M B H B a n k Plc.

10 011 922 641 911 401
statistic code

Separate Financial Statements

Prepared under
International Financial Reporting Standards
as adopted by the EU

Budapest, 03 April 2024

31 December 2023

Data in HUF million except stated otherwise

Separate Statement of Financial Position

	Note	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	**7**	**1 305 409**	**1 081 158**
Financial assets measured at fair value through profit or loss		**720 727**	**476 909**
Loans and advances to customers mandatorily at fair value through profit or loss	**11**	*490 802*	*182 875*
Securities held for trading	**10**	*1 017*	*8 434*
Securities mandatorily at fair value through profit or loss	**10**	*37 736*	*18 017*
Derivative financial assets	**9**	*191 172*	*267 583*
Hedging derivative assets	**9**	**73 012**	**142 874**
Financial assets measured at fair value through other comprehensive income		**906 612**	**428 520**
Securities	**10**	*906 612*	*428 520*
Financial assets measured at amortised cost		**7 578 461**	**4 823 478**
Loans and advances to banks	**8**	*456 886*	*448 627*
Loans and advances to customers	**11**	*4 272 323*	*2 565 343*
Repurchase assets	**8, 11**	*34 533*	*9 080*
Securities	**10**	*2 655 843*	*1 772 915*
Other financial assets	**12**	*158 876*	*27 513*
Fair value change of hedged items in portfolio hedge of interest rate risk	**9**	**3 159**	**(51 678)**
Investments in subsidiaries and associates	**13**	**262 074**	**424 367**
Property, plant and equipment	**14**	**45 428**	**37 725**
Intangible assets	**14**	**47 173**	**44 206**
Income tax assets		**12 238**	**17 668**
Current income tax assets	**23**	-	*49*
Deferred income tax assets	**23**	*12 238*	*17 619*
Other assets	**12**	**54 328**	**43 551**
Total assets		**11 008 621**	**7 468 778**
Liabilities			
Financial liabilities measured at fair value through profit or loss		**141 377**	**196 728**
Derivative financial liabilities	**9**	*119 620*	*188 493*
Financial liabilities from short positions	**9**	*21 757*	*8 235*
Financial liabilities measured at amortised cost		**9 763 018**	**6 417 607**
Amounts due to banks	**15**	*2 324 268*	*1 965 931*
Amounts due to customers	**16**	*6 850 774*	*4 207 025*
Repurchase liabilities	**15, 16**	*68 752*	*73 429*
Issued debt securities	**19**	*254 068*	*12 906*
Subordinated debt	**20**	*113 679*	*88 887*
Other financial liabilities	**17**	*151 477*	*69 429*
Hedging derivative liabilities	**9**	**17 018**	**158**
Provisions	**18**	**30 794**	**13 977**
Income tax liabilities		**9 344**	**5 496**
Current income tax liabilities	**32**	*9 344*	*5 496*
Other liabilities	**18**	**66 438**	**41 800**
Total liabilities		**10 027 989**	**6 675 766**
Equity			
Share capital	**21**	**322 530**	**321 699**
Share premium	**22**	**348 894**	**313 947**
Retained earnings	**22**	**118 820**	**84 155**
Other reserve	**22**	**51 066**	**32 552**
Profit for the year		**118 316**	**64 637**
Accumulated other comprehensive income		**21 006**	**(23 978)**
Total equity		**980 632**	**793 012**
Total liabilities and equity		**11 008 621**	**7 468 778**

Budapest, 03 April 2024

Dr. Zsolt Barna
Chairman and CEO

Péter Krizsanovich
Deputy CEO for Strategy and Finance

Separate Statement of Profit or Loss and Other Comprehensive Income

	Note	2023	2022
Interest and similar to interest income		**1 108 219**	**497 677**
Interest income using effective interest rate method	24	*751 186*	*336 591*
Other interest income	24	*357 033*	*161 086*
Interest and similar to interest expense		**(673 563)**	**(282 000)**
Interest expense using effective interest rate method	25	*(441 296)*	*(153 317)*
Other interest expenses	25	*(232 267)*	*(128 683)*
Net interest income		**434 656**	**215 677**
Income from fees and comissions	26	**136 192**	**77 431**
Expense from fees and comissions	26	**(32 199)**	**(18 955)**
Net fees and commissions income		**103 993**	**58 476**
Results from financial instruments	27	**(5 010)**	**33 752**
Results from financial instruments measured at fair value through profit or loss, net		*(41 976)*	*97 845*
Results from financial instruments measured at fair value through other comprehensive income, net		*2 349*	*(36 106)*
Results from financial instruments measured at amortized cost, net		*(1 760)*	*1 412*
Results from hedge accounting, net		*(4 436)*	*9 479*
Exchange differences result		*40 813*	*(38 878)*
(Impairment) / Reversal on financial and non-financial instruments	28	**(71 442)**	**(56 974)**
Expected credit (loss) on financial instruments held for credit risk management		*(54 587)*	*(34 707)*
Provision (loss) / gain		*(1 122)*	*(1 891)*
Modification (loss) / gain on financial instruments		*(13 919)*	*(10 607)*
(Impairment) / Reversal on investments in subsidiaries and associates		*(1 716)*	*(9 527)*
(Impairment) / Reversal on other financial and non financial instruments		*(98)*	*(242)*
Dividend income	29	**6 086**	**4 023**
Operating expense	30	**(331 548)**	**(190 307)**
Other income	31	**18 068**	**6 311**
Other expense	31	**(12 940)**	**(6 828)**
Profit before taxation		**141 863**	**64 130**
Income tax income / (expense)	32	**(23 547)**	**507**
PROFIT FOR THE YEAR		**118 316**	**64 637**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Hedging instruments (unmarked items)		(211)	-
Revaluation on financial assets measured at fair value through other comprehensive income		56 431	4 025
Income tax relating to items that will be reclassfied		(4 937)	(332)
Other comprehensive income for the year net of tax		**51 283**	**3 693**
TOTAL COMPREHENSIVE INCOME		**169 599**	**68 330**
Profit / (Loss) attributable to:			
Profit / (loss) for the period from continuing operation		**118 316**	**64 637**
Total comprehensive income attributable to:			
Total comprehensive income from continuing operation		**169 599**	**68 330**
Net income available to ordinary shareholders		**118 316**	**64 637**
Average number of ordinary shares outstanding (thousands)		**322 257**	**259 782**
Earnings per Ordinary Share (in HUF)	34		
Basic, Diluted		**367**	**249**

Data in HUF million except stated otherwise

Separate Statement of Changes in Equity

	Note	Share capital	Share premium	Retained earnings	Other reserve	Accumulated other comprehensive income	Total equity
At 1 January 2022		**100 000**	**21 729**	**123 681**	**17 040**	**(23 569)**	**238 881**
Profit for the year		-	-	64 637	-	-	64 637
Other comprehensive income for the year		-	-	-	-	3 693	3 693
Total comprehensive income		**-**	**-**	**64 637**	**-**	**3 693**	**68 330**
Issue of share capital and share premium		85 982	122 239	-	-	-	208 221
Dividend		-	-	(4 300)	-	-	(4 300)
General reserve for the year		-	-	(6 463)	6 463	-	-
Increase / decrease due to the merger		135 717	169 979	(28 763)	9 049	(4 102)	281 880
At 31 December 2022		**321 699**	**313 947**	**148 792**	**32 552**	**(23 978)**	**793 012**
Profit for the year				118 316			118 316
Other comprehensive income for the year						51 283	51 283
Total comprehensive income		**-**	**-**	**118 316**	**-**	**51 283**	**169 599**
Dividend				(25 092)			(25 092)
General reserve for the year				(11 832)	11 832		-
Increase / decrease due to the merger	**5**	831	34 947	6 952	6 682	(6 299)	43 113
At 31 December 2023		**322 530**	**348 894**	**237 136**	**51 066**	**21 006**	**980 632**

The Bank's management is expected to propose a HUF 25 billion dividend payment from the 2023 result.

Data in HUF million except stated otherwise

Separate Statement of Cash Flows

	Note	01.01.2023 - 12.31.2023	01.01.2022 - 12.31. 2022 Reclassified*
Cash flows from operating activities			
Profit/ (Loss) before taxation		**141 863**	**64 130**
Adjustments for			
Depreciation, amortisation and impairment	**14, 33**	25 194	16 455
Expected credit loss / (reversal) on financial instruments held for credit risk management	**9,11**	55 146	33 165
Impairment on securities, associates and other investments	**10**	1 020	11 045
Impairment / (Reversal of impairment) on other assets	**12**	(2)	244
(Reversal of provisions for) / Recognise provisions on other items	**18**	1 122	1 460
Revaluation of loans and advances to customers mandatorily at fair value through profit or loss	**27**	(48 510)	10 120
Revaluation of securities	**27**	(4 971)	6 855
Revaluation of issued securities	**27**	(1 799)	-
Other valuation differences	**27**	(6 378)	14 311
Non-cash adjustment on securities	**10**	-	
Net interest income	**24,25**	(434 656)	(215 678)
Dividends from shares and other non-fixed income securities	**29**	(6 086)	(4 023)
Foreign Exchange movement	**27**	(6 462)	(16 974)
Adjusted profit / (loss) before taxation:		**(284 519)**	**(78 890)**
Change in loans and advances to banks	**8**	254 457	(209 074)
Change in loans and advances to customers	**11, 35, 36, 38**	(230 221)	(385 296)
Change in securities	**10**	(238 353)	366 970
Change in derivative assets	**9**	119 464	(244 711)
Change in other assets	**12**	(14 361)	(19 764)
Change in amounts due to banks (short term)	**15**	(353 446)	617 885
Change in current and deposit accounts	**16**	438 688	521 192
Change in other liabilities	**18**	(23 082)	(66 811)
Change in derivative liabilities	**9**	(43 756)	122 687
Interest received	**24**	1 015 649	461 910
Interest paid	**25**	(699 223)	(268 655)
Dividends received	**29**	6 086	4 023
Income tax	**32**	(15 096)	(6 126)
Net change in assets and liabilities of operating activities		**216 806**	**894 230**
Net cash (used in)/ generated by operating activities		**(67 713)**	**815 340**
Cash flow from investing activities			
Increase of investment of group companies	**13**	(53 517)	(278 601)
Disposals of group companies	**13**	384	44
Change in cash due to business combinations	**7**	440 747	293 820
Purchase of PPEs and intangible assets	**14,33**	(24 720)	(17 372)
Disposals of PPEs and intangible assets	**14,33**	273	88
Purchase of securities measured at amortised cost	**10**	(558 973)	(863 056)
Disposals of securities measured at amortised cost	**10**	158 328	43 791
Net cash (used in) / generated by investing activities		**(37 478)**	**(821 286)**
Cash flow from financing activities			
Increase in issued securities	**19**	240 408	12 028
Decrease in issued securities	**19**	(43)	(1 317)
Increase in subordinated liabilities	**20**	24 750	-
Cash outflows due to leases	**33**	(9 956)	(7 848)
Change in amounts due to banks (long-term)	**15**	92 914	(3 825)
Issue of new shares and income from share premium		-	208 221
Dividends paid	**21**	(25 093)	(4 300)
Net cash (used in)/ generated by financing activities		**322 980**	**202 959**
Net increase / (decrease) of cash and cash-equivalents		**217 789**	**197 013**
Cash and cash equivalents at 1 January		**1 081 158**	**866 957**
FX change on cash and cash equivalents	**7**	6 462	17 188
Net cash-flow of cash and cash equivalents	**7**	217 789	197 013
Cash and cash equivalents at the end of period		**1 305 409**	**1 081 158**

Notes to the Separate Financial Statements

(from page 8 to 114)

1. GENERAL INFORMATION

These separate financial statements for the year ended 31 December 2023 were approved by the MBH Bank Plc's (before the name change: MKB Bank Plc., hereinafter: "MKB" or "MKB Bank", after the name change: "MBH" or "MBH Bank" or "Bank")'s Board of Directors on 3 April 2024.

The Separate Financial Statements are available at:
https://www.mbhbank.hu/befektetoi/befektetoknek/mkb-bankrol/penzugyi-jelentesek

MBH Bank Nyrt. prepares its Consolidated Financial Statements under IFRS, that is published and available at:
https://www.mbhbank.hu/befektetoi/befektetoknek/mkb-bankrol/penzugyi-jelentesek

MBH Bank is a commercial bank registered in Hungary, and operating under the effective laws of Hungary, particularly under Act CCXXXVII of 2013 on credit institutions and financial enterprises. The headquarters of the Bank is at 38 Váci utca Budapest Hungary 1056.

From 30 May 2019 MKB pursues its activity as a public limited company, the shares of MKB Bank were added to the product list of the Budapest Stock Exchange (hereinafter: BSE), by which the shares of MKB were listed on the BSE. On 30 May 2019 the type of operation of the Bank changed and as of that date it functions as a public limited company. The company name changed to MKB Bank Plc, effective from 30 May 2019. The change of form of operation and the related name change were registered by the court of registration on 30 May 2019. The first trading day of the ordinary shares of MKB Bank listed on the BSE was 17 June 2019 in the Standard category of the equity section of BSE.

On 30 October 2020, the Bank sold all of its shares representing 33.33% ownership in Magyar Bankholding Ltd. (hereinafter: "Magyar Bankholding") to its shareholders.

Magyar Bankholding commenced its effective operation as a financial holding company on 15 December 2020, after the bank shares of the key owners of Budapest Bank Zrt. (hereinafter: Budapest Bank), MKB Bank and MTB Ltd. (hereinafter: MTB) were transferred to the joint holding company in possession of the approval of National Bank of Hungary (hereinafter: NBH). The owners transferred their shares to Magyar Bankholding Ltd., thereby establishing the second largest banking group in Hungary, with the Hungarian State owning 30.35% of the shares through Corvinus Nemzetközi Befektetési Ltd., the former direct owners of MKB acquiring 31.96% of the shares and the former direct owners of MTB acquiring 37.69% of the shares. All required approvals have been obtained for these changes.

On 15 December 2021, the supreme bodies of MKB Bank, Budapest Bank and Magyar Takarék Bankholding Ltd., which owns MTB, approved the first step of the merger timetable of Budapest Bank, MKB Bank and Magyar Takarék Bankholding Ltd. In accordance with the merger schedule, based on the relevant decisions of the supreme bodies and in possession of the necessary regulatory approvals, the merger of the two member banks of Magyar Bankholding, Budapest Bank and MKB Bank, and Magyar Takarék Bankholding was completed on 31 March 2022. From 1 April 2022, the merged credit institution continued to operate temporarily under the name of MKB Bank Plc.

Data in HUF million except stated otherwise

On 9 December 2022, the supreme bodies of MKB Bank and Takarékbank Ltd. adopted the proposals for the merger of the two member banks as part of the implementation of the second step of the merger schedule of Magyar Bankholding. According to the decisions of the General Meetings, the two member banks of the banking group, MKB Bank Plc. and Takarékbank Ltd., merged on 30 April 2023, and then continued their operations under the name MBH Bank, with a single brand name and image. With the triple merger led by Magyar Bankholding, Hungary's second largest universal major bank was established through the integration of Budapest Bank, MKB Bank and Takarékbank.

The merger did not imply any change in the ownership structure of the banking group, the dominant shareholder of the banks involved in the merger process remained Magyar Bankholding Ltd.

The shareholder structure of MBH Bank

On 9 December 2022, the General Meeting of MKB Bank decided by way of General Meeting Resolution No. 57/2022 (9 December 2022) about the merger of Takarékbank into MKB Bank, and it decided by way of General Meeting Resolution No. 63/2022 (9 December) on the capital structure of the successor MBH Bank Plc, the proportion of the planned registered capital for it's shareholders and the quota of equity belongings to those owners who do not wish to participate in MBH Bank as a legal successor company.

The General Meeting determined that the registered capital of MBH Bank as receiving company shall increase to HUF 322,529,625,000 (31 December 2022: HUF 321,698,958,000). The 830,667 pieces of shares, with a nominal value of HUF 1,000.00 each newly issued within the framework of the merger have been originated by KELER, registered in the share register of the Bank and listed to the "Standard" category of BSE as of 1 August 2023. Since the holders of the new shares issued as a result of the merger were the shareholders of Takarékbank as the merging company, the shareholding and voting rights of Magyar Bankholding in MBH Bank decreased from 99.12% to 98.87% as a result of the merger and the shareholding and voting rights of other shareholders of the Bank increased proportionately from 0.88% to 1.13%.

The Bank's share capital consists entirely of Series "A" ordinary shares, each of which carries the same rights.

The shareholder structure of MBH Bank is the following as of 31 December 2023:

1.1

Holders	Number of shares	Total nominal value of shares (HUF)	Ownership share (%)
Magyar Bankholding Zrt.	318 883 966	318 883 966 000	98.87%
Free float ratio	3 645 659	3 645 659 000	1.13%
Total	**322 529 625**	**322 529 625 000**	**100%**

Data in HUF million except stated otherwise

There were no changes changes in the direct ownership structure of Magyar Bankholding during the current period ended at 31 December 2023, as follows:

1.2

The shareholders of Magyar Bankholding Ltd.	Ownership share (%)
Corvinus Nemzetközi Befektetési Zrt.	30.35%
Magyar Takarék Befektetési és Vagyongazdálkodási Zrt.	25.13%
Magyar Takarék Holding Zrt.	12.56%
METIS Magántőkealap	11.51%
Blue Robin Investments S.C.A.	10.82%
RKOFIN Befektetési és Vagyonkezelő Kft.	4.48%
GLOBAL ALFA Magántőkealap*	3.29%
Pantherinae Pénzügyi Zrt.	1.02%
OPUS FINANCE Future Zrt.	0.84%
Total	**100%**

* EIRENE Magántőkealap merged to GLOBAL ALFA Magántőkealap.

There is no single entity that is ultimate controlling party among the shareholders of Magyar Bankholding Ltd.

Chairman of the Board of Directors:

- Dr. Zsolt Barna

Chairman of the Supervisory Board:

- Dr. Andor Nagy

Members of the Board of Directors:

- Levente László Szabó
- Marcell Tamás Takács
- István Sárváry
- Andrea Mager
- Dr. Balázs Vinnai
- Ádám Egerszegi

2. Compliance with International Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter: “IFRSs”).

These financial statements are presented in Hungarian Forint (“HUF”), rounded to the nearest million, except if indicated otherwise. The financial statements are authorised for issue by the Board of Directors on 03, April 2024.

3. Basis of measurement

The separate financial statements have been prepared based on going concern assumption. The management neither intends to liquidate the Bank nor to cease trading. The management is not aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Bank's ability to continue as a going concern. The Bank has a history of profitable operations and ready access to financial resources.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 35.

4. Material accounting policy information

Accounting policies are the specific principles, bases, conventions, rules and practices adopted by the Bank in preparing and presenting the separate financial statements. The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements.

a) Financial statement presentation

These separate financial statements include the accounts of MBH Bank Plc. The presentation and functional currency of the Bank was determined as Hungarian Forint ("HUF").

b) Investments in subsidiaries, jointly controlled entities and associates

Subsidiaries are entities controlled by the Bank.
Investments in subsidiaries, jointly controlled entities and associates are measured at cost or in accordance with IFRS 9 by the Bank.

Those investments that are measured in accordance with IFRS 9 (at FV). are presented among "Financial assets measured at fair value through profit or loss".

c) Intangible assets

Intangible assets that have a finite useful life are measured initially at costs and subsequently carried at costs less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over their estimated useful lives from the date when the asset is available for use, applying the straight line method.

The following depreciation rates are applied by the Bank for the intangible assets:

Softwares	5% - 50%
Rights	3.5% - 25%

Data in HUF million except stated otherwise

Intangible assets that have an indefinite useful life, or are not ready for use, are tested for impairment annually.

Expenditure on internally developed intangible asset (software) is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliable measure the costs to complete the development.

d) Property, plant and equipment

Items of property, plant and equipment including – investment properties are measured initially at cost, including transaction cost, then subsequently cost less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment are included in the "Operating expense" line in the consolidated statement of profit or loss and other comprehensive income.

The Bank applies the following linear depreciation rates for the depreciation cost calculation:

Property	0% - 14%
Land	0%
Building, other facility	2%
Image items	14%
IT networks	12%
Reconstruction of property	6% - 14,7%
Office equipment	9% - 33%
IT devices	33% - 50%
Vehicles	10% - 33%
Other equipments	7% - 50%

Net gains and losses on disposal of property and equipment are recognised in "Other income" or "Other expense", in the year of disposal.

e) Cash and cash equivalents

Cash and cash equivalents include highly liquid financial assets with original maturities of less than three months, with an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term obligations.

f) Initial recognition and measurement of financial instruments

Financial assets are recognised by the Bank on settlement date. All financial instruments are measured at fair value at initial recognition. Trade receivables, if they do not contain a significant financing component, are recognised at transaction price by the Group.

The Bank's financial assets are measured at amortised cost if it is consistent with the business model and meet the criteria of the SPPI test.
Interest income and interest expense should be determined using the effective interest rate method and then recognised in the Profit and Loss statement.

Simplified approach for contract assets and lease receivables

In those cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Bank uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

In case of future cash flows of financial instruments that cannot be estimated reliably due to the specific features of the product, furthermore the contractual cash flows are not available, the effective interest rate of the instrument cannot be determined.

When interests, commissions and other items arise related to such transactions these are accounted through profit and loss for using a simplified method (i.e. the effective interest rate is the same as the nominal interest rate).

g) Classification and subsequent measurement of financial instruments

Based on the principles of IFRS 9 standard the Bank applies the following three main categories to classify and measure the financial assets: amortised cost (AC), fair value through other comprehensive income (FVTOCI) and fair value through Profit and Loss (FVTPL).

The Bank uses multiple business models to manage its financial instruments.

The following business model categories have been developed in accordance with IFRS 9 standard:

- Held to Collect (HTC): an instrument is held for the collection of contractual cash flows. The intention is to hold to maturity, however sale is permitted especially in case of increase in credit risk, not significant sales (even if frequent), infrequent sales (even if significant) – regardless of the reason behind the sales. Sales could be also consistent with the business model if the credit concentration risks change or if close to maturity.
- Both Held to Collect and for Sale (HTCS): an instrument that is held for the collection of contractual cash flows and for the sale of financial assets at the same time. Compared to the HTC, sales occur more frequently and are higher in value.
- Other trading business model (TRADING): mainly trading financial instruments that are purchased for short-term gain.

The listing in the business model reflects the expectations of the Bank, not just the intent, but also the ability. The classification is not based on scenarios that are not reasonably expected (‘worst case’ or ‘stress case’ scenario). If the Bank sells a particular portfolio or financial asset in a ‘stress case’ scenario, it does not affect the evaluation of the business model. Classification not only depends on the business model but also on the cash flow related characteristics associated with the financial instrument.

By Cash Flow Test the Bank examines whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement. However, contractual terms that introduce exposure to risks or vitality in the contractual cash flows that are unrelated to a basic lending agreement, such as leverage or other mismatch in interest rate, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. An originated or a purchased financial asset can be a basic lending agreement irrespective of whether it is a loan in its legal form.

For selected financial instruments the Bank makes an irrevocable election to measure the investments in equity instruments, which are not held for trading at “fair value through other comprehensive income” category at initial recognition, in other case these financial assets should be measured at fair value through profit or loss.

All other financial assets are classified by the Bank as the fair value through profit or loss category.

h) Classification and subsequent measurement of financial liabilities

The Bank classifies its financial liabilities into the following categories:

- mandatory FVTPL measurement (FVTPL category) if liabilities are held for trading,
- FVTPL option – based on the decision of the Bankat initial recognition (if qualifying criteria are met),
- at amortised cost – in case of all other financial liabilities.

i) Fair value option (FVO)

The Bank does not currently apply fair value option in the presented financial statements.

j) Determination and recognition of expected credit loss

When classifying the Group's exposures, the customer's / partner's ability to pay is taken into account as the primary cover for the exposure. Except for those transactions that are covered by collateral which is independent of the financial and legal situation of the customer / partner and the recovery of the loan is fully guaranteed.
The Bank assigns exposures at each reporting period – in this case monthly – during which the exposures are allocated to the segments and to the so-called 'stages' (stage 1, stage 2, stage 3 and / or POCI) in accordance with the principles of IFRS 9.

The Bank assesses at each reporting date whether the credit risk of the financial asset has increased significantly since the initial recognition.

The Bank determines the significant increase in credit risk based on the examination of the following four conditions:

- changes in the clients' rating after the issuance,
- PD change in the master scale compared to the initial value,
- delay in payment (30 days),
- the amount of the client's exposure classified as Stage 2 exceeds a certain proportion of its gross exposure.

The existence of any of these conditions is assessed by the Bank as a significant increase in the credit risk. There is no evidence of significant increase of credit risk the financial instrument has to be transferred from Stage 2 to Stage 1.

Financial assets whose default risk has increased to such an extent after initial recognition that there is objective evidence of impairment have to be assigned to Stage 3 and loss allowance has to be recognised by calculating the lifetime expected credit loss (ECL). Bank defines materiality threshold, exposure that is below that threshold should be considered as a small amount (below the limit). The ECL of those assets which are above the threshold should be estimated individually.

In order to determine the impairment and allowance for classes of clients, the ECL should be calculated according to the relevant principles of IFRS 9 for classes of clients calculated on monthly basis, automatically.

Factors taken into account when determining expected credit loss:
- remaining lifetime,
- exposure at default (EaD),
- loss given default (LGD),
- probability of default (PD),
- credit conversion-factor (CCF),
- effective interest rate (EIR)

The amount of impairment and allowance equals to the amount of expected credit loss.

In Stage 1 the expected credit loss is equal to 12-monthECL.

In Stage 2 and Stage 3 the expected credit loss is equal to the lifetime ECL.

The applied risk parameters are determined on the basis of statistical models for homogeneous groups. The models are validated at least once a year, and if necessary they will be revised.

The Bank calculates lifetime ECL, except for the following financial instruments for which the loss is calculated for 12 months:
- financial instruments except for lease receivables and trade receivables, which credit risk do not significantly increased compared to initial recognition.

The Bank does not use the low credit risk assumption.

For trade and lease receivables the Bank always calculates lifetime expected credit loss.

Expected credit losses are probability-weighted estimates of credit losses during the life expectancy of a financial asset. These are assessed by the Bank as follows:
- financial assets not impaired at the reporting date: discounted loss on cash flow (difference between the contractual cash flows and the expected cash flows),
- financial assets impaired at the reporting date: difference between the gross carrying amount and the estimated present value of the expected outstanding amount,
- undrawn loan commitments: present value of the difference between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down the loan and the cash flows that the entity expects to receive if the loan is drawn down,
- financial guarantee contracts: expected payments to the holder, reduced by the amounts that are expected to be recovered.

The Bank recognises gain or loss for the expected credit loss on the following financial instruments not measured at fair value through profit or loss:
- debt instruments,
- lease receivables,
- accounts receivables,
- financial guarantees, and
- loan commitments.

The expected credit loss should be recognised by the Bank as the following:
- deducted amount from the gross carrying value (impairment) – in case of financial assets measured at amortised cost,
- provision – in case of financial guarantees and loan commitments, if the financial instrument includes both a loan and an undrawn components and the Bank is unable to distinguish the expected credit loss calculated for the loan and for the undrawn components, the Bank will therefore determine the impairment loss on the two components together. To the extent that the combined expected credit losses exceed the

gross carrying amount of the financial asset, the expected credit losses should be recognised as a provision,

- in case of financial assets measured at fair value through other comprehensive income (FVTOCI), the impairment loss is not recognised in the carrying value of the financial instruments as part of the assets' fair value. The recognised impairment modifies the cumulative other comprehensive income and the statement of profit or loss.

For purchased or originated credit-impaired financial assets at the reporting date the Bank recognises the accumulated changes in the lifetime expected credit loss since the initial recognition.

The Bank assesses provision for loan commitments (i.e. contracted but undrawn loan commitments, issued financial guarantees, letter of credits) as follows:

- in the case of clients / debtors subject to individual valuation, the Bank determines the amount of provision individually,
- in other case the Bank calculates provision based on the EAD corrected by CCF.

For transactions accounted as commitments showing loss on the reporting date, the calculated provision is based on the negative difference between the expected drawn amount and the gross carrying amount.

Impairment and provision are based on the amount of loss calculated as above.

k) Determination of fair value

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received). In certain circumstances, however, the initial fair value will be based on other observable current market transactions in the same instrument, or on a valuation technique whose variables include only data from observable markets, such as interest rate yield curves, option volatilities and currency rates. When such evidence exists, the Bank recognises a trading gain or loss on inception of the financial instrument. (see note 12.)

When unavailable market data have a significant impact on the valuation of financial instruments, the entire initial difference in fair value indicated by the valuation model from the transaction price is not recognised immediately in the statement of profit or loss and other comprehensive income but is recognised over the life of the transaction on an appropriate basis, or when the inputs become observable, or the transaction matures or is closed out, or when the Bank enters into an offsetting transaction.
Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. (for further information related to fair value measurement of financial instruments please see Note 11)
For further informations related to Funding for Growth Scheme (FGS) please see Note 12.

l) Derecognition of financial assets

The Bank derecognises a financial asset in case of transfer in accordance with the IFRS 9 standard.

When the Bank transfers a financial asset, based on IFRS 9, it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset

The transfer of risks and rewards is evaluated by comparing the Bank's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. The computation and comparison are made using the current market interest rate as a discount rate. All reasonably possible variability in net cash flows is considered, with greater weight being given to those outcomes that are more likely to occur.

The Bank has retained substantially all the risks and rewards of ownership of a financial asset if its exposure to the variability in the present value of the future net cash flows from the financial asset does not change significantly as a result of the transfer.

Asset transfers holding all or substantially all of the risks and rewards could be for example repo transactions (for repo transactions, the Bank considers whether the risks and rewards incurred in the transaction are substantially transferred or not).

Derecognition due to significant changes in contractual cash flows of financial instruments

The terms are substantially different if under the new terms the present value discounted at the original effective interest rate of the cash flows – including fees received and paid – is at least 10% different from the discounted present value of the remaining cash flows of the original financial asset. If the exchange of debt instruments or the modification of the terms is treated as derecognition, the Bank will recognize any costs or fees incurred as a gain or loss related to the termination of the asset. If the exchange or modification is not accounted for as derecognition, the costs or fees incurred will modify the carrying amount of the asset and will be amortised over the remaining maturity of the modified loan.

For debt instrument assets not measured at FVTPL that are subject to contractual modifications that do not result in derecognition, the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in the Statement of Profit or Loss and Other Comprehensive Income. The modification gain or loss is presented in the line 'Interest and similar to interest income' under 'Interest income using effective interest rate method' if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line 'Impairment/ Reversal on financial and non-financial instruments'. However, to the extent that the contractual modification involves the bank giving up its rights of collecting cash flows in respect of an outstanding amount of the asset, such as waiving (part of) principal or accrued interest amount, it is treated as a write-off.

The Bank considers it a significant change if the contractual currency is modified, or if the contractual interest rate is changed from variable to fix, or inversely.

When this condition is met management may consider the specific characteristics of the financial instrument and make a formal decision to derecognise and recognise. The fulfilment of the condition does not necessarily the result in derecognition of the financial instrument.

Write-off of financial assets under legal proceeding

Loans which are under legal proceeding (bankruptcy, liquidation and final proceedings) and in case of enforcement collateral transactions:

- the Bank's contractual right to receive cash flows from the financial asset does not expire,
- the Bank did not transfer the right of collecting cash flows from the financial asset,
- the Bank did not assume any obligation to pay the cash flows from the financial asset,

therefore the Bank does not derecognize such items entirely from its books, but may partially derecognize them.

When the Bank can reasonably not expect to recover part of the financial asset while maintaining the legal claim it is considered as a partial derecognition. In such cases, the Bank directly derecognises the gross carrying amount of the financial asset.

After the legal waiver of the claim, the Bank may write down the total gross carrying amount of the financial asset if it is not able to be recovered and void according to the relevant internal rules (in this case there is no legal claim).

m) Derecognition of financial liabilities

The Bank derecognise a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished – when the obligation specified in the contract is fulfilled or cancelled or expires.

n) Financial guarantee contracts

After initial recognition, an issuer of such a contract shall subsequently measure it in accordance with the IFRS 9 standard.

There are no significant non-financial guarantee contract that should be measured based on IFRS 17 standard.

o) Financial assets and liabilities held for trading

Treasury bills, debt securities, equity shares are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term. These financial assets or financial liabilities are recognised on trade date, when the Bank enters into contractual arrangements with counterparties to purchase or sell securities, and are normally derecognised when either sold (assets) or extinguished (liabilities). Measurement is initially at fair value, with transaction costs recognised in the statement of profit or loss and other comprehensive income. Subsequently, their fair values are remeasured, and all gains and losses from changes therein should be recognised in the statement of profit or loss and other comprehensive income in “Results from financial instruments” as they arise.

The dividends earned on trading equity instruments are disclosed separately among the “Dividend income” when received. Interest payable on financial liabilities acquired for trading purposes is reported as “Other interest expenses”.

p) Securities measured at FVTOCI

Securities are classified as held to collect and sell if there was a decision made previously about possible disposal in case of the changes in market conditions. By these assets the objective is to achieve both collecting contractual cash flows and selling financial assets. Financial investments are recognised on trade date, when the Bank enters into contractual arrangements with counterparties to purchase securities and are derecognised when either the securities are sold or the borrowers repay their obligations.

The liquid securities are initially measured at fair value modified by direct and incremental transaction costs. Securities measured at FVTOCI are subsequently remeasured at fair value, and changes therein are recognised in the Other comprehensive income. Relating to these assets impairment gains / losses, interest income and foreign exchange differences should be accounted for in statement of profit or loss. When these securities are sold, cumulative gains or losses are recognised in the statement of profit or loss and other comprehensive Income as “Results from financial instruments measured at FVTOCI”.

q) Derivatives

Derivatives are recognised initially, and are subsequently remeasured, at fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis. Interest income on derivatives are recognised in Other interest income/expenses.
Fair value differences related to derivatives are recognised in Results from financial instruments measured at FVTPL.

r) Hedging transactions

The Bank offsets the fluctuating net income effects of the fair value and the cash flow changes of certain financial instruments through hedge transactions and related hedge accounting. Based on the used hedge methodology there are two types of hedge in MBH Bank: macro hedge and micro hedge.

The Bank prepares hedging documentation containing the purpose of the hedge relationship, the ID codes, the terms and conditions of the hedged and hedge transactions, the risk intended to be hedged and the method for measuring hedging efficiency. The Bank assesses hedging efficiency on the day of the creation of the hedge and monthly thereafter, at the end of the month. Assessment methods used: dollar offset and scenario analysis (parallel changing the interest rates of the transactions under the terms and conditions by +/-250 basis points). The Bank regards a hedge relationship as effective if there is an economic relationship between the hedged and the hedge items (interest rates move between the hedging transaction and the underlying transaction in the same way in the opposite directions) and the hedge effectiveness is at a pre fixed required level.

In the statement of profit or loss and other comprehensive income the following lines contain the gains and losses in connection with the hedging instruments (including the ineffective part):

i. Other interest income / expense
ii. Results from hedge accounting (including the changes in the fair value of the hedged instruments)

In the statement of financial position the fair value change of hedging instruments recorded in Hedging Derivative assets/liabilities.

Macro hedge transaction

As allowed per IFRS 9.6.1.3 the Bank applies the hedge accounting requirements in IAS 39 instead of IFRS 9 for the fair value hedge of the interest rate exposure of a portfolio of financial assets. The Bank macro hedges the changes in the fair value of multiple products valued at amortised cost (at present: mortgage, corporate loans, automobile loans and leases with fixed interest) through interest rate swaps (pay fixed receive variable IRS). In each product type, the reference interest rate of the credit products bearing variable interest is the BUBOR, while in the long term the BUBOR also affect the pricing of products bearing fixed interest.

The fair value of the loans included in the hedging is measured by discounting the cash flows of the transactions. For the calculation of this value the Bank uses the average fixed interest rate of the IRSs assigned as hedging instruments. For assessing the loan instalment's maturity the earlier of contractual maturity or the repricing date is used. Upon the valuation at fair value of the instruments included in the hedge relationship, the Bank only considers the impacts attributable to interest risk, while excluding the effect of credit risk of customers.

In accordance with the IAS 39 carve out rules, the Bank measures efficiency both retrospectively and prospectively. For portfolio hedging, there is effectiveness between the hedging and the underlying transactions if, according to the scenario analysis, upon shifting the interest curve in either direction the relative percentage of changes in the fair values of the hedged and hedging transactions falls between 80 and 125%.

The fair value change of the hedged item in portfolio hedge of interest rate risk is recorded in the "Fair Value of Hedged item in portfolio hedge of interest rate risk".

Micro hedge transaction

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risk. These transactions fall under IFRS 9. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.
For the calculation of fair value change of the hedged instruments the Bank uses a so called hypothetical transaction; each parameter of this transaction is identical to that of the original transaction. Upon the valuation at fair value of the instruments included in the hedge relationship, the Bank only considers the impacts attributable to interest rate risk and in certain cases, foreign currency risk, while excluding the effect of credit risk of customers.

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 statement of profit or loss along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk.
Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

The fair value change of hedged item is recorded in the same line in the statement of financial position as the underlying transaction.

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.

The Bank used fair value hedge during the reporting period.

s) Leases

In accordance with the requirements of IFRS 16, the Bank, as lessee, introduces a single model to recognise right-of-use asset and lease liability on balance sheet. In this case, the Bank presents separately the interest expense for the lease liability and the depreciation charge for the right-of-use asset. In some cases (e.g when there is a change in the lease term or in future lease payments arising from a change in an index or rate) the Bank as lessee remeasures the lease liability.

At the commencement date, the Bank assesses whether the lessee is reasonably certain to exercise an option to extend or not to exercise an option to terminate the lease. The Bank considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option.

The Bank recognises the right-of-use asset and the lease liability as at the commencement date of the lease at the cost determined by IFRS 16.
On subsequent measurement, the Bank measures the right-of use assets at cost and recognises depreciation on it from the commencement date to the end of the useful life of the underlying asset.

After the commencement date of the lease term, the Bank depreciates the asset on a straight-line basis.

After the commencement date, the Bank measures the lease liability at amortised cost using the effective interest rate method.

The Bank as the lessor classifies its leasing contracts as finance or operating lease based on requirements of the standard.

Presentation in the financial statements

During the lease term, the Bank recognises lease payments for short-term leases and low value (HUF 1.5 million) leases as an expense in statement of profit or loss and other comprehensive income.

The right-of-use assets are included in “Intangibles, property and equipment” and lease liabilities in “Other financial liabilities” in the statement of profit or loss and other comprehensive income.

After the commencement date the Bank recognises the related costs in Statement of Profit or Loss and Other Comprehensive Income, if these are not recognised as part of the cost of the right-of-use asset. Interest on lease liabilities is included in “Other interest expenses”. The depreciation of a right-of-use asset is recognised as “Operating expense”.

The Bank classifies the right-of-use assets arising from operating leases that are leased or subleased in the statement of financial osition as property, plant and equipment.

t) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Bank’s sources of debt funding.

When the Bank sells a financial asset and simultaneously enters into a “repo” or “stock lending” agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank’s financial statements.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except for the items which at initial recognition are designated by the Bank to fair value through profit or loss category.

u) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingent liabilities defined by IAS 37 are not recognised in the financial statements but are disclosed in the additional notes.

v) Income tax

Income tax comprises current tax and deferred tax.

By accounting treatment for current and future income tax, the Bank recognises the tax consequences of the future recovery / settlement of the carrying amount of assets, liabilities, transactions and other events of the current period that are recognised in the statement of financial position.

From 2022 the Bank classifies the corporate income tax, local business tax and innovation contribution as income tax.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.
Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A Bank recognises deferred tax asset for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are offset when they arise in the same entity and relate to income taxes levied by the same taxation authority, and when a legal right to offset exists in the entity.

Deferred tax relating to fair value re-measurement of financial assets measured at fair value through other comprehensive income, which are charged or credited directly to other comprehensive income.

w) Interest and similar to interest income and expense

Interest income and interest expense are recognised time-proportionately using the effective interest rate method. Interest income and interest expense include the amortization of discount or premium on securities.

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. The Bank has recorded the modification loss of Stage 1 financial assets among the “Interest and similar to interest income”.

Interest income and expenses related to financial instruments are separated by the Bank based on each financial instruments category.
Interest income and interest expenses are accounted for on a gross basis by the Bank.
“Interest income using effective interest rate method" includes interest income on financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income. In addition, "Other interest income" includes interest income on financial assets held for trading, financial assets not held for trading that are required to be measured at fair value through profit or loss (mainly loans), derivatives (interest rates swaps), other assets and financial liabilities.
"Interest expense using effective interest rate method" includes interest expense on financial liabilities measured at amortised cost, while "Other interest expense" includes interest expense on financial liabilities held for trading, financial liabilities designated as at fair value through profit or loss, derivatives, other liabilities and financial receivables.

The Bank applies the simplified approach for financial assets that have no payment schedule (e.g. revolving loans, overdraft, or credit cards), or the short-term financial assets (maximum 12 month maturity), if the effect is not material. According to the simplified approach no fee and commission items (received or paid) are taken into account when calculating the effective interest. These items are recognised as revenue or expense at arisen date.

x) Net income from commissions and fees

“Net income from commission and fees” comprises fee and commission income and expense that are not part of the amortised cost of the financial instruments. The fee and commission that is part of the Effective Interest Rate (hereinafter: EIR) calculation are represented as interest income and expense.

The Bank applies the IFRS 15 standards for the fee and commission incomes that are not part of the EIR calculation based on the IFRS 9 standard.

Fee and commission income, that is not part of the EIR calculation is accounted for as follows:
- income earned on the execution of a significant act is recognised as revenue when the act is completed (for example: the arrangement for the acquisition of shares or other securities) and
- income earned from the provision of services is recognised as revenue as the services are provided (for example: asset management and service fees).

y) Results from financial instruments

“Results from financial instruments” comprises gains less losses related to trading and investment assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences.

z) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

aa) Employee benefits

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 when 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. Deferment of the expected cost of leave appears in the operating expenses.

Long-term employee benefits

The Bank has a defined jubilee benefit plan for all employees of theBank. 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 recognised in social security contribu-tions 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.

Termination benefits

The Bank recognizes termination benefits as a liability and an expense when it has a demonstrable obligation to terminate the employment of an employee or a group of employees before the normal retirement date or to offer termination benefits as an incentive to encourage employees to voluntarily leave the Bank. In case of redundancy, obligation can be recognized when the employee's contract of employment is terminated. In the case of a reorganisation, the group has an unavoidable obligation to pay termination benefits when it has a detailed formal plan and no possibility of withdrawal. The detailed plan includes, as a minimum, the following elements: the job, function and number of employees whose employment will be terminated; the termination benefits for each group; and the date of implementation.

bb) Bank tax, extra profit tax

The Hungarian credit institutions are obliged to pay Bank tax.
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 operating expense in the separate statement of profit or loss because it does not meet the definition of income tax according to IFRS.

According to the Government Decree No. 197/2022. (VI.4.) the credit institutions and financial enterprises are liable to pay extra profit tax. The determination approach of the tax liability for the year 2023 has been amended by the Government Decree No. 206/2023 (V.31.), therefore separated tax-base is to be determined for the period between 1 January, 2023 – 30 June, 2023 and for the period between 1 July, 2023 and 31 December, 2023. The tax-base for the period of 1 January, 2023 – 30 June, 2023 is still the net turnover under the Local Tax Act calculated on the basis of the annual financial statements of the previous tax year, which tax base must be used to calculate the tax liability by using the tax rate (8%) determined by the prior Decree. The tax base for the period of 1 July, 2023 – 31 December, 2023 has been amended from the net turnover to the net profit before tax of the prior tax year. Tax brackets have been introduced for the tax rate. The tax rate is 13% up to HUF 20 billion of the tax base, and 30% above that limit.

The extra profit tax is presented among "Operating expenses", total amount of expenditure for the year is accounted for at the beginning of the year. The Bank presents the whole expense of extra profit tax and bank tax according to IFRIC 21 .

cc) Segment reporting

MBH Bank Plc. does not prepare a separate segment report, the consolidated financial statement contains segment information related to the group.

dd) Foreign currencies

Items included in the financial statements of each of the Bank's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

Transactions in foreign currencies are translated to the respective functional currencies of Bank entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the official exchange rate of the NBH at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

ee) Share capital

Shares are classified as share capital when there is no contractual obligation to deliver cash or other financial assets to the holders. Incremental costs directly attributable to the issue of equity instruments are presented in equity as a deduction from the proceeds, net of tax.

ff) Treasury shares

The cost of the Bank's repurchased equity instruments ('treasury shares') is deducted from equity. Gain or loss is not recognised on the purchase, sale, issue, or cancellation of treasury shares. Treasury shares may be acquired and held by the entity or by other members of the separate Bank. Consideration paid or received is recognised directly in equity.

gg) Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. For further information about basic and diluted EPS, please see Note 34.

hh) Changes in the legal and regulatory environment and its effect on the separate financial statements

During the year, the Group's activities were affected by the following government regulations and other legal regulatory instruments and amendments:

- Government Decrees on the different application of the provisions of CCXXXVII of 2013 on Credit Institutions and Financial Enterprises and certain related legislative provisions;
- the amendment of Government Decree No 197/2022 (4.VI.) on extraprofit taxes Decree No 206/2023 (31.V.) and 317/2023 (17.VII.), changing the relevant regulation of the special tax for Credit Institutions and Financial Enterprises;
- Government Decree 522/2023 (30.XI.) amending Government Decree 782/2021 (24.XII.) on the different application of Act CLXII of 2009 on credit to consumers in emergency situations, extending the “interest rate cap” until 30 June 2024 under unchanged conditions.

Further information in 6. Note Risk management, Credit risk.

ii) The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2023

The following new standards to the existing standards effective for the current reporting period:

- **IFRS 17 "Insurance Contracts"** (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IFRS 17 and an amendment to IFRS 4** (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IFRS 17 “Insurance contracts”** Transition option to insurers applying IFRS 17 – Comparative Information (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 –** Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments resulted in changes in presentation of these separate financial statements, primarily by removing significant accounting policies that do not represent material accounting policy information.
- **Amendments to IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors”** – Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.
- **Amendments to IAS 12 “Income Taxes”** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments specify how to account for deferred tax on transactions such as leases and decommissioning obligations.
- **Amendments to IAS 12 “Income Taxes”** – International Tax Reform – Pillar Two Model Rules (issued on 23 May and effective for annual periods beginning on or after 1 January 2023).

The adoption of these amendments to the existing standards (not mentioned above) has not led to any material changes in the Bank’s financial statements.

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

- **Amendments to IFRS 16 Leases:** Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).

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

kk) 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 IAS 39 Financial Instruments: Recognition and Measurement (as adopted by the EU with carve-out) and the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at the date of publication of financial statements:

- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures**: Supplier Finance Arrangements (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024).
- **Amendments to IAS 21 Lack of Exchangeability** (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2024).

ll) New standards and amendments to the existing standards issued by IASB but rejected or deferred by the EU

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

The Bank is currently assessing the impact of those above mentioned standards.

5. Merger

On 15 December 2021 the supreme bodies of the Magyar Takarék Bankholding Ltd. which owns MKB Bank Plc., Budapest Bank Ltd. and MTB Ltd. approved the first step of the merger of Budapest Bank Ltd., MKB Bank Plc. and MTB Ltd. In accordance with the schedule of the merger process, based on the relevant decisions of the supreme bodies and in the possession of the necessary regulatory approvals, on 31 March 2022 the merger of the Magyar Bankholding's two member banks Budapest Bank Ltd. and MKB Bank Plc. with the Magyar Takarék Bankholding Ltd. was completed. The merged credit institution operated temporarily under the name MKB Bank Plc. from 1 April 2022.

The main bodies of the MKB Bank Plc. (hereinafter the "Acquiring Company") and the Takarékbank Ltd. (hereinafter the "Merging Company") – in accordance with the implementation of the second step of the merging process – approved the proposals relating to the merger of the two member banks on 9 December 2022. According to the decisions made by the general meetings and in the possession of the required regulatory approvals, on 30 April 2023 the two member banks of the banking group MKB Bank Plc. (parent) and Takarékbank Ltd. (subsidiary) merged and continued operating under the name MBH Bank Plc. with a unified brand name and image. According to this the triple merger led by the Magyar Bankholding was completed and with the integrity of the Budapest Bank Ltd., the MKB Bank Plc. and the Takarékbank Ltd., Hungary's second largest universal major bank came into being.

The merger does not mean a change in the ownership structure of the banking group, Magyar Bankholding will continue to be the dominant owner of the banks participating in the merger process.

At the extraordinary general meeting of MBH Bank held on 28 July 2023, the final statement of assets and liabilities and the final inventory of holdings, including the financial data of the merger, were approved. The documents of the extraordinary general meeting are available on the web page of MBH Bank under "Announcements-extraordinary announcements", including the financial statement of assets and liabilities of the acquiring and the merging companies:

https://www.mbhbank.hu/sw/static/file/0_Kozgyulesidokumentacio.pdf

The merger of entities under common control is not subject to the IFRS 3 standard, furthermore there is no detailed regulation in IFRS in relation to accounting clearance. In the absence of exact regulations, as an accounting policy choise, the assets and liabilities of Takarékbank are presented at carrying amount in the Separate Financial Statements of the newly formed company.
In the current Statement of Profit or Loss and Other Comprehensive Income, the whole results of the MKB Bank Plc (Acquiring Company) are recognised in accordance with the accounting standards, and the result of the Takarékbank Ltd. (Acquiree Companies) is recognised from the date of the merger, i.e. from 1 May 2023. The comparatives include only the financial data of the Acquiring Company.

In order to ensure comparability of the basic data of the Acquiring Company, in Tables 5.1 and 5.2, the financial data of the Companies have been presented as if the merger had taken place on 31 December 2022. The statement of financial position shows the financial data of the Acquiring and Acquiree Company as at 31 December 2022 and the statement of profit or loss and other comprehensive income shows the annual result of the MKB Bank Plc. of 2022 and as for Takarékbank Ltd from 1 May until the end of the year.

Data in HUF million except stated otherwise

5.1

	31 December 2023 Total	31 December 2022 Total	31 December 2022 Acquirer	31 December 2022 Acquiree
Assets				
Cash and cash equivalents	**1 305 409**	**1 315 911**	**1 081 158**	**234 753**
Financial assets measured at fair value through profit or loss	**720 727**	**740 656**	**476 909**	**263 747**
Loans and advances to customers mandatorily at fair value through profit or loss	*490 802*	*411 904*	*182 875*	*229 029*
Securities held for trading	*1 017*	*8 434*	*8 434*	-
Securities mandatorily at fair value through profit or loss	*37 736*	*24 537*	*18 017*	**6 520**
Derivative financial assets	*191 172*	*295 781*	*267 583*	*28 198*
Hedging derivative assets	**73 012**	**170 590**	**142 874**	**27 716**
Financial assets measured at fair value through other comprehensive income	**906 612**	**575 429**	**428 520**	**146 909**
Securities	*906 612*	*575 429*	*428 520*	*146 909*
Financial assets measured at amortised cost	**7 578 461**	**7 637 223**	**4 823 478**	**2 813 745**
Loans and advances to banks	*456 886*	*1 049 822*	*448 627*	*601 195*
Loans and advances to customers	*4 272 323*	*4 218 923*	*2 565 343*	*1 653 580*
Repurchase assets	*34 533*	*23 268*	*9 080*	**14 188**
Securities	*2 655 843*	*2 267 526*	*1 772 915*	*494 611*
Other financial assets	*158 876*	*77 684*	*27 513*	*50 171*
Fair value change of hedged items in portfolio hedge of interest rate risk	**3 159**	**(51 678)**	**(51 678)**	-
Investments in subsidiaries and associates	**262 074**	**429 417**	**424 367**	**5 050**
Property, plant and equipment	**45 428**	**46 085**	**37 725**	**8 360**
Intangible assets	**47 173**	**45 340**	**44 206**	**1 134**
Income tax assets	**12 238**	**23 535**	**17 668**	**5 867**
Current income tax assets	-	*49*	*49*	-
Deferred income tax assets	*12 238*	*23 486*	*17 619*	*5 867*
Other assets	**54 328**	**47 956**	**43 551**	**4 405**
Total assets	**11 008 621**	**10 980 464**	**7 468 778**	**3 511 686**
Liabilities				
Financial liabilities measured at fair value through profit or loss	**141 377**	**215 767**	**196 728**	**19 039**
Derivative financial liabilities	*119 620*	*207 532*	*188 493*	*19 039*
Financial liabilities from short positions	*21 757*	*8 235*	*8 235*	-
Financial liabilities measured at amortised cost	**9 763 018**	**9 646 127**	**6 417 607**	**3 228 520**
Amounts due to banks	*2 324 268*	*2 611 152*	*1 965 931*	*645 221*
Amounts due to customers	*6 850 774*	*6 728 362*	*4 207 025*	*2 521 337*
Repurchase liabilities	*68 752*	*103 712*	*73 429*	*30 283*
Issued debt securities	*254 068*	*12 906*	*12 906*	-
Subordinated debt	*113 679*	*112 834*	*88 887*	*23 947*
Other financial liabilities	*151 477*	*77 161*	*69 429*	*7 732*
Hedging derivative liabilities	**17 018**	**680**	**158**	**522**
Provisions	**30 794**	**22 244**	**13 977**	**8 267**
Income tax liabilities	**9 344**	**9 912**	**5 496**	**4 416**
Current income tax liabilities	*9 344*	*9 912*	*5 496*	*4 416*
Other liabilities	**66 438**	**65 884**	**41 800**	**24 084**
Total liabilities	**10 027 989**	**9 960 614**	**6 675 766**	**3 284 848**
Equity				
Share capital	**322 530**	**508 659**	**321 699**	**186 960**
Share premium	**348 894**	**348 894**	**313 947**	**34 947**
Retained earnings	**118 820**	**69 611**	**84 155**	**(14 544)**
Other reserve	**51 066**	**36 019**	**32 552**	**3 467**
Profit for the year	**118 316**	**90 118**	**64 637**	**25 481**
Accumulated other comprehensive income	**21 006**	**(33 451)**	**(23 978)**	**(9 473)**
Total equity	**980 632**	**1 019 850**	**793 012**	**226 838**
Total liabilities and equity	**11 008 621**	**10 980 464**	**7 468 778**	**3 511 686**

Data in HUF million except stated otherwise

5.2

	2023 Total	2022 Total	2022 Acquirer	2022 Acquiree
Interest and similar to interest income	**1 108 219**	**707 200**	**521 077**	**186 123**
Interest income using effective interest rate method	*751 186*	*515 279*	*357 849*	*157 430*
Other interest income	*357 033*	*191 921*	*163 228*	*28 693*
Interest and similar to interest expense	**(673 563)**	**(347 648)**	**(285 848)**	**(61 800)**
Interest expense using effective interest rate method	*(441 296)*	*(203 496)*	*(157 165)*	*(46 331)*
Other interest expenses	*(232 267)*	*(144 152)*	*(128 683)*	*(15 469)*
Net interest income	**434 656**	**359 552**	**235 229**	**124 323**
Income from fees and comissions	**136 192**	**136 697**	**89 526**	**47 171**
Expense from fees and comissions	**(32 199)**	**(35 528)**	**(21 444)**	**(14 084)**
Net fees and commissions income	**103 993**	**101 169**	**68 082**	**33 087**
Results from financial instruments	**(5 010)**	**26 095**	**36 282**	**(10 187)**
Results from financial instruments measured at fair value through profit or loss, net	*(41 976)*	*91 911*	*98 603*	*(6 692)*
Results from financial instruments measured at fair value through other comprehensive income, net	*2 349*	*(39 887)*	*(36 106)*	*(3 781)*
Results from financial instruments measured at amortized cost, net	*(1 760)*	*1 408*	*1 527*	*(119)*
Results from hedge accounting, net	*(4 436)*	*10 474*	*10 298*	*176*
Exchange differences result	*40 813*	*(37 811)*	*(38 040)*	*229*
(Impairment) / Reversal on financial and non-financial instruments	**(71 442)**	**(95 735)**	**(56 196)**	**(39 539)**
Expected credit (loss) on financial instruments held for credit risk management	*(54 587)*	*(59 596)*	*(33 602)*	*(25 994)*
Provision (loss) / gain	*(1 122)*	*(4 098)*	*(1 953)*	*(2 145)*
Modification (loss) / gain on financial instruments	*(13 919)*	*(21 551)*	*(10 643)*	*(10 908)*
(Impairment) / Reversal on investments in subsidiaries and associates	*(1 716)*	*(9 470)*	*(9 488)*	*18*
(Impairment) / Reversal on other financial and non financial instruments	*(98)*	*(1 020)*	*(510)*	*(510)*
Dividend income	**6 086**	**7 497**	**6 923**	**574**
Operating expense	**(331 548)**	**(290 336)**	**(210 212)**	**(80 124)**
Other income	**18 068**	**8 264**	**7 846**	**418**
Other expense	**(12 940)**	**(12 222)**	**(11 786)**	**(436)**
Result from assets held for sale	**-**	**-**	**-**	**(51)**
Profit before taxation	**141 863**	**104 284**	**76 168**	**28 065**
Income tax income / (expense)	**(23 547)**	**(7 560)**	**(649)**	**(6 911)**
PROFIT FOR THE YEAR	**118 316**	**96 724**	**75 519**	**21 154**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Hedging instruments (unmarked items)	(211)	352	-	352
Revaluation on financial assets measured at fair value through other comprehensive income	56 431	3 470	2 320	1 150
Income tax relating to items that will be reclassfied	(4 937)	731	(179)	910
Other comprehensive income for the year net of tax	**51 283**	**4 553**	**2 141**	**2 412**
TOTAL COMPREHENSIVE INCOME	**169 599**	**101 277**	**77 660**	**23 566**

6. Risk management

a) Introduction and overview

All the Bank's activities involve a certain degree of risk assumption. The measurement, evaluation, acceptance and management of these risks are integral parts of the Bank's daily operative activity.

Risk management is an integral part of the Bank's operations and a crucial component of its business and overall financial performance. The MBH Bank's risk management framework has been designed to support the continuous monitoring of the changes of the risk environment and is supported by the strong commitment to a prudent risk management culture both on the strategy and business line levels.

The main principles and priorities of the Bank's risk management function include the ultimate oversight by the Board of Directors (the approval of the Supervisory Board is also required for some specifically defined risk decisions), the importance of independent review of all risk-taking activities separately from business lines, and the proper evaluation, diversification, limitation, monitoring and reporting of all risks. Decisions in respect of major risk principles are approved at group level, and are implemented individually by the own decision making boards of the Bank members.

The effective communication on risk and risk appetite, the on-going initiatives to better identify, measure, monitor and manage risks, the improvement of efficiency, user-friendliness and awareness of key risk processes and practices, and the employment of highly-skilled staff are the bases of running an effective risk management function in the Bank.

The risk self-assessment of the Bank is prepared at least annually as part of the ICAAP review process.

Credit risk:

- Credit risk
  The risk of lending comprises the potential risk of the business partner failing to fulfil its payment obligations or failing to do so on time as well as the risk of the value of the receivable diminishing because the business partner's credit rating decreases. Risks originated from loans or other loan type commitments extended to associated enterprises are also included in the Bank's credit risk managing mechanism.

- Participations risk
  The participation risk is defined as the risk related to the following events:
  - potential losses from providing equity instruments or subordinated loan capital. This involves potential losses realized during the sale of participation or loss occurring as a result of a participation's bankruptcy, the (partial) write-off of the participations (also including write-off settled on business or company value or goodwill value), i.e. loss suffered on the book value of the investment,
  - potential losses originating from other risks associated with the participation such as reputation risk, operational risk, exchange rate risk.

- Risk of other assets
  Risk of other assets means risk arising from related claims (primarily real estate, tangible assets, other claims) from non-lending assets.

- Counterparty risk
  Counterparty risk means potential losses from a counterparty's failure to perform its contractual obligation before the conclusion of the specific transaction (i.e. before the final settlement of cash flows). As a type of credit risk, this risk affects derivatives, repo and other securities financing transactions. Another characteristic feature of counterparty risks is their bilateral character; in other words, the respective positions can take on an opposing (market) risk profile from the perspective of the counterparties participating in the given transaction which, among other things, provides an opportunity for netting positions and settlements.

- Credit valuation adjustment risk (CVA)
  Credit valuation adjustment risk is defined as the adjustment of the counterparty's portfolio to the average market value.

- Concentration risk
  The concentration of risks means the risk exposure that is able to generate such losses that endangers the institution's business activities or causes significant changes in the risk profile of the institution. It is fundamentally originated from credit risk but it causes effect with other risks in tight interaction.

- Residual risks
  Residual risks are risks associated with the significant devaluation or limited applicability of collateral covering credit exposures. In other words, residual risk is the risk that recognised credit risk mitigation techniques used by the credit institution prove less effective.

- Foreign exchange (FX) lending risk
  FX lending risk is the potential threat of a loss from lending in a currency other than the legal currency of the country of the borrower's residence.

Liquidity risk

Liquidity is the institution's ability to finance the growth of its assets and meet its maturing obligations without incurring significant and unexpected losses. Liquidity risk is embodied in long-term lending from short-term liabilities (maturity transformation carried out for the sake of profitability), mass disinvestment before maturity, the renewability of funds, changes in funding costs, environmental effects and the uncertainty of the behavior of other market participants.

Market risk

Market risk is the current or prospective risk of losses on balance sheet and off-balance sheet positions arising from changes in market prices (changes in bond prices, security or commodity prices, exchange rates or interest rates that impact the positions).

- Interest rate and exchange rate risk in the trading book
  Market risk is the present and/or future danger of losses arising from changes in market prices (changes in the exchange rate of bonds, securities, commodities, currencies or interest rate affecting the position) on off-balance and on-balance sheet position.

- Interest rate risk in the banking book
  Interest rate risk in the banking book is the possibility that income and/or institution's economic value of equity originating from banking book positions changes adversely as a result of changes in market interest rates.

- Credit spread risk from non-trading book activities
  Risk driven by changes of the market price for credit risk, for liquidity and for potentially other characteristics of credit-risky instruments, which is not captured by another existing prudential framework such as IRRBB or by expected credit/(jump to-) default risk. Credit spread risk captures the risk of an instrument's changing spread while assuming the same level of creditworthiness, i.e. how the credit spread is moving within a certain rating/PD range.

Operational risks

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk, conduct risk, reputational risk, modelling risk and information and communication technology (ICT) risk.

- Legal and business risk
  Legal risk is the risk of losses due to the non-observance of the scope set by legal provisions and jurisdiction caused by ignorance, lack of diligence in applying law, a delay in reacting to changes in legal framework conditions, unexpected or ex post facto changes in legal framework respectively courts diverse legal judgements from the Bank's side. The legal risk includes conduct risk in the supply of financial services originated from an inadequate supply of services or deliberately exhibited impermissible conduct. This includes risks arising from fraud and unfair, unethical or aggressive trading practices harmful to consumers.

- Reputational risk
  Reputational risk is the current or prospective indirect risk to liquidity, earnings and capital arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders, investors or regulators. It is manifested in the fact that the external opinion on the institution is less favourable than desired.

- Model risk
  Model is the risk of loss resulting from decisions based on using insufficiently accurate models. Mistakes in models are not necessarily, or not primarily occur from negligence instead limitations of knowledge, not enough data, or changes that cannot be read from past data: simply the fact that the models are never perfect.

- Information and communication technology (ICT) risk
  ICT risk means the current or prospective risk of losses due to the inappropriateness or failure of the hardware and software of technical infrastructures, which can compromise the availability, integrity, accessibility and security of such infrastructures and of data. ICT risk also includes risks occurring from outsourcing of ICT relevant systems.

Other significant risks

- Strategic and business risk
  Strategic risk is defined as the negative impact on capital and income of business policy decisions, deficient or unsatisfactory implementation of decisions, or slow adjustment to changes in the economic environment.

  Business risk is defined as unexpected changes in the economic environment that cause negative changes in business volume or margins and are not attributable to other types of risk. It quantifies the difference between planned and actual costs and income.

b) Risk management governance

The Bank's Risk Strategy was set up in accordance with the Business Strategy and the regulatory requirements. The tasks incorporated in the Risk Strategy aiming to ensure a balanced risk / return relationship, development of a disciplined and constructive control environment, defining the Bank’s risk assumption willingness, risk appetite and the on-going ability of the Bank to manage its risks and the maintenance of its funds to cover risk exposures in long-term. This will also ensure the capital preservation and guarantee the solvency of the Bank at any time.

Committees	Main responsibilities
Supervisory Board	The Supervisory Board controls the management of the Company in order to protect the interests of the Company; It controls the harmonized and prudent operation of the Company and the credit institutions, financial enterprises and investment companies under its controlling influence; The Supervisory Board steers the company's internal audit organization; Its task is to analyse regular and ad-hoc reports prepared by the Board of Directors; It decides on matters conferred to its competence by the Civil Code, Credit Instituions Act or the Articles of Association.
Audit Committee	The Audit Committee assists the Supervisory Board in the audit of the financial reporting system and in the selection of the auditor and in cooperation with the auditor.
Risk Assumption, Risk Management Committee	As part of its ongoing monitoring of the Bank's risk-taking strategy and risk appetite, the Committee reviews the risk strategy, remuneration policy and quarterly risk report in advance. The Committee supports the Board of Directors in supervising the implementation of the risk strategy.
Remuneration Committee	The Remuneration Committee is responsible for the preparation of decisions regarding remuneration, taking into account the long-term interests of shareholders, investors and other stakeholders in the company. Within such competence the Remuneration Committee prepares the performance evaluation and ex-post risk assessment of the Chairman and CEO, Deputy CEOs and other board members, it evaluates the achievement of performance goals. The committee ensures the implementation of the remuneration policy. The Remuneration Committee furthermore oversees the remuneration of the senior officers in the risk management and compliance functions, including the employees carrying out internal control functions.
Nomination Committee	The Nomination Committee is responsible for nominating and recommending nominees to the Supervisory Board and the Board of Directors, with the exception of the members of the Supervisory Board representing the employees. It is furthermore responsible for determining the skills and tasks required for membership of the management bodies, evaluating the composition and performance of the management bodies and its members. Determining the gender ratio within the management body and developing the strategy necessary to achieve this. It regularly reviews the Company's policy on the selection and appointment of managing directors.
Board of Directors	As the company's operative managing body the Board of Directors carries out management-related tasks and ensures the keeping of the company's business books in compliance with the regulations; It pursues tasks related to the shares and dividend, tasks related to the company's organization and scope of activities, tasks related to strategic planning (preparation of the business policy and financial plan, and approval of the risk strategy), it approves the policies related to risk assumptions, it evaluates regular and ad-hoc reports.
Managing Committee (MC)	The MC is the operative decision-making and decision-preparation body covering the entire operation of MBH. The MC decides on general and strategic issues submitted to it, on business-related matters concerning the operation of the Entire MBH Group, the organization of the company, the management and development of human resources, as well as business related matters. The MC regularly reviews and discusses current issues affecting the operation of the Entire MBH Group and prescribes measures if necessary.
Credit and Debt Management Committee	According to the relevant regulations, it makes decisions related to credit and partner risk assumptions referred to its competence, and discusses in advance proposals related to credit and partner risk assumption within the competence of the Board of Directors. The committee also functions as debt management committee, its task is to supervise and manage the sale of receivables and its process, the practical implementation of the NPL strategy, taking the necessary measures, supervising the management of non-performing exposures, furthermore its task is to make risk assumption decisions, which fall within its decision-making authority based on the provisions of the risk decision competence rules.
Asset and Liability Committee (ALCO)	The ALCO has primary responsibility for asset and liability management, and exercises competencies in liquidity and market risk management, capital management. Develops and approves the appropriate balance sheet risk guidelines for the management of risks arising from asset-liability management and monitors their compliance, determines the necessary measures. It sets internal settlement prices and risk price levels within its pricing powers. It approves securities issuance programs and individual issuances.
Group Banking Operations Committee (GBOC)	GBOC is responsible for the holding and group member level banking operations, with a focus on profitability, cost, investment and resource management. Exercises financial control over the portfolio and the profitability of specific group members and subsidiaries. It sets and monitors product profitability expectations, targets and changes in market position, decides on budget utilisation, investments and commitments within defined limits.
Internal Defence Lines Committee	The Internal Defence Lines Committee is primarily a consultative forum between internal defence lines. It is responsible for the integration of communication among the various defence lines and making it regular and systemic and for the improvement and establishment of communication channels where appropriate. With its preventive, proactive activities, it identifies and effectively manages, or orders the management of, in a timely and effective manner, the risks affecting the MBH Group that may lead to non-compliance with laws, external regulatory investigations or adverse decisions by the authorities supervising banking operations, and ensures that any necessary corrective actions are taken promptly.
Methodology Committee (MC)	It controls the implementation of the group-wide risk strategy and risk strategy limit system. It approves all methodological, modelling, limit setting and monitoring, supervisory, regulatory and reporting proposals related to credit risk, concentration risk and country risk, counterparty risk, operational risk under Pillar 1, risks under Pillar 2, and the ICAAP-SREP methodology and the exercise of supervision/control, the Recovery Plan and the resolution framework. Its responsibilities include the discussion of the NPL strategy, related methodological, modelling, internal portfolio setting and monitoring, supervisory, regulatory and reporting proposals, including individual and portfolio-level decisions on impairment and provisioning.
Product Sales and Pricing Committee (PSPC)	It is the forum for making management decisions on product development, pricing and sales at individual bank and group level. It develops the features and processes for existing products and new products to be introduced. It decides on the pricing of products, taking into account the profitability of the product; takes decisions on pricing issues within the framework of the rules set by the Asset and Liability Committee.

c) Credit risk

Credit risk is the risk of financial loss if a customer or a counterparty fails to meet an obligation under a contract. It arises principally from the Bank’s lending, trade finance and leasing business, but also from certain off-balance products such as guarantees, and from assets held in the form of debt securities.

For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Credit risk management

The Bank has standards, policies and procedures dedicated to the effective monitoring and managing risk from lending (including debt securities) activities. The risk management of the Bank controls and manages credit risks in a centralised manner. Its responsibilities include:

- Formulating the Bank’s credit policy in consultation with business units by establishing credit approval policies, standards, limits and guidelines that define, quantify, and monitor credit risk.

- Establishing the authorisation structure for the approval and renewal of credit facilities. In order to establish an adequate credit decision-making system in which decisions are made on time, the limit amounts are established differently according to the customer segment, the customer quality and the business line, for the delegated credit decision authorities and the boards and individual decision-makers of the Business and Risk Units.

- Monitoring the performance and management of retail and wholesale portfolios across the Bank.

- Supervising the management of exposures to debt securities by establishing controls in respect of securities held for trading purposes.

- Establishing and maintaining the Bank’s concentration risk management policies ensuring that the concentration of exposure does not exceed the limits stated in the internal and regulatory limit systems and concentration risks are effectively managed without any need for additional capital requirements if possible.

- Developing and maintaining the Bank’s risk assessment systems in order to categorise the exposures according to the degree of the risk of financial loss faced and to manage the existing risks adequately. The purpose of the credit (deal) classification system is to define when impairment may be required against specific credit exposures. The risk categorisation system consists of several grades which reflect sufficiently the varying degrees of risk of default and the availability of collateral or other credit risk mitigation options with regard to a specific exposure.

- Providing position statements, guidance and professional support to the business units of the Bank members in credit risk management.

The control systems applied by the Bank enable to control and monitor exposures by customer and retail product segment.

In order to comply with the prudential requirements, the Bank developed and operates its borrower group forming concept. As part of that, the borrower group-level monitoring concept is to be highlighted. According to the processes, the complete risk assumption process must be executed at the level of borrower groups: in the case of the individual groups the limit proposal and monitoring process for each individual group members takes place at the same time based on the collective analysis and consideration of risks.

With regards to the management of concentration risks, the Bank implemented the global concept of concentration risk limits. As part of the concept, the Bank set up bank and sector level KPI's (key performance indicator) set and product limits, in order to restrain the assumption of further risks arising from the characteristics / risks rooted in different sectors and the assumption of risks of products representing high or special risk. Aiming at avoid high risk concentration within the portfolio, the concentration risk limit value has been established for the total bank portfolio, with the stipulation that the limits of the individual customers / customer groups may exceed this target value only in extraordinary and justified cases, based exclusively on the strategic guidelines approved by the relevant Committee.

As of the reporting date, environmental, social and governance (ESG) aspects have not been considered in the models used for the Group's risk management. The Group plans to evaluate ESG aspects and utilize them into the models in the first half of 2024. The method of collecting and storing ESG relevant information has been already developed to ensure the subsequent analysis and usability in usual business procedures. In longer terms the information that becomes available by analyzing the composition of the ESG index can be utilised during stress test modelling as well as the estimation of life-time PD and LGD parameters.

The macroeconomic scenarios have been updated and used in the bank processes at the same time as the new inflation report from NBH has been received. Based on the forecasts, the Bank has used the current macroeconomic PD forecast models to calculate the new parameters required for macroeconomic adjustments (Macro overlay
factor – MOF) on a segment level. Using these new parameters, the IFRS PD (without macro correction) values have been adjusted to reflect the expectations of the macroeconomic scenarios. The weighting of the macroeconomic scenarios has been calculated in accordance with the recommendations of the (internal use only) management letter from NBH. By the end of the year 2023, the weights that have been used are as follows: 30% - stress scenario, 65% - base scenario, 5% - optimistic scenario (In 2022 were as follows: 25% - stress scenario, 70% - base scenario, 5% - optimistic scenario). The resulting IFRS PD values, adjusted to the new macroeconomic environment and expectations have been implemented after the approval of the Methodology Committee. The Bank's macroeconomic models have been validated with every update, both with statistical methods and business side validation, thus ensuring the applicability of the model.

A detailed report on the changes of impairment and provisioning related to credit risks is presented quarterly to the Methodology Committee and also a report is prepared on a quarterly basis about changes and the utilization of limits related to different divisions and types of transaction.

Credit risk-related harmonization were implemented due to the merge of Takarékbank to MKB Bank:

- parameters were harmonized from a modelling point of view, whereupon the Bank uses common models
- as a result methodological-harmonization not only the framework but the impairment calculation itself has also been standardised among the entities.

The total effect of the current period's harmonization process is expected credit loss of HUF 8,6 billion which includes the consideration of collaterals and also the unification of monitoring results.

Definition of non-performing (default):

In the context of internal credit risk management objectives, the Group considers the following to be events of default, the occurrence of which, based on past experience, would be likely to result in the non-recovery of the financial asset:

- breach of financial covenants by the debtor;
- based on information from an internal or external source, the debtor is likely to default on its debt service (e.g. the debtor is more than 90 days in arrears);
- loans restructured with a loss of more than 1% of the NPV.

The Bank, in accordance with the provisions of its risk management policy, continuously monitors the changes in the quality of its credit portfolio. The business fields and the management are informed on a weekly basis on past due receivables and the registered risk-mitigating assets underlying these receivables. The risk classification of loans is carried out by the Group quarterly, in the framework of risk monitoring. Decisions related to individual impairment losses of exposures are made during the monitoring.

Expected credit loss accounted for loans to be assessed individually and collectively

On the balance sheet date, and during the monthly monitoring, an assessment is made for the relevant financial instruments to determine the expected credit loss and the amount of the loss allowance for impairment. Individual calculation approach is applied in case of individually significant exposures to defaulted wholesale customers in Stage 3. The customer is individually significant if the total on- and off-balance exposure or the customer group exposure exceeds the predefined materiality limit. Workout experts calculate the loss allowances by discounting the expected recoveries from cash flows with the effective interest rate of transactions and deducted it from the gross exposures. The experts provide estimates in more probability-weighted scenarios on transaction basis.

Credit loss allowance of loans to be assessed collectively is determined in accordance with the provisions of IFRS 9. Allowance of loans to be assessed collectively is calculated on a monthly basis and the risk parameters used are determined on the basis of statistical models developed for homogeneous groups or groups of transactions. The models are validated at least once a year and revised if necessary. For Stage 1 loans, the expected credit loss is determined on the basis of the 12-month expected credit loss. For Stage 2 and Stage 3 loans, the expected lending loss is determined with the lifetime expected credit loss.

The aim of the IFRS 9 credit risk scoring system is to assign a PiT (point-in-time) PD to each relevant customer. The IRB rating system for Pillar II. capital requirement calculation was modified according to IFRS 9 requirements. Both of rating systems use the same default definition and model structure, including the quantitative and qualitative sub-models and the explicative variables. The calibration processes are different. In the case of IFRS 9 it depends on the stage of a given customer. In stage 1, the time horizon is one year, in stage 2 the lifetime PiT PD’s are estimated. Stage 3 contains the defaulted customers, where the PD equals to 1.

In stage 2, the one year PD is transformed to the lifetime PD, based on the Markov chain, and Vintage analysis estimation of transition probabilities and taken into account the macroeconomic forecast, especially the year-on-year GDP forecasts, in the first three years of the estimation horizon. From the fourth year, the TTC (through-the-cycle) PD has been used. The Group classified its retail portfolio in homogenous credit risk clusters, and allocates PD, LGD and CCF parameters.

The internal rating based models calculate the risk parameters which determine the level of impairment.

Data in HUF million except stated otherwise

In case of individually not significant wholesale customers the calculation of impairment and provision is based on internal rating based method. The required provisioning rates are calculated based on the credit conversion factor (CCF), the statistical analysis of default (PD) and the loss given default (LGD).

The table below shows the Bank's maximum exposure to credit risk at the end of the reporting period:

6.1

31 December 2023	Cash and cash equivalents	Loans and advances and repurchase agreements to banks	Loans and advances and repurchase agreements to customers	Securities	Other financial assets	OFF B/S exposures
Individually assessed						
Non-default						-
Default			35 071	438		6 145
Total individually assessed gross amount	**-**	**-**	**35 071**	**438**	**-**	**6 145**
Total individually assessed allowance for impairment			(18 074)	(345)		(824)
Total individually assessed carrying amount	**-**	**-**	**16 997**	**93**	**-**	**5 321**
Collectively assessed						
Non-default	1 305 608	487 256	4 379 367	2 661 529	165 652	1 524 302
Default			116 382			15 713
Total collectively assessed gross amount	**1 305 608**	**487 256**	**4 495 749**	**2 661 529**	**165 652**	**1 540 015**
Total collectively assessed allowance for impairment	(199)	(1 978)	(234 282)	(5 779)	(6 776)	(21 859)
Total collectively assessed carrying amount	**1 305 409**	**485 278**	**4 261 467**	**2 655 750**	**158 876**	**1 518 156**
Other contingent liablities						
Gross amount of other contingent liablities						**5 211**
Provision for other contingent liablities						**(2 401)**
Total gross amount	**1 305 608**	**487 256**	**4 530 820**	**2 661 967**	**165 652**	**1 551 371**
Total allowance for impairment	**(199)**	**(1 978)**	**(252 356)**	**(6 124)**	**(6 776)**	**(25 084)**
Total carrying amount	**1 305 409**	**485 278**	**4 278 464**	**2 655 843**	**158 876**	**1 526 287**

31 December 2022	Cash and cash equivalents	Loans and advances and repurchase agreements to banks	Loans and advances and repurchase agreements to customers	Securities	Other financial assets	OFF B/S exposures
Individually assessed						
Non-default	-	-	-	-	-	-
Default	-	-	11 384	-	32	448
Total individually assessed gross amount	-	-	11 384	-	32	448
Total individually assessed allowance for impairment	-	-	(6 112)	-	(32)	(118)
Total individually assessed carrying amount	**-**	**-**	**5 272**	**-**	**-**	**330**
Collectively assessed						
Non-default	1 081 283	456 782	2 588 533	1 774 712	30 700	1 275 102
Default	-	-	84 345	461	99	5 923
Total collectively assessed gross amount	1 081 283	456 782	2 672 878	1 775 173	30 799	1 281 025
Total collectively assessed allowance for impairment	(125)	(145)	(111 737)	(2 258)	(3 286)	(10 068)
Total collectively assessed carrying amount	**1 081 158**	**456 637**	**2 561 141**	**1 772 915**	**27 513**	**1 270 957**
Other contingent liablities						
Gross amount of other contingent liablities	-	-	-	-	-	**4 841**
Provision for other contingent liablities	-	-	-	-	-	**(3 791)**
Total gross amount	**1 081 283**	**456 782**	**2 684 262**	**1 775 173**	**30 831**	**1 281 473**
Total allowance for impairment	**(125)**	**(145)**	**(117 849)**	**(2 258)**	**(3 318)**	**(13 977)**
Total carrying amount	**1 081 158**	**456 637**	**2 566 413**	**1 772 915**	**27 513**	**1 267 496**

The significant increase in the total carrying amount causes by merger of Takarékbank Ltd from 2022 to 2023

Impact of the moratorium and interest rate cap on credit risk management

Due to the first moratorium on repayment (hereinafter: "general loan repayment moratorium") set out in Act. LVIII of 2020 on transitional rules related to the end of the state of emergency and epidemic preparedness, the fulfilment of the principal, interest, and fee payment obligations for all corporate and residential loan contracts from March 19, 2020, was firstly suspended until December 31, 2020, and after several amendments until December 31, 2022.

According to the government decree on the introduction of special rules for the loan repayment moratorium (292/2022. (VIII. 8.)) related to the state of emergency, those engaged in activities in the agricultural industry could choose payment moratorium until 31.12.2023 (hereinafter: “agricultural moratorium”).

Unpaid interest accrued during the moratorium, together with the instalment due for the remaining term, and shall be paid in equal annual instalments after the expiration of the moratorium. The monthly instalment cannot increase due to unpaid interest and principal. The term is extended accordingly.

782/2021. (XII. 24.) Government Decree CLXII of 2009 on credit granted to consumers. Act (hereinafter: "residential interest rate cap"), according to several amendments to the legislation on the different application of the interest rate cap in emergency situations, in the case of a mortgage loan contract from January 1, 2022 to June 30, 2024, after the entry into force of the decree, the reference interest rate valid from the date of the contract must be determined as , that its rate cannot be higher than the reference interest rate specified in the contract valid on October 27, 2021.
415/2022. (X. 26.) Government Decree CXXVIII of 2011 on necessary measures to mitigate the negative economic effects affecting micro, small and medium-sized enterprises in view of the emergency situation. Act (hereinafter: "SME interest rate cap"), as amended several times in the legislation on the different application of the interest rate cap in emergency situations, in the case of loan and leasing contracts granted to micro, small and medium-sized enterprises, from November 15, 2022 to April 1, 2024, after the entry into force of the decree, the contract the reference interest rate valid from the reference date must be determined in such a way that its rate cannot be higher than the reference interest rate specified in the contract valid on June 28, 2022.

The modification loss due to the program was calculated based on the expected cash flow, which ones are estimated under this legislations.

In accordance with the MNB’s expectations, and in line with MBH Bank Plc’s uniform impairment calculation methodology the staging logic for customers participating in that the general loan repayment moratorium or the agricultural moratorium was standardised by adding the following to the normal processes:

- to loans that participated in the general loan repayment moratorium and were classified as forborne, have to be applied the rules of the default recovery and 6-month trial period for residential customers and 24 months for corporate customers based on the valid default status. During the probation period, restructured loans cannot be classified higher than Stage 2.
- customers who entered into “agricultural moratorium” have to be classified minimum as Stage 2, but those customers that previously spent at least 9 months in moratorium have to be classified as Stage 3. They can be classified as Stage 1 only on the basis of individual monitoring after the declaration has been made and taken into account. Individual deviations are possible from the application of Stage 3 and Stage 2 triggers, which must be supported by detailed justification based on objective evidence in all cases.

In the case of customers affected by the regulation of the retail interest rate cap, the Bank examined the increase of the monthly instalment calculated without the interest rate cap. In the case of a significant change at least a Stage 2 classification has been applied.

The Bank has taken the following aspects into account when determining management overlays:

- in case of the client who enter an agricultural moratorium, the models do not know the agricultural moratorium, so the willingness and ability to pay may contain a hidden high probability of default. In order to compensate for the risk, in the case of deals classified as stage 2, the Group increased the missing coverage for the stage 3 coverage level on an expert basis.
- the application of transitional staging rules on its own does not always reflect a full increase in lifetime loss, even when macro parameters are updated. Therefore, in the case of corporate customers with a specific customer rating who do not improve compared to the initial rating, the default probability of stage 1 was increased on an expert basis.

Given that no new information has emerged on the payment ability of customers during the moratorium period and that the repayments of customers affected by the interest rate cap are lower than the contractual instalments, it is necessary to take into account the uncertainties about the ability and willingness of debtors to pay. In addition, the MBH expects that the risk arising from modelling uncertainty needs to be mitigated.

The breakdown of the management overlay on 31 December 2023 is as follows:

- overlay for agricultural moratorium: HUF 6,784 million (2022: HUF 2,765 million)

In summary, the Bank's current modelling methodology is capable of creating a new risk measure on the basis of the above information. It allows to create well-defined customer profiles for customer management. The management overlays were constituted by the Bank because of the uncertainty arisen from the current economic situation, the expected regulatory expectations and the future variability of the economic climate.

The Bank modified the expected credit loss calculation in accordance with the legislation and regulatory recommendations, after the onset of the emergency. Credit risk monitoring is a key element in the methodology for measuring the significant increase in credit risk since its initial publication. During the pandemic period, the Bank placed even more emphasis by introducing overlays.

The effect of moratorium was not significant in 2022 on the statement of financial position and the Statement of Profit or Loss. The interest rate cap effected significantly the loan portfolio of the Bank.

The net exposure of the Bank's customers under interest rate cap in both years and moratorium (in 2022) was as follows (percentage of the portfolio is based on the total amount of the Bank's net exposure):

Data in HUF million except stated otherwise

6.2.1

31 December 2023	Outstanding balance	% of portfolio
Retail	*219 108*	*18.05%*
Wholesale	*120 531*	*3.93%*
Total	**339 639**	**7.94%**

31 December 2022*	Outstanding balance	% of portfolio
Retail	*156 360*	*20.82%*
Wholesale	*114 511*	*6.31%*
Total	**270 871**	**10.55%**

The 2022 data have been corrected due to methodological consistency.

The increase in net exposure is caused by the merger of the Takarekbank Ltd. from 2022 to 2023

The exposure of Bank's customers under interest cap (2023 and 2022) and moratorium (only 2022) was as follows:

Data in HUF million except stated otherwise

6.2.2

31 December 2023	Non-impaired loans		Impaired loans	POCI	Loans at FVTPL	Total
Gross amount*	Stage 1	Stage 2	Stage 3			
Retail						
Low risk	13 385	67	-	11	547	14 010
Medium risk	60 963	44 189	3	2 357	4 907	112 419
High risk	1 846	86 421	1	332	2 611	91 211
Default	-	-	18 342	931	400	19 673
Total Retail	***76 194***	***130 677***	***18 346***	***3 631***	***8 465***	***237 313***
Wholesale						
Low risk	9 454	-	-	-	-	9 454
Medium risk	47 215	1 773	-	5	-	48 993
High risk	979	61 474	-	24		62 477
Default	-	-	20 553	8	247	20 808
Total Wholesale	***57 648***	***63 247***	***20 553***	***37***	***247***	***141 732***
Total gross amount	**133 842**	**193 924**	**38 899**	**3 668**	**8 712**	**379 045**

*Gross amount of loans measured at FVTPL represents the fair value of loans

31 December 2023	Non-impaired loans		Impaired loans	POCI	Total
Impairment	Stage 1	Stage 2	Stage 3		
Retail					
Low risk	48	1	-	-	49
Medium risk	690	1 675	2	162	2 529
High risk	146	4 952	1	54	5 153
Default	-	-	10 102	372	10 474
Total Retail	***884***	***6 628***	***10 105***	***588***	***18 205***
Wholesale					
Low risk	81	-	-	-	81
Medium risk	929	138	-	-	1 067
High risk	158	9 085	-	2	9 245
Default	-	-	10 752	56	10 808
Total Wholesale	***1 168***	***9 223***	***10 752***	***58***	***21 201***
Allowance for impairment	**2 052**	**15 851**	**20 857**	**646**	**39 406**

Data in HUF million except stated otherwise

31 December 2022	Non-impaired loans		Impaired loans	POCI	Loans at FVTPL	Total
Gross amount*	**Stage 1**	**Stage 2**	**Stage 3**			
Retail						
Low risk	19 073	-	-	-	24	19 097
Medium risk	37 374	34	-	-	762	38 170
High risk	553	87 882	-	-	118	88 553
Default	-	-	22 543	4 141	28	26 712
Total Retail	***57 000***	***87 916***	***22 543***	***4 141***	***932***	***172 532***
						-
Wholesale						-
Low risk	5 898	-	-	-	-	5 898
Medium risk	48 295	9 144	-	-	67	57 506
High risk	2 306	44 285	-	13	-	46 604
Default	-	-	16 461	112	-	16 573
Total Wholesale	***56 499***	***53 429***	***16 461***	***125***	***67***	***126 581***
						-
Total gross amount	**113 499**	**141 345**	**39 004**	**4 266**	**999**	**299 113**

*Gross amount of loans measured at FVTPL represents the fair value of loans

31 December 2022	Non-impaired loans		Impaired loans	POCI	Total
Impairment	**Stage 1**	**Stage 2**	**Stage 3**		
Retail					
Low risk	88	-	-	-	88
Medium risk	351	2	-	-	353
High risk	40	3 737	-	-	3 777
Default	-	-	11 260	694	11 954
Total Retail	***479***	***3 739***	***11 260***	***694***	***16 172***
					-
Wholesale					-
Low risk	14	-	-	-	14
Medium risk	714	306	-	-	1 020
High risk	374	2 919	-	-	3 293
Default	-	-	7 738	5	7 743
Total Wholesale	***1 102***	***3 225***	***7 738***	***5***	***12 070***
Allowance for impairment	**1 581**	**6 964**	**18 998**	**699**	**28 242**

The modified cash flows of Bank’s customers under interest rate cap (2023 and 2022) and moratorium (only 2022) were as follows:

6.3

Loans measured at amortised cost	31 December 2023	31 December 2022
Gross carrying amount before modification	4 520 721	2 700 218
Loss allowance before modification	(251 608)	(117 849)
Net amortised cost before modification	4 269 113	2 582 369
Effect of the modification of future cash-flows	(11 589)	(15 956)
Net amortised cost after modification	**4 257 524**	**2 566 413**

The initial modification loss in connection with modified contractual cashflows was HUF 21,964 million in 2023. For Stage 2, Stage 3 loans HUF 13,919 million was recognised in Modification (loss) /gain on financial instruments and for Stage 1 loans HUF 8,045 million in Interest income using effective interest rate method in the statement of profit or loss.

At the reporting date in the statement of financial position the Bank recognised HUF 11,589 million modification on contractual cashflows.

Interest income using effective interest rate method in the statement of profit or loss HUF 12,043 million is recognised for connection with the modified cash-flows of financial instruments of the previous years.

Write-off policy

The Bank, in compliance with the stipulations of legal regulations, writes off a loan / security balance (and any related ECL) when there is documented evidence that no further recovery can be expected. This determination is reached on the basis of a final statement in case of liquidation or upon establishment that after ceasing the debtor and / or collateral provider to exist, and / or after using all proceeds from collaterals there is still unrecovered exposure remaining.

Collateral structure

To ensure prudent operation, the Bank decides on the necessary rate of risk mitigation and the tools applied for credit risk mitigation by taking into consideration the transaction and the rating of the client. In the meantime, and prior to each risk-related decision, the Bank ensures that the necessary securities and collateral exist and verifies their fair value and enforceability.

The Bank specifies in a separate policy the collateral it finds acceptable, the classification thereof, the acceptance criteria of the collateral, it lays down the rules for evaluating the collateral and for determining the acceptable loan-to-value figure, and for the monitoring of the collateral.

Prior credit risk protection accepted by the Bank includes assets that are liquid and value-preserving.

Therefore, accepted financial collateral are especially:

- cash or deposit placed with the Bank as collateral or deposit
- debt securities issued by central governments, central banks
- property

When accepting mortgage collateral, the Bank engages third party experts to determine market value. The Bank, as credit risk collateral not provided in advance, recognises a credit risk measurement process whose provider is reliable and in the case of which the agreement on the credit risk collateral is valid and enforceable before a competent authority, and which fulfills the conditions stipulated in Hungarian legislation and in the internal policies of the Bank.

Therefore, the Bank predominantly accepts guarantees and on-demand credit default guarantees for credit risk collateral not provided in advance which are provided by:

- central governments or central banks;
- public sector institutions;
- credit institutions or investment firms.

In performing its activities, the Bank engages the services of Rural Credit Guarantee Foundation and Garantiqa Hitelgarancia Ltd. providing on-demand credit default guarantees in addition to the state-backed counter guarantee, and the Group entered into a cooperation agreement with the two organizations.
These collaterals are integral part to the respective loans.

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The table below contains the nominal value of collateral received during the bank's lending activities:

6.4

Nominal value of collateral received	Nominal of loan commitments received	Nominal of financial guarantees received
2023.12.31		
Central Bank	54 891	
Central governments		499 017
Other banks	79 098	191 855
Other financial companies		44 401
Non financial companies		212 998
Others		89 004
Foreign		1 960
Total	***133 989***	***1 039 235***
2022.12.31		
Central Bank		79
Central governments		28 658
Other banks	22 775	129 875
Other financial companies		215 332
Non financial companies		1 744 407
Others		529 669
Foreign		31 357
Total	***22 775***	***2 679 377***

The Bank received the following assets by taking possession of the collateral provided to it as security or by exercising other credit quality improvement possibilities:

6.5

Assets acquired in exchange for loans	31 December 2023	31 December 2022
Residential property	81	-
Commercial property	138	-
Movable tangible assets	40	25
Total	**259**	**25**

Valuation methods

The aim of collateral valuation is to conduct advisable and stable evaluation of value, taking into consideration the fluctuation of market prices. The basis of the collateral valuation is provided by the collateral value (reflecting the value that can be realized on its own, independently from the course of business).

<u>Cash deposits</u>
In case of bails, if the type of the currency of commitments and collaterals is the same, the amount of bail can be taken into account in 100%.

<u>Securities</u>
The value of securities equals with the latest accessible market value. Revaluation is done in every sixth month.

<u>Mortgage</u>
In case of real estates the calculation of the collateral value is done on the basis of individual evaluation of the real estate on the occasion of reception, taking into account minimum correction factors determined by the Bank.

The Bank applies 3 main revaluation methods:
- evaluation by experts involved in the list,
- evaluation by the Bank's own experts involving relevant information provided by the 'list' experts,
- statistical method mostly in case of residential real estate.

<u>Guarantees</u>
In course of definition of collateral value, the probability of non-performance of the guarantee (depending on the quality of the guarantor), the Bank's outstanding relevant to guarantee and the empirical value on possibility of calling in guarantees are taken into considerations. The management and processes of such assets obtained are regulated in the Bank's Wholesale and Retail Debt to Asset / Debt to Equity Policy.

d) Liquidity risk

Liquidity risk is the risk that the Bank's cash flows may not be adequate to fund operations and meet commitments on a timely and cost-effective basis. This risk arises from mismatches in the timing of cash flows.

Liquidity risks can fundamentally be divided into two categories, and their subcategories:
- funding liquidity risk, including:
  - maturity (maturity mismatch) liquidity risk arising from the fact that the cash flows of assets and liabilities are not properly matched and maturing liabilities in certain periods exceed the amount of receivables due. The nearer the period of the mismatch, the more significant the risk.
  - withdrawal (massive withdrawal of funds before maturity) liquidity risk - funds are withdrawn prior to the contractual expiry.
  - structural liquidity risk - the risk of funds being renewed with difficulty and only at higher cost;
- market liquidity risk - the risk that a market position cannot be closed at the market price in the short term, only at a less favorable price, therefore the position will need to be maintained so that the proper market price can be realized, and this may require committing/using liquid assets.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the MBH's reputation.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to approval by the Board of Directors following the prior review and approval by the Asset-Liability Committee (hereinafter: "ALCO")

Liquidity risk means the Bank does not possess the necessary amount of cash and cash-equivalents to pay due and legitimate obligations.

Liquidity risks are curtailed by the following Bank-level limits:

- Liquidity coverage ratio (LCR)
- Net stable funding ratio (NSFR)
- Mortgage funding adequacy ratio (MFAR)
- Foreign Exchange Funding Adequacy Ratio (FFAR)
- Foreign exchange balance indicator (FEBI)
- Interbank Funding Ratio (IFR)
- 30-day changes in client money deposits
- Liquidity stress test
- Limits specified in the early warning system

The decisions by the management of the Bank are, however, also based on the liquidity gap between contractual inward and outward flows (net position), and therefore both financial assets and financial liabilities are rated in liquidity categories.

The below table shows the undiscounted contractual cash flows of the Bank's financial liabilities and loan commitments based on their earliest possible date of maturity. The disclosure for derivatives shows the gross inflow and outflow amount of derivatives (for example: forward exchange contracts and currency swaps).

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Contractual maturity of liabilities

6.6.1

31 December 2023	Carrying amount	Cash-flow	up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Financial liabilities measured at fair value through proft or loss	**141 377**	**1 146 662**	**652 649**	**200 364**	**104 986**	**92 153**	**96 510**
Derivative financial liabilities	119 620	1 124 905	630 892	200 364	104 986	92 153	96 510
Financial liabilities from short positions	21 757	21 757	21 757	-	-	-	-
Financial liabilities measured at amortised cost	**9 763 018**	**10 409 928**	**6 558 471**	**470 571**	**733 688**	**1 551 400**	**1 095 798**
Term deposits	2 709 149	2 709 148	1 947 573	459 084	268 512	23 890	10 089
Non-term deposits	4 141 625	4 141 625	4 141 625	-	-	-	-
Borrowed funds and other interbank loans granted	2 393 020	3 006 504	383 029	11 408	407 081	1 193 649	1 011 337
Issued debt securities	254 068	278 942	234	52	39 504	237 147	2 005
Subordinated debt	113 679	122 232	5 198	-	16 180	36 104	64 750
Leases	24 495	24 495	-	27	1 006	15 845	7 617
Other financial liabilities	126 982	126 982	80 812	-	1 405	44 765	
Hedging derivative liabilities	**17 018**	**17 018**	**-**	**-**	**-**	**10 622**	**6 396**
Total financial liabilities	**9 921 413**	**11 573 608**	**7 211 120**	**670 935**	**838 674**	**1 654 175**	**1 198 704**
Commitments	20 418	1 077 343	1 077 343				
Guarantees	2 141	683 687	683 687				
Other guarantees	124	5 211	5 211				
OFF B/S exposures	**22 683**	**1 766 241**	**1 766 241**	**-**	**-**	**-**	**-**

31 December 2022	Carrying amount	Cash-flow	up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Financial liabilities measured at fair value through proft or loss	**196 728**	**1 115 959**	**569 041**	**273 166**	**130 059**	**59 183**	**84 510**
Derivative financial liabilities	188 493	1 107 724	560 806	273 166	130 059	59 183	84 510
Financial liabilities from short positions	8 235	8 235	8 235	-	-	-	-
Financial liabilities measured at amortised cost	**6 417 607**	**6 591 286**	**4 393 995**	**315 144**	**273 737**	**1 083 863**	**524 547**
Deposits*	4 207 025	4 304 165	3 669 125	188 048	88 905	215 630	142 457
Borrowed funds and other interbank loans granted	2 039 360	2 098 868	654 264	126 606	176 509	805 519	335 970
Issued debt securities	12 906	12 906	-	-	6 188	6 500	218
Subordinated debt	88 887	105 918	1 177	490	2 135	56 214	45 902
Other financial liabilities	69 429	69 429	69 429	-	-	-	-
Hedging derivative liabilities	**158**	**158**	**-**	**-**	**-**	**158**	**-**
Total financial liabilities	**6 614 493**	**7 707 403**	**4 963 036**	**588 310**	**403 796**	**1 143 204**	**609 057**
Commitments	9 169	763 780	763 780				
Guarantees	962	512 852	512 852				
Other guarantees	56	4 834	4 834				
OFF B/S exposures	**10 186**	**1 281 466**	**1 281 466**	**-**	**-**	**-**	**-**

*The client deposits have been separated in the expiration table into deposits repayable on demand and fixed term deposits for 31 December 2023, the related risk modell has been developed in 2023 therefore expiration information is not given for the comparative information.

Data in HUF million unless stated otherwise

Expected maturity of liabilities

6.6.2.

31 December 2023	Carrying amount	Cash-flow	up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Financial liabilities measured at fair value through proft or loss	**141 377**	**1 146 662**	**652 649**	**200 364**	**104 986**	**92 153**	**96 510**
Derivative financial liabilities	119 620	1 124 905	630 892	200 364	104 986	92 153	96 510
Financial liabilities from short positions	21 757	21 757	21 757	-	-	-	-
Financial liabilities measured at amortised cost	**9 763 018**	**10 413 255**	**1 109 642**	**43 667**	**490 840**	**1 527 724**	**7 241 382**
Term deposits	2 709 149	2 709 149	393 234	29 893	20 537	1 196	2 264 289
Non-term deposits	4 141 625	4 141 625	247 135	-	-	-	3 894 490
Borrowed funds and other interbank loans granted	2 393 020	3 006 504	383 029	11 408	407 081	1 193 649	1 011 337
Issued debt securities	254 068	278 942	234	52	39 504	237 147	2 005
Subordinated debt	113 679	122 232	5 198	-	16 180	36 104	64 750
Leases	24 495	27 821	-	2 314	6 133	14 863	4 511
Other financial liabilities	126 982	126 982	80 812		1 405	44 765	-
Hedging derivative liabilities	**17 018**	**17 018**	**-**	**-**	**-**	**10 622**	**6 396**
Total financial liabilities	**9 921 413**	**11 576 935**	**1 762 291**	**244 031**	**595 826**	**1 630 499**	**7 344 288**
Commitments	20 418	1 077 343	1 077 343				
Guarantees	2 141	683 687	683 687				
Other guarantees	124	5 211	5 211				
OFF B/S exposures	**22 683**	**1 766 241**	**1 766 241**	**-**	**-**	**-**	**-**

31 December 2022	Carrying amount	Cash-flow	up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Financial liabilities measured at fair value through proft or loss	**196 728**	**1 115 959**	**569 041**	**273 166**	**130 059**	**59 183**	**84 510**
Derivative financial liabilities	188 493	1 107 724	560 806	273 166	130 059	59 183	84 510
Financial liabilities from short positions	8 235	8 235	8 235	-	-	-	-
Financial liabilities measured at amortised cost	**6 417 607**	**6 591 286**	**995 185**	**139 371**	**191 525**	**874 680**	**4 390 525**
Deposits*	4 207 025	4 304 165	270 315	12 275	6 693	6 447	4 008 435
Borrowed funds and other interbank loans granted	2 039 360	2 098 868	654 264	126 606	176 509	805 519	335 970
Issued debt securities	12 906	12 906	-	-	6 188	6 500	218
Subordinated debt	88 887	105 918	1 177	490	2 135	56 214	45 902
Other financial liabilities	69 429	69 429	69 429	-	-	-	-
Hedging derivative liabilities	**158**	**158**	**-**	**-**	**-**	**158**	**-**
Total financial liabilities	**6 614 493**	**7 707 403**	**1 564 226**	**412 537**	**321 584**	**934 021**	**4 475 035**
Commitments	9 169	763 780	763 780				
Guarantees	962	512 852	512 852				
Other guarantees	56	4 834	4 834				
OFF B/S exposures	**10 186**	**1 281 466**	**1 281 466**	**-**	**-**	**-**	**-**

*The client deposits have been separated in the expiration table into deposits repayable on demand and fixed term deposits for 31 December 2023, the related risk modell has been developed in 2023 therefore expiration information is not given for the comparative information.

Data in HUF million unless stated otherwise

During the contractual maturity gap analysis - to adequately determine liquidity risk - the fundamental aspect that needs to be considered is that the overwhelming portion of liabilities recorded in the liabilities column need to be regarded as automatically renewing liabilities based on contractual terms.

The Bank's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance; and loan commitments are not all expected to be drawn down immediately. Due to the significant difference between the expected and the contractual cash flows, the Bank's risk management department use both analyses to manage liquidity risk.

The expected outflow of customer deposits differs from contractual maturities because – based on historical data – the majority of depositors do not withdraw their deposit at maturity but roll it over or leave it on the account as sight deposit. The undrawn part of the deposit can thus be considered as stable stock, which is aggregated in the last time bucket.

The decision of the Management of the Bank, however, is also based on the liquidity gap (net position) between contractual expected in- and outflows, therefore both financial assets and liabilities are grouped into liquidity buckets.

The following table shows the gross amounts of financial current and non-current assets:

6.7.

31 December 2023	Carrying amount	Cash-flow	up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Cash and cash equivalents	**1 305 409**	**1 305 409**	**1 305 409**	-	-	-	-
Financial assets measured at fair value through proft or loss	**720 727**	**1 713 791**	**617 574**	**206 016**	**115 136**	**232 534**	**542 531**
Loans and advance payments	490 802	563 038	2 194	4 415	21 422	131 070	403 937
Securities	38 753	39 967	15	3	48	388	39 512
Derivative financial assets	191 172	1 110 786	615 364	201 598	93 666	101 075	99 083
Hedging derivative assets	**73 012**	73 012	634	315	2 912	14 205	54 946
Financial assets measured at fair value through other comprehensive income	**906 612**	**1 061 106**	**16 226**	**8 800**	**72 235**	**566 434**	**397 410**
Securities	906 612	1 061 106	16 226	8 800	72 235	566 434	397 410
Financial asset valued at amortized cost	**7 578 461**	**10 517 421**	**1 392 880**	**685 628**	**1 390 752**	**3 978 632**	**3 069 530**
Loans and advance payments	4 763 742	7 149 720	1 268 015	658 725	1 111 314	2 395 197	1 716 469
Securities	2 655 843	3 208 825	12 686	26 902	278 121	1 538 056	1 353 060
Other financial assets	158 876	158 876	112 179	-	1 317	45 380	
Total financial assets	**10 584 221**	**14 670 739**	**3 332 723**	**900 759**	**1 581 035**	**4 791 805**	**4 064 417**

The table above represents the gross amounts expected to be recovered or settled within time categories. Impairment on loans and advances to customers has an amount of HUF 251,753 million (2022: HUF 117,849 million).

c) Market risk

Market risk is the risk that changes in market prices, such as interest rate (interest rate risk), equity prices (equity risk), and foreign exchange rates (foreign exchange risk) will affect the Bank's income or the value of its holdings of financial instruments.

Management of market risks

As part of the Risk strategy, the Board of Directors approves the maximum amount and scope of market risks incurable by the Bank, ensured by a comprehensive limit structure broken down by relevant portfolios. The main market risk limit is arising from the annual capital allocation process based on ICAAP requirements.

ALCO is responsible for developing and monitoring the Bank's market risk management policies. ALCO has the overall responsibility for establishing and managing market risk policies for the Bank, within the framework of internal policies, covering risk management, assessment of risk and related limits, competence and decision-making mechanism, and regulation for breaches of limits, approved by the Board of Directors. The members of the ALCO are senior executives who have principal decision-making responsibilities for businesses throughout the whole Bank. At the operational level, market risk is managed by the Money and Capital Markets Managing Directorate on a bank-wide basis.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Bank separates its exposure to market risk between trading and non-trading portfolios.

Trading portfolios include those positions arising from market-making, customer business driven proprietary position-taking and other marked-to-market positions as designated. According to the risk strategy of the Bank there is no own account activity (proprietary trading) with the purpose of short term profit arising from market changes. Trading activities include transactions with debt and equity securities, foreign currencies, and derivative financial instruments.

Non-trading portfolios include positions that arise from the Bank's retail and commercial banking activity and the interest rate management of the Bank's retail and commercial banking assets and liabilities. The Bank's non-trading activities encompass all activities other than accounted for as trading transactions, including lending, accepting deposits, and issuing debt instruments.

Exposure to market risks – trading portfolios

The Bank manages exposure to market risk by establishing and monitoring various limits on trading activities. These limits include:

- Product volume limits define maximum aggregate amounts of trading products and contracts that the Bank may hold at any time.
- FX position limits restrict the long and short position for each currency and the total net amounts of FX positions that can be held in the trading and banking books.
- VaR limits: The VaR limit of a trading portfolio is the estimated maximum loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). MBH Bank applies historical and parametric VaR method with 1-day holding period at 99% confidence level.
- PLA (Potential Loss Amounts) limits define maximum amount of loss that the Bank is willing to assume.

The VaR model used is based mainly on historical data. Taking account of market data from the previous one year (250 business days in case of historical VaR and and 100 business days in case of parametric VaR), and observed relationships between different markets and prices, the model calculates both diversified and undiversified total VaR, and VaR by risk factors such as interest rate, equity and currency VaR.

Data in HUF million unless stated otherwise

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- VAR only covers “normal” market conditions.
- The VaR measure is dependent upon the Bank’s position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The overall structure of VaR limits is subject to review and approval by ALCO. VaR limits are allocated to trading portfolios. VaR is measured on a daily basis. Daily reports of utilisation of VaR limits are prepared by the Bank’s Risk Unit and regular summaries are submitted to ALCO.

A summary of the VaR position of the Bank’s trading portfolios (i.e. only its trading book) as at 31 December 2023 and during the period is as follows:

6.8

2023	Average	Maximum	Minimum	Stress (15%)
Foreign currency risk	48	426	4	881
Interest rate risk	196	623	72	-
Equity risk	3	6	2	-
Overall market risk of trading book	**247**	**1 055**	**78**	**881**

2022	Average	Maximum	Minimum	Stress (15%)
Foreign currency risk	126	563	2	170
Interest rate risk	157	493	72	-
Equity risk	5	58	2	-
Overall market risk of trading book	**288**	**1 114**	**76**	**170**

Important notes in connection with the table above:

- MBH applies historical and parametric VaR for general market risk:
  - Historical VaR: (1 day holding period; 99% confidence level, number of observation: 250 business days),
  - Parametric VaR: Risk metrics methodology (1 day holding period; 99% confidence level, 0.94 decay factor, number of observation: 100 business days).

  The Bank calculates credit spread risk based on swap and bond yield curves and separate it from general interest rate risk.
- Bank calculates VaR only on trading-book position.
- There is no commodity in MBH position.
- MBH does not have a significant open position from options therefore there is no volatility VaR calculation.

Data in HUF million unless stated otherwise

A potential adverse 15% change in the FX rates (HUF appreciation for long position and HUF depreciation for short position) would cause HUF 225 million losses based on the year-end FX open position.

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows of financial instrument because of a change in market interest rates.

The management of interest rate risk is supplemented by monitoring the sensitivity of the financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis point parallel fall or rise in all yield curves worldwide.

ALCO is the monitoring body for compliance with approved limits and is assisted by Risk Controlling in its monitoring activities. A summary of the Bank’s interest rate gap position on non-trading portfolios is as follows:

At the end of the reporting period the interest rate profile of the Bank’s interest-bearing financial instruments was (stress calculations are done only for the main 3 currencies, HUF, EUR and USD):

The Bank’s sensitivity to the increase or decrease in market interest rates per currency:

6.9

Net foreign currency position*	31 December 2023			Total
	HUF	EUR	USD	
Fixed rate assets	5 436 980	787 891	122 954	6 347 825
Variable rate assets	2 973 941	781 286	2 274	3 757 501
Total assets	**8 410 921**	**1 569 177**	**125 228**	**10 105 326**
Fixed rate liabilities	(6 742 135)	(1 614 691)	(278 130)	(8 634 956)
Variable rate liabilities	(788 960)	(98 060)	(2)	(887 022)
Total liabilities	**(7 531 095)**	**(1 712 751)**	**(278 132)**	**(9 521 978)**

*derivatives and not relevant for interest items are not included in the table

Net foreign currency position*	31 December 2022			Total
	HUF	EUR	USD	
Fixed rate assets	3 612 778	491 599	69 849	4 214 170
Variable rate assets	2 161 282	457 000	758	2 619 474
Total assets	**5 774 060**	**948 599**	**70 607**	**6 833 644**
Fixed rate liabilities	(4 773 801)	(1 185 348)	(214 708)	(6 201 414)
Variable rate liabilities	(233 889)	(9 211)	(70)	(243 179)
Total liabilities	**(5 007 690)**	**(1 194 559)**	**(214 778)**	**(6 444 593)**

*derivatives and not relevant for interest items are not included in the table

By decomposing the cyclical and trend components, the core stock is determined on the basis of historical data, and its separation into a fixed and an interest rate sensitive floating part can be quantified from the correlation between bank interest rates and market interest rates.

Data in HUF million unless stated otherwise

An analysis of the Bank's sensitivity to an increase or decrease in market interest rates by foreign currencies is as follows:

6.10.1

2023	Effect on equity	Effect on P/L
HUF		
200 bp increase	14 053	761
200 bp decrease	(18 533)	(19 882)
EUR		
200 bp increase	(4 615)	345
200 bp decrease	4 808	(6 492)
USD		
200 bp increase	(1 686)	143
200 bp decrease	1 862	(916)

2022	Effect on equity	Effect on P/L
HUF		
200 bp increase	3 951	5 551
200 bp decrease	(5 338)	(13 557)
CHF		
200 bp increase	(36)	(53)
200 bp decrease	38	(86)
EUR		
200 bp increase	5 534	(1 991)
200 bp decrease	(7 257)	(5 673)
USD		
200 bp increase	3 550	2 299
200 bp decrease	(4 131)	(2 385)
Other currencies		
200 bp increase	-	192
200 bp decrease	-	(73)

6.10.2

2023			
			in HUF millions
FCY	Yield curve stress + 200 Bp	Yield curve stress - 200 Bp	Adverse case
EUR	(4 615)	4 808	(4 615)
USD	(1 686)	1 862	(1 686)
Total	**(6 301)**	**6 670**	**(6 301)**

2022			
			in HUF millions
FCY	Yield curve stress + 200 Bp	Yield curve stress - 200 Bp	Adverse case
EUR	5 534	(7 257)	(7 257)
USD	3 550	(4 131)	(4 131)
CHF	(36)	38	(36)
GBP	(7)	7	(7)
Others	3 958	(5 345)	(5 345)
Total	**12 999**	**(16 688)**	**(16 776)**

The following table presents the sensitivity of the net present value (hereinafter: "NPV") of the Bank's trading and banking book position in case of a parallel 200 bp movement in market conditions.

6.11

Book type	31 December 2023		
	HUF	EUR	USD
Trading	(640)	(56)	(4)
Banking	(18 533)	(4 615)	(1 686)

Book type	31 December 2022		
	HUF	EUR	USD
Trading	(486)	(601)	(2)
Banking	(5 338)	(7 257)	(4 131)

Data in HUF million unless stated otherwise

Exposure to other market risks – non-trading portfolios

The Bank is exposed to foreign exchange risk through its holdings of financial instruments denominated in foreign currencies. Exchange risk management aims to reduce the adverse impact of potential changes in the market value of foreign currency financial instruments induced by exchange rate fluctuations. The Bank's financial position in foreign currencies at the end of the reporting periods was as follows:

6.12

2023	In foreign currencies				Total
	USD	EUR	CHF	Other	
Net assets	141 228	1 563 852	11 253	31 365	1 747 698
Net liabilities	(295 569)	(1 793 980)	(20 101)	(104 381)	(2 214 031)
Net derivative and spot instruments (short) / long position	154 188	234 840	9 431	73 255	471 714
Total net currency positions	**(153)**	**4 712**	**583**	**239**	**5 381**

2022	In foreign currencies				Total
	USD	EUR	CHF	Other	
Net assets	22 682	922 785	7 711	29 398	982 576
Net liabilities	(209 992)	(1 188 035)	(19 137)	(19 328)	(1 436 492)
Net derivative and spot instruments (short) / long position	187 147	265 813	11 412	(10 105)	454 267
Total net currency positions	**(163)**	**563**	**(14)**	**(35)**	**351**

Credit spread risk from non trading activities

Risk driven by changes of the market price for credit risk, for liquidity and for potentially other characteristics of credit-risky instruments, which is not captured by another existing prudential framework such as IRRBB or by expected credit/(jump to-) default risk. Credit spread risk captures the risk of an instrument's changing spread while assuming the same level of creditworthiness, i.e. how the credit spread is moving within a certain rating/PD range.

Managing and monitoring credit spread risk

The framework of credit spread risk management is defined in the risk strategy. According to this risk strategy credit spread risk may be taken only within the approved limits. Credit spread risk is managed by the Asset-Liability Management and Money and Capital Market Managing Directorates. Bank's Risk Unit is responsible for measuring credit spread risk, controlling limit utilisations and reporting it to ALCO.

Risk measurement

Similar to the general interest rate risk measurement the Bank establishes the credit spread risk figures based on the present value of future cash flows.

f) Operational risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk, conduct risk, reputational risk, modelling risk and information and communication technology (ICT) risk. Operational risk does not include business and strategic risks.

Procedure

The principles, rules and procedures that serve to properly identify, manage and monitor operational risk are defined in the Risk Strategy and in the OpRisk Policy.

Risk measurement

Until 30 of September, 2023 the operational risk capital requirement of MBH Bank Plc. is calculated by using The Standardised Approach (TSA) both at single and group level, from 31 of December, 2023 as a result of the methodological harmonization process, the Bank apply the Basic Indicator Approach (BIA). Under the Basic Indicator Approach, the own funds requirements for operational risk is equal to 15 % of the average over three years of the relevant indicator (gross income).

Risk management and monitoring

The system that serves to evaluate operational risk is fully integrated in the Bank’s risk management process and in the work processes.

The centralised unit of the Bank’s operational risk management is the OpRisk Management that is responsible for the establishment and maintenance of the internal regulation and organisation of operational risk management and for the establishment and coordination of the Oprisk management methods and tools. Besides, its task is to ensure proper loss data collection and in connection with that the reporting obligations.

Besides the OpRisk Management, OpRisk Champion Network (extended to the whole organisation) were established that identify, report and manage operational risks and their tasks and responsibilities are included in the oprisk regulations. The OpRisk Management keeps independent control over the OpRisk Champions that are assigned in the various units and responsible for managing operational risk and reporting of loss events.

At group level theOpRisk Management of MBH Bank determines the operational risk regulations required from the subsidiaries, and also the framework for operational risk management at group level and in this respect supervises the subsidiaries as well. The centralised and decentralised operational risk management units have also been established in the subsidiaries that have loss data collection and reporting obligation towards the OpRisk Management of MBH.

The OpRisk Management of MBH prepares a report on the current status of the operational risk management of the Bank and of the subsidiaries for the Board of Directors on a quarterly basis. The Bank fulfils oprisk COREP data delivery to NBH on half-yearly basis.

Business Continuity Planning

In order to undisturbedly maintain the Bank’s operational processes it is necessary to evaluate the potential risks and the potential damages resulting from the fallout of the processes. This analysis and the procedures needed to maintain the functionality of the Bank’s organisation is included in the Business Continuity Regulation and Plans (BCP). The BCP includes measures that have to be taken when the processes that are critical regarding the Bank’s operation and (eg. IT) resources that support these processes get damaged or become unmaintainable.

Membership of the Hungarian Interbank Operational Risk Database (HunOR)

The Bank is one of the foundation members of the Hungarian Interbank Operational Risk Database (HunOR) and reports their loss data towards regularly and anonymously.

g) Concentrations of risk

The purpose of the Bank is to maintain a balanced portfolio composition and to keep the concentration risk within an acceptable limit. Managing the concentration risk is operated by unique and portfolio based limits. Measurement of the portfolio based concentration risk is prepared by applying concentration figures in case of both the limits and the calculation of equity requirements. To cover non-planned losses derived from concentration risks the appropriate level of equity is required to ensure by the Group. The Bank limits the geographical concentration with the concentration of portfolios by countries.

The risk strategy of the Bank involves the following limits determining the risk appetite:

- Proportion of the top 10 client portfolio in the corporate loan portfolio (%),
- Proportion of the corporate clients worse than internally determined level of rating,
- Sector limits (billion HUF),
- Sector concentration (%) – industry with the highest proportion
- Product limits (billion HUF),
- Country risk limits (billion HUF),
- Portfolio concentration denominated in corporate currency (%),
- Shadow-banking limits.

On Bank level regular report is prepared on the most important dimensions of the concentration risk for the relevant committees of the Bank management institution and for the Board of directors.

Calculation of the sectoral concentration applies to items outside the trading book (banking book), with the exception of the composite bond portfolio. The sectoral limit is determined based on the principle that the Bank cannot not suffer a loss exceeding 25% of its solvency margin if solvency problems emerge in any sector, assuming that 10% of the existing net exposure to concentration will not be recovered due to the problems of the sector. Based on the above-mentioned considerations, the sectoral limit cannot be higher in any of the sectors than 250% of the solvency margin.

Data in HUF million unless stated otherwise

h) Encumbered assets

Encumbered assets according to 680/2014/EU Commission Implementing Regulation at the end of the periods were the following:

6.13

Encumbered assets	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets of the reporting institution				
Loans on demand	77	77	156	156
Debt securities	1 251 100	1 191 655	849 604	640 297
Loans and advances other than loans on demand	879 465	879 465	250 465	250 464
Total	**2 130 642**	**2 071 197**	**1 100 225**	**890 917**

6.14

Collateral received and own debt securities issued	Fair value of encumbered collateral received or own debt securities issued	Non-encumbered	
		Fair value of collateral received or own debt securities issued available for encumbrance	Nominal value of collateral received or own debt securities issued non available for encumbrance
31 December 2023			
Collateral received by the reporting institution			
Loans on demand	-	14 444	
Equity instruments	-	85 073	
Debt securities	17 532	93 874	114 728
Loans and advances other than loans on demand	-	-	351 946
Other collateral received	536 605	5 713 130	2 654 734
Total	**554 137**	**5 906 521**	**3 121 408**
31 December 2022			
Collateral received by the reporting institution			
Loans on demand	-	15 874	-
Equity instruments	-	22 862	-
Debt securities	-	160 036	2 281
Loans and advances other than loans on demand	-	-	105 634
Other collateral received	883 934	5 436 674	1 067 787
Total	**883 934**	**5 635 446**	**1 175 702**

The total of Bank's encumbered assets belonged to MBH Bank. The main sources and types of encumbrance were arising from having corporate loans covered by NBH, secured refinancing, from collaterals of mortgage loans, money market deposits as well as collateralized derivative transactions and repo transactions, furthermore the Bank took the opportunity to borrow unconditional fixed-rate secured loan granted by NBH. Encumbrance due to collateral requirement of used clearing systems and central counterparties was not significant. MBH did not have covered bonds issued or securitization. The most significant secured refinancing facilities were participating in the "Funding for Growth Scheme" refinancing loan program of the NBH. The majority of collateralized derivative transactions were concluded to hedge on balance sheet FX position and interest rate.

i) Forborne assets

During the normal course of business, the Bank enters into forbearance measures to decrease the potential loan loss and maximize collection opportunities for the borrowers who have problems with their payment ability but not with their willingness and capacity to pay.

Restructured exposures are renegotiated, rescheduled (prolonged) or otherwise revised loans, receivables and credits (including also purchased ones) originated in the framework of an amendment or termination of a previously concluded contract, initiated either by the borrower or the Bank, where

- the contract is amended in order to avoid default because the borrower is unable to fulfil its payment obligations in compliance with the conditions of the original contract due to significant deterioration in its financial position or payment ability, and
- the amendments significantly change the original terms and conditions of the outstanding contract largely in favor of the borrower, as compared to the market terms and conditions generally applicable to contracts of the same type and concluded under the same conditions, or
- a supplementary agreement or a new contract is concluded between the borrower and the Bank that relates to a new loan provided for the repayment of the outstanding debts (principal and / or interest) arising from the original contract that is not terminated, or to any further commitment assumed to avoid any increase in the credit risks and to mitigate the possible loss.

Under its forbearance policies, the Bank grants loan forbearance on a selective basis where the borrower is in default on its debt, or there is a high risk of future default, and there is evidence that the borrower made all reasonable efforts to pay under the original contractual terms, and it is expected that the borrower will be able to meet the revised terms. Both corporate and retail loans are subject to forbearance policies.

The Bank generally applies the following types of forbearance measures:

- extension of the tenor / final maturity of the loan,
- renegotiation of original repayment schedule, reschedule instalments,
- agreement on instalment payment,
- reduction of the collateral coverage parallel reducing exposure,
- refinancing of the loan,
- interest rate cut, or lower conditions,
- interest capitalization.

Such exposures and associated credit risks are managed, monitored and reported distinctly by specific restructuring and debt management units of the Bank on the basis of guidelines and procedure rules set by internal regulations incorporating also both legal and supervisory requirements and recommendations. When the conditions of forbearance cease to exist and the following cure period expires, respective assets are returned to normal / business treatments both from business and risk management perspectives. Based on qualitative and quantitative information the Bank terminate the forborne status of non-performing loans. After 1 year the fulfilment of non-default requirements, and after a further 2 years the fulfilment of monitoring period requirements, the forborne status of non-performing loans are reverting to normal treatment.

To revert to normal treatment regarding corporate customers, additional criteria is that the customer performs its amended contractual obligations duly through a specified period (90 days or 365 days) and its risk position shows significant improvement. The amended terms and conditions of the contract are indicated in the records. Recognition, derecognition and subsequent valuation of these assets are carried out according to the general rules of accounting as specified by the relevant IFRSs.

Data in HUF million unless stated otherwise

The detailed requirements of risk classification and impairment valuation of forborne exposures are included in the accounting policies, and other internal regulations on the valuation of assets and liabilities, as well as in impairment and provisioning policies. Based on these internal guidelines, forbearance measures are regarded as impairment triggers and, as a consequence, impairment assessment should be performed for such exposures where the general methodologies and principles of assessment are to be applied. On the results of such risk assessments, impairment losses and the reversals of previously charged impairments are accounted for according to the common rules defined by IFRS 9.

Compared to the previous financial year, there were no changes in forbearance policies and in practices applied by the Bank. The forbearance definition changed due to the legislative change that came into effect in January, 2021. That change has an effect on the definition of place of treatment (Unit). Before the decision making, it is obligatory to examine and define the effect of proposed construction (modification of the contracts), forborne contract on the NPV in all the cases of clients to forborne, treated by Business Units. If the change of NPV would be higher than 1%, thus the treatment should be transferred to the Restructuring and Debt Management Unit.

The government of Hungary imposed a payment moratorium on agricultural sector loans from September 2022 until the end of 2023 to ease the burden on the sector, so these loans can be restructured either after the end of the moratorium (31 December , 2023) or in the event of a voluntary withdrawal.

The last period of the repayment moratorium related to the pandemic situation was closed on December 31, 2022, therefore during 2023 in accordance with the legal requirements for the trial period, a continuous decrease of the portfolio restructured due to the moratorium can be experienced.

The Bank’s forborne portfolio at the end of the reporting periods was as follows:

6.15

Forborne portfolio	31 December 2023	31 December 2022
Retail and Private Banking		
Forborne financial assets	136 453	124 449
Allowances for impairment	(24 488)	(19 458)
Carrying amount	**111 965**	**104 991**
Corporate Banking		
Forborne financial assets	53 499	63 349
Allowances for impairment	(17 297)	(11 937)
Carrying amount	**36 202**	**51 412**
Total carrying amount	**148 167**	**156 403**

Data in HUF million unless stated otherwise

j) Capital management

The Bank's lead regulator, the NBH sets and monitors capital requirements for the Bank as a whole.The Bank measures the pillar 1 and pillar 2 risks and the Bank's Asset and Liability Management Committee (ALCO) monitors the results using a monthly reporting framework.

The calculations are CRR (575/2013/EU regulation) compliant. In 2023, the Bank complied with prudential regulations at all times, no limits were breached. Based on NBH's decision no. H-EN-I-387/2023 Regulatory capital includes reserves of the Central Organization of Integrated Credit Institutions, therefore the table of regulatory capital shows the capital adequacy of the entire scope of prudential consolidation. The Group calculated the solvency capital according to the regulations of CRR, therefore it contains no transitional adjustments.

The following table shows the breakdown of the capital adequacy ratio of the Bank:

6.16

	31 December 2023 Basel IV IFRS	31 December 2022 Basel IV IFRS
Share capital	322 530	321 699
Outstanding share capital	***322 530***	***321 699***
Reserves*	703 305	217 041
Deferred tax	(11 502)	(14 797)
Intangible assets	(47 173)	(44 206)
AVA - additional valuation adjustments	(1 859)	(1 192)
Additional Tier 1		
Tier 1: Net core capital	***965 301***	***478 545***
Subordinated debt	76 682	42 985
Tier 2: Supplementary capital	***76 682***	***42 985***
Regulatory capital	**1 041 983**	**521 530**
Risk-weighted assets (RWA)	3 192 587	1 919 106
Operational risk (OR)	1 013 549	506 011
Market risk positions (MR)	12 762	10 147
Total risk weighted assets	***4 218 898***	***2 435 264***
Capital adequacy ratio	**24.70%**	**21.42%**

*Included regulatory adjustments to core Tier 1 capital

As at 31 December 2023, as an actual figure of the Bank regulatory Tier 1 capital was HUF 892 billion based on CRR under Supervisory Regulation.
Risk-weighted assets including operational and market risk increased from HUF 2,435.3 billion to HUF 4,295.1 billion.
By application of capital management as a tool, the capital is a first priority decision making factor; therefore, the Bank monitors the changes of the capital elements continuously.

The Bank has complied with the regulatory capital requirements in both 2023 and 2022.

Data in HUF million unless stated otherwise

k) Sustainability activity (ESG)

The Bank firmly believes it has a responsibility towards sustainability, firstly as a financial institution, in the lending and investment practices, and secondly in the operations. The Bank aims to be a key participant in the achievement of a sustainable economy and is committed to sustainability and climate goals in day-to-day operations, internal processes, employee community, and through business strategy alike. MBH Bank is fortunate to have an immense legacy to build on from its three former member banks. Since the merger, they have sought to preserve and develop the best practices of the former member banks in the areas of corporate social responsibility and sustainability. Building on this legacy, the Bank has taken some major steps forward in their ESG efforts over the past year.

As part of the Bank's ESG aims, last year an ESG and Sustainability Department has been set up to manage sustainability-related projects and processes in an integrated and cross-functional way. The Bank has developed its ESG strategy, integrating existing operational initiatives from its heritage into a strategic framework. At the end of 2022, MBH Bank strengthened its ESG commitment by becoming a signatory to the UN Principles for Responsible Banking. MBH Bank also wants to set an example to the market participants and partners by reducing its ecological footprint and by operating responsibly, one of the key pillars of its ESG strategy therefore revolves around climate neutrality. MBH Bank launched its own Net Zero project earlier this year to calculate its carbon emissions. As a next step, MBH Bank plans to work hand in hand with an internationally recognised environmental organisation to make the most innovative and environmentally accurate decisions to reduce its footprint and offset any emissions that cannot be reduced further.

It is the vision of the Bank to be a responsible partner in green finances, leading efforts to promote green finance and sustainable investing, to create a range of products and services that help both retail and corporate clients to achieve sustainable and climate goals. One of its aims is to understand the clients' ESG operations so that the Bank can actively cooperate with them in this respect and are continuously working on developing and launching new green loan products.

7. Cash and cash equivalents

7.1

	31 December 2023	31 December 2022
Cash	78 517	49 961
Receivables against central banks	1 094 825	673 635
Other current receivables from banks	132 067	357 562
Cash and cash equivalents	**1 305 409**	**1 081 158**

In December 2023 the MBH Bank calculated the current regulatory reserve, based on the Statement of Financial Position of March 2023, the lowest eligible value of the reserve was 10-15%. The balance of the reserve was 10% in December 2023 which amounted to HUF 654,888 million (2022: 7%, HUF 311,109 million).
The NBH pays the value of the current base rate of the central bank if there was over reserve in the accounts – similarly to the payable interest of the obligatory reserve.
At the end of December 2023 the cash on hand amounted to HUF 78,517 million (2022: HUF 49,961 million).

In connection with the merge of Takarékbank, the amount of cash and cash equivalents increased by HUF 440,747 million.

Data in HUF million unless stated otherwise

8. Loans and repurchase agreements to banks

8.1

Loans and advances and repurchase agreements to banks	31 December 2023	31 December 2022
Interbank term deposits	8 256	335 171
Interbank loans granted	450 608	113 601
Allowance for impairment at the end of period	(1 978)	(145)
Loans and advances to banks total	**456 886**	**448 627**
Repurchase agreements to banks (gross amount)	28 392	8 010
Loans and advances and repurchase agreements to banks total	**485 278**	**456 637**

9. Derivative financial assets and liabilities including hedges

9.1

	31 December 2023		31 December 2022	
	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
Derivative instruments by type				
Swaps-FX	2 132	1 304	1 812	20 961
Swaps-interest rate	168 954	100 454	240 216	157 337
Swaps- cross currency interest rate	12 614	2 948	19 797	2 931
Forwards	2 572	2 621	3 723	6 130
Options	4 871	1 976	803	668
Futures	29	19	196	466
Forward stock index	-	10 298	1 036	-
Total	**191 172**	**119 620**	**267 583**	**188 493**

9.2

	31 December 2023		31 December 2022	
	Face value of interest rate swaps in hedge relationships	Fair value difference of IRSs in hedge relationships	Face value of interest rate swaps in hedge relationships	Fair value difference of IRSs in hedge relationships
Macro hedge - Asset	250 452	34 362	265 898	75 522
Macro hedge - Liability	49 402	(4 230)	-	-
Micro hedge - Asset	298 861	38 650	332 576	67 352
Micro hedge - Liability	175 435	(12 788)	16 624	(158)
Total		**55 994**		**142 716**

On December 31, 2023, HUF 299,9 billion value of fixed rate loan and interest rate swaps were stocked in hedge (including macro and micro hedge).

Data in HUF million unless stated otherwise

9.3

	2023				2022		
	Fix-interest loans	Securities*	Interest rate swaps	Net profit/loss	Fix-interest loans	Interest rate swaps	Net profit/loss
Macro hedge - Positive fair value change	58 094		4 005		31 633	45 393	
Macro hedge - Negative fair value change	(3 257)		(53 241)		(45 950)	(20 851)	
Total	**54 837**	**-**	**(49 236)**	**5 601**	**(14 317)**	**24 542**	**10 225**

	2023				2022		
	Fix-interest loans	Securities*	Interest rate swaps	Net profit/loss	Securities*	Interest rate swaps	Net profit/loss
Micro hedge - Positive fair value change	1 462	77 622	15 082		29 942	48 004	
Micro hedge - Negative fair value change	(55)	(12 881)	(91 267)		(43 222)	(35 470)	
Total	**1 407**	**64 741**	**(76 185)**	**(10 037)**	**(13 280)**	**12 534**	**(746)**

*Securities valued at amortised cost and fair value through other comprehensive income

In 2023 the Bank accounted for a loss of HUF 49.2 billion on interest swaps in hedging relationships.
The Bank accounted for a profit of HUF 54.8 billion on changes in interest risks related to the hedged fixed interest bearing loans which are stated in the balance sheet line “Loans and advances to customers” The HUF 54.8 billion profit on loans is the sum of + HUF 3.4 billion amortisation of the previous years' losses and HUF 51.4 billion profit on the fixed rate interest loans

An unamortised sum of HUF 3.2 billion arising from closed hedging relationships is recorded in the balance sheet line “Fair value change of hedged items in portfolio hedge of interest rate risk”.

The ineffective part of micro hedge transactions was HUF -10,037 million.

9.4

	31 December 2023	31 December 2022
Fair value change of hedged items in portfolio hedge of interest rate risk - Statement of Financial Position	**3 159**	**(51 678)**
Financial assets measured at amortised cost - Fair value change of hedged items in micro-hedge of interest rate risk - Statement of Financial Position*	**35 962**	**(13 280)**
Financial assets measured at amortised cost - Fair value change of hedged items from loan hedging transactions (micro-hedge) – Statement of Financial Position	**(2 182)**	**-**
Results from hedge accounting, net	**(4 436)**	**9 479**

*Securities valued at amortised cost and fair value through other comprehensive income

Data in HUF million unless stated otherwise

9.5

31 December 2023	Maturity breakdown of hedges by face value					Total
	within 1 month	1-3 months	3-12 months	1 - 5 years	beyond 5 years	
MACRO-HEDGE expiration - notion	11 700	7 000	30 137	128 527	122 489	**299 853**
IRS involved with a nominal value-weight	2.07%	2.39%	1.47%	4.32%	3.31%	
MICRO-HEDGE expiration - notional value			8 906	167 434	300 955	**477 295**
IRS involved with a nominal value-weighted fixed interest rate			0.91%	7.33%	4.04%	

31 December 2022	Maturity breakdown of hedges by face value					Total
	within 1 month	1-3 months	3-12 months	1 - 5 years	beyond 5 years	
MACRO-HEDGE expiration - notion	220	3 959	33 121	123 499	105 099	**265 898**
IRS involved with a nominal value-weight	0.75%	0.97%	1.58%	2.35%	2.92%	
MICRO-HEDGE expiration - notional value				155 270	193 930	**349 200**
IRS involved with a nominal value-weighted fixed interest rate				7.78%	3.62%	

Offsetting of financial assets and liabilities

This disclosure represents the financial instruments that are set off or that are subject to an enforceable master netting agreement or similar agreement, irrespective whether they are set off or not.

As of 31 December 2023 the Bank has no enforceable master netting agreement or similar agreement which should be set off in accordance with IAS 32.42.

The below table represents all the amounts that could potentially have been subject to an enforceable master netting agreement or similar agreement that are recognized financial instruments. As these agreements and the amounts related to them as financial collateral do not meet some or all offsetting criteria in IAS 32.42., the Bank does not apply offsetting to either of them. This is because the agreements constitute rights for an offset that is enforceable only in case of default, insolvency or bankruptcy of the Bank or its counterparties. In addition the Bank or the counterparties do not intend to settle on a net basis or realize the assets and settle the liabilities simultaneously.

Similar agreements include derivative clearing agreements, global master repurchase agreements. Similar financial instruments include derivative, sale and repurchase agreements and reverse sale and repurchase agreements. Financial instruments such as loans and deposits are not disclosed in the tables below unless they are in the Statement of Financial Position.

The Bank receives and gives collateral in the form of cash and marketable securities in respect of following transactions:

- derivatives;
- sale and repurchase agreements, reverse sale and repurchase agreements.

Such collateral is subject to standard industry terms, including an ISDA Credit Support Annex.

The table below presents the potential effect of the not implemented offsetting as well.

Data in HUF million unless stated otherwise

9.6

31 December 2023 Offsetting and enforceable master netting arr	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
				Financial instruments	Cash collateral received	
Derivative financial assets	264 184		264 184		48 000	216 184
Repurchase assets	34 533		34 533	34 533		-
Total assets subject to offsetting, master netting and similar agreement	**298 717**	**-**	**298 717**	**34 533**	**48 000**	**216 184**
Derivative financial liabilities	141 377		141 377		5 867	135 510
Repurchase liabilities	68 752		68 752	68 752		-
Total liabilities subject to offsetting, master netting and similar agreement	**210 129**	**-**	**210 129**	**68 752**	**5 867**	**135 510**

31 December 2022 Offsetting and enforceable master netting arr	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
				Financial instruments	Cash collateral received	
Derivative financial assets	341 504		341 504		224 820	116 684
Repurchase assets	9 080		9 080	9 080		-
Total assets subject to offsetting, master netting and similar agreement	**350 584**	**-**	**350 584**	**9 080**	**224 820**	**116 684**
Derivative financial liabilities	171 320		171 320		150 183	21 137
Repurchase liabilities	73 429		73 429	73 429		-
Total liabilities subject to offsetting, master netting and similar agreement	**244 749**	**-**	**244 749**	**73 429**	**150 183**	**21 137**

Data in HUF million unless stated otherwise

10. Securities

10.1

Securities measured at FVTOCI	31 December 2023	31 December 2022
Government Treasury bills	10	4 562
Hungarian Government bonds	504 224	332 742
Hungarian corporate sector bonds	366 543	79 976
Hungarian shares	388	-
Foreign shares	29	-
Senior Mortgage Bonds	36 730	11 743
Less allowance for impairment	(1 312)	(503)
Total	**906 612**	**428 520**

Securities measured at AC	31 December 2023	31 December 2022
Hungarian Government bonds	2 154 880	1 551 352
Hungarian corporate sector bonds	458 953	207 319
Senior Mortgage Bonds	48 133	16 503
Less allowance for impairment	(6 123)	(2 258)
Total	**2 655 843**	**1 772 915**

Securities held for trading	31 December 2023	31 December 2022
Government Treasury bills	12	133
Hungarian Government bonds	751	8 033
Hungarian corporate sector bonds	187	161
Hungarian shares	67	107
Total	**1 017**	**8 434**

Securities mandatorily at FVTPL	31 December 2023	31 December 2022
Hungarian shares	14 505	-
Foreign shares	2 842	1 856
Investment fund shares	20 389	16 160
Total	**37 736**	**18 017**

The amount of impairment of the FVTOCI financial assets, which is accounted for between other comprehensive income reserve and profit or loss, does not decrease the carrying amount of the financial assets.

The amount of debt securities measured at FVTOCI was HUF 906,195 million at the end of the reporting period. (2022: HUF 428.520 million) The amount of equity securities measured at FVTOCI was HUF 417 million at the end of the reporting period (2022: HUF 0 million).

In connection to the increase of the prevailing interest rate the revaluation on financial assets measured at FVTOCI changed to HUF 51,283 million from HUF 3,693 million. The effect on deferred tax is disclosed in Note 32.

At 31 December 2023, HUF 1,192,655 million (2022: HUF 776,175 million) from the total amount of Securities were pledged as collateral for stock exchange, for NBH related to Funding for Growth Scheme and credit card transactions in the ordinary course of business.

As at 31 December 2023 the total amount of revaluation reserve was HUF 56,431 million (2022: HUF (26,362) million).

In 2023, HUF 2,349 million gain on sale (2022: HUF 36,106 million loss) was recognized in the profit or loss relating to securities measured at FVTOCI, which is a reclassification from other comprehensive income into profit or loss.

Related to debt securities measured at amortised cost HUF 179,825 million interest income (2022: HUF 79,033 million) was recognized in the Statement of Profit or Loss and Other Comprehensive Income during the year.

At 31 December 2023, the carrying amount of the Stage 1 securities is HUF 3,590,405 million (2022: HUF 2,497,157 million) and the carrying amount of the Stage 2 securities is HUF 10,711 million (2022: HUF 155,095 million) and the carrying amount of Stage 3 securities in HUF 93 million.
The Bank classified only securities measured at amortised cost into the Stage 2 and Stage 3 securities.

As a result of the merger of Takarékbank the value of Hungarian shares measured at fair value through profit or loss rose by HUF 7,520 million.

Data in HUF million unless stated otherwise

11. Loans and repurchase agreements to customers

The following table presents the loans and repurchase agreements to customers at AC and FVTPL

11.1

Loans and repurchase agreements to customers	Carrying amount	
	31 December 2023	31 December 2022
Loans and repurchase agreements to customers measured at amortized cost		
Loans and advances to customers	4 272 323	2 565 343
Repurchase assets to customers	6 141	1 070
Total	**4 278 464**	**2 566 413**
Loans and repurchase agreements to customers measured at fair value through profit or loss		
Loans and advances to customers	490 802	182 875
Total	**490 802**	**182 875**

Loans and repurchase agreements to customers measured at AC

11.2

31 December 2023	Gross amount	Allowance for impairment Stage 1	Allowance for impairment Stage 2	Allowance for impairment Stage 3/POCI	Allowance for impairment	Carrying amount
Retail	1 300 266	(15 276)	(19 366)	(51 542)	(86 184)	1 214 082
Wholesale	3 230 554	(42 256)	(86 949)	(36 967)	(166 172)	3 064 382
Total	**4 530 820**	**(57 532)**	**(106 315)**	**(88 509)**	**(252 356)**	**4 278 464**

31 December 2022	Gross amount	Allowance for impairment Stage 1	Allowance for impairment Stage 2	Allowance for impairment Stage 3/POCI	Allowance for impairment	Carrying amount
Retail	812 764	(10 030)	(12 467)	(39 172)	(61 669)	751 095
Wholesale	1 871 498	(10 036)	(29 083)	(17 061)	(56 180)	1 815 318
Total	**2 684 262**	**(20 066)**	**(41 550)**	**(56 233)**	**(117 849)**	**2 566 413**

In the third quarter of 2022, the Bank took over the outstanding loan agreements between Sberbank Magyarország Ltd. (under liquidation) and its customers, based on the authorisation received from NHB. The transfer of the portfolio took place with effect from 1 August 2022, under which HUF 246,189 million legal claim of retail and corporate loan portfolio was transferred to the Bank, which has achieved a significant expansion in the strategically important retail and corporate lending.
For a consideration of HUF 211,179 million, which was the fair value of the acquired loans, the Bank acquired a loan portfolio of HUF 246,189 million legal claim, of which 32% wholesale,

68% retail loans. The best estimate at the date of transfer for the contractual cash flows from acquired loans not expected to be collected amounts to HUF 7,103 million.

The migration of Sberbank's loan portfolio to the Bank was successfully completed in the last quarter of 2022.

With the merger of Takarékbank the growth in the carrying amount was HUF 1,606,328 million.

Expected credit loss (ECL)

The aim of the IFRS 9 credit risk scoring system is to assign a PiT (point-in-time) PD to each relevant customer. The IRB rating system for pillar II. capital requirement calculation was modified according to IFRS 9 requirements. Both of rating systems use the same default definition and model structure, including the quantitative and qualitative sub-models and the explicative variables. The calibration processes are different. In the case of IFRS 9 it depends on the stage of a given customer. In the Stage 1, the time horizon is one year, in the Stage 2 the lifetime PiT PD's are estimated. The Stage 3 contains the defaulted customers, where the PD equals to 1.

In the Stage 2, the one year PD is transformed to the lifetime PD, based on the Markov chain, estimation of transition probabilities and taken into account the macroeconomic forecast, especially the year-on-year GDP forecasts, in the first three years of the estimation horizon. From the fourth year, the TTC (through-the-cycle) PD has been used.

Note 6.1 provides additional information on the calculation of the Bank's impairment.

The tables below show the breakdown of the gross value and impairment of Loans and advances to customers measured at amortised cost, by stages:

Data in HUF million unless stated otherwise

11.2.1

31 December 2023	Gross amount				
	Stage 1	Stage 2	Stage 3	POCI	Összesen
Retail					
Low risk	180 997	-	-	11	181 008
Medium risk	802 603	50 056	-	2 605	855 264
High risk	24 893	162 094	-	1 411	188 398
Default	-	-	74 970	626	75 596
Total Retail	***1 008 493***	***212 150***	***74 970***	***4 653***	***1 300 266***
Wholesale					
Low risk	801 244	-	-	-	801 244
Medium risk	1 768 679	19 607		462	1 788 748
High risk	46 046	514 832	-	130	561 008
Default	-	-	78 961	593	79 554
Total Wholesale	***2 615 969***	***534 439***	***78 961***	***1 185***	***3 230 554***
Total gross amount	**3 624 462**	**746 589**	**153 931**	**5 838**	**4 530 820**

31 December 2023	Allowance for impairment				
	Stage 1	Stage 2	Stage 3	POCI	Összesen
Retail					
Low risk	646	-	-	-	646
Medium risk	12 018	2 056		174	14 248
High risk	2 612	17 310	-	478	20 400
Default	-	-	50 695	195	50 890
Total Retail	***15 276***	***19 366***	***50 695***	***847***	***86 184***
Wholesale					
Low risk	2 825	-	-	-	2 825
Medium risk	35 550	1 491	-	10	37 051
High risk	3 881	85 458	-	16	89 355
Default	-	-	36 738	203	36 941
Total Wholesale	***42 256***	***86 949***	***36 738***	***229***	***166 172***
Total allowance for impairment	**57 532**	**106 315**	**87 433**	**1 076**	**252 356**

Data in HUF million unless stated otherwise

31 December 2022	Gross amount				
	Stage 1	Stage 2	Stage 3	POCI	Összesen
Retail					
Low risk	188 509	-	-	4	188 513
Medium risk	349 449	70 148	-	2 348	421 945
High risk	11 530	130 428	-	1 000	142 958
Default	-	-	56 838	2 510	59 348
Total Retail	***549 488***	***200 576***	***56 838***	***5 862***	***812 764***
Wholesale					
Low risk	569 906	-	-	-	569 906
Medium risk	910 195	138 048	-	354	1 048 597
High risk	9 819	203 922	-	336	214 077
Default	-	-	36 639	2 279	38 918
Total Wholesale	***1 489 920***	***341 970***	***36 639***	***2 969***	***1 871 498***
Total gross amount	**2 039 408**	**542 546**	**93 477**	**8 831**	**2 684 262**

31 December 2022	Allowance for impairment				
	Stage 1	Stage 2	Stage 3	POCI	Összesen
Retail					
Low risk	1 630	-	-	-	1 630
Medium risk	7 320	2 892	-	116	10 328
High risk	1 177	9 528	-	116	10 821
Default	-	-	38 331	559	38 890
Total Retail	***10 127***	***12 420***	***38 331***	***791***	***61 669***
Wholesale					
Low risk	261	-	-	-	261
Medium risk	8 514	4 195	-	4	12 713
High risk	1 297	24 884	-	13	26 194
Default	-	-	16 733	279	17 012
Total Wholesale	***10 072***	***29 079***	***16 733***	***296***	***56 180***
Total allowance for impairment	**20 199**	**41 499**	**55 064**	**1 087**	**117 849**

Data in HUF million unless stated otherwise

11.2.2

Gross amount	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased or originated credit-impaired	
Balance at 1 January 2023	**2 039 259**	**542 546**	**93 477**	**8 831**	**2 684 113**
Migration balances at 1 May 2023	**1 152 503**	**453 404**	**87 053**	**785**	**1 693 745**
Transfers:					-
Transfers from Stage 1 to Stage 2	(152 589)	152 589	-	-	-
Transfers from Stage 1 to Stage 3	(11 992)	-	11 992	-	-
Transfers from Stage 2 to Stage 1	299 522	(299 522)	-	-	-
Transfers from Stage 2 to Stage 3	-	(23 016)	23 016	-	-
Transfers from Stage 3 to Stage 1	-	-	-	-	-
Transfers from Stage 3 to Stage 2	-	24 683	(24 683)	-	-
Change in EAD	(771 279)	(69 505)	(24 906)	(1 871)	**(867 561)**
Assets derecognized except write off	(402 245)	(58 515)	(13 786)	(809)	**(475 355)**
Financial assets written off	(105)	(40)	(1 095)	(13)	**(1 253)**
New financial assets originated or purchased	1 379 726	104 916	12 544	52	**1 497 238**
FX and other movements	3	(56)	(54)	-	**(107)**
31 December 2023	**3 532 803**	**827 484**	**163 558**	**6 975**	**4 530 820**

Allowance for impairment	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased or originated credit-impaired	
Balance at 1 January 2023	**20 097**	**41 499**	**55 064**	**1 087**	**117 747**
Migration balances at 1 May 2023	**16 781**	**28 179**	**48 552**	**171**	**93 683**
Transfers:					
Transfers from Stage 1 to Stage 2	(2 668)	2 668		-	-
Transfers from Stage 1 to Stage 3	(260)		260	-	-
Transfers from Stage 2 to Stage 1	14 952	(14 952)		-	-
Transfers from Stage 2 to Stage 3		(1 947)	1 947	-	-
Transfers from Stage 3 to Stage 1	-	-	-	-	-
Transfers from Stage 3 to Stage 2		12 778	(12 778)	-	-
Change in EAD	(21 024)	38 030	20 335	(48)	37 293
Assets derecognized except write off	(6 649)	(7 096)	(9 304)	(118)	(23 167)
Financial assets written off	(64)	(2)	(1 027)	-	(1 093)
New financial assets originated or purchased	8 814	13 130	6 374	64	28 382
FX and other movements	(531)	(4)	46	-	(489)
31 December 2023	**29 448**	**112 283**	**109 469**	**1 156**	**252 356**

Data in HUF million unless stated otherwise

Gross amount	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased or originated credit-impaired	
Balance at 1 January 2022	**961 851**	**191 347**	**29 955**	**5 764**	**1 188 917**
Migration balances at 1 April 2022	**798 704**	**300 390**	**49 827**	**-**	**1 148 921**
Transfers:					
Transfers from Stage 1 to Stage 2	(714 300)	714 300	-	-	-
Transfers from Stage 1 to Stage 3	(22 947)	-	22 947	-	-
Transfers from Stage 2 to Stage 1	629 483	(629 483)	-	-	-
Transfers from Stage 2 to Stage 3	-	(15 651)	15 651	-	-
Transfers from Stage 3 to Stage 1	9 355	-	(9 355)	-	-
Transfers from Stage 3 to Stage 2	-	8 171	(8 171)	-	-
New financial assets originated or purchased	446 495	55 982	8 006	3 463	513 946
Changes of contract amendment	(32 364)	(24 768)	(2 232)	430	(58 934)
FX and other movements	(37 018)	(57 742)	(13 151)	(826)	(108 737)
Balance at 31 December 2022	**2 039 259**	**542 546**	**93 477**	**8 831**	**2 684 113**

Allowance for impairment	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased or originated credit-impaired	
Balance at 1 January 2022	**3 488**	**18 304**	**17 869**	**2 112**	**41 773**
Migration balances at 1 April 2022	**6 327**	**13 438**	**30 377**	**-**	**50 142**
Transfers:					
Transfers from Stage 1 to Stage 2	(11 913)	11 913	-	-	-
Transfers from Stage 1 to Stage 3	(7 702)	-	7 702	-	-
Transfers from Stage 2 to Stage 1	3 018	(3 018)	-	-	-
Transfers from Stage 2 to Stage 3	-	(5 645)	5 645	-	-
Transfers from Stage 3 to Stage 1	18	-	(18)	-	-
Transfers from Stage 3 to Stage 2	-	627	(627)	-	-
Transfers from non-current assets	-	-	235	-	235
Changes in PDs/LGDs/EADs	5 434	(5 570)	11 777	(1 082)	10 559
New financial assets originated or purchased	4 476	8 825	1 706	(755)	14 252
Changes of contract amendment	17 491	2 456	(86)	1	19 862
FX and other movements	(540)	169	(19 516)	811	(19 076)
Balance at 31 December 2022	**20 097**	**41 499**	**55 064**	**1 087**	**117 747**

Data in HUF million unless stated otherwise

Changes of contractual cash-flows row contains additional disbursement or repayment. The above table contains cumulative data for the financial year.

The Bank classified its retail portfolio in homogenous credit risk clusters, and allocates PD, LGD and CCF parameters. The internal rating-based models calculate the risk parameters which determine the level of impairment. Further information about the transfer are disclosed in Note 6.

In case of individually not significant wholesale customers the calculation of impairment and provision had been changed to internal rating-based method in 2022.
The required provisioning rates are calculated based on the credit conversion factor (CCF), the statistical analysis of default (PD) and the loss given default (LGD).

11.2.3

Stage 3 Loans and advances to customers	31 December 2023	31 December 2022
Carrying amount	66 498	38 413
Collateral value	93 715	54 455

Loans to customers measured at FVTPL

The fair value of loans and advances is based on observable market transactions. In the absence of observable market transactions, fair value is estimated using discounted cash flow models. Performing loans are grouped, as far as possible, into homogeneous pools segregated by coupon rates. In general, contractual cash flows are discounted using a rate which is the sum of the available interest rate which would have been offered if the customer applied for the loan at the end of the reporting period plus the counterparty margin. The used interest rates are available in the Bank's systems. The rediscounted cash flows are decreased using the same impairment percentage as it was used for impairment purposes, and it is considered as fair value of the loan portfolio.

Non-performing loans which are assessed for impairment individually are discounted with discount factors which are calculated as in case of performing loans, but that estimated cash flows are used for calculation, which was also used for impairment purposes.

In the case of work-out loans where the Bank expects cash flows only from sale of collaterals and therefore they are impaired to the net present value of this amount, the fair value is equal to the carrying amount. The evaluation methodology of the model linked to the most significant portfolio (babyloan) was further developed as follows:

- Modifications affecting the calculation of the forward curve
  Estimation of futures cash flows is based on forward reference interest rates calculated from 6-month BUBOR forward curve instead of previously used yield curve used for discounting.

- Modifications affecting the yield curve used for discounting
  In order to increase the accuracy of the calculation the number of yield points used to interpolate the zero curve has been increased from 23 to 60 yield points.

- Modifications affecting the estimated cash flow of transactions
  The estimated period between the child births or the signing of the loan contract and the birth of the first child has been revised based on a hypothesis test performed on the largest portfolio to verify the Hungarian Central Statistical Office's statistics.

Data in HUF million unless stated otherwise

Considering the above, the Bank identified the following effects to the Profit or Loss:

- Modifications affecting the calculation of the curve used for discounting and the forward curve had an improving effect for HUF + 5,544 million
- Updating the statistical estimates for the expected birth of the children improved the FV by + HUF 2,364 million
- The transition to the SQL stored procedure run on the database manager (IDWH) and to the transaction level results in a HUF (569) million negative profit impact
- Overall, the four effects increased the fair value by HUF 7.2 billion compared to the state at the time of fusion.

11.3

Loans and advances to customers measured at FVTPL

Balance at 1 January 2023		**182 875**
	Portfolio increase from merge	247 388
	Fair value and other movements	48 505
	Assets derecognized except write off	(26 099)
	Financial assets originated or purchased	38 133
Balance at 31 December 2023		**490 802**
Balance at 1 January 2022		**53 295**
	Portfolio increase from merge	58 726
	Fair value and other movements	4 972
	Assets derecognized except write off	(9 008)
	Financial assets originated or purchased	74 890
Balance at 31 December 2022		**182 875**

12. Other financial and non-financial assets

12.1

Other financial assets	31 December 2023	31 December 2022
Other receivables related to lending activities*	84 788	20 889
Various other financial receivables	33 367	6 664
Capital increase pending in an associate	44 730	-
Trade receivables (Customers)	1 967	1 425
Advance payments	567	1 413
Comission accruals	233	440
Expected credit loss	(6 776)	(3 318)
Total	**158 876**	**27 513**

* The main part of this amount connects to the goverment subsidies to client

Data in HUF million unless stated otherwise

12.2

Other assets	31 December 2023	31 December 2022
Inventory	884	495
Advance payments for investments	2 383	1 344
Collaterals held in possession	200	23
Initial fair value difference*	8 345	9 846
Prepayments and other debtors	36 709	23 114
Tax and tax-related claims	1 285	3 773
Several other assets	4 522	4 956
Total	**54 328**	**43 551**

*The NBH launched its three-pillar Funding for Growth Scheme (FGS) on 1 June 2013, primarily to stimulate lending to small and medium-sized enterprises. Under pillar I and II of the FGS the NBH provided refinancing loans to credit institutions participating in the Scheme at 0 percent interest rate, which were lent further by the credit institutions to the SMEs with a capped interest margin. Since then, the range of FGS schemes has been further expanded with the FGS Go and FGS Green Home loan programs. The Bank participated in all loan programmes. These loan programmes involve the presentation of the Initial fair value difference.

Data in HUF million unless stated otherwise

13. Investments in subsidiaries and associates

The directly owned entities of MBH Bank Plc. included in MBH Group of consolidation and their activities are as follows:

13.1

Company	Percentage of equity owned	Percentage of voting rights	Carrying amounts	Country of incorporation	Brief description of activities
Euroleasing Zrt.	100.00%	100.00%	6 895	Hungary	Car and consumer finance activities, other finance activities
Budapest Lízing Zrt.	100.00%	100.00%	5 654	Hungary	Financial leasing activities
Budapest Eszközfinanszírozó Zrt.	100.00%	100.00%	1 003	Hungary	Rental of other machines and assets
MBH Szolgáltatások Kft.	12.22%	12.22%	3 900	Hungary	Property operation and maintenance
MBH Bank MRP Szervezet	100.00%	0.00%	14 477	Hungary	Employee Stock Ownership Plan
MBH Ingatlanfejlesztő Kft.	100.00%	100.00%	35 796	Hungary	Property operation and maintenance
MBH Befektetési Alapkezelő Zrt.	75.54%	75.54%	160	Hungary	Investment fund management activity
MBH Befektetési Bank Zrt.	80.55%	~100.00%	87 793	Hungary	Investment and treasury services
MBH Jelzálogbank Nyrt.	0.44%	0.44%	20	Hungary	Mortgage Bank
MBH Blue Sky Kft.	100.00%	100.00%	15 675	Hungary	Asset management
Magyar Strat-Alfa Zrt.	50.00%	50.00%	20 223	Hungary	Sale and purchase of self-owned real estate
MITRA Informatikai Zrt.	94.02%	94.02%	6 031	Hungary	Web hosting services
MBH DOMO Kft.	100.00%	100.00%	18 760	Hungary	Leasing and operation of owned and leased property
MBH Duna Bank Zrt.	98.46%	98.46%	3 900	Hungary	Other monetary intermediation
Takarék Mezőgazdasági Tőkealap	68.70%	68.70%	25 100	Hungary	Investment fund management activity
MBH Vállalti Stabil Alap	93.23%	93.23%	13 199	Hungary	Investment fund management activity
Takarék Zártkörű Befektetési Alap	6.21%	6.21%	865	Hungary	Investment fund management activity

The below investments in subsidiaries and associates are measured at cost:

Company name before the name change	Company name after the name change
Euroleasing Zrt.	Euroleasing Zrt.
Budapest Lízing Zrt.	Budapest Lízing Zrt.
Budapest Eszközfinanszírozó Zrt.	Budapest Eszközfinanszírozó Zrt.
TIHASZ Kft	MBH Szolgáltatások Kft.
MKB Bank MRP Szervezet	MBH Bank MRP Szervezet
MKB Üzemeltetési Kft.	MBH Ingatlanfejlesztő Kft.
MKB Befektetési Alapkezelő Zrt.	MBH Befektetési Alapkezelő Zrt.
MTB Magyar Takarékszövetkezeti Bank Zrt.	MBH Befektetési Bank Zrt.
Takarék Jelzálogbank Nyrt.	MBH Jelzálogbank Nyrt.
Takarék INVEST Kft.	MBH Blue Sky Kft.
Magyar Strat-Alfa Zrt.	Magyar Strat-Alfa Zrt.
MITRA Informatikai Zrt.	MITRA Informatikai Zrt.
MBH DOMO Kft.	MBH DOMO Kft.
Duna Takarék Bank Zrt.	MBH Duna Bank Zrt.
Takarék Mezőgazdasági Tőkealap	Takarék Mezőgazdasági Tőkealap
MKB Vállalti Stabil Alap	MBH Vállalti Stabil Alap
Takarék Zártkörű Befektetési Alap	Takarék Zártkörű Befektetési Alap

Solus Capital Kockázati Tőkealap and Beta Magántőke Alap, which are associates, are measured at FVTPL.

MBH Bank established a new company, MBH Domo Ltd. and MBH Bank acquired 98.46 % share capital of Duna Takarék Bank Ltd. in 2023.

Data in HUF million unless stated otherwise

13.2

Investments in subsidiaries and associates measured at cost	31 December 2023	31 December 2022
Cost	495 185	655 547
Impairment	(233 111)	(231 180)
Total	**262 074**	**424 367**

13.3

Investments in subsidiaries and associates Change in gross amount	2023	2022
Balance at 1 January	**655 547**	**86 393**
Acquisition	36 861	277 881
Disposition	(384)	(44)
Capital in crease	16 706	731
Effect of merge	(213 545)	290 586
Balance at 31 December	**495 185**	**655 547**

Investments in subsidiaries and associates Change in impairment	2023	2022
Balance at 1 January	**231 180**	**36 830**
Impairment loss	2 249	13 626
Reversal of impairment	(533)	(4 099)
Effect of merge	215	184 823
Balance at 31 December	**233 111**	**231 180**

The reason behind the decline in the amount of investments into subsidiaries and joint ventures is that MKB Bank possessed HUF 218,810 million shares of Takarékbank Ltd during the merger.

In case of MBH DOMO Kft., MBH DUNA Bank Zrt. and MKB Vállalati Stabil Alap a total value of HUF 35,859 million was acquired.
A capital increase took place in the companies MITRA Informatikai Zrt., MBH Blue Sky Kft., MBH Bank MRP Szervezet and Takarék Mezőgazdasági Tőkealap in the total amount of HUF 16,309 million.

Data in HUF million unless stated otherwise

General and financial data of material associates are as follows:

13.4

	31 December 2023	31 December 2022
	Magyar Strat-Alfa Befektetési Zrt.	**Magyar Strat-Alfa Befektetési Zrt.**
General information		
Activity	Trading, leasing with freehold properties	Trading, leasing with freehold properties
Country of incorporation	Hungary	Hungary
Ownership % (direct & non-direct)	50%	50%
Proportion of the voting rights held	50%	50%
Relation	associate	associate
Financial data		
Current assets	**323**	**625**
Cash and cash equivalents	223	620
Other current assets	100	5
Non-current assets	**60 880**	**67 985**
Other assets	**623**	**-**
Total assets	**61 826**	**68 610**
Amounts due to other banks	20 299	21 043
Amounts due to customers liabilities	1 300	132
Other liabilities	71	-
Total liabilities	**21 670**	**21 175**
Equity	**40 156**	**47 435**
Total liabilities and equity	**61 826**	**68 610**
Book value of investment (Carrying a	20 223	20 223
Interest income	333	-
Other income	-	-
Total revenues	**333**	**-**
Other Expenses	(153)	(117)
Depreciation and amortization	-	-
Financial profit/ (loss)	(322)	(131)
Total expenses	**(475)**	**(248)**
Income tax expense	**-**	**-**
Profit/(Loss) for the year	**(142)**	**(248)**
Other Comprehensive income for the yea	-	-
Total comprehensive income for the year	**(142)**	**(248)**

Data in HUF million unless stated otherwise

14. Intangibles, property and equipment

14.1

31 December 2023	Intangible assets	Freehold property	Equipment	Right of use assets*	Total
Cost or deemed cost					
Balance at 1 January	**114 312**	**16 200**	**23 207**	**47 180**	**200 899**
Additions due to merge	2 480	2 021	4 891	12 856	22 248
Additions – including internally developed	14 564	2 879	6 811	4 843	29 097
Other modifications	-	-	-	(1 231)	(1 231)
Disposals	(5 474)	(1 864)	(534)	(20 017)	(27 889)
Balance at 31 December	**125 882**	**19 236**	**34 375**	**43 631**	**223 124**
Depreciation and impairment losses					
Balance at 1 January	**70 106**	**9 416**	**15 237**	**24 206**	**118 965**
Additions due to merge	1 146	768	2 707	5 901	10 522
Amortization and depreciation for the year	12 503	925	3 754	7 773	24 955
Impairment loss	238				238
Reversal of impairment loss	(172)				(172)
Disposals	(5 112)	(1 435)	(365)	(13 345)	(20 257)
Disposal due to deconsolidation					-
Other modifications	-	-	-	(3 728)	(3 728)
Balance at 31 December	**78 709**	**9 674**	**21 333**	**20 807**	**130 523**
Carrying amounts					
Balance at 1 January	**44 206**	**6 784**	**7 970**	**22 974**	**81 934**
Balance at 31 December	**47 173**	**9 562**	**13 042**	**22 824**	**92 601**

*The rights of use assets are recognized mostly among owned buildings in 2022.

Data in HUF million unless stated otherwise

31 December 2022	Intangible assets	Freehold property	Equipment	Total
Cost or deemed cost				
Balance at 1 January	**55 485**	**21 264**	**3 679**	**80 428**
Additions due to merge	51 347	30 540	16 966	98 853
Additions – including internally developed	8 119	3 841	4 069	16 029
Other modifications	(639)	7 879	(1 272)	5 968
Disposals	-	(144)	(235)	(379)
Balance at 31 December	**114 312**	**63 380**	**23 207**	**200 899**
Depreciation and impairment losses				
Balance at 1 January	**28 097**	**9 101**	**1 822**	**39 020**
Additions due to merge	33 133	14 255	11 642	59 030
Amortization and depreciation for the year	9 306	4 376	2 770	16 452
Disposals	-	(134)	(156)	(290)
Other modifications	(430)	6 024	(841)	4 753
Balance at 31 December	**70 106**	**33 622**	**15 237**	**118 965**
Carrying amounts				
Balance at 1 January	**27 388**	**12 163**	**1 857**	**41 408**
Balance at 31 December	**44 206**	**29 758**	**7 970**	**81 934**

Depreciation and amortization is presented in ”Operating expenses”.

The gross value of the property and equipment is HUF 15.1 billion and the gross value of the intangible assets is HUF 9.5 billion which are recognized at net zero value.

Other modifications include the effect of contract amendments and indexations of lease agreements.

Changes in the value of right-of-use assets during the reporting period are disclosed in Note 33.

Data in HUF million unless stated otherwise

15. Amounts due to other banks

15.1

Amounts due and repurchase to other banks	31 December 2023	31 December 2022
Due on demand	163 200	1 372
Money market deposits	991 537	556 109
Borrowings	1 169 532	1 408 450
Amounts due to other banks total	**2 324 269**	**1 965 931**
Repurchase agreement owed to bank	68 752	73 429
Amounts due and repurchase to other banks total	**2 393 021**	**2 039 360**

16. Amounts and repurchase liabilities due to customers

16.1

Amounts due to customers liabilities*	31 December 2023	31 December 2022
Retail clients related liabilities	2 216 769	1 142 691
Corporate clients related liabilities	4 634 005	3 064 334
Amounts due to customers liabilities total	**6 850 774**	**4 207 025**

*Repurchase liabilities to customers is nil as at 31 December 2023.

As at 31 December 2023 and 2022 the Bank had no deposit and current accounts measured at fair value.

17. Other financial liabilities

17.1

Other financial liabilities	31 December 2023	31 December 2022
Various other financial liabilities	50 905	27 534
Capital increase pending in an associate	44 730	-
Account related to owners	21 609	-
IFRS 16 lease liability	25 014	33 959
Trade payables	9 219	7 936
Total	**151 477**	**69 429**

For further information about lease liability, see Note 33.

Various other financial liabilities

The various other financial liabilities mainly include clearing accounts.

Data in HUF million unless stated otherwise

Account related to owners

Based on Section 3.2.2 (m) of the Articles of Association, the Board of Directors of MBH Bank Plc. (decided on 15 December 2023 with its Resolution No. 162/2023 (15 December) (the 'Resolution') to pay an interim dividend of HUF 21,609 million to the shareholders of the Bank, which is presented among payments related to owners. The Supervisory Board approved the decision of the Board of Directors by way of its Resolution No. 43/2023 (15 December). Based on the above, the gross interim dividend per ordinary share with a nominal value of HUF 1,000 is HUF 67. The amount of the gross interim dividend actually payable to a shareholder is calculated by multiplying the number of shares held by the shareholder by the gross interim dividend per share, rounded up to the nearest whole forint amount in accordance with the rounding rules. The Resolution designated the Board of Directors to determine the date of payment of the interim dividend within the framework set by the Articles of Association. Pursuant to the Board of Directors' Resolution, the first date of payment of the interim dividend (E day) was 12 January 2024.

18. Other liabilities and provisions

Other liabilities

18.1.

Other liabilities	31 December 2023	31 December 2022
Tax liabilities	11 494	3 710
Accruals	38 933	24 582
Initial fair value difference	9 157	9 906
Other liabilities	6 854	3 602
Total	**66 438**	**41 800**

Provision for contingencies and commitments

18.2.1

Provision	Balance 1 January 2023	Provision loss	Use of provision	Unused of provision	Effect of merge	Balance 31 December 2023
Expected credit loss (IFRS9)	10 187	41 763	(1 753)	(32 582)	5 067	22 682
Provison allocated for unused vacation days	840	1 425	-	(1 229)	389	1 425
Provision for employee benefits	853	1 714	(903)	(255)	305	1 714
Provision for litigation	556	384	(12)	(2)	128	1 055
Provision for reorganization	1 517	2 571	(3 648)	-	2 131	2 571
Other provision	24	1 347	-	(72)	48	1 347
Total provision	**13 977**	**49 204**	**(6 315)**		**8 068**	**30 794**

Other provision	Balance 1 January 2022	Provision loss	use / unused of provision	Effect of merge	Balance 31 December 2022
Expected credit loss (IFRS9)	3 133	16 323	(10 906)	1 637	10 187
Provison allocated for unused vacation days	-	840	(293)	293	840
Provision for employee benefits	-	751	(327)	429	853
Provision for litigation	45	46	(446)	911	556
Provision for reorganization	-	1 936	(419)	-	1 517
Other provision	229	23	(641)	413	24
Total provision	**3 407**	**19 919**	**(13 032)**	**3 683**	**13 977**

Data in HUF million unless stated otherwise

18.2.2

31 December 2023	Gross amount	Provision				Net amount
		Stage1	Stage2	Stage3	IAS37	
Expected credit loss (IFRS9)	1 761 030	(12 509)	(8 466)	(1 707)	-	1 738 348
Provision for employee benefits	-				(3 140)	(3 140)
Provision for litigation	1 519				(1 055)	464
Provision for reorganization	-	-			(2 571)	(2 571)
Other provision	3 692				(1 347)	2 346
Total provision	**1 766 241**	**(12 509)**	**(8 466)**	**(1 707)**	**(8 112)**	**1 735 447**

31 December 2022	Gross amount	Provision				Net amount
		Stage1	Stage2	Stage3	IAS37	
Expected credit loss (IFRS9)	1 276 632	(4 641)	(3 233)	(2 312)	-	1 266 446
Provision for employee benefits	-	-	-	-	(1 694)	(1 694)
Provision for litigation	1 032	-	-	-	(556)	476
Provision for reorganization	-	-	-	-	(1 517)	(1 517)
Other provision	3 809	-	-	-	(24)	3 785
Total provision	**1 281 473**	**(4 641)**	**(3 233)**	**(2 312)**	**(3 791)**	**1 267 496**

Risk reserves are made in particular for existing commitments and contractual obligations. Changes in provisions are recognized under “Recognition (-) and reversals of provision”.

Expected credit loss are HUF 12,509 million in stage 1, HUF 8,466 million in stage 2 and HUF 1,707 million in stage 3 category at 31 December 2023. (2022: stage 1 HUF 4,641 million, stage 2 HUF 3,233 million stage 3 HUF 2,312 million).

Provisions for ligation are made for those contingent liabilities of the Bank in relation to which the third parties involved may pursue claims against the Bank. The outcome and schedule of ligations is uncertain.

Provision for other purposes includes the recognition of liabilities arising from a past event (legal or assumed) for which 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.

Data in HUF million unless stated otherwise

19. Issued debt securities

The table below shows the new issuance, repayment and other changes during the year:

19.1

Interest	Balance at 1 January	Issued debt securities	Repurchased debt securities	Repaid debt securities	Amortization	Balance at 31 December
31 December 2023						
Zero coupon	12 906	3 534	-	-		16 440
Fixed rate	-	71 455	-	(43)	234	71 646
MREL bond		166 376	-	-	(394)	165 982
Total	**12 906**	**241 365**	**-**	**(43)**	**(160)**	**254 068**

Interest	Balance at 1 January	Issued debt securities	Repurchased debt securities	Repaid debt securities	Amortization	Balance at 31 December
31 December 2022						
Zero coupon	3 394	12 028	125	(1 442)	(1 199)	12 906
Total	**3 394**	**12 028**	**125**	**(1 442)**	**(1 199)**	**12 906**

MREL Bonds

From 01 January 2024 a minimum level of quantity and quality of liability is required to be held by the domestic financial institutions and investment entities by NBH. The required type of liabilities must partly or entirely be eligible, or convertible to capital in case of critical economic situation (minimum requirement for regulatory capital, and eligible or convertible liabilities, shortly: MREL - Minimum Requirement for own funds and Eligible Liabilities).

During current period MBH Bank issued the following bonds to comply with the minimum requirements:

- within the framework of the first issuance program of debt instruments complying with MREL requirements of MBH Bank’s history a senior non-priority (senior-preferred) debt instrument (ISIN: HU0000362702) has been issued on value date of 16 June 2023 with EUR 74.98 million (HUF 28.1 billion) nominal value, 3 years maturity, 9% fixed interest rate for the first and second year then 3 month BUBOR+5.5% variable interest rate for the last year of the duration.
- during the Bank’s newly announced EUR 1,5 billion international bond issuance program a senior non-priority (senior-preferred) debt instrument (ISIN: XS2701655677) has been issued on value date of 19 October 2023 with EUR 350 million (HUF 134.7 billion) nominal value, 4 years maturity (redeemable after 3 year) and 8.625% fixed interest rate.

Data in HUF million unless stated otherwise

20. Subordinated debt

Subordinated debts are direct, unconditional and unsecured subordinated bonds and loans of the Bank and are subordinated to the claims of the Bank's depositors and other creditors.

20.1

31 December 2023	Loan and interest type	Date of issue	Maturity date	Amount in original currency	Original currency	Carrying amount in functional currency
Subordinated debt	Fixed paid bond	26.05.2017	14.06.2024	36 900 000	EUR	14 472
Subordinated debt	Fixed paid bond	28.03.2019	15.04.2026	31 000 000	EUR	12 245
Subordinated debt	Fixed paid bond	26.05.2020	20.07.2028	51 300 000	EUR	20 033
Subordinated debt	Fixed rate loan	23.11.2020	23.11.2030	40 000 000 000	HUF	40 000
Subordinated debt	Variable paid bond	31.01.2023	31.01.2030	24 750 000 000	HUF	26 929
Total						**113 679**

31 December 2022	Loan and interest type	Date of issue	Maturity date	Amount in original currency	Original currency	Carrying amount in functional currency
Subordinated debt	Fixed paid bond	26.05.2017	14.06.2024	36 900 000	EUR	15 134
Subordinated debt	Fixed paid bond	28.03.2019	15.04.2026	31 000 000	EUR	12 714
Subordinated debt	Fixed paid bond	26.05.2020	20.07.2028	51 300 000	EUR	21 039
Subordinated debt	Fixed rate loan	23.11.2020	23.11.2030	40 000 000 000	HUF	40 000
Total						**88 887**

The newly issued subordinated debt in 2023 pays interest on a variable base (6 month BUBOR + interest premium).

21. Share capital

The Bank’s authorised, issued, and fully paid share capital comprises HUF 322,530 million at the reporting date (2022: HUF 321,699 million) ordinary shares of HUF 1,000 (2022: HUF 1,000) each. All issued shares rank pari passu in the event of a winding up.

On December 9, 2022, the Bank’s General Meeting decided to increase the Company’s registered capital from HUF 311,320 million to HUF 321,699 million, as a result of which the Bank’s registered capital increased by HUF 10,379 million, and HUF 12,841 million was allocated to capital reserves. The shares issued within the framework of the capital increase decided on December 9, 2022, were generated, registered in the share register, and entered into the “Standard” category of the Budapest Stock Exchange on February 17, 2023.

In connection with the merger of Takarékbank Ltd. into MKB Bank, the registered capital of MBH Bank as the receiving company increased from HUF 321,699 million to HUF 322,530 million after the April 30, 2023 merger. The generation of the 830,667 shares newly issued as a result of the merger, their registration in the share register, and their listing on the Budapest Stock Exchange was completed on August 1, 2023.

On 31 December 2023, the share capital of the Bank was HUF 322,530 million.

Data in HUF million unless stated otherwise

Separate Statement of changes in equity:

21.1

Statement of changes in equity - 31 December 2023 based on Hungarian Accounting Law	Share capital	Capital reserve	General reserve	Retained earnings and other reserve	Revaluation reserve	Netprofit / loss for the year	Total
Total equity under IFRS as adopted by the EU	**322 530**	**348 894**	**-**	**190 892**	**-**	**118 316**	**980 632**
Accumulated other comprehensive income	-	-	-	(21 006)	21 006	-	-
General reserve	-	-	50 147	(50 147)	-	-	-
Total equity under Accounting Act 114/B §	**322 530**	**348 894**	**50 147**	**119 739**	**21 006**	**118 316**	**980 632**

Statement of changes in equity - 31 December 2022 based on Hungarian Accounting Law	Share capital	Capital reserve	General reserve	Retained earnings and other reserve	Revaluation reserve	Netprofit / loss for the year	Total
Total equity under IFRS as adopted by the EU	**321 699**	**313 947**	**-**	**92 729**	**-**	**64 637**	**793 012**
Accumulated other comprehensive income	-	-	-	23 978	(23 978)	-	-
General reserve	-	-	32 552	(32 552)	-	-	-
Total equity under Accounting Act 114/B §	**321 699**	**313 947**	**32 552**	**84 155**	**(23 978)**	**64 637**	**793 012**

Data in HUF million unless stated otherwise

21.2

Reconciliation of share capital registered at registry court and share capital under IFRS as adopted by the EU	31 December 2023	31 December 2022
Share capital under IFRS as adopted by the EU	322 530	321 699
Share capital registered at the registry court	322 530	321 699
Difference	**-**	**-**

21.3

Schedule of the profit reserves available for dividend	31 December 2023	31 December 2022
Retained earnings and other reserve	189 973	92 729
Accumulated other comprehensive income	(21 006)	23 978
General reserve	(50 147)	(39 016)
Net profit / loss for the year	118 316	64 637
Profit reserve available for dividend	**237 136**	**142 328**

The Board of Directors proposes a dividend (the amount seen in the equity movement table) and the remaining part of the Profit attributable to the shareholders of the Bank for the reporting period will increase the Retained earnings. The proposed HUF 21,609 million interim dividend was paid on 12th January 2024 based on the decision Nr. 162/2023 (15 December) of the Board of Directors. Therefore, only the dividend declared in addition to the interim dividend will be paid to the shareholders.

22. Reserves

Share premium

Share premium comprises of premiums on share capital issuances.

Retained Earnings

Retained earnings comprise the accumulated profit after taxes earned in the course of the operating life of an entity of the Bank less any dividend payment.

General reserve

According to the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Banking Act), banks shall set aside as general reserve 10% of Profit after taxation. Dividends can be paid only after the recognition of the general reserve. This reserve can be utilized only for losses derived from ordinary activity. A credit institution can reclassify part of the total of its retained earnings into general reserve. Supervisory authority can allow the entity not to set aside the amount calculated as above stated.

The Bank discloses the general reserve as a part of the retained earnings. In 2023, MBH Bank recognized a general reserve of HUF 50,147 million (2022: HUF 32,552 million).

Data in HUF million unless stated otherwise

Revaluation reserves

Revaluation reserve of financial assets measured at FVTOCI includes the cumulative net change in the fair value until the derecognition. For financial instruments measured at fair value through other comprehensive income, the Bank has recognized an impairment loss in accordance with IFRS 9, which is shown in the Revaluation reserve.

23. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

23.1

	31 December 2023			31 December 2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Intangibles, property and equipment	163	64	99	113	49	64
Securities		2 038	(2 038)	2 384	-	2 384
Allowances for loan losses	3		3	2	-	2
Provision	696		696	331	-	331
Tax loss carry-forwards	13 478		13 478	14 838	-	14 838
Net tax assets / (liabilities)	**14 340**	**2 102**	**12 238**	**17 668**	**49**	**17 619**

In 2023, there were HUF 4,937 million deferred tax assets in cumulated OCI and HUF 4,302 million deferred tax assets in profit or loss.

Separate Financial Statements as at 31 December 2023 Data in HUF million unless stated otherwise

24. Interest and similar to interest income

24.1

Interest income	2023	2022
Interest income from loans and advances at amortized cost	420 347	218 107
Interest income from debt securities at amortized cost	179 825	79 033
Interest income of debt securities measured at fair value through other comprehensive income	77 293	26 849
Interest income from cash and cash equivalents	73 721	12 602
Interest income using effective interest rate method	**751 186**	**336 591**
Interest income from derivative held for trading	238 431	124 269
Interest income of loans and advances mandatorily measured through profit or loss	22 008	5 950
Interest income from debt securities held for trading	213	385
Interest income relating to financial liabilities	135	26
Interest income from lease assets	7 060	6 597
Interest income from derivative transactions (hedge accounting)	89 185	23 859
	-	
Other interest income	**357 033**	**161 086**
Total	**1 108 219**	**497 677**

Included within various captions under interest income for the year ended 31 December 2023 is a total of HUF 3,991 million (2022: HUF 1,365 million) recognised relating to credit impaired financial assets.

25. Interest expense

25.1

Interest expense	2023	2022
Interest expenses of loans and advances at amortized cost	(92 900)	(43 052)
Interest expenses of deposits at amortized cost	(303 876)	(106 308)
Interest expenses of debt securities at amortized cost	(35 521)	(2 460)
Interest expenses of subordinated debt	(8 999)	(1 497)
Interest expense using effective interest rate method	**(441 296)**	**(153 317)**
Interest expense from derivative held for trading	(204 887)	(117 721)
Interest expenses of other liabilities	(1 584)	(1 316)
Interest expenses from derivative transactions (hedge accounting)	(25 796)	(9 646)
Other interest expenses	**(232 267)**	**(128 683)**
Total	**(673 563)**	**(282 000)**

Data in HUF million unless stated otherwise

26. Net income from fees and commissions

26.1

Fees and commissions income	2023	2022
Fees and commission income	**136 192**	**77 431**
Income from account management fees, commissions	16 459	9 694
Income from payment services	64 963	39 487
Loans, leases, guarantees incomes	5 991	5 606
Commission and fee from credit and debit cards	28 071	12 776
Other commission and fee income	9 084	2 582
Brokerage fees incomes	6 630	3 229
Investment services commission and fee income	4 994	4 057
Fees and commission expense	**(32 199)**	**(18 955)**
Charges for account maintenance fees paid	(189)	(200)
Expense from payment services	(949)	(278)
Loans and guarantees expenses	(8 610)	(6 516)
Credit card transaction expenses	(12 838)	(3 073)
Brokerage fees expenditure	(3 611)	(2 581)
Investment services expenditure	(895)	(957)
Other commission and fee expense	(5 107)	(5 350)
Net fee and commissions income	**103 993**	**58 476**

The following fee and commission income is recorded in accordance with IFRS 15

Income from account management fees, commissions and payment services

The Bank provides account management services to its retail and business clientele. The main types of services are opening an account, monitoring the balance, arranging transactions within and outside the bank based on a customer order/provision, arranging deposit transactions in relation to the account, cash flow, closing of accounts. Depending on the regularity of the service, their service fee and commission will be charged to customer accounts on a daily, monthly (or more regular basis) or on a case-by-case basis.
In the case of continuous services (for example: monthly fee for account management, monthly fee for sms services), fee receipts are recorded monthly on the last day of the month. These fees are typically fixed fees.
In the case of transaction-based services (for example: remittance orders, direct debits, cash payments), transaction fees are settled at the same time as the transaction or by collecting monthly transaction fees. Fees are determined based on the amount of the transaction, in % or in combination with a fixed and % combination.

Loans, leases, guarantees income

Non-interest charges related to credit transactions are regular monitoring fees, fees for validation, verification, review and administration fees, incurred on an adhoc basis. These fees are recorded when the service is incurred or, in the case of a continuous service, monthly, ex post.

Commission and fee from credit card

Credit card fees are typically fixed fees, which are usually related to events such as the maintenance (annual card fee), issuance, cancellation or replacement of credit cards. Credit card transactions are free of charge

Fee income related to documentary operations (among other commission and fee income)

Fee income from documentary operations can either be fixed or charged occasionally when the service is provided, for example fees charged for guarantees, sureties, for the issuance of letters of credit or collection. Fee income related to documentary operations is recognised among other commission and fee income.

Brokerage fee income

The Bank provides brokerage services to other banks, insurers, investment service providers, factoring companies. The fees for these services are usually charged monthly, depending on the volume and value of the customers' transactions.

Investment service commission and fee income

Fees related to investment services provided for customers, typically fee of maintaining, distributing and issuing security accounts and fee income related to other investment services which are recorded when the service is incurred, monthly.

The following fee and commission expenses are recorded in accordance with IFRS 15

Account management fees and commissions paid

The fees paid for ancillary services related to account management services provided to customers are typically fees incurred in connection with the payment of account management fees (nostro) to other banks, the sending of statements, cash logistics, cash processing, postal cash transfers, postal payments, sms service payments incurred in order to serve the account management of customers. They are usually monthly and regularly in line with continuous account management.

Loans and guarantee expenses

Fees and commissions incurred in connection with the lending activity of the Bank to its clients, to other banks or refinancing institutions (one-off disbursement fees for refinancing loans, verification fees). They shall be accounted for on a regular basis and may be subject to variable remuneration depending on the refinancing facility or transactions but may also be fixed remuneration. They shall be accounted for on a monthly basis or on a case-by-case basis for one-offs.

Fees paid to other entities in connection with customer loans are also incurred if they are not part of the effective interest calculation, for example: notary fees, valuation fees, national or other central database fees if they are passed on to the customer.

Data in HUF million unless stated otherwise

Credit card transaction expense

The Bank incurs expenses related to credit card manufacturing and distribution, and also pays transaction fees. These fees can either be charged on a fixed monthly rate or depend on the volume of cards and the value of the card transactions. They are accounted for on a monthly basis

Brokerage fees expenditure

The Bank also sells its products through agents, so its payments for brokering are typically made on a monthly basis, depending on the volume sold. Typically used broker services include currency exchange agents for example.

27. Results from financial instruments

27.1

Results from financial instruments	2023	2022
Results from securities measured at fair value	7 576	(737)
Results from derivative transactions	(96 147)	108 687
Results from loan and advances measured mandatorily at fair value	48 510	(10 120)
Results from investments measured mandatorily at fair value	(1 915)	-
Results from financial liabilities measured at FVTPL	-	15
Results from financial instruments measured at fair value	**(41 976)**	**97 845**
Results from securities measured at FVTOCI	2 349	(36 106)
Results from financial instruments measured at FVTOCI	**2 349**	**(36 106)**
Results from loans and advances measured at AC	(1 519)	463
Results from securities measured at AC	(227)	949
Results from other financial assets measured at AC	(14)	-
Results from financial and non financial instruments measured at AC	**(1 760)**	**1 412**
Results from micro hedge	(59 273)	23 796
Results from macro hedge	54 837	(14 317)
Results from hedge accounting, net	**(4 436)**	**9 479**
Exchange differences	**40 813**	**(38 878)**
Results from financial instruments measured at fair value or AC	**(5 010)**	**33 752**

The net gain / (loss) on derivative transactions is in connection to the changes of the prevailing interest rate.

Data in HUF million unless stated otherwise

28. Net impairments / (reversal) and provisions for losses

28.1

Impairments and provisions	**2023**	**2022**
Expected credit (loss) on financial instruments held for credit risk management	***(54 587)***	***(34 707)***
Loans and advances to banks and customers	(47 862)	(28 223)
Provisions for commitments and guarantees	(7 421)	(4 966)
Investments in securities	696	(1 518)
Provision (loss) / gain	***(1 122)***	***(1 891)***
Provisions for employee benefits	156	117
Provision to pension and other termination of employment	255	(697)
Provision for restructuring	110	(1 517)
Provison allocated for unused vacation days*	-	(548)
Provision for litigation	(368)	217
Other provisions	(1 275)	537
Modification (loss) / gain on financial instruments	**(13 919)**	**(10 607)**
(Impairment) / Reversal on investments in subsidiaries and associates	**(1 716)**	**(9 527)**
(Impairment) / Reversal on other financial and non financial instruments	**(98)**	**(242)**
Impairments and provisions for losses	**(71 442)**	**(56 974)**

*Provison allocated for unused vacation days among operating expenses

29. Dividend income

29.1

Dividend income	**2023**	**2022**
Dividend income	6 086	4 023
	6 086	**4 023**

In the financial year 2023, the Bank received dividend mostly from Budapest Ingatlan Hasznosító és Fejlesztési Plc. and MBH Befektetési Alapkezelő Ltd.

Data in HUF million unless stated otherwise

30. Operating expense

30.1

Operating expenses	2023	2022
Wages, salaries and other employee benefits	(98 974)	(54 056)
Compulsory social security obligations	(13 377)	(7 276)
Material costs	(4 122)	(3 683)
Other services used	(76 041)	(46 268)
Property costs	(24 957)	(16 455)
Other tax related costs*	(98 527)	(51 979)
Other fees and charges paid	(15 535)	(10 416)
Other operating expenses	(15)	(174)
Total	**(331 548)**	**(190 307)**

* Other tax related costs include the amount of the transaction fee paid, extra profit tax and bank tax.

In 2023, the Bank's average statistical employee number was 7,210 (2022: 4,823).

The main operating expenses were as follows:

- IT operation maintenance: HUF 28,155 million (2022: HUF 16,494 million)
- Professional fees: HUF 16,607 million (2022: HUF 13,642 million)
- Commercial and marketing costs: HUF 8,713 million (2022: HUF 2,704 million)
- Extra profit tax: HUF 27,402 million (2022: HUF 11,176 million)
- Bank tax: HUF 5,693 million (2022: HUF 2,824 million)
- Financial transactional levy: HUF 52,164 million (2022: HUF 27,715 million)

31. Other income and other expense

31.1

Other income and other expense	2023	2022
Other income not directly attributable to the Bank’s core products and servi	8 807	2 420
Other income on mediated serivces	6 101	2 579
Penalties received, other interest on arrears	412	1 130
Several other income	2 748	182
Other income	***18 068***	***6 311***
Grants given	(8 005)	(3 318)
Other expense on mediated services	(1)	(2 332)
Paid fines, penalties and other interest on late payments	(1 613)	(617)
Several other expense	(3 321)	(561)
Other expense	***(12 940)***	***(6 828)***

Data in HUF million unless stated otherwise

32. Income tax

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

32.1

Income tax	2023	2022
Current tax (expense)	**(19 143)**	**(9 207)**
Corporate tax charge – on current year profit	(5 303)	(1 064)
Corporation tax charge due to predecessor	55	39
Corporate tax charge – effect of self-monitoring in previous years	(17)	-
Local business tax	(12 056)	(7 115)
Innovation contribution	(1 817)	(1 067)
Profit tax paid abroad	(5)	
Deferred tax income / (expense)	**(4 404)**	**9 714**
Origination (reversal) of temporary differences	103	136
Deferred tax (expense) / income on tax losses	(4 405)	9 578
Effect of changes in deferred tax rates	(102)	-
Income tax income / (expense)	**(23 547)**	**507**

Both in the reporting period and in the comparative period, the corporate income tax rate was 9% levied on the taxable profit in Hungary. Due to this, a 9% nominal income tax rate was applied both for current income tax and deferred tax purposes. In addition to the corporate income tax, the Bank classifies the local business tax and innovation contribution also as income taxes.

Reconciliation of effective tax rate

32.2

Income tax	2023		2022	
	%	HUF million	%	HUF million
Profit before income tax		141 863		64 130
Income tax using the domestic corporation tax rate	9.00%	(12 768)	9.00%	(5 772)
Local business tax	8.28%	(12 056)	11.10%	(7 116)
Innovation contribution	1.25%	(1 817)	1.66%	(1 067)
Foreign income tax	0.00%	(5)	0,00%	-
Non-deductible expense	0.27%	(384)	0.22%	(138)
Tax exempt income	-1.38%	1 962	-1.79%	1 149
Re-assessment of unrecognised tax losses carryforwarc	-0.99%	1 406	-18.75%	12 027
Tax credit	0.00%	-	-1.11%	710
Effect of corporate tax group	-0.36%	509	-1.05%	675
Corporate income tax due to predecessor	-0.04%	55	-0.06%	39
Previous year's corporate tax adjustment	0.01%	(17)	0,00%	-
Previous year's deferred tax adjustment	0.07%	(102)	0,00%	-
Other tax effects	0.00%	(330)	0.00%	-
Income tax income / (expense)	**16.11%**	**(23 547)**	**-0.79%**	**507**

The MBH Bank is a member of a corporate income tax group. Therefore, corporate income tax is not assessed on a standalone basis, rather it is impacted by the overall tax position of the corporate income tax group.
The Bank relied on its available business plans for calculating the amount of tax losses that can be offset against future tax bases.
Tax losses can be offset against up to 50% of future tax bases.

On 31 December 2023, the Bank had unused tax losses amounting to HUF 179,781 million (2022: HUF 210,697million) with the following maturity:

32.3

Tax loss carryforwards	2023	2022
Without maturity	143 466	-
Maturity within 1 year	12 757	-
Maturity up to 2025	20 648	2 451
Maturity up to 2026	2 910	
Maturity up to 2030	-	208 246
Total	**179 781**	**210 697**

The Bank has HUF 30,031 million (2022: HUF 45,826 million) tax losses carried forward, on which no deferred tax asset was recognised mainly due to time limit of utilisation rules.
In 2015, the rules of utilization of tax losses carried forward have changed in Hungary: tax losses arising in 2015 and in following years, can be utilized solely in the subsequent five years following the tax year in which they were generated. Tax losses incurred before 2015 could be utilized originally until 2030, but as a result of an interim tax law modification in 2023 they can be utilized for an unlimited period of time.

Data in HUF million unless stated otherwise

33. Leases

33.1

31 December 2023	Other assets	Properties	Vehicles	Equipments	IT equipments	Total
Cost or deemed cost						
Balance at 1 January	**21**	**45 593**	**27**	**-**	**1 539**	**47 180**
Effect of merge	-	10 782	2 070	4	-	12 856
Additions	87	4 438	172	-	146	4 843
Remeasurement	1	2 197	91	-	(9)	2 280
Disposals	(3)	(18 816)	(786)	-	(412)	(20 017)
Other modifications	10	(3 543)	16	-	6	(3 511)
Balance at 31 December	**116**	**40 651**	**1 590**	**4**	**1 270**	**43 631**
Depreciation and impairment losses						
Balance at 1 January	**14**	**23 312**	**7**	**-**	**873**	**24 206**
Effect of merge	-	4 561	1 337	3	-	5 901
Depreciation for the year	8	6 848	574	-	343	7 773
Remeasurement	-	(241)	-	-	(2)	(243)
Disposals	(3)	(12 145)	(786)	-	(411)	(13 345)
Other modifications	(2)	(3 438)	(45)	-	-	(3 485)
Balance at 31 December	**17**	**18 897**	**1 087**	**3**	**803**	**20 807**
Carrying amounts						
Balance at 1 January	**7**	**22 281**	**20**	**-**	**666**	**22 974**
Balance at 31 December	**99**	**21 754**	**503**	**1**	**467**	**22 824**

31 December 2022	Other assets	Properties	Vehicles	Equipments	IT equipments	Total
Cost or deemed cost						
Balance at 1 January	**16**	**18 754**	**27**	**-**	**1 230**	**20 027**
Effect of merge	-	17 487	-		-	17 487
Additions	-	3 015	-	-	259	3 274
Remeasurement	-	12 373	-	-	29	12 402
Disposals	-	44	-	-	-	44
Other modifications	5	(6 080)	-	-	21	(6 054)
Balance at 31 December	**21**	**45 593**	**27**	**-**	**1 539**	**47 180**
Depreciation and impairment losses						
Balance at 1 January	**10**	**7 641**	**3**	**-**	**514**	**8 168**
Effect of merge	-	6 652	-		-	6 652
Depreciation for the year	4	3 848	4	-	360	4 216
Remeasurement	-	7 906	-	-	-	7 906
Disposals	-	44	-	-	-	44
Other modifications	-	(2 779)	-	-	(1)	(2 780)
Balance at 31 December	**14**	**23 312**	**7**	**-**	**873**	**24 206**
Carrying amounts						
Balance at 1 January	**6**	**11 113**	**24**	**-**	**716**	**11 859**
Balance at 31 December	**7**	**22 281**	**20**	**-**	**666**	**22 974**

Data in HUF million unless stated otherwise

The lease agreement of the former headquarters of MBH Bank in the amount of HUF 18,510 million appears in disposals, which was disposed of due to termination.

The Bank has no significant sub-lease contracts.

33.2

Contractual value of lease liabilities	31 December 2023	31 December 2022
Within 3 months	2 314	955
Within 3 months and 1 year	6 133	3 902
Within 1 year and 3 years	10 948	8 030
Within 3 years and 5 years	3 915	5 891
Over 5 years	4 511	16 050
Total	**27 821**	**34 828**

33.3

Carrying amount of lease liabilities	31 December 2023	31 December 2022
Long-term	17 124	28 784
Short-term	7 371	4 386
Total	**24 495**	**33 170**

33.4

	2023	2022
Interest expense recognized on lease liabilities	(1 584)	(1 258)
Depreciation charged for the year	(7 774)	(4 216)
Cash outflow for leases	(9 956)	(7 848)

The value of contracts for which the Bank does not expect to exercise the extension and / or exercise option is immaterial.

The Bank elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets (e.g including printers, IT equipment). The Bank recognised 3.4 million HUF expense relating to leases of low-value assets and short term leases for the reporting period.

The relevant rules on measurement, recognition and presentation are disclosed in Note 4.

33.5

	2024	2025	2026	2027	2028	2029	2030	2031
Lease payments that depend on an index	7 604	5 583	4 095	2 058	1 451	729	690	646

34. Earnings per share

The calculation of basic earnings per share on 31 December 2023 based on the net income attributable to ordinary shareholders of HUF 118,316 million (2022: HUF 64,637 million) and a weighted average number of ordinary shares outstanding of 322,257 thousand (2022: 259,782 thousand).

Basic value

34.1

31 December 2023

Earnings per Ordinary Share (in HUF)	=	Net income available to ordinary shareholders (in HUF million) / Average number of ordinary shares outstanding (thousands)	=	HUF 118,316 million / 322,257 thousands	=	HUF 367

31 December 2022

Earnings per Ordinary Share (in HUF)	=	Net income available to ordinary shareholders (in HUF million) / Average number of ordinary shares outstanding (thousands)	=	HUF 64,637 million / 259,782 thousands	=	HUF 249

The calculation of fully diluted earnings per share was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after any adjustment for the effects of all dilutive potential ordinary shares. In the reporting period and in the previous period there were no dilution factors.

35. Use of estimates and judgements

Management discusses with the Bank Supervisory Board the development, selection and disclosure of the critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see Note 6).

Key sources of estimation uncertainty

Expected credit loss (ECL)

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy (see Note 4).

The specific counterparty component of the total ECL applies to financial assets evaluated individually for impairment and is based upon management's use of scenarios of the present value of the cash flows that are expected to be received. Further information in Note 6.
In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed ECL cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans and advances but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the ECL depends on the estimates of future cash flows for specific counterparty ECL and the model assumptions and parameters used in determining collective allowances.

Uncertain or unanticipated future events could result in material adjustments to provisions or additional allowances. The accounting values determined are not fair values or market prices that might be determined if the underlying assets are sold to a third party. For further information please see Note 6.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also Note 36 "Valuation of financial instruments" below.

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. If there is significant uncertainty in the valuation method the Bank is able to request an external independent valour. Significant risk can occur in case of a restructuring of the Bank Group, modification of the regulatory requirements, or in determining the estimated effect of complex transactions.

Each impaired 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.

For further information about the impairment of non-financial assets, please refer to Note 13.

Deferred tax on tax loss carryforward

Deferred tax assets are recognised 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. Judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

For further information about the deferred tax on tax loss carryforward, please refer to Note 32.

Data in HUF million unless stated otherwise

36. Fair values

The estimated fair values disclosed below are designated to approximate values at which these instruments could be exchanged in an arm's length transaction. However, many of the financial instruments have no active market and therefore, fair values are based on estimates using net present value and other valuation techniques (see Note 4, and Note 35), which are significantly affected by the assumptions used on the amount and timing of the estimated future cash flows and discount rates. In many cases, it would not be possible to realise immediately the estimated fair values given the size of the portfolios measured.

The table below sets out the carrying amounts and fair values of the Bank's financial assets and financial liabilities:

36.1

	31 December 2023 Total carrying amount	31 December 2023 Fair value	31 December 2022 Total carrying amount	31 December 2022 Fair value
Financial assets				
Cash and cash equivalents	**1 305 409**	**1 305 409**	**1 081 158**	**1 081 158**
Financial assets measured at fair value through proft or loss	**720 727**	**720 727**	**476 909**	**476 909**
Loans and advances to customers mandatorily at FVTPL	490 802	*490 802*	*182 875*	*182 875*
Securities held for trading	1 017	*1 017*	*8 434*	*8 434*
Securities mandatorily at FVTPL	37 736	*37 736*	*18 017*	*18 017*
Derivative financial assets	191 172	*191 172*	*267 583*	*267 583*
Hedging derivative assets	**73 012**	**73 012**	**142 874**	**142 874**
Financial assets measured at fair value through other comprehensive income	**906 612**	**906 612**	**428 520**	**428 520**
Securities	906 612	*906 612*	*428 520*	*428 520*
Financial assets measured at amortised cost	**7 578 461**	**7 292 799**	**4 823 478**	**4 189 652**
Loans and advances to banks	456 886	*456 886*	*448 627*	*448 627*
Loans and advances to customers	4 272 323	*4 141 308*	*2 565 343*	*2 181 833*
Repurchase agreement	34 533	*34 533*	*9 080*	*9 080*
Securities	2 655 843	*2 501 196*	*1 772 915*	*1 522 599*
Other financial assets	158 876	*158 876*	*27 513*	*27 513*
Fair value change of hedged items in portfolio hedge of interest rate risk	**3 159**	**3 159**	**(51 678)**	**(51 678)**
Total	**10 587 380**	**10 301 718**	**6 901 261**	**6 267 435**
Financial liabilities				
Financial liabilities measured at fair value through proft or loss	**141 377**	**141 377**	**196 728**	**196 728**
Derivative financial liabilities	119 620	*119 620*	*188 493*	*188 493*
Financial liabilities from short positions	21 757	*21 757*	*8 235*	*8 235*
Financial liabilities measured at amortised cost	***9 763 018***	***9 884 114***	***6 417 607***	***6 417 607***
Amounts due to other banks	2 324 268	*2 324 268*	*1 965 931*	*1 965 931*
Deposits and current accounts	6 850 774	*6 850 774*	*4 207 025*	*4 207 025*
Repurchase agreements	68 752	*68 752*	*73 429*	*73 429*
Issued debt securities	254 068	*375 164*	*12 906*	*12 906*
Subordinated debt	113 679	*113 679*	*88 887*	*88 887*
Other financial liabilities	151 477	*151 477*	*69 429*	*69 429*
Hedging derivative liabilities	**17 018**	***17 018***	**158**	**158**
Total	**9 921 413**	**10 042 509**	**6 614 493**	**6 614 493**

The non-fair value measured instruments of the Bank are Level 3 instruments, except the securities, that are Level 1,2 instruments in the fair value hierarchy.

The Bank measures fair values using the following measurement hierarchy:

- Level 1 (quoted prices available on the active market): Fair values of financial instruments traded in active markets are based on quoted market prices or dealers' price quotations. This category includes treasury bills, government bonds, other bonds, investment units, capital instruments and currency derivatives and stock futures transactions listed on a stock exchange or having an active market.

- Level 2 (valuation techniques - with observable parameters): this category includes instruments measured with the application of the following: quoted market prices in an active market of similar instruments; quoted prices of similar instruments in a market considered inactive; or other valuation techniques where every significant input originates from directly or indirectly observable market data. Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments with observable market prices, and other valuation models. Assumptions and inputs applied in the valuation techniques include risk-free rates and benchmark rates, credit risk premiums and other premiums used to estimate discount rates, bond and share prices, foreign exchange rates, share indices, and the projected price volatilities. The majority of derivative transactions belong to this category, for example currency forwards and swaps, currency and interest rate swaps, and bonds whose market is active with limitations.

- Level 3 (valuation techniques - with significant non-observable parameters): valuation techniques applying a significant amount of unobservable inputs. This category contains all the instruments in the case of which the valuation techniques apply inputs that are based on unobservable data and where the unobservable inputs may have a significant impact on the valuation of the instrument. This category contains instruments which we value based on quoted prices of similar instruments, and in the case of which significant unobservable modifications or assumptions are necessary to reflect the differences between the instruments.

No reclassification was carried out between the levels of the fair value hierarchy in the fiscal year.

The evaluation methodology of the model linked to baby loans was further developed during the period as follows:

- Modifications affecting the calculation of the forward curve:
  Estimation of futures cash flows is based on forward reference interest rates calculated from 6-month BUBOR forward curve instead of previously used yield curve used for discounting. This results in an amount of HUF 4,161 million gain.

- Modifications affecting the yield curve used for discounting:
  In order to increase the accuracy of the calculation the number of yield points used to interpolate the zero curve has been increased from 23 to 60 yield points. This results an amount of HUF 427 million loss.

- Modifications affecting the estimated cash flow of transactions:
  The estimated period between the child births or the signing of the loan contract and the birth of the first child has been revised based on a performed hypothesis test on the largest portfolio to verify the Hungarian Central Statistical Office’s statistics. This modification results an amount of HUF 1,774 million positive fair value adjustment related to baby loans.

Development of evaluation methodology of the model linked to baby loans resulted HUF 5,508 million gain and was recognised in the line of consolidated statement of profit or loss and other comprehensive income “Results from financial instruments measured at fair value through profit or loss, net.”

The methods and the assumptions applied in determining fair values of financial instruments when a valuation technique is used were as follows:

Cash and cash-equivalents

Due to the short-term nature, the carrying amount of Cash and cash-equivalents is a reasonable approximation of their fair value.

Derivative financial instruments

Fair values of derivative financial instruments are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques.

Securities

The fair values of instruments grouped into securities are based on quoted market prices, when available. If quoted market prices are not available, fair value is estimated using quoted market prices of similar securities. For further information, please refer to Note 10.

The value of investment units held is determined based on the net asset value of the related investment funds.

The net asset value of the investment funds is established by the Fund Manager, the calculated net asset value is checked by the Depositary. The net asset value of the funds is determined at least on a quarterly basis. The determined net asset value of the funds is the value of the assets minus all the liabilities of the investment funds. Investments must be measured at fair value based on market prices. When calculating the net asset value of the first three quarters of each financial year, the Fund Manager continuously monitoring the management of the investments, the development of market prospects and having the information at its disposal - which includes the latest available quarterly reports on the investments, financial information - updates the valuation of investments based on the valuation model, which is taken into account during the calculation of the net asset value for the relevant quarter.

The Fund Manager uses fair value valuation when calculating the year-end net asset value of the funds. After the end of the year, the Fund Manager prepares a business evaluation of all investments in a given fund based on the latest financial data and information available at the time of the evaluation, in which the fair value of the investments is determined. The evaluation is reviewed by a requested independent expert and a report containing the findings of the evaluation is issued. The value of the investments in the consolidated financial statements is determined based on the mentioned business valuations.

Loans to banks and customers

The fair value of loans and advances is based on observable market transactions, where available. In the absence of observable market transactions, fair value is estimated using discounted cash flow models. For the valuation of the loans to banks and customers, please refer to Note 8 and 11.

A +/- 250 basis point parallel yield curve shift on the HUF 373 billion contractual portfolio of baby loans, which represents the largest portfolio of loans measured at fair value, has a theoretical gain of HUF 9.2 billion (-250) and theoretical loss of HUF -10.7 billion (+250). This represents an average market impact of 2.67% on the exposure, in the case of -250 basis point movement, the BPV value is HUF 37 million, while in the case of +250 bp it is HUF -43 million

Amounts due to other banks and current and deposit accounts

For the purposes of estimating fair value, Amounts due to other banks and current and deposit accounts are grouped by residual maturity. Fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities plus Bank's own credit risk. For determining own credit risk (DVA – Debit Value Adjustment) the Bank uses the own PD and LGD used also for risk purposes which is also in line with the DVA calculation method for negative fair value derivatives. The fair value of a deposit repayable on demand is assumed to be the amount payable on demand at the end of the reporting period.

Issued debt securities and Subordinated debt

Fair values are determined using quoted market prices at the end of the reporting period where available, or by reference to quoted market prices for similar instruments plus own credit risk.

Data in HUF million unless stated otherwise

The table below analyses financial instruments measured at fair value, by valuation method:

36.2

31 December 2023	Quoted market prices in active markets	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs	Total
Financial assets				
Financial assets measured at fair value through proft or loss	**663**	**209 551**	**510 513**	**720 727**
Loans and advances to customers mandatorily at FVTPL			*490 802*	*490 802*
Securities held for trading	*663*	*354*		*1 017*
Securities mandatorily at FVTPL		*18 025*	*19 711*	*37 736*
Derivative financial assets		*191 172*		*191 172*
Hedging derivative assets		**73 012**		**73 012**
Financial assets measured at fair value through other comprehensive income	**439 107**	**467 505**	**-**	**906 612**
Securities	*439 107*	*467 505*		*906 612*
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	**21 757**	**119 620**	**-**	**141 377**
Derivative financial liabilities		*119 620*		*119 620*
Financial liabilities from short positions	*21 757*			*21 757*
Hedging derivative liabilities		**17 018**		**17 018**

31 December 2022	Quoted market prices in active markets	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs	Total
Financial assets				
Financial assets measured at fair value through proft or loss	**6 354**	**287 306**	**183 249**	**476 909**
Loans and advances to customers mandatorily at FVTPL	-	-	*182 875*	*182 875*
Securities held for trading	*6 354*	*2 080*	-	*8 434*
Securities mandatorily at FVTPL	-	*17 643*	*374*	*18 017*
Derivative financial assets	-	*267 583*	-	*267 583*
Hedging derivative assets	-	**142 874**	-	**142 874**
Financial assets measured at fair value through other comprehensive income	**305 686**	**122 834**	-	**428 520**
Securities	*305 686*	*122 834*	-	*428 520*
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	**8 114**	**188 614**	-	**196 728**
Derivative financial liabilities	-	*188 493*	-	*188 493*
Financial liabilities from short positions	*8 114*	*121*	-	*8 235*
Hedging derivative liabilities	-	**158**	-	**158**

The determination of fair value level and the transfers between levels are in line with accounting policy (see Note 4). There were no transfers between fair value levels in the reporting period ended on 31 December 2023.

There is no active quotation of discount government bonds when they reach within 3-month maturity. For discount government bonds within the maturity of 3 months, MBH Bank is using yield-curve valuation technique. The inputs of the yield-curve are the relevant active market prices, consequently it is considered as Level 2 valuation.

As part of its trading activities the Bank enters into OTC structured derivatives, primarily options indexed to equity prices, foreign exchange rates and interest rates, with customers and other banks. Some of these instruments are valued using models with significant unobservable inputs, principally expected long-term volatilities and expected correlations between different asset prices or foreign currency exchange rates. These inputs are estimated based on extrapolation from observable shorter-term volatilities, recent transaction prices, quotes from other market participants and historical data.

Data in HUF million unless stated otherwise

In determining fair values, the Bank does not use averages of reasonably possible alternative inputs as averages may not represent a price at which a transaction would take place between market participants on the measurement date. When alternative assumptions are available within a wide range, judgements exercised in selecting the most appropriate point in the range include evaluation of the quality of the sources of inputs (for example: the experience and expertise of the brokers providing different quotes within a range, giving greater weight to a quote from the original broker of the instrument who has the most detailed information about the instrument) and the availability of corroborating evidence in respect of some inputs within the range.

37. Related parties

For the purpose of the financial statements, the Group identified the related parties using the definition of IAS 24, therefore every enterprise that is directly or indirectly, through one or more intermediaries, controlled by the Group and key management personnel, including the members of the Board of Directors and the Supervisory Board, qualify as a related party.

All transactions with related companies were carried out in the ordinary course of business. The transactions include credit and deposit transactions, and off-balance sheet transactions. All of the transactions were carried out under the regular commercial conditions and by applying market interest rates, should there be any transactions that do not fulfil the conditions for normal course of business.

Transactions with related parties

Related parties have transacted with the Bank during the period as follows:

37.1

	Subsidiaries		Associates		Key Management Personnel		Other related parties*	
	2023	2022	2023	2022	2023	2022	2023	2022
Assets								
Amounts due from other banks	434 683	30 000	-	-	-	-	-	-
Loans and advances to customers	446 952	348 573	32 060	21 171	514	1 897	173 782	88 340
Derivative financial assets	3 322	6 711	2 835	1 036	-	-	16	271
Securities and investments	602 750	397 414	73 033	20 682	-	-	54 074	34 440
Other assets	13 420	4 806	44 730	-	-	-	4	-
Liabilities								
Amounts due to other banks	672 586	673 162	-	-	-	-	-	-
Current and deposit accounts	65 988	18 846	1 087	681	505	1 536	404 867	238 543
Derivative finacial liabilities	10 315	-	-	-	-	-	-	-
Other liabilities	35 313	-	44 730	-	-	-	29	-
Income statement								
Interest and similar to interest income	81 186	40 792	2 155	356	12	137	20 186	7 912
Interest expense	(100 003)	(39 828)	(33)	-	(3)	(3)	(27 019)	(11 890)
Net income from commissions and fees	(846)	700	123	111	4	20	32	921
Other net income / (expense)	(41 396)	(132)	(250)	(10)	(1 209)	(1 368)	(223)	(533)
Contingencies and commitments								
Undrawn commitments to extend credit	41 614	80 299	810	477	4	235	66 281	135 901
Guarantees	99 906	69 852	-	-	-	315	95 785	10 101
Provisions	234 958	228 025	10 212	651	2	(9)	17 444	9 305

*Balances to other related parties include exposures to owners and their groups.

Data in HUF million unless stated otherwise

Significant part of the amount outstanding from Key Management Personnel represents mortgages and secured loans granted and these loans are secured over property of the respective borrowers.

Other related parties include the interests of the Key Management Personnel and other investments.

Key management personnel compensation for the period comprised:

37.2

	2023	2022
Short-term employee benefits	685	461
Other long-term benefits	41	143
Share-based payment transactions	136	143
Total	**862**	**747**

38. Audit fee and other services performed by the auditor

The following table contains fees for services provided by the statutory auditor in 2023:

38.1

2023	Amount in HUF
Annual fee of audit services	312 248 000 +VAT
Other audit services provided by the auditor	259 199 539 +VAT
Fee for other assurance services	68 000 000 +VAT
Non-audit services provided by the auditor	82 358 150 +VAT
Total audit fee*	**721 805 689 +VAT**

* Fees for all services were fixed.

Auditing company:
PricewaterhouseCoopers Auditing Ltd.

Auditor personally responsible:
Árpád Balázs (006931)

Persons responsible for managing and controlling the accounting services tasks:
Edit Tóth-Zsinka, managing director of finance and reporting
Ildikó Brigitta Tóthné Fodor, chamber registration number: 007048

Separate Financial Statements as at 31 December 2023 Data in HUF million unless stated otherwise

39. Share based payments

With the modification of the ESOP Act, which came into effect on 28 November 2015, a new type of Employee Share Ownership Programme could be launched. MKB Bank, the former member bank of MBH Group was, one of the first to use this opportunity to establish its own ESOP Organisation on 30 May 2016.

In 2017 MKB started its ESOP Remuneration Policy and implemented it through the ESOP Organisation (MRP Szervezet). The Bank's remuneration policy is determined jointly by the CRD/HPT bank remuneration framework and the ESOP Act. Eligible employees submit a participation declaration, to become participants of the ESOP and subject to the regulations of the Remuneration Policy.

In order to settle the variable cash settled share based payments, the ESOP exercises subordinated MBH's bonds and buys financial settlement type purchase-rights for ordinary shares. These transactions are financed by MBH as the founder's financial contribution. The amount and quantity purchased are in line with the employees bonuses assessed. The MBH as the founder has to ensure the financial contribution 2 years before the employee settlement, due to an obligation regulated by the ESOP Act.

The purchase options are financial-settled, therefore there are no actual share movements. The beneficiary of the purchase options is the ESOP Organisation, so the employees are not beneficiaries. The participants of the ESOP will not become owners of shares. However the financial assets managed by the ESOP Organisation are the bases of the participants' membership. Participants will be entitled for the financial settlement of cash settled share based payments, as it is regulated by the ESOP Remuneration Policy. The Policy determines the market price of the shares belonging to the purchase options. In addition to cancellation of the participant's membership, the payments of the cash settled share based payments will be managed by the ESOP Organisation and performed after the recognition of the bonds and the purchase options in line with the deferral periods.

The share based payments of the purchase options are accounted based on the principles of IFRS 2 standard, while the share based payments of the bonds are accounted as of IAS 19 standard.

Details of the share based compensation:

39.1

01. Januar 2023 - 31. December 2023	Number of shares	Options fee (HUF/share)
outstanding at the beginning of the period	7 399 972	10
granted during the period	3 266 767	10
exercised during the period	(373 795)	10
expired during the period	(996 145)	10
outstanding at the end of the period	9 296 799	10

01. Januar 2022 - 31. December 2022	Number of shares	Options fee (HUF/share)
outstanding at the beginning of the period	5 438 444	10
granted during the period	2 167 068	10
exercised during the period	(205 540)	10
outstanding at the end of the period	7 399 972	10

40. Events after the end of the reporting period

Personal changes

After the resignation of dr. Péter Magyar at 13 February 2024 the Extraordinary General Meeting of MBH Bank elects dr. Árpád Kovács to the member of the Supervisory Board and Audit Committee from 14 March 2024 to 31 December 2025 (after the receipt of the relevant authorization decision issued by NBH and the written acceptance of the election of the Supervisory Board).

BET introduction

The Budapest Stock Exchange Plc. introduced into exchange trading the dematerialised, registered, „EUR 350,000,000 and 8.625 percent. Senior Preferred Fixed-to-Floating Callable Notes" due 2027, tranche number 1, in an amount of 350,000 securities with a face value of EUR 1,000 giving a total face value of EUR 350,000,000 issued by MBH Bank Plc. as of 16 February, 2024.

Acquisition of Fundamenta

In November 2023 MBH Bank signed a share purchase agreement with Bausparkasse Schwäbisch Hall AG (Germany), Bausparkasse Wüstenrot AG (Austria) and Wüstenrot & Württembergische AG (Germany) in order to purchase a total of 76,35% stake of Fundamenta-Lakáskassza Lakás-takarékpénztár Plc. (registered office: 1123 Budapest, 55-61., Alkotás Street, Hungary). The prior authorization of the transaction by the competition and the supervisory authorities was successfully completed, after which the Sellers and the Purchaser carried out the transaction on 27 March 2024.

The consolidated total equity of Fundamenta Lakás-takarékpénztár Plc. on 31 December 2023 was HUF 76,033 million, which is the 100% of the ownership. The fixed component of the purchase price is EUR 170.7 million, which is modified by other variable components defined in the purchase price contract.

The acquisition means a significant growth. The Group grows by 480 thousand clients, HUF 530 billion in loans and HUF 570 billion in deposits, furthermore the market share of retail savings and residential loans also increases. Besides these the products of MBH Bank will also be available to wider audiences through new channels provided by the strong sales network of Fundamenta.

M B H B a n k Plc.

10 011 922 641 911 401
statistic code

Separate Management Report

31 December 2023

MANAGEMENT REVIEW AND ANALYSIS[1]

1. HISTORY OF MBH BANK PLC.

MBH Bank's stability is based on the combined knowledge and experience of three Hungarian financial institutions with a long history, Budapest Bank, MKB Bank and Takarékbank.

On May 15, 2020, MTB Magyar Takarékszövetkezeti Bank and MKB Bank signed a Memorandum of Understanding to establish a joint financial holding company - Magyar Bankholding - in which the two financial institutions entered with equal ownership. On 26 May 2020, Budapest Bank also joined the strategic cooperation.

Magyar Bankholding was established to carry out the merger and transformation of Budapest Bank, MKB Bank and Takarék Group as a domestically owned financial holding company. The company started its effective operations on 15 December 2020, after the major shareholders of the three banks transferred their bank shares to the joint holding company with the approval of the Hungarian National Bank, thus creating Hungary's second largest banking group.

On 15 December 2021, the General Meeting of MKB Bank and the highest decision-making bodies of Budapest Bank and Magyar Takarék Bankholding, which owns the Takarék Group, approved the merger timetable for the merger of Budapest Bank, MKB Bank and Magyar Takarék Bankholding. As a first step, on 31 March 2022, the two member banks of the banking group, Budapest Bank and MKB Bank merged with Budapest Bank being merged into MKB Bank.

The merged bank continued to operate under the name of MKB Bank until 30 April 2023, when Takarékbank joined, and since 1 May 2023 it has continued to operate under the name of MBH Bank, with a single brand name and image.

The bank group aims to introduce customer-centred, competitively priced, internationally leading digital solutions, products and services, building on the combined strengths, values and best practices of the three strong domestic commercial banks. The integration of the three member banks is unique not only in Hungary, but also in the financial market of the region, mainly due to its complexity and scale.

MBH Group is a very stable, strong and dominant player in the Hungarian financial sector. Currently, it is the second largest bank group in Hungary in terms of total assets and also has the largest branch and ATM network. The bank group is a market leader in number of areas, including lending to corporate customers and the micro, small and medium-sized enterprise sector, which has key importance to the national economy, serving agricultural and private banking clients, and in the leasing market.

[1] In the next chapter of the financial statement, we assess and analyze the financial situation of the Bank and the results of the activities in order to give the reader an overview of the financial situation and the results for 2023. The following analyses are based on the individual financial statements of MBH Bank prepared in accordance with the International Financial Reporting Standards (“IFRS”) for 2023 to the accounting date of 31 December 2023, audited by the registered auditors of the PwC Auditing Ltd. Accordingly, the following analysis focuses on the performance of the Bank. Separate financial statements prepared in accordance with the IFRS requirements will be presented separately.

2. OPERATIONAL ENVIRONMENT

The international and domestic economic developments in 2023 continued to be affected by the military conflict between Russia and Ukraine, which broke out in February 2022, and the conflict in the Middle East that started last October had a significant impact. Due to the latter, the prolonged conflict in Israel increased oil's risk premium, which partly curbed the decrease in crude oil prices in the last quarter of 2023. In addition, since late December, Houthi rebels in the Red Sea have started attacking merchant ships bound for Israel, as a result of which some ships can only safely carry goods around Africa, which could increase inflation risks in Europe in 2024 and potentially cause disruptions in supply chains.

Meanwhile, developed economies have struggled to fight inflation last year, which has and could lead to high interest rates and put the brakes on economic growth. Although preliminary data suggests that the euro zone economy avoided technical recession last year, the weak growth dynamic (or recession in case of our main external trading partner, Germany) was a significant drag on the Hungarian economy: In the fourth quarter of 2023, domestic GDP stagnated compared to the same period last year, while the economic output of 2023 was 0.9% lower year-on-year according to raw (unadjusted) data.

The year 2023 was characterised by disinflationary trends, i.e. moderation in inflation. Last year, base effects, moderation in demand, the emergence of a wider range of price corrections and competition-enhancing measures for food, and the fading price increases for durable goods, reflecting the strengthening of the forint, were beneficial for the decline in inflation. The base effects reflect the fact that international commodity and energy prices fell back to 2021 levels in 2023 in most cases. The pace of disinflation has been partly moderated by the addition to the base of the gasoline price freeze, which was lifted in December 2022, as well as by the September increases in the prices of gambling and some public transport fares, as well as the emergence of a price-wage spiral in some service sectors. Despite the factors holding back the decline in the CPI, the annual rate of inflation in December was better than analysts' expectations at 5.5%, with the year-on-year average money deflation stood at 17.6%.

The National Bank of Hungary (hereinafter: NBH) has tightened interest rates sharply over 2022, raising the base rate from 2.4% to 13%, but the effective interest rate actually rose to 18% through the restructuring of the asset base. In May 2023, the Monetary Council began its cycle of rate cuts, which continued so far and contributed to the policy rate being converged to the base rate by September 2023. By the end of 2023, the base rate had fallen to 10.75%; the rate cut was facilitated by a steeper-than-expected fall in inflation in the second half of last year, a spectacular improvement in the external balance and a more favourable global investor mood towards the end of the year.

According to the January release of the Ministry of Finance, the central budget cash deficit in 2023 was HUF 4,593.4 billion, 135% of the revised estimate. The cash balance of the budget is worsened by the fact that in 2023, pre-financing of EU tenders exceeded the payments received from the EU, without that cash deficit would have been HUF 573 billion lower. The fiscal picture is also affected by indirect acquisitions of public assets. The deficit is also influenced by the burden of household utility expense subsidies for the protection of the population. Based on the financial accounts, the budget could reach an accrual deficit of around 6.5% of GDP in 2023. The reduction in the debt-to-GDP ratio could continue despite the large government deficit, with the ratio falling to close to 72% by the end of 2023, thanks to the large part to strong nominal GDP growth.

A surplus of EUR 410 million was generated in the current account in the third quarter of 2023, showing a significant improvement of €5 billion compared to a year earlier. Including the capital account, the net external financing position (surplus), seasonally adjusted, amounted to €760 million, an improvement of €5.1 billion compared to a significant deficit a year earlier. Reflecting the improvement in the external balance, the goods balance reached a surplus of €298 million. The improvement in the goods balance was partly due to improving terms of trade as energy prices fell, and partly to falling domestic demand through a reduction in imports. The current account deficit could drop from 8.2% of GDP in 2022 to 0.1% in 2023.

The credit institutions sector had an outstanding year in 2023 in terms of profit after tax: preliminary data show that domestic banks reported profits of over HUF 1,370 billion, almost HUF 900 billion higher than in 2022, and a return on equity of over 20%. Two factors played a key role in the improvement compared to 2022. The interest income was almost HUF 500 billion higher, although this was largely achieved passively, namely by banks placing their free liquidity in NBH's high interest paying deposit instruments. In fact, without the interest received on the liquidity held with the NBH, no improvement would have occurred. Although the margins between lending and deposit rates widened, the interest rate ceilings on the former resulted in substantial revenue shortfalls. Another factor behind the improvement was the evolution of risk costs: In net terms, more than HUF 400 billion less impairment and provisions were needed in 2023 than a year earlier, as the previously assumed deterioration in the loan portfolio did not materialise and the non-performing portfolio ratio even declined. While inflation has led to an increase in banks' operating costs, this has been broadly offset by an improvement in fee and commission income and other operating income (difference between received and paid dividend, trading profit, etc.). All in all, therefore, the banking sector has shown an outstanding performance of its domestic operations in 2023, not only in terms of profit after tax, but also in terms of key efficiency indicators (cost/income ratio, net interest margin, etc.). However, a significant part of the income improvement is not sustainable; a meaningful correction is expected in the declining yield environment.

3. MBH'S RESULTS FOR 2023

On 30 April 2023, MKB Bank Plc. and Takarékbank Ltd. merged, continuing their activities under the name of MBH Bank Plc. The accounts at 31 December 2023 have already included the data of the merged Bank, which are not comparable with the data as at 31 December 2022. The total assets of the MBH Bank was HUF 11,008.6 billion by the end of 2023. The stock of net customer loans amounted to HUF 4,272.3 billion, while the stock of customer deposits reached HUF 6,850.8 billion. Profit after tax amounted to HUF 118.3 billion.

The Bank's financial and business fundamentals strengthened further, including capitalization, liquidity, funding structure, balance sheet structure and the performance of its business lines.

Main figures in HUF million	31.12.2023	31.12.2022	Change %*	Change
Total assets	11,008,621	7,468,778	47.4%	3,539,843
Financial assets measured at amortised cost	7,578,461	4,823,478	57.1%	2,754,983
o/w net client loans	4,272,323	2,565,343	66.5%	1,706,980
Financial liabilities valued at amortised costs	9,763,018	6,417,607	52.1%	3,345,411
o/w client deposits	6,850,774	4,207,025	62.8%	2,643,749
Equity	980,632	793,012	23.7%	187,620
Profit/Loss before tax	141,863	64,130	121.2%	77,733
Profit/loss for the year	118,316	64,637	83.0%	53,679
Total comprehensive income	169,599	68,330	148.2%	101,269

4. PERFORMANCE OF THE INDIVIDUAL BUSINESS LINES[2]

Retail clients

On 30 April the merger of MKB Bank Plc. and Takarékbank Ltd. was completed, and from 1 May the new credit institution continued its activities under the name of MBH Bank Plc.
The merger process, which lasted for more than two years, has thus been completed, creating Hungary's second largest credit institution in pure Hungarian ownership.

[2] The source of individual market data: NBH (National Bank of Hungary), KAVOSZ, BAMOSZ (Association of Hungarian Investment Funds and Asset Management Companies), EXIM Bank, MFB (Hungarian Development Bank), MBH's own calculation

At the same time, the bank card portfolio of MBH Investment Bank Ltd. (former MTB Magyar Takarékszövetkezeti Bank Ltd.) was transferred to MBH Bank Plc., which, as the acquiring credit institution, replaced the former issuer in terms of the bank card portfolio.

In retail account products, the focus was on supporting the achievement of business objectives and digital developments. The account sales channel was further expanded through the MBH Bank Digital kiosks and, thanks to a successful tender, through a contract between the Bank and Diákhitel Központ Ltd. On the bank card side, there have been several developments and measures to support the use of digital channels and to enhance customer convenience. Google's own mobile payment solution, Google Pay, has been made available to MBH Bank customers for all Mastercard and Visa retail debit and credit cards.
In August 2023, the Bank launched, first in the Hungarian financial market, the Mastercard Touch Card, an accessible bank card for blind and partially sighted people. The Touch Card debit and credit cards have notches on the side to help distinguish between the cards and how to insert them into the card reader.

In 2023, the premium services of the Go! Platinum credit card were further enhanced with exclusive benefits from Müpa Budapest. On August 1, 2023, MBH Bank was the first card issuer in Hungary to introduce the Mastercard Touch Card feature. The Go! credit card was the first credit card to offer this new feature and throughout the year it was continuously extended to partner-issued credit cards.

Among savings and investment solutions, investment funds were particularly popular in 2023. The Bank met customer needs primarily through wide range of products offered by MBH Fund Manager. Short bond funds combining high return potential with flexible investment horizons were particularly popular among the investment funds, with portfolios multiplying during the year. The total assets under management in private investment funds in the banking group increased by 47.6% compared to 2022. From May 2023, newly-issued MBH bonds with multiple maturities became available to retail customers, and these schemes were also popular with savers.

The merger in May 2023 brought a significant change in MBH Bank's mortgage lending, with the range of loans and services sold being consolidated across the branch network. The renewal of the product portfolio in line with the ESG strategy also played an important role in this process, within the framework of which the Green Certified Consumer Friendly Home Loan was introduced from 1 April 2023, while the MBH ECO Home Loan for green credit purposes was made available with renewed terms from 1 May 2023.
MBH Bank voluntarily joined the APR cap as of 9 October 2023, setting the interest rates for market-rate home loans at a level within the set limit and further reducing the interest rates for those loans in line with the January 2024 amendment of the cap.

In 2023, the government's capping of loan rates continued to provide assistance to customers in payment difficulties. A government decree of 30 November 2023 extended the interest rate freeze until 30 June 2024, until which date customers can repay their mortgages on favourable terms.
The Bank is well-prepared for the restructuring of the Home Support Programme, with the new CSOK (Family Home Purchase Subsidy) Plus loan and the modified conditions of the Village CSOK and the Baby Loan schemes being available in the Bank's product range from 1 January 2024. As a retail bank, MBH Bank aims to serve its customers with the full range of state subsidies.

In order to strengthen its market position, the Bank has launched a Baby Loan promotion throughout the year and has priced the 10-year mortgage loan in the TOP3. Mortgage loans closed the year with a market share of 10%, while the all-purpose mortgage closed the year with a market share of 15%.
Personal loan sales were supported by the Group's active campaign and sales activities. Overall, the volume of new disbursements increased to HUF 72.5 billion, making MBH Bank an even more dominant player in the unsecured lending market, included in the personal loan segment.

Continuing to achieve the targets set last year with CIG Pannónia Insurance, in 2023 we took further steps to increase the product range, related processes and sales efficiency. As a result of the bank merger in May, the travel insurance products related to the former MTB Ltd. issued debit cards were modified as of 1 May 2023. The group insurance contracts for travel abroad previously concluded with Allianz Hungária Ltd. and SIGNAL IDUNA Biztosító Ltd. have been terminated by the bank, both for the built-in and optional insurance, and then the travel insurance related to the cards concerned are and will be provided by CIG Pannónia Biztosító.
The BajTárs accident insurance product has been renewed as of 15 June 2023, offering a higher-level service package and more extended cover. There was a change in limits and a new element of indexation helps to maintain the real value of the sums insured.

In November 2023, a group travel insurance product for one trip, specifically designed for this platform with the help of our insurance partner, became available to all three former member bank customers through a completely new channel, the MBH Bank App.

In the premium segment, we have extended the new unified value proposition to the merged Takarékbank; we now operate the new service model in the Premium Service branches to enhance customer experience and work more efficiently. The portfolio grew by 47% in 2023.
In February 2023, MBH Bank was awarded 1st place in the 'Premium Banking Activity of the Year 2022' category, announced by MasterCard on 16 February 2023.

Branch network

With the merger process completed in April 2023, MBH Bank has the largest branch network in the country.
The bank will continue to operate with a unified and completely renewed image, gradually developing and modernising its network of 400 branches. By the end of the year, MBH Bank's new branding features were introduced in all operating branches and completely new branches were opened. The branches have been redesigned to reflect changing customer needs, providing more space for discrete advice. A separate space is now allocated to premium banking and mortgage lending advice in the larger branches.
Further innovation and digitalisation has been achieved with the installation of unique video-banking units in 7 higher education institutions, assisting the younger generation to bank and open accounts online. The Digital Kiosk capsule provides full accessibility with a modern, innovative look.
MBH Bank has mobile bank branches that are unique in the market. These mobile units provide local access to banking services for people living in small communities.
In addition to the branch's new look, the back-office systems have also undergone a major overhaul, with a focus on a customer-centric redesign of workflows and service. A unified customer call system has been rolled out across the branch network and online branch appointment booking has been made available, minimising the time customers spend waiting in the branch.
In terms of central systems, the Bank's new unified cashier system has been implemented. This development has made it easier and simpler for branch colleagues to manage money in the branch, thus enabling them to serve customers more quickly in their daily cash transactions.
To enhance the customer experience, a new unified mobile app for the entire customer base was created and successfully introduced at the end of 2023.
In addition to system developments, the Bank has made it a priority to standardise processes and train branch network staff.

One of the major successes of the last quarter of 2023 was that, as a result of the open EU procedure, EU-funded loan programmes for micro, small and medium-sized enterprises for the 2021-2027 financing cycle would become available exclusively in selected branches of MBH Bank and Gránit Bank. The new network, called MFB Pont Plus, will continue to provide professional administration of easily accessible loan programmes tailored to the needs of customers.

Micro and small enterprise clients

Between 29 September and 3 October 2023, the entire portfolio of the predecessor Budapest Bank's corporate clients was migrated into MBH Bank's IT system.

The IT migration affected 60,000 corporate clients and contributes to the Bank's ability to serve its clients with modern banking services, efficiently with unified processes.

In 2023, the demand for government-subsidised loans to boost the economy among Micro and Small Enterprise customers remained unbroken. The MAX+ scheme of the Széchenyi Card programme was the most popular in that segment. The vast majority of the loans extended to businesses through these schemes were the driving force behind lending in that segment throughout the year.

The MAX+ program has seen an increase in demand for liquidity loans, which is expected to continue into 2024.

The competitiveness of the loans funded by the bank has continued to weaken in a rising interest rate environment, further widening the cost difference between fixed subsidized and variable market rate loans.

In addition to the merger work, there was a strong focus on improving loan servicing processes in 2023.

MFB Points

In 2023, MBH Bank's main task was to complete the end-of-cycle tasks for the EU-sourced repayable financial instruments available in the MFB 2014-2020 funding cycle. The end-of-cycle tasks included the management of outstanding transactions, settlement of working capital loans, project closure site visits, project closures. MBH Bank successfully completed all the tasks.
In addition to the end-of-cycle tasks, during the year, nearly HUF 135 billion of new loans were disbursed through MBH Bank's branches dedicated as MFB Points.
In the year 2023, MBH Bank has successfully applied for funding for the MFB Pont Plus corporate network during the EU financial cycle 2021-2027. The first 74 branches of the new MFB Pont Plus network were opened by the end of the year.

Digital products and channels

In 2023, a modern and unified front-end framework was deployed on a cloud-based infrastructure to improve the customer experience, along with additional features to help shorten process lead times and make the work of service colleagues more efficient. This includes the replication of customer master records, contracts and products contained in the source systems, display of product portfolio and detailed product data, customer master deduplication, customer grouping and statistical data display.

Single Treasury System - Petak2 and PER
MBH Bank has launched it as the first new application that enables a single teller service for all three predecessor banks, for any of their customers, providing full cross-service for all customers. Like the common mobile application, the application went live on the Openshift containerised platform.

OneApp - common mobile application
Based on the predecessor Budapest Bank's mobile application, a common mobile banking application was launched that can serve the daily banking needs of customers of all three predecessor banks. With continuous feature enhancements, it covers the most used banking functions continuously, and enhancements such as the donation function have also been implemented at record speed. In addition to the functional improvements, the application has also undergone a technological overhaul, and was moved to a modern containerised platform.

University smart capsule
Since its launch in May, self-service smart capsules have already been implemented in several universities in the country and the capital city, piloting the possibility of wider use.

Unification of electronic channels, new common channels

On 1 May 2023, the full legal merger of MKB Bank and Takarékbank and the related IT developments took place, and all electronic channels received a completely new brand. The website was further developed and unified at the entire MBH level, building on the new, youthful digital brand.

In 2023, Google Pay was implemented for all cards.

Contact Center

In 2023, in line with the Takarékbank merger, the organisational hierarchy of the Contact Center was simplified. The Contact Center TeleSales tasks and e-mail response handling was concentrated in one location. In Videobank, 3 member bank customer service has been reduced to 2 member bank service.

The WFM (Scheduling Call Coverage) system, Kapszula (Digital Zone) and Student Loan video shop services were introduced.

MBH SZÉP Card

Two major legislative changes were introduced in the operation of the MBH SZÉP Card in 2023:

- As of 9 January 2023, the accommodation, catering and leisure sub-accounts have been consolidated into the accommodation sub-account, from which date the accommodation sub-account continues to operate as the sole account of the SZÉP Card;
- On 1 June 2023, a one-off fee of 15%, with a minimum of HUF 100, had to be charged on the amount of and from the funds transferred to SZÉP Card accounts as benefits until 15 October 2022 and not used by 31 May 2023. In accordance with its statutory obligation, the Bank informed MBH SZÉP cardholders by 15 January 2023 about the balance of their unused funds received by 15 October 2022 and not used by the date of the information and the amount of the 15% fee calculated in advance on the unused funds.
  Then on the basis of Government Decree 381/2022 (6 October) on the use of the Széchenyi Card during the State of Danger, the payment service provider will charge a one-off fee up to and from the amount of the funds transferred to the SZÉP Card accounts as benefits and not used for at least 365 days after the transfer, on 20 March and 20 September. The fee can not be charged on funds for which a fee has already been charged and paid.

On 1 August 2023, the annual limit of HUF 450,000 for the SZÉP card benefit, which is an extra-wage benefit, was supplemented by an additional HUF 200,000 for the year 2023.

The spending opportunities were further extended by the fact that between 1 August and 31 December 2023, it was also possible to buy food with SZÉP Cards from traders who were engaged in food retail as their main activity.

By the end of 2023, the number of MBH SZÉP cardholders exceeded 260,000. Nearly HUF 33.6 billion employer contributions were transferred to them in 2023 with 819 thousand transactions. The MBH SZÉP cardholders spent nearly HUF 34.7 billion in 2023 with 5.3 million transactions. Between 1 August and 31 December 2023, the Bank's customers purchased HUF 3.7 billion worth of groceries, accounting for 24.26% of MBH SZÉP Card spending during that period.

The average annual value of funds in MBH SZÉP Card accounts was HUF 8.6 billion in 2023. Cardholders can now use their MBH SZÉP Cards for payments at nearly 40,000 points of acceptance.

Corporate and institutional customers

Relying on its traditional strengths, MBH Bank's strategic goal is to further develop and build a strong corporate business line. The business line focuses on local knowledge, professional service, consulting-based sales and the provision of innovative solutions.

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

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

MBH Bank Group remained an active participant in the continually renewed Széchenyi Card Programme. In the SZKP MAX+ programme which has been launched in January 2023 and is still running, MBH Bank has a 25% market share[3] of the number of loan applications in the corporate business line, including micro and small companies.

MBH Bank has traditionally maintained close ties with EXIM Bank to enable customers to benefit from EXIM financing sources. In the Baross Gábor Reindustrialisation Loan Programme, a total of HUF 1,000 billion loan has become available in euros as well as in forints at a fixed, low interest rate. The majority of the facility was allocated to working capital loans. The Bank's customers also requested a significant amount of these products. MBH Bank's market share in the BGH scheme was 21%[4]. In order to provide flexible and comprehensive services to its customers, the Bank continues to actively participate in all subsidised loan programmes announced by EXIM Bank, including the Baross Gábor Reindustrialisation Investment Loan Programme Plus, which will continue in 2024.

In 2023, there was strong demand for subsidised loan products compared to market-rate loans thanks to surging demand, as opposed to market-rate loans, given that these products offer a much lower interest burden for companies, thus significantly improving the domestic and international competitiveness of domestic businesses.

Private banking

On 30 April 2023 - simultaneously with the banking transformation - the merger of MKB Private Banking and Takarékbank Private Banking was completed, as a result of which the business continued its activities as MBH Private Banking.
Each of the member bank business lines brought with them different strengths, creating one of the most dynamic private banking services in Hungary, with full national coverage and a personalised service model.

In addition to its core business, MBH Bank Private Banking is a gold supporting member of the Social Impact Investors' Association, which has a strong focus on supporting family wealth planning and its special branch, the increasingly important topic of succession planning and generational wealth preservation.

Continuing the trend of previous years, we have managed to significantly increase the volume of assets under private banking management. Taking advantage of market conditions, by developing the skills of our private banking colleagues and increasing the number of services and products available to customers, the assets under management in this business line exceeded HUF 1,200 billion, making it the private bank managing the second largest portfolio in the domestic market.

[3] KAVOSZ
[4] EXIM

At the Private Banking 2023 Awards, MBH Private Banking (shared with Friedrich Wilhelm Raiffeisen due to the equality of votes) won first place in the "Private Banking Service Provider of the Year" category for the first time in its history. (The prize is awarded by Blochamps Capital on the basis of votes from competitors in the market.)
MBH Private Banking also won the "Business Developer of the Year" award and came second in the "Assets under Management" category, and one of our colleagues, Brigitta Barna, was awarded "Senior Private Banker of the Year".

Municipal clients

In 2023, the municipality business continued the strategy started last year, with a special focus on municipal clients. The main ambition of this area is to engage with local communities, through that MBH Bank helps to develop the economy as an engine of rural development through municipalities.
Over the past year, the business line got even closer to its clients, who are now served by a dedicated team of advisors with specific expertise in the rural metropolitan areas. In addition to serving municipal clients, the business line now also serves municipality-owned businesses, thus further exploiting synergies. The Bank maintained its second position in the overall municipal segment. By the end of 2023, thanks to a series of successful acquisitions, the municipal business line serviced the accounts of 1,225 municipalities and their member institutions (primary education establishments, kindergartens, crèches, etc.).
A measure of its success is the fact that several cities with county status also chose MBH Bank as their account managing partner. In addition to a significant increase in the number of customers, the deposit portfolio also expanded, reaching nearly HUF 200 billion, and the loan portfolio reached HUF 40 billion. As a result of its complex servicing model, the business unit joined the financing of Esco projects and played a key role in successfully serving a number of water utility customers.

Churches

In May 2023, the special unit serving church customers was established. MBH Bank currently serves nearly 2,000 church customers.
In 2023, active cooperation began with the highest level departments of all three historical churches (Hungarian Catholic Bishops' Conference, Hungarian Reformed Church, National Office of the Evangelical Lutheran Church in Hungary).
The savings portfolio managed by MBH Bank amounted to nearly HUF 76 billion.
MBH Bank is actively involved in the everyday life of church organisations, by assuming social responsibility and supporting and sponsoring various events.
The future goal of the special unit is to further expand its current business relations with these churches through strategic agreements.

Agricultural clients

Merger and organisational structure:

As a result of the merger processes, the Business Line has also developed unified customer service processes, products and risk management principles. This has created the largest unified agri-food business in the domestic banking market, which has continued the customer service principles and best practices already established in its predecessors.

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

The business line is organised in a separate, flat structure with a central management structure with a small number of staff, and the main organisational unit, the agricultural region. MBH Bank has retained the Agrárcentrum sub-brand, which was already well established in the predecessor organisation, and following the merger the business line is now embodied in the MBH Agrárcentrum sub-brand, which is also the name of the locations nationwide providing loans to customers. In addition, the agribusiness and large agri-food clientele are served by a specialised centralised service unit. In addition, leasing and factor financing, advisory services on tenders and insurance activities, which the Bank provides to its clients through cooperating partners, play an important role in serving the agri-food sector.

Market environment and business results:

In 2023, complex macroeconomic and sectoral developments determined the business performance of the business line:

- The drought in 2022 resulted in a loss of circa HUF 1,000 billion in revenues in agriculture, the knock-on effects of which continued to affect farmers' day-to-day liquidity in 2023.
- From 2022 onwards, input-output prices were temporarily disrupted by various specific shocks, the after-effects of which were also felt in 2023.
- Production costs in the arable sectors were still affected by the rise in input prices, depending on the timing of purchases, and sales prices felt significantly in 2023. The prices on the domestic market were also hit by a significant increase in transport costs in Europe.
- Thus, despite a much more favourable rainfall situation than in 2022, producers realised zero or minimal returns on most crops. The winners in 2023 were the livestock sectors and feed producers.
- At the end of the value chain, the food industry faced significantly weakening consumer demand due to falling real wages.
- The investment tenders for the new EU support cycle (Rural Development Programme) have not yet been launched.
- The financing needs were mainly for intra-year, day-to-day operation and production financing. Small and medium sized enterprises reported investment loan requests mainly under the ASZB (Agricultural Széchenyi Investment Loans) scheme, while larger ones applied for investment loans under the Baross Gábor programme.
- Long-term financing needs at market rates were moderate compared to previous periods.
- According to the available interim data[5], the loan portfolio of the banking market increased slightly in agriculture, decreased in the food sector and stagnated overall.

The annual operating results of the Agri-Food Business Line were within the range of market factors:

- Loans under management in the Business Unit increased slightly in 2023, leaving its market share practically unchanged according to the available interim data (around 25% in agriculture and food industry[6]).
- The business line achieved a higher than planned growth rate (well into double digits) in terms of customer deposits.
- Strengthened market leading position in the main agricultural loan products of the Széchenyi Programme (see below).
- Strong focus on exploiting synergies with cooperating partners (leasing, insurance, application writing and advisory services, factoring) to strengthen cross-selling.

[5] 2023/Q3-NBH, Ministry of Agriculture
[6] KSH, TEÁOR

The main commitments affecting the business line's activities:

The business line's key partnership with the Rural Credit Guarantee Foundation (AVHGA) was further strengthened:

- The dominant market position stabilised for products guaranteed by AVHGA.
- In the Agricultural Széchenyi Card Programme, four out of five transactions are financed by MBH Bank's agricultural business line, while the Bank also has a market-leading share[7] (over 50% in both volume and number of transactions) in the Agricultural Széchenyi Investment Loans.
- From 2023, Dávid Hollósi, head of the business line, has been helping to further develop the cooperation as a member of the Supervisory Board of AVHGA.

In 2023, he took over the chairmanship of the Agricultural Working Committee of the Hungarian Banking Association. The programme was proposed and adopted with the aim of ensuring that the Banking Association participates more effectively in the preparation of professional decisions affecting agriculture.

In 2023, the autumn regional customer events were held, with the addition of a large corporate agribusiness customer event.

5. TREASURY AND INVESTMENT SERVICES (MARKETS)

Treasury

The Treasury made good use of the market opportunities provided by the main exchange rate movements during the year, and had a successful year from a business perspective, while maintaining risk exposures low.

The Treasury Trading area effectively managed short-term interest rate positions arising from counterparty positions and also made good use of the business opportunities arising from the monetary policy tools.

The Bank was an active participant in the bond market, with a significant share in the auctions of the ÁKK (Government Debt Management Agency) as primary dealer.

ALM & Liquidity service

In terms of operational liquidity management, the business unit continuously adapted to the changing monetary environment and fully executed the money market transactions necessary for the smooth functioning of the bank's payment flows.

Sales

In the merger process, the banking group completed a number of important milestones which had a significant impact on the work of Treasury Sales. The corporate migration that took place in the last quarter should be stressed as a result of which customers of the former Budapest Bank were able to benefit from a wider range of products and new electronic services.

Corporate Finance

In addition to the renewal of the Bank's bond issuance framework, the Bank completed nearly 30 domestic bond issues. Last year's main task was to coordinate the international EUR 1.5 billion bond

[7] AVHGA

programme of MBH Bank Nyrt, and to assist in the placement of EUR 350 million senior preferred bonds with a nominal value of EUR 1.5 billion, which met the MREL requirements. In addition to its activities in the debt securities market, the unit was also involved in an IPO transaction during the previous year.

Intermediary currency exchange

As the pandemic passed, new companies have entered the market to exchange money. Temporarily closed exchange offices reopened and new branches opened among the Bank's partners. The exchange rate fluctuations during the year, which were well above average, led to a significant turnover of intermediaries doing business with the Bank.

Investment services

Investment services - sales

In 2023, secondary sales in the retail government bond market were particularly active. The DTB (Discount Treasury Bill) turnover declined due to the very sharp fall in yields.
The underwriting of MBH Bank's own bonds and, at the same time, secondary market sales were of particular importance, with the Bank being able to underwrite a significant volume of bonds during the year.
MBH Bank's foreign currency bonds were also traded in high demand. The MREL bond maturing in 2027 is now available on the secondary market at a net price of almost 106%.
Increased equity market volatility in the last quarter has had an impact and the Bank has seen a visible improvement in both domestic and foreign equity sales.
Foreign exchange products continued to be one of the strongest contributors to turnover and income figures at year-end. The Bank's options turnover continued to grow, with thousands of options contracts concluded during the year.
Margin-type speculative deals remained very popular with customers.

Investment Products and Services Management

During the year, MBH Bank successfully maintained its position as one of the largest securities distribution networks in the country. On 6 November 2023, MBH Befektetési Bank Zrt. was established and commenced effective operations as a member of the MBH Group, but now operates in the market as a separate bank specialised in investment products and services.

As of the end of 2023, in addition to the MBH Group's network of intermediaries, securities brokerage activities were pursued in 35 additional branches operated by companies and banks. The MBH Group maintained its sub-distribution agreements for the distribution of retail government securities, which are used by a number of Investment Service Providers such as SPB Befektetési Zrt, HOLD Alapkezelő Zrt, Gránit Bank Zrt, Equilor Alapkezelő Zrt and Concorde Értékpapír Zrt. In line with the investment services strategy, several major projects and tasks have been implemented in the Bank:

- The MBH Group continued to strengthen in certificate issuance, issuing a total of 16 certificates denominated in three currencies.
- MBH Bank issued 9 HUF-denominated and 4 EUR-denominated own bonds.
- As of November 2023, MBH Group has introduced a single pricing harmonisation for investment services and the Wealth Management Platform, which will provide a broad digital advisory platform for its clients.
- In line with MBH Group's commitment to digital development, MBH Group is developing the MBH Netbroker and MBH Mobilbroker platforms, which were nominated by the Budapest Stock Exchange for the Online Hungarian Stock Trading Platform of the Year Award in 2023.

- In line with its ESG strategy, in the last quarter of 2023, the Bank renewed its MiFID questionnaire, adding an ESG preference module to assess the ESG preferences of the Bank's clients together with their investment objectives.
- It strengthened the MBH Group's choice of investment funds. The Group has more than 14 Fund Managers and over 300 investment funds available to its clients in the most popular asset classes, ensuring that specific product groups are always available, in line with the current market and economic environment, and a diversified portfolio.

Depositary services, sales

The institutional depositary services increased the client base during the year by acquiring additional mandates. In addition, as a result of the business processes of the existing client base, the growth in the portfolio significantly exceeded the value of the assets added through new portfolios. The business unit continued to actively support banking transactions requiring specialised depositary expertise, often related to a different client base than institutional entities using depositary services.

6. ACQUISITION ACTIVITY

MBH Duna Bank

During 2023, the acquisition of the direct majority stake in Duna Takarék Bank Ltd. was completed, and the Győr-based financial institution is now part of MBH Bank Plc. with 98.46% direct ownership of MBH Bank. Duna Takarék Bank Ltd. operates as an independent credit institution under the name MBH Duna Bank Ltd. as of 1 December 2023

MBH Duna Bank Ltd. initiated the accession of the credit institution to the Central Organisation of Integrated Credit Institutions and informed MBH Investment Bank Ltd., a member of the MBH Banking Group, as the business management organisation. MBH Duna Bank Ltd. joined the Central Organisation of Integrated Credit Institutions on 1 August 2023.

Fundamenta-Lakáskassza

In November 2023 MBH Bank signed a share purchase agreement with Bausparkasse Schwäbisch Hall AG (Germany), Bausparkasse Wüstenrot AG (Austria) and Wüstenrot & Württembergische AG (Germany) in order to purchase a total of 76,35% stake of Fundamenta-Lakáskassza Lakás-takarékpénztár Plc. (registered office: 1123 Budapest, 55-61., Alkotás Street, Hungary). The prior authorization of the transaction by the competition and the supervisory authorities was successfully completed, after which the Sellers and the Purchaser carried out the transaction on 27 March 2024.

The acquisition represents a significant growth, adding 480,000 customers, HUF 530 billion in loans and HUF 570 billion in deposits, and significantly increasing the Bank's share of the retail savings and housing lending markets. In addition, Fundamenta's strong distribution network will make MBH Bank's products available through new channels and to an even wider extent.

7. SUBSIDIARIES/STRATEGIC COOPERATION AND PARTNERS

In addition to its own range of banking products and services, MBH provides the services of its subsidiaries and partners too. The objective of the Bank is to preserve, increase the market position of its subsidiaries, to deepen cooperation within the group, and to continually strengthen ancillary financial services.

SUBSIDIARIES[8]

Euroleasing

The consolidated MBH Group includes the dominant operators of the domestic leasing market, Euroleasing Ltd., Budapest Lízing Ltd. and Euroleasing Ingatlan Ltd.

As an important step in the merger process, from the first day of 2022, Euroleasing Ltd., Budapest Leasing Ltd., Euroleasing Ingatlan Ltd., and MBH Bank's car financing segment (Budapest Autó) continue to operate in the same management structure, in a coordinated and integrated manner.

The leasing group has national network and market share of more than 25 percent based on the newly placed, aggregated leasing stock – all showing the importance of this step. After the integration, new loan and leasing services will primarily be provided by Euroleasing Plc., while contracts concluded before January 1, 2022 will continue to be managed by the original leasing companies or their legal successors.

Car financing activity

The leasing group has become a key operator in the vehicle financing segment of the leasing market. Starting from the fourth quarter of 2021, the introduction of the different, subsidised KAVOSZ Széchenyi Leasing had a stimulating effect on the financing market, which drove a significant number of commercial vehicle buyers towards the financing market in 2023.
The high interest rates reduced the demand for financing last year, at the same time rising prices had a negative effect on the sales market.

In 2023, new car sales volumes were slightly below the previous year, while the car finance leasing market grew significantly, as car prices increased. The growth of the financing market was also supported by a turnaround in interest rates and significant sales support from importers and dealers, mainly in the form of interest rate subsidies in addition to price support.

On 27 February 2023, Euroleasing Ltd. and RCI Services Llc. signed a partnership agreement under the leasing company will become the official domestic financier of the Renault, Dacia and Alpine brands from 1 March 2023, providing financing solutions under the name Mobilize Financial Services.

Asset financing activity

The leasing group has a dominant market position in the asset financing leasing market and achieved leading position with significant market share in its two most significant segments, the financing of agricultural equipment and commercial vehicles.
Every third investment in agricultural equipment financed through leasing and every fifth purchase of commercial vehicles financed through leasing was carried out with the support of Euroleasing in 2023. Excellent partnerships with the largest agricultural machinery dealers, limit-oriented service to returning customers and efficient cross-selling within the banking group have contributed significantly to increasing market share and maintaining market leadership.

State support programs (EXIM, KAVOSZ) had a significant impact on the asset financing market segment, and the Euroleasing group remains clearly the most important player in the leasing market in terms of the intermediation of subsidised transactions.

The deterioration in the economic environment was transmitted to the asset finance market through contraction in investment appetite and demand in the second half of the year. This decline in demand is

[8] Source: Hungarian Leasing Association, BAMOSZ

expected to continue to be adequately cushioned by government economic stimulus programmes and sales support solutions from manufacturers/distributors.

Changes in the economic environment affecting the leasing group

In 2022 the management of the leasing group's members was significantly influenced by several regulatory factors. These are the extra-profit tax extended to financial enterprises, and the Government's Decree No. 292/2022 issued on August 8, 2022. (VIII.8.) payment moratorium for the period between September 1, 2022 and December 31, 2023 for agricultural farmers' credit and loan contracts, as well as financial leasing contracts.

The group has devoted considerable attention to the follow-up and monitoring of the portfolios of customers who have exited previous moratoriums or are in moratorium in order to reduce potential losses.

The considerable diversification of the group's financing portfolio played an important role in countervailing the negative external effects, the development of which is an important pillar of the company's strategy.

MBH Befektetési Alapkezelő Ltd.

Following the merger in autumn 2022, the year 2023 will see the consolidation of the product portfolios of the two former Fund Managers. In addition to the mergers and restructuring, two new funds were launched during the year.

As of 31 December 2023, the Fund Manager managed a total of HUF 2,144 billion in net assets under management, representing a market share of 10.64%. Within this, it invests HUF 1,451 billion in 67 investment funds and 2 private equity funds and manages assets totalling HUF 693 billion for 9 funds, 3 insurance companies and 5 other customers in the context of portfolio management. MBH Fund Management is ranked second among pension fund asset managers (in terms of assets under management).

MHB Fintechlab

For MBH Fintechlab, the year 2023 was all about adapting to a changing environment and evolving. In 2023, the brand name stood for both the MBH Inkubátor Llc. and the Business Innovation area of the Standard Servicing business line. The MBH Fintechlab will make a major contribution to the establishment of digital capabilities in banking, the conscious development of innovation maturity and the exploitation of its business potential. The venture capital investment and the innovation management capability are the pillars of MBH Fintechlab's strategy.

During the year, MBH Fintechlab made 3 new investments in the framework of the implementation of the incubator tender of the National Research, Development and Innovation Office and provided member loans to 3 existing portfolio companies. In addition, its portfolio companies recorded a number of successes in growth. MBH Fintechlab successfully closed one full and one partial exit during the year, and verbal agreement was reached on another full exit, which will be completed in Q1 2024.

Continuing from the previous year, the subsidiary once again managed several events. Within the Fintech Factory competition, mentor meetings were organised on a monthly basis, where the founders of the portfolio companies had the opportunity to get to know each other and share their experiences and discuss their questions with each other and the mentors.

In addition, the company launched a Fintech Startup training course in English at the Budapest Business University, where students of finance at the university had the opportunity to develop a financial innovation idea with the help of our colleagues and mentors.

In 2023, the School of Innovation's financial innovation apprenticeship programme continued, for which 210 applications were received. Over the course of five months, participants were introduced to financial innovation trends and methodologies, participated in hands-on workshops and professional community events, divided into six professional topics. The training covered topics such as technology trends shaping the future of banking, how fintech giants work and design thinking. The training prepared them to be able to collaborate with fintech companies in their respective business areas and to integrate fintech solutions, improving the speed of response to customer needs. Our Artificial Intelligence training programme on the potential banking applications of Generative AI was a huge success, with hundreds of participants so far and more than 700 colleagues requesting access to the closed banking Chat GPT system.

Last year, the innovation management activity was launched in the Business Innovation area, where a total of 9 external fintech solutions were validated along the banking business needs, including the Péntech B2B BNPL solution from one of the start-up companies in our investment portfolio, with which MBH Fintechlab closed a successful test project, and the Book-keepie bookkeeper selecting platform, which was integrated into the BUPA SME ecosystem. However, the integration of the other solutions has been significantly delayed due to workloads related to restructuring and migration, and innovative solutions will be adapted to the new banking strategy and QBR in the future.

Solus Capital Venture Capital Fund Management

Solus Capital Venture Capital Fund Management Ltd. continued its investment activity in the start-up ecosystem in 2023 too.

The Solus I Venture Capital Fund is a fund jointly financed by the Specialization Venture Capital Program (GINOP 8.1.3/B-17) and MBH Group and its strategic partners as private investors. By the end of 2023, the Solus I Venture Capital Fund has invested more than HUF 11.2 billion (HUF 344 million in 2023) in SMEs applying innovative and smart technologies.
The investment portfolio of Solus I Venture Capital Fund consisted of 27 companies at the end of 2023.

Solus II Venture Capital Fund is a fund operating within the framework of the Digital Venture Capital Programme (GINOP 8.2.7-18), co-financed by MBH Group as a private market investor. By the end of 2023, Fund invested close to HUF 7 billion in micro-, small- and mid-sized enterprises that focus on digitalization. The portfolio consisted of 21 companies at the end of 2023. In 2023, the Fund made 4 new investment decisions and disbursed a total of nearly HUF 2 billion during the year, including existing elements in the portfolio.

At the end of 2023, the primary investment period set out in the Intermediary Agreement for the Funds has ended, and the Manager will focus its attention on increasing the value of the portfolio elements, estabilising their liquidity where necessary, and on successful exits during the remaining life of the Funds.

On the growth side, the biggest challenges for portfolio companies were entering domestic and foreign markets, product validation and finding the next round of capital. In the latter case, there is a shrinking venture capital market, with investors looking for more mature companies.
On the resource side, the challenge was rising labour costs due to increased inflationary pressures. Given the negative economic impact, the Fund Manager focused on capitalisation and stabilisation of potent companies during the year.

The Fund Manager's prudent approach has included the recognition of impairments on several occasions during the year by reviewing the carrying value of less successful companies. At the same time, the past year has seen the emergence of a financially sound portfolio of companies that are close to break-even and have growth potential, and which the Fund Manager intends to continue to support in every way possible in the hope of achieving significant returns.

MBH DOMO Llc.

MBH DOMO Llc. was established in May 2023 as a subsidiary of MBH Bank. On 28 June 2023, a sale and purchase agreement was signed for the development of a significant real estate development, which allowed the construction of new headquarters for the Company and the MBH Bank Group to begin.

The sale and purchase process of the new headquarters project has been completed and the visual plans for the new MBH Bank headquarters have been finalised. In line with the Group's objectives, the new headquarters will meet all social, employee and ESG requirements, and will be designed as a building complex that will integrate into the urban landscape and provide community functions.

8. STRATEGIC COOPERATION AND PARTNERS[9]

MBH Gondoskodás Pension Fund

MBH Gondoskodás Pension Fund is one of Hungary's leading pension funds. The Voluntary segment of the Fund offers a decades-long, efficient savings instrument to nearly 69,000 customers within the MBH Group's comprehensive investment solutions. As of 31 December 2023, the voluntary branch closed the year with an asset of HUF 159.9 billion. Owing to the continuous communication and financial awareness education in recent years, the individual's willingness to save is increasingly outweighed by the employer's commitment.

The private branch of MBH Gondoskodás Pension Fund closed 2023 with nearly 3,400 members and HUF 22.8 billion in assets, while the proportion of members paying membership fees remained well above the 70% statutory requirement.

The uninterrupted, stable and prudent operation of the Fund for more than 25 years has been facilitated by a well-prepared fund and asset management professional support and the desire for continual development.

The simple, interest tax-free product, which can be used in many ways even in the active years, can be tailored to the return expectations and risk-bearing capacity of the customers. To more fully satisfy the needs of the members, the fund continuously expands its services portfolio to allow product benefits to be used. The implementation of distributing customer savings between diverse portfolios as well as the introduction of a new, fifth fund portfolio were successfully implemented in the voluntary branch of the fund in 2023. Customers investing in their future with the MBH Gondoskodás Pension Fund can take advantage of the combined benefits of impressive balanced yields even over 10 and 15 years and low cost levels due to expert asset management. The funds can be used through a flexible range of services.

In the framework of the digital renewal of the MBH Gondoskodás Pension Fund, the development of the Member Portal supporting customer service and electronic administration was also prepared, in line with the already modernised web interface. The new, streamlined and more transparent interface is expected to be available to members to manage their savings as early as 2024. In addition to digital improvements, the focus of business development has been on continuous activation, customer outreach, and the search for new and innovative solutions and their incorporation into daily operations to continuously increase customer satisfaction.

[9] Source: National Association of Voluntary Funds

MBH Gondoskodás Health Fund

MBH Gondoskodás Health Fund is a market leading health fund in Hungary, which provides a wide range of services to more than 198 thousand members and had HUF 17.7 billion in assets as of 31 December, 2023. For nearly 26 years, the name of the Fund has been synonymous for its customers with the widest possible range of health-supporting and cost-reducing services available. The assets of the health fund, which can be spent on the needs of the whole family in almost every life situation and can be supplemented with a 20% tax allowance, can be widely used, from maternity through private health care expenses to supporting elderly care. In the case of preventive expenses and a two-year fixed-term deposit, the state provides an additional 10% tax allowance to customers, which can be used for a wide variety of products and services at its more than 18,500 partners using conventional payment methods or at nearly 9,700 contracted card acceptance service providers.

During 2023, the Fund also upgraded and launched a modernised version of the Member Portal and the mobile app as part of a complex process in line with the redesign of its website last year. One important result of the Portal redesign is that the previously outdated interface can now be accessed from any device, such as a mobile phone or tablet, with full functionality and a high user experience.
It is a novelty that the mobile application of the Fund, in contrast to the previously limited usability, now includes almost all the functions and data display of the Member Portal and almost all online administration options.

The positive result of 2023 is that the Fund closed the year with an increasingly dynamic member contribution activity as a result of a strengthened business approach. It has also successfully developed products with an external partner in response to growing health awareness. The Fund, in partnership with CIG Pannónia Insurance, offers a full range of health insurance products, from diagnostic tests to hospitalisation cover.
Health insurance is thus available from January 2023 as a tax-advantaged corporate benefit option - financed through the Fund - to serve not only individual customers but also employers.

In 2023, in addition to the above steps, easier subscription management for electronic administration has been implemented, and the modernisation of the account processing process continued in a complex project, developing online account submission, which can contribute to making account settlement smoother.

Budapest Voluntary Pension Fund

The Budapest Voluntary Pension Fund manages the pension savings of nearly 20 thousand members, amounting to HUF 45.5 billion. While the Fund's contributions were close to the previous year's level, its investment performance was also outstanding, with both portfolios achieving returns of over 20%. The web-based customer service system facilitates efficient information for members, while the online login interface provides a fast and convenient service for new customers. The low-cost investment, backed by tax relief and interest tax exemption, offers flexible savings for which MBH Fund Manager provides the investor expertise as a professional asset manager.

Budapest Private Pension Fund

The Budapest Private Pension Fund has a membership of 6,300 people and assets under management amounted to nearly HUF 44 billion on 31 December 2023. Members' savings increased significantly during the year thanks to excellent investment performance. All three portfolios achieved returns above 20%, with two of them even exceeding 25%. Members' willingness to pay membership fees is high, so in 2023, the proportion of paying members was still well above the statutory 70%. As a result of early payments, this legal condition is already met for the full calendar year 2024. The Fund now operates on a voluntary basis, with the aim of significantly increasing its members' pension savings in the long term at a low cost.

9. FINANCIAL PERFORMANCE

On 30 April 2023, MKB Bank Plc. and Takarékbank Ltd. merged, continuing their activities under the name MBH Bank Plc. The financial statements as at 31 December 2023 include the data of the merged Bank, which are not comparable with the data as at 31 December 2022.

Statement of the individual financial situation

Statement of Financial Position (in HUF million)	31.12.2023	31.12.2022	Change %*	Change
Cash and cash equivalents	**1,305,409**	**1,081,158**	**20.7%**	**224,251**
Financial assets measured at fair value through profit or loss	**720,727**	**476,909**	**51.1%**	**243,818**
Loans and advances to customers mandatorily at fair value through profit or loss	*490,802*	*182,875*	*168.4%*	*307,927*
Securities held for trading	*1,017*	*8,434*	*-87.9%*	*-7,417*
Securities mandatorily at fair value through profit or loss	37,736	18,017	109.4%	19,719
Derivative financial assets	*191,172*	*267,583*	*-28.6%*	*-76,411*
Hedging derivative assets	**73,012**	**142,874**	**-48.9%**	**-69,862**
Financial assets measured at fair value through other comprehensive income	**906,612**	**428,520**	**111.6%**	**478,092**
Securities	*906,612*	*428,520*	*111.6%*	*478,092*
Financial assets measured at amortised cost	**7,578,461**	**4,823,478**	**57.1%**	**2,754,983**
Loans and advances to banks	456,886	448,627	1.8%	8,259
Loans and advances to customers	4,272,323	2,565,343	66.5%	1,706,980
Repurchase assets	*34,533*	*9,080*	*280.3%*	*25,453*
Securities	*2,655,843*	*1,772,915*	*49.8%*	*882,928*
Other financial assets	*158,876*	*27,513*	-	*131,363*
Fair value change of hedged items in portfolio hedge of interest rate risk	**3,159**	**(51,678)**	**-106.1%**	**54,837**
Investments in subsidiaries and associates	**262,074**	**424,367**	**-38.2%**	**(162,293)**
Property, plant and equipment	**45,428**	**37,725**	**20.4%**	**7,703**
Intangible assets	**47,173**	**44,206**	**6.7%**	**2,967**
Income tax assets	**12,238**	**17,668**	**-30.7%**	**(5,430)**
Current income tax assets	-	49	-100.0%	(49)
Deferred income tax assets	12,238	17,619	-30.5%	-5,381
Other assets	**54,328**	**43,551**	**24.7%**	**10,777**
Total assets	**11,008,621**	**7,468,778**	**47.4%**	**3,539,843**
Financial liabilities measured at fair value through profit or loss	**141,377**	**196,728**	**-28.1%**	**-55,351**
Derivative financial liabilities	*119,620*	*188,493*	*-36.5%*	*-68,873*
Financial liabilities from short positions	*21,757*	*8,235*	*164.2%*	*13,522*
Financial liabilities measured at amortised cost	**9,763,018**	**6,417,607**	**52.1%**	**3,345,411**
Amounts due to banks	2,324,268	1,965,931	18.2%	358,337
Amounts due to customers	*6,850,774*	*4,207,025*	*62.8%*	*2,643,749*
Repurchase liabilities	*68,752*	*73,429*	*-6.4%*	*-4,677*

Data in HUF million unless stated otherwise

Issued debt securities	*254,068*	*12,906*	-	*241,162*
Subordinated debt	*113,679*	*88,887*	*27.9%*	*24,792*
Other financial liabilities	151,477	69,429	118.2%	82,048
Hedging derivative liabilities	**17,018**	**158**	-	**16,860**
Provisions	**30,794**	**13,977**	**120.3%**	**16,817**
Income tax liabilities	**9,344**	**5,496**	**70.0%**	**3,848**
Current income tax liabilities	9,344	5,496	70.0%	3,848
Other liabilities	**66,438**	**41,800**	**58.9%**	**24,638**
Total liabilities	**10,027,989**	**6,675,766**	**50.2%**	**3,352,223**
Share capital	**322,530**	**321,699**	**0.3%**	**831**
Share premium	**348,894**	**313,947**	**11.1%**	**34,947**
Retained earnings	**118,820**	**84,155**	**41.2%**	**34,665**
Other reserve	**51,066**	**32,552**	**56.9%**	**18,514**
Profit for the year	**118,316**	**64,637**	**83.0%**	**53,679**
Accumulated other comprehensive income	**21,006**	**(23,978)**	**-187.6%**	**44,984**
Total equity	**980,632**	**793,012**	**23.7%**	**187,620**
Total liabilities and equity	**11,008,621**	**7,468,778**	**47.4%**	**3,539,843**

*A change of more than +/- 300% compared to the previous year cannot be interpreted, marked with "-".

Based on 2023 year-end data, the total assets of the Bank amounted to HUF 11,008.6 billion. The nearly 50% increase is largely due to the merger of Takarékbank.

Cash and cash-equivalent assets amounted to HUF 1,305.4 billion, showing 20.7% increase compared to the end of the previous year. Of this, cash on hand amounted to HUF 78,5 billion, while the balance of the deposit account held at the central bank reached HUF 1,094.8 billion.

Loans and advances to credit institutions increased by 1.8% year-on-year to HUF 456.9 billion compared at the end of 2023.

The stock of securities increased significantly compared to the end of the preceding year, reaching HUF 2,655.8 billion. By the end of 2023, the stock of loans and advances to customers amounted to HUF 4,272.3 billion at the end of the period.

Other assets increased by HUF 10.8 billion by the end of 2023.

Compared to the end of 2022, investments in subsidiaries and associates decreased to HUF 262.1 billion, mainly due to the result of merger.

During the reporting period, the stock of liabilities to credit institutions increased HUF 2,324.3 billion. The aggregate sum of client deposits and current accounts were HUF 6,850.8 billion, increased by HUF 2,643.7 billion compared to the end of the previous year thanks to the result of merger.

HUF 119.6 billion in derivative financial liabilities recorded among liabilities was primarily due to the fair value change of derivative transactions related to interest- and currency risks.

The stock of other liabilities increased by HUF 24.6 billion and provisions also increased by HUF 16.8 billion during the year.

Statement of profit or loss and other comprehensive income

Statement of profit or loss (in HUF million)	2023	2022	Change %*	Change
Interest and similar to interest income	1,108,219	497,677	122.7%	610,542
Interest and similar to interest expense	(673,563)	(282,000)	138.9%	(391,563)
Net interest income	**434,656**	**215,677**	**101.5%**	**218,979**
Income from fees and commissions	136,192	77,431	75.9%	58,761
Expense from fees and commissions	(32,199)	(18,955)	69.9%	(13,244)
Net income from commissions and fees	**103,993**	**58,476**	**77.8%**	**45,517**
Results from financial instruments	**(5,010)**	**33,752**	**-114.8%**	**(38,762)**
Results from financial instruments measured at fair value through profit or loss, net	(41,976)	97,845	-142.9%	(139,821)
Results from financial instruments measured at fair value through other comprehensive income, net	2,349	(36,106)	-106.5%	38,455
Results from financial instruments measured at amortized cost, net	(1,760)	1,412	-224.6%	(3,172)
Results from hedge accounting, net	(4,436)	9,479	-146.8%	(13,915)
Exchange differences result, net	40,813	(38,878)	-205.0%	79,691
(Impairment) / Reversal on financial and non-financial instruments	**(71,442)**	**(56,974)**	**25.4%**	**(14,468)**
(Impairment) / Reversal on financial instruments held for credit risk management	(54,587)	(34,707)	57.3%	(19,880)
Provision (loss) / gain	(1,122)	(1,891)	-40.7%	769
Modification (loss) / gain on financial instruments	(13,919)	(10,607)	31.2%	(3,312)
(Impairment) / Reversal on investments in subsidiaries and associates	(1,716)	(9,527)	-82.0%	7,811
(Impairment) / Reversal on other financial and non-financial instruments	(98)	(242)	-59.5%	144
Dividend income	**6,086**	**4,023**	**51.3%**	**2,063**
Operating expense	**(331,548)**	**(190,307)**	**74.2%**	**(141,241)**
Other income	**18,068**	**6,311**	**186.3%**	**11,757**
Other expense	**(12,940)**	**(6,828)**	**89.5%**	**(6,112)**
Profit before taxation	**141,863**	**64,130**	**121.2%**	**77,733**
Income tax income / (expense)	**(23,547)**	**507**	**-**	**(24,054)**
PROFIT FOR THE YEAR	**118,316**	**64,637**	**83.0%**	**53,679**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Hedging instruments (unmarked items)	(211)	-	-	(211)
Revaluation on financial assets measured at fair value through other comprehensive income	56,431	4,025	-	52,406
Income tax relating to items that will be reclassified	(4,937)	(332)	-	(4,605)
Other comprehensive income for the year net of tax	**51,283**	**3,693**	**-**	**47,590**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**169,599**	**68,330**	**148.2%**	**101,269**

*A change of more than +/- 300% compared to the previous year cannot be interpreted, marked with "-".

In 2023, net interest income amounted to HUF 434.7 billion mainly caused by favourable change in the market interest rate environment.

Net income from fees and commissions increased by HUF 45.5 billion in 2023 compared to the previous year, mainly due to the increase of commission income earned from payment transactions.

Results from financial instruments amounted to HUF -5.0 billion in the year under review, mainly due to foreign exchange losses on IRS and forward transactions.

Impairment and provisioning showed a total of HUF 71.4 billion in the relevant period, increased by HUF 14.5 billion in the financial year compared to the previous year. The largest part of this is the impairment of financial instruments held for credit risk management PD and rating changes and stage reclassifications.

Major items leading to the HUF 141.2 billion increase of operating expenses are the increased personnel costs and the paid extra profit tax (HUF 27.4 billion).

10. THE RISK POSITION OF MBH BANK

MBH’s risk management is governed by the Hungarian and EU legislation in force and additional supervisory regulations. MBH Bank performs the governance functions of the MBH banking group and defines for its members the mandatory internal rules and guidelines related to prudent risk taking and risk management.

Bank considers prudent risk-taking to be a core value, and its risk management and risk control activities are performed in accordance with the principles laid down in the Risk Strategy. The Bank’s risk management is subject to several levels of control, the most important of which are ultimate control at the level of the Board of Directors (some specific and identified risk decisions require the approval of the Supervisory Board), independent control separate from the risk-taking areas, and appropriate measurement, diversification, monitoring and reporting of risks. The Bank continued to comply with the regulatory requirements throughout 2023.

The merger processes in the banking group had a significant impact on the risk situation of MBH Bank Plc. in 2023. As a result of the merger with Takarékbank on 30 April 2023 and the acquisition of Duna Takarék Bank Ltd. on 29 September 2023, the Bank's risk exposure increased during the year in line with the change in business volume.

Risk Strategy

MBH's Group level Risk Strategy defines the scope of risks that can be taken into consideration and the risk management and measurement tools to be applied, as well as the general risk-taking principles and rules to be followed by the Bank.

In its operations, Bank strives to maintain a risk culture that ensures the identification, measurement and management of emerging risks in accordance with the risk appetite. Internal policies, strategies, regulations and guidelines, communication and employee training are the primary means of ensuring a corresponding risk culture.

The primary objectives of the Bank’s risk management activities are to protect the Bank's and Banking Group’s financial strength and reputation and to contribute to the use of capital for competitive business activities that enhance shareholder value.

The Bank's risk appetite should be consistent with the financial resources available to cover potential losses. In order to ensure this, the Bank calculates on standalone and group level the current and future economic capital requirements for the quantifiable types of risk, as well as the capital requirements under Pillar 1.

Bank is primarily exposed to credit, liquidity, market and operational risks.

Credit risk

In 2023, in addition to the merger with Takarékbank Ltd. and the migration of Budapest Bank Ltd.'s corporate portfolios, the main drivers of credit risk changes were the Russian-Ukrainian war, the geo-political and economic situation, the end of the payment moratorium and the agricultural moratorium until 31 December 2023, as well as changes in the methodologies applied to both the corporate and retail portfolios.

The impact of moratoria and interest cap on credit risk management:

In line with the NBH's expectations, the staging logic for customers participating in the general credit moratorium and the agricultural moratorium has been standardised at MBH Group level by adding the following to the normal processes:

- Transactions that have been included in the general moratorium and have been classified as restructured are subject to the default recovery rules based on the default status in force, and to a 6-month probationary period for retail clients and 24 months for corporate clients. During the probationary period, restructured transactions shall not be assigned a rating higher than Stage 2.
- Customers entering an agricultural moratorium are classified as Stage 2 or above, but if the client has previously been in moratorium for at least 9 months, they are classified as Stage 3. They can only be placed in Stage 1 on the basis of individual monitoring after a declaration has been made and taken into account. Individual derogations from the application of Stage 3 and Stage 2 classification are possible and must in all cases be supported by detailed objective evidence.

For customers with a retail interest rate cap, the Group examined the monthly repayment increases without the cap and applied a minimum Stage 2 rating for changes deemed to be significant.

The Group has updated the macro parameters for the entire portfolio using the latest parameters available in the NBH Inflation Report. The updated risk parameters have also been implemented in the lifetime ECL calculation.

Given that no new information on the ability of customers to pay has emerged during the moratorium period and that the repayments of customers affected by the interest rate freeze are lower than those in the contracts, it is necessary to take into account the uncertainties about the ability and willingness of debtors to pay. In addition, NBH expects that the risk arising from modelling uncertainty needs to be mitigated.

In determining the management overlay, the Group has considered the following aspects:

- For customers entering an agrarian moratorium, the models are not aware of the agrarian moratorium and therefore the willingness and ability to pay may contain a hidden high probability of default.

In summary, the Group's current modelling and impairment methodology, using the credit risk management methods and process additions detailed above, provides the opportunity to develop risk profiles that are well-defined from a customer management perspective and to establish adequate risk provisions to cover expected future credit losses.

Market risk

Market risks include interest rate risk and foreign exchange risk arising from all banking activities. Bank keeps its market risks low by means of an appropriate limit system and in-process controls.

Interest rate risk:

Interest rate risk arises from the fact that changes in interest rates affect the value of a financial instrument. A credit institution is also exposed to interest rate risk if the amounts of its maturing or repricing assets, liabilities and off-balance sheet instruments are not consistent with each other in a given period. Bank measures interest rate risk by performing sensitivity tests on an ongoing basis. In addition, the impact of adverse interest rate scenarios is continuously measured and limited through the application of stress tests. Interest rate risks are managed through an appropriate composition of the securities and derivatives portfolio and through the consistency of other assets and liabilities in the bank's books.

Management of currency risk

Bank aims to keep its exposure to foreign exchange risk low by maintaining open foreign exchange positions up to the limit set in the banking book.

Foreign exchange risk arising in the course of core banking activities is managed by the Bank in the course of its operations, depending on market conditions. The Bank also performs VAR calculations and stress tests to measure foreign exchange risk.

Liquidity and solvency risks

Bank analyses liquidity risks with a number of indicators and mitigates them with limits, the most important of which are based on regulatory indicators (LCR, NSFR, required reserve ratio) and stress tests relevant to liquidity. In addition, Bank operates an early warning system for the timely detection of liquidity disturbances, which is presented to the Asset and Liability Committee and to management without delay in the case of an alert and on a regular basis during normal operations.

Operational risk

Bank continues to manage operational risk primarily through internal policies, rules of procedure and the operation of built-in control mechanisms in line with defined supervisory requirements. MBH's Group Level Operational Risk Management Policy and Operational Risk Management Rules set out the methodology for the operational risk management framework tools used by the Bank.

The operational risk loss data collection is based on uniform definitions and limits. The Bank promotes the recognition and identification of operational risks with internal training.

The adequacy of key risk indicators (KRIs) is reviewed by the Bank every year, several KRIs were modified in 2023 and new group level KRIs defined by MBH were implemented.

Bank conducts operational risk self-assessments for its key activities and uses scenario analysis to assess the impact of events that occur infrequently but could result in severe losses if they were to occur.

Bank's operational risk events and the results of operational risk monitoring are reported on a quarterly basis.

With regard to operational risk, the Bank's management attaches great importance to feedback. An essential aspect is the implementation and monitoring of the effectiveness of the measures taken to eliminate operational risks.

11. DEVELOPMENT PROSPECTS, EXPECTATIONS AND PLANS FOR 2024

2023 was an eventful year for MBH Bank, it was the year of integration, the year in which the bank completed a merger process unique in Europe and became an unavoidable player in the domestic banking sector. 2023 was a very important milestone for the Group, but in a sense only a chapter in its strategy.

From 2024 MBH Bank will focus on further exploiting synergies, increasing efficiency and developing improvements to support strong business expansion, with a focus on making processes and service even more customer-centric.

MBH Bank's vision is positioning itself as a national champion, serving all customer segments, while maintaining local community values.

Key strategic objectives of the bank:

- To create the most modern bank in Hungary, offering a value proposition beneficial to all Hungarian citizens and businesses.
- To maintain the largest branch network in the country, which allows for quality, value-based customer service, with efficiency is a primary concern.
- To build an innovative organisation and a modern corporate culture with a strong focus on staff.
- To actively contribute to the development of the Hungarian economy by supporting segments of national economic importance, such as SMEs, the agricultural sector and young people, while maintaining a commitment to local communities.
- Outstanding profitability supported by synergies and capital position.
- Setting a growth-based financial path with significant earnings, an efficient capital course and major cost reductions.

Overall, MBH Bank's main objective is to be a national champion with strong positions in all market segments, to maintain its current market leadership in key segments such as corporate lending, agricultural finance and leasing, and to be able to go public and thus expand internationally, ensuring superior return on equity for its shareholders.

The economic environment and the financial sector

A combination of negative and positive risk factors could result in an economic growth rate of 3.5% in 2024, supported mainly by a recovery in industry and growth from new capacities, as well as a recovery in services, including trade and consumption-related industries. In addition, the low base in 2023 is also supportive.

After a weak performance in the first half of last year, a positive turnaround started from the third quarter of 2023, thanks to the spill over from lower energy prices, a weaker base effect and an improvement in the performance of some sub-sectors compared to the previous quarters, supported by a rebound and good performance of agriculture. The investment component has been dampened by high interest rates and a moderation in public investment, but this could be partly offset by significant FDI inflows. The domestic and pan-European outlook is supported by energy prices that have stabilised at a significantly lower level than in the past, but is overshadowed by slowing domestic and external demand due to the war in Ukraine and high global interest rates. On the positive side, industry's domestic order books continued to rise in November - while exports fell slightly for two months - with new manufacturing capacity gradually contributing to the increase. Net exports also continued to support the growth outlook in the second half of 2023, after import volumes continued to decline, partly due to lower domestic consumption. Exports remained a moderately positive factor despite weak external demand, and the same positive export effect will persist in 2024, but to a much lesser extent.

From the beginning of this year, the growth-boosting role of EUR 10.2 billion of unlocked and gradually phased-incoming EU funds, representing a third of EU funds, could also support the industry and broader economic growth, as well as the commissioning of manufacturing capacity in the investment phase. The expected replacement of deferred consumption and the likely pick-up in investment as interest rates ease point in the same direction. The latter could be particularly strong in 2025, as a number of major manufacturing developments are scheduled to be put into operation, including BMW and the first CATL factory - and the construction and possible trial run of BYD will also support growth - partly underpinning a slight acceleration in growth in 2025 compared to this year.

Rising prices for alcohol and tobacco products, as well as continued price increases at a large number of service providers, will dampen the downward momentum of inflation, but overall, despite the increase in excise duties on fuel earlier this year, the annual inflation rate could drop to 4.1% this year. We expect the indicator to fall below the 4% top of the central bank's target range for the first time in Q3, but the extent of repricing decisions taken by market participants in the first two months of the year could carry risks. The latest inflation data confirm previous expectations of continued disinflation and allow monetary policy to continue the easing cycle and to cut interest rates at the current pace. One identifiable risk in the process is whether the tight labour market and the 15% and 10% increases in wage minima since last December - and the resulting upward shift in the overall wage scale - will provide meaningful support to demand and consumption through real wage growth, and whether companies will be able to reflect the still sharply rising wage costs into their prices. Furthermore, fuel prices, also a significant inflation item, are at risk from the impact of further oil output cuts announced by OPEC to 'stabilise' prices and a possible further escalation of the conflict in the Middle East, although base effects are currently helping to drive the index lower.

Disinflation is likely to continue in 2024, and the vulnerability of the domestic economy is also expected to be further reduced through the external position, so the base rate cut could continue at the current pace in the coming months. However, we expect the return to the inflation target to be slower, and we expect that only in 2025, with the rate cut cycle shifting to a slower pace after the first half of 2024. The central bank sees the need to maintain a positive real interest rate, confirming our expectation that the base rate could fall to 6% by the beginning of Q3 of 2024 and remain fixed at that level until the end of the year, keeping in mind the prudence motive.

In a declining yield environment, the banking system could realise lower net interest income than last year, but we expect an improvement in net fee and commission income as lending picks up (we expect a jump in new contract volumes, especially in the retail segment). However, this could be somewhat offset by an increase in operating costs, and risk costs could also rise from last year's low level, especially if concerns about the ability/reliance of debtors to repay arise following the lifting of interest rate freezes. All in all, therefore, we expect a correction in 2024 towards a return on equity of 10%, which we believe to be sustainable in the longer term, in terms of the expected profits for the banking system.

12. ENVIRONMENTAL PROTECTION

Although the Bank does not pursue business or non-profit activities related to environmental protection, it strives to ensure an environmentally conscious workplace, maintains and cares for the natural vegetation and ornamental plants in its direct environment. It pursues to apply energy-saving solutions during its operation. In its internal trainings it emphasises the importance of energy and environmentally conscious corporate and employee behaviour.

13. HUMAN RESOURCES POLICY

The full-time equivalent employment of MBH Bank at the end of 2023 was 7.604, below the same figure in 2022 (2022: 8.136 Takarékbank and MKB Bank).

14. SERVICES OF THE AUDITING COMPANY

The fee for the auditing company as stipulated by the relevant 2023 auditing contract is HUF 721.8 million (excluding VAT). Several assignments have been carried out during the year, and the amount of the above fee includes the remuneration for all the assignments carried out.

15. POST BALANCE SHEET DATE EVENTS

Interim dividend payment procedure of MBH Bank Plc.
Based on Section 3.2.2 (m) of the Articles of Association, the Board of Directors of MBH Bank Plc. (decided on 15 December 2023 with its Resolution No. 162/2023 (15 December) (the 'Resolution') to pay interim dividend of HUF 21,609,484,875 to the shareholders of the Bank. The Supervisory Board approved the decision of the Board of Directors by way of its Resolution No. 43/2023 (15 December).Based on the above, the gross interim dividend per ordinary share with a nominal value of HUF 1,000 is HUF 67. The amount of the gross interim dividend actually payable to a shareholder is calculated by multiplying the number of shares held by the shareholder by the gross interim dividend per share, rounded up to the nearest whole forint amount in accordance with the rounding rules. The Resolution designated the Board of Directors to determine the date of payment of the interim dividend within the framework set by the Articles of Association. Pursuant to the Board of Directors' Resolution, the first date of payment of the interim dividend (E day) was 12 January 2024.

BET introduction
The Budapest Stock Exchange Plc. introduced into exchange trading the dematerialised, registered, EUR 350,000,000 and 8.625 percent. Senior Preferred Fixed-to-Floating Callable Notes due 2027, tranche number 1, in an amount of 350,000 securities with a face value of EUR 1,000 giving a total face value of EUR 350,000,000 issued by MBH Bank Plc. as of 16 February, 2024.

Personnel changes
After the resignation of dr. Péter Magyar at 13 February 2024 the Extraordinary General Meeting of MBH Bank elects dr. Árpád Kovács to the member of the Supervisory Board and Audit Committee from 14 March 2024 to 31 December 2025 (after the receipt of the relevant authorization decision issued by NBH and the written acceptance of the election of the Supervisory Board).

Fundamenta
In November 2023 MBH Bank signed a share purchase agreement with Bausparkasse Schwäbisch Hall AG (Germany), Bausparkasse Wüstenrot AG (Austria) and Wüstenrot & Württembergische AG (Germany) in order to purchase a total of 76,35% stake of Fundamenta-Lakáskassza Lakás-takarékpénztár Plc. (registered office: 1123 Budapest, 55-61., Alkotás Street, Hungary). The prior authorization of the transaction by the competition and the supervisory authorities was successfully completed, after which the Sellers and the Purchaser carried out the transaction on 27 March 2024.

The consolidated total equity of Fundamenta Lakás-takarékpénztár Plc. on 31 December 2023 was HUF 76,033 million, which is the 100% of the ownership. The fixed component of the purchase price is EUR 170.7 million, which is modified by other variable components defined in the purchase price contract.

16. CAPITAL MANAGEMENT

The Capital situation of Group was sufficient at the end of 2023. As a result of the 2023YE profit (and therefore core capital accumulation) the available core capital increased significantly. The owner of the MBH Bank is committed to maintain the bank's capital adequacy and implement all the necessary measures.

Domestic and international guidelines require the Bank to maintain certain minimum capital-to-asset ratios. These risk-based ratios are determined by allocating assets and specified off-balance sheet instruments into different weighted categories, with higher levels of capital being required for categories perceived as representing higher risk. Regulatory capital is divided into Tier 1 Capital and Tier 2 Capital. In addition to retained earnings, the Bank may raise regulatory capital by issuing several types of financial instruments to the public. These financial instruments are then classified as either Tier 1 or Tier 2, depending on the types of conditions or covenants they place upon the issuer.

As at 31 December 2023, the Group's own funds on a Basel IV IFRS basis in accordance with supervisory rules amounted to HUF 1,047 billion, an increase of HUF 231 billion compared to the end of 2022. The change in own funds was mainly driven by the following factors during the year:

- the profit for the year increased own funds
- the overall level of reserves (capital reserve, profit and loss reserve, other reserves) increased
- the value of accumulated other comprehensive income increased
- the amount of deductions from core Tier 1 capital did not change significantly
- additional capital increased due to the T2 bond issue in January 2023

The risk-weighted asset value (RWA) was HUF 4,729 billion at the end of 2023, an increase of HUF 597 billion compared to the value at the end of 2022. The increase in RWA was mainly driven by an increase in business portfolios and an increase in the operational risk capital requirement. The market risk capital requirement increased only slightly compared to year-end 2022.

The Group's capital adequacy ratio was 22.1% at the end of 2023, an increase of +2.4%pts compared to the end of 2022.

By application of capital management as a tool, the appropriate capital safety is a first priority decision making factor; therefore the bank monitors the changes of the capital elements continuously.

Checking compliance with legal limits:
Regulation (EU) No 575/2013 of the European Parliament on prudential requirements for credit institutions and investment firms and amending Regulation - CRR,

- Act CCXXXVII of 2013 on Credit Institutions and Financial Undertakings - Banking Act: CRR § 395-400, Banking Act § 302 large loa limit -> no excess.
- Banking Act § 101-102 total investment limit -> no excess

MBH Bank Plc. Data in HUF million unless stated otherwise

INFORMATION PURSUANT TO SECTIONS 95/A AND 95/B OF THE ACCOUNTING ACT

INFORMATION RELATED TO SHARES AND OWNERS

The Bank's shares – under the name of MKB Bank - were added to the product list of the Budapest Stock Exchange (hereinafter: "**BSE**") on 30 May 2019, whereby the shares got listed on the BSE.
The first trading date of the Bank's ordinary shares listed on the BSE - in the BSE shares section's Standard category - was 17 June 2019
On 30 October 2020, the Bank sold all its shares representing 33.33% ownership in Magyar Bankholding Zrt. to its shareholders.

Magyar Bankholding Zrt. (hereinafter: "**Hungarian Bankholding**") commenced its effective operation as a financial bankholding on 15 December 2020, after the bank shares of the key owners of Budapest Bank Zrt. (hereinafter: "**Budapest Bank**"), the Bank and MTB Zrt. (hereinafter: "**MTB**") were transferred to the joint holding company in possession of the approval of National Bank of Hungary (hereinafter: "**NBH**"). The owners transferred their shares to Hungarian Bankholding as a result the second largest banking group in Hungary has been established, in which the Hungarian State owned 30.35% of the shares through Corvinus Nemzetközi Befektetési Zrt., the former direct owners of the Bank acquired 31.96% of the shares and the former direct owners of MTB acquired 37.69% of the shares. All required approval has been obtained for these changes.

On 15 December 2021, the supreme bodies of the Bank, Budapest Bank and Magyar Takarék Bankholding Zrt., which owned MTB, approved the first step of the merger timetable of Budapest Bank, the Bank and MTB. The merger of two member banks, Budapest Bank and the Bank, as well as Magyar Takarék Bankholding Zrt. took place on 31 March 2022 in accordance with the fusion schedule, based on the relevant decisions adopted by the supreme decision-making body and in possession of the necessary official permits and authorisations. From 1 April 2022 the merged credit institution operated temporarily under the name of MKB Bank Nyrt.

On 9 December 2022 the supreme bodies of the Bank and Takarékbank Zrt. adopted – as part of the execution of the second step Hungarian Bankholding's fusion schedule – the proposed decisions regarding the merger of the two member banks. Under the decisions of the respective general meetings and in possession of the necessary official permits and authorisations the two member banks – the Bank and Takarékbank Zrt. – merged with effect from 30 April 2023 and have continued operating under the name of MBH Bank Nyrt., with a single uniform brand name and image. Thereby Hungary's second largest universal major bank was established in terms of balance sheet total, a leader in digitalisation.

The merger did not imply any change in the ownership structure of the banking group, Hungarian Bankholding remained the dominant shareholder of the banks involved in the merger process.

As at 31 December 2023 the shareholder structure of MBH Bank is the following:

Shareholder structure of MBH Bank Nyrt.		
Name of shareholder	**Number of shares (pieces)**	**Ownership share (%)**
Magyar Bankholding Zrt.	318 883 966	98.87%
Free float	3 645 659	1.13%
Total:	**322 529 625**	**100%**

The share capital (subscribed capital) of the Bank is HUF 322,529,625,000, that is, three hundred and twenty-two billion five hundred and twenty nine million six hundred and twenty five thousand forints, representing a cash contribution made available in total amount. The share capital is divided into 322,529,625,000, that is, three hundred twenty-two million five hundred and twenty nine thousand six hundred and twenty five registered, dematerialized, series "A", ordinary shares with a nominal value of HUF 1,000 i.e. one thousand forints each. All Series “A” Ordinary Shares (“Ordinary Shares”) bear the same rights. Each shareholder holds solely ordinary shares.

MBH Bank Plc. Data in HUF million unless stated otherwise

The parties having more than 10% indirect influence in the Bank are presented below, in line with the decisions of the National Bank of Hungary H-EN-I-15/2020., H-EN-I-704/2020., H-EN-I-705/2020., H-EN-I-295/2021., H-EN-I-423/2021 and H-EN-I-441/2023.

Magyar Bankholding's ownership structure is as follows as at 31 December 2023:

Ownership structure of Magyar Bankholding Zrt.	
Name of shareholder	**Ownership share (%)**
Corvinus Nemzetközi Befektetési Zrt.	30.35%
Magyar Takarék Befektetési és Vagyongazdálkodási Zrt.	25.13%
Magyar Takarék Holding Zrt.	12.56%
METIS Magántőkealap	11.51%
Blue Robin Investments S.C.A.	10.82%
RKOFIN Befektetési és Vagyonkezelő Kft.	4.48%
GLOBAL ALFA Magántőkealap	3.29%
Pantherinae Pénzügyi Zrt.	1.02%
OPUS FINANCE Future Zrt.	0.84%
Total:	**100%**

The following organisations have more than 10% indirect influence in MBH Bank:

- Corvinus Nemzetközi Befektetési Zrt., Hungarian State
- Magyar Takarék Befektetési és Vagyongazdálkodási Zrt., GLOBAL ALFA Magántőkealap
- Magyar Takarék Holding Zrt., Aurum Magántőkealap
- METIS Magántőkealap, Opus Global Befektetési Alapkezelő Zrt.
- Blue Robin Investments SCA, Blue Robin Management S.à r.l., Uncia Finance Zrt., Uncia Alpha Kft., Uncia Private Equity Fund, QUARTZ Alapkezelő Zrt., Dry Immo Zrt., FELIS Magántőkealap

The Articles of Association of the Bank do not restrict the transfer of shares representing the subscribed capital of MBH Bank. The Company has no issued shares representing special controlling rights. Voting rights are not restricted at MBH Bank.

Rights and obligations of the shareholders

Rights of the shareholders at the General Meeting

a) The shareholder is entitled to attend the General Meeting. The Bank's General Meeting may be attended by the shareholder or the shareholder's proxy specified in Sections 151-155 of the Capital Market Act, who was registered in the Register of Shares at the Closing of the Register of Shares by the General Meeting in accordance with the result of the shareholder matching. The day of closing the Register of Shares is the second business day preceding the starting day of the General Meeting.

b) The shareholder may also exercise his / her rights at the General Meeting by way of proxy. Member of the Board of Directors, member of the Supervisory Board and the auditor cannot be persons authorised by proxy. Shareholders may authorise an executive employee of the Bank as well to exercise their rights relating to the Shareholders' Meeting. The proxy authorisation of the authorised representative shall be valid for one Shareholders' Meeting or for the period of time defined therein, but in any case not more than 12 months. The proxy authorisation shall also be valid for the continuation of the suspended Shareholders' Meeting and for the repeated Shareholders' Meeting convoked due to the lack of quorum. The authorisation shall be issued in the form of a private document with full probative force and submitted to the Bank at the place and time indicated in the General Meeting announcement. The proxy shall be drawn up in the form of a public document or a private document providing full evidence and it shall be submitted to the Bank.

c) The shareholder has the right to be informed about cases on the agenda of the General Meeting In line with which right, in reply to the written request of the shareholder submitted at least eight days before the day of the General Meeting the Board of Directors shall provide information necessary to discuss the agenda item of the General Meeting three days before the day of the General Meeting, the latest. The Board of Directors may make the exercise of the right to information as described above conditional on the submission of a written confidentiality statement by the shareholder requesting the information. The Board of Directors may refuse to disclose information and access to documents if it violated the Bank 's business, banking, securities or other similar secrets, if the person requesting the information abuses their right or fails to make a confidentiality statement even if requested. If the party requesting information considers the refusal of information unjustified, they may request the Court of Registration to order the Bank to provide the information.

d) The Bank ensures that the rights to be informed, to comment and to suggest at the General Meeting are granted to every shareholder attending the General Meeting, on the condition that the exercising of these rights shall not hinder the lawful and proper operation of the General Meeting. In the interest of exercising the shareholder's rights specified in this present point the Chairman of the General Meeting shall grant the right of speech to the shareholder at the General Meeting, on the condition that the Chairman of the General Meeting may specify the duration of the speech, may withdraw the right to speak, especially in case the shareholder is off the point, furthermore he / she can specify the sequence of the speeches, if there are several speeches at the same time, in order to ensure the lawful and proper operation of the General Meeting.

e) Voting rights attached to shares are determined by the nominal value of such shares. The shareholder cannot exercise his / her right to vote until he / she has performed his / her due cash contribution

Minority rights

a) Shareholders jointly representing at least 1% of the voting rights may request the convocation of the General Meeting at any time without specifying the reason or the purpose. If the Board of Directors fails to take action to convene the General Meeting for the earliest possible date within eight days after the receipt of the request, the registering court shall convene the meeting in reply to the application of the shareholders suggesting the meeting or the registering court shall authorise the suggesting shareholders to convene the meeting. The expected costs shall be advanced by the suggesting shareholders.

b) If shareholders jointly representing at least 1% of the votes communicate a proposal to the Board of Directors to supplement the agenda in line with the rules of the levels of detail or a draft resolution concerning an item on the agenda or an item to be added to the agenda within eight days after the announcement of the convocation of the General Meeting is published, the Board of Directors shall publish an announcement about the supplemented agenda, the draft resolutions proposed by the shareholders after the communication of the proposal pursuant to THE Articles of Association. The issue specified in the announcement shall be deemed added to the agenda.

c) If the General Meeting rejected or did not allow the submission to enforce a claim of the Bank from any member, managing officer, member of the Supervisory Board or the auditor for a resolution to be adopted, shareholders representing at least 1% of the voting rights may enforce the claim themselves for the benefit of the Bank and representing the Bank within a thirty-day limitation period.

d) If the General Meeting rejected or did not allow the submission to have the last report or an economic event or commitment related to the activity of the Board of Directors in the last two years audited by a specially commissioned auditor for a resolution, the registering court shall order the audit and appoint an auditor at the cost of the Bank in reply to the application of the shareholders jointly representing at least 1% of the voting rights submitted within the thirty-day limitation period following the General Meeting. The registering court shall reject the fulfilment of the application if the submitting shareholders abuse the minority rights.

Right to dividend

The shareholder shall be entitled to a dividend from the profit of the Bank, which can be shared and which was ordered to be shared by the General Meeting in the proportion of the nominal value of his / her share.

Obligations of the shareholders

a) The shareholder shall provide cash contribution to the Bank in amount corresponding to the nominal or issue value of the shares received or quoted by his / her person. The shareholder may not be validly exempted from his / her obligation - excepting the case of share capital decrease.

b) The shareholder with at least 1% share or the shareholder acquiring such share shall report his / her indirect share and its changes to the Bank providing his / her details suitable for identification at the same time. The National Bank of Hungary shall suspend the exercising of the voting right of a member failing to perform his / her reporting obligation.

MBH Bank is not aware of any agreement concluded between its owners that may result in restrictions on the transfer of issued securities and / or voting rights.

MBH Bank is not aware of any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is not obliged to disclose such information on the basis of other legal requirements.

Employee share scheme

With the modification of the ESOP Act, which came into effect on 28 November 2015, a new type of Employee Share Ownership Programme could be launched. The Bank was one of the first to use this opportunity to establish its own ESOP Organisation on 30 May 2016. The launch of the ESOP was closely linked to the Bank's reorganisation efforts, as it created ownership interest among its employees. As of 2017, the Bank has performed the settlement of performance-related remuneration through its own ESOP Organisation, in accordance with the up to date ESOP Performance Remuneration Policy. The Investment ESOP is where the ESOP Organisation purchases issued ordinary shares for investment purposes on behalf of participating employees or managing officers. The employees who declared their participation to the ESOP Organization did not become owners of the shares, the shares were owned by the ESOP Organization. The ESOP Organization is still the owner of the shares. The participating employees have become members of the ESOP Organisation. Upon the fulfilment of the objective specified in the ESOP Performance Remuneration Policy and the deferral period, participating employees or executive officers may claim a share price gain on the shares. After the conversion of the shares into money, the settlement and payment takes place, taking into account the deferral rules, in proportion to the performance remuneration.

* * *

As a public limited company, in accordance with market practice and the BSE Corporate Governance Recommendations (Recommendations), the Bank prepares a Corporate Governance Report, which shall be published on the website of the Company (www.mbhbank.hu). In its Corporate Governance Report, the Bank presents its corporate governance practices for the financial year and, on the other hand, details its compliance with each section of the Recommendations.

SUPREME, EXECUTIVE AND MANAGEMENT BODIES, SUPERVISORY BODY, COMPOSITION AND OPERATION OF COMMITTEES

General Meeting

The supreme body of the Bank is the General Meeting. The General Meeting has, inter alia, the exclusive competence to approve and amend the Articles of Association, except for the modification of the Company's headquarters, premises, branches and, except for the core activity of the Company, the activities of the Company as the Board of Directors is entitled to amend the Articles of Association in that regard, make decisions on the Company’s transformation, merger and demerger, termination without legal successor, on increasing or decreasing the share capital authorisation of the Board of Directors to increase the share capital, appoint and remove the chair and members of the Board of Directors, appoint and remove the Supervisory Board and Audit Committee members, determine their remuneration, appoint the auditor, approve the annual report and make decisions on the utilisation of the profit after taxes and the payment of dividend advance. Pursuant to the Articles of Association of the Bank, the General Meeting of the Bank has the exclusive competence to recall and elect the Chairman and members of the Board of Directors. Members of the Board of Directors shall be elected by the General Meeting for a definite term of maximum five years. The members of the Board of Directors may be re-elected and may be recalled at any time by the General Meeting without giving reasons, in accordance with the provisions of the Articles of Association.

Board of Directors:	Supervisory Board:	Audit Committee:
Chairman:	**Chair person:**	**Chair person:**
Dr. Zsolt Barna	Dr. Andor Nagy	Rita Feodor
Members:	**Members:**	**Members:**
István Sárváry	Zsigmond Járai	dr. Péter Magyar
Dr. Balázs Vinnai	Miklós Vaszily	Miklós Vaszily
Marcell Tamás Takács	dr. Géza Láng	
Ádám Egerszegi	Rita Feodor	
Levente László Szabó	dr. Péter Magyar	
Andrea Mager	Kitti Dobi	
	Balázs Bechtold	
	dr. Ilona Török	

(as of December 31, 2023)

Board of Directors

The Board of Directors is the executive body of the Bank. The members of the Board of Directors represent the Bank vis-a-vis third parties and before court and other authorities. The Board of Directors shall develop and manage the work organisation of the Bank.

The scope of authority of the Board of Directors is included in the Articles of Association of the Bank with the proviso that within the framework of effective laws and resolutions adopted by the General Meeting, the Board of Directors shall be entitled to take any actions and make any decisions that do not form part of the exclusive powers of the General Meeting or the Supervisory Board. The decision on the acquisition or the sale of own shares, as well as the increase of the registered capital through the issue of shares belongs to the competence of the General Meeting subject to the condition that the General Meeting may authorize the Board of Directors to decide on registered capital increase. The tasks of the Board of Directors include working out and adopting the Bank's business policy, strategy and business plan. Moreover, the powers of the Board of Directors include decision making – with the Supervisory Board's prior approval – on the approval of the Bank's interim balance sheet and on the payment of dividend advance based on the General Meeting's authorisation.

Supervisory Board

The Supervisory Board shall control the management of the Bank in order to protect the interests of the Bank. The board of directors makes sure, inter alia, that the Company has a comprehensive controlling system which is suitable for efficient and effective operation, manages the internal audit organisation, checks the Bank's annual and interim financial reports, makes proposals to the General Meeting for the auditor to be appointed, and for the auditor's remuneration, and performs other tasks assigned to it by the Bank's Articles of Association. The General Meeting may only adopt its resolutions on the report prepared in accordance with the Accounting Act and on the utilisation of the profit after taxes in possession of the Supervisory Board's written report. It may adopt its resolution on the payment of dividend advance only with the Supervisory Board's approval.

Audit Committee

The Audit Committee provides assistance to the Supervisory Board in supervising the financial report regime, in selecting an auditor, and in working with the auditor.

After the resignation of dr. Péter Magyar at February 13, 2024 the Extraordinary General Meeting of MBH Bank held on March 14, 2024 elected dr. Árpád Kovács to member of the Supervisory Board and Audit Committee from the date of the relevant authorization issued by NBH until December 31, 2025.

Risk Assumption, Risk Management Committee:	Remuneration Committee:	Nomination Committee:
Chair person:	**Chair person:**	**Chair person:**
Marcell Tamás Takács	István Sárváry	Zsigmond Járai
Members:	**Members:**	**Members:**
István Sárváry	Dr. Balázs Vinnai	Dr. Andor Nagy
Andrea Mager	Marcell Tamás Takács	Miklós Vaszily

(as of December 31, 2023)

Risk Assumption and Risk Management Committee

As part of its ongoing monitoring of the Bank's risk-taking strategy and risk appetite, the Risk Assumption and Risk Management Committee reviews the risk strategy, remuneration policy and quarterly risk report in advance. It supports the Board of Directors in monitoring the implementation of the risk taking strategy.

Remuneration Committee

The Remuneration Committee is responsible for the preparation of decisions regarding remuneration, taking into account the long-term interests of shareholders, investors and other stakeholders in the company. Within such competence the Remuneration Committee prepares the performance evaluation and ex-post risk assessment of the Chairman and CEO, Deputy CEOs and other board members, it evaluates the achievement of performance goals. The committee ensures the implementation of the remuneration policy. The Remuneration Committee furthermore oversees the remuneration of the senior officers in the risk management and compliance functions, including the employees carrying out internal control functions.

Nomination Committee

The Nomination Committee is responsible for nominating and recommending nominees to the Supervisory Board and the Board of Directors, with the exception of the members of the Supervisory Board representing the employees, for specifying the capabilities required for membership in management bodies as well as their tasks, along with the evaluation of the composition and performance of the managing bodies and their members. Determining the ratios of the sexes within the managing bodies and the strategy for achieving it. It is also in charge of the regular revision of the Bank’s policy concerning selection and appointment of its executive director.

The Committees operate in accordance with the rules laid down in their rules of procedure. Bodies shall meet as often as necessary to carry out their functions and shall take their decisions in the form of a meeting or in writing and without a meeting. The work of the bodies is organized by the chairman of the body.

In accordance with the Nomination Policy applicable to the selection, members of the management boards of the members of the Bank Group, individuals with different professional skills, versatile regional and industry experience are elected into the managing bodies of the Bank Group and they also take advantage of these differences in their operations in the operation of those bodies, which the members of the Bank Group consider as a key consideration in determining the optimal composition of their bodies. Board appointments are based on the pool of expertise, experience, independence and knowledge represented by the candidates, taking into account what the body as a whole needs to function effectively. The members of the Bank Group pay particular attention to the representation of both genders in executive bodies which is why they strive to reach 15% female members in executive bodies. To this end, they commit themselves to favouring the member of the under-represented gender of the same management body among two candidates of the same capacity who are otherwise suitable, unless otherwise justified by professional judgement.

There is no agreement with an executive officer or an employee that provides for compensation in the event of a manager's resignation or termination by the employee or unlawful termination of the executive officer's or employee's relationship, or termination of the relationship due to a public takeover bid.

MAIN FEATURES OF THE INTERNAL CONTROL SYSTEM OF THE COMPANY

The provisions regarding the operation, management and functions of the internal control system of the Company are set out in the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter: Hpt.), the provisions of the Civil Code (Act V of 2013, hereinafter referred to as "the Civil Code") on business companies, Act CXX of 2001 on the Capital Markets; the applicable recommendations of the NBH (primarily Recommendation NBH 12/2022. (11 July) on the establishment and operation of internal lines of defence, the management and control functions of financial organisations), the Bank's Memorandum of Association and the Bank's effective rules of organisation and operation.

Section 154 (1) of the Hpt. requires banks to operate an internal control system. The elements of the internal control system include the management information system, in-process and management controls, and the independent internal audit organisation.

The concept of a management information system encompasses all information technology based or manual systems that transform data into useful information for decision-makers. Its main tasks are to produce ad hoc and regular reports and to support (in general) decision making.

In-process and management controls are forms of control directly or indirectly integrated into business processes. These controls are performed by persons who are functionally involved in the processes or by those responsible for the final outcome of the audited activities.

Independent internal audit is part of the internal control (monitoring) system independent of the process. Internal audits should be performed by persons who are not involved in the Bank's workflows and are therefore independent of the entities and workflows being audited. Accordingly, the Bank operates an independent organisational unit, that is, Internal Audit.

Also in view of the NBH recommendation 12/2022. (11 July) referred to above, the system of lines of defence is interpreted in the Bank's monitoring framework system. The above control mechanisms, which are also stressed in the Hpt as the elements of the Bank's internal monitoring system (distinguished from the external monitoring independent of the Bank (for example: customers, NBH, other authorities) and the external monitoring system elements (for example: auditor) related to the Ban can be classified as follows:

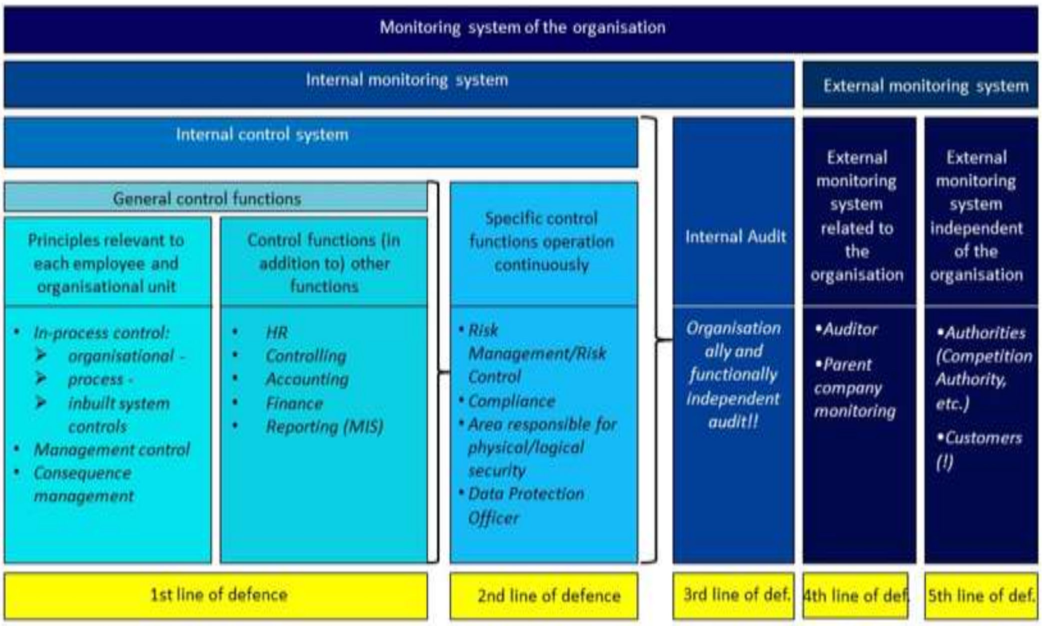
The Bank's internal monitoring system consists of an internal control system and independent internal audit.

Within the Bank's internal control system, we can distinguish between general principles (for example: consistent responsibility management), practices (for example: management control), organisational solutions (for example: in-process controls), and areas with a control function (for example: Controlling) and activities (for example: management information system), which together form the first line of defence of the Bank's internal monitoring system. In fact, this line of defence includes all employees and managers who, through their prudent work, protect the Bank's interests and values.

Another element of the Bank's internal control system is all those organisations, activities and persons responsible for performing dedicated operational functions, activities and control functions (for example: Risk Control, Compliance, Bank Security, Data Protection Officer), which together constitute the Bank's second line of defence. The function of the second line of defence can also be formulated by overseeing and supporting the activities of the first line of defence.

Independent internal audit, as another element of the internal monitoring system alongside the internal control system, is the Bank's third line of defence. Internal audit is an independent, objective assurance tool and consulting activity that adds value to the Bank's operations and improves its quality. It is responsible for examining the Bank's risk management, governance processes and the internal control system (or the Bank's first and second lines of defence) in a systematic and regulatory manner, evaluating and improving its operation, thereby contributing to the achievement of organisational goals.

The model of the Bank's monitoring system, including the place and role of independent internal audit, is illustrated in the figure below.



BRIEF DESCRIPTION OF THE COMPANY'S RISK MANAGEMENT SYSTEM AND PRINCIPLES APPLIED IN RISK MANAGEMENT

MBH Bank's Risk Control reviews the risk strategy of the MBH Group every year with the involvement of the relevant areas. In line with the current economic environment and in accordance with the Bank's and Magyar Bankholding Zrt.'s business strategy and capital plan, the Risk Strategy sets out the risk strategy principles and objectives of the Bank Group for each risk type and risk appetite. The approval of the risk strategy falls within the scope of competence of the Board of Directors.

In line with the basic regulatory requirements, a concept for the Group's comprehensive risk-taking processes has been developed and is constantly being fine-tuned.

<u>The main elements of the concept are:</u>

- Group-wide application of risk management principles;
- Applying the Unified Segmentation to the entire clientele of the group;
- A decision-making system that depends on customer quality and risk-taking;
- The use of Basel conform rating tools, in compliance with IRBF and analytical and behavioural scorecards, as well as a corresponding client rating regime, which adequately supports the decision-making activities of the bank management;
- Internal, group-level model validation methodology with annual frequency (rating and scoring tools, validation of related processes);
- Monitoring activities with IT support;
- Establishment of a comprehensive system of criteria that includes and takes into account relevant indicators enabling the detection of threatened loans in order to identify loans at risk as

quickly as possible and, based on this, to determine the various types of customer / exposure management, the related tasks and order of procedure.

- IFRS 9 provisioning system;
- Pillar 1 and pillar 2 capital accounting systems based on IFRS;
- Regular group level management reports, backtesting measurements (Risk Reports, Capital Management Reports, Rating Quality, Rating Monitoring Reports, etc.);
- Definition of a revised recovery plan and its evaluation on a monthly basis.

The key risk management principles include ultimate control at board level, independent control separate from risk areas, and appropriate measurement, diversification, monitoring and reporting of risks.

The effective risk management function of the Bank is ensured by the effective communication of risks and the willingness to assume risks within the organisation, continuous development for recognising, measuring, monitoring and managing risks, turning the key risk management processes and procedures up-to-date and user friendly and improving their efficiency, as well as employing adequately trained workforce.

NON-FINANCIAL STATEMENT

STRATEGIC OBJECTIVES AND A BRIEF DESCRIPTION OF THE BUSINESS MODEL

2023 was an eventful year for MBH Bank, it was the year of integration, the year in which the bank completed a merger process unique in Europe and became an unavoidable player in the domestic banking sector. 2023 was a very important milestone for the Group, but in a sense only a chapter in its strategy.

From 2024 MBH Bank will focus on further exploiting synergies, increasing efficiency and developing improvements to support strong business expansion, with a focus on making processes and service even more customer-centric.

MBH Bank's vision is positioning itself as a national champion, serving all customer segments, while maintaining local community values.

Key strategic objectives of the bank:

- To create the most modern bank in Hungary, offering a value proposition beneficial to all Hungarian citizens and businesses.
- To maintain the largest branch network in the country, which allows for quality, value-based customer service, with efficiency is a primary concern.
- To build an innovative organisation and a modern corporate culture with a strong focus on staff.
- To actively contribute to the development of the Hungarian economy by supporting segments of national economic importance, such as SMEs, the agricultural sector and young people, while maintaining a commitment to local communities.
- Outstanding profitability supported by synergies and capital position.
- Setting a growth-based financial path with significant earnings, an efficient capital course and major cost reductions.

Overall, MBH Bank's main objective is to be a national champion with strong positions in all market segments, to maintain its current market leadership in key segments such as corporate lending, agricultural finance and leasing, and to be able to go public and thus expand internationally, ensuring superior return on equity for its shareholders.

In December 2023, the Board of Directors adopted the Bank's Strategic Plan for 2024-2028. The 2024-2028 plan focuses on increasing sales efficiency, personal loan product, simplifying heterogeneous IT architecture and streamlining corporate processes. The focus in the next period will be on improving internal performance in key areas: catching up revenue potential with customer share, reducing costs and increasing sales efficiency on the retail side, strengthening the universal banking presence, and maintaining market share and increasing sales efficiency on the corporate side.

The Bank has a huge amount of data, and using them effectively is essential to exploit business opportunities. Analytical methods must be used to leverage the data assets to create business value: by increasing margins, strengthening cross-selling, reactivating inactive customers and optimising costs.

POLICIES PURSUED IN RELATION TO SOCIAL, EMPLOYMENT, HUMAN RIGHTS, ENVIRONMENTAL PROTECTION AND THE FIGHT AGAINST CORRUPTION, THEIR RESULTS AND THE SCREENING PROCEDURES APPLIED

MBH Bank places a high priority on contributing to the development of the community through its broad-based involvement, in line with its economic strength.

The initiatives took the following forms: improving financial culture, supporting various educational programmes, health protection, helping the disadvantaged through inclusion and targeted sponsorships and support activities.

The Bank does not carry out risk assessment in relation to its social and community engagement activities, but operates in accordance with the Bank's respective internal policies and procedures.

Through its donations and sponsorships, MBH Bank aims to provide real help by supporting programmes and causes that benefit society as a whole, so the development of financial literacy, the creation and preservation of value, and the creation of opportunities are extremely important.

The credit institution has defined four pillars in its strategy, based on previous member bank initiatives, customer and employee surveys and the ESG strategy. The objectives of the pillars have been implemented in the following programmes:

1. Social inclusion by helping the disadvantaged

MBH Conscious Assistance Programme: in May 2023, MBH Bank and the Hungarian Interchurch Aid signed a cooperation agreement under which the Bank will support the aid organisation with HUF 100 million per year. As part of the joint cooperation, the parties, who are in strategic partnership, launched the MBH Conscious Assistance Programme, which contributes to helping thousands of families through the National Assistance Centre of the Aid Organisation. The partnership enables the development of models that focus not only on immediate assistance, but also on financial and energy awareness and poverty prevention. The aim of the programme is to provide long-term, tangible support to people in difficult circumstances, in line with the Bank's social responsibility strategy, as MBH Bank considers social inclusion by helping the disadvantaged a priority. As part of the cooperation, in addition to the programme, MBH Bank supports the work of Interchurch Aid by involving and sensitising its own staff, who have been involved in the organisation's Advent fundraising campaign for two years now by distributing food, collecting donations and participating in a charity running competition.

MBH Scholarship: in November 2022, MBH Bank signed a cooperation agreement with the organisation to support the work of the International Children's Safety Service and young people in need for the next three years. The strategic cooperation between the credit institution and the aid organisation dates back 25 years, when the former MKB Bank scholarship was jointly established to support the education of socially disadvantaged children. From this year the programme continues under the title of MBH scholarship. The total value of the scholarships awarded so far under the initiative exceeds half a billion HUF, and in the last five years the Bank has provided over HUF 40 million per year, divided equally between the scholarship beneficiaries.

2. Financial awareness and digital literacy in Hungarian society

Collaborating with the DUE media network - Great Financial Literacy Test: Over the last decade, the world of banking has seen a significant evolution in terms of modernisation, moving part of banking services from branches and paper to smartphones and digital space, bringing a significant transformation and lots of new services. In 2023 the DUE Media Network and MBH Bank were looking for the new generation of Banking Experts, university students who are the most knowledgeable in banking and finance. The Great Financial Literacy Test for Students is a brand new competition that tests knowledge and educates at the same time. Anyone could take part in the competition supported by MBH Bank, but university students could compete for valuable prizes.

MBH Dobbantó programme: The 'MBH Bank Dobbantó - finance for women' programme was launched in 2010 by Budapest Bank, a former member bank of MBH Bank, in partnership with the SEED Small Enterprise Economic Development Foundation.
As the host of the programme, MBH Bank continues to improve financial literacy for women as a priority and carries on the legacy of organising activities to develop the knowledge and skills of women entrepreneurs. The key elements of the Dobbantó programme are the 12-day skills development training and club events open to everyone. The Dobbantó training provides tools specifically tailored to the needs of women entrepreneurs to develop key entrepreneurial skills. Participants can learn through experience the key skills needed to run a business.

MBH Junior Digital Programme: An important element of MBH Bank's social responsibility strategy is the financial and digital education of the younger generation, and therefore the Bank is continuously seeking opportunities for cooperation with educational organisations. This is why the credit institution partnered with the Skool team this year to launch a comprehensive digital literacy series of programmes for primary and secondary school children. During the programme the partners join school education: MBH Bank experts talk about the profession and safe digital finance at form master's classes, while Skool staff introduce young people to the latest technological trends. The partners' key objective is to support at least 8,000 students and their teachers in 2024 to acquire the latest digital skills, while teaching children the basics of finance and programming in a playful manner. The programme also aims to create opportunities for children in the convergence region to change their course of life. Through the MBH Junior Digital Programme, it is important to introduce as many young people as possible to the atmosphere of a technology company, to the career opportunities available in the technology and finance sectors for all, and to inspire and encourage children to use technology creatively.

Money7: In spring 2023, we rejoined the Money7 series to offer our expertise to help the younger generation to better understand the banking sector and banking operations. The MONEY7 lessons focused on experience are designed to teach the skills needed to make responsible decisions and develop creative problem-solving skills, taking into account the specificities of each age.

The programme was again very well received this year, with nearly 140,000 students from more than 1,000 schools taking part in around 12,000 lessons and with more than 500 volunteers. We are proud that our colleagues have contributed to the success of the programme as volunteer financial mentors!

Cybersecurity education campaign: In order to prevent cybercrime, which is on the rise, there is a concerted effort at international and national level, with the participation of banks, supervisory bodies and authorities, focusing on customer education and developing other preventive measures, processes and monitoring systems, both in the sector and by supervisors. MBH Bank has joined this collaboration and has set the importance of education as its goal for 2023. Our communication concept aimed to raise awareness of our employees, customers and business partners about cyber security exposures. The campaign targeted all relevant target groups through paid advertising and appearances in professional forums, in addition to our own internal and external, offline and online channels. In terms of our own channels, we appeared on the web and social media platforms all 3 of our member banks used before the merger and then by the new MBH Bank after the merger, as well as on the digital and ATM devices of the branch network. Throughout the campaign, we raised awareness with 73 social media content and 6 educational videos, generating over 5 million online views.

3. Enforcing sustainability and ESG

MBH Forest: In the framework of an internal initiative, MBH Bank volunteers planted 10,000 native tree seedlings in the spring of 2023 in South Transdanubia. The aim of the programme is twofold, combining the Bank's carbon neutrality goals set out in its ESG Strategy with its ambition to be an active participant in shaping the sustainability mindset of its staff and customers. The tree seedlings planted with the involvement of a professional partner are expected to grow into a full 2.5 hectare forest by 2025, which is estimated to sequester more than 1,000 tonnes of carbon dioxide over a 100-year time horizon.

PET Cup: In the summer of 2023, MBH Bank's team took part in the 4th PET Cup on Lake Tisza, where 12 employee volunteers collected waste on the lake for 3 days using a raft built by them. The 12 teams of the PET Cup collected a total of 6.5 tonnes of waste during the 3 days of the competition, which fit into about 1500 bags. The MBH Bank team came third in the competition.

Sustainability internal communication campaigns: In autumn 2022, we launched an internal sustainability communication campaign called “Let's act together” for sustainability. In the first 3 months of the campaign, our ESG ambassadors shared their sustainability tips with colleagues through video messages, we placed awareness-raising posters in our headquarters and organised environmentally conscious workshops for our colleagues. In the second wave of the campaign, we added a number of eye-catching visual elements (lift and stair stickers, posters, stickers encouraging energy saving), and on Earth Day we organised a charity clothes collection day and a drawing competition and posted educational content on our internal channels. We will continue our internal sustainability communication with further actions in the future.

Red-footed Falcon programme: Introduced in 2022, our Green Monthly Flat Fee package is an essential element of our sustainability and climate strategy to help protect the endangered domestic red-footed falcons. The account package provides paperless, fully electronic account management for our corporate customers with a turnover of over HUF 1 billion or belonging to the Individual Business Unit, and for every Green Monthly Fee package sold, the Hungarian Ornithological Society will provide a red-footed falcon breeding box. In 2023, MBH Bank supported the Society's Red-footed Falcon Conservation Working Group with HUF 3.5 million, which enabled the production and placement of 200 breeding boxes. The burrows and the flock were under constant surveillance, so we know for sure that breeding took place in the vast majority of the nests. A total of 171 different nest boxes were found, from which it is estimated that 128 young red-footed falcons may have fledged.

Cooperation with Hungarian National Park Directorates: In 2023, the Bank launched comprehensive cooperation with the Hungarian National Parks, where biodiversity conservation programmes will be developed in 2024. This will be linked to the UN Guidelines for Responsible Banking, signed by the Bank in 2022, where we have committed to align our business activities with the UN Sustainable Development Goals. The theme was chosen because the Bank has conducted a local impact assessment, which found that one of the areas where we can have the greatest impact is biodiversity.

Carbon Monitor: At the end of 2023, we mapped and measured the carbon footprint of the MBH Bank website. Our goal is to reduce our website's carbon emissions in 2024, and in the long term to formulate and incorporate website design and development processes that will enable us to keep our carbon footprint at the minimum necessary level and make minimize our environmental impact in our approach.

4. Promoting and developing Hungarian art

MBH Bank Foundation for the Support and Development of Art: At MBH Bank, the promotion of art, including the Hungarian fine arts, and the linking of financial and art education are a priority social responsibility, with a view to the development of the community and the contribution to social welfare. MBH Bank has also recently established MBH Bank Foundation for the Support and Development of Art, which is dedicated to the preservation and dissemination of Hungarian art and culture in Hungary and beyond the borders of Hungary, to the support of young Hungarian artists and contemporary art, and to the promotion of exhibition opportunities for art works owned by MBH Bank. To achieve these goals, the Foundation has also supported the establishment of our Hungarian Art & Business (HAB) Art Centre this year, whose mission is based on the belief that art truly belongs to everyone and we want to make it truly accessible to everyone. The HAB's priority is to care for and expand the bank's collection of over 260 works of art.

Junior Prima Awards - theatre and film category: In 2007, the founders of Prima Primissima decided to create a separate award for young talents under 30 who are among the best in their age group. As one of the predecessors of MBH Bank, Takarék Group has been running the Junior Prima Prize in this category since 2017. MBH Bank is determined to continue this tradition. The speciality and importance of the award is enhanced by the fact that young talents are confirmed and recognised by an independent professional jury, as well as gaining visibility. Professional recognition is always important, but such recognition is even more important when the talent is young, and it is regularly given to outstanding young talents from rural theatres. This is in line with the Bank's efforts to strengthen local communities and culture, as well as its efforts to support Hungarian arts and artists. It is a prestigious award which, in addition to the awards, also strengthens the Bank's social commitment and reputation.

Our other charitable programmes:

Bank Blood Donors' Week: In 2022 and 2023 we joined the initiative launched by the Hungarian Banking Association. In these two years, nearly 500 people rolled up their sleeves for this noble cause. We also regularly arrange blood donations for our colleagues at our headquarters even outside of the Bank Blood Donor Week. So far this year, 184 volunteers have taken advantage of this form of assistance.

Give Blood! poster competition: In autumn 2022, we joined the Give Blood! poster design competition announced by the Hungarian Banking Association, MOME and the Media Union as a sponsor, which resulted in artistic posters that are able to address Generation Z, thus bringing people and young people closer to the active role of the Hungarian blood supply.

Give your change to a better place: In the summer of 2023, we joined the coin recollection campaign of the National Bank of Hungary, where one of the beneficiaries is our partner, the International Children's Safety Service.

Charitable actions with the Hungarian Interchurch Aid

In 2023, a strategic partnership with the Interchurch Aid was launched. As part of this collaboration, we will be involved in other charitable initiatives launched by the aid organisation:

- In the spring of 2023, we held a charity clothes collection campaign and collected 60 bags of clothes to help those who cannot afford to wear appropriate clothes and shoes every day.
- In September 2023, we contributed 25 crates of school supplies to the organisation's Back to School Together! aid programme.
- In October 2023, our colleagues joined the Hungarian Interchurch Aid - Don't just cheer, help! running community during the Spar Budapest Marathon.

At the end of 2023, we also took part in the aid organisation's **Advent Charity**, which aims to encourage donations and social solidarity among Bank staff.

- In 2023, **we gave the Christmas gifts for** nearly **250 young children from Baranya** within the framework of the well-known shoebox campaign.
- At the end of December 2023, we distributed 2,000 hot meals to people in need.
- And at the Advent market in front of St. Stephen's Basilica, hundreds of gingerbreads were made by our volunteers, so that the Aid Organisation could use them to thank the donations received during the festive season.
- Many families have benefited from the non-perishable food collected at our headquarters or packaged in partnership with the Aid Organisation.

Donation campaign: the Bank launched a nationwide campaign to help and support disadvantaged Hungarians. The main element of the campaign was a sensitizing commercial, communicated through TV, cinema and online channels, complemented by building networks and online presences. The commercial was the result of a partnership between MBH Bank, Mastercard and the Hungarian Interchurch Aid and was aimed at supporting the increase of donations over Christmas. The campaign ran from 1-24 December 2023 and reached nearly 4 million people over the festive period.

Health preservation

The Bank provides a wide range of sports opportunities to its staff. The MKB Sports Club, established in 2016, organises the bank's sporting life by operating 23 sports sections. In the headquarters on Váci Street and the office building on Kassák Lajos Street, a total of almost 400 m^2 of gym facilities are available.

MBH Bank is a key supporter of the Hungarian sporting scene, especially with regard to the young generation, helping them to adopt a healthy lifestyle. The Bank has become the official bank of the Hungarian Olympic Team, contributed to the financial support of the Ferencváros Gymnastics Club for young talents in need, and continued to sponsor the up-and-coming young team of the Hungarian sailing sports, the Prospex Team.

Support and sponsorship

Support and sponsorship activities are a major part of MBH Bank's social responsibility strategy, whereby we support such important causes as social awareness, knowledge development, helping children in need and their families, and supporting the domestic sports scene.

MBH Bank also supported the work of other foundations and organisations in 2023, such as the **Red Nose Clown Doctors Foundation**, which used the funds to help sick children.

Data in HUF million unless stated otherwise

Support for Together for Autism Foundation: The Together for Autism Foundation aims to provide long-term support for children with autism spectrum disorder and their families. They are constantly working with partner organisations to help as many people as possible who are affected by autism spectrum disorder. They give priority to supporting the development of institutions and the work of professionals working in the field of autism spectrum disorder, an activity supported by MBH Bank 2023.

Adopt a Teddybear Foundation: integrated employment and rehabilitation of people with disabilities, organisation and implementation of cultural events as part of the cultural life of the capital city, integrated culturalisation.

Employment policies and their results, screening procedures applied

MBH Bank has carried out a risk assessment on employment and has identified the risks relevant to its operations, which is taken into account in its human resources policy.

The HR strategy focuses on improving the employee experience, increasing engagement by promoting flexible working and the use of available digital tools, developing a collaborative corporate strategy, with a particular focus on the migration in May 2023, which resulted in the merger of the three financial institutions to form MBH Bank.

Based on global trends, domestic and MBH specific needs, the human resources actions focused on targeted areas such as talent and career management, mentoring, employee satisfaction, training and development, supportive work environment, as well as continuous review of work processes, efficiency improvement and last but not least, employee programmes to support employees in all life situations.

Breakdown of MBH Bank employees by job (FTE):

Area	subordinate	other manager	director	Deputy CEO + managing directors	Total
MBH Bank Nyrt.	7 274	219	67	44	7 604

Breakdown of the staff employed by MBH Bank by average age, duration of service (years):

Area	0-2 years	2-5 years	5-10 years	10 + years	Average
MBH Bank Nyrt.	37	39	42	48	42

Breakdown of the staff employed by MBH Bank by duration of service (years) (FTE):

Area	0-2 years	2-5 years	5-10 years	10 + years	Total
MBH Bank Nyrt.	1 653	1 621	1 697	2 633	7 604

Breakdown of MBH Bank employees by sex (FTE):

Breakdown by sex	Total headcount			Director+		
Area	Men	Women	Total	Men	Women	Total
MBH Bank Nyrt.	2 333	5 271	7 604	82	29	111

Talent management at MBH Bank:

Talent management is a key element in building our organisational culture. Talent management is both a way of ensuring individual performance and thus professional excellence, and a way of identifying and preparing future leaders. Well-designed talent management supports the implementation of a modern banking culture and workforce strategy based on our values.

The programme identifies key talents across the company and develop a framework for junior management. This programme includes a senior management nomination and a development centre-based selection process, supported by a specific training plan to prepare colleagues for a broader and more diverse range of roles at the highest possible level in the future.

The following programmes support talent management at MBH Bank:

Digitised and gamified pre-boarding programme: The focus of the programme is on our colleagues who are in the pre-entry period after accepting our offer. The solution, available in the online space, supports new talent engagement in the pre-entry period; we not only accompany prospective employees on their journey until the day of entry, but also maintain a positive experience while providing them with ongoing connectivity, reinforcing the experience of belonging to the team.

Fusion programme: The next step in our talent retention activities was the Fusion programme, which won multiple awards in 2023. Fusion is one of the largest trainee programmes in the country, currently hosting nearly 300 talented students aged 19-25 from across the country. We are usually the first milestone for our trainees at the start of their careers. During the programme they gain relevant work experience, which provides us with a stable supply base. The trainee programme is designed to give more than just work experience: we support our trainees through our own onboarding processes, with dedicated HR colleagues guiding the university students through their professional work and development. This reinforces our commitment to our corporate value: “We give more”.

Ambassador Academy An innovative tool was needed to introduce new values and associated behaviours and leadership tools, a new culture roadmap and to retain talents and maintain engagement. So we developed the Ambassador Academy of around 100 people. It is a change management initiative, with members working together to ensure engagement between different talents, teams and the delivery of information to all colleagues. High-interest online and offline sessions focus on a different change-related topic; the initiative has been very enthusiastically received. They work together in joint workshops on elements of the culture programme, employer brand and technology skills development, for example, they created the questions for the organisation-wide pulse measurement, which was a truly tailor-made solution.

Leadership Academy: Our Leadership Academy is an integral part of preparing managers for the transition to the new way of banking. Our leadership training programme is modular, with different solutions and topics (inspirational leadership, heterogeneous generational teams, transparent leadership, motivational leadership, etc.) to support the continuous development of talented leaders. A dedicated programme supports the training of newly appointed managers.

The training activities of the Change Management Academy, established in 2022, were continuously expanded throughout 2023, supporting the strengthening of MBH Bank's corporate culture. Within the framework of the Academy, we not only provide the skill development necessary for change management, but also introduce the communication of corporate values in an interactive format, working with colleagues through workshops to help them understand and accept these values.

Mentoring: By introducing a mentoring programme, we aim to multiply high quality professional knowledge and further build a consistent knowledge base. The Mentoring Programme is open to mentor colleagues who have demonstrated professional excellence in a particular banking area and are willing to share this professional knowledge with other colleagues in a more formal mentor-mentee relationship. The programme was launched on a pilot basis during 2023.

Conscious Career Building Support Programmes for our employees: The Conscious Career Building Support Programmes aim to further strengthen MBH Bank's organisational health and promote conscious career building. In addition to training provided from internal resources, we also seek to bring in external experts relevant to the topic at hand, who can contribute to our individual and organisational development with their unique and high quality knowledge and their unique personality. We also try to include in these training courses subjects and lecturers with whom we would have little or no contact as individuals, thus enhancing the quality of the banking employees.

Employee welfare programmes at MBH Bank:

Generational diversity: This programme aims to help employees in all life situations. Our employee lifecycle programme currently supports four priority employee groups, but will be expanded with new elements in the near future.

MBH Start+ is for people just starting their careers, providing recent graduates with individual vocational training and a one-year employment contract. MBH Baby+ is for those with families. Parents with children receive support from as early as the birth of their baby. MBH Bank also supports the furnishing of the baby room or, when needed, the development of motor skills. What's more, the company also offers three weeks of paternity leave for fathers.

Our MBH Active+ employee programme is aimed at the over-60s. We also organise community programmes for colleagues with decades of experience. In addition to ongoing training and knowledge sharing, quality time is key: our employees can take additional days off for grandchildren, as well as for cultural recharging. In addition to a number of other benefits, MBH Bank also provides health screenings for its employees, according to their age needs.

The fourth element of our Generational Diversity programme is our initiative to support our Disabled Workers.

MBH Bank attaches great importance to the wellbeing and health of its employees, but today, unfortunately, few people can claim to be in perfect health. Under our new MMM+ programme, which is now being launched, we are trying to provide a wide range of support and equal opportunities for our colleagues with disabilities to work in a happy, safe and supportive environment.

With the MMM+ programme, which focuses on our colleagues with disabilities, our aim is to create equal opportunities and provide them with as much support as possible, as we know that their health conditions make everyday life even more challenging.

MBH Bank's HR programmes in 2023 have been recognised with 2 international and nearly 10 national professional awards.

Work-private life balance at MBH Bank:

At MBH Bank, flexible working is a core element of the HR strategy and an important component of improving the employee experience.

As part of its HR strategy, MBH Bank aims to increase the share of atypical employment. It also aims to make working from home accessible to as many employees as possible, and therefore the tools and devices are developed constantly. Working from home reduces stress at work, improves the balance of work and private life and thus increases employee satisfaction, work morale, productivity and loyalty.

From 2020, home office working in jobs that do not require personal presence has been implemented in 100% and flexible working is widespread. The regulation of teleworking has become perhaps one of the most preoccupied labour law issues of the last year and a half.

During the period of danger, the rules on teleworking were contained in Government Decree 487/2020, the rules of which were incorporated into Act I of 2012 on the Labour Code (Labour Code) and Act XCIII of 1993 on Occupational Safety and Health (Labour Safety Act) as of 1 June 2022. The management of the MBH has reviewed the work schedule implemented so far and decided to change it.

As of the above date, under the provisions of the Labour Code, teleworking is not only work carried out with a computer, but also any work carried out at a place separate from the employer's premises for part or all of the working time. We believe that in the current merger period, the new working arrangements will help teams to work more efficiently and improve personal collaboration, while giving managers the flexibility to manage the needs of individual teams and colleagues.

The first MBH Bank Family Picnic was held on 16 September 2023, where all our employees and their families could participate. The day was all about celebrating successful migration, relaxation and our employees with a variety of themed activities including children and youth programmes, a wide range of food and drinks, raffles, prizes, presentations on work-private life, training and recruitment, career development and concerts at the end of the day.

MBH Bank and health:

Health promotion and health preservation is an important area for MBH Bank, which is emphasised in various sports and health campaigns, such as the #20minhealth programme mentioned above. The promotion of a healthy lifestyle and the provision of sporting opportunities for employees in a variety of ways is implemented on several fronts. In 2020 and 2021, programmes to support sporting activities were also organised online due to the pandemic. Ensuring a healthy working environment for employees is a priority. In the spirit of the Year of Health programme announced in 2018, screening tests for employees have been organised for the employees from 2020.

Employees have access to discounted health insurance, including diagnostic services and extended occupational medical appointments at the Bank, seven days per week. The teleworking rules referred to in the previous point are also designed to balance the work-private life balance of our employees and to safeguard their health, while also seeking to increase the efficiency of work.

MBH Bank also offers hobby and recreation rooms in its buildings. Fitness menus and other special dietary meals are available in the canteens at the workplace, and restaurant services were also made available through delivery during the pandemic.

MBH Bank and sport:

The Bank provides a wide range of sports opportunities to its staff. In the headquarters on Váci street and the office building on Kassák Lajos street, a total of almost 400 m^2 of gym facilities are available. In 2020 and 2021, online sports events and training sessions were made available to support the health of officers also in the home environment. The MBH also supports sport in other ways: the MBH Sports Club runs several sports sections depending on the interests and activities of its employees.

The MBH provides significant support to its sports club (HUF 45 million per year) where effective professional and recreational sports work is performed. The club has a membership of nearly 500 people, including 200-250 members in the various sections.

The club operates 2 fitness rooms in the MBH Headquarters and in the office building in Kassák Lajos street, with a total of 780 square meters, where TRX, Kettlebell, Yoga, Pilates, Bodyart strength group classes and cardio and strengthening machines are available for our members, where the pool of cardio equipment has been continuously expanded.

Our sections are: squash, volleyball, fishing, go-karting, dragon boat, cycling, running, table tennis, men's and women's football, hiking, bowling, bowling, boxing, basketball, throwing sports, swimming, wall climbing, spartan/crossfit, kayak-canoe and SUP, shooting, dodgeball.

In addition to the support of the section, the club also provides its members with sports equipment, sportswear with logo, sports tools, and even individual support for members of the section.
The Sports Club prepares our athletes for the annual Hungarian Banks Sports Competition in nine sports disciplines where we came 3rd for the fourth time in 2022.

The 35th Hungarian Banks' Sports Competition in 2023 was held in Debrecen, hosted by MBH Bank. Our Bank was represented by 85 of our colleagues at the event, which attracted more than 800 participants, and thanks to their fantastic performance, MBH Bank was able to take second place on the podium at the end of the contest, which was unprecedented since 2005. In addition, MBH Bank employees returned home with medals in all sports.

A significant number of our runners regularly take part in races such as the Wizzair Half Marathon or the SPAR Marathon. In team sports, our men's football, basketball and bowling teams are all top finishers in the Business Leagues. Our dragon boaters have won medals in several national competitions, our anglers are also regular competitors, and our table tennis team is supported by the coaching of two excellent NB/1 colleagues.

Our cycling section has been running a joint programme with BKK BUBI for several years, 150 colleagues received an annual discounted BUBI pass.

We are proud of our spring-autumn round of the “MBH MOVE" competition, where registered colleagues were able to collect kilometres in walking, running and cycling.
At the same time as the merger on 01 April 2022, we also took over the members of the Budapest Bank General Sports Club, with 85 people joining the MBH Sports Club.

We have created a Facebook group called MBHSE with now more than 500 members.
Sport activities are promoted with the help of the Marketing department, which sends out numerous newsletters to colleagues, and purchases and provides sportswear with its MBH Bank’s logo.

Safe work environment:

In order to fulfil its legislative obligations, MBH Bank has prepared a risk assessment of the head office and other business sites of the Bank, including all Branches. As it is an office work environment, there is only a low risk of accidents. Consequently, there are very few work accidents and their number is decreasing.

Health and safety and fire safety training is mandatory for each employee every year. A separate training material has been developed for the employees of the Branches on how to respond if the Branch is attacked. The personal, material and organisational conditions of safe work were defined in the Health and Safety Regulations of the Bank in compliance with the law.

A Health and Safety Representative also works at the Bank on behalf of the Works Council. The HS Representative is entitled to make sure that the requirements of healthy and safe work are fulfilled at the Bank.

Responsible corporate governance:

MBH Bank, as a publicly traded company whose shares are listed on the Budapest Stock Exchange, has prepared and published its Corporate Governance Report based on the BSE's Corporate Governance Recommendations.

MBH Bank lays paramount importance on building and maintaining successful and effective corporate governance system to best comply with capital market practices and to ensure responsible operational management.

The governing structures of MBH Bank comply with legal, supervisory and stock exchange requirements along with its own business specialities. MBH Bank intends to comply at the possible highest level with the Corporate Governance Recommendations published by the BSE.

Regulations on the related policies, the applied due diligence and risk management procedures:

MBH Bank's Performance Remuneration Policy in accordance with the Hpt.

- Regulation on the performance assessment process
- Regulation on the management of human resources
- Regulation on the cafeteria benefit scheme
- Regulation on the division and delegation of the exercise of employment rights by the employer
- Group-level Incentive Policy
- Operational regulation for the single traineeship programme
- MBH Bank's training system, processes for the training of MBH Bank's internal and external employees (Training regulation)
- Regulation on the recruitment and selection process.
- Staff Recommendation Policy
- On the registration of working hours and absence form work
- Regulation on the remuneration policy
- Regulation on teleworking
- Regulation on the Employee Recognition Programme
- Consequence management regulation
- Health and Safety Regulation

Human rights protection policies and their results, screening procedures applied

Relying on the standards also expressed in the Code of Conduct, the Bank takes into account the interests of its employees based on fair assessment, recognises their right to the integrity of their private life but, in exchange, the Bank expects its employees to responsibly protect their health.

It is especially important for the Bank to see that its employees can equally focus on their families and work as well as their professional career. To support that, the Bank offers a healthy work environment without any discrimination. The Bank does not prepare a risk assessment of the enforcement of human rights but its members of staff operate in compliance with the internal banking regulations that outline the equal access strategy and procedural rules.

The equal access procedural rules of MBH Bank were developed on the basis of Section 283 of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, the Decree of the Minister of

National Economy 22/2016 (29 June) on the rules of equal opportunities for persons with disabilities in access to financial services provided by credit institutions and the MNB Recommendation 4/2017 (13 March) on the treatment of disabled customers. The regulation contains the rules of implementation and details defined in MBH Bank's equal access strategy and constitutes an inseparable part thereof. In order to assess the needs of persons with disabilities with regard to financial services, the Bank has placed an anonymous questionnaire, as set out in the annex to the regulations, in its premises open to customers, which can be completed by anyone, whether or not they are a customer of the Bank. Questionnaires are completed anonymously on a voluntary basis and the information provided to the Bank is collected solely for the purpose of improving the quality of its services.

The Bank's equal access strategy was developed in the spirit of the Bank's social responsibility as the Bank pays special attention to the special needs of disabled customers and to special treatments promoting their equal access to services. The fundamental objective is to integrate the strategic requirements into the Bank's daily operation and to make them an integrated part of the attitude of executive officers and all other employees. The purpose of the regulation is to enable the disabled customers of the Bank to have access, whenever possible, to services of the same quality as those offered to ordinary customers but adapted to their special needs.

The Bank applies a fair treatment based on respect and esteem while keeping contact with its stakeholders. It rejects all forms of discrimination based on sex, age, ethnic origin, religious or political belief, belonging to any interest group, sexual orientation, different native languages and any other direct or indirect discrimination-based excluding conduct.

MBH Bank also operates a notification system (anonimbox@mbhBank.hu email address), where anyone can report any violation of law, or internal regulation or other rule of conduct experienced by them, even anonymously.

A Works Council also operates at MBH Bank in compliance with the currently effective Labour Code. The Works Council is the main interest representation forum, representing the interests of the employees. The employees may be involved in the discussion of issues and taking decisions affecting them and can learn about any change therein through the Works Council. The Ethics and Conciliation Committee of the Works Council has the power to resolve conflicts between employees and conflicts between managers and employees.

MBH Bank does not employ children and is not engaged in forced labour either.

Privacy and data security:

The right to the protection of personal data is one of the rights of the individual under the Civil Code, in addition, the protection of personal data is also constitutionally protected by the Fundamental Law, and MBH Bank pays special attention to this area accordingly. MBH Bank is committed to ensuring the highest level of protection of personal data relating to natural persons that it processes and, in this context, it has implemented and continues to implement appropriate technical and organisational measures, taking into account the risks of varying likelihood and severity, in relation to the nature, scope, context and purposes of the processing and the rights and freedoms of the data subjects, and to monitor the measures taken and their effects in order to ensure compliance with the applicable legal regulations on the protection of personal data at all times.

In order to comply with the requirements of the GDPR, the primary legislation governing the processing of personal data of natural persons, MBH Bank has established an effective data protection framework, and has integrated data protection controls into its business processes and IT development processes.

MBH Bank operates and keeps up-to-date its data protection framework in accordance with the applicable legislation, the guidelines of the National Authority for Data Protection and Freedom of Information, the European Data Protection Board (EDPB) as supervisory authorities, and the guidelines of the European Union's guidance authorities, such as the CNIL (Commission Nationale de l'Informatique et des Libertés, the French Data Protection Authority) and the ICO (Information Commissioner's Office, the UK Data Protection Authority), as well as best market practices.

In line with the industry practice and MNB regulations, MBH Bank keeps its security preparedness up to date by updating and replacing its IT protection systems.

The Bank also prioritises the security of digital channels, among other things, by regularly conducting external vulnerability inspection and penetration tests to ensure that the level of security is adequate.

In full compliance also with the MNB recommendations, MBH Bank informed its customers on what to do in relation to cyber fraud and data phishing and raised attention about the importance of prevention and alertness regularly on its own platforms as well as in various publications issued on a number of occasions during the year.

The members of staff of MBH Bank have a great deal of experience in how to prevent data phishing, or identify the actual cases as well as implement measures to mitigate losses. The officer of the MBH fraud management unit contacts the potentially affected customers and checks whether or not they are aware of the respective transaction or whether they initiated it. MBH Bank also takes all security and legal measures required on such occasions in addition to informing its customers.

Sustainability and climate strategy:

The MBH Bank is committed to being a key player in creating a sustainable economic operation. As a Hungarian financial institution, it has a key role and responsibility in supporting and financing sustainable and climate investments. By reducing its ecological footprint and operating responsibly, the MBH wants to set an example for its market players and partners, while at the same time feeling obliged to protect the environment.

In order to translate this commitment into action, MBH has revised its previous sustainability and climate strategy and from 2022 has developed and adopted a Group-level ESG strategy, which includes the Bank's carbon neutrality ambitions. A dedicated ESG department has been created, under the direct supervision of a senior manager.

The strategic directions set out the vision and actions for the MBH as a group of companies, on the one hand, and for the MBH as a financial institution, on the other.

- "*MBH, a partner in green finance*": an element of the strategy is to create an infrastructure, product and service portfolio for retail and corporate customers that will help them achieve their own sustainability and climate goals. MBH attaches particular importance to investing in renewable energy and supports the implementation of these projects. MBH is committed to ESG-based resource mobilisation both in its own operations and towards its customers. As part of MBH's sustainability and climate strategy, a gradual review of the risk framework and the integration of an ESG approach into the risk framework is being conducted. This concerns, on the one hand, the full transposition of European Union requirements and, on the other hand, the examination of specific elements that can be added to these and tailored to the Hungarian market.
- *"MBH Bank, the Responsible Group"* As a responsible group of companies, the MBH Bank aims to fully comply with climate neutrality and sustainability objectives in its own operations, in particular the widest possible application of paperless and contactless operation, and the ESG aspects of operations. The Group aims to achieve these goals through its everyday operations, its internal processes and by shaping its employee community.

In MBH Bank's ESG Strategy, two strategic objectives are set out:

1. "MBH Bank, a partner for sustainable finance" - the strategic goal is to create an infrastructure, product and service offering for both retail and corporate customers that will help them achieve their own sustainability and climate goals. In this context, the tools to implement the strategy are:
   - developing products and services that promote sustainability;
   - raising funds to promote sustainability and financing (green bonds, green mortgages).
   - Implementing an ESG-based risk framework, where MBH has already implemented an extension of the process for identifying risks from climate change and environmental degradation and incorporating sustainability and climate objectives into its risk management. As part of this, it will, e.g., integrate ESG considerations into its credit risk processes and quantify its operational risks, thus becoming an integral part of the Risk Strategy.

2. "MBH Bank, the Responsible Group" - MBH's strategic goal is to adopt sustainability principles in its own operations. As part of this:
   - From an environmental perspective, it aims to reduce its carbon footprint. Thus, e.g., it will reduce energy consumption, further promote digital banking to radically reduce paper use, and take steps to promote responsible waste management by extending separate waste collection.
   - On the social side, it is important to be a fair and supportive partner to its employees and customers, and it places a high priority on awareness-raising, training and charity activities. To achieve this, it will, e.g., provide ESG training to its employees on an ongoing basis and strive to create a healthy work environment, non-discrimination and equal opportunities within its operations.
   - And from a governance perspective, it ensures that it operates in an ethical, transparent, compliant and sustainable manner. For that, it has, e.g. raised its sustainability (ESG) representation to the level of Deputy CEO and created a dedicated area within the Bank; published its first GRI sustainability report in 2022, which is auditable by an external independent party; and joined the UN Principles for Responsible Banking in October 2022.

We have achieved a number of successes in recent years, including, but not limited to:

- Green Bank Award: In 2021, MKB Bank (a former member bank of MBH Bank) won the "Green Bank Award", established by the Hungarian National Bank. In February 2019, the MNB launched its Green Programme to support financial services in Hungary to protect the environment and further reduce the ecological footprint of market participants and the MNB. In assessing the award, the MNB looked at the extent of green lending by financial institutions, the green bond portfolio held by institutions and the institutions' exposure to climate change impacts. MKB Bank's conscious, step-by-step sustainability strategy, its consistently introduced green products and services, as well as its numerous socially important commitments, have also played a major role in the recognition of MKB Bank.
- Net Zero Project: the first half of the project, which is the preparation and calculation of MBH Bank's 2022 carbon inventory (Scope 1, 2 and 3), has been completed and a carbon reduction trajectory has been established based on the internationally recognised SBTi methodology (where a methodology is available). Bank Scope 3's inventory is unique in that we will be the first Hungarian bank to publish it.
- Pillar 3 compliance: the collection of related data and the preparation of systems for continuous data collection and provision is ongoing and on schedule.
- ESG training for senior managers and directors: training was launched in September 2023, taking colleagues up to director level until December.
- UN Principles for Responsible Banking: the first task related to the implementation of the principles was completed by the beginning of October 2023, which means the impact assessment. The total

Data in HUF million unless stated otherwise

residential and corporate customer base was assessed against the criteria provided by the UN. Based on this impact analysis, we set 2 targets, in line with UN expectations.

- Developing a strategic "umbrella" programme for 2024: our "Sustainable Future Bank" programme was announced on 04.12.2023, one of the pillars of which is to work with domestic National Parks to promote biodiversity, focusing on green products.
- Developing a Green Loan and Bond Framework: we have prepared our now complete Green Financing Framework in line with international and domestic standards, as confirmed by an SPO opinion.
- ESG rating: In November 2023, we also obtained our first ESG rating, issued by Refinitiv (now LSEG), and achieved an excellent B+ result.

Measures aimed at optimising energy consumption:

The majority of MBH Bank's energy consumption relates to the utility consumption of buildings and fuel consumption of its vehicle fleet. The consumption of buildings is partly of communal and partly of technological origin. Energy consumption in the headquarters and in all office buildings, as well as in a significant number of branches, is monitored and regulated by a building control department.

No significant energy efficiency investments were made at MBH Bank in 2023.

The annual energy consumption indicators for the MBH buildings are as follows:

Consumption in 2023	MBH Bank Nyrt.
Electricity (kWh)	23 761 631
Natural gas (kWh)	23 105 785
Heat (MJ)	6 549 153
Water (m3)	46 015

In its environmental risk assessment the Bank took into account the annual energy consumption and annual carbon dioxide emission. For MBH Bank, a comprehensive energy efficiency audit was last performed in 2023 by Pannon Építőműhely Kft., which complies with the requirements of EU Directive 27/2012, Act LVII of 2015 and Government Decree 122/2015 (26 May). In addition, on the basis of the Decree of the Hungarian Energy and Public Utility Regulatory Authority (MEKH) 2/2017 (16 February), monthly energy desk officer reports are also prepared with energy consumption analyses.

Selective waste collection and management:

MBH Bank focuses on sustainable development. One of the key pillars of this is the selective collection of waste, which is promoted through the installation of separate collection containers in bank branches and office buildings, where paper waste, metal beverage cans, plastics, PET bottles, batteries, caps and electronic waste (ink cartridges, toners, etc.) can be collected separately. Following adequate treatment, the selectively collected waste may be recycled, thus reducing the impact on the environment.

MBH Bank is particularly committed to environmentally friendly operations, and therefore it pays special attention to the management of electronic waste. The digitisation strategy also has a positive impact on MBHs paper consumption.

Waste management is subject to a number of regulations and MBH Bank complies with the legal requirements. The Bank prepares waste management reports annually, containing the classification and quantities of waste generated and collected. In 2023, MBH Bank generated 58,716 kg of paper and cardboard waste and 2168 kg of waste from discarded electrical and electronic equipment.

Environmental measures relating to the vehicle fleet of MBH Bank:

The MBH Bank currently owns or leases 1,282 company cars. All of these are modern, state-of-the-art vehicles, the majority of which use 744 petrol. The Bank also has a fleet of 495 diesel cars, 6 electric cars and 37 hybrid petrol-fuelled cars.
In 2023, 78% of newly purchased vehicles were petrol models and 22% were hybrids, which were introduced at the beginning of the year.
A fleet and brand tender is currently underway, so the future of fleet operations is not yet clear. This affects car procurement, the phasing out of the ageing fleet, the number of vehicles and the methodology for the continued operation of the fleet.

MBH Bank also uses taxi services for its employees. A decisive factor in the selection of the contracted service provider was that the contracted service provider should have the largest fleet of electric cars on the Budapest market. At the end of 2019, the Bank also signed a contract with MOL Limo to replace the future petrol taxi service, mainly within Budapest, and to provide more environmentally friendly transport.

MBH Bank will continue to promote electric community car sharing.
In 2023, we added electric charging on MOL well networks as an extended service to the MOL fuel cards of all our hybrid vehicles.
Extra wall chargers for electric cars and plug-in hybrids have been installed in the underground garages of the Bank's office buildings.

Anti-corruption and anti-bribery policy and results, due diligence procedures applied

MBH Bank has set out its anti-fraud and anti-corruption measures in its Group-level Anti-Corruption Policy in particular, and in other policies as necessary, in order to comply with its legal obligations. MBH Bank's management is committed to the principle of "zero tolerance" for corruption and seeks to ensure a legal and ethical climate through internal policies that encourage reporting of suspected corruption, thereby protecting MBH Bank and its stakeholders. The anti-corruption processes are designed and resourced to ensure that complete investigations are conducted at all times.

Anti - money laundering and anti terrorist financing measures:

MBH Bank developed its Group-level Compliance policy because it uses the available tools to actively participate in the prevention, combating and detection of money laundering, terrorist financing and economic crime both in Hungary and internationally. In order to effectively perform those tasks, the Bank applies the following main principles:

- The Bank consistently meets and complies with all relevant international and Hungarian embargo rules, requirements and regulations concerning the fight against money laundering and the relevant national and international legislation.
- The Bank does not finance illegal arms business, drug trafficking, child exploitation work, the slave trade, prostitution or corruption.
- The Bank does not and will not finance persons or business associations managed or controlled by persons qualifying as unreliable, having been sentenced for any related criminal act.
- The Bank duly observes the FATF recommendations and pursues its activities in compliance with them.

The anti-money laundering procedures apply to all employees of the Bank and fully comply with the FATF 40+9 recommendation, the Directive of the European Parliament and of the Commission 2015/849 and the Regulation of the European Council 2015/847. MBH Bank takes all reasonable efforts to prevent using the services offered by the Bank for money laundering or terrorist financing. MBH Bank has a

Compliance and anti-money laundering organisation, with separate areas dedicated to the prevention of money laundering and terrorist financing. The Bank fully co-operates with the official agencies in the identification of all suspicious cases, with special regard to potential money laundering and terrorist financing. The declarations required under the international regulations are available on the Bank's website.

In order to reduce the risk of money laundering and terrorist financing, the Bank must be aware of the activities of its customers, the nature of business relationships, business partners, financial habits, the Hungarian and business practice, the economic background of debits and credits in the account, the expected sales (amount, currency), hence it maintains a regular and active relationship with its customers. In accordance with the legal requirements, the Bank's staff perform the due diligence of customers. Natural persons and representatives of legal entities must also provide a declaration on the PEP status of the beneficial owner, which is then verified by the Bank's staff in public sources.

MBH Bank prepared its internal risk assessment in compliance with the provisions of Act LIII of 2017 on the prevention and combating of money laundering and terrorist financing, taking into account the Hungarian and international economic conditions and habits and the known risk factors. The Bank is also obliged to apply adequate risk classification on the basis of the nature and volume of the business relationship or a transaction order or the conditions related to the customer, product, service or the applied instrument.

MBH Bank identified its major risks in its risk assessment policy and reserves the right to refuse any customer relationship, transaction or transaction order if it is not in accordance with its risk appetite. The Bank monitors unusual activities and has identified cash transactions as a high risk, in particular in the case of extremely large or highly intensive cash turnover, thus verifying it continuously controls such turnover.

MBH Bank does not maintain a business relationship with customers who carry reputational risks, only customers who use their products for legitimate purposes and whose identity can be determined and verified without any doubt. The Bank does not provide services to natural persons or legal entities who/which are subject to any sanction or are included in any restricted list, such as the restricted list of the United Nations Security Council (UN), the EU Consolidated Financial Sanctions list (EU), the Restricted List handled by the Foreign Assets Control Office (OFAC) of the United States, which also includes the Specially Designated Nationals and Blocked Persons (SDN). In addition, the Bank also identified industries, products and countries that represent a high risk.

MBH Bank tries to prevent and detect fraud not only in its customer relations.

The Bank has detailed internal rules covering all insider and potentially insider persons, which totally comply with the detailed regulations limits and prohibitions set forth in Tpt.[10] and Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse.

In the supply contracts partners must commit to compliance with the effective laws and regulations. The Bank's Compliance and Anti-Money Laundering unit also screens counterparties before entering into new supplier contracts or those that have not been vetted for more than one year, as set out in the Bank's internal regulations. The Bank does not enter into any contract with a supplier who does not satisfy the minimum requirements stated by law or the Bank's compliance regulations.

The Bank also expresses the requirement of prudent operation in its Code of Conduct. Compliance with the legislation in force and the Bank's internal regulations is a fundamental requirement for all officers of the Bank. The MBH also expects its business or other contractual partners to comply with the Code of Conduct.

10 Act CXX of 2001 on the Capital Market

Gift and conflict of interest rules:

In order to ensure transparent operation and prevent corruption, the Bank applies strict rules on conflict of interest and gifts to business partners. The Regulation on the Conflict of Interest of Employees and Gifts sets out the rules of accepting and providing gifts for employees, and the rules on conflicts of interest for employees and executive officers, and the conditions under which executive officers may be appointed on the basis of conflicts of interest, restrictions on the exercise of influence, participation in decision-making or the acquisition of a controlling interest in an entity by persons holding a position as an executive officer, and the rules on authorisation.

Regulations related to the respective policy and applied due diligence procedures:

- Group-level code of conduct
- MBH Bank Group-level Compliance Policy
- Group-level regulation on the conflict of interest and gift rules
- Regulation on the prevention and combating of money laundering and terrorist financing
- Group-level regulation on the whistleblowing system
- Group-level Anti-corruption Policy
  Group-level Regulation on the Management of Inside Information, on the Prohibition of Insider Trading, the Unauthorised Disclosure of Inside Information and Market Manipulation, and on Keeping a Restricted List, as well as Insider Records

A SUMMARY OF THE MAIN RESULTS OF POLICIES ON SOCIAL AND EMPLOYMENT ISSUES, RESPECT FOR HUMAN RIGHTS, ENVIRONMENTAL PROTECTION AND THE FIGHT AGAINST CORRUPTION

In 2023, the MBH continued its broad community engagement by supporting a number of health promotion, education and equal opportunities programmes.

It is important to note that, due to the pandemic, 100% home office working in jobs that do not require presence was implemented in 2022, and flexible working is still prevalent.

The health promotion programmes launched by the MBH have been an unbroken success for many years now.

In 2023, MBH Bank continued to apply its anti-corruption, anti-money laundering policies and its dedicated anti-corruption policy managed by the compliance area consistently and effectively in practice.

SIGNIFICANT RISKS RELATED TO BUSINESS RELATIONS, PRODUCTS AND SERVICES, SOCIAL AND EMPLOYMENT ISSUES, RESPECT FOR HUMAN RIGHTS, ENVIRONMENTAL PROTECTION AND THE FIGHT AGAINST CORRUPTION, AND HOW TO ADDRESS THEM

MBH Bank has identified its most significant risks in its risk policy. The nature of the Bank's operations exposes it to operational risk. Operational risk is the risk of loss resulting from human error, system failures, inadequate or faulty internal processes, possible fraud or abuse by Bank employees, customers or third parties, or external events, which includes legal risk, conduct risk, modelling risk, information and communication technology risk and reputational risk. The Bank's core strategic objective is to minimise operational risk, and to this end it applies risk mitigating controls in its core business processes.

The Bank also expresses the requirement of prudent operation in its Code of Conduct. Compliance with the effective law and the internal regulations of the Bank is a basic requirement for each employee and all partners with a business or other contract with the Bank are also expected to comply with the Code of Conduct. MBH Bank does not maintain a business relationship with customers who carry reputational risks, only customers who use their products for legitimate purposes. MBH Bank completed a risk assessment in employment and identified the risks relevant in terms of its operation which are also taken into account in its HR activities.

KEY NON-FINANCIAL PERFORMANCE INDICATORS

- Breakdown of employees by job, age and gender (see the chapter Policy and results on employment issues, screening procedures applied)
- Energy consumption: (included in the Environmental Policy and its results, applied due diligence processes chapter)

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Dr. Zsolt Barna	Péter Krizsanovich
Chairman and CEO	Deputy CEO for Strategy and Finance