



MBH Bank Plc.

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statistic code

*Condensed Consolidated
Interim
Financial Statements*

Prepared in accordance with
IAS 34 Interim Financial Reporting standard
as adopted by the EU

Budapest, 11 September 2023

30 June 2023

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	30 June 2023	31 December 2022
<i>Assets</i>			
Cash and cash equivalents	4.7	1,115,715	1,361,315
Financial assets measured at fair value through profit or loss		744,815	819,718
<i>Loans and advances to customers mandatorily at fair value through profit or loss</i>	4.8	456,223	418,517
<i>Securities held for trading</i>	4.9	13,867	49,923
<i>Securities mandatorily at fair value through profit or loss</i>	4.9	41,661	24,869
<i>Derivative financial assets</i>	4.10	233,064	326,409
Hedging derivative assets	4.10	114,145	164,338
Financial assets measured at fair value through other comprehensive income		799,319	630,845
<i>Securities</i>	4.11	799,319	630,845
Financial assets measured at amortised cost		7,409,949	7,377,255
<i>Loans and advances to banks</i>	4.12	111,992	179,088
<i>Loans and advances to customers</i>	4.12	4,252,090	4,342,801
<i>Repurchase assets</i>	4.12	4,315	1,070
<i>Securities</i>	4.12	2,919,844	2,781,620
<i>Other financial assets</i>	4.12	121,708	72,676
Fair value change of hedged items in portfolio hedge of interest rate risk	4.10	(19,986)	(51,678)
Associates and other investments	4.13	49,930	49,599
Property, plant and equipment		98,413	98,345
Intangible assets		69,986	70,511
Income tax assets		22,513	24,981
<i>Current income tax assets</i>		4,087	453
<i>Deferred income tax assets</i>		18,426	24,528
Other assets		81,062	69,039
Assets held for sale		1,351	154
Total assets		10,487,212	10,614,422

	Note	30 June 2023	31 December 2022
Liabilities			
Financial liabilities measured at fair value through profit or loss		204,519	278,203
<i>Derivative financial liabilities</i>	4.10	180,966	235,877
<i>Financial liabilities from short positions</i>		23,553	42,326
Hedging derivative liabilities	4.10	8,472	1,365
Financial liabilities measured at amortised cost		9,253,570	9,416,275
<i>Amounts due to banks</i>	4.15	2,203,364	2,378,471
<i>Amounts due to customers</i>	4.15	6,270,902	6,574,357
<i>Repurchase liabilities</i>	4.15	234,112	-
<i>Issued debt securities</i>	4.16	357,138	290,838
<i>Subordinated debt</i>	4.17	107,882	88,887
<i>Other financial liabilities</i>		80,172	83,722
Provisions	4.18	27,533	22,623
Income tax liabilities		2,788	15,483
<i>Current income tax liabilities</i>		636	12,378
<i>Deferred income tax liabilities</i>		2,152	3,105
Other liabilities		97,350	71,737
Total liabilities		9,594,232	9,805,686
Equity			
Share capital		322,530	321,699
Share premium		348,894	313,947
Retained earnings		57,019	32,592
Other reserves		39,234	32,552
Profit for the year		81,953	88,942
Accumulated other comprehensive income		4,270	(21,357)
Non-controlling interest		39,080	40,361
Total equity		892,980	808,736
Total liabilities and equity		10,487,212	10,614,422

Budapest, 11 September 2023

Dr. Zsolt Barna
Chairman and CEO

Péter Krizsanovich
Deputy CEO for Finance

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
Interest income		589,449	201,565
<i>Interest income using effective interest rate method</i>	4.1	386,621	140,568
<i>Other interest income</i>	4.1	202,828	60,997
Interest expense		(306,112)	(87,975)
<i>Interest expense using effective interest rate method</i>	4.1	(190,661)	(35,563)
<i>Other interest expenses</i>	4.1	(115,451)	(52,412)
Net interest income		283,337	113,590
Income from fees and commissions	4.2	90,136	52,537
Expense from fees and commissions	4.2	(25,501)	(13,290)
Net income from fees and commissions		64,635	39,247
Results from financial instruments, net		(1,846)	29,511
<i>Results from financial instruments measured at fair value through profit or loss, net</i>	4.3	(75,896)	110,571
<i>Results from financial instruments measured at fair value through other comprehensive income, net</i>	4.3	(2,688)	(23,421)
<i>Results from financial instruments measured at amortised cost, net</i>	4.3	(676)	1,759
<i>Results from hedge accounting, net</i>	4.3	23,940	(4,750)
<i>Exchange differences result</i>	4.3	53,474	(54,648)
(Impairment) / Reversal on financial and non-financial instruments		(30,080)	(17,787)
<i>Expected credit loss on financial instruments held for credit risk management</i>	4.4	(18,616)	(4,359)
<i>Provision (loss) / gain</i>	4.4	(268)	(5,111)
<i>Modification (loss) / gain on financial instruments</i>	4.4	(9,852)	(8,355)
<i>(Impairment) / Reversal on associates and other investments</i>	4.4	(1,388)	77
<i>(Impairment) / Reversal on other financial and non-financial instruments</i>	4.4	44	(39)
Dividend income		1,610	4,599
Operating expense	4.5	(222,839)	(128,387)
Other income		27,680	17,551
Other expense		(20,778)	(18,518)
Share of associated companies' and joint ventures' profit		640	1,107
Result from assets held for sale		-	(474)
Profit before taxation		102,359	40,439
Income tax income / (expense)	4.6	(17,651)	(6,919)
Profit for the year		84,708	33,520
<i>Of which profit or (loss) of the owners of the parent company</i>		81,953	34,596
<i>Of which profit or (loss) of the non-controlling interest</i>		2,752	(1,076)

Other comprehensive income	Note	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
Items that may be reclassified to profit or loss		24,629	(5,137)
<i>Hedging instruments (unmarked items)</i>		(39)	177
<i>Revaluation on financial assets measured at fair value through other comprehensive income</i>		26,815	(6,305)
<i>Income tax relating to items that will be reclassified</i>		(2,147)	991
Items that may not be reclassified to profit or loss		1,054	399
<i>Fair value changes of equity instruments measured at fair value through other comprehensive income</i>		1,054	399
<i>Income tax relating to items that will not be reclassified</i>		-	-
Other comprehensive income for the year net of tax		25,683	(4,738)
Total comprehensive income for the year		110,391	28,782
<i>Of which total comprehensive income of the owners of the parent company</i>		107,312	29,702
<i>Of which total comprehensive income of the non-controlling interest</i>		3,076	(920)
Profit / (Loss) attributable to:			
Profit/(loss) for the period from continuing operation		84,708	33,520
Total comprehensive income attributable to:			
Total comprehensive income from continuing operation		110,391	28,782
Net income available to ordinary shareholders	4.22	81,953	34,596
Average number of ordinary shares outstanding (thousands)	4.22	321,976	205,660
Earnings per Ordinary Share (in HUF)			
Basic, diluted	4.22	255	168

Budapest, 11 September 2023

Dr. Zsolt Barna
Chairman and CEO

Péter Krizsanovich
Deputy CEO for Finance

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Retained earnings*	Other reserves	Accumulated other comprehensive income	Equity of the owners of the parent company	Non-controlling interest	Total equity
1 January 2022	100,000	21,729	134,553	17,040	(23,569)	249,753	-	249,753
Profit for the year	-	-	34,596	-	-	34,596	(1,076)	33,520
Other comprehensive income	-	-	-	-	(4 894)	(4 894)	156	(4 738)
Total comprehensive income for the period	-	-	34 596	-	(4 894)	29 702	(920)	28 782
Changes in treasury shares	75 603	109 397	-	-	-	185 000	-	185 000
Dividend paid	-	-	(4 300)	-	-	(4 300)	-	(4 300)
Changes from business combination - merger of Budapest Bank and Magyar Takarék Bankholding	135 717	169 979	(88 101)	9 049	(2 452)	224 192	37 125	261 317
Other changes due to change in the ownership share in subsidiaries	-	-	7 491	-	109	7 600	(368)	7 232
30 June 2022	311 320	301 105	84 239	26 089	(30 806)	691 947	35 837	727 784
1 January 2023	321,699	313,947	121,534	32,552	(21,357)	768,375	40,361	808,736
Profit for the year	-	-	81,953	-	-	81,953	2,754	84,707
Other comprehensive income	-	-	-	-	25,359	25,359	324	25,683
Total comprehensive income for the period	-	-	81,953	-	25,359	107,312	3,078	110,390
Dividend paid	-	-	(25,092)	-	-	(25,092)	-	(25,092)
Changes from business combination - merger of Takarébank	831	34,947	(39,578)	6,682	-	2,882	(3,108)	(226)
Other changes due to change in the ownership share in subsidiaries	-	-	155	-	268	423	(1,251)	(828)
30 June 2023	322,530	348,894	138,972	39,234	4,270	853,900	39,080	892,980

* Reorganisation reserves are presented as part of retained earnings.

Budapest, 11 September 2023

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Deputy CEO for Finance

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Note	2023	2022
<i>Cash flows from operating activities</i>			
Profit/ (Loss) before taxation		102,359	40,439
<i>Adjustments</i>			
Depreciation, amortisation and impairment	4.5	16,301	9,477
Impairment / (Reversal of impairment) on other assets		(50)	31
(Reversal of provisions for) / Recognize provisions on off-BS items and settlement for customers	4.19	(5,019)	(1,299)
Impairment / (Reversal of impairment) on loans and advances	4.4	18,485	3,130
Reversal of impairment on non-current assets held for sale		-	-
Impairment on securities, associates and other investments	4.4, 4.11, 4.12	(1,499)	(385)
Non-cash adjustment on securities		(3,104)	(1,145)
Net interest income	4.1	(283,338)	(113,590)
Dividends from shares and other non-fixed income securities		(1,611)	(4,599)
Revaluation of issued securities	4.16, 4.17	(8,065)	(582)
Other revaluation differences		(39,173)	11,086
Foreign exchange movement		13,601	(12,185)
Adjustments		(191,112)	(69,622)
Change in loans and advances to banks	4.12	63,851	(292,505)
Change in loans and advances to customers	4.12	25,820	380,687
Change in securities	4.9, 4.11, 4.12	(96,964)	231,080
Change in derivative assets	4.10	111,846	(284,287)
Change in other assets		(12,334)	8,034
Change in amounts due to banks (short term)	4.15	139,777	354,892
Change in current and deposit accounts	4.15	(299,182)	(104,305)
Change in other liabilities and provisions	4.18	57,675	27,051
Change in derivative liabilities	4.10	(47,804)	76,255
Interest received	4.1	585,299	201,857
Interest paid	4.1	(305,498)	(87,069)
Dividends received		1,611	4,599
Income tax	4.6	(27,878)	(8,891)
		196,219	507,399
Net cash (used in)/ generated by operating activities		5,106	437,777

	Note	2023	2022
Cash flow from investing activities			
Change in cash due to business combination under common control		-	427,986
Purchase and disposals of PPEs and intangible assets		(15,973)	(13,179)
Disposals of PPEs and intangible assets		129	3,670
Purchase of securities	4.9, 4.11, 4.12	(525,545)	(608,135)
Disposals of securities	4.9, 4.11, 4.12	341,645	289,311
Non-current assets held for sale		(1,197)	(1,469)
Net cash (used in)/ generated by investing activities		(200,941)	98,184
Cash flow from financing activities			
Increase in issued securities	4.16	66,300	1,212
Decrease in issued securities	4.16	-	-
Increase in subordinated liabilities	4.17	27,060	43,817
Decrease in subordinated liabilities	4.17	-	-
Cash outflows due to leases		(4,273)	(2,749)
Change in amounts due to banks (long-term)	4.15	(100,159)	(138,342)
Issue of new shares and income from share premium	1	-	185,000
Dividends paid		(25,092)	(4,300)
Net cash (used in)/ generated by financing activities		(36,164)	84,638
Net increase / (decrease) of cash and cash equivalents		(231,999)	620,599
Cash and cash equivalents at 1 January		1,361,315	854,970
<i>FX change on cash and cash equivalents</i>		(13,601)	12,185
Cash and cash equivalents at the end of period		1,115,715	1,487,754

Budapest, 11 September 2023

Dr. Zsolt Barna
Chairman and CEO

Péter Krizsanovich
Deputy CEO for Finance

1. GENERAL INFORMATIONS

Current condensed consolidated interim financial statements as at 30 June 2023, prepared in accordance with the requirements of IAS 34 Interim Financial Reporting Standard as adopted by the European Union, were approved by the Group's Board of Directors on 11 September 2023. Any specific information needs beyond these financial statements may be satisfied with the stock exchange flash report, which is prepared for special purposes for the same period based on the key figures of these financial statements.

MBH Bank Plc. (before the name change: MKB Bank Plc, hereinafter: "MKB" or "MKB Bank", after the name change: "MBH" or "MBH Bank" or "Bank") is a commercial bank registered in Hungary, and operating under the effective laws of Hungary, particularly under Act CCXXXVII of 2013 on credit institutions and financial enterprises. The headquarters of the Bank is at 38 Váci utca Budapest 1056.

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

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

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

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

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

The merger does not imply any change in the ownership structure of the banking group, the dominant shareholder of the banks involved in the merger process will remain Magyar Bankholding.

The shareholder structure of MBH Bank

On 9 December 2022, MKB Bank decided in its meeting resolution no 57/2022 (9 December 2022) about the merger of Takarékbank into MKB Bank, and in meeting resolution No. 63/2022 (9 December 2022), it decided on the capital structure of the successor MBH Bank Plc, the proportion of the planned registered capital of the shareholders and the quota of equity belongs to those owners who do not wish to participate in MBH Bank as a legal successor company.

The General Meeting determined that the share capital of MBH Bank increases to HUF 322,529,625,000 (31 December 2022: HUF 321,698,958,000). Newly issued ordinary shares of 830,667 pieces of Series A, with a nominal value of HUF 1,000.00 each have been originated by KELER as of 1 August 2023. Shareholders exercise their voting rights in respect of the newly issued shares from the date of entry in the share register after the shares have been created and credited to the shareholders' securities account. Due to the issuance of the shares, the shareholding and voting rights of Magyar Bankholding in MBH Bank reduced from 99.12% to 98.87% as a result of the merger and the shareholding and voting rights of the other shareholders of the Bank increased proportionately from 0.88% to 1.13%.

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

The shareholder structure of MBH Bank is the following as of 30 June 2023:

Owner	Shares (pieces)	Total nominal value of shares	Ownership share (%)
Magyar Bankholding Ltd.	318,883,966	318,883,966,000	98,87%
Public contribution rate:	3,645,659	3,645,659,000	1,13%
Total	322,529,625	322,529,625,000	100,00%

There were no changes in the ownership structure of Magyar Bankholding Ltd. during the current period ended at 30 June 2023, as follows:

Ownership structure of Magyar Bankholding	Ownership share (%)
Corvinus Nemzetközi Befektetési Ltd.	30,35%
Magyar Takarékszövetkezet Befektetési és Vagyongazdálkodási Ltd.	25,13%
Magyar Takarékszövetkezet Holding Ltd.	12,56%
METIS Magántőkealap	11,51%
Blue Robin Investments S.C.A.	10,82%
RKOFIN Befektetési és Vagyonkezelő Ltd.	4,48%
EIRENE Magántőkealap	3,29%
Pantherinae Pénzügyi Ltd.	1,02%
OPUS FINANCE Future Ltd.	0,84%
Total	100,00%

Ultimate controlling party among the shareholders of Magyar Bankholding can not be identified.

Chairman of the Board of Directors:

- Dr. Zsolt Barna

Chairman of the Supervisory Board:

- Dr. Andor Nagy

Members of the Board of Directors:

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

Subsidiaries

During the current period, MBH Bank established a new company, MBH Domo Ltd., and acquired the majority of investment fund shares of MKB Vállalati Rövid Kötvény HUF Investment Fund. After the merger of MKB and Takarékbank on 30 April 2023, it continues its operation under the name MBH Bank Plc. from 1 May 2023. Accordingly, the names of several subsidiaries of the Bank have been changed as described below.

The fully consolidated subsidiaries of the Group as at 30 June 2023 are:

Company name before merge	Company name after merge
MITRA Informatikai Ltd.	MITRA Informatikai Ltd.
Magyar Takarékszövetkezeti Bank Ltd.	MBH Befektetési Bank Ltd.
Takarék Jelzálogbank Plc.	MBH Jelzálogbank Plc.
Takarék Lízing Ltd.	Euroleasing Ingatlan Ltd.
Takarék Ingatlan Ltd.	Takarék Ingatlan Ltd.
Takarék INVEST Ltd.	MBH Blue Sky Ltd.
TIHASZ TakarékJelzálogbank Plc.	MBH Szolgáltatások Ltd.
MBH Domo Ltd.	MBH Domo Ltd.
Takarék Faktorház Ltd.	Takarék Faktorház Ltd.
Takinfo Ltd.	Takinfo Ltd.
Takarék Zártkörű Befektetési Alap	Takarék Zártkörű Befektetési Alap
Takarék Mezőgazdasági és Fejlesztési Magántőkealap	Takarék Mezőgazdasági és Fejlesztési Magántőkealap
OPUS TM-1	OPUS TM-1
MKB Vállalati Stabíl Rövid Kötvény Befektetési Alap	MKB Vállalati Stabíl Rövid Kötvény Befektetési Alap
MKB Üzemeltetési Ltd.	MBH Ingatlanfejlesztő Ltd.
Euroleasing Ltd.	Euroleasing Ltd.
MKB Bank MRP Szervezet	MBH Bank MRP Szervezet
Retail Prod Ltd.	Retail Prod Ltd.
Budapest Eszközfinanszírozó Ltd.	Budapest Eszközfinanszírozó Ltd.
Budapest Lízing Ltd.	Budapest Lízing Ltd.
MKB Befektetési Alapkezelő Ltd.	MBH Befektetési Alapkezelő Ltd.

MBH Bank and its subsidiaries included in the scope of accounting consolidation (the "Group") maintain their accounting records and prepare their general ledger statements in accordance with the laws in force in Hungary. The functional currency of the members of the Group is the Hungarian forint (HUF). In these condensed consolidated interim financial statements, all figures are presented in millions of HUF, and any different amounts are indicated separately.

Sustainability activity (ESG)

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

As part of the Bank's ESG aims, last year an ESG and Sustainability Department has been set up to manage sustainability-related projects and processes in an integrated and cross-functional way. The Bank has developed its ESG strategy, integrating existing operational initiatives from its heritage into a strategic framework. At the end of 2022, MBH Bank strengthened its ESG commitment by becoming a signatory to the UN Principles for Responsible Banking. MBH Bank also wants to set an example to the market participants and partners by reducing its ecological footprint and by operating responsibly, one of the key pillars of its ESG strategy therefore revolves around climate neutrality. MBH Bank launched its own Net Zero project earlier this year to calculate its carbon emissions. As a next step, MBH Bank plans to work hand in hand with an internationally recognised environmental organisation to make the most innovative and environmentally accurate decisions to reduce its footprint and offset any emissions that cannot be reduced further. In that spirit, in March 2023 the Group planted the first 10.000 tree seedlings with the joint efforts of more than 100 colleagues.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, conventions, rules and practices used in the preparation and presentation of the Group's condensed consolidated interim financial statements are consistent with those described in the most recently published annual financial statements, except for the adoption of new standards effective as of 1 January 2023. Several amendments and interpretations are effective for the first time in 2023, but do not have a material impact on the interim condensed consolidated financial statements of the Group.

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

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

- Government Decrees on the different application of the provisions of CCXXXVII of 2013 on Credit Institutions and Financial Enterprises and certain related legislative provisions;
- the amendment of Government Decree No 197/2022 (4.VI.) on extraprofit taxes Decree No 206/2023 (31.V.), which entered into force on 25 April 2023, changing the relevant regulation of the special tax for Credit Institutions and Financial Enterprises;
- Government Decree 175/2023 (12.V.) amending Government Decree 782/2021 (24.XII.) on the different application of Act CLXII of 2009 on credit to consumers in emergency situations, extending the “interest rate cap” until 31 December 2023 under unchanged conditions.

For further information, see the Credit risk section in Chapter 3 Risk management and Chapter 4 Notes.

2.2 The effect of adopting new and revised International Financial Reporting Standards („IFRS”) effective from 1 January 2023

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:

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023);
- Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies;
- Amendments to IAS 8: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates;
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2023)

The adoption of these new standards and amendments to existing standards has not led to any material changes in the Group's financial statements.

2.3 Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for IAS 39 Financial Instruments: Recognition and Measurement (as adopted by the EU with carve-out) and the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at the date of publication of financial statements:

- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023);
- 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);
- Classification of liabilities as current or non-current – Amendments to IAS 1 (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).

The Group anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Group in the period of initial application.

2.4 Availability of consolidated financial statements

The condensed consolidated interim financial statements of the Group, prepared in accordance with the requirements of IAS 34 Interim Financial Reporting Standard, are available on the Group's website and at the Group's headquarters.

Registered office: 38 Váci utca Budapest 1056.

Website: www.mbhbank.hu

Auditing company:

PricewaterhouseCoopers Auditing Ltd.

Auditor personally responsible:

Árpád Balázs

Person responsible for managing and controlling the accounting services tasks:

Edit Júlia Tóth-Zsinka, managing director of finance and reporting

Tamás Tóth, registration number: 207276

2.5 Comparative figures

Due to the merger of Budapest Bank and Magyar Takarékbankholding Ltd. into MKB Bank on 1 April 2022, the comparatives of the statement of profit or loss contain the net income of Budapest Bank and MTB and their subsidiaries for a period of 3 month from April 1 2022 to 30 June 2022. The merger of Takarekbank has no impact on the presentation of the current condensed consolidated interim financial statements except for the transfer among equity elements that is required by the local regulations, as it was part of Magyar Takarékbankholding Ltd. group before the merge.

Condensed consolidated interim financial statements of MBH Bank Plc. containing the following data:

	FS – 2022 H1		FS – 2022 YE		FS – 2023 H1	
	BS	PnL	BS	PnL	BS	PnL
MKB Group	included	1-6 months	included	1-12 months	included	1-6 months
BB Group	included	4-6 months	included	4-12 months	included	1-6 months
Takarék Group	included	4-6 months	included	4-12 months	included	1-6 months

Because of the merge in 2022, there is a significant effect on certain P&L lines, as interest income, interest expense, commission income, operating expenses.

3. RISK MANAGEMENT

3.1 Introduction and overview

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

Risk management is an integral part of the Group's operations and a crucial component of its business and overall financial performance. The Group'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 Group 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 Group.

Risk management governance

The Group's Risk Strategy was set up in consistence with the Business Strategy and the regulations of the NBH. The tasks incorporated in the Risk Strategy aiming at ensure a balanced risk / return relationship, development of a disciplined and constructive control environment, defining the Group's risk assumption willingness, risk appetite and the on-going ability of the Group 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 Group at any time.

3.2 Risk factors

The presentation of the risk factors affecting the Group's operations and the principles and rules applied in its risk management activities are the same as those described in the latest published annual financial statements.

3.2.1 Liquidity risk

Decisions made by the management of the Group are based on the liquidity gap between contractual inward and outward flows (net position), and therefore both financial asset and financial liabilities are rated in liquidity categories. The following table shows the distribution of financial instruments according to contractual maturity:

30.06.2023	Book value	Total principal and interest	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Cash and cash equivalents	1,115,715	1,115,715	1,115,715	-	-	-	-
Loans and advances	456,223	556,643	117,716	16,636	81,975	170,557	169,759
Securities	55,528	58,014	101	1,052	2,188	16,004	38,669
Financial assets measured at FVTPL	511,751	614,657	117,817	17,688	84,163	186,561	208,428
Securities	799,319	864,687	2,660	27,667	57,529	420,812	356,019
Financial assets measured at FVTOCI	799,319	864,687	2,660	27,667	57,529	420,812	356,019
Loans and advances	4,490,105	5,478,424	1,158,549	163,727	806,790	1,678,609	1,670,749
Securities	2,919,844	3,151,609	9,432	98,093	203,972	1,492,002	1,348,110
Financial assets measured at amortised cost	7,409,949	8,630,033	1,167,981	261,820	1,010,762	3,170,611	3,018,859
Total assets	9,836,734	11,225,092	2,404,173	307,175	1,152,452	3,777,984	3,583,306

31.12.2022	Book value	Total principal and interest	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Cash and cash equivalents	1,361,315	1,361,315	1,361,315	-	-	-	-
Loans and advances	418,517	499,357	107,272	14,695	76,696	157,910	142,782
Securities	74,792	80,087	1,127	420	6,475	37,059	35,007
Financial assets measured at FVTPL	493,309	579,444	108,399	15,115	83,171	194,969	177,789
Securities	630,845	672,567	9,465	3,523	54,376	311,215	293,987
Financial assets measured at FVTOCI	630,845	672,567	9,465	3,523	54,376	311,215	293,987
Loans and advances	4,595,635	5,544,673	951,904	172,138	898,398	1,849,719	1,672,514
Securities	2,781,620	2,965,585	41,734	15,535	239,764	1,372,259	1,296,294
Financial assets measured at amortised cost	7,377,255	8,510,259	993,639	187,673	1,138,162	3,221,977	2,968,808
Total assets	9,862,724	11,123,584	2,472,818	206,311	1,275,710	3,728,161	3,440,584

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

30.06.2023	Book value	Total principal and interest	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Deposits	(6,505,014)	(6,361,194)	(5,761,091)	(270,261)	(309,406)	(12,110)	(8,326)
Loans and other liabilities	(2,283,536)	(2,782,042)	(622,079)	(29,942)	(257,541)	(1,260,050)	(612,430)
Debt securities of own issue	(357,138)	(428,647)	(21,483)	(2,438)	(72,521)	(157,895)	(174,310)
Subordinated liabilities	(107,882)	(116,688)	(6,326)	-	(14,792)	(14,432)	(81,138)
Total liabilities	(9,253,570)	(9,688,571)	(6,410,979)	(302,641)	(654,260)	(1,444,487)	(876,204)
Credit limits	(1,170,068)	(1,170,068)	(1,170,068)	-	-	-	-
Guarantees	(105,565)	(105,565)	(105,565)	-	-	-	-
Other commitments	(264,462)	(264,462)	(264,462)	-	-	-	-
Off balance sheet items	(1,540,095)	(1,540,095)	(1,540,095)	-	-	-	-

31.12.2022	Book value	Total principal and interest	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Deposits	(6,574,357)	(6,797,944)	(5,951,973)	(280,390)	(172,241)	(247,865)	(145,475)
Loans and other liabilities	(2,462,193)	(2,572,439)	(328,352)	(17,848)	(300,420)	(1,370,452)	(555,366)
Debt securities of own issue	(290,838)	(321,140)	(28,337)	(295)	(41,471)	(168,472)	(82,565)
Subordinated liabilities	(88,887)	(105,918)	(1,177)	(490)	(2,135)	(56,214)	(45,902)
Total liabilities	(9,416,275)	(9,797,441)	(6,309,839)	(299,023)	(516,267)	(1,843,003)	(829,308)
Credit limits	(1,151,238)	(1,151,238)	(1,151,238)	-	-	-	-
Guarantees	(107,237)	(107,237)	(107,237)	-	-	-	-
Other commitments	(255,330)	(255,330)	(255,330)	-	-	-	-
Off balance sheet items	(1,513,805)	(1,513,805)	(1,513,805)	-	-	-	-

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

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

30.06.2023	Book value	Total principal and interest	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Deposits*	(6,505,014)	(6,361,194)	(468,198)	(21,123)	(23,730)	(623)	(5,847,520)
Loans and other liabilities	(2,283,536)	(2,782,042)	(622,079)	(29,942)	(257,541)	(1,260,050)	(612,430)
Debt securities of own issue	(357,138)	(428,647)	(21,483)	(2,438)	(72,521)	(157,895)	(174,310)
Subordinated liabilities	(107,882)	(116,688)	(6,326)	-	(14,792)	(14,432)	(81,138)
Total liabilities	(9,253,570)	(9,688,571)	(1,118,086)	(53,503)	(368,584)	(1,433,000)	(6,715,398)
Credit limits	(1,170,068)	(1,170,046)	(1,170,046)	-	-	-	-
Guarantees	(105,565)	(105,565)	(105,565)	-	-	-	-
Other commitments	(264,462)	(264,462)	(264,462)	-	-	-	-
Off balance sheet items	(1,540,095)	(1,540,073)	(1,540,073)	-	-	-	-

31.12.2022	Book value	Total principal and interest	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Deposits*	(6,574,357)	(6,797,944)	(488,661)	(19,090)	(41,034)	(9,267)	(6,239,893)
Loans and other liabilities	(2,462,193)	(2,572,439)	(328,352)	(17,848)	(300,420)	(1,370,452)	(555,366)
Debt securities of own issue	(290,838)	(321,140)	(28,337)	(295)	(41,471)	(168,472)	(82,565)
Subordinated liabilities	(88,887)	(105,918)	(1,177)	(490)	(2,135)	(56,214)	(45,902)
Total liabilities	(9,416,275)	(9,797,441)	(846,527)	(37,723)	(385,060)	(1,604,405)	(6,923,726)
Credit limits	(1,151,238)	(1,151,238)	(1,151,238)	-	-	-	-
Guarantees	(107,237)	(107,237)	(107,237)	-	-	-	-
Other commitments	(255,330)	(255,330)	(255,330)	-	-	-	-
Off balance sheet items	(1,513,805)	(1,513,805)	(1,513,805)	-	-	-	-

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

The Group is able to maintain its liquidity and fulfil its due payment obligations.

	30.06.2023		31.12.2022	
	Up to 1 year	Over 1 year	Up to 1 year	Over 1 year
Financial assets held for trade	13,085	347,991	9,587	531,083
Securities	1,358	12,509	1,579	48,344
Derivative financial instruments	11,727	335,482	8,008	482,739
Financial assets held not for trade mandatorily measured at FVTPL	-	497,884	-	443,386
Loans and advances to customers	-	456,223	-	418,517
Securities	-	41,661	-	24,869
Revaluation on financial assets measured at FVTOCI	38,972	760,347	19,971	610,874
Securities	38,972	760,347	19,971	610,874
Financial assets measured at amortised cost	849,871	6,434,055	766,138	6,537,371
Loans and advances to banks	35,492	76,500	77,975	101,113
Loans and advances to customers	538,977	3,713,113	445,859	3,896,942
Securities	275,402	2,644,442	242,304	2,539,316

3.2.2 Market risks

The Group's VaR (Value at risk) position of trading portfolio on 30 June 2023 and during the business year

The Group manages exposure to market risk by establishing and monitoring several limits and methods including VaR model, which shows 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).

Tables below show the VaR status at 99% confidence level with a one-day holding period:

	Average	Maximum	Minimum	15% stress
2023				
Currency risk	429	1,948	22	564
Interest risk	782	2,162	237	-
Equity risk	27	184	7	-
Total	1,238	4,294	266	564
2022				
Currency risk	168	616	7	239
Interest risk	225	684	75	-
Equity risk	8	58	2	-
Total	401	1,358	84	239

The following table presents the sensitivity of the net present value of the Group's trading and banking book position in case of a parallel 1 bp movement in market conditions.

Book type	HUF	EUR	USD	Other
2023				
Trading	(0)	(1)	1	(0)
Banking	(241)	(0)	(9)	0
2022				
Trading	4	(3)	0	(0)
Banking	(18)	32	19	(0)

The financial position of the Group in foreign exchange at the end of the reporting period was the following:

Net foreign currency position	In functional currency	In foreign currency				Total
		EUR	USD	CHF	Other currency	
Net assets	9,176,355	-	-	-	3,830	9,180,185
Net liabilities	(9,204,107)	(310,227)	(158,803)	(10,054)	(37,736)	(9,720,927)
Net derivatives and spot (short)/long position	30,338	307,752	158,839	9,985	33,828	540,742
Total net foreign currency position at 30 June 2023	2,586	(2,475)	36	(69)	(78)	-
Net assets	9,383,727	363	-	14	19,474	9,403,578
Net liabilities	(8,877,587)	(324,492)	(207,629)	(13,588)	(9,687)	(9,432,983)
Net derivatives and spot (short)/long position	(505,914)	324,116	207,480	13,571	(9,848)	29,405
Total net foreign currency position at 31 December 2022	226	(13)	(149)	(3)	(61)	-

3.2.3 Interest risk

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

Interest rate structure of financial instruments*	30.06.2023				Total
	HUF	EUR	USD	Other currency	
Fixed rate assets	5,861,079	587,256	116,133	23,022	6,587,490
Variable rate assets	3,069,179	704,758	255	504	3,774,696
Total assets	8,930,258	1,292,014	116,388	23,526	10,362,186
Fixed rate liabilities	(7,264,382)	(1,608,867)	(313,744)	(49,342)	(9,236,334)
Variable rate liabilities	(464,329)	(19,505)	(72)	(2)	(483,907)
Total liabilities	(7,728,711)	(1,628,372)	(313,816)	(49,344)	(9,720,241)

* table does not include derivative transactions

Interest rate structure of financial instruments*	31.12.2022				Total
	HUF	EUR	USD	Other currency	
Fixed rate assets	5,417,509	629,207	71,779	39,944	6,158,439
Variable rate assets	3,215,923	694,667	758	434	3,911,782
Total assets	8,633,432	1,323,874	72,537	40,378	10,070,221
Fixed rate liabilities	(7,359,647)	(1,541,246)	(237,669)	(27,557)	(9,166,119)
Variable rate liabilities	(354,507)	(47,040)	(79)	(9)	(401,635)
Total liabilities	(7,714,154)	(1,588,286)	(237,748)	(27,566)	(9,567,754)

* table does not include derivative transactions

Sensitivity tests

	30.06.2023		31.12.2022.	
	Effect on Equity	Effect on P/L*	Effect on Equity	Effect on P/L*
HUF				
200 bp increase	(44,834)	(2,384)	(2,514)	5,722
200 bp decrease	48,177	(14,894)	1,602	(23,093)
EUR	-	-		
200 bp increase	(971)	(1,463)	5,527	(2,540)
200 bp decrease	(1,107)	(4,542)	(7,318)	(8,190)
USD	-	-		
200 bp increase	(1,793)	60	3,567	2,225
200 bp decrease	1,834	(575)	(4,148)	(2,643)
Other	-	-		
200 bp increase	4	(752)	(36)	139
200 bp decrease	(1)	(11)	38	(159)

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

FCY	30.06.2023		
	Yield curve stress + 200 Bp	Yield curve stress - 200 Bp	Adverse case
EUR	(971)	(1,107)	(1,107)
USD	(1,793)	1,834	(1,793)
Other	4	(1)	(1)
Total	(2,760)	726	(2,901)

FCY	31.12.2022		
	Yield curve stress + 200 Bp	Yield curve stress - 200 Bp	Adverse case
EUR	5,527	(7,318)	(7,318)
USD	3,567	(4,148)	(4,148)
Other	(36)	38	-
Total	9,058	(11,428)	(11,466)

3.2.4 Credit risk

As of the reporting date, environmental, social and governance (ESG) aspects have not been considered in the models used for the Group's risk management. The Group plans to evaluate ESG aspects and utilize them into the models in the second half of 2023. The method of collecting and storing ESG relevant information has been already developed to ensure the subsequent analysis and usability in usual business procedures. In longer terms the information that becomes available by analyzing the composition of the ESG index can be utilised during stress test modelling as well as the estimation of life-time PD and LGD parameters.

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

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

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

In addition, MBH Bank's risk parameters were updated based on the latest macro forecasts, in accordance with the expectations of the NBH. Based on the forecasts the Group will use 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 will be adjusted to reflect the expectations of the macroeconomic scenarios. The weighting of the macroeconomic scenarios is calculated in accordance with the recommendations of the (internal use only) management letter from NBH. At reporting date the weights used are the following: 25% - stress scenario, 70% - base scenario, 5% - optimistic scenario. The resulting IFRS PD values adjusted to the new macroeconomic environment and expectations will be implemented after the approval of the Methodology Committee. The Group's macroeconomic models will be validated with every update both with statistical methods and business side validation - thus ensuring the applicability of the model.

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

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

At the end of the reporting period the applied overlays were the followings:

- overlay for agricultural moratorium: HUF 8,340 million
- overlay for corporate clients with specific ratings: HUF 1,246 million

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

30.06.2023	Gross amount			POCI
	Stage 1	Stage 2	Stage 3	
<i>Retail loans</i>				
Low risk	207,462	-	-	-
Medium risk	950,129	63,261	-	2,617
High risk	39,997	201,212	-	371
Default	-	-	93,996	2,282
Total retail loans	1,197,587	264,473	93,996	5,270
<i>Wholesale loans</i>				
Low risk	264,747	-	-	-
Medium risk	1,815,911	127,126	-	605
High risk	67,441	544,274	-	148
Default	-	-	104,836	1,761
Total wholesale loans	2,148,099	671,400	104,836	2,514
Total	3,345,686	935,873	198,832	7,784
30.06.2023	Expected credit loss			POCI
	Stage 1	Stage 2	Stage 3	
<i>Retail loans</i>				
Low risk	(3,617)	-	-	-
Medium risk	(22,018)	(1,677)	-	(92)
High risk	(1,352)	(10,916)	-	(15)
Default	-	-	(61,103)	(614)
Total retail loans	(26,987)	(12,593)	(61,103)	(721)
<i>Wholesale loans</i>				
Low risk	(610)	-	-	-
Medium risk	(21,732)	(4,884)	-	(16)
High risk	(6,004)	(54,873)	-	(8)
Default	-	-	(46,138)	(416)
Total wholesale loans	(28,346)	(59,757)	(46,138)	(440)
Total	(55,333)	(72,350)	(107,241)	(1,161)

31.12.2022	Gross amount			POCI
	Stage 1	Stage 2	Stage 3	
<i>Retail loans</i>				
Low risk	256,204	-	-	7
Medium risk	823,352	70,148	-	2,398
High risk	14,183	350,237	-	1,015
Default	-	-	73,940	2,670
Total retail loans	1,093,739	420,385	73,940	6,090
<i>Wholesale loans</i>				
Low risk	395,753	-	-	-
Medium risk	1,701,621	138,048	-	354
High risk	43,359	536,037	-	395
Default	-	-	82,672	2,810
Total wholesale loans	2,140,733	674,085	82,672	3,559
Total	3,234,472	1,094,470	156,612	9,649

31.12.2022	Expected credit loss			POCI
	Stage 1	Stage 2	Stage 3	
<i>Retail loans</i>				
Low risk	(781)	-	-	(1)
Medium risk	(7,832)	(2,892)	-	(107)
High risk	(1,320)	(18,576)	-	(87)
Default	-	-	(44,694)	(632)
Total retail loans	(9,933)	(21,468)	(44,694)	(827)
<i>Wholesale loans</i>				
Low risk	(430)	-	-	-
Medium risk	(14,749)	(4,195)	-	(4)
High risk	(1,465)	(30,286)	-	(7)
Default	-	-	(23,921)	(423)
Total wholesale loans	(16,644)	(34,481)	(23,921)	(434)
Total	(26,577)	(55,949)	(68,615)	(1,261)

The nominal value of collaterals received by the Group as the follows:

Face value of collateral received	Loan commitments received	Financial guarantees received
30.06.2023		
Central banks	-	37
Governments	-	627,533
Credit institutions	273,916	180,806
Other financial companies	-	272,250
Non-financial companies	-	1,750,868
Households	-	570,851
<i>Total face value of collateral received</i>	<i>273,916</i>	<i>3,402,345</i>
31.12.2022		
Governments	-	766,938
Credit institutions	35,218	184,766
Other financial companies	-	254,852
Non-financial companies	-	1,775,768
Households	-	529,669
<i>Total face value of collateral received</i>	<i>35,218</i>	<i>3,512,072</i>

3.2.5 Portfolio affected by interest rate cap

On 24 December 2021, the Hungarian Government introduced a temporary cap on floating interest rates applicable to consumer mortgage loans - between 1 January 2022 and 30 June 2022, floating interest rates applicable to consumer mortgage loans cannot be set higher than the actual floating interest rate which was applicable in the context of the respective mortgage loan on 27 October 2021. In addition, lenders are not entitled to increase principal and interest amounts payable under consumer mortgage loans with any interest amounts which become due and are not paid during the above temporary period.

According to Decree 49/2022 (II. 18.) issued by the Hungarian Government on 18 February 2022, between 1 January 2022 and 30 June 2022 in the case of financial lease contracts on housing purpose with a reference interest rate, the reference interest rate shall be set so, that it cannot be higher than the reference interest rate specified in the contract on 27 October 2021.

According to Decree 415/2022 (X. 26.) issued by the Hungarian Government on 26 October 2022, the temporary cap on floating interest rates was extended to HUF denominated, non-state subsidised credit-, loan- and financial lease agreements of SMEs. Following 15 November 2022, interest rates were frozen retroactively at their level on 28 June 2022. Similarly to consumer mortgage loans and financial lease contracts on housing purpose the cap was effective until 30 June 2023. This Decree entered into force on 27 October 2022.

The interest rate cap was extended since then each time for a 6 month period, most recently - according to 175/2023 (12. V.) and 176/2023 (12. V.) - until 31 December 2023.

The modification loss due to the program was calculated in each period based on the expected cash flow, which ones are estimated under these legislations and was reversed during the 6 months period. In the current condensed consolidated interim statement of profit or loss shows the financial effect of the latest extension (half year) of the interest rate cap. Credit risk monitoring is a key element in the methodology for measuring the significant increase in credit risk since its initial publication.

The exposure of the Group's customers affected by the cap of floating interest rate was the following:

Financial assets modified during the period	30.06.2023	31.12.2022
Gross carrying amount before modification	4,392,704	4,525,644
Loss allowance before modification	(223,445)	(152,403)
Net amortised cost before modification	4,169,259	4,373,241
Net modification gain/(loss)	(21,903)	(30,440)
Net amortised cost after modification	4,147,356	4,342,801

The calculated modification loss in connection with modified contractual cash-flows was HUF -16,374 million in 2023. For stage 2, stage 3 loans HUF -9,852 million has recognised in Modification (loss)/gain on financial instruments and for stage 1 loans HUF -6,522 million in Interest income using effective interest rate method in the statement of profit or loss. In the consolidated statement of financial position the Group recognised HUF 21,903 million modification on contractual cashflows of the loans. In the line of Interest income using effective interest rate method in the consolidated statement of profit or loss HUF 24,911 million is recognised in connection with the modified cash-flows of financial instruments of the previous years.

3.3 Capital management

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

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

	30.06.2023	31.12.2022
Share capital	323,919	323,088
<i>Outstanding share capital</i>	323,919	323,088
Reserves	646,750	631,933
Deferred tax	(16,340)	(20,157)
Intangible Assets	(69,987)	(70,512)
AVA - additional valuation adjustments	(1,826)	(1,781)
Regulatory adjustments to core Tier 1 capital	(145,615)	(119,582)
Additional Tier 1	-	-
Tier 1: Net core capital	736,901	742,989
Subordinated debt	89,406	72,989
Tier 2: Supplementary capital	89,406	72,989
Regulatory capital	826,307	815,978
Risk-weighted assets (RWA)	3,351,831	3,280,901
Large loan limit	736,902	742,988
Operational risk (OR)	838,925	838,925
Market risk positions (MR)	7,700	12,891
Total risk weighted assets	4,198,456	4,132,717
Capital adequacy ratio	19,68%	19,74%

As at 30 June 2023, as an actual figure of the Group regulatory Tier 1 capital was HUF 737 billion based on CRR under Supervisory Regulation. Risk-weighted assets including operational and market risk increased from HUF 4,132.7 billion to HUF 4,198.5 billion. By application of capital management as a tool, the capital is a first priority decision making factor; therefore, the Group monitors the changes of the capital elements continuously.

4. NOTES FOR CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4.1 Net interest income

Interest income	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
Interest income from debt securities measured at amortised cost	92,714	30,235
Interest income from loans and advances measured at amortised cost	253,737	101,625
Interest income from debt securities measured at FVTOCI	40,170	8,708
<i>Interest income calculated using the effective interest method</i>	386,621	140,568
Interest income from derivatives for trading	126,950	46,182
Interest income from debt securities for trading	1,634	773
Interest income from loans and advances mandatorily measured at FVTPL	14,595	4,630
Interest income from derivatives (hedge accounting, interest rate risk)	38,842	2,125
Interest income from other assets and liabilities	20,807	7,287
<i>Other interest income</i>	202,828	60,997
Total interest income and income similar to interest income	589,449	201,565
Interest expense	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
Interest expense from loans and advances measured at amortised cost	20,995	11,103
Interest expense from deposits measured at amortised cost	158,775	20,885
Interest expense from debt securities measured at amortised cost	10,879	3,374
Interest expense from other financial liabilities measured at amortised cost	12	201
<i>Interest expense calculated using the effective interest method</i>	190,661	35,563
Interest expense from derivatives for trading	103,064	50,351
Interest expense from derivatives (hedge accounting, interest rate risk)	11,458	1,919
Interest expense from other liabilities	929	142
<i>Other interest expense</i>	115,451	52,412
Total interest expense and expenses similar to interest expense	306,112	87,975
Net interest income	283,337	113,590

Net interest income increased in connection with the merger and the general macroeconomical trends. For further information please see Note 2.5.

4.2 Net income from fees and commission

	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
Fee and commission income from payment services	64,222	40,505
Fee and commission income from credit service activity	3,238	4,306
Other asset management fee and commission income	6,745	5,651
Fee and commission income from securities transfers	5,691	454
Fee and commission income on financial guarantees given	1,621	1,473
Other fee and commission income	8,619	148
<i>Total fee and commission income</i>	90,136	52,537
Fee and commission expense from credit service activity	2,744	1,035
Fee and commission expense on financial guarantees received	1,469	3,746
Fee and commission expenses on payment services	9,131	5,732
External distribution of products	3,261	1,158
Other fee and commission expense	8,896	1,619
<i>Total fee and commission expense</i>	25,501	13,290
Net income from commissions and fees	64,635	39,247

Net income from commissions and fees increased in connection with the merger and the general macroeconomical trends. For further information please see Note 2.5.

4.3 Gains/(losses) on financial instruments

	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
Gains/(losses) on derivative instruments	(119,955)	121,001
Gains/(losses) on securities held for trade	4,490	859
Gains/(losses) on other financial instruments held for trade	-	(34)
Changes in fair value of loans mandatorily measured at FVTPL	39,173	(11,085)
Changes in fair value of securities mandatorily measured at FVTPL	396	(170)
<i>Gains/(losses) on financial instruments measured at FVTPL</i>	(75,896)	110,571
Securities measured at FVTOCI	(2,688)	(23,421)
<i>Gains/(losses) on financial instruments measured at FVTOCI</i>	(2,688)	(23,421)
Gains/(losses) on loans and advances measured at amortised cost	(617)	(100)
Gains/(losses) on securities measured at amortised cost	(59)	1,859
<i>Gains/(losses) on financial instruments measured at amortised cost</i>	(676)	1,759
<i>Gains/(losses) on foreign exchange revaluation</i>	53,474	(54,648)
<i>Gains/(losses) on hedge accounting</i>	23,940	(4,750)
Gains/(losses) on financial instruments	(1,846)	29,511

4.4 (Impairment) / Reversal on financial and non-financial instruments

	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
Loans and advances to banks and customers	(13,742)	(3,129)
Provision for commitments and guarantees	(5,019)	(1,299)
Investment in securities	145	69
<i>Expected credit (loss) on financial instruments held for credit risk management</i>	(18,616)	(4,359)
Provision for litigation	(371)	(124)
Provision for restructuring	226	(4,488)
Other provision	(123)	(814)
Provision for staff costs	-	315
<i>Provision (loss) / gain</i>	(268)	(5,111)
<i>Modification (loss) / gain on financial instruments</i>	(9,852)	(8,355)
<i>(Impairment) / Reversal on associates and other investments</i>	(1,388)	77
<i>(Impairment) / Reversal on other financial and non-financial assets</i>	44	(39)
(Impairment) / reversal on financial and non-financial instruments	(30,080)	(17,787)

4.5 Operating expenses

	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
General and administration expense	(115,791)	(66,072)
Legal and advisory services	(6,903)	(3,078)
Wages and salaries	(59,433)	(32,727)
Severance pay	(1,428)	(1,416)
Compulsory social security obligations	(1,382)	(435)
Occupancy costs	(16,172)	(12,782)
Marketing and public relations	(2,709)	(996)
Communication and data processing	(2,726)	(1,415)
<i>Administrative costs</i>	(206,544)	(118,921)
<i>Depreciation</i>	(16,295)	(9,466)
Operating expenses	(222,839)	(128,387)

Operating expenses increased in connection with the merger and the general macroeconomical trends (eg. inflation). For further information please see Note 2.5.

4.6 Income tax income/(expense)

	01.01.2023- 30.06.2023	01.01.2022- 30.06.2022
Corporate income tax expense on current year's profit	(4,934)	(596)
Corporate income tax expense - effect of self-monitoring in previous years	-	-
Deferred tax income/(expense)	(3,836)	(2,007)
Local business tax	(7,719)	(3,521)
Innovation contribution	(1,162)	(795)
Income tax income/(expense)	(17,651)	(6,919)

4.7 Cash and cash equivalents

	30.06.2023	31.12.2022
Cash	74,198	78,070
Receivables from central bank	885,732	1,172,983
Other short-term receivables from banks	155,785	110,262
Cash and cash equivalents	1,115,715	1,361,315

4.8 Loans mandatorily measured at FVTPL

	Total
<i>Opening fair value at 01.01.2023</i>	<i>418,517</i>
FV and other movements	10,510
Financial assets derecognised during the period	(6,017)
Financial assets acquired or created	33,213
<i>Closing fair value at 30.06.2023</i>	<i>456,223</i>
	Total
<i>Opening fair value at 01.01.2022</i>	<i>53,295</i>
Increase from business combination	285,163
FV and other movements	(38,836)
Financial assets derecognised during the period	(5,844)
Financial assets acquired or created impaired	124,739
<i>Closing fair value at 31.12.2022</i>	<i>418,517</i>

Amendments affecting the fair value calculation methodology of Childbirth loans during the period are described in note 4.21.

4.9 Securities held for trade and securities mandatorily measured at FVTPL

The following tables contain financial assets mandatorily measured at fair value through profit or loss and other equity instruments where the fair value measurement is based on an accounting policy choice.

Securities measured at FVTPL	30.06.2023	31.12.2022
Debt securities	13,692	49,612
Equity instruments	175	311
Total securities held for trade	13,867	49,923
Debt securities	20	20
Equity instruments	41,641	24,849
Total securities mandatorily measured at FVTPL	41,661	24,869
Total	55,528	74,792

Main types of securities measured at FVTPL	30.06.2023	31.12.2022
Government bonds	13,539	49,467
Corporate bonds	173	165
Domestic shares	33,215	16,851
Foreign shares	3,583	3,305
Investment fund units	5,018	5,004
Total	55,528	74,792

4.10 Derivative financial instruments

The fair values of the Group's derivatives not designated as hedges were as follows:

	30.06.2023		31.12.2022	
	Asset	Liability	Asset	Liability
Interest rate swap	207,780	149,362	290,769	193,872
Forward transactions	1,551	14,103	5,504	9,799
Cross-currency interest rate swap	16,256	5,703	26,801	8,827
Foreign exchange swap	6,224	10,513	1,885	21,589
Options	1,253	1,283	1,408	1,019
Futures transactions	-	-	1	4
Other	-	2	41	767
Total	233,064	180,966	326,409	235,877

Hedging derivatives

The fair value of micro hedge transaction on the reporting date is shown in the following table:

Micro-fair value hedge transactions	30.06.2023		31.12.2022	
	Asset	Liability	Asset	Liability
Interest rate swap	114,145	8,472	164,338	166
Cross-currency interest rate swaps	-	-	-	-
<i>Fair value hedge transactions</i>	<i>114,145</i>	<i>8,472</i>	<i>164,338</i>	<i>166</i>
Interest rate swap	-	-	-	-
Cross-currency interest rate swaps	-	-	-	1,199
<i>Cash flow hedge transactions</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>1,199</i>
Total	114,145	8,472	164,338	1,365

The maturity breakdown of hedges by face value is shown in the table below:

30.06.2023	up to 1 month	1 to 3 months	Maturity 3 to 12 months	1 to 5 years	5 years and over
Interest rate swap	-	8,000	1,154	177,448	264,846
Cross-currency interest rate swaps	-	-	-	-	-
<i>Micro hedges</i>	<i>-</i>	<i>8,000</i>	<i>1,154</i>	<i>177,448</i>	<i>264,846</i>
Interest rate swap	6,000	9,512	36,595	162,240	130,837
Cross-currency interest rate swaps	-	-	-	-	-
<i>Macro hedges</i>	<i>6,000</i>	<i>9,512</i>	<i>36,595</i>	<i>162,240</i>	<i>130,837</i>
Total	6,000	17,512	37,749	339,688	395,683
31.12.2022	up to 1 month	1 to 3 months	Maturity 3 to 12 months	1 to 5 years	5 years and over
Interest rate swap	-	-	-	148,900	222,788
Cross-currency interest rate swaps	-	-	-	45	1,828
<i>Micro hedges</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>148,945</i>	<i>224,616</i>
Interest rate swap	220	3,959	33,121	123,499	105,099
Cross-currency interest rate swaps	-	-	-	-	-
<i>Macro hedges</i>	<i>220</i>	<i>3,959</i>	<i>33,121</i>	<i>123,499</i>	<i>105,099</i>
Total	220	3,959	33,121	272,444	329,715

	Face value of interest rate swaps	Fair value differences on IRSs designated as hedges
30.06.2023		
Macro hedge - Asset	345,184	57,634
Macro hedge - Liability	-	-
Micro hedge - Asset	391,963	52,978
Micro hedge - Liability	59,485	(4,940)
Total	796,632	105,672
31.12.2022		
Macro hedge - Asset	265,898	75,522
Macro hedge - Liability	-	-
Micro hedge - Asset	354,688	86,599
Micro hedge - Liability	18,874	(1,365)
Total	639,460	160,756

The table below shows the breakdown of the holdings of interest rate swaps included in hedging relationship at the reporting date:

	Fix-interest loans	Interest rate swaps	Net profit/loss
30.06.2023			
Macro hedge – Fair value change	31,692	(26,596)	5,096
31.12.2022			
Macro hedge – Fair value change	(14,317)	24,542	10,225

In 2023 the Group accounted for a profit of HUF 5,1 billion on interest swaps in macrohedging relationships. During the hedge relation the Group accounted for a profit of HUF 31.7 billion on changes in interest risks related to the hedged fixed interest bearing loans which are stated in the balance sheet line “Loans and advances to customers”. The HUF 31.7 billion profit on loans is the sum of HUF +3.7 billion amortisation of the previous years' losses and +28 billion profit on the fixed rate interest loans. An unamortised sum of HUF 20 billion arising from closed hedging relationships is recorded in the balance sheet line “Fair value change of hedged items in portfolio hedge of interest rate risk”. At reporting date HUF -11.7 billion negative fair value difference was recognised in the line of Fair value change of hedged items in portfolio hedge of interest rate risk in the statement of financial position.

The ineffective part of micro hedge transactions was HUF -6 billion during the current period (2022: HUF -0,5 billion).

4.11 Financial assets measured at fair value through other comprehensive income

Assets measured at FVTOCI	30.06.2023	31.12.2022
Debt securities	788,985	621,762
Equity instruments	10,334	9,083
Total	799,319	630,845

The following table shows the composition of equity instruments and debt instruments measured at fair value through other comprehensive income:

Main types of securities measured at FVTOCI	30.06.2023	31.12.2022
Government bonds	632,255	510,223
Domestic corporate bonds	55,127	50,758
Bonds issued by domestic credit institutions	75,851	42,555
Bonds issued by foreign credit institutions	25,752	18,226
Domestic shares	6,526	5,721
Foreign shares	-	75
Investment fund shares	3,808	3,287
Impairment losses	(462)	(639)
Total	799,319	630,845

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

The amount of debt securities measured at FVTOCI was HUF 788,985 million at the end of the reporting period. The Group's equity instruments measured at FVTOCI at the end of the period was HUF 10,334 million. In connection to the decrease of prevailing interest rate the revaluation on financial assets measured at FVTOCI changed to HUF 27,545 million from HUF 3,609 million. As at 30 June 2023 the total amount of revaluation reserve comprises HUF 4,270 million (2022: HUF -21,357 million). In 2023, HUF 2,688 million loss on sale (2022: HUF 35,924 million loss) was recognized in the profit or loss relating to securities measured at FVTOCI, which is a reclassification from other comprehensive income into profit or loss.

4.12 Financial assets measured at amortised cost

Financial assets measured at amortised cost include loans to customers and credit institutions, deposits with other banks and debt securities whose cash flows represent only principal and interest payments.

Financial assets measured at amortised cost	30.06.2023	31.12.2022
Loans and advances to customers	4,252,090	4,342,801
Loans and advances to banks	111,992	179,088
Repurchase assets	4,315	1,070
Debt securities	2,919,844	2,781,620
Other financial assets	121,708	72,676
Total	7,409,949	7,377,255

4.12.1 Securities measured at amortised cost

Securities measured at amortised cost	30.06.2023	31.12.2022
Government bonds	2,431,387	2,312,424
Corporate bonds	200,350	229,626
Bonds issued by domestic credit institutions	256,466	217,189
Bonds issued by foreign credit institutions	33,748	27,269
<i>Expected credit loss</i>	<i>(2,107)</i>	<i>(4,888)</i>
Total	2,919,844	2,781,620

The following tables show the composition of the Group's debt instruments measured at amortised cost by stage:

	Stage 1	Stage 2	Stage 3	Total
30.06.2023				
Government bonds	2,431,387	-	-	2,431,387
Corporate bonds	188,672	11,678	-	200,350
Bonds issued by domestic credit institutions	256,466	-	-	256,466
Bonds issued by foreign credit institutions	33,748	-	-	33,748
<i>Expected credit loss</i>	<i>(1,389)</i>	<i>(718)</i>	-	<i>(2,107)</i>
Total	2,908,884	10,960	-	2,919,844
31.12.2022				
Government bonds	2,312,424	-	-	2,312,424
Corporate bonds	228,417	1,209	-	229,626
Bonds issued by domestic credit institutions	210,620	6,569	-	217,189
Bonds issued by foreign credit institutions	27,269	-	-	27,269
<i>Expected credit loss</i>	<i>(2,630)</i>	<i>(2,258)</i>	-	<i>(4,888)</i>
Total	2,776,100	5,520	-	2,781,620

4.12.2 Presentation of loans measured at amortised cost by stage

	Gross value	ECL Stage 1	ECL Stage 2	ECL Stage 3	POCI	Total ECL	Book value
30.06.2023							
Loans and advances to banks	112,132	(140)	-	-	-	(140)	111,992
Loans and advances to customers	4,488,175	(55,333)	(72,350)	(107,241)	(1,161)	(236,085)	4,252,090
Total	4,600,307	(55,473)	(72,350)	(107,241)	(1,161)	(236,225)	4,364,082
31.12.2022							
Loans and advances to banks	179,207	(119)	-	-	-	(119)	179,088
Loans and advances to customers	4,558,061	(37,435)	(75,036)	(101,525)	(1,318)	(215,314)	4,342,801
Total	4,737,322	(37,554)	(75,036)	(101,525)	(1,318)	(215,433)	4,521,889

4.12.3 Movement of loans measured at amortised cost

The following movement tables contain cumulative data for the financial year.

Gross book value	Stage 1	Stage 2	Stage 3	POCI	Total
Opening gross book value on 01.01.2023	3,316,855	1,034,505	197,140	9,615	4,558,115
Reclassifications					
from Stage 1 to Stage 2	(138,755)	138,755	-	-	-
from Stage 1 to Stage 3	(14,296)	-	14,296	-	-
from Stage 2 to Stage 1	192,404	(192,404)	-	-	-
from Stage 2 to Stage 3	-	(33,832)	33,832	-	-
from Stage 3 to Stage 1	8,291	-	(8,291)	-	-
from Stage 3 to Stage 2	-	35,304	(35,304)	-	-
Change in EAD	(429,239)	(61,382)	(10,059)	(1,615)	(502,295)
Assets derecognized except write off	(53,275)	(13,720)	(994)	(242)	(68,231)
Financial assets written off	(3)	(1)	(130)	-	(134)
Financial assets originated or purchased*	444,287	51,873	4,829	741	501,730
FX and other movements	(2,649)	(56)	2,458	(763)	(1,010)
Closing gross book value on 30.06.2023	3,323,620	959,042	197,777	7,736	4,488,175

* Line includes the subsequent measurement (reclassification to stage 2 or stage 3) of purchased financial assets as well.

Expected credit loss of assets (ECL)	Stage 1 12-month expected credit loss (ECL)	Stage 2 Lifetime expected credit loss (ECL)	Stage 3 Lifetime expected credit loss (ECL)	POCI Financial assets acquired or created impaired	Total
<i>Opening cumulated ECL at 01.01.2023</i>	<i>37,435</i>	<i>75,036</i>	<i>101,525</i>	<i>1,318</i>	<i>215,314</i>
<i>Reclassifications</i>					
from Stage 1 to Stage 2	(2,451)	2,451	-	-	-
from Stage 1 to Stage 3	(264)	-	264	-	-
from Stage 2 to Stage 1	11,928	(11,928)	-	-	-
from Stage 2 to Stage 3	-	(3,116)	3,116	-	-
from Stage 3 to Stage 1	4,328	-	(4,328)	-	-
from Stage 3 to Stage 2	-	17,833	(17,833)	-	-
Change in risk parameters	(312)	(6,388)	28,347	(218)	21,429
Assets derecognized except write off	(2,624)	(3,767)	(2,230)	(13)	(8,634)
Financial assets written off	(9)	-	(226)	-	(235)
Financial assets originated or purchased*	5,870	4,605	2,383	232	13,090
FX and other movements	1,432	(2,376)	(3,777)	(158)	(4,879)
<i>Closing cumulated ECL at 30.06.2023</i>	<i>55,333</i>	<i>72,350</i>	<i>107,241</i>	<i>1,161</i>	<i>236,085</i>

* Line includes the subsequent measurement (reclassification to stage 2 or stage 3) of purchased financial assets as well.

Gross book value	Stage 1	Stage 2	Stage 3	POCI	Total
Opening gross book value at 01.01.2022	952,984	216,675	34,930	5,764	1,210,353
Reclassifications					
from Stage 1 to Stage 2	(606,210)	606,210	-	-	-
from Stage 1 to Stage 3	(36,929)	-	36,929	-	-
from Stage 2 to Stage 1	221,463	(221,463)	-	-	-
from Stage 2 to Stage 3	-	(29,859)	29,859	-	-
from Stage 3 to Stage 1	8,523	-	(8,523)	-	-
from Stage 3 to Stage 2	-	9,287	(9,287)	-	-
Increase from business combination*	2,276,989	513,579	128,485	1,243	2,920,296
Change in EAD	(483,851)	(117,267)	(16,489)	4,496	(613,111)
Assets derecognized except write off	(182,440)	(63,759)	(12,962)	(6,238)	(265,399)
Financial assets written off	-	-	(7)	-	(7)
Derecognition and reclassification during the current year due to classification as held for sale	(472)	-	(12,169)	-	(12,641)
Financial assets originated or purchased**	1,167,045	122,736	32,661	4,558	1,327,000
FX and other movements	(247)	(1,634)	(6,287)	(208)	(8,376)
Closing gross book value at 31.12.2022	3,316,855	1,034,505	197,140	9,615	4,558,115

* Business combination under common control.

** Line includes the subsequent measurement (reclassification to stage 2 or stage 3) of purchased financial assets as well.

Expected credit loss of assets (ECL)	Stage 1 12-month expected credit loss (ECL)	Stage 2 Lifetime expected credit loss (ECL)	Stage 3 Lifetime expected credit loss (ECL)	POCI Financial assets acquired or created impaired	Total
<i>Opening cumulated ECL at 01.01.2022</i>	<i>5,101</i>	<i>19,505</i>	<i>21,583</i>	<i>2,112</i>	<i>48,301</i>
<i>Reclassifications</i>					
from Stage 1 to Stage 2	(6,915)	6,915	-	-	-
from Stage 1 to Stage 3	(353)	-	353	-	-
from Stage 2 to Stage 1	10,193	(10,193)	-	-	-
from Stage 2 to Stage 3	-	(2,489)	2,489	-	-
from Stage 3 to Stage 1	3,780	-	(3,780)	-	-
from Stage 3 to Stage 2	-	4,424	(4,424)	-	-
Increase from business combination*	25,464	27,805	63,340	642	117,251
Change in risk parameters	(6,305)	18,968	20,046	417	33,126
Assets derecognized except write off	(1,226)	(2,150)	(5,172)	(1,710)	(10,258)
Financial assets written off	-	-	(5)	-	(5)
Derecognition and reclassification during the current year due to classification as held for sale	(2)	-	(8,949)	-	(8,951)
Financial assets originated or purchased**	12,517	14,841	12,119	329	39,806
FX and other movements	(4,819)	(2,590)	3,925	(472)	(3,956)
<i>Closing cumulated ECL at 31.12.2022</i>	<i>37,435</i>	<i>75,036</i>	<i>101,525</i>	<i>1,318</i>	<i>215,314</i>

* Business combination under common control.

** Line includes the subsequent measurement (reclassification to stage 2 or stage 3) of purchased financial assets as well.

4.13 Associates and other investments

Associates and other investments	30.06.2023	31.12.2022
Cost	44,455	44,381
Share of post acquisition reserves	2,510	1,535
<i>Investment in associates</i>	46,965	45,916
Other investments	2,965	3,683
Total	49,930	49,599

The Group does not recognise Goodwill in the current condensed interim consolidated financial statements.

4.14 Financial liabilities designated as measured at fair value through profit or loss

Financial liabilities at FVTPL	30.06.2023	31.12.2022
Derivative financial liabilities	180,966	235,877
Short positions	23,553	42,326
Total	204,519	278,203

The Group recognised short positions due to government bond transactions.

4.15 Financial liabilities at amortised cost

Financial liabilities measured at amortised cost	30.06.2023	31.12.2022
Deposits	6,470,364	6,848,768
Loans	2,238,014	2,104,060
Issued debt securities	357,138	290,838
Subordinated debt	107,882	88,887
Other financial liabilities	80,172	83,722
Total	9,253,570	9,416,275

Financial liabilities measured at amortised cost	30.06.2023	31.12.2022
Amounts due to banks	2,203,364	2,378,471
Deposit and current accounts	6,270,902	6,574,357
Total	8,474,266	8,952,828

For a detailed description of debt securities issued, see note 4.16.

4.16 Debt securities issued

The following tables represents the amount of issued debt securities measured at amortised cost:

Debt securities issued	30.06.2023		31.12.2022	
	Nominal value	Book value	Nominal value	Book value
Bonds issued				
Variable rate bonds	-	-	-	-
Fixed rate bonds	64,484	61,902	-	-
Total	64,484	61,902	-	-
Mortgage bonds issued				
Variable rate bonds	42,766	42,466	30,326	30,859
Fixed rate bonds	260,787	252,770	267,635	259,979
Total	303,553	295,236	297,961	290,838
Total	368,037	357,138	297,961	290,838
Book value of securities issued by maturity				
	30.06.2023		31.12.2022	
Up to 1 year		99,010		53,151
1 year to 5 years		132,465		127,139
Over 5 years		125,663		110,548
Total		357,138		290,838

4.17 Subordinated liabilities

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

	Interest	Date of issue	Maturity	Amount in original currency	Original currency	Book value
30.06.2023						
Subordinated bond	Fixed	26.05.2017	14.06.2024	36,900,000	EUR	13,722
Subordinated bond	Fixed	28.03.2019	15.04.2026	31,000,000	EUR	10,751
Subordinated bond	Fixed	26.05.2020	20.07.2028	51,300,000	EUR	16,349
Subordinated debt	Fixed	23.11.2020	23.11.2030	40,000,000,000	HUF	40,000
Subordinated bond	Variable	31.01.2023	30.01.2026	24,750,000,000	HUF	27,060
Total						107,882
31.12.2022						
Subordinated bond	Fixed	26.05.2017	14.06.2024	36,900,000	EUR	15,134
Subordinated bond	Fixed	28.03.2019	15.04.2026	31,000,000	EUR	12,714
Subordinated bond	Fixed	26.05.2020	20.07.2028	51,300,000	EUR	21,039
Subordinated debt	Fixed	23.11.2020	23.11.2030	40,000,000,000	HUF	40,000
Total						88,887

4.18 Provision

The following table shows the movement of provisions:

Provisions	Opening at 01.01.2023	Provisions made during the year	Release/use of provisions	Closing at 30.06.2023
Expected credit loss (IFRS9)	15,311	24,205	(19,321)	20,195
Pension and severance pay	1,036	-	(47)	989
Provision for litigation	619	406	(44)	981
Provision for restructuring	3,816	-	(226)	3,590
Other provisions	1,841	-	(63)	1,778
Total provisions	22,623	24,611	(19,701)	27,533

Provisions	Opening at 01.01.2022	Increase from business combination	Provisions made during the year	Release/use of provisions	Closing at 31.12.2022
Expected credit loss (IFRS9)	3,134	6,643	27,006	(21,472)	15,311
Pension and severance pay	-	486	550	-	1,036
Provision for litigation	45	886	477	(789)	619
Provision for restructuring	-	25	4,511	(720)	3,816
Other provisions	451	1,954	-	(564)	1,841
Total provisions	3,630	9,994	32,544	(23,545)	22,623

4.19 Contingent liabilities

	Gross amount	Stage 1	Provision			Net amount
			Stage 2	Stage 3	IAS 37	
30.06.2023						
Loan commitments provided	1,170,068	(6,853)	(6,191)	(1,850)	-	1,155,174
Financial guarantees provided	105,565	(933)	(1,812)	(301)	-	102,519
Other contingent liabilities	284,449	(1,362)	(851)	(44)	-	282,192
Total contingent liabilities	1,560,082	(9,148)	(8,854)	(2,195)	-	1,539,885
31.12.2022						
Loan commitments provided	1,150,795	(5,456)	(3,153)	(2,930)	-	1,139,256
Financial guarantees provided	107,237	(896)	(1,086)	(424)	-	104,831
Other contingent liabilities	281,451	(771)	(520)	(71)	-	280,089
Total contingent liabilities	1,539,483	(7,123)	(4,759)	(3,425)	-	1,524,176

Other contingent liabilities include the sum of liabilities resulting from legal cases and other, probable future events the settlement of which will probably require the use of resources representing economic benefit.

4.20 Related party transactions

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

All of the transactions concluded with related companies were concluded according to regular business procedures. The transactions include credit and deposit transactions, and off-balance sheet transactions. All of the transactions were carried out under the regular commercial conditions and by applying market interest rates.

	Associates and other investments		Key Management Personnel		Other related parties*	
	2023	2022	2023	2022	2023	2022
Assets						
Amounts due from banks	-	-	-	-	-	-
Loans and advances to customers	21,473	22,439	1,072	2,060	166,269	223,720
Derivative financial assets	1,813	1,036	-	-	5	271
Securities and equity instruments	26,757	24,105	-	-	79,897	43,093
Other assets	-	-	-	-	-	117
Liabilities						
Amounts due to banks	-	-	-	-	-	-
Current and deposit accounts	10,056	2,771	1,209	1,548	358,940	259,818
Derivative financial liabilities	3	-	12	-	3,925	-
Other liabilities	-	-	-	-	-	469
Profit or Loss						
Interest income	574	576	96	144	14,633	16,047
Interest expense	(719)	(11)	(24)	(3)	(39,592)	(12,233)
Net income from commissions and fees	161	125	11	20	660	948
Other income / (expense)	(62)	33	(2,039)	(1,368)	(413)	93
Contingencies and commitments						
Undrawn commitments to extend credit	778	2,414	112	551	122,059	169,323
Guarantees	-	-	-	315	15,715	10,101
Provision						
	4,097	5,159	86	(9)	14,623	9,728

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

4.21 Fair value of financial instruments

Information related to the fair value of financial assets and liabilities measured at fair value are as follows:

30.06.2023	Quoted prices available on the active market	Valuation techniques - with observable parameters	Valuation techniques - with significant non-observable parameters	Total
Financial assets measured at fair value through profit or loss	2,987	375,542	480,431	858,960
Financial assets measured at FVTOCI	566,001	233,318	-	799,319
Total	568,988	608,860	480,431	1,658,279

31.12.2022	Quoted prices available on the active market	Valuation techniques - with observable parameters	Valuation techniques - with significant non-observable parameters	Total
Financial assets measured at fair value through profit or loss	6,221	559,318	418,517	984,056
Financial assets measured at FVTOCI	305,686	325,159	-	630,845
Total	311,907	884,477	418,517	1,614,901

No reclassification was carried out between the levels of the fair value hierarchy during the period.

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

- Modifications affecting the calculation of the forward curve:
Estimation of futures cash flows is based on forward reference interest rates calculated from 6-month BUBOR forward curve instead of previously used yield curve used for discounting. This results an amount of HUF 4,161 million gain.
- Modifications affecting the yield curve used for discounting:
In order to increase the accuracy of the calculation the number of yield points used to interpolate the zero curve has been increased from 23 to 60 yield points. This results an amount of HUF 427 million loss.
- Modifications affecting the estimated cash flow of transactions:
The estimated period between the child births or the signing of the loan contract and the birth of the first child has been revised based on performed hypothesis test on the largest portfolio to verify the Hungarian Central Statistical Office's statistics. This modification results an amount of HUF 1,774 million positive fair value adjustment related to childbirth loans.

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

The fair values of financial assets and liabilities are as follows:

30.06.2023	Total carrying amount	Total fair value
<i>Financial assets</i>		
Cash and cash equivalents	1,115,715	1,115,715
Financial assets measured at fair value through profit or loss	858,960	858,960
Financial assets measured at FVTOCI	799,319	799,319
Financial assets measured at amortised cost	7,409,949	7,219,331
<i>Total financial assets</i>	<i>10,183,943</i>	<i>9,993,325</i>
<i>Financial liabilities</i>		
Financial liabilities measured at fair value through profit or loss	204,519	204,519
Financial liabilities measured at amortised cost	9,253,570	9,253,570
<i>Total financial liabilities</i>	<i>9,458,089</i>	<i>9,458,089</i>

31.12.2022	Total carrying amount	Total fair value
<i>Financial assets</i>		
Cash and cash equivalents	1,361,315	1,361,315
Financial assets measured at fair value through profit or loss	984,056	984,056
Financial assets measured at FVTOCI	630,845	630,845
Financial assets measured at amortised cost	7,377,255	6,770,767
<i>Total financial assets</i>	<i>10,353,471</i>	<i>9,747,137</i>
<i>Financial liabilities</i>		
Financial liabilities measured at fair value through profit or loss	278,203	278,203
Financial liabilities measured at amortised cost	9,416,275	9,416,275
<i>Total financial liabilities</i>	<i>9,694,478</i>	<i>9,694,478</i>

The non-fair value measured instruments of the Group are level 3 instruments, except the securities not affected by the Bond Funding for Growth Scheme (BGS), that are measured accordingly to level 1 and 2 method of the fair value hierarchy.

4.22 Earnings per share

Basic earnings

Basic earnings per share as at 30 June 2023 was calculated based on the net income available to ordinary shareholders of HUF 81,953 million (30.06.2022: HUF 34,596 million) and the weighted average number of ordinary shares outstanding of 321,976 thousand (30.06.2022: 205,660 thousand).

01.01.2023 – 30.06.2023

$$\begin{array}{rcccl} & & \text{Net income available to} & & \\ & & \text{ordinary shareholders} & & \\ & & \text{(in HUF million)} & & \\ \text{Earnings per Ordinary} & & & 81,953 & \\ \text{Share} & & & & \\ \text{(in HUF)} & = & \frac{\text{Average number of}}{\text{ordinary shares outstanding}} & = & 255 \text{ Ft} \\ & & \text{(thousands)} & & \\ & & & 321,976 & \end{array}$$

01.01.2022 – 30.06.2022

$$\begin{array}{rcccl} & & \text{Net income available to} & & \\ & & \text{ordinary shareholders} & & \\ & & \text{(in HUF million)} & & \\ \text{Earnings per Ordinary} & & & 34,596 & \\ \text{Share} & & & & \\ \text{(in HUF)} & = & \frac{\text{Average number of}}{\text{ordinary shares outstanding}} & = & 168 \text{ Ft} \\ & & \text{(thousands)} & & \\ & & & 205,660 & \end{array}$$

The diluted earnings per share is calculated based on the net income available to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effect of all dilutive potential ordinary shares. There was no dilution factor in the periods presented.

4.23 Segment report

The following segment information has been prepared in accordance with IFRS 8, “Operating Segments,” which defines requirements for the disclosure of financial information of an entity’s operating segments. It follows the “management approach”, which requires presentation of the segments on the basis of the internal reports about components of the entity, which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance. Management reporting for the Group is based on IFRS presenting the following segments.

The business segments identified by the Group represent the organizational structure as reflected in its internal management reporting systems. The Group is organized into four business lines, each with its own distinct market and products. Each business line has its own set of objectives and targets broken down by operating units, which are consistent with the Group's overall strategic direction.

The Group's business segments and their main products were:

Corporate Banking

The Group provides trade finance, a wide array of credit, account and deposit products, forfeiting and factoring, letters of credit, guarantees, international payments, project and structured finance, investment and financial advisory services to large entities through branches and electronic delivery channels.

Institutional Banking

The Group serves financial institutions, financial service companies and other entities with financial services, as well as international and domestic payments, the Treasury department deals with investments in securities, hedging transactions and correspondent banking services, the Group participates in bank-to-bank finance.

Retail and Private Banking

The Group provides a wide range of deposit and savings instrument, credit and debit cards, portfolio management, and a limited number of loan products to high net worth individuals and entrepreneurs through more than 500 full-service branches and sub-branches, ATMs, telephone and electronic channels.

Leasing

The scope of activities has been extended to include the financing of agricultural machinery, large commercial vehicles, buses and general machinery.

Other

Residual items which cannot be directly allocated to business segments (mainly general administration expense) are included in the Other category.

30.06.2023	Corporate Banking	Leasing	Retail and Private Banking	Institutional Banking	Other	Total
<i>Assets</i>						
Cash and cash equivalents	-	-	-	1,115,715	-	1,115,715
Financial assets measured at fair value through profit or loss	-	-	456,223	288,592	-	744,815
<i>Loans and advances to customers mandatorily at fair value through profit or loss</i>	-	-	456,223	-	-	456,223
<i>Securities held for trading</i>	-	-	-	13,867	-	13,867
<i>Securities mandatorily at fair value through profit or loss</i>	-	-	-	41,661	-	41,661
<i>Derivative financial assets</i>	-	-	-	233,064	-	233,064
Hedging derivative assets	-	-	-	114,145	-	114,145
Financial assets measured at fair value through other comprehensive income	-	-	-	799,319	-	799,319
<i>Securities</i>	-	-	-	799,319	-	799,319
Financial assets measured at amortised cost	2,555,744	515,189	1,163,414	3,036,151	139,451	7,409,949
<i>Loans and advances to banks</i>	-	-	-	111,992	-	111,992
<i>Loans and advances to customers</i>	2,555,744	515,189	1,163,414	-	17,743	4,252,090
<i>Repurchase assets</i>	-	-	-	4,315	-	4,315
<i>Securities</i>	-	-	-	2,919,844	-	2,919,844
<i>Other financial assets</i>	-	-	-	-	121,708	121,708
Fair value change of hedged items in portfolio hedge of interest rate risk	-	-	-	(19,986)	-	(19,986)
Associates and other investments	-	-	-	-	49,930	49,930
Property, plant and equipment	-	-	-	-	98,413	98,413
Intangible assets	-	-	-	-	69,986	69,986
Income tax assets	-	-	-	-	22,513	22,513
<i>Current income tax assets</i>	-	-	-	-	4,087	4,087
<i>Deferred income tax assets</i>	-	-	-	-	18,426	18,426
Other assets	-	-	-	-	81,062	81,062
Assets held for sale	-	-	-	-	1,351	1,351
Assets	2,555,744	515,189	1,619,637	5,333,936	462,706	10,487,212

30.06.2023	Corporate Banking	Leasing	Retail and Private Banking	Institutional Banking	Other	Total
<i>Liabilities and equity</i>						
Financial liabilities measured at fair value through profit or loss	-	-	-	204,519	-	204,519
<i>Derivative financial liabilities</i>	-	-	-	180,966	-	180,966
<i>Financial liabilities from short positions</i>	-	-	-	23,553	-	23,553
Hedging derivative liabilities	-	-	-	8,472	-	8,472
Financial liabilities measured at amortised cost	3,546,253	-	2,512,252	2,902,496	292,569	9,253,570
<i>Amounts due to banks</i>	-	-	-	2,203,364	-	2,203,364
<i>Amounts due to customers</i>	3,546,253	-	2,512,252	-	212,397	6,270,902
<i>Repurchase liabilities</i>	-	-	-	234,112	-	234,112
<i>Issued debt securities</i>	-	-	-	357,138	-	357,138
<i>Subordinated debt</i>	-	-	-	107,882	-	107,882
<i>Other financial liabilities</i>	-	-	-	-	80,172	80,172
Provisions	16,637	225	8,315	164	2,192	27,533
Income tax liabilities	-	-	-	-	2,788	2,788
<i>Current income tax liabilities</i>	-	-	-	-	636	636
<i>Deferred income tax liabilities</i>	-	-	-	-	2,152	2,152
Other liabilities	-	-	-	-	97,350	97,350
Equity	-	-	-	-	892,980	892,980
Total liabilities and equity	3,562,890	225	2,520,567	3,115,651	1,287,879	10,487,212

30.06.2023	Corporate Banking	Leasing	Retail and Private Banking	Institutional Banking	Other	Total
<i>Income statement</i>						
Interest and similar income	108,150	22,568	71,658	385,596	1,477	589,449
Interest expense	(129,976)	-	(11,230)	(151,843)	(13,063)	(306,112)
Net interest income	(21,826)	22,568	60,428	233,754	(11,586)	283,337
Net income from commissions and fees	26,489	(321)	40,053	-	(1,587)	64,635
Results from financial instruments, net (Impairment) / Reversal on financial and non-financial instruments	5,666 (25,713)	(95) 3,891	3,266 (8,683)	(10,683) 2,040	- (1,616)	(1,846) (30,080)
Dividend income	-	-	-	-	1,610	1,610
Operating expense	(43,087)	(5,429)	(88,698)	(1,502)	(84,124)	(222,839)
Other income / (expense)	(1,788)	162	(2)	5	8,525	6,902
Share of associates' profit	-	-	-	-	640	640
Result from assets held for sale	-	-	-	-	-	-
Profit before taxation	(58,471)	20,614	6,367	223,609	(89,761)	102,359
Income tax income / (expense)	-	-	-	-	(17,651)	(17,651)
Segment result	(58,471)	20,614	6,367	223,609	(107,412)	84,708

31.12.2022	Corporate Banking	Leasing	Retail and Private Banking	Institutional Banking	Other	Total
<i>Assets</i>						
Cash and cash equivalents	-	-	-	1,361,315	-	1,361,315
Financial assets measured at fair value through profit or loss	-	-	418,517	401,201	-	819,718
<i>Loans and advances to customers mandatorily at fair value through profit or loss</i>	-	-	418,517	-	-	418,517
<i>Securities held for trading</i>	-	-	-	49,923	-	49,923
<i>Securities mandatorily at fair value through profit or loss</i>	-	-	-	24,869	-	24,869
<i>Derivative financial assets</i>	-	-	-	326,409	-	326,409
Hedging derivative assets	-	-	-	164,338	-	164,338
Financial assets measured at fair value through other comprehensive income	-	-	-	630,845	-	630,845
<i>Securities</i>	-	-	-	630,845	-	630,845
Financial assets measured at amortised cost	2,414,510	508,303	1,389,402	2,961,778	103,262	7,377,255
<i>Loans and advances to banks</i>	-	-	-	179,088	-	179,088
<i>Loans and advances to customers</i>	2,414,510	508,303	1,389,402	-	30,586	4,342,801
<i>Repurchase assets</i>	-	-	-	1,070	-	1,070
<i>Securities</i>	-	-	-	2,781,620	-	2,781,620
<i>Other financial assets</i>	-	-	-	-	72,676	72,676
Fair value change of hedged items in portfolio hedge of interest rate risk	-	-	-	(51,678)	-	(51,678)
Associates and other investments	-	-	-	-	49,599	49,599
Property, plant and equipment	-	-	-	-	98,345	98,345
Intangible assets	-	-	-	-	70,511	70,511
Income tax assets	-	-	-	-	24,981	24,981
<i>Current income tax assets</i>	-	-	-	-	453	453
<i>Deferred income tax assets</i>	-	-	-	-	24,528	24,528
Other assets	-	-	-	-	69,039	69,039
Assets held for sale	-	-	-	-	154	154
Assets	2,414,510	508,303	1,807,919	5,467,799	415,891	10,614,422

31.12.2022	Corporate Banking	Leasing	Retail and Private Banking	Institutional Banking	Other	Total
<i>Liabilities</i>						
Financial liabilities measured at fair value through profit or loss	-	-	-	278,203	-	278,203
<i>Derivative financial liabilities</i>	-	-	-	235,877	-	235,877
<i>Financial liabilities from short positions</i>	-	-	-	42,326	-	42,326
Hedging derivative liabilities	-	-	-	1,365	-	1,365
Financial liabilities measured at amortised cost	3,699,649	-	2,816,340	2,758,196	142,090	9,416,275
<i>Amounts due to banks</i>	-	-	-	2,378,471	-	2,378,471
<i>Amounts due to customers</i>	3,699,649	-	2,816,340	-	58,368	6,574,357
<i>Repurchase liabilities</i>	-	-	-	-	-	-
<i>Issued debt securities</i>	-	-	-	290,838	-	290,838
<i>Subordinated debt</i>	-	-	-	88,887	-	88,887
<i>Other financial liabilities</i>	-	-	-	-	83,722	83,722
Provisions	11,482	-	7,431	108	3,602	22,623
Income tax liabilities	-	-	-	-	15,483	15,483
<i>Current income tax liabilities</i>	-	-	-	-	12,378	12,378
<i>Deferred income tax liabilities</i>	-	-	-	-	3,105	3,105
Other liabilities	-	-	-	-	71,737	71,737
Equity	-	-	-	-	808,736	808,736
Total liabilities and equity	3,711,131	-	2,823,771	3,036,507	1,041,648	10,614,422

30.06.2022	Corporate Banking	Leasing	Retail and Private Banking	Institutional Banking	Other	Total
<i>Income statement</i>						
Interest and similar income	45,471	10,681	40,491	112,384	(7,462)	201,565
Interest expense	(22,847)	-	(1,599)	(67,395)	3,866	(87,975)
Net interest income	22,623	10,681	38,892	44,990	(3,596)	113,590
Net income from commissions and fees	15,347	(15)	27,151	(50)	(3,186)	39,247
Results from financial instruments, net (Impairment) / Reversal on financial and non-financial instruments	5,217 (6,356)	- (431)	2,268 (4,496)	22,026 (240)	- (6,265)	29,511 (17,787)
Dividend income	-	-	-	-	4,599	4,599
Operating expense	(27,613)	(3,261)	(56,413)	(911)	(40,188)	(128,387)
Other income / (expense)	2,465	(194)	4	(54)	(3,188)	(967)
Share of associates's profit	-	-	-	-	1,107	1,107
Result from assets held for sale	-	-	-	-	(474)	(474)
Profit before taxation	11,683	6,781	7,405	65,761	(51,191)	40,439
Income tax income / (expense)	-	-	-	-	(6,919)	(6,919)
Segment result	11,683	6,781	7,405	65,761	(58,110)	33,520

4.24 Use of estimates and judgements

Management discusses with the Group's Supervisory Board the development, selection and disclosure of the Group's 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).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy (see Note 2).

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's use of scenarios of the present value of the cash flows that are expected to be received. Further information in Note 3.

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 (see also Note 3.2.4).

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.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument (see also Note 4.21).

Deferred tax on tax loss carryforward

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. At the end of the period the Group did not recognise additional deferred tax asset on tax loss carryforward.

4.25 Events after the reporting period

On March 21, 2023, Duna Takarékkész Bank Ltd. initiated to join to the Central Organization of Integrated Credit Institutions. According to resolution No. 19/2023 (13.VII) of the General Meeting of Central Organization of Integrated Credit Institutions the accession procedures completed therefore Duna Takarékkész Bank Ltd. become a member of the Integration Organization from August 1, 2023, to which the NBH consented by resolution No. H-EN-I-392/2023 dated July 27, 2023.