



MKB Bank Nyrt.

Flash Report on 4Q 2022 results

Budapest, 30 March 2023

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Sector: Other monetary activity
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1 MKB GROUP 4Q 2022 RESULTS – OVERVIEW

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

Main components of P&L (in HUF million)	Period					YTD		
	4Q 2021	3Q 2022	4Q 2022	P/P	Y/Y	2021Y	2022Y	Y/Y
TOCI accounting (Total Comprehensive Income)	-12,956	36,529	30,620	-16.2%	-	43,056	95,930	122.8%
Other comprehensive income	-5,071	-6,291	15,793	-	-	-28,904	4,763	-116.5%
Consolidated Profit after tax (accounting)	-7,885	42,820	14,827	-65.4%	-288.1%	71,960	91,168	26.7%
Profit after tax accounting (including BB 1Q 2022 results)*	-7,885	42,820	14,827	-65.4%	-288.1%	71,960	107,413	49.3%
Adjustments total on PAT	19,541	493	11,940	-	-38.9%	47,138	69,150	46.7%
Adjusted TOCI	6,586	37,023	42,560	15.0%	-	90,194	174,913	93.9%
Adjusted Other comprehensive income (OCI)	-5,071	-6,291	15,793	-	-	-28,904	-1,650	-94.3%
Adjusted Consolidated Profit after tax	11,657	43,314	26,767	-38.2%	129.6%	119,098	176,563	48.3%
Profit before tax (adjusted)	10,107	47,287	16,661	-64.8%	64.8%	129,031	179,989	39.5%
Gross Operating Income (adjusted)	84,156	124,368	138,322	11.2%	64.4%	338,596	477,781	41.1%
Net Interest Income (adjusted)	51,565	113,780	133,001	16.9%	157.9%	200,632	419,144	108.9%
Net Fee Income (adjusted)	19,547	15,610	20,274	29.9%	3.7%	71,744	74,270	3.5%
Net Other Income (adjusted)	13,044	-5,023	-14,953	197.7%	-214.6%	66,220	-15,633	-123.6%
General Administrative Expenses (adjusted)	-55,181	-49,819	-71,612	43.7%	29.8%	-182,817	-215,805	18.0%
Provision for losses on loans (adjusted)	-17,034	-24,343	-44,730	83.8%	162.6%	-21,323	-68,340	220.5%
Main components of Balance sheet (in HUF million)	Volumes at the end of period					YTD average		
	4Q 2021	3Q 2022	4Q 2022	P/P	Y/Y	2021Y	2022Y	Y/Y
Total Assets	9,746,152	10,886,101	10,614,422	-2.5%	8.9%	9,074,744	10,455,082	15.2%
Customer Loans (net)	4,260,698	4,839,777	4,761,318	-1.6%	11.7%	3,987,283	4,589,167	15.1%
Customer Loans (gross)	4,428,674	5,036,916	5,011,099	-0.5%	13.2%	4,132,172	4,764,385	15.3%
Provision for Customer loans	-167,976	-197,139	-249,781	26.7%	48.7%	-144,890	-175,217	20.9%
Deposits & C/A	6,218,750	6,466,374	6,574,357	1.7%	5.7%	5,466,448	6,307,450	15.4%
Subordinated debt	331,759	90,905	88,887	-2.2%	-73.2%	313,306	90,850	-71.0%
Shareholders' Equity	692,049	755,272	808,736	7.1%	16.9%	679,431	731,584	7.7%
KPIs based on adjusted and unadjusted PAT (%)	Period					YTD		
	4Q 2021	3Q 2022	4Q 2022	P-P	Y-Y	2021Y	2022Y	Y-Y
ROAE (Return on Average Equity - unadjusted)	-4.5%	23.1%	7.6%	-15.5%-pt	12.1%-pt	15.8%	14.1%	-1.7%-pt
ROAE (Return on Average Equity - adjusted)	6.7%	23.4%	13.7%	-9.7%-pt	7.0%-pt	17.5%	24.0%	6.4%-pt
ROMC (Return on Minimum Capital - adjusted)	8.7%	34.1%	11.6%	-22.5%-pt	2.9%-pt	27.4%	38.9%	11.5%-pt
ROAA (Return on Average Assets - adjusted)	0.5%	1.6%	1.0%	-0.6%-pt	0.5%-pt	1.3%	1.7%	0.4%-pt
TRM (Total Revenue Margin - adjusted)	3.5%	4.7%	5.1%	0.4%-pt	1.6%-pt	3.7%	4.6%	0.9%-pt
CIM (Core income margin - adjusted)	3.0%	4.9%	5.7%	0.8%-pt	2.7%-pt	3.0%	4.8%	1.8%-pt
NIM (Net Interest Margin - adjusted)	2.2%	4.3%	4.9%	0.6%-pt	2.8%-pt	2.2%	4.0%	1.8%-pt
NFM (Net Fee Margin - adjusted)	0.8%	0.6%	0.8%	0.2%-pt	-0.1%-pt	0.8%	0.7%	-0.1%-pt
C/TA (Cost to Total Assets - adjusted)	2.3%	1.9%	2.7%	0.8%-pt	0.4%-pt	2.0%	2.1%	0.1%-pt
CIR (Cost Income Ratio - adjusted)	65.6%	40.1%	51.8%	11.7%-pt	-13.8%-pt	54.0%	45.2%	-8.8%-pt
Risk% (Risk cost rate - adjusted)	1.3%	2.0%	2.1%	0.1%-pt	0.8%-pt	0.1%	1.0%	0.9%-pt
GOI/RWA (RWA efficiency - adjusted)	9.1%	13.1%	13.0%	-0.1%-pt	4.0%-pt	9.5%	11.8%	2.3%-pt
EPS (Earning Per Share - adjusted)	149.8	550.2	192.2	-357.9	42.5	460.2	641.5	181.4
Volume KPIs (%)	Period					YTD		
	4Q 2021	3Q 2022	4Q 2022	P-P	Y-Y	2021Y	2022Y	Y-Y
Provision/Total Assets	1.7%	1.8%	2.0%	0.2%-pt	0.3%-pt	1.5%	1.8%	0.3%-pt
CAR (Capital Adequacy Ratio)	18.4%	16.3%	19.7%	3.4%-pt	1.3%-pt	16.2%	16.3%	0.1%-pt
RWA/Total Assets	37.9%	37.7%	38.9%	1.2%-pt	1.0%-pt	40.1%	37.5%	-2.6%-pt
LTD (Loan to Deposit)	71.2%	78.0%	71.3%	-6.8%-pt	0.1%-pt	75.2%	77.6%	2.4%-pt
DPD90+ rate**	4.6%	1.7%	2.0%	0.3%-pt	-2.6%-pt	3.5%	1.7%	-1.8%-pt

* Legal merger of Magyar Bankholding Zrt's two member banks, i.e. Budapest Bank Zrt. and MKB Bank Nyrt. took place on 31st March 2022. Since MKB Bank's 1Q 2022 accounting profit does not include the 1Q profits/losses of Budapest Bank, the profit and loss data are presented on the basis of modelled data, adjusted with the profits and losses of Budapest Bank, for comparability.

** There was a methodological change from 3Q 2022.

Note: In line with the methodology used in this report MKB Bank financial statement for 30.09.2022 was restated.

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 4Q 2022 chapter 4.1 – Financial indicators.

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MKB Group achieved outstanding results in 2022 despite of various challenges: Completing the first milestone of the merger process, internal transformation, threat of a war followed by macroeconomic uncertainties or Sberbank acquisition posted all one by one significant challenges. Utilising its professional knowledge and outstanding staff, MKB Group could quickly and adequately adapt. The bank has a considerable capital cushion to support business targets as well as to withstand unfavourable market trends.

The merger process of Hungarian Bankholding's member banks reached an important date in 4Q: On 9 December 2022: supreme bodies of MKB Bank Nyrt. and Takarékbank Zrt. adopted the proposals for the merger of the two member banks as part of the implementation of the second step of the fusion. The banks are going to merge on 30 April 2023 and will then continue their operations under the name of MBH Bank Nyrt., with a single brand name and image. On 6 February 2023, HNB approved the merger of Takarékbank Zrt. into MKB Bank Nyrt.

In 4Q 2022 the following main factors were instrumental:

- **Stable customer volumes** on narrowing corporate and retail deposit markets; moderate decline in the growth of the corporate loan market hold back disbursements.
- **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 reaching 30 June 2023.
- **Interest rate cap on the deposits of retail customers over HUF 20 million and deposits of institutional investors:** The interest paid on the amount of a sight deposit in HUF 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.
- **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.
- **Market trends:** Turbulence on foreign exchange market at the beginning of the fourth quarter forced central bank to implement an immediate effective rate hike (500bps), resulting in higher net interest rates.
- Inflation in December was 24.5% - with core inflation even higher - which put significant pressure on costs.
- The general meeting of MKB Bank Nyrt. decided to increase MKB's capital by over HUF 23 bn, according to which the bank's share capital increased to nearly HUF 322 bn on December 9, thus ensuring further stability for the bank's owners and customers.

The main performance indicators of the year of 2022:

- **HUF 10,614 bn total assets** (+8.9% y/y; -2.5% p/p) partially supported by the acquisition of the Sberbank portfolio: boosting gross loan (+13.2% y/y) and deposit portfolio (+5.7% y/y).
- **HUF 176.6 bn adjusted profit after taxes** in 2022: boosting GOI mostly driven by net interest offset the effects of inflation and increasing risk costs.
- MKB group successfully exploited the market potential using its excess liquidity to generate interest income amid rapid interest rate hike **resulting in higher net interest income (+108.9% y/y) and +81.2% y/y core income (HUF +221.0 bn in 2022) increase.**
- Impressive **cost to income ratio: 45.2%** due to rising incomes, despite heavy inflation pressure on costs.

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- **HUF 61.3 bn (unadjusted) credit risk cost** (provisions and other impairments) was charged last year, reflecting the changes in HNB requirements as well as the standardization of methodologies within MKB Group. The moratorium related expenses reduced the (unadjusted) accounting profit by another HUF 8.2 bn.
- **Sound capital position: 19.7% capital adequacy** significantly above the regulatory requirement, providing a sustainable basis for challenges of year 2023.

Increasing customer volumes and stable market shares in Q4 2022:

- **Retail segment:**

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.

1st 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 segment:**

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 segment:**

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.

MKB Group’s **accounting** unadjusted total comprehensive income was HUF 95.9 bn in 2022.

MKB Group’s **unadjusted** total comprehensive income was HUF 105.8 bn (HUF +62.7 bn y/y) for the year (for comparability including the 1Q 2022 results of merging Budapest Bank), the 4Q TOCI amounted to HUF 30.6 bn (HUF +43.6 bn y/y, HUF -5.9 bn p/p), as a result of y/y both increasing profit after tax (FY: HUF 107.4 bn, HUF +35.5 bn y/y, 4Q: HUF 14.8 bn, HUF +22.7 bn y/y) and other comprehensive income (FY: HUF -1.6 bn, HUF +27.3 bn y/y, 4Q: HUF 15.8 bn, HUF +20.9 bn y/y).

In the year of 2022 the **adjusted** total comprehensive income (TOCI) was HUF 174.9 bn (HUF +84.7 bn y/y), including HUF +69.2 bn TOCI adjustment. The adjusted profit after tax was HUF 176.6 bn (HUF +57.5 bn y/y), adjusted other comprehensive income amounted to HUF -1.6 bn (HUF +27.3 bn y/y) in 2022.

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Total assets amounted to HUF 10,614.4 bn (-2.5% p/p; +8.9% y/y) by the end of 2022. The Group's customer **deposits portfolio** increased to HUF **6,574.4** bn by the end of the year (HUF +108.0 bn p/p; HUF +355.6 bn y/y). **Gross customer loans** portfolio changed to HUF 5,011.1 bn (-0.5% p/p), however the annual growth is HUF +582.4 bn. Securities portfolio increased by 26.4% y/y (-2.4% p/p). In 4Q 2022 the loans to deposits ratio decreased, to 76.2% (-1.7% pt p/p) by the end of the period. The **shareholders' equity** increased from HUF 755.3 bn at the end of 3Q 2022 to HUF **808.7** bn. Capital adequacy ratio was steadily high, at 19.7% (+1.3%pt y/y), while MKB Group's adjusted return on shareholders' equity (ROE) was 24.0% (the unadjusted ROE was 12.4%) in 2022. The ratio of the return on shareholders' equity calculated with the total comprehensive income equalled 23.8%.

Post-closing events:

- Dated 6 February 2023 **National Bank of Hungary authorised the merger of Takarékbank Zrt. into MKB Bank Nyrt.** as of 30 April 2023, in accordance with the Merger Agreement of 9 December 2022.
- 10,378,975 new dematerialised ordinary shares were issued privately within the framework of the **capital increase** approved by the Issuer by way of Resolution No. 55/2022 (9 December 2022) at the Extraordinary General Meeting held on 9 December 2022 – each with a nominal value of HUF 1,000 embodying the same rights as the previously issued ordinary shares – were listed to the “Standard” category of the Budapest Stock Exchange (“BSE”) on 17 February 2023 based on the resolution No. 48/2023 of the BSE.
- **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.

- The president of the **National Bank of Hungary published the required reserve ratio** in a decree: The required reserve ratio can be (0%), or 10%, 11%, 12%, 13%, 14% or 15% depending on the declaration of the credit institutions subject to reserve requirements. Credit institutions subject to reserve requirements can choose one of the specified reserve ratio rates on a quarterly basis - January 1st, April 1st, July 1st and October 1st. If they fail to do so, the mandatory reserve ratio for them will be 10 percent instead of 5. The HNB does not pay interest on 25 percent of the mandatory reserve ratio, and on the part above the mandatory level, i.e. above 10 percent, an interest rate higher than the base rate and the same as the standard rate will be paid.
- **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.

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- **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.

Changes in the management of the Bank:

- Deputy Chief Executive Officer for Risk Management Dr Csaba Szomolai's employment relationship was terminated as of January 8, 2023 with a mutual consent.
- Mr Antal Martzy as Deputy Chief Executive Officer for Finances at the Company, at Magyar Bankholding Zrt., and at members of the MKB Bank Group, Takarékbank Zrt. and MTB Magyar Takarékszövetkezeti Bank Zrt. was terminated with a mutual consent as of 31 December 2022. Mr Péter Krizsanovich fulfils the position of Deputy Chief Executive Officer for Finances of the Company and the MKB Bank Group as of 1 January 2023.

Substantial changes within subsidiaries of MKB Group in 4Q:

- On 2nd December 2022, Magyar Posta Zrt. - by exchange of shares - acquired 43,076,417 dematerialized common shares of TakarékJelzálogbank from MKB Bank. With the transaction, Magyar Posta acquired a direct interest of 39.8% in TakarékJelzálogbank. As a result of the exchange MKB Bank has acquired the 1,771 dematerialized common shares of Takarékbank Zrt. from Magyar Posta, and further increased its direct qualified interest in Takarékbank Zrt. Increase of MKB Bank's interest in Takarékbank did not required a supervisory authorization procedure, as MKB Bank already had more than 50% of qualified interest in Takarékbank. Magyar Posta's acquisition of 39.8% direct qualified interest in TakarékJelzálogbank was authorized by the Central Bank of Hungary.
- Company Registry Court has registered the merger of EXTERCOM Vagyonkezelő Kft., Exter-Reál Ingatlanforgalmazási Kft., TIFOR TakarékJelzálogbank Zrt. into TIHASZ TakarékJelzálogbank Zrt. as absorbing company on 13 December 2022, as of 31 December 2022.
- HNB approved the Prospectus for the public offer and admission to trading on the regulated market of the bonds to be placed under the "MKB BANK BOND ISSUE PROGRAM 2022/2023" with a total amount of HUF 300,000,000,000.00 by Resolution No. H-KE-III-742/2022.

Financial and capital market developments, macroeconomic environment during 4Q:

Federal Reserve continued the cycle of interest rate hikes in the fourth quarter of 2022, with a total increase of 125 basis points interest rates during the quarter. The Fed raised the US benchmark interest rate by 75 basis points at its meeting on 1-2 November and by 50 basis points at its decision on 13-14 December, bringing the US benchmark interest rate to between 4.25% and 4.50% by the end of the fourth quarter of 2022. According to the Fed's fourth-quarter communication, the US economy remains robust, job creation has been strong and the unemployment rate remained low during the quarter. In addition, the Fed said that further rate hikes are needed to ensure that monetary policy is sufficiently restrictive to bring inflation back to around the Fed's 2% target. This process is supported by the continued tightening of the Fed's balance sheet in the fourth quarter.

European Central Bank started its cycle of interest rate hikes in the third quarter of 2022 and continued it in the fourth quarter. Accordingly, on 27 October 2022 the monetary conditions for the euro area were tightened by 75 basis points and on 15 December 2022 by a further 50 basis points.

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Thus, the total increase of 125 basis points pushed up the key refinancing operations rate from 1.25% to 2.50% by the end of the quarter. In the third quarter of 2022, the ECB concluded all its quantitative easing programmes. In the fourth quarter, the Governing Council announced that from March 2023 onwards, the ECB would no longer reinvest €15 billion per month from the traditional asset purchase programme (APP) portfolio, thus also starting a quantitative tightening in the euro area. The central bank will do this while keeping a close eye on money market conditions. In its December decision, the ECB stressed that inflationary developments still do not allow for a reduction in the rate of interest rate increases, and the central bank can therefore be expected to raise interest rates by 50 basis points at its next meetings.

National Bank of Hungary (HNB) announced at the end of the third quarter of 2022 that it will end its base rate hike cycle at 13%. Turbulence in the foreign exchange market at the beginning of the fourth quarter forced the central bank to introduce a new instrument, the overnight deposit tender, on 14 October 2022, starting at 18%. With the introduction of the overnight tender, HNB raised the effective interest rate by 500 basis points in order to protect the forint, thus separating the base rate from the effective rate again. In addition, the central bank took the commitment to provide the necessary FX for energy imports directly from the central bank's foreign exchange reserves to the companies concerned, thus preventing any additional FX demand from the transaction.

For the rest of the quarter, interest rate conditions were unchanged, with the base rate ending the fourth quarter of 2022 at 13% and the policy rate at 18%. According to the central bank's communication, the Hungarian benchmark rate, which is outstandingly high even by international comparison, should remain on hold until the country's risk perception shows a continuous improvement.

Inflation continued to rise in the fourth quarter of 2022, with a price increase of 24.5% in December, according to the Hungarian Central Statistical Office. The government's revised utility tariffs caused a significant increase in prices as the heating season started in October. Furthermore, as a result of unfavourable market developments, the government removed the price cap on fuel on 6 December 2022, which also led to a significant immediate increase in end-quarter inflation.

FX market: By the end of December, the forint had strengthened spectacularly from its early October lows, and had broken through the 400 level against the euro by inches. One of the main factors behind the strength, in addition to the protective base rate level, which is also exceptionally high in the region, was the fall in European energy prices, caused by the particularly mild winter weather across Europe, the high level of European gas storage capacity and the huge volumes of shipments of LNG arriving in Europe. The fall in energy prices, after a delay of a few months, is substantially easing the current account deficit and mitigating its related concerns, which is adding to the existing positive global risk-taking trend. In addition, it reduces the amount of the budget to be spent on utility subsidies, which improves the growth outlook with the help of the remaining resources. Falling energy prices are moderating inflation, so an improvement in real incomes should also contribute to an improved growth outlook, which should also support the domestic currency. Another key issue for the forint since the middle of last year is the agreement on EU funds, which is to meet the final conditions for access to the full amount of funds by spring 2023, so after the optimism of the partial agreement, this is another upside risk. In addition, a positive risk is that if energy prices, which have already eased by the end of last year, continue to moderate, further improving expectations of an external imbalance.

Public finances: In 2022, following the significant spending in the first quarter the central government introduced corrective measures (introducing special taxes, postponing investments). These were necessary due to the sharp rise in energy prices, which put a heavy strain on the expenditure side, and higher interest expenditure as a result of the rise in yields. Although high inflation led to a significant

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over-execution of several revenue items (mainly consumption taxes), in cash terms the deficit ended up at HUF 4,753 bn, almost 50% higher than the original deficit target, which, taking into account the special purchase of natural gas stocks, implies an accrual-based deficit of around 6% of GDP for last year. However, the very significant increase in nominal GDP has reduced the debt-to-GDP ratio to 72.9% in 2022 from 76.8% in 2021.

Wages and employment: The dynamic wage growth seen during 2022 continued at the end of the year, with average gross wages in the national economy rising by 18.1% in December, again exceeding expectations, while regular earnings rose by 18.6%. During the month, average gross earnings stood at 581 900 for full-time employees. Net average wages excluding tax credits also rose by 18.1%, while net real wages now showed a 5.1% decline in the month, with inflationary trends overwhelming dynamic wage growth. The annual average wage growth rate for 2022 is 17.5%.

The average total number of people employed in the Hungarian labour market in October-December was 4 703 thousand. In the month, 66.9% of the population aged 15-74 were in the labour market, compared to a seasonally comparable activity rate of 66.3% in the same month last year. In the same month, unemployment rate was 3.9%, following 3.8% in the previous month and 3.7% in the same month last year, a slight increase compared to the average level in previous quarters.

GDP: Domestic GDP expanded by a slightly below-expected 0.4% in the fourth quarter, while seasonally and calendar-adjusted growth was 0.9% compared with a year earlier, as there were two fewer working days in the fourth quarter. Compared to the third quarter, GDP contracted by a smaller-than-expected 0.4%, putting the domestic economy into a technical recession, as expected. Overall, GDP grew by 4.6% in 2022. However, the current lower energy prices, more resilient sectors, a better-than-expected outlook in Europe, the recovery in supply chains and the reopening of the Chinese economy after a zero-covid policy could lead to a turnaround in growth sooner, and the slowdown in the economy could be less severe than currently expected. In the second half of 2023, real wages are expected to rise again on the back of falling inflation, and from the end of the year, a rebound in investment on the back of expected falling interest rates and the creation of new industrial capacity could support growth. This year's growth could also be supported if there is no repeat of last year's exceptional drought, so that agriculture's contribution could also be significant.

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2 MANAGEMENT REPORT ON THE 4Q 2022 RESULTS OF MKB GROUP

2.1 P&L development

MKB Group								
Consolidated, IFRS P&L (in HUF million)	Period					YTD		
	4Q 2021	3Q 2022	4Q 2022	P/P	Y/Y	2021Y	2022Y	Y/Y
TOCI accounting (Total Comprehensive Income)	-12,956	36,529	30,620	-16.2%	-	43,056	95,930	122.8%
Other comprehensive income	-5,071	-6,291	15,793	-	-	-28,904	4,763	-116.5%
Profit after tax (accounting)	-7,885	42,820	14,827	-65.4%	-288.1%	71,960	91,168	26.7%
Profit after tax (BB 1Q 2022 results)*	0	0	0	-	-	0	16,245	-
Profit after tax accounting (including BB 1Q 2022 results)*	-7,885	42,820	14,827	-65.4%	-288.1%	71,960	107,413	49.3%
Adjustments total on PAT	19,541	493	11,940	-	-38.9%	47,138	69,150	46.7%
Business corrections	7,840	1,171	8,297	-	5.8%	20,672	60,949	194.8%
Banking tax	-1,460	-2,851	-4,439	55.7%	204.1%	0	29,038	-
Extra OBA fee expenses	0	0	4,756	-	-	0	4,756	-
Dividend income	-3	0	0	-	-	-22	0	-
Bankcard transaction fee proportionality	-138	-295	0	-	-	0	0	-
Integration costs	9,441	4,318	7,980	84.8%	-15.5%	21,020	27,156	29.2%
Non-core one-offs	0	0	0	-	-	-326	0	-
Covid-19 effect	10,437	-678	3,643	-	-65.1%	25,202	8,201	-67.5%
COVID-19 related expenditures	10,921	-678	6,025	-	-44.8%	25,202	10,583	-58.0%
Covid-19 related interest refund	-484	0	0	-	-	0	0	-
Covid-19 related interest stop	0	0	-2,382	-	-	0	-2,382	-
FV corrections	1,264	0	0	-	-	1,264	0	-
Adjusted TOCI	6,586	37,023	42,560	15.0%	-	90,194	174,913	93.9%
Adjusted Other comprehensive income (OCI)	-5,071	-6,291	15,793	-	-	-28,904	-1,650	-94.3%
Adjusted Profit after tax	11,657	43,314	26,767	-38.2%	129.6%	119,098	176,563	48.3%
Adjusted Profit before tax	10,107	47,287	16,661	-64.8%	64.8%	129,031	179,989	39.5%
Gross Operating Income (adjusted)	84,156	124,368	138,322	11.2%	64.4%	338,596	477,781	41.1%
Net Interest Income (adjusted)	51,565	113,780	133,001	16.9%	157.9%	200,632	419,144	108.9%
Interest Income (adjusted)	73,687	204,299	272,504	33.4%	269.8%	262,529	739,050	181.5%
Interest Expense (adjusted)	-22,122	-90,520	-139,503	54.1%	-	-61,897	-319,906	416.8%
Net Fee Income (adjusted)	19,547	15,610	20,274	29.9%	3.7%	71,744	74,270	3.5%
Net Other Income (adjusted)	13,044	-5,023	-14,953	197.7%	-214.6%	66,220	-15,633	-123.6%
FX and FV result	19,498	10,135	-7,782	-176.8%	-139.9%	85,020	16,985	-80.0%
Other Income (adjusted)	-6,454	-15,158	-7,171	-52.7%	11.1%	-18,800	-32,619	73.5%
General Administrative Expenses (adjusted)	-55,181	-49,819	-71,612	43.7%	29.8%	-182,817	-215,805	18.0%
Personnel Expenses (adjusted)	-28,432	-26,977	-34,521	28.0%	21.4%	-94,320	-110,042	16.7%
Operating Expenses (adjusted)	-18,746	-14,626	-28,425	94.3%	51.6%	-62,268	-76,641	23.1%
Amortisation and depreciation (adjusted)	-8,003	-8,216	-8,666	5.5%	8.3%	-26,228	-29,122	11.0%
Provisions (adjusted)	-17,034	-24,343	-44,730	83.8%	162.6%	-21,323	-68,340	220.5%
Banking tax	-1,834	-2,918	-5,319	82.2%	190.0%	-5,426	-13,648	151.5%
Corporate Income tax (adjusted)	1,549	-3,974	10,106	-	-	-9,933	-3,426	-65.5%
KPIs based on adjusted PAT (%)	Period					YTD		
	4Q 2021	3Q 2022	4Q 2022	P-P	Y-Y	2021Y	2022Y	Y-Y
ROAE (Return on Average Equity - adjusted)	6.7%	23.4%	13.7%	-9.7%-pt	7.0%-pt	17.5%	24.0%	6.4%-pt
ROAA (Return on Average Assets - adjusted)	0.5%	1.6%	1.0%	-0.6%-pt	0.5%-pt	1.3%	1.7%	0.4%-pt
TRM (Total Revenue Margin - adjusted)	3.5%	4.7%	5.1%	0.4%-pt	1.6%-pt	3.7%	4.6%	0.9%-pt
CIM (Core income margin - adjusted)	3.0%	4.9%	5.7%	0.8%-pt	2.7%-pt	3.0%	4.8%	1.8%-pt
NIM (Net Interest Margin - adjusted)	2.2%	4.3%	4.9%	0.6%-pt	2.8%-pt	2.2%	4.0%	1.8%-pt
NFM (Net Fee Margin - adjusted)	0.8%	0.6%	0.8%	0.2%-pt	-0.1%-pt	0.8%	0.7%	-0.1%-pt
C/TA (Cost to Total Assets - adjusted)	2.3%	1.9%	2.7%	0.8%-pt	0.4%-pt	2.0%	2.1%	0.1%-pt
CIR (Cost Income Ratio - adjusted)	65.6%	40.1%	51.8%	11.7%-pt	-13.8%-pt	54.0%	45.2%	-8.8%-pt
Risk% (Risk cost rate - adjusted)	1.3%	1.98%	2.05%	0.1%-pt	0.8%-pt	0.1%	1.03%	0.9%-pt

* Legal merger of Magyar Bankholding Zrt's two member banks, i.e. Budapest Bank Zrt. and MKB Bank Nyrt. took place on 31st March 2022. Since MKB Bank's 1Q 2022 accounting profit does not include the 1Q profits/losses of Budapest Bank, the profit and loss data are presented on the basis of modelled data, adjusted with the profits and losses of Budapest Bank, for comparability.

Note: In line with the methodology used in this report MKB Bank financial statement for 30.09.2022 was restated.

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.

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In 2022 and in 4Q 2022 the **adjusted profit after tax of MKB Group** amounted to **HUF 176.6 bn** and HUF 26.8 bn, respectively, as a result of increasing business performance and favourable yield environment. The adjusted total comprehensive income was HUF 174.9 bn, the increase of HUF +84.7 bn y/y was mainly driven by the boosting net interest income.

The (adjusted) **ROAE** was 24.0% (+6.4%-pt y/y) as a result of outstanding PAT.

The steep increase in the core income (HUF +218.5 bn, +108.9% y/y; HUF +19.2 bn, +16.9% p/p) was driven by the growth in the **net interest income**, as MKB group successfully exploited the market potential using its excess liquidity to generate interest income amid rapid interest rate hike. The adjusted FY **total revenue margin** (TRM) increased by 0.9%-pt y/y to 4.6%.

HUF 68.3 bn provisions and impairments were booked in 2022, reflecting the changes in HNB requirements as well as the standardization of methodologies within MKB Group. The adjusted risk cost rate was 1.0%.

The 18.0% y/y increase in **general administrative expense** was mainly attributable to the macroeconomic environment: significant inflation pressure and FX rate effects.

2.1.1 Adjusted profit after taxation

MKB Group's **adjusted consolidated profit after tax** amounted to HUF 176.6 bn (HUF +57.5 bn y/y) in 2022 with a HUF 26.8 bn in profit 4Q. The impressive full year profit marks excellent business performance combined with robust money market impact.

Adjustments amounted to HUF +69.2 bn in the year, which were related primarily to the special tax on the extra profit, the extraordinary OBA fee paid due to Sberbank bankruptcy, the individual risk costs booked in relation to the COVID-19 pandemic and one-off integration costs. HUF 4.8 bn Sberbank bankruptcy related extra OBA fee is expected to be returned in 2023 as cancellation of the fee is already announced.

2.1.2 Total comprehensive income

MKB Group's **accounting** (unadjusted) **total comprehensive income** (TOCI) in 2022 amounted to HUF 95.9 bn.

The unadjusted TOCI including the 1Q 2022 results of merging Budapest Bank amounted to HUF 105.8 bn (HUF +62.7 bn y/y).

The HUF 42.6 bn 4Q **adjusted total comprehensive income** (HUF +5.5 bn p/p; HUF +36.0 bn y/y) was a result of the HUF 26.8 bn profit after tax and the HUF 15.8 bn other comprehensive income (OCI). The yearly **adjusted total comprehensive income** amounted to HUF 174.9 bn (HUF +84.7 bn y/y).

2.1.3 Net interest income

MKB Group's cumulated **net interest income** was HUF 419.1 bn in 2022 (HUF +218.5 bn y/y), the 108.9% y/y upturn is due to the growth in the customer and ALM portfolio, the favourable yield environment and the portfolio quality.

Interest income for the year amounted to HUF 739.0 bn (HUF +476.5 bn, +181.5% y/y). The interest income increased by 33.4% p/p to HUF 272.5 bn (+269.8% y/y) in 4Q. Developing customer loans (+13.2% y/y) and securities portfolio (+26.4% y/y) both supported incomes but the main driver of the interest income was that MKB group successfully exploited the market potential using its excess liquidity to generate interest income amid rapid interest rate hike.

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The **interest expense** amounted to HUF 319.9 bn in 2022, the HUF 258.0 bn (+416.8%) y/y increase was driven by market yields and 5.7% growth of the customer deposit portfolio.

Net interest margin (NIM) increased from 4.3% to 4.9% in 4Q because the net interest income grew faster than average total assets. The full year ratio was 4.0%, showing 184 bps upturn year-on-year.

2.1.4 Net fee and commission revenues

The **net fee and commission income** was HUF 132.5 bn in 2022 (+12.2% y/y). The commission income increased to HUF 20.3 bn in 4Q (+29.9% p/p), relative to the preceding quarter mainly due to fees collected on the increased volume of customer transactions, an increase of 3.5% was achieved year-on-year.

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

In 2022 the **profit on financial transactions** amounted to HUF 17.0 bn, 80.0% (HUF -68.0 bn) less year-on-year.

The swap curve became even more inverse during the fourth quarter: while the 3-year BIRS went up by 40 basis points from the end of September to the end of December, the 5-year BIRS increased by 15 basis points only, and the 10-year BIRS actually decreased by 36 basis points. At the same time the secondary market yields on Hungarian government bonds of corresponding maturity decreased by 99, 53 and 80 basis points, respectively. Due to this, asset-swap spreads quite markedly widened during the quarter: mostly in the case of the 3-year term, where they widened from 59 to 198 basis points, whereas on the 5- and 10-year terms the extent of spread widening was less sharp (from 69 to 137 basis points in the case of the former, and from 18 to 62 basis points in the case of the latter).

As a result of the yields shifting upwards, the exchange and revaluation result was HUF -7.8 bn (HUF -17.9 bn p/p; HUF -27.3 bn y/y) in 4Q, while the OCI effect due to revaluation of the fixed rate government securities portfolio was HUF 15.8 bn (HUF +22.1 bn p/p; HUF +20.9 bn y/y). The quarterly **net revaluation result and exchange rate gain** – as a result of the two impacts – was HUF 8.0 bn. The sum of FV, FX and OCI results were flat in Q4, 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. Other expenditure was HUF -7.2 bn in 4Q (HUF +8.0 bn p/p; HUF -0.7 bn y/y). The **other profit/loss** amounted to HUF -32.6 bn in the year of 2022, HUF 13.8 bn up y/y.

2.1.7 General administrative expenses

MKB Group's **general administrative expenses** were HUF 215.8 bn in 2022 (HUF 71.6 bn in 4Q). The +18.0% (HUF 33.0 bn) y/y increase is mainly attributable to the macroeconomic environment: significant inflation pressure and FX rate effects. Despite the upturn in costs, **cost-to-income ratio** decreased to 45.2% (-8.8%-pts y/y) due to the rising incomes. Cumulated cost-to-asset ratio minimally increased to 2.1% (+7 bps y/y); the value of C/TA was 2.66% (+77 bps p/p) in 4Q.

The **personnel expenses** amounted to HUF 34.5 bn in 4Q 2022 (+28.0% p/p), annual cumulative personnel costs were HUF 110.0 bn (+16.7% y/y). Savings resulted from decreasing of the headcount (-4.1% y/y) were overcompensated by the effect of inflation pressure.

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The number of employees of MKB Group at the end of December 2022 was 9,474.2 FTE (-402.4 FTE; -4.1% y/y).

Operational costs in 2022 were HUF 76.6 bn (HUF 28.4 bn in 4Q). The y/y change was driven by heavy inflation, FX effects and synergies being successfully exploited.

Depreciation in 4Q 2022 amounted to HUF 8.7 bn (+8.3% y/y) as a result of previously implemented digitalization and regulatory compliance projects. Yearly depreciation was HUF 29.1 bn.

2.1.8 Risk costs

The adjusted credit risk cost was HUF 44.7 bn (charge) in 4Q 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.

The **NPL closing portfolio** was HUF 224.2 bn at the end of 2022. The HUF 22.6 bn (+11.2%-pt) y/y change was primarily driven by methodological changes and the acquisition of Sberbank portfolio. **IFRS-based NPL ratio** changed to 4.5% (-170 bps y/y), while the **direct NPL coverage** was 47.0%.

2.1.9 Corporate income tax

In 2022 HUF +3.4 bn unadjusted (including the 1Q 2022 results of merging Budapest Bank) **corporate income tax expense** was recorded, as a result of HUF 3.8 bn current corporate income tax expense and HUF 7.2 bn deferred tax income.

The adjustments in the flash report had a tax effect of HUF 6.8 bn therefore the **adjusted corporate income tax** was HUF 3.4 bn expense.

2.2 Balance sheet

MKB Group					
Adjusted balance sheet (in HUF million)	4Q 2021	3Q 2022	4Q 2022	P/P	YTD
Financial assets	2,342,464	1,571,279	1,545,534	-1.6%	-34.0%
Trading portfolios	193,879	569,259	489,012	-14.1%	152.2%
Securities	2,689,136	3,484,708	3,403,370	-2.3%	26.6%
Loans and advances to customers/Customer Loans (net)	4,260,698	4,839,777	4,761,318	-1.6%	11.7%
Loans and advances to customers/Customer Loans (gross)	4,428,674	5,036,916	5,011,099	-0.5%	13.2%
Retail business segment	1,582,683	1,750,519	1,754,478	0.2%	10.9%
Corporate business segment	2,260,420	2,701,554	2,696,468	-0.2%	19.3%
Leasing	522,365	532,105	522,911	-1.7%	0.1%
Other	63,206	52,738	37,242	-29.4%	-41.1%
Provision for Customer loans	-167,976	-197,139	-249,781	26.7%	48.7%
Total other assets	259,975	421,077	415,188	-1.4%	59.7%
Investments in jointly controlled entities and associates	42,612	78,337	83,531	6.6%	96.0%
Intangibles, property and equipment	147,305	166,929	169,158	1.3%	14.8%
Other assets	70,058	175,811	415,188	136.2%	-
Total Assets	9,746,152	10,886,101	10,614,422	-2.5%	8.9%
Interbank liabilities	2,149,254	2,829,114	2,447,407	-13.5%	13.9%
Deposits & C/A	6,218,750	6,466,374	6,574,357	1.7%	5.7%
Retail business segment	2,974,297	2,898,939	2,816,340	-2.8%	-5.3%
Corporate business segment	3,177,303	3,436,186	3,564,390	3.7%	12.2%
Other	67,150	131,249	193,627	47.5%	188.3%
Issued debt securities	337,267	380,040	379,725	-0.1%	12.6%
Other liabilities	348,832	455,300	404,198	-11.2%	15.9%
Shareholders' Equity	692,049	755,272	808,736	7.1%	16.9%
Total Liabilities & Equity	9,746,152	10,886,101	10,614,422	-2.5%	8.9%
Loan commitments given	1,145,396	1,205,033	1,154,318	-4.2%	0.8%
Financial guarantees given	165,372	118,148	107,237	-9.2%	-35.2%
Other Commitments given	112,083	263,462	255,330	-3.1%	127.8%
Customer off Balance items	1,422,850	1,586,643	1,516,885	-4.4%	6.6%

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

Note: In line with the methodology used in this report MKB Bank financial statement for 30.09.2022 was restated.

MKB Group's **total assets** amounted to HUF 10,614.4 bn by the end of 4Q 2022 (HUF -271.7 bn; -2.5% p/p), the annual increase was HUF 868.3 bn (+8.9%).

Total assets growth during the last 12 months was mainly driven by the customer **loan portfolio** (+13.2% y/y). Strong yearly growth was also supported by the acquisition of the Sberbank portfolio.

Deposit portfolio increased by HUF 355.6 bn (+5.7%) year-on-year, primarily driven by the performance of the corporate business.

Loan-to-deposit ratio increased slightly (+5.0%-pts y/y) to 76.2%. **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.

Shareholders' equity increased to HUF 808.7 bn (+7.1% p/p; +16.9% y/y). **19.7% capital adequacy ratio** at the end of the period, significantly exceeding regulatory minimum requirements.

2.2.1 Loans

Gross loans increased significantly (+13.2%; net: +11.7% y/y) compared to the previous year-end, supported by the acquisition of the Sberbank portfolio.

Yearly increase in the asset volumes of retail and corporate business segments both contributed positively to the growth of gross loan portfolio: corporate segment loans +19.3% y/y (-0.2% p/p), retail segment loans +10.9% y/y (+0.2% p/p). The leasing portfolio was stable in 2022 (-0.4% y/y).

Corporate business grew by 19.3% during the last year in term of loans provided to customers, reaching HUF 2,696.5 bn at the end of 2022. Sberbank portfolio enhanced the volumes further. Yearly change in the **retail loan portfolio** was mainly driven by the acquisition of the Sberbank portfolio.

Provisions for customer loans increased by 26.7% p/p and by 48.7% y/y.

2.2.2 Securities

In a changing inflation and yield environment, the popularity of different securities is undiminished, and this is reflected in the performance of the portfolio.

Securities portfolio increased by HUF 720.3 bn (+26.4% y/y) during the year, and as a result, the **portfolio of securities** amounted to HUF 3,453.3 bn at the end of 4Q 2022 (-2.4% p/p).

2.2.3 Financial assets

The **portfolio of financial assets** decreased by 1.6% during the quarter (HUF -25.7 bn) to HUF 1,545.5 bn at the end of the period.

2.2.4 Deposits and C/A

Customer deposit portfolio amounted to HUF 6,574.4 bn at the end of 4Q. Change during the quarter (+1.7% p/p) was characterised by the increase in corporate segment deposits (+3.7% p/p), while **retail segment deposits** slightly decreased (-2.8% p/p). Macroeconomic hardship hinders the saving capabilities of retail customers resulting in a moderate decrease of 2.8% in 4Q 2022.

Deposit portfolio of the corporate segment contributed 6.9% to the annual increase of HUF 355.6 bn (+5.7% y/y), while the stock of the retail segment stayed stable (-0.05% y/y).

2.2.5 Interbank liabilities

The portfolio of **interbank liabilities** amounted to HUF 2,447.4 bn (HUF -381.7 bn p/p; HUF +298.2 bn y/y) at the end of 4Q 2022. The year-on-year increase was primarily due to the HNB's liquidity boosting and economic recovery programmes.

2.2.6 Capital

MKB Group's **capital amounted to HUF 808.7 bn** at the end of 4Q 2022. Capital accumulation continued both in p/p and y/y terms: +7.1% and +16.9% respectively, significantly increasing the shock absorbing capabilities of the Bank. The HUF 116.7 bn y/y increase contains the effects of the share issuance in December (HUF 23.2 bn).

2.2.7 Off-balance sheet exposures to customers

MKB Group's **off-balance sheet exposure** was HUF 1,516.9 bn at the end of 4Q 2022, corresponding to a 4.4% (HUF -69.8 bn p/p) decrease on a quarterly basis (+6.6%; HUF +94.0 bn y/y). The year-on-

year growth was mainly attributable to an increase in the volume of other commitments given (+127.8% y/y).

2.3 Capital adequacy

The **capital adequacy ratio (CAR)** of MKB Bank Group improved to **19.7%** at the end of 2022 (+133 bps y/y, +340 bps p/p), as regulatory capital growth (+20.0%) propelled by strong yearly profit remarkably counterbalanced the increase in RWA (+11.9%).

RWA extension (HUF +44.6 bn) was parallel with the gross loan and securities portfolio growth.

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

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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 (HNB), and the portfolios are presented accordingly.

2.4.1 Corporate and institutional customers

Relying on its traditional strengths, MKB Bank's strategic goal is to further develop and build a strong corporate business line. The business line focuses on local knowledge, professional service, consulting-based sales and the provision of innovative solutions.

MKB Bank provides comprehensive business solutions and advice to its customers, sets up comprehensive loan schemes if necessary and satisfies special financial customer needs. MKB Bank is able to provide efficient and unique solutions to all players in the corporate segment.

In 2022, the primary goal was to ensure the uninterrupted operation of customer relations and central support areas, in addition to the creation of new organizational units and the implementation of segmentation processes.

In line with its strategy, MKB Bank continued to play a key role in the introduction of economic stimulus programs and their delivery to customers. The significantly rising interest rate environment generated more demand in Széchenyi Card Programs than ever before. There was particularly high demand for working capital and current account loans due to rising wages and rising energy and raw material prices.

The Bank provided information and processes concerning the repayment moratorium to its customers on a regular basis, facilitating a temporary solution to any potential liquidity problem.

In 2022, the Bank continued to regard customers among small and medium-sized enterprises (SMEs) as a key segment and increasing product penetration played a central role here.

MKB Bank Group remained an active participant in the continually renewed Széchenyi Program. Together with the merged Budapest Bank, it achieved a 15% market share in GO products and a 13% share in SZKP MAX products by the end of the year in terms of the contracted amount. Together with Takarékbank, the two values are 32 and 30%.

MKB Bank has traditionally maintained close ties with Eximbank to enable customers to benefit from EXIM financing sources. In terms of the performance of the Hungarian economy, foreign trade is a top priority, to which not only exporters contribute, but also suppliers organized around export activity and companies only now appearing on the export market. MKB Bank is particularly proud to have received EXIM's recognition as the Most Innovative Bank in 2022 and its leasing company, the merged entity of Euroleasing and Budapest Leasing, also won prizes in two categories: the Leasing Company of the Year and the Leasing Company Providing the Highest Volume of Financing under the Damage Mitigation Leasing Scheme.

Among the corporate loans, the portfolio of non-financial enterprises (based on the segmentation as per the HNB's statistics requirements) amounts to HUF 2,336.3 bn, corresponding to a decrease of -1.1% quarter-on-quarter (HUF -26.6 bn) and +11.8% (HUF +247.3 bn) year-on-year.

The gross loan portfolio of large non-financial corporations decreased by HUF 15.8 bn to HUF 665.6 bn (-2.3% p/p). The loan portfolio of medium-sized enterprises increased to HUF 1,161.5 bn (+2.2% q/q).

The non-financial corporate deposit portfolio (based on the segmentation as per the HNB's statistics requirements) increased by 6.8% p/p to HUF 2,929.8 bn (HUF +43.8 bn y/y).

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In Takarékbank, which belongs to the MKB Bank Group, the implementation of the sector-specific service model for the agricultural and food industry, which was already developed earlier, will be launched in 2022 for the entire Bank Group. Within this framework, the agri-food business line was established in the merged MKB Bank at the same time as the legal merger of Budapest Bank and MKB Bank, with a unified management structure. This created an independent agri-food business line of the bank group, which serves almost 40,000 agri-businesses, from the smallest farmers to large food companies and agri-integrators, has a market share of around 25 per cent in financing the agri-food industry, and has disbursed almost a third of agricultural loans, approximately 30 per cent.

MKB Bank Group continues to be a major financing partner for agricultural and food businesses, with some aspects of annual activity broken down by aggregate and product level as follows:

- In 2022, the loan portfolio managed by Bank Group's agri-food business increased by more than HUF 90 bn, reaching HUF 540 bn by the end of the year;
- growth was not limited to plant size segments; small, medium, large and agri-business and agri-business and large corporate food customers were all affected;
- the business line grew mainly in disbursing working capital loans to large corporates, while maintaining its clear leadership in financing small and large agricultural businesses.

2.4.2 Retail customers

In preparation for the merger of MKB Bank and Takarékbank in May 2023, a process of unification of products and the harmonisation of processes has started. The merger of MKB Bank and Budapest Bank took place on 1 April 2022. From then onwards, new account packages with uniform pricing were launched not only in the two former, already merged, member banks, but also in Takarékbank, the third member bank of Bank Group, paving the way for full integration. The new account packages cover a wide range of customer needs and are in line with Bank Group's future strategy.

To facilitate the delivery of the business plans, a retail bank account acquisition promotion was launched with a number of other promotions to encourage the use of bank cards and increase the number of account openings. There have been a number of developments and measures relating to bank cards to support the use of digital channels and to improve customer convenience. As of 1 April 2022, customers of MKB Bank and former Budapest Bank with retail and corporate debit cards have been able to withdraw cash at nearly 1,000 ATMs (MKB Bank, former Budapest Bank and Takarékbank ATNs) nationwide at the same rate as their own bank cash withdrawal. In December 2022, the Google Pay service became available for Takarékbank Visa retail and corporate debit cardholders.

Among savings and investment solutions, investment funds were particularly popular in 2022. The Bank primarily met client needs with the wide range of products offered by MKB Fund Manager, which was merged as a result of the merger of Budapest Fund Manager and MKB-Pannónia Fund Manager in 2022. Among investment funds, short bond funds combining high return potential with flexible investment horizons were particularly popular, with their assets multiplying over the year. Total assets under managed in the investment funds increased further by 6.8% compared to 2021. Demand for retail government bonds in 2022 was more subdued than previously for most of the year, but new retail government bonds issued in the last quarter of the year have re-emerged as a favourable savings alternative in customers' individual portfolios.

The closing volume of retail deposits (based on segmentation according to the HNB's statistics criteria) was HUF 1,918.0 bn, which means a decrease of 1.3% in an annual comparison.

To strengthen market position, the Bank launched a "Babaváró" loan promotion and priced the 10-year interest period mortgage loan in TOP3.

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For personal loans, Bank Group's market share increased steadily from the second quarter and exceeded 15% by the end of the year. Although volumes declined as a result of the rise in interest rates that peaked in the last quarter, this was less pronounced in the member banks thanks to intensive campaigning activity, strict competitor monitoring and a competitive pricing strategy. Product and risk conditions, marketing activities and segment-based targeting have also been harmonised. The share of online E2E (end to end) claims is steadily increasing within the total claims and cycle times have also been improved. The new disbursed volume of HUF 34 bn exceeded the performance of the previous years. This gave Bank a stable market position at a high level.

The performance of the intermediary sales channel in 2022 on the unsecured loan side was 8.1% higher than the previous year, while for mortgage loans it was down by 19.3%.

The Credit Card range was further expanded in 2022. GO! was introduced for credit cards in July. The Bank tailored the Platinum Credit Card primarily to the banking habits of Premium and Private Banking customers, in order to meet the everyday financial needs of this segment as widely as possible. The number of strategic partners involved in the sale of Credit Cards and Commodity Loans also increased last year. In addition to the Tesco Shopping Card and the Euronics Credit Card, from May 2022 the Bank launched the sale of the ÉnPostám (MyPost) co-branded credit card in 200 post offices in cooperation with the Hungarian Post. This new co-branded credit card combines the benefits of shopping with a credit card and the benefits of the ÉnPostám Loyalty Programme. In eight months, 475 credit cards were sold. The physical sale of the commodity credit product with Media Markt, which has been in place for several years, has increasingly shifted towards online sales. The average amount of unsecured loans offered by each of the Bank's strategic partners has increased compared to 2021. The average loan amount requested under the Media Markt Online commodity loan increased the most, by 19.4%. The trust of not only the strategic partners, but also hundreds of small partners have been gained by promoting the Commodity Loan scheme.

The volume of MKB Group's retail loans (based on segmentation according to the HNB's statistics criteria) at the end of 4Q 2022 amounted to HUF 1,559.4 bn, which represents a decrease of HUF 2.7 bn compared to the previous quarter and HUF 144.4 bn compared to the same period last year. Both mortgage-backed loans and unsecured loans contributed positively to the year-on-year increase.

The closing portfolio of secured loans amounted to HUF 925.3 bn at the end of the quarter (HUF +22.1 bn y/y, HUF -7.2 bn p/p). The portfolio of consumer and other unsecured loans increased by 0.7% compared to the previous quarter, thus amounting to HUF 634.1 bn at the end of the period (+122.2 bn y/y).

All the member banks of Bank Group launched the sale of the CIG LakóTárs Extra Qualified Consumer Friendly Home Insurance product in mid-October.

Also in October, CIG Pannónia's corporate property insurance products were added to the range of products available for sale, to be followed by other products that can be offered to businesses. In the first round, corporate property insurance, machinery breakdown, electrical equipment all-risk insurance, general liability, professional liability and contractor's all-risk insurance products have been added to the range of products available.

In November 2022, a new single-premium life insurance product was introduced under the name of Pannónia Amethyst with premium payment options in HUF and EUR. At the same time as the launch, the insurance company discontinued the Pannónia Gravis product, but the Pannónia Gravis Pension product can still be taken out.

In the premium segment, the Bank decided to introduce a new unified value proposition and at the same time launched a new service model in MKB to enhance the customer experience and work more

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efficiently. Due to the focused acquisition, the portfolio clean-up was carried out without reducing the size of the portfolio.

In February 2023, MKB Bank was awarded 1st place in the 'Premium Banking Activity of the Year 2022' category, announced by MasterCard on 16 February 2023.

The first phase of the merger of the Private Banking segment was successfully completed. The consolidated national network was established, as a result of which the Bank established dedicated private banking service centers in several locations in Budapest and in nearly twenty locations nationwide. In addition to easier personal contact, the segment continues to provide telephone administration covering all of its services.

Services provided to customers were further expanded: investment funds of a new, internationally recognized market operator became available in the MKB Private Banking network, while the Bank's structured product program offers the opportunity to subscribe to more and more 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, the business took second place in the "Private Banking Service Provider of the Year" category.

Despite the unfavourable market trends and the notable fall in market value, MKB was able to significantly increase the volume of private bank portfolios. The number of clients with private banking contracts also increased, even though - mainly for ex-BB and MTB clients - hundreds of clients had to be reclassified to premium or into the mass segment due to the HUF 50 million limit. The new customer contracts not only managed to countervail this change, but also minimally increased the number of private bank customers.

Micro and small business segment:

Demand among Micro and Small Corporate customers for government-backed loans to stimulate the economy remained strong in 2022. The GO and MAX schemes of the Széchenyi Card programme were the most popular in this segment. The vast majority of outsourced loans were channelled to businesses through these schemes, and they were the driving force behind lending in this segment throughout the year.

In the second half of the year, the practice of recent years was somewhat reversed, and the demand for Széchenyi Card investment loans applied for through the programme decreased. Presumably, the macroeconomic changes are not favourable to business development and investment. Simultaneously, the MAX programme has seen an increase in demand for liquidity loans, which is expected to continue into 2023.

The competitiveness of own-bank loans continued to weaken in the rising interest rate environment, further widening the cost differential between fixed subsidised and variable market rate loans.

In addition to the merger work, there was also a strong focus on quality service to existing customers and new customer acquisitions. During 2022, several lending and account management product developments were prepared and launched.

Within non-financial corporations, the loan portfolio of microenterprises stood at HUF 485.6 bn (-33.1 bn p/p; +7.0% y/y) at the end of the period.

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In 2022, a total of nearly HUF 175 bn worth loan applications were accepted the MKB Group. A significant part of the portfolio came from the sale of the working capital loans, reopened at the end of the year, on 8 December 2022, and which will be processed and disbursed in year of 2023.

In addition to the processing of the outstanding portfolio and the inclusion of new transactions, more than HUF 41 bn of loans were disbursed during the year. At the end of the year, MFB Point loans exceeded HUF 341 bn.

Branch network

Following the merger of Budapest Bank and MKB Bank, in the second half of the year the focus was on branch modernisation, a unified sales approach, harmonisation of tools and processes, with the aim of providing a higher quality of customer service. The branch network continues to place a strong emphasis on providing information and full disclosure of information. In addition to the extensive and continuously expanding online services, the Bank has ensured a nationwide coverage of face-to-face customer service.

During the year, the quality of customer service across the entire branch network was further improved, based on regular customer experience surveys, including interviews and mystery shopping.

The transfer of Sberbank's loan portfolio to MKB Bank was successfully completed in the last quarter. The Bank has paid particular attention to informing and preparing the branch network, facilitating the proper handling of the takeover tasks and providing a high level of service to Sberbank's customers. As part of the takeover of Sberbank's loan portfolio, MKB Bank offers new customers the opportunity to benefit from new services within the framework of various campaigns.

2.4.3 Leasing

The consolidated MKB Group includes the dominant operators of the domestic leasing market, Euroleasing Zrt., Budapest Leasing Zrt. and Takaréék Leasing Zrt.

As an important step in the merger process, from the first day of 2022, Euroleasing Zrt., Budapest Leasing Zrt., Takaréék Leasing Zrt., and Budapest Bank's (from April 2022 MKB Bank) car financing segment continue to operate in the same management structure, in a coordinated and integrated manner.

The leasing group has a national network, around 56,000 customers and a market share of more than 20 percent based on the newly placed, aggregated leasing stock – all showing the importance of this step. After the integration, new loan and leasing services will primarily be provided by Euroleasing Zrt., while contracts concluded before January 1, 2022 will continue to be managed by the original leasing companies or their legal successors.

The professional recognition of the corporate group is indicated by the fact that in 2022 Budapest Lízing, integrated into Euroleasing, won three of the eight categories of the EXIM Awards, which reward the work of domestic credit institutions.

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.

Car financing activity

The leasing group has become a key operator in the vehicle financing segment of the leasing market. From the third quarter of 2021, the international trends - primarily the shortage of chips holding back production and the slowdown of supply chains - became noticeable in the Hungarian car sales market,

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and through it also in the vehicle financing market, which had a strong negative impact on the sales and financing markets as well. However, starting from the fourth quarter of 2021, the introduction of the subsidized Széchenyi Leasing GO! and then Széchenyi Leasing MAX products had a stimulating effect on the financing market, which in 2022 drove a significant number of buyers towards the financing market in the affected segments. In addition to previous unfavorable factors, the Russo-Ukrainian war also had a negative impact on the production and sale of new vehicles, and at the same time on the financing market. An important factor is that the general trend of rising interest rates reduced the demand for financing last year, while rising prices had a negative effect on the sales market.

Asset financing activity

The leasing group has a dominant market position in the asset financing leasing market and is the market leader in its two most significant segments, the financing of agricultural equipment and commercial vehicles.

State support programs (EXIM, KAVOSZ) had a significant impact on the asset financing market segment, while the leasing group played a prominent role in bringing these subsidized products to market in 2022.

The deterioration of the economic environment has had an effect on the asset financing market in the past period through the narrowing of investment desire and demand, as well as investment opportunities, which will hopefully be mitigated adequately in the future by state economic stimulus programs.

2.4.4 Investment services and Treasury activities

The 2022 business year posed a number of challenges for market players. Following the economic expansion that followed the end of the coronavirus, inflationary pressures emerged not only in domestic but also in international economies, due to supply chain constraints and a surge in demand. Central banks have reacted with small delays, but typically with interest rate hikes. The HNB also continued the tightening cycle started last year, with the pace accelerating significantly in the second half of the year.

At the end of February a new armed conflict shook Europe after more than 20 years. The primary impact of the Russia-Ukraine war was a sharp rise in the price of energy resources (mainly natural gas), and consequently a sharp depreciation of the currencies of the economies most exposed to Russian gas dependence. The depreciation of the forint exchange rate led to a new local peak during the year, which also led to significant price movements in other markets. Thus, last year was the most volatile year in decades, not only in terms of foreign currency and equity prices, but also in terms of interest rate products and government bond yields.

Treasury Trading and Sales activities

Significant changes in almost all fundamental segments tested the adaptability of treasury trading in 2022. The area made good use of the market opportunities provided by the main exchange rate movements during the year, and had a very successful year from a business perspective, while keeping risk exposures relatively low.

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The Treasury trading effectively managed short-term interest rate positions arising from customer positions, and made good use of the business opportunities offered by the monetary policy instruments.

In the foreign currency market, the trading was mainly active in EURHUF and USDHUF, as a large part of the client turnover is also realised in these currency pairs. The trading has also had a successful year in a highly volatile market, taking mainly short-term spot positions and pursuing a more active and proactive options portfolio management. In addition to profitability, it continued to strive for a high level of service to institutional customers and sales areas.

Treasury Sales: The year 2022 was characterised by above-average volatility, which encouraged corporate customers to manage exchange rate risk, and was treated as an attractive option by premium and private bank customers with a higher risk appetite. Dealers were able to generate strong turnover in options and structured products, which require deeper market knowledge. On the interest rate front, accelerating inflation and rising yields have made companies borrowing long-term debt hesitant and postponing projects or hedging the interest rate risk on related loans, which could come to the fore as yield curves shift downwards as early as this year.

Investment services

The rising yield environment brought about a major portfolio rebalancing, typically within retail government bonds. Foreign exchange products generated significantly higher turnover and revenues than in previous years due to high volatility. Towards the end of the year, investor attention focused on fixed income assets, in line with expectations for a peak in yields. In all product areas, the volatile market led to more intense investor activity than in previous years.

As of 31 August 2022, MKB-Pannónia Alapkezelő Zrt. was merged into Budapest Alapkezelő and will continue to operate under the name MKB Alapkezelő Zrt. as of 1 September 2022.

There were no new fund launches during the year due to the merger of the two fund managers. The aim for the coming period is to consolidate and rationalise the product portfolios of the two Fund Managers following the merger.

As at 31 December 2022, the Fund Manager managed a total of HUF 1,324 bn in net asset value investments, representing a market share¹ of 9.6%. MKB Fund Manager is ranked second among pension fund asset managers (in terms of assets under management).

³ Source: BAMOSZ

2.5 ESG strategy of MKB Group

Identifying the main challenge of our time, environmental and operational sustainability, MKB Group is committed to being a key player in the creation of sustainable economic operations in the domestic financial markets. International and domestic financial market expectations and regulatory requirements set out clear and increasing sustainability expectations for the banking sector in the coming years. Global, European Union and domestic financial trends increasingly point to the fact that large domestic banks that do not adapt sustainability considerations into their operations may find themselves in an increasingly difficult position in the market.

As the second largest banking group in Hungary, MKB Bank has a key role and responsibility in supporting and financing sustainable and climate-friendly investments. MKB Group is thus able to make a significant contribution, commensurate with its weight, to the achievement of the domestic climate goals and to the achievement of a sustainable economy.

MKB's environmental, social responsibility and corporate governance (ESG) strategy was announced in 2022. MKB has set ambitious targets in the course of its strategic work. MKB's goal is to place the Group at the forefront of the Hungarian banking market in terms of sustainability.

MKB Group aims to be a partner to its customers in achieving their sustainability goals, has a key role and responsibility in supporting and financing sustainable and climate investments and aims to raise awareness of sustainability issues among its customers.

Based on its corporate role, the MKB Group aims to make its internal operations sustainable, thereby setting an example of responsible operations for its partners and customers. It aims to achieve decarbonisation in its own operations, incorporate ESG aspects, train employees and ensure their well-being.

To achieve the strategic objectives, five strategic pillars and their corresponding action plans are identified:

1. Sustainability as a business opportunity and sustainability awareness,
2. Taking ESG risks into account in risk management decisions,
3. Decarbonisation efforts,
4. Responsible corporate governance, transformation and transparency,
5. Employee well-being and attitudinal change.

ESG Strategy is aligned with MKB Group's business strategy. Digitalisation efforts support, among other things, decarbonisation goals and sustainability-related product and service development. At the end of 2022, MKB launched a new green account suite for corporate customers, which is completely paperless and contributes to the conservation of a protected native bird species.

In terms of decarbonisation targets, the MKB Group aims to maximise its contribution to the Paris Agreement targets by reducing its carbon emissions as quickly as possible. To this end, MKB has launched the "Net Zero" project, which aims, as a first step, to establish a carbon inventory.

MKB Group aims to develop transparent, sustainability-friendly external and internal operations based on its role as a responsible corporate citizen. It is committed to integrating sustainability considerations into its management processes and its requirements towards its partners.

One of MKB's flagship projects, launched in 2022, is the integration of ESG aspects into the lending framework. The aim of the project is to assess the existing overall loan portfolio from an ESG risk rating perspective, which is necessary to provide a baseline from which the Group can increase its green

lending. This will be used as a basis for adjusting business and risk strategy, which will have an indirect impact on the environment.

The MKB Group is committed to the well-being of its employees and to shaping their attitudes. It attaches particular importance to the physical and mental health of its employees and to increasing their ESG awareness and knowledge.

The bank merger will create one of the largest banks in Hungary, and ESG and sustainability will be a key principle in the transformation.

In the second half of 2022, MKB Bank's Sustainability Report was published, summarising efforts and achievements in 2021. MKB was the second domestic bank to join the global cooperation established by the United Nations and sign the Responsible Banking Guidelines. This aims to facilitate the financial sector's move towards sustainability. With this commitment, MKB has taken another step towards responsible and green operations. By joining Mastercard's "Priceless Planet Coalition", the Bank wanted to raise awareness of sustainability and the importance of green finance, especially among young people.

Monitoring of ESG Strategy and coordination of its implementation is carried out by the ESG department, under the direction of the senior manager responsible for this area. The Executive Board and the Board of Directors monitor the implementation of the strategy through regular reporting.

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2.6 Awards and recognitions

At the Visa Awards MKB group was awarded with **Visa #1 Issuer 2022** and **Visa #1 Sustainable Card 2022** prizes.



Members of MKB group were recognised with four awards at the Exim Awards Gala.

MKB Bank won **„The Most Innovative Bank”** award.

Euroleasing became **„The Leasing Company of the Year”** and **„The Leasing Company with the Highest Number of Compensation Lease Contracts”**. The **„Urbán Zoltán Memorial Award”** also went to Euroleasing.



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, MKB group received the **„Lovable Workplace”** recognition, by DreamJobs.

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.

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

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

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Declaration

MKB Bank Nyrt. (hereinafter Bank) issues the following declaration in relation to its report on the 4Q 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, furthermore the 4Q 2022 financial statements give a fair view of the position, development and performance of the Bank, disclosing the risks and the factors of uncertainty.

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

Budapest, 30 March 2023

MKB Bank Nyrt.

Mr Zsolt Barna, dr.
Chairman Chief Executive

Mr Péter Krizsanovich
Deputy Chief Executive Officer for Finances

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3 FINANCIAL FIGURES

3.1 Correction factors FY 2022

in HUF million	2022 FY Accounting Report	2022 FY Accounting Report Merger entities	2022 FY Accounting Report including BB 1Q results	Structure corrections	Business corrections			COVID-19 effects	Adjusted PAT
					Banking tax and other taxes	Non-core one-offs	Extra OBA fee	COVID-19 related expenditures	
Interest income	678,949	65,641	744,590	-2,864	0	0	0	-2,676	739,050
Interest expense	-313,222	-14,790	-328,012	8,106	0	0	0	0	-319,906
Net interest income	365,727	50,852	416,579	5,241	0	0	0	-2,676	419,144
Net income from commissions and fees	104,429	13,820	118,249	-43,979	0	0	0	0	74,270
Results from financial instruments	32,146	4,325	36,471	-19,486	0	0	0	0	16,985
Other operating income / (expense), net	888	-7,848	-6,960	-33,710	0	0	5,226	0	-35,444
Impairments and provisions for losses	-93,176	-5,082	-98,258	18,231	0	0	0	11,688	-68,340
Operating expenses	3,432	96	3,528	-703	0	0	0	0	2,825
Share of jointly controlled and associated companies' profit / (loss)	-274,924	-33,295	-308,219	62,574	0	29,841	0	0	-215,805
Banking tax	-35,132	-5,276	-40,408	-5,150	31,910	0	0	0	-13,648
Profit / (Loss) before taxation	103,390	17,591	120,981	-16,982	31,910	29,841	5,226	9,012	179,989
Income tax expense / (income)	-12,222	-1,346	-13,568	16,981	-2,872	-2,686	-470	-811	-3,426
PROFIT/ (LOSS) FOR THE YEAR	91,168	16,245	107,413	0	29,038	27,156	4,756	8,201	176,563
Other comprehensive income	4,762	-6,412	-1,650	0	0	0	0	0	-1,650
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	95,930	9,833	105,763	0	29,038	27,156	4,756	8,201	174,913

Company name: MKB Bank Nyrt.
Address: 1056 Budapest, Váci u. 38.
Sector: Other monetary activity
Reporting period: 01.10.2022-31.12.2022

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Investors' contact person: Dóra Bertalan

in HUF million	FY 2022 Report	Structure corrections					Adjusted BS structure
		Liabilities		Assets			
		Customer deposits and interbank liabilities reclassification	Interbank liabilities and other liabilities reclassification	Customer loans and other assets reclassification	Customer loans and interbank loans reclassification	Securities and interbank loans reclassification	
Total Assets	10,614,422	0	0	0	0	0	10,614,422
Cash reserves	78,070						78,070
Loans and advances to banks	1,765,487				-298,035	12	1,467,464
Trading portfolio	489,012						489,012
Securities	3,403,382					-12	3,403,370
Loans and advances to customers	4,471,328			-8,045	298,035		4,761,318
Other assets	154,527			7,972			162,499
Investments in jointly controlled entities and associates	83,531						83,531
Intangibles, property and equipment	169,085			73			169,158
Total liabilities and equity	10,614,422	0	0	0	0	0	10,614,422
Total liabilities	9,805,686		0	0	0	0	9,805,686
Amounts due to other banks	2,434,562		12,405				2,447,407
Deposits and current accounts	6,574,796	-439					6,574,357
Derivate financial liabilities	237,298						237,298
Other liabilities and provisions	179,305		-12,405				166,900
Issued debt securities	379,725						379,725
Shareholders' Equity	808,736	0	0	0	0	0	808,736
Share capital	321,699						321,699
Reserves	487,037						487,037

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

3.2.1 Income statement

in HUF million	2021Y	2022Y
Interest and similar to interest income	86,044	678,949
Interest and similar to interest expense	(32,103)	(313,222)
Net interest income	53,941	365,727
Net income from commissions and fees	26,124	104,429
Results from financial instruments	63,328	32,146
Other operating income / (expense), net	1,750	888
(Impairment) / Reversal on financial and non-financial instruments	(5,926)	(93,176)
Dividend income	4,138	3,432
Operating expense	(77,572)	(310,056)
Profit before taxation	65,783	103,390
Income tax income / (expense)	(5,799)	(12,222)
PROFIT FOR THE YEAR	59,984	91,168
Other comprehensive income	(20,009)	4,762
TOTAL COMPREHENSIVE INCOME	39,975	95,930

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3.2.2 Balance sheet

in HUF million	2021Y	2022Y
Assets		
Cash and cash equivalents	854,970	1,361,315
Financial assets measured at fair value through profit or loss	169,155	819,718
Loans and advances to customers mandatorily at fair value through prof	53,295	418,517
Securities held for trading	3,964	49,923
Securities mandatorily at fair value through profit or loss	7,537	24,869
Derivative financial assets	104,359	326,409
Hedging derivative assets	0	164,338
Financial assets measured at fair value through other comprehensive incorr	187,681	630,845
Financial assets measured at amortised cost	2,005,130	7,377,255
Loans and advances to banks	36,940	179,088
Loans and advances to customers	1,143,764	4,342,801
Repurchase assets	18,868	1,070
Securities	804,569	2,781,620
Other financial assets	989	72,676
Investments in subsidiaries and associates	8,586	49,599
Intangible assets, Property, plant and equipment	59,790	168,856
Other assets	28,707	42,496
Total assets	3,314,019	10,614,422
Liabilities		
Financial liabilities measured at fair value through profit or loss	43,751	278,203
Financial liabilities measured at amortised cost	2,991,346	9,416,275
Amounts due to banks	699,563	2,378,471
Amounts due to customers	2,212,841	6,574,357
Repurchase liabilities	1,319	0
Issued debt securities	0	290,838
Subordinated debt	45,070	88,887
Other financial liabilities	32,553	83,722
Hedging derivative liabilities	0	1,365
Provisions	3,630	22,623
Other liabilities	25,539	87,220
Total liabilities	3,064,266	9,805,686
Equity		
Share capital	100,000	321,699
Reserves	149,753	487,037
Total equity	249,753	808,736
Total liabilities and equity	3,314,019	10,614,422

3.2.3 Shareholders' assets

in HUF million	Share capital	Share premium	Retained earnings	Other reserves	Accumulated other comprehensive income	Non-controlling interests	Total equity
On 1 January 2021	100,000	21,729	80,163	11,447	(3,560)	-	209,779
Profit/ (loss) for the year	-	-	59,983	-	-	-	59,983
Other comprehensive income for the year	-	-	-	-	(20,009)	-	(20,009)
General reserve for the year	-	-	(5,593)	5,593	-	-	-
At 31 December 2021	100,000	21,729	134,553	17,040	(23,569)	-	249,753
Profit/ (loss) for the year	-	-	88,942	-	-	2,226	91,168
Other comprehensive income for the year	-	-	-	-	4,664	98	4,762
Share issue and share premium	85,982	122,239	-	-	-	-	208,221
Dividend	-	-	(4,300)	-	-	-	(4,300)
General reserve for the year	-	-	(5,260)	5,260	-	-	-
Increase in ownership in subsidiaries	135,717	169,979	(87,047)	9,050	(2,452)	9,632	234,879
Decrease in ownership in subsidiaries	-	-	(4,152)	-	-	28,405	24,253
At 31 December 2022	321,699	313,947	122,736	31,350	(21,357)	40,361	808,736

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

3.3.1 Income statement

in HUF million	2021Y	2022Y
Interest and similar to interest income	79,335	497,677
Interest and similar to interest expense	(32,470)	(282,000)
Net interest income	46,865	215,677
Net income from commissions and fees	26,743	58,476
Results from financial instruments	63,436	33,752
Other operating income / (expense), net	(101)	(517)
(Impairment) / Reversal on financial and non-financial instruments	(5,417)	(56,974)
Dividend income	2,995	4,023
Operating expense	(72,808)	(190,307)
Profit before taxation	61,713	64,130
Income tax income / (expense)	(5,797)	507
PROFIT FOR THE YEAR	55,916	64,637
Other comprehensive income	(20,009)	3,693
TOTAL COMPREHENSIVE INCOME	35,907	68,330

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3.3.2 Balance sheet

in HUF million	2021Y	2022Y
Assets		
Cash and cash equivalents	866,957	1,081,158
Financial assets measured at fair value through profit or loss	169,198	476,909
Loans and advances to customers mandatorily at fair value through profit or loss	53,295	182,875
Securities held for trading	3,964	8,434
Securities mandatorily at fair value through profit or loss	7,537	18,017
Derivative financial assets	104,402	267,583
Hedging derivative assets	0	142,874
Financial assets measured at fair value through other comprehensive income (Securities)	187,681	428,520
Financial assets measured at amortised cost	1,979,687	4,823,478
Loans and advances to banks	25,024	448,627
Loans and advances to customers	1,128,148	2,565,343
Repurchase assets	20,263	9,080
Securities	804,568	1,772,915
Other financial assets	1,684	27,513
Investments in subsidiaries and associates	49,563	424,367
Intangible assets, Property, plant and equipment	41,408	81,931
Other assets	25,688	9,541
Total assets	3,320,182	7,468,778
Liabilities		
Financial liabilities measured at fair value through profit or loss	43,751	196,728
Financial liabilities measured at amortised cost	3,007,813	6,417,607
Amounts due to banks	703,041	1,965,931
Amounts due to customers	2,222,353	4,207,025
Repurchase liabilities	1,319	73,429
Issued debt securities	3,394	12,906
Subordinated debt	45,070	88,887
Other financial liabilities	32,636	69,429
Hedging derivative liabilities	0	158
Provisions	3,407	13,977
Other liabilities	26,330	47,296
Total liabilities	3,081,301	6,675,766
Equity		
Share capital	100,000	321,699
Reserves	138,881	471,313
Total equity	238,881	793,012
Total liabilities and equity	3,320,182	7,468,778

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3.3.3 Shareholders' assets

in HUF million	Share capital	Share premium	Retained earnings	Other reserve	Accumulated other comprehensive income	Total equity
On 1 January 2021	100,000	21,729	73,357	11,448	(3,560)	202,974
Profit/ (loss) for the year	-	-	55,916	-	-	55,916
Other comprehensive income for the year	-	-	-	-	(20,009)	(20,009)
General reserve for the year	-	-	(5,592)	5,592	-	-
On 30 December 2021	100,000	21,729	123,681	17,040	(23,569)	238,881
Settlement of capital items	135,717	169,979	(28,763)	9,049	(4,102)	281,880
Profit/ (loss) for the year	-	-	64,637	-	-	64,637
Other comprehensive income for the year	-	-	-	-	3,693	3,693
General reserve for the year	-	-	(6,463)	6,463	-	-
Dividend	-	-	(4,300)	-	-	(4,300)
Share issue and share premium	85,982	122,239	-	-	-	208,221
On 31 December 2022	321,699	313,947	148,792	32,552	(23,978)	793,012

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

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3.4 Performance of key members and subsidiaries of MKB Group²

3.4.1 Takarékbank Zrt.

Individual financial statements of Takarékbank according to IFRS - Balance sheet

in HUF million	2022	2021
Assets		
Cash and cash equivalents	234,753	217,464
Financial assets measured at fair value through profit or loss	263,747	229,860
Loans and advances to customers mandatorily at fair value through profit or loss	229,029	216,872
Securities mandatorily at fair value through profit or loss	6,520	7,534
Derivative financial assets	28,198	5,454
Hedging derivative assets	27,716	5,258
Financial assets measured at fair value through other comprehensive income (Securities)	146,909	200,073
Financial assets measured at amortised cost	2,813,745	2,550,682
Loans and advances to banks	601,195	460,247
Loans and advances to customers	1,653,580	1,574,002
Repurchase assets	14,188	0
Securities	494,611	483,336
Other financial assets	50,171	33,097
Investments in subsidiaries and associates	5,050	5,309
Intangible assets, Property, plant and equipment	9,494	13,310
Other assets	10,272	11,958
Total assets	3,511,686	3,233,914
Liabilities		
Financial liabilities measured at fair value through profit or loss	19,039	6,816
Financial liabilities measured at amortised cost	3,228,520	3,087,112
Amounts due to banks	645,221	595,857
Amounts due to customers	2,521,337	2,457,909
Repurchase liabilities	30,283	23,441
Issued debt securities	0	0
Subordinated debt	23,947	0
Other financial liabilities	7,732	9,904
Hedging derivative liabilities	522	384
Provisions	8,267	5,634
Other liabilities	28,500	27,567
Total liabilities	3,284,848	3,127,513
Equity		
Share capital	186,960	100,260
Reserves	39,878	6,141
Total equity	226,838	106,401
Total liabilities and equity	3,511,686	3,233,914

² Unadjusted (non-normalized) data. The values contain data compiled according to accounting regulations, except in the case of a different marking.

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Individual financial statements of Takarékbank according to IFRS - Income statement

STATEMENT OF PROFIT AND LOSS (in HUF million)	2022	2021
Interest income and similar to interest income	237,489	88,958
Interest expense and expense similar to interest expense	-71,567	-12,331
Net interest income	165,922	76,627
Fee and commission income	68,072	59,179
Fee and commission expense	-19,886	-16,500
Net fee and commission income	48,186	42,679
Results from financial instruments	-20,715	2,485
<i>Results from financial instruments measured at fair value through profit or loss, net</i>	-14,430	-782
<i>Results from financial instruments measured at fair value through other comprehensive income, net</i>	-3,780	1,665
<i>Results from financial instruments measured at amortized cost, net</i>	-243	-572
<i>Results from hedge accounting, net</i>	325	-1,152
<i>Exchange differences result, net</i>	-2,587	3,326
(Impairment) / Reversal on financial and non-financial instruments	-36,677	-23,382
<i>(Impairment) / Reversal on financial instruments held for credit risk management</i>	-23,288	-21,859
<i>Provision (loss) / gain</i>	-2,167	22
<i>Modification (loss) / gain on financial instruments</i>	-10,916	-1,221
<i>(Impairment) / Reversal on investments in subsidiaries and associates</i>	-113	96
<i>(Impairment) / Reversal on other financial and non financial instruments</i>	-193	-420
Dividend income	574	4
Operating expense	-122,312	-101,097
Other income	882	5,750
Other expense	-1,562	-3,725
Result from assets held for sale	-51	326
Profit before taxation	34,247	-333
Deferred tax (income) / expense	-8,766	-1,546
Profit for the year from discontinued operations	0	627
Profit for the year	25,481	-1,252
STATEMENT OF OTHER COMPREHENSIVE INCOME		
Profit for the year	25,481	-1,252
Other comprehensive income	-5,044	-4,713
Total Comprehensive Income for the year	20,437	-5,965

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3.4.2 MTB Zrt.

Individual financial statements of MTB according to IFRS - Balance sheet

in HUF million	2022	2021
Assets		
Cash and cash equivalents	265,097	143,887
Financial assets measured at fair value through profit or loss	148,088	76,239
Loans and advances to customers mandatorily at fair value through profit or loss	85	115
Securities held for trading	41,502	40,200
Securities mandatorily at fair value through profit or loss	11,707	1,678
Derivative financial assets	94,794	34,246
Financial assets measured at fair value through other comprehensive income (Securiti	44,515	157
Financial assets measured at amortised cost	1,183,182	1,053,849
Loans and advances to banks	843,302	803,611
Repurchase assets	103,684	25,989
Securities	233,131	222,677
Other financial assets	3,065	1,572
Investments in subsidiaries and associates	78,637	199,826
Intangible assets, Property, plant and equipment	6,081	5,096
Other assets	16,679	24,437
Total assets	1,742,279	1,503,491
Liabilities		
Financial liabilities measured at fair value through profit or loss	129,809	54,887
Financial liabilities measured at amortised cost	1,573,653	1,402,200
Amounts due to banks	1,474,534	1,320,810
Amounts due to customers	0	0
Repurchase liabilities	22,201	18,709
Issued debt securities	0	0
Subordinated debt	8,708	0
Other financial liabilities	68,210	62,681
Hedging derivative liabilities	0	0
Provisions	375	1,206
Other liabilities	9,195	10,678
Total liabilities	1,713,032	1,468,971
Equity		
Share capital	3,390	3,390
Reserves	25,857	31,130
Total equity	29,247	34,520
Total liabilities and equity	1,742,279	1,503,491

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Individual financial statements of MTB according to IFRS - Income statement

Statement of profit and loss (HUF million)	2022	2021
Interest and similar to interest income	88,256	25,733
Interest and similar to interest expense	-92,698	-19,000
Net interest income	-4,442	6,733
Income from fees and commissions	17,591	12,433
Expense from fees and commissions	-14,194	-7,568
Net income from commissions and fees	3,397	4,865
Results from financial instruments	8,689	5,131
<i>Results from financial instruments measured at fair value through profit or loss, net</i>	15,674	4,566
<i>Results from financial instruments measured at fair value through other comprehensive income, net</i>	0	1,892
<i>Results from financial instruments measured at amortized cost, net</i>	638	2,622
<i>Results from hedge accounting, net</i>	0	-2,180
<i>Exchange differences result, net</i>	-7,623	-1,769
(Impairment) / Reversal on financial and non-financial instruments	-4,274	-10,654
(Impairment) / Reversal on financial instruments held for credit risk management	497	-1,442
Provision (loss) / gain	284	-433
Modification (loss) / gain on financial instruments	0	0
(Impairment) / Reversal on investments in subsidiaries and associates	-5,052	-8,792
(Impairment) / Reversal on other financial and non financial instruments	-3	13
Dividend income	23	5,365
Operating expense	-22,366	-22,118
Other income	11,913	14,736
Other expense	-461	-3
Result from assets held for sale	4,821	-275
Profit before taxation	-2,700	3,780
Income tax income / (expense)	-3,277	-1,172
Profit/(Loss) from discontinued operations	0	0
Profit for the year	-5,977	2,608
Other comprehensive income		
Profit for the year	-5,977	2,608
Other comprehensive income	704	241
Total comprehensive income for the year	-5,273	2,849

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3.5 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 (%)
MKB Befektetési Alapkezelő Zrt.	Hungary, Czech Republic	Fund management	75.54	75.54
Budapest Lízing Zrt.	Hungary	Financial leasing	100.00	100.00
Budapest Eszközfinanszírozó Zrt.	Hungary	Renting and leasing of other machinery, equipment and tangible goods	100.00	100.00
MKB Üzemeltetési Kft.	Hungary	Renting and operating of own or leased real estate	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
MTB Magyar Takarékszövetkezeti Bank Zrt.	Hungary	Credit institution, investment and Treasury services	80.55	100.00
Takarékbank Zrt.	Hungary	Universal banking services	98.83	98.83
Takarék Jelzálogbank Nyrt.	Hungary	Issuance of mortgage bonds, refinancing of mortgage loans	50.67	51.33
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	Asset manafement (holding)	100.00	100.00
MITRA Informatikai Zrt.	Hungary	Data processing, hosting and related activities	87.73	87.73
TIHASZ TakaréK Ingatlanhasznosító Zrt.	Hungary	Renting and operating of own or leased real estate	100.00	100.00
Magyar Strat-Alfa Befektetési Zrt.	Hungary	Buying and selling of own real estate Renting and operating of own or leased real estate	50.00	50.00

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List and presentation of owners with more than 5% participation (31.12.2022)

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

List and presentation of owners with more than 5% participation (17.02.2023)

(as at 17.02.2023, after the stock exchange listing of shares issued within the framework of the capital increase approved by way of Resolution No. 55/2022 (9 December 2022) of the Extraordinary General Meeting)

Name	Number of shares	Ownership share (%)	Voting rights (%)
Hungarian Bankholding Ltd.	318 883 966	99.12%	99.12%

Full-time employees

FTE, end of period	31.12.2021	31.03.2022	30.06.2022	30.09.2022	31.12.2022
MKB Bank Nyrt.	4,382.55	4,462.73	4,613.90	4,743.75	4,737.63
MBH	116.90	60.90	13.55	12.65	1.25
MITRA Informatikai Zrt.	189.75	190.35	168.40	403.80	402.00
MKB Üzemeltetési Kft.	46.51	45.11	30.61	32.61	31.72
Eurolízing	177.60	184.72	195.15	204.37	347.55
Alapkezelő	16.85	16.85	15.25	45.00	42.75
Budapest Eszközfinanszírozó Zrt.	8.07	6.23	3.25	4.25	3.25
Budapest Lízing Zrt.	34.35	33.80	24.50	23.75	0.00
MKB Bank MRP Szervezet	2.00	2.00	2.00	2.00	2.00
MTB Zrt.	533.60	497.47	456.75	419.09	414.24
Takarékbank Zrt.	4,187.19	4,074.68	3,919.74	3,686.60	3,398.60
Takarék Jelzálogbank Nyrt.	14.44	15.41	14.88	14.88	14.23
Takarék Központi Követelésbehajtó Zrt.	0.25	0.25	0.25	0.00	0.00
Takarék Faktorház Zrt.	13.28	11.38	10.38	8.28	7.88
Takarék Ingatlan Zrt.	21.75	22.50	19.63	18.63	17.63
Takarék Lízing Zrt.	27.05	20.74	15.54	15.54	0.50
TIFOR Takarék Ingatlanforgalmazó Zrt.	3.98	3.65	4.05	3.55	0.00
TIHASZ Takarék Ingatlanhasznosító Zrt.	39.93	39.35	37.95	49.45	52.95
MATAKEL	0.00	0.00	0.00	0.00	0.00
Takarék Központi Követelés Kezelő Zrt.	60.50	59.50	58.50	0.00	0.00
MKB Group	9,876.54	9,747.61	9,604.28	9,688.20	9,474.18

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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	István Sárvári	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
IT	Andrea Mager	member	01.09.2022	31.08.2024	0
FB	Dr. Andor Nagy	Chairman	04.04.2022	12.31.2025	0
FB	Zsigmond Járai	member	04.04.2022	12.31.2025	0
FB	Miklós Vaszi	member	04.04.2022	12.31.2025	0
FB	dr. Géza Láng	member	01.09.2022	12.31.2025	0
FB	Rita Feodor	member	01.09.2022	12.31.2025	0
FB	dr. Péter Magyar	member	01.09.2022	12.31.2025	0
FB, SP	Kitti Dobi	member	26.07.2021	24.07.2026	0
FB	Balázs Bechtold	member	26.07.2021	06.07.2026	0
FB	dr. Ilona Török	member	02.09.2022	31.03.2026	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	Péter Krizsanovich	Deputy CEO	02.02.2023		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)

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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	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average equities (HUF bln)}}$	$\frac{176,563}{736,286} = 23.98\%$
ROMC	Adjusted rate on minimum capital	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average minimum capital (HUF bln)}}$	$\frac{176,563}{512,608} = 34.44\%$
ROAA	Adjusted rate on average total assets	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{176,563}{10,386,383} = 1.70\%$
TRM	Adjusted total revenue margin	$\frac{\text{Annualised adjusted Gross Operating Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{477,781}{10,386,383} = 4.60\%$
CIM	Adjusted core income margin	$\frac{\text{Annualised adjusted net interest + net fee + FX income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{(419,144 + 74,270)}{10,386,383} = 4.75\%$
NIM	Adjusted net interest income margin	$\frac{\text{Annualised adjusted Net Interest Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{419,144}{10,386,383} = 4.04\%$
NFM	Adjusted net fee margin	$\frac{\text{Annualised adjusted Net Fee Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{74,270}{10,386,383} = 0.72\%$
C/TA	Adjusted cost to total assets	$\frac{\text{Annualised adjusted General Admin. Expenses (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{215,805}{10,386,383} = 2.08\%$
CIR	Adjusted cost-income ratio	$\frac{\text{Adjusted General Admin. Expenses (HUF bln)}}{\text{Adjusted Gross Operating Income (HUF bln)}}$	$\frac{215,805}{477,781} = 45.17\%$
Risk%	Adjusted risk cost rate	$\frac{\text{Annualised adjusted provision for losses on loans (HUF bln)}}{\text{Average gross loans (HUF bln)}}$	$\frac{48,956}{4,753,260} = 1.03\%$
GOI/RWA	Adjusted RWA efficiency	$\frac{\text{Annualised adjusted Gross Operating Income (HUF bln)}}{\text{Average Total RWA (HUF bln)}}$	$\frac{477,781}{3,934,289} = 12.14\%$
EPS	Adjusted earnings per share	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average number of shares (bln pcs)}}$	$\frac{176,563}{309} = 572.32$

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4.1.2 KPIs on profit&loss as in financial statement (accounting and unadjusted (including the 1Q 2022 results of merging Budapest Bank))

KPI	Short description	Formulation	Current cumulated accounting figures	Current cumulated unadjusted (including BB 1Q results) figures
ROAE	Rate on average equities	Annualised PAT (HUF bln)	91,168	107,413
		Average equities (HUF bln)	736,286 = 12.38%	736,286 = 14.59%
ROMC	Rate on minimum capital	Annualised PAT (HUF bln)	91,168	107,413
		Average minimum capital (HUF bln)	512,608 = 17.79%	512,608 = 20.95%
ROAA	Rate on average total assets	Annualised PAT (HUF bln)	91,168	107,413
		Average Total assets (HUF bln)	10,386,383 = 0.88%	10,386,383 = 1.03%
TRM	Total revenue margin	Annualised Gross Operating Income (HUF bln)	418,210	475,232
		Average Total assets (HUF bln)	10,386,383 = 4.03%	10,386,383 = 4.58%
CIM	Core income margin	Annualised net interest + net fee + FX income (HUF bln)	(365,728 + 55,717)	(421,820 + 74,270)
		Average Total assets (HUF bln)	10,386,383 = 4.06%	10,386,383 = 4.78%
NIM	Net interest income margin	Annualised Net Interest Income (HUF bln)	365,728	421,820
		Average Total assets (HUF bln)	10,386,383 = 3.52%	10,386,383 = 4.06%
NFM	Net fee margin	Annualised Net Fee Income (HUF bln)	55,717	74,270
		Average Total assets (HUF bln)	10,386,383 = 0.54%	10,386,383 = 0.72%
C/TA	Cost to total assets	Annualised General Admin. Expenses (HUF bln)	212,112	245,646
		Average Total assets (HUF bln)	10,386,383 = 2.04%	10,386,383 = 2.37%
CIR	Cost-income ratio	General Admin. Expenses (HUF bln)	212,112	245,646
		Gross Operating Income (HUF bln)	418,210 = 50.72%	475,232 = 51.69%
Risk%	Risk cost rate	Annualised provision for losses on loans (HUF bln)	-7,378	-48,956
		Average gross loans (HUF bln)	4,683,882 = 0.16%	4,753,260 = 1.03%
GOI/RWA	RWA efficiency	Annualised Gross Operating Income (HUF bln)	418,210	475,232
		Average Total RWA (HUF bln)	3,928,685 = 10.65%	3,928,685 = 12.10%
EPS	Earnings per share, IFRS	PAT (HUF bln)	91,168	107,413
		Average number of shares (bln pcs)	309 = 295.5	309 = 348.2

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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)	249,781
		Total Asset (HUF bln)	10,614,422 = 2.35%
Securities rate	Securities to Total assets	Securities (HUF bln)	3,453,313
		Total Asset (HUF bln)	10,614,422 = 32.53%
CAR	Capital adequacy ratio	Regulatory capital (HUF bln)	815,976
		Total RWA (HUF bln)	4,132,717 = 19.74%
RWA/ Total Assets	Risk weighted assets to Total assets ratio	Total RWA (HUF bln)	4,132,717
		Total Asset (HUF bln)	10,614,422 = 38.93%
DPD coverage	Rate of loans past due for more than 90 days covered by provision	Provision for customer loans (HUF bln)	249,781
		Loans past due for more than 90 days (HUF bln)	93,015 = 268.54%
NPL rate	Rate of non-performing loans	Non-performing customer loans (HUF bln)	224,169
		Gross customer loans (HUF bln)	5,011,099 = 4.47%
Direct NPL coverage	Rate of non-performing loans covered directly by provision	Provision for non-performing customer loans (HUF bln)	105,396
		Non-performing customer loans (HUF bln)	224,169 = 47.02%
Indirect NPL coverage	Rate of non-performing loans covered by provision	Provision for customer loans (HUF bln)	249,781
		Non-performing customer loans (HUF bln)	224,169 = 111.43%

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4.2 Summary of the methodology underlying the 4Q 2022 report

Concerning comparisons to base year figures, this yearly 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 Takaréknál 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 1Q 2022 accounting profit does not include the 1Q 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.

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- For year 2021 and 1Q 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 2Q, 3Q and 4Q 2022 principles, to ensure comparability of the adjusted profit and loss data.
- From 2Q 2022 the Consolidated Financial Data are presented including the merged banks.
- MKB Nyrt's information on its 4Q 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 and 31st December 2022.

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4.3 Abbreviations

MKB, MKB Bank, MKB Group

MKB Group

MBH Hungarian Bankholding Zrt.

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 comprehensive income

TOCI Total other comprehensive income

FX FX result

FV Revaluation result

IRS Interest rate swap

TA Total assets

RWA Risk weighted assets

Secured loans 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)

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

ESG Environmental, Social, Governance

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