



MBH Mortgage Bank Co. Plc.

Financial report for the first half of 2024

Budapest, 30 August, 2024

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I. SUMMARY FIGURES AND TREND OF KEY PERFORMANCE INDICATORS

in HUF million	30/06/2023	31/12/2023	30/06/2024	30/06/2024/ 30/06/2023	30/06/2024/ 31/12/2023
Main balance sheet items					
Total assets	747,914	906,587	876,134	17.1%	-3.4%
Refinanced loans	367,164	382,203	394,216	7.4%	3.1%
Loans (gross)	29,960	27,578	24,653	-17.7%	-10.6%
Mortgage bonds	367,678	374,647	339,973	-7.5%	-9.3%
Interbank liabilities	295,267	445,316	445,235	50.8%	0.0%
Shareholders' equity	74,321	78,205	81,733	10.0%	4.5%

in HUF million	H1 2023	H2 2023	H1 2024	H1 2024 / H1 2023	H1 2024 / H2 2023
Main P/L items					
Net interest income	3,310	5,213	6,970	110.6%	33.7%
Net interest margin	0.9%	1.3%	1.6%	0.7%-pt	0.3%-pt
Net fees and commissions	-99	-48	-53	-46.5%	10.4%
Results from financial instruments	1,076	-110	-694	-	-
Provision for impairment on loan losses	934	411	-106	-	-
Operating cost	-1,828	-906	-1,552	-15.1%	71.3%
Cost to income ratio	43.7%	17.9%	25.6%	18.1%-pt	7.7%-pt
Profit before tax	2,968	4,417	4,177	40.7%	-5.4%
Profit from continuing operation	2,728	3,935	3,652	33.9%	-7.2%
EPS- continuing operation	25.2 Ft	36.3 Ft	33.7 Ft	33.6%	-7.2%
Return on Average Assets	0.7%	0.9%	0.8%	0.1%-pt	-0.1%-pt
Return on Average Equity	7.6%	10.5%	9.2%	1.6%-pt	-1.4%-pt

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

II. REPORT ON THE FIRST HALF-YEAR RESULTS OF MBH MORTGAGE BANK IN 2024

The report of MBH Mortgage Bank Co. Plc. (hereinafter: Bank, Mortgage Bank, MBH Mortgage Bank, Company, Issuer) for the first half-year of 2024 is based on the data of the stand-alone balance sheet and profit and loss account prepared in accordance with to the International Financial Reporting Standards (IFRS). The Bank performed the analysis of its operation based on the stand-alone, audited figures as of 31 December 2023, non-audited figures as of June 30 2023, June 30 2024.

As of 1 May 2023 MBH Group was established and the corporate name of the Company became MBH Mortgage Bank Co. Plc. – with unchanged business profile. MBH Mortgage Bank co. Plc. is a member of the MBH Bank Prudential Group and the MBH Integration Group.

The Bank is an active issuer of green mortgage bonds on the domestic capital market based on the Green Mortgage Bond Framework prepared in 2021. Also, the Company is committed to sustainable mortgage lending, whereas the Bank's ESG strategy and the Sustainability Reports provide a basis for reflecting commitments and results.

MBH Mortgage Bank, according to the Act LIX of 2006, fully accounted the amount defined as a special tax on financial institutions for the year 2024 – as required by IFRS – in the first half of the year, as the amount determined by this law is not disputed and must be paid by the Bank till the end of 2024.

The Bank fulfilled its obligation based on the Government Decree No. 197/2022. (VI.4.) on the extra profit tax in compliance with the IFRS in H1 2024.

1. Summary of the achievements of the past period

MBH Mortgage Bank carries out its activity in line with its strategy, **the stand-alone profit before tax reached HUF 4,177 million in the first half of 2024 despite the extra profit special tax accounted.** Profit before tax increased by more than 40% in the same period of the previous year but it came 5.4% lower than the pre-tax profit achieved in the second half of 2023.

Lending activities

By the end of the first half of 2024, the (gross) value of the **refinanced mortgage loan portfolio increased from the amount of HUF 367.2 billion at the end of the first half of 2023 to HUF 394.2 billion.** The number of refinanced mortgage loans were 41,643 pieces at the end of June 2024.

The total refinanced loan portfolio has been distributed among 7 banks at the end of H1 2024.

The **gross amount of customer mortgage loans** amounted to HUF 24.7 billion on the 30 June 2024, which – due to the fact that the Bank has no longer disbursed customer loans directly in line with the strategic goals and thus the existing portfolio continued to shrink- is less by 10.6% compared to the end of the previous year (HUF 27.6 billion) and decreased by 17.7% year-on-year.

Over the past year, the share of problem loans in total loans has fallen significantly (from 0.72% to 0.23%) and in the first half of 2024 the volume of non-performing portfolio volume (stage 3) decreased by HUF 560 million. The impairment coverage of non-performing portfolio increased slightly compared to the end of the year.

Funding

The outstanding amount of mortgage bonds amounted to HUF 340.0 billion on 30 June 2024, showing a decrease of 7.5% on an annual basis and 9.3% on a half-yearly basis.

On March 16, 2020 the MNB reorganized the set of its monetary policy tools, and similarly to the ECB it announced the introduction of providing Long-Term Refinancing Operations (LTRO) on various (3, 6 and 12 months and 3 and 5 years) maturities. The Bank, being active in these tenders, successfully built up a volume of HUF 233.1 billion (as of 30 Jun 2024), favourably priced 3- and 5-year loans into its long-term liabilities. In parallel, the stock of its purchased securities also went up, partly because the funds acquired in the LTRO (debt securities at amortised cost was HUF 324.0 billion at the end of 2023, HUF 275.6 billion at 30 June, 2024).

On annual basis, the stock of funds raised from the money market and from the Long-Term Refinancing Operations of central bank increased to HUF 445.2 billion.

The Bank's balance sheet total as was HUF 876.1 billion as of 30 June 2024, which is 3.4% (HUF 30.5 billion) lower than at the end of the previous year and 17.1% higher (HUF 128.2 billion) than at the end of the first half of 2023.

Issued mortgage bonds

The overall market sentiment improved in H1 2024 versus the second half of the previous year, while the decreasing interest rate environment together with the better investor demand had a positive impact on the domestic mortgage bond market. Despite the stronger issuer activity mortgage bond issue yields, as well as spreads versus the government bond yield curve could diminish in line with the general decrease in bond market yields. Due to the uncertainty about the dynamics of further interest rate cuts and ongoing geopolitical risk, mortgage bond yields and issue spreads have rather stagnated in Q2 2024. Nevertheless, the overall market environment remained supportive for issuers to enter the market.

In the examined half-year MBH MB issued a total of 27.3 billion mortgage bonds in nominal terms, of which HUF 5.9 (21.6%) billion were green mortgage bonds, HUF 21.7 (79.4%) billion were fixed and HUF 5.6 billion (20.5%) floating rates mortgage bond. With the exception of the floating rate instrument auction, all three fixed-rate mortgage bond issues met the conditions of the MNB's Mortgage Bond Repurchase Programme, so the MNB also participated at the auctions. In June, MBH MB became the first issuer among the Hungarian mortgage banks that organized a successful mortgage bond switch auction on the BSE module.

As a result of the above transactions, MBH MB remains the most active and innovative mortgage bond issuer on the domestic capital market.

Since 28 March 2019, the Bank's mortgage bonds have been rated by S&P Global Rating. On July 12, 2024, the 'BBB' rating (one notch above the domestic sovereign debt rating) of MBH MB's mortgage issuance program and the series of mortgage bonds issued in HUF and foreign currencies was confirmed by S&P, while the outlook was changed from positive to stable at the same time.

In 2024, MBH MB initiated the credit rating agency Moody's to assign issuer and mortgage bond ratings. On July 22, 2024 Moody's Investor Service announced that it assigns definitive A1-long term ratings to the mortgage covered bonds (covered bonds) issued by MBH Mortgage Bank Co. Plc. (Counterparty Risk (CR) assessment is Baa3(cr) to the Issuer).

Sustainability

MBH Mortgage Bank successfully continued its green fund-raising activity through the issuance of green mortgage bonds in H1 2024. The outstanding volume of MBH MB green mortgage bonds increased by HUF 5.9 billion to HUF 40.0 billion by end-June 2024. The review of Green Covered Bond Framework, enhancing MBH Mortgage Bank's CDP Score, as well as the development of its GRI standard (Global Reporting Initiative) based sustainability reporting have played a key role in the bank's ESG efforts in 2024. MBH Mortgage Bank's standalone Sustainability Report for 2023 was published in July 2024.

Main P&L items

Net interest income was HUF 6,970 million in the first six months of 2024 that came 110.6% higher than a year before. The net interest margin (NIM) to average total assets was 1.57% in the first half of 2024 which was higher than in the same period of the previous year (annual rate).

The net fee and commission income resulted HUF 53 million loss in the first half of 2024 (H1 2023: HUF 99 million loss).

Operating costs amounted to HUF 1,552 million in the first half of 2024, compared to HUF 1,828 million in the same period of 2023. The costs incurred were significantly influenced by the special extra-profit tax introduced in 2022, which amounted to HUF 194 million in 2024.

Provisions and impairment losses contributed to HUF 147 million loss in the first half of 2024, while the provision for impairment on loan losses amounted to HUF 106 million loss. The result of the **modification loss** to the extension of the interest rate cap represented a loss of HUF 188 million in the period. By the end of the first half of 2024, the impairment stock for the loan loss reached HUF 1.3 billion. The Mortgage Bank had not experienced a significant negative trend in the first half of 2024 that would indicate a significant deterioration in the quality of the loan portfolio.

In the first six months of the year, the profit after tax of the financial year was HUF 3,652 million, 33.9% up year-on-year, but 7.2% down on the previous half-year.

Capital position

The Hungarian Central Bank issued resolution H-EN-I-36./2017 ruling to grant exemption for the Integration Group from the individual and sub-consolidated compliance obligations.

The total own funds of the Group (MBH Investment Bank and MBH Mortgage Bank) amounted over HUF 124 billion at the end of June 2024, while its capital adequacy ratio was 45.92%.

Performance of MBH Mortgage Bank's shares in H1 2024

MBH Mortgage Bank Plc. was ranked 9th in the ranking of 23 Hungarian 'Premium1 category stock exchange companies at the end of June 2024, same as at the end of the previous quarter. MBH Mortgage Bank's stock market capitalization, which stood at HUF 113 billion at the end of 2023, decreased to HUF 85.7 billion at the end of June 2024. The capitalization of HUF 85.7 billion represents 0.68% of BÉT Premium shares total, while it continuously decreased from 0.77% at end of March 2024 and 0.96% at the end of 2023.

At the end of June 2024, the share price of MBH Mortgage Bank Plc. closed at HUF 790, compared to HUF 895 on 31 March 2024 and HUF 1,040 on 31 December 2023. In Q2 2024, the share price of MBH Mortgage Bank Plc. moved in a range of HUF 790-970, compared to HUF 850-1040 in Q1 2024, and HUF 440-1250 in the last quarter of 2023.

In Q2 2024, the total stock market turnover of MBH Mortgage Bank Plc. fell to HUF 273 million, compared to HUF 545.5 million in the previous quarter and to the all-time high of HUF 5.1 billion at the end of 2023. In Q2 2024, the average daily turnover decreased sharply to HUF 4.4 million compared to HUF 8.6 million in the previous quarter and HUF 84 million in the last quarter of 2023.

MBH Index

The MBH House Price Index, published under a new brand name from May 1, 2023, measuring the development of Hungarian residential real estate prices, made its debut in September 2009. The index is the first indices tool used on the Hungarian market that is based on the purchase and sell transaction data of residential real estate for the whole country. The sources of the data are the own observations collected during the operation of MBH Mortgage Bank Plc. and other members of the MBH Group, as well as the database purchased from the National Tax and Customs Administration. MBH Index was created using the hedonic method best suited to display fundamental processes. The method filters out short-term fluctuations due to changes in composition and handles the market characteristic, namely that not all properties change ownership every quarter.

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

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

The development of a statistical-based automatized valuation methodology (AVM) has been among MBH Mortgage Bank's priority projects, which also supports MBH Group to provide cost-effective and quick revaluation of real estate collaterals. The methodology was developed with the involvement of external professional partners, and the intranet-based AVM application supporting mortgage lending directly at the mortgage loan specialists was launched at MBH Bank on 15 October 2023.

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

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

From 2024 MBH Bank will focus on further exploiting synergies, increasing efficiency and developing improvements to support strong business expansion, with a focus on making processes and service even more customer-oriented.

MBH Bank's vision is positioning itself as a national champion, serving all customer segments, while maintaining local community values.

Key strategic objectives of the bank:

- To create the most modern bank in Hungary, offering a value proposition beneficial to all Hungarian citizens and businesses.
- To maintain the largest branch network in the country, which allows for quality, value-based customer service, with efficiency being a primary concern.
- To build an innovative organisation and a modern corporate culture with a strong focus on staff.
- To actively contribute to the development of the Hungarian economy by supporting segments of national economic importance, such as SMEs, the agricultural sector and young people, while maintaining a commitment to local communities.
- Outstanding profitability supported by synergies and capital position.
- Setting a growth-based financial path with significant earnings, an efficient capital course and major cost reductions.

Overall, MBH Bank's main objective is to be a national champion with strong positions in all market segments, to maintain its current market leadership in key segments such as corporate lending, agricultural finance and leasing, and to be able to go public and thus to expand internationally, ensuring superior return on equity for its shareholders.

Strategy of MBH Mortgage Bank

Originally, the main activity of MBH Mortgage Bank were the financing of the development and the purchase of residential real estate and the disbursement of housing loans subsidised by the state. From 2018 the Bank operates as a pure refinancing mortgage bank: its principal activities are the refinancing of mortgage-backed loans of partner banks either within or outside Bank Group and the issuance of mortgage bonds. The Bank is the second largest mortgage bank in the domestic market (considering the market share). The shares of MBH Mortgage Bank are traded on the Budapest Stock Exchange for more than 20 years.

In line with the pure mortgage bank concept the Bank focuses principally on mortgage bond issuance and refinancing activity (although it continues to keep the earlier accumulated stock of client credits – mostly household mortgage-backed loans – in its books until expiry). As the second largest issuer of mortgage bonds in the Hungarian market, the Bank executes its refinancing activity

on contractual arrangements with several large and medium-sized members of the Hungarian banking sector outside the MBH Bank. In accordance with its business policy, the Bank pursues to manage significant loan volumes with competitive pricing in the market segment. In the real estate market segment, MBH Mortgage Bank tries to strengthen its market position by taking advantage of the opportunities provided by the market environment.

The Bank's strategic objective is to optimize both its operations and the range of products and services it offers. More specifically: the Bank intends to improve the simplicity and transparency of its refinancing loan product, to develop its existing auxiliary services and introduce new ones (real estate sales technologies, IT solutions), to reduce the cost of financing through mortgage bond issuance and to achieve having automated processes to the highest possible level as well as fast and secure operation. Automated valuation model (AVM) was implemented under this framework.

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

3. Developments of the market environment

The Hungarian economy expanded at a 1.3 per cent rate in the first half of 2024 compared to the same period of 2023. Yet, adjusted for seasonal affects, in the second quarter economic growth turned negative on a quarterly basis, although it was fairly strong in the first quarter. On the production side it was mainly industrial output that dragged the growth rate down, since the German economy – Hungary's main export destination – performed well below expectations. This resulted in numerous manufacturing sub-sectors, whose main buyers are based in Germany, experienced marked contraction in the first half of 2024. On the expenditure side private consumption did take an upward trend, the extent of this, however, was far inferior to what sharp real wage growth could explain, while investments – reflecting the ongoing correction phase in the state budget – declined substantially. Due to the above-mentioned developments at least external balances meaningfully improved, still elevated interest expenditures nevertheless pose a real threat to keeping this year's budget balance below the targeted deficit.

For most of the first half of the year the annual rate of inflation fluctuated within the central bank's tolerance band, yet, price developments outside the scope of monetary policy played a substantial role in that. Core inflation, which captures underlying price pressures better, still hovers well above the 3% mid-term target mostly due to services price inflation, which is stuck at high levels as a result of backward-looking pricing practices. Despite this the central bank was able to ease monetary conditions considerably in the first half, cutting the base rate from 10.75% at the end of 2023 to 7.00% by end-June this year. Approaching the end of the first half of 2024 the size of rate cuts became smaller, since the MNB's room for manoeuvre was constrained by the hesitation of big foreign central banks to start their own rate cut cycle, since inflation proved to be sticky both in the EU and overseas. Besides this, MNB also had to consider elevated financial risks in the wake of heavy geopolitical tensions.

Lending activity had a dual nature in the first half of 2024: due to self-imposed interest rate caps by lenders as well as a resurgence in both deferred and, in fear of unsustainably low rates, even brought forward demand for loans the household segment was especially buoyant. In the case of mortgage loans demand was given a further boost by the CSOK Plus scheme, which, compared to previous loan programmes with favourable conditions, offers much higher available ticket sizes. Households' strong appetite for credit was also vindicated by a more than 50% growth in the new contracted volume of personal loans, although the costs of this loan product hardly declined compared to their peak back in 2023. The new contracted volume of corporate loans, however, showed no increase over the previous year's one, even though select SMEs were eligible to apply for loans without any margin above short-term interbank rates for a three-month period. Yet, the uncertain economic outlook held companies back from undertaking investments, and thus also from applying for credit.

Real estate activity, which is a decisive factor in the mortgage-backed lending segment, showed clear signs of recovering, partly due to the already mentioned CSOK Plus lending scheme. According to estimates from the Duna House Barometer the number of real estate transactions was 40% higher in the first six months of this year than in the same period of 2023. Nominal house prices show accelerating growth rates since the third quarter of 2023, and this is expected to persist in the rest of 2024. In the commercial, industrial and office real estate segment, however, vacancy rates remained on an upward path, thereby exerting downward pressure on new projects, especially in the case of industrial units. Capital value derived from expected yields and rentals also continued to decline in the segment, hence we expect for reduced investment activity compared to last year, with investors taking time for consideration rather than acting fast.

Activity in the primary mortgage bond market was rather muted in the first half of 2024, however higher than in the second half of 2023, with market players issuing new volumes only to roll-over expiries. Mortgage bands comfortably meet the required minimum level of the mortgage funding adequacy ratio, while recently the MNB's tightening measures in this field, which are expected to strengthen the financial stability objectives of the central bank, have mostly been postponed.

4. Main activities and subsidiaries' performance

Own lending

The own gross customer mortgage loans of the Bank amounted to HUF 24.7 billion as of 30 June 2024, as a result of active lending activity based exclusively on refinancing since 2018, thus the existing portfolio decreased by 10.6% compared to the to the end of last year's figure (HUF 27.6 billion), while year-on-year it decreased by 17.7%. As of 30 June 2024, the majority part of the customer mortgage loans portfolio (69.3%) is housing loan with residential real estate collateral, while the share of general-purpose mortgage loans is 28.2%.

in HUF million	30/06/2023	31/12/2024	30/06/2024	30/06/2024/ 31/12/2023	30/06/2024/ 30/06/2023
General purpose mortgage loans	8,178	7,405	6,949	-6.2%	-15.0%
Housing loan with residential real estate collateral	20,972	19,465	17,076	-12.3%	-18.6%
Loans to employees	356	333	301	-9.6%	-15.4%
Corporate loans	454	375	327	-12.8%	-28.0%
Refinanced mortgage loans	367,164	382,203	394,216	3.1%	7.4%
Interbank loans	0	120,071	120,047	0.0%	-
Total loans, gross	397,124	529,852	538,916	1.7%	35.7%
Impairment	-898	-741	-1,309	76.7%	45.8%
Total loans, net	396,226	529,111	537,607	1.6%	35.7%

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

Refinancing

By the end of the first half of 2024, the refinanced loan portfolio has increased from the first half of year 2023 from HUF 367.2 billion to HUF 394.2 billion. The number of refinanced credit transactions were 41,643 on June 30 2024. The total refinanced mortgage loan stock has been distributed among 7 banks in H1 2024.

Organization and headcount

No changes in the organization of the Bank took place in the first half of 2024.

Headcounts of the Bank members were as follows:

	30/06/2023	31/12/2023	30/06/2024	30/06/2024/ 30/06/2023	30/06/2024/ 31/12/2023
MBH Mortgage Bank Plc.	16.20	16.50	16.50	1.85%	0.00%

Changes in key position

The Annual General Meeting of MBH Mortgage Bank Co Plc. held on 24 April 2024 re-elected PwC Auditing Ltd. the auditor of MBH Mortgage Bank in 2024. The registered auditor in charge is Balázs Árpád Mészáros, deputy auditor Árpád Balázs.

The Annual General Meeting of the Company held on 24 April 2024 elected András Bakonyi as member of the Supervisory Board for a definite period from 24 April 2024 to 2 January 2027. The Company received the permission of the NBH for the member of the Supervisory Board András Bakonyi on 29 February 2024, and the member of the Supervisory Board approved his election in writing on 24 April 2024.

5. Post-balance sheet date events

S&P Global Ratings announced on July 12, 2024 that it revised its outlook to stable from positive on the credit ratings of MBH Mortgage Bank Co. Plc's mortgage covered bond program and related issuances, while it affirmed the BBB ratings on the covered bonds. The revised outlook reflects the assessment of the issuer's creditworthiness.

On July 22, 2024 Moody's Investor Service announced that it assigns definitive A1-long term ratings to the mortgage covered bonds (covered bonds) issued by MBH Mortgage Bank Co. Plc. (Counterparty Risk (CR) assessment is Baa3(cr) to the Issuer).

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

1. P&L structure

in HUF million	H1 2023	H2 2023	2023 audited	H1 2024	H1 2024 / H1 2023	H1 2024 / H2 2023
Interest income and similar to interest income	28,232	33,116	61,348	30,742	8.9%	-7.2%
Interest expense and expense similar to interest expense	-24,922	-27,903	-52,825	-23,772	-4.6%	-14.8%
Net interest income	3,310	5,213	8,523	6,970	110.6%	33.7%
Fee and commission income	129	90	219	89	-31.0%	-1.1%
Fee and commission expense	-228	-138	-366	-142	-37.7%	2.9%
Net fee and commission income	-99	-48	-147	-53	-46.5%	10.4%
Results from financial instruments	1,076	-110	966	-694	-164.5%	-
Results from financial instruments measured at fair value through profit or loss, net	958	1,235	2,193	-582	-160.8%	-147.1%
Results from financial instruments measured at fair value through other comprehensive income, net	4	395	399	0	-	-
Results from financial instruments measured at amortized cost, net	93	-255	-162	-346	-	35.7%
Results from hedge accounting, net	361	-1,615	-1,254	116	-67.9%	-107.2%
Exchange differences result, net	-340	130	-210	118	-134.7%	-9.2%
(Impairment) / Reversal on financial and non-financial instruments	610	267	877	-335	-154.9%	-225.5%
(Impairment) / Reversal on financial instruments held for credit risk management	934	411	1,345	-106	-111.3%	-125.8%
Provision (loss) / gain	-1	2	1	-6	-	-
Modification (loss) / gain on financial instruments	-323	-146	-469	-188	-41.8%	28.8%
(Impairment) / Reversal on other financial instruments	0	0	0	-35	-	-
Operating expense	-1,828	-906	-2,734	-1,552	-15.1%	71.3%
Other income	31	5	36	4	-87.1%	-20.0%
Other expense	-132	-4	-136	-163	23.5%	-
Profit before tax	2,968	4,417	7,385	4,177	40.7%	-5.4%
Income tax benefit/(expense)	-240	-482	-722	-525	118.8%	8.9%
Profit for the period	2,728	3,935	6,663	3,652	33.9%	-7.2%
Other comprehensive income/(loss) for the period	556	-51	505	-124	-122.3%	143.1%
Total comprehensive income for the period	3,284	3,884	7,168	3,528	7.4%	-9.2%

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

In the first half of 2024, the Bank achieved a positive profit after-tax of HUF 3,652 million, despite the extra profit special tax accounted, profit before tax was HUF 4,177 million, which means a 40.7% higher level compared to the same period of the previous year.

During the first six months of the year, the special tax on financial institutions in amount of HUF 332 million and the extra-profit special tax HUF 194 million were charged as a significant one-off item. **The total comprehensive income without banking tax and extra-profit special tax would have been HUF 4,053 million.**

Net interest income

Net interest income was HUF 7.0 billion in the first six months of 2024 is 110.6% higher than a year before, and it showed a positive change (+33.7%) compared to the second half of 2023 (HUF 5.2 billion). The net figure of the first half of 2024 consists of the balance of HUF 30.7 billion interest income (8.9% higher in the same half-year compared, and 7.2% lower compared to second half of 2023) and HUF 23.8 billion interest expense (4.6% lower in comparison with the same half-year and 14.8% lower than in the second half of 2023).

Breakdown of interest income and expenses:

in HUF million	H1 2023	H2 2023	H1 2024	H1 2024 / H1 2023	H1 2024 / H2 2023
Interest income	28,232	33,116	30,742	8.9%	-7.2%
Financial assets at amortized cost	22,720	27,596	25,287	11.3%	-8.4%
<i>Loans</i>	4,819	4,961	4,994	3.6%	0.7%
<i>Refinancing</i>	7,557	16,013	14,463	91.4%	-9.7%
<i>Mortgage bond interest subsidy</i>	75	59	55	-26.7%	-6.8%
<i>Supplementary interest subsidy</i>	0	0	0	-	-
<i>Interbank activities</i>	5,156	1,304	681	-86.8%	-47.8%
<i>Interest income from credit institution repo transactions</i>	87	0	0	-	-
<i>Debt securities at amortized cost</i>	5,026	5,259	5,094	1.4%	-3.1%
Loans mandatorily at fair value through profit or loss income	141	297	283	100.7%	-4.7%
Debt securities at fair value through other comprehensive income	812	517	726	-10.6%	40.4%
Swap transactions	4,558	4,605	3,677	-19.3%	-20.2%
Other interest income	1	101	769	-	-
Interest expenses	24,922	27,903	23,772	-4.6%	-14.8%
Financial liabilities at amortized cost	19,797	23,572	20,242	2.2%	-14.1%
<i>Bonds issued</i>	7,067	9,809	9,778	38.4%	-0.3%
<i>Interest expense of credit institution repo transactions</i>	0	0	0	-	-
<i>Interbank activities</i>	12,729	13,754	10,458	-17.8%	-24.0%
<i>Other</i>	1	9	6	-	-33.3%
Derivatives	5,125	4,331	3,530	-31.1%	-18.5%
Financial liabilities designated at fair value through profit or loss	0	0	0	-	-
<i>Mortgage bonds</i>	0	0	0	-	-
Other interest expense	0	0	0	-	-
Net interest income	3,310	5,213	6,970	110.6%	33.7%

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

The net interest margin to average total assets (NIM) was 1.57% (annual rate) in the first half of 2024 which is higher than in same half period of the previous year.

Net fee and commission income

MBH Mortgage Bank reached HUF -53 million net fee and commission result in the first half of 2024, arising from HUF 89 million in revenue and HUF 142 million in expenses. The net profit for 2024 H1 was HUF 46 million higher than in the previous year (2023 H1: HUF -99 million). Fee and commission income realized during the first half of 2024 was by HUF 5 million decreased than in the second half of 2023 (H2 2023: HUF -48 million).

Results from financial instruments

In the first six months of 2024, the profit from financial transactions amounted to HUF 694 million loss, which is lower by HUF 1,770 million than the profit in the same period of the previous year (HUF 1,076 million).

The result of exchange differences amounted to HUF 118 million in the first half of the year, which is significantly higher than the same period of the previous year (loss of HUF 340 million).

Results from financial instruments measured at fair value amounted to HUF 582 million loss, which is substantial lower than the result of the same period of the previous year (gain of HUF 958 million).

Results from financial instruments measured at fair value through other comprehensive income, measured at amortized cost and results from hedge accounting profit in aggregate, amounts to HUF 230 million loss in the first half of 2024, which is lower by HUF 688 million than the HUF 458 million gain in the same period of the previous year.

Other income and expenditure

The balance of other income and expenses was HUF 159 million loss net income in the first half of 2024, which is HUF 4 million from other income and HUF 163 million other expenses were recognized.

Impairments on loan losses

Provisions and impairment losses contributed to HUF 147 million loss in the first half of 2024, while the provision for impairment on loan losses amounted to HUF 106 million loss. The result of the **modification loss** to the extension of the interest rate cap represented a loss of HUF 188 million in the period. By the end of the first half of 2024, the impairment stock for the loan loss reached HUF 1.3 billion. The Mortgage Bank had not experienced a significant negative trend in the first half of 2024 that would indicate a significant deterioration in the quality of the loan portfolio.

In parallel with the development of economic processes, Mortgage Bank modified the default (PD) and loss (LGD) parameters used in the IFRS 9 models in the first half of 2024 (and if necessary, will revise them again in the second half of 2024). Because of this, the volume of recognized impairments significantly increased.

Operating costs

Operating costs amounted to HUF 1,552 million in the first half of 2024, compared to HUF 1,828 million in the same period of 2023. The costs incurred were thus 15.1% lower compared to the same period of previous year. The costs incurred were significantly influenced by the special extra-profit special tax, which amounted to HUF 194 million.

In the first half-year, compared to the same period of the previous year, personnel costs increased from HUF 241 million to HUF 247 million, other administrative costs (without special extra-profit tax) reduced from HUF 976 million to HUF 966 million.

The first half-year of 2024 depreciation was HUF 13 million higher compared to the same period of 2023.

Income Tax

The income tax expense for the first half of 2024 amounts to HUF 525 million. Bank has calculated the carryforward loss according to the law.

Other comprehensive income

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

2. Statement of Financial Position

in HUF million	30/06/2023	31/12/2023	30/06/2024	30/06/2024 / 30/06/2023	30/06/2024 / 31/12/2023
Cash and cash equivalents	191	19,305	3,686	-	-80.9%
Financial assets measured at fair value through profit or loss	9,709	7,875	6,820	-29.8%	-13.4%
<i>Loans and advances to customers mandatorily at fair value through profit or loss</i>	6,240	6,310	5,295	-15.1%	-16.1%
<i>Derivative financial assets</i>	3,469	1,565	1,525	-56.0%	-2.6%
Hedging derivative assets	301	640	565	87.7%	-11.7%
Financial assets measured at fair value through other comprehensive income	21,417	9,999	26,282	22.7%	162.8%
<i>Securities</i>	21,417	9,999	26,282	22.7%	162.8%
Financial assets measured at amortised cost	715,505	867,975	838,043	17.1%	-3.4%
<i>Loans and advances to banks</i>	375,856	523,272	543,710	44.7%	3.9%
<i>Loans and advances to customers</i>	22,832	20,540	18,507	-18.9%	-9.9%
<i>Securities</i>	316,646	323,975	275,550	-13.0%	-14.9%
<i>Other financial instruments</i>	171	188	276	61.4%	46.8%
Property, plant and equipment	123	143	154	25.2%	7.7%
Intangible assets	217	247	167	-23.0%	-32.4%
Income tax assets	409	337	102	-75.1%	-69.7%
Other assets	38	66	315	-	-
Assets classified as held for sale and disposal groups	4	0	0	-	-
Total Assets	747,914	906,587	876,134	17.1%	-3.4%
Financial liabilities measured at fair value through profit or loss	3,430	1,372	1,332	-61.2%	-2.9%
<i>Derivative financial liabilities</i>	3,430	1,372	1,332	-61.2%	-2.9%
Financial liabilities measured at amortised cost	663,608	820,600	785,869	18.4%	-4.2%
<i>Amounts due to banks</i>	295,266	445,316	445,235	50.8%	0.0%
<i>Issued debt securities</i>	367,678	374,647	339,973	-7.5%	-9.3%
<i>Other financial liabilities</i>	664	637	661	-0.5%	3.8%
Hedging derivative liabilities	5,047	5,214	6,079	20.4%	16.6%
Provision	18	16	22	22.2%	37.5%
Income tax liabilities	11	264	5	-54.5%	-98.1%
Other liabilities	1,479	916	1,094	-26.0%	19.4%
Total liabilities	673,593	828,382	794,401	17.9%	-4.1%
Share capital	10,849	10,849	10,849	0.0%	0.0%
Treasury shares	-207	-207	-207	0.0%	0.0%
Share premium	27,926	27,926	27,926	0.0%	0.0%
Retained earnings	30,792	30,126	36,789	19.5%	22.1%
Other reserve	1,620	2,286	2,286	41.1%	0.0%
Profit for the year	2,728	6,663	3,652	33.9%	-45.2%
Accumulated other comprehensive income	613	562	438	-28.5%	-22.1%
Total equity	74,321	78,205	81,733	10.0%	4.5%
Total equity and total liabilities	747,914	906,587	876,134	17.1%	-3.4%

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

As of 30 June 2024, the Bank's IFRS based total assets amounted to HUF 876.1 billion, which is 3.4% (HUF 30.5 billion) lower than at the end of previous year; and 17.1% higher than the same period of previous year.

The largest change occurred in the stock of financial assets at amortized cost, the gross value of which on 30 June 2024 decreased by 3.4% to HUF 838.0 billion compared to the end of 2023, however, by 17.1% higher than in the previous year. The change in the portfolio of loans and advances to banks (interbank term deposit), which increased by 3.9% at the end of the year and by 44.7% compared to the half-year last year, played a significant role in the increase in the stock.

The value of cash and cash equivalents increased by HUF 3.5 billion, while the book value of securities valued at fair value against other comprehensive income increased by HUF 4.9 billion, or 22.7% compared to the end of 2023. In addition, there has been a decrease in the value of derivative financial assets held for trading purposes, as well as in hedging derivatives, which together decreased by HUF 1.1 billion compared to the end of 2023.

Liabilities decreased by 4.1% compared to the end of previous year, however it was by 17.9% at a higher level compared to the same period of previous year.

The largest cut occurred in financial liabilities measured at amortized cost. As of 30 June 2024, the financial liabilities measured at amortised cost amounted to 785.9 billion, which is 4.2% lower than at the end of previous year and 18.4% higher than the same period of previous year. The year-on-year increase in the stock was driven by a 50.8% increase in loans and advances to banks.

Shareholder's equity increased from HUF 78.2 billion as of 31 December 2023 to HUF 81.7 billion as of 30 June 2024, while it increased by HUF 7.4 billion year-on-year.

Interest earning assets

The Bank's interest earning assets decreased from HUF 885.8 billion as of 31 December 2023 to HUF 871.1 billion as of 30 June 2024. Interest earning assets contributed 99.4% to the total assets.

The stock of central bank and other interbank placements increased from HUF 141.1 billion at the end of December 2023 to HUF 149.5 billion by 30 June 2024, while in the same period of the previous year the stock of interbank placements amounts to HUF 8.7 billion. The proportion of this item in interest earning assets changed from 1.2% at the end of 2023 to 17.2% by the end of first half of 2024.

The value of Bank's financial assets at fair value through other comprehensive income boosted from HUF 10.0 billion as of 31 December 2023 to HUF 26.3 billion by 30 June 2024. The value of securities was HUF 21.4 billion in the same period of 2023 compared to it the portfolio increased by HUF 4.9 billion. At the end of H1 2024, the debt securities at fair value through other comprehensive income contributed 3.0% to interest earning assets.

The Bank's portfolio of debt securities measured at amortized cost decreased from HUF 324.0 billion on 31 December 2023 to HUF 275.6 billion on 30 June 2024. In the same period of 2023, this value was HUF 316.6 billion. At the end of H1 2024, securities at amortized cost contributed 31.6% to interest earning assets.

Loans

As of 30 June 2024, net volume of customer and refinanced mortgage was 35.7% higher year-on-year and increased by 1.7% on half year basis. In the first half of 2024 the impairment for loan losses

amounted to HUF 1.3 billion, which is 76.7% than on 31 December 2023 and 45.8% higher compared to 30 June 2023.

Refinancing loans increased by 3.1% to HUF 394.2 billion in the last half year, while there was a 7.4% year-on-year growth. As of 30 June 2024, contribution of refinanced loans and gross own lending was 48.1% of interest earning assets; this rate was 53.2% a year before.

Portfolio quality

Compared to the first half of 2023 the rate of non-performing loan portfolio decreased significantly from 0.72% to 0.23% and in the first half of 2024 the volume change of non-performing portfolio (stage 3) was a HUF 560 million decrease too. However, the impairment coverage of non-performing portfolio increased compared to the end of the year.

Other assets

Tangible assets amounted to HUF 154 million as of 30 June 2024 and increased by 7.7% from the end of year 2023. Intangible assets amounted to HUF 167 million and decreased by 32.4% compared to the end of the year.

At the end of the first half of 2024, the stock of other assets amounted to HUF 315 million (H1 2023: HUF 42 million).

Interest-bearing liabilities

The volume of interest-bearing liabilities decreased from HUF 820.6 billion from December 31, 2023 to HUF 785.9 billion on 30 June 2024, which means 89.7% proportion rate on the total liabilities. A year earlier, the overwhelming majority of the interest-bearing liabilities held 55.4% of the share of issuing securities, and by the end of the first half of 2024, the ratio decreased to 43.3%. Over the past year the share of interbank and central bank's funds in interest-bearing liabilities has increased from 44.6% to 52.3%, meanwhile this proportion was 53.7% at the end of year 2023.

Issuances

In the first half of 2024 the total volume of mortgage bonds issued by MBH Mortgage Bank exceeded HUF 27 billion, as a result of four public auctions. From the total issued volume HUF 5.9 billion of covered bonds were issued in the first quarter and HUF 21 billion in the second quarter. Senior unsecured bond issuances did not take place in this period.

MBH Mortgage Bank continues to be a predictable and reliable market participant that regularly organizes public auctions, thereby broadening its investor base. In the examined period MBH MB appeared on the market every month (except for January) five times in 2024: with one repurchase and four issuances. The tenors of the four issued mortgage bonds moved in a range between 5 to 8 years, and in addition to the issuance of fixed-rate mortgage bonds, a new floating-rate mortgage bond was also put on the market. Also, close to 20% of the newly issued volume was green mortgage bonds.

In the first quarter of 2024 in January the MBH Mortgage Bank organized two public auctions (one for issuance and one for repurchase), relying on the MNB's still running Mortgage bond Repurchase Programme and the modest increase in investors' demand for green mortgage bonds. In March, MBH MB offered the first tranche of the 5-year new MJ29NF1 green mortgage bond series. For the offered HUF 6 billion (+/- with the possibility of deviation of 50%), investors placed bids of almost HUF 14 billion, and finally, considering the pricing, the Issuer accepted total bids of HUF 5.9 billion. The spread related to the average yield was 123 basis points above the ÁKK benchmark.

In the second quarter of 2024, MBH Mortgage Bank organized three auctions. In April and May, the Bank offered the second and third tranches of the MJ29NF01 mortgage bond series with the original tenors of 5-year, paying a fixed coupon. The offered volume was set at HUF 6-6 billion (+/-50% deviation possibility) each, the incoming bids reached HUF 14 billion and 12 billion respectively, and finally HUF 8.2 and 7.5 billion of the bids were accepted, considering the spreads over the average yield of the offers. In both cases, the spread over to the average auction yield came at 123 basis points above the ÁKK benchmark.

In June, the Bank appeared with an innovation in the domestic capital market, organizing the first ever mortgage bond switch auction, a transaction type that has been organized by only GDMA (ÁKK) so far. For the MJ32NV01 floating-rate mortgage bond offered for issuance, settlement to investors took place against the pre-determined exchange rate of another floating rate mortgage bond (TJ24NV01) announced for repurchase, expiring in October 2024. The pioneer transaction came successful, as HUF 5.6 billion of the new MJ32NV01 series was issued and HUF 5.6 billion of the mortgage bond series serving as compensation was bought back. The introduction of the switch auction will certainly contribute to an even higher level of servicing the needs of investors in the mortgage bond market and to the development of the market.

In the second quarter of 2024, a total of HUF 21.4 billion of mortgage bonds were issued on the market, and in the entire first half of the year, HUF 27.3 billion were sold in the framework of four auctions.

At the end of June 2024, the proportion of fixed-rate securities in the entire mortgage bond portfolio fell to 84.3%.

MBH Mortgage Bank's total portfolio of green mortgage bonds jumped to over HUF 40.0 billion at the end of June 2024, representing the 11.4% of the total outstanding portfolio of mortgage bonds.

Maturities - buybacks

In the first half of 2024, two series of mortgage bonds expired with a total nominal value of HUF 38.7 billion. In January, the TJ24NF02 fixed coupon mortgage bond became due with a total nominal value of HUF 20.245 billion, while in June (also with a fixed coupon) TJ24NF01 series expired with a volume of HUF 18.5 billion.

The MBH Mortgage Bank pays special attention to reducing maturity concentration and to optimize the size of the 180-day liquidity buffer regulated by the Mortgage Act. In February 2024, MBH Mortgage Bank organized a public stock exchange buyback auction for the TJ24NF01 series to serve this dual purpose, as a result of which investors sold 20 billion in nominal value of mortgage bond to the Issuer.

Based on a similar concept, the bank prepared and organized the first switch mortgage bond auction of the Hungarian mortgage bond market, which supported the Issuer to 'buy back' 5.4 billion of the TJ24NV01 series offered as consideration in exchange of HUF 5.6 billion new issuance (MJ32NV01).

As a result of the above transactions, at the end of June 2024, the total nominal value of outstanding mortgage bonds issued by the Bank was HUF 350.4 billion, compared to HUF 352.9 billion a quarter earlier (Q1 2024).

The table below shows the transactions related to MBH Mortgage Bank's fund raising activity in the first half of 2024.

Series	Date of Issuance	Ccy	Volume offered Mio HUF/EUR	Volume of bid Mio HUF/EUR	Issued volume Mio HUF/EUR	Coupon %	Ave yield/exch %	ÁKK (Bubor Benchmark spread (bp))	Birs Benchmark spread (bp)	Issuance Method
Q1										
MZJ29NF1 sr1	13.03.2024	HUF	6,000.00	13,990.00	5,900.00	7.00	8.91	akk + 123	Irs + 146	auction
Q1 Total			6,000.00	13,990.00	5,900.00					
Q2										
MJ29NF01 sr2	01.04.2024	HUF	6,000.00	14,287.00	8,287.00	7.50	8.08	ákk + 123	Irs + 161	auction
MJ29NF01 sr3	16.05.2024	HUF	6,000.00	12,025.00	7,525.00	7.50	7.99	ákk +121	Irs + 157	auction
MJ32NV01 sr1	27.06.2024	HUF	0,00	9,568.00	5,618.00	7.47	97.75			auction
Q2 Total			12,000.00	35,880.00	21,430.00					
H1 Total			18,000.00		27,330.00					

Mortgage bonds

The book value of mortgage bonds of HUF 340.0 billion on 30 June 2024 decreased by 9.3%, or HUF 34.7 billion, compared to the value at the end of 2023 (HUF 374.6 billion), and year-on-year decreased by 7.5% (HUF 27.7 billion) since the first half of 2023.

in HUF million	30/06/2023		31/12/2023		30/06/2024	
	Book value	Nominal value	Book value	Nominal value	Book value	Nominal value
Mortgage bonds designated at fair value through profit or loss						
Listed mortgage bonds						
Fixed	325,202	336,919	321,438	332,442	286,249	295,409
Floating	42,476	42,776	53,209	54,776	53,724	55,008
Total	367,678	379,695	374,647	387,218	339,973	350,417
Mortgage bonds Total	367,678	379,695	374,647	387,218	339,973	350,417

Mortgage bonds collateral

The net value of ordinary collateral of mortgage bonds issued by MBH Mortgage Bank amounted to HUF 602.8 billion as of 30 June 2024 (HUF 405.2 billion of capital and HUF 197.7 billion of interests), 3.4% (HUF 20.0 billion) more than the HUF 582.8 billion as of 31 December 2023 and 9.8% (HUF 53.8 billion) above the figure of 30 June 2023.

in HUF million	30/06/2023	31/12/2023	30/06/2024
Outstanding mortgage bonds			
Nominal amount	379,695	387,218	350,417
Interest	71,071	70,011	74,060
Total	450,766	457,229	424,477
Value of normal collateral			
Principal	382,614	396,277	405,156
Interest	166,359	186,553	197,675
Total	548,973	582,830	602,831
of assets involved as supplementary collateral			
Government and Hungarian Development Bank bonds, Mortgage (Covered) bonds	-	-	-
Total	-	-	-
Value of liquid assets			
Government and supranational bonds	49,513	65,220	57,998
Total	49,513	65,220	57,998

As of 30 June 2024, the net present value of cover pool assets was HUF 433.8 billion and the present value of the liabilities of mortgage bonds were HUF 329.2 billion. The present value of the cover pool assets exceeded that of liabilities of outstanding mortgage bonds not yet repaid with a ratio of 131.76% at the end of June 2024.

The ratio of the net principal of cover pool assets and that of unpaid nominal value of liabilities of outstanding mortgage bonds was 126.81%, the ratio of net amount of interest on the cover pool assets and that of unpaid interest on liabilities of outstanding mortgage bonds was 291.69 % on June 30, 2024. The mortgage lending value of properties covering ordinary collateral assets was HUF 1,539 billion on 30 June 2024, compared to the amount of 31 December 2023 (HUF 1,516 billion) it increased by 1.5%. The loan to value ratio (LTV) on normal collateral was 26.32% on 30 June 2024.

Provisions

In connection with contractual commitments, the stock of provisions created by the Bank amounted to HUF 22 million on 30 June 2024, which is HUF 6 million higher than the provision requirement at the cut-off date of the previous year.

Individual Investors' Interest Association (TEBÉSZ) filed a lawsuit in the Capital Court of Appeal for the annulment of the Company's resolutions number; 4/2019 (08.27.), 6/2019 (08.27.) and 7/2019 (08.27.) taken on the General Meeting of the Company held on 27 August, 2019. The litigation was finally terminated. MBH Mortgage Bank Co. Plc. won the lawsuit. TEBÉSZ has submitted an appeal with regard to the final judgement (No. 13.Gf.40.057/2021/11). The Curia annulled the judgement and ordered the Metropolitan Regional Court of Appeal for a new procedure. The Metropolitan Regional Court of Appeal overruled the judgement of the court of first instance Metropolitan Court of Budapest and ordered the Metropolitan Court of Budapest for a new procedure. The Metropolitan Court of Budapest dismissed TEBÉSZ's action in the retrial (7.G.42.762/2022/28-I.) TEBÉSZ appealed against the judgment. MBH Mortgage Bank Co. Plc. lodged a cross-appeal against the grounds of the judgment. The procedure still is ongoing. The lawsuit doesn't represent financial risk for the Company. In view of the above mentioned, provision was not set up in the first half of 2024 financial report.

Other liabilities

As of June 2024, the amount of other liabilities amounted to HUF 1,094 million which exceeded the 2023 stock by HUF 178 million.

Shareholders' equity

The share capital of the Bank grew from HUF 78.2 billion from 31 December, 2023 to HUF 81.7 billion to 30 June 2024, and on annual basis HUF 7.4 billion growths was observed.

Capital position

The Hungarian Central Bank issued resolution H-EN-I-36./2017 ruling to grant exemption for the Group from the individual and sub-consolidated compliance obligations.

The total own funds of the Group (MBH Investment Bank and MBH Mortgage Bank) amounted over HUF 124 billion at the end of June 2024, while its capital adequacy ratio was 45.92%.

DECLARATION

The management report for the first half of 2024 of MBH Mortgage Bank Plc. is based on stand-alone, non-audited IFRS financial statements.

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

MBH Mortgage Co. Plc. hereby declares that the half-year financial statements of the year 2024 have been prepared in accordance with the applicable accounting standards and its best knowledge.

The 2024 half-year financial statements give a true and fair view of assets, liabilities, financial position and loss of the issuer and its consolidated affiliates, furthermore the half-year financial statements give a fair view of the position, development and performance of the Bank, disclosing the risks and the factors of uncertainty.

Budapest, 30 August, 2024

Dr. Gyula Nagy
Chief Executive Officer

Illés Tóth
Deputy-CEO

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

Stand-alone Income Statement

Stand-alone, audited data as of 31 December 2023, and non-audited data as of 30 June 2023 (H1 2023) and 30 June 2024 (H1 2024) according to IFRS

in HUF million	H1 2023	H2 2023	2023 audited	H1 2024	H1 2024 / H1 2023	H1 2024 / H2 2023
Interest income and similar to interest income	28,232	33,116	61,348	30,742	8.9%	-7.2%
<i>Interest income calculated using the effective interest method</i>	23,532	28,113	51,645	26,013	10.5%	-7.5%
<i>Income similar to interest income</i>	4,700	5,003	9,703	4,729	0.6%	-5.5%
Interest expense and expense similar to interest expense	-24,922	-27,903	-52,825	-23,772	-4.6%	-14.8%
<i>Interest expense calculated using the effective interest method</i>	-19,797	-23,572	-43,369	-20,242	2.2%	-14.1%
<i>Expense similar to interest expense / Other interest expense</i>	-5,125	-4,331	-9,456	-3,530	-31.1%	-18.5%
Net interest income	3,310	5,213	8,523	6,970	110.6%	33.7%
Fee and commission income	129	90	219	89	-31.0%	-1.1%
Fee and commission expense	-228	-138	-366	-142	-37.7%	2.9%
Net fee and commission income	-99	-48	-147	-53	-46.5%	10.4%
Results from financial instruments	1,076	-110	966	-694	-164.5%	-
Results from financial instruments measured at fair value through profit or loss, net	958	1,235	2,193	-582	-160.8%	-147.1%
<i>Results from financial instruments measured at fair value through other comprehensive income, net</i>	4	395	399	0	-	-
<i>Results from financial instruments measured at amortized cost, net</i>	93	-255	-162	-346	-	35.7%
<i>Results from hedge accounting, net</i>	361	-1,615	-1,254	116	-67.9%	-107.2%
<i>Exchange differences result, net</i>	-340	130	-210	118	-134.7%	-9.2%
(Impairment) / Reversal on financial and non-financial instruments	610	267	877	-335	-154.9%	-225.5%
<i>(Impairment) / Reversal on financial instruments held for credit risk management</i>	934	411	1,345	-106	-111.3%	-125.8%
<i>Provision (loss) / gain</i>	-1	2	1	-6	-	-
<i>Modification (loss) / gain on financial instruments</i>	-323	-146	-469	-188	-41.8%	28.8%
<i>(Impairment) / Reversal related to subsidiaries and associates</i>	0	0	0	-35	-	-
Operating expense	-1,828	-906	-2,734	-1,552	-15.1%	71.3%
Other income	31	5	36	4	-87.1%	-20.0%
Other expense	-132	-4	-136	-163	23.5%	-
Profit before tax	2,968	4,417	7,385	4,177	40.7%	-5.4%
Income tax benefit/(expense)	-240	-482	-722	-525	118.8%	8.9%
Profit for the period	2,728	3,935	6,663	3,652	33.9%	-7.2%
Basic EPS (yearly)	25.2 Ft	36.3 Ft	61.4 Ft	33.7 Ft	33.6%	-7.2%
Diluted EPS (yearly)	25.2 Ft	36.3 Ft	61.4 Ft	33.7 Ft	33.6%	-7.2%

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Reporting period: 01.01.2024 – 30.06.2024

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Investor relations: Illés Tóth

Comprehensive Income Statement	H1 2023	H2 2023	2023 audited	H1 2024	H1 2024 / H1 2023	H1 2024 / H2 2023
Profit for the period	2,728	3,935	6,663	3,652	33.9%	-7.2%
Other comprehensive income/(loss) for the period	556	-51	505	-124	-122.3%	143.1%
Items that will not be reclassified to profit or loss	0	0	0	0	-	-
Items that will be reclassified to profit or loss	556	-51	505	-124	-122.3%	143.1%
Debt instruments at fair value through other comprehensive income	556	-61	495	-70	-112.6%	14.8%
Income tax relating to items that may be reclassified to profit or (-) loss	0	10	10	-54	-	-
Total comprehensive income for the period	3,284	3,884	7,168	3,528	7.4%	-9.2%

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

Stand-alone Statement of Financial Position

(Stand-alone, audited data as of 31 December 2023, and non-audited data as of 30 June 2023 and 30 June 2024 according to IFRS)

in HUF million	30/06/2023	31/12/2023	30/06/2024	30/06/2024 / 30/06/2023	30/06/2024 / 31/12/2023
Cash and cash equivalents	191	19,305	3,686	-	-80.9%
Financial assets measured at fair value through profit or loss	9,709	7,875	6,820	-29.8%	-13.4%
<i>Loans and advances to customers mandatorily at fair value through profit or loss</i>	6,240	6,310	5,295	-15.1%	-16.1%
<i>Derivative financial assets</i>	3,469	1,565	1,525	-56.0%	-2.6%
Hedging derivative assets	301	640	565	87.7%	-11.7%
Financial assets measured at fair value through other comprehensive income	21,417	9,999	26,282	22.7%	162.8%
<i>Securities</i>	21,417	9,999	26,282	22.7%	162.8%
Financial assets measured at amortised cost	715,505	867,975	838,043	17.1%	-3.4%
<i>Loans and advances to banks</i>	375,856	523,272	543,710	44.7%	3.9%
<i>Loans and advances to customers</i>	22,832	20,540	18,507	-18.9%	-9.9%
<i>Securities</i>	316,646	323,975	275,550	-13.0%	-14.9%
<i>Other financial instruments</i>	171	188	276	61.4%	46.8%
Property, plant and equipment	123	143	154	25.2%	7.7%
Intangible assets	217	247	167	-23.0%	-32.4%
Income tax assets	409	337	102	-75.1%	-69.7%
<i>Current income tax assets</i>	0	0	0	-	-
<i>Deferred income tax assets</i>	409	337	102	-75.1%	-69.7%
Other assets	38	66	315	-	-
Assets classified as held for sale and disposal groups	4	0	0	-	-
Total Assets	747,914	906,587	876,134	17.1%	-3.4%
Financial liabilities measured at fair value through profit or loss	3,430	1,372	1,332	-61.2%	-2.9%
<i>Derivative financial liabilities</i>	3,430	1,372	1,332	-61.2%	-2.9%
Financial liabilities measured at amortised cost	663,608	820,600	785,869	18.4%	-4.2%
<i>Amounts due to banks</i>	295,266	445,316	445,235	50.8%	0.0%
<i>Issued debt securities</i>	367,678	374,647	339,973	-7.5%	-9.3%
<i>Other financial liabilities</i>	664	637	661	-0.5%	3.8%
Hedging derivative liabilities	5,047	5,214	6,079	20.4%	16.6%
Provision	18	16	22	22.2%	37.5%
Income tax liabilities	11	264	5	-54.5%	-98.1%
<i>Current income tax liabilities</i>	11	264	5	-54.5%	-98.1%
Other liabilities	1,479	916	1,094	-26.0%	19.4%
Total liabilities	673,593	828,382	794,401	17.9%	-4.1%
Share capital	10,849	10,849	10,849	0.0%	0.0%
Treasury shares	-207	-207	-207	0.0%	0.0%
Share premium	27,926	27,926	27,926	0.0%	0.0%
Retained earnings	30,792	30,126	36,789	19.5%	22.1%
Other reserve	1,620	2,286	2,286	41.1%	0.0%
Profit for the year	2,728	6,663	3,652	33.9%	-45.2%
Accumulated other comprehensive income	613	562	438	-28.5%	-22.1%
Total equity	74,321	78,205	81,733	10.0%	4.5%
Total equity and total liabilities	747,914	906,587	876,134	17.1%	-3.4%

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

Cash Flow Statement

(audited data as of 31 December 2023, and non-audited data as of 30 June 2023 and 30 June 2024 according to IFRS)

in HUF million	30 June 2023	31 December 2023	30 June 2024
Cash flow from operating activities			
Profit for the period	2,728	6,663	3,652
<i>Non cash adjustments to net profit from:</i>			
Depreciation and amortization	35	88	84
Impairment/provision/ (-) Release of impairment/provision for losses	-934	-603	112
Provision/ (-) Release of other provision	0	-1	6
Gain/(loss) on tangible and intangible assets derecognized	9	-9	0
Interest expense on leasing liabilities	1	10	6
Fair value adjustment of derivatives and hedging transactions	1,318	1,167	-92
Fair value adjustment of loans and advances to customers mandatorily at fair value through profit or loss	-331	-1,043	558
Fair value adjustment of financial assets measured at fair value through other comprehensive income	0	0	0
Fair value adjustment on financial liabilities measured at fair value through profit or loss	0	0	0
Operating profit/(loss) before change in operating assets	2,826	6,272	4,326
<i>Decrease/(Increase) in operating assets:</i>			
Trading derivatives and hedging transactions	1,840	1,665	1,032
Asset mandatorily at fair value through profit or loss	684	1,326	457
Financial assets at fair value through other comprehensive income	-2,689	8,677	-16,407
Financial assets measured at amortized cost (increase (-), decrease (+))	67,166	-85,645	29,820
Other assets	115	163	7
Financial liabilities measured at amortized cost	78	71	-3
Other liabilities	678	255	-81
Net cash flow from operating activities	70,698	-67,216	19,152
Cash flow from investing activities			
Proceeds from sales of tangible and intangible assets	23	24	0
Purchase of tangible assets	-106	-138	-36
Purchase of intangible assets	0	-53	0
Net cash outflow from investing activities	-83	-167	-36
Cash flow from financing activities			
Repayment of long-term loans	-70,626	86,392	-34,718
Repayment of leasing liabilities	-27	-46	-16
Net cash outflow from financing activity	-70,653	86,346	-34,734
Decrease in cash and cash equivalents	-38	18,963	-15,619
Opening balance of cash and cash equivalents	229	342	19,305
Closing balance of cash and cash equivalents	191	19,305	3,686
Breakdown of cash and cash equivalents:			
Balances with National Bank of Hungary	5	19,145	3,517
Due from banks with a maturity of less than 90 days	186	160	169
Closing balance of cash and cash equivalents	191	19,305	3,686

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Statement of Shareholders' Equity

(Stand-alone, audited data as of 1 January 2023 and 31 December 2023 and non-audited data as of 30 June 2024 according to IFRS)

in HUF million	Registered Capital	Payment in excess of face value (asia)	Other capital	Accumulated other comprehensive income	Earnings	Other reserves	Own shares	Total equity
01.01.2023	10,849	27,926	0	57	30,792	1,620	-207	71,037
Profit for the year					2,728			2,728
Other comprehensive income				556				556
01.07.2023	10,849	27,926	0	613	33,520	1,620	-207	74,321
Profit for the year					3,935			3,935
Other comprehensive income				-51				-51
Other capital movements (general reserve)					-666	666		0
30.12.2023	10,849	27,926	0	562	36,789	2,286	-207	78,205
Profit for the year					3,652			3,652
Other comprehensive income				-124				-124
30.06.2024	10,849	27,926	0	438	40,441	2,286	-207	81,733

Off-balance Sheet items – Commitments

(Non-audited data as of 30 June 2023 and 30 June 2024 and audited data as of 31 December 2023 according to IFRS)

in HUF million	30 June 2023	31 December 2023	30 June 2024
Commitments			
Undrawn commitments	27,549	28,539	29,632
Total	27,549	28,539	29,632

Transactions with related parties

(Stand-alone, audited data as of 31 December 2023, and non-audited data as of 30 June 2023 and 30 June 2024 according to IFRS)

in HUF million	30 June 2023		31 December 2023		30 June 2024	
	Parent and superior parent	Related parties	Parent and superior parent	Related parties	Parent and superior parent	Related parties
Due from banks	134	8,703	21,143	-	30,047	-
Loans to customers	352,350	0	488,809	4,191	501,760	3,901
Other assets	2,630	24	11	-	16	-
Total assets	355,115	8,727	509,963	4,191	531,823	3,901
Due to banks	15,006	43,842	210,185	-	210,123	-
Other liabilities*	73,038	27	82,876	9,475	78,938	15,331
Total liabilities	88,044	43,869	293,061	9,475	289,060	15,331
Interest income	14,698	4,610	39,868	4,647	22,441	61
Interest expense	-15,093	-1,483	- 31,949	- 1,807	- 12,880	- 527
Net interest income	-395	3,127	7,918	2,840	9,561	- 466
Fees and commission income	38	41	90	41	57	1
Fees and commission expense	-42	-133	- 213	- 141	- 96	-
Net fees and commissions	-4	-92	- 123	- 100	- 39	1
Other operating income	697	-1,304	4,844	618	364	-
Other operating expense	-119	-360	- 5,122	- 3	- 1,674	- 5
Operating profit	578	944	- 279	615	- 1,310	- 5
General and administrative expenses	0	-17	- 103	- 477	- 37	- 243
Profit for the year	179	3,962	7,413	2,878	8,175	- 713

* includes the issued securities

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

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

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DATA FORMS RELATING TO THE STRUCTURE OF SHARES AND THE GROUP OF OWNERS

Ownership structure, participation and voting rates (as at 30 June 2024)

Description of owner	Total equity ¹						Listed series ¹					
	At the beginning of actual year (01.01.2024)			End of actual period (30.06.2024)			At the beginning of actual year (01.01.2024)			End of actual period 30.06.2024)		
	% ²	% ³	Qty	%	%	Qty	%	%	Qty	%	%	Qty
Series "A" shares listed on BSE												
Domestic institution/company	52.10	52.22	56,527,499	52.11	52.23	56,533,453	52.10	52.22	56,527,499	52.11	52.23	56,533,453
Foreign institution/company	0.01	0.01	6,705	0.02	0.02	19,570	0.01	0.01	6,705	0.02	0.02	19,570
Domestic individual	2.81	2.82	3,052,987	2.81	2.82	3,048,263	2.81	2.82	3,052,987	2.81	2.82	3,048,263
Foreign individual	0.02	0.02	21,489	0.01	0.01	16,789	0.02	0.02	21,489	0.01	0.01	16,789
Treasury shares	0.23	0.00	253,601	0.23	0.00	253,601	0.23	0.00	253,601	0.23	0.00	253,601
Government held owner ⁴	44.80	44.90	48,597,602	44.80	44.90	48,597,602	44.80	44.90	48,597,602	44.80	44.90	48,597,602
Other	0.03	0.03	30,417	0.02	0.02	21,022	0.03	0.03	30,417	0.02	0.02	21,022
Series total	100.00	100.00	108,490,300	100.00	100.00	108,490,300	100.00	100.00	108,490,300	100.00	100.00	108,490,300
TOTAL	100.00	100.00	108,490,300	100.00	100.00	108,490,300	100.00	100.00	108,490,300	100.00	100.00	108,490,300

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

² Ownership share

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

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

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

	30 June 2023		31 December 2023		30 June 2024	
MBH Mortgage Bank Co. Plc.	253,601	0.23%	253,601	0.23%	253,601	0.23%

Owners with more than 5% ownership relating to listed series (as at 30 June 2024)

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

Owners with more than 5% ownership relating to total equity (as at 30 June 2024)

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

DATA FORMS RELATED TO THE ORGANISATION AND OPERATION OF THE ISSUER

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

	30/06/2023	31/12/2023	30/06/2024
MBH Mortgage Bank Plc.	16.2	16.5	16.5

Persons in senior positions and (strategic) employees having an influence on the operations of the Bank (as at 30 June 2024)

Type ¹	Name	Position	Beginning of mandate	End/ termination of mandate	No. of shares held
BoD	Vida József	Chairman	01/12/2021	30/11/2026	0
BoD	dr. Nagy Gyula	Member. CEO	01/12/2021	30/11/2026	0
BoD	Tóth Illés	Member. Deputy CEO	01/12/2022	30/11/2026	0
BoD	Brezina Szabolcs Károly	Member	09/12/2022	30/11/2026	0
BoD	dr. Török Ilona	Member	14/11/2022	30/11/2026	0
BoD	Ginzer Ildikó	Member	03/12/2021	30/11/2026	0
SB/AB	dr. Láng Géza Károly	Chairman	12/07/2022	02/01/2027	0
SB/AB	dr. Gödör Éva	Member	03/01/2022	02/01/2027	0
SB/AB	Krizsanovich Péter	Member	29/06/2023	02/01/2027	0
SB	dr. Lélfa Koppány Tibor	Member	03/01/2022	02/01/2027	0
SB	Bakonyi András	Member	24/04/2024	02/01/2027	0
TOTAL No. of shares held by management:					0

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

INFORMATION AND DISCLOSURES IN 2024

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

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

Announcements. information and disclosures published by MBH Mortgage Bank are available at the following sites:

www.bet.hu

www.kozzetetelek.hu


<https://mbhmortgagebank.hu>

<https://www.mbhmortgagebank.hu/sustainability>

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Abbreviations



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