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# Flash Report presentation 3Q 2019 MKB Group

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28. November 2019



Tradition  
Innovation  
Cooperation



# Executive summary

Business environment

Financials at a glance MKB Group

Adjusted Profit After Tax, Total Comprehensive Income

Profit and Loss, KPIs

Capital position

Business income

General administrative expenses

Portfolio quality

Business segments results

Corporate segment

Leasing segment

Retail segment

Investments, Private Bank and Treasury activities

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Strategic Partners' Performances

Abbreviations

Disclaimer



- **Outstanding profit** propelled by stable business revenues and in 3Q concentrated fair value gains
- **Increasing capital**
- **Steadily above 4.0% CIM**
- **44% CIR** as a result of outstanding revenue and improved cost efficiency
- **Further improving NPL ratio**
- The MKB Group is on its way to meet EU commitments

- **Portfolio divestments:** A large NPL portfolio (>HUF 15 bln) was divested, along with the sale of a performing large corporate deal
- **MÁP+:** a significant part of the HUF 0.9 bln trading commission of government securities can be linked to MÁP+
- **„Babaváró” loan:** the sale has started on July 1st, 2019; loan agreement in the tune of HUF 6.2 bln disbursement as of end of 3Q



TOCI

 **HUF 30.5 bln**   
(+86.07%; +75.56%)



PAT

 **HUF 33.6 bln**   
(-2.95%; +129.98%)



ROAE

 **26.35%**   
(-5.1%-pt; +25.6%-pt)



CIM

 **4.17%**   
(+0.1%-pt; -0.3%-pt)



GAE

 **HUF 26.6 bln**   
(-12.39%; -5.86%)



CIR

 **43.96%**   
(-3.4%-pt; -32.3%-pt)



Risk%

 **0.11%**   
(-2bps; +2.6%-pt)

NPL%

 **4.0%**   
(-5.9%-pt; -0.4%-pt)

CAR

 **18,16%**   
(+3.0%-pt; -1.2%-pt)

EU commitments



adjusted data (y/y YTD; p/p)

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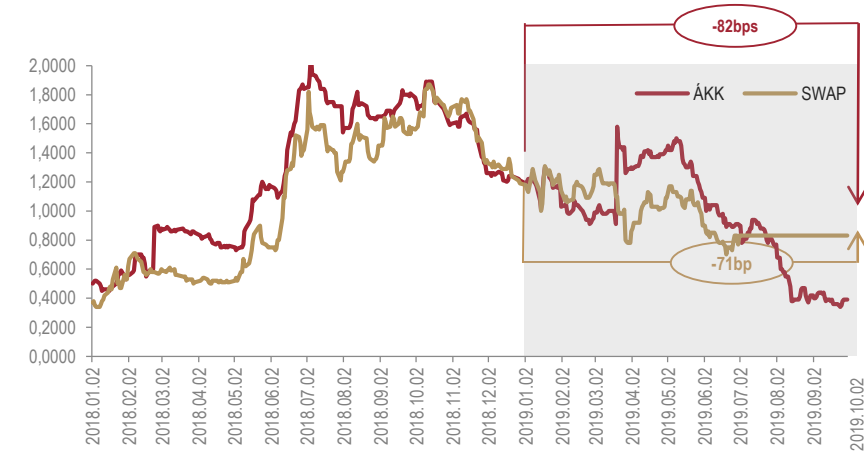
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- Continued decline in yields
- As of September inflation fell below the 3% target, yet core inflation is still high (3.9%)
- During the first eight months of 2019, wage inflation was 10.7% (annualized)
- 3Y ÁKK-SWAP spread significantly narrowed (23 bps p/p)

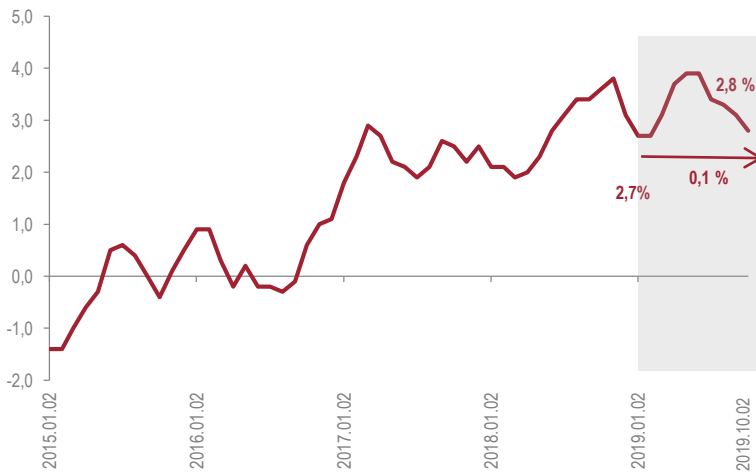
EUR/HUF rate



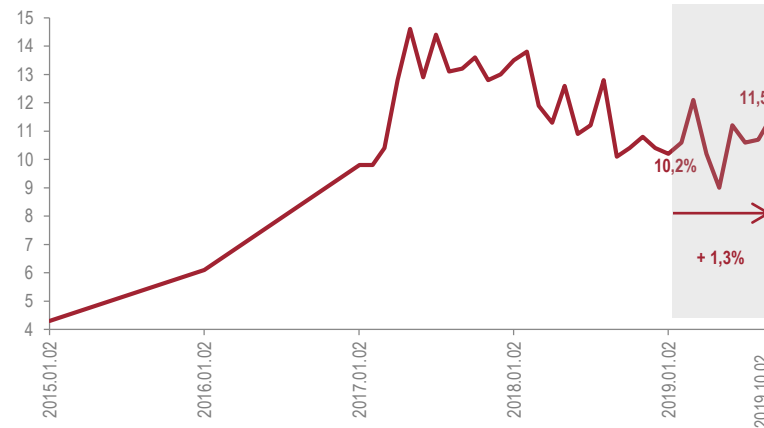
3 years ÁKK and SWAP yields (%)



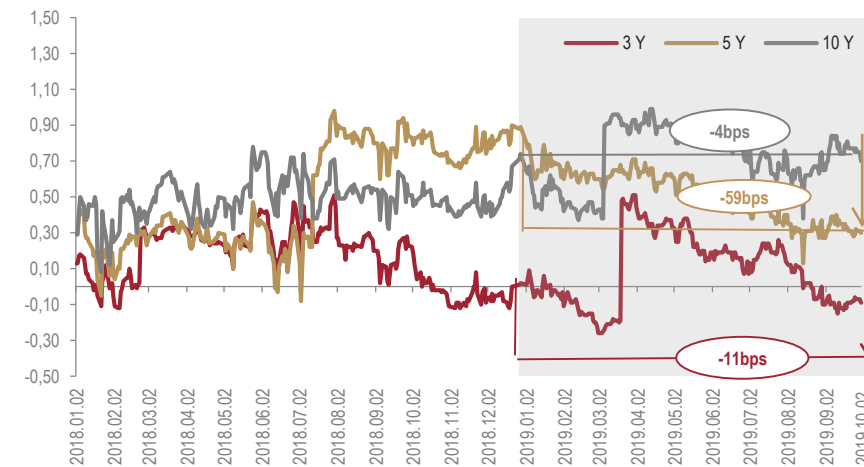
Average inflation (y/y %)



Average wage growth (y/y %)



ÁKK-SWAP spread



Source: KSH, MNB

# Financials at a glance

## MKB Group

- Adjusted Profit After Tax
- Total Comprehensive Income
- Profit and Loss
- KPIs



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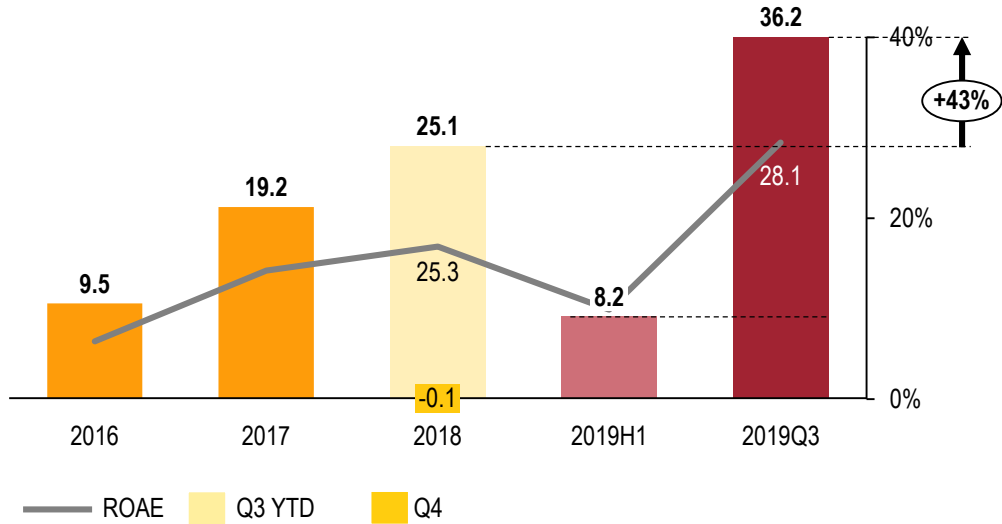
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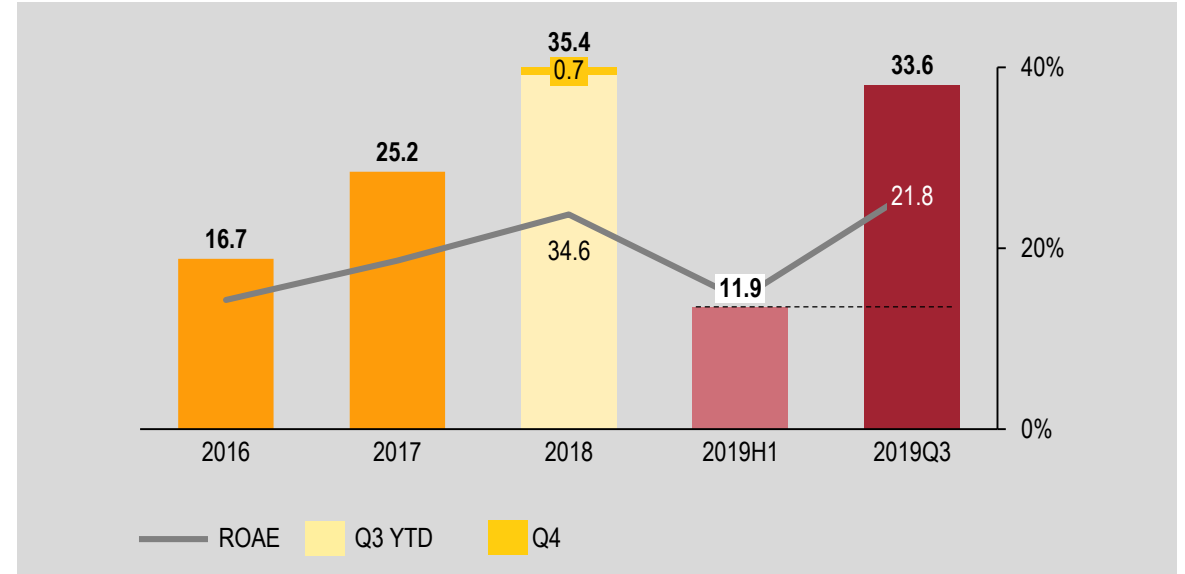
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Profit after tax (HUF bln, YTD) and ROAE (%)

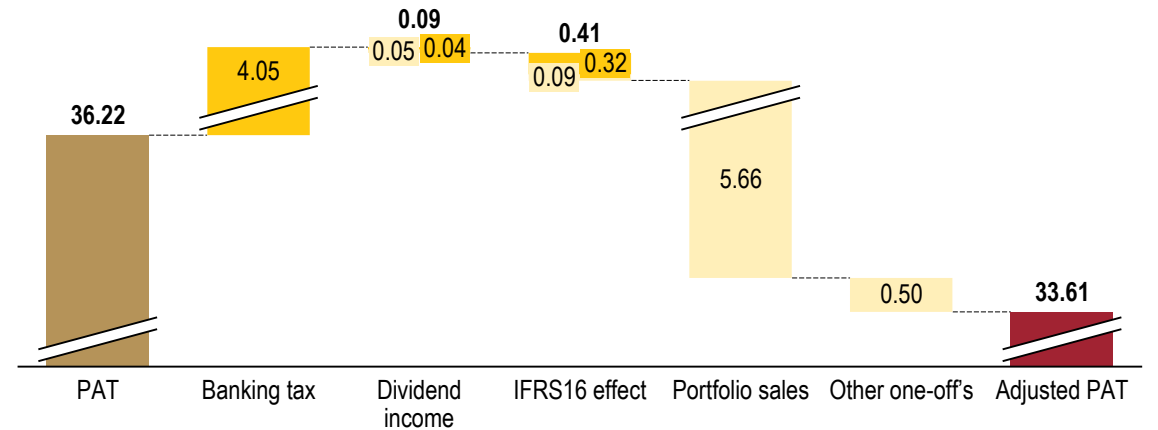


Adjusted Profit after tax (HUF bln, YTD) and ROAE (%)



- **44.1% y/y increasing cumulated profit after tax:** outstanding, HUF 28.1 bln profit generation in 3Q
- Effect of adjusting the ALM portfolio to a macro environment different than previously expected was concentrated in 3Q, ensuring the profitability for the year as expected
- **HUF 6.2 bln income from one-off items** (including **portfolio sales**; see adjustments on the right)

3QYTD 2019 adjusted Profit After Tax breakdown (HUF bln)



H1 Q3

Excellent PAT with significant one-off items in 3Q 2019

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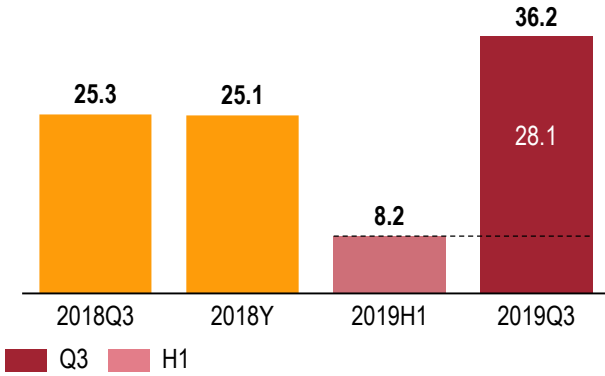
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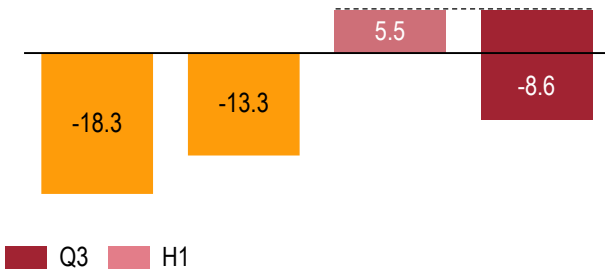
Total Comprehensive Income  
(YTD, HUF bln)

PAT

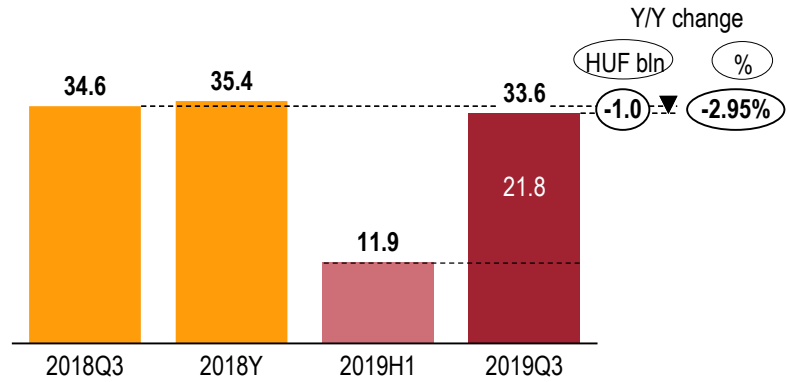


Adjusted Total Comprehensive Income  
(YTD, HUF bln)

OCI

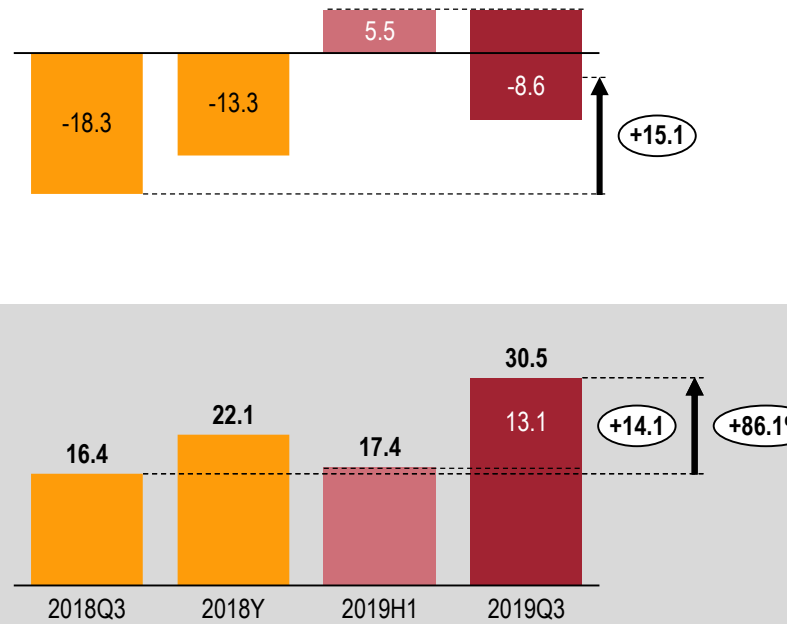
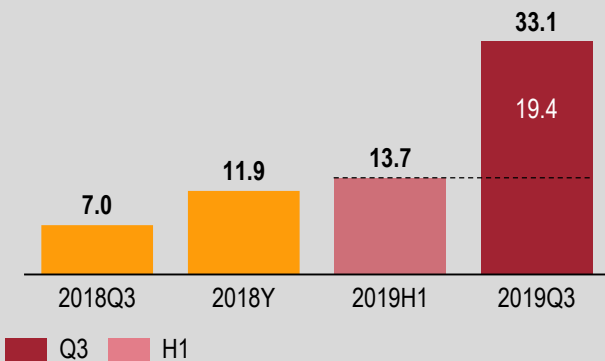


Y/Y change



- Increasing TOCI y/y by HUF 14.1 bln: excellent profit after tax and increasing Comprehensive Income (OCI) y/y by HUF 15.1 bln
- HUF -3.1 bln YTD OCI: in line with the adaptation of the portfolio to the new yield levels in 3Q 2019, HUF 8.6 bln decrease of revaluation reserves took place

TOCI



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P&L (HUF bln)	2018				2019				Y/Y (Y) %	P/P %	Y/Y (P) %
	3Q	3Q(Y)	4Q	4Q(Y)	2Q	1H	3Q	3Q(Y)			
Net operating income <sup>1</sup>	8.3	33.7	-0.5	33.1	6.7	8.3	25.6	33.9	0.65%	281.81%	208.38%
<b>Gross operating income<sup>1</sup></b>	<b>19.0</b>	<b>64.0</b>	<b>14.0</b>	<b>78.0</b>	<b>15.5</b>	<b>26.6</b>	<b>33.8</b>	<b>60.4</b>	<b>-5.53%</b>	<b>119.03%</b>	<b>77.67%</b>
Net interest income	10.82	31.10	9.40	40.50	10.82	21.53	10.48	32.01	2.90%	-3.18%	-3.15%
Net fee income	6.59	20.62	5.29	25.91	6.44	11.72	7.75	19.47	-5.59%	20.38%	17.69%
Other Income <sup>2</sup>	1.64	12.25	-0.64	11.61	-1.81	-6.65	15.62	8.96	-26.84%	-	-
<b>General admin. expenses<sup>1;5</sup></b>	<b>-10.7</b>	<b>-30.3</b>	<b>-14.6</b>	<b>-44.9</b>	<b>-8.7</b>	<b>-18.3</b>	<b>-8.2</b>	<b>-26.6</b>	<b>-12.39%</b>	<b>-5.86%</b>	<b>-23.38%</b>
<b>Provisions<sup>1</sup></b>	<b>-0.5</b>	<b>1.1</b>	<b>0.7</b>	<b>1.8</b>	<b>2.2</b>	<b>3.4</b>	<b>-3.8</b>	<b>-0.4</b>	<b>-134.94%</b>	<b>-272.94%</b>	<b>-</b>
Provision for losses on loans	-0.72	0.88	1.05	1.93	2.18	3.39 <sup>4</sup>	-4.20	-0.81	-192.87%	-292.42%	-
Other provisions and impairments	0.25	0.25	-0.35	-0.10	0.01	0.01	0.41	0.42	64.65%	-	62.48%
<b>Adjusted PBT<sup>1</sup></b>	<b>7.8</b>	<b>34.8</b>	<b>0.2</b>	<b>34.9</b>	<b>8.9</b>	<b>11.6</b>	<b>21.8</b>	<b>33.5</b>	<b>-3.76%</b>	<b>145.33%</b>	<b>178.38%</b>
Taxation	1.51	-0.15	0.58	0.44	0.56	0.22	-0.08	0.14	-195.81%	-113.81%	-105.12%
<b>Adjusted PAT</b>	<b>9.4</b>	<b>34.6</b>	<b>0.7</b>	<b>35.4</b>	<b>9.5</b>	<b>11.9</b>	<b>21.8</b>	<b>33.6</b>	<b>-2.95%</b>	<b>129.98%</b>	<b>132.56%</b>
Adjustments total <sup>3</sup>	2.1	9.4	0.9	10.2	-0.2	3.7	-6.3	-2.6	-127.84%	-	-
Profit after tax (PAT)	7.3	25.3	-0.1	25.1	9.6	8.2	28.1	36.2	43.43%	191.26%	286.78%
Revaluation on AFS financial assets (OCI)	1.0	-18.3	5.0	-13.3	1.7	5.5	-8.6	-3.1	-82.75%	-	-
<b>Total Comprehensive Income</b>	<b>8.2</b>	<b>7.0</b>	<b>4.9</b>	<b>11.9</b>	<b>11.4</b>	<b>13.7</b>	<b>19.4</b>	<b>33.1</b>	<b>372.97%</b>	<b>70.57%</b>	<b>136.30%</b>

<sup>1</sup>Adjusted figures

<sup>2</sup>Net other Income contains FX+FV result too

<sup>3</sup>The 3.1 chapter of the Flash report contains the list of adjustments

<sup>4</sup>It contains the PNL result of the 3Q 2019 portfolio sale

<sup>5</sup>Due to subsequent technical correction of 1H 2018 data, the different between 3Q 2018(Y) and 3Q 2018 costs is not the same as previous published data in 1H 2018.

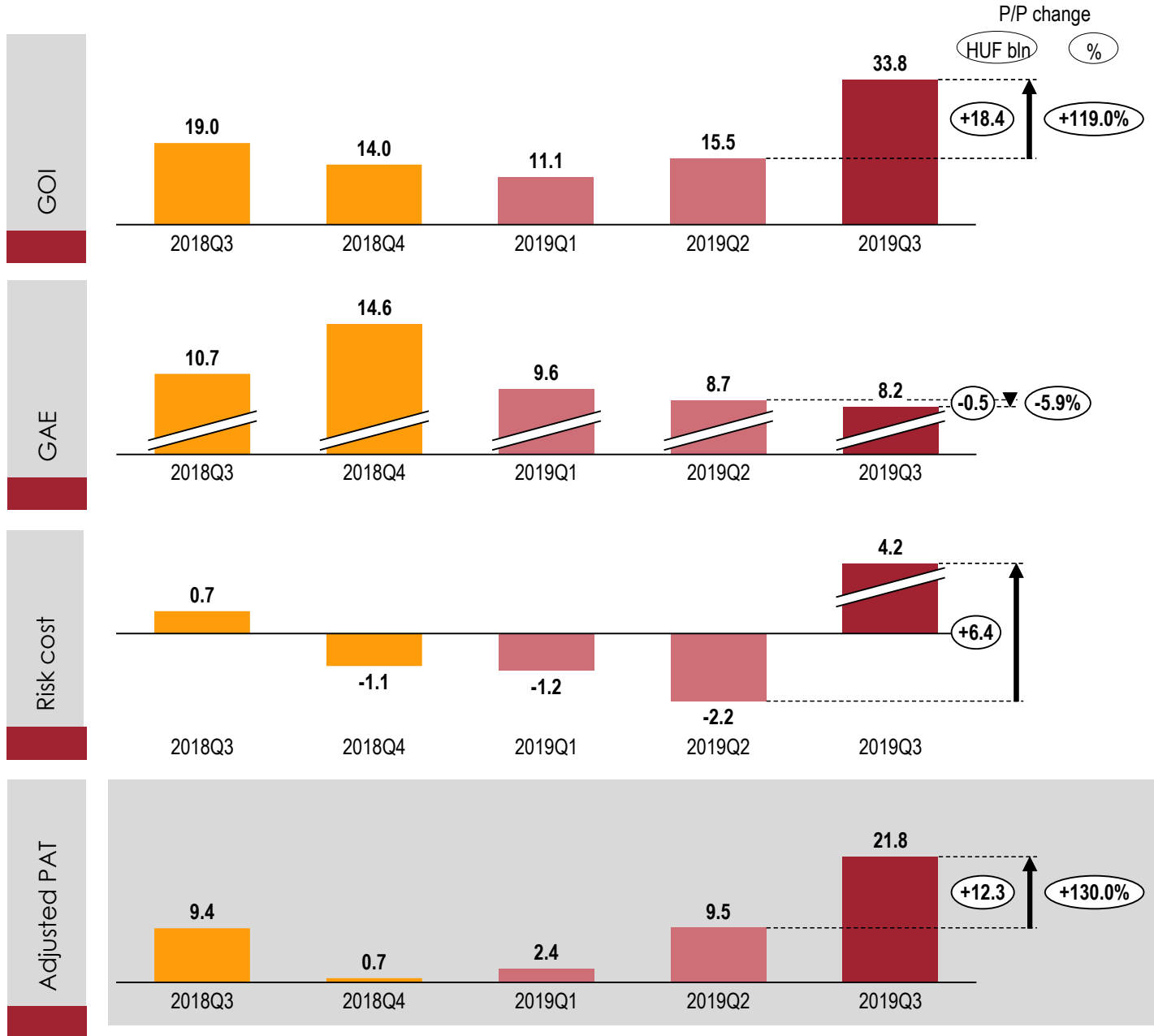
**Excellent performance in 3Q19; the so far outstanding cost-effectiveness further improved**

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- **Outstanding adjusted profit after tax: HUF 21.8 bln (+12.3 bln p/p, +14.5 bln y/y):** impressive income, low cost level
- **HUF 33.8 bln net income:** Concentrated ALM portfolio result in Q3, expected stable business revenue
- **Operative costs continued to decline: HUF 8.2 bln (-3,5 bln y/y; -0,5 bln p/p)**
  - Personal cost remained at the same level as in 1H19 due to wage inflation
  - Increasing amortization due to asset activation effect
  - Operating expenses decreased with HUF -0.7 bln p/p
- Cumulative **risk cost** according to improving portfolio quality: only net HUF 0.8 bln charge in 2019

# Significant increase in p/p earnings

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Balance sheet (HUF bln)	2018		2019		Y/Y %	P/P %	YTD %
	3Q	4Q	1H	3Q			
Financial assets	101.6	82.9	147.4	95.5	-5.98%	-35.22%	15.26%
Trading portfolios	115.5	79.3	40.6	44.4	-61.59%	9.36%	-44.06%
Securities	815.1	710.7	618.9	757.3	-7.09%	22.36%	6.57%
Customer Loans (net)	939.2	895.2	924.8	942.3	0.34%	1.89%	5.27%
Customer Loans (gross)	1,029.1	965.3	967.7	986.0	-4.19%	1.89%	2.15%
Provision for Customer loans	-90.0	-70.1	-42.9	-43.7	-51.45%	1.81%	-37.69%
Total Other assets	92.3	89.5	95.9	95.4	3.37%	-0.50%	6.61%
<b>Total Assets</b>	<b>2,063.7</b>	<b>1,857.6</b>	<b>1,827.7</b>	<b>1,935.0</b>	<b>-6.24%</b>	<b>5.87%</b>	<b>4.17%</b>
Interbank liabilities	326.1	214.3	206.2	235.4	-27.83%	14.17%	9.82%
Deposits & C/A	1,427.6	1,372.0	1,330.2	1,365.9	-4.32%	2.69%	-0.44%
Issued debt securities	8.2	5.0	2.1	0.0	-100.00%	-100.00%	-100.00%
Other liabilities	120.1	80.1	80.2	103.7	-13.61%	29.31%	29.56%
Subordinated debt	27.9	28.0	37.7	39.4	41.40%	4.60%	40.83%
Shareholders' Equity	153.8	158.2	171.3	190.5	23.84%	11.23%	20.46%
<b>Total Liabilities &amp; Equity</b>	<b>2,063.7</b>	<b>1,857.6</b>	<b>1,827.7</b>	<b>1,935.0</b>	<b>-6.24%</b>	<b>5.87%</b>	<b>4.17%</b>
Customer off balance items	410.9	427.6	400.7	405.5	-1.32%	1.21%	-5.17%

- **Managed customer liabilities according to EU commitments:** HUF 35.7 bln p/p increase (-61.7 bln y/y)
- **Growing securities portfolio:** HUF 757.3 bln (-57.8 bln y/y; +138.4 bln p/p). The liquidity surplus drained by securities portfolio due to the RWA limited business activity
- **Increasing subordinated debt due to the fx rate effect:** HUF 39.4 bln (+11.5 bln y/y; +1.7 bln p/p). EUR/HUF +11.11 HUF, +3.4% p/p
- **Ongoing capital accumulation:** HUF 190.5 bln (+36.7 bln y/y; +19.2 bln p/p)

KPIs based on adjusted PAT	3Q	2018 3Q(Y)	4Q(Y)	2019				Y - Y (Y)	P - P	Y - Y (P)
				2Q	1H	3Q	3Q(Y)			
<b>Profitability</b>										
<b>TRM</b> - Total revenue margin	3.72%	4.22%	3.89%	3.30%	2.83%	7.20%	4.28%	0.1%-pt	3.9%-pt	3.5%-pt
<b>NIM</b> - Net income margin	2.11%	2.05%	2.02%	2.31%	2.29%	2.23%	2.27%	0.2%-pt	-0.1%-pt	0.1%-pt
<b>NFM</b> - Net fee margin	1.29%	1.36%	1.29%	1.38%	1.25%	1.65%	1.38%	0.0%-pt	0.3%-pt	0.4%-pt
<b>CIM</b> - Core income margin	3.66%	4.02%	3.96%	4.51%	4.14%	4.22%	4.17%	0.1%-pt	-0.3%-pt	0.6%-pt
<b>GOI/RWA</b> - RWA efficiency	7.65%	8.76%	8.06%	6.76%	5.79%	14.82%	8.79%	0.0%-pt	8.1%-pt	7.2%-pt
<b>Risk%</b> - Risk cost rate	0.28%	-0.12%	-0.19%	-0.90%	-0.70%	1.72%	0.11%	0.23%-pt	2.6%-pt	1.4%-pt
<b>Efficiency</b>										
<b>CIR</b> - Cost-Income ratio	56.40%	47.40%	57.57%	56.58%	68.96%	24.32%	43.96%	-3.4%-pt	-32.3%-pt	-32.1%-pt
<b>C/TA</b> - Cost to total assets	2.10%	2.00%	2.24%	1.87%	1.95%	1.75%	1.88%	-0.1%-pt	-0.1%-pt	-0.3%-pt
Cost/(income+OCI)	53.68%	66.34%	69.35%	50.83%	57.15%	32.66%	46.37%	-20.0%-pt	-18.2%-pt	-21.0%-pt
<b>ROAE</b> - Return on average equities	24.94%	31.48%	23.73%	22.52%	14.41%	48.10%	26.35%	-5.1%-pt	25.6%-pt	23.2%-pt
<b>ROMC</b> - Return on minimum capital	27.99%	38.42%	28.98%	29.51%	18.68%	67.79%	35.16%	-3.3%-pt	38.3%-pt	39.8%-pt
<b>ROAA</b> - Return on average total assets	1.83%	2.28%	1.76%	2.02%	1.26%	4.62%	2.38%	0.1%-pt	2.6%-pt	2.8%-pt
<b>Share information</b>										
<b>EPS</b> - Earning per share (HUF, annualized)	374.1	461.8	353.7	378.3	237.2	870.1	448.2	-13.6	491.7	495.9

Better than expected cost-to-income ratio

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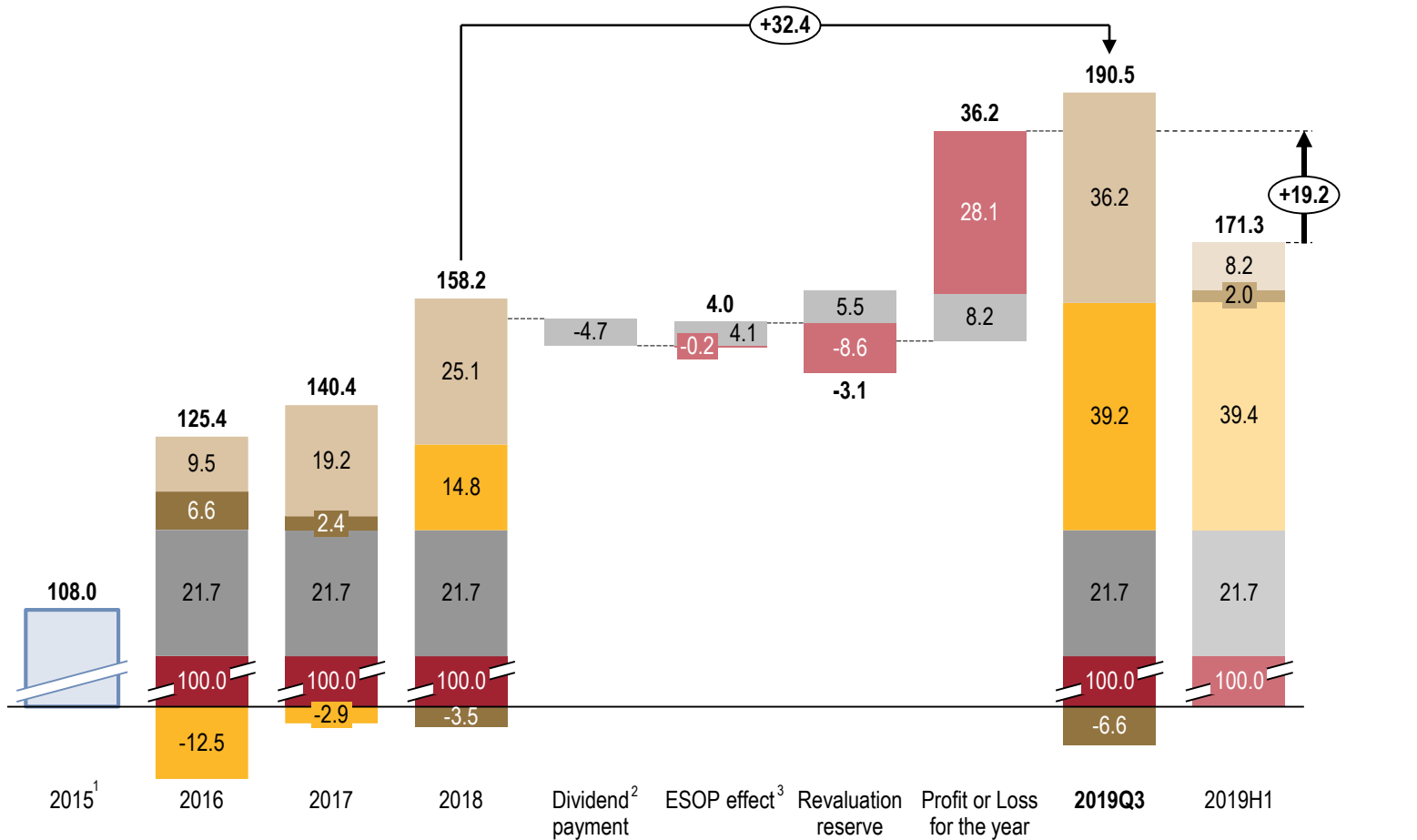
	2018		2019		Y - Y	P - P	YTD
	3Q	4Q	1H	3Q			
<b>Volume KPIs</b>							
LTD - Loan to deposit ratio	72,09%	70,36%	72,75%	72,19%	0,7%-pt	-0,6%-pt	1,8%-pt
Securities ratio	43,94%	41,56%	35,11%	40,26%	-8,8%-pt	5,1%-pt	-1,3%-pt
Provision to total assets	4,36%	3,77%	2,35%	2,26%	-2,0%-pt	-0,1%-pt	-1,5%-pt
<b>RWA/TA</b> - RWA/total assets	47,48%	49,57%	49,67%	47,52%	2,2%-pt	-2,1%-pt	-2,1%-pt
<b>CAR</b> - Capital adequacy ratio	16,32%	17,90%	19,32%	18,16%	3,0%-pt	-1,2%-pt	0,3%-pt
<b>Portfolio quality</b>							
DPD90+ rate	5,66%	5,11%	2,96%	2,61%	-2,7%-pt	-0,4%-pt	-2,5%-pt
DPD90+ coverage	154,56%	142,09%	148,88%	169,55%	-5,7%-pt	20,7%-pt	27,5%-pt
NPL rate	10,30%	8,35%	4,43%	4,00%	-5,9%-pt	-0,4%-pt	-4,4%-pt
NPL coverage	84,89%	86,95%	99,53%	110,67%	14,6%-pt	11,1%-pt	23,7%-pt
Stage 1 loans (HUF bln)	857,7	819,4	852,9	843,7	-4,8	-9,2	24,3
Stage 2 loans (HUF bln)	54,8	51,4	59,6	76,0	4,8	16,4	24,6
Stage 3 loans (HUF bln)	91,7	61,0	38,9	36,1	-52,8	-2,8	-24,9
POCI (HUF bln)	17,6	17,4	7,5	7,0	-10,1	-0,5	-10,4

# Capital position

- Capital accumulation
- Capital adequacy







Profit or Loss for the year
  Retained earnings
  Subscribed capital
  3Q change
  1H change
  Revaluation reserve of AFS securities
  Capital reserve

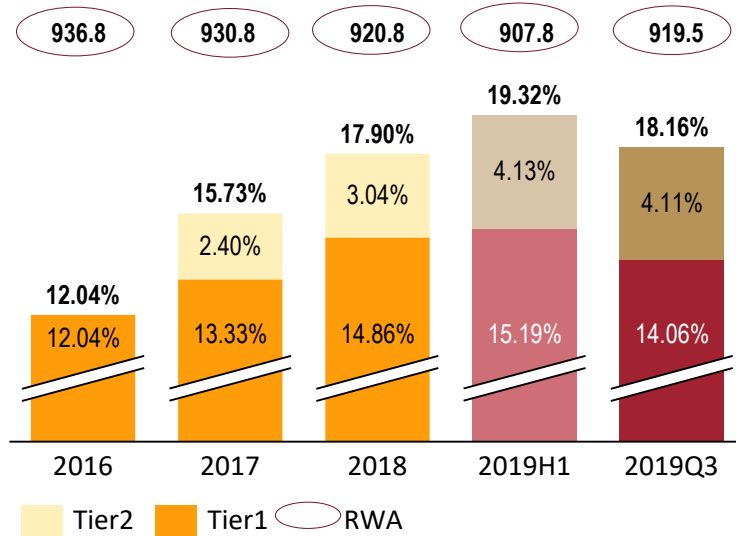
<sup>1</sup>Shareholders' equity for 2015 has not been disclosed in detail due to significant restructuring within the year.

<sup>2</sup>Dividend payment: MKB Bank's General meeting decided to pay dividend of HUF 4.8bln (HUF 4.7bln including ESOP effect).

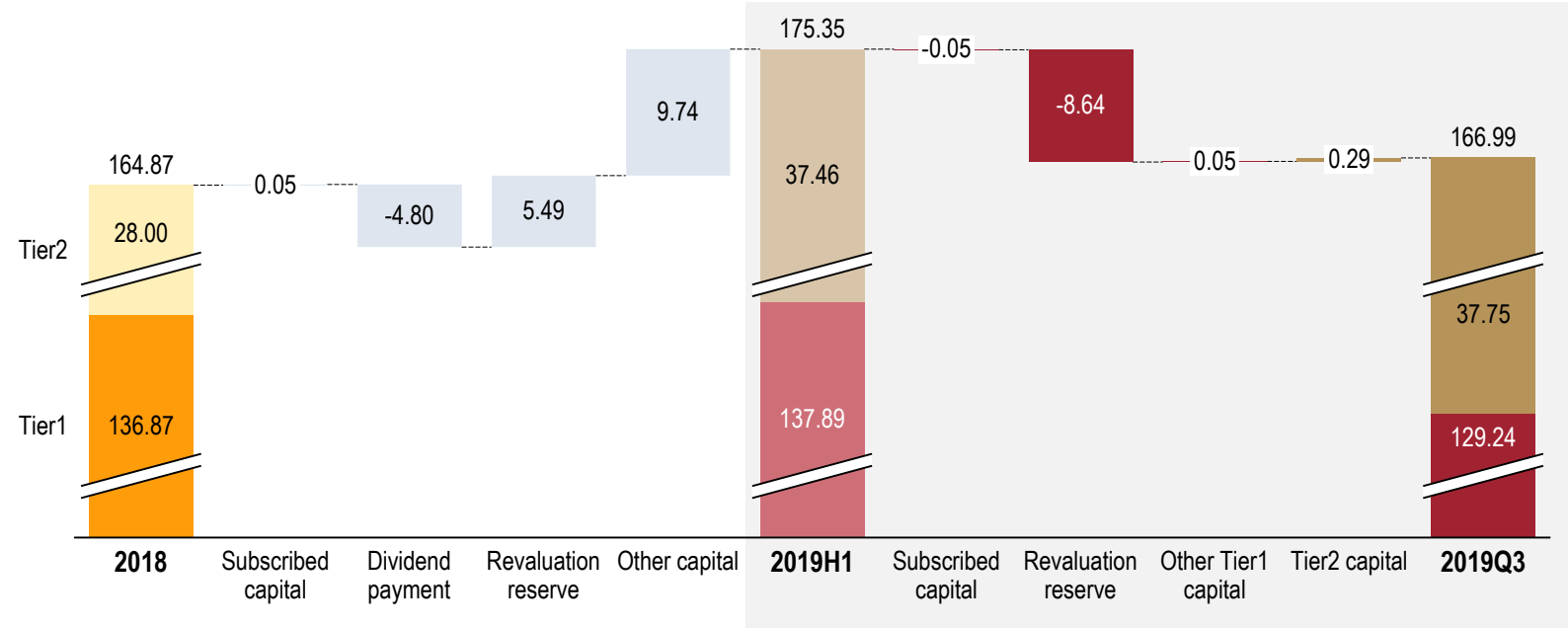
<sup>3</sup>ESOP Effect: settlement of ESOP

- **Intensive capital accumulation:**
  - 3Q HUF +19.2 bln, +11.2% p/p
  - 3Q(Y) HUF +32.4 bln +20.5% y/y
- HUF 19.2 bln is mainly derived from:
  - HUF +28.1 bln PAT
  - HUF -8.6 bln OCI

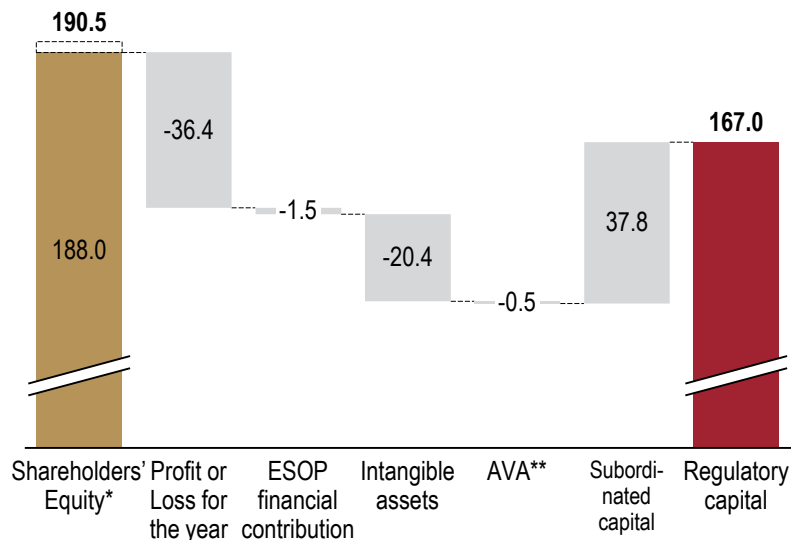
## Total RWA (HUF bln), CAR (%)



## Development of regulatory capital (HUF bln)



## Regulatory capital formulation (HUF bln)



- **CAR 18.2% in 3Q:** negative fair value of FVTPL portfolio results in HUF 8.4bln p/p decrease of regulatory capital. The profit for the year would be considered in the regulatory capital after the yearly financial audit
- **RWA: HUF 919.5 bln** (-1.3 bln y/y, +11.7 bln p/p), in line with EU commitments

\* equity under IFRS and prudential consolidation differ due to differences in the range of firms included in the calculation

\*\* AVA = Asset value adjustment – CRR specification

# Business income

- Net interest income
- Net fee income
- Other income





- **Stable net interest income: HUF 10.5 bln** (-0.34 bln y/y; -0.33 bln p/p). Due to the impact of the steadily low yield environment and the limited customer portfolio growth
  - **Improving net fee result: HUF 7.75 bln** (+1.16 bln y/y; 1.31 bln p/p). Positive effect of MÁP+ government bonds sale together with turnover and disbursement commissions
  - **Above 4.0%, steady business margin:** despite the constraints imposed upon the business activity of the Group, operating profit could growth (+1.1 bln y/y)
  - **Robust revaluation result: HUF 17.4 bln** (+13.1 bln y/y; +19.4 bln p/p), which is offset by HUF -8.6 bln FVTOCI net result
- Due to the unique nature of the balance sheet composition, MKB Bank maintains **significant liquid portfolio**. Thanks to the specialities of the Hungarian government market, it is possible to place this liquidity in **securities with considerable profitability**
- However, the realisation of the underlying value of the portfolio is subject to the **momentarily changes** of yield environment
- The yields during 1H 2019 were significantly different what we expected, and as a result of adapting the portfolio to the stabilizing new yield levels in 3Q 2019, the revaluation result of such moves **concentrated in 3Q**, compensating the poor results of 1H 2019

\*other income + FV + OCI

# The declining yield environment affects mainly the other income

# General administrative expenses

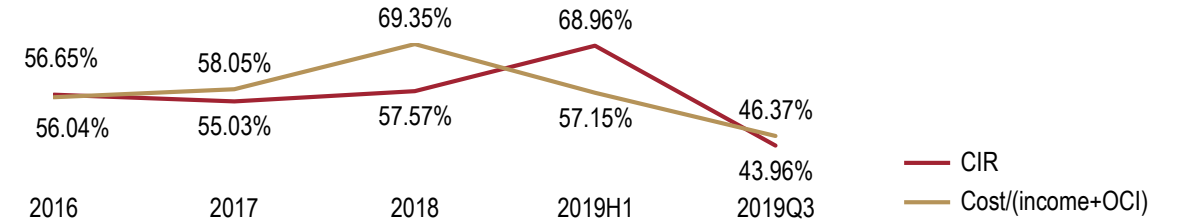
- Cost structure
- Cost efficiency



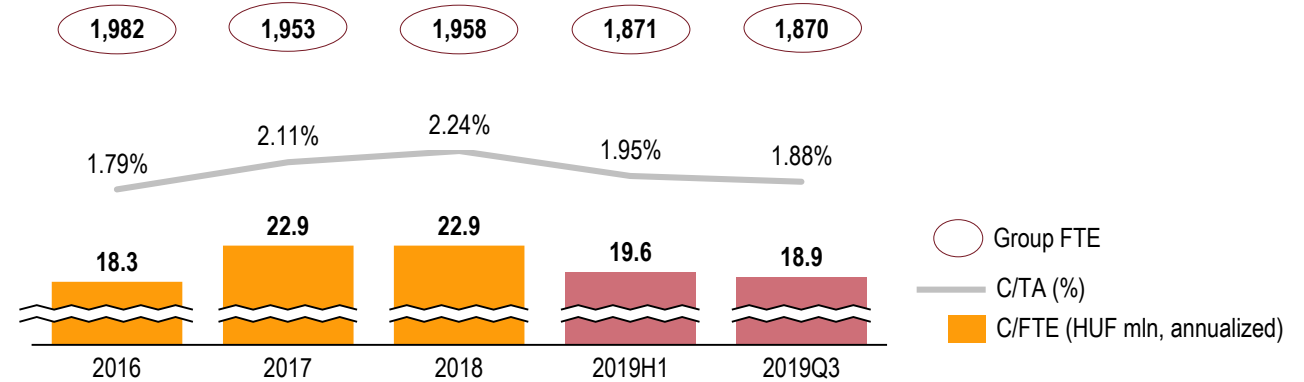
### Breakdown of GAE (HUF bln)



### Cost rates (cumulated, %)



### Cost efficiency and headcount (FTE)



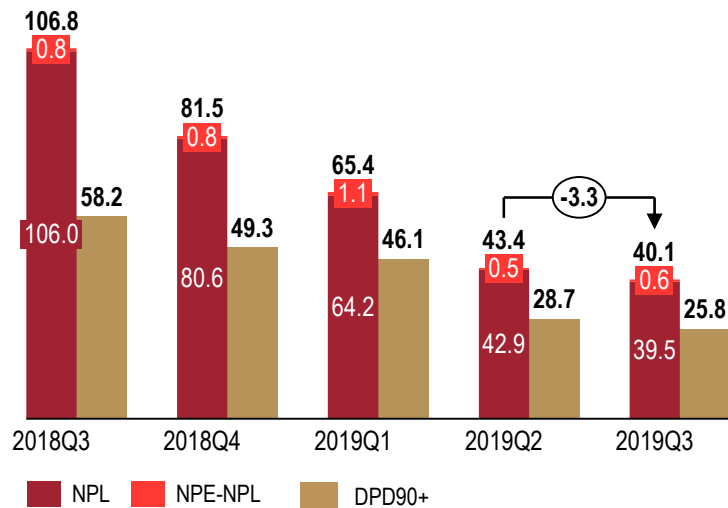
- **Decreasing administrative expenses:** structural and organisational changes implemented in 2018 and early 2019 triggered cost efficiency improvements
- Operating costs in 2019 are kept in line with the level set by the 2015 restructuring plan, one of the primary conditions for meeting EU commitments

# Portfolio quality

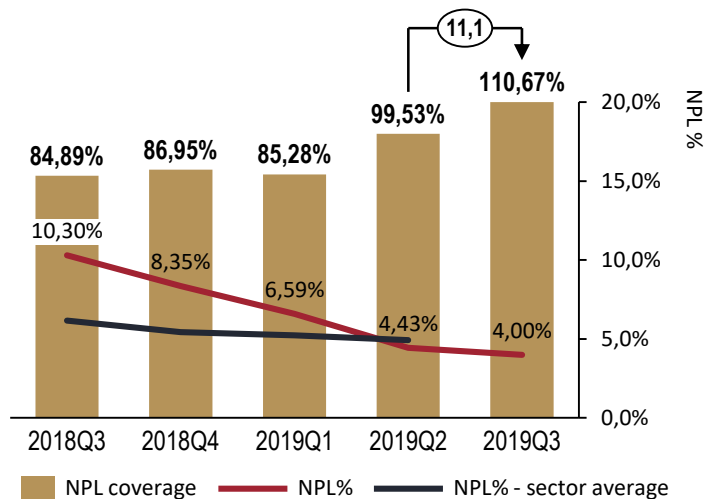
- Portfolio quality
- Risk cost



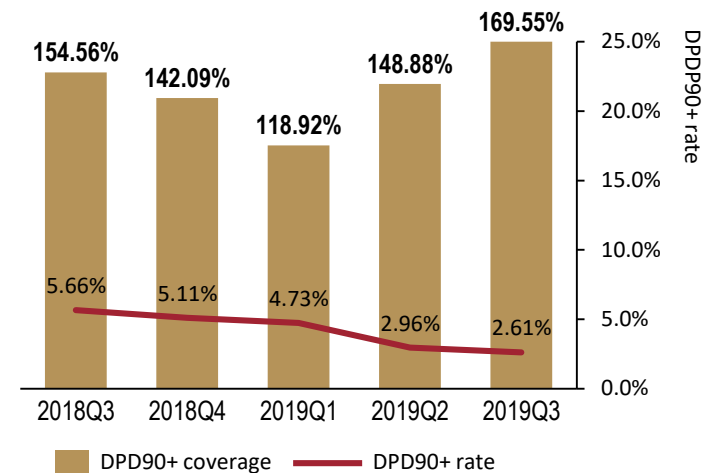
### NPL, NPE and DPD90+ portfolio (HUF bln)



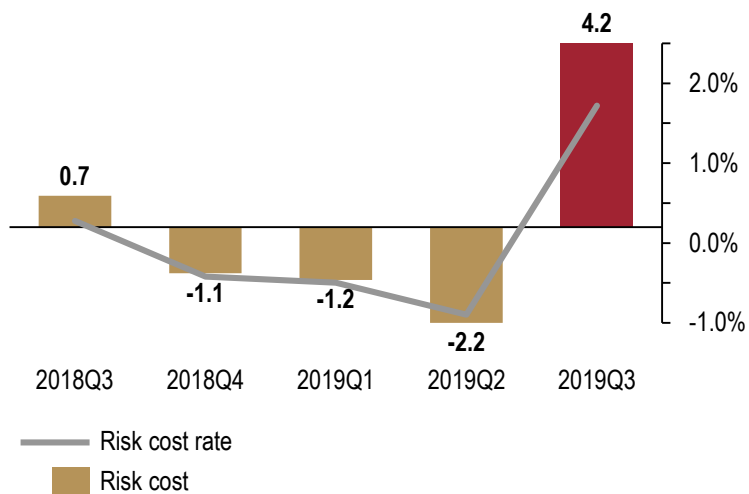
### NPL coverage and NPL rate (IFRS\*)



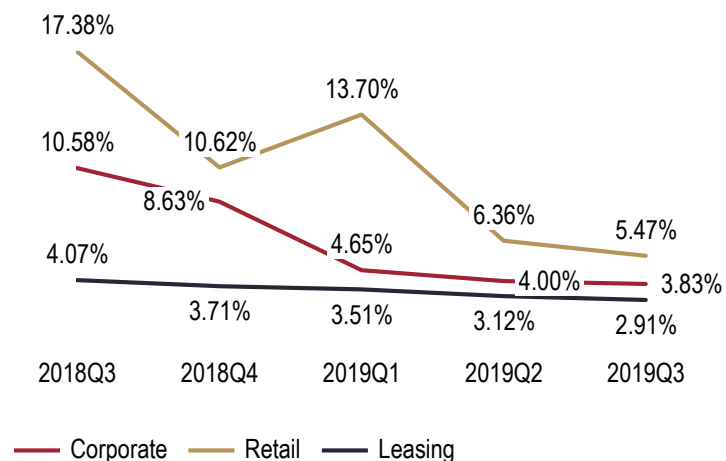
### DPD90+ coverage and DPD90+ rate



### Risk cost (HUF bln) and rate (%)



### Segment NPL rates



- **NPL coverage over 100%:** due to portfolio divestment completed in September, NPL portfolio continued to decline; while coverage rose above 100%
- **HUF 0.8 bln, cumulative net provisioning, far below expectations.** Q3 provisioning is consistent with changes in customer ratings

\*According to IFRS held for sale and FVTPL portfolio not included



# Business segments results

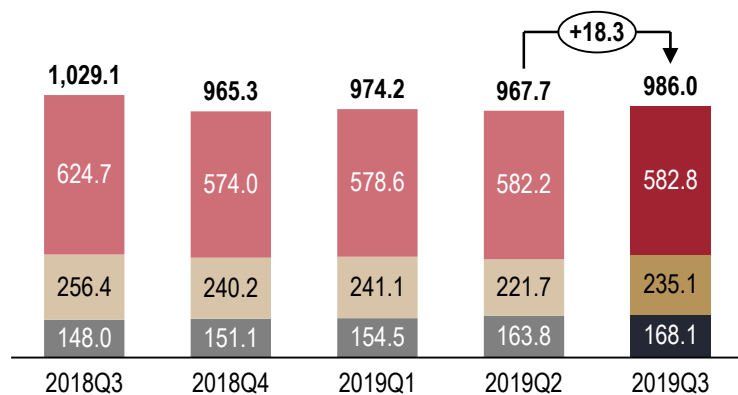
- Corporate segment
- Retail segment
- Leasing segment
- Investments , Private Bank and Treasury



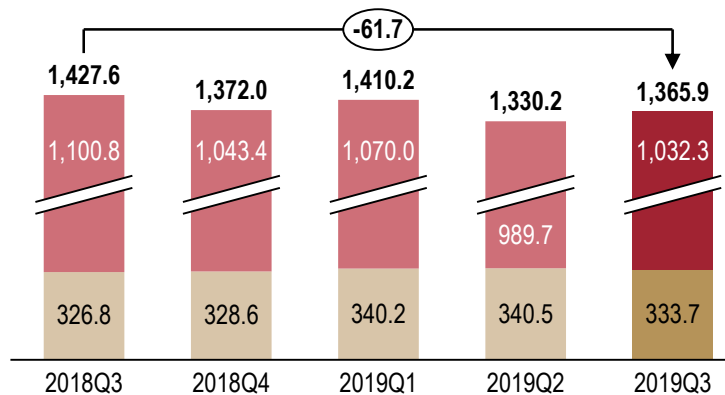
Market share figures and sector data based on MNB reports for comparability purposes.



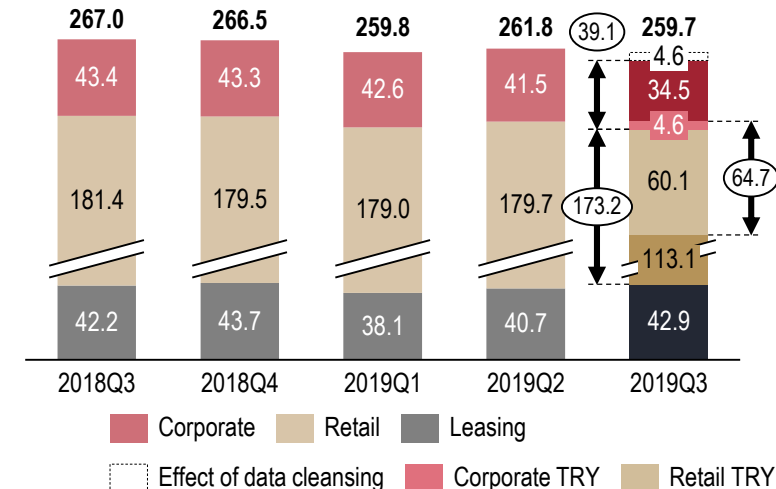
Breakdown of gross customer loans<sup>1</sup>  
(HUF bln)



Breakdown of deposits<sup>1,2</sup>  
(HUF bln)



Number of clients  
(thousand)



<sup>1</sup> IFRS figures  
<sup>2</sup> Replacing HAS segments

- **Gross customer loans: +18.3 bln p/p; -43.1 bln y/y**
  - High demand for „Babaváró” loans
  - +20.1 bln y/y leasing portfolio growth (3.2% quarterly CAGR)
  - 9% GOI/RWA rate
- **Customer deposits: +35.8 bln p/p; -61.7 bln y/y**
  - **Strong demand for government securities** (e.g. MÁP+) consumes retail deposits
  - Excess corporate liquidity allows for cheap funds
- y/y decrease of customer loans (driven by NPL portfolio build-down) and deposits are to support the fulfilment of EU commitments
- **Stable overall customer number:**
  - 2.2 thousand increase in leasing customer count in 3Q (23.41% annual CAGR)
  - Corporate customer decrease in line with terminating relations with certain client subsegments (as stated in 1H Flash Report)
  - Ongoing retail client portfolio cleansing: closing-off accounts with negative profitability and lack of activity

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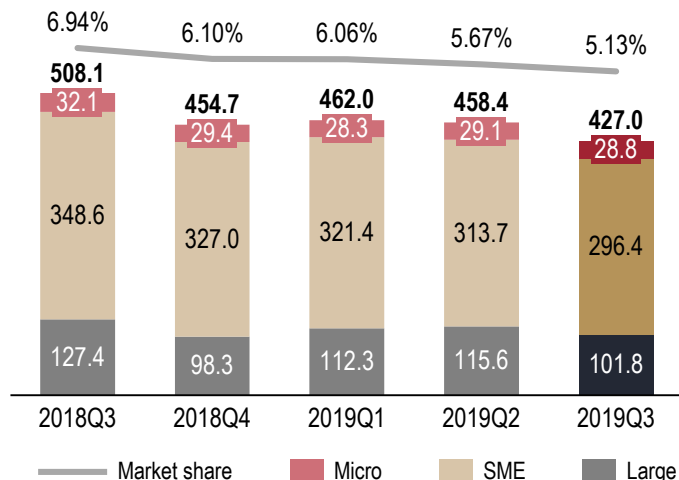
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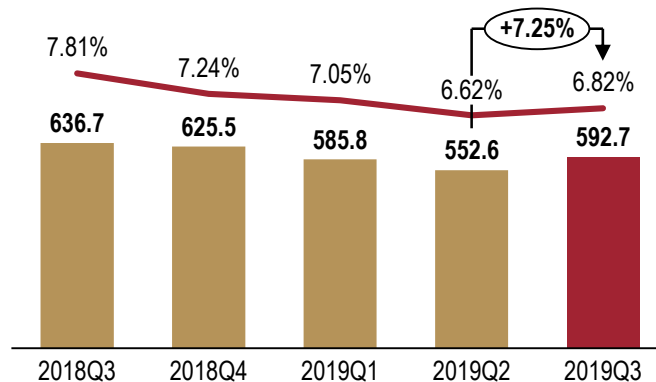
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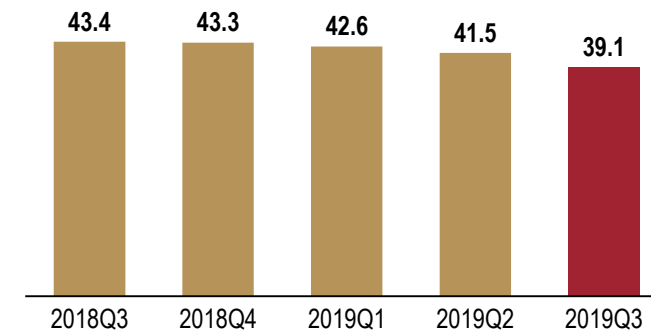
Gross corporate loans\* (HUF bln) and market share\*\* (%)



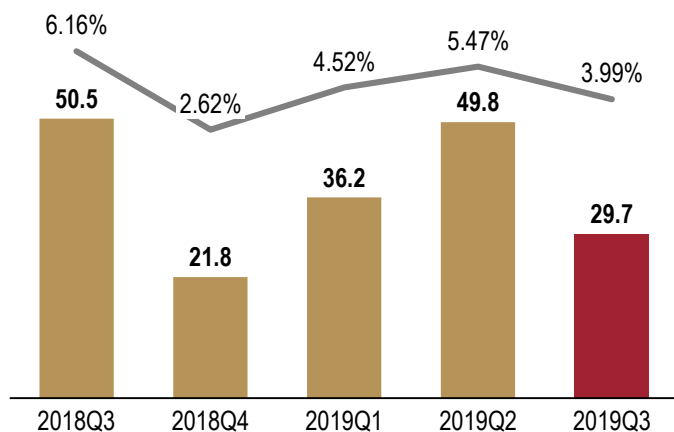
Corporate deposit\* (HUF bln) and market share\*\* (%)



Corporate client numbers (in thousands)



Corporate loan disbursement\* (HUF bln) and market share\*\* (%)



- **Corporate loans:** volume decreased by HUF 31.4 bln since the previous quarter (6.8%), due to fluctuating credit line utilization in SME sector
- **Pressure on market position:** market share shrank by 54bps to 5.13% due to below-the-market growth, induced by the Group RWA commitment. **Deposits market share increased** by 20 bps to **6.8%** compared to 2Q 2019
- **Loan disbursement:** the HUF 29.7 bln disbursement resulted in 3.99% flow market share
- **Slight change in number of corporate clients:** due to compliance reasons the Bank closed its relationship with certain subsegments in addition to the cleansing of the customer portfolio in micro segment also significantly contributed to the decline

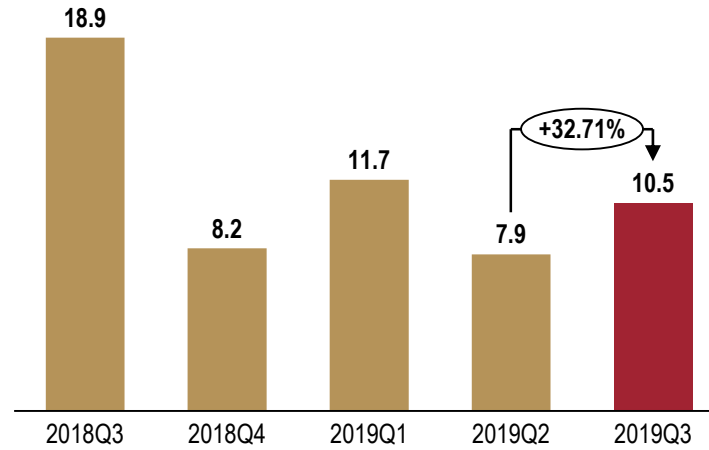
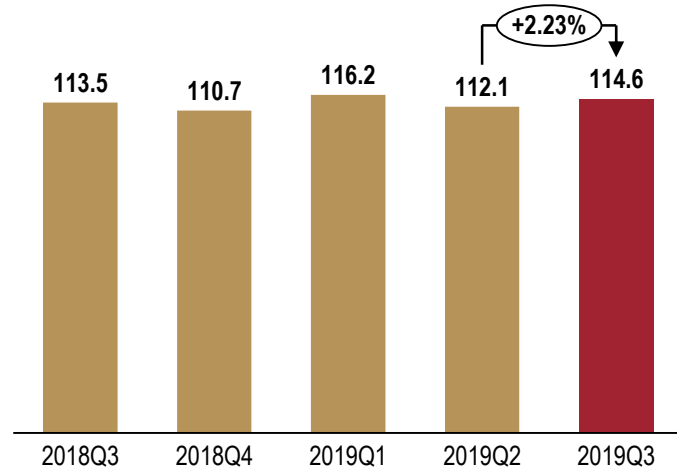
\* Includes only loans to domestic non-financial corporations, in line with the definition of MNB statistics . Hungarian GAAP data includes held for sale assets according to IFRS. The breakdown of historical data by company size has been changed minimally due to the refinement of methodology.

\*\* Source: MNB statistics

Volumes (HUF bln)

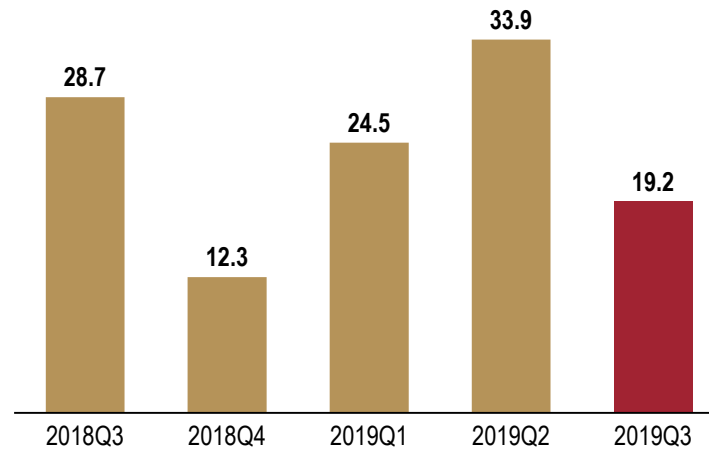
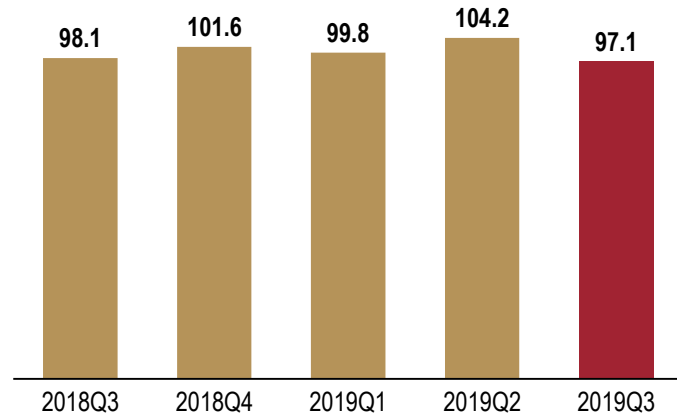
New disbursement (HUF bln)

Investment loans\*



- **Investment loans grew by 2.23%:** closing volume amounted to HUF 114.6 bln, making up 26.8% of the corporate loans
- **Disbursement of HUF 10.5 bln:** significant increase by 32.7% compared to previous quarter

Working capital loans\*



- **Volume:** y/y change of HUF 1 bln
- **Disbursement of HUF 19.2 bln:** y/y increase by HUF 77.6 bln (+31% y/y), compared to the cumulative third quarter data of previous year

\* Includes only loans to domestic non-financial corporations, in line with the definition of MNB statistics.

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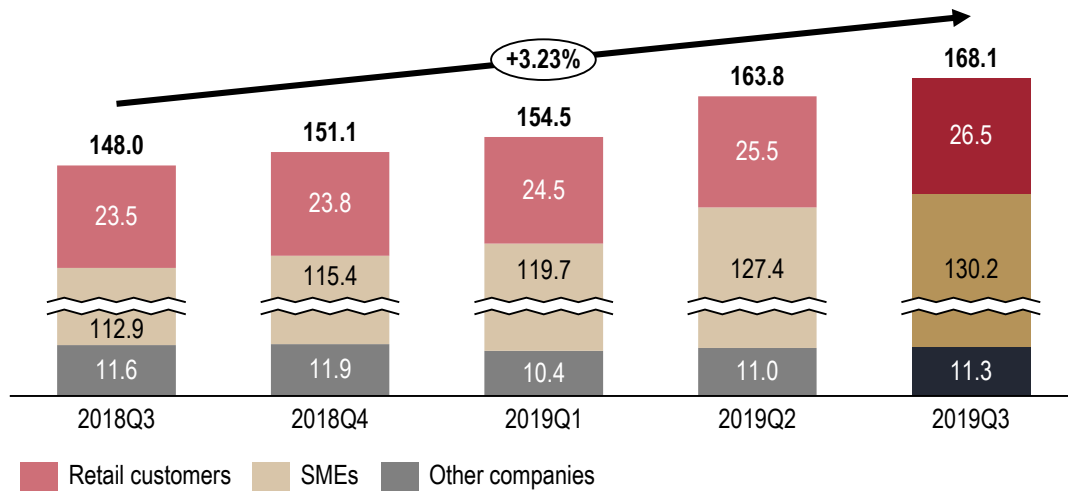
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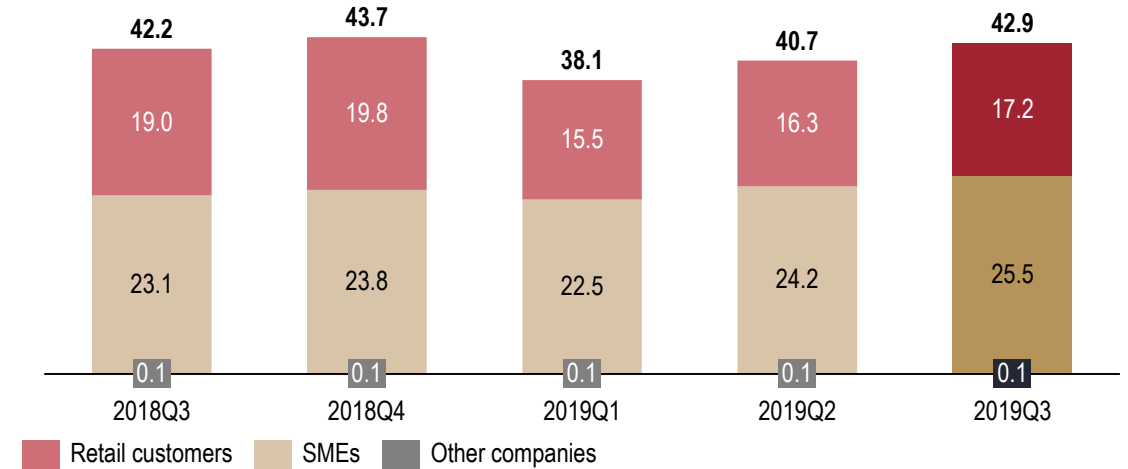
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## Gross volumes by customers (HUF bln)



## Active clients (in thousands)



- **Continuous growth of the portfolio:** +13.6%; HUF +20.1 bln y/y. Focus on car and stock finance
- **SME clientele share is growing:** sales focuses on diversified vehicle and agricultural machine financing, supported by NHP-based refinancing product
- **Steady market position** in terms of new disbursement (3rd among leasing companies, based on Hungarian Leasing Association data)

**3.23% portfolio CAGR rate (quarterly)**

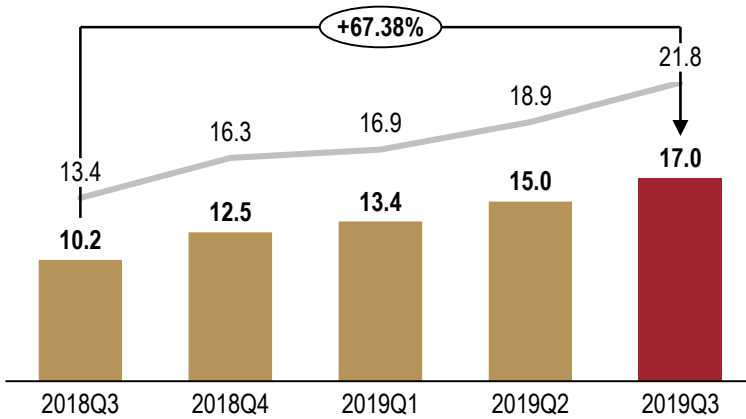
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MKB  
BANK

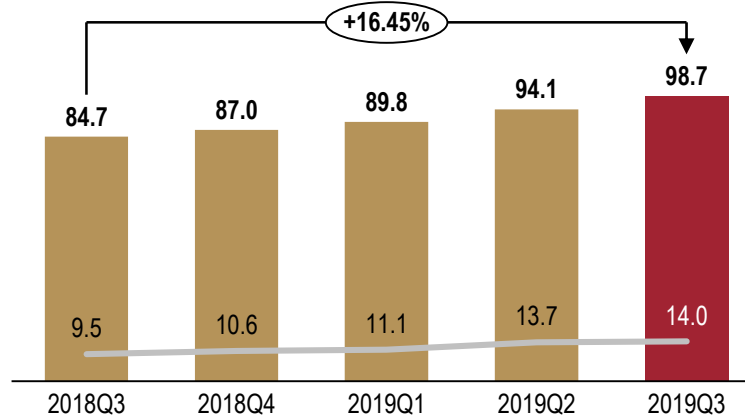
Tradition  
Innovation  
Cooperation

31

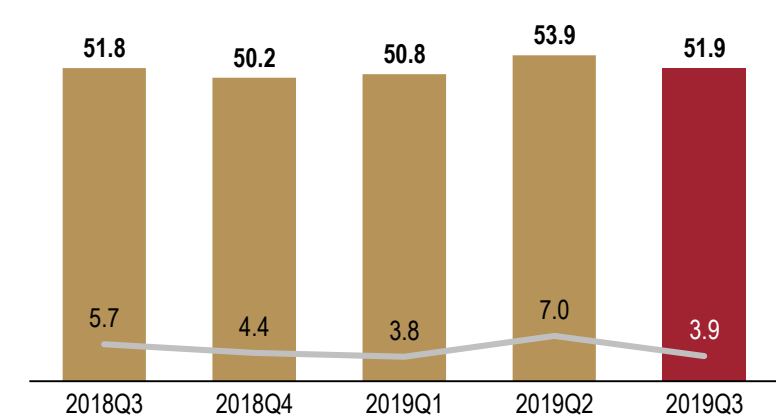
### Stock financing (HUF bln)



### Retail car financing (HUF bln)



### Wholesale, agricultural and machine financing (HUF bln)



— New disbursements  
■ Gross volume

- **Rapidly growing car stock (dealer) financing:** +67.4%; HUF +6.8 bln y/y; Ongoing changes in car market (environment protection policy enhancements) causes all-time high demand for dealer financing in 3Q
- **Vehicle financing increase exceeds markets growth:** +16.5%; HUF +13.9 bln Y/Y
- **Stable asset financing portfolio:** risk cautious approach in big ticket, RWA-heavy transactions
- Decreasing NPL portfolio, high provision coverage (83%)



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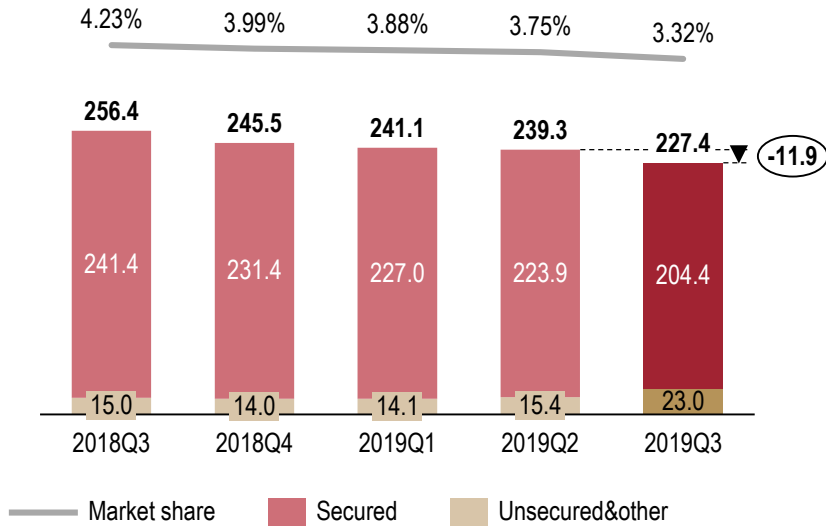
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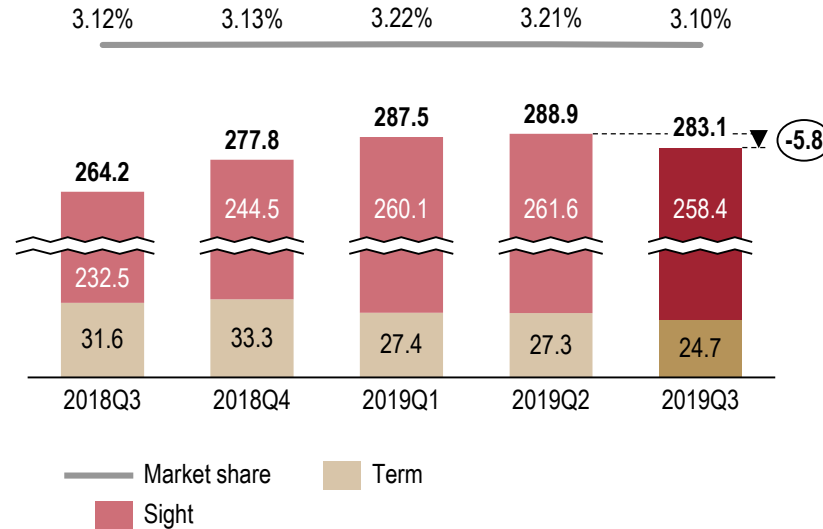
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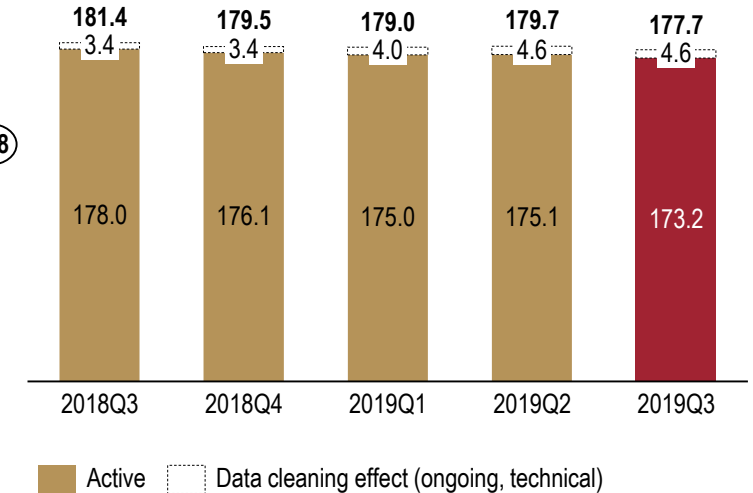
### Retail gross loans\* (HUF bln) and market share\*\* (%)



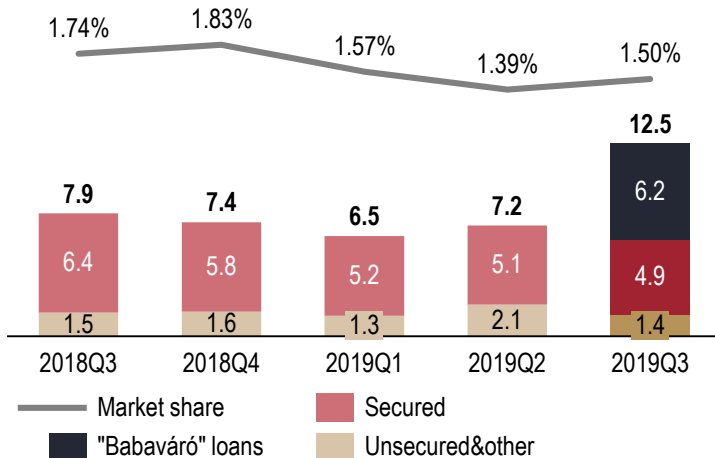
### Deposits\* (HUF bln) and market share\*\* (%)



### Retail client number (in thousands)



### Loan disbursement\* (HUF bln) and market share\*\* (%)



- **HUF 227.4 bln retail gross loan\*** (-29.1 bln y/y; -11,9 bln p/p)
  - Divestment of NPL portfolio (>15 bln)
  - Strong demand for „Babaváró” loans
- **HUF 283.1 bln deposits** (+18,9 bln y/y; -5,8 bln p/p): MÁP+ sales puts pressure on retail deposits (see page 37)
- **Upturn in loan disbursement market share in Q3** (+11bps)

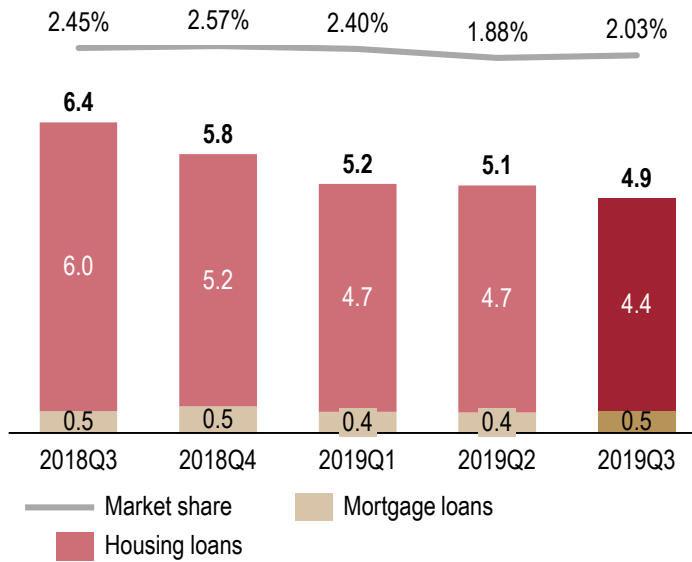
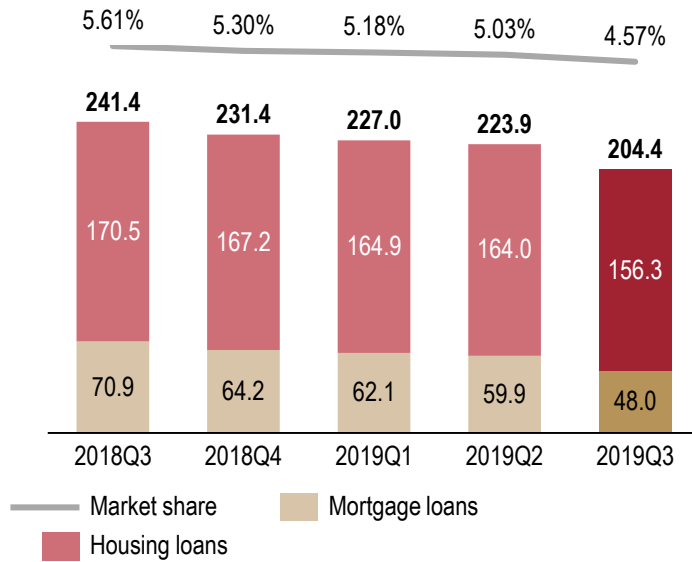
\* The segments are formed according to the requirements to be used in the reports prepared for MNB for comparison which may involve discrepancy between calculated gross volume vs. segment volume. Hungarian GAAP data includes held for sale assets according to IFRS.

\*\* Source: MNB statistics.

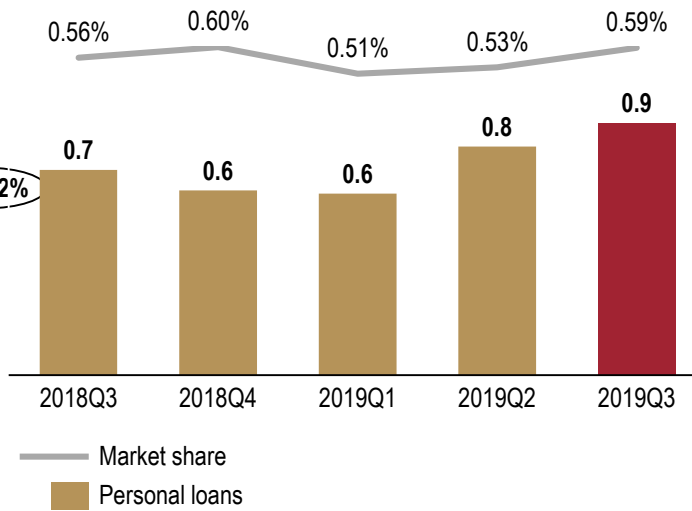
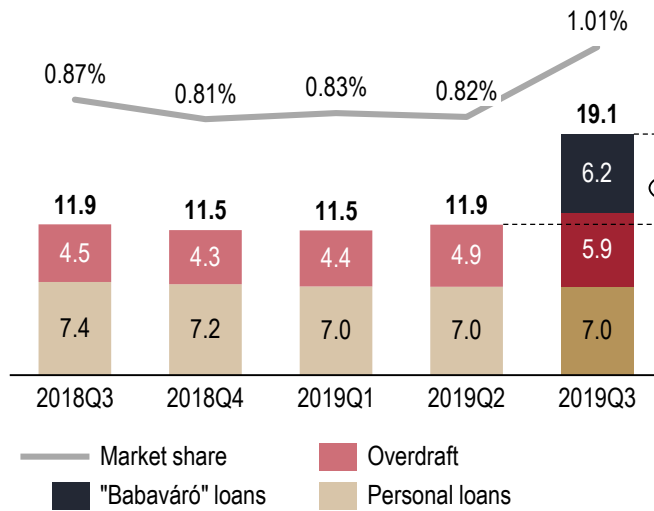
Volumes (HUF bln) and market share (%)

New disbursement (HUF bln) and market share (%)

Secured loans



Unsecured loans



- Decreasing\* secured loans due to portfolio sale
- HUF 4.9 bln new volume (-1.5 bln y/y; -0.2 bln p/p) and market share increase by 15bps
- Secured loan slightly decreased despite the launch of „Babaváró” loan

\* Hungarian GAAP data includes held for sale assets according to IFRS.

- **p/p 60.1% increasing volume:** Disbursement above market share regarding „Babaváró” loan
- Personal loan disbursement increased by HUF 0.1 bln vs. Q2 2019, y/y increase by 23%

**Risk cautious lending in unsecured sub segment; HUF 7.2 bln unsecured loan increase**

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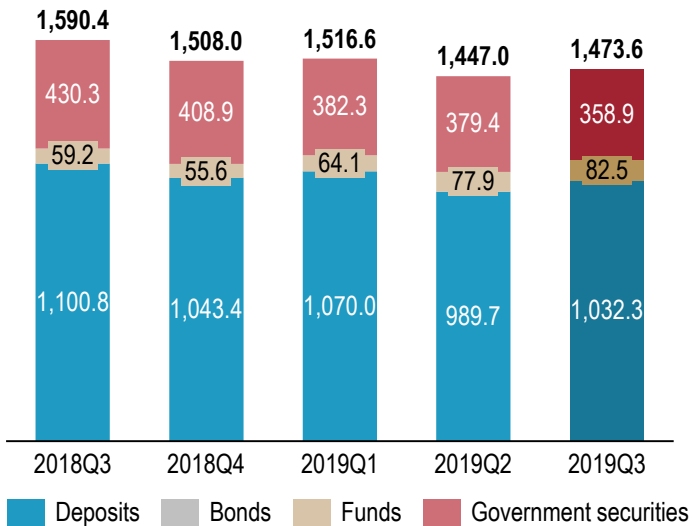
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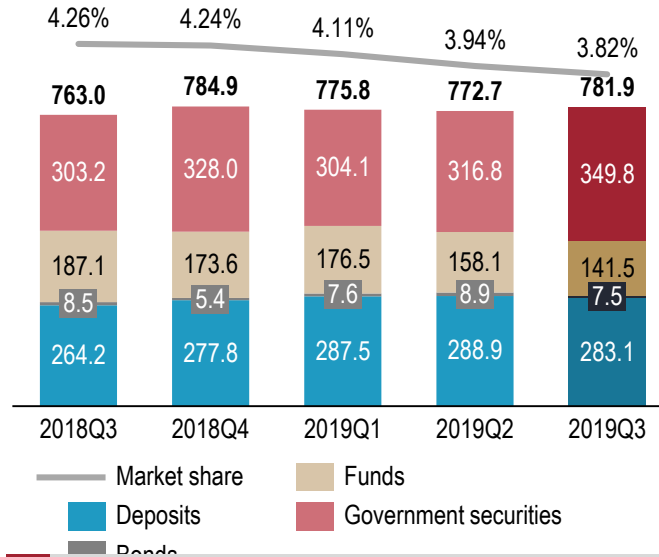
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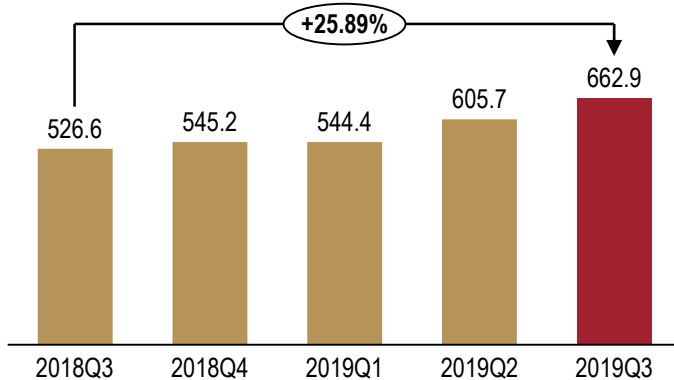
### Corporate\* savings (HUF bln)



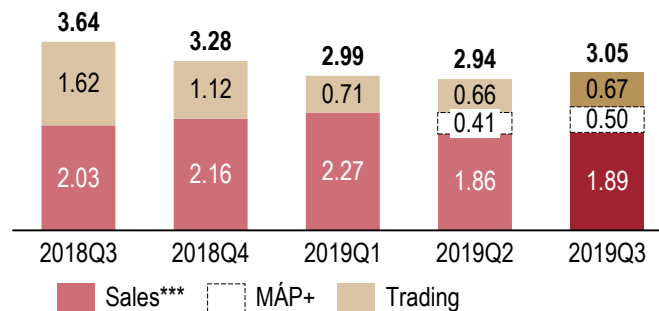
### Retail savings (HUF bln) and market share\*\* (%)



### Private Banking assets (HUF bln)



### Treasury sales\*\*\* and trading income (HUF bln)



- **MÁP+ effect** on deposits and investment funds softens yet still present
- **Fast-growing Private Banking portfolio:** HUF 662.9 bln (+ 25.9% y/y; + 9.5% p/p). The growth arises mainly in MÁP+ and other securities

### Treasury sales:

- **High share of MÁP+ related sales results** (total treasury sales: HUF 2.39 bln)
- Increasing **FX conversion earnings**

\* Non-financial and financial corporates

\*\* Source: MNB;

\*\*\*Treasury products and securities distribution;

**Rapid Private Banking portfolio growth: +26% y/y;  
Steady treasury income**

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- Strategic Partners' Performances
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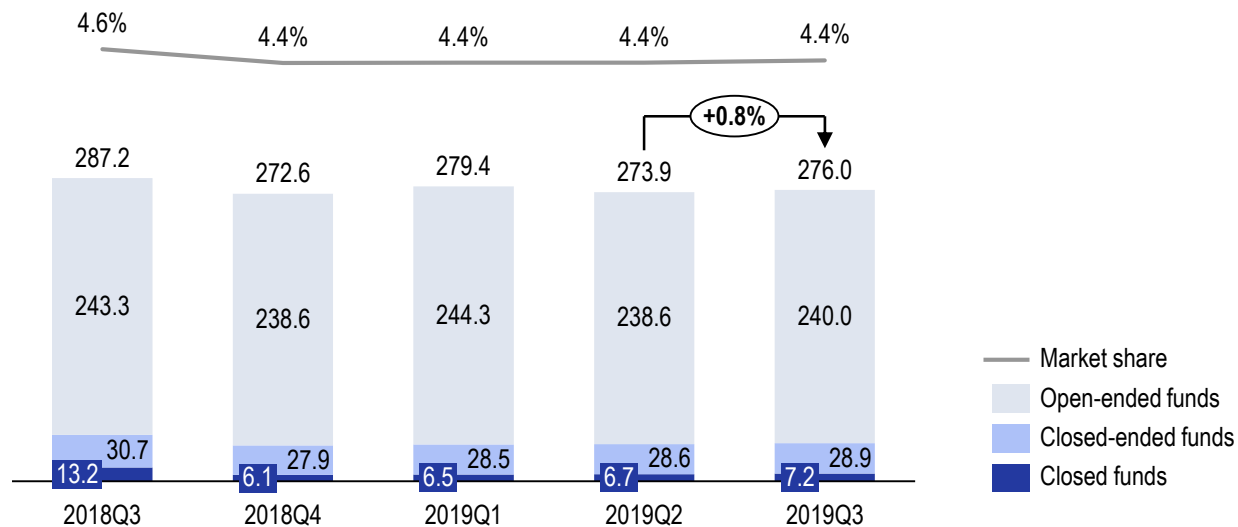
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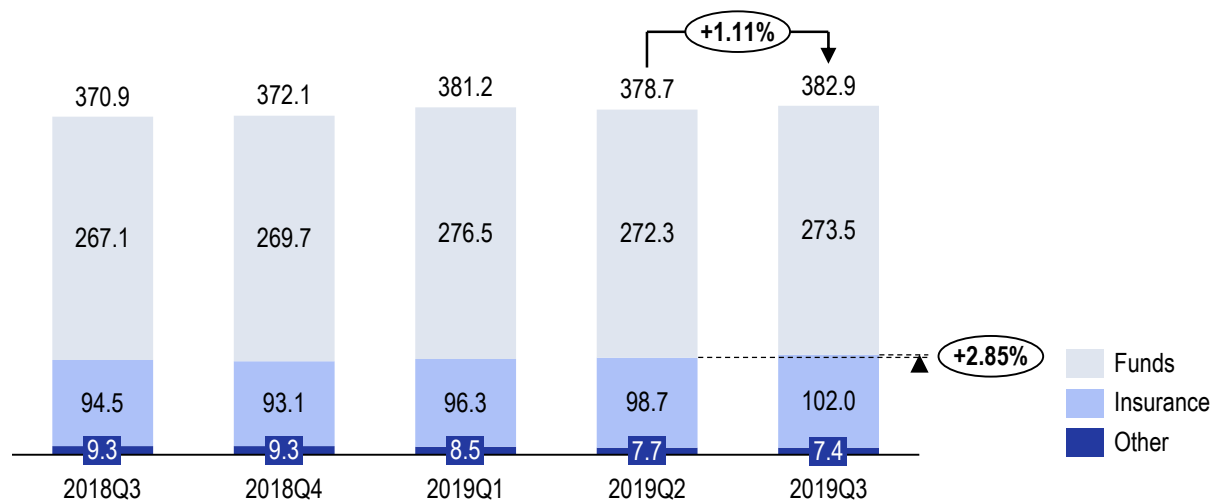
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## Breakdown of investment funds (HUF bln)



- **Stagnant investment fund portfolio:** despite the outflow generated by MÁP+ the stock increase was 0.8% p/p
- **MÁP+ outflow effect:** the government security gained ground mainly at the expense of open-ended funds. Effect on MKB-PAK funds are lower than market average

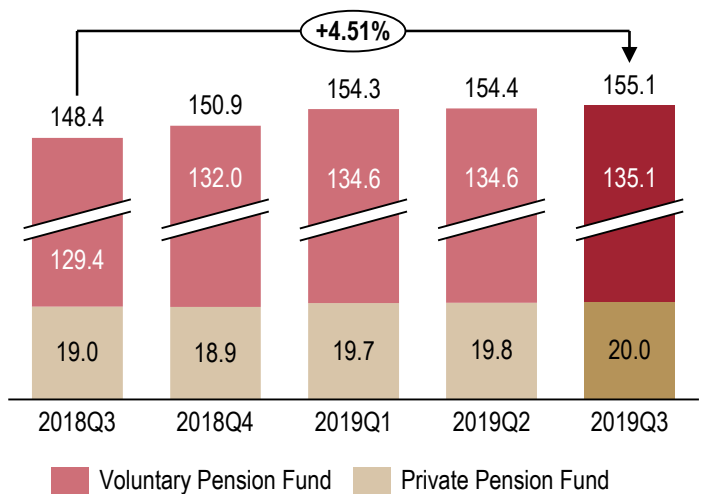
## Breakdown of managed portfolios (HUF bln)



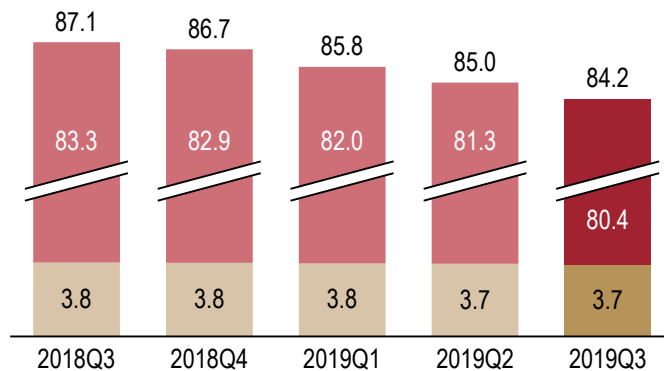
- **1.1% growth of portfolio under management:** expanding mandate, also the yield effect overcompensated the mild negative cash flow
- **2.9% growth of insurance asset management:** HUF 102 bln of assets under management



### Breakdown of total fund assets (HUF bln)

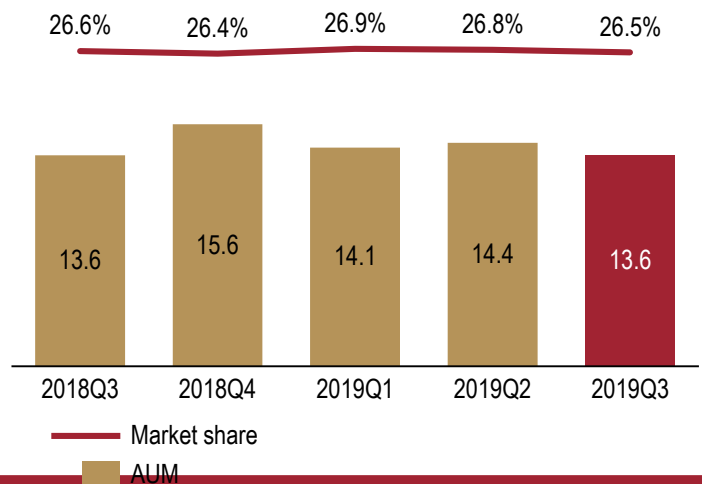


### Number of members (thousand pax)

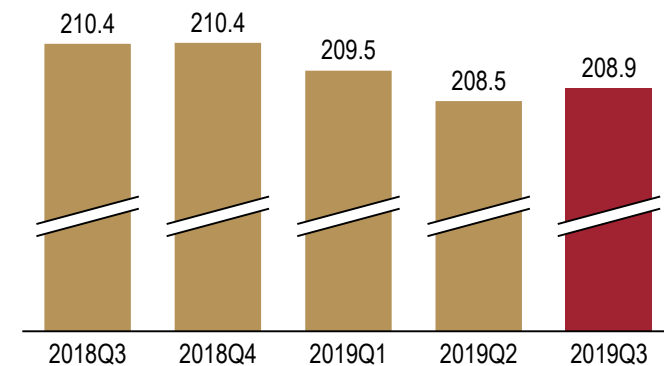


- MKB Voluntary Pension Fund had a membership count of 80.4 thousand, while its funds on the personal accounts reached 135.1 bln HUF by the end of 3Q
- Based on the total assets under management MKB Voluntary Pension Fund succeeded in maintaining its stable fifth ranking with 10% market share
- The market value of total assets managed by MKB Private Pension Fund was HUF 20 bln, while the number of members was 3,718 at the end of 3Q

### Total fund assets (HUF bln) and market share (%)



### Number of members (thousand pax)



- The value of the portfolio managed by MKB-Pannónia Voluntary Health and Mutual Aid Fund decreased to HUF 13.6 bln by the end of 3Q 2019, however, it maintained its leading position in the sector with a 26.5% market share
- The membership in the fund decreased by 1% compared to end of 2018, but with 208.9 thousand members, it is still the third biggest player within the health and mutual aid fund sector

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MKB, MKB Bank, MKB Group  
MKB Group

EU commitments Required range of certain EU Commitments marked in brackets, as defined in the following public document:  
[https://ec.europa.eu/competition/state\\_aid/cases/261437/261437\\_1721348\\_166\\_2.pdf](https://ec.europa.eu/competition/state_aid/cases/261437/261437_1721348_166_2.pdf)  
Please note that specific targets were set within the displayed ranges.

MNB Magyar Nemzeti Bank (the Central Bank of Hungary)

PAT Profit after tax

PBT Profit before tax

GOI Gross Operating Income

GAE General Administrative Expenses

OCI Other comprehensive income

TOCI Total other comprehensive income

FX FX result

FV Revaluation result

IRS Interest rate swap

TA Total assets

RWA Risk weighted assets

Covered loans Home Loans + Free-to-Use Mortgages

FVTOCI Fair value through OCI

FVTPL Fair value through P&L

FTE Full time equivalent

y/y Year on year

p/p Period on period

bp Basis point

CAGR Compounded Annual Growth Rate

(Y), YTD Year to date data

NPL Non performing loans

NPE Non performing exposures

DPD90+ Days past due over 90 days

POCI Purchased or Originated Credit Impaired Asset

ROE, ROAE Return on average equity

ROMC Return on minimum capital

ROA, ROAA Return on average assets

CIR Cost-to-income ratio

TRM Total revenue margin

NIM Net interest margin

NFM Net fee margin

CIM Core income margin

CAR Capital adequacy ratio

LTD Loans to deposits

EPS Earning per share

AVA Asset value adjustment – CRR specification

MÁP+ Hungarian Governmental Securities+

ÁKK Price of government bond reference yields determined daily by the National Debt Management Center (ÁKK)

NHP FGS, Funding for Growth Scheme

KSH Hungarian Central Statistical Office

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