MKB Bank Nyrt.

Report on the 1H 2022 results

Budapest, 29 August 2022

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Summary of the methodology underlying the Q2 2022 report:

Concerning comparisons to base year figures, this half-year report and the related investment presentation are – unless otherwise indicated – based on the pro forma statement prepared by the Bank Group for year 2021.

MKB Bank prepared and published the pro forma consolidated balance sheet and profit and loss statement for 2021, as presented in the Exemption Document. The pro forma information in the balance sheet and profit and loss statements show the consolidated financial position as well as profit and loss of MKB Bank and its consolidated subsidiaries as of the reporting date of 31st December 2021, assuming the Merger had been executed on 1st January 2021.

The pro forma data and related statements are given only for information purposes; by their very nature they apply to a presumed situation and illustrate the impacts of the Merger if it had taken place at an earlier date.

Principles underlying the preparation of pro forma statements:

- It was compiled in accordance with the single consolidated accounting policy applied in business years 2021 and 2022. Consequently, it does not contain any adjustments that might stem from potential differences between accounting policies.
- The unadjusted initial information used in the preparation of the accounting statements was taken from the consolidated audited IFRS annual report of the business year ending on 31st December 2021.
- Since on 15th December 2020 Magyar Bankholding Zrt. acquired majority influence in MKB Bank, Budapest Bank and the Takarék Group, the consolidated annual report prepared by Magyar Bankholding Zrt. for the business year 2021 includes the data of these companies as well as their subsidiaries consolidated for accounting purposes.
- Main steps of the preparation of pro forma statements

  The following steps were taken into consideration during the preparation of the pro forma statements:

  1. Step One: subtraction of Magyar Bankholding Zrt's individual data from its consolidated data;
  2. Step Two: elimination of consolidation steps from Magyar Bankholding Zrt's consolidated statements to generate the aggregated individual data of the new Issuer group created by the Merger.
  3. Step Three: various steps of the consolidation of the new Issuer group resulting from the Merger, i.e.
     - Capital consolidation; and
     - Intra-group debt and yield consolidation;
  4. Step Four: separate presentation of the impacts of Magyar Bankholding Zrt's additional asset contribution made simultaneously with the Merger.
- MKB Bank's Q1 2022 accounting profit does not include the Q1 profits/losses of the merging companies. Therefore, the profit and loss data are presented on the basis of modelled pro forma data, adjusted with the profits and losses of the merging entities, for comparability.

- For year 2021 and Q1 2022 the items and principles used in the generation of the adjusted (normalised) profit and loss were modelled retroactively for the pro forma accounting statements in accordance with the Q2 2022 principles, to ensure comparability of the adjusted profit and loss data.
- From Q2 2022 the Consolidated Financial Data are presented including the merged banks.
- MKB Nyrt's information on its 1H 2022 performance is based on data contained in the consolidated balance sheet and profit and loss statement prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The analysis of the Bank's activity was based on unaudited data as at 31st December 2021, 30th June 2021 and 30th June 2022.

1 MKB Group 1H 2022 Results – overview

Table 1: Main components of P&L and balance sheet, key performance indicators

Main components of P&L (in HUF million)	Period					YTD		
	2Q 2021	1Q 2022	2Q 2022	P/P	Y/Y	1H 2021	1H 2022	Y/Y
TOCI (Total Comprensive Income)	**17 223**	**-17 142**	**45 923**	**-**	**166,6%**	**40 322**	**28 781**	**-28,6%**
Other comprehensive income	-3 374	-41 221	36 482	-188,5%	-	-15 288	-4 739	-69,0%
Consolidated Profit after tax	**20 597**	**24 078**	**9 442**	**-60,8%**	**-54,2%**	**55 611**	**33 520**	**-39,7%**
Adjusted profit after tax by the result of mergers*	20 597	40 323	9 442	-76,6%	-54,2%	55 611	49 765	-10,5%
Adjustments total on PAT	9 785	5 177	51 539	-	-	19 623	56 716	189,0%
Adjusted TOCI	**27 008**	**-2 132**	**97 462**	**-**	**260,9%**	**59 946**	**95 330**	**59,0%**
Adjusted revaluation on non HFC financial assets (OCI)	-3 374	-47 633	36 482	-176,6%	-	-15 288	-11 152	-27,1%
Adjusted Consolidated Profit after tax	**30 382**	**45 501**	**60 981**	**34,0%**	**100,7%**	**75 234**	**106 482**	**41,5%**
Profit before tax (adjusted)	**34 411**	**49 443**	**66 597**	**34,7%**	**93,5%**	**83 421**	**116 040**	**39,1%**
Gross Operating Income (adjusted)	**78 695**	**96 173**	**118 918**	**23,6%**	**51,1%**	**169 588**	**215 091**	**26,8%**
Net Interest Income (adjusted)	51 452	75 414	96 949	28,6%	88,4%	96 351	172 363	78,9%
Net Fee Income (adjusted)	17 380	17 994	20 393	13,3%	17,3%	33 346	38 386	15,1%
Net Other Income (adjusted)	9 862	2 766	1 576	-43,0%	-84,0%	39 891	4 342	-89,1%
General Administrative Expenses (adjusted)	-42 148	-43 747	-50 626	15,7%	20,1%	-84 974	-94 373	11,1%
Provision for losses on loans (adjusted)	-512	1 069	-336	-131,4%	-34,5%	777	734	-5,6%
Main components of Balance sheet (in HUF million)	**Volumes at the end of period**					**YTD average**		
	2Q 2021	**1Q 2022**	**2Q 2022**	**P/P**	**Y/Y**	**1H 2021**	**1H 2022**	**Y/Y**
Total Assets	**9 070 989**	**10 289 400**	**10 189 745**	**-1,0%**	**12,3%**	**8 942 000**	**10 239 572**	14,5%
Customer Loans (net)	3 979 342	4 454 837	4 472 888	0,4%	12,4%	3 894 046	4 463 863	14,6%
Customer Loans (gross)	4 124 216	4 615 730	4 640 508	0,5%	12,5%	4 039 456	4 628 119	14,6%
Provision for Customer loans	-144 874	-160 893	-167 620	4,2%	15,7%	-145 411	-164 257	13,0%
Deposits & C/A	5 373 026	6 188 435	6 267 540	1,3%	16,6%	5 329 452	6 227 988	16,9%
Subordinated debt	317 991	93 340	88 306	-5,4%	-72,2%	315 734	90 823	-71,2%
Shareholders' Equity	680 004	711 697	727 783	2,3%	7,0%	671 590	719 740	7,2%
KPIs based on adjusted and unadjusted PAT (%)	**Period**					**YTD**		
	2Q 2021	**1Q 2022**	**2Q 2022**	**P-P**	**Y-Y**	**1H 2021**	**1H 2022**	**Y-Y**
ROAE (Return on Average Equity - unadjusted)	12,3%	13,7%	5,2%	-8,5%-pt	-7,0%-pt	16,7%	9,4%	-7,2%-pt
ROAE (Return on Average Equity - adjusted)	18,1%	25,9%	33,9%	8,0%-pt	15,8%-pt	22,5%	30,0%	7,4%-pt
ROMC (Return on Minimum Capital - adjusted)	23,3%	34,5%	47,8%	13,3%-pt	24,5%-pt	29,1%	41,0%	11,9%-pt
ROAA (Return on Average Assets - adjusted)	1,4%	1,8%	2,4%	0,6%-pt	1,0%-pt	1,7%	2,1%	0,4%-pt
TRM (Total Revenue Margin - adjusted)	3,5%	3,8%	4,6%	0,8%-pt	1,1%-pt	3,8%	4,2%	0,4%-pt
CIM (Core income margin - adjusted)	3,1%	3,7%	4,6%	0,9%-pt	1,5%-pt	2,9%	4,2%	1,2%-pt
NIM (Net Interest Margin - adjusted)	2,3%	3,0%	3,8%	0,8%-pt	1,5%-pt	2,2%	3,4%	1,2%-pt
NFM (Net Fee Margin - adjusted)	0,8%	0,7%	0,8%	0,1%-pt	0,0%-pt	0,8%	0,8%	0,0%-pt
C/TA (Cost to Total Assets - adjusted)	1,9%	1,7%	2,0%	0,2%-pt	0,1%-pt	1,9%	1,9%	-0,1%-pt
CIR (Cost Income Ratio - adjusted)	53,6%	45,5%	42,6%	-2,9%-pt	-11,0%-pt	50,1%	43,9%	-6,2%-pt
Risk% (Risk cost rate - adjusted)	-0,1%	-0,2%	0,1%	0,4%-pt	0,2%-pt	-0,2%	0,0%	0,2%-pt
GOI/RWA (RWA efficiency - adjusted)	8,8%	10,4%	12,4%	2,0%-pt	3,5%-pt	9,6%	11,4%	1,8%-pt
EPS (Earning Per Share - adjusted)	390,4	584,6	783,5	198,9	393,2	483,3	684,1	200,7
Volume KPIs (%)	**Period**					**YTD**		
	2Q 2021	**1Q 2022**	**2Q 2022**	**P-P**	**Y-Y**	**1H 2021**	**1H 2022**	**Y-Y**
Provision/Total Assets	1,6%	1,6%	1,6%	0,1%-pt	0,0%-pt	1,6%	1,6%	0,0%-pt
CAR (Capital Adequacy Ratio)	16,8%	17,6%	17,0%	-0,6%-pt	0,1%-pt	16,8%	17,0%	0,1%-pt
RWA/Total Assets	40,0%	36,1%	39,1%	3,0%-pt	-1,0%-pt	40,0%	39,1%	-1,0%-pt
LTD (Loan to Deposit)	76,8%	74,6%	74,0%	-0,5%-pt	-2,7%-pt	76,8%	74,0%	-2,7%-pt
DPD90+ rate	3,7%	3,4%	3,8%	0,3%-pt	0,0%-pt	3,7%	3,8%	0,0%-pt

**The legal merger of Magyar Bankholding Zrt's two member banks, i.e. Budapest Bank Zrt. and MKB Bank took place on 31st March 2022. Since MKB Bank's Q1 2022 accounting profit does not include the Q1 profits/losses of the merging companies, the profit and loss data are presented on the basis of modelled pro forma data, adjusted with the profits and losses of the merging entities, for comparability.*

The report is based on "Adjusted" figures presenting the indicators of the underlying business performance, the list of correction factors is included in Chapter 3.1. In order to comprehensive present the financial performance of the MKB Group, all data in the report and in the investor presentation are - unless otherwise indicated - alternative performance measurement indicators (Alternative Financial Indicator - APM).

For definition and calculation methodology of alternative performance measurement indicators used to depict the underlying business performance please refer to the report for 1H 2022 chapter 4.1 – Financial indicators.

With the successful implementation of the first step in March this year of a landmark bank merger process, the Bank Group made a significant step closer to accomplishing its plans and creating a single innovative, pioneering financial institution. The next stage in the construction process aimed at creating a single uniform bank will be the integration of Takarékbank in 2023.

The aim of the two-stage merger is to progress from the current group-level operation to full operational consolidation in a way in which the Bank Group takes into account the dynamically growing demand of the member banks' clients and the expectations regarding smooth service provision.

MKB Group aims at offering customer-oriented and internationally pioneering digital solutions, products and services with favourable conditions; based on strengths, values and best practices of the previously even individually strong three domestic commercial banks. Therefore, it is a priority objective even during the transformation process that we provide our customers with continuously improving products and services.

With the merger in March 2022, MKB became Hungary's second largest bank even at an individual level, which will be further enhanced by the complete operational consolidation to be accomplished in 2023.

One vital element of the banking group's strategy is that the new large bank covers the entire banking market and provides attractive value offering to all customer segments, while laying particular emphasis on up-to-date products and services for retail, micro, small and medium-sized companies as well as agricultural customers.

The H1 2022 report is particularly important in the life of the Bank Group because this is the first time that the report presents the latest financial results and business performance of the united bank.

The group is market leader in a number of segments, including the corporate segment, where it is especially active in lending to micro, small and medium-sized enterprises and in the agriculture and food segment. It is also market leader in lease financing. It has nearly 1.5 million standard customers and nearly 41 thousand non-standard customers keeping accounts with the Bank, more than 860 branches, the most extensive branch office network in Hungary, and employs more than 9,600 people. The Bank's total assets was HUF 10,189.7 billion on 30 June 2022.

The most important changes among the participations of the MKB Group during the past quarter:

- Another milestone in the merger process was the **merger of the fund managers MKB-Pannónia Alapkezelő and Budapest Alapkezelő.** The general meeting of MKB-Pannónia Alapkezelő Zrt., in which MKB Bank had a stake of 49%, as merging company, adopted a resolution on 25th May 2022 on merging into the Company's fully owned Budapest Alapkezelő Zrt. as recipient company with effect from 31st August 2022. The legal successor company will operate under the name of MKB Alapkezelő Zrt after the merger. The assets managed by the united organisation amount reached HUF 1,147 billion.

- On 30th May 2022 MKB Bank passed a resolution concerning the merger of its fully owned subsidiaries Euro-Immat Kft. and MKB Digital Zrt. (merging companies) into Takarékinfo Zrt., as recipient company, as of 31st August 2022.

- On 29th June 2022 MKB Bank Nyrt. purchased 100% of MTB Magyar Takarékszövetkezeti Bank Zrt's stake in Takarék Invest Befektetési és Ingatlankezelő Kft.. On 29th June 2022 it carried out a capital increase by share premium in Takarék Invest Befektetési és Ingatlankezelő Kft., in an amount of HUF 13,803,580,000.

In Q2 2022 the Company's business policy and business performance were dominated by the following factors:

- Money market trends: the increasing yield environment had a positive impact on MKB Group's profitability and total comprehensive income (TOCI).
- Being Hungary's second largest bank, it has **stable market positions** in the standard and non-standard business lines.
- MKB Bank continues to actively participate in the regularly updated Széchenyi Program. The programme is continued under the names of **Széchenyi Kártya MAX and Széchenyi Lízingkonstrukció MAX** with renewed facilities and favourable terms and conditions since July 2022. The Bank Group was one of the first financial institutions to offer the programme's products to its corporate customers.
- Continued active and successful participation in the **Government's economic recovery programmes**.
- Having concluded a twenty-year strategic cooperation framework agreement with Magyar Bankholding Zrt., CIG Pannónia Group signed a similar agreement with its integrated leasing subsidiary called Euroleasing Zrt. CIG's insurance products – including various property insurance and casco (voluntary insurance) policies, its payment protection insurance (PPI) products – will soon be made available for Euroleasing Zrt's nearly 100 thousand customers under the agreement.
- A strategic cooperation agreement was concluded between Ferencvárosi Torna Club (FTC) and MKB Bank and between the Hungarian National Olympic Committee (NOC) and MKB Bank. The financial institution will be FTC's and NOC's official bank and financial strategic partner under the agreements.
- An environmental, social responsibility and corporate governance – ESG – strategy was developed and adopted by the Bank Group. Its goals include financing investment projects promoting sustainability, reducing the company's ecological footprint, and continued increase of women in managerial positions.

The main performance indicators of the first half of 2022:

- **HUF 10,190 billion total assets** (-1,0% p/p; +12,3% y/y): with a growing net loan portfolio (+12.4% y/y) and deposit portfolio (+16.6% y/y), which clearly reflects the customers' continuous trust in the Bank Group.
- **HUF 106.5 billion adjusted profit after taxes** in the first half: the growth of the accumulated profit after taxes and comprehensive income was enabled by an increase in the interest revenues from customers and FX and FV result.
- The increase in the customer loan portfolio and general rise of interest rates **resulted in higher net interest income (+78.9% y/y) and +62.5% y/y core income (HUF 81.1 billion in 1H) increase.**
- Impressive **cost to income ratio**: **43.9%.** The CIR was 44.8% in 1H 2022 calculated with core income.

- The portfolio quality enabled the **release of HUF 4.0 billion (unadjusted) credit risk cost** (provisions and other impairments) in the first half of the year. The moratorium related expenses reduced the (unadjusted) accounting profit by another HUF 8.4 billion.
- **Sound capital position**: The stable and high **17.0% capital adequacy** was – at the end of H1 2022 – significantly above the regulatory requirement, with the negative OCI effect during the year, but even without taking into account the interim positive after tax profit.

MKB Group's unadjusted total comprehensive income was HUF 28.8 billion in 1H despite the extraprofit special tax. MKB Group's proforma accounting total comprehensive income (for comparability, it includes the 1Q 2022 results of the merging companies) was HUF 38.6 billion (HUF -1.7 billion y/y) in 1H 2022, while in 2Q it amounted to HUF 45.9 billion (HUF +28.7 billion y/y, HUF +53.2 billion p/p), as the increase in the other comprehensive income (1H: HUF -11.2 billion, HUF +4.1 billion y/y, 2Q: HUF 36.5 billion, HUF +39.9 billion y/y) more than offset the decrease in the profit after tax (1H: HUF 49.8 billion, HUF -5.8 billion y/y, 2Q: HUF 9.4 billion, HUF -11.2 billion y/y). The proforma unadjusted total comprehensive income (TOCI) grew by HUF 53.2 billion q/q, as a result of a HUF 30.9 billion drop p/p in the accounting profit after taxes and a HUF 84.1 billion p/p increase in the other comprehensive income (OCI).

In 1H 2022 the **adjusted** total comprehensive income (TOCI) amounted to HUF 95.3 billion (HUF +35.4 billion y/y), with a HUF +56.7 billion TOCI adjustment. The adjusted profit after tax was HUF 106.5 billion (HUF +31.2 billion y/y), while the other comprehensive income amounted to HUF minus 11.2 billion (HUF +4.1 billion y/y) in 1H 2022.

The **total assets** amounted to HUF 10,189.7 billion (-1,0% p/p; +12.3% y/y) by the end of the 2Q 2022. The Group's customer **deposits portfolio** increased to HUF **6,267.5** billion by the end of the quarter (HUF +79.1 billion p/p; HUF +894.5 billion y/y). The **(gross)** portfolio of **customer loans** increased to HUF 4,640.5 billion (+0.5% p/p), by the end of the year however, an increase of HUF +516.3 billion is expected. The portfolio of securities increased by 15.2% y/y (+5.1% p/p). In 2Q 2022 the loans to deposits ratio decreased slightly, to 74.0% (-0.5% pt p/p) by the end of the period. The **shareholders' equity** increased from HUF 711.7 billion at the end of 1Q 2022 to HUF **727.8** billion. The capital adequacy ratio was steadily high, at 17.0% (+15 bps y/y), while MKB Group's adjusted return on shareholders' equity (ROAE) was 30.0% (the unadjusted ROAE was 9.4%) in 1H 2022. The ratio of the return on shareholders' equity calculated with the total comprehensive income equalled 26.8%.

Remarkable business performance in Q2 2022:

- **Standard segment – retail, micro and small corporate customers:**

  Outstanding performance in deposit management with an increase of 13.9% (y/y), while the gross loan portfolio grew by 9.2% (y/y).

  The member banks of MKB Group have been leaders in the sale of the products offered under the Széchenyi Card Programme and in the placement of portfolios ever since its introduction; products under the Széchenyi Card Programme Plus and the Széchenyi Card Programme GO! were applied for by corporate customers in a total amount of about HUF 400 billion. On 8 August 2022 MKB was one of the first financial institutions to start offering its customers the facilities of the updated programme under the Széchenyi Card Programme MAX scheme.

  The credit products offered through the FGS Green Home Programme launched by the MNB were available at the MKB Group. The programme provided loans with preferential terms and conditions for purchasing or constructing energy efficient new residential real estates in the territory of Hungary.

Besides undergoing the processes of mergers, MKB Bank Group updated its product range as well in 2Q 2022.

New account packages were introduced for customers opening accounts at the already united MKB Bank and Takarékbank during 2Q. In accordance with the Bank's long-term strategy, the new products offer accounts in a wide range, even without conditions linked to income or savings, and lays particular emphasis on the requirements of young clients and on accounts offered to employees of companies having signed partnership contracts with MKB Bank Group.

- **Non-standard segment** - Medium-sized corporate, large corporate, agricultural and private banking customers**:**

  MKB Group was able to increase its customer base dynamically: the gross loan portfolio grew by +15.0% y/y (+ 4.4% p/p), while the deposit portfolio grew by + 19.1% y/y (+5.4% p/p) in the non-standard segment.

  Thanks to the traditionally close cooperation between MKB Bank and Eximbank, customers could benefit from EXIM's funding sources, the merged MKB's market share in the second quarter of 2022 of total refinanced disbursements was 8.9%.

  In continuing the development of its customer life cycle-based approach, the Bank devotes major resources to further optimise its product development processes and models in 2022, as well.

- **Leasing activity:**

  As a significant step in Hungarian Bankholding's merger processes MKB-Euroleasing, Budapest Lízing, Takarék Lízing, and Budapest Bank's Car Financing business have been operating in an integrated manner under the name Euroleasing since 1st January 2022. New lending and leasing services have since then been only been provided by Euroleasing Zrt. for the most part, while contracts concluded before 1st January continue to be managed by the original leasing companies. MKB Group's[1] leasing portfolio has, in spite of the unfavourable market environment, not diminished and by the end of 1H 2022 its amount exceeded HUF 525 billion, the same as one year before.

Changes in the composition of the Supervisory Board:

- Mr. Mihály Valkó resigned from his membership in the Supervisory Board of MKB Bank Nyrt., as of 2nd June 2022.
- Ms. Ágnes Anna Hornung resigned from her membership in the Supervisory Board of MKB Bank Nyrt., as of 23rd June 2022.

[1] The total aggregate leasing portfolio of the MKB Group's members, comprising the portfolios of Euroleasing Zrt., Budapest Lízing Zrt., Takarék Lízing Zrt., and MKB Bank Nyrt. (the Car Financing business of the former Budapest Bank Zrt.).

Post-closing events:

- On 29th July 2022 MKB Bank Nyrt's Board of Directors adopted a resolution – No. 165/2022 (29th July – on the payment of advance dividend in an amount of HUF 13,075,439,286 to the Company's shareholders. By its resolution 55/2022 (29th July) the Supervisory Board approved the Board of Directors' resolution. The Board of Directors Resolution stipulates that the dividend advance would be paid on 12th August 2022.
- Changes in the composition of the Board of Directors and the Supervisory Board:
  - Dr. Géza Károly Láng resigned from his membership in the Company's Board of Directors as of 31st August 2022.
  - Mr. János Nyemcsok resigned from his membership in the Supervisory Board of MKB Bank Nyrt., as of 1st September 2022.
  - Dr. Erzsébet Beáta Bánkuti resigned from her membership in the Supervisory Board of MKB Bank Nyrt., as of 31st August 2022.
- After completing the relevant financial impact assessments, the Bank submitted a binding offer to Pénzügyi Stabilitási és Felszámoló Nonprofit Kft., the appointed liquidator of Sberbank Magyarország Zrt. "under liquidation" concerning the takeover of its loan portfolio. In the tender the Company was selected as winning tenderer. Accordingly, the agreement on the transfer of Sberbank Magyarország's loan portfolio between the Company as buyer and transferee and Sberbank Magyarország as seller and transferor, was concluded on 26th May 2022. The HUF 266.3 billion loan portfolio was transferred to the Bank Group on 1st August 2022.
- A number of regulatory changes have taken effect during the recent period, of which the most important ones of relevance to the Bank Group are as follows:
  - The **baby expecting subsidy and the home making subsidy (CSOK)** would be extended into 2023.
  - **Agricultural loan moratorium:** On 31st July 2022 the Drought Emergency Operative Body established by the Government announced a package of actions, comprises 5 items, including a loan moratorium for agricultural businesses. The loan moratorium applies to investment and working capital loans taken out by agricultural businesses and lasts from 1st September 2022 until 31st December 2023. The decree stipulates that the loan and lease contracts of those concerned cannot be cancelled by notice of termination up to 31st December 2023 due to non-fulfilment of principal, interest or fee payment obligations.
  - **Home VAT prolongation:** The decree on the application of the preferential value added tax rate on newly constructed residential real estates provides that the 5 percent VAT on dwellings remains in effect from 1st January 2023 until 31st December 2024.
  - **Changes to the small business specific tax (KATA)** The KATA offers small businesses favourable taxation – of HUF 50,000 a month – up to an annual income of HUF 18 million. Under the new rules; however, KATA payers can only receive income from private individuals, with the exception of those engaged in passenger transport by taxi. The new KATA rules come into force on 1st September 2022.
  - The Government announced an **energy emergency** in Hungary and adopted a package of actions (7 items) to protect the utility bill reduction scheme and Hungary's energy supply. The utility bill reduction scheme has been modified from August: the higher – market – rates will

be charged for consumption exceeding the average level. The Government's calculations show that the price increase will leave about three quarters of households unaffected.

- From 30th July **fuel for the favourable** 480 HUF/l price will only be available for private individuals. This will remove company cars from the regulation; they can be filled up at the prevailing market prices. This will not apply to taxi drivers and owners of agricultural machines. In addition to the modification of the regulated price the energy sector's special tax has also been raised.

Financial and capital market developments, the macroeconomic environment

Capital and money market developments as well as changes in the macroeconomic environment continued to have a significant impact on the income generating capacity of MKB Group in the second quarter of 2022.

Yields: In the second quarter of 2022, the **Federal Reserve (Fed)** continued the cycle of interest rate hikes that started in March. During the quarter, interest rates rose by a total of 125 basis points. The Fed first raised the US benchmark interest rate by 50 basis points on 4 May 2022, followed by a further increase of 75 basis points on 15 June 2022. The two rate decisions left the US policy rate range at 1.50% to 1.75% by the end of the second quarter. In its decisions, the Fed regularly emphasizes its commitment to bring inflation back to around the 2% target. In June, Fed Chairman justified the strong 75 basis point hike by stating that inflation could remain persistently high in the US (5.2% annual rate expected by 2022), thus requiring strong action to fight inflation. In the US, the Consumer Price Index (CPI) rose to 9.1% in June (the highest in 40 years) and the Personal Consumption Expenditures Price Index (PCE-index), which is the main indicator of the Fed, stood at 6.8% at the end of the second quarter. Moreover, the Fed started selling assets on its balance sheet in June: $30 billion of Treasury bonds and $17.5 billion of mortgage-backed securities are being sold off the Fed's balance sheet each month[2]. So shortly after the quantitative easing, the Fed started quantitative tightening at the end of the second quarter. The 10-year US Treasury yield ranged between 2.39% and 3.48% in the second quarter of 2022, ending the quarter at 3.02%.

The **European Central Bank (ECB)** did not change its policy rates in the second quarter of 2022: the refinancing operation rate was 0.00% and the interest rates on the marginal lending facility and the deposit facility were 0.25% and -0.50%, respectively at the end of the quarter.[3] After the end of the pandemic asset purchase programme (PEPP) in March, the ECB's Governing Council decided that the traditional asset purchase programme (APP) would also be ended by the end of June, thus ending quantitative easing in the euro area by the end of the second quarter. In order to address bond market anomalies, the ECB decided to reinvest debt maturing under the PEPP in a flexible way, i.e. the ECB will use the funds released to buy government bonds of countries that have experienced higher interest rate increases than the euro area average[4]. Price increases in the euro area are also persistently above the central bank's 2% target: following an annual rate of 8.1% in May, the inflation in the euro area was 8.6% in June, which represents a new historic record for the euro area. Inflation is being driven upwards mainly by a sharp rise in energy prices, but food, alcohol and tobacco prices

[2] From September onwards, the Fed plans to sell $60 billion of Treasury bonds and $35 billion of mortgage bonds from its balance sheet each month.

[3] Shortly after the end of the second quarter, on 21 July 2022, the cycle of interest rate hikes in the currency area also started, with the first step being a 50 basis point increase.

[4] In July, the ECB supplemented its goal with a new monetary tool, the Transmission Protection Instrument (TPI), which provides greater flexibility to deal with bond market anomalies.

also rose by an above-average 8.9% in June. As a result, a wide range of products are subject to inflationary pressures. The 10-year German government bond market yield in Q2 2022 ranged between 0.56% and 1.77% (at the end of Q2 2022 it was -1.34%).

According to the **National Bank of Hungary (MNB)**, domestic inflation risks remain clearly on the upside, with households' inflation expectations rising each month. In recent months we have seen significant increases in food, raw materials, and energy prices. While the former has directly affected the population, the latter two have had a more indirect impact through spill-over effects on producers. According to MNB's calculations, these increases in producer costs are reflected in consumer prices very rapidly and to a large extent, thus the monthly repricing activity was several times higher in the second quarter than seen previously. The inflationary pressures are also reflected in the indicators. At the end of the first quarter, the annual inflation rate in Hungary stood at 8.5%, which is an outlier compared to previous quarters. However, in the second quarter, domestic inflation rose first to 9.5%, then to 10.7% and in June to 11.7%, exceeding the dynamics seen in previous quarters. Over this period, the core inflation, which captures the longer-term, more persistent inflation trend, rose from 9.1% in March to 13.8% at the end of June.

This is why the Monetary Council has continued the cycle of interest rate hikes that started in the summer of 2021 to curb inflation and has tightened domestic monetary conditions in several steps. By the end of June, the base rate and the one-week deposit rate had been matched, which had been the central bank's communicated objective for months. Over the quarter, the central bank's base rate rose by a total of 335 basis points (from 4.4% to 7.75%) and the benchmark one-week deposit rate rose by 160 basis points by June (from 6.15% to 7.75%)[5]. According to analysts of Takarékbank and MKB Bank, the rate hike could stop at 11.75%, but risks are pointing upwards. The central bank has communicated that the rate hike cycle could last until they see a decline in the inflation path, which is expected to occur in the autumn months at the earliest.

Yields in the Hungarian government bond market continued to rise during the second quarter of 2022, with the 10-year Hungarian government bond yield standing at 6.11% at the beginning of April 2022 and 8.02% at the end of June 2022. In the first quarter, yields rose on all maturities as the cycle of interest rate hikes continued and inflation expectations rose, but short term yields rose more moderately, resulting in a slightly steeper yield curve. On the long side, the further deterioration in the inflation outlook and the simultaneous rise in expectations in interest rate hikes led to a further rise of around 200 basis points in yields on both government bonds and swaps.

FX market: The forint depreciated against major international currencies (EUR, USD) during the quarter. The MNB raised the effective interest rate by a total of 160 basis points between April and June. As a result, real yields in Hungary were the highest in the region (although remained negative) during the quarter. However, forint was mainly influenced by external factors rather than domestic fundamentals. On one hand, international risk appetite moderated due to the Russian-Ukrainian war. This had a major impact on the CEE region during the quarter, as investors continued the flight from emerging assets, which were considered riskier. In addition, inflationary developments also played a role as investors perceived the MNB to be tightening more slowly and less than warranted. One of the key Hungarian-specific drivers was the dispute with the European Commission (the parties failed to agree on a package of around HUF 5 800 billion). In April, the European Commission launched a rule of law procedure against Hungary, and no significant progress has been made on the agreement as of end-June, with a breakthrough expected no sooner than the end of the third quarter. Finally, another

[5] In July, as a result of an emergency and a scheduled rate hike, both the base rate and the one-week deposit rate rose by 300 basis points (200 + 100 bp), now both central bank instruments are at 10.75%.

Hungarian-specific factor is that the government's fiscal adjustment package announced in May (see below) was met with mixed reception by investors, which was also reflected in the weakening of the Hungarian currency.

During the quarter, the Hungarian currency weakened gradually against the euro with minor corrections and set new historical lows[6]. Compared to the MNB's mid-market exchange rate of HUF/EUR 369.62 on 31 March, the Hungarian currency was traded at HUF 396.75 on 30 June, losing 7.3% of its value against the euro during the quarter. Against the US dollar, the forint depreciated by 14.4% over three months (from 332.09 HUF/USD to 379.99 HUF/USD). Country-specific factors have also depreciated the forint against its regional peers: the Czech koruna and the Polish zloty have lost only 1-2% of their value against the euro during the quarter.

Public finances: By the end of the first quarter of 2022, the government debt-to-GDP ratio (including Eximbank) rose to 77.4%. The government has reaffirmed its goal several times this year to maintain the deficit at 4.9% of GDP by 2022 (the deficit was 6.8% of GDP at the end of 2021). To achieve this, the government announced a fiscal adjustment package in May (see below), which includes changes on both the revenue and expenditure sides. The 2022 deficit target and the expected nominal GDP growth are expected to bring Hungary's debt ratio below 75% of GDP by the end of 2022 (the Hungarian debt ratio stood at 65.5% at end-2019). By the end of June, the central subsystem had accumulated a total deficit of HUF 2,892.3 billion, thus meeting 91.7% of the cash deficit target of HUF 3,152.7 billion for the full year in the first six months.

Changes in the regulatory environment: During the second quarter of 2022, regulated prices were maintained in a number of areas. The interest rate freeze and the credit moratorium remained unchanged during the quarter, with the government only changing the deadline for the measures from 30 June to the end of December. The price cap on basic food items and fuel was originally due to expire on 1 July, but the government extended the measures until the 1st of October. An important change on fuel prices is that, in order to counter international fuel tourism, from 27 May only vehicles with domestic number plates are eligible for the reduced fuel price[7].

To preserve fiscal balance, the government announced an adjustment package in the second quarter of 2022. The most significant revenue-side item of the package is the extra profit tax, under which the government will take away around HUF 815 billion from 8 targeted sectors (the banking sector will be hit by a tax burden of HUF 250+50 billion). Furthermore, an additional HUF 100 billion in revenue could be collected from increases in the company car tax, the public health product tax (*NETA*) and the excise tax. The additional tax revenues will be paid into the utility protection fund (*rezsivédelmi alap*) and the defence fund (*honvédelmi alap*). On the expenditure side, the government has announced the postponement of public investment and cost-cutting measures in ministries, which account for about 60 percent of the adjustment package.

Wages and employment: The dynamic wage growth seen in the first months of 2022 was maintained in the second quarter: following an annual average increase of 17.5% in March, average domestic wages rose by 15.2% in April and 14.9% in May compared to the same period last year. As a result, the average gross wage for enterprises and organisations (with 5 or more employees) stood at HUF 496,000 in May. The gross median wage was lower at HUF 398,000. In the second quarter, there were an average of 157,000 unemployed in the country, resulting in an unemployment rate of 3.2% (there were 198,000 unemployed in the country in Q2 2021). The unemployment rate fell steadily over the

[6] Since then, these historical lows have been breached in the third quarter.

[7] Shortly after the end of the second quarter, from 30 July, only domestic private individuals are eligible for the reduced fuel prices, thus some company cars are also excluded from the price cap.

quarter, from 3.7% at the end of Q1 to 3.2%. In addition, a total of 4,693,000 people were employed in the second quarter, an increase of 74,000 in employment over a year.

Economic growth: The growth momentum of the Hungarian economy continued in the second quarter of 2022, with GDP expanding by 6.5% year-on-year in both raw and adjusted data. In the previous three quarters, the annual growth rate has been steadily between 6% and 8%, the latest figure is in line with this trend. The economy grew by 1.1% in the second quarter compared with the first quarter. Domestic GDP is thus approximately 7.2% above its pre-pandemic level. Apart from agriculture, all sectors contributed to growth, with industry and services being the main contributors.

However, a substantial slowdown is expected in the coming quarters, partly due to base effects and partly due to the negative impact of the war. On a quarterly basis, growth could also slow down significantly. MKB Bank's economic analysts do not expect a technical recession in the base scenario, but this cannot be ruled out completely. Risks to growth include: supplier difficulties, possible disruption of supply chains due to the war in Ukraine and sanctions, shortages of raw materials and commodities, steep cost increases, rising borrowing rates and, most importantly, falling purchasing power due to soaring inflation. In addition, real wages in our main export markets may also fall, which could dampen external demand. A possible withdrawal of price restrictions could pose an inflationary risk, leading to a further acceleration of inflation and a decline in real wages. The biggest risk would be the halt in Russian oil and gas supplies.

2 MANAGEMENT REPORT ON THE 1H 2022 RESULTS OF MKB GROUP

2.1 P&L development

Table 2: Consolidated P&L

MKB Group								
Consolidated, IFRS P&L (in HUF million)	Period					YTD		
	2Q 2021	1Q 2022	2Q 2022	P/P	Y/Y	1H 2021	1H 2022	Y/Y
TOCI accounting (Total Comprensive Income)	**17 223**	**-17 142**	**45 923**	**-**	**166,6%**	**40 322**	**28 781**	**-28,6%**
Other comprehensive income	*-3 374*	*-41 221*	*36 482*	***-188,5%***	-	*-15 288*	*-4 739*	-69,0%
Profit after tax	**20 597**	**24 078**	**9 442**	**-60,8%**	**-54,2%**	**55 611**	**33 520**	**-39,7%**
1Q 2022 profit after tax of merged entities*	**0**	**16 245**	**0**	**-100,0%**	-	**0**	**16 245**	-
Adjusted profit after tax by the result of merged entities*	**20 597**	**40 323**	**9 442**	**-76,6%**	**-54,2%**	**55 611**	**49 765**	**-10,5%**
Adjustments total on PAT	**9 785**	**5 177**	**51 539**	**-**	**-**	**19 623**	**56 716**	**189,0%**
Business corrections	2 228	14 064	37 417	*166,0%*	-	9 793	51 481	425,7%
Banking tax	*-1 460*	*8 553*	*27 775*	*224,8%*	-	*2 919*	*36 328*	*1144,5%*
Dividend income	*19*	*-2*	*2*	*-200,0%*	*-90,2%*	*17*	*0*	*-100,0%*
Bankcard transaction fee proportionality	*-138*	*443*	*-148*	*-133,3%*	*6,9%*	*276*	*295*	*6,9%*
Integration costs	*3 807*	*5 070*	*9 788*	*93,0%*	*157,1%*	*6 906*	*14 858*	*115,1%*
Non-core one-offs	*0*	*0*	*0*	-	-	*-326*	*0*	*-100,0%*
Covid-19 effect	7 557	-8 887	14 122	-258,9%	86,9%	9 830	5 236	-46,7%
COVID-19 related expenditures	*7 557*	*-8 887*	*14 122*	*-258,9%*	*86,9%*	*9 830*	*5 236*	*-46,7%*
Covid-19 related interest refund	*0*	*0*	*0*	-	-	*0*	*0*	-
Covid-19 related interest stop	*0*	*0*	*0*	-	-	*0*	*0*	-
FV corrections	*0*	*0*	*0*	-	-	*0*	*0*	-
Adjusted TOCI	**27 008**	**-2 132**	**97 462**	**-**	**260,9%**	**59 946**	**95 330**	**59,0%**
Adjusted revaluation on non HFC financial assets (OCI)	*-3 374*	*-47 633*	*36 482*	-176,6%	-	*-15 288*	*-11 152*	-27,1%
Adjusted Profit after tax	**30 382**	**45 501**	**60 981**	**34,0%**	**100,7%**	**75 234**	**106 482**	**41,5%**
Adjusted Profit before tax	**34 411**	**49 443**	**66 597**	**34,7%**	**93,5%**	**83 421**	**116 040**	**39,1%**
Gross Operating Income (adjusted)	**78 695**	**96 173**	**118 918**	**23,6%**	**51,1%**	**169 588**	**215 091**	**26,8%**
Net Interest Income (adjusted)	**51 452**	**75 414**	**96 949**	**28,6%**	**88,4%**	**96 351**	**172 363**	**78,9%**
Interest Income (adjusted)	*63 850*	*108 507*	*153 739*	*41,7%*	*140,8%*	*119 362*	*262 246*	*119,7%*
Interest Expense (adjusted)	*-12 399*	*-33 093*	*-56 790*	*71,6%*	-	*-23 011*	*-89 884*	*290,6%*
Net Fee Income (adjusted)	**17 380**	**17 994**	**20 393**	**13,3%**	**17,3%**	**33 346**	**38 386**	**15,1%**
Net Other Income (adjusted)	**9 862**	**2 766**	**1 576**	**-43,0%**	**-84,0%**	**39 891**	**4 342**	**-89,1%**
FX and FV result	*13 766*	*10 518*	*4 114*	*-60,9%*	*-70,1%*	*46 736*	*14 632*	*-68,7%*
Other Income (adjusted)	*-3 904*	*-7 752*	*-2 538*	*-67,3%*	*-35,0%*	*-6 845*	*-10 290*	*50,3%*
General Administrative Expenses (adjusted)	**-42 148**	**-43 747**	**-50 626**	**15,7%**	**20,1%**	**-84 974**	**-94 373**	**11,1%**
Personnel Expenses (adjusted)	*-21 853*	*-22 410*	*-26 134*	*16,6%*	*19,6%*	*-43 323*	*-48 544*	*12,1%*
Operating Expenses (adjusted)	*-14 064*	*-15 226*	*-18 363*	*20,6%*	*30,6%*	*-29 496*	*-33 589*	*13,9%*
Amortisation and depreciation (adjusted)	*-6 232*	*-6 111*	*-6 129*	*0,3%*	*-1,6%*	*-12 154*	*-12 240*	*0,7%*
Provisions (adjusted)	**-512**	**1 069**	**-336**	**-131,4%**	**-34,5%**	**777**	**734**	**-5,6%**
Banking tax	***-1 623***	***-4 053***	***-1 358***	***-66,5%***	***-16,3%***	***-1 970***	***-5 411***	***174,6%***
Corporate income tax (adjusted)	**-4 029**	**-3 942**	**-5 616**	**42,5%**	**39,4%**	**-8 187**	**-9 559**	**16,7%**
KPIs based on adjusted PAT (%)	Period					YTD		
	2Q 2021	1Q 2022	2Q 2022	P-P	Y-Y	1H 2021	1H 2022	Y-Y
ROAE (Return on Average Equity - adjusted)	18,1%	25,9%	33,9%	8,0%-pt	15,8%-pt	22,5%	30,0%	7,4%-pt
ROAA (Return on Average Assets - adjusted)	1,4%	1,8%	2,4%	0,6%-pt	1,0%-pt	1,7%	2,1%	0,4%-pt
TRM (Total Revenue Margin - adjusted)	3,5%	3,8%	4,6%	0,8%-pt	1,1%-pt	3,8%	4,2%	0,4%-pt
CIM (Core income margin - adjusted)	3,1%	3,7%	4,6%	0,9%-pt	1,5%-pt	2,9%	4,2%	1,2%-pt
NIM (Net Interest Margin - adjusted)	2,3%	3,0%	3,8%	0,8%-pt	1,5%-pt	2,2%	3,4%	1,2%-pt
NFM (Net Fee Margin - adjusted)	0,8%	0,7%	0,8%	0,1%-pt	0,0%-pt	0,8%	0,8%	0,0%-pt
C/TA (Cost to Total Assets - adjusted)	1,9%	1,7%	2,0%	0,2%-pt	0,1%-pt	1,9%	1,9%	-0,1%-pt
CIR (Cost Income Ratio - adjusted)	53,6%	45,5%	42,6%	-2,9%-pt	-11,0%-pt	50,1%	43,9%	-6,2%-pt
Risk% (Risk cost rate - adjusted)	-0,09%	-0,2%	0,15%	0,4%-pt	0,2%-pt	-0,2%	-0,03%	0,2%-pt

** The legal merger of Magyar Bankholding Zrt's two member banks, i.e. Budapest Bank Zrt. and MKB Bank and Magyar Takarék Bankholding took place on 31st March 2022. Since MKB Bank's Q1 2022 accounting profit does not include the Q1 profits/losses of the merging companies, the profit and loss data are presented on the basis of modelled pro forma data, adjusted with the profits and losses of the merging entities, for comparability.*

The presentation of financials in this report is based on Total Comprehensive Income ("TOCI"), which is an IFRS category aimed at presenting the economic impact for the given period by incorporating "fair value through other comprehensive income" (FVTOCI) results. Based on the fact that MKB Bank holds a large securities portfolio, part of which is valued against capital (FVTOCI), and hedges its interest risk position with IRS transactions, TOCI figures should only be used to evaluate the results.

In H1 2022 and in Q2 2022 **the adjusted profit after tax of MKB Group** amounted to **HUF 106.5 billion** and HUF 61.0 billion, respectively, as a result of its increasing business performance, stable portfolio quality, tight cost management and favourable yield environment. Thanks to the other comprehensive income in 2Q (HUF 36.5 billion) the H1 adjusted total comprehensive profit amounted to HUF +95.3 billion (HUF +99.6 billion q/q, HUF +35.4 billion y/y).

The (adjusted) **ROAE** was 30.0% (+7.4%-pt y/y), thanks to the outstanding profit rate.

The increase in the core income was driven by the growth in the **net interest income**, enabled by growing loan portfolios and rising interest rates, (HUF +76.0 billion, +78.9% y/y; HUF +21.5 billion, +28.6% q/q) and an upswing in the commission income (+13.3% q/q; +15.1% y/y). The adjusted H1 **total revenue margin** (TRM) increased by 0.4%-pt y/y to 4.2%.

HUF 0.7 billion **adjusted credit risk cost was released** in H1 2022 in relation to loans, resulting in a minus 0.03% adjusted risk cost rate.

Wage inflation, unfavourable macroeconomic processes, and business development due to accelerated digitalisation put a substantial pressure on costs in H1 2022 as well. The rapid growth of the total assets resulted in a decrease in the **costs to total assets ratio** (C/TA), to 1.86% in H1 2022 (-0.05%-pt y/y). The **cost to income ratio** (CIR) was 43.9% in H1 2022 (-6.2%-pt y/y, -2.9%-pt q/q).

2.1.1 Adjusted profit after taxation

Because of the HUF 61.0 billion **adjusted consolidated profit after tax** MKB Group's H1 2022 profit amounted to HUF 106.5 billion (+ HUF 31.2 billion y/y). The impressive H1 profit marks excellent business performance combined with robust money market impact and continued strict costs control.

The **adjustments** amounted to HUF +56.7 billion in the first half of the year, which were related primarily to the special tax on the extra profit, the adjustment of the pro rata part of the banking tax paid for the whole of the year, the individual risk costs booked in relation to the COVID-19 pandemic and one-off integration costs.

The HUF 117.3 billion Q2 **business revenue** rose by 70.1% y/y (+25.6% q/q), primarily because of the higher net interest income on the expanding MNB and loan portfolio. The H1 core income increased to HUF 210.7 billion (HUF +81.1 billion y/y). The Q2 **core income margin** (CIM) increased to 4.6% (+85 bps q/q; +150 bps y/y) as the growth of net fee and interest income exceeded the expansion of the total assets. The H1 ratio increased to 4.2% (+124 bps y/y)

The **capital adequacy ratio** was **17.0%** at the end of Q2 2022 (+15 bps y/y). MKB Group's stable capital position is essential for the implementation of the business strategy and the realization of the further goals of MKB Group.

2.1.2 Total comprehensive income

MKB Group's **accounting** (unadjusted) **total comprehensive income** (TOCI) in H1 2022 amounted to HUF 28.8 billion.

The modelled H1 pro forma (unadjusted) total comprehensive income amounted to HUF 38.6 billion, down HUF 1.7 billion y/y.

The HUF 97.5 billion Q2 **adjusted total comprehensive income** (HUF +99.6 billion q/q; HUF +70.5 billion y/y) was driven by the HUF 61.0 billion profit after tax and the HUF 36.5 billion other comprehensive income (OCI). The H1 2022 **adjusted total comprehensive income** amounted to HUF 95.3 billion (HUF

+35.4 billion y/y), and the **growth** was driven primarily by the significant upswing in the net interest income.

2.1.3 Net interest income

MKB Group's accumulated **net interest income** was HUF 172.4 billion at the end of H1 2022 (HUF +76.0 billion y/y), up 78.9% y/y due to the growth in the customer portfolio, the favourable yield environment and the outstanding portfolio quality.

The H1 **interest revenue** amounted to HUF 262.2 billion (HUF +142.9 billion, +119.7% y/y). The interest income increased by 41.7% q/q to HUF 153.7 billion (+140.8% y/y) in Q2. The main driver of the interest income was the income from developing customer loans (+12.5% y/y). Due to the upturn in market yields, the interest income growth outperformed the increase of average volumes (gross loan increase +14.5% y/y).

The H1 **interest expense** amounted to HUF 89.9 billion, whose HUF 66.9 billion increase (+290.6% y/y) was driven by market yields and an increase in the customer deposit portfolio.

The **net interest margin** (NIM) increased from 3.0% to 3.8% in Q2 because the net interest income grew faster than average total assets. The H1 accumulated ratio was 3.4%, slightly up, by 123 bps, year-on-year.

2.1.4 Net fee and commission revenues

The **commission income** increased to HUF 20.4 billion in Q2 (+13.3% q/q) relative to the preceding quarter because of the amount collected on the basis of the drop in turnover during the early period of the year. A HUF 3.0 billion increase (+17.3% y/y) was achieved year-on-year.

2.1.5 Profit/loss on financial transactions (FX and FV result)

The H1 **profit on financial transactions** amounted to HUF 14.6 billion, 68.7% (HUF -32.1 billion) less year-on-year.

Due to the intensifying domestic inflation worries and uncertain macroeconomic environment the MNB continued the base rate hike cycle. By the end of June it brought the base rate level with the one-week deposit facility's rate that had functioned hitherto as the policy rate; the latter increased by 160 basis points to 7.75% during the second quarter (the rate of the hike which started from a lower level was 335 basis points). As a consequence, the swap yield curve also moved significantly up (the 3, 5 and 10 year swap yields increased by 237, 202 and 197 basis points, respectively, from the end of Q1 by the end of Q2), while the indicative secondary market yield points on the Hungarian government bonds of corresponding maturity periods rose by 200, 202 and 211 basis points, respectively. On the whole, the asset-swap spreads fluctuated at a low level during the quarter; they narrowed in the 3-year term, remained unchanged in the 5-year term, and slightly expanded in the 10-year term.

As a result of the yields shifting upwards, the exchange and revaluation result was HUF 4.1 billion (HUF -6.4 billion q/q; HUF -9.7 billion y/y) in Q2, while the OCI effect due to revaluation of the fixed rate government securities portfolio was HUF 36.5 billion (HUF +84.1 billion q/q; HUF +39.9 billion y/y). The quarterly **net revaluation result and exchange rate gain** – as a result of the two impacts – was HUF 40.6 billion, primarily as a consequence of the outstanding Treasury performance which also kept risks at a lower level.

2.1.6 Other results

The tax and/or regulatory fees and commission expenses of MKB Group are recognized under other profit/loss: levy, NDIF and IPF fees, local business tax, innovation contribution and other revenues/expenses of ordinary business operation. On a q/q basis, the change is favourable: other expenditure only minus HUF 2.5 billion in Q2, compared to minus HUF 7.8 billion in the first quarter (HUF +5.2 billion q/q; HUF +1.4 billion y/y). The **other profit/loss** amounted to HUF minus 10.3 billion in H1 2022, HUF 3.4 billion up y/y.

2.1.7 General administrative expenses

MKB Group's **operating cost** amounted to HUF 50.6 billion in Q2 2022, (HUF 8.5 billion) up 20.1% y/y and up 15.7% q/q (HUF 6.9 billion q/q). Despite the significant cost-increasing effect of unfavourable macroeconomic developments, MKB maintained strong cost control and the level of expenses relative to the total size of the balance sheet minimally increased: the value of C/TA was 1.98% (+9 bps y/y) in Q2 despite the rising cost level.

The **personnel expenses** amounted to HUF 26.1 billion in Q2 2022, corresponding to +19.6% y/y. The growth was due to coordination of the different accounting methodologies starting over the past year as part of the merger process. This, along with considerable wage inflation resulted in a short term increase in personnel expenses. At the same time, the changes in the taxation rules which were introduced in January 2022 had a positive impact on personnel type costs.

The number of employees of MKB Group at the end of June 2022 was 9,604.3 FTE (-323.3 FTE; -3.3% y/y).

The HUF 18.4 billion (HUF +3.1 billion y/y) increase in **non-personnel costs** in Q2 2022 was driven primarily by inflation processes, growing energy prices and changes in the applied accounting methodologies of VAT deduction ratio.

Depreciation in Q2 2022 amounted to HUF 6.1 billion (-1.6% y/y) as result of previously implemented digitalization and regulatory compliance.

The **cost-income ratio** (**CIR**) continued to decline from the 45.5% measured in Q1 2022, to 42.6% as a result of substantial income increase.

2.1.8 Risk costs

The adjusted credit risk cost amounted to HUF 1.7 billion in Q2 2022 following the release of HUF 0.7 billion in Q1, thanks to the excellent loan portfolio and prudent portfolio management.

The **NPL closing portfolio** amounted to HUF 174.1 billion at the end of Q2 2022, up HUF 20.9 billion (+13.7%-pt y/y), from the end of Q2 2021 (+9.8%-pt q/q). The growth of the NPL rate was driven primarily by the harmonisation processes relating to the merger that took place in April and the increase in the retail NPL volume. The **IFRS-based NPL ratio** increased to 3.8% (+4 bps y/y), while the **direct NPL coverage** was 57.0% at the end of Q2.

2.1.9 Corporate income tax

In H1 2022 HUF 3.95 billion pro forma **corporate income tax expense** was recorded, as a result of HUF 1.91 billion current corporate income tax expense and HUF 2.04 billion deferred tax expense.

The adjustments in the flash report had a tax effect of HUF 5.61 billion therefore the **adjusted corporate income tax** was HUF 9.6 billion.

2.2 Balance sheet

Table 3: Balance sheet

MKB Group							
Adjusted balance sheet (in HUF million)	**2Q 2021**	**4Q 2021**	**1Q 2022**	**2Q 2022**	**P/P**	**Y/Y**	**YTD**
Financial assets	**1 854 388**	**2 342 464**	**1 838 042**	**1 633 985**	-11,1%	-11,9%	-30,2%
Trading portfolios	**110 972**	**193 879**	**337 579**	**420 070**	**24,4%**	**278,5%**	**116,7%**
Securities	**2 848 623**	**2 689 136**	**3 120 844**	**3 281 110**	**5,1%**	**15,2%**	**22,0%**
Loans and advances to customers/Customer Loans (net)	**3 979 342**	**4 260 698**	**4 454 837**	**4 472 888**	**0,4%**	**12,4%**	**5,0%**
Loans and advances to customers/Customer Loans (gross)	4 124 216	4 428 674	4 615 730	4 640 508	0,5%	12,5%	4,8%
Standard business segment	*1 597 523*	*1 713 992*	*1 744 397*	*1 743 773*	*0,0%*	*9,2%*	*1,7%*
Non-Standard business segment	*1 923 588*	*2 129 111*	*2 120 026*	*2 212 254*	*4,4%*	*15,0%*	*3,9%*
Leasing	*523 945*	*522 365*	*509 554*	*525 599*	*3,1%*	*0,3%*	*0,6%*
Other	*79 160*	*63 206*	*241 754*	*158 882*	*-34,3%*	*100,7%*	*151,4%*
Provision for Customer loans	-144 874	-167 976	-160 893	-167 620	4,2%	15,7%	-0,2%
Total other assets	**277 663**	**259 975**	**538 098**	**381 692**	**-29,1%**	**37,5%**	**46,8%**
Investments in jointly controlled entities and associates	*55 800*	*42 612*	*238 647*	*96 447*	*-59,6%*	*72,8%*	*126,3%*
Intangibles, property and equipment	*149 482*	*147 305*	*141 598*	*143 569*	*1,4%*	*-4,0%*	*-2,5%*
Other assets	*72 381*	*70 058*	*157 853*	*141 677*	*-10,2%*	*95,7%*	*102,2%*
Total Assets	**9 070 989**	**9 746 152**	**10 289 400**	**10 189 745**	-1,0%	12,3%	4,6%
Interbank liabilities	**2 391 978**	**2 149 254**	**2 456 650**	**2 427 047**	**-1,2%**	**1,5%**	**12,9%**
Deposits & C/A	***5 373 026***	***6 218 750***	***6 188 435***	***6 267 540***	***1,3%***	***16,6%***	***0,8%***
Standard business segment	*2 645 752*	*2 974 297*	*3 045 800*	*3 013 748*	*-1,1%*	*13,9%*	*1,3%*
Non-Standard business segment	*2 651 038*	*3 177 303*	*2 995 506*	*3 158 418*	*5,4%*	*19,1%*	*-0,6%*
Other	*76 236*	*67 150*	*147 129*	*95 375*	*-35,2%*	*25,1%*	*42,0%*
Issued debt securities	**322 910**	**337 267**	**373 225**	**377 105**	**1,0%**	**16,8%**	**11,8%**
Other liabilities	**303 070**	**348 832**	**559 392**	**390 270**	**-30,2%**	**28,8%**	**11,9%**
Shareholders' Equity	**680 004**	**692 049**	**711 697**	**727 783**	**2,3%**	**7,0%**	**5,2%**
Total Liabilities & Equity	**9 070 989**	**9 746 152**	**10 289 400**	**10 189 745**	-1,0%	12,3%	4,6%
Loan commitments given	1 080 475	1 145 396	1 211 883	1 226 451	1,2%	13,5%	7,1%
Financial guarantees given	137 350	165 372	160 221	124 378	-22,4%	-9,4%	-24,8%
Other Commitments given	132 282	112 083	117 790	258 201	119,2%	95,2%	130,4%
Customer off Balance items	**1 350 106**	**1 422 850**	**1 489 893**	**1 609 031**	8,0%	19,2%	13,1%

The balance sheet of the MKB Group is presented on the basis of consolidated financial statements prepared according to IFRS.

MKB Group's **total assets** amounted to HUF 10,189.7 billion by the end of Q2 2022 (HUF -99.7 billion; -1.0% q/q), while the annual increase was HUF 1,118.8 billion; +12.3% y/y. The deposit portfolio continued to grow modestly (+1.3%) during the quarter (up HUF 894.5 billion, +16.6% y/y).

The **gross loan portfolio** increased to HUF 4,640.5 billion by the end of Q2 2022; the +12.5% y/y (+0.5% q/q) the expansion reflects the dynamics of MKB's financing operations.

The MKB Group's **loan-to-deposit ratio** is 74.0%, which is 2.7% more favorable compared to the same period of the previous year (1H 2021: 76.8%).

The **shareholders' equity** of the MKB Group increased to HUF **727.8** billion (+2.3% q/q; +7.0% y/y). The **capital adequacy ratio** was persistently high – **17.0%** – at the end of Q2 2022 (1H 2021: 16.8%).

2.2.1 Loans

The growth of the **gross loan portfolio** increased slightly q/q (+0.5%; net: +0.4% q/q). The total gross loan portfolio increased by HUF +516.3 billion (+12.5%) year-on-year, thanks to the standard segment lending, as the most important growth factor.

Besides the increase in the non-standard segment loan portfolio (+4.4% q/q; +15.0% y/y), the portfolio of the standard segment stagnated during the quarter under review (+9.2% y/y).

The quarter-on-quarter increase in the **corporate loan portfolio** was driven by the Group's active participation in subsidised and refinanced loan programmes and guarantee schemes comprised in the various economic recovery packages. The changes in the **retail loan portfolio** were dominated primarily by the fact that applications for new mortgage loans were not accepted for nearly a month in order to facilitate preparations for the merger; it was not until after the end of the first quarter that the relevant impact on the conclusion of contracts and disbursements began to be observed.

Impairment provisions for loans increased by 4.2% q/q and by 15.7% y/y.

2.2.2 Securities

The securities portfolio increased by HUF 160.3 billion (+5.1% q/q) during the quarter, as a result, the **portfolio of securities** amounted to HUF 3,281.1 billion at the end of Q2 2022 (HUF +432.5 billion y/y).

2.2.3 Financial assets

The **portfolio of financial assets** decreased by 11.1% during the quarter (HUF -204.1 billion) to HUF 1,634.0 billion at the end of the period.

2.2.4 Deposits and C/A

The **customer deposit portfolio** amounted to HUF 6,267.5 billion at the end of 2Q. The change during the quarter (+1.3% q/q) was characterised by a decrease in **standard segment deposits** (-1.1% q/q), while the **non-standard segment deposit portfolio** increased (+5.4% q/q).

Every business segment contributed to the yearly increase of HUF 894.5 billion (+16.6% y/y): non-standard segment +19.1% y/y; standard segment +13.9% y/y. The attractive year-on-year growth rate clearly reflects the customer's continued confidence in the Bank Group.

2.2.5 Interbank liabilities

The portfolio of **interbank liabilities** amounted to HUF 2,427.0 billion (HUF -29.6 billion q/q; HUF +35.1 billion y/y) at the end of Q2 2022. The year-on-year increase was primarily due to the MNB's liquidity increasing and economic recovery programmes.

2.2.6 Capital

MKB Group's **capital amounted to HUF 727.8 billion** at the end of Q2 2022. Capital accumulation continued both in q/q and y/y terms: +2.3% on q/q and +7.0% on y/y basis, significantly increasing the Bank's resilience to external shocks. The HUF 35.7 billion increase since the end of 2021 was also supported by the increase in retained earnings.

2.2.7 Off-balance sheet exposures to customers

MKB Group's **off-balance sheet exposure** was HUF 1,609.0 billion at the end of Q2 2022, corresponding to an 8.0% (HUF +119.1 billion q/q) growth on a quarterly basis (+19.2%; HUF +258.9 billion y/y). The year-on-year growth (+13.5% y/y) was mainly attributable to an increase in the volume of loan commitments.

2.3 Capital adequacy

The capital adequacy of MKB Bank Group remains strong, with a **capital adequacy ratio (CAR) of 17.0%** at the end of Q2 2022, up 15 bps year-on-year. On a quarterly basis, the CAR decreased by 0.6%-pt because the unaudited after-tax profit (typically during the year) is not taken into account in the regulatory capital under the IFRS rules.

The Bank's risk-weighted assets (RWA) increased by 7.2% from HUF 3,713.1 billion at the end of the first quarter of 2022 to HUF 3,981.9 billion (+9.6% y/y), indicating MKB Group's strong customer acquisition capacity.

The capital adequacy ratio significantly exceeds the regulatory minimum requirement, thus providing a convenient capital buffer for the Group's operations.

2.4 Presentation of business segment results

In this chapter, MKB Group's customer portfolio and market share are presented by segments. The segments are formed according to the requirements used in the reports prepared for the National Bank of Hungary (NBH), and the portfolios are presented accordingly.

2.4.1 Non-standard business

The Bank Group's non-standard segment comprises the management of the medium and large corporate, the agricultural, the Treasury, the investment service and private banking business areas.

In addition to complying with the legal requirements, it was extremely important for the Bank to execute the first phase of the merger at the end of Q1 2022, with the customer experience in mind. The merger offers a wide variety of benefits for the Bank Group's customers; the Group is present with more than 860 branches across Hungary; this provides more room for cross selling, with a focus on doing business in person and the provision of services at the usual high standards. The merger provides customers with a unified range of products which is significantly wider than the product ranges of the preceding individual banks. The continued fine tuning of its product range is one of the Bank's stated objectives.

Based on its traditional strengths, it is MKB's strategic goal to maintain and to continue developing its strong corporate business line, focusing on local knowledge, professional services, consultative sales and innovative solutions.

In addition to conventional product sales, MKB Bank provides complex business solutions, develops complex loan structures as necessary, and satisfies its customers' special financial needs. MKB Bank is able to provide all of its individually managed corporate customers, regardless of customer size, with effective and efficient individually tailored solutions.

In spite of changes in the environment, the companies' demand for loans did not materially decline in Q2 2022. MKB Bank continues to participate in the subsidised and refinanced loan programmes and guarantee schemes comprised in the various – modified – economic recovery packages in 2022 as well; these have generated significant demand among customers since their introduction.

MKB Group's loan portfolio in standard business line totalled HUF 2,212.3 billion, which represents an increase of +15.0% (+HUF 288.7 billion) compared to the same period of the previous year (+4.4% q/q). Including the impact of the purchased Sberbank portfolio, the Group's loan portfolio managed in standard business line reached HUF 2,338.0 billion (+21.5% y/y).

Among the corporate loans, the portfolio of non-financial enterprises (based on the segmentation as per the MNB's statistics requirements) amounts to HUF 2,149.9 billion, corresponding to an increase of +4.6% quarter-on-quarter (HUF +93.9 billion) and +16.4% (HUF +303.6 billion) year-on-year. The loans disbursed to non-financial corporations amounted to HUF 239.9 billion in the quarter under review, resulting in a market share of 22.0%.

The gross loan portfolio of large non-financial corporations increased by HUF 64.9 billion to HUF 599.5 billion (+12.1% q/q). The loan portfolio of medium-sized enterprises increased to HUF 1,055.5 billion (+2.0% q/q).
Another key element of corporate financing is the MNB's Bond Funding for Growth Scheme (although no new issues took place after the closure of the MNB scheme), under which the purchased corporate bond portfolio increased by 130% year-on-year.

Although the general loan repayment moratorium came to an end in 2021, customers (subject to eligibility and application) can take part in the moratorium's next phase up to 31.07.2022, and then up to 31.12.2022.

Medium-sized corporate customers were still considered as a key segment in 2022; increasing product penetration here is a priority.

Thanks to the traditionally close cooperation between MKB Bank and Eximbank, customers can benefit from EXIM's funding sources; in Q2 2022 the merged bank's market share of total refinanced disbursements was 8.9%. Foreign trade is a high priority element of Hungary's economic performance: export revenues account for an extremely high (in 2021 81.3%) share of its GDP.

Relying on its customer base, MKB Bank Group achieved a significant increase in the deposit portfolio year-on-year. The expansion of corporate deposits was supported by the economic recovery programs of the government and the National Bank of Hungary, as well as the corporate liquidity puffer due to the moratorium.

The non-financial corporate deposit portfolio (based on the segmentation as per the MNB's statistics requirements) increased by 9.9% y/y to HUF 2,693.3 billion (HUF +243.1 billion y/y). The portfolio increased by 2.9% quarter-on-quarter, resulting in a market share of 18.7% at the end of June, 2022.

The number of corporate customers managed by the non-standard business line was nearly 41,000 at the end of Q2 2022, up 7.9% quarter-on-quarter.

The first phase of the merger of the Private Banking business branch was successfully completed at the end of Q1. As a result of the formation of a consolidated national network, the Bank established dedicated private banking service centers in several locations in Budapest and in nearly twenty locations nationwide. In addition to the easier personal contact, the business continues to provide the possibility of a call center, covering all its services.

The services provided to clients have been further expanded: a new, internationally recognized market participant's investment funds will be available in MKB's Private Banking, while the Bank's structured product program offers an increasing number of capital-guaranteed solutions. In 2022, MKB Private Banking won the title of "Hungarian private banking service provider of the year in the succession planning category" awarded by the prestigious Euromoney for the development of services related to family wealth planning. At the Private Banking Hungary award ceremony, MKB Private Banking gained second place in the "Private Banking Service Provider of the Year" category.

In Q2 2022 the Bank generated an extremely high turnover in structured bonds typically issued in foreign currency – affording capital protection – and sold mostly to premium and private banking customers.

2.4.2 Standard business

The Bank Group's standard business line caters for customers whose needs can be efficiently managed through pre-defined sales processes, with variants of the standard product range. They include retail, as well as micro and small corporate customers; product development and service for such customers, as well as the management of the digital transformation of the newly created large bank regarding such customers also form part of this business line's responsibilities.

In the standard business line the Bank Group's aims include strengthening its market positions, attracting new customers and providing market leading services through its extensive branch network, digital services, as well as a universal – all inclusive – range of products and services, while accomplishing high levels of customer satisfaction and customer experience.

In the wake of the merger of Budapest Bank and MKB Bank several new account packages have been introduced for customers opening accounts with the merged MKB Bank or Takarékbank. In accordance with the Bank's long-term strategy, the new products offer a wide range of account keeping services, even without conditions linked to income or savings. The new account facilities are specifically tailored to the needs of younger customers and offer favourable terms and conditions for employees of companies having signed partnership contracts with MKB Bank. In addition to the branches of MKB and Takarékbank, accounts can be opened online as well.

The business line pays particular attention to meeting customer needs in full. To reach this, the Bank typically provides various preferential terms and conditions to promote the use of products and services in addition to account management.

Concerning deposit cards, all Intra-group ATM services have been made available to the customers of the member banks during the merger process for a lower fee, which is applied to the institution's own ATMs.

During the technical switch-over, as part of the merger process, the Bank continuously enabled its customers' bank card use. High priority was given to minimising any restriction on card use. During the merger processes special emphasis was laid on ensuring access to services previously unavailable to the customers of the various member banks (e.g. Metal bank card and Concierge service).

The allowances received on MKB SZÉP Cards increased by 5.7% in Q2 2022 compared to Q1 2022. The amount spent with SZÉP Cards increased more substantially, by 28.8%.

The closing volume of deposits in the standard segment was HUF 3,013.7 billion, which means an increase of 13.9% (+HUF 368.0 billion y/y) in a year-on-year comparison. It clearly reflects the customers' continuous trust in the Bank Group. At the same time, there was a decrease of 1.1% in a quarter-on-quarter comparison.

Within the standard segment, the MKB's retail deposits (based on segmentation according to the statistical requirements system of the MNB) reached HUF 1,972.2 billion, which means an increase of 11.5% (+HUF 203.4 billion y/y) in an annual comparison.

MKB Group entered into a strategic cooperation agreement with the CIG Pannónia Group in Q1 2022. The travel insurance products relating to bank cards and credit cards formerly issued by MKB Bank were modified in line with the strategic cooperation between the two groups.

MKB Group's loan portfolio in standard business line totalled HUF 1,743.8 billion at the end of the quarter, which represents an increase of +9.2% (+HUF 146.2 billion) compared to the same period of the previous year. Including the impact of the purchased Sberbank portfolio, the Group's loan portfolio in the standard business line reached HUF 1,884.3 billion (+18.0% y/y).

The volume of MKB Group's retail loans (based on segmentation according to the MNB's statistics criteria) at the end of Q2 2022 amounted to HUF 1,418.7 billion, down HUF 3.3 billion quarter-on-quarter, but up HUF 83.4 billion year-on-year. The latter was driven by both mortgage loans and unsecured loans.

The closing portfolio of secured loans amounted to HUF 904.9 billion at the end of the quarter (HUF -2.7 billion q/q, HUF +46.7 billion y/y). The portfolio of consumer and other unsecured loans remained almost unchanged (-0.1%) quarter-on-quarter, thus amounting to HUF 513.9 billion at the end of the period under review (+36.7 billion y/y).

In Q2 2022 the volume of intermediary sales continued to be high in terms of both mortgage loans and personal and commodity purchase loans, driven primarily by competitive product conditions, as well as lending terms and processes.

Similar to Takarékbank, MKB Bank also started to cooperate with Magyar Posta (Hungarian Post) in Q2 2022, after the required preparations, as a result of which MKB Bank is currently working with 114 retail partners.

Thanks to successful cooperation in recent years, and winning the most recent financing tender, Media Markt Magyarország Kft. renewed its cooperation with the Bank.

All the Bank's sales channels – including the branch network – laid particular emphasis on communicating merger related changes to customers. The smooth transition and harmonised branch operation were enabled by a number of network product and system trainings, scheduled to be continued during the remaining part of the year.

The Széchenyi Card GO! programme, closed during Q2 2022, played a major role in **micro and small corporate** lending. Since its launch in 2021, our customers applied for loans under the programme in a total amount of approximately HUF 400 billion. In connection with the Széchenyi GO products, MKB Bank aimed at maximising its penetration, as a result of which the MKB Bank Group carved out a 28.4% market share in H1 2022. As the Széchenyi Card MAX programme was launched in August 2022, the Bank Group was one of the first financial institutions to make its products available to corporate customers.

The Bank's internal structure was also transformed while maintaining stable business operation. The appropriate support and product development functions covering the operation of the micro and small corporate segment at a Group level were put in place, along with a sales organisation matching the new structure.

In addition to the disbursement of existing portfolios at branches dedicated as MFB Points, in Q2 2022 the emphasis shifted to the reopened GINOP 835B current asset loan programme.

The gross loan portfolio of large non-financial corporations increased by HUF 64.9 billion to HUF 599.5 billion (+12.1% q/q). The loan portfolio of medium-sized enterprises increased to HUF 1,055.5 billion (+2.0% q/q). The loan portfolio of micro enterprises amounted to HUF 481.7 billion (HUF +6.5 billion q/q; +20.6% y/y) at the end of Q2 2022.

2.4.3 Leasing activities

Some of the dominant participants of the leasing market – Euroleasing Zrt., Budapest Lízing Zrt. and Takarék Lízing Zrt. – are members of the consolidated MKB Group.

As a significant step in the merger process, on the first day of 2022, MKB-Euroleasing, Budapest Leasing, Takarék Leasing and Budapest Bank's Car Finance started to operate in an integrated manner under the name Euroleasing. The significance of the move is marked by the fact that the company has a nationwide network, approximately 110,000 customers and a market share of more than 20% based on the newly placed aggregate leasing portfolio.

On 30th June 2022 MKB Leasing Group's portfolio amounted to HUF 525.6 billion, almost exactly the same as a year before, in spite of the unfavourable market conditions of the preceding one-year period. The automotive financing sector's portfolio amounted to HUF 271.1 billion (-0.9%, HUF -2.5 billion year-on-year), while the productive asset financing portfolio amounted to HUF 229.9 billion at the end of Q2 2022, up 6.8% or HUF 14.7 billion y/y. The stock financing portfolio dropped by 33.1% to HUF 24.6 billion.

Changes in the portfolio and its characteristics have been affected by the payment moratorium introduced on 18th March 2020, which was prolonged several times since then. In the current phase of the moratorium only about 2.2% of the portfolio is affected. Based on its harmonised risk taking and management principles, MKB Leasing Group pays particular attention to monitoring the portfolios of customers who have stopped using the moratorium, to reduce potential losses.

According to data released by the Hungarian Leasing Association, MKB Leasing Group continued to be one of the largest participants of the domestic leasing market in H1 2022 as well in terms of new disbursements.

Starting from 1st January 2022, the above-mentioned leasing companies have been performing their activities as a jointly managed integrated entity. Since then new lending and leasing services have only been provided by Euroleasing Zrt. for the most part, while contracts concluded before 1st January continue to be managed by the original leasing companies in their respective balance sheets.

The domestic car market, and consequently the motor vehicle financing market have been very negatively affected by international trends – chip shortage, slow-down of supply chains – since the third quarter of 2021. At the same time, the introduction of the subsidised Széchenyi Leasing GO! product had a stimulating effect on the financing market in Q4 by diverting a significant proportion of cash buyers towards the financing market. New car sales decreased substantially in H1 2022 year-on-year, while selling prices, and thus the amounts used for financing, continued to grow rapidly. In addition to the previous negative factors, the Ukrainian-Russian war is negatively affecting the production and sale of new vehicles, and consequently the financing market as well. The general increase in interest rates also negatively affects demand for financing products.

By the end of 2021, the inventory financing portfolio, which had substantially increased in 2020, had already decreased significantly due to the shortage of new car stocks, and thus the increase in the financed amounts (increase in car prices) could not compensate for the decrease in the number of vehicles in stock. The inventory financing portfolio continued to decline in the first half of 2022. Inventory financing exposures are still adequately diversified, both for manufacturers (brands) and trading partners (car dealerships). The ageing and turnover rate of the financed stock is favourable.

The agricultural machinery and vehicle financing market stagnated in 2021 and expanded slightly in the first quarter of 2022. MKB Leasing Group managed to strengthen its role in this segment, as a market leader.

In the recent period the equipment and heavy-duty utility vehicle financing sub-segment has been hit hardest by the pandemic. In 2021, however, positive market developments started in these sub-segments, and the completion of previously postponed investments also contributed to the outstanding year-on-year growth. The heavy commercial vehicle financing segment – in which the Group has long been a market leader – grew significantly, by more than 20% in H1 year-on-year.

In 2022, the disruption of supply chains and the lack of basic raw materials and components might have a similarly negative impact on the asset financing market as the effects already appeared on the automotive sales market.

The expansion of the SME customer base continues to be an important strategic aspect, for which we also have the necessary self-funded and subsidised financing products (EXIM; Széchenyi Leasing GO!). In addition to the growing portfolio, the non-performing portfolio is steadily declining, the 90+ dpd (days past due) portfolio constitutes only 1.2% of the total portfolio, while its provision coverage is over 83%. The bulk of the steadily diminishing non-performing portfolio still comes from the lending activities of 2007–2008.

2.4.4 Investment services and Treasury activities

In the first half of 2022, the most important business and strategic task in relation to the merger of MKB Bank and Budapest Bank was to coordinate the two entities' separate product ranges and service providing processes. As a result of the harmonisation, customers are now able to choose the best solutions from a much wider range of products and services. All money and capital market instruments that are suitable for hedging their exchange rate and interest rate risks have been made available to corporate customers. Our retail customers are provided direct access to the domestic and international capital markets.

Treasury Trading and Sales activities

The Treasury Trading and Sales divisions have been facing challenges in a market characterised by extreme volatility because of the war between Russia and Ukraine. The HUF also came under pressure while interest rates and yields increased substantially.

An outstanding performance was achieved even in a turbulent market environment as the Treasury's revenue amounted to HUF 16.4 billion in H1 2022. Trading and Sales contributed almost equally to this result.

The revenues from the sale of securities reached the planned amount, while the exchange rate and interest rate products outperformed the plans, due to the high market volatility.

Investment services

The merger of Budapest Bank Zrt. into MKB Bank Nyrt. on 31.03.2022 was the first milestone in the implementation of the strategy pertaining to the merger of MKB Group's member banks. In the second phase Takarékbank will merge with the bank unified in the spring of 2022 during 2023.

Because of the merger, MKB Bank became the sole owner of Budapest Bank's fund manager – Budapest Alapkezelő Zrt. – while it continues to have minority ownership in MKB-Pannónia Alapkezelő Zrt.

The aim of the two-stage merger of the member banks of MKB Group is to progress from the current group-level operation to full operational fusion in a way in which the bank group fully takes into account the dynamically growing demand of the member banks' clients, and the expectations regarding smooth service provision.

In line with MKB Group strategy, the owners adopted a resolution on the merger of the two Fund Managers in order to enhance customer experience and guarantee outstanding standards of services, putting the fund manager on a stable and predictable growth trajectory. The stable foundations for the achievement of these goals should include the 3 member banks' singularly wide customer base after their merger, and the products and services based on customer-oriented digital solutions envisaged in the MKB Group strategy.

The merger of the two fund managers (Budapest Alapkezelő and MKB-Pannónia Alapkezelő) under corporate law will take place on 31.08.2022, during which Budapest Alapkezelő Zrt. will merge into MKB-Pannónia Alapkezelő. The unified organisation will continue to operate under the name of MKB Alapkezelő Zrt.

Merger is a transparent solution, one that is considered as the ideal one for the unification of the fund managers concerned from the aspect of owners, customers, and partners alike.

The post-merger portfolio of assets managed by MKB Alapkezelő Zrt. amounted to HUF 1,171 billion, which are embodied in investment funds, institutional assets, and private equity funds. Public open-end funds reached HUF 538.9 billion of the total stock of investment funds.

Investment services continue to prioritise to the sale of securities, particularly government securities, to retail customers. Amid changing inflationary and yield environment the focus of customer demand, and so sales, has shifted from the previously popular MÁP+ to inflation-indexed retail instruments (PMÁP).

In the first half of the year the performance of some investment funds diminished in response to developments in the geopolitical environment; at the same time, customers redeemed their funds on a larger scale also in response to short term uncertainties. Mixed funds were more heavily affected by redemptions; their yields were also unfavourably affected by the market interest environment. Since however, the recommended investment horizon – apart from our Short bond funds – is at least 3-5 years, many of the potential investors are patient; hence, no major selling wave occurred even when the war broke out in neighbouring Ukraine.

Due to the market turbulence caused by the war and the hectic behaviour of the HUF, however, demand has grown for investment funds denominated in foreign currencies (particularly USD and EUR), and our equity funds carrying higher risk even managed to grow and maintained their attractive yield levels.

In the wake of the merger completed in March the range of investment products continued to grow, and customers now have a larger number of external funds and in-house funds from which they can choose the ones that best suit their interests and risk appetite.
Demand for individual share investments soared in the first half of the year because investors spotted opportunities in purchasing low-priced instruments.

2.5 Performance of key members and subsidiaries of MKB Group[8]

2.5.1 MKB Bank Nyrt.

MKB Bank Nyrt. is one of the oldest member of the Hungarian banking system. Combining its 70 years of experience with advanced digital banking solutions, it provides both retail and corporate customers with professional services at the highest standards. The bank is on a dynamic growth trajectory, with advanced digital foundations and strategy, has traditionally strong large corporate and private banking clientele, and robust consultancy and analyst capabilities. As a result of the merger, these were complemented, based on Budapest Bank's dominant domestic positions, by a strong small corporate financing and deposit management profile; retail personal loans, commodity lending as well as an ecosystem beyond banking services.

At the end of H1 2022, the Bank's total assets amounted to HUF 6,927.9 billion, comprising the previous portfolios of Budapest Bank merged into the Bank at the end of March 2022. MKB Bank's profitability was favourable during the first half of 2022, despite the special extra profit tax paid. Profit after tax

[8] Unadjusted (non-normalized) data. The values contain data compiled according to accounting regulations, except in the case of a different marking.

amounted to HUF 40.7 billion, while the total comprehensive income for the year under review amounted to HUF 32.9 billion.

Table 4: Individual financial statements of MKB Bank Nyrt. according to IFRS - Balance sheet

BALANCE SHEET	MKB	
in HUF million	30/06/2021	30/06/2022
Cash, claims on central bank and other sight deposits	310 855	261 184
Available-for-sale financial assets	55 447	316 907
Not-for-sale financial assets mandatorily measured at fair value through profit/loss	985	133 984
Financial assets at fair value through other comprehensive income	465 453	377 372
Financial assets at amortized costs	2 098 719	5 342 583
Financial derivatives - assets	0	49 069
Change in the fair value of items hedged for the interest rate risk of the portfolio	0	-48 773
Investments into affiliated and associated companies	48 745	386 108
Tangible assets	15 074	32 509
Goodwill and other intangible assets	24 506	45 579
Deferred tax assets	6 170	7 412
Other assets	18 771	23 976
Invested assets categorised as held for sale and disposal groups	28	0
Total assets	**3 044 754**	**6 927 912**
Available-for-sale financial liabilities	15 162	158 694
Financial liabilities at amortized costs	2 781 559	5 977 535
Financial derivatives - assets	0	14
Provisions	2 413	10 393
Tax liabilities	682	0
Other liabilities	18 840	42 762
Total liabilities	**2 818 655**	**6 189 397**
Share capital	100 000	311 320
Paid-in capital on top of face value	21 729	301 105
Accumulated other comprehensive income	-16 231	-31 306
Accumulated profit reserve	84 805	90 621
Other reserves	0	26 089
Profit/loss for the year	35 795	40 685
Total shareholders' equity	**226 098**	**738 515**
Total liabilities and shareholders' equity	**3 044 754**	**6 927 912**

Table 5: Individual financial statements of MKB Bank Nyrt. according to IFRS - Income statement

P&L	MKB	
in HUF million	1H 2021	1H 2022
Interest income	33 880	144 589
Interest expense	12 995	75 107
Net interest income	**20 885**	**69 482**
Fee and commission income	15 739	32 779
Fee and commission expense	3 302	9 323
Net fee and commission income	**12 437**	**23 456**
Dividend income	40	4 014
Profit/Loss on derecognition of financial assets and liabilities valued not at fair value through profit and loss	4 212	-22 086
Profit on financial assets and liabilities available for sale	28 843	97 934
Profit/Loss from not-for-sale financial assets mandatorily measured at fair value through profit/loss	-55	-3 063
Profit/Loss arising from hedging operations	0	2 455
Exchange rate difference profit or (-) loss, net	5 432	-44 618
Net trading result	**38 472**	**34 636**
Net depreciation of non-financial assets	4	149
Net other operating revenue	2 825	995
Net other operating expenses	3 230	3 139
Operating income	**71 393**	**125 579**
Operating costs	32 237	75 534
Provisioning and deprovisioning	-146	2 926
Net depreciation of financial assets and liabilities valued not at fair value through profit and loss	-1 356	-824
Impairment/impairment reversal on investment into subsidiaries, joint and associated companies	77	-2 885
Gains or (-) losses on non-discontinued non-current assets held for sale and disposal groups	-10	9
(Financial contribution to resolution and deposit insurance funds)	1 057	1 820
Profit/Loss on reclassification	-168	-4 239
Profit/Loss before tax	**39 347**	**44 779**
Income tax	3 552	4 094
Profit/Loss for the period	**35 795**	**40 685**
Other comprehensive income	-12 671	-7 736
Total comprehensive income	**23 124**	**32 949**

2.5.2 Takarékbank Zrt.

Takarékbank Zrt is a commercial bank with nationwide coverage. On 31st October 2019 the legal merger of 11 savings cooperatives and 2 banks brought to completion a nearly five-year process combining nearly 120 savings cooperatives in a single bank. As a modern universal bank, its values consistently include its former savings cooperative flexibility and customer orientation, combining their 150-year traditions with up-to-date innovative commercial banking practices in the best possible way.

Takarékbank's total assets increased by HUF 251.4 billion in one year to HUF 3,358.1 billion at the end of 1H 2022, while its shareholders' equity had grown to HUF 200.2 billion. Takarékbank's profit before taxes (including the special extra profit tax) amounted to HUF 1,795 million. Owing to the turbulence in yields, the other comprehensive income was a loss of HUF 5,353.0 million, as a result of the current year's total comprehensive income was a loss of HUF 6,188.3 billion in 1H 2022.

Table 6: Individual financial statements of Takarekbank according to IFRS - Balance sheet

BALANCE SHEET	**Takarékbank**	
in HUF million	**30/06/2021**	**30/06/2022**
Cash, claims on central bank and other sight deposits	134 562	76 462
Available-for-sale financial assets	1 879	16 744
Not-for-sale financial assets mandatorily measured at fair value through profit/loss	3 322	228 542
Financial assets at fair value through other comprehensive income	143 361	190 197
Financial assets at amortized costs	2 787 181	2 799 700
Financial derivatives - assets	640	19 769
Investments into affiliated and associated companies	5 307	5 000
Tangible assets	11 450	9 625
Goodwill and other intangible assets	4 442	1 796
Deferred tax assets	4 656	6 293
Other assets	6 081	3 985
Invested assets categorised as held for sale and disposal groups	3 844	1
Total assets	**3 106 724**	**3 358 115**
Available-for-sale financial liabilities	1 977	14 400
Financial liabilities at amortized costs	2 964 123	3 098 628
Financial derivatives - liabilities	495	467
Provisions	5 481	9 169
Tax liabilities	0	61
Other liabilities	21 973	35 177
Total liabilities	**2 994 049**	**3 157 902**
Share capital	100 260	186 960
Paid-in capital on top of face value	21 647	34 947
Accumulated other comprehensive income	-814	-9 782
Accumulated profit reserve	-10 744	-11 995
Other reserves	919	919
Profit/loss for the year	1 407	-835
Total shareholders' equity	**112 675**	**200 213**
Total liabilities and shareholders' equity	**3 106 724**	**3 358 115**

Table 7: Individual financial statements of Takarekbank according to IFRS - Income statement

P&L	Takarékbank	
in HUF million	1H 2021	1H 2022
Interest income	39 120	84 530
Interest expense	4 858	17 764
Net interest income	**34 262**	**66 765**
Fee and commission income	27 275	32 080
Fee and commission expense	8 208	8 946
Net fee and commission income	**19 068**	**23 134**
Dividend income	0	574
Profit/Loss on derecognition of financial assets and liabilities valued not at fair value through profit and loss	1 610	-4 021
Profit on financial assets and liabilities available for sale	-106	8 474
Profit/Loss from not-for-sale financial assets mandatorily measured at fair value through profit/loss	-185	-16 884
Profit/Loss arising from hedging operations	-1 349	208
Exchange rate difference profit or (-) loss, net	1 436	-3 653
Net trading result	**1 407**	**-15 302**
Impairment/impairment reversal on investment into subsidiaries, joint and associated companies	0	-77
Net depreciation of non-financial assets	270	16
Net other operating revenue	1 161	404
Net other operating expenses	627	863
Operating income	**55 541**	**74 078**
Operating costs	46 399	62 961
Provisioning and deprovisioning	224	3 688
Net depreciation of financial assets and liabilities valued not at fair value through profit and loss	6 629	1 371
Impairment/impairment reversal on investment into subsidiaries, joint and associated companies	-1	54
Net depreciation of non-financial assets	-3	16
Gains or (-) losses on non-discontinued non-current assets held for sale and disposal groups	245	0
(Financial contribution to resolution and deposit insurance funds)	1 305	1 321
Profit/Loss on reclassification	181	-2 871
Profit/Loss before tax	**1 415**	**1 795**
Income tax	49	2 630
Profit/Loss for the period	**1 365**	**-835**
Profit for the year from discontinued operations	41	0
Other comprehensive income	-1 098	-5 353
Total comprehensive income	**309**	**-6 188**

2.5.3 MTB Zrt.

MTB Magyar Takarékszövetkezeti Bank was established in 1989 as an umbrella bank and corresponding bank of 236 integrated savings cooperatives (later referred to as cooperative credit institutions). The Bank supported the savings cooperatives' business operations with its banking authorisations which the savings cooperatives did not have (borrowing funding for refinancing, keeping accounts with the central bank, executing currency transactions). Out of its preceding business functions from 2020 it only operated the Treasury and the investment service business lines and it also functioned as the central manager of the Takarék Group.

At the end of H1 2022 MTB's total assets and shareholders' equity amounted to HUF 1,414.7 billion and HUF 29.5 billion, respectively. In H1 2022 it made a loss of HUF 4.6 billion. The other comprehensive income was a loss of HUF 435 million, as a result of the current year's total comprehensive income was a loss of HUF 5.1 billion in 1H 2022.

Table 8: Individual financial statements of MTB according to IFRS - Balance sheet

BALANCE SHEET	**MTB**	
in HUF million	**30/06/2021**	**30/06/2022**
Cash, claims on central bank and other sight deposits	392 875	122 489
Available-for-sale financial assets	51 216	112 706
Not-for-sale financial assets mandatorily measured at fair value through profit/loss	25 020	11 527
Financial assets at fair value through other comprehensive income	211	43 800
Financial assets at amortized costs	1 041 944	983 924
Financial derivatives - assets	0	0
Investments into affiliated and associated companies	202 008	118 131
Tangible assets	3 450	2 802
Goodwill and other intangible assets	1 463	1 845
Deferred tax assets	320	451
Other assets	21 811	15 371
Invested assets categorised as held for sale and disposal groups	0	1 661
Total assets	**1 740 318**	**1 414 707**
Available-for-sale financial liabilities	19 777	89 785
Financial liabilities at amortized costs	1 675 908	1 279 732
Financial derivatives - assets	273	1 168
Provisions	918	683
Tax liabilities	0	33
Other liabilities	6 161	13 853
Total liabilities	**1 703 037**	**1 385 255**
Share capital	3 390	3 390
Paid-in capital on top of face value	3 479	3 479
Accumulated other comprehensive income	-1 367	-1 833
Accumulated profit reserve	23 704	26 051
Other reserves	5 276	5 536
(-) Own shares	-2 539	-2 539
Profit/loss for the year	5 338	-4 634
Total shareholders' equity	**37 281**	**29 452**
Total liabilities and shareholders' equity	**1 740 318**	**1 414 707**

Table 9: Individual financial statements of MTB according to IFRS - Income statement

P&L	MTB	
in HUF million	1H 2021	1H 2022
Interest income	10 118	24 266
Interest expense	6 183	25 042
Net interest income	**3 935**	**-777**
Fee and commission income	6 350	7 812
Fee and commission expense	3 722	5 342
Net fee and commission income	**2 628**	**2 470**
Dividend income	5 003	11
Profit/Loss on derecognition of financial assets and liabilities valued not at fair value through profit and loss	3 127	587
Profit on financial assets and liabilities available for sale	1 057	11 019
Profit/Loss from not-for-sale financial assets mandatorily measured at fair value through profit/loss	295	-6
Profit/Loss arising from hedging operations	-1 863	-471
Exchange rate difference profit or (-) loss, net	671	-7 860
Net trading result	**8 291**	**3 280**
Impairment/impairment reversal on investment into subsidiaries, joint and associated companies	0	-2 940
Net depreciation of non-financial assets	720	722
Net other operating revenue	4 702	4 429
Net other operating expenses	2	408
Operating income	**20 275**	**6 776**
Operating costs	9 108	13 739
Provisioning and deprovisioning	146	-404
Net depreciation of financial assets and liabilities valued not at fair value through profit and loss	56	-31
Impairment/impairment reversal on investment into subsidiaries, joint and associated companies	4 654	-3 708
Net depreciation of non-financial assets	0	0
Gains or (-) losses on non-discontinued non-current assets held for sale and disposal groups	-257	0
(Financial contribution to resolution and deposit insurance funds)	524	486
Profit/Loss on reclassification	0	0
Profit/Loss before tax	**5 531**	**-3 304**
Income tax	193	1 330
Profit/Loss for the period	**5 338**	**-4 634**
Other comprehensive income	272	-435
Total comprehensive income	**5 610**	**-5 069**

2.5.4 Takarék Jelzálogbank Nyrt.

Takarék Jelzálogbank Nyrt's original core operation was financing the development and purchase of residential real estates, and the disbursement of state-subsidised housing loans. Since 2018 the Bank has been functioning as a conventional mortgage bank. Its core operations include the refinancing of mortgage loans for members of MKB Group and partner banks outside the group, as well as the issuance of mortgage bonds. It is the second largest mortgage bank in Hungary. Takarék Jelzálogbank's shares are listed on the Budapest Stock Exchange.

The total assets according to IFRS was HUF 758.0 billion on 30th June 2022, 17.7% up year-on-year. Its shareholders' asset had increased by 30th June 2022 to HUF 70.0 billion.
In the first half of the year the Bank made a profit after taxes of HUF 877 million (including the special tax on extra profits). Its profit before taxes amounted to HUF 978 million. The profit was reduced in the first six months of the year by the special tax on banks in an amount of HUF 172 million and the extra profit tax (introduced in 2022) in an amount of HUF 632 million, as one-off items. The profit/loss after taxes (without the special tax on banks and the extra profit tax) was a profit of HUF 1,681 million.

Table 10: Individual financial statements of JZB according to IFRS - Balance sheet

BALANCE SHEET	**JZB**	
in HUF million	**30/06/2021**	**30/06/2022**
Cash, cash balances at central banks and other demand deposits	571	169
Financial assets held for trading	833	4 335
Financial assets at fair value through other comprehensive income	17 530	1 234
Financial assets at amortised cost and non-trading financial assets mandatoraly at fair value profit or loss	622 657	751 033
Deratives- Hedge accounting	393	257
Tangible assets	99	89
Intangible assets	214	249
Tax assets	348	518
Other assets	1 189	134
Total Assets	**643 834**	**758 018**
Financial liabilities held for trading	825	4237
Financial liabilities designated at fair value through profit or loss	5 824	0
Financial liabilities measured at amortised cost	568 557	680 029
Deratives- Hedge accounting	0	2116
Provisions	117	27
Tax liabilities	0	1
Other liabilities	1 004	1 578
Total liabilities	**576 327**	**687 988**
Share capital	10 849	10 849
Share premium	27 926	27 926
Accumulated other comprehensive income	27	-18
Retained earnings	26 692	29 164
Other reserves	1164	1 439
Treasury shares (-)	-207	-207
Profit for the year	1 056	877
Total equity	**67 507**	**70 030**
Total equity and total liabilities	**643 834**	**758 018**

Table 11: Individual financial statements of JZB according to IFRS - Income statement

P&L	JZB	
in HUF million	**1H 2021**	**1H 2022**
Interest income	7 055	11 066
Interest expense	-5 101	-8 122
Net interest income	**1 954**	**2 944**
Fee and commission income	320	303
Fee and commission expense	-272	-278
Net fee and commission income	**48**	**25**
Profit /(-) Loss from foreign exchange transactions	-1	271
Gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss	262	-1
Gains on financial assets and liabilities held for trading	-5	-156
Profit/Loss from not-for-sale financial assets mandatorily measured at fair value through profit/loss	0	-220
Losses (-) from hedge accounting	34	412
Gains on financial assets and liabilities designated at fair value through profit or loss	120	50
Net trading result	**410**	**356**
Gains on derecognition of non- financial assets, net	-6	4
Other operating income	82	38
Other operating expense	0	-182
Net operating result	**2 488**	**3 185**
Provisions	-1	0
Impairment on financial assets not measured at fair value through profit or loss	-278	-155
Reversal of impairment on non- financial assets	1	7
General and administrative expenses	-1 098	-1 772
Modification gains, net	15	-287
Profit before tax	**1 127**	**978**
Income tax benefit/(expense)	-71	-101
Profit for the period	**1 056**	**877**

2.6 The ESG strategy of MKB Group

The integration of MKB Group, Budapest Bank and Takarék Group and the tasks involved in the merger require substantial resources. We are building a new bank, based on the expertise of the member banks and on the existing corporate cultures. New processes, new structures and a new strategy are being developed, giving sufficient impetus for prioritising sustainability and integrating it in our day-to-day operation. We believe that the merger offers a once-in-a lifetime competitive edge – besides the challenges being faced – therefore now is the time to act in the field of sustainability as well.
The international and domestic money market requirements and legal regulations are becoming increasingly demanding on the banking sector in terms of sustainability for the coming years. Global, EU and domestic financial trends are more and more clearly indicating that domestic large banks that fail to adapt sustainability considerations in their operation might find themselves facing growing difficulties in the market.
We are aware of our customers' and partners' demanding expectations based on the prospective market share of MKB Group. As Hungary's second largest banking group, we play a particular role and bear a particular responsibility regarding the promotion and financing of sustainable and climate-related projects. This is how MKB Group can make a significant contribution – relative to its size – to the accomplishment of domestic climate targets and to the operation of a sustainable economy.
We set ourselves ambitious goals in developing our strategy. Our aim is that MKB Group will be a leader in the Hungarian banking market in terms of sustainability. By sustainability we mean compliance with the ESG approach, i.e. we consider Environmental, Social and corporate Governance aspects equally important. Our key social and corporate governance values include for instance healthy workplace and environment, gender equality in our operations, respect for our customers, and ensuring transparent and legally compliant operation for MKB Group. The goal of the established ESG Strategy is to draw up a framework for the achievement of the above goals, with detailed guidelines, action plan, indicators and clear-cut roles.

Key elements of the ESG strategy:

The purpose of the preparation of the ESG Strategy is to create a vision, sum up the member banks' sustainability-related initiatives so far and set out new directions, including specification of the required tasks. MKB Group is committed to playing a key role in Hungary in the efforts aimed at achieving sustainable economic operation. The realisation of our vision is supported by two strategic goals, stemming in part from MKB Group's role as a financial institution and in part from its role as a responsible group of companies.

MKB Group intends to be a partner of its customers in their efforts towards sustainability, with a key role and responsibility in supporting and financing sustainable climate-related projects, aiming at the same time at raising awareness of the issue of sustainability among its customers.

Based on its corporate role MKB Group aims to make its internal operation sustainable as well, setting an example for its partners and customers in terms of responsible operation. It seeks to achieve decarbonisation in its own operation, along with the integration of ESG aspects, the training of its employees and ensuring their welfare.

A total of five strategic pillars, and the related action plans, are identified to ensure the accomplishment of the strategic goals:

1. Sustainability, as a business opportunity, and dissemination of information on sustainability,
2. Taking into account ESG risks in risk management decisions,
3. Decarbonisation efforts,
4. Responsible corporate governance, transformation and transparency,
5. Employee welfare and awareness raising.

The ESG Strategy is aligned with MKB Group's business strategy. The drive towards digitalisation supports, *inter alia,* the decarbonisation goals and the development of sustainability-related products and services.

In terms of sustainability as a business opportunity and dissemination of knowledge MKB Group's key goal is to be capable of quickly adapting sustainability products and services. Moreover, it identifies medium term opportunities in marketing products that promote social sustainability and that have not been widely adopted in Hungary so far. In addition to product development, it wishes to contribute to enhancing the knowledge of its customers.

The regulatory authorities' requirements relating to sustainability related risks are growing increasingly demanding, and at the same time the conventional risk management models and methods cannot always be used in identifying, quantifying and monitoring climate risks. Accordingly, MKB Group considers the development of new models and methods a priority.

Regarding the decarbonisation targets, MKB Group aims to make the maximum possible contribution to the accomplishment of the targets laid down in the Paris Agreement through its operations, by cutting carbon dioxide emission at the fastest possible rate.

MKB Group aims to develop transparent external and internal operation supporting sustainability considerations based on its role as a responsible company. It strives to integrate sustainability considerations into its management processes as well as requirements communicated to its partners.

MKB Group is committed to employee welfare and awareness raising. It attaches particular importance to the preservation of the employees' physical and mental health, and to raising its employees' ESG awareness and ESG knowledge.

To realise and accomplish the above vision and the associated strategic objectives, MKB Group has developed short term, medium term and long term (six-month, one-year, 3-year and longer) action plans, specifying the divisions in charge of the implementation of the actions.

The tasks of following upon the ESG Strategy and the coordination of implementation are carried out by the ESG unit, supervised by the Deputy Chief Executive Officer in charge of the area. The Management Board and the Board of Directors monitor the implementation of the strategy through regular reports. The ESG strategy will be reviewed once a year in view of the changing regulatory and market environment.

2.7 Awards and recognitions

The investment funds of the banking group have won many awards at the Privátbankár Klasszis 2022 event.

MKB Bank received awards in six categories at Euromoney's London Awards Ceremony.

Analysts of The MKB Group won the Consensus Economics 2021 Forecast Accuracy Award for Hungary.

An analyst of MKB Group won the 2021 analyst competition announced by MNB and Reuters Hungary.

The Banking Association recognized Dr. Gyula Nagy, CEO of Takarék Mortgage Bank with the Golden Hive Award.

The Bank's internship program, Fusion, is gold-certified in the Talent Starter category of the Zynternship Awards 2022.

Declaration

MKB Bank Nyrt. (hereinafter Bank) issues the following declaration in relation to its report on the 1H 2022 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, 29 August 2022

MKB Bank Nyrt.

Mr Zsolt Barna, dr.	Mr Antal Martzy
Chairman Chief Executive	Deputy CFO

3 FINANCIAL FIGURES

3.1 Correction factors 1H 2022

in HUF million	2022H1 Accounting Report	2022H1 Accounting Report Merger entities	2022H1 Pro-forma accounting Report	Structure corrections	Business corrections			COVID-19 effects	Adjusted PAT
					Banking tax and other taxes	Non-core one-offs	Dividend income	COVID-19 related expenditures	
Interest income	201 566	65 641	267 208	-4 961	0	0	0	0	262 246
Interest expense	-87 975	-14 790	-102 764	12 881	0	0	0	0	-89 884
Net interest income	**113 591**	**50 852**	**164 443**	**7 919**	**0**		**0**	**0**	**172 363**
Net income from commissions and fees	23 075	13 820	36 895	1 167	0	325	0	0	38 386
Other operating income / (expense), net	14 015	-3 523	10 492	-7 352	0	0	0	0	3 140
Impairments and provisions for losses	-4 372	-5 082	-9 455	4 435	0	0	0	5 753	734
Operating expenses	-74 588	-33 295	-107 883	-2 818	0	16 327	0	0	-94 373
Share of jointly controlled and associated companies' profit / (loss)	1 107	96	1 203	0	0	0	0	0	1 203
Banking tax	-36 704	-5 276	-41 981	-3 351	39 920	0	0	0	-5 411
Profit / (Loss) before taxation	**36 123**	**17 591**	**53 714**	**0**	**39 920**	**16 652**	**0**	**5 753**	**116 040**
Income tax expense / (income)	-2 603	-1 346	-3 949	0	-3 593	-1 499	0	-518	-9 559
PROFIT/ (LOSS) FOR THE YEAR	**33 520**	**16 245**	**49 765**	**0**	**36 328**	**15 153**	**0**	**5 236**	**106 482**
Other comprehensive income	-4 739	-6 412	-11 152	0	0	0	0	0	-11 152
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**28 781**	**9 833**	**38 614**	**0**	**36 328**	**15 153**	**0**	**5 236**	**95 330**

in HUF million	1H 2022 Half year Report	Structure corrections Assets Custormer loans and other assets reclassification	Structure corrections Assets Custormer loans and interbank loans reclassification	Adjusted BS structure
Total Assets	**10 189 745**	**0**	**0**	**10 189 745**
Cash reserves	86 405			86 405
Loans and advances to banks	1 686 882		-139 302	1 547 580
Trading portfolio	420 070			420 070
Securities	3 281 110			3 281 110
Loans and advances to customers	4 344 046	-10 461	139 302	4 472 888
Other assets	131 287	10 389		141 677
Investments in jointly controlled entities and associates	96 447			96 447
Intangibles, property and equipment	143 498	71		143 569
Total liabilities and equity	**10 189 745**	**0**	**0**	**10 189 745**
Total liabilities	**9 461 962**	**0**	**0**	**9 461 962**
Amounts due to other banks	2 427 047			2 427 047
Deposits and current accounts	6 267 540			6 267 540
Derivate financial liabilities	199 224			199 224
Other liabilities and provisions	191 046			191 046
Issued debt securities	377 105			377 105
Shareholders' Equity	**727 783**	**0**	**0**	**727 783**
Share capital	311 320			311 320
Treasury Shares	0			0
Reserves	380 626			380 626
Non-controlling interests	35 837			35 837

Company name: MKB Bank Nyrt.
Address: 1056 Budapest, Váci u. 38.
Sector: Other monetary activity
Reporting period: 01.04.2022-30.06.2022
Phone: +36 (1) 268-8004
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E-mail address: investorrelations@mkb.hu
Investors' contact person: Dóra Bertalan

3.2 Consolidated, non-audited financial statements of the MKB Group according to IFRS

3.2.1 Income statement

in HUF million	1H 2021	1H 2022
Interest income	36 983	201 566
Interest expense	12 824	87 975
Net interest income	**24 159**	**113 591**
Net income from commissions and fees	11 633	23 075
Other operating income / (expense), net	30 483	(22 690)
Impairments and provisions for losses	(1 709)	4 372
Operating expenses	26 785	74 588
Share of jointly controlled and associated companies' profit / (loss)	705	1 107
Profit / (Loss) before taxation	**41 904**	**36 123**
Income tax expense / (income)	(3 679)	(2 603)
PROFIT/ (LOSS) FOR THE YEAR	**38 225**	**33 520**
Other comprehensive income	(12 671)	(4 739)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**25 554**	**28 781**

3.2.2 Balance sheet

in HUF million	1H 2021	1H 2022
Assets		
Cash reserves	282 058	86 405
Loans and advances to banks	92 738	1 686 882
Trading portfolio	34 927	420 070
Securities	1 392 312	3 281 110
Loans and advances to customers	1 140 032	4 344 046
Other assets	27 335	131 287
Investments in jointly controlled entities and associates	8 325	96 447
Intangibles, property and equipment	56 421	143 498
Total assets	**3 034 148**	**10 189 745**
Liabilities		
Amounts due to other banks	708 306	2 427 047
Deposits and current accounts	1 974 896	6 267 540
Derivate financial liabilities	15 162	199 224
Other liabilities and provisions	57 486	191 046
Issued debt securities	42 964	377 105
Total liabilities	**2 798 814**	**9 461 962**
Equity		
Share capital	100 000	311 320
Treasury Shares	0	0
Reserves	135 334	380 626
Total equity attributable to equity holders of the Bank	**235 334**	**691 946**
Non-controlling interests	0	35 837
Total equity	**235 334**	**727 783**
Total liabilities and equity	**3 034 148**	**10 189 745**

3.2.3 Cash flow

in HUF million	2022
Cash flow from operations	
Pre-tax profit/(loss)	**42 208**
Adjusting events	
Depreciation and impairment of tangible assets and intangible assets	9 324
Net realized gains on the sale of tangible assets	(504)
Impairment of loans and contingent liabilities	1 684
Impairment of non-financial instruments (release of impairment)	31
Changes in other provisions	9 051
Unrealized remeasurement gains (remeasurement of trading and derivatives)	(117 077)
Profit or loss of associates	(1 107)
Interest received	(200 045)
Interest paid	86 455
Dividend received	(4 599)
FX change	54 648
Cash flow from pre-tax operating results prior to changes in operating assets and liabilities	**(119 931)**
Changes in financial assets and liabilities at fair value through profit or loss	(84 670)
Changes in financial assets and liabilities measured through other comprehensive income	270 894
Changes in assets and liabilities measured at amortized cost	(519 795)
Changes in hedge accounting	(17 566)
Changes in other assets	(29 284)
Changes in other liabilities	(41 488)
Interest received	200 045
Interest paid	(86 455)
Changes in operating assets and liabilities	**(308 319)**
Income tax	(15 813)
Net cash flow from operations	**(444 063)**
Cash flow from investment and improvement activity	
Changes in cash and cash equivalents due to business combination	427 990
Changes in cash and cash equivalents from the sale of affiliated interest	-
Dividend received	4 599
Purchase of intangible assets and tangible assets	(12 184)
Amount from the sale of tangible assets	(5)
Net cash flow from investment and improvement activity	**420 400**
Cash flow from financing activities	
Capital increase	185 000
Dividend paid	-
Net cash flow from financing activities	**185 000**
Changes in cash and cash equivalents	**161 337**
o.w. effect of reclassification	
Cash and cash equivalents at the beginning of the period	310 855
Impact of exchange rate changes	(54 648)
Cash and cash equivalents at the end of the period	417 544
Changes in cash and cash equivalents	**161 337**

Company name: MKB Bank Nyrt.
Address: 1056 Budapest, Váci u. 38.
Sector: Other monetary activity
Reporting period: 01.04.2022-30.06.2022
Phone: +36 (1) 268-8004
Fax: +36 (1) 268-7555
E-mail address: investorrelations@mkb.hu
Investors' contact person: Dóra Bertalan

in HUF million	2022	2021
Pre-tax profit/(loss)	**42 208**	**41 904**
Adjusting events	(162 139)	(25 948)
Cash flow from pre-tax operating results prior to changes in operating assets and liabilities	**(119 931)**	**15 956**
Changes in operating assets and liabilities	**(308 319)**	**112 807**
Income tax	(15 813)	(1 582)
Net cash flow from operations	**(444 063)**	**127 181**
Net cash flow from investment and improvement activity	**420 400**	**(232 958)**
Net cash flow from financing activities	**185 000**	**93 483**
Changes in cash and cash equivalents	**161 337**	**(12 294)**
o.w. effect of reclassification		
Cash and cash equivalents at the beginning of the period	310 855	294 183
Impact of exchange rate changes	(54 648)	169
Cash and cash equivalents at the end of the period	417 544	282 058
Changes in cash and cash equivalents	**161 337**	**(12 294)**

3.2.4 Shareholders' assets

in HUF million	Share capital	Treasury shares	Share premium	Share-based payments	Retained earnings	Revaluation on financial assets measured at FVTOCI	Non-controlling interests	Total equity
On 1 January 2021	**100 000**	**-**	**21 729**	**-**	**91 610**	**(3 560)**	**-**	**209 779**
Profit/ (loss) for the year	-	-	-	-	38 225	-	-	**38 225**
Other comprehensive income for the year	-	-	-	-	-	(12 671)	-	**(12 671)**
On 30 June 2021	**100 000**	**-**	**21 729**	**-**	**129 835**	**(16 231)**	**-**	**235 333**
Profit/ (loss) for the year	-	-	-	-	21 758	-	-	**21 758**
Other comprehensive income for the year	-	-	-	-	-	(7 338)	-	**(7 338)**
At 31 December 2021	**100 000**	**-**	**21 729**	**-**	**151 594**	**(23 569)**	**-**	**249 754**
Capital increase	75 603	-	109 397	-	-	-	-	**185 000**
Share capital from merging entities	135 717	-	169 979	-	(19 713)	(4 102)	-	**281 881**
Dividend	-	-	-	-	(4 300)	-	-	**(4 300)**
Profit/ (loss) for the year	-	-	-	-	34 596	-	(1 076)	**33 520**
Other comprehensive income for the year	-	-	-	-	-	(4 895)	156	**(4 739)**
First consolidation of subsidiaries	-	-	-	(59 338)	7 489	1 760	36 757	**(13 332)**
At 30 June 2022	**311 320**	**-**	**301 105**	**(59 338)**	**169 666**	**(30 806)**	**35 837**	**727 784**

3.3 Individual, non-audited financial statements of MKB Bank Nyrt. according to IFRS

3.3.1 Income statement[9]

in HUF million	1H 2021	1H 2022
Interest income	33 880	144 589
Interest expense	12 995	75 107
Net interest income	**20 885**	**69 482**
Net income from commissions and fees	12 437	23 456
Other operating income / (expense), net	36 964	26 817
Impairments and provisions for losses	(1 257)	3 456
Operating expenses	32 237	75 534
Share of jointly controlled and associated companies' profit / (loss)	40	4 014
Profit / (Loss) before taxation	**39 347**	**44 779**
Income tax expense / (income)	3 552	4 094
PROFIT/ (LOSS) FOR THE YEAR	**35 795**	**40 685**
Other comprehensive income	(12 671)	(7 736)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**23 124**	**32 949**

[9] Based on the Financial Reporting (FINREP) SF statement prepared for the NBH for 1H 2022.

3.3.2 Balance sheet[10]

in HUF million	1H 2021	1H 2022
Assets		
Cash reserves	282 045	196 988
Loans and advances to banks	41 659	1 297 760
Trading portfolio	34 991	308 296
Securities	1 392 455	2 074 920
Loans and advances to customers	1 180 309	2 554 364
Other assets	24 970	31 388
Investments in jointly controlled entities and associates	48 745	386 108
Intangibles, property and equipment	39 580	78 088
Total assets	**3 044 754**	**6 927 912**
Liabilities	0	0
Amounts due to other banks	889 990	1 841 787
Deposits and current accounts	1 846 094	4 080 961
Derivate financial liabilities	15 162	158 708
Other liabilities and provisions	21 935	53 155
Issued debt securities	45 475	54 787
Total liabilities	**2 818 655**	**6 189 397**
Equity	0	0
Share capital	100 000	311 320
Reserves	126 098	427 195
Total equity	**226 098**	**738 515**
Total liabilities and equity	**3 044 754**	**6 927 912**

[10] Based on the Financial Reporting (FINREP) SF statement prepared for the MNB for 1H 2022.

3.3.3 Shareholders' assets

in HUF million	Share capital	Share premium	Retained earnings	Other reserve	Revaluation on financial assets measured at FVTOCI	Total equity
On 1 January 2021	**100 000**	**21 729**	**84 805**	**-**	**(3 560)**	**202 974**
Profit/ (loss) for the year	-	-	35 795	-	-	**35 795**
Other comprehensive income for the year	-	-	-	-	(12 671)	**(12 671)**
On 30 June 2021	**100 000**	**21 729**	**120 600**	**-**	**(16 231)**	**226 098**
Profit/ (loss) for the year	-	-	20 121	-	-	**20 121**
Other comprehensive income for the year	-	-	-	-	(7 338)	**(7 338)**
On 31 December 2021	**100 000**	**21 729**	**140 721**	**-**	**(23 569)**	**238 881**
Capital increase	75 603	109 397	-	-	-	**185 000**
Share capital from merging entities	135 717	169 979	(19 710)	-	(4 102)	**281 884**
Reclassification among the components of equity capital*	-	-	(26 089)	26 089	-	**-**
Dividend	-	-	(4 300)	-	-	**(4 300)**
Profit/ (loss) for the year	-	-	40 685	-	-	**40 685**
Other comprehensive income for the year	-	-	-	-	(3 635)	**(3 635)**
On 30 June 2022	**311 320**	**301 105**	**131 307**	**26 089**	**(31 306)**	**738 515**

*Due to the application of uniform accounting policy principles, the general reserve is separated in the other reserve.

3.4 Other information

Consolidated companies

Company	Country of incorporation	Brief description of activities	MKB's share of ownership, total, according to Credit Institutions Act (%)	MKB's share of voting right, total, if not equal to share of ownership (%)
Budapest Alapkezelő Zrt.	Hungary, Czech Republic	Fund management	100,00	100,00
Budapest Lízing Zrt.	Hungary	Financial leasing	100,00	100,00
Budapest Eszközfinanszírozó Zrt.	Hungary	Renting and leasing of other machinery, equipment	100,00	100,00
MKB Üzemeltetési Kft.	Hungary	Renting and operating of own or leased real estate	100,00	100,00
Euro-Immat Kft.	Hungary	Leasing of intellectual property and similar products, except copyrighted works	100,00	100,00
MKB Digital Szolgáltató Zrt.	Hungary	Computer programming activities	100,00	100,00
Euroleasing Zrt.	Hungary	Financial leasing	100,00	100,00
Retail Prod Zrt.	Hungary	Other credit granting	100,00	100,00
MKB Bank MRP Szervezet	Hungary	Entity operating based on the ESOP Act	100,00	100,00
MKB-Pannónia Alapkezelő Zrt.	Hungary	Fund management	49,00	49,00
MTB Magyar Takarékszövetkezeti Bank Zrt.	Hungary	Credit institution, investment and Treasury services	80,55	100,00
Takarékbank Zrt.	Hungary	Universal banking services	85,72	85,72
Takarék Jelzálogbank Nyrt.	Hungary	Issuance of mortgage bonds, refinancing of mortgage loans	88,13	88,33
Takarék Központi Követeléskezelő Zrt.	Hungary	Other financial service activities, except insurance and pension funding n.e.c.	100,00	100,00
TKK Takarék Követelésbehajtó Zrt.	Hungary	Activities of collection agencies and credit bureaus	100,00	100,00
Takarék Faktorház Zrt.	Hungary	Other credit granting	100,00	100,00
Takinfo Kft.	Hungary	Formerly: computer facilities management activities, now only operation and utilisation of real estates	52,38	52,38
TAKARÉK Lízing Zrt.	Hungary	Other credit granting	100,00	100,00
TAKARÉK Ingatlan Zrt.	Hungary	Management of real estate on a fee or contract basis	100,00	100,00
Takarék Invest Kft.	Hungary	Activities of holding companies	100,00	100,00
MPT Security Magyar Posta Takarék Biztonsági és Logisztikai Zrt.	Hungary	Private security activities	50,00	50,00
Takarékinfo Központi Adatfeldolgozó Zrt.	Hungary	Data processing, hosting and related activities	27,82	27,82
DBH Investment Kockázati Tőkealap-kezelő Zrt.	Hungary	Other financial service activities, except insurance and pension funding n.e.c.	99,50	99,50
TIFOR Takarék Ingatlanforgalmazó Zrt.	Hungary	Buying and selling of own real estate	100,00	100,00
TIHASZ Takarék Ingatlanhasznosító Zrt.	Hungary	Renting and operating of own or leased real estate	100,00	100,00
Central European Credit dd Zágráb	Hungary	Provision of money loans	100,00	100,00
HUN Bankbiztosítás Kft.	Hungary	Activities of insurance agents and brokers	100,00	100,00

List and presentation of owners with more than 5% participation

Name	Number of shares	Ownership share (%)	Voting rights (%)
Hungarian Bankholding Ltd.	308 504 991	99.09%	99.09%

Full-time employees

FTE, end of period	30.06.2021	31.12.2021	31.03.2022	30.06.2022
MKB Bank Nyrt.	4 440,70	4 382,55	4 462,73	4 613,90
MBH	44,00	116,90	60,90	13,55
MKB Digital Zrt.	221,20	189,75	190,35	168,40
MKB Üzemeltetési KFt.	48,11	46,51	45,11	30,61
Eurolízing	171,58	177,60	184,72	195,15
Alapkezelő	16,00	16,85	16,85	15,25
Budapest Eszközfinanszírozó Zrt.	8,00	8,07	6,23	3,25
Budapest Lízing Zrt.	33,00	34,35	33,80	24,50
MKB Bank MRP Szervezet	2,00	2,00	2,00	2,00
MTB Zrt.	587,30	533,60	497,47	456,75
Takarékbank Zrt.	4 171,02	4 187,19	4 074,68	3 919,74
Takarék Jelzálogbank Nyrt.	15,00	14,44	15,41	14,88
Takarék Központi Követelésbehajtó Zrt.	18,25	0,25	0,25	0,25
Takarék Faktorház Zrt.	13,78	13,28	11,38	10,38
Takarék Ingatlan Zrt.	23,38	21,75	22,50	19,63
Takarék Lízing Zrt.	27,05	27,05	20,74	15,54
TIFOR Takarék Ingatlanforgalmazó Zrt.	4,23	3,98	3,65	4,05
TIHASZ Takarék Ingatlanhasznosító Zrt.	37,23	39,93	39,35	37,95
MATAKEL	0,00	0,00	0,00	0,00
Takarék Központi Követelés Kezelő Zrt.	45,75	60,50	59,50	58,50
MKB Group	9 927,56	9 876,54	9 747,61	9 604,28

Managers and strategic employees

Type[1]	Name	Position	Beginning of mandate	End/termination of mandate	Number of shares held
IT, SP	Dr. Zsolt Barna	Chairman and CEO	01.01.2021	31.12.2025	0
IT	Dr. Géza Láng	member	04.04.2022	12.31.2025	0
IT	István Sárváry	member	04.04.2022	12.31.2025	0
IT	Dr. Balázs Vinnai	member	05.04.2022	12.31.2025	0
IT	Marcell Tamás Takács	member	30.07.2020	29.07.2025	0
IT, SP	Ádám Egerszegi	member	04.04.2022	12.31.2025	0
IT, SP	Levente László Szabó	member	04.04.2022	12.31.2025	0
FB	Dr. Andor Nagy	Chairman	04.04.2022	12.31.2025	0
FB	Dr. Beáta Bánkuti Erzsébet	member	04.04.2022	12.31.2025	0
FB	Zsigmond Járai	member	04.04.2022	12.31.2025	0
FB	Miklós Vaszily	member	04.04.2022	12.31.2025	0
FB	Valkó Mihály[2]	member	08.04.2022	02.06.2022	0
FB	Ágnes Hornung[3]	member	04.04.2022	23.06.2022	0
FB	János Nyemcsok	member	18.05.2021	31.03.2026	0
FB, SP	Kitti Dobi	member	26.07.2021	24.07.2026	0
FB	Balázs Bechtold	member	26.07.2021	06.07.2026	0
SP	Ildikó Ginzer	Deputy CEO	21.12.2016		0
SP	Ádám Egerszegi	Deputy CEO	10.12.2021		0
SP	Dr. Csaba Szomolai	Deputy CEO	09.12.2021		0
SP	Levente László Szabó	Deputy CEO	10.12.2021		0
SP	Antal Martzy	Deputy CEO	08.12.2021		0
SP	Kitti Dobi	Deputy CEO	09.12.2021		0
SP	Dr. Beatrix Mészáros	Deputy CEO	10.02.2022		0

[1] Employee in strategic position (SP), Board of Directors member (IT), Supervisory Board member (FB)
[2] Mihály Valkó resigned from his Supervisory Board membership from 2nd June 2022
[3] Ágnes Hornung resigned from her Supervisory Board membership from 23rd June 2022

4 ANNEXES

4.1 Financial indicators

4.1.1 Adjusted KPIs on profit&loss

KPI	Short description	Formulation	Current cumulated figures
ROAE	Adjusted rate on average equities	Annualised adjusted PAT (HUF bln) / Average equities (HUF bln)	$\frac{106\,482}{710\,807} * \frac{2}{1} =$ 29,96%
ROMC	Adjusted rate on minimum capital	Annualised adjusted PAT (HUF bln) / Average minimum capital (HUF bln)	$\frac{106\,482}{518\,801} * \frac{2}{1} =$ 41,05%
ROAA	Adjusted rate on average total assets	Annualised adjusted PAT (HUF bln) / Average Total assets (HUF bln)	$\frac{106\,482}{10\,128\,674} * \frac{2}{1} =$ 2,10%
TRM	Adjusted total revenue margin	Annualised adjusted Gross Operating Income (HUF bln) / Average Total assets (HUF bln)	$\frac{215\,091}{10\,128\,674} * \frac{2}{1} =$ 4,25%
CIM	Adjusted core income margin	Annualised adjusted net interest + net fee + FX income (HUF bln) / Average Total assets (HUF bln)	$\frac{(172\,363 + 38\,386)}{10\,128\,674} * \frac{2}{1} =$ 4,16%
NIM	Adjusted net interest income margin	Annualised adjusted Net Interest Income (HUF bln) / Average Total assets (HUF bln)	$\frac{172\,363}{10\,128\,674} * \frac{2}{1} =$ 3,40%
NFM	Adjusted net fee margin	Annualised adjusted Net Fee Income (HUF bln) / Average Total assets (HUF bln)	$\frac{38\,386}{10\,128\,674} * \frac{2}{1} =$ 0,76%
C/TA	Adjusted cost to total assets	Annualised adjusted General Admin. Expenses (HUF bln) / Average Total assets (HUF bln)	$\frac{94\,373}{10\,128\,674} * \frac{2}{1} =$ 1,86%
CIR	Adjusted cost-income ratio	Adjusted General Admin. Expenses (HUF bln) / Adjusted Gross Operating Income (HUF bln)	$\frac{94\,373}{215\,091} =$ 43,88%
Risk%	Adjusted risk cost rate	Annualised adjusted provision for losses on loans (HUF bln) / Average gross loans (HUF bln)	$\frac{-732}{4\,575\,161} * \frac{2}{1} =$ -0,03%
GOI/RWA	Adjusted RWA efficiency	Annualised adjusted Gross Operating Income (HUF bln) / Average Total RWA (HUF bln)	$\frac{215\,091}{3\,775\,170} * \frac{2}{1} =$ 11,40%
EPS	Adjusted earnings per share	Annualised adjusted PAT (HUF bln) / Average number of shares (bln pcs)	$\frac{106\,482}{311} * \frac{2}{1} =$ 684,07

4.1.2 KPIs on profit&loss as in financial statements (accounting and pro forma)

KPI	Short description	Formulation	Current cumulated accounting figures	Current cumulated pro forma figures
ROAE	Rate on average equities	Annualised PAT (HUF bln) / Average equities (HUF bln)	33 520 / 710 807 * 2/1 = **9,43%**	49 765 / 710 807 * 2/1 = **14,00%**
ROMC	Rate on minimum capital	Annualised PAT (HUF bln) / Average minimum capital (HUF bln)	33 520 / 518 801 * 2/1 = **12,92%**	49 765 / 518 801 * 2/1 = **19,18%**
ROAA	Rate on average total assets	Annualised PAT (HUF bln) / Average Total assets (HUF bln)	33 520 / 10 128 674 * 2/1 = **0,66%**	49 765 / 10 128 674 * 2/1 = **0,98%**
TRM	Total revenue margin	Annualised Gross Operating Income (HUF bln) / Average Total assets (HUF bln)	151 787 / 10 128 674 * 2/1 = **3,00%**	214 766 / 10 128 674 * 2/1 = **4,24%**
CIM	Core income margin	Annualised net interest + net fee + FX income (HUF bln) / Average Total assets (HUF bln)	(113 591 + 23 075) / 10 128 674 * 2/1 = **2,70%**	(172 363 + 38 062) / 10 128 674 * 2/1 = **4,16%**
NIM	Net interest income margin	Annualised Net Interest Income (HUF bln) / Average Total assets (HUF bln)	113 591 / 10 128 674 * 2/1 = **2,24%**	172 363 / 10 128 674 * 2/1 = **3,40%**
NFM	Net fee margin	Annualised Net Fee Income (HUF bln) / Average Total assets (HUF bln)	23 075 / 10 128 674 * 2/1 = **0,46%**	38 062 / 10 128 674 * 2/1 = **0,75%**
C/TA	Cost to total assets	Annualised General Admin. Expenses (HUF bln) / Average Total assets (HUF bln)	74 588 / 10 128 674 * 2/1 = **1,47%**	110 700 / 10 128 674 * 2/1 = **2,19%**
CIR	Cost-income ratio	General Admin. Expenses (HUF bln) / Gross Operating Income (HUF bln)	74 588 / 151 787 = **49,14%**	110 700 / 214 766 = **51,54%**
Risk%	Risk cost rate	Annualised provision for losses on loans (HUF bln) / Average gross loans (HUF bln)	-1 027 / 4 544 880 * 2/1 = **0,05%**	732 / 4 575 161 * 2/1 = **-0,03%**
GOI/RWA	RWA efficiency	Annualised Gross Operating Income (HUF bln) / Average Total RWA (HUF bln)	151 787 / 3 775 170 * 2/1 = **8,04%**	214 766 / 3 775 170 * 2/1 = **11,38%**
EPS	Earnings per share, IFRS	PAT (HUF bln) / Average number of shares (bln pcs)	33 520 / 311 * 2/1 = **215,3**	49 765 / 311 * 2/1 = **319,7**

4.1.3 Volume KPIs

KPI	Short description	Formulation	Current cumulated figures
Provision/ Total Assets	Provision to Total Assets	Provision for customer loans (HUF bln) / Total Assest (HUF bln)	167 620 / 10 189 745 = 1,64%
Securities rate	Securities to Total assets	Securities (HUF bln) / Total Assest (HUF bln)	3 325 476 / 10 189 745 = 32,64%
CAR	Capital adequacy ratio	Regulatory capital (HUF bln) / Total RWA (HUF bln)	681 681 / 3 981 941 = 17,12%
RWA/ Total Assets	Risk weighted assets to Total assets ratio	Total RWA (HUF bln) / Total Assest (HUF bln)	3 981 941 / 10 189 745 = 39,08%
DPD coverage	Rate of loans past due for more than 90 days covered by provision	Provision for customer loans (HUF bln) / Loans past due for more than 90 days (HUF bln)	167 620 / 174 120 = 96,27%
NPL rate	Rate of non-performing loans	Non-performing customer loans (HUF bln) / Gross customer loans (HUF bln)	174 120 / 4 640 508 = 3,75%
Direct NPL coverage	Rate of non-performing loans covered directly by provision	Provision for non-performing customer loans (HUF bln) / Non-performing customer loans (HUF bln)	-99 320 / 174 120 = -57,04%
Indirect NPL coverage	Rate of non-performing loans covered by provision	Provision for customer loans (HUF bln) / Non-performing customer loans (HUF bln)	167 620 / 174 120 = 96,27%

4.2 Abbreviations

MKB, MKB Bank, MKB Group	MKB Group
MBH	Hungarian Bankholding Zrt.
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.
NBH, MNB	National Bank of Hungary (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 comprenesive income
TOCI	Total other comprenesive 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
AFR	Instant payment system implementation project to comply with NBH requirements
Hitreg	Loan registry requirements of NBH
PSD2	Payment service directive 2