



MBH Mortgage Bank Co. Plc.

Half-year financial report for the first half of 2023

Budapest, 31 August, 2023

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I. SUMMARY FIGURES AND TREND OF KEY PERFORMANCE INDICATORS

in HUF million	30/06/2022	31/12/2022	30/06/2023	30/06/2023/ 30/06/2022	30/06/2023/ 31/12/2022
Main balance sheet items					
Total assets	758,017	813,948	747,914	-1.3%	-8.1%
Refinanced loans	348,892	368,460	367,164	5.2%	-0.4%
Loans (gross)	37,882	32,876	29,960	-20.9%	-8.9%
Mortgage bonds	353,687	355,799	367,678	4.0%	3.3%
Interbank liabilities	321,770	377,771	295,267	-8.2%	-21.8%
Shareholders' equity	70,029	71,037	74,321	6.1%	4.6%

in HUF million	H1 2022	H2 2022	H1 2023	H1 2023 / H1 2022	H1 2023 / H2 2022
Main P/L items					
Net interest income	2,945	3,610	3,310	12.4%	-8.3%
Net interest margin	0.83%	0.91%	0.85%	0.0%-pt	-0.1%-pt
Net fees and commissions	4	5	-99	-	-
Results from financial instruments	377	-684	1,076	185.5%	-
Provision for impairment on loan losses	-149	-408	934	-	-
Operating cost	-1,773	-1,035	-1,828	3.1%	76.6%
Cost to income ratio	55.6%	35.0%	43.7%	-12.0%-pt	8.7%-pt
Profit before tax	978	1,180	2,968	203.5%	151.5%
Profit from continuing operation	877	934	2,728	211.1%	192.1%
EPS- continuing operation	8.10 Ft	8.63 Ft	25.20 Ft	211.1%	192.1%
Return on Average Assets	0.2%	0.2%	0.70%	0.5%-pt	0.5%-pt
Return on Average Equity	2.5%	2.6%	7.6%	5.0%-pt	4.9%-pt

II. REPORT ON THE FIRST HALF-YEAR RESULTS OF MBH MORTGAGE BANK IN 2023

The report of MBH Mortgage Bank Co. Plc. (hereinafter: Bank, Mortgage Bank, MBH Mortgage Bank, Company, Issuer) for the first half-year of 2023 is based on the data of the stand-alone 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 stand-alone, audited figures as of 31 December 2022, non-audited figures as of June 30 2022, June 30 2023.

On the 10th of March, 2023 the Extraordinary General Meeting of the Company in its resolution No. 1/2023 (March 10, 2023) approved to change the corporate name of the Company by 1st May 2023, as follows: MBH Mortgage Bank Co. Plc.

The Extraordinary General Meeting of the Company held on 26 June 2023 decided to amend the Articles of Association of the Company, as the change of the company contributed to the amendment of the address of the Company's website. The new address of the website became www.mbhmortgagebank.hu. Given that the address of the website is set out in point 8.1 of the Company's Articles of Association, the change of name requires an amendment to the Articles of Association.

In compliance with the licence of the Hungarian National Bank (MNB) Takarekbank Ltd. merged into MKB Bank Plc. on 1st May, 2023.

MBH Mortgage Bank, according to the Act LIX of 2006, fully accounted the amount defined as a special tax on financial institutions for the year 2023 – as required by IFRS – 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 2023.

The Bank fulfilled its obligation based on the Government Decree No. 197/2022. (VI.4.) on the extra profit tax in compliance with the IFRS in H1 2023.

1. Summary of the achievements of the past period

MBH Mortgage Bank carries out its activity in line with the strategy, the stand-alone profit before tax was HUF 2 968 million in the first half of 2023 despite the extra profit special tax accounted. It was almost three times the profit before tax achieved in the same period of the previous year and 151.5% higher than the pre-tax profit achieved in the second half of 2022.

Loan activities

By the end of the first half of 2023, the (gross) value of the **refinanced mortgage loan portfolio has increased from the amount of HUF 348.9 billion at the end of the first half of 2022 to HUF 367.2 billion.** The number of refinanced mortgage loans were 41,607 pieces at the end of June 2023.

The total refinanced loan portfolio has been distributed among 8 banks in 2023.

The **gross amount of customer mortgage loans** was HUF 30.0 billion on the 30 June 2023, which – due to the fact that the Bank has no longer disbursed customer loans directly in line with the strategic goals and thus the existing portfolio continued to shrink- is less by 8.9% compared to the end of the previous year (HUF 32.9 billion) and decreased by 20.9% year-on-year.

In the first half of 2023 the change of non performing portfolio volume (stage 3) was marginal and compared to last year the rate of non-performing loan portfolio increased only to 0.74% (from 0.65%). The impairment coverage of non-performing portfolio decreased slightly compared to the end of the year.

Funding

The outstanding amount of mortgage bonds amounted to HUF 367.7 billion on 30 June 2023, showing an increase of 4.0% on an annual basis and 3.3% on a half-yearly basis.

On March 16, 2020 the MNB reorganized the set of its monetary policy tools, and similarly to the ECB it announced the introduction of providing Long-Term Refinancing Operations (LTRO) on various (3, 6 and 12 months and 3 and 5 years) maturities. The Bank, taking on an active role in these tenders, was successful in building a volume of HUF 273.1 billion at 30 Jun 2023, favourably priced 3- and 5-year loans into its long-term liabilities. In parallel, the stock of its purchased securities also went up, partly because the funds acquired in the LTRO was devoted to this goal (debt securities at amortised cost was HUF 319.7 billion at the end of 2022, HUF 316.6 billion at 30 June, 2023).

On annual basis, the stock of funds withdrawn from the money market and from the Long-Term Refinancing Operations of central bank increased to HUF 295.3 billion.

The Bank's balance sheet total as was HUF 747.9 billion as of 30 June 2023, which is 8.1% (HUF 66.0 billion) lower than at the end of the previous year and 1.3% lower (HUF 10.1 billion) than at the end of the first half of 2022.

Issued mortgage bonds

Despite the ongoing complexity of the geopolitical situation and the general macroeconomic environment MBH Mortgage Bank maintained its activity as a mortgage bond issuer in H1 2023. Accommodating to the volatile market sentiment the Mortgage Bank made efforts to set the parameters of the issued mortgage bank suiting to the demand in terms of maturities, coupon payments and the profile of green/non-green instruments. Another main pillar of the bank's issuance strategy was the intention to benefit from and to use the central bank's still active mortgage bond rollover facility with the aim of providing a safe and effective rollover of scheduled maturities. The successful mortgage bond re-purchase auction in March aimed at reducing the maturity concentration, which was also organized for this purpose.

In the examined half-year MBHMB issued a total of 41.0 billion mortgage bonds in nominal terms, of which HUF 16.0 billion represented green mortgage bonds. From the remaining HUF 25.0 billion issue volume fixed and floating rates mortgage bond represented nearly 50%-50%. Except for the floating rate mortgage bond auction, all the other three transactions complied with the conditions of the central bank's mortgage bond rollover facility. As a result of the above successful transactions

MBH Mortgage Bank retained the status of the most active mortgage bond issuer on the local capital market in the period.

Since 28 March 2019, the Bank's mortgage bonds have been rated by S&P Global Rating (Madrid). On 25th of April 2023, 'BBB' rating (one notch above the domestic sovereign debt rating) of MBH Mortgage Bank's mortgage issuance program and the series of mortgage bonds issued in HUF and foreign currencies was confirmed by S&P, while the outlook was improved from stable to positive at the same time. The rating and the outlook have been unchanged since the last move.

Sustainability

MBH Mortgage Bank successfully continued its green fund-raising activity through the issuance green mortgage bonds. It resulted the outstanding volume of MBH Mortgage Bank green mortgage bonds increasing by HUF 16 billion to 29.6 billion by end-June 2023. Integration of ESG factors into MBH Mortgage Bank's governance and the development of its GRI standard (Global Reporting Initiative) based sustainability reporting have played a key role in the bank's ESG efforts in 2023. MBH Mortgage Bank's standalone Sustainability Report for 2022 is published in August 2023.

Main P&L items

Net interest income was HUF 3,310 million in the first six months of 2023, 12.4% higher than a year before. The net interest margin (NIM) to average total assets was 0.85% in the first half of 2023 which was higher than in the same period of the previous year (annual rate).

The net fee and commission income resulted HUF 99 million loss in the first half of 2023, which is by HUF 103 million lower versus the same period last year.

Operating costs amounted to HUF 1,828 million in the first half of 2023, compared to HUF 1,773 million in the same period of 2022. The costs incurred were significantly influenced by the special extra-profit tax introduced in 2022, which amounted to HUF 576 million in 2023.

The amount of risk costs amounted to HUF 934 million in profit in the first half of 2023. By the end of the first half of 2023, the impairment stock for the loan loss reached HUF 0.9 billion. The Mortgage Bank had not yet experienced a significant negative trend in the first half of 2023 that would indicate a significant deterioration in the quality of the loan portfolio. The **modification loss** from the loss impact of the net present value of unused and thus accrued loan cash flows of HUF 323 million in the first half of the year, due to the credit moratorium cost that came into force on 18 March 2020.

In the first six months of the year, the profit after tax of the financial year was HUF 2,728 million, more than double the profit for the same period last year and nearly three times the profit for H2 2022.

Capital position

The Hungarian Central Bank issued resolution H-EN-I-36./2017 granting exemption for the Group from the individual and subconsolidated compliance obligations from 1st of January 2017.

The total own funds of the Group (MBH Investment Bank and MBH Mortgage Bank) amounted over HUF 95 billion at the end of June 2023, while its capital adequacy ratio was 43.3%.

Performance of MBH Mortgage Bank's shares in the first six months of 2023

MBH Mortgage Bank Plc. was ranked 10th in the ranking of 22 Hungarian "Premium" category stock exchange companies at the end of June 2023, against the 11th rank at the end of the previous quarter and the 15th rank at the end of 2022. MBH Mortgage Bank's stock market capitalization, which for technical reasons rose from HUF 25.8 billion to HUF 41.2 billion at the end of September 2022 due to technical reasons (as a result of MBH Mortgage Bank's previously unlisted B and C series shares merging with the A series listed shares), stood at HUF 48.4 billion at the end of June 2023, compared to HUF 41.9 billion at the end of March 2023. The capitalization of HUF 48.4 billion represents 0.48% of BÉT Premium shares total, it was the same in the previous quarter and it just barely changed compared to 0.47% at the end of 2022.

On 30 June 2023, the share price of MBH Mortgage Bank Plc. closed at HUF 446, compared to HUF 386 on 31 March 2022 and HUF 380 on 31 December 2022. In the second quarter of 2023, the share price of MBH Mortgage Bank Plc. moved in a range of HUF 384-446, compared to HUF 374-440 in the first quarter of 2023, and to HUF 372-402 in the last quarter of 2022.

In the second quarter of 2023, total stock market turnover of MBH Mortgage Bank Plc. rose to HUF 50 million, compared to HUF 44 million in the previous quarter and to HUF 37.5 million in the last quarter of the year 2022. In the second quarter of 2023, the average daily turnover was around HUF 820 thousand compared to HUF 690 thousand in the previous quarter and HUF 600 thousand in the fourth quarter of 2022.

MBH Index

The MBH House Price Index, published under a new brand name from May 1, 2023, measuring the development of Hungarian residential real estate prices, made its debut in September 2009. The index is the first indices tool used on the Hungarian market that is based on the purchase and sell transaction data of residential real estate for the whole country. The sources of the data are the own observations collected during the operation of MBH Mortgage Bank Plc. and other members of the MBH Group, as well as the database purchased from the National Tax and Customs Administration. MBH 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 also handles the market characteristic, namely that not all properties change ownership every quarter.

MBH Agricultural Land Price Index, which is another member of the MBH Index family, was introduced in November 2010. MBH Agricultural Land Price Index represents the development of domestic land prices in aggregate format (including all agricultural sectors) in the last decade. The calculation method – like in the case of MBH House Price Index – is based on hedonic regression model filtering out the impacts due to the difference of lands in circulation. Also, MBH Agricultural Land Price Index is based on transaction prices utilizing the professional knowledge in the property and the real estate market of MBH Group.

MBH Mortgage Bank operates an individual website for MBH Index: www.mbhindex.hu

MBH MB's new R&D project aims at the development of an automatic valuation model (AVM) that helps the Bank to revalue properties cost-effectively and quickly. The methodology is developed

with the involvement of external professional partners, while after successfully closing the testing phase the project has entered the implementation stage.

2. Strategy, strategic goals and MBH Group's outlook

MBH Mortgage Bank's strategy is an inseparable part of MBH Group's integrated strategy, hence MBH Mortgage Bank's long-term goals and endeavour should be evaluated in the context of the former.

On 15 December, 2021, the main decision-making bodies of MKB Bank, Budapest Bank and the owner of the Takarék Group, Magyar Takarék Bankholding Zrt., accepted the first step in the merger schedule of Budapest Bank, MKB Bank and the Takarék Group.

Under this, the two member banks of Magyar Bankholding Zrt., Budapest Bank Zrt. and MKB Bank Nyrt. and Magyar Takarék Bankholding Zrt. (the owner of MTB Bank Ltd.) merged on 31 March, 2022. During the integration, Budapest Bank merged into MKB Bank and MTB Bank Zrt. continued to operate as a subsidiary of the merged bank.

The legal merger of Takarékbank Zrt. and MKB Bank Nyrt. took place on 30 April 2023, followed by a groupwide rebranding: The merged financial institution has been operating under the name MBH Bank Nyrt. since 1st May 2023. With this step the triple bank merger was completed, resulting in Hungary's second largest bank in terms of total assets. The MBH's goal is to establish a fully integrated, uniformly governed bank through the merger of the three member banks, which is going to build on the indisputable strengths of Budapest Bank Ltd., MKB and Takarékbank each, as well as on their leading positions in various market segments. At the same time, it will rise to face the challenges posed by rapidly changing customer needs, the unprecedented pace of technological developments and intensifying competition.

Major strategic goals, directions:

- To become the most customer-oriented bank in Hungary, offering value to all Hungarian citizens and businesses.
- Active contribution to the development of the Hungarian economy by supporting segments of national economic significance, such as young people, SMEs and the agricultural sector, while remaining committed to local communities.
- A key priority of the strategy is digital orientation, which means introducing internationally leading fintech solutions. The aim is to radically change the customer experience of financial services by introducing flexible, fast solutions and products that can be combined with each other.
- In the retail business, the key objectives are to provide quality customer service, enhance the customer experience, strengthen lending and the premium segment. Partnerships play an important role and the Bank plans to further develop them in order to increase further its market share in the intermediary market.
- The Bank's ongoing strategic objective is to maintain and build a strong corporate business. The corporate business line is focused on local knowledge, professional service provision, advice-based sales and the provision of innovative solutions.

- The MBH Bank Group provides a wide range of investment banking type services: Private Banking, Fund Management and Treasury
- Building an innovative organisation and corporate culture, with a focus on people, continuous capability development and a cutting-edge corporate culture.

Strategy of MBH Mortgage Bank

Originally, the main activity of MBH Mortgage Bank was the financing of the development and the purchase of residential real estate and the disbursement of housing loans subsidised by the state. From 2018 the Bank operates as a pure refinancing mortgage bank; its principal activities are the refinancing of mortgage backed loans of partner banks either within or outside Bank Group and the issuance of mortgage bonds. The Bank is the second largest mortgage bank in the domestic market (considering the market share). The shares of MBH Mortgage Bank are traded on the Budapest Stock Exchange.

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 Bank Group. According to its business policy, the Bank pursues to manage significant volumes in the market segments where it is active alongside competitive pricing. In the real estate market segment, MBH Mortgage Bank tries to strengthen its market position by taking advantage of the opportunities offered by the market environment.

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 loan product, to develop its existing auxiliary services and introduce new ones (real estate sales technologies, IT solutions), to reduce the cost of financing through mortgage bond issuance and to achieve having automated processes to the highest possible level as well as fast and secure operation. Automated valuation model (AVM) was implemented under this framework.

The Bank attaches high importance to integrating sustainability factors into its business strategy, which have resulted the bank being amongst the first players of the market issuing green covered bonds in 2021 and it published a sustainability report and ESG Strategy in the second half of 2022, and continuously improve its methodology for quantifying its own GHG emissions.

3. Developments of the market environment

The Hungarian economy contracted at a 1.7% rate in the first half of 2023 compared to the same period of 2022. Adjusted for seasonal affects, the economy has been shrinking for the fourth consecutive quarter, hence recession is not over yet. On the production side it was only agriculture, which – as a result of a strong rebound from the previous year's lows – contributed positively to growth in the first half of the year, while industrial output and market services dragged GDP down. On the expenditure side, meanwhile, only net export had a positive growth contribution, whereas both consumption and investment volumes decreased sharply. While there was clear improvement

in external balances, the budget deficit markedly deteriorated, even if this was mostly explained by higher interest expenditures in an elevated yield environment.

Due to the strong inflation pressures as well as the unfavourable risk perception towards Hungary, MNB maintained a dual interest rate system. Since the level of the base rate was set based on the view of achieving its mid-term inflation target, and hence price increases were deemed persistent, the level of the base rate was kept unchanged at 13 per cent throughout the first half of the year. However, with a marked improvement in Hungary's risk assessment, the central bank was able to start lowering the rate of the quick deposit tender, which serves as the main policy rate versus the base rate, hence it was cut by 200bps in two steps from 18 to 16 per cent. MNB also continued to tighten the banking system's excess liquidity: the most important factor from this aspect proved to be the raising of the mandatory reserves rate to 10% in April. The capital- and liquidity position of the Hungarian banking system is still fairly stable, and the profitability of credit institutions markedly surpassed those of the previous years' even despite the partly temporary, heavy special taxes.

Lending activity was inferior in the first half of 2023 compared to the same period of 2022 partly as subsidized housing loan programmes – that had their heyday in the first half of last year – mostly ran out, partly as interest rates on new loans multiplied, whereas the income stance of households severely deteriorated. Among the main household loan products mortgage lending suffered the greatest setback, with the volume of new contracts falling more than 60% compared to the first half of 2022, and this decline was only partially offset by a less severe contraction in consumer loans. In the case of corporate lending, the volume of new contracts remained broadly similar in the first half of 2023 than it was a year before. However, disbursements from the contracted credit lines were delayed to a greater extent than usual, mostly due to the unfavourable economic outlook. All in all, the outstanding stock of both household and corporate loans remained practically unchanged in the first half of 2023.

Real estate activity, which is a decisive factor in the mortgage-backed lending segment, became definitely weaker: according to estimates from the Duna House Barometer the number of real estate transactions was 40% lower in the first six months of this year than in the same period of 2022. Nominal house prices have already been on a decline since the third quarter of 2022, while they are expected to stagnate throughout the rest of the year, which implies a sharp price decline in real terms. In the commercial, industrial and office real estate segment we saw a continued rise in vacancy rates throughout the first half of 2023, although this doesn't exclusively reflect lower demand, but also the high volume of finalized development projects. Average rents have remained unchanged in the industrial and logistics segment, but already took a downward correction in the retail segment. There are hardly any new development projects launched in the office segment, but there are still some in the industrial and logistics segment. Yet, project finalizations are still expected this year even in the former, hence vacancy rates are foreseen to rise further.

New issuance activity in the mortgage bond market was rather muted in the first half of 2023, especially compared to the massive volumes brought to the market in the second half of 2022, at the same time, MBH Mortgage Bank remained active in arranging issues during the period under review.

4. Main activities and subsidiaries' performance

Own lending

The gross customer mortgage loans of the Bank amounted to HUF 30.0 billion as of 30 June 2023, as a result of active lending activity based exclusively on refinancing since 2018, thus the existing portfolio decreased by 8.9% compared to the to the end of last year's figure (HUF 32.9 billion), while year-on-year it decreased by 20.9%. As of 30 June 2023, the majority part of the customer mortgage loans portfolio (70.0%) is housing loan with residential real estate collateral, while the share of general purpose mortgage loans is 27.3%.

in HUF million	30/06/2022	31/12/2022	30/06/2023	30/06/2023/ 31/12/2022	30/06/2023/ 30/06/2022
General purpose mortgage loans	9,192	8,597	8,178	-4.9%	-11.0%
Housing loan with residential real estate collateral	27,758	23,404	20,972	-10.4%	-24.4%
Loans to employees	460	392	356	-9.2%	-22.6%
Corporate loans	472	483	454	-6.0%	-3.8%
Refinanced mortgage loans	348,892	368,460	367,164	-0.4%	5.2%
Total loans, gross	386,774	401,336	397,124	-1.0%	2.7%
Impairment	-1,166	-1,562	-898	-42.5%	-23.0%
Total loans, net	385,608	399,774	396,226	-0.9%	2.8%

Refinancing

By the end of the first half of 2023, the refinanced loan portfolio has increased from the first half of year 2022 from HUF 348.9 billion to HUF 367.2 billion. The number of refinanced credit transactions were 41.607 on June 30 2022. The total refinanced mortgage loan stock has been distributed among 8 banks in 2023.

Organization and headcount

No significant changes in the organization of the Bank took place in the first half of 2023. The total number of the full-time employees slightly (+1.97 FTE) increased due to personal changes.

Headcounts of the Bank members were as follows:

	30/06/2022	31/12/2022	30/06/2023	30/06/2023/ 30/06/2022	30/06/2023/ 31/12/2022
MBH Mortgage Bank Plc.	14.88	14.23	16.20	8.87%	13.84%

Changes in key position

The Annual General Meeting of Takarék Mortgage Bank Plc. (MBH Mortgage Bank Co Plc. since 1 May, 2023) held on 26 April 2023 reelected PwC Auditing Ltd. the auditor of MBH Mortgage Bank in 2023. The registered auditor in charge is Balázs Mészáros, deputy auditor Árpád Balázs.

Péter Darazsacz resigned as member of the Supervisory Board and Audit Committee on April 27, 2023. The Extraordinary General Meeting of the Company held on 26 June 2023 the Company elected Péter Krizsanovich as member of the Supervisory Board and Audit Committee for a definite period from 26 June 2023 to 2 January 2027, effective not earlier than the date on which the approving decision issued by the Magyar Nemzeti Bank arrives to the Company and the member of the Supervisory Board accept his election in writing. The Company received the permission of the Magyar Nemzeti Bank for the member of the Supervisory Board Péter Krizsanovich on 29 June 2023, and the member of the Supervisory Board approved his election in writing on 29 June 2023.

5. Post-balance sheet date events

On 26 July, MBH Mortgage Bank held its fifth mortgage bond issue this year, in the framework of which it launched the second tranche of the MJ27NV01 mortgage bond with a maturity date of 22.04.2027 and a floating interest rate of three-month BUBOR +30 basis points. In the framework of the auction, the offered volume was HUF 10 billion, capital market participants submitted bids totalling HUF 13.280 billion, of which the bank finally accepted HUF 12 billion due to oversubscription.

MBH Mortgage Bank Plc., in fulfilment of its extraordinary disclosure obligation pursuant to Section 55 (1) of Act CXX of 2001 on Capital Markets, informed their Investors that DUNA TAKARÉK Bank Zrt. joined the mandatory institution protection organisation of integrated credit institutions, the Integration Organisation, on 1 August 2023, of which the Issuer is also a member.

MBH Mortgage Bank officially published its Sustainability Report for 2022 on 15 August 2023.

III. ANALYSIS OF MBH MORTGAGE BANK PLC.'S STAND-ALONE FINANCIAL STATEMENTS ACCORDING TO IFRS

1. P&L structure

in HUF million	H1 2022	H2 2022	2022 audited	H1 2023	H1 2023 / H1 2022	H1 2023 / H2 2022
Interest income and similar to interest income	11,066	21,574	32,640	28,232	155.1%	30.9%
Interest expense and expense similar to interest expense	-8,121	-17,964	-26,085	-24,922	206.9%	38.7%
Net interest income	2,945	3,610	6,555	3,310	12.4%	-8.3%
Fee and commission income	282	275	557	129	-54.3%	-53.1%
Fee and commission expense	-278	-270	-548	-228	-18.0%	-15.6%
Net fee and commission income	4	5	9	-99	-	-
Results from financial instruments	377	-684	-307	1,076	185.5%	-
Results from financial instruments measured at fair value through profit or loss, net	-498	-388	-886	958	-	-
<i>Gains on financial assets and liabilities designated at fair value through profit or loss</i>	50	0	50	0	-100.0%	-
<i>Results from financial instruments measured at fair value through other comprehensive income, net</i>	-362	89	-273	4	-	-95.5%
<i>Results from financial instruments measured at amortized cost, net</i>	361	0	361	93	-74.2%	-
<i>Results from hedge accounting, net</i>	433	-441	-8	361	-16.6%	-
<i>Exchange differences result, net</i>	393	56	449	-340	-	-
(Impairment) / Reversal on financial and non-financial instruments	-435	-741	-1,176	610	-	-
<i>(Impairment) / Reversal on financial instruments held for credit risk management</i>	-149	-408	-557	934	-	-
<i>Provision (loss) / gain</i>	0	2	2	-1	-	-
<i>Modification (loss) / gain on financial instruments</i>	-287	-335	-622	-323	12.5%	-3.6%
<i>(Impairment) / Reversal on other financial instruments</i>	1	0	1	0	-100.0%	-
Operating expense	-1,773	-1,035	-2,808	-1,828	3.1%	76.6%
Other income	42	33	75	31	-26.2%	-6.1%
Other expense	-182	-8	-190	-132	-27.5%	-
Profit before tax	978	1,180	2,158	2,968	203.5%	151.5%
Income tax benefit/(expense)	-101	-246	-347	-240	137.6%	-2.4%
Profit for the period	877	934	1,811	2,728	211.1%	192.1%
Other comprehensive income/(loss) for the period	215	75	290	556	158.6%	-
Total comprehensive income for the period	1,092	1,009	2,101	3,284	200.7%	225.5%

In the first half of 2023, the Bank achieved a positive profit after-tax of HUF 2,728 million, despite the extra profit special tax accounted, profit before tax was HUF 2,968 million, the latter more than three times the profit before tax for the first half of 2022.

During the first six months of the year, the special tax on financial institutions in amount of HUF 425 million and the extraprofit special tax HUF 576 million were charged as a significant one-off item. **The profit after taxation without banking tax and extraprofit special tax was HUF 3,729 million.**

Net interest income

Net interest income was HUF 3.3 billion in the first six months of 2023 is 12.4% higher than a year before, and it showed 8.3% decrease compared to second half of 2022 (HUF 3.6 billion) due to the decrease of the mandatory reserves rate. The net figure of the first half of 2023 consist of the balance of HUF 28.2 billion interest income (155.1% higher in the same half-year compared, and 30.9% higher compared to second half of 2022) and HUF 24.9 billion interest expense (206.8% higher in comparison with the same half-year and 38.7% higher than in the second half of 2022).

Breakdown of interest income and expenses:

	H1 2022	H2 2022	H1 2023	H1 2023 / H1 2022	H1 2023 / H2 2022
Interest income	11,066	21,574	28,232	155.1%	30.9%
Financial assets at amortized cost	9,909	17,991	22,862	130.7%	27.1%
<i>Loans</i>	1,197	2,263	4,961	-	119.2%
<i>Refinancing</i>	5,632	7,204	7,557	34.2%	4.9%
<i>Mortgage bond interest subsidy</i>	88	103	75	-14.8%	-27.2%
<i>Supplementary interest subsidy</i>	0	0	0	-	-
<i>Interbank activities</i>	342	3,272	5,156	-	57.6%
<i>Interest income from credit institution repo transactions</i>	61	40	87	42.6%	117.5%
<i>Debt securities at amortized cost</i>	2,589	5,109	5,026	94.1%	-1.6%
Debt securities at fair value through other comprehensive income	134	749	812	-	8.4%
Swap transactions	1,021	2,834	4,558	-	60.8%
Other interest income	2	0	0	-100.0%	-
Interest expenses	8,122	17,964	24,922	206.8%	38.7%
Financial liabilities at amortized cost	6,754	14,349	19,796	193.1%	38.0%
<i>Bonds issued</i>	4,700	6,496	7,067	50.4%	8.8%
<i>Interest expense of credit institution repo transactions</i>	0	0	0	-	-
<i>Interbank activities</i>	2,054	7,853	12,729	-	62.1%
Derivatives	1,307	3,615	5,125	292.1%	41.8%
Financial liabilities designated at fair value through profit or loss	59	0	0	-100.0%	-
<i>Mortgage bonds</i>	59	0	0	-100.0%	-
Other interest expense	2	0	1	-50.0%	-
Net interest income	2,944	3,610	3,310	12.4%	-8.3%

The net interest margin to average total assets (NIM) was 0.85% (annual rate) in the first half of 2023 which is higher than in same half period of the previous year.

Net fee and commission income

MBH Mortgage Bank reached HUF -99 million net fee and commission result in the first half of 2023, arising from HUF 129 million in revenue and HUF 228 million in expenses. The net profit for 2023 H1 was HUF 103 million lower than in the previous year (2022 H1: HUF 4 million). Fee and commission income realized during the first half of 2023 was by HUF 104 million decreased than in the second half of 2022 (H2 2022: HUF 5 million).

Results from financial instruments

In the first six months of 2023, the profit from financial transactions was HUF 1,076 million gain, which is higher by HUF 699 million than the profit in the same period of the previous year (HUF 377 million).

The result of exchange differences amounted to a loss of HUF 340 million in the first half of the year, which is significantly lower than the same period of the previous year (profit of HUF 393 million).

Results from financial instruments measured at fair value amounted to HUF 958 million, which is substantial higher than the result of the same period of the previous year (loss of 498 million).

Results from financial instruments measured at fair value, measured at amortized cost and results from hedge accounting profit in aggregate, amounts to HUF 458 million profit in the first half of 2023, which is higher by 6% than the HUF 432 million gain in the same period of the previous year.

Other income and expenditure

The balance of other income and expenses was HUF 101 million loss net income in the first half of 2023, which is HUF 31 million from other income and HUF 132 million other expenses were recognized.

Impairments on loan losses

The volume of risk costs (impairment and credit losses) amounted to HUF 934 million profit in the first half of 2023. In the last half year there was significant change in impairment. The volume of impairment amounted to HUF 0.9 billion in the first half of 2023.

The decrease in the volume of impairment resulted from a favorable change in the stage migration of private customers following the expiration of the moratorium. Because of this, the volume of previously recognized impairments significantly reduced and the quality of the performing portfolio improved.

In parallel with the development of economic processes, Jelzálogbank modified the default (PD) and loss (LGD) parameters used in the IFRS 9 models in the first half of 2023 and, if necessary, will revise them again in the second half of 2023.

Operating costs

Operating costs amounted to HUF 1,828 million in the first half of 2023, compared to HUF 1,773 million in the same period of 2022. The costs incurred were thus 3.1% higher compared to the same

period of previous year. The costs incurred were significantly influenced by the special extra-profit special tax, which amounted to HUF 576 million and inflation.

In the first half-year, compared to the same period of the previous year, personnel costs increased from HUF 178 million to HUF 241 million, other administrative costs (without special extra-profit tax) increased from HUF 931 million to HUF 976 million.

The first half-year of 2023 depreciation was HUF 3 million higher compared to the same period of 2022.

Income Tax

The income tax expense for the first half of 2023 amounts to HUF 240 million. Bank has calculated the carryforward loss according to the law.

Other comprehensive income

The increase of the other comprehensive income was largely due to the impact of the fair value movements in the credit institution bond and government bond portfolios.

2. Statement of Financial Position

in HUF million	30/06/2022	31/12/2022	30/06/2023	30/06/2023 / 30/06/2022	30/06/2023 / 31/12/2022
Cash and cash equivalents	169	342	191	13.0%	-44.2%
Financial assets measured at fair value through profit or loss	12,535	11,854	9,709	-22.5%	-18.1%
<i>Loans and advances to customers mandatorily at fair value through profit or loss</i>	8,200	6,593	6,240	-23.9%	-5.4%
<i>Derivative financial assets</i>	4,335	5,261	3,469	-20.0%	-34.1%
Hedging derivative assets	257	975	301	17.1%	-69.1%
Financial assets measured at fair value through other comprehensive income	1,234	18,172	21,417	-	17.9%
<i>Securities</i>	1,234	18,172	21,417	-	17.9%
Financial assets measured at amortised cost	742,832	781,737	715,505	-3.7%	-8.5%
<i>Loans and advances to banks</i>	405,401	437,013	375,856	-7.3%	-14.0%
<i>Loans and advances to customers</i>	24,386	24,733	22,832	-6.4%	-7.7%
<i>Securities</i>	312,589	319,726	316,646	1.3%	-1.0%
<i>Other financial instruments</i>	456	265	171	-62.5%	-35.5%
Property, plant and equipment	89	63	123	38.2%	95.2%
Intangible assets	249	239	217	-12.9%	-9.2%
Income tax assets	518	468	409	-21.0%	-12.6%
Other assets	134	98	42	-68.7%	-57.1%
Total Assets	758,017	813,948	747,914	-1.3%	-8.1%
Financial liabilities measured at fair value through profit or loss	4,237	5,146	3,430	-19.0%	-33.3%
<i>Derivative financial liabilities</i>	4,237	5,146	3,430	-19.0%	-33.3%
Financial liabilities measured at amortised cost	680,029	734,183	663,608	-2.4%	-9.6%
<i>Amounts due to banks</i>	325,607	377,771	295,266	-9.3%	-21.8%
<i>Issued debt securities</i>	353,687	355,799	367,678	4.0%	3.3%
<i>Other financial liabilities</i>	735	613	664	-9.7%	8.4%
Hedging derivative liabilities	2,116	2,639	5,047	138.5%	91.2%
Provision	27	17	18	-33.3%	5.9%
Income tax liabilities	1	105	11	-	-89.5%
Other liabilities	1,578	821	1,479	-6.3%	80.1%
Total liabilities	687,988	742,911	673,593	-2.1%	-9.3%
Share capital	10,849	10,849	10,849	0.0%	0.0%
Treasury shares	-207	-207	-207	0.0%	0.0%
Share premium	27,926	27,926	27,926	0.0%	0.0%
Retained earnings	29,163	28,981	30,792	5.6%	6.2%
Other reserve	1,439	1,620	1,620	12.6%	0.0%
Profit for the year	877	1,811	2,728	211.1%	50.6%
Accumulated other comprehensive income	-18	57	613	-	-
Total equity	70,029	71,037	74,321	6.1%	4.6%
Total equity and total liabilities	758,017	813,948	747,914	-1.3%	-8.1%

As of 30 June 2023, the Bank's IFRS based total assets amounted to HUF 747.9 billion, which is 8.1% (HUF 66.0 billion) lower than at the end of previous year; and 1.3% lower than the same period of previous year.

The largest change occurred in the stock of financial assets at amortized cost, the gross value of which on 30 June 2023 decreased by 8.5% to HUF 715.5 billion compared to the end of 2022 and was 3.7% lower than in the previous year. The change in the portfolio of loans and advances to banks (interbank term deposit), which decreased by 14.0% at the end of the year and by 7.3% compared to the half-year last year, played a significant role in the decrease in the stock.

The value of cash and cash equivalents decreased by HUF 0.2 billion, 44.2%, while the book value of securities valued at fair value against other comprehensive income increased by HUF 3.2 billion, or 17.9% compared to the end of 2022. In addition, there has been a decrease in the value of derivative financial assets held for trading purposes, as well as in hedging derivatives, which together decreased by HUF 2.5 billion compared to the end of 2022.

Liabilities decreased by 9.3% compared to the end of previous year and by 2.1% compared to the same period of previous year.

The largest cut occurred in financial liabilities measured at amortized cost. As of 30 June 2023, the financial liabilities measured at amortised cost amounted to 663.6 billion, which is 9.6% lower than at the end of previous year and 2.4% lesser than the same period of previous year. Decrease in loans from MBH Investment Bank played a significant role in the decline of the portfolio, due to a change in the operating model of MBH Investment Bank.

Shareholder's equity increased from HUF 71.0 billion as of 31 December 2022 to HUF 74.3 billion as of 30 June 2023, while it increased by HUF 4.3 billion year-on-year.

Interest earning assets

The Bank's interest earning assets decreased from HUF 811.8 billion as of 31 December 2022 to HUF 746.6 billion as of 30 June 2023. Interest earning assets contributed 99.8% to the total assets.

The stock of central bank and other interbank placements reduced from HUF 68.6 billion at the end of December 2022 to HUF 8.7 billion by 30 June 2023, while in the same period of the previous year the stock of interbank placements amounts to HUF 56.5 billion. The proportion of this item in interest earning assets changed from 8.4% at the end of 2022 to 1.2% by the end of first half of 2023.

The value of Bank's financial assets at fair value through other comprehensive income boosted from HUF 18.2 billion as of 31 December 2022 to HUF 21.4 billion by 30 June 2023. The value of securities was HUF 1.2 billion in the same period of 2022 compared to it the portfolio increased by HUF 20.2 billion. At the end of H1 2023, the debt securities at fair value through other comprehensive income contributed 2.9% to interest earning assets.

The Bank's portfolio of debt securities measured at amortized cost decreased from HUF 319.7 billion on 31 December 2022 to HUF 316.6 billion on 30 June 2023. In the same period of 2022, this value was 312.6 billion forints. At the end of H1 2023, securities at amortized cost contributed 42.4% to interest earning assets.

Loans

As of 30 June 2023, net volume of customer and refinanced mortgage was 2.8% higher year-on-year and decreased by 0.9% on half year basis. In the first half of 2023 the impairment for loan losses amounted to HUF 0.9 billion, which is 42.5% than on 31 December 2022 and 23.0% lower compared to 30 June 2022.

Refinancing loans decreased by 0.4% to HUF 367.2 billion in the last half year, while there was a 5.2% year-on year growth. As of 30 June 2023, contribution of refinanced loans and gross own lending was 53.1% of interest earning assets; this rate was 51.0% a year before.

Portfolio quality

In the first half of 2023 the volume change of non-performing portfolio (stage 3) was marginal and compared to last year the rate of non-performing loan portfolio increased only to 0.74% (from 0.65%). The impairment coverage of non-performing portfolio decreased slightly compared to the end of the year.

Other assets

Tangible assets amounted to HUF 123 million as of 30 June 2023 and increased by 95.2% from the end of year 2022. Intangible assets amounted to HUF 217 million and decreased by 9.2% compared to the end of the year.

At the end of the first half of 2023, the stock of other assets amounted to HUF 42 million, and its volume further decreased.

Interest-bearing liabilities

The volume of interest-bearing liabilities decreased from HUF 734.2 billion from December 31, 2022 to HUF 663.6 billion on 30 June 2023, which means 88.7% proportion rate on the total liabilities. A year earlier, the overwhelming majority of the interest-bearing liabilities held 52.0% of the share of issuing securities, and by the end of the first half of 2023, the ratio increased to 55.4%. Over the past year the share of interbank and central bank's funds in interest-bearing liabilities has decreased from 48.1% to 44.6%, meanwhile this proportion was 51.5% at the end of year 2022.

Mortgage bond Issuance

In the first half of 2023 the total volume of issued mortgage bonds exceeded HUF 41 billion, resulted by four public auctions. From the total issued volume HUF 10 billion of covered bonds were issued in the first quarter and HUF 31 billion in the second quarter. Senior unsecured bond issuances did not take place in this period.

MBH Mortgage Bank executed its issuance strategy in accordance with the development of the overall investor demand and capital market environment. The tenors of the four issued mortgage bonds moved in a range between 4- to 10-year, and in addition to the issuance of fixed-rate

mortgage bonds, floating-rate mortgage bonds have been also offered. Also, close to 40% of the newly issued volume provided by green mortgage bonds.

In the first quarter of 2023 in January the MBH Mortgage Bank organized only one public auction benefiting from the MNB's still running Covered bond rollover facility and the slight increase in investors' demand for green mortgage bonds. At the beginning of January, MBHJ offered the second tranche of the TZJ32NF1 green mortgage bond series, originally with a 10-year term. For the offered HUF 10 billion (+/- with the possibility of deviation of 50%), the investors made a bid of more than HUF 15 billion, and finally, taking into account the yield premiums, the Issuer accepted a bid of HUF 10 billion. The spread related to the average yield was 120 basis points above the ÁKK benchmark.

In the second quarter – in April and June – MBH Mortgage Bank organized three auctions. In April, MBH Mortgage Bank offered the fourth tranche of the TZJ27NF1 green mortgage bond series, with the original tenor of 6-year, paying a fixed coupon. The offered amount was set at HUF 4 billion (with a possible +/- 50% deviation), the incoming bids exceeded HUF 10 billion, and finally – considering the spreads over the average yield of the offers – MBH Mortgage Bank issued a volume of HUF 6 billion. The spread over to the average auction yield came at 129 basis points above the ÁKK benchmark. With this issue, MBH Mortgage Bank's total portfolio of green mortgage bonds jumped to over HUF 29.6 billion at the end of June 2023, representing the 7.79% of the total outstanding portfolio of mortgage bonds.

In June two new mortgage bond series were offered at auction for investors. In mid-June, the mortgage bank offered the MJ33NF01 ten-year maturity, annually 9% fixed coupon series with a total volume of HUF 10 billion (with a possible +/- 50% deviation). The volume of incoming bids reached HUF 16.57 billion, while accepted bids and the issued volume were set at HUF 12.5 billion. The spread over the average auction yield of the government bond benchmark yield widened to 150 basis points. With this issuance the mortgage bank continued to benefit from the facility provided by central bank's covered bond rollover program.

At the end of June, the MBH Mortgage Bank organized another tender: adapting to the changing market environment a floating rate mortgage bond was offered at auction. The offered volume was set at HUF 12 billion (with a possible +/- 50% deviation) of the MJ27NV01 series with a 3 years and 10 months original maturity, and a variable, three-month BUBOR + 30 bp interest rate mortgage bond. The total demand came at HUF 14.25 billion and the issue volume was set HUF 12.45 billion at an average net price of 100%.

In the second quarter of 2023, a total of 31 billion forints of new mortgage bonds were put on the market, and in the entire first half of the year, 41 billion forints were sold in the framework of 4 auctions.

MBH Mortgage Bank issued a total of nearly 41 billion mortgage bonds in the first half of 2023. At the end of June 2023, the proportion of fixed coupon mortgage bonds within the entire portfolio decreased to 88.7%.

Maturities - buybacks

The fixed coupon, originally 5-year maturity mortgage bond series FJ23NF01 expired with the volume of HUF 26.2 billion in the first quarter of 2023. Also, MBH Mortgage Bank organized a public

re-purchase auction for FJ23NF02 series, where a total volume of HUF 2.3 billion was bought back and cancelled with the aim of reducing the maturity concentration in 2023.

Neither mortgage bond maturity, nor-repurchase transactions took place in Q2 2023. As a result, the outstanding amount of MBH Mortgage Bank mortgage bonds stood at HUF 379.7 billion and the end of June 2023.

The table below shows the transactions related to MBH Mortgage Bank's fund raising in the first half of 2023.

Series	Date of Issuance	Denom	Volume offered Mio HUF/EUR	Volume of bid Mio HUF/EUR	Issued volume Mio HUF/EUR	Coupon %	Ave yield/exch %	ÁKK (Bubor Benchmark spread (bp))	Birs Benchmark spread (bp)	Issuance Method
Q1										
TZJ32NF1 sr2	19.01.2023	HUF	10,000.00	15,175.00	10,000.00	5.75	8.91	ákk + 120	lrs + 113	auction
Mortgage Bonds Total			10,000.00	15,175.00	10,000.00					
Q1 Total			10,000.00	15,175.00	10,000.00					
Q2										
TJZ27NF1 sr4	13.04.2023	HUF	4,000.00	9,910.00	6,000.00	3.50	10.94	ákk + 129	lrs + 118	auction
MJ33NF01 sr1	15.06.2023	HUF	10,000.00	16,575.00	12,545.00	9.00	8.32	ákk +151	lrs + 95	auction
MJ27NV01 sr1	30.06.2023	HUF	12,000.00	14,250.00	12,450.00	15.83	100.00			auction
Mortgage Bonds Total			26,000.00	40,735.00	30,995.00					
Q2 Total			26,000.00	40,735.00	30,995.00					
H1 Total			36,000.00	55,910.00	40,995.00					

Mortgage bonds

The book value of mortgage bonds of HUF 367.7 billion on 30 June 2023 increased by 3.3%, or HUF 11.9 billion, compared to the value at the end of 2022 (HUF 355.8 billion), but year-on-year increased by 4.2% or more than HUF 14.7 billion since the first half of 2022.

in HUF million	30/06/2022		31/12/2022		30/06/2023	
	Book value	Nominal value	Book value	Nominal value	Book value	Nominal value
Mortgage bonds designated at fair value through profit or loss						
Listed mortgage bonds						
Fixed	323,489	262,430	324,940	336,923	325,202	336,919
Floating	30,198	30,703	30,859	30,326	42,476	42,776
Total	353,687	293,133	355,799	367,249	367,678	379,695
Mortgage bonds Total	353,687	293,133	355,799	367,249	367,678	379,695

Collateral of mortgage bonds

The net value of ordinary collateral of mortgage bonds issued by MBH Mortgage Bank amounted to HUF 549 billion as of 30 June 2023 (HUF 382.6 billion of capital and HUF 166.4 billion of interests), 3.7% (HUF 19.9 billion) more than the HUF 529.1 billion as of 31 December 2022 and 12% (HUF 58.7 billion) above the figure of 30 June 2022 (HUF 490.3 billion).

in HUF million	30/06/2022	31/12/2022	30/06/2023
Outstanding mortgage bonds			
Face value	364,049	367,249	379,695
Interest	58,943	55,666	71,071
Total	422,991	422,915	450,766
Value of the regular collateral			
Principal	359,012	376,389	382,614
Interest	131,309	152,742	166,359
Total	490,321	529,131	548,973
Value of assets involved as supplementary collateral			
Government and Hungarian Development Bank bonds, Mortgage (Covered) bonds	22,239	-	-
Total	22,239	-	-
Value of liquid assets			
Government and supranational bonds	-	35,827	49,513
Total	-	35,827	49,513

As of 30 June 2023, the net present value of cover pool assets was HUF 389.6 billion and the present value of the liabilities of mortgage bonds were HUF 336.3 billion. The present value of the cover pool assets exceeded that of liabilities of outstanding CMBs not yet repaid with a ratio of 115.84% at the end of June 2023.

The ratio of the net principal of cover pool assets and that of unpaid nominal value of liabilities of outstanding mortgage bonds was 113.2%, the ratio of net amount of interest on the cover pool assets and that of unpaid interest on liabilities of outstanding mortgage bonds was 236.72 % on June 30, 2023. The collateral value of real estate covering ordinary collateral was HUF 1,403 billion on 30 June 2023, compared to the amount of 31 December 2022 (HUF 1,324 billion) it increased modestly. The loan to value ratio (LTV) on normal collateral was 27.34% on 30 June 2023.

Provisions

In connection with contractual commitments, the stock of provisions created by the Bank amounted to HUF 18 million on 30 June 2023, which is only HUF 1 million higher than the provision requirement at the cut-off date of the previous year.

Individual Investors' Interest Association (TEBÉSZ) filed a lawsuit in the Capital Court of Appeal 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 27 August, 2019. The litigation was finally terminated. MBH Mortgage Bank Co. Plc. won the lawsuit. The TEBÉSZ has submitted an appeal with regard to the final judgement (No. 13.Gf.40.057/2021/11). The Curia remand the case

and ordered the Metropolitan Regional Court of Appeal for a new procedure. The Metropolitan Regional Court of Appeal overruled the judgement of the court of first instance Capital Court of Appeal and ordered the Capital Court Appeal for a new procedure. The procedure still is ongoing. The lawsuit doesn't represent financial risk for the Company. In view of the above mentioned, provision was not set up in the first half of 2023 financial report.

Other liabilities

As of June 2023, the amount of other liabilities amounted to HUF 1,479 million which is exceeded of the 2022 stock by HUF 658 million.

Shareholders' equity

The share capital of the Bank grew from HUF 71.0 billion from 31 December, 2022 to HUF 74.3 billion to 30 June 2023, and on annual basis HUF 4.3 billion growths was observed.

Capital position

The Hungarian Central 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 Group (MBH Investment Bank and MBH Mortgage Bank) amounted over HUF 95 billion at the end of June 2022, while its capital adequacy ratio was 43.3%.

DECLARATION

The management report for the first half of 2023 of MBH Mortgage Bank Plc. is based on stand-alone, non-audited IFRS financial statements.

MBH Mortgage Co. Plc. 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.

MBH Mortgage Co. Plc. hereby declares that the half-year financial statements of the year 2023 have been prepared in accordance with the applicable accounting standards and its best knowledge.

The 2023 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, 31 August, 2023

Dr. Gyula Nagy
Chief Executive Officer

Illés Tóth
Deputy-CEO

IV. STAND-ALONE FINANCIAL STATEMENTS OF MBH MORTGAGE BANK PLC. PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Stand-alone Income Statement

Stand-alone, audited data as of 31 December 2022, and non-audited data as of 30 June 2022 (H1 2022) and 30 June 2023 (H1 2023) according to IFRS

in HUF million	H1 2022	H2 2022	2022 audited	H1 2023	H1 2023 / H1 2022	H1 2023 / H2 2022
Interest income and similar to interest income	11,066	21,574	32,640	28,232	155.1%	30.9%
<i>Interest income calculated using the effective interest method</i>	10,043	18,739	28,782	23,532	134.3%	25.6%
<i>Income similar to interest income</i>	1,023	2,835	3,858	4,700	-	65.8%
Interest expense and expense similar to interest expense	-8,121	-17,964	-26,085	-24,922	206.9%	38.7%
<i>Interest expense calculated using the effective interest method</i>	-6,752	-14,350	-21,102	-19,797	193.2%	38.0%
<i>Expense similar to interest expense / Other interest expense</i>	-1,369	-3,614	-4,983	-5,125	274.4%	41.8%
Net interest income	2,945	3,610	6,555	3,310	12.4%	-8.3%
Fee and commission income	282	275	557	129	-54.3%	-53.1%
Fee and commission expense	-278	-270	-548	-228	-18.0%	-15.6%
Net fee and commission income	4	5	9	-99	-	-
Results from financial instruments	377	-684	-307	1,076	185.5%	-
Results from financial instruments measured at fair value through profit or loss, net	-498	-388	-886	958	-	-
<i>Gains on financial assets and liabilities designated at fair value through profit or loss</i>	50	0	50	0	-100.0%	-
<i>Results from financial instruments measured at fair value through other comprehensive income, net</i>	-362	89	-273	4	-	-95.5%
<i>Results from financial instruments measured at amortized cost, net</i>	361	0	361	93	-74.2%	-
<i>Results from hedge accounting, net</i>	433	-441	-8	361	-16.6%	-
<i>Exchange differences result, net</i>	393	56	449	-340	-	-
(Impairment) / Reversal on financial and non-financial instruments	-435	-741	-1,176	610	-	-
<i>(Impairment) / Reversal on financial instruments held for credit risk management</i>	-149	-408	-557	934	-	-
<i>Provision (loss) / gain</i>	0	2	2	-1	-	-
<i>Modification (loss) / gain on financial instruments</i>	-287	-335	-622	-323	12.5%	-3.6%
<i>(Impairment) / Reversal on other financial instruments</i>	1	0	1	0	-100.0%	-
Operating expense	-1,773	-1,035	-2,808	-1,828	3.1%	76.6%
Other income	42	33	75	31	-26.2%	-6.1%
Other expense	-182	-8	-190	-132	-27.5%	-
Profit before tax	978	1,180	2,158	2,968	203.5%	151.5%
Income tax benefit/(expense)	-101	-246	-347	-240	137.6%	-2.4%
Profit for the period	877	934	1,811	2,728	211.1%	192.1%
Basic EPS (yearly)	8.10 Ft	8.63 Ft	16.73 Ft	25.20 Ft	211.1%	192.1%
Diluted EPS (yearly)	8.10 Ft	8.63 Ft	16.73 Ft	25.20 Ft	211.1%	192.1%

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Investor relations: Illés Tóth

Comprehensive Income Statement	H1 2022	H2 2022	2022 audited	H1 2023	H1 2023 / H1 2022	H1 2023 / H2 2022
Profit for the period	877	934	1,811	2,728	211.1%	192.1%
Other comprehensive income/(loss) for the period	215	75	290	556	158.6%	-
Items that will not be reclassified to profit or loss	0	0	0	0	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	0	0	0	0	-	-
Income tax relating to items that will not be reclassified	0	0	0	0	-	-
Items that will be reclassified to profit or loss	215	75	290	556	158.6%	-
Hedging instruments	0	0	0	0	-	-
Debt instruments at fair value through other comprehensive income	215	75	290	556	158.6%	-
Total comprehensive income for the period	1,092	1,009	2,101	3,284	200.7%	225.5%

The percentage of the change is not shown in the table above if it is mathematically meaning less or greater than 300% in absolute value.

Stand-alone Statement of Financial Position

(Stand-alone, audited data as of 31 December 2022, and non-audited data as of 30 June 2022 and 30 June 2023 according to IFRS)

in HUF million	30/06/2022	31/12/2022	30/06/2023	30/06/2023 / 30/06/2022	30/06/2023 / 31/12/2022
Cash and cash equivalents	169	342	191	13.0%	-44.2%
Financial assets measured at fair value through profit or loss	12,535	11,854	9,709	-22.5%	-18.1%
<i>Loans and advances to customers mandatorily at fair value through profit or loss</i>	8,200	6,593	6,240	-23.9%	-5.4%
<i>Derivative financial assets</i>	4,335	5,261	3,469	-20.0%	-34.1%
Hedging derivative assets	257	975	301	17.1%	-69.1%
Financial assets measured at fair value through other comprehensive income	1,234	18,172	21,417	-	17.9%
<i>Securities</i>	1,234	18,172	21,417	-	17.9%
Financial assets measured at amortised cost	742,832	781,737	715,505	-3.7%	-8.5%
<i>Loans and advances to banks</i>	405,401	437,013	375,856	-7.3%	-14.0%
<i>Loans and advances to customers</i>	24,386	24,733	22,832	-6.4%	-7.7%
<i>Securities</i>	312,589	319,726	316,646	1.3%	-1.0%
<i>Other financial instruments</i>	456	265	171	-62.5%	-35.5%
Property, plant and equipment	89	63	123	38.2%	95.2%
Intangible assets	249	239	217	-12.9%	-9.2%
Income tax assets	518	468	409	-21.0%	-12.6%
<i>Current income tax assets</i>	6	0	0	-100.0%	-100.0%
<i>Deferred income tax assets</i>	512	468	409	-20.1%	-12.7%
Other assets	134	98	42	-68.7%	-57.1%
Total Assets	758,017	813,948	747,914	-1.3%	-8.1%
Financial liabilities measured at fair value through profit or loss	4,237	5,146	3,430	-19.0%	-33.3%
<i>Derivative financial liabilities</i>	4,237	5,146	3,430	-19.0%	-33.3%
Financial liabilities measured at amortised cost	680,029	734,183	663,608	-2.4%	-9.6%
<i>Amounts due to banks</i>	325,607	377,771	295,266	-9.3%	-21.8%
<i>Issued debt securities</i>	353,687	355,799	367,678	4.0%	3.3%
<i>Other financial liabilities</i>	735	613	664	-9.7%	8.4%
Hedging derivative liabilities	2,116	2,639	5,047	138.5%	91.2%
Provision	27	17	18	-33.3%	5.9%
Income tax liabilities	1	105	11	-	-89.5%
<i>Current income tax liabilities</i>	1	105	11	-	-89.5%
Other liabilities	1,578	821	1,479	-6.3%	80.1%
Total liabilities	687,988	742,911	673,593	-2.1%	-9.3%
Share capital	10,849	10,849	10,849	0.0%	0.0%
Treasury shares	-207	-207	-207	0.0%	0.0%
Share premium	27,926	27,926	27,926	0.0%	0.0%
Retained earnings	29,163	28,981	30,792	5.6%	6.2%
Other reserve	1,439	1,620	1,620	12.6%	0.0%
Profit for the year	877	1,811	2,728	211.1%	50.6%
Accumulated other comprehensive income	-18	57	613	-	-
Total equity	70,029	71,037	74,321	6.1%	4.6%
Total equity and total liabilities	758,017	813,948	747,914	-1.3%	-8.1%

The percentage of the change is not shown in the table above if it is mathematically meaning less or greater than 300% in absolute value.

Cash Flow Statement

(audited data as of 31 December 2022, and non-audited data as of 30 June 2022 and 30 June 2023 according to IFRS)

in HUF million	30 June 2022	31 December 2022	30 June 2023
Cash flow from operating activities			
Profit for the period	877	1,811	2,728
<i>Non cash adjustments to net profit from:</i>			
Depreciation and amortization	32	67	35
Impairment/provision/ (-) Release of impairment/provision for losses	154	522	-934
Provision/ (-) Release of other provision	0	-11	0
Gain/(loss) on tangible and intangible assets derecognized	-17	5	9
Fair value adjustment of derivatives	-506	1,354	987
Fair value adjustment on financial liabilities at fair value through profit or loss, other than derivatives	-50	0	0
Operating profit/(loss) before change in operating assets	490	3,748	2,825
<i>Decrease/(Increase) in operating assets:</i>			
Trading derivatives and hedging transactions	1,254	2,327	2,524
Financial assets at fair value through other comprehensive income	25,224	8,360	-2,689
Financial assets measured at amortized cost	-116,223	-157,082	67,166
Other assets	271	357	115
Financial liabilities measured at amortized cost	4,705	-50	78
Other liabilities	604	-49	678
Net cash flow from operating activities	-83,675	-142,389	70,697
Cash flow from investing activities			
Proceeds from sales of tangible and intangible assets	10	46	23
Purchase of tangible and intangible assets	-66	-122	-105
Net cash outflow from investing activities	-55	-76	-82
Cash flow from financing activities			
Repayment of long term loans	83,697	142,605	-70,626
Repayment of leasing liabilities	-27	-27	-27
Net cash outflow from financing activity	83,670	142,578	-70,653
Decrease in cash and cash equivalents	-60	113	-38
Opening balance of cash and cash equivalents	229	229	229
Closing balance of cash and cash equivalents	169	342	191
Breakdown of cash and cash equivalents:			
Balances with National Bank of Hungary	5	14	5
Due from banks with a maturity of less than 90 days	163	328	186
Closing balance of cash and cash equivalents	169	342	191
<i>Supplementary data</i>			
<i>Interest received</i>	<i>11,066</i>	<i>32,640</i>	<i>28,232</i>
<i>Interest paid</i>	<i>-8,122</i>	<i>-26,085</i>	<i>-24,921</i>

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Statement of Shareholders' Equity

(Stand-alone, audited data as of 1 January 2022 and 31 December 2022 and non-audited data as of 30 June 2023 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
01.01.2022	10,849	27,926	0	-233	29,162	1,439	-207	68,936
Profit for the year					877			877
Other comprehensive income				215				215
01.07.2022	10,849	27,926	0	-18	30,039	1,439	-207	70,029
Profit for the year					934			934
Other comprehensive income				75				75
Other capital movements (general reserve)					-181	181		0
30.12.2022	10,849	27,926	0	57	30,792	1,620	-207	71,037
Profit for the year					2,728			2,728
Other comprehensive income				556				556
30.06.2023	10,849	27,926	0	613	33,520	1,620	-207	74,321

Off-balance Sheet items – Commitments

(Non-audited data as of 30 June 2022 and 30 June 2023 and audited data as of 31 December 2022 according to IFRS)

in HUF million	30 June 2022	31 December 2022	30 June 2023
Commitments			
Guarantees	-	-	-
Undrawn commitments	26,024	27,103	27,549
Total	26,024	27,103	27,549

Transactions with related parties

(Stand-alone, audited data as of 31 December 2022, and non-audited data as of 30 June 2022 and 30 June 2023 according to IFRS)

in HUF million	30 June 2022		31 December 2022		30 June 2023	
	Parent and superior parent	Related parties	Parent and superior parent	Related parties	Parent and superior parent	Related parties
Due from banks	1,929	37,515	50,254	18,608	134	8,703
Loans to customers	153,557	178,645	160,398	191,987	352,350	0
Other assets	0	78	1,046	37	2,630	24
Total assets	155,485	216,237	211,698	210,632	355,115	8,727
Due to banks	0	86,009	122,293	15,007	15,006	43,842
Other liabilities*	33,260	32,343	38,149	35,254	73,038	27
Total liabilities	33,260	118,352	160,442	50,261	88,044	43,869
Interest income	1,971	3,628	9,519	8,628	11,777	7,531
Interest expense	-921	-2,819	-9,696	-1,742	-3,260	-13,316
Net interest income	1,050	809	-177	6,886	8,517	-5,785
Fees and commission income	639	51	88	314	38	41
Fees and commission expense	-4	71	69	-375	-42	-133
Net fees and commissions	636	123	19	-61	-4	-92
Other operating income	0	-206	466	894	697	-1,304
Other operating expense	-526	-1,062	-1,259	-2,225	-119	-360
Operating profit	-526	-1,269	-793	-1,331	578	944
General and administrative expenses	0	-28	-184	-122	0	-17
Profit for the year	1,160	-365	-1,135	5,372	9,092	-4,950

* includes the issued securities

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 MBH Mortgage Bank and its related parties are presented, according to the mark below the table.

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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 2023)

Description of owner	Total equity ¹						Listed series ¹					
	At the beginning of actual year (01.01.2023)			End of actual period (30.06.2023)			At the beginning of actual year (01.01.2023)			End of actual period (30.06.2023)		
	% ²	% ³	Qty	%	%	Qty	%	%	Qty	%	%	Qty
Series "A" shares listed on BSE												
Domestic institution/company	52.10	52.23	56,527,893	52.10	52.22	56,522,836	52.10	52.23	56,527,893	52.10	52.22	56,522,836
Foreign institution/company	0.00	0.00	5,980	0.00	0.00	6,924	0.00	0.00	5,980	0.00	0.00	6,924
Domestic individual	2.83	2.83	3,062,275	2.83	2.83	3,065,598	2.83	2.83	3,062,275	2.83	2.83	3,065,598
Foreign individual	0.00	0.00	10,089	0.00	0.00	10,089	0.00	0.00	10,089	0.00	0.00	10,089
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	44.80	44.90	48,597,602	44.80	44.90	48,597,602	44.80	44.90	48,597,602	44.80	44.90	48,597,602
Other	0.03	0.03	32,860	0.03	0.03	33,650	0.03	0.03	32,860	0.03	0.03	33,650
Series total	100.00	100.00	108,490,300	100.00	100.00	108,490,300	100.00	100.00	108,490,300	100.00	100.00	108,490,300
TOTAL	100.00	100.00	108,490,300	100.00	100.00	108,490,300	100.00	100.00	108,490,300	100.00	100.00	108,490,300

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!

⁴E.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 2022		31 December 2022		30 June 2023	
MBH Mortgage Bank Co. 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 2023)

Name	Custodian Bank (yes/no)	Number of shares	Stake (%)
MBH Befektetési Bank Zrt.	no	52,531,760	48.42%
Magyar Posta Zrt.	no	43,076,417	39.71%
Total		95,608,177	88.13%

Owners with more than 5% ownership relating to total equity (as at 30 June 2023)

Name	Custodian Bank (yes/no)	Number of shares	Stake (%)
MBH Befektetési Bank Zrt.	no	52,531,760	48.42%
Magyar Posta Zrt.	no	43,076,417	39.71%
Total		95,608,177	88.13%

DATA FORMS RELATED TO THE ORGANISATION AND OPERATION OF THE ISSUER

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

	30/06/2022	31/12/2022	30/06/2023
MBH Mortgage Bank Plc.	14.88	14.23	16.20

Persons in senior positions and (strategic) employees having an influence on the operations of the Bank (as at 30 June 2023)

Type ¹	Name	Position	Beginning of mandate	End/ termination of mandate	No. of shares held
BoD	Vida József	Chairman	01/12/2021	30/11/2026	0
BoD	dr. Nagy Gyula	Member, CEO	01/12/2021	30/11/2026	0
BoD	Tóth Illés	Member, Deputy CEO	01/12/2022	30/11/2026	0
BoD	Brezina Szabolcs Károly	Member	09/12/2022	30/11/2026	0
BoD	dr. Török Ilona	Member	14/11/2022	30/11/2026	0
BoD	Ginzer Ildikó	Member	03/12/2021	30/11/2026	0
BoD	Kalenyák Gábor	Member	19/12/2022	30/11/2026	0
SB/AB	dr. Láng Géza Károly	Chairman	12/07/2022	02/01/2027	0
SB/AB	dr. Gödör Éva	Member	03/01/2022	02/01/2027	0
SB/AB	Krizsanovich Péter	Member	29/06/2023	02/01/2027	0
SB	dr. Lélfa Koppány Tibor	Member	03/01/2022	02/01/2027	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 2023

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 or senior unsecured bonds (offerings and repurchase, updating of the domestic and international mortgage bond issues program, value of mortgage bonds and their cover), announcements regarding rating changes
- 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 MBH Mortgage Bank are available at the following sites:

www.bet.hu


www.kozzetetelek.hu

<https://mbhmortgagebank.hu>

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Abbreviations



MNB, NBH	National Bank of Hungary (the central bank of Hungary)
MBHMB, Mortgage Bank, Bank, Company, Issuer	MBH Mortgage Bank Co. Plc.
IHKSZ	Central Organization of Integrated Credit Institutions
IFRS	International Financial Reporting Standards
ESG	Environment, Social, Governance