




**Q4 2022**

# **MKB Group**

**Investor Presentation**

Budapest, 30 March 2023





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

For definition and calculation methodology of alternative performance measurement indicators please refer to Q4 2022 Report chapter 4.1. – Financial indicators.

This presentation is to support the understanding of the underlying financial performance of MKB Group and it is a close and inseparable part of the Q4 2022 Report.

## Executive summary

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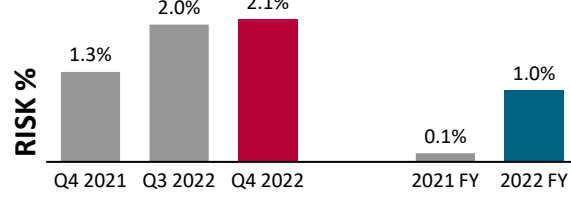
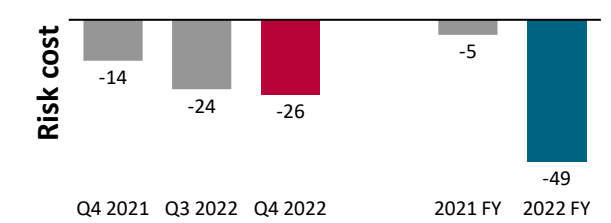
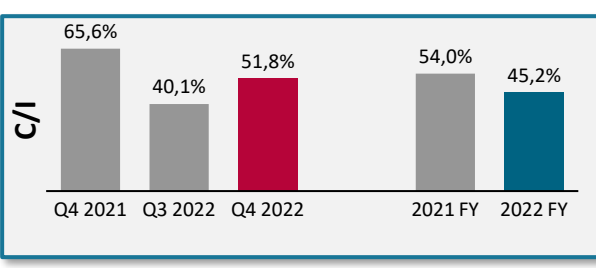
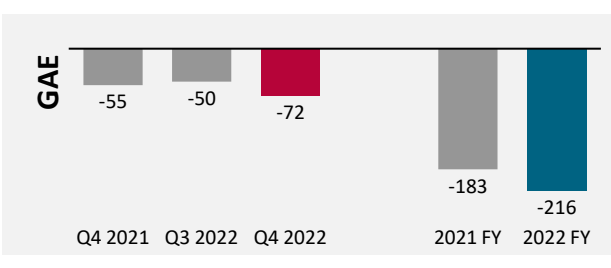
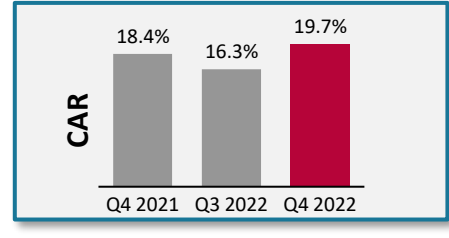
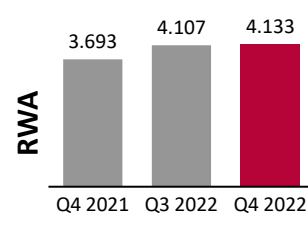
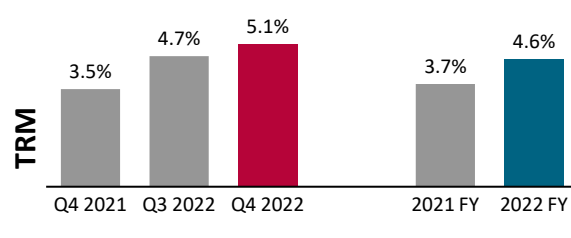
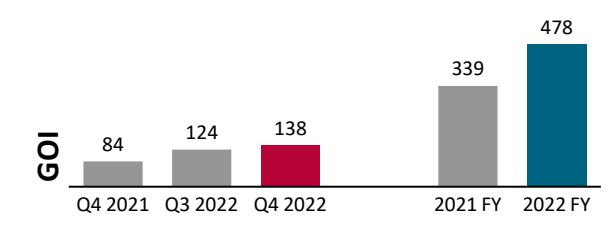
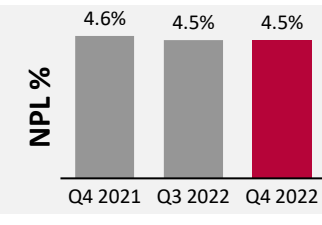
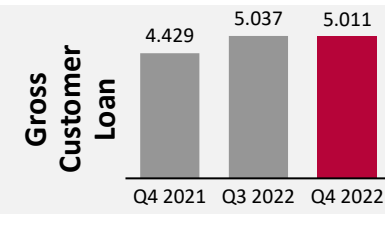
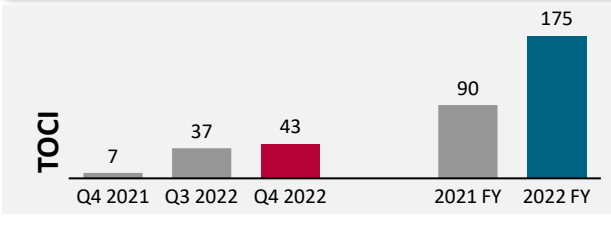
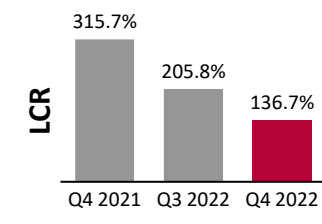
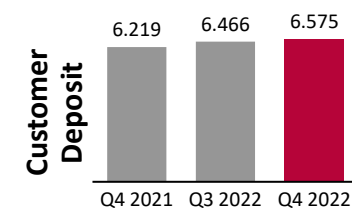
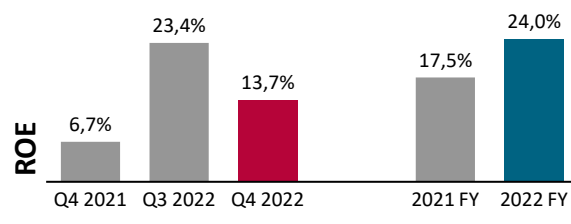
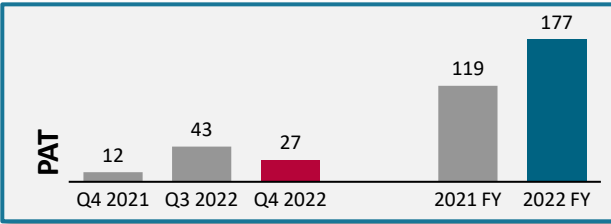
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Disclaimer

# Increasing profitability and efficiency amid macroeconomic turbulence and integration challenges

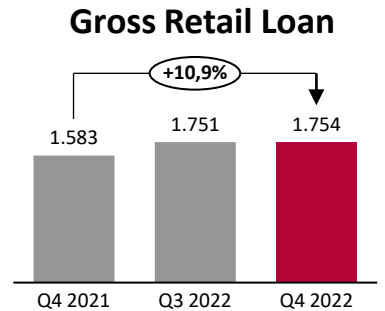


- ### Outstanding results in 2022:
- completed the first milestone of merger process, ready for the next steps
  - successful acquisition of Sberbank,
  - achieved **HUF 176.6 bn adjusted PAT** (+48.3% y/y) in 2022 mostly driven by increasing Net interest income
  - cost-to-income ratio decreased significantly due to rising incomes, despite heavy inflation pressure on costs
  - increased customer loan volumes **(+13,2% y/y)**, supported by the acquisition of the Sberbank loan portfolio
  - improved **CAR to 19.7%**, providing a sustainable basis for challenges of year 2023

# Key highlights by business lines

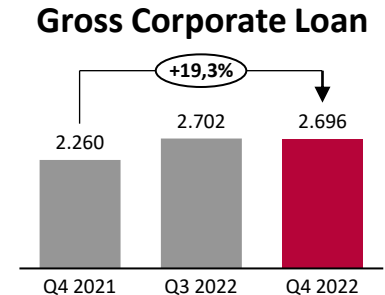
## Retail

- **Gross loan portfolio increased by 10.9% y/y, supported by the acquisition of Sberbank portfolio on the one hand, and accompanied by limited retail deposit growth on the other**
- Product innovations: GO! Platinum Credit Card, ÉnPostám co-branded credit card, CIG Pannónia LakóTárs housing insurance
- 1<sup>st</sup> place in MasterCard ‘**Premium Banking Activity** of the Year 2022’ category; consolidated product and service offering, introducing a new unified value proposition in the whole group
- Launch of the new Széchenyi Card MAX and GO! programme products in **micro segment**
- Branch network rebranding is under preparation for Q2 2023 as network modernisation programme advances



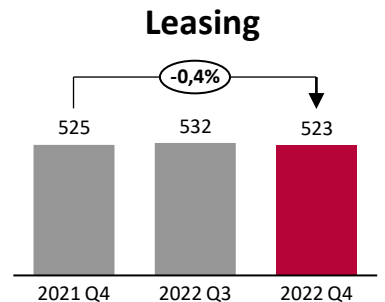
## Corporate

- **19.3% increase in loan portfolio, double digit growth in all segments. 6.9% increase in deposit volumes.**
- MKB Bank Group is one of the main participants in the renewed **Széchenyi Program**.
- Sberbank portfolio integration completed successfully, Takarékbank merger process is on schedule
- MKB received the ‘Most Innovative Bank in 2022’ award by EXIM.



## Leasing & Fund

- **Leasing:** Euroleasing became the exclusive Hungarian financier for Renault, Dacia and Alpine brands. Leasing volume of MKB Group amounted to HUF 522.9 bn at the end of 2022
- **Asset management:** At the end of 2022, assets under the management of MKB Fund amounted to HUF 1,324 bn





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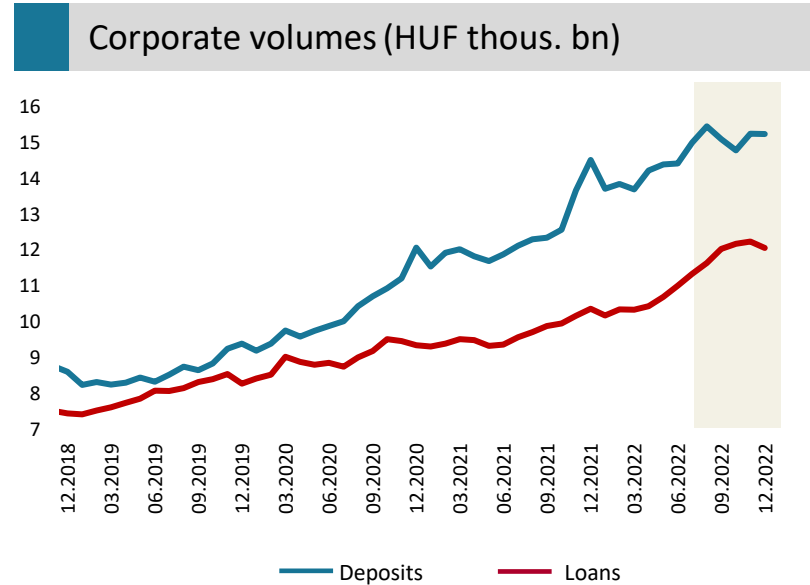
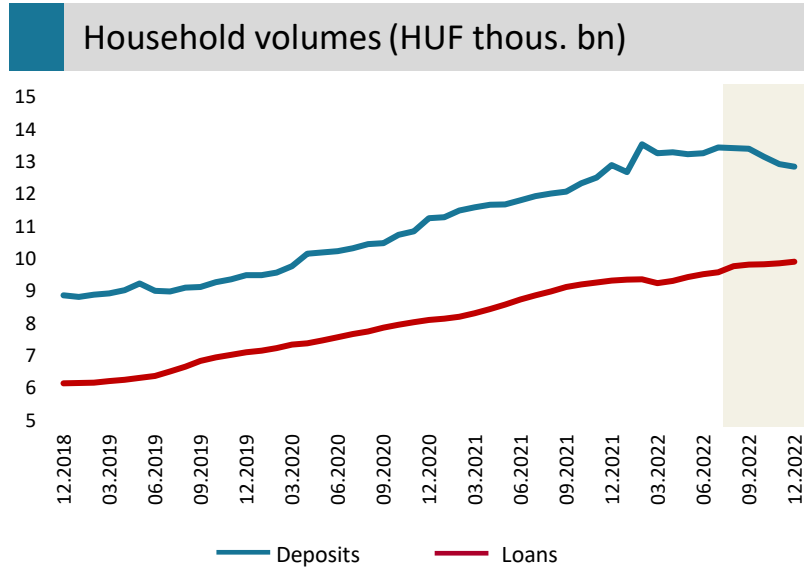
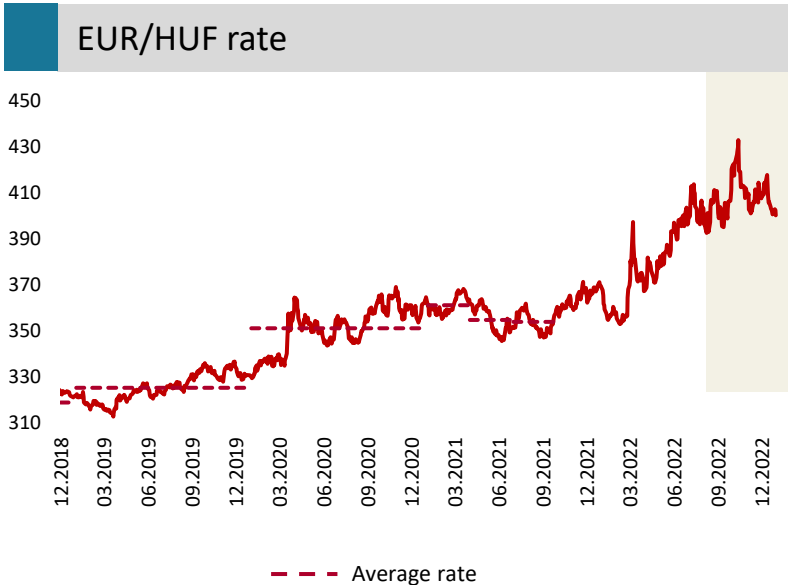
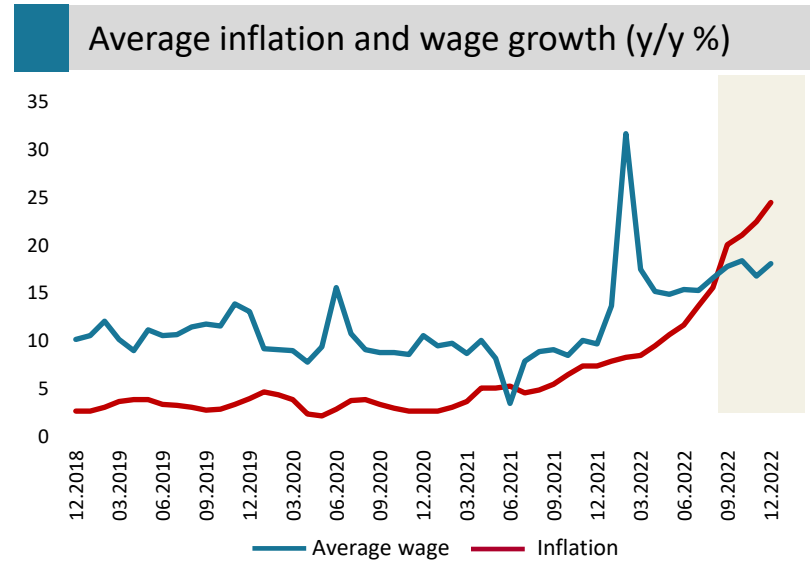
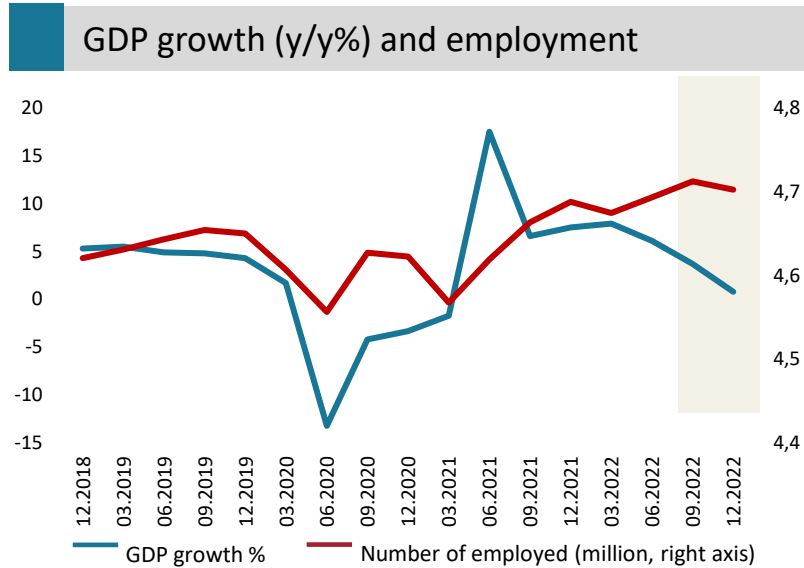
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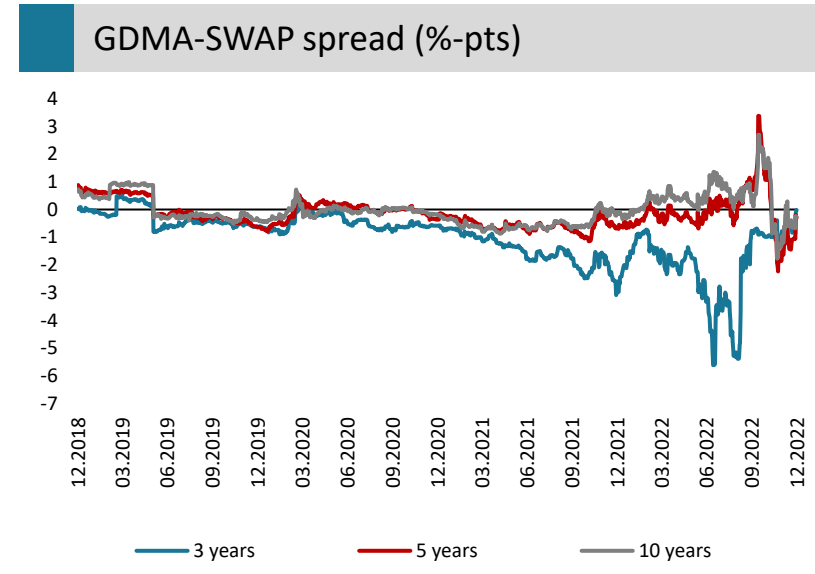
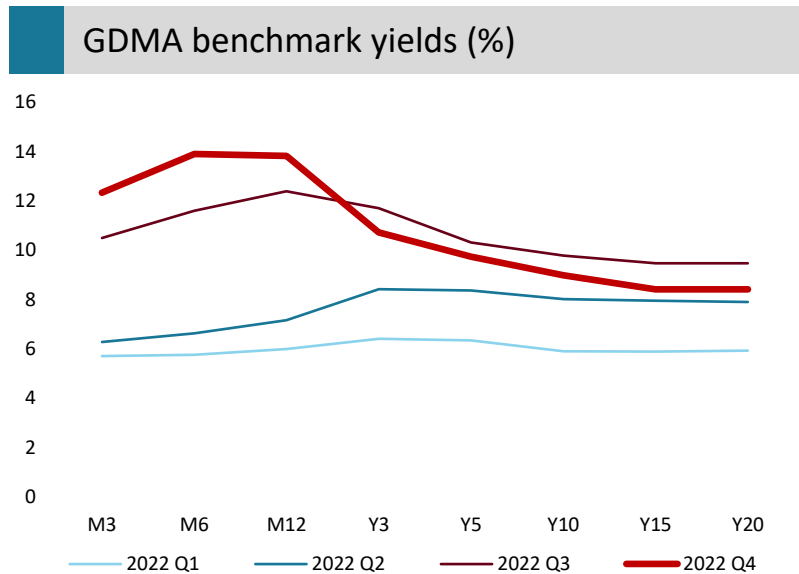
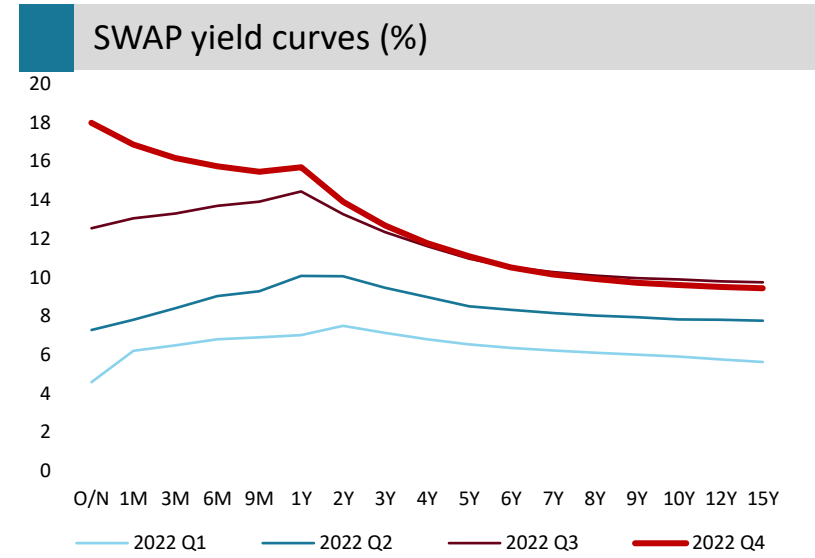
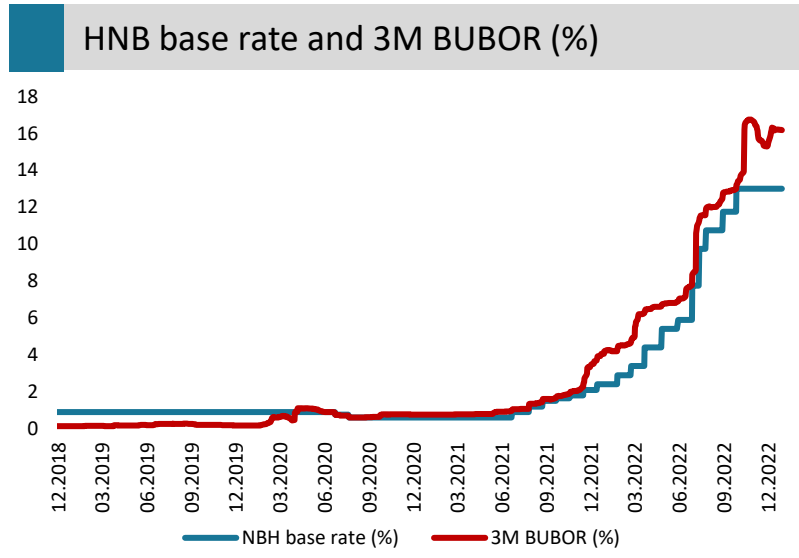
# Rising inflationary pressures, declining real earnings and demand in Q4

- Despite the ongoing monetary tightening, inflation stood at 24.5% at the end of December, with core inflation even higher. The EUR/HUF exchange rate set a new historical low during the fourth quarter, but regained strength towards the 400 level by the end of the quarter.
- Employment shrank by 9.7 thousand in the fourth quarter of 2022, with annual GDP growth at 0.8% over the period.
- While corporate deposits showed a milder decline in the fourth quarter, retail deposits declined more.



# In order to protect the forint, HNB decided to raise the effective interest rate by 500 basis points, which caused a significant rise in short yields on the Hungarian market

- Interest rates were unchanged for the rest of the quarter, with the base rate remaining at 13% and the policy rate at 18%. According to the central bank's communication, no easing of interest rate conditions is expected until the country's risk perception improves trend-wise.
- The rising yield environment has also led to changes in SWAP yield curve: while the short end of the curve showed an increase of around 300 basis points, the long end of the curve showed no significant change in swap yields.
- GDMA benchmark yields showed a mixed picture, with a rise on the short end but a fall on the longer maturities, further inverting the domestic yield curve during the quarter.





## Changes in the regulatory environment and post closing events

#

### Changes in Q4

1

**Extension of interest rate cap for loans:** interest rate cap has been extended for SME companies' loans and mortgage loans with a 5-year fixed interest rate until 30 June 2023

2

**Interest rate cap on the deposits of retail customers over HUF 20 million and deposits of institutional investors:** interest paid on HUF sight deposits with a maximum maturity of one year may not exceed the average yield of a discount treasury bill with a remaining maturity of 3 months

3

**Széchenyi Card Programme:** starting in 2023, 3.5% fixed interest rate loans expiring with the end of last year are replaced by 5% fixed loans, available for the following products: investment, working capital, current account, micro, agricultural and tourism loans

### Post closing events

4

**Baross Gábor Reindustrialisation Loan Programme:** running from 1 February 2023 to 15 December 2023, with a total available amount of HUF 700 bn: HUF 400 bn available for a loan programme for banks to provide forint loans at a fixed interest rate of 6% and euro loans at a fixed interest rate of 3.5%. The remaining HUF 300 bn is for EXIM loan programme. On 10 March, the budget was increased by an additional HUF 300 bn, bringing the total available amount to HUF 1,000 bn. MKB actively participates in the loan program.

5

**S&P credit rating downgrade for Hungary:** S&P on 27 January cut Hungary's long- and short-term foreign and local currency ratings to 'BBB-/A-3' from 'BBB/A-2'. The outlook on the long-term ratings is stable

6

**Bankruptcies of Silicon Valley Bank and Credit Suisse:** On 10 March, the 16th largest bank in the United States, Silicon Valley Bank (SVB), has become insolvent after unsuccessfully trying to raise more than two billion dollars in capital to deal with its losses.

On 19 March it was announced that the ailing bank Credit Suisse would be bought by its Swiss rival UBS in a deal backed by the Swiss government.

On the same day, six of the largest Central Banks (FED, Bank of Canada, Bank of England, Bank of Japan, Swiss National Bank, ECB) announced a coordinated action to enhance provision of liquidity via standing US dollar liquidity swap line arrangements.

With MKB management's close monitoring on important developments in the European and US banking sectors, it does not expect any direct negative impact on the Bank. Liquidity- and capital position of the Bank is stable, ratios are substantially above regulatory requirements.

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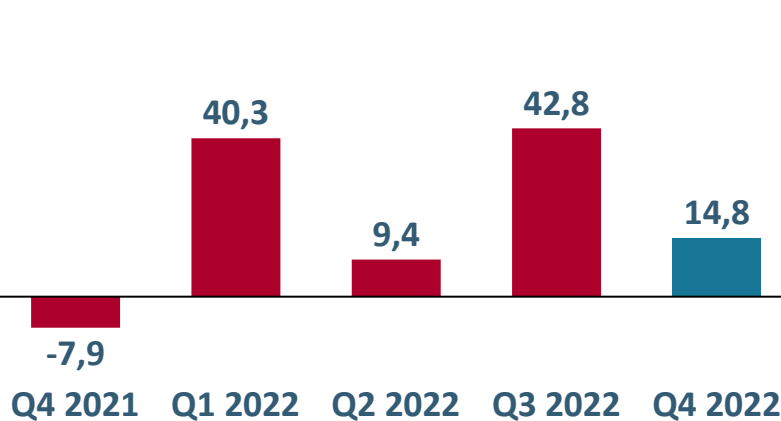
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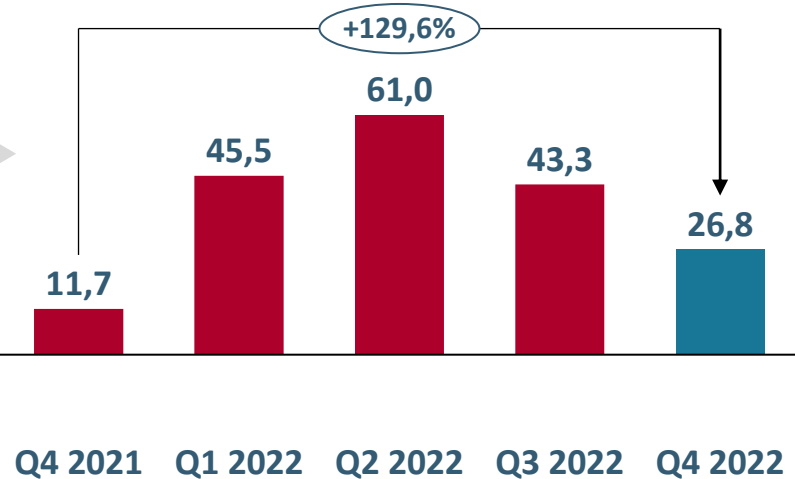
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PAT (HUF bn), q/q changes

Accounting profit after tax including BB 1Q results

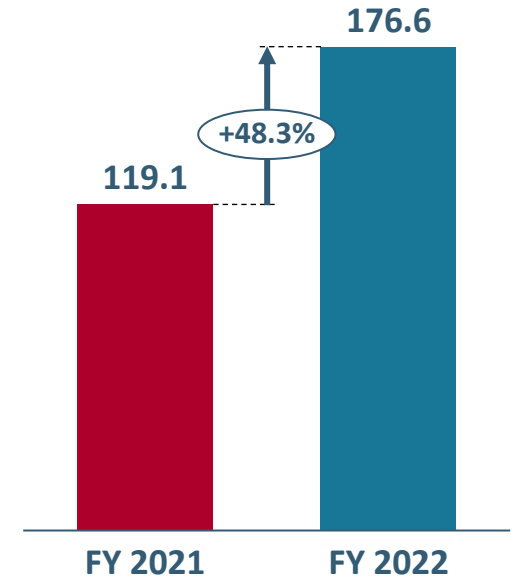


Adjusted profit after tax



PAT (HUF bn), y/y changes

Adjusted profit after tax

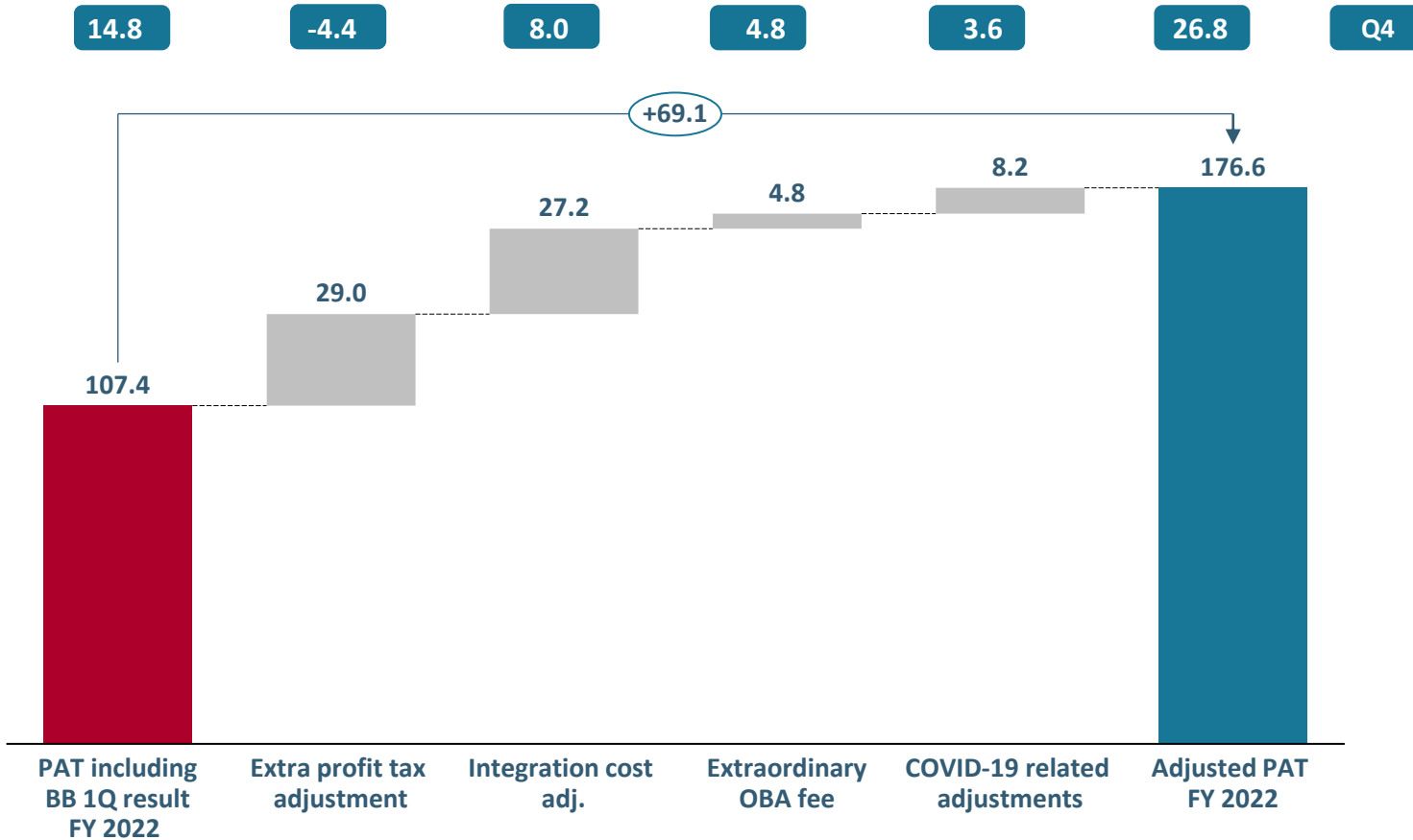


- Accounting profit after tax in Q4 2022 was HUF 14.8 bn. The decrease in the last quarter is primarily due to provisions and impairments as well as to one-off general administrative expenses items.
- Adjusted profit after tax for Q4 2022 exhibited an y/y increase of 129.6% which was driven mainly by increase in Net interest income
- The total adjusted profit after tax generated by MKB for the year of 2022 totalled HUF 176.6 bn, increased by HUF 57.5 bn compared to FY 2021, reflecting the increased normalised profitability of the Group.

Note: Merged Bank's financials for periods prior to Q2 2022 are calculated on a pro-forma basis

# Extra profit tax and integration costs are the main adjustments on PAT in 2022

2022Y adjusted Profit after tax breakdown (HUF bn)



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

- **Extra profit tax adjustment totalling HUF 29.0 bn**
- **Integration cost adjustment** comprises of MKB Bank, Budapest Bank and Takarékbank merger related expenses
- **Adjustment on extraordinary OBA fee:** HUF 4,8 bn Sberbank bankruptcy related extra fee is expected to be returned in 2023 as cancellation of the fee is already announced
- **Covid-19 adjustments applied to eliminate** the distortion effect of the pandemic.

Please note, from Q1 2022 the Banking tax is only normalized and allocated throughout the year to better reflect the periodic performances and not adjusted from the accounting PAT as it was in previous years.

## HUF 176.6 bn adjusted PAT in 2022 was mainly driven by the increase in Net interest income

ADJUSTED P&L (HUF bn)	MKB BANK									
	2021		2022					Δ%	Δ%	Δ%
	Q4	FY	Q1	Q2	Q3	Q4	FY	Y/Y (Y)	Y/Y	Q/Q
<b>Net operating income</b>	29.0	155.8	52.4	68.3	74.5	66.7	262.0	68.2%	130.2%	-10.5%
<b>Gross operating income</b>	84.2	338.6	96.2	118.9	124.4	138.3	477.8	41.1%	64.4%	11.2%
Net interest income	51.6	200.6	75.4	96.9	113.8	133.0	419.1	108.9%	157.9%	16.9%
Net fee and commission income	19.5	71.7	18.0	20.4	15.6	20.3	74.3	3.5%	3.7%	29.9%
Other operating income	13.0	66.2	2.8	1.6	-5.0	-15.0	-15.6	-	-	197.7%
<b>General admin. expenses</b>	-55.2	-182.8	-43.7	-50.6	-49.8	-71.6	-215.8	18.0%	29.8%	43.7%
<b>Provisions and impairments</b>	-17.0	-21.3	1.1	-0.3	-24.3	-44.7	-68.3	220.5%	162.6%	83.8%
<b>Banking tax</b>	-1.8	-5.4	-4.1	-1.4	-2.9	-5.3	-13.6	151.5%	190.0%	82.2%
<b>Adjusted PBT</b>	10.1	129.0	49.4	66.6	47.3	16.7	180.0	39.5%	64.8%	-64.8%
Corporate income tax	1.5	-9.9	-3.9	-5.6	-4.0	10.1	-3.4	-65.5%	552.2%	-
<b>Adjusted PAT</b>	11.7	119.1	45.5	61.0	43.3	26.8	176.6	48.3%	129.6%	-38.2%
Adjustments total on PAT	19.5	47.1	5.2	51.5	0.5	11.9	69.1	46.7%	-38.9%	2320.5%
<b>Profit after tax (PAT, unadjusted)</b>	-7.9	72.0	40.3	9.4	42.8	14.8	107.4	49.3%	-	-65.4%
Revaluation on AFS financial assets (OCI)	-5.1	-28.9	-47.6	36.5	-6.3	15.8	-1.6	-94.3%	-	-
<b>Total Comprehensive Income (unadjusted)</b>	-13.0	43.1	-7.3	45.9	36.5	30.6	105.8	145.6%	-	-16.2%
Adjustments total on TOCI	19.5	47.1	5.2	51.5	0.5	11.9	69.1	46.7%	-38.9%	2320.5%
<b>Total Comprehensive Income</b>	6.6	90.2	-2.1	97.5	37.0	42.6	174.9	93.9%	546.3%	15.0%

KPIs based on adjusted PAT (HUF bn)	MKB BANK									
	2021		2022					Δ%-p	Δ%-p	Δ%-p
	Q4	FY	Q1	Q2	Q3	Q4	FY	Y-Y (Y)	Y-Y	Q-Q
<b>Profitability</b>										
<b>TRM - Total Revenue Margin</b>	3,53%	3,71%	3,84%	4,65%	4,72%	5,15%	4,60%	0,89%	1,62%	0,43%
<b>NIM - Net Interest Margin</b>	2,16%	2,20%	3,01%	3,79%	4,32%	4,95%	4,04%	1,84%	2,79%	0,63%
<b>NFM - Net Fee Margin</b>	0,82%	0,79%	0,72%	0,80%	0,59%	0,75%	0,72%	-0,07%	-0,06%	0,16%
<b>CIM - Core Income Margin</b>	2,98%	2,98%	3,73%	4,58%	4,91%	5,70%	4,75%	1,77%	2,72%	0,79%
<b>Efficiency</b>										
<b>CIR - Cost-to-Income Ratio</b>	65,57%	53,99%	45,49%	42,57%	40,06%	51,77%	45,17%	-8,82%	-13,80%	11,71%
<b>ROAE - Return on Average Equity</b>	6,72%	17,54%	25,93%	33,89%	23,36%	13,69%	23,98%	6,44%	6,97%	-9,67%
<b>Equity share information</b>										
<b>EPS - Earning Per Share (HUF, annualized)</b>	149,8	382,6	584,6	783,5	556,5	347,1	572,3	189,8	197,3	-209,5

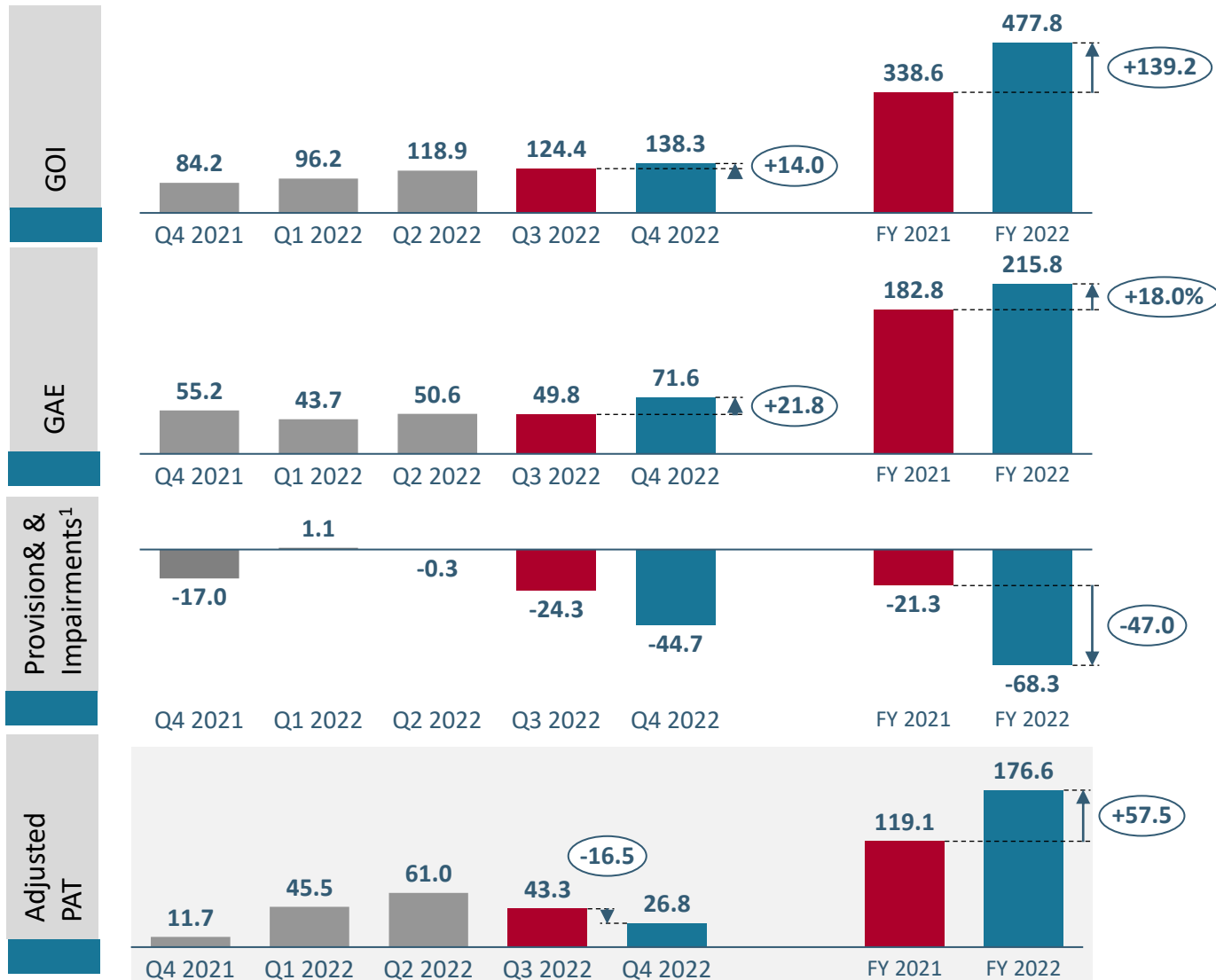
- Adjusted profit after tax for 2022 increased by 48.3% y/y to HUF 176.6 bn, reflecting the Group increased (adjusted) profitability.
- Net interest margin continued to increase, reaching 4.95% in Q4 2022, with a growth of 0.63%- pts q/q and 2.79%-pts y/y, reflecting partly the rising interest rate environment as well as liquidity surplus invested in risk-free assets, typically Treasury or HNB assets.
- The Cost-to-Income ratio of 45.17% exhibits significant decrease compared to FY 2021, reflecting the increasing income generating capability improving operating efficiency of MKB Group.
- MKB Group generated an impressive return of 23.98% on average equity for 2022, which demonstrates MKB's outstanding ability of creating added value for its shareholders.

<sup>1</sup> Includes provision for losses on loan, as well as other provisions and impairments

<sup>2</sup>The 3.1. chapter of the Report contains the list of adjustments

Note: Merged Bank's financials for periods prior to Q2 2022 are calculated on a pro-forma basis

# Boosting GOI offset the effects of inflation and increasing risk costs

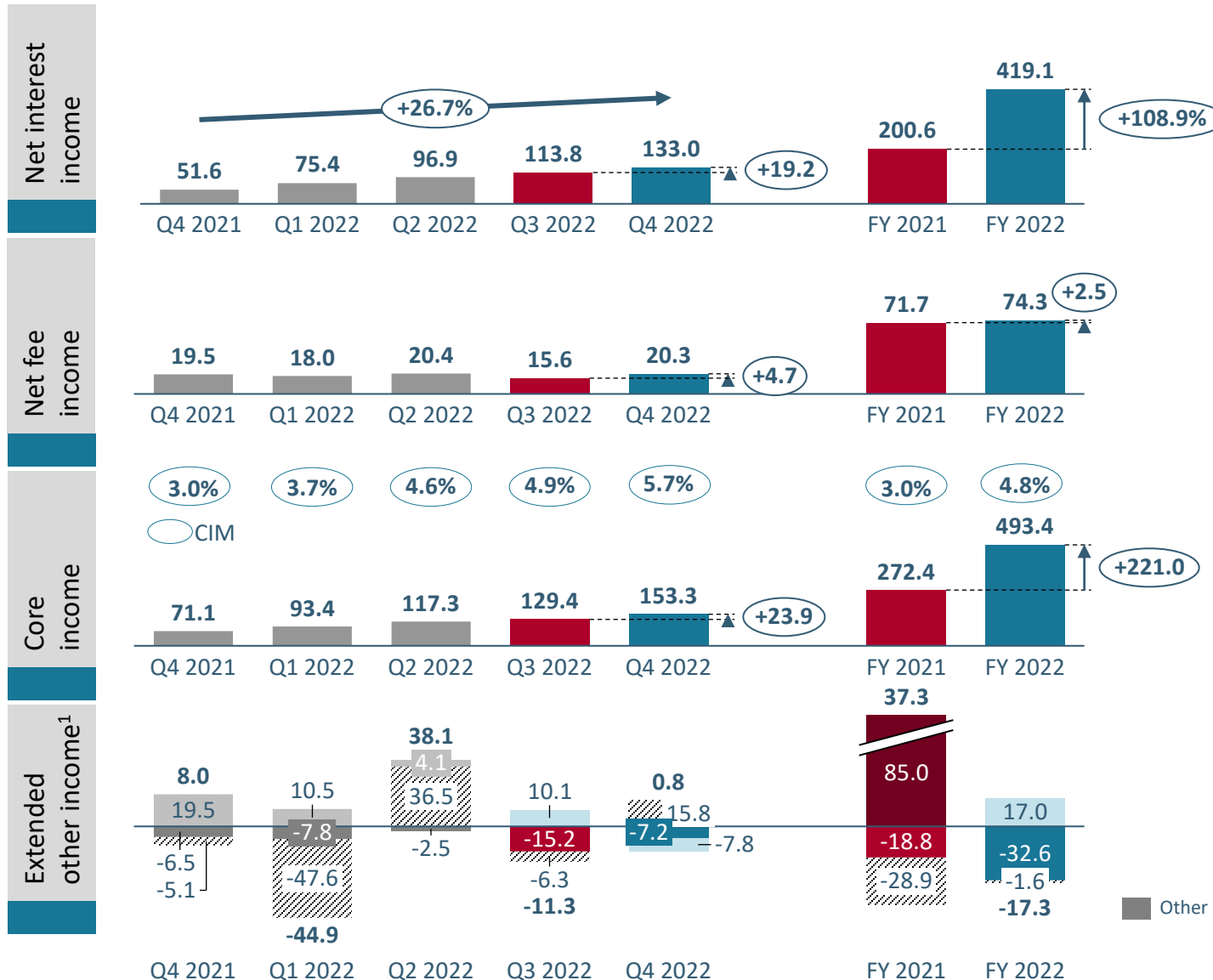


- **Gross Operating Income of MKB has been increasing in every quarter, reaching HUF 138.3 bn (+HUF 14.0 bn q/q, +HUF 139.2 bn y/y) in Q4 2022**, which is up by 64.4% compared to the same quarter last year. Net interest income growth has been the main factor.
- **HUF 215.8 bn (HUF +33.0 bn y/y) General Administrative Expense in 2022: the 18.0% y/y increase** was mainly attributable to the macroeconomic environment: significant inflation pressure and FX rate effects.
- **HUF 44.7 bn provisions and impairments were booked in Q4 2022**, summing up to HUF 68.3 bn in 2022, reflecting the changes in HNB requirements as well as the standardization of methodologies within MKB Group.
- **HUF 26.8 bn adjusted Profit after tax in Q4 2022.**

Note: Merged Bank's financials for periods prior to Q2 2022 are calculated on a pro-forma basis

<sup>1</sup> Includes provision for losses on loan, as well as other provisions and impairments

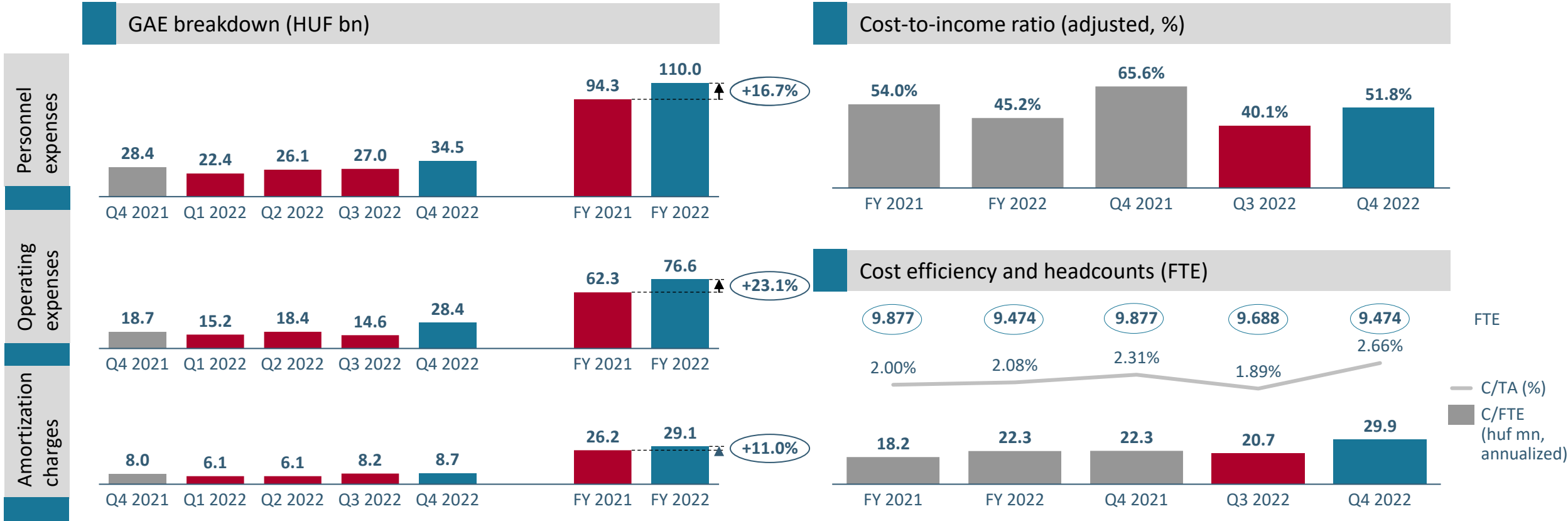
# MKB Group's core income grew by HUF 221bn y/y as the interest rate hike allowed for outstanding interest incomes



- **Net interest income reached HUF 133.0 bn in Q4 2022 (+16.9% q/q, +157.9% y/y).** MKB group successfully exploited the market potential using its excess liquidity to generate interest income amid rapid interest rate hike.
- **Net fee & Commission income reached HUF 20.3 bn in Q4 2022 (+29.9% q/q, +3.7% y/y),** relative to the preceding quarter mainly due to increasing turnover and number of customer transactions.
- **Consequently, MKB's Core income amounted to HUF 153.3 bn in Q4 2022 (+18.5% q/q; +115.5% y/y),** while the core income margin, which experienced a steep increase of 0.79%-pts compared to Q3 2022, is on sustainable long-term upward trend.
- **Extended other income totaled HUF 0.8 bn in Q4 2022** with the q/q changes being driven by volatile money market conditions through OCI and FV & FX results.

Note: Merged Bank's financials for periods prior to Q2 2022 are calculated on a pro-forma basis

# Expanding income counterbalanced the effects of increasing cost due to inflation rate hike, resulting in improved cost-to-income ratio



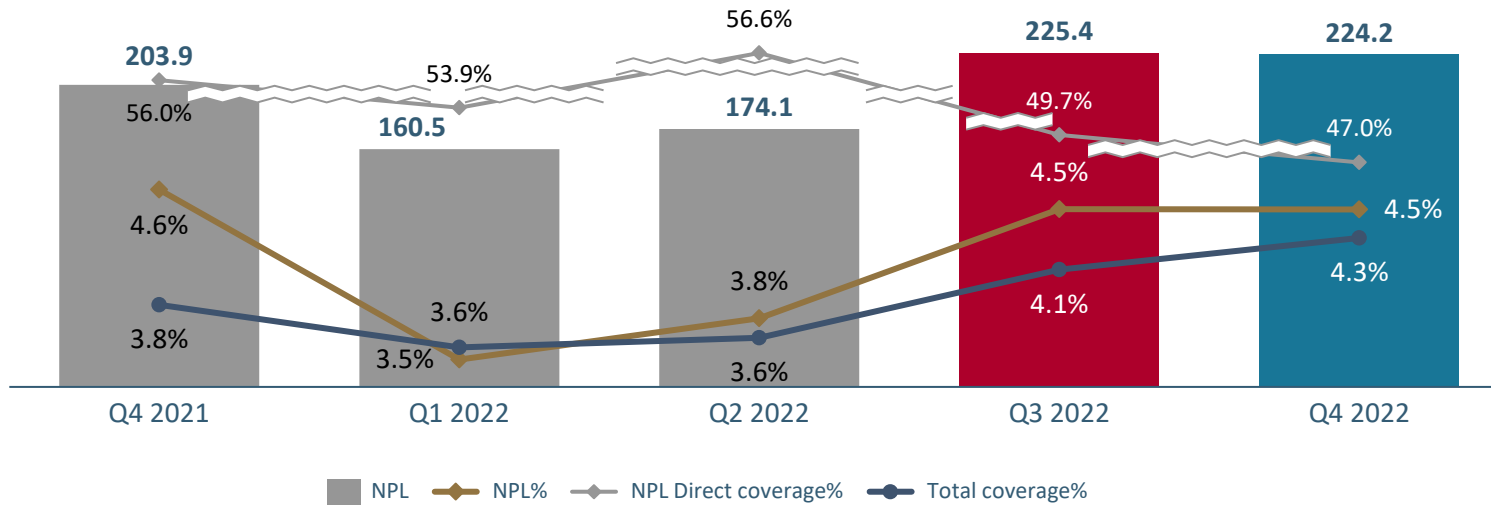
- **Adjusted C/I was 51.8% in Q4** which is a significant, 13.8%pt y/y decrease. Increasing cost levels were mitigated by rapid income growth.
- **Personnel expenses in FY 2022 grew by HUF 15.7 bn compared to FY 2021 (+16.7% y/y).** Savings resulted from decreasing of the headcount (-4.1% y/y) was overcompensated by the effect of inflation pressure.
- **FY 2022 OPEX increased by HUF 14.4 bn (+23.1% y/y).** The y/y increase was driven by heavy inflation and FX effects and also helped by synergies being successfully exploited.
- The amount of amortization charges was HUF 8.7 bn in Q4 2022, increased by 5.5% p/p, as result of previously implemented digitalization and regulatory compliance.

Note: Merged Bank's financials for periods prior to Q2 2022 are calculated on a pro-forma basis

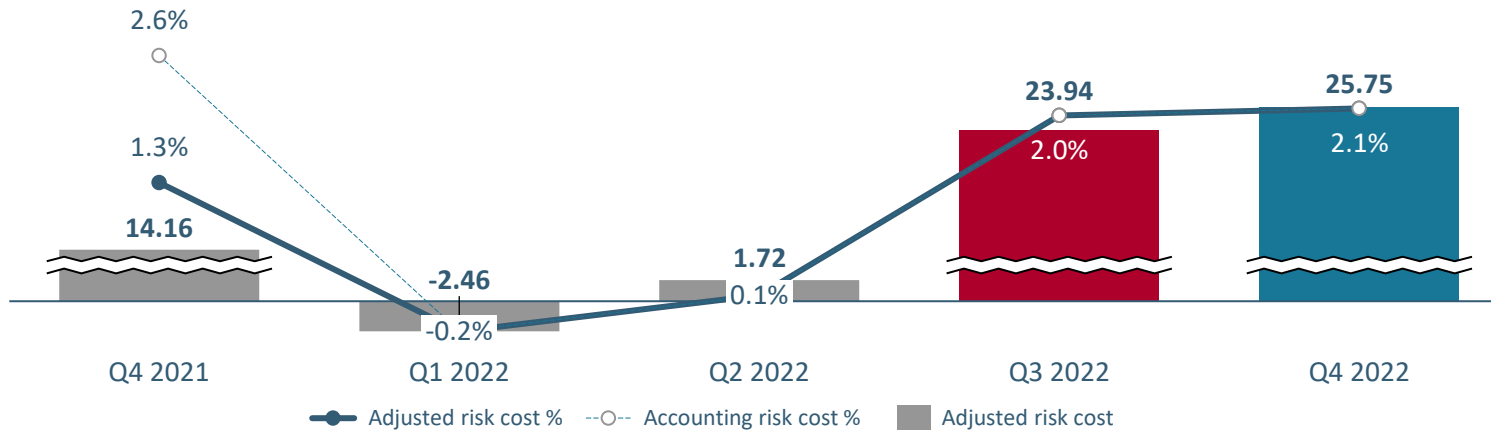


# Increasing total coverage due to allowance charge on performing loans as per IFRS9

NPL exposures (HUF bn), NPL ratio, NPL Direct coverage and Total coverage (%) <sup>1,2</sup>



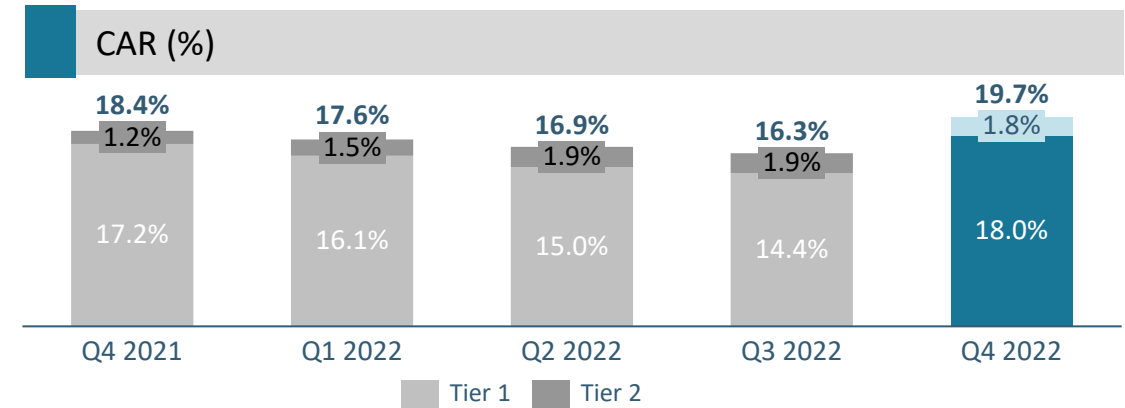
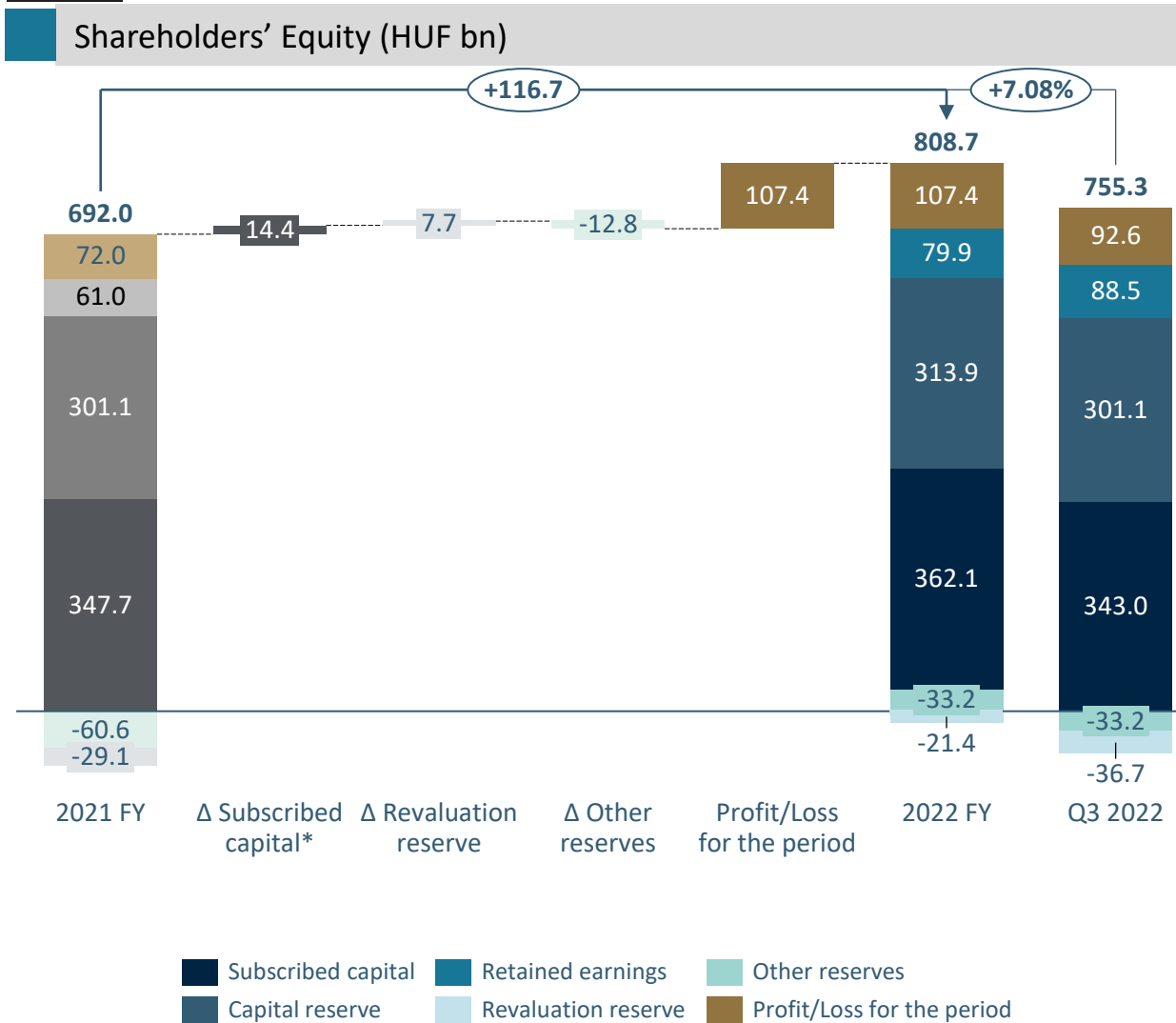
Adjusted credit risk cost (HUF bn) and annualised rate (%)



- The amount of NPL loans decreased to HUF 224.2 bn at the end of Q4 2022. The HUF 22.6 bn (+11.2%-pt) y/y change was primarily driven by methodological changes and Sberbank portfolio acquisition
- NPL% ratio remained at 4.5% in Q4.
- HUF 25.8 bn of risk cost in Q4 2022, consequently, the total amount of risk cost for the year of 2022 was HUF 49.0 bn.

<sup>1</sup> According to IFRS, held for sale and FVTPL portfolio is not included.  
<sup>2</sup> Please note, from 3Q 2022 figures have been calculated by new methodology.

# HUF 116.7 bn capital accumulation resulted in increasing CAR in 2022



### Regulatory Capital and Total RWA (HUF bn)

in HUF bn	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
<b>Regulatory Capital</b>	<b>679,9</b>	<b>653,0</b>	<b>676,4</b>	<b>669,4</b>	<b>816,0</b>
Tier 1	633,9	596,7	601,0	593,3	743,0
Tier 2	46,1	56,4	75,4	76,2	73,0
<b>RWA</b>	<b>3 692,6</b>	<b>3 713,1</b>	<b>4 004,4</b>	<b>4 107,1</b>	<b>4 132,7</b>

- Robust 2022 (accounting) profit propelled the capital accumulation (+HUF 116.7 bn) significantly increasing the shock absorbing capabilities of the Bank
- Strong capital position **19.7% capital adequacy ratio +1.3%-pt y/y**, as regulatory capital growth (+20.0%) counterbalanced the increase of RWA (+11.9%)

\* Subscribed capital includes Non-controlling interest

## The strong y/y balance sheet growth was partially supported by the acquisition of the Sberbank portfolio

STATEMENT OF BALANCE SHEET (HUF) bn	MKB BANK					Δ% Y/Y	Δ% Q/Q
	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4		
Financial assets	2 342.5	1 838.0	1 634.0	1 571.3	1 511.0	-35.5%	-3.8%
Trading portfolio	193.9	337.6	420.1	569.3	489.0	152.2%	-14.1%
Securities	2 689.1	3 120.8	3 281.1	3 484.7	3 403.4	26.6%	-2.3%
Loans and advances to customers (net)	4 260.7	4 454.8	4 472.9	4 839.8	4 795.8	12.6%	-0.9%
Loan and advances to customers (gross)	4 428.7	4 615.7	4 640.5	5 036.9	5 011.1	13.2%	-0.5%
Allowance for loan and lease losses	-168.0	-160.9	-167.6	-197.1	-215.3	28.2%	9.2%
Other assets	260.0	538.1	381.7	421.1	415.2	59.7%	-1.4%
<b>TOTAL ASSETS</b>	<b>9 746.2</b>	<b>10 289.4</b>	<b>10 189.7</b>	<b>10 886.1</b>	<b>10 614.4</b>	<b>8.9%</b>	<b>-2.5%</b>
Interbank liabilities	2 149.3	2 456.6	2 427.0	2 829.1	2 447.0	13.9%	-13.5%
Customer deposits	6 218.8	6 188.4	6 267.5	6 466.4	6 574.8	5.7%	1.7%
Debt securities issued	337.3	373.2	377.1	380.0	379.7	12.6%	-0.1%
Other liabilities	348.8	559.4	390.3	455.3	404.2	15.9%	-11.2%
Shareholders' equity	692.0	711.7	727.8	755.3	808.7	16.9%	7.1%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>9 746.2</b>	<b>10 289.4</b>	<b>10 189.7</b>	<b>10 886.1</b>	<b>10 614.4</b>	<b>8.9%</b>	<b>-2.5%</b>
<b>Off-Balance sheet customer items (gross)</b>	<b>1 422.9</b>	<b>1 489.9</b>	<b>1 609.0</b>	<b>1 586.6</b>	<b>1 516.9</b>	<b>6.6%</b>	<b>-4.4%</b>
<b>LTD - Loan-to-Deposit ratio</b>	71.2%	74.6%	74.0%	77.9%	76.2%	5.0%-p	-1.7%-p
Securities ratio	28.0%	30.9%	32.6%	32.5%	32.5%	4.5%-p	0.0%-p
Allowance for losses/ Total assets	-1.7%	-1.6%	-1.6%	-1.8%	-2.0%	-0.3%-p	-0.2%-p
<b>RWA/TA - RWA/Total assets</b>	37.9%	36.1%	39.3%	37.7%	38.9%	1.0%-p	1.2%-p
<b>CAR - Capital adequacy ratio</b>	18.4%	17.6%	16.9%	16.3%	19.7%	1.3%-p	3.4%-p
<b>LCR</b>	315.7%	287.6%	257.9%	205.8%	136.7%	-179.0%-p	-69.1%-p
<b>NSFR</b>	136.6%	132.1%	128.8%	126.5%	136.1%	-0.5%-p	9.6%-p

- Total assets growth during the last 12 months was mainly driven by the customer loan portfolio (+13.2% y/y). The strong yearly growth was also supported by the acquisition of the Sberbank portfolio.
- The total assets decreased during 4Q 2022 (-2.5% q/q) while customer deposits grew in a stable rate (1.7% q/q)
- Interbank financing need decreased in 4Q 2022 significantly (-13.5% q/q).
- MKB Bank had an increase of customer deposit volumes (+5.7% y/y) also.
- **Loan-to-deposit ratio showed a slight decrease q/q, standing at 76.2% at the end of 2022.**
- LCR (136.7%) and NSFR (136.1%) ratios are well above the regulatory minimum. Transformation of the HNB's toolset had significant negative effect on the LCR rate, while the liquidity buffer remained stable.

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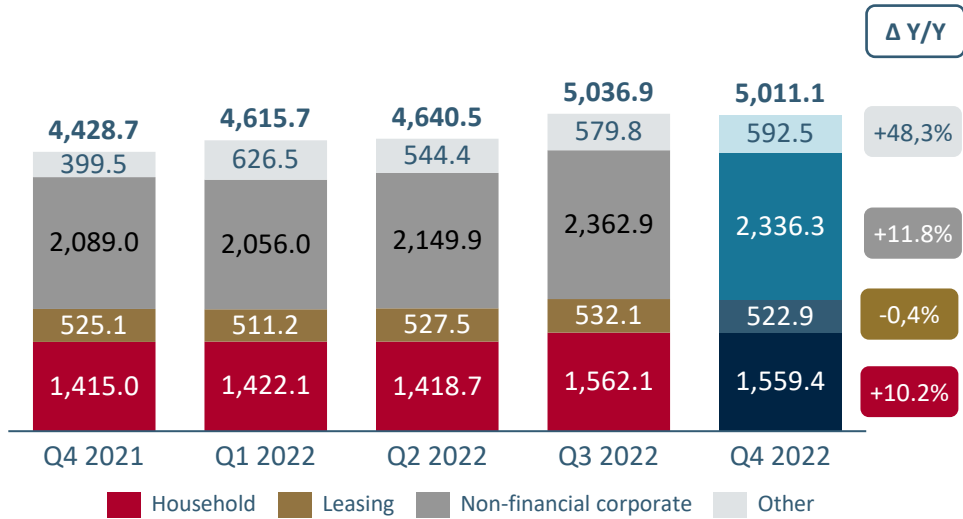
Unadjusted Profit

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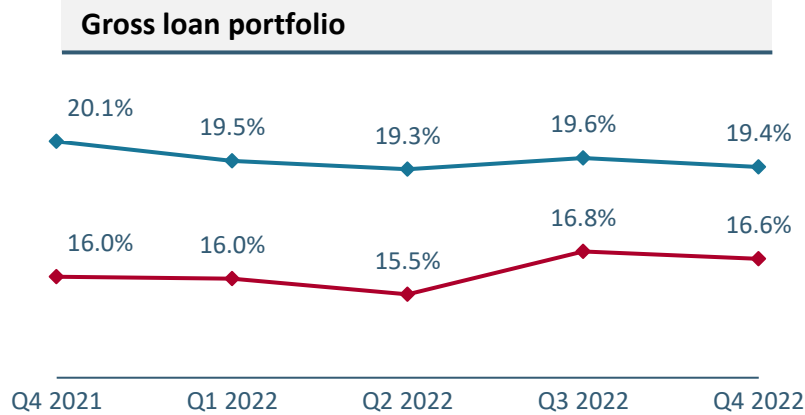
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# Increasing volumes and stable market shares in Q4 2022

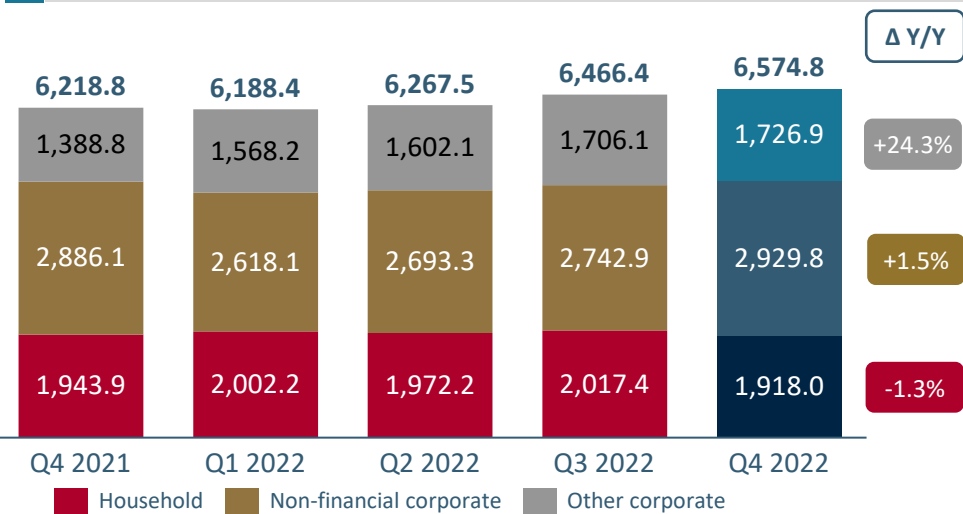
Customer gross loan<sup>1</sup> portfolio (HUF bn)



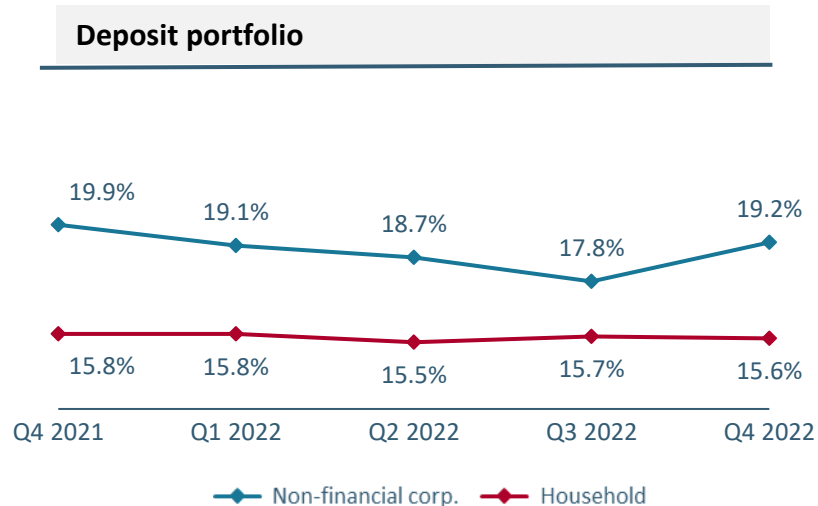
Market shares<sup>2</sup> (%)



Customer deposit<sup>1</sup> portfolio (HUF bn)



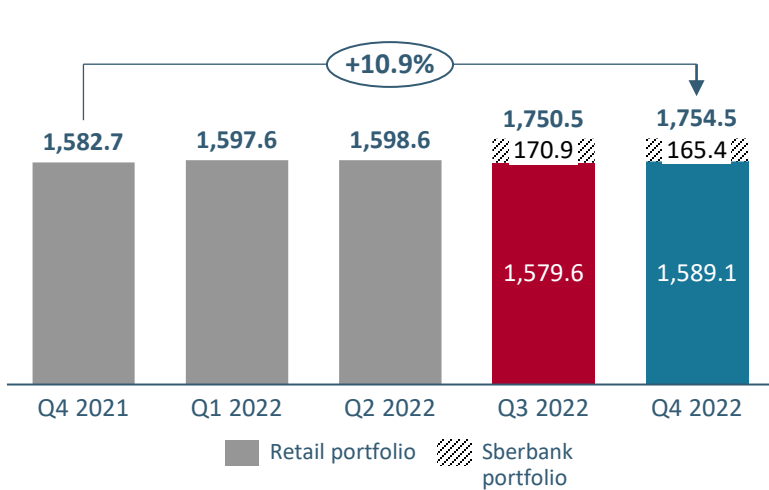
Market shares<sup>2</sup> (%)



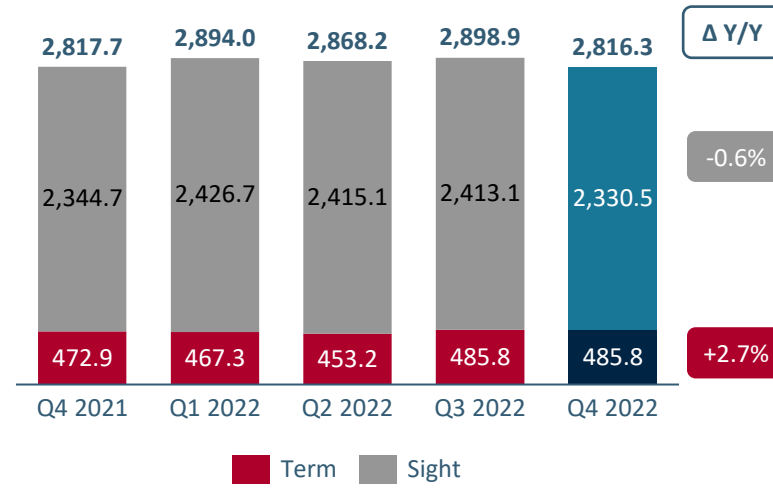
- **MKB's gross loans**, despite the unfavourable economic environment, **increased during the year, generating a y/y increase of 13.2% (HUF +582.4)**. In Q4 2022 there was a breaking (-0.5% q/q, HUF -25.8 bn q/q), market shares are stable.
- Since 1Q customer deposits growth was uninterrupted despite the merger of BB and MKB. In 4Q deposits grew further.
- **By the end of December, MKB's deposit portfolio increased by 5.7% (HUF +355.6 bn y/y) and by 1.7% (HUF +108.0 bn) q/q.**

<sup>1</sup>IFRS figures; <sup>2</sup> HNB statistics

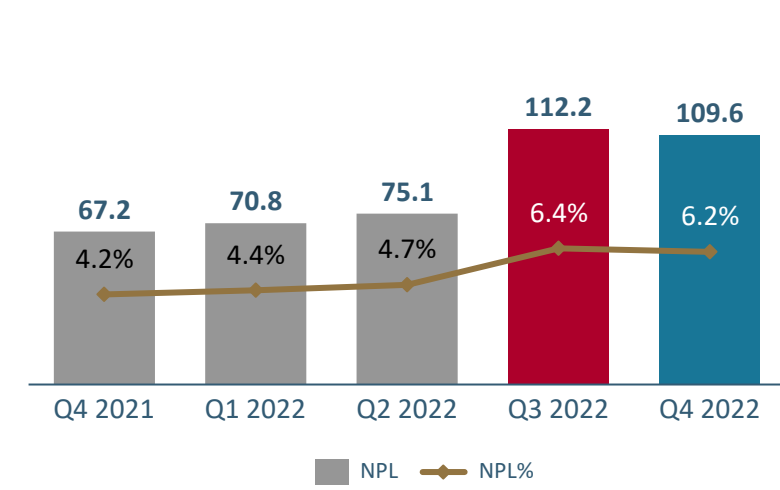
Retail business loans – Gross volume (HUF bn)



Retail business – Customer deposits by type (HUF bn)



Retail business – NPL (HUF bn), NPL (%)



**Loans:**

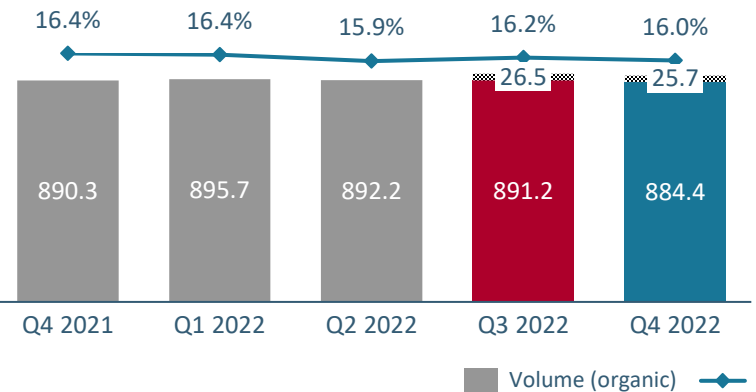
- **The total retail loans portfolio** dynamically increased in 2022, y/y growth was 10.9%. Acquisition of Sberbank assets supported the loan portfolio growth.
- Stable organic retail business loan volumes in Q4 in spite of the apparent decrease in demand for loans.
- Retail NPL volumes decreased in 4Q, NPL% ratio also decreased to 6.2% from 6.4% in the previous quarter.

**Deposits:**

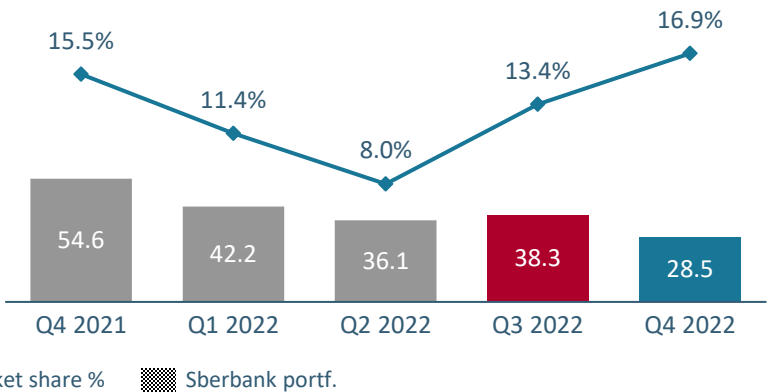
- **Retail deposits** decreased by HUF 1.3 bn y/y (mainly sight deposits). Macroeconomic hardship hinders the saving capabilities of retail customers resulting in a moderate decrease of 2,8% in 4Q 2022
- **Customer term deposits increased by 2.7% on an annual basis** (+HUF 12.9 bn y/y).

# Increasing market shares both in mortgage loans and personal loans new disbursements

**Retail mortgage loans – Gross volume (HUF bn) and market share (%)**



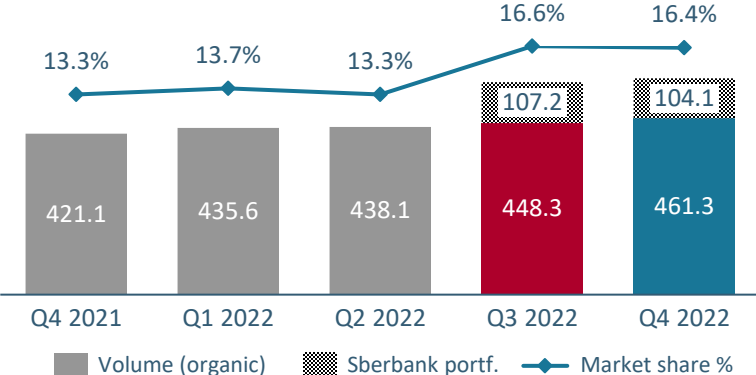
**Retail mortgage loans – New loan disbursement (HUF bn) and market shares (%)**



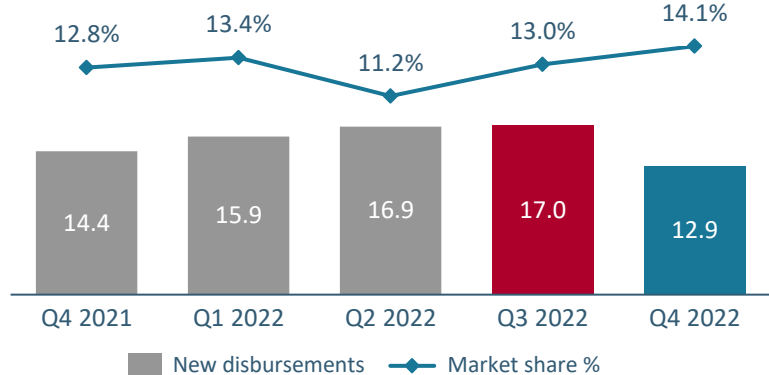
**Mortgage loans:**

- Retail mortgage loan volume growth (HUF +19.9bn y/y) was affected by the market slow-down, as well as the acquisition of Sberbank portfolio. Market share of retail mortgage loans was 16.0%.
- **Retail mortgage loan disbursement** amounted to HUF 28.5 bn in 4Q 2022.

**Retail unsecured loans – Gross volume (HUF bn) and market share (%)**



**Retail personal loans – New loan disbursement (HUF bn) and market shares (%)**



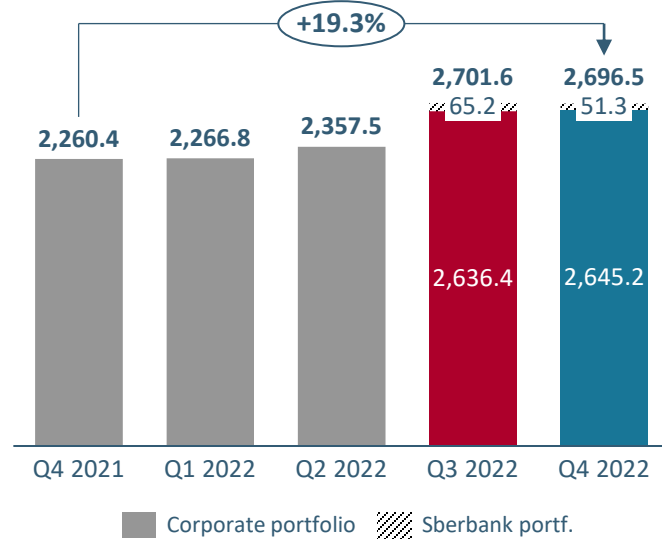
**Unsecured loans:**

- **Unsecured loan volumes also increased.** MKB Bank maintained its market share, supported by the Sberbank portfolio. (Excluding the impact of the acquisition of the Sberbank portfolio, the unsecured loan market share reached 13.4%).
- **Retail personal loan disbursement** amounted to HUF 12.9 bn in 4Q 2022. The Bank increased its market shares (+1.1% q/q).

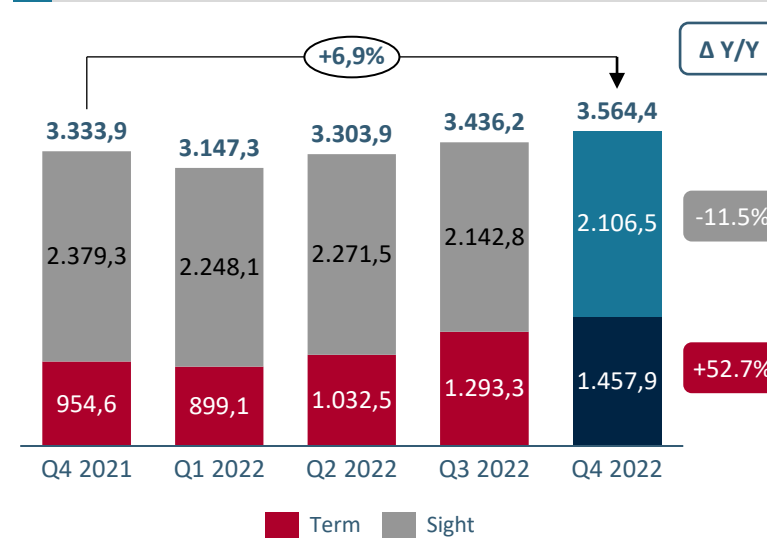
Please note: Segmentation presented on charts in this section is based on internal business segmentation of MKB Bank, which differs from the segmentation of the Hungarian National Bank (HNB) presented on previous slides. Retail market share is presented based on HNB's secured market.

# Corporate business segment gross loans increased by 19.3%, customers' deposits increased by 6.9% annually

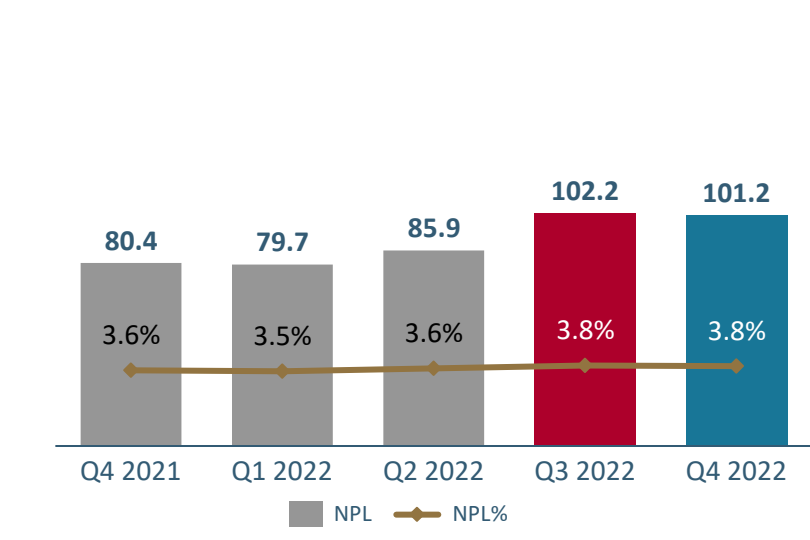
Corporate business – Gross loan portfolio (HUF bn)



Corporate business – Customer deposits by type (HUF bn)



Corporate business – NPL (HUF bn), NPL (%)

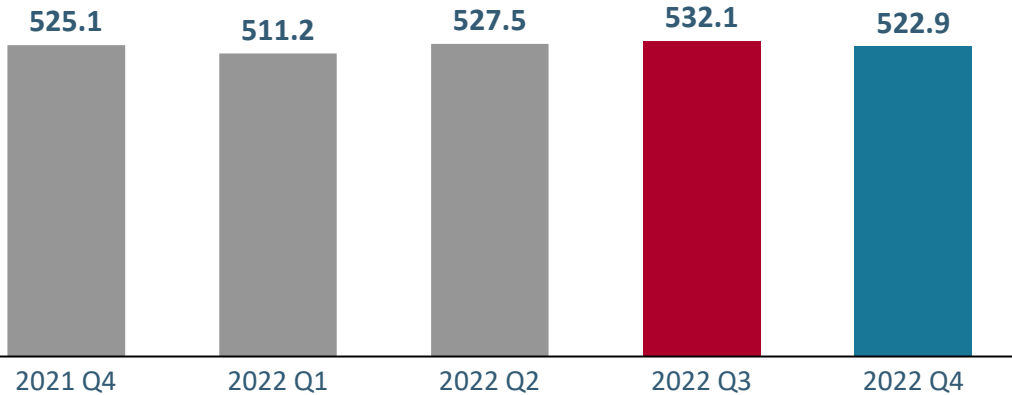


- Corporate business grew by 19.3% during last year on loan portfolio, reaching HUF 2,696.5 bn at the end of 2022. Sberbank portfolio enhanced the volumes further.
- Corporate business deposits increased by 6.9% y/y (+HUF 230.4 bn y/y), supported by the government programs and partially by the moratorium induced lack of repayment.
- Share of term deposit reached over 40% and increased by 52.7% compared to 4Q 2021 (+503.3 bn y/y). Sight deposits collected from Corporate business customers showed a slightly decrease of 1.7% (HUF -36.3 bn q/q).
- Corporate NPL loan volumes was HUF 101.2 bn at the end of Q4 2022, which showed a decrease of HUF 1.0 bn (-1.0% q/q) compared to Q3 2022.
- NPL% ratio remained at 3.8% in Q4 2022.

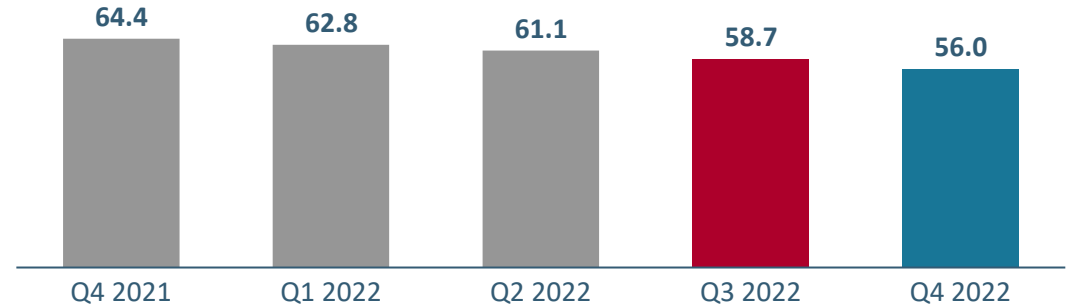


# MKB Group's leasing business outperformed the competitors and grabbed the market leader position

Gross volume (HUF bn)



Number of clients (thousand)



- MKB Group leasing portfolio amounted to HUF 522.9 bn as of 31 December 2022, by HUF 2.2 bn (-1.7% y/y) lower compared to Q4 2021.
- Euroleasing Zrt. and RCI Services Kft. have signed a cooperation agreement under which the leasing company became the exclusive domestic financier of the Renault, Dacia and Alpine brands from 1 March 2023.
- Decline in number of customers is due to maturing contracts and customers not starting new leasing financing in the current interest rate environment. At the same time, the financed volume remains stable provided by a shift towards asset financing.



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The aim of the merger of MKB Group's banks is to create an integrated universal bank providing a comprehensive range of products to both retail and corporate customers, as well as playing a key role in the Hungarian economy



- **Market leader / outstanding capabilities** in several segments (e.g. leasing, agricultural segment, micro / SME)
- **Strategy and 5-year Business plan was approved** by the Board of MKB
- **New management** was appointed at MKB in order to ensure centralized management
- **Integration of leasing subsidiaries**
- Legal merger of MKB, BB (LD1 – 01.04.2022)
- **Merger of fund management subsidiaries**
- **Merger of IT subsidiaries**
- **Consolidation of real estate management**



- **Legal merger of MKB and Takarékbank (01.05.2023)** Introduction of a new brand
- **The major part of branch and ATM network optimization will be completed together with the rollout of modern branch model begins**
- BB corporate volumes migration
- **Unified digital customer interfaces** (website, mobile app)
- **Creation of a unified investment service provider**
- **Unified insurance product on a digital basis**



- **Retail sales on a new basis**
  - New digital products
  - New mobile app
- **Digitalized, state-of-the-art solutions for corporate customers**
- **Creating SPO capability**
- **Maximizing synergies**
- **Continuous appearance of innovative capabilities**



## Visa Awards

MKB group received **Visa #1 Issuer 2022** and **Visa #1 Sustainable Card 2022** awards.



## EXIM Awards

MKB Bank was recognised as **„The Most Innovative Bank of the Year”**, while Euroleasing won **„The Leasing Company of the Year”** and **„The Leasing Company with the Highest Number of Compensation Lease Contracts”** awards.

The **„Urbán Zoltán Memorial Award”** also won by Euroleasing.



## Leadership – industry recognitions

At the Women in Finance Gala, Chief Business Officer of MKB Bank, **Ildikó Ginzer** and CEO of Euroleasing, **Judit Vály** were both recognised with **“Hungary's key female financial player in 2022”** award.

CEO of Euroleasing, **Judit Vály** received **„Leasing Professional of the Year”** award, by the Hungarian Leasing Association.



## HR Awards

**Kitti Dobi**, Chief HR Officer won **„HR Leader of the Year”** award, handed over by HR professional magazine Behaviour.

MKB Bank was recognized with the **„Best Workplace for Women”** award, by the Association of Women’s Career Development.

**MKB Bank** is recognised as **„Family friendly workplace”**.

Among large enterprises, our banking group received the **„Lovable Workplace”** recognition, by DreamJobs.

## Dedicated Team

- Business and product development stream
- Risk and capital stream
- Communication and PR stream
- Net-zero banking stream

ESG area  
6 experts

For the successful implementation of  
the vision and strategic goals



## Strategy

1. **Partner in sustainable finance:** We introduce sustainability aspects into financial processes and decisions, through which our sustainable operation becomes conscious along a well-defined set of criteria and values.
2. **Responsible group of companies:** Our operation is determined by the compliance with current regulatory expectations and future consumer needs by actively raising awareness among our customers and employees.

### Green finance

A key focus is on the agricultural and **renewable energy sectors**, as well as on the financing of environmentally friendly real estates.

We will **increase the number of ESG mutual funds** and give more emphasis to ESG risk considerations for loan applications.

### Launch of accession to the UN Guiding Principles on Responsible Banking

We integrate sustainability considerations into our internal operations by rethinking policies (etc: Procurement) and join international initiatives to increase our credibility.

### Taking ESG risks into account in the decision-making process

The Green Recommendation 5/2021 of HNB, along with a number of other European recommendations

Formulation of risk management requirements

Self-esteem

Action plan to eliminate shortages

## Awards



Badge In 2021, MKB – Pannonia Fund Manager won first place in the category **"Best Developed Market Equity Fund 2021"** at the Private Banker Classic 2021 awards ceremony



The bank received the HNB's **Green Bank Award**.



At the end of April 2022, the bank's activities were recognized at the Euromoney awards ceremony in London with the first prize in the category **"Best Inheritance Consulting Service"**.

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# Unadjusted and adjusted P&L

P&L Q4 2022 (HUF bn)	MKB BANK	
	Unadjusted P&L	Adjusted P&L
<b>Net operating income</b>	<b>55.4</b>	<b>66.7</b>
<b>Gross operating income</b>	<b>135.8</b>	<b>138.3</b>
Net interest income	135.7	133.0
Net fee and commission income	20.3	20.3
Other operating income	-20.2	-15.0
FX and FV results	-7.8	-7.8
Other income	-12.4	-7.2
<b>General admin. expenses</b>	<b>-80.4</b>	<b>-71.6</b>
<b>Provisions and impairments</b>	<b>-51.4</b>	<b>-44.7</b>
<b>Banking tax</b>	<b>-0.4</b>	<b>-5.3</b>
<b>PBT</b>	<b>3.5</b>	<b>16.7</b>
Corporate income tax	11.3	10.1
<b>PAT</b>	<b>14.8</b>	<b>26.8</b>
OCI	15.8	15.8
<b>TOCI</b>	<b>30.6</b>	<b>42.6</b>

KPIs based on unadjusted PAT (HUF bn)	MKB BANK									
	2021		2022					Δ%-p	Δ%-p	Δ%-p
	Q4	FY	Q1	Q2	Q3	Q4	FY	Y-Y (Y)	Y-Y	Q-Q
<b>Profitability</b>										
<b>TRM - Total Revenue Margin</b>	3.49%	3.70%	3.82%	4.65%	4.73%	5.05%	4.58%	0.88%	1.56%	0.32%
<b>NIM - Net Interest Margin</b>	2.17%	2.20%	3.01%	3.79%	4.32%	5.05%	4.06%	1.86%	2.88%	0.73%
<b>NFM - Net Fee Margin</b>	0.83%	0.79%	0.70%	0.80%	0.60%	0.75%	0.72%	-0.07%	-0.07%	0.15%
<b>CIM - Core Income Margin</b>	2.99%	2.99%	3.71%	4.59%	4.92%	5.80%	4.78%	1.79%	2.81%	0.88%
<b>Efficiency</b>								0.00%	0.00%	0.00%
<b>CIR - Cost-to-Income Ratio</b>	78.75%	61.03%	51.54%	51.55%	43.76%	59.20%	51.69%	-9.34%	-19.55%	15.44%
<b>C/TA - Cost-to-Total Assets</b>	2.75%	2.26%	1.97%	2.40%	2.07%	2.99%	2.37%	0.11%	0.24%	0.92%
<b>ROAE - Return on Average Equity</b>	-4.55%	10.60%	22.98%	5.25%	23.10%	7.58%	14.59%	3.99%	12.13%	-15.51%
<b>ROMC - Return on Minimum Capital Required</b>	-5.91%	13.68%	30.58%	7.38%	34.11%	11.57%	20.92%	7.24%	17.48%	-22.54%
<b>Risk% - Risk Cost Ratio</b>	2.59%	0.75%	-0.22%	0.15%	1.98%	2.05%	1.03%	0.28%	-0.54%	0.07%
<b>Equity share information</b>										
<b>EPS - Earning Per Share (HUF, annualized)</b>	-101.3	231.1	518.1	121.3	550.2	192.2	348.2	117.0	293.5	-357.9



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MKB, MKB Bank, MKB Group	MKB Bank Plc.
MBH, Magyar Bankholding	Hungarian Bankholding Ltd.
NBH	National Bank of Hungary (the central bank of Hungary)
ECB	European Central Bank
FED	Federal Reserve System
ESG	Environmental, Social and Governance

y/y	Year on year
q/q	Quarter on quarter
bp	Basis point
CAGR	Compounded Annual Growth Rate
FY	Annual data
(Y), YTD	Year to date data

PAT	Profit after tax
PBT	Profit before tax
GOI	Gross Operating Income
GAE	General Administrative Expenses
OCI	Other comprehensive income
TOCI	Total other comprehensive income
FX	FX result
FV	Revaluation result
IRS	Interest rate swap
TA	Total assets
RWA	Risk weighted assets
AFS	Available-for-sale

Secured loans	Home Loans + Free-to-Use Mortgages
Unsecured loans	Personnel loans + Baby loans + Other consumer loans
FVTOCI	Fair value through OCI
FVTPL	Fair value through P&L
FTE	Full time equivalent
NPL	Non performing loans
DPD90+	Days past due over 90 days

ROE, ROAE	Return on (average) equity
ROA, ROAA	Return on (average) assets
ROMC	Return on minimal capital required
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
LCR	Liquidity Coverage Ratio
NSFR	Net Stable Funding Ratio
AUM	Asset under management

MÁP+	Hungarian Governmental Securities+
ÁKK	Price of government bond reference yields determined daily by the National Debt Management Center (ÁKK)
GDMA	Government Debt Management Agency
NHP	FGS, Funding for Growth Scheme
KSH	Hungarian Central Statistical Office
AFR	Instant payment system implementation project to comply with NBH requirements
Hitreg	Loan registry requirements of NBH
PSD2	Payment service directive 2

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### Investor relations

Email: [investorrelations@mkb.hu](mailto:investorrelations@mkb.hu)

Phone: 0036-1-268-8004

[www.mkb.hu/investor](http://www.mkb.hu/investor)