



MKB Bank Nyrt.

Report on the 3Q 2019 Results (Flash Report)

Budapest, 28. November 2019

Table of Contents

1	MKB Group 3Q 2019 Results - overview.....	3
2	Management Report on the 3Q 2019 Results of the MKB Group.....	6
2.1	P&L development.....	6
2.1.1	Adjusted profit after taxation.....	7
2.1.2	Comprehensive income.....	7
2.1.3	Net interest income.....	8
2.1.4	Net fee and commission revenues.....	8
2.1.5	FX results.....	8
2.1.6	Revaluation result.....	8
2.1.7	Other results.....	9
2.1.8	Operating expenses.....	9
2.1.9	Risk costs.....	9
2.1.10	Corporate income tax.....	10
2.2	Balance sheet.....	11
2.2.1	Loans.....	11
2.2.2	Securities.....	12
2.2.3	Financial assets.....	12
2.2.4	Deposits.....	12
2.2.5	Interbank liabilities.....	12
2.2.6	Capital.....	12
2.2.7	Off-balance sheet exposures to customers.....	13
2.3	Capital adequacy.....	13
2.4	Presentation of the results of the business segments.....	14
2.4.1	Corporate business.....	14
2.4.2	Leasing business.....	14
2.4.3	Retail business.....	15
2.4.4	Private Banking and Treasury.....	16
2.4.4.1	Private Banking Business.....	16
2.4.4.2	Treasury.....	16
3	Financial figures.....	18
3.1	Correction factors.....	18
3.1.1	2018 Q1-3.....	18
3.1.2	2019 Q1-3.....	19
3.2	Consolidated financial statements of the MKB Group according to IFRS.....	20

3.2.1	Income statement	20
3.2.2	Balance sheet	21
3.2.3	Shareholders' assets.....	22
3.3	Individual financial statements of MKB Bank Nyrt according to IFRS.....	23
3.3.1	Income statement	23
3.3.2	Balance sheet	24
3.3.3	Shareholders' assets.....	25
3.4	Other information	26
4	Annexes	28
4.1	Financial indicators.....	28
4.2	Abbreviations	30

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1 MKB GROUP 3Q 2019 RESULTS - OVERVIEW

Main components of P&L (in MHUF)	Period					YTD		
	3Q2018	2Q2019	3Q2019	P/P	Y/Y	3Q2018	3Q2019	Y/Y
TOCI (Total Other Comprehensive Income)	8,216	11,382	19,415	70.6%	136.3%	6,993	33,075	-
Revaluation on AFS financial assets (OCI)	963	1,750	-8,640	-	-	-18,263	-3,150	-82.8%
Profit after tax	7,253	9,632	28,055	191.3%	286.8%	25,256	36,225	43.4%
Adjustments total	2,100	-174	-6,303	-	-	9,379	-2,611	-127.8%
Adjusted Profit after tax	9,353	9,458	21,752	130.0%	132.6%	34,635	33,614	-2.9%
Adjusted Profit before tax	7,842	8,898	21,829	145.3%	178.4%	34,781	33,474	-3.8%
Gross Operating Income	19,049	15,452	33,846	119.0%	77.7%	63,975	60,435	-5.5%
Net Interest Income	10,819	10,822	10,478	-3.2%	-3.2%	31,104	32,005	2.9%
Net Fee Income	6,587	6,440	7,753	20.4%	17.7%	20,622	19,469	-5.6%
Net Other Income	1,643	-1,810	15,615	-	-	12,249	8,961	-26.8%
FX result	1,351	3,881	1,602	-58.7%	18.6%	9,198	7,299	-20.6%
FV result	4,295	-1,951	17,366	-	-	17,261	12,125	-29.8%
Other Income	-4,002	-3,740	-3,352	-10.4%	-16.3%	-14,211	-10,462	-26.4%
General Administrative Expenses ¹	-10,743	-8,744	-8,231	-5.9%	-23.4%	-30,325	-26,566	-12.4%
Provision for losses on loans	-719	2,182	-4,199	-292.4%	-	876	-814	-192.9%
Main components of Balance sheet (in MHUF)	Volume at the end of period					YTD average		
	3Q2018	2Q2019	3Q2019	P/P	Y/Y	3Q2018	3Q2019	Y/Y
Total Assets	2,063,743	1,827,674	1,935,007	5.9%	-6.2%	2,021,996	1,880,962	-7.0%
Customer Loans (net)	939,162	924,823	942,345	1.9%	0.3%	909,719	920,996	1.2%
Customer Loans (gross)	1,029,138	967,731	986,031	1.9%	-4.2%	996,119	972,523	-2.4%
Provision for Customer loans	-89,976	-42,907	-43,685	1.8%	-51.4%	-86,399	-51,528	-40.4%
Deposits & C/A	1,427,605	1,330,175	1,365,941	2.7%	-4.3%	1,400,435	1,369,800	-2.2%
Subordinated debt	27,888	37,701	39,434	4.6%	41.4%	26,895	36,536	35.9%
Shareholders' Equity	153,846	171,285	190,527	11.2%	23.8%	146,686	170,091	16.0%
KPIs based on adjusted PAT (%)	Period					YTD		
	3Q2018	2Q2019	3Q2019	P-P	Y-Y	3Q2018	3Q2019	Y-Y
ROAE - not adjusted	19.3%	22.9%	62.0%	39.1%-pt	42.7%-pt	23.0%	28.4%	5.4%-pt
ROAE (Return on Average Equity)	24.9%	22.5%	48.1%	25.6%-pt	23.2%-pt	31.5%	26.3%	-5.1%-pt
ROMC (Return on Minimum Capital)	28.0%	29.5%	67.8%	38.3%-pt	39.8%-pt	38.4%	35.2%	-3.3%-pt
Adjusted ROAA (Return on Average Assets)	1.8%	2.0%	4.6%	2.6%-pt	2.8%-pt	2.3%	2.4%	0.1%-pt
TRM (Total Revenue Margin)	3.7%	3.3%	7.2%	3.9%-pt	3.5%-pt	4.2%	4.3%	0.1%-pt
CIM (Core income margin)	3.7%	4.5%	4.2%	-0.3%-pt	0.6%-pt	4.0%	4.2%	0.1%-pt
NIM (Net Interest Margin)	2.1%	2.3%	2.2%	-0.1%-pt	0.1%-pt	2.1%	2.3%	0.2%-pt
NFM (Net Fee Margin)	1.3%	1.4%	1.6%	0.3%-pt	0.4%-pt	1.4%	1.4%	0.0%-pt
C/TA (Cost to Total Assets)	2.1%	1.9%	1.8%	-0.1%-pt	-0.3%-pt	2.0%	1.9%	-0.1%-pt
CIR (Cost Income Ratio)	56.4%	56.6%	24.3%	-32.3%-pt	-32.1%-pt	47.4%	44.0%	-3.4%-pt
Provision/Total Assets	4.4%	2.3%	2.3%	-0.1%-pt	-2.1%-pt	4.4%	2.3%	-2.1%-pt
Risk cost rate	0.3%	-0.9%	1.7%	2.6%-pt	1.4%-pt	-0.1%	0.1%	0.2%-pt
CAR (Capital Adequacy Ratio)	16.3%	19.3%	18.2%	-1.2%-pt	1.8%-pt	16.3%	18.2%	1.8%-pt
RWA/Total Assets	47.5%	49.7%	47.5%	-2.1%-pt	0.0%-pt	47.5%	47.5%	0.0%-pt
LTD (Loan to Deposit)	72.1%	72.8%	72.2%	-0.6%-pt	0.1%-pt	72.1%	72.2%	0.1%-pt
GOI/RWA (RWA efficiency)	7.7%	6.8%	14.8%	8.1%-pt	7.2%-pt	8.8%	8.8%	0.0%-pt
DPD90+ rate	5.7%	3.0%	2.6%	-0.4%-pt	-3.0%-pt	5.7%	2.6%	-3.0%-pt
EPS (Earning Per Share)	374.1	378.3	870.1	491.7	495.9	461.8	448.2	-13.6

¹Due 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.

MKB Group 3Q 2019 results are based on cumulated, consolidated IFRS unaudited data of 30.09.2019. "Adjusted" figures are indicators of the underlying business performance; the list of correction factors is included in Chapter 3.1.

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The MKB Group achieved excellent business results in 3Q 2019. Despite the increasing pressure from the market and the dubious yield trends, MKB Group was able to maintain the level of value generation experienced during previous years, which supports the fulfilment of EU commitments. Stable underlying business results together with outstanding results from banking book (unevenly distributed between quarters) and stringent cost management were the main factors in finishing 3Q on a high note.

The total comprehensive income of the MKB Group for the first nine months of 2019 was HUF 33.1 bln, which is a significant increase compared to the HUF 7.0 bln (+ 26.1 bln y/y) in the same period of last year (3Q(Y) 2018). The adjusted after-tax profit was HUF 33.6 bln (-2.95% y/y). The total assets amounted to HUF 1,935.0 bln (+5.87% p/p), while the shareholder's equity rose from HUF 171.3 bln to HUF 190.5 bln (+11.23% p/p). The MKB Group 3Q cumulated, adjusted ROAE was 26.3%, reflecting 513bp decrease y/y. The capital adequacy was 18.2% (-115bp p/p).

The 3Q performance of the MKB Group was assisted by the following actors:

- **Portfolio divestments:** A large NPL portfolio was sold, along with the sale of a performing large corporate deal.

As part of the strong NPL build-down push, more than HUF15bln NPL portfolio was divested in Q3 which allowed for a significant risk cost release.

MKB Group also sold one of its performing large corporate deal in order to support EU commitments fulfilment.

Due to their one-off nature, results attributable to these transactions were considered as adjustments (see chapter 3.1 for details).

- **MÁP+ sales:** a significant part of the HUF 0.9 bln year to date trading commission of government securities can be linked to MÁP+. During 3Q MKB Bank generated outstanding revenue on government bond trading which compensated for the lack of results in Q2.
- **„Babaváró” loan:** HUF 6,2bln loan were disbursed up until end of 3Q resulting in increasing consumer loan volumes. MKB Group's share in „Babaváró” loan exceeding its market share.

The market and macroeconomic changes in 3Q 2019 also had a huge impact on the income generating capacity of the MKB Group.

- **Declining yields:** market rates are continued to decline in the developed economies: amidst significant swings, the US 10-year government bond yields fell by 36 basis points, and the 10-year government bond yields in the Eurozone also dropped by 24 basis points between July and September 2019. The Hungarian 10-year government bond yield reached its lowest point in August (1.47%), followed by a correction to reach 1.97% at the end of September.

The steadily declining market rates has diverse effects on MKB Group's earnings. In addition to its positive impact on the costs of funding, it puts pressure on interest income earned on customers' assets.

- **GDP:** In the third quarter of 2019, the Hungarian economy grew outstandingly, by 5% compared to the same period of 2018, according to the preliminary estimates of the KSH. Industry, construction and market-based services contributed mostly to growth.
- **Wage inflation:** similar to previous period, the first eight months of 2019 were characterized by 10.7% (annualized) wage dynamism. It is a major macroeconomic effect and also a challenge for the MKB Group. The dynamic increase in Hungarian wages resulted from the raised

minimum wage and guaranteed wage minimum as well as the continued extremely tight labour market.

- **Inflation:** pressure on prices eased in 3Q 2019: inflation fell below 3% by September, reaching the MNB's target level (3.3% in July, 3.1% in August and 2.8% in September). At the same time, internal inflation remains high, with core inflation of 3.7% in July and August and 3.9% in September. The level of core inflation net of indirect taxes, closely monitored by the MNB, remained above 3% throughout the third quarter (July and August: 3.2%, September: 3.4%).
- **Banking sector:** In 1H 2019 banks competed primarily in quality and fast services, while the low return environment narrowed down the opportunities of distinction based on pricing. Both the corporate (+2.8%) and retail loan portfolios (+7.2%) expanded in the third quarter of the year with a simultaneous slight increase in the deposit portfolio. Within retail lending, the portfolio of new personal loan contracts reached a new peak again, and “Babaváró” loans also had a significant market share in new lending. Interest rates did not change materially compared to the previous quarter.

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2 MANAGEMENT REPORT ON THE 3Q 2019 RESULTS OF THE MKB GROUP

2.1 P&L development

MKB Group								
Consolidated, IFRS P&L (in MHUF)	Period					YTD		
	3Q2018	2Q2019	3Q2019	P/P	Y/Y	3Q2018	3Q2019	Y/Y
TOCI (Total Other Comprehensive Income)	8,216	11,382	19,415	70.6%	136.3%	6,993	33,075	-
Revaluation on AFS financial assets (OCI)	963	1,750	-8,640	-	-	-18,263	-3,150	-82.8%
Profit after tax	7,253	9,632	28,055	191.3%	286.8%	25,256	36,225	43.4%
Adjustments total	2,100	-174	-6,303	-	-	9,379	-2,611	-127.8%
Banking tax	0	0	0	-	-	4,374	4,047	-7.5%
Dividend income	-1	-35	-50	43.4%	-	-679	-85	-87.4%
Realignment	0	0	0	-	-	0	0	-
Branch closure reserve	1,845	0	0	-	-100.0%	1,845	0	-100.0%
MRP	0	0	0	-	-	3,120	0	-100.0%
IFRS16 effect	0	-139	-91	-34.7%	-	0	-410	-
Portfolio sales	0	0	-5,661	-	-	0	-5,661	-
Corporate tax correction	0	0	0	-	-	0	0	-
Other	257	0	-502	-	-295.5%	719	-502	-169.7%
Adjusted Profit after tax	9,353	9,458	21,752	130.0%	132.6%	34,635	33,614	-2.9%
Adjusted Profit before tax	7,842	8,898	21,829	145.3%	178.4%	34,781	33,474	-3.8%
Gross Operating Income	19,049	15,452	33,846	119.0%	77.7%	63,975	60,435	-5.5%
Net Interest Income	10,819	10,822	10,478	-3.2%	-3.2%	31,104	32,005	2.9%
Interest Income	14,801	15,578	15,020	-3.6%	1.5%	43,899	45,392	3.4%
Interest Expense	-3,982	-4,756	-4,542	-4.5%	14.1%	-12,795	-13,387	4.6%
Net Fee Income	6,587	6,440	7,753	20.4%	17.7%	20,622	19,469	-5.6%
Net Other Income	1,643	-1,810	15,615	-	-	12,249	8,961	-26.8%
FX result	1,351	3,881	1,602	-58.7%	18.6%	9,198	7,299	-20.6%
FV result	4,295	-1,951	17,366	-	-	17,261	12,125	-29.8%
Other Income	-4,002	-3,740	-3,352	-10.4%	-16.3%	-14,211	-10,462	-26.4%
General Administrative Expenses¹	-10,743	-8,744	-8,231	-5.9%	-23.4%	-30,325	-26,566	-12.4%
Personnel Expenses	-5,936	-4,473	-4,477	0.1%	-24.6%	-15,921	-13,803	-13.3%
Operating Expenses	-3,739	-2,983	-2,269	-24.0%	-39.3%	-11,283	-8,732	-22.6%
Amortisation and depreciation	-1,068	-1,287	-1,485	15.4%	39.1%	-3,120	-4,031	29.2%
Provisions	-465	2,189	-3,786	-272.9%	-	1,131	-395	-134.9%
Provision for losses on loans	-719	2,182	-4,199	-292.4%	-	876	-814	-192.9%
Other provisions and impairments	254	7	413	-	62.5%	254	419	64.6%
Corporate income tax	1,512	561	-77	-113.8%	-105.1%	-146	139	-195.8%
KPIs based on adjusted PAT (%)	Period					YTD		
	3Q2018	2Q2019	3Q2019	P/P	Y/Y	3Q2018	3Q2019	Y/Y
ROAE (Return on Average Equity)	19.3%	22.9%	62.0%	39.1%-pt	42.7%-pt	23.0%	28.4%	5.4%-pt
Adjusted ROAE	24.9%	22.5%	48.1%	25.6%-pt	23.2%-pt	31.5%	26.3%	-5.1%-pt
Adjusted ROAA (Return on Average Assets)	1.8%	2.0%	4.6%	2.6%-pt	2.8%-pt	2.3%	2.4%	0.1%-pt
TRM (Total Revenue Margin)	3.7%	3.3%	7.2%	3.9%-pt	3.5%-pt	4.2%	4.3%	0.1%-pt
CIM (Core income margin)	3.7%	4.5%	4.2%	-0.3%-pt	0.6%-pt	4.0%	4.2%	0.1%-pt
NIM (Net Interest Margin)	2.1%	2.3%	2.2%	-0.1%-pt	0.1%-pt	2.1%	2.3%	0.2%-pt
NFM (Net Fee Margin)	1.3%	1.4%	1.6%	0.3%-pt	0.4%-pt	1.4%	1.4%	0.0%-pt
C/TA (Cost to Total Assets)	2.1%	1.9%	1.8%	-0.1%-pt	-0.3%-pt	2.0%	1.9%	-0.1%-pt
CIR (Cost Income Ratio)	56.4%	56.6%	24.3%	-32.3%-pt	-32.1%-pt	47.4%	44.0%	-3.4%-pt
Provision/Total Assets	4.4%	2.3%	2.3%	-0.1%-pt	-2.1%-pt	4.4%	2.3%	-2.1%-pt
Risk cost rate	0.3%	-0.9%	1.7%	2.6%-pt	1.4%-pt	-0.1%	0.1%	0.2%-pt

¹Due 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.

Considering that the government securities making up approximately 1/3 of the total assets of the MKB Group are securities that need to be revalued against the capital (Fair value through OCI – FVTOCI), we present the financials in this report based on the category of Total Comprehensive Income (Total Other

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Comprehensive Income - TOCI)), which is an IFRS income category that goes beyond the profit after taxation. , As MKB Bank holds a large securities portfolio, it hedges its interest risk positions with IRS transactions, the IFRS profit/loss impacts of which are presented in the profit after taxation according to IFRS, and therefore the IFRS TOCI category is a main factor in the total income generated on the portfolio.

2.1.1 Adjusted profit after taxation

The MKB Group reported HUF 21.8 bln adjusted consolidated profit after taxation for 3Q 2019, reflecting a significant, 130.0% increase since the previous quarter. The consolidated profit after tax was HUF 28.1 bln, reflecting an increase of 191.3% compared to the base period (2Q 2019).

Losses on the revaluation of securities against capital (FVTOCI) resulted in more subdued growth in the total comprehensive income (TOCI, HUF 19.4 bln): + 70.6% p/p; + 136.3% y/y.

In addition to outstanding gross income, the after-tax profit was also positively impacted by ongoing, stringent cost management and corporate income tax: the recognition of the minimum tax specified in the local regulations and deferred tax led to an overall close to zero taxation The **ROAE in 3Q** (based on adjusted profit after taxation) was 48.1%, reflecting 25.6 bps increase since the base period.

The **total revenue margin** (TRM) increased to 7.2% from the 3.3% of the base period, in line with higher revenues. The revenue margin adjusted with the impact of the other comprehensive income (OCI) was 5.4% with a 150bps increase in y/y comparison.

The **core income margin** (CIM) was 4.2%, showing a -30bps change from 4.5% in the previous period, while the net interest and exchange rate income declined, which the 20.4% p/p fee income increase could not be offset either.

The **net interest margin** (NIM) slightly, by 8 bps decreased to 2.2% compared to 2Q 2019, but in the meantime y/y increased with 11 bps.

The **cost-to-income ratio** (CIR) was 24.3% in 3Q while 3Q(Y) figure was 44.0%, as a result of significantly rising revenues and reduced operating costs, which represents a major improvement of 32.3% over the 56.6% reported for the base period. The **costs-to-assets (C/TA)** ratio was 1.8%, a decrease of 35 bps y/y and 12 bps p/p due to cost-cutting measures. The cumulative ratio in the first nine month of 2019 was 1.9%, 12 bps lower than the same period in 2018.

The **cumulative risk cost was HUF 0.8 bln** (charge), resulting in a 0.1% risk cost ratio. The IFRS NPL ratio continued to decline to 4.0% from 4.4% in the quarter, and NPL coverage increased from 99.5% to 110.7%.

The MKB Group's **capital adequacy** increased to 18.2% following a 184bp y/y positive change in 3Q 2019, there was a slight decline of 115 bps on a p/p basis in line with the changes in revaluation reserves

2.1.2 Comprehensive income

In 3Q 2019 MKB Group reported HUF 19.4 bln total comprehensive income (unadjusted), reflecting 70.6% increase since 2Q 2019.

The other comprehensive income (OCI) decreased on p/p basis as a result of fair value losses of FVTOCI portfolio stemming from the slight decrease of market rates. Revaluation gains of IRS portfolio booked in after-tax offsets the decrease of OCI.

The cost-income ratio, amended with the impact of the other comprehensive income, improved to 32.7% from the 50.8% recorded in the base period.

2.1.3 Net interest income

MKB Group's net interest income of HUF 10.5 bln for the period of 3Q 2019 changed almost identically compared to the two reference periods; it is down by 3.2% compared to the same period last year and also by 3.2% quarter on the previous quarter. The decline in net interest income is mainly explained by the moderation in both short and long-term returns. Nonetheless, cumulated earnings outperformed the cumulative earnings of 3Q 2018, mainly due to the higher interest-bearing securities portfolio, by nearly HUF 0.9 bln, and an increase of 2.9%.

In line with the above, **interest income** decreased by 3.6% on a p/p basis, while it increased by 1.5% compared to the same period last year. In comparison with the cumulated 3Q 2018, interest income also increased by HUF 1.5 bln, reflecting an improvement of 3.4%.

The **interest expenses** were down 4.5% on a p/p basis and up 14.1% on a y/y basis. In cumulative terms, the interest income as well as expenses increased by 4.6%, but despite the higher rate, it only slightly offset the excellent y/y-based performance of interest income.

2.1.4 Net fee and commission revenues

The net commission income was HUF 7.8 bln, representing an increase of 20.4% p/p. The main growth factor was the outstanding performance of securities trading commission, HUF 0.9 bln, largely attributable to MÁP+ sales. MKB Bank actively participated in the sale of MÁP+ during 3Q. The commission for government securities sold in June was also booked in the 3Q 2019, contributing to the exceptional performance of the quarter. Compared to the y/y figures, commission income increased significantly, by 17.7%.

Transaction related income, which represent the largest portion of commission income, have increased over the past quarter due to money transfer fees and higher quarterly performance in transaction fees. Beyond that, income from SZÉP Cards continue to boost commission income.

Lending-related commissions increased in the last quarter due to higher commissions on syndicated loans and lower guarantee costs.

Bank card fees stood at about the same level as in the previous quarter.

2.1.5 FX results

Results from own account foreign exchange activities in 3Q was HUF 1.6 bln, which fell short by HUF 2.3 bln of the previous period due to lower exchange rate volatility experienced during the last quarter, and increased by HUF 0.3 bln (18.6%) since the same period of last year.

The individually priced and fixing spot FX conversions and the exchange rate gain on forward and futures transactions of retail and corporate customers were steady compared to the base period. .

2.1.6 Revaluation result

The revaluation result was HUF 17.4 bln in 3Q (HUF +13.1 bln y/y; HUF +19.4 bln p/p). The positive effect on PAT is offset by the revaluation loss of HUF -8.8 bln in OCI. The value creation of ALM portfolio for the year is as expected.

Due to its unique nature of the composition of its balance sheet composition, MKB Bank maintains significant liquid portfolio. Owing to the specialities of the Hungarian government market, it is possible

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to place this liquidity in securities with high profitability. However, the realisation of the underlying value of the portfolio is exposed to the yield environment trends. The yields during 1H 2019 were significantly different than expected, and as a result of adapting the portfolio to the stabilizing new yield level in 3Q 2019, the revaluation result of such moves concentrated in 3Q, compensating the poor results of 1H 2019.

2.1.7 Other results

The tax and/or regulatory fees and commission expenses of the MKB Group are recognised within the framework of other profit/loss: transaction levy, local business tax, innovation contribution and other revenues/expenses of ordinary business operation. One of the factors in the positive change (y/y - 16.3%) was the lower local tax and innovation contribution expense, as well as the lower transaction levy paid into the budget on the basis of the moderate turnover.

2.1.8 Operating expenses

MKB Group's operating expenses were HUF 8.2 bln in 3Q, with a decrease of 23.4% y/y and 5.9% p/p.

The management of MKB Bank is committed to the achievement and continuation of cost effective operation. The results of the deliberate and rigorous cost cutting and efficiency improving measures adopted in 2015 and 2016 were continued with operation benefiting from former savings continued in the first nine months of 2019 too.

As a result of the operational efficiency enhancement initiated in 2018, the Group had a closing headcount figure of 1,870 FTEs, which equals 9% y/y decrease.

The adjusted personnel expenses were HUF 4.5 bln. The decline in headcount compared to previous periods is primarily felt in a year-on-year comparison: 24.6% y/y decrease. Due to the high wage inflation, the level of personnel costs is in line with the previous quarter. Material expenses were down by 39.3% y/y due to improved operating efficiency.

Depreciation went up by 39.1% on a y/y basis, primarily as a result of the capitalisation of IT investments, primarily linked to the replacement of the core system.

The introduction of the IFRS16 standard on 1 January 2019 also had an impact on the expenses. Certain items, previously recognised among the material expenses, i.e., primarily rent, were transferred to depreciation and interest expenditure rows in the accounting statement on income. For better comparability, the IFRS16 impact was presented as a correction factor.

The operating expenses in 2019 are in line with the costs defined in the 2015 restructuring plan, which is one of the prerequisites in the EU commitments. The management is committed to implementing the MKB2021 mid-term strategy of the MKB Group and fulfil the EU commitments with outstanding cost efficiency.

2.1.9 Risk costs

In the third quarter, customer rating reviews resulted in recognition of provision at a level of HUF 4.2 bln. The cumulated HUF 0.8 bln risk cost – aided by the outstanding portfolio quality - recognised in the first nine months of the year exceeds management's expectations

Portfolio divestment (>HUF 15 bn volumes) was completed as expected in 3Q. Figures for 3Q were adjusted for the significant but one-off risk cost release. The closing balance of the NPL portfolio for

the period 3Q 2019 was HUF 39.5 bln¹, following a decrease of HUF 66.5 bln compared to 3Q 2018. The IFRS-based NPL ratio dropped to 4.0% (-43 bps p/p), while NPL coverage rose from 99.5% to 110.7%.

2.1.10 Corporate income tax

In 3Q 2019 the recorded corporate income tax expense was HUF 77 million. However, for the cumulative period 3Q 2019, the reported corporate income tax was HUF 0.14 bln (tax revenue), which is the balance of HUF 1.66 bln tax revenue and HUF 1.52 bln tax expense.

This considerable amount of tax revenue resulted from the recognition of deferred tax income related to an unused tax loss. For prudential reasons, the MKB Group recognised only HUF 1.09 bln deferred tax asset for unused tax losses in 2019. However, as at the moment the MKB Group operates profitably and, according to its future tax plans, will be able to generate taxable profit in future, too, from the financial year following the loss-making tax years the MKB Group has presented a deferred tax income for the unused tax losses in its financial statements (2018 - HUF 1.284 bln, 2019Q1-Q3 - HUF 1.09 bln).

¹ Portfolio divestment NPL effect was already considered in 1H figures as per IFRS requirements

2.2 Balance sheet

Balance sheet (in MHUF)	MKB Group						
	3Q2018	4Q2018	2Q2019	3Q2019	P/P	Y/Y	YTD
Financial assets	101,568	82,850	147,400	95,493	-35.2%	-6.0%	15.3%
Trading portfolios	115,540	79,333	40,582	44,381	9.4%	-61.6%	-44.1%
Securities	815,139	710,669	618,942	757,343	22.4%	-7.1%	6.6%
Loans and advances to customers/Customer Loans (net)	939,162	895,203	924,823	942,345	1.9%	0.3%	5.3%
Loans and advances to customers/Customer Loans (gross)	1,029,138	965,315	967,731	986,031	1.9%	-4.2%	2.1%
Retail	256,441	240,241	221,733	235,128	6.0%	-8.3%	-2.1%
Corporate	624,679	574,006	582,161	582,802	0.1%	-6.7%	1.5%
Leasing	148,018	151,069	163,837	168,101	2.6%	13.6%	11.3%
Provision for Customer loans	-89,976	-70,112	-42,907	-43,685	1.8%	-51.4%	-37.7%
Retail	-34,174	-23,784	-10,433	-9,181	-12.0%	-73.1%	-61.4%
Corporate	-49,787	-40,301	-26,459	-28,471	7.6%	-42.8%	-29.4%
Leasing	-6,014	-6,028	-6,016	-6,033	0.3%	0.3%	0.1%
Total Other assets	92,334	89,523	95,927	95,444	-0.5%	3.4%	6.6%
Investments in jointly controlled entities and associates	4,935	5,627	5,355	5,735	7.1%	16.2%	1.9%
Intangibles, property and equipment	49,820	52,143	54,350	55,159	1.5%	10.7%	5.8%
Other assets	37,579	31,753	36,223	34,550	-4.6%	-8.1%	8.8%
Total Assets	2,063,743	1,857,579	1,827,674	1,935,007	5.9%	-6.2%	4.2%
Interbank liabilities	326,144	214,340	206,182	235,390	14.2%	-27.8%	9.8%
Deposits & C/A	1,427,605	1,372,046	1,330,175	1,365,941	2.7%	-4.3%	-0.4%
Retail	326,834	328,649	340,484	333,685	-2.0%	2.1%	1.5%
Corporate	1,100,771	1,043,397	989,691	1,032,256	4.3%	-6.2%	-1.1%
Issued debt securities	8,204	4,974	2,123	0	-100.0%	-100.0%	-100.0%
Other liabilities	120,057	80,053	80,208	103,715	29.3%	-13.6%	29.6%
Subordinated debt	27,888	28,002	37,701	39,434	4.6%	41.4%	40.8%
Shareholders' Equity	153,846	158,166	171,285	190,527	11.2%	23.8%	20.5%
Total Liabilities & Equity	2,063,743	1,857,579	1,827,674	1,935,007	5.9%	-6.2%	4.2%
Guarantees	151,466	147,627	151,035	154,876	2.5%	2.3%	4.9%
Undrawn commitments to extend credit	215,751	251,299	231,723	226,379	-2.3%	4.9%	-9.9%
Obligations from letters of credit and	14,612	4,625	8,834	15,051	70.4%	3.0%	225.4%
Other contingent liabilities (including litigation)	29,103	24,075	9,064	9,191	1.4%	-68.4%	-61.8%
Customer off Balance items	410,932	427,626	400,656	405,497	1.2%	-1.3%	-5.2%

The balance sheet of the MKB group is presented on the basis of consolidated financial statements prepared according to IFRS. The leasing segment presented in the flash report follows the customer portfolios of the Euroleasing Group.

The closing balance sheet total of the MKB Group for 3Q 2019 was HUF 1,935.0 bln, slightly, by 5.9%, higher than in the base period and 6.2% lower than the balance sheet total for 3Q 2018.

The balance sheet total is mainly determined by the increase in customer and interbank funds; on the asset side, the additional funds were reflected in retail loans and, as a result of reorganization of financial assets and securities, in the portfolio of the latter.

The y/y decrease is driven by the active and conscious balance sheet management supporting the fulfilment of EU commitments of the MKB Group.

The MKB Group's loan-to-deposit ratio was 72.2%, down slightly from 72.8% measured in the previous quarter.

2.2.1 Loans

With its HUF 986.0 bln total, the gross loan portfolio shows an increase of 1.9% p/p, at the end of the third quarter, while on y/y basis it shrank by 4.2%. The leasing portfolio expanded significantly last year, by 13.6%. In the last quarter the retail loan portfolio growth (+6.0%; +13.4 bln p/p) was fuelled by the high demand for "Babaváró" loans (HUF 6.2 bln disbursement in Q3). Corporate loans volume stagnated, active focus on profitability.

The impairment losses on loans slightly increased in 3Q, was HUF 43.7 bln (+1.8%; +0.8 bln p/p). On a y/y basis, however, the IFRS impairment loss was halved (-51.4%). NPL divestment deal completed in 3Q was a major factor of the decrease, however as per IFRS standards, NPL build down effects were already presented in 2Q figures. The impairment losses related to the leasing business showed a slight 0.3% increase in 3Q / FY 2019 both on p/p and y/y basis.

2.2.2 Securities

Banking book securities volumes in Q3 reached HUF 757.3 bln (+22.4%; +138.4 bln p/p). Trading book volumes was HUF 44.4 bln in 3Q.. Decrease of the trading book (-71.2 bln y/y) is driven by changes of Total Assets.

The Securities to Total Assets ratio in 3Q was 40.3% (+5.1%p/p; -3.7% y/y).

Due to its unique nature of the balance sheet composition, MKB Bank maintains significant liquid portfolio. The size and the composition of such portfolio is determined by the liquidity position of the Group as well as by the corresponding EU commitments. Owing to the specialities of the Hungarian government market, it is possible to place this liquidity in securities with considerable profitability. The results from such portfolio is highly market driven so it is to cause significant volatility to the profit and total comprehensive income figures of the Group.

2.2.3 Financial assets

Financial assets was HUF 95.5 bln at the end of 3Q 2019, representing a significant 35.2% decrease over the previous quarter. The majority of the portfolio, which varies parallel with the liquidity position and total assets of the MKB Group, is made up of interbank and MNB related instruments used mainly for short term liquidity management purposes.

2.2.4 Deposits

Customer deposits amounted to HUF 1,365.9 bln, showing a 2.7% increase on a p/p basis and a 4.3% decline on y/y basis.

In the third quarter, corporate deposits picked up by 4.3% on a p/p basis, reflecting the massive liquidity of the market. Retail deposits decreased by 2.0%, mainly due to the crowding out effects of the MÁP + government bond.

2.2.5 Interbank liabilities

The interbank liabilities fell by 27.8 % on a y/y basis and was HUF 235.4 bln at the end of 3Q.

Volume of the refinancing liabilities are linked to changes of the corresponding asset side portfolio.

The volume of other interbank liabilities are matching the operative liquidity position of the Group. Given the currently high customer resources and limited total assets, this portfolio component reduced significantly compared to the preceding periods.

2.2.6 Capital

The MKB Group had HUF 190.5 bln capital at the end of the reporting period. There was a major increment compared to both previous periods: 23.8% increase on y/y basis and 11.2% increase on p/p basis since the end of 2018. The quarterly increase of HUF 19.2 bln is mainly due to the HUF 28.1 bln after-tax profit of the reporting period, which was weakened by the HUF 8.6 bln decline in the revaluation result of the available-for-sale securities portfolio.

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2.2.7 Off-balance sheet exposures to customers

The Group's off-balance sheet exposures changed simultaneously with the gross customer loans over the last period. The decline was 1.3% on y/y basis while 1.2% increase was captured on p/p basis mainly due to changes in credit lines.

2.3 Capital adequacy

MKB Group's capital adequacy ratio was 18.2% in 3Q 2019, reflecting 184 bps increase on a y/y basis. That capital adequacy ratio exceeds the regulatory minimum and provides a considerable capital buffer for the operation of the MKB Group.

Fair value losses of FVTOCI portfolio in 3Q contributed to the 115bp p/p decline in capital adequacy. Subordinated loans have slightly increased in Q3 due to devaluation of the HUF against EUR. Profit for the year will be considered after the completion of the 2019 audit mission.

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2.4 Presentation of the results of the business segments

This chapter presents the loan portfolio of the MKB Group by segment and positions it in the banking market according to market share. The segments are formed according to the requirements to be used in the reports prepared for the Magyar Nemzeti Bank (MNB) and the portfolios are also analysed accordingly for the exact presentation of the market shares.

2.4.1 Corporate business

Within the corporate loans, the non-financial companies loans amounted to HUF 427.0 bln, reflecting a 6.8%, HUF 31.4 bln decrease since the previous quarter. The market share shrank by 54 bps to 5.13%.

The investment loans to non-financial corporations amount to HUF 114.6 bln, making up 26.8% of non-financial corporate loans. Thanks to the increase in subsidized investment loans to improve competitiveness, the increase was HUF 2.5 bln quarter-on-quarter, with new disbursements reaching HUF 10.5 bln, an increase of 32.7% compared to the second quarter.

The working capital loans decreased by HUF 7.1 bln compared to the previous period, resulting in HUF 97.1 bln. These loans make up 22.7% of the portfolio, new working capital loans amounted to HUF 19.2 bln in the third quarter; the cumulated third quarter disbursements reached HUF 77.6 bln, nearly HUF 20 bln higher than in the same period last year.

Considering segment breakdown, the non-financial large corporate gross loan portfolio shrank to HUF 101.8 bln, the SME loan portfolio was recorded at HUF 296.4 bln and the loan portfolio of micro enterprise dropped to HUF 28.8 bln.

Lending to non-financial corporations in the reporting period reached HUF 29.7 bln, resulting in 3.99% market share, with cumulative disbursements of HUF 115.7 bln in the third quarter, nearly HUF 10 bln over the similar period of last year.

Non-financial corporate deposits stood at HUF 592.7 bln, 7.3% higher than in the second quarter, and the market share grew by 20 bps and reached 6.82%. Compared to the same period of the previous year, the decrease was 6.9%. The credit facility corporate loan and deposit volumes are strongly influenced by the balance sheet management performed by the bank to maintain its balance sheet total.

At the end of 3Q 2019, there were 39,100 corporate clients (-2.4 thousand p/p). MKB Bank closed its relationship with certain sub segments due to compliance reasons. In addition to this, cleansing of the customer portfolio in micro segment was also a significant factor in decline

2.4.2 Leasing business²

MKB Group's leasing portfolio at the end of 3Q 2019 was HUF 168.1 bln. The portfolio increased significantly, by 13.6% (HUF +20.1 bln y/y). In 3Q 2019, growth was HUF 4.3 bln. The car financing sector's leasing volume was HUF 98.7 bln (16.5%, HUF 13.9 bln increase y/y), while the volume of financing of production assets was HUF 51.9 bln, stagnating over the past year. The stock financing portfolio expanded by HUF 6.8 bln, while other receivables decreased by HUF 0.7 bln over a year.

² The leasing portfolio of the MKB Group is managed by the MKB-Euroleasing Group, in which MKB Bank Nyrt. acquired 100% share in 2015. The former single focus model of operation limited to vehicle financing was replaced by a multi-focus model. The activities were extended to financing agricultural machinery, large commercial vehicles, buses and general machinery.

In terms of new disbursements, the MKB Group has a stable position among the three largest actors in the Hungarian leasing market according to the data of the Hungarian Leasing Association.

The RWA commitment, due to which the lending decisions in 2019 prioritise segments that are more effective in terms of RWA (vehicle financing, SME customers) also limited the growth potential of leasing in 3Q. These business decisions are reflected in the evolution of portfolios, i.e., the dynamic growth of portfolio data related to vehicle financing, and in maintaining the level of the portfolio of financing of production assets. The growth of stock financing portfolios is significantly influenced by the stockpiling policy of importers and car dealers, which is significantly affected by the tightening of environmental rules that are conditional to licensing vehicles for traffic in the second half of 2019.

In the first nine months of the year, new placements exceeded expectations, thanks to the development of the vehicle financing industry, which has exceeded market growth. In the asset financing industry, due to its significant RWA demand, the focus remains on the diversified agricultural machinery financing segment, which is targeted at the SME clientele.

An important strategic aspect is the expansion of the SME customer base, which is greatly facilitated by the fact that the MKB Group participates in the distribution of the available “NHP” resources to its customers according to its market share. Nearly 40% of the total loans provided in 2019 was under the “NHP” Fix facility.

In the third quarter, in addition to the growing portfolio, the non-performing portfolio continued to decline, while its coverage for impairment remained stable at 83%. The bulk of the declining problem portfolio still comes from lending in 2007-2008.

2.4.3 Retail business

The retail segment closed 3Q 2019 with HUF 227.4 bln loans, representing a HUF 11.9 bln decrease compared to 2Q 2019 and a -43bp change in market share. The main reason for the decline was the sale of a non-performing retail loan portfolio HUF 12.5 bln new loans were disbursed (HUF 5.3 bln higher than in 2Q 2019, HUF +4.6 bln y/y), which resulted in 11bp increase in market share.

Secured loans closed at HUF 204.4 bln in 3Q 2019, compared to HUF 223.9 bln in 2Q 2019, while the market share decreased from 5.03% to 4.57%. It was due to the sale of non-performing loans mentioned above. The volume of new loans was slightly lower than in 2Q 2019, resulted HUF 4.9 bln in 3Q, due to the crowding-out effect of “Babaváró” loans, still the market share rose by 15 bps to 2.03%. The volume of secured loans within the loan portfolio decreased by 3.68% compared to 2Q 2019.

The consumer loan volume increased by HUF 7.2 bln compared to the end of 2Q 2019 - while the market share increased by 19bp to 1.01% - mainly due to the release of “Babaváró” loans, only this product resulted HUF 6.2 bln disbursement in three months. In personal loan disbursements there was an increase of HUF 0.1 bln in 3Q 2019 compared to 1Q 2019, which means 6bp increase in market share.

Deposits closed at HUF 283.1 bln, reduced by HUF 5.8 bln compared to the end of 2Q 2019. The decline was valid both for sight and term deposits, due to the resource draining effect of the MÁP+ government securities investment product launched in June. The market share of deposits was 3.10% at the end of the period, representing 11bp decline. However, deposits remained on high level (HUF +18.9 bln compared to the end of 3Q 2018), representing a similar market share (-2 bps y/y).

In addition to the gradual decrease in the number of non-performing customers, the number of active retail customers also shows a downward trend compared to 2Q 2019, with 173.2 thousand customers

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at the end of 3Q 2019. Further to this, retail client portfolio cleansing by closing-off accounts with negative profitability and lack of activity is also ongoing.

2.4.4 Private Banking and Treasury

2.4.4.1 Private Banking Business

In terms of managed assets, the private banking segment grew further in 3Q 2019, as it closed the quarter with HUF 662.9 bln portfolio after 9% increase since Q2 and more than 25% increase since 3Q 2018. The main factor in this growth is the increase in other external securities (investment funds) and government securities in the portfolio. MÁP+ retail government securities introduced on 3 June 2019 also made a huge contribution to the latter.

2.4.4.2 Treasury

The treasury sales were significantly influenced by the restructuring of ÁKK's sales fees and the introduction of MÁP+. The fee reduction has a negative impact on securities trading commission revenues, while significant MÁP+ sales have resulted in high additional revenues in the past quarter. The YTD foreign exchange trading results are higher than last year. Customers generated foreign exchange turnover is also increased.

The trading income is lower than in the previous period. This result is driven by portfolio fluctuation and valuation effects on the profit of trading book.

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Declaration

MKB Bank Nyrt. (hereinafter Bank) issues the following declaration in relation to its report on the 3Q 2019 results (Flash Report):

The Bank declares that the Flash Report has been prepared in compliance with the applicable accounting regulations. The Flash Report, prepared according to the best knowledge and information of the experts and decision-making managers of the Bank concerned reflects a true and fair view of the assets and liabilities, financial position and profit and loss of the Bank as securities issuer and the consolidated companies.

No independent audit report has been prepared for the Flash Report.

Budapest, 28 November 2019.

MKB Bank Nyrt.

dr. Ádám Balog
Chairman Chief Executive

Csaba Gábor Fenyvesi
Deputy CEO

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3 FINANCIAL FIGURES

3.1 Correction factors

3.1.1 2018 Q1-3

	2018Q1Q3 Quarterly Report	Dividend income	Structure correction	Banking tax and other taxes	ESOP	Branch closure reserve	Other	Adjusted PAT
Interest income	44,578	-679	0	0	0	0	0	43,899
Interest expense	-12,795	0	0	0	0	0	0	-12,795
Net interest income	31,783	-679	0	0	0	0	0	31,104
Net income from commissions and fees	20,622	0	0	0	0	0	0	20,622
Other operating income / (expense), net	15,256	0	-7,714	4,707	0	0	0	12,249
Impairments and provisions for losses	-714	0	0	0	0	1,845	0	1,131
Operating expenses	-43,485	0	9,081	240	3,120	0	719	-30,325
Share of jointly controlled and associated companies' profit / (loss)	1,367	0	-1,367	0	0	0	0	0
Profit / (Loss) before taxation	24,829	-679	0	4,947	3,120	1,845	719	34,781
Income tax expense / (income)	427	0	0	-573	0	0	0	-146
PROFIT/ (LOSS) FOR THE YEAR	25,256	-679	0	4,374	3,120	1,845	719	34,635
<i>Other comprehensive income:</i>		0	0	0	0	0	0	0
Revaluation on financial assets measured at FVTOCI	-18,263	0	0	0	0	0	0	-18,263
Other comprehensive income for the year net of tax	-18,263	0	0	0	0	0	0	-18,263
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6,993	-679	0	4,374	3,120	1,845	719	16,372

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3.1.2 2019 Q1-3

	2018Q1Q3 Quarterly Report	Dividend income	Structure correction	Portfolio downsizings	Banking tax and other taxes	Branch closure reserve	Realignment reserve	IFRS16 effect	Other	Adjusted PAT
Interest income	45,628	-236	0	0	0	0	0	0	0	45,392
Interest expense	-13,459	0	0	0	0	0	0	72	0	-13,387
Net interest income	32,169	-236	0	0	0	0	0	72	0	32,005
Net income from commissions and fees	19,469	0	0	0	0	0	0	0	0	19,469
Other operating income / (expense), net	7,200	151	1,520	-1,527	2,024	0	0	-135	-272	8,961
Impairments and provisions for losses	5,084	0	0	-4,197	0	-787	-495	0	0	-395
Operating expenses	-29,357	0	0	63	2,023	787	495	-347	-229	-26,566
Share of jointly controlled and associated companies' profit / (loss)	1,520	0	-1,520	0	0	0	0	0	0	0
Profit / (Loss) before taxation	36,085	-85	0	-5,661	4,047	0	0	-410	-502	33,474
Income tax expense / (income)	140	0	0	0	0	0	0	0	0	140
Profit/ (Loss) for the year from continuing operation	36,225	-85	0	-5,661	4,047	0	0	-410	-502	33,614
PROFIT/ (LOSS) FOR THE YEAR	36,225	-85	0	-5,661	4,047	0	0	-410	-502	33,614
Other comprehensive income:		0	0	0	0	0	0	0	0	0
Revaluation on financial assets measured at FVTOCI	-3,150	0	0	0	0	0	0	0	0	-3,150
Other comprehensive income for the year net of tax	-3,150	0	0	0	0	0	0	0	0	-3,150
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	33,075	-85	0	-5,661	4,047	0	0	-410	-502	30,464

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3.2 Consolidated financial statements of the MKB Group according to IFRS

3.2.1 Income statement

	3Q 2018*	3Q 2019*
Interest income	44,578	45,628
Interest expense	12,795	13,459
Net interest income	31,783	32,169
Net income from commissions and fees	20,622	19,469
Other operating income / (expense), net	15,256	7,200
Impairments and provisions for losses	714	(5,084)
Operating expenses	43,485	29,357
Share of jointly controlled and associated companies' profit / (loss)	1,367	1,520
Profit / (Loss) before taxation	24,829	36,085
Income tax expense / (income)	(427)	(140)
Profit/ (Loss) for the year from continuing operation	25,256	36,225
Profit/ (Loss) for the year from discontinued operation	-	-
PROFIT/ (LOSS) FOR THE YEAR	25,256	36,225
<i>Other comprehensive income:</i>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Revaluation on financial assets measured at FVTOCI	(18,263)	(3,150)
Other comprehensive income for the year net of tax	(18,263)	(3,150)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6,993	33,075

* Non-audited

3.2.2 Balance sheet

	2018 YTD	3Q 2019*
Assets		
Cash reserves	19,240	19,564
Loans and advances to banks	63,610	75,929
Derivative financial assets	17,914	22,720
Securities	773,029	780,417
Loans and advances to customers	895,203	942,345
Non-current assets held for sale and discontinued operations	4,238	3,288
Other assets	21,699	23,420
Current income tax assets	2	58
Deferred tax assets	5,814	7,784
Investments in jointly controlled entities and associates	4,687	4,323
Intangibles, property and equipment	52,143	55,159
Total assets	1,857,579	1,935,007
Liabilities		
Amounts due to other banks	214,340	200,390
Deposits and current accounts	1,372,046	1,400,941
Derivate financial liabilities	31,608	51,963
Liabilities held for sale and discontinued operations	0	1,018
Other liabilities and provisions	48,425	50,678
Current income tax liabilities	16	3
Deferred tax liabilities	2	53
Issued debt securities	4,974	0
Subordinated debt	28,002	39,434
Total liabilities	1,699,413	1,744,480
Equity		
Share capital	100,000	100,000
Treasury Shares	-1,987	-52
Reserves	58,166	90,527
Total equity attributable to equity holders of the Bank	156,179	190,475
Non-controlling interests	1,987	52
Total equity	158,166	190,527
Total liabilities and equity	1,857,579	1,935,007

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Investors' contact person: Dóra Sebestyén-Bertalan

3.2.3 Shareholders' assets

	Share capital	Treasury shares	Share premium	Share-based payments	Retained earnings	Revaluation on financial assets measured at FVTOCI	Non-controlling interests	Total equity
At 1 January 2018	100,000	(5,550)	21,729	54	15,135	9,789	5,549	146,706
Dividend for the year 2017	-	-	-	-	-	-	-	-
Profit/ (loss) for the year	-	-	-	-	25,132	-	-	25,132
Other comprehensive income for the year	-	-	-	-	-	(13,255)	-	(13,255)
First / (final) consolidation of subsidiaries	-	-	-	-	(558)	-	-	(558)
Decrease of share capital	-	-	-	-	-	-	-	-
Acquisition of treasury Shares (ESOP)	-	-	-	-	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	1	1
Equity settled share-based payments	-	-	-	140	-	-	-	140
Disposal of treasury shares	-	3,563	-	-	-	-	(3,563)	-
At 31 December 2018	100,000	(1,987)	21,729	194	39,709	(3,466)	1,987	158,166
Dividend for the year 2018	-	-	-	-	(4,665)	-	-	(4,665)
Profit/ (loss) for the year	-	-	-	-	36,225	-	-	36,225
Other comprehensive income for the year	-	-	-	-	-	(3,150)	-	(3,150)
First / (final) consolidation of subsidiaries	-	-	-	-	-	-	-	-
Decrease of share capital	-	-	-	-	-	-	-	-
Acquisition of treasury Shares (ESOP)	-	-	-	-	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-
Equity settled share-based payments	-	-	-	(194)	194	-	-	-
Disposal of treasury shares	-	1,935	-	-	3,951	-	(1,935)	3,951
At 30 September 2019	100,000	(52)	21,729	-	75,414	(6,616)	52	190,527

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3.3 Individual financial statements of MKB Bank Nyrt according to IFRS

3.3.1 Income statement

	3Q 2018*	3Q 2019*
Interest income	40,850	44,600
Interest expense	12,860	13,941
Net interest income	27,990	30,659
Net income from commissions and fees	20,514	19,548
Other operating income / (expense), net	15,180	6,658
Impairments and provisions for losses	98	(4,498)
Operating expenses	37,608	26,630
Share of jointly controlled and associated companies' profit / (loss)	-	-
Profit / (Loss) before taxation	25,978	34,733
Income tax expense / (income)	(539)	(170)
Profit/ (Loss) for the year from continuing operation	26,517	34,903
Profit/ (Loss) for the year from discontinued operation	-	-
PROFIT/ (LOSS) FOR THE YEAR	26,517	34,903
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Revaluation on financial assets measured at FVTOCI	(18,263)	(3,150)
Other comprehensive income for the year net of tax	(18,263)	(3,150)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	8,254	31,753

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3.3.2 Balance sheet

	2018 YTD	3Q 2019*
Assets		
Cash reserves	19,240	19,564
Loans and advances to banks	63,610	75,929
Derivative financial assets	17,914	22,720
Securities	773,029	780,417
Loans and advances to customers	893,144	936,411
Non-current assets held for sale and discontinued operations	4,238	3,288
Other assets	16,518	21,587
Deferred tax assets	5,771	7,710
Investments in jointly controlled entities and associates	42,972	45,254
Intangibles, property and equipment	22,193	37,867
Total assets	1,858,629	1,950,747
Liabilities		
Amounts due to other banks	214,153	200,247
Deposits and current accounts	1,380,838	1,410,995
Derivate financial liabilities	31,608	51,963
Liabilities held for sale and discontinued operations	0	1,018
Other liabilities and provisions	38,708	59,182
Issued debt securities	5,696	1,331
Subordinated debt	28,002	39,434
Total liabilities	1,699,005	1,764,170
Equity		
Share capital	100,000	100,000
Treasury Shares	0	0
Reserves	59,624	86,577
Total equity attributable to equity holders of the Bank	159,624	186,577
Non-controlling interests	0	0
Total equity	159,624	186,577
Total liabilities and equity	1,858,629	1,950,747

*Non-audited

3.3.3 Shareholders' assets

	Share capital	Share premium	Retained earnings	Revaluation on financial assets measured at FVTOCI	Total equity
At 1 January 2018	100,000	21,729	16,087	9,789	147,605
Profit/ (loss) for the year	-	-	25,274	-	25,274
Other comprehensive income for the year	-	-	-	(13,255)	(13,255)
At 31 December 2018	100,000	21,729	41,361	(3,466)	159,624
Dividend for the year 2018	-	-	(4,800)	-	(4,800)
Profit/ (loss) for the year	-	-	34,903	-	34,903
Other comprehensive income for the year	-	-	-	(3,150)	(3,150)
At 30 September 2019	100,000	21,729	71,464	(6,616)	186,577

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3.4 Other information

Consolidated companies

Company	Percentage of equity owned	Percentage of voting rights	Country of incorporation	Brief description of activities
Euro - Immat Üzemeltetési Kft.	100.00%	100.00%	Hungary	Intangible assets, license maintenance
Exter-Adósságkezelő Kft.	100.00%	100.00%	Hungary	Collecting receivables
Extercom Vagyonkezelő Kft.	100.00%	100.00%	Hungary	Property investments
MKB-Euroleasing Autólízing Szolgáltató Zrt.	100.00%	100.00%	Hungary	Car and consumer finance activities, other finance activities
MKB Bank MRP Szervezet	100.00%	0.00%	Hungary	Special purpose entity for the Employee Share Program
MKB Nyugdíjpénztárt és Egészségpénztárt Kiszolgáltató Kft.	100.00%	100.00%	Hungary	Other financial services
MKB Üzemeltetési Kft.	100.00%	100.00%	Hungary	Property operation and maintenance
Retail Prod Zrt.	100.00%	100.00%	Hungary	Car and consumer finance activities
MKB-Pannónia Alapkezelő Zrt.	49.00%	49.00%	Hungary	Investment fund management activity
MKB Digital Szolgáltató Zrt.	100.00%	100.00%	Hungary	IT services

List and presentation of owners with more than 5% participation

Név	Number of shares	Ownership share (%)	Voting rights (%)
METIS Private Equity Fund	35,000,001	35.0%	35.0%
Blue Robin Investments S.C.A.	32,900,000	32.9%	32.9%
RKOFIN RKOFIN Investment and Asset Management Ltd.	13,620,597	13.6%	13.6%
EIRENE Private Equity Fund	9,999,999	10.0%	10.0%

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Full-time employees

FTE, end of period	2017H2	2018H1	2018H2	2019H1
MKB Bank Nyrt.	1,758.68	1,853.13	1,763.15	1,497.78
MKB Digital Zrt.	0.00	0.00	0.00	190.70
MKB Üzemeltetési Kft	41.50	41.50	43.50	37.11
Euroleasing Zrt.	0.15	0.10	0.10	0.00
MKB Euroleasing Autólízing Zrt.	114.07	125.90	119.35	133.18
MKB-Euroleasing Autóhitel Ker és Szolg Zrt.	16.23	16.05	15.90	0.00
Retail Prod Zrt.	0.33	0.33	0.33	0.23
MKB Befektetési Alapkezelő Zrt.	3.18	1.01	0.00	0.00
MKB Nypénzt. és Eü.Pénzt.Kiszolgáló Kft.	11.25	11.00	10.22	6.00
Exter Adósságkezelő Kft.	2.00	1.00	1.00	1.00
Extercom Kft.	2.64	1.58	2.15	3.20
MKB Bank MRP Szervezet	2.00	2.00	2.00	2.00
MKB Jelzálogbank Zrt.	1.05	0.50	0.00	0.00
MKB Group	1,953.07	2,054.08	1,957.70	1,871.19

Managers and strategic employees

Type ¹	Name	Position	Beginning of mandate	End/termination of mandate	Number of shares held
IT, VB	Dr. Ádám Balog	Chairman and CEO	2015.07.23	2020.07.22	0
IT, VB	Dr. András Csapó	member, Deputy CEO	2017.09.07	2020.07.22	0
IT	Márk Hetényi	member	2019.04.16	2024.04.15	0
IT	Imre Kardos	member	2016.07.25	2021.07.24	0
IT	Balázs Nyitrai	member	2018.06.27	2023.06.26	0
FB, VB	János Nyemcsok	member, Deputy CEO	2016.04.15	2021.03.31	0
FB	Ferenc Müller	member, Chief Strategic Consultant	2016.04.15	2021.03.31	0
FB	Albert Godena	member, Director	2016.07.25	2021.07.24	0
FB	Rita Feodor	member	2018.09.19	2023.09.18	0
FB	Dr. Ágnes Hornung	Chair Lady	2019.02.28	2024.02.27	0
FB	Törtel András Oszlányi	member	2019.02.25	2024.02.24	0
FB	Dr. László Ipacs	member	2019.02.25	2024.02.24	0
SP, VB	András Bakonyi	Deputy CEO	2017.09.22		0
SP, VB	Ildikó Ginzer	Deputy CEO	2016.12.21		0
SP, VB	Csaba Gábor Fenyvesi	Deputy CEO	2019.06.25*		0

¹ Employee in strategic positions (SP), Board of Directors member (IT), Supervisory Board member (FB), Executive Committee member (VB)

* Member of the Executive Committee since 01.08.2017

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4 ANNEXES

4.1 Financial indicators

$$\text{ROAE (Return on Average Equity)} = \frac{\text{Profit after taxation of the period}}{\text{Average equity}}$$

$$\text{ROAA (return on average assets)} = \frac{\text{Profit after taxation of the period}}{\text{Average total assets}}$$

$$\text{ROMC (return on minimum capital requirement)} = \frac{\text{Profit after taxation of the period}}{\text{Minimum capital requirement}}$$

$$\text{TRM (total revenue margin)} = \frac{\text{Gross revenues}}{\text{Average total assets}}$$

$$\text{NIM (net interest margin)} = \frac{\text{Net interest income}}{\text{Average total assets}}$$

$$\text{NFM (net fee margin)} = \frac{\text{Net fee/commission income}}{\text{Average total assets}}$$

$$\text{Business margin} = \frac{\text{Net interest income} + \text{Net fee/commission income} + \text{Exchange rate result}}{\text{Average total assets}}$$

$$\text{C/TA (operating expenses /total assets)} = \frac{\text{Total operating expenses}}{\text{Average total assets}}$$

$$\text{CIR (cost – income ratio)} = \frac{\text{Total operating expenses}}{\text{Gross revenues}}$$

$$\text{Impairment / Total assets} = \frac{\text{Impairment recognised on loans}}{\text{Total assets (closing)}}$$

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$$\text{Risk costs ratio} = \frac{\text{Risk cost recognised on loans}}{\text{Average gross loan portfolio}}$$

$$\text{CAR (capital adequacy ratio)} = \frac{\text{Regulatory capital}}{\text{Risk weighted assets (RWA)(closing)}}$$

$$\text{RWA ratio} = \frac{\text{RWA (closing)}}{\text{Total assets (closing)}}$$

$$\text{LTD (loan to deposit ratio)} = \frac{\text{Gross customer loans (closing)}}{\text{Customer deposits (closing)}}$$

$$\text{RWA efficiency} = \frac{\text{Gross revenues}}{\text{RWA (average)}}$$

$$\text{EPS (earnings per share)} = \frac{\text{Profit after taxation of the period}}{\text{Number of shares}}$$

$$\text{NPL coverage} = \frac{\text{Impairment recognised on loans}}{\text{Non – performing loans (NPL)(closing)}}$$

$$\text{NPL ratio} = \frac{\text{NPL portfolio (closing)}}{\text{Gross customer loans (closing)}}$$

$$\text{DPD90 + coverage} = \frac{\text{Impairment recognised on loans}}{\text{Loans past due for more than 90 days (DPD90+) (closing)}}$$

$$\text{DPD90 + ratio} = \frac{\text{DPD90 + portfolio (closing)}}{\text{Gross customer loans (closing)}}$$

4.2 Abbreviations

MKB, MKB Bank, MKB Group	MKB Group
MKB Group	
EU kötelezettségvállalások	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 Please note that specific targets were set within the displayed ranges.
MNB	Magyar Nemzeti Bank (the Central Bank of Hungary)
y/y	Year on year
p/p	Period on period
bp	Basis point
CAGR	Compounded Annual Growth Rate
(Y), YTD	Year to date data
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
Fedezett hitelek	Home Loans + Free-to-Use Mortgages
FVTOCI	Fair value through OCI
FVTPL	Fair value through P&L
FTE	Full time equivalent
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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