16 July 2021

Sovereign and Public Sector

MFB Hungarian Development Bank Private Limited Company
Rating Report

SCOPE BBB+ STABLE OUTLOOK

Credit strengths

- Funding guarantee and other financial support from the Hungarian state
- Supportive legal framework
- Strategic policy role
- Sound asset quality
- High capitalisation

Credit weaknesses

- Modest but stable profitability
- Limited loan portfolio diversification

Rating rationale and Outlook: The BBB+ rating of MFB Hungarian Development Bank Private Limited Company (MFB) reflects: i) the statutory funding guarantee of Hungary (BBB+/Stable) for MFB's financial obligations arising from bonds issued, credits and loans taken, deposits from the interbank market and replacement costs of currency or interest rate swaps entered into by MFB for fundraising purposes; ii) a record of financial support from Hungary, which has strengthened MFB's capitalisation and liquidity; iii) the supportive legal framework defining MFB's strong coherence with Hungary, making any changes to the bank's business model unlikely; and iv) MFB's high strategic importance to the sovereign as a key government-related entity (GRE) delivering competition-neutral services, with a unique policy function in the country. In addition, the bank benefits from a robust balance sheet with high capital buffers and sound asset quality. MFB's modest but stable profitability alongside limited loan portfolio diversification reflects the development bank's public policy mandate. The Stable Outlook reflects our assessment that the risks to the ratings over the next 12 to 18 months are balanced.

Figure 1: Scope's approach to rating MFB Hungarian Development Bank

1. Level of integration with Republic of Hungary

Integral / Strong
▼
Top-down approach

2. Top-down approach

Baseline

Hungary's rating (BBB+/Stable)

−

Negative adjustment factors

Criteria for equalisation?

Yes	No

Control and regular government support

High	Medium	Low

Likelihood / willingness of exceptional support

High	Medium	Low

\+ −

3. Supplementary / Stand-alone analysis

Positive adjustment	No adjustment	Negative adjustment

N.B. The orange colouring indicates the outcome of the analysis.

Source: Scope Ratings GmbH

Positive rating-change drivers

- Upgrade of the Hungarian state

Negative rating-change drivers

- Downgrade of the Hungarian state
- Changes to guarantee that weakens government support

Ratings & Outlook

Foreign currency

Long-term issuer rating	BBB+/Stable
Senior unsecured debt	BBB+/Stable
Short-term issuer rating	S-2/Stable

Local currency

Long-term issuer rating	BBB+/Stable
Senior unsecured debt	BBB+/Stable
Short-term issuer rating	S-2/Stable

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Bloomberg: RESP SCOP

Level of integration with government

Strong integration with sovereign's economic development activities

MFB is the only development bank in Hungary focusing on the domestic market, with total assets of HUF 2,068bn and an average headcount of 359 (and 712 at MFB group level) at end-2020. MFB is governed by the MFB Act[1], which defines the bank's mandate and strong coherence with the sovereign. MFB is a specialised credit institution delivering essential services, making it a GRE as defined[2] in Scope's GRE methodology.

The bank's area of promotion is the national economy. Its mandate is to support infrastructure development, financing other key state and municipal investments and provide 'complementary' financing to small and medium-sized enterprises (SMEs). This allows MFB to avoid competition with commercial financial institutions. In addition, MFB contributes to the economic development objectives of the Hungarian state as the government's key vehicle to mobilise and intermediate EU funds on behalf of managing authorities. Further details on MFB's business and financial profiles are presented in the section on MFB's **stand-alone fundamentals**.

Scope's top-down approach used for the rating analysis

We used our 'top-down' approach to assign MFB's ratings, with Hungary's BBB+/Stable rating as the starting point. This is driven by our assessment of the bank's 'strong' integration with Hungary (see **Qualitative Scorecard 1** in **Appendix I**), given the following considerations:

- Hungary is the bank's sole owner. Legal acts define exclusive state ownership. The Bank Recovery and Resolution Directive (BRRD) does not apply to MFB.
- MFB's lending and investment activities are performed in line with the development programme of the Hungarian state with the purpose of providing key, competition-neutral services to support national economic objectives.

Extensive guarantee scheme provided by the Hungarian state

Equalisation of MFB's rating with Hungary's given 'funding' guarantee

MFB's rating is fully aligned with Hungary's (BBB+/Stable). This is because the MFB Act requires the Hungarian state to provide statutory guarantees over the bonds issued, credit and loans taken, deposits collected from the interbank market, and replacement costs of currency and interest rate swaps entered into by MFB for fundraising purposes[3].

Government acknowledgement of MFB debt triggers irrevocable surety as defined in public law

The MFB Act stipulates that MFB cannot incur guaranteed liabilities beyond the upper limits (**Figure 2**) approved in Hungary's central budget for a given year. As Hungarian law requires explicit, direct and irrevocable guarantees for MFB's payment obligations in connection with its fundraising, only a parliamentary act can amend, revoke or restrict these guarantees. Once an act enters into force, the amended, revoked or restricted guarantees would only apply to future transactions entered with MFB. We deem this scenario unlikely.

Hedging agreements with Hungary for management of MFB's foreign exchange risk

MFB benefits from a foreign exchange arrangement with the Hungarian state that allows the bank to manage foreign exchange risk. The arrangement with the Ministry of Finance is mainly connected to the loan programmes based on government resolutions and relates to deposits accepted, credits and loans taken, bonds issued and replacement costs of foreign exchange swaps entered into for fundraising purposes. In principle, the bank's exchange rate risks are assumed by the central government's budget up to a threshold, via hedging agreements with the Ministry of Finance based on the forint

[1] MFB's legal status, responsibilities and activities are determined by Act XX of 2001 on the Hungarian Development Bank Limited Company (MFB Act)
[2] Under Scope's GRE rating methodology, a GRE is defined as an issuer that fulfils both of the following conditions: i) it is directly or indirectly majority owned; and ii) its activities fulfil a public-sector mandate by implementing government policies or delivering essential public services.
[3] Paragraphs 1(a), 1(c) and 1(d) of Article 5 of the MFB Act provide for a statutory guarantee (in Hungarian: készfizető kezesség) in the form of an absolute direct suretyship.

equivalent of the euro funds. The state's budget reimburses MFB for losses incurred in converting loans or funds into euros; foreign exchange gains are passed on to the state budget. The main objective of this scheme is to ensure interest rates remain low for the ultimate beneficiaries of MFB's loans. At the same time, the scheme shields the bank from potential losses arising from forint volatility.

On a case-by-case basis and via government resolutions, the Hungarian state guarantees payment obligations arising vis-à-vis MFB or an intermediary financial institution from credits, loans and explicit, direct and irrevocable guarantees and other banker's undertakings granted directly or via an intermediary (back-to-back guarantee).

Hungarian state sets annual limits on guarantees

The Hungarian state sets annual limits on the guarantee scheme via budgetary acts. Debt amounts are debited to the budgetary limit on the date of the fundraising transaction. The calculation method serves budgetary purposes only, which is to ensure exchange rate fluctuations have no effect on the guarantees' enforceability. We consider the limits for 2021 sufficient to address the planned expansion of the bank's lending.

Figure 2: Limits of guarantees provided by the state

Data in HUF m	Budgetary limit 2020	Utilisation 31 December 2020	
Repayment funding guarantee	1,700,000	1,114,224	66%
Back-to-back guarantee	650,000	632,882	97%
FX risk hedging arrangements	2,000,000	1,512,679	76%

Government control and regular government support

Strong oversight, with specific laws governing MFB

Further, under our 'top-down' approach, we assign a 'high' level of government control and regular financial support for MFB (see **Qualitative Scorecard 2** in **Appendix I**). This is based on:

- Hungary's 'high' ability to exert proprietary control over MFB's activities as their scope and content are defined by a comprehensive legal mandate; and
- financial support provided by the Hungarian state, including two capital increases in 2020 in the context of the bank's policy-related business growth and anticipated increase in risk-weighted assets.

Legal acts define MFB's mandate and operating rules

MFB's organisation, functioning and tasks are almost fully legislation-based. The MFB Act sets out the rules for the bank's operations, including provisions relating to acquisitions and prudential measures. Certain laws enable the Hungarian state to alter MFB's strategy and mandate and to appoint and dismiss key personnel including members of governing and oversight bodies. The Hungarian state decides on the selection of members and chairpersons of the board of directors and the supervisory board, as well as the chief executive officer.

Capital and liquidity support by the Hungarian state

To support MFB's financial position and lending, Hungary has strengthened MFB's capital position on several occasions. The latest involved a capital increase of HUF 151.4bn at the end of 2020 (via share capital increases of HUF 115bn in November and HUF 36.4bn in December); the Hungarian State owns all of the new shares. In 2010 and 2011, Hungary increased MFB's capital several times for a total of HUF 150bn, of which HUF 123bn flowed to the bank's reserves. Hungary has also provided financial support in periods of intense capital market volatility. For example, in 2009 it provided a multi-currency loan from moneys borrowed from the IMF.

The state also provides short-term bridge financing to optimise the timing of capital market transactions by MFB and other Hungarian GREs, the reason being that sovereign bonds serve as the benchmark for MFB issuances. For example, in 2011, since there had not been a Hungarian sovereign bond issue for some time, the MFB's forthcoming issue of notes was delayed until after a new sovereign issue had been completed which provided the benchmark for MFB's issue of notes. To prevent MFB experiencing liquidity problems due to this delay, the Hungarian state provided a EUR 500m bridge financing with a term of two and a half months.

Interest rate subsidy scheme provided by the Hungarian state

Pursuant to a resolution, the Hungarian state may subsidise the liability and/or asset-side interest rate for certain credits and loans provided by MFB. As of year-end 2020, MFB utilised HUF 18.7bn, or 3% of the limit as defined by the respective central government's Budget Act (HUF 600bn), which remains unchanged for 2021.

Likelihood of exceptional support

High likelihood of exceptional government support for MFB

The explicit, direct and irrevocable statutory funding guarantees provided by the Hungarian state for MFB's financial obligations almost certainly ensure timely financial support for MFB if required. As a specialised credit institution, MFB is exempt from the EU's Bank Recovery and Resolution Directive. In addition, MFB's key strategic purpose, low substitution risk and contribution to macro-economic stability support our view of a high likelihood of exceptional support for MFB from the Hungarian state.

High strategic importance given the bank's role as the state's development bank

We assign MFB a 'high' strategic importance, reflecting the bank's unique policy role to support the country's key economic and public objectives as well as its high-level cooperation with other national promotional institutions and the EU. This was recently highlighted during the pandemic with MFB's central role to disseminate state financial support to Hungarian companies. In 2020, MFB's provision of financing hit a record high, contributing a larger share than planned to the overall volume including various loan, capital and guarantee programmes.

No change in ownership or explicit support expected

Substitution difficulty for MFB is 'high'. MFB is the only development bank in Hungary focusing on the domestic market. The bank's operations are also supported by a legal framework. MFB does not compete with other government-related financial institutions and the government ensures their activities do not overlap. The risk that MFB's business model would change is remote. This is because a change to MFB's key role could lead to a loss of preferential regulatory treatment for the bank's obligations and would fundamentally undermine its access to low-cost funding – which would be to the detriment of its clearly defined public mission.

Adverse default implications for the Hungarian state

We assess a potential default of MFB to have 'medium' implications for Hungary. Funding, back-to-back guarantees and FX risk hedging arrangements relating to MFB amounted to around 8% of Hungarian GDP in 2020, which is a moderate contingent liability for the Hungarian state. However, a default by MFB on its debt not only would have political and reputational consequences but also could slow domestic economic growth due to a lack of a credible alternative. Still, we believe a default by MFB would not pose a major risk for Hungary's creditworthiness, underpinning our 'medium' assessment.

Stand-alone fundamentals

Business profile and risk positioning are determined by the public policy mandate

The statutory guarantees provided by the Hungarian state on MFB's payment obligations regarding funding activities ensure access to favourable refinancing conditions. The development bank's public policy mandate is reflected in its modest profitability and stable, undiversified earnings.

Balance sheet growth with limited risk in 2020

The Covid-19 recession had a substantial impact on MFB's performance and financial results in 2020. A sharply growing business volume led to rising capital requirements, which were covered by capital contributions from the Hungarian state. The deteriorating asset quality is reflected by the increase in impairment and provisions. However, risks to the bank's balance sheet are limited because separate state guarantees cover the loans and guarantees issued under the pandemic support package.

Business model and earnings

MFB's business focused on national economy

MFB's activities are split into four areas: i) lending via disbursements under loan programmes or of individual loans and provision of guarantees mostly for large corporates, SMEs, agricultural businesses and municipalities; ii) fundraising activities; iii) equity participations; and iv) intermediation of EU funds, which is off balance sheet as funds are distributed on behalf of managing authorities. In addition to development banking activities, the bank holds a conservatively managed liquidity portfolio that includes cash, central bank deposits and securities.

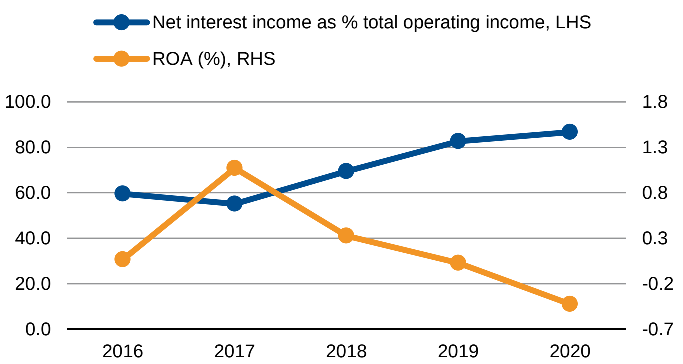
Earnings centred on interest income, which is affected by persistently low interest rates

Due to its public mandate, the bank's earnings are stable although undiversified. MFB's net interest income relative to total assets over the past five years was around 0.59%. Net interest income, MFB's primary source of revenue (87% of revenue in 2020), improved for the fourth year in a row and increased by 48% to HUF 13.8bn in 2020. Despite the strong growth of the loan book, net fees and commissions remained broadly unchanged at HUF 293bn. MFB's general operating expenses, including personnel and other administrative expenses, increased by 8% to HUF 20.8bn in 2020, following a downward trend since 2016. MFB's cost-income ratio decreased from 75.6% to 68.9% in 2020.

Substantial balance sheet growth in 2020 with record amount of financing

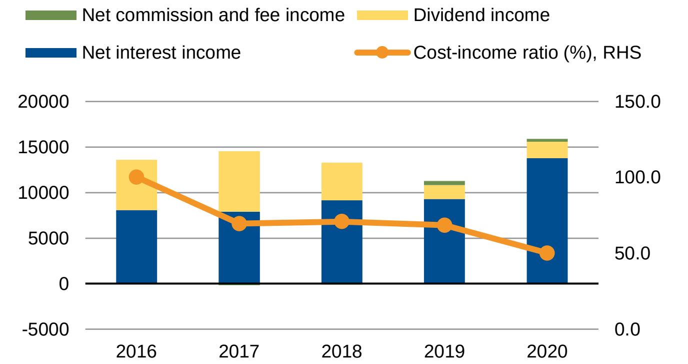
In 2020, MFB launched loan programmes specifically aimed at counteracting the economic effects of Covid-19, resulting in a record amount of financing. In 2020, the bank approved 6.9% more loan applications, with a total value of HUF 386bn (thereof, HUF 294bn of loan applications approved for large individual transactions and HUF 92bn for loan programmes). New loan disbursements were up by 7% to HUF 386bn in 2020. The sizeable loan programmes launched in 2020 should continue to support MFB's balance sheet growth with limited risk in 2021 given that state guarantees cover up to 90% of new loans.

Figure 3: Net interest income/total operating income, ROA%



Source: MFB Hungarian Development Bank Private Limited Company, Scope Ratings GmbH

Figure 4: Operating result breakdown
EUR m (LHS); % (RHS)



Source: MFB Hungarian Development Bank Private Limited Company, Scope Ratings GmbH

Profitability and capitalisation

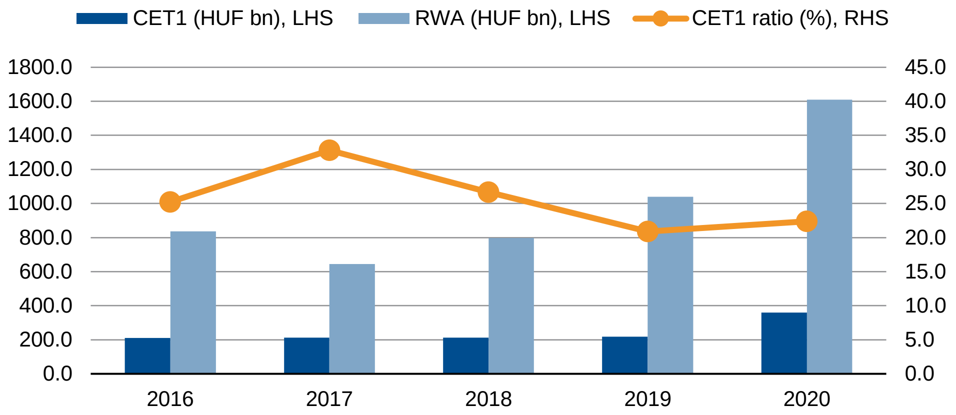
Modest profitability owing to public policy mandate and low interest rate environment

MFB's development banking activities are reflected in its low but stable returns on assets over the past five years, which average 0.21%. Profitability has been supported by MFB's good access to capital markets. MFB recorded a loss of HUF 8.8bn in 2020, which mostly reflected increased impairment and provisions. This is in the context of a rapidly growing balance sheet, driven by an expanding loan and investment portfolio and in part by the payment moratorium to support the economy during the pandemic, which resulted in a loss of around HUF 1bn in the bank's earnings. We expect profitability to remain subdued in view of the low interest rate environment. In past years, net profits were retained.

Adequate and rising regulatory capitalisation driven by financial support from Hungarian state

MFB's capitalisation was well above regulatory requirements at year-end 2020. Common Equity Tier 1 (CET 1) capital was HUF 360bn (2019: HUF 218bn) and risk-weighted assets totalled HUF 1,609bn (2019: HUF 1,040bn). This resulted in a 22.4% CET1 capital ratio (2019: 20.9%), well above the minimum of 8.0% (**Figure 5**). In the context of increasing risk-weighted assets and limited internal capital generation, the bank received share capital increases in 2020 from the Hungarian state of HUF 115bn in November and HUF 36.4bn in December. As a result, shareholders' equity rose to HUF 363bn in 2020 (2019: HUF 221bn).

Figure 5: CET1 capital development
EUR bn, %



Source: MFB Hungarian Development Bank Private Limited Company, Scope Ratings GmbH

Portfolio risks and asset quality

Concentrated exposures due to development business model…

Around 92% of MFB's loan portfolio comprises direct loans to customers, primarily municipal governments, large corporates, SMEs and individuals. About 8% are loans to banks. MFB's exposure is concentrated on large corporates, SMEs and the public sector, at respectively 49%, 42% and 1% of the loan portfolio in 2020 (**Figure 6-B**). The bank's loans are entirely in Hungary, creating geographical concentration risk. Longer-term risks relate to transition risks in the automotive sector, to which Hungary's export-oriented economy is particularly exposed.

…mitigated by strong asset quality

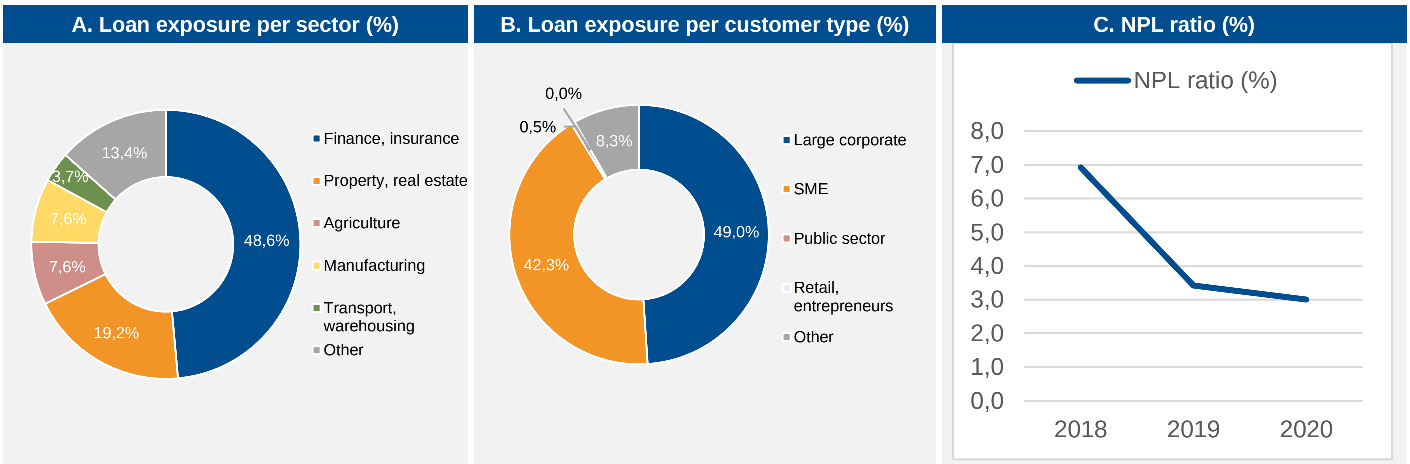
MFB's loan book has strong asset quality and a very low non-performing exposure. Non-performing loans (NPLs, defined as Stage 3 loans) stood at HUF 34bn (2019: HUF 32bn) and entirely relate to non-financial corporates. The share of NPLs relative to gross customer loans has been steadily decreasing and reached 3.39% in 2020. We expect the NPL share to reverse by the end of this year due to the delayed economic impacts of the pandemic and the phasing-out of payment moratoriums. Our expectation is supported by: i) rising loans associated with increased risk (Stage 2 loans); and ii) the increase of the risk-weighted exposure, reflecting the bank's supportive role in the crisis. The sizeable loan programmes launched in 2020 against the pandemic's effects should continue to support MFB's balance sheet growth with limited risk in 2021 given that state guarantees cover up to 90% of new loans.

Conservative investment strategy and limited market price risks

Driven by the bank's central role of providing the national economy access to financing during the pandemic, MFB's liquidity portfolio rose substantially from HUF 135bn to

HUF 443bn (23% of total assets) in 2020. MFB continues to pursue a conservative investment strategy, holding a portfolio primarily comprising cash and central bank deposits (78% of liquidity portfolio) and securities at the end of 2020. Receivables from the state, at more than HUF 157bn (2019: HUF 132bn) on the balance sheet, arise from the foreign exchange guarantee mechanism provided by the Hungarian state.

Figure 6: Total loan[4] concentration risks and problem loans



Source: MFB Hungarian Development Bank Private Limited Company, Scope Ratings GmbH

Funding and liquidity

Funding via bond issues and bank loans

MFB's benefits from an established access to international capital and money markets, high liquidity in the Hungarian financial sector, and internal liquidity buffers. Liquidity support from the state is also available if needed.

MFB predominantly funds its operations by issuing short- and long-term debt securities and via facilities from multilateral development banks. The bank's debt obligations benefit from preferential regulatory treatment thanks to the explicit liability support provided by the Hungarian state, which implies a risk weight of 0% for forint-denominated issues and 50% for euro issues, according to the standardised approach of Basel III/CRR. As a specialised credit institution delivering competition-neutral services, customer deposits taken by MFB serve as collateral behind the loans.

Bank loans are partly provided by supranational lenders and promotional banks, including the European Investment Bank (EIB) and Council of Europe Development Bank (CEB), and are typically tied to long-term lending programmes. In 2020, MFB raised medium- and long-term funds of around HUF 485bn, mostly denominated in euros (62%) and forint (35%). At YE 2020, the share of liabilities denominated in euros was 45% and US dollars 2%, with a limited net foreign currency exposure given the state's forex risk guarantee and the national focus of MFB's asset structure. In 2021, the bank issued a five-year EUR 500m bond with a 0.375% coupon.

[4] Includes outstanding amounts, arrears, irrevocable loan commitments and undrawn, externally approved lines of credit associated with loans.

Appendix I. Qualitative scorecards

Qualitative Scorecard 1: Level of integration with the government

Criteria	Level of integration with government: Integral / Strong	Level of integration with government: Limited / Weak
Legal status & resolution framework	○ Public; insolvency, bankruptcy and resolution laws unlikely to apply	◉ Private; insolvency, bankruptcy and resolution laws do apply
Purpose/activities	◉ Good/service is backed by constitution or in the public interest	○ Good/service has mostly a commercial purpose
Shareholder structure, funding & control	◉ Significant public ownership/funding & control	○ Mostly private ownership/limited public funding & control
Approach*	**Top-down**	

* Two of the three parameters indicate the chosen approach for most instances.

Source: Scope Ratings GmbH

Top-down approach	Analytical considerations		N/A	Assessment: High	Assessment: Medium	Assessment: Limited	Outcome & indicative notching	
	Equalisation factor		Statutory guarantee or laws to similiar effect	◉ Yes		○ No	Equalisation	
Control and regular government support	Organisational structure	Legal status	○ N/A	○ Government department or similar	◉ Legal structure with significant government involvement	○ Legal structure with limited government involvement	High	High
		Ownership of & rights to GRE's assets	○ N/A	◉ Mostly government	○ Somewhat government	○ Public and private		
	Government control	Mission, mandate and strategy	○ N/A	◉ Mostly directed by government	○ Government-influenced	○ Mostly independent		
		Financial, operating and investment policies	○ N/A	◉ Mostly directed by government	○ Government-influenced	○ Mostly independent		
		Key personnel and oversight bodies	○ N/A	◉ Mostly directed by government	○ Government-influenced	○ Mostly independent		
	Financial support	Funding options	○ N/A	○ Mostly via government	○ Balanced mix of government and private funds	◉ Mostly private funds		
		Support agreements	○ N/A	◉ Regular cash or capital injections	○ Active/open credit lines or similar	○ No regular use of support mechanisms		
		Track record	○ N/A	◉ History of timely support under all circumstances	○ History of support under select circumstances	○ Support not yet required		
Likelihood of exceptional support	Strategic importance to government		○ N/A	◉ High strategic importance/central policy role	○ Medium strategic importance/important policy role	○ Low strategic importance/secondary policy role	High	
	Ease of substitution		○ N/A	◉ Good/service is difficult to replace	○ Prospects of private players entering the market	○ Private sector operators provide same good/service		
	Default implications		○ N/A	○ Large; default likely to affect government's creditworthiness	◉ Some financial or reputational damage expected	○ Limited impact		

Overall assessment	Indicative notches
Equalisation	0
High	0-1
Medium	1-2
Limited	2-3

Indicative notching	0
Additional adjustment	0
Final indicative notching	0

Source: Scope Ratings GmbH

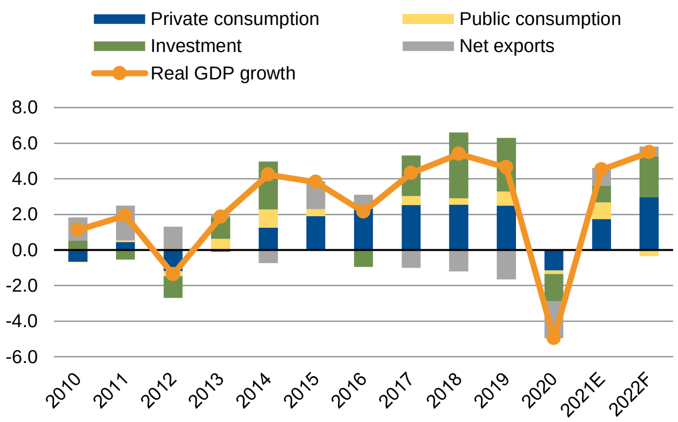
Appendix II. Summary of the guarantor: Hungary

We project the Hungarian economy to recover strongly from the pandemic-induced losses, growing 4.5% this year and 5.5% in 2022. A buyout economy over the medium-term should help the government gradually reduce the debt-to-GDP ratio towards pre-crisis levels of below 70% over the next five years. This debt trajectory assumes real annual growth rates of 3%-4% beyond 2022.

Strong recovery from the pandemic-induced losses

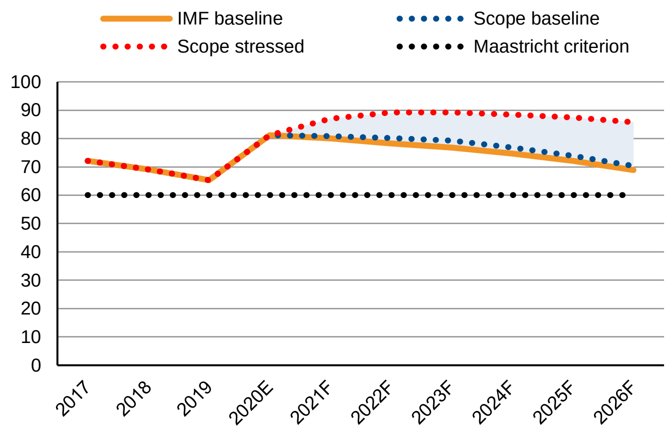
We project a gradual reduction in the structural deficit towards 1% of GDP over the projection horizon, from the 5.7% deficit expected in 2021. However, further debt reduction will continue to hinge on economic performance, reflecting the pro-cyclical budgets of the past, with fiscal consolidation mainly supported via high economic growth. Moreover, the public debt-to-GDP ratio will remain elevated with 80% projected for 2021, reflecting the sizeable fiscal measures to mitigate Covid-19 impacts. This reduces available fiscal space and is among the highest of Central and Eastern European EU members. Improvements in the public debt structure and the expected timely return of the economy to pre-crisis growth mitigate the increased vulnerability of the country's public finances to future shocks, however.

Figure 7: Real GDP growth, Hungary, %



Source: Scope Ratings GmbH

Figure 8: General government debt, Hungary, % of GDP



Source: Scope Ratings GmbH

Improved resilience to external shocks

Hungary's macroeconomic outlook is supported by its solid medium-run growth potential and improved resilience to external shocks. This is underpinned by the economy's strong investment share (27% of GDP over the last three years) due to a sizeable allocation of EU funds, consisting of EUR 7.2bn in grants (5.3% of 2020 GDP) and EUR 9.7bn in loans (7.1%) under the EU's Recovery and Resilience Facility. Hungary has a good record of EU fund absorption and remains attractive to foreign direct investment inflows, with the latter amounting to 1% of GDP over the last three years. These investments have strengthened labour productivity in manufacturing, creating high value-added jobs and supporting the almost doubling of growth potential since 2016 to 4% in the pre-crisis period. Hungary spent 58% of the EU's 2014-20 structural and investment fund allocation as of end-2020, the highest such absorption rate of Central and Eastern European EU members after that of the Baltic states.

The external resilience is supported by the small share of foreign-currency-denominated debt, the balanced current accounts projected for the medium term and deleveraging in the private sector. However, long-run economic growth potential is constrained by growing budgetary pressures in view of adverse demographic developments and a weak social infrastructure, exacerbated by the weakened long-term policy predictability due to the gradual erosion of institutional strengths, strained relations with the EU, and a polarised political environment.

Appendix III. Consolidated financial figures

	2016	2017	2018	2019	2020
Balance sheet summary (HUF m)					
Assets					
Interest-bearing assets	964,797	880,909	881,935	1,119,324	1,568,065
thereof: Cash and debt securities	245,930	182,440	146,879	156,971	457,387
thereof: Loan portfolio	718,867	698,469	735,056	962,353	1,110,678
Non-interest-bearing assets	64,596	156,540	174,696	116,850	315,065
Other assets	262,654	148,623	172,465	191,260	185,601
Total assets	***1,292,047***	***1,186,072***	***1,228,603***	***1,427,433***	***2,068,731***
Total equity and liabilities					
Shareholders' equity	208,969	223,788	220,525	221,123	363,443
External funds	1,075,352	948,363	984,567	1,156,050	1,501,077
Other liabilities	7,177	13,031	19,372	46,355	202,339
Provisions	549	890	2,713	3,905	1,872
Total equity and liabilities	***1,292,047***	***1,186,072***	***1,228,603***	***1,427,433***	***2,068,731***
Income statement summary (HUF m)					
Total operating income	***13,580***	***14,385***	***13,201***	***11,267***	***15,903***
Net interest income	8,086	7,922	9,156	9,307	13,779
Dividend income	5,515	6,636	4,136	1,530	1,830
Net commission and fee income	-21	-173	-91	430	293
Total operating expenses	***-12,650***	***-6,962***	***-8,298***	***-11,707***	***-20,591***
Expenses of banking operations	-10,535	-10,062	-9,833	-9,907	-10,893
Personnel expenses	-6,396	-6,340	-6,802	-6,837	-6,816
Other administrative expenses	-3,638	-3,501	-2,732	-2,436	-3,071
Depreciation	-501	-221	-299	-634	-1,006
Expense reimbursement	2,430	4,552	3,341	3,535	3,932
Effect on profit of changes in impairment and provisions	-4,545	-1,452	-1,806	-5,335	-13,629
Other income/expenses	-94	5,253	-883	840	-4,145
Profit/loss for the year	***836***	***12,676***	***4,020***	***400***	***-8,832***
Selected ratios					
Return on assets (%)	*0.1*	*1.1*	*0.3*	*0.0*	*-0.4*
Return on equity (%)	*0.4*	*6.1*	*1.8*	*0.2*	*-4.0*
Cost-income ratio (%)	*100.2*	*69.6*	*70.9*	*68.5*	*50.2*
Leverage (total balance sheet/equity)	*6.2*	*5.3*	*5.6*	*6.5*	*5.7*
Liquid assets (% of total assets)	*19.0*	*15.4*	*12.0*	*11.0*	*22.1*

Source: MFB Hungarian Development Bank Private Limited Company, Scope Ratings GmbH

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