MKB Bank Nyrt.

Report on the 1H 2019 Results
(Flash Report)

Budapest, 29 August 2019

Table of Contents

1 1H 2019 Results of the MKB Group - overview 3
2 MANAGEMENT REPORT on the 1H 2019 Results of the MKB Group 7
2.1 P&L development 7
2.1.1 Adjusted profit after taxation 8
2.1.2 Comprehensive income 8
2.1.3 Net interest income 9
2.1.4 Net fee and commission revenues 9
2.1.5 Exchange rate income 9
2.1.6 Revaluation result 10
2.1.7 Other results 10
2.1.8 Operating expenses 10
2.1.9 Risk costs 11
2.1.10 Corporate income tax 11
2.2 Balance sheet 12
2.2.1 Loans 13
2.2.2 Financial assets 13
2.2.3 Deposits 13
2.2.4 Securities 13
2.2.5 Interbank wholesale funds 13
2.2.6 Equity 14
2.2.7 Off-balance sheet exposures to customers 14
2.3 Capital adequacy 15
2.4 Presentation of the results of the business segments 16
2.4.1 Corporate business 16
2.4.2 Leasing 16
2.4.3 Retail business 17
2.4.4 Private banking segment 18
3 Financials 20
3.1 Adjustments 20
3.1.1 1H 2018 20
3.1.2 2H 2018 21
3.1.3 1H 2019 22
3.2 Consolidated financial statements of the MKB Group according to IFRS 23
3.2.1 Income statement 23
3.2.2 Balance sheet 24
3.2.3 Shareholders' assets 25

3.3 Individual financial statements of MKB Bank according to IFRS ... 26
3.3.1 Income statement ... 26
3.3.2 Balance sheet ... 27
3.3.3 Shareholders' assets ... 28
3.3.4 Other data ... 29
4 Annexes ... 31
4.1 Financial indicators ... 31
4.2 Abbreviations ... 33
4.3 Sources ... 34

1 1H 2019 RESULTS OF THE MKB GROUP - OVERVIEW

Main components of P&L (in MHUF)	2018H1	2018H2	2019H1	P/P-1	Y/Y-1	2017	2018	Y/Y-1
TOCI (Total Other Comprensive Income)	**-1,223**	**13,101**	**13,660**	**4.3%**	**-**	**14,957**	**11,878**	**-20.6%**
Revaluation on AFS financial assets (OCI)	-19,226	5,971	5,490	-8.1%	-128.6%	-4,243	-13,254	212.4%
Profit after tax	**18,003**	**7,129**	**8,170**	**14.6%**	**-54.6%**	**19,201**	**25,132**	**30.9%**
Adjustments total	7,480	2,757	3,692	33.9%	-50.6%	5,980	10,236	71.2%
Adjusted Profit after tax	**25,482**	**9,886**	**11,862**	**20.0%**	**-53.5%**	**25,180**	**35,368**	**40.5%**
Adjusted Profit before tax	**27,036**	**7,897**	**11,645**	**47.5%**	**-56.9%**	**26,999**	**34,933**	**29.4%**
Gross Operating Income	**46,643**	**31,375**	**26,590**	**-15.3%**	**-43.0%**	**81,405**	**78,019**	**-4.2%**
Net Interest Income	20,285	20,218	21,527	6.5%	6.1%	39,580	40,503	2.3%
Net Fee Income	14,035	11,873	11,716	-1.3%	-16.5%	28,846	25,908	-10.2%
Net Other Income	12,323	-716	-6,654	-	-154.0%	12,979	11,608	-10.6%
General Administrative Expenses	-21,202	-23,715	-18,335	-22.7%	-13.5%	-44,795	-44,917	0.3%
Provision for losses on loans	1,597	331	3,385	-	112.0%	-10,587	1,928	-118.2%
Main components of Balance sheet (in MHUF)	**2018H1**	**2018H2**	**2019H1**	**P/P-1**	**Y/Y-1**	**2017**	**2018**	**Y/Y-1**
Total Assets	**2,031,399**	**1,857,579**	**1,827,674**	**-1.6%**	**-10.0%**	**2,044,987**	**1,857,579**	**-9.2%**
Customer Loans (net)	952,822	895,203	924,823	3.3%	-2.9%	858,592	895,203	4.3%
Customer Loans (gross)	1,044,026	965,315	967,731	0.3%	-7.3%	938,351	965,315	2.9%
Provision for Customer loans	-91,204	-70,112	-42,907	-38.8%	-53.0%	-79,760	-70,112	-12.1%
Deposits & C/A (without repo)	1,246,096	1,372,046	1,330,175	-3.1%	6.7%	1,539,140	1,372,046	-10.9%
Subordinated debt	27,990	28,002	37,701	34.6%	34.7%	22,307	28,002	25.5%
Shareholders' Equity	146,221	158,166	171,285	8.3%	17.1%	140,379	158,166	12.7%
KPIs based on adjusted PAT (%)	**2018H1**	**2018H2**	**2019H1**	**P-P**	**Y-Y**	**2017**	**2018**	**Y-Y**
ROAE (Return on Average Equity)	24.8%	9.3%	9.9%	0.6%-pt	-14.9%-pt	14.2%	16.9%	2.6%-pt
Adjusted ROAE	35.1%	12.9%	14.4%	1.5%-pt	-20.7%-pt	18.6%	23.7%	5.1%-pt
Adjusted ROAA (Return on Average Assets)	2.5%	1.0%	1.3%	0.3%-pt	-1.3%-pt	1.2%	1.8%	0.6%-pt
TRM (Total Revenue Margin)	4.6%	3.1%	2.8%	-0.3%-pt	-1.8%-pt	3.8%	3.9%	0.1%-pt
Core income margin	4.2%	3.7%	4.1%	0.4%-pt	-0.1%-pt	3.8%	4.0%	0.1%-pt
NIM (Net Interest Margin)	2.0%	2.0%	2.3%	0.3%-pt	0.3%-pt	1.9%	2.0%	0.2%-pt
NFM (Net Fee Margin)	1.4%	1.2%	1.2%	0.1%-pt	-0.2%-pt	1.4%	1.3%	-0.1%-pt
C/TA (Cost to Total Assets)	2.1%	2.4%	1.9%	-0.4%-pt	-0.2%-pt	2.1%	2.2%	0.1%-pt
CIR (Cost Income Ratio)	45.5%	75.6%	69.0%	-6.6%-pt	23.5%-pt	55.0%	57.6%	2.5%-pt
Provision/Total Assets	-4.5%	-3.8%	-2.3%	1.4%-pt	2.2%-pt	-3.9%	-3.8%	0.1%-pt
Risk cost rate	-0.3%	-0.1%	-0.7%	-0.6%-pt	-0.4%-pt	1.1%	-0.2%	-1.3%-pt
CAR (Capital Adequacy Ratio)	13.3%	17.9%	19.3%	1.4%-pt	6.0%-pt	15.7%	17.9%	2.2%-pt
RWA/Total Assets	49.8%	49.6%	49.7%	0.1%-pt	-0.1%-pt	45.5%	49.6%	4.1%-pt
LTD (Loan to Deposit)	83.8%	70.4%	72.8%	2.4%-pt	-11.0%-pt	61.0%	70.4%	9.4%-pt
GOI/RWA (RWA efficiency)	9.7%	6.4%	5.8%	-0.7%-pt	-3.9%-pt	8.5%	8.1%	-0.5%-pt
DPD90+ rate	5.8%	5.1%	3.0%	-2.1%-pt	-2.8%-pt	6.6%	5.1%	-1.5%-pt
EPS (Earning Per Share)	509.6	197.7	237.2	20.0%	-53.5%	251.8	353.7	40.5%

The 1H 2019 results of the MKB Group are based on consolidated IFRS unaudited data of 30.06.2019. The report is based on adjusted results reflecting the profitability of basic operation; the list of correction factors is included in Chapter 3.1.

The MKB Group reported HUF 13.7 bln total comprehensive income for 1H 2019, which is 4.3% up on last year's figure (p/p). The growth is significant, HUF 14,9 bln on a year on year basis, but the 1H 2018 period was outstandingly negative in terms of the total comprehensive income, due to the turbulent market yield environment. The adjusted profit after taxation was HUF 11.9 bln (+20.0% p/p). The total assets amounted to HUF 1,827.7 bln (-1.6% p/p), while the shareholder's equity rose from HUF 158.2 bln to HUF 171.3 bln (+8.3% p/p). The MKB Group ROAE calculated on the basis of adjusted profit after taxation was 14.4%, reflecting 150bp increase on p/p basis. The capital adequacy was 19.3% (+140bp p/p).

The results of 1H 2019 were determined by the efforts for the successful closing of the reorganisation period that lasted until 2019, as well as the uncertainties (ii).

(i) The management of the MKB Group is committed to the efficient closing of the reorganisation period by 31 December 2019 (a) and maintaining profitable operation (b).

(a) The current framework of operation of the MKB MKB Group is determined by the EU commitments.

The Hungarian authorities undertook a complex set of commitments and the implementation of a restructuring plan (‘EU commitments’) in order to offset the state aid for the asset separation conducted in the 2015 resolution process. The MKB Group must fulfil all those commitments. The main objective of these commitments[1] is to maintain the long-term viability of the MKB Group and to limit the competition distorting effects of the received state aid.

The commitments have an impact on each aspect of the operation of the MKB Group: the total assets and the restrictions on the RWA portfolio affect the growth potential, the restrictions on the pricing range (transaction ROE and pricing ability) and marketing expenses determine the position of the MKB Group in competition, the cost/income ratio, the requirements for headcount and number of branches call for the continuation of rational cost management.

- **high RWA efficiency:** In the current low yield environment, the expectations related to the asset portfolio and cost/income ratio can only be fulfilled with high gross operating income to RWA ratio (‘RWA efficiency’) and rigorous and deliberate cost management. The maximisation of the RWA volume limits the increase in customer assets, which then has an impact on the market position and leads to a special balance sheet structure on the assets side.
- **special balance sheet structure:** Compliance with the RWA limit results in a special asset composition, which is different from that applied by commercial banks: the MKB Group keeps a significant part of customer funds primarily in fixed-rate government securities, and hedges the related interest rate risk with IRS transactions.
- **admission to trading at the stock exchange**: As a step towards putting in place the conditions of long-term growth, MKB Bank was transformed into a public limited company and was introduced on the regulated market on 17 June 2019. The shares of MKB Bank were listed in the standard category. With the admission to trading at the stock exchange, MKB Bank fulfilled the respective EU commitment.

(b) With the limited growth and income generating potential, strict control over the costs and sufficiently effective operation are also required for profitablility.

- **cost cutting results**: Despite growing inflationary pressure and considerable wage inflation, as a result of the cost cutting efforts, the operating expenses of the MKB Group dropped by 13.5% in a y/y comparison. The decrease is 22.7% compared to the base period (2H 2018).

  In order to further improve cost efficiency, in 2018 the management of the Bank made decisions to continue reducing the operating expenses significantly. In addition to the general cost cutting measures (reduction of welfare expenses, cuts in advisory and IT expenses, etc.) the Bank closed 15 branches in 4Q 2018. As a result of the redundancy measures introduced primarily for improving the efficiency of the organisation and affecting primarily the management, the headcount figure of the MKB Group shrank by approximately 9% on a year on year comparison (Y/Y).

[1] The public version of the text of the framework system of commitments is available on the website of the European Commission DG Competition at: http://ec.europa.eu/competition/state_aid/cases/261437/261437_1721348_166_2.pdf

- **Outsourcing**: The outsourcing of the IT function of MKB Bank into a subsidiary (MKB Digital Zrt., fully owned MKB Bank subsidiary) was another step to improve the efficiency of operation. MKB Digital Zrt. began its operation on 1 June 2019 with a staff transferred from MKB Bank with successive employer rights. The purpose of outsourcing is to fulfil all IT operation development and strategic tasks of the MKB Group comprehensively and efficiently and to develop a marketable service provider's model.

  The functions of the analytical centre were outsourced to Danube Capital Zrt. on 15 June 2019. The company, established as a subsidiary of MKB Consulting, assists the MKB Group with macroeconomic and sectoral analyses and with market information.

- **ESOP programme:** In 1H2019, the MKB Group closed part of its ESOP programme, launched for a large group of employees in 2016. In order to promote employee commitment, which is crucial in the successful completion of the reorganisation period, MKB Bank introduced an Employee Share Ownership Programme Organisation. Three years of profitable operation was a prerequisite of any payment. Profitable operation in 2018 made it possible to make a decision to conclude the programme. The approximate HUF 3.12 bln cost of closing the programme is presented in this report as a correction factor relating to 2018. The treasury share transactions relating to the closing improved the shareholder's equity of the MKB Group by HUF 4.1 bln in 1H 2019.

(ii) The market and macroeconomic changes of 1H 2019 also had a huge impact on the income generating capacity of the MKB Group.

- **falling yields:** Compared to the expected increase in yields in the same period of the previous year (1H 2018), a huge decline may be observed in the interest rates. Major falls in rates were recorded on the international markets in 1H 2019 (USA 10-year government securities: -70bp; EU 10-year government securities: -60 bp), which also triggered a decrease in Hungarian yields. The Hungarian government securities market tried to establish a trend in 1H 2019: the return of 10-year Hungarian government securities fell to 2.62% by the beginning of February and then rose by 60 bp in two months (partly due to changes in the reference government security), reaching its peak at 3.34% in May. Then the yields began to fall, and dropped by 70 basis points by the end of June: it stood at 2.63% at the end of June.

  The yield environment, gradually declining from 1H 2018, had multiple impact on the profit of MKB Group. Besides the favourable effect on costs of funding, it puts pressure on the interest income. The net income realised through IRS portfolio is in one hand determined by the benchmark yield's evolution, in the other hand portfolio composition also has a high importance. Through the revaluation result of IRS portfolio, decreasing market yields has a negative effect on the profit after taxation, which is offset by the change in revaluation reserve (mainly stemming from revaluation of FVTOCI securities), presented in the comprehensive income.

- **wage inflation**: wage inflation is a major macroeconomic effect and also a challenge for the MKB Group. The outstanding, 5.3% Y/Y growth of the Hungarian economy in 2019Q1, was driven primarily by the extremely high performance of the service sector. An increase in employment and wages and the continuously high consumer confidence contributed a great deal to the rise in consumption. The dynamic increase in Hungarian wages (first five months of 2019: 10.6% wage dynamism at annual level) resulted from the raised minimum wage and guaranteed wage minimum as well as the continued extremely tight labour market.

- **inflation:** There was considerable price pressure in 1H 2019, which also determined the increase in operating expenses: the inflation rate was close to the 4% ceiling of the MNB tolerance band both in April and in May (3.9% in both months), compared to the same period of the previous year), in which not only the tight labour market but also the increase in international oil prices were important factors.

- **pricing effects:** In 1H 2019 banks competed primarily in quality and fast services, while the low yield environment narrowed down the pricing range. Both the corporate (+8.6%) and retail loan portfolios (+3.7%) expanded in the first half of the year with a simultaneous slight increase in the deposit portfolio. With retail lending, the number of new personal loan contracts reached a historic record and the number of the home loan contracts was close to the previous record. The interest rates have not changed significantly since 2H 2018, with only slight rate reductions observed both in home and personal loans (-2bp and -29bp, respectively). In 1H 2019, the quality of the portfolio continued to improve and the average NPL rate kept decreasing in the sector.
- **Hungarian Government Security Plus (MÁP+):** The launch on the market of the MÁP+ government security resulted in a huge effect. The MÁP+ security generated HUF 883 bln[2] sales in one month, which also contributed to the almost HUF 800 bln (almost 14%) increase in the retail government securities portfolio compared to the end of 2018 (partly due to the same effect, retail deposits were up only by 1.5% in the reporting period). In June 2019, MKB Bank sold a notable amount of government securities. The sales commission is presented in the 3Q 2019 figures.

[2] Figure of 30.06.2019

2 MANAGEMENT REPORT ON THE 1H 2019 RESULTS OF THE MKB GROUP

2.1 P&L development

Consolidated, IFRS P&L (in MHUF)	2018H1	2018H2	2019H1	P/P-1	Y/Y-1	2017	2018	Y/Y-1
TOCI (Total Other Comprensive Income)	**-1,223**	**13,101**	**13,660**	**4.3%**	**-**	**14,957**	**11,878**	**-20.6%**
Revaluation on AFS financial assets (OCI)	-19,226	5,971	5,490	-8.1%	-128.6%	-4,243	-13,254	212.4%
Profit after tax	**18,003**	**7,129**	**8,170**	**14.6%**	**-54.6%**	**19,201**	**25,132**	**30.9%**
Adjustments total	**7,480**	**2,757**	**3,692**	**33.9%**	**-50.6%**	**5,980**	**10,236**	**71.2%**
Banking tax	*4,374*	*0*	*4,047*	*-*	*-7.5%*	*4,017*	*4,374*	*8.9%*
Dividend income	*-677*	*-140*	*-35*	*-75.0%*	*-94.8%*	*0*	*-817*	*-*
Realignment	*0*	*2,896*	*0*	*-100.0%*	*-*	*170*	*2,896*	*-*
MRP	*3,120*	*0*	*0*	*-*	*-100.0%*	*0*	*3,120*	*-*
IFRS16 effect	*0*	*0*	*-320*	*-*	*-*	*0*	*0*	*-*
Corporate tax correction	*0*	*0*	*0*	*-*	*-*	*-282*	*0*	*-100.0%*
Other	*663*	*0*	*0*	*-*	*-100.0%*	*2,075*	*663*	*-68.1%*
Adjusted Profit after tax	**25,482**	**9,886**	**11,862**	**20.0%**	**-53.5%**	**25,180**	**35,368**	**40.5%**
Adjusted Profit before tax	**27,036**	**7,897**	**11,645**	**47.5%**	**-56.9%**	**26,999**	**34,933**	**29.4%**
Gross Operating Income	**46,643**	**31,375**	**26,590**	**-15.3%**	**-43.0%**	**81,405**	**78,019**	**-4.2%**
Net Interest Income	**20,285**	**20,218**	**21,527**	**6.5%**	**6.1%**	**39,580**	**40,503**	**2.3%**
Interest Income	*29,098*	*27,891*	*30,372*	*8.9%*	*4.4%*	*56,245*	*56,989*	*1.3%*
Interest Expense	*-8,813*	*-7,673*	*-8,845*	*15.3%*	*0.4%*	*-16,665*	*-16,486*	*-1.1%*
Net Fee Income	**14,035**	**11,873**	**11,716**	**-1.3%**	**-16.5%**	**28,846**	**25,908**	**-10.2%**
Net Other Income	**12,323**	**-716**	**-6,654**	**-**	**-154.0%**	**12,979**	**11,608**	**-10.6%**
FX result	*7,848*	*5,277*	*5,698*	*8.0%*	*-27.4%*	*12,863*	*13,125*	*2.0%*
FV result	*12,966*	*971*	*-5,241*	*-*	*-140.4%*	*14,586*	*13,938*	*-4.4%*
Other Income	*-8,491*	*-6,964*	*-7,110*	*2.1%*	*-16.3%*	*-14,470*	*-15,455*	*6.8%*
General Administrative Expenses	**-21,202**	**-23,715**	**-18,335**	**-22.7%**	**-13.5%**	**-44,795**	**-44,917**	**0.3%**
Personnel Expenses	*-9,985*	*-13,212*	*-9,325*	*-29.4%*	*-6.6%*	*-22,434*	*-23,197*	*3.4%*
Operating Expenses	*-9,164*	*-7,771*	*-6,463*	*-16.8%*	*-29.5%*	*-17,705*	*-16,936*	*-4.3%*
Amortisation and depreciation	*-2,053*	*-2,731*	*-2,546*	*-6.8%*	*24.0%*	*-4,656*	*-4,784*	*2.8%*
Provisions	**1,595**	**237**	**3,391**	**-**	**112.6%**	**-9,611**	**1,832**	**-119.1%**
Provision for losses on loans	*1,597*	*331*	*3,385*	*-*	*112.0%*	*-10,587*	*1,928*	*-118.2%*
Other provisions and impairments	*-2*	*-95*	*6*	*-105.8%*	*-*	*977*	*-96*	*-109.8%*
Corporate income tax	**-1,554**	**1,989**	**217**	**-89.1%**	**-114.0%**	**-1,819**	**435**	**-123.9%**
KPIs based on adjusted PAT (%)	**2018H1**	**2018H2**	**2019H1**	**P-P**	**Y-Y**	**2017**	**2018**	**Y-Y**
ROAE (Return on Average Equity)	24.8%	9.3%	9.9%	0.6%-pt	-14.9%-pt	14.2%	16.9%	2.6%-pt
Adjusted ROAE	35.1%	12.9%	14.4%	1.5%-pt	-20.7%-pt	18.6%	23.7%	5.1%-pt
Adjusted ROAA (Return on Average Assets)	2.5%	1.0%	1.3%	0.3%-pt	-1.3%-pt	1.2%	1.8%	0.6%-pt
TRM (Total Revenue Margin)	4.6%	3.1%	2.8%	-0.3%-pt	-1.8%-pt	3.8%	3.9%	0.1%-pt
Core income margin	4.2%	3.7%	4.1%	0.4%-pt	-0.1%-pt	3.8%	4.0%	0.1%-pt
NIM (Net Interest Margin)	2.0%	2.0%	2.3%	0.3%-pt	0.3%-pt	1.9%	2.0%	0.2%-pt
NFM (Net Fee Margin)	1.4%	1.2%	1.2%	0.1%-pt	-0.2%-pt	1.4%	1.3%	-0.1%-pt
C/TA (Cost to Total Assets)	2.1%	2.4%	1.9%	-0.4%-pt	-0.2%-pt	2.1%	2.2%	0.1%-pt
CIR (Cost Income Ratio)	45.5%	75.6%	69.0%	-6.6%-pt	23.5%-pt	55.0%	57.6%	2.5%-pt
Provision/Total Assets	-4.5%	-3.8%	-2.3%	1.4%-pt	2.2%-pt	-3.9%	-3.8%	0.1%-pt
Risk cost rate	-0.3%	-0.1%	-0.7%	-0.6%-pt	-0.4%-pt	1.1%	-0.2%	-1.3%-pt

This report focuses on the 1H 2019 consolidated results in order to provide a comprehensive overview of the performance of the MKB Bank. The MKB Group was admitted to trade at the stock exchange in 2Q 2019 (17 June 2019) and therefore no 1Q 2019 flash report was disclosed.

The 1H 2019 results are presented through the adjusted consolidated profit after taxation of the MKB Group calculated according to the IFRS (the details of the adjusted profit are shown in the tables in Chapter 3.1). The presentation of the Total Comprehensive Income (Total Other Comprehensive Income - TOCI), which is an IFRS income category that goes beyond the profit after taxation, helps in the interpretation of profits considering that the government securities making up approximately 1/3 of the total assets of the MKB Group are securities that need to be revalued against the capital (Fair value through OCI – FVTOCI). As MKB Bank holds a large securities portfolio, it hedges its interest risk positions with IRS transactions, the IFRS profit/loss impacts of which must be presented in the profit *after taxation, and therefore the IFRS TOCI category is a main factor in the total income generated on the portfolio*.

2.1.1 Adjusted profit after taxation

The MKB Group reported HUF 11.9 bln adjusted consolidated profit after taxation for 1H 2019, reflecting a significant, 53.5% decline since the same period of the previous year.

With the falling yield trend that followed the rising yield environment in 1H 2018, there was major restructuring with an increase in the total comprehensive income and the decrease in the profit after taxation in line with the IFRS rules pertaining to the profit impact of the IRS and securities portfolios.

In the falling yield environment the negative revaluation effect of the IRS transactions hedging the interest rate risk of the securities portfolio deteriorated the profit after taxation; while the revaluation result of the government securities to be revalued against the capital and, consequently, the other comprehensive income, improved significantly in a y/y comparison.

The result of cost cutting programmes, the favourable risk reserves and corporate income tax account also had a positive effect on the profit after taxation: the recognition of the minimum tax specified in the legal regulations and deferred tax led to an overall close to zero taxation.

The **ROAE** (based on adjusted profit after taxation) was 14.4%, reflecting 150bp increase since the base period (2H 2018).

The **total revenue margin** (TRM) dropped to 2.8% from the 3.1% of the base period, reflecting the falling revenues. The total revenue margin adjusted with the impact of the other comprehensive income (OCI) was 3.4% with a 70 basis point increase in y/y comparison.

The **core income margin (**interest-, commission-, and FX results divided by total assets) **was 4.1%**, reflecting only a marginal change in the 3.7% figure reported for the previous period while, as a result of the market environment, restructuring took place with an increase in net interest income and a decrease in the commission income.

The **net interest margin** (NIM) rose to 2.3% in 1H 1H 2019, following a 30bp on both p/p and y/y bases.

As a result of the reduction in operating expenses within the framework of strict cost management and the falling revenues, the **cost-income-ratio (CIR)** was 69.0% in 1H 2019, showing 660bp deterioration compared to the base period. **The costs-to-assets ratio (CTA**) was 1.95%, which falls in the lower third in a peer-group comparison.

The **risk cost ratio** was -0.7% (reversal), reflecting significant improvement on the -0.1% figure reported for the previous period. The NPL ratio continued to decrease and was 4.4%, with more than 70% continued NPL coverage.

The **capital adequacy of the MKB Group** rose to 19.3% following a 600bp y/y increase in 1H 2019 (+140bp p/p).

2.1.2 Comprehensive income

In 1H 2019 MKB Group reported HUF 13.7 bln total comprehensive income, reflecting 4.3% increase since 2H 2018. The volatile yield environment resulted in a positive effect on the comprehensive income (+HUF 14.9 bln y/y) through a higher revaluation result of the securities, which compensated for the negative tendency of the profit after taxation figures.

The cost-income ratio, amended with the impact of the other comprehensive income, improved to 57.2% from the 63.9% recorded in the base period.

2.1.3 Net interest income

The HUF 21.5 bln net interest income of the MKB Group in 1H 2019 indicates a 6.1% increase compared to the same period of the previous year and a 9.5% increase relative to the previous half year. The MKB Group managed to raise its net interest income despite the stagnating interest rates and volatile yield environment and the RWA commitment that put limitations on the increase in customer portfolios. The interest income realised as a result of asset-liability management was also higher than in the past periods.

The **interest income** was up by 8.9% since the previous half year and 4.4% up in a y/y comparison. Interest income growth was helped by loan portfolio growth and the securities portfolio, where the effect of shrinking volumes were offset by growing average yields (the interest income from securities continued to increase not only in 2H 2018 but also in 1H 2019). The interest income on IRS transactions was down because of the plummeting long yields.

The **interest expenses** rose by 15.3% on p/p basis and just by 0.4% in a y/y comparison. The higher expenses of interest rate swaps (IRS) hedging the longer-term securities portfolio was one of the reasons for that increase. The interest expenses relating to customer funds stagnated. The impacts of the subordinated EUR bonds issued exclusively in March 2019 were other factors in the overall increase in the interest expenses.

2.1.4 Net fee and commission revenues

The net commission revenues amounted to HUF 11.7 bln, reflecting 1,3% decrease on p/p basis.

The main reasons for the decline were the fall in the corporate, up-front commission revenues due to the limited expansion in the loan portfolio and a fall in the commission revenues from the trade in government securities caused by the lower commission rates.

The MÁP+ product launched in June 2019 had a crowding-out effect on the revenues from other investment service products. Naturally, MKB Bank also generated a high turnover with the outstanding sale of the MÁP+ product already in the first month, but the commission revenues from the sale will be accounted for in 3Q 2019.

Non interest incomes declined due to the shrining transaction related fees that trend was partially offset by the decline in the fees payable to currency exchange contractors and the increasing income from SZÉP card transactions.

The commissions on lending also decreased slightly due to a decrease in guarantee commissions.

The card fees were up parallel with an increase in card turnover commissions and an increase in the expenditure driven by the transfer of SZÉP cards to banks.

The fee revenues from securities were significantly and negatively affected by the falling government security commission rates, but that trend was somewhat offset by a decrease in commission expenditure of consignment business.

2.1.5 Exchange rate income

The exchange rate income of foreign currency transactions of customers and trading (FX income) was HUF 5.7 bln in 1H 2019, reflecting HUF 0.4 bln (8%) change since the previous period and HUF -2.2 bln (-27%%) on y/y basis.

The individually priced and fixing spot FX conversions and the exchange rate gain on forward transactions remained the same as in the previous half year in the case of retail and corporate customers; and was lower than earned from institutional customers.

2.1.6 Revaluation result

The majority of the revaluation result stems from changes in the Bank's derivative fair value reserves. Given its unique balance sheet structure, the MKB Bank covers the interest rate risk of the securities portfolio with IRS transactions, which fair value must be recognised in the profit (FVTPL – fair value through profit&loss) according to the IFRS. Considering that the changes in the fair value of the securities portfolio hedged with IRS transactions is recognised in the capital (FVTOCI – fair value through other comprehensive income), the total impact on the profit/loss of the portfolio can be captured through the comprehensive income.

Following the end of 1H 2018, a declining trend developed in the yields relevant for the valuation of the IRS portfolio, which was contrary to the 1H 2018 industrial consensus and the own expectations of MKB Bank. The significantly falling yields had a negative impact on the profit/loss in the revaluation result. In the current uncertain and changing yield environment, the revaluation result causes significant profit volatility in the profit of MKB Bank.

The profit realised on securities had a positive effect on profit.

2.1.7 Other results

The tax and/or regulatory fees and commission expenses of the MKB Group are recognised within the framework of other profit/loss: transaction levy, local business tax, innovation contribution and other revenues/expenses of ordinary business operation. One of the factors in the positive change (y/y -16.3%) was the lower tax and contribution expense, as well as the lower transaction levy paid into the budget on the basis of the moderate turnover.

2.1.8 Operating expenses

The operating expenses were down by 22.7% on p/p basis and by 13.5% on y/y basis.

The management of MKB Bank is committed to the achievement and continuation of cost effective operation. The results of the rigorous cost cutting and efficiency improving measures adopted in 2015 and 2016 were maintained throughout 1H 2019 resulting in smaller and more efficient operation.

With the successful change in the basic system in 2018, one of the fundamental conditions of further improvement in cost efficiency and continuation of profitable operation was put in place, allowing for further organisational and branch network rationalisation. The closing headcount shrank from 2054 FTE (1H 2018) to 1871 FTE (-9%) on y/y basis, primarily due to comprehensive organisational efficiency measures affecting the number of managerial positions and the closure of branches.

The adjusted personnel expenses decreased by 6.6% on p/p basis. The material expenses were down by 29.5% on a y/y basis. The branch network optimisation implemented after October 2018 had an important role in the reduction of operating expenses. The number of branches was reduced from 69 to 51. Existing branches offer a wide range of online, digitalised and continuously developing products to customers. The costs of external experts and the marketing expenses were also reduced.

Depreciation went up by 24.0% on a y/y basis, primarily as a result of the capitalisation of IT investments.

The introduction of the IFRS16 standard on 1 January 2019 also had an impact on the expenses. Certain items, previously recognised among the material expenses, i.e., primarily rent, were transferred to depreciation and interest expenditure rows in the accounting statement on income. For better comparability, the IFRS16 impact was presented as a correction factor.

Following the decisions on organisational rationalisation and branch closures, the MKB Group recognised in total HUF 2.9 bln reserves in 2H 2018 for the expected expenditure. The reserves are used as the branch closure and organisational rationalisation processes are progressing, on a pro rate basis, reflecting the incurred costs. Effect of provision release in 1H 2019 is shown within general administrative expenses in adjusted financials.

The operating expenses in 2019 are in line with the cost level defined in the 2015 restructuring plan, which is one of the prerequisites in the EU commitments. The management is committed to implementing the MKB2021 mid-term strategy of the MKB Group and fulfil the EU commitments with outstanding cost efficiency.

2.1.9 Risk costs

Due to the excellent quality of the disbursed new portfolio elements and efforts to reduce the non-performing portfolio, the risk costs backed the profit after taxation in 1H 2019. The MKB Group recognised HUF 3.4 bln release in risks costs. The risk cost contribution to income has gone up by HUF 3.2 bln on p/p basis and by HUF 1.8 bln on a y/y basis.

The limitation of the growth of the loan portfolio stated in the EU commitments had a favourable impact on portfolio quality: achieving and maintaining the risk level required for sustainable profitability is a major factor in deliberate RWA optimised pipeline management.

The NPL portfolio was HUF 42,9 bln at the end of 1H 2019, reflecting a reduction of HUF 37.7 bln since the end of 2018. The NPL ratio calculated according to IFRS dropped to 4.4% (-390bp p/p), while the NPL coverage rose from 86.9% to 99.5%-. The MKB Group has reduced its non-performing portfolio in a number of steps since 2015. The commercial real estate financing portfolio was reduced below HUF 60 bln, as required by the EU (CRE – commercial real estate) between 2016 and 2017. The retail NPL portfolio was sold as a package in 2017-2018 and managed to increase the income owing to the improving real estate market.

2.1.10 Corporate income tax

HUF 0.22 bln corporate income tax (tax revenue) was recorded in 1H 2019, as a balance of HUF 1.67 bln tax revenue and HUF 1.45 bln tax expenditure.

This considerable amount of tax revenue resulted from the recognition of deferred tax income related to an unused tax loss. For prudential reasons, the MKB Group recognised only HUF 1.08 bln deferred tax asset for unused tax losses during the period of loss making operation. However, as at the moment the MKB Group operates profitably and, according to its future tax plans, will be able to generate taxable profit in future, too, from the 2018 financial year the MKB Group has presented a deferred tax income for the unused tax losses in its financial statements (2018 - HUF 1.284 bln, 1H 2019 - HUF 1.084 bln).

2.2 Balance sheet

Balance sheet (in MHUF)	2017H2	2018H1	2018H2	2019H1	P/P-1	Y/Y-1
Financial assets	**109,617**	**95,325**	**82,850**	**147,400**	77.9%	54.6%
Trading portfolios	**72,319**	**100,685**	**79,333**	**40,582**	**-48.8%**	**-59.7%**
Securities	**902,712**	**793,062**	**710,669**	**618,942**	**-12.9%**	**-22.0%**
Loans and advances to customers/Customer Loans (net)	**858,592**	**952,822**	**895,203**	**924,823**	**3.3%**	**-2.9%**
Loans and advances to customers/Customer Loans (gross)	938,351	1,044,026	965,315	967,731	0.3%	-7.3%
Retail	*275,555*	*244,811*	*240,241*	*221,733*	*-7.7%*	*-9.4%*
Corporate	*535,736*	*653,268*	*574,006*	*582,161*	*1.4%*	*-10.9%*
Leasing	*127,060*	*145,947*	*151,069*	*163,837*	*8.5%*	*12.3%*
Provision for Customer loans	-79,760	-91,204	-70,112	-42,907	-38.8%	-53.0%
Retail	*-22,208*	*-29,125*	*-23,784*	*-10,433*	*-56.1%*	*-64.2%*
Corporate	*-57,552*	*-55,802*	*-40,301*	*-26,459*	*-34.3%*	*-52.6%*
Leasing	*-6,773*	*-6,277*	*-6,028*	*-6,016*	*-0.2%*	*-4.2%*
Total Other assets	**101,747**	**89,504**	**89,523**	**95,927**	**7.2%**	**7.2%**
Investments in jointly controlled entities and associates	*2,643*	*3,295*	*5,627*	*5,355*	*-4.8%*	*62.5%*
Intangibles, property and equipment	*46,676*	*48,118*	*52,143*	*54,350*	*4.2%*	*13.0%*
Other assets	*52,429*	*38,091*	*31,753*	*36,223*	*14.1%*	*-4.9%*
Total Assets	**2,044,987**	**2,031,399**	**1,857,579**	**1,827,674**	-1.6%	-10.0%
Interbank liabilities	**239,312**	**509,336**	**214,340**	**206,182**	**-3.8%**	**-59.5%**
Deposits & C/A (without repo)	**1,539,140**	**1,246,096**	**1,372,046**	**1,330,175**	**-3.1%**	**6.7%**
Retail	*303,898*	*317,829*	*328,649*	*340,484*	*3.6%*	*7.1%*
Corporate	*1,235,242*	*928,267*	*1,043,397*	*989,691*	*-5.1%*	*6.6%*
Issued debt securities	**10,624**	**8,067**	**4,974**	**2,123**	**-57.3%**	**-73.7%**
Other liabilities	**93,225**	**93,688**	**80,053**	**80,208**	**0.2%**	**-14.4%**
Subordinated debt	**22,307**	**27,990**	**28,002**	**37,701**	**34.6%**	**34.7%**
Shareholders' Equity	**140,379**	**146,221**	**158,166**	**171,285**	**8.3%**	**17.1%**
Total Liabilities & Equity	**2,044,987**	**2,031,398**	**1,857,579**	**1,827,674**	-1.6%	-10.0%
Guarantees	145,388	150,457	147,627	151,035	2.3%	0.4%
Undrawn commitments to extend credit	300,005	273,914	251,299	231,723	-7.8%	-15.4%
Obligations from letters of credit and other short term trade related items	13,881	13,814	4,625	8,834	91.0%	-36.1%
Other contingent liablities (including litigation)	98,598	95,231	24,075	9,064	-62.3%	-90.5%
Customer off Balance items	**557,872**	**533,416**	**427,626**	**400,656**	-6.3%	-24.9%

The balance sheet of the MKB group is presented on the basis of consolidated financial statements prepared according to IFRS. The leasing segment presented in the flash report follows the customer portfolios of the Euroleasing Group.

The closing total assets of the MKB Group in 1H 2019 amounted to HUF 1,827.7 bln, practically same as the closing total assets of 2018, reflecting only 1.6% decrease. The decline is 10%, i.e., HUF 203.7 bln on a p/p basis. The total assets and the structure of the assets site of the consolidated balance sheet are determined mainly by the EU commitments. In addition to the limitation on the maximum nominal value of total assets, the maximum RWA portfolio (risk-weighted assets) allows for approximately 50% RWA/total assets ratio. The MKB Group has to achieve and maintain a low RWA ratio. In order to do so a significant portion of its funds are invested into securities with close to zero average RWA weight. The securities portfolio makes up approximately 1/3 of the assets. Due to the RWA limitation, any increase in customer assets is limited, which also determines the loan deposit ratio of the MKB Group (72.2%).

The EU commitment relating to the balance sheet also has a huge impact on customer deposits. The MKB Group deliberately and actively manages the liability side of its balance sheet within the framework set by the market, the supervisory authority and the EU commitments. The favourable market liquidity would allow for more intensive deposit collection even with the existing customer base, but the MKB Group keeps its customer portfolios at a level, which is required for complying with the RWA capacity limited by the EU commitments and for maintaining the liquidity ratios expected by the MNB.

2.2.1 Loans

The gross loan portfolio stood at HUF 967.7 bln at the end of 1H 2019, with 0.3% growth on p/p and 7.3% decrease on y/y basis. The main factor in this change is the limitation on total assets included in the EU commitments, according to which the MKB Group must achieve a specific figure by the end of 2019. This commitment and the RWA limit indicated above, allow only for limited growth and therefore the MKB Group must have a prudent lending strategy. The leasing portfolio grew significantly, by 12.3% last year and the corporate loan portfolio also expanded by 1.4% in the last six months.

Similarly to risk costs, the impairments recognised on loans also reflect an improving trend. The HUF 42.9 bln is 38.8% lower than the figure reported in the previous half year, but on y/y basis the impairments according to IFRS were almost halved (-53.0%). This result stems from the prudent management of retail and corporate loan portfolios over the past year, the reduction of non-performing loans and acquisition of customers with better risk rating. The provision related to leasing portfolio has not changed significantly in volume.

The portfolio cleaning had a positive effect on the net loan portfolio. Only 2.9% decline can be observed on a y/y basis, despite a significant contraction of the gross loan portfolio indicated above, and 3.3% growth may be observed since the end of 2018.

2.2.2 Financial assets

At the end of 1H 2019, MKB Group held HUF 147.4 bln financial assets. The majority of the portfolio, which varies parallel with the liquidity position and total assets of the Group, is made up of interbank and MNB related instruments related to liquidity management.

2.2.3 Deposits

The customer deposit portfolio is HUF 1,330.2 bln, showing an overall decreasing tendency of 6.7% y/y and 3.1% decrease on p/p basis. The active customer deposit management helps adopting the liability side of the balance sheet to requirements included in the EU commitments. Customer deposit trends are also underpinned by the continuously low interest rates, causing customers to avoid bank deposits and look for liquid products or products that offer a potentially higher yield.

In parallel with the above, the retail term deposits have been shrinking over the past year and were partly transformed either into demand deposits or into other savings products. On the contrary, presumably due to long-term lower interest rate pricing, the corporate segment showed some increase in the last six months, following the major drop observed at the end of last year.

2.2.4 Securities

The 1H 1H 2019 balance sheet contains HUF 618.9 bln securities. Gradual reduction of the securities portfolio is one of the possible instruments to be used in the measures aimed at achieving the balance sheet commitments. This year the reduction is 12.9%, and the portfolio is 22.0% lower than it was last year.

The trading book securities portfolio, which supports liquidity management, shrank parallel with the decrease in the total assets.

The overwhelming majority of the securities portfolio is denominated in HUF (98.6 % HUF ratio), the Hungarian government bonds making up 92%% of the portfolio.

2.2.5 Interbank liabilities

The interbank liabilities fell by 59,5% on a y/y basis, predominantly due to the refinancing of customer loans, varying depending on the respective balances on the assets side.

The interbank liabilities beside the sources of refinancing match the liquidity position of the Group. Given the currently high customer resources and limited total assets, this portfolio component reduced significantly compared to the preceding periods. The interbank liabilities are dominated by funds secured by MNB.

2.2.6 Equity

The MKB Group had HUF 171.3 bln equity at the end of the reporting period. There was a major increment compared to both previous periods: 17.1% increase on y/y basis and 8.3% increase since the end of 2018. The HUF 13.1 bln increment over the six months stems mainly from the HUF 8.2 bln profit after taxation of the period and the HUF 5.5 bln revaluation reserve change of the NON-HFC securities portfolio.

The positive impact on equity of the profitable operation achieved in 2016 and maintained ever since as a result of the structural changes of the past years, the new strategic model, the rigorous cost control and the efforts to improve the quality of the loan portfolio, allowed dividend payment to the shareholders. The general meeting of MKB Group closing 2018, approved the payment of HUF 4.8 bln dividend (with ESOP effect HUF 4.7 bln) from the retained earnings.

Owing to the above measures and given that the regulatory capital is also significantly higher than stated in the regulatory requirements, the equity is a stable foundation for the sound operation of the MKB Group and its growth in the forthcoming years.

2.2.7 Off-balance sheet exposures to customers

The Group’s off-balance sheet exposures shrank significantly over the past period simultaneously with the gross customer loans on a y/y basis (-24.9%), mostly because of a reduction in credit lines.

2.3 Capital adequacy

With an increase in equity, the Group's capital adequacy ratio was 19.3% at the end of 1H 2019, reflecting 140bp increase on p/p and 600bp on a y/y basis. That capital adequacy ratio is higher than the regulatory minimum and provides a comfortable capital buffer for the operation of the MKB Group.

Beside an increase in equity, an increase in the revaluation reserve for instruments to be valued against equity had a major role in the increase of the regulatory capital. The favourable change was a positive impact of the yield environment that has reduced significantly since 1H 2018.

In order to lay down the foundation of mid-term growth and determine the capital costs, the MKB Group raised EUR 31 mln funding in the form of a subordinated loan in March 2019. The bonds were issued privately at a price confirming the favourable risk assessment of the MKB Group. With the new issue, the subordinated loans increased to HUF 37.7 bln. The new loan increased the free capital buffer.

The HUF 4.8 bln dividend paid from retained earnings in 1H 2019 slightly reduced the capital adequacy ratio. The ESOP organisation returned the dividend on the treasury shares held by the ESOP organisation to MKB Bank in compliance with its deed of foundation and remuneration policy (HUF 0.1 bln capital impact).

2.4 Presentation of the results of the business segments

This chapter presents the loan portfolio of the MKB Group by segment and positions it in the banking market according to market share. The segments are formed according to the requirements to be used in the reports prepared for the Magyar Nemzeti Bank (MNB) and the portfolios are also analysed accordingly for the exact presentation of the market shares.

2.4.1 Corporate business

Within the corporate loans, the loans of non-financial companies amounted to HUF 458.4 bln, reflecting a 0.8%, HUF 3.7 bln increase since the end of 2018. Nonetheless, the market share shrank by 43bp to 5.67%. It was mainly the result of the fact that although the Bank's capital position would be supportive of higher growth, the RWA commitment prevents it this year and limits the growth rate, which would otherwise be inherent in the market.

Almost all main product categories contributed to an increase in the loan portfolio.

The investment loans of non-financial companies rose to HUF 112.1 bln, making up 24.5% of the non-financial corporate loans. Owing to an increase in subsidised competitiveness boosting investment loans, the increment was HUF 1.4 bln since the end of the year, new disbursements were close to HUF 20 bln, significantly higher than in 1H of the previous years.

The working capital loan portfolio expanded by HUF 2.6 bln over the year and grew into a HUF 104.2 bln portfolio. These loans make up 22.7% of the portfolio with another outstanding figure in the disbursement of new working capital loans in the first half of the year (HUF 58.4 bln).

In the breakdown by segments, the non-financial large corporate gross loan portfolio rose by HUF 24.2 bln to HUF 122.5 bln, the SME loan portfolio was recorded at HUF 313.7 bln and the loan portfolio of micro enterprise was recorded at HUF 22.2 bln.

Loan disbursements to non-financial companies during the reporting period showed an outstanding 52.9% increase compared to the same period of the previous year. The HUF 86.1 bln disbursement led to 5.02% market share, which is significantly higher than the 3.69% market share recorded last year.

The deposits of non-financial companies amounted to HUF 552.6 bln, reflecting 11.7% decline since the end of the year with 62bp reduction in the market share; it currently stands at 6.62%. The changes occurred partly due to the volatile movements in the corporate deposit in- and outflow and as a result of active balance sheet management necessitated by the balance sheet cap which might affect also corporate volumes.

At the end of 1H 2019, there were 41,500 corporate customers. The cleaning of the customer portfolio according to compliance criteria, focusing also on the admission to the stock exchange had a major role in the development of the number of customers and put an end to services to specific customer groups. As a traditional commercial bank, MKB Bank focuses on providing services to large customers using numerous products; no major changes occurred in that segment.

2.4.2 Leasing[3]

The leasing portfolio volume of MKB Group was HUF 163.8bln at the end of 1H 2019, which accounts for an outstanding 8.5% p/p (HUF 12.8bln) increase. Car financing business volumes reached HUF 94.1bln, (HUF +7.1 bln p/p), while the wholesale volume was HUF 53.9bln (HUF +3.7 bln p/p).

[3] The leasing portfolio of the MKB Group is managed by the MKB-Euroleasing Group, in which MKB Bank Nyrt. acquired 100% share in 2015. The former single focus model of operation limited to vehicle financing was replaced by a multi-focus model. The activities were extended to financing agricultural machinery, large commercial vehicles, buses and general machinery.

The RWA commitment, due to which the lending decisions in 2019 prioritise segments that are more RWA efficient (vehicle financing, SME customers) also limits the growth potential of leasing.

The volume of new loans in 1H 2019 was higher than expected owing to the development taking place in vehicle financing, significantly surpassing the market growth. The MKB Group moves forward with a prudent lending strategy in the asset-financing segment, given its high RWA need. The main emphasis is on the diversified agricultural machine-financing segment that is aimed at SME customers.

In terms of new loans, the MKB Group has a stable position among the three largest actors in the Hungarian leasing market according to the data of the Hungarian Leasing Association.

The extension of the activity improves the stability of operation and income generating capacity of the MKB Group through diversification and the full range of services can be offered to the customers in order to make maximum use of the cross selling opportunities.

The comprehensive back office service provided by the MKB-Euroleasing to the Hungarian financing subsidiary of one of the global leading vehicle manufacturers, significantly improves the stability of operation of the MKB Group and the profitability of the leasing business line. Besides direct economic benefits, that relationship provides important know-how and direct access to the solutions applied in the most advanced global financing markets.

The expansion of operation significantly increased the volume of loans/contract, and therefore with a moderate increase in the total number of customers, the managed portfolio doubled over the past three years and the efficiency of operation also improved significantly.

In line with the diversification of the activity and the market trends, the internal structure of the customers of the leasing segment also changed continuously. The share of private individuals dropped significantly, while that of legal entities, more specifically, the members of the SME sector, preferred also in the strategy, has grown a great deal. The tendency continued also in 2019. As the MKB-Euroleasing Group takes part in channelling down the available FGS funds to customers as much as it can, given its market share, the activity greatly contributes to the expansion of the SME customer base.

The lending and portfolio growth take place on the basis of a carefully elaborated, prudent risk strategy, so the risk exposure of the leasing business increased only moderately. With a doubled portfolio, the gross non-performing loans shrank by almost 50% and their coverage by impairment grew from the average 73% to 83%. The overwhelming majority of the non-performing portfolio stems from loans disbursed in 2007 and 2008. The decrease in the non-performing portfolio and an increase in its coverage continued in 2019 too.

2.4.3 Retail business

The retail segment closed 1H 2019 with HUF 239.3 bln loans, reflecting 2.5% decline due to a weaker start of the year in lending activity and with a retained 3.75% market share. In relation to the EU commitments limiting the pricing range and the portfolio growth, deliberate deceleration and managed market share loss occurred in 1H 2019.

Compared to the same period of the previous year, HUF 11.7 bln new loans were disbursed, making up 1.53% in market share. 93.6% of the portfolio is secured, 5.0% is unsecured loans and the remaining 1.4% consists of other loans.

In 1H 2019, the total secured loans amount to HUF 223.9 bln compared to HUF 231.4 bln at the end of 2018, while the market share dropped to 5.03%. A moderate amount of HUF 10.3 bln was placed in the first half of the year.

Given the subdued activity in 1H 2019, the volume of new consumer loans decreased since the same period of the previous year but it did not have any influence on the moderate growth of the portfolios and the retention of the market share. Over the past few years, retail strategy focused on acquisition and effective operation as well as improvement of the quality of the loan portfolio with decreasing risk costs stemming from the sale of the non-performing portfolio.

In 1H 2019, the deposit portfolio[4] expanded by 4.0% and closed at HUF 288.9 bln, with a HUF 17.1 bln increase in the demand portfolio and a HUF 6.0 bln decrease in the term deposits. Deposits market share remained almost flat: 3.21% (+8bp). As a result of the market interest rates that had a negative impact on deposits, the new funds channelled into the demand deposit portfolio compensated for the annual decrease in the term deposits.

The number of active retail customers was 179.7 thousand in 1H 2019. The number of clients remained stable in spite of restrictions stemming from EU commitments and the gradual reduction of non-performing transactions. MKB Bank focuses on higher income (affluent and private banking) customers and its strategic goal is to offer effective and efficient services to this segment.

2.4.4 Private banking segment

In terms of managed assets, the private banking segment picked up more strength in 2019, as it closed the first half of the year with HUF 605.7 bln portfolio after more than 11% increase since the end of last year. With that portfolio, the MKB Bank still manages the second largest volume of assets in the banking sector with 11.7% market share. Parallel with an increase in the portfolio, the assets managed for one customer also grew by 13% since 2018.

The main factor in this growth is the increase in other external securities (investment funds) and government securities in the portfolio. MÁP+ retail government securities introduced on 3 June 2019 also made a huge contribution to the latter.

[4] the total savings are presented in Chapter 2.4.4

Declaration

MKB Bank Nyrt. (hereinafter Bank) issues the following declaration in relation to its report on the 1H 2019 results (Flash Report):

The Bank declares that the Flash Report has been prepared in compliance with the applicable accounting regulations. The Flash Report, prepared according to the best knowledge and information of the experts and decision-making managers of the Bank concerned reflects a true and fair view of the assets and liabilities, financial position and profit and loss of the Bank as securities issuer and the consolidated companies.

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

Budapest, 29 August 2019

MKB Bank Nyrt.

dr. Ádám Balog	Csaba Gábor Fenyvesi
Chairman and Chief Executive	Deputy CEO

3 FINANCIALS

3.1 Adjustments

3.1.1 1H 2018

	2018H1 Half-yearly Report	Dividend income	OPEX correction	Banking tax	ESOP	Other taxes	Other	Adjusted PAT
Interest income	29,775	-677	0	0	0	0	0	29,098
Interest expense	-8,813	0	0	0	0	0	0	-8,813
Net interest income	**20,962**	**-677**	**0**	**0**	**0**	**0**	**0**	**20,285**
Net income from commissions and fees	14,035	0	0	0	0	0	0	14,035
Other operating income / (expense), net	15,451	760	-5,949	2,062	0	0	0	12,323
Impairments and provisions for losses	1,595	0	0	0	0	0	0	1,595
Operating expenses	-33,716	0	5,949	2,313	3,120	470	663	-21,202
Share of jointly controlled and associated companies' profit / (loss)	760	-760	0	0	0	0	0	0
Banking tax	0	0	0	0	0	0	0	0
Profit / (Loss) before taxation	**19,087**	**-677**	**0**	**4,374**	**3,120**	**470**	**663**	**27,037**
Income tax expense / (income)	-1,084	0	0	0	0	-470	0	-1,554
PROFIT/ (LOSS) FOR THE YEAR	**18,003**	**-677**	**0**	**4,374**	**3,120**	**0**	**663**	**25,483**
Other comprehensive income:		0	0	0	0	0	0	0
Revaluation on financial assets measured at FVTOCI	-19,226	0	0	0	0	0	0	-19,226
Other comprehensive income for the year net of tax	**-19,226**	**0**	**0**	**0**	**0**	**0**	**0**	**-19,226**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-1,223**	**-677**	**0**	**4,374**	**3,120**	**0**	**663**	**6,257**

3.1.2 2H 2018

	2018H2 Half-yearly Report	Dividend income	OPEX correction	Branch closure reserve	Realignment reserve	Banking tax	Other taxes	Other	Adjusted PAT
Interest income	28,031	-140	0	0	0	0	0	0	27,891
Interest expense	-7,673	0	0	0	0	0	0	0	-7,673
Net interest income	**20,358**	**-140**	**0**	**0**	**0**	**0**	**0**	**0**	**20,218**
Net income from commissions and fees	11,873	0	0	0	0	0	0	0	11,873
Other operating income / (expense), net	-8,229	1,551	5,962	0	0	0	0	0	-716
Impairments and provisions for losses	-795	0	0	349	683	0	0	0	237
Operating expenses	-19,148	0	-5,962	1,608	0	0	-470	257	-23,715
Share of jointly controlled and associated companies' profit / (loss)	1,551	-1,551	0	0	0	0	0	0	0
Profit / (Loss) before taxation	**5,610**	**-140**	**0**	**1,957**	**683**	**0**	**-470**	**257**	**7,897**
Income tax expense / (income)	1,519	0	0	0	0	0	470	0	1,989
PROFIT/ (LOSS) FOR THE YEAR	**7,129**	**-140**	**0**	**1,957**	**683**	**0**	**0**	**257**	**9,886**
Other comprehensive income:		0	0	0	0	0	0	0	0
Revaluation on financial assets measured at FVTOCI	5,972	0	0	0	0	0	0	0	5,972
Other comprehensive income for the year net of tax	**5,972**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**5,972**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**13,101**	**-140**	**0**	**1,957**	**683**	**0**	**0**	**257**	**15,858**

3.1.3 1H 2019

	2019H1 Half-yearly Report	Dividend income	OPEX correction	Banking tax	Branch closure reserve	Realignment reserve	IFRS16 effect	Adjusted PAT
Interest income	30,407	-35	0	0	0	0	0	30,372
Interest expense	-8,893	0	0	0	0	0	48	-8,845
Net interest income	**21,514**	**-35**	**0**	**0**	**0**	**0**	**48**	**21,527**
Net income from commissions and fees	11,716	0	0	0	0	0	0	11,716
Other operating income / (expense), net	-9,937	1,073	209	2,024	0	0	-20	-6,652
Impairments and provisions for losses	4,562	0	0	0	-782	-390	0	3,390
Operating expenses	-20,975	0	-209	2,023	782	390	-347	-18,336
Share of jointly controlled and associated companies' profit / (loss)	1,073	-1,073	0	0	0	0	0	0
Profit / (Loss) before taxation	**7,953**	**-35**	**0**	**4,047**	**0**	**0**	**-320**	**11,645**
Income tax expense / (income)	217	0	0	0	0	0	0	217
Profit/ (Loss) for the year from continuing operation	**8,170**	**-35**	**0**	**4,047**	**0**	**0**	**-320**	**11,862**
PROFIT/ (LOSS) FOR THE YEAR	**8,170**	**-35**	**0**	**4,047**	**0**	**0**	**-320**	**11,862**
Other comprehensive income:		0	0	0	0	0	0	0
Revaluation on financial assets measured at FVTOCI	5,490	0	0	0	0	0	0	5,490
Other comprehensive income for the year net of tax	**5,490**	**0**	**0**	**0**	**0**	**0**	**0**	**5,490**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**13,660**	**-35**	**0**	**4,047**	**0**	**0**	**-320**	**17,352**

3.2 Consolidated financial statements of the MKB Group according to IFRS

3.2.1 Income statement

Statement of profit or loss	2018H1*	2019H1*
Interest income	29,775	30,407
Interest expense	8,813	8,893
Net interest income	**20,962**	**21,514**
Net income from commissions and fees	14,035	11,716
Other operating income / (expense), net	15,451	-9,937
Impairments and provisions for losses	(1,595)	(4,562)
Operating expenses	33,716	20,975
Share of jointly controlled and associated companies' profit / (loss)	760	1,073
Profit / (Loss) before taxation	**19,087**	**7,953**
Income tax expense / (income)	1,084	(217)
PROFIT/ (LOSS) FOR THE YEAR	**18,003**	**8,170**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Revaluation on financial assets measured at FVTOCI	(19,226)	5,490
Other comprehensive income for the year net of tax	**(19,226)**	**5,490**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(1,223)**	**13,660**

*Non-audited

3.2.2 Balance sheet

	2018H2	2019H1*
Assets		
Cash reserves	19,240	79,652
Loans and advances to banks	63,610	67,747
Derivative financial assets	17,914	17,846
Securities	773,029	643,121
Loans and advances to customers	895,203	924,823
Non-current assets held for sale and discontinued operations	4,238	10,335
Other assets	21,699	18,648
Current income tax assets	2	50
Deferred tax assets	5,814	7,190
Investments in jointly controlled entities and associates	4,687	3,912
Intangibles, property and equipment	52,143	54,350
Total assets	**1,857,579**	**1,827,674**
Liabilities		
Amounts due to other banks	214,340	196,182
Deposits and current accounts	1,372,046	1,340,175
Derivate financial liabilities	31,608	34,857
Liabilities held for sale and discontinued operations	0	206
Other liabilities and provisions	48,425	44,174
Current income tax liabilities	16	722
Issued debt securities	4,974	2,123
Subordinated debt	28,002	37,701
Total liabilities	**1,699,413**	**1,656,389**
Equity		
Share capital	100,000	100,000
Treasury Shares	-1,987	-70
Reserves	58,166	71,285
Total equity attributable to equity holders of the Bank	**156,179**	**171,215**
Non-controlling interests	1,987	70
Total equity	**158,166**	**171,285**
Total liabilities and equity	**1,857,579**	**1,827,674**

*Non-audited

3.2.3 Shareholders' assets

	Share capital	Treasury shares	Share premium	Share-based payments	Retained earnings	Revaluation on financial assets measured at FVTOCI	Non-controlling interests	Total equity
At 31 December 2017	**100,000**	**(5,550)**	**21,729**	**54**	**16,244**	**2,354**	**5,549**	**140,380**
Affect on IFRS 9 implementation	-	-	-	-	(1,109)	7,435	-	**6,326**
At 1 January 2018	**100,000**	**(5,550)**	**21,729**	**54**	**15,135**	**9,789**	**5,549**	**146,706**
Profit/ (loss) for the year	-	-	-	-	25,132	-	-	**25,132**
Other comprehensive income for the year	-	-	-	-	-	(13,255)	-	**(13,255)**
First / (final) consolidation of subsidiaries	-	-	-	-	(558)	-	-	**-**
Change in non-controlling interests	-	-	-	-	-	-	1	**1**
Equity settled share-based payments	-		-	140	-	-		**140**
Disposal of treasury shares	-	3,563	-		-	-	(3,563)	**-**
At 31 December 2018	**100,000**	**(1,987)**	**21,729**	**194**	**39,709**	**(3,466)**	**1,987**	**158,166**
Dividend for the year 2018	-	-	-	-	(4,665)	-	-	**(4,665)**
Profit/ (loss) for the year	-	-	-	-	8,170	-	-	**8,170**
Other comprehensive income for the year	-	-	-	-	-	5,490	-	**5,490**
Equity settled share-based payments	-		-	(194)	194	-	-	**-**
Disposal of treasury shares	-	1,917	-	-	4,124	-	(1,917)	**4,124**
At 30 June 2019	**100,000**	**(70)**	**21,729**	**-**	**47,532**	**2,024**	**70**	**171,285**

3.3 Individual IFRS financial statements of MKB Bank Plc.

3.3.1 Income statement

Statement of profit or loss	**2018H1***	**2019H1***
Interest income	27,917	30,784
Interest expense	8,856	9,215
Net interest income	**19,061**	**21,569**
Net income from commissions and fees	13,964	11,772
Other operating income / (expense), net	11,596	(9,845)
Impairments and provisions for losses	(1,575)	(3,947)
Operating expenses	25,104	18,822
Profit / (Loss) before taxation	**21,092**	**8,621**
Income tax expense / (income)	1,005	(212)
PROFIT/ (LOSS) FOR THE YEAR	**20,087**	**8,833**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Revaluation on financial assets measured at FVTOCI	(19,226)	5,490
Other comprehensive income for the year net of tax	**(19,226)**	**5,490**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**861**	**14,323**

* Non-audited

3.3.2 Balance sheet

	2018H2	2019H1*
Assets		
Cash reserves	19,240	79,652
Loans and advances to banks	63,610	67,747
Derivative financial assets	17,914	17,846
Securities	773,029	643,121
Loans and advances to customers	893,144	921,709
Non-current assets held for sale and discontinued operations	4,238	10,335
Other assets	16,518	17,235
Deferred tax assets	5,771	7,086
Investments in jointly controlled entities and associates	42,972	43,260
Intangibles, property and equipment	22,193	37,445
Total assets	**1,858,629**	**1,845,436**
Liabilities		
Amounts due to other banks	214,153	196,031
Deposits and current accounts	1,380,838	1,361,750
Derivate financial liabilities	31,608	34,857
Other liabilities and provisions	38,708	41,602
Current income tax liabilities	-	720
Deferred tax liabilities	-	195
Issued debt securities	5,696	3,433
Subordinated debt	28,002	37,701
Total liabilities	**1,699,005**	**1,676,289**
Equity		
Share capital	100,000	100,000
Reserves	59,624	69,147
Total equity attributable to equity holders of the Bank	**159,624**	**169,147**
Total liabilities and equity	**1,858,629**	**1,845,436**

3.3.3 Shareholders' assets

	Share capital	Share premium	Retained earnings	Revaluation on financial assets measured at FVTOCI	Total equity
At 31 December 2017	**100,000**	**21,729**	**17,196**	**2,354**	**141,279**
Affect on IFRS 9 implementation	-	-	(1,109)	7,435	**6,326**
At 1 January 2018	**100,000**	**21,729**	**16,087**	**9,789**	**147,605**
Profit/ (loss) for the year	-	-	25,274	-	**25,274**
Other comprehensive income for the year	-	-	-	(13,255)	**(13,255)**
At 31 December 2018	**100,000**	**21,729**	**41,361**	**(3,466)**	**159,624**
Dividend for the year 2018	-	-	(4,800)	-	**(4,800)**
Profit/ (loss) for the year	-	-	8,833	-	**8,833**
Other comprehensive income for the year	-	-	-	5,490	**5,490**
At 30 June 2019	**100,000**	**21,729**	**45,394**	**2,024**	**169,147**

3.3.4 Other data

Consolidated companies

Company	Percentage of equity owned	Percentage of voting rights	Brief description of activities
Euro - Immat Üzemeltetési Kft.	100.00%	100.00%	Intangible assets, license maintenance
Exter-Adósságkezelő Kft.	100.00%	100.00%	Collecting receivables
Extercom Vagyonkezelő Kft.	100.00%	100.00%	Property investments
MKB-Euroleasing Autólízing Szolgáltató Zrt.	100.00%	100.00%	Car and consumer finance activities, other finance activities
MKB Bank MRP Szervezet	100.00%	0.00%	Special purpose entity for the Employee Share Program
MKB Nyugdíjpénztárt és Egészségpénztárt Kiszolgáló Kft.	100.00%	100.00%	Other financial services
MKB Üzemeltetési Kft.	100.00%	100.00%	Property operation and maintenance
Retail Prod Zrt.	100.00%	100.00%	Car and consumer finance activities
MKB-Pannónia Alapkezelő Zrt.	49.00%	49.00%	Investment fund management activity
MKB Digital Szolgáltató Zrt.	100.00%	100.00%	IT services

Ownership structure, participation and voting ratio

Description of owner	Total equity					
	1 January 2019			30 June 2019		
	Quantity of shares	Ownership share (%)	Voting rights (%)	Quantity of shares	Ownership share (%)	Voting rights (%)
Domestic institution/company	61,720,597	61.7%	61.7%	66,911,507	66.9%	66.9%
Foreign institution/company	32,900,000	32.9%	32.9%	32,900,000	32.9%	32.9%
Domestic individual						
Foreign individual						
Employees, senior officers						
Treasury shares						
Government held owner						
International Development Institutions						
Other	5,379,403	5.4%	5.4%	188,493	0.2%	0.2%
TOTAL	**100,000,000**	**100.0%**	**100.0%**	**100,000,000**	**100.0%**	**100.0%**

List and presentation of owners with more than 5% participation

Név	Number of shares	Ownership share (%)	Voting rights (%)
METIS Private Equity Fund	35,000,001	35.0%	35.0%
Blue Robin Investments S.C.A.	32,900,000	32.9%	32.9%
RKOFIN RKOFIN Investment and Asset Management Ltd.	13,620,597	13.6%	13.6%
EIRENE Private Equity Fund	9,999,999	10.0%	10.0%

Company name: MKB Bank Nyrt.
Address: 1056 Budapest, Váci u. 38.
Sector: Other monetary activity
Reporting period: 01.01.2019-30.06.2019
Phone: +36 (1) 268-8004
Fax: +36 (1) 268-7555
E-mail address: investorrelations@mkb.hu
Investors' contact person: Dóra Sebestyén-Bertalan

Full-time employees

FTE, end of period	2017H2	2018H1	2018H2	2019H1
MKB Bank Nyrt.	1,758.68	1,853.13	1,763.15	1,497.78
MKB Digital Zrt.	0.00	0.00	0.00	190.70
MKB Üzemeltetési Kft	41.50	41.50	43.50	37.11
Euroleasing Zrt.	0.15	0.10	0.10	0.00
MKB Euroleasing Autólízing Zrt.	114.07	125.90	119.35	133.18
MKB-Euroleasing Autóhitel Ker és Szolg Zrt.	16.23	16.05	15.90	0.00
Retail Prod Zrt.	0.33	0.33	0.33	0.23
MKB Befektetési Alapkezelő Zrt.	3.18	1.01	0.00	0.00
MKB Nypénzt. és Eü.Pénzt.Kiszolgáló Kft.	11.25	11.00	10.22	6.00
Exter Adósságkezelő Kft.	2.00	1.00	1.00	1.00
Extercom Kft.	2.64	1.58	2.15	3.20
MKB Bank MRP Szervezet	2.00	2.00	2.00	2.00
MKB Jelzálogbank Zrt.	1.05	0.50	0.00	0.00
MKB Group	**1,953.07**	**2,054.08**	**1,957.70**	**1,871.19**

Managers and strategic employees

Type[1]	Name	Position	Beginning of mandate	End/termination of mandate	Number of shares held
IT, VB	Dr. Ádám Balog	Chairman and CEO	2015.07.23	2020.07.22	0
IT, VB	Dr. András Csapó	member, Deputy CEO	2017.09.07	2020.07.22	0
IT	Márk Hetényi	member	2019.04.16	2024.04.15	0
IT	Imre Kardos	member	2016.07.25	2021.07.24	0
IT	Balázs Nyitrai	member	2018.06.27	2023.06.26	0
FB, VB	János Nyemcsok	member, Deputy CEO	2016.04.15	2021.03.31	0
FB	Ferenc Müller	member, Chief Strategic Consultant	2016.04.15	2021.03.31	0
FB	Albert Godena	member, Director	2016.07.25	2021.07.24	0
FB	Rita Feodor	member	2018.09.19	2023.09.18	0
FB	Dr. Ágnes Hornung	Chair Lady	2019.02.28	2024.02.27	0
FB	Törtel András Oszlányi	member	2019.02.25	2024.02.24	0
FB	Dr. László Ipacs	member	2019.02.25	2024.02.24	0
SP, VB	András Bakonyi	Deputy CEO	2017.09.22		0
SP, VB	Ildikó Ginzer	Deputy CEO	2016.12.21		0
SP, VB	Csaba Gábor Fenyvesi	Deputy CEO	2019.06.25*		0

[1] Employee in strategic positions (SP), Board of Directors member (IT), Supervisory Board member (FB), Executive Committee member (VB)

* Member of the Executive Committee since 01.08.2017

4 ANNEXES

4.1 Financial indicators

$$\text{Return on Average Equity } (\boldsymbol{ROAE}) = \frac{Profit\ after\ taxation\ of\ the\ period}{Average\ equity}$$

$$\text{Return on Average Assets } (\boldsymbol{ROAA}) = \frac{Profit\ after\ taxation\ of\ the\ period}{Average\ total\ assets}$$

$$Total\ revenue\ margin\ (\boldsymbol{TRM}) = \frac{Gross\ revenues}{Average\ total\ assets}$$

$$Net\ interest\ margin\ (\boldsymbol{NIM}) = \frac{Net\ interest\ income}{Average\ total\ assets}$$

$$Net\ fee\ margin\ (\boldsymbol{NFM}) = \frac{Net\ fee/commission\ income}{Average\ total\ assets}$$

$$Core\ income\ margin = \frac{Net\ interest\ income + Net\ fee\ (commission)\ income + FX}{Average\ total\ assets}$$

$$Operating\ expenses\ /Total\ assets\ (\boldsymbol{C/TA}) = \frac{Total\ operating\ expenses}{Average\ total\ assets}$$

$$Cost\ /\ Income\ ratio\ (\boldsymbol{CIR}) = \frac{Total\ operating\ expenses}{Gross\ revenues}$$

$$Impairment\ /\ Total\ assets\ = \frac{Impairment\ recognised\ on\ loans}{Total\ assets\ (closing)}$$

$$Risk\ cost\ ratio\ = \frac{Risk\ cost\ recognised\ on\ loans}{Average\ gross\ loan\ portfolio}$$

$$Capital\ adequacy\ ratio\ (\boldsymbol{CAR}) = \frac{Regulatory\ capital}{Risk\ weighted\ assets\ (RWA)(closing)}$$

$$RWA\ ratio \ = \frac{RWA\ (closing)}{Total\ assets\ (closing)}$$

$$Loans\ to\ Deposits\ ratio\ \boldsymbol{LTD}) = \frac{Gross\ customer\ loans\ (closing)}{Customer\ deposits\ (closing)}$$

$$RWA\ efficiency\ (\boldsymbol{GOI/RWA}) = \frac{Gross\ revenues}{RWA\ (average)}$$

$$Earnings\ per\ share\ (\boldsymbol{EPS}) = \frac{Profit\ after\ taxation\ of\ the\ period}{Number\ of\ shares}$$

$$NPL\ coverage\ \ = \frac{Impairment\ recognised\ on\ loans}{Non-performing\ loans\ (NPL)(closing)}$$

$$NPL\ ratio\ \ = \frac{NPL\ portfolio\ (closing)}{Gross\ customer\ loans\ (closing)}$$

$$DPD90 + coverage = \frac{Impairment\ recognised\ on\ loans}{Loans\ past\ due\ for\ more\ than\ 90\ days\ (DPD90+)\ (closing)}$$

$$DPD90 + ratio = \frac{DPD90 + portfolio\ (closing)}{Gross\ customer\ loans\ (closing)}$$

4.2 Abbreviations

MKB, MKB Bank, MKB Group	MKB Group
EU commitments	Required range of certain EU Commitments marked in brackets, as defined in the following public document: https://ec.europa.eu/competition/state_aid/cases/261437/261437_1721348_166_2.pdf Please note that specific targets were set within the displayed ranges.
MNB	Magyar Nemzeti Bank (the Central Bank of Hungary)
y/y	Year on year
p/p	Period on period
bp	Basis point
CAGR	Compounded Annual Growth Rate
PAT	Profit after tax
PBT	Profit before tax
GOI	Gross Operating Income
GAE	General Administrative Expenses
OCI	Other Comprenesive Income
TOCI	Total Other Comprenesive Income
FX	FX result
FV	Revaluation result
IRS	Interest Rate Swap
TA	Total Assets
RWA	Risk Weighted Assets
Covered loans	Home Loans + Free-to-Use Mortgages
FVTOCI	Fair Value Through OCI
FVTPL	Fair Value Through P&L
FTE	Full Time Equivalent
NPL	Non Performing Loans
NPE	Non Performing Exposures
DPD90+	Days past due over 90 days
POCI	Purchased or Originated Credit Impaired Asset
ROE, ROAE	Return On Equity
CIR	Cost Income Ratio
TRM	Total Revenue Margin
NIM	Net Interest Margin
NFM	Net Fee Margin
CAR	Capital Adequacy Ratio
LTD	Loans To Deposits ratio
EPS	Earning Per Share
AVA	Asset Value Adjustment – CRR specification
MÁP+	Hungarian Governmental Securities+
ÁKK	Price of government bond reference yields determined daily by the National Debt Management Center (ÁKK)

4.3 Sources

MNB	https://www.mnb.hu/en/statistics/statistical-data-and-information/statistical-time-series	
K&H (KBC)	https://www.kbc.com/en/quarterly-reports#tab	
Unicredit	https://www.unicreditgroup.eu/en/investors/group-results.html	Divisional Database
Erste Bank	https://www.erstegroup.com/en/investors/reports/financial-reports	
Raiffeisen	http://investor.rbinternational.com/index.php?id=556&L=1	
CIB (Intesa)	https://www.group.intesasanpaolo.com/scriptIsir0/si09/investor_relations/eng_bilanci_relazioni.jsp	Key figures database
Budapest Bank	https://www.budapestbank.hu/info/irattar/irattar-eves.php	