrt.	Subsidiary	0%	Other monetary intermediation
MKB Üzemeltetési Kft.	Subsidiary	0%	Renting and operating owned, rented property
Euro - Immat Üzemeltetési Kft.	Subsidiary	0%	Borrowing of intangible assets
MKB Digital Szolgáltató Zrt.	Subsidiary	0%	Computer programming
MKB- Euroleasing Autólízing Zrt.	Subsidiary	0%	Financial lending
MKB Bank MRP Szervezet	Subsidiary	0%	Other activities auxiliary to financial services

All figures in tables are in HUF million except otherwise noted

Company	Classification		Core business
Retail Prod Zrt.	Subsidiary	0%	Other lending
MKB-Pannónia Alapkezelő Zrt.	Associate	0%	Investment fund
Budapest Eszközfinanszírozó Zrt.	Subsidiary	0%	Other tangible assets leasing
Budapest Lízing Zrt.	Subsidiary	0%	Fianancial leasing
Budapest Alapkezelő Zrt.	Subsidiary	0%	Investment fund
Takarékbank Zrt.	Subsidiary	73%	Other monetary inter-mediation

As at 31 December 2021 and 2020, the Bank did not have any loans to members of the Bank's management bodies.

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

31 december 2020	Outstanding capital	Interest	Type of loans
Loans with maturity within the year	-	-	-
Loans with maturity beyond the year	-	-	-
Összesen	**-**	**-**	**-**

	31 December 2021		31 December 2020	
	Head-count	The amount of emoluments	Head-count	The amount of emoluments
Members of Board of Directors	7	19	7	25
Members of Supervisory Board	6	19	7	16
Total payments	**13**	**38**	**14**	**41**

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

Details of transaction in 2021 and 2020 between the Bank and other related parties are disclosed in the next table.

31 December 2021	Parent	Subsidiea-ries	Associates	Key man-agement
Due from banks	-	49,262	-	-
Loans	-	398,577	-	-
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 in-come	**-**	**932**	**-**	**-**
Other operating income	83	30,416	-	-
Other operating 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

31 December 2020	Parent	Subsidiaries	Associates and joint ventures	Key management
Due from banks	-	84	-	-
Loans	-	98,532	-	-
Other assets	-	-	-	-
Total assets	**-**	**98,916**	**-**	**-**
Due to banks	-	351,270	3,104	-
Deposits from customers	-	-	-	-
Other liabilities	-	-	620	-
Total liabilities	**-**	**351,270**	**3,724**	**-**
Interest income	-	72	-	-
Interest expense	-	(13)	-	-
Net interest income	**-**	**59**	**-**	**-**
Fee and commission income	-	(236)	-	-
Fee and commission expense	-	(521)	(78)	-
Net fee and commission income	**-**	**(757)**	**(78)**	**-**
Other operating income	6	4,952	32	-
Other operating expense	-	(1,668)	(23)	-
Operating income	**6**	**3,284**	**9**	**-**
Operating expense	-	244	50	(41)
Profit/loss on transactions with related parties	**6**	**2,830**	**(19)**	**(41)**

All figures in tables are in HUF million except otherwise noted

Outstanding balances with government related entries:

	31 December 2021		31 December 2020	
	Outstanding balances with government related entites *	Significant transactions with government related entities**	Outstanding balances with government related entites*	Significant transactions with government related entities**
Securities	245,961	272,768	-	-
Loans	375,042	-	375,042	125,003
Total assets	**621,003**	**272,768**	**375,042**	**125,003**
Due to banks	644,078	170,327	330,488	330,488
Total liabilities	**644,078**	**170,327**	**330,488**	**330,488**
Interest income	17,567	6,200	10,609	1,948
Interest expense	(2,260)	(1,111)	(1,160)	(733)
Total payments	**15,307**	**5,089**	**9,449**	**1,215**

* Related party transactions with government: MNB interbank loan and interbank borrowing, as well as LTRO (note 24, MFB interbank borrowing, State Debt Management Center Zrt. ("ÁKK")- purchased securities (Note 14, 17)
** Significant transactions were established under IAS 24.26

All figures in tables are in HUF million except otherwise noted

Related parties financial data preliminary, unaudited data

Related party	31 December 2021				
	Direct holding %	Assets	Liabilities	Equity	Profit or loss
Takarékinfo Központi Adatfeldolgozó Zrt.	14%	24,272	25,846	(1,574)	(2,759)
Takarék Jelzálogbank Nyrt.	88%	665,015	596,079	68,036	2,745
Takarék Lízing Zrt.	0%	61,473	60,161	1,312	405
Takarék Ingatlan Zrt.	100%	767	162	605	194
Takarék INVEST Kft.	100%	2,766	11	2,755	163
TIFOR Takarék Ingatlanforgalmazó Zrt.	77%	6,351	232	6,119	193
TIHASZ Takarék Ingatlanhasznosító Zrt.	90%	26,744	466	26,278	426
Magyar Bankholding Zrt.	0%	753,672	10,052	743,620	1,739
Magyar Takarék Bankholding Zrt.	0%	102,194	21	102,173	184,127
Takarék Faktorház Zrt.	100%	11,342	10,624	718	77
Takarékszövetkezeti Informatikai Kft.	52%	1,710	7	1,703	34
Takarék Zártkörű Befektetési Alap	93%	11,389	8	11,381	1,038
Takarék Mezőgazdasági és Fejlesztési Magántőkealap	100%	12,476	1	12,475	100
Takarék Kockázati Tőkealap	23%	9,687	210	9,477	30
OPUS TM1 Ingatlan Befektetési Alap	0%	2,171	14	2,157	49
MPT Securty Zrt.	40%	5,555	1,983	3,572	330
DBH Investment Zrt.	100%	514	257	257	38

All figures in tables are in HUF million except otherwise noted

Related parties financial data preliminary, unaudited data- continued

Related party	31 December 2021				
	Direct holding %	Assets	Liabilities	Equity	Profit or loss
EQUILOR II. Magántőkealap	15%	6,993	3	6,990	153
Budapest Bank Zrt.	0%	2,519,276	2,345,882	173,394	8,058
MKB Bank Nyrt.	0%	3,319,223	3,080,310	238,913	35,940
MKB Üzemeltetési Kft.	0%	36,101	1,625	34,476	451
Euro - Immat Üzemeltetési Kft.	0%	5,386	696	4,690	10
MKB Digital Szolgáltató Zrt.	0%	1,407	657	750	95
MKB- Euroleasing Autólízing Zrt.	0%	199,115	191,067	8,048	2,288
MKB Bank MRP Szervezet	0%	3,455	15	3,440	297
Retail Prod Zrt.	0%	823	25	798	72
MKB-Pannónia Alapkezelő Zrt.	0%	-	-	-	-
Budapest Eszközfinanszírozó Zrt.	0%	2,665	1,421	1,244	260
Budapest Lízing Zrt.	0%	126,421	119,016	7,405	1,000
Budapest Alapkezelő Zrt.	0%	3,235	206	3,029	2,374
Takarékbank Zrt.	73%	3,233,913	3,127,513	106,401	(1,252)

All figures in tables are in HUF million except otherwise noted

33. NET GAINS

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

1 January 2021 – 31 December 2021	Financial assets and liabilities held for sale	Financial assets and liabilities designated at fair value through profit or loss	Financial assets and liabilities at fair value through other comprehensive income	Financial assets and liabilities measured at amortised cost	Derivatives – Hedge accounting, interest rate risk	Other assets/ Other liabilities	Not linked to financial instruments	TOTAL
Interest income	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 operating income	-	-	-	-	-	-	14,736	14,736
Other operating 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

1 January 2020 – 31 December 2020	Financial assets and liabilities held for sale	Financial assets and liabilities designated at fair value through profit or loss	Financial assets and liabilities at fair value through other comprehensive income	Financial assets and liabilities measured at amortised cost	Derivatives – Hedge accounting, interest rate risk	Other assets/ Other liabilities	Not linked to financial instruments	TOTAL
Interest income	1,724	-	1,900	4,647	458	24	-	8,753
Interest expenses	(1,116)	-	0	(4,267)	(1,129)	(63)	-	(6,575)
NET INTEREST INCOME	**608**	**-**	**1,900**	**380**	**(671)**	**(39)**	**-**	**2,178**
Fee and commission income	-	-	-	-	-	14,099	-	14,099
Fee and commission expenses	-	-	-	-	-	(9,281)	-	(9,281)
NET FEE AND COMMISSION INCOME	**-**	**-**	**-**	**-**	**-**	**4,818**	**-**	**4,818**
DIVIDEND INCOME	**-**	**-**	**22**	**-**	**-**	**845**	**-**	**867**
Gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	5,376	(123)	-	-	-	5,253
Gains on financial assets and liabilities held for trading, net	4,800	-	-	-	-	-	-	4,800
Gains on non-trading financial assets mandatorily at fair value through profit or loss	-	993	-	-	-	-	-	993
Gains from hedge accounting, net	-	-	-	-	(2,652)	-	-	(2,652)
Gains on derecognition of non-financial assets	-	-	-	-	-	-	1,567	1,567
Other operating income	-	-	-	-	-	-	10,508	10,508
Other operating expense	-	-	-	-	-	-	(424)	(424)
OPERATING INCOME	**5,408**	**993**	**7,298**	**257**	**(3,323)**	**5,624**	**11,651**	**27,908**

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	(-) Repurchased 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

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 31 December 2020:

31 December 2020	Share capital	Unpaid capital which has been called up	Capital reserve	General reserve	Retained earnings and other reserves	Revaluation reserves	Tied-up reserve	(-) Repurchased treasury shares	Profit for the year	Total equity
Components of Shareholder's equity in accordance with IFRS adopted by EU	***3,390***	***-***	***3,479***	***0***	***23,808***	***0***	***0***	***(2,539)***	***3,533***	***31,671***
Unused portion of reserve for developments	-	-	-	-	-	-	-	-	-	-
Other capital reserve	-	-	8	-	(8)	-	-	-	-	-
Accumulated other comprehensive income	-	-	-	-	1,639	(1,639)	-	-	-	-
Repurchased treasury shares	-	-	-	-	(2,539)	-	2,539	-	-	-
General reserve	-	-	-	5,267	(5,267)	-	-	-	-	-
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	***3,390***	***-***	***3,487***	***5,267***	***17 633***	***(1,639)***	***2,539***	***(2,539)***	***3,533***	***31,671***

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 2021	31 December 2020
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 2021	31 December 2020
Retained earnings and other reserves	27,582	23,808
Unused portion of reserve for developments	-	-
Other capital reserve	-	(8)
Accumulated other comprehensive income	1,398	1,639
Repurchased treasury shares	(2,539)	(2,539)
General reserve	(5,536)	(5,267)
Net profit for the year	2,608	3,533
Untied retained earnings available for the payment of dividends	**23,513**	**21,166**

All figures in tables are in HUF million except otherwise noted

34. POST BALANCE SHEET EVENTS

Issued Bond by Hungarian Bankholding Ltd.
Based on paragraph 20/H (1) – effective from October 29, 2021 – of Act 135 of 2013 on the modification of the integration of cooperative credit institutions and select economic legislation the Integration Organization – in order to meet the goals of the integration of credit institutions – is obliged to invest its assets until January 31, 2022 into bonds, to be issued by the financial holding parent company, i.e. the Hungarian Bankholding Ltd. (which has supervisory control influence over the Integration Organization) for 20-year maturity, paying a coupon that matches the average YTM of applicable government bonds as published on the website of AKK Ltd. (State Debt Management Centre) provided that Hungarian Bankholding Ltd. is obliged to issue these bonds at a value, which is set in the inquiry of the Integration Organization according to legal provisions.
In its resolution made on January 20, 2022 the general meeting of Hungarian Bankholding Ltd. ordered to the bond issuance. Based on the resolution of the general meeting the MBH 2042/A bond series (ISIN: HU0000361282) was issued and subscribed by the Integration Organization within the statutory deadline. Hence, as of January 31, 2022 the Integration Organization's securities account was credited by 3,794 pieces of MBH 2042/A bonds bearing a face value of HUF 50 million each, while the account of Hungarian Bankholding Ltd., the issuer, was credited by HUF 188,220.34 million as the value of the bonds sold at the 99.22% subscription price.

Russian / Ukrainian conflict
After the closing of Q4 2021, the Russia conflict of -Ukraine meant an important change in the economic environment in late February 2022. Geopolitical conflicts contribute to the uncertainty of growth prospects. The favourable economic outlook had already given way to gloomier growth prospects and rising inflationary pressures, and these trends have been exacerbated by the war. The conflict, and the sanctions imposed upon Russia and Belarus, in response to it, are affecting strategically important industries, which have increased demand-supply frictions that have been going on for months. The process is leading to the persistence of intense inflationary pressures, with shortages of raw materials and price pressures on a wider range of products than before.

Central banks have responded to high inflation (inflation in the euro area rose 5.8% in February after 5.1% in January. Domestic price pressures rose to 8.3% in February from 7.9% in January). The European Central Bank (ECB) kept its policy rates unchanged in March. At the same time, the ECB accelerated tapering of its traditional asset purchase program (APP), which could end as early as June 2022, with interest rate hikes not likely to be earlier than June 2022.
In response to developments since the end of February, Hungarian National Bank (MNB) raised the upper level of the interest rate corridor by 100 basis points to 6.4% on 8th March, while the base rate and the interest rate on the O/N (overnight) deposit remained unchanged. MNB announced its one-week deposit tender at 5.85% on 10th March, which represents an effective interest rate increase of 50 basis points compared to the previous week (MNB raised the interest rate on one-week deposits by 75 basis points to 5.35% on 3rd March). High inflation could dampen strong economic growth this year for both the domestic and European economies.

The Ukrainian-Russian war has not caused any significant direct economic loss for the Bank, nor for the other members of Hungarian Bankholding. Both the Bank's capital and liquidity position are stable, and it has sufficient reserves. There is at this time no known material direct banking risk in either the retail or the corporate customer portfolios. Interbank money market limits towards

the countries concerned were immediately closed (there was no exposure). The hedge monitoring of customer positions has been confirmed (there is no customer positions below the hedging limit). None of the members of the Bankholding had any material open FX positions and recent volatile movements in FX rates did not result in any significant direct losses.
The Strategic Analysis Centre of Hungarian Bankholding continuously monitors and analyses the relevant changes in the money and capital markets. The price volatility of the Hungarian forint has increased in line with regional currencies. Despite this, the Bank has not observed any significant retail demand for foreign currency exchange or foreign exchange compared to normal business. Any changes in asset prices (including financial assets and properties held as collateral) are also a focus of the monitoring.
All members of Bankholding comply with EU and US sanctions bans lists, including the requirements for exclusion of several commercial banks in Russia and Belarus from the SWIFT system. This increases the likelihood for more difficult trade and money transfer relationship for Hungarian companies involved in Russian or Belarus relations.

In connection with the Ukrainian-Russian war, the Bank continues to monitor for clients who may be directly or indirectly affected, and their follow-up is carried out by members of the Bankholding based on the Hungarian Bankholding guidelines. The risks associated with each customer are ranked according to their severity based upon the nature of the exposure, the related country, the member of Bankholding exposures and other available information.

There is no direct corporate and retail loan portfolio in the case of MTB Bank of Hungarian Saving Cooperatives Co. Ltd.. Thus, in the context of the Bank the above effect can be discussed through the development of the value of the shares, which is an indirect effect, the extent of which cannot yet be estimated in the first quarter of 2022.

Events following the balance sheet date related to Takarékbank Zrt. as a significant subsidiary
The Board of Directors of MTB made a decision on 31 March 2022, as the result of which Takarékbank Ltd. sold its shares to MKB Bank Plc. as a result.
Furthermore, on 28 March 2022, MKB Bank Plc. undertook to implement the capital increase in Takarékbank Zrt., a transaction that was realized on 1 April 2022 with a total issuance value of HUF 100 billion.
Following the decision of the General Meeting of Takarékbank Zrt. on 25 March 2022, Takarékbank Ltd. left the Central Organization of Integrated Credit Institutions on 1 April 2022, fulfilling the necessary conditions.
Magyar Bankholding Ltd., acting in its role as group manager, has given the authority to make decisions related to Takarékbank Ltd.
According to the above steps, MKB Bank Plc. became the majority owner of Takarékbank Ltd. in April 2022. The individual regulatory capital adequacy of Takarékbank Ltd. will also be achieved in the light of the above transactions.