



Fundamenta-Lakáskassza Zrt.

Separate Financial Statements

prepared in accordance with International Financial Reporting Standards as adopted by the European Union

31 December 2024

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SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

(HUF million)	Note	31.12.2024	31.12.2023
Cash and cash equivalents	9.	12 888	50 801
Securities	10.	105 691	73 961
<i>of which blocked as collateral</i>	10.	6 254	0
Receivables from customers	11.	520 521	517 228
Other financial receivables	12.	665	705
Investments in subsidiaries	13.	1 359	1 359
Property, plant and equipment	14.	4 832	5 879
Intangible assets	15.	11 541	9 684
Current income tax assets	31.	213	3
Other assets	16.	1 512	1 479
TOTAL ASSETS		659 222	661 099
Liabilities to credit institutions	17.	20 967	15 460
Liabilities to customers	18.	541 744	552 422
Other financial liabilities	19.	5 180	5 672
Provisions	20.	1 624	1 330
Current income tax liabilities	31.	137	242
Deferred tax liabilities	31.	651	683
Other liabilities	21.	1 835	2 953
TOTAL LIABILITIES		572 138	578 762
Share capital	22.	2 001	2 001
Capital reserve	22.	2 100	2 100
Retained earnings	22.	60 924	51 697
Statutory reserves	22.	17 312	16 838
Settlement reserve	22.	8 748	8 748
General reserve	22.	8 564	8 090
Profit for the year	22.	4 747	9 701
TOTAL SHAREHOLDERS' EQUITY		87 084	82 337
TOTAL EQUITY AND LIABILITIES		659 222	661 099

Budapest, 20 March 2025

László Morafcsik

Chief Executive Officer

Tamás Király

Managing Director

SEPARATE STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

(HUF million)	Note	2024	2023
Interest income	23.	35 202	36 620
Interest expense	23.	-8 776	-8 833
NET INTEREST INCOME	23.	26 426	27 787
Fee and commission income	24.	1 119	1 709
Fee and commission expense	24.	-1 664	-1 872
NET FEE AND COMMISSION INCOME/EXPENSE	24.	-545	-163
Exchange gain/loss on foreign exchange items	25.	4	2
Net profit arising from derecognition of financial assets and liabilities measured at amortised cost	26.	-185	-676
Change in impairment of financial assets and changes in credit provisions	27.	-943	1 586
Other operating income	28.	1 170	2 208
Other operating expenses	29.	-2 349	-4 252
Operating costs	30.	-17 680	-15 110
PROFIT BEFORE TAX		5 898	11 382
Income taxes	31.	-1 151	-1 681
PROFIT FOR THE YEAR		4 747	9 701
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME		4 747	9 701

Budapest, 20 March 2025

László Morafcsik

Chief Executive Officer

Tamás Király

Managing Director

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

(HUF million)	Note	2024	2023
PROFIT FOR THE YEAR		4 747	9 701
Adjustments related to operating activities for			
Depreciation and amortisation	30.	3 138	2 566
Interest income	23.	-35 202	-36 620
Interest expenses	23.	8 776	8 833
Impairment of securities and reversal thereof, net	27.	25	-8
Impairment of receivables from customers and reversal thereof, net	27.	881	-1 572
Impairment of other financial receivables and reversal thereof, net	27.	14	8
Effect of unrealized movements in exchange rates on cash held	9.	-193	151
Impairment of property, plant, equipment and intangible assets and reversal thereof, net	29.	41	1
Net gain on sale of financial assets (securities)	26.	185	726
Profit from sale of property, plant and equipment, intangible assets	28.	9	-26
Changes related to lease, not involving movement of funds	32.	97	-811
Gain on other derecognition of property, plant and equipment, intangible assets	14., 15.	20	0
Recognition and release of provisions	20.	294	-60
Income tax expense	31.	1 151	1 681
Operating cash flows before changes in assets and liabilities from operating activities:		-20 764	-25 131
Changes in assets and liabilities from operating activities			
Securities	10., 26.	-400	47
Receivables from customers	11.	-4 913	18 494
Other financial receivables	12.	27	139
Other assets	16.	-33	237
Liabilities to credit institutions	17.	26	47
Liabilities to customers	18.	-8 309	-37 832
Other financial liabilities without leases	19.	360	774
Other liabilities	21.	-1 043	1 028
Total changes in assets and liabilities from operating activities:		-14 285	-17 066
Interest received	23.	28 835	28 299
Interest paid	23.	-10 287	-7 462
Income taxes paid	31.	-1 571	-342
Net cash from/used in operating activities		-13 325	-12 001

Investment cash flow	Note	2024	2023
Acquisition of securities	10.,26.	-73 321	-11 234
Proceeds from sale and expiry of securities	10.,26.	42 052	19 604
Acquisition of property, plant and equipment	14.	-584	-643
Income from sale of property, plant and equipment, intangible assets	14.	111	57
Acquisition of intangible assets	15.	-3 643	-2 142
Interest received	23.	6 832	8 540
Net cash from/used in investing activities		-28 553	14 182

Financing cash flow	Note	2024	2023
Interest paid	23.	-870	-1 646
Borrowings	17.	222 750	15 000
Repayment of borrowings	17.	-217 256	-101
Repayment of lease liabilities	32.	-852	-904
Net cash from/used in financing activities		3 772	12 349
Net increase/decrease in cash and cash equivalents		-38 106	14 530
Balance at 31 December of the previous year	9.	50 801	36 422
Effect of movements in exchange rates on cash and cash equivalents held		193	-151
Cash and cash equivalents at 31 December		12 888	50 801

The Company reports cash flows from operating activities using the indirect method.

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024 (NOTES 1., 6.18. AND 22)

(HUF million)	Share capital	Capital reserve	Retained earnings	Statutory reserves		Profit for the year	Total
				Settlement reserve	General reserve		
Balance at 1 January 2023	2 001	2 100	49 948	6 959	7 120	4 508	72 636
<i>Profit for the year</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>9 701</i>	<i>9 701</i>
Total comprehensive income	0	0	0	0	0	9 701	9 701
<i>Transfer of previous year's profit to retained earnings</i>	<i>0</i>	<i>0</i>	<i>4 508</i>	<i>0</i>	<i>0</i>	<i>-4 508</i>	<i>0</i>
Settlement reserve	0	0	-1 789	1 789	0	0	0
General reserve	0	0	-970	0	970	0	0
Total other changes in equity	0	0	-2 759	1 789	970	0	0
Balance at 31 December 2023	2 001	2 100	51 697	8 748	8 090	9 701	82 337
<i>Profit for the year</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>4 747</i>	<i>4 747</i>
Total comprehensive income	0	0	0	0	0	4 747	4 747
<i>Transfer of previous year's profit to retained earnings</i>	<i>0</i>	<i>0</i>	<i>9 701</i>	<i>0</i>	<i>0</i>	<i>-9 701</i>	<i>0</i>
Total contributions and distributions	0	0	9 701	0	0	-9 701	0
General reserve	0	0	-474	0	474	0	0
Total other changes in equity	0	0	-474	0	474	0	0
Balance at 31 December 2024	2 001	2 100	60 924	8 748	8 564	4 747	87 084

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. General information

Fundamenta-Lakáskassza Zrt. – up to 30 June 2003 Fundamenta Magyar-Német Lakás-takarékpénztár Rt. – (hereinafter referred to as the “Company”) was established by deed of foundation dated 5 December 1996.

In the period between 1 January 2024 and 31 March 2024 the Company was consolidated as a subsidiary by the following entities:

- in the largest unit: DZ BANK AG (DE-60265 Frankfurt am Main, Platz der Republik; <https://www.dzbank.com>)
- in the smallest unit, which is the immediate parent company of the Company: Bausparkasse Schwäbisch Hall AG (DE-74523 Schwäbisch Hall, Crailsheimer Str. 52; <https://www.schwaebisch-hall.de>).

In the period between 1 April 2024 and 31 December 2024 the Company was consolidated as a subsidiary by MBH Bank Nyrt. Registered office of MBH Bank Nyrt.: 1056, Budapest, Váci u. 38., website: www.mbhbank.hu.

The Company also publishes these financial statements on its website (www.fundamenta.hu/eredmenyek) and ensures continuous availability for inspection of the published data at least until data relating to the second succeeding financial year are published.

Ownership structure as at 31 December 2024:

Shareholders	Nominal value (HUF)	Registered ordinary share		Ownership share (%)
		Quantity (no)	Value (THUF)	
<i>MBH Bank Nyrt.</i> (HU-1056 Budapest, Váci u. 38.)	10,000	152,771	1,527,710	76.35
<i>Generali Biztosító Zrt.</i> (HU-1066 Budapest, Teréz krt. 42-44.)	10,000	29,770	297,700	14.88
<i>UniCredit Bank Hungary Zrt.</i> (HU-1054 Budapest, Szabadság tér 5-6.)	10,000	14,777	147,770	7.38
<i>Fundamenta-Lakáskassza Kft.</i> (1123 Budapest, Alkotás utca 55-61.)	10,000	2,782	27,820	1.39
TOTAL	-	200,100	2,001,000	100.00

By means of a share purchase agreement dated 10 November 2023, MBH Bank Nyrt. acquired all the shares held by Bausparkasse Schwäbisch Hall AG, Bausparkasse Wüstenrot AG and Wüstenrot & Württembergische AG, and now holds 76.35% of the shares. The minority shareholders waived their pre-emption rights. The transaction was closed on 27 March 2024. MBH Bank Nyrt. was registered as the main shareholder in both the shareholders' register of Fundamenta-Lakáskassza Zrt. and the company register. MBH Bank Nyrt. exercises the rights pertaining to the main shareholder with full powers. MBH Bank Nyrt. is the ultimate parent company of the Group and no ultimate controlling party can be identified among the owners of MBH Bank Nyrt.

On 11 November 2024, MBH Bank Nyrt. signed a share purchase agreement with Generali Biztosító Zrt. for the acquisition of a total 14.88% stake in Fundamenta-Lakáskassza Zrt. The closing of the

transaction is expected to take place at the beginning of April, following the approval of the Hungarian National Bank (MNB).

In accordance with Act CXIII of 1996 on Home Savings and Loan Associations the Company's core activity is home savings and loans, including the collection of deposits under contracts, the granting of loans under contracts, and the granting of bridging loans related to such contracts.

The National Money and Capital Market Supervisory Authority (the legal predecessor to Magyar Nemzeti Bank) authorised its establishment in resolution no. 80/1997 dated 20 March 1997, and the start of its operations in resolution 255/1997 dated 15 May 1997.

The Company was registered in the company register by the Metropolitan Court as the Court of Registration on 24 April 1997, as a company limited by shares, under no. Cg. 01-10-043304.

Fundamenta-Lakáskassza Zrt.:

Tax number:	12217595-4-44
CSO statistical code:	12217595-6419-114-01

Fundamenta-Lakáskassza Zrt. and Fundamenta-Lakáskassza Kft. have conducted their activity since 1 January 2011 as a VAT group. The group is represented by Fundamenta-Lakáskassza Zrt. The members of the VAT group have the following IDs: Group ID number: 17781121-5-44, Group EU VAT number: HU17781121.

The above VAT group ceased to exist on 31 December 2024, on 1 January 2025 Fundamenta-Lakáskassza Zrt. and Fundamenta-Lakáskassza Kft. joined the VAT group represented by MBH Bank Nyrt. Group ID number: 17782672-5-44, Group EU VAT number: HU17782672.

Fundamenta-Lakáskassza Zrt. and Fundamenta-Lakáskassza Kft. have been using the option of corporate tax group since 1 January 2019. Fundamenta Értéklánc Kft. joined the group as of 1 January 2020; the group is represented by Fundamenta-Lakáskassza Zrt. Group ID number of the members of the corporate tax group: 17100157-6-44.

The above corporate tax group ceased to exist on 31 December 2024, on 1 January 2025 Fundamenta-Lakáskassza Zrt, Fundamenta-Lakáskassza Kft. and Fundamenta Értéklánc Kft. joined the corporate tax group represented by MBH Bank Nyrt. Group ID number: 17100119-6-44.

The Company is a member of a group of companies that exceeds the thresholds of Act LXXXIV of 2023 on top up tax ensuring the global minimum tax level and amending certain tax acts in connection and is therefore subject to this law.

As the effective tax rate of the Group for its Hungarian operations exceeds 15%, the Company has no additional tax liability in respect of such right in 2024. The OECD issues interpretations related to the global minimum tax topic on an ongoing basis and the ministerial decree related to the domestic regulation has not been issued until 21.02.2025, so these interpretations and changes in the rules may have an impact on the Company's tax position.

Two internal Board members jointly or one internal Board member jointly with one managing director are authorised to sign the financial statements.

Internal Board members and managing directors as at the end of the financial year:

László Morafcsik

Member of the Board, Chief Executive Officer, Managing Director

2112 Veresegyház, Kilátó utca 9.

Attila Soós

Member of the Board, Deputy-CEO, Managing Director

2030 Érd, Iparos utca 136.

Judit Dóra Jakabfalvy

Managing Director

2011 Budakalász, Erdőhát utca 1. A. ép.

Péter Vizkelety

Managing Director

2096 Üröm, Gábor Áron sétány 35. 1.

Tamás Király

Managing Director

1098 Budapest, Távíró utca 25. 2. lh. 4. em. 17. ajtó

2. Compliance with IFRSs

The separate financial statements were prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as: IFRSs) as adopted by the European Union (EU).

The Company meets its annual reporting obligation under Act C of 2000 on Accounting (“Act on Accounting”) with these separate financial statements, in accordance with Section 9/A of the Act on Accounting.

The Company prepared separate financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union (EU) for the first time as of 31 December 2018. The Company has kept its accounting records and satisfied its reporting obligation under the Act on Accounting in accordance with IFRSs since 1 January 2018.

These financial statements were approved for issue by the Board of Directors on 20 March 2025.

3. Functional and presentation currency

These financial statements were prepared in Hungarian forints as the presentation currency, which is the Company’s functional currency.

Unless otherwise indicated, financial data presented in Hungarian forints in the financial statements is rounded to HUF million, while figures in other currencies are rounded to one unit of the foreign currency.

4. Judgements and estimates used in the financial statements

In preparing the financial statements in conformity with the accounting policies, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Future changes in the economic environment, financial strategy, regulatory environment, accounting regulations and other areas may result in changes in estimates, which may have a significant effect on

future financial statements.

When preparing the financial statements, the management made an assessment of the entity's ability to continue as a going concern and established that it has the necessary resources to continue as a going concern in the foreseeable future.

The management is not aware of any material uncertainty that would cast significant doubt on the Company's ability to continue as a going concern. Therefore the financial statements have been prepared on a going concern basis.

4.1. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the financial statements is as follows:

a) IFRS 9 business model and SPPI considerations

Upon the first adoption of IFRS 9, and thereafter upon the recognition of financial assets, the Company assesses whether based on the facts and circumstances that exist at that date it holds the given financial asset in a business model whose objective is to hold assets to collect contractual cash flows, or both to collect contractual cash flows and to sell financial assets.

If the Company determines that the objective of the business model for the given financial asset is to collect contractual cash flows, at the time of initial recognition the Company examines the contractual cash flows of financial assets that are debt instruments, based on which it determines whether the contractual terms of the given financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The classification of financial assets under IFRS 9, and the accounting policies for the business model as well as for SPPI, are laid out in more detail in Note 6.2 b).

b) Treatment of bridging loans, immediate bridging loans and housing loans

For its customers with home savings contracts in the saving phase, the Company may grant a bridging or immediate bridging loan on one occasion during the savings period if the terms set forth in the loan agreement are met (both bridging and immediate bridging loans hereinafter referred to as: "bridging loans"); following the disbursement date the Company may grant a housing loan based on the loan agreement.

When the contractual amount in the home savings contracts is disbursed, the bridging loans are paid off from the amounts deposited by the customer and from the housing loan amount granted.

The Company treats the bridging loans and the subsequent housing loan as different financial instruments. The bridging loans end and are derecognised upon the disbursement of the contractual amount, while the granted housing loan is entered into the books as a new loan.

The transaction costs related to the granting of the bridging loans are amortised until the payment of the contractual amount, not until the end of the housing loan phase. During the housing loan phase, the transaction cost associated with the bridging loan phase is not amortised.

The bridging loans bear different interest to the housing loans. The Company applies different effective interest rates for the bridging loans and for the housing loan created as of the disbursement date, in light of the different interest conditions for the loans and the practice regarding the amortisation of the transaction cost detailed above.

In the case of the housing loan, the commissions payable on the housing loan are accounted for as transaction cost using the effective interest method.

4.2. Assumptions and estimation uncertainties

Information on assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the reporting year, is as follows:

Provisions

The recognition and measurement of provisions and contingent liabilities also imply a high degree of estimation uncertainty, particularly with regard to the most important assumptions on the magnitude and probability of an outflow of resources. For more details please refer to Note 20.

Lease liabilities and right-of-use assets

On initial recognition the Company recognises lease liabilities at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, using the Company's incremental borrowing rate. For more details please refer to Note 6.12.

In relation to right-of-use assets, the above is relevant when determining the cost.

After the commencement date, the Company measures the lease liability at amortised cost using the effective interest method.

Finance lease receivables

The Company uses the interest rate implicit in the lease to measure the net investment in the lease. In the case of a sub-lease, if the interest rate implicit in the sub-lease cannot be readily determined, the Company as intermediate lessor may use the discount rate used for the head lease (adjusted for any initial direct costs associated with the sub-lease) to measure the net investment in the sub-lease.

Finance lease receivables are measured by the Company at an amount equal to lifetime expected credit loss, applying simplified impairment methodology to determine the impairment. To this end, expected credit losses are quantified using the provision matrix used to measure lease liabilities.

Impairment of financial instruments under IFRS 9

When determining the impairment of financial assets under IFRS 9 the management uses estimates to assess whether or not the credit risk of the financial asset has risen significantly following the initial recognition, and also makes estimates when using forward-looking information for measuring expected credit loss. For more details please refer to Note 6.3.

The IFRS 9 model is used to determine expected credit loss (ECL).

Under IFRS 9, expected loss is assessed rather than incurred loss.

The Company uses the following parameters for determining expected credit loss:

- LGD = loss given default = expected loss likely to occur in connection with the transaction, expressed in percent
- PD = probability of default = the probability of default of the transaction
- ECL = expected credit loss = the amount of expected loss
- CR = cure rate
- EAD = exposure at default = the gross amortised cost of the transaction at a point in time
- EADD(n) = exposure at default discounted = the average EAD value of the transaction for period n, discounted using EIR
- EIR = effective interest rate
- LEL = lifetime estimated loss = the loss expected for the entire life of the transaction
- 12M EL = 12-month estimated loss = 12-month expected loss

Impairment of non-financial instruments under IAS 36

The Company monitors indications that the carrying amount of a non-financial asset within the scope of IAS 36 Impairment of assets exceeds its recoverable amount. If any such indication exists, then the asset's recoverable amount is estimated. For more details see Note 6.11.

Determination of the effective interest rate (customer bonus)

From time to time the Company advertises customer campaigns, and for certain groups of customers it gives permanent customer bonuses. The common feature in the customer campaigns is that customers receive the bonus upon disbursement (after 4-10 years of saving). Customers do not receive the customer bonus automatically, it is subject to the terms advertised in the promotion campaign.

The Company prepares an analysis on the probability of a customer becoming entitled to the bonus by reaching the end of the savings period (the terms of the campaign are fulfilled and the contract is not cancelled). The Company takes the amount of the customer bonus into account with the probability determined in this way when recording the initial cash flow of the deposit, and reviews the probability estimate every year. If the backtested probability differs from the probability in the system by more than 5 percentage points, this is treated as an estimate change. The loss of entitlement to the bonus is also treated as an estimate change by the Company.

5. Measurement principles

When preparing the financial statements the assets and liabilities were measured at their historical cost.

6. Material accounting policies

6.1. Transactions in foreign currency

Transactions in foreign currency are translated into the Company's functional currency using the official exchange rate of the MNB as of the transaction dates.

Non-monetary items measured at cost are translated into the functional currency using the exchange rate valid on the date of the transaction.

6.2. General rules on the recognition, classification and measurement of financial instruments

a) Recognition and measurement

The Company applies settlement date accounting for regular-way purchases or sales of financial instruments and on initial recognition measures them at fair value.

b) Classification

Financial assets that are debt instruments are measured by the Company at amortised cost.

Business model applied to manage financial assets

In the case of its financial assets the Company determined the business model at portfolio level, during which it identified the following portfolios:

- Current accounts and bank deposits
- Securities
- Receivables from customers
- Other receivables from customers: deposit-related fee receivables (e.g. account-opening fees) and other receivables from customers

- Other financial receivables

For all sub-portfolios the objective of the Company's business model is to hold to maturity and collect the contractual cash flows.

Reclassifications

The Company reclassifies its affected financial assets when, and only when, it changes its business model for managing financial assets.

If the Company reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

Classification of financial liabilities

The Company measured all of its financial liabilities at amortised cost.

c) Derecognition

Derecognition of financial assets

The Company derecognises financial assets when its rights to the contractual cash flows cease or expire, or if the contractual rights related to the asset (significant risks and rewards of ownership) are transferred.

In the case of financial assets measured at amortised cost, the gain or loss on the derecognition is the difference between the carrying amount and the consideration received, and it is recognised in profit or loss.

Derecognition of financial liabilities

The Company derecognises financial liabilities when the contractual obligations are discharged, cancelled or expire. The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to a third party and the consideration paid (including non-cash assets and assumed liabilities transferred) must be recognised net in profit or loss.

d) Changes in respect of expected cash flows

Changes in expected cash flows

In the case of a change in the estimated cash flows of the transaction, the Company changes the gross carrying amount of the financial asset or liability by re-calculating the net present value of the "new" debt instrument based on the new cash flows and the original effective interest rate. The difference between the net present value determined as described above and the carrying amount before the change in cash flows is recognised in profit or loss as interest income/expense.

Modifications resulting in derecognition

The Company accounts for exchanges between an existing borrower and lender of debt instruments with substantially different terms as an extinguishment of the original financial asset or financial liability and the recognition of a new financial asset or financial liability at fair value. Similarly, a substantial modification of the terms of an existing financial asset or financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is accounted for by the Company as an extinguishment of the original financial asset or financial liability and the recognition of a new financial asset or financial liability at fair value.

In this respect, the terms are substantially different if, based on the new terms, the present value of the cash flows – including paid fees and excluding received fees – discounted using the original effective interest rate differs by at least 10 percent from the discounted present value of the remaining cash flows of the original financial asset or liability.

If the exchange of debt instruments or the modification of terms is accounted for as an extinguishment, the gain or loss on derecognition is recognised as interest income/interest expense. Direct costs and fees connected to the new financial asset or liability are accounted for over the remaining term of the new debt instrument using the effective interest method, as interest income/ interest expense.

Modifications not resulting in derecognition

If the exchange or modification is not accounted for as an extinguishment, the arising costs or fees modify the carrying amount of the liability, and such are amortised over the remaining period of the modified loan.

If the financial asset or liability is not derecognised, the Company has to change the carrying amount of the financial asset or liability by re-calculating the net present value of the “new” financial asset or liability based on the new contractual terms (cash flows) and the original effective interest rate. In this case, the difference between the present value of the “new” financial asset or liability and the carrying amount of the financial asset or liability before the modification of terms is recognised in profit or loss as interest income / interest expense, or as a separate line item, if justified.

e) Fair value measurement

As at the end of the reporting period, the Company does not have any financial assets and liabilities measured at fair value in the statement of financial position. The fair value of instruments not measured at fair value is presented in Note 36.3.

When determining the fair value of financial instruments, the Company applies market prices in the case of transactions with an active market. For the majority, however, there is no reliable public market information available, so the Company applies different valuation techniques to measure the fair value of financial instruments.

6.3. Impairment of financial assets, write-offs

General rules on impairment of financial assets

The Company recognises loss allowances for expected credit loss in the case of financial assets measured at amortised cost or for loan commitments to which the impairment requirements of IFRS 9 apply.

At the end of each month the Company assesses whether the credit risk on the financial asset has risen significantly since the initial recognition. During the assessment the Company examines the change in the default risk over the expected life of the financial asset.

If forward-looking, reasonable and supportable information is available without undue cost or effort, the Company may not rely solely on default information when determining whether the credit risk has risen significantly since initial recognition, but it also considers other indications of credit deterioration of the customer.

If the credit risk of a financial asset has not risen significantly from the initial recognition until the reporting date, the Company measures the loss allowance for the given financial asset at an amount equal to 12-month expected credit loss (*Stage 1*).

On each reporting date the Company measures the loss allowance for the financial asset at an amount equal to lifetime expected credit loss, if the credit risk of the financial asset – assessed either individually or collectively – has risen significantly since initial recognition, taking all reasonable and supportable information into account, including forward-looking information (*Stage 2 or Stage 3*). The Stage 3 portfolio is the same as the credit-impaired portfolio.

For financial assets measured at amortised cost, the Company recognises – as an impairment gain or loss in the profit or loss – the amount of expected credit losses (or reversal thereof) which is used to adjust the loss allowance to the amount determined as of the reporting date.

The Company applies the general principles presented above to determine the expected credit loss for the following financial assets:

- Cash and cash equivalents
- Securities
- Receivables from customers (bridging loans; housing loans granted after bridging loans; housing loans granted without preceding bridging loans; bridging loans granted based on preferential list of fees)

Despite the above, the Company always measures the loss allowance for trade receivables or contract assets that result from transactions that are within the scope of IFRS 15 which do not contain a significant financing component in line with IFRS 15 at an amount equal to lifetime expected credit loss (or if the Company applies the practical expedient for contracts that are one year or less). Such include during the Company's operation deposit-related fee receivables as well as other financial receivables, for which the Company adopts a simplified approach.

i. Measurement of expected credit loss

Expected credit losses are probability-weighted estimates of the credit losses arising during the expected life of the financial asset (i.e. the present value of all cash shortfall). The estimated expected credit loss always has to reflect the possibility of the credit loss occurring and not occurring, even if the most likely outcome is that there will be no credit loss. The expected credit loss estimate has to reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. (For a detailed description of incorporation of forward-looking information see Section "Forward-looking information" in Note 34.1 "Credit risk".)

ii. Low credit-risk financial assets

The Company considers financial assets with an external rating of "investment grade" to have a low credit risk. The low credit risk (i.e. whether the conditions for the rating as a financial asset with a low credit risk still apply) is reviewed by the Company as of every reporting date, taking also into account previous experience with the external ratings agency and its ratings, or the experience available through the parent company.

iii. Purchased or originated credit-impaired financial assets

The Company considers financial assets to be classified into the purchased or originated credit-impaired financial assets (hereinafter referred to as "POCI assets") category if the counterparty has Stage-3 status on initial recognition. When calculating the credit-adjusted effective interest rate for POCI assets that are credit-impaired on initial recognition the Company takes the initial estimated credit loss into account in the estimated cash flows, and on the reporting date only recognises cumulative changes since initial recognition in the lifetime expected credit loss in profit or loss.

Special rules governing the impairment of financial assets

i. Impairment of government securities

The investment grade category includes the government securities which are rated as investment grade by at least two rating agencies from Moody's, Standard & Poor's and Fitch. If a given security is in the investment grade category, the Company considers it to be a low credit risk, classifies it in Stage 1, and applies a 1-year probability of default (PD) to quantify the impairment.

If the given security does not qualify as having a low credit risk as of the measurement date, a threshold calculation (relative change in lifetime probability of default) is required to determine whether the rating of the security has deteriorated significantly since initial recognition.

ii. Impairment of interbank and central bank deposits, sight deposits

The Company's interbank and central bank deposits as well as sight deposits are essentially short-term financial assets measured at amortised cost.

Impairment is only booked on interbank and central bank deposits by the Company if they expire after more than 4 working days following the given close date. Given the short term of these financial assets, impairment is always booked with a 1-year PD.

iii. Impairment of bridging loans and housing loans

In the case of bridging loan/housing loan arrangements, when the contractual amount specified in the home savings contract is paid out, the bridging loan is paid off from the deposits collected by the customer and from the housing loan, without a new loan assessment. The Company measures the expected credit loss for the period it is exposed to credit risk. Owing to the relationship between the bridging loan and the housing loan, for the purposes of assessing impairment and measuring credit loss the period for measuring expected credit loss during the bridging period lasts until the end of the housing loan.

The credit risk still exists during the period of the housing loan, which is why the Company calculates the lifetime expected loss not until the end of the disbursement phase but until the end of the housing loan phase, i.e. until the complete elimination of the credit risk.

When calculating impairment, aside from the losses expected in the bridging loan phase, the housing loan anticipated to be drawn and the expected losses as a result are also quantified (taking the term of the housing loan into account if lifetime expected loss needs to be accounted for).

In the housing loan phase, the impairment takes into account the term of the housing loan if lifetime expected loss needs to be accounted for.

iv. Impairment of deposit-related fee receivables

Concluding home savings contracts creates an account-opening fee receivable for the Company from its customers; these receivables are not exactly loan-type claims, but receivables in relation to which, given their economic substance, the Company is not exposed to a credit risk. The Company treats these receivables as trade receivables that result from transactions within the scope of IFRS 15, and that do not contain a significant financing component.

v. Impairment of other financial receivables

Other financial assets measured at amortised cost include receivables from sales partners as sales agents, other trade receivables, advances paid to employees as well as compensation receivables and other financial receivables.

The Company treats these receivables as trade receivables that result from transactions within the scope of IFRS 15, and that do not contain a significant financing component. These receivables are measured by the Company at an amount equal to lifetime expected credit loss, applying simplified impairment methodology to determine the impairment. To this end, expected credit losses are quantified using a provision matrix, and drawing on past experience in relation to credit losses.

vi. Impairment of loan commitments

In the case of loan commitments and for the purpose of applying the impairment requirements the Company considers the date of initial recognition to be the date when the Company becomes a party to the irrevocable commitment.

In the case of loan commitments, the Company takes into account the changes in the default risk for the loan to which the loan commitment relates.

In the event certain financial assets comprise both a loan component and an undrawn commitment component, the Company's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Company's exposure to credit losses to the contractual notice period.

Loan commitments in relation to which a loan has been granted receive the same Stage classification and the same impairment rate is applied for them as in the case of the related loan granted.

If there is no loan granted connected to the given loan commitment, the Company assesses the amount of the expected credit loss for the loan commitment on a group basis, for provisions no individual assessment is performed.

Presentation of loss allowance for expected credit losses in the statement of financial position

The Company recognises loss allowances for financial assets in the statement of financial position as follows:

- For financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- For loan commitments: as a provision. The Company recognises loss allowances for loan commitments separately, as a provision, if the financial instrument contains both a loan component (i.e. a financial asset) and an undrawn commitment component (i.e. a loan commitment).

Write-offs

If there are no reasonable expectations of recovering a financial asset in its entirety or a portion thereof, then the Company classifies the financial asset as unrecoverable and reduces the gross carrying amount of the financial asset directly. A write-off is a derecognition event, for which the Company applies the rules detailed in Note 6.2 c).

6.4. Cash and cash equivalents

Cash and cash equivalents include the balances of current accounts and deposits maturing in three months, which the Company uses to settle current liabilities and which do not have a significant fair value risk.

The Company measures cash and cash equivalents at amortised cost after their initial recognition; related interest is accounted for using the effective interest method.

6.5. Securities

Securities include government bonds and mortgage bonds. There are measured at amortised cost based on the business model test and SPPI test performed.

Upon initial recognition, securities measured at amortised cost are measured by the Company at fair value plus or minus transaction costs that are directly attributable to the acquisition of the security. Subsequent measurement is at amortised cost.

The Company considers the related transaction costs, fees and commissions to be part of the cost, and these are taken into account during the effective interest rate calculation. Consequently, interest and amortisation costs are accounted for using the effective interest method.

6.6. Receivables from customers

Receivables from customers comprise immediate bridging loans and bridging loans (collectively referred to as: bridging loans), housing loans, bridging loans granted based on preferential list of fees, and other customer receivables.

Upon initial recognition, the Company measures receivables from customers at fair value plus or minus transaction costs that are directly attributable to the origination or acquisition of the receivable. Subsequent measurement is at amortised cost based on the business model and SPPI tests conducted.

For receivables from customers measured at amortised cost the Company considers the related transaction costs, fees and commissions to be part of the cost, and these are taken into account during the effective interest rate calculation. Consequently, interest as well as transaction costs, fees and commissions are accounted for using the effective interest method.

6.7. Other financial receivables

Other financial receivables mainly include sales agent commission reversals, trade receivables, deposits paid for the office rent and finance lease receivables.

After initial recognition the Company measures these receivables at amortised cost.

6.8. Investments in subsidiaries

Following initial recognition the Company measures its subsidiary investment at cost as per IAS 27, less any impairment.

Taking into account IFRS rules on the impairment of interests, the differences between fair value less costs and value in use, and the reliable data available to the Company, the Company primarily applies the value in use method to calculate the recoverable amount of the interest. The Company calculates the value in use applied as the recoverable amount if there is an indication of impairment. The value in use is calculated based on the accepted 3-year future plans that are updated annually.

6.9. Property, plant and equipment

The Company classifies assets within the scope of IAS 16 Property, Plant and Equipment and assets within the scope of IFRS 16 Leases into the following groups: own plant and office equipment, own other tangible assets, leased plant and office equipment or assets under construction.

a) Initial recognition and measurement

The Company measures property, plant and equipment at cost.

b) Measurement after recognition

The Company applies the cost model to measure property, plant and equipment after their initial recognition.

c) Subsequent expenditure

In the carrying amount of an item of property, plant and equipment the Company does not recognise the costs of day-to-day operation. These costs are recognised in profit or loss when incurred.

d) Depreciation

The Company records depreciation on property, plant and equipment from the day such are ready for use. The depreciation on property, plant and equipment is recognised on a straight-line basis, taking into account the expected duration of use and the residual value.

The useful lives defined for property, plant and equipment are as follows:

Categories	useful life (years)
Leasehold improvements	up to the term of the lease
Right-of-use assets	up to the term of the lease
IT equipment	3-12 years
Telephones and other telecommunication devices	2-7 years
Furniture, equipment, fittings, administration equipment	7 years
Motor vehicles	4-6 years
Non-bank machinery and equipment	7 years
Other items of property, plant and equipment	7 years

In certain cases amortisation rates and useful lives different from the above may also be applied, if justified by a contract or by other reasons.

Depreciation methods, useful lives and residual values are reassessed annually at each reporting date.

e) Impairment

Details of impairment of property, plant and equipment are included in Note 6.11.

f) Derecognition

The Company accounts for the gain or loss arising from the derecognition of an item of property, plant and equipment on a net basis under other operating income or other operating expense, as appropriate.

6.10. Intangible assets

a) Initial recognition and measurement

Purchased intangible assets

Purchased intangible assets shall be measured at cost less booked amortisation and impairment.

Internally generated intangible assets

To assess whether an internally generated intangible asset meets the criteria for recognition, the Company classifies the generation of the asset into:

- a research/assessment phase; and
- a development phase.

The Company recognises research costs as cost when they arise. The costs of an intangible asset arising from development or from the development phase of an internal project are capitalised according to set criteria.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

If the Company cannot distinguish the research/assessment phase from the development phase of an internal project to create an intangible asset, it shall account for the expenditure on the project as expense in the period when it is incurred.

b) Measurement after recognition

The Company applies the cost model to measure intangible assets after their initial recognition.

c) Subsequent expenditure

Costs are capitalised to the carrying amount of the intangible asset until the start of operation. Subsequent expenditure shall be recognised in profit or loss.

d) Amortisation

The Company does not have any intangible assets with indefinite useful lives. Intangible assets are recognised based on their useful lives.

The amortisation of intangible assets with a finite useful life is recorded from the first day after the asset becomes ready for use.

The useful lives for intangible assets with finite useful lives are as follows:

- Rights and concessions: as per contract, or 3-12 years;
- Intellectual property, own software: 3-12 years.

In certain cases amortisation rates and useful lives different from the above may also be applied, if justified by a contract or by other reasons.

Useful lives are reviewed once a year. The Company does not record amortisation for intangible assets that are not yet ready for use, but every year it performs an impairment test, whereby it compares the carrying amount of the intangible asset with its recoverable amount, regardless whether or not there is any indication of impairment.

e) Impairment

Details of impairment of intangible assets are included in Note 6.11.

f) Derecognition

Intangible assets shall be derecognised on disposal, or when no future economic benefits are expected from their use or disposal.

The Company determines the gain or loss arising from the derecognition of an intangible asset on a net basis and it is then recognised in profit or loss under other operating income or other operating expense, as appropriate, when the asset is derecognised.

6.11. Impairment of non-financial assets

If there is an indication that the carrying amount of a non-financial asset exceeds its recoverable amount, the Company estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

The Company recognises impairment under other operating expenses and reversed impairment under other operating income.

6.12. Leases

a) Definition of and identifying a lease

In accordance with IFRS 16 applied, at inception of a contract, the Company assesses whether the contract is, or contains, a lease.

The non-lease components of the contracts are not separated. As a practical expedient, the Company has elected not to separate non-lease components from lease components, and instead account for them as a single lease component. The Company assesses each contract whether it contains a lease component.

b) The Company acting as a lessee

As a lessee, the Company has property lease transactions (office, car park and warehouse leases).

The Company recognises the right-of-use asset and the lease liability as at the commencement date.

After the commencement date the Company depreciates the right-of-use asset using the straight-line method, from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Initially the Company recognises the lease liability at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, using the Company's incremental borrowing rate.

The Company selects and uses the interest rate in the appropriate currency, for the appropriate term or fixed for an appropriate term, relating to the appropriate date or period, or the closest date or period to that, from the statistics published by Magyar Nemzeti Bank on a monthly basis on average interest rate in the contract on loans disbursed to non-financial companies, to determine the incremental borrowing rate.

The Company presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and lease liabilities in 'Other non-current financial liabilities' and 'Trade and other current liabilities' in its statement of financial position.

After the commencement date, the Company recognises in profit or loss, unless the costs are included in the carrying amount of another asset, the interest on the lease liability in 'Net finance income/expense', and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs in 'Material-type expenses'. The Company recognises depreciation of the right-of-use asset in profit or loss in 'Depreciation'.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense in 'Material-type expenses' on a straight-line basis over the lease term.

c) The Company acting as a lessor

The Company sub-leases offices leased by it, partly to subsidiaries under operating lease contracts, and through its subsidiary to external third parties under finance lease contracts.

When the Company acts as an intermediate lessor, it accounts for head lease and sub-lease contracts separately. The sub-lease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to the ownership of the underlying asset (in the case of sub-leases the right-of-use asset).

Finance lease

At the commencement date, the Company recognises assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease.

Operating leases

The Company recognises lease payments received under operating leases on a straight-line basis. The Company recognises costs, including depreciation, incurred in earning the lease income as an expense (in 'Depreciation').

The Company calculates depreciation based on the method described in Note 6.9. d).

The lease transactions of the Company are presented in Note 32.1.

6.13. Liabilities to customers

The liabilities to customers item shall include liabilities from financial services to non-banks and non-financial institutions, including the deposits placed by customers as well as government grants received by customers in connection with their deposits.

The Company measures liabilities to customers at amortised cost. The Company takes the related transaction costs, fees and commissions into account in the effective interest rate calculation, consequently, interest as well as transaction costs, fees and commissions are accounted for using the effective interest method.

6.14. Other financial liabilities

Under other financial liabilities the Company recognises trade liabilities and liabilities to sales agents as well as other liabilities. The Company measures these items at amortised cost, and they are accounted for using the effective interest method.

6.15. Provisions

The Company recognises provisions if it has a present obligation or liability (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

The Company measures provisions at the present value of the expenses expected to be required to settle the obligation, using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks associated with the obligation. The increase in the value of the provisions over time is recognised as an interest expense, when material.

For more details on the provisions recorded by the Company see Note 20.

6.16. Contingent liabilities

The Company classifies, among others, loan commitments into contingent liabilities and commitments.

A loan commitment is an irrevocable commitment of the Company.

The loan agreement enters into force on the date the signed loan agreement is received back; however, the date on which the agreement was sent is considered the start date of the loan agreement, therefore the Company has to make a credit facility available for the customer from the date on which the agreement was sent.

Contingent liabilities are not recognised in the statement of financial position, but are recorded as off-balance sheet items.

The Company recognises provisions for loan commitments; for further details see Note 6.3.

6.17. Contingent assets

Contingent assets are not recognised in the statement of financial position, but are recorded in account class 0, since this may result in the recognition of income that may never be realised. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

6.18. Capital and reserves

a) Share capital

Share capital is the nominal value of issued equity instruments. All amounts are considered share capital that are subscribed by the shareholders or other owners in accordance with relevant laws.

b) Capital reserve

The capital reserve equals the amount of the items recognised in equity that cannot be classified in the other equity components.

c) Retained earnings

Retained earnings essentially include the following:

- The reserves derived from the profits or losses of previous periods:
 - profit or loss carried forward from previous years;
 - any movements derived from transfers between retained earnings and other equity components;
- the impacts of the retrospective application of changes in accounting policies, except when transitional provisions of a standard or interpretation require the impacts of retrospective application as adjustments to other components of equity;
- amounts restated retrospectively due to error corrections, except when a standard or interpretation requires the retrospective restatement of another equity component;
- gains and losses that must be recognised directly in retained earnings.

Dividend payments are decided upon by the General Meeting, and must be recognised directly against retained earnings as of the day of the dividend decision.

d) Statutory reserves

Statutory reserves are the reserves required by law, which for the Company can be the following: settlement reserve and general reserve.

Settlement reserve

With a view to protecting those with home savings contracts, the Company recognises a settlement reserve from the yield on the placement of free assets defined by Act CXIII of 1996 on Home Savings and Loan Associations (hereinafter referred to as: Home Savings and Loans Act), and on 31 December, or on 30 June if certain conditions are fulfilled, of the reporting year supplements the settlement reserve recognised in the previous year. The settlement reserve is outside the scope of IAS 37. In the IFRS financial statements the Company recognises the settlement reserve from retained earnings and its amount limits the dividend that can be paid.

The base for the settlement reserve recognised in the reporting year shall be calculated as the difference between the reporting-year yield on the placement of free assets and the interest amount on the average portfolio of free assets in the reporting year determined using the rate of collective interest. The settlement reserve is calculated at the end of the reporting year based on the change in portfolio compared to the previous period, whereby the reserve can be recognised as early as 30 June if justified. Each year, the Company calculates the amount of the settlement reserve expected at the year-end based on the actual data as at 31 May, and forecast data for the remaining months of the year. If based on the calculation it can be established that recording the reserve will be irrevocably necessary at the end of the year, the Asset-Liability Committee can decide to recognise the reserve at half year at the

estimated amount. The settlement reserve may not exceed 10% of the deposit portfolio as of 31 December of the reporting year.

The Company shall use the settlement reserve to settle the difference between the interest payable pro rata for the reporting year on any loan drawn to cover the granting of housing loans, and the pro rata interest for the reporting year on such loans determined using the rate of collective interest.

The recording and use of the settlement reserve affects the retained earnings and therefore does not influence the given year's profit or loss in any way.

General reserve

In accordance with Section 83 of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter referred to as: "Credit Institutions Act"), a general reserve amounting to ten percent of the after-tax profit must be recognised. A general reserve recognised and used in accordance with Hungarian legal regulations directly affects retained earnings in the financial statements, so there is no impact on the given year's profit or loss.

6.19. General principles on revenue recognition based on IFRS 15

Following the identification of customer contracts, the Company reassesses their recognition only if there is an indication of a significant change in facts and circumstances. Revenue is recognised and the transaction price is determined in accordance with the provisions of IFRS 15.

6.20. Interest income and interest expense

The net interest income item in the statement of comprehensive income includes interest income and interest expenses determined using the effective interest method. The Company records its financial instruments in the amortised cost category except for interests in subsidiaries, which are measured in accordance with the provisions of IAS 27.

When using the effective interest method the Company applies the effective interest rate to the gross carrying amount of the financial asset, except for the following:

- purchased or originated credit-impaired financial assets, where the Company applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition;
- financial assets that subsequently became credit-impaired financial assets. For these financial assets the Company applies the effective interest rate to the amortised cost of the financial assets in subsequent reporting periods.

In line with the above rule, for loans that are not credit-impaired (i.e. classified in Stage 1 and Stage 2) the Company applies the effective interest rate to the gross carrying amount, while for credit-impaired loans (classified in Stage 3) to the net carrying amount.

The accounting policy applied by the Company for amounts recognised in interest income/interest expenses upon modification of financial assets and liabilities is described in Note 6.2 d).

6.21. Fee and commission income, fee and commission expense

The accounting of income related to the fees for financial services depends on the targets in relation to which the fees were determined, and depends on the accounting basis for the associated financial instruments. Fees that form an integral part of the effective interest rate for a financial instrument are recognised by the Company under interest income or interest expense.

Under fee and commission income and fee and commission expenses the Company recognises the fees and commissions related to loans and deposits along with the commissions on other securities

transactions and payment transactions which do not form an integral part of the effective interest rate for the financial instruments.

6.22. Dividend income

The Company accounts for dividend income when the dividend payment is approved and the amount can be reliably quantified.

The Company can receive dividend income from its subsidiary, the amount of which is approved by the owner of the subsidiary, i.e. the Company's Board of Directors, and until such time there is no dividend entitlement.

Interim dividends must be accounted for as a liability against the cash payment.

6.23. Exchange gain/loss on foreign exchange items

Exchange gain/loss on FX items comprises the exchange differences (gains and losses) derived from changes in the exchange rate.

6.24. Net profit/loss arising from derecognition of financial assets and liabilities measured at amortised cost

Net profit/loss arising from derecognition of financial assets measured at amortised cost includes net profit/loss arising from derecognition of securities classified as measured at amortised cost and the result of the derecognition of the Member loan disbursed during the year.

6.25. Employee benefits

Short-term employee benefits are accounted for as current costs in the period when the employee rendered the service in return for the benefits. Short-term employee benefits are employee benefits (other than termination benefits) that shall be settled within twelve months after the end of the period. Bonuses and task-specific bonuses payable to staff, recognised under provisions (if long-term) and under accruals (if short-term), are accounted for by the Company under personnel expenses (Other operating costs).

The Company currently does not provide post-employment benefits.

Other long-term employee benefits provided by the Company include bonuses that the Company is not likely to pay in full before twelve months have elapsed from the end of the annual reporting period during which the employees rendered the related services.

6.26. Income tax

The Company considers corporate tax, local business tax and innovation contribution as income taxes.

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss, except to the extent it relates to items recognised in other comprehensive income and directly in equity, in which case it is recognised in other comprehensive income and in equity.

Current tax is the expected tax payable on the taxable income for the reporting year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax

is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

6.27. Other comprehensive income

The Company has no items that are to be recognised in other comprehensive income and which will not need to be reclassified to profit or loss subsequently.

6.28. Liabilities to credit institutions

The Company records liabilities to credit institutions at amortised cost.

7. Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2024:

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify when liabilities are classified as either current or non-current. As most financial institutions, the Company presents its statement of financial position ordered by liquidity rather than classifying its assets and liabilities as current or non-current. Therefore, this amendment had no impact on these financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements.

The application of the above amendments had no significant impact on the Company's financial statements.

8. New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2025 or later, and which the Company has not early adopted.

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a

measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences.

The amendments do not affect the Company's financial statements.

Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026). On 30 May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 to:

- a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Company is currently assessing the impact of the amendments on its financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027). In April 2024, the IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information.

The Company is currently assessing the impact of the amendments on its financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027). IFRS 19 permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures.

The Company is currently assessing the impact of the amendments on its financial statements.

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard will be effective from a date that is yet to be determined by the IASB.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. In 2015, the IASB decided to postpone the effective date of these amendments indefinitely.

Annual Improvements to IFRS Accounting Standards (Issued in July 2024 and effective from 1 January 2026). IFRS 1 was clarified that a hedge should be discontinued upon transition to IFRS Accounting Standards if it does not meet the ‘qualifying criteria’, rather than ‘conditions’ for hedge accounting, in order to resolve a potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9. IFRS 7 requires disclosures about a gain or loss on derecognition relating to financial assets in which the entity has a continuing involvement, including whether fair value measurements included ‘significant unobservable inputs’. This new phrase replaced reference to ‘significant inputs that were not based on observable market data’. The amendment makes the wording consistent with IFRS 13. In addition, certain IFRS 7 implementation guidance examples were clarified and text added that the examples do not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7. IFRS 16 was amended to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply IFRS 9 guidance to recognise any resulting gain or loss in profit or loss. This clarification applies to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment. In order to resolve an inconsistency between IFRS 9 and IFRS 15, trade receivables are now required to be initially recognised at ‘the amount determined by applying IFRS 15’ instead of at ‘their transaction price (as defined in IFRS 15)’. IFRS 10 was amended to use less conclusive language when an entity is a ‘de-facto agent’ and to clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de-facto agent. IAS 7 was corrected to delete references to ‘cost method’ that was removed from IFRS Accounting Standards in May 2008 when the IASB issued amendment ‘Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate’.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company’s financial statements.

Notes to the financial statement items

9. Cash and cash equivalents

Table 9.1. - Cash and cash equivalents

(HUF million)	31.12.2024	31.12.2023
HUF current accounts held at MNB	9 956	47 568
HUF and FX current deposit accounts held at other credit institutions	2 932	3 233
Total cash and cash equivalents	12 888	50 801

The year-on-year change in cash and cash equivalents is related to the restructuring of the securities portfolio.

The credit rating classification of cash and cash equivalents is included in Note 34.

10. Securities

Table 10.1. - Securities

(HUF million)	31.12.2024	31.12.2023
Investment securities measured at amortised cost	105 784	74 029
Impairment allowance (-)	-93	-68
Total securities	105 691	73 961

In the first half of the reporting year the Company sold securities before maturity as permitted by the accounting policies and changed the maturity structure of the securities portfolio to comply with the rules relating to the reduction of extra-profit tax, and it also purchased mortgage bonds. During the third quarter current discounted Treasury bills were added to the securities portfolio of the Company. At the end of the year the Company sold securities with a maturity of up to one year, in accordance with the accounting policies.

Table 10.2. - Securities measured at amortised cost - reporting year

(HUF million)	31.12.2024
2025/B MÁK	11 757
2025/C MÁK	956
2026/D MÁK	3 288
2026/E MÁK	2 855
2026/F MÁK	2 841
2026/H MÁK	9 446
2027/A MÁK	10 758
2028/A MÁK	13 112
2028/B MÁK	11 069
2029/A MÁK	1 254
2030/A MÁK	909
2031/A MÁK	8 894
D250625	22 298
MJ29NF01	6 254
Total debt instruments	105 691

Table 10.3. - Securities measured at amortised cost - previous year

(HUF million)	31.12.2023
2024/B MÁK	8 894
2024/C MÁK	10 348
2025/B MÁK	11 924
2025/C MÁK	2 975
2026/D MÁK	2 310
2026/F MÁK	44
2027/A MÁK	10 706
2028/A MÁK	10 825
2028/B MÁK	6 167
2030/A MÁK	909
2031/A MÁK	8 859
Total debt instruments	73 961

11. Receivables from customers

Table 11.1. - Overview of receivables from customers

(HUF million)	31.12.2024	31.12.2023
Receivables from customers measured at amortised cost	530 767	526 329
Impairment allowance (-)	-10 246	-9 101
Total receivables from customers	520 521	517 228

Table 11.2. - Receivables from customers (by product type)

(HUF million)	31.12.2024		
	Gross value	Expected credit loss	Carrying amount
Bridging loans	104 137	-595	103 542
Immediate bridging loans	356 606	-9 069	347 537
Housing loans	69 682	-582	69 100
Other receivables from customers	342	0	342
Total	530 767	-10 246	520 521

(HUF million)	31.12.2023		
	Gross value	Expected credit loss	Carrying amount
Bridging loans	103 665	-501	103 164
Immediate bridging loans	356 805	-8 105	348 700
Housing loans	65 564	-495	65 069
Other receivables from customers	295	0	295
Total	526 329	-9 101	517 228

12. Other financial receivables

Table 12.1. - Other financial receivables

(HUF million)	31.12.2024	31.12.2023
Lease receivables	341	391
Trade receivables	1	1
Security deposit	330	308
Other receivable-type items	46	44
Impairment allowance (-)	-53	-39
Total other financial receivables	665	705

Note 32.1. contains more detailed information on leases as a lessor. The security deposit line item includes the security deposit paid in connection with the lease of the office building.

13. Investments in subsidiaries

Fundamenta-Lakáskassza Pénzügyi Közvetítő Korlátolt Felelősségű Társaság

The Company is the sole owner (31 December 2023: 100%) of Fundamenta-Lakáskassza Kft. The activity of the subsidiary includes financial service brokerage as a multi-agent, work as a tied agent brokering mortgage loans, and in the case of other products (e.g. home savings contracts) tied-agent activity, insurance brokerage as a tied (multi-) agent as well as capital market tied-agent activity in respect of mediation of government securities contracts.

The carrying amount of the investment as of 31 December 2024 was HUF 459 million (31 December 2023: HUF 459 million). No impairment was recognised.

Table 13.1. - Equity and reserves of Fundamenta-Lakáskassza Kft.

(HUF million)	31.12.2024	31.12.2023
Registered capital	150	150
Capital reserve	306	306
Retained earnings	2 241	2 081
Profit for the year	67	160
Total equity components of the subsidiary	2 764	2 697

The profit for the reporting year of the subsidiary derives mainly from net commission income.

Fundamenta Értéklánc Ingatlanközvetítő és Szolgáltató Korlátolt Felelősségű Társaság

The Company established Fundamenta Értéklánc Kft. in 2019; it is the sole owner of the subsidiary (31 December 2023: 100%). The deed of foundation of the subsidiary is dated 18 March 2019; its activity includes mainly real estate agency.

The carrying amount of the investment as of 31 December 2024 was HUF 900 million (31 December 2023: HUF 900 million). No impairment was recognised.

Table 13.2. - Equity and reserves of Fundamenta Értéklánc Kft.

(HUF million)	31.12.2024	31.12.2023
Registered capital	50	50
Capital reserve	850	850
Retained earnings	-636	-639
Profit for the year	100	3
Total equity components of the subsidiary	364	264

The sales performance, and thus the net commission income from mediation of the subsidiary increased significantly in the reporting year and as a result, the company's profit for year reached HUF 100 million. The upturn of the division is continuous, stable and profitable operations are sustainable. Because of these positive trends the Company has determined that no impairment needs to be accounted for.

The Company had no dividend income from its subsidiaries in 2023 and 2024.

14. Property, plant and equipment

Table 14.1. - Changes in property, plant and equipment

(HUF million)	Leasehold improvements	Office equipment	Motor vehicles	Assets under construction	Total
Gross value					
Balance at 1 January 2023	1 165	4 129	429	33	5 756
Capitalisation	1	456	217	-674	0
Acquisition	0	0	0	643	643
Disposals	0	-185	-89	0	-274
Balance at 31 December 2023	1 166	4 400	557	2	6 125
Capitalisation	4	340	242	-586	0
Acquisition	0	0	0	584	584
Disposals	0	-287	-184	0	-471
Balance at 31 December 2024	1 170	4 453	615	0	6 238
Depreciation and impairment					
Balance at 1 January 2023	-436	-2 802	-163	0	-3 401
Depreciation for the year	-118	-558	-44	0	-720
Impairment recognised in profit or loss	0	-3	0	0	-3
Reversal of impairment recognised in profit or loss	0	2	0	0	2
Disposals	0	184	60	0	244
Balance at 31 December 2023	-554	-3 177	-147	0	-3 878
Depreciation for the year	-119	-546	-49	0	-714
Disposals	0	285	66	0	351
Balance at 31 December 2024	-673	-3 438	-130	0	-4 241
Net value					
Balance at 1 January 2023	729	1 327	266	33	2 355
Balance at 31 December 2023	612	1 223	410	2	2 247
Balance at 31 December 2024	497	1 015	485	0	1 997

Reporting-year changes in right-of-use assets related to leases are presented separately in Note 32.1. As at 31 December 2024 the Company had HUF 83 million contractual commitments connected to future acquisitions (31 December 2023: HUF 17 million).

15. Intangible assets

Table 15.1. - Changes in intangible assets

(HUF million)	Internally developed software	Intellectual property	Rights and concessions	Intangible assets not taken into use	Total
Gross value					
Balance at 1 January 2023	3 847	1 737	10 034	437	16 055
Capitalisation	1 131	1	690	-1 822	0
Acquisitions	0	0	0	2 142	2 142
Disposals	-2	-131	0	0	-133
Balance at 31 December 2023	4 976	1 607	10 724	757	18 064
Capitalisation	632	11	2 390	-3 033	0
Acquisitions	0	0	0	3 643	3 643
Disposals	-1	-20	-28	0	-49
Balance at 31 December 2024	5 607	1 598	13 086	1 367	21 658
Amortisation and impairment					
Balance at 1 January 2023	-1 313	-1 448	-4 615	0	-7 376
Amortisation for the year	-352	-108	-677	0	-1 137
Disposals	2	131	0	0	133
Balance at 31 December 2023	-1 663	-1 425	-5 292	0	-8 380
Amortisation for the year	-483	-48	-1 193	0	-1 724
Impairment recognised in profit or loss	0	0	-41	0	-41
Disposals	1	20	7	0	28
Balance at 31 December 2024	-2 145	-1 453	-6 519	0	-10 117
Net value					
Balance at 1 January 2023	2 534	289	5 419	437	8 679
Balance at 31 December 2023	3 313	182	5 432	757	9 684
Balance at 31 December 2024	3 462	145	6 567	1 367	11 541

In the case of internally developed software, the acquisitions item also includes personnel expenses arising during the development of the software.

The gross value of intangible assets rose as a result of IT development at the Company and the right to use a trademark purchased from the former parent company. Intangible assets include devices used by the Company for administration, recording and calculation purposes in connection with its business activities and the right to use a trademark. Intangible assets are tested for impairment annually; in the reporting year HUF 41 million (2023: HUF 0 million) impairment was accounted for.

No research and development expenses were incurred in either 2024 or 2023.

Contractual commitments of the Company related to future acquisitions of intangible assets amounted to HUF 943 million as at 31 December 2024 (31 December 2023: HUF 1,069 million).

16. Other assets

Table 16.1. - Other assets

(HUF million)	31.12.2024	31.12.2023
Inventories	12	16
Accruals and deferrals	834	793
Advances	11	13
Other items similar to tax	540	520
Additional other assets	115	137
Total other assets	1 512	1 479

In 2020 other items similar to tax included the one-off special tax for financial institutions levied on the banking sector in connection with the pandemic, amounting to HUF 956 million. The amount of the tax paid can be deducted in equal instalments during five years starting in 2021 from the special tax for financial institutions payable in the given year. In 2024 no deduction from the special tax for financial institutions payable was possible in line with legal provisions, thus the amount of the related asset remained HUF 382 million.

17. Liabilities to credit institutions

In compliance with legal regulations, the refinancing credit line agreement concluded in 2022 is used to finance bridging loans.

Table 17.1 - Liabilities to credit institutions (type of instrument)

(HUF million)	31.12.2024	31.12.2023
Loan related to the Green Home Program	12	13
Refinancing loan	15 250	15 400
Refinancing loan accrued interest	47	47
Repo liabilities	5 645	0
Repo accrued interest	13	0
Total liabilities to credit institutions	20 967	15 460

During the reporting year the Company repaid HUF 150 million of the amount of the refinancing loan. In 2024 the Company entered into many repo transactions. The year-end amount of liabilities to credit institutions include liabilities outstanding due to repo transactions with delivery not closed as at the reporting date.

Table 17.2 - Movements in liabilities to credit institutions

(HUF million)	
Balance at 1 January 2023	514
Borrowings	15 000
Repayment of borrowings	-101
Accrued interest	47
Balance at 31 December 2023	15 460
Borrowings	222 750
Repayment of borrowings	-217 256
Accrued interest	13
Balance at 31 December 2024	20 967

18. Liabilities to customers

Table 18.1. - Liabilities to customers (product type)

(HUF million)	31.12.2024	31.12.2023
Retail customers:		
Payments by customers and interest thereon	434 364	434 364
Government grant and interest thereon	73 841	85 377
Other liabilities to customers	522	526
Multi-occupancy buildings, cooperatives:		
Payments by customers and interest thereon	29 356	27 755
Government grant and interest thereon	3 631	4 379
Other liabilities to customers	30	21
Total liabilities to customers	541 744	552 422

The home saver or the beneficiary thereof is entitled to government grant in the given savings year on the amount of monthly savings made, in line with the deposit amount paid in the given savings year; the government grant is given every savings year by the Hungarian State Treasury (MÁK). Under the legislative amendment related to government grant that entered into force on 17 October 2018, home savings contracts concluded after the amendment entered into force shall not entitle the home saver to government grant.

The amount of government grant is transferred by the MÁK, then the Company credits this once a year to the separate home savings account of the home saver within a month of the end of the savings year. The Company treats the credited government grant and related interest separately on the account of the home saver. Credited government grant is recognised under liabilities to customers in the statement of financial position.

For savings years beginning after 1 January 2007, those who do not make regular payments during the savings year may miss out on government grant and interest. (For the amount paid in the third and fourth savings quarter, maximum 25% of the government grant earned based on the entire annual saving may be requested from the Hungarian State Treasury in each quarter.) Entitlement to

government grant is lost by home savers if the savings period does not last for four years until the deposit is withdrawn, or the deposit increased with the government grant and interest is not used for appropriate housing purposes within Hungary. If the savings period is shorter than four years when the deposit is withdrawn, the Company deducts all the credited government grant from the separate account of the home saver, together with all the credited deposit interest, and transfers the deducted amount to the Hungarian State Treasury. If the beneficiary, or for lack of such, the home saver does not use part of the amount – underlying the government grant entitlement – for housing purposes, the proportionate sum of the government grant including the deposit interest is deducted by the Company from the home saver's separate account, and the deducted amount is transferred to the central budget; if the home saver or the beneficiary has already withdrawn the amount increased with the government grant, a proportionate sum of the government grant must be repaid.

19. Other financial liabilities

Table 19.1. - Other financial liabilities

(HUF million)	31.12.2024	31.12.2023
Liabilities related to leases	4 286	4 990
Liabilities and accruals from commissions to sales agents	145	116
Trade liabilities	294	209
Other	455	357
Total other financial liabilities	5 180	5 672

Information on leases is included in Note 32.

20. Provisions

Table 20.1. - Balance of provisions

(HUF million)	31.12.2024	31.12.2023
Provision for retention commissions	454	465
Provision for quality commission bonus	340	325
Provision recognised based on remuneration policy	477	254
Provision for other liabilities	299	255
Provision for line of credit	54	31
Total balance of provisions	1 624	1 330

The table below presents changes to provisions recognised based on IAS 37 and IFRS 9:

Table 20.2. - Changes in provisions

(HUF million)	Provision for retention commissions	Provision for quality commission bonus	Provision recognised based on remuneration policy	Provision for other liabilities	Provision for line of credit	Total
Balance at 1 January 2023	542	336	208	259	45	1 390
Provisions recognised during the period	0	23	110	31	350	514
Provisions used during the period	-77	-34	-64	-35	-364	-574
Balance at 31 December 2023	465	325	254	255	31	1 330
Provisions recognised during the period	6	61	223	65	395	750
Provisions used during the period	-17	-46	0	-21	-372	-456
Balance at 31 December 2024	454	340	477	299	54	1 624
Non-current portion	225	39	230	25	0	519
Current portion	229	301	247	274	54	1105

20.1. Provisions for pending litigation

When evaluating during litigation whether a past event resulted in a present obligation, the Company takes into account expert opinions (internal or external), judicial practice in similar cases as well as experience from authorities and the profession to estimate the expected loss. The amount of any provision for litigation is determined using the expected payable amount (e.g. compensation), together with the default interest (based on the central bank's key interest rate), and legal costs.

In the event the lawsuit is lost, the Company uses the provision; otherwise it releases the provision. Provisions are used and released at the level of individual cases.

20.2. Provisions for retention commissions

In the case of commissions payable on loans, a contract commission is calculated when concluding the contract, and a retention commission is calculated in line with legal provisions after the contract. The retention commission is paid in the period after the contract is concluded. The length of the period depends on the term of the contract. The Company recognises a provision for expected retention commission payments existing as of the reporting date.

An expected cash flow is recorded based on the product of the selected, unpaid commissions and the probability of payment based on experience. The amount of the provision is the discounted present value of the recorded cash flow.

20.3. Provision for quality commission bonus

The quality commission bonus relates to the savings contracts brokered by Fundamenta-Lakáskassza Kft. (hereinafter referred to as: the Kft.).

If the ratio of expected to completed payments for a given savings contract is at least 80% over the 12 months from the start of the saving (from receipt of the first monthly savings payment), then the Company pays the commission bonus detailed in the prevailing contract to the Kft. The month containing the savings start date is also included in the period considered, i.e. 13 months are taken into account.

The expected cash flow, the expected savings start dates and payments, the expected contract cancellations and as a result, the expected commission bonus payments are forecast by the Company based on prior experience. The amount of the provision is the estimated amount of commission bonuses payable in the future for contracts already concluded.

20.4. Provision recognised based on remuneration policy

Based on the Company's remuneration policy, the payment of task-specific bonuses to a select group of senior managers is distributed over several years. The amounts due for payment in the following year are accrued by the Company, while a provision is recognised for the payments affecting subsequent years. The amounts derived from previous-year results but affecting subsequent years are not fixed in light of the backtesting of multi-year targets; they are recalculated depending on the yearly reassessment and based on the updated forecasts.

20.5. Provision for other liabilities

Provisions for other commitments comprises the following main items:

- In connection with the amendment to the Home Savings and Loans Act in October 2018, a significant number of offers and contract amendments were received dated 16 October 2018, which was late compared to the deadline set by the Company. For the offers and amendments

which were received after 18 October 2018 but the delay was not attributable to the client, the Company will pay compensation following a management decision, and it has recognised a provision for this.

- If the customer is entitled to receive customer bonus and reached the end of the term of the contract but has not yet given instructions relating to payment, the Company recognises a provision for the amount of customer bonus due to the customer.

20.6. Provision for line of credit

Further information is included in Note 6.3.

21. Other liabilities

Table 21.1. - Other liabilities

(HUF million)	31.12.2024	31.12.2023
Accruals and deferrals	471	1 219
Returned government grant	146	194
Other liabilities related to employees	894	1 229
Payment liabilities to tax authorities	324	311
Total other liabilities	1 835	2 953

Other liabilities decreased due to the fall in accruals and deferrals as well as in other liabilities related to employees.

22. Equity

22.1. Share capital

The Company's official, issued, called and fully paid share capital comprises 200,100 (31 December 2023: 200,100) shares, each with a nominal value of HUF 10,000 (31 December 2023: HUF 10,000). Issued shares are completely equal in the event of a liquidation.

22.2. Capital reserve

Capital reserve amounted to HUF 2,100 million as at 31 December 2024 (31 December 2023: HUF 2,100 million).

22.3. Retained earnings

In the reporting year the Company's retained earnings changed due to the recognition of general reserve (HUF 474 million) and the transfer of profit for the previous period (HUF 9,701 million).

Subsequent to the reporting date the Company's management did not propose to pay dividend.

22.4. Statutory reserves

Settlement reserve

Rules relating to making settlement reserves are described in Note 6.18 d).

No settlement reserve was made in the reporting year (2023: HUF 1,101 million).

General reserve

Rules relating to making and using general reserve are described in Note 6.18 d).

In the reporting year the Company recognised HUF 474 million general reserve from retained earnings (2023: HUF 970 million). The reserve was not used during the year.

23. Net interest income

23.1. Interest income

Table 23.1.1. - Interest income

(HUF million)	2024	2023
Interest income from cash and cash equivalents	2 789	5 679
Interest income from securities	4 314	3 099
<i>Interest income from government bonds</i>	3 176	2 773
<i>Interest income from discounted Treasury bills</i>	808	326
<i>Interest income from mortgage bonds</i>	330	0
Interest income from receivables from customers	28 085	27 810
<i>Interest income from immediate bridging loans</i>	19 165	19 295
<i>Interest income from bridging loans</i>	5 632	5 487
<i>Interest income from housing loans</i>	3 288	3 028
Interest income from leases	14	16
Other interest income	0	16
Total interest income	35 202	36 620

The interest income presented in the above table was accounted for using the effective interest method, while interest income related to leases was accounted for based on the provisions of IFRS 16. Interest income includes the gain or loss from the modification of financial assets not resulting in derecognition as well as from change in the estimate relating to the expected cash flows of the instrument; this increased interest income by HUF 3 million (2023: HUF 9 million decrease).

In line with the changes in interest, cash and cash equivalents decreased in the reporting year, thus the related interest income was less than in the previous year. The increase in the securities portfolio had a positive impact on the interest income from securities. Loans and interest income from loans were in line with plans.

23.2. Interest expense

Table 23.2.1. - Interest expense

(HUF million)	2024	2023
Interest expense on liabilities to customers	-6 532	-7 186
<i>Interest expense paid on amounts paid by customers</i>	-5 843	-6 330
<i>Interest expense attributable to government grant</i>	-689	-856
Interest expenses on refinancing loans and repo transactions	-2 075	-1 441
Interest expense on leases	-169	-205
Other interest expense	0	-1
Total interest expense	-8 776	-8 833

The interest income presented in the above table was accounted for using the effective interest method, while interest income related to leases was accounted for based on the provisions of IFRS 16. Interest expenses include the gain or loss from the modification of financial liabilities as well as from change in the estimate relating to the expected cash flows of the liabilities; this reduced interest expenses by HUF 1,095 million (2023: HUF 424 million).

Interest expenses increased due to the interest paid on the HUF 15 billion refinancing loan drawn in the previous year and on reporting-year repo transactions, while the decrease in liabilities to customers had an opposite effect.

24. Net fee and commission expense

24.1. Fee and commission income

Table 24.1.1. - Fee and commission income

(HUF million)	2024	2023
Fee and commission income from home savings transactions	739	1 176
<i>Fee income from loans</i>	396	316
<i>Fee income from deposits</i>	343	860
Other fee and commission income	380	533
Total fee and commission income	1 119	1 709

Major items within fee income from loans include partial and full early repayments and the fees of loan-related correspondence. Fee income from deposits include inter alia fee income from account management related to home savings contracts.

24.2. Fee and commission expense

Table 24.2.1. - Fee and commission expense

(HUF million)	2024	2023
Commission expense on loans	-213	-217
Commission expense on deposits	-1 183	-1 365
Commission expense on securities transactions	-10	-9
Commission expense on payment transactions	-258	-281
Total fee and commission expense	-1 664	-1 872

Commission expense on deposits comprises commissions paid, payable to sales agents related to home savings contracts.

25. Exchange gain/loss on foreign exchange items

Table 25.1. - Exchange gain/loss on foreign exchange items

(HUF million)	2024	2023
Foreign exchange differences	4	2
Total exchange gain/loss on foreign exchange items	4	2

26. Net profit arising from derecognition of financial assets and liabilities measured at amortised cost (AC)

Table 26.1. - Net profit/loss arising from derecognition of financial assets and liabilities measured at amortised cost

(HUF million)	2024	2023
Net loss arising from derecognition of securities measured at amortised cost	-185	-726
<i>Realised profit arising from derecognition of securities</i>	0	143
<i>Realised loss arising from derecognition of securities</i>	-185	-869
Profit/Loss arising from derecognition of other assets measured at amortised cost	0	50
Total net loss arising from derecognition of financial assets and liabilities measured at amortised cost	-185	-676

Securities are classified by the Company as measured at amortised cost, and so the net profit/loss arising from their derecognition is recognised in the income statement under net profit/loss arising from derecognition of financial assets and liabilities measured at amortised cost.

The loss in the reporting year was driven by government bond sales in accordance with the accounting policies. In compliance with the accounting policies, only securities with a remaining term less than 1 year were sold where the criterion that a significant part (more than 90%) of the nominal cash flows should be recovered was also met. The sales were driven by the objective of increasing efficiency of short-term liquidity management, thus the realised capital gains/losses cannot be evaluated individually, only in the context of the overall impact on profit or loss.

27. Change in impairment of financial assets and changes in credit provisions

Table 27.1. - Change in impairment of financial assets and changes in credit provisions

(HUF million)	2024	2023
Impairment of receivables from customers and reversal thereof	-881	1 572
Impairment of securities and reversal thereof	-25	8
Impairment of other financial receivables and reversal thereof	-14	-8
Changes in provision for loan commitments	-23	14
Total changes in impairment of financial assets and in credit provisions	-943	1 586

Table 27.2 - Impairment of receivables from customers and reversal thereof

(HUF million)	2024	2023
Increase due to origination	-385	-228
Further amounts recognised	-6 407	-5 379
Release	5 089	6 500
Decrease due to derecognition	852	665
Write-off/forgiveness	-30	14
Total impairment of receivables from customers and reversal thereof	-881	1 572

The increase in impairment in 2024 is due to an impairment surplus other than usual impairment, that arose for technical reasons. These technical reasons include the introduction of cross-defaults (for further information see 34.1 d) and earlier-than-average direct debits requested in December due to public holidays and working day transfers.

28. Other operating income

Table 28.1. - Other operating income

(HUF million)	2024	2023
Income accounted for upon free receipts	0	3
Profit from re-charged services	898	914
Miscellaneous income	272	1 291
Total other operating income	1 170	2 208

Miscellaneous income grew significantly in 2023 due to the repayment in 2023 of the extraordinary NDIF fee paid in 2022 to make payments to the customers of Sberbank Magyarország Zrt. u.v.l., amounting to HUF 966 million. There was no such item in 2024.

29. Other operating expenses

Table 29.1. - Other operating expenses

(HUF million)	2024	2023
NDIF annual fee, fee to the Resolution Fund	-300	-995
Impairment booked on intangible assets, plant, equipment, vehicles and other assets	-41	-3
Extra-profit tax	-572	-1 726
Special tax for financial institutions	-1 322	-1 387
Other expenses due to tax	-19	-16
Miscellaneous expenses	-95	-125
Total other operating expenses	-2 349	-4 252

The NDIF fee decreased as compared to the previous year due to the change in the fee calculation logic. The reason behind the fall in extra-profit tax is that the Company took advantage of the option provided by the law to decrease tax.

30. Operating costs

Table 30.1. - Operating costs

(HUF million)	2024	2023
Personnel expenses	-8 604	-7 687
Material-type expenses	-5 938	-4 857
Depreciation/ Amortisation	-3 138	-2 566
Total operating costs	-17 680	-15 110

Table 30.2. - Personnel expenses

(HUF million)	2024	2023
Wage costs	-7 001	-6 290
Taxes and contributions	-1 059	-950
Other	-544	-447
Total personnel expenses	-8 604	-7 687

The increase in wage costs was due to the extra 13th month allowance, the annual pay rise and changes in the company's management structure. The average statistical number of headcount in 2024 was 585 (2023: 600). In 2024 social contribution tax amounted to HUF 975 million (2023: HUF 884 million).

Table 30.3. - Material-type expenses

(HUF million)	2024	2023
Office stationery	-997	-1 140
Building maintenance costs	-122	-110
Contributions and fees	-134	-135
Expenses of hired personnel	-30	-27
Advisory services	-451	-402
IT costs	-2 545	-2 091
Rentals	-245	-267
PR/marketing costs	-1 042	-257
Authorities	-142	-197
Other costs	-230	-231
Total material-type expenses	-5 938	-4 857

Table 30.4. - Depreciation/ Amortisation

(HUF million)	2024	2023
Property, plant and equipment	-714	-720
Intangible assets	-1 724	-1 137
Right-of-use assets	-700	-709
Total depreciation/ amortisation	-3 138	-2 566

31. Income taxes

The Company considers corporate tax, local business tax and innovation contribution as income taxes. The taxable bases for the individual tax types differ.

In Hungary the standard rate of corporate tax is 9%, which is why the Company assumes this rate of tax when calculating tax. The corporate tax base is defined based on Act LXXXI of 1996 on Corporate and Dividend Tax.

The rate of local business tax is no more than 2%; the individual local governments can make their own decisions on the rate of the tax. The base for local business tax is the reporting-year sales revenue, less material costs, the cost of goods sold and the value of re-invoiced services, and adjusted for other reconciling items. Reporting-year sales revenue contains interest income along with the fee and commission income from home savings transactions. In addition, sales revenue also includes the exchange gain realised on securities as well as the revenue from sales of inventories and services. Other reconciling items include paid and payable fees and commissions accounted for in the financial year that reduced the amount of interest income.

The innovation contribution rate is 0.3% and is calculated using the same base as the local business tax.

The tax authority may examine books and records and set additional taxes or fines at any time within 6 years of the given tax year. The management of the Company is not aware of any circumstances which may result in significant liabilities on these grounds.

31.1. Income tax booked for the current period

Table 31.1.1. - Income tax booked for the current period

(HUF million)	2024	2023
Current income tax		
Income tax on profit for the year	-1 183	-1 686
Total current income tax (expense -)/ income (+)	-1 183	-1 686
Deferred tax expense		
Origination and reversal of temporary differences	32	5
Total deferred tax expense (-) / income (+)	32	5
Total income tax	-1 151	-1 681

31.2. Income tax recognised in the statutory reserve

The Company recognises the current and deferred tax on the settlement reserve in the statutory reserve. The Company considers this deferred tax asset non-current.

31.3. Reconciliation of effective tax rate

The table below presents quantitative reconciliation of income tax calculated based on accounting profit and the income tax recognised in profit or loss for the year, as well as the applicable tax rate (9% corporate tax, 2% local business tax, 0.3% innovation contribution) and the average effective tax rate.

Table 31.3.1. - Reconciliation of effective tax rate

(HUF million)		2024		2023	
		%	Amount	%	Amount
Profit before tax			5 898		11 382
Tax calculated using the Company's domestic tax rate	9,00%		-531	9,00%	-1 024
Other income taxes	11,56%		-682	6,44%	-733
Effect of other income taxes on the corporation tax	-1,04%		61	-0,58%	66
Other	-0,01%		1	-0,08%	10
Total income tax	19,51%		-1 151	14,78%	-1 681

31.4. Movement in deferred tax balances

Table 31.4.1. - Movement in deferred tax balances

(HUF million)	Net balance at 1 January 2024	Recognised in profit or loss	Amount recognised in the settlement reserve	Net balance at 31 December 2024
Property, plant and equipment, Intangible assets	-17	7	0	-10
Allowance for expected credit losses	4	1	0	5
Settlement reserve	-787	0	0	-787
Other provisions	117	24	0	141
Tax assets (+) / Tax liabilities (-)	-683	32	0	-651

(HUF million)	Net balance at 1 January 2023	Recognised in profit or loss	Amount recognised in the settlement reserve	Net balance at 31 December 2023
Property, plant and equipment, Intangible assets	-24	7	0	-17
Allowance for expected credit losses	3	1	0	4
Settlement reserve	-688	0	-99	-787
Other provisions	120	-3	0	117
Tax assets (+) / Tax liabilities (-)	-589	5	-99	-683

31.5. Changes in the balance of current income tax assets and liabilities

Table 31.5.1. - Changes in the balance of current income tax assets

(HUF million)	Opening balance at 1 January 2024	Recognised in profit or loss	Amount recognised in the settlement reserve	Payments	Transfers	Closing balance at 31 December 2024
Corporation tax	0	-501		818	-151	166
Local business tax	3	-593	0	663	-26	47
Current income tax assets (+)	3	-1 094	0	1 481	-177	213

(HUF million)	Opening balance at 1 January 2023	Recognised in profit or loss	Amount recognised in the settlement reserve	Payments	Transfers	Closing balance at 31 December 2023
Corporation tax	737	0	0	0	-737	0
Local business tax	464	0	0	0	-461	3
Current income tax assets (+)	1 201	0	0	0	-1 198	3

Table 31.5.2. - Changes in the balance of current income tax liabilities

(HUF million)	Opening balance at 1 January 2024	Recognised in profit or loss	Amount recognised in the settlement reserve	Payments	Transfers	Closing balance at 31 December 2024
Corporation tax	-103	0	0	0	103	0
Innovation contribution	-113	-89	0	90	-25	-137
Local business tax	-26	0	0	0	26	0
Current income tax liabilities (-)	-242	-89	0	90	104	-137

(HUF million)	Opening balance at 1 January 2023	Recognised in profit or loss	Amount recognised in the settlement reserve	Payments	Transfers	Closing balance at 31 December 2023
Corporation tax	0	-954	99	109	643	-103
Innovation contribution	-101	-96	0	84	0	-113
Local business tax	0	-636	0	149	461	-26
Current income tax liabilities (-)	-101	-1 686	99	342	1 104	-242

32. Other disclosures

32.1. Leases

The Company acting as a lessee

As a lessee, the Company has office lease transactions. The property leased by the Company under a lease contract in Budapest is used as its registered office and customer service office. The contracts contain no restrictions, purchase and termination options or escalation clauses. The majority of the lease contracts contain extension options, which are mostly exercisable only by the Company.

The accounting policy on leases is included in Note 6.12.

Table 32.1.1. - Carrying amount of property, plant and equipment

(HUF million)	2024	2023
Property, plant and equipment owned	1 997	2 247
Right-of-use assets	2 835	3 632
Total	4 832	5 879

Table 32.1.2. - Changes in right-of-use assets

(HUF million)	Property
Balance at 1 January 2023	3 530
Additions	811
Depreciation charge for the year	-709
Balance at 31 December 2023	3 632
Additions	125
Other decrease	-222
Depreciation charge for the year	-700
Balance at 31 December 2024	2 835

The effect of the increase in rentals due to indexing is presented in the Additions line item. In 2024 rentals of some components of the headquarters office rent decreased relative to the previous year, which is reflected in the Other decrease line item.

Table 32.1.3 - Changes in lease liabilities

(HUF million)	Property
Balance at 1 January 2023	5 193
Additions	910
Lease payments	-1 109
Effect of movements in exchange rates	-209
Accounting for interest expense	205
Balance at 31 December 2023	4 990
Additions	140
Other decrease	-250
Lease payments	-1 021
Effect of movements in exchange rates	258
Accounting for interest expense	169
Balance at 31 December 2024	4 286

See Table 34.2.3 for the maturity analysis of lease liabilities.

Table 32.1.4. - Fixed and variable lease payments

(HUF million)	31.12.2024		
	Fixed cash outflows	Variable cash outflows	Total
Contracts containing only variable lease payments	0	1 021	1 021
Total	0	1 021	1 021

(HUF million)	31.12.2023		
	Fixed cash outflows	Variable cash outflows	Total
Contracts containing only variable lease payments	0	1 109	1 109
Total	0	1 109	1 109

A 1% growth in the consumer price index would increase the amount of variable lease payments by 1%.

Table 32.1.5. - Disclosures related to the statement of profit or loss and the statement of cash flows

(HUF million)	2024	2023
Interest on lease liabilities	-169	-205
Variable lease payments not included in the measurement of lease liabilities	-243	-266
Income from sub-leasing right-of-use assets	258	261
Total cash outflow for leases	-1 021	-1 109

The Company presents right-of-use assets in 'Property, plant and equipment' and lease liabilities in 'Other financial liabilities' in its statement of financial position.

After the commencement date, the Company recognises in profit or loss, unless the costs are included in the carrying amount of another asset, the interest on the lease liability in 'Income expenses'. Variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs are recognised in 'Operating costs'. The Company recognises depreciation of the right-of-use asset in profit or loss in the 'Depreciation' line item.

The Company acting as a lessor

The Company sub-leases a part of the offices and parking places leased by it directly to its subsidiaries under operating lease contracts, and indirectly, through Fundamenta Értéklánc Kft., to external third parties under finance lease contracts.

Lease contracts of the Company relating to areas sub-leased to subsidiaries under operating leases concluded in 2019 expired on 31 December 2024. The new lease contracts effective from 1 January 2025 were concluded in 2024.

Table 32.1.6. - Lease income as a lessor

(HUF million)	2024	2023
Finance lease		
Finance income on the net investment in the lease	39	0
Income related to variable lease payments not included in the measurement of the net investment in the lease	15	12
Operating lease		
Lease income	258	261

Table 32.1.7. - Lessor operating leases

(HUF million)	2024	2023
Less than one year	93	261
One to two years	93	0
Two to three years	23	0
Total undiscounted lease payments	209	261

Table 32.1.8. - Lessor finance leases

(HUF million)	2024	2023
Less than one year	92	86
One to two years	92	86
Two to three years	92	86
Three to four years	92	86
Four to five years	0	86
Total undiscounted lease payments receivable	368	430
Unearned finance income	27	39
Net investment in the lease	341	391

32.2. Related party disclosures

Balances of business transactions with related parties

In the financial statements the Company defines related parties as follows:

A person or a close member of that person's family (they are considered other related parties) is related to the Company if that person has control or joint control, or has significant influence over the Company, or is a member of the key management personnel of the Company or of a parent of the Company.

An entity is related to the Company if any of the following conditions applies:

- The entity and the Company are members of the same group;
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- The entity is controlled or jointly controlled by a person identified above;
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Table 32.2.1. - Balances with related parties

(HUF million)	31.12.2024			
	Parent company	Subsidiary	Key management personnel of the Company or its parent company	Other related parties
Assets				
Cash and cash equivalents	255	0	0	0
Securities	0	0	0	6 254
Receivables from customers	0	0	68	6
Other financial receivables	0	347	0	0
Liabilities				
Liabilities to credit institutions	5 658	0	0	0
Liabilities to customers	0	0	58	8
Other financial liabilities	1	127	0	31
Provisions	0	0	477	0
Other liabilities	26	308	0	0

				31.12.2023
(HUF million)	Parent company	Subsidiary	Key management personnel of the Company or its parent company	Other related parties
Assets				
Receivables from customers	0	0	0	8
Other financial receivables	0	393	0	0
Other assets	0	2	0	0
Liabilities				
Liabilities to customers	0	0	29	19
Other financial liabilities	0	21	0	0
Provisions	0	0	254	0
Other liabilities	0	261	103	0

Provisions for expected liabilities include remuneration benefits that are already due based on the conditions for entitlement but have not yet been accrued.

Table 32.2.2. - Related party transactions

				31.12.2024
(HUF million)	Parent company	Subsidiary	Key management personnel of the Company or its parent company	Other related parties
Comprehensive income				
Interest income	4	14	2	330
Interest expense	-179	0	-1	0
Fee and commission expenses	-139	-8 459	0	0
Other operating income	0	1 154	0	0
Impairment of financial assets	0	0	0	-2
Personnel expenses	-71	0	-893	-32
Material-type expenses	-38	-2	-40	-831

				31.12.2023
(HUF million)	Parent company	Subsidiary	Key management personnel of the Company or its parent company	Other related parties
Comprehensive income				
Interest income	0	43	0	0
Interest expense	0	0	-1	0
Fee and commission income	0	50	0	0
Fee and commission expenses	0	-8 598	0	0
Other operating income	0	1 159	0	0
Personnel expenses	0	0	-474	0
Material-type expenses	-7	-3	-39	0

In the above tables, balances and transactions are presented in respect of the Company's products and in relation to remunerations.

Key management personnel are those who – directly or indirectly – have the authorisation and responsibility to plan, direct and control the Company's activity.

The members of the Company's and the parent company's Supervisory Board as well as Board of Directors and the management are considered key management personnel.

Remuneration of key management personnel

The table below presents remuneration of key management personnel:

Table 32.2.3. - Remuneration of key management personnel

(HUF million)	2024	2023
Short-term employee benefits	698	380
Other long-term benefits	195	133
Total	893	513

Remuneration of key management personnel includes their wages, in-kind benefits and related taxes. The benefits as per IAS 24.17 b and d are not relevant to the Company.

Table 32.2.4. - Remuneration of the members of the Board of Directors and the Supervisory Board

(HUF million)	2024	2023
Members of the BoD and managing directors	815	506
Supervisory Board members	78	7
Total	893	513

32.3. Off-balance sheet items

Legal disputes

Up to the reporting date various claims were reported against the Company and various legal proceedings were in progress which belong to the ordinary course of business based on their nature.

In the Company's opinion, the claims against it and the litigated receivables do not affect materially its financial position, future results of operations or cash flows, although the outcome of claims and litigated receivables cannot be guaranteed. As at 31 December 2024 no provision was recognised due to legal disputes.

Loan commitment

The primary goal of these instruments is for the Company to make funds available to its customers as required.

The Company makes loan commitments for the undrawn parts of authorisable loan facilities. With regard to the credit risk of loan commitments the Company is potentially exposed to a risk of loss equal to the entire amount of the undrawn commitment. Nonetheless, the probable amount of the loss is lower than the entire amount of the undrawn commitment facility since most loan commitments are subject to customers meeting certain creditworthiness requirements. (See Note 6.3).

Similar credit risk monitoring and lending rules apply for undrawn loan commitments as for lending. According to the Company management, the market risk connected to undrawn loan commitments is minimal.

Contingent assets

As at 31 December 2024 the Company has HUF 167 million (31 December 2023: HUF 170 million) contingent litigated assets.

32.4. Subsequent events

Events after the end of the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. These can be adjusting events (providing evidence of conditions that existed at the end of the reporting period) and non-adjusting events (events occurring after the end of the reporting period).

When compiling its financial statements the Company took into account all adjusting events after the reporting period.

32.5. IT systems

The following IT systems support the Company's financial/accounting/treasury processes:

- Moonsol account management system,
- CODA general ledger application,
- Application supporting Érték sales processes,
- Clavis securities system,
- FunI ZSR GIRO management,
- SPECTRA and CIB Business Online electronic banking administration,
- Abacus working hours and payroll system,
- ECM content management system,
- eBankár CRM system/client master,
- WebBankár.

The applications include systems developed by the Company itself and others coded by external partners.

The Company relies on both administrative and technical controls to ensure its IT security. Access to the entire IT system is only permitted via a pre-defined access management process.

For the purposes of enhancing availability, the Company operates test systems and only allows programme developments and modifications to go live in an operational setting in a strictly regulated manner and after appropriate testing.

The Company uses a central data backup system to prevent data loss; the archived backups are stored in physically separate and remote data centres, and recovery tests are employed to ensure the integrity of the saved data.

The Company deploys a solution that supports security processes to prevent data leaks.

Regular external and internal audits also ensure the ongoing compliance of IT systems with legislation.

The Company has Business Continuity Planning (BCP) and Disaster Recovery Plan (DRP) in place for all its business-critical systems and processes, which is regularly tested in coordination with security management.

33. Categories of financial instruments

The Company records its financial instruments in the amortised cost category except for interests in subsidiaries, which are measured in accordance with the provisions of IAS 27.

34. Management of financial risk

The Company is exposed to the following main risks derived from financial instruments:

- credit risk
- liquidity risk
- market risk (including currency and interest rate risk).

This Note presents information about the Company's exposure to the above risks, the Company's objectives, policies and processes for measuring and managing risks.

34.1. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. For the Company, it essentially arises in the case of loans and advances to customers and other banks and partners as well as the investment securities held by the Company.

a) Credit risk management

The Company is a credit institution specialised in lending with a conservative lending policy and risk appetite, which manages its risks bearing the principle of prudence in mind. The Company's Board of Directors is committed to controlling its risk exposures to ensure that all of the risks assumed by the Company do not jeopardise the stable operation of the credit institution in either the short or the long run. The Company shapes its risk assumption, risk management and control procedures such that they support its secure operations.

The Company ensures that it elaborates, implements and executes the right standard of risk management procedure by engaging an independent risk management organisation.

The Company's procedure for assuming risks consists of identifying, measuring, managing and strictly monitoring risks. In terms of measurement methods the Company strives to select the best methodology

that properly reflects its risk profile, and is the best tool for estimating potential losses from risks. Prior to introducing new products and services and for all material risk types the Company assesses the risks of the product and defines the risk management methods, including the monitoring activity. The risk strategy is based on the general business strategy.

The risk appetite of the MBH Group is applicable to the Company as well after it joined the MBH Bank Prudential Group. This risk appetite describes in a qualitative way the risk level that the Group is willing to undertake within a given risk category. Risk limits were implemented to determine the risk appetite of the MBH Group. The limits allocated to the Company define the acceptable risk levels by risk category in quantitative terms. In addition to the limits mentioned above, Fundamenta-Lakáskassza Zrt. applies other institution-level and portfolio specific internal limits as well.

Credit risks are managed at the Strategic Risk Management Directorate. Strategic Risk Management is responsible for planning and measuring credit risks and risk costs. This task is carried out via the following departments.

- The Risk Controlling team is responsible for assessing and analysing the risks of the Company, and for establishing, enforcing and monitoring the rules on risk management. It plans risk costs and prepares internal and external risk reports.
- Modelling provides the data infrastructure for risk management. It designs, maintains, backtests and develops the debtor rating system, conducts analytical tasks related to the rated loan portfolio, determines ratings and impairment, and develops management proposals.
- The Work-out department is responsible for the ongoing monitoring, collection and related administration of loan arrears. This includes renegotiating arrears cases based on an assessment and evaluation of the debtors' ability to repay, determining individual impairment, and ultimately launching and monitoring the enforcement process. It handles central collateral assessments.
- The Loan Decision group is responsible for reviewing issues that exceed the powers of the Loan Assessment department, or which require an individual procedure for other reasons, and for proposing decisions, participating in the work of the operative "fraud team" to investigate and address quickly fraud issues arising in connection with loan transactions, recommending the integration of the experiences from issues of suspected fraud into the process.
- The Product Risk department supports the development of new-risk products, the performance analysis of existing product portfolios as well as lending processes.

Alongside the Strategic Risk Management Directorate, the Security Management Directorate also plays a key role in shaping risk awareness and operating risk management processes, while Compliance and Internal Audit in the supervision of the operation of processes. The Legal Directorate is responsible for promoting the operations of Fundamenta-Lakáskassza Zrt. in compliance with laws, directives, opinions from authorities and money market standards, for supporting lawful operation and for the lawfulness of the contracts used by the Company.

The Risk Board convenes every month and checks the work of risk management areas based on the risk management strategy; it makes decisions on submissions regarding risk management issues as well as on ensuring the personnel and material conditions required to implement the Strategy.

The credit risk strategy is also approved by the Supervisory Board of the Company. One standing item on the agendas of the Supervisory Board meetings is the report on the size, development and quality of the loan portfolio.

Underwriting

Credit risk management is carried out by several areas within the organisation. Individual underwriting decisions related to the granting of loans are taken by the Loan Decision group of the Strategic Risk Management Directorate in accordance with the rules set forth in the General Underwriting Policy. For

loan placements in excess of the amount recorded in the General Underwriting Policy, and in the other cases defined in the Censor Committee Policy, risk management adopts its decisions in cooperation with the Censor Committee, and also after receiving professional assistance from MBH Bank.

The ongoing management of credit risks at portfolio level is conducted by the modelling professionals and the Risk Controlling team of the Strategic Risk Management Directorate, and at operative level by the Work Out department. They are responsible for ongoing monitoring, proposals for modifying the loan assessment system and policies, initiating sanctions against customers in arrears where necessary, cancellation recommendations, management of cancelled contracts and outsourcing it to law offices to claim receivables through legal channels. The Loan Decision group handles the examinations of cases suspected of fraud, and makes recommendations on introducing procedures to prevent fraud.

The product risk management function was set up within the Strategic Risk Management Directorate, which provides risk support for the development of new loan products as well as measuring the parameters and associated risks of existing products by applying a risk-return concept.

Limit system

The Company uses a limit system to restrict the assumption of credit risks.

In addition to the limits described in point 34.1 a) the Company applies other institution-level and portfolio specific internal limits as well.

The main principle applied when determining these internal credit risk limits is compliance with the provisions of the Home Savings and Loans Act, furthermore, that the limits must always relate to the quality of the economic/financial situation, creditworthiness and solvency of those subject to the limits. The upper – statutory – limit of the limit system relating to the bridging loans is that 90% of the free assets may be used to grant bridging loans (including the immediate bridging loans that used to be distinguished by law). Over and above this, bridging loans may be granted from external funding and/or from equity while complying with prudential provisions applicable to the Group.

The Company introduced a limit system for business loans from 2011.

In the segments where the expected risk of placed loans is higher, or unknown, the Company uses limits to restrict the volume that may be placed. The limits are defined in connection with the risks that can still be assumed, while changing them depends on the recovery of the portfolio.

Different policies define the terms and conditions for product limits on housing loans as well as bridging and immediate bridging loans. In the case of housing loans the product limit only changes in the event of a modified tariff or the introduction of a new tariff, while for bridging loans the limit applied is in line with Section 15 (4) of the Home Savings and Loans Act, which is modified when the Home Savings and Loans Act is amended.

Reporting

The Risk Controlling team is responsible for constantly monitoring and analysing credit risks.

The head of Strategic Risk Management, or his/her representative, reports on the quality of the portfolio every month at the Risk Board meetings. A defined scope of data is also provided to MBH Bank on a monthly or quarterly basis.

One standing item on the agendas of the Supervisory Board meetings is the report on the size, development and quality of the loan portfolio.

Monthly and quarterly summaries and analyses are prepared on the quality of the loan portfolio. These are prepared by the members of the Risk Controlling team. The analyses are prepared per type of loan, highlighting certain loan conditions based on the given risk level, and look at the impact of certain parameters on quality. The examined parameters were previously defined on the basis of professional consultations. The results of the analyses are monitored and evaluated on a monthly basis.

In addition to the above, the Organisation Directorate prepares a monthly Loan Cockpit, which is regularly reviewed and evaluated by the Organisation Directorate, the head of the Strategic Risk Management Directorate and the heads of the Product Advisor department and the Product Management and Business Support department, making recommendations to the Management Board regarding the implementation of further actions where applicable.

Monitoring

The Risk Board is responsible for the ongoing supervision of the Company's lending activity; the ongoing supervision of the collection and work-out activity; the risk supervision of the loan portfolio, for requesting reports on the operating risks arising at the Company, and for accepting any measures. In addition, the Risk Board ensures an optimal flow of information and communication between the organisational units, detects and discusses the problems arising during the Company's operations; it makes decisions to handle the problems or puts forward proposals.

The Risk Board has no decision-making rights regarding loan transactions.

Main duties of the Risk Board:

- approving the risk management strategy before it is approved by the Board of Directors; the risk management strategy is then submitted for approval to the Supervisory Board;
- risk management monitoring of the loan portfolio;
- monitoring of the risky loan portfolio required by MNB executive circulars relating to own funds;
- monitoring of operational risks;
- monitoring of interest rate risk in the banking book;
- monitoring of collection and workout activity;
- monitoring of risk limits defined by the Group-level risk strategy of the MBH Bank Prudential Group;
- providing information to the Management Board on a regular basis on decisions adopted by the Risk Board.

b) Credit quality analysis

The following table provides information on the credit quality of financial assets measured at amortised cost and loan commitments.

The definitions for 12-month expected credit loss, lifetime expected credit loss and credit-impaired financial assets are contained in Note 6.3.

The carrying amounts presented in the tables represent the maximum credit risk exposure of the Company.

Table 34.1.1. - Classification by credit quality category

				31.12.2024
(HUF million)	12-month expected credit loss	Lifetime expected credit loss Not credit- impaired	Lifetime expected credit loss Credit- impaired	Total
Receivables from customers at amortised cost				
Bridging loans				
Arrears of 0 day	95 360	7 660	0	103 020
Arrears for no more than 1 month	293	191	0	484
Arrears for no more than 2 months	0	111	0	111
Arrears for no more than 3 months (not default)	0	25	0	25
More than 3 months, not significant	0	6	0	6
More than 90 days but not more than 3 months, significant	0	0	25	25
More than 3 months, significant	0	0	134	134
Restructured	0	0	142	142
Objective evidence	0	0	65	65
Associated due to Basel	0	0	30	30
Cancelled	0	0	23	23
Persistence	0	0	235	235
Watch list due to associated contract	0	0	179	179
Immediate bridging loans				
Arrears of 0 day	307 459	31 527	0	338 986
Arrears for no more than 1 month	2 500	1 638	0	4 138
Arrears for no more than 2 months	0	1 066	0	1 066
Arrears for no more than 3 months (not default)	0	246	0	246
More than 3 months, not significant	0	9	0	9
More than 90 days but not more than 3 months, significant	0	0	508	508
More than 3 months, significant	0	0	1 846	1 846
Restructured	0	0	3 224	3 224
Objective evidence	0	0	492	492
Associated due to Basel	0	0	357	357
Cancelled	0	0	1 287	1 287
Persistence	0	0	3 200	3 200
Watch list due to associated contract	0	0	1 247	1 247
Housing loans				
Arrears of 0 day	64 445	4 099	0	68 544
Arrears for no more than 1 month	349	129	0	478
Arrears for no more than 2 months	0	91	0	91
Arrears for no more than 3 months (not default)	0	2	0	2
More than 90 days but not more than 3 months, significant	0	0	39	39
More than 3 months, significant	0	0	49	49
Restructured	0	0	110	110

<i>Objective evidence</i>	0	0	44	44
<i>Associated due to Basel</i>	0	0	11	11
<i>Cancelled</i>	0	0	82	82
<i>Persistence</i>	0	0	105	105
<i>Watch list due to associated contract</i>	0	0	127	127
Total gross value	470 406	46 800	13 561	530 767
<i>Impairment allowance</i>	-2 862	-753	-6 631	-10 246
Total net carrying amount	467 544	46 047	6 930	520 521

Cash and cash equivalents at amortised cost				
<i>Investment grade</i>	2 932	0	0	2 932
<i>BBB</i>	9 956	0	0	9 956
Total gross value	12 888	0	0	12 888
Total net carrying amount	12 888	0	0	12 888
Securities that are debt instruments, at amortised cost				
<i>A1</i>	6 255	0	0	6 255
<i>BBB</i>	99 529	0	0	99 529
Total gross value	105 784	0	0	105 784
<i>Impairment allowance</i>	-93	0	0	-93
Total net carrying amount	105 691	0	0	105 691
Other financial receivables - leases				
<i>Number of days past due: 0-30</i>	341	0	0	341
Total gross value	341	0	0	341
Total net carrying amount	341	0	0	341
Other financial receivables - other				
<i>Number of days past due: 0-30</i>	0	337	0	337
<i>Number of days past due: 91-</i>	0	0	40	40
Total gross value	0	337	40	377
<i>Impairment allowance</i>	0	-20	-33	-53
Total net carrying amount	0	317	7	324
Loan commitments				
<i>Arrears of 0 day</i>	6 938	0	0	6 938
<i>Arrears for no more than 1 month</i>	69	0	0	69
<i>Arrears for no more than 2 month</i>	51	0	0	51
<i>Arrears for no more than 3 months (not default)</i>	37	0	0	37
<i>More than 3 months, not significant</i>	3	0	0	3
<i>Arrears for more than 90 days but not more than 3 months, significant</i>	0	0	40	40
<i>More than 3 months, significant</i>	0	0	124	124
<i>Persistence</i>	0	0	4	4
<i>Watch list due to associated contract</i>	0	0	30	30
Total loan commitments	7 098	0	198	7 296
Impairment allowance (provision)	-52	0	-2	-54

(HUF million)	12-month expected credit loss	Lifetime expected credit loss Not credit- impaired	Lifetime expected credit loss Credit- impaired	Total
Receivables from customers at amortised cost				
Bridging loans				
<i>Arrears of 0 day</i>	95 487	7 139	0	102 626
<i>Arrears for no more than 1 month</i>	360	186	0	546
<i>Arrears for no more than 2 months</i>	0	109	0	109
<i>Arrears for no more than 3 months (not default)</i>	0	37	0	37
<i>More than 3 months, not significant</i>	0	8	0	8
<i>More than 3 months, significant</i>	0	0	98	98
<i>Restructured</i>	0	0	87	87
<i>Objective evidence</i>	0	0	47	47
<i>Associated due to Basel</i>	0	0	11	11
<i>Cancelled</i>	0	0	20	20
<i>Persistence</i>	0	0	166	166
<i>Watch list due to associated contract</i>	0	0	205	205
Immediate bridging loans				
<i>Arrears of 0 day</i>	312 485	28 663	0	341 148
<i>Arrears for no more than 1 month</i>	2 151	1 754	0	3 905
<i>Arrears for no more than 2 months</i>	0	944	0	944
<i>Arrears for no more than 3 months (not default)</i>	0	672	0	672
<i>More than 3 months, not significant</i>	0	7	0	7
<i>More than 3 months, significant</i>	0	0	1 701	1 701
<i>Restructured</i>	0	0	2 634	2 634
<i>Objective evidence</i>	0	0	381	381
<i>Associated due to Basel</i>	0	0	305	305
<i>Cancelled</i>	0	0	1 444	1 444
<i>Persistence</i>	0	0	2 608	2 608
<i>Watch list due to associated contract</i>	0	0	1 056	1 056
Housing loans				
<i>Arrears of 0 day</i>	60 895	3 653	0	64 548
<i>Arrears for no more than 1 month</i>	327	138	0	465
<i>Arrears for no more than 2 months</i>	0	102	0	102
<i>Arrears for no more than 3 months (not default)</i>	0	37	0	37
<i>More than 3 months, significant</i>	0	0	29	29
<i>Restructured</i>	0	0	117	117
<i>Objective evidence</i>	0	0	8	8
<i>Associated due to Basel</i>	0	0	14	14
<i>Cancelled</i>	0	0	85	85
<i>Persistence</i>	0	0	88	88
<i>Watch list due to associated contract</i>	0	0	71	71
Total gross value	471 705	43 449	11 175	526 329
<i>Impairment allowance</i>	-2 825	-666	-5 610	-9 101
Total net carrying amount	468 880	42 783	5 565	517 228

Cash and cash equivalents at amortised cost				
<i>Investment grade</i>	2 083	0	0	2 083
<i>BBB</i>	48 718	0	0	48 718
Total gross value	50 801	0	0	50 801
Total net carrying amount	50 801	0	0	50 801
Securities that are debt instruments, at amortised cost				
<i>BBB</i>	74 029	0	0	74 029
Total gross value	74 029	0	0	74 029
<i>Impairment allowance</i>	-68	0	0	-68
Total net carrying amount	73 961	0	0	73 961
Other financial receivables - leases				
<i>Number of days past due: 0-30</i>	391	0	0	391
Total gross value	391	0	0	391
Total net carrying amount	391	0	0	391
Other financial receivables				
<i>Number of days past due: 0-30</i>	0	314	0	314
<i>Number of days past due: 91-</i>	0	0	39	39
Total gross value	0	314	39	353
<i>Impairment allowance</i>	0	-16	-23	-39
Net carrying amount	0	298	16	314
Loan commitments				
<i>Arrears of 0 day</i>	5 050	0	0	5 050
<i>Arrears for no more than 1 month</i>	91	0	0	91
<i>Arrears for no more than 2 month</i>	73	0	0	73
Total loan commitments	5 214	0	0	5 214
Impairment allowance (provision)	-31	0	0	-31

Table 34.1.2. - Provision matrix

(HUF million)			31.12.2024
Number of days past due	Rating	Provision rate	Gross amount
0-30 days	Stage 2	6%	337
31-90 days	Stage 2	8%	0
91-820 days	Stage 3	10%	5
821-1185 days	Stage 3	36%	2
More than 1185 days	Stage 3	100%	33
Other financial receivables-other			377

(HUF million)			31.12.2023
Number of days past due	Rating	Provision rate	Gross amount
0-30 days	Stage 2	5%	314
31-90 days	Stage 2	7%	0
91-820 days	Stage 3	11%	7
821-1185 days	Stage 3	35%	16
More than 1185 days	Stage 3	100%	16
Other financial receivables-other			353

c) Collateral and other credit enhancements

In relation to certain credit risk exposures the Company accepts collateral and other credit enhancements. The following table presents the basic collateral accepted in relation to various financial assets.

The market value of collateral totalled HUF 2,093,209 million as at 31 December 2024 (31 December 2023: HUF 1,815,879 million).

During collection of accounts receivable, the amount realised from claiming collateral totalled HUF 105 million in 2024 (2023: HUF 33 million). Collateral is claimed through enforcement proceedings or by participating in such proceedings to the extent of the receivables of the Company.

Table 34.1.3. - Collateral

(HUF million)	Ratio of exposures subject to collateral requirements (%)		Basic type of collateral
	31.12.2024	31.12.2023	
Receivables from customers - Retail customers			
Immediate bridging loans	99,99%	99,99%	property collateral
Bridging loans	99,49%	99,34%	property collateral
Housing loans	92,87%	89,69%	property collateral
Receivables from customers - Multi-occupancy buildings			
Immediate bridging loans	0,06%	0,12%	-
Housing loans	0,00%	0,03%	-

Retail mortgage lending

The following tables group the credit risk exposure of mortgage loans and advances to retail customers based on the loan-to-value (LTV) ratio. The loan-to-value ratio shows the gross value of the loan (for loan commitments, the amount of the commitment) relative to the value of the collateral. The collateral value of mortgage loans associated with residential properties is based on the collateral value valid at the time of the loan disbursement, which is remeasured in accordance with Basel requirements.

Table 34.1.4. - Loan-to-value ratio (LTV) of mortgage loans

(HUF million)	31.12.2024	31.12.2023
Less than 50%	174 955	165 479
51-70%	132 627	133 336
71-90%	184 444	185 278
91-100%	60	0
Over 100%	0	39
No LTV	38 339	41 902
Total gross value of loan receivables	530 425	526 034

Table 34.1.5. - Loan-to-value ratio (LTV) of credit-impaired loans

(HUF million)	31.12.2024	31.12.2023
Less than 50%	2 397	1 826
51-70%	3 185	2 338
Over 70%	6 322	5 532
No LTV	1 657	1 479
Total gross value of credit-impaired loan receivables	13 561	11 175

Table 34.1.6. - Loan-to-value ratio (LTV) of mortgage loan commitments

(HUF million)	31.12.2024	31.12.2023
Less than 50%	3 903	2 965
51-70%	1 401	942
71-90%	1 586	944
No LTV	406	363
Total	7 296	5 214

Other collateral and credit enhancements

In the event the debtor defaults on payment, the purpose of the collateral is for the Company to use it to recover all its receivables from the debtor – costs, transaction and default interest as well as the principal.

Only the following real collateral (and combinations thereof) may be accepted as security for bridging and immediate bridging loans granted by the Company: mortgage right, separate lien, general mortgage (for loan contracts concluded before 15 March 2014), security deposit. Non-real collateral may include the following: property insurance securing the collateral property, assignment (for loan contracts concluded before 15 March 2014), risk life insurance, surety, lien on income from common charges, lien on income from rents, debt recognition, immediate collection (immediate debt collection).

In line with statutory requirements the Company appraises residential properties every three years, and non-residential properties every year. The prevailing portfolio is revised in stages, at least annually.

As of 31 December 2024 the Company had no financial instruments which had not been impaired on account of collateral. The value of the collateral property does not impact the impairment; it is only the basis of portfolio segmentation whether the given contract is secured or not by collateral property. As at 31 December 2024 95.36% of the portfolio was secured by collateral property, while the same ratio for the credit-impaired portfolio was 95.87%. The backtested PDs and LGDs for the secured portfolio are more favourable than for the unsecured portfolio, thus the impairment rates applied to that are also lower.

d) Amounts arising from expected credit loss

Inputs, assumptions and methods used to estimate impairment

The Company applies 8 product categories for PD classification: housing loans (secured / unsecured), bridging loans (secured / unsecured), immediate bridging loans (secured, unsecured with 1 year's savings, unsecured with zero day's savings), multi-occupancy building/housing co-operative loans. Short (PIT) and long-term (TTC) PDs are estimated with the help of the at least T-5 and T-3 annual cohorts. Forward-looking information is incorporated by modifying the PIT PD.

LGD segments are established based on the product type (housing loan, bridging loan, immediate bridging loan) and the termination status (not terminated, terminated due to non-performance, terminated due to missing verification of housing purpose). Deposits are taken into account as loss-reducing items. The data of previous collateral valuation actions are taken into account when calculating the ultimate LGD figures, as final loss-reduction items.

The EADs are based on amortised cost.

The curing ratios are segmented based on the product age (younger/older than 48 months) and coverage (secured / non secured).

For further details and the related accounting policy please refer to Note 6.3.

Significant increase in credit risk

The objective of the assessment is for the Company to identify, whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; and
- the remaining lifetime probability of default as at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).
- If a behavioural score deteriorates by at least 2 notches compared to the rating upon initial recognition, this indicates a significant increase in the credit risk of the transaction.

Credit risk rating grades

The Company differentiates between several credit risk rating grades.

Performing rating grades:

1. No arrears
2. Arrears for no more than 1 month
3. Arrears for no more than 2 months
4. Arrears for no more than 3 months

5. More than 3 months, not significant

Non-performing rating grades:

6. Arrears for more than 90 days but not more than 3 months, significant
7. More than 3 months, significant
8. Restructured
9. Objective evidence
10. Associated due to Basel
11. Cancelled
12. Persistence
13. Watch list due to associated contract

The 'No arrears' grade includes contracts where there are no transactions in default. Arrears with both deposits and loans must be taken into account with regard to arrears.

The grade of 'Arrears for no more than 1 month' includes contracts where there is a transaction in default and the number of days in default is greater than zero but no more than 31.

The grade of 'Arrears for no more than 2 months' includes contracts where there is a transaction in default and the number of days in default is greater than 31 but no more than 62.

The grade of Arrears for no more than 3 months includes contracts where there is a transaction in default and the number of days in default is greater than 62 but no more than 92 (in the case of 91 and 92 days only the non-significant debts are included).

The 'More than 3 months, not significant' grade contains the contracts where the number of days in default is greater than 92 but the arrears are not significant.

If the significant defaulted loan obligation for the transaction has persisted for more than 90 days, i.e. the arrears have prevailed for 91 or 92 days and qualify as significant, it falls into the 'Arrears for more than 90 days but not more than 3 months, significant' grade.

The contracts classified in the 'More than 3 months, significant' grade have arrears for more than 92 days which are significant.

The 'Restructured' grade lists the transaction contracts which were subject to distressed restructuring – in the form of a repayment agreement – and are in restructuring phase 1 or 2 at the time of the rating.

The 'Objective evidence' grade contains contracts where there is objective evidence triggering a default.

At the 'Associated due to Basel' category it is examined whether contracts have an associated contract on borrower lines backed by property accepted under BASEL (including cases where there is not only property accepted by BASEL behind the contract, or the entire exposure is not covered by BASEL property) and it is labelled "Default", or if there is an associated contract on borrower lines that is not a retail loan contract and it is labelled "Default".

The 'Cancelled' grade contains contracts that have been cancelled.

The 'Persistence' grade includes contracts which had significant debts of 90+ days or objective evidence triggering a default on at least one occasion during the last three ratings, yet which currently have no criteria triggering a default.

The 'Watch list due to associated contract' grade includes contracts that fall under Stage 1 or Stage 2 in their own right, but have connections to Stage 3 contracts based on debtor groups, where the default indicator of the Stage 3 contract may also be cross-default.

Upon initial recognition, the Company classifies all exposures into one of the credit risk rating grades based on information available on the debtor. The exposures are constantly reviewed, which can mean that over time an exposure must be classified into a different credit risk rating grade. The reviews generally draw on the following data:

Defining the term structure of probability of default

Credit risk rating grades are the most important inputs for determining the probability of defaults (PD) for exposures. The Company collects performance and default information about its credit risk exposures analysed by product and customer type as well as by credit risk rating grade.

The Company applies statistical models to analyse the data collected as well as to estimate the lifetime expected PD of the exposures and what change is expected in them as time progresses.

This analysis includes the identification and calibration of the relationship between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of other factors (for example restructuring experience) on default risk. Key macro-economic factors for most exposures: GDP growth, expansion of the retail loan market.

The purpose of estimating the PD parameter is to quantify the probability of default of a given transaction at the Company. The aim of the PD segmentation is to group the portfolio transactions into homogeneous risk groups (from a PD parameter perspective) based on legal type (non-natural persons / natural persons), product type (housing loan / immediate bridging loan / bridging loan), coverage (secured / unsecured) and loan conditions (for immediate bridging loans, 0 or 1 year). The Company determined its PD curves with the help of survival functions applied to the historical default rates of segments with the same risks (Weibull distributions).

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 6.2 c) and d).

When the terms of a financial assets are modified by the Company and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contract terms.

The Company renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default.

The Company strives to elaborate payment relief options for its customers who want to pay but whose ability to pay has temporarily suffered a setback, bearing in mind the following guidelines:

- reaching an agreement which the debtor can meet in accordance with the terms and conditions in the agreement,
- the terms of the restructuring agreement are developed with the interests of the Creditor in mind too, alongside the ability of the borrowers to pay,
- restoring the debtor's ability to pay in the short term primarily, and if not then in the long term.

Alongside the above guidelines, the Company pays special attention to restoring retail mortgage loans that have fallen into default and to consumer protection principles, based on MNB Recommendation 5/2022 (IV.22).

For loan accounts in arrears and loan contracts earmarked for cancellation the Company examines the circumstances surrounding the debtor's ability to pay, and based on its own business policy it weighs up whether it is possible to apply bridging solutions should the debtor default on payment. When making this decision the receivables from the debtor are reviewed both separately and collectively.

Definition of default

A customer shall be considered to be in default if at least one of the following events occurs:

- the significant defaulted loan obligation for the transaction has persisted for more than 90 days, or
- the transaction contract has been cancelled,
- the transaction contract is subject to distressed restructuring – in the form of a repayment agreement – and is in restructuring stage 1 or 2 at the time of the rating,
- there is objective evidence triggering a default for the contract, (examples: all participants of the contract died, disappeared, the collateral is destroyed, changed risk conditions, MBH Group default, MBH Group under cure),
 - cross-default: a default must be treated collectively with respect to a parent company and its subsidiaries, therefore after the Company joined the MBH Bank Prudential Group, if a transaction is not in default status at the Company, but it is defaulted at MBH Group-level, the Company also considers it defaulted. The Company records the cross-default indicator as objective evidence.
- persistent default (contracts for which the default criterion was applicable in the last 3 months).

The Company applies the default definition at transaction level.

The amounts in default arising in connection with the loan and the deposit account associated with the loan account (in the case of bridging loans) are recognised as defaulted items on a transaction basis.

When examining the default criterion the Company examines the joint fulfilment of the following two conditions:

- the degree of the default can be considered critical if it has prevailed for more than 90 days at the time of the rating,
- the amount of the default can be considered critical if the amount exceeds both of the following two threshold values:

Absolute threshold	Relative threshold
<ul style="list-style-type: none"> • HUF value equivalent to EUR 100 calculated using MNB exchange rate* 	<ul style="list-style-type: none"> • 1% of the total contractual liability of the transaction

*The Company applies the EUR 100 threshold uniformly in the case of private individuals and multi-occupational buildings/housing cooperatives.

The time of the default is the due date of the oldest outstanding transaction from those past due by more than 90 days (if the overall default is significant).

If a default is cured, the Company applies a 3-month curing period based on which the transaction is still treated as being in default for a further three months after the default is eliminated. For restructured transactions the Company does not apply the 3-month curing period.

For a transaction in default because of a previous significant late payment in excess of 90 days, it is considered cured if neither the default criterion above nor any other default criterion applies, and the three-month persistence period has lapsed.

For restructured loans the default criterion is monitored by tracking the contracts entering the repayment agreement category. The monitoring of contracts in default on account of restructuring can be split into two parts:

- monitoring of contracts in stage 1: the loans which have a repayment agreement in place at the time of the rating,
- monitoring of contracts in stage 2: the loans currently in their first, 1-year trial period.

Curing is subject to the contracts not being in default during the afore-mentioned stage 2. If this condition is breached, stage 2 commences with a 1-year curing period again after the default has been eliminated. Furthermore, curing is also only possible if, in addition to the default criterion above, no other default criterion applies to the transaction either.

Following a 1-year curing period, the transaction can be declared performing (stage 3). During the performing stage the transaction must be monitored for another two years (trial period). The “restructured” label can be removed from the transaction after two years if instalments deemed more than non-significant were made during half of the period, and none of the debtor group’s transactions were in default at the end of the trial period.

The default events are identified every day by the account-management system, and checked by the Strategic Risk Management Directorate. The analysis is based on the daily tracking lists, which contain the daily default contracts, as well as on the databases and reports that contain the default indicators.

Non-performing contracts for the Company are those in default in their own right as well as contracts classified in Stage 3 because of the related contract.

The inputs used to evaluate whether a financial instrument is non-performing and their importance may change over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

Forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an n instrument has increased significantly since its initial recognition and its measurement of expected credit loss.

The Company takes forward-looking information into account by adjusting certain impairment parameters. The Company collected the historical trends of various types of macro-economic indicator for modelling purposes, and arranged them in a standard database. The following variables were collected and examined during the modelling:

- GDP: the Company adopted the MNB’s forecasts for 2024, 2025 and 2026 disclosed in its September 2024 circular;
- Retail loan expansion: the MNB circular does not contain values for this indicator. At the same time, in its September 2024 Inflation Report the MNB forecasts a range for retail loan expansion for 2024, 2025 and 2026. The Company adopts the two extremes of the forecast range for its own favourable and unfavourable scenarios, while the baseline is determined between them based on an expert decision.
- Annual change in the price index of residential properties: MNB did not publish such forecast, therefore the Company calculates with the following changes in prices for the next 12 months, on an expert basis: favourable (10%), baseline (0%), unfavourable (-20%);

- Gross Fixed Capital Formation: the Company adopted the MNB's forecasts for 2024, 2025 and 2026 disclosed in its September 2024 circular;
- Average gross wages in the private sector: the Company adopted the MNB's forecasts for 2024, 2025 and 2026 disclosed in its September 2024 circular;
- Inflation: the Company adopted the MNB's forecasts for 2024, 2025 and 2026 disclosed in its September 2024 circular;
- Unemployment rate: the Company adopted the MNB's forecasts for 2024, 2025 and 2026 disclosed in its September 2024 circular;
- Scenario weights: in its executive circular MNB recommends the following weights for the three scenarios: favourable (5-10%), baseline (60-70%), unfavourable (20-30%). The Company has taken advantage of the headroom provided by MNB and it defined asymmetric weights. The weights for PD, LGD and EAD are uniformly the following: favourable (5%), baseline (65%), unfavourable (30%).

	GDP			Retail loan expansion		
	Unfavourable	Baseline	Favourable	Unfavourable	Baseline	Favourable
2024	0.0	1.4	2.2	7.0	7.2	7.3
2025	-1.7	3.2	6.1	10.0	10.5	11.1
2026	5.3	4.0	3.3	9.2	9.8	10.3
Scenario weights for PD, LGD and EAD:				30%	65%	5%
Change in the price of residential property:				-20%	0%	10%

	Gross Fixed Capital Formation			Average gross wages in the private sector		
	Unfavourable	Baseline	Favourable	Unfavourable	Baseline	Favourable
2024	-9.0	-6.5	-4.9	11.3	11.7	11.9
2025	-8.6	3.0	9.8	5.1	8.4	10.5
2026	4.4	3.0	2.3	6.7	7.6	8.1

	Unemployment rate			Inflation		
	Unfavourable	Baseline	Favourable	Unfavourable	Baseline	Favourable
2024	4.5	4.2	4.1	3.6	3.7	3.7
2025	5.2	3.8	2.9	2.8	3.2	3.4
2026	4.9	3.6	2.8	2.9	3.0	3.1

The Company identified and documented the key credit risk and credit loss factors for each individual portfolio of financial instruments, and estimated the relationships between macro-economic variables and credit risk and credit losses by using analyses of historical data.

When assessing impairment the following information relating to the future was used in the case of PD:

- Annual volume index of GDP
- Annual change in the retail loan portfolio

When assessing impairment the following information relating to the future was used in the case of LGD:

- Annual change in the price index of residential properties

When assessing impairment the following information relating to the future was used in the case of EAD:

- Gross Fixed Capital Formation
- Average gross wages in the private sector
- Inflation
- Unemployment rate

Measurement of expected credit loss

The products of the Company are not credit line products so there are no undrawn lines where the expected ratio of the drawdown would have to be quantified. Consequently, there is no need to model a CCF (Credit Conversion Factor) parameter.

In the case of transactions in default, the value of the EAD equals the gross IFRS exposure.

When measuring expected credit loss on a collective basis, the classification into measurement group is based on the oldest outstanding arrears/portion of arrears.

The Company uses external benchmark information to measure the credit loss expected from the securities portfolio. External benchmark information represents a significant input into measurement of expected credit loss in the case of the following portfolios.

Table 34.1.7. - External benchmark information

(HUF million)	Exposure	External benchmark used	
		PD	LGD
Hungarian State, MNB	109 394	0,23%	40,00%

Consideration of economic impacts

When revising the 2024 impairment model, the Company paid attention to include future risks (new macro weights, persistence) in the impairment model; to avoid any doubling of effects the Company did not apply any overlay. The new macro model currently does not include an inflation variable, since it was developed in a period of continuously declining inflation. Although inflation started to decrease in 2024, prices are still outstandingly high, which has a prolonged effect due to the fact that the decrease in willingness of customers to pay can be compensated initially by the savings made available by the customers. The correlation has a negative impact on solvency and the marketability of real estate collateral with a lag of 1, 2 and 3 years. Given that this factor cannot be addressed in the model, PMA modifiers were temporarily introduced to the PD and LGD models until there is evidence to the contrary or extra high prices fall on a sustainable basis. The Company increased the first three annual values of the PD curve by 45%, 30% and 15%, respectively, which resulted in HUF 816 million impairment growth.

In addition, the phasing out of the PMA LGD factor has been started; it was reduced by the Company from 10% to 5%, so the impact on impairment was also lower than last year. In 2024, the PMA LGD factor increased the impairment by HUF 227 million.

The extensive analysis carried out in 2023 to address ESG impacts is still considered relevant by the Company, the change in the parameters analysed therein from 2023 to 2024 is considered negligible, and the use of the multiplier set in 2023 is therefore still considered justified. The impact of the ESG multiplier on impairment is allocated to the portfolio by the Company through the LGD, totalling HUF 283 million.

Loss allowance

The following table shows reconciliation from the opening to the closing balance of loss allowance by class of financial instrument.

Table 34.1.8. - Movements in loss allowance (Receivables from customers)

(HUF million)	12-month expected credit loss (Stage 1)	Lifetime expected credit loss - not credit-impaired (Stage 2)	Lifetime expected credit loss - credit-impaired (Stage 3)	Total
Impairment of receivables from customers				
Balance at 31 December 2023	2 825	666	5 610	9 101
Reclassifications	1 402	2 284	-3 686	0
Increase due to origination	385	0	0	385
Further amounts recognised	184	542	5 680	6 406
Release	-1 703	-2 666	-720	-5 089
Decrease due to derecognition	-231	-73	-548	-852
Other changes	0	0	295	295
Balance at 31 December 2024	2 862	753	6 631	10 246

(HUF million)	12-month expected credit loss (Stage 1)	Lifetime expected credit loss - not credit- impaired (Stage 2)	Lifetime expected credit loss - credit- impaired (Stage 3)	Total
Impairment of receivables from customers				
Balance at 31 December 2022	2 698	1 189	6 507	10 394
Reclassifications	1 524	3 260	-4 784	0
Increase due to origination	228	0	0	228
Further amounts recognised	239	675	4 464	5 378
Release	-1 665	-4 381	-454	-6 500
Decrease due to derecognition	-199	-77	-388	-664
Other changes	0	0	265	265
Balance at 31 December 2023	2 825	666	5 610	9 101

Table 34.1.9 - Movements in gross value (Receivables from customers)

	12-month expected credit loss (Stage 1)	Lifetime expected credit loss - not credit- impaired (Stage 2)	Lifetime expected credit loss (Stage 3)	Total
Balance at 31 December 2022	471 999	61 035	11 968	545 002
<i>Increase due to origination and purchase</i>	<i>40 393</i>	<i>0</i>	<i>0</i>	<i>40 393</i>
<i>Other changes</i>	<i>-35 170</i>	<i>-4 042</i>	<i>-265</i>	<i>-39 477</i>
<i>Decrease due to derecognition</i>	<i>-15 219</i>	<i>-3 720</i>	<i>-646</i>	<i>-19 585</i>
<i>Transfer between Stages</i>	<i>9 697</i>	<i>-9 825</i>	<i>128</i>	<i>0</i>
<i>Write-off/forgiveness</i>	<i>5</i>	<i>1</i>	<i>-10</i>	<i>-4</i>
Balance at 31 December 2023	471 705	43 449	11 175	526 329
<i>Increase due to origination and purchase</i>	<i>68 754</i>	<i>0</i>	<i>0</i>	<i>68 754</i>
<i>Other changes</i>	<i>-35 512</i>	<i>-3 785</i>	<i>-355</i>	<i>-39 652</i>
<i>Decrease due to derecognition</i>	<i>-19 668</i>	<i>-4 003</i>	<i>-942</i>	<i>-24 613</i>
<i>Transfer between Stages</i>	<i>-14 872</i>	<i>11 139</i>	<i>3 733</i>	<i>0</i>
<i>Write-off/forgiveness</i>	<i>-1</i>	<i>0</i>	<i>-50</i>	<i>-51</i>
Balance at 31 December 2024	470 406	46 800	13 561	530 767

Table 34.1.10. - Movements in impairment (additional financial assets and provisions for line of credit)

(HUF million)	12-month expected credit loss (Stage 1)	Lifetime expected credit loss - not credit- impaired (Stage 2)	Lifetime expected credit loss (Stage 3)	Total
Impairment of securities that are debt instruments				
Balance at 31 December 2023	68	0	0	68
<i>Increase due to origination and purchase</i>	63	0	0	63
<i>Movement due to change in credit risk (net)</i>	1	0	0	1
<i>Decrease due to derecognition</i>	-39	0	0	-39
Balance at 31 December 2024	93	0	0	93
Impairment of other financial receivables				
Balance at 31 December 2023	0	16	23	39
<i>Increase due to origination</i>	0	4	0	4
<i>Movement due to change in credit risk (net)</i>	0	0	11	11
<i>Other changes</i>	0	4	0	4
<i>Decrease due to derecognition</i>	0	-4	-1	-5
Balance at 31 December 2024	0	20	33	53
Provision for line of credit				
Balance at 31 December 2023	31	0	0	31
<i>Increase due to origination</i>	395	0	0	395
<i>Decrease due to derecognition</i>	-370	0	-2	-372
<i>Transfer between Stages</i>	-4	0	4	0
Balance at 31 December 2024	52	0	2	54

(HUF million)	12-month expected credit loss (Stage 1)	Lifetime expected credit loss - not credit-impaired (Stage 2)	Lifetime expected credit loss (Stage 3)	Total
Impairment of securities that are debt instruments				
Balance at 31 December 2022	76	0	0	76
<i>Increase due to origination and purchase</i>	10	0	0	10
<i>Movement due to change in credit risk (net)</i>	1	0	0	1
<i>Decrease due to derecognition</i>	-19	0	0	-19
Balance at 31 December 2023	68	0	0	68
Impairment of other financial receivables				
Balance at 31 December 2022	0	10	21	31
<i>Increase due to origination</i>	0	2	0	2
<i>Movement due to change in credit risk (net)</i>	0	7	5	12
<i>Decrease due to derecognition</i>	0	-2	-4	-6
<i>Transfer between Stages</i>	0	-1	1	0
Balance at 31 December 2023	0	16	23	39
Provision for line of credit				
Balance at 31 December 2022	45	0	0	45
<i>Increase due to origination</i>	350	0	0	350
<i>Movement due to change in credit risk (net)</i>	-6	0	0	-6
<i>Decrease due to derecognition</i>	-357	0	-1	-358
<i>Transfer between Stages</i>	-1	0	1	0
Balance at 31 December 2023	31	0	0	31

Table 34.1.11. - Movements in gross amount (additional financial assets and line of credit)

(HUF million)	12-month expected credit loss (Stage 1)	Lifetime expected credit loss - not credit-impaired (Stage 2)	Lifetime expected credit loss (Stage 3)	Total
Securities that are debt instruments				
Balance at 31 December 2023	74 029	0	0	74 029
<i>Increase due to origination and purchase</i>	72 829	0	0	72 829
<i>Other changes</i>	651	0	0	651
<i>Decrease due to derecognition</i>	-41 725	0	0	-41 725
Balance at 31 December 2024	105 784	0	0	105 784

Other financial receivables				
Balance at 31 December 2023	391	314	39	744
<i>Increase due to origination and purchase</i>	0	88	0	88
<i>Other changes</i>	38	17	0	55
<i>Decrease due to derecognition</i>	0	-76	-5	-81
<i>Lease payments</i>	-88	0	0	-88
<i>Transfer between Stages</i>	0	-6	6	0
Balance at 31 December 2024	341	337	40	718
Line of credit				
Balance at 31 December 2023	5 214	0	0	5 214
<i>Increase due to origination</i>	61 739	0	0	61 739
<i>Decrease due to derecognition</i>	-59 459	-3	-195	-59 657
<i>Transfer between Stages</i>	-396	3	393	0
Balance at 31 December 2024	7 098	0	198	7 296

(HUF million)	12-month expected credit loss (Stage 1)	Lifetime expected credit loss - not credit- impaired (Stage 2)	Lifetime expected credit loss (Stage 3)	Total
Securities that are debt instruments				
Balance at 31 December 2022	82 934	0	0	82 934
<i>Increase due to origination and purchase</i>	11 028	0	0	11 028
<i>Other changes</i>	239	0	0	239
<i>Decrease due to derecognition</i>	-20 172	0	0	-20 172
Balance at 31 December 2023	74 029	0	0	74 029
Other financial receivables				
Balance at 31 December 2022	483	354	47	884
<i>Increase due to origination and purchase</i>	0	68	0	68
<i>Other changes</i>	-5	-2	0	-7
<i>Decrease due to derecognition</i>	0	-95	-19	-114
<i>Lease payments</i>	-87	0	0	-87
<i>Transfer between Stages</i>	0	-11	11	0
Balance at 31 December 2023	391	314	39	744
Line of credit				
Balance at 31 December 2022	4 375	0	0	4 375
<i>Increase due to origination</i>	37 021	0	0	37 021
<i>Decrease due to derecognition</i>	-36 087	-29	-66	-36 182
<i>Transfer between Stages</i>	-95	29	66	0
Balance at 31 December 2023	5 214	0	0	5 214

Credit-impaired financial assets

See Note 6.3 on accounting policies.

In the Company's internal credit rating system, credit-impaired loans and advances are classified into Stage 3.

As at 31 December 2024 the Company had HUF 47 million financial assets that were written off during the period and that are still subject to enforcement activity (2023: HUF 0 million).

Modified financial assets

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL:

Table 34.1.12. - Modified financial assets

(HUF million)	31.12.2024	31.12.2023
Financial assets modified during the year		
Amortised cost before modification	733	484
Net modification loss	-2	-5

Table 34.1.13. - Modified financial assets

(HUF million)	31.12.2024	31.12.2023
	Gross carrying amount	Gross carrying amount
Loans cured following modification that have again a loss allowance measured at an amount equal to 12-month expected credit loss	3 163	16 510

HUF 3,034 million gross carrying amount was recognised at the end of the reporting year in connection with the loan moratorium (31 December 2023: HUF 16,334 million).

Restructured loans

In light of economic aspects and the principle of proportionality, the Company applies all methods and means that are generally expected and are supported by the legal environment in order to manage overdue receivables. In the case of the overdue exposures, the primary goal is to help restore the debtors' solvency. An important tool for achieving this goal is to restructure receivables, which can be done prior to rating an exposure as being in default and even in the case of exposures that are already non-performing.

Restructured loans are loans that had to be restructured due to a deterioration in the debtor's financial position, for which the concessions made by the Company ensured contractual terms and conditions for the debtor which are more favourable than those provided at initial recognition, and which the Company would not otherwise have provided. The Company recognises these loans under restructured loans until maturity, early repayment or until write-off.

Due to the customer's financial problems or the deterioration in its solvency, the original contract generating the receivable is modified at the request of the customer or the Company, and the original contractual conditions, in particular but not only the conditions relevant for the payment liability, became more favourable for the customer.

Changes to the original contractual conditions:

- modification regarding lower interest rate and/or instalment payment, forgiving;
- rescheduling, extension of term;
- release of collateral;
- all other contract modifications which have been defined by the Company in the relevant policy.

Cancellation of contracts

If the last warning prior to cancellation was unsuccessful and the debtor (or any other obligor) either did not respond or was not willing to cooperate, the loan contract becomes cancellable.

Possible reasons for cancellation:

- Non-payment;
- Other breaches of contract (Non-verification of housing purpose, collateral withdrawal, mortgage not registered);
- Enforcement initiated on collateral property;
- Joint cancellation of contracts associated based on customer group;
- Provision of false data during loan assessment (including entitlement to government grant) discovered after the granting of the loan.

If a debtor still does not cooperate and does not settle their debt, then legal proceedings to recover the receivable are launched, during which the collateral for the transaction is claimed as well. If the receivable is not recovered in full during the procedure, or partly becomes irrecoverable, the remainder is written off.

e) Concentrations of credit risk

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loan receivables, loan commitments and securities is shown below:

Table 34.1.14. - Concentrations of credit risk

(HUF million)	Gross value of loan receivables	
	31.12.2024	31.12.2023
Concentration by sector		
<i>Multi-occupancy buildings, Housing cooperatives</i>	19 201	16 955
Mortgaged	9	15
Unsecured loans	19 192	16 940
<i>Retail</i>	511 224	509 079
Mortgaged	505 910	501 928
Unsecured loans	5 314	7 151
Total	530 425	526 034
Concentration by geographic location		
Bács-Kiskun	26 514	26 975
Baranya	11 319	11 445
Békés	10 461	10 771
Borsod-Abaúj-Zemplén	25 389	25 622
Budapest	100 078	99 299
Csongrád-Csanád	25 421	25 343
Fejér	30 361	30 088
Győr-Moson-Sopron	36 884	35 829
Hajdú-Bihar	26 660	26 106
Heves	11 875	11 689
Jász-Nagykun-Szolnok	18 407	17 669
Komárom-Esztergom	31 678	30 364
Nógrád	5 348	5 267
Pest	92 448	91 618
Somogy	7 633	7 767
Szabolcs-Szatmár-Bereg	19 803	20 060
Tolna	9 843	10 206
Vas	8 475	8 444
Veszprém	23 578	22 995
Zala	8 250	8 477
Total	530 425	526 034

(HUF million)	Loan commitments	
	31.12.2024	31.12.2023
Concentration by sector		
Multi-occupancy buildings, Housing cooperatives	356	266
Unsecured loans	356	266
Retail	6 940	4 948
Mortgaged	6 891	4 850
Unsecured loans	49	98
Total	7 296	5 214
Concentration by geographic location		
Bács-Kiskun	246	278
Baranya	145	124
Békés	143	120
Borsod-Abaúj-Zemplén	416	150
Budapest	1 572	1 061
Csongrád-Csanád	390	249
Fejér	255	285
Győr-Moson-Sopron	573	471
Hajdú-Bihar	496	274
Heves	165	71
Jász-Nagykun-Szolnok	306	180
Komárom-Esztergom	345	358
Nógrád	57	53
Pest	946	716
Somogy	95	39
Szabolcs-Szatmár-Bereg	232	201
Tolna	198	81
Vas	169	178
Veszprém	385	241
Zala	162	84
Total	7 296	5 214

Carrying amount as at 31 December 2024 of securities that are debt instruments totalled HUF 105,691 million (31 December 2023: HUF 73,961 million), which also includes bonds issued by mortgage banks in addition to securities issued by the state.

34.2. Liquidity risk

Liquidity risk is the current or expected risk affecting profitability and the capital situation that an institution will not be able to fulfil its due liabilities without significant losses.

a) Management of liquidity risk

The toolbox and rules for managing liquidity risk are included in the Company's liquidity policy. The internal regulations are based on the following basic pillars:

- The harmony between the business strategy and the liquidity strategy is ensured as the liquidity plan prepared for an appropriate period forms an integral part of the business plans.
- The liquidity management organisation is clearly regulated. In line with the appropriate recommendation of the central bank, the board members of the Company supervise liquidity

management processes in a committee (ALCO) as well as through regular reporting and the controls built into business processes.

- The time horizons, inputs and outputs of liquidity planning are regulated.
- We have processes developed to review the fulfilment of liquidity plans and the evaluation of plans/actual data.
- We have a model for forecasting cash flows related to the customer portfolio. We pay attention to measuring/back-testing the model's parameters and regularly review the planning parameters in a way that is embedded in our planning process.
- The organisational units impacting on liquidity and the affected IT systems are identified, the related information flow is regulated.

For liquidity management we have the right indicators, including the regulatory liquidity ratios (LCR- Liquidity Coverage Ratio, NSFR – Net Stable Funding Ratio) and other liquidity risk reports, as well as all the internal ratios which are related to the course of business due to regulatory requirements or any other special reasons (required liquidity level pertaining to remuneration policy, liquidity available within 30 days, liquidity buffers).

The Company has an internal policy for the management of emergency liquidity situations.

According to its valid business strategy, the Company is a specialised risk-averse credit institution. Ensuring continuous liquidity is an especially important element of the strategy targeting prudent credit institution operations in all aspects. For all this it is crucial that the Group particularly bears in mind the impact on liquidity of strategic decisions related to the core business activity.

In practice, this can be realised if modelling expected changes to liquidity always forms an integral part of the business plans built around the individual strategic ideas. Modelling is performed jointly by Controlling and the Strategic Asset and Liability Management Directorate (SALM) of the Company.

The Company's Management Board supervises the liquidity management processes, evaluates liquidity risks at both strategic and tactical level (involving the Treasury Directorate into this latter), under normal and stressed circumstances and in light of both financing and market risks, relying on the reports prepared by the responsible professional units (particularly SALM and Controlling). This activity is performed in most detail by the Asset-Liability Committee (hereinafter referred to as: the "ALCO").

Apart from the report prepared for the ALCO meetings, the Management Board receives reports with even a greater frequency about the processes affecting liquidity (a weekly report received from the Treasury Directorate) which supports the responsible control function.

On a quarterly basis detailed information is provided to the Board of Directors and the Supervisory Board about the processes affecting liquidity.

Liquidity risk exposure

The main indicators applied for the management of liquidity risk include the nominal magnitude of liquidity accessible within 30 days and the liquidity ratio stressed on the side of customer payments, defined as follows:

Liquidity accessible within 30 days

Using the data in the liquidity plan broken down by month, the experiential distribution data and the factual information derived from the books, we prepare a liquidity plan every day that is available for 30 days. The sum of the free liquidity available by the end of the 30th day based on the planned course of business and the liquidity buffers must definitely reach the minimum level defined by the ALCO. Current value of the limit: HUF 15 billion.

Table 34.2.1. - Liquidity risk exposure - Liquidity accessible within 30 days

(HUF million)	31.12.2024	31.12.2023
At 1 January	114 535	96 336
At 31 December	103 632	67 628
Average in the period	109 754	94 436
Maximum in the period	118 536	108 267
Minimum in the period	103 632	59 649

Liquidity ratio stressed on the side of customer payments

(Principal and interest amount of money market deposits maturing within 30 days + collateral value of securities that can be accepted as collateral + principal and interest amount due within 30 days of securities that are excluded from securities accepted as collateral only because of the short remaining term) / Payments expected within 30 days. Payments expected within 30 days are calculated by excluding cash flows that arise due to liquidity neutral transactions (repo transactions with liquid securities and purchase of liquid securities).

Minimum required value: 150%

As of the reporting date and during the period, the indicators applied to manage liquidity risk were as follows:

Table 34.2.2. - Liquidity ratio stressed on the side of customer payments

(%)	31.12.2024	31.12.2023
At 1 January	793,32%	491,78%
At 31 December	719,41%	468,43%
Average in the period	732,84%	495,71%
Maximum in the period	1039,79%	746,79%
Minimum in the period	564,60%	277,70%

b) Maturity analysis for financial assets and financial liabilities

The following table sets out the remaining contractual cash flows of the Company's financial liabilities and financial assets:

Table 34.2.3. - Maturity analysis

(HUF million)	Carrying amount	Total	Gross nominal inflow (+)/ outflow (-)					31.12.2024
			Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years	
Type of financial liability								
Non-derivative financial liabilities								
Liabilities to credit institutions	20 967	-20 301	-132	-251	-1 169	-18 749	0	
Liabilities to customers	541 744	-665 756	-7 454	-144 587	-201 531	-146 241	-165 943	
Other financial liabilities	5 180	-5 506	-988	-187	-843	-3 488	0	
<i>of which: Lease liabilities</i>	4 286	-4 612	-94	-187	-843	-3 488	0	
Unrecognised loan commitments	7 296	-7 296	-7 296	0	0	0	0	
Total	575 187	-698 859	-15 870	-145 025	-203 543	-168 478	-165 943	
Type of financial asset								
Non-derivative financial assets								
Cash and cash equivalents	12 888	12 888	12 888	0	0	0	0	
Securities	105 691	119 179	0	513	38 965	69 056	10 645	
Receivables from customers	520 521	639 419	6 794	19 375	67 755	270 169	275 326	
Other financial receivables	665	745	9	20	104	612	0	
<i>of which: Lease receivables</i>	341	368	8	15	69	276	0	
Total	639 765	772 231	19 691	19 908	106 824	339 837	285 971	

(HUF million)	Carrying amount	Total	Gross nominal inflow (+)/ outflow (-)					31.12.2023
			Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years	
Type of financial liability								
Non-derivative financial liabilities								
Liabilities to credit institutions	15 460	-22 071	-133	-258	-1 180	-20 500	0	
Liabilities to customers	552 422	-650 689	-8 944	-149 237	-215 231	-131 529	-145 748	
Other financial liabilities	5 672	-6 170	-757	-193	-809	-4 287	-124	
<i>of which: Lease liabilities</i>	4 990	-5 489	-91	-179	-808	-4 287	-124	
Unrecognised loan commitments	5 214	-5 214	-5 214	0	0	0	0	
Total	578 768	-684 144	-15 048	-149 688	-217 220	-156 316	-145 872	
Type of financial asset								
Non-derivative financial assets								
Cash and cash equivalents	50 801	50 801	50 801	0	0	0	0	
Securities	73 961	83 403	0	288	21 749	50 397	10 969	
Receivables from customers	517 228	645 062	6 271	16 672	59 714	270 824	291 581	
Other financial receivables	705	782	8	18	99	348	309	
<i>of which: Lease receivables</i>	391	430	7	15	64	344	0	
Total	642 695	780 048	57 080	16 978	81 562	321 569	302 859	

The values included in the tables above in the case of non-derivative financial liabilities and financial assets are the undiscounted cash flows, which include estimated interest payments, while in the case of off-balance sheet loan facilities, the values were assigned to the earliest possible contractual maturity.

Because of the option of termination by customers, the cash outflow of deposits without a bridging loan is included in the '1-3 months' category.

As part of the management of liquidity risk arising from financial liabilities, the Company holds liquid assets (cash and cash equivalents, debt instruments issued by sovereigns) which can be readily sold to meet liquidity requirements.

The following table shows the part of the carrying amount of non-derivative financial assets and liabilities which will be recovered or settled more than 12 months after the reporting date.

Table 34.2.4. - Instruments recovered/settled after more than 12 months

(HUF million)	31.12.2024	31.12.2023
Financial assets		
Securities	70 681	54 719
Receivables from customers	436 844	453 381
Other financial receivables	597	632
Financial liabilities		
Liabilities to credit institutions	15 308	15 413
Liabilities to customers	176 237	161 414
Other financial liabilities	3 300	4 086

c) Liquidity reserves

The following table sets out the components of the Company's liquidity reserves.

Table 34.2.5. - Liquidity reserves

(HUF million)	31.12.2024		31.12.2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Balances at central banks	9 956	9 956	47 569	47 569
Cash and balances at other banks	2 932	2 932	3 232	3 232
Unencumbered debt securities issued by the state	99 426	96 669	73 948	70 223
Total liquidity reserves	112 314	109 557	124 749	121 024

d) Assets offered as collateral and available to support future funding

In the reporting period the Company had refinancing transactions. In the transactions it transferred financial assets in a way that the transactions did not meet the derecognition criteria. The tools for obtaining future funding can be divided into two main groups:

- Assets eligible as collateral at the central bank for credit operations: For the Company at the end of 2024 these assets were mortgage bonds and government bonds issued by the Hungarian State.
- Mortgage loans eligible for mortgage-based refinancing – with the corresponding real estate as collateral – for which a separate lien is registered for the Company: Based on the framework agreement signed on 1 April 2022, this group of assets is eligible for long-term borrowing. For this very reason, the asset group is analysed based on the rules laid down in the Mortgage Act and the related framework agreement. Subject to ALCO approval, for those – and only those – transactions and related collateral where the Company is satisfied as to their eligibility as collateral, it uses appropriate flags in its account management system to be able to track their use as such in principle. Based on the information available as of the reporting date, the value of the eligible transactions well exceeds the amount of the refinancing facility available for the Company, which satisfies its business needs.

As of the reporting date, the Company had the following encumbrances regarding its securities:

Table 34.2.6 - Financial assets pledged as collateral

(HUF million)	31.12.2024		
	Blocked	Blocked, encumbered	Blocked, not encumbered
Nominal value	50	13	37
Net carrying amount	46	12	34

As at 31 December 2024 the Company had one open repo transaction with an encumbered mortgage bond with a nominal value of HUF 6,100 million and carrying amount of HUF 6,254 million recorded as collateral.

In relation to mortgage refinancing with an outstanding principal amount of HUF 15,250 million as of 31 December 2024, 962 mortgage loan transactions with an outstanding principal amount of HUF 15,475 million along with the related collateral real estate were recorded as collateralised.

34.3. Market risk

Market risk is the risk that the change in market prices such as interest rates, equity prices, foreign exchange rates and credit spreads (not related to changes in the obligor's/issuer's credit standing) will affect the Company's profit or loss and the value of the financial instruments included in its financial statements. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Company's solvency while optimising the return on risk.

Management of market risks

The Company does not have any trading book items.

The Company aims to apply a prudent investment policy. In line with the legal requirements, it primarily invests its assets in government securities and mortgage bonds. These are recognised in the banking book and managed according to the business model recorded in the accounting policies. The re-pricing interest risk affects the Company to a limited extent since it sells its deposits and loans with an interest rate fixed for the term, so the risk related to changes in the interest rate directly affects the securities investments. The base risk, yield curve risk and option risk do not materialise because of the special regulated nature of the Company and due to its product portfolio.

Foreign currency risk can arise in connection with FX trade liabilities. These liabilities can generally be planned well in advance. The Company's practice is that in the case of a favourable exchange rate, it buys the necessary foreign currency in advance and fixes it until maturity.

Exposure to market risks

The Company's banking book items may be exposed to interest rate risk and foreign currency risk.

The following table presents the carrying amount of the Company's banking book items by interest rate type:

Table 34.3.1. - Exposure to interest rate risk

(HUF million)	31.12.2024			31.12.2023		
	Fixed rate	Floating rate	Non-interest-bearing	Fixed rate	Floating rate	Non-interest-bearing
Cash and cash equivalents	12 888	0	0	50 801	0	0
Receivables from customers	520 521	0	0	517 228	0	0
Securities	105 691	0	0	73 961	0	0
Other financial receivables	341	0	324	391	0	314
Total financial assets	639 441	0	324	642 381	0	314
Liabilities to credit institutions	20 967	0	0	15 460	0	0
Liabilities to customers	541 744	0	0	552 422	0	0
Other financial liabilities	4 286	0	894	4 990	0	682
Total financial liabilities	566 997	0	894	572 872	0	682

It is clear from the table above that the Company's exposure to interest rate risk is not significant.

The following table shows the carrying amount of the Company's banking book items by currency:

Table 34.3.2. - Exposure to currency risk

(HUF million)	31.12.2024				31.12.2023			
	EUR	HUF	USD	Total	EUR	HUF	USD	Total
Financial assets subject to foreign currency risk								
Cash and cash equivalents	2 826	10 022	40	12 888	3 095	47 589	117	50 801
Receivables from customers	0	520 521	0	520 521	0	517 228	0	517 228
Securities	0	105 691	0	105 691	0	73 961	0	73 961
Other financial receivables	652	13	0	665	683	22	0	705
Total	3 478	636 247	40	639 765	3 778	638 800	117	642 695
Financial liabilities subject to foreign currency risk								
Liabilities to credit institutions	0	20 967	0	20 967	0	15 460	0	15 460
Liabilities to customers	0	541 744	0	541 744	0	552 422	0	552 422
Other financial liabilities	3 560	1 620	0	5 180	3 909	1 763	0	5 672
Total	3 560	564 331	0	567 891	3 909	569 645	0	573 554
Net exposure to foreign currency risk	-82	71 916	40	71 874	-131	69 155	117	69 141

The FX item under other financial liabilities primarily comprises liabilities related to leases.

In the period covered by these financial statements the following significant exchange rates prevailed (expressed in HUF):

Table 34.3.3. - Exchange rates

Currency	Average rate		Spot exchange rate at the reporting date	
	2024	2023	31.12.2024	31.12.2023
1 EUR =	395,20	381,95	410,09	382,78
1 USD =	365,24	353,25	393,60	346,44

Table 34.3.4 - Sensitivity analysis (currency risk)

Currency	Change (%)	Effect on Shareholder's equity (HUF million)	31.12.2024
			Effect on profit (HUF million)
EUR	5%	-4	-4

The Company's exposure to foreign currency risk was not significant in FY 2024.

34.4. Operational risk

Operational risk is the risk of a loss that affects the Company's profit or loss and regulatory capital due to inadequate internal processes and systems, external events, the inadequate performance of tasks by individuals, or due to violating or failing to comply with legal regulations, contracts or procedures set forth in internal policies.

The definition includes reputation risks, as well as risks connected to information and communication technology systems and legal risks, but excludes strategic risks, risks that are only market risks and credit risk events. The Company manages operational risks according to the standardised approach. This activity is directed by the Risk Controlling team.

Primary methods for operational risk management: continuous collection of loss data, monitoring of key risk indicators, loss analysis, making action recommendations to prevent losses and mitigate losses occurred, regular and one-off reporting service.

Strategic goals of the operational risk management:

- improving the risk culture and risk sensitivity of the managers and staff,
- identifying the risks of the transaction arrangement processes and taking steps to avert them,
- preparing for minimising a potential loss,
- establishing the amount of damage derived from operations as precisely as possible and predicting this for the future.

The organisational structure of the Company ensures the continuous and regulated cooperation in the long run of all organisational units participating in managing and controlling operational risks. All of the Company's organisational units, departments and groups have operational risks, thus these can affect all staff and every individual employee can contribute to avoiding operational risks.

All employees of the Company have a duty to contribute (particularly through the quick and thorough

reporting of loss events) to the identification, measurement and management of operational risks.

Together with the Risk Controlling team, the managers must assign suitably qualified staff members responsible for operational risks (such staff known by the Hungarian abbreviation "MKF") at their individual organisational units. With questions regarding operational risks and risk management, the employees of the given organisational unit can contact to the MKF directly. This way the MKF perform the tasks related to local operational risk controlling too.

Senior staff (directors, team managers) are responsible for managing operational risks within their organisational unit based on the provisions generally applicable for the team.

The Risk Controlling team is the Company's central body for managing and controlling operational risks. Its main tasks and responsibilities are as follows:

- It prepares the reports on operational risks and sends them to the recipients by the given deadlines.
- It acts as the central contact point and professional advisor for the Company's organisational units in issues affecting operational risks.
- If governance limits and restrictions are breached, it initiates measures (in consultation with the Risk Board).
- It commands the necessary initiative, methodological and system competence and is responsible for the controlling of operational risks accordingly.
- In accordance with the central and local division of tasks, it is responsible for the controlling process of operational risks.
- It is responsible for the aggregate recording, documentation and rating of operational risks.
- It is responsible for carrying out educational tasks related to operational risks, as well as for providing professional direction to MKFs.
- It is responsible for the management of Oprisk Manager rights, and in connection with this, for keeping up-to-date records.
- In collaboration with the HR department, it is responsible for ensuring that the appendix supplementing the job description of the newly appointed MKFs is signed.

The Company's Management Board defines the basic conditions for the management of operational risks. At the highest level it is the Management Board that is responsible for the basic and appropriate management of operational risks affecting the group, it has the following tasks and responsibilities:

- Acceptance of operational risk policies and the methods and procedures proposed for the management and controlling of operational risks.
- If necessary, approval of the measures proposed to counter the obvious operational risks.
- Ensuring the conditions necessary to comply with the policies and review them regularly, including the design of a suitable organisation and the compilation of a cost budget necessary to implement it.

The above tasks and responsibilities are fulfilled by the Management Board based on the reports (including any extraordinary reports) on operational risks made available by Risk Controlling team on a regular basis. As part of the regular reports, the Management Board receives information on the development and status of the management processes applied for operational risks.

As for the identification, rating and measuring of operational risks, a risk classification is needed that differentiates between the individual operational risks based on various aspects, and also separates

them. For this the Company applies the exposure classes defined in the CRR and the Basel directives, as well as MNB guidelines.

According to the requirements of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (hereinafter referred to as: the “CRR”), credit institutions shall ensure sufficient capital to cover the risks derived from their operation. They can choose from several approaches to calculate the capital to be provided based on the complexity and riskiness of the given institution’s operation and other aspects. Such “other” aspects include, for example, whether the requirements have to be met as an institution that is independent from a regulatory point of view or as part of a group of institutions subject to consolidated supervision.

The Company, as a subsidiary of MBH Bank, is subject to consolidated supervision.

As of 27 March 2024 MBH Bank acquired a qualifying holding in the Company and as a result, the Company became included in the prudential consolidation scope of MBH Bank. At consolidated level MBH Bank calculates the operational risk capital requirement using the basic indicator method, while before it was consolidated by MBH Bank, the Company used the standard method for both company-level and consolidated calculations. In its resolution dated 26 July 2024 MNB gave authorisation for MBH Bank to determine the operational risk capital requirement at consolidated level using the basic indicator method, while for the Company to continue to use the standard method for company-level calculations until 31 December 2024.

35. Capital management

The main goal of the Company’s capital management is to ensure prudent operations, fully comply with the regulatory capital adequacy requirements in order to pursue the given activity smoothly whilst maximising shareholder value and optimising the funding structure.

The Company’s capital management covers the evaluation and management of own funds and capital-type financing available for covering risks, and all material risks to be covered by capital. The Company’s capital management is based on the continuous monitoring of the capital situation in the short run, and on the business and strategic planning process in the long run, during which the Company’s expected capital position is measured and forecast.

Essentially, the Company ensures an adequate capital level for the planned underwriting and to align with the regulatory requirements by developing and maintaining its profitability. If the Company’s planned underwriting activity exceeds the capital coverage provided by own funds and the previously added Tier 2 items, the Company ensures prudent operations via one-off measures.

In its plans, the Company assumes a moderate dividend policy alongside stable profitability, owing to which the significant increase in equity facilitates compliance with the statutory capital requirements as well as with those calculated based on the internal capital calculation.

Following its inclusion in the prudential consolidation scope of MBH Bank, the Company calculates its regulatory capital and RWA and ensures fulfilment of legal requirements related to capital adequacy at company-level. The Group leader MBH Bank monitors the regulatory capital and RWA calculations of the Company. The calculation of capital adequacy at consolidated level of the MBH Bank Prudential Group is the responsibility of MBH Bank. MBH Bank requires the Company to provide data in order to enable the Bank to make the calculations necessary for capital adequacy at consolidated level as well as to check and enforce continuous compliance with capital adequacy requirements. The related necessary Pillar 2 capital adequacy calculations are performed by the Company.

The regulatory capital of the Company comprises only core capital (TIER 1).

According to Basel III requirements, the Company's regulatory capital breaks down as follows:

Table 35.1. - Capital management table

(HUF million)	31.12.2024	31.12.2023
Tier 1 - Core capital /CET1/		
Share capital	2 001	2 001
Capital reserve	2 100	2 100
(-) Indirect interests in own CET1 equity instruments	-57	-57
Retained earnings	64 809	60 536
Other reserve	8 564	8 090
Deductions:	-11 559	-9 684
<i>of which: Intangible assets</i>	-11 541	-9 684
<i>of which: Insufficient collateral of non-performing exposures</i>	-18	0
Total regulatory capital	65 858	62 986

36. Fair value measurement

The Company has no financial instruments measured at fair value.

36.1. Fair value models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market prices (unadjusted) for identical assets and liabilities on active markets.
- Level 2: based on input information other than those included within Level 1, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices) in connection with the given asset or liability. This category includes instruments valued using: quoted market prices on active markets for similar instruments; quoted market prices for identical or similar instruments on markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the value of the instrument. This category includes instruments that are valued based on quoted market prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Company's objective is to maximise the use of observable (Levels 1 and 2) and minimise the use of unobservable (Level 3) inputs when measuring the fair value of the individual assets and liabilities.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

36.2. Valuation framework

In order to measure fair value reliably, from its financial instruments measured at amortised cost, the Company applies the discounted cash flow method to its receivables from clients, liabilities to banks and

its customer deposits. Cash and cash equivalents include items that are immediately accessible, so their fair value equals the carrying amount.

The input information of the measurement techniques applied to measure the fair value of receivables from and liabilities to customers includes the following assumptions:

- for receivables from customers, the discount rates used for the discounting equal the sum of the risk-free interest rate and risk premium in the given foreign currency, valid for the given period,
- for liabilities to customers, the discount rates used for the discounting are the home savings market interest rates for the given year,
- the fair value of sight deposits cannot be lower than their carrying amount.

In the case of asset and liability groups not measured at fair value in the statement of financial position, the Company applies an income approach when measuring fair values, transforming future cash flows into one current value.

Fair value of securities

The fair value of securities is measured based on the closing bid price quoted on the active market, applicable on the reporting date. For lack of this, the Group makes an estimate using directly or indirectly observable input data in order to measure fair values.

The Company uses the following information for fair value measurements:

- Stock exchange price,
- Government securities market quotes published by the ÁKK (Government Debt Management Agency),
- Current market yield premium in excess of the risk-free yield (government security with a similar term),
- Reference yields.

Fair value is measured as follows:

- Discounted Treasury bills: the exchange rate pertaining to the Government Debt Management Agency's (ÁKK) best purchase yield, calculated as of the reporting date.
- Treasury bills with a term shorter than 3 months: the exchange rate pertaining to the best purchase yield of the Treasury bill with the shortest maturity included in the ÁKK's quotation, calculated as of the reporting date.
- Government bonds: ÁKK's best buying rate as of the reporting date.
- Government bonds with a term shorter than 3 months: the exchange rate pertaining to the purchase yield of the government bond with the shortest maturity included in the ÁKK's quotation, calculated as of the reporting date.
- Discount MNB bonds: the exchange rate pertaining to the best purchase yield of the Treasury bill with the shortest maturity included in the ÁKK's quotation, calculated as of the reporting date.

In the case of other bond assets not mentioned above it has to be examined whether there is an objective, transparent price source (stock market, OTC quotation operating in a regulated form). If yes, these price sources can be applied when measuring fair value, otherwise the Company applies the discounted cash flow method.

Fair value of bank deposits and interbank lending, trade receivables and other financial assets from non-derivative transactions

Bank deposits and interbank lending, trade receivables and other financial receivables typically have short-term maturity, thus the fair value of these financial assets measured for disclosure purposes equals the carrying amount.

Fair value of receivables from customers

The Company applies the discounted cash flow method when measuring the fair value of customer loans.

The Company uses the following techniques to measure fair value for fixed rate loans granted to customers:

- Bridging loans: For the portfolio of bridging loans, the expected cash flows on the existing contractual portfolio are calculated, which include future cash flows arising in connection with interest payments due in the bridging loan phase and the principal repayment in one amount at the end of the term, assuming that the cash flows will be received by the end of the bridging loan phase as set forth in the contract. The future cash flow arrived at is discounted back using the market interest rate prevailing at the end of the year.
- Housing loans: housing loans are repaid on an annuity basis so there are both interest rate payments and principal repayments. For the portfolio of housing loans, the expected cash flows on the existing contractual portfolio are calculated, which include future cash flows arising in connection with interest payments and principal repayments due in the housing loan phase, assuming that the cash flows will be received by the end of the housing loan phase as set forth in the contract. The future cash flow arrived at is discounted back using the market interest rate prevailing at the end of the year.

Fair value of liabilities to customers

The Company applies the discounted cash flow method when measuring the fair value of liabilities to customers.

Expected cash flows are determined for the deposit portfolio on a monthly basis, taking customer bonuses payable because of customer campaigns also into account. Future cash flows determined this way include contractual cash flows assuming the following:

- the customer will make payments as set forth in the contract over the term specified in the tariff;
- the Company does not reckon on payments to and from the deposit that deviate from the customer behaviour expected according to the contract;
- the amount of customer bonuses is considered in the determination of the deposit cash flow with a probability that equals the probability based on backtesting of the customer being expected to become entitled to receive customer bonus at the end of the savings period specified in the tariff.

The Company uses home savings market interest rates as the discount factor to calculate discounted cash flows. This discount factor is the weighted average of:

- transaction interest rate of new home savings contracts as per the tariff,
- the interest rate annualised using the amount of bonus due under the customer campaign and the account-opening fee and the account-management fee.

Fair value of trade liabilities, other financial liabilities from non-derivative transactions

Trade liabilities and other financial liabilities typically have short-term maturity, thus the fair value of these financial liabilities measured for disclosure purposes equals the carrying amount.

36.3. Financial instruments not measured at fair value

The following table summarises the fair values of financial instruments not measured at fair value according to the level of the fair value hierarchy into which they would have been put based on the inputs underlying the measurement:

Table 36.3.1. - Financial instruments not measured at fair value

					31.12.2024	
(HUF million)	Level 1	Level 2	Level 3	Total fair values	Total carrying amount	
Assets						
Cash and cash equivalents	0	12 888	0	12 888	12 888	
Securities	102 956	0	0	102 956	105 691	
Receivables from customers	0	0	495 402	495 402	520 521	
Other financial receivables	0	0	665	665	665	
Liabilities						
Liabilities to credit institutions	0	22 221	0	22 221	20 967	
Liabilities to customers	0	0	513 189	513 189	541 744	
Other financial liabilities	0	0	5 180	5 180	5 180	
					31.12.2023	
(HUF million)	Level 1	Level 2	Level 3	Total fair values	Total carrying amount	
Assets						
Cash and cash equivalents	0	50 801	0	50 801	50 801	
Securities	70 236	0	0	70 236	73 961	
Receivables from customers	0	0	484 967	484 967	517 228	
Other financial receivables	0	0	705	705	705	
Liabilities						
Liabilities to credit institutions	0	17 227	0	17 227	15 460	
Liabilities to customers	0	0	502 414	502 414	552 422	
Other financial liabilities	0	0	5 672	5 672	5 672	

37. Disclosures required by the provisions of the Act on Accounting

Disclosures relating to mandatory audit

The Company's financial statements must be audited.

Information on the auditor: PricewaterhouseCoopers Könyvvizsgáló Kft. (1055 Budapest, Bajcsy-Zsilinszky út 78.)

Natural person auditor: Enikő Könczöl (Chamber registration number: 007367). Fees charged by the audit firm in the reporting year:

- Audit under the annual contract: HUF 41.8 million + VAT
- Other assurance services under the annual contract: HUF 18.8 million + VAT
- Adjustment of fees for previous years: HUF 9.1 million + VAT
- For 2023 data, fees for non-audit services performed in 2024: HUF 1.8 m + VAT

The auditor has no loan liabilities to the Company.

Person responsible for bookkeeping services

Person responsible for managing and directing bookkeeping-related tasks:

Gergely Péter Kállay (Registration no.: 202008; field of expertise: business, IFRS).

Registered office of the Company

Registered office of the Company: 1123 Budapest, Alkotás utca 55-61.

Equity correlation table

The following equity correlation table, which complies with the requirements of Section 114/B of the Act on Accounting, shows the reconciliation of equity components as per Section 114/B of the Act on Accounting and the components of equity as per the financial statements (EU IFRSs). The reconciliation comprises the allocation of the EU IFRS equity components to the equity components under the Act on Accounting, as well as the derivation of the differences between the equities defined in two ways.

Table 37.1. - Equity correlation table

(HUF million)	Components of equity as per the Act on Accounting - 31.12.2024							Total
	Share capital as per EU IFRSs	Subscribed, but unpaid capital (-)	Capital reserve	Retained earnings	Profit after tax	Valuation reserve	Allocated reserve	
Share capital	2 001	0	0	0	0	0	0	2 001
Capital reserve	0	0	2 100	0	0	0	0	2 100
Retained earnings	0	0	0	60 924	0	0	0	60 924
Settlement reserve	0	0	0	8 748	0	0	0	8 748
General reserve	0	0	0	0	0	0	8 564	8 564
Profit for the year	0	0	0	0	4 747	0	0	4 747
Equity as per EU IFRSs allocated to components of equity as per the Act on Accounting	2 001	0	2 100	69 672	4 747	0	8 564	87 084
Equity as per the Act on Accounting	2 001	0	2 100	69 672	4 747	0	8 564	87 084

Components of equity as per the Act on Accounting - 31.12.2023								
(HUF million)	Share capital as per EU IFRSs	Subscribed, but unpaid capital (-)	Capital reserve	Retained earnings	Profit after tax	Valuation reserve	Allocated reserve	Total
Share capital	2 001	0	0	0	0	0	0	2 001
Capital reserve	0	0	2 100	0	0	0	0	2 100
Retained earnings	0	0	0	51 697	0	0	0	51 697
Settlement reserve	0	0	0	8 748	0	0	0	8 748
General reserve	0	0	0	0	0	0	8 090	8 090
Profit for the year	0	0	0	0	9 701	0	0	9 701
Equity as per EU IFRSs allocated to components of equity as per the Act on Accounting	2 001	0	2 100	60 445	9 701	0	8 090	82 337
Equity as per the Act on Accounting	2 001	0	2 100	60 445	9 701	0	8 090	82 337

The amount of share capital as per EU IFRSs shown for 31 December 2024 and 31 December 2023 in the table above equals the amount of capital registered by the court of registration.

The following table presents free retained earnings available for dividend payment:

Table 37.2. - Calculation of funds available for dividend payment

(HUF million)	31.12.2024	31.12.2023
Retained earnings	60 924	51 697
Profit for the year	4 747	9 701
Funds available for dividend payment	65 671	61 398

Budapest, 20 March 2025

László Morafcsik

Chief Executive Officer

Tamás Király

Managing Director