



Takarék Mortgage Bank Plc.

Half-year financial report for the first half of 2022

Budapest, 17 August, 2022

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I. SUMMARY FIGURES AND TREND OF KEY PERFORMANCE INDICATORS

in HUF million	30/06/2021	31/12/2021	30/06/2022	30/06/2022/ 30/06/2021	30/06/2022/ 31/12/2021
Main balance sheet items					
Total assets	643,834	665,015	758,018	17.7%	14.0%
Refinanced loans	296,059	331,461	348,609	17.7%	5.2%
Loans (gross)	41,126	38,347	33,643	-18.2%	-12.3%
Mortgage bonds	338,529	327,835	352,967	4.3%	7.7%
Interbank liabilities	234,469	261,250	321,770	37.2%	23.2%
Shareholders' equity	67,507	68,936	70,030	3.7%	1.6%

in HUF million	H1 2021	H2 2021	H1 2022	2022H1 /2021 H1	2022 H1 /2021 H2
Main P/L items					
Net interest income	1,954	2,294	2,944	50.7%	28.3%
Net interest margin	0.63%	0.70%	0.83%	0.21%-pt	0.14%-pt
Net fees and commissions	48	-79	25	-48.7%	-
Net operating income	2,488	2,951	3,185	28.0%	7.9%
Provision for impairment on loan losses	-278	54	-155	-44.2%	-
Operating cost	-1,098	-1,321	-1,772	61.4%	34.1%
Cost to income ratio	43.5%	47.4%	64.4%	20.9%-pt	17.0%-pt
Profit from continuing operation	1,056	1,689	877	-17.0%	-48.1%
EPS- continuing operation	9.76 HUF	15.60 HUF	8.10 HUF	-17.0%	-48.1%
Return on Average Assets	0.34%	0.51%	0.25%	-0.1%-pt	-0.3%-pt
Return on Average Equity	3.27%	4.91%	2.55%	-0.7%-pt	-2.4%-pt

II. REPORT ON THE FIRST HALF-YEAR RESULTS OF TAKARÉK MORTGAGE BANK IN 2022

The report of TakaréK Mortgage Bank Co Plc. (hereinafter: Bank, Mortgage Bank, TakaréK Mortgage Bank, Company, Issuer) for the first half-year of 2022 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 2021, non-audited figures as of June 30 2021, June 30 2022.

In compliance with the licence of the Hungarian National Bank (MNB) Budapest Bank Ltd. and Magyar TakaréK Bankholding Ltd. (MTBH) merged into MKB Bank Plc. on April 1, 2022. Magyar TakaréKszövetkezeti Bank Ltd. (MTB) has a direct ownership of 88.13% in TakaréK Mortgage Bank Plc. and indirectly owns 88.33% of the voting rights. Taking into consideration that MTBH Ltd. had 88.13% direct ownership and 88.33% voting rights in TakaréK Mortgage Bank Plc. through MTB Ltd., following the merger, MKB Bank Plc. as the legal successor of MTBH Ltd. became the direct owner of TakaréK Mortgage Bank Plc. with a share of 88.13%, and indirectly owns 88.33% of the voting rights in it.

On 23:59 on 1 April, 2022 Takarekbank left the mandatory institutional protection organization of the integrated credit institutions, Integration Organization (the Central Organization of Integrated Credit Institutions) in which organization TakaréK Jelzálogbank is also a member.

The MNB revised the MFAR regulation aimed at the stable financing of retail mortgage loans, with the aim of deepening the mortgage bond market and strengthening the long-term funding of banks. Pursuant to the amendment, from 1 July 2022, in addition to Hungarian forint mortgage-based funds, mortgage bonds and refinancing loans denominated in other foreign currencies will also be eligible for the calculation of the MFAR. In addition, due to feedback from market participants, the uncertain effects of the pandemic and the war on the financial system, as well as current capital market trends and the longer preparation time for foreign currency issuances, the planned MFAR tightening (increase of the required minimum level from 25% to 30%, stock exchange listing requirement, cross-ownership limitations) will be postponed by 1 year, so these amendments will take effect on October 1, 2023.

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 2022 – 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 2022.

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

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, **the separate profit before tax was HUF 978 million in the first half of 2022 despite the extra profit special tax paid.** It was 39.3% less than the profit before tax for the second half of 2021, and 13.2% represents a lower level compared to the pre-tax profit achieved in the same period of the previous year.

Loan activities

By the end of the first half of 2022, the **refinanced mortgage loan stock has increased from the amount of HUF 296.1 billion to HUF 348.6 billion from the end of the first half of 2021.** The number of refinanced mortgage loans were 42,809 pieces at the end of June 2022.

The total refinanced loan stock has been distributed among 9 banks in 2022.

The **gross amount of customer mortgage loans** was HUF 33.6 billion on the 30 June 2022, 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 12.3% compared to the end of the previous year (HUF 38.3 billion) and decreased by 18.2% year-on-year.

In the first half of 2022 the volume of non performing portfolio (stage 3) increased by HUF 0.30 billion and compared to last year the rate of non performing loan portfolio increased to 0.65%.The impairment coverage of non-performing portfolio increased in the last year.

Developments in the structure of the Bank's liabilities

The outstanding amount of mortgage bonds amounted to HUF 352.9 billion on 30 June 2022, showing an increase of 4.3% on an annual basis and 7.7% 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 235.5 billion at 30 Jun 2022, 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 250.5 billion at the end of 2021, HUF 312.6 billion at 30 Jun, 2022).

On annual basis, the stock of funds withdrawn from the money market and from the long-term collateralized lending facility of central bank increased to HUF 321.8 billion.

The Bank's balance sheet total as at 30 June 2022 was HUF 758.0 billion, which is 14.0% (HUF 93.0 billion) higher than at the end of the previous year and 17.7% higher (HUF 114.2 billion) than at the end of the first half of 2021.

Issued mortgage bonds

Even in the highly volatile and more uncertain market environment following the outbreak of Russian-Ukraine war (increasing interest rate and yield spread environment) amid tightening investor demand) the Bank continued its issuance strategy originally communicated to its investors

and organized public auctions at the stock exchange every month (except for April) in the first half of 2022. The issuance activity of the Bank focused on the active participation in both the MNB's Green Covered Bond Purchasing and the Covered Bond Rollover Programmes. TMB used two times MNB's Green Mortgage Bond Purchase Programme and four times organized issues under that of the mortgage bond rollover programme. In the first half of 2022 the total volume of issued mortgage bond exceeded HUF 67 billion as a result of seventh public auctions. There were no senior unsecured bond issuances in this period.

Under the framework of the Green Covered Bond Purchasing Programme the Bank issued HUF 7.4 billion with relatively low spread. The Programme was suspended in the spring of 2022 and it has not been re-opened yet. The MNB did not restart Green Covered Bond Purchasing Programme in the second quarter of 2022.

TMB's participation in the MNB's Covered Bonds Rollover Programme was decisive in the first half year, HUF 42.16 billion covered bonds issued for renewal in the second quarter, and HUF 56.66 billion in the first half of the year 2022.

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 S&P with a stable outlook. The rating has not changed since.

During the first half of 2022, the Bank's capital markets and ALM strategy increasingly focused on preparing for new rules and regulations in particular for the measures required by the amendment of the Mortgage Bank Act coming into force on July 8th 2022, and for the modifications of the central bank's monetary policy tools.

The Mortgage Bank started preparing for its presence on the international covered bond markets, primary by searching for possible future partners

Sustainability

In addition to its active presence in the domestic green mortgage bond market and the compilation of reports ensuring the transparency of green mortgage bond issuances, The Bank took significant steps in the direction of sustainability in a broader sense (incorporation of sustainability factors into its business strategy and operations) in the examined half year. Detailed schedule for the sustainability reports in accordance with the ESG Reporting Guidelines of BÉT (Budapest Stock Exchange) was prepared at the end of 2021 and during first half of 2022 it started elaborating on its standalone ESG strategy and its first standalone sustainability report under GRI (Global Reporting Initiative) standards for the year 2021, which will be published in the second half of 2022.

Main P&L items

Net interest income was HUF 2,944 million in the first six months of 2022, 50.7% higher than a year before. The net interest margin to average total assets (NIM) was 0.83% in the first half of 2022 which was higher than in the same period of the previous year (annual rate).

The net fee and commission income was HUF 25 million result in the first half of 2022, which is by HUF 23 million lower than a year ago.

Operating costs amounted to HUF 1,772 million in the first half of 2022, compared to HUF 1,098 million in the same period of 2021. The costs incurred were significantly influenced by the special extra-profit tax introduced in 2022, which amounted to HUF 632 million.

The amount of risk costs amounted to HUF 155 million in losses in the first half of 2022. By the end of the first half of 2022, the impairment stock for the loan loss reached HUF 1.2 billion. In the context of the economic impact of the COVID-19 outbreak, the Mortgage Bank had not yet experienced a significant negative trend in the first half of 2022 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 877 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 MTB Group (MTB and JZB) amounted over HUF 56 billion at the end of June 2022, while its capital adequacy ratio was 18.8%.

Performance of Takarék Mortgage Bank's shares first six months of 2022

Takarék Mortgage Bank Plc. was ranked fourteenth in the ranking of 21 Hungarian "Premium" category stock exchange companies at the end of June 2022, similar to the end of the previous quarter. Takarék Mortgage Bank's stock market capitalization stood at HUF 29.4 billion at the end of June 2022, compared to HUF 31.68 billion at the end of March 2022. The capitalization of HUF 29.4 billion represents 0.42% of BÉT Premium shares total, compared to 0.38% at 31 March 2022 and 0.33% at the end of 2021.

On 30 June 2022, the share price of Takarék Mortgage Bank Plc. closed at HUF 446, compared to HUF 480 on 31 March 2022 and HUF 483 on 31 December 2021. In the second quarter of 2022, the share price of Takarék Mortgage Bank Plc. was in a range of HUF 428-496, compared to HUF 391-502 in the first quarter of 2022, and to HUF 471-576 in the last quarter of 2021.

In the second quarter of 2022, the total stock market turnover of Takarék Mortgage Bank Plc. fell significantly, barely reaching HUF 49 million, compare to HUF 80 million in the previous quarter. In the second quarter of 2022, the average daily turnover was around HUF 1 million compared to HUF 1.3 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 Agricultural Land Price Index, which is another member of the Takarék Index family, was introduced in November 2010. Takarék Agricultural Land Price Index represents the development of domestic land prices in aggregate format (including all agricultural sectors) in the last decade. The calculation method – similar to the Takarék House Price Index – is based on hedonic regression model filtering out the impacts due to the difference of lands in circulation. Also, Takarék Agricultural Land Price Index is based on transaction prices utilizing the professional knowledge in the property market of Takarék Group.

Takarék Mortgage Bank operates an independent website for Takarék Index: www.takarekindex.hu

TMB'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, while after successfully closing the testing phase the project has entered the implementation phase.

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.

On 15 December, 2021, the main bodies of MKB Bank, Budapest Bank and the owner of the Takarék Group, Magyar Takarék Bankholding Zrt., accepted the first step in the merger schedule of Budapest Bank, MKB Bank and the Takarék Group.

Under this, the two member banks of Magyar Bankholding Zrt., Budapest Bank Zrt. and MKB Bank Nyrt. and Magyar Bankholding Zrt. (the owner of MTB Bank Ltd.) merged on 31 March, 2022. During the integration, Budapest Bank merged into MKB Bank and MTB Bank Zrt. continues to operate as a subsidiary bank of the merged bank.

The three-player bankfusion—led by Magyar Bankholding—aims at establishing Hungary's second largest bank in terms of balance sheet total and a leading universal commercial bank in terms of digitalization with the integration of Budapest Bank, MKB Bank and later Takarékbank Zrt. after the necessary decisions has been drawn and licences from the authorities have been obtained, until May 2023 the latest. 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 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 prospective 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 functioning.

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). The shares of Takarék Mortgage Bank are traded on the Budapest Stock Exchange.

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. In the real estate market segment, Takarék Mortgage Bank tries to strengthen its market position by taking advantage of the opportunities offered by the market environment.

The Bank's strategic objective is to optimize both its operations and the range of products and services it offers. More specifically: the Bank 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. Automated valuation method (AVM) will be established under this framework, while the system is expected to be implemented this year.

The bank attaches high importance to implement environmental factors in its business strategy, which have resulted the bank being amongst the first placers of the market issuing green covered

bonds and it will publish a sustainability report and ESG Strategy in the second half of 2022. TMB has been preparing for the need of additional mortgage bond issuance due to the increased minimum level of MFAR obligation, while it is also examining the opportunity the future issue of foreign-currency denominated mortgage bond on international markets.

3. Developments of the market environment

Based on our estimates the Hungarian economy may have expanded at around a 7% rate in the first half of 2022 compared to the same period of 2021. The main engine of this growth was strong domestic demand: private consumption, which was given a lift by significant income transfers from the central budget, as well as corporate investment activity, fuelled by the mass outflow of development funds towards the end of 2021. Yet, developments of both internal and external balances took an unfavourable turn, while the resurrection of inflation and the negative impact of the Russian-Ukrainian conflict on commodity and energy prices also led to worsening conditions in terms of external financing. Compared to the first quarter of 2022 the dynamics of economic growth indeed lost momentum in the second quarter, and a further slowdown in the second half of the year looks very realistic.

MNB, the central bank, faced the threats posed by the rising inflationary environment and the more and more turbulent money- and capital markets at the same time. In order to adjust monetary conditions in a more flexible manner it kept operating a dual interest rate system: the level of the base rate was set with a view of achieving its mid-term inflation target, whereas the rate on its one-week deposit facility (which assumed the role of the main policy rate) was set with a view of dampening the impacts of increasingly volatile money markets on the prices of Hungarian financial assets (among them the Forint). In an environment characterized by accelerating inflation and elevated global risk aversion the MNB raised the base rate in five steps to 7.75% by the end of the first half of the year from 2.4% prevailing at the end of 2021, while the rate on the one-week deposit facility was raised from 4% to 7.75% in the same period. By the end of June – in line with the MNB's declared intentions - the levels of the two policy rates was harmonized, but rate hikes are going to continue (there was already a further 200bp hike in early July), since inflation looks even more widely rooted and protracted than before, furthermore the Russian-Ukrainian conflict is also going to continue with all its impacts on global commodity and energy prices.

Lending activity continued to exhibit strong dynamics in the first half of 2022: economic policy measures still in force to support the purchase and modernization of flats by households were decisive factors behind a more than 20% growth in the volume of new household loan contracts in the first six months of the year (compared to the same period of the previous year). Within this new mortgage backed loans were 35% higher in volume, while new personal loans exceeded that of last year's by 25%. The former was given a strong boost by the availability of housing loans at very favourable conditions within the scheme of Green Home Program. In the case of new corporate loans the volume of new contracts was roughly similar to that of the first half of 2021, but taking into account that numerous earlier existing financing opportunities were not available this year (like FfG Go!), or only at much less favourable conditions (Széchenyi Card loan products), this still points to impressive lending dynamics in the segment. However, the strong recent tightening in lending

conditions already resulted in a deceleration in lending activity in some market segments, and this is going to spread out to more segments in the rest of the year.

Real estate activity, which is a determining factor in the mortgage-backed loan segment, was definitely on a decline: according to estimates prepared by market experts the number of real estate transactions was 10% lower in the first six months of this year than in the same period of 2021. Although housing prices continued to rise at a steadily faster speed up until the first quarter of 2022, deceleration may have already started in the second quarter, and this is likely to prevail in the rest of the year. In the commercial, industrial and office real estate segment we saw a rise in vacancy rates throughout the first half of 2022, although in some cases this didn't reflect lower demand, but the high volume of finalized development projects. Average rents have so far remained unchanged. Looking ahead, however, the continued rise in vacancy rates looks very realistic even considering that the volume new projects may also contract due to skyrocketing costs and supply shortages as well as the resulting postponement of projects.

New issuance activity in the mortgage bond market was muted in the first half of 2022. The MNB purchased mortgage bonds in the primary market to the tune of only HUF 9 billion under its Green Mortgage Bond Purchase Programme, and suspended the programme in April. It was considering to renew the program under tighter conditions in the second half of 2022, but the new conditions have not been made public by the end of the first half of 2022. On the other hand, MNB was to announce that in order to secure a longer time for preparation to stricter conditions, the raising of the minimum requirement for the mortgage financing adequacy ratio (MFAR) from its current 25% level to 30% will only take place on October 1, 2023, not this year.

4. Main activities and subsidiaries' performance

Own lending

The gross customer mortgage loans of the Bank amounted to HUF 33.6 billion as of 30 June 2022, 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 12.3% compared to the to the end of last year figure (HUF 38.3 billion), while year-on-year it decreased by 18.2 %.

As of 30 June 2022 the majority part of the customer mortgage loans portfolio (81.1%) is housing loan with residential real estate collateral, while the share of general purpose mortgage loans is 16.1%.

in HUF million	30/06/2021	31/12/2021	30/06/2022	30/06/2022/ 31/12/2021	30/06/2022/ 30/06/2021
General purpose mortgage loans	6,460	5,993	5,401	-9.9%	-16.4%
Housing loan with residential real estate collateral	33,642	31,345	27,311	-12.9%	-18.8%
Loans to employees	565	525	463	-11.8%	-18.1%
Corporate	459	484	468	-3.3%	2.0%
Refinanced mortgage loans	296,059	331,461	348,609	5.2%	17.7%
Total loans, gross	337,185	369,808	382,252	3.4%	13.4%
Impairment	-1,122	-1,051	-1,166	10.9%	3.9%
Total loans, net	336,063	368,757	381,086	3.3%	13.4%

Refinancing

By the end of the first half of 2022, the refinanced loan stock has increased from the end of year 2021 from HUF 331.5 billion to HUF 348.6 billion. The number of refinanced credit transactions were 42.809 on June 30 2022. The total refinanced mortgage loan stock has been distributed among 9 banks in 2022.

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 2022. The total number of the full-time employees slightly (-0.56 FTE) decreased due to personal changes.

Headcounts of the Bank members were as follows:

	30/06/2021	31/12/2021	30/06/2022	30/06/2022/ 30/06/2021	30/06/2022/ 31/12/2021
Takarék Mortgage Bank Plc.	14.99	15.44	14.88	-0.73%	-3.63%

Changes in key position

The Annual General Meeting of Takarék Mortgage Bank Plc. held on 28 April 2022 elected PwC Auditing Ltd. the auditor of Takarék Mortgage Bank in 2022. The registered auditor in charge is Balázs Mészáros, deputy auditor Árpád Balázs.

5. Post-balance sheet date events

MTB Bank of Hungarian Savings Cooperatives Ltd. shareholder, the sole owner of the 14,163,430 priority shares (preferred stocks) of series "B" with a nominal value of HUF 100 each and 2,832,686 ordinary shares of series "C" with a nominal value of HUF 1,000 each, issued by Takarék Mortgage Bank Public Limited Company, grants its consent to the conversion of the above-mentioned shares to ordinary shares of series "A" with a nominal value of HUF 100. The resolution came into force on 14 July 2022.

The General Meeting orders that the total of 42,490,290, i.e., forty-two million four hundred and ninety thousand two hundred and ninety ordinary shares of series "A" with a nominal value of HUF 100, i.e., one hundred Hungarian forints each and a total nominal value of HUF 4,249,029,000, i.e., four billion two hundred and forty-nine million twenty-nine thousand Hungarian forints issued as a result of the Conversion of Shares shall be allocated in full to shareholder MTB Bank of Hungarian Savings Cooperatives Ltd. (registered seat: H- 1122 Budapest, Pethényi köz 10., company registration number: 01-10-041206).

The General Meeting adopts modification of the Statutes of the Company as follows:

- “2.1.2 The share capital of the Company comprises of 108,490,300, (one hundred and eight million four hundred and ninety thousand three hundred shares) ordinary shares of series “A” with a nominal value of 100 HUF (one hundred Hungarian forints) each.”
- Duties falling under the exclusive competence of the Board of Directors:
 - “(e) based on the decision of the Board of Directors of MKB Bank, defining and adopting the business policy, business strategy (including decisions concerning the geographical expansion or entry into new business areas, as well as decisions on exit from existing business areas and joint ventures to be concluded with third parties, and syndicate or consortium agreements, among other things), business plan and related product portfolio of the Company;”
 - “(j) approval of the Company’s Rules of Organisation and Procedure, and of any internal policies the approval of which is referred by law or an internal policy to the competence of the Board of Directors;”
 - “(n) within the scope defined by applicable laws, decision on the extension of internal credit;”

Changes in the composition of the Board of Directors and the Supervisory Board:

- The extraordinary general meeting of the Company elected on July 12, 2022, for a definite period until January 2, 2027 as member and chairman of the Supervisory Board dr. Láng Géza Károly. According to the decision of the extraordinary general meeting the election come into force that day on which the permission by Magyar Nemzeti Bank arrive to the Company, and the elected member of the Supervisory Board accept his election in writing.
- Zsolt János Rózsa resigned as member and chairman of the supervisory board on July 12, 2022.
- Éva Hegedűs resigned from her external board membership on July 13, 2022.

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

1. P&L structure

in HUF million	H1 2021	H2 2021	2021 audited	H1 2022	H1 2022 / H1 2021	H1 2022 / H2 2021
Interest income	7 055	7 649	14 704	11 066	56,9%	44,7%
Interest expense	-5 101	-5 355	-10 456	-8 122	59,2%	51,7%
Net interest income	1 954	2 294	4 248	2 944	50,7%	28,3%
Fee and commission income	320	269	589	303	-5,4%	12,5%
Fee and commission expense	-272	-348	-620	-278	2,2%	-20,1%
Net fee and commission income	48	-79	-31	25	-48,7%	-
Profit /(-) Loss from foreign exchange transactions	-1	1	0	271	-	-
Gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss	262	-76	186	-1	-	-98,7%
Gains on financial assets and liabilities held for trading	-5	6	1	-156	-	-
Profit/Loss from not-for-sale financial assets mandatorily measured at fair value through profit/loss	0	438	438	-220	-	-
Losses (-) from hedge accounting	34	-110	-76	412	-	-
Gains on financial assets and liabilities designated at fair value through profit or loss	120	118	238	50	-58,3%	-57,6%
Net trading result	410	377	787	356	-13,1%	-5,5%
Gains on derecognition of non- financial assets, net	-6	2	-4	4	-	100,0%
Other operating income	82	357	439	38	-53,7%	-89,4%
Other operating expense	0	0	0	-182	-	-
Net operating result	2 488	2 951	5 439	3 185	28,0%	7,9%
Provisions	-1	4	3	0	-100,0%	-100,0%
Impairment on financial assets not measured at fair value through profit or loss	-278	54	-224	-155	-44,2%	-
Reversal of impairment on non- financial asstes	1	-1	0	7	-	-
General and administrative expenses	-1 098	-1321	-2 419	-1 772	61,4%	34,1%
Modification gains, net	15	-77	-62	-287	-	272,7%
Profit before tax	1 127	1 610	2 737	978	-13,2%	-39,3%
Income tax benefit/(expense)	-71	79	8	-101	42,3%	-
Profit for the period	1 056	1 689	2 745	877	-17,0%	-48,1%
Other comprehensive income	-233	-260	-493	215	-	-
Total comprehensive income for the year	823	1 429	2 252	1 092	32,7%	-23,6%

In the first half of 2022, the Bank achieved a positive profit after-tax of HUF 877 million, despite the extra profit special tax paid, profit before tax was HUF 978 million, the latter 39.3% lower than the profit before tax for the second half of 2021.

During the first six months of the year, the special tax on financial institutions in amount of HUF 172 million and the extraprofit special tax HUF 632 million introduced in 2022 were charged as a significant one-off item. **The profit after taxation without banking tax and extraprofit special tax was HUF 1,681 million.**

Net interest income

Net interest income was HUF 2.94 billion in the first six months of 2022 is significantly 50.7% higher than a year before, and it showed 28.3% increase compared to the end of 2021 (HUF 2.3 billion). The net figure of the first half of 2022 consist of the balance of HUF 11.1 billion interest income (56.9% higher in the same half-year compared, and 44.7% higher compared to second half of 2021) and HUF 8.1 billion interest expense (59.2% higher in comparison with the same half-year and 51.7% higher than in the second half of 2021).

Breakdown of interest income and expenses:

	H1 2021	H2 2021	H1 2022	H1 2022 / H1 2021	H1 2022 / H2 2021
Interest income	7,055	7,649	11,066	56.9%	44.7%
Financial assets at amortized cost	6,398	6,917	9,909	54.9%	43.3%
<i>Loans</i>	1,248	1,139	1,197	-4.1%	5.1%
<i>Refinancing</i>	3,207	3,799	5,632	75.6%	48.2%
<i>Mortgage bond interest subsidy</i>	195	111	88	-54.9%	-20.7%
<i>Supplementary interest subsidy</i>	0	0	0	-	-
<i>Interbank activities</i>	18	42	342	-	-
<i>Interest income from credit institution repo transactions</i>	17	54	61	258.8%	13.0%
<i>Debt securities at amortized cost</i>	1,713	1,772	2,589	51.1%	46.1%
Debt securities at fair value through other comprehensive income	208	203	134	-35.6%	-34.0%
Swap transactions	448	527	1,021	127.9%	93.7%
Other interest income	1	2	2	100.0%	0.0%
Interest expenses	5,101	5,355	8,122	59.2%	51.7%
Financial liabilities at amortized cost	4,663	4,793	6,754	44.8%	40.9%
<i>Bonds issued</i>	3,763	3,737	4,700	24.9%	25.8%
<i>Interest expense of credit institution repo transactions</i>	0	0	0	-	-
<i>Interbank activities</i>	900	1,056	2,054	128.2%	94.5%
Derivatives	303	427	1,307	-	206.1%
Financial liabilities designated at fair value through profit or loss	130	131	59	-54.6%	-55.0%
Mortgage bonds	130	131	59	-54.6%	-55.0%
Other interest expense	5	4	2	-60.0%	-50.0%
Net interest income	1,954	2,294	2,944	50.7%	28.3%

The net interest margin to average total assets (NIM) was 0.83% (annual rate) in the first half of 2022 which is higher than in same half period of the previous year.

Net fee and commission income

Takarék Mortgage Bank reached HUF 25 million net fee and commission result in the first half of 2022, arising from HUF 303 million in revenue and HUF 278 million in expenses. The net profit for 2022 H1 was by HUF 23 million lower than in the previous year (2021 H1: HUF 48 million).

Fee and commission income realized during the first half of 2022 was by HUF 104 million increased than in the second half of 2021 (H2 2021: HUF -79 million).

Net result of financial transactions

In the first six months of 2022, the profit from financial transactions was HUF 356 million gain, which is lower by HUF 54 million than the profit in the same period of the previous year (HUF 410 million).

The result of the foreign exchange operations amounted to a profit of HUF 271 million in the first half of the year, which is significant higher than the same period of the previous year (profit of HUF 1 million).

Gains from derecognition of financial assets and liabilities not measured at fair value through loss amounted to HUF 1 million, which is lower than the result of the same period of the previous year (profit of 262 million).

Gains on financial assets and liabilities held for trading, gains from hedge accounting, loss from not-for-sale financial assets mandatorily measured at fair value and gains on financial assets and liabilities designated at fair value through profit in aggregate, amounts to HUF 86 million loss in the first half of 2022, which is significantly lower than the HUF 149 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 140 million loss net income in the first half of 2022, which is HUF 4 million from the gains on derecognition of non-financial assets, HUF 38 million from other operating income and HUF 182 million other operating expenses were recognized.

Impairments on loan losses

The volume of risk costs (impairment and credit losses) amounted to HUF 155 million negative result in the first half of 2022. In the last 1 year there was no significant change in impairment. The volume of impairment amount HUF 1.2 billion in the first half of 2022.

In the first half year of 2022 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 continued 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 appear after the end of the moratorium.

Operating costs

Operating costs amounted to HUF 1,772 million in the first half of 2022, compared to HUF 1,098 million in the same period of 2021. The costs incurred were thus 61.4% higher compared to the same period of previous year. The costs incurred were significantly influenced by the special extra-profit special tax introduced in 2022, which amounted to HUF 632 million.

In the first half-year, compared to the same period of the previous year, personnel costs increased from HUF 122 million to HUF 178 million, but other administrative costs (without special extra-profit tax) decreased from HUF 742 million to HUF 429 million. This decrease counterbalances the minor increase of the personnel costs.

The first half-year of 2022 depreciation was HUF 6.5 million higher comparing to the same period of 2021.

Income Tax

The income tax expense for the first half of 2022 amounts to HUF 101 million. Bank has calculated the carryforward loss according to the law.

Other comprehensive income

The increase of the other comprehensive income was largely due to a significant T-Bills sale in the first half of 2022, the loss 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	30/06/2021	31/12/2021	30/06/2022	30/06/2022/ 30/06/2021	30/06/2022/ 31/12/2021
Cash, cash balances at central banks and other demand deposits	571	229	169	-70.4%	-26.2%
Financial assets held for trading	833	2,359	4,335	-	83.8%
Financial assets at fair value through other comprehensive income	17,530	26,242	1,234	-93.0%	-95.3%
Financial assets at amortised cost and non-trading financial assets mandatorily at fair value profit or loss	622,657	634,964	751,033	20.6%	18.3%
<i>from: Customer loans (gross)</i>	<i>41,126</i>	<i>38,347</i>	<i>33,643</i>	<i>-18.2%</i>	<i>-12.3%</i>
<i>from: Refinanced mortgage loans (gross)</i>	<i>296,059</i>	<i>331,461</i>	<i>348,609</i>	<i>17.7%</i>	<i>5.2%</i>
<i>from: Debt securities</i>	<i>254,968</i>	<i>250,536</i>	<i>312,589</i>	<i>22.6%</i>	<i>24.8%</i>
<i>from: Deposits from MNB and other banks</i>	<i>6,524</i>	<i>10,764</i>	<i>39,391</i>	<i>-</i>	<i>-</i>
Derivatives- Hedge accounting	393	0	257	-34.6%	-
Investment in subsidiaries, joint ventures and associates	0	0	0	-	-
Tangible assets	99	95	89	-10.1%	-6.3%
Intangible assets	214	203	249	16.4%	22.7%
Tax assets	348	512	518	48.9%	1.2%
Other assets	1,189	411	134	-88.7%	-67.4%
Total Assets	643,834	665,015	758,018	17.7%	14.0%
Total liabilities	576,327	596,079	687,988	19.4%	15.4%
Financial liabilities held for trading	825	2,309	4,237	-	83.5%
Financial liabilities designated at fair value through profit or loss	5,824	6,121	0	-100.0%	-100.0%
Financial liabilities measured at amortised cost	568,557	585,534	680,029	19.6%	16.1%
Derivatives- Hedge accounting	0	1,112	2,116	-	90.3%
Provisions	117	28	27	-76.9%	-3.6%
Tax liabilities	0	147	1	-	-99.3%
Other liabilities	1,004	828	1,578	57.2%	90.6%
Total equity	67,507	68,936	70,030	3.7%	1.6%
Share capital	10,849	10,849	10,849	0.0%	0.0%
Share premium	27,926	27,926	27,926	0.0%	0.0%
Accumulated other comprehensive income	27	-233	-18	-	-92.3%
Retained earnings	26,692	26,417	29,164		10.4%
Other reserves	1,164	1,439	1,439	23.6%	0.0%
Treasury shares (-)	-207	-207	-207	0.0%	0.0%
Profit for the year	1,056	2,745	877	-17.0%	-68.1%
Total equity and total liabilities	643,834	665,015	758,018	17.7%	14.0%

As of 30 June 2022, the Bank's IFRS based total assets amounted to HUF 758.0 billion, which is 14.0% (HUF 93.0 billion) higher than at the end of previous year; and 17.7% higher than the same period of previous year.

The largest increase occurred in the stock of financial assets at amortized cost and non-trading financial assets mandatorily at fair value profit or loss, the gross value of which on 30 June 2022 increased by 18.3% to HUF 751.0 billion compared to the end of 2021 and was 20.6% higher than in the previous year. The expansion of debt securities, which increased by 24.8% at the end of the year and by 22.6% 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 0.06 billion, 26.2%, while the carrying amount of securities valued at fair value against other comprehensive income decreased by HUF 25.0 billion, or 95.3% compared to the end of 2021. In addition, there has been an increase in the value of financial instruments held for trading purposes, as well as in hedging derivatives, which increased by HUF 12.2 billion compared to the end of 2021.

Liabilities increased by 15.4% compared to the end of previous year and by 19.4% compared to the same period of previous year.

The largest increase occurred in financial liabilities measured at amortized cost. As of 30 June 2022, the financial liabilities measured at amortised cost amounted to 680.0 billion, which is 16.1 % higher than at the end of previous year; and 19.6% 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 68.9 billion as of 31 December 2021 to HUF 70.0 billion as of 30 June 2022, while it increased by HUF 2.5 billion year-on-year.

Interest earning assets

The Bank's interest earning assets increased from HUF 663.6 billion as of 31 December 2021 to HUF 756.6 billion as of 30 June 2022. Interest earning assets contributed 99.8% to the total assets.

The stock of central bank and other interbank placements increased from HUF 10.8 billion at the end of December 2021 to HUF 39.4 billion by 30 June 2022, while in the same period of the previous year the stock of interbank placements amounts to HUF 6.5 billion. The proportion of this item in interest earning assets increased from 1.6% at the end of 2021 to 5.2% by the end of first half of 2022.

The value of Bank's financial assets at fair value through other comprehensive income decreased from HUF 26.2 billion as of 31 December 2021 to HUF 1.2 billion by 30 June 2022. The value of securities was HUF 17.5 billion in the same period of 2021 compared to it the stock declined by 93.0%. At the end of H1 2022, the debt securities at fair value through other comprehensive income contributed 0.2% to interest earning assets.

The Bank's portfolio of debt securities measured at amortized cost increased from HUF 250.5 billion on 31 December 2021 to HUF 312.6 billion on 30 June 2022. In the same period of 2021, this value was 255.0 billion forints. At the end of H1 2022, securities at amortized cost contributed 41.3% to interest earning assets.

Loans

As of 30 June 2022, net volume of customer and refinanced mortgage was 13.4% higher year-on-year, and increased by 3.4% on half year basis. In the first half of 2022 the impairment for loan losses amounted to HUF 1.2 billion, which is 10.9% than on 31 December 2021 and 3.9% higher compared to 30 June 2021.

Refinancing loans increased by 5.2% to HUF 348.6 billion in the last half year, while there was a 17.7% year-on-year growth. As of 30 June 2022, contribution of refinanced loans and gross own lending was 50.5% of interest earning assets; this rate was 52.6% a year before.

Portfolio quality

In the first half of 2022 the volume of non performing portfolio (stage 3) increased by HUF 0.30 billion and compared to last year the rate of non performing loan portfolio increased to 0.65%. The impairment coverage of non-performing portfolio increased in the last year.

Other assets

Tangible assets amounted to HUF 89 million as of 30 June 2022 and decreased by 6.3% from the end of year 2021. Intangible assets amounted to HUF 249 million and increased by 22.7% compared to the end of the year.

At the end of the first half of 2022, the stock of other assets amounted to HUF 134 million, and its volume further decreased.

Interest-bearing liabilities

The volume of interest-bearing liabilities increased from HUF 591.7 billion from December 31, 2021 to HUF 680.0 billion on 30 June 2022, which means a 89.7% proportion rate on the total liabilities. A year earlier, the overwhelming majority of the interest-bearing liabilities held 58.9% of the share of issuing securities, and by the end of the first half of 2022, the ratio decreased to 51.9%.

Over the past year the share of interbank funds in interest-bearing liabilities has increased from 40.8% to 47.8%, meanwhile this proportion was 44.2% at the end of year 2021.

Issuances

In the first half of 2022 the total volume of issued mortgage bond exceeded HUF 67 billion, as a result of seven public auctions. From the total issued volume HUF 25 billion of TakaréK covered bonds were issued in the first quarter and more than HUF 42 billion in the second quarter. No senior unsecured bond issuances took place in this period.

Takarék Mortgage Bank continued to focus on mortgage (covered) bond issuance with 5-10 year maturities and fixed coupons. Despite the experienced increasing interest rate environment decreased investor demand it followed the issuance strategy communicated to the investors previously and organized auctions in every month except for April. Early 2022 it tapped the

TJ25NV01 series recognizing the actual market demand for floating rate securities due to investors' increasing inflation expectations. The Bank offered HUF 3 billion (with a possible +/- 50% deviation), however only accepted HUF 3 billion of the more than HUF 10 billion incoming bids keeping the spread level versus the government bond yield curve it successfully below 60bps.

The Bank organized four auctions in February and March benefiting from the central bank's running Green Covered Bond Purchasing and Covered Bond Rollover Programs. Under the framework of the latter the Bank issued the third tap of TJ26NF01 covered bond series with fixed interest rate. The renewed series had been the FJ23NF01 with a remaining maturity shorter than one year. The bank offered HUF 3 billion (with a possible +/- 50% deviation), while the volume of investors' bid reached HUF 8 billion and the Bank finally issued HUF 4.5 billion. Due to the deteriorating market conditions the spread increased to 76 basis points above the government bond benchmark (27/G).

Further two issues were organized in the Green Covered Bond Purchasing Program in February: the Bank tapped the series of TZJ27NF1 green covered bond with an original tenor of 6-year: offered amount was set at HUF 5 billion, while the issued amount came at HUF 5.4 billion. The other offered green series was the TZJ32NF1 with an offered amount of HUF 3 billion. Due to the emerging Russian-Ukraine tension and investors' growing inflationary concerns total bid came at a modest HUF 2.5 billion, while the bank accepted HUF 1.9 billion bid with a spread versus the government benchmark only +16 basis points (32/G).

In March the eighth tap of the fixed coupon series of TJ31NF01 was offered repeatedly under MNB's Covered Bond Rollover Program. The renewed series had been again FJ23NF01 having a remaining maturity short than one year. The offered volume was set at HUF 10 billion (with a possible +/- 50% deviation). The amount of the incoming bids reached HUF 11.6 billion, while the accepted and issued volume was HUF 10 billion. The spread above the secondary market yield of the 2031/A government bond yield came at 85 bps.

The bank organized two further auctions in the second quarter of 2022 both under the framework of MNB's Covered Bond Rollover Program: the renewed series was again the FJ23NF01 series in both cases. The Bank skipped April given the extraordinary yield and spread fluctuations, while it returned to the market in May issuing the ninth tap of TJ31NF01 covered bond series. The offered volume for this auction was HUF 14 billion, while total bids reached HUF 16.4 billion. Issued amount was set at HUF 14 billion with the spread versus government benchmark yield came at 87 bps, slightly higher than the spread at the previous auction.

The bank tapped the TJ26NF02 series in June with the offered volume of HUF 24 billion: issued volume finally reached HUF 28.16 billion versus the total demand of HUF 31 billion with investors' expected spreads hovering in a relatively narrow range. However, the spread versus the government bond benchmark increased to 91 bps amid an unfavorable market sentiment.

Total of HUF 42.16 billion of Takarek covered bond was issued in the second quarter of 2022, resulting the issue volume of HUF 67 billion in the first half of 2022.

At the end of June 2022, the proportion of fixed coupon mortgage bonds within the entire portfolio rose to over 91.6%.

Maturities - buybacks

Three covered bond series was scheduled to expire in the first and second quarters of 2022. The series of FJ22NV01 in January with a volume of HUF 3.08 billion, the series of FJ22ZF01 (originally 15 year tenor) in March with a volume of EUR 15.85 million, and the series of FJ22NF01 with a volume of HUF 4.9 billion.

TMB bought back and cancelled HUF 12.8 billion from series FJ23NF01, which was the official renewable series (maturity: 10 January 2023) in case of issuances participating in MNB's mortgage bond rollover program in the entire first half of 2022.

The table below shows the transactions related to TMB's fund raising in the first half of 2022.

Series	Date of Issuance	Denom	Volume offered MioHUF/EUR	Volume of bid MioHUF/EUR	Issued volume MioHUF/EUR	Coupon %	Ave yield/exch %	ÁKK(Bubor Benchmark spread (bp))	Birs Benchmark spread (bp)	Issuance Method
Q1										
TJ25NV01 sr3	2022.01.26	HUF	3000,00	10060,00	3000,00	3,37	100,42	akk +58	Irs + 59	auction
TJ26NF02 sr3	2022.02.10	HUF	3000,00	7970,00	4500,00	1,75	5,45	akk +76	Irs + 54	auction
TZJ27NF1 sr2	2022.02.24	HUF	5000,00	7445,50	5435,50	3,50	5,17	akk + 40	Irs + 19	auction
TZJ32NF1 sr1	2022.02.24	HUF	3000,00	2570,00	1970,00	5,75	4,99	akk + 16	Irs + 23	auction
TJ31NF01 sr8	2022.03.24	HUF	10000,00	11570,00	10000,00	3,00	6,86	akk + 85	Irs + 94	auction
Covered Bonds Total			24000,00	39615,50	24905,50					
Q1 Total			24000,00	39615,50	24905,50					
Q2										
TJ31NF01 sr9	2022.05.12	HUF	14000,00	16350,00	14000,00	3,00	8,23	ákk + 87	Irs + 98	auction
TJ26NF02sr4	2022.06.30	HUF	24000,00	30960,00	28160,00	1,75	9,38	akk - 91	Irs + 49	auction
Covered Bonds Total			38000,00	47310,00	42160,00					
Q2 Total			38000,00	47310,00	42160,00					
H1 Total			62000,00	86925,50	67065,50					

Mortgage bonds

The book value of mortgage bonds of HUF 352.9 billion on 30 June 2022 increased by 4.3%, or HUF 14.4 billion, compared to the value at the end of 2021 (HUF 327.8 billion), but year-on-year increased by 7.7% or more than HUF 25.1 billion since the first half of 2021.

in HUF million	30/06/2021		31/12/2021		30/06/2022	
	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	5,824	5,578	6,121	5,849	0	0
Total	5,824	5,578	6,121	5,849	0	0
Financial liabilities measured at amortised cost						
Non-listed mortgage bonds						
Fixed	0	0			0	0
Floating	0	0			0	0
Listed mortgage bonds						
Fixed	302,146	293,664	290,985	286,764	322,769	262,430
Floating	30,559	30,406	30,729	30,406	30,198	30,703
Total	332,704	324,070	321,714	317,170	352,967	293,133
Mortgage bonds Total	338,529	329,648	327,835	323,019	352,967	293,133

Mortgage bonds collateral

The net value of ordinary collateral of mortgage bonds issued by TakaréK Mortgage Bank amounted to HUF 490.3 billion as of 30 June 2022 (HUF 359 billion of capital and HUF 131,3 billion of interests), 9.7% (HUF 43.2 billion) more than the HUF 447.1 billion as of 31 December 2021 and 24.47% (HUF 96.4 billion) above the figure of 30 June 2021.

in HUF million	30/06/2021	31/12/2021	30/06/2022
Outstanding mortgage bonds			
Face value	329,648	323,019	364,049
Interest	47,496	46,377	58,943
Total	377,144	369,396	422,991
Value of the regular collateral			
Principal	316,930	348,868	359,012
Interest	76,959	98,269	131,309
Total	393,889	447,137	490,321
Value of assets involved as supplementary collateral			
Government and Hungarian Development Bank bonds,	39,611	-	22,239
Total	39,611	-	22,239

As of 30 June 2022, the net present value of ordinary collateral was HUF 332.4 billion and the present value of mortgage bonds were HUF 301.8 billion. The present value of collateral exceeded that of outstanding CMBs not yet repaid with a ratio of 110.12%.

The ratio of the net amount of net ordinary and supplementary collateral principal to unpaid nominal value of outstanding mortgage bonds was 104.17%, the net amount of net ordinary and supplementary collateral interest to the unpaid interest on outstanding mortgage bonds was 226.23 % on June 30, 2022. The collateral value of real estate covering ordinary collateral was HUF 1148 billion on 30 June 2022, compared to the amount of 31 December 2021 (HUF 1152 billion) it decreased modestly. The loan coverage ratio (LTV) on normal collateral was 31.23% on 30 June 2022.

Provisions

In connection with contractual commitments, the stock of provisions created by the Bank amounts to HUF 27 million on 30 June 2022, which is only HUF 1 million lower 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 27 August, 2019. The litigation was finally terminated. Takarék Mortgage Bank Co. Plc. won the lawsuit. The TEBÉSZ has submitted an appeal with regard to the final judgement (No. 13.Gf.40.057/2021/11). The Kúria remand the case and ordered Fővárosi Ítéltábla for a new procedure. The Fővárosi Ítéltábla has scheduled the hearing for 19 October, 2022. The lawsuit doesn't represent financial risk for The Company. In view of the above mentioned, provision was not set up in the first half of 2022 financial report.

Other liabilities

As of June 2022, the amount of other liabilities amounted to HUF 1,578 million which is exceeded of the 2021 stock.

Tax liabilities amounted to HUF 52.8 million at the end of the first half of the year (HUF 32.2 million at the end of 2020), while accrued expenses amounted to HUF 1,525.6 million (HUF 795.9 million at the end of 2020).

Shareholders' equity

The share capital of the Bank grew from HUF 68.9 billion from 31 December, 2021 to HUF 70.0 billion to 30 June 2022, and on annual basis HUF 2.5 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 MTB Group (MTB and JZB) amounted over HUF 56 billion at the end of June 2022, while its capital adequacy ratio was 18.8%.

DECLARATION

The management report for the first half of 2022 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 2022 have been prepared in accordance with the applicable accounting standards and its best knowledge.

The 2022 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, 2022

Dr. Gyula Nagy
Chief Executive Officer

Attila Mészáros
Deputy-CEO

IV. 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 2021, and non-audited data as of 30 June 2021 (H1 2021) and 30 June 2022 (H1 2022) according to IFRS

in HUF million	H1 2021	H2 2021	2021 audited	H1 2022	H1 2022 / H1 2021	H1 2022 / H2 2021
Interest income	7,055	7,649	14,704	11,066	56.9%	44.7%
Interest expense	-5,101	-5,355	-10,456	-8,122	59.2%	51.7%
Net interest income	1,954	2,294	4,248	2,944	50.7%	28.3%
Fee and commission income	320	269	589	303	-5.4%	12.5%
Fee and commission expense	-272	-348	-620	-278	2.2%	-20.1%
Net fee and commission income	48	-79	-31	25	-48.7%	-
Profit /(-) Loss from foreign exchange transactions	-1	1	0	271	-	-
Gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss	262	-76	186	-1	-	-98.7%
Gains on financial assets and liabilities held for trading	-5	6	1	-156	-	-
Profit/Loss from not-for-sale financial assets mandatorily measured at fair value through profit/loss	0	438	438	-220	-	-
Losses (-) from hedge accounting	34	-110	-76	412	-	-
Gains on financial assets and liabilities designated at fair value through profit or loss	120	118	238	50	-58.3%	-57.6%
Net trading result	410	377	787	356	-13.1%	-5.5%
Gains on derecognition of non- financial assets, net	-6	2	-4	4	-	100.0%
Other operating income	82	357	439	38	-53.7%	-89.4%
Other operating expense	0	0	0	-182	-	-
Net operating result	2,488	2,951	5,439	3,185	28.0%	7.9%
Provisions	-1	4	3	0	-100.0%	-100.0%
Impairment on financial assets not measured at fair value through profit or loss	-278	54	-224	-155	-44.2%	-
Reversal of impairment on non- financial asstes	1	-1	0	7	-	-
General and administrative expenses	-1,098	-1321	-2,419	-1,772	61.4%	34.1%
Modification gains, net	15	-77	-62	-287	-	272.7%
Profit before tax	1,127	1610	2,737	978	-13.2%	-39.3%
Income tax benefit/(expense)	-71	79	8	-101	42.3%	-
Profit for the period	1,056	1,689	2,745	877	-17.0%	-48.1%
Basic EPS (yearly)	9.76 Ft	15.60 Ft	22.82 Ft	8.10 Ft	-17.0%	-48.1%
Diluted EPS (yearly)	9.76 Ft	15.60 Ft	22.82 Ft	8.10 Ft	-17.0%	-48.1%

Name: Takarékszövetkezet Bank Plc.
Address: 1117 Budapest, Magyar Tudósok körútja 9.G.ép
Sector: Financial services
Reporting period: 01.01.2022 – 30.06.2022

Telephone: (1) 452 - 9100
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E-mail: Toth.Illes@takarek.hu
Investor relations: Illés Tóth

Comprehensive Income Statement	H1 2021	H2 2021	2021 audited	H1 2022	H1 2022 / H1 2021	H1 2022 / H2 2021
Profit for the period	1,056	1,689	2,745	877	-17.0%	-48.1%
Items that will not be reclassified to profit or loss	0	9	9	0	-	-100.0%
Income tax relating to items that will not be reclassified	0	9	9	0	-	-100.0%
Items that will be reclassified to profit or loss	-233	-269	-502	215	-	-
Hedging instruments	183	0	183	0	-100.0%	-
Debt instruments at fair value through other comprehensive income	-416	-269	-685	215	-	-
Other comprehensive income/(loss) for the period	-233	-260	-493	215	-	-
Total comprehensive income for the period	823	1429	2252	1092	32.7%	-23.6%

Separate Statement of Financial Position

(separate, audited data as of 31 December 2021, and non-audited data as of 30 June 2021 and 30 June 2022 according to IFRS)

in HUF million	30/06/2021	31/12/2021	30/06/2022	30/06/2022 / 30/06/2021	30/06/2022 / 31/12/2021
Cash, cash balances at central banks and other demand deposits	571	229	169	-70.4%	-26.2%
Financial assets held for trading	833	2,359	4,335	-	83.8%
Financial assets at fair value through other comprehensive income	17,530	26,242	1,234	-93.0%	-95.3%
Financial assets at amortised cost and non-trading financial assets mandatorily at fair value profit or loss	622,657	634,964	751,033	20.6%	18.3%
Deratives- Hedge accounting	393	0	257	-34.6%	-
Tangible assets	99	95	89	-10.1%	-6.3%
Intangible assets	214	203	249	16.4%	22.7%
Tax assets	348	512	518	48.9%	1.2%
Other assets	1,189	411	134	-88.7%	-67.4%
Total Assets	643,834	665,015	758,018	17.7%	14.0%
Financial liabilities held for trading	825	2,309	4,237	-	83.5%
Financial liabilities designated at fair value through profit or loss	5,824	6,121	0	-100.0%	-100.0%
Financial liabilities measured at amortised cost	568,557	585,534	680,029	19.6%	16.1%
Deratives- Hedge accounting	0	1,112	2,116	-	90.3%
Provisions	117	28	27	-76.9%	-3.6%
Tax liabilities	0	147	1	-	-99.3%
Other liabilities	1,004	828	1,578	57.2%	90.6%
Total liabilities	576,327	596,079	687,988	19.4%	15.4%
Share capital	10,849	10,849	10,849	0.0%	0.0%
Share premium	27,926	27,926	27,926	0.0%	0.0%
Accumulated other comprehensive income	27	-233	-18	-	-92.3%
Retained earnings	26,692	26,417	29,164	9.3%	10.4%
Other reserves	1,164	1,439	1,439	23.6%	0.0%
Treasury shares (-)	-207	-207	-207	0.0%	0.0%
Profit for the year	1,056	2,745	877	-17.0%	-68.1%
Total equity	67,507	68,936	70,030	3.7%	1.6%
Total equity and total liabilities	643,834	665,015	758,018	17.7%	14.0%

Cash Flow Statement

(audited data as of 31 December 2021, and non-audited data as of 30 June 2021 and 30 June 2022 according to IFRS)

in HUF million	30 June 2021	31 December 2021	30 June 2022
Cash flow from operating activities			
Profit for the period	1,056	2,745	877
<i>Non cash adjustments to net profit from:</i>			
Depreciation and amortization	26	50	32
Impairment/provision/ (-) Release of impairment/provision for losses	279	153	154
Provision/ (-) Release of other provision	0	-88	0
Gain/(loss) on tangible and intangible assets derecognized	0	-7	-17
Interest expense on the lease liability	1	1	0
Fair value adjustment of derivatives	5	1,719	-505
Financial assets at fair value through other comprehensive income	0	0	-1
Fair value adjustment on financial liabilities at fair value through profit or loss, other than derivatives	-120	-363	-50
Operating profit/(loss) before change in operating assets	1,246	4,210	490
<i>Decrease/(Increase) in operating assets:</i>			
Trading derivatives and hedging transactions	251	2,097	1,204
Financial assets designated at fair value through profit or loss	0	0	50
Financial assets at fair value through other comprehensive income	17,126	8,154	25,224
Financial assets measured at amortized cost	-49,056	-63,335	-116,223
Other assets	-1,026	-412	271
Financial liabilities measured at amortized cost	20,086	-2,910	4,705
Other liabilities	852	808	604
Net cash flow from operating activities	-10,521	-51,388	-83,675
Cash flow from investing activities			
Proceeds from sales of tangible and intangible assets	5	23	10
Purchase of tangible and intangible assets	-11	-31	-66
Net cash outflow from investing activities	-6	-8	-55
Cash flow from financing activities			
Repayment of long term loans	9,613	50,142	83,697
Repayment of leasing liabilities	-14	-16	-27
Net cash outflow from financing activity	9,599	50,126	83,670
Decrease in cash and cash equivalents	-928	-1,270	-60
Opening balance of cash and cash equivalents	1,499	1,499	229
Closing balance of cash and cash equivalents	571	229	169
Breakdown of cash and cash equivalents:			
Balances with National Bank of Hungary	16	3	5
Due from banks with a maturity of less than 90 days	555	226	163
Closing balance of cash and cash equivalents	571	229	169
<i>Supplementary data</i>			
Interest received	7,055	14,704	11,066
Interest paid	-5,101	-8,237	-8,122

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Investor relations: Illés Tóth

Statement of Shareholders' Equity

(separated, audited data as of 1 January 2021 and 31 December 2021 and non-audited data as of 30 June 2022 according to IFRS)

in HUF million	Registered Capital	Payment in excess of face value (asia)	Other capital	Accumulated other comprehensive income	Earnings	Other reserves	Own shares	Total equity
01.01.2021	10,849	27,926	0	260	26,692	1,164	-207	66,684
Profit for the year					1,056			1,056
Other comprehensive income				-233				-233
General reserves								0
Other capital movements								0
01.07.2021	10,849	27,926	0	27	27,748	1,164	-207	67,507
Profit for the year					1,689			1,689
Other comprehensive income				-260				-260
General reserves								0
Other capital movements					-275	275		0
30.12.2021	10,849	27,926	0	-233	29,162	1,439	-207	68,936
Profit for the year					879			879
Other comprehensive income				215				215
General reserves								0
Other capital movements								0
30.06.2022	10,849	27,926	0	-18	30,041	1,439	-207	70,030

Off-balance Sheet items – Commitments

(non-audited data as of 30 June 2021 and 30 June 2022 and audited data as of 31 December 2021 according to IFRS)

millió forintban	30 June 2021	31 December 2021	30 June 2022
Commitments			
Guarantees	-	-	-
Undrawn commitments	22,783	24,391	26,024
Total	22,783	24,391	26,024

Transactions with related parties

(separate, audited data as of 31 December 2021, and non-audited data as of 30 June 2021 and 30 June 2022 according to IFRS)

in HUF million	30 June 2021		31 December 2021			30 June 2022	
	Parent	Subsidiaries and other related parties	Parent	Subsidiaries and other related parties	Associated company	Parent	Subsidiaries and other related parties
Due from banks	25,282	376	9,710	1,243	0	1,929	37,515
Loans to customers	0	135,249	0	313,704	0	153,557	178,645
Other assets	472	520	145	220	0	0	78
Total assets	25,754	136,145	9,855	315,167	0	155,485	216,237
Due to banks	593	427	25,483	0	0	0	86,009
Other liabilities*	1,823	57,664	1,369	58,272	0	33,260	32,343
Total liabilities	2,416	58,091	26,852	58,272	0	33,260	118,352
Interest income	26	3,043	155	7,206	0	1,971	3,628
Interest expense	-11	-184	-125	-1,760	0	-921	-2,819
Net interest income	15	2,589	30	5,446	0	1,050	809
Fees and commission income	0	253	0	458	0	639	51
Fees and commission expense	0	-238	0	-444	0	-4	71
Net fees and commissions	0	15	0	15	0	636	123
Other operating income	490	76	1,106	305	0	0	-206
Other operating expense	-490	0	-1,715	-4,031	0	-526	-1,062
Operating profit	0	76	-609	-3,726	0	-526	-1,269
General and administrative expenses	-195	0	-532	-9	-448	0	-28
Profit for the year	-180	2,951	-1,111	1,726	-448	1,160	-365

* 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 Takaré Mortgage Bank and its related parties are presented, according to the mark below the table.

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Investor relations: Illés Tóth

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

Ownership structure, participation and voting rates (as at 30 June 2022)

Description of owner	Total equity ¹						Listed series ¹					
	At the beginning of actual year (01.01.2022)			End of actual period (30.06.2022)			At the beginning of actual year (01.01.2022)			End of actual period 30.06.2022)		
	% ²	% ³	Qty	%	%	Qty	%	%	Qty	%	%	Qty
Series "A" shares listed on BSE												
Domestic institution/company	53.28	53.40	57,801,776	53.28	53.40	57,802,584	53.28	53.40	57,801,776	53.28	53.40	57,802,584
Foreign institution/company	0.01	0.01	6,343	0.01	0.01	6,280	0.01	0.01	6343	0.01	0.01	6,280
Domestic individual	2.82	2.83	3,057,946	2.82	2.83	3,056,997	2.82	2.83	3,057,946	2.82	2.83	3,056,997
Foreign individual	0.01	0.01	8,621	0.01	0.01	8,621	0.01	0.01	8,621	0.01	0.01	8,621
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	0.00	0.00	39,498	0.04	0.04	39,702	0.00	0.00	39,498	0.04	0.04	39,702
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.

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

	30 June 2021		31 December 2021		30 June 2022	
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 2022)

Name	Custodian Bank (yes/no)	Number of shares	Stake (%)
MTB Zrt.	no	53,117,887	80.47%
Magyar Nemzeti Vagyonkezelő Zrt.	no	4,832,225	7.32%
Takarék Zártkörű Befektetési Alap	no	3,808,180	5.77%
Total		61,758,292	93.56%

Owners with more than 5% ownership relating to total equity (as at 30 June 2022)

Name	Custodian Bank (yes/no)	Number of shares	Stake (%)
MTB Zrt.	no	70,114,003	88.13%
Total		70,114,003	88.13%

DATA FORMS RELATED TO THE ORGANISATION AND OPERATION OF THE ISSUER

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

	30/06/2021	31/12/2021	30/06/2022
Takarék Mortgage Bank Plc.	14.99	15.44	14.88

Persons in senior positions and (strategic) employees having an influence on the operations of the Bank (as at 30 June 2022)

Type ¹	Name	Position	Beginning of mandate	End/ termination of mandate	No. of shares held
BoD	Vida József	Chairman	01/12/2021	30/11/2026	0
BoD	dr. Nagy Gyula	Member, CEO	01/12/2021	30/11/2026	0
BoD	Mészáros Attila	Member	01/12/2021	30/11/2026	0
BoD	Hegedűs Éva	Member	03/12/2021	13/07/2022	0
BoD	Sass Pál	Member	03/12/2021	30/11/2026	0
BoD	Ginzer Ildikó	Member	03/12/2021	30/11/2026	0
SB/AB	Rózsa Zsolt János	Chairman	03/01/2022	12/07/2022	0
SB/AB	Görög Tibor	Member	03/01/2022	02/01/2027	0
SB	Darazsac Péter	Member	03/01/2022	02/01/2027	0

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SB	dr. Gödör Éva	Member	03/01/2022	02/01/2027	0
SB	dr. Lélfa Koppány Tibor	Member	03/01/2022	02/01/2027	0
SB	dr. Láng Géza Károly	Chairman	12/07/2022	02/01/2027	0
TOTAL No. of shares held by management:					0

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

Changes in the composition of the Board of Directors and the Supervisory Board:

- The extraordinary general meeting of the Company elected on July 12, 2022, for a definite period until January 2, 2027 as member and chairman of the Supervisory Board dr. Láng Géza Károly. According to the decision of the extraordinary general meeting the election come into force that day on which the permission by Magyar Nemzeti Bank arrive to the Company, and the elected member of the Supervisory Board accept his election in writing.
- Zsolt János Rózsa resigned as member and chairman of the supervisory board on July 12, 2022.
- Éva Hegedűs resigned from her external board membership on July 13, 2022.

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INFORMATION AND DISCLOSURES IN 2022

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 Takarék Mortgage Bank are available at the following sites:

www.bet.hu

www.kozzetetelek.hu

www.en.takarekjb.hu

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Abbreviations

MNB, NBH	National Bank of Hungary (the central bank of Hungary)
TMB, Mortgage Bank, Bank, Company, Issuer	Takarék Mortgage Bank Plc.
MTBH	Magyar Takarékszövetkezet Bankholding Zártkörűen Működő Részvénytársaság
IHKSZ	Central Organization of Integrated Credit Institutions
IFRS	International Financial Reporting Standards