

DOCUMENTATION

OF THE ANNUAL GENERAL MEETING OF

MKB BANK PLC.

TO BE HELD ON 26 APRIL 2022

Date of the General Meeting: 26 April 2022, 10:00 a.m.

Venue: Headquarters of MKB Bank Plc. (1056 Budapest, V. Váci u. 38.),

Meeting room No. 24 on the ground floor

The procedure for holding the General Meeting: Microsoft Teams meeting (video conference) and presence in person

Important notice

"Hungarian language is the official and registered language of MKB Bank Plc's ("the Issuer") disclosures pursuant to the relevant legal and stock-exchange rules. The present English translation has been prepared on a voluntary basis, with the best care and intention of the Issuer to inform English speaking investors, however, in the event of any controversy between the Hungarian and English version, the authentic Hungarian version shall prevail."



Agenda of the General Meeting

1.	acco sepa appr	ncial statements of MKB Bank Plc. for the financial year 2021, prepared in rdance with the International Financial Reporting Standards adopted by the EU: rate (unconsolidated) and consolidated financial statements and the opriation of the profit, dividend payment, and decisions on performance related uneration for the current year of 2021
	1.1.	Report of the Board of Directors on the business activities in 2021 5
	1.2.	Proposal of the Board of Directors for the adoption of the 2021 separate (unconsolidated) financial statements prepared under IFRS
	1.3.	Proposal of the Board of Directors for the adoption of the 2021 consolidated financial statements prepared under IFRS
	1.4.	Proposal of the Board of Directors for the appropriation of the profit for 2021 and the payment of dividends
	1.5.	Report of the Supervisory Board on the 2021 separate (unconsolidated) financial statements prepared under IFRS and the appropriation of profit proposal, as well as on the 2021 consolidated financial statements prepared under IFRS
	1.6.	Auditor's report on the audit of the 2021 separate (unconsolidated) financial statements prepared under IFRS
	1.7.	Auditor's report on the audit of the 2021 consolidated financial statements prepared under IFRS
	1.8.	Decisions on performance related remuneration for the current year of 2021 57
2.	2021 adop	ncial statements of Budapest Bank Zrt. (as legal predecessor) for the financial year, prepared in accordance with the International Financial Reporting Standards sted by the EU: separate (unconsolidated) and consolidated financial statements the appropriation of the profit, dividend payment
	2.1.	Report of the Board of Directors on the business activities for 2021 65
	2.2.	Adoption of the 2021 separate (unconsolidated) financial statements of Budapest Bank Zrt
	2.3.	Adoption of the 2021 consolidated financial statements of the Budapest Bank group 80
	2.4.	Proposal for the appropriation of the profit for 2021 and the payment of dividends
	2.5.	Independent auditor's report
2	Δdor	ntion of the 2021 Cornorate Governance Report



4.	Hold-harmless warrant for the members of the Board of Directors and the Supervisory Board of MKB Bank Plc. and Budapest Bank Zrt95
5.	Report of the Board of Directors on the Business Policy of MKB Bank for 202299
6.	Election of the auditor and establishment of the auditor's remuneration for the 2022 audit, approval of the persons liable for the audit and determining the conditions of the contract to be concluded with the auditor
7.	Determination of the remuneration of the members of the Board of Directors and the Supervisory Board



Agenda item No. 1

FINANCIAL STATEMENTS OF MKB BANK PLC. FOR THE FINANCIAL YEAR 2021,
PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS ADOPTED BY THE EU: SEPARATE (UNCONSOLIDATED)
AND CONSOLIDATED FINANCIAL STATEMENTS AND THE APPROPRIATION OF
THE PROFIT, DIVIDEND PAYMENT, AND DECISIONS ON PERFORMANCE
RELATED REMUNERATION FOR THE CURRENT YEAR OF 2021



Agenda item No. 1.1

REPORT OF THE BOARD OF DIRECTORS ON THE BUSINESS ACTIVITIES IN 2021



BUSINESS REPORT

OPERATIONAL ENVIRONMENT

International economic environment

Year 2021, and the market sentiment, continued to be dominated by the fight against the coronavirus pandemic and the latest virus variants, as well as the resulting uncertainty. As vaccines had become widely available, the ratio of the vaccinated population increased, and, in the first half of the year we saw economies starting to reopen and recover. Nevertheless, the swift recovery from the crisis of 2020 also had negative consequences. The quick upturn in demand was not matched by supply, leading to shortages in primary commodities, difficulties in logistics, disrupted supply chains and a significant increase in energy prices, all of this leading to globally accelerating inflation.

We could see data reflecting dynamic growth and inflation indicators reaching historic highs at the same time. The Eurozone saw an exceptional annual increase in GDP of 5.2% in 2021 (2020: -5.9%), while inflation was up at 2.6% from 0.3% in 2020, and, from the second half of the year, it exceeded the central bank target figure of 2% (December: 5%). Similar processes were observed in the USA as well: in 2021, GDP grew at an astounding rate of 5.7% compared to 2020 (2020: -3.4%), however, inflation also accelerated, and the personal consumption expenditures (PCE) indicator, which is closely monitored by the central bank, reached 5.8% by the end of the year on an annual basis.

Economies continued to receive fiscal support in 2021, too, however, in the second half of the year — in light of the accelerating inflation — the forward guidance of central banks hinted at the possibility of a substantive monetary tightening, too. At the end of the year, the ECB announced to phase out its asset purchase program introduced during the pandemic, starting at the beginning of 2022. Meanwhile, the Fed, acting as the central bank in the USA, began to phase out its former asset purchases as early as the end of 2021, which will be completed in March 2022, and analysts expect further interest rate increases during the year.

Hungarian economic environment

In 2021, Hungary was also characterized by the waves of the coronavirus pandemic, vaccination, Q2 economic reopening and recovery, as well as monetary policy reactions to the speeding up of inflation. Domestic economy grew at an astounding annual average rate of 7.1% in 2021, following a decline of 4.7% in 2020, thus exceeding pre-pandemic economic performance too. This exceptional increase took place despite the fact that the performance of the industrial and the construction sector were adversely affected by primary commodity shortages and other limiting factors in supply (difficulties in transportation, disrupted supply chains). A dynamic economic growth of approximately 6% is to be expected in 2022, too.

Due to the preventive measures against the pandemic and also to measures supporting economic recovery, a significant deficit-to-GDP ratio of 7.4% was seen in the state budget in 2021, too, just as in 2020 (2020: -8%). By the end of year 2021, preliminary expectations point to a gross public debt-to-GDP ratio slightly below 80%, close to the end-of-2020 figure of 80.1%.

The rate of inflation substantially increased in 2021 due to both domestic and global processes. Since April, it has been above the 4% upper edge of the tolerance band of MNB's inflation



targeting regime, reaching 7.4% by December (year-on-year). The annual average rate of inflation was 5.1%. Core inflation increased to 6.4% (year-on-year), to a large extent due to domestic price pressures. An even higher 6% average annual rate of inflation is expected for 2022 with upside risks. The government implemented several measures to hold back inflation (regulating household energy prices, imposing a fuel price cap, fixing the price of basic foodstuffs to an earlier base).

In 2021, MNB launched a monetary tightening scheme to reduce soaring inflation. It increased the base rate from 0.6% at the beginning of the year to 2.4% by end-2021, and the rate of its one-week deposit facility (effective rate) increased from 0.75% to 4.0%. Furthermore, by the end of the year, the central bank gradually phased out its liquidity boosting facilities: the government securities and mortgage bond purchase schemes, the Funding for Growth Scheme and the Bond Funding for Growth Scheme, although these have not yet led to a meaningful decrease in the balance sheet total of the central bank.

2021 saw a massive increase in government bond market yields as well: the yield of the benchmark 10Y government bond increased from 2% at the beginning of the year to 4.5%.

The situation of the banking sector¹

In 2021, the day-to-day operations of the banking sector were less affected by the coronavirus pandemic than in the year before. Although certain segments, mainly related to tourism and catering, were subjected to severe restrictions until the spring, most segments have already adjusted to the presence of the pandemic and the majority of them reached their prepandemic output by the third quarter. For corporate and retail customers, too, the performance of the banking sector was facilitated by the digitalization that accelerated as early as 2020, resulting in no or reduced need for customers to be physically present in a growing number of deals. The framework, in which the banking sector operated, continued to be greatly defined by the economic policy measures aimed at counterbalancing the economic impacts of the pandemic, including the repayment moratorium that remained in effect in an unchanged form until October 2021, and, from then on, upon the customer's request (at significantly lower effective exposure on part of the banks). The liquidity-providing measures of the central bank were substantial, as were the credit incentive schemes using funds from the central bank or public finances.

The improving macroeconomic indicators that had been the major input parameters of the risk models during the repayment moratorium allowed a part of the impairment and provisions made in 2020 on the basis of conservative assumptions to be released in the segment, and this meant that the decreased costs of risk became a substantial factor in improving results. The growth in net interest income improved results to a similar extent, in which, in addition to the increase of business portfolios and the higher interest rate environment, the liquidity-providing measures of the central bank also played a part. In the meantime, the growth in operating costs remained moderate. All in all, based on nonconsolidated data relating to domestic activities (i.e., not including the result of foreign subsidiary banks) the Hungarian credit institution segment, was able to realize an after-tax profit exceeding HUF 550 billion in 2021, which is more than two and a half times higher than the result in 2020 and which implies a return on equity slightly above 10%.

With the help of retail and corporate credit incentive schemes (in the former, mainly through home creation and renovation loans, in the latter, mainly through the NHP Hajrá! (Funding for

-

¹ Source of data: MNB, preliminary data



Growth Scheme) depleted by the end of the summer and through development loans offering preferential conditions available under various titles), the client loan portfolio significantly increased in 2021, on which, until the end of October, the repayment moratorium also had a meaningful impact. The growth in household income and the abundance of corporate development funds led to a significant increase in customer savings, and therefore the primary supply of resources in the credit institution segment remained significant. From the middle of the year, in an increasing yield environment caused by the tightening of the central bank, pricing automatisms led to a quick realization of higher market interest rates on new corporate loans, the same occurred to a markedly lesser extent concerning in the case of retail loans and deposits.

In line with central bank expectations, a growing number of banks introduced credit products that comply with environmental sustainability criteria or started such lending using central bank refinancing (Green Home Program). Digitalization also continued: the scope of available mobile payment solutions expanded, more and more credit transactions were conducted online and there are several banks where one does not need to be personally present even for opening a bank account.

All in all, in 2021 the functioning of the banking sector was accompanied by high liquidity and a safe level of capitalization, the minor tightening of the regulatory environment did not require significant adjustments from banks. The process of the consolidation of banks also picked up: in addition to the ongoing merger of MKB Bank, Budapest Bank and the Takarék Group, in 2021 it was decided that Erste Bank would purchase the business share of Commerzbank that was leaving the country, and smaller banks also made decisions regarding acquisitions during the year (Magnet Bank acquired Sopron Bank).

PERFORMACE OF THE MKB GROUP AND MKB BANK IN 2021

MKB Group

The balance sheet total of the Bank increased by 19.2%, by HUF 532.6 billion, to HUF 3,314.2 billion at the end of 2021. The portfolio of customer loans increased by 9.1% to HUF 1,215.3 billion, while the portfolio of customer deposits increased by 19.1% to HUF 2,218.4 billion. The profitability of MKB Bank was much more favorable in 2021 following the economic downturn caused by the COVID-19 pandemic in 2020, profit after tax increased to HUF 60.0 billion as opposed to the profit of HUF 8.4 billion in the previous year.

The Bank's financial and business fundamentals further strengthened, including capitalization, liquidity, funding structure, balance sheet structure and the performance of its business lines.

MKB Bank

The balance sheet total of the Bank increased by 18.9% (or HUF 527.7 billion) to HUF 3,320.3 billion by the end of 2021. The stock of customer loans increased by 8.6% to HUF 1,201.2 billion, while the stock of customer deposits increased by 19.0% to HUF 2,233.7 billion. The profitability of MKB Bank was much more favorable in 2021 following the economic downturn caused by the COVID-19 pandemic in 2020, profit after tax increased to HUF 55.9 billion as opposed to the profit of HUF 6.2 billion in the previous year.

The Bank's financial and business fundamentals strengthened further, including capitalization, liquidity, funding structure, balance sheet structure and the performance of its business lines.



PERFORMANCE OF THE INDIVIDUAL BUSINESS LINES²

Retail, micro and small enterprise segment

The retail segment, despite the ongoing pandemic situation, realized significant growth in 2021 over the previous year. The pandemic continued influencing customer expectations and behaviour in a number of areas. Amidst the changed circumstances, in retail sales an even greater emphasis than before was placed on providing expert advice and support to customers, be it liquidity management, crisis loans, moratorium or digital solutions providing remote access.

MKB Bank continued its developments launched earlier, with a focus on quality customer service, increased customer experience, strengthening lending and the premium segment, further increasing the market share of MKB Bank's retail business line.

In the premium segment, the success story continued relentlessly. Outstanding results were achieved in terms of the number of customers and the growth of the managed portfolio. The stock of open-end investment funds of MKB-Pannónia Fund Manager further increased in the segment, thanks to the sample portfolio-based investment consulting and the good performance of the investment funds.

Among retail customers, demand remained significant in the area of investments into secure and predictable government bonds. In addition to MÁP+, inflation-indexed Premium Hungarian Government Securities gained focus, and, because of this, net sales of these instruments further increased in 2021, and the popularity of investment funds seemed to bounce back following a temporary decrease in demand.

MKB Bank also achieved significant growth in mortgage lending. Compared to the previous year, the volume of disbursements in 2021 was one and a half times higher than in the previous year (+54% year-on-year).

The Bank sold a larger proportion of retail mortgage loans with long-term interest setting periods, and therefore customers were less impacted by the rising yield environment at the end of the year, interest rate risks decreased. Concerning its pricing policy, MKB Bank paid attention to maintaining its market position, which is set among its strategic business goals. MKB NHP Green Home Loan was added to the portfolio of mortgage loan products in October 2021.

The volume of personal loans disbursed was nearly twice as high than in the previous year (+91% year-on-year – in part due to restrictions in the base year), and the proportion of online personal loan applications, introduced in 2020, increased gradually quarter by quarter.

The government's action plan to revive the economy determined MKB Bank's business strategy for micro and small enterprises for 2021 in a fundamental way. All of the supported products included in the new economic recovery packages were swiftly and seamlessly introduced by the Bank, and these proved to be the driving force of lending in this segment throughout the year.

² The source of individual market data: MNB (Central Bank of Hungary), KAVOSZ, BAMOSZ (Association of Hungarian Investment Funds and Asset Management Companies), Eximbank, MFB (Hungarian Development Bank), MKB's own calculation



Because of a strong online marketing presence and a proactive branch network, the Széchenyi Card Program that was predominant in the first half of the year was gradually supplemented with surging demand for MFB Zero Interest Quick Recovery Loan from the second quarter, which improved specific product penetration, too. The portfolio disbursed as part of the MFB GINOP-9.1.1-21 program (Economic Development and Innovation Operational Program) exceeded HUF 10.8 billion by the end of the year, implying a market share of 14%.

MKB Bank is committed to developments that increase positive customer experience and, in the meantime, increase the customers' sense of security in a protracted pandemic environment.

The first quarter saw the completion of the development and the deployment of a digital queue management system in the branch network. The system allows queuing numbers to be called and appointments to be made online, thus minimizing the waiting time in bank branches and avoiding any queuing and waiting on site.

MKB Bank regularly calls the attention of its customers to the possibility of using alternative channels and provides several information notices in order to facilitate the use of electronic channels.

The activity of the branch network was greatly affected during the year by the ongoing international and nationwide medical emergency. To protect customers and employees, the branch network operated throughout the year in accordance with government measures and requirements, in line with the principle of safe and responsible customer service in bank branches. In addition to the already widespread and ever-growing number of online administration possibilities, MKB Bank continued to provide personal customer service in 51 branches nationwide.

Similarly to previous years, the strategic cooperation between MKB Bank and CIG Pannónia Insurance Companies continued in 2021 too, and, therefore, pension, investment, risk, and health insurance products, with which the customers of the bank were able to diversify their savings portfolios, remained available in the branch network of the bank. The dynamic, upward trend in the sale of personal life insurance was halted by the pandemic in 2020, however, the performance was again back on a growth track in 2021. The Barion payment method was introduced in the first quarter for the payment of life insurance fees, offering a more modern and more convenient solution to customers than before. In June 2021, CIG Pannónia introduced the Pannónia BajTárs Accident Insurance, which is sold by the Bank in its branch network. The product offers a guaranteed claim settlement period, which is unique in the market, and is available in three different packages. During the year, the Insurance Company facilitated branch network sales by offering various temporary discounts, promotions, as a result of which the performance of MKB Bank further increased in 2021 compared to the previous year's sales results (+17% year-on-year) in terms of the sum of brokered fees.

In 2021, concerning the sale of home insurance, Aegon's OKÉ (Home, Garden, Value) product continued to be available in MKB Bank's branch network and on the Bank's website. The Insurance Company announced a sales promotion campaign from the middle of March 2021 for its home insurance product, which it extended on a number of occasions during the year. Thanks to the increased lending activity and the announced home insurance promotions, the number of home insurance contracts sold in the MKB Bank branch network significantly increased compared to the previous year in 2021 (+45% year-on-year).



The brokerage sales channel was able to achieve significant development in 2021 in both retail and small business sales compared to the previous year. Sales through cooperation with partners increased both in absolute terms and in proportion to the branch network. In the case of retail mortgage loans, the volume of brokerage transactions exceeded 47%.

On the small business side, the demand for loans introduced by the government to stimulate the economy and to save jobs remained high in 2021 too, with brokers significantly contributing to the process, the result of which was also reflected in the volume of loans disbursed. Measures that put online solutions at the forefront of partner communication and administration, and which reduced personal meetings to the absolute necessary level, proved to be successful.

Measures, process improvements and efforts taken to facilitate partner cooperation proved to be successful and, for this reason, MKB Bank is planning to further improve processes to be able to increase its share in the brokerage market.

Digital products and channels

The implementation of the digital strategy and the digital transformation of customer experience also continued in 2021, the primary goal being to enhance customer experience, to introduce new digital products and to expand cooperation with partners. The Bank deployed new functions in several channels, and also introduced a new, electronic platform, with which it took a major leap forward in digital sales. The pandemic situation continued to shape consumer habits significantly, it diverted customers previously less inclined to the digital channel, it further increased the number of active users of the channels and also accelerated digital developments. The Bank makes an effort to harmonize the channels, to develop service packages that create real value and to integrate these into the life of its customers.

At the beginning of the year, the mobile payment service was renewed. Unlike previously, payment is no longer made in a separate digital application on a smartphone, but in an integrated manner, within a single application: users — having digitalized their bank card in their mobile phone application — can make payments by touching their device to the POS payment terminal.

The Bank took a leap forward in terms of online lending as well. A new, digital lending platform was created (Digital Account) in which existing customers can apply for a personal loan from March without having to personally visit a branch, using an end-to-end online process. Credit assessment for general purpose loans of up to HUF 2 million takes up at most one business day, and these are disbursed within one business day after the conclusion of the contract by electronic means.

The user-friendly process of credit applications was improved through customer feedback obtained during "usability tests". The process was made convenient, can be completed quickly and seamlessly and therefore it provides the customer experience determined in the digital development strategy of the bank.

In March, the Qualified Consumer-Friendly Personal Loan product was also introduced in MKB Bank's portfolio, and the possibility of online application for this product was made available to existing customers in April. From the middle of the year, fully online credit application possibilities were extended to new customers too. With an innovative solution, new customers can verify their earnings during the online credit application process by granting their consent for their account history at their account servicing bank to be queried in a closed channel, and



therefore it is no longer necessary to file conventional forms of proof of earnings (e.g., account statement, employer's certificate). The newly introduced processes are especially popular; 8% of all the disbursement took place via this channel in the second month after it was extended to new customers, too. Based on feedback, 94% of customers would recommend this solution to others, and 96% would try other products online too.

During the past year, the number of the users of the mobile application increased exceptionally by 45%, customers actively use it for their day-to-day banking. As a novelty in the Netbankár channel, QR code-based login to Netbankár was made available in the second half of the year, providing a simpler, faster and more secure way for customers to log in.

In 2021, the Bank successfully closed one of its key innovation projects, in which its entire ATM network was renewed. The earlier devices of the Bank were replaced with modern, touchscreen devices providing an outstanding experience, and cash deposits via ATM were also made possible. The new ATMs can also be used with tap-and-go card readers. In the fourth quarter, on order to optimize branch processes, the feeding and emptying of ATMs was outsourced in several units.

MKB Bank launched a new digital development in the branches as early as in the second quarter, and, as part of this, it deployed tablets to every branch – at a location easily accessible to customers – to replace paper-based supervisory folders. All the related developments were completed in the branches in 2021.

As a result of the digital developments, the digital capability of the Bank significantly increased, and a lot of experience was accumulated in design thinking, UX design and agile product development too. These methodologies and capabilities are essential for the Bank to engage its customers during the research, design and market launch of the related products and services, and to swiftly react to the increasing challenges of the digital world.

MKB SZÉP Card

The operation of the MKB SZÉP Card in 2021 was fundamentally determined by the government measures taken to curb the COVID-19 pandemic. SZÉP Card-based employer benefits were encouraged by the fact that its annual limit was expanded to HUF 800,000, up to which amount employers were exempted from paying the social contribution tax in 2021 too. The use of the SZÉP Card was greatly facilitated by the fact that — as a new measure — any SZÉP Card services can be paid for using any of the SZÉP Card sub-accounts from 25 April, 2021 (until 31 December, 2022).

Since October 2021, MKB SZÉP Card accounts can also be opened in the branches of Budapest Bank and Takarékbank, the other two members of the Hungarian Bankholding. Since April 2021, the relaunched MKB SZÉP Card App also helps inform MKB SZÉP Card owners.

All these greatly contributed to the outstanding result achieved by the MKB SZÉP Card in 2021. The product surpassed 2020 levels in almost every aspect: altogether HUF 30 billion was received in employer's contributions through 1.2 million transactions by 237 thousand MKB SZÉP Card owners in 2021. SZÉP Card owners spent approximately HUF 33.2 billion through 6.4 million transactions in 2021. Assets held in MKB SZÉP Card accounts exceeded HUF 16.6 billion on annual average. Card holders can currently use their cards for payment at 34,000 card acceptance locations.



In the 3 years, while the MKB SZÉP Card was provided directly as an MKB Bank product, the results of the MKB SZÉP Card gradually increased, and, concerning the most important indicators, doubled by 2021. The contributions received in MKB SZÉP Card holders' accounts in 2021 was twice as high as in 2018, and spending was double as well. Spending grew exceptionally in 2021, since it was 40% up on 2020.

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 order to further develop the customer lifecycle-based approach, the Bank devoted significant resources also in 2021 to further optimizing product development processes and models, including the allocation of extra resources to strengthen digitalization solutions in response to the challenge posed by the prolonged pandemic situation.

Demand for loans by businesses did not decline even during the pandemic. In 2021, MKB Bank also sought to provide the most comprehensive service to customers, to enhance customer experience, and, to this end, it participated in various – modified – subsidized and refinanced lending programs and guarantee programs included in economic stimulus packages, which have been very popular since their introduction. The significant willingness to borrow experienced by the Bank further boosts the economy, the various financial solutions provided by MKB Bank in the segments more severely hit by the pandemic could also serve as a bridging solution.

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. After October 2021, customers could only maintain their participation in the moratorium upon their request, which significantly reduced the scope of those affected and in need.

In 2021, 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 remained an active participant in the continually renewed Széchenyi Program. In the past year, the Bank achieved a market share of 5.3% in the Széchenyi Program in terms of contracted value.

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 been awarded the "NHP Hajrá!" award of excellence in 2021 on behalf of the Bankholding. The Bank achieved an outstanding market share of 8.3% in the Central Bank's NHP Hajrá! Scheme.



All in all, it can be concluded that in 2021 the stock of loans and deposits both increased when compared to the previous year. Yet, the year was also characterized by the detailed preparation of merger-related tasks concerning the Bankholding.

Investment services

MKB's Capital Markets and Transactions Consulting function was one of the key investment service providers of the Bond Funding for Growth Scheme (NKP) in 2021, too: it participated in eight successful bond issues as distributor and co-distributor, the total value of which reached HUF 476.2 billion. In addition to this, it also participated in the public offering for the shares of CIG Pannónia Life Insurance Plc., it participated in the preparation of additional transactions and continued to act as a Designated Adviser on the Xtend market of the Budapest Stock Exchange.

Private Banking

In 2021, MKB Private Banking was able to increase its portfolio of managed assets by 5%, the same rate as last year. In terms of the volume of managed assets per customer, MKB Private Banking remained the market leader among domestic service providers. The number of customers in the business line remains firm, with a slight upturn in its pace of increase over 2020.

In the 2021 Private Banking Hungary award ceremony, MKB Private Banking, together with the banks of the Bankholding, retained the title "Business Line Developer of the Year", which reflected a recognition by the awarding body for their efforts concerning the merger. A staff member of MKB Private Banking business line earned the "Senior Private Banker of the Year" award, and the business line, based on votes by the players of the domestic market, came in fourth in the "Private Banking Service Provider of the Year" category. Concerning product development, it should be noted that the account servicing and investment services provided to dedicated trustees were continuously expanded in 2021.

In the past year, the greatest threat to portfolios was the global inflation pressure to which advisors responded with series of domestic retail government bonds protecting against inflation and by recommending investment funds expected to perform well in the recovering economy.

SUBSIDIARIES / STRATEGIC COOPERATION AND PARTNERS

In addition to its own range of banking products and services, MKB provides the services of its subsidiaries and partners too. The objective of the Bank is to preserve, increase the market position of its subsidiaries, to deepen cooperation within the group, and to continually strengthen ancillary financial services.

SUBSIDIARIES

MKB Euroleasing Group³

MKB Euroleasing Group, as a leading domestic leasing firm, remained a highly active player in 2021 despite the problems caused by the pandemic and the manufacturing and logistics difficulties. The burden placed on the operation of the company by the repayment moratorium

³ Source: Hungarian Leasing Association, BAMOSZ



was less severe than expected, operations remained stable and trouble-free despite the changed circumstances.

Similarly to previous years, MKB-Euroleasing Group continued to achieve an outstanding market share in 2021 predominantly in the retail motor vehicle financing and agricultural machinery financing, but, in addition to these segments, it also provides comprehensive services to its customers concerning the financing of large commercial vehicles and general equipment too.

The goal of the MKB Euroleasing Group remains to build a portfolio diversified in terms of both risk and business, taking into account both the segments to be financed as well as the portfolio of contracts accumulated within the segments. This strategy may ensure stable, low-risk and highly profitable operations in the long term.

The MKB Euroleasing Group was able to increase the size of the portfolio under its management in 2021 too, which greatly contributes to further improving operational efficiency.

The strategic goal of the MKB-Euroleasing Group in 2021 remained to further strengthen the market share it has achieved and its position as a leading domestic leasing company. Its stable market presence is due, in addition to the continuous development of the existing dealer and importer relations, to the establishment of new ones. The Group strives to remain a leading player in the development and introduction of innovative digital solutions in the renewed framework of the Bankholding as well, in terms of serving both its customers and partners.

MKB Consulting

MKB Consulting provided services to its corporate customers with an expanding consulting portfolio in 2021 too. As a leading player of the tender consultancy market, the company prepared winning tenders in 2021 in a total support value of HUF 7.5 billion, furthermore, it provided comprehensive project management for 130 of its winning tenders that received funding in the previous years. In addition to research, development and innovation projects that are still dominant, the company significantly expanded its portfolio to include agricultural and agrarian economy development tenders, mainly in projects aimed at precision development related to the digital transition of the food industry and agriculture.

From the second half of the year, local municipalities also appeared in its portfolio besides corporate customers, and the company was awarded contracts to prepare integrated municipal development strategies and various urban development projects of several mid-sized cities.

One of the success stories of 2021 was the green financial consultancy business line newly launched by the company, as part of which it helped its key corporate customers by establishing the framework necessary for issuing green bonds, and by providing consultancy for the establishment of ESG framework systems that take into consideration environmental, social and corporate governance aspects and that are aimed at creating a balance between these to enable them to contribute to creating a more sustainable and greener economy.

MKB Consulting started 2022 with an increased corporate clientele, an expanding municipality consultancy portfolio, and a dynamically developing green financial consultancy business line that can also be extended to municipal customers in addition to corporate customers.



MKB-Pannónia Fund Manager

Product development continued along the lines of the green approach that started in 2020, and another fund committed to the ESG strategy was added to the product portfolio of the Fund Manager in June 2021. After building up its real estate fund management business line, the first real estate investment fund of the Fund Manager was launched in April 2021. In 2021, the last closed-end investment funds launched earlier by the Fund Manager expired.

On 31 December, 2021, the Fund Manager managed investments with a total net asset value of HUF 676 billion, which implies a market share of 7%. Within this, it managed investments of HUF 236 billion in 35 investment funds, and, as part of portfolio management, it managed a total of HUF 440 billion for 9 funds, 3 insurance companies and 4 other customers. MKB-Pannónia Fund Manager is ranked number two among pension fund managers (in terms of managed assets).

MKB Fintechlab

For MKB Fintechlab, 2021 was about adaptation to a changed environment and development. As part of the digital business development function, MKB Fintechlab greatly contributes to the adoption of the Bank's digital capabilities and is responsible for integrating the planning and design approach, consciously developing innovation maturity, and exploiting its inherent business potential. The three pillars of MKB Fintechlab's strategy are the investment function, the digital and design competence center and the innovation management capability.

In 2021, the development of the Bank's design and digital competence center continued, and from the beginning of the year, the design team began creating value with its work for each member of the Hungarian Bankholding, the administrational background for which was completed in January 2022.

In the course of the year, MKB Fintechlab carried out another investment in the Könyvelő-Net platform (Bookkeepie.com International Kft.). In 2022 it is going to invest into 9 more startups as part of an incubator tender. In addition, its portfolio companies achieved several successes in raising capital and growth. FintechX Zrt. has secured several hundred million HUF in financing, and Coinrule Inc. was selected by Y Combinator, one of the most famous accelerators in the world, into its spring batch, which, by that time, had already secured several million USD in financing, even before a Series A investment of an American magnitude.

Continuing from the previous year, the subsidiary conducted several successful online and hybrid events. The first event was IdeaVault, a two-day online idea competition embracing initiatives responding to the economic impacts and difficulties of the coronavirus pandemic. The competition was supported by the members of the Hungarian Bankholding, MKB Bank, Takarékbank, Budapest Bank and Hiventures. After a 48-hour preparation with mentors, the teams that made it into the final round were evaluated by an expert jury, and three were selected as winners.

After this, in the middle of November, MKB Fintechlab organized Design Summit for the third time. The central topics of the two-day international online event were the future and the challenges of the financial and banking segments, as well as current and expected trends. The purpose of the event was to inspire experts and start forward-thinking dialogues so that design-driven and customer feedback-based developments could be launched in the industry.



In addition to these events, Fintechlab realized the Innoacademy internal innovation program together with MKB Bank. The innovation workshop that initially was launched for bank staff cooperating with large enterprises developed into a half-year training program for a total of sixty persons. The participants coming from diverse fields gained insight into the latest trends of the world of fintech and innovation through six topics, and, in addition to theoretical part, they could put into practice the knowledge they gained in practical workshops in their day-to-day work.

The Partnership Program of the subsidiary proved to be similarly successful, here a total of 12 external solutions were validated along banking needs. A major milestone of the program is the introduction of SME credit pre-screening which is also the first milestone in the fully online lending process of the Group. The team of the Program carried out significant work for the Hungarian Bankholding, too, for example by comparing members' invoicing systems, and their research also supported the selection process of a new core banking system and card system too. Currently they provide support to building up the new Bank, as an integral part of agile operation.

Solus Capital Venture Capital Fund Manager

Solus Capital Venture Capital Fund Management Ltd. continued its investment activity in the start-up ecosystem in 2021 too.

The Solus I Venture Capital Fund is a fund jointly financed by the Specialization Venture Capital Program (GINOP 8.1.3/B-17) and MKB Group and its strategic partners as private investors. The Solus I Venture Capital Fund is expected to disburse HUF 12 billion venture capital to SMEs applying innovative and smart technologies by the end of 2023. At the end of 2021, the portfolio consisted of 28 companies, and investment decisions had already been made on HUF 11,653 million. The greatest challenge for the Fund was to bridge the economic effects of the pandemic and to provide financing solutions for the companies in its portfolio. With this, and with two other disbursements, it invested a total of HUF 1,852 million.

Solus II Venture Capital Fund was realized within the framework of the Digital Welfare Venture Capital Program (GINOP 8.2.7-18). By the end of 2023, the Fund will invest a venture capital of more than HUF 7 billion in micro-, small- and mid-sized enterprises that focus on digitalization. At the end of 2021, the portfolio consisted of 18 companies, and investment decisions had already been made on HUF 5,570 million. In 2021, 7 new investment decisions were made and a total of HUF 1,472 million was disbursed, including the existing elements in the portfolio.

In the past year, with regard to the difficulties the industry faced, focus was on ensuring the financial stability of the portfolio companies and embedding them in their respective markets, which the Company in 2022 would like to transform into growth, or in many cases expansion, after the lifting of restrictions. Several portfolio companies were awarded prestigious prizes, such as the Proptech prize awarded to Tablog, or the special award, which the Website of the Year awarded to Cristo.



STRATEGIC COOPERATION ARRANGEMENTS AND PARTNERS⁴

MKB Pension Fund

MKB Pension Fund is a leading pension fund in Hungary.

Its voluntary branch offers effective savings tool stretching to decades to its 75,000 customers within MKB Group's comprehensive investment solutions. The assets of the pension fund totaled at HUF 142.3 billion on 31 December 2021, up HUF 2.7 billion from the previous year. A positive outcome of the year is that the individuals' conscious willingness to save is gaining weight (in terms of the individual members' contribution activity).

The private branch of MKB Pension Fund closed 2021 with 3,561 members and HUF 20.5 billion in assets, while the proportion of members paying membership fees remained well above the 70% statutory requirement.

The uninterrupted, stable and prudent operation of the Fund for more than 25 years has been facilitated by well-prepared fund and asset management professional support and the desire for continual development.

The simple, interest tax-free product, which can be used in many ways even in the active years, can be tailored to the return expectations and risk-bearing capacity of the customers. To more fully satisfy the needs of the members, the fund continuously expands its services portfolio to allow product benefits to be used. The introduction of a new, fifth fund portfolio was prepared in the voluntary branch of the fund in 2021 as well as the implementation of distributing customer savings between diverse portfolios. Customers investing in their future with the MKB Pension Fund can take advantage of the combined benefits of impressive above-inflation yields even over 10 and 15 years and low cost levels due to expert asset management. The funds can be used through a flexible range of services.

As an important strategic goal, in the framework of digital transformation, MKB Pension Fund refreshed its online presence by the summer of 2021 through a complex project, and now it supports customer service in a user-friendly manner and is aligned with the MKB brand. In parallel to this, the development of the Member Portal was prepared to satisfy customers' needs. Business development was nonetheless focused on continuous activity, customer engagement, and the examination and integration of further new and innovative solutions to continually enhance customer satisfaction.

MKB-Pannónia Health and Mutual Benefit Fund

MKB-Pannónia Health and Mutual Benefit Fund is a market leading health fund in Hungary, which provides a wide range of services to more than 202,000 members and had a total of HUF 15.3 billion in assets as of 31 December, 2021. For nearly 25 years, the name of the Fund has been synonymous for its customers with the widest possible range of health-supporting and cost-reducing services available. The assets of the health fund, which can be spent on the needs of the whole family in almost every life situation and can be supplemented with a 20% tax allowance, can be widely used, from maternity through private health care expenses to supporting elderly care. In the case of preventive expenses and a two-year fixed-term deposit, the state provides an additional 10% tax allowance to customers, which can be spent on a wide

_

⁴ Source: National Association of Voluntary Funds



variety of products and services at its more than 16,600 partners using conventional payment methods or at nearly 9,600 contracted card acceptance service providers.

The Fund renewed its website in the course of 2021 at the end of a complex process and launched the renewal of its Member Portal too. A key consideration for the transformation was to ensure that the outdated interface is provided a responsive appearance, and that all of the necessary information and functions are presented and made accessible in a structured and transparent manner, understandable for the users, nevertheless compliant with the strict regulations applicable to funds.

A positive outcome of 2021 is that the Fund closed the year with more dynamic membership contribution activity thanks to its reinforced business approach. Furthermore, in response to the growing health awareness, it succeeded in developing a product with its external partner at the end of the year to supplement its health insurance product with a new, favorably taxed corporate benefit opportunity (that can be financed through the fund). Besides these, the development of several products was launched in 2021, and measures were taken to include additional health insurance packages in the range of products and the adaptation of telemedicine solutions were also examined.

The development of electronic administration is a key strategic goal, internal developments were initiated based on the assumption that the submission and settlement of electronically filed invoices will increase, which, on the mid-term, is expected to increase efficiency and enable seamless customer service. The business development activities of the Fund focused on ensuring stable and predictable operation, several new and innovative solutions were examined in 2021 with the aim of continuously enhancing customer satisfaction, and with an active marketing presence these activities efficiently engaged customers and encouraged contributions.



Agenda item No. 1.2

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE ADOPTION OF THE 2021 SEPARATE (UNCONSOLIDATED) FINANCIAL STATEMENTS PREPARED UNDER IFRS



MKB Bank Nyrt. Statement of Financial Position as at 31 December 2021

Data in HUF million

Cash and cash equivalents Loans and advances to banks Derivative financial assets Securities Loans and advances to customers Non-current assets held for sale and discontinued operations Other assets Current income tax assets Deferred tax assets Investments in subsidiaries, jointly controlled entities and associates Intangibles	7 8 9 10 11 38 12 23 13 14	831 434 61 814 104 402 1 003 751 1 201 209 35 18 810 - 7 756 49 563 27 388	294 18: 83 55: 23 26: 1 174 02: 1 106 24: 50- 15 14: 1 41: 6 70: 48 37:
Cash and cash equivalents Loans and advances to banks Derivative financial assets Securities Loans and advances to customers Non-current assets held for sale and discontinued operations Other assets Current income tax assets Deferred tax assets Investments in subsidiaries, jointly controlled entities and associates Intangibles	8 9 10 11 38 12 23 13 14	61 814 104 402 1 003 751 1 201 209 35 18 810 - 7 756 49 563 27 388	83 55: 23 26: 1 174 02: 1 106 24: 50- 15 14: 1 41: 6 70: 48 37:
Loans and advances to banks Derivative financial assets Securities Loans and advances to customers Non-current assets held for sale and discontinued operations Other assets Current income tax assets Deferred tax assets Investments in subsidiaries, jointly controlled entities and associates Intangibles	8 9 10 11 38 12 23 13 14	61 814 104 402 1 003 751 1 201 209 35 18 810 - 7 756 49 563 27 388	83 55: 23 26: 1 174 02: 1 106 24: 50- 15 14: 1 41: 6 70: 48 37:
Derivative financial assets Securities Loans and advances to customers Non-current assets held for sale and discontinued operations Other assets Current income tax assets Deferred tax assets Investments in subsidiaries, jointly controlled entities and associates Intangibles	9 10 11 38 12 23 13 14	104 402 1 003 751 1 201 209 35 18 810 - 7 756 49 563 27 388	23 26: 1 174 02' 1 106 24: 50- 15 14: 1 41: 6 70' 48 37:
Securities Loans and advances to customers Non-current assets held for sale and discontinued operations Other assets Current income tax assets Deferred tax assets Investments in subsidiaries, jointly controlled entities and associates Intangibles	10 11 38 12 23 13 14	1 003 751 1 201 209 35 18 810 - 7 756 49 563 27 388	1 174 02' 1 106 24' 504 15 14: 1 41: 6 70' 48 37'
Loans and advances to customers Non-current assets held for sale and discontinued operations Other assets Current income tax assets Deferred tax assets Investments in subsidiaries, jointly controlled entities and associates Intangibles	11 38 12 23 13 14	1 201 209 35 18 810 - 7 756 49 563 27 388	1 106 24: 50- 15 14: 1 41: 6 70: 48 37:
Non-current assets held for sale and discontinued operations Other assets Current income tax assets Deferred tax assets Investments in subsidiaries, jointly controlled entities and associates Intangibles	38 12 23 13 14	35 18 810 - 7 756 49 563 27 388	50- 15 14: 1 41: 6 70: 48 37:
Other assets Current income tax assets Deferred tax assets Investments in subsidiaries, jointly controlled entities and associates Intangibles	12 23 13 14	18 810 - 7 756 49 563 27 388	15 14: 1 41: 6 70: 48 37:
Current income tax assets Deferred tax assets Investments in subsidiaries, jointly controlled entities and associates Intangibles	23 13 14	7 756 49 563 27 388	1 415 6 70 48 37
Deferred tax assets Investments in subsidiaries, jointly controlled entities and associates Intangibles	13 14	49 563 27 388	6 70° 48 37.
Investments in subsidiaries, jointly controlled entities and associates Intangibles	13 14	49 563 27 388	48 37:
Intangibles	14	27 388	
Intangibles			24 47
	14	11.000	
Property and equipment		14 020	14 73:
Fotal assets		3 320 182	2 792 630
Liabilities	15	-0	** + 00
Amounts due to other banks	15	705 565	
Deposits and current accounts	16	2 233 694	
Derivative financial liabilities	17	41 528	
Other liabilities and provisions	18	50 188	54 91
Current income tax liabilities	•	1 862	-
Issued debt securities	19	3 394	
Subordinated debt	20	45 070	44 72
Total liabilities		3 081 301	2 589 662
Equity			
Share capita1	21	100 000	100 000
Reserves	22	138 881	102 97
Fotal equity		238 881	202 974
Fotal liabilities and equity		3 320 182	2 792 636



MKB Bank Nyrt. Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021

December 2021		Data in H	UF million
	Note	2021	2020
Statement of profit or loss			
Interest and similar to interest income	24	82 330	50 923
Interest expense	25	32 472	24 988
Net interest income		49 858	25 935
Net income from commissions and fees	26	25 051	23 731
Other operating income / (expense), net	27	43 768	5 777
Impairment / (Reversal) and provision for losses	28	3 753	6 888
Operating expense	29	55 541	41 602
rofit before taxation		59 383	6 953
Income tax (income) / expense	30	3 467	721
rofit/ (Loss) for the year from continuing operation		55 916	6 232
ROFIT FOR THE YEAR		55 916	6 232
tems that may be reclassified subsequently to profit or loss Revaluation on financial assets measured at FVTOCI	10	(20 009)	3 187
Other comprehensive income for the year net of tax		(20 009)	3 187
OTAL COMPREHENSIVE INCOME FOR THE YEAR		35 907	9 419
rofit / (Loss) attributable to:			
Profit/(loss) for the period from continuing operation		55 916	6 232
Shareholders of the bank		55 916	6 232
otal comprehensive income attributable to:			
Total comprehensive income from continuing operation		35 907	9 419
Shareholders of the bank		35 907	9 419
et income available to ordinary shareholders		55 916	6 232
verage number of ordinary shares outstanding (thousands)		100 000	100 000
Earnings per Ordinary Share (in HUF)	32		
Basic		559	62
Diluted		559	62
Earnings per Ordinary Share from continuing operation (in HUF)	32		
Basic		559 550	62
Diluted		559	62



MKB Bank Nyrt. Statement of Changes in Equity for the year ended 31 December 2021

Data in HUF million

1	Note	Share capital	Share premium	Retained earnings	Revaluation on financial assets measured at FVTOCI	Total equity
At 1 January 2020		100 000	21 729	78 573	(6 747)	193 555
Profit for the year Other comprehensive income for the year		-	-	6 232	3 187	6 232 3 187
At 31 December 2020		100 000	21 729	84 805	(3 560)	202 974
Profit for the year Other comprehensive income for the year		-	-	55 916	(20 009)	55 916 (20 009)
At 31 December 2021		100 000	21 729	140 721	(23 569)	238 881



MKB Bank Nyrt. Statement of changes in equity based on Hungarian Accounting Law for the year ended 31 December 2021

Data in HUF million

				Data in HUF	milli
	Share capital	Capital reserve	Retained earnings	Revaluation reserve	T otal
alance at 1 January 2020	100 000	21 729	78 573	(6 747)	193 5
Profit before tax Accumulated other comprehensive income	-	-	6 232	3 187	6.3
alance at 31 December 2020	100 000	21 729	84 805	(3 560)	202 9
Profit before tax Accumulated other comprehensive income	-	-	55 916	(20 009)	55 9 (20 0
alance at 31 December 2021	100 000	21 729	140 721	(23 569)	238 8
Reconciliation of share capital registered egistry court and share capital under IFF dopted by the EU		December 2021	31 December 2	2020	
hare capital registered at the registry court		100 000	100	000	
Share capital under IFRS as adopted by the	ne EU	100 000	100	0 000	
schedule of the profit reserves available t lividend (million HUF)	for 31 1	December 2021	31 December 2	2020	
Retained earnings		140 721	8	4 805	
Retained earnings Statutory other reserve		140 721 17 040	_	34 805 1 448	



MKB Bank Nyrt. Statement of Cash Flows for the year ended 31 December 2021

·		Data in HU	F million
	Note	2021	2020
Cash flows from operating activities			
Profit/ (Loss) before taxation		59 383	6 953
Adjustments for:			
Depreciation, amortisation and impairment	14, 31	4 983	4 162
Impairment / (Reversal of impairment) on other assets	12	119	(29)
(Reversal of provisions for) / Recognise provisions on off-BS items and settlement for customers	18, 33	847	480
Impairment / (Reversal of impairment) on loans and advances	8, 11	2 426	(782)
Reversal of impairment on non-current assets held for sale	38	(2 152)	(6 371)
Impairment / (Reversal of impairment) on securities and associates	10, 13	681	19
IFRS adjustment on securities	10	42 909	2 716
Deferred tax movement	30	(1 049)	1 011
Net interest income	24, 25	(35 474)	(24 807)
Dividends from shares and other non-fixed income securities		(45)	(223)
Revaluation and other result on securities measured at FV TOCI	Change in Equity	(20 009)	3 187
Foreign Exchange movement		1 604	1 279
Adjustments for:		54 223	(12 405)
Change in loans and advances to banks	8	21 746	(21 186)
Change in loans and advances to customers	11, 34, 35, 37	(97 395)	(181 502)
Change in derivative assets	9	(81 140)	(5 069)
Change in other assets	12	(3 780)	(864)
Change in amounts due to banks (short term)	15	25 330	4 444
Change in current and deposit accounts	16	356 240	640 194
Change in other liabilities and provisions (without provision charge of the year)	18, 31	(5 569)	(6 553)
Change in derivative liabilities	17	6 122	(8 857)
Interest received	24	73 706	50 468
Interest paid	25	(38 232)	(25 661)
Income tax	30	(187)	(1 684)
		256 841	443 730
Net cash (used in)/ generated by operating activities		311 064	431 325
Cash flow from investing activities			
Increase of reserves of group companies	13	(1 506)	(2 696)
Disposals of group companies	13	-	1 098
Purchase and disposals of PPEs and intangible assets	14, 31	(7 178)	(4 936)
Purchase of securities	10	(1 363 276)	(1 048 714)
Disposals of securities	10	1 490 323	473 002
Change in non-current assets held for sale and discontinued operations	38	2 621	9 942
Net cash (used in)/ generated by investing activities		120 984	(572 304)
Cash flow from financing activities			
Increase in issued securities	19	2 054	2 343
Decrease in issued securities	19	(1 003)	(1 331
Increase in subordinated liabilities	20	-	19 248
Decrease in subordinated liabilities	20	-	(15 012)
Change in amounts due to banks (Borrowings)	15	105 410	374 698
Net cash generated by financing activites		106 461	379 946
Net increase of cash and cash equivalents		538 509	238 967
Cash reserves at 1 January	7	294 183	55 388
FX change on cash reserve	,	(1 258)	(172)
Cash reserves at the end of period	7	831 434	294 183
cash reserves at the sale of period	,	031 434	274 103



Agenda item No. 1.3

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE ADOPTION OF THE 2021 CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER IFRS



MKB Bank Nyrt. Consolidated Statement of Financial Position as at 31 December 2021

		Data	Data in HUF million		
	Note	31 December 2021	31 December 2020		
Assets					
Cash and cash equivalents	7	831 434	294 183		
Loans and advances to banks	8	61 818	83 558		
Derivative financial assets	9	104 359	23 262		
Securities	10	1 003 751	1 174 027		
Loans and advances to customers	11	1 215 347	1 113 962		
Non-current assets held for sale and discontinued operations	38	35	1 533		
Other assets	12	20 784	17 146		
Current income tax assets		2	1 468		
Deferred tax assets	23	8 113	6 979		
Investments in jointly controlled entities and associates	13	8 586	7 295		
Intangibles	14	31 786	28 679		
Property and equipment	14	28 004	29 515		
Total assets		3 314 019	2 781 607		
Liabilities					
Amounts due to other banks	15	709 174	575 097		
Deposits and current accounts	16	2 218 367	1 862 261		
Derivative financial liabilities	17	41 528	35 406		
Other liabilities and provisions	18	48 136	54 249		
Current income tax liabilities		1 867	3		
Deferred tax liabilities	23	124	88		
Subordinated debt	20	45 070	44 724		
Total liabilities		3 064 266	2 571 828		
Equity					
Share capital	21	100 000	100 000		
Reserves	22	149 753	109 779		
Total equity		249 753	209 779		
Total liabilities and equity		3 314 019	2 781 607		



MKB Bank Nyrt. Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021

	<u> </u>	Data in HUI	<u>million</u>
	Note	2021	2020
Statement of profit or loss			
Interest and similar to interest income	24	86 060	54 336
Interest expense	25	32 097	24 668
Net interest income		53 963	29 668
Net income from commissions and fees	26	24 818	23 568
Other operating income / (expense), net	27	44 215	5 727
Impairment / (Reversal) and provision for losses	28	4 080	7 652
Operating expense	29	59 577	45 042
Share of jointly controlled and associated companies' profit		4 113	2 949
Profit before taxation		63 452	9 218
Income tax (income) / expense	30	3 469	795
PROFIT FOR THE YEAR		59 983	8 423
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Revaluation on financial assets measured at FVTOCI	10	(20 009)	3 187
Other comprehensive income for the year net of tax		(20 009)	3 187
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		39 974	11 610
Profit / (Loss) attributable to:			
Shareholders of the bank		59 983	8 423
Non-controlling interests		-	-
Total comprehensive income attributable to:			
Shareholders of the bank		39 974	11 610
Non-controlling interests		-	-
Net income available to ordinary shareholders		59 983	8 423
Average number of ordinary shares outstanding (thousands)		100 000	100 000
Earnings per Ordinary Share (in HUF)	32		
Basic		600	84

Diluted

84

600



MKB Bank Nyrt. Consolidated Statement of Changes in Equity for the year ended 31 December 2021 Data in HUF million

	Share capital	Treasury shares	Share premium	Retained earnings	Revaluation on financial assets measured at FVTOCI	Non- controlling interests	Total equity
At 1 January 2020	100 000	(35)	21 729	83 480	(6 747)	35	198 462
Profit for the year	-	_	_	8 423	-	_	8 423
Other comprehensive income for the year	-	-	-	-	3 187	-	3 187
Deconsolidation of subsidiaries	-	-	-	(489)	-	-	(489)
Disposal of treasury shares	-	35	-	196	-	(35)	196
At 31 December 2020	100 000	-	21 729	91 610	(3 560)	-	209 779
Profit for the year		-	-	59 983	-	-	59 983
Other comprehensive income for the year	-	-	-	-	(20 009)	-	(20 009)
At 31 December 2021	100 000	-	21 729	151 593	(23 569)	-	249 753



MKB Bank Nyrt. Consolidated Statement of Cash-Flows for the year ended 31 December 2021

	Da	ta in HUl	F million
	Note	2021	2020
Cash flows from operating activities			
Profit/ (Loss) before taxation		63 452	9 218
Adjustments for:			
Depreciation, amortisation and impairment	14	757	4 488
Impairment / (Reversal of impairment) on other assets	12	119	(29)
(Reversal of provisions for) / Recognise provisions on off-BS items and settlement for customers	18, 31	799	312
Impairment / (Reversal of impairment) on loans and advances	11	2 339	(389)
Reversal of impairment on non-current assets held for sale	36	(2 152)	(6 372)
Impairment on securities and associates	10, 13	681	19
IFRS adjustment on securities	10	42 909	2 716
Deferred tax movement	28	(1 098)	991
Net interest income	24, 25	(39 579)	(19 760)
Dividends from shares and other non-fixed income securities		(26)	(26)
Revaluation and other result on securities measured at FVTOCI	Change in Equity	(20 009)	3 187
Foreign Exchange movement		1 604	1 279
Adjustments for:		49 796	(4 366)
Change in loans and advances to banks	8	21 742	(21 186)
Change in loans and advances to customers	11, 32, 33, 35	(103 726)	(183 240)
Change in derivative assets	9	(81 097)	(5 069)
Change in other assets	12	(3 757)	(1 941)
Change in amounts due to banks (short term)	15	25 309	4 444
Change in current and deposit accounts	16	356 106	635 732
Change in other liabilities and provisions (without provision charge of the year)	18	(6 912)	(1 285)
Change in derivative liabilities	17	6 122	(8 857)
Interest received	24	77 436	57 660
Interest received	24	(37 857)	(37 900)
Income tax	28	(139)	(1724)
medic tax	20	253 227	436 634
Net cash (used in)/ generated by operating activities		303 023	432 268
Cash flow from investing activities			
Increase of reserves of group companies	13	(1 627)	(1 357)
Disposals of group companies	13	20	40
Purchase and disposals of PPEs and intangible assets	14	(2 353)	(3 775)
Purchase of securities	10	(1 363 295)	(1 048 911)
Disposals of securities	10	1 490 323	473 002
Non-current assets held for sale and discontinued operations	36	3 650	8 914
Net cash (used in)/ generated by investing activities		126 718	(572 087)
Cash flow from financing activities			
Increase in issued securities	19	_	196
Increase in subordinated liabilities	20	-	19 248
Decrease in subordinated liabilities	20	-	(15 012)
Change in amounts due to banks (Borrowings)	15	108 768	374 843
Deconsolidation of subsidiaries	Change in Equity	-	(489)
Net cash generated by financing activites		108 768	378 786
Net increase of cash and cash equivalents		538 510	238 967
Cash reserves at 1 January	7	294 183	55 388
FX change on cash reserve	,		
Cash reserves at the end of period	7	(1 259) 831 434	(172) 294 183
Chair reserves at the end of period	,	031 434	274 103



Agenda item No. 1.4

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF THE PROFIT FOR 2021 AND THE PAYMENT OF DIVIDENDS



Board of Directors' Profit Allocation Proposal for 2021:

1. Profit before taxation	59 383
2. Income tax (income) / expense	3 467
3. Profit for the year (12.)	55 916
Increase in Retained earnings	55 916

A general reserve of HUF 5,591.6 million (10% of the profit after tax) is set aside from the profit after tax, as required by the Hpt., and is recorded separately within the retained earnings.

Dividend payment:

Disposable retained earnings available for dividend payment:

Data in HUF million

Schedule of the profit reserves available for dividend	millió Ft
1.Retained earnings as of 1 January 2021	84 805
2. Profit for the year	55 916
3. Statutory other reserve/equity as of 1 January 2021	11 448
4. Statutory other reserve/equity for the year	5 592
Profit reserve available for dividend (1.+234.)	123 681

Propsal to the General Meeting:

The Board of Directors proposes a dividend of HUF 4,300 million, the remaining part of the Profit attributable to the shareholders of the Bank for the reporting period will increase the Retained earnings. The amount of the interim dividend proposed and paid on 14th February 2022 based on the decision Nr. 11/2021. (15 December) of the General Meeting equals to the dividend proposed by the Board of Directors, accordingly no further payment will occur.



Agenda item No. 1.5

REPORT OF THE SUPERVISORY BOARD
ON THE 2021 SEPARATE (UNCONSOLIDATED) FINANCIAL STATEMENTS
PREPARED UNDER IFRS AND THE APPROPRIATION OF PROFIT PROPOSAL,
AS WELL AS ON THE 2021 CONSOLIDATED FINANCIAL STATEMENTS PREPARED
UNDER IFRS



Report on the separate (unconsolidated) and consolidated financial statements prepared in accordance with International Accounting Standards and the appropriation of the profit after tax for the financial year ended 31 December 2021

The Supervisory Board discussed at its meeting of 28 March 2022 and proposes to the General Meeting for approval the following reports prepared by the Board of Directors on the financial year of MKB Bank Plc. ended on 31 December 2021:

- the individual (non-consolidated) annual report⁵ for the year 2021 prepared in accordance with International Accounting Standards,
- the consolidated financial statements for the year 2021 prepared in accordance with the International Accounting Standards
- the distribution of the 2021 after-tax profit.

Pursuant to the Articles of Association of MKB Bank Plc., the Supervisory Board checks the annual financial statements of the Company in order to comply with the statutory requirements.

<u>In view of the above and based on the preliminary opinion of the Audit Committee, the Supervisory Board wishes to emphasize the following:</u>

In relation the audit of the 2021 separate and consolidated financial statements, the auditor (Deloitte) performed its annual audit activities on the basis of a detailed schedule, for the mid-year audit from the middle of June 2021 to the end of January 2022 and for the year-end audit from the beginning of January 2022 to the middle of March 2022.

For the auditors the purpose of the audit activity was to obtain reasonable assurance that the annual financial statements and the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an audit report containing their opinion.

The audit activity is designed by the auditors to focus on the following main objectives to ensure the quality of the audit:

- A thorough and critical review of the key estimates and judgements made by Management in the preparation of the financial statements.
- A thorough understanding of the internal audit environment.
- The audit should be planned and executed in such a way that emerging issues are identified early and communicated to those charged with governance in a timely manner.

After the preparation phase, the audit started with process reviews and in-process controls, and was followed in 2021 by interim financial year reviews, an examination of the Impairment Methodology, an examination of Credit Transactions and an examination of IT systems.

⁵ In line with Section 9/A(2) of the Accounting Act, the IFRS provisions were applied in all issues regulated under IFRS (international accounting standards promulgated in the Official Journal of the European Union by way of the procedure provided for in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards).



Continuing the audit process in 2022, a detailed audit of the Annual Accounts was performed as of January as part of the year-end review, followed by a detailed audit of the Consolidated Financial Statements.

After completing the year-end accounting closing, the auditor reviewed and tested the analytics, various valuations (e.g., loans, deposits, securities, derivatives), and examined the financial statements of the complete annual and consolidated annual reports, including the notes to the financial statements and other notes, and the year-end provisions and the non-financial statements that form part of the annual report..

The main aspects of the review included:

- Impairment recognised on loans
- Commission income incidence and accuracy of commission amortisation
- Management override of controls
- Identification of related parties and description of transactions with them

Based on the audit work, the auditor has issued an unqualified, clear audit report and will prepare the Compliance report for the MNB and the Management Letter for MKB management.

The cooperation with the auditor was coordinated by the Finance, Accounting and Taxation. The auditor and representatives of the Bank reconciled the auditor's findings made during the annual audit and assisted in the audit process at regular weekly meetings.

<u>In connection with the effectiveness of the risk management system</u>, the Supervisory Board identified various measures to improve the risk management system, which include the processes, procedures and systems used by the following organizational units: Integrated Risk Control, Asset-Liability Control, Central Oprisk Management, Capital Management.

Integrated Risk Control

- Developing an agile working method
- Transfer of Flex CAM module information/knowledge in the merger project
- AMR system development, transfer of information/knowledge in the merger project
- Review of the MKB Group Risk Strategy
- Development of MBH and Merger Codes, participation in MNB consultations
- Risk cost planning
- Modification of the IFRS9 transaction rating process and system using changed risk management information and methodologies as a result of the coronavirus pandemic and the payment moratorium
- Preparation of risk self-assessment
- Adaptation of Banking Level 1, Level 2 regulations to changes in the regulatory environment. Implementing process changes adopted to improve internal efficiency and perform mandatory reviews.
- Specification of development needs, active participation in development
- Preparation of ad-hoc and regular reports, compliance with deadlines for submission
- Development and regular production of reports to MBH
- Review of KPI Dashboard industry level indicators
- Review of KPI Dashboard bank-level indicators
- Management of developments needed to centralise the Default module at MBH level



- Rationalising and operation of the Mortgage Funding Adequacy Ratio compliance process
- Expected SLA compliance operation of a complex lead time backtesting system in the MKB Real Estate Database,
- Annual implementation of statistical re-valuation of residential properties, introduction of manual ad hoc corrections
- Issuing revaluation assignments for non-residential properties, preparation of reevaluations initiated by the network
- Establishment of a valuation procedure in the non-residential revaluation process according to MNB standards
- Mortgage Funding Adequacy Ratio (MFAR) support by real estate professionals
- Continuous certification of the network of experts, termination of contracts where appropriate, and examination and recruitment of new experts on an invitation basis
- Operation of SOS valuation processes
- Expert data sheet development according to business requirements
- Adaptation of specific regulations to changes in the legal environment (MNB recommendations, CSOK, etc.)
- Active participation in mortgage specialist foundation and refresher training
- Active participation in model harmonisation at Merger Bank level
- Development of an MBH-level bank rating module
- Active participation in the methodology definition, development specification, testing of new cash flows related to the moratorium
- Active participation in the moratorium closure process and post-closure troubleshooting
- Definition of modGL related to the moratorium

Asset-Liability Control

- Harmonisation of capital calculation methodology under pillar I and II in he Trading Book according to a common methodology at MBH level
- Harmonisation of the methodology for interest rate risk in the Banking Book according to the new MNB manual and the MBH unit methodology, development and implementation of a new demand modelling methodology
- Introduction of a new liquidity internal stress test and EWI indicator set along the MBH harmonisation
- Market and liquidity limit system harmonisation in line with the MBH Risk Strategy
- Regular annual validation of market and liquidity risks and updating of related regulations, implementation of policies relevant at MBH level in the MKB policies
- Developing new or modified external reports related to market and liquidity risks within the area of competence
- Integration of additional automated checkpoints to ensure consistency between Treasury front and back office systems
- Effective support to the Kondor upgrade project
- Review of the input data for a realistic valuation related to the derecognition of Libor

Central Oprisk Management



- During the second half of 2021, the Bank's operational risk management policies were reviewed to ensure compliance with the operational risk management directive of Magyar Bankholding Zrt. The regulations concerned are:
 - 1. Policy 8/2014 on operational risk management (entry into force: 15.10.2021)

Major changes:

- new types of losses were introduced direct losses, indirect losses, provision/impairment type, near miss losses (these losses were also collected by MKB before, but this type of categorisation did not exist),
- the loss data collection thresholds have changed previously set at HUF 50 thousand, the lower threshold has been changed depending on the type of loss, e.g. for near miss events and indirect losses it has been increased to HUF 1 million,
- the expected reporting deadline for operational risk events has been reduced from 15 working days to 10 working days,
- in addition to the general rules, the policy now includes the principles of operational risk management set out in the MBH Directive, as well as general information on operational risk reports and statements (content, frequency of preparation, etc.),

and,

- 2. 11/2015 business/risk operational regulations (hereinafter: BRR) on the operation of the operational risk key indicator system (entry into force: 15.10.2021)
- 3. 1/2017 BRR On operational risk scenario analysis (entry into force: 18.10.2021)
- 4. 12/2015 business/risk operational regulations (hereinafter: BRR) on the operational risk self-assessment (entry into force: 18.10.2021)
- 5. 16/2019 BRR on the collection of loss data stemming from operational risks (entry into force: 18.10.2021)
- 6. 1/2019 BRR on operational risk model and product inventory (entry into force: 20.10.2021)
- In addition to the above, the annual review of each element of the framework and the implementation of the relevant tasks have been completed.

Capital Management

- Harmonisation of capital calculation methodology according to a common methodology at MBH level
- Implementation of the CRR2 migration of the capital requirement calculation
- Monthly monitoring, development, annual validation of internal capital requirements calculation and coordination of MNB audit (SREP dialogue)
- Participation in ALCO, MIS reporting, analysis of parts of the risk report related to capital adequacy
- Monitoring the key indicators of the recovery plan
- Developments (concerning capital requirement) related to the SREP dialogue
- Annual review of the capital plan, fine-tuning of the capital limit system
- Annual review and harmonisation of the recovery plan according to a common methodology at MBH level



- Compilation and development of Pillar3 risk report
- Preparation of the capital management section of the financial report
- Compilation of the MREL Supervisory Report

In accordance with its statutory obligations, the Supervisory Board, controls **the internal audit organisation** pursuant to Section 3.3.6.1.d of the Articles of Association, which it has fulfilled as follows:

- continuously ensured that MKB Bank Plc has a comprehensive control system in place,
 which is appropriate for effective and safe operation and in line with the banking risks,
- managed and called to account the Internal Audit, within the framework of which it
 - = agreed beforehand and proposed to the Board of Directors for adoption the rules for the internal audit function (for 2021 and 2022) in accordance with Act CCXXXVII of 2013, which fully regulate the internal audit activities at MKB Bank Plc and the entities subject to consolidated supervision,
 - = approved the Internal Audit planning documents for 2022,
 - = **ensured** the right quantity and quality of human resources for Internal Audit,
 - regularly discussed the audit reports and accounts prepared by Internal Audit,
 - continuously followed up and regularly discussed the information and reports prepared by the Internal Audit on the internal audit activities and operations of the undertakings subject to consolidated supervision.
- continuously monitored the internal auditor's reporting, implementation and status
 of action plans related to the MNB's audit reports, familiarised itself with the
 information notes on external investigations,
- has learnt about the information on external audits,
- reviewed the Remuneration Policy of MKB Bank Plc. in the light of the findings of the Internal Audit and the EBA/MNB recommendations.

As in previous years, the Bank again made the auditor declare the independence of the auditor and the audit firm in 2021. The auditor declared that, in accordance with the provisions of Hungarian law, there is no conflict of interest and meets the statutory requirements of independence.

In addition to the auditing of the annual unconsolidated and consolidated financial statements for 2021, the auditor performed the following audits/assignments: Closed orders:

- Audit of the interim balance sheet of 31.08.2021
- Customer Experience Project (Audit of the compliance with the law of the Online Personal Loan process and system)
- Modelling advice (Review and comment on the Bank's covid-19 loan impairment modelling solutions for compliance with the relevant MNB circular)
- Vulnerability scan and penetration test of the systems defined by MKB Bank and involved in the MKB Bank Online Personal Loan (OSZK) application
- Process gap analysis (Financial closure process overview and gap analysis)
- Retesting of new ATMs after security patching (Infrastructure level penetration testing and configuration analysis)



The following orders are currently ongoing:

- Project Merit 2 (Schedule preparation and project coordination service)
- Project Merit 2 business plan support (Support for the preparation and updating of a unique bank business plan; Support for the preparation of a unique business plan for a Financial Holding Company; Support for the preparation of a consolidated business plan for a Financial Holding Company)
- Security testing of the MKB PCBankár application and NETBankár Business portal and underlying infrastructure (Application and infrastructure level penetration tests in a test system, with remote access, using a sampling method)
- Tax consultancy services (Continuous general tax consultancy assignment)
- IFRS readiness assessments (IFRS accounting readiness assessment under other assurance engagement for MKB-Euroleasing Autólízing Zrt., Retail Prod Zrt. and Euroleasing Kft.)
- Problem screening reviews (Problem screening reviews for offering mortgage loans)
- Implementation of TaxCube software (Automatic preparation of electronic VAT returns and management of attachments at MKB VAT group level)

Circumstances that compromise auditor independence have not been identified in either closed or on-going assignments. The management of the Bank has been informed of all the assignments listed. Independence from audit services has been continuously assured - assignments were performed by staff separate from the audit team.



1. Notes to the individual (not-consolidated) IFRS Financial Statements for 2021

On the basis of written reports received, personal discussions with members of the Board of Directors and management, as well as audits performed by the Executive Directorate for Internal Audit, the Supervisory Board determined that the 2021 individual (nonconsolidated) financial statements were prepared in accordance with the Accounting Act and related legal regulations, where, in accordance with Section 9A (2) of the Accounting Act, the IFRS requirements were applied similarly to the consolidated annual financial statements in issues regulated in IFRS (International Accounting Standards (as published in the Official Journal of the European Union based on the procedure laid down in the European Parliament and Council Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards).

Notes to the main headings in the statement of financial position

MKB's closing individual (non-consolidated) **balance sheet total** at the end of 2021 was HUF 3,320.2 billion, an increase of 18.89% compared to the closing balance sheet total of HUF 2,792.6 billion at the end of 2020.

MKB's individual (non-consolidated) **equity** at the end of 2021 was HUF 238.9 billion, an increase of 17.69% to HUF 35.9 billion compared to HUF 203.0 billion at the end of 2020, due to the decrease in profit after tax (HUF 55.9 billion) and other comprehensive income (HUF - 20.0 billion) in 2021.

The securities portfolio at the end of 2021 amounts to HUF 1,003.8 billion, a decrease of 14.50%, or HUF 170.2 billion, compared to HUF 1,174.0 billion at the end of 2020. A significant part of the decrease is related to a HUF 246.6 billion decline in the government bond portfolio, but in addition, the closing portfolio of corporate bonds, mutual funds and equities increased by HUF 76.4 billion.

The government bonds portfolio continues to represent a dominant share of the securities portfolio, accounting for a volume of HUF 828.0 billion.

The net **loan portfolio** at the end of 2021 was HUF 1,201.2 billion, an increase of 8.59% compared to HUF 1,106.2 billion at the end of 2020. The increase in 2021 is largely driven by an increase in the portfolio of corporate loans measured at amortised cost.

The aggregate stock of **customer liabilities** at the end of 2021 was HUF 2,233.7 billion, an increase of 18.97%, or HUF 356.2 billion, compared to the HUF 1,877.5 billion at the end of 2020. The growth is driven by an increase in business and retail deposits and repo transactions with customers.



Notes to the main headings in the statement of income for the period

MKB's individual (non-consolidated) **net interest income** for 2021 is HUF 49.9 billion, an increase of 92.66%, or HUF 24.0 billion, compared to HUF 25.9 billion in 2020. Interest received on loans and on securities accounted for a significant share of the HUF 82.3 billion *interest income*, and interest expense on derivatives accounted for the majority of the HUF 32.4 billion *interest expense*.

The **net commission and fee income** in 2021 was HUF 25.0 billion, an increase of 5.49%, or HUF 1.3 billion, compared to HUF 23.7 billion in 2020. The increase in the net commission and fee income in 2021 was mainly due to an increase in fee income related to payment processing and lending.

A significant share of the HUF 32.6 billion commission and fee income is represented by the commission and fee income from services related to payment processing and account management. Commission and fee expenses amounted to HUF 7.6 billion in 2021, compared to HUF 6.8 billion in the previous year.

The net other operating income/expenditure was HUF 43.8 billion in 2021, which shows a significant increase of 657.63%, or HUF 38.0 billion, compared to HUF 5.8 billion in 2020. Within the HUF 92.2 billion other operating income, net gains on derivatives are significant, while the HUF 48.4 billion other operating expenses include a significant volume of net realised losses on securities valued at fair value, net foreign exchange losses, and taxes, bank taxes and transaction fees paid.

The **operating expenses** amounted to HUF 55.5 billion in 2021, an increase of 33.41%, or HUF 13.9 billion, compared to HUF 41.6 billion in the previous year. The increase in operating expenses was mainly driven by higher wages and salaries and general administrative expenses.

The *risk costs* reduced profit after tax by HUF 3.8 billion in 2021. Impairment and provisions decreased by HUF 3.1 billion in the financial year compared to the previous year. The lower provisioning in the current period was mainly due to higher impairment and provisioning in the previous year triggered by the effects of the economic downturn caused by COVID-19.

MKB's individual (non-consolidated) accounting *profit after tax* for 2021 was HUF 55.9 billion, compared to HUF 6.2 billion in 2020. The **total comprehensive income** for 2021 was HUF 35.9 billion, an increase of HUF 26.5 billion compared to HUF 9.4 billion in 2020.

As of 31 December 2021, including the full year result, MKB Bank's individual capital adequacy ratio stood at 24.34%, which is above the 8% statutory minimum.



2. Appropriation of the profit for 2021

Numerical use of profit after tax:

HUF million

Profit before tax (1)	59,383
Tax liability (2)	3,467
Profit after tax (1-2)	55,916
Increase in retained earnings	55,916

A general reserve of HUF 5,591.6 million (10% of the profit after tax) is set aside from the profit after tax, as required by the Hpt., and is recorded separately within the retained earnings.

Deduction of available retained earnings available for dividend:

HUF million

Retained earnings at 1 January 2021 (1)	84,805
Increase in retained earnings (2)	55,916
Reserves based on legal obligations (3)	17,040
Retained earnings available for dividend (1+2-3)	123,681

The Board of Directors proposes to declare a dividend of HUF 4,300 million from the profit after tax, with the remaining part of the distributable profit for the year being transferred to the retained earnings, with the dividend advance determined by the General Meeting resolution of 15 December 2021 and paid on 14 February 2022 being equal to the amount of the dividend declared, so no further dividend will be paid.

3. Notes to the Consolidated IFRS Financial Statements for 2021

Pursuant to Section 10 (2) of the Accounting Act, an entity subject to Article 4 of Regulation (EC) No 1606/2002 on the application of international accounting standards shall comply with its obligation to draw up consolidated accounts by preparing its consolidated accounts in accordance with international accounting standards as published in the Official Journal of the European Union in the form of a Regulation.

Based on the above-mentioned regulations, MKB Bank Plc. prepares its consolidated financial statements only in accordance with International Financial Reporting Standards (IFRS).

The following companies of the MKB Group were included in the consolidation at the end of 2021:

- Euro-Immat Üzemeltetési Kft.,
- MKB-Euroleasing Autólízing Szolgáltató Zrt.,
- Retail Prod Zrt.,
- MKB Üzemeltetési Kft.,
- MKB Pannónia Alapkezelő Zrt.,
- MKB Digital Zrt.,
- MKB Bank ESOP Organisation



Notes to the main headings in the statement of financial position

The MKB Group's closing consolidated **balance sheet total** at the end of 2021 was HUF 3,314.0 billion, an increase of 19.14% compared to the closing consolidated balance sheet total of HUF 2,781.6 billion at the end of 2020.

MKB Group's **equity** at the end of 2021 was HUF 249.8 bn, an increase of 19.06%, or HUF 40.0 bn, compared to HUF 209.8 bn at the end of 2020, due to the decrease in profit after tax (HUF 60.0 bn) and other comprehensive income (HUF -20.0 bn) in 2021.

The securities portfolio at the end of 2021 amounts to HUF 1,003.8 billion, a decrease of 14.50%, or HUF 170.2 billion, compared to HUF 1,174.0 billion at the end of 2020. A significant part of the decrease is related to a HUF 246.6 billion decline in the government bond portfolio, but in addition, the closing portfolio of corporate bonds, mutual funds and equities increased by HUF 76.4 billion.

The government bonds portfolio continues to represent a dominant share of the securities portfolio, accounting for a volume of HUF 828.0 billion.

The net **loan portfolio** at the end of 2021 was HUF 1,215.3 billion, an increase of 9.1% compared to HUF 1,114.0 billion at the end of 2020. The increase in 2021 is largely driven by an increase in the portfolio of corporate loans measured at amortised cost.

The aggregate stock of **customer liabilities** at the end of 2021 was HUF 2,218.4 billion, an increase of 19.12%, or HUF 356.1 billion, compared to the HUF 1,862.3 billion at the end of 2020. The increase is due to a HUF 311.2 bn increase in business-related deposits and a HUF 42.7 bn increase in retail-related deposits, as well as a HUF 2.2 bn increase in repurchase agreements with customers. A significant share of the liabilities to customers is represented by deposits related to corporates, amounting to HUF 1 771.6 bn.

Notes to the main headings in the statement of income for the period

The MKB Group's **net interest income** for 2021 is HUF 54.0 bn, an increase of 82.43%, or HUF 24.4 bn, compared to HUF 29.6 bn in 2020. Interest received on loans and on securities amounted to HUF 39.0 billion and HUF 21.9 billion respectively within the HUF 86.0 billion *interest income*, and interest expense on derivatives amounted to HUF 18.9 billion within the HUF 32.0 billion *interest expense*.

The **net commission and fee income i**n 2021 was HUF 24.8 billion, an increase of 5.1%, or HUF 1.2 billion, compared to HUF 23.6 billion in 2020. The increase in the net commission and fee income in 2021 was mainly due to an increase in fee income related to payment processing and lending.

A significant share of the HUF 32.6 billion commission and fee income is represented by the HUF 19.4 billion commission and fee income from services related to payment processing and account management. Commission and fee expenses totalled HUF 7,8 million in 2021, compared to HUF 6,8 million in the previous year.



The net other operating income/expenditure was HUF 44.2 billion in 2021, which shows a significant increase of 662.07%, or HUF 38.4 billion, compared to HUF 5.8 billion in 2020. Within the HUF 92.1 billion other operating income, net gains on derivatives are significant at HUF 89.4 billion, while the HUF 47.9 billion other operating expenses include

- a significant volume of net realised losses on securities valued at fair value at HUF 16.7 billion,
- net foreign exchange losses at HUF 10.3 billion and
- taxes, bank taxes and transaction fees paid amounting to HUF 17.6 billion.

The **operating expenses** amounted to HUF 59.6 billion in 2021, an increase of 33.41%, or HUF 14.6 billion, compared to HUF 45.0 billion in the previous year. The increase in operating expenses was mainly driven by higher wages and salaries and general administrative expenses.

The *risk costs* reduced profit after tax by HUF 4.1 billion in 2021. Impairment and provisions decreased by HUF 3.9 billion in the financial year compared to the previous year. The lower provisioning in the current period was mainly due to higher impairment and provisioning in the previous year triggered by the effects of the economic downturn caused by COVID-19.

MKB Group's **after-tax accounting profit** for 2021 was HUF 60.0 bn, compared to HUF 8.4 bn in 2020. The **total comprehensive income** for 2021 was HUF 40.0 billion, an increase of HUF 28.4 billion compared to HUF 11.6 billion in 2020.

The Group's capital position is stable. At the end of 2021, the consolidated capital adequacy ratio was 22.02%, which is significantly higher than the required minimum ratio plus mandatory buffers.

The principal figures in the Individual (Non-consolidated) and Consolidated Annual Financial Statements as at 31 December 2021 presented by the Board of Directors are as follows:

HUF million

Definition	individual (non-consolidated)	consolidated	difference (consolidated- individual)
Balance sheet total	3,320,182	3,314,019	-6,163
Profit before tax	59,383	63,452	4,069
Profit/loss after taxation	55,916	59,983	4,067



Agenda item No. 1.6

AUDITOR'S REPORT ON THE AUDIT OF THE 2021 SEPARATE (UNCONSOLIDATED) FINANCIAL STATEMENTS PREPARED UNDER IFRS



Deloitte.

Deloitte Auditing and Consulting Ltd. H-1058 Budapest. Dóssa György út 84/C, Hungary H-1438 Budapest. P.O.Box 471, Hungary

Phone: +36 (1) 428-6800 Fax: +36 (1) 428-6801 www.deloitte.hu

Registered by the Capital Court of Registration Company Registration Number: 01-09-071057

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MKB Bank Nyrt.

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements in MKB_EVES_BESZAMOLO_EN_2021.xhtml¹ digital file of MKB Bank Nyrt. (the "Company") for the year 2021 which comprise the statement of financial position as at December 31, 2021 – which shows a total assets of 3,320,182 mHUF –, and the related statement of recognized income, statement of other comprehensive income – which shows net profit for the year of mHUF 55,916 –, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU IFRS"), and the financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (the "Accounting Act") relevant to the entities preparing financial statements in accordance with EU IFRS.

Basis for Opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the "The Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the Company in compliance with the relevant effective Hungarian regulations and the "Rules of conduct (ethical rules) of the auditor profession and the disciplinary process" of the Chamber of Hungarian Auditors and, in respect of matters not regulated therein, the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

digital identification of the financial statements filed MKB_EVES_BESZAMOLO_EN_2021.xhtml with the SHA 256 HASH algorithm



Key audit matter

How our audit addressed the matter

Impairment of the loan receivables

(See Section 11. of the Notes to the Financial Statements for the details)

The net value of loans to customers in an amount of HUF 1,201,209 million comprise 36.17% of the total assets (gross book value of HUF 1,189,759 million of loans measured at amortized cost), and the relevant impairment balance at the end of the current year was HUF 41,845 million.

The determination of impairment of loans requires application of professional judgement and use of subjective assumptions by management. The most significant assumptions applied in the provisioning calculation are the followings:

- actual model parameters;
- valuation of collaterals;
- estimates of future cash-flows expected to be realized.

The COVID-19 pandemic has resulted in an increase in the uncertainty of assumptions underlying the economic outlook. This combined with varying government responses, has raised the complexity of assessing and monitoring customers' financial health, necessitating an elevated level of judgement required by the Bank in calculating the impairment of loans.

Based on the significance of the above described circumstances the calculation of impairment of loans was identified as a key audit matter. The relevant audit procedures performed by us included the following:

- evaluating the design and implementation of internal controls relating to monitoring of loans and calculating and recording of impairment;
- evaluating specific loan impairments by selecting a random sample based on risk profiles, and for the individually impaired loans the review of consideration and valuation of collaterals and estimates of expected future cash-flows;
- evaluating the appropriateness of collective provisioning models, and review of the assumptions, management estimates and parameters applied, including comparison with historical data, and recalculation of the impairment charge with the involvement of experts;
- reviewing subsequent events (sold receivables), and analysing of the possible effect on the year audited;
- evaluating the impairment triggers related to the non-impaired portfolio; and
- assessing the requirement for additional impairment to the model based impairment, particularly in light of the extraordinary volatility in economic scenarios caused by the current COVID-19 pandemic and government responses.

Other matters

The Company's management is responsible for the presentation of the annual financial reports in accordance with the requirements of Article 3 of Commission Regulation (EU) 2019/815 of 17 December 2018 (the "ESEF Regulation"). The scope of our audit was limited to the human-readable content of the digital file containing the consolidated financial statements, which is electronically identified in our report, and does not include an examination and, accordingly, we do not express an opinion on whether the digitised information complies in all material respects with the requirements of the ESEF Regulation.

Other Information: The Business Report and the Corporate Governance Report

Other information comprises the information included in the annual report and the business report of the Company for 2021, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information and for the preparation of the business report in



accordance with the relevant provisions of the Accounting Act and other regulations. Our opirion on the financial statements provided in the section of our independent auditor's report entitled "Opinior" does not apply to the other information.

Our responsibility in connection with our audit of the financial statements is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, in accordance with the Accounting Act, our responsibilities regarding the business report also include reviewing the business report to assess whether the business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any, including the assessment whether the business report complies with the requirements of Section 95/B. (2) e) and f) of the Accounting Act, and to express an opinion on the above and on whether the business report is consistent with the financial statements. Furthermore, in accordance with the Accounting Act we shall make a statement whether the information referred to in Section 95/B. (2) a)-d), g) and h) has been provided in the business report.

In our opinion, the business report of the Company for 2020 corresponds to the financial statements of the Company for 2021 and the relevant provisions of the Accounting Act in all material respects. The information referred to in Section 95/B. (2) a)-d), g) and h) of the Accounting Act has been provided.

As the Company is not subject to additional content requirements under any other regulation in connection with the business report, we have not formulated an opinion on this matter.

In addition to the above, based on the information obtained about the Company and its environment, we must report on whether we became aware of any material misstatements in the other information and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

The Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives during the audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue, on the basis of the above, an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to
 fraud or error, design and perform audit procedures responsive to those risks, and obtain audit
 evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not
 detecting a material misstatement resulting from fraud is higher than for one resulting from error,
 as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override
 of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures
 that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the
 effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting
 and, based on the audit evidence obtained, whether a material uncertainty exists related to events
 or conditions that may cast significant doubt on the Company's ability to continue as a going
 concern. If we conclude that a material uncertainty exists, we are required to draw attention in the
 auditor's report to the related disclosures in the financial statements or, if such disclosures are
 inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to
 the date of our auditor's report. However, future events or conditions may cause the Company to
 cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the
 disclosures, and whether the financial statements represent the underlying transactions and events
 in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the Company's internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:



Appointment of the Auditor and the Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 29 April 2021 and our uninterrupted engagement has lasted for 10 years.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 30 March 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the business report.

The engagement partners on the audit resulting in this independent auditor's report are the signatories of the report.

Budapest, March 28, 2022

Jázan Bálint

Disoitte Auditing and Consulting Ltd. 1068 Budapest, Dózsa György út 84/C.

Registration number: 000083

Mádi-Szabó Zoltán

Statutory registered auditor Registration number: 003247



Agenda item No. 1.7

AUDITOR'S REPORT ON THE AUDIT OF THE 2021 CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER IFRS



Deloitte.

Deloitte Auditing and Consulting Ltd. H-1068 Budapest, Dórsa György út 84/C, Hungary H-1438 Budapest, P.O.Box 471, Hungary

Phone: +36 (1) 428-6800 Fax: +36 (1) 428-6801 www.deloitte.hu

Registered by the Capital Court of Registration Company Registration Number: 01-09-071057

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MKB Bank Nyrt.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements in MKB_EVES_BESZAMOLO_EN_2021.xhtml¹ digital file of MKB Bank Nyrt. and its subsidiaries (the "Group") for the year 2021 which comprise the consolidated statement of financial position as at December 31, 2021 – which shows total assets of mHUF 3,314,019—, and the related consolidated statement of recognized income, consolidated statement of other comprehensive income – which shows net profit for the year of mHUF 59,983—, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU IFRS"), and the consolidated financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (the "Accounting Act") relevant to the entities preparing consolidated financial statements in accordance with EU IFRS.

Basis for Opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the "The Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

We are independent of the Group in compliance with the relevant effective Hungarian regulations and the "Rules of conduct (ethical rules) of the auditor profession and the disciplinary process" of the Chamber of Hungarian Auditors and, in respect of matters not regulated therein, the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

¹ digital identification of the financial statements filed MKB_EVES_BESZAMOLO_EN_2021.xhtml with the SHA 256 HASH algorithm



Key audit matter

How our audit addressed the matter

Impairment of the loan receivables

(See Sections 11. of the Notes to the Financial Statements for the details)

The net value of loans to customers in an amount of HUF 1,215,347 million comprise 36.6% of the total assets (gross book value of HUF 1,210,353 million of loans measured at amortized cost), and the relevant impairment balance at the end of the current year was HUF 48,301 million.

The determination of impairment of loans requires application of professional judgement and use of subjective assumptions by management. The most significant assumptions applied in the provisioning calculation are the following:

- actual model parameters;
- valuation of collaterals;
- estimates of future cash-flows expected to be realized.

The COVID-19 pandemic has resulted in an increase in the uncertainty of assumptions underlying the economic outlook. This combined with varying government responses, has raised the complexity of assessing and monitoring customers' financial health, necessitating an elevated level of judgement required by the Bank in calculating the impairment of loans.

Based on the significance of the above described circumstances the calculation of impairment of loans was identified as a key audit matter. The relevant audit procedures performed by us included the following:

- evaluating the design and implementation of internal controls relating to monitoring of loans and calculating and recording of impairment;
- evaluating specific loan impairments by selecting a random sample based on risk profiles, and for the individually impaired loans the review of consideration and valuation of collaterals and estimates of expected future cash-flows;
- evaluating the appropriateness of collective provisioning models, and review of the assumptions, management estimates and parameters applied, including comparison with historical data, and recalculation of the impairment charge with the involvement of experts;
- reviewing subsequent events (sold receivables), and analyzing of the possible effect on the year audited;
- evaluating the impairment triggers related to the non-impaired portfolio; and
- assessing the requirement for additional impairment to the model based impairment, particularly in light of the extraordinary volatility in economic scenarios caused by the current COVID-19 pandemic and government responses.

Other matters

The Company's management is responsible for the presentation of the annual financial reports in accordance with the requirements of Article 3 and 4 of Commission Regulation (EU) 2019/815 of 17 December 2018 (the "ESEF Regulation"). The scope of our audit was limited to the human-readable content of the digital file containing the consolidated financial statements, which is electronically identified in our report, and does not include an examination and, accordingly, we do not express an opinion on whether the digitised information complies in all material respects with the requirements of the ESEF Regulation.



Other Information: The Consolidated Business Report and the Corporate Governance Report

Other information comprises the information included in the annual report and the consolidated business report of the Group for 2021, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information and for the preparation of the consolidated business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the consolidated financial statements provided in the section of our independent auditor's report entitled "Opinion" does not apply to the other information.

Our responsibility in connection with our audit of the consolidated financial statements is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, in accordance with the Accounting Act, our responsibilities regarding the consolidated business report also include reviewing the consolidated business report to assess whether the consolidated business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any, including the assessment whether the consolidated business report complies with the requirements of Section 95/B. (2) e) and f) of the Accounting Act, and to express an opinion on the above and on whether the consolidated business report is consistent with the consolidated financial statements. Furthermore, in accordance with the Accounting Act we shall make a statement whether the information referred to in Section 95/B. (2) a)-d), g) and h) has been provided in the consolidated business report.

In our opinion, the consolidated business report of the Group for 2021 corresponds to the consolidated financial statements of the Group for 2021 and the relevant provisions of the Accounting Act in all material respects. The information referred to in Section 95/B. (2) a)-d), g) and h) of the Accounting Act has been provided.

As the Group is not subject to additional content requirements under any other regulation in connection with the consolidated business report, we have not formulated an opinion on this matter.

In addition to the above, based on the information obtained about the Group and its environment, we must report on whether we became aware of any material misstatements in the other information and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

The auditor's responsibilities for the audit of the consolidated financial statements

Our objectives during the audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue, on the basis of the above, an auditor's report that includes our opinion. Reasonable assurance is a high level



of assurance, but is not a guarantee that an audit conducted in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
 We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the Group's internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are



therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditors of the MKB Bank Nyrt, by the General Meeting of Shareholders on 29 April 2021 and our uninterrupted engagement has lasted for 10 years.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the MKB Bank Nyrt., which we issued on 28 March 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Group. In addition, there are no other non-audit services which were provided by us to the MKB Bank Nyrt, and its controlled undertakings and which have not been disclosed in the consolidated business report.

The engagement partners on the audit resulting in this independent auditor's report are the signatories of the report.

Budapest, March 28, 2022

Deloitte Auditing and Consulting Ltd. 1068 Budapest, Dózsa György út 84/C.

Registration number: 000083

Mádi-Szabó Zoltán

Statutory registered auditor Registration number: 003247



Agenda item No. 1.8

DECISIONS ON PERFORMANCE RELATED REMUNERATION FOR THE CURRENT YEAR OF 2021



Reasoning:

CORPORATE ASSESSMENT TARGET INDEX EVALUATION

The Corporate Assessment Index is an economic indicator used to measure the Bank's economic performance or risk management based on a scoring system.

The performance-related performance assessment is based on the target value (expressed in points) of the Corporate Assessment Index for the Current Year. Performance Remuneration is not payable if the index does not reach the target level.

The target value of the Corporate Assessment Index for the Current Year is based on the current annual Business Plan approved by MKB Bank's Board of Directors. The target value of the Corporate Assessment Index for the Current Year is decided by the CEO of MKB Bank Plc.

Based on a proposal of the bank's experts in the Remuneration Working Group established based on the Remuneration Policy specified in the Credit Institutions Act, the CEO of MKB Bank Plc. may adjust the target value of the Group Corporate Assessment Index for the Current Year following any regulatory change and/or change in any market condition that has a significant impact on the consolidated profit of the MKB Bank Group and the achievement of the target or the underlying Business Plan.

The CEO of MKB Bank Plc. decides on the realization of the target of the Corporate Assessment Index for the Current Year. The decision is confirmed by the Board of Directors of MKB Bank at a meeting prior to the Annual General Meeting of the following year and by the Annual General Meeting of the following year.

The performance-related performance assessment is based on the target value (expressed in points) of the Corporate Assessment Index for the Current Year. The target value for the Corporate Valuation Index is 100 points.

The remuneration policy defines the process and objectives of the calculation of the Corporate Assessment Index.

During the reporting year, the company continuously monitors the development of the Bank Group Corporate Assessment Index, and when if it discovers that the current value of the Corporate Assessment Index differs significantly from the target value, it may initiate an exante risk assessment by notifying the working group.

The payment of Performance Remuneration depends on the following three factors:

- Completion of the gross profit plan
- Completion of the operating cost plan
- Completion of the risk cost plan

Pre-defined scores are determined based on the percentage of completion of each category.



Gross profit (actual/budget)	Score
0-79%	0
80-84%	5
85-89%	15
90-94%	25
95-99%	30
100%	35

Operating expenses (actual/budget)	Score
100%	
101-110%	
111-120%	
121-130%	
131-140%	
141%-	

Risk cost (actual/budget)	Score
100%	30
101-110%	25
111-120%	20
121-130%	15
131-140%	5
141%-	0

In the case of over-performance of each plan, 10 points are added to the overall score for each 10% plan over-performance for gross profit, and 5-5 points are added to the overall score for each 10% plan over-performance for operating cost and risk cost.

The company continuously monitors the development of the Bank Group-level Corporate Assessment Index during the Current year, and if it discovers that the current value of the Corporate Assessment Index deviates significantly from the target value, the CEO of MKB Bank Zrt may adjust the target value of the Business Assessment Index for a given Reference Year based on a change in legislation and/or market conditions after its determination, which has a material impact on the consolidated results of MKB Bank Group or the achievement of the target value or the underlying Business Plan.

The Board of Directors of Magyar Bankholding Zrt's approved the updated 2021 bottom-up plan on 30.08.2021. The plan is based on the experience of the first quarter, incorporating the actual figures of the first quarter.

For costs, the plan includes a BAU and merger separation. The index only takes into account BAU costs, as merger costs are the responsibility of the bank holding company. The MKB management has no material influence on the merger costs.

On the basis of the above, the company has calculated the individual components of the Business Valuation Index for the year 2021:

MKB Group (HUF million)	2021 Target value	2021 Actual	Score	
Completion of the gross profit plan	93,522	130,951	75	
Completion of the operating cost plan	-46,462	-47,657	30	
Completion of the risk cost plan	-16,716	-4,280	65	
total:	30,344	79,014	170	

Based on the achievement of the three components, the Index is 170.

Based on the above, the Chairman and CEO noted that the corporate assessment target index for the 2021 business year has been achieved in the plan numbers that serve as the basis for the payment of the 2020 performance remunerations. The decision of the Chairman



and CEO was confirmed by the Remuneration Committee, the Board of Directors and the Supervisory Board.

Proposal to the General Meeting

It is a proposed to the General Meeting to confirm the relevant decision of the Chairman and CEO stating that the corporate assessment target index has been achieved for the 20210 business year.

DECISION ON THE REMUNERATION OF THE CEO

In the performance evaluation process, the objectives are formed like a 'water cascade'. The total banking targets are broken down into each area's own targets, and then the employees' targets are determined based on them. Each set target must contribute to the achievement of the given higher-level target in order for the overall banking targets to be met.

Overall banking targets in 2021:

Finance

The Board of Directors and the Supervisory Board of Magyar Bankholding Zrt. adopted the Group's strategy for the next five years, until 2025, at their meeting on 18 March 2021. A clear vision has been set out for what the Group intends to achieve in the period ahead.

The CEO's objectives for 2021 have been set along the main strategic objectives as follows:

Indicator definition	Budget	Actual	Performance
Return On Risk-adjusted Capital (RORAC) for MKB Group	-2.30%	25.88%	1,224.80%
Return On Risk-adjusted Capital (RORAC) for MBH Group	0.64%	8.63%	1,347.06%
Profit after Tax for MKB Group	HUF 12.3 billion	HUF 59.98 billion	487.83%

Bankholding company merger

The due/scheduled tasks and milestones set out in Magyar Bankholding's strategic plan have been fully implemented also for MKB.

MKB became part of the Magyar Bankholding Group in December 2020. In March 2021, MBH's 5-year strategy was adopted. The harmonisation of banks' operations, corporate governance and business activities has started. The most important step in the implementation of the



unified governance model was the completion of Magyar Bankholding's management in November 2021, which was given direct responsibility for the management of the member banks, thus the Group's operation, committee structure and management became unified, thus simpler and more efficient. The merger process of Magyar Bankholding's banks entered a more intensive phase in the fourth quarter: the Magyar Bankholding Board of Directors approved the Strategic Plan for 2022-26, setting out the strategic objectives of the merger and confirming its timetable. The merger plans were approved by the owners in mid-December.

The General Meeting shall decide whether the chairman and CEO is entitled to performance remuneration for the 2021 financial year. The Remuneration Committee prepares the General Meeting's decision on their performance remuneration.

The Remuneration Committee examined the 2021 targets set for dr. Zsolt Barna and concluded that they were met and recommends that the General Meeting establish the eligibility of chairman and CEO for performance remuneration. The decision of the Remuneration Committee was confirmed by the Board of Directors and the Supervisory Board. Dr. Zsolt Barna did not participate in the decision due to personal interest.

Proposal to the General Meeting

It is proposed to the General Meeting to decide, on the basis of the assessment by the Remuneration Committee, that chairman and CEO is entitled to performance remunerations for the year 2021.

It is further proposed that the General Meeting request the Supervisory Board, with respect to persons subject to the Remuneration Policy under the Credit Institutions Act, to decide, based on the provisions of MKB Bank Plc's Remuneration Policy under the Hpt., on the amount of the performance remuneration to be paid to chairman and CEO dr. Zsolt Barna for the year 2021.

The General Meeting should call on the Supervisory Board to set targets for the year 2022 for the chairman and CEO, along with the company's 2022 business policy and overall banking objectives.



Proposed General Meeting resolutions:

1.

The General Meeting approves the Board of Directors' report on the 2021 business activities and, accepts - being aware of the reports of the Supervisory Board and the Auditor - the individual (non-consolidated) and consolidated financial statements for 2021 prepared in accordance with the International Financial Reporting Standards as adopted by the EU as well as the proposal concerning the use of profit and the payment of dividends.

The General Meeting establishes the individual (non-consolidated) balance sheet of MKB Bank Plc. according to International Accounting Standards 2021 with the following main figures:

BALANCE SHEET TOTAL: HUF 3,320,182 million PROFIT (LOSS) BEFORE TAXATION: HUF 59,383 million

The General Meeting establishes the consolidated balance sheet of MKB Bank Group according to International Accounting Standards 2021 with the following main figures:

BALANCE SHEET TOTAL: HUF 3,314,019 million PROFIT (LOSS) BEFORE TAXATION: HUF 63,452 million

The General Meeting decides to declare a dividend of HUF 4,300 million from the profit after tax, with the remaining part of the distributable profit for the current year being transferred to the profit reserve.

The General Meeting notes that the amount of the dividend advance determined by General Meeting resolution 11/2021 (15 December) and paid on 14 February 2022 is equal to the amount of the dividend determined by this resolution, and therefore no further dividend will be paid on the basis of this resolution.



2.

The General Meeting confirms the relevant decision of the chairman and CEO, stating that the corporate assessment target index has been achieved for the 2021 financial year.

The General Meeting confirms and approves that, in connection with the approval of the annual reports for the year 2021, chairman and CEO, dr. Zsolt Barna is entitled to performance remunerations for the 2021 financial year.

The General Meeting requests the Supervisory Board of MKB Bank Plc, with respect to persons subject to the Remuneration Policy under the Credit Institutions Act, to decide, based on the provisions of MKB Bank Plc's Remuneration Policy under the Hpt., on the amount of the performance remuneration to be paid to chairman and CEO dr. Zsolt Barna for the year 2021.

The General Meeting calls on the Supervisory Board to set targets for the year 2022 for the chairman and CEO, along with the company's 2022 overall banking objectives.



Agenda item No. 2

FINANCIAL STATEMENTS OF BUDAPEST BANK ZRT. (AS LEGAL PREDECESSOR) FOR THE FINANCIAL YEAR 2021, PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED BY THE EU: SEPARATE (UNCONSOLIDATED) AND CONSOLIDATED FINANCIAL STATEMENTS AND THE APPROPRIATION OF THE PROFIT, DIVIDEND PAYMENT



Agenda item No. 2.1

REPORT OF THE BOARD OF DIRECTORS ON THE BUSINESS ACTIVITIES FOR 2021



Business Report - Budapest Bank (consolidated)

Business model

The Bank provides comprehensive financial services for its retail and corporate customers. A description of the products – account products, bank cards, savings, loans, insurance – and services can be found on the Bank's website at www.budapestbank.hu.

Budapest Bank plays an important role in the effective realisation of the government's economic policy goals, such as SME lending or the channelling to Hungarian families of the housing grants.

<u>Plans</u>

Magyar Bankholding Zrt – Hungary's second largest bank group – was formed on 15 December 2020 with the participation of Budapest Bank, MKB Bank, and Takarékbank. This day marked the beginning of a new common process of strategy formulation, shared management, and shared control, and also marked the beginning of the largest strategic project in banking in the history of Hungary to date. The five-year strategy of Magyar Bankholding Zrt was announced in March 2021.

The creation of a standard organisational management structure both in Magyar Bankholding and in the member banks began on 16 November 2021. The Bankholding's deputy chief executives and managing directors oversee the management of operations and exercise the employer's rights in the member banks, including Budapest Bank.

- The Bank's business and risk plan covers the period between 2021 and 2026. This plan formulates a common MBH strategy based on the tenet of separate operations.
- The plan is based on the IFRS financial reporting standards (in harmony with the fact that from 1 January 2018, bookkeeping changed over to the IFRS 9 financial reporting standards in accordance with the relevant statutory regulations).
- According to plans, operations will merge from 2022. On 1 April 2022, Budapest Bank Zrt will merge with MKB Nyrt.

Business priorities:

Within the framework of Magyar Bankholding Zrt, to contribute to creating the most effective, most innovative and most customer-centred bank:

- Unchanged, universal banking strategy
- A branch network offering nationwide coverage
- Stable liquidity



- Corporate loans (gross): a dynamic growth rate during the period covered by the strategic plan in harmony with the growth of the market
- Retail loans (gross): a dynamic growth rate during the period covered by the strategic plan in harmony with the growth of the market

As part of MBH, Budapest Bank's strategy identifies the following focal points:

- Profitable growth
- Customer experience
- · Digital breakthrough
- Stabile operations
- Owner synergies

IN THE SHORT TERM:

- Close cooperation with the Holding and member banks, active involvement in the Fusion Programme
- Quality and timely delivery of the project portfolio serving digital development
- Parallel profitable operation of traditional (branch network, third-party sales channels, mobile application, Internet banking) and non-traditional (online loan process and account opening, fintech partner relations, human chat, social media) channels, development of standard measuring. Enhancement of digital presence and sales volume
- Increasing ROE and after-tax profit, improved cost efficiency
- · Ensuring stable capital and liquidity

The following main activities support the attainment of the strategic goals and dynamic growth:

- Organisational reform in harmony with strategy (branch, Money + network)
- Marketing campaigns, increasing online channels ratio
- Continued risk management process optimisation
- Receivables sales strategy

And intensive innovation:



- Exploitation of new card system opportunities
 The aim is to introduce new, innovative card packages, loyalty programmes, online account opening.
- Implementation of complete online loan process
 As a first step, development of online sales finance followed by personal loans
- Introduction of a digital ecosystem
 To be developed as part of the digital strategy for the micro-customers, offering a major customer potential.
- Modernisation of support systems

Results of 2021 business year

Budapest Bank Group continued its self financing business model in 2021. At the end of 2021, the deposit portfolio accounted for 63% of the Bank Group's total funding, while refinancing funding (including deposits from banks) accounted for 28%. Total assets increased 15%, deposits increased by 15%, and refinancing funding by 14%.

Customer deposits account for 93% of total deposits. Other deposits are comprised of the Fund management deposit portfolios, the Investment services settlement accounts and NFA deposits (NFA: National Land Fund Management Organisation, which provides deposits temporarily for the Bank). Finance lease liabilities (amount of capitalised real estate rental fees) capitalised under the IFRS 16 standard are also classified as other deposits. Within corporate deposits the percentage of sight deposits slightly increased (from 85% to 83%).

Also the composition of refinancing funding has changed. The NBH's long-term loan appeared in 2020 as a new item, within refinancing sources, it decreased from 38% to 37%.

The weight of the Growth Credit Programme ("NHP") the weight of funding source and the weight of mortage financing also decreased by 1,5 and 2 percentage points. At the same time, the share of interbank and other funding sources increased from 7% to 22%.

In 2021, the Bank Group's retail credit portfolio increased dynamically: based on the gross credit portfolio, there was a 15% year-on-year increase. Within this growth, the mortgage loans increased by 19%, the baby expecting loan increased by 34%, unsecured loans by 11%, the auto finance portfolio was 2% higher than the December 2020 closing portfolio. At the same time, the Bank continued loan sales and portfolio cleaning activities, which achieved significant results in 2021.

In 2021, due the family protection measures and the reduction of the epidemic crisis the number of property sales increased significantly and reached a 10-year record level in the Real Estate Market. This spread on the mortgage loan market as well. In addition to the 20-year fixed-rate real estate loan, which was introduced in November 2020, Budapest Bank also introduced an interest-subsidized home renewal loan for home renovation on 1 March 2021. With the competitive pricing strategy of the Bank Group, the bank held its market share in the growing housing loan market, and the cumulated market share of 2021 was 5.8% (6.10% with



free mortgage loans). The combined loan disbursement of 2021 was 56% higher than in the previous year.

The so called "New-Baby" loan was not in a sales focus in the first half of 2021. However, in the second half of the year, the monthly sales volume increased by 28% compared to the monthly average of the first half of the year. The cumulative market share of 2021 was 2.13%.

An important part of the retail strategy is the long-term third-party cooperation, such as our contract with Tesco Global Store Zrt. and with Media Markt Kft. The new volume of personal loan increased by 13% compared to the previous year. This product was strongly affected by the epidemic crisis. On 25 January 2021, the Bank started the sale of qualified consumer-friendly personal credit on the market, and since middle of April, for premium loans and qualified consumer-friendly personal loans, there was a possibility to apply online. Market recovery launched spectacularly in the month of May-June, paralelly the Bank's new loan disbursement was also revitalized, but not to the extent to the market, so market share decreased during the summer. The cumulative market share of 2021 was 5%.

The new volume of car loans grew by 2% compared to the previous year. For the car market, the environment is extremely turbulent due to pandemic issues, partly due to the serious problems of CO2 regulations and the electromobility transition, so we can experience great fluctuations. Our market position in 2021 in Q1 brought the peak level in 2020 with a serious strength in the car market. As part of the Bankholding, from November 2021, new corporate car loans were alreadyoffered by MKB Euroleasing.

In 2016, a new strategic initiative was launched to ensure that the Budapest Bank Group is involved in the state land sales program coordinated by the National Earth Fund Management Organization (NFA). The Bank Group provides two market-based banking services: it receives the collateral from the farmers wishing to bid as a custodian and later receives and disburses the land loan application provided by the MFB as an intermediary for the winners. The Contracting section of the MFB-NHP land purchase loan program was successfully closed by the Bank Group in March 2017. In 2021, the Bank Group realized HUF 184 million commission income related to the NFA program.

For the Budapest Bank's corporate business, the trust of the SME sector remain unbroken, the Bank acquired more than 4500 companies as customers. Only last year, there was another 400 company manager selected the Bank as their financial partner, which remains the second largest in the market.

Among the economic recovery programs, the company's hit product of the last period was the NHP go! After its July termination, we introduced the Széchenyi Card Go! product family. In the second half of the year, the products of the Széchenyi Card Program offered 65 billion forints for companies, which is also a particularly great achievement because its maximum loan amount is merely one-twentieth of the growth loan.

We disbursed more than 9 billion forints interest-free restart quick loan at the MFB points for domestic SMEs, with which we achieved a 10% market share.

In the various programs of Eximbank, the Bank and Budapest Leasing provided a total of HUF 68 billion export incentives to applicants. Thanks to the outstanding achievements for many years, the Bank's leasing company deserved the EXIM year's leasing company recognition, which is a unique series in the history of the award.



Budapest Leasing achieved HUF 130 billion leasing portfolio level, significantly exceeding its lending and revenue plans contributing to the group-level plans with HUF 1 billion after tax profit. As a result, we could increase the corporate loan by 13% and the leasing portfolio by 1% compared to the previous year.

The Bank Group continues to make emphasis on technological innovations.

Following the launch of the Budapest Financial Assistant in 2020, in December 2021 the BUPA blog was launched, which provided relevant content and its own Facebook site to small entrepreneurs. In the "Bank of the year" competition of Mastercard, the BUPA (Budapest Financial Assistant) online platform was placed first in the category of Corporate Product and Services Innovation. The Budapest Bank acquired the third place in the year's card design category as well.

The Bank continues focuses on the quality of the customer experience related to the services provided, this way positively differentiating itself in the market.

The cash transfer policy of the European Union (PSD2) created the opportunity to introduce a number of innovative digital services simpler and safer. Based on these, it is possible to replace strict customer identification by an intelligent, innovative system which frequently monitors repetitive Internet bank card purchases. In this way, trustworthy traders already identified, will no more be required for repeated strict customer authentication. All this makes the online credit card payment process more comfortable.

At the end of last year, Budapest Bank Group's network consisted of 92 branches. The branches located in the territory of Budapest qualify as establishments, while the branches operating outside of Budapest qualify as branch offices.

In accordance with the statutory regulations, a Works Council is operational at the Bank Group. Employment policy decisions are always made in agreement with the Works Council.

Asset quality and portfolio

In 2021 the Bank Group's total assets increased significantly, from HUF 2,198 billion to HUF 2,537 billion. Cash, low risk government securities and loans to banks amounted to HUF 1292 billion on 31 December 2021, representing 50% of the total assets.

The net portfolio of loans provided for customers (lending) increased significantly and amounted to HUF 1 210 billion by the end of 2021. During 2021 the Bank Group continued to place the main business emphasis on the portfolio of small and medium-sized enterprises. Similarly to prior year, the Bank achieved second place among large banks in the number of newly opened SME accounts, by taking advantage of the cross selling opportunities offered by MFB points. The Bank's corporate credit portfolio placed with small and medium sized enterprises, calculated without impairment and including leases, amounted to HUF 701 billion which demonstrates the key role of this segment in the Bank's strategy.

Also the Bank's retail credit portfolio reached HUF 561 billion, excluding impairment.



During 2021, the amount of loan impairments increased slightly, from HUF 52 billion to HUF 54 billion mostly due to the loan moratory. On the whole, it represented a 4,2% allowance / gross receivables coverage ratio at the end of 2021.

The Bank made all the required impairment allowances and provisions.

Asset-liability structure and liquidity

The Bank's foreign currency based assets and liabilities decreased significantly in 2015 due to the mandatory statutory forint conversion of mortgage and automobile loans.

16% of the total assets are denominated in foreign currency (15% in 2020); the majority of foreign currency assets are denominated in EUR, USD and CHF.

17% of the total liabilities (16% in 2019) are denominated in foreign exchange; the majority of foreign liabilities, too, are denominated in EUR, USD and CHF.

Due to the Bank's risk averse business policy, foreign exchange fluctuations can affect the Bank only to a moderate degree in the absence of material open foreign exchange positions. The Bank did not have material open foreign exchange positions at the end of the year.

The Bank continues to have an outstandingly highly liquid asset portfolio, and as a result, it is in a long term interbank lending position on the Hungarian money market. Cash and equivalents, loans to banks and securities account for more than 51% of the total assets. Its total assets maturing within a year amounted to HUF 1110 billion; by contrast, liabilities maturing within a year amounted to HUF 1164 billion which represents a HUF 54 billion positive net asset surplus position in this segment.

By using a risk avoiding pricing and portfolio management, the Bank managed interest rate risks, arising from the different repricing of assets and liabilities, at a predefined level. The Bank continuously monitors interest rate risks on a transactional level for the entire balance sheet and assesses them with stress tests. Since 2016, in order to reduce the interest rate risks of the increasing portfolio of fixed interest assets (both securities and individual loans), the Bank has concluded interest rate swap transactions.

Overall, Budapest Bank maintained a strong liquidity, cash flow and interest rate management practice throughout the year.

Capital position

In 2020 there was a change of owners at Budapest Bank. Corvinus Nemzetközi Befektetési Zrt proceeding on behalf of the State, contributed its 100% ownership of the Bank together with MKB Bank Nyrt. and MTB Zrt. into a joint holding company called Magyar Bankholding Zrt. The change of owners did not affect the Bank Group's stable capital position; its issued capital amounted to HUF 19,396 million. At the end of 2021, the Bank Group's equity amounted to HUF 177,438 million.

The Bank has created a general reserve of HUF 7,960 million from its profits as required by the Hungarian legistlation in recent years. In 2020 and 2021 the Bank did not pay dividends to its owner which helped the Bank's strong capital position and business growth potential.

The Bank Group's capital adequacy ratio is 16,96%, which is above the 12,86% required by the central bank as a mandatory requirement.



The capital I. ratio is 15.17%. The minimum level of equity capital is 10.36%. In 2021, the Basel III IFRS-based capital in accordance with supervisory rules was HUF 175 801 million (HUF 148 027 million in 2020). The change in the regulatory capital (+ 27 775 million HUF) is due to the increase in reserve growth (+7 842 million HUF), an increase in the deduction of intangible assets (-HUF 157 million), the use of subordinated loan capital (+20 000 million HUF) and the changes in assessment correction (+ 90 million). The Group continues to monitor the development of each capital items in an ongoing capital management process.

The risk-weighted assets, including operational and market risk, increased with 3,37% from HUF 1 003 451 million to HUF 1 037 305 million at the end of 2020. The increase in risk-weighted assets was primarily caused by credit risk (+25 866 million forints) and the increase in CVA (+HUF 8 767 million) driven by growing lending activity and market interest rates, respectively. Despite its non material amount, exposures from currency position risk (- HUF 388 million) and operational risk (HUF -137 million) are dropped.

Profitability

In 2021, the Bank Group also achieved an outstanding profit rate, above its business plan, despite of the moratorium. The Bank Group's profit after tax for the year is HUF 10.8 billion which is a HUF 7.2 billion increase compared to the year before. The income statement below was made according to IFRS accounting rules for both 2021 and 2020 years.

data in HUF M

Income statement	2021	2020	Delta	%
Net interest income	59 149	46 052	13 097	28,4%
Net fee and commission income	39 712	40 355	(643)	-1,6%
Profit/loss of financial instruments	6 468	8 232	(1 764)	-21,4%
Other revenues/expenditures, net	(7 112)	(16 696)	9 584	-57,4%
Operating expenses	(75 767)	(51 357)	(24 410)	47,5%
Impairment	(7 994)	(14 631)	6 637	-45,4%
Income (profits) tax	(3 001)	(2 268)	(733)	32,3%
Profit for the year	10 831	3 622	7 209	199,0%

Primarily the following items were responsible for changes in the profit/loss lines:

- The net interest income of the banking group improved by HUF 13.1 billion compared to the
 previous year, due to the higher prime rate in the market, dynamically increasing lending
 volume and the favourable cost of economic recovery programs.
- If accounting reclassification are eliminated from the HUF 643 million decrease, net commission fee increased by HUF 5.7 billion, mainly due to 30% rise of the commission and fee income recognized on the higher volume of loans, current accounts and time deposits.



- The HUF 1.7 billion decrease of financial instruments is mainly due to the valuation difference driven by IRS rate curve change and a HUF 600 million accounting reclass. Further negative effects are from derecognition loss of financial instruments and the lower volume of debt sale.
- The HUF 9.5 billion saving in other expenditures, net is a result of reclassification of transaction tax and bank tax into operating expenses. Additionally, a negative effect of HUF 1.7 billion is from the sale of intangible and other non-financial assets.
- The increase of HUF 24.4 billion in the operating costs was in the reality only HUF 9.6 billion.
 This additional costs is associated with integration, the operation of the new POS system,
 higher depreciation, higher transaction and bank tax. The other (HUF 14.8 billion) are from the
 reclassifications indicated above.
- The Bank recorded already in 2020 for most of its credit cost due to Covid crisis required in 2021, only a small addition was applied in 2021. increase took place because of this, but it was on a smaller scale. In 2021, significant economy aids measures were launched for both the customers and corporate sectors, which also contributed to the fact that the loss of impairment was established at a lower level compared to the previous year.



Agenda item No. 2.2

ADOPTION OF THE 2021 SEPARATE (UNCONSOLIDATED) FINANCIAL STATEMENTS OF BUDAPEST BANK ZRT.



STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Description	Comments	31.12.2021	31.12.2020
Cash and cash equivalents	4.1	294 821	291 821
Derivative financial assets	4.2	41 247	4 704
Securities	4.3	565 214	620 159
Loans and advances to banks	4.4	387 137	170 081
Loans and advances to customers	4.5 & 3.1	1 163 932	1 017 198
Fair value changes of the hedged items in portfolio hedge of interest rate ris	sk	(25 542)	2 489
Investments in subsidaries, joint ventures and associates	4.6	7 634	7 894
Property, plant and equipment	4.7	22 561	24 553
Intangible assets	4.7	19 234	19 304
Actual income tax receivables	4.8	172	432
Deferred tax receivables	4.8	374	-
Other assets	4.9	13 426	10 772
TOTAL ASSETS		2 490 210	2 169 407
Derivative financial liabilities	4.2	18 016	9 036
Deposits from banks	4.10	672 941	584 672
Deposits from customers	4.11	1 601 715	1 389 421
Provisions	4.12 & 3.1	3 325	3 795
Actual income tax liabilities	4.8	411	240
Deferred tax liabilities	4.8	-	75
Other liabilities	4.13	23 466	16 832
Total liabilities		2 319 874	2 004 071
Share capital	4.14	19 396	19 396
Reserves	4.15	150 940	145 940
Total equity		170 336	165 336
TOTAL EQUITY AND LIABILITIES		2 490 210	2 169 407



INCOME STATEMENT

	Comments	2021 end of year	2020 end oy year
Interest income		64 831	47 646
- of which lease interest not accounted for with effective interest rate method		7 191	6 189
Interest expense		(8 641)	(4 298)
Net interest income	5.1	56 190	43 348
Dividend income		2 200	3 100
Fee and commission income		46 358	44 281
Fee and commission expense		(9 663)	(6 627)
Net fee and commission income	5.2	36 695	37 654
Net gains/(losses) arising from derecognition of financial assets (valued at not FVTPL)	5.3	1 273	6 392
Net trading income/(losses)	5.4	602	(918)
Net income/(loss) from (non-trading) financial instruments valued at FVTPL	5.5	(2 196)	1 122
Net foreign exchange gain/(loss)	5.5	7 016	1 783
Other operating income	5.6	4 744	9 781
Other operating expenses	5.6	(11 642)	(26 424)
Personnel expenses	5.7	(30 225)	, ,
Other administrative expenses	5.7	(34 411)	(14 396)
Depreciation and amortisation	5.8	(9 548)	(8 317)
Modification of financial assets gain/(loss)		(644)	(5 976)
Impairement and provisions or reversal of impairment and provisions	5.9	(7 583)	(13 012)
Impairement or reversal of impairment losses on subsidiaries		(260)	(230)
Profit before income tax		12 211	6 582
Income tax expense	5.10	(2 572)	(2 236)
PROFIT FOR THE YEAR		9 639	4 346
WHICH: - Attributable to minority interests		-	-
- Attributed to the owners of the parent company		9 639	4 346



STATEMENT OF COMPREHENSIVE INCOME

	2021 end of year	2020 end oy year
PROFIT FOR THE YEAR	9 639	4 346
Other comprehensive income to be reclassified to profit/loss	(5 098)	(267)
Change in net fair value of securities valued at fair value through other comprehensive income	(4 925)	1 788
Net amount reclassified to profit/loss of securities valued at fair value through other comprehensive income	(173)	(2 055)
Income tax related to items		
to be reclassified to profit or loss	459	24
OTHER COMPREHENSIVE INCOME. NET OF TAX	(4 639)	(243)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	5 000	4 103
OF WHICH: - Attributable to non-controlling interest	-	-
- Attributable to the owners of the Bank	5 000	4 103



STATEMENT OF CHANGES IN EQUITY

			RESERVES break			
	SHARE CAPITAL	Valuation reserve	Retained earnings	Statutory reserves	RESERVES	TOTAL EQUITY
Balance as at 1 January 2020	19 396	2 332	132 943	6 562	141 837	161 233
Total comprehensive income						
Profit for the year	-	-	4 346	-	4 346	4 346
Other comprehensive income		(243)	-	-	(243)	(243)
Total comprehensive income	-	(243)	4 346	-	4 103	4 103
Transactions with equity holders						
Share issuance	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Transactions with owners		-	-	-	-	
Total transactions with equity holders	-	-	-	-	-	-
Other transactions						
Transfer of retained earnings to statutory reserve		-	(434)	434	-	<u> </u>
Total other transactions	-	-	(434)	434	-	-
Balance as at 31 December 2020	19 396	2 089	136 855	6 996	145 940	165 336
Dalama and Alaman 2024	10.200	2 089	126.055	c 00c	145.040	465.226
Balance as at 1 January 2021	19 396	2 089	136 855	6 996	145 940	165 336
Total comprehensive income						
Profit for the year	-	-	9 639	-	9 639	9 639
Other comprehensive income		(4 639)	-	-	(4 639)	(4 639)
Total comprehensive income	-	(4 639)	9 639	-	5 000	5 000
Transactions with equity holders						
Share issuance	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Transactions with owners		-	-	-	-	
Total transactions with equity holders	-	-	=	=	-	-
Other transactions						
Transfer of retained earnings to statutory reserve		-	(964)	964	-	<u> </u>
Total other transactions		-	(964)	964	-	
Balance as at 31 December 2021	19 396	(2 550)	145 530	7 960	150 940	170 336



CASH FLOW STATEMENT

CASH FLOW STATEMENT		data in HUF M
	2021	
	2021	2020
Operating cash flow		
Profit before income tax	12 211	6 582
Adjustments		
Depreciation (+). Amortisation (+)	9 548	8 317
Modification of financial assets gain/loss (+/-)	644	5 976
Release of impairments & provision loss (+)	7 583	13 012
Non-realised foreign exchange gains/losses (+/-)	260	230
Deferred tax	(705)	(1 783)
Fair value changes of securities (+/-)	11	30
Net interest income (-)	(56 190)	(43 348)
Dividend income (-)	-	-
Change in derivative financial assets (- increase. + decrease)	(36 543)	(1 568)
Change in portfolio of FVTPL securities (- increase. + decrease)	1 409	(1 280)
Change in loans and advances to banks (- increase. + decrease)	(214 912)	(158 557)
Change in loans and advances to customers (- increase. + decrease)	(153 311)	(102 514)
Change in other assets (- increase. + decrease)	27 714 -	2 828
Change in deposits from banks. non-refinancing	28 723	217 885
Change in deposits from customers (+ increase decrease)	201 863	249 358
Change in derivative financial liabilities (+ increase decrease)	8 980	(721)
Change in other liabilities (+ increase decrease)	5 055	(4 457) -
Interest received (+)	62 350	42 569
Interest paid (-)	(7 726)	(4 012)
Dividends received from subsidiaries (+)	-	-
Corporate tax paid	(2 142)	(2 337)
Net cash flows from operating activities	(105 178)	226 210
Investment cash flow		
Investments in subsidiaries. joint ventures and associates	-	-
Investments in other enterprises	-	1
Acquisitions of property. plant and equipment	(3 039)	(5 064)
Proceeds from sale of property. plant and equipment. other derecognitions	77	214
Acquisitions of intangible assets	(5 943)	(7 938)
Proceeds from sale of intangible assets. other derecognitions	9	33
Purchase of non-FVTPL securities	(178 934)	(987 258)
Disposal of non-FVTPL securities Dividends received from investments	229 052	705 333
Net cash flows used in investing activities	41 222	(294 679)
	71 222	(254 075)
Financing cash flow		
Dividends paid	-	-
Increase of deposits from banks. refinancing	392 102	241 870
Decrease of deposits from banks. refinancing	(353 099)	(79 354)
Increase subordinated loan capital	20 000	-
Decrease subordinated loan capital	-	-
Payments to shareholders other than dividends		162 516
Net cash flows from financing activities	59 003	162 516
Net change in cash and equivalents	(3 543)	94 047
Foreign currency revaluation on cash and equivalents	6 543	5 715
Cash and equivalents at the beginning of year	291 821	192 059
Cash and equivalents at the end of period	294 821	291 821
cash and equivalents at the end of period	274 021	231 021



Agenda item No. 2.3

ADOPTION OF THE 2021 CONSOLIDATED FINANCIAL STATEMENTS OF THE BUDAPEST BANK GROUP



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Description	Comments	31.12.2021	31.12.2020
Cash and cash equivalents	4.1	294 821	291 821
Derivative financial assets	4.2	41 247	4 704
Securities	4.3	567 807	623 286
Loans and advances to banks	4.4	387 137	170 081
Loans and advances to customers	4.5 & 3.1	1 210 899	1 048 761
Fair value change of portfolio hedge on interest rate risk		(25 542)	2 489
Property, plant and equipment	4.7	22 696	24 734
Intangible assets	4.7	19 891	19 734
Actual income tax receivables	4.8	194	451
Deferred tax receivables	4.8	414	203
Other assets	4.9	14 232	11 344
TOTAL ASSETS		2 533 796	2 197 608
Derivative financial liabilities Deposits from banks Deposits from customers Provisions	4.2 4.10 4.11 4.12 & 3.1	18 016 712 515 1 601 226	9 036 609 301 1 389 591
Actual income tax liabilities	4.12 & 3.1 4.8	3 333 463	3 804 273
Deferred tax liabilities	4.8 4.8	403	273 75
Other liabilities	4.13	23 864	17 322
Total liabilities	4.13	2 359 417	2 029 402
Total habilities		2 333 417	2 023 402
Share capital	4.14	19 396	19 396
Reserves	4.15	154 983	148 810
Total equity	_	174 379	168 206
TOTAL EQUITY AND LIABILITIES	_ 	2 533 796	2 197 608



CONSOLIDATED INCOME STATEMENT

Interest income		Comments	2021	2020
Net interest expense (8 848)	Interest income		67 997	50 567
Net interest income 5.1 59 149 46 052 Dividend income - - - Fee and commission income 49 406 47 025 Fee and commission expense (9 694) (6 670) Net gains/(losses) arising from derecognition of financial assets (valued at not FVTPL) 5.2 39 712 40 355 Net gains/(losses) arising from derecognition of financial assets (valued at not FVTPL) 5.3 1 273 6 392 Net trading income/(losses) 5.4 602 (918) Net income/(loss) from (non-trading) financial instruments valued at FVTPL 5.5 (2 435) 1 000 Net foreign exchange gain/(loss) 7 028 1 758 1 758 Other operating exchange gain/(loss) 5.6 4 923 10 361 Other operating expenses 5.6 (12 035) (27 057) Personnel expenses 5.7 (31 207) (28 215) Other administrative expenses 5.7 (34 838) (14 714) Depreciation and amortisation 5.8 (9 722) (8 428) Modification of financial assets gain/(loss)	- of which lease interest not accounted for with effective interest rate method		10 353	9 729
Dividend income 49 406	Interest expense		(8 848)	(4 515)
Fee and commission income 49 406 47 025 Fee and commission expense (9 694) (6 670) Net fee and commission income 5.2 39 712 40 355 Net gains/(losses) arising from derecognition of financial assets (valued at not FVTPL) 5.3 1 273 6 392 Net trading income/(losses) 5.4 602 (918) Net income/(loss) from (non-trading) financial instruments valued at FVTPL 5.5 (2 435) 1 000 Net operating income 5.6 4 923 10 361 Other operating income 5.6 4 923 10 361 Other operating expenses 5.6 4 923 10 361 Other administrative expenses 5.7 (31 207) (28 215) Other administrative expenses 5.7 (34 838) (14 714) Depreciation and amortisation 5.8 (9 722) (8 428) Modification of financial assets gain/(loss) 624 (6 065) Net (impairment loss)/ reversal of impairment loss on financial assets & provision 5.9 (7 994) (14 631) Profit before income tax 5.10 (3 001) (2 268)	Net interest income	5.1	59 149	46 052
Net fee and commission expense (9 694) (6 670) Net fee and commission income 5.2 39 712 40 355 Net gains/(losses) arising from derecognition of financial assets (valued at not FVTPL) 5.3 1 273 6 392 Net trading income/(losses) 5.4 602 (918) Net income/(loss) from (non-trading) financial instruments valued at FVTPL 5.5 (2 435) 1 000 Net foreign exchange gain/(loss) 7 028 1 758 Other operating income 5.6 4 923 10 361 Other operating expenses 5.6 (12 035) (27 057) Personnel expenses 5.7 (31 207) (28 215) Other administrative expenses 5.7 (34 838) (14 714) Depreciation and amortisation 5.8 (9 722) (8 428) Modification of financial assets gain/(loss) (624) (6 065) Net (impairment loss)/ reversal of impairment loss on financial assets & provision Profit before income tax 13 832 5 890 Income tax expense 5.10 (3 001) (2 268)	Dividend income		-	-
Net fee and commission income 5.2 39 712 40 355 Net gains/(losses) arising from derecognition of financial assets (valued at not FVTPL) 5.3 1 273 6 392 Net trading income/(losses) 5.4 602 (918) Net income/(loss) from (non-trading) financial instruments valued at FVTPL 5.5 (2 435) 1 000 Net foreign exchange gain/(loss) 7 028 1 758 Other operating income 5.6 4 923 10 361 Other operating expenses 5.6 (12 035) (27 057) Personnel expenses 5.7 (31 207) (28 215) Other administrative expenses 5.7 (34 838) (14 714) Depreciation and amortisation 5.8 (9 722) (8 428) Modification of financial assets gain/(loss) (624) (6 065) Net (impairment loss)/ reversal of impairment loss on financial assets & provision 5.9 (7 994) (14 631) Profit before income tax 5.10 (3 001) (2 268)	Fee and commission income		49 406	47 025
Net gains/(losses) arising from derecognition of financial assets (valued at not FVTPL) 5.3 1 273 6 392 Net trading income/(losses) 5.4 602 (918) Net income/(loss) from (non-trading) financial instruments valued at FVTPL 5.5 (2 435) 1 000 Net foreign exchange gain/(loss) 7 028 1 758 Other operating income 5.6 4 923 10 361 Other operating expenses 5.6 (12 035) (27 057) Personnel expenses 5.7 (31 207) (28 215) Other administrative expenses 5.7 (34 838) (14 714) Depreciation and amortisation 5.8 (9 722) (8 428) Modification of financial assets gain/(loss) (624) (6 065) Net (impairment loss)/ reversal of impairment loss on financial assets & provision 5.9 (7 994) (14 631) Profit before income tax 5.10 (3 001) (2 268)	Fee and commission expense		(9 694)	(6 670)
S.3 1 273 6 392	Net fee and commission income	5.2	39 712	40 355
Net trading income/(losses) 5.4 602 (918) Net income/(loss) from (non-trading) financial instruments valued at FVTPL 5.5 (2 435) 1 000 Net foreign exchange gain/(loss) 7 028 1 758 Other operating income 5.6 4 923 10 361 Other operating expenses 5.6 (12 035) (27 057) Personnel expenses 5.7 (31 207) (28 215) Other administrative expenses 5.7 (34 838) (14 714) Depreciation and amortisation 5.8 (9 722) (8 428) Modification of financial assets gain/(loss) (624) (6 065) Net (impairment loss)/ reversal of impairment loss on financial assets & provision 5.9 (7 994) (14 631) Profit before income tax 13 832 5 890 Income tax expense 5.10 (3 001) (2 268)		5.3	1 273	6 392
Net income/(loss) from (non-trading) financial instruments valued at FVTPL 5.5 (2 435) 1 000 Net foreign exchange gain/(loss) 7 028 1 758 Other operating income 5.6 4 923 10 361 Other operating expenses 5.6 (12 035) (27 057) Personnel expenses 5.7 (31 207) (28 215) Other administrative expenses 5.7 (34 838) (14 714) Depreciation and amortisation 5.8 (9 722) (8 428) Modification of financial assets gain/(loss) (624) (6 065) Net (impairment loss)/ reversal of impairment loss on financial assets & provision 5.9 (7 994) (14 631) Profit before income tax 13 832 5 890		5.4	602	(918)
Net foreign exchange gain/(loss) 7 028 1 758 Other operating income 5.6 4 923 10 361 Other operating expenses 5.6 (12 035) (27 057) Personnel expenses 5.7 (31 207) (28 215) Other administrative expenses 5.7 (34 838) (14 714) Depreciation and amortisation 5.8 (9 722) (8 428) Modification of financial assets gain/(loss) (624) (6 065) Net (impairment loss)/ reversal of impairment loss on financial assets & provision 5.9 (7 994) (14 631) Profit before income tax 13 832 5 890			4	, ,
Other operating income 5.6 4 923 10 361 Other operating expenses 5.6 (12 035) (27 057) Personnel expenses 5.7 (31 207) (28 215) Other administrative expenses 5.7 (34 838) (14 714) Depreciation and amortisation 5.8 (9 722) (8 428) Modification of financial assets gain/(loss) (624) (6 065) Net (impairment loss)/ reversal of impairment loss on financial assets & provision Profit before income tax 13 832 5 890 Income tax expense 5.10 (3 001) (2 268)		5.5	, ,	
Other operating expenses 5.6 (12 035) (27 057) Personnel expenses 5.7 (31 207) (28 215) Other administrative expenses 5.7 (34 838) (14 714) Depreciation and amortisation 5.8 (9 722) (8 428) Modification of financial assets gain/(loss) (624) (6 065) Net (impairment loss)/ reversal of impairment loss on financial assets & provision Profit before income tax 13 832 5 890 Income tax expense				
Personnel expenses 5.7 (31 207) (28 215) Other administrative expenses 5.7 (34 838) (14 714) Depreciation and amortisation 5.8 (9 722) (8 428) Modification of financial assets gain/(loss) (624) (6 065) Net (impairment loss)/ reversal of impairment loss on financial assets & provision Profit before income tax 13 832 5 890 Income tax expense 5.10 (3 001) (2 268)				
Other administrative expenses 5.7 (34 838) (14 714) Depreciation and amortisation 5.8 (9 722) (8 428) Modification of financial assets gain/(loss) (624) (6 065) Net (impairment loss)/ reversal of impairment loss on financial assets & provision Profit before income tax 5.9 (7 994) (14 631) Income tax expense 5.10 (3 001) (2 268)			, ,	, ,
Depreciation and amortisation 5.8 (9 722) (8 428) Modification of financial assets gain/(loss) (624) (6 065) Net (impairment loss)/ reversal of impairment loss on financial assets & provision Profit before income tax 5.9 (7 994) (14 631) Income tax expense 5.10 (3 001) (2 268)	•		, ,	, ,
Modification of financial assets gain/(loss) (624) (6 065) Net (impairment loss)/ reversal of impairment loss on financial assets & provision 5.9 (7 994) (14 631) Profit before income tax 13 832 5 890 Income tax expense 5.10 (3 001) (2 268)	·		, ,	, ,
Net (impairment loss)/ reversal of impairment loss on financial assets & provision Profit before income tax 13 832 5 890 Income tax expense 5.10 (3 001) (2 268)	•	5.8	, ,	
Net (impairment loss)/ reversal of impairment loss on financial assets & provision Profit before income tax 13 832 5 890 Income tax expense 5.10 (3 001) (2 268)	Modification of financial assets gain/(loss)		(624)	(6 065)
Income tax expense 5.10 (3 001) (2 268)	Net (impairment loss)/ reversal of impairment loss on financial assets & provision	5.9	(7 994)	(14 631)
	Profit before income tax		13 832	5 890
PROFIT FOR THE YEAR 10 831 3 622	Income tax expense	5.10	(3 001)	(2 268)
	PROFIT FOR THE YEAR	_	10 831	3 622



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

data	in	HUF	М
uutu			

	2021	2020
PROFIT FOR THE YEAR	10 831	3 622
Other comprehensive income to be reclassified to profit/loss	(5 119)	(283)
Change in net fair value of securities valued at fair value through other comprehensive income	(4 946)	1 772
Net amount reclassified to profit/loss of securities valued at fair value through other comprehensive income	(173)	(2 055)
Income tax related to items		
to be reclassified to profit or loss	461	26
OTHER COMPREHENSIVE INCOME. NET OF TAX	(4 658)	(257)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6 173	3 365
OF WHICH: - Attributable to non-controlling interest		-
- Attributable to the owners of the Bank	6 173	3 365



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	Valuation reserve	Retained earnings	Statutory reserves	RESERVES	TOTAL EQUITY
Balance as at 1 January 2020	19 396	2 349	136 534	6 562	145 445	164 841
Total comprehensive income						
Profit for the year	-	-	3 622		3 622	3 622
Other comprehensive income		(257)	-		(257)	(257)
Total comprehensive income	-	(257)	3 622	-	3 365	3 365
Transactions with equity holders						
Share issuance	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Transactions with owners		-	-	-	-	-
Total transactions with equity holders	-	-	-	-	-	-
Other transactions						
Transfer of retained earnings to statutory reserve		-	(434)	434	-	-
Total other transactions	-	-	(434)	434	-	-
Balance as at 31 December 2020	19 396	2 092	139 722	6 996	148 810	168 206
Balance as at 1 January 2021	19 396	2 092	139 722	6 996	148 810	168 206
Total comprehensive income						
Profit for the year	-	-	10 831		10 831	10 831
Other comprehensive income	-	(4 658)	-	-	(4 658)	(4 658)
Total comprehensive income	-	(4 658)	10 831	-	6 173	6 173
Transactions with equity holders						
Share issuance	-	-	-		-	-
Dividends	-	-	-	-	-	-
Transactions with owners		-	-	-	-	-
Total transactions with equity holders	-	-	-	-	-	-
Other transactions						
Transfer of retained earnings to statutory reserve	-	-	(964)	(964)	-	-
Total other transactions	-	-	(964)	(964)	-	-
Balance as at 31 December 2021	19 396	(2 566)	149 589	6 032	154 983	174 379



CONSOLIDATED CASH FLOW STATEMENT

		Н		

	2021	2020
Operating cash flow		
Profit before income tax	13 832	5 890
Adjustments		
Depreciation (+). Amortisation (+)	9 722	8 428
Modification of financial assets gain/loss (+/-)	624	6 065
Release of impairments & provision loss (+)	7 994	14 631
Non-realised foreign exchange gains/losses (+/-)	(717)	(1 758)
Deferred tax	174	(88)
Fair value changes of securities (+/-)	247	137
Net interest income (-)	(59 149)	(46 052)
Dividend income (-)	-	-
Change in derivative financial assets (- increase. + decrease)	(36 543)	(1 568)
Change in portfolio of FVTPL securities (- increase. + decrease)	3 912	143
Change in loans and advances to banks (- increase. + decrease)	(214 904)	(158 557)
Change in loans and advances to customers (- increase. + decrease)	(161 846)	(111 514)
Change in other assets (- increase. + decrease)	24 999	10 970
	-	-
Change in deposits from banks. non-refinancing	28 109	210 777
Change in deposits from customers (+ increase decrease)	200 289	249 290
Change in derivative financial liabilities (+ increase decrease)	8 980	(721)
Change in other liabilities (+ increase decrease)	5 879	(5 166)
Interest received (+)	61 952	41 273
Interest paid (-)	(7 933)	(4 229)
Dividends received from subsidiaries (+)	-	-
Corporate tax paid	(2 555)	(2 526)
Net cash flows from operating activities	(116 934)	215 425
Investment cash flow		
Investments in subsidiaries. joint ventures and associates	-	-
Investments in other enterprises	-	1
Acquisitions of property. plant and equipment	(3 044)	(5 065)
Proceeds from sale of property. plant and equipment. other derecognitions	78	225
Acquisitions of intangible assets	(6 294)	(8 152)
Proceeds from sale of intangible assets. other derecognitions	1 419	33
Purchase of non-FVTPL securities	(180 688)	(987 274)
Disposal of non-FVTPL securities	228 570	704 111
Dividends received from investments		(200.101)
Net cash flows used in investing activities	40 041	(296 121)
Financing cash flow		
Dividends paid	-	-
Increase of deposits from banks. refinancing	411 766	255 109
Decrease of deposits from banks. refinancing	(358 416)	(80 366)
Recieved subordinated loan capital	20 000	-
Repaid subordinated loan capital	-	-
Payments to shareholders other than dividends		-
Net cash flows from financing activities	73 350	174 743
Net change in cash and equivalents	(3 543)	94 047
Foreign currency revaluation on cash and equivalents	6 543	5 715
Cash and equivalents at the beginning of year	291 821	192 059
Cash and equivalents at the end of period	294 821	291 821
Cash and equivalents at the end of period	294 021	231 021



Agenda item No. 2.4

PROPOSAL FOR THE APPROPRIATION OF THE PROFIT FOR 2021 AND THE PAYMENT OF DIVIDENDS



Proposal of the Board of Directors for the appropriation of the profit for 2021:

According to Budapest Bank's individual statement of changes in equity, a general reserve of HUF 964 million (10% of the profit after tax) is set aside from the profit after tax, as required by the Hpt., and is recorded separately within the retained earnings.

	Profit/loss reserve	Valuation reserve	Legal reserve
Opening balance	136,855	2,089	6,996
Profit after tax	9,639		
Other comprehensive income			
Comprehensive income for the year		-4,639	
Provisioning	-964		964
Closing balance	145,530	2,550	7,960

Proposal to the General Meeting

The Board of Directors proposes to transfer the entire amount of the profit after tax to the profit reserve and no dividend will be paid either from the profit after tax for 2021 or from the profit reserve available for dividend payments.



Agenda item No. 2.5

INDEPENDENT AUDITOR'S REPORT



Proposed general meeting resolutions:

The General Meeting approves the report of the Board of Directors of Budapest Bank Zrt. (as the predecessor in title) on the 2021 business activities and, accepts - being aware of the reports of the Supervisory Board and the Auditor - the individual (non-consolidated) and consolidated financial statements for 2021 prepared in accordance with the International Financial Reporting Standards as adopted by the EU as well as the proposal concerning the use of profit and the payment of dividends.

The General Meeting establishes the individual (non-consolidated) balance sheet of Budapest Bank Zrt. according to International Accounting Standards 2021 with the following main figures:

BALANCE SHEET TOTAL: HUF 2,490,210 million PROFIT (LOSS) BEFORE TAXATION: HUF 12,211 million

The General Meeting establishes the consolidated balance sheet of Budapest Bank Group according to International Accounting Standards 2021 with the following main figures:

BALANCE SHEET TOTAL: HUF 2,533,796 million PROFIT (LOSS) BEFORE TAXATION: HUF 13,832 million

The General Meeting decides that the entire amount of the profit after tax shall be transferred to the profit reserve and no dividend will be paid either from the profit after tax for 2021 or from the profit reserve available for dividend payments.



Agenda item No. 3

ADOPTION OF THE 2021 CORPORATE GOVERNANCE REPORT



Reasoning:

Pursuant to the provisions of the Civil Code (Section 3:289): the management board of a public limited company shall present to the annual general meeting the company governance and management report prepared according to the rules applicable to the actors of the given stock exchange. The General Meeting shall decide on the adoption of the report. The resolution of the general meeting and the report itself shall be published.

Considering that MKB Bank Plc's shares were admitted in the Budapest Stock Exchange (hereinafter: 'BÉT') standard category on 30 May 2019, in accordance with market practice and the BÉT Corporate Governance Recommendations (hereinafter: 'Recommendations'), MKB prepared its Corporate Governance Report (Report) for the third time, as set out in Annex 5.

The Report is based on the Corporate Governance Recommendations as amended by BÉT with effect from 1 January 2021.

MKB continues to attach great importance to building and maintaining a successful and effective corporate governance system to best comply with capital market practices and to ensure a responsible operational management. MKB's governance structure takes into account regulatory, supervisory and stock exchange requirements as well as business specifics. MKB intends to comply at the highest possible level with the Corporate Governance Recommendations published by BÉT.

The Corporate Governance Recommendations published by BÉT are designed to formulate guidelines facilitating compliance by public limited companies (issuers) with all internationally recognised rules and standards of responsible corporate governance in the course of their operation. Another purpose of the Recommendations is to make transparent the structure of responsible corporate governance and controllable also in Hungary by making information pertaining to the management and operation of issuers publicly available.

There are two ways for issuers to report on their corporate governance practices in their corporate governance report to the Annual General Meeting. They must, on the one hand, declare their corporate governance practices applied during the financial year and, on the other hand, clearly demonstrate their compliance with each of the points of the Recommendations.

Following the structure above MKB's Corporate Governance Report has two sections:

- 1. Declaration of Corporate Governance practice
- 2. Introduction of compliance with the Corporate Governance Recommendations

The Recommendations contain partly recommendations binding for all issuers and partly non-binding recommendations. Issuers may differ from mandatory recommendations and non-binding recommendations. In case of deviation from the recommendations, issuers are obliged to disclose the deviation in the corporate governance report and justify it ("comply or explain"). This allows issuers to take into account industry-specific or company-specific needs. Accordingly, an issuer deviating from the recommendation may, where appropriate, meet the requirements of corporate governance. In the case of proposals, issuers must indicate



whether or not they are applying the directive and have the opportunity to justify deviations from the proposals.

If the practice followed by the issuer is the same as in the Recommendations, it should be marked YES in the report. If the issuer does not apply the recommendation or uses it in a different way, they must explain the actual deviation and explain why the deviation was made ("comply or explain" principle). This method allows the issuer to inform shareholders and market participants, in view of the unique and sectoral features prevailing for them, of the specificities of in what and why they depart from the general principles of corporate governance. Based on the same principle, it is also possible to justify deviations in the case of proposals.

The principle and purpose of the Corporate Governance Report is to report on the company's previous business year and to what extent the issuer has complied with the Recommendations. However, the Recommendations may include recommendations and suggestions that relate to an event or event that did not occur at the issuer during that period. According to the practice to date, such "event type" questions can be answered YES even if no event occurred during the business year (for example, no dividend was paid or no shareholder comments were received prior to the general meeting), but the company would have acted upon the occurrence of the event as stated in the Recommendation in accordance with its Articles of Association or practice. In such cases, the principle of transparent operation is most appropriate.

The Recommendations contain 72 points, including 60 recommendations and 12 proposals. Based on the attached draft report, MKB is 93% compliant with the Recommendations, improving its compliance rate compared to the previous year (2020: 92%). The BSE annually measures and publishes the compliance of listed companies with the Recommendations on an aggregate basis, which was 81% in 2020.

In the draft report referred to in the proposal MKB currently does not or only partially complies with the relevant recommendations in 4 cases out of the 60 recommendations and has a negative response to 1 out of 12 proposals.

The "No" answers are detailed below.

Proposal 1.1.3: The company's Articles of Association allow the shareholder to exercise their voting rights even in their absence.

Question to be answered: The Company's Articles of Association provided an opportunity for shareholders to exercise their voting rights also when they are not present in person.

Response: No

Reasoning: In case such need arises from the shareholders the Company shall examine the possibilities for its execution.



<u>Recommendation 1.1.4:</u> Where the Articles of Association permit shareholders to exercise their rights in their absence, the company shall disclose the ways and conditions of such exercise, including any necessary documentation.

Question to be answered: If the Company's Articles of Association allow shareholders to exercise their rights in their absence, the Company published the methods and conditions of doing so, including all necessary documents.

Response: No

Reasoning: See the justification given in section 1.1.3

Recommendation 1.2.6: The company does not restrict the possibility for a shareholder to have a separate representative per securities account for any shares held on these securities accounts for any general meeting when a shareholder has more than one securities account. Where a shareholder is represented by more than one representative and they vote or make statements differently from each other, the votes or declarations made by each of them shall be null and void.

Question to be answered: The Company did not restrict the shareholders' right to designate a different representative for each of their securities accounts to represent them at any General Meeting.

Response: No

Reasoning: In case such need arises from the shareholders the Company shall examine the possibilities for its execution.

Recommendation 1.6.10: Preserving the confidentiality of business and other confidential information protected by legal and regulatory provisions regarding confidentiality, the company discloses any relationship between a member of the Board of Directors, Supervisory Board and management and third parties that may affect the operation of the company.

Question to be answered: The Company published the relationship of Board of Directors / Governing Board, Supervisory Board and management members may have with third parties which could affect the operation of the Company.

Response: No

Reasoning: The Company manages conflicts of interest in accordance with applicable laws and recommendations of the MNB, EBA, ESMA.

<u>Recommendation: 2.4.2.1:</u> 'It shall be the responsibility of the Chair of the Board of Directors or the Supervisory Board to make the agenda and proposals available to members at least five working days before the meeting, in order to allow for accurate and effective decision-making.'



Question to be answered: Board members had access to the proposals to be presented at the meeting of the respective board at least five days prior to the meeting.

Response: No

Reasoning: The Company partially complies. The general procedure complies with the recommendation, but distinctly it is possible to set shorter access period with the chairman's approval on good grounds.

* * *

Proposed general meeting resolution:

The General Meeting approves the Corporate Governance Report for 2021.



Agenda item No. 4

HOLD-HARMLESS WARRANT FOR THE MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD OF MKB BANK PLC. AND BUDAPEST BANK ZRT.



Reasoning:

In the present proposal, we propose that the General Meeting of Shareholders grants the hold-harmless warrant pursuant to Section 3:117 (1) of the Civil Code for the period from 1 January 2021 to 31 December 2021 to all members of the Board of Directors and Supervisory Board of both the successor MKB Bank Plc and the predecessor Budapest Bank Zrt who are members in 2021, applying a uniform procedure with regard to the merger:

MKB Bank Plc Board of Directors			
	Start of Termination		
	membership	membership	
dr. Zsolt Barna	01.01.2021	12.31.2025	
dr. Gabriella Gombai	06.11.2020	06.10.2025	
Mr Mihály Valkó	22.05.2020	21.05.2025	
Mr Marcell Tamás Takács	30.07.2020	29.07.2025	
dr. Zsuzsa Piller	23.09.2021	24.07.2026	
Ms Ildikó Ginzer	13.09.2021	06.07.2026	
Mr Imre Kardos	25.07.2016	24.07.2021	
dr. András Csapó	23.07.2020	03.03.2021	
Balázs Benczédi	12.06.2020	12.31.2021	

MKB Bank Plc Supervisory Board			
	Start of	Termination of	
	membership	membership	
Ms Ágnes Hornung	28.02.2019	27.02.2024	
Mr János Nyemcsok	15.04.2016	31.03.2026	
Ms Rita Feodor	19.09.2018	18.09.2023	
Mr András Törtel			
Oszlányi	02.25.2019	24.02.2024	
Dr László Ipacs	02.25.2019	24.02.2024	
Ms Kitti Dobi	26.07.2021	24.07.2026	
Mr Balázs Bechtold	26.07.2021	06.07.2026	
Mr Ferencx Müller	15.04.2016	31.03.2021	
Mr Albert Godena	25.07.2016	24.07.2021	

Budapest Bank Zrt Board of Directors			
	Start of membership	Termination of membership	
dr. Koppány Tibor Lélfai			
(president)	01.04.2020	01.04.2023	
Mr András Puskás	06.02.2018	06.02.2021	
	06.02.2021	06.02.2024	
Mr Béla Csáki	10.12.2019	16.11.2021	
Mr Dénes Antal	01.03.2018	01.03.2021	
	01.03.2021	01.03.2024	
dr. Géza Károly Láng	10.12.2019	10.12.2022	



Budapest Bank Zrt Supervisory Board			
	Start of	Termination of	
	membership	membership	
Mr Zoltán Pankucsi			
(persident)	03.05.2019	03.05.2022	
Mr Sándor Zoltán Rada	26.04.2020	26.04.2023	
Mr Zsolt Cserpák	24.05.2019	24.05.2022	
dr. József Koszmáli	01.10.2020	01.10.2023	
dr. Lajos Herencsár	18.11.2018	18.11.2021	
	18.11.2021	18.11.2026	
Mr Ádám Egerszegi	18.06.2021	16.11.2021	

Pursuant to Section 3:117 (1) of the Civil Code⁶ the highest organ of the company (i.e. the General Meeting) can establish the adequacy of the management activities of the members of the Board of Directors and the control activities of the members of the Supervisory Board during the effective term of their legal relationship by granting them the hold-harmless warrant.

If the company's supreme body provides a hold-harmless warrant, the company may only bring action against the executive officers on the grounds of breaching management (control) obligations in a claim for damages if the facts and information underlying the hold-harmless warrant proved to be false or incomplete.

The year-end 2021 internal audit, compliance and anti-money laundering, safeguarding officer report and operational risk report did not identify any significant deficiencies for any of the Companies that would prevent the issuance of a hold-harmless warrant.

Granting the hold-harmless warrant falls within the exclusive competence of the General Meeting.

⁶ **Section 3:117** [Liability of executive officers to the business association for damages]

⁽¹⁾ If the company's supreme body provides a hold-harmless warrant to an executive officer at the time of approval of the financial report, thus acknowledging the executive officer's management activities during the previous business year, the company may bring action against the executive officer on the grounds of breaching management obligations in a claim for damages if the facts and information underlying the hold-harmless warrant proved to be false or incomplete.

⁽²⁾ If an executive officer is removed from office in between two meetings debating the financial report, the executive officer may request the supreme body's decision for the issue of a hold-harmless warrant in the next session.



Proposed general meeting resolution:

The General Meeting concludes that the management activities of dr. László Parragh and dr. Edit Juhász members of the Supervisory Board were satisfactory during the following period therefore grants the hold-harmless warrant to them pursuant to Section 3:117 of Act V of 2013 on the Civil Code.

MKB Bank Plc. Members of the Board of Directors:

dr Zsolt Barna: 1 January 2021 - 31 December 2021
dr. Gabriella Gombai: 1 January 2021 - 31 December 2021
Mr Mihály Valkó: 1 January 2021 - 31 December 2021
Mr Marcell Tamás Takács: 1 January 2021 - 31 December 2021
Ms Ildikó Ginzer: 13 September 2021 - 31 December 2021
dr. Zsuzsa Piller: 23 September 2021 - 31 December 2021
Mr Balázs Benczédi: 1 January 2021 - 31 December 2021
Mr Imre Kardos: 1 January 2021 - 24 July 2021
dr. András Csapó: 1 January 2021 - 3 March 2021

MKB Bank Plc. Members of the Supervisory Board:

Ms Ágnes Hornung: 1 January 2021 - 31 December 2021
Rita Feodor: 1 January 2021 - 31 December 2021
Dr László Ipacs: 1 January 2021 - 31 December 2021
Mr János Nyemcsok: 1 January 2021 - 31 December 2021
András Törtel Oszlányi: 1 January 2021 - 31 December 2021
Ms Kitti Dobi: 26 July 2021 - 31 December 2021
Mr Balázs Bechtold: 26 July 2021 - 31 December 2021
dr. Albert Godena: 1 January 2021 - 24 July 2021
Mr Ferenc Müller: 1 January 2021 - 31 March 2021

Budapest Bank Zrt. Members of the Board of Directors:

dr. Koppány Tibor Lélfai: 1 January 2021 - 31 December 2021 Mr András Puskás: 1 January 2021 - 31 December 2021 Béla Csáki: 1 January 2021 - 16 November 2021 Mr Dénes Antal: 1 January 2021 - 31 December 2021 dr. Géza Károly Láng: 1 January 2021 - 31 December 2021

Budapest Bank Zrt. Members of the Supervisory Board:

Mr Zoltán Pankucsi: 1 January 2021 - 31 December 2021 Mr Sándor Zoltán Rada: 1 January 2021 - 31 December 2021 Mr Zsolt Cserpák: 1 January 2021 - 31 December 2021 dr. József Koszmáli: 1 January 2021 - 31 December 2021 dr. Lajos Herencsár: 1 January 2021 - 31 December 2021 Mr Ádám Egerszegi: 18 June 2021 - 16 November 2021



Agenda item No. 5

REPORT OF THE BOARD OF DIRECTORS ON THE BUSINESS POLICY OF COMPANY FOR 2022



Report of the Board of Directors on the business policy of Company for 2022

In 2022, MKB will be the second largest banking group in the country, with strong foundations, a stable and sustainable business model, prospering, and a customer-friendly group with efficient digital solutions and operational support.

It is planned to merge the two member banks of Magyar Bankholding Zrt., Budapest Bank Zrt. and MKB Bank Plc. on 31 March 2022. Budapest Bank will be merged into MKB Bank. The merged bank will temporarily continue to operate under the name MKB Bank Plc. Magyar Takarék Bankholding Zrt. is also merged into MKB at the same time, as a result of which the Takarék Group becomes part of the consolidated group as a subsidiary of MKB.

The priority for 2022 is to ensure that the merger process runs smoothly and is as optimal as possible for customers. To strengthen consistent business, operational and risk management processes and practices, fine-tune corporate governance systems and back-testing. In 2022, MKB Bank Group will continue to offer its customers-centred, competitively priced, internationally leading digital solutions, products and services, building on the strengths, values and best practices of its member bank heritage.

In line with its announced strategy, the Bank Group will continue to play a leading role in the domestic financial services market in 2022 with its professional experience, product range and quality of service, thus:

- A key priority of the strategy is digital orientation, which means introducing internationally leading fintech solutions. The aim is to radically change the customer experience of financial services by introducing flexible, fast solutions and products that can be combined with each other.
- In the retail business, the key objectives are to provide quality customer service, enhance the customer experience, strengthen lending and the premium segment. Partnerships play an important role and the Bank plans to further develop them in order to further increase its market share in the intermediary market.
- The Bank's ongoing strategic objective is to maintain and build a strong corporate business. The business line is focused on local knowledge, professional service provision, advice-based sales and the provision of innovative solutions. At the same time, the Bank strives to make available to its customers the widest range of the most optimal public, central bank or third-party solutions and favourable refinancing options.
- It offers a uniquely broad range of services to its customers, in addition to its own banking products and services provided by its subsidiaries and partners: Euroleasing, MKB-Pannónia Fund Management, MKB Pension Fund, MKB-Pannónia Health and Self Assistance Fund

* * *

Proposed general meeting resolution:

The General Meeting approves the report of the Board of Directors on the Company's business policy for the year 2022.



Agenda item No. 6

ELECTION OF THE AUDITOR AND ESTABLISHMENT OF THE AUDITOR'S REMUNERATION FOR THE 2022 AUDIT, APPROVAL OF THE PERSONS LIABLE FOR THE AUDIT AND DETERMINING THE CONDITIONS OF THE CONTRACT TO BE CONCLUDED WITH THE AUDITOR



Reasoning:

6.1. ELECTION OF THE AUDITOR AND ESTABLISHING ITS REMUNERATION FOR 2022

Pursuant to Section 155 (6) and (7) of the Accounting Act:

- '(6) Where audit is mandatory, the supreme body of the company must at the time of approval of the annual report or simplified annual report of the previous financial year or, in respect of companies established without legal predecessor, prior to the balance sheet date of the financial year appoint a registered auditor or audit firm in accordance with Section (7) to review the company's annual report or simplified annual report on the financial year from the point of view of legitimacy and authenticity.
- (7) A member of the Hungarian Chamber of Auditors or an audit firm registered with the Hungarian Chamber of Auditors may be selected for the audit referred to in Section (6).'

Hpt., in addition to the above, it also imposes additional requirements on the credit institution auditor (financial institution rating, multiple conflict of interest requirements, etc.).

The Bank's Articles of Association provides for the possibility of electing the Auditor for a term of 1 year.

Based on the above legal requirements and preliminary discussions with the current auditor of the Bank, we recommend that PricewaterhouseCoopers Könyvvizsgáló Kft. (hereinafter: PwC) be elected as the permanent auditor by 2022.

The audit fee shall include the examination of the following:

- auditing the separate (non-consolidated) and consolidated financial statements,
 prepared in accordance with IFRS rules,
- audit of CRR report based on Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises ('Hpt.') and Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms ('CRR'),
- examination of the information and data to be disclosed in accordance with the recommendations of the National Bank of Hungary ('MNB') and the issuance of a socalled 'Special Compliance Report' (Compliance repot) for the Authority (MNB) to provide limited assurance
- Auditing XBRL disclosure.

PwC's annual audit fee for the business year 2022 (including the preparation and of the auditor's additional report to be submitted to the National Bank of Hungary as described above, and the review of the data and information to be disclosed as required under the Hpt., CRR, and MNB and publishing a report of limited assurance on it) is maximized at HUF 220 million + VAT.

PwC also provides audit services major subsidiaries of the Bank involved in consolidation, according to their offer, the amount they are expected to receive will not exceed HUF 70 million+VAT.



6.2. APPROVAL OF THE APPOINTMENT OF THE PERSON RESPONSIBLE FOR AUDITING

The audit firm has nominated Árpád Balázs registered auditor (membership certificate number of the Chamber of Hungarian Auditors: 007272, registration number: 006931) and, in the event he is impeded in his duties, Balázs Mészáros registered auditor (membership certificate number of the Chamber of Hungarian Auditors: 005614, registration number: 005589) as the natural persons performing and responsible for the auditing of MKB Bank Plc. in 2022.

We recommend the approval of the person responsible for auditing and his deputy to the General Meeting based on the nomination of the audit firm.

6.3. APPROVAL OF THE TERMS AND CONDITIONS OF THE CONTRACT TO BE CONCLUDED WITH THE AUDITOR

Pursuant to the applicable provisions of the Civil Code, the General Meeting shall determine the terms and conditions of the contract to be concluded with the auditor simultaneously with the appointment of the Company's auditor. The contract with the appointed auditor shall be concluded within ninety days of their appointment. The assignment contract with the permanent auditor for the performance of the audit shall be concluded with the approval of the Board of Directors, subject to the following main conditions determined by the General Meeting:

Auditor:

Pursuant to Sections 6.1 and 6.2

Remuneration of the Auditor:

Pursuant to Section 6.1

Subject matter of the Contract:

- auditing of the individual (non-consolidated) and consolidated financial statements of MKB Bank Plc. for 2022 prepared according to the international accounting standards (IFRS) and the preparation of the related independent Auditor's reports
- auditing of the disclosures (CRR Report) under the requirements of Regulation (EU) No 575/2013 of the European Parliament and of the Council
- preparation of the Auditor's Special Report (Compliance Report) to be sent to the National Bank of Hungary
- Issuing of the Management Letter
- Auditing XBRL disclosure



Term of the contract:

Fixed term, 1 year.

Effective date of the contract:

The date on which the Board of Directors approves the assignment contract to be concluded within 90 days of the auditor's appointment.

Date of termination of contract:

The date of approval by the General Meeting of the Annual Report and accounts under the Accounting Act for the business year ending 31 December 2022 and, if the auditor is reappointed, the day prior to the effective date of the new contract to be concluded with the auditor.

Miscellaneous provisions:

The Company may also commission the auditor to perform other tasks within the framework of separate contracts, including but not limited to:

- Business consultancy and participation in due diligence procedures;
- Project management, execution of tasks and quality assurance of strategic projects;
- Other consultancy in the fields of business, risk, bank security, accounting, reporting and taxation;
- Trainings.



<u>Proposed general meeting resolutions:</u>

For the 2022 business year the General Meeting appoints PricewaterhouseCoopers Könyvvizsgáló Kft. (Cg 01-09-063022, Hungarian Chamber of Auditors Registration Number: 001464, hereinafter: 'PwC') as the Company's permanent auditor, and sets the annual audit fee for PwC for the 2022 business year at a maximum of HUF 220 million + VAT (including the preparation of a separate auditor's report to be submitted to the National Bank of Hungary in accordance with the Hpt., and the examination of the information and data to be made public in accordance with the provisions of the Hpt., the CRR or the MNB, and the provisions of a limited assurance report the audit of the XBRL disclosure).

The General Meeting also authorises the Deputy Chief Financial Officer for Finance and Operations and the Purchasing area to negotiate the conclusion of the assignment contract with the auditor. The final amount of the assignment contract is decided by the Board of Directors within the limits set by the General Meeting, as well as the conclusion of the contract.

In accordance with the proposal of the audit firm, the General Meeting approves the appointment of Árpád Balázs registered auditor (membership certificate number of the Chamber of Hungarian Auditors: 007272, registration number: 006931) as the person responsible for the auditing of MKB Bank Plc. in 2021.

In accordance with the proposal of the audit firm, the General Meeting approves the appointment of Balázs Mészáros registered auditor (membership certificate number of the Chamber of Hungarian Auditors: 005614, registration number: 005589) as the person responsible for the auditing of MKB Bank Plc. for 2021 in the event Árpád Balázs registered auditor (membership certificate number of the Chamber of Hungarian Auditors: 007272, registration number: 006931) is impeded in his duties.

According to the submission, the General Meeting approves the terms and conditions of the Company contract to be concluded with the auditor, and at the same time invites the Board of Directors to conclude the corresponding assignment contract with the appointed auditor within 90 days of their appointment, on behalf of MKB Bank Plc.



Agenda item No. 7

DETERMINATION OF THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



Reasoning:

The General Meeting has the exclusive competence to determine the election and remuneration of the Chairman and members of the Board of Directors, the Chairman and members of the Supervisory Board and the members of the Audit Committee.

In view of the discontinuation of the group management role of Magyar Bankholding Zrt. and the assumption of the group management role of MKB Bank Plc., the remuneration of the members of the Board of Directors, the Supervisory Board and the Audit Committee was reviewed and a proposal was made to increase the remuneration to reflect the increased responsibilities of the members of the Board, their expanding responsibilities, the related risks and the work expected by the owners.

It is proposed that the General Meeting fix the remuneration of the members of the Supervisory Board and the Board of Directors at the following amount, with unchanged payment practices, for the period from the effective date of the election of the new members elected at the Extraordinary General Meeting of 31 March 2022, and for the current members from 1 April 2022 until the date of the adoption of the annual accounts for 2022 in accordance with the Accounting Act:

- Chairman of the Supervisory Board: gross HUF 2,000,000/month
- independent members of the Supervisory Board: gross HUF 1,500,000/month
- employee representatives on the Supervisory Board: gross HUF 1,500,000/month
- Chairman of the Board of Directors: gross HUF 4,300,000/month
- external members of the Board of Directors: gross HUF 3,000,000/month
- internal members of the Board of Directors: gross HUF 3,000,000/month

If a member of the Board of Directors or the Supervisory Board is also a member of any of the committees the establishment of which is a statutory requirement of the Company (Audit Committee, Remuneration Committee, Risk and Risk Management Committee, Nomination Committee), they shall not receive any additional remuneration for their position on the Committee.

The honorary fees is paid (transferred or credited to the bank account) in line with the wage accounting practice of MKB Bank Plc. i.e., on the first day of each month, simultaneously with the wages of the employee members of the Supervisory Board and the internal members of Board of Directors.'



Proposed general meeting resolutions:

The General Meeting determines the remuneration of the members of the Supervisory Board and the Board of Directors as follows for the period from the effective date of the election of the new members to be elected at the Extraordinary General Meeting on 31 March 2022, and for the current members from 1 April 2022 until the date of the adoption of the annual accounts for 2022 in accordance with the Accounting Act:

Chairman of the Supervisory Board: gross HUF 2,000,000/month independent members of the Supervisory Board: gross HUF 1,500,000/month Chairman of the Board of Directors: gross HUF 4,300,000/month external members of the Board of Directors: gross HUF 3,000,000/month internal members of the Board of Directors: gross HUF 3,000,000/month

If a member of the Board of Directors or the Supervisory Board is also a member of any of the committees the establishment of which is a statutory requirement of the Company (Audit Committee, Remuneration Committee, Risk and Risk Management Committee, Nomination Committee), they shall not receive any additional remuneration for their position on the Committee.

The General Meeting approves that the honorary fees for membership in the Supervisory Board and the Board of Directors should be paid (transferred and credited to the bank account) in line with the wage accounting practice of MKB Bank Plc. i.e., on the first day of each month, simultaneously with the wages of the employee members of the Supervisory Board and the internal members of Board of Directors.



APPENDICES

- 1. MKB Bank Plc. Separate Financial Statements and Independent Auditor's report (31 December 2021)
- 2. MKB Bank Plc Consolidated Financial Statements and Independent Auditor's report (31 December 2021)
- 3. Budapest Bank Zrt. Annual financial statement (31 December 2021)
- 4. Budapest Bank Zrt. Consolidated financial statements (31 December 2021)
- 5. Corporate Governance Report