MKB Bank Nyrt.

Report on the
3Q 2020 results
(Flash Report)

Budapest, 26. November 2020

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Company name: MKB Bank Nyrt.
Address: 1056 Budapest, Váci u. 38.
Sector: Other monetary activity
Reporting period: 01.07.2020-30.09.2020
Phone: +36 (1) 268-8004
Fax: +36 (1) 268-7555
E-mail address: investorrelations@mkb.hu
Investors' contact person: Dóra Sebestyén-Bertalan

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1 MKB Group 3Q 2020 Results – overview

Main components of P&L (in MHUF)	Period 3Q2019	Period 2Q2020	Period 3Q2020	Period P/P	Period Y/Y	YTD 3Q2019	YTD 3Q2020	YTD Y/Y
TOCI (Total Other Comprensive Income)	**19,415**	**7,777**	**9,302**	**19.6%**	**-52.1%**	**33,075**	**7,250**	**-78.1%**
Revaluation on non HFC financial assets (OCI)	-8,640	11,569	-5,971	-151.6%	-30.9%	-3,150	-6,038	91.7%
Profit after tax	**28,055**	**-3,793**	**15,273**	**-**	**-45.6%**	**36,225**	**13,288**	**-63.3%**
Adjustments total on PAT	-6,303	3,093	250	-91.9%	-104.0%	-2,611	9,475	-
Adjusted TOCI	**13,112**	**5,183**	**9,553**	**84.3%**	**-27.1%**	**30,464**	**16,724**	**-45.1%**
Adjusted revaluation on non HFC financial assets (OCI)	-8,640	5,883	-5,971	-201.5%	-30.9%	-3,150	-6,038	91.7%
Adjusted Profit after tax	**21,752**	**-700**	**15,524**	**-**	**-28.6%**	**33,614**	**22,762**	**-32.3%**
Profit before tax (adjusted)	**21,829**	**-381**	**15,665**	**-**	**-28.2%**	**33,474**	**23,853**	**-28.7%**
Gross Operating Income (adjusted)	**33,846**	**10,084**	**27,556**	**173.3%**	**-18.6%**	**60,435**	**55,042**	**-8.9%**
Net Interest Income (adjusted)	10,478	8,391	9,336	11.3%	-10.9%	32,005	25,481	-20.4%
Net Fee Income (adjusted)	7,753	5,279	5,899	11.7%	-23.9%	19,469	17,174	-11.8%
Net Other Income (adjusted)	15,615	-3,587	12,322	-	-21.1%	8,961	12,387	38.2%
General Administrative Expenses (adjusted)	-8,231	-10,296	-10,017	-2.7%	21.7%	-26,566	-30,216	13.7%
Provision for losses on loans (adjusted)	-4,199	-121	-2,222	-	-47.1%	-814	-1,301	59.9%

Main components of Balance sheet (in MHUF)	Volumes at the end of period 3Q2019	2Q2020	3Q2020	P/P	Y/Y	YTD average 3Q2019	3Q2020	Y/Y
Total Assets	**1,935,007**	**2,207,809**	**2,399,226**	**8.7%**	**24.0%**	**1,880,962**	**2,105,741**	**12.0%**
Customer Loans (net)	942,345	991,345	1,027,432	3.6%	9.0%	920,996	994,746	8.0%
Customer Loans (gross)	986,031	1,038,330	1,075,987	3.6%	9.1%	972,523	1,041,844	7.1%
Provision for Customer loans	-43,685	-46,985	-48,556	3.3%	11.1%	-51,528	-47,098	-8.6%
Deposits & C/A	1,365,941	1,458,430	1,582,662	8.5%	15.9%	1,369,800	1,411,149	3.0%
Subordinated debt	39,434	42,711	44,172	3.4%	12.0%	36,536	42,580	16.5%
Shareholders' Equity	190,527	196,409	205,223	4.5%	7.7%	170,091	195,628	15.0%

KPIs based on adjusted and unadjusted PAT (%)	Period 3Q2019	2Q2020	3Q2020	P-P	Y-Y	YTD 3Q2019	3Q2020	Y-Y
ROAE (Return on Average Equity - unadjusted)	62.0%	-7.9%	30.4%	38.3%-pt	-31.6%-pt	28.4%	9.1%	-19.3%-pt
EPS (Earning Per Share - unadjusted, IFRS)	280.5	-37.9	152.7	190.7	-127.8	362.2	132.9	-229.4
ROAE (Return on Average Equity - adjusted)	48.1%	-1.5%	30.9%	32.4%-pt	-17.2%-pt	26.3%	15.5%	-10.8%-pt
ROMC (Return on Minimum Capital - adjusted)	67.8%	-1.9%	42.7%	44.6%-pt	-25.0%-pt	35.2%	20.7%	-14.5%-pt
ROAA (Return on Average Assets - adjusted)	4.6%	-0.1%	2.7%	2.8%-pt	-1.9%-pt	2.4%	1.4%	-0.9%-pt
TRM (Total Revenue Margin - adjusted)	7.2%	1.9%	4.8%	2.9%-pt	-2.4%-pt	4.3%	3.5%	-0.8%-pt
CIM (Core income margin - adjusted)	4.2%	2.9%	3.3%	0.4%-pt	-0.9%-pt	4.2%	3.2%	-1.0%-pt
NIM (Net Interest Margin - adjusted)	2.2%	1.6%	1.6%	0.0%-pt	-0.6%-pt	2.3%	1.6%	-0.7%-pt
NFM (Net Fee Margin - adjusted)	1.6%	1.0%	1.0%	0.0%-pt	-0.6%-pt	1.4%	1.1%	-0.3%-pt
C/TA (Cost to Total Assets - adjusted)	1.8%	1.9%	1.7%	-0.2%-pt	0.0%-pt	1.9%	1.9%	0.0%-pt
CIR (Cost Income Ratio - adjusted)	24.3%	102.1%	36.4%	-65.8%-pt	12.0%-pt	44.0%	54.9%	10.9%-pt
Risk% (Risk cost rate - adjusted)	1.7%	0.0%	0.8%	0.8%-pt	-0.9%-pt	0.1%	0.2%	0.1%-pt
GOI/RWA (RWA efficiency - adjusted)	14.8%	4.0%	10.9%	6.9%-pt	-3.9%-pt	8.8%	7.4%	-1.4%-pt
EPS (Earning Per Share - adjusted)	870.1	-28.0	620.9	649.0	-249.1	448.2	303.5	-144.7

Volume KPIs (%)	Period 3Q2019	2Q2020	3Q2020	P-P	Y-Y	YTD 3Q2019	3Q2020	Y-Y
Provision/Total Assets	2.3%	2.1%	2.0%	-0.1%-pt	-0.2%-pt	2.3%	2.0%	-0.2%-pt
CAR (Capital Adequacy Ratio)	18.2%	19.8%	18.9%	-0.9%-pt	0.7%-pt	18.2%	18.9%	0.7%-pt
RWA/Total Assets	47.5%	45.6%	42.3%	-3.3%-pt	-5.2%-pt	47.5%	42.3%	-5.2%-pt
LTD (Loan to Deposit)	72.2%	71.2%	68.0%	-3.2%-pt	-4.2%-pt	72.2%	68.0%	-4.2%-pt
DPD90+ rate	2.6%	2.0%	1.9%	-0.1%-pt	-0.7%-pt	2.6%	1.9%	-0.7%-pt

MKB Group 3Q 2020 results are based on cumulated, consolidated, unaudited IFRS data of 30.09.2020. "Adjusted" figures (alternative performance measurement indicators – APM) are indicators of the underlying business performance; the list of correction factors is included in Chapter 3.1.

For definition and calculation methodology of alternative performance measurement indicators used to depict the underlying business performance please refer to chapter 4.1 – Financial indicators

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MKB Group is on track to fulfil the expectations set by its management at the end of 2019.

After realizing record profit in 2019 MKB Group entered into 2020 with a strong capital and liquidity position together with a highly efficient organisation. Based on its stable foundations MKB Group was able to successfully take on the challenges presented by the worldwide COVID-19 pandemic during 2020 so far.

In the beginning of the year COVID-19 took the entire world by surprise causing immense uncertainties in the world economy and disrupting the way people live. Amid dramatically changed macroeconomic environment, capital and money market conditions MKB stable capital position allowed for quick response and adaptation.

In order to fulfil its value creation ambitions set for 2020, and to help the economic recovery MKB Group concentrated its efforts to the development of efficient solutions tailored for specific client needs, creating high added value to customers.

- **The active and successful participation in government economic stimulus programs continued in 3Q.** Increased new disbursements of MFB FGS Go!, Exim and Széchenyi loans contributed to the increase in the loan portfolio.
- **Increasing business presence**: growing loan and deposit market shares.
- **Digital channels** became the focus for client interactions. Leveraging the experiences from the first wave of COVID-19 about customer behaviour changes Digital queue management was further extended amongst the branches and the functionality of the VideóBANK service was extended with high levels of customer satisfaction.
- **ApplePay** became available for MKB Bank's clients from September 15.
- **ATM network renewal** almost completed; state-of-the-art, touch-screen, deposit-enabled units will serve MKB customers in the near future.
- **Premium banking branch** setup finished at Hercegprímás Street, Budapest.
- As a socially responsible institution MKB Group **donated** HUF 1 bln to anti-pandemic Government activities as an integral part of its CSR activity.

Third quarter financial highlights:

- **Sound capital (CAR 18.88%) and improving liquidity position** in 3Q 2020.
- **Rapid expansion of balance sheet** to HUF 2,399.2 bln (+8.7% p/p; +24.0% y/y) due to strong deposit inflow (+8.5% p/p) and MKB Group's successful participation in liquidity boosting and refinanced loan schemes.
- **HUF 15.5 bln adjusted 3Q PAT** (HUF +16.2 bln p/p; -6.2 bln y/y). The increased profitability in 3Q was supported by increasing customer loan and securities portfolios, increased long term yields and narrowing bond swap spreads.
- **HUF 22.8 bln adjusted YTD PAT** (-10.9 bln y/y) despite COVID-19 and uncertain economic conditions.
- **54.90% adjusted (cumulated) CIR:** stringent cost management resulted in declining cumulated rate in 3Q despite pressures from wage inflation and growing headcount of increased business activity.

- **Decreasing moratorium participation:** only 55% of all eligible exposures are under moratorium as 62% of eligible clients participate (slight improvement from previous quarter: 57% of exposures, 63% of clients were under moratorium in 2Q).
- **NPL rate down to 3.28%** with increasing NPL coverage and only **HUF 2.2 bln adjusted risk cost** (charge) due to the sound customer base and continuously monitored portfolio.

The accounting (unadjusted) 3Q after tax profit was HUF +15.3 bln (HUF -12.8 bln y/y) while other comprehensive income (OCI) was HUF -6.0 bln (HUF -3.0 bln y/y).The total comprehensive income (unadjusted) of the MKB Group in 3Q was HUF +9.3 bln.

The unadjusted 2020 YTD after tax profit was HUF +13.3 bln (HUF -22.9 bln y/y) while other comprehensive income (OCI) was HUF -6.04 bln (HUF -2.9 bln y/y). The YTD total comprehensive income (unadjusted) of the MKB Group in 2020 was HUF +7.25 bln.

Adjusted profit after tax in 3Q was HUF 15.5 bln (HUF +16.2 bln p/p; HUF -6.2 bln y/y), while **YTD adjusted profit after tax in 2020 was** HUF 22.8 bln (HUF -10.9 bln y/y).

Total assets increased to HUF 2,399.2 bln (+8.7% p/p; +24.0% y/y) as a result of rapid customer portfolio growth. Deposits grew by HUF 356.1 bln since the end of 2019, accompanied by 277.4 bln increase in interbank liabilities. **Customer loans** (gross) portfolio increased to 1,076.0 bln (+9.1% y/y) which marks a HUF 99.3 bln growth since 2019. In the meantime loan-to-deposit ratio decreased to 68.0% (-4.2%pt y/y); excess liquidity was soaked up by securities portfolio, which grew to 196.9 bln y/y. Interbank assets growth was driven by NBH preferential deposit increase. While swift **deposit** growth continued in 3Q (HUF +124.2 bln p/p), customer demand for economic stimulus program loans increased, and in the meantime, 'Babaváró' and mortgage loan demand was still high, resulting in +37.7 bln p/p gross customer loan stock growth. The **shareholder's equity** increased to HUF 205.2 bln from HUF 196.4 bln in 2Q. Capital adequacy was 18.9% (+72 bps y/y). MKB Group's 3Q cumulated, adjusted ROAE was 15.5%, while 3Q cumulated unadjusted ROAE was 9.1%.

Despite the COVID-19 pandemic MKB Group's corporate and leasing market presence is expanding rapidly accompanied by a stable retail market share:

- **Retail segment:** Demand for retail mortgages remains very high, seasonality and completion of previously withheld deals all had a positive impact on quarterly sales results. MKB's significant premium and affluent customer base enables the bank to profitably provide personal loan products to its customers, even with maximized APR levels.

  To acquire new young clients in September 2020, MKB Bank introduced „MKB Jövőd" account package dedicated to students, tailored specifically to their needs.

  Premium banking branch setup was finished at Hercegprímás Street, Budapest to support the growth of the banks affluent client base.

  MKB launched an ATM upgrade program where traditional ATMs is replaced by touch-screen, deposit-enabled machines by the end of 4Q 2020.

  ApplePay mobile payment service became available to MKB customers after a successful launch on September 15.
- **Corporate segment:** Increasing corporate loan and corporate deposit market shares reflect MKB Group's strong customer relations.

Active and successful participation in government economic stimulus programs to continued in 3Q.

Outstanding results in the Bond Funding for Growth Scheme program: MKB is among the three largest investment service providers, while new disbursements of FGS Go!, Exim and Széchenyi loans also increased.

- **Leasing segment: New disbursements increased significantly in 3Q**, disbursement figures from June-Sept period are almost at the same level compared to same period last year. Still low participation rate in moratorium signals healthy portfolio and a well-managed customer base. Continuous growth in retail car financing despite the COVID-19 pandemic.

Post-closing events:

- **Hungarian Bankholding Ltd**. will launch as planned. On the 30th of October, key owners of Takarék Group, MKB Bank Plc., and Budapest Bank Group signed an investment and shareholders' agreement as a confirmation of their former letter of intent and decided to transfer their shares into the joint holding company.

  At the same time, the management of Magyar Bankholding also started its operation. Key personnel: dr. Zsolt Barna (Chairman of the Board of Directors), József Vida (CEO), and members of the Board of Directors: dr. Ádám Balog, dr. Koppány Lélfai and dr. Attila Tajthy.

- **Changes in top management:**
  - dr. Ádám Balog, President and CEO of MKB Bank resigned with the effect of 31.12.2020. MKB Bank's General Meeting is to nominate the new president on 14.12.2020
  - According to the Proposed resolution of the General Meeting (published on 23 November 2020): „The General Meeting elects dr. Zsolt Barna as the Chief Executive Officer of MKB Bank Plc. as of 1 January 2021."
- **Terminating the examination of potential acquisition:** MKB Bank terminated examining the possibility and conditions of acquiring a shareholding stake in two Croatia based banking institutions: Slatinska banka d.d. and Croatia banka d.d. without submitting any offers.
- **Awards:** MKB Bank and MKB-Pannónia Asset Management received a numerous awards at Blochamps Capital Private Banking Hungary ceremony: Business Development Award, Junior Private Banking Prize, Managed Asset Prize to One Customer and also the Asset Management of the year prize.
- **New private banking debit cards**: On 20 November MKB kicked off its latest card campaign by announcing its „metal card" product, targeting the premium customer segment. Customers signing up for the new product will be invited to be involved in the development process. The new card will provide a unique and outstanding customer experience and will be made of metal, building on the experience of fintech companies. **MKB Platinum Metal** and **MKB World Elite Metal** card products are expected to be available to customers in the first half of next year.
- **COVID-19:**
  - **Partial lockdown:** New measures were introduced to fight the second wave of COVID-19: mass gatherings and family gathering with more than 10 people are forbidden, classes in secondary schools and in higher education has to go online, certain shops have to close at 7 p.m., and a partial lockdown is in effect from 8 p.m. to 5. a.m.

- **Moratorium extension:** On 20 October, Hungarian Parliament extended the moratorium on repayment due to the COVID-19 to certain key social groups and companies in financial difficulties until 30 June 2021. MKB Bank expects the effects of the elongation to be booked in 4Q 2020.
- **FGS Go!**: The Monetary Council expended the budget of the FGS Go! Program by HUF 1,000 bln at its meeting on 17 November 2020.
- **Operating environment:** normal, but safe branch operation throughout the network, working from home as BAU for non-front colleagues.

The economic effects of the coronavirus pandemic and in close connection with it, capital and money market developments and changes in macroeconomic environment in 3Q 2020 had mixed impact on the income generating capacity of the MKB Group.

- **Yields:** The Fed has maintained its target range for the federal funds rate at 0-0.25% since March 2020 because of the sharp economic recession and the low level of inflation due to the pandemic (since April 2020, the inflation has been in the range of 0.5-1.4%, year-on-year). The target range can be maintained on the current low level until 2023, as it was announced in September. Moreover, there was a major shift in the Fed's inflation targeting system which is an important factor in Fed's interest rate trajectory: Fed will aim to achieve inflation moderately under 2 percent for some time so that inflation averages 2 percent over time, giving it more flexibility. Consequently, the monetary policy in the US may remain loose for a longer period than under the previous target system (where inflation target was fixed at 2%). In addition, Fed maintains a significant asset purchase program. The 10-year U.S. government bond yield ranged from 0.51 to 0.75% in the 3Q (in the beginning of 2020 it was still 1.88%, after a larger decrease in late February-early March).

  The European Central Bank (ECB) kept its interest rates unchanged despite the effects of the pandemic (interest rates on the main refinancing operations: 0.00%, interest rates on marginal lending and O/N deposit facility: 0.25% and -0.50%, respectively). However, in order to encourage the economic stimulus, the ECB continues its net purchases under the asset purchase programme (APP) and its new program (PEPP - Pandemic emergency purchase programme), which was introduced at the beginning of the pandemic. The total envelop of the program is €1,350 billion. The PEPP represents a permanent easing of monetary conditions and is expected to help to boost the inflation (August: -0.2%, September: -0.3%, October: -0.3%, year-on-year). In late September, Christine Lagarde, the President of the ECB announced, that the central bank is ready to launch further stimulus measures, implement further interest rate cuts or even increase its asset purchase programs to support the recovery of the eurozone economy hit by the coronavirus epidemic. Yields on 10-year euro area government bonds ranged between -0.36% to -0.53% in 3Q (it was -0.14% at the beginning of 2020).

  The National Bank of Hungary (NBH) – at its interest rate decision meeting in July – moved even further towards a looser monetary policy, reducing its base rate again from 0.75% to 0.6% after the interest rate cut in June (it is important to emphasize that the interest rate cut was already predicted by the central bank in its communication in July). At the same time, the NBH changed the one-week deposit rate from 0.60 percent to 0.75 percent at the end of September (the interest rate on 3 and 5 year fixed-rate collateralised loan instruments increased from 0.6% to 0.75% on 30 September). The reason for this, according to the central bank, is to prevent an increase in inflation risks.

The terms of the government security purchase programme also changed during 3Q 2020. In the interest rate decision meeting in August, the central bank increased the size of weekly government securities purchases[1]. The NBH has introduced several old and new monetary policy instruments to address the effects of the coronavirus epidemic. From these, the budget of the Bond Funding for Growth Scheme (BGS) changed in 3Q: at the interest rate decision meeting in September, the central bank increased the budget to HUF 750 billion from the initial HUF 450 billion.

In 3Q 2020, yields increased significantly in the Hungarian government securities market: the 10-year domestic government bond yield stood at 2.15% at the end of June and at 2.43% at the end of September.

- **FX market:** The forint reached a record low against major currencies (EUR/HUF, USD/HUF) during the first wave of the coronavirus epidemic in April (EUR/HUF: 369.5, USD/HUF: 341.2). After that, due to the slowdown of the spreading of the epidemic and parallel with the restarting of the economy, the forint moved from the historic low, but was unable to recover to pre-epidemic levels against the euro (below 340). In the second half of the 2Q, the easing of the epidemic and the gradual opening of the economy also led to a strengthening of the forint's exchange rate: the EUR/HUF closed the first half of the year at 354.4, although the exchange rate was also below 344 during the 2Q. In 3Q, the forint fluctuated volatile against the euro in the 343-358 range. From mid-August onwards, the EUR/HUF exchange rate continued to weaken (minus 5% until the end of September), driven by an increasingly gloomy international sentiment, a revival of the second wave of the pandemic, uncertainty about epidemiological measures and its negative economic effects. By the end of the 3Q, the forint weakened to 363.5 against the euro however after the US presidential elections the weakening trend altered and the EUR/HUF exchange rate strengthened below 355.
- **Government finances:** Due to government bailouts, the general government deficit was 9.1% in 2Q 2020, rising to 5.3% of GDP for the first half of the year (revenues fell by 1.4%, year-on-year, and expenditures increased by 12.6%). The forecast attached to the EDP (Excessive Deficit Procedure) report projected a deficit of HUF 3,704 billion for 2020 (according to the ESA 2010 methodology), which may correspond to a general government deficit of 8% of GDP. During that period, the Ministry of Finance declared a deficit of 7-9% and then 8-9% for this year. Gross government debt as a share of GDP rose again above 70% to 71.9%, while at the end of 2019 the Maastricht government gross debt was 65.4% as a percentage of GDP.
- **GDP**: In 2020, a significant recession can be witnessed due to the negative economic effects of the coronavirus epidemic. After a drastic economic downturn in the 2Q of 2020 (-13.6%, year-on-year), there was more modest recovery than expected in 3Q (-4.6% year-on-year) reasoned by the second wave of the coronavirus epidemic and the uncertain economic environment. Danube Capital has predicted in its third Quarter Macroeconomic Outlook, that the coronavirus epidemic could become part of everyday social and economic life. According to Danube Capital the economic processes and supply chains are expected to adapt to this changed situation over the next one year. As the number of vaccinated will expand, restrictions can be gradually lifted. According to the Danube Capital forecast trajectory, Hungary expects a 6.2% decline in 2020 and 4.6% economic growth in 2021.

[1] This was followed by another step in 4Q 2020, at the beginning of October. The NBH raised the limits for sovereign debt purchase on certain maturities from 33% to 50% and expanded the range of available-for-sale assets

- **Wages and employment:** The growth of domestic earnings continued in January-August this year, so also during the epidemic period (the growth was on average 9.9% in January-August as a whole, year-on-year). Since the slowdown in April, wage dynamics have gradually increased, reaching 10.8% in July and 9.1% year-on-year in August. In the July-September period, the number of employees was 0.8% lower year-on-year, amounting to 4,486,000 employees. However, after 2Q 2020, the employment rate started to rise again. In 3Q, the employment rate (aged 15-64) was 70.2%, while during the first wave of the epidemic (March-May 2020) the rate fell to 68.6%. The effects of the epidemic appear in the unemployment data with a lag. In the spring months, the HCSO (Hungarian Central Statistical Office) classified a significant part of those who made redundant during the epidemic restrictions as inactive (those who were made redundant could not actively look for work), and then this group was already registered as unemployed in May-June (by the lifting of the restrictions they could actively look for a job or they could go back to work). In the period of July – September 2020, the average number of unemployed was 208 thousand, while the unemployment rate was 4.4%. The data show a decrease compared to an average of 4.8% measured between May and July.

- **Inflation**: In July and August 2020, domestic inflation approached the upper 4% band of the NBH's tolerance band (3.8% and 3.9%, respectively, year-on-year), in which the increase in service prices and higher excise taxes on cigarette and fuel played an important role. Afterwards, price pressures eased in September, with inflation slowing down to 3.4%, mainly due to lower food and service prices. However, internal price pressures remained high; core inflation was 4.5% in July, 4.7% in August and 4% in September. Looking ahead, Danube Capital forecast in October 2020 that annual average domestic inflation could be 3.6% in 2020, 3.5% in 2021, and then reach the central bank's medium-term inflation target of 3% in 2022. Core inflation can reach 4.3% in 2020, 3.5% in 2021, and 2.9% in 2022 on an annual average.

2 Management Report on the 3Q 2020 Results of the MKB Group

2.1 P&L development

MKB Group								
Consolidated, IFRS P&L (in MHUF)	**Period**					**YTD**		
	3Q2019	**2Q2020**	**3Q2020**	**P/P**	**Y/Y**	**3Q2019**	**3Q2020**	**Y/Y**
TOCI (Total Other Comprensive Income)	**19,415**	**7,777**	**9,302**	**19.6%**	**-52.1%**	**33,075**	**7,250**	**-78.1%**
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Profit after tax	**28,055**	**-3,793**	**15,273**	**-**	**-45.6%**	**36,225**	**13,288**	**-63.3%**
Adjustments total on PAT	**-6,303**	**3,093**	**250**	**-91.9%**	**-104.0%**	**-2,611**	**9,475**	**-**
Business corrections	-6,212	9	92	-	-101.5%	-2,201	3,396	-254.3%
Banking tax	*0*	*0*	*0*	-	-	*4,047*	*3,275*	*-19.1%*
Branch closure reserve	*0*	*13*	*96*	-	-	*0*	*137*	-
Dividend income	*-50*	*-4*	*-4*	*-4.7%*	*-92.0%*	*-85*	*-16*	*-81.2%*
Managed portfolio downsizings	*-1,902*	*0*	*0*	-	*-100.0%*	*-1,902*	*0*	*-100.0%*
Distressed portfolio downsizing	*-4,261*	*0*	*0*	-	*-100.0%*	*-4,261*	*0*	*-100.0%*
Covid-19 effect	0	3,309	315	-90.5%	-	0	6,496	-
Donation	*0*	*455*	*0*	*-100.0%*	-	*0*	*910*	-
COVID-19 costs	*0*	*302*	*402*	*33.0%*	-	*0*	*731*	-
COVID-19 risk costs	*0*	*4,941*	*-87*	*-101.8%*	-	*0*	*4,855*	-
FV corrections	*0*	*-2,390*	*0*	*-100.0%*	-	*0*	*0*	-
Technical corrections	-91	-225	-157	-30.3%	72.9%	-410	-417	1.7%
IFRS16 effect	*-91*	*-225*	*-157*	*-30.3%*	*72.9%*	*-410*	*-417*	*1.7%*
Adjusted TOCI	**13,112**	**5,183**	**9,553**	**84.3%**	**-27.1%**	**30,464**	**16,724**	**-45.1%**
Adjusted revaluation on non HFC financial assets (OCI)	*-8,640*	*5,883*	*-5,971*	-201.5%	-30.9%	*-3,150*	*-6,038*	91.7%
Adjusted Profit after tax	**21,752**	**-700**	**15,524**	**-**	**-28.6%**	**33,614**	**22,762**	**-32.3%**
Adjusted Profit before tax	**21,829**	**-381**	**15,665**	**-**	**-28.2%**	**33,474**	**23,853**	**-28.7%**
Gross Operating Income (adjusted)	**33,846**	**10,084**	**27,556**	**173.3%**	**-18.6%**	**60,435**	**55,042**	**-8.9%**
Net Interest Income (adjusted)	**10,478**	**8,391**	**9,336**	**11.3%**	**-10.9%**	**32,005**	**25,481**	**-20.4%**
Interest Income (adjusted)	*15,020*	*13,324*	*13,279*	*-0.3%*	*-11.6%*	*45,392*	*38,837*	*-14.4%*
Interest Expense (adjusted)	*-4,542*	*-4,933*	*-3,943*	*-20.1%*	*-13.2%*	*-13,387*	*-13,356*	*-0.2%*
Net Fee Income (adjusted)	**7,753**	**5,279**	**5,899**	**11.7%**	**-23.9%**	**19,469**	**17,174**	**-11.8%**
Net Other Income (adjusted)	**15,615**	**-3,587**	**12,322**	**-**	**-21.1%**	**8,961**	**12,387**	**38.2%**
FX result (adjusted)	*1,602*	*1,534*	*3,633*	*136.8%*	*126.8%*	*7,299*	*7,264*	*-0.5%*
FV result (adjusted)	*17,366*	*-4,232*	*12,007*	-	*-30.9%*	*12,125*	*14,437*	*19.1%*
Other Income (adjusted)	*-3,352*	*-889*	*-3,319*	*273.3%*	*-1.0%*	*-10,462*	*-9,314*	*-11.0%*
General Administrative Expenses (adjusted)	**-8,231**	**-10,296**	**-10,017**	**-2.7%**	**21.7%**	**-26,566**	**-30,216**	**13.7%**
Personnel Expenses (adjusted)	*-4,477*	*-5,372*	*-5,082*	*-5.4%*	*13.5%*	*-13,803*	*-15,366*	*11.3%*
Operating Expenses (adjusted)	*-2,438*	*-3,443*	*-3,164*	*-8.1%*	*29.8%*	*-8,901*	*-10,249*	*15.2%*
Amortisation and depreciation (adjusted)	*-1,316*	*-1,481*	*-1,771*	*19.6%*	*34.6%*	*-3,863*	*-4,600*	*19.1%*
Provisions (adjusted)	**-3,786**	**-169**	**-1,874**	**-**	**-50.5%**	**-395**	**-973**	**146.4%**
Provision for losses on loans (adjusted)	*-4,199*	*-121*	*-2,222*	-	*-47.1%*	*-814*	*-1,301*	*59.9%*
Other provisions and impairments (adjusted)	*413*	*-48*	*348*	-	*-15.7%*	*419*	*328*	*-21.7%*
Corporate income tax (adjusted)	**-77**	**-319**	**-141**	**-55.7%**	**82.4%**	**139**	**-1,091**	**-**
KPIs based on adjusted PAT (%)	**Period**					**YTD**		
	3Q2019	**2Q2020**	**3Q2020**	**P/P**	**Y/Y**	**3Q2019**	**3Q2020**	**Y/Y**
ROAE (Return on Average Equity - adjusted)	48.1%	-1.5%	30.9%	32.4%-pt	-17.2%-pt	26.3%	15.5%	-10.8%-pt
ROAA (Return on Average Assets - adjusted)	4.6%	-0.1%	2.7%	2.8%-pt	-1.9%-pt	2.4%	1.4%	-0.9%-pt
TRM (Total Revenue Margin - adjusted)	7.2%	1.9%	4.8%	2.9%-pt	-2.4%-pt	4.3%	3.5%	-0.8%-pt
CIM (Core income margin - adjusted)	4.2%	2.9%	3.3%	0.4%-pt	-0.9%-pt	4.2%	3.2%	-1.0%-pt
NIM (Net Interest Margin - adjusted)	2.2%	1.6%	1.6%	0.0%-pt	-0.6%-pt	2.3%	1.6%	-0.7%-pt
NFM (Net Fee Margin - adjusted)	1.6%	1.0%	1.0%	0.0%-pt	-0.6%-pt	1.4%	1.1%	-0.3%-pt
C/TA (Cost to Total Assets - adjusted)	1.8%	1.9%	1.7%	-0.2%-pt	0.0%-pt	1.9%	1.9%	0.0%-pt
CIR (Cost Income Ratio - adjusted)	24.3%	102.1%	36.4%	-65.8%-pt	12.0%-pt	44.0%	54.9%	10.9%-pt
Risk% (Risk cost rate - adjusted)	1.7%	0.0%	0.8%	0.8%-pt	-0.9%-pt	0.1%	0.2%	0.1%-pt

The presentation of financials in this report is based on Total Comprehensive Income ("TOCI"), which is an IFRS category aimed at presenting the economic impact for the given period by incorporating "fair value through other comprehensive income" (FVTOCI) results. Based on the fact that MKB Bank holds a large securities portfolio, part of which is valued against capital (FVTOCI), and hedges its interest risk position with IRS transactions, TOCI figures should only be used to evaluate the results.

2.1.1 Adjusted profit after taxation

MKB Group's 3Q YTD adjusted consolidated profit was HUF 22.8 bln (-32.3% y/y) propelled by the strong result of the third quarter (HUF 15.5 bln). Gross operating income (GOI) reached HUF 27.6 bln as a result of higher fee incomes and FX results stemming from increased business activity. Due to volume growth and favourable market conditions, net interest income also increased. After the negative FV effect in 2Q, results from long term swap yields increase helped the quarterly income (HUF +16.2 bln p/p).

Net total adjustments on PAT were HUF +9.5 bln in 3Q YTD as adjustments were minimal in 3Q (HUF 0.25 bln).

The **ROAE** (adjusted) for 3Q 2020 YTD was 15.5% (+32.4%-pt p/p; -10.8%-pt y/y).

The **total revenue margin** (TRM) margin increased by 2.9%-pt (p/p) to 4.8% as a result of GOI upturn in 3Q. YTD value decreased by 0.8%-pt y/y, it was 3.5% for 3Q (Y).

The YTD **core income margin** (CIM) was 3.2%, decreased with 101bps y/y. The quarterly figure grew by 41bps (3.3% in 3Q) compared to 2Q 2020 resulted by higher fee income from foreign payment services, increasing FX result, foreign currency and derivative deals, also decreasing interest expense.

The **net interest margin** (NIM) stagnated on 1.6% in 3Q, while there was a 66 bps decrease on yearly basis, which is stemming from the increasing weight of variable rate instruments in the securities portfolio.

Cumulated **3Q cost-to-income ratio** (CIR) was 54.9%, stringent cost management resulted in declining cumulated rate.

Risk cost charge on loans HUF -2.2 bln in 3Q mitigated the release in the previous periods, and resulted a YTD risk cost of HUF -1.3 bln (charge). Risk cost ratio was 0.17% at the end of 3Q. The IFRS NPL ratio decreased from 3.63% to 3.28% p/p, and NPL indirect coverage rose from 124.7% to 137.4%.

Despite the uncertainties and mixed market circumstances MKB Group was able to maintain its strong and healthy capital position. **Capital adequacy ratio was 18.9%** at the end of 3Q 2020.

2.1.2 Comprehensive income

MKB Group reported HUF +9.3 bln unadjusted TOCI in 3Q 2020, which is a moderate increase compared to 2Q: +19.6% p/p.

Adjusted total comprehensive income was HUF 9.55 bln in the third quarter of 2020, increased by HUF 4.4 bln compared to 2Q. YTD adjusted TOCI was HUF 16.7 bln at the end of 3Q (-45.1% y/y). As long term government bond yields increased, OCI decreased to HUF -6.0 bln partially offsetting the positive FV results in PAT.

2.1.3 Net interest income

HUF 9.3 bln net interest income of MKB Group in 3Q 2020 exceeded quarterly figures of the previous quarter by 11.3%. Customer loan and banking book securities portfolio increase together with the effect of interbank interest rate increase in 3Q resulted in higher net interest income. HUF 25.5 bln YTD income marks -20.4% change on yearly basis. Most of the decrease is stemming from the securities portfolio's lower average interest rate. The impact of the increasing weight of variable rate instruments and changing market circumstances put pressure on average interest rate of the securities portfolio.

Interest income was almost stagnating on quarterly basis (-0.3% p/p), YTD figure was HUF 38.8 bln in 3Q 2020 (-14.4% y/y). Year-on-year decrease is linked to lower securities interest rates, while customer loan interest rates show an increasing trend in both corporate and retail segments, driven by the higher average BUBOR in the first nine months.

Interest expense was HUF 3.9 bln (-20.1% p/p) due to lower period BUBOR in 3Q which reduced both swap interest expenses and bank funding costs by a total of HUF 1 bln. YTD expense was HUF 13.4 bln in 3Q 2020 in line with value in 3Q 2019.

2.1.4 Net fee and commission revenues

HUF 5.9 bln net fee income grew by 11.7% on p/p basis in 3Q 2020. As a result of the temporary easing of the pandemic situation almost every commission income type increased, especially MÁP+ revenues (growing demand due to deferred purchases from 2Q) and foreign payment fees as well as commissions from MFB loans. On yearly basis YTD fee incomes decreased by 11.8% to HUF 17.2 bln attributable to the negative impacts of COVID-19.

2.1.5 FX results

Results from foreign exchange activities in 3Q 2020 were HUF 3.6 bln, (HUF +2.1 bln p/p; HUF +2.0 bln y/y), as the market activity increased in 3Q.

Individually priced and fixing spot FX conversions, the exchange rate gain on forward and futures transactions of retail and corporate customers together with the result of own foreign exchange positions increased compared to the previous quarter.

2.1.6 Revaluation result

FV results in 3Q was driven by increasing yield environment.

Uncertain market environment attributable to the second wave of COVID-19 together with higher inflation risks resulted in increasing swap yields (+42 bps, +53 bps and +28 bps in the 3 year, 5 year, 10 year p/p), which contributed to higher fair value adjustments.

The revaluation result was HUF 12.0 bln in 3Q (HUF -5.4 bln y/y; HUF +16.2 bln p/p). The positive effect on PAT was offset by HUF -6.0 bln (HUF +2.7 bln y/y; HUF -11.9 bln p/p) revaluation loss in OCI (adjusted).

2.1.7 Other results

The tax and/or regulatory fees and commission expenses of MKB Group are recognized within the framework of other profit/loss: transaction levy, local business tax, innovation contribution and other revenues/expenses of ordinary business operation. On quarterly basis: HUF -3.3 bln quarterly other result is lower than value in 2Q by HUF 2.4 bln due to booking of one-offs in 2Q: local tax and innovation contribution expense correction (tax refund in 2Q), but also higher expense of transaction tax in 3Q.

2.1.8 Operating expenses

MKB Group's general administrative expenses were HUF 10.0 bln in 3Q 2020, which represents a 2.7% decrease in costs compared to the previous quarter.

The cumulated cost/income ratio adjusted for the COVID-19 effect was 54.90% in the third quarter as a result of ongoing and stringent cost management together with the recovering business activity induced revenue expansion.

The amount of personnel expenses in 3Q 2020 was HUF 5.1 bln. The +13.5% y/y increase was down to growing headcount and wage inflation.

The closing headcount of the MKB group was 2,005 FTE in 3Q 2020 (+35 FTE compared to 2Q). Headcount increase was propelled by intensified business activity to cater customer demand and push for digitalisation.

Operating expenses amounted to HUF 3.2 bln in 3Q 2020, which is 8.1% lower than in the previous quarter due to the lower IT cost.

The amount of depreciation is HUF 1.8 bln, which is 19.6% (+HUF 290 million) higher than in the previous quarter, mainly due to the activation of regulatory projects in the current period.

Anti-spread measures related costs (HUF ~731 mln) are adjusted for due to the one-off nature of such items.

2.1.9 Risk costs

HUF -0.97 bln adjusted total risk cost charge (HUF -1.87 bln in 3Q) as a result of prudent and conservative risk approach and growing customer loan portfolio.

As a result of the risk cautious lending practice used while fulfilling the EU commitments, MKB Group has a balanced book of loans with moderate sensitivity to the negative effects of COVID-19.

The closing volume of the NPL portfolio in 3Q was HUF 35.3 bln, following a decrease of HUF 4.1 bln compared to 3Q of 2019. The IFRS-based NPL ratio dropped to 3.3% (-72 bps y/y), while Direct NPL coverage rose from 70.2% to 77.1%.

2.1.10 Corporate income tax

In 3Q 2020 the recorded corporate income tax expense was HUF 153.8 million as a result of HUF 67.8 million corporate income tax expense, HUF 90.6 million deferred tax expense and HUF 4.6 million deferred tax revenue.

The adjustments made in the flash report had a tax effect of HUF 937.0 million therefore the adjusted P&L tax effect including the corporate income tax was HUF 1,090.9 million.

2.2 Balance sheet

MKB Group							
Adjusted balance sheet (in MHUF)	**3Q2019**	**4Q2019**	**2Q2020**	**3Q2020**	**P/P**	**Y/Y**	**YTD**
Financial assets	**95,493**	**117,780**	**243,684**	**275,974**	13.25%	189.0%	134.31%
Trading portfolios	**44,381**	**20,734**	**55,398**	**46,881**	**-15.4%**	**5.6%**	**126.1%**
Securities	**757,343**	**594,677**	**826,823**	**954,210**	**15.4%**	**26.0%**	**60.5%**
Loans and advances to customers/Customer Loans (net)	**942,345**	**930,314**	**991,344**	**1,027,432**	**3.6%**	**9.0%**	**10.4%**
Loans and advances to customers/Customer Loans (gross)	986,031	976,681	1,038,330	1,075,987	3.6%	9.1%	10.2%
Retail	*235,128*	*239,236*	*244,682*	*251,407*	*2.7%*	*6.9%*	*5.1%*
Corporate	*582,802*	*569,018*	*618,030*	*642,184*	*3.9%*	*10.2%*	*12.9%*
Leasing	*168,101*	*168,427*	*175,619*	*182,397*	*3.9%*	*8.5%*	*8.3%*
Provision for Customer loans	-43,685	-46,368	-46,985	-48,556	3.3%	11.1%	4.7%
Retail	*-9,181*	*-9,697*	*-9,426*	*-10,027*	*6.4%*	*9.2%*	*3.4%*
Corporate	*-28,471*	*-30,730*	*-31,246*	*-32,225*	*3.1%*	*13.2%*	*4.9%*
Leasing	*-6,033*	*-5,941*	*-6,313*	*-6,303*	*-0.2%*	*4.5%*	*6.1%*
Total Other assets	**95,444**	**96,293**	**90,559**	**94,728**	**4.6%**	**-0.7%**	**-1.6%**
Investments in jointly controlled entities and associates	*5,735*	*7,312*	*4,383*	*6,028*	*37.6%*	*5.1%*	*-17.6%*
Intangibles, property and equipment	*55,159*	*58,907*	*57,166*	*57,962*	*1.4%*	*5.1%*	*-1.6%*
Other assets	*34,550*	*30,073*	*29,010*	*30,738*	*6.0%*	*-11.0%*	*2.2%*
Total Assets	**1,935,007**	**1,759,796**	**2,207,808**	**2,399,226**	8.7%	24.0%	36.3%
Interbank liabilities	**235,390**	**195,810**	**410,719**	**473,254**	**15.2%**	**101.1%**	**141.7%**
Deposits & C/A	**1,365,941**	**1,226,529**	**1,458,430**	**1,582,662**	**8.5%**	**15.9%**	**29.0%**
Retail	*333,685*	*334,660*	*376,756*	*374,796*	*-0.5%*	*12.3%*	*12.0%*
Corporate	*1,032,256*	*891,869*	*1,081,674*	*1,207,867*	*11.7%*	*17.0%*	*35.4%*
Issued debt securities	**0**	**0**	**0**	**0**	**0.0%**	**0.0%**	**0.0%**
Other liabilities	**103,715**	**99,614**	**99,538**	**93,914**	**-5.6%**	**-9.4%**	**-5.7%**
Subordinated debt	**39,434**	**39,381**	**42,711**	**44,172**	**3.4%**	**12.0%**	**12.2%**
Shareholders' Equity	**190,527**	**198,462**	**196,409**	**205,223**	**4.5%**	**7.7%**	**3.4%**
Total Liabilities & Equity	**1,935,007**	**1,759,796**	**2,207,808**	**2,399,226**	8.7%	24.0%	36.3%
Guarantees	154,876	98,357	102,842	104,850	2.0%	-32.3%	6.6%
Undrawn commitments to extend credit	226,379	235,494	221,441	254,982	15.1%	12.6%	8.3%
Obligations from letters of credit and	15,051	14,570	15,286	17,142	12.1%	13.9%	17.7%
Other contingent liablities (including litigation)	9,191	9,232	8,234	11,553	40.3%	25.7%	25.1%
Customer off Balance items	**405,497**	**357,653**	**347,803**	**388,527**	11.7%	-4.2%	8.6%

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.

Strong business potential of MKB Group and participation in the NBH programs allowed for further increase of customer volumes, boosting the balance sheet significantly in 3Q (+8.7% p/p). The closing balance sheet total of MKB Group for 3Q 2020 was HUF 2,399.2 bln, which represents 24% y/y increase.

Participation in the government stimulus programs supported the 3Q growth of both interbank liabilities and customer loans. Gross customer loan increased 3.6% p/p. Securities portfolio increased +15.4% p/p absorbing the liquidity surplus stemming from the NBH liquidity programmes and deposit stock growth.

The MKB Group's loan-to-deposit ratio was 68.0%, which is lower compared to the previous quarter’s 71.2% signalling a healthy balance sheet and liquidity position.

2.2.1 Loans

Flexible customer relationship management and agile, focused customer acquisition fosters grow both in corporate and leasing as well as in retail segments.

Customer loans increase (+9.1% y/y) was driven by increasing asset volumes in every business segments (corporate loans: +10.2%, retail loans: +6.9% and leasing portfolio: +8.5%).

End of 3Q 2020 closing volumes were positively influenced by MKB Group's active participation in the government stimulus programs as well as the improving business outlook. On a quarterly basis the corporate loan portfolio increased by 3.9%; the retail loan volume and the leasing portfolio expanded with 2.7% and 3.9% respectively as a result of the higher disbursements of FGS Go! loans, Széchenyi loans, Unsecured personal loans, Mortgage loans and Babaváró loans.

The impairment losses on loans increased by 11.1% (HUF 4.9 bln y/y) due to the prudent provisioning of the Group and in line with the increase of loan volumes. In the last quarter there is a slight increase of 3.3% (HUF 1.6 bln p/p) in provision volume.

2.2.2 Securities

Securities portfolio absorbed the liquidity surplus stemming from the quickly growing customer deposit and interbank liability volumes.

Securities volumes at the end of 3Q reached HUF 954.2 bln (HUF +196.9 bln y/y; HUF +127.4 bln p/p). The impact of the increasing weight of variable rate instruments and changing market circumstances put pressure on average interest rate of the securities portfolio. MKB Group invests its liquidity mostly into low-risk, liquid, NBH eligible Hungarian government bonds.

2.2.3 Financial assets

Changes in financial assets are determined by the liquidity position and balance sheet size of the MKB Group, used as an ALM tool.

Financial assets were HUF 276.0 bln at the end of 3Q, representing a further increase over the previous quarter (HUF +32.3 bln). Increasing volume of NBH's "preferential plus" is the main contributing factor.

2.2.4 Deposits

The main reason behind the rapid balance sheet expansion in 3Q was the significant increase in the customer deposit stock. MKB's rapid customer deposit increase outperformed the market growth.

Customer deposits reached HUF 1,582.7 bln by the end of 3Q 2020 as a result of a strong HUF 124.3 bln (+8.5% p/p) deposit inflow driven by the large corporate and SME segment, while retail deposit stock and market share remained stable.

The sharp increase in both retail deposits (+12.3% y/y) and corporate deposits (+17.0% y/y) demonstrates MKB Group's improving market presence.

2.2.5 Interbank liabilities

MKB Group's active participation in NHB liquidity boosting facilities resulted in the rapid increase of interbank liabilities (+15.2%, HUF +62.5 bln p/p). The long term, covered liabilities from NBH enhance long-term stable funding, and in the meantime allowed for short-term liabilities decrease.

Growing refinancing liabilities (HUF +35.0 bln p/p) recorded in 3Q was triggered by the increase in economic stimulus loans volumes.

2.2.6 Capital

Despite COVID-19 related provisioning, cumulated profit (unadjusted) turned into positive (HUF 13.3 bln in 3Q(Y)) supporting capital accumulation. MKB Group had HUF 205.2 bln capital at the end of 3Q which shows a major increment compared to previous year (+7.7% y/y) and last quarter as well (+4.5% on p/p basis).

Revaluation reserves decreased to HUF -12.8 bln. Positive PAT effect of narrowing asset-swap spreads over-balanced the HUF -6.0 bln p/p negative effect.

2.2.7 Off-balance sheet exposures to customers

The Group's off-balance sheet exposures was HUF 388.5 bln at the end of 3Q, which is 4.2% decrease on y/y basis attributable mainly to the negative change of guarantees (-32.3% y/y).

Every off balance item group grew in 3Q, total increase was HUF 40.7 bln (+11.7% p/p). Majority of the growth was coming from undrawn facilities (33.5 bln).

2.3 Capital adequacy

Despite the uncertainties and negative market circumstances MKB Group was able to maintain its strong and healthy capital position. Capital adequacy ratio was 18.9% at the end of 3Q 2020.

Tier2 increase was caused by the weakening HUF which was over-compensated by the negative fair value of FVTOCI portfolio in 3Q(Y) (HUF -6.0 bln). The profit for the year would be considered in the regulatory capital after the yearly financial audit

RWA: HUF 1,014.4 bln (HUF +8.7 bln p/p; HUF +94.9 bln y/y). RWA growth from increasing customer loan portfolio was partially mitigated by the implementation of CRR-based preferential COVID-19 RWA rates for SME-s during 3Q, as required by regulation.

2.4 Presentation business segment results

This chapter presents the loan portfolio of MKB Group by segments and positions them in the banking sector according to market share. The segments are formed according to the requirements used in the reports prepared for the National Bank of Hungary (MNB) and the portfolios are also analysed accordingly for a comparable presentation of market shares.

2.4.1 Corporate business

Disbursement of the economic stimulus program loan and guarantee products significantly increased during the third quarter. Disbursements of these new products accounted for nearly 50% of total loan disbursement.

MKB Bank was among the first to introduce the subsidized and refinanced loan products for corporate customers. MKB Bank offers individualised solutions tailored to customers need.

In line with the previous quarter, instead of personal contacts, alternative, digital channels were the preferred way of doing business and supporting customers during the hard times.

Loan repayment moratorium was quickly implemented in the second quarter to ease off pressure on customers' liquidity and profitability. Moratorium participation decreased among corporate clients in 3Q: only 52% of eligible corporate exposures are under moratorium, as 70.7% of eligible corporate clients participate in the moratorium. In 2Q 53% of corporate exposures, 72% of corporate clients were under moratorium.

MKB Group's corporate loan volume was HUF 642.2 bln at the end of 3Q 2020, +3.91% (HUF +24.2bln p/p) and +10.19% y/y.

Non-financial companies' loans amounted to HUF 459.4 bln, reflecting 4.0%, HUF 17.7 bln increase compared to the previous quarter, y/y change was 7.6%, due to new disbursements of FGS Go!, Exim and Széchenyi loans. Loan disbursements during the 3Q period reached HUF 57.6 bln resulting in 6.6% flow market share.

Non-financial large corporate gross loan volumes slightly decreased due to lower credit line utilization levels as customer demand started to focus on anti-pandemic type loans: total volume decreased to HUF 194.7 bln (-0.7% p/p). SME loan portfolio increased to HUF 234.9 bln (HUF +16.6bln p/p) due to the products that can be sold under economic recovery programs. Micro enterprises loan stock was HUF 29.8 bln at the end of the period (HUF +2.5bln p/p) due to the disbursement of new Széchenyi loan products.

Strong customer base of MKB Group allowed for rapid customer deposit increase. Non-financial corporate deposit volume increased 13.2% p/p, to HUF 774.0 bln (HUF +90.4bln p/p), while market share increased 32 bps p/p to 7.19%.

Corporate customer count at the end of 3Q 2020 was 35.2 thousand.

2.4.2 Retail business

Retail business was also affected by COVID-19 crisis, but in 3Q 2020 the temporary easing of the pandemic situation allowed for increased business activity. Social distancing and anti-spread measures introduced in 1Q 2020 remain in focus during 2Q and 3Q in branches in order to protect customers and colleagues. Customer relations were mostly redirected to digital channels. The bank started a pilot program for digital queue management system in 13 branches which provides online queue management and appointment booking with the aim of minimizing the waiting time in the branches.

The extension of the system to all branches is under preparation. Branches with significant customer base will perform upgrades and renovations in 2020 to adapt to changing conditions.

The retail loan closing volume in 3Q 2020 was HUF 247.5 bln, representing HUF 4.6 bln increase compared to 2Q 2020 and a slight decrease in market share. Total retail loan disbursements in 3Q 2020 were higher than in 2Q 2020 by HUF 1.6 bln (HUF 12.0 bln in 3Q 2020). Unsecured and other loan disbursements decreased by HUF 0.3 bln, and secured loan disbursement increased by HUF 1.9 bln compared to 2Q 2020.

Secured loan's closing volumes remained on the same level (HUF -0.1 bln), compared to HUF 195.9 bln in 2Q 2020. Despite COVID-19 the volume of new loans was outstanding (HUF 6.3 bln), disbursement increased by HUF 1.9 bln compared to 2Q 2020, however the increasing opt-out rates induced higher repayments led to flat secured loan volume levels in Q3. The stock market share slightly decreased due to rapid market growth. Seasonality, high demand for secured loans and increased activity of sales partners were the main drivers of volume growth which had a positive effect on the quarterly sales results. Flow market share is continued to grow and reached 2.44% (+47 bps p/p).

Unsecured loan volume increased by HUF 4.0 bln compared to the end of 2Q 2020 - while the stock market share increased by 6 bps to 1.48% - mainly due to the increasing demand for Personal loans and decreasing demand for "Babaváró" loans in 3Q 2020. The APR cap introduced in April and the Online Pre-approved personal loan process have positive effect on the Personal loan's disbursement. MKB's significant premium and affluent customer base enables the bank to profitably provide personal loan products to its customers, even with maximized APR levels. The market share of personal loans' disbursement decreased by 15 bps to 1.73% p/p due to lower than market growth in 3Q.

Deposit closing volume was HUF 327.8 bln, increased by HUF 1.1 bln compared to the end of 2Q 2020. Despite COVID-19 the volume of deposit grow significantly: HUF 44.7 bln compared to same period of 2019.

The total retail client number increased slightly compared to 2Q 2020 (367.3 thousand customers). Premium customers are still in strategic focus in 2020. Customers are more cautious in making their investment decisions, so the investment advisory service has become more valuable, which is also used by affluent and premium customers. Number of premium customer increased p/p 8.4 % (to ~6,800 customers) by the end of 3Q 2020.

2.4.3 Leasing business[2]

MKB Group's leasing portfolio was HUF 182.4 bln at 30rd Sept 2020. The portfolio increased significantly, by 8.5% (HUF +14.3 bln y/y) compared to 3Q 2019. The portfolio increase was +8.3%, HUF 14.0 bln in the first three quarters of 2020. The vehicle financing sector's leasing volume was HUF 110.7 bln (+12.2%, HUF 12.1 bln increase y/y), while the volume of equipment financing was HUF 49.5 bln, meaning a decrease of 4.6% (y/y) over the year. The stock financing portfolio expanded by HUF 4,1 bln (y/y) compared to Sept 2019, while other receivables increased by HUF 0.34 bln over the year.

The emergency declaration on 11th March 2020 and the payment moratorium imposed on 18th March 2020 also affects the operation of the leasing business. The emergency situation and the movement restrictions that came into force after that, affect the new disbursement of the business line, while the payment moratorium affects the development and characteristics of the existing portfolio. The

[2] 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.

assessment and management of (fact based) impacts is ongoing. The operation of the business line was stable and trouble-free even in the changed circumstances.

In terms of new disbursements 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, there was no significant change in market share.

In the first quarter of the year, the new disbursements in vehicle financing exceeded expectations. New financing volume in April and May - because of measures taken in response to the epidemic -has dropped significantly. After easing the restrictions the volume of new disbursements increased significantly, and figures of June-Sept reached almost the same level as in last year's same period.

The stability of vehicle financing is also further enhanced by vehicle manufacturer collaborations (in terms of financing), of which the latest one established in the first quarter of 2020 shows already significant achievements.

Inventory financing portfolio - increased in 2020 – is still adequately diversified, both for manufacturers (brands) and trading partners. The aging and turnover rate of diversified stocks remain adequate.

Agricultural machinery and agricultural vehicle financing remained stable throughout the period - taking into account seasonality - and reached the planed volume, slightly above previous years figures. At the same time, the financing market for equipment and heavy duty utility vehicles was significantly affected by the pandemic, which was reflected in the decreased new disbursement figures.

The expansion of the SME customer base is still an important strategic aspect, which is greatly facilitated by the fact that MKB Group participates in the distribution of the available "FGS Go!" resources based on its market share, and is involved in other state launched programs too.

In addition to the growing portfolio, the non-performing portfolio is continuously decreasing, -7% during the last year, while its provision coverage remained stable over 80%. The bulk of the declining non-performing portfolio still comes from the lending activities in 2007-2008.

The share of customers participating in the moratorium - imposed on 18 March 2020- differs per customer and/ or product segment. Overall, taking capital claims of all contracts – eligible for the moratorium- as of Sept 2020 into account, less than 35% of the customers participate in the moratorium, which means a favourable risk position.

2.4.4 Investments and Treasury

The stock market volatility remained high in 3Q therefore the customer related turnover of treasury investment products (shares, securities, and other investment services products) were at a similarly high level as in the previous quarter creating a relatively high fee income for the Treasury. The increase in the traded volumes of stock market shares resulted in a modest increase in custody management fees as well.

Due to the temporary easing of COVID-19, the turnover of customer FX exchange products increased, raising the revenue and profitability of the treasury activities. The stock of clients' retail government bonds increased slightly as new MÁP+ sales exceeded maturities.

Interest income of the proprietary trading portfolio remained relatively stable compared to last quarter however the profitability slightly decreased as the increasing yields had a slightly negative impact through FVTPL revaluation results.

Declaration

MKB Bank Nyrt. (hereinafter Bank) issues the following declaration in relation to its report on the 3Q 2020 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, 26. November 2020

MKB Bank Nyrt.

Mr Ádám Balog, dr.	Mr János Nyemcsok
Chairman Chief Executive	Deputy CEO

3 FINANCIAL FIGURES

3.1 Correction factors 3Q 2020

	3Q 2020 Accounting Report	Structure corrections	Business corrections			COVID-19 effects			Technical corrections	Adjusted PAT
			Banking tax and other taxes	Branch closure reserve	Dividend income	Donation	COVID-19 costs	COVID-19 risk costs	IFRS16 effect	
Interest income	39,067	-212	0	0	-18	0	0	0	0	38,837
Interest expense	-15,277	1,855	0	0	0	0	0	0	66	-13,356
Net interest income	**23,790**	**1,643**	**0**	**0**	**-18**	**0**	**0**	**0**	**66**	**25,482**
Net income from commissions and fees	17,174	0	0	0	0	0	0	0	0	17,174
Other operating income / (expense), net	7,666	1,634	1,800	0	0	1,000	0	0	287	12,387
Impairments and provisions for losses	-4,867	-1,442	0	0	0	0	0	5,335	0	-974
Operating expenses	-31,879	-278	1,800	151	0	0	803	0	-811	-30,216
Share of jointly controlled and associated companies' profit / (loss)	1,558	-1,558	0	0	0	0	0	0	0	0
Profit / (Loss) before taxation	**13,442**	**0**	**3,599**	**151**	**-18**	**1,000**	**803**	**5,335**	**-459**	**23,853**
Income tax expense / (income)	-154	0	-324	-14	2	-90	-72	-480	41	-1,091
Profit/ (Loss) for the year from continuing operation	**13,288**	**0**	**3,275**	**137**	**-16**	**910**	**731**	**4,855**	**-417**	**22,762**
PROFIT/ (LOSS) FOR THE YEAR	**13,288**	**0**	**3,275**	**137**	**-16**	**910**	**731**	**4,855**	**-417**	**22,762**
Other comprehensive income:		0	0	0	0	0	0	0	0	0
Revaluation on financial assets measured at FVTOCI	-6,038	0	0	0	0	0	0	0	0	-6,038
Other comprehensive income for the year net of tax	**-6,038**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-6,038**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**7,250**	**0**	**3,275**	**137**	**-16**	**910**	**731**	**4,855**	**-417**	**16,724**

Majority of the structure corrections are COVID-19 related losses and/or the reallocation of the profit from jointly controlled companies – they are used in order to foster understanding of the underlying financial performance.

Company name: MKB Bank Nyrt.
Address: 1056 Budapest, Váci u. 38.
Sector: Other monetary activity
Reporting period: 01.07.2020-30.09.2020
Phone: +36 (1) 268-8004
Fax: +36 (1) 268-7555
E-mail address: investorrelations@mkb.hu
Investors' contact person: Dóra Sebestyén-Bertalan

	3Q 2020 Accounting Report	Structure corrections Assets Trading securities reclassification	Adjusted BS structure
Total Assets	**2,399,226**	**0**	**2,399,226**
Financial assets	275,974	0	275,974
Loans and advances to banks (net)	103,170		103,170
Cash and cash equivalents	172,804		172,804
Trading portfolios	24,572	22,309	46,881
Trading securities	0	22,309	22,309
Derivative financial assets	24,572		24,572
Securities	976,519	-22,309	954,210
Loans and advances to customers/Customer Loans (net)	1,027,432		1,027,432
Total Other assets	94,729	0	94,728
Total liabilities and equity	**2,399,226**	**0**	**2,399,226**
Interbank liabilities (Amounts due to other banks)	473,254		473,254
Deposits and current accounts	1,582,662		1,582,662
Other Liabilities	93,915	0	93,914
Subordinated debt	44,172		44,172
Shareholders' Equity	205,223	0	205,223
Subscribed capital	100,000		100,000
Reserves	105,223		105,223
Treasury shares	0		0
Non-controlling interests	0		0

3.2 Consolidated financial statements of the MKB Group according to IFRS

3.2.1 Income statement

	3Q(Y) 2019	3Q(Y) 2020
Interest income	45,628	39,067
Interest expense	13,459	15,277
Net interest income	**32,169**	**23,790**
Net income from commissions and fees	19,469	17,174
Other operating income / (expense), net	7,200	7,666
Impairments and provisions for losses	(5,084)	4,867
Operating expenses	29,357	31,879
Share of jointly controlled and associated companies' profit / (loss)	1,520	1,558
Profit / (Loss) before taxation	**36,085**	**13,442**
Income tax expense / (income)	(140)	154
Profit/ (Loss) for the year from continuing operation	**36,225**	**13,288**
Profit/ (Loss) for the year from discontinued operation	-	-
PROFIT/ (LOSS) FOR THE YEAR	**36,225**	**13,288**
Other comprehensive income:	-	-
Items that may be reclassified subsequently to profit or loss:	-	-
Revaluation on financial assets measured at FVTOCI	(3,150)	(6,038)
Other comprehensive income for the year net of tax	**(3,150)**	**(6,038)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**33,075**	**7,250**

3.2.2 Balance sheet

	3Q 2019	3Q 2020
Assets		
Cash reserves	19,564	172,804
Loans and advances to banks	75,929	103,170
Derivative financial assets	22,720	24,572
Securities	780,417	976,519
Loans and advances to customers	942,345	1,027,432
Non-current assets held for sale and discontinued operations	3,288	2,289
Other assets	23,420	18,506
Current income tax assets	58	1,355
Deferred tax assets	7,784	8,589
Investments in jointly controlled entities and associates	4,323	6,028
Intangibles, property and equipment	55,159	57,962
Total assets	**1,935,007**	**2,399,226**
Liabilities	0	0
Amounts due to other banks	200,390	473,254
Deposits and current accounts	1,400,941	1,582,662
Derivate financial liabilities	51,963	34,109
Liabilities held for sale and discontinued operations	1,018	0
Other liabilities and provisions	50,678	59,621
Current income tax liabilities	3	2
Deferred tax liabilities	53	183
Issued debt securities	0	0
Subordinated debt	39,434	44,172
Total liabilities	**1,744,480**	**2,194,003**
Equity	0	0
Share capital	100,000	100,000
Treasury Shares	-52	0
Reserves	90,527	105,223
Total equity attributable to equity holders of the Bank	**190,475**	**205,223**
Non-controlling interests	52	0
Total equity	**190,527**	**205,223**
Total liabilities and equity	**1,935,007**	**2,399,226**

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 1 January 2019	**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	-	-	-	-	44,148	-	-	**44,148**
Other comprehensive income for the year	-	-	-	-	-	(3,281)	-	**(3,281)**
Equity settled share-based payments	-	-	-	(194)	194	-	-	**-**
Disposal of treasury shares	-	1,952	-	-	4,094	-	(1,952)	**4,094**
At 31 December 2019	**100,000**	**(35)**	**21,729**	**-**	**83,480**	**(6,747)**	**35**	**198,462**
Profit/ (loss) for the year	-	-	-	-	13,288	-	-	**13,288**
Other comprehensive income for the year	-	-	-	-	-	(6,038)	-	**(6,038)**
First / (final) consolidation of subsidiaries	-	-	-	-	(489)	-	-	**(489)**
Disposal of treasury shares	-	35	-	-	-	-	(35)	**-**
At 30 September 2020	**100,000**	**-**	**21,729**	**-**	**96,279**	**(12,785)**	**-**	**205,223**

3.3 Individual financial statements of MKB Bank Nyrt. according to IFRS

3.3.1 Income statement

	3Q(Y) 2019	3Q(Y) 2020
Interest income	44,600	37,232
Interest expense	13,941	15,652
Net interest income	**30,659**	**21,580**
Net income from commissions and fees	19,548	17,288
Other operating income / (expense), net	6,658	9,638
Impairments and provisions for losses	(4,498)	4,420
Operating expenses	26,630	31,021
Share of jointly controlled and associated companies' profit / (loss)	-	-
Profit / (Loss) before taxation	**34,733**	**13,065**
Income tax expense / (income)	(170)	85
Profit/ (Loss) for the year from continuing operation	**34,903**	**12,980**
Profit/ (Loss) for the year from discontinued operation	-	-
PROFIT/ (LOSS) FOR THE YEAR	**34,903**	**12,980**
Other comprehensive income:	-	-
Items that may be reclassified subsequently to profit or loss:	-	-
Revaluation on financial assets measured at FVTOCI	(3,150)	(6,038)
Other comprehensive income for the year net of tax	**(3,150)**	**(6,038)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**31,753**	**6,942**

3.3.2 Balance sheet

	3Q 2019	3Q 2020
Assets		
Cash reserves	19,564	172,804
Loans and advances to banks	75,929	103,170
Derivative financial assets	22,720	24,572
Securities	780,417	976,519
Loans and advances to customers	936,411	1,018,456
Non-current assets held for sale and discontinued operations	3,288	2,289
Other assets	21,587	17,071
Current income tax assets	0	1,204
Deferred tax assets	7,710	8,329
Investments in jointly controlled entities and associates	45,254	48,510
Intangibles, property and equipment	37,867	36,775
Total assets	**1,950,747**	**2,409,699**
Liabilities	0	0
Amounts due to other banks	200,247	473,127
Deposits and current accounts	1,410,995	1,590,608
Derivate financial liabilities	51,963	34,109
Liabilities held for sale and discontinued operations	1,018	0
Other liabilities and provisions	59,182	64,734
Current income tax liabilities	0	0
Deferred tax liabilities	0	50
Issued debt securities	1,331	2,402
Subordinated debt	39,434	44,172
Total liabilities	**1,764,170**	**2,209,202**
Equity	0	0
Share capital	100,000	100,000
Reserves	86,577	100,497
Total equity attributable to equity holders of the Bank	**186,577**	**200,497**
Non-controlling interests	0	0
Total equity	**186,577**	**200,497**
Total liabilities and equity	**1,950,747**	**2,409,699**

3.3.3 Shareholders' assets

	Share capital	Share premium	Retained earnings	Revaluation on financial assets measured at FVTOCI	Total equity
At 1 January 2019	**100,000**	**21,729**	**41,361**	**(3,466)**	**159,624**
Dividend for the year 2018	-	-	(4,800)	-	**(4,800)**
Profit/ (loss) for the year	-	-	42,012	-	**42,012**
Other comprehensive income for the year	-	-	-	(3,281)	**(3,281)**
At 31 December 2019	**100,000**	**21,729**	**78,573**	**(6,747)**	**193,555**
Profit/ (loss) for the year	-	-	12,980	-	**12,980**
Other comprehensive income for the year	-	-	-	(6,038)	**(6,038)**
At 30 September 2020	**100,000**	**21,729**	**91,553**	**(12,785)**	**200,497**

3.4 Other information

Consolidated companies

Company	Percentage of equity owned	Percentage of voting rights	Country of incorporation	Brief description of activities
Euro - Immat Üzemeltetési Kft.	100.00%	100.00%	Hungary	Intangible assets, license maintenance
MKB-Euroleasing Autólízing Szolgáltató Zrt.	100.00%	100.00%	Hungary	Car and consumer finance activities, other finance activities
MKB Bank MRP Szervezet	100.00%	0.00%	Hungary	Special purpose entity for the Employee Share Program
MKB Üzemeltetési Kft.	100.00%	100.00%	Hungary	Property operation and maintenance
Retail Prod Zrt.	100.00%	100.00%	Hungary	Car and consumer finance activities
MKB-Pannónia Alapkezelő Zrt.	49.00%	49.00%	Hungary	Investment fund management activity
MKB Digital Szolgáltató Zrt.	100.00%	100.00%	Hungary	IT services
Magyar Bankholding Zrt.	33.33%	33.33%	Hungary	Holding activity

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	35.00%	35.00%
Blue Robin Investments S.C.A.	32,900,000	32.90%	32.90%
RKOFIN RKOFIN Investment and Asset Management Ltd.	13,620,597	13.62%	13.62%
EIRENE Private Equity Fund	9,999,999	9.99%	9.99%

Full-time employees

FTE, end of period	31.12.2018	31.12.2019	30.06.2019	30.09.2020
MKB Bank Nyrt.	1,763.15	1,509.70	1,573.98	1,608.10
MKB Digital Zrt.	0.00	185.83	186.33	185.08
MKB Üzemeltetési Kft	43.50	40.11	41.61	44.61
Euroleasing Zrt.	0.10	0.00	0.00	0.00
MKB Euroleasing Autólízing Zrt.	119.35	146.73	159.43	164.55
MKB-Euroleasing Autóhitel Ker és Szolg Zrt.	15.90	0.00	0.00	0.00
Retail Prod Zrt.	0.33	0.18	0.18	0.18
MKB Nypénzt. és Eü.Pénzt.Kiszolgáló Kft.	10.22	6.25	5.00	0.00
Exter Adósságkezelő Kft.	1.00	0.00	0.00	0.00
Extercom Kft.	2.15	1.63	1.63	0.00
MKB Bank MRP Szervezet	2.00	2.00	2.00	2.00
MKB Group	**1,957.70**	**1,892.41**	**1,970.14**	**2,004.51**

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	2020.07.23	2025.07.22	0
IT, VB	Dr. András Csapó	member, Deputy CEO	2020.07.23	2025.07.22	0
IT	Imre Kardos	member	2016.07.25	2021.07.24	0
IT	Mihály Valkó	member	2020.05.22	2025.05.21	0
IT	Dr. Gabriella Gombai	member	2020.06.11	2025.06.10	0
IT	Balázs Benczédi	member	2020.06.12	2025.06.11	0
IT	Marcell Tamás Takács	member	2020.07.30	2025.07.29	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

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

* Dr. Ádám Balog has resigned from his Board of Directors membership and chairmanship effective on 31 December 2020, or if the election of the new chairman of the Board of Directors to be elected by the General Meeting will not be effective until this day, then on the starting date of the mandate of the new chairman of the Board of Directors to be elected by the General Meeting, but no later than 1 March 2021.

4 ANNEXES

4.1 Financial indicators

4.1.1 Adjusted KPIs on profit&loss

KPI	Short description	Formulation	Current cumulated figures
ROAE	Adjusted rate on average equities	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average equities (HUF bln)}}$	$\frac{22,762}{195,628} * \frac{4}{3} =$ **15.51%**
ROMC	Adjusted rate on minimum capital	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average minimum capital (HUF bln)}}$	$\frac{22,762}{146,556} * \frac{4}{3} =$ **20.71%**
ROAA	Adjusted rate on average total assets	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{22,762}{2,105,741} * \frac{4}{3} =$ **1.44%**
TRM	Adjusted total revenue margin	$\frac{\text{Annualised adjusted Gross Operating Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{55,042}{2,105,741} * \frac{4}{3} =$ **3.49%**
CIM	Adjusted core income margin	$\frac{\text{Annualised adjusted net interest + net fee + FX income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{(25,481 + 17,174 + 7,264)}{2,105,741} * \frac{4}{3} =$ **3.16%**
NIM	Adjusted net interest income margin	$\frac{\text{Annualised adjusted Net Interest Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{25,481}{2,105,741} * \frac{4}{3} =$ **1.61%**
NFM	Adjusted net fee margin	$\frac{\text{Annualised adjusted Net Fee Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{17,174}{2,105,741} * \frac{4}{3} =$ **1.09%**
C/TA	Adjusted cost to total assets	$\frac{\text{Annualised adjusted General Admin. Expenses (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{30,216}{2,105,741} * \frac{4}{3} =$ **1.91%**
CIR	Adjusted cost-income ratio	$\frac{\text{Adjusted General Admin. Expenses (HUF bln)}}{\text{Adjusted Gross Operating Income (HUF bln)}}$	$\frac{30,216}{55,042} =$ **54.90%**
Risk%	Adjusted risk cost rate	$\frac{\text{Annualised adjusted provision for losses on loans (HUF bln)}}{\text{Average gross loans (HUF bln)}}$	$\frac{1,301}{1,041,844} * \frac{4}{3} =$ **0.17%**
GOI/RWA	Adjusted RWA efficiency	$\frac{\text{Annualised adjusted Gross Operating Income (HUF bln)}}{\text{Average Total RWA (HUF bln)}}$	$\frac{55,042}{992,595} * \frac{4}{3} =$ **7.39%**
EPS	Adjusted earnings per share	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average number of shares (bln pcs)}}$	$\frac{22,762}{100} * \frac{4}{3} =$ **303.50**

Company name: MKB Bank Nyrt.
Address: 1056 Budapest, Váci u. 38.
Sector: Other monetary activity
Reporting period: 01.07.2020-30.09.2020
Phone: +36 (1) 268-8004
Fax: +36 (1) 268-7555
E-mail address: investorrelations@mkb.hu
Investors' contact person: Dóra Sebestyén-Bertalan

4.1.2 KPIs on profit&loss as in financial statements

KPI	Short description	Formulation	Current cumulated figures
ROAE	Rate on average equities	$\frac{\text{Annualised PAT (HUF bln)}}{\text{Average equities (HUF bln)}}$	$\frac{13{,}288}{195{,}628} * \frac{4}{3} =$ **9.06%**
ROMC	Rate on minimum capital	$\frac{\text{Annualised PAT (HUF bln)}}{\text{Average minimum capital (HUF bln)}}$	$\frac{13{,}288}{146{,}556} * \frac{4}{3} =$ **12.09%**
ROAA	Rate on average total assets	$\frac{\text{Annualised PAT (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{13{,}288}{2{,}105{,}741} * \frac{4}{3} =$ **0.84%**
TRM	Total revenue margin	$\frac{\text{Annualised Gross Operating Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{50{,}187}{2{,}105{,}741} * \frac{4}{3} =$ **3.18%**
CIM	Core income margin	$\frac{\text{Annualised net interest + net fee + FX income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{(23{,}790 + 17{,}174 + 7{,}264)}{2{,}105{,}741} * \frac{4}{3} =$ **3.05%**
NIM	Net interest income margin	$\frac{\text{Annualised Net Interest Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{23{,}790}{2{,}105{,}741} * \frac{4}{3} =$ **1.51%**
NFM	Net fee margin	$\frac{\text{Annualised Net Fee Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{17{,}174}{2{,}105{,}741} * \frac{4}{3} =$ **1.09%**
C/TA	Cost to total assets	$\frac{\text{Annualised General Admin. Expenses (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{31{,}879}{2{,}105{,}741} * \frac{4}{3} =$ **2.02%**
CIR	Cost-income ratio	$\frac{\text{General Admin. Expenses (HUF bln)}}{\text{Gross Operating Income (HUF bln)}}$	$\frac{31{,}879}{50{,}187} =$ **63.52%**
Risk%	Risk cost rate	$\frac{\text{Annualised provision for losses on loans (HUF bln)}}{\text{Average gross loans (HUF bln)}}$	$\frac{5{,}342}{1{,}041{,}844} * \frac{4}{3} =$ **0.68%**
GOI/RWA	RWA efficiency	$\frac{\text{Annualised Gross Operating Income (HUF bln)}}{\text{Average Total RWA (HUF bln)}}$	$\frac{50{,}187}{992{,}595} * \frac{4}{3} =$ **6.74%**
EPS	Earnings per share, IFRS	$\frac{\text{PAT (HUF bln)}}{\text{Average number of shares (bln pcs)}}$	$\frac{13{,}288}{100} =$ **132.9**

4.1.3 Volume KPIs

KPI	Short description	Formulation	Current cumulated figures
Provision/ Total Assets	Provision to Total Assets	Provision for customer loans (HUF bln) / Total Assest (HUF bln)	48,556 / 2,399,226 = **2.02%**
Securities rate	Securities to Total assets	Securities (HUF bln) / Total Assest (HUF bln)	976,519 / 2,399,226 = **40.70%**
CAR	Capital adequacy ratio	Regulatory capital (HUF bln) / Total RWA (HUF bln)	191,503 / 1,014,386 = **18.88%**
RWA/ Total Assets	Risk weighted assets to Total assets ratio	Total RWA (HUF bln) / Total Assest (HUF bln)	1,014,386 / 2,399,226 = **42.28%**
DPD90+ rate	Rate of loans past due for more than 90 days	Loans past due for more than 90 days (HUF bln) / Gross customer loans (HUF bln)	20,790 / 1,075,987 = **1.93%**
DPD coverage	Rate of loans past due for more than 90 days covered by provision	Provision for customer loans (HUF bln) / Loans past due for more than 90 days (HUF bln)	48,556 / 20,790 = **233.55%**
NPL rate	Rate of non-performing loans	Non-performing customer loans (HUF bln) / Gross customer loans (HUF bln)	35,339 / 1,075,987 = **3.28%**
Direct NPL coverage	Rate of non-performing loans covered directly by provision	Provision for non-performing customer loans (HUF bln) / Non-performing customer loans (HUF bln)	27,251 / 35,339 = **77.11%**
Indirect NPL coverage	Rate of non-performing loans covered by provision	Provision for customer loans (HUF bln) / Non-performing customer loans (HUF bln)	48,556 / 35,339 = **137.40%**

4.2 Abbreviations

MKB, MKB Bank, MKB Group	MKB Group
EU kötelezettség-vállalások	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.
NBH	National Bank of Hungary (the central bank of Hungary)
MNB	Magyar Nemzeti Bank (the Hungarian name of the central bank of Hungary)
y/y	Year on year
p/p	Period on period
bp	Basis point
CAGR	Compounded Annual Growth Rate
(Y), YTD	Year to date data
PAT	Profit after tax
PBT	Profit before tax
GOI	Gross Operating Income
GAE	General Administrative Expenses
OCI	Other comprenesive income
TOCI	Total other comprenesive income
FX	FX result
FV	Revaluation result
IRS	Interest rate swap
TA	Total assets
RWA	Risk weighted assets
Fedezett hitelek	Home Loans + Free-to-Use Mortgages
FVTOCI	Fair value through OCI
FVTPL	Fair value through P&L
FTE	Full time equivalent
NPL	Non performing loans
NPE	Non performing exposures
DPD90+	Days past due over 90 days
POCI	Purchased or Originated Credit Impaired Asset
ROE, ROAE	Return on average equity
ROMC	Return on minimum capital
ROA, ROAA	Return on average assets
CIR	Cost-to-income ratio
TRM	Total revenue margin
NIM	Net interest margin
NFM	Net fee margin
CIM	Core Income Margin
CAR	Capital adequacy ratio
LTD	Loans to deposits
EPS	Earning per share
AVA	Asset value adjustment – CRR specification
MÁP+	Hungarian Governmental Securities+
ÁKK	Price of government bond reference yields determined daily by the National Debt Management Center (ÁKK)
NHP	FGS, Funding for Growth Scheme
KSH	Hungarian Central Statistical Office
AFR	Instant payment system implementation project to comply with NBH requirements
Hitreg	Loan registry requirements of NBH
PSD2	Payment service directive 2