



# 1H 2020 MKB Group

Flash Report presentation

Budapest, 27 August 2020



# Executive summary

Business environment

Financials at a glance MKB Group

Adjusted Profit After Tax, Total Comprehensive Income

Profit and Loss, KPIs

Capital position

Business income

General administrative expenses

Portfolio quality

Business segments results

Corporate segment

Retail segment

Leasing segment

Investments and Treasury activities

Annexes

Strategic Partners' Performances

Abbreviations

Disclaimer



- **Sound capital and improving liquidity position** in 2Q 2020 amid COVID-19 pandemic turmoil
- **Increasing retail lending flow and stock market share**
- Risk cost effect of COVID-19 booked in 2Q: stringent loan portfolio management allows for **only HUF 4.5 bln, 60bps risk cost charge** (unadjusted)
- **HUF 7.2 bln (-39% y/y) adjusted PAT in 1H 2020** as pandemic put pressure on incomes
- **73.5% adjusted CIR%:** stringent cost management resulted in marginal y/y cost growth in 1H
- **NPL rate down to 3.63%**

- **Active and successful participation in government economic stimulus initiatives: rapid customer volumes growth**, improving flow market share in every segment
- **Digital channels** further enhanced: overwhelmingly positive feedback from clients
- **Flawless instant payment (AFR) operation**
- High (>60%) home-office participation underpins strong and effective corporate culture and supports anti-spread initiatives. New hybrid working solutions are launched to maximize effectiveness
- MKB is considering the possibility and examining the conditions of acquiring a shareholding stake in Slatinska banka d.d.

<b>PAT</b>	<b>HUF 7.24 bln</b> -39.0% ; -71.6%	<b>Total Assets</b>	<b>HUF 2,207.8 bln</b> 20.8% ; 25.5%
<b>ROAE</b>	<b>7.50%</b> -6.9%-pt ; -19.7%-pt	<b>CIM</b>	<b>3.09%</b> -1.0%-pt ; -1.1%-pt
<b>GAE</b>	<b>HUF 20.20 bln</b> 10.2% ; -11.6%	<b>CIR</b>	<b>73.48%</b> 4.5%-pt ; 31.2%-pt
<b>Risk%</b>	<b>-0.18%</b> 0.5%-pt ; -1.5%-pt	<b>NPL%</b>	<b>3.63%</b> -0.8%-pt ; -0.7%-pt
<b>CAR</b>	<b>19.81%</b> 0.5%-pt ; -2.8%-pt	<b>Securities to TA</b>	<b>38.63%</b> 3.5%-pt ; 4.6%-pt

(↓) y/y YTD; p/p      (↑) adjusted half year data



## Retail



- End-to-end online personal loan product introduced to existing customers
- Heavy sight deposit inflow supports liquidity and demonstrates customer base potential
- Expanding PB clientele and activity propels segment revenues
- Successful premium segment customer acquisition campaigns
- Increasing personal loan and „babaváró” disbursement propels volumes despite moderate setback in customer demand

## Corporate



- State-of-the-art MKB Treasury services to back customers amid uncertainties and rapid market changes
- Active and successful participation in government economic stimulus programs to facilitate recovery
- Swift loan portfolio growth since 2019Y in line with post-EU restrictions business strategy. Customer focus shifting towards subsidized loan types in 2Q
- Rapid corporate deposits growth reflects strong customer relations
- Opt-out rate around 30% at the end of 2Q

## Leasing



- Disbursements were affected by COVID-19 in April and May, but in June quickly recovered unfolded
- Low rate of participation in moratorium signals healthy portfolio and well-managed customer base
- Nissan partnership initiated resulting in increasing dealer financing and growth possibilities
- FGS Go! Funding going strong in SME sector

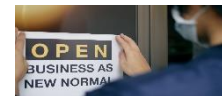
**Base rate:** National Bank of Hungary cut the base rate by further 15 basis points to 60 bps on 22nd of July 2020 in order to enhance business activity and manage yield levels



**CRR2:** ECB implemented preferential measures to assist economic recovery by easing capital adequacy of financial institutions. Effect of these changes on MKB Groups capital adequacy are expected to be finalized in 3Q



**Banking hours:** starting from 1st of July MKB Bank took gradual steps towards normal branch operation: branches located at shopping malls are to serve customers with standard banking hours with strong anti-spread measures still in place. Further changes in opening hour to follow if possible



#### **Potential second wave of COVID-19:**

- Increase in daily number of new COVID-19 infections are noticeable in Europe as well as in Hungary since mid-June despite anti-spread measures. Rapid increase of new infections might forecast a second wave of the pandemic. MKB Group 2H 2020 results might be affected by the macroeconomic turmoil and market uncertainties caused by such events.
- Possible moratorium extension: According to press reports the Hungarian Government is in talks with the Banking Association to explore whether it is possible, if not generally, but to provide some additional benefits or a partial moratorium for companies from next year



Executive summary

## **Business environment**

Financials at a glance MKB Group

Adjusted Profit After Tax, Total Comprehensive Income  
Profit and Loss, KPIs

Capital position

Business income

General administrative expenses

Portfolio quality

Business segments results

Corporate segment

Retail segment

Leasing segment

Investments and Treasury activities

Annexes

Strategic Partners' Performances

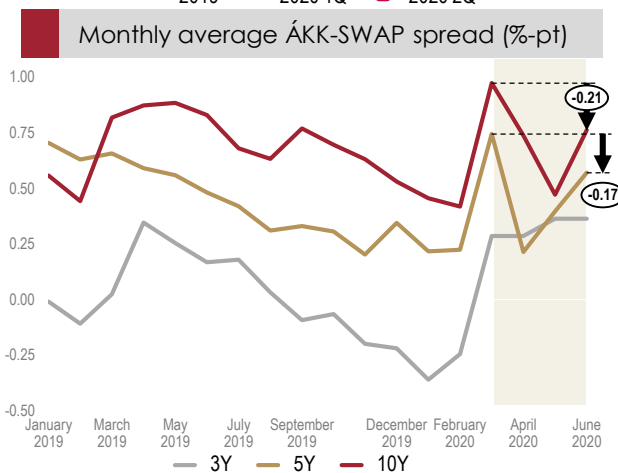
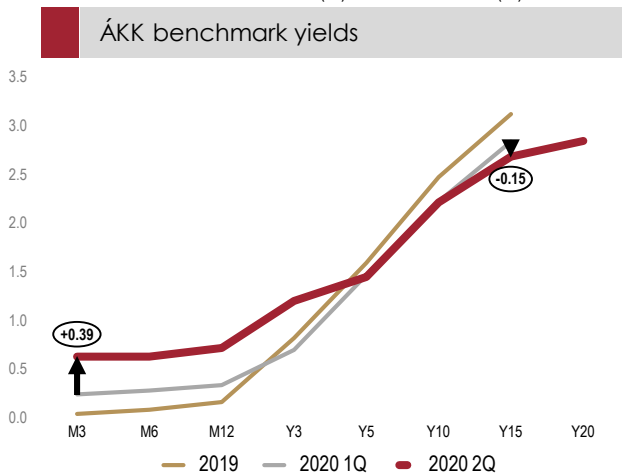
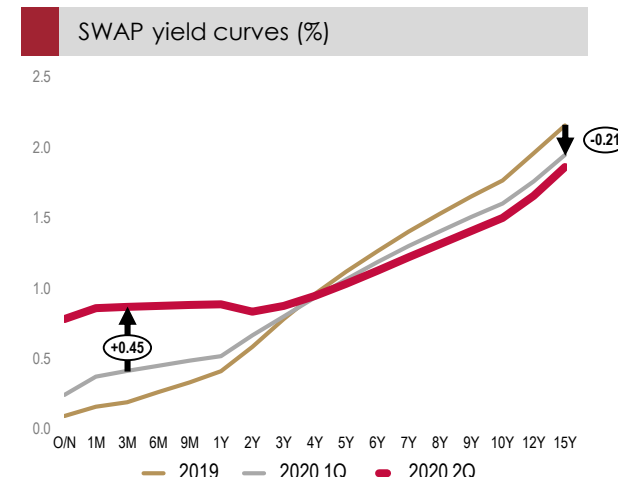
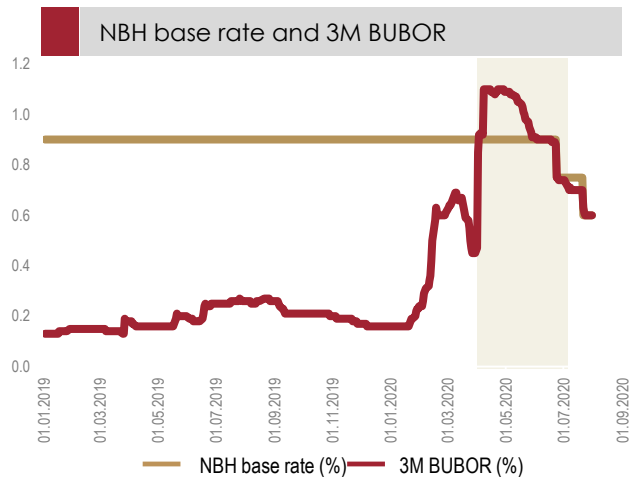
Abbreviations

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Policy measures implemented by the government and the NBH efficiently decreased uncertainties on the money market and mitigated the short term effects of the pandemic:

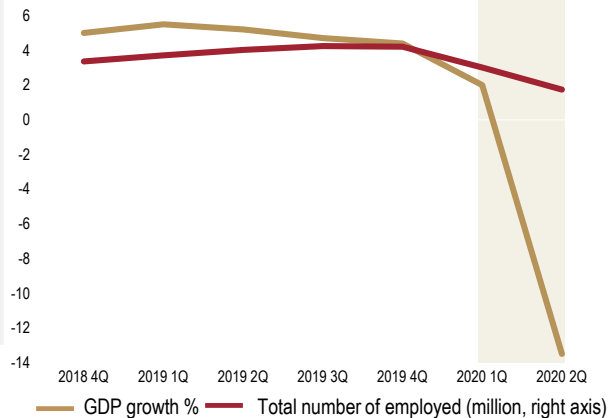
- NBH cut key rate by 15 bps in both June and July to stimulate the economy and foster lending on low interest rates
- Long term government bond yields decreased by 20-25 bps from the end of March
- The bond – swap spread decreased significantly in the second quarter



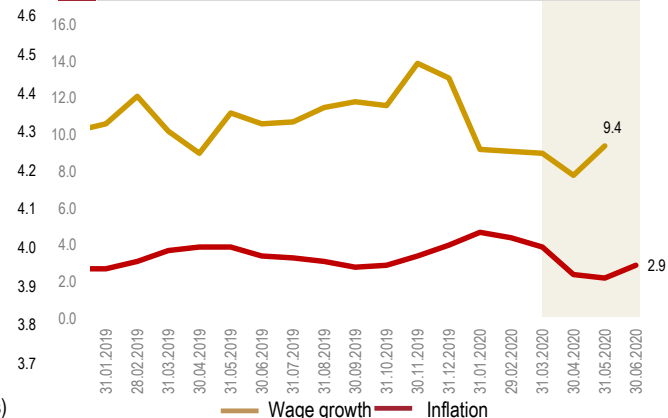
- In 1H 2020 GDP decreased by 13.5% (y/y) due to COVID-19
- EUR/HUF exchange rate stabilised after the market shock in March
- Negative labour market trends continued in 2Q
- Savings further increased as consumers deferred consumption due to economic uncertainties

\* Includes only loans to domestic non-financial corporations, in line with the definition of MNB statistics. Hungarian GAAP data includes held for sale assets according to IFRS.

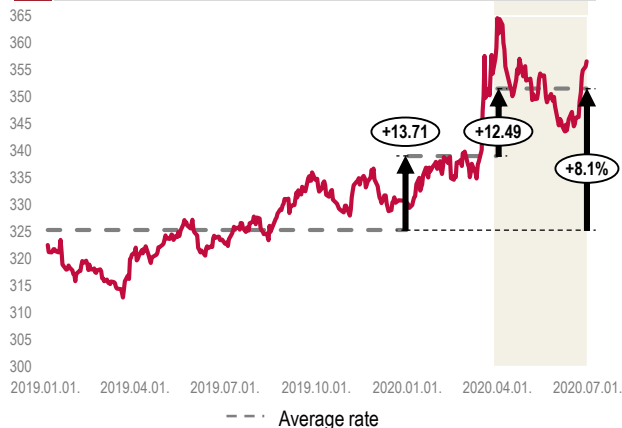
### GDP growth (y/y %) and employment



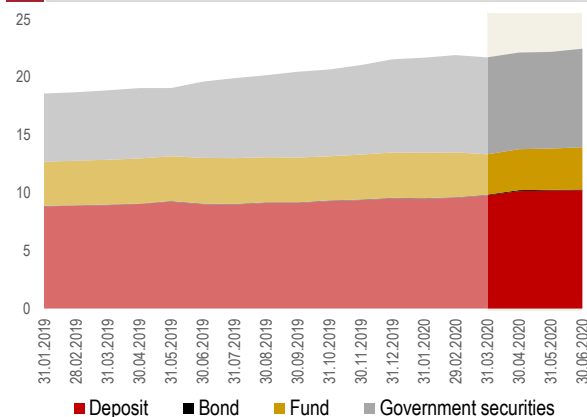
### Average inflation and wage growth (y/y %)



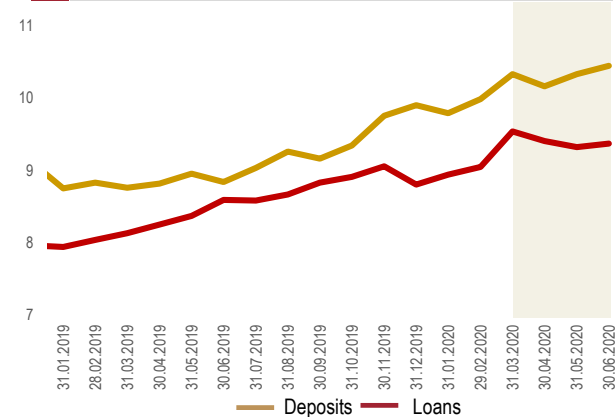
### EUR/HUF rate



### Household savings (HUF thous. bln)



### Corporate stocks\* (HUF thous. bln)



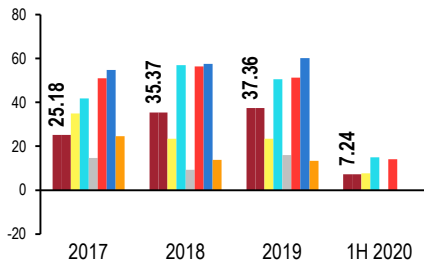
# Savings increase after COVID-19 shock

27.08.2020

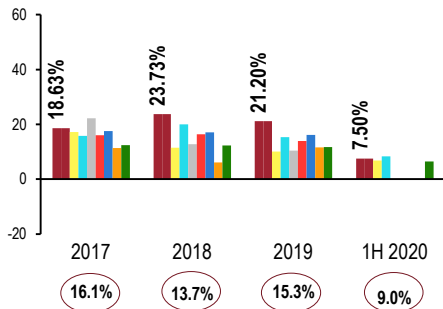




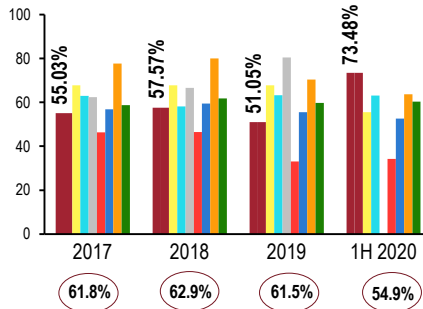
Adjusted profit after tax (HUF bln)



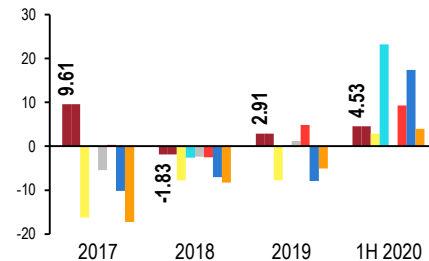
Adjusted ROAE (%)



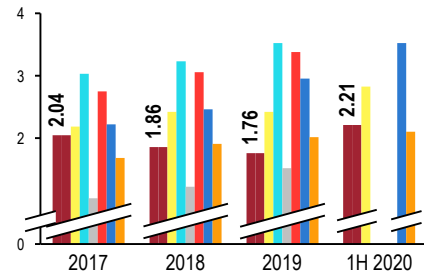
Cost/income ratio (% , adjusted)



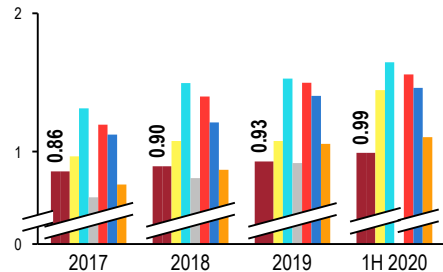
Unadjusted risk cost (HUF bln, +/- charge/release)



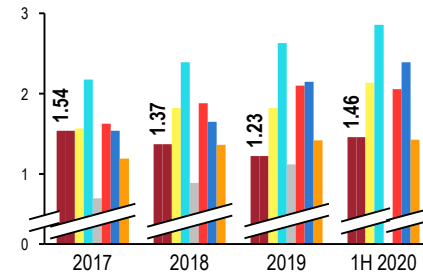
Total assets (HUF thousand bln)



Net loan portfolio (HUF thousand bln)



Deposits (HUF thousand bln)



■ MKB    ■ KH    ■ UC    ■ CIB  
■ Raiffeisen    ■ BB    ■ Erste    ■ OTP Core

(17.5) peer group average incl. OTP Core

- **Favourable risk cost** (unadjusted) in 1H compared to peers, supported by sound customer base and continuously monitored portfolio
- **Total assets increase** in line with the market after the completion of EU commitments in 2019

Source: annual reports of banks

Favourable risk cost in 1H compared to peers

27.08.2020



Executive summary  
Business environment

## Financials at a glance MKB Group

**Adjusted Profit After Tax, Total Comprehensive Income**  
Profit and Loss, KPIs

Capital position

Business income

General administrative expenses

Portfolio quality

Business segments results

Corporate segment

Retail segment

Leasing segment

Investments and Treasury activities

Annexes

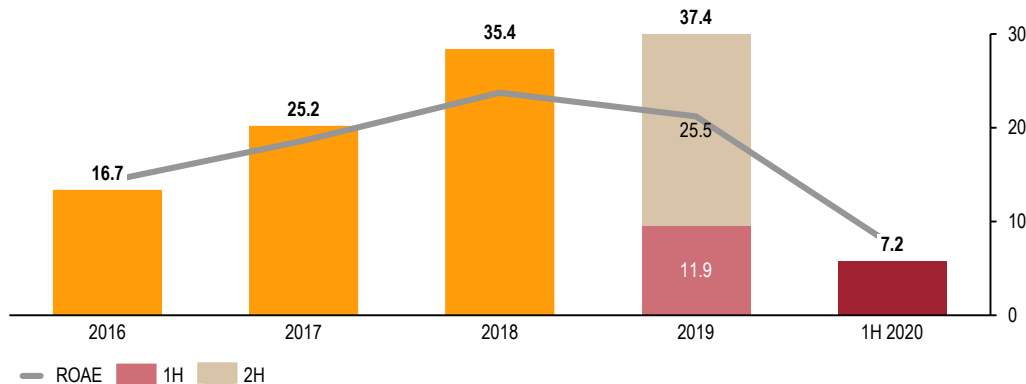
Strategic Partners' Performances

Abbreviations

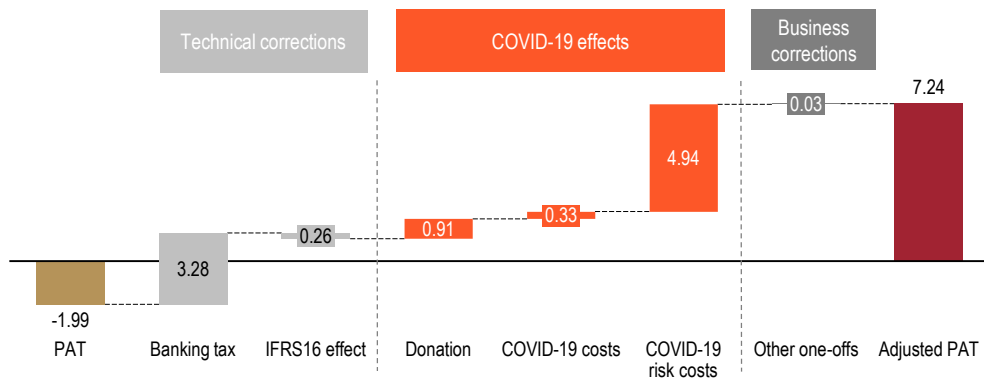
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## Adjusted Profit after tax (HUF bln, YTD) and ROAE (%)



## 1H 2020 adjusted Profit After Tax breakdown (HUF bln)



In order to foster understanding of the underlying financial performance, MKB Group uses adjustments in its Flash reports. In 2Q 2020 majority of adjustments were directly linked to COVID-19

**Technical corrections** (banking tax - HUF 3.28 bln; IFRS16 effect - HUF 0.26 bln) are required for proper p/p and y/y comparison

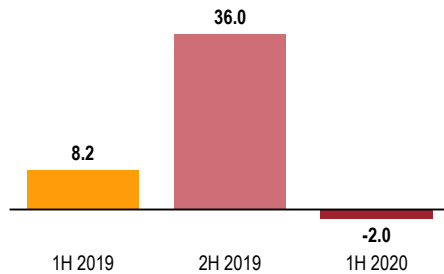
**COVID-19 adjustments** shows the one-off direct effect of the pandemic:

- Costs attributable to anti-spread and distancing measures are to be deducted
- COVID-19 risk costs include the modification gain&loss effect of the moratorium and the revision of risk model parameters due to deteriorating external environment
- One-off expenditure of HUF 1.0 bln (before tax) donation
- FV corrections applied in 1Q were cancelled out as financial market conditions have been showing signs of improvements

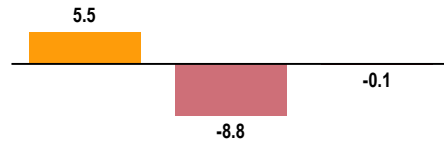
**Business corrections** are other, banking related items with one-off nature distorting the p/p and y/y comparison

Total Comprehensive Income (YTD, HUF bln)

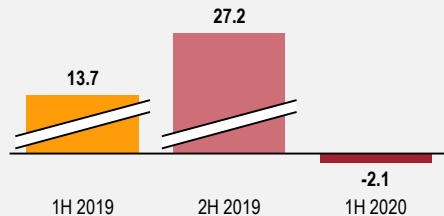
PAT



OCI



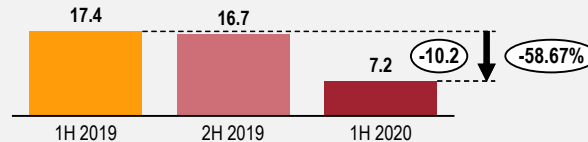
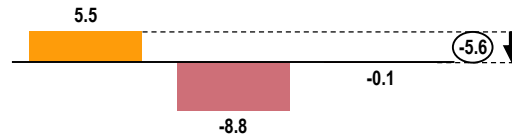
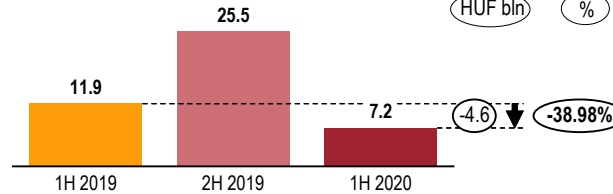
TOCI



Adjusted Total Comprehensive Income (YTD, HUF bln)

Y/Y change

(HUF bln) (%)



- **HUF 7.2 bln adjusted PAT in 1H 2020** (HUF -4.6 bln y/y) despite adverse market conditions
- As markets stabilized after COVID-19 shock **OCI improved to HUF -0.1 bln** neutralizing the negative result of the previous quarter
- **HUF 7.2 bln adjusted total comprehensive income (TOCI):** as a result of HUF 7.2 bln PAT and HUF -0.1 bln OCI

HUF 7.2 bln adjusted PAT in 1H 2020

27.08.2020



Executive summary  
Business environment

## Financials at a glance MKB Group

Adjusted Profit After Tax, Total Comprehensive Income  
**Profit and Loss, KPIs**

Capital position

Business income

General administrative expenses

Portfolio quality

Business segments results

Corporate segment

Retail segment

Leasing segment

Investments and Treasury activities

Annexes

Strategic Partners' Performances

Abbreviations

Disclaimer





P&L (HUF bln)	2019			2020			Y/Y (Y) %	P/P %	Y/Y (P) %
	2Q	2Q(Y)	4Q(Y)	1Q	2Q	2Q(Y)			
<i>Net operating income</i> <sup>1</sup>	6.7	8.3	39.5	7.5	-0.2	<b>7.3</b>	-11.71%	-102.83%	-103.17%
<b>Gross operating income</b> <sup>1</sup>	<b>15.5</b>	<b>26.6</b>	<b>80.7</b>	<b>17.4</b>	<b>10.1</b>	<b>27.5</b>	<b>3.37%</b>	<b>-42.06%</b>	<b>-34.74%</b>
Net interest income	10.82	21.53	40.80	7.75	8.39	<b>16.15</b>	-25.00%	8.21%	-22.46%
Net fee income	6.44	11.72	27.32	6.00	5.28	<b>11.28</b>	-3.77%	-11.95%	-18.03%
Other Income <sup>2</sup>	-1.81	-6.65	12.55	3.65	-3.59	<b>0.07</b>	-100.98%	-198.21%	98.17%
<b>General admin. expenses</b> <sup>1</sup>	<b>-8.7</b>	<b>-18.3</b>	<b>-41.2</b>	<b>-9.9</b>	<b>-10.3</b>	<b>-20.2</b>	<b>10.16%</b>	<b>3.98%</b>	<b>17.76%</b>
<b>Provisions</b> <sup>1</sup>	<b>2.2</b>	<b>3.4</b>	<b>-2.9</b>	<b>1.1</b>	<b>-0.2</b>	<b>0.9</b>	<b>-73.45%</b>	<b>-115.78%</b>	<b>-107.71%</b>
Provision for losses on loans	2.18	3.39	-3.06	1.04	-0.12	<b>0.92</b>	-72.80%	-111.61%	-105.54%
Other provisions and impairments	0.01	0.01	0.15	0.03	-0.05	<b>-0.02</b>	-	-274.83%	-
<b>Adjusted PBT</b> <sup>1</sup>	<b>8.9</b>	<b>11.6</b>	<b>36.6</b>	<b>8.6</b>	<b>-0.4</b>	<b>8.2</b>	<b>-29.68%</b>	<b>-104.45%</b>	<b>-104.28%</b>
Taxation	0.56	0.22	0.78	-0.63	-0.32	<b>-0.95</b>	-	-49.42%	-156.91%
<b>Adjusted PAT</b>	<b>9.5</b>	<b>11.9</b>	<b>37.4</b>	<b>7.9</b>	<b>-0.7</b>	<b>7.2</b>	<b>-38.98%</b>	<b>-108.82%</b>	<b>-107.40%</b>
Adjusted revaluation on non HFC financial assets (OCI)	1.7	5.5	-3.3	-6.0	5.9	<b>-0.1</b>	-101.22%	-198.87%	236.25%
<b>Adjusted Total Comprehensive Income</b>	<b>11.2</b>	<b>17.4</b>	<b>34.1</b>	<b>2.0</b>	<b>5.2</b>	<b>7.2</b>	<b>-58.67%</b>	<b>160.67%</b>	<b>-53.75%</b>
Adjustments total on PAT <sup>3</sup>	-0.2	3.7	-6.8	6.1	3.1	<b>9.2</b>	149.84%	-49.56%	-
Profit after tax (PAT)	9.6	8.2	44.1	1.8	-3.8	<b>-2.0</b>	-124.30%	-	-139.38%
Revaluation on non HFC financial assets (OCI)	1.7	5.5	-3.3	-11.6	11.6	<b>-0.1</b>	-101.22%	-199.42%	-
<b>Total Comprehensive Income</b>	<b>11.4</b>	<b>13.7</b>	<b>40.9</b>	<b>-9.8</b>	<b>7.8</b>	<b>-2.1</b>	<b>-115.03%</b>	<b>-179.12%</b>	<b>-31.68%</b>

<sup>1</sup>Adjusted figures

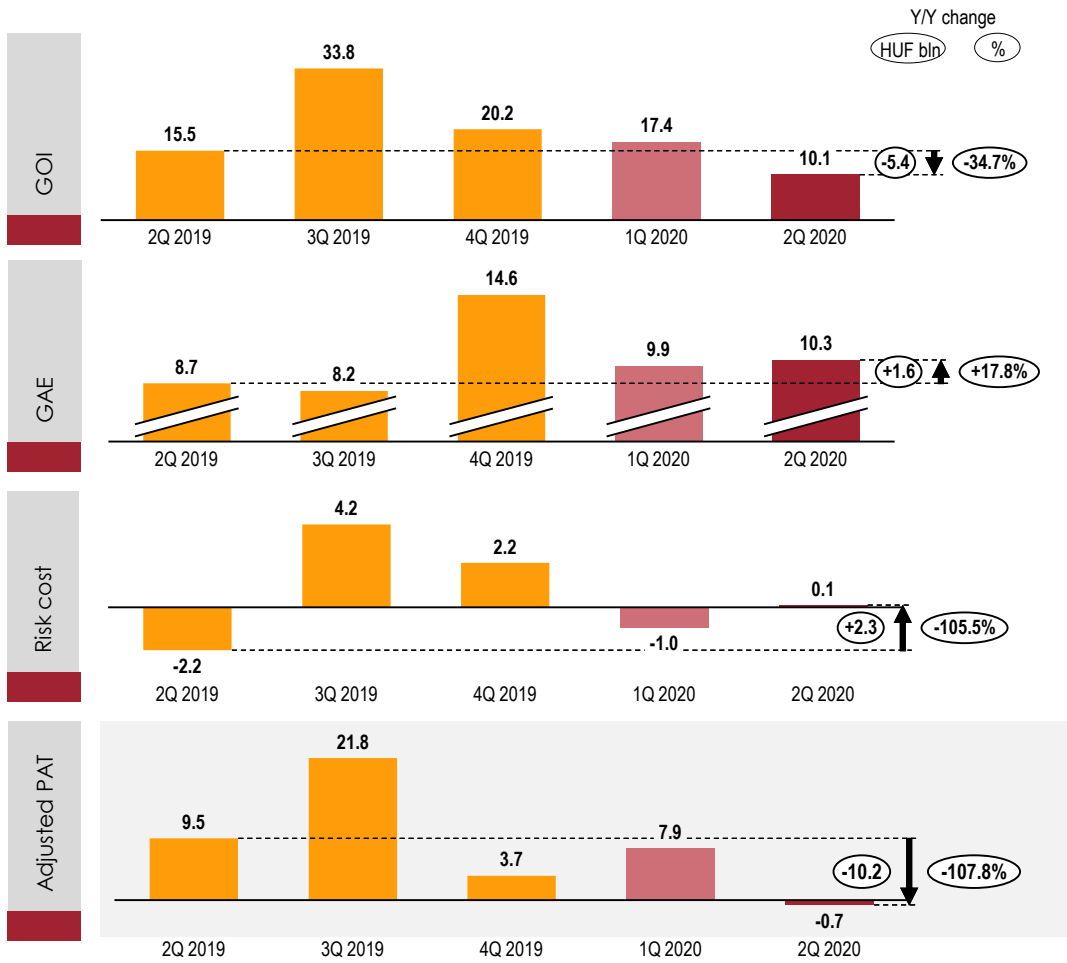
<sup>2</sup>Net other Income contains FX+FV result

<sup>3</sup>The 3.1 chapter of the Flash report contains the list of adjustments

**Favourable PAT (HUF 7.2 bln) in 1H 2020 amid market uncertainties in Hungary**

27.08.2020





- **HUF 10.1 bln gross operating income:** Core income\* (HUF 15.2 bln; -4.1% p/p) is near on the same level as previous period. Gross income considerably effected by the decreasing level of other income\*\*
- **HUF 10.3 bln GAE:** stringent cost management resulted in marginal p/p cost growth in 2Q.
- **HUF 0.1 bln adjusted risk cost (charge)** due to the sound customer base and continuously monitored portfolio
- **HUF -0.7 bln (-107% y/y) adjusted profit after tax**

\*Core income: net interest income + net fee income + FX, see pg 23  
 \*\*Other income: FV result + other income

# Underlying portfolio quality allows for minimal risk cost (adjusted) charge in 2Q

27.08.2020



Balance sheet (HUF bln)	2019		2020		Y/Y %	P/P %	YTD %
	2Q	4Q	1Q	2Q			
Financial assets	147.4	117.8	132.8	243.7	65.32%	83.53%	106.90%
Trading portfolios	40.6	20.7	60.2	55.4	36.51%	-7.94%	167.19%
Securities	618.9	594.7	729.0	826.8	33.59%	13.41%	39.04%
Customer Loans (net)	924.8	930.3	1,014.0	991.3	7.19%	-2.24%	6.56%
Customer Loans (gross)	967.7	976.7	1,060.9	1,038.3	7.30%	-2.12%	6.31%
Provision for Customer loans	-42.9	-46.4	-46.8	-47.0	9.50%	0.30%	1.33%
Total Other assets	95.9	96.3	93.9	90.6	-5.60%	-3.55%	-5.95%
<b>Total Assets</b>	<b>1,827.7</b>	<b>1,759.8</b>	<b>2,029.9</b>	<b>2,207.8</b>	<b>20.80%</b>	<b>8.76%</b>	<b>25.46%</b>
Interbank liabilities	206.2	195.8	313.3	410.7	99.20%	31.09%	109.75%
Deposits & C/A	1,330.2	1,226.5	1,370.4	1,458.4	9.64%	6.42%	18.91%
Other liabilities	82.3	99.6	114.3	99.5	20.90%	-12.90%	-0.08%
Subordinated debt	37.7	39.4	43.3	42.7	13.29%	-1.25%	8.46%
Shareholders' Equity	171.3	198.5	188.6	196.4	14.67%	4.12%	-1.03%
<b>Total Liabilities &amp; Equity</b>	<b>1,827.7</b>	<b>1,759.8</b>	<b>2,029.9</b>	<b>2,207.8</b>	<b>20.80%</b>	<b>8.76%</b>	<b>25.46%</b>
Customer off balance items	400.7	357.7	331.4	347.8	-13.19%	4.95%	-2.75%

**Strong and loyal customer base of MKB Group** allowed for rapid customer deposit increase, boosting the balance sheet above HUF 2.2 tns bln:

- MKB Group's active participation in NHB liquidity boosting facilities results in a rapid increase of **interbank liabilities** (+31.1% p/p)
- **+6.42% p/p increase in customer deposits**
- **Customer loans** decreased in 2Q (-2.12% p/p) slightly: Credit line utilization decreased in 2Q as subsidized loans gather momentum
- **Securities portfolio** (+13.41% p/p) absorbed the liquidity surplus stemming from the quickly growing customer deposit base

KPIs based on adjusted PAT	2019			2020			Y - Y (Y)	P - P	Y - Y (P)
	2Q	2Q(Y)	4Q(Y)	1Q	2Q	2Q(Y)			
<b>Profitability</b>									
TRM - Total revenue margin	3.30%	2.83%	4.31%	3.67%	1.90%	2.74%	-0.1%-pt	-1.8%-pt	-1.4%-pt
NIM - Net income margin	2.31%	2.29%	2.18%	1.64%	1.58%	1.61%	-0.7%-pt	-0.1%-pt	-0.7%-pt
NFM - Net fee margin	1.38%	1.25%	1.46%	1.27%	1.00%	1.12%	-0.1%-pt	-0.3%-pt	-0.4%-pt
CIM - Core income margin	4.51%	4.14%	4.18%	3.35%	2.87%	3.09%	-1.0%-pt	-0.5%-pt	-1.6%-pt
GOI/RWA - RWA efficiency	6.76%	5.79%	8.85%	7.33%	3.96%	5.59%	-0.2%-pt	-3.4%-pt	-2.8%-pt
Risk% - Risk cost rate	-0.90%	-0.70%	0.31%	-0.41%	0.05%	-0.18%	0.52%-pt	0.5%-pt	0.9%-pt
<b>Efficiency</b>									
CIR - Cost-Income ratio	56.58%	68.96%	51.05%	56.90%	102.11%	73.48%	4.5%-pt	45.2%-pt	45.5%-pt
C/TA - Cost to total assets	1.87%	1.95%	2.20%	2.09%	1.94%	2.01%	0.1%-pt	-0.1%-pt	0.1%-pt
Cost/(income+OCI)	50.83%	57.15%	53.22%	86.46%	64.48%	73.66%	16.5%-pt	-22.0%-pt	13.7%-pt
ROAE - Return on average equity	22.52%	14.41%	21.20%	16.41%	-1.45%	7.50%	-6.9%-pt	-17.9%-pt	-24.0%-pt
ROMC - Return on minimum capital	29.51%	18.68%	29.05%	22.00%	-1.87%	9.83%	-8.8%-pt	-23.9%-pt	-31.4%-pt
ROAA - Return on average total asset	2.02%	1.26%	1.99%	1.68%	-0.13%	0.72%	-0.5%-pt	-1.8%-pt	-2.2%-pt
<b>Share information</b>									
EPS - Earning per share (HUF, annualized)	378.3	237.2	373.6	317.6	-28.0	144.77	-92.5	-345.6	-406.3

Favourable adjusted risk cost rate in 1H

27.08.2020



	2019		2020		Y - Y	P - P	YTD
	2Q	4Q	1Q	2Q			
<b>Volume KPIs</b>							
LTD - Loan to deposit ratio	72.75%	79.63%	77.41%	<b>71.20%</b>	-1.6%-pt	-6.2%-pt	-8.4%-pt
Securities ratio	35.11%	34.07%	37.04%	<b>38.63%</b>	3.5%-pt	1.6%-pt	4.6%-pt
Provision to total assets	2.35%	2.63%	2.31%	<b>2.13%</b>	-0.2%-pt	-0.2%-pt	-0.5%-pt
RWA/TA - RWA/total assets	49.67%	49.45%	50.73%	<b>45.55%</b>	-4.1%-pt	-5.2%-pt	-3.9%-pt
CAR - Capital adequacy ratio	19.32%	22.59%	17.89%*	<b>19.81%</b>	0.5%-pt	1.9%-pt	-2.8%-pt
<b>Portfolio quality</b>							
DPD90+ rate	2.96%	2.59%	2.35%	<b>2.00%</b>	-1.0%-pt	-0.3%-pt	-0.6%-pt
DPD90+ coverage	148.88%	183.37%	188.23%	<b>226.00%</b>	77.1%-pt	37.8%-pt	42.6%-pt
NPL rate	4.43%	4.30%	3.91%	<b>3.63%</b>	-0.8%-pt	-0.3%-pt	-0.7%-pt
NPL coverage (indirect)	99.53%	110.31%	112.97%	<b>124.74%</b>	25.2%-pt	11.8%-pt	14.4%-pt
NPL direct coverage	69.05%	71.97%	74.07%	<b>72.17%</b>	3.1%-pt	-1.9%-pt	0.2%-pt
Stage 1 loans (HUF bln)	852.9	855.7	938.3	<b>922.7</b>	69.8	-15.6	67.0
Stage 2 loans (HUF bln)	59.6	73.9	75.5	<b>71.3</b>	11.7	-4.2	-2.7
Stage 3 loans (HUF bln)	38.9	37.8	38.2	<b>35.6</b>	-3.3	-2.7	-2.2
POCI (HUF bln)	7.5	7.9	7.6	<b>7.5</b>	0.0	-0.1	-0.5

\*1Q 2020 CAR rate is restated in order to fully accommodate the NBH policy on Tier2 accrual interest.

- **Improving capital and liquidity position:** outstanding long-term capital adequacy
- **NPL rate** (3.63%, -28bps) and **DPD90+ rate** (2.00%; -35 bps) shows further improvements
- **Loan-to-deposit** ratio (71.20%, -621bps) decrease and improving **securities ratio** (38.63%, +159bps p/p) shows deposit collection capability and strong liquidity position of the MKB Group
- **73.48% adjusted CIR%:** strict cost management to mitigate COVID-19 impacts on incomes to keep CIR% at an acceptable level





Executive summary

Business environment

Financials at a glance MKB Group

Adjusted Profit After Tax, Total Comprehensive Income

Profit and Loss, KPIs

## Capital position

Business income

General administrative expenses

Portfolio quality

Business segments results

Corporate segment

Retail segment

Leasing segment

Investments and Treasury activities

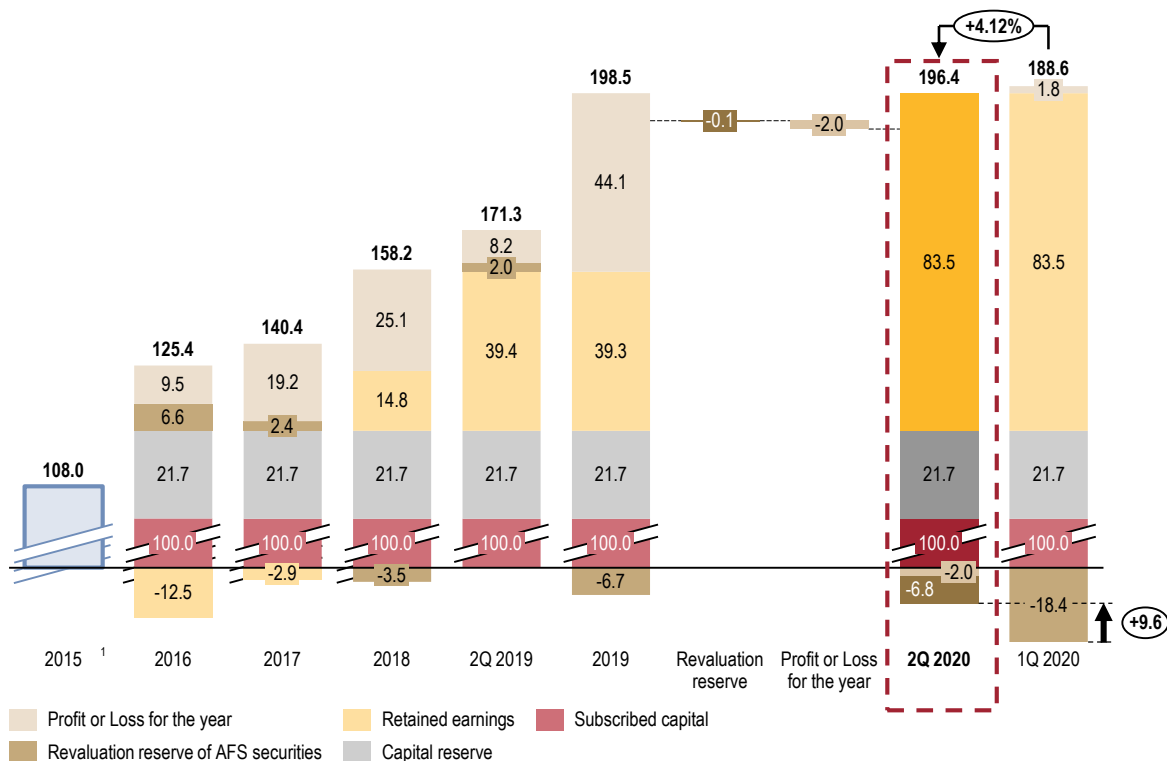
Annexes

Strategic Partners' Performances

Abbreviations

Disclaimer





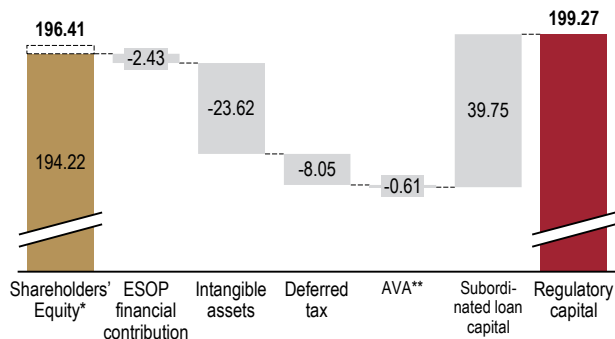
<sup>1</sup>Shareholders' equity for 2015 has not been disclosed in detail due to significant restructuring within the year.

**HUF +7.8 bln capital accumulation p/p results in HUF 196.4 bln**

**Improving capital position at the end of 2Q 2020:**

- The sharp decrease of revaluation reserves in 1Q was neutralised by the market rebound in 2Q
- Profit (unadjusted) was HUF -2.0 bln in 1H

## Regulatory capital formulation (HUF bln)

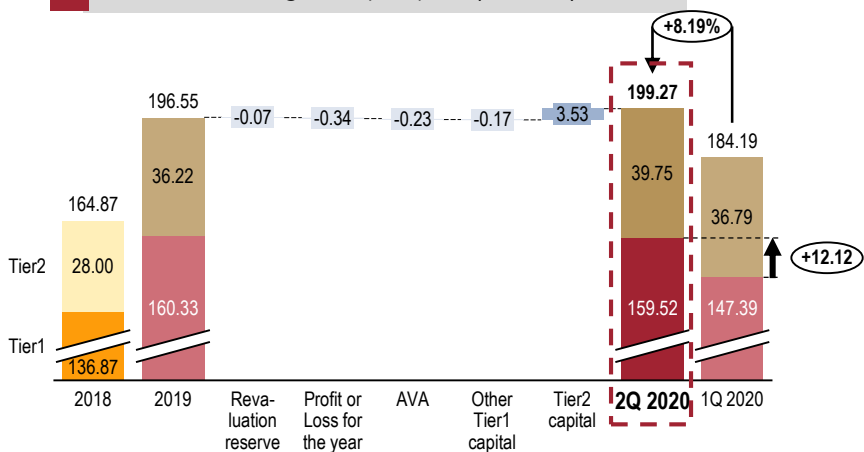


\* Equity under IFRS and prudential consolidation differ due to differences in the range of firms included in the calculation

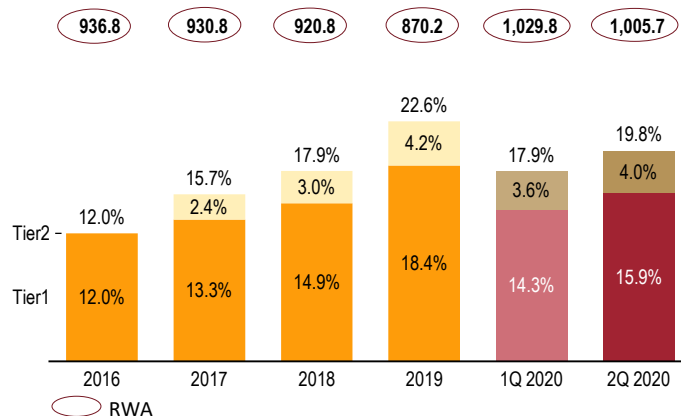
\*\* AVA = Asset value adjustment – CRR specification

- To support rapid business growth and to strengthen its capital position MKB Bank issued EUR 51.3 mln **senior, subordinated bond** (maturity 8 years). In the meantime, EUR 48.1 mln (remaining maturity: 4 years) senior, subordinated bonds were redeemed. As a result CAR increased by 0.4%-pts
- The market rebound in 2Q neutralized the COVID-19 related impacts in 1Q on comprehensive income (OCI) resulting in near **year-end level Tier1 capital**

## Evaluation of regulatory capital (HUF bln)



## CAR (%) and RWA (total, HUF bln),



1Q CAR rate is restated in order to fully accommodate the NBH policy on Tier2 accrual interest.



Executive summary

Business environment

Financials at a glance MKB Group

Adjusted Profit After Tax, Total Comprehensive Income

Profit and Loss, KPIs

Capital position

**Business income**

General administrative expenses

Portfolio quality

Business segments results

Corporate segment

Retail segment

Leasing segment

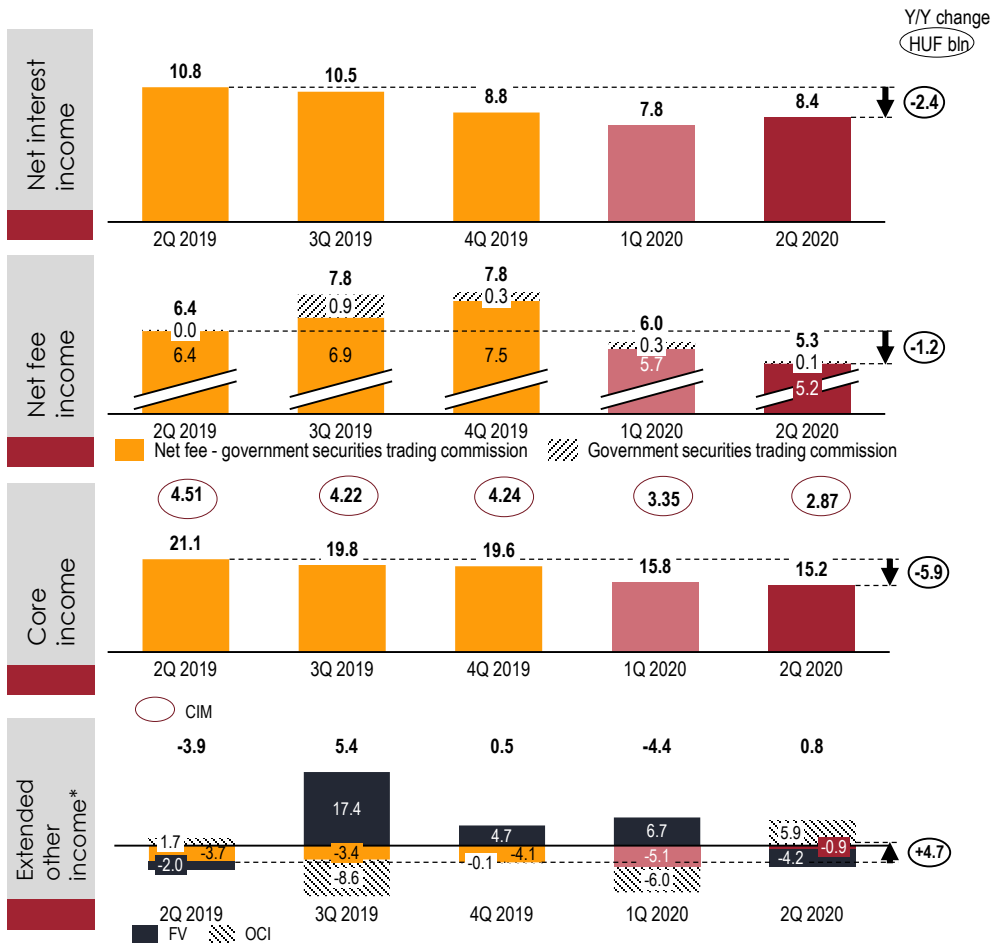
Investments and Treasury activities

Annexes

Strategic Partners' Performances

Abbreviations

Disclaimer



- **HUF 8.4 bln net interest income in 2Q 2020 (+8.21% p/p; -22.4% y/y):** beside the positive effects of the moratorium on net interest incomes, increasing liquidity in 2Q resulted higher average securities volume, accordingly higher interest income on securities portfolio p/p. Securities portfolio restructuring in 2H 2019 resulted in slight decrease in portfolio income y/y due to market pricing trends
- **HUF 5.3 bln net fee income** marks a 18.0% y/y decrease due to temporarily lower business activity during the lockdown in 2Q
- FV corrections applied in 1Q were cancelled out in 2Q as financial market conditions have been showing signs of improvements. **Fair value results for 1H 2020 presented (HUF 2.4 bln) reveal moderate but y/y improved (HUF 1.0 bln) results** when considering TOCI.
- As a result of NBH counter pandemic measures MKB expects less vivid markets in 2H 2020

\*other income + FV + OCI





Executive summary

Business environment

Financials at a glance MKB Group

Adjusted Profit After Tax, Total Comprehensive Income

Profit and Loss, KPIs

Capital position

Business income

**General administrative expenses**

Portfolio quality

Business segments results

Corporate segment

Retail segment

Leasing segment

Investments and Treasury activities

Annexes

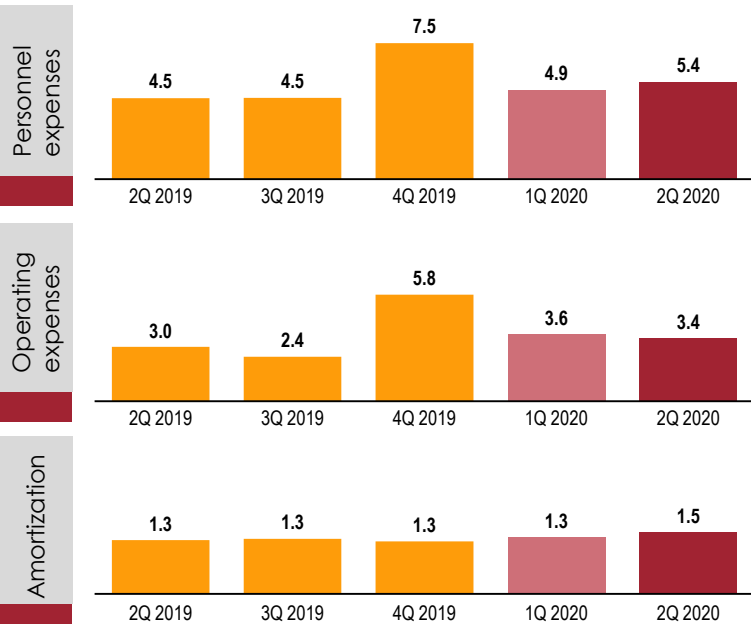
Strategic Partners' Performances

Abbreviations

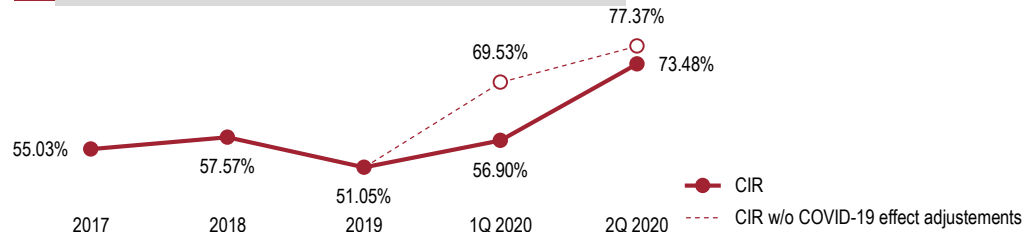
Disclaimer



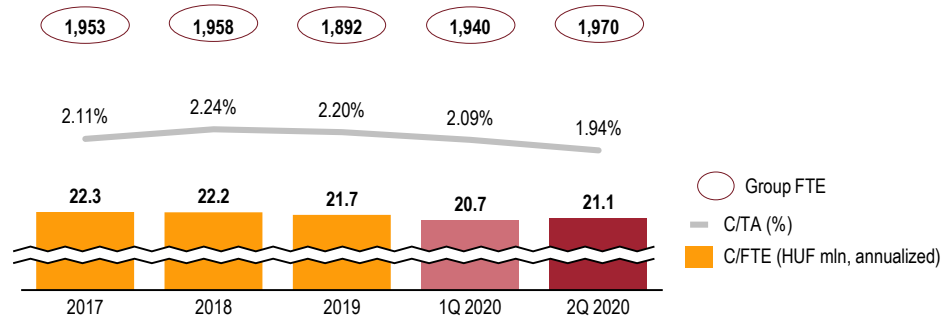
### Breakdown of GAE (HUF bln)



### Cost-income ratio (cumulated, %)



### Cost efficiency and headcount (FTE)



- **73.48% CIR:** strict cost control measures were maintained and deterioration was driven by revenues affected by indirect COVID-19 impacts
- Continuously improving cost efficiency: C/TA 1.94% (-15bps p/p)
- Slight increase in PEREX was mainly down to increasing business efforts and costs attributable to regulatory projects
- Headcount increase (+30 FTE p/p) was propelled by intensified business activity to accomplish business goals and push for digitalisation

**Cost efficiency maintained in 1H: C/TA decreased to 1.94%**

27.08.2020





Executive summary

Business environment

Financials at a glance MKB Group

Adjusted Profit After Tax, Total Comprehensive Income

Profit and Loss, KPIs

Capital position

Business income

General administrative expenses

**Portfolio quality**

Business segments results

Corporate segment

Retail segment

Leasing segment

Investments and Treasury activities

Annexes

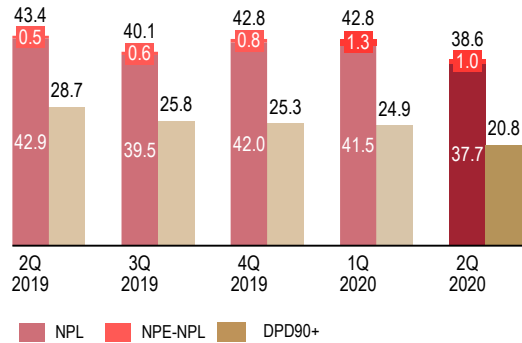
Strategic Partners' Performances

Abbreviations

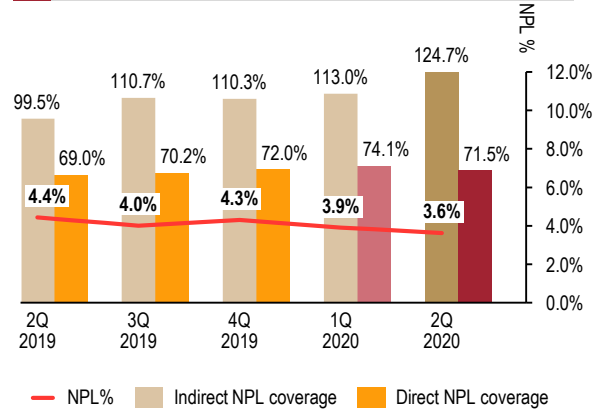
Disclaimer



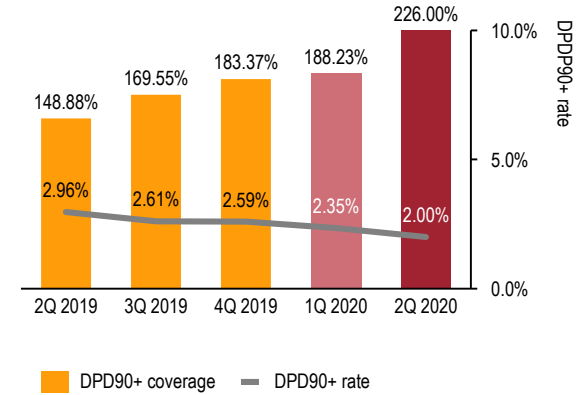
## NPL, NPE and DPD90+ portfolio (HUF bln)



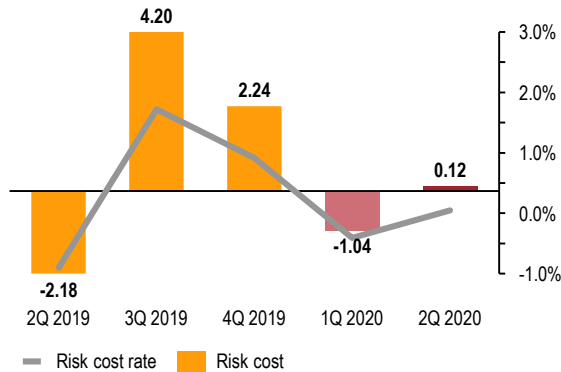
## NPL coverage and NPL rate (IFRS\*)



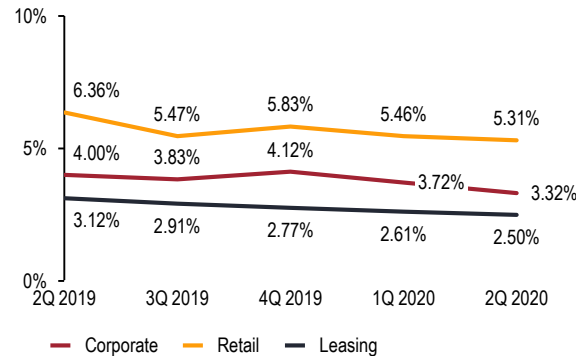
## DPD90+ coverage and DPD 90+ rate



## Adjusted risk cost (HUF bln) and rate (%)



## Segment NPL rates



### NPL rate further improved; outstanding NPL coverage:

- Prudent risk provisioning allowed for HUF 0.9 bln risk cost (adjusted) release in 1H
- NPL volume: -12.2%; HUF -5.2 bln y/y
- NPL rate: 3.6% (-80 bps y/y)

\*According to IFRS held for sale and FVTPL portfolio not included

# NPL rate improves again in 2Q

27.08.2020



Executive summary  
Business environment  
Financials at a glance MKB Group  
Adjusted Profit After Tax, Total Comprehensive Income  
Profit and Loss, KPIs

Capital position  
Business income  
General administrative expenses  
Portfolio quality

## **Business segments results**

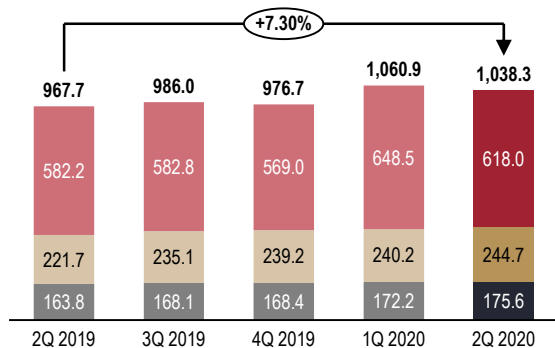
Corporate segment  
Retail segment  
Leasing segment  
Investments and Treasury activities

Annexes  
Strategic Partners' Performances  
Abbreviations

Disclaimer



## Breakdown of gross customer loans<sup>1</sup> (HUF bln)



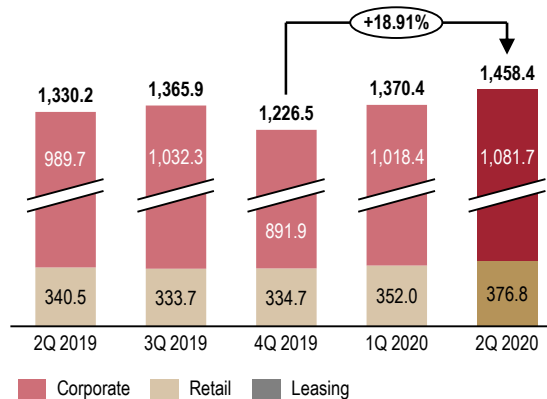
<sup>1</sup> IFRS figures

<sup>2</sup> Replacing HAS segments

**Gross customer loans:** HUF +70.6 bln (+7.3%) y/y; HUF -22.5 bln p/p

- y/y increase is driven by the strong push to enhance customer lending relations and to actively participate in Government economic stimulus programs.
- Credit line utilization decreased in 2Q as subsidized loans gather momentum
- Still high demand for „Babaváró” loans

## Breakdown of deposits<sup>1,2</sup> (HUF bln)

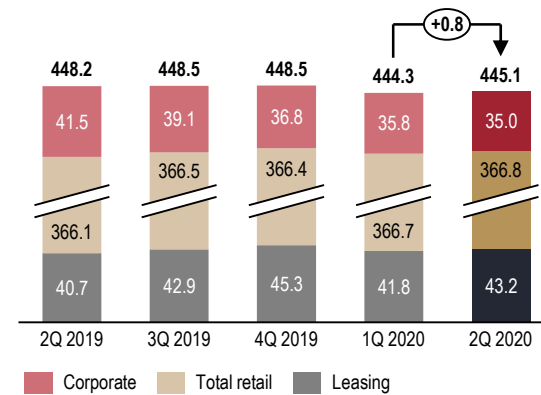


■ Corporate ■ Retail ■ Leasing

**Customer deposits:** 18.9% (HUF 231.9bn) growth since 2019Y, HUF +88.0 bln p/p

- Strong customer base of MKB Group allowed for rapid customer deposit increase
- Corporate deposits grew by +21.2% (HUF 189.9bn) to 2019Y and +6.2% (HUF 63.4bn) p/p
- Retail deposits also grew by +9.8% to 2019Y, 7.0% p/p

## Number of clients (thousand)



■ Corporate ■ Total retail ■ Leasing

**Number of clients increased p/p by 800:**

- Increasing customer base both in leasing (+1.4 thousand) and retail (+0.1 thousand) business

**Rapid and impressive customer deposit growth  
owing to strong customer base**

27.08.2020

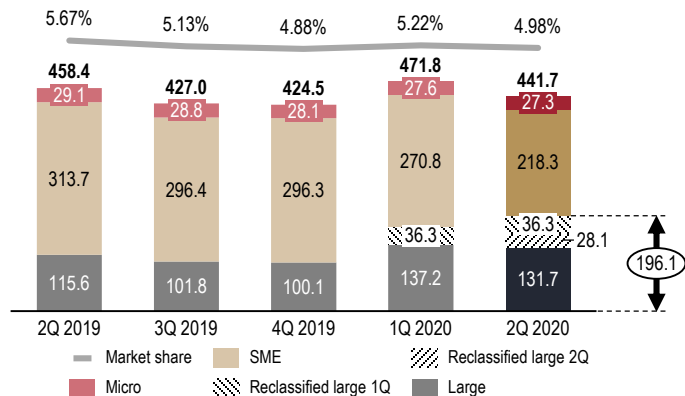


Executive summary  
Business environment  
Financials at a glance MKB Group  
    Adjusted Profit After Tax, Total Comprehensive Income  
    Profit and Loss, KPIs  
Capital position  
Business income  
General administrative expenses  
Portfolio quality  
**Business segments results**  
    Corporate segment  
    Retail segment  
    Leasing segment  
    Investments and Treasury activities  
Annexes  
    Strategic Partners' Performances  
    Abbreviations  
Disclaimer

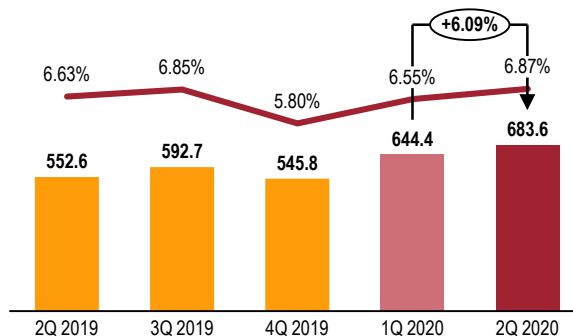




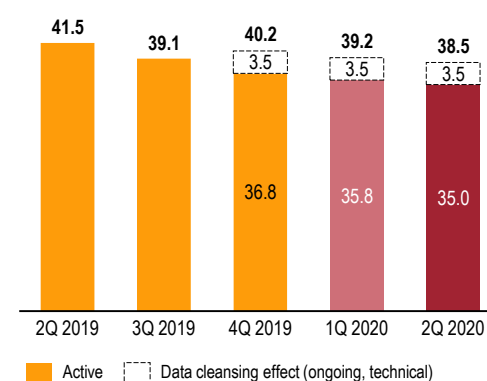
## Gross corporate loans\* breakdown (HUF bln) and market share\*\* (%)



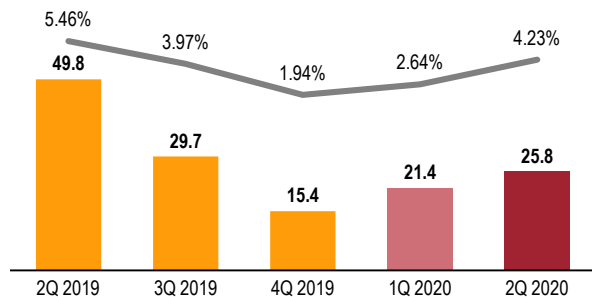
## Corporate deposit\* (HUF bln) and market share\*\* (%)



## Corporate client numbers (in thousands)



## Corporate loan disbursement\* (HUF bln) and market share\*\* (%)



- **Corporate loans:** Credit line utilization decreased in 2Q as subsidized loans gathered momentum resulting in a HUF 30.1 bln p/p decrease.
- **Increased disbursement rate and flow market share in 2Q** are in line with post-EU strategy and vindicating the efforts taken to enhance customer relations and products.
- Customer reclassification (SME to Large) took place resulting in lump-sum, one-off but technical changes in volumes.
- Strong customer base of MKB Group allowed for rapid **customer deposits** increase, HUF 137.8 bln increase since 2019 4Q

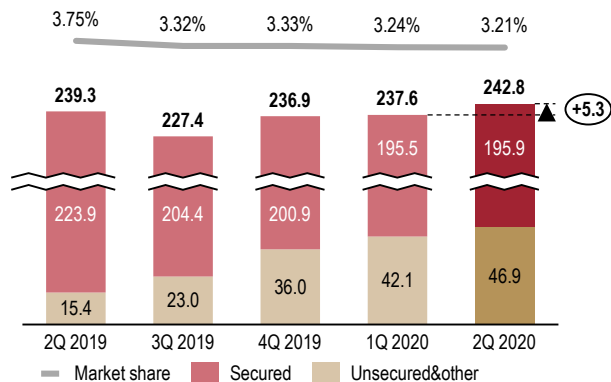
\* Includes only loans to domestic non-financial corporations, in line with the definition of MNB statistics (w/o FGS). Hungarian GAAP data includes held for sale assets according to IFRS. The breakdown of historical data by company size has been changed minimally due to the refinement of methodology.

\*\* Source: MNB statistics

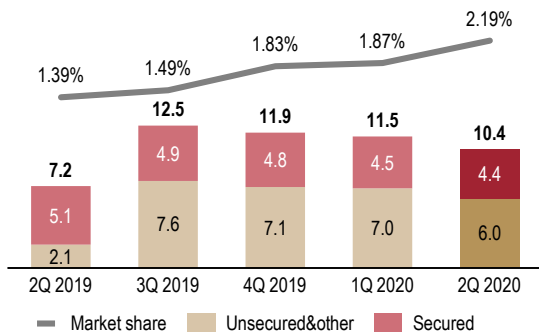
Executive summary  
Business environment  
Financials at a glance MKB Group  
    Adjusted Profit After Tax, Total Comprehensive Income  
    Profit and Loss, KPIs  
Capital position  
Business income  
General administrative expenses  
Portfolio quality  
**Business segments results**  
    Corporate segment  
    Retail segment  
    Leasing segment  
    Investments and Treasury activities  
Annexes  
    Strategic Partners' Performances  
    Abbreviations  
Disclaimer



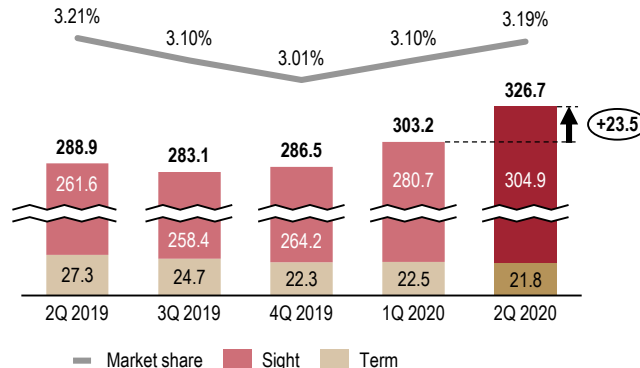
## Retail gross loans<sup>1</sup> (HUF bln) and market share<sup>2</sup> (%)



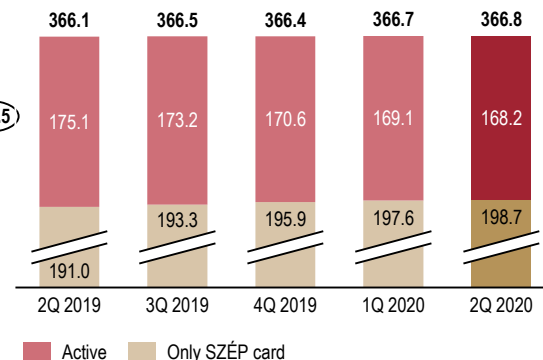
## Loan disbursement<sup>1</sup> (HUF bln) and market share<sup>2</sup> (%)



## Deposits<sup>1</sup> (HUF bln) and market share<sup>2</sup> (%)



## Total retail client number (in thousands)



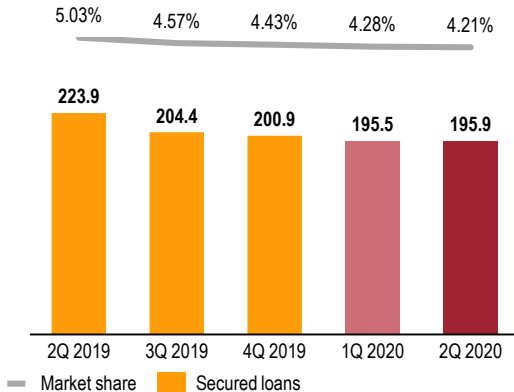
- **HUF 242.8 bln retail gross loan\*** (HUF +3.5 bln y/y; HUF +5.3 bln p/p)
- **HUF 326.7 bln deposits** (HUF +37.8 bln y/y; HUF +23.5 bln p/p). Heavy sight deposit inflow supports the liquidity as well as underlines the strong business potential of MKB Group
- **Unsecured loan disbursement** increased by HUF 3.9 bln y/y, and secured loan disbursement decreased by HUF 0.7 bln compared to 2Q 2019 as the results of renewed retail lending activity started to unfold. Market share of new disbursement increased by 80 bps y/y
- **Premium customers<sup>3</sup> are still in strategic focus in 2020**, their numbers increased by 7.2% to ~ 6,290 compared to the end of 1Q 2020

<sup>1</sup> The segments are formed according to the requirements to be used in the reports prepared for MNB for comparison which may involve discrepancy between calculated gross volume vs. segment volume. Hungarian GAAP data includes held for sale assets according to IFRS.

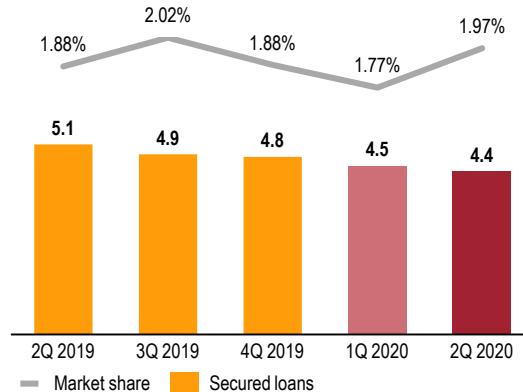
<sup>2</sup> Source: MNB statistics.

<sup>3</sup> Customers having contract concluded for a premium service and the sum of assets on the accounts included in the service reach HUF 10 million

Volumes (HUF bln) and market share (%)



New disbursement (HUF bln) and market share (%)

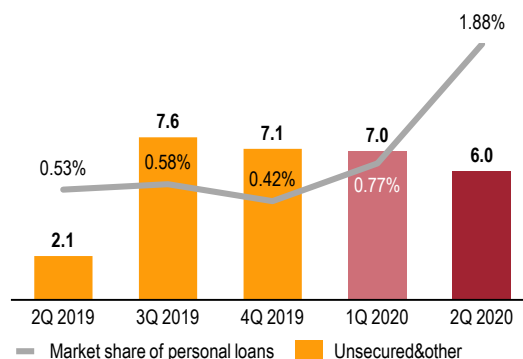
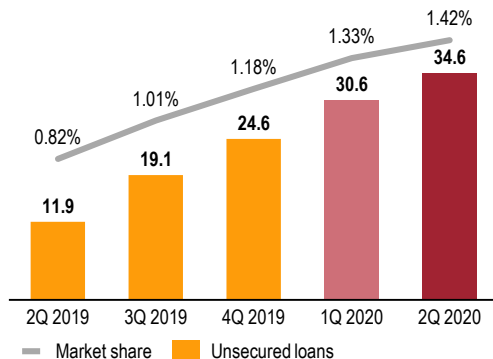


Secured loans

Unsecured loans

- **Secured loans increased** (HUF 0.4 bln p/p) due to the moratorium: rate of disbursement and amortisation of the portfolio balanced were almost identical as real estate market cooled down in 1H
- Despite COVID-19, secured loan disbursement remains nearly on the 2H 2019 level
- **Secured loans' new disbursement** was HUF 4.4 bln in 2Q 2020 (HUF -0.7 bln y/y; HUF -0.1 bln p/p) and **market share increased by 20 bps p/p**

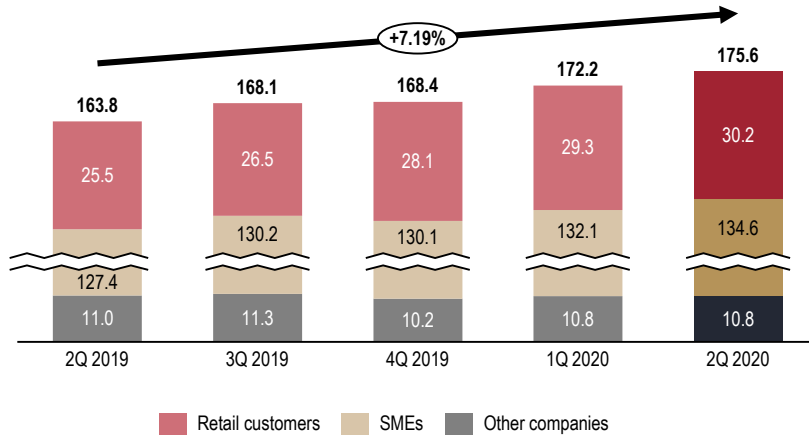
- Personal loans flow market share improved to 1.88% (+111 bps p/p)
- **Market share of unsecured loans increased by 9 bps** compared to the previous period
- **P/p 13.1% increase in unsecured loan volume**
- Unsecured loan disbursement driven by increasing demand for Personal loans and decreasing demand for „Babaváró” loans



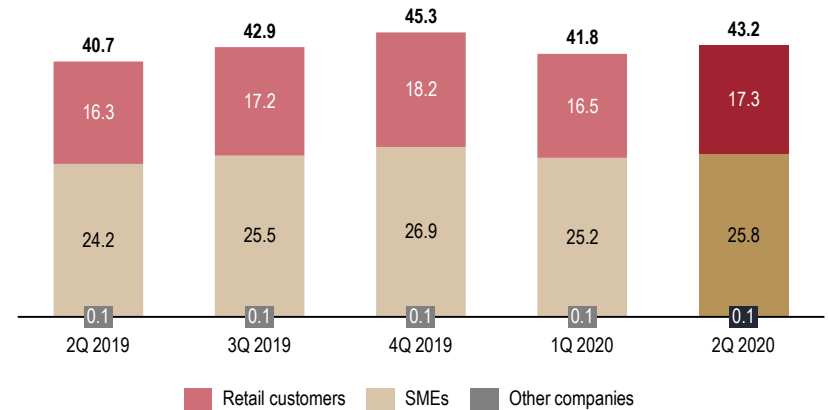
Executive summary  
Business environment  
Financials at a glance MKB Group  
    Adjusted Profit After Tax, Total Comprehensive Income  
    Profit and Loss, KPIs  
Capital position  
Business income  
General administrative expenses  
Portfolio quality  
**Business segments results**  
    Corporate segment  
    Retail segment  
    **Leasing segment**  
    Investments and Treasury activities  
Annexes  
    Strategic Partners' Performances  
    Abbreviations  
Disclaimer



## Gross volumes by customers (HUF bln)



## Active clients (in thousands)



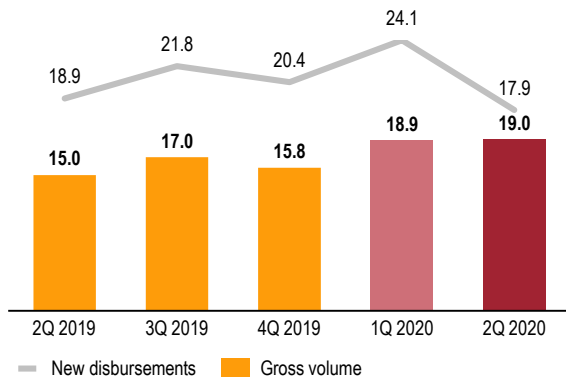
- **Steady market position in terms of new disbursement** (3rd among leasing companies, based on Hungarian Leasing Association data)
- **Continuous portfolio growth: +7.2%; HUF +11.8 bln y/y.** Focus on car and stock financing
- **Growing share of SME clientele:** MKB Group participates in the distribution of the available “FGS Go!” funding according to its market share, and is involved in other state launched programs as well

1.75% quarterly portfolio CAGR rate

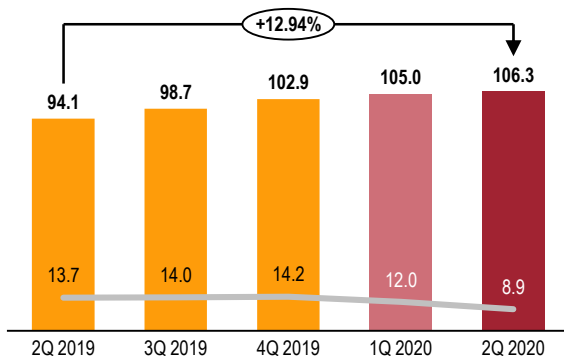
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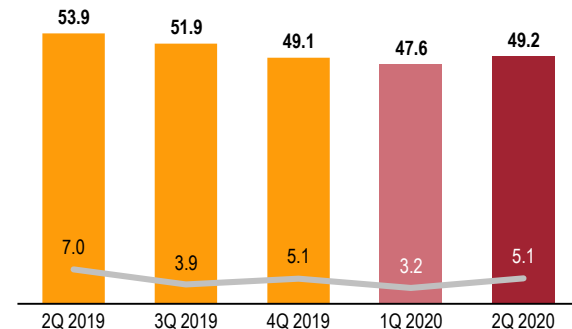
### Stock financing (HUF bln)



### Retail car financing (HUF bln)



### Wholesale, agricultural and machine financing (HUF bln)



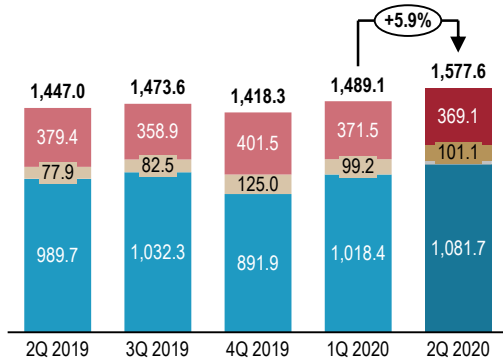
- Increase in the vehicle financing portfolio strongly outpaced markets growth: +12.9%; HUF +12.2 bln y/y
- Growth in car stock (dealer) financing: +26.0%; HUF +3.9 bln y/y due to the new partnership with NISSAN and to the deepening of previous cooperation
- Stable asset financing portfolio: risk cautious approach in big ticket, RWA-heavy transactions
- Decreasing NPL portfolio, high provision coverage (83.7%)



Executive summary  
Business environment  
Financials at a glance MKB Group  
    Adjusted Profit After Tax, Total Comprehensive Income  
    Profit and Loss, KPIs  
Capital position  
Business income  
General administrative expenses  
Portfolio quality  
**Business segments results**  
    Corporate segment  
    Retail segment  
    Leasing segment  
**Investments and Treasury activities**  
Annexes  
    Strategic Partners' Performances  
    Abbreviations  
Disclaimer

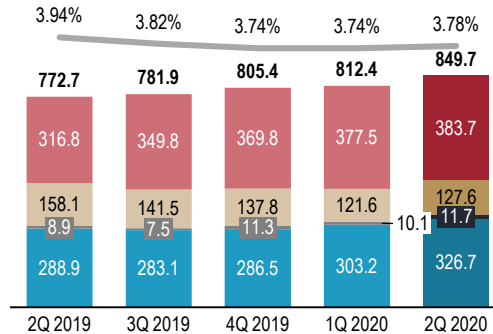


## Corporate\* savings (HUF bln)



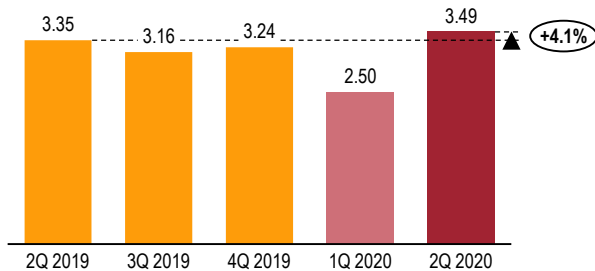
Deposits    Bonds    Funds    Government securities

## Retail savings (HUF bln) and market share\*\* (%)



Market share    Deposits    Bonds    Funds    Government securities

## Treasury sales\*\*\* and trading income (HUF bln)



\* Non-financial and financial corporates  
 \*\* Source: MNB;  
 \*\*\* Treasury products and securities distribution;

- **Total corporate savings increased by 5.9% p/p.** Both corporate deposits, funds and bonds increased in 2Q supported by the strong customer base
- In line with market trends retail customers' deposit as well as government bond volumes increased

- Due to the volatility of the stock markets in 2Q the turnover of securities and the resulting revenue was higher than in the previous quarter
- Stabilization of the exchange rate and yields had a positive effect on the revaluation result



Executive summary  
Business environment  
Financials at a glance MKB Group  
Adjusted Profit After Tax, Total Comprehensive Income  
Profit and Loss, KPIs  
Capital position  
Business income  
General administrative expenses  
Portfolio quality  
Business segments results  
Corporate segment  
Retail segment  
Leasing segment  
Investments and Treasury activities

## Annexes

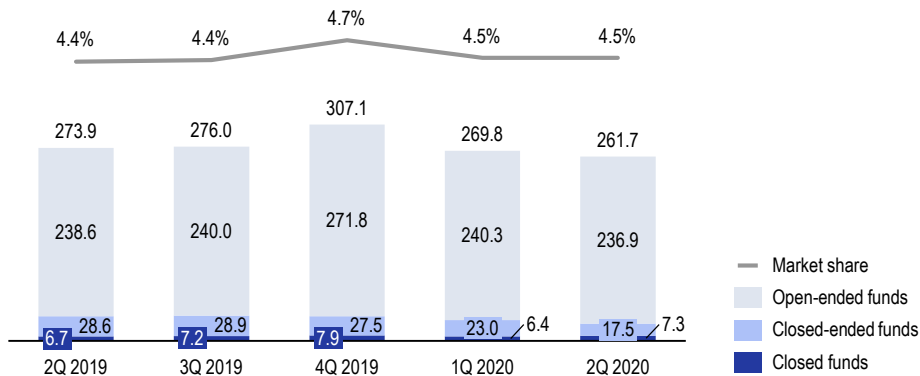
**Strategic Partners' Performances**

Abbreviations

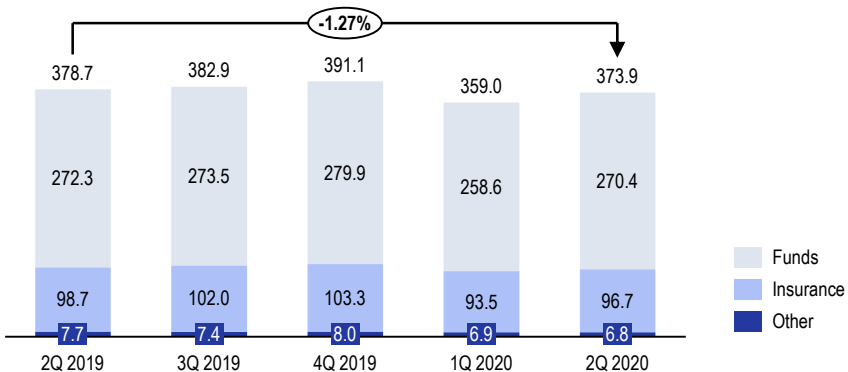
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## Breakdown of investment funds (HUF bln)

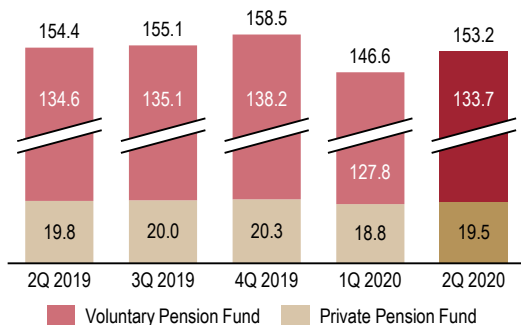


## Breakdown of managed portfolios (HUF bln)

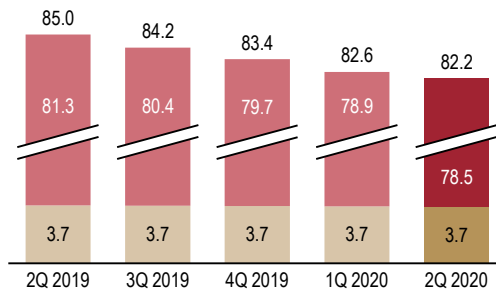


- MKB-Pannónia maintained its market share among investment funds (4.5% in 2Q). A slight decrease of HUF 3.4 bln (-1.4%) in open-ended funds led to the closing volume of HUF 236.9 bln in 2Q
- Two closed-end funds matured in 2Q, causing a HUF 6 bln decline in closed-end fund AUM. As per the fund management strategy these closed-end funds were not renewed
- AUM of the managed portfolios increased by 4.2% to HUF 373.9 bln in 2Q due to the positive effect of market revaluation

### Breakdown of total fund assets (HUF bln)



### Number of members (thousand pax)

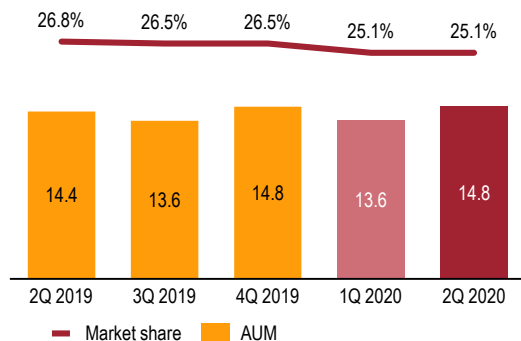


At the end of 2Q 2020 MKB Voluntary Pension Fund had 78.5 thousand members, while the funds on personal accounts reached HUF 133.7 bln.

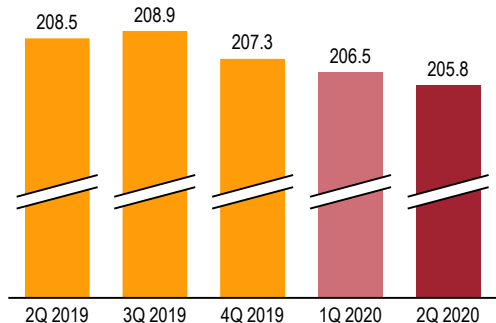
Based on the total assets under management MKB Voluntary Pension Fund succeeded in maintaining its stable 5. ranking with approx. 10% market share

MKB Private Pension Fund had 3,673 members at the end of 2Q 2020, and the market value of its assets was HUF 19.5 bln

### Total fund assets (HUF bln) and market share (%)



### Number of members (thousand pax)



MKB-Pannónia Voluntary Health and Mutual Aid Fund maintained its market leader position with a market share of 25% while the value of the portfolio managed increased to HUF 14.8 bln by the end of 2Q 2020.

The number of members decreased by 0.3% compared to end of 1Q 2020, yet with 205.8 thousand members it is still the third biggest player within the health and mutual aid fund sector

Executive summary  
Business environment  
Financials at a glance MKB Group  
Adjusted Profit After Tax, Total Comprehensive Income  
Profit and Loss, KPIs  
Capital position  
Business income  
General administrative expenses  
Portfolio quality  
Business segments results  
Corporate segment  
Retail segment  
Leasing segment  
Investments and Treasury activities

## **Annexes**

Strategic Partners' Performances

**Abbreviations**

Disclaimer



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](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, NBH Magyar Nemzeti Bank (the Central Bank of Hungary)

PAT Profit after tax  
PBT Profit before tax  
GOI Gross Operating Income  
GAE General Administrative Expenses  
OCI Other comprehensive income  
TOCI Total other comprehensive income  
FX FX result  
FV Revaluation result  
IRS Interest rate swap  
TA Total assets  
RWA Risk weighted assets  
Covered loans Home Loans + Free-to-Use Mortgages  
FVTOCI Fair value through OCI  
FVTPL Fair value through P&L  
FTE Full time equivalent

y/y Year on year  
p/p Period on period  
bp Basis point  
CAGR Compounded Annual Growth Rate  
(Y), YTD Year to date data

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 total asset  
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



MNB	<a href="https://www.mnb.hu/en/statistics/statistical-data-and-information/statistical-time-series">https://www.mnb.hu/en/statistics/statistical-data-and-information/statistical-time-series</a>	
K&H (KBC)	<a href="https://www.kbc.com/en/quarterly-reports#tab">https://www.kbc.com/en/quarterly-reports#tab</a>	
Unicredit	<a href="https://www.unicreditgroup.eu/en/investors/group-results.html">https://www.unicreditgroup.eu/en/investors/group-results.html</a>	Divisional Database
Erste Bank	<a href="https://www.erstegroup.com/en/investors/reports/financial-reports">https://www.erstegroup.com/en/investors/reports/financial-reports</a>	
Raiffeisen	<a href="http://investor.rbinternational.com/index.php?id=556&amp;L=1">http://investor.rbinternational.com/index.php?id=556&amp;L=1</a>	
CIB (Intesa)	<a href="https://www.group.intesasanpaolo.com/script/sir0/si09/investor_relations/eng_bilanci_relazioni.jsp">https://www.group.intesasanpaolo.com/script/sir0/si09/investor_relations/eng_bilanci_relazioni.jsp</a>	Key figures database
Budapest Bank	<a href="https://www.budapestbank.hu/info/irattar/irattar-eves.php">https://www.budapestbank.hu/info/irattar/irattar-eves.php</a>	

Executive summary  
Business environment  
Financials at a glance MKB Group  
    Adjusted Profit After Tax, Total Comprehensive Income  
    Profit and Loss, KPIs  
Capital position  
Business income  
General administrative expenses  
Portfolio quality  
Business segments results  
    Corporate segment  
    Retail segment  
    Leasing segment  
    Investments and Treasury activities  
Annexes  
    Strategic Partners' Performances  
    Abbreviations

## Disclaimer



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### Investor Relations

Email: [investorrelations@mkb.hu](mailto:investorrelations@mkb.hu)

Phone: 0036-1-268-8004

[www.mkb.hu/investor](http://www.mkb.hu/investor)