



Takarék Mortgage Bank Plc.

Half-year financial report for the first half of 2020

Budapest, 17 August, 2020

I. SUMMARY FIGURES AND TREND OF KEY PERFORMANCE INDICATORS

in HUF million	30/06/2019	31/12/2019	30/06/2020	30/06/2020/ 30/06/2019	30/06/2020/ 31/12/2019
Main balance sheet items					
Total assets	329,084	342,897	435,129	32.2%	26.9%
Refinanced loans	190,348	216,983	230,957	21.3%	6.4%
Loans (gross)	70,129	58,818	54,550	-22.2%	-7.3%
Mortgage bonds	211,767	272,481	266,260	25.7%	-2.3%
Interbank funds	17,787	3,710	101,383	-	-
Shareholders' equity	63,863	65,043	65,109	2.0%	0.1%

in HUF million	H1 2019	H2 2019	H1 2020	H1 2020 / H1 2019	H1 2020 / H2 2019
Main P/L items					
Net interest income	1 165	1,398	1,309	12.4%	-6.4%
Net interest margin	0.71%	0.83%	0.67%	0.0%-pt	-0.2%-pt
Net fee and commissions income	64	91	85	32.8%	-6.6%
Operating income net	2,605	2,899	1,128	-56.7%	-61.1%
Provision for impairment on loans losses	317	63	-106	-	-
Operating cost	-1,751	-1,586	-1,409	-19.5%	-11.2%
Cost to income ratio	67.2%	58.7%	53.2%	-14.0%-pt	-5.4%-pt
Cost/income ratio w/o special banking tax	63.6%	59.3%	50.9%	-12.7%-pt	-8.4%-pt
Profit for the period	1,091	1,049	1,128	3.4%	7.5%
Profit after tax w/o special banking tax	1,184	1,030	1,190	0.5%	15.5%
EPS	10.08 HUF	9.69 HUF	10.42 HUF	3.4%	7.5%
Return on Average Assets (ROAA)	0.66%	0.62%	0.58%	-0.1%-pt	0.0%-pt
Return on Average Equity (ROAE)	3.49%	3.23%	3.48%	0.0%-pt	0.2%-pt
ROAA w/o special banking tax	0.72%	0.61%	0.61%	-0.1%-pt	0.0%-pt
ROAE w/o special banking tax	3.79%	3.17%	3.67%	-0.1%-pt	0.5%-pt

II. REPORT ON THE FIRST HALF-YEAR RESULTS OF TAKARÉK MORTGAGE BANK IN 2020

The report of TakaréK Mortgage Bank Co Plc. (hereinafter: Bank, Mortgage Bank, TakaréK Mortgage Bank, Company, Issuer) for the first half-year of 2020 is based on the data of the separate balance sheet and profit and loss account prepared according to the International Financial Reporting Standards (IFRS). The Bank performed the analysis of its operation based on the separated, audited figures as of 31 December 2019, non-audited figures as of June 30 2019, June 30 2020.

Takarék Mortgage Bank, according to the Act LIX of 2006, the amount specified as a special tax on financial institutions for the year 2020 – as required by IFRS – fully accounted in the first half of the year, as the amount determined by this law is not disputed and must be paid by the Bank till the end of 2020.

In the second half of 2019 the shares of TakaréK Commercial Bank Ltd – upon approval of General Assembly held on August 27 2019 – were sold to MTB Bank of Hungarian Savings Cooperatives Ltd (hereinafter: MTB) by TakaréK Mortgage Bank, therefore the consolidated financial statements were not prepared by the Company in 2020. Separate balance sheet and income statement data were also presented as comparative data in both the first half of 2019 and the second half of 2019.

1. Summary of the achievements of the past period

In line with the integration strategy **Takarék Mortgage Bank** has cleaned up its activities in previous years, thus **the separate profit after tax was HUF 1,128 million in the first half of 2020**. This significant positive profit exceeded the separate profit for the first half of 2019 by 3.4%, and the second half of 2019 by 7.5%.

Loan activities

By the end of the first half of 2020, the **refinanced loan stock has increased from the end of year 2019 from the amount of HUF 217 billion to HUF 231 billion**. The number of refinanced loans were 21,711 at the end of June 2020.

The total refinanced loan stock is distributed among 10 banks also in 2020.

The **gross amount of customer loans** was HUF 54.6 billion on the 30 June 2020, which – considering that, in line with the strategic goals, the Bank no longer disbursed direct customer loans and the existing portfolio is continuously depreciated - is less by 7.3% compared to the end of the previous year (HUF 58.8 billion) and decreased 22.2% year-on-year. The number of customer loan transactions were 18,300 at the end of June 2020.

In the first half of 2020 the volume of non performing portfolio (stage 3) increased by HUF 0.4 billion. However, compared to last year the rate of non performing loan portfolio decreased to 1.05%, because of selling a part of this portfolio. The impairment coverage of non performing portfolio has not changed significantly in the first half of 2020 compared to the end of 2019.

Developments in the structure of the Bank's liabilities

According to the balance sheet, on 30 June 2020 the issued mortgage bond portfolio amounted to HUF 266.3 billion, which is 25.7% higher than one year ago and temporarily decreased by 2.3% on semi-annual basis due to a large volume of HUF 25.6 billion mortgage bonds maturing.

On annual basis, the funds raised from the interbank market and the central bank increased by HUF 83.6 billion to HUF 101.4 billion.

The total amount of assets of the TakaréK Mortgage Bank according to IFRS was HUF 435.1 billion on the 30 June 2020, which is 26.9% higher (by HUF 92.2 billion) than it was six month ago, and 32.2% higher (by HUF 106 billion) than it was at the end of June 2019.

Issued mortgage bonds

Pursuant to the resolution of the Monetary Council, the Hungarian Central Bank (hereinafter: MNB, NBH) announced its second covered bond purchasing program on the April 28, 2020, in which Takarek Mortgage Bank officially indicated its intention to participate. Bank's first issuance under the NBH's purchasing program took place in the end of May, the second one in the end of June. Bank was the first among the domestic mortgage banks, followed by a competitor in June. The other domestic mortgage banks were not yet active during the H1 2020 period.

The Bank has an intention to maintain and improve the efficiency of investor relations, therefore it organized regularly telephone conferences even during the pandemic period and informed directly several major potential investors, fund managers, and insurance companies about the details of NBH's covered bond purchasing program.

Bank's covered bonds are rated by the S&P Global Ratings (Madrid) since March 28, 2019. S&P announced on May 12, 2020 that it affirmed the „BBB” foreign and local currency ratings to TakaréK Mortgage Bank Co. Plc's mortgage covered bond program and all outstanding covered bond issuances, while the outlook on the covered bond rating was revised to stable from positive. The rating action follows the April 28, 2020 revision of Hungary's long term sovereign rating outlook to stable from positive due to COVID-19 related risks.

Main P&L items

Net interest income was HUF 1,309 million in the first six months of 2020, 12.4% higher than a year before. The net interest margin to average total assets (NIM) was 0.67% in the first half of 2020 which was almost the same figure as in the same period of the previous year (annual rate).

The net fee and commission income was HUF 85 million result in the first half of 2020, which is 32.8% (by HUF 21 million) higher than a year ago.

Operating costs amounted to HUF 1,409 million in the first half of 2020, compared to HUF 1,751 million in the same period of 2019. **The cost incurred were thus 19.5%** lower compared to the same period of previous year, which is due to the implementation of the strategy plan by taking better advantage of synergies.

The volume of risk costs (impairment and credit losses) amounted to HUF 106 million negative result in the first half of 2020. In the second half of 2019, however, there was a significant decrease in impairment. The reversal of the 2019 impairment is the result of selling apart of the non-performing (NPL) loan portfolio, in addition to the normal loan repayment and some deals managed to leave the impaired category by maturing ordinary way the release of the impairment. As a result of all this, the volume of impairments decreased to HUF 1.1 billion in the first half of 2020 compared to the compared to the same period of 2019.

As a significant item special banking tax decreased the profit by HUF 62 million (of which special tax for epidemic control HUF 50 million) **in the first six months of 2020. The profit after tax amounted to HUF 1,190 million** in the first half of 2020 excluding the special banking tax.

Capital position

The Hungarian Central Bank – in accordance with the request from the Central Organization of Integrated Credit Institutions (IHKSZ), the MTB Bank of Hungarian Savings Cooperatives Ltd., TakaréK Mortgage Bank and

Takarék Commercial Bank – issued resolution H-EN-I-36./2017 granting exemption for the Group from the individual and subconsolidated compliance obligations.

The total own funds of the Integration of Credit Institutions amounted over HUF 260 billion at the end of June 2020, while its capital adequacy ratio was 17.48%.

Performance of Takarék Mortgage Bank's shares first six months of 2020

In terms of capitalisation, Takarék Mortgage Bank was ranked 11th in the "Premium" category listed companies on June 30, 2020, moving one place back compared to the end of March 2020 and two places back compared to the end of 2019. Bank shares' capitalization reached HUF 31.9 billion at the end of June 2020, increased from HUF 26.4 billion of the previous quarter and decreased slightly from HUF 36.2 of the end of 2019. The Takarék Mortgage Bank shares' capitalization accounted for 0.47% of the total capitalization of Premium Shares of BSE on 30 June 2020, compared to 0.42% in the previous quarter and to 0.4% as of 31 December 2019.

The price of Takarék Mortgage Bank's shares closed at HUF 484 on June 30, 2020 compared to the closing price of HUF 400 as of March 31, 2020 and HUF 549 on December 31, 2019. In the first six months, Takarék Mortgage Bank's share price fluctuated between HUF 266 and 532 versus the range of HUF 516-602 in the last quarter 2019.

The market turnover of Takarék Mortgage Bank's shares increased to HUF 297.9 million in the second quarter of 2020, compared to HUF 247.7 million of the first quarter of 2020, and HUF 239,8 million of last quarter of 2019. Average daily turnover was HUF 4.5 million compared to HUF 4.0 million in the first quarter, however it fluctuated excessively driven by the news published in connection with the enlargement of the Integration and the daily turnover reached even the HUF 28-36 million in May.

Takarék Index

The Takarék House Price Index, which measures the development of Hungarian residential real estate prices, made its debut in September 2009. The index - for the first time used on the Hungarian market - is based on the purchase-and sell transaction data of residential real estate for the whole country. The source of the data is the own observations collected during the operation of Takarék Mortgage Bank Plc. and other members of the Takarék Group, as well as the database purchased from the National Tax and Customs Administration. Takarék Index was created using the hedonic method best suited to display fundamental processes. The method filters out short-term fluctuations due to changes in composition and handles well the market characteristic that not all properties change hands every quarter.

Takarék Mortgage Bank operates an independent website for Takarék Index: www.takarekindex.hu The Mortgage Bank's R&D project - also for the first time in Hungary - aims to develop an automatic valuation methodology (AVM) that helps the Bank to revalue properties cost-effectively and quickly.

2. Strategy, strategic goal and outlook of the Group

Takarék Mortgage Bank's strategy is an inseparable part of Takarék Group's integrated strategy, and hence Takarék Mortgage Bank's long-term goals and pursuits should be evaluated in this context.

At the end of 2019 Takarék Group finalized the implementation of the group structure, which provides unified operation and unified appearance. In the first half of 2020 the technical unification process (involving account management as well as process management systems) was also finalized, paving the way for providing more streamlined financial services providing better customer experience. The business management functions of the Integration is solely provided by MTB Bank of Hungarian Savings Cooperatives Ltd.; it controls the Integration's satellite ventures including fund management, leasing and factoring services as well as central debt collection.

Furthermore, the Group's division responsible for money - and capital market operations and the division, which handles securities accounts also belongs to MTB. Takarékbank, the universal commercial bank of the Integration, which took its final form in November, 2019, offers its investment services as an agent of MTB.

In the context of the rolling revision of Takaré Group's strategy in 2020 the priorities of the Group remain the deepening of synergies between the entities of the Integration, continued improvements in the cooperation between members and in the Group's competitiveness in general. At the end of the first half of 2020 Takaré Group together with MKB Bank and Budapest Bank created an equally owned company, Magyar Bankholding Ltd., which is a platform to examine how and in what form the cooperation of the three banking groups can be strengthened in the future. (In the field of refinancing, Takaré Mortgage Bank has previously started cooperation with MKB Bank and Budapest Bank.)

Strategy of Takaré Mortgage Bank

The original main activity of Takaré Mortgage Bank was the financing of the development and the purchase of residential real estate and the extension of housing loans subsidised by the state. From 2018 the Bank operates as a pure mortgage bank; its principal activities are the refinancing of mortgage backed loans of partner banks either within or outside the Integration and the issuance of mortgage bonds. The Bank is the second largest mortgage bank in the domestic market.

In line with the pure mortgage bank concept the Bank focuses principally on mortgage bond issuance and refinancing activity (although it continues to keep the earlier accumulated stock of client credits – mostly household mortgage-backed loans – in its books until expiry). As the second largest issuer of mortgage bonds in the Hungarian market, the Bank bases its refinancing activity on contractual arrangements with several large and medium-sized members of the Hungarian banking sector outside the Integration. According to its business policy, the Bank pursues to manage significant volumes in the market segments where it is active alongside competitive pricing. Following the gradual correction on the real estate markets in the wake of the coronavirus pandemic in the first half of the year, the Bank makes efforts to strengthen its market position by making use of the current market circumstances (buying back its formerly issued, unfavourably priced mortgage bond series, issuing more favourably priced mortgage bond series even through the central bank's mortgage bond purchasing scheme).

The Bank's strategic objective is to optimize both its operations and the range of products and services it offers. More specifically: the Bank is going to improve the simplicity and transparency of its refinancing credit lines, to develop its existing and introduce new auxiliary services (real estate sales technologies, IT solutions), to reduce the costs of financing through mortgage bonds issuance and to achieve fully automated, fast and secure operation.

Developments of the market environment

In the first half of 2020 the Hungarian economy contracted by 4% on a year-on-year basis according to our estimation, since the quarterly setback due to the economic impacts of the protective measures against the coronavirus pandemic may have reached 10% in the second quarter of the year. Although on part of both fiscal and monetary policy rapid and forceful measures took place to preserve jobs and stimulate investments, in several sectors double-digit contraction was unavoidable, while in some specific services sectors there was almost complete shutdown. Sectors, representing the lion's share of Hungarian export (e.g. the automotive industry or tourism) have been especially hit hard by the economic impacts of the pandemic, and thus for the first time in a more than decade-long period there was a month in the second quarter of 2020, when the trade balance showed deficit. Besides the external one, the internal balance also deteriorated. The state household

tried to counterbalance the impact of economic recession by boosting budget expenditures, which resulted in a HUF 1837 billion central budget deficit in the first half of 2020, almost five times higher than the HUF 390 billion deficit in the first half of 2019. It also exceeded the originally planned (well before the pandemic unfolded) deficit multiple times.

With respect to credit developments: the volume of new household loan disbursements increased by 20% in the first six months of 2020 compared to the same period last year, but this is mostly attributed to the still high popularity of the Prenatal Baby Support loans (these were not yet available in the first half of 2019), whereas the volume of new contracts in mortgage-backed loans was 2%, while that of personal credit 30% lower than a year before. Since around 50-60% of household debtors made use of the moratorium on debt repayment, stocks of outstanding debt still remained on an upward trend. The same can be told about corporate credit: while the volume of new credit contracts was more than 5% lower compared to the first half of 2019, the stock of credit (even filtering foreign exchange impacts out) showed continued, steady growth, as 40-50% of corporate clients joined the debt moratorium.

Real estate activity, which is a determining factor in the mortgage-backed loan segment, quite substantially moderated for understandable reasons: partly from technical ones (restrictions on outdoor activities), partly from growing uncertainties about future developments. In the segment of commercial, industrial real estate and offices the volume of transactions markedly decreased, and with "home office" becoming more widely adopted and online purchases craving out significantly higher share, there is a relatively high probability that demand for real estate can be permanently lower in this segment. In the mortgage bond segment several mortgage banks made large volume issuances in the first half of 2020, while the central bank reinstated its mortgage bond purchase programme to ease financing conditions in the wake of the pandemic.

To moderate the economic and financial consequences of the turbulences brought about by the coronavirus pandemic, the Hungarian Central Bank decided to reshuffle its monetary policy toolset.

Similarly to the ECB's steps, the MNB introduced a new, fixed-rate collateralized credit tool - Long Term Refinancing Operations (LTRO) - on 3-, 6- and 12-month as well as 3- and 5-year tenors, which are available through tenders with no pre-specified limits as to the amount of liquidity. The first tender took place on March 25th. The fixed rate (valid through the entire maturity of the loan) is identical to the prevailing base rate (it was 0.9% at its launch, reduced to 0.75% on June 24th), resulting in a 50 to 60bp lower financing cost than in the case of interbank financing.

By the end of June the Hungarian banking sector obtained HUF 1319 billion liquidity through these long-term refinancing operations (3- and 5-year maturities). The Bank actively participated at these tenders, and up to the end of the second quarter it obtained HUF 109 billion long-term (3- and 5-year) loans, which it used to purchase securities with favourable yield characteristics.

3. Main activities and subsidiaries' performance

Own lending

The gross customer loans of the Bank amounted to HUF 54.6 billion as of 30 June 2020, which – in line with the strategic goals, the Bank no longer disbursed direct customer loans - decreased by 7.3% compared to the to the previous half year's figure (HUF 58.8 billion), while year-on-year it decreased by 22.2 %.

As of 30 June 2020 the majority part of the customer loans portfolio (76%) are the Housing loan with residential real estate collateral, while the share of general purpose mortgage loans is 21.8%.

in HUF million	30/06/2019	31/12/2019	30/06/2020	30/06/2020/ 31/12/2019	30/06/2020/ 30/06/2019
General purpose mortgage loans	12,796	12,192	11,868	-2.7%	-7.3%
Housing loans with residential real estate collateral	49,508	45,402	41,491	-8.6%	-16.2%
Loans to employees	835	761	716	-5.9%	-14.3%
Corporate loans	6,990	463	475	2.6%	-93.2%
Refinanced mortgage loans	190,348	216,983	230,957	6.4%	21.3%
Total loans, gross	260,477	275,801	285,507	3.5%	9.6%
Impairment	-2,534	-984	-1,089	10.7%	-57.0%
Total loans, net	257,943	274,817	284,418	3.5%	10.3%

Refinancing

By the end of the first half of 2020, the refinanced loan stock has increased from the end of year 2019 from the amount of HUF 217 billion to HUF 231 billion. The number of refinanced credit transactions were 21,711 on June 30 2020. The total refinanced loan stock is distributed among 10 banks also in 2020.

Regarding to the introduction of the mortgage funding adequacy ratio on 1 April 2017 (NBH Regulations 20/2015 and 6/2016), initially commercial banks had to comply with the minimum level of 15%, which first rose to 20% from 1 October 2018 and then to 25% from 1 October 2019. The continuous increase in the JMM contributed significantly to the increase in the refinanced stock amount.

Organisational changes and headcount

As a result of the rationalization according to the strategic plan, no organizational changes took place in the Bank in the first half of 2020, so the total number of full-time employees remained unchanged during the period

Headcounts of the Bank members were as follows:

	30/06/2019	31/12/2019	30/06/2020	30/06/2020/ 30/06/2019	30/06/2020/ 31/12/2019
Takarék Mortgage Bank Plc.	14.8	14.9	14.7	-0.7%	-1.3%

Changes in key position

Meeting of the Board of Directors of TakaréK Mortgage Bank Plc. held on 24 April 2020 under the authority of the General Meeting elected Deloitte Auditing and Consulting Ltd. the auditor of TakaréK Mortgage Bank in 2020 as well. The registered auditor in charge is Gábor Molnár, deputy auditor Zoltán Mádi-Szabó.

Post-balance sheet date events

On the value date of 15 July 2020, the Mortgage Bank repurchased 800,000 of its publicly denominated HUF mortgage bonds from the TJ24NV01 series on the secondary market in the amount of HUF 8,000 million before maturity.

On 28 July 2020, during the auction result of the first tranche of the Mortgage Bank's TJ30NF01 mortgage bond, the announced amount was HUF 21,000 million at face value, the nominal value of all submitted bids was HUF 24,320 million, the total volume was HUF 21,000 million, the average selling price (net) was 108.8388%.

III. ANALYSIS OF TAKARÉK MORTGAGE BANK PLC.'S SEPARATED FINANCIAL STATEMENTS ACCORDING TO IFRS

1. P&L structure

in HUF million	H1 2019	H2 2019	H1 2020	H1 2020 / H1 2019	H1 2020 / H2 2019
Interest income	5,040	5,224	4,981	-1.2%	-4.7%
Interest expense	-3,875	-3,826	-3,672	-5.2%	-4.0%
Net interest income	1,165	1,398	1,309	12.4%	-6.4%
Fees and commissions income	256	335	369	44.1%	10.1%
Fees and commissions expense	-192	-244	-284	47.9%	16.4%
Net fees and commissions income	64	91	85	32.8%	-6.6%
Profit/(Loss) from foreign exchange transactions	10	-20	92	-	-
Gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-7	430	603	-	40.2%
Gains on financial assets and liabilities held for trading	773	1,546	660	-14.6%	-57.3%
Gains /(Losses) from hedge accounting	-11	-902	-800	-	-11.3%
Gains on financial assets and liabilities designated at fair value through profit or loss	199	-52	171	-14.1%	-
Net financial (trading) result	964	1,002	726	-24.7%	-27.5%
Gains on derecognition of non- financial assets, net	29	12	161	-	-
Other operating income	389	398	373	-4.1%	-6.3%
Other operating expenses	-6	-2	-4	-33.3%	100.0%
Operating income, net	2,605	2,899	2,650	1.7%	-8.6%
Provisions	9	5	-5	-	-
Impairment on financial assets not measured at fair value through profit or loss	317	63	-106	-	-
Reversal of impairment on non- financial assets	0	-121	0	-	-100.0%
General and administrative expenses	-1,751	-1,586	-1,409	-19.5%	-11.2%
Modification gains/ loss, net	0	6	-2	-	-
Profit before tax	1,180	1,266	1,128	-4.4%	-10.9%
Income tax expense	-89	-217	0	-100.0%	-100.0%
Profit for the period	1,091	1,049	1,128	3.4%	7.5%
Profit for the period w/o special banking tax	1,184	1,030	1,190	-0.5%	15.5%
Other comprehensive income for the period	587	131	-1,062	-	-
Total comprehensive income	1,678	1,180	66	-96.1 %	-94.4 %

In the first half of 2020 the profit after tax amounted HUF 1,128 million, which was 3.4% higher than in the first half of 2019 and 7.5% higher than in the second half of 2019.

During the first six months of the year, the special tax on financial institutions in amount of HUF 62 million (of which special tax for epidemic control HUF 50 million) was charged as a significant one-off item. The profit after taxation without banking tax was HUF 1,190 million.

Net interest income

Net interest income was HUF 1,3 billion in the first six months of 2020, 12.4% higher than a year before, and it showed 6.4% decrease compared to the end of 2019 (HUF 1.4 billion). The net figure of the first half of 2020 consist of the balance of HUF 5 billion interest income (1.2% lower year-on-year, and 4.7% lower compared to second half of 2019) and HUF 3.7 billion interest expense (5.2% lower year-on-year, 4% lower compared to second half of 2019).

Breakdown of interest income and expenses:

in HUF million	H1 2019	H2 2019	H1 2020	H1 2020 / H1 2019	H1 2020 / H2 2019
Interest income	5,040	5,224	4,981	-1.2%	-4.7%
Financial assets at amortized cost	3,806	4,157	4,225	11.0%	1.6%
Loans	1,693	1,686	1,496	-11.6%	-11.3%
Refinancing	1,538	2,104	2,241	45.7%	6.5%
Mortgage bond interest subsidy	572	348	275	-51.9%	-21.0%
Interbank activities	3	16	27	-	68.8%
Debt securities at amortized cost	0	3	186	-	-
Debt securities at fair value through other comprehensive income	274	273	276	0.7%	1.1%
Swap transactions	957	792	478	-50.1%	-39.6%
Other interest income	3	2	2	-33.3%	0.0%
Interest expenses	3,875	3,826	3,672	-5.2%	-4.0%
Financial liabilities at amortized cost	3,395	3,305	3,286	-3.2%	-0.6%
Bonds issued	3,385	3,291	3,142	-7.2%	-4.5%
Interbank activities	10	14	144	-	-
Derivatives	341	386	243	-28.7%	-37.0%
Financial liabilities designated at fair value through profit or loss	138	133	134	-2.9%	0.8%
Mortgage bonds	138	133	134	-2.9%	0.8%
Other interest expense	1	2	9	-	-
Net interest income	1,165	1,398	1,309	12.4%	-6.4%

The net interest margin to average total assets (NIM) was 0.67% (annual rate) in the first half of 2020 which is same than in same half period of the previous year.

Net fee and commission income

Takarék Mortgage Bank reached HUF 85 million net fee and commission result in the first half of 2020, arising from HUF 369 million in revenue and HUF 284 million in expenses. The net profit for 2020 H1 was by HUF 21 million higher than in the previous year (2019 H1: HUF 64 million).

Fee and commission income realized during the first half of 2020 was by HUF 113 million better than a year ago (first half of 2019: HUF 256 million), which is primarily due to the HUF 119 million increase in other administration fees.

The amount of fee and commission expenses was HUF 92 million higher in the period compared to the 2019 H1 (2019 H1: HUF 192 million), mainly due to the increase in fee expenses related to valuation.

Net result of financial transactions

In the first six months of 2020, the profit from financial transactions was HUF 726 million, which is lower by 24.7% than the profit in the same period of the previous year (HUF 964 million).

In the first half of 2020, the result from foreign exchange differences was HUF 92 million, that is significantly more favourable than the result of the same period of the previous year (HUF 10 million).

Gains from derecognition of financial assets and liabilities not measured at fair value through profit or loss amounted to HUF 603 million, which is significantly better than the result of the same period of the previous year (loss of 7 million) and mainly from sales of financial assets at fair value through other comprehensive income.

Gains on financial assets and liabilities held for trading, gains from hedge accounting and gains on financial assets and liabilities designated at fair value through profit or loss in aggregate, amounts to HUF 31 million in the first half of 2020, which is significantly lower than the HUF 961 million gain in the same period of the previous year.

The growth is due to the positive fair value difference recognized on the special Interest Rate Swap transactions with monetary policy purpose ("MIRS transactions"). In case of MIRS transactions the underlying transactions are fixed rate government securities and other fixed rate assets, which are measured at amortized cost or through other comprehensive income. Since the economic hedge is not 1-1 hedging relationship the accounting of hedging relationship has not been introduced, but the position can not be regarded as an open position in economic terms in the first quarter of 2019. In the second quarter of 2019, hedge accounting has been introduced, therefore changes in the fair value appears through hedge accounting.

Other operating income and expenditure

The balance of other operating income and expenses was HUF 530 million net income in the first half of 2020, which is HUF 161 million from the gains on derecognition of non-financial assets, HUF 373 million from other operating income and HUF 4 million from other operating expenses. In the first half of 2020, the amount of the HUF 148 million competition supervision fine returned by the Hungarian Competition Authority on the basis of a final judgment was accounted for in other operating profit.

Impairments on loan losses

The volume of risk costs (impairment and credit losses) amounted to HUF 106 million negative result in the first half of 2020. In the second half of 2019, however, there has been a significant release of impairment. The reversal of the 2019 impairment is the result of selling a part of the non-performing (NPL) loan portfolio, in addition to the normal loan repayment and some deals managed to leave the impaired category by maturing ordinary way the release of the impairment. As a result of all this, the volume of impairments decreased to HUF 1.1 billion in the first half of 2020 compared to the same period of 2019.

In the first half of 2020 TakaréK Mortgage Bank has not yet observed any negative tendency that would suggest a meaningful deterioration in the quality of the loan portfolio. At the same time, taking into account the risk of a macroeconomic slowdown, the Mortgage Bank has also started preparation for the potential quality weakening of the credit portfolio. The Mortgage Bank has defined impairment plans for relatively positive, realistic and also for pessimistic scenarios. As global and domestic macroeconomic developments as well as their impacts on the Bank's clients unfold, the expected impairment effects will be gradually incorporated into calculations.

Under the conditions of the moratorium, the monitoring activity itself as well as the calibration of the changed macroeconomic environment into the impairment parameters are of paramount importance in the credit provisioning. With consideration of the credit moratorium special attention will be devoted to the modification of the monitoring process. Based on these, the Mortgage Bank identifies customers who are individually or at portfolio level, more exposed to increasing economic risks due to the coronavirus epidemic. Also creation of appropriate credit risk reserves will be ensured for customer portfolios that are not expected to be able to meet their payment obligations and forced restructuring will be initiated as a result.

In the second quarter of 2020, in parallel with the development of economic circumstances, the Mortgage Bank revised and, if necessary would review in second half of 2020 again, the values of the expected default (PD) and loss (LGD) parameters used in the IFRS 9 models.

Operating costs

Operating costs amounted to HUF 1,409 million in the first half of 2020, compared to HUF 1,751 million in the same period of 2019. The cost incurred were thus 19.5% lower compared to the same period of previous year, which is due to the implementation of the strategy plan by taking better advantage of synergies.

Personnel costs decreased by 32.4% from 142 million to 96 million compared to the same period in 2019, which was enabled by the rationalisation under to the strategic plan.

Due to the increased efficiency the other administrative costs decreased by 16,4%, to HUF 1,284 million.

Depreciation in the first half of 2020 was lower by HUF 45 million compared to the same period of 2019.

Income Tax

As a consequence of forint conversion that took place in 2015, the Bank applies a corporate tax credit, in connection with the Bank's income tax expense for the first half of 2020 amounts to zero forints.

Other comprehensive income

The significant decrease in other comprehensive income can be attributed on the one hand to a significant February sale of government securities, the gain on which was realized in profit or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, and on the other hand, the decrease in the fair value of the government securities portfolio in March, which could not be fully offset in the second quarter of the year.

2. Statement of Financial Position

in HUF million	30/06/2019	31/12/2019	30/06/2020	30/06/2020/ 30/06/2019	30/06/2020/ 31/12/2019
Cash, cash balances at central banks and other demand deposits	2,016	1,070	1,210	-40.0%	13.1%
Financial assets held for trading	417	175	197	-52.8%	12.6%
Financial assets at fair value through other comprehensive income	31,408	43,734	26,775	-14.8%	-38.8%
Financial assets at amortised cost	258,285	294,526	404,874	56.8%	37.5%
<i>from: Customer loans (gross)</i>	70,129	58,818	54,550	-22.2%	-7.3%
<i>from: Refinanced mortgage loans (gross)</i>	190,348	216,983	230,957	21.3%	6.4%
<i>from: Debt securities</i>	0	999	104,946	-	-
<i>from: Deposits from MNB and other banks</i>	0	17,411	14,999	-	-13.9%
Deratives- Hedge accounting	3,697	2,676	1,526	-58.7%	-43.0%
Investment in subsidiaries, joint ventures and associates	31,978	0	0	-100.0%	-
Tangible assets	183	157	152	-16.9%	-3.2%
Intangible assets	365	241	229	-37.3%	-5.0%
Tax assets	129	0	0	-100.0%	-
Other assets	606	318	166	-72.6%	-47.8%
Total Assets	329,084	342,897	435,129	32.2%	26.9%
Financial liabilities held for trading	412	136	182	-55.8%	33.8%
Financial liabilities designated at fair value through profit or loss	6,234	6,552	6,322	1.4%	-3.5%
Financial liabilities measured at amortised cost	257,338	269,895	362,233	40.8%	34.2%
Deratives- Hedge accounting	379	288	412	8.7%	43.1%
Provisions	564	509	142	-74.8%	-72.1%
Tax liabilities	14	93	93	-	0.0%
Other liabilities	280	381	554	98.2%	45.7%
Total liabilities	265,221	277,854	370,020	39.5%	33.2%
Share capital	10,849	10,849	10,849	0.0%	0.0%
Share premium	27,926	27,926	27,926	0.0%	0.0%
Accumulated other comprehensive income	861	992	-70	-	-107.1%
Retained earnings	22,631	22,416	24,556	8.5%	9.5%
Other reserves	712	927	927	30.2%	0.0%
Treasury shares (-)	-207	-207	-207	0.0%	0.0%
Profit for the year	1,091	2,140	1,128	3.4%	-47.3%
Total equity	63,863	65,043	65,109	2.0%	0.1%
Total equity and total liabilities	329,084	342,897	435,129	32.2%	26.9%

As of 30 June 2020, the Bank's IFRS based total assets amounted to HUF 435.1 billion, which is 26.9% (HUF 92.2 billion) higher than at the end of previous year; and 32.2% higher than the same period of previous year.

The largest increase occurred in the stock of financial assets at amortized cost, the gross value of which on 30 June 2020 increased by 37.5% to HUF 404.9 billion compared to the end of 2019 and was 56.8% higher than in

the previous year. The growth of the refinancing business played a significant role in the growth of the portfolio, the portfolio of which increased by 6.4% compared to the end of the year on 30 June 2020 and by 21.3% compared to the previous half-year.

The volume of financial securities at fair value through other comprehensive income decreased by HUF 17 billion, or 38.8%, compared to the end of 2019, and a similar decrease was observed in the value of financial assets held for trading and hedge derivatives, which increased by HUF 1.1 billion compared to the end of previous year.

Liabilities increased by 33.2% compared to the end of previous year and by 39.5 % compared to the same period of previous year.

The largest increase occurred in financial liabilities measured at amortized cost. As of 30 June 2020, the financial liabilities measured at amortised cost amounted to 362.3 billion, which is 34.2 % higher than at the end of previous year; and 40.8% higher than the same period of previous year. The use of long-term central bank loans and mortgage bonds to expand activity played a significant role in the growth of the portfolio.

Shareholder's equity increased from HUF 65 billion as of 31 December 2019 to HUF 65.1 billion as of 30 June 2020, while it increased by HUF 1.2 billion year-on-year.

Interest earning assets

The Bank's interest earning assets increased from HUF 340.9 billion as of 31 December 2019 to HUF 434.1 billion as of 30 June 2020. Interest earning assets contributed 99.8% to the total assets.

The stock of central bank and other interbank placements decreased from HUF 17.4 billion at the end of December 2019 to HUF 15 billion by 30 June 2020, while in the same period of the previous year the stock of interbank placements amounts to zero forints. The proportion of this item in interest earning assets decreased from 5.1% at the end of 2019 to 3.5% by the end of first half of 2020.

The value of Bank's financial assets at fair value through other comprehensive income decreased from HUF 43.7 billion as of 31 December 2019 to HUF 26.8 billion by 30 June 2020. The value of securities was HUF 31.4 billion in the same period of 2019 compared to it the stock declined by 14.8%. At the end of H1 2020, securities at fair value through other comprehensive income contributed 6.2% to interest earning assets.

The Bank's portfolio of debt securities measured at amortized cost increased from HUF 1 billion on 31 December 2019 to HUF 104.9 billion on 30 June 2020. In the same period of 2019, this value was zero forints. At the end of H1 2020, securities at amortized cost contributed 24.1% to interest earning assets.

Loans

As of 30 June 2020, net volume of customer and refinanced mortgage loans was 10.3% higher year-on-year, and increased by 3.5% on half year basis. In the first half of 2020 the impairment for loan losses amounted to HUF 1.1 billion, which is 10.7% higher than on 31 December 2019 and 57% lower compared to 30 June 2019 in connection with the drop of volume of non-performing loans.

Refinancing loans increased by 6.4% to HUF 231 billion in the last half year, while there was a 21.3% growth related to this item over the last year. As of 30 June 2020, contribution of refinanced loans and gross own lending was 65.5% of interest earning assets; this rate was 75.7% a year before.

Portfolio quality

In the first half of 2020 the volume of non performing portfolio (stage 3) increased by HUF 0.4 billion. However, compared to last year the rate of non performing loan portfolio decreased to 1,05%, because of selling a part of this portfolio. The impairment coverage of non performing portfolio has not changed significantly in the first half of 2020.

Other assets

Tangible assets amounted to HUF 152 million as of 30 June 2020 and decreased by 3.2 % from the end of year 2019. Intangible assets amounted to HUF 229 million and decreased by 5 % from compared to the end of the year.

Other assets amounted to HUF 166 million as of 30 June 2020, and its volume decreased by 47.8% (HUF 152 million) compared to the end of the year due to accruals.

Interest-bearing liabilities

The volume of interest-bearing liabilities increased from HUF 276 billion from December 31, 2019 to HUF 368.3 billion on 30 June 2020, which means a 84.6% proportion rate on the total liabilities. A year earlier, the overwhelming majority of the interest-bearing liabilities held 92.9% of the share of issuing securities, and by the end of the first half of 2020, the ratio has decreased to 72.3%.

Over the past year the share of interbank funds in interest-bearing liabilities has increased from 6.8 % to 27.5 % on 30 June 2020, meanwhile this proportion was only 1.3 % at the end of year 2019.

Issuances

In the second quarter of 2020 Bank organized issuances only in May and in July, waiting for the introduction of MNB's covered bond purchasing program. The declared goal of MNB's program was to breathe life into the dried domestic covered bond market. Based on the announced conditions MNB buys the half of the total volumes offered at auctions, therefore Mortgage Bank came to the market and offered different series at auctions in May and June. First, in May, Mortgage Bank offered the second tap of TJ25NF01 fix, 1.5% coupon series with a maturity of November 26 2025. The total volume offered was HUF 10 billion, the nominal value of valid bids was HUF 15.5 billion, the issued volume was HUF 10.22 billion, at 1.55% yield, 8 basis points over the government bond benchmark.

In June the Bank offered the fifth tap of its longest maturity series: FJ28NF01. The total volume offered was HUF 9 billion, the total nominal value of valid bids reached the HUF 16.7 billion, and the total issued volume was HUF 8.9 billion, at a yield of 1.78% 17 basis point under the government bond benchmark.

As a result of the above, Mortgage Bank raised HUF 19 billion funds in the second quarter of 2020, and close to 34.4 billion in first half of 2020, exclusively in the form of covered bond issuances.

Maturities - buybacks

A total of five covered bond series matured in the second quarter of 2020, in a total nominal volume of HUF 28.29 billion, of which the FJ20NF01 series alone amounted to HUF 25.6 billion.

In the second quarter Mortgage Bank was very active in repurchasing as well. In May the Bank partially or totally bought back four series in two occasions.

The first one, a bilateral transaction, where Mortgage Bank partially bought back from the series of FJ22ZF01 EUR 1.1 million, while from FJ24NF01 series the total nominal volume of the repurchase reached the HUF 2.3 billion. Also in May, the Bank organized a buy back auction through the auctioning system of the Budapest Stock

Exchange. The transaction proved to be very successful, as investors sold back the total outstanding volume of the series FJ21NV01, also Mortgage Bank bought back HUF 850 million from the series of FJ22NV01. As a result, the total volume of the partially/totally buyback of covered bonds reached HUF 5.8 billion and EUR 1.1 million in Q2 2020.

The table below shows the transactions related to raising of capital market funds in the first half of 2020

Series	Date of issuance	Denom	Volume offered MioHUF/EUR	Volume of bids MioHUF/EUR	Issued volume MioHUF/EUR	Coupon %	Ave yield %	ÁKK(Bubor Benchmark spread (bp))	Birs Benchmark spread (bp)	Issuance method
Q1										
TJ25NF01 sr1	2020.01.10	HUF	2,000	1,160	999.99	1.50	1.68	Ákk +76	5y Birs +75	auction
TJ25NV01 sr1	2020.01.10	HUF	7,000	5,560	5,000.00	0.86		ákk+70	lrs + 75	auction
TJ25NV01 sr2	2020.02.24	HUF	8,000	14,200	9,200	1.3		Ákk+69	lrs + 86	auction
Total covered bonds			17,000	20,920	15,199.99					
Q1 total			17,000	20,920	15,199.99					
Q2										
TJ25NF01sr2	2020.05.29	HUF	10,000	15,540	10,220.00	1.50	1.55	Ákk + 8	lrs + 44	auction
FJ28NF01	2020.06.24	HUF	9,000	16,735	8,960.00	2.60	1.78	Ákk - 17bp	lrs + 48	auction
Total covered bonds			19,000	32,275	19,180.00					
Total Q2			19,000	32,275	19,180.00					
Total H1			36,000	53,195	34,379.99					

Mortgage bonds

The book value of mortgage bonds of HUF 266.3 billion on 30 June 2020 decreased by 2.3%, or HUF 6.2 billion, compared to the value at the end of 2019 (HUF 272.5 billion), but year-on-year increased by more than HUF 54.5 billion since the first half of 2019.

in million HUF	30/06/2019		31/12/2018		30/06/2019	
	Book value	Nominal value	Book value	Nominal value	Book value	Nominal value
Mortgage bonds designated at fair value through profit or loss						
Non-listed mortgage bonds						
Fixed	6,234	5,646	6,552	5,768	6,322	5,830
Financial liabilities measured at amortised cost						
Non-listed mortgage bonds						
Fixed	3,900	3,824	3,972	3,824	0	0
Listed mortgage bonds						
Fixed	187,893	183,612	218,819	214,137	211,451	208,064
Floating	13,740	13,659	43,138	43,017	48,487	48,406
Mortgage bonds Total	211,767	206,741	272,481	266,746	266,260	262,300

Mortgage bonds collateral

The net value of ordinary collateral of mortgage bonds issued by TakaréK Mortgage Bank amounted to HUF 319.8 billion as of 30 June 2020 (HUF 260.9 billion of capital and HUF 58.9 billion of interests), 3.4% (HUF 10.5) more than the HUF 309.3 billion as of 31 December 2019 and 10.8% (HUF 31.2 billion) above the figure of 30 June 2019.

in HUF million	30/06/2019	31/12/2019	30/06/2020
Outstanding mortgage bonds			
Face value	220,805	266,746	262,300
Interest	29,169	30,956	29,236
Total	249,974	297,702	291,536
Value of the regular collateral			
Principal	236,480	252,187	260,914
Interest	52,134	57,136	58,849
Total	288,614	309,323	319,763
Value of assets involved as supplementary collateral			
Government and Hungarian Development Bank bonds, Covered bonds (principal and interest)	27,435	45,552	26,804
Total	27,435	45,552	26,804

As of 30 June 2020, the net present value of ordinary collateral was HUF 303.1 billion and the present value of mortgage bonds were HUF 282.2 billion. The present value of collateral exceeded that of outstanding CMBs not yet repaid with a ratio of 107.42%.

The ratio of the net amount of net ordinary and supplementary collateral principal to unpaid nominal value of outstanding mortgage bonds was 108.28%, the net amount of net ordinary and supplementary collateral interest to the unpaid interest on outstanding mortgage bonds was 213.96 % on June 30, 2020. The collateral value of real estate covering ordinary collateral was HUF 845.3 billion on 30 June 2020, compared to the amount of 31 December 2019 (HUF 823.3 billion) it didn't grow significantly. The loan coverage ratio (LTV) on normal collateral was 30.73% on 30 June 2020.

Provisions

Takarék Mortgage Bank reported provisions related to contractual obligation in amount of HUF 142 million which is HUF 367 million lower than the provision requirement on the balance sheet date of the previous year, mainly due to the use of provisions for other liabilities.

Individual Investors Interest Association (TEBÉSZ) filed a lawsuit in the Capital Court for the annulment of the Company's resolutions number; 4/2019 (08.27.), 6/2019 (08.27.) and 7/2019 (08.27.) taken on the General Meeting of the Company held on August 27, 2019, and also asked the suspension of the enforcement of the resolutions. The litigation is currently still in progress. The opinion of the Company is that the convocation and enforcement, such as the decisions of the General Meeting have been taken in accordance with the relevant legal provisions.

The National Bank of Hungary have given a permission on the enforcement of the transaction and have given the permission on the election of the new member of the Board of Directors. So both of the resolution sued, has already been implemented. The Company have informed the Court about these facts.

However, in the unexpected event that the Company were to be unsuccessful in the legal proceeding, even the not favorable judgment would have not cause any financial effects on the Company, because the lawsuit asked the annulment of the resolutions, and the Company still have the possibility to make the same resolutions again

in the next General Meeting if it is necessary. In view of the above mentioned, provision was not set up in the first half of 2020 flash report.

Other liabilities

As of June 2020, the amount of other liabilities amounted to HUF 555 million which is 45.7% higher than at the end of 2019.

Tax liabilities amounted to HUF 66 million at the end of the first half of the year (HUF 52 million at the end of 2019), while accrued expenses amounted to HUF 487 million (HUF 327 million at the end of 2019).

Shareholders' equity

The share capital of the Bank grew from HUF 65 billion from 31 December, 2019 to HUF 65.1 billion to 30 June 2020, and on annual basis HUF 1.2 billion growths was observed.

Capital position

The Hungarian Central Bank – in accordance with the request from the Central Organization of Integrated Credit Institutions (IHKSZ), the MTB Bank of Hungarian Savings Cooperatives Ltd., TakaréK Mortgage Bank and TakaréK Commercial Bank – issued resolution H-EN-I-36./2017 ruling to grant exemption for the Group from the individual and subconsolidated compliance obligations.

The total own funds of the Integration of Credit Institutions amounted over HUF 260 billion at the end of June 2020, while its capital adequacy ratio was 17.48%.

DECLARATION

The management report for the first half of 2020 of TakarékJelzálogbank Nyrt. (Takarék Mortgage Bank Plc.) is based on separate, non-audited IFRS financial statements.

Takarék Jelzálogbank Nyrt. hereby declares that the half-year financial statement was made in good faith and gives a true and fair view of the issuer financial position, profit and losses and does not conceal any fact or information which is relevant for the assessment of the position.

Takarék Jelzálogbank Nyrt. hereby declares that the half-year financial statements of the year 2020 have been prepared in accordance with the applicable accounting standards and its best knowledge.

The half-year financial statements give a true and fair view of assets, liabilities, financial position and loss of the issuer and its consolidated affiliates, furthermore the half-year financial statements give a fair view of the position, development and performance of the Bank, disclosing the risks and the factors of uncertainty.

Budapest, 17 August, 2020

Dr. Gyula Nagy
Chief Executive Officer

Attila Mészáros
Deputy-CEO

Separated Financial Statements of Takarék Mortgage Bank Plc. prepared in accordance with International Financial Reporting Standards (IFRS)

Separate Income Statement

Separate, audited data as of 31 December 2019, and non-audited data as of 30 June 2019 (H1 2019) and 30 June 2020 (H1 2020) according to IFRS

in HUF million	H1 2019	H2 2019	2019 audited	H1 2020	H1 2020 / H1 2019	H1 2020 / H2 2019
Interest income	5,040	5,224	10 261	4,981	-1.2%	-4.7%
Interest expense	-3,875	-3,826	-7 698	-3,672	-5.2%	-4.0%
Net interest income	1,165	1,398	2 563	1,309	12.4%	-6.4%
Fee and commission income	256	335	591	369	44.1%	10.1%
Fee and commission expense	-192	-244	-436	-284	47.9%	16.4%
Net fee and commission income	64	91	155	85	32.8%	-6.6%
Profit /(-) Loss from foreign exchange transactions	10	-20	-10	92	-	-
Gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-7	430	423	603	-	40.2%
Gains on financial assets and liabilities held for trading	773	1,546	2,319	660	-14.6%	-57.3%
Losses (-) from hedge accounting	-11	-902	-913	-800	-	-11.3%
Gains on financial assets and liabilities designated at fair value through profit or loss	199	-52	147	171	-14.1%	-
Net trading result	964	1,002	1,966	726	-24.7%	-27.5%
Gains on derecognition of non-financial assets, net	29	12	41	161	-	-
Other operating income	389	398	787	373	-4.1%	-6.3%
Other operating expense	-6	-2	-8	-4	33.3%	100.0%
Net operating result	2,605	2,899	5,504	2,650	1.7%	-8.6%
Provisions	9	5	14	-5	-	-
Impairment on financial assets not measured at fair value through profit or loss	317	53	380	-106	-	-
Reversal of impairment on non- financial asstes	0	-121	-121	0	-	-100.0%
General and administrative expenses	-1,751	-1,586	-3,337	-1,409	-19.5%	-11.2%
Modification gains, net	0	6	6	-2	-	-
Profit before tax	1,180	1,266	2,446	1,128	-4.4%	-10.9%
Income tax benefit/(expense)	-89	-217	-306	0	-100.0%	-100.0%
Profit for the period	1,091	1,049	2,140	1,128	3.4%	7.5%

Basic EPS (yearly)	10.08 HUF	9.69 HUF	17.79 HUF	10.42 HUF	3.4%	7.5%
Diluted EPS (yearly)	10.08 HUF	9.69 HUF	17.79 HUF	10.42 HUF	3.4%	7.5%

Name: Takarékszövetkezet Bank Plc.
 Address: 1117 Budapest, Magyar Tudósok körútja 9.G.ép
 Sector: Financial services
 Reporting period: 01.01.2020 – 30.06.2020

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 E-mail: Toth.Illes@takarek.hu
 Investor relations: Illés Tóth

Comprehensive Income Statement	H1 2019	H2 2019	2019 audited	H1 2020	H1 2020 / H1 2019	H1 2020 / H2 2019
<i>Profit for the period</i>	1,091	1,049	2,140	1,128	3.4%	7.5%
Items that will not be reclassified to profit or loss	0	9	718	0	-	-100.0%
Income tax relating to items that will not be reclassified	0	9	9	0	-	-100.0%
Items that will be reclassified to profit or loss	587	122	709	-1,062	-	-
Hedging instruments	-49	-137	-186	-77	57.1%	-43.8%
Debt instruments at fair value through other comprehensive income	636	259	895	-985	-	-
Other comprehensive income/(loss) for the period	587	131	718	-1,062	-	-
Total comprehensive income for the period	1,678	1,180	2,858	66	-96,1%	-94.4%

Separate Statement of Financial Position

(separate, audited data as of 31 December 2019, and non-audited data as of 30 June 2019 and 30 June 2020 according to IFRS)

in HUF million	Jun 30, 2019	Dec 31, 2019	Jun 30, 2020	30/06/2020 / 30/06/2019	30/06/2020 / 31/12/2019
Cash, cash balances at central banks and other demand deposits	2,016	1,070	1,210	-40.0%	13.1%
Financial assets held for trading	417	175	197	-52.8%	12.6%
Financial assets at fair value through other comprehensive income	31,408	43,734	26,775	-14.8%	-38.8%
Financial assets at amortised cost	258,285	294,526	404,874	56.8%	37.5%
Derivatives- Hedge accounting	3,697	2,676	1,526	-58.7%	-43.0%
Investment in subsidiaries, joint ventures and associates	31,978	0	0	-100.0%	-
Tangible assets	183	157	152	-16.9%	-3.2%
Intangible assets	365	241	229	-37.3%	-5.0%
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Financial liabilities held for trading	412	136	182	-55.8%	33.8%
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Financial liabilities measured at amortised cost	257,338	269,895	362,314	40.8%	34.2%
Derivatives- Hedge accounting	379	288	412	8.7%	43.1%
Provisions	564	509	142	-74.8%	-72.1%
Tax liabilities	14	93	93	-	-
Other liabilities	280	381	555	98.2%	45.7%
Total liabilities	265,221	277,854	370,020	39.5%	33.2%
Share capital	10,849	10,849	10,849	-	-
Share premium	27,926	27,926	27,926	-	-
Accumulated other comprehensive income	861	992	-70	-	-107.1%
Retained earnings	22,631	22,416	24,556	8.5%	9.5%
Other reserves	712	927	927	30.2%	-
Treasury shares (-)	-207	-207	-207	-	-
Profit for the year	1,091	2,140	1,128	3.4%	47.3%
Total shareholders' equity	63,863	65,043	65,109	2.0%	0.1%
Total liabilities and shareholders' equity	329,084	342,897	435,129	32.2%	26.9%

Cash Flow Statement

(audited data as of 31 December 2019, and non-audited data as of 30 June 2019 and 30 June 2020 according to IFRS)

in HUF million	30 June 2019	31 December 2019	30 June 2020
Cash flow from operating activities			
Profit for the period	1,091	2,140	1,128
<i>Non cash adjustments to net profit from:</i>			
Depreciation and amortization	74	270	29
Impairment/provision/ (-) Release of impairment/provision for losses	-553	2,076	110
Provision/ (-) Release of other provision	-9	-55	367
Gain/(loss) on tangible and intangible assets derecognized	16	16	0
Interest expense on the lease liability	0	-1	0
Fair value adjustment of derivatives	849	-1,866	-744
Fair value adjustment on financial liabilities at fair value through profit or loss, other than derivatives	288	-885	171
Operating profit/(los) before change in operating assets	1,757	1,695	1,061
<i>Decrease/(Increase) in operating assets:</i>			
Trading derivatives and hedging transactions	-2,087	1,484	1,872
Financial assets measured at amortized cost	-2,980	-40,598	-110,458
Other assets	8,733	1,352	15,528
<i>Decrease/(Increase) in operating liabilities:</i>			
Financial liabilities measured at amortized cost	-9,440	-2,834	-5,847
Other liabilities	335	-3,605	-253
Net cash flow from operating activities	-3,683	-42,506	-98,097
Cash flow from investing activities			
Proceeds from sales of tangible and intangible assets	21	-51	0
Sale of subsidiary	0	31,978	0
Net cash outflow from investing activities	21	31,978	0
Cash flow from financing activities			
Repayment of long term loans	4,385	10,378	98,266
Repayment of leasing liabilities	-21	-43	-29
Net cash outflow from financing activity	4,364	10,335	98,237
Decrease in cash and cash equivalents	702	-,244	140
Opening balance of cash and cash equivalents	1,314	1,314	1,070
Closing balance of cash and cash equivalents	2,016	1,070	1,210
Breakdown of cash and cash equivalents:			
Balances with National Bank of Hungary	736	915	1,124
Due from banks with a maturity of less than 90 days	1,280	155	86
Closing balance of cash and cash equivalents	2,016	1,070	1,210
<i>Supplementary data</i>			
<i>Interest received</i>	<i>5,040</i>	<i>10,261</i>	<i>4,981</i>
<i>Interest paid</i>	<i>-3,875</i>	<i>-7,698</i>	<i>-3,672</i>

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Statement of Shareholders' Equity

(separated, audited data as of 1 January 2019 and 31 December 2019 and non-audited data as of 30 June 2019 and 30 June 2020 according to IFRS)

in HUF million	Registered Capital	Payment in excess of face value (asia)	Other capital	Accumulated other comprehensive income	Earnings	Other reserves	Own shares	Total equity
1 January 2019	10,849	27,926	0	274	22,631	712	-207	62,185
Profit for the year					1,091			1,091
Other comprehensive income				587				587
30 Juni 2019	10,849	27,926	0	861	23,722	712	-207	63,863
Profit for the year					1,049			1,049
Other comprehensive income				131				131
General reserve					-215	215		0
31 December 2019	10,849	27,926	0	992	24,556	927	-207	65,043
Profit for the year					1,128			1,128
Other comprehensive income				-1,062				-1,062
30 Juni 2020	10,849	27,926	0	-70	25,684	927	-207	65,109

Off-balance Sheet items – Commitments

(non-audited data as of 30 June 2019 and 30 June 2020 and audited data as of 31 December 2019 according to IFRS)

millió forintban	30 June 2019	31 December 2019	30 June 2020
Commitments			
Loan commitments	16,693	18,094	20,267
Given bail	597	110	0
Total	17,290	18,204	20,267

Transactions with related parties

(separate, non-audited data as of 30 June 2019 and 30 June 2020 according to IFRS)

in HUF million	30 June 2019			30 June 2020	
	Parent	Subsidiaries	Other related parties	Parent	Other related parties
Due from banks	0	79,033	0	15,024	94,621
Loans to customers	0	0	0	0	0
Other assets	1,556	63	0	0	225
Total assets	1,556	79,096	0	15,024	94,846
Due to banks	12,504	2,294	0	367	0
Deposits from customers	0	0	0	0	0
Other liabilities	18,412	37,300	75	664	7,893
Total liabilities	30,916	39,594	75	1,031	7,893
Interest income	461	714	0	17	1,122
Interest expense	-165	-286	0	-408	-419
Net interest income	296	428	0	-391	703
Fees and commission income	0	0	0	0	202
Fees and commission expense	0	0	0	0	-154
Net fees and commissions	0	0	0	0	48
Other operating income	303	750	0	3	61
Other operating expense	-40	0	-462	-37	0
Operating profit	263	750	-462	-34	61
General and administrative expenses	0	0	-14	-322	-486
Profit for the year	559	1,178	-476	-747	326

For the purpose of the financial statements, related parties include all the enterprises that directly or indirectly through one or more intermediaries are controlled by the reporting enterprise (this includes parents and subsidiaries) and key management personnel, including the member of the Board and Supervisory Board.

Related parties have the power of control over or have a significant influence in decisions relating to finance and operation of another enterprise. The Bank enters into transactions with related parties under market conditions. In the above report transactions between Takarék Mortgage Bank and its related parties are presented

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Data forms relating to the structure of shares and the group of owners

Ownership structure, participation and voting rates (as at 30 June 2020)

Description of owner	Total equity ¹						Listed series ¹					
	At the beginning of actual year (01.01.2020)			End of actual period (30.06.2020)			At the beginning of actual year (01.01.2020)			End of actual period (30.06.2020.)		
	% ²	% ³	Qty	%	%	Qty	%	%	Qty	%	%	Qty
Series "A" shares listed on BSE												
Domestic institution/company	52.82	52.93	57,285,447	52.45	52.56	56,887,239	52.82	52.93	57,285,447	52.45	52.56	56,887,239
Foreign institution/company	0.02	0.02	22,224	0.01	0.01	13,899	0.02	0.02	22,224	0.01	0.01	13,899
Domestic individual	3.31	3.32	3,594,103	3.66	3.66	3,964,674	3.31	3.32	3,594,103	3.66	3.66	3,964,674
Foreign individual	0.01	0.01	12,410	0.01	0.01	11,760	0.01	0.01	12,410	0.01	0.01	11,760
Treasury shares	0.23	0.00	253,601	0.23	0.00	253,601	0.23	0.00	253,601	0.23	0.00	253,601
Government held owner ⁴	4.45	4.46	4,832,225	4.45	4.46	4,832,225	4.45	4.46	4,832,225	4.45	4.46	4,832,225
Other	0.00	0.00	0	0.03	0.04	36,612	0.00	0.00	4,261	0.03	0.04	36,612
Series total	60.84	60.74	66,000,010	60.84	60.74	66,000,010	60.84	60.74	66,000,010	60.84	60.74	66,000,010
Series "B" shares non-listed on BSE												
Domestic institution/company	13.05	13.09	14,163,430	13.05	13.09	14,163,430						
Series total	13.05	13.09	14,163,430	13.05	13.09	14,163,430						
Series "C" shares non-listed on BSE												
Domestic institution/company	26.11	26.17	2,832,686	26.11	26.17	2,832,686						
Series total	26.11	26.17	2,832,686	26.11	26.17	2,832,686						
TOTAL	100.00	100.00	82,996,126	100.00	100.00	82,996,126						

¹If the listed series is the same as the entire share capital, this must be indicated and no separation is required. If there are several series on the Stock Market, the ownership structure must be given for every series.

² Ownership share

³ The voting rights ensuring participation in decision making at the General Shareholder's Meeting of Issuer. If the ownership share and the voting rights are identical, only the ownership share column must be filled and submitted/disclosed, while the fact must be indicated!

⁴ E.g.: MNV Zrt, TB, local authorities, companies with 100% state ownership, etc.

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Number of treasury shares held in the year under review relating to listed series

	30 June 2019		31 December 2019		30 June 2020	
Takarék Mortgage Bank Plc.	253,601	0.23%	253,601	0.23%	253,601	0.23%

Owners with more than 5% ownership relating to listed series (as at 30 June 2020)

Name	Custodian Bank (yes/no)	Number of shares	Stake (%)
MTB Zrt.	no	50,806,758	76.98
Magyar Nemzeti Vagyonkezelő Zrt.	no	4,832,225	7.32
Takarék Zártkörű Befektetési Alap	no	3,808,180	5.77
Total		59,447,163	90.07

Owners with more than 5% ownership relating to total equity (as at 30 June 2020)

Name	Custodian Bank (yes/no)	Number of shares	Stake (%)
MTB Zrt.	no	67,802,874	86.00
Total		67,802,874	86.00

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Data forms related to the organisation and operation of the issuer

Changes in the headcount (number of persons) employed by Takaréék Mortgage Bank

	30/06/2019	31/12/2019	30/06/2020
Takarék Mortgage Bank Plc.	14.8	14.9	14.7

Persons in senior positions and (strategic) employees having an influence on the operations of the Bank (as at 30 June 2020)

Type ¹	Name	Position	Beginning of mandate	End/ termination of mandate	No. of shares held
BoD	Vida József	Chairman	30/11/2016	30/11/2021	0
BoD	dr. Nagy Gyula	Member, CEO	26/04/2017	30/11/2021	0
BoD	Mészáros Attila	Member	30/11/2016	30/11/2021	0
BoD	Soltész Gábor Gergő	Member	30/11/2016	30/11/2021	0
BoD	Hegedűs Éva	Member	18/10/2018	30/11/2021	0
BoD	Sass Pál	Member	31/10/2019	30/11/2021	0
SB/AB	dr. Harmath Zsolt	Chairman	02/01/2017	02/01/2022	0
SB/AB	Görög Tibor	Member	15/10/2018	02/01/2022	0
SB	dr. Kovács Mónika	Member	02/01/2017	02/01/2022	0
SB/AB	Pórfy György	Member	02/01/2017	02/01/2022	0
SB	dr. Gödör Éva	Member	01/08/2018	02/01/2022	0
SB	dr. Reiniger Balázs	Member	02/01/2017	02/01/2022	0
TOTAL No. of shares held by management:					0

¹ Employee in a strategic position (SP), Member of the Board of Directors (BoD), member of the Supervisory Board (SB), member of Audit Board (AB)

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Information and disclosures in 2020

Important information and disclosures issued by the the Bank fall into the following categories:

- Events relating to Bank operation (banking announcements, changes in the Rules of Operation)
- Interim management reports, annual reports
- Information in relation to mortgage bonds (offerings and repurchase, updating of the domestic and international mortgage bond issues program, value of mortgage bonds and their cover)
- Month end information about the amount of issued capital and the voting rights
- Proposals submitted to the AGM (Annual General Meeting) and invitation to the AGM
- Invitation and proposals submitted to the Extraordinary General Meeting
- Shareholders' announcements

Announcements, information and disclosures published by Takarékszövetkezet Bank are available at the following sites:

www.bet.hu

www.kozzetetelek.hu

www.en.takarekjb.hu