



1H 2021 MKB Group

Flash Report presentation

26 August 2021



We kindly draw your attention to that in this presentation MKB Bank's underlying financial performance presented – if not stated otherwise – using **adjusted financial figures** (alternative performance measurement indicators – APM).

For definition and calculation methodology of alternative performance measurement indicators please refer to 1H Flash Report chapter 4.1 – Financial indicators.

This presentation is to support the understanding of the underlying financial performance of MKB Group and it is a close and inseparable part of the 1H 2021 Flash Report.

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Overview

Strong business performance allows for outstanding profitability in 1H despite increasing cost pressure:

- **HUF 40.6 bln** adjusted profit in 1H, HUF 11.6 bln adjusted profit in 2Q
- Increasing core income: net interest +49.5% y/y; net fee +3.2% y/y
- **Total assets expanded over HUF 3,000 bln** (+1.3% p/p, +37.4% y/y): quarterly customer loan increase (+4.4%) is the main driver of asset growth; deposits near to 2020 year end, peak levels
- **Substantial capital buffer:** 17.8% CAR despite intensive lending activity and unfavourable revaluation reserve changes in 1H
- Remarkable **CIR: 36.0%**, although integration efforts put pressure on costs
- Adjusted customer ratings together with improving portfolio quality allowed for HUF 0.6 bln **risk cost release** in 2Q

Key factors – 2Q

- **Excellent business line performances:** increasing flow market share in every segment. The flow market share of corporate loans was more than one and a half times higher than stock market share
- Extended moratorium:
 - Although the participation rate remained steady (53.1%) in 2Q, the stock under moratorium decreased significantly (>20% YTD) mainly due to corporate customers
 - Financial impact of the elongation of Moratorium II till 30th September was treated as adjustment factor, see pg. 12

Adjusted half year figures ¹	
PAT HUF 40,56 bln N/A ; 175,5%	Total Assets HUF 3 034,1 bln 37,4% ; 9,1%
ROAE 36,15% 28,7%-pt ; 38,7%-pt	CIM 2,70% -0,4%-pt ; -0,6%-pt
GAE HUF 24,47 bln 21,2% ; 4,0%	CIR 35,96% -37,5%-pt ; -29,0%-pt
Risk% -0,14% 0,0%-pt ; -0,5%-pt	NPL% 2,37% -1,3%-pt ; -0,2%-pt
CAR 17,77% -2,0%-pt ; -1,2%-pt	Securities to TA 45,89% 7,3%-pt ; 0,7%-pt

(↓ y/y YTD; p/p ↑)

¹ For PAT adjustments see page 12, for unadjusted figures see 1H 2021 Flash report, paragraph 3.1.2

Retail



- Strong demand for housing loans and Subsidized Home Renovation Loan resulted in outstanding disbursement
- NBH Qualified Consumer Friendly Personal Loan is available for customers since 18 April
- Successful premium customer acquisition campaign continued in 2021: client number increased by 11.5% p/p reaching 9,145 at the end of 2Q

Corporate



- Lending activity focus shifted towards fixed-rate, long-term deals as interest rates began to rise
- MKB achieved a market share significantly exceeding its market weight in the disbursements of Restart Quick Loan Program available for micro and small business customers at MFB Points
- Sign of intensive economic recovery after the pandemic pushes the demand for loans upwards: outstanding market share on the disbursement of loans to non-financial corporations
- Funding for Growth Scheme Bond program is still in focus: MKB actively and successfully participates

Leasing



- Vehicle financing segment had an outstanding successful first half year. New disbursement figures hit record heights in 1H
- 21% of the customers participated in the moratorium at the end of June 2021
- With the exhaustion of “FGS Go!” budget for new disbursements, products with own resources and other supported resources (eg. EXIM) became more popular in the SME clientele

Moody's credit rating upgrade: on 13 July Moody's Investors Service upgraded MKB Bank Plc.'s deposit ratings to Ba1 maintaining the positive outlook

MOODY'S

Base rate increase: As part of the interest rate hike cycle that began in June, NBH further raised the central bank base rate by 30-30 basis points on both 27 July and 24 August, reaching 1.50%



Moratorium: The moratorium was extended until the end of September with unchanged conditions



Due to the exhaustion of the FGS Go! budget for new disbursements, the **focus is on the Széchenyi Card Program** in the field of corporate lending **from 1 July 2021:** two more new products will be available from 1 September 2021 (down payment assistance, leasing product)



FGS Green Home Programme: NBH has announced a new green monetary toolkit strategy, as part of which a new, up to 2.5 per cent, fixed-rate housing loan will be available for retail customers from October 2021. The loan can be granted for the construction or purchase of new apartments and family houses with high energy efficiency (at least BB), in the maximum amount of HUF 70 mln and with a maximum term of 25 years



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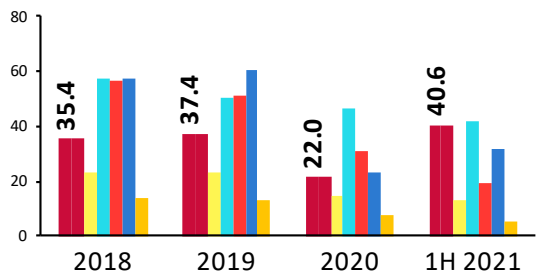
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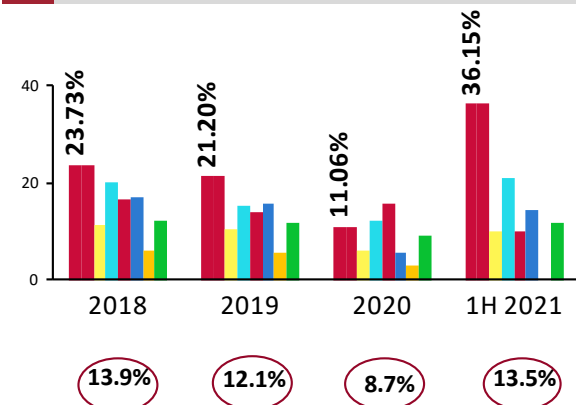
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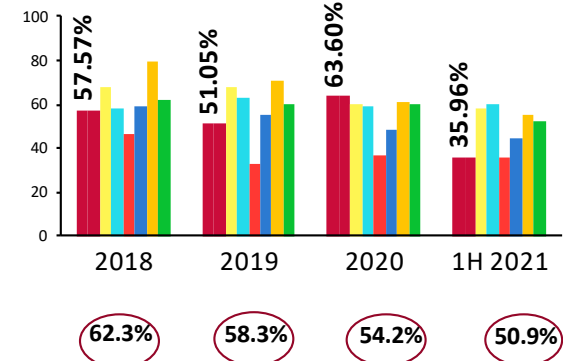
Adjusted profit after tax (HUF bln)



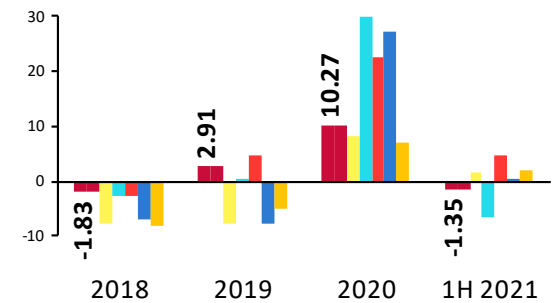
Adjusted ROAE (%)



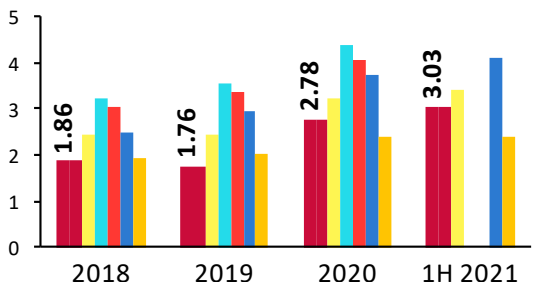
Cost/income ratio (% adjusted)



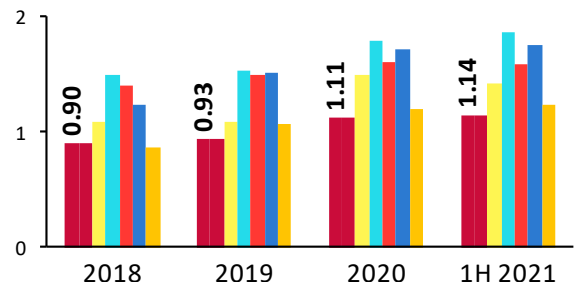
Unadjusted risk cost (HUF bln, +/- charge/release)



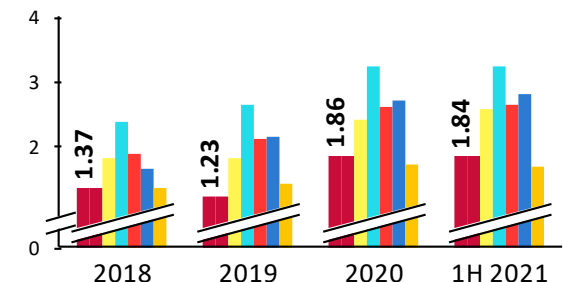
Total assets (HUF thousand bln)



Net loan portfolio (HUF thousand bln)



Deposits (HUF thousand bln)



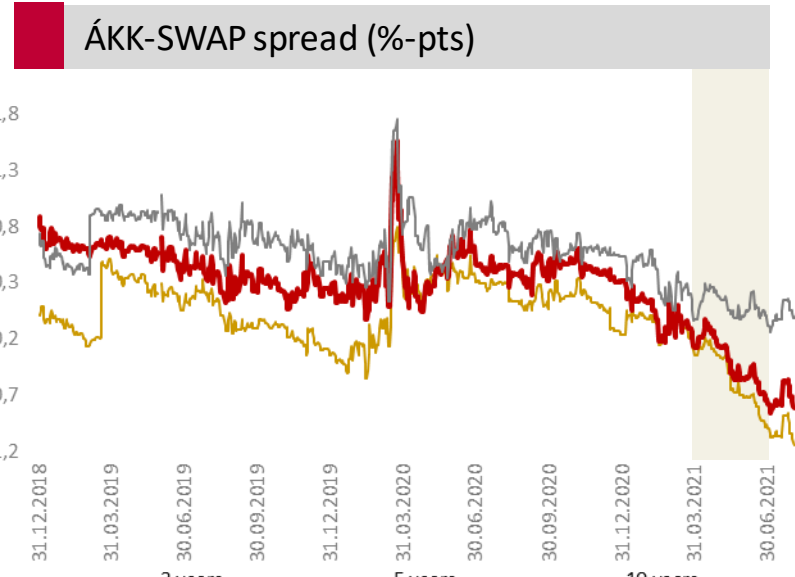
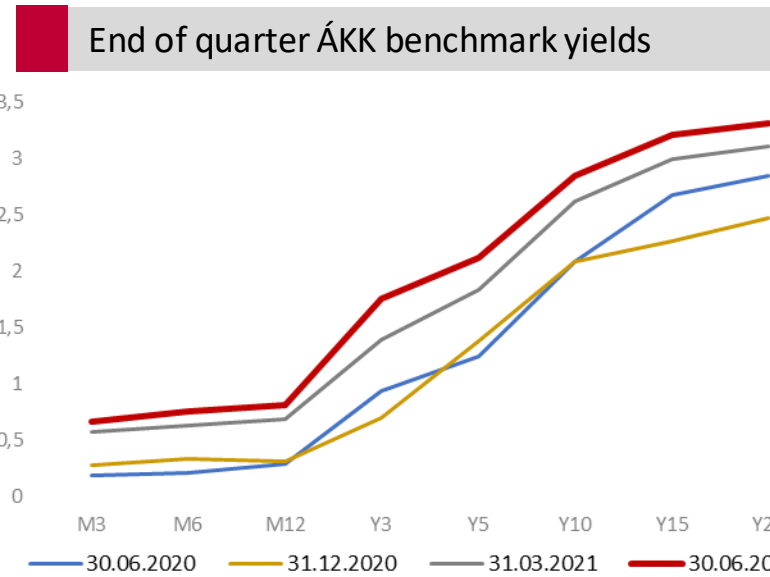
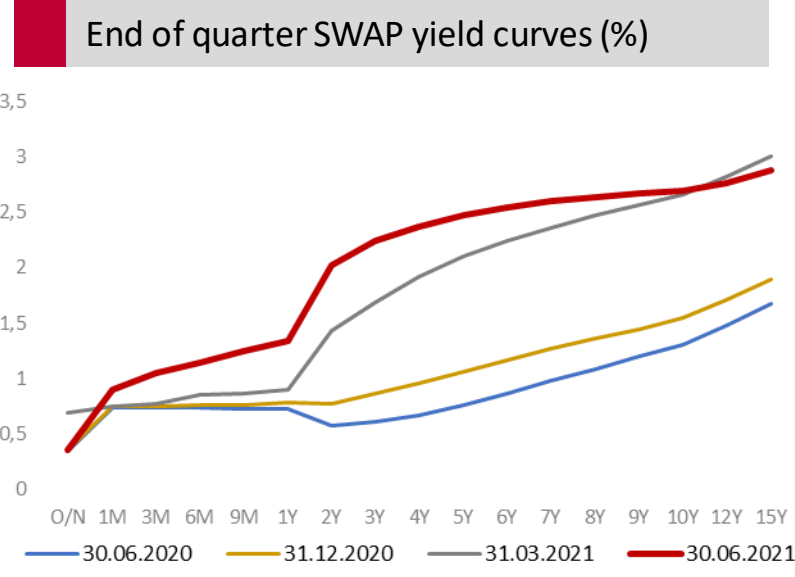
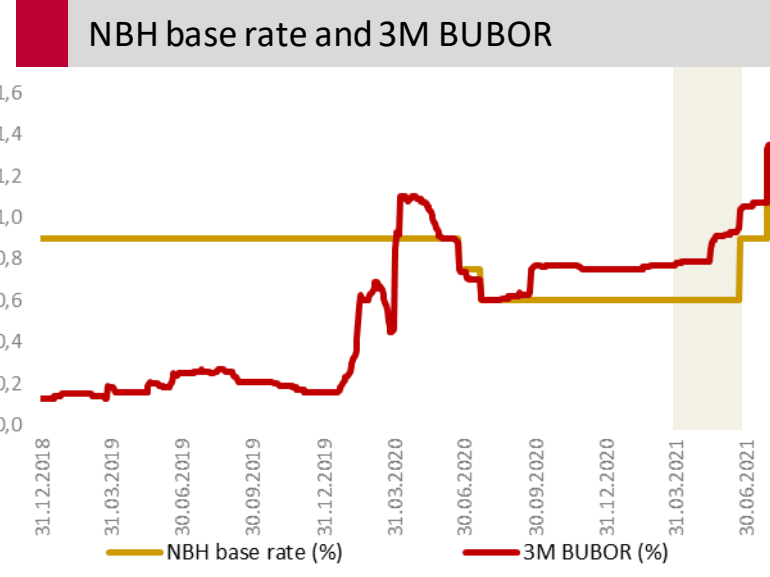
- **36.15% ROAE** stands out from the competition with a significant increase since year end
- **CIR is at a low level** compared to peers, meaning high efficiency

MKB KH Erste OTP Core
Raiffeisen UC CIB

17.5 peer group average incl. OTP Core

Source: flash reports of banks

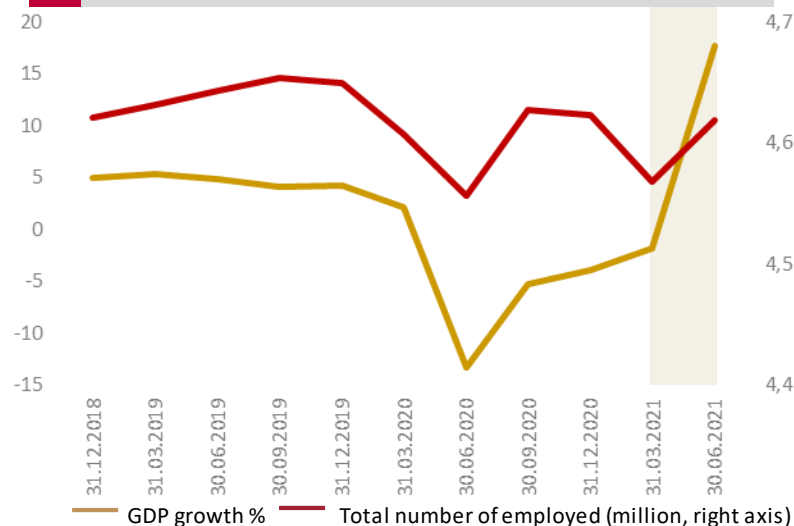
- Intensifying inflation worries and high, above 5% monthly inflation figures incited the central bank to take action resulting in an interest rate hike cycle. NBH increased the base rate to 1,2% after two 30 bps hikes on successive meetings in both June and July
- Swap yields below 10 years maturity followed the NBH base rate with 30-60 bps increases while government bond interest rates increased only 10-30 bps, further tightening the asset swap spread in 2Q. Above 10 year maturity yields were virtually unchanged in 2Q
- In 1Q the market started pricing - especially at over-1-year maturities - a possible interest rate increase, therefore the significant upturn in short and medium term yields in 2Q had only a limited impact on MKB's banking book portfolio and OCI



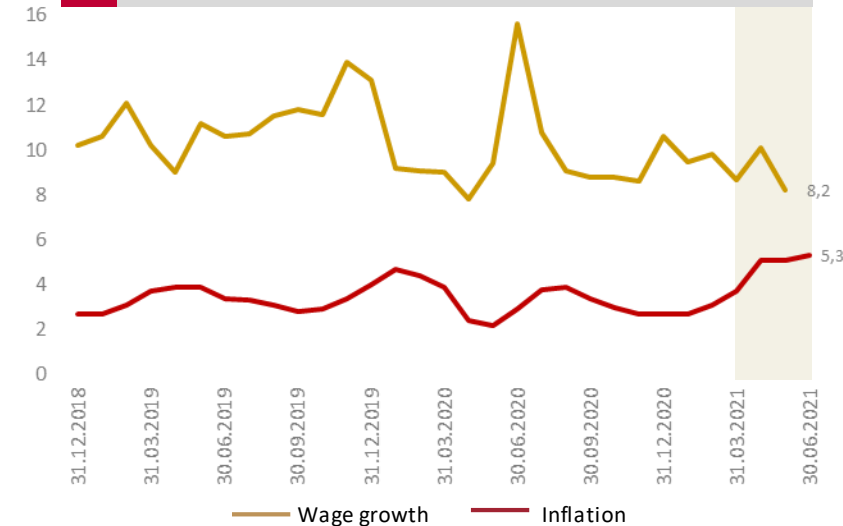
- Due to the low 2020 base values and the quick rebound after the end of lockdowns on a y/y basis GDP growth was 17.9% in 2Q
- As inflation worries and base rate hike expectations increased, EUR/HUF exchange rate strengthened until 345 HUF
- Retail savings continued to increase however corporate deposit stock slightly decreased

¹ Includes only loans to domestic non-financial corporations, in line with the definition of NBH statistics. Hungarian GAAP data includes held for sale assets according to IFRS.

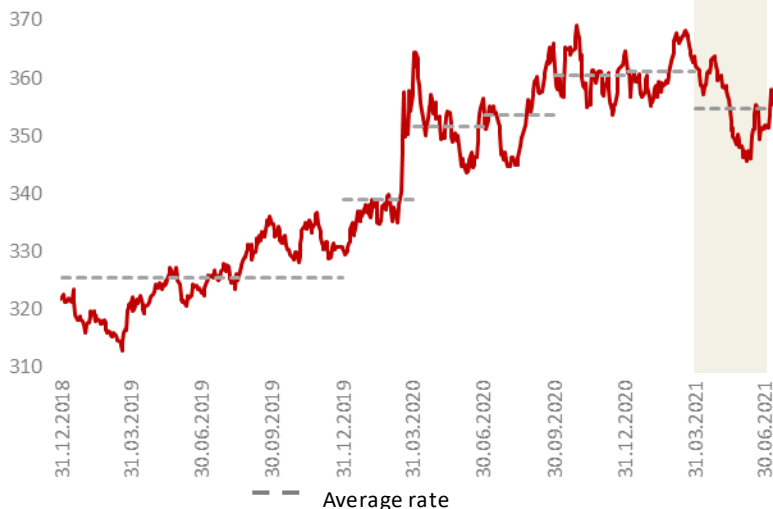
GDP growth (y/y %) and employment



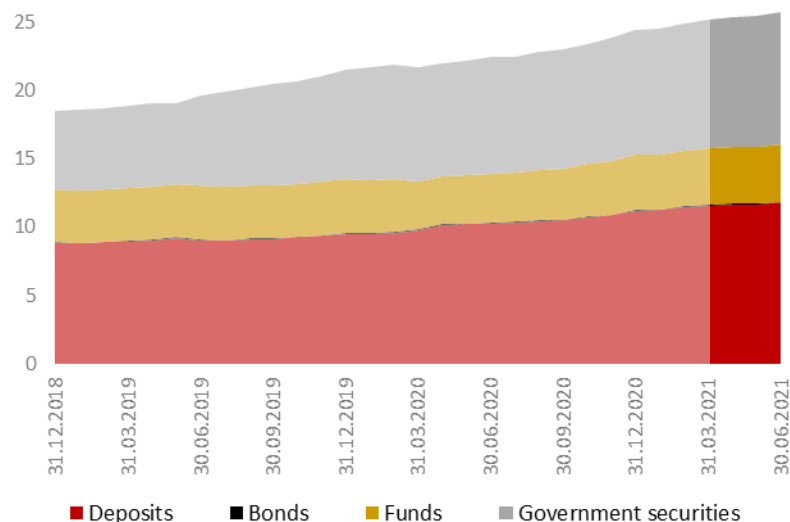
Average inflation and wage growth (y/y %)



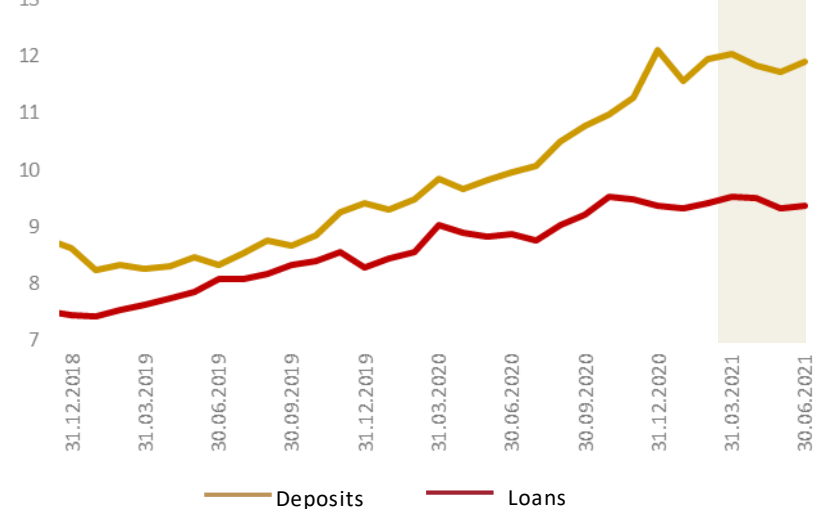
EUR/HUF rate



Household savings (HUF thous. bln)



Corporate volumes¹ (HUF thous. bln)





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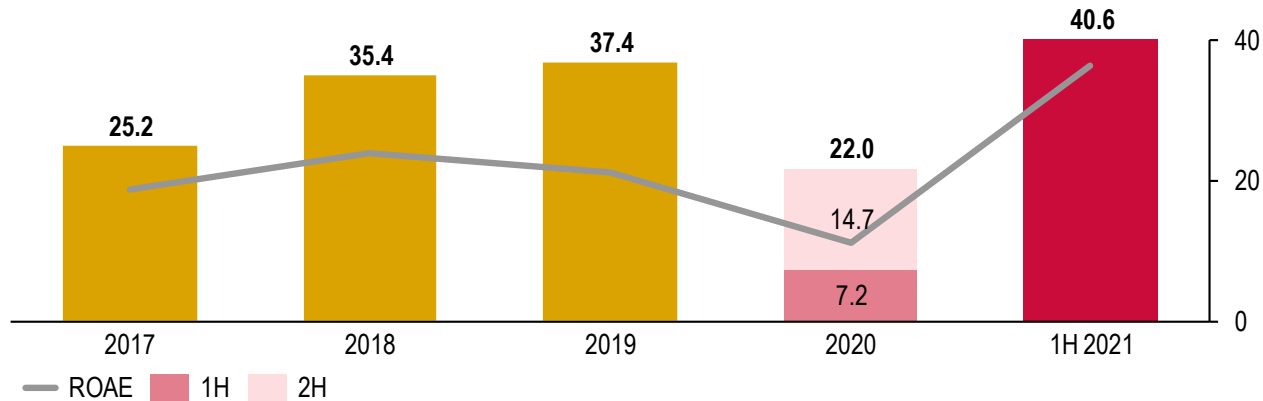
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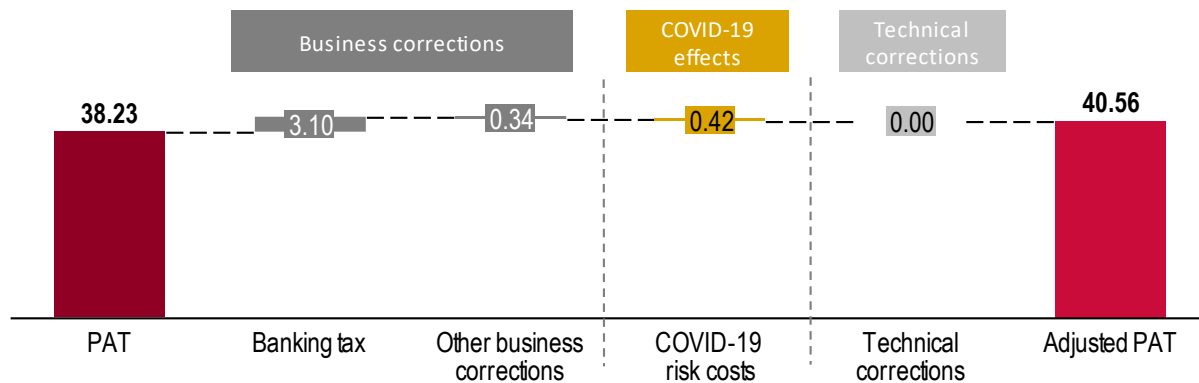
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Adjusted Profit after tax (HUF bln, YTD) and ROAE (%)



1H 2021 adjusted Profit After Tax breakdown (HUF bln)



In order to foster understanding of the underlying financial performance, MKB Group uses adjustments in its Flash reports

Business corrections applied to emphasize the underlying business performance by eliminating effects of non-core business related accounting items

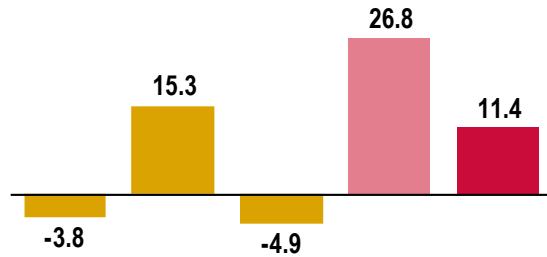
COVID-19 adjustments are used to eliminate the distortion effect of the pandemic:

- COVID-19 risk costs include the modification gain&loss effect of the (extended until 09.30.2021) moratorium and the effect of the EBA guideline on loans under moratorium

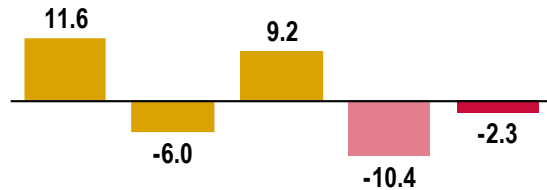
Technical corrections are required for biased p/p and y/y comparison; there was no technical correction used in 1H 2021

Total Comprehensive Income (HUF bln)

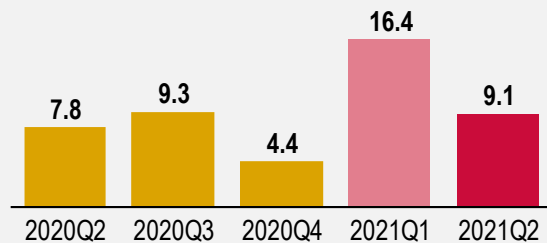
PAT



OCI

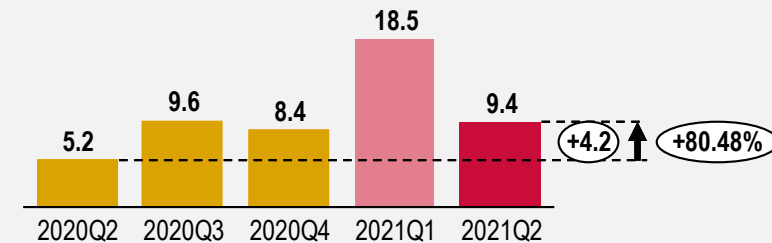
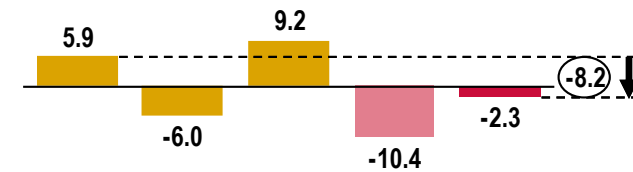
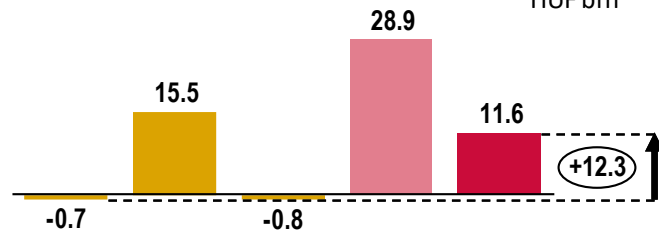


TOCI



Adjusted Total Comprehensive Income (HUF bln)

Y/Y change
HUFbln %



- **40.6 bln** (HUF +33.3 bln y/y) adjusted profit in **1H**. HUF 11.6 bln **adjusted PAT** in 2Q as a result of the fruitful business activity, money market driven p/p decreasing FVA revenues, low provisioning needs and strict costs control
- **HUF 27.9 bln adjusted total comprehensive income in 1H period**. The HUF 9.4 bln adjusted quarterly total comprehensive income was mainly driven by less volatile money market trends: compared to 1Q a more favourable, only HUF -2.3 bln unrealized FVTOCI results was booked in 2Q as increase in long bond yields was concentrated in 1Q



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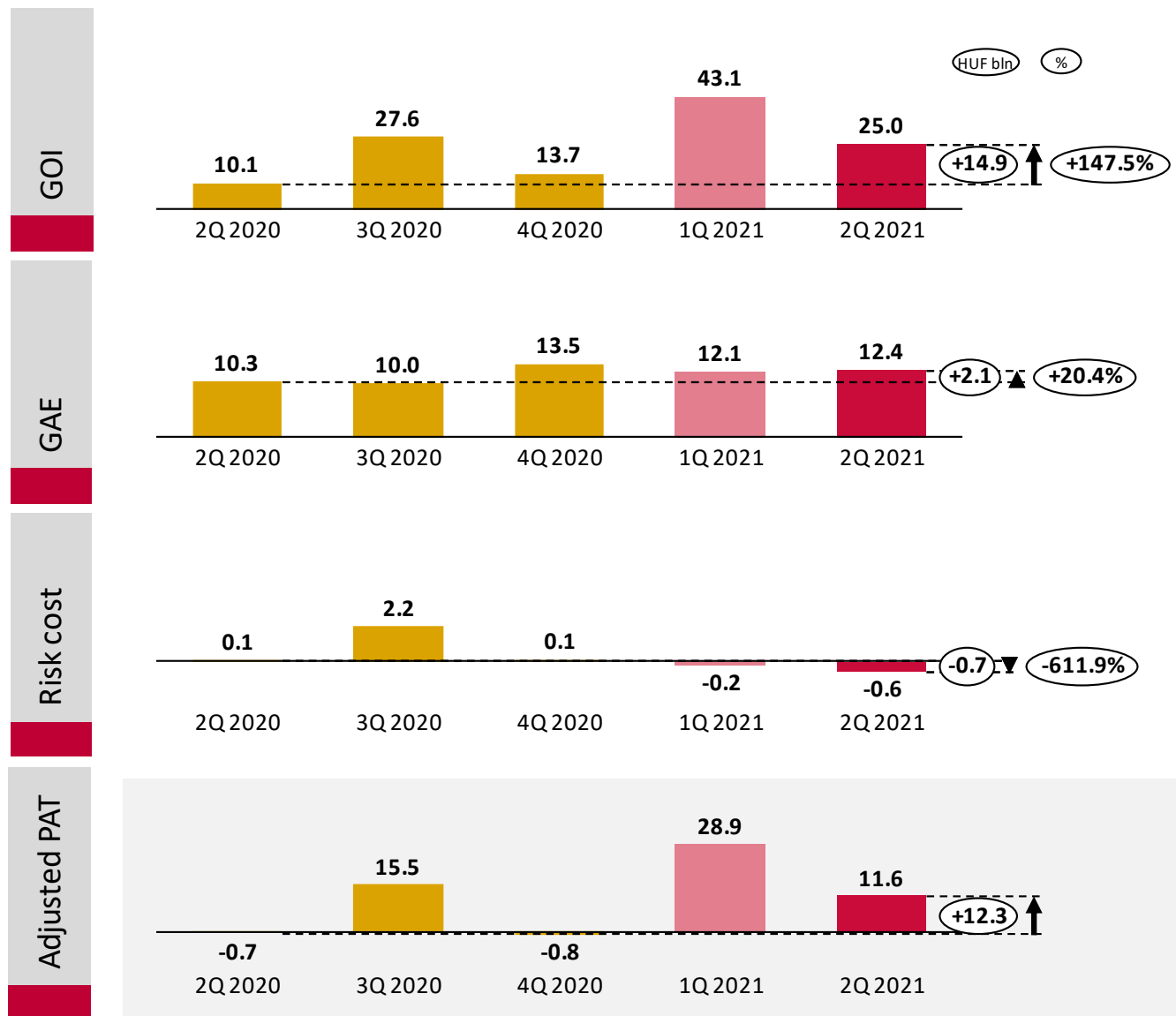
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Adjusted P&L (HUF bln)	2019		2020		2021			Y/Y (Y) %	P/P %	Y/Y (P) %
	4Q(Y)	2Q	2Q(Y)	4Q(Y)	1Q	2Q	2Q(Y)			
<i>Net operating income</i>	39.5	-0.2	7.3	25.0	31.0	12.6	43.6	-	-59.48%	-
Gross operating income	80.7	10.1	27.5	68.8	43.1	25.0	68.0	147.56%	-42.06%	147.55%
Net interest income	40.8	8.4	16.1	36.1	11.5	12.7	24.1	49.51%	10.59%	51.08%
Net fee income	27.3	5.3	11.3	23.6	5.5	6.1	11.6	3.17%	11.13%	15.98%
Other Income ¹	12.5	-3.6	0.1	9.1	26.1	6.2	32.3	-	-76.40%	-271.77%
General admin. Expenses	-41.2	-10.3	-20.2	-43.7	-12.1	-12.4	-24.5	21.16%	2.66%	20.40%
Provisions	-2.9	-0.2	0.9	-1.0	0.3	0.6	0.9	-0.50%	156.53%	-
Provision for losses on loans	-3.1	-0.1	0.9	-1.4	0.2	0.6	0.8	-10.09%	196.44%	-
Other provisions and impairments	0.15	-0.05	-0.02	0.43	0.04	0.03	0.07	-	-39.81%	-153.50%
Adjusted PBT	36.6	-0.4	8.2	24.0	31.3	13.2	44.5	-	-57.74%	-
Taxation	0.78	-0.32	-0.95	-2.05	-2.33	-1.58	-3.91	-	-32.36%	-
Adjusted PAT	37.4	-0.7	7.2	22.0	28.9	11.6	40.6	-	-59.79%	-
Adjusted revaluation on non HFC financial assets (OCI)	-3.3	5.9	-0.1	3.2	-10.4	-2.3	-12.7	-	-78.08%	-138.71%
Adjusted Total Comprehensive Income	34.1	5.2	7.2	25.1	18.5	9.4	27.9	288.90%	-49.53%	80.48%
Adjustments total on PAT ²	-6.8	3.1	9.2	13.5	2.1	0.2	2.3	-74.68%	-89.94%	-93.10%
Profit after tax (PAT, unadjusted)	44.1	-3.8	-2.0	8.4	26.8	11.4	38.2	-	-57.40%	-
Revaluation on non HFC financial assets (OCI, unadjusted)	-3.3	11.6	-0.1	3.2	-10.4	-2.3	-12.7	-	-78.08%	-119.69%
Unadjusted Total Comprehensive Income	40.9	7.8	-2.1	11.6	16.4	9.1	25.6	-	-44.31%	17.54%

¹ Contains FX+FV result

² The 3.1 chapter of the Flash report contains the list of adjustments



- HUF 25.0 bln (HUF +14.9 bln y/y) quarterly **gross operating income**: Core income¹ (HUF 21.4 bln in 2Q) increasing +16.7% p/p; +40.9 % y/y assisted by improving net interest income (+10.6% p/p; +51.1% y/y), resurgent net fee income (+11.1% p/p; +16.0% y/y) and FX results (+88.3% p/p; +71.2% y/y) as turnover and transaction figures show signs of rapid recovery after the 3rd wave of COVID-19. After the record high 1Q revaluation results, changes in market conditions has less effect (HUF 6.3bln) on GOI in 2Q
- **HUF 12.4 bln GAE**: y/y HUF 2.1 bln increase is mainly the result of costs related to MBH merger activity and amortization effect of former investment capitalizations
- **HUF -0.6 bln adjusted risk cost** (release) due to improved portfolio quality
- **HUF 11.6 bln quarterly; HUF 40.6 bln cumulated adjusted profit after tax**

¹ Core income: net interest income + net fee income + FX, see pg. 25

Balance sheet (HUF bln)	2019	2020		2021		Y/Y	P/P	YTD
	4Q	2Q	4Q	1Q	2Q	%	%	%
Financial assets	117.8	243.7	377.7	425.9	374.8	53.80%	-11.99%	-0.78%
Trading portfolios	20.7	55.4	34.0	44.0	48.1	-13.24%	9.21%	41.44%
Securities	594.7	826.8	1,163.3	1,341.0	1,379.2	66.80%	2.85%	18.56%
Customer Loans (net)	930.3	991.3	1,114.0	1,091.5	1,140.0	15.00%	4.44%	2.34%
Customer Loans (gross)	976.7	1,038.3	1,159.9	1,136.3	1,184.0	14.03%	4.19%	2.07%
Provision for Customer loans	-46.4	-47.0	-46.0	-44.8	-44.0	-6.44%	-1.88%	-4.35%
Total Other assets	96.3	90.6	92.6	94.1	92.1	1.68%	-2.18%	-0.58%
Total Assets	1,759.8	2,207.8	2,781.6	2,996.5	3,034.1	37.43%	1.26%	9.08%
Interbank liabilities	195.8	410.7	575.1	821.0	842.3	105.07%	2.59%	46.46%
Deposits & C/A	1,226.5	1,458.4	1,862.3	1,816.6	1,840.9	26.23%	1.34%	-1.15%
Other liabilities	99.6	99.5	89.7	87.7	72.6	-27.01%	-17.15%	-19.05%
Subordinated debt	39.4	42.7	44.7	45.0	43.0	0.59%	-4.59%	-3.93%
Shareholders' Equity	198.5	196.4	209.8	226.2	235.3	19.82%	4.04%	12.18%
Total Liabilities & Equity	1,759.8	2,207.8	2,781.6	2,996.5	3,034.1	37.43%	1.26%	9.08%
Customer off balance items	357.7	347.8	425.3	507.5	503.8	44.85%	-0.73%	18.46%

MKB Group's balance sheet closed above HUF 3 ths bln in 2Q (+1.3% p/p; +37.4% y/y):

- **Customer deposits** growth (+1.3% p/p) in 2Q was supported both by retail and corporate clients, and almost reached the 2020-year-end, peak stock levels
- 4.2% p/p (14.0% y/y) increase in **gross customer loans**. Increased demand for investment loans and continuous participation in economic stimulus programs boosted corporate loans (+5.0% p/p; +15.6% y/y), whilst leasing (+3.0% p/p; +15.9% y/y) and retail loan volumes (+3.0% p/p; +8.8% y/y) increased also
- Moderate increase in the **banking book securities portfolio** (+2.8%; HUF +38.2 bln p/p) as 2Q liquidity surplus was mainly absorbed by new customer volume disbursements

KPIs based on adjusted PAT	2019		2020		2021			Y - Y (Y)	P - P	Y - Y (period)
	4Q(Y)	2Q	2Q(Y)	4Q(Y)	1Q	2Q	2Q(Y)	%-pt	%-pt	%-pt
Profitability										
TRM - Total revenue margin	4.31%	1.90%	2.74%	3.09%	5.97%	3.31%	4.61%	1.9%-pt	-2.7%-pt	1.4%-pt
NIM - Net income margin	2.18%	1.58%	1.61%	1.62%	1.59%	1.68%	1.64%	0.0%-pt	0.1%-pt	0.1%-pt
NFM - Net fee margin	1.46%	1.00%	1.12%	1.06%	0.76%	0.81%	0.79%	-0.3%-pt	0.0%-pt	-0.2%-pt
CIM - Core income margin	4.18%	2.87%	3.09%	3.12%	2.54%	2.84%	2.70%	-0.4%-pt	0.3%-pt	0.0%-pt
GOI/RWA - RWA efficiency	8.85%	3.96%	5.59%	6.90%	17.01%	9.46%	13.16%	7.6%-pt	-7.6%-pt	5.5%-pt
Risk% - Risk cost rate	0.31%	0.05%	-0.18%	0.14%	-0.07%	-0.21%	-0.14%	0.0%-pt	-0.1%-pt	-0.3%-pt
Efficiency										
CIR - Cost-Income ratio	51.05%	102.11%	73.48%	63.60%	28.03%	49.66%	35.96%	-37.5%-pt	21.6%-pt	-52.4%-pt
C/TA - Cost to total assets	2.20%	1.94%	2.01%	1.96%	1.67%	1.64%	1.66%	-0.4%-pt	0.0%-pt	-0.3%-pt
Cost/(income+OCI)	53.22%	64.48%	73.66%	60.78%	36.94%	54.65%	44.19%	-29.5%-pt	17.7%-pt	-9.8%-pt
ROAE - Return on average equity	21.20%	-1.45%	7.50%	11.06%	53.08%	20.16%	36.15%	28.7%-pt	-32.9%-pt	21.6%-pt
ROMC - Return on minimum capital	29.05%	-1.87%	9.83%	15.03%	78.19%	30.23%	53.73%	43.9%-pt	-48.0%-pt	32.1%-pt
ROAA - Return on average total asset	1.99%	-0.13%	0.72%	0.99%	4.01%	1.54%	2.75%	2.0%-pt	-2.5%-pt	1.7%-pt
Share information										
EPS - Earning per share (HUF, annualized)	373.6	-28.0	144.8	219.6	1,157.1	465.3	811.21	666.4	-691.9	493.3

KPIs based on (unadjusted) financial statements	2019		2020		2021			Y - Y (Y) %-pt	P - P %-pt	Y - Y (period) %-pt
	4Q(Y)	2Q	2Q(Y)	4Q(Y)	1Q	2Q	2Q(Y)			
Profitability										
TRM - Total revenue margin	4.34%	2.02%	2.27%	2.79%	5.86%	3.27%	4.54%	2.3%-pt	-2.6%-pt	1.2%-pt
NIM - Net income margin	2.18%	1.29%	1.44%	1.33%	1.59%	1.68%	1.64%	0.2%-pt	0.1%-pt	0.4%-pt
NFM - Net fee margin	1.46%	1.00%	1.13%	1.06%	0.76%	0.81%	0.79%	-0.3%-pt	0.0%-pt	-0.2%-pt
CIM - Core income margin	4.18%	2.57%	2.93%	2.83%	2.54%	2.84%	2.70%	-0.2%-pt	0.3%-pt	0.3%-pt
GOI/RWA - RWA efficiency	8.92%	4.20%	4.63%	6.24%	16.73%	9.33%	12.95%	8.3%-pt	-7.4%-pt	5.1%-pt
Risk% - Risk cost rate	-0.38%	1.66%	0.65%	0.79%	-0.30%	-0.21%	-0.25%	-0.9%-pt	0.1%-pt	-1.9%-pt
Efficiency										
CIR - Cost-Income ratio	53.21%	97.28%	95.70%	72.38%	34.19%	49.97%	39.99%	-55.7%-pt	15.8%-pt	-47.3%-pt
C/TA - Cost to total assets	2.31%	1.96%	2.17%	2.02%	2.01%	1.63%	1.81%	-0.4%-pt	-0.4%-pt	-0.3%-pt
Cost/(income+OCI)	55.45%	46.71%	95.98%	68.86%	45.30%	55.07%	49.32%	-46.7%-pt	9.8%-pt	8.4%-pt
ROAE - Return on average equity	25.06%	-7.88%	-2.06%	4.24%	49.19%	19.79%	34.07%	36.1%-pt	-29.4%-pt	27.7%-pt
ROMC - Return on minimum capital	34.33%	-10.11%	-2.70%	5.76%	72.45%	29.67%	50.64%	53.3%-pt	-42.8%-pt	39.8%-pt
ROAA - Return on average total asset	2.36%	-0.72%	-0.20%	0.38%	3.71%	1.51%	2.59%	2.8%-pt	-2.2%-pt	2.2%-pt
Share information										
EPS - Earning per share (HUF, IFRS)	441.5	-37.9	-19.9	84.2	268.1	114.2	382.25	402.1	-153.9	152.1

	2019 4Q	2020 2Q	2020 4Q	2021		Y - Y	P - P	YTD
				1Q	2Q			
Volume KPIs								
LTD - Loan to deposit ratio	79.63%	71.20%	62.29%	62.55%	64.31%	-6.9%-pt	1.8%-pt	2.0%-pt
Securities ratio	34.07%	38.63%	42.21%	45.22%	45.89%	7.3%-pt	0.7%-pt	3.7%-pt
Provision to total assets	2.63%	2.13%	1.65%	1.49%	1.45%	-0.7%-pt	0.0%-pt	-0.2%-pt
RWA/TA - RWA/total assets	49.45%	45.55%	36.12%	34.09%	35.93%	-9.6%-pt	1.8%-pt	-0.2%-pt
CAR - Capital adequacy ratio	22.59%	19.81%	20.49%	18.92%	17.77%	-2.0%-pt	-1.2%-pt	-2.7%-pt
Portfolio quality								
DPD90+ rate	2.59%	2.00%	1.31%	1.23%	1.21%	-0.8%-pt	0.0%-pt	-0.1%-pt
DPD90+ coverage	183.37%	226.00%	302.55%	321.77%	306.76%	80.8%-pt	-15.0%-pt	4.2%-pt
NPL rate	4.30%	3.63%	2.60%	2.54%	2.37%	-1.3%-pt	-0.2%-pt	-0.2%-pt
NPL coverage (indirect)	110.31%	124.74%	152.20%	155.06%	156.89%	32.1%-pt	1.8%-pt	4.7%-pt
NPL direct coverage	71.97%	72.17%	71.05%	71.84%	69.21%	-3.0%-pt	-2.6%-pt	-1.8%-pt
Stage 1 loans (HUF bln)	855.7	922.7	1,023.9	882.9	922.7	0.0	39.7	-101.2
Stage 2 loans (HUF bln)	73.9	71.3	99.4	218.2	227.0	155.7	8.7	127.6
Stage 2 loans w/o EBA reclassification (HUF bln)	73.9	71.3	99.4	107.2 ¹	109.3	38.0	2.1	9.9
Stage 3 loans (HUF bln)	37.8	35.6	29.2	27.9	27.3	-8.3	-0.6	-1.9
POCI (HUF bln)	7.9	7.5	6.4	6.4	6.2	-1.3	-0.2	-0.3

- Despite the pressure of integration costs on GAE, boosting total assets resulted in decreasing **C/TA** to 1.64% (-0.3%-pts y/y)
- Further improving **NPL rate**: 2.4% (-126 bps y/y) and **DPD90+ rate** 1.2% (-79 bps y/y). The volume of stage2 loans further increased mainly related to EBA moratorium stage reclassification requirements. Without reclassification effect stage2 volume increased in line with normal business activity
- Decreasing (-68 bps y/y) **provision to total assets** in line with accumulating balance sheet and steady portfolio quality

¹ Figure was updated due the reconciliation of requirements on moratorium loan S2 reclassification

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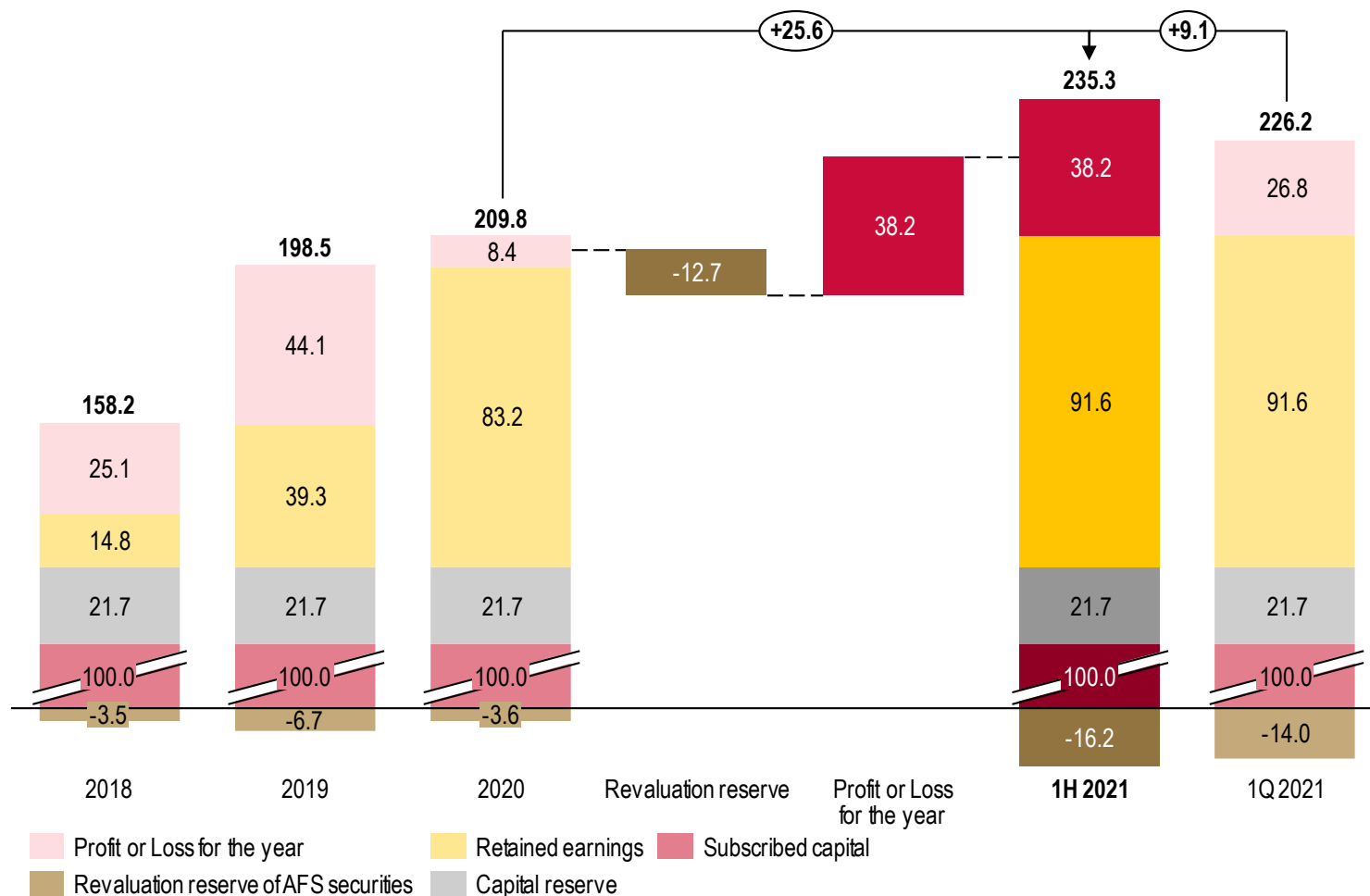
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Capital (HUF bln)

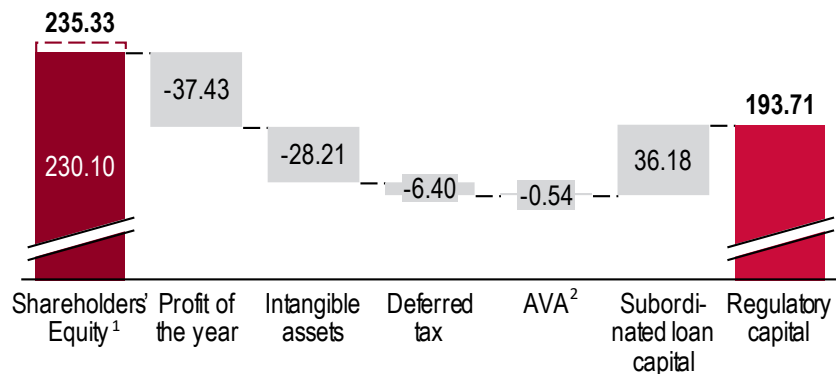


HUF +25.6 bln capital accumulation in 1H 2021 results in HUF 235.3 bln capital:

- Core income growth together with positive fair value results supported unadjusted 1H PAT (HUF 38.2 bln) and thus capital accumulation
- Although revaluation reserves further decreased by HUF -2.3 bln in 2Q, capital accumulation from net fair value revaluation (FV+OCI) was over HUF 20 bln in 1H
- Continuous capital accumulation also during the pandemic. HUF +72.2 bln (+48.8%) growth since 2018, which significantly increased shock absorbing capabilities of the Bank

17.8% CAR well above regulatory minimum, despite customer loan driven RWA increase and unfavourable revaluation reserve development

Regulatory capital formulation (HUF bln)

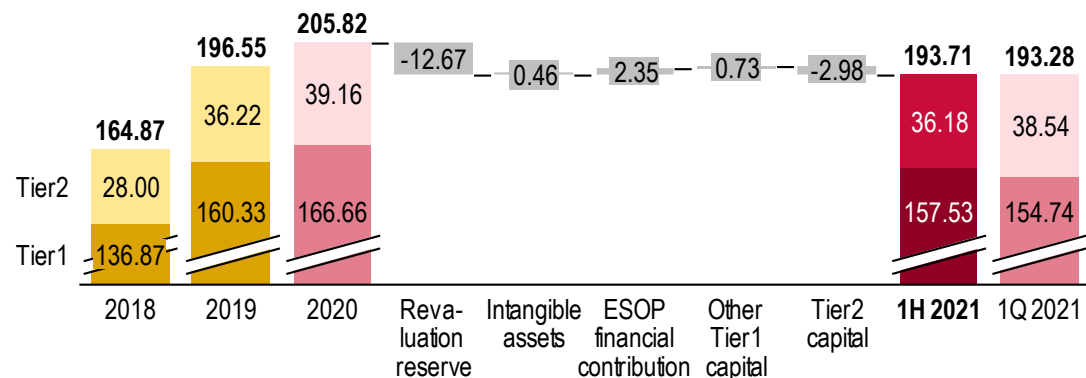


¹ Equity under IFRS and prudential consolidation differ due to differences in the range of firms included in the calculation

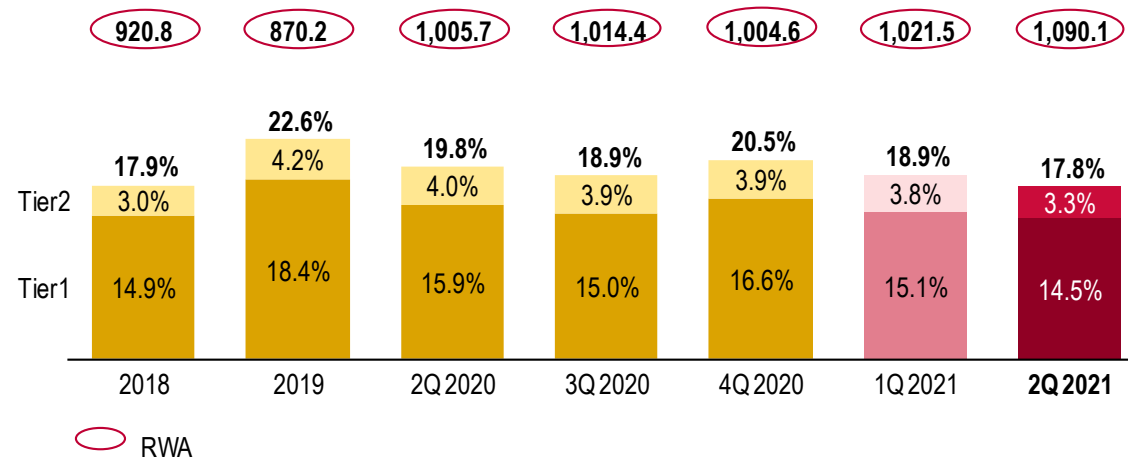
² AVA = Asset value adjustment – CRR specification

- **17.8% CAR ratio (-2.0%-pts y/y; -1.2%-pts p/p)** being well above regulatory minimum despite customer loan increase induced RWA growth, stagnating regulatory capital level and 1H profit not accounted for in regulatory capital.
- **HUF 1,090.1 bln RWA:** RWA increase in 1H (HUF +85.5 bln; +8.5% YTD) in line with core gross loan and BGS bond volume growth
- **YTD regulatory capital** decrease (-5.9%, HUF -12.1 bln p/p) was mainly attributable to negative, HUF -12.7 bln OCI resulting from increasing bond yields
- Should the half-year profit be taken into account, capital adequacy would have further improved in 1H

Evaluation of regulatory capital (HUF bln)



CAR (%) and RWA (total, HUF bln)



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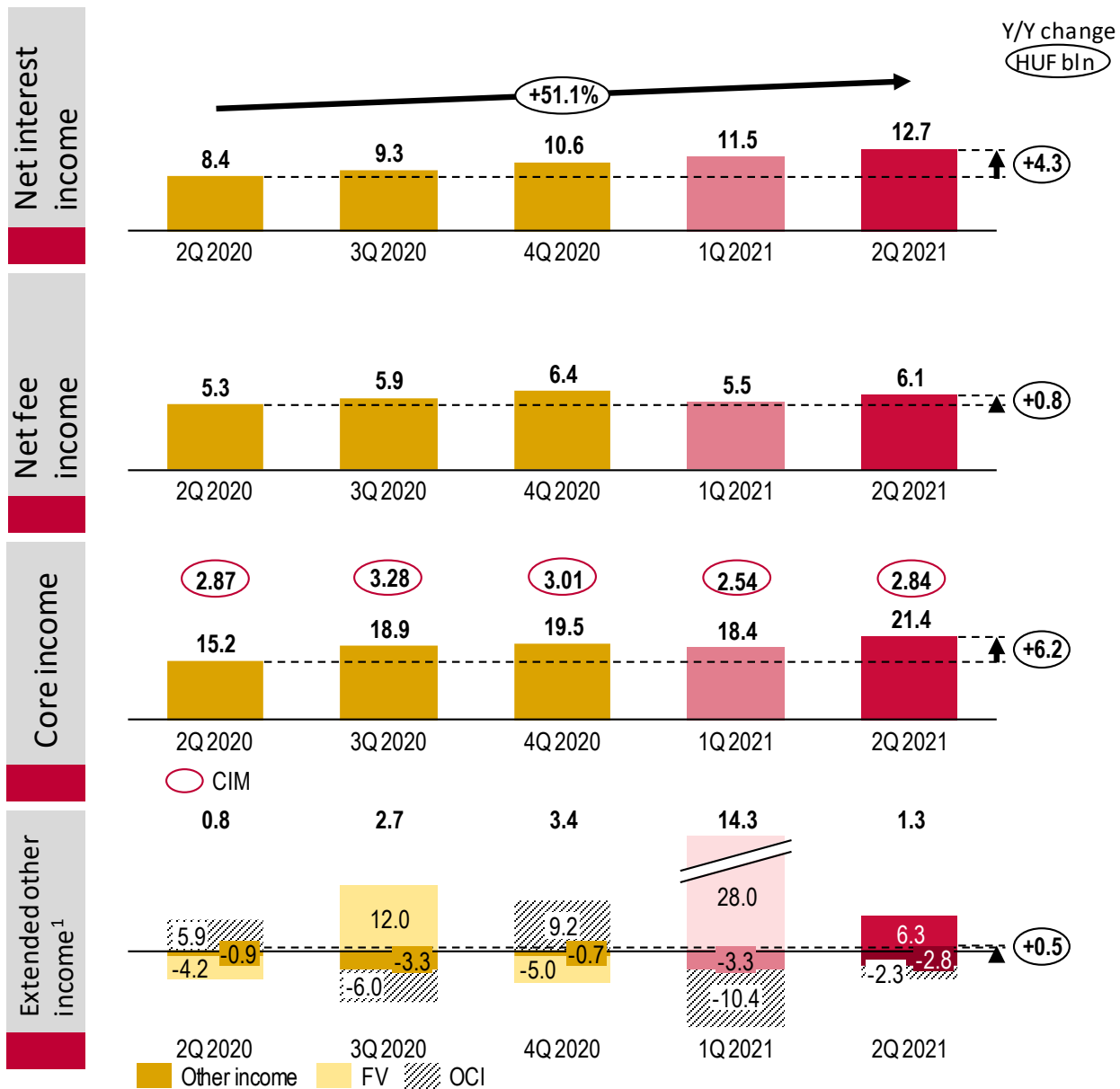
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- **HUF 12.7 bln net interest income in 2Q (+10.6% p/p; +51.1% y/y):** Stable net interest margin due to the boosting customer loan volumes, growing stock of securities and flourishing net interest income
- **HUF 6.1 bln quarterly net fee income (+11.1% p/p; +16.0% y/y):** Increasing business and economic recovery after the third wave of the pandemic activity in 2Q allowed for higher revenues from lending and turnover related fees
- **Core income (+16.7%; HUF +3.0 bln p/p; +40.9%; HUF +6.2 bln y/y)** increase was driven by net interest and fee income growth while FX conversion revenues also contributed as foreign currency denominated business activity shows signs of improvement
- **HUF 4.1 bln net fair value results (FV+OCI) in 2Q** signals only a limited effect of base rate hike cycle induced money market changes on the portfolio. Long IRS yields moved upwards already in 1Q as inflation fears grew significantly in 1Q resulting in record low asset-swap spreads. NBH initiated the base rate hike cycle in 2Q by a 30 bps shift in June which pushed the short end and middle range of the IRS yield curve upwards significantly. Largely unchanged bond benchmarks caused only HUF -2.3 bln negative OCI through the revaluation of the government bond portfolio, which was accompanied by HUF +6.3 bln FVTPL gains

¹ other income + FV + OCI

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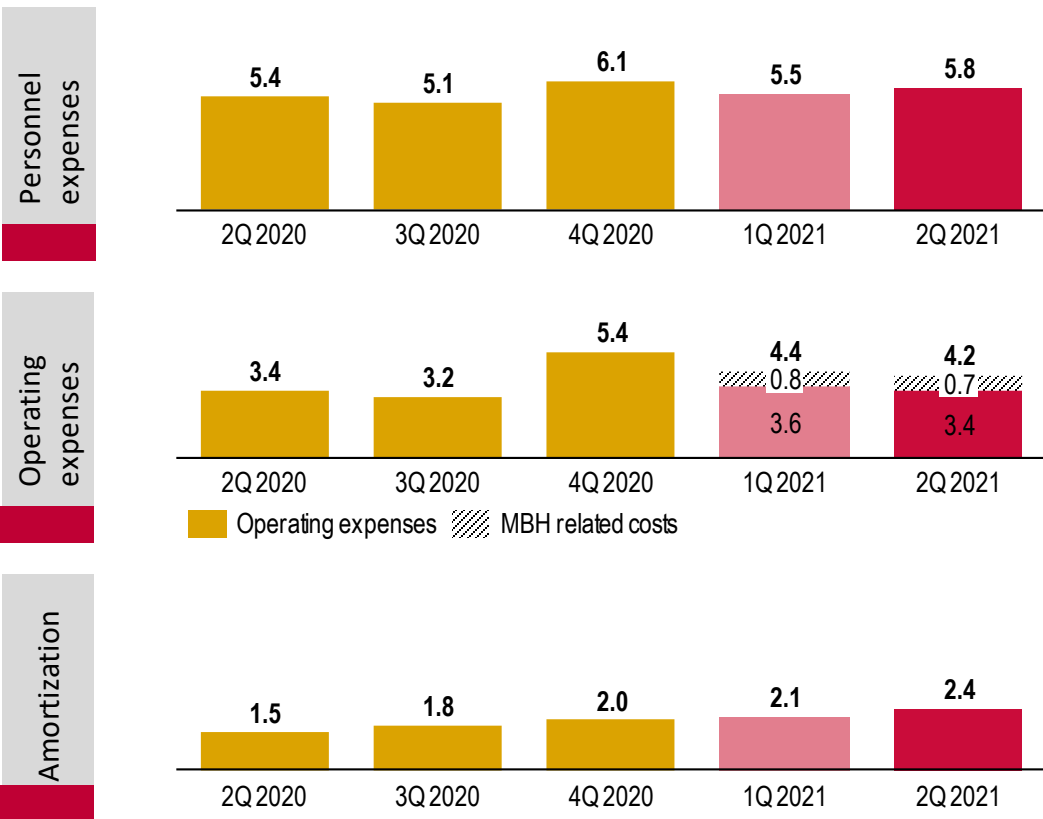
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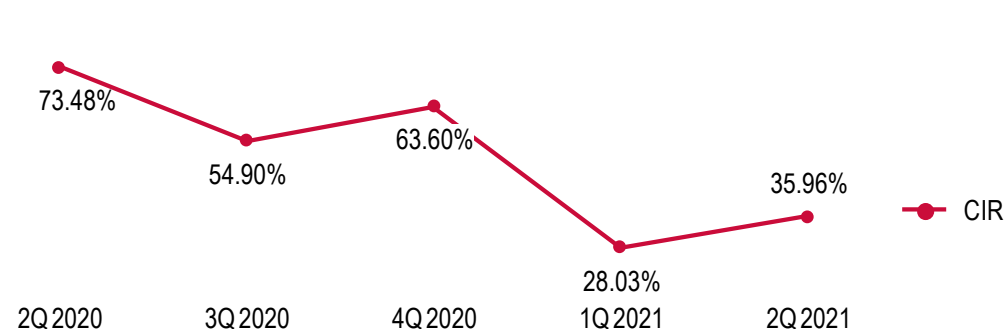
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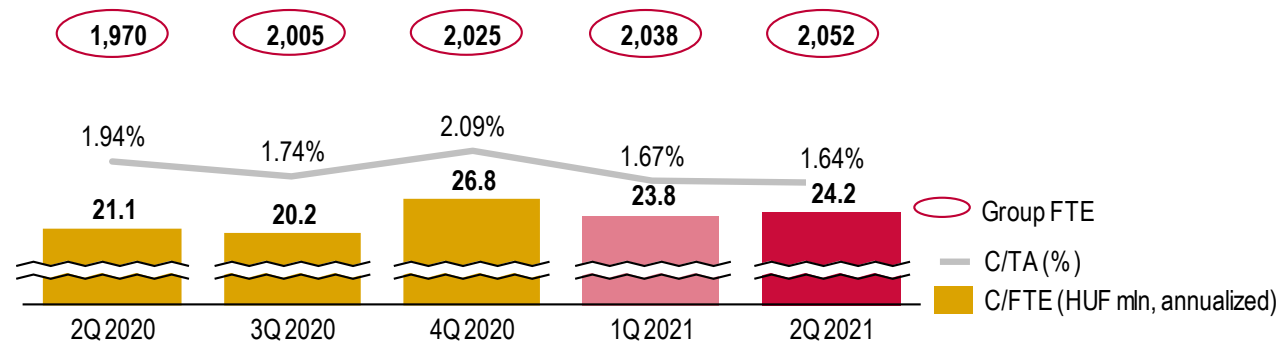
Breakdown of GAE (HUF bln)



Adjusted cost-income ratio (cumulated, %)



Cost efficiency (period) and headcount (FTE)



- **1.64% adjusted Cost-to-Assets ratio** (-36 bps y/y; -3 bps p/p) as a result of rapid balance sheet growth and under control costs
- **Personnel cost** y/y increase was mainly driven by headcount adjusted for business expansion. Wage inflation is also a significant factor despite average levels of employee fluctuation
- **Operating costs** are under strict control in order to counter balance the pressure caused by merger activities
- Accelerated digitalization together with the high investment needs stemming from regulatory requirements resulted in a y/y increase in **depreciation costs**



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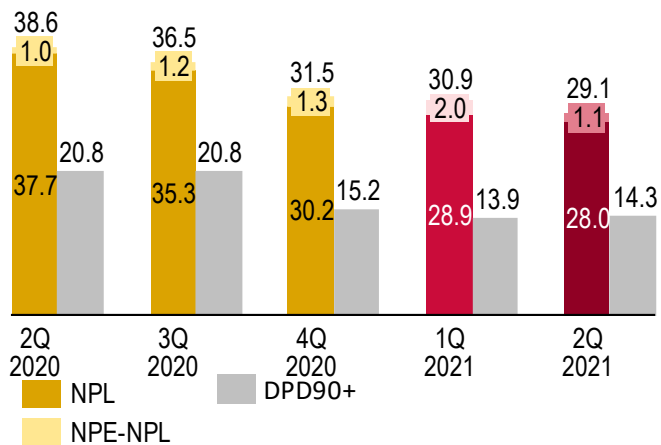
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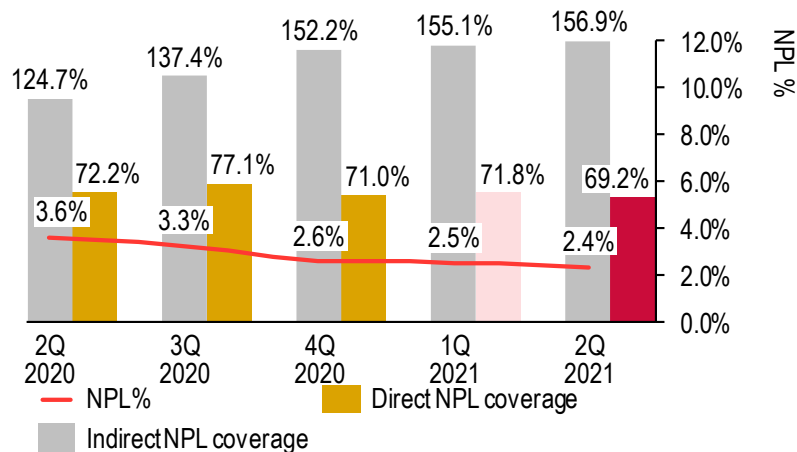
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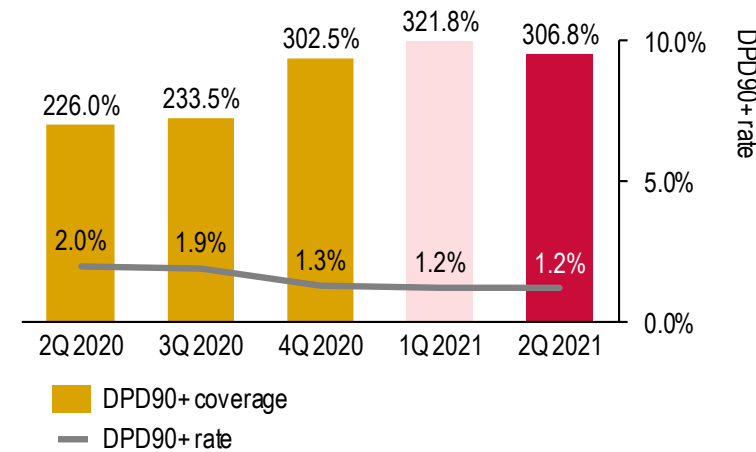
NPL, NPE and DPD90+ portfolio (HUF bln)



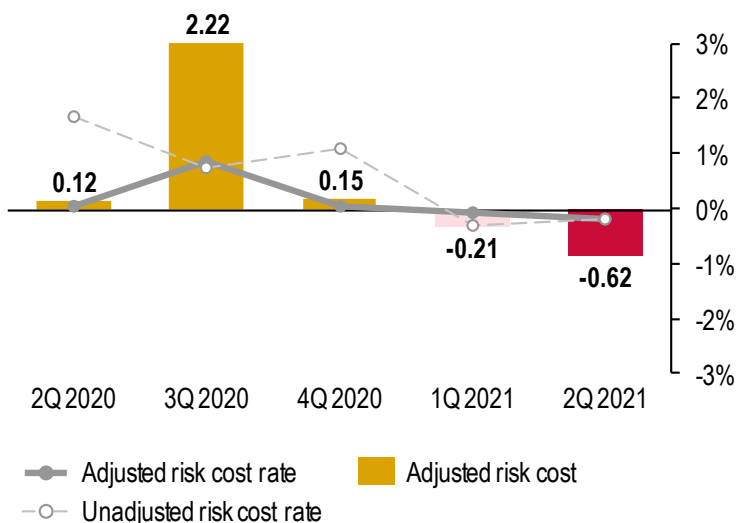
NPL coverage and NPL rate (IFRS¹)



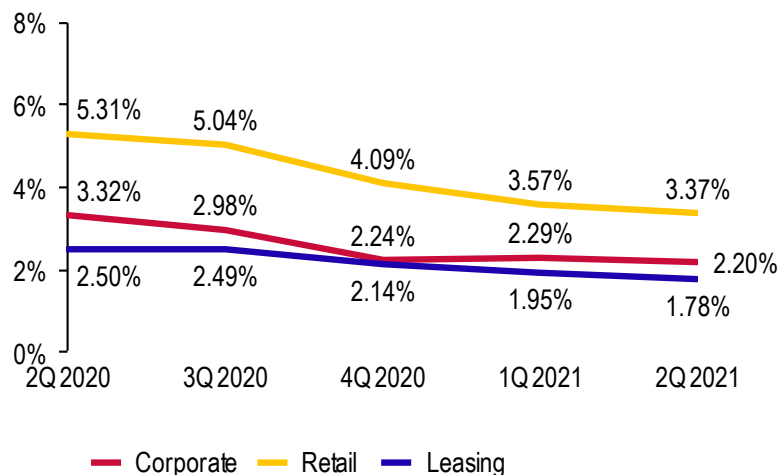
DPD90+ coverage and DPD90+ rate



Adjusted risk cost (HUF bln) and rate (%)



Segment NPL rates



- HUF 0.6 bln risk cost (adjusted) release in 2Q due to the improvement of portfolio quality
- NPL volume: -25.6%; HUF -9.6 bln y/y. Limited NPL formulation in 2Q shows excellent underlying portfolio quality
- **NPL rate: 2.4% (-126 bps y/y)**
- Moratorium also a factor behind the stable NPL rates throughout the banking sector

¹ According to IFRS held for sale and FVTPL portfolio not included



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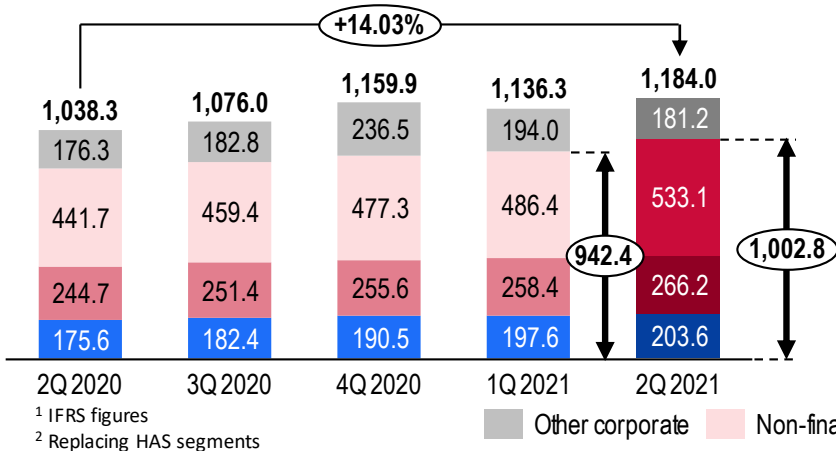
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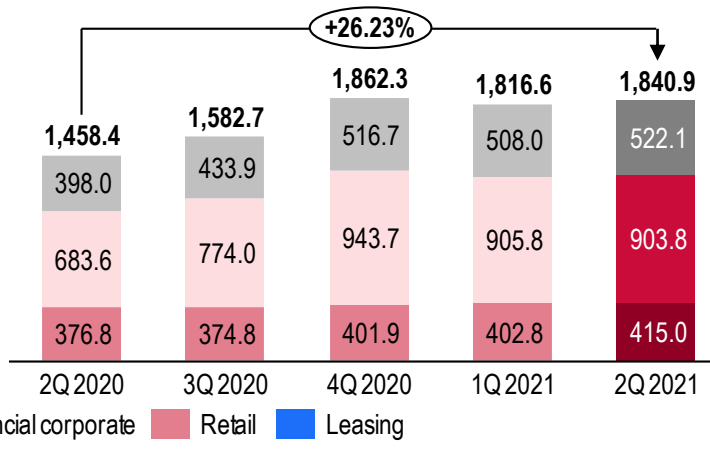
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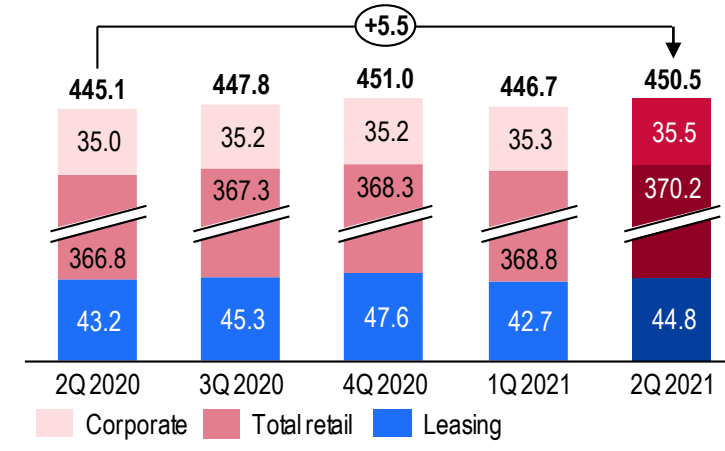
Breakdown of gross customer loans¹
(HUF bln)



Breakdown of deposits^{1,2}
(HUF bln)



Number of clients
(thousand)



Gross customer loans: HUF +145.7 bln (+14.0%) y/y; HUF +47.7 bln p/p

- MKB was able to expand its loan portfolio in its each of the strategically important segments both on yearly and on quarterly basis
- Increase in retail segment was driven by housing loans while growing stock of non-financial corporate loans was fuelled by economic stimulus loans as well as classic MKB loan products

Customer deposits: +26.2% (HUF +382.5 bln y/y, HUF +24.3 bln p/p):

- Corporate deposits grew by +31.8% (HUF +344.3 bln) y/y despite withdrawals at the beginning of the year. Steady growth since March (HUF +12.1 bln; +0.9% p/p increase)
- Retail deposits also grew by +10.2% on yearly and +3.0% on p/p basis. Yearly increase was mostly due to the moratorium resulted higher household saving rates

Number of clients increased y/y by 5.5 thousands:

- Continuous growth in customer base in every segment: corporate (+0.5 thousand y/y), retail (+3.4 thousand y/y) and leasing (+1.5 thousand y/y) business
- Y/y retail client number expansion both based on active and SZÉP card client number growth



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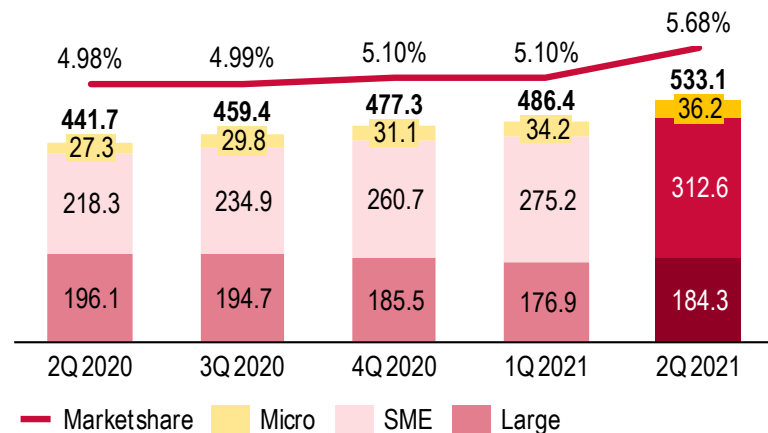
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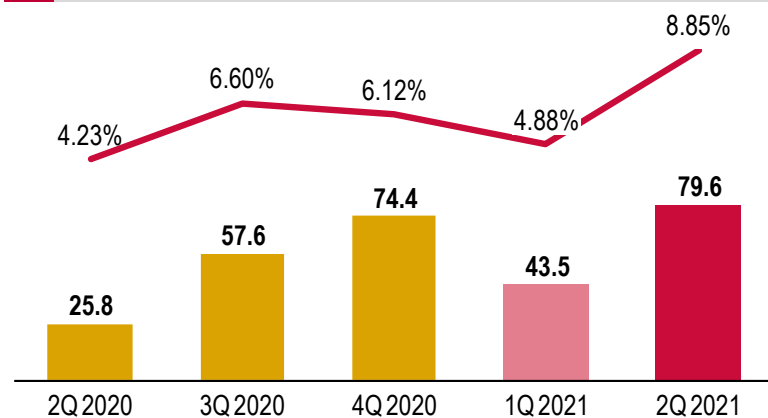
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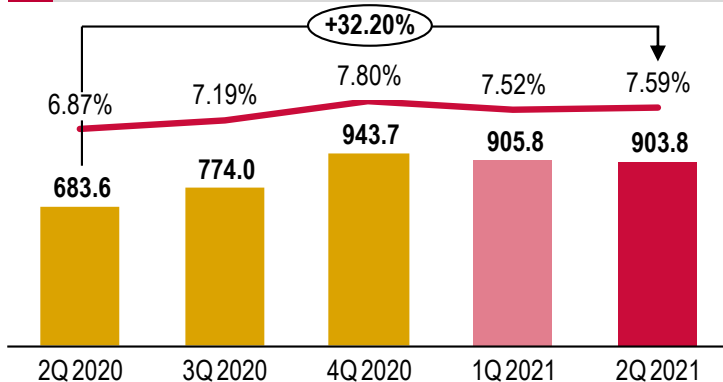
Gross corporate loans¹ breakdown (HUF bln) and market share² (%)



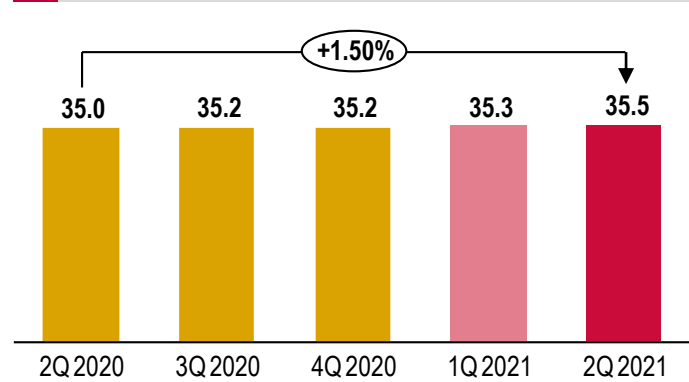
Corporate loan disbursement¹ (HUF bln) and market share² (%)



Corporate deposit¹ (HUF bln) and market share² (%)



Corporate client numbers (in thousands)



- Increased demand for investment loans and continuous demand for FGS GO!, EXIM and Széchenyi loans contributed to the **increase in the loan portfolio** (volume increase HUF +46.7 bln p/p), which resulted in **58 bps market share improvement** to 5.68%
- **Disbursement in 2Q tripled** compared to same period of last year. Stimulus loan products have contributed significantly to the increase in disbursements. In 2Q majority of disbursements had been stimulus loan product related. Market share is 8.85%, (+462 bps y/y), 2Q market share of Széchenyi loans disbursement is 4.8%
- **Significant y/y customer deposit expansion**: HUF +220.2 bln increase since 2Q 2020. Despite the p/p shrinking market, MKB's corporate deposits decreased only HUF -2.0 bln in the quarter, therefore market share increased by +7bps p/p (+72 bps y/y) to 7.59%

¹ Includes only loans to domestic non-financial corporations, in line with the definition of NBH statistics (w/o FGS). 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

² Source: NBH statistics



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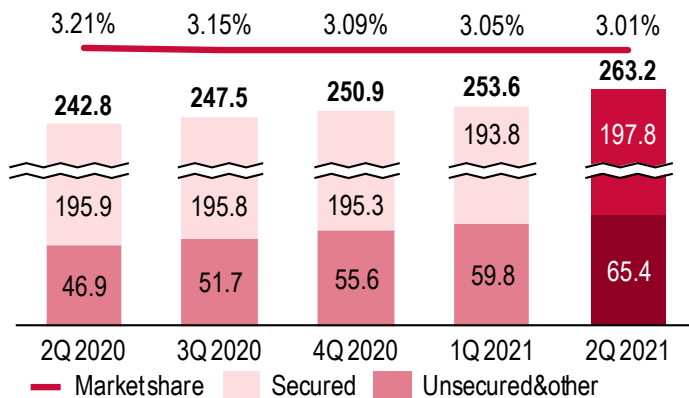
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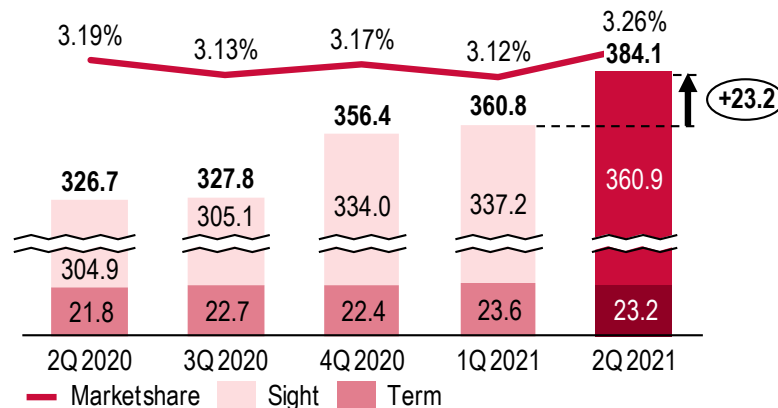
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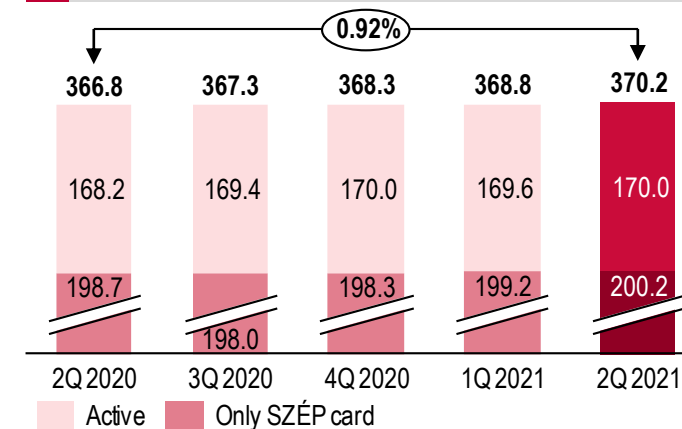
Retail gross loans¹ (HUF bln) and market share² (%)



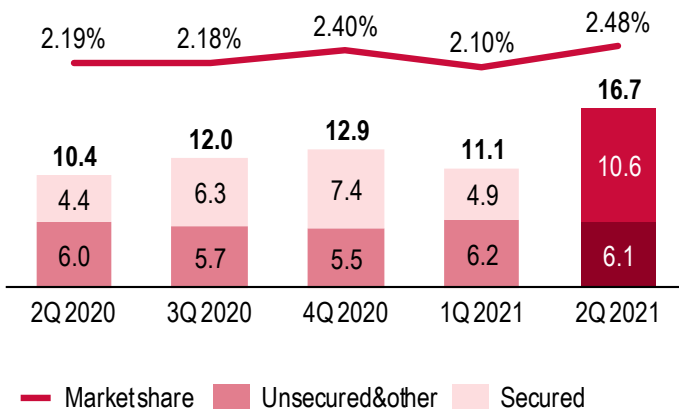
Deposits¹ (HUF bln) and market share² (%)



Total retail client number (in thousands)



Loan disbursement¹ (HUF bln) and market share² (%)



HUF 263.2 bln retail gross loan (HUF +9.6 bln p/p): HUF +20.4 bln y/y increase, mainly due to the long-term „Babaváró” loans and strong secured loans disbursement in 2Q

- **Secured loan disbursements** were HUF 10.6 bln, which marks 5.7 bln p/p increase, and +6.2 bln y/y. The upward trend is driven by government subsidised and housing loans
- **Unsecured loan disbursements** were in same level than in 1Q 2021 (HUF -0.1 bln p/p) supported by the introduction of the digital personal loan products
- **Flow market share of loans** increased by 38 bps p/p, and 29 bps y/y

HUF 384.1 bln deposits (HUF +57.4 bln y/y; HUF +23.2 bln p/p) the yearly and quarterly increase was mostly due to the moratorium: household savings are still high

Premium customer³ focused strategy in 2021: client number increased by 11.5% p/p reaching 9,145 in 2Q

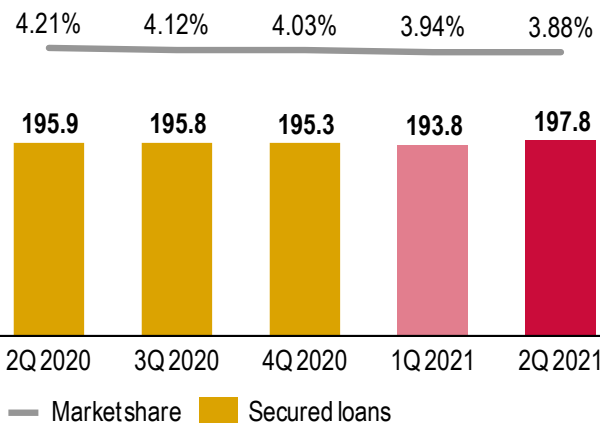
¹ The segments are formed according to the requirements to be used in the reports prepared for NBH for comparison which may involve discrepancy between calculated gross volume vs. segment volume. Hungarian GAAP data includes held for sale assets according to IFRS

² Source: NBH statistics

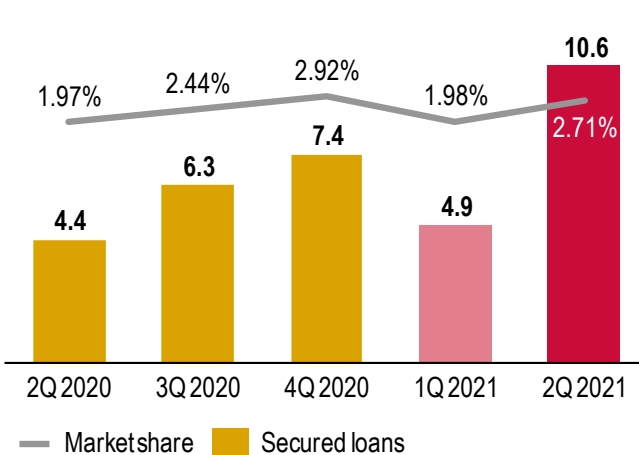
³ Customers having contract concluded for a premium service and the sum of assets on the accounts included in the service reach HUF 10 million

Volumes (HUF bln) and market share (%)

Secured loans

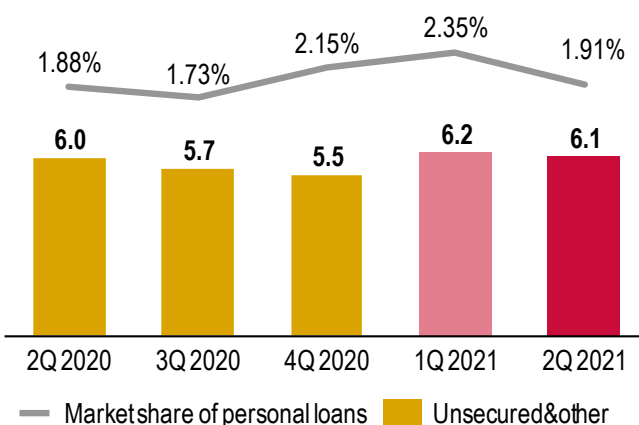
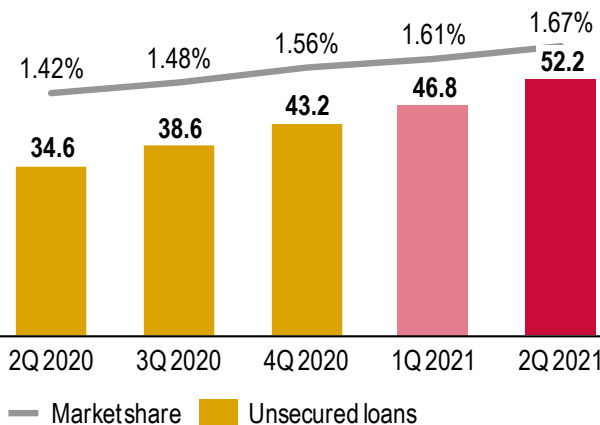


New disbursement (HUF bln) and market share (%)



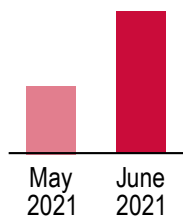
- **Secured loan volumes** increased in 2Q 2021 (HUF +4.0 bln p/p) considering the outstanding new disbursements
- **Disbursements** increased to HUF 10.6 bln in 2Q (HUF +6.2 bln y/y; HUF +5.7 bln p/p) due to government subsidies on housing and competitive pricing of secured loans
- **Flow market share** increased to 2.71% (+74 bps y/y and +73 bps p/p), while **stock** market share slightly decreased p/p, by 6 bps

Unsecured loans



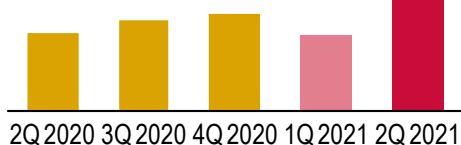
- **Unsecured loans volumes** and market share are continuously growing and reaching HUF 52.2 bln (HUF +5.3 bln p/p) due to the long-term „Babaváró” loan and the strong demand for personal loans
- New **disbursements'** volumes are stable compared to 1Q 2021 (-0.1 bln p/p) HUF 6.1 bln
- **Flow market share** (1.91%) decreased: -44 bps p/p due to the fast growing market and increased +3 bps y/y, while **stock** market share also increased steadily by 25 bps y/y and 6 bps p/p

MKB Subsidised Home Renovation Loan



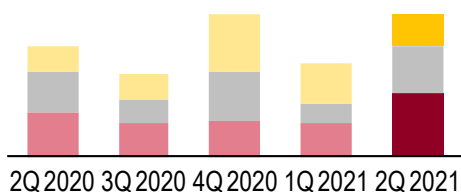
- From end of March on customer's disposal
- New volume doubled in June

MKB Subsidised Mortgage Loan



- Market share and new disbursement increase due to competitive pricing

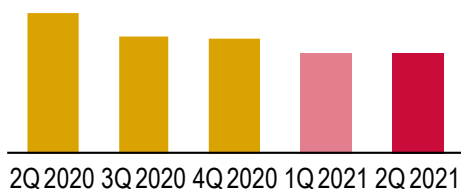
„CSOK” Products



- CSOK volumes increasing p/p and y/y

CSOK CSOK+ Falusi CSOK

MKB „Babaváró” loan



- The extraction effect of other subsidised loan products and strong peer competition are both factors in slightly decreasing new volumes

- In the second quarter, MKB Bank contracted subsidized loan agreements for more than HUF 5 billion, thus helping customers to purchase and renovation of homes
- The ratio of subsidised loans was more than 30% among retail disbursements in 2Q
- Strong demand for the newly introduced Subsidized Home Renovation Loan in 2Q
- Seasonality effect of project kick-offs and –completions in the spring is also noticeable in 2Q new volume increase
- MKB Bank has a positive business expectations regarding the FGS Green Home Programme



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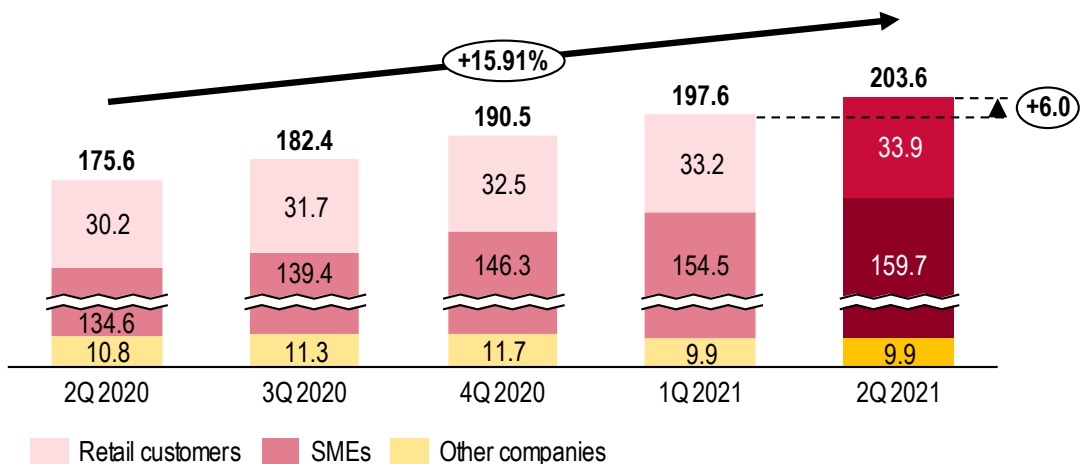
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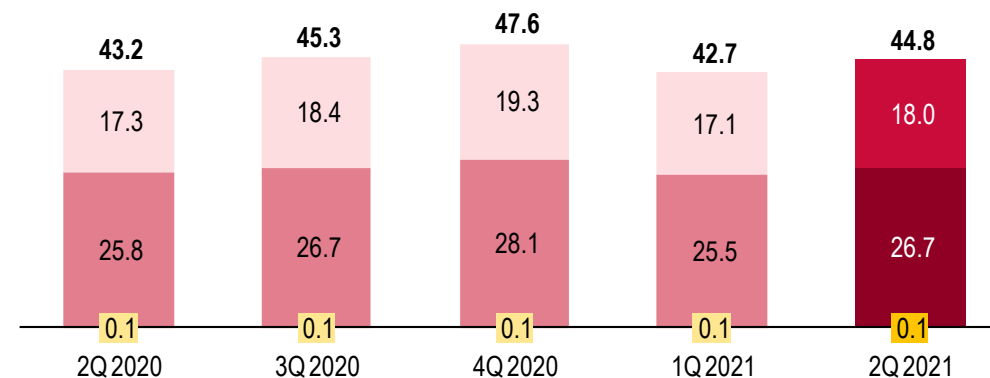
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Gross volumes by customers (HUF bln)



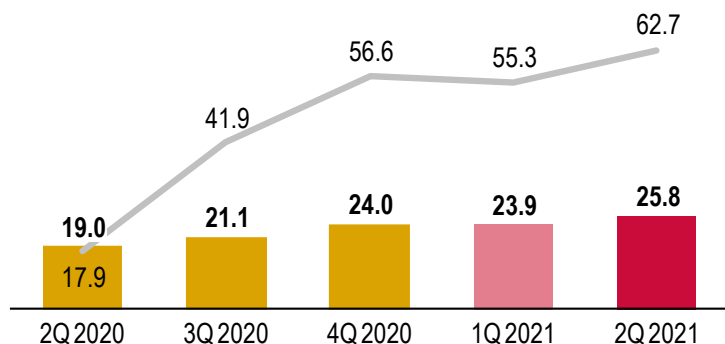
Active clients (in thousands)



- **Steady market position:** 3rd among leasing companies in terms of new disbursement (based on Hungarian Leasing Association data)
- **Continuous, quick and above expectation portfolio growth in 2021:** +15.9%; HUF +27.9 bln y/y; HUF 6.0 bln p/p in 2Q 2021
- **Constant growing share of SME clientele:** FGS Go! Scheme was the main point of interest in 1H and MKB Group was able to capitalise on the market trend as well as on other state launched programs

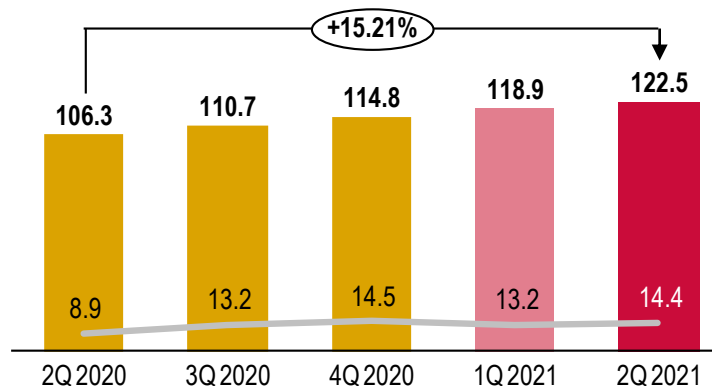
Vehicle financing segment had an outstandingly successful first half year: record high disbursement in each quarter

Stock financing (HUF bln)

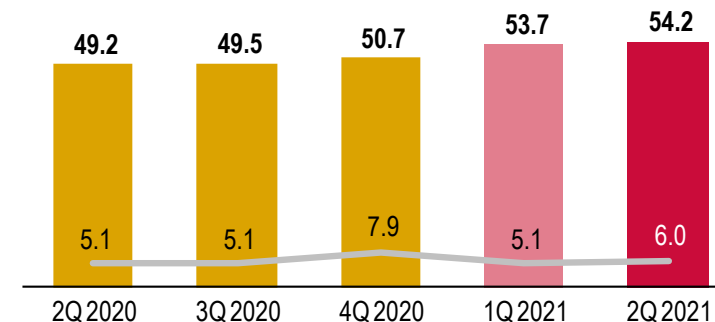


— New disbursements ■ Gross volume

Car financing (HUF bln)



Wholesale, agricultural and machine financing (HUF bln)



- **Vehicle financing portfolio growth outpaced market: +15.2%; HUF +16.2 bln y/y.** Slight increase in average ticket sizes: higher new car sales prices are a strong contributing factor
- Growing car stock (dealer) financing: HUF +6.8 bln y/y
- Remarkable growth in agricultural machinery and vehicle financing: +10.1%; HUF +5.0 bln y/y
- Based on the moratorium eligible volume at the end of March 2021, about 21% of customer loan volumes are under the moratorium, which indicates a favourable risk situation



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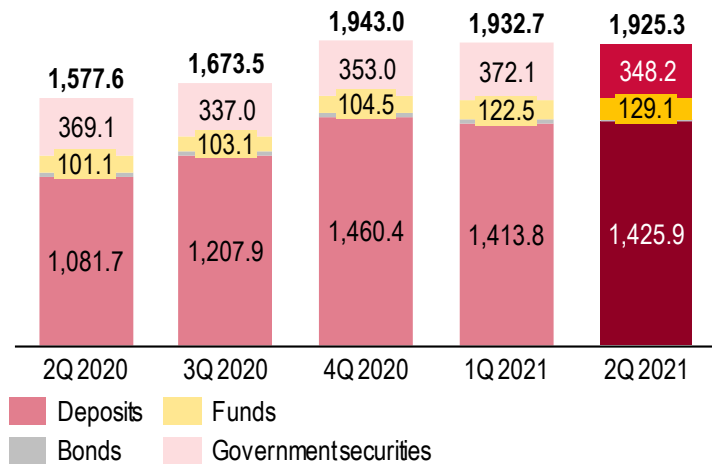
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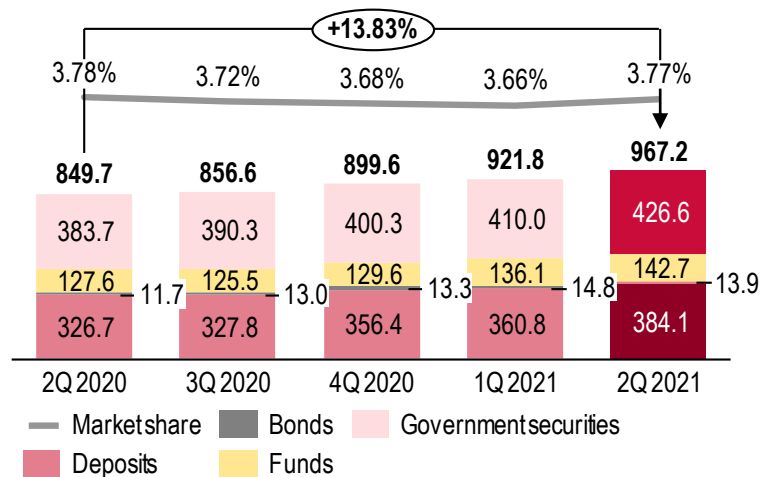
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Corporate¹ savings (HUF bln)

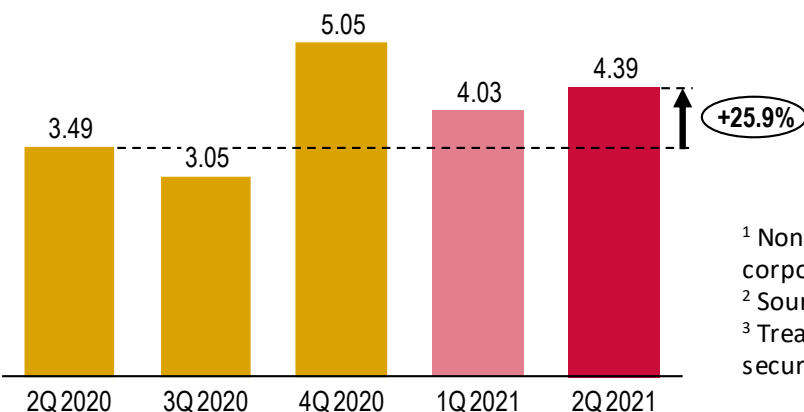


Retail savings (HUF bln) and market share² (%)



- **Total corporate savings** slightly decreased p/p, but significantly increased **(+22.0%, HUF +347.7 bln) y/y**. The p/p decrease is attributable to the decrease of government securities, while the y/y increase is the result of heavy deposit inflow, supported partially by the moratorium induced lack of repayments
- **Retail savings grew by 13.8% (HUF +117.5 bln y/y)**. Lack of spending opportunities together with the effect of moratorium allowed for higher savings rate for retail customers. Deposits (HUF +57.4 bln y/y) soaked up the majority of the excess liquidity, albeit funds (HUF +15.1 bln y/y) increased at a steady rate

Treasury sales³ and trading income (HUF bln)



¹ Non-financial and financial corporates
² Source: NBH
³ Treasury products and securities distribution

Increasing customer related treasury results in 2Q:

- Increase in retail customer's government securities portfolio (especially MÁP+) resulted higher commission incomes
- The volume of customer related stock market transactions and the resulting fee incomes slightly decreased p/p, while and custody incomes continued to grow
- The increasing volume of customer foreign currency transactions contributed to the p/p growth of FX results
- The increasing yield environment had a minor negative FVTPL revaluation impact on the profitability of the proprietary trading portfolio

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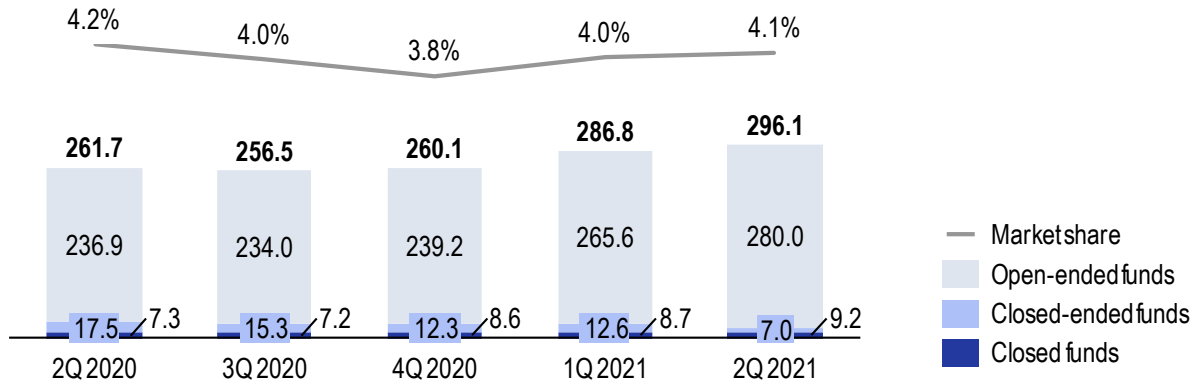
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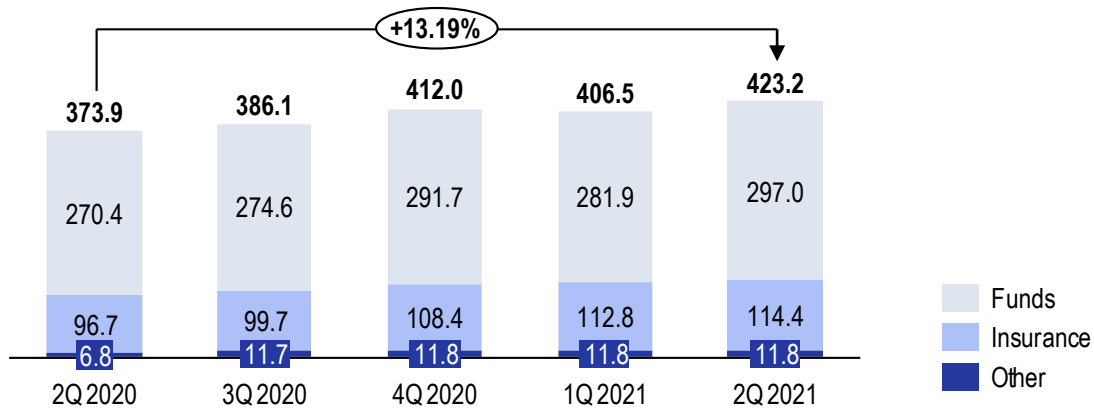
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Breakdown of investment funds (HUF bln)



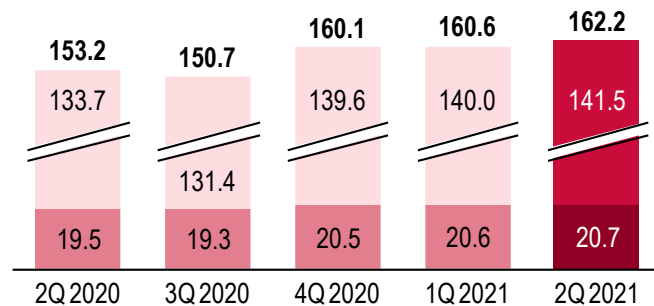
Breakdown of managed portfolios (HUF bln)



- MKB-Pannónia’s AUM maintained its positive trend and grew by 13.4% compared to 2Q last year. The increase of the assets can be attributed to the good performance of the markets, but the cash inflows were considerable as well
- The closed-end funds’ AUM decreased further, achieving only HUF 7 bln HUF in the second quarter 2021
- In 2Q the managed portfolios funds grew to HUF 423 bln by 13.19% compared to the same quarter last year. The increase was backed by the performance of the international markets

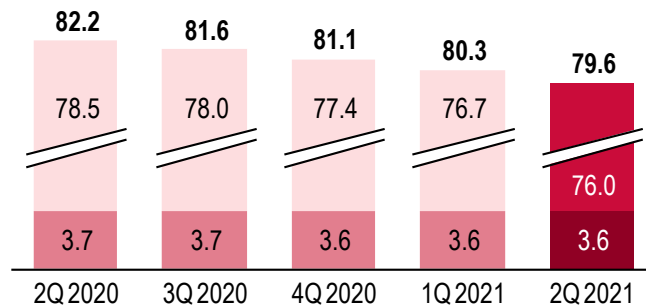


Breakdown of total fund assets (HUF bln)



Voluntary Pension Fund Private Pension Fund

Number of members (thousand pax)

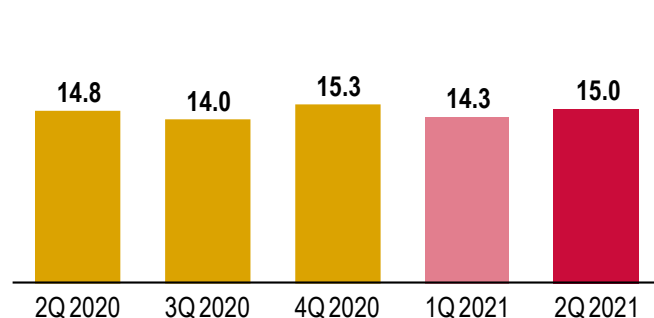


MKB Voluntary Pension Fund had a membership count of 76.0 thousand persons, while its funds on the personal accounts reached HUF 141.5 bln by the end of 2021 2Q

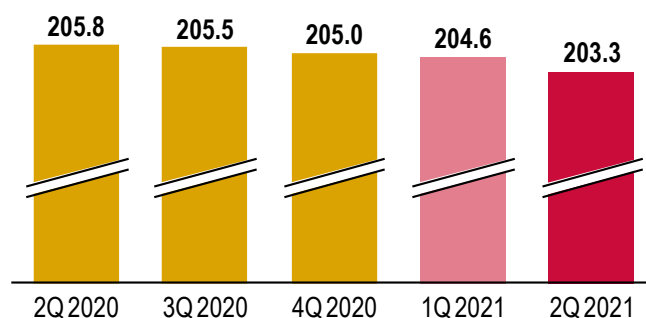
Based on the total assets under management MKB Voluntary Pension Fund succeeded in maintaining its stable 5th ranking with approx. 9 percent market share. The market value of total assets managed by MKB Private Pension Fund was HUF 20.7 bln, while the number of members was 3,593 persons at the end of 2021 2Q



Total fund assets (HUF bln)



Number of members (thousand pax)



The value of the portfolio managed by **MKB-Pannónia Voluntary Health and Mutual Aid Fund** increased to HUF 15 bln by the end of 2021 2Q, it maintained its 3rd ranking with a 24 percent market share

The membership decreased by 0.6% compared to end of 2021 1Q, yet with 203.3 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		y/y	Year on year
MKB Group		p/p	Period on period
MBH Hungarian Bankholding Zrt.		bp	Basis point
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 Please note that specific targets were set within the displayed ranges.	CAGR	Compounded Annual Growth Rate
MNB, NBH Magyar Nemzeti Bank (the Central Bank of Hungary)		(Y), YTD	Year to date data
PAT	Profit after tax	NPL	Non performing loans
PBT	Profit before tax	NPE	Non performing exposures
GOI	Gross Operating Income	DPD90+	Days past due over 90 days
GAE	General Administrative Expenses	POCI	Purchased or Originated Credit Impaired Asset
OCI	Other comprehensive income	ROE, ROAE	Return on average equity
TOCI	Total other comprehensive income	ROMC	Return on minimum capital
FX	FX result	ROA, ROAA	Return on average total asset
FV	Revaluation result	CIR	Cost-to-income ratio
IRS	Interest rate swap	TRM	Total revenue margin
TA	Total assets	NIM	Net interest margin
RWA	Risk weighted assets	NFM	Net fee margin
Secured loans	Home Loans + Free-to-Use Mortgages	CIM	Core income margin
FVTOCI	Fair value through OCI	CAR	Capital adequacy ratio
FVTPL	Fair value through P&L	LTD	Loans to deposits
FTE	Full time equivalent	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
		AFR	Instant payment system implementation project to comply with NBH requirements
		Hitreg	Loan registry requirements of NBH
		PSD2	Payment service directive 2

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