INDEPENDENT AUDITOR'S REPORT[1]

To the Founder of MFB Magyar Fejlesztési Bank Zártkörűen Működő Részvénytársaság

Report on the audit of the separate financial statements

Opinion

We have audited the accompanying 2023 annual stand-alone financial statement of MFB Magyar Fejlesztési Bank Zártkörűen Működő Részvénytársaság (the Bank") included in the accompanying "549300KCFVCFTUJZYT59-2023-12-31-hu.zip" digital file[2], which comprise the stand-alone statement of financial position as at 31 December 2023 – showing balance sheet total of HUF 3 541 338 million, the stand-alone other comprehensive income with a total comprehensive income for the year of HUF 2 345 million – the related stand-alone income statement , stand-alone statement of changes in shareholders' equity, stand-alone statement of cash flows for the year then ended and notes to the stand-alone annual financial statements, including a summary of material accounting policies.

In our opinion the annual stand-alone financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023 and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for annual stand-alone financial statements prepared in accordance with EU IFRSs.

Basis of opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the annual stand-alone financial statements" section of our report.

We are independent of the Bank in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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[1] This is an English translation of the Independent Auditor's Report on the 2023 annual stand alone financial statement of the MFB Magyar Fejlesztési Bank Zártkörűen Működő Részvénytársaság issued in Hungarian. If there are any differences, the Hungarian language original prevails.

[2] HASH code: 7bdc7d4fe9106ef2a40b3d877c6c790a738bf89c1083ac6d399de13a3021017e

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the annual stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

The key audit matter	How the matter was addressed in our audit
<u>Expected credit losses on loans to customers at amortized cost</u> As at 31 December 2023 the Bank shows loans to customers at amortized cost in the net amount of HUF 1 236 012 million, in connection with HUF 70 665 million loss allowance on loans has been recognized. This means 5.7% loss allowance. 15% of the impairment is accounted for group-valued customers, 85% is individual impairment. The purpose of the impairment loss reserves is to present the Bank's best estimate of expected credit losses for loans granted to customers valued at amortized cost (collectively "loans", exposure) at the end of the reporting period. When determining the impairment loss reserves, the Bank uses complex and subjective judgments in order to provide the most accurate estimate of the amount of the impairment loss. The Bank determines the impairment of individually significant loans based on the estimation of the present value of expected future cash flows and the evaluation of the probability of the estimated outcomes. The present value of the expected future cash flows is influenced by many factors, including the estimation of the expected consideration from the sale of the related collateral and the estimated duration of the disposal process. For group impairment, the Bank applies an approach based on customer rating. Based on the rating of the assignee, estimates of the probability of default and the expected loss in the event of default are significant elements in	<u>Our audit procedures primary included the following:</u> We understood and evaluated the Bank's process for determining expected credit losses, as well as evaluated the design and implementation of related controls, and tested their operational efficiency on a selected sample. We paid special attention to controls over the completeness, adequacy and accuracy of the estimation of expected credit losses. We evaluated the adequacy of the model governance procedures used by the Bank. We evaluated general IT controls and application-level IT controls above the calculation of expected credit losses, in which IT experts were involved. We performed a loan review on a sample of loans granted to individually significant customers based on the underlying credit documentation, which included, among other things, the most recent correspondence with the borrower, the latest loss reserve estimates prepared by the Bank's credit risk managers, the latest available financial information, the latest independent evaluations of collateral, the related committee minutes, and the calculation of individual impairment for bad credit loans the base data of the weighted discounted cash-flow (DCF) calculation model used and whether the model meets the prudential condition of the best estimate. Additionally, we looked at late

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the definition of the group loss reserve. The Bank uses complex models to estimate the probability of default and the expected loss in case of default. In doing so, several scenarios and different assumptions, methods and data are used, the selection of which requires considerable judgment on the part of the Bank. Estimating expected credit losses also includes forward-looking information, including expected macroeconomic variables and their impact on the economy and, ultimately, expected credit losses. The definition of macroeconomic variables and the weighting of macroeconomic scenarios carry significant estimation uncertainty, especially for the current volatile macroeconomic environment. There is a risk that unprecedented changes in the economic environment are not properly incorporated into the estimated credit loss. Determining the importance of loans to customers and expected credit losses determined by the Bank is a complex process that requires a lot of professional judgement. Thus, this area required increased attention during the audit and was therefore identified as a key audit matter.	payment days information and industry benchmarks. With the help of our own financial risk management experts, we evaluated the impairment models and the underlying estimation parameters, as well as recalculated the expected credit losses for loans assessed as a group in terms of impairment. We evaluated the macro models and how the applied variables are consistent with the forecasts published by the National Bank of Hungary ("MNB"). We performed a benchmark analysis in order to assess how well the Bank's most important risk indicators are in line with the general market indicators, taking into account the Bank's special business strategy. We evaluated the completeness, accuracy and relevance of the data used for the estimates related to the evaluation of loans to customers. We assessed the completeness, accuracy and relevance of the disclosures related to loan impairment. (See notes 7.1 and 34.A. to the stand-alone financial statements for the details)

The key audit matter	How the matter was addressed in our audit
Evaluation of investments The net book value of investments in subsidiaries and associates: HUF 433 214 million, of which HUF 210 829 million is invested in venture capital and private equity funds, loss due to accumulated impairment: HUF 26 617 million on 31 December 2023. The book value of the debt securities, held for non-trading purposes, mandatorily fair valued through profit or loss: HUF 603 156 million, which fully covers the investments made in private equity funds. The value of financial assets valued at fair value against other comprehensive income is HUF 570 million on 31 December 2023. The book value of the Bank's investments in venture capital and private equity funds on 31 December2023 is HUF 813 985 million, which is 23% of the total assets. Complex rules apply to the accounting and evaluation of investments in venture capital and private equity funds. Significant judgment is required in determining how each type of investment should be accounted for, including which accounting policy choices apply to them (e.g. valuation at cost less impairment or fair value). The Bank conducts the impairment test of investments in venture capital and private equity funds, that held among investments in Subsidiaries and associates, using a so-called "plan performance" model, which compares the actual performance of the fund with the performance indicators defined in the approved plans, including the net asset value of the fund, taking into account the past and expected future development of various macroeconomic factors. The fair value of investments in private equity funds shown among debt securities held for	Our audit procedures primary included the following: We understood the Bank's processes for the evaluation of investments and the controls introduced over the processes. We examined the Bank's analyses, that was the basis of development its procedures for the accounting and evaluation of individual investments and evaluated their compliance with accounting standards. We learned about the Bank's estimation methods and evaluated their reasonableness based on our professional judgment and sector knowledge. We also evaluated the completeness, accuracy and relevance of the data used for the estimates related to the evaluation of investments. We examined documents supporting the valuation of investments in venture capital and private equity funds, including custodian net asset value statements, fund management policies and valuations available from fund managers for certain underlying investments. We examined the mathematical correctness of the calculations supporting the valuation of the investments on the reporting date. We assessed the completeness, accuracy and relevance of the disclosures related to the valuation of the investments. (See notes 5. and 8. to the stand-alone financial statements for the details)

trading purposes Mandatorily fair valued against profit or loss is determined using the fund's net asset value, which is adjusted by the effect of the guaranteed return provided to the Bank. The net asset value of private equity funds is determined on a fair value basis by the fund managers. However, these private equity funds make such uniquely significant investments in target companies (hereinafter: "underlying investments"), the majority of the underlying investments are at the beginning of the investment period, thus the determination of their fair value contains significant estimation uncertainty and significant judgments are required in relation to the future cash flows generated by the underlying investment. Due to the importance of investments in venture capital and private equity funds, the outstanding increase in the amount of investments, as well as the high level of complexity and judgment required by the Bank's determination of impairment and fair value, this area required increased attention during the audit and was therefore considered a key audit matter.	

Other Matters

The Bank's annual stand-alone financial statements for the year ending 31 December2022 were audited by another auditor, who issued an unqualified opinion on them on 25 April 2023.

Other Information

Other information consists of the 2023 business report[3] ("MFB_egyedi_2023_üzleti jelentés.xhtml") and management report[4] ("549300KCFVCFTUJZYT59-2023-12-31-hu.zip") in accompanying digital files of the Bank, which have been made available to us before the date of our independent auditor's report. The annual report of 2023 is expected to be made available after the date of our independent auditor's report.

Management is responsible for the other information, including preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. "Our opinion" on the annual stand-alone financial statements does not cover the other information.

[3] HASH code: 49ef5575c82688217cc5cb3eb30c2f25b171c78da5ce149e712d5dbc13233dce

[4] HASH code: 7bdc7d4fe9106ef2a40b3d877c6c790a738bf89c1083ac6d399de13a3021017e

In connection with our audit of the annual stand-alone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual stand-alone financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on our work performed, we conclude that the other information is materially misstated we are required to report this fact and the nature of such misstatement.

Our opinion on the business report should include the information required according to Subsection (2) e) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available and whether the business report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

When fulfilling this responsibility we have considered the following law: Commission (EU) Regulation 2019/815 of 17 December 2018, as such prescribing specific requirements for the business report, in relation with forming our opinion on the business report.

In our opinion, the business report of the Bank, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law is consistent, in all material respects, with the 2023 annual stand-alone financial statements of the Bank and the relevant requirements of the Hungarian Accounting Law and the other law listed above.

We also confirm that the Bank have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the business report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Bank and its environment during our audit we are required to report whether we have identified any material misstatement in the other information, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

When we read the sections of the annual report, which had not yet been made available to us at the date of this report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the annual stand-alone financial statements

Management is responsible for the preparation and fair presentation of the annual stand-alone financial statements in accordance with the EU IFRSs and for the preparation in accordance with the supplementary requirements of the Hungarian Accounting Law relevant for annual stand-alone financial statements prepared in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of annual stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual stand-alone financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going

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concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the annual stand-alone financial statements

Our objectives are to obtain reasonable assurance about whether the annual stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these annual stand-alone financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the annual stand-alone financial statements, including the disclosures, and whether the annual stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the annual stand-alone financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

In accordance with Article 11 of the Regulation (EU) No. 537/2014 we make the following statements in our independent auditor's report in addition to the reporting obligations required by the Hungarian National Auditing Standards.

Appointment and Approval of Auditor

K-E-S AUDIT Kft. is appointed as statutory auditor of the Bank by the 11/2023. (IV. 26.) Founding Resolution for the 2023 business period.

Consistency with Additional Report to Audit Committee

Our audit opinion on the 2023 annual stand-alone financial statements expressed herein is consistent with the additional report to the audit committee of the Bank, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on 8 April 2024.

Non audit services

We have not provided to the Bank the prohibited non-audit services (NASs) as set out by Article 5(1) of EU Regulation (EU) No 537/2014 and in terms of the member state derogations by the Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors in force in Hungary. We also remained independent of the audited entity in conducting the audit.

Report on compliance of the presentation of annual stand-alone financial statements with the requirements set out in the regulation on the single electronic reporting format

We have undertaken a reasonable assurance engagement on compliance of the presentation of annual stand-alone financial statements of the Bank included in the "549300KCFVCFTUJZYT59-2023-12-31-hu.zip" digital file[5] ("ESEF format annual stand -alone financial statements") with the requirements set out in Commission Delegated Regulation (EU) a 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("ESEF Regulation").

Responsibilities of the management and those charged with governance for the annual stand-alone financial statements in ESEF format

The Bank's management is responsible for preparing the annual stand-alone financial statements in ESEF format that comply with the ESEF Regulation. This responsibility includes:

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[5] HASH code: 7bdc7d4fe9106ef2a40b3d877c6c790a738bf89c1083ac6d399de13a3021017e

- the preparation of annual stand-alone financial statements in the applicable XHTML format;
- the design, implementation, and maintenance of internal control relevant to the application of the ESEF.

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

Our responsibility and summary of the work performed

Our responsibility is to express an opinion on whether the annual stand-alone financial statements in ESEF format complies, in all material respects, with the requirements of the ESEF Regulation based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Hungarian National Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000).

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the ESEF Regulation. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. Our reasonable assurance engagement included obtaining an understanding of the Bank's internal controls relevant to the application of the requirements of the ESEF Regulation and verifying whether the XHTML format was applied properly.

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

Opinion

In our opinion, the annual stand-alone financial statements in ESEF format of the Bank for the year ended 31 December 2023 included in the digital file[6] "549300KCFVCFTUJZYT59-2023-12-31-hu.zip" identified in our report complies, in all material respects, with the requirements of the ESEF Regulation.

Budapest, 8 April 2024.

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Sugár Eszter Szilvia

Elektronikusan aláírta:
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[6] HASH code: 7bdc7d4fe9106ef2a40b3d877c6c790a738bf89c1083ac6d399de13a3021017e