

Takarékbank Private Limited Company by Shares
Separate Financial Statements
and
Independent Auditor's Report

For the year ended 31 December 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Takarékbank Zrt.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Takarékbank Zrt. (the “Bank”) for the year 2021 which comprise the statement of financial position as at December 31, 2021 – which shows total assets of HUF 3,233,914 million –, and the related statement of profit or loss– which shows a net loss for the period of HUF 1,252 million, statement of comprehensive income –, statement of changes in equity and statement of cash-flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS”), and the financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (the „Accounting Act”) relevant to the entities preparing financial statements in accordance with EU IFRS.

Basis for Opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the “*The Auditor’s Responsibilities for the Audit of the Financial Statements*” section of our report.

We are independent of the Bank in compliance with the relevant effective Hungarian regulations and the “Rules of conduct (ethical rules) of the auditor profession and the disciplinary process” of the Chamber of Hungarian Auditors and, in respect of matters not regulated therein, the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

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

Key Audit Matters

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

Key audit matter	How our audit addressed the matter
<i>Expected credit losses on loans to customers at amortized cost</i>	
<p>(See notes 19. to the financial statements for the details)</p> <p>As at December 31, 2021 the Bank shows loans to customers at amortised cost in the amount of HUF 1,574,002 million (gross: HUF 1,638,399 million), which includes the recognition of HUF 64,397 million loss allowance on loans (from this the collective impairment is HUF 49,088 million, furthermore the individual impairment on Stage 3 loans is HUF 12,619 million).</p> <p>The determination of expected credit losses is based to a large extent on the professional judgment of management and the use of subjective assumptions, both in the application of portfolio-level collective impairment models and in the determination of individual credit losses for Stage 3 loans.</p> <p>The most significant assumptions applied in provisioning calculations are the following:</p> <ul style="list-style-type: none">- IFRS9 credit risk staging methodology and application- probability of default- loss given default- estimation of future cash-flows expected to be realized. <p>The COVID-19 pandemic has resulted in an increase in the uncertainty of assumptions underlying the economic outlook. This combined with varying government responses, has raised the complexity of assessing and monitoring customers' financial health, necessitating an elevated level of judgement required by the Bank in calculating the ECL.</p> <p>Based on the significance of the above described circumstances the calculation of expected credit loss of loans assessed on portfolio-level and in the determination of individual credit losses for Stage 3 loans was identified as a key audit matter.</p>	<p>The relevant audit procedures performed by us included the following:</p> <ul style="list-style-type: none">- evaluating the design and implementation of internal controls relating to monitoring of loans and approval of impairment;- test of staging through portfolio-level analysis;- robust challenge of management estimates related to the loan impairment;- assessing the collective model methodology and testing the calculations in terms of risk parameters (probability of default - PD, loss given default -LGD, expected credit loss - ECL, macroeconomic factors) applied by the collective models by involving our experts, and recalculation of impairment;- evaluating specific loan impairments by selecting a sample and review of consideration and valuation of collaterals and estimates of expected future cash-flows;- comprehensive analysis of the loan portfolio;- assessing the requirement for additional allowances considering the Bank's ECL model, particularly in light of the extreme volatility in economic scenarios caused by the current COVID-19 pandemic and government responses; and- assessing the adequacy of the disclosures in the financial statements.

Other Information: business report

Other information includes the business report of the Bank for 2021. Management is responsible for the preparation of the business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the financial statements provided in the section of our independent auditor's report entitled *Opinion* does not apply to the business report.

Our responsibility in connection with our audit of the financial statements is to read the business report and, in doing so, consider whether the business report is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, in accordance with the Accounting Act, our responsibilities also include assessing whether the business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, and to express an opinion on the above and on whether the business report is consistent with the financial statements.

In our opinion, the business report of the Bank for 2021 corresponds to the financial statements of the Bank for 2021 and the relevant provisions of the Accounting Act in all material respects. As the Bank is not subject to additional requirements under any other regulation in connection with the business report, we have not formulated an opinion on this matter.

In addition to the above, based on the information obtained about the Bank and its environment, we must report on whether we became aware of any material misstatements in the business report and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the notes to the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditors of the Bank on April 22, 2021 and our uninterrupted engagement has lasted for 5 year.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Bank, which we issued on April 8, 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Bank. In addition, there are no other non-audit services which were provided by us to Bank and its controlled undertakings and which have not been disclosed in the business report.

The engagement partner on the audit resulting in this independent auditor's report is the statutory registered auditor signing this report.

Budapest, April 8, 2022

The original Hungarian version has been signed.

Józan Bálint
Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
Registration number: 000083

Molnár Attila
Statutory registered auditor
Registration number: 007379

Takarékbank Private Limited Company by Shares

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

For the year ended 31 December 2021

Separate Financial Statements in accordance with the International Financial Reporting Standards adopted by the European Union – 31 December 2021

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All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

GENERAL INFORMATION**Chairman of the Board of Directors**

József Vida (to 31 December, 2021)
Levente László Szabó (since 1 January, 2022)

Chairman of the Supervisory Board

Béla Hetzmann

Members of the Board of Directors

Ádám Egerszegi
Levente László Szabó
dr. Edina Tófeji
János Zoltán Bogdán
György Schamschula
Zoltán Váradi

Responsible person for the control and management of accounting services:

Marianna Bense, PM registration number: 192618

Auditor company

Deloitte Auditing and Consulting Ltd.

Statutory registered auditor

Attila Molnár

As the parent company of the Bank - MTB Bank of Hungarian Saving Cooperatives Co. Ltd. - prepare the consolidated financial statements regarding to the companies included in the consolidation.

The Separate Financial Statements do not contain the Business Report that is prepared by the Bank every year and provided for to be available for inspection on the Bank's website and at the registered office.

Seat of the Bank, central office

Budapest
Magyar tudósok körútja 9. G. ép.
1117

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Separate Statement of Profit or Loss for the year ended 31 December 2021

	Notes	31 December 2021	31 December 2020
Interest income	4	89,635	66,853
Interest expense	4	(12,331)	(7,140)
Net interest income		77,304	59,713
Fee and commission income	5	59,179	56,043
Fee and commission expense	5	(16,500)	(15,391)
Net fee and commission income		42,679	40,652
Dividend income		4	1
Profit from foreign exchange transactions	6, 26	3,326	3,115
Loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	7	1,093	(745)
(Loss)/Gains on financial assets and liabilities held for trading, net	8	(625)	(501)
Gains on non-trading financial assets mandatorily at fair value through profit or loss, net	18	(157)	(930)
Gains/(Loss) from hedge accounting, net		(1,152)	34
Net trading result		2,489	974
Other operating income, net	9	5,750	2,798
Other operating expenses, net	9, 26	(3,725)	(315)
Operating income, net		124,497	103,822
Release of provision (provisions)	26	(420)	1,773
Impairment on financial assets not measured at fair value through profit or loss	31	(21,417)	(16,568)
Impairment or (reversal) of impairment on non-financial assets		(420)	49
Administrative expenses	10, 11	(104,265)	(98,849)
Modification (loss), net	31	(1,898)	(3,787)
Impairment or (reversal) of impairment of investments in subsidiaries, joint ventures and associates	20	96	29
Gains or (-) losses on non-discontinued non-current assets held for sale and disposal groups	20	326	(293)
Loss before tax		(3,501)	(13,824)
Income tax benefit	12	1,622	2,360
Profit for the year from discontinued operations	13	627	684
Loss for the year		(1,252)	(10,780)

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Separate Statement of Other Comprehensive Income for the year ended 31 December 2021*

	Notes	31 December 2021	31 December 2020
Loss for the year		(1,252)	(10,780)
Other comprehensive income	14	(4,713)	(174)
Items that will not be reclassified to profit or loss:		-	91
Fair value changes of equity instruments measured at fair value through other comprehensive income		-	17
Income tax relating to items that will not be reclassified	14	-	74
Items that may be reclassified to profit/loss		(4,713)	(265)
Hedging instruments (unmarked items)		2,181	(33)
Debt instruments at fair value through other comprehensive income		(6,894)	(232)
Total comprehensive loss for the year		(5,965)	(10,954)

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Separate Statement of Financial Position as at 31 December 2021*

	Notes	31 December 2021	31 December 2020
Assets			
Cash, cash balances at central banks and other demand deposits	15	217,464	76,289
Financial assets held for trading	16	5,454	34
Financial assets at fair value through other comprehensive income	17	200,073	175,664
Financial instruments valued at amortised cost and non-trading financial assets mandatorily at fair value through profit or loss	18,19	2,775,088	2,520,709
Derivatives – Hedge accounting	30	5,258	116
Investments in subsidiaries, joint ventures and associates	20	5,309	5,090
Tangible assets	21, 23	11,187	12,017
Intangible assets	22	2,123	5,227
Tax assets	12	6,279	4,656
Other assets	24	5,679	5,138
Total assets		3,233,914	2,804,940

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Separate Statement of Financial Position as at 31 December 2021*

	Notes	31 December 2021	31 December 2020
Liabilities			
Financial liabilities held for trading	16	6,816	19
Financial liabilities measured at amortised cost	25	3,087,112	2,666,784
Derivatives – Hedge accounting	30	384	1,476
Provisions	26	5,634	5,263
Tax liabilities	12	-	-
Other liabilities	27	27,567	19,032
Total liabilities		3,127,513	2,692,574
Equity			
Share Capital	28	100,260	100,260
Share premium		21,647	21,647
Accumulated other comprehensive (loss)/income		(4,429)	284
Retained (losses)/earnings		(10,744)	36
Other reserve	28	919	919
Treasury shares (-)		-	-
Loss for the year		(1,252)	(10,780)
Total equity		106,401	112,366
Total equity and total liabilities		3,233,914	2,804,940

Budapest, 8 April 2022.

Antal Martzy
Deputy CEO

Péter Darazsacz
Managing Director of finance and reporting

*All figures in tables are in HUF million except otherwise noted
The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements*

Separate Statement of Cash Flows for the year ended 31 December 2021

	Notes	31 December 2021	31 December 2020
Cash flow from operating activities			
Loss for the year		(1,252)	(10,780)
Non-cash adjustments to net profit from:			
Depreciation and amortization		5,499	5,469
Scrapping of tangible and intangible assets		2,545	-
Impairment and provision for credit loss expense		68,484	15,224
Release of other provision		(174)	(4,286)
(Loss)/Profit on tangible assets derecognized		39	(42)
Interest expense on the lease liability		168	184
Fair value adjustments of derivatives held for trading and derivatives from hedge accounting		(11,654)	(79)
Fair value adjustments on financial assets mandatorily at fair value through profit or loss		(157)	(158)
Operating profit or loss before change in operating assets		63,498	5,532
Decrease/ (-) Increase in operating assets			
Trading transactions and hedging		6,797	-
Changes in non-trading financial assets mandatorily at fair value through profit or loss		(221,038)	(10)
Financial assets valued at fair value against other comprehensive income		(29,765)	-
Changes in financial assets at amortised cost		(101,830)	(599,751)
Changes in other assets		(1,644)	(106,691)
Increase/ (-) Decrease in operating liabilities			
Changes in financial liabilities at amortised cost		(10,870)	469,005
Changes in other liabilities		8,535	(8,173)
Net cash flow from operating activities		(286,317)	(240,088)

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Separate Statement of Cash Flows for the year ended 31 December 2021

	Notes	31 December 2021	31 December 2020
Cash flow from investing activities			
Proceeds from sales of tangible and intangible assets		3,974	42
Purchase of tangible and intangible assets		(8,123)	(1,919)
Sale of shares in subsidiaries, joint ventures and associates		443	28,350
Net cash outflow from investing activities		(3,706)	(26,473)
Cash flow from financing activities			
Repayment of leasing liabilities		(520)	(2,671)
Borrowing of long term loans		431,718	187,450
Capital increase		-	(140)
Net cash outflow from financing activities		431,198	184,639
Increase/ (-) Decrease in cash and cash equivalents		141,175	(28,976)
Change in cash due to merger		-	0
Opening balance of cash and cash equivalents		76,289	105,265
Closing balance of cash and cash equivalents		217,464	76,289
Breakdown of cash and cash equivalents:			
Cash		26,510	26,844
Balances with the National Bank of Hungary		-	-
Due from banks with a maturity of less than 90 days		190,954	49,445
Closing balance of cash and cash equivalents		217,464	76,289
Supplementary data			
<i>Interest received</i>		89,827	67,546
<i>Interest paid</i>		(12,331)	(7,140)

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The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Separate Statement of Changes in Equity for the year ended 31 December 2021

	Share Capital	Share premium	Accumulated other comprehensive income	Retained earnings	Other reserves	Total equity
Opening at 1 January 2020	100,260	21,647	458	36	1,059	123,460
Loss for the year	-	-	-	(10,780)	-	(10,780)
Other comprehensive income for the year	-	-	(174)	-	-	(174)
Repayment of basic integration loan capital to IHKSZ*	-	-	-	-	(140)	(140)
Closing at 31 December 2020	100,260	21,647	284	(10,744)	919	112,366
Opening at 1 January 2021	100,260	21,647	284	(10,744)	919	112,366
Loss for the year	-	-	-	(1,252)	-	(1,252)
Derecognition of equity instruments at fair value	-	-	(4,713)	-	-	(4,713)
Closing at 31 December 2021	100,260	21,647	(4,429)	(11,996)	919	106,401

*Central Organization of Integrated Credit Institutions (hereinafter: IHKSZ)

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

1. DESCRIPTION OF THE BANK

The separate financial statements of Takarékbank Plc. (hereinafter Bank, Takarékbank, Company) for the year ended 31 December 2021 were authorized for issue in with a resolution of the Board of Directors on 8 April 2022. The final approval on the separate financial statements is provided by the General Meeting.

Name: Takarékbank Zrt.
Seat: 1117 Budapest, Magyar tudósok körútja 9. G. ép.
Website address: www.takarek.hu
Mailing address: Budapest, Pf.:1942
Phone number: 06-1-311-3110
Registration number: 01-10-140275
Tax number: 14479917-4-44
KSH statistical number sign: 14479917-6419-114-01
Year of foundation: 2008

Chairman of the Supervisory Board: Béla Hetzmann
Chairman of the Board: József Vida (to 31.12.2021.)
Levente László Szabó (since 01.01.2022.)

Members of the Supervisory Board: Katalin Vargáné Králik
András József Tölgyes
Viktor Iván Katona
dr. András Csaba Bencze

Members of management: József Vida, Chief Executive Officer (to 31.12.2021.)
Levente László Szabó, Chief Executive Officer
(since 01.01.2022.)
Ádám Egerszegi, Deputy Chief Executive Officer
Levente László Szabó, Deputy Chief Executive Officer
(to 31.12.2021)
Antal Martzy, Deputy Chief Executive Officer
Attila Mészáros, Deputy Chief Executive Officer (to 16.11.2021)
Péter Magapatona, Deputy Chief Executive Officer
(to 15.11.2021)

The Integration of Cooperative Credit Institution (hereinafter: Integration) was a cooperation of 16 privately owned cooperative credit institution – savings bank, credit union, and smaller bank – in the beginning of the year 2019, then the implemented fusion at 30 April 2019 and 31 October 2019 as a result decreased the number of the cooperative credit institutions onto two credit institutions, as a result of a regulatory change during the year became the related parties, and the Holding Szövetkezet as a members of the Integration.

On October 31, 2019, the fifth largest credit institution in the country entered the market following the national merger of Saving Cooperatives and Takaré Commercial Bank. Through the mergers, the number of the national Takarékbank's customers has grown to more than 1.1 million, and with 750 branches and 15 Takaré mobile bank branches, it operates the largest nationwide branch network.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

With the merger of the 11 savings cooperatives and 2 banks, the almost five-year process has ended, during which the former nearly 120 savings cooperatives have now become the only universal commercial bank with national coverage.

In the last merger, the 3A Takarékszövetkezet, the Békés Takarékszövetkezet, the CENTRÁL TAKARÉK Szövetkezet, the Dél TAKARÉK Szövetkezet, the Fókusz Takarékszövetkezet, the Hungária Takarékszövetkezet, the KORONA TAKARÉK Takarékszövetkezet, the M7 TAKARÉK Szövetkezet, the Nyugat Takarékszövetkezet, the Pátria Takarékszövetkezet, the TISZÁNTÚLI TAKARÉK Takarékszövetkezet, Takarékbank Ltd. and Takarékbank Ltd., which has been operating regionally until now, participated. Takarékbank Ltd. took over the customers, employees, entire branch network, deposit-loan and contract portfolios of all credit institutions.

On 11 March 2020, the Governing Board of the Savings Group approved the Pandemic Plan and the amendment of the Business Flow Regulations, and the Pandemic Operative Tribe (POT) was established. From then on, this department coordinates the tasks of the Takarékbank Group in relation to the coronavirus crisis situation, in close cooperation with the Governing Body and other relevant departments. POT continuously formulates instructions and recommendations for all employees, and will also send information on this in 2021 with the frequency corresponding to the meetings. The change in the legal environment related to the pandemic is set out in note 3.35, the presentation of payment facilitation programmes is set out in section 31.4.

Mtb Ltd. is the dominant owner of Takarékbank. On 26 May 2020, MTB Zrt., MKB Bank Ptd. and Budapest Bank Ltd. established the Hungarian Bankholding Private Equity Exchange (cg.: 01-10-140865; registered office: 1122 Budapest, Pethényi public 10. The Hungarian Bankholding Private Limited Company was registered in the company registration by order No 01-10-140865/5, subject to the authorisation of the Hungarian National Bank, by the Commercial Court of the Metropolitan Court.

On 30 October 2020, MTB sold all its shares in Magyar Bankholding Ltd, which embodied its 33.33% ownership stake, at 75,91 % (99,99 %) for the Hungarian Savings Bankholding Limited Company, which has a shareholding in Hungarian Bankholding Ltd.

On 15 December 2020, The Hungarian Bankholding Ltd. started its actual operation after the dominant owners of Budapest Bank Ltd., MKB Bank Ptd. and MTB Ltd. had transferred their bank shares to the joint holding company, subject to the permission of the Hungarian National Bank. This created the second largest banking group in Hungary, in which the Hungarian State has a 30.35 percent stake through Corvinus International Investment Co., 31.96 percent of MKB's direct owners so far and 37.69 percent of MTB's direct owners.

Following the transfer, the financial holding company performs strategic decision-making, prudential control and group management functions over the three banking groups and plans and conducts the merger process to optimise the functioning of the banks. A detailed fusion roadmap, a business strategy have been developed and synergies resulting from group operation was exploited in 2021. The Board of Directors and the Supervisory Board of Hungarian Bankholding Ltd. have approved the strategy of the company for the next five years (2021-2025) in 2021.

On December 15, 2021 the main bodies of MKB, Budapest Bank and Hungarian Savings Bankholding Ltd. (MTBH) (which is the owner of Takarékbank Group) approved the first step of the fusion process of MKB, Budapest Bank and Takarékbank Group.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

According to this, two member banks of Hungarian Bankholding Ltd., namely MKB and Budapest Bank are going to merge on March 31, 2022, while Takarék Group will join the merged bank in the second quarter of 2023.

In January 2022, the MNB approved the merger of Budapest Bank Zrt. and MTBH Ltd. (which is the owner of Takarék Group) into MKB Bank Plc. on March 31, 2022. The merged bank will temporarily operate under the name of MKB Bank Plc. The merger does not mean a change in the ownership structure of the banking group, the controlling owner of the banks participating in the fusion process will continue to be Hungarian Bankholding Ltd.

Takarékbank Ltd., as the universal commercial bank of the Cooperative Credit Institution Integration, carries out the following activities in accordance with the provisions of the Act on Credit Institutions and Financial Enterprises (Hpt.) and the legislation related to financial services, within the framework thereof, with the permission of the Central Bank:

Activities under TEAOR'08:

- other monetary intermediation,
- other information technology services,
- finance leasing,
- other lending,
- other financial intermediation n.e.c.,
- securities and commodity contracts brokerage,
- other financial auxiliary activities,
- activities of insurance agents and brokers,
- other activities auxiliary to insurance and pension funding,
- buying or selling of own real estate,
- renting and operating of own or leased real estate,
- accounting, bookkeeping and auditing activities, tax consulting,
- business and other management consultancy activities.

Takarékbank Ltd. is entitled to carry out business activities in accordance with Hpt. and Bszt.:

- collecting deposits and accepting other repayable funds from the public,
- granting credit and cash loans,
- financial leasing,
- provision of payment services,
- issuing electronic money,
- issuing a paper-based cash alternative payment instrument (such as a paper-based traveler's check, bill of exchange) or providing a related service that does not qualify as a payment service,
- undertaking guarantees and other banking obligations, trading in currency, foreign exchange, excluding currency exchange activities, with a bill of exchange or check for own account or as a commission agent,
- intermediation of financial services, in the framework of which mortgage credit intermediation activity as a dependent priority intermediary,
- escrow service, safe deposit box service, credit reference service,
- receivables purchase activity,
- currency exchange activity,
- own account trading in accordance with Bszt. with regard to financial instruments pursuant to Section 6,
- investment consultation in accordance with Bszt. within the financial instruments referred to in Section 6 a), only for spot transactions concluded in respect of government securities issued by the Hungarian State.

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Takarékbank Ltd performs the following activities on the basis of a report:

- insurance intermediation, Hpt. Section 7 (3) c) and Bszt. Section 111-116 on mediation activity.

Other business activities:

- “an activity aimed at utilizing collateral or collateral or participating in sales in order to reduce or eliminate a loss arising from a financial service” in accordance with the Section 7 (3) (i) on Credit Institutions Act.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The separate financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in all material respects in accordance with the provisions of the Hungarian Act C of 2000 on Accounting (the „Accounting Act”) relevant to the entities preparing financial statements in accordance with IFRS adopted by the EU.

2.2. First-time Adoption of International Financial Reporting Standards

The separate financial statements of the Bank are the first annual financial statements in which the Bank adopts IFRSs for the reporting date 31 December 2019.

In the previous periods were its bookkeeping in accordance with the Hungarian Accounting Standards. 1 January 2018 is the date of the transition under IFRS 1, which day the Bank were prepared the comparative period data based on IFRS.

2.3. Functional and presentation currency

The separate financial statements are presented in Hungarian forint (HUF), that is the functional and presentation currency used by Bank. The figures are rounded to the nearest million, except if indicated otherwise.

2.4. Basis of measurement

The separate financial statements have been prepared on a historical cost basis, except for financial assets and liabilities held for trading, financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI), that are recorded at fair value in the financial statements.

2.5. Change in accounting policies

2.5.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2021.

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

- **Amendments to IFRS 3 “Business Combinations”; IAS 16 “Property, Plant and Equipment”; IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** - Annual Improvements (effective for annual periods beginning on or after 1 January 2022).

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The adoption of these amendments to the existing standards has not led to any material changes in the Bank financial statements.

2.5.2. Impact of IFRS 16

IFRS 16 will be effective for annual periods beginning on or after 1 January 2019 and has been adopted by the European Union. However pursuant to IFRS 1 an entity shall apply same accounting policies in its opening IFRS balance sheet and its first IFRS financial statements too. This involves the Bank shall apply this standard for annual reporting periods beginning on or after 1 January 2018 yet. The Bank shall adjust the comparative information for the earliest prior period presented as if the new IFRS 16 standard had always been applied considering the exemptions by IFRS 1 admitted.

The Bank at the date of 1 January 2018 assessed under IFRS 16 whether a contract is, or contains, a lease.

2.5.3. New and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

- **IFRS 17 “Insurance Contracts” including amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors”** – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2** - Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023).

2.5.4. 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 the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at [date of publication of financial statements] (the effective dates stated below is for IFRS in full):

- **Amendments to IAS 1 “Presentation of Financial Statements”** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 “Income Taxes”** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction ((effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17 “Insurance contracts”** Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an

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Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

The Bank 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 Bank in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Categories of financial instruments

The Bank groups the recognised financial assets as follows:

- Cash and cash equivalents
- Financial assets held for trading
 - Derivatives
 - Held for trading securities assets
- Securities at fair value through other comprehensive income
- Non-trading financial assets mandatorily at fair value through profit or loss
 - Loans at fair value
 - Open-ended units, stock exchange shares
- Financial instruments valued at fair value against other comprehensive income
 - Securities valued at fair value against other comprehensive income
- Financial assets at amortised cost:
 - Due from bank
 - Loans and advances to customers at amortised cost
 - Securities valued at amortised costs
- Derivatives – Hedge accounting

The Bank groups the recognised financial liabilities as follows:

- Financial liabilities held for trading
 - Derivatives
- Financial liabilities at amortised cost (other financial liabilities):
 - Due to banks
 - Deposits from customers
- Derivatives – Hedge accounting

3.2. Cash and cash equivalents

For the purpose of the Separate Statement of Cash Flows, cash and cash equivalents include cash at hand, receivables from the National Bank of Hungary, and receivables from banks with an original maturity of not more than 90 days.

Cash and cash equivalents are presented in the statement of financial position at amortised cost.

3.3. Financial assets held for trading

Securities at fair value through profit or loss are held within a business model whose objective is not to hold securities in order to collect contractual cash flows or not to hold securities both

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collecting contractual cash flows and selling securities. Securities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recognised in 'Net trading income'. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities that have been acquired principally for the purpose of selling or repurchasing in the near term depending on the market price.

3.4. Derivatives

A derivative transaction is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference yield or index, it is settled in a future date and there is no or low initial investment.

Derivatives are recorded at fair value and carried as assets when their fair value is positive or as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in 'Net trading result'. The resulting gain or loss is recognised immediately in 'Net trading result'.

Derivatives include forwards, futures, swaps and options.

3.5. Hedge transactions

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risk, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.

Upon concluding the hedge contract the Bank drafts the hedge document that sets forth the relationship between the transaction and the instrument hedged. The document describes the nature of risk as well as the risk management goals and strategies. The document also sets forth the method of measuring hedge effectiveness.

Once the hedge is established as relationship, the Bank assesses whether the hedge transaction is expected to be effective in the long term in meeting the fair value attributable to the risk hedged or in offsetting cash flow changes. Hedges are reviewed by the responsible banking department on a quarterly basis. A hedge transaction is considered effective if, as a result, the fair value attributable to the risk hedged or the cash flow change offset by the hedge is within a range of 80-125% in the period to which the hedge refers.

For the purposes of hedge accounting, hedges are classified into two categories:

- a) Fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability; and
- b) Cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.

There are no net investment hedges in foreign operations.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the Consolidated Comprehensive Income Statement along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk.

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in the other comprehensive income item.

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The gains or losses on effective cash flow hedges recognized initially in other comprehensive income are either transferred to the statement of profit or loss in the period in which the hedged transaction affects the statement in the profit or loss, or are included in the initial measurement of the cost of the non-financial related asset or liability. The ineffective portion is recognized in the statement of profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognized in other comprehensive income remains in other comprehensive income until the forecasted transaction occurs. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in other comprehensive income is transferred to the net profit/loss for the period.

The following lines in the profit or loss statement contain the gains or losses in connection with the hedging instruments of hedges (swaps):

- i. Interest income or interest expense
- ii. Gains or losses from foreign exchange transactions
- iii. The remaining change from fair value adjustment in Change in fair value of derivatives.

For hedges, which do not qualify for hedge accounting (economic hedges), any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the statement of profit or loss for the period.

3.6. Securities at fair value through other comprehensive income

Securities at fair value through other comprehensive income (FVTOCI) are held within a business model whose objective is achieved by both collecting of contractual cash flows and selling securities, and the contractual terms of these securities give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities at fair value through other comprehensive income are measured at subsequent reporting dates at fair value.

Unrealized gains and losses (Fair value difference) on securities at fair value through other comprehensive income are recognized directly in other comprehensive income, interest and foreign exchange gains/losses on this items are recognized consolidated statement of profit or loss. All investments in equity instruments that are not held for trading are classified as at equity instruments measured at fair value through other comprehensive income. The Bank shall make an irrevocably election to measure the investments in equity instruments at initial recognition on a share-by-share basis. Equity instruments at fair value through other comprehensive income are measured at fair value and the total changes in fair value are presented in other comprehensive income. Amounts presented in other comprehensive income are not transferred to profit or loss, even if the investment were sold. The dividends earned on equity instruments are recognised in separate statement of profit or loss.

3.7. Financial instruments valued at fair value against mandatory results

They are mandatory to be valued at fair value against the result, financial instruments which do not meet the criteria for valuation at fair value either at amortised cost or against other recatching income.

The Bank shall, in contrast to the result, assess at fair value the financial resources which are not held for trading purposes and result in the payment of interest on capital and outstanding principal amounts not recovered on the basis of the characteristics of the cash flow.

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3.8. Loans and advances to customers, due from banks securities at amortised cost

The Bank measures at amortised cost those loans and placements with other banks securities, which are held to collect contractual cash flows, and contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Loans and advances to customers and securities measured at amortized cost are initially recognized at fair value at the date of settlement by Bank, increased or decreased by transaction costs that are directly attributable to the acquisition or origination of the receivables.

Loans and placements with other banks and securities are measured at amortised cost, stated at the principal amounts outstanding including accrued interest, net of allowance for loan or placement losses, respectively. If there is objective evidence that an impairment loss has been incurred, the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

3.9. Restructuring of loans

In cases of default the Bank favours renegotiating the loans to customers instead of foreclosure wherever possible. Renegotiated loans may be restructured by extending of the loan term and/or agreeing on new conditions. The Bank doesn't measure any significant gain or losses on the restructuring loans.

The Bank management keeps track of renegotiated loans to ensure all terms and conditions are met and to secure future cash payments. Provision for impairment of restructured loans is set up on an individual as well as on a portfolio basis and with the application of the original effective interest rate of the loan.

In case of renegotiated loans, the classification of the clients (and eventually the impairment) may improve if the clients start to pay their instalments as scheduled. The new buffer account scheme and the converted HUF loans (under the State program) were dealt with the same process like other refinanced mortgage loans in spite of the originated loan has not got any payment.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, Bank shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on restructured loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

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3.10. Impairment losses on loans

Impairment losses on loans and placements with other banks and securities are recognised by the Bank based on the expected credit loss model in accordance with IFRS 9. Based on the three stage model allowance for impairment is recognised at an amount equal to 12-month expected credit loss from the initial recognition, unless purchased or originated credit impaired (POCI). On financial assets with significantly increased credit risk or credit impaired financial assets (based on objective evidences) impairment is recognised in amount of lifetime expected credit loss. An asset that meet the definition of default criteria step into the third stage. Purchased or originated credit-impaired (POCI) assets are financial assets that are credit-impaired on initial recognition in accordance with IFRS 9 (they meet the definition of default). For purchased or originated credit-impaired (POCI) assets shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. At each reporting date, an entity shall recognise in profit or loss the amount of the change in lifetime expected credit.

3.11. Tangible and intangible assets

Tangible (fixed) and intangible assets are presented at cost, less accumulated depreciation, and less impairment if any.

The cost of an item of tangible and intangible asset includes the following elements:

- a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and quantitative discount;
- b) any costs directly attributable for the assets to be ready their intended use:
 - costs of employee benefits,
 - costs of site preparation,
 - delivery and handling costs,
 - insurance fees,
 - installation and assembly costs,
 - costs of testing,
 - professional fees,
 - costs of parts and maintenance.
- c) the initial estimate of the costs of dismantling and removing the item.

Following elements of costs that are not costs of an item of tangible asset are:

- costs of opening a new facility,
- costs of introducing a new product or service,
- costs of conducting business in a new location or with a new class of customer,
- administration and other general overhead costs

Recognition of costs in the carrying amount of an item ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Therefore, costs that incurred while an item capable of his intended operating has yet to be brought into use or is operated at less than full capacity are not included in the carrying amount. Furthermore, neither initial operating losses nor costs of relocating or reorganising the Bank's operations are not included.

Depreciation is charged to the statement of profit or loss in the period to which it relates.

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Depreciation is computed using the straight-line method over the estimated useful lives of the assets considering residual value, as follows:

Property	2%
Non-owned leasehold improvement	6% - 20%
Equipment and furniture	9% - 33%
Software	10% - 33%
Rights representing assets	3,5% - 16,7%
Hardware	33% - 50%
Vehicles	20% - 33%
Other fixed assets	9% - 14,5%

Intangible assets have a definite useful life, excluding goodwill.

3.12. Leases

The Bank assessed all lease contracts entered into or modified after the date of 1 January 2018 under IFRS 16 whether a contract is, or contains, a lease.

Determination of whether an agreement is a lease agreement or contains a lease transaction is based on its contents. The Bank analyses agreements to decide whether delivery under the agreement involves the use of a specific asset or assets and transfers the right to use such assets.

An agreement transfers the rights to control the use of an identified asset, if:

- An agreement contains identified asset. An asset can also be identified by being explicitly or implicitly specified in a contract. An asset has to be physically distinct or it represents substantially all of the capacity of the asset. Even if an asset is specified, a customer does not have the right to use an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use.
- The customer has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use.
- The customer has the right to direct the use of the identified asset throughout the period of use. The lessee has this right if, within the scope of its right of use defined in the contract, the customer has the right to direct how and for what purpose the asset is used throughout the period of use.

In that case, the relevant decisions about how and for what purpose the asset is used are predetermined, the customer has the right to direct the use of that asset following one of:

- the customer has the right to operate the asset throughout the period of use; or
- the customer designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

The Bank applies the available expedients for all asset being leased, so decided not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Bank shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

The Bank elect not to apply the requirements of IFRS 16 Leases to intangible assets.

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Notes to the Separate Financial Statements**The Bank as a lessee**

The Bank as lessee shall recognise a right-of-use asset and a lease liability at the commencement date of the lease agreement. Right-of-use assets are initially measured at cost. The cost of a right-of-use asset comprises:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred by the lessee; and
- estimates of costs to be incurred by the lessee as a result of an obligation to disassemble and remove an underlying asset or to carry out restoration
- less any lease incentives received.

After the commencement date, the Bank shall measure the right-of-use asset applying a cost model. The Bank depreciates the right-of-use asset using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The determination of the useful life of the right-of-use assets are presented similar to owned property, plant, equipment and vehicles. The Bank applies IAS 36 Impairment of Assets standard to determine whether the right-of-use asset is impaired, and to recognise any impairment loss identified in accordance with the standard.

The Bank shall measure the lease liability at the present value of lease payments that are not paid as at the date of commencement. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank use the lessee's incremental borrowing rate. Typically, the Bank use its own incremental borrowing rate to recognise lease liabilities.

At their date of initial re-cognition, lease payments contained in the measurement of lease liabilities comprise the following types of payments for the right to use the underlying asset for the life of the lease:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date);
- amounts expected to be payable by the Bank under residual value guarantees;
- the exercise price of a purchase option if the Bank is reasonably certain to exercise that option;
- payments of contractual penalties for terminating the lease, if the lease period reflects that the Bank used the option of terminating the lease;
- less any lease incentives receivable.

After the commencement date, the Bank shall measure the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The Bank shall remeasure the lease liability, if either:

- there is a change in the lease term; or
- there is a change in the assessment of an option to purchase the underlying asset; or
- there is a change in the amounts expected to be payable under a residual value guarantee; or
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

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The Bank shall recognise the amount of the remeasurement of the lease payments as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Bank shall recognise any remaining amount of the remeasurement in profit or loss.

The Bank did not present the right-of-use assets separately in the statement of financial position that does not meet the definition of investment property include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned. The Bank are presented lease liabilities in the statement of financial position as Financial liabilities measured at amortised cost.

The Bank has elected not to apply the requirements for short-term leases and to leases for which the underlying asset is of low-value. These types of lease payments will be recognised in the statement of profit or loss as costs using the straight-line method during the life of the lease.

The Bank does not have right-of-use assets that meet the definition of investment property. In the statement of cash flows are classified cash payments for the principal portion of the lease liability within financing activities and short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities. Cash payments for the interest portion of the lease liability are classified applying the requirements in IAS 7 Statement of Cash Flows for interest paid. The Bank as a lessee has typically property and company car lease agreements.

The Bank as a lessor

The Bank as a lessor shall classify the leases as finance or operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

When a contract includes both lease and non-lease components, the Bank applies IFRS 15 to allocate the consideration under the contract to each component. The Bank shall recognise lease payments from operating leases as income in profit or loss on a straight-line basis.

The Bank does not have sublease, sale and leaseback transactions. The Bank as a lessor has typically property lease agreements.

3.13. Non-current assets held for sale

The Bank classifies a non-current asset (or a disposal group) as held for sale, if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. The asset (or disposal group) must be available for immediate sale in its present condition and the sale must be highly probable. The Bank must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The Bank measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less cost to sell on initial recognition at the date of classification as held for sale.

An entity shall not depreciate (or amortise) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

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The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

3.14. Impairment of non-financial assets

On the balance sheet date the Bank assesses if there is any indication of impairment. If there is, or in cases where an annual impairment test is required the Bank estimates the recoverable amount of the asset. Recoverable amount is the fair value of the asset net of the costs of sale, or the value in use, whichever is higher. Where the carrying amount of an asset exceeds its recoverable amount, the Bank recognises impairment on the asset, by this the carrying amount is written down to the recoverable amount. When determining value in use the estimated future cash flows are discounted to their present value considering current market assessment of the time value of money and the risks specific to the asset. The appropriate valuation method is applied for the determining fair value net of cost of sales. Several assessments are used to underpin these calculations such as listed share prices or other available fair value indicators.

Each asset is assessed annually, when any indication of a reversal or reduction of earlier impairment is performed. If there is such an indication the Bank estimates the recoverable value of the asset. Reversal of previously entered impairment is only done in cases where there has been a change in the estimates applied for determining the asset's recoverable value since the last reporting of impairment.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

3.15. Current tax

Current taxes include the corporate income tax, local business tax and innovation contribution payable and refundable amounts and are measured at the amount expected to be recovered from or paid to the tax authorities. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The tax rates and tax laws in effect at the balance sheet date are used to determine the current tax liability.

3.16. Deferred taxes

Deferred tax is provided on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. All deferred tax liabilities are recognized. Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which it can be utilized. Deferred tax assets and liabilities are measured at the enacted tax rates that are expected to apply in the year when the asset is realized or the liability is settled. Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current taxes liabilities and the deferred tax relate to the same company and the same tax authority.

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The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

3.17. Classification into financial liabilities or shareholders' equity

Financial liability is any liability that is:

- a) a contractual obligation:
 - i. to deliver cash or another financial asset to another entity; or
 - ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- b) a contract that will or may be settled in the entity's own equity instruments and is:
 - i. a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - ii. a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

3.18. Financial liabilities carried at amortised cost

Financial liabilities, which are not designated at fair value through profit or loss, are classified as financial liabilities carried at amortised cost. At initial measurement, they are recognized at fair value plus transaction fees and charges should adjust the carrying amount at initial recognition that is directly attributable to the acquisition or issue of the financial liability.

The Bank has the following financial liabilities to finance its business: loans from the Hungarian state, interbank loans and customer deposits.

The bank shall classify in this category its non-trading bonds and other non-trading financial liabilities (for example accounts payable, bail/cash deposit).

Financial liabilities that are designated at amortised cost are measured subsequently at amortised cost using the effective interest method.

3.19. Financial liabilities carried at fair value other than derivatives

On initial recognition the management designates the financial liabilities into financial liabilities classified at fair value through profit or loss category. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
- the liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- the financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that otherwise would be required by the contract.

Such financial liabilities are issued mortgage bonds, bonds and interbank loans (that are economically closely related to the swaps, which are entered to mitigate risks). Financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'Change in fair value of derivatives'.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

Interest is earned or incurred is accrued in 'Interest income' or 'Interest expense', respectively, using the effective interest rate (EIR).

In case financial liabilities classified as measured at fair value through profit or loss because it eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) changes in fair value related to credit risk are recognised in consolidated statement of profit or loss.

3.20. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised in the financial statements as financial liabilities and measured at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the amount recognised less cumulative amortisation, and the best estimate of expense required to settle any financial obligation arising as a result of the guarantee.

The financial guarantee fee received is recognised in the statement of profit or loss in 'Fee and commission income' on a straight line basis over the lifetime of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the statement of profit or loss in 'Credit loss expense'.

3.21. Derecognition of financial instruments**3.21.1. Derecognition of financial assets**

The Bank derecognises a financial asset at fair value on the settlement date. The settlement date is the date that an asset is delivered by the Bank or the asset is terminated or expired.

A financial asset (or a part of a financial asset or a group of financial assets) is derecognised when:

- the rights under contract related to the cash flows from the financial asset cease; or
- the rights under contract related to the cash flows from the financial asset are transferred; or an obligation is undertaken by virtue of a transfer agreement to pay the cash flows from the financial asset to third parties; and
- the Bank has transferred substantially all risks and rewards of the asset, or
- the Bank has not retained nor transferred substantially all risks and rewards associated with the asset but has transferred control of the asset.

If the Bank has not retained nor transferred substantially all risks and rewards associated with the asset but has retained control of the financial asset, it continues to recognize the transferred asset in proportion to its continuing involvement. The rate of continuing involvement in a transferred asset is the Bank's rate of exposure to the risks associated with changes in the value of the transferred asset.

When the Bank continues to report the transferred asset in proportion to its continuing involvement it also reports an associated liability.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable shall be recognised in profit or loss. On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Bank has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3.21.2. Derecognition of financial liabilities

A financial liability (or a part of a financial liability) is derecognised when it ceases, is executed or matured. Exchange or partial exchange of existing financial liabilities or a part thereof with significantly different terms and conditions or significant modification of its terms and conditions is also considered as cessation of the financial liability and is reported as a new financial liability, taking the relevant part of IFRS 9. The difference between the book value of, and the consideration paid for financial liabilities (or a part thereof) that ceased or have been transferred to third parties is reported in the profit or loss.

3.22. Provisions

Provisions are recognized when the Bank has present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Expense relating to lending provision is a part of provision for impairment losses on loan expense. On provision for contingent liabilities related to business combinations is recognized in other operating expense.

3.23. Employee benefits*3.23.1. Short-term employee benefits*

Short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave are settled in the period in which the employees render the related service. Under the Bank's policy, the employer must grant employees their paid leave in the period the leave is earned, except for the paid leave emerges during maternity leave. Deferral of the expected cost of leave is applicable to the Bank and its subsidiaries, but this cost is recognized only if it is material.

3.23.2. Long-term employee benefits

The Bank has a defined jubilee benefit plan for all employees of the Group. The employees receive jubilee benefit only if they remain with the entity for a specified period and benefits are determined by the length of their service. The authority for jubilee benefit, its condition and the benefit are regulated in the Bank's policy.

In the normal course of business, the Bank pays fixed contributions into the Hungarian State and private pension funds on its employees, which is recognized in social security contributions and which cannot be considered as employee benefit plan. The Bank itself does not offer a pension scheme or post-retirement benefit plan, and consequently has no legal or contractual obligation to make further contributions.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

3.24. Repurchased treasury shares

Treasury shares represent the cost of shares of the Bank repurchased and are displayed as a reduction of shareholders' equity. The repurchased treasury shares are recognised on its nominal value within 'Treasury shares' at the date, when a supreme member made a decision on repurchasing. Premiums and discounts on repurchase and subsequent disposal are credited and debited directly to retained earnings, no gain or loss is recognized in the statement of profit or loss. In case of beside the decision of repurchasing, if a supreme member is made a decision at the same time to call back shares, then the Bank is reclassified these shares to the liabilities till the date of the effective cancellation.

3.25. Interest income and interest expense

Interest income and interest expense (the interest subsidy received from the Hungarian State or from the client) are recognized time-proportionately using the effective interest rate method. Interest income and interest expense include the amortization of discount or premium on securities.

The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Interest income and expenses related to financial instruments are separated by the Bank based on each financial instruments category.

Interest income and interest expenses are accounted on a gross basis by the Bank.

3.26. Fees and commission income and expenses

This group shall include fees and commission income and expenses that are not involved in the amortised cost model. Fees and commissions when they relate and have to be included in the amortised cost model shall immediately recognised in profit or loss.

Fees and commission incomes can be typically account transaction fees, cash payment fees, portfolio management fees.

3.27. Contingent liabilities / contingent assets

The Bank has recorded into off-balance sheet their contingent liabilities, they are not recognised in the financial statements. The contingent liabilities are presented in the Notes. This off-balance sheet items such as guarantees and similar obligations, commitments to extend credit, accepted value of non-balance sheet assets serving as collateral for third party debt. Contingent liabilities are reported in the balance sheet when it becomes probable.

The Bank has recorded into off-balance sheet their contingent assets, they are not recognised in the financial statements. The contingent assets are disclosed in the Notes where an inflow of economic benefits is probable (more than 50%).

This off-balance sheet items such as write-off uncollected debts, received guarantees and bailment.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements**3.28. Post balance sheet events**

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

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

3.29. Offsetting

The Bank does not offset financial assets and financial liabilities, incomes and expenses unless required or permitted by a standard or an interpretation. (For example year-end not realized foreign exchange gains and losses, or exceptional financial instruments and cash-flow statements.). Usually the Bank use offsetting if the economic events are the same or similar and gains and losses arising from similar transactions are not material or their separation is not material, when offsetting reflects the economic content better.

3.30. Foreign currency translation

Items included in the financial statements in foreign currencies are translated to the respective functional currencies of the Bank. Transactions in foreign currencies are like transactions that set in foreign currencies or have/had to paid in foreign currencies.

At initial recognition the Bank are translated transactions in foreign currencies to the respective functional currency at the valid NBH rate on the date of the transaction.

At the end of the reporting periods:

- monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate on the balance sheet date;
- non-monetary items reported at amortised cost are converted at the exchange rate on the initial day of the transaction; furthermore
- non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

3.31. Trade date and settlement date accounting

A regular purchase or sale of a financial asset is recognized on the date of delivery. Exemptions are derivatives where recognition of purchase is done on the day when the deal is contracted. The date of settlement is the day on which the Bank takes possession of the asset. A regular sale or purchase transaction is a transaction where the asset sold and purchased must be delivered within a set interval prescribed by law or as customary in the market.

3.32. Bank tax

The Hungarian credit institutions are obliged to pay Bank tax from the year 2010.

From 2017 the base of the Hungarian banking tax is the adjusted balance sheet total according to Hungarian Accounting Standards at the actual calendar year minus two years. The Bank tax is presented as other operating expense in the Separate Statement of Profit or Loss because it does not meet the definition of income tax according to IFRS.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements**3.33. Material accounting estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires using of estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Although these estimates are based on management's best knowledge of current event and actions the actual results may differ from those estimates. Estimates are applied in the following areas.

Going concern

The Bank's management assessed the Bank's capabilities to continue operation and found that the Bank has the resources necessary for continued operation in the foreseeable future. Furthermore, the management is not aware of any significant uncertainty that might raise serious doubts in respect of the Bank's ability to exist as a going concern.

Fair value of financial instruments

In cases where the fair value of financial assets and liabilities are not measured at marked to market, other kind of assessment model is necessary to be used to determine fair value. Wherever possible, the input of these models is observable market data. Where such data are not available the Bank uses valuation model to determine fair value. (Note 26)

Deferred tax assets

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. (Note 3.12)

Loan impairment test and its result

The Bank assesses whether it is necessary to set up provisions for impairment of loans and advances to customers. The management makes the relevant decision in view of estimations of amounts and future cash flows. When estimating future cash flows the Bank makes judgments regarding the debtor's financial situation and the net sales price of the collateral.

For the loans and advances that have been assessed individually and found not to be impaired as well as for individually insignificant loans and advances, impairment is also assessed on a portfolio basis, if necessary, taking into consideration the type and classification of loan into homogeneous categories based on clearly defined transaction risks, non-performance history and losses.

Impairment of non-financial assets

The Bank assesses the existence of possible impairment of assets. The Bank estimates the recoverable value of the asset. Recoverable value is the fair value of the asset net of the costs of sale, or the value in use, whichever higher.

When determining value in use expected cash is discounted in consideration of the time value of cash and asset-specific risks.

Each asset is assessed annually (except stated otherwise), when any indication of a reversal or reduction of earlier impairment is assessed. If there is such an indication the Bank estimates the recoverable value of the asset.

3.34. Reclassification and error

After the balance sheet date of the separate financial statements of 2020 there were no mistakes or errors discovered which are significant and affect the decision made by the users based on the financial statements.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

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

In the the state of emergency caused by the coronavirus pandemic the following government decrees and other regulatory instruments were issued which effected the Bank's operations:

Government Decree No. 639/2020 (XII.22.) on immediate measures necessary for alleviating the effects of the coronavirus pandemic on national economy;

MNB Decree No. 20/2021 (VI.23.) of the Governor of the National Bank of Hungary (MNB) on the regulation of financial institutions' maturity matching of forint assets and liabilities;

Government Decree No. 637/2020 (XII.21.) on the introduction of the special rules of the payment moratorium related to the state of emergency.

3.36. Change in estimates

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

3.37. Comparative data

Changes in the valuation policy of certain subsidized retail loans

In 2021, the Bank changed its accounting policy regarding the classification and valuation of a particular class of subsidized retail loans. The interest payments on the retail loans are determined on the basis of the government bond reference yields and a multiplier, and the corresponding loan margin.. Previously, in accordance with the Bank's accounting policy, these loans were measured at amortised cost. For the year ended 31 December 2021, the Bank classified this type of loans as measured at fair value through profit or loss. The new accounting policy is in line with the practice of the majority of the players in the banking sector, thus better facilitating comparability. Therefore, in the Bank's opinion, the change in accounting policy results in a more reliable, comparable and more relevant presentation of the effects of the loans in question on the bank's financial position and financial performance in the financial statements.

The new accounting policy is applied retrospectively by the Bank as if it had always applied this the accounting policy. The bank has made the following adjustments to the comparative figures. At the beginning of the comparative period and at the end of the comparative period, the change in accounting policy did not result in a material change in the carrying amount of the loans involved or equity. Therefore, the Bank did not changed the related balance sheet values for the adjustment relating to period before those presented, the statements, the statements of financial position contains only the data at the end of the current period and at the end of the comparative period.

As a result of the change in accounting policy, the Bank adjusted the data for the comparative period in the statement of profit or loss account in accordance with the profit or loss items of the fair valuation categories.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

Due to the unchanged carrying amount in the balance sheet, this amendment resulted in the following reclassification between the profit or loss categories:

- The Bank recognizes the interest income on non-trading financial assets(loans) mandatorily at fair value through profit or loss in the Income similar to Interest Income line at the value corresponding to transactional interest. The comparative value of the line of interest income calculated using the effective interest rate method has been reduced accordingly by the interest income of the respective loans determined using previously applied effective interest rate method.
- The Bank shows the amount of commission income and commission expenses related to non-trading financial assets (loans) mandatorily at fair value through profit or loss in the Fee and commission income and Fee and commission expenses lines.
- The Bank presents the change in fair value of non-trading financial assets mandatorily at fair value through profit or loss, broken down into two components:
 - The Bank presents the portion of the change in fair value arising from changes in credit risk within Gains on non-trading financial assets mandatorily at fair value through profit or loss, net. This amount is determined using expected credit loss models used for loans measured at amortised cost. The comparative value of Impairment on financial assets not measured at fair value through profit or loss has been reduced accordingly with the loss allowance and reversal amounts for the respective loans.
 - The Bank presents the remaining component of the change in Gains on non-trading financial assets mandatorily at fair value through profit or loss, net.

The change in accounting policy did not impact the net profit for the comparative period. In accordance with the new accounting policy, the Bank amended its respective disclosures notes. In the comparative figures the Bank reduced previously disclosed amortised cost, gross carrying amount, impairment and fair value data by the amounts related to the loans concerned. The bank also amended its disclosures in the notes on assets at fair value through profit or loss for comparative information. These amendments have been marked 'Revised' by the Bank. The bank also revised the presentation of the detailed notes to the amended profit and loss line items for comparative information in accordance with the new values in the statements of the profit or loss.

List of notes affected by the change:

Note number	Note description
Note 4	Interest income and interest expense
Note 5	Fee and commission income and expense
Note 18	Non-trading financial assets mandatorily at fair value through profit or loss
Note 19	Financial instruments at amortised cost
Note 30	Fair value of financial assets and liabilities
Note 31	Risk management
Note 31.4.	Credit risk
Note 31.8.	Liquidity and maturity risks
	Expiry breakdown of the Bank's assets and liabilities
Note 34	Net gains

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

Line item	2020 Re-vised presentation	Reclassification of amounts related to mandatorily measured at fair value through profit or loss	2020 As previously presented
Interest income calculated using the effective interest method	62,272	(3,860)	66,132
Income similar to interest income	4,581	3,860	721
Interest income and similar to interest income	66,853	-	66,853
Fee and commission income	56,043	397	55,646
Fee and commission expense	(15,391)	-	(15,391)
NET FEE AND COMMISSION INCOME	40,652	397	40,255
Gains on derecognition of financial assets and liabilities not measured at fair value	(930)	(990)	60
Impairment on financial assets not measured at fair value through profit or loss	(16,568)	593	(17,161)
Profit for the year	(10,780)	-	(10,780)

*Interest income and similar to interest income without transfer of income from discontinued operations are presented. The reclassification due to discontinued operations decreases interest income in 2020 by HUF 693 million, leaving interest income for the previous year of HUF 66,853 million (Note 4, Note 13).

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements
4. INTEREST AND SIMILAR INCOME AND EXPENSE

	1 January 2021- 31 De- cember 2021	2020 Revised presentation	1 January 2020- 31 De- cember 2020
Interest income *			
Financial assets at amortised cost	85,615	60,188	64,048
<i>resulting from the elimination of this re- classification into the origin of camel loan</i>	(192)	(693)	(693)
Financial assets at fair value through other comprehensive income	2,122	2,777	2,777
Interest income calculated using the effective interest method	87,545	62,272	66,132
Financial assets held for trading	935	51	51
Non-trading financial assets mandatorily at fair value through profit or loss	158	3,918	58
Derivatives – Hedge accounting, inter- est rate risk	786	579	579
Interest income on financial liabilities	211	33	33
Income similar to interest income	2,090	4,581	721
Interest income and similar to in- terest income	89,635	66,853	66,853

*The accounting policy change has changed the classification due to comparative data see in Note 3.37. Note.

	1 January 2021- 31 December 2021	1 January 2020- 31 December 2020
Interest expense *		
Financial liabilities measured at amortised cost*	9,632	5,680
Financial liabilities not valued against other re- sults	428	248
Interest expense calculated using the effec- tive interest method	10,060	5,928
Financial liabilities held for trading	956	125
Derivatives — Hedging accounts, interest rate risk / Hedging derivatives	1,144	1,049
Financial liabilities designated at fair value through profit or loss	-	-
Interest expense on financial assets	171	38
Other interest expense	2,271	1,212
Interest expense and expense similar to in- terest expense	12,331	7,140

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

5. FEE AND COMMISSION INCOME AND EXPENSE

	1 January 2021- 31 De- cember 2021	2020 Revised presentation	1 January 2020- 31 De- cember 2020
<i>Fee and commission income*</i>			
Account management fees	41,885	38,914	38,517
Fee and commission income related to bank cards	8,514	8,047	8,047
Lending fees income	2,521	3,119	3,119
Agency fee income	6,204	5,828	5,828
Other	55	135	135
Total	59,179	56,043	55,646

*The accounting policy change has changed the classification due to comparative data see .3.37. Comment

The following fee and commission income is recorded in accordance with IFRS 15:

Fee income related to account management

The Bank provides account management services to its retail and business clientele. The main types of service are: opening an account, monitoring the balance, arranging transactions within and outside the bank on the basis of a customer order/provision, arranging deposit transactions in relation to the account, cash flow, closing of accounts. Depending on the regularity of the service, their service fee and jute receipts will be charged to customer accounts on a daily, monthly (or more regular basis) or on a case-by-case basis.

In the case of continuous services (e.g. monthly fee for account management, monthly fee for sms services, etc.), fee receipts are recorded monthly on the last day of the month. These fees are typically fixed fees.

In the case of transaction-based services (e.g. remittance orders, direct debits, cash payments, etc.), transaction fees are settled at the same time as the transaction or by collecting monthly transaction fees. Fees are determined on the basis of the amount of the transaction, in % or in combination with a fixed and % combination.

Credit card fee and commission income

Credit card fees are typically fixed fees because card transactions are free of charge. Events related to the maintenance of the card (annual card fee), card re-manufacture and replacement.

Fee income related to lending

Non-interest charges related to credit transactions are regular monitoring fees, fees for validation, verification, review and administration fees. These fees are recorded when the service is incurred or, in the case of a continuous service, monthly, ex post.

Agent fees

The Bank provides brokerage services to other banks, insurers, investment service providers, factor companies. The fees for these services are charged monthly, depending on the volume and value of the customers, transactions, transactions, usually monthly, sold or served on the order.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

	1 January 2021- 31 De- cember 2021	2020 Revised presentation	1 January 2020- 31 De- cember 2020
Fee and commission expense*			
Account management fees	5,031	4,873	4,873
Fee and commission expense related to bank cards	5,421	5,141	5,141
Lending fees expenses	4,637	3,859	3,859
Agency fee expense	1,369	1,463	1,463
Other	42	55	55
Total	16,500	15,391	15,391

The following fee and commission expenses are recorded in accordance with IFRS 15:

Fee expenses related to account management

The fees paid for ancillary services related to account management services provided to customers are typically fees incurred in connection with the payment of account management fees (nostro) to other banks, the sending of statements, cash logistics, cash processing, postal cash transfers, postal payments, postal payments incurred in order to serve the account management of customers. They are usually monthly and regularly in line with continuous account management.

Fee and commission expense related to bank cards In connection with the provision of bank card services, the Bank pays the transaction and production and distribution fees of the bank card to the parent company who is the bank card provider. The amount of these fees depends on the number, volume and value of card transactions, so there are variable rates, but there are also fixed monthly fees. They are accounted for on a monthly basis.

Lending fees

Fees and commissions incurred in connection with the lending of the Bank's clients to other banks and refinansiros are recorded (one-off disbursement fees for refinancing loans, verification fees, etc.). They shall be accounted for on a regular basis and may be subject to variable remuneration depending on the refinancing facility or transactions, but may also be fixed remuneration. They shall be accounted for on a monthly basis or on a case-by-case basis for one-offs.

Fees paid to other entities in connection with client loans are also incurred if they are not part of the effective calculation of interest, e.g. notarial fees, valuation fees, national or other central database usage fees, if they have been re-invoiced to the customer. They are accounted for on a monthly basis on a case-by-case basis or on a continuous basis.

Agent's fee

The Bank also sells its products through agents, so its payments for brokering are typically made on a monthly basis, depending on the volumes sold. Typically used broker services include currency exchange by currency exchange agents, etc.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

6. PROFIT OR LOSS FROM FOREIGN EXCHANGE TRANSACTIONS *

	1 January 2021- 31 December 2021	1 January 2020- 31 December 2020
FX transactions realized gains	3,376	2,552
FX transactions non-realized (loss)/gains	(50)	563
Profit from foreign exchange transactions	3,326	3,115

7. GAINS ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS*

	1 January 2021- 31 December 2021	1 January 2020- 31 December 2020
Gains on derecognition of financial assets at fair value through other comprehensive income, net**	1,665	1,515
Gains or (losses) on derecognition of financial assets at amortised cost, net	(572)	(2,260)
Total	1,093	(745)

8. GAINS ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING, NET

	1 January 2021- 31 December 2021	1 January 2020- 31 December 2020
IRS deals*	(4,781)	(53)
MIRS deals**	4,610	-
FX deals**	(245)	(558)
Other	(209)	110
Total	(625)	(501)

* Interest rate swaps (IRS)

** Foreign exchange transactions (hereinafter FX)

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements
9. OTHER OPERATING INCOME AND EXPENSE

	1 January 2021- 31 December 2021	1 January 2020- 31 December 2020
Other operating income, net		
Result of a discontinued shares	-	-
Net profit on sold property and inventory	47	42
Rental income on property	100	19
Invoiced expenses and services*	915	317
Deferred EIR aid**	2,942	1,259
Non-repayable assets received	-	2
Received compensation for damages	8	65
Other income for previous years	66	386
Provision use ***	56	484
Other****	1,616	224
Total	5,750	2,798

* Cost sharing income based on the framework of SLA settlement agreement among the members of the Bank group.

** Unified Integration System (hereinafter ERMS)

*** See note 25

****In 2021, HUF 1,209 million was settled in other income under the title of the disposal of the liability arising from foreign currency loans related to foreign currency loans (Act XXXVIII of 2014 and Act LX).

	1 January 2021- 31 December 2021	1 January 2020- 31 December 2020
Other operating expense, net		
Scrapping of tangible and intangible assets	2,545	-
Provision on contingent liabilities	26	-
Donation	501	23
Damages	448	122
Results of discontinued holdings	-	10
Other	205	160
Total	3,725	315

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements
10. GENERAL AND ADMINISTRATIVE EXPENSES*

	1 January 2021- 31 December 2021	1 January 2020- 31 December 2020
Staff costs	30,909	31,767
<i>from this reclassification to the result of discontinuing activity</i>	(8)	(9)
Rental fee	327	646
Depreciation of tangible assets	3,480	3,356
Depreciation of intangible assets	1,979	2,113
General and administrative costs*****	17,360	15,134
Marketing and advertising	1,016	936
Consultancy fees	3,009	1,099
IT costs	15,432	14,554
Other taxes and contributions ***	25,672	23,139
Insurance fees	129	144
Supervisory, authority fees****	4,741	5,440
Other	219	530
Total	104,265	98,849

The special tax on financial institutions (bank tax) may be reduced by the fee paid to the Central Organization of Integrated Credit Institutions (hereinafter IHKSZ), accordingly, Takarékbank did not have any payment obligations under this item in 2020 and 2021.

* The increase can be attributed to the cost allocations accounted for as a result of the SLA-based settlement agreement between the banks of the Bank Group.

** In 2021, the management service fee paid to MBH (Magyar Bankholding) in connection with the merger activity appeared as an expense.

*** The change was due to the increase in tax payment costs due to the transaction tax and the business tax.

**** Reason for the decrease: In the first quarter of 2021, the Mutual Fund of Cooperative Credit Institutions was merged into the IHKSZ, thus the commitment fee payable to it was terminated.

11. STAFF COSTS

	1 January 2021- 31 December 2021	1 January 2020- 31 December 2020
Wages and salaries	24,681	25,311
Wages contribution	4,618	5,021
Other personnel related payments	1,610	1,435
Reclassification to earnings from discontinued tasks	(8)	(9)
Total	30 901	31,758

Wages contribution is payable by the Bank based on gross wages and salaries paid to employees. The full-time headcount of the Bank at the end of the reporting period was 4,231. The average annual full-time headcount in 2020 was 4,291.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

12. INCOME TAX

	31 December 2021	31 December 2020
Current income tax	(1)	(12)
Deferred tax expense	1,623	2,372
Total	1,622	2,360

Reconciliation of expected tax based on book earnings and actual tax paid is presented as follows:

The Act LXXXI of 1996 on Corporate Tax applied 9% current income tax rate. Based on this information the Bank calculated the deferred tax with the 9% tax rate in 2021 and in 2020.

	31 December 2021	31 December 2020
<i>Profit (loss) before tax</i>	(3,501)	(13,140)
<i>interest income and operating expense reclassification from discontinuing operations</i>	184	-
Calculated income tax (9%)	299	1,183
Items modifying the Hungarian Tax base	(300)	(1,269)
Effect of IFRS adoption	40	(259)
Effect of the reduction of accrued loss	1,583	2,705
Total	1,622	2,360

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements
Deferred tax position

31 December 2021	Deferred tax as- sets	Deferred tax liabilities	Deferred tax net position	Income statement effect	Deferred tax position in reserves
Items modifying corporate tax base	6,252	-	6,252	1,583	-
Effect of corporate tax of IFRS adoption	-	-	-	40	-
Net deferred tax position	6,252	-	6,252	1,623	-

31 December 2020	Deferred tax assets	Deferred tax liabilities	Deferred tax net position	Income statement effect	Deferred tax position in reserves
Items modifying corporate tax base	4,669	0	4,669	2,631	74
Effect of corporate tax of IFRS adop- tion	(40)	0	(40)	(259)	0
Effect of local business tax of IFRS adoption	0	0	0	0	0
Net deferred tax position	4,629	0	4,629	2,372	74

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

13. DISCONTINUED OPERATIONS

In 2021, Takarékbank Plc. discontinued its financing activities under the cover of pawns. The receivables portfolio was assigned for a consideration equal to 100% of the principal amount of the pledged receivables actually outstanding on the date of the transfer.

	Book value at the date of derecognition
<i>Assets</i>	
Financial assets measured at amortized cost	4,071
Mortgages	4,485
Impairment of mortgages	(414)
Other assets	349
Net assets	4,420

	31 December 2021.
Consideration received	4,863
from this: cash	96
Cash flow	
Cash balance sold	4,420
Consideration received	4,863
Net cash flow	443

	1 Januar 2021 - until the day of discharge	1 Januar 2020.- 31 december
Results for the current year from discontinued activities		
Net interest income	192	693
Net operating profit	192	693
Operating expenses	(8)	(9)
Profit before tax	184	684
Income tax	-	-
Profit for the current year	184	684
Profit from the sale of discontinued activities	443	-
Result of discontinued/discontinued activity	627	684

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements
14. OTHER COMPREHENSIVE INCOME
Components of other comprehensive income

	31 December 2021	31 December 2020
Items that will not be reclassified to profit or loss	-	91
Fair value changes of equity instruments measured at fair value through other comprehensive income	-	17
Income tax relating to items that will not be reclassified	-	74
Items that may be reclassified to profit or loss	(4,713)	(265)
Hedging instruments	2,181	(33)
Debt instruments at fair value through other comprehensive income	(6,894)	(232)
Income tax relating to items that may be reclassified to profit or (-) loss	-	0
Total comprehensive income	(4,713)	(174)

15. CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS

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

	31 December 2021	31 December 2020
Cash on hand	26,510	26,844
Other demand deposits	190,954	49,445
Total	217,464	76,289

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING

	31 December 2021	31 December 2020
<i>Financial liabilities held for trading</i>		
IRS transactions	780	18
Forward transactions	1	2
MIRS transactions	4,673	-
Other derivatives	-	14
Total	5,454	34

	31 December 2021	31 December 2020
<i>Financial liabilities held for trading</i>		
IRS transactions	5,361	18
Forward transactions	-	1
Other derivatives	1,455	-
Total	6,816	19

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2021	31 December 2020
Equity instruments	96	740
Debt securities	199,977	174,924
<i>from this: Government Bonds</i>	177,673	133,560
<i>from this: Credit Institution Bonds</i>	20,204	34,338
<i>from this: Mortgage Bonds</i>	2,100	7,026
Total	200,073	175,664

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Notes to the Separate Financial Statements

The Equity instruments contain securities acquired for non-trading purposes by the Bank that its ownership ratio is under 20%. The table below presents the fair value of this shares as at 31 December 2021:

Shares	Fair value
Garantiqua Hitelgarancia Ltd.	85
Szövetkezeti Hitelintézetek Integrációs Szervezete	10
SWIFT	1
Soltvadkert és Vidéke Tksz."fa"	-
Takarék Egyesült Szövetkezet	-
Dél Alföldi Szakképzési és Nonprofit Zrt.	-
ORIENT ZRT. "fa"	-
Agrárvállalkozási Hitelgarancia Alapítvány	-
Általános Közlekedési Hitelszövetkezet	-
Total	96

The Bank have been reported dividend of HUF zero in equity instruments at fair value through other comprehensive income during the reporting period.

18. NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021	31 December 2020 (Revised presentation)	31 December 2020 (As previously presented)
Equity instruments	7,534	484	484
Loans*	216,872	155,420	2,727
Total	224,406	155,904	3,211

*The accounting policy has changed the classification due to comparative data (see in Note 3.37)

Loans included in non-trading financial assets that are required to be measured at fair value through profit or loss are those groups of loans that do not pass the cash flow test. In 2021, HUF 157 million (HUF 930 million in 2020) losses were lost in connection with loans held at fair value against the result.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

19. FINANCIAL ASSETS AT AMORTISED COST

	31 December 2021	31 December 2020 (Revised presentation)	31 December 2020 (As previously presented)
Debt securities	484,013	136,495	136,495
<i>from: Government Bonds</i>	267,322	113,448	113,448
<i>from: Other issued Bonds</i>	110,004	18,780	18,780
<i>from: Mortgage Bonds</i>	106,687	4,267	4,267
Impairment of debt securities	(677)	(355)	(355)
Loans at amortised cost gross *	1,658,599	1,519,528	1,672,814
<i>from: Interbank</i>	20,200	21,484	21,484
<i>from: Retail</i>	605,419	427,555	580,841
<i>from: Corporate</i>	989,622	1,008,780	1,008,780
<i>from: Local government</i>	43,358	61,709	61,709
Impairment on loans at amortised cost	(64,483)	(49,238)	(49,831)
<i>from: Interbank</i>	(86)	(18)	(18)
<i>from: Retail</i>	(23,281)	(11,951)	(12,544)
<i>from: Corporate</i>	(41,114)	(37,255)	(37,255)
<i>from: Local government</i>	(2)	(14)	(14)
Interbank deposits, loans gross	440,241	734,160	734,160
Impairment of inter-bank deposits and loans	(108)	(180)	(180)
Deposit and loans from banks gross	35,864	24,843	24,843
Impairment on deposit and loans from banks	(2,767)	(448)	(448)
Total	2,550,682	2,364,805	2,517,498

* A rearrangement can be observed in the securities portfolio. In the case of securities acquired in 2020, the Bank applied the contractual cash flow collection business model and continuously sold its securities in the contractual cash flow collection and sale business model.

Impairment under collective and individual assessment:

31 December 2021	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Ex- pected Credit Loss (ECL)	Lifetime Ex- pected Credit Loss (ECL)	Lifetime Ex- pected Credit Loss (ECL)	Purchased or originated credit-im- paired assets	
Individual	-	2,080	12,619	610	15,309
Collective	19,505	17,056	16,203	27	52,791
Total	19,505	19,136	28,822	637	68,100

The above table also includes the impairment of securities at fair value through other comprehensive income (HUF 18 million) and the impairment of other demand deposits (HUF 47 million).

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Notes to the Separate Financial Statements

The gross exposure of individual-impaired loans at amortised cost (retail, corporate, local government) is HUF 39,271 million (related impairment HUF 15,309 million) at 31 December 2021. The gross exposure of collective-impaired loans at amortised cost (retail, corporate, local government) is HUF 1,599,128 million (related impairment HUF 49,088 million) at 31 December 2021.

31 December 2020 (Revised presentation)*	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired assets	
Individual	-	-	8,588	482	9,070
Collective	21,306	7,569	12,255	47	41,177
Total	21,306	7,569	20,843	529	50,247

*The accounting policy change has changed the classification due to comparative data see in Note 3.37. Note.

31 December 2020	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired assets	
Individual	0	0	8,588	482	9,070
Collective	21,618	7,627	12,482	43	41,770
Total	21,618	7,627	21,070	525	50,840

The above table also includes the impairment of securities at fair value through other comprehensive income (HUF 13 million) and the impairment of other demand deposits (HUF 13 million).

20. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Gross value	31 December 2021	31 December 2020
Balance as at 1 January	5,345	32,457
Increase in subsidiary from merger	-	-
Increase in subsidiary *	2,806	(27,112)
Decrease in subsidiary shares	(2,603)	-
Increase in associated shares from merger	(80)	-
Closing balance	4,468	5,345

* A significant part of the increase in the shares of subsidiaries was due to the increase of Takarékbank's stake in TIHASZ Takarékné Ingatlanhasznosító Zrt. and in TIFOR Takarékné Ingatlanforgalmazó Zrt.

The increase was mainly due to the transfer of the liquidation of Fókusz -Sales Kft, Sajóvölgye Back Office Kft, MOVICO Kft, Kátak Invest Kft, M7 Takarékszövetkezeti Ingatlanbefektetési Kft, Pantak Kft, B3 Vagyonkezelő és Szolgáltató Kft and Komtak Kft. The liquidation of the aforementioned companies has been completed and their shareholdings have thus been derecognised.

The result of these transactions is included in the gain or (-) loss from non-current assets and disposal groups classified as held for sale in the amount of HUF 326 million in 2021 (HUF 293 million, in 2020).

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

The Bank measures its investments in subsidiaries, jointly controlled enterprises or associates at cost based on its accounting policy decision in accordance with IAS 27.

The changes of the impairment losses in subsidiaries and associates are the follows.

Impairment	31 December 2021	31 December 2020
Balance as at 1 January	255	284
Loss allowance	109	353
Reversal of loss allowance	(124)	(342)
Release of loss allowance	(81)	(40)
Closing balance	159	255

Equity interests of the Bank in subsidiaries and associates as at 31 December 2021:

	Gross value	Impairment	Book value	Held %
ANTAK 2000 Ltd.	104	-	104	100%
B3 Vagyonkezelő és Szolgáltató Ltd. „v.a.”	-	-	-	-
F House Ltd.	25	10	15	100%
Hajdú Rent Ltd. „v.a.”	625	77	548	100%
Szetak-Szolg. Ltd.	120	-	120	100%
TIFOR Takarék Ingatlanforgalmazó Ltd.	1,510	10	1,500	22%
TIHASZ Takarék Ingatlanhasznosító Ltd.	1,966	-	1,966	8%
Környei Tak-Ing Ltd. va	10	-	10	100%
DIÓFA TM-1	350	-	350	24%
MTB Ltd.	643	-	643	4.65%
Subsidiaries total	5,353	97	5,256	-
Euro Eco Ltd.	13	13	-	22%
Humán Pénzügyi Mediátor Ltd. “v.a.”	40	40	-	49%
iSafe Informatikai Ltd.	62	9	53	25%
Associates total	115	62	53	-
Subsidiaries and associates total	5,468	159	5,309	-

Dividends received from subsidiaries and associates was 0 HUF in 2021 and in 2020.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

21. TANGIBLE ASSETS

31 December 2021	Property	Technical and office equipment, machines, vehicles	Investment in tangible assets	Total
Gross value				
Opening balance	2,101	2,949	1,099	6,149
Increase	299	773	194	1,266
Decrease	(267)	(59)	(510)	(836)
Closing balance	2,133	3,663	783	6,579
Depreciation				
Opening balance	200	1,258	-	1,458
Annual depreciation	330	693	-	1,023
Decrease*	(68)	(35)	-	(103)
Closing balance	462	1,916	-	2,378
Impairment				
Opening balance	-	-	-	-
Increase	-	-	-	-
Decrease	-	-	-	-
Closing balance	-	-	-	-
Net value	1,671	1,747	783	4,201

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

TANGIBLE ASSETS (CONTINUING)

31 December 2020	Property	Technical and office equipment, machines, vehicles	Investment in tangible assets	Total
Gross value				
Opening balance	2,874	2,677	721	6,272
Increase	433	381	697	1,511
Decrease	(1,206)	(109)	(319)	(1,634)
Closing balance	2,101	2,949	1,099	6,149
Depreciation				
Opening balance	43	603	0	646
Annual depreciation	181	701	0	882
Decrease	(24)	(46)	0	(70)
Closing balance	200	1,258	0	1,458
Impairment				
Opening balance	20	0	0	20
Increase	0	0	0	0
Reversal	(20)	0	0	(20)
Closing balance	0	0	0	0
Net value	1,901	1,691	1,099	4,691

*A significant part of the decrease in the value of real estate was due to the real estate application carried out on 31 August 2020 to TIHASZ Takarék Real Estate Utilization Ltd. and TIFOR Takarék Real Estate Distribution Ltd.

The tables contain the tangible assets of the Bank expected the right-of-use assets. Tangible assets of the separate financial statement contain the right-of-use assets under IFRS 16. The net carrying amount of the right-of-use assets was HUF 6,986 million as at 31 December 2021 and HUF 7,326 million as at 31 December 2020.

The right-of-use assets under IFRS 16 have been reported in Note 23.

The Bank estimates the recoverable amount of the tangible asset. Recoverable amount is the fair value of the asset net of the costs of sale, or the value in use, whichever is higher. Where the carrying amount of an asset exceeds its recoverable amount, the Bank recognises impairment on the asset, by this the carrying amount is written down to the recoverable amount. The Bank had not been recognised impairment on tangible assets in 2021.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

22. INTANGIBLE ASSETS

31 December 2021	Intangible assets	CDI asset related to MTB portfolio transfer	Total
Gross value			
Opening balance	6,709	1,275	7,984
Increase	1,221	-	1,221
Decrease	(5,993)	-	(5,994)
Closing balance	1,937	1,275	3,212
Depreciation			
Opening balance	2,260	497	2,757
Annual depreciation	1,738	241	1,979
Decrease	(3,647)	-	(3,647)
Closing balance	351	738	1,089
Impairment			
Opening balance	-	-	-
Increase	-	-	-
Reversal	-	-	-
Closing balance	-	-	-
Net value	1,585	537	2,123

The Bank records software, licenses, trademarks, telephone line locks, ISDN connection fees and utility development contributions purchased as intangible assets.

The CDI asset related to the MTB portfolio transfer was acquired on 1 May 2019 during the transfer.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

INTANGIBLE ASSETS (CONTINUING)

31 December 2020	Intangible assets	CDI asset re- lated to MTB portfolio trans- fer	Total
Gross value			
Opening balance	6,136	1,275	7,411
Increase	727	-	727
Decrease	(154)	-	(154)
Closing balance	6,709	1,275	7,984
Depreciation			
Opening balance	535	199	734
Annual depreciation	1,815	298	2,113
Decrease	(90)	-	(90)
Closing balance	2,260	497	2,757
Impairment			
Opening balance	-	-	-
Increase	-	-	-
Reversal	-	-	-
Closing balance	-	-	-
Net value	4,449	778	5,227

The Bank estimates the recoverable amount of the intangible asset. Based on this were not such an asset by the Bank, where the recoverable amount would have been lower than the carrying amount of an asset, therefore impairment have not been recognised on intangible assets in 2021 and 2020.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

23. IFRS 16 LEASES

Right-of-use and tangible assets

	31 December 2021	31 December 2020
Owned property, plant and equipment	4,201	4,691
Right-of-use assets, except investment properties	6,986	7,326
Total property, plant and equipment	11,187	12,017

Lease liabilities

Lease liabilities presented in the statement of financial position

	31 December 2021	31 December 2020
Short term	3,308	2,426
Long term	3,939	5,280
Total lease liabilities	7,247	7,706

Maturity analysis - undiscounted contractual payments

	31 December 2021	31 December 2020
Up to 1 year	2,730	2,561
1 year to 5 years	4,738	4,941
Over 5 years	96	582
Total undiscounted lease liabilities	7,564	8,084

Right-of-use assets

	Property	Company car	Total
Opening balance at 1 January 2020	7,856	1,237	9,093
Increase	1,081	137	1,218
Amortization for the year	(2,106)	(367)	(2,473)
Decrease	(431)	(81)	(512)
Balance at 31 December 2020	6,400	926	7,326
Increase	1,081	137	1,218
Amortization for the year	(1,967)	(490)	(2,457)
Decrease	(431)	(81)	(512)
Balance at 31 December 2021	6,539	803	7,342

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements
Total cash outflow for leases

	31 December 2021	31 December 2020
Total cash outflow for leases	(520)	(2,671)

Items related to lease liabilities presented in profit or loss

	31 December 2021	31 December 2020
Interest expense on the lease liabilities	(168)	(184)
Expenses related to variable lease payments not included in the measurement of the lease liabilities	0	0
Income from subleasing right-of-use assets	0	0
Gains or losses arising from sale and leaseback transactions	0	0
	(168)	(184)

Items presented in the statement of cash flows

	31 December 2021	31 December 2020
Interest expense on the lease liabilities	(168)	(184)
Cash payments for the principal portion of the lease liability	(520)	(2,671)

The Bank, as the lessee, did not apply the practical solution under the lease payment modifications resulting from the lease relief to any of the lease agreements, as it was not provided with lease relief as a direct consequence of the Covid19 pandemic.

24. OTHER ASSETS

	31 December 2021	31 December 2020
Accrued income and prepaid expenses*	3,501	2,492
Reclaimable taxes	491	83
Repossessed collateral	152	236
Accrued amount of fair value difference at initial recognition of loans under Funding for Growth Scheme	911	1,740
Other	624	587
Total	5,679	5,138

*A significant part of the increase in accrued income relates to accrued income related to credit card services.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

25. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

	31 December 2021	31 December 2020
Deposits	2,457,909	2,252,474
Loans received*	619,299	393,016
Other financial liabilities	9,904	21,294
Total	3,087,112	2,666,784

* There has been a significant increase in refinanced loans under the Growth Loan Program (NHP).

26. PROVISIONS

Provisions are set up mainly for current and contractual obligation. Provision is also set up for a pending lawsuit. The changes in provisions are accounted for in credit loss expense or in other operating expense.

2021	Credit risk provision	Provision for amounts re- lating to accrued va- cation pay	Other provision*	Provision for pending lawsuit	Total
Opening balance at 1 January 2021	4,118	692	191	262	5,263
Increase in the period	9,531	-	184	48	9,763
Derecognition / Use of provision in the period	(9,082)	(35)	(135)	(140)	(9,392)
Closing balance at 31 December 2021	4,567	657	240	170	5,634

The net balance of provisions for losses and release of provisions in 2021 - HUF 371 million - of which HUF 420 million was recognized in the separate Statement of Profit or Loss under provisions, and HUF 56 million was recognized in other operating expenses.

In connection with off-balance sheet exposures denominated in foreign currency, the annual re-valuation difference of provisions denominated in the currency of the exposures was HUF 7 million, which was recognized in the separate Statement of Profit or Loss in loss from foreign exchange transactions.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

2020	Credit risk provision	Provision for amounts relating to accrued vacation pay	Other provision	Provision for pending lawsuit	Total
Opening balance at 1 January 2020	2,024	704	4,506	270	7,504
Increase from mergers	9,696	179	80	249	10,204
Take-out /use during period	(7,602)	(191)	(4,395)	(257)	(12,445)
Closing balance at 31 December 2020	4,118	692	191	262	5,263

* The provision was recognised in connection with the obligations related to the remuneration program, reorganization and severance pay.

27. OTHER LIABILITIES

	31 December 2021	31 December 2020
Taxes payable	3,508	3,504
Suppliers	2	3
Accrued expenses*	22,674	12,997
Accrued part of disbursed liabilities under Funding for Growth Scheme	1,185	2,304
Other	198	224
Total	27,567	19,032

*A significant proportion of the accruals represent the amount of accruals due to cost divisions accounted for as a result of the SLA settlement agreement between the banks of the Banking Group.

28. SHARE CAPITAL

28.1. Ownership structure

The table shows the structure of the shares as follows:

Type of shares	Number of shares		Face value (thousand HUF/pieces)		Total face value (thousand HUF)	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Ordinary shares	9,826	9,826	10,000,000	10,000,000	98,260	98,260
Priority shares	200,000	200,000	10,000	10,000	2,000	2,000
Total	209,826	209,826	0	0	100,260	100,260

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

Shareholders	31 December 2021			31 December 2020		
	Number of shareholders	Face value (in HUF million)	Holding (%)	Number of shareholders	Face value (in HUF million)	Holding (%)
MTB Bank of Hungarian Saving Cooperatives Co. Ltd.	1	73,570	73.38%	1	73,570	73.38%
Magyar Posta Ltd.	1	17,710	17.67%	1	17,710	17.67%
Other legal entity	15	5,760	5.74%	16	5,680	5.66%
Natural person	251	3,200	3.19%	260	3,280	3.27%
Other organization	1	20	0.02%	1	20	0.02%
Total	269	100,260	100.00%	279	100,260	100.00%

Two of the 294 members have more than 5% ownership. Names, registered offices and voting rights of owners above 5% on 31 December 2021:

Name	Registered office	Priority shares (pieces)	Ordinary shares (pieces)	Number of shares (pieces)	Face value	Holding (%)
MTB Bank of Hungarian Saving Cooperatives Co. Ltd.	Budapest	200,000	7,157	207,156	73,570	73.38%
Magyar Posta Ltd.	Budapest	0	1,771	1,771	17,710	17.67%

In the Takarékbank Ltd. has 2 owners with more than 10 % ownership, the number of shares are 208,928 pieces, their total controlling interests are 91.05 %. In addition, no member shall achieve a share of ownership above 5 %.

28.2. Other reserves

	31 December 2021	31 December 2020
General reserve	-	-
Other retained earnings	919	919
Closing balances	919	919

The stock of other reserves decreased in 2020 due to the repayment of HUF 140 million of core loan capital.

28.2.1. General reserve

In accordance with statutory requirements, the Bank is required to set up a non-distributable general reserve equal to 10% of statutory profit after tax. Increases in the general risk reserve are separated from retained earnings, as calculated under Hungarian regulatory rules, and thus are not charged against income. According to the Section 13 (8) of the Government Decree No. 250/2000 (XII.24.) on the specifics of the annual reporting and bookkeeping tasks of investment companies are required to release the general reserve when loss after tax deduction occurs. The amount of the General reserve was fully released as at 31 December 2019.

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28.3. Cumulated other comprehensive income

	31 December 2021	31 December 2020
Opening balance	284	458
Cumulated other comprehensive income	(4,713)	(174)
Items that will not be reclassified to profit or loss	-	91
Fair value changes of equity instruments measured at fair value through other comprehensive income	-	17
Income tax relating to items that will not be reclassified	-	74
Items that may be reclassified to profit or loss	(4,713)	(265)
Cash flow hedges (effective portion)		
Hedging Instruments (unmarked items)	2,181	(33)
Debt instruments at fair value through other comprehensive income	(6,894)	(232)
Income tax relating to items that may be reclassified to profit or loss	-	-
Derecognition of equity instruments at fair value	-	-
Merger change	-	-
Closing balance	(4,429)	284

29. CONTINGENT LIABILITIES

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the separate statement of financial position, they do contain credit risk and are therefore part of the overall risk of the bank.

Off-balance sheet commitments comprise of loans not drawn and other contracted future payments to suppliers of the Bank:

	31 December 2021	31 December 2020
Guarantees	42,113	1,591
Loan commitments	475,330	370,933
Bail	-	6,996
Contingents liabilities from litigation	322	597
Contingent liabilities from other contracts	-	20
Contingent liabilities due to remuneration	-	-
FX spot future liability	-	-
FX forward future liability	-	-
Total	517,765	380,137

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of the on- and off-balance sheet financial assets and liabilities:

Financial instruments stated at amortized cost: due to short-term maturity profiles, the carrying values of certain financial assets and liabilities were assumed to approximate their fair values. These include cash and due from banks and with the National Bank of Hungary as well as deposits.

Securities at fair value through other comprehensive income: Securities at fair value through other comprehensive income held for liquidity purposes are marked to market. For investments traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is based on the expected discounted cash flows.

30.1. Financial assets at amortised cost

The Bank calculates the fair value of loans and advances to customers and refinanced loans at amortized cost on an individual basis.

The applied valuation model takes into account the following:

- The scheduled and calculated repayments, with certain restrictions.
- In case of loan repricing events the model recalculates the interest cash flow.
- In case of loans where amortized cost is calculated with simplified approach no FV correction is applied.

The cash flow series calculated in this way are discounted with the yield curve applied in the Bank's evaluation, which contains the following components:

- Relevant market yield curve
- Spread implied by the annual risk cost
- Premium implied by annual risk costs
- Spread implied by the capital allocated to the loans (regulatory minimum requirement and all addons)
- Allocated operational costs

The net value of assets, i.e. the fair value of the total portfolio of loans is determined by combining and exchanging to HUF the FX values.

Under IFRS 13 a fair value measurement requires during the selection of appropriate valuation techniques an entity to determine all the following:

- all information what is reasonably available for the Bank;
- current and expected market conditions;
- the investment timeline and the type of investment (for example in measuring the fair value of short-term financial investment the current market sentiment to be better reflected some valuation technique than others);
- an entity's lifecycle of an equity instruments (the fair value of the investments in different life cycles is better reflected by some valuation models than by others);
- pro- and counter-cyclicality of an entity's business activity; and
- there are entity-specific factors, in which the entity operates.

In case of illiquid quoted equity instruments are applied 180 days weighted average price in accordance with the market practice for measuring fair value by the Bank.

All figures in tables are in HUF million except otherwise noted

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When a quoted price of an equity instrument is not available the Bank shall measure during the selection of appropriate valuation techniques that primarily takes into account the future cash flows that a market participant would expect to receive from holding the equity instruments. Dividend and cash flow expectations are available from market reporting agent (Bloomberg, Reuters, S&P Market Intelligence), business reports, management letter of intent, etc.

The fair value of financial assets at amortized cost is shown in the table below:

	31 December 2021		31 December 2021		31 December 2021	
	Net book value	Fair value	Net book value	Fair value	Net book value	Fair value
Loans	2,550,682	2,416,308	2,426,856	2,390,556	2,517,498	2,481,071

30.2. Fair value of other items in the statement of financial position

No estimation is made in respect of the fair value of assets and liabilities that are not considered to be financial instruments, such as fixed assets and other assets and liabilities. Given the use of subjective judgement and uncertainties, the fair values should not be interpreted as being realisable in an immediate settlement of the instruments.

30.3. Fair value of derivative transactions

Swap transactions are contracts between two parties to swap the differences of interests or exchange rates for a fixed amount. In case of interest rate swap (IRS) transactions, parties usually swap the fixed and variable interest payments of a given currency. In FXS, they swap fixed payments and given amounts of different currencies. CCIRs are swap transactions where parties swap fix amounts in different currencies as well as fixed and variable interest payments.

	Fair value		Notional amount	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
IRS	780	18	6,081	1,082
MIRS	4,673	-	35,472	-
Other derivatives	1	-	281	-
Total trading derivative assets	5,454	18	41,834	1,082
Hedge derivative deals	5,258	116	81,754	31,009
Total derivative financial assets	10,712	134	123,588	32,091

All figures in tables are in HUF million except otherwise noted

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	Fair value		Notional amount	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
IRS deals	5,361	18	38,941	1,082
Government bond futures case-lets	1,455	-	6,267	-
Total trading derivate liabilities	6,816	18	45,208	1,082
Hedge derivative deals	384	1,476	4,051	63,390
Total derivative financial liabilities	7,200	1,494	49,259	64,472

The fair value of derivative deals is also calculated based on a cash flow basis by the Bank, the derivatives are broken down to elementary cash flows and the present value is calculated. The present value of the future cash flows of fixed interest rate deals is calculated by the Bank using the zero-coupon swap yield curve corresponding to the appropriate currency. The fair value of swap deals is the difference of the present value of the two series of cash flows not yet due (incoming and outgoing).

In the case of floating rate deals the expected interest rates are estimated on a forward basis including interest premium. The interest cash flow calculated and the principal payments are discounted to present value using the multi-level yield curve (forward yield curve, and discounting curve). The fair value of the deal is the aggregate of the present values.

For the Bank's existing derivative contracts designated as fair value hedges, the purpose of the transaction is to exchange fixed interest rate contracts for floating rate transactions and to hedge the resulting fair value risk. The parameters of the hedging instrument (maturity, amount, currency, interest rate, etc.) and thus its cash flow are the same as the parameters of the hedged security and the cash flow of capital and interest.

In the valuation of hedging transactions, the Bank establishes a so-called hypothetical swap and measures its efficiency accordingly.

30.4. Fair value of financial instruments carried at fair value

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Bank calculates the fair value of non-trading financial assets mandatorily at fair value through profit or loss on an individual basis.

The applied valuation model takes into account the following:

- The scheduled and calculated repayments, with certain restrictions.
- In case of loan repricing events the model recalculates the interest cash flow
- In case of loans where amortized cost is calculated with simplified approach no FV correction is applied

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The cash flow series calculated in this way are discounted with the yield curve applied in the Bank's evaluation, which contains the following components:

- Relevant market yield curve
- Spread implied by the annual risk cost
- Spread implied by the capital allocated to the loans (regulatory minimum requirement and all add-ons)
- Allocated operational costs

The net value of assets, i.e. the fair value of the total portfolio of loans is determined by combining and exchanging to HUF the FX values.

Under IFRS 13 a fair value measurement requires during the selection of appropriate valuation techniques an entity to determine all the following:

- all information what is reasonably available for the Bank;
- current and expected market conditions;
- the investment timeline and the type of investment (for example in measuring the fair value of short-term financial investment the current market sentiment to be better reflected some valuation technique than others);
- an entity's lifecycle of an equity instruments (the fair value of the investments in different life cycles is better reflected by some valuation models than by others);
- pro- and counter-cyclicality of an entity's business activity; and
- there are entity-specific factors, in which the entity operates.

In case of illiquid quoted equity instruments are applied 180 days weighted average price in accordance with the market practice for measuring fair value by the Bank.

When a quoted price of an equity instrument is not available the Bank shall measure during the selection of appropriate valuation techniques that primarily takes into account the future cash flows that a market participant would expect to receive from holding the equity instruments. Dividend and cash flow expectations are available from market reporting agent (Bloomberg, Reuters, S&P Market Intelligence), business reports, management letter of intent, etc.

The following table shows an analysis of financial instruments carried at fair value.

	31 December 2021		
	Level 1	Level 2	Level 3
Assets			
Financial assets held for trading	-	5,454	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	224,406
Securities at fair value through other comprehensive income	177,673	22,304	739
Derivatives – Hedge accounting	-	5,258	-
Total assets carried at fair value	177,673	33,016	225,145

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	31 December 2021		
	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities held for trading	-	6,816	-
Derivatives – Hedge accounting	-	384	-
Total liabilities carried at fair value	-	7,200	-

	31 December 2020 (Revised presentation)		
	Level 1	Level 2	Level 3
Assets			
Financial assets held for trading	-	34	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	155,508
Securities at fair value through other comprehensive income	167,721	7,026	916
Derivatives – Hedge accounting	-	116	-
Total assets carried at fair value	167,721	7,176	156,424

	31 December 2020		
	Level 1	Level 2	Level 3
Assets			
Financial assets held for trading	-	34	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	3,211
Securities at fair value through other comprehensive income	167,721	7,026	916
Derivatives – Hedge accounting	-	116	-
Total assets carried at fair value	167,721	7,176	4,127

	31 December 2020		
	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities held for trading	-	19	-
Derivatives – Hedge accounting	-	1,476	-
Total liabilities carried at fair value	-	1,495	-

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Instruments' movements in Level 3 2021	Non-trading financial assets mandatorily at fair value through profit or loss	Securities at fair value through other comprehensive income
Opening balance at 1 January 2021	155,508	916
<i>Statement of profit or loss</i>		
(Loss)/Profit	(157)	-
Other comprehensive income	-	-
<i>Transactions</i>		
Purchase/portfolio growth	69,055	(177)
Transfers	-	-
Closing balance at 31 December 2021	224,406	739

Instruments' movements in Level 3 2020 (revised presentation)	Non-trading financial assets mandatorily at fair value through profit or loss	Securities at fair value through other comprehensive income
Opening balance at 1 January 2020	3,064	732
<i>Statement of profit or loss</i>		
(Loss)/Profit	-	-
Other comprehensive income	-	8
<i>Transactions</i>		
Purchase/portfolio growth	152,444	176
Transfers	-	-
Closing balance at 31 December 2020	155,508	916

Instruments' movements in Level 3 2020	Non-trading financial assets mandatorily at fair value through profit or loss	Securities at fair value through other comprehensive income
Opening balance at 1 January 2020	3,064	732
<i>Statement of profit or loss</i>		
(Loss)/Profit	-	-
Other comprehensive income	-	8
<i>Transactions</i>		
Purchase/portfolio growth	147	176
Transfers	-	-
Closing balance at 31 December 2020	3,211	916

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There was not transfer among the fair value hierarchy levels in 2020.

31. RISK MANAGEMENT

31.1. Overview

Takarékbank Zrt. is a member of the Integration Organisation under act CXXXV of 2013 on the integration of cooperative credit entree. As a part of the Integration Membership, the Savings Bank is covered by the Integration Risk Management Policies, such as the Risk Policy/Risk Strategy.

The Szhítv. According to § 5/A(1), the Integration Organisation and its members are jointly and severally bound by the rules of the Civil Code. Joint and several parties shall cover all claims against the Integration Organisation and its members, irrespective of the date on which they were created.

That's Szhítv. Pursuant to Article § 1(5), the Integration Organisation and its members are supervised on a consolidated basis by hpt.

That's Szhítv. Under Article § 1(5) of the Basic Regulation, the integration of cooperative credit institutions shall be exempted from the specific sub-scheme of the requirements laid down in The European Parliament and Article 10 of Council Regulation (EU) No 575/2013 (CRR). The Hungarian National Bank granted the individual exemption under Article 10 of the CRR to the members of the Integration in Decision H-Y-I-209/2014 dated 3.03.2014.

On 15 December 2020, The Hungarian Bankholding Zrt. started its effective operation after, with the permission of the Hungarian National Bank, the main owners of Budapest Bank Zrt., MKB Bank Nyrt. and The Majority Owner of Takarékbank, MTB Zrt., transferred their bank shares to the joint holding company. Following the transfer, the financial holding company performs prudential control and group management functions over the three banking groups

Risk Strategy – approved by the Board of Directors of MTB Bank of Hungarian Saving Cooperatives Co. Ltd. is mandatory for credit institutions and companies under consolidated supervision led by MTB Bank of Hungarian Saving Cooperatives Co. Ltd. – cover: risk culture, risk taking principles, objectives, risk types, significant risks, risk appetite and risk capacity, risk structure, risk management, the structure and organization of risk management.

The Integration and its member institutions seek to create an integrated risk culture which covering the whole Integration and which is in line with their risk appetite, and their risk tolerance ensure the identification, measurement and management of the emerged risks. The primary tools for creating a risk culture are internal policies, strategies, regulations and guidelines, communication and training of employees.

The risk capacity of Takarékbank Ltd. should be in line with the financial resources that are available to cover potential losses. In order to this the current and future economic, capital requirements and the capital requirements under Pillar 1 for quantifiable risk types are calculated.

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Prudent risk taking is a fundamental value for the Takarékbank. In order to this risk management identifies, evaluates and analyses the exposures. It processes the information gained, develops risk guidelines, and operates risk management systems.

The Risk Strategy is based on the following main pillars:

- in risk management application of the best approaches and methods applied in market practice
- identification of risk and yield profile of segments, products and risk positions and continuous monitoring
- consideration of the risks in business decisions
- separation the risk management organisation from the business division
- the importance of all stages of the risk management process
- the risk management process is the part of the Bank Group's management system, its aspects are integrated into the strategic and annual planning.

The exposure is basically credit-, liquidity-, market- and operational risks.

31.2. Risk management structure

Board of Directors

The Boards of Directors are responsible for the Bank's risk management policy and strategy. The Boards of Directors approve the basic framework rules for risk management and guidelines of applicable methodologies. Due to the Integration Membership the Banks follow the risk strategy, apply the uniform risk management policies of the Integration and report about their risks to the central bodies of the Integration – to the MTB Bank of Hungarian Saving Cooperatives Co. Ltd. and the Integration Organisation of Cooperative Credit Institution (SZHISZ).

Based on regular risk exposure reports, the Boards of Directors evaluate the risk management activities and the level of exposure of the banks. If the level of exposure undertaken by the banks does not correspond to the strategy the Board takes measures to contain risks.

Risk Taking-Risk Management Committee

The members of the Committee are members of the Board of Directors who are not employed by Takarékbank Ltd. The Committee shall in particular:

- a) preparing an expert opinion for senior executives on Bank's current and future risk-taking strategy and risk appetite,
- b) supporting the Board of Directors in supervising the implementation of the risk-taking strategy,
- c) an examination of the consistency between the pricing principles and Bank's business model and risk-taking strategy; and
- d) an examination of the remuneration policy in terms of whether the incentive elements of the remuneration system established take into account Takarékbank's risks, capital and liquidity position, and the probability and timing of incomes.

Supervisory Board

The Supervisory Boards of the Takarékbank are responsible for monitoring the overall risk and risk management processes within the Bank. In this context they supervise and monitor the suitability of methods and systems applied by the Takarékbank in order to ensure compliance with the statutory capital adequacy requirements.

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Risk Control and Assets and Liabilities Committee (RC-ALCO)

The Risk Control Assets and Liabilities Committee is exercised its authority on an individual level referring to the Bank.

The Risk Control Assets and Liabilities Committee is exercised its authority relating to the asset and liability management, planning/controlling management, pricing and sales, developing, liquidity risk management, market risk management, credit and counterparty risk, concentration risks, operational risk, risk policy / risk strategy, capital management and categories defined in the internal policies for the Committee.

The RC-ALCO has the right make decisions according to the defined categories. The committee determines the strategic and development orientations for the business management related to Takarékbank interest bearing assets and liabilities. The committee has different tasks related to the asset and liability management (ensuring liquidity, interest rate risk, exchange rate risk, capital adequacy, interest margin and funding risk management). Continuously monitors the Takarékbank and the Integration the liquidity position, makes suggestion for the interest policy. In order to ensure the prudential requirements, the Bank shall establish and maintained the conformity between income and liquidity.

Lending Committee (HB)

The Commission decides on matters delegated to the Commission in the internal regulations, decides on matters referred to it by the Credit Regulation (Decision Competence Order Annex)

Methodology Committee (MB)

The competence of the Methodology Committee is exercised at the individual level of MBH and the Bank.

The Methodology Committee performs all the tasks required by law or supervisory recommendations from a risk control, a risk methodology, an operational risk management and an NPL committee in the areas specified in the Rules of Procedure of the Standing Committees.

In detail:

- Defining risk strategy, risk self-assessment, risk appetite and related limits - proposing to the Board of Directors, allocating limits to group members
- Setting concentration and country risk limits, approving risk management principles, allocating and re-measuring limits
- Approval of changes in risk parameters affecting risk appetite, including risk methodological proposals related to product development
- Approval of risk regulations
- Regular and adhoc risk reports (credit risk, operational risk, large exposures, internal credit, other risks, except market and liquidity, which is the responsibility of the EFB)
- ICAAP-SREP methodological changes, parameters, credit ratings, etc. approval (Pillar 1 and Pillar 2, including market risk topics), monitoring, supervisory control
- Develop and monitor an SREP action plan
- Modeling framework changes, model validation system approval

Department of Risk Management is responsible for determining the requirements necessary for the prudent operation. They develop the risk guidelines and manage credit, liquidity, market and operational risk.

Internal Audit

The elements of the internal control system (management control and management information system incorporated in processes, and an independent internal control unit function) cover the Takarékbank's all organizational units and are incorporated in day-to-day operation. They are traceable and provide feedback to the appropriate levels of management and control.

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Risk management processes are audited regularly by the internal audit organization that examines both the adequacy of the procedures and the compliance with the procedures. Internal Audit reports its findings to the Takarékbank's Supervisory Board and the Management of the Takarékbank.

Risk evaluation and reporting system

Takarékbank is measured the risk exposure in accordance with the methods defined in laws and integration policies.

In terms of liquidity as well as interest, shares and exchange rate risks, risks are essentially monitored and controlled by means of setting up limits of acceptable exposure. The limits reflect the willingness to undertake risks, and the market environment. Takarékbank collects and analyses data about events and losses related to risk from operation. As a result of risk assessment the Bank determines the level of capital justified by the level of acceptable exposure.

Risk Taking-Risk Management Committee, The Boards of Directors and The Supervisory Board evaluate the reports on risks of the Takarékbank on a quarterly basis.

31.3. Risk mitigationInterest rate and exchange rate risks

To minimize the risk of interest- and foreign exchange rate risks Takarékbank manage their asset and liability structure.

Credit risk

Credit risk is the risk of the Bank suffering losses because the borrowers (clients or partners) fail to meet their contractual obligation to the Takarékbank.

Risk-taking for retail customers was carried out using standardized loan facilities and lending processes, which resulted in a high number of customers, a low amount of individual loans, diversification and thus the spraying of risks.

There are also standardized product deliveries for micro and small businesses. Risk-taking against medium-sized and large companies is based on individual analysis and decisions, and continuous monitoring is given great emphasis.

Takarékbank applies strict regulations to determine the scope of eligible collaterals, their valuation method and the coverage ratio.

The majority of the credit insurance value of real estate collateral is determined by Takarékatlan, which belongs to the Takarékbank Group, while the Credit Collateral Value is approved by Takarékbank's Collateral Management team.

31.4. Credit risk*31.4.1. Credit rating*

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The standard has been endorsed by the European Union (EU).

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Impairment

The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortized cost or FVOCI, and to off balance sheet lending commitments such as loan commitments and financial guarantees (hereafter collectively referred to as “Financial Assets”). This contrasts to the IAS 39 impairment model which was not applicable to loan commitments and financial guarantee contracts, as these were instead covered by International Accounting Standard 37: “Provisions, Contingent Liabilities and Contingent Assets” (IAS 37).

Under IFRS 9, the Bank first evaluates individually the Financial Assets whether objective evidence of impairment exists for loans that are individually significant. It then collectively assesses loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment available under the individual assessment.

Staged Approach to the Determination of Expected Credit Losses

IFRS 9 introduces a three stage approach to impairment for Financial Assets that are performing at the date of origination or purchase. This approach is summarised as follows.

Stage 1:

Takarékbank recognizes a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition.

Stage 2:

Takarékbank recognizes a credit loss allowance at an amount equal to lifetime expected credit losses (LTECL) for those Financial Assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default (LTPD) that represents the probability of default occurring over the remaining lifetime of the Financial Asset. Allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3:

Takarékbank recognizes a loss allowance at an amount equal to lifetime expected credit losses, reflecting a Probability of Default (PD) of 100 %, via the recoverable cash flows for the asset, for those Financial Assets that are credit-impaired. The Bank definition of default is aligned with the regulatory definition. The treatment of loans in Stage 3 remains substantially the same as the treatment of impaired loans under IAS 39 except for homogeneous portfolios as described below. Financial Assets that are credit impaired upon initial recognition are categorised purchased or originated credit-impaired (POCI) with a carrying value already reflecting the lifetime expected credit losses. The accounting treatment for these (POCI) assets is discussed further below.

Significant Increase in Credit Risk

Under IFRS 9, when determining whether the credit risk (i.e., risk of default) of a Financial Asset has increased significantly since initial recognition, Takarékbank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information based on the Bank historical experience, credit risk assessment and forward-looking information (including macro-economic factors). The assessment of significant credit deterioration is key in determining when to move from measuring an allowance based on 12-month ECLs to one that is based on lifetime ECLs (i.e., Stage 1 to Stage 2). The Bank’s framework aligns with the internal Credit Risk Management process and covers rating related and process related indicators which are discussed further in the section below on Model Descriptions.

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Credit Impaired Financial Assets in Stage 3

Takarékbank has aligned its definition of credit impaired under IFRS 9 to when a Financial Asset has defaulted for regulatory purposes, according to the Capital Requirements Regulation (CRR) under Art. 178.

The determination of whether a Financial Asset is credit impaired focusses exclusively on default risk, without taking into consideration the effects of credit risk mitigates such as collateral or guarantees. Specifically, a Financial Asset is credit impaired and in Stage 3 when:

- The Takarékbank considers the obligor is unlikely to pay its credit obligations. Determination may include forbearance actions, where a concession has been granted to the borrower or economic or legal reasons that are qualitative indicators of credit impairment; or
- Contractual payments of either principal or interest by the obligor are past due by more than 90 days.

For Financial Assets considered to be credit impaired, the ECL allowance covers the amount of loss the Bank is expected to suffer. The estimation of ECLs is done on a case-by-case basis for non-homogeneous portfolios, or by applying portfolio based parameters to individual Financial Assets in these portfolios via the Bank's ECL model for homogeneous portfolios.

Forecasts of future economic conditions when calculating ECLs are considered. The lifetime expected losses are estimated based on the probability-weighted present value of the difference between 1) the contractual cash flows that are due to the Bank under the contract; and 2) the cash flows that the Group expects to receive.

A Financial Asset can be classified as in default but without an allowance for credit losses (i.e., no impairment loss is expected). This may be due to the value of collateral. The Bank's ECL calculation is conducted on a quarterly basis.

Default

The Savings Bank classifies and treats clients and exposures as defaults in accordance with Article 178(1) of the CRR. A customer's default shall be deemed to have occurred if one or both of the following occurs:

- (a) the Institution considers that the client is unlikely to fully meet its credit obligations (UTP) to the institution, its parent company or a subsidiary company unless the institution seeks a return in order to draw down the collateral;
- (b) the customer's significant credit obligation to the Institution, the parent company or any of its subsidiaries is delayed by more than 90 days

Purchased or Originated Credit Impaired Financial Assets

A Financial Asset is considered purchased or originated credit-impaired if there is objective evidence of impairment at the time of initial recognition (i.e., rated in default by Credit Risk Management). Such defaulted Financial Assets are termed POCI Financial Assets. Typically, the purchase price or fair value at origination embeds expectations of lifetime expected credit losses and therefore no separate credit loss allowance is recognised on initial recognition. Subsequently, POCI Financial Assets are measured to reflect lifetime expected credit losses, and all subsequent changes in lifetime expected credit losses, whether positive or negative, are recognised in the income statement as a component of the provision for credit losses.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements**Write-off**

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in Provision for impairment losses in the separate statement of Profit or Loss.

*31.4.2. Model Descriptions - Expected Credit Loss***Stage determination**

At initial recognition, Financial Assets which are not POCI are reflected in Stage 1. If there is a significant increase in credit risk, the Financial Asset is transferred to Stage 2. Significant increase in credit risk is determined by using rating-related and process-related indicators as discussed below. In contrast, the assignment of a financial instrument to Stage 3 is based on the status of the obligor being in default.

Rating-Related Indicators:

Based on a dynamic change in counterparty PDs that is linked to all transactions with the counterparty, the Bank compares lifetime PD at the reporting date, with expectations at the date of initial recognition. Based on historically observed migration behaviour and available forward-looking information, an expected forward rating distribution is obtained. A quantile of this distribution, which is defined for each counterparty class, is chosen as the threshold. If for the remaining lifetime the PD of a transaction given current expectations exceeds the PD of the relevant threshold rating, the Financial Asset is considered as significantly deteriorated. The thresholds used to determine Stage 2 indicators are determined using expert judgment and validated annually.

Process-Related Indicators:

Process-related indicators are derived via usage of existing risk management indicators, which allow the Bank to identify whether the credit risk of Financial Assets has significantly increased. These include obligors being added mandatorily to a credit watchlist, being mandatorily transferred to workout status, payments being 30 days or more overdue or in forbearance.

On an ongoing basis, as long as the condition for one or more of the indicators is fulfilled and the Financial Asset is not recognized as defaulted, the asset will remain in Stage 2. If none of the indicator conditions is any longer fulfilled and the Financial Asset is not defaulted, the asset transfers back to Stage 1. In case of a default, the Financial Asset is allocated to Stage 3.

Expected Lifetime model

The expected lifetime of a Financial Asset is a key factor in determining the lifetime expected credit losses. Lifetime expected credit losses represent default events over the expected life of a Financial Asset. Takarékbank measures expected credit losses considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk.

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Retail overdrafts, credit card facilities and certain corporate revolving facilities typically include both a loan and an undrawn commitment component. The expected lifetime of such on-demand facilities exceeds their contractual life as they are typically cancelled only when the Bank becomes aware of an increase in credit risk. The expected lifetime is estimated by taking into consideration historical information and the Bank's Credit Risk Management actions such as credit limit reductions and facility cancellation. Where such facilities are subject to an individual review by Credit Risk Management, the lifetime for calculating expected credit losses.

Forward-Looking Information

Under IFRS 9, the allowance for credit losses is based on reasonable and supportable forward looking information obtainable, which takes into consideration past events, current conditions and forecasts of future economic conditions.

To incorporate forward-looking information into allowance for credit losses, the Bank uses two key elements: As its base scenario, the Bank uses the macroeconomic forecasts provided by Hungarian National Bank. These forecasts cover a number of macroeconomic variables (e.g., GDP, unemployment rates) and reflect Regulator search's view as to the most likely development of those variables, typically over a two-year period and updated quarterly.

This base scenario is then translated into a multiple scenario analysis by leveraging the stress test environment. This environment generates the impact of a multitude of economic scenarios and is used as basis for deriving multi-year PD curves for different rating and counterparty classes, which are applied in the calculation of expected credit losses and in the identification of significant deterioration in credit quality of Financial Assets.

The general use of forward-looking information, including macro-economic factors, as well as adjustments taking into account extraordinary factors, are monitored by the Bank's Risk Management.

Assumptions and the Estimation Techniques

IFRS 9 does not distinguish between individually significant or not individually significant Financial Assets and as such the Bank calculates expected credit losses for each Financial Asset individually. Similarly, the determination of the need to transfer between stages is made on an individual asset basis.

The Bank uses three main components to measure ECL. These are PD, Loss Given Default (LGD) and Exposure at Default (EAD).

Incorporating forecasts of future economic conditions into the measurement of expected credit losses influences the allowance for credit losses for each stage. In order to calculate lifetime expected credit losses, the Bank's calculation includes deriving the corresponding lifetime PDs from migration matrices that reflect economic forecasts.

The expected credit loss calculation for stage 3 distinguishes between transactions in homogeneous and non-homogeneous portfolios, and purchased or originated credit-impaired transactions. For transactions that are in Stage 3 and in a homogeneous portfolio, a similar approach as for Stage 1 and 2 transactions is taken. Since a Stage 3 transaction is defaulted, the probability of default is equal to 100 %.

Below the estimation techniques for the input factors are described in more detail.

The one-year PD for counterparties is derived from our internal PD model. The Bank assigns a PD to each relevant counterparty credit exposure for our exposure.

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The counterparty ratings assigned are derived based on internally developed rating models which specify consistent and distinct customer-relevant criteria and assign a rating grade based on a specific set of criteria as given for a certain customer. The set of criteria is generated from information sets relevant for the respective customer segments including general customer behaviour, financial and external data. The methods in use range from statistical scoring models to expert-based models taking into account the relevant available quantitative and qualitative information. Expert-based models are usually applied for counterparties in the exposure classes “Central governments and central banks”, “Institutions” and “Corporates” with the exception of those “Corporates” segments. For the latter as well as for the retail segment statistical scoring or hybrid models combining both approaches are commonly used. Quantitative rating methodologies are developed based on applicable statistical modelling techniques, such as logistic regression.

One-year PDs are extended to multi-year PD curves using conditional transition matrices. The first step in the estimation process is the calculation of through-the-cycle (TTC) matrices, which are derived from a multi-year rating history. For the next two years, economic forecasts are available. These forecasts are used to transform the TTC matrices into point-in-time (PIT) rating migration matrices.

LGD is defined as the likely loss intensity in case of a counterparty default. It provides an estimation of the exposure that cannot be recovered in a default event and therefore captures the severity of a loss. Conceptually, LGD estimates are independent of a customer’s probability of default. The LGD models ensure that the main drivers for losses (i.e., different levels and quality of collateralization and customer or product types or seniority of facility) are reflected in specific LGD factors. In our LGD models we assign collateral type specific LGD parameters to the collateralized exposure.

The EAD over the lifetime of a Financial Asset is modelled taking into account expected repayment profiles. We apply specific Credit Conversion Factors (CCFs) in order to calculate an EAD value. Conceptually, the EAD is defined as the expected amount of the credit exposure to a counterparty at the time of its default. In instances where a transaction involves an unused limit, a percentage share of this unused limit is added to the outstanding amount in order to appropriately reflect the expected outstanding amount in case of a counterparty default.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

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IFRS 9 credit risk tables are presented below.

Credit risk exposure 31 December 2021

31 December 2021	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Gross carrying amount per asset type					
Cash on hand	26,510	-	-	-	26,510
<i>Investment grade</i>	26,510	-	-	-	26,510
Other demand deposits	191,001	-	-	-	191,001
<i>Investment grade</i>	191,001	-	-	-	191,001
Securities at fair value through other comprehensive income	199,995	-	-	-	199,995
<i>Investment grade</i>	199,995	-	-	-	199,995
Securities measured at amortised cost	484,013	-	-	-	484,013
<i>Investment grade</i>	484,013	-	-	-	484,013
Due from banks	440,241	-	-	-	440,241
<i>Investment grade</i>	440,241	-	-	-	440,241
<i>Non-investment grade</i>	-	-	-	-	-
Retail	441,896	141,978	21,262	283	605,419
<i>Investment grade</i>	432,996	118,013	-	69	551,078
<i>Default grade</i>	398	1,962	21,262	213	23,835
<i>Non-investment grade</i>	8,502	22,003	-	1	30,506

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements
Credit risk exposure 31 December 2021 (continuing)

31 December 2021 (continuing)	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Gross carrying amount per asset type					
Corporate	796,023	171,923	40,421	1,455	1,009,822
<i>Investment grade</i>	800,724	134,958	-	139	935,821
<i>Default grade</i>	308	1,813	40,421	1,305	43,847
<i>Non-investment grade</i>	(5,009)	35,152	-	11	30,154
Local government	798	1	-	42,559	43,358
<i>Investment grade</i>	798	-	-	42,259	43,057
<i>Default grade</i>	-	1	-	4	5
<i>Non-investment grade</i>	-	-	-	296	296
Advances	33,098	-	2,767	-	35,865
<i>Investment grade</i>	33,098	-	-	-	33,098
<i>Default grade</i>	-	-	2,767	-	2,767
Total gross carrying amount	2,613,575	313,902	64,450	44,297	3,036,224
Loss allowance	19,505	19,136	28,822	637	68,100
Carrying amount	2,594,070	294,766	35,628	43,660	2,968,124

All figures in tables are in HUF million except otherwise noted
The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

31 December 2020 (Revised presentation)	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Ex- pected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or origi- nated credit-im- paired financial asset	
Gross carrying amount per asset type					
Cash on hand	26,844	-	-	-	26,844
<i>Investment grade</i>	26,844	-	-	-	26,844
Other demand deposits	49,458	-	-	-	49,458
<i>Investment grade</i>	49,458	-	-	-	49,458
Securities at fair value through other com- prehensive income	174,938	-	-	-	174,938
<i>Investment grade</i>	174,938	-	-	-	174,938
Securities measured at amortised cost	136,495	-	-	-	136,495
<i>Investment grade</i>	136,495	-	-	-	136,495
Due from banks	755,644	-	-	-	755,644
<i>Investment grade</i>	755,627	-	-	-	755,627
<i>Non-investment grade</i>	17	-	-	-	17
Retail	393,502	18,938	14,718	397	427,555
<i>Investment grade</i>	377,685	14,301	-	70	392,056
<i>Default grade</i>	-	198	12,571	327	13,096
<i>Non-investment grade</i>	15,817	4,439	2,147	-	22,403

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

31 December 2020 (continuing) (Revised presentation)	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Ex- pected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or origi- nated credit-im- paired financial asset	
Gross carrying amount per asset type					
Corporate	840,875	143,978	21,390	2,537	1,008,780
<i>Investment grade</i>	829,162	138,252	-	138	967,552
<i>Default grade</i>	-	734	21,390	2,280	24,404
<i>Non-investment grade</i>	11,713	4,992	-	119	16,824
Local government	61,683	-	26	-	61,709
<i>Investment grade</i>	60,158	-	-	-	60,158
<i>Default grade</i>	0	-	26	-	26
<i>Non-investment grade</i>	1,525	-	-	-	1,525
Advances	24,395	-	448	-	24,843
<i>Investment grade</i>	24,395	-	-	-	24,395
<i>Default grade</i>	-	-	448	-	448
Total gross carrying amount	2,463,834	162,916	36,582	2,934	2,666,266
Loss allowance	21,306	7,569	20,843	529	50,247
Carrying amount	2,442,528	155,347	15,739	2,405	2,616,019

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

Credit risk exposure 31 December 2020

31 December 2020	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Gross carrying amount per asset type					
Cash on hand	26,844	-	-	-	26,844
<i>Investment grade</i>	26,844	-	-	-	26,844
Other demand deposits	49,458	-	-	-	49,458
<i>Investment grade</i>	49,458	-	-	-	49,458
Securities at fair value through other comprehensive income	174,938	-	-	-	174,938
<i>Investment grade</i>	174,938	-	-	-	174,938
Securities measured at amortised cost	136,495	-	-	-	136,495
<i>Investment grade</i>	136,495	-	-	-	136,495
Due from banks	755,627	-	-	-	755,627
<i>Investment grade</i>	755,627	-	-	-	755,627
<i>Non-investment grade</i>	17	-	-	-	17
Retail	543,092	21,795	15,557	397	580,841
<i>incl.: gross carrying amount of client effected relief program from retail loan</i>	241,899	17,627	10,441	-	269,967
<i>Investment grade</i>	527,275	17,158	-	70	544,503
<i>Default grade</i>	-	198	13,410	327	13,935
<i>Non-investment grade</i>	15,817	4,439	2,147	-	22,403

*All items except the marked one are classified as Investment grade.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

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Credit risk exposure 31 December 2020

31 December 2020 (continuing)	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Gross carrying amount per asset type					
Corporate	840,875	143,978	21,390	2,537	1,008,780
<i>incl.: gross carrying amount of client effected relief program from corporate loan</i>	248,777	70,224	12,774	-	331,775
<i>Investment grade</i>	829,162	138,252	-	138	967,552
<i>Default grade</i>	-	734	21,390	2,280	24,404
<i>Non-investment grade</i>	11,713	4,992	-	119	16,824
Local government	61,683	-	26	-	61,709
<i>Investment grade</i>	60,158	-	-	-	60,158
<i>Default grade</i>	0	-	26	-	26
<i>Non-investment grade</i>	1,525	-	-	-	1,525
Advances	24,395	-	448	-	24,843
<i>Investment grade</i>	24,395	-	-	-	24,395
<i>Default grade</i>	-	-	448	-	448
Total gross carrying amount	2,613,424	165,773	37,421	2,934	2,819,552
Loss allowance	21,618	7,627	21,070	525	50,840
Carrying amount	2,591,806	158,146	16,351	2,409	2,768,712

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The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements
Credit-impaired (Stage 3) assets at 31 December 2021

31 December 2021	Gross exposure	Impairment	Carrying amount
Local government other loan	-	-	-
Retail other loan	6,580	6,404	176
Retail mortgage	14,682	4,276	10,406
Corporate loan	40,421	15,375	25,046
Advances	2,767	2,767	-
Total credit-impaired assets	64,450	28,822	33,587

Credit-impaired (Stage 3) assets at 31 December 2020 (revised presentation)

31 December 2020	Gross exposure	Impairment	Carrying amount
Local government other loan	-	-	-
Retail other loan	6,862	6,678	184
Retail mortgage	7,882	2,315	5,567
Corporate loan	21,390	11,402	9,988
Advances	448	448	-
Total credit-impaired assets	36,582	20,843	15,739

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The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements
Impairment movement table 2021

Type of device	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Impairment loss as at 1 January 2021	21,306	7,569	20,843	529	50,247
Movements with P&L impact					
Reclassification					
Reclassification from Stage 1 to Stage 2	(1,997)	9,732	-	1	7,736
Reclassification from Stage 1 to Stage 3	(387)	-	8,287	31	7,931
Reclassification from Stage 2 to Stage 1	92	(312)	-	-	(220)
Reclassification from Stage 2 to Stage 3	-	(650)	4,640	9	3,999
Reclassification from Stage 3 to Stage 1	14	-	(343)	-	(329)
Reclassification from Stage 3 to Stage 2	-	404	(1,268)	(2)	(866)
Changes in PDs/LGDs/EADs	(836)	1,508	73	69	814
New financial assets originated or purchased	5,149	1,933	826	-	7,908
Exchange rate and other movements	-	-	-	-	-
Other movements with no P&L impact					
Financial assets derecognised during the period	(3,836)	(1,048)	(4,236)	-	(9,120)
Impairment loss as at 31 December 2021	19,505	19,136	28,822	637	68,100

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

Impairment movement table 2021

Type of device	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Impairment loss as at 1 January 2021	21,306	7,569	20,843	529	50,247
Interbank exposure	42	-	-	-	42
Change in PDs/LGDs/EADs	42	-	-	-	42
Securities	327	-	-	-	327
Change in PDs/LGDs/EADs	327	-	-	-	327
Retail	(44)	7,982	4,015	30	11,983
Real estate covered	(252)	5,350	1,956	30	7,084
Reclassification between Stage categories	(579)	4,759	1,966	(1)	6,145
Change in PDs/LGDs/EADs	54	396	430	31	911
New financial asset purchased or created	-	-	-	-	-
Impairment per contractual change	445	254	34	-	733
Exchange rate and other movements	-	-	-	-	-
Financial assets decreed during the period	(172)	(59)	(474)	-	(705)

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Notes to the Separate Financial Statements
Provision movement table 2021

Asset type	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Revolving	(100)	132	94	-	126
Reclassification between Stage categories	(99)	122	144	-	167
Change in PDs/LGDs/EADs	6	7	12	-	25
New financial asset purchased or created	22	4	6	-	32
Financial assets decreed during the period	(29)	(1)	(68)	-	(98)
Other covered	(15)	50	5	1	41
Reclassification between Stage categories	(9)	47	22	-	60
Change in PDs/LGDs/EADs	(3)	3	16	1	17
Financial assets decreed during the period	(3)	0	(33)	-	(36)
Other unsecured	323	2,450	1,960	(1)	4,732
Reclassification between Stage categories	(381)	1,912	1,350	-	2,881
Change in PDs/LGDs/EADs	583	238	651	(1)	1,471
New financial asset purchased or created	625	312	205	-	1,142
Financial assets decreed during the period	(504)	(12)	(246)	-	(762)

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The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

Provision movement table 2021

Asset type	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Corporate	(2,107)	3,583	3,973	77	5,526
Reclassification between Stage categories	(1,191)	2,334	7,834	40	9,017
Change in PDs/LGDs/EADs	(1,540)	864	(1,033)	37	(1,672)
New financial asset purchased or created	4,084	1,363	580	-	6,027
Financial assets decreed during the period	(3,460)	(978)	(3,408)	-	(7,846)
Municipalities	(20)	-	(10)	-	(30)
Reclassification between Stage categories	(19)	-	(2)	-	(21)
Change in PDs/LGDs/EADs	-	-	(1)	-	(1)
New financial asset purchased or created	1	-	0	-	1
Financial assets decreed during the period	(2)	-	(7)	-	(9)
Advances	1	2	1	1	5
Change in PDs/LGDs/EADs	1	2	1	1	5
Provision as at 31 December 2021	19,505	19,136	28,822	637	68,100

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

Impairment movement table 2020 (Revised presentation)

Asset type all	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Impairment loss as at 1 January 2020	13,494	1,463	25,947	629	41,533
Movements with P&L impact					
Reclassification					
Reclassification from Stage 1 to Stage 2	(1,469)	4,431	-	-	2,962
Reclassification from Stage 1 to Stage 3	(62)	-	1,151	-	1,089
Reclassification from Stage 2 to Stage 1	111	(465)	-	-	(354)
Reclassification from Stage 2 to Stage 3	-	(230)	1,144	-	914
Reclassification from Stage 3 to Stage 1	57	-	(1,149)	-	(1,092)
Reclassification from Stage 3 to Stage 2	-	47	(210)	-	(163)
Changes in PDs/LGDs/EADs	5,404	(145)	2,966	(100)	8,125
New financial assets originated or purchased	6,213	2,685	-	-	8,898
Exchange rate and other movements	-	-	-	-	-
Other movements with no P&L impact					
Financial assets derecognised during the period	(2,442)	(217)	(9,006)	-	(11,665)
Impairment loss as at 31 December 2020	21,306	7,569	20,843	529	50,247

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

Impairment movement table 2020

Asset type all	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired financial asset	
Impairment loss as at 1 January 2020	13,494	1,463	25,947	629	41,533
Movements with P&L impact					
Reclassification					
Reclassification from Stage 1 to Stage 2	(1,469)	4,431	-	-	2,962
Reclassification from Stage 1 to Stage 3	(62)	-	1,151	-	1,089
Reclassification from Stage 2 to Stage 3	111	(465)	-	-	(354)
Reclassification from Stage 3 to Stage 2	-	(230)	1,144	-	914
Reclassification from Stage 2 to Stage 1	57	-	(1,149)	-	(1,092)
Reclassification from Stage 3 to Stage 1	-	47	(210)	-	(163)
Changes in PDs/LGDs/EADs	5,716	(87)	3,193	(104)	8,718
New financial assets originated or purchased	6,213	2,685	-	-	8,898
Exchange rate and other movements	-	-	-	-	-
Other movements with no P&L impact					
Financial assets derecognised during the period	(2,442)	(217)	(9,006)	-	(11,665)
Impairment loss as at 31 December 2020	21,618	7,627	21,070	525	50,840

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

Provision movement table 2021

Asset type all	Stage 1	Stage 2	Stage 3	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	
Risk provision as of 1 January 2021	3,131	809	178	4,118
Movements with P&L impact				
Reclassification				
Reclassification from Stage 1 to Stage 2	(61)	112	-	51
Reclassification from Stage 1 to Stage 3	(11)	-	258	247
Reclassification from Stage 2 to Stage 1	2	(13)	-	(11)
Reclassification from Stage 2 to Stage 3	-	(1)	15	14
Reclassification from Stage 3 to Stage 1	2	-	(42)	(40)
Reclassification from Stage 3 to Stage 2	-	4	(7)	(3)
New financial assets originated or purchased	1,672	639	93	2,404
Changes in PDs/LGDs/EADs	(537)	(223)	(2)	(762)
Other movements with no P&L impact				
Financial assets derecognised during the period	(1,202)	(183)	(66)	(1,451)
Impairment loss as at 31 December 2021	2,996	1,144	427	4,567

All figures in tables are in HUF million except otherwise noted

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Provision movement table 2020

Asset type all	Stage 1	Stage 2	Stage 3	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	
Risk provision as of 1 January 2020	1,536	25	463	2,024
Movements with P&L impact				
Reclassification				
Reclassification from Stage 1 to Stage 2	(163)	131	-	(32)
Reclassification from Stage 1 to Stage 3	(2)	-	37	35
Reclassification from Stage 2 to Stage 1	4	(13)	-	(9)
Reclassification from Stage 2 to Stage 3	-	-	-	-
Reclassification from Stage 3 to Stage 1	2	-	(45)	(43)
Reclassification from Stage 3 to Stage 2	-	-	-	-
New financial assets originated or purchased	1,755	673	-	2,428
Changes in PDs/LGDs/EADs	796	4	49	849
Exchange rate and other movements	-	-	-	-
Other movements with no P&L impact				
Financial assets derecognised during the period	(797)	(11)	(326)	(1,134)
Impairment loss as at 31 December 2020	3,131	809	178	4,118

All figures in tables are in HUF million except otherwise noted

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Exposure to credit risk on loan commitments and financial guarantees

31 December 2021	Stage 1	Stage 2	Stage 3	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	
Retail exposure	19,159	2,183	120	21,462
Corporate exposure	415,601	38,945	1,731	456,277
Local government exposure	30,146	3	1	30,150
Interbank exposure	5	-	-	5
Total exposure to credit risk	464,911	41,131	1,852	507,894

31 December 2020	Stage 1	Stage 2	Stage 3	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	
Retail exposure	20,659	108	37	20,804
Corporate exposure	288,278	32,806	606	321,690
Local government exposure	22,429	-	-	22,429
Interbank exposure	15,000	-	-	15,000
Total exposure to credit risk	346,366	32,914	643	379,923

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Notes to the Separate Financial Statements
31.4.3. Client effected by payment relief program 2020

Due to the first payment moratorium provided for in the LVIII Act of 2020 on transitional arrangements for the cessation of emergency and epidemiological preparedness, the 2020 payment moratorium will be in place until 31 December 2020. From 19 March 2020, all corporate and retail loan contracts have been suspended from the obligation to pay principal, interest and fees and no repayments are required until 31 December 2020. A government decree (second payment moratorium) came into force on 01.01.2021, according to which the moratorium on loan repayments is open until 30 June 2021. The moratorium on payment shall be without prejudice to the debtor's right to perform in accordance with the original terms and conditions. Any unpaid interest accrued during the moratorium on payment and any fees shall be paid annually in equal instalments over the remaining extended term, together with the repayment instalment due, after the moratorium on payment has expired. The monthly instalment shall not increase due to unpaid interest and principal, except for the change in the interest/interest charge specified in the contract. The maturity is extended according to this. Due to the moratorium, the customer may at any time decide whether or not to take advantage of the payment discount provided by the moratorium on repayments.

The loss due to the amendment was calculated on the basis of estimated expected payment schedules under these legislation. The institution has re-established the methodology of impairment in accordance with the law and recommendations following the start of the emergency. Credit risk monitoring is a key element of the methodology for measuring the significant credit risk increase since its initial release. During the pandemic period, the institution placed even greater emphasis on this activity. A stricter procedure has been used in individual monitoring processes and new methodologies have been introduced to identify firms with deteriorating risk. In addition, the institution recalculated its previously applied IFRS parameters, taking into account the expected macroeconomic effects. This ensured the establishment of appropriate loss levels in the different credit risk categories.

Financial instruments modified during the period up to 31 December 2020	12 month ECL	Lifelong ECL	Total
Gross cost before adjustment	492,884	111,521	604,405
Loss before modification	(7,610)	(13,874)	(21,484)
Net amortized cost before adjustment	485,274	97,647	582,922
Net change profit or (-) loss (change in carrying amount)	(3,126)	(694)	(3,820)
Impairment gains or (-) losses	50	120	170
Net amortized cost after adjustment	482,198	97,073	579,271

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

Characteristics of loans covered by payment relief program

31 December 2020	Number of loans	Loans after impairment	% portfolio
Retail loans	79,090	262,474	46.38 %
Corporate loans	8,946	316,797	32.83 %
Total (Retail and Corporate loans)	88,036	579,271	37.78 %

Within corporate loans, according to statistics reported for December 2020, 46.9% of loans to non-financial corporations affected by the payment program were active in real estate rental industry, 10% information and communication, 9.4% by wholesale and retail trade, 8.1% by manufacturing, 4.2% in the agricultural industry.

Client effected by payment relief program 2020

Carrying amount of loans

31 december 2020	Non-impaired loans		Impaired loans	Total
	Stage 1	Stage 2	Stage 3	
Retail loans	241,409	17,580	10,441	269,400
<i>Investment classification</i>	233,351	13,517	159	247,027
<i>Default classification</i>	0	3,937	10,239	14,176
<i>Non-investment classification</i>	8,058	126	13	8,197
Corporate loans	248,349	70,094	12,742	331,185
<i>Investment classification</i>	244,341	65,413	43	309,797
<i>Default classification</i>	0	422	12,676	13,098
<i>Non-investment classification</i>	4,008	4,259	23	8,290
Gross book value	489,758	87,674	23,153	600,585
Impairment	(7,560)	(3,658)	(10,096)	(21,314)
Carrying amount	482,198	84,016	13,057	579,271

In the tables above, the loans covered by the payment facilitation scheme include the actual recipients. Book value represents IFRS exposure on December 31, 2020.

31.4.4. Client effected by payment relief program 2021

In 2021 the moratorium on repayment has been prolonged until 31 October 2021 with unchanged conditions based on the Government Decree 536/2021. about the amendment of Government Decree No. 637/2020 (XII.21.) on the introduction of the special rules of the payment moratorium related to the state of emergency.

The modification loss due to the amendment of the legislation was updated with a 4-month extension.

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31.4.5. Customers affected by the payment facilitation programme 2021 (based on payment moratorium declaration)

After 31 October 2021, rightholders in need will be able to apply for the moratorium by making a separate declaration until 30 June 2022. (moratorium on payments on the basis of a declaration). The loss due to the amendment was calculated on the basis of the expected payment schedules estimated on 31 October 2021 on the basis of this legislation.

The table below contains information for this scope of privilege:

Financial instruments modified during the period up to 31 December 2021	12 month ECL	Lifelong ECL	Total
Gross cost before adjustment	27	79,957	79,984
Loss before modification	-	(16,751)	(16,751)
Net amortized cost before adjustment	27	63,206	63,233
Net change profit or (-) loss (change in carrying amount)	-	(569)	(569)
Impairment gains or (-) losses	-	119	119
Net amortized cost after adjustment	27	62,756	62,783

Characteristics of loans covered by a payment relief program 2021 (based on payment moratorium declaration)

31 December 2021	Number of loans	Net receivables	% portfolio
Retail loans	7,657	33,367	5.51%
Corporate loans	609	29,416	2.97%
Total (Retail and Corporate loans)	8,266	62,783	5.78%

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Client effected by payment relief program (based on payment moratorium declaration)

Carrying amount of loans

31 december 2021	Non-impaired loans		Impaired loans	Total
	Stage 1	Stage 2	Stage 3	
Retail loans	27	25,447	15,797	41,271
Investment classification	27	23,485	-	23,512
Default classification	-	127	15,797	15,924
Non-investment classification	-	1,835	-	1,835
Corporate loans	-	17,677	20,466	38,143
Investment classification	-	17,677	-	17,667
Default classification	-	-	20,466	20,466
Non-investment classification	-	10	-	10
Gross book value	27	43,124	36,263	79,414
Impairment	-	(2,044)	(14,587)	(16,631)
Carrying amount	27	41,080	21,676	62,783

In the tables above, the loans covered by the payment facilitation scheme include the actual recipients. Book value represents IFRS exposure on December 31, 2021.

31.4.4.2. Customers affected by the interest rate cap program

Based on Government Decree No. 782/2021 (XII.24.) on different application in the state of emergency of Act CLXII of 2009 on Consumer Credit in the case of a mortgage contract tied to a reference interest rate, if the repricing date is before or between 1 January 2022 and 30 June 2022 the applicable reference interest rate must not be higher than the reference interest rate valid on 27 October 2021.

The modification loss under this legislation was calculated based on the expected payment schedules as of 31 December 2021.

Financial instruments modified during the period up to 31 December 2020	12 month ECL	Lifelong ECL	Total
Gross cost before adjustment	69,621	53,210	122,831
Loss before modification	(458)	(5,732)	(6,190)
Net amortized cost before adjustment	69,163	47,479	116,642
Net change profit or (-) loss (change in carrying amount)	(677)	(519)	(1,196)
Impairment gains or (-) losses	-	-	-
Net amortized cost after adjustment	68,486	46,960	115,446

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31 December 2021	Number of loans	Loans after im- pairment	% portfolio
Retail loans	28,916	115,446	19.07 %
Total (Retail and Corpo- rate loans)	28,916	115,446	19.07 %

Customers affected by the interest rate cap program 2021
Carrying amount of loans

31 december 2021	Non-impaired loans		Impaired loans	Total
	Stage 1	Stage 2	Stage 3	
Retail loans	68,944	45,708	6,984	121,636
Investment classification	68,841	36,297	-	105,138
Default classification	-	1,064	6,984	8,048
Non-investment classification	103	8,347	-	8,450
Impairment	(458)	(3,128)	(2,604)	(6,190)
Carrying amount	68,486	42,580	4,380	115,446

In the tables above, the loans covered by the payment facilitation scheme include the actual recipients. Book value represents IFRS exposure on December 31, 2021.

31.4.5. Restructured loans

As a restructured claim, Takarékbank records a claim containing a discount for which the original contract giving rise to the claim was amending in order to avoid non-payment because the debtor could not meet his repayment obligation under the original contractual terms or could not comply with it in the absence of the concession.

Cases of contract change that is considered a discount

a) A contract amendment which constitutes a concession may relate, inter alia:

- deferring repayments (interest and principal payments) for a temporary period (grace period),
- payment of instalments,
- to change the rate of interest, re-price it (e.g. in the form of an interest discount),
- capitalisation of interest,
- to change the currency,
- to extend the duration of the loan,
- to reschedule repayments,
- to reduce the amount of collateral, collateral required, to exchange it with other collateral, with collateral, to forset cover (for margin release),
- to establish new contractual terms and conditions, to terminate part of the original terms.

b) On the basis of an amendment to the contract which constitutes a concession, an additional agreement or a new contract may be concluded between the parties or between the parties and

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the related undertaking of the original creditor, which relates to a new loan for the purpose of repaying the debt (principal or interest owed) due to the cancelled or unresisted original contract, or to an additional commitment to avoid an increase in risk and mitigate losses, in which case claims incurred by Takarékbank as a result of this additional stop or related new contract are also considered to be restructuring claims.

The Savings Bank treats the following cases as non-performing restructuring:

- a. the amended contract was considered non-performing prior to the amendment or, in the absence of the modification, the original contract would be deemed to be non-performing,
- b. the contract amendment includes partial or total debt waiver,
- c. at the same time as or close to the discount granted in respect of other debt, the debtor has made interest payments or principal repayments in respect of his loan to Savings Bank, which is covered by the non-performing exposure or, in the absence of a discount, which constitutes a loan,
- d. a change in the contract involving repayment by validating the collateral, if the modification includes a discount.

Change of monitoring grades/cure

- The total recovery period for restructured performing transactions is 730 days (there should be no significant delay of more than 30 days during this period), after successful recovery it can be put into normal or enhanced monitoring client management.
- The recovery period for non-performing - restructured or default - restructured transactions is 365 days (there can be no significant delay during this period) after successful recovery-weeks of preventive/intensive customer treatment.

Restructured loan book broken down by type of loan

31 December 2021	Gross value	Impairment	Carrying amount	Number of loan
Retail exposure	17,871	1,732	16,139	4,175
Corporate exposure	983	709	274	58
Municipal exposure	1	-	1	1
Total	18,855	2,441	16,414	4,234

31 December 2020	Gross value	Impairment	Carrying amount	Number of loan
Retail exposure	20,221	1,194	19,026	4,662
Corporate exposure	1,325	626	699	72
Municipal exposure	4	2	2	1
Total	21,550	1,822	19,727	4,735

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Notes to the Separate Financial Statements
31.4.6. Collaterals for lending risk applied by Takarékbank:

The credit risk collateral of the Savings Bank, as applied to its existing exposures in the course of the risk-taking process:

Real estate

The Bank accepts as collateral mortgages, independent or separated liens established on such real estate that is registered in Hungary and have long live stable value.

Real estate is valued by independent appraisers who are not involved in decision-making regarding the loan and who establish the collateral value conservatively.

State guarantee and GHG Ltd. or AVGHA guarantee

All instances of State guarantee and other guarantee accepted by Takarékbank involve joint and several liabilities set forth by law. The rules governing the guarantee are laid down in statutory provisions.

Deposit

Deposit can take the form of cash, bank deposit or securities.

Other

In addition to the above the Banks also accept assigned claims, lien on claims, otherwise its credit risk has been decreased with assets that covered loans taking into collaterals.

The table below shows the structure of the collaterals:

	31 December 2021	31 December 2020
Mortgage	1,844,732	1,693,623
Deposit	208,978	168,457
Guarantee	650,761	429,284
Other collaterals, fuses	34,894	29,320
Total	2,739,365	2,320,684

The above detailed collaterals cover fully the amount of the loans. Among the collaterals the value of mortgage represents the collateral value allocated to the mortgage at disbursement (market value less discount factor) in case of Customer loans. All other items are valued at their own value (for example the assignment is valued at the amount which was assigned). The category of other collaterals contains the insurances.

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The table below shows the maximum credit risk exposure:

	31 December 2021	31 December 2020
Other demand deposit	190,954	49,445
Financial assets at fair value through other comprehensive income	200,716	175,664
Financial instruments held for non-trading purposes valued at fair value against the mandatory origin	216,872	155,420
Retail loans	580,841	350,859
Corporate loans	1,008,780	861,692
Local government loans	61,709	89,059
Due from banks	755,644	468,531
Advances	24,843	22,341
Off-balance sheet commitments	475,330	343,239
Total gross credit risk exposure	3,515,689	2,516,250

31.5. Market risk

Market risks are including the interest rate risk and equity risk in the trading book (position risk), furthermore foreign exchange rate risk from the complete banking activity.

Takarékbank leads trading book, maintains low its interest rate-, equity-, and foreign exchange rate risk exposure by means of eligible limit system and test of key controls.

31.6. Interest risk

Interest risk derives from interest changes, which affect the value of financial instruments. A bank is also exposed to interest risk when the amounts of assets, liabilities and off-balance sheet instruments maturing or re-priced in a particular period are not in harmony. Takarékbank assess interest risk on a continuous basis with the help of Gap-analysis and sensitivity analysis. Besides the effect of the unbeneficial interest scenarios is monitored continuously with stress testing: how can change the Bank's interest income and expense, or the long term economic capital value. The Bank manages market risk mainly by natural hedging through the eligible content of securities and derivative portfolio.

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The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements
Interest risk exposure – sensitivity analysis (figures in HUF million)

	Sensitivity of interest income 12/31/2021+1 bp	Sensitivity of interest income 12/31/2020+1 bp	Sensitivity of interest income 12/31/2020 +10 bp	Sensitivity of interest income 12/31/2020 +25 bp
HUF	(37)	(5)	(371)	(927)
EUR	(1)	(6)	(11)	(28)
USD	0	0	2	4

The sensitivity analysis is performed according to the standard method of using 1 base point increase in interest rates, the excursion is symmetric meaning 1 base point decrease in interest rates would result in the same figures with opposite sign.

Sensitivity of net income is the estimated effect of one base point increase in interest rates to net interest income realized in advance over a period of one year, based on floating rate financial assets and liabilities or those financial assets and liabilities to be re-priced next year carried as of the last day of the given year. It means that if interest increase by one basis point from the close of business 31 December 2021 net interest income would decrease by HUF 37 million in case of HUF, it would decrease by HUF 1 million in case of EUR.

31.7. Exchange rate risk management

The business policy of Takarékbank is to keep exchange rate risk at a low level, it may hold an open foreign exchange position up to the limit specified in the banking book

The Bank strives to immediately hedge the exchange risks related to its core business as allowed by market circumstances. Takarékbank applies VaR calculations and stress tests on the measurement of the foreign exchange exposures.

FX risk (in the case of 1% increase in exchange rate) HUF thousand

FX	Effect on earnings before income tax (31 December 2020)	Effect on capital (31 December 2020)	Effect on earnings before income tax (31 December 2019)	Effect on capital (31 December 2019)
EUR	(430)	(430)	4,890	4,890
USD	210	210	340	340
CHF	(420)	(420)	1,500	1,500
Other	430	430	520	520

The sensitivity analysis is performed according to the standard method of using 1% increase in foreign exchange rates, the excursion is symmetric meaning 1% decrease in foreign exchange rates would result in the same figures with opposite sign.

In addition to the 1 % increase in the exchange rate due to the Bank's foreign exchange positions, the estimated pre-tax profit and equity may increase by approximately HUF 430,000 for EUR items, HUF 420,000 for CHF, HUF 210,000 for USD and HUF 430,000 for other currencies.

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Separate FX financial position of the bank in terms of main currencies:

31 December 2021	HUF	EUR	CHF	Other	Total
Total assets	2,968,884	246,792	2,071	16,167	3,233,914
Total liabilities	(2,862,474)	(246,805)	(2,112)	(16,122)	(3,127,513)
Shareholders' equity	(106,401)	-	-	-	(106,401)
Off-balance sheet items	185,031	(8,964)	(491)	(326)	175,250
Position	185,040	(8,977)	(532)	(281)	175,250

31 December 2020	HUF	EUR	CHF	Other	Total
Total assets	2,654,248	134,361	2,376	13,955	2,804,940
Total liabilities	(2,545,217)	(131,242)	(2,244)	(13,871)	(2,692,574)
Shareholders' equity	(112,366)	0	0	0	(112,366)
Off-balance sheet items	58,226	2,394	(323)	(149)	60,148
Position	54,891	5,513	(191)	(65)	60,148

31.8. Liquidity and maturity risk

The liquidity is the ability of the institute to fund its asset increasing and to serve its payment obligations entirely as they fall due without having unplanned liquidation losses.

Liquidity risk is associated with maturity transfers for profitability, long-term placements of short-term funds, environmental impacts and the behaviour of other market participants.

The most common method of measuring and analysing liquidity risk is based on cash flow analysis. In the liquidity risk analysis, Takarékbank analyses the funding needs arising from the balance of outflows and inflows into maturity bands and compares the accumulated funding gap measured over different time horizons with the level of balancing capacities. Takarékbank tends to perform the analysis not only on the total cash movements converted into HUF, but also on the most important foreign currencies for the institution.

Takarékbank characterizes liquidity risks with several indicators and limits, the most important of which are based on regulatory indicators (DMM, JMM, LCR, NSFR, required reserve ratio) and various liquidity stress tests. In addition, Takarékbank operates an early warning system to detect liquidity disturbances in a timely manner.

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Maturities of undiscounted cash flows of financial liabilities

31 December 2021	On demand	Within 3 months	3 - 12 months	1 –5 years	5 – 10 years	10 – 15 years	Over 15 years	Total
Financial obligations held for trading purposes	-	1,455	-	785	4,576	-	-	6,816
Cash liabilities assessed at amortised cost	1,723,126	84,445	708,270	168,860	122,030	152,651	127,730	3,087,112
Derivatives - hedging settlements	-	-	-	384	-	-	-	384
Provisions	-	-	896	4 738	-	-	-	5 634
Other financial liabilities	19,607	4,824	2,284	103	742	7	-	27,567
Total banking liabilities	1,742,733	90,724	711,450	174,870	127,348	152,658	127,730	3 127 513

31 December 2020	On demand	Within 3 months	3 - 12 months	1 –5 years	5 – 10 years	10 – 15 years	Total
Banking liabilities							
Deposits	1,654,890	449,960	69,440	75,386	2,651	148	2,252,475
Due to banks	7	278	97	23,219	82,859	286,555	393,015
Other financial liabilities	4,005	10,234	1,910	4,941	204	0	21,294
Total banking liabilities	1,658,902	460,472	71,447	103,546	85,714	286,703	2,666,784

In the table, the undiscounted interest cash flows includes only the accrued interest.

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Notes to the Separate Financial Statements
Maturity analysis of assets and liabilities as of 31 December 2021

	Less than 12 months	Over 12 months	Total
Assets			
Cash, cash balances at central banks and other demand deposits	217,464	-	217,464
Financial assets held for trading	186	5,268	5,454
Financial assets at fair value through other comprehensive income	66,205	133,868	200,073
Cash instruments valued at amortised cost and financial instruments valued at fair value against earnings and held for non-trading purposes	555,950	2,219,138	2,775,088
Derivatives – Hedge accounting	-	5,258	5,258
Investments in subsidiaries, joint ventures and associates	-	5,309	5,309
Tangible assets	-	11,187	11,187
Intangible assets	-	2,123	2,123
Tax assets	27	6,252	6,279
Other assets	4,748	931	5,679
Total assets	844,580	2,389,334	3,233,914
Liabilities			
Financial liabilities held for trading	1,455	5,361	6,816
Financial liabilities measured at amortised cost	2,515,841	571,271	3,087,112
Derivatives – Hedge accounting	-	384	384
Provisions	896	4,738	5,634
Other liabilities	26,715	852	27,567
Total liabilities	2,544,907	582,606	3,127,513

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements
Maturity analysis of assets and liabilities as of 31 December 2020

	Less than 12 months	Over 12 months	Total
Assets			
Cash, cash balances at central banks and other demand deposits	76,289	-	76,289
Financial assets held for trading	34	-	34
Financial assets at fair value through other comprehensive income	58,968	116,696	175,664
Financial assets at amortised cost	1,034,155	1,486,554	2,520,709
Derivatives – Hedge accounting	116	-	116
Investments in subsidiaries, joint ventures and associates	-	5,090	5,090
Tangible assets	-	12,017	12,017
Intangible assets	-	5,227	5,227
Tax assets	27	4,629	4,656
Other assets	5,138	-	5,138
Total assets	1,174,727	1,630,213	2,804,940
Liabilities			
Financial liabilities held for trading	19	-	19
Financial liabilities measured at amortised cost	2,190,821	475,963	2,666,784
Derivatives – Hedge accounting	1,476	-	1,476
Provisions	5,263	-	5,263
Other liabilities	19,002	30	19,032
Total liabilities	2,216,581	475,993	2,692,574

31.9. Management of operational risk

The Takarékbank manages operational risks primarily by improving internal policies, procedures, adequate training of employees involved in work processes and the further development of built-in control mechanisms. Takarékbank collects and analyses operational risk loss data and key risk indicators (KRI) that are reported on a monthly basis.

The Savings Bank carried out an operational risk self-assessment of key activities and identified rare events with heavy losses in the event of them, the impact of which is assessed by a scenario analysis.

In line with supervisory requirements, Takarékbank has compiled an inventory of the models used to assess the model risks and an inventory of the products to identify the risks inherent in the products.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

31.10. Treatment of risk concentration

The Bank is significantly exposed to the status of real estate market regarding the high proportion of real estate in securities. This concentration risk is mitigated by applying conservative method in collateral values and cover rate and also by diversifying their product portfolio from collateral perspective (meaning to increase the proportion of other than real estate securities) seeks to atomize risks and enforce a wide range of collateral.

32. CALCULATION OF REGULATORY CAPITAL, CAPITAL ADEQUACY AND ROAE

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

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

33. RELATED PARTY TRANSACTION

For the purpose of the financial statements, Magyar Bank Holding Ltd. identified related parties based on definition of IAS 24 including all the enterprises that directly or indirectly through one or more intermediaries are controlled by the reporting enterprise (this includes parents and subsidiaries) and key management personnel, including the member of the Board and Supervisory Board. For the purposes of this Report, related parties also include shareholders whose holding in the Bank exceeds 10%. Related parties have the power of control over or have a significant influence in, decisions relating to the finances and operation of another enterprise. The Group enters into transactions with related parties under market conditions.

The list of the related parties, - including the subsidiaries, associates and other shares of the Bank and other shares of the Magyar Bank Holding. Ltd. as a main parent company- as at 31 December 2020 is the following.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

Company	Classification	Core business
MTB Zrt.	Parent company	Other lending
Magyar Bankholding Zrt.	Parent company	Asset management
Takarékinfo Központi Adatfeldolgozó Zrt.	Associate	Data services, web hosting services
Takarék Jelzálogbank Nyrt.	Subsidiary	Other lending
Takarék Lízing Zrt.	Subsidiary	Other lending
Takarék Ingatlan Zrt.	Subsidiary	Estate agent service
Takarék INVEST Kft.	Subsidiary	Asset management
TIFOR Takarék Ingatlanforgalmazó Zrt.	Subsidiary	Own property real estate buying and selling
TIHASZ Takarék Ingatlanhasznosító Zrt.	Subsidiary	Own renting and operating real estate
Magyar Takarék Bankholding Zrt.	Subsidiary	Asset management
Takarék Faktorház Zrt.	Subsidiary	Other lending
Takarékszövetkezeti Informatikai Kft.	Subsidiary	IT service
Takarék Zártkörű Befektetési Alap	Subsidiary	Investment fund
Takarék Mezőgazdasági és Fejlesztési Magántőkealap	Subsidiary	Investment fund
Takarék Kockázati Tőkealap	Associate	Investment fund
OPUS TM1 Ingatlan Befektetési Alap	Subsidiary	Investment fund
MPT Securty Zrt.	Associate	Security services
DBH Investment Zrt.	Subsidiary	Other activities auxiliary to financial services
EQUILOR II. Magántőkealap	Associate	Investment fund
Budapest Bank Zrt.	Subsidiary	Other monetary intermediation
MKB Bank Nyrt.	Subsidiary	Other monetary intermediation
MKB Üzemeltetési Kft.	Subsidiary	Renting and operating of own leased real estate
Euro - Immat Üzemeltetési Kft.	Subsidiary	Leasing of intangible assets
MKB Digital Szolgáltató Zrt.	Subsidiary	Computer programming
MKB- Euroleasing Autólízing Zrt.	Subsidiary	Financial lending
MKB Bank MRP Szervezet	Subsidiary	Other activities auxiliary to financial services
Retail Prod Zrt.	Subsidiary	Other lending
MKB-Pannónia Alapkezelő Zrt.	Associate	Investment fund
Budapest Eszközfinanszírozó Zrt.	Subsidiary	Other tangible assets leasing
Budapest Lízing Zrt.	Subsidiary	Financial leasing
Budapest Alapkezelő Zrt.	Subsidiary	Investment fund

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

The TakaréK Központi Követeléskezelő Ltd. was classified as held for sale on 31 December 2021.

Loans disbursed to members of the Bank's management bodies amounted to HUF 104 million as at 31 December 2021, and HUF 26 million as at 31 December 2020.

31 December 2021	Outstanding amount	Type of loans
Loans less than 12 months	0	overdraft
Loans over 12 month	104	housing mortgage loan
Total	104	

31 December 2020	Outstanding amount	Type of loans
Loans less than 12 months	5	overdraft
Loans over 12 month	21	housing mortgage loan
Total	26	

	31 December 2021		31 December 2020	
	Head-count	The amount of emoluments	Head-count	The amount of emoluments
Members of Board of Directors	7	29	7	29
Members of Supervisory Board	5	14	5	14
Total payments	12	43	12	43

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

Details of transaction in 2021 and 2020 between the Bank and other related parties are disclosed on the next table.

31 December 2021	Parent company	Subsidiaries	Associates	Key management
Due from banks	630,635	-	-	-
Loans	7,750	48,867	10,669	79,183
Other assets	6,574	28,572	-	-
Total assets	644,959	77,439	10,669	79,183
Due to banks	425,359	224,341	772	0
Deposits from customers	-	-	-	81,904
Other liabilities	46,095	6,969	-	-
Total liabilities	471,454	231,310	772	81,904
Interest income	10,043	1,050	355	1,231
Interest expense	(738)	(4,155)	(1)	(255)
Net interest income	9,305	(3,105)	354	976
Fee and commission income	2,210	542	50	-
Fee and commission expense	(5,113)	(679)	(1,692)	-
Net fee and commission income	(2,903)	(137)	(1,642)	-
Net other operating income	(1,526)	1,787	140	-
Net other operating expense	(5,795)	5,718	(321)	-
Operating income	(7,321)	7,505	(181)	-
Operating expense	(12,547)	(2,541)	(12,922)	(43)
Profit/loss on transactions with related parties	(13,466)	1,723	(14 391)	933

The compensation of key employees include only short term benefits.

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

31 December 2020	Parent company	Subsidiaries	Associates and joint ventures	Key management
Due from banks	358,603	-	-	-
Loans	-	330	10,338	8,043
Other assets	574	7,209	6,568	-
Total assets	359,177	7,539	16,906	8,043
Due to banks	90,598	12,779	533	-
Deposits from customers	-	-	-	6,092
Other liabilities	3,834	22	1,251	0
Total liabilities	94,432	12,801	1,784	6,092
Interest income	2,129	946	312	-
Interest expense	13	(2,922)	(50)	-
Net interest income	2,142	(1,976)	262	-
Fee and commission income	317	658	84	-
Fee and commission expense	(2,763)	(95)	(1,371)	-
Net fee and commission income	(2,446)	563	(1,287)	-
Net other operating income	1,070	247	41	-
Net other operating expense	(259)	(423)	(1)	-
Operating income	811	(176)	40	-
Operating expense	(9,984)	(167)	(14,608)	(43)
Profit/loss on transactions with related parties	(9,477)	(1,755)	(15,593)	(43)

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

Outstanding balances with government related entries:

	31 December 2021		31 December 2020	
	Outstanding balances with government related entities *	Significant Transactions with government related entities**	Outstanding balances with government related entities*	Significant Transactions with government related entities**
Securities	444,995	-	247,008	-
Loans	20,200	-	21,484	-
Total assets	465,195	-	268,492	-
Due to banks	12,256	-	10,794	-
Total liabilities	12,256	-	10,794	-
Interest income	3,041	-	2,555	-
Interest expense	(16)	-	(14)	-
Total payments	3,025	-	2,541	-

* government related entries mean Hungarian National Bank – LTRO see note 24, Államadóság Kezelő Közont Zrt. (“ÁKK”)- bought securities see note 16, 17

** The significant transaction is according to IAS.24.2

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

The financial data of related parties - preliminary, unaudited data, significant companies

Related party	31 December 2021				
	Direct holding %	Assets	Liabilities	Equity	Profit or loss
Takarékinfo Központi Adatfeldolgozó Zrt.	0%	24,272	25,846	(1,574)	(2,759)
MTB Zrt.	0%	1,503,491	1,468,971	34,520	2,608
Takarék Jelzálogbank Nyrt.	0%	665,015	596,079	68,936	2,745
Takarék Lízing Zrt.	0%	61,473	60,161	1,312	405
Takarék Ingatlan Zrt.	0%	766	162	605	194
Takarék INVEST Kft.	0%	2,765	11	2,755	(163)
TIFOR Takarék Ingatlanforgalmazó Zrt.	22%	6,352	232	6,119	193
TIHASZ Takarék Ingatlanhasznosító Zrt.	8%	26,744	466	26,278	426
Magyar Bankholding Zrt.	0%	753,672	10,052	743,620	(1,739)
Magyar Takarék Bankholding Zrt.	0%	102,194	21	102,173	(184,127)
Takarék Faktorház Zrt.	0%	11,342	10,624	718	77
Takarékszövetkezeti Informatikai Kft.	0%	1,710	7	1,703	(34)
Takarék Zártkörű Befektetési Alap	0%	11,388	8	11,381	(1,038)
Takarék Mezőgazdasági és Fejlesztési Magántőkealap	0%	12,476	1	12,475	100
Takarék Kockázati Tőkealap	0%	9,686	209	9,477	30
OPUS TM1 Ingatlan Befektetési Alap	24%	2,170	13	2,157	49
MPT Securty Zrt.	0%	5,555	1,983	3,572	330

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements
The financial data of related parties, - preliminary, unaudited data, significant companies (continued)

Related party	31 December 2021				
	Direct holding %	Assets	Liabilities	Equity	Profit or loss
DBH Investment Zrt.	0%	514	257	257	38
EQUILOR II. Magántőkealap	0%	6,993	3	6,990	(152)
Budapest Bank Zrt.	0%	2,490,210	2,319,874	170,336	9,639
MKB Bank Nyrt.	0%	3,320,182	3,081,301	238,881	55,916
MKB Üzemeltetési Kft.	0%	36,101	1,625	34,476	451
Euro - Immat Üzemeltetési Kft.	0%	5,386	696	4,690	(10)
MKB Digital Szolgáltató Zrt.	0%	1,407	657	750	95
MKB- Euroleasing Autólízing Zrt.	0%	199,114	191,066	8,048	2,288
MKB Bank MRP Szervezet	0%	3,455	15	3,440	297
Retail Prod Zrt.	0%	823	25	798	72
MKB-Pannónia Alapkezelő Zrt.	0%	6,062	546	5,516	4,252
Budapest Eszközfinanszírozó Zrt.	0%	2,665	1,421	1,244	(260)
Budapest Lízing Zrt.	0%	126,421	119,016	7,405	1,000
Budapest Alapkezelő Zrt.	0%	3,235	206	3,029	2,374

All figures in tables are in HUF million except otherwise noted
The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

34. NET GAINS

The allocation of operating income to financial instrument categories excluding gains from foreign exchange transactions:

1 January 2021 – 31 December 2021	Financial assets and li- abilities held for sale	Financial assets and li- abilities designated at fair value through profit or loss	Financial assets and li- abilities at fair value through other compre- hensive income	Financial assets and li- abilities measured at amortised cost	Derivatives – Hedge accounting, interest rate risk	Other assets/ Other li- abilities	Not linked to financial instruments	TOTAL
Interest income	935	158	2,122	85,423	786	211	-	89,635
Interest expenses	(956)	-	-	(9,632)	(1,144)	(599)	-	(12,331)
NET INTEREST INCOME	(21)	158	2,122	75,791	(358)	(388)	-	77,304
Fee and commission income	-	-	-	-	-	59,179	-	59,179
Fee and commission expenses	-	-	-	-	-	(16,500)	-	(16,500)
NET FEE AND COMMISSION INCOME	-	-	-	-	-	42,679	-	42,679
DIVIDEND INCOME	-	-	-	-	-	-	4	4
Gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	1,665	(572)	-	-	-	1,093
Gains on financial assets and liabilities held for trading, net	(625)	-	-	-	-	-	-	(625)
Gains on non-trading financial assets mandatorily at fair value through profit or loss	-	(157)	-	-	-	-	-	(157)
Gains and losses on hedge accounting, net	-	-	-	-	(1,152)	-	-	(1,152)
Net other operating income	-	-	-	-	-	-	5,750	5,750
Net other operating expense	-	-	-	-	-	-	(3,725)	(3,725)
OPERATING INCOME	(646)	1	3,787	75,219	(1,510)	42,291	2,029	121,171

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

1 January 2020 – 31 December 2020 (Revised presentation)	Financial assets and li- abilities held for sale	Financial assets and li- abilities designated at fair value through profit or loss	Financial assets and li- abilities at fair value through other compre- hensive income	Financial assets and li- abilities measured at amortised cost	Derivatives – Hedge accounting, interest rate risk	Other assets/ Other lia- bilities	Not linked to financial instruments	TOTAL
Interest income*	51	58	2,777	63,388	579	-	-	66,853
Interest expenses	(125)	-	-	(5,718)	(1,049)	(248)	-	(7,140)
NET INTEREST INCOME	(74)	58	2,777	57,670	(470)	(248)	-	59,713
Fee and commission income	-	-	-	-	-	56,043	-	56,043
Fee and commission expenses	-	-	-	-	-	(15,391)	-	(15,391)
NET FEE AND COMMISSION INCOME	-	-	-	-	-	40,652	-	40,652
DIVIDEND INCOME	-	-	-	-	-	-	1	1
Gains on derecognition of financial as- sets and liabilities not measured at fair value through profit or loss	-	-	1,515	(2,260)	-	-	-	(745)
Gains on financial assets and liabilities held for trading, net	(501)	-	-	-	-	-	-	(501)
Gains on non-trading financial assets mandatorily at fair value through profit or loss	0	(930)	-	-	-	-	-	(930)
Gains and losses on hedge accounting, net	-	-	-	-	34	-	-	34
Net other operating income	-	-	-	-	-	-	2,798	2,798
Net other operating expense	-	-	-	-	-	-	(315)	(315)
OPERATING INCOME	(575)	(872)	4,292	55,410	(436)	40,404	2,484	100,707

*Interest income of HUF 693 million relating to discontinued operations has been reclassified from interest income to profit from discontinued operations (Note 4, Note 13).

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

1 January 2020 – 31 December 2020	Financial assets and li- abilities held for sale	Financial assets and li- abilities designated at fair value through profit or loss	Financial assets and li- abilities at fair value through other compre- hensive income	Financial assets and li- abilities measured at amortised cost	Derivatives – Hedge accounting, interest rate risk	Other assets/ Other li- abilities	Not linked to financial instruments	TOTAL
Interest income	51	58	2,777	64,081	579	-	-	67,546
Interest expenses	(125)	-	-	(5,718)	(1,049)	(248)	-	(7,140)
NET INTEREST INCOME	(74)	58	2,777	58,363	(470)	(248)	-	60,406
Fee and commission income	-	397	-	-	-	55,646	-	55,646
Fee and commission expenses	-	-	-	-	-	(15,391)	-	(15,391)
NET FEE AND COMMISSION INCOME	-	397	-	-	-	40,255	-	40,255
DIVIDEND INCOME	-	-	-	-	-	-	1	1
Gains on derecognition of financial as- sets and liabilities not measured at fair value through profit or loss	-	-	1,515	(2,260)	-	-	-	(745)
Gains on financial assets and liabilities held for trading, net	(501)	-	-	-	-	-	-	(501)
Gains on non-trading financial assets mandatorily at fair value through profit or loss	-	(930)	-	-	-	-	-	60
Gains and losses on hedge accounting, net	-	-	-	-	34	-	-	34
Net other operating expense	-	-	-	-	-	-	2,798	2,798
Gains and losses on hedge accounting, net	-	-	-	-	-	-	(315)	(315)
OPERATING INCOME	(575)	118	4,292	56,103	(436)	40,007	2,484	101,993

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

35. EQUITY CORRELATION TABLE

Based on paragraph 114/B of Act on Accounting, Equity Correlation Table is prepared and disclosed as a part of the Notes for the reporting date by the Bank.

Equity correlation table shall contain the opening and closing balances of the shareholder's equity in accordance with IFRS, furthermore deducted from this the opening and closing balances of the specified equity elements. Equity correlation table shall contain also untied retained earnings available for the payment of dividends, covering retained earnings from the last financial year for which accounts have been adopted comprising net profit for the last financial year, reduced by the cumulative income tax accounted for under IAS 12 - Income Taxes. Furthermore, the equity correlation table contains the reconciliation of the value of Share capital registered on the Registry Court and the value of Share capital in accordance with IFRS adopted by EU.

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 31 January 2021:

31 December 2021	Share Capital	Unpaid capital which has been called up	Capital reserve	General reserve	Retained earnings and other reserves	Revaluation re-serves	Tied-up re-serve	Profit for the year	Total equity
Components of Shareholder's equity in accordance with IFRS adopted by EU	100,260	-	21,647	-	(14,254)	-	-	(1,252)	106,401
Accumulated other comprehensive income	-	-	-	-	4,429	(4,429)	-	-	-
Share capital non registered on the Registry Court	-	-	-	-	-	-	-	-	-
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	100,260	-	21,647	-	(9,825)	(4,429)	-	(1,252)	106,401

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 31 January 2020:

31 December 2020	Share Capital	Unpaid capital which has been called up	Capital reserve	General reserve	Retained earnings and other	Revaluation re-serves	Tied-up reserve	Profit for the year	Total equity
Components of Shareholder's equity in accordance with IFRS adopted by EU	100,260	0	21,647	0	1,239	0	0	(10,780)	112,366
Accumulated other comprehensive income	0	0	0	0	(284)	284	0	0	0
Share capital non registered on the Registry Court	0	0	0	0	0	0	0	0	0
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	100,260	0	21,647	0	955	284	0	(10,780)	112,366

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

	31 December 2021	31 December 2020
Share capital in accordance with IFRS adopted by EU	100,260	100,260
Share capital registered on the Registry Court	100,260	100,260
Difference	-	-

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

Untied retained earnings available for the payment of dividends are as follows:

	31 December 2021	31 December 2020
Retained earnings and other reserves	(14,254)	1,239
Unused portion of reserve for developments	-	-
Accumulated other comprehensive income	4,429	(284)
Cooperative indivisible property, tied-up reserve	-	-
General reserve	-	-
Net profit for the year	(1,252)	(10,780)
Untied retained earnings available for the payment of dividends	(11,077)	(9,825)

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

36. POST BALANCE SHEET EVENTS

Issued Bond by Hungarian Bankholding Ltd.

Based on paragraph 20/H (1) – effective from October 29, 2021 – of Act 135 of 2013 on the modification of the integration of cooperative credit institutions and select economic legislation the Integration Organization – in order to meet the goals of the integration of credit institutions – is obliged to invest its assets until January 31, 2022 into bonds, to be issued by the financial holding parent company, i.e. the Hungarian Bankholding Ltd. (which has supervisory control influence over the Integration Organization) for 20-year maturity, paying a coupon that matches the average YTM of applicable government bonds as published on the website of AKK Ltd. (State Debt Management Centre) provided that Hungarian Bankholding Ltd. is obliged to issue these bonds at a value, which is set in the inquiry of the Integration Organization according to legal provisions.

In its resolution made on January 20, 2022 the general meeting of Hungarian Bankholding Ltd. ordered to the bond issuance. Based on the resolution of the general meeting the MBH 2042/A bond series (ISIN: HU0000361282) was issued and subscribed by the Integration Organization within the statutory deadline. Hence, as of January 31, 2022 the Integration Organization's securities account was credited by 3,794 pieces of MBH 2042/A bonds bearing a face value of HUF 50 million each, while the account of Hungarian Bankholding Ltd., the issuer, was credited by HUF 188,220.34 million as the value of the bonds sold at the 99.22% subscription price.

Russian / Ukrainian conflict

After the closing of Q4 2021, the Russia conflict of -Ukraine meant an important change in the economic environment in late February 2022. Geopolitical conflicts contribute to the uncertainty of growth prospects. The favourable economic outlook had already given way to gloomier growth prospects and rising inflationary pressures, and these trends have been exacerbated by the war. The conflict, and the sanctions imposed upon Russia and Belarus, in response to it, are affecting strategically important industries, which have increased demand-supply frictions that have been going on for months. The process is leading to the persistence of intense inflationary pressures, with shortages of raw materials and price pressures on a wider range of products than before.

Central banks have responded to high inflation (inflation in the euro area rose 5.8% in February after 5.1% in January. Domestic price pressures rose to 8.3% in February from 7.9% in January). The European Central Bank (ECB) kept its policy rates unchanged in March. At the same time, the ECB accelerated tapering of its traditional asset purchase program (APP), which could end as early as June 2022, with interest rate hikes not likely to be earlier than June 2022.

In response to developments since the end of February, Hungarian National Bank (MNB) raised the upper level of the interest rate corridor by 100 basis points to 6.4% on 8th March, while the base rate and the interest rate on the O/N (overnight) deposit remained unchanged. MNB announced its one-week deposit tender at 5.85% on 10th March, which represents an effective interest rate increase of 50 basis points compared to the previous week (MNB raised the interest rate on one-week deposits by 75 basis points to 5.35% on 3rd March). High inflation could dampen strong economic growth this year for both the domestic and European economies.

The Ukrainian-Russian war has not caused any significant direct economic loss for Takarékbank Plc., nor for the other members of Hungarian Bankholding. Both the Bank's capital situation and its liquidity position are stable, and it has sufficient reserves. There is at this time no known material direct banking risk in either the retail or the corporate customer portfolios. Interbank money market limits towards the countries concerned were immediately closed (there was no exposure).

All figures in tables are in HUF million except otherwise noted

The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Financial Statements

Notes to the Separate Financial Statements

The hedge monitoring of customer positions has been confirmed (there is no customer positions below the hedging limit).

None of the members of the Bankholding had any material open FX positions and recent volatile movements in FX rates did not result in any significant direct losses.

The Strategic Analysis Centre of Hungarian Bankholding continuously monitors and analyses the relevant changes in the money and capital markets. The price volatility of the Hungarian forint has increased in line with regional currencies. Despite this, the Bank has not observed any significant retail demand for foreign currency exchange or foreign exchange compared to normal business. Any changes in asset prices (including financial assets and properties held as collateral) are also a focus of the monitoring.

All members of Bankholding comply with EU and US sanctions bans lists, including the requirements for exclusion of a number of commercial banks in Russia and Belarus from the SWIFT system. This increases the likelihood for more difficult trade and money transfer relationship for Hungarian companies involved in Russian or Belarus relations.

In connection with the Ukrainian-Russian war, the Bank continues to monitor for clients who may be directly or indirectly affected, and their follow-up is carried out by members of the Bankholding on the basis of the Hungarian Bankholding guidelines. The risks associated with each customer are ranked according to their severity based upon the nature of the exposure, the related country, the member of Bankholding exposures and other available information.

In the case of the Bank, for clients managed in the unique-corporate portfolio the risk management should respond to all this through individual assessment and monitoring.

In order to ensure that the Bank has assessed the deals in our portfolio for which, on the basis of the information available, a direct impact is already apparent. The purpose of the analysis was to identify impacts arising from ownership linkages, customer and supplier dependencies, raw material supply, labour availability, logistical issues and, more specifically, the Sberbank liquidation. Overall, although an exposure has been identified, based on current information, the Bank considers the direct impact on our portfolio as essentially manageable.

In this respect, the micro and small business portfolio is moderate/low risk and no further action, tighter monitoring or intensive case management is warranted at this time. Increases in risk detected during normal monitoring processes should be identified individually and addressed at the time of emergence.

Events following the balance sheet date related to Takarékbank Zrt.

The Board of Directors of MTB made a decision on 31 March 2022, as the result of which Takarékbank Ltd. sold its shares to MKB Bank Plc. as a result.

Furthermore, on 28 March 2022, MKB Bank Plc. undertook to implement the capital increase in Takarékbank Zrt., a transaction that was realized on 1 April 2022 with a total issuance value of HUF 100 billion.

Following the decision of the General Meeting of Takarékbank Zrt. on 25 March 2022, Takarékbank Ltd. left the Central Organization of Integrated Credit Institutions on 1 April 2022, fulfilling the necessary conditions.

Magyar Bankholding Ltd., acting in its role as group manager, has given the authority to make decisions related to Takarékbank Ltd.

According to the above steps, MKB Bank Plc. became the majority owner of Takarékbank Ltd. in April 2022. The individual legal capital adequacy of Takarékbank Ltd. is also implemented in the light of the above transactions.

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