

Pursuant to the memorandum No. 324563-1/2018 of the Hungarian National Bank, the Takarék Mortgage Bank Co. Plc. has modified the declaration part of the report, and the consolidated cash flow statement, the statement of Shareholders' Equity with comparing numbers of 2017. Consolidated Financial Position but essentially with the same content repeatedly publishes its half-year financial report for the first half of 2018 released on 16 August 2018.

Budapest, 27 September 2018-

Takarék Mortgage Bank Plc.



**Takarék Mortgage Bank Plc.**

**Half-year financial report for the first half of 2018**

Budapest, 16 August, 2018

**I. SUMMARY CONSOLIDATED FIGURES AND TREND OF KEY PERFORMANCE INDICATORS**

in HUF million	H1 2017	H2 2017	H1 2018	H1 2018 / H1 2017	H1 2018 / H2 2017
<b>Main balance sheet items</b>					
Total assets	574,588	610,577	616,844	7.4%	1.0%
Refinanced loans	56,884	76,597	87,556	53.9%	14.3%
Loans (gross)	318,648	327,224	350,998	10.2%	7.3%
Mortgage bonds	161,658	174,933	184,165	13.9%	5.3%
Senior unsecured bonds	19,245	9,030	7,651	-60.2%	-15.3%
Customer deposits	284,508	329,253	292,836	2.9%	-11.1%
Shareholders' equity	57,530	50,332	52,099	-9.4%	3.5%

in HUF million	H1 2017	H2 2017	H1 2018	H1 2018 / H1 2017	H1 2018 / H2 2017
<b>Main P/L items</b>					
Net interest income	6,603	6,242	6,970	5.6%	11.7%
<b>Net interest margin</b>	<b>2.28%</b>	<b>2.13%</b>	<b>2.29%</b>	<b>0.01%-pt</b>	<b>0.16%-pt</b>
Net fees and commissions	2,629	2,946	2,557	-2.7%	-13.2%
Net operating income	9,130	965	12,900	41.3%	-
Provision for impairment on loans losses	-7	-1,627	-989	-	-39.2%
Operating cost	-8,757	-9,026	-7,627	-12.9%	-15.5%
<b>Cost to income ratio</b>	<b>95.9%</b>	<b>934.9%</b>	<b>59.1%</b>	<b>-36.8%-pt</b>	<b>-875.8%-pt</b>
<b>Cost/income ratio w/o special banking tax</b>	<b>90.6%</b>	<b>805.5%</b>	<b>57.3%</b>	<b>-33.4%-pt</b>	<b>-748.2%-pt</b>
Profit from continuing operation before income taxes	365	-9,688	4,284	-	-
Profit from continuing operation after income taxes	330	-11,541	4,144	-	-
Profit from discontinued operation	-172	3,194	0	-100.0%	-100.0%
Profit after tax w/o special banking tax	692	-8,192	4,562	-	-
Profit after tax w/o special banking tax and other one-offs	1,418	-7,586	4,876	243.8%	-
<b>Basic EPS (HUF)</b>	<b>1.76</b>	<b>-82.55</b>	<b>50.58</b>	<b>-</b>	<b>-</b>
<b>Return on Assets</b>	<b>0.05%</b>	<b>-1.36%</b>	<b>1.36%</b>	<b>1.3%-pt</b>	<b>2.7%-pt</b>
<b>Return on Equity</b>	<b>0.55%</b>	<b>-15.17%</b>	<b>16.31%</b>	<b>15.8%-pt</b>	<b>31.5%-pt</b>
<b>ROAA w/o special banking tax and other one-offs</b>	<b>0.49%</b>	<b>-1.02%</b>	<b>1.60%</b>	<b>1.1%-pt</b>	<b>2.6%-pt</b>
<b>ROAE w/o special banking tax and other one-offs</b>	<b>4.97%</b>	<b>-11.43%</b>	<b>19.20%</b>	<b>14.2%-pt</b>	<b>30.6%-pt</b>

## II. REPORT ON THE FIRST HALF-YEAR RESULTS OF TAKARÉK MORTGAGE BANK GROUP IN 2018

The report of TakaréK Mortgage Bank Public Co Plc. for the first half-year of 2018 is based on the data of the consolidated balance sheet and profit and loss account prepared according to the International Financial Reporting Standards (IFRS). The Group performed the analysis of its operation based on the consolidated, audited figures as of 31 December 2017, non-audited figures as of June 30 2017, June 30 2018. The transition from IAS 39 to IFRS 9 and its effect – in accordance with the standards – was transferred to the opening equity.

Takarék Commercial Bank Ltd., subsidiary of TakaréK Mortgage Bank Plc. and its subsidiary the Hungarian Card Services Ltd. (hereinafter referred to as "Takarék Mortgage Bank Group" or "Group"), according to the Act LIX of 2006, the amount specified as a special tax on financial institutions for the year 2018 – as required by IFRS – fully accounted in the first half of the year, as the amount determined by this law is not disputed and must be paid by the Group till the end of 2018. However, in order to present the impacts of actual operation in the interim reports of the Group, the analysis and comparative indicators of interim reports are based on corrected statements in which only the prorated amount of the special tax for the current period is shown.

To provide comprehensive information for investors, appendix of this interim report presents the financial statements including the special banking tax for the entire business year and the financial statements that include special banking tax pro rata, as well.

### 1. Summary of the achievements of the past period

Takarék Mortgage Bank Group closed the first half of year of 2018 with a HUF 4.1 billion profit after taxes. This profit is a significant progress compared to the loss from the second half of last year.

Following the strategy of the Integration, in December 2017 TakaréK Mortgage Bank sold all its interest in other companies except in TakaréK Commercial Bank. As a result the consolidated balance sheet and P&L statements only contain data from the two banks and from Hungarian Card Service Ltd. The result of the sold companies reported in the discontinued operations in 2017.

#### ***Loan activities***

The consolidated amount of refinanced loans grew from HUF 76.6 billion (end of 2017) to HUF 87.6 billion by the end of the first half of 2018, by which the number of transaction has passed 20.000. The full refinanced amount is divided between ten banks since 2017, which is the highest number of partners in refinancing since the establishment of TakaréK Mortgage Bank.

In the first half of 2018 HUF 28.2 billion retail loan and HUF 29 billion corporate loans had been issued, the former is nearly two and a half time higher than in the same period of 2017. In the first six months the amount of residential mortgages increased by 182.8% compared to 2017's half year, which is greatly thanks to the very favorable market environment (interest rates, consumer's purchasing intentions, prosperity of the construction industry and "CSOK" - Family Housing Support Program). The issued fix-term corporate loans still performed exceptionally (HUF 22 billion in H1 2018), while compared to last year's same period it has increased by 81.2%.

The gross amount of loans was HUF 351 billion on the 30 June 2018, which is more by HUF 32.4 billion than it was by the end of last year.

In the first half of 2018 the NPL (stage3) decreased by HUF 6.5 billion thanks to selling of claims from the retail cover pool. As a result the NPL rate dropped from 8.2% to 5.8% in the last six months, however the coverage of the NPLs in accordance to IFRS 9 didn't change significantly.

## **Savings**

The consolidated deposit amount of the Group was HUF 292.8 billion in accordance with IFRS, which is 11.1% lower than it was by the end of last year. Commercial deposits dropped by 23.3% in the last half year. Sight deposits (money to call) reached HUF 182.6 billion by the end of June, which is 62.4% of all the deposits. The slide in the volume of deposits is due to the continuously low market rates that mostly affected the fixed term deposits, causing a huge drop in its popularity, while producing a growth in sight deposits.

By the end of June 2018 Takaré Commercial Bank managed nearly 204.8 thousand retail and over 12.2 thousand corporate accounts with 176.4 thousand retail cards and 6.6 thousand corporate bank cards. Compared to June 30 2017 this means that the number of retail accounts increased slightly while the volume of required commercial cards decreased. By the end of June the accounts opened at our Posta partner peaked at 72.3 thousand.

The total amounts of assets of the consolidated Takaré Mortgage Group was HUF 616.8 billion on the 30 June 2018, which is 1% more than it was six month ago, and 7.4% higher (by HUF 42.2 billion) greater than it was a year ago.

## **Main P&L items**

The net interest income of the Group was HUF 6.9 billion in the first half of the year, which is 5.6% higher than a year ago and increased by 11.7% compared to the second half of 2017. The net interest margin on the average balance-sheet total has grown from 2.28% of H1 2017 to 2.32%, which was due to the fact that the interest expenses dropped at a higher rate than the interest income decrease.

The net fee and commission income was HUF 2,557 million, which is slightly less than a year ago by 2.7%.

Compared to the last year the fees and commissions on mortgages, commercial accounts, transactions and cards has increased, while those charged for guarantees and investment services has declined significantly. The main reason is the drop in commissions paid by AKK (Government Debt Management Agency) and the decrease in demands due to a decrease in yields of sovereign debts, furthermore the investment services of the Group had been sold to Takarébank which resulted in the change that the Group only acts as an agent regarding investment services.

Operating costs amounted to HUF 7.6 billion in the first half of 2018, down 12.9% from the same period of 2017. There was clear decrease in almost all major expenditure items. The most significant expenditure cut took place in business activities, where costs more than halved compared to the first half of last year. Personnel costs decreased by 19.5% relative to the first half of 2017, mostly due to the fact that corporate headcount markedly narrowed in the second half of last year. At lower dynamics, this still continues even in 2018, thereby resulting in a considerable improvement in per capita efficiency indicators.

The volume of risk costs (impairment and credit losses) is considerably influenced by costs related to portfolio adjustments. These had a negative income impact of HUF 989 million in the first half of 2018, a marked change compared to both the first and second half of 2017. The release of provisions was made possible by selling part of the non-performing loan portfolio, but some deals managed to leave the impaired category by maturing ordinary way. The volume of impairments decreased by HUF 1.8 (11.3%) compared to the end of 2017.

The Group's pre-tax consolidated profit (under IFRS methodology) amounted to HUF 4.9 billion in the first half of 2018 excluding the special banking tax and net income from irregular items.

On 18 June 2018 Moody's Investor Service announced that it has assigned Counterparty Risk Ratings (CRR) to Takaréék (previously FHB) Mortgage Bank Co. Plc. based on its new CRR methodology: the new CRR is Ba3, as opposed to Ba2 - under the earlier methodology. The Ba3 CRR is two notches higher than Takaréék Mortgage Bank's adjusted baseline credit assessment (BCA) of b2.

### **Capital position**

The National Bank of Hungary – in accordance with the request from the Integrational Organization of Cooperative Credit Institutions (SZHISZ), the Bank of Hungarian Savings Cooperatives Ltd. (Takaréékbank), Takaréék Mortgage Bank and Takaréék Commercial Bank – issued resolution H-EN-I-36./2017 ruling to grant exemption for the Group from the individual and subconsolidated compliance obligations.

The total own funds of the Integrational Organization of Cooperative Credit Institutions amounted over HUF 232 billion at the end of June 2018, while its capital adequacy ratio was 16,72%.

### **Performance of Takaréék Mortgage Bank shares**

In terms of capitalisation, Takaréék Mortgage Bank has been ranked as 10th in "Premium" category listed companies and contributes with 0.53% to the aggregate capitalisation of the BSE based on 30 June 2018 data.

As of the end of June in 2018, Takaréék Mortgage Bank weight in the BUX index was 0.20%, while in BUMIX, which is the index of share prices of mid- and small-cap companies, it was 2.98%.

The share price of Takaréék Mortgage Bank on June 30, 2018 closed at HUF 565, compared to the closing price of HUF 741 on 31 December 2017. In the first half of 2018, the share price of the Group fluctuated between HUF 537 and HUF 764 compared to its previous half year band which was between 501-724 HUF.

The stock market turnover of the shares of Takaréék Mortgage Plc. barely exceeded 1 billion HUF in the first half of 2018, compared to nearly 5.9 billion for the previous half of the year. The average daily turnover dropped to HUF 8.4 million in the first half of 2018 from HUF 46.7 million in the previous half of the year.

## **2. Strategy, strategic goal and outlook of the Group**

The strategy of Takaréék Commercial Bank and Takaréék Mortgage Bank is an integral part of the strategy of the whole Takaréék Group. The two Banks made significant steps in realizing their main goals laid down in the Takaréék Group's 2017-2021 strategic plan.

The main goal of the Takaréék Group is to develop a financial group that provides sophisticated top quality financial services in a unified framework. Major achievements towards this ultimate goal were reached in 2017 and in the first half of 2018. The central banking functions within the Group by now are provided solely by Takaréékbank, since Takaréék Mortgage Bank transferred all its governing functions to the former. The satellite companies of Takaréék Group (including fund management, leasing, factoring and central workout activities) are directly governed by Takaréékbank. Takaréékbank also manages the Group's money and capital market activities, including the management of securities accounts. From 2018 Takaréék Commercial Bank provides investment services only as an agent of Takaréékbank.

In the first half of 2018 both the Commercial Bank and the Mortgage Bank was renamed to bear the „Takaréék” brand in its name, thereby strengthening the commitment within Takaréék Group. In the context of the unified corporate governance system a new business intelligence based process was implemented, which helps evaluating and measuring sales and executive performance, with a complete integrated data warehouse in the background. Unified planning processes have been introduced within Takaréék Group and the models of servicing clients and the supply of standard products were also restructured on common principles.

It is expected that by September 2018 Takarék Group's strategy will be revised (on a rolling basis) and also extended. The main directions will be the deepening of synergies between Group members, with a view of markedly improving Takarék Group's competitive edge.

### ***Strategy of Takarék Mortgage Bank***

Complying with the currently valid strategy, Takarék Mortgage Bank ceased to offer direct loans to clients from April 2018. Loan applications that are already on their way will be accepted, and upon positive assessment sums will be disbursed, while existing loan contracts will remain in the Bank's books. But direct lending to clients is fully taken over by Takarék Commercial Bank.

Along the lines of pure mortgage functions Takarék Mortgage Bank from now focuses on only provides refinancing functions as well as issuing covered bonds. It provides refinancing services not only to the members of the Takarék Group, but also to other entities based on agreements with large and medium-sized banks and financial companies. Takarék Mortgage Bank concerns to retain its status as the second largest domestic issuer of covered bonds, keeping its pricing policy competitive and refinancing large stock of mortgage loans. This is also supported by favourable changes in regulation and market developments in 2018, including the sustainably expansive housing loan market, the regulation regarding the requirement growth of the Mortgage Financing Adequacy Ratio from October, and the NBH intervention on the covered bond market generating additional demand.

### ***Strategy of Takarék Commercial Bank***

The largest commercial bank of the Takarék Group represents the Takarék Group as a prestigious financial institution capable of competing with leading banking groups in Budapest and major urban areas. It adequately complements the smaller cooperative credit institutions especially in the corporate segment with its ability to offer cross-selling functions and organizing consortial lending. Takarék Commercial Bank was assigned a primary role in strengthening the segment of large corporations, in the build-up of a new servicing profile and the introduction of new, competitive products that will be offered group-wide.

Takarék Commercial Bank – through its branch network in larger cities – will become a decisive member of the Takarék Group, with a commitment to develop its services to better serve the needs of its premium and private clients.

### ***Trend of market environment***

In the first half of 2018 the Hungarian economy expanded at a 5% annual rate, which – similarly to 2017 – was driven by strengthening domestic demand. Investments, which increased by around 15%, were the primary drivers of GDP-growth, but household consumption, fueled by above 10% wage growth and continued improvements in the labor market, also contributed strongly. Thus, credit growth, which has not been bounded from the supply side even since 2015, continued to get support from the demand side as well. New disbursements in the household loan segment increased by almost 35% year-on-year in the first half of 2018, whereas in the corporate segment new credit lines were close to 15% higher between January and June than in the same period last year.

Activity in the real estate market, which has crucial importance from the Group's aspect, remained strong: there was marked growth in the residential real estate segment as well as that of the industrial, retail and office segments. This is clearly manifest in the higher than 30% year-on-year growth in the number of newly built homes and the steeply falling vacancy rates in the case of rentable industrial and commercial real estate. Due to the rise in new mortgage loans as well as the more stringent regulation concerning mortgage financing compliance from October 2018, the market of covered bonds is also on the rise, which is further supported by the central bank's covered bonds purchase program.



### 3. Main activities and subsidiaries' performance

#### Own lending

Volume of gross own sale loans of the Group amounted to HUF 351 billion as of 30 June 2018, increased by 7.3% compared to the previous half year's figure (HUF 327.2 billion), while year-on-year the increase was 10.2%. Share of FX based loans in total outstanding loan portfolio was 10.0%, which is the same as at the end of 2017, but lower than the percentage 11.1% of a year before. The share of FX loans within retail loans has declined steadily, dropping by half over the last one year.

Retail loans remained dominating within the loan portfolio with a contribution of 57.8% (62.0% on 30 June 2017). Retail loans increased by 4.3% (or by HUF 8.4 billion) compared to the end of December 2017 and increased by HUF 5.3 billion (or by 2.7%) year-on-year.

in HUF million	30/06/2017	31/12/2017	30/06/2018	30/06/2018/ 31/12/2017	30/06/2018/ 30/06/2017
<b>Retail loans</b>	<b>197,513</b>	<b>194,493</b>	<b>202,858</b>	<b>4.3%</b>	<b>2.7%</b>
Housing loans	111,673	115,983	113,233	-2.4%	1.4%
Other mortgage loans	72,733	67,021	78,249	16.8%	7.6%
Consumer loans	9,261	10,330	10,330	0.0%	11.5%
Loans for employees	1,181	1,159	1,047	-9.7%	-11.3%
Retail real estate leasing*	2,665	0	0	-	-100.0%
<b>Corporate loans</b>	<b>121,135</b>	<b>132,731</b>	<b>148,139</b>	<b>11.6%</b>	<b>22.3%</b>
Corporate loans	107,163	132,731	148,139	11.6%	38.2%
Corporate real estate leasing*	2,279	0	0	-	-100.0%
Equipment leasing*	11,693	0	0	-	-100.0%
<b>Total own lending, gross</b>	<b>318,648</b>	<b>327,224</b>	<b>350,998</b>	<b>7.3%</b>	<b>10.2%</b>
Impairment	-20,011	-16,592	-14,713	-11.3%	-26.5%
<b>Loans, net</b>	<b>298,636</b>	<b>310,632</b>	<b>336,285</b>	<b>8.3%</b>	<b>12.6%</b>
Refinanced loans	56,884	76,597	87,556	14.3%	53.9%

\*The retail and corporate real estate leasing, and equipment leasing with the sale of TakaréK Lizing Zrt. (Takarék Leasing Ltd.) before 31 December 2017 (Takarékbank Zrt. purchased the company 100%) is out of scope.

In the first half of 2018 HUF 28.2 billion retail and HUF 29 billion corporate loans have been disbursed; the former figure is two and a half times higher than in the same period of 2017. During the first half of the year the volume of corporate loans disbursement grew by HUF 7.6 billion, while the volume of retail disbursement grew by HUF 10.0 billion, showing 36.9% and 53.8% growth compared to the second half of 2017, respectively. In the first half of 2018 the Group disbursed HUF 236 million loans to corporate customers within the framework of Funding for Growth Scheme which is 87.2% lower than in the same period of 2017. Among corporate loans the disbursement of fixed purpose loans is significant (HUF 22.0 billion in H1 2018), which increased by 81.2% compared to the same period of the previous year (H1 2017). In the first 6 months of 2018 the volume of disbursed housing loans was 182.8% higher than in the same period of 2017, due to the favourable market environment (interest, demand, boom in the construction industry, Non-Refundable Family Home Creating Benefit ('CSOK')). This trend has been already observed in the second half of the last year (70.4% rise), since July 2017 the disbursements increased steadily, which reached a peak disbursement of HUF 24.4 billion in the last half year. Growth can be observed in the cases of mortgage-backed general purpose loans (16.9%), debt consolidation loans (76.1%) and personal loans, which disbursements was higher with HUF 1.164 million in the first half of 2018 than in the same period of the previous year, which means an increase of 96.9%.



In case of Non-Refundable Family Home Creating Benefit ('CSOK') 5,181 loan applications had been approved from the introduction in June 2015 until the end of June 2018, from which the number of disbursed loans was nearly 4,000 with a total volume of HUF 13.9 billion. Clients also submitted loan applications besides CSOK in 30% of all cases, but this rate has dropped significantly in the last year.

### **Refinancing**

By the end of the first half of 2018, the consolidated refinancing stock (excluding intercompany refinancing) has increased from the end of year 2017 from the amount of HUF 76.5 billion to HUF 87.4 billion. The number of refinanced credit transactions were 20,368. The total refinanced stock is distributed among 10 banks also in 2018.

Regarding to the introduction of the JMM indicator on 1 April 2017 (NBH Regulations 20/2015 and 6/2016), initially commercial banks had to have a compliance with the minimum level of 15%. The mandatory JMM ratio will rise up to 20% from 1 October 2018, and therefore, significant refinancing activity is expected in the next quarter with further growth in the refinancing stock amount.

### **Takarék Commercial Bank**

According to HAS (Hungarian Accounting Standards) Takarék Commercial Bank's stock of gross credit amounted to HUF 269.5 billion on the 30 June 2018, which is 16.5% growth on a year-on-year basis. This stock represents 62.3% of total assets. The stock of corporate credit (again according to HAS and excluding intra-Group credit) was HUF 134.9 billion at the end of the second quarter, rising 8.9% from the end of year 2017. Corporate credit accounts for 45.8% of total credit.

Interest bearing liabilities amounted to HUF 395.2 billion at the end of June, accounting for 91.4% of total liabilities. While this is a fall of 8% on a quarterly basis, on annual basis it is still a slight growth of 1.8%. Within this stock the share of client deposits amounts to 74.1% (with a volume of HUF 292.9 billion in accordance with HAS), while the rest (i.e. HUF 102.3 billion) is in the form of interbank deposits, which cover refinancing from Takarék Mortgage Bank and also from the National Bank of Hungary (NBH) through its Funds for Growth lending scheme.

The stock of deposits increased by 2.9% compared to first half year 2017, while it decreased by 11.1% from end of 2017. Household deposits shrank 23.3% compared to the end of last year. The volume of sight deposits was HUF 182.6 billion at the end of the second quarter of 2018, representing 62.4% of all deposits. The main reason behind the shrinking stock of deposits is the protracted low level of interest rates, which mostly affected term deposits, whereas the stock of sight deposits even increased.

At the end of June 2018 Takarék Commercial Bank managed 204.8 thousand household and 12.2 thousand corporate current accounts, to which there belonged 176.4 thousand household and 6.6 thousand corporate cards. Compared to a year ago there was a slight decrease in the number of household current accounts and the number of cards issued to households were also on a decline. Meanwhile, the number of accounts managed through the Hungarian Post Office (as partner) has risen to 72.3 thousand.

The net interest income of Takarék Commercial Bank – under controlling methods – increased by 11.3% in the first half of 2018 compared to the same period of 2017, mainly due to a steeper fall (-43%) of interest expenditures than that of interest income (-20.6%). Net income from fees and commission in the first half of 2018 fell short by 29.6% of that in the first half of 2017. Operating costs in the first six months of 2018 were 14.2% lower than in the same period of 2017.

### ***Hungarian card Services Ltd.***

Hungarian Card Services Ltd., as the subsidiary of TakaréK Commercial Bank provides POS, ATM and card services to Hungarian Post Card Centre Ltd. as well as to TakaréK Commercial Bank. In the first half of 2018, the net sales revenue exceeded HUF 230 million, which was slightly below that of the first half of 2017. Material expenses were favorable by 13% and the personnel expenditures were lower by 9% than in the first half of 2017. At the end of 2017, a number of assets were derecognised, which is why the depreciation decreased by 20% in 2018. Meanwhile keeping up with the Company's level of revenues, it was able to achieve significant cost savings in the first half of 2018, resulting a significantly lower loss compared to loss for the same period in 2017.

### Organisational changes and headcount

As of 30th June 2018, the consolidated full-time equivalent (FTE) headcount was 815.6, which meant a decrease by 79 employees compared to the same period of last year (894.6), but compared to the amount at the end of 2017 (811.4) it increased by 4.2 employees. The most significant contribution to the decrease recognised during one year was made by TakaréK Mortgage Bank with 86.6 employees. The reduction in the number of employees was based on the objectives of TakaréK Mortgage Bank strategy, which means as from 2018, the bank has been purely functioning as mortgage banking. As planned, TakaréK Mortgage Bank transferred its business, mortgage-based lending functions to TakaréK Commercial Bank, and the Group management tasks and Group server infrastructure to TakaréKbank.

Headcounts of the Group members were as follows:

	30/06/2017	31/12/2017	30/06/2018	30/06/2018/ 30/06/2017	30/06/2018/ 31/12/2017
Takarék Mortgage Bank Plc.	122.2	48.6	35.6	-70.9%	-26.8%
Takarék Commercial Bank Ltd.	758.9	749.4	766.6	1.0%	2.3%
Hungarian Card Ltd.	13.5	13.4	13.4	-0.7%	0.2%
<b>Takarék Mortgage Bank Consolidated</b>	<b>894.6</b>	<b>811.4</b>	<b>815.6</b>	<b>-8.8%</b>	<b>0.5%</b>

### ***Changes in key position***

#### Takarék Mortgage Bank Plc.

Erika Edit Tóth resigned from her membership from the Board of Directors on April 26, 2018. The 2018's annual General Assembly Meeting of the Company elected András Banner as member of the Board of Directors on the 27th of April, 2018. András Banner received the authorization of National Bank of Hungary on 2 July 2018, and his appointment as a Deputy Chief Executive Officer became effective on 01 August 2018. Dr. Antal Adorján Kadosa resigned from his Supervisory Board membership and at the General Assembly Meeting of the Company on April 27, 2018 Dr. Éva Gödör and Tibor Görög were elected as members of the Supervisory Board.

#### Takarék Commercial Bank Ltd.

Dr. Boldizsár Szabó and Ádám Egerszegi resigned from their Supervisory Board membership position on April 8, 2018. The Annual General Assembly Meeting of the Company elected Ádám Egerszegi as member of the Board of Directors on April 9, 2018. At the same General Assembly Meeting Dr. Boldizsár Szabó was re-elected as a member of the Supervisory Board, also Gábor Eőry and Dr. Csaba András Bencze were elected as Supervisory Board members. At the same time, Zoltán Illés and Dr. Csaba András Bencze were elected as Audit members of the Committee.

Without holding a General Assembly Meeting, the Company decided on February 21, 2018, to elect by decision-making rule Csaba Thurzó as member of the Supervisory Board and as member of the Audit Committee. With regard to the approval of NBH authorization, Csaba Thurzó's starting date for the legal relationship was on March 23, 2018.

In the Company Erika Edit Tóth and Edit Kovács Deputy CEOs were terminated by mutual agreement with effect from June 1, 2018.

***Post-balance sheet date events***

The Budapest Stock Exchange Ltd. has modified the Product List with regard to the ordinary shares of the issuer FHB Mortgage Bank Co Plc. at the request of the issuer as from 9 July 2018 as follows: name of security TakarekJZB share (old data: FHB share), name of the issuer TakaréK Mortgage Bank Co Plc. (old data: FHB Mortgage Bank Co Plc.).

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

#### 1. P&L structure

in HUF million	H1 2017	H2 2017	H1 2018	H1 2018 / H1 2017	H1 2018 / H2 2017
Interest income	11,575	11,109	11,012	-4.9%	-0.9%
Interest expense	-4,973	-4,866	-4,041	-18.7%	-16.9%
<b>Net interest income</b>	<b>6,603</b>	<b>6,242</b>	<b>6,970</b>	<b>5.6%</b>	<b>11.7%</b>
Fees and commissions income	3,767	4,044	4,080	8.3%	0.9%
Fees and commissions expense	-1,138	-1,098	-1,523	33.9%	38.8%
<b>Net fees and commissions</b>	<b>2,629</b>	<b>2,946</b>	<b>2,557</b>	<b>-2.7%</b>	<b>-13.2%</b>
Foreign exchange gains, net	317	129	202	-36.1%	56.8%
Fair value adjustment	801	-715	3,552	-	-
Gain on securities, net	590	799	1,118	89.4%	39.8%
Net result of investment services	16	176	0	-100.0%	-100.0%
<b>Net financial (trading) result</b>	<b>1,724</b>	<b>390</b>	<b>4,873</b>	<b>182.7%</b>	<b>-</b>
Or operating income	841	249	1,439	71.0%	-
Other operating expenses	-2,667	-8,861	-2,939	10.2%	-66.8%
o/w special banking tax	-534	-155	-419	-21.6%	170.0%
<b>Other results</b>	<b>-1,826</b>	<b>-8,612</b>	<b>-1,500</b>	<b>-17.9%</b>	<b>-82.6%</b>
<b>Total non-interest income (with net fees)</b>	<b>2,527</b>	<b>-5,277</b>	<b>5,930</b>	<b>134.7%</b>	<b>-</b>
<b>Net operating income</b>	<b>9,130</b>	<b>965</b>	<b>12,900</b>	<b>41.3%</b>	<b>-</b>
Provision for impairment on loan losses	-7	-1,627	-989	-	-39.2%
<b>Operating costs</b>	<b>-8,757</b>	<b>-9,026</b>	<b>-7,627</b>	<b>-12.9%</b>	<b>-15.5%</b>
<b>Profit from continuing operation before income taxes</b>	<b>365</b>	<b>-9,688</b>	<b>4,284</b>	<b>-</b>	<b>-</b>
Income taxes	-36	-1,854	-140	292.5%	-92.4%
<b>Profit from continuing operation after income taxes</b>	<b>330</b>	<b>-11,541</b>	<b>4,144</b>	<b>-</b>	<b>-</b>
<b>Profit from discontinued operation</b>	<b>-172</b>	<b>3,194</b>	<b>0</b>	<b>-100.0%</b>	<b>-100.0%</b>
<b>Profit for the period</b>	<b>158</b>	<b>-8,347</b>	<b>4,144</b>	<b>-</b>	<b>-</b>
<b>Profit for the period w/o special banking tax</b>	<b>692</b>	<b>-8,192</b>	<b>4,562</b>	<b>-</b>	<b>-</b>
<b>Profit for the period w/o special banking tax and other one-offs</b>	<b>1,418</b>	<b>-7,586</b>	<b>4,876</b>	<b>243.8%</b>	<b>-</b>

The Group's consolidated profit after tax according to IFRS amounted to HUF 4,144 million gain in the first six months of 2018, which is a positive change compared to the negative amount from the end of 2017.

In the second half of 2017 the profit before tax of the Group was HUF 9,688 million loss, and the profit after tax was HUF 11,541 million loss.

During the first six months of the year, the special tax on financial institutions in amount of HUF 419 million and the financial transaction levy (HUF 314 million) was charged as a significant one-off item. The profit after taxation without banking tax and other non-recurring items was a gain of HUF 4,876 million

### Net interest income

Net interest income was HUF 7.0 billion in the first six months of 2018, 5.6% higher than a year before, and it showed 11.7% increase compared to the H2 2017 (HUF 6.2 billion). The net figure of the H1 2018 consist of the balance of HUF 11.0 billion interest income (4.9% lower year-on-year, and 0.9% lower compared to H2 2017) and HUF 4.0 billion interest expense (y/y: -18.7%, h/h: -16.9%).

Breakdown of interest income and expenses:

	H1 2017	H2 2017	H1 2018	H1 2018 / H1 2017	H1 2018 / H2 2017
<b>Net interest income</b>	<b>6,603</b>	<b>6,242</b>	<b>6,970</b>	<b>5.6%</b>	<b>11.7%</b>
<b>Interest income</b>	<b>11,575</b>	<b>11,109</b>	<b>11,012</b>	<b>-4.9%</b>	<b>-0.9%</b>
Loans	8,336	7,825	6,852	-17.8%	-12.4%
Refinancing	566	676	-514	-190.9%	-176.1%
Mortgage bond interest subsidy	1,251	1,121	2,788	122.9%	148.7%
Supplementary interest subsidy	212	198	495	133.0%	150.1%
Securities and interbank activities	947	731	974	2.9%	33.2%
Swap transactions	263	557	411	56.0%	-26.2%
Other interest income	1	0	6	-	-
<b>Interest expenses</b>	<b>-4,973</b>	<b>-4,866</b>	<b>-4,041</b>	<b>-18.7%</b>	<b>-16.9%</b>
Bonds issued	-4,042	-3,875	-3,320	-17.9%	-14.3%
Interbank activities	-36	-10	-28	-23.3%	170.2%
Customer deposits	-607	-388	-261	-57.0%	-32.7%
Derivatives	-281	-586	-408	45.4%	-30.3%
Other interest expense	-6	-6	-25	-	298.2%

The net interest margin to average total assets (NIM) was 2.29% in H1 2018 which is 20 bps higher than in the previous half year. The net interest margin which is projected to the average total assets increased as a result of the increasing total assets, as well as a higher fall in interest expense compared to interest income.

### Net fee and commission income

The net fee and commission income was HUF 2.557 million in the first half of 2018, which is slightly less than a year ago by 2.7%.

Compared to last year the fees and commissions on mortgages, commercial accounts, transactions and cards has increased, while those charged for guarantees and investment services has declined significantly (by 73,5%, and 60,6%). The main reason is the drop in commissions paid by AKK (Government Debt Management Agency) and the decrease in demand due to a decrease in yields of sovereign debts, furthermore the investment services of the Group had been sold to Takarékbank which resulted in the change that the Group only acts as an agent regarding investment services.

In the first half of 2018 total revenues from fees and commissions amounted to HUF 4,080 million. This is an 8.3% growth compared to the first half of 2017. 34.9% of revenues from fees and commissions came from account managing services and fees (excluding the transaction tax) from card related services.

Total expenditures on fees and commissions were HUF 1,523 million in the first half of 2018, an increase of 33.9% compared to the same period of last year. Expenditures related to the card business itself, increased by 15.9% in the same period.

### ***Net result of financial transactions***

In the first six months of 2018, the profit from financial transactions was HUF 4,873 million, which is significantly higher than the profit in the same period of the previous year (HUF 1,724 million).

In H1 2018, the result from foreign exchange differences was HUF 202 million gain, that is unfavourable than the result of the same period of the previous year (HUF 317 million gain).

In H1 2018, the change in the value of financial instruments reported at fair value through P&L was HUF 3,552 million gain, which is significantly higher than the HUF 801 million result in H1 2017. The growth is due to the positive fair value difference recognized in/on the special Interest Rate Swap transactions with monetary policy purpose ("MIRS transactions"). In case of MIRS transactions the underlying transactions are fixed rate government securities and other fixed rate assets, which are measured at amortized cost or through other comprehensive income. Since the economic hedge is not 1-1 hedging relationship the accounting of hedging relationship has not been introduced, but the position can not be regarded as an open position in economic terms.

In the first half of 2018, the security transactions resulted HUF 1,118 million profit as opposed to HUF 590 million in the same period of the previous year.

### ***Other operating income and expenditure***

In the first half-year of 2018, the net operating income was HUF 1,500 million net expenditure, arising from HUF 1,439 million incomes and HUF 2,939 million expenditures.

In the first six months of 2018 the Group realised HUF 173 million income from card service fees of Hungarian Card Service Plc.

Special banking tax amounted to HUF 419 million in the first six months of 2018, the fees of deposit protection funds, other statutory and voluntary funds, and membership fees of SZHISZ amounted to HUF 645 million, while paid financial transaction levy was HUF 1,267 million.

### ***Impairments on loan losses***

Risk costs amounted to HUF 989 million in the first half of 2018, this means a decrease compared to the second half of 2017. The release of impairment is the result of selling part of the non-performing loan portfolio, some deals managed to leave the impaired category by maturing ordinary way. The volume of impairments decreased by 11.3%, by HUF 1.9 billion compared to the end of previous year

### ***Operating costs***

Operating costs amounted to HUF 7.6 billion in the first half of 2018, down 12.9% from the same period of 2017. There was clear decrease in almost all major expenditure items. The most significant expenditure cut took place in business activities, where costs more than halved compared to the first half of last year.

Personnel costs decreased by 19.5% relative to the first half of 2017, mostly due to the fact that Group's headcount markedly narrowed in the second half of last year (by 13% on annual average, by 18.8%

considering the closing balances of headcount). At lower dynamics, this still continues even in 2018, thereby resulting in a considerable improvement in per capita efficiency indicators.

The costs of standard banking operations amounted to HUF 4,260 million in the first half of 2018, down 4.8% from the same period of 2017.

Costs related to business activities in the first half of 2018, amounting to only HUF 100 million, significantly below the HUF 211 million realised in the first half of 2017.

Depreciation amounted to HUF 160 million in the first half of 2018, HUF 53 million lower than in the same period of last year (this is a decrease of close to 25%).

The sum of other taxes and levies that are classified as operating cost also narrowed in the first half of 2018. They amounted to HUF 17 million, down 13.8% from the same period of 2017.



## 2. Balance Sheet

in HUF million	30/06/2017	31/12/2017	30/06/2018	30/06/2018/ 30/06/2017	30/06/2018/ 31/12/2017
Cash	3,273	3,135	2,783	-15.0%	-11.2%
Due from banks & NBH	73,802	81,961	58,735	-20.4%	-28.3%
Financial assets at fair value through other comprehensive income and securities held for trading	119,403	126,849	113,355	-5.1%	-10.6%
Fair value of derivative financial assets	444	410	5,120	-	-
Investment in associates and jointly controlled companies	3,670	0	0	-	0.0%
Refinanced mortgage loans	56,884	76,597	87,556	53.9%	14.3%
Loans and advances	318,648	327,224	350,998	10.2%	7.3%
Impairment on loans	-20,011	-16,591	-14,713	-26.5%	-11.3%
Tangible assets	4,797	2,847	2,696	-43.8%	-5.3%
Goodwill and other intangible assets	2,111	1,128	1,071	-49.3%	-5.1%
Other assets	11,569	7,018	9,243	-20.1%	31.7%
<b>Total Assets</b>	<b>574,588</b>	<b>610,577</b>	<b>616,844</b>	<b>7.4%</b>	<b>1.0%</b>
<b>Liabilities total</b>	<b>517,058</b>	<b>560,245</b>	<b>564,744</b>	<b>9.2%</b>	<b>0.8%</b>
Interbank borrowings	42,593	33,983	66,662	56.5%	96.2%
Mortgage bonds	161,658	174,933	184,165	13.9%	5.3%
Bonds issued	19,245	9,030	7,651	-60.2%	-15.3%
Deposits	284,508	329,253	292,836	2.9%	-11.1%
Fair value of derivative financial liabilities	988	1,078	2,842	187.5%	163.7%
Leasing liability	3	0	0	-100.0%	-
Other liabilities	8,062	11,967	10,588	31.3%	-11.5%
<b>Shareholders' equity</b>	<b>57,530</b>	<b>50,332</b>	<b>52,099</b>	<b>-9.4%</b>	<b>3.5%</b>
Shared capital	10,849	10,849	10,849	0.0%	0.0%
Share premium	27,926	27,926	27,926	0.0%	0.0%
Treasury shares	-207	-207	-207	0.0%	0.0%
Other reserves	586	1,733	913	55.8%	-47.3%
Retained earnings	1,613	1,613	-4,166	-	-
Non-controlling interest	16,669	12,828	14,070	-15.6%	9.7%
Profit attributable to equity holders	95	-4,410	2,715	-	-
<b>Total liabilities and shareholders' equity</b>	<b>574,588</b>	<b>610,577</b>	<b>616,844</b>	<b>7.4%</b>	<b>1.0%</b>

As of 30 June 2018, the Group's IFRS based consolidated total assets amounted to HUF 616.8 billion, which is 1% (HUF 6.3 billion) higher than as at the end of previous year; and 7.4% higher than the same period of previous year.

On the asset side the volume of financial assets at fair value through other comprehensive income decreased by HUF 13.5 billion or 10.6% year-on-year, meanwhile the refinanced loans increased by HUF 11 billion and 14.3% compared to the end of previous year.

Loans increased by HUF 23.8 billion, or 7.3% compared to the end of previous year. Significant growth can be observed at the fair value of derivative transactions, it increased to more than HUF 5.1 billion.

Liabilities increased merely by 0.8% compared to the end in previous year. Compared to the same period in 2017 interbank liabilities doubled, the volume of issued bonds fell by 15.3%, while the volume of mortgage bonds increased by 5.3%. Besides, the deposits decreased by HUF 36.4 billion in the last six months (11.1%).

Shareholders' equity increased by HUF 1.8 billion, 3.5% during the first half year of 2018, in contrast with the decrease of 9.4% year-on-year. Compared to the same period of last year, shareholder's equity change is due to the losses realised in the second half of 2017. During the first half of 2018, the net result attributable to equity holders contributed to the increase in amount of HUF 2.7 million.

### ***Interest earning assets***

The Group's interest earning assets increased from HUF 599.1 billion as of 31 December 2017 to HUF 599.3 billion as of 30 June 2018. Interest earning assets contributed 97.2% to the total assets.

NBH and other interbank lending decreased from HUF 82.0 billion as of the end of December 2017 to HUF 58.7 billion as of 30 June 2018, which is 20.4% lower compared to the volume of HUF 73.8 billion in the same period of the previous year. The proportion of this item in interest earning assets dropped from 13.7% at the end of 2017 to 9.8% by the end of first half of 2018. During the first half the volume of interbank lending decreased by HUF 23.2 billion.

The value of Group's financial assets at fair value through other comprehensive income and held for trading (FVTPL) decreased from HUF 126.8 billion as of 31 December 2017 to HUF 113.4 billion by 30 June 2018 (this stock is fully available-for sale, which fair value changes have to be booked through Other Comprehensive Income). The value of securities was HUF 119.4 billion in the same period of 2017 compared to it the stock declined by 5.1%. At the end of H1 2018, securities at fair value through other comprehensive income contributed 18.9% to interest earning assets. Investment services of Takaré Commercial Bank was taken over in December 2017 by Takarékbank. In January 2018 the remaining held for trading stock partly were sold, partly were reclassified to the FVTOCI (Fair Value to Other Comprehensive Income defined as available-for sale in 2017) category, because of business model change.

### ***Loans***

As of 30 June 2018, volume of loans was 10.2% higher year-on-year, and increased on half year basis by 7.3%. In the first half of 2018 the impairment for loan losses amounted to HUF 14.7 billion, which is 11.3% lower than on 31 December 2017 and 26.5% lower compared to 30 June 2017 in connection with the drop of volume of non-performing loans.

Refinancing loans increased by 14.3% to HUF 87.5 billion in the last half year, while there was a 53.9% growth related to this item over the last year. As of 30 June 2018, contribution of refinanced loans and gross own lending was 70.7% of interest earning assets; this rate was 64.4% a year before.

### ***Portfolio quality***

In the first half of 2018 the volume of non-performing loans (stage 3) decreased by HUF 6.5 billion thanks to the receivables sold from the retail hedging portfolio. NPL ratio declined from 8.2% to 5.8% by 30 June 2018. Based on IFRS 9 the coverage of non-performing loans has not changed significantly compared to the year end of 2017.

### ***Other assets***

Tangible assets amounted to HUF 2.7 billion as of 30 June 2018 and decreased by HUF 2.1 billion year-on-year and decreased by HUF 151 million in the last half year. By the end of June in 2018, intangibles amounted to HUF 1.0 billion, which declined to the half of the value a year ago because of the impairment (HUF 825 million) accounted to the intangibles of Hungarian Card Services Ltd. and decreased by HUF 57 million or 5.1% compared to the 31 December 2017 figure.

Value of investment in associates and joint ventures consolidated by equity method is zero because the Group has sold the satellite financial entities in December 2017 to Takarékbank, the leader of the Integration and the Magyar Takarékbefektetési és Vagyongazdálkodási Ltd. has been sold to an external investor.

Other assets amounted to HUF 9.2 billion as of 30 June 2018, decreasing by 20.1% (HUF 2.3 billion) year-on-year. Deferred tax assets reached HUF 770.1 million, and value of real estates reported as inventory was HUF 185.6 million.

### ***Interest-bearing liabilities***

The volume of interest-bearing liabilities increased from HUF 547.2 billion from December 31, 2017 data to HUF 551.8 billion on 30 June 2018 data, which means a 89.4% proportion rate on the total assets. A year earlier, the overwhelming majority of the interest-bearing liabilities held 56% of the deposits, and by the end of the first half of 2018, the ratio barely changed, it has decreased to 53.1%. The share of issuing securities fell from 35.6% to 34.8% in interest-bearing liabilities over a year period till the 30th of June 2018, meanwhile this proportion was 33.6% at the end of year 2017.

### ***Interbank funds***

By the end of June 2018 the amount of HUF 66.7 billion interbank funds has doubled compared to end of last year's amount, while an annual growth of 56.5% was observed. The interest rate of interbank borrowings was 12.1% on 30 June 2018.

### ***CMBs issued***

The National Bank of Hungary (NBH) launched its covered bond purchasing program in February 2018. Takarékbank was the first bank that organised covered bond auctions fully meeting the conditions of the aforementioned program. On the auctions NBH placed its bids deeply below the market level, consequently spreads between average auction yields for Takarékbank and government benchmark bonds dropped to historic lows (govies -13 bp) in the first quarter, while it moved around government bond benchmark yields in the second quarter.

Takarék Mortgage Bank was very active in the capital market in the first half of 2018. The issuances were driven by the required compliance to the Mortgage Funding Adequacy Ratio (MFAR) by the refinancing partner banks, but the structure of the securities was also determined by the aforementioned covered bond purchasing program of NBH. Takarékbank, meeting all the preconditions of the program, issued covered bonds with exclusively fixed interest rate and longer than 3 years maturity. First in two years time Takarékbank issued again senior unsecured bonds with floating interest, and during the subscription period it sold HUF 20 billion at par. This issued bonds are in Takarékbank Commercial Bank portfolio on 30 June 2018, so the amount of new issued bonds is zero in consolidation level.

In January Takarékbank organised an auction offering a three years remaining maturity covered bond series, it sold HUF 1.2 billion at 0.95% average yield, which corresponds to 22bp spread over the govie benchmark.

In the NBH program – started in February – Takarékbank participated with two five years maturity fixed interest rate covered bond series (FJ23NF01 with fixed 1.45% coupon, and FJ23NF02 with fixed 1.60% coupon) and one unusually long, 10 years maturity covered bond series (FJ28NF01 with fixed 2.6% coupon). Takarékbank sold more than HUF 22 billion five and HUF 1.4 billion ten years tenors. Half of the issued volume was purchased by NBH, in accordance with its program.

Takarék Mortgage Bank raised HUF 44.9 billion funds in the first half of 2018 (non consolidated data), out of which HUF 20 billion was senior unsecured bonds and HUF 24.9 billion covered bonds, comparing the HUF 32.5 billion of the same period of last year, which consisted exclusively covered bonds. Mortgage bond issuances have been dominated since 2015.

In the first quarter Takarék Mortgage Bank bought back HUF 9 billion covered bonds (FJ18NV01). In the first three months of 2018 3 series (covered bonds and senior unsecured bonds) matured in a value of HUF 13.8 billion. There were no maturities or buybacks in the second quarter of 2018.

HUF 184.2 billion book value of mortgage bonds as of 30 June 2018 increased by 5.3% or HUF 9.2 billion from figures of 30 June 2017 (HUF 174.9 billion).

in million HUF	31/12/2017		30/06/2018	
	Book value	Nominal value	Book value	Nominal value
<b>Non-listed mortgage bonds</b>				
Fixed	16,573	16,449	16,527	16,449
Floating	0	0	0	0
<b>Listed mortgage bonds</b>				
Fixed	68,227	62,808	96,283	90,726
Floating	86,339	86,513	68,604	68,730
<b>Total</b>	<b>171,139</b>	<b>165,770</b>	<b>181,414</b>	<b>175,905</b>
Accrued interest	3,794		2,751	
<b>Mortgage bonds Total</b>	<b>174,933</b>	<b>165,770</b>	<b>184,165</b>	<b>175,905</b>

### **Bonds issued**

The book value of bonds was HUF 7.7 billion as of 30 June 2018, compared to 31 December 2017 (HUF 9.0 billion) decreased by HUF 1.4 billion or 15.3%, as the low interest rate environment offered opportunities to financing at favourable rate.

in million HUF	31/12/2017		30/06/2018	
	Book value	Nominal value	Book value	Nominal value
<b>Non-listed bonds</b>				
Fixed	1,084	1,078	1,279	1,275
Floating	0	0	0	0
<b>Listed bonds</b>				
Fixed	7,371	7,261	5,917	5,806
Floating	275	275	355	355
<b>Total</b>	<b>8,730</b>	<b>8,614</b>	<b>7,551</b>	<b>7,436</b>
Accrued interest	300		100	
<b>Bonds Total</b>	<b>9,030</b>	<b>8,614</b>	<b>7,651</b>	<b>7,436</b>

### **Mortgage bonds collateral<sup>1</sup>**

The net value of ordinary collateral of mortgage bonds issued by TakaréK Mortgage Bank amounted to HUF 238.8 billion as of 30 June 2018 (HUF 197.3 billion of capital and HUF 41.5 billion of interests), 2.2% less than the HUF 244.1 billion as of 31 December 2017 and 0.8% (HUF 1.8 billion) above the figure of 30 June 2017 (HUF 237billion).

in HUF million	30/06/2017	31/12/2017	30/06/2018
<b>Outstanding mortgage bonds</b>			
Face value	174,235	176,692	180,824
Interest	23,660	20,974	18,890
<b>Total</b>	<b>197,895</b>	<b>197,666</b>	<b>199,714</b>
<b>Value of the regular collateral</b>			
Principal	186,649	198,021	197,352
Interest	50,430	46,103	41,489
<b>Total</b>	<b>237,079</b>	<b>244,124</b>	<b>238,841</b>
<b>Value of assets involved as supplementary collateral</b>			
Government and Hungarian Development Bank bonds	19,733	22,864	22,865
<b>Total</b>	<b>19,733</b>	<b>22,864</b>	<b>22,865</b>

As of 30 June 2018, the net present value of ordinary collateral was HUF 238.8 billion and the present value of mortgage bonds were HUF 193.2 billion, and the present value of collateral exceeded that of outstanding CMBs not yet repaid with a ratio of 121.01%.

The ratio of the net amount of net ordinary and supplementary collateral principal to unpaid nominal value of outstanding mortgage bonds was 121.8%, the net amount of net ordinary and supplementary collateral interest to the unpaid interest on outstanding mortgage bonds was 219.6 % in June 30, 2018. The collateral value of real estate covering ordinary collateral was HUF 657.99 billion on 30 June 2018. Compared to the amount from 31 December 2017 (HUF 676.25 billion) it has decreased by 2.7%. The loan coverage ratio (LTV) on normal collateral was 29.73% in 30 June 2018.

### **Deposits**

The consolidated stock of deposits of the Group was HUF 292.8 billion (in IFRS terms) at the end of June 2018, which is 2,9% higher than one year ago, while 11.1% lower than it was at the end of last year.

On annual basis the stock of corporate deposits expanded by 21.8%, while that of households decreased by 22%. The combined stock of deposits narrowed by HUF 36.4 billion compared to the end of 2017, of which HUF 29 billion is due to decrease in household deposits. On annual basis, though, the decrease in household deposits (HUF 26.9 billion) was more than offset by the growth of corporate deposits in amount of HUF 35.2 billion.

Looking only at sight deposits, their stock markedly increased on either annual or semi-annual terms. In case of household customers, the increase on annual basis was HUF 11.0 billion (13.2%), from which HUF 3.3

<sup>1</sup> Non-consolidated data of TakaréK Mortgage Bank Plc. only, according to HAS

billion was realised in the last half year. The escalation is even more impressive in corporate segment, where the growth was HUF 24.9 billion (36.9%) on annual and HUF 12.9 billion on half year basis.

### ***Other liabilities***

Takarék Mortgage Bank reported provisions related to contingent and future liabilities in amount of HUF 5.8 billion among other liabilities of HUF 10.6 billion, of which the most significant items are related to the following events:

- The Group joined the rationalization project initiated by Takarékbank, with provision for HUF 520 million due to organizational changes in connection with the project (HUF 111 million was released in the first half of 2018)
- In 2017, Takarék Mortgage Bank expressed its willingness of replacement on some IT systems and the IT software company has been informed about that. For future contractual obligations, which form part of an existing contract between the parties, it is said that the Bank recognised a provision of HUF 4,605 million.

As of June 2018, the amount of liabilities due to early repayment of loans amounted to HUF 866.8 million. The value of liabilities to suppliers at the end of the first half of the year was HUF 585.9 million and the accruals amounted to HUF 1,239.2 million.

### ***Shareholders' equity***

The share capital of the Group fell from HUF 57.5 billion from 30 June 2017 to HUF 52.1 billion till 30 June 2018, but on the half-yearly basis a HUF 1.8 billion growth was observed. The year-to-year decrease was attributable to the parent company's accumulated loss in the second half of 2017 (HUF 4.4 billion). Among the elements of equity, the Group showed HUF 14 billion as non-controlling interests. The accumulated profit attributable to equity holders amounted to HUF 2.7 billion at the end of June 2018.

### ***Capital position***

The Hungarian National Bank – in accordance with the request from the Integrational Organization of Cooperative Credit Institutions (SZHISZ), the Bank of Hungarian Savings Cooperatives Ltd. (Takarékbank), Takarék Mortgage Bank and Takarék Commercial Bank – issued resolution H-EN-I-36./2017 ruling to grant exemption for the Group from the individual and subconsolidated compliance obligations.

The total own funds of the Integrational Organization of Cooperative Credit Institutions amounted over HUF 232 billion at the end of June 2018, while its capital adequacy ratio was 16,72%.

## DECLARATION

The management report for the first half of 2018 of TakarékJelzálogbank Nyrt. (Takarék Mortgage Bank Plc.) is based on consolidated, non-audited IFRS financial statements. The effect of the transition from IAS 39 to IFRS 9 – according to the standard – has been recognised in the opening retained earnings as at 1 January 2018.

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

Takarék Jelzálogbank Nyrt. hereby declares that the half-year financial statements of the year 2018 have been prepared in accordance with the applicable accounting standards and its best knowledge.

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

At the same time, it should be noted that transitional changes in equity because of IFRS 9 and interim IFRS 9 effects are based on the best estimate of the company, but the expected methodological clarifications in the second half of 2018 do not exclude the possibility of changing the estimate in the Consolidated Financial Statements for the year ended 31 December 2018. If this is the case, this will be presented separately in the Annual Consolidated Financial Statements of 2018.

Budapest, 16 August, 2018

Dr. Gyula Nagy  
Chief Executive Officer

András Bannert  
Deputy-CEO



## Consolidated Financial Statements of TakaréK Mortgage Bank Plc. prepared in accordance with International Financial Reporting Standards (IFRS)

The consolidation fully applies also to TakaréK Kereskedelmi Bank Ltd. (Takarék Commercial Bank Ltd.) and Magyar Kártya Szolgáltató Zrt. (Hungarian Card Service Ltd.). Companies consolidated in the first half of 2017 – Diófa Alapkezelő Zrt. (Diófa Fund Management Ltd.), TakaréK Ingatlan Zrt. (Takarék Real Estate Ltd.), TakaréK Lizing Zrt. (Takarék Leasing Ltd.) and its Croatian subsidiary Central European Credit dd (Central European Credit d.d.), TakaréK Invest Kft. (Takarék Invest Ltd.), Káry-Villa Ingatlanfejlesztő Kft (Káry Villa Real Estate Development Ltd.), Diófa Ingatlankezelő Kft. (Diófa Property Management Ltd.) -, furthermore the jointly controlled operations – Díjbeszedő Faktorház Zrt. (Díjbeszedő Factoring Ltd.), Díjnet Zrt. (DíjNet Ltd.), Díjbeszedő Informatikai Kft. (Díjbeszedő IT Llc.), and Magyar Posta Befektetési Szolgáltató Zrt. (Hungarian Post Investment Ltd.) were sold to TakaréKbank in December 2017. As of June 30, 2017, the consolidated balance sheet includes also the balance sheet value of these companies after the consolidation effects but the balance sheet data as of 31 December 2017 and 30 June 2018 are not included in the balance sheet. The profit/loss of the sold companies reported in the result of the discontinued operations in the profit and loss statements of 30 June 2017 and 31 December 2017 in order to ensure the comparison. Following the sale, on June 30, 2018, the profit and loss account includes the data only of the 3 fully-owned companies. The Magyar TakaréK Befektetési és Vagyonkezelő Zrt. (Hungarian TakaréK Investment and Assset Management Ltd.), that was also sold in December 2017, was consolidated using the equity method, therefore it is not reported in the result of the discontinued operations in the profit and loss statement for comparability.

### Consolidated Income Statement 'A'

#### Table includes the special banking tax for the period of reporting pro rata

(consolidated, audited data as of 31 December 2017, and non-audited data as of 30 June 2017 and 30 June 2018 according to IFRS)

in HUF million	H1 2017	H2 2017	H1 2018	H1 2018 / H1 2017	H1 2018 / H2 2017
Interest income	11,575	11,109	11,012	-4.9%	-0.9%
Interest expense	-4,973	-4,866	-4,041	-18.7%	-16.9%
<b>Net interest income</b>	<b>6,603</b>	<b>6,242</b>	<b>6,970</b>	<b>5.6%</b>	<b>11.7%</b>
Fee and commission income	3,767	4,044	4,080	8.3%	0.9%
Fee and commission expense	-1,138	-1,098	-1,523	33.9%	38.8%
<b>Net fee and commission income</b>	<b>2,629</b>	<b>2,946</b>	<b>2,557</b>	<b>-2.7%</b>	<b>-13.2%</b>
Profit/(Loss) from FX transactions	317	129	202	-36.1%	56.8%
Change in fair value of financial instruments at fair value through profit or loss	801	-715	3,552	-	-
Gains from securities	590	799	1,118	89.4%	39.8%
Gains from investment services	16	176	0	-100.0%	-100.0%
<b>Net trading result</b>	<b>1,724</b>	<b>390</b>	<b>4,873</b>	<b>182.7%</b>	<b>-</b>
Other operating income	841	249	1,439	71.0%	-
Other operating expense	-2,667	-8,861	-2,939	10.2%	-66.8%
<b>Net other operating result</b>	<b>-1,826</b>	<b>-8,612</b>	<b>-1,500</b>	<b>-17.9%</b>	<b>-82.6%</b>
<b>Operating income</b>	<b>9,130</b>	<b>965</b>	<b>12,900</b>	<b>41.3%</b>	<b>-</b>
Provision for impairment on loan	-7	-1,627	-989	-	-39.2%
General and administrative expense	-8,757	-9,026	-7,627	-12.9%	-15.5%
<b>Profit/(Loss) before tax</b>	<b>365</b>	<b>-9,688</b>	<b>4,284</b>	<b>-</b>	<b>-</b>
Income tax benefit/(expense)	-36	-1,854	-140	292.5%	-92.4%
<b>Profit from continuing operation after income taxes</b>	<b>330</b>	<b>-11,541</b>	<b>4,144</b>	<b>-</b>	<b>-</b>
<b>Profit from discontinued operation</b>	<b>-172</b>	<b>3,194</b>	<b>0</b>	<b>-100.0%</b>	<b>-100.0%</b>
<b>Profit/(Loss) for the period</b>	<b>158</b>	<b>-8,347</b>	<b>4,144</b>	<b>-</b>	<b>-</b>
Basic EPS (yearly)	HUF 1.8	HUF -82.5	HUF 50.6	-	-
Diluted EPS (yearly)	HUF 1.8	HUF -82.5	HUF 50.6	-	-

	2017 H1	2017 H2	2018 H1	2018 H1 / 2017 H1	2018 H1 / 2017 H2
Profit/(Loss) for the period	158	-8,347	4,144	-	-
Change in cash-flow hedge reserve	6	0	-20	-	-
Change in fair value of financial assets at fair value through other comprehensive income	-23	746	-1,087	-	-
FX translation reserve	-8	10	0	-100.0%	-100.0%
Deferred tax effect for other comprehensive income	2	-68	100	-	-
Other comprehensive income/(loss) for the period net of taxes	-22	688	-1,007	-	-
<b>Total comprehensive income/(loss) for the period, net of income taxes</b>	<b>136</b>	<b>-7,659</b>	<b>3,137</b>	<b>-</b>	<b>-</b>

## Consolidated Income Statement 'B'

### Table includes the special banking tax for the entire business year

(consolidated, audited data as of 31 December 2017, and non-audited data as of 30 June 2017 and 30 June 2018 according to IFRS)

in HUF million	H1 2017	H2 2017	H1 2018	H1 2018 / H1 2017	H1 2018 / H2 2017
Interest income	11,575	11,109	11,012	-4.9%	-0.9%
Interest expense	-4,973	-4,866	-4,041	-18.7%	-16.9%
<b>Net interest income</b>	<b>6,603</b>	<b>6,242</b>	<b>6,970</b>	<b>5.6%</b>	<b>11.7%</b>
Fee and commission income	3,767	4,044	4,080	8.3%	0.9%
Fee and commission expense	-1,138	-1,098	-1,523	33.9%	38.8%
<b>Net fee and commission income</b>	<b>2,629</b>	<b>2,946</b>	<b>2,557</b>	<b>-2.7%</b>	<b>-13.2%</b>
Profit/(Loss) from FX transactions	317	129	202	-36.1%	56.8%
Change in fair value of financial instruments at fair value through profit or loss	801	-715	3,552	-	-
Gains from securities	590	799	1,118	89.4%	39.8%
Gains from investment services	16	176	0	-100.0%	-100.0%
<b>Net trading result</b>	<b>1,724</b>	<b>390</b>	<b>4,873</b>	<b>182.7%</b>	<b>-</b>
Other operating income	841	249	1,439	71.0%	-
Other operating expense	-3,193	-8,335	-3,358	5.2%	-59.7%
<b>Net other operating result</b>	<b>-2,352</b>	<b>-8,087</b>	<b>-1,918</b>	<b>-18.4%</b>	<b>-76.3%</b>
<b>Operating income</b>	<b>8,604</b>	<b>1,491</b>	<b>12,481</b>	<b>45.1%</b>	<b>-</b>
Provision for impairment on loan	-7	-1,627	-989	-	-39.2%
General and administrative expense	-8,757	-9,026	-7,627	-12.9%	-15.5%
<b>Profit/(Loss) before tax</b>	<b>-160</b>	<b>-9,162</b>	<b>3,865</b>	<b>-</b>	<b>-</b>
Income tax benefit/(expense)	12	-1,901	-103	-	-94.6%
<b>Profit from continuing operation after income taxes</b>	<b>-149</b>	<b>-11,063</b>	<b>3,762</b>	<b>-</b>	<b>-</b>
<b>Profit from discontinued operation</b>	<b>-172</b>	<b>3,194</b>	<b>0</b>	<b>-100.0%</b>	<b>-100.0%</b>
<b>Profit/(Loss) for the period</b>	<b>-320</b>	<b>-7,868</b>	<b>3,762</b>	<b>-</b>	<b>-</b>
Basic EPS (yearly)	HUF -7.1	HUF -73.8	HUF 43.4	-	-
Diluted EPS (yearly)	HUF -7.1	HUF -73.8	HUF 43.4	-	-

Name: Takaréék Mortgage Bank Plc.  
 Address: 1082 Budapest, Üllői út 48.  
 Sector: Financial services  
 Reporting period: 01.01.2018 – 30.06.2018

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 Investor relations: Rita Bozzai

<b>Consolidated Comprehensive Income Statement</b>	<b>H1 2017</b>	<b>H2 2017</b>	<b>H1 2018</b>	<b>H1 2018 / H2 2017</b>	<b>H1 2018 / H1 2017</b>
Profit/(Loss) for the period	-320	-7,868	3,762	-	-
Change in cash-flow hedge reserve	6	0	-20	-	-
Change in fair value of financial assets at fair value through other comprehensive income	-23	746	-1,087	-	-
FX translation reserve	-8	10	0	-100.0%	-100.0%
Deferred tax effect for other comprehensive income	2	-68	100	-	-
Other comprehensive income/(loss) for the period net of taxes	-22	688	-1,007	-	-
<b>Total comprehensive income/(loss) for the period, net of income taxes</b>	<b>-343</b>	<b>-7,180</b>	<b>2,755</b>	<b>-</b>	<b>-</b>

## Consolidated Financial Position 'A'

### Table includes the special banking tax for the period of reporting pro rata

(consolidated, audited data as of 31 December 2017, and non-audited data as of 30 June 2017 and 30 June 2018 according to IFRS)

in HUF million	Jun 30, 2017	Dec 31, 2017	Jun 30, 2018	30/06/2018/ 30/06/2017	30/06/2018/ 31/12/2017
Cash on hand	3,273	3,135	2,783	-15.0%	-11.2%
Due from banks & NBH	73,802	81,961	58,735	-20.4%	-28.3%
Securities held for trading	48,344	46,651	0	-	-
Securities at fair value through other comprehensive income	71,059	80,198	113,355	59.5%	41.3%
Investment in associates	3,670	0	0	-	0.0%
Derivate financial assets	444	410	5,120	-	-
Refinanced mortgage loans	56,884	76,597	87,556	53.9%	14.3%
Loans and advances to customers	318,648	327,224	350,998	10.2%	7.3%
o/w at fair value through profit or loss	0	0	185	-	-
Impairment on loans	-20,011	-16,591	-14,713	-26.5%	-11.3%
Tangible assets	4,797	2,847	2,696	-43.8%	-5.3%
Goodwill and other intangible assets	2,111	1,128	1,071	-49.3%	-5.1%
Deferred tax asset	2,997	811	770	-74.3%	-5.0%
Other assets	8,572	6,207	8,473	-1.2%	36.5%
<b>Total assets</b>	<b>574,588</b>	<b>610,577</b>	<b>616,844</b>	<b>7.4%</b>	<b>1.0%</b>
Due to banks	42,593	33,983	66,662	56.5%	96.2%
Issued securities	173,721	176,947	185,036	6.5%	4.6%
Mortgage bonds	154,477	167,917	177,385	14.8%	5.6%
Bonds	19,245	9,030	7,651	-60.2%	-15.3%
Deposits from customers	284,508	329,253	292,836	2.9%	-11.1%
Derivative financial liabilities	988	1,078	2,842	187.5%	163.7%
Financial liabilities at fair value through profit or loss	7,181	7,016	6,780	-5.6%	-3.4%
Finance lease liabilities	3	0	0	-100.0%	-
Current tax liability	1	21	0	-100.0%	-100.0%
Provisions	1,331	6,251	5,781	-	-7.5%
Other liabilities	6,730	5,695	4,808	-28.6%	-15.6%
<b>Total liabilities</b>	<b>517,058</b>	<b>560,245</b>	<b>564,744</b>	<b>9.2%</b>	<b>0.8%</b>
Share capital	10,849	10,849	10,849	0.0%	0.0%
Share premium	27,926	27,926	27,926	0.0%	0.0%
Treasury shares	-207	-207	-207	0.0%	0.0%
Cash-flow hedge reserve	5	5	-11	-	-
Other reserves	581	1,729	924	59.1%	-46.5%
Retained earnings	1,613	1,613	-4,166	-	-
Non-controlling interest	16,669	12,828	14,070	-15.6%	9.7%
Profit attributable to equity holders	95	-4,410	2,715	-	-
<b>Total shareholders' equity</b>	<b>57,530</b>	<b>50,332</b>	<b>52,099</b>	<b>-9.4%</b>	<b>3.5%</b>
<b>Total liabilities and shareholders' equity</b>	<b>574,588</b>	<b>610,577</b>	<b>616,844</b>	<b>7.4%</b>	<b>1.0%</b>

## Consolidated Financial Position 'B'

### Table includes the special banking tax for the entire business year

(consolidated, audited data as of 31 December 2017, and non-audited data as of 30 June 2017 and 30 June 2018 according to IFRS)

in HUF million	Jun 30, 2017	Dec 31, 2017	Jun 30, 2018	30/06/2018/ 30/06/2017	30/06/2018/ 31/12/2017
Cash on hand	3,273	3,135	2,783	-15.0%	-11.2%
Due from banks & NBH	73,802	81,961	58,735	-20.4%	-28.3%
Securities held for trading	48,344	46,651	0	-	-
Securities at fair value through other comprehensive income	71,059	80,198	113,355	59.5%	41.3%
Investment in associates	3,670	0	0	-	0.0%
Derivative financial assets	444	410	5,120	-	-
Refinanced mortgage loans	56,884	76,597	87,556	53.9%	14.3%
Loans and advances to consumers	318,648	327,224	350,998	10.2%	7.3%
o/w at fair value through profit or loss	0	0	185	-	-
Impairment on loans	-20,011	-16,591	-14,713	-26.5%	-11.3%
Tangible assets	4,797	2,847	2,696	-43.8%	-5.3%
Goodwill and other intangible assets	2,111	1,128	1,071	-49.3%	-5.1%
Deferred tax asset	3,044	811	808	-73.5%	-0.4%
Other assets	8,572	6,207	8,473	-1.2%	36.5%
<b>Total assets</b>	<b>574,636</b>	<b>610,577</b>	<b>616,881</b>	<b>7.4%</b>	<b>1.0%</b>
Due to banks	42,593	33,983	66,662	56.5%	96.2%
Issued securities	173,721	176,947	191,816	10.4%	8.4%
Mortgage bonds	154,477	167,917	184,165	19.2%	9.7%
Bonds	19,245	9,030	7,651	-60.2%	-15.3%
Deposits from customers	284,508	329,253	292,836	2.9%	-11.1%
Derivative financial liabilities	988	1,078	2,842	187.5%	163.7%
Financial liabilities at fair value through profit or loss	7,181	7,016	0	-100.0%	-100.0%
Finance lease liabilities	3	0	0	-100.0%	-
Current tax liability	1	21	0	-100.0%	-100.0%
Provisions	1,331	6,251	5,781	-	-7.5%
Other liabilities	7,256	5,695	5,226	-28.0%	-8.2%
<b>Total liabilities</b>	<b>517,584</b>	<b>560,245</b>	<b>565,163</b>	<b>9.2%</b>	<b>0.9%</b>
Share capital	10,849	10,849	10,849	0.0%	0.0%
Share premium	27,926	27,926	27,926	0.0%	0.0%
Treasury shares	-207	-207	-207	0.0%	0.0%
Cash-flow hedge reserve	5	5	-11	-	-
Other reserves	581	1,729	924	59.1%	-46.5%
Retained earnings	1,613	1,613	-4,166	-	-
Non-controlling interest	16,669	12,828	14,070	-15.6%	9.7%
Profit attributable to equity holders	-384	-4,410	2,334	-	-
<b>Total shareholders' equity</b>	<b>57,052</b>	<b>50,332</b>	<b>51,718</b>	<b>-9.3%</b>	<b>2.8%</b>
<b>Total liabilities and shareholders' equity</b>	<b>574,636</b>	<b>610,577</b>	<b>616,881</b>	<b>7.4%</b>	<b>1.0%</b>

Name: Takarék Mortgage Bank Plc.  
Address: 1082 Budapest, Üllői út 48.  
Sector: Financial services  
Reporting period: 01.01.2018 – 30.06.2018

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Investor relations: Rita Bozzai

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## Cash Flow Statement 'A'

## Table includes the special banking tax for the period of reporting pro rata

(consolidated, audited data as of 31 December 2017, and non-audited data as of 30 June 2017 and 30 June 2018 according to IFRS)

in HUF million	30 June 2017	31 December 2017	30 June 2018
<b>Cash flow from operating activities</b>			
<b>Profit/(loss) for the year</b>	<b>158</b>	<b>-8,188</b>	<b>4,144</b>
<i>Non cash adjustments to net profit from:</i>			
Depreciation and amortization	236	409	146
Impairment on tangible and intangible assets	0	1,035	0
Provision for losses	-2,249	-1,125	-3,718
(Gain)/Loss on tangible assets derecognized	93	1,609	112
(Gain)/Loss on intangible assets derecognized	-20	-28	20
Capitalized interest	55	718	419
Fair value of derivatives	-97	27	-2,962
Fair value adjustment on financial liabilities through profit and loss	-940	59	87
Change in foreign currency translation reserve	-7	2	0
Change of investments in associates	1,146	0	0
Change in leasing liabilities	0	-3	0
<b>Operating profit before change in operating assets</b>	<b>-1,625</b>	<b>-5,485</b>	<b>-1,751</b>
<i>Decrease/(Increase) in operating assets:</i>			
Financial assets held for trading	-7,610	-5,917	46,651
Securities at fair value through other comprehensive income	-4,785	-14,518	-34,148
Refinanced mortgage loans	-25,461	-45,174	-10,959
Loans and advances to customers	-2,184	-23,135	-24,195
Other assets	927	1,009	-2,225
Deposits	-12,564	32,181	-36,417
Due to banks	-77,102	-220,304	-111,283
Other liabilities	632	1,608	-908
<b>Net cash flow from operating activities</b>	<b>-129,772</b>	<b>-279,735</b>	<b>-175,236</b>
<b>Cash flow from investing activities</b>			
Proceeds from sales of tangible assets	36	119	17
Purchase of tangible and intangible assets	-269	-871	-87
<b>Net cash flow from investing activities</b>	<b>-233</b>	<b>-752</b>	<b>-70</b>
<b>Cash flow from financing activities</b>			
Proceed from issued securities	36,220	73,960	42,721
Principal repayment on issued securities	-36,651	-72,330	-34,955
Long term loans repayment	72,466	227,796	143,964
Change in non-controlling interest	-207	254	0
<b>Net cash flow from financing activity</b>	<b>71,828</b>	<b>229,680</b>	<b>151,730</b>
Net increase in cash and cash equivalents	-58,177	-50,847	-23,576
Changes due to discontinued operation	0	693	0
Opening balance of cash and cash equivalents	135,251	135,251	85,097
<b>Closing balance of cash and cash equivalents</b>	<b>77,074</b>	<b>85,097</b>	<b>61,521</b>
<b>Breakdown of cash and cash equivalents:</b>			
Cash	3,273	3,135	2,783
Balances with National Bank of Hungary	32,255	33,165	2,527
Dues from banks with a maturity of less than 90 days	41,546	48,797	56,208
<b>Closing balance of cash and cash equivalents</b>	<b>77,074</b>	<b>85,097</b>	<b>61,521</b>
<i>Supplementary data</i>			
Tax paid	-723	-803	-314
Interest received	11,999	23,537	11,038
Interest paid	-9,486	-14,304	-5,227



## Cash Flow Statement 'B'

### Table includes the special banking tax for the entire business year

(consolidated, audited data as of 31 December 2017, and non-audited data as of 30 June 2017 and 30 June 2018 according to IFRS)

in HUF million	30 June 2017	31 December 2017	30 June 2018
<b>Cash flow from operating activities</b>			
<b>Profit/(loss) for the year</b>	<b>-328</b>	<b>-8,188</b>	<b>3,763</b>
<i>Non cash adjustments to net profit from:</i>			
Depreciation and amortization	236	409	146
Impairment on tangible and intangible assets	0	1,035	0
Provision for losses	-2,249	-1,125	-3,718
(Gain)/Loss on tangible assets derecognized	93	1,609	112
(Gain)/Loss on intangible assets derecognized	-20	-28	20
Capitalized interest	55	718	419
Fair value of derivatives	-97	27	-2,962
Fair value adjustment on financial liabilities through profit and loss	-940	59	87
Change in foreign currency translation reserve	-7	2	0
Change of investments in associates	1,146	0	0
Leasing liabilities	0	-3	0
<b>Operating profit before change in operating assets</b>	<b>-2,111</b>	<b>-5,485</b>	<b>-2,132</b>
<i>Decrease/(Increase) in operating assets:</i>			
Financial assets held for trading	-7,610	-5,917	46,651
Securities at fair value through other comprehensive income	-4,785	-14,518	-34,148
Refinanced mortgage loans	-25,461	-45,174	-10,959
Loans and advances to customers	-2,184	-23,135	-24,195
Other assets	887	1,009	-2,263
Deposits	-12,564	32,181	-36,417
Due to banks	-77,102	-220,304	-111,283
Other liabilities	1,158	1,608	-490
<b>Net cash flow from operating activities</b>	<b>-129,772</b>	<b>-279,735</b>	<b>-175,237</b>
<b>Cash flow from investing activities</b>			
Proceeds from sales of tangible assets	36	119	17
Purchase of tangible and intangible assets	-269	-871	-87
<b>Net cash flow from investing activities</b>	<b>-233</b>	<b>-752</b>	<b>-70</b>
<b>Cash flow from financing activities</b>			
Proceed from issued securities	36,220	73,960	42,721
Principal repayment on issued securities	-36,651	-72,330	-34,955
Long term loans repayment	72,466	227,796	143,964
Change in non-controlling interest	-207	254	0
<b>Net cash flow from financing activity</b>	<b>71,828</b>	<b>229,680</b>	<b>151,730</b>
Net increase in cash and cash equivalents	-58,177	-50,847	-23,576
Changes due to discontinued operation	0	693	0
Opening balance of cash and cash equivalents	135,251	135,251	85,097
<b>Closing balance of cash and cash equivalents</b>	<b>77,074</b>	<b>85,097</b>	<b>61,521</b>
<b>Breakdown of cash and cash equivalents:</b>			
Cash	3,273	3,135	2,783
Balances with National Bank of Hungary	32,255	33,165	2,527
Dues from banks with a maturity of less than 90 days	41,546	48,797	56,208
<b>Closing balance of cash and cash equivalents</b>	<b>77,074</b>	<b>85,097</b>	<b>61,518</b>
<i>Supplementary data</i>			
Tax paid	-723	-803	-314
Interest received	11,999	23,537	11,038
Interest paid	-9,486	-14,304	-5,227

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## Statement of Shareholders' Equity 'A'

### Table includes the special banking tax for the period of reporting pro rata

(consolidated, audited data as of 1 January 2017 and 1 January 2018, and non-audited data as of 30 June 2017 and 30 June 2018 according to IFRS)

in HUF million	Share Capital	Treasury Shares	Share Premium	General reserve	Cash-flow hedge reserve	Change in fair value of financial assets at fair value through other comprehensive income	Foreign currency transaction reserve	Changes due to non-controlling interest	Retained earnings	Shareholders' Equity
<b>1 January 2017</b>	<b>10,849</b>	<b>-207</b>	<b>27,926</b>			<b>611</b>	<b>-2</b>	<b>16,812</b>	<b>1,613</b>	<b>57,602</b>
Profit/(Loss) of the year								64	94	158
Other comprehensive income					5	-21	-7			-23
Dividend paid to non-controlling interest								-207		-207
<b>30 June 2017</b>	<b>10,849</b>	<b>-207</b>	<b>27,926</b>		<b>5</b>	<b>590</b>	<b>-9</b>	<b>16,669</b>	<b>1,707</b>	<b>57,530</b>
<b>1 January 2017</b>	<b>10,849</b>	<b>-207</b>	<b>27,926</b>			<b>611</b>	<b>-2</b>	<b>16,812</b>	<b>1,613</b>	<b>57,602</b>
Transfer to general reserve				460					-460	0
Profit/(Loss) of the year								-4,239	-3,949	-8,188
Other comprehensive income					5	656	2			663
Dividend paid to non-controlling interest								255		255
<b>1 January 2018</b>	<b>10,849</b>	<b>-207</b>	<b>27,926</b>	<b>460</b>	<b>5</b>	<b>1,267</b>	<b>0</b>	<b>12,828</b>	<b>-2,796</b>	<b>50,332</b>
<b>IFRS9 adjustment</b>									<b>-1,370</b>	<b>-1,370</b>
<b>1 January 2018 - Opening</b>	<b>10,849</b>	<b>-207</b>	<b>27,926</b>	<b>460</b>	<b>5</b>	<b>1,267</b>	<b>0</b>	<b>12,828</b>	<b>-4,166</b>	<b>48,961</b>
Transfer to general reserve				186					-186	0
Profit/(Loss) of the year								1,242	2,902	4,144
Other comprehensive income					-16	-989				-1,005
<b>30 June 2018</b>	<b>10,849</b>	<b>-207</b>	<b>27,926</b>	<b>646</b>	<b>-11</b>	<b>278</b>	<b>0</b>	<b>14,070</b>	<b>-1,451</b>	<b>52,100</b>

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## Statement of Shareholders' Equity 'B'

Table includes the special banking tax for the entire business year

(consolidated, audited data as of 1 January 2017 and 1 January 2018, and non-audited data as of 30 June 2018 according to IFRS)

in HUF million	Share Capital	Treasury Shares	Share Premium	General reserve	Cash-flow hedge reserve	Change in fair value of financial assets at fair value through other comprehensive income	Foreign currency transaction reserve	Changes due to non-controlling interest	Retained earnings (deficit)	Shareholders' Equity
<b>1 January 2017</b>	<b>10,849</b>	<b>-207</b>	<b>27,926</b>			<b>611</b>	<b>-2</b>	<b>16,812</b>	<b>1,613</b>	<b>57,602</b>
Profit/(Loss) of the year								-90	-238	-328
Other comprehensive income					5	-21	-7			-23
Dividend paid to non-controlling interest								-207		-207
<b>30 June 2017</b>	<b>10,849</b>	<b>-207</b>	<b>27,926</b>		<b>5</b>	<b>590</b>	<b>-9</b>	<b>16,515</b>	<b>1,375</b>	<b>57,044</b>
<b>1 January 2017</b>	<b>10,849</b>	<b>-207</b>	<b>27,926</b>			<b>611</b>	<b>-2</b>	<b>16,812</b>	<b>1,613</b>	<b>57,602</b>
Transfer to general reserve				460					-460	0
Profit/(Loss) of the year								-4,239	-3,949	-8,188
Other comprehensive income					5	656	2			663
Dividend paid to non-controlling interest								255		255
<b>1 January 2018</b>	<b>10,849</b>	<b>-207</b>	<b>27,926</b>	<b>460</b>	<b>5</b>	<b>1,267</b>	<b>0</b>	<b>12,828</b>	<b>-2,796</b>	<b>50,332</b>
<b>IFRS9 adjustment</b>									<b>-1,370</b>	<b>-1,370</b>
<b>1 January 2018 - Opening</b>	<b>10,849</b>	<b>-207</b>	<b>27,926</b>	<b>460</b>	<b>5</b>	<b>1,267</b>	<b>0</b>	<b>12,828</b>	<b>-4,166</b>	<b>48,961</b>
Transfer to general reserve				186					-186	0
Profit/(Loss) of the year								1,242	2,520	3,762
Other comprehensive income					-16	-989				-1,005
<b>30 June 2018</b>	<b>10,849</b>	<b>-207</b>	<b>27,926</b>	<b>646</b>	<b>-11</b>	<b>278</b>	<b>0</b>	<b>14,070</b>	<b>-1,832</b>	<b>51,718</b>

## Off-balance Sheet items – Commitments

(consolidated non-audited data as of 30 June 2017 and 30 June 2018 and audited data as of 31 December 2017 according to IFRS)

millió forintban	30 June 2017	31 December 2017	30 June 2018
<b>Commitments</b>			
Guarantees	11 030	5 405	5 436
Undrawn commitments	43 239	64 484	67 253
<b>Total</b>	<b>54 269</b>	<b>69 889</b>	<b>72 689</b>

## Transactions with related parties

(consolidated, non-audited data as of 30 June 2017 and 30 June 2018 according to IFRS)

in HUF million	Transactions between Takarék Mortgage Bank and owners with significant influence	
	30 June 2017	30 June 2018
Due from banks	28,106	49,916
Refinanced mortgage loans	0	0
Fair value of derivatives	0	0
Other assets	11	239
<b>Total assets</b>	<b>28,118</b>	<b>50,155</b>
Due to banks	4,000	38,971
Issued securities	0	0
Financial liabilities at fair value through profit and loss	0	0
Other liabilities	0	458
<b>Total liabilities</b>	<b>4,000</b>	<b>39,429</b>
	30 June 2017	30 June 2018
Interest income	37	375
Interest expense	0	-297
<b>Net interest income</b>	<b>37</b>	<b>78</b>
Fees and commission income	46	63
Fees and commission expense	-11	-78
<b>Net fees and commissions</b>	<b>35</b>	<b>-15</b>
Profit/(loss) from foreign exchange transactions	0	352
<b>Net trading result</b>	<b>0</b>	<b>352</b>
Other operating income	21	39
Other operating expense	0	0
<b>Operating profit</b>	<b>94</b>	<b>453</b>
Credit loss expense	0	0
General and administrative expense	-13	-152
<b>Profit for the year</b>	<b>80</b>	<b>302</b>

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

Related parties have the power of control over or have a significant influence in decisions relating to finance and operation of another enterprise. The Group enters into transactions with associated parties under market conditions. In the above report transactions between Takarék Mortgage Bank and owners with influential share are presented.

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

### Ownership structure, participation and voting rates (as at 30 June 2018)

Description of owner	Total equity <sup>1</sup>						Listed series <sup>1</sup>						
	At the beginning of actual year			End of actual period			At the beginning of actual year			End of actual period			
	% <sup>2</sup>	% <sup>3</sup>	Qty	%	%	Qty	%	%	Qty	%	%	Qty	
<b>Series "A" shares listed on BSE</b>													
Domestic institution/company	50.45	50.57	54,735,748	52.62	60.67	57,076,931	50.45	50.57	54,735,748	52.62	60.67	57,076,931	
Foreign institution/company	0.11	0.11	126,899	0.07	0.08	79,846	0.11	0.11	126,899	0.07	0.08	79,846	
Domestic individual	5.30	5.31	5,750,222	3.27	3.77	3,548,599	5.30	5.31	5,750,222	3.27	3.77	3,548,599	
Foreign individual	0.05	0.05	39,388	0.02	0.02	16,499	0.05	0.05	39,388	0.02	0.02	16,499	
Employees, senior officers	0.01	0.01	11,517	0.01	0.01	8,445	0.01	0.01	11,517	0.01	0.01	8,445	
Treasury shares	0.23	-	253,601	0.23	-	253,601	0.23	-	253,601	0.23	-	253,601	
Government held owner <sup>4</sup>	4.45	4.46	4,832,225	4.45	5.14	4,832,225	4.45	4.46	4,832,225	4.45	5.14	4,832,225	
Other	0.23	0.23	250,410	0.17	0.20	183,864	0.23	0.23	250,410	0.17	0.20	183,864	
<b>Series total</b>	<b>60.84</b>	<b>60.74</b>	<b>66,000,010</b>	<b>60.84</b>	<b>69.89</b>	<b>66,000,010</b>	<b>60.84</b>	<b>60.74</b>	<b>66,000,010</b>	<b>60.84</b>	<b>69.89</b>	<b>66,000,010</b>	
<b>Series "B" shares non-listed on BSE</b>													
Domestic institution/company	13.05	-	14,163,430	13.05	-	14,163,430							
<b>Series total</b>	<b>13.05</b>	<b>-</b>	<b>14,163,430</b>	<b>13.05</b>	<b>-</b>	<b>14,163,430</b>							
<b>Series "C" shares non-listed on BSE</b>													
Domestic institution/company	26.11	30.11	2,832,686	26.11	30.11	2,832,686							
<b>Series total</b>	<b>26.11</b>	<b>30.11</b>	<b>2,832,686</b>	<b>26.11</b>	<b>30.11</b>	<b>2,832,686</b>							
<b>TOTAL</b>	<b>100</b>	<b>90.85</b>	<b>82,996,126</b>	<b>100</b>	<b>100</b>	<b>82,996,126</b>							

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

<sup>2</sup> Ownership share

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

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

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

	30 June 2017		31 December 2017		30 June 2018	
Takarék Mortgage Bank Plc.	253 601	0.23%	253 601	0.23%	253 601	0.23%

### Owners with more than 5% ownership relating to listed series (as at 30 June 2018)

Name	Custodian Bank (yes/no)	Number of shares	Stake (%)
Takarékbank Zrt.	no	39 042 270	59.15%
Fókusz Takarékszövetkezet	no	8 620 534	13.06%
B3 TAKARÉK Szövetkezet	no	6 952 134	10.53%
Magyar Nemzeti Vagyonkezelő Zrt.	no	4 832 225	7.32%
<b>Total</b>		<b>59 447 163</b>	<b>90.07%</b>

### Owners with more than 5% ownership relating to total equity (as at 30 June 2018)

Name	Custodian Bank (yes/no)	Number of shares	Stake (%)
Takarékbank Zrt.	no	40 994 862	40.49%
Fókusz Takarékszövetkezet	no	9 510 370	9.99%
B3 TAKARÉK Szövetkezet	no	7 359 402	7.35%
Magyar Nemzeti Vagyonkezelő Zrt.	no	4 832 225	4.45%
<b>Total</b>		<b>62 696 859</b>	<b>62.28%</b>

## Data forms related to the organisation and operation of the issuer

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

	30/06/2017	31/12/2017	30/06/2018
Takarék Mortgage Bank Plc.	122.2	48.6	35.6
Consolidated	894.6	811.4	815.6

### Persons in senior positions and (strategic) employees having an influence on the operations of the Issuer (as at 30 June 2018)

Type <sup>1</sup>	Name	Position	Beginning of mandate	End/ termination of mandate	No. of shares held
BoD	Vida József	Chairman	30/11/2016	30/11/2021	0
BoD	dr. Nagy Gyula	Member, CEO	26/04/2017	30/11/2021	0
BoD	Mészáros Attila	Member	30/11/2016	30/11/2021	0
BoD	Soltész Gábor Gergő	Member	30/11/2016	30/11/2021	0
BoD	Bannert András	Member	02/07/2018	30/11/2021	0
SB/AB	dr. Harmath Zsolt	Chairman	02/01/2017	02/01/2022	0
SB/AB	dr. Antal Kadosa*	Member	02/01/2017	01/08/2018	0
SB	dr. Kovács Mónika	Member	02/01/2017	02/01/2022	0
SB/AB	Pórfy György	Member	02/01/2017	02/01/2022	0
SB	dr. Gödör Éva**	Member			
SB	dr. Reiniger Balázs	Member	02/01/2017	02/01/2022	0
SB/AB	Görög Tibor***	Member			
<b>TOTAL No. of shares held by management:</b>					<b>0</b>

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

\* dr. Antal Kadosa, membership SB/AB terminated as at 01 August 2018

\*\* Start date of the assignment according to NBH authorisation is 01 August 2018

\*\*\* NBH authorisation is in progress

## Information and disclosures in 2018

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

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

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

[www.bet.hu](http://www.bet.hu)  
[www.kozzetetelek.hu](http://www.kozzetetelek.hu)  
[www.takarek.hu](http://www.takarek.hu)