



Takarék Mortgage Bank Plc.

Half-year financial report for the first half of 2021

Budapest, 17 August, 2021

I. SUMMARY FIGURES AND TREND OF KEY PERFORMANCE INDICATORS

in HUF million	30/06/2020	31/12/2020	30/06/2021	30/06/2021/ 30/06/2020	30/06/2021/ 31/12/2020
Main balance sheet items					
Total assets	435,129	612,141	643,834	48.0%	5.2%
Refinanced loans	230,957	287,062	296,059	28.2%	3.1%
Loans (gross)	54,550	45,223	41,126	(24.6%)	(9.1%)
Mortgage bonds	266,260	329,035	338,529	27.1%	2.9%
Interbank funds	101,383	214,248	234,469	131.3%	9.4%
Shareholders' equity	65,109	66,684	67,507	3.7%	1.2%

in HUF million	H1 2020	H2 2020	H1 2021	H1 2021 / H1 2020	H1 2021 / H2 2020
Main P/L items					
Net interest income	1,309	1,903	1,954	49.3%	2.7%
Net interest margin	0.67%	0.72%	0.63%	0.0%-pt	(0.1%-pt)
Net fee and commissions income	85	82	48	(43.5%)	(41.5%)
Operating income net	2,650	2,076	2,488	(6.1%)	19.8%
Provision for impairment on loans losses	(106)	(61)	(278)	162.3%	-
Operating cost	(1,409)	(957)	(1,098)	(22.1%)	14.7%
Cost to income ratio	53.2%	57.8%	43.5%	(9.8%-pt)	(14.3%-pt)
Profit for the period (before tax)	1,128	817	1,127	(0.1%)	(37.9%)
Profit after tax	1,128	1,245	1,056	(6.4%)	(15.2%)
EPS	10.42 HUF	11.50 HUF	9.76 HUF	(6.4%)	(15.2%)
Return on Average Assets (ROAA)	0.58%	0.47%	0.34%	(0.2%-pt)	(0.1%-pt)
Return on Average Equity (ROAE)	3.48%	3.75%	3.17%	(0.3%-pt)	(0.6%-pt)

II. REPORT ON THE FIRST HALF-YEAR RESULTS OF TAKARÉK MORTGAGE BANK IN 2021

The report of TakaréK Mortgage Bank Co Plc. (hereinafter: Bank, Mortgage Bank, TakaréK Mortgage Bank, Company, Issuer) for the first half-year of 2021 is based on the data of the separate balance sheet and profit and loss account prepared according to the International Financial Reporting Standards (IFRS). The Bank performed the analysis of its operation based on the separated, audited figures as of 31 December 2020, non-audited figures as of June 30 2020, June 30 2021.

Takarék Mortgage Bank, according to the Act LIX of 2006, fully accounted the amount specified as a special tax on financial institutions for the year 2021 – as required by IFRS – in the first half of the year, as the amount determined by this law is not disputed and must be paid by the Bank till the end of 2021.

1. Summary of the achievements of the past period

In line with the integration strategy, **Takarék Mortgage Bank** has cleaned up its activities in previous years, thus **the separate profit before tax was HUF 1,127 million in the first half of 2021**. This significant positive profit exceeded the separate profit before tax for the second half of 2020 by 37.9%, and the Bank was able to achieve the result achieved in the same period of the previous year made profit before tax.

Loan activities

By the end of the first half of 2021, the **refinanced mortgage loan stock has increased from the amount of HUF 231 billion to HUF 296 billion from the end of the first half of 2020**. The number of refinanced mortgage loans were 39,798 pieces at the end of June 2021. The mortgage purchase programme of Hungarian Central Bank, which run until November 2020, played a significant role in the growth of the stock, resulting in the refinancing partner banks receiving long-term funds in the form of refinancing in order to fulfil their JMM obligations.

The total refinanced loan stock has been distributed among 10 banks also in 2021.

The **gross amount of customer mortgage loans** was HUF 41.1 billion on the 30 June 2021, which – due to the fact that the Bank has no longer disbursed customer loans directly in line with the strategic goals and thus the existing portfolio continued to shrink- is less by 9.1% compared to the end of the previous year (HUF 45.2 billion) and decreased by 24.6% year-on-year. The number of customer loans were 16,400 at the end of June 2021.

In the first half of 2021, the stock of problem (stage 3) loans decreased by HUF 0.26 billion, and over the past year the proportion of problem loans in the total loan portfolio has also changed to less than 1%, to 0.62%. However, the IFRS 9 impairment coverage of the problematic portfolio increased compared to the end of 2020.

Developments in the structure of the Bank's liabilities

According to the balance sheet, the outstanding amount of mortgage bonds amounted to HUF 338.5 billion on 30 June 2021, showing an increase of 27.1% on an annual basis and 2.9% on a half-yearly basis.

On March 16, 2020 the MNB reorganized the set of its monetary policy tools, and similarly to the ECB it announced the introduction of providing long-term collateralized lending facility (LTRO) on various maturities. The Bank, taking on an active role in these tenders, was successful in building a volume of HUF 213 billion by end of 2020, and HUF 233 billion at 30 Jun 2021, favourably priced 3- and 5-year loans into its long-term liabilities. In parallel, the stock of its purchased securities also went up, since part of the funds acquired in the LTRO was devoted to this goal (debt securities at amortised cost was HUF 229 billion at the end of 2020, HUF 255 billion at 30 Jun, 2021).

On annual basis, the stock of funds withdrawn from the interbank market and from the long-term collateralized lending facility of central bank increased by HUF 133.1 billion to HUF 234.5 billion.

The Bank's balance sheet total as at 30 June 2021 was HUF 643.8 billion, which is 5.2% (HUF 31.7 billion) higher than at the end of the previous year and 48 % higher (HUF 208.7 billion) than at the end of the first half of 2020.

Issued mortgage bonds

The total volume of mortgage bonds issued reached nearly HUF 10.5 billion in the first half of 2021 in eight mortgage letter auctions. No unsecured bond issues is made during the same period.

The Bank continued to focus on longer maturities and fixed-rate mortgage bonds during 2021. The originally 10-year tenor TJ31NF01 series has been tapped further-after it was issued first time in February- and it effectively became a benchmark in the examined period. Introduction of a new 15-year mortgage bond in January 2021 was also successful, which resulted further tap from this maturity.

In 2021, the Bank continued to focus on maintaining and stimulating investors' activity to ensure market demand for mortgage bonds, given that the Hungarian Central Bank continued its buying activity on the secondary market with the aim of sustaining market stability after November 2020 at a low level. In order to achieve the above, the Mortgage Bank supported institutional investors primarily through the active involvement of its four-member dealership during the half-year under review.

Since 28 March 2019, the Bank's mortgage bonds have been rated by S&P Global Rating (Madrid). On 2nd of June 2021, the BBB rating of TakaréK Mortgage Bank mortgage issuance program and the series of mortgage bonds issued by it in HUF and foreign currencies was confirmed by the S&P with a stable outlook.

During the first half-year, the Bank's capital markets and ALM strategy increasingly focused on the expansion and development of the Hungarian Central Bank's green monetary policy tools , the development and preparation of green regulations, in particular the Green Mortgage Bond Purchase Programme, green JMM regulation and the NHP Green Home Programme.

Takarék Mortgage Bank intends to issue green mortgage bonds in the course of 2021.

Main P&L items

Net interest income was HUF 1,954 million in the first six months of 2021, 49.3% higher than a year before. The net interest margin to average total assets (NIM) was 0.63% in the first half of 2021 which was almost the same figure as in the same period of the previous year (annual rate).

The net fee and commission income was HUF 48 million result in the first half of 2021, which is 43.5% (by HUF 37 million) lower than a year ago.

Operating costs amounted to HUF 1,098 million in the first half of 2021, compared to HUF 1,409 million in the same period of 2020. **The cost incurred were thus 22.1%** lower compared to the same period of previous year, which is due to the implementation of the strategy plan by taking better advantage of synergies.

The amount of risk costs amounted to HUF 278 million in losses in the first half of 2021. By the end of the first half of 2021, the impairment stock for the loan loss reached HUF 1.1 billion. In the context of the economic impact of the COVID-19 outbreak, the Mortgage Bank has not yet experienced a significant negative trend in the first half of 2021 that would indicate a significant deterioration in the quality of the loan portfolio. At the same time, taking into account the risk of a macroeconomic slowdown, the Mortgage Bank has also begun to prepare for the possibility of portfolio deterioration.

In the first six months of the year, the profit after tax of the financial year was HUF 1,056 million.

Capital position

The Hungarian Central Bank – in accordance with the request from the Central Organization of Integrated Credit Institutions (IHKSZ), the MTB Bank of Hungarian Savings Cooperatives Ltd., TakaréK Mortgage Bank and TakaréK Commercial Bank – issued resolution H-EN-I-36./2017 granting exemption for the Group from the individual and subconsolidated compliance obligations.

The total own funds of the Integration of Credit Institutions amounted over HUF 260 billion at the end of June 2021, while its capital adequacy ratio was 17.03%.

Performance of TakaréK Mortgage Bank's shares first six months of 2021

Takarék Mortgage Bank Plc. was ranked ninth in the ranking of Hungarian "Premium" category stock exchange companies at the end of June 2021, just as it was at the end of the previous quarter. At the end of June 2021, Takarek Mortgage Bank's stock market capitalization was HUF 39.07 billion, compared to HUF 37.62 billion at the end of March and HUF 38.8 billion at the end of December. BÉT Premium shares totaled 0.43%, compared to 0.45% at 31 March 2021 and 0.48% at the end of 2020.

On 20 June 2021, the share price of TakaréK Mortgage Bank Plc. closed at HUF 592, compared to HUF 570 on 31 March 2021 and HUF 588 on 31 December 2020. In the second quarter of 2021, the share price of TakaréK Mortgage Bank Plc. was in a range of HUF 564-600, compared to HUF 560-594 in the previous quarter.

In the second quarter of 2021, the total stock market turnover of TakaréK Mortgage Bank Plc. fell significantly, reaching HUF 150 million, which is much lower than the HUF 410 million in the previous quarter. In the second quarter of 2021, the average daily turnover was less than HUF 3 million compared to HUF 7 million in the previous quarter.

Takarék Index

The TakaréK House Price Index, which measures the development of Hungarian residential real estate prices, made its debut in September 2009. The index - for the first time used on the Hungarian market - is based on the purchase-and sell transaction data of residential real estate for the whole country. The source of the data is the own observations collected during the operation of TakaréK Mortgage Bank Plc. and other members of the TakaréK Group, as well as the database purchased from the National Tax and Customs Administration. TakaréK Index was created using the hedonic method best suited to display fundamental processes. The method filters out short-term fluctuations due to changes in composition and handles well the market characteristic that not all properties change hands every quarter.

Takarék Mortgage Bank operates an independent website for TakaréK Index: www.takarekindex.hu The Mortgage Bank's new R&D project aims to develop an automatic valuation methodology (AVM) that helps the Bank to revalue properties cost-effectively and quickly. The methodology is developed with the involvement of external professional partners and the testing phase has already been successfully completed.

2. Strategy, strategic goal and outlook of the Group

Takarék Mortgage Bank's strategy is an inseparable part of Magyar Bankholding Ltd.'s (MBH Ltd.) integrated strategy, hence Takarék Mortgage Bank's long-term goals and pursuits should be evaluated in the context of the former.

In May 2020 MTB Ltd. (as majority owner of Mortgage Bank), MATAK Ltd., MKB Plc. and their respective owners, moreover Budapest Bank Ltd. and its direct owner, Corvinus International Investments Ltd. signed a letter of intent to establish a common financial holding company and cooperate on strategic issues in order to examine – with the participation of external experts – the possibilities and prepare the framework for the creation of a new, domestically owned banking group with decisive market weight.

The MBH's goal is to establish a fully integrated, uniformly governed bank through the merger of the three member banks by the middle of 2023, which is going to build on the indisputable strengths of Budapest Bank Ltd., MKB and Takarékbank each, as well as on their leading positions in various market segments. In the meantime, it will rise to face the challenges posed by rapidly changing customer needs, the unprecedented pace of technological developments, intensifying competition or even the recent pandemic.

Major strategic goals, directions:

- The most client-oriented bank in Hungary, which has a favourable value proposition for all Hungarian citizens and corporate entities.
- Active contribution to the development of Hungary's economy by supporting the most pro-spective client segments like young persons, SMEs and agribusinesses and by preserving the commitment towards local communities.
- The creation of the most up-to-date technological background and digital channels in banking within the CEE region.
- Building an innovative organization and corporate culture, through which the staff can enjoy special attention and opportunities for continuous development of skills.
- The widest branch network in Hungary even on a long-term horizon, which secures nation-wide coverage and contributes to quality, value-based servicing of clients by efficient function-ing.

Strategy of Takarék Mortgage Bank

Originally, the main activity of Takarék Mortgage Bank was the financing of the development and the purchase of residential real estate and the disbursement of housing loans subsidised by the state. From 2018 the Bank operates as a pure mortgage bank; its principal activities are the refinancing of mortgage backed loans of partner banks either within or outside Takarék Group (MBH Group from late 2020) and the issuance of mortgage bonds. The Bank is the second largest mortgage bank in the domestic market (considering the market value).

In line with the pure mortgage bank concept the Bank focuses principally on mortgage bond issuance and refinancing activity (although it continues to keep the earlier accumulated stock of client credits – mostly household mortgage-backed loans – in its books until expiry). As the second largest issuer of mortgage bonds in the Hungarian market, the Bank bases its refinancing activity on contractual arrangements with several large and medium-sized members of the Hungarian banking sector outside MBH Ltd. According to its business policy, the Bank pursues to manage significant volumes in the market segments where it is active alongside competitive pricing. Due to the recovery of the real estate market following the lifting of restrictions related to the Coronavirus pandemic, the Bank makes efforts to strengthen its market position by making use of the current market circumstances (participation in Hungarian Central Bank mortgage bond purchase programmes, or buying back its formerly issued, unfavourably priced mortgage bond series and issuing more favourably priced mortgage bond series).

The Bank's strategic objective is to optimize both its operations and the range of products and services it offers. More specifically: the Bank is going to improve the simplicity and transparency of its refinancing credit lines, to develop its existing auxiliary services and introduce new ones (real estate sales technologies, IT solutions), to reduce the cost of financing through mortgage bond issuance and to achieve automated to the highest possible extent, as well as fast and secure operation.

In the course of 2020 and 2021 the Bank made use of the opportunity created by the central bank by participating on tenders for long-term (mostly 5-year) refinancing sources, which meaningfully improved the Bank's liquidity and its potential to make profit.

The Bank intends to participate in the green mortgage bonds purchase programme announced by the Hungarian Central Bank on 2nd of August 2021 and has started preparations for the fulfilment of the conditions of the programme.

Developments of the market environment

In the first half of 2021 the Hungarian economy may have expanded at around 7% compared to the same period of 2020, since on the basis of last year's second quarter, which was the nadir of the recession ignited by the outbreak of the coronavirus pandemic, the economy may have reached 15% rate of growth on a year-on-year basis in the second quarter of 2021. Although output remained well below the pre-pandemic levels in many service sectors most sensitive to restrictions, the recovery in productive sectors was especially strong. This recovery is further supported by expansive fiscal policies: the deficit of the central budget exceeded HUF 1,700 billion in the first half of the year. Whereas it looks adequate from a time-proportionate point of view, since it is 51% of the modified deficit plan for the entire year, the modification itself made way for a significantly larger budget deficit than originally planned.

The central bank, for its part, rather started to argue in favour of restoring balances and already began tightening monetary conditions: reacting to the elevated inflationary risks it raised the level of the base rate to 0.9% at its rate setting meeting in June, and also raised the rate on its one-week deposit facility to the same level (which means an effective rate hike of 15bps). Moreover, the central bank emphasized that the hike should not be considered as a one-time pre-emptive step, rather as a the start of a tightening cycle, which it is going to pursue depending on some key data, until inflation seems likely to return into the tolerance band around the central bank's mid-term target on the MNB's policy horizon (normally six to eight quarters). The central bank already reduced the extent of financing the banking system through long-term refinancing operations (LTROs): the weekly allotment through this channel amounted to HUF 30 billion in the beginning of the year, but was subsequently cut to HUF 10 billion by February and remained at this level since then. Even so the cumulative amount of refinancing for the banking sector via LTROs was HUF 340 billion in the first half of 2021

Lending activity exhibited strong dynamics in the first half of the current year mostly due to economic recovery, economic policy measures to support the purchase and modernization of flats by households and the abundance of funds for development in the case of the non-financial corporate sector. The volume of new loan contracts in the household segment was 10% higher in the first half of 2021 than a year before, within this new mortgage backed loans were 25% higher in volume, new personal loans exceeded that of last year's by 10%, only the baby-in-waiting product line exhibited a decline of around 10%, but this was due to the fact that the majority of the eligible population already took advantage of this one-time possibility. In the case of new corporate loans the volume of new contracts was 5% higher than a year before. In both household and corporate loans the repayment moratorium, which has been extended to the end of September, markedly contributed to the steady growth of underlying loan volumes (in the presence of much lower than normal amortization payments).

Real estate activity, which is a determining factor in the mortgage-backed loan segment, quite substantially picked up in the first half of 2021: according to estimates prepared by market experts the number of real estate transactions was around 40% higher in the first half of this year than in the same period of 2020. The number of transactions was also up in the commercial-, industrial and office real estate segment, but with home office gaining space and a further advance in e-commerce we expect demand to stabilize at a lower level on a longer run than it was the case before the pandemic.

New issuance activity in the mortgage bond market was muted in the first half of 2021, as the Hungarian Central Bank suspended purchases in the primary market and reduced its weekly purchased volume on the secondary market to a mere HUF 1 billion after November 2020. On the other hand, issuance activity was also moderate due to the decision by the MNB to postpone the raising of the minimum requirement for the mortgage financing adequacy ratio (MFAR) (from its current 25% level to 30%) to October, 2022.

In the near future, however, the Bank expects a modest pick up in issuance activity, since residential mortgage loans emanating from “green” mortgage activity can be taken into account with preferential weights in the calculation of the MFAR from July 1, 2021, while the Green Mortgage Bonds Purchase Programme also started (detailed below).

It is not only through regulation that the central bank supports the development of green finances, but it also launches two new financing programs from 2nd of August 2021, as part of its strategy for sustainable finances. The first one is a Green Mortgage Bond Purchase Program with an initial budget of HUF 200 billion. In this program the central bank purchases mortgage bonds in the primary market segment, which meet predetermined international standards from the aspect of environmental sustainability. In order to encourage green real estate lending activity the central bank launches its Green Home Program, in the context of which it provides refinancing at zero interest rate to credit institutions, which can then lend these amounts to clients (at a maximum interest rate of 2.5%) for constructing or purchasing residential real estate that meet predetermined energy efficiency standards. This latter program also has an initial budget of HUF 120 billion. Combined, these new programs should significantly vitalize the markets in question, while they also contribute to the fulfilling of the central bank’s new sustainability mandate.

3. Main activities and subsidiaries' performance

Own lending

The gross customer mortgage loans of the Bank amounted to HUF 41.1 billion as of 30 June 2021, which – due to the fact that, the Bank has no longer disbursed customer loans directly in line with the strategic goals, thus the existing portfolio decreased by 9.1% compared to the to the end of last year figure (HUF 45.2 billion), while year-on-year it decreased by 24.6 %.

As of 30 June 2021 the majority part of the customer mortgage loans portfolio (81.8%) is housing loan with residential real estate collateral, while the share of general purpose mortgage loans is 15.7%.

in HUF million	30/06/2020	31/12/2020	30/06/2021	30/06/2021/ 31/12/2020	30/06/2021/ 30/06/2020
General purpose mortgage loans	11,868	7,066	6,460	(8.6%)	(45.6%)
Housing loans with residential real estate collateral	41,491	37,020	33,642	(9.1%)	(18.9%)
Loans to employees	716	663	565	(14.8%)	(21.1%)
Corporate loans	475	474	459	(3.2%)	(3.4%)
Refinanced mortgage loans	230,957	287,062	296,059	3.1%	28.2%
Total loans, gross	285,507	332,285	337,185	1.5%	18.1%
Impairment	(1,089)	(866)	(1,122)	29.6%	3.0%
Total loans, net	284,418	331,419	336,063	1.4%	18.2%

Refinancing

By the end of the first half of 2021, the refinanced loan stock has increased from the end of year 2020 from HUF 287 billion to HUF 296 billion. The number of refinanced credit transactions were 39.798 on June 30 2021. The total refinanced mortgage loan stock has been distributed among 10 banks also in 2021.

Regarding to the introduction of the MFAR on 1 April 2017 (NBH Regulations 20/2015 and 6/2016), initially commercial banks had to comply with the minimum level of 15%, which first rose to 20% from 1 October 2018 and to 25% from 1 October 2019. The continuous increase in the MFAR contributed significantly to the increase in the refinanced stock amount.

Organisational changes and headcount

No organizational changes took place in the first half of 2021. The total number of the full-time employees slightly (-0,35 FTE) decreased due to personal changes.

Headcounts of the Bank members were as follows:

	30/06/2020	31/12/2020	30/06/2021	30/06/2021/ 30/06/2020	30/06/2021/ 31/12/2020
Takarék Mortgage Bank Plc.	14.7	15.34	14.99	1.97%	(2.28%)

Changes in key position

Meeting of the Board of Directors of Takarék Mortgage Bank Plc. held on 27 April 2021 under the authority of the General Meeting elected Deloitte Auditing and Consulting Ltd. the auditor of Takarék Mortgage Bank in 2021 as well. The registered auditor in charge is Attila Molnár, deputy auditor Zoltán Mádi-Szabó.

Post-balance sheet date events

The Bank organized the auction of the sixth tranche of TJ31NF01 Takarek mortgage (covered) bond on 26 July 2021. The result of the auction was the following: the total offered (nominal) value was HUF 1,000 million, the total nominal value of valid bids was HUF 1,436 million, the total nominal value issued was HUF 986 million, while the average selling price (net) was HUF 98,5284%.

On 22 July 2021, Takarék Mortgage Bank published an extraordinary announcement that it had received notifications concerning the changes of the shares and voting rights shares and voting rights indirectly held in the Issuer. Detailed information is available on the www.en.takarekjb.hu page.

On 2 August 2021, the Hungarian Central Bank announced the Green Mortgage Bonds Purchase Programme, for which the Bank has started the preparation works.

III. ANALYSIS OF TAKARÉK MORTGAGE BANK PLC.'S SEPARATED FINANCIAL STATEMENTS ACCORDING TO IFRS

1. P&L structure

in HUF million	H1 2020	H2 2020	H1 2021	H1 2021 / H1 2020	H1 2021 / H2 2020
Interest income	4,981	6,468	7,055	41.6%	9.1%
Interest expense	(3,672)	(4,565)	(5,101)	38.9%	11.7%
Net interest income	1,309	1,903	1,954	49.3%	2.7%
Fees and commissions income	369	319	320	(13.3%)	0.3%
Fees and commissions expense	(284)	(237)	(272)	(4.2%)	14.8%
Net fees and commissions income	85	82	48	(43.5%)	(41.5%)
Profit/(Loss) from foreign exchange transactions	92	8	(1)	-	-
Gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss	603	(111)	262	(56.6%)	-
Gains on financial assets and liabilities held for trading	660	12	(5)	-	-
Gains /(Losses) from hedge accounting	(800)	(78)	34	-	-
Gains on financial assets and liabilities designated at fair value through profit or loss	171	119	120	(29.8%)	0.8%
Net financial (trading) result	726	(50)	410	(43.5%)	-
Gains on derecognition of non- financial assets, net	161	(4)	(6)	-	50.0%
Other operating income	373	157	82	(78.0%)	(47.8%)
Other operating expenses	(4)	(12)	-	(100.0%)	(100.0%)
Operating income, net	2,650	2,076	2,488	(6.1%)	19.8%
Provisions	(5)	2	(1)	(80.0%)	-
Impairment on financial assets not measured at fair value through profit or loss	(106)	(61)	(278)	162.3%	-
Reversal of impairment on non- financial assets	-	(8)	1	-	-
General and administrative expenses	(1,409)	(957)	(1,098)	(22.1%)	14.7%
Modification gains/ loss, net	(2)	(235)	15	-	-
Profit before tax	1,128	817	1,127	(0.1%)	37.9%
Income tax expense	-	428	(71)	-	-
Profit for the period	1,128	1,245	1,056	(6.4%)	(15.2%)
Profit for the period w/o special banking tax	1,190	1,281	1,068	(10.3%)	(16.6%)
Items that will not be reclassified to profit or loss	(1,062)	330	(233)	(78.1%)	-
Total comprehensive income	66	1,575	823	-	(47.7 %)

In the first half of 2021 the profit after tax amounted HUF 1,056 million, **profit before tax was HUF 1 127 million, the latter 37,9 % higher than the profit before tax for the first half of 2020.**

During the first six months of the year, the special tax on financial institutions in amount of HUF 12 million (of which special tax for epidemic control HUF 12 million) was charged as a significant one-off item. The profit after taxation without banking tax was HUF 1,068 million.

Net interest income

Net interest income was HUF 1,95 billion in the first six months of 2021 is significantly 49,3% higher than, a year before, and it showed 2.7% increase compared to the end of 2020 (HUF 1.9 billion). The net figure of the first half of 2021 consist of the balance of HUF 7.05 billion interest income (41.6% higher in the same half-year compared, and 9.1% higher compared to second half of 2020) and HUF 5.1 billion interest expense (38.9% higher in comparison with the same half-year and 11.7% higher than in the second half of 2020).

Breakdown of interest income and expenses:

in HUF million	H1 2020	H2 2020	H1 2021	H1 2021 / H1 2020	H1 2021 / H2 2020
Interest income	4,981	6,468	7,055	41.6%	9.1%
Financial assets at amortized cost	4,225	5,808	6,398	51.4%	10.2%
Loans	1,496	1,380	1,248	(16.6%)	(9.6%)
Refinancing	2,241	2,823	3,207	43.1%	13.6%
Mortgage bond interest subsidy	275	230	195	(29.1%)	(15.2%)
Interbank activities	27	21	18	(33.3%)	(14.3%)
Interest income on credit institution repo transactions	-	34	17	-	(50.0%)
Debt securities at amortized cost	186	1,320	1,713	-	29.8%
Debt securities at fair value through other comprehensive income	276	228	208	(24.6%)	(8.8%)
Swap transactions	478	431	448	(6.3%)	3.9%
Other interest income	2	1	1	(50.0%)	0.0%
Interest expenses	3,672	4,565	5,101	38.9%	11.7%
Financial liabilities at amortized cost	3,286	4,128	4,663	41.9%	13.0%
Bonds issued	3,142	3,399	3,763	19.8%	10.7%
	-	19	-	-	(100.0%)
Interbank activities	144	710	900	-	26.8%
Derivatives	243	296	303	24.7%	2.4%
Financial liabilities designated at fair value through profit or loss	134	137	130	(3.0%)	(5.1%)
Mortgage bonds	134	137	130	(3.0%)	(5.1%)
Other interest expense	9	4	5	(44.4%)	25.0%
Net interest income	1,309	1,903	1,954	49.3%	2.7%

The net interest margin to average total assets (NIM) was 0.63% (annual rate) in the first half of 2021 which is same than in same half period of the previous year.

Net fee and commission income

Takarék Mortgage Bank reached HUF 48 million net fee and commission result in the first half of 2021, arising from HUF 320 million in revenue and HUF 272 million in expenses. The net profit for 2021 H1 was by HUF 37 million lower than in the previous year (2020 H1: HUF 85 million).

Fee and commission income realized during the first half of 2021 was by HUF 49 million moderated than a year ago (first half of 2020: HUF 369 million), which is primarily due to the HUF 58 million decrease in other administration fees.

The amount of fee and commission expenses was HUF 12 million not relevant lower level in the period compared to the 2020 H1 (2020 H1: HUF 284 million).

Net result of financial transactions

In the first six months of 2021, the profit from financial transactions was HUF 410 million, which is lower by 43.5% than the profit in the same period of the previous year (HUF 726 million).

The result of the foreign exchange operations amounted to a loss of HUF 1 million in the first half of the year, which is less than the same period of the previous year (profit of HUF 92 million).

Gains from derecognition of financial assets and liabilities not measured at fair value through profit or loss amounted to HUF 262 million, which is lower than the result of the same period of the previous year (profit of 603 million) this change is primarily from sales of financial assets at fair value through other comprehensive income.

Gains on financial assets and liabilities held for trading, gains from hedge accounting and gains on financial assets and liabilities designated at fair value through profit or loss in aggregate, amounts to HUF 149 million in the first half of 2021, which is significantly higher than the HUF 31 million gain in the same period of the previous year.

Other operating income and expenditure

The balance of other operating income and expenses was HUF 76 million net income in the first half of 2021, which is HUF 6 million from the gains on derecognition of non-financial assets, HUF 82 million from other operating income (not significant other operating expenses were recognized). In the first half of 2021, not any significant individual items were recognised.

Impairments on loan losses

The volume of risk costs (impairment and credit losses) amounted to HUF 278 million negative result in the first half of 2021. The volume of impairment amount HUF 1.1 billion in the first half of 2021.

In the first half of 2021 TakaréK Mortgage Bank has not yet observed any negative tendency in connection with economical effects of COVID-19 that would suggest a meaningful deterioration in the quality of the loan portfolio. At the same time, taking into account the risk of a macroeconomic slowdown, the Mortgage Bank has also started preparation for the potential quality weakening of the credit portfolio.

Under the conditions of the moratorium, the monitoring activity itself as well as the calibration of the changed macroeconomic environment into the impairment parameters are of paramount importance in the credit provisioning. With consideration of the credit moratorium special attention will be devoted to the modification of the monitoring process. Based on these, the Mortgage Bank identifies customers who are individually or at portfolio level, more exposed to increasing economic risks due to the coronavirus epidemic. Also a risk mitigating factor is the creation of adequate credit risk reserves for customer portfolios that are not expected to be able to meet their payment obligations and forced restructuring will be initiated and that may only apparent after the end of the moratorium.

In parallel with the development of economic processes, the Mortgage Bank revised and, if necessary, will revise again the values of the default (PD) and loss (LGD) parameters used in the IFRS 9 models in the second quarter of 2021.

Operating costs

Operating costs amounted to HUF 1,098 million in the first half of 2021, compared to HUF 1,409 million in the same period of 2020. The costs incurred were thus 22% lower compared to the same period of previous year, which is due to the implementation of the strategy plan by taking even better advantage of synergies.

In the first half-year, compared to the same period of the previous year, personnel costs increased from HUF 96 million to HUF 122 million, but other administrative costs decreased from HUF 1 284 million to HUF 950 million. This decrease counterbalances the minor increase of the personnel costs.

The first half-year of 2021 depreciation was HUF 3 million lower comparing to the same period of 2020.

Income Tax

Due to the forint conversation (of fx loans) in 2015, bank no longer enforces corporate tax relief, as a result, the income tax expense for the first half of 2021 amounts to HUF 71 million. In the second half of 2020, the Bank made an additional deferred tax receivable on the accrued loss on the basis of the business plans (which meant deferred tax revenue of HUF 428 million in 2020).

Other comprehensive income

, The decrease of the other comprehensive income was largely due to a significant government bond sale in the first quarter, the profit of which was realised in profit on the profit or loss from the disposal of financial assets and liabilities not included in the fair value category against profit or loss. On the other hand, the change is – to a lesser extent - induced by the effect of fair value movement in the remaining government bond portfolio.

2. Statement of Financial Position

in HUF million	30/06/2020	31/12/2020	30/06/2021	30/06/2021/ 30/06/2020	30/06/2021/ 31/12/2020
Cash, cash balances at central banks and other demand deposits	1,210	1,499	571	(52.8%)	(61.9%)
Financial assets held for trading	197	103	833	-	-
Financial assets at fair value through other comprehensive income	26,775	34,889	17,530	(34.5%)	(49.8%)
Financial assets at amortised cost	404,874	573,880	622,657	53.8%	8.5%
<i>from: Customer loans (gross)</i>	54,550	45,223	41,126	(24.6%)	(9.1%)
<i>from: Refinanced mortgage loans (gross)</i>	230,957	287,062	296,059	28.2%	3.1%
<i>from: Debt securities</i>	104,946	229,334	254,968	143.0%	11.2%
<i>from: Deposits from MNB and other banks</i>	14,999	8,109	6,524	(56.5%)	(19.5%)
Deratives- Hedge accounting	1,526	926	393	(74.2%)	(57.6%)
Tangible assets	152	125	99	(34.9%)	(20.8%)
Intangible assets	229	208	214	(6.6%)	2.9%
Tax assets	-	348	348	-	-
Other assets	166	163	1,189	-	-
Total Assets	435,129	612,141	643,834	48.0%	5.2%
Financial liabilities held for trading	182	88	825	-	-
Financial liabilities designated at fair value through profit or loss	6,322	6,484	5,824	(7.9%)	(10.2%)
Financial liabilities measured at amortised cost	362,314	538,318	568,557	56.9%	5.6%
Deratives- Hedge accounting	412	284	-	(100.0%)	(100.0%)
Provisions	142	116	117	(17.6%)	0.9%
Tax liabilities	93	4	-	(100.0%)	(100.0%)
Other liabilities	555	163	1,004	80.9%	-
Total liabilities	370,020	545,457	576,327	55.8%	5.7%
Share capital	10,849	10,849	10,849	-	-
Share premium	27,926	27,926	27,926	-	-
Accumulated other comprehensive income	(70)	260	27	-	(89.6%)
Retained earnings	24,556	24,319	26,692	-	9.8%
Other reserves	927	1,164	1,164	25.6%	-
Treasury shares (-)	(207)	(207)	(207)	-	-
Profit for the year	1,128	2,373	1,056	(6.4%)	(55.5%)
Total equity	65,109	66,684	67,507	3.7%	1.2%
Total equity and total liabilities	435,129	612,141	643,834	48.0%	5.2%

As of 30 June 2021, the Bank's IFRS based total assets amounted to HUF 643.8 billion, which is 5.2% (HUF 31.7 billion) higher than at the end of previous year; and 48% higher than the same period of previous year.

The largest increase occurred in the stock of financial assets at amortized cost, the gross value of which on 30 June 2021 increased by 8.5% to HUF 622.7 billion compared to the end of 2020 and was 53.8% higher than in the previous year. The expansion of debt securities, which increased by 11.2 % at the end of the year and by 143 % compared to the half-year last year, played a significant role in the increase in the stock.

The value of cash and account receivables decreased by HUF 928 billion, 61.9%, while the carrying amount of securities valued at fair value against other comprehensive income decreased by HUF 17.4 billion, or 49.8% compared to the end of 2020. In addition, there has been a similarly large decrease in the value of financial instruments held for trading purposes, as well as in hedging derivatives, which increased by HUF 197 million compared to the end of 2020.

Liabilities increased by 5.7% compared to the end of previous year and by 55.8 % compared to the same period of previous year.

The largest increase occurred in financial liabilities measured at amortized cost. As of 30 June 2021, the financial liabilities measured at amortised cost amounted to 568.56 billion, which is 5.6 % higher than at the end of previous year; and 56.9% higher than the same period of previous year. The use of long-term central bank loans and mortgage bonds to expand activity played a significant role in the growth of the portfolio.

Shareholder's equity increased from HUF 66.7 billion as of 31 December 2020 to HUF 66.7 billion as of 30 June 2021, while it increased by HUF 2.4 billion year-on-year.

Interest earning assets

The Bank's interest earning assets increased from HUF 610.5 billion as of 31 December 2020 to HUF 641 billion as of 30 June 2021. Interest earning assets contributed 99.6% to the total assets.

The stock of central bank and other interbank placements decreased from HUF 8.1 billion at the end of December 2020 to HUF 6.5 billion by 30 June 2021, while in the same period of the previous year the stock of interbank placements amounts to HUF 15 billion. The proportion of this item in interest earning assets decreased from 1.3% at the end of 2020 to 1% by the end of first half of 2021.

The value of Bank's financial assets at fair value through other comprehensive income decreased from HUF 34.9 billion as of 31 December 2020 to HUF 17.5 billion by 30 June 2021. The value of securities was HUF 26.8 billion in the same period of 2020 compared to it the stock declined by 34.5%. At the end of H1 2021, the debt securities at fair value through other comprehensive income contributed 4% to interest earning assets.

The Bank's portfolio of debt securities measured at amortized cost increased from HUF 229 billion on 31 December 2020 to HUF 255 billion on 30 June 2021. In the same period of 2020, this value was 104.9 billion forints. At the end of H1 2021, securities at amortized cost contributed 39.8% to interest earning assets.

Loans

As of 30 June 2021, net volume of customer and refinanced mortgage was 18.2% higher year-on-year, and increased by 1.4% on half year basis. In the first half of 2021 the impairment for loan losses amounted to HUF 1.1 billion, which is 29.6% than on 31 December 2020 and 3% higher compared to 30 June 2020.

Refinancing loans increased by 3.1% to HUF 296 billion in the last half year, while there was a 28.2% year-on-year growth. As of 30 June 2021, contribution of refinanced loans and gross own lending was 56.2% of interest earning assets; this rate was 65.5% a year before.

Portfolio quality

In the first half of 2021 the volume of non performing portfolio (stage 3) decreased by HUF 0.26 billion and compared to last year the rate of non performing loan portfolio decreased to 0,62%. The impairment coverage of non performing portfolio increased in the first half of 2021.

Other assets

Tangible assets amounted to HUF 99 million as of 30 June 2021 and decreased by 20.8 % from the end of year 2020. Intangible assets amounted to HUF 214 million and increased by 2.9 % from compared to the end of the year.

At the end of the first half of 2021, the stock of other assets amounted to HUF 1,189 million, and its volume increased significantly compared to the end of the year in connection with the accrued income and settlements against MTB Zrt.

Interest-bearing liabilities

The volume of interest-bearing liabilities increased from HUF 543,8 billion from December 31, 2020 to HUF 574,2 billion on 30 June 2021, which means a 89.2% proportion rate on the total liabilities. A year earlier, the overwhelming majority of the interest-bearing liabilities held 72.2% of the share of issuing securities, and by the end of the first half of 2021, the ratio has decreased to 59%.

Over the past year the share of interbank funds in interest-bearing liabilities has increased from 27.5 % to 40.8%, meanwhile this proportion was 39.4 % at the end of year 2020.

Issuances

In the first half of 2021 the total volume of issued mortgage bond reached close to HUF 10.5 billion as a result of eight public auctions. There was no senior unsecured bond issuances in this period.

Takarék Mortgage Bank continued to focus on mortgage (covered) bond issuance with longer maturities and fixed coupons: the originally 10 year tenor benchmark series TJ31NF01 issued in the first time in February was tapped further on. The Bank offered HUF 1 billion (with a possible +/- 50% deviation) to investors on a monthly basis. At the end of the first half of 2021 the total volume of TJ31NF01 increased to HUF 7.5 billion, and the relevant spreads decreased to 53 basis points from 82 basis points above the government bonds benchmark.

The tap issuance of the TJ36NF01 mortgage bond issued first time in January was also successful in May. The outstanding volume of this series reached HUF 2 billion. Also, the spread of the fifteen year security decreased in May, from 111 basis points in January to 70 basis point above the interpolated secondary market yields of the 2034/A and 2038/A government bonds benchmarks.

Maturities - buybacks

There were no scheduled mortgage bond maturities in the first half of 2021. In the same period EUR 500mn was repurchased from the euro denominated FJ22ZF01 series.

The table below shows the transactions related to raising of capital market funds in the first half of 2021.

Series	Date of issuance	Denom	Volume offered MioHUF/EUR	Volume of bids MioHUF/EUR	Issued volume MioHUF/EUR	Coupon %	Ave yield %	ÁKK(Bubor Benchmark spread (bp))	Birs Benchmark spread (bp)	Issuance method
Q1										
TJ26NF01 sr1	2021.01.28	HUF	1,000	3,020.50	1,000	1.75	2.34	Ákk +84	5y Birs +99	auction
TJ36NV01 sr1	2021.01.28	HUF	1,000	2,810	500	3,00	3.44	ákk+111	lrs + 140	auction
TJ31NV01 sr1	2021.02.25	HUF	1,000	4,525	1,500	3,00	3.15	Ákk+82	lrs + 78	auction
TJ31NV01 sr2	2021.03.31	HUF	1,000	6,525	1,499.98	3,00	3.16	Ákk+69	lrs + 66	auction
Total mortgage bonds			4,000	16,880.50	4,499.98					
Q1 total			4,000	16,880.50	4,499.98					
Q2										
TJ31NF01sr3	2021.04.30	HUF	1,000	3,340	1,500	3,00	3.03	Ákk+63	lrs + 52	auction
TJ31NF01sr4	2021.05.27	HUF	1,000	3,800	1,499.99	3,00	3.36	Ákk+57	lrs + 61	auction
TJ36NF01sr2	2021.05.28	HUF	1,000	3,000	1,500	3,00	4.04	Ákk+70	lrs + 100	auction
TJ31NF01sr5	2021.06.30	HUF	1,000	3,840	1,499.97	3,00	3.13	Ákk+52	lrs + 44	auction
Total mortgage bonds			4,000	13,980	5,999.96					
Total Q2			4,000	13,980	5,999.96					
Total H1			8,000	30,860.50	10,499.94					

Mortgage bonds

The book value of mortgage bonds of HUF 338.5 billion on 30 June 2021 increased by 2.9%, or HUF 9.4 billion, compared to the value at the end of 2020 (HUF 329.1 billion), but year-on-year increased by 28.2% or more than HUF 62.8 billion since the first half of 2020.

in million HUF	30/06/2020		31/12/2020		30/06/2021	
	Book value	Nominal value	Book value	Nominal value	Book value	Nominal value
Mortgage bonds designated at fair value through profit or loss						
Non-listed mortgage bonds						
Fixed	6,322	5,830	6,484	5,970	5,824	5,578
Financial liabilities measured at amortised cost						
Non-listed mortgage bonds						
Fixed	-	-	-	-	-	-
Listed mortgage bonds						
Fixed	211,451	208,064	292,039	283,164	302,146	293,664
Floating	48,487	48,406	30,512	30,406	30,559	30,406
Mortgage bonds Total	266,260	262,300	329,035	319,540	338,529	329,648

Mortgage bond collateral

The net value of ordinary collateral of mortgage bonds issued by TakaréK Mortgage Bank amounted to HUF 393.9 billion as of 30 June 2021 (HUF 316.9 billion of capital and HUF 77 billion of interests), 2.8% (HUF 10.7 billion) more than the HUF 383.2 billion as of 31 December 2020 and 23.2% (HUF 74.1 billion) above the figure of 30 June 2020.

in HUF million	30/06/2020	31/12/2020	30/06/2021
Outstanding mortgage bonds			
Face value	262,300	319,540	329,648
Interest	29,236	46,389	47,496
Total	291,536	365,929	377,144
Value of the regular collateral			
Principal	260,914	311,882	316,930
Interest	58,849	71,314	76,959
Total	319,763	383,196	393,889
Value of assets involved as supplementary collateral			
Government and Hungarian Development Bank bonds, Mortgage (Covered) bonds (principal and interest)	26,804	37,758	39,611
Total	26,804	37,758	39,611

As of 30 June 2021, the net present value of ordinary collateral was HUF 361.1 billion and the present value of mortgage bonds were HUF 338.8 billion. The present value of collateral exceeded that of outstanding CMBs not yet repaid with a ratio of 106.58%.

The ratio of the net amount of net ordinary and supplementary collateral principal to unpaid nominal value of outstanding mortgage bonds was 107.15%, the net amount of net ordinary and supplementary collateral interest to the unpaid interest on outstanding mortgage bonds was 169 % on June 30, 2021. The collateral value of real estate covering ordinary collateral was HUF 996.4 billion on 30 June 2021, compared to the amount of 31 December 2020 (HUF 991.8 billion) it didn't grow significantly. The loan coverage ratio (LTV) on normal collateral was 31.72% on 30 June 2021.

Provisions

In connection with contractual commitments, the stock of provisions created by the Bank amounts to HUF 117 million on 30 June 2021, which is only HUF 1 million higher than the provision requirement at the cut-off date of the previous year.

Individual Investors' Interest Association (TEBÉSZ) filed a lawsuit in the Capital Court for the annulment of the Company's resolutions number; 4/2019 (08.27.), 6/2019 (08.27.) and 7/2019 (08.27.) taken on the General Meeting of the Company held on August 27, 2019. The litigation was finally terminated. TakaréK Mortgage Bank Co. Plc. won the lawsuit.

In view of the above mentioned, provision was not set up in the first half of 2021 financial report.

Other liabilities

As of June 2021, the amount of other liabilities amounted to HUF 1,004 million which is exceeded of the 2020 stock.

Tax liabilities amounted to HUF 34 million at the end of the first half of the year (HUF 34 million at the end of 2020), while accrued expenses amounted to HUF 970 million (HUF 129 million at the end of 2020).

Shareholders' equity

The share capital of the Bank grew from HUF 66.7 billion from 31 December, 2020 to HUF 67.5 billion to 30 June 2021, and on annual basis HUF 2.4 billion growths was observed.

Capital position

The Hungarian Central Bank – in accordance with the request from the Central Organization of Integrated Credit Institutions (IHKSZ), the MTB Bank of Hungarian Savings Cooperatives Ltd., TakaréK Mortgage Bank and TakaréK Commercial Bank – issued resolution H-EN-I-36./2017 ruling to grant exemption for the Group from the individual and subconsolidated compliance obligations.

The total own funds of the Integration of Credit Institutions amounted over HUF 260 billion at the end of June 2021, while its capital adequacy ratio was 17.03%.

DECLARATION

The management report for the first half of 2021 of TakarékJelzálogbank Nyrt. (Takarék Mortgage Bank Plc.) is based on separate, non-audited IFRS financial statements.

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

Takarék Jelzálogbank Nyrt. hereby declares that the half-year financial statements of the year 2021 have been prepared in accordance with the applicable accounting standards and its best knowledge.

The 2021 half-year financial statements give a true and fair view of assets, liabilities, financial position and loss of the issuer and its consolidated affiliates, furthermore the half-year financial statements give a fair view of the position, development and performance of the Bank, disclosing the risks and the factors of uncertainty.

Budapest, 17 August, 2021

Dr. Gyula Nagy
Chief Executive Officer

Attila Mészáros
Deputy-CEO

Separated Financial Statements of Takarék Mortgage Bank Plc. prepared in accordance with International Financial Reporting Standards (IFRS)

Separate Income Statement

Separate, audited data as of 31 December 2020, and non-audited data as of 30 June 2020 (H1 2020) and 30 June 2021 (H1 2021) according to IFRS

in HUF million	H1 2020	H2 2020	2020 audited	H1 2021	H1 2021 / H1 2020	H1 2021 / H2 2020
Interest income	4,981	6,468	11,449	7,055	41.6%	9.1%
Interest expense	(3,672)	(4,565)	(8,237)	(5,101)	38.9%	11.7%
Net interest income	1,309	1,903	3,212	1,954	49.3%	2.7%
Fee and commission income	369	319	688	320	(13.3%)	0.3%
Fee and commission expense	(284)	(237)	(521)	(272)	(4.2%)	14.8%
Net fee and commission income	85	82	167	48	(43.5%)	(41.5%)
Profit /(-) Loss from foreign exchange transactions	92	8	100	(1)	-	-
Gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss	603	(111)	492	262	(56.6%)	-
Gains on financial assets and liabilities held for trading	660	12	672	(5)	-	-
Losses (-) from hedge accounting	(800)	(78)	(878)	34	-	-
Gains on financial assets and liabilities designated at fair value through profit or loss	171	119	290	120	(29.8%)	0.8%
Net trading result	726	(50)	676	410	(43.5%)	-
Gains on derecognition of non-financial assets, net	161	(4)	157	(6)	-	50.0%
Other operating income	373	157	530	82	(78.0%)	(47.8%)
Other operating expense	(4)	(12)	(16)	-	(100.0%)	(100.0%)
Net operating result	2,650	2,076	4,726	2,488	(6.1%)	19.8%
Provisions	(5)	2	(3)	(1)	(80.0%)	-
Impairment on financial assets not measured at fair value through profit or loss	(106)	(61)	(167)	(278)	162.3%	-
Reversal of impairment on non- financial asstes	-	(8)	(8)	1	-	-
General and administrative expenses	(1,409)	(957)	(2,366)	(1,098)	(22.1%)	14.7%
Modification gains, net	(2)	(235)	(237)	15	-	-
Profit before tax	1,128	817	1,945	1,127	(0.1%)	37.9%
Income tax benefit/(expense)	0	428	428	(71)	-	-
Profit for the period	1,128	1,245	2,373	1,056	(6.4%)	(15.2%)

Basic EPS (yearly)	10.42 HUF	11.50 HUF	21.92 HUF	9.76 HUF	(6.4%)	(15.2%)
Diluted EPS (yearly)	10.42 HUF	11.50 HUF	21.92 HUF	9.76 HUF	(6.4%)	(15.2%)

Name: Takarékszövetkezet Bank Plc.
Address: 1117 Budapest, Magyar Tudósok körútja 9.G.ép
Sector: Financial services
Reporting period: 01.01.2021 – 30.06.2021

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E-mail: Toth.Illes@takarek.hu
Investor relations: Illés Tóth

Comprehensive Income Statement	H1 2020	H2 2020	2020 audited	H1 2021	H1 2021 / H1 2020	H1 2021 / H2 2020
<i>Profit for the period</i>	1,128	1,245	2,373	1,056	(6.4%)	(15.2%)
Items that will not be reclassified to profit or loss	-	9	9	-	-	-
Income tax relating to items that will not be reclassified	-	9	9	-	-	-
Items that will be reclassified to profit or loss	(1,062)	321	(741)	(233)	(78.1%)	-
Hedging instruments	(77)	80	3	183	-	-
Debt instruments at fair value through other comprehensive income	(985)	241	(744)	(416)	(57.8%)	-
Other comprehensive income/(loss) for the period	(1,062)	330	-	(233)	(78.1%)	-
Total comprehensive income for the period	66	1,575	1,641	823	-	(47.7%)

Separate Statement of Financial Position

(separate, audited data as of 31 December 2020, and non-audited data as of 30 June 2020 and 30 June 2021 according to IFRS)

in HUF million	Jun 30, 2020	Dec 31, 2020	Jun 30, 2021	30/06/2021 / 30/06/2020	30/06/2021 / 31/12/2020
Cash, cash balances at central banks and other demand deposits	1,210	1,499	571	(52.8%)	(61.9%)
Financial assets held for trading	197	103	833	-	-
Financial assets at fair value through other comprehensive income	26,775	34,889	17,530	(34.5%)	(49.8%)
Financial assets at amortised cost	404,874	573,880	622,657	53.8%	8.5%
Deratives- Hedge accounting	1,526	926	393	(74.2%)	(57.6%)
Tangible assets	152	125	99	(34.9%)	(20.8%)
Intangible assets	229	208	214	(6.6%)	2.9%
Tax assets	-	348	348	-	-
Other assets	166	163	1,189	-	-
Total assets	435,129	612,141	643,834	48.0%	5.2%
Financial liabilities held for trading	182	88	825	-	-
Financial liabilities designated at fair value through profit or loss	6,322	6,484	5,824	(7.9%)	(10.2%)
Financial liabilities measured at amortised cost	362,314	538,318	568,557	56.9%	5.6%
Deratives- Hedge accounting	412	284	-	(100.0%)	(100.0%)
Provisions	142	116	117	(17.6%)	0.9%
Tax liabilities	93	4	-	(100.0%)	(100.0%)
Other liabilities	555	163	1,004	80.9%	-
Total liabilities	370,020	545,457	576,327	55.8%	5.7%
Share capital	10,849	10,849	10,849	-	-
Share premium	27,926	27,926	27,926	-	-
Accumulated other comprehensive income	(70)	260	27	-	(89.6%)
Retained earnings	24,556	24,319	26,692	-	9.8%
Other reserves	927	1,164	1,164	25.6%	-
Treasury shares (-)	(207)	(207)	(207)	-	-
Profit for the year	1,128	2,373	1,056	(6.4%)	(55.5%)
Total shareholders' equity	65,109	66,684	67,507	3.7%	1.2%
Total liabilities and shareholders' equity	435,129	612,141	643,834	48.0%	5.2%

Cash Flow Statement

(audited data as of 31 December 2020, and non-audited data as of 30 June 2020 and 30 June 2021 according to IFRS)

in HUF million	30 June 2020	31 December 2020	30 June 2021
Cash flow from operating activities			
Profit for the period	1,128	2,373	1,056
<i>Non cash adjustments to net profit from:</i>			
Depreciation and amortization	29	58	26
Impairment/provision/ (-) Release of impairment/provision for losses	110	124	279
Provision/ (-) Release of other provision	367	(383)	-
Gain/(oss) on tangible and intangible assets derecognized	-	3	-
Interest expense on the lease liability	-	1	1
Fair value adjustment of derivatives	(744)	856	5
Fair value adjustment on financial liabilities at fair value through profit or loss, other than derivatives	171	(68)	(120)
Operating profit/(los) before change in operating assets	1,061	2,964	1,246
<i>Decrease/(Increase) in operating assets:</i>			
Trading derivatives and hedging transactions	1,872	1,800	251
Financial assets measured at amortized cost	(110,458)	(279,265)	(49,056)
Other assets	15,528	7,257	16,100
Financial liabilities measured at amortized cost	(5,847)	59,144	20,086
Other liabilities	(253)	(720)	852
Net cash flow from operating activities	(98,097)	(208,820)	(10,521)
Cash flow from investing activities			
Proceeds from sales of tangible and intangible assets	-	(3)	5
Purchase of tangible and intangible assets	-	(2)	(11)
Net cash outflow from investing activities	-	(5)	(6)
Cash flow from financing activities			
Repayment of long term loans	98,266	209,279	9,613
Repayment of leasing liabilities	(29)	(25)	(14)
Net cash outflow from financing activity	98,237	209,254	9,599
Decrease in cash and cash equivalents	140	429	(928)
Opening balance of cash and cash equivalents	1,070	1,070	1,499
Closing balance of cash and cash equivalents	1,210	1,499	571
Breakdown of cash and cash equivalents:			
Balances with National Bank of Hungary	1,124	872	16
Due from banks with a maturity of less than 90 days	86	627	555
Closing balance of cash and cash equivalents	1,210	1,499	571
<i>Supplementary data</i>			
<i>Interest received</i>	<i>4,981</i>	<i>11,499</i>	<i>7,055</i>
<i>Interest paid</i>	<i>(3,672)</i>	<i>(8,237)</i>	<i>(5,101)</i>

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Sector: Financial services
Reporting period: 01.01.2021 – 30.06.2021

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Investor relations: Illés Tóth

Statement of Shareholders' Equity

(separated, audited data as of 1 January 2020 and 31 December 2020 and non-audited data as of 30 June 2020 and 30 June 2021 according to IFRS)

in HUF million	Registered Capital	Payment in excess of face value (asia)	Other capital	Accumulated other comprehensive income	Earnings	Other reserves	Own shares	Total equity
1 January 2020	10,849	27,926	-	992	24,556	927	(207)	65,043
Profit for the year	-	-	-	-	1,128	-	-	1,128
Other comprehensive income	-	-	-	(1,062)	-	-	-	(1,062)
30 Juni 2020	10,849	27,926	-	(70)	25,684	927	(207)	65,109
Profit for the year	-	-	-	-	1,245	-	-	1,245
Other comprehensive income	-	-	-	330	-	-	-	330
General resere	-	-	-	-	(237)	237	-	-
31 December 2020	10,849	27,926	-	260	26,692	1,164	(207)	66,684
Profit for the year	-	-	-	-	1,056	-	-	1,056
Other comprehensive income	-	-	-	(233)	-	-	-	(233)
30 Juni 2021	10,849	27,926	-	27	27,748	1,164	(207)	67,507

Off-balance Sheet items – Commitments

(non-audited data as of 30 June 2020 and 30 June 2021 and audited data as of 31 December 2020 according to IFRS)

millió forintban	30 June 2020	31 December 2020	30 June 2021
Commitments			
Guarantees	-	-	-
Undrawn commitments	20,267	22,120	22,783
Total	20,267	22,120	22,783

Transactions with related parties

(separate, audited data as of 31 December 2020, and non-audited data as of 30 June 2020 and 30 June 2021 according to IFRS)

in HUF million	30 June 2020		31 December 2020 *		30 June 2021 *	
	Parent	Other related parties	Parent	Subsidiaries and other related parties	Parent	Subsidiaries and other related parties
Due from banks	15,024	94,621	7,353	0	25,282	376
Loans to customers	0	0	0	152,680	0	135,249
Other assets	0	225	0	1,147	472	520
Total assets	15,024	94,846	7,353	153,827	25,754	136,145
Due to banks	367	0	371	65	593	427
Other liabilities**	664	7,893	11,384	57,131	1,823	57,664
Total liabilities	1,031	7,893	11,755	57,196	2,416	58,091
Interest income	17	1,122	26	2,727	26	3,043
Interest expense	(408)	(419)	(69)	(182)	(11)	(184)
Net interest income	(391)	703	(42)	2,545	15	2,589
Fees and commission income	0	202	0	61	0	253
Fees and commission expense	0	(154)	0	(22)	0	(238)
Net fees and commissions	0	48	0	38	0	15
Other operating income	3	61	180	458	490	76
Other operating expense	(37)	0	0	0	(490)	0
Operating profit	(34)	61	180	458	0	76
General and administrative expenses	(322)	(486)	(30)	(2)	(195)	0
Profit for the year	(747)	326	108	3,039	(180)	2,951

* Bank has not got any direct subsidiaries in 2020 and 2021. The data are presented from the perspective of the main parent company, Magyar Bankholding Ltd and MTB Ltd as at 31 December 2020 and 30 June 2021, it includes the related parties' data of MKB and BB group too.

** includes the issued securities

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

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

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Data forms relating to the structure of shares and the group of owners

Ownership structure, participation and voting rates (as at 30 June 2021)

Description of owner	Total equity ¹						Listed series ¹					
	At the beginning of actual year (01.01.2021)			End of actual period (30.06.2021)			At the beginning of actual year (01.01.2021)			End of actual period (30.06.2021)		
	% ²	% ³	Qty	%	%	Qty	%	%	Qty	%	%	Qty
Series "A" shares listed on BSE												
Domestic institution/company	52.41	52.53	56,859,406	53.25	53.37	57,772,074	52.41	52.53	56,859,406	53.25	53.37	57,772,074
Foreign institution/company	0.03	0.03	32,298	0.01	0.01	11,536	0.03	0.03	32,298	0.01	0.01	11,536
Domestic individual	3.68	3.68	3,979,348	2.85	2.85	3,084,063	3.68	3.68	3,979,348	2.85	2.85	3,084,063
Foreign individual	0.01	0.01	11,760	0.01	0.01	10,821	0.01	0.01	11,760	0.01	0.01	10,821
Treasury shares	0.23	0.00	253,601	0.23	0.00	253,601	0.23	0.00	253,601	0.23	0.00	253,601
Government held owner ⁴	4.45	4.46	4,832,225	4.45	4.46	4,832,225	4.45	4.46	4,832,225	4.45	4.46	4,832,225
Other	0.03	0.03	31,372	0.04	0.04	45,680	0.03	0.03	31,372	0.04	0.04	45,680
Series total	60.84	60.74	66,000,010	60.84	60.74	66,000,010	60.84	60.74	66,000,010	60.84	60.74	66,000,010
Series "B" shares non-listed on BSE												
Domestic institution/company	13.05	13.09	14,163,430	13.05	13.09	14,163,430						
Series total	13.05	13.09	14,163,430	13.05	13.09	14,163,430						
Series "C" shares non-listed on BSE												
Domestic institution/company	26.11	26.17	2,832,686	26.11	26.17	2,832,686						
Series total	26.11	26.17	2,832,686	26.11	26.17	2,832,686						
TOTAL	100.00	100.00	82,996,126	100.00	100.00	82,996,126						

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

² Ownership share

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

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

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

	30 June 2020		31 December 2020		30 June 2021	
Takarék Mortgage Bank Plc.	253,601	0.23%	253,601	0.23%	253,601	0.23%

Owners with more than 5% ownership relating to listed series (as at 30 June 2021)

Name	Custodian Bank (yes/no)	Number of shares	Stake (%)
MTB Zrt.	no	53,085,921	80.42%
Magyar Nemzeti Vagyonkezelő Zrt.	no	4,832,225	7.32%
Takarék Zártkörű Befektetési Alap	no	3,808,180	5.77%
Total		61,726,326	93.51%

Owners with more than 5% ownership relating to total equity (as at 30 June 2021)

Name	Custodian Bank (yes/no)	Number of shares	Stake (%)
MTB Zrt.	no	70,082,037	88,14%
Total		70,082,037	88,14%

Data forms related to the organisation and operation of the issuer

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

	30/06/2020	31/12/2020	30/06/2021
Takarék Mortgage Bank Plc.	14.7	15.34	14.99

Persons in senior positions and (strategic) employees having an influence on the operations of the Bank (as at 30 June 2021)

Type ¹	Name	Position	Beginning of mandate	End/ termination of mandate	No. of shares held
BoD	Vida József	Chairman	30/11/2016	30/11/2021	0
BoD	dr. Nagy Gyula	Member, CEO	26/04/2017	30/11/2021	0
BoD	Mészáros Attila	Member	30/11/2016	30/11/2021	0
BoD	Soltész Gábor Gergő	Member	30/11/2016	30/11/2021	0
BoD	Hegedűs Éva	Member	18/10/2018	30/11/2021	0
BoD	Sass Pál	Member	31/10/2019	30/11/2021	0
SB/AB	dr. Harmath Zsolt	Chairman	02/01/2017	02/01/2022	0
SB/AB	Görög Tibor	Member	15/10/2018	02/01/2022	0
SB	dr. Kovács Mónika	Member	02/01/2017	02/01/2022	0
SB/AB	Pórfy György	Member	02/01/2017	02/01/2022	0
SB	dr. Gödör Éva	Member	01/08/2018	02/01/2022	0
SB	dr. Reiniger Balázs	Member	02/01/2017	02/01/2022	0
TOTAL No. of shares held by management:					0

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

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Information and disclosures in 2021

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

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

Announcements, information and disclosures published by Takarékszövetkezet Bank are available at the following sites:

www.bet.hu

www.kozzetetelek.hu

www.en.takarekjb.hu