MBH Investment Bank Co. Ltd.

Independent Auditor's Report

Separate Financial Statements in accordance with the International Financial Reporting Standards adopted by the European Union

Business Report

31. December 2024.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of MBH Befektetési Bank Zrt.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of MBH Befektetési Bank Zrt. (the "Company") for the financial year ended on 31 December 2024 which comprise the separate statement of financial position as at 31 December 2024 (in which total assets equal to total liabilities and equity are MHUF 406,494), the separate statement of profit or loss and other comprehensive income (in which the total comprehensive income is MHUF 6,745 profit), the separate statement of changes in equity, the separate statement of cash flows for the financial year then ended and the notes to the separate financial statements comprising material accounting policy information and other explanatory information.

In our opinion, the separate financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2024, and of its separate financial performance and its separate cash flows for the financial year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and they have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Accounting Act") relevant for the annual financial statements prepared in accordance with IFRS as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee dated 28 March 2025.

Basis for opinion

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

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

We did not provide non-audit services to the Company and its controlled entity within the EU, in the period from 1 January 2024 to 31 December 2024.

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

Our audit approach

Overview

Overall materiality	Overall materiality applied was MHUF 461

Key Audit Matter	Accounting for the Revenue of Investment Service Activities

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

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

Materiality

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

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

Materiality	MHUF 461
Determination	1% of the separate equity
Rationale for the materiality benchmark applied	We chose separate equity as the benchmark because, in our view, it is a balanced benchmark which reflects the interests of the shareholders and of the regulator and is a generally accepted benchmark. We chose 1% which is consistent with quantitative materiality thresholds used for companies in this sector.

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Accounting for the Revenues of	

Investment Service Activities

The revenue from investment service activities in the year 2024 is HUF 24,549 million, which accounts for 98% of the Company's net fee and commission income.

The Company presents the revenues from investment service activities in section 4.2 of the notes, where it details the activities from which the revenues originate.

Given that the Company uses multiple sales channels and, as a result, the revenues come from many different sources, their accounting and recording are complex.

We have paid special attention to this area because, in accordance with the Company's strategy, the revenue from investment service activities is continuously increasing, and due to the wide range of services, it is determined through complex accounting processes.

We understood and evaluated the process of accounting for fee and commission income from investment service activities, the main control points and tested their operational effectiveness, and assessed the IT systems involved in the accounting, their control environment, and examined their integrity.

Using a sampling method, we checked whether the accounting of selected fee and commission income is in line with the underlying documents and business transactions. Additionally, we conducted an analysis of year-over-year changes.

We have read section 4.2 of the notes to the separate financial statments to assess whether the disclosures are in accordance with the requirements of *IFRS 15 Revenue from Contracts with Customers* standard.

Other information

Other information comprises the separate business report of the Company for the financial year ended on 31 December 2024. Management is responsible for the preparation of the separate business report in accordance with the provisions of the Accounting Act and other relevant regulations. Our opinion on the separate financial statements does not cover the separate business report.

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

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

In our opinion, the other information is consistent, in all material respects, with the separate financial statements for the financial year ended on 31 December 2024, and the separate business report is consistent, in all material respects, with the provisions of the Accounting Act. As there is no other regulation prescribing further requirements for the separate business report, we do not express an opinion in this respect.

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

As the conditions for the sustainability statement in Section 95/E of the Accounting Act are not met, we have nothing to state in this respect.

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

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

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

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

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

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

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

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

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company on 28 April 2022. Our appointment has been renewed annually by shareholders' resolutions representing a total period of uninterrupted engagement appointment of 3 years. Our appointment for the year ended 31 December 2024 was approved by the shareholders' resolution on 24 April 2024.

Budapest, 28 March 2025

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

Translation note:

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

M B H I n v e s t m e n t B a n k Co. Ltd.

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Statistic code

Separate Financial Statements

Prepared in accordance with
International Financial Reporting Standards
(IFRS) as adopted by the EU

Budapest, 28 March 2025

31 December 2024

Table of Contents

Data in HUF million except stated otherwise

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	31.12.2024	31.12.2023*
Assets			
Cash and cash-equivalents	4.10	**185 747**	**100 490**
Financial assets measured at fair value through profit or loss		**27 725**	**34 288**
Loans and advances to customers mandatorily at fair value through profit or loss	4.11.1	0	49
Securities held for trading	4.11.2	750	1 624
Securities mandatorily at fair value through profit or loss	4.11.3	13 624	10 456
Derivative financial assets	4.11.4	13 351	22 159
Financial assets measured at fair value through other comprehensive income		**5 051**	**5 432**
Debt and equity securities	4.12.1	5 051	5 432
Financial assets measured at amortised cost		**112 451**	**169 946**
Loans and advances to banks	4.13.1	28 522	112 062
Reverse sale and repurchase agreements	4.13.2	79 009	56 985
Other financial assets	4.13.3	4 920	899
Investments in subsidiaries and associates	4.14	**65 760**	**82 878**
Property and equipment	4.15, 4.16	**2 976**	**3 188**
Intangible assets	4.15	**4 334**	**4 451**
Income tax assets		**0**	**2**
Current income tax assets		0	2
Other assets	4.18	**2 450**	**9 201**
Total assets		**406 494**	**409 876**
Liabilities			
Financial liabilities measured at fair value through proft or loss		**10 570**	**22 466**
Derivative financial liabilities	4.11.4	10 570	21 586
Financial liabilities from short positions	4.19	0	880
Financial liabilities measured at amortised cost		**346 767**	**341 092**
Amounts due to banks	4.20.1	213 344	242 919
Sale and repurchase agreements	4.20.1	39 390	16 615
Subordinated debts	4.20.2	8 470	8 742
Other financial liabilities	4.20.4	85 563	72 816
Provisions for liabilities and charges	4.21	**102**	**109**
Income tax liabilities		**361**	**3 730**
Current income tax liabilities		277	3 652
Deffered income tax liabilities	4.17	84	78
Other liabilities	4.23	**2 615**	**3 145**
Total liabilities		**360 415**	**370 542**
Equity			
Share capital	4.25	**3 390**	**3 390**
Treasury shares	4.25	**(2 539)**	**(2 539)**
Share premium	4.25	**3 479**	**3 479**
Retained earnings	4.25	**34 574**	**28 939**
Other reserves	4.25	**1 303**	**638**
Profit for the year	4.25	**6 651**	**6 300**
Accumulated other comprehensive income	4.25	**(779)**	**(873)**
Total equity		**46 079**	**39 334**
Total liabilities and equity		**406 494**	**409 876**

*Explained in note 2.6.

Approved for issue on behalf of the Board of Directors in Budapest on 28 March 2025.

Brezina Szabolcs Károly
CEO

Monostori Ákos
Deputy CEO

Data in HUF million except stated otherwise

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Interest income		**32 075**	**117 297**
Interest income calculated using effective interest rate method	4.1	14 353	69 917
Other income similar to interest	4.1	17 722	47 380
Interest expense		**(30 288)**	**(114 783)**
Interest expense calculated using effective interest rate method	4.1	(16 505)	(73 779)
Other expense similar to interest	4.1	(13 783)	(41 004)
Net interest income		**1 787**	**2 514**
Fee and commission income	4.2	**24 952**	**19 902**
Fee and commission expenses	4.2	**(18 886)**	**(18 011)**
Net income from fees and comission		**6 066**	**1 891**
Result from remeasurement and derecognition of financial instruments	4.3	**5 818**	**16 960**
Result from remeasurement and derecognition of financial instruments measured at fair value through profit or loss		9 328	5 715
Result from derecognition of debt and equity securities measured at fair value through other comprehensive income		68	1 418
Results from derecognition of loans and debt securities measured at amortised cost		0	11 653
of which: Loans and debt securities measured at amortised cost		0	(42 152)
of which: Financial liabilities measured at amortized cost		0	53 805
Foreign exchange gains less losses		(3 578)	(1 826)
Allowances for expected credit losses, provisions for liabilities and charges and impairment of non-financial assets	4.4	**5 596**	**3 077**
Expected credit loss on financial assets, financial guarantees and loan commitments		(526)	1 081
Provisions for litigation, restructuring and similar charges		(30)	284
(Impairment) / reversal of impairment on other investments		6 262	1 711
(Impairment) / reversal of impairment on other financial and non-financial assets		(110)	1
Dividend income	4.5	**761**	**1 490**
Administrative and other operating expense	4.6	**(15 951)**	**(23 663)**
Other income	4.7	**4 970**	**9 579**
Other expense	4.7	**(311)**	**(516)**
Profit before taxation		**8 736**	**11 332**
Income tax income / (expense)	4.8	**(2 085)**	**(5 032)**
Profit for the year		**6 651**	**6 300**

Data in HUF million except stated otherwise

	Note	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Items that may be reclassified to profit or loss		**65**	**(246)**
Debt instruments at fair value through other comprehensive income:		72	(232)
Fair value changes		112	0
Reclassification of accumulated remeasurements to profit or loss upon de-recognition		(40)	(232)
Income tax relating to items that may be reclassified subsequently		(7)	(14)
Items that may not be reclassified to profit or loss		**29**	**67**
Fair value changes of equity instruments measured at fair value through other comprehensive income		29	67
Other comprehensive income for the year net of tax		**94**	**(179)**
Total comprehensive income		**6 745**	**6 121**

Data in HUF million except stated otherwise

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	(-) Treasury shares	Share premium	Retained earnings	Other reserves	Profit for the year	Accumulated other comprehen-sive income	Total equity
01.01.2023	4.25	**3 390**	**(2 539)**	**3 479**	**31 580**	**8**	**(5 977)**	**(694)**	**29 247**
Profit for the year		0	0	0	0	0	6 300	0	**6 300**
Other comprehensive income for the year net of tax		0	0	0	0	0	0	(179)	**(179)**
General reserve for the year		0	0	0	(630)	630	0	0	**0**
Transfer of previous year's profit		0	0	0	(5 977)	0	5 977	0	**0**
01.01.2024	4.25	**3 390**	**(2 539)**	**3 479**	**24 973**	**638**	**6 300**	**(873)**	**35 368**
Adjustment to the profit and loss account for the previous year*		0	0	0	3 966	0	0	0	**3 966**
01.01.2024 Adjusted opening	4.25	**3 390**	**(2 539)**	**3 479**	**28 939**	**638**	**6 300**	**(873)**	**39 344**
Profit for the year		0	0	0	0	0	6 651	0	**6 651**
Other comprehensive income for the year net of tax		0	0	0	0	0	0	94	**94**
General reserve for the year		0	0	0	(665)	665	0	0	**0**
Transfer of previous year's profit		0	0	0	6 300	0	(6 300)	0	**0**
31.12.2024	4.25	**3 390**	**(2 539)**	**3 479**	**34 574**	**1 303**	**6 651**	**(779)**	**46 079**

*Explained in note 2.6.

The Bank's management does not reccomend paying dividends from the 2024 profit.

Data in HUF million except stated otherwise

SEPARATE STATEMENT OF CASH FLOWS

	Note	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Cash flow from operating activities			
Profit/ (Loss) before taxation		**8 736**	**11 332**
Adjustments for non-cash income and expenses, interest, dividends and tax:			
Depreciation, amortisation and impairment	4.4, 4.6	2 218	1 855
Expected credit loss / (reversal) on financial instruments held for credit risk management	4.4	358	(1 125)
Impairment / (Reversal of impairment) on securities, associates and other investments	4.4	(6 262)	(1 904)
Immpairment / (Reversal of impairment) on other assets	4.4	110	0
(Reversal of provisions for) / Recognise provision on other items	4.4	(7)	18
Revaluation of loans and advances to customers mandatorily at fair value through profit or loss	4.11.1	(5)	4
Revaluation of securities	4.3	(3 113)	1 609
Net interest income	4.1	1 845	3 323
Dividends from shares and other non-fixed income securities	4.5	(761)	(1 490)
Foreign Exchange movement	4.3	(2 614)	572
Income on sale of investments	4.14	(3 216)	0
Interest received	4.1	28 548	114 512
Interest paid	4.1	(30 673)	(116 168)
Dividends received	4.5	761	1 490
Income tax	4.8	(5 452)	(3 495)
Adjusted profit / (loss) before taxation		**(9 527)**	**10 533**
Change in loans and advances to banks	4.13.1	57 075	777 901
Change in securities	4.11.2, 4.11.3, 4.12.1	462	77 398
Change in derivative assets	4.11.4	8 808	72 635
Change in other assets	4.18	6 395	4 922
Change in amounts due to banks (short term)	4.20.1	16 732	(1 139 585)
Change in other liabilities	4.23	(537)	99
Change in derivative liabilities	4.11.4	(11 016)	(74 132)
Net change in assets and liabilities of operating activities		**77 919**	**(280 762)**
Net cash (used in) / generated by operating activities		**68 392**	**(270 229)**
Cash flow from investing activities			
Increase of associates and other investments	4.14	(5 000)	(2 500)
Decrease of associates and other investments	4.14	31 566	0
Purchases of property, equipment and intangible assets	4.15	(1 665)	(879)
Disposals of property, equipment and intangible assets	4.15	22	16
Disposals and redemptions of debt securities measured at amortised cost		0	234 359
Net cash (used in) / generated by investing activities		**24 923**	**230 996**
Cash flow from financing activities			
Repayment of principal of lease liabilities	4.16	(672)	(838)
Decrease in amounts due to banks (long-term)	4.20.1	(150 000)	(273 964)
Increase in amounts due to banks (long-term)	4.20.1	140 000	150 000
Net cash (used in) / generated by financing activities		**(10 672)**	**(124 802)**

Data in HUF million except stated otherwise

	Note	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Net increase / (decrease) of cash and cash-equivalents		**82 643**	**(164 035)**
Cash and cash-equivalents at 1 January		**100 490**	**265 097**
FX change on cash and cash-equivalents	4.3	2 614	(572)
Net cash-flow of cash and cash-equivalents	4.10	82 643	(164 035)
Cash and cash-equivalents at the end of the year		**185 747**	**100 490**

Data in HUF million except stated otherwise

1. GENERAL INFORMATIONS

The separate financial statements of MBH Investment Bank Co. Ltd. (MTB Bank of Hungarian Saving Cooperatives Co. Ltd. until 1 May, 2023) (hereinafter Bank, Company) for the year ended 31 December 2024 was approved on 28 March 2025. The final approval on the separate financial statements is provided by the General Meeting.

The MBH Investment Bank Co. Ltd. is an institution with a decades-long history, which prior to 1 May 2023 operated under the name MTB Magyar Takarékszövetkezeti Bank Zrt.

According to the Takarék Group's business strategy for the period 2019-2023, which have been adopted by the General Meeting of the Bank on 30 November 2018, in 2019 was established a new, universal, commercial bank in which the savings cooperatives merged and hereinafter the new bank serves the customers of all savings as the national commercial bank of the Takarék Group.

On 9 December 2022, the supreme bodies of MKB Bank and Takarékbank Ltd. adopted the proposals for the merger of the two member banks as part of the implementation of the second step of the merger schedule of Magyar Bankholding. According to the decisions of the General Meetings, the two member banks of the banking group, MKB Bank Plc. and Takarékbank Ltd., will merge on 30 April 2023 and will then continue their operations under the name MBH Bank Plc, with a single brand name and image. In February 2023, the MNB approved the merger of Takarékbank Ltd. into MKB Bank Plc. with effect from 30 April 2023, and the merger was registered by the Court of Registration. At the same time, the Bank will continue to operate as MBH Investment Bank Co. Ltd. In line with the strategic plans, the newly established banking group intends to sell its versatile investment product portfolio uniformly through MBH Investment Bank Ltd. At the same time, the Bank will continue its activities after the merger under the name MBH Investment Bank Co. Ltd. through a financial institution focused on investment services.

MBH Investment Bank Co. Ltd. operates in the financial market as a member of the MBH Group, but as a separate independent credit institution specialising in investment produts and services. MBH Investment Bank aims to the Group’s highly diversified portfolio of investment products with a high level of service.

Significant services provided by the Bank:
- Securities and customer account management
- Distribution of investment instruments
- Custody services
- Private banking
- Investment advice

1.1. The shareholder structure of MBH Investment Bank

The shareholder structure of MBH Investment Bank Co. Ltd. is the following as of 31 December 2024:

Owner	2024 Ownership share (%)	2023 Ownership share (%)
MBH Bank Plc.	80.55	80.55
MBH Investment Bank Ltd. (Treasury shares)	19.45	19.45
Total	**100.00**	**100.00**

Shareholders' name, and voting rights on 31 December 2024:

Name	Address (Seat)	Preference shares (pieces)	Ordinary shares (pieces)	Shares (pieces)	Face value (thousand HUF)	Holding (%)	Voting share (%)
MBH Bank Plc.	Budapest	0	1 365 456	1 365 456	2 730 912	80.55	100
MBH Investment Bank Ltd.	Budapest	0	329 659	329 659	659 318	19.45	0
Takarék Egyesült Szövetkezet	Budapest	0	1	1	2	0.00	0
MBH Duna Bank Ltd.	Budapest	0	1	1	2	0.00	0
MBH Mortgage Bank Plc.	Budapest	0	1	1	2	0.00	0

Shareholders' name, and voting rights on 31 December 2023:

Name	Address (Seat)	Preference shares (pieces)	Ordinary shares (pieces)	Shares (pieces)	Face value (thousand HUF)	Holding (%)	Voting share (%)
MBH Bank Plc.	Budapest	0	1 365 456	1 365 456	2 730 912	80.55	100
MBH Investment Bank Ltd.	Budapest	0	329 659	329 659	659 318	19.45	0
Takarék Egyesült Szövetkezet	Budapest	0	1	1	2	0.00	0
MBH Duna Bank Ltd.	Budapest	0	1	1	2	0.00	0
MBH Mortgage Bank Plc.	Budapest	0	1	1	2	0.00	0

In MBH Investment Bank Magyar Bank Plc., 1 member has an ownership share above 10%, the number of shares is 1,365,456, the ownership share: 80.55%, and the voting share is 100%. In addition, no other member holds more than 5% of the shares.

The Group has no ultimate controlling party.

Chairman of the Board of Directors
Dr. Zsolt Barna

Chairman of the Supervisory Board
Ádám Egerszegi

Members of the Board of Directors
Dr. Zsolt Barna
Szabolcs Károly Brezina
Ildikó Ginzer
Dr. Ilona Török
Dr. Nándor Tóth
Gyula Márk Pleschinger
Levente László Szabó

1.2. Availability of financial statements and annual report

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

Data in HUF million except stated otherwise

Seat: 1117 Budapest, Magyar Tudósok körútja 9. G. ép.
Website address: www.mbhbefektetesibank.hu

MBH Investment Bank Co. Ltd. prepares its Separate Financial Statements under IFRS, that is published and available at:
https://www.mbhbefektetesibank.hu/kozzetetelek-eves-beszamolok

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

Auditor company
PricewaterhouseCoopers Auditing Ltd.

Statutory registered auditor
Árpád Balázs

Responsible person for the control and management of accounting services:
Edit Júlia Tóth-Zsinka, Managing Director
Ildikó Brigitta Tóthné Fodor (registration number 007048)

Fee of audit and other services provided by the auditor*:

	2024	2023
Annual fee of audit services	53 406 000	46 440 000
Non-audit services provided by the auditor	0	139 700
Total fee of services provided by the auditor	**53 406 000**	**46 579 700**

* The fees shown are in HUF and not include VAT.

Apart from this item, the Bank did not use any other audit services during 2024.

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

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

- Government Decrees on the different application of the provisions of CCXXXVII of 2013 on Credit Institutions and Financial Enterprises and certain related legislative provisions;
- the amendment of Government Decree No 197/2022 (4.VI.) on extraprofit taxes Decree (most recently 356/2024 (21.XI.), changing the relevant regulation of the special tax for Credit Institutions and Financial Enterprises.

The members of the banking group are subject to the global minimum tax under Act LXXXIV of 2023, but are temporarily exempted from paying the tax under Article 47 of this Act.

1.4. Sustainability activity (ESG)

The Bank's parent company (MBH Bank Plc.) is required to report on Sustainability about the year of 2024 under the Corporate Sustainability Reporting Directive (CSRD) and the Hungarian Accounting Act. The Sustainability Report will be presented in the parent company's consolidated business report.

2. MATERIAL ACCOUNTING POLICY INFORMATION

Accounting policies are the specific principles, bases, conventions, rules and practices adopted by the Bank in preparing and presenting the separate financial statements. Current note contains the main accounting policies and principles that can be interpreted at a general level, for more detailed accounting policies related to specific balance sheet and profit and loss items please see Note 4.

2.1. Basis of reporting

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

The functional currency of the members of the Bank is the Hungarian forint (HUF). In these financial statements, all figures are presented in millions of HUF, and any different amounts are indicated separately.

2.2. Foreign currencies

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

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

2.3. Presentation in the financial statements

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

2.4. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense.
Management discusses with the Bank's Supervisory Board the development, selection and disclosure of the critical accounting policies and estimates, and the application of these policies and estimates. These disclosures supplement the commentary on financial risk management (see Note 3).

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

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy.

In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

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

Uncertain or unanticipated future events could result in material adjustments to provisions or additional allowances. The accounting values determined are not fair values or market prices that might be determined if the underlying assets are sold to a third party. For further information please see Note 3.2.1.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument (see Note 4.).

2.5. Change in estimates

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

2.6. Error

After the balance sheet date of the separate financial statements of 2023, other than the correction below, there were no mistakes or errors discovered which are significant and affect the decision made by the users based on the financial statements.

In 2024, but for 2023 the following transaction has been accounted for.

From 2018 until 30 April 2023, the Bank performed card clearing activities for other credit institutions in Hungary. In accordance with the terms of business, settlement with the sponsored banks and the card issuer companies (VISA and Mastercard) was carried out at different exchange rates. The risk arising from the different exchange rate was borne by the Bank and therefore the resulting profit/loss was also incurred by the Bank.

The card settlement process at the Bank, designed to serve the sponsored banks, did not fully track the changes in the settlement process on the card issuer company side. Due to the particularities of the process, the resulting difference was recorded as a cumulative receivable/liability, the accumulated value of which was HUF 3,966 million (liability) at 31 December 2023, which should have been recognised as a realised exchange rate difference (gain) for the period 2018-2023.
There is no complete itemized statement available retrospectively for the above-mentioned period, which would allow the exchange rate gains or losses for each year to be determined ex post, without disproportionate cost and effort. Therefore, for reasons of impracticability, the Bank does not present the period-specific effects of the above adjustment. The adjustment is made by the Bank by adjusting the liability and equity balances presented for the earliest period presented (31 December 2023), resulting in an adjustment to the balances of Retained earnings (increases) and Other financial liabilities (decreases) by the amount of HUF 3,966 million as previously mentioned.
The tax effect related to the adjustment of the above amount will be presented in 2024, in the year of the tax adjustment, under the Income tax income/(expense) line in the Separate Statement of Profit or Loss and Other Comprehensive Income.

2.7. Adaptation of revised and new IFRS/IAS Standards

2.7.1. The effect of adopting new and revised International Reporting Standards effective from 1 January 2024

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

- **Amendments to IFRS 16 „Leases”**: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- **Amendments to IAS 1 „Presentation of Financial Statements”** - Classification of Liabilities as Current or Non-Current (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).
- **Amendments to IAS 7 „Statement of Cash Flows” and IFRS 7 „Financial Instruments: Disclosures”:** Supplier Finance Arrangements (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024).

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

2.7.2. New standards and amendments tot he existing standards issued by IASB no yet effective and/or not yet adopted by the EU

- **Amendments to IAS 21 „Lack of Exchangeability”** (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025).
- **Amendments to IFRS 9 and IFRS 7** (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026). Amendments to the Classification and Measurement of Financial Instruments.
- **IFRS 18 „Presentation and Disclosure in Financial Statements”** (issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027). IFRS 18 will replace IAS 1.
- **IFRS 19 „Subsidiaries without Public Accountability: Disclosures”** (issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027).

The Bank is currently assessing the impact of the amendments on its financial statements.

2.7.3. New standards and amendments tot he existing standards issued by IASB but rejected or deffered by the EU

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

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

2.7.4. Annual Improvements to IFRS Accounting Standards (Issued in July 2024 and effective from 1 January 2026)

- **IFRS 1** was clarified that a hedge should be discontinued upon transition to IFRS Accounting Standards if it does not meet the 'qualifying criteria', rather than 'conditions' for hedge accounting, in order to resolve a potential confusion arising from an inconsistency between the wording in **IFRS 1** and the requirements for hedge accounting in **IFRS 9**.
- **IFRS 7** requires disclosures about a gain or loss on derecognition relating to financial assets in which the entity has a continuing involvement, including whether fair value measurements included 'significant unobservable inputs'. This new phrase replaced reference to 'significant inputs that were not based on observable market data'. The amendment makes the wording consistent with **IFRS 13**.
- **IFRS 16** was amended to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with **IFRS 9**, the lessee is required to apply **IFRS 9** guidance to recognise any resulting gain or loss in profit or loss. This clarification applies to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment.
- In order to resolve an inconsistency between **IFRS 9** and **IFRS 15**, trade receivables are now required to be initially recognised at 'the amount determined by applying **IFRS 15**' instead of at 'their transaction price (as defined in **IFRS 15**)'.
- **IFRS 10** was amended to use less conclusive language when an entity is a 'de-facto agent' and to clarify that the relationship described in paragraph B74 of **IFRS 10** is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de-facto agent.
- **IAS 7** was corrected to delete references to 'cost method' that was removed from IFRS Accounting Standards in May 2008 when the IASB issued amendment 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank's consolidated financial statements.

3. RISK MANAGEMENT

3.1. Introduction and overview

MBH Investment Bank Co. Ltd. (in the following: Bank or Company) is a member of the Integration Organization, as well as the management organization of the Integration under Act CXXXV of 2013 on the Integration of Cooperative Credit Institutions (in the following: Szhitv.). As a consequence of its Integration membership, the Bank is subject to the risk management policies of the Integration. The Bank is a member of the MBH Group, therefore its operation must also comply with the group-wide internal regulations of MBH Bank Plc.

Based on the Section 5/A (1) of the Act on the Integration of Cooperative Credit Institutions the Integration Organization and its members shall be jointly and severally liable for each other's obligations in accordance with the rules of the Civil Code. Joint and several liability shall extend to all claims against the Integration Organization and its members, irrespective of the date on which they arose.

Based on the Section 5 of Article 1 of Szhitv. the Integration Organisation and its members are under the combined supervision according to Credit Institution Act. The Bank forms an independent (sub)consolidation group (MBH Integration Group) with subsidiaries subject to consolidated supervision, which is also part of the MBH Group controlled by MBH Bank Plc. In cooperation with MBH Bank Plc. as the main owner and with the Integration Organization, the Bank continued to perform the management functions of the MBH Integration Group during 2024.

If the conditions are met in the Article 10 of the EU Regulation No 575/2013 (CRR) of the European Parliament and of the Council based on the Section 5 of Article 1 of Szhitv the integration of cooperative credit istitutions is exempted from individual applying of the requirements are defined in the Section (2)-(8) of CRR. According to the resolution no. H-JÉ-I-209/2014 (on 3 March 2014) the National Bank of Hungary (MNB) authorized the members of the Integration to apply individual exemption based on the Article 10 of CRR. MBH Dunabank was granted an individual exemption under Article 10 of the CRR by the National Bank of Hungary in its decision H-EN-I-397/2023 dated 03.08.2023.

MBH Bank's group-level risk strategy defines the range of risks that the Bank and other members of the MBH Integration Group can take on, the risk management and measurement tools to be applied, and defines the general risk-taking principles and rules to be followed by the Bank. In the course of its operations, the Bank strives to maintain a risk culture that ensures the identification, measurement and management of emerging risks in accordance with risk appetite. Internal policies, strategies, regulations and guidelines, communication and employee training are the primary tools for a corresponding risk culture.
The Integration and its member institutions seek to create an integrated and Integration-wide risk culture that ensures the identification, measurement and management of emerging risks in accordance with their risk appetite and their level of risk tolerance.
The risk capacity of the Bank should be in line with the financial resources that are available to cover potential losses.
Prudent risk taking is a fundamental value for the Bank. In order to this risk management identifies, evaluates and analyses the exposures. It processes the information gained, develops risk guidelines, and operates risk management systems.

The Group-wide Risk Strategy is based on the following main pillars:

- applying best market practice approaches and methodologies in risk management
- identification and continuous monitoring of risk and yield profile of segments, products and risk positions
- consideration of the risks in business decisions

- separation the risk management organisation from the business division
- the importance of all stages of the risk management process
- the risk management process is the part of the Bank Group's management system, its aspects are integrated into the strategic and annual planning.

The Bank is primarily exposed to credit-, liquidity-, market- and operational risks.

The Bank does not carry out lending activities towards non-financial counterparties and new credit risk exposure towards them does not form part of its core business, but it still has the right to do so and its internal regulatory background is in place.
However the services under the Act on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (Bszt.), and treasury activities continue to be provided by the Bank.

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

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

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

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

The risk self-assessment and the identification of material risks are prepared at least annually as part of the Internal Capital Adequacy Assessment Process (ICAAP) review process.

MBH Investment Bank Ltd. has loans and advances to banks, repurchase agreements and other financial assets as at 31 December 2024, so the related risks are low.

The most significant risks the Bank needs to deal with are the followings:

Credit risk

- ***Credit risk***

The risk of lending comprises the potential risk of the business partner failing to fulfill its payment obligations or failing to do so on time as well as the risk of the value of the receivable diminishing because the business partner's credit rating decreases.

- ***Counterparty risk***

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

- ***Credit valuation adjustment risk (CVA)***

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

- ***Concentration risk***

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

Liquidity risk

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

Market risk

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

- ***Interest rate and exchange rate risk in the trading book***

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

Operational risks

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

- ***Legal and business risk***

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

- ***Reputational risk***

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

- ***Model risk***

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

- ***Information and communication technology (ICT) risk***

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

Other significant risks

- ***Strategic and business risk***

Strategic risk is defined as the negative impact on capital and income of business policy decisions, deficient or unsatisfactory implementation of decisions, or slow adjustment to changes in the economic environment. Business risk is defined as unexpected changes in the economic environment that cause negative changes in business volume or margins and are not attributable to other types of risk. It quantifies the difference between planned and actual costs and income.

Risk management governance

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

Committees	Main responsibilities
Supervisory Board	The Supervisory Board controls the management of the Company in order to protect the interests of the Company; It controls the harmonized and prudent operation of the Company and the credit institutions, financial enterprises and investment companies under its controlling influence; The Supervisory Board steers the company's internal audit organization; Its task is to analyse regular and ad-hoc reports prepared by the Board of Directors; It decides on matters conferred to its competence by the Civil Code, Credit Instituions Act or the Articles of Association.
Audit Committee	The Audit Committee assists the Supervisory Board in the audit of the financial reporting system and in the selection of the auditor and in cooperation with the auditor.
Nomination Comittee	The Nomination Committee is responsible for nominating and recommending nominees to the Supervisory Board and the Board of Directors, with the exception of the members of the Supervisory Board representing the employees. It is furthermore responsible for determining the skills and tasks required for membership of the management bodies, evaluating the composition and performance of the management bodies and its members. Determining the gender ratio within the management body and developing the strategy necessary to achieve this. It regularly reviews the Company's policy on the selection and appointment of managing directors.
Board of directors	As the company's operative managing body the Board of Directors carries out management-related tasks and ensures the keeping of the company's business books in compliance with the regulations; It pursues tasks related to the shares and dividend, tasks related to the company's organization and scope of activities, tasks related to strategic planning (preparation of the business policy and financial plan, and approval of the risk strategy), it approves the policies related to risk assumptions, it evaluates regular and ad-hoc reports.
Asset and Liability Committee (ALCO)	The ALCO has primary responsibility for asset and liability management, and exercises competencies in liquidity and market risk management, capital management. Develops and approves the appropriate balance sheet risk guidelines for the management of risks arising from asset-liability management and monitors their compliance, determines the necessary measures. It sets internal settlement prices and risk price levels within its pricing powers. It approves securities issuance programs and individual issuances.
Methodology Committee (MC)	It controls the implementation of the group-wide risk strategy and risk strategy limit system. It approves all methodological, modelling, limit setting and monitoring, supervisory, regulatory and reporting proposals related to credit risk, concentration risk and country risk, counterparty risk, operational risk under Pillar 1, risks under Pillar 2, and the ICAAP-SREP methodology and the exercise of supervision/control, the Recovery Plan and the resolution framework. Its responsibilities include the discussion of the NPL strategy, related methodological, modelling, internal portfolio setting and monitoring, supervisory, regulatory and reporting proposals, including individual and portfolio-level decisions on impairment and provisioning.

3.2. Risk factors

3.2.1. Credit risk

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

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

Credit risk management

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

- Formulating the Bank's credit policy in consultation with business units by establishing credit approval policies, standards, limits and guidelines that define, quantify, and monitor credit risk.
- Establishing the authorisation structure for the approval and renewal of credit facilities. In order to establish an adequate credit decision-making system in which decisions are made on time, the limit amounts are established differently according to the customer segment, the customer quality and the business line, for the delegated credit decision authorities and the boards and individual decision-makers of the Business and Risk Units.

- Monitoring the performance and management of wholesale portfolios across the Bank.
- Supervising the management of exposures to debt securities by establishing controls in respect of securities held for trading purposes.
- Establishing and maintaining the Bank's concentration risk management policies ensuring that the concentration of exposure does not exceed the limits stated in the internal and regulatory limit systems and concentration risks are effectively managed without any need for additional capital requirements if possible.
- Developing and maintaining the Bank's risk assessment systems in order to categorise the exposures according to the degree of the risk of financial loss faced and to manage the existing risks adequately. The purpose of the credit (deal) classification system is to define when impairment may be required against specific credit exposures. The risk categorisation system consists of several grades which reflect sufficiently the varying degrees of risk of default and the availability of collateral or other credit risk mitigation options with regard to a specific exposure.
- Providing position statements, guidance and professional support to the business units of the Bank members in credit risk management.

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

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

As of the reporting date, environmental, social and governance (ESG) aspects have not been considered in the models used for the Bank's risk management. The method of collecting and storing ESG relevant information has been already developed to ensure the subsequent analysis and usability in usual business procedures. ESG data taxonomy has been set up. In longer terms by analysing the composition of the ESG index and the gradual implementation of ESG customer-level data from 1st July 2024 in accordance with the Recommendation No 9/2024 (IX.24.) of the Magyar Nemzeti Bank, information data can be utilised during stress test modelling as well as the estimation of life-time PD and LGD parameters.

In addition, MBH Bank's risk parameters were updated based on the latest macro forecasts, in accordance with the expectations of the NBH. The macro scenarios used at Bank were provided by the Research Center, thus ensuring that the macro forecasts used in impairment calculation and the macro parameters used in financial planning are even more closely consistent. Based on the forecasts, the Bank has used the current macroeconomic PD forecast models to calculate the new parameters required for macroeconomic adjustments (Macro overlay factor – MOF) on a segment level. Using these new parameters, the IFRS PD (without macro correction) values have been adjusted to reflect the expectations of the macroeconomic scenarios. The weighting of the macroeconomic scenarios has been calculated in accordance with the recommendations of the (internal use only) management letter from NBH, which is also in line with the weighting recommended by the Research Center. At reporting date, the weights used are the following:

30% - stress scenario (2023: 30%), 65% - base scenario (2023:65%), 5% - optimistic scenario (2023: 5%).. The resulting IFRS PD values, adjusted to the new macroeconomic environment and expectations have been implemented after the approval of the Methodology Committee. The Bank's macroeconomic models have been validated with every update, both with statistical methods and business side validation, thus ensuring the applicability of the model.

Quarterly reports on the development of impairment and provisioning for credit risks are presented to the Methodology Committee, and quarterly reports on the development and utilisation of sectoral and transaction type limits are also presented.

Determination and recognition of expected credit loss (ECL)

When classifying the Bank's exposures, the customer's / partner's ability to pay is taken into account as the primary cover for the exposure. Except for those transactions that are covered by collateral which is independent of the financial and legal situation of the customer / partner and the recovery of the loan is fully guaranteed.

The Bank assigns exposures at each reporting period – in this case monthly – during which the exposures are allocated to the segments and to the so-called 'stages' Stage 1, Stage 2, Stage 3 and / or POCI in accordance with the principles of IFRS 9.

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

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

- deterioration of client treatment
- change in the master scale PD compared to the initial value, exceed a deterioration of 500 bps
- changes in life-time PD exceed the absolute threshold of 500 bps
- relative changes in life-time PD exceed the thresholds established for the following rating categories
  - 1-9 rating category: 500%
  - 10-14 rating category: 400%
  - 15-18 rating category: 300%
  - 19-21B rating category: 200%
- delay in payment (more than 30 days past due),
- the amount of the client's exposure classified as Stage 2 exceeds a significant proportion of its gross exposure, which the Bank has set at 20%.

The existence of any of these conditions is assessed by the Bank as a significant increase in the credit risk. In case the conditions for a Stage 2 rating are not met, the transaction my be transferred to Stage 1, if the Bank does not maintain the client or transaction in a higher rating category due to other prudential rules (e.g. recovery).

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

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

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

The amount of impairment and allowance equals to the amount of expected credit loss.
In Stage 1 the expected credit loss is equal to 12-month ECL. In Stage 2 and Stage 3 the expected credit loss is equal to the lifetime ECL.

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

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

The Bank does not use the low credit risk exemption.

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

The Bank recognises gain or loss for the expected credit loss on the following financial instruments not measured at fair value through profit or loss:
- debt instruments.

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

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

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

The Bank assesses ECL for contingent liabilities as follows:
- in the case of clients / debtors subject to individual valuation, the Bank determines the amount of provision individually,
- in the case of clients / debtors subject to collective valuation, the Group determines the EAD and the amount of provision by the probability of default of the guarantor.

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

3.2.1.1 Individually and collectively assessed exposures

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

On the balance sheet date, and during the monthly monitoring, an assessment is made for the relevant financial instruments to determine the expected credit loss and the amount of the loss allowance for impairment. Individual calculation approach is applied in case of individually significant exposures to defaulted wholesale customers in Stage 3. The customer is individually significant if the total on- and off-balance exposure or the customer group exposure exceeds the predefined materiality limit. Workout experts calculate the ECL by discounting the expected recoveries from cash flows with the effective interest rate of transactions and deducted it from the gross exposures. In 2024, the Bank has no loans to be individually assessed.

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

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

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

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

Data in HUF million except stated otherwise

Exposures of the Bank are the followings during the period:

31.12.2024	Cash and cash-equivalents	Loans and advances to banks	Loans and advances to customers	Securities	Repurchase agreements and other financial assets	OFF B/S exposures
Collectively assessed						
Non-default	185 929	28 550	0	4 837	84 682	0
Default	0	0	0	0	227	0
Total collectively assessed gross amount	**185 929**	**28 550**	**0**	**4 837**	**84 910**	**0**
Total expected credit loss on collectively assessed items	(182)	(28)	0	(1)	(980)	0
Total collectively assessed carrying amount	**185 747**	**28 522**	**0**	**4 836**	**83 929**	**0**
Total gross amount	**185 929**	**28 550**	**0**	**4 837**	**84 909**	**0**
Total expected credit loss	**(182)**	**(28)**	**0**	**(1)**	**(980)**	**0**
Total carrying amount	**185 747**	**28 522**	**0**	**4 836**	**83 929**	**0**

Data in HUF million except stated otherwise

31.12.2023	Cash and cash-equivalents	Loans and advances to banks	Loans and advances to customers	Securities	Repurchase agreements and other financial assets	OFF B/S exposures
Collectively assessed						
Non-default	100 504	112 064	0	5 294	58 305	0
Default	0	0	0	0	215	0
Total collectively assessed gross amount	**100 504**	**112 064**	**0**	**5 294**	**58 520**	**0**
Total expected credit loss on collectively assessed items	(14)	(2)	0	0	(636)	0
Total collectively assessed carrying amount	**100 490**	**112 062**	**0**	**5 294**	**57 884**	**0**
Total gross amount	**100 504**	**112 064**	**0**	**5 294**	**58 520**	**0**
Total expected credit loss	**(14)**	**(2)**	**0**	**0**	**(636)**	**0**
Total carrying amount	**100 490**	**112 062**	**0**	**5 294**	**57 884**	**0**

Data in HUF million except stated otherwise

3.2.1.2 Classification of credit risk

The Bank has only Stage 1 and low credit risk rated receivables for its loans and advances to banks and repurchase agreements.

31.12.2024	Gross amount	Expected credit loss	Net book value
Loans and advances to banks	23 428	(27)	23 401
Repurchase agreements	79 099	(90)	79 099

31.12.2023	Gross amount	Expected credit loss	Net book value
Loans and advances to banks	5 004	0	5 004
Repurchase agreements	56 985	0	56 985

Tables below show the breakdown of the Bank's other financial assets by risk classification applied by the Bank:

31.12.2024	Gross amount		
	Stage 1	Stage 2	Stage 3
Low risk	3 266	0	0
Medium risk	0	2 317	0
Default	0	0	227
Total other financial assets	***3 266***	***2 317***	***227***

31.12.2024	Expected credit loss		
	Stage 1	Stage 2	Stage 3
Low risk	0	0	0
Medium risk	0	(663)	0
Default	0	0	(227)
Total other financial assets	***0***	***(663)***	***(227)***

31.12.2023	Gross amount		
	Stage 1	Stage 2	Stage 3
Low risk	290	0	0
Medium risk	0	1 030	0
Default	0	0	215
Total other financial assets	***290***	***1 030***	***215***

Data in HUF million except stated otherwise

31.12.2023	Expected credit loss		
	Stage 1	Stage 2	Stage 3
Low risk	0	0	0
Medium risk	0	(421)	0
Default	0	0	(215)
Total other financial assets	***0***	***(421)***	***(215)***

3.2.1.3 Collaterals and other means for improving the loans portfolio

As a result of asset transfers, the Bank no longer has any collateral.

The table below shows the maximum credit risk exposure:

	31.12.2024	31.12.2023
Other demand deposit	136 984	64 611
Financial assets measured at fair value through profit or loss	13 992	23 696
Financial assets at fair value through other comprehensive income	4 837	5 294
Loans from banks	102 527	62 777
Due from banks	5 122	106 272
Advances	5 810	1 535
Total gross credit risk exposure	**269 272**	**264 185**

3.2.2. Liquidity risk

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

Liquidity risks can fundamentally be divided into two categories, and their subcategories:

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

Management of liquidity risk

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

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

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

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

- Liquidity coverage ratio (LCR)
- Net stable funding ratio (NSFR)
- Liquidity stress test
- Limits specified in the early warning system

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

Data in HUF million except stated otherwise

The following table shows the breakdown of financial assets according to contractual maturity:

31.12.2024	Book value	Total principal and interes	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Cash and cash-equivalents	**185 747**	**185 747**	**185 747**	**0**	**0**	**0**	**0**
Financial assets measured at fair value through profit or loss	**27 725**	**895 265**	**592 556**	**151 970**	**88 827**	**26 149**	**35 764**
Securities held for trading	14 374	14 416	31	35	129	382	13 840
Derivative financial assets	13 351	880 849	592 525	151 935	88 698	25 767	21 924
Financial assets measured at fair value through other comprehensive income	**5 051**	**5 935**	**0**	**0**	**431**	**5 289**	**215**
Debt and equity securities	5 051	5 935	0	0	431	5 289	215
Financial assets measured at amortised cost	**173 837**	**174 142**	**84 394**	**0**	**21 712**	**1 730**	**0**
Loans and advances and repurchase agreements	107 531	107 836	84 394	0	21 712	1 730	0
Other financial assets	4 920	4 920	4 920	0	0	0	0
Total financial assets	**330 974**	**1 199 703**	**867 617**	**151 970**	**110 970**	**33 168**	**35 979**

31.12.2023	Less than 12 months	Over 12 months	Total
Assets			
Cash and cash-equivalents	100 490	0	**100 490**
Financial assets measured at fair value through other comprehensive income	13 333	10 450	**23 783**
Non-trading financial assets mandatorily at fair value through profit or loss	7	10 498	**10 505**
Financial assets at fair value through other comprehensive income	0	5 432	**5 432**
Financial assets measured at amortised cost	164 942	5 004	**169 946**
Total financial assets	**278 722**	**31 384**	**310 156**

Data in HUF million except stated otherwise

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

31.12.2024	Book value	Total principal and interes	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Financial liabilities measured at fair value through profit or loss	**(10 570)**	**(878 468)**	**(591 089)**	**(151 820)**	**(88 467)**	**(25 310)**	**(21 783)**
Derivative financial liabilites	(10 570)	(878 468)	(591 089)	(151 820)	(88 467)	(25 310)	(21 783)
Financial liabilities measured at amortised cost	**(346 767)**	**(346 857)**	**(176 592)**	**(1)**	**(20 755)**	**(149 508)**	**0**
Amounts due to banks and repurchase agreements	(252 734)	(252 824)	(92 041)	0	(20 674)	(140 108)	0
Subordinated debts	(8 470)	(8 470)	0	0	0	(8 470)	0
Other financial liabilities	(85 563)	(85 563)	(84 551)	(1)	(81)	(930)	0
From which: Lease liabilities	(1 013)	(1 013)	(1)	(1)	(81)	(930)	0
Total financial liabilities	**(357 337)**	**(1 225 325)**	**(767 682)**	**(151 821)**	**(109 222)**	**(174 818)**	**(21 783)**
Off balance sheet items	**0**	**0**	**0**	**0**	**0**	**0**	**0**

31.12.2023	On demand	Within 3 months	3 - 12 months	1 –5 years	5 – 10 years	10 – 15 years	Total
Financial liabilities measured at fair value through profit or loss							
Derivative financial liabilites	0	(2 193)	(11 945)	(4 991)	(3 337)	0	**(22 466)**
Financial liabilities measured at amortised cost							
Amounts due to banks	(65 174)	(27 409)	0	0	0	0	**(92 583)**
Loans and other liabilities	0	(16 901)	(6)	(150 039)	(4)	(1)	**(166 951)**
Subordinated debts	0	(742)	0	0	(8 000)	0	**(8 742)**
Other financial liabilities	(62 140)	(13 295)	(463)	(882)	(2)	0	**(76 782)**
From which: Lease liabilities	0	(161)	(463)	(886)	0	0	**(1 510)**
Total financial liabilities	**(127 314)**	**(60 540)**	**(12 414)**	**(155 912)**	**(11 343)**	**(1)**	**(367 524)**

Data in HUF million except stated otherwise

The following table shows the breakdown of financial liabilities by expected maturity:

31.12.2024	Book value	Total principal and interes	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Financial liabilities measured at fair value through profit or loss	**(10 570)**	**(878 468)**	**(591 089)**	**(151 820)**	**(88 467)**	**(25 310)**	**(21 783)**
Derivative financial liabilites	(10 570)	(878 468)	(591 089)	(151 820)	(88 467)	(25 310)	(21 783)
Financial liabilities measured at amortised cost	**(346 767)**	**(346 857)**	**(176 592)**	**(1)**	**(20 755)**	**(149 508)**	**0**
Amounts due to banks	(252 734)	(252 824)	(92 041)	0	(20 674)	(140 108)	0
Subordinated debts	(8 470)	(8 470)	0	0	0	(8 470)	0
Other financial liabilities	(85 563)	(85 563)	(84 551)	(1)	(81)	(930)	0
From which: Lease liabilities	(1 013)	(1 013)	(1)	(1)	(81)	(930)	0
Total financial liabilities	**(357 337)**	**(1 225 325)**	**(767 682)**	**(151 821)**	**(109 222)**	**(174 818)**	**(21 783)**
Off balance sheet items	**0**	**0**	**0**	**0**	**0**	**0**	**0**

The Bank is able to maintain its liquidity and fulfill its due payment obligations.
The Bank analyses the consequences of any potential severe liquidity stress.

Assumptions used in the liquidity stress test apllied by the Bank:
- decrease of the market value of liquid assets.

A stress position may arise due to a fault attributable to the Bank (reputational risk) or due to a fault beyond its control (general market influence).

The Bank, in part, prepares for liquidity stress positions by:
- creating liquidity reserves.

The Bank has in place a contingency plan to manage any critical situations arising from liquidity disturbances/crises, which the affected business lines and functions comply with so that they can take prudent and optimal measures in due time under the given circumstances.

3.2.3. Market risks

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

Management of market risks

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

ALCO is responsible for developing and monitoring the Bank's market risk management policies. ALCO has the overall responsibility for establishing and managing market risk policies for the Bank, within the framework of internal policies, covering risk management, assessment of risk and related limits, competence and decision-making mechanism, and regulation for breaches of limits, approved by the Board of Directors. The members of the ALCO are senior executives who have principal decision-making responsibilities for businesses throughout the whole Bank.

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

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

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

3.2.3.1 Exposure to market risks – trading portfolios

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

- Capital limits define maximum aggregate amounts of trading products and contracts that the Bank may hold at any time.
- FX position limits restrict the long and short position for each currency and the total net amounts of FX positions that can be held in the trading and banking books.
- Sensitivity limits define the maximum interest rate exposure in the trading book.
- The Greeks metrics (delta, gamma, vega, rho) define the maximum exposure stemming from option trading activity.
- Value at Risk (VaR) limits: The VaR limit of a trading portfolio is the estimated maximum loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The Bank applies historical and parametric VaR method with 1-day holding period at 99% confidence level.

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

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

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

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

Data in HUF million except stated otherwise

The following table below shows the VaR position of the Bank's trading portfolio at 99% confidence level with a one-day holding period:

VAR status	Average	Maximum	Minimum	15%- stress
31.12.2024				
Currency risk	22	164	2	(54)
Interest risk	77	159	18	0
Equity risk	11	19	5	0
Total	***110***	***342***	***25***	***(54)***

Notes in connection with the table above:

- The Bank applies historical and parametric VaR for general market risk:
  - Historical VaR: (1 day holding period; 99% confidence level, number of observation: 250 business days),
  - Parametric VaR: Risk metrics methodology (1 day holding period; 99% confidence level, 0.94 decay factor, number of observation: 100 business days).
- The Bank calculates VaR only on trading-book position.
- There is no commodity in the Bank's position.
- The Bank does not have a significant open position from options therefore there is no volatility VaR calculation.

Data in HUF million except stated otherwise

3.2.3.2 Exposure to market risks – currency risk

Currency risk means the risk of having the profit or the capital of the Bank decreasing or being totally lost due to changes in the levels and proportions of the currency exchanges. The Bank is exposed to currency risks because of collecting deposits denominated in different currencies, providing loans, the sale and purchase of securities and various derivative transactions. The Bank curtails currency risks with limits and measures daily.

Currency risks are limited by the following limits for the Bank:

- VaR limit;
- open position limit;

The financial position of the Bank in foreign exchange at the end of the reporting periods were the following:

Gross forreign currency positions	31.12.2024				Total
	HUF	EUR	CHF	Other currency	
Assets	344 241	15 339	4 310	42 604	**406 494**
Liabilities	(300 312)	(18 377)	(4 604)	(37 122)	**(360 415)**
Total	***(43 929)***	***(3 038)***	***(294)***	***5 482***	***46 079***

Gross forreign currency positions	31.12.2023				Total
	HUF	EUR	CHF	Other currency	
Assets	325 536	60 419	3 439	20 482	**409 876**
Liabilities	(289 200)	(63 540)	(3 715)	(14 087)	**(370 542)**
Total	***36 336***	***(3 121)***	***(276)***	***6 395***	***39 334***

Sensitivity test

Moving the exchange rate with 15% discount during the sensitivity analysis would result in an overall loss of HUF 54 million on the open foreign exchange position at the end of the period, of which the breakdown by currency is shown in the table below:

31.12.2024	EUR	CHF	GBP	USD	Other	Total
Loss by currency	(12)	(15)	(9)	(4)	(14)	**(54)**

3.2.3.3 Exposure to market risks - interest risk

Interest rate risk means the risk of having the profit or the capital of the Bank decreasing or being totally lost due to changes in the levels and proportions of the interest rates in the market. The Bank covers the arising interest rate risks using derivative financial instruments (for further information please see Note 4.11.4).

Data in HUF million except stated otherwise

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

Portfolio	HUF	EUR	USD	Other
31.12.2024				
Trading	(10)	(268)	(13)	(80)
Banking	0	0	0	0

Interest rate risk registered in the non-trading book

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

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

At the end of the reporting period, the interest rate structure of the interest-bearing financial instruments of the Bank was the following:

Interest rate structure of financial instruments*	31.12.2024			Total
	HUF	EUR	USD	
Fixed rate assets	210 052	17 698	4 781	232 530
Variable rate assets	23 408	5 122	0	28 530
Total assets	***233 459***	***22 820***	***4 781***	***261 060***
Fixed rate liabilities	(29 504)	(7 352)	(9 100)	(45 956)
Variable rate liabilities	(168 494)	(872)	(7 478)	(176 844)
Total liabilities	***(197 998)***	***(8 224)***	***(16 578)***	***(222 800)***

*Table does not include derivative transactions.

Sensitivity tests

Tha following table shows the sensitivity of the Bank to the increase or decrease of market interest rates per currency:

	31.12.2024	
	Effect on equity	Effect on P/L*
HUF		
200 bp increase	(207)	4 852
200 bp decrease	207	(4 855)
EUR		
200 bp increase	(99)	(3 806)
200 bp decrease	114	3 785
USD		
200 bp increase	18	(418)
200 bp decrease	(18)	387

Data in HUF million except stated otherwise

*The table shows the effect on net interest income of a 200 bp change in market interest rates.

FCY	Yield curve stress +200 bp	Yield curve stress -200 bp	Adverse case
31.12.2024			
EUR	(99)	114	(99)
USD	18	(18)	(18)
Total	(81)	96	(117)

3.2.4. Operational risk

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

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

Risk management and monitoring

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

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

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

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

The OpRisk Management prepares reports on the current status of the operational risk management of the Bank for the Board of Directors on a quarterly basis. The Bank has a half-yearly reporting obligation about operation risks in COREP (Common Reporting Framework) data delivery to NBH.

Business Continuity Planning

In order to undisturbedly maintain the Bank's operational processes it is necessary to evaluate the potential risks and the potential damages resulting from the fallout of the processes. This analysis and the procedures needed to maintain the functionality of the Bank's organisation is included in the Business Continuity

Regulation and Plans (BCP). The BCP includes measures that must be taken when the processes that are critical regarding the Bank's operation and resources (eg. IT) that support these processes get damaged or become unmaintainable.

3.3. Capital management

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

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

For comments on equity, see note 4.25.

Data in HUF million except stated otherwise

4. NOTES

4.1. Net interest income

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

Interest income	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Interest income from debt securities measured at AC	13 969	68 374
Interest income from debt securities measured at FVTOCI	384	1 543
Interest income calculated using effective interest rate method	***14 353***	***69 917***
Interest income from financial assets held for trading	14 064	41 461
Interest income from financial liabilities	27	82
Interest income from other financial assets	3 631	5 837
Other income similar to interest	***17 722***	***47 380***
Total interest income	**32 075**	**117 297**

Interest expense	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Interest expense from financial liabilities measured at AC*	(16 505)	(73 779)
Interest expense calculated using effective interest rate method	***(16 505)***	***(73 779)***
Interest expense from financial liabilities held for trading	(13 643)	(40 857)
Interest expense from other liabilities	(126)	(120)
Interest expense from financial assets	(14)	(27)
Other expense similar to interest	***(13 783)***	***(41 004)***
Total interest expense	**(30 288)**	**(114 783)**
Net interest income	**1 787**	**2 514**

With regard to income and expense the change in the result was significantly influenced by the fact that on 20 April 2023, in order to develop the business strategy of the MBH Group, Asset and Liability Committee (hereinafter: "ALCO") of MBH Bank Plc. ordered the transfer of the assets and liabilities of MBH Investment Bank Ltd. belonging to the asset resource management in its decision "9/2023 (04.20)-MKB-EFB". In addition, interest and similar to interest expense declined significantly as the yield environment changed and indicative interest rates decreased.

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

Data in HUF million except stated otherwise

4.2. Net income from fees and commissions

The Bank applies IFRS 15 for the "Net income from fees and commission" that are not part of the EIR calculation based on IFRS 9. The fee and commission that is part of the Effective Interest Rate (hereinafter: EIR) calculation are represented as interest income and expense.

Fee and commission income, that is not part of the EIR calculation is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed (for example: the arrangement for the acquisition of shares or other securities) and
- income earned from the provision of services is recognised as revenue as the services are provided (for example: asset management and service fees).

The Bank provides investment services to its clients, and shows fees and commission income and expenses arising from the service as commission income and fees of the Securities service. These include income and expenses related to account management, client orders and distribution.
Fees and expenses for Treasury transactions include the commission results of options related to investment services.

Fees and commission income	**01.01.2024-31.12.2024**	**01.01.2023-31.12.2023**
Fee and commission income from payment services	333	1 145
Lending commission income	70	506
Security services commission income	13 246	8 974
Card business commission	0	545
Guarantee fees	0	15
Agency commission income	0	27
Fee and commission income from treasury services	11 303	8 690
Total fee and commission income	***24 952***	***19 902***
Agency fee expense	(5 980)	(4 615)
Security services fee expense	(2 063)	(2 010)
Fee and commission expense from treasury services	(10 644)	(10 428)
Fees to banks and to clearing house	(110)	(277)
Lending fee expense	(0)	(0)
Postal giro (PEK) fee	(11)	(364)
Other	(78)	(317)
Total fee and commission expense	***(18 886)***	***(18 011)***
Net income from fees and commissions	**6 066**	**1 891**

Compared to the previous year, revenues from investment banking activities increased significantly (revenues from securities services and treasury transactions), due to the fact that, in line with the MBH Group's strategy, the Bank operates in the financial market as a separate independent credit institution specialising in investment products and services. Bank card activities were handed over to MBH Bank Plc. as of April 30, 2023, so there was no income from this business in the current year.
Similarly to revenues, on the expense side, there is also an increase in revenues from investment banking.

Data in HUF million except stated otherwise

Fee and commission income from payment services
The Bank provides account management services to banks that were previously part of the integration scope. The main types of services are: intra- and extra-bank transactions, cash transactions, etc. Fee and commission income from these services is charged to the customer's account on a daily, monthly or ad hoc basis, depending on the regularity of the service.

Security service
Fees related to investment services provided to clients, typically fee income for securities accounts, distribution and issuance of securities and other investment services fee income, which are charged monthly as the services are occurred.

Fee and commission income from treasury services
Income from option services, which represents the consideration paid by the option holder for the option, is included in the fee and commission income from treasury services. Its value is significantly influenced by the contract price of the service, the spot price of the underlying product and market movements.

4.3. Results from remeasurement and derecognition of financial instruments

„Results from remeasurement and derecognition of financial instruments" comprises gains less losses related to trading and investment assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences.

Results from financial instruments	01.01.2024.-31.12.2024.	01.01.2023-31.12.2023
Gains/(losses) on derivative instruments	5 374	5 663
Gains/(losses) on securities held for trade	863	1 283
Changes in fair value of loans mandatorily measured at fair value through profit or loss	5	(4)
Changes in fair value of securities mandatorily measured at fair value through profit or loss	3 086	(1 227)
Result from remeasurement and derecognition of financial instruments measured at fair value through profit or loss	***9 328***	***5 715***
Gains/(losses) on debt securities measured at fair value through other comprehensive income*	68	1 418
Result from derecognition of debt securities measured at fair value through other comprehensive income	***68***	***1 418***
Gains/(losses) on loans and advances measured at amortised cost*	0	11 653
of which: Financial assets measured at amortised cost	0	(42 152)
of which: Financial liabilities measured at amortised cost	0	53 805
Results from derecognition of loans and debt securities measured at amortised cost	***0***	***11 653***
Foreign exchange gains less losses	***(3 578)***	***(1 826)***
Total	**5 818**	**16 960**

**The change in the result was largely influenced by the fact that on 20 April 2023, in order to develop the business strategy of the MBH Group, the Asset and Liability Committee of MBH Bank Plc. (hereinafter: "ALCO") ordered the transfer of MBH Investment Bank Ltd.'s assets and liabilities related to asset-liability management in its decision no. 9/2023 (04.20)-MKB-EFB.*

Data in HUF million except stated otherwise

4.4. Allowances for expected credit losses, provisions for liabilities and charges and impairment of non-financial assets

	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Loans and advances to banks and customers	(526)	889
Provisions for commitments and guarantees	0	284
Investment in securities	0	192
(Impairment) / Reversal on financial instruments held for credit risk management in the Statement of Profit or Loss and Other Comprehensive Income for the year 2023	0	1 081
ECL on financial assets, financial guarantees and loan commitments	***(526)***	***1 365***
Provision for litigation	(30)	0
Provisions for commitments and guarantees	0	284
Provision (-) / reversal of provision in the Statement of Profit or Loss and Other Comprehensive Income for the year 2023	0	***284***
Reclassification from ”Provisions for litigation, restructuring and similar charges" to "ECL on financial assets, financial guarantees and loan commitments"	0	(284)
Provisions for litigation, restructuring and similar charges	***(30)***	***0***
(Impairment) / reversal of impairment on other investments*	***6 262***	***1 711***
(Impairment) / Reversal of impairment on other financial and non financial assets	***(110)***	***1***
Total	**5 596**	**3 077**

* For further information, see Note 4.14.

4.5. Dividend income

Dividend income is recognised when the right to receive income is established. The dividends earned on trading equity instruments are disclosed separately among the dividend income when received.

	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Dividend income on investments in subsidiaries and associates	755	1 486
Dividend income on financial assets held for trade	6	4
Total dividend income	**761**	**1 490**

Data in HUF million except stated otherwise

4.6. Administrative and other operating expenses

Operating expenses	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Wages and salaries	(4 374)	(5 836)
Severance pay	(62)	(394)
Compulsory social security obligations	(588)	(840)
General and administrative expenses	(93)	(100)
Property costs	(289)	(478)
Repair and maintenance of movable assets	(1)	(5)
Legal and advisory services	(817)	(485)
IT costs	(2 183)	(2 280)
Marketing and public relations	(137)	(164)
Communication and data processing	(288)	(234)
Postal fee	(132)	(222)
Insurance fees	(3)	(25)
Rental fees	(49)	(53)
Membership fees	(2 385)	(2 377)
Other services used	(92)	(146)
Bank tax	(355)	(344)
Extraprofit tax	(249)	(6 026)
Financial transactional levy	(1 261)	(1 073)
Other tax related costs	(357)	(710)
Other fees and charges paid	(18)	(29)
Administrative costs	***(13 733)***	***(21 808)***
Depreciation	***(2 218)***	***(1 855)***
Total operating expenses	**(15 951)**	**(23 663)**

Short-term employee benefits

Short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave are settled in the period in which the employees render the related service. Under the Bank's policy, the employer must grant employees their paid leave in the period the leave is earned, except for the paid leave emerges during maternity leave. Deferment of the expected cost of leave appears in operating expenses.

Long-term employee benefits

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

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

In 2017 the MBH Group launched its ESOP's Remuneration Policy, which is operated by the ESOP Organisation. The operation of the Bank's remuneration policy is regulated by the CRD/Hpt. (Capital Requirements Directive) based remuneration framework of the Bank and the ESOP Act. Eligible employees submit a participation declaration, to become participants of the ESOP and subject to the regulations of the Remuneration Policy.

MBH Investment Bank Co. Ltd. joined the ESOP programme on 12 December 2022.

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

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

The share-based payments of the purchase options are accounted based on the principles of IFRS 2 standard, while the benefit relating to the bonds are accounted as of IAS 19 standard, costs related to the ESOP programme are included in the line of salaries and wages.

Termination benefits

The Bank recognises termination benefits as a liability and an expense when it has a demonstrable obligation to terminate the employment of an employee or a group of employees before the normal retirement date or to offer termination benefits as an incentive to encourage employees to voluntarily leave the Bank. In case of redundancy, obligation can be recognised when the employee's contract of employment is terminated.

Bank tax, extra profit tax

Hungarian credit institutions are obliged to pay bank tax. The base of the banking tax is the adjusted balance sheet total according to Hungarian Accounting Standards at the actual calendar year minus two years. The bank tax is presented in the line "Administrative and other operating expenses" as it does not meet the definition of income tax according to IFRS.

According to the Government Decree No 197/2022. (4.VI) credit institutions and financial enterprises are subject to extra profit tax in 2024 as well. The tax base is the amended net profit before tax of the 2022 tax year. The tax rate is 13% up to HUF 20 billion of the tax base, and 30% above that limit.

The 2024 extra profit tax liability may be reduced up to 50 % if the daily average amount of Hungarian government securities held by a bank or financial institution for the period from 1 January 2024 to 30 November 2024 increased compared to the daily average between 1 January 2023 and 30 April 2023. The Bank was not able to benefit from the extra profit tax relief in 2024.

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

Financial transactional levy

Payment service providers having their seat or branch in Hungary (including credit institutions as well) are subject to the Hungarian financial transactional levy. It is calculated on the basis of the transactions held in the client's payment account and securities account. Since the financial transactional levyis not based on taxable profit, it does not meet the conditions of income tax according to the IFRS standards. Therefore, the Bank presents it as „Other operating expense" in its profit and loss account statement.

In 2024 the Act CXVI of 2012 on financial transactional levywas modified by the Government Decree No 183/2024 (VII.8.). The tax rate has been increased to 0.45%, and the cap of the tax to HUF 20,000 per transaction in case of transactions with securities as well. Furthermore, a new Supplementary transactional levy was introduced for transactions including foreign currency exchange.

In 2024, the Bank's average statistical employee number changed to 181 persons (2023: 412 persons). This was due to the fact that, in line with the MBH Group's strategy, the Bank operates in the financial market as a separate independent credit institution specialising in investment products and services.

Data in HUF million except stated otherwise

4.7. Other income and expense

Other income and expense	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Income on mediated services	12	284
Net profit or loss on sold property	7	2
Rental income on property	13	46
Profit or loss on derecognition of investments*	3 216	0
Invoiced expenses and services**	1 676	9 125
Non-repayable assets received	23	8
Other income	23	114
Other operating income total	***4 970***	***9 579***
Donation***	(108)	(412)
Net profit or loss on sold property	0	0
Fines, late fees	(178)	(86)
Other	(25)	(18)
Other expense total	***(311)***	***(516)***

**The Bank sold its entire share of MBH Szolgáltatások Zrt. to MBH Bank Plc., the transaction resulted in a profit of HUF 3,216 million.*
***Revenues from cost allocations resulting from SLA-based settlement agreements between banks of thebanking group. The costs of the SLA service were settled on the basis of the SLA settlement agreement between Takarékbank Zrt. and its legal successor, MBH Bank Plc., MBH Investment Bank Zrt. and MBH Mortgagebank Plc. (among others, HR services, IT services, accounting services, compliance services, controlling management services, marketing services, legal services, background operations services). Income decreased significantly in the current year, due to a reorganisation of the processes within the MBH Group, in line with its strategy.*
****The Bank recognises among other expenses the subsidy charged by law from bank tax.*

Data in HUF million except stated otherwise

4.8. Income tax income / (expense)

Income tax expense comprises current tax and deferred tax.

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

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Current tax income/(expense)	***(2 086)***	***(4 965)***
Corporate income tax expense on current year's profit	(236)	(211)
Corporate income tax expense - effect of self-revision of previous years	(187)	0
Local business tax	(1 446)	(4 134)
Innovation contribution	(217)	(620)
Deferred tax income/(expense)	***1***	***(67)***
Origination (reversal) of temporary differences	1	(67)
Not origination (reversal) of temporary differences	0	0
Income tax income / (expense)	**(2 085)**	**(5 032)**

For further information on deferred tax assets and liabilities please see Note 4.17.

A reconciliation of corporate tax payable for pre-tax profit or loss, calculated with the tax rate determined by law, and the Bank's current rate of tax, applicable to the balance sheet date, is the following:

Determination of the effective tax rate	01.01.2024-31.12.2024		01.01.2023-31.12.2023	
	%	Data in million HUF	%	Data in million HUF
Profit before taxation		8 736		11 332
Income tax using the domestic corporation tax rate	9.00%	(786)	9.00%	(1 020)
Local business tax	16.55%	(1 446)	36.48%	(4 134)
Innovation contribution	2.48%	(217)	5.47%	(620)
Non-deductible expense	0.07%	(6)	0.02%	(2)
Tax exempt income	(5.98%)	522	(5.01%)	568
Effect of corporate tax group	(0.40%)	35	(0.18%)	20
Previous year's corporate tax adjustment	2.15%	(187)	0.00%	0
Previous year's deferred tax adjustment	0.00%	0	0.67%	(76)
Effect of deferred losses not recognised as deferred tax	0.00%	0	(2.04%)	232
Income tax income / (expense)	**23.87%**	**(2 085)**	**44.41%**	**(5 032)**

The Bank is a member of a corporate income tax group, therefore corporate income tax is not assessed on a standalone basis, rather it is impacted by the overall tax position of the corporate income tax group.

Tax losses can be offset against up to 50% of future tax bases. On 31 December 2024, the Bank had no unused negative tax losses, all deferred losses from previous years have been used (2023: HUF 1,514 million).

Unused tax losses	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Maturity up to 2026	0	1 514
Total	**0**	**1 514**

No deferred tax was accured to the loss carried forward in 2023.

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

Tax audits for closed periods

There was no tax authority investigation at the Bank. The tax authority may examine books and records at any time within 6 years after the 2024 tax year.

4.9. Notes for financial instruments

Initial recognition and measurement of financial instruments

Financial assets are recognised by the Bank on settlement date. All financial instruments are measured at fair value at initial recognition. Trade receivables, if they do not contain a significant financing component, are recognised at transaction price by the Bank. The Bank measures its financial assets at amortised cost if supported by the results of the business model test and if they meet the criteria of the SPPI (Solely Payments of Principal and Interest) test. Interest income and interest expense should be determined using the effective interest rate method and then recognised in the Profit or Loss statement.

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

Classification and subsequent measurement of financial instruments

Based on the principles of IFRS 9 standard the Bank applies the following three main categories to classify and measure the financial assets:

- fair value through Profit and Loss (FVTPL);
- fair value through other comprehensive income (FVTOCI);
- amortised cost (AC).

The Bank uses in accordance with IFRS 9 standard the following business models to manage its financial instruments.

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

The listing in the business model reflects the expectations of the Bank, not just the intent, but also the ability. If the Bank sells a particular portfolio or financial asset in a ‘stress case’ scenario, it does not affect the evaluation of the business model.

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

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

Data in HUF million except stated otherwise

Classification and subsequent measurement of financial liabilities

The Bank classifies its financial liabilities into the following categories:

- mandatory FVTPL measurement (FVTPL category) if liabilities are held for trading,
- at amortised cost – in case of all other financial liabilities.

Derecognition of financial instruments

Financial asset transfer

The Bank derecognises financial assets in accordance with IFRS 9.

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

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

4.10. Cash and cash-equivalents

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

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

Cash and cash-equivalents	**31.12.2024**	**31.12.2023**
Cash	941	1 294
Receivables from central banks	47 822	34 585
Other current receivables from banks	136 984	64 611
Total	**185 747**	**100 490**

Data in HUF million except stated otherwise

4.11. Financial assets measured at fair value through profit or loss

4.11.1. Loans and advances to customers mandatorily at fair value through profit or loss

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

In connection with loans mandatorily measured at FVTPL the Group has identified the following effects in the profit or loss:

Loans mandatorily measured at FVTPL	Total
Opening fair value at 01.01.2024	***49***
Fair value and other movements	5
Financial assets derecognised during the period	(54)
Financial assets originated	0
Closing fair value at 31.12.2024	***0***
Opening fair value at 01.01.2023	***85***
Fair value and other movements	(4)
Financial assets derecognised during the period	(32)
Financial assets originated	0
Closing fair value at 31.12.2023	***49***

4.11.2. Securities held for trading

Treasury bills, debt securities, equity shares are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term. Measurement is initially at fair value, with transaction costs recognised in the consolidated statement of profit or loss and other comprehensive income. Subsequently, their fair values are remeasured, and all gains and losses from changes therein should be recognised in the separate statement of profit or loss and other comprehensive income in “Result from remeasurement and derecognition of financial instruments measured at fair value through profit or loss” as they arise.

Data in HUF million except stated otherwise

	31.12.2024	31.12.2023
Debt securities	641	1 488
Equity instruments	109	136
Total	***750***	***1 624***
Breakdown of securities		
Goverment bonds	605	1 352
Goverment treasury bills	24	116
Other issued bonds	12	20
Listed shares	109	135
Investment fund shares	0	1
Total	***750***	***1 624***

4.11.3. Securities mandatorily at fair value through profit or loss

	31.12.2024	31.12.2023
Equity instruments	13 624	10 456
Total	***13 624***	***10 456***
Breakdown of securities		
Listed shares	1 614	1 105
Investment fund shares	12 010	9 351
Total	***13 624***	***10 456***

The mandatory equity instruments measured at fair value through profit or loss as of 31 December 2024 MBH include private equity funds and Visa shares.

4.11.4. Derivative financial assets and liabilities

Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

Interest income on derivatives is recognised in lines “Other income similar to interest” and “Other expense similar to interest”. Fair value differences related to derivatives are recognised in “Result from remeasurement and derecognition of financial instruments measured at fair value through profit or loss”.

The fair values of the Bank's derivatives were as follows:

Data in HUF million except stated otherwise

Derivative financial instruments	31.12.2024		31.12.2023	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	3 287	3 174	6 861	6 662
Forwards	1 884	2 291	585	1 109
Cross-currency interest swaps	4 956	4 102	3 354	2 370
Foreign exchange swaps	2 499	288	190	337
Options	595	595	868	792
Forward stock index	0	0	10 301	10 299
Futures	130	120	0	17
Total	**13 351**	**10 570**	**22 159**	**21 586**

4.11.5. Offsetting of financial assets and liabilities according to IFRS7.13 A-F

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

As of reporting date the Bank had no enforceable master netting agreement or similar agreement which should be set off in accordance with IAS 32.42.

This is because the agreements constitute rights for an offset that is enforceable only in case of default, insolvency or bankruptcy of the Bank or its counterparties. In addition the Bank or the counterparties do not intend to settle on a net basis or realize the assets and settle the liabilities simultaneously.

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

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

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

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

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

31.12.2024 Offsetting and enforceable master netting arrangements	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar agreements not set off in the statement of financial position			Net amount of exposure
				Financial instruments	Cash collateral received	Other non-cash collateral received	
Financial assets for trading	13 351	0	13 351	10 570	0	0	2 781
Repurchase assets	79 009	0	79 009	0	0	79 009	0
Total assets subject to offsetting	**92 360**	**0**	**92 360**	**10 570**	**0**	**79 009**	**2 781**
Financial liabilities for trading	10 570	0	10 570	10 570	0	0	0
Repurchase liabilities	39 390	0	39 390	0	0	39 390	0
Total liabilities subject to offsetting	**49 960**	**0**	**49 960**	**10 570**	**0**	**39 390**	**0**

Data in HUF million except stated otherwise

31.12.2023 Offsetting and enforceable master netting arrangements	Gross amounts before off-setting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offset-ting in the statement of financial position	Amounts subject to master netting and similar agreements not set off in the statement of financial position			Net amount of exposure
				Financial instruments	Cash collateral received	Other non-cash collateral received	
Financial assets for trading	22 159	0	22 159	21 586	0	0	573
Repurchase assets	56 985	0	56 985	0	0	56 985	0
Total assets subject to offsetting	**79 144**	**0**	**79 144**	**21 586**	**0**	**56 985**	**573**
Financial liabilities for trading	21 586	0	21 586	21 586	0	0	0
Repurchase liabilities	16 615	0	16 615	0	0	16 615	0
Total liabilities subject to offsetting	**38 201**	0	**38 201**	**21 586**	**0**	**16 615**	**0**

4.12. Financial assets measured at fair value through other comprehensive income

4.12.1. Debt and equity securities

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

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

The table below shows the composition of equity and debt instruments measured at FVTOCI:

Debt and equity securities measured at FVTOCI	31.12.2024	31.12.2023
Debt securities	4 837	5 295
Equity instruments	215	138
Total securities measured at FVTOCI	***5 052***	***5 433***
Breakdown of securities (Gross)		
Government bonds	4 837	5 295
Non-listed shares	215	138
From which: impairment losses	(1)	(1)
Total	***5 052***	***5 433***

In line with its strategic objectives, the Bank holds securities measured at fair value against other comprehensive income, modest compared to the previous year, which represent bond-type securities of credit institutions and minimum ownership instruments.

Equity instruments	31.12.2024	31.12.2023
Garantiqua Hitelgarancia Ltd.	10	10
Takarék Egyesült Szövetkezet	30	0
S.W.I.T. SCRL	6	6
Visa Inc. Class C Series/Common Stock	169	122
Total	**215**	**138**

During the reporting period, the Bank did not recognise dividends on investments in equity instruments measured at fair value as opposed to other comprehensive income.

Data in HUF million except stated otherwise

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

The following tables show the composition of debt and equity securities measured at FVTOCI by stage:

Debt securities by stage	Stage 1	Stage 2	Stage 3	Total
31.12.2024				
Credit institution bonds	4 837	0	0	4 837
Expected credit loss	(1)	0	0	(1)
Total	***4 836***	***0***	***0***	***4 836***
31.12.2023				
Credit institution bonds	5 295	0	0	5 295
Expected credit loss	(1)	0	0	(1)
Total	***5 294***	***0***	***0***	***5 294***

Gross book value – debt securities	Stage 1	Stage 2	Stage 3	Total
01.01.2024	***5 295***	***0***	***0***	***5 295***
Change in EAD	(458)	0	0	(458)
31.12.2024	***4 837***	***0***	***0***	***4 837***

Expected credit loss of assets (ECL) – debt securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2024	***(1)***	***0***	***0***	***(1)***
31.12.2024	***(1)***	***0***	***0***	***(1)***

Gross book value – debt securities	Stage 1	Stage 2	Stage 3	Total
01.01.2023	***44 397***	***0***	***0***	***44 397***
Change in EAD	(39 102)	0	0	(39 102)
31.12.2023	***5 295***	***0***	***0***	***5 295***

Data in HUF million except stated otherwise

Expected credit loss of assets (ECL) – debt securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2023	***(2)***	***0***	***0***	***(2)***
Change in EAD	(1)	0	0	(1)
31.12.2023	***(1)***	***0***	***0***	***(1)***

4.13. Financial assets measured at amortised cost

Financial assets are measured at amortised cost if they are held in a business model whose objective is to collect contractual cash flows. On the balance sheet, these assets are carried at amortised cost (gross carrying amount less expected credit loss). Interest income on these assets is calculated by effective interest method and is included under the line "Interest and similar to interest income" in the statement of profit or loss. Impairment and impairment reversal is included in the line "Expected credit loss on financial instruments". Gains and losses from derecognition (such as sales) of the assets are reported under the line item "Results from financial instruments measured at amortised cost".

4.13.1. Loans and advances to banks

	31.12.2024	31.12.2023
Interbank term deposits	5 122	106 272
Interbank loans granted	23 428	5 792
Expected credit loss	(28)	(2)
Total	**28 522**	**112 062**

Interbank term deposits decreased significantly during the year. Part of the stock released was transferred to interbank loans granted, while the larger part was transferred to other demand deposits.

The following tables show of interbank term deposits, loans granted and repurchase agreements to banks at AC by stage:

Loans and advances and repurchase agreements to banks at AC by stage	Stage 1	Stage 2	Stage 3	Total
31.12.2024				
Interbank term deposits	5 122	0	0	5 122
Interbank loans granted	23 428	0	0	23 428
Expected credit loss	(28)	0	0	(28)
Total	***28 522***	***0***	***0***	***28 522***
31.12.2023				
Interbank term deposits	106 272	0	0	106 272
Interbank loans granted	5 792	0	0	5 792
Expected credit loss	(2)	0	0	(2)
Total	***112 062***	***0***	***0***	***112 062***

Data in HUF million except stated otherwise

Gross book value – Loans and advances and repurchase agreements to banks	Stage 1	Stage 2	Stage 3	Total
01.01.2024	***112 064***	***0***	***0***	***112 064***
Change in EAD	(83 514)	0	0	(83 514)
31.12.2024	***28 550***	***0***	***0***	***28 550***

Expected credit loss of assets (ECL) – Loans and advances and repurchase agreements to banks	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2024	***(2)***	***0***	***0***	***(2)***
Change in EAD	(26)	0	0	(26)
31.12.2024	***(28)***	***0***	***0***	***(28)***

Gross book value – Loans and advances and repurchase agreements to banks	Stage 1	Stage 2	Stage 3	Total
01.01.2023	***844 215***	***0***	***0***	***844 215***
Change in EAD	(732 151)	0	0	(732 151)
31.12.2023	***112 064***	***0***	***0***	***112 064***

Expected credit loss of assets (ECL) – Loans and advances and repurchase agreements to banks	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2023	***(913)***	***0***	***0***	***(913)***
Change in EAD	911	0	0	911
31.12.2023	***(2)***	***0***	***0***	***(2)***

4.13.2. Reverse sale repurchase agreements

Sale and repurchase agreements are contracts (in the same contract or separately) in which the Bank sells a financial instrument (typically a security) and also promises or has the right to repurchase the asset. The repurchased financial asset may be the same asset that was originally sold to the customer, an asset that is substantially the same financial asset, or a component of the financial asset which was originally sold.
The Bank distinguishes two types of repurchase agreements depending on whether the Bank sell or buy the financial asset. In case of active repo, the Bank buys financial assets under the contractual terms that it will resell them to the counterparty at a predetermined future date. In case of passive repo, the Bank sells financial assets under the contractual terms that it will repurchase them from the counterparty at a predetermined future date.
If the financial asset is not derecognised by the transferor (and not recognised by the transferee), the transaction is accounted as a financing agreement. In the financial statments of the transferor, the cash consideration received plus accrued interest is recognised in the statment of financial position under "Financial assets at amortised cost", thus reflecting the economic substance of the transaction as a loan received by the Bank.

Data in HUF million except stated otherwise

The difference between the purchase and the sale price of the security is recognised as an expense under "Interest income calculated using the effective interest rate method" over the term of the repo transaction at the effective interest rate.
If the Bank is the transferee, the transaction is accounted in the reverse way, under the lines Financial liabilites measured at amortised cost" and "Interest expense calculated using the effective interest rate method".
If the financial asset is derecognised by the transferor (and recognised by the transferee), the transaction is recognised as a sale of securities (by the transferor) or a purchase of securities (by the transferee).

Repo receivables from credit institutions are part of the liquidity strategy within the MBH Group.

	31.12.2024	**31.12.2023**
Repurchase agreements to banks	79 099	56 985
Expected credit loss	(90)	0
Total	**79 009**	**56 985**

Data in HUF million except stated otherwise

Repurchase agreements by stage	Stage 1	Stage 2	Stage 3	Total
31.12.2024				
Repurchase agreements	79 099	0	0	79 099
Expected credit loss	(90)	0	0	(90)
Total	***79 009***	***0***	***0***	***79 009***
31.12.2023				
Interbank term deposits	56 985	0	0	56 985
Expected credit loss	0	0	0	0
Total	***56 985***	***0***	***0***	***56 985***

Gross book value – Repurchase agreements	Stage 1	Stage 2	Stage 3	Total
01.01.2024	***56 985***	***0***	***0***	***56 985***
Change in EAD	22 114	0	0	22 114
31.12.2024	***79 099***	***0***	***0***	***79 099***

Expected credit loss of assets (ECL) – Repurchase agreements	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2024	***0***	***0***	***0***	***0***
Change in EAD	(90)	0	0	(90)
31.12.2024	***(90)***	***0***	***0***	***(90)***

Gross book value – Repurchase agreements	Stage 1	Stage 2	Stage 3	Total
01.01.2023	***103 712***	***0***	***0***	***103 712***
Change in EAD	(46 727)	0	0	(46 727)
31.12.2023	***56 985***	***0***	***0***	***56 985***

Expected credit loss of assets (ECL) – Repurchase agreements	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2023	***(28)***	***0***	***0***	***(28)***
Change in EAD	28	0	0	28
31.12.2023	***0***	***0***	***0***	***0***

Data in HUF million except stated otherwise

4.13.3. Other financial assets

Other financial assets	31.12.2024	31.12.2023
Other receivables related to lending activities	3 628	1 192
Trade receivables (customers)	2 101	234
Advance payments	35	69
Clearing settlement	41	13
Accrual of other income	1	0
Various other financial receivables	4	27
Expected credit loss	(890)	(636)
Total	**4 920**	**899**

Other financial assets at AC by stage	Stage 1	Stage 2	Stage 3	Total
31.12.2024				
Other financial assets	3 266	2 317	227	5 810
Expected credit loss	0	(663)	(227)	(890)
Total	***3 266***	***1 654***	***0***	***4 920***
31.12.2023				
Other financial assets	290	1 030	215	1 535
Expected credit loss	0	(421)	(215)	(636)
Total	***290***	***609***	***0***	***899***

Gross book value – Other financial assets	Stage 1	Stage 2	Stage 3	Total
01.01.2024	***290***	***1 030***	***215***	***1 535***
Change in EAD	2 976	1 287	12	4 275
31.12.2024	***3 266***	***2 317***	***227***	***5 810***

Expected credit loss of assets (ECL) – Other financial assets	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2024	***0***	***(421)***	***(215)***	***(636)***
Change in EAD	0	(242)	(12)	(254)
31.12.2024	***0***	***(663)***	***(227)***	***(890)***

Data in HUF million except stated otherwise

Gross book value – Other financial assets	Stage 1	Stage 2	Stage 3	Total
01.01.2023	***3 065***	***0***	***535***	***3 600***
Change in EAD	(2 775)	1 030	(320)	(2 065)
31.12.2023	***290***	***1 030***	***215***	***1 535***

Expected credit loss of assets (ECL) – Other financial assets	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2023	***0***	***0***	***(535)***	***(535)***
Change in EAD	0	(421)	320	(101)
31.12.2023	***0***	***(421)***	***(215)***	***(636)***

4.14. Investment in associates and other investments

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

Equity interests of the Bank in subsidiaries and associates:

	2024.12.31			
Company	**Equity owned (%)**	**Carrying amounts**	**Country of incorporation**	**Brief description of activities**
Takarék Faktorház Zrt.	100%	250	Hungary	Other lending
Takinfo Kft.	52.38%	110	Hungary	IT service
Takarék Ingatlan Zrt.	100%	407	Hungary	Property operation and maintenance
MBH Bank Nyrt. „A” Törzsrészvény*	1.18%	8	Hungary	Other monetary intermediation
MBH Jelzálogbank Nyrt.	48.42%	32 562	Hungary	Other lending
Takarék Kockázati Tőkealap	23.08%	2 071	Hungary	Investment fund management activity
MBH Mezőgazdasági és Fejlesztési Magántőkealap	24.84%	11 081	Hungary	Investment fund management activity
Takarék Zártkörű Befektetési Alap	93.79%	14 320	Hungary	Investment fund management activity
MBH High-Risk Származtatott Részvény Alap	100%	4 714	Hungary	Investment fund
MITRA Informatikai Zrt.	2.45%	181	Hungary	Data services, Web hosting services
HUN Bankbiztosítás Kft.	25%	56	Hungary	Bank insurance

**Defined in terms of MBH Bank Plc. as the parent company.*

Data in HUF million except stated otherwise

31.12.2023				
Company	**Equity owned (%)**	**Carrying amounts**	**Country of incorporation**	**Brief description of activities**
Takarék Faktorház Zrt.	100%	591	Hungary	Other lending
Takarékszövetkezeti Informatikai Kft.	52%	110	Hungary	IT service
Takarék Ingatlan Zrt.	100%	407	Hungary	Property operation and maintenance
MBH Bank Nyrt. „A” Törzsrészvény	0%	8	Hungary	Other monetary intermediation
MBH Jelzálogbank Nyrt.	48%	32 562	Hungary	Other lending
MBH Szolgáltatások Zrt.	87%	28 350	Hungary	Own renting and operating real estate
Takarék Kockázati Tőkealap	23%	2 805	Hungary	Investment fund management activity
MBH Mezőgazdasági és Fejlesztési Magántőkealap	31%	11 434	Hungary	Investment fund management activity
Takarék Zártkörű Befektetési Alap	93%	14 320	Hungary	Investment fund management activity
MITRA Informatikai Zrt.	2%	700	Hungary	Data services, Web hosting services
HUN Bankbiztosítás Kft.	25%	56	Hungary	Bank insurance
Takarék Egyesült Szövetkezet	1%	30	Hungary	Cooperative

The value of investments in subsidiaries and associates and the changes during the year are shown in the tables below:

Investments in subsidiaries and associates - Change in gross amount	
Opening balance 01.01.2024	**91 373**
Acquisition	5 000
Disposition	(28 350)
Reclassification	(30)
Closing balance 31.12.2024	**67 993**
Opening balance 01.01.2023	**88 849**
Acquisition	2 530
Disposition	(6)
Closing balance 31.12.2023	**91 373**

Data in HUF million except stated otherwise

Investments ins subsidiaries and associates - Change in impairment

Opening balance 01.01.2024	**(8 495)**
Impairment loss	(1 277)
Reversal of impairment	7 539
Closing balance 31.12.2024	**(2 233)**
Opening balance 01.01.2023	**(10 212)**
Impairment loss	(579)
Reversal of impairment	2 296
Closing balance 31.12.2023	**(8 495)**

Major changes to the Bank's investments in 2024 include the following. In the first quarter, the Bank acquired a share of HUF 5,000 million in the MBH High-Risk Száramaztatott Részvény Alap. Subsequently, in the third quarter, the Bank sold its entire share in MBH Szolgáltatások Zrt. to MBH Bank Plc., the transaction generated HUF 3,216 million in profit (cash flow impact HUF 31,566 million).

The Bank measures its investments in subsidiaries, jointly controlled entities and associates at cost based on its accounting policy decision, in accordance with IAS 27. IAS 36 takes into account impairment of assets when determining whether the shareholding has any signs of impa-irment and whether it is necessary to account for impairment at the end of the 2024 reporting period. Impairments should be recognised if the recoverable amount is less than the carrying amount of the investment, the amount of impairment is the difference between the carrying amount and the recoverable amount. The change that arose under IAS 36 is considered to be an impairment circumstance, which reduces the recoverable amount of the investment by the Bank. An impairment reversal of HUF 7,335 million was made on the share in MBH Mortgage Bank, and during the year a more significant accumulated impairment was made in respect of MBH High-Risk Származtatott Részvény Alap (HUF 286 million), Takarék Faktorház Zrt. (HUF 96 million), MBH Mezőgazdasági és Fejlesztési Magántőkealap (HUF 353 million) and Takarék Kockázati Tőkealap (HUF 338 million).

Dividends received from subsidiaries and associates generated revenues of HUF 755 million in 2024, compared to HUF 1,486 million last year.

Data in HUF million except stated otherwise

4.15. Property and equipment and Intangible assets

Tangible assets and Intangible assets that have a finite useful life are measured initially at cost and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

Property and equipment	
Property	0 - 14%
Land	0%
Building, other facility	2%
Image items	14%
IT networks	12%
Reconstruction of property	6% - 14.7%
Office equipment	9% - 33%
IT devices	33% - 50%
Vehicles	10% - 33%
Other equipments	7% - 50%
Intangible assets	
Softwares	5% - 50%
Rights	3.5% - 25%

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

Intangible assets that have an indefinite useful life, or are not yet ready for use, are tested for impairment annually. Depreciation of property and equipment are included in the "Administrative and other operating expense" line in the consolidated statement of profit or loss and other comprehensive income.

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

Expenditure on internally developed intangible asset (software) is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life.

Data in HUF million except stated otherwise

Tangible assets and intangible assets	Property rights	Investment intangible assets	Own properties	Equipment	Right-of use assets	Total
Cost or deemed cost						
Opening balance at 01.01.2024	**7 595**	**387**	**2 583**	**2 191**	**2 216**	**14 972**
Additions	1 092	2 565	5	569	0	4 231
Disposals	0	(2 506)	0	(76)	0	(2 582)
Other modifications	0	0	0	0	225	225
Closing balance at 31.12.2024	**8 687**	**446**	**2 588**	**2 684**	**2 441**	**16 845**
Depreciation and impairment losses						
Opening balance at 01.01.2024	**(3 531)**	**0**	**(1 081)**	**(1 959)**	**(762)**	**(7 333)**
Depreciation charged for the year	(1 268)	0	(53)	(198)	(700)	(2 219)
Disposals	0	0	0	(60)	0	(60)
Other modifications	0	0	0	0	(44)	(44)
Closing balance at 31.12.2024	**(4 799)**	**0**	**(1 134)**	**(2 097)**	**(1 506)**	**(9 536)**
Carrying amounts						
01.01.2024	**4 064**	**387**	**1 502**	**232**	**1 454**	**7 639**
31.12.2024	**3 888**	**446**	**1 454**	**587**	**935**	**7 310**

Data in HUF million except stated otherwise

Tangible assets and intangible assets	Property rights	Investment intangible assets	Own properties	Equipment	Right-of use assets	Total
Cost or deemed cost						
Opening balance at 01.01.2023	**5 615**	**813**	**2 379**	**2 257**	**1 887**	**12 951**
Additions	1 996	1 741	204	138	1 637	5 716
Disposals	(16)	(2 167)	0	(204)	0	(2 387)
Other modifications	0	0	0	0	(1 308)	(1 308)
Closing balance at 31.12.2023	**7 595**	**387**	**2 583**	**2 191**	**2 216**	**14 972**
Depreciation and impairment losses						
Opening balance at 01.01.2023	**(2 714)**	**0**	**(831)**	**(1 950)**	**(1 375)**	**(6 870)**
Depreciation charged for the year	(819)	0	(52)	(207)	(776)	(1 854)
Disposals	2	0	(198)	198	0	2
Other modifications	0	0	0	0	1 389	1 389
Closing balance at 31.12.2023	**(3 531)**	**0**	**(1 081)**	**(1 959)**	**(762)**	**(7 333)**
Carrying amounts						
01.01.2024	**2 901**	**813**	**1 548**	**307**	**512**	**6 081**
31.12.2024	**4 064**	**387**	**1 502**	**232**	**1 454**	**7 639**

The right-of-use assets under IFRS 16 have been reported in Note 4.16.
The Bank has carried out an estimate of recoverable amount of the tangible and intangible assets. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised for the asset. In 2024, no impairment recognition was made for tangible and intangible assets.

The Bank estimates the recoverable amount of the intangible asset. Based on this were not such an asset by the Bank, where the recoverable amount would have been lower than the the carrying amount of an asset, therefore impairment have not been recognised on intangible assets in 2024 and 2023.

4.16. Leases

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

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

The Bank recognises the right-of-use asset and the lease liability as at the commencement date of the lease at the cost determined by IFRS 16.
On subsequent measurement, the Bank measures the right-of use assets at cost and recognises depreciation on it from the commencement date to the end of the useful life of the underlying asset.
After the commencement date of the lease term, the Bank depreciates the asset on a straight-line basis.
After the commencement date, the Bank measures the lease liability at amortised cost using the effective interest rate method.

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

Presentation in the financial statements

The right-of-use assets are included in “Property and equipment” and the lease liabilities in “Other financial liabilities” in the statement of financial position.

After the commencement date the Bank recognises the related costs in statement of profit or loss and other comprehensive income, if these are not recognised as part of the cost of the right-of-use asset. Interest on lease liabilities is included in line “Other expense similar to interest”. The depreciation of a right-of-use asset is recognised as “Administrative and other operating expense”.

The Bank classifies the right-of-use assets arising from operating leases that are leased or subleased in the Statement of Financial Position by reference to the nature of the underlying asset.

Data in HUF million except stated otherwise

Right-of-use assets

Right-of-use assets	Properties	Vehicles	Total
Cost or deemed cost			
Opening balance at 01.01.2024	**1 687**	**529**	**2 216**
Additions	0	0	0
Other modificiations	184	41	225
Closing balance at 31.12.2024	**1 871**	**570**	**2 441**
Depreciation and impairment losses			
Opening balance at 01.01.2024	**405**	**357**	**762**
Depreciation for the year	(564)	(136)	(700)
Other modificiations	(86)	42	(44)
Closing balance at 31.12.2024	**(1 055)**	**(451)**	**(1 506)**
Carrying amounts			
01.01.2024	**1 282**	**172**	**1 454**
31.12.2024	**816**	**119**	**935**

Right-of-use assets	Properties	Vehicles	Total
Cost or deemed cost			
Opening balance at 01.01.2023	**1 122**	**765**	**1 887**
Additions	1 635	2	1 637
Other modificiations	(1 070)	(238)	(1 308)
Closing balance at 31.12.2023	**1 687**	**529**	**2 216**
Depreciation and impairment losses			
Opening balance at 01.01.2023	**(949)**	**(426)**	**(1 375)**
Depreciation for the year	(555)	(221)	(776)
Other modificiations	1 099	290	1 389
Closing balance at 31.12.2023	**(405)**	**(357)**	**(762)**
Carrying amounts			
01.01.2023	**173**	**339**	**512**
31.12.2023	**1 282**	**172**	**1 454**

Data in HUF million except stated otherwise

Lease liabilities

Lease liabilities presented in the statement of financial position

Lease liabilities	31.12.2024	31.12.2023
Short-term	83	582
Long-term	930	925
Total	**1 013**	**1 507**

Maturity analysis - undiscounted contractual payments	31.12.2024	31.12.2023
Up to 1 year	746	704
1 year to 5 years	341	994
Over 5 years	0	0
Total	**1 087**	**1 698**

Total cash outflows related to leases	2024	2023
Interest expense recognized on lease liabilities	(126)	(120)
Payments related to the capital component of a lease	(672)	(838)
Items presented in the cash-flow statement	**(798)**	**(958)**

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

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

Data in HUF million except stated otherwise

4.17. Deferred tax assets and liabilities

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

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

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

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

For further information about the deferred tax on tax loss carryforward, please refer to Note 4.8.

Deferred tax assets and liabilities arise under the following grounds:

Net deferred tax assets / (liabilities)	31.12.2023	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	31.12.2024
Intangibles, property and equipment	(77)	4	0	(73)
Securitites	(14)	0	(7)	(21)
Allowances for loan losses	3	0	0	3
Provision	10	(3)	0	7
Net tax assets / (liabilities)	**(78)**	**1**	**(7)**	**(84)**

Net deferred tax assets / (liabilities)	31.12.2022	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	31.12.2023
Intangibles, property and equipment	(8)	(69)	0	(77)
Securitites	0	0	(14)	(14)
Allowances for loan losses	3	0	0	3
Provision	8	2	0	10
Net tax assets / (liabilities)	**3**	**(67)**	**(14)**	**(78)**

During 2024 the Bank charged deferred tax expense HUF -7 million (2023: HUF -14 million) in other comprehensive income and HUF 1 million (2023: HUF -67 million) in profit or loss.

Data in HUF million except stated otherwise

4.18. Other assets

Other assets	31.12.2024	31.12.2023
Mediated services	303	303
Inventories	8	113
Prepaid cost and accrued income	1 515	7 508
Reclaimable taxes	613	726
Taxes, duties and other fiscal items	11	13
Several other assets	0	538
Total	**2 450**	**9 201**

Special epidemic tax is presented among taxes, duties and other fiscal items, as the Government Decree No. 108/2020 (IV.14.) on the special tax on credit institutions related to the epidemiological situation the tax paid can be deducted from the special tax payment obligation of financial institutions in the next 5 years (2021-2025). In 2024 the decree has been changed, therefore the special epidemic tax cannot be deducted from the special tax of financial institutions in this year. However, the 5-year credit period has been extended until 2026.

4.19. Financial liabilities measured at fair value through profit or loss

	31.12.2024	31.12.2023
Derivative financial liabilities	10 570	21 586
Financial liabilities from short positions	0	880
Total	**10 570**	**22 466**

4.20. Financial liabilities measured at amortised cost

4.20.1. Amounts due to banks and sale and repurchase agreements

	31.12.2024	31.12.2023
Borrowings	160 155	150 336
Deposits	53 189	92 583
Repurchase agreements	39 390	16 615
Total	**252 734**	**259 534**

Data in HUF million except stated otherwise

4.20.2. Subordinated debts

Subordinated debts represent the Bank's direct, unconditional and unsecured subordinated bonds and loans issued, which has subordinated status in relation to the Banks's liabilities to other depositors and creditors.

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

	Interest	Date of issue	Maturity date	Face value in original currency	Original currency	Book value in functional currency
31.12.2024						
Subordinated debt	Variable	30.06.2022	02.07.2029	8 000	HUF	8 470
Total						
2023.12.31.						
Subordinated debt	Variable	30.06.2022	02.07.2029.	8 000	HUF	8 742
Total						

4.20.3. Reconciliation of liabilities arising from financing activities

The table below sets out movements in the Bank's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

	Amounts due to banks	Other financial liabilities	Total
31.12.2022	**1 474 534**	**68 210**	**1 542 744**
Cash flow from financing activities	(123 964)	(838)	(124 802)
New leasing	0	1 637	1 637
Other changes*	(1 107 651)	7 773	(1 099 878)
31.12.2023	**242 919**	**76 782**	**319 701**
Cash flow from financing activities	(10 000)	(672)	(10 672)
New leasing	0	0	0
Other changes	(19 575)	9 453	(10 122)
31.12.2024	**213 344**	**85 563**	**298 907**

**In order to integrate the MBH Group and develop the business strategy of the new group, on 20 April 2023 the Asset and Liability Committee of MBH Bank Plc. (hereinafter: "ALCO") ordered the transfer of MBH Investment Bank Co. Ltd.'s assets and liabilities related to asset-liability management in its decision no. 9/2023 (04.20)-MKB-EFB. In line with the Group's strategy above, the stock of amount due to banks was reduced in 2023.*

Data in HUF million except stated otherwise

4.20.4. Other financial liabilities

Other financial liabilities	31.12.2024	31.12.2023
Clearing settlement	440	11
IFRS 16 lease liability	1 013	1 507
Trade payables	523	937
Other liabilities from card transactions to banks and customers	0	7 384
Other liabilities related to lending and factoring activities	45	81
Client cash accounts related to investment services	81 277	62 140
Liabilities related to investment services	1 099	325
Other financial liabilities to customers	0	0
Accruals for other costs	690	0
Various other financial liabilities	476	431
Total	**85 563**	**72 816**

For further information about lease liability, see Note 4.16.

4.21. Provisions

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

Risk reserves are made in particular for existing commitments and contractual obligations.

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

Provision for other purposes includes the recognition of liabilities arising from a past event (legal or assumed) for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. (e.g. untaken leave)

Following tables shows the movement of provision by title:

	Opening at 01.01.2024	Provisions made during the year	Use of provisions	Release of provisions	Closing 31.12.2024
Expected credit loss (IFRS9)	0	0	0	0	0
Provision allocated for unused vacation days	109	72	(109)	0	72
Provision for litigation	0	30	0	0	30
Total	**109**	**102**	**(109)**	**0**	**102**

	Opening at 01.01.2023	Provisions made during the year	Use of provisions	Release of provisions	Closing 31.12.2023
Expected credit loss (IFRS9)	284	336	0	(620)	0
Provision allocated for unused vacation days	91	109	(91)	0	109
Total	**375**	**445**	**(91)**	**(620)**	**109**

Data in HUF million except stated otherwise

4.22. Contingent liabilities

The Bank does not have any contingent liabilities.

4.23. Other liabilities

Other liabilities	31.12.2024	31.12.2023
Tax liabilities	768	670
Accrued expenses	1 325	2 402
Jubilee benefit obligation	22	73
Liabilities to employees	174	0
Other liabilities	326	0
Total	**2 615**	**3 145**

** A significant part of accruals relates to administrative expenses and services arising from investment activity.*

4.24. Not owned dematerialised securities at nominal value by place account

The Bank reports the securities owned by its customers broken down by depository. The Bank records securities owned by third parties in the 0 account class.

31.12.2024	Depository		Total
	Foreign depository	Központi Értéktár Zrt.	
Investment units and funds	1	537 095	**537 096**
Discount treasury bills	0	33 594	**33 594**
Mortgage bonds	0	1 440	**1 440**
Bonds	5	276 090	**276 095**
Warehouse receipt	2 514	0	**2 514**
Hungarian goverment bond	0	580 127	**580 127**
Shares	32	351 035	**351 067**
Note payables and other	3 020	0	**3 020**
Total	**5 572**	**1 779 381**	**1 784 953**

31.12.2023	Depository		Total
	Foreign depository	Központi Értéktár Zrt.	
Investment units and funds	0	390 231	**390 231**
Discount treasury bills	0	31 167	**31 167**
Mortgage bonds	0	1 124	**1 124**
Bonds	2	245 053	**245 055**
Warehouse receipt	10 000	0	**10 000**
Hungarian goverment bond	0	619 032	**619 032**
Shares	33	93 651	**93 684**
Note payables and other	441	0	**441**
Total	**10 476**	**1 380 258**	**1 390 734**

4.25. Equity

Share capital

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

The table shows the structure of the shares as follows:

Type of shares	Number of shares (pieces)		Face value (thousand HUF/pieces)		Total face value of shares (thousand HUF)	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Ordinary shares	1 695 118	1 695 118	2	2	3 390 236	3 390 236
from: treasury shares held by MBH Bank Plc.	329 659	329 659	0	0	0	0
Total	**1 695 118**	**1 695 118**	**-**	**-**	**3 390 236**	**3 390 236**

Treasury shares

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

Treasury shares	31..12.2024	31.12.2023
Opening balance	2 539	2 539
Repurchase	0	0
Closing balance	**2 539**	**2 539**

In its Resolution No. 10/2017 accepted adopted on 26 April 2017, the General Meeting of MTB Bank of Hungarian Saving Cooperatives Co. Ltd. authorized the Board of Directors of the Bank to repurchase a maximum of 422,714 Series "A" ordinary shares by 26 October 2018 at the latest. During the above period, the Bank repurchased a total of 329,659 shares from cooperative credit institutions from the authorized facility. In 2024, the stock of repurchased shares did not change.

Share premium

Share premium comprises of premiums on share capital issuances.

General reserve

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

Data in HUF million except stated otherwise

The Bank discloses the general reserve as a part of the retained earnings. In 2024, the Bank recognized a general reserve of HUF 1,295 million (2023: HUF 630 million).

General reserve	31.12.2024	31.12.2023
General reserve	1 295	630
Other capital reserve	8	8
Closing balance	**1 303**	**638**

The profit for the year resulted in a general reserve of HUF 665 million in 2024.

Retained earnings

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

Revaluation reserves

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

Data in HUF million except stated otherwise

The equity correlation table of the Bank based on paragraph 114/B § of Act on Accounting as at 31 December 2024:

Staement of changes in equity based on Hungarian Acccount law	Share capital	Capital reserve	General reserve	Retained earnings and other reserve	Revaluation reserve	Tied-up reserve	Treasury shares	Profit for the year	Total equity
31.12.2024									
Total equity under IFRS as adopted by EU	**3 390**	**3 479**	**0**	**35 098**	**0**	**0**	**(2 539)**	**6 651**	**46 079**
Accumulated other comprehensive income	0	0	0	779	(779)	0	0	0	0
Repurchased treasury shares	0	0	0	(2 539)	0	2 539	0	0	0
General reserve	0	0	1 303	(1 303)	0	0	0	0	0
Total equity under Accounting Act 114/B §	**3 390**	**3 479**	**1 303**	**32 035**	**(779)**	**2 539**	**(2 539)**	**6 651**	**46 079**
31.12.2023									
Total equity under IFRS as adopted by EU	**3 390**	**3 479**	**0**	**24 738**	**0**	**0**	**(2 539)**	**6 300**	**35 368**
Accumulated other comprehensive income	0	0	0	873	(873)	0	0	0	0
Repurchased treasury shares	0	0	0	(2 539)	0	2 539	0	0	0
General reserve	0	0	638	(638)	0	0	0	0	0
Total equity under Accounting Act 114/B §	**3 390**	**3 479**	**638**	**22 434**	**(873)**	**2 539**	**(2 539)**	**6 300**	**35 368**

Data in HUF million except stated otherwise

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

Reconciliation of share capital registered on the Registry Court and share capital under IFRS as adopted by the EU	**31.12.2024**	**31.12.2023**
Share capital in accordance with IFRS adopted by EU	3 390	3 390
Share capital registered on the Registry Court	3 390	3 390
Difference	**0**	**0**

Schedule of the profit reserves availbale for dividend	**31.12.2024**	**31.12.2023**
Retained earnings and other reserve	35 098	24 738
Accumulated other comprehensive income	779	873
Repurchased treasury shares	(2 539)	(2 539)
General reserve	(1 303)	(638)
Profit for the year	6 651	6 300
Unappropriated profit reserves available for dividend payments	**38 686**	**28 734**

4.26. Fair value of financial instruments

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received). In certain circumstances, however, the initial fair value will be based on other observable current market transactions in the same instrument, or on a valuation technique whose variables include only data from observable markets, such as interest rate yield curves, option volatilities and currency rates.
When such evidence exists, the Bank recognises a trading gain or loss on inception of the financial instrument. When unavailable market data have a significant impact on the valuation of financial instruments, the entire initial difference in fair value indicated by the valuation model from the transaction price is not recognised immediately in the consolidated statement of profit or loss and other comprehensive income but is recognised over the life of the transaction on an appropriate basis, or when the inputs become observable, or the transaction matures or is closed out, or when the Bank enters into an offsetting transaction.

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued.

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

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

Data in HUF million except stated otherwise

The following tables set out the carrying amounts and fair values of the Bank's financial assets and financial liabilities and the applied evaluation methods.

	31.12.2024		31.12.2023	
	Total carrying amount	Total fair value	Total carrying amount	Total fair value
Financial assets				
Cash and cash-equivalents	**185 747**	**185 747**	**100 490**	**100 490**
Financial assets measured at fair value throughprofit or loss	**27 725**	**27 725**	**34 288**	**34 288**
Loans and advances to customers mandatorily at fair value through profit or loss	0	0	49	49
Securities held for trading	750	750	1 624	1 624
Securities mandatorily at fair value through profit or loss	13 624	13 624	10 456	10 456
Derivative financial assets	13 351	13 351	22 159	22 159
Financial assets measured at fair value through other comprehensive income	**5 051**	**5 051**	**5 432**	**5 432**
Debt and equity securities	5 051	5 051	5 432	5 432
Financial assets measured at amortised cost	**112 451**	**112 451**	**169 946**	**169 946**
Loans and advances to banks	28 522	28 522	112 062	112 062
Reverse sale and repurchase agreements	79 009	79 009	56 985	56 985
Debt securities	0	0	0	0
Other financial assets	4 920	4 920	899	899
Total financial assets	**330 974**	**330 974**	**310 156**	**310 156**
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	**10 570**	**10 570**	**22 466**	**22 466**
Derivative financial liabilities	10 570	10 570	21 586	21 586
Financial liabilities from short positions	0	0	880	880
Financial liabilities measured at amortised cost	**346 767**	**346 767**	**345 058**	**345 058**
Amounts due to banks	213 344	213 344	242 919	242 919
Sale and repurchase agreements	39 390	39 390	16 615	16 615
Subordinated debt	8 470	8 470	8 742	8 742
Other financial liabilities	85 563	85 563	76 782	76 782
Total financial liabilities	**357 337**	**357 337**	**367 524**	**367 524**

The Bank measures fair values using the following measurement hierarchy:

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

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

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

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

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

Cash and cash-equivalents

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

Derivative financial instruments

Fair values of derivative financial instruments are traded in active markets are based on quoted market prices or dealer price quotations.

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

Securities

The fair values of instruments grouped into securities are based on quoted market prices, when available. If quoted market prices are not available, fair value is estimated using quoted market prices of similar securities. For further information, please refer to Note 4.11.2.

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

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

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

Loans to banks and customers

The fair value of loans and advances is based on observable market transactions, where available. In the absence of observable market transactions, fair value is estimated using discounted cash flow models.
For the valuation of the loans to banks and customers, please refer to Note 4.14.

Amounts due to other banks and current and deposit accounts

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

Issued debt securities and Subordinated debt

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

Data in HUF million except stated otherwise

The following tables set out the applied evaluation methods used to determine the fair values of the Bank's financial assets and financial liabilities:

31.12.2024	Quoted market prices in active markets	Valuation techniques – with observable inputs	Valuation techniques – with significant non observable inputs
Financial assets			
Financial assets measured at fair value trhough profit or loss	**738**	**13 363**	**13 624**
Loans and advances to customers mandatorily at fair value through profit or loss	0	0	0
Securities held for trading	738	12	0
Securities mandatorily at fair value trhough profit or loss	0	0	13 624
Derivative financial assets	0	13 351	0
Financial assets measured at fair value through other comprehensive income	**0**	**4 836**	**215**
Securities	0	4 836	215
Total financial assets	**738**	**18 199**	**13 839**
Financial liabilities			
Financial liabilities measured at fair value through profit or loss	**120**	**10 450**	**0**
Derivative financial liabilities	120	10 450	0
Financial liabilities from short positions	0	0	0
Total financial liabilities	**120**	**10 450**	**0**

31.12.2023	Quoted market prices in active markets	Valuation techniques – with observable inputs	Valuation techniques – with significant non observable inputs
Financial assets			
Financial assets measured at fair value trhough profit or loss	**1 604**	**22 179**	**10 505**
Loans and advances to customers mandatorily at fair value through profit or loss	0	0	49
Securities held for trading	1 604	20	0
Securities mandatorily at fair value through profit or loss	0	0	10 456
Derivative financial assets	0	22 159	0
Financial assets measured at fair value through other comprehensive income	**0**	**5 294**	**138**
Securities	0	5 294	138
Total financial assets	**1 604**	**27 473**	**10 643**
Financial liabilities			
Financial liabilities measured at fair value through profit or loss	**10 316**	**12 150**	**0**
Derivative financial liabilities	10 316	11 270	0
Financial liabilities from short positions	0	880	0
Total financial liabilities	**10 316**	**12 150**	**0**

Data in HUF million except stated otherwise

4.27. Related party transactions

The Bank identifies the related parties using the definition of IAS 24 including all the enterprises that directly or indirectly through one or more intermediaries are controlled by the reporting enterprise (this includes parents and subsidiaries – **MBH Bank Ltd. reports from the point of view of a main parent company**) and key management personnel, including the member of the Board and Supervisory Board. For the purposes of this Report, related parties also include shareholders whose holding in the Bank exceeds 10%. Related parties have the power of control over or have a significant influence in, decisions relating to the finances and operation of another enterprise. The Group enters into transactions with related parties under market conditions.

The list of the related parties, - including the subsidiaries, associates and other shares of the MBH Investment Bank Co. Ltd. - as at 31 December 2024 is the following. They are presented from the perspective of **the main parent company, MBH Bank Plc**.:

Company	Classification	Share%	Core business
MBH Bank Nyrt.	Main parent company	0%	Other monetary intermediation
MBH Blue Sky Kft.	Related company	0%	Asset management
MBH Duna Bank Zrt.	Related company	0%	Other monetary intermediation
Mitra Informatikai Zrt	Subsidiary	2%	Data services, web hosting ser-vices
MBH Jelzálogbank Nyrt.	Subsidiary	48%	Other lending
Euroleasing Ingatlan Zrt.	Related company	0%	Other lending
Takarék Ingatlan Zrt.	Subsidiary	100%	Estate agent service
MBH Szolgáltatások Zrt.	Related company	0%	Own renting and operating real estate
MBH Domo Kft.	Related company	0%	Own property real estate buying and selling
Takarék Faktorház Zrt.	Subsidiary	100%	Other lending
Takarékszövetkezeti Informatikai Kft.	Subsidiary	52%	IT service
Takarék Zártkörű Befektetési Alap	Subsidiary	93%	Investment fund
MBH Mezőgazdasági és Fejlesztési Magántőkealap	Subsidiary	25%	Investment fund
Takarék Kockázati Tőkealap	Related company	23%	Investment fund
MBH High-Risk Származtatott Részvény Alap	Subsidiary	100%	Investment fund
MBH Ingatlan Befektetési Alap	Related company	0%	Investment fund
MBH Magántőkealap	Related company	0%	Investment fund
OPUS TM1 Ingatlan Befektetési Alap	Related company	0%	Investment fund
MBH Vállalati Abszolút Hozamú Kötvény Befektetési Alap	Related company	0%	Investment fund
Magyar Strat-Alfa Zrt.	Related company	0%	Own property real estate buying and selling
MBH Ingatlanfejlesztő Kft.	Related company	0%	Own renting and operating real estate
Euroleasing Zrt.	Related company	0%	Financial leasing
MBH Bank MRP Szervezet	Related company	0%	Other activities auxiliary to financial services
HUN Bankbiztosítás Kft.	Associate	25%	Bancassurance
Budapest Eszközfinanszírozó Zrt.	Related company	0%	Other tangible assets leasing
Budapest Lízing Zrt.	Related company	0%	Financial leasing
MBH Befektetési Alapkezelő Zrt.	Related company	0%	Fund Management
Fundamenta csoport	Related company	0%	Home savings fund

Data in HUF million except stated otherwise

The Bank did not have any loans to members of the Bank's management bodies as at 31 December 2023 and 2022.

	31.12.2024		31.12.2024	
	Headcount	The amount of emolu-ments	Headcount	The amount of emolu-ments
Members of Board of Directors	7	96	11	58
Members of Supervisory Board	5	72	10	38
Total	**12**	**168**	**21**	**96**

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

The details of transaction in 2024 and 2023 between the Bank and other related parties are disclosed in the next table.

31.12.2024	Parent company	Subsidiaries and Related companies	Key management
Due from banks	228 707	123	0
Other assets	3 438	16 070	0
Total assets	**232 145**	**16 193**	**0**
Due to banks	224 554	35 460	0
Other liabilities	3 231	142	0
Total liabilities	**227 785**	**35 602**	**0**
Interest income	13 832	5 998	0
Interest expense	(14 897)	(4 723)	0
Net interest income	**(1 065)**	**1 275**	**0**
Dividend income	**0**	**755**	**0**
Fee and commision income	10 302	354	0
Fee and commision expense	(4 025)	(102)	0
Net fee and commission income	**6 277**	**252**	**0**
Net other operating income	17 166	5 371	0
Net other operating expense	(15 779)	(5 037)	0
Operating income	**1 387**	**334**	**0**
Operating expense	**(296)**	**(2 020)**	**(168)**
Profit/loss on transactions with related parties	**6 303**	**596**	**(168)**

Data in HUF million except stated otherwise

31.12.2023	Parent company	Subsidiearies and Related companies	Key management
Due from banks	222 066	131	0
Other assets	16 254	4 350	0
Total assets	**238 320**	**4 481**	**0**
Due to banks	(233 236)	(29 683)	0
Other liabilities	(8 947)	(1 083)	0
Total liabilities	**(242 183)**	**(30 766)**	**0**
Interest income	47 100	24 169	0
Interest expense	(53 672)	(39 682)	0
Net interest income	**(6 572)**	**(15 513)**	**0**
Dividend income	**0**	**887**	**0**
Fee and commision income	1 348	1 695	0
Fee and commision expense	(1 614)	(1 038)	0
Net fee and commission income	**(266)**	**657**	**0**
Net other operating income	102 981	17 193	0
Net other operating expense	(62 032)	(9 228)	0
Operating income	**40 949**	**7 965**	**0**
Operating expense	**(21)**	**(2 447)**	**(96)**
Profit/loss on transactions with related parties	**34 090**	**(8 451)**	**(96)**

Subsidiaries and related companies financial data preliminary, data

Subsidaries and related companies	Direct holding %	31.12.2024 Assets	Liabilities	Equity	Profit or loss
HUN Bankbiztosítás Kft.	25%	914	123	791	762
Mitra Informatikai Zrt.	2%	26 079	17 156	8 923	1 977
MBH Bank Nyrt.	0.001%	11 951 671	10 918 378	1 033 293	158 753
MBH Jelzálogbank Nyrt.	48%	892 311	807 783	84 528	6 597
Takarék Ingatlan Zrt.	100%	628	15	613	27
Takarék Faktorház Zrt.*	100%	272	2	270	(138)
Takinfo Kft.	52%	1 156	2	1 154	(26)
Takarék Zártkörű Befektetési Alap	93%	19 164	12	19 152	485
MBH Mezőgazdasági és Fejlesztési Magántőkealap	25%	44 909	48	44 861	(571)
Takarék Kockázati Tőkealap	23%	7 723	138	7 585	(2 681)
MBH High-Risk Származtatott Részvény Alap	100%	4 723	9	4 714	(33)

**Data for the activity closing report for 15.12.2024.*

Data in HUF million except stated otherwise

Subsidaries and related companies	Direct holding %	31.12.2023 Assets	Liabilities	Equity	Profit or loss
HUN Bankbiztosítás Kft.	25%	1 012	143	869	839
Mitra Informatikai Zrt.	2%	27 564	20 421	7 143	1 691
MBH Bank Nyrt.	0.001%	11 008 621	10 027 989	980 632	118 316
MBH Jelzálogbank Nyrt.	48%	906 587	828 382	78 205	6 663
Takarék Ingatlan Zrt.	100%	697	40	657	57
MBH Szolgáltatások Zrt.	87%	35 132	2 110	33 022	396
Takarék Faktorház Zrt.	100%	454	54	400	105
Takinfo Kft.	52%	1 183	3	1 180	48
Takarék Zártkörű Befektetési Alap	93%	16 337	8	16 329	4 039
MBH Mezőgazdasági és Fejlesztési Magántőkealap	31%	37 460	28	37 432	45
Takarék Kockázati Tőkealap	23%	11 158	112	11 046	(612)
Takarék Egyesült Szövetkezet	2%	1 713	147	1 566	170

4.28. Events after the reporting period

Events after the balance sheet date are those events that occur between the balance sheet date and the date when the financial statements are authorised by management (Board of Directors, Supervisory Board) for issue.

The Bank is identified adjusting events after the balance sheet date and non-adjusting events after the balance sheet date. Adjusting events after the balance sheet date are incidences that provide evidence of conditions that existed at the balance sheet date, but information are received after the balance sheet date. The Bank shall adjust the amounts recognised in its financial statements to reflect adjusting events after the balance sheet date. Non-adjusting events after the balance sheet date are incidences that are indicative of conditions that arose after the balance sheet date. The Bank shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the balance sheet date, but its expected effects are disclosed in the Notes when material.

There have been no significant events after the balance sheet date and no presentation is required.

M B H I n v e s t m e n t B a n k Co. Ltd.

10241662 6419 114 01
Statistic code

Separate Business Report

31 December 2024

1. HISTORY OF MBH INVESTMENT BANK

Created in May 2023 through a merger, which was unique in the European banking market, MBH Bank is today one of the largest financial institutions in the region, both in terms of the number of clients and assets. The merger of MKB Bank, Budapest Bank and the Takarékbank has created a new much larger bank of scale and scope: the complementary product range and professional competences of the predecessors were combined in a new, unified framework, creating a new quality in the Hungarian banking sector.

The banking group sells its highly diversified investment services uniformly through MBH Investment Bank Ltd (hereafter referred to as 'Investment Bank', 'Bank'). The new investment-focused financial institution offers customers all the benefits of the merger of the three predecessors: investment expertise across a wide range of sectors and asset categories, a branch network accessible from anywhere in the country and a broad range of securities available through a single service.

MBH Investment Bank's mission is to provide its clients with services at the forefront of the investment market in the most direct and flexible way possible, without compromise, and is therefore pioneering innovative digital banking solutions. Thanks to innovative service paths and methods based on web and mobile technology, MBH Investment Bank enables its clients to manage their finances anytime and anywhere, without constraints and limitations.

2. THE OPERATIONAL ENVIRONMENT OF MBH INVESTMENT BANK

In the developed economics, inflation rates have been further reduced in 2024, but inflation has not yet stably reached the desired targets. The growth figures for 2024 were positive, with the US economy expanding at a steady pace above 2.5%, while growth in the euro area was rather lagging behind last year. Central Banks in the developed countries started their rate cutting cycles in 2024, but with different dynamics. The European Central Bank started its rate-cutting cycle in June and, after a pause in July, maintained it until the end of 2024, bringing the deposit rate down to 3.00% by the end of the year. The Fed cut rates later but by a larger 50 basis points, first in September 2024 and then in the last quarter of 2024, with two 25 basis point rate cuts, to 4.25-4.50% by the end of 2024 overseas.

Although the euro area economy avoided a technical recession in 2024, the weak growth dynamics (and the weakness of our main trading partner, Germany) were also a significant drag on the Hungarian economy. In both the second and third quarters of 2024, domestic GDP declined on a quarterly basis, pushing the Hungarian economy back into a technical recession. Subsequently, however, the Hungarian economy emerged from the technical recession in the fourth quarter of 2024, with economic output expanding by 0.5% in the fourth quarter of 2024 compared to the previous quarter. The growth rate was thus slightly better than expected.

In 2024, prices rose by 3.7% on average compared with the previous year, in line with expectations. The inflation indicator moved out of the central bank's tolerance band in May and July. The moderation in inflation has been supported by a fall in fuel prices, while price increases for services have remained high for a long time. Inflation reached its lowest level in September 2024, when the annual average price increase fell to the 3% target for the first time since January 2021. Inflation in December was 4.6%, higher than the annual average. The main reason for the year-end increase was the base effect. In addition, by the end of 2024, the weakening of the forint was also visible in the rise in the price of consumer durables. Core inflation was 4.7% in December 2024. The price index for services remained high at well above 5% throughout the year, while the price of household energy fell year-on-year and, with the exception of December, the price of consumer durables also fell in 2024.

The MNB continued its cycle of interest rate cuts in 2024, with the base rate falling to 6.50% in September from 10.75% at the beginning of 2024. In the fourth quarter, the MNB paused the rate cuts, leaving the policy rate at 6.50% until the end of 2024. The MNB's room for manoeuvre was also narrowed by the expected upward revision of the Fed's interest rate path and the sharply weakening forint. In addition, inflationary pressures have also increased, which also prevented a rate cut.

According to the Ministry of National Economy's January release, the central sub-system of the general government finances closed with a deficit of HUF 4,095.8 billion in 2024, below the increased deficit target of HUF 4,790 billion. According to the NGM, the accrual-based deficit as a share of GDP could be 4.8% of GDP (final data will be released on 1 April 2025). Expenditure on pensions and pension-like benefits, baby grants and preventive medical care exceeded the amounts spent a year earlier. Tax and contribution revenues of the central subsystem were 8.7% higher than in the previous year. 2024 saw no reduction in the ratio of public debt to the size of the economy. The debt-to-GDP ratio rose from 73.4% at the end of 2023 to 73.6% at the end of last year.

The external financing capacity for 2024 (only preliminary data is available for the fourth quarter) was €6.8 billion (equivalent to 3.3% of GDP), consisting of a surplus of €6.1 billion on the current account and €730 million on the capital account. The trade in goods balance improved by €2.6 billion last year compared to a year earlier, with a surplus of €11.6 billion.

After 2023, the credit institutions sector also had an outstanding year in 2024 in terms of profit after tax: based on unaudited data, domestic banks achieved a profit of HUF 1,632 billion in 2024, which is HUF 153 billion higher than in 2023, and a return on equity of at least 20%. In numerical terms, the improvement over 2023 was driven by an increase in dividend income of nearly HUF 140 billion and an improvement in non-interest income from financial and investment services of more than HUF 90 billion. However, these are not sustainable trends in the long term in terms of volume. Interest income was around HUF 100 billion lower than in 2023, which is better than expected, given that the sector realised significantly lower interest income on its deposit assets held with the MNB due to the decline in central bank interest rates, and in addition, the interest rate limits previously introduced on specific mortgage loans remained largely effective during 2024. This deterioration in interest income was offset by a roughly HUF 55 billion improvement in fee and commission income, although transaction fees increased by more than HUF 100 billion in expenses, and the sector was unable to pass on part of this increase to its clients. Operating costs increased by HUF 150 billion from 2023 to 2024, well above the rate of inflation and slightly above the rate of revenue growth, so the cost-to-revenue ratio increased marginally from its 2023 level but remained below 40%. After a near-neutral impact on profit in 2023, risk costs in 2024 amounted to HUF 108 billion, mainly due to accelerating net impairment charges in the second half of the year. At the same time, the sector's tax payments decreased by around HUF 50 billion (HUF 70 billion taking into account the evolution of the contribution to resolution and deposit insurance funds) compared to 2023, mostly due to the possibility of a reduction in the extra profit tax. Overall, therefore, the banking sector continued to show an outstanding performance in 2024. However, the resulting trends are partly unsustainable in the longer term and, coupled with a moderately continued decline in yields, a meaningful correction in the equity ratio is therefore expected.

3. THE PROFITS AND PROFITABILITY OF MBH INVESTMENT BANK IN 2024

The transformation of MBH Investment Bank towards a new operating model has started in Q2 2023. In order to develop the new business strategy of the MBH Group, the asset and liability management activities of MBH Investment Bank Ltd. have been transferred to MBH Bank Plc. MBH Investment Bank transferred the contracts related to monetary policy instruments, as well as the performance agreements related to the fulfilment of reserve obligations and bank card settlement to MBH Bank Plc. by contract on 31 May 2023.

The impact of the transformation towards the new operating model is reflected in a significant reorganisation of the Bank's balance sheet and profit and loss structure, and therefore a full comparison with the previous year is not possible.

In accordance with the IFRS individual annual report, the total assets of MBH Investment Bank amounted to HUF 406.5 billion at the end of 2024, down minimally from the previous year.

On the liabilities side, the decrease in amounts due to banks was accompanied by a decrease in deposits on the assets side, which were placed to NBH and credit institutions, and derivatives were also decreased in 2024. The amount of investments in subsidiaries also reduced during the year.

ASSETS (HUF million)	31.12.2024.	31.12.2023.	Change	Change (%)
Cash and cash equivalents	**185 747**	**100 490**	**85 257**	**84.8%**
Financial assets measured at fair value through profit or loss	**27 725**	**34 288**	**(6 563)**	**(19.1%)**
Loans and advances to customers mandatorily at fair value through profit or loss	0	49	(49)	-
Securities held for trading	750	1 624	(874)	(53,8%)
Securities mandatorily at fair value through profit or loss	13 624	10 456	3 168	30,3%
Derivative financial assets	13 351	22 159	(8 808)	(39,7%)
Financial assets measured at fair value through other comprehensive income	**5 051**	**5 432**	**(381)**	**(7.0%)**
Financial assets measured at amortised cost	**112 451**	**169 946**	**(57 495)**	**(33.8%)**
Loans and advances to banks	28 522	112 062	(83 540)	(74.5%)
Reverse sale and repurchase agreements	79 009	56 985	22 024	38.6%
Other financial assets	4 920	899	4 021	-
Investments in subsidiaries and associates	**65 760**	**82 878**	**(17 118)**	**(20.7%)**
Property and equipment	**2 976**	**3 188**	**(212)**	**(6.6%)**
Intangible assets	**4 334**	**4 451**	**(117)**	**(2.6%)**
Income tax assets	**0**	**2**	**(2)**	**-**
Other assets	**2 450**	**9 201**	**(6 751)**	**(73.4%)**
Total assets	**406 494**	**409 876**	**(3 382)**	**(0.8%)**

Total liabilities and equity (HUF million)	31.12.2024.	31.12.2023.	Change	Change (%)
Financial liabilities measured at fair value through profit or loss	**10 570**	**22 466**	**(11 896)**	**(53.0%)**
Derivative financial liabilities	10 570	21 586	(11 016)	(51.0%)
Financial liabilities from short positions	0	880	(880)	-
Financial liabilities measured at amortised cost	**346 767**	**341 092**	**5 675**	**1.7%**
Amounts due to banks	213 344	242 919	(29 575)	(12.2%)
Sale and repurchase agreements	39 390	16 615	22 775	137.1%
Subordinated debt	8 470	8 742	(272)	(3.1%)
Other financial liabilities	85 563	72 816	12 747	17.5%
Provisions for liabilities and charges	**102**	**109**	**(7)**	**(6.4%)**
Income tax liabilities	**361**	**3 730**	**(3 369)**	**(90.3%)**
Current income tax liabilities	277	3 652	(3 375)	(92.4%)
Deferred income tax liabilities	84	78	6	7.7%

Other liabilities	**2 615**	**3 145**	**(530)**	**(16.9%)**
Total liabilities	**360 415**	**370 542**	**(10 127)**	**(2.7%)**
Share capital	3 390	3 390	0	0.0%
Treasury shares	(2 539)	(2 539)	0	0.0%
Share premium	3 479	3 479	0	0.0%
Retained earnings	34 574	28 939	5 635	19.5%
Other reserve	1 303	638	665	104.2%
Profit for the year	6 651	6 300	351	5.6%
Accumulated other comprehensive income	(779)	(873)	94	(10.8%)
Total equity	**46 079**	**39 334**	**6 745**	**17.1%**
Total liabilities and equity	**406 494**	**409 876**	**(3 382)**	**(0.8%)**

The **after-tax profit** (profit for the year) of MBH Investment Bank was HUF 6.65 billion in 2024. **Other comprehensive income** amounted to only HUF 0.1 million, which put **total comprehensive income** for 2024 at HUF 6.75 billion.

Return on Assets (ROA) increased from 0.59% to 1.63% due to the profit for the year. The Return on Equity (ROE) was 15.6%.

Statement of profit and loss (HUF million)	31.12.2024.	31.12.2023.	Change	Change (%)
Interest income	32 075	117 297	(85 222)	(72.7%)
Interest expense	(30 288)	(114 783)	84 495	(73.6%)
Net interest income	**1 787**	**2 514**	**(727)**	**(28.9%)**
Fee and commission income	24 952	19 902	5 050	25.4%
Fee and commission expense	(18 886)	(18 011)	(875)	4.9%
Net income from fees and commissions	**6 066**	**1 891**	**4 175**	**220.8%**
Result from remeasurement and derecognition of financial instruments	**5 818**	**16 960**	**(11 142)**	**(65.7%)**
Result from remeasurement and derecognition of financial instruments measured at fair value through profit or loss	9 328	5 715	3 613	63.2%
Result from derecognition of debt and equity securities measured at fair value through other comprehensive income	68	1 418	(1 350)	(95.2%)
Results from derecognition of loans and debt securities measured at amortised cost	0	11 653	(11 653)	-
of which: Loans and debt securities measured at amortised cost	0	(42 152)	42 152	-
of which: Financial liabilities measured at amortized cost	0	53 805	(53 805)	-
Foreign exchange gains less losses	(3 578)	(1 826)	(1 752)	95.9%
Allowances for expected credit losses, provisions for liabilities and charges and impairment of non-financial assets	**5 596**	**3 077**	**2 519**	**81.9%**
Expected credit loss on financial assets, financial guarantees and loan commitments	(526)	1 081	(1 607)	(148.7%)
Provisions for litigation, restructuring and similar charges	(30)	284	(314)	(110.6%)
(Impairment) / reversal of impairment on other investments	6 262	1 711	4 551	266.0%
(Impairment) / reversal of impairment on other financial and non-financial assets	(110)	1	(111)	-
Dividend income	761	1 490	(729)	(48.9%)
Administrative and other operating expense	(15 951)	(23 663)	7 712	(32.6%)
Other income	4 970	9 579	(4 609)	(48.1%)
Other expense	(311)	(516)	205	(39.7%)

Profit before taxation	**8 736**	**11 332**	**(2 596)**	**(22.9%)**
Income tax income / (expense)	(2 085)	(5 032)	2 947	(58.6%)
Profit for the year	**6 651**	**6 300**	**351**	**5.6%**

Other comprehensive income (HUF million)	31.12.2024.	31.12.2023.	Change	Change (%)
Profit for the year	**6 651**	**6 300**	**351**	**5.6%**
Other comprehensive income	**94**	**(179)**	**273**	**(152.5%)**
Items that may be reclassified to profit or loss	65	(246)	311	(126.4%)
Items that may not be reclassified to profit or loss	29	67	(38)	(56.7%)
Total comprehensive income for the year	**6 745**	**6 121**	**624**	**10.2%**

Net interest income amounted to HUF 1.8 billion in 2024, with a significant increase in net interest income despite the significant decrease in interbank portfolios. Falling central bank base rate and market interest rates reduced interest paid on funds from credit institutions more than interest income from NBH lending. Securities interest income decreased compared to previous year.

The increase in **net income from commissions and fees** is due to higher commission income from securities services, custody fees, equity and derivatives, and structured products.

The **result from financial operations** show a significant decrease in 2024 due to MBH Investment Bank recorded a result of HUF 13.0 billion in 2023 as a one-off result of the transfer of the portfolio to MBH Bank Plc. related to the transformation of its operating model. However, the change in the fair value of securities at fair value through profit or loss contributed positively to the Bank's result.

Provisioning and impairment improved the result by HUF 5.6 billion in 2024. An impairment reversal of HUF 7,3 billion was made on the stake in MBH Jelzálogbank Nyrt. and a more significant impairment was made in respect of MBH High-Risk Származtatott Részvény Alap (HUF 286 million), Takarék Faktorház Zrt. (HUF 96 million), MBH Mezőgazdasági és Fejlesztési Magántőkealap (HUF 353 million), and Takarék Kockázati Tőkealap (HUF 338 million).

Dividends from subsidiaries and associates amounted to HUF 0.8 billion in 2024.

The **administrative and other operating expenses** decreased by 32.6% year-on-year due to a significant reduction in the extra profit tax. In 2024, higher expert fees and a boost in transaction levy increased costs.

Other operational profits include, among other things, income from intermediary services, and internal service level agreements. The amount of other operational profits decreased from HUF 9.6 billion in 2023 to HUF 5.0 billion. Other income increased in 2024 due to the gain on the sale of the stake in MBH Szolgáltatások Zrt. The Bank recognises the subsidy from bank tax as **other expenses**.

In 2024, the **total shareholder equity** of the MBH Investment Bank increased from HUF 39.3 billion to HUF 46.6 billion. The members of the integration warranty community (forming a capital community) shall meet prudential capital requirements in common, which MBH Investment Banking Group continued to satisfy in 2024.

4. THE CORPORATE GOVERNANCE POLICY OF MBH INVESTMENT BANK IN 2024

From April 2022, the main owner of MBH Investment Bank Ltd. (former MTB Ltd.) will be MBH Bank Plc. MBH Investment Bank will perform the management functions of the Group in cooperation with MBH Bank Plc. and the Integration Organisation, in accordance with the group regulations issued by MBH Bank.

MBH Investment Bank will continue to operate the capital markets and treasury business as a unified investment service provider function and to serve private banking clients.

4.1. Investment Services, Treasury, Private Banking

Treasury Trading

The Treasury took advantage of the market opportunities provided by the main exchange rate movements during the year and achieved a good year of business results, while keeping risk exposures low.

The Treasury trading area effectively managed short-term foreign exchange and interest rate positions arising from client positions, outperformed its own account trading activities and made good use of the business opportunities arising from money and capital market conditions during the year.

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

ALM & Liquidity service

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

Treasury Sales

In 2024, Treasury Sales made the biggest step forward in the merger process by introducing a new sales and service model at the beginning of the year. The harmonisation of systems and processes enabled the development of a model based purely on business efficiency, with the key element of alignment with the banking corporate segmentation. Small and medium-sized enterprise, large enterprise and agri-treasury sales teams have successfully established collaboration with corporate units and strengthened relationships with customers in their own portfolios. The last quarter saw a renewed focus on expanding and developing the product range alongside the business focus, and preparations for that have started.

Corporate Finance

In addition to the renewal of MBH Bank's domestic and international bond issuance framework, the area completed more than 30 domestic bond issues. One of the highlights of the previous year was the participation in the public share issue of Granite Bank Plc.

Investment services - sales

In 2024, both the government bond and foreign bond series turnover declined along with a general drop in yields. By the end of the year, secondary market activity in retail government bonds also declined, mainly due to the expected repricing of the Premium securities in 2025. The retail bond programme remained a key priority for the Investment Bank, with customers subscribing to the Bank's papers in large volumes.

In 2024, foreign equity turnover increased substantially and structured products, such as certificates, showed a significant volume increase. The Bank introduced new structures, such as the annual coupon product, which generated particularly high customer interest. MBH Group continued to strengthen in certificate issuance, issuing a total of 23 certificates denominated in three currencies in 2024, with a volume of HUF 15.1 billion.

During the year under review, a new service provider was added to the MBH Group's partner network: the distribution of certificates produced under an agreement with the French NATIXIS group (France's second largest banking group BPCE) started in the last quarter of 2024. With this cooperation, the MBH Group has developed new certificate structures with the NATIXIS Group, and the so-called TWIN-WIN, SPLIT PAYMENT and FIX coupon schemes are now available at the MBH Group.

FX, forward, futures and option derivatives trading continued to expand both in volume and activity.

Investment Products and Services Management

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

As of the end of 2024, in addition to its network of intermediaries, the MBH Group provides investment services at 410 points of sales, operated by companies and banks. The MBH Group maintained its sub-distribution agreements for the distribution of retail government securities, which are used by a number of Investment Service Providers such as SPB Befektetési Zrt, HOLD Alapkezelő Zrt, Granit Bank Zrt, Equilor Alapkezelő Zrt and Concorde Értékpapír Zrt. The Investment Bank, as a member of the MBH Group, is subject to the Group's investment services strategy. In line with the investment services strategy, several major projects and tasks have been implemented in the Bank:

- It strengthened the MBH Group's supply of investment funds. The Group has more than 15 Fund Managers and over 400 investment funds available to its clients in the most popular asset classes, ensuring that specific investment options are always available, in line with the current market and economic environment, and a diversified portfolio. In Q4 2024, the MBH Group introduced 35 investment funds for and made them available for its customers.
- During the year, MBH Bank issued 25 own bonds denominated in forints and 2 in euros, while 2 tap issues were made in forints and 10 tap issues in euros, for a total of HUF 57 billion and EUR 15 million respectively, which was distributed by the Investment Bank.
- In line with MBH Group's commitment to digital development, MBH Group is developing the MBH Netbroker and MBH Mobilbroker platforms, which were nominated by the Budapest Stock Exchange for the Online Hungarian Stock Trading Platform of the Year Award in 2024. As of the last quarter of 2024, our customers are able to use the application and the web interface in both English and Hungarian via a language selector.
- In Q4 2024, MBH Investment Bank launched the MBH Flexible Savings Program, providing automatic and regular savings opportunities for those who wish to invest their savings in investment funds, even on a monthly basis, without any special administration.

  Customers can build an investment portfolio tailored to their individual preferences with the Program, selecting from the more than 90 investment funds managed by MBH Alapkezelő Zrt. In addition, within this service the Bank created 8 sample portfolios, which provide customers with specific investment ideas and a ready-made product portfolio. The portfolios of 2 to 5 investment funds are structured according to different themes, covering ESG, foreign equity markets, USD and EUR based investments, low, medium and high risk investment funds.

Institutional custody sales

The institutional depository portfolio increased by more than a third in 2024, exceeding HUF 3,000 billion. At the same time, income figures were significantly higher than in the previous year. A number of acquisitions were made during the year, with MBH Banking Group now providing custody services to nearly 200 portfolios - with nearly 150,000 transactions per year – covering the entire institutional portfolio spectrum.

Private Banking

MBH Private Banking is one of the most experienced player of the domestic market. In addition to private individuals with significant savings, Private Banking services are also available to actively investing companies, through the services of MBH Investment Bank.

Continuing the trend from previous years, MBH Bank Private Banking managed to increase the volume of the AUM. Taking advantage of market conditions, continuously developing the skills of private banker colleagues, and increasing the number of services and products available to clients, the client assets managed in the business branch exceed HUF 1,500 billion, making it the second largest private bank by asset under management in the domestic market.

Banking Group's private banking and wealth management activities were awarded 1st place in two categories at the Euromoney's Private Banking Awards 2024 in London. MBH Private Banking received the prestigious awards in the category "Hungarian Private Bank of the Year for High Net Worth Clients" for serving high net worth clients and in the category "Hungarian Private Bank of the Year for Discretionary Portfolio Management" for building a wealth management service.

In addition to the core activity of MBH Private Banking, it is a gold-level supporting member of the Social Impact Investing Association; strongly committed to the support of family wealth planning, and the increasingly important topic of succession planning and inheritance.

5. INVESTMENT

Until 2021, MBH Investment Bank (before 01.05.2023 MTB) operated the investment division as an independent unit within the MTB Group in order to fulfil its business management function, focusing on the optimisation and restructuring of the subsidiary system of Takarék Group, the management of the subsidiary portfolio and the execution of transactions in order to implement the long-term strategy of the former Takarék Group.

As of 2022, the uniform management of the subsidiaries, including the subsidiaries of MBH Investment Bank (before 01.05.2023 MTB), was elevated to the level of the Banking Group, which was accompanied by the group-wide standardisation of tasks and the streamlining of the subsidiary structure. In 2024 as a result of the consolidation and insourcing of certain bank group functions, the business activities of Takarék Faktorház and Takarék Ingatlan were transferred to MBH Bank and were spun off.

By the end of 2024, MBH Investment Bank's investments in subsidiaries and associates decreased from HUF 82.9 billion in the previous year to HUF 65.8 billion. The main drivers of the change in the portfolio are the sale of entire share in MBH Szolgáltatások Zrt. to MBH Bank for HUF 28.4 billion and the acquisition of a share in the MBH High-Risk Derivative Equity Fund for HUF 5 billion.

On 31 December 2024, the following companies were included in the priority investments of MBH Investment Bank:

- Takarék Faktorház Ltd.
- Takinfo Llc.
- MITRA Informatikai Ltd. (formerly Takarékinfo Központi Adatfeldolgozó Ltd.)
- MBH Jelzálogbank Plc. (formerly Takarék Jelzálogbank Plc.)
- Takarék Ingatlan Ltd.

Takarék Faktorház Ltd. is a fully-owned subsidiary of MBH Investment Bank, its primary activity was business factoring until 2022, during 2023 its business portfolios were transferred to MBH Bank. Negotiations were held with several potential buyers in order to sell the Company, but these were not successful and the Company surrendered its operating licence and went into liquidation on 16.12.2024.

Takinfo Llc. is a subsidiary of MBH Investment Bank, in which it holds 52.38% of shares, its primary activities were the development and management of information technology systems, the trade of information technology assets and software and service activity. The Company transferred its activities and customers to MITRA Ltd. (formerly Takarékinfo), and its assets consist of real estate property, which is in the process of being sold.

MITRA Informatikai Ltd. (formerly: **Takarékinfo Központi Adatfeldolgozó Ltd.**) is a company majority-owned by MBH Bank Plc., in which MBH Investment Bank holds a direct 2.45% stake, the main activity of which is the provision of IT services (primarily to the members of Banking Group, Integration) and the operation and development of systems. The Company was established on 1 September 2022 by the merger of Takarékinfo, MKB Digital Ltd. and Euro-Immat Llc.

The Company is the main IT service provider of the Banking Group, also fulfilling its central data processing function under the SzHi Act.

MBH Investment Bank continued to hold a 48.42% stake in **MBH Mortgage Bank Plc**. at the end of 2024.

Takarék Ingatlan Ltd. is a wholly-owned direct subsidiary of MBH Investment Bank, whose main task is to develop and continuously provide real estate valuation, real estate brokerage, real estate marketing and real estate management activities, as well as real estate energy certification and real estate services, in line with the strategy and business interests of the MBH Group. In the context of the consolidation of the collateral management activities, the management of the valuation activities of the collateralised real estate assets has been insourced to MBH Bank Plc, and the Company is no longer performing its related activities, and is therefore in the process of being fully deconsolidated.

6. THE RISK POSITION OF MBH INVESTMENT BANK LTD.

The risk management activities of Bank are regulated by the Hungarian and EU legislation in force and by other supervisory regulations. MBH Bank performs the governance functions of the MBH banking group and defines for its members the mandatory internal rules and guidelines related to prudent risk taking and risk management.

The Bank considers prudent risk-taking to be a core value, and its risk management and risk control activities are performed in accordance with the principles laid down in the Risk Strategy. The Bank’s risk management is subject to several levels of control, the most important of which are ultimate control at the level of the Board of Directors (some specific and identified risk decisions require the approval of the Supervisory Board), independent control separate from the risk-taking areas, and appropriate measurement, diversification, monitoring and reporting of risks. The Bank continued to comply with the regulatory requirements throughout 2024.

Risk Strategy

MBH's Group level Risk Strategy defines the scope of risks that can take and the risk management and measurement tools to be applied, as well as the general risk-taking principles and rules to be followed by the Bank.

In its operations, Banking strives to maintain a risk culture that ensures the identification, measurement and management of emerging risks in accordance with the risk appetite. Internal policies, strategies, regulations and guidelines, communication and employee training are the primary means of ensuring a corresponding risk culture.

The primary objectives of Banking risk management activities are to protect the Bank’s financial strength and reputation and to contribute to the use of capital for competitive business activities that enhance shareholder value.

The Bank’s risk appetite should be consistent with the financial resources available to cover potential losses. In order to ensure this, the Bank calculates the current and future economic capital requirements for the quantifiable types of risk, as well as the capital requirements under Pillar 1.

Bank is primarily exposed to credit, liquidity, market and operational risks.

Credit risk

In 2024, the main factor influencing the change in credit risk was the change in methodologies due to the Russian-Ukrainian war and the evolving geopolitical and economic situation.

The Bank updated the macro parameters for the entire portfolio, the updated risk parameters have also been implemented in the lifetime ECL calculation.

The Bank's current modelling and impairment methodology provides the opportunity to develop risk profiles that are well-defined from a client management perspective and to set aside adequate risk provisions to cover expected future credit losses.

Market risk

Market risks include interest rate risk, share price risk and foreign exchange risk arising from all banking activities. Banking Group keeps its market risks low by means of an appropriate limit system and in-process controls.

Interest rate risk:

Interest rate risk arises from the fact that changes in interest rates affect the value of a financial instrument. A credit institution is also exposed to interest rate risk if the amounts of its maturing or repricing assets, liabilities and off-balance sheet instruments are not consistent with each other in a given period. Banking Group measures interest rate risk by performing sensitivity tests on an ongoing basis. In addition, the impact of adverse interest rate scenarios is continuously measured and limited through the application of stress tests. Interest rate risks are managed through an appropriate composition of the securities and derivatives portfolio and through the consistency of other assets and liabilities in the bank's books.

Share price risk:

Share price risk means the risk of having the profit or the capital of the Bank decreasing or being totally lost due to changes in the levels and proportions of the stock prices in the market.

Management of currency risk

The Bank aims to keep its exposure to foreign exchange risk low by maintaining open foreign exchange positions up to the limit set in the banking book.

Foreign exchange risk arising in the course of core banking activities is managed by the Bank in the course of its operations, depending on market conditions. The Bank also performs VAR calculations and stress tests to measure foreign exchange risk.

Liquidity and solvency risks

The Bank analyses liquidity risks with a number of indicators and mitigates them with limits, the most important of which are based on regulatory indicators (LCR, NSFR, required reserve ratio) and stress tests relevant to liquidity. In addition, the Bank operates an early warning system for the timely detection of liquidity disturbances, which is presented to the Asset and Liability Committee and to management without delay in the case of an alert and on a regular basis during normal operations.

Operational risk

The Bank continues to manage operational risk primarily through internal policies, rules of procedure and the operation of built-in control mechanisms in line with defined supervisory requirements. MBH's Group Level Operational Risk Management Policy and Operational Risk Management Rules set out the methodology for the operational risk management framework tools used by the Bank.
The operational risk loss data collection is based on uniform definitions and limits. The Bank promotes the recognition and identification of operational risks with internal training.

The adequacy of key risk indicators (KRIs) is reviewed by the Bank every year, several KRIs were modified in 2024 and new group level KRIs defined by MBH were implemented.

The Bank conducts operational risk self-assessments for its key activities and uses scenario analysis to assess the impact of events that occur infrequently but could result in severe losses if they were to occur.

The Bank’s operational risk events and the results of operational risk monitoring are reported on a quarterly basis.

With regard to operational risk, the Bank's management attaches great importance to feedback. An essential aspect is the implementation and monitoring of the effectiveness of the measures taken to eliminate operational risks.

7. DEVELOPMENT PROSPECTS, EXPECTATIONS AND PLANS FOR 2025

2024 was clearly a year of construction, during which the Bank identified and implemented 2 key objectives. 2025 will continue with a similar approach, but with new goals. The 2025 strategy focuses on value creation and sustainable growth, which determine day-to-day activities and long-term plans.

The vision has not changed: The strategy of a national champion, achieving market leading position by serving all customer segments is built on the following 3 pillars:

- The first pillar of the vision is to ensure sustainable value creation, increasing shareholder value, which is strongly correlated with the bank's size, growth and profitability, and actively increasing its stock market presence.
- The second pillar aims to create a fully ***integrated bank,*** supporting the realisation of synergies, accelerating delivery capacity and quality customer service, with migration and related retail and corporate product consolidation playing a key role.
- The third strategic pillar is attracting and retaining the best colleagues, for which it is crucial to ***harmonise the banking organisation,*** establish clear and unambiguous lines of responsibility and authority, and ***create a future-proof and efficient operational framework*** that provides transparency and appreciates areas of excellence.

The Bank's strategic objectives for 2025:

1. ***Achieving an active stock exchange presence***

   By actively enhancing its stock exchange presence, the Bank will improve its ability to raise funds and capital and strengthen its domestic and international image.

2. ***Developing a future-proof and efficient banking organisation and operations***

   The harmonisation of the Bank's organisation and functions will create a streamlined and clear operation that will support the Bank in achieving its strategic objectives, provide the necessary flexibility to meet the challenges of the day and make the Bank an attractive place to work in the sector.

Economic environment and financial sector

Despite these uncertainties, we expect a remarkable recovery in the Hungarian economy in the coming quarters, with real GDP growth of around 4% per annum in real terms by the second half of 2025. However, an annual overall average growth rate of around 2.6% seems reasonable in 2025. Consumption will also be supported by rising real wages and, from the second half of 2025, by an increase in the family tax credit, the extension of the personal income tax exemption, the VAT credit for pensioners, and interest payments and payments after maturities of government bonds, as well as the tax-free use of voluntary pension funds and the workers' credit scheme, which will also contribute to domestic demand growth. At the same time, surging inflation figures, which have in the meantime surprised on the downside, may temporarily dampen consumer sentiment.
In Hungary, while consumption continues to pick up, it is important that investment also stabilises. This could be helped by the loan, leasing and equity programmes announced under the Demján Sándor Programme in 2025, while a pick-up in external economic activity would also be important for investment, as without sufficient demand it is difficult to imagine a significant pick-up in investment given the currently low level of capacity utilisation. The recovery of domestic industry could be supported by the fact that a number of major manufacturing developments are scheduled to be put into operation this year, including BMW and the first CATL factory - and the construction and possible trial run of BYD will also support growth - partly underpinning a slight acceleration in growth in 2025 compared to last year.
The expected improvement in economic performance in 2025 may be followed by the labour market with a slight delay, but the decline in the average unemployment rate for the year as a whole will not be significant.
The external market situation continues to improve only slowly. In terms of business confidence, euro area companies have become slightly more optimistic about output growth by early 2025, with optimism in the manufacturing sector rising to a seven-month high, while the services sector's confidence index has declined. Economic agents remain confident that the new German government's stimulus measures will speed up the recovery of the economy. However, the impact of these measures is more likely to have a meaningful positive impact on growth in 2026 rather than in 2025. While the deeper structural problems of the German economy cannot be solved by fiscal easing, such a turnaround could be positive for the Hungarian growth outlook. The European Central Bank may also take a temporary pause in its rate cutting cycle following its interest rate cuts in January and March 2025 amid an uncertain economic environment. We expect the ECB deposit rate to reach 2.00% by the end of the summer, in line with market pricing.
There is also much uncertainty about the new US economic policy measures. Tariffs imposed by the US (which, in the absence of other measures, will obviously hurt Hungary's export prospects) may also raise inflation in the US, while recession fears overseas have intensified in early March. The Fed has indicated that it will wait for the impact of the tariffs before taking a firmer stance on the likely monetary policy

path following its rate hikes in January and March 2025. By the end of 2025, we expect the Fed funds rate to be between 3.75% and 4.00%, with markets in mid-March 2025 already pricing in lower rates by the end of the year.

An important development in the first few months of 2025 was the increase in the chances of a conclusion to the Russia-Ukraine war. This could also have a positive impact on economic growth through lower energy prices, improved investor sentiment and, through this, a stabilisation of the forint exchange rate.

After January 2025, another negative surprise for inflation came in February. The structure of inflation is unfavourable, with year-on-year increases in food and services prices accelerating further. The February data confirm that inflation could remain high and outside the central bank's target range for some time. On the downside, following much faster-than-expected price increases in January, the pace of monthly inflation slowed less than expected in February, mainly due to continued significant increases in services' prices. Economic agents are continuing to implement sharp increases, driven by the cost of wage increases and higher household inflation expectations. Although the base effect is expected to moderate annual price dynamics in the coming months, disinflation could start in the spring from a much higher level than previously expected. Overall, we expect the domestic currency is unlikely to weaken further, which could still support disinflation. The downward impact of the measures announced by the government in March to keep price levels in check is still uncertain. We expect domestic inflation to average 5.1% per year for 2025. Wage growth dynamics are likely to remain relatively high in the coming years, under the 3-year wage agreement, which could put downward pressure on inflation. Achieving a stable sustainable inflation target of 3% at the central bank will also be postponed and is more likely to be reached only in the second half of 2027.

With inflation accelerating, the MNB is unlikely to rush ahead with interest rate cuts, which could keep the forint at significantly stronger levels than seen in early January. We expect the MNB to hold interest rates for longer, and we do not expect it to cut rates before the end of this year - and only if the Fed is able to ease overseas. We expect a base rate of 6.25% by the end of 2025 and 5.25% by the end of 2026.

In a yield environment that continues to decline at a slower pace than previously expected, the banking system is expected to generate significantly lower net interest income than in 2024, but as lending continues to pick up (again, as last year, we expect a strong boost in new contract volumes, mainly in the retail segment), net fee and commission income is expected to improve. However, the strong improvement in other operating results in 2024 is unlikely to be repeated, and a slight deterioration is not inconceivable. Operating costs are expected to continue to rise at a slightly slower pace than last year, while risk costs are expected to reach at least the same level as last year. Overall, we therefore expect a correction in the banking system's profit after tax in the 12-15% range in 2025, following two consecutive years of around 20% of ROE (above in 2023). However, banks are still more than adequately capitalised, without liquidity concerns, and their lending capacity remains strong, i.e. they are in a good financial position to support stronger economic growth from a funding perspective.

8. ENVIRONMENTAL PROTECTION

Although the Bank does not pursue business or non-profit activities related to environmental protection, it strives to ensure an environmentally conscious workplace, maintains and cares for the natural vegetation and ornamental plants in its direct environment. It pursues to apply energy-saving solutions during its operation. In its internal trainings it emphasizes the importance of energy and environmentally conscious corporate and employee behaviour.

The Bank is committed to sustainability, therefore, it has integrated all three – environmental, social and corporate governance – pillars of ESG into its operations and strives for continuous improvement. Details are available in the Sustainability Report of the Banking Group. Details are provided in the Group's Consolidated Sustainability Report, prepared in accordance with Article 29a of Directive 2013/34/EU of the European Parliament and of the Council.

9. HUMAN RESOURCES POLICY

The full-time equivalent employment of MBH Investment Bank at the end of 2024 was 180.6 below the same figure in 2023 (2023: 412) due to a model change at the Bank.

The Investment Bank, as a member of the MBH Group, is subject to the jointly developed HR strategy of the Banking Group.

Talent management at MBH Group:

The MBH Group places great emphasis on training employees and nurturing talent, supporting the development of professional knowledge and skills through a wide range of educational programmes. The following programmes were launched for colleagues:

Digitised and gamified pre-boarding programme

The programme focuses on colleagues who are in the pre-entry period after accepting offer of the Bank. The solution, available online, supports new talent engagement in the pre-joining period; we not only accompany prospective employees on their journey until their onboarding day, but also maintain a positive experience while providing them with ongoing engagement.

Start program:

The first element of the Generation Diversity programme, the award-winning Start programme, was a milestone in the MBH Group's talent retention activities. Start is one of the largest internship programmes in the country, with more than 400 talented students aged 19-25 from across the country currently working for MBH Group. For the trainees, the Group represents the first milestone in the start of their careers in the labour market. During the programme, they gain relevant work experience, which provides a solid supply base for the Bank. The internship programme is designed to give the MBH Group more than just professional experience: through its own onboarding processes, dedicated HR colleagues accompany the students' professional work and development. In 2024, 100 Startos colleagues have been recruited to full-time positions in the MBH Group.

Start+ program:

The next element of the Generational Diversity programme, the MBH Group's programme for young people, was the awards received Start+ programme.
In 2024, the Bank launched the second phase of the Start+ programme, within the framework 12 talented young people start their careers in the banking sector. During the year-long programme, they rotate through a specific field, learning about the beauty of banking and practicing their profession. One of the key elements of the programme is a presentation to the bank's senior management in the final quarter, when they solve a critical strategic problem for the bank. Of the first class of 2023, 92% remain with the bank after one year.

Baby+ programme:

The Generational Diversity programme's focus on colleagues about to start a family: Baby+ programme. Through this programme, the bank offers financial, professional and personal support to help prospective parents in their changing life situation. An important factor is that the Bank thinks not only about mothers but also about fathers-to-be, and offers them individual solutions. The programme is very popular, with 340 cases paid and over 500 colleagues answered questions.

MMM+ program:

The latest element of the Generational Diversity programme is the MBH Group's programme for people with disabilities. In 2024, the Bank identified 62 people and helped them with their living situation: they are eligible for tax relief and the programme's elements also provide them with a range of support.

Ambassador Academy:

The MBH Group's Ambassador Academy is an innovative tool to introduce new values and associated behaviours and leadership tools, a new culture roadmap and an innovative tool to retain talent and sustain engagement, with around 100 participants. It is a change management initiative, with members working together to ensure engagement across talent, teams and the delivery of information to all colleagues. With high-profile online and offline sessions focusing on different change-related topics, the initiative has been very enthusiastically received. They work together on some elements of the culture programme in joint workshops, for example they created the questions for the organisation-wide heart rate measurement, which was relevant and customised so it was really about colleagues.

Leadership Academy:

Leadership Academy is an integral part of preparing managers for the transition to the new way of banking. The leadership training programme is modular and supports the continuous development of talented leaders through a variety of solutions and topics (inspiring leadership, heterogeneous cross-generational teams, transparent leadership, motivating leadership, etc.). A specific programme supports the training of newly appointed managers.

Extensive fringe benefits:

MBH Group, as one of the largest banks in Hungary, has the ambition to become a market leader in the sector. All our employees have a key role to play in achieving this goal. As an employer, our main objective is to maintain a performance-based culture, but we also strengthen the commitment of our employees through our outstanding benefits system.

In addition to the Cafeteria, our fringe benefits include school and camping allowances and social assistance.

Our generational diversity programme provides support for the specific life situations of our employees. Within the framework of this programme, we offer colourful programmes and varied benefits for people starting out in their careers (Start+), parents with young children (Baby+), employees with reduced working capacity (MMM+) and colleagues preparing for retirement (Active+).

MBH Group and health:

Health promotion and health maintenance is an important area for MBH Group, which is emphasised in various sports and health campaigns. Providing sporting opportunities for employees in a variety of ways and promoting healthy lifestyles is being implemented on multiple fronts.

Employees have access to extended occupational health services within the Bank, seven days a week. MBH Group also offers hobby and recreation rooms in its buildings. Fitness menus and other special dietary meals are available in the canteens at the workplace.

MBH Group and sports:

MBH provides significant support to its sports association where effective professional and recreational sports work is carried out. In 2024, the association has a membership of between 600 and 650 people, including 900-950 members in the various sports sections, a significant increase of more than 40% compared to the previous year.

Our sports sections are: squash, volleyball, fishing, go-kart, dragon boat, cycling, running, table tennis, men's and women's football, hiking, bowling, boxing, basketball, throwing sports, swimming, wall climbing, spartan/crossfit, kayak-canoe and SUP, target shooting, triathlon, thai boxing. In 2024, we organised several sports club in-house championships in 20 sports. 300 certificates were awarded.

The Sports Association prepares our competitors in 11 sports for the annual Hungarian Banks Sports Tournament, where the MBH Group team achieved third place in Győr in 2024. /13 banks competed/ The runners regularly take part in large numbers in races such as the Wizzair Half Marathon and the SPAR Marathon. In team sports, the men's football, basketball and bowling teams are top finishers in the Business Leagues. Dragon boaters have won medals in several national competitions, anglers also regularly place well, the table tennis team is supported by the training methods of two excellent NB/1 colleagues, and go-kart teams always have successful monthly meets.

SA members in rural areas receive a recreational sports grant, which they could spend on sports facilities near their workplace or home. In 2024, 250 colleagues in 40 cities received a sports grant.

The SA considers it important that SA members can exercise regularly near all work bases, which is why we have a gym near our priority sites. (Kassák Lajos u. Headquarters, Tüskecsarnok/ At the Kassák gym, our members could participate in several group classes led by 13 trainers. / zumba, yoga, TRX, spinning, crossfit, pilates, body shaping)

The SA has also improved in communication. In 2024, it ran a months-long campaign to raise awareness among colleagues about the importance of recreational sports and the priority of a preventive, physically active lifestyle (posters, lockscreen page, Horizon, MBH SE faces videos, sports news, dedicated sub-page on the main Horizon website) Facebook group (MBHSE) now has 677 members.

Safe working environment:

MBH Bank complies with its legal obligations by carrying out a workplace risk assessment of its headquarters and premises, including all bank branches. As the Bank is an office working environment, the risk of accidents is fortunately low. The incidence of accidents at work is therefore low and on a downward trend.

Every year, employees are required to attend mandatory training on health and safety and fire prevention. Special training material has been prepared for bank branch staff on what to do in the event of an attack on the branch. The personnel, material and organisational conditions for safe work are laid down in the Bank's Health and Safety at Work Manual in accordance with the legal requirements.
The Bank also employs a safety and health representative on behalf of the Works Council, who is entitled to check that the requirements for safe and healthy working conditions are met. Elections for the Works Council and the Labour Representative are currently underway.

10. SERVICES OF THE AUDITING COMPANY

The fee for the auditing company as stipulated by the relevant 2024 auditing contract is HUF 53 million (excluding VAT). In addition, no other audit services were used by the Bank during the year.

11. MAJOR POST BALANCE SHEET DATE EVENTS

There have been no significant events after the balance sheet date and no presentation is required.