



M K B B a n k P u b l i c L i m i t e d C o m p a n y

10 011 922 641 911 401
Statistical ID number

***Individual
mid-year
Balance Sheet***

compiled on the basis of
the International Financial Reporting Standards approved by the EU
(IFRS)

31 August 2021

Done in Budapest, on the 15th of November 2021

Important notice

“Hungarian language is the official and registered language of MKB Bank Plc’s („the Issuer”) disclosures pursuant to the relevant legal and stock-exchange rules. The present English translation has been prepared on a voluntary basis, with the best care and intention of the Issuer to inform English speaking investors, however, in the event of any controversy between the Hungarian and English version, the authentic Hungarian version shall prevail.”

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MKB Bank Plc.

Opinion

We have performed the audit of MKB Bank Nyrt. (the "Company") as at 31 August 2021, with total assets of HUF 3,093,566 million and profit after tax of HUF 43,762 million.

In our opinion, the accompanying interim financial statements have been prepared, in all material respects, in accordance with Act C of 2000 on Accounting (the "Accounting Act") of Hungary.

Basis for the Opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. For a more detailed description of our responsibilities under these standards, see the section of our report entitled "*The Auditor's Responsibility for the Audit of the Interim Financial Statements*".

We are independent of the Company in accordance with the relevant legislation in force in Hungary and the Hungarian Chamber of Auditors' Code of Conduct (Ethics) and Disciplinary Procedure for the Audit Profession, and, for matters not covered by these rules, the International Ethical Standards Board for Accountants' Handbook on the International Code of Ethics for Chamber Auditors (incorporating international independence standards) (the IESBA Code), and comply with the other ethical requirements in the same standards.

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

Issues raised

Please note the remark on the significant events after the balance sheet date of MKB Bank Nyrt. as at 31 August 2021 in Annex II, which shows the excess of impairment losses and adjustment losses related to the moratorium on loan repayments due to legislation that became known after the balance sheet date, charges for interest deductions and refunds on current account and credit card products, and the estimated impact of the expected loss due to the unification of accounting policies after 31 August 2021, quantified but not yet recognised in the interim balance sheet. Our opinion is not qualified on this issue.

Other issues: the basis of the preparation of the interim balance sheet and its purpose

The accompanying interim balance sheet has been prepared solely for the purpose of providing the basis for the report on the transformation of the Company in accordance with the provisions of Section 114/A of the Accounting Act. Therefore, a review of the interim balance sheet is not a substitute for reading the audited financial statements of the Company as at 31 December 2020 and the accounting policies set out in the notes thereto and applied in the preparation of the interim balance sheet. The intermediate balance sheet was prepared for the purpose mentioned above, but not for the purpose of monitoring the assets and financial position of MKB Bank Nyrt. as at 31 August 2021, and its financial position for the period ending on that date in accordance with the fair presentation requirement.

Other issues: limitation of use

Our report has been prepared for the sole purpose of informing and serving the owners of the Company and may not be used for any other purpose or by anyone else, and any other use or disclosure of the report is subject to our prior written consent.

Liability of management and the individuals responsible for management for the interim balance sheet

The management is responsible for the preparation of the interim balance sheet in accordance with Section 114/A of the Accounting Act, and for internal controls that the management considers necessary to enable the preparation of an interim financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the interim financial statements, the management is responsible for assessing the business association's ability to continue as a going concern and for preparing the interim financial statements on a going concern basis. The management should take the principle of going concern as a basis, unless the enforcement of this principle is hindered by any provision to the contrary, or if any factor or circumstance prevails, which contradicts the continuation of entrepreneurial activities.

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

The auditor's responsibility for the audit of the interim balance sheet

During our audit we aim to gain sufficient assurance that the interim financial statements do not contain any erroneous statement arising from fraud or an error, and to issue an independent audit report containing our opinion based on our audit. Sufficient assurance is a high degree of certainty, but is not a guarantee that an audit conducted in compliance with the Hungarian National Audit Standards and other effective laws and regulations applicable to the audit and effective in Hungary always detects existing material erroneous statements. Misstatements can arise from fraud or error, and they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this interim financial statements.

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

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Furthermore:

- We identify and estimate the risks of material erroneous statements in the interim financial statements arising either from fraud or an error, develop and execute audit procedures suitable for managing those risks and obtain sufficient audit evidence for our opinion. The risk of non-detection of a material erroneous statement arising from fraud is greater than the same arising from an error, because fraud may include concerted action, counterfeiting, erroneous omissions, wrong declarations, or overruled internal controls.
- We study the internal control, relevant in terms of the audit, in order to be able to design audit procedures that are adequate under the given conditions, but not in order to form an opinion on the efficiency of the internal control of the Company.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We draw a conclusion on whether or not the compilation of the interim financial statements, based on the principle of going concern by the management is appropriate and, on the basis of the obtained audit evidence, on whether there is any significant uncertainty in relation to events or conditions that may raise serious doubt in terms of the ability of the Company to continue its business. If we conclude that there is a great deal of uncertainty, in our independent audit report, we must draw attention to the related disclosures, or we must qualify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the interim financial statements, and whether the interim financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

In addition to other issues, we communicate to the individuals in charge of control, the envisaged scope and schedule of the audit, the material findings of our audit, also including the material inadequacies of internal controls applied by the Company, identified by us during the audit, if applicable.

Budapest, 15 November 2021

Bálint Józán
Deloitte Könyvvizsgáló és Tanácsadó
Kft. 1068 Budapest Dózsa György út
84/C. Registration number: 000083

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Zoltán Mádi-Szabó,
Chamber member, auditor,
Membership no.: 003247

MKB Bank PLC.
Individual comparison table of equity capital regarding the period ending 31 August 2021

2021. augusztus 31. 2020. december 31.

Assets

Financial assets	290 409	294 183
Receivables from credit institutions	58 979	83 558
Derivative financial assets	34 519	23 262
Securities	1 396 613	1 174 027
Receivables from clients	1 199 828	1 106 242
Invested assets held for subsequent sale and terminated activities	1	504
Other assets	19 114	15 149
Actual tax receivables	-	1 418
Deferred tax receivables	6 087	6 707
Investments in subsidiaries, joint enterprises and companies under common control	48 818	48 373
Intangible assets and tangible assets	39 198	39 213
Total assets	3 093 566	2 792 636

Liabilities

Liabilities to credit institutions	681 847	574 825
Current accounts and deposit accounts	2 059 455	1 877 454
Derivative financial liabilities	16 510	35 406
Other liabilities and provisions	57 338	54 910
Actual tax obligations	1 315	-
Bonds issued	2 517	2 343
Subordinated liabilities	41 939	44 724
Total liabilities	2 860 921	2 589 662

Capital

Subscribed capital	100 000	100 000
Capital reserves	132 645	102 974
Total capital	232 645	202 974

Capital and liabilities, total	3 093 566	2 792 636
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Budapest, 15 November 2021

dr. Zsolt Barna
Chairman & CEO

Ildikó Ginzer
Deputy CEO

MKB Bank PLC.
Individual comparison table of equity capital regarding the period ending 31 August 2021

	Sub- scribed capital	Capital reserve	Profit reserve	Valuation reserve of the marketable fi- nancial instruments	Own equity, total
	Capital reserve				
As at 1 January 2020	100 000	21 729	78 573	(6 747)	193 555
After-tax profit	-	-	6 232	-	6 232
Other comprehensive income	-	-	-	3 187	3 187
As at 31 December 2020	100 000	21 729	84 805	(3 560)	202 974
After-tax profit	-	-	43 762	-	43 762
Other comprehensive income	-	-	-	(14 091)	(14 091)
As at 31 August 2020	100 000	21 729	128 567	(17 651)	232 645

Comparison of the subscribed capital registered by the Court of Registry and the capital shown according to the EU IFRSs	2021.08.31	2020.12.31
Capital registered by the Court of Registry	100 000	100 000
Instruments represented among liabilities (-)	-	-
Subscribed capital according to the IFRSs	100 000	100 000

Explanation of profit reserve freely available for the payment of dividends	2021.08.31	2020.12.31
Profit reserve (+/-)	128 567	84 805
Creation of reserves owing to obligations specified by law (-)	15 824	11 448
Profit reserve freely available for the payment of divi- dends	112 743	73 357

Budapest, 15 November 2021

dr. Zsolt Barna
Chairman & CEO

Ildikó Ginzer
Deputy CEO

I. Annex I: Statement of profits and other comprehensive income items earned by the MKB Bank PLC in the period ending on 31 August 2021

	2021	2020
Profit & Loss Account		
Interest revenues	49 714	50 895
Interest expenditures	18 326	24 988
Net interest income	31 388	25 907
Net revenue of commissions and fees	16 160	23 731
Other net operating revenues / (expenditure)	31 071	6 121
Loss of value and provisions created / (retrieved) to cover losses	(892)	7 204
Bank operating costs	31 742	41 602
Profit before taxes	47 769	6 953
Profit tax (revenue) / expenditure	4 007	721
PROFIT AFTER TAXES	43 762	6 232
Other comprehensive income:		
<i>Upon fulfillment of certain conditions, these items shall be reclassified into the profits:</i>		
Revaluation of financial assets assessed at their real value against the other comprehensive income items	(14 091)	3 187
Other comprehensive income of the period netted by the profit tax	(14 091)	3 187
COMPREHENSIVE INCOME OF THE ENTIRE PERIOD	29 671	9 419
From the profit after taxes:		
Attributable to the owners of the company	43 762	6 232
Attributable to non-controlling share	-	-
Form the comprehensive revenues of the entire period:		
Attributable to the owners of the company	29 671	9 419
Attributable to non-controlling share	-	-
Net income available to holders of ordinary shares	43 762	6 232
Average amount of ordinary shares (thousand)	100 000	100 000
Profit per share (HUF)		
Basic	438	62
Diluted	438	62

Done in Budapest, 15 November 2021

dr. Zsolt Barna
Chairman & CEO

Ildikó Ginzer
Deputy CEO

II. Annex II: Events that took place after the accounting date of the interim balance sheet (31 August 2021) of MKB Bank PLC

According to the IAS 10 standard on the events after the reporting period, the events which follow the interim balance sheet accounting date (i.e. 31 August 2021) and took place between the accounting date of the financial reports and the date of permit issued to allow for their disclosure, require proper consideration, particularly in respect to the period their effects are related to. The non-amending events are deemed events which did not exist as at the accounting date of the balance sheet, i.e. on the 31st of August 2021, however MKB Bank PLC (hereafter referred to as: "the Bank") intends to represent their effects in the present note. The non-amending events taken into account by the Bank at the time of compiling the financial reports in respect to the loan repayment moratorium had been published in the Hungarian Official Gazette on 15 September 2021 (Wednesday) in the form of a statutory provision.

The following statutory provision were published:

- the Government Decree No. 536/2021.(IX.15.)Korm on the amendments of the Government Decree No. 637/2020.(XII. 22.)Korm. on the introduction of special rules on loan repayment moratorium in relation to the state of danger,
- the Government Decree No. 537/2021. (IX. 15.) Korm. on the rules of settlement of certain contracts related to the moratorium on loan repayments, and
- the Decree No. 6/2021. (IX. 15.) MK on the form to be used for applying for the moratorium on loan repayments.

In the present supplementary note, the Bank intends to show the following items mentioned in reference to the above mentioned statutory provisions, as non-amending items:

Descriptions	Amount (HUF million)
In relation with the moratorium on loan repayments, any loss of value quantified following the publishing of the statutory provisions but not yet accounted for in the interim balance sheet of the 31st of August:	17 700
The text "until 30 September 2021" mentioned in para a) and b) of Section (1) of Article 1 of the Government Decree 637/2020. (XII. 22.)Korm. shall be replaced by "until 31 October 2021". The estimated effect. i.e. the amendment loss, attributable to the amendment made to the government decree:	210
The text "30 September 2021" shown in b) Section (1) and (2) of Article 1/A of the Government Decree 637/2020. (XII. 22.)Korm. shall be replaced by "30 June 2022" furthermore the text "until 30 September 2021" shown in c) Section (3) of Article 1/A shall be replaced by "until 30 June 2022". The estimated effect. i.e. the amendment loss, attributable to the amendment made to the government decree:	733
According to Section (4) of Article 2 of the Government Decree No. 537/2021. (IX. 15.)Korm on the rules of settlement of certain contracts related to the moratorium on loan repayments:	
<i>The debt accumulated pursuant to the contract shall be converted by the creditor by applying the average annualized interest rate relevant to the HUF-based personal loans and shown in the statistical bulletin issued by the National Bank of Hungary regarding February 2020 (hereafter referred to as: "converted debt"), maintaining that the provisions specified in Section (1) need not be applied provided that the interest rate stated in the contract is lower than the interest rate to be applied during the process of conversion.</i>	
The effect of the estimated interest rate reduction and interest reimbursement related to the current account and credit card products is shown below:	
Total estimated effect	19 175

Until the end of the 2021 business year, unification of the accounting policies (Budapest Bank Private Limited Company and MKB Bank Public Limited Company) can presumably bring about an additional loss before taxes up to HUF 1,322 million which can be attributed to the representation of certain subsidized loan construction products at their real value. The magnitude of such loss shall depend on the changes occurring in the yield capacity.