

MBH Bank

Investor update

May 2024

MBH BANK



General overview

A UNIQUE TRIPLE MERGER – BUILDING A NEW NATIONAL CHAMPION



Merger 1 | 31 March 2022




Merger 2 | 30 April 2023
Name change | 1 May 2023



MBH BANK Bringing together three institutions with long traditions, complementary know-how and business profiles





Urban Retail and SME segments

Budapest Bank (BB) established with focus on SMEs

BB purchased by General Electric

BB acquired by the State




Corporate and private banking

MKB Bank founded in 1950 to manage foreign trade transactions, focusing on large corporates

MKB acquired by Bayerische Landesbank

MKB acquired by the Hungarian State, followed by restructuring/re organisation initiated

MKB shares listed on the Budapest Stock Exchange, ownership structure changed



Agriculture, rural retail and SME

Savings cooperatives established in the 1950's

Takarék Mortgage Bank started operations in 1998

Integration of saving cooperatives: Takarék Group established

Establishment of the merged Takarékbank: merger of Takarékbank, Savings cooperatives and FHB Bank



Successful merger of MKB Bank and Budapest Bank under the MKB brand

Successful merger of MKB Bank and Takarék Group

New brand name introduced: "MBH Bank"

MBH Group and ownership structure

MBH BANK

MBH INVESTMENT BANK

Newly established, provider of a full range of investment services, with the stable and secure background of MBH Bank.

EUROLEASING

Providing leasing for cars and other types of assets. #1 player in the market with over 20% MS.

Fundamenta

Key market player in the housing savings segment and the housing finance market

MBH MORTGAGE BANK

Mortgage bank providing long-term funding for MBH Group. With total assets over HUF 747 bn

MBH FUND MANAGEMENT

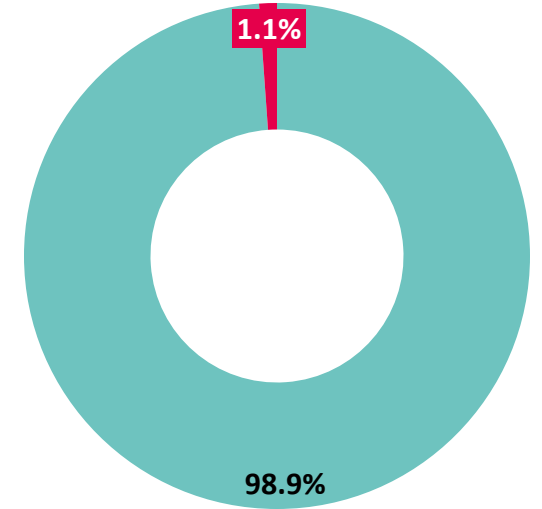
Providing fund management services. #2 pension fund asset manager in Hungary. 10% overall market share.

DUNA BANK MBH CSOPORT

Regional bank serving local retail and SME customers

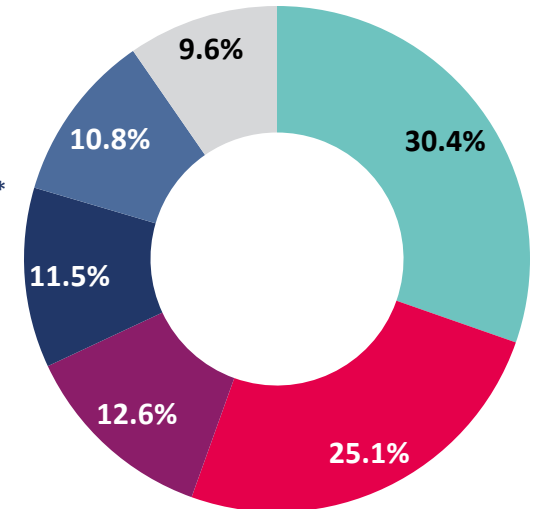
MBH Bank ownership structure:

- Hungarian Bankholding Ltd.
- Free float



Hungarian Bankholding Ltd. ownership structure:

- Corvinus International Investment Ltd.*
- Hungarian Savings Investment Ltd.
- Hungarian Savings Holding Ltd.
- METIS Private Equity Fund
- Blue Robin Investments S.C.A.
- Others



As of 31st March 2024

*Corvinus Ltd. is an investment vehicle of the Hungarian State

Investment grade rating



In 2023, MBH Bank received an investment grade Baa2 CRR rating from Moody's, with a stable outlook

Rating category	Rating achieved
Long- and short-term deposit ratings	Baa3/P-3
Long- and short-term Counterparty Risk Ratings (CRRs)	Baa2/P-2
Adjusted / Baseline Credit Assessment (BCA)	ba3
Senior Unsecured Program and Bond rating	(P)Ba2

- The ratings assigned by Moody's Investors Service (Moody's) to MBH Bank reflects
 - The Bank's strong competitiveness in Hungary
 - Adequate capital level
 - Solid profitability



ESG ratings

Outstanding recognition for our ESG performance:

- **B+ ESG rating from LSEG** (formerly Refinitiv) in November 2023.
- The Bank achieved a **'C' rating** in the **CDP 2023** assessment



Key Highlights



Around **2 million customers** (private and business) served in the Hungarian market



Largest branch network with over 400 branches and 1,000 ATMs across the country



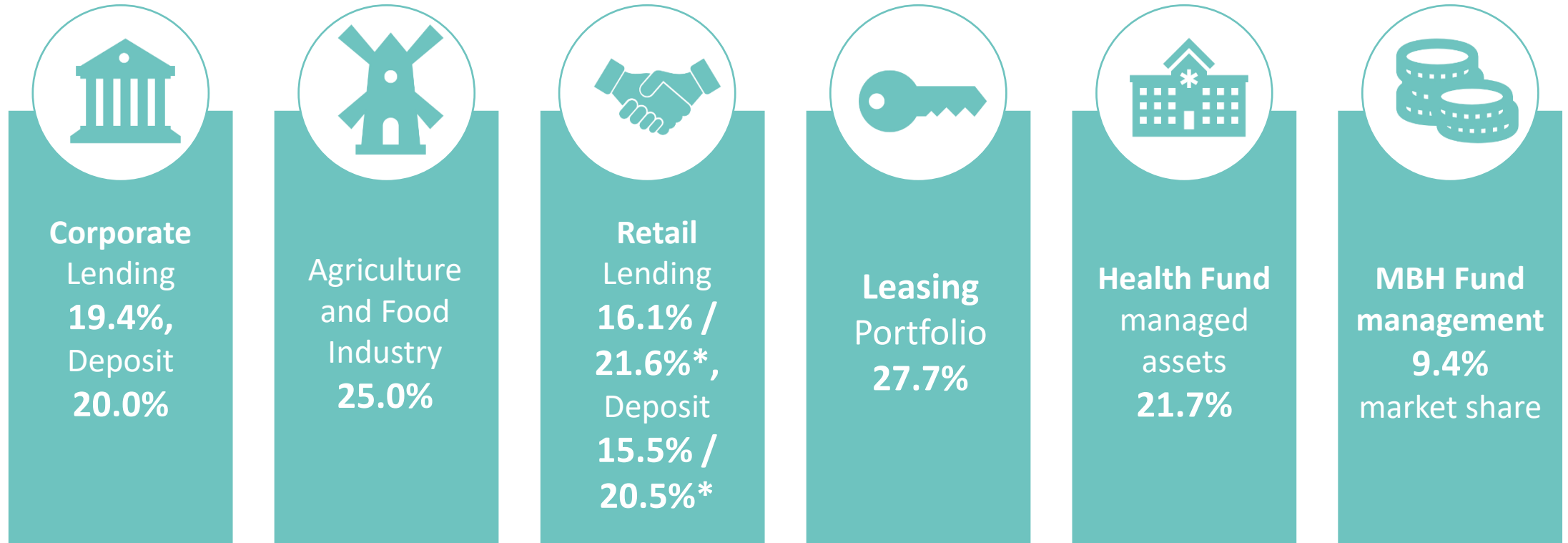
8.8 thousand employees, the second largest employer in the financial sector



Total assets of over **HUF 11,107 billion (EUR 29bn)**, record pre-tax adjusted **comprehensive income of HUF 345 billion (EUR 0.9bn)** and adjusted **return on equity of 33.1%*** in 2023



Dominant market positions in all major segments

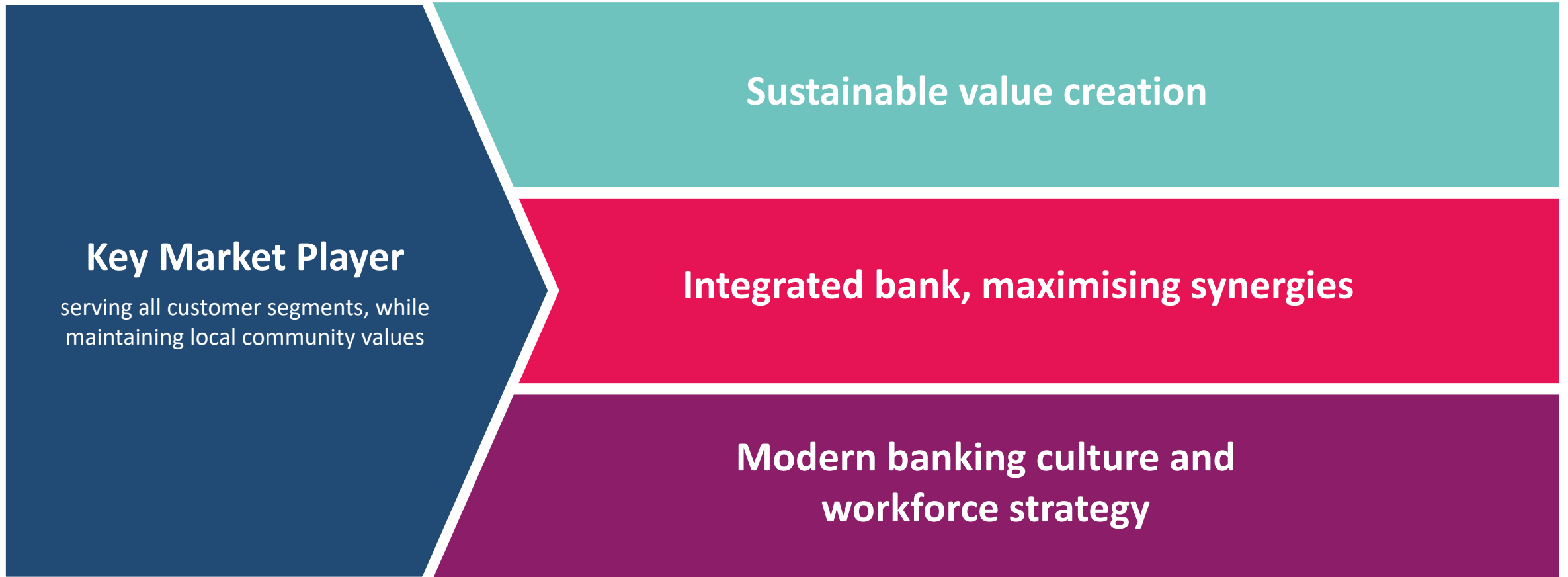


*Housing market shares together with Fundamenta
Market share end of 2023

Sources: MNB, KSH, Magyar Lízingszövetség, Pénztárszövetség, BAMOSZ, belső adatszolgáltatás

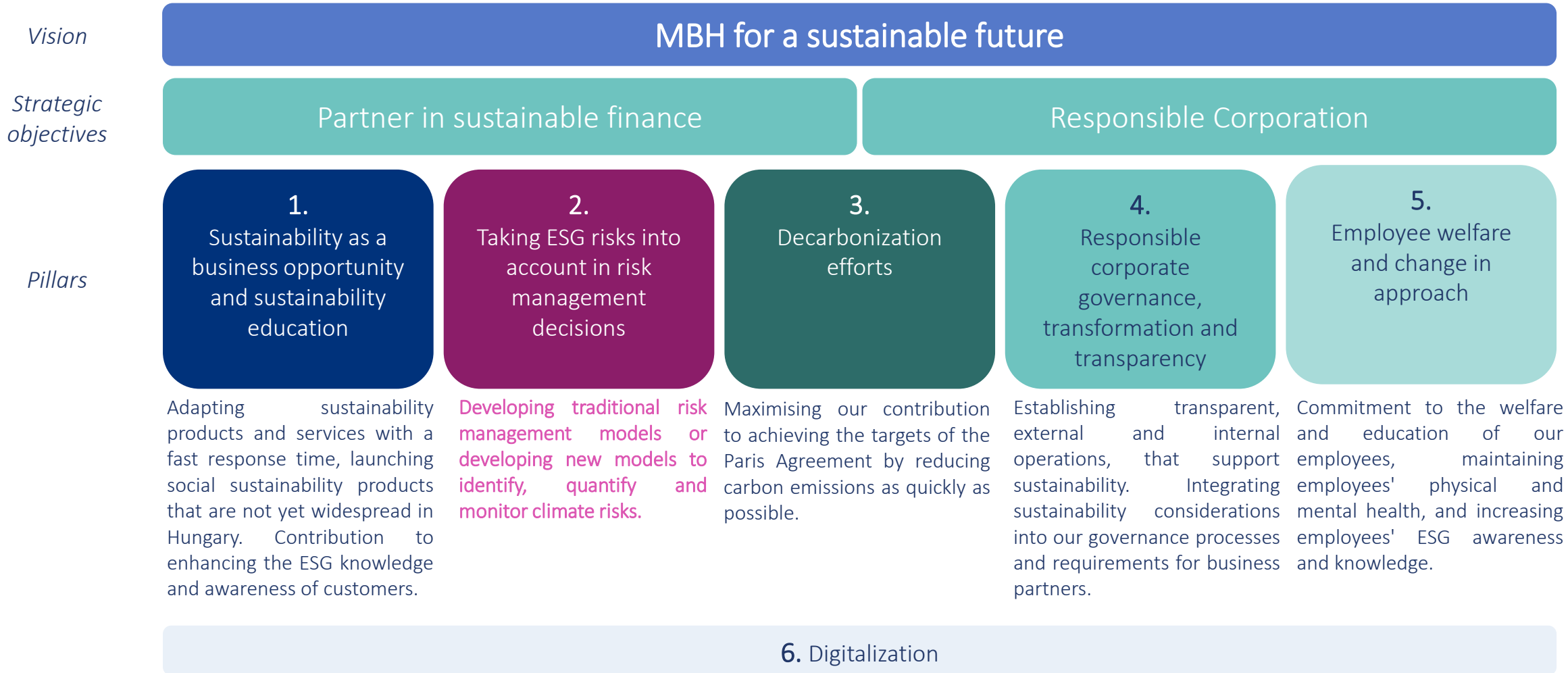
MBH's Strategy

MBH Bank's strategic vision is built on 3 pillars.

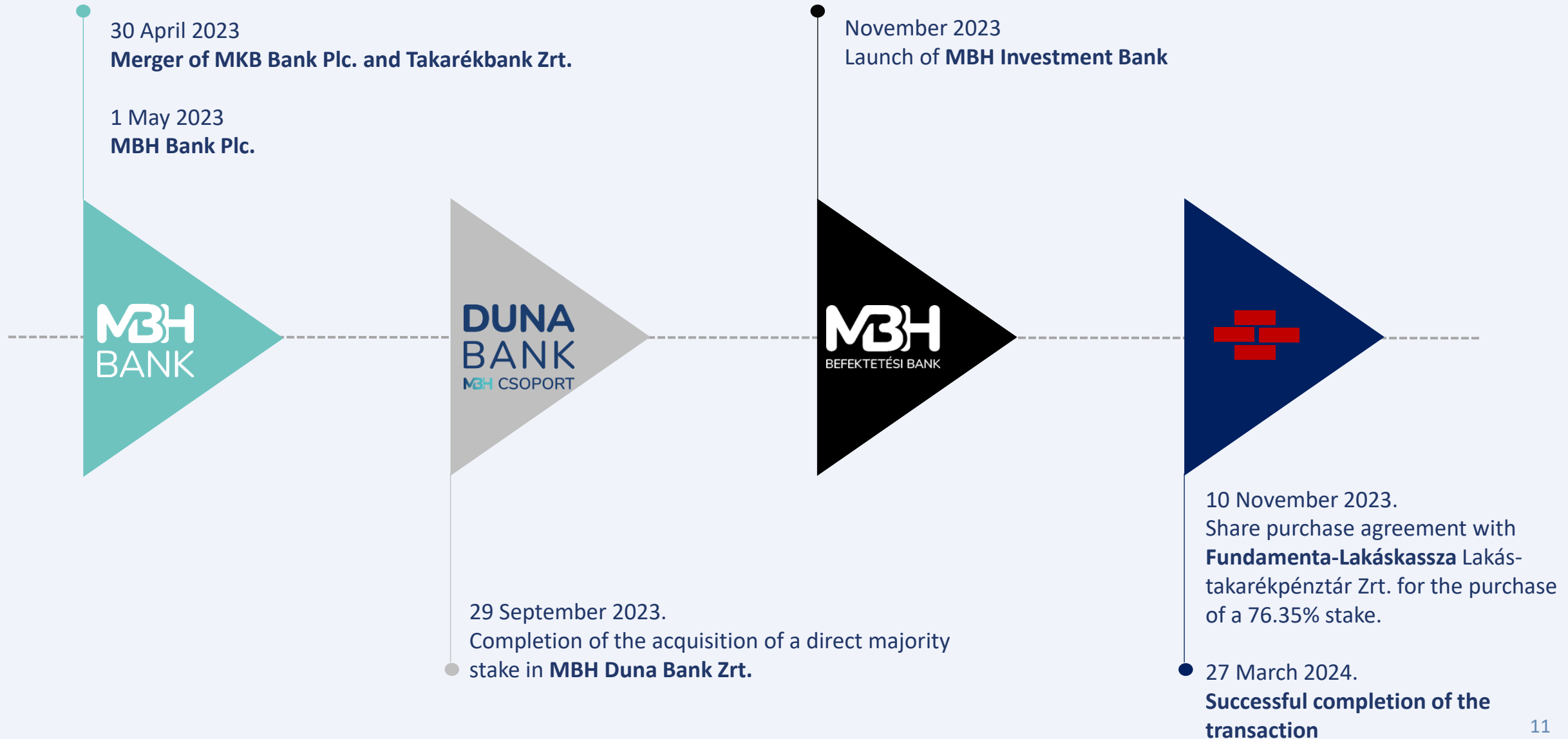


Sustainable vision, strategic objectives and pillars

MBH’s vision is to become the leader in establishing sustainable banking in Hungary. Two missions were identified to achieve this vision, which are supported by six pillars, with identified goals, KPIs and tools



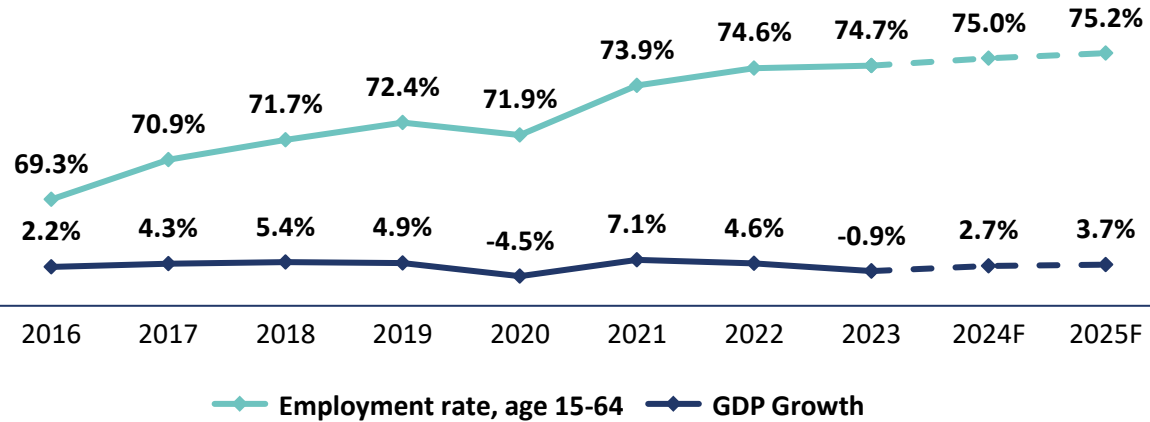
Acquisitions, launch of MBH Investment Bank



Macroeconomic overview

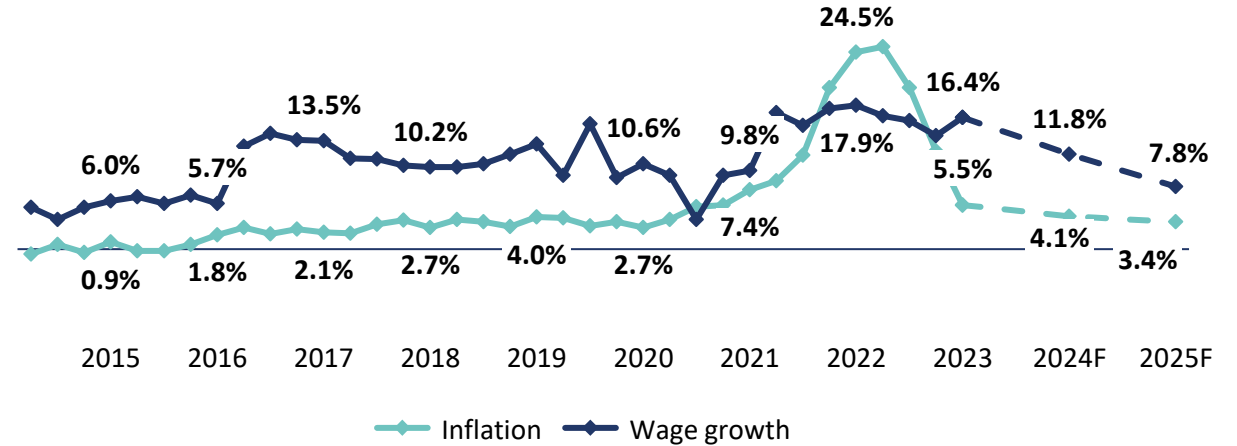
Inflation is falling as expected, employment at new highs

GDP Growth and employment rate (%), 2016 – 2025F



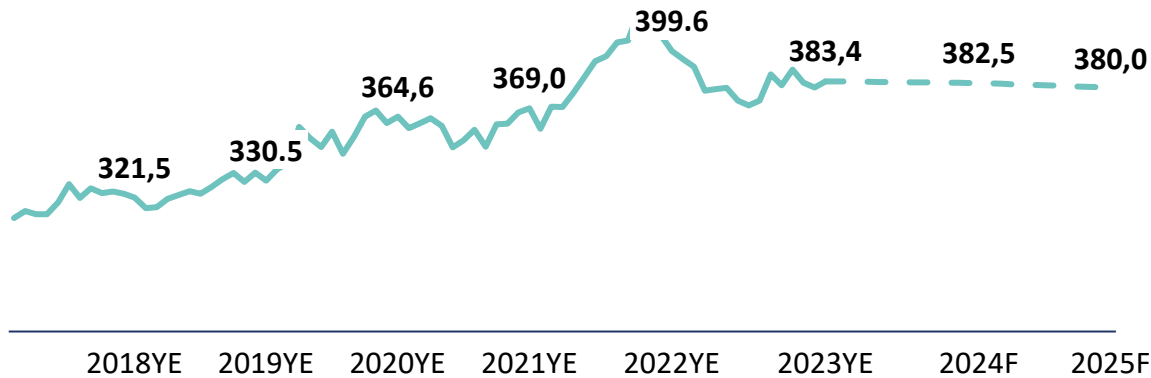
Source : Bloomberg & Hungarian Central Statistical Office (historical data), MBH Bank (forecast)

Inflation and wage growth (%), 2015YE – 2025F



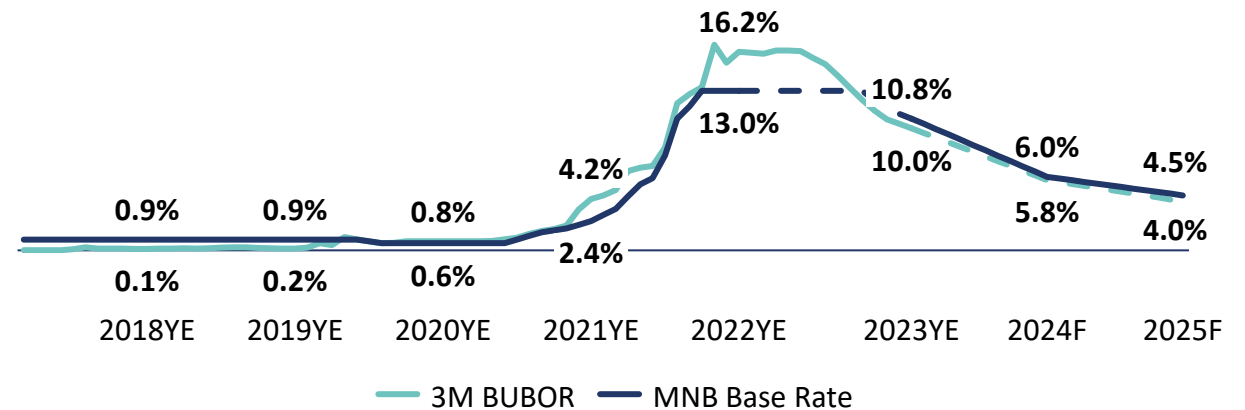
Source : Hungarian Central Statistical Office (historical data), MBH Bank (forecast)

EUR/HUF Exchange rate, 2018 YE – 2025F



Source : MNB (historical data), MBH Bank (forecast)

MNB Base Rate and 3M BUBOR, 2018YE – 2025F

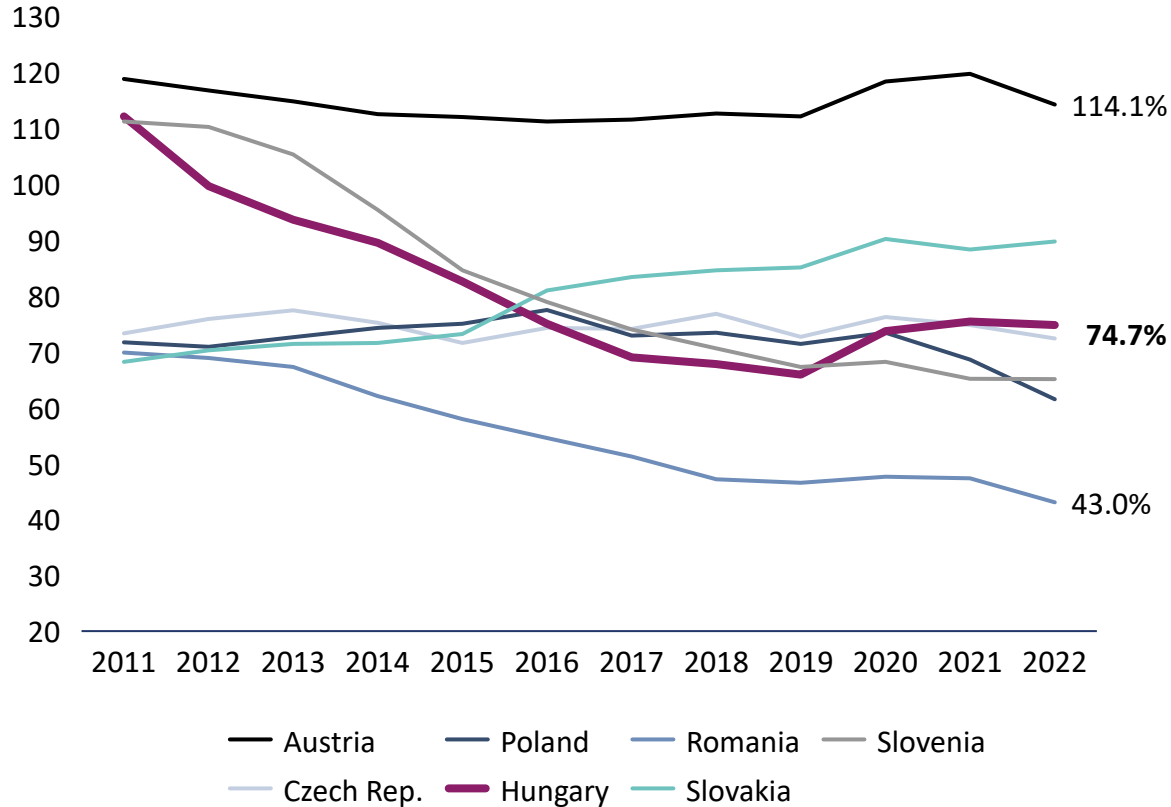


Source : MNB (historical data), MBH Bank (forecast)

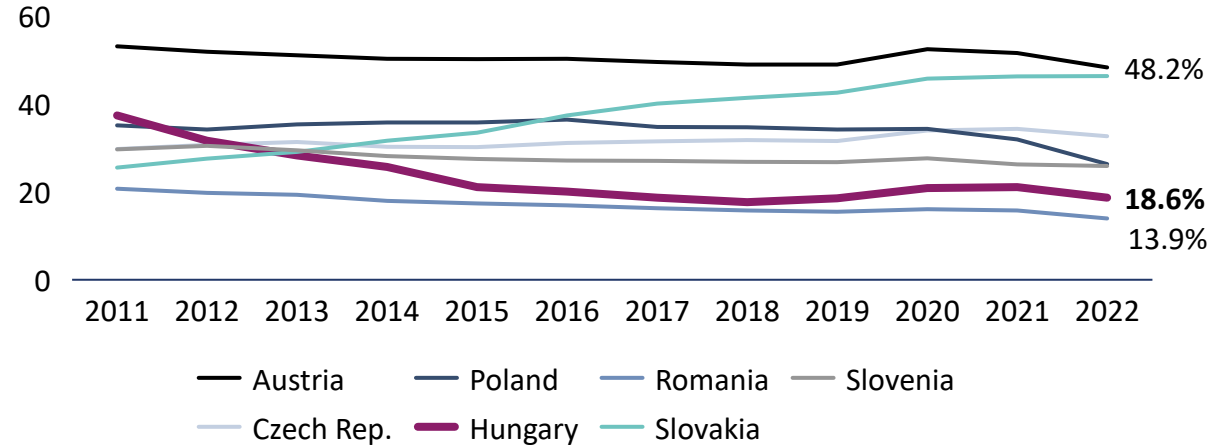
* Feb. wage growth data was affected by the payment of the 'service premium' (the so-called 'firearms money') for the army and the law enforcement personnel corresponding to six-month salary in February 2022

There is room for higher retail loan penetration

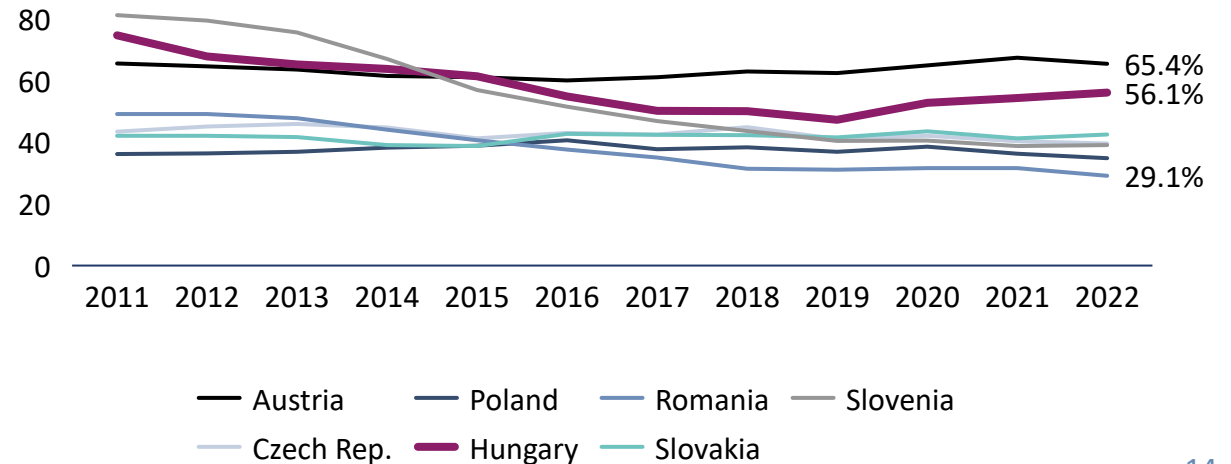
Private sector - debt to GDP ratio (%), 2011-2022



Private sector - debt to GDP ratio (Retail, %), 2011-2022



Private sector - debt to GDP ratio (Corporate, %), 2011-2022



• Considering the debt to GDP ratio, the Hungarian banking sector has further potential for financing, especially within the retail segment.

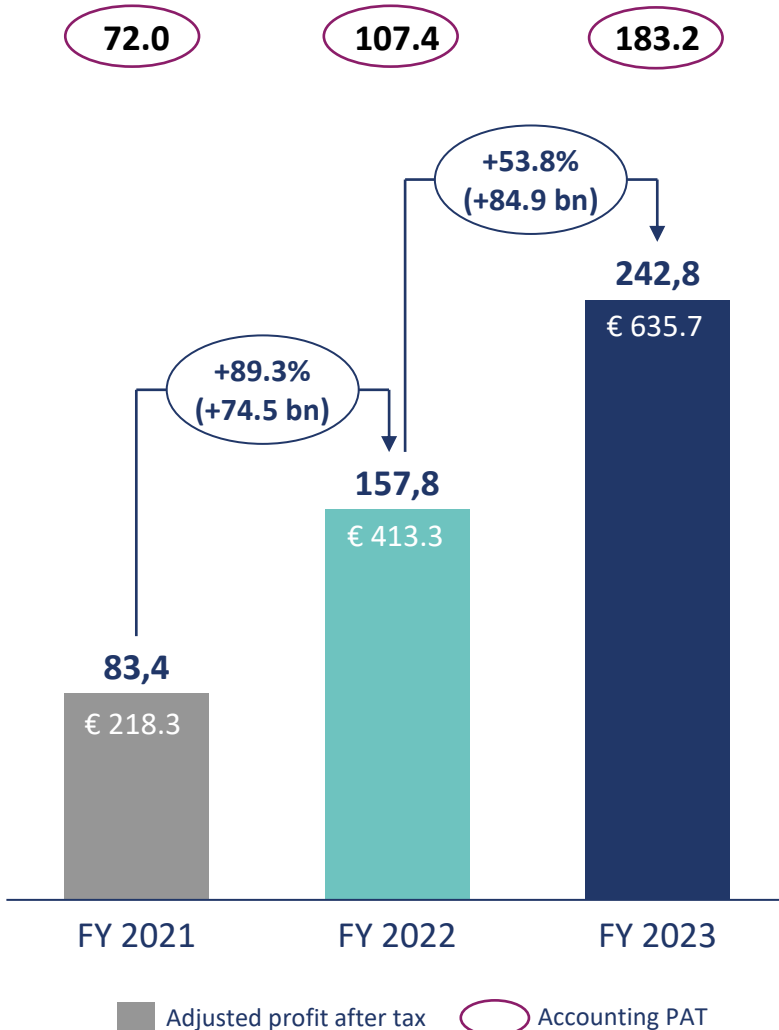
Source: Eurostat

2023 Performance overview



2023 – a successful year for MBH Group

Adjusted and accounting PAT (HUF bn, EUR mn)



- 

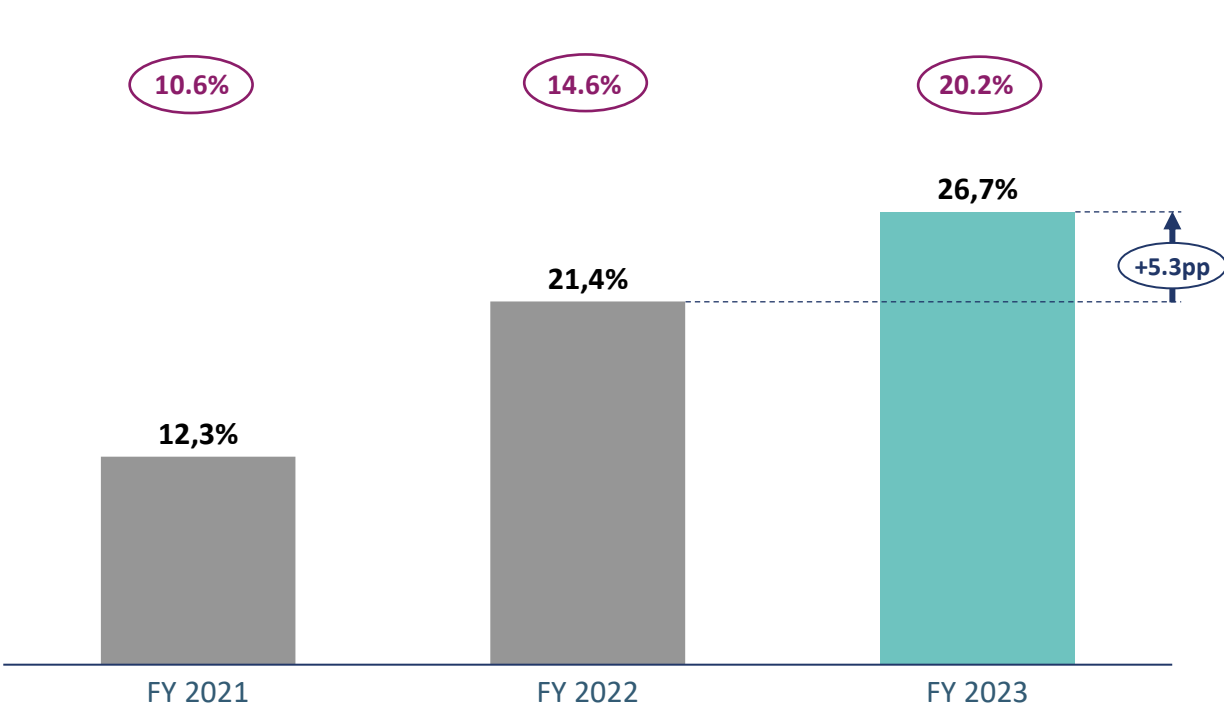
Outstanding profitability, robust capital and liquidity positions
- 

Increasing customer lending and savings volumes, stable market shares
- 

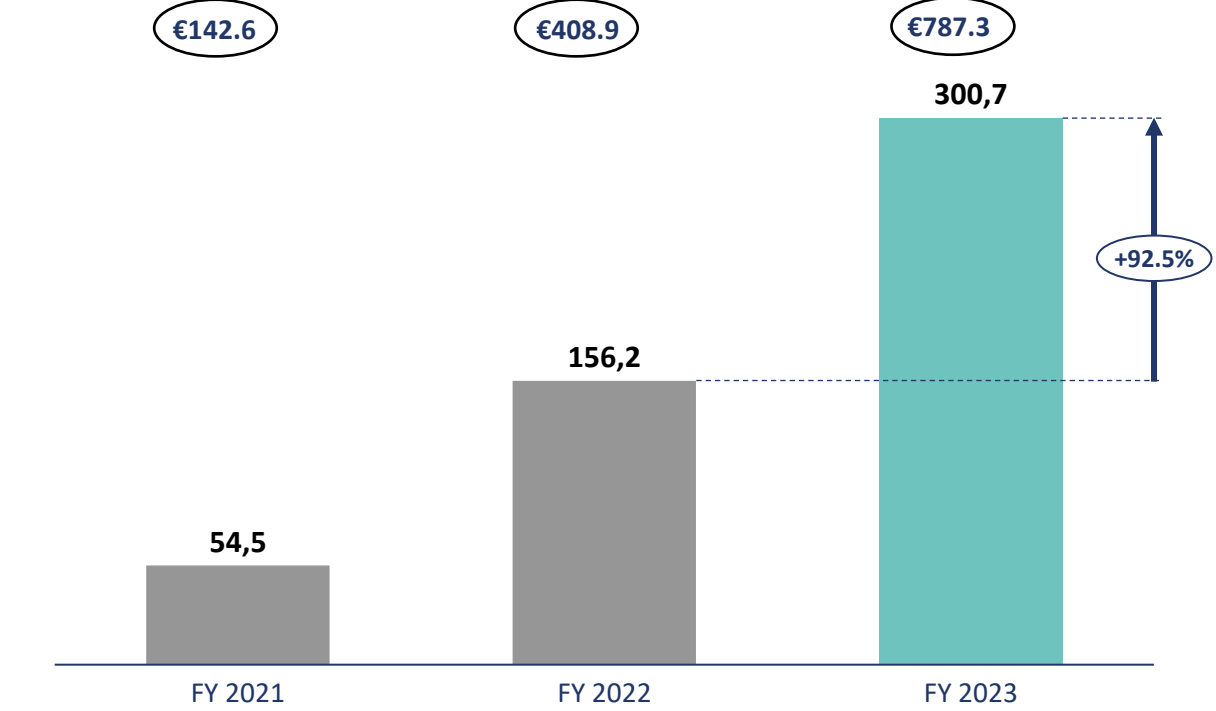
Successful entry into international bond markets, capturing inorganic growth opportunities

MBH BANK Robust profit growth with 2023 adjusted profits increasing more than 53% y/y

Adjusted ROE, accounting ROE (%)



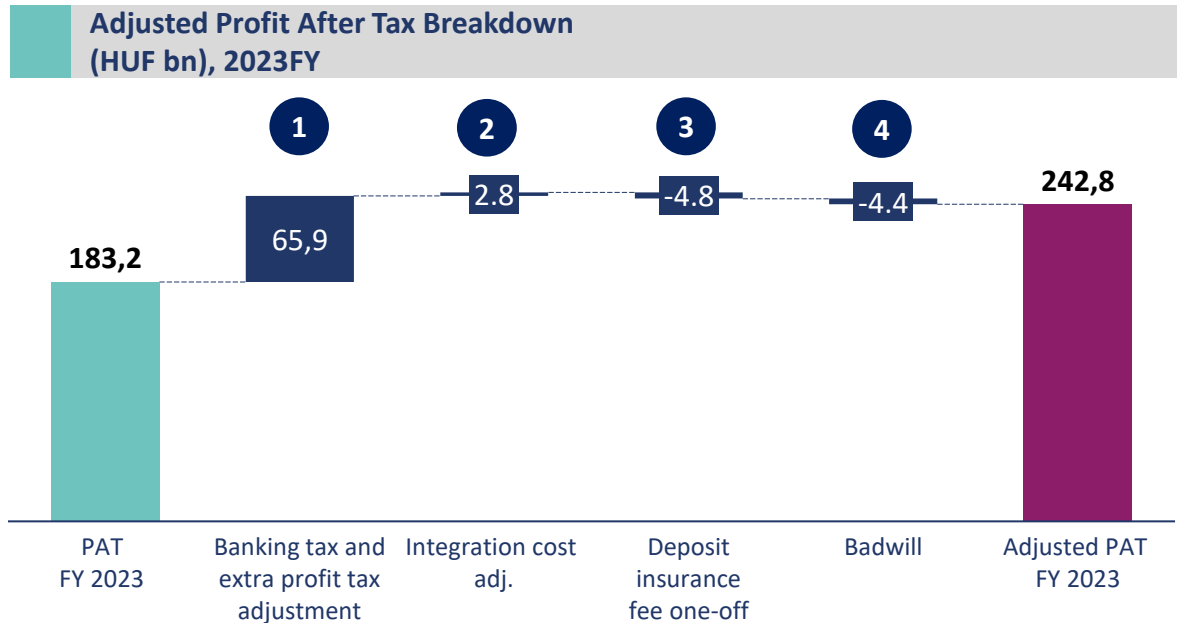
Adjusted TOCI (HUF bn, EUR mn)



■ Adjusted ROE ○ Accounting ROE

Note: Merged Bank's financials for periods prior to 2Q 2022 are calculated on a pro-forma basis, including BB 1Q 2022 results
ROE calculated on adjusted PAT basis

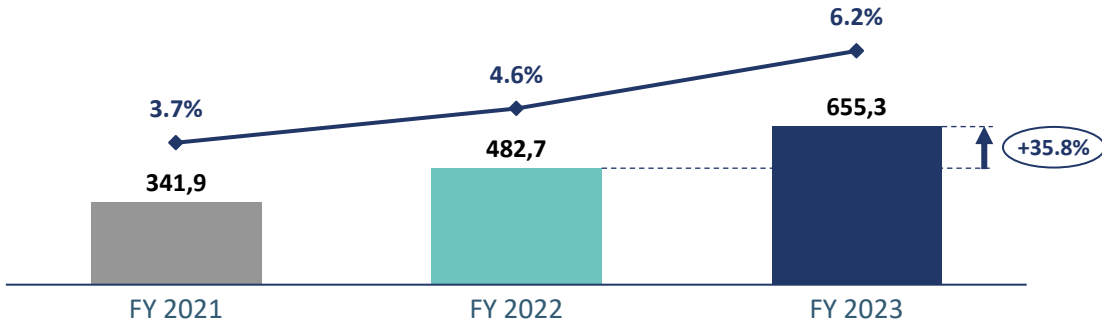
ADJUSTED P&L (HUF bn)	2021 FY	2022 FY	2023 FY	Δ% Y/Y (Y)
Net operating income	138,5	239,4	374,7	56,5%
Gross operating income	341,9	482,7	655,3	35,8%
Net interest income	200,7	421,8	569,6	35,0%
Net fee and commission income	78,9	83,1	93,8	12,9%
Other operating income	62,3	-22,3	-8,0	-64,1%
Operating expenses	-203,4	-243,2	-280,6	15,4%
Provisions and impairments	-48,7	-80,0	-87,4	9,2%
Banking tax	0,0	0,0	0,0	n/a
Adjusted PBT	89,8	159,4	287,4	80,3%
Corporate income tax	-6,4	-1,6	-44,6	2731,9%
Adjusted PAT	83,4	157,8	242,8	53,8%
Adjustments total on PAT	11,4	50,4	59,6	18,2%
Profit after tax (PAT, unadjusted)	72,0	107,4	183,2	70,6%
Revaluation on AFS financial assets (OCI)	-28,9	-1,6	57,9	-3609,8%
Total Comprehensive Income (unadjusted)	43,1	105,8	241,1	128,0%
Adjustments total on TOCI	11,4	50,4	59,6	18,2%
Total Comprehensive Income	54,5	156,2	300,7	92,5%



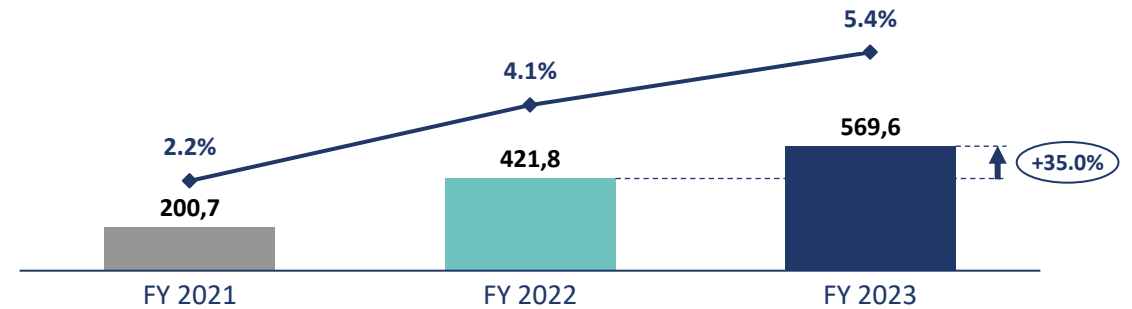
- 1 The most significant adjustment made between the adjusted and audited accounting P&L results is the removal of the effect of taxes specific to the banking sector, amounting to HUF 65.9 bn in 2023FY.
- 2 Furthermore, the removal of integration costs of HUF 2.8 bn reflected an additional upwards adjustment between audited accounting and adjusted P&L.
- 3 Adjusted PAT for 2023FY was lowered by HUF 4.8 bn related to an extraordinary income from the deposit insurance fee (reclaiming earlier contributions related to the dissolution of Sberbank).
- 4 Finally, Badwill impact related to the acquisition of MBH Duna Bank Zrt., it reduced the adjusted PAT by HUF 4.4 bn in 2023.

MBH Group's gross income grew by HUF 172.7 bn y/y, driven by the growth in net interest income

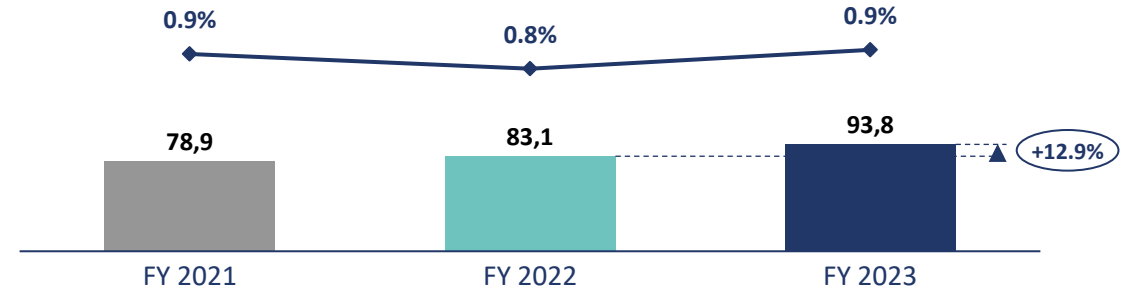
Gross Operating Income (HUF bn), TRM %



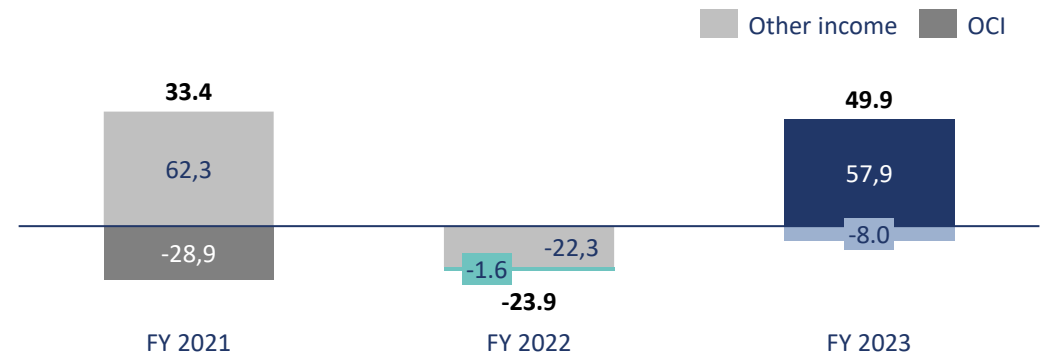
Net interest income (HUF bn), NIM %



Net fee income, NFM %



Other income¹



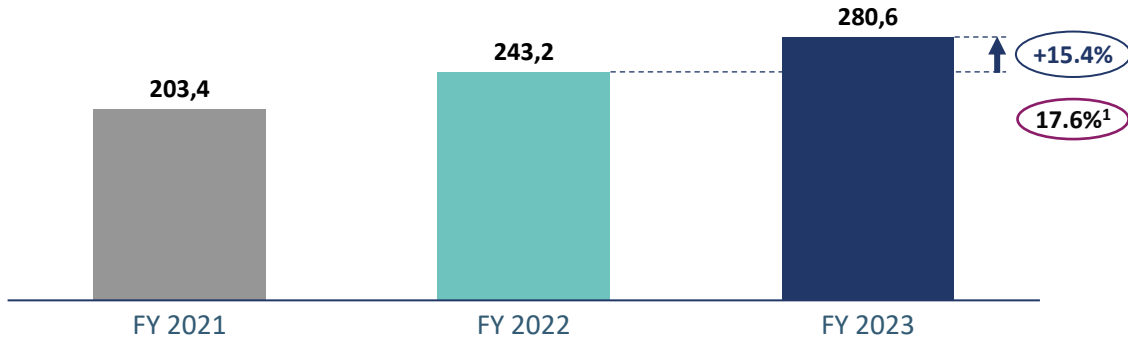
- **Gross Operating Income reached HUF 655.3 bn (EUR 1,7bn) in FY 2023, which is up by 35.8%** compared to the same quarter last year, mainly driven by the growth in NII.
- **Net interest income reached HUF 569.6 bn in 2023 (HUF +147.8 bn, +35.0% y/y).** The net interest margin increased to the level of 5.4%.
- **Net fee & Commission income was HUF 93.8 bn in FY 2023 (+12.9% y/y),** increased by HUF 10.7 bn compared to last year.
- **Other income totalled HUF 49.9 bn in FY 2023** with the p/p changes being driven by volatile money market conditions through other comprehensive income (OCI) and results of financial transactions.

¹ Other income + other comprehensive income

Note: Merged Bank's financials for periods prior to 2Q 2022 are calculated on a pro-forma basis
Results of client FX conversion have been reclassified to net fee & commissions from other income retrospective.

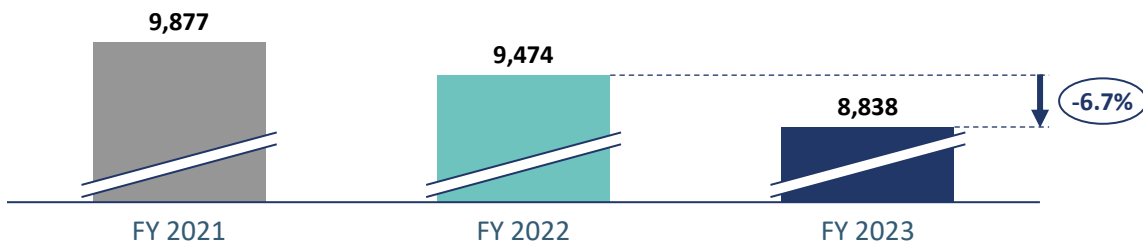
Increase in costs y/y was below inflation, C/I ratio improving to close to 40%

Operating expenses (HUF bn)

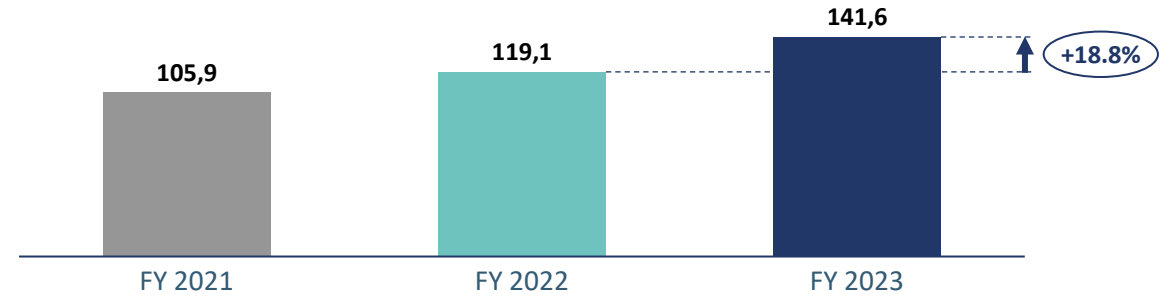


- Operating expenses amounted to HUF 280.6 bn (EUR 737.4mn) in FY 2023, rising by 15.4% year-on-year, below inflation.
- Personnel expenses in 2023 increased by HUF 22.4 bn (+18.8%) y/y mostly as a result of wage inflation.
- FY 2023 OPEX increased by HUF 10.9 bn (+11.5% y/y). The y/y increase was mostly driven by rising IT costs and high inflationary environment.
- Adjusted C/I was 42.8% in 2023 which is a significant, 7.6%-pts y/y decrease. Increasing cost levels were mitigated by rapid income growth. C/A rate was 2.6% (+30 bps y/y) in FY 2023.

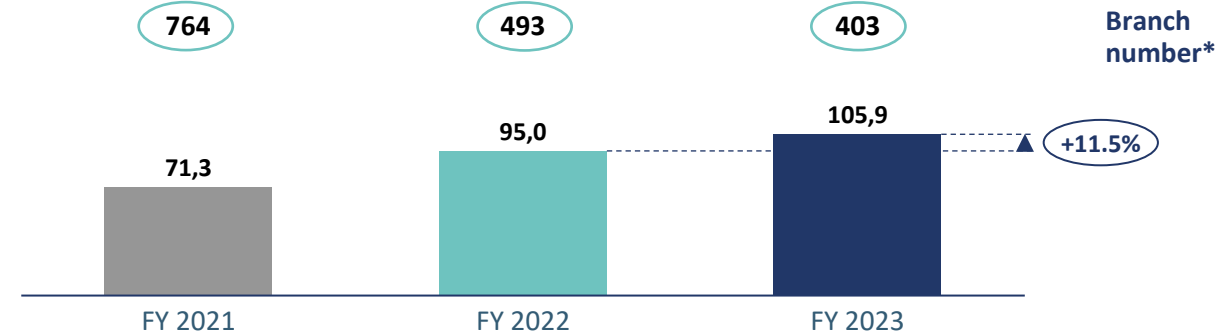
FTE



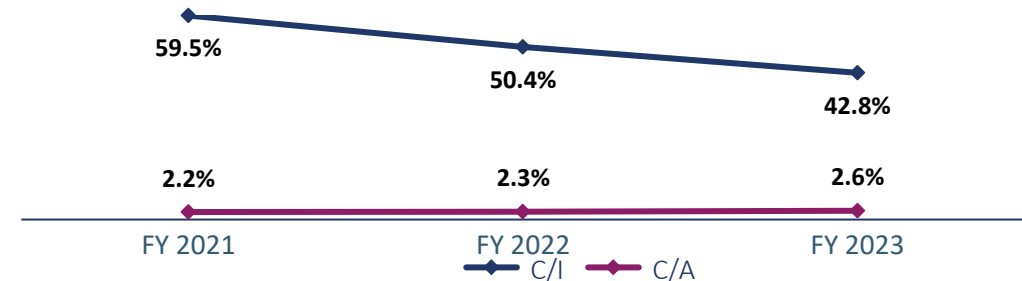
Personnel expenses (HUF bn)



Other operating expenses (HUF bn)



Cost efficiency (%)

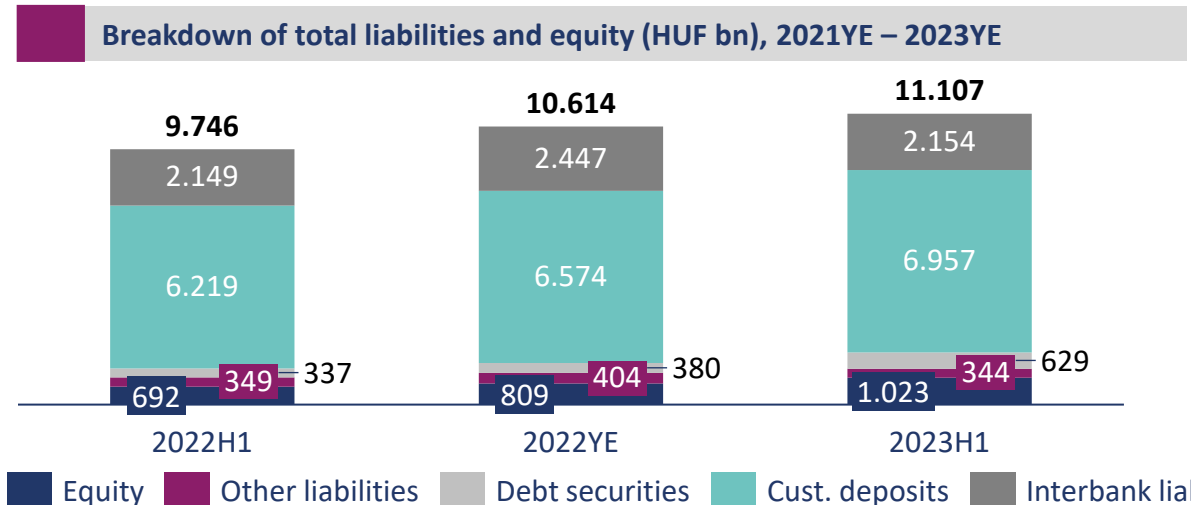
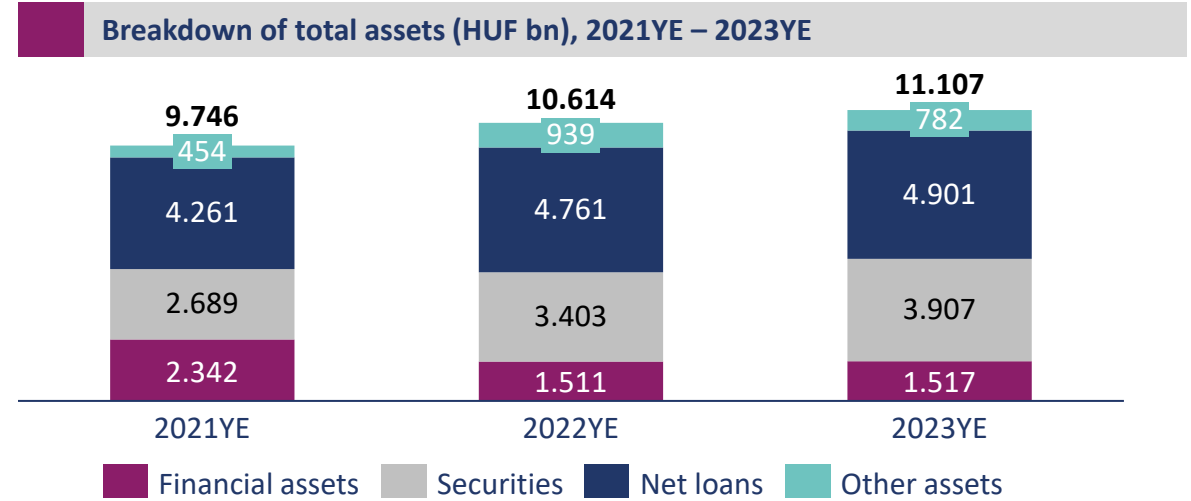


Note: Merged Bank's financials for periods prior to 2Q 2022 are calculated on a pro-forma basis; * Without MFB Point branches

¹ KSH: Average annual inflation in 2023

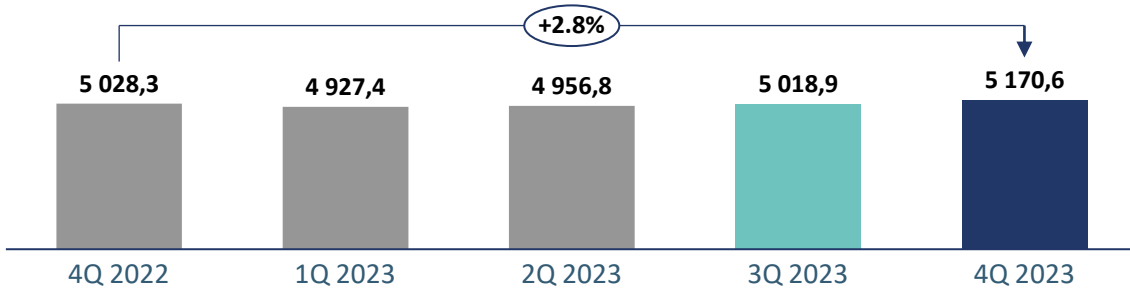
Balance Sheet details

STATEMENT OF BALANCE SHEET (HUF bn)	2021 YE	2022 YE	2023 YE	Y/Y
Financial assets	2,342.5	1,511.0	1,516.9	0.4%
Trading portfolio	193.9	489.0	274.6	-43.8%
Securities	2,689.1	3,403.4	3,907.2	14.8%
Loans and advances to customers (net)	4,260.7	4,761.3	4,901.4	2.9%
Loan and advances to customers (gross)	4,428.7	5,028.3	5,170.6	2.8%
Allowance for loan and lease losses	-168.0	-266.9	-269.2	0.8%
Other assets	260.0	449.7	506.9	12.7%
TOTAL ASSETS	9,746.2	10,614.4	11,107.0	4.6%
Interbank liabilities	2,149.3	2,447.4	2,153.8	-12.0%
Customer deposits	6,218.8	6,574.4	6,957.1	5.8%
Debt securities issued	337.3	379.7	629.2	65.7%
Other liabilities	348.8	404.2	343.5	-15.0%
Shareholders' equity	692.0	808.7	1,023.4	26.5%
TOTAL LIABILITIES AND EQUITY	9,746.2	10,614.4	11,107.0	4.6%



Stable customer loan portfolios in 2023

Customer gross loan portfolio (HUF bn)



MBH's gross loans increased during the fourth quarter by 3.0% p/p to HUF 5,170.6 billion (EUR 13,5bn). Growth was primarily in corporate segments.

Corporate Loans:

- Corporate business increased by 5.8% during 4Q on loan portfolio, reaching HUF 2,840.5 bn at the end of December 2023 (+5.6% y/y). The Bank's market share stood at 19.4%.

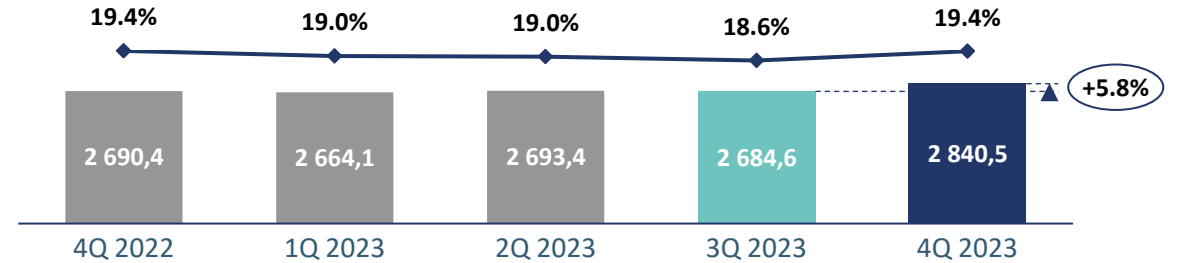
Retail Loans:

- Total retail loans portfolio was at HUF 1,741.1 bn at the end of the year (-1.1% y/y), while p/p up was 1.3%. Market share minimally decreased in 4Q 2023.

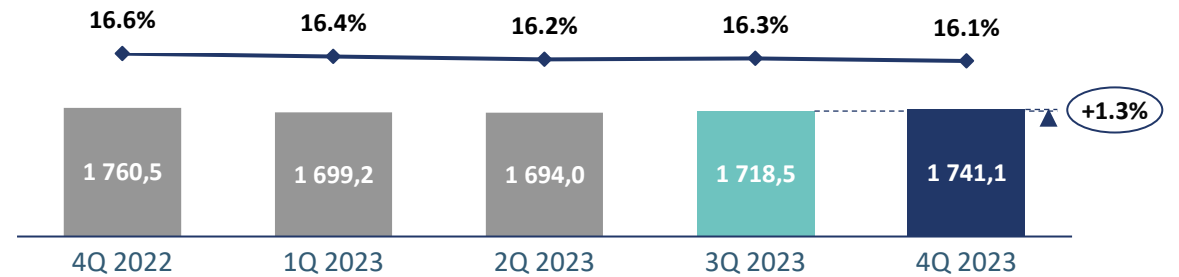
Leasing:

- MBH Group leasing portfolio amounted to HUF 559.8 bn as of 31 December 2023, HUF 36.9 bn (+7.1% y/y) higher compared to 4Q 2022.

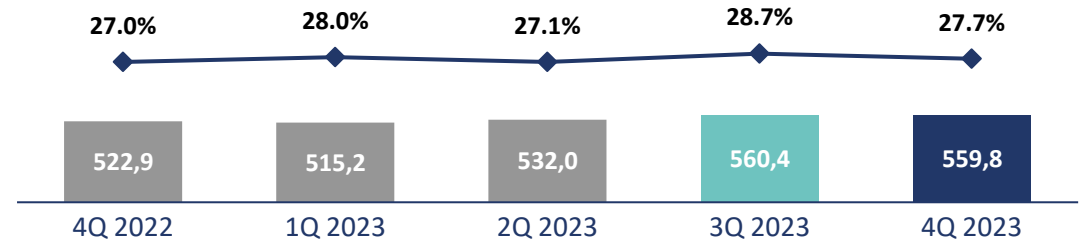
Corporate¹



Retail¹



Leasing²

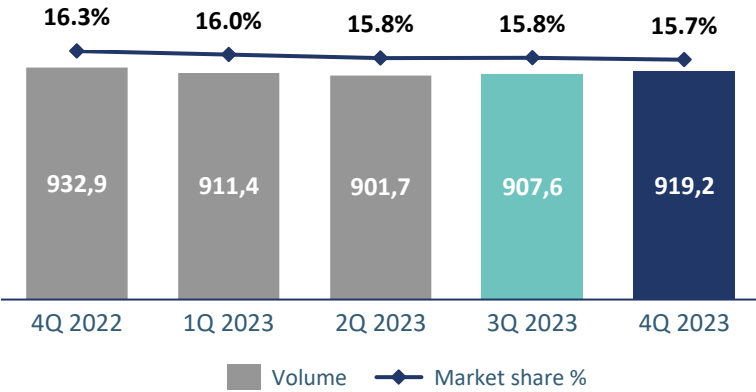


¹ Retail and corporate portfolio is presented according to MBH Bank's internal segmentation methodology, Market share: HNB segmentation, household and non-financial corporate

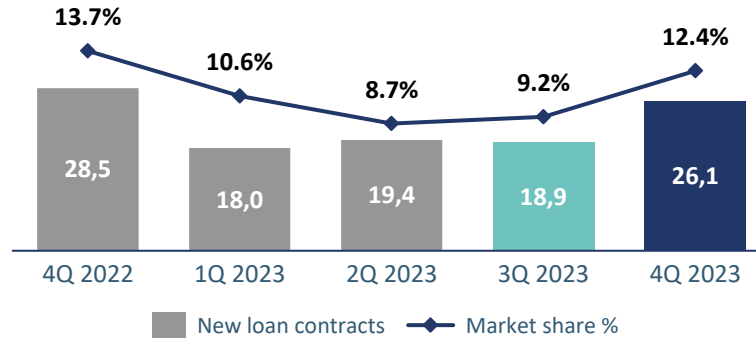
² Leasing market share: partially based on Leasing Association data and internal estimates

Growth in personal loans in 2023

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



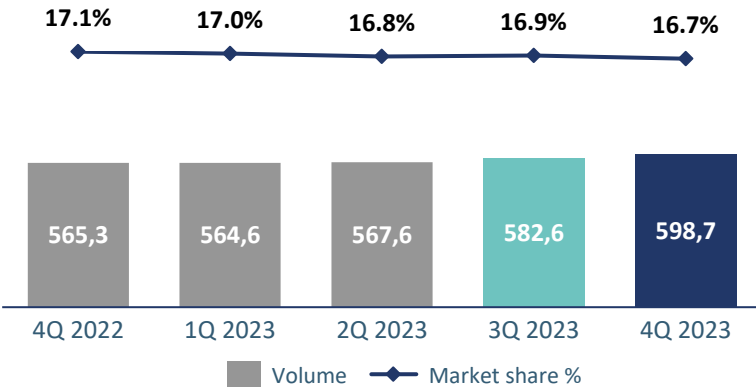
Retail mortgage loans – New loan contracts (HUF bn) and market share (%)



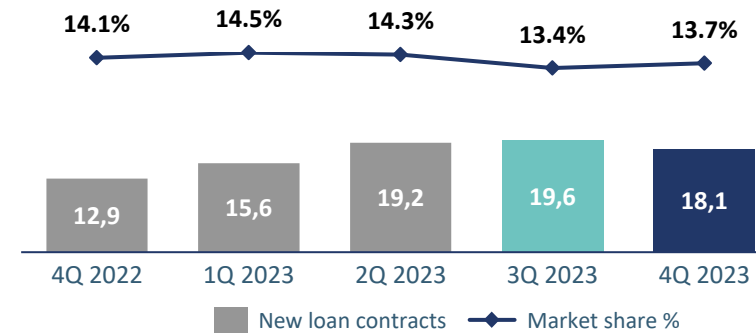
Retail mortgage loans:

- **Retail mortgage loan** balances were at HUF 919 bn (-1.5%, HUF -13.8 bn y/y). Market share of retail mortgage loans stood at 15.7% at the end of 2023.
- **New loan contracts of retail mortgage loans** increased by 37.8% in the last quarter of 2023 compared to 3Q.

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



Retail personal loans – New loan contracts (HUF bn) and market share (%)

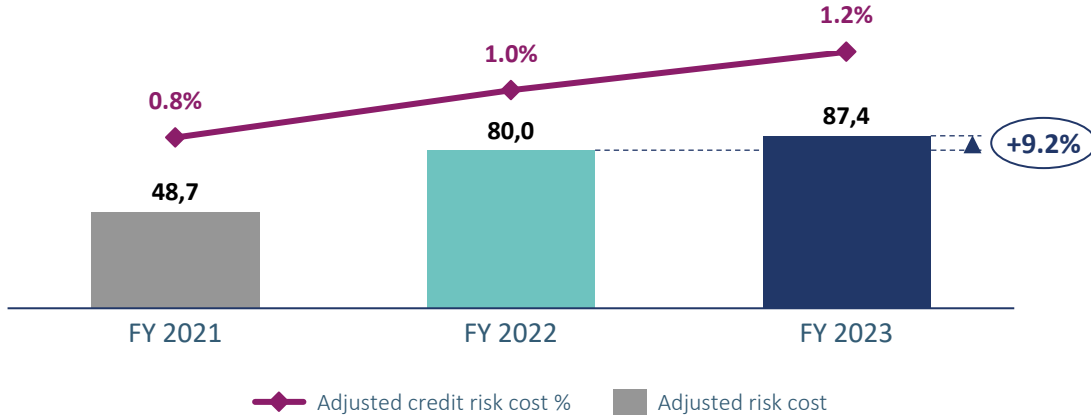


Retail unsecured loans:

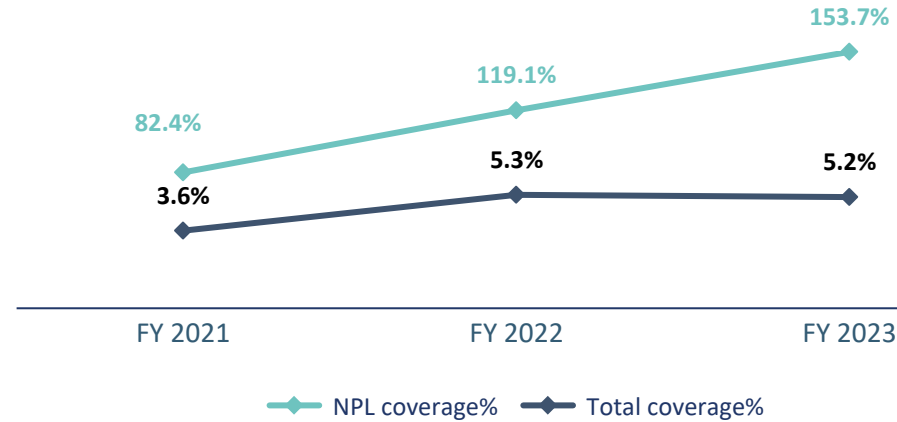
- **Unsecured loan volumes increased** in 4Q 2023 (+2.8% p/p) due to growth of baby loans. Market share of retail unsecured loans was 16.7%.
- **New loan contracts of retail personal loans** amounted to HUF 18.1 bn in 4Q 2023 (+39.7% y/y). Market share was 13.7% in the period.

Improving portfolio quality and increasing coverage rates in 4Q

Total risk cost (HUF bn)

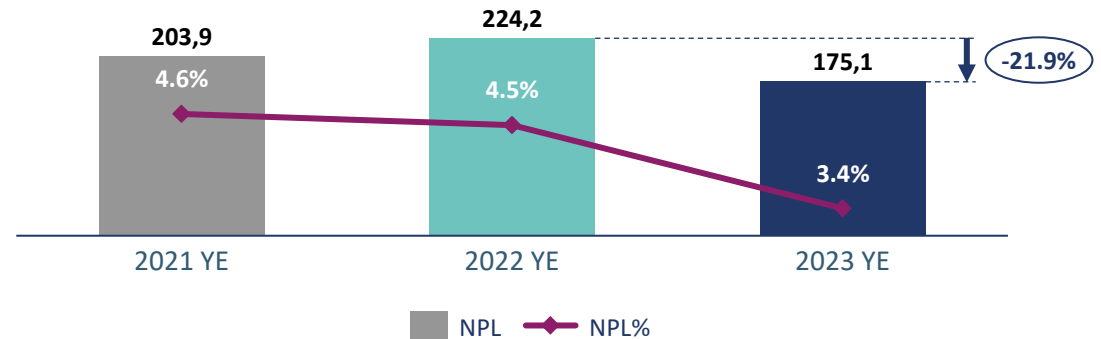


Coverage (%)



- The **total amount of risk cost** increased by 9.2% y/y to **HUF 87.4 bn** (EUR 228.8 mn) in 2023. This was mainly driven by impairment charges due to PD and rating changes and other risk cost.
- The total coverage and NPL **coverage stood at 5.2% and 153.7% respectively in the period.**
- The **amount of NPL loans** was HUF 175.1 bn at the end of 4Q 2023, decreased by HUF 49.0 bn (-21.9% y/y) over the period, due to the sale of NPL stocks and agricultural mortgage reclassification.
- **NPL% ratio is 3.4% in 2023 YE**, dropped over the period.

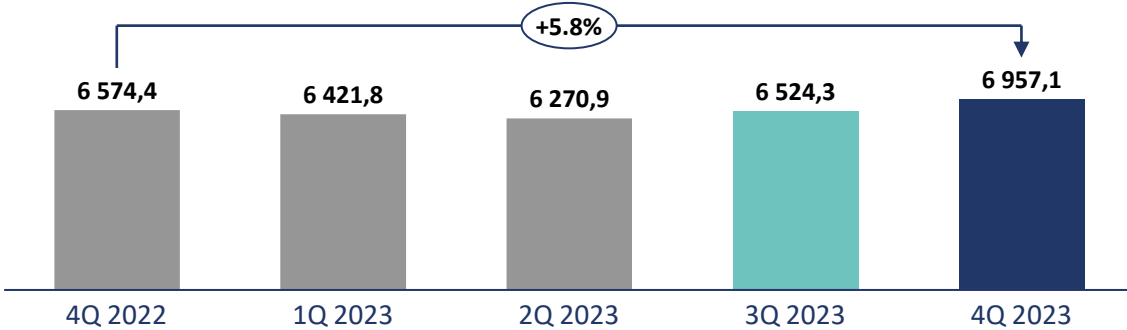
NPL exposures (HUF bn) and rate (%) ^{1,2}



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

Customer deposit portfolio increased in 4Q

Customer deposit portfolio (HUF bn)



Customer deposits continued to grow in 4Q (+6.6% p/p), increased by 5.8% in 2023 y/y, reaching HUF 6,957.1 bn (EUR 18,2bn) by the end of the year.

Corporate Deposits:

- Corporate business deposits increased by 14.2% y/y (+HUF 495.9 bn y/y), supported by high interest rate environment and strong liquidity. 4Q increase of 9.4% (HUF +341.5 bn p/p) was driven by growth in large company and agricultural deposits. **Market share of corporate deposits increased to 20.0%.**

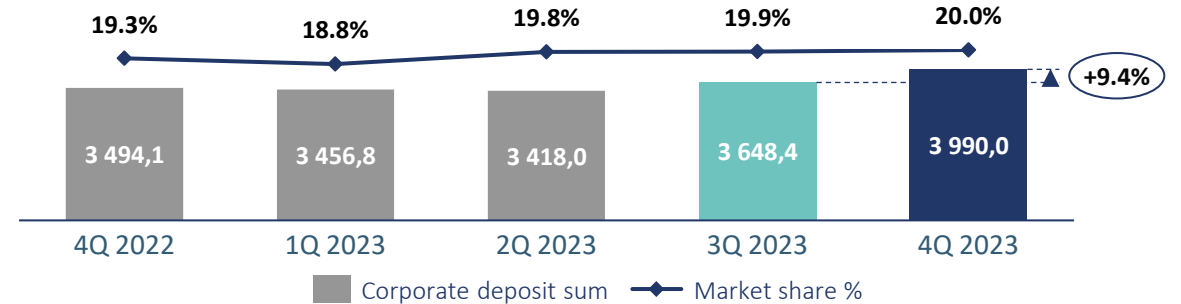
Retail Deposits:

- Retail deposits decreased by HUF 114.7 bn y/y. Despite macroeconomic effects hinders the saving capabilities of retail customers, an increase of 7.5% (HUF +184.8 billion p/p) was realized in 4Q 2023.

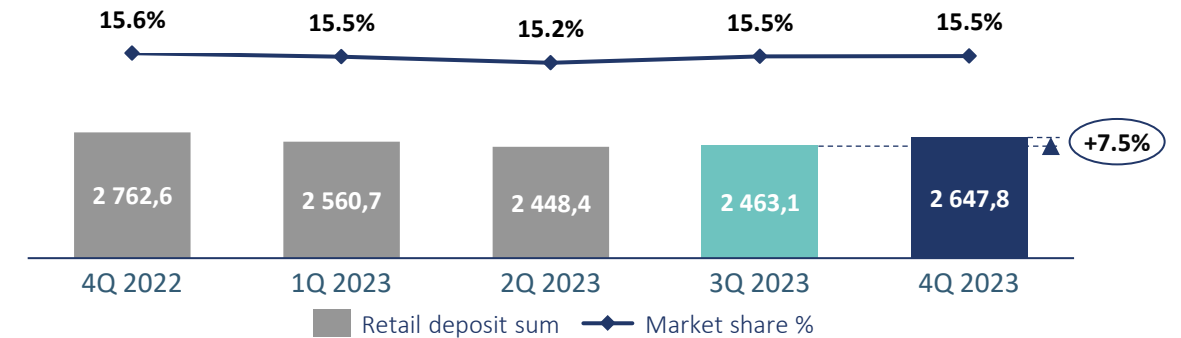
Retail other savings:

- Retail savings in other instruments increased by over HUF 558.7 bn compared to 4Q 2022, and HUF 153.7 bn compared to 3Q 2023, mainly driven by investment funds.

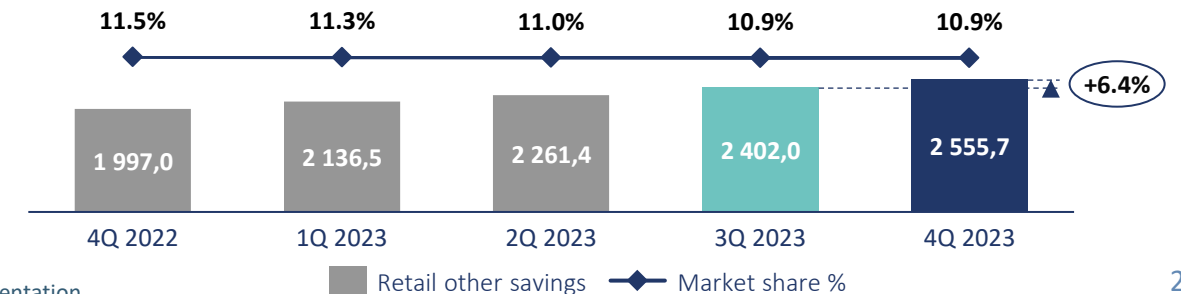
Corporate¹



Retail¹



Retail other savings²

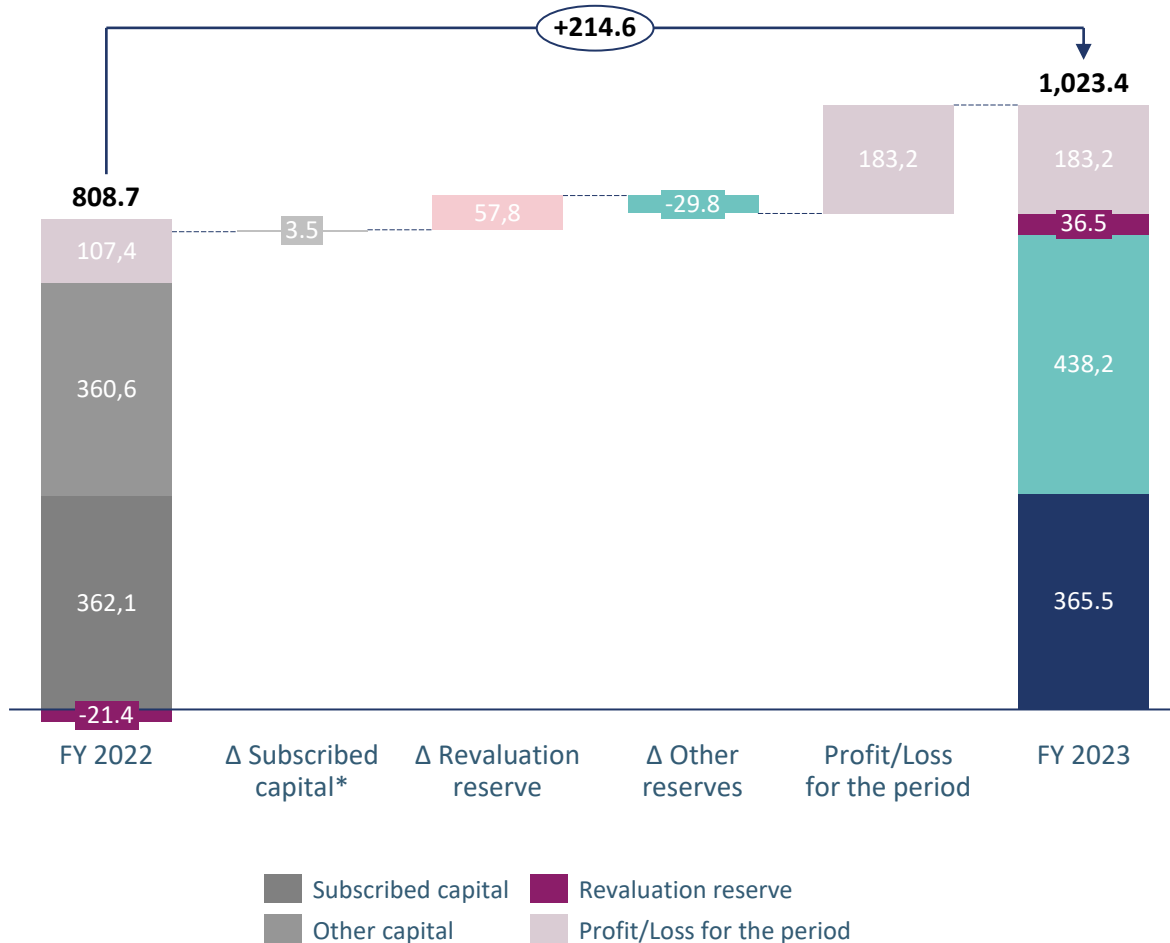


¹ Retail and corporate portfolio is presented according to MBH Bank's internal segmentation methodology, Market share: HNB segmentation

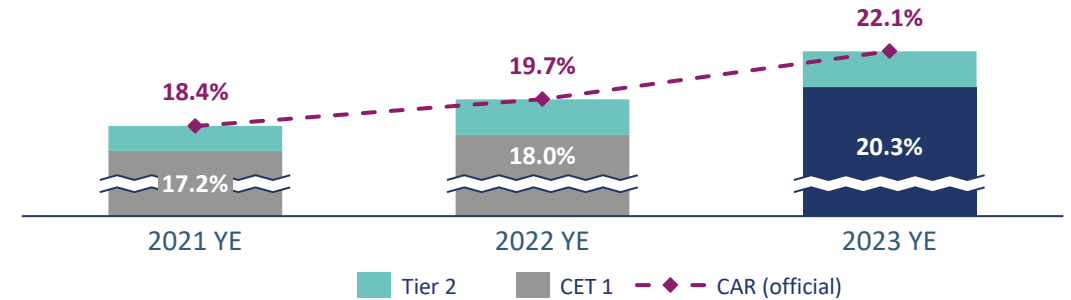
² Private individuals and Private Banking savings; other savings include securities accounts and shares, other securities

Stable capital position – 20.3% CET1 in 2023

Shareholders' Equity (HUF bn)



Capital Adequacy (%)



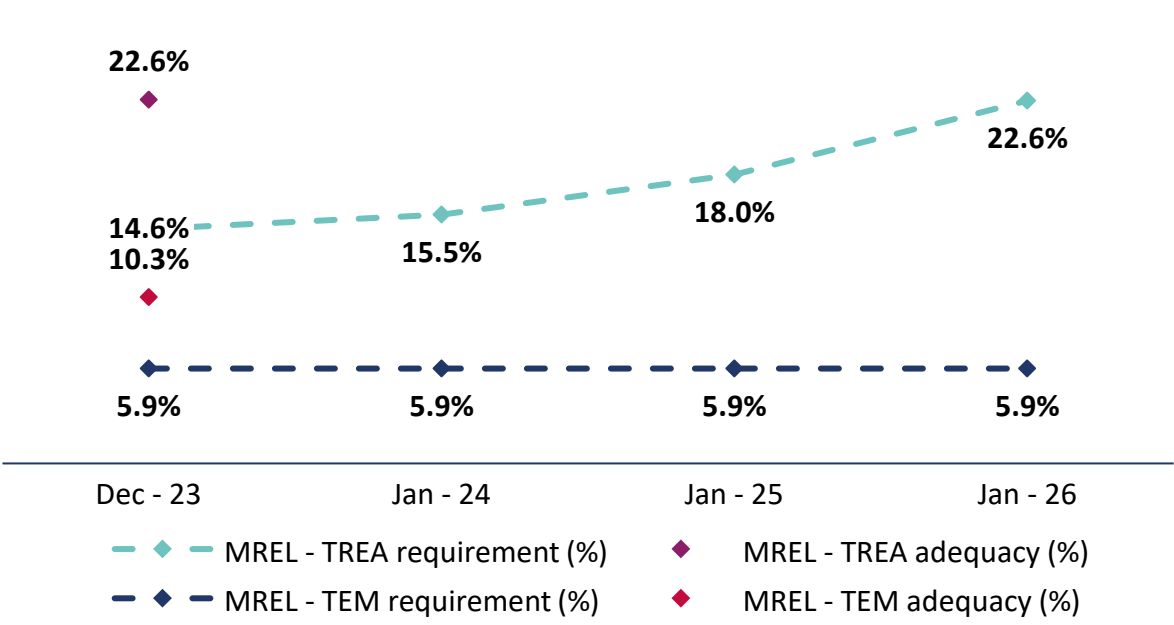
Regulatory Capital and Total RWA (HUF bn)

	2021 YE	2022 YE	2023 YE
Regulatory Capital	679.9	816.0	1,047.1
Tier 1	633.9	743.0	962.4
Tier 2	46.1	73.0	84.7
RWA	3,692.6	4,132.7	4,729.4

- **Shareholders' equity reached HUF 1,023.4 billion (EUR 2,679.4mn) at the end of 2023.**
- Positive FY 2023 (accounting) profit – despite of extra profit tax paid – continued capital accumulation (+HUF 214.6 bn) increasing the shock absorbing capabilities of the Bank.
- Stable capital position **22.1% capital adequacy ratio and 20.3% CET1 ratio.**
- T1 Capital increased by 19.0% p/p due to favourable profit and higher IFRS9 discount. CAR increased to 22.1% in the year of 2023.

MREL requirements and adequacy

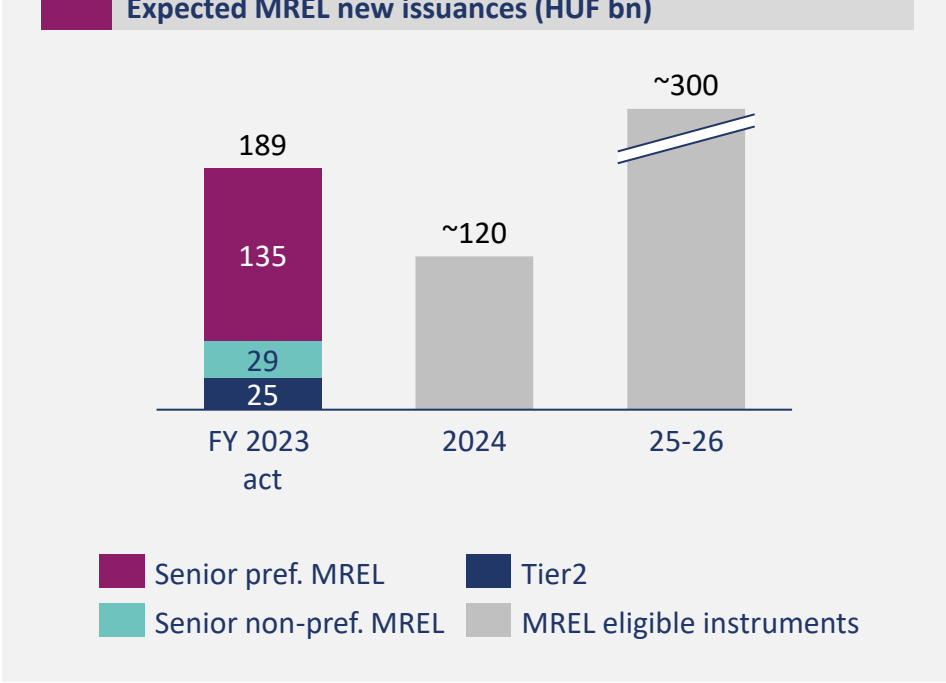
Regulatory MREL requirements: TREA (%) and TEM (%) 2023 Jan – 2026 Jan



Subordinated MREL requirements from 16.12.2024

Subordinated MREL requirements	%
TREA	13.5%
TEM	5.0%
TLOF	8.0%

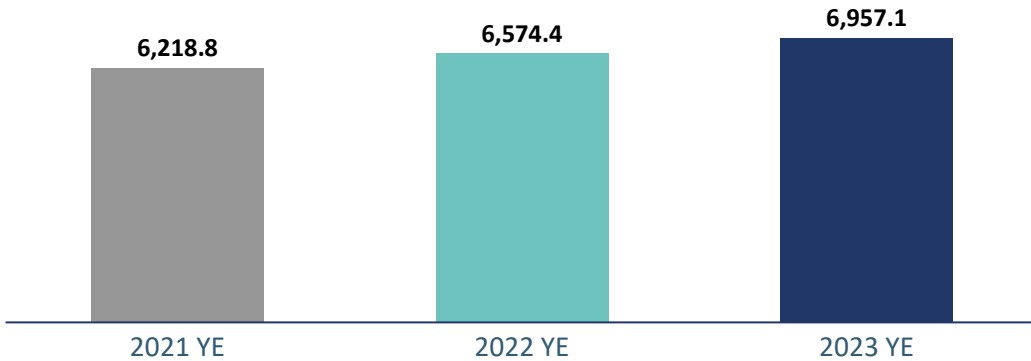
Expected MREL new issuances (HUF bn)



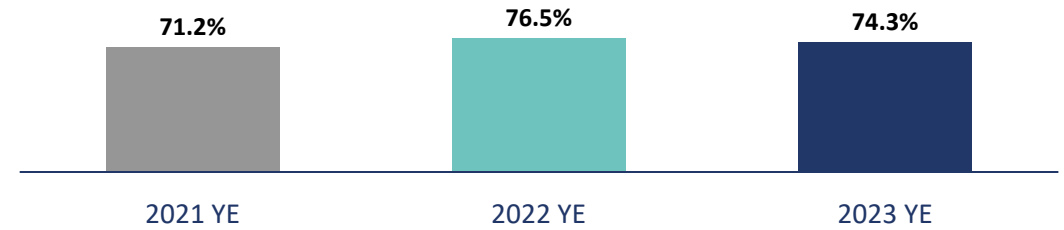
- Currently, we forecast that ~30% of the issuance planned for 2024-2026 will be through instruments that helps to fulfil the subordination requirement.
- We plan to meet the requirements by ensuring a minimum buffer of at least 50 basis points for all target measures.

Strong liquidity ratios

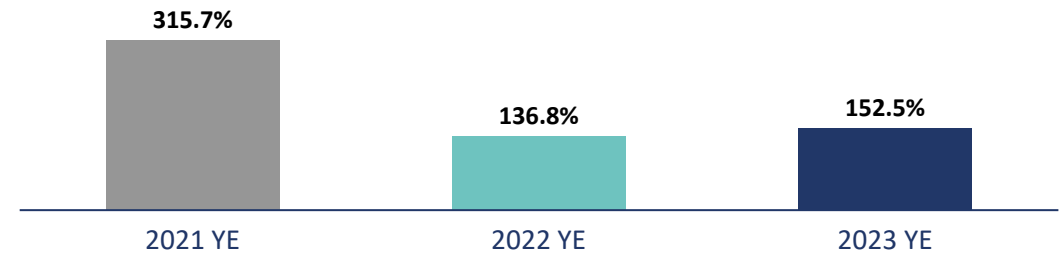
Customer deposits (HUF bn)



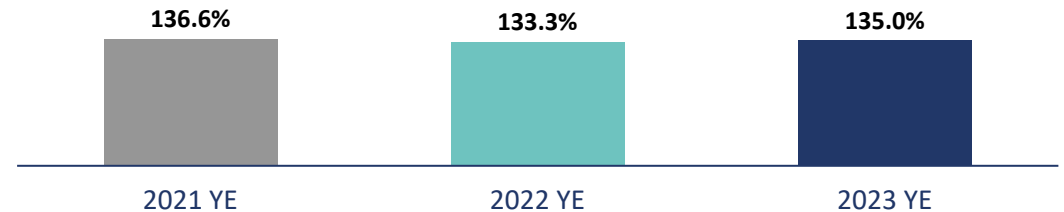
LTD (%)



LCR (%)



NSFR (%)



- **Customer term deposits increased by 47.1%** (HUF +915.5 bn) **y/y**. Sight deposits showed a decrease of 11.5% (HUF +532.5 bn) **y/y**.
- Decrease in **LTD** (down to 74.3%) is the result of an increase in deposits and in loan portfolio.
- **NSFR** 135.0%, **LCR** 152.5% in 2023 YE, significantly above the regulatory minimum.

Additional information

MBH BANK



Successful international MREL bond issuance

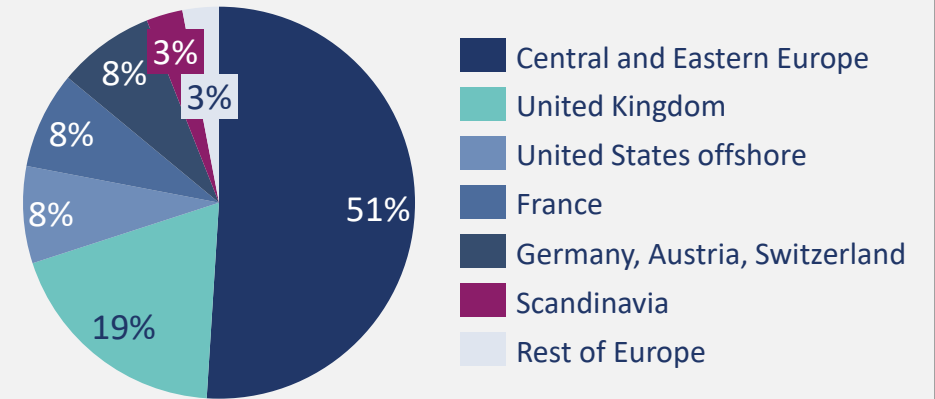
EUR 350mn 4NC3 Senior Preferred Bond

- **MBH Bank successfully closed its debut international bond issue** in mid-October.
- The transaction, initially planned for EUR 300 million, was carried out under the Bank's newly established **EUR 1.5 billion EMTN Programme**.
- Through an extensive roadshow with dozens of meetings, **the Bank was able to attract large interest for this inaugural issue**.
- Investors submitted bids for a total of approx. EUR 600 million, of which the Bank **accepted EUR 350 million**.
- The **yield of the issue ended up at 8.625%**, 37.5 basis points below the 9% IPT level.
- The transaction, which marks **the first step of MBH Bank** in the **international capital markets**, with around 50% of the bonds held outside of the Central and Eastern European region, is planned to be followed by further issuances.

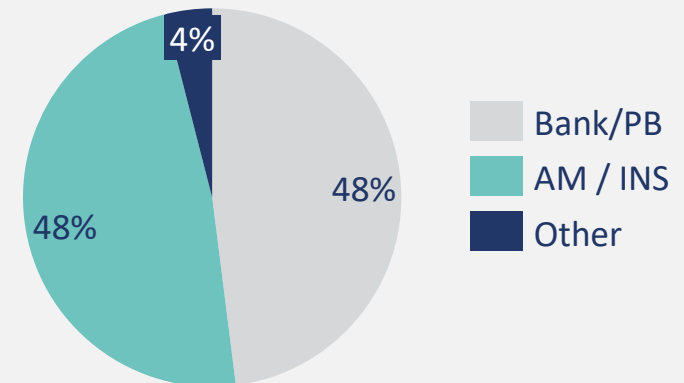
KEY TERMS

Issuer	MBH Bank Nyrt.
Issue rating	Ba2 (Moody's)
Format	Unsubordinated and unsecured, Senior Preferred
Settlement Date	19 October 2023
Maturity Date	19 October 2027
Optional Redemption Date	19 October 2026
Issue size	EUR 350mn
Coupon / Yield	8.625% (MS+513.5 bps.)
ISIN	XS2701655677
Listing	Luxembourg Stock Exchange
Distribution	RegS only
Bookrunners	Citi, ING, UniCredit, Erste Group, MBH Bank

DISTRIBUTION BY GEOGRAPHY



DISTRIBUTION BY INVESTOR TYPE



ADJUSTED P&L (EUR million)	2021 FY	2022 FY	2023 FY	Δ% Y/Y (Y)
Net operating income	362,7	626,9	981,0	56,5%
Gross operating income	895,2	1 263,7	1 715,7	35,8%
Net interest income	525,5	1 104,4	1 491,3	35,0%
Net fee and commission income	206,6	217,6	245,6	12,9%
Other operating income	163,1	-58,3	-20,9	-64,1%
Operating expenses	-532,5	-636,7	-734,7	15,4%
Provisions and impairments	-127,6	-209,5	-228,8	9,2%
Banking tax	0,0	0,0	0,0	n/a
Adjusted PBT	235,1	417,4	752,5	80,3%
Corporate income tax	-16,8	-4,1	-116,8	2731,9%
Adjusted PAT	218,3	413,3	635,7	53,8%
Adjustments total on PAT	29,9	132,0	156,0	18,2%
Profit after tax (PAT, unadjusted)	188,4	281,2	479,6	70,6%
Revaluation on AFS financial assets (OCI)	-75,7	-4,3	151,6	-3609,8%
Total Comprehensive Income (unadjusted)	112,7	276,9	631,2	128,0%
Adjustments total on TOCI	29,9	132,0	156,0	18,2%
Total Comprehensive Income	142,6	408,9	787,3	92,5%

*The 2023 annual average exchange rate of EUR/HUF 381,95 applied for the full presented period

STATEMENT OF BALANCE SHEET (EUR million)	2021 YE	2022 YE	2023 YE	Y/Y
Financial assets	6 132,9	3 956,1	3 971,5	0,4%
Trading portfolio	507,6	1 280,3	718,9	-43,8%
Securities	7 040,5	8 910,5	10 229,6	14,8%
Loans and advances to customers (net)	11 155,1	12 465,8	12 832,6	2,9%
Loan and advances to customers (gross)	11 594,9	13 164,7	13 537,4	2,8%
Allowance for loan and lease losses	-439,8	-698,9	-704,8	0,8%
Other assets	680,7	1 177,4	1 327,1	12,7%
TOTAL ASSETS	25 516,8	27 790,1	29 079,7	4,6%
Interbank liabilities	5 627,1	6 407,7	5 639,0	-12,0%
Customer deposits	16 281,6	17 212,6	18 214,7	5,8%
Debt securities issued	883,0	994,2	1 647,3	65,7%
Other liabilities	913,3	1 058,2	899,3	-15,0%
Shareholders' equity	1 811,9	2 117,4	2 679,4	26,5%
TOTAL LIABILITIES AND EQUITY	25 516,8	27 790,1	29 079,7	4,6%

*The 2023 annual closing exchange rate of EUR/HUF 382,78 applied for the full presented period

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