



1Q 2020 MKB Group

Flash Report presentation

Budapest, 27 May 2020



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- **Strong capital and liquidity position maintained** in 1Q 2020 amid COVID-19 crisis: adequate cushion for growing RWA and effect of market turmoil
- **Rapid expansion** drives Total Assets above HUF 2 ths bln:
 - well executed post-EU business strategy boost volumes
 - enhance in liquidity allowed for securities portfolio growth
- **HUF 7.9 bln adjusted PAT** (230% y/y) despite the lock-down putting pressure on incomes and costs.
- **56.9% adjusted CIR%:** sustainable cost efficiency
- Exceptional portfolio quality: NPL stabilized under 4.0%

- **Strong push for customer volumes growth:** improving flow market share in corporate and retail loans together with swift deposit volume growth unfolds strong business potential of MKB Bank
- **Demand for „Babaváró” loans** propelled disbursements amid retail market uncertainties
- Ongoing strict **cost management**
- **Successful AFR introduction:** on 2nd of March MKB Bank successfully launched its real time payment system
- **Quick and effective response to COVID-19 challenges**

PAT	HUF 7.94 bln 230.3% ; 112.1%	Total Assets	HUF 2,029.9 bln 5.8% ; 15.3%
ROAE	16.41% 10.5%-pt ; 8.7%-pt	CIM	3.35% -0.4%-pt ; -0.9%-pt
GAE	HUF 9.90 bln 3.2% ; -32.2%	CIR	56.90% -29.2%-pt ; -15.3%-pt
Risk%	-0.41% 0.1%-pt ; -1.3%-pt	NPL%	3.91% -2.7%-pt ; -0.4%-pt
CAR	18.02% -1.2%-pt ; -4.6%-pt	Securities to TA	37.04% -4.5%-pt ; 3.0%-pt

adjusted data

(↓) y/y YTD; p/p (↑)

The Government and National Bank of Hungary implemented numerous tools to support the economy and ease off the pressure on the financial sector

- Introduction of the Funding for Growth Go! scheme (FGS Go!) in order to foster recovery without hampering the liquidity of the banks
- Liquidity boosting initiatives: Mortgage bond purchase program and collateralized loan instrument (fix rate, corporate loans are eligible collaterals)
- Capital adequacy measures: temporary easing on capital conversation buffer and O-SII buffer rate was reduced to 0% from 01.07.2020
- Rates on unsecured loans capped at NBH base rate + 5%-pts
- Contactless payment limit raised to HUF 15,000

Further preferential credit and guarantee programs (MFB, GHG, EXIM, Széchenyi loans) were also launched aiming at easing pressure on companies affected by the pandemic

Additional banking tax was introduced by the government to raise additional funds for government economic stimulus. The additional banking tax might be deductible from the regular bank levy over the upcoming five years



MKB Group quickly and effectively adjusted its business and operational model to the wide spread challenges stemming from the outbreak of COVID-19 in March:

- **MKB Group donated HUF 1 bln** to anti-pandemic government activities as an integral part of its CSR activity
- **Product portfolio was updated to grant access to the numerous economic stimulus initiatives implemented by the Government and NBH.** Based on its strong capital position, MKB is prepared to participate and support its customers with adequate solutions and funds
- **New forms of customer service and work:**
 - **Loan repayment moratorium declaration** on-line form available since end of March in order to encourage digital, contactless administration
 - **Digital queue management** (in the main branches) as well as distancing and spread prevention measures were implemented which allows for near-normal operation in branches while protecting customers and employees
 - **VideoBank:** video chat service was launched on 7 April helping customers keeping touch with the bank
 - **Majority of the Group's employees have been working from home office since mid-March,** without significant loss of effectiveness or hiccups. MKB's existing digital approach to office work provided the solid foundations for such a rapid change



Letter of intent on the establishment of financial holding company: On 15th of May MKB Bank Plc and MTB Bank of Hungarian Savings Cooperatives Co. Ltd. (MTB) signed a letter of intent on the establishment of a shared financial holding company. Budapest Bank Private Co. Ltd. also joined the strategic cooperation on 26. May 2020. The specific form of cooperation, the possible merger of financial institutions - in part or in full - will be decided only later, following investigations and consultations with renowned international consultants. Takarékbank, MKB and Budapest Bank serve a total of almost 1.9 million customers, operating almost half of the domestic branch network, more than 920 branches nationwide, their combined total asset is approaching HUF 5,800 bln, which could make them by far the second largest banking group in the country.



Leasing rebranding: After 29 years the logo and image of the MKB-Euroleasing group changes to reflect the firm's innovative, state of the art digital solutions and its market leading position in the leasing market.



Changes in management: As of May 13, 2020 the employment relationship of Deputy Chief Executive Officer for Finance and Operations Mr Csaba Gábor Fenyvesi was terminated with mutual consent. Mr János Nyemcsok was appointed as head of the finance and operations division. Ms Ildikó Ginzer former Deputy Chief Executive Officer for Business was appointed as General DCEO.



Senior, subordinated bonds: To support rapid business growth and to strengthen its capital position MKB Bank issued EUR 51.3 mln senior, subordinated bond (maturity 8 years) with the value date 26.05.2020. In the meantime, 48.1 million EUR (remaining maturity: 4 years) senior, subordinated bonds were redeemed based on the authorization of the Hungarian National Bank.

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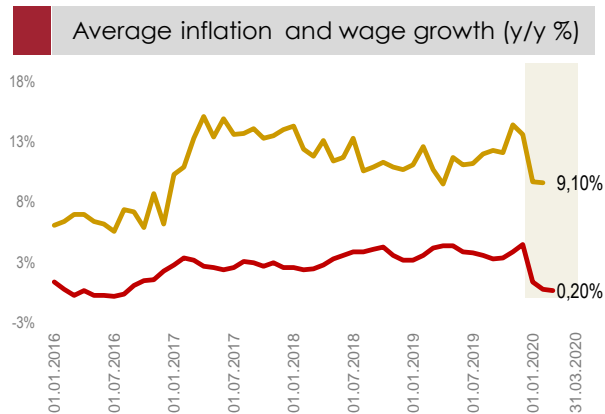
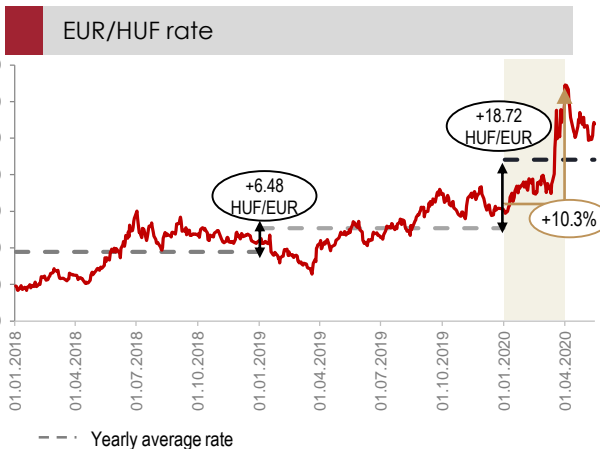
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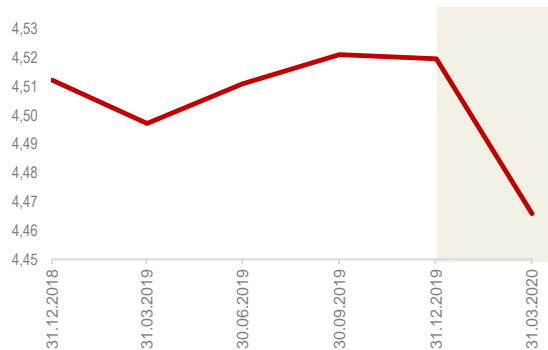


- End of March marks the low point of market turmoil caused by the COVID-19 pandemic
- Economic policies measures implemented are efficiently mitigated the effect of the crisis during April-May
- Negative labour market trends

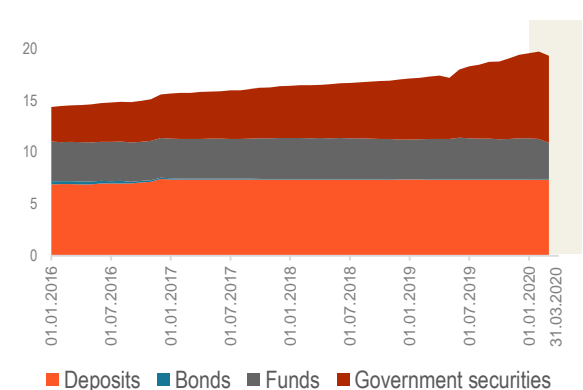
* Includes only loans to domestic non-financial corporations, in line with the definition of MNB statistics . Hungarian GAAP data includes held for sale assets according to IFRS.



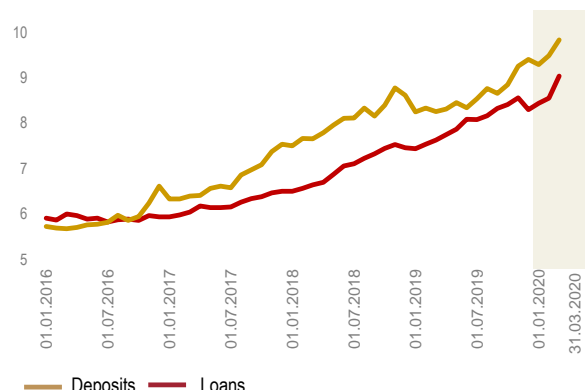
Average number of employed (million)



Domestic savings (HUF thous. bln)



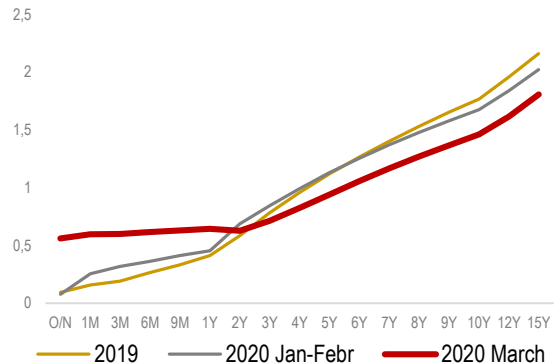
Corporate stocks* (HUF thous. bln)



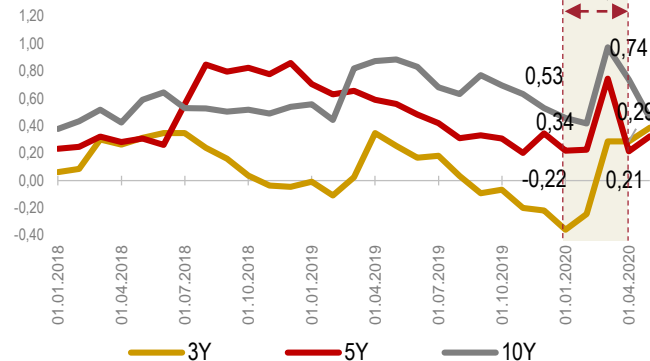
NBH liquidity measures resulted in implicit base rate increase:

- The new 1 week NBH deposit facility shifted short term yields upwards, while long-term collateralized loan instrument decreased long term yields
- The bond – swap spread significantly widened in March due to the coronavirus outbreak

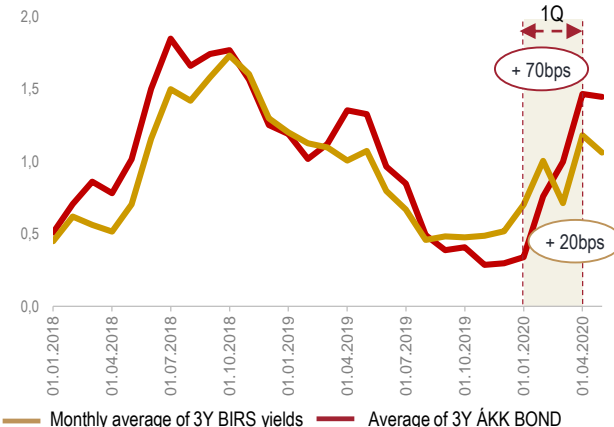
SWAP yield curves (%)



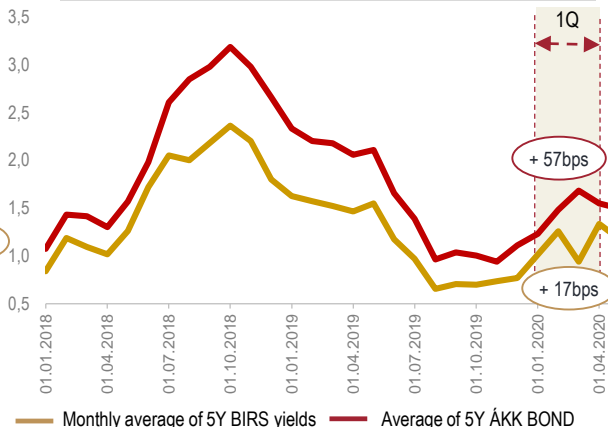
Monthly average ÁKK-SWAP spread (%-pt)



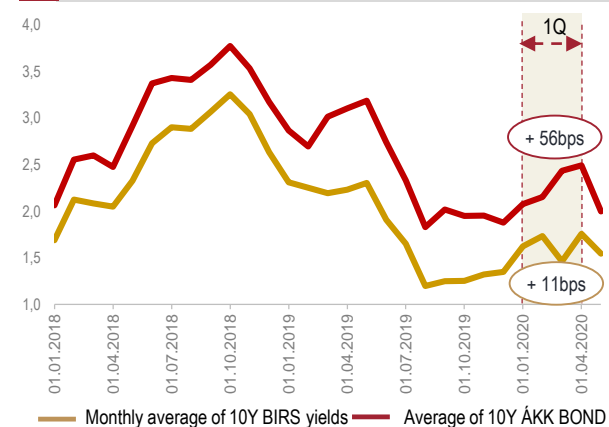
3 years ÁKK and SWAP yield (%)



5 years ÁKK and SWAP yields (%)



10 years ÁKK and SWAP yields (%)



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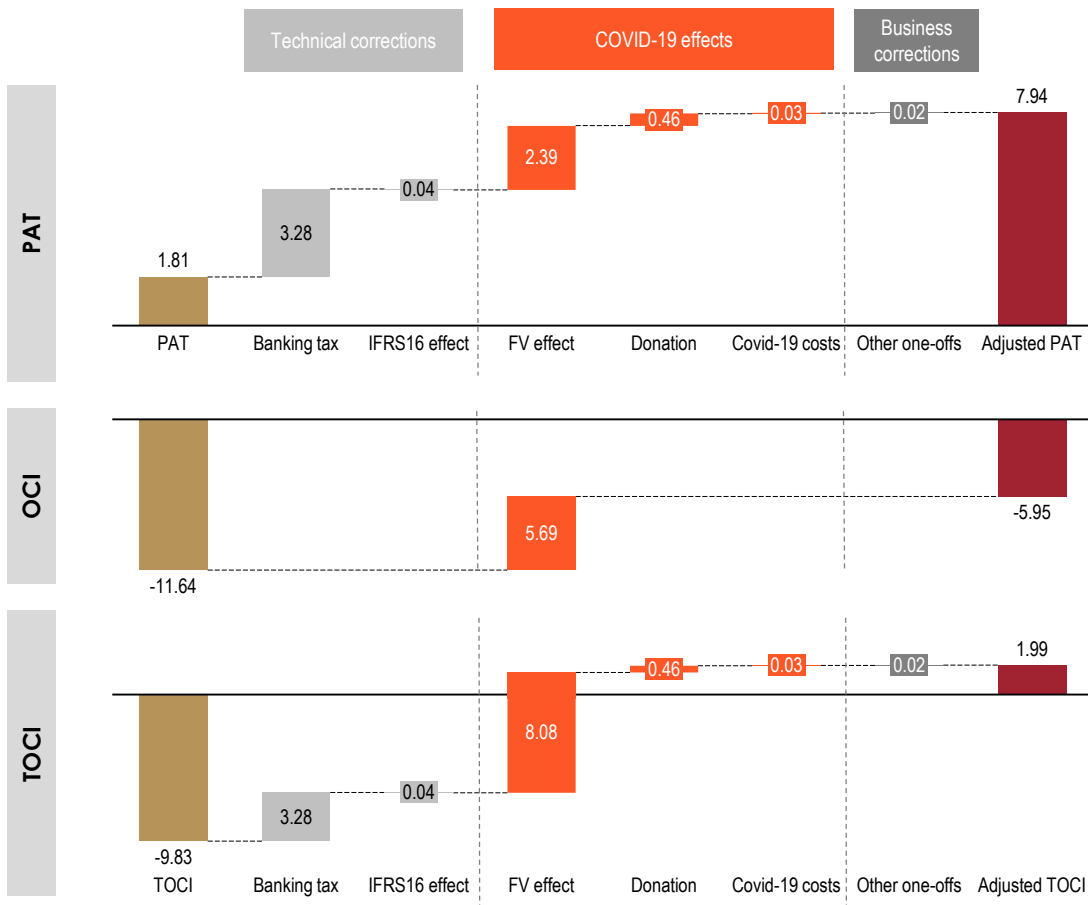
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In order to foster understanding of the underlying financial performance, MKB Group uses adjustments in its Flash reports. In 1Q 2020, focus of the adjustments were determined by the COVID-19 effects

Technical corrections (banking tax - HUF 3.28 bln; IFRS16 effect – HUF 0,04bln) are required for proper p/p and y/y comparison

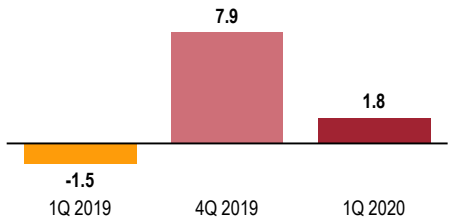
COVID-19 adjustments shows the one-off effect of the pandemic:

- Fair value adjustments (FVTPL, FVOCI) booked as a result of market turmoil are eliminated, which are expected to be offset based on the market trends unfolded post 1Q 2020
- Costs attributable to anti-spread and distancing measures are to be deducted
- One-off expenditure of HUF 1.0 bln donation

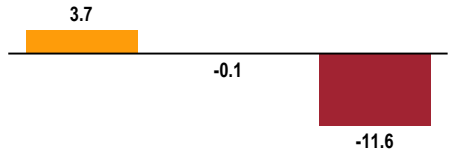
Business corrections are other, banking related items with one-off nature distorting the p/p and y/y comparison

Total Comprehensive Income (YTD, HUF bln)

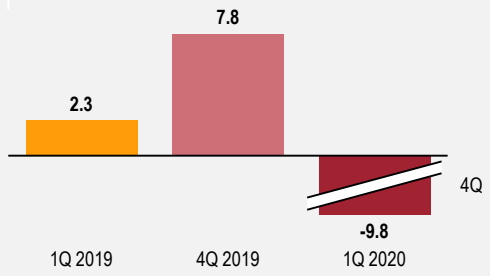
PAT



OCI

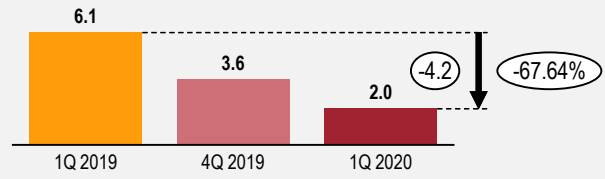
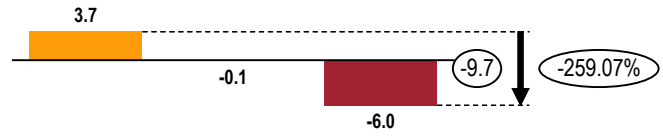
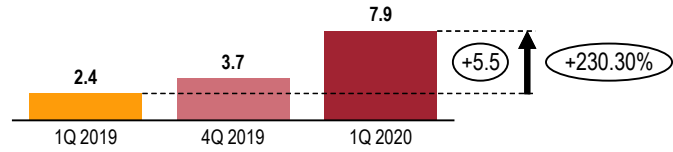


TOCI



Adjusted Total Comprehensive Income (YTD, HUF bln)

Y/Y change
 (HUF bln) (%)



- **HUF 7.9 bln** (HUF +5.5 bln y/y; HUF +4.2 bln p/p) **PAT in 1Q 2020** as a result of strong income, strict cost management and favourable risk costs
- **Steadily increasing yields** resulted in HUF -6.0 bln drop in FVTOCI portfolio fair value, offsetting the gains recognized in the income
- **HUF 2.0 bln Total comprehensive income:** p/p and y/y decrease attributable to plummeting OCI (HUF -9.7 bln y/y)

1Q adjusted figures show robust profitability

27.05.2020



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P&L (HUF bln)	2018 4Q(Y)	1Q	2019 4Q	4Q(Y)	2020 1Q	Y/Y (Y) %	P/P %	Y/Y (P) %
Net operating income ¹	33.1	1.5	5.6	39.5	7.5	-	33.60%	-
Gross operating income¹	78.0	11.1	20.2	80.7	17.4	56.26%	-13.97%	56.26%
Net interest income	40.50	10.70	8.80	40.80	7.75	-27.56%	-11.86%	-27.56%
Net fee income	25.91	5.28	7.85	27.32	6.00	13.64%	-23.59%	13.64%
Other Income ²	11.61	-4.84	3.58	12.55	3.65	-175.40%	1.90%	-175.40%
General admin. expenses¹	-44.9	-9.6	-14.6	-41.2	-9.9	3.24%	-32.25%	3.24%
Provisions¹	1.8	1.2	-2.5	-2.9	1.1	-11.05%	-142.55%	-11.05%
Provision for losses on loans	1.93	1.20	-2.24	-3.06	1.04	-13.42%	-146.47%	-13.42%
Other provisions and impairments	-0.10	0.00	-0.27	0.15	0.03	-	-110.09%	-
Adjusted PBT¹	34.9	2.7	3.1	36.6	8.6	211.93%	176.24%	211.93%
Taxation	0.44	-0.34	0.64	0.78	-0.63	83.51%	-198.47%	83.51%
Adjusted PAT	35.4	2.4	3.7	37.4	7.9	230.30%	112.11%	230.30%
Adjusted revaluation on non HFC financial assets (OCI)	-13.3	3.7	-0.1	-3.3	-6.0	-259.07%	-	-259.07%
Adjusted Total Comprehensive Income	22.1	6.1	3.6	34.1	2.0	-67.64%	-44.94%	-67.64%
Adjustments total on PAT ³	10.2	3.9	-4.2	-6.8	6.1	58.60%	-246.66%	58.60%
Profit after tax (PAT)	25.1	-1.5	7.9	44.1	1.8	-223.57%	-77.19%	-223.57%
Revaluation on non HFC financial assets (OCI)	-13.3	3.7	-0.1	-3.3	-11.6	-	-	-
Total Comprehensive Income	11.9	2.3	7.8	40.9	-9.8	-	-226.14%	-

¹Adjusted figures

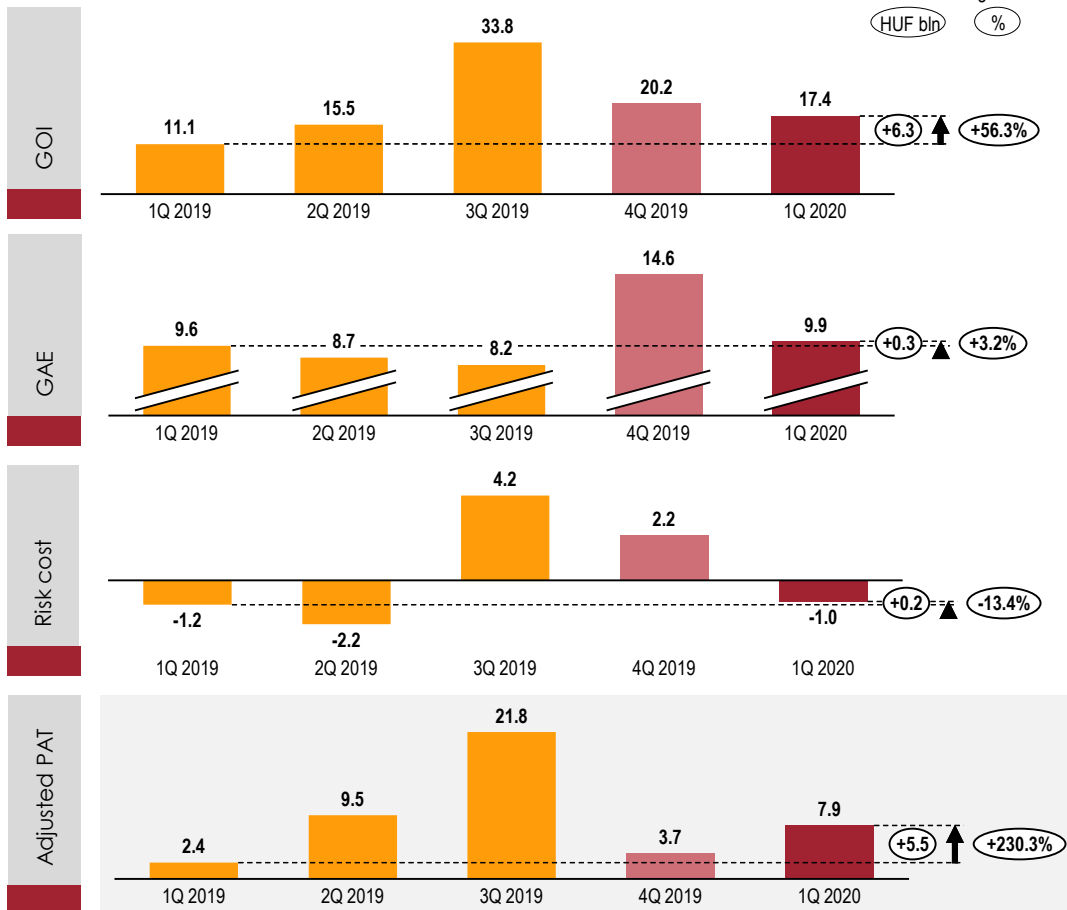
²Net other Income contains FX+FV result too

³The 3.1 chapter of the Flash report contains the list of adjustments

Strong adjusted profit in 1Q

27.05.2020





- **HUF 17.4 bln gross income:** Core income* (HUF 15.8 bln; -11.0% y/y) is in line with 1Q expectations. Share of banking book fair value results slightly increased compared to previous quarters
- **HUF 9.9 bln GAE:** strict cost control led to only a slight y/y increase. 4Q 2019 GAE was influenced by lump-sum cost items, distorting the p/p comparison
- **HUF -1.0 bln risk cost (release)** recognized in the first quarter as a result of prudent risk management and improving portfolio quality
- **HUF 7.9 bln (+230% y/y) adjusted profit after tax**

*Core income: net interest income + net fee income + FX, see pg22

HUF 7.9 bln adjusted PAT despite the lock-down putting pressure on incomes

27.05.2020



Balance sheet (HUF bln)	2018 4Q	2019 1Q	2019 4Q	2020 1Q	Y/Y %	P/P %
Financial assets	82.9	85.7	117.8	132.8	54.88%	12.73%
Trading portfolios	79.3	85.5	20.7	60.2	-29.62%	190.25%
Securities	710.7	733.9	594.7	729.0	-0.67%	22.59%
Customer Loans (net)	895.2	919.4	930.3	1,014.0	10.29%	9.00%
Customer Loans (gross)	965.3	974.2	976.7	1,060.9	8.90%	8.62%
Provision for Customer loans	-70.1	-54.8	-46.4	-46.8	-14.48%	1.03%
Total Other assets	89.5	94.4	96.3	93.9	-0.51%	-2.50%
Total Assets	1,857.6	1,918.9	1,759.8	2,029.9	5.78%	15.35%
Interbank liabilities	214.3	224.3	195.8	313.3	39.67%	60.01%
Deposits & C/A	1,372.0	1,410.2	1,226.5	1,370.4	-2.82%	11.73%
Other liabilities	85.0	81.5	99.6	114.3	40.18%	14.72%
Subordinated debt	28.0	38.2	39.4	43.3	13.25%	9.83%
Shareholders' Equity	158.2	164.6	198.5	188.6	14.57%	-4.95%
Total Liabilities & Equity	1,857.6	1,918.9	1,759.8	2,029.9	5.78%	15.35%
Customer off balance items	427.6	426.1	357.7	331.4	-22.22%	-7.34%

Strong business potential of MKB Group allowed for rapid increase of customer volumes, boosting the balance sheet above HUF 2 ths bln.

- **Rapid increase in customer deposits** (+11.73% p/p) mitigating the liquidity shrinking effect of balance sheet management ongoing at the end of 2019
- **Customer loans** increase (+8.62% p/p) was driven by increasing corporate loan portfolio. 1Q closing volumes were only marginally influenced by COVID-19 moratorium yet
- **Securities portfolio** (+22.59% p/p) absorbed the liquidity surplus stemming from the quickly growing customer deposit volumes.

KPIs based on adjusted PAT	2018	2019			2020	Y - Y (Y)	P - P	Y - Y (P)
	4Q(Y)	1Q	4Q	4Q(Y)	1Q			
Profitability								
TRM - Total revenue margin	3.89%	2.36%	4.38%	4.31%	3.67%	1.3%-pt	-0.7%-pt	1.3%-pt
NIM - Net income margin	2.02%	2.27%	1.90%	2.18%	1.64%	-0.6%-pt	-0.3%-pt	-0.6%-pt
NFM - Net fee margin	1.29%	1.12%	1.70%	1.46%	1.27%	0.1%-pt	-0.4%-pt	0.1%-pt
CIM - Core income margin	3.96%	3.77%	4.24%	4.18%	3.35%	-0.4%-pt	-0.9%-pt	-0.4%-pt
GOI/RWA - RWA efficiency	8.06%	4.84%	9.04%	8.85%	7.33%	2.5%-pt	-1.7%-pt	2.5%-pt
Risk% - Risk cost rate	-0.19%	-0.50%	0.91%	0.31%	-0.41%	0.09%-pt	-1.3%-pt	0.1%-pt
Efficiency								
CIR - Cost-Income ratio	57.57%	86.12%	72.25%	51.05%	56.90%	-29.2%-pt	-15.3%-pt	-29.2%-pt
C/TA - Cost to total assets	2.24%	2.03%	3.16%	2.20%	2.09%	0.1%-pt	-1.1%-pt	0.1%-pt
Cost/(income+OCI)	69.35%	64.47%	72.72%	53.22%	86.46%	22.0%-pt	13.7%-pt	22.0%-pt
ROAE - Return on average equity	23.73%	5.96%	7.70%	21.20%	16.41%	10.5%-pt	8.7%-pt	10.5%-pt
ROMC - Return on minimum capital	28.98%	7.64%	11.34%	29.05%	22.11%	14.5%-pt	10.8%-pt	14.5%-pt
ROAA - Return on average total asset	1.76%	0.51%	0.81%	1.99%	1.68%	1.2%-pt	0.9%-pt	1.2%-pt
Share information								
EPS - Earning per share (HUF, annualized)	353.7	96.1	149.7	373.6	317.55	221.4	167.8	221.4

CIR in line with the 1Q expectations

27.05.2020



	2018 4Q	2019 1Q	2019 4Q	2020 1Q	Y - Y	P - P
Volume KPIs						
LTD - Loan to deposit ratio	70.4%	69.08%	79.63%	77.41%	8.3%-pt	-2.2%-pt
Securities ratio	41.6%	41.59%	34.07%	37.04%	-4.5%-pt	3.0%-pt
Provision to total assets	3.8%	2.85%	2.63%	2.31%	-0.5%-pt	-0.3%-pt
RWA/TA - RWA/total assets	49.6%	48.04%	49.45%	50.73%	2.7%-pt	1.3%-pt
CAR - Capital adequacy ratio	17.9%	19.25%	22.59%	18.02%	-1.2%-pt	-4.6%-pt
Portfolio quality						
DPD90+ rate	5.1%	4.73%	2.59%	2.35%	-2.4%-pt	-0.2%-pt
DPD90+ coverage	142.1%	118.92%	183.37%	188.23%	69.3%-pt	4.9%-pt
NPL rate	8.4%	6.59%	4.30%	3.91%	-2.7%-pt	-0.4%-pt
NPL coverage (indirect)	87.0%	85.28%	110.31%	112.97%	27.7%-pt	2.7%-pt
NPL direct coverage	70.5%	65.84%	71.97%	74.07%	8.2%-pt	2.1%-pt
Stage 1 loans (HUF bln)	819.4	843.7	855.7	938.3	94.5	82.6
Stage 2 loans (HUF bln)	51.4	54.3	73.9	75.5	21.2	1.6
Stage 3 loans (HUF bln)	61.0	51.0	37.8	38.2	-12.8	0.4
POCI (HUF bln)	17.4	16.7	7.9	7.6	-9.1	-0.3

- **CIR shows a sustainable cost efficiency level.** Slight increase to 56.9% (+8.7%pt p/p) was the net result of decreasing costs and incomes. CIR rate was in line with 1Q expectations and marks a strong result in peer-group comparison
- **NPL rate** (3.91%, -40bps) decrease was driven by increasing customer loan portfolio and a steady NPL volume
- **Loans-to-deposits** ratio (77.41%, -222bps) decrease and improving **securities ratio** (37.04%, +298bps p/p) shows deposit collection capability and strong liquidity position of the MKB Group
- **16.41%** (+105bp p/p) **ROAE** shows favourable profitability and stability



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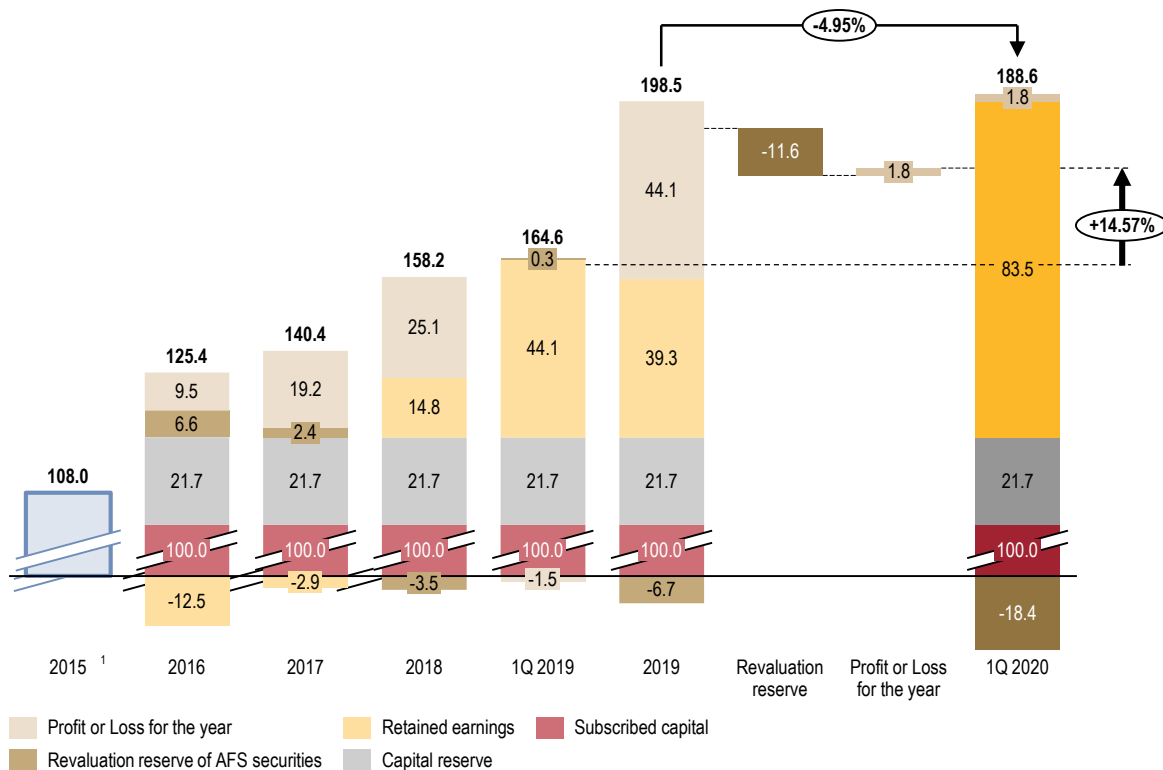
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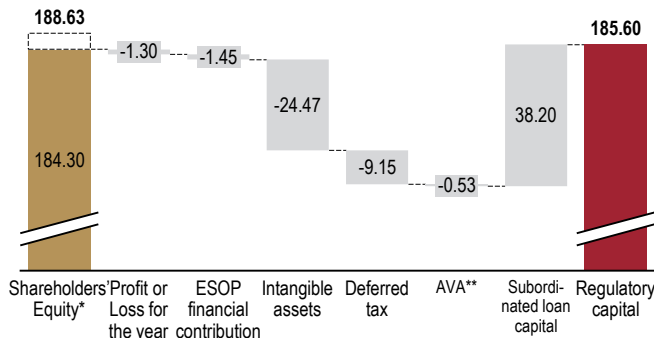
¹Shareholders' equity for 2015 has not been disclosed in detail due to significant restructuring within the year.

HUF 24.0 bln (14.57% y/y) capital accumulated since 1Q 2019

The strong capital position of MKB Group only slightly affected (HUF -9.8 bln p/p) by the pressures stemming from COVID-19 in 1Q 2020

- Sharp decrease of revaluation reserves was induced by market turmoils at the end of 1Q. Based on post 1Q positive trends devaluation might be temporary
- Profit (unadjusted) was driven by unfavourable banking book results suffering from rapid increase of yields and volatility
- Capital adjusted for COVID-19 effects would have been HUF 197.2 bln

Regulatory capital formulation (HUF bln)



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

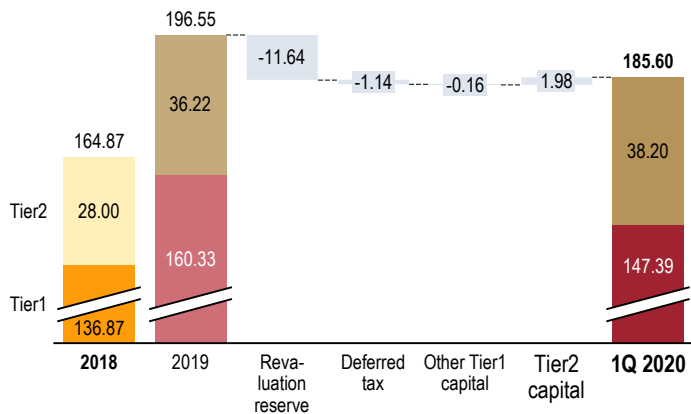
** AVA = Asset value adjustment – CRR specification

- **MKB Groups' strong capital position allowed for rapid customer loans growth in 1Q:** CAR decreased by 2.5%-pts due to increasing RWA (1,029.8 bln; HUF +108.0 bln y/y, HUF +159.6 bln p/p)

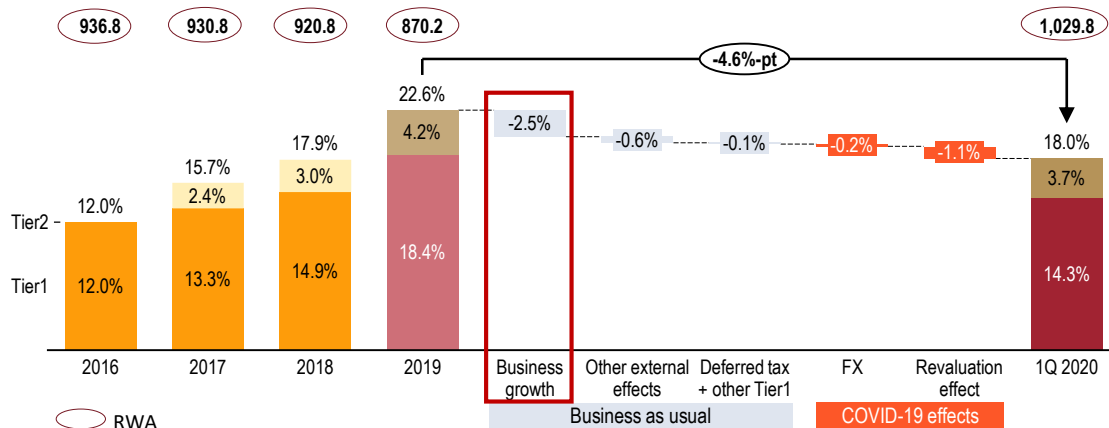
- **1.3%-pts drop in CAR% was attributable to COVID-19:**

- increasing yields resulted in FVTOCI portfolio fair value loss
- sky-high FX rate related RWA growth was partially mitigated by the FX effect on TIER2 elements

Evaluation of regulatory capital (HUF bln)



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



MKB utilise it's strong capital position to business growth

27.05.2020





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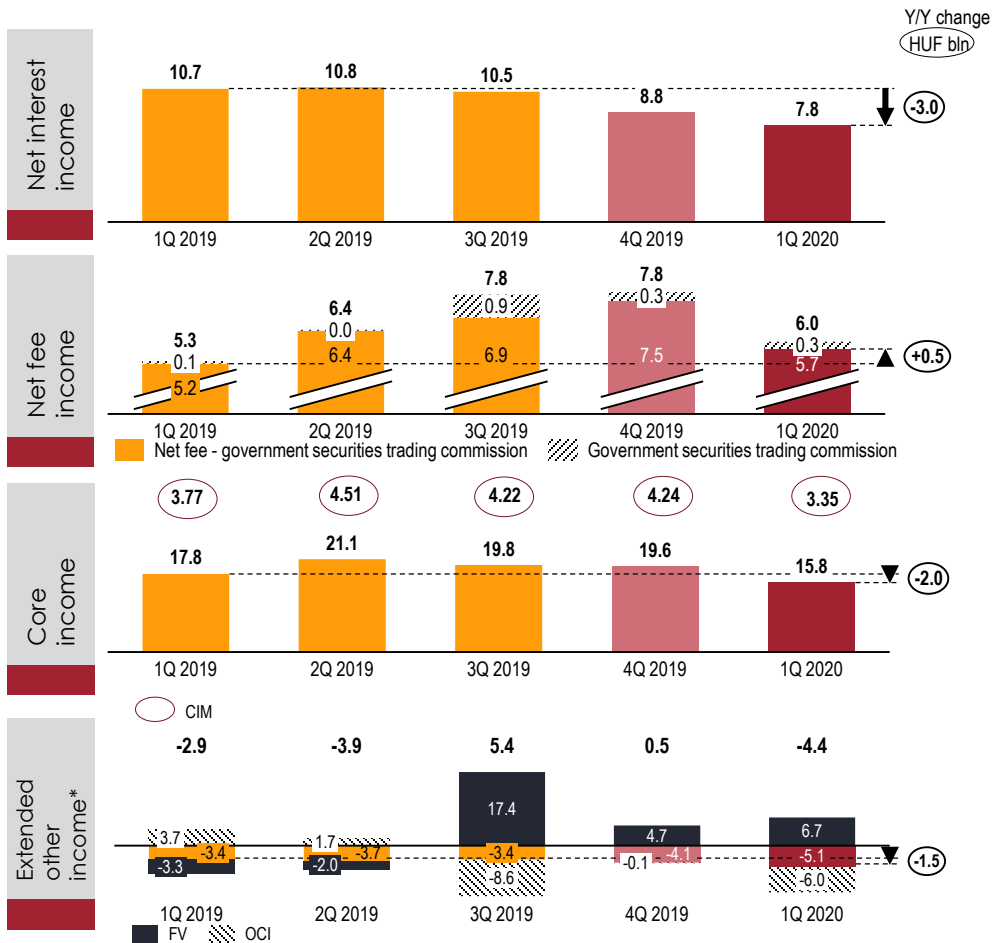
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- HUF 7.8 bln net interest income in 1Q 2020 (-27.6% y/y):** The stable net interest income on the customer portfolio was mitigated by the decreasing banking book net interest results. Balance sheet management required to fulfil EU commitments at the end of 2019 resulted in decreasing securities portfolio. Lower 1Q average securities volume resulted in less income despite of the securities portfolio growth. Changing market circumstances put pressure on average interest rate of the securities portfolio
- HUF 6.0 bln net fee income** marks a 10.6% y/y increase. Intra-year trend of fees together with COVID-19 impacts adds-up to a 23.6% p/p decrease
- Rising uncertainty in yield environment causes **high volatility in fair value** of IRS portfolio (FVTPL) which is offset by the changes in fair value through OCI changes

*other income + FV + OCI

Share of banking book portfolio income increased in 1Q

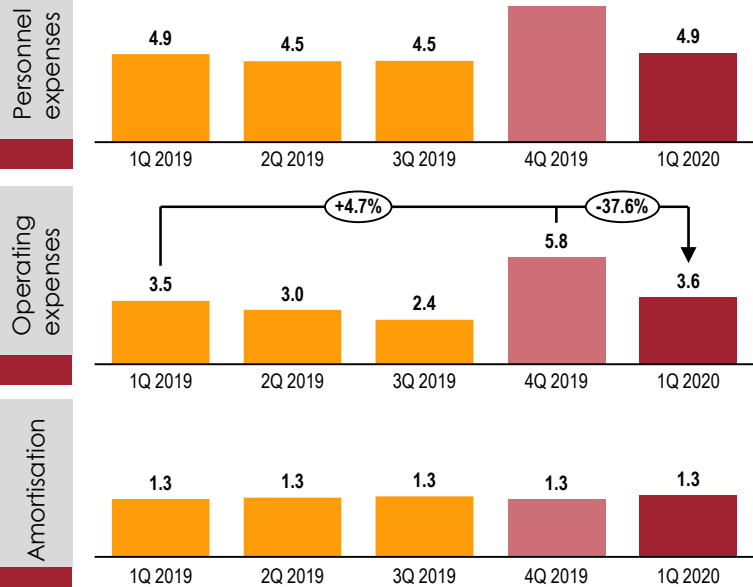
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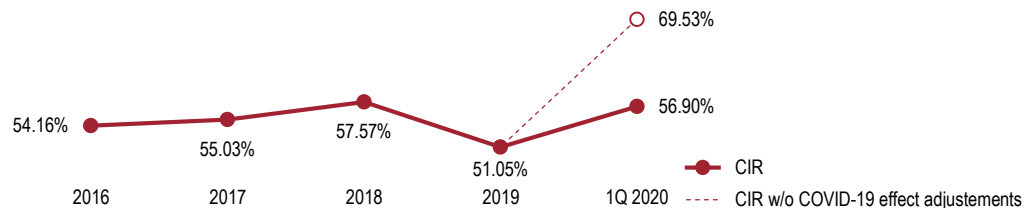


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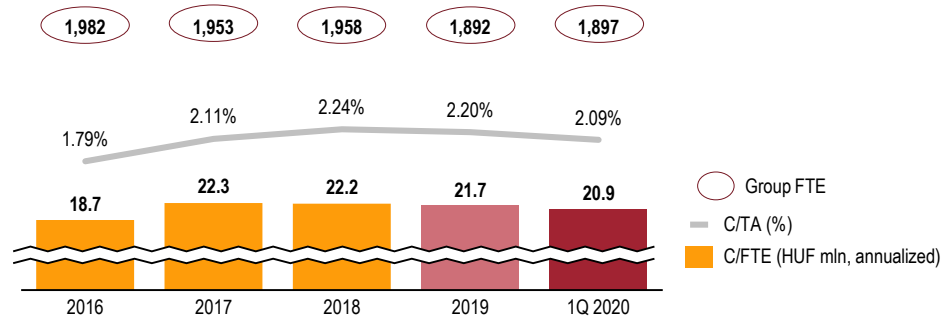
Breakdown of GAE (HUF bln)



Cost-income ratio (cumulated, %)



Cost efficiency and headcount (FTE)



As a result of measures implemented during 2019, MKB Group managed to reach a sustainable cost efficiency level

- Strict and effective cost control was maintained in 1Q resulting in only HUF 0.3 bln y/y increase despite the wage inflation experienced during 2019 and FX devaluation
- Cost-income ratio is still favourable in comparison with the peer average
- Stable headcount in 1Q 2020 (+5 FTE p/p)



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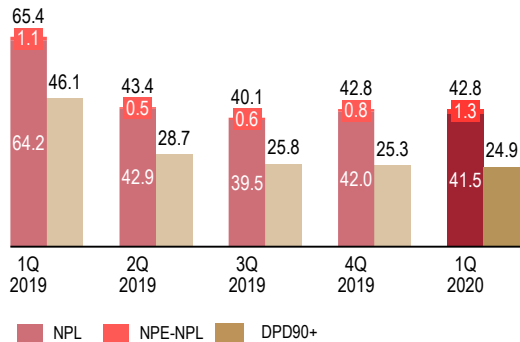
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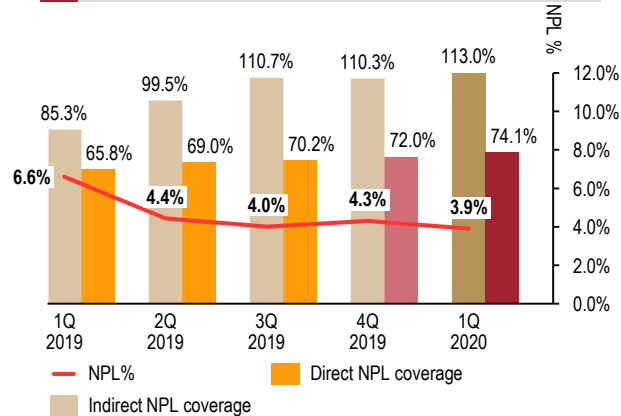
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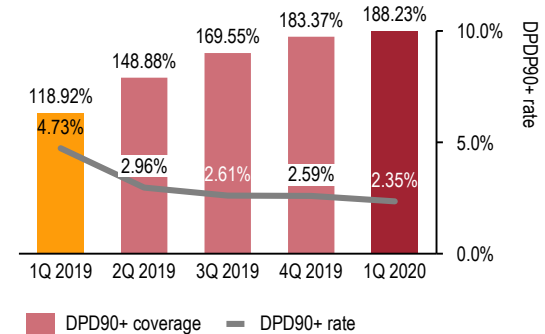
NPL, NPE and DPD90+ portfolio (HUF bln)



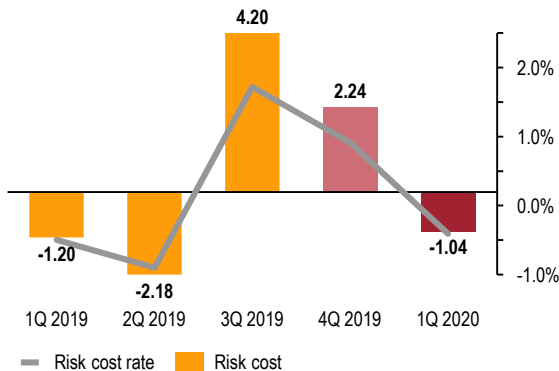
NPL coverage and NPL rate (IFRS*)



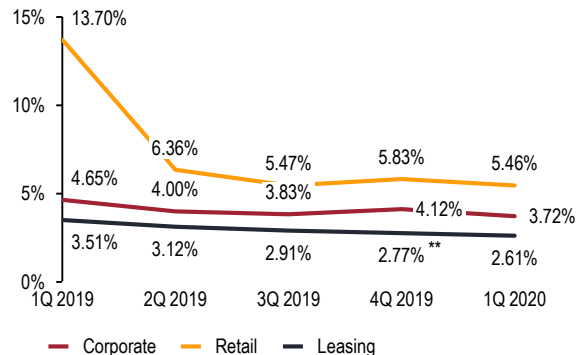
DPD90+ coverage



Risk cost (HUF bln) and rate (%)



Segment NPL rates



- Prudent risk provisioning allowed for HUF 1.0 bln risk cost release in 1Q
- Steady NPL volume (HUF 42.8 bln) and increasing customer loans resulted in 40bp decrease in NPL rate (3.9%)

*According to IFRS held for sale and FVTPL portfolio not included
 **Updated due to audit considerations.

NPL rate improved; outstanding NPL coverage

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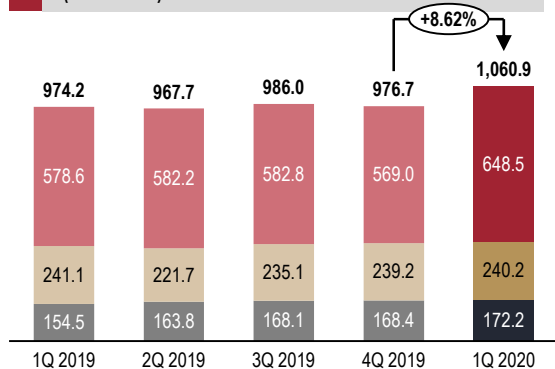
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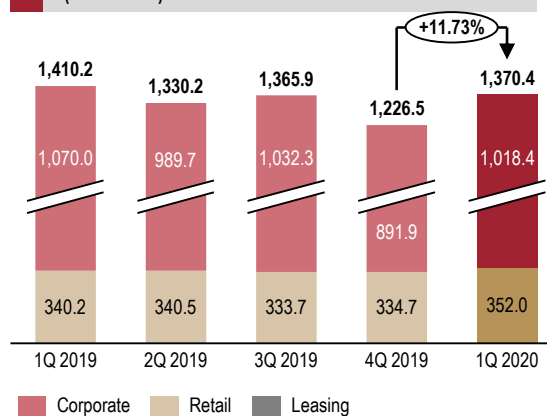
Breakdown of gross customer loans¹
(HUF bln)



¹IFRS figures

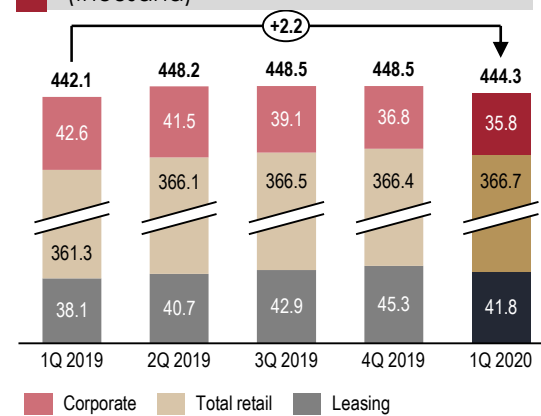
²Replacing HAS segments

Breakdown of deposits^{1,2}
(HUF bln)



Corporate Retail Leasing

Number of clients
(thousand)



Corporate Total retail Leasing

Balance sheet was managed according to the EU commitments in 2019. In 1Q risk cautious, profitable portfolio growth was in focus.

Gross customer loans: HUF +86.7 bln y/y;
HUF +84.2 bln p/p

- The y/y and also the p/p increase is driven by the strong push to regain market positions
- Still high demand for „Babaváró” loans
- GOI/RWA improved to 7.3% (+249bps y/y)

Customer deposits: HUF -39.8 bln y/y;
HUF +143.9 bln p/p

- y/y decrease was entirely on the corporate side (-4.8% y/y), while both corporate and retail generated period increase (corporate: +14.2%, retail: +5.2%)

Number of clients increased y/y by 2,200:

- Managed decrease of the corporate customer count was down to the revision of business relations with certain client sub-segments
- Regular, start-of-year client revision resulted in a slight drop in leasing customer count
- Retail customer base increased by 5,400 y/y

Strong capital base allowed for rapid and impressive customer loans growth

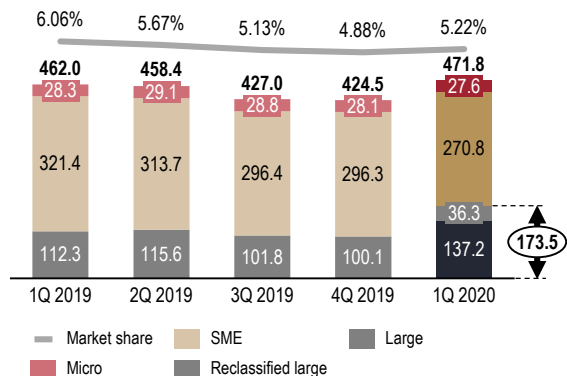
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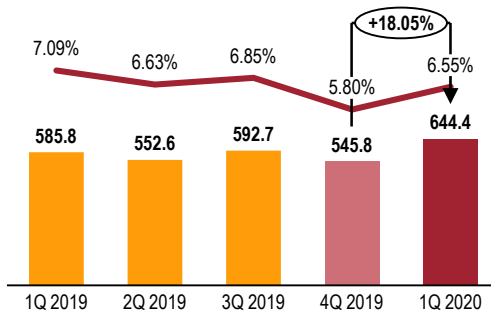
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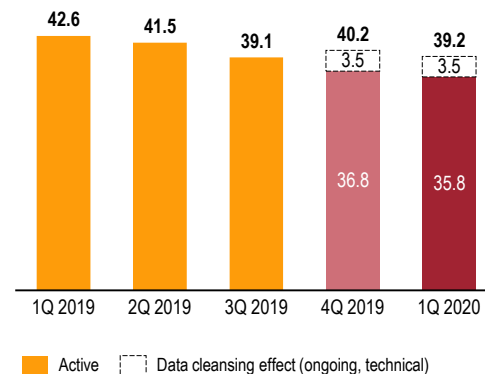
Gross corporate loans* breakdown (HUF bln) and market share** (%)



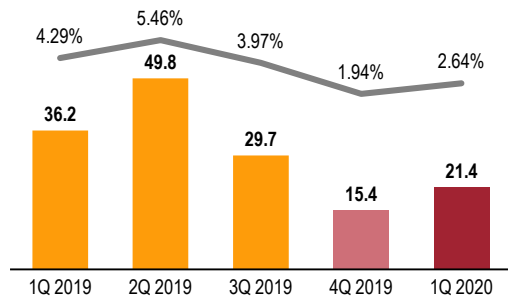
Corporate deposit* (HUF bln) and market share** (%)



Corporate client numbers (in thousands)



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



- **Corporate loans:** Corporate loans volumes increased by HUF 47.3 bln since last year (11.1%). Large corporate loans growth was mainly due to technical reasons (customer reclassifications)
- **Market position:** market share increased by 34bps (y/y) to **5.22%** due to large corporate loans. **The market share of deposits increased** by 75bps (y/y) to **6.55%**, amounting to HUF 644.4 bln
- **Loan disbursement:** HUF 21.4 bln disbursement in 1Q means increasing flow market share (2.64%; +70bps p/p)

* 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. The breakdown of historical data by company size has been changed minimally due to the refinement of methodology.

** Source: MNB statistics

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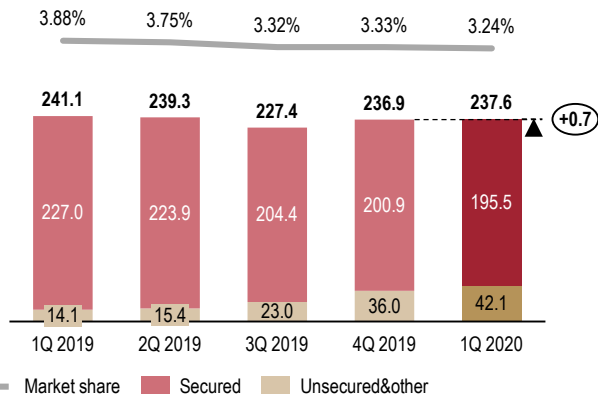
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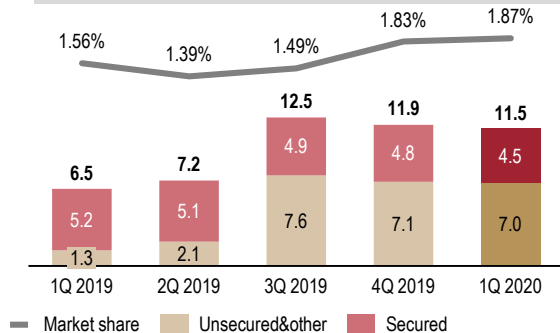
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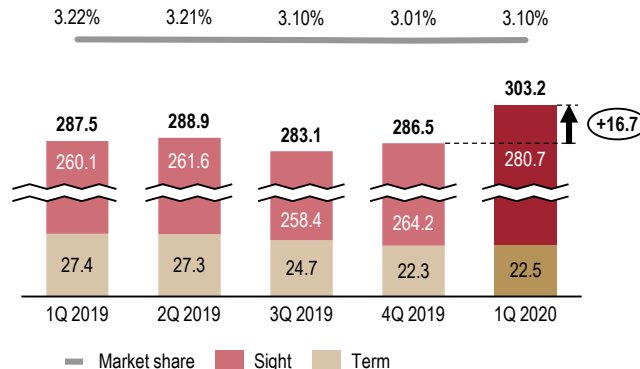
Retail gross loans* (HUF bln) and market share** (%)



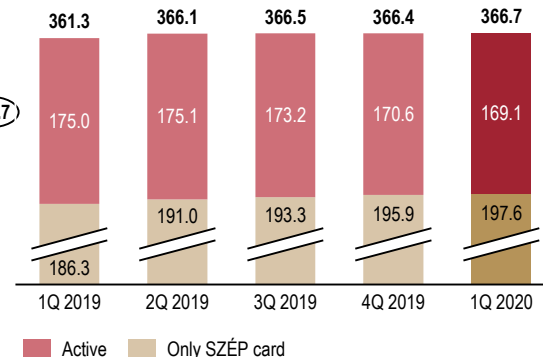
Loan disbursement* (HUF bln) and market share** (%)



Deposits* (HUF bln) and market share** (%)



Total retail client number*** (in thousands)



- **HUF 237.6 bln retail gross loan*** (HUF -3.5 bln y/y; HUF +0.7 bln p/p)
- **HUF 303.2 bln deposits** (HUF +15.7 bln y/y; HUF +16.7 bln p/p). Heavy sight deposit inflow supports the liquidity as well as underlines strong business potential of the MKB Group
- **Unsecured loan disbursement** increased by HUF 5.7 bln y/y, and secured loan disbursement decreased by HUF 0.7 bln compared to 1Q 2019. The market share of new disbursement increased by 31 bps y/y
- **Premium customers are still in strategic focus in 2020**, their numbers increased by 15.5% to ~ 5,890 compared to the end of 2019

* 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.

** Source: MNB statistics.

***From now on reported with SZÉP card clients.

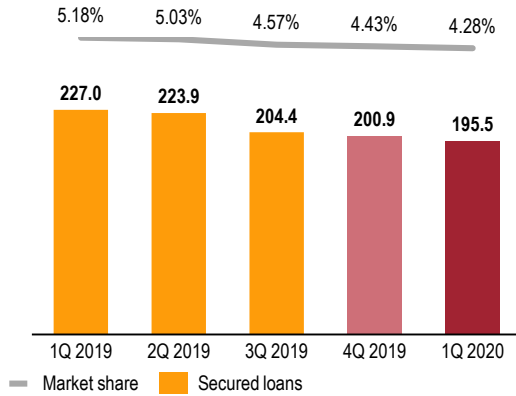
Strong increase in sight deposit volume

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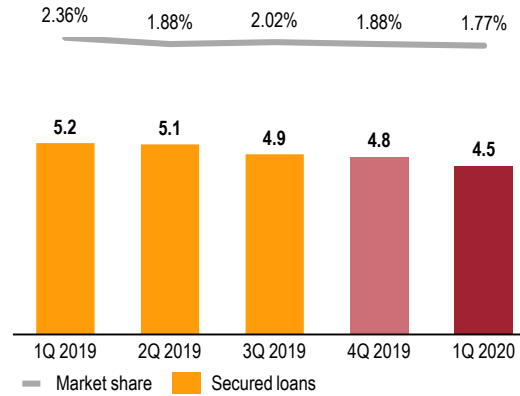


Secured loans

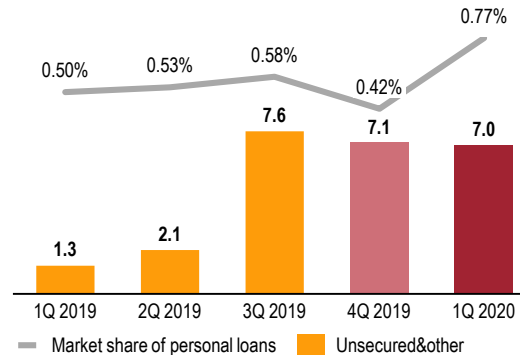
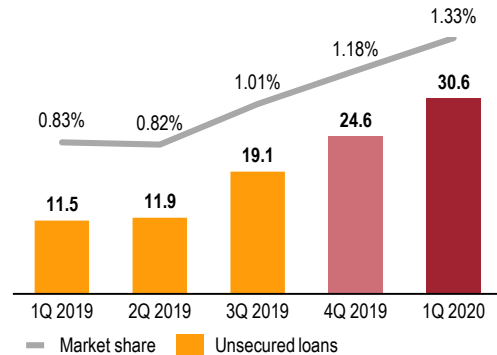
Volumes (HUF bln) and market share (%)



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



Unsecured loans



- Secured loans decreased (HUF -5.4 bln p/p) due to the crowding out effect of „Babaváró” on disbursements
- Volume decrease (HUF -31.5 bln y/y) was driven by regressive disbursement level in 2019.
- Secured loans’ new disbursement was HUF 4.5 bln in 1Q 2020 (HUF -0.7 bln y/y; HUF -0.3 bln p/p) and market share decreased by 11 bps p/p

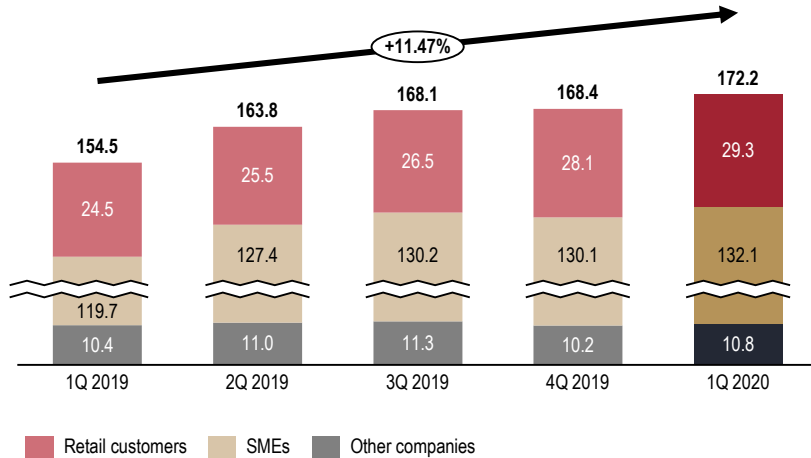
* Hungarian GAAP data includes held for sale assets according to IFRS.

- **The market share of unsecured loans increased by 15 bps** compared to the previous period
- **P/p 24.4% increasing unsecured loans volume**
- Unsecured loan disbursement driven by high demand for „Babaváró” loans.
- Personal loans flow market share improved to 0.77% (+27 bps y/y)

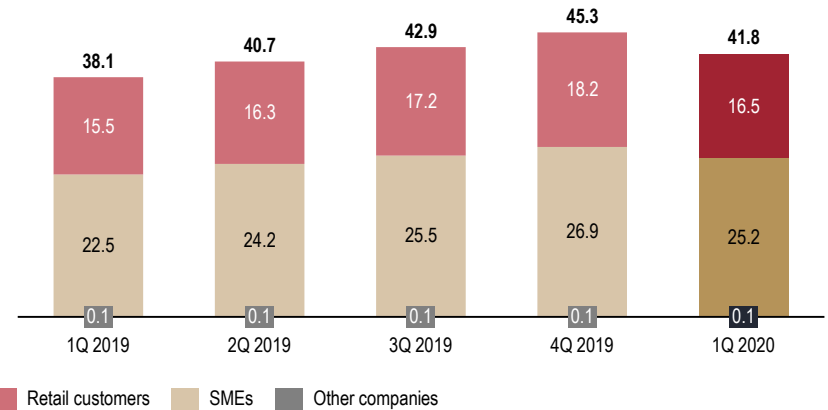
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Gross volumes by customers (HUF bln)



Active clients (in thousands)



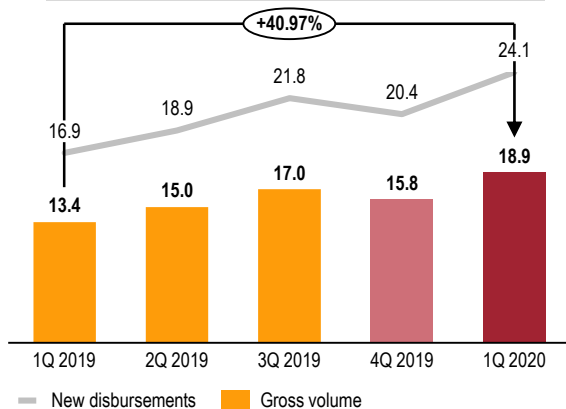
- **Steady market position** in terms of new disbursement (3rd among leasing companies, based on Hungarian Leasing Association data)
- **Continuous and robust portfolio growth:** +11.5%; HUF +17.7 bln y/y. Focus on car and stock finance
- **Growing share of SME clientele:** sales focuses on diversified vehicle and agricultural machine financing, supported by NHP-based refinancing product
- Active client number slightly decreased as a result of start-of-the-year revision of clientele

2.75% quarterly portfolio CAGR rate

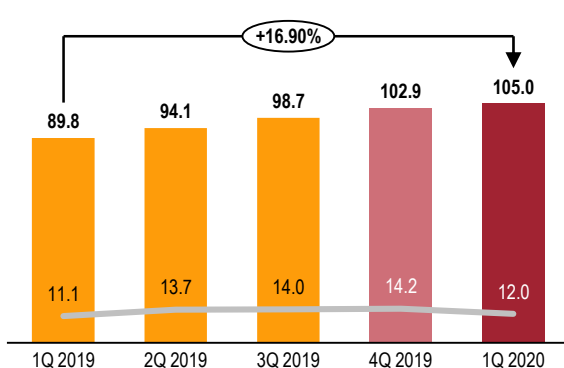
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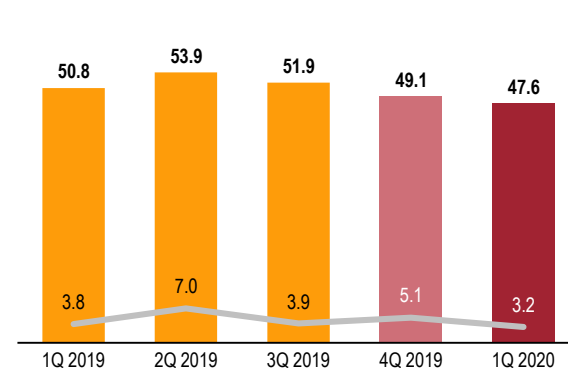
Stock financing (HUF bln)



Retail car financing (HUF bln)



Wholesale, agricultural and machine financing (HUF bln)



- Vehicle financing increase exceeds markets growth: +16.9%; HUF +15.2 bln Y/Y
- Growth in car stock (dealer) financing: +40.97%; HUF +5.5 bln y/y by the change in car market (environment protection policy enhancements)
- Stable asset financing portfolio: risk cautious approach in big ticket, RWA-heavy transactions
- Decreasing NPL portfolio, high provision coverage (79.3%)

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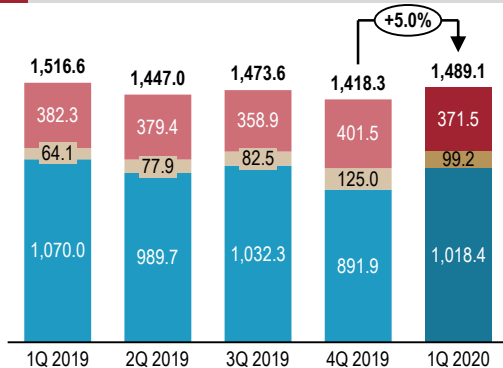
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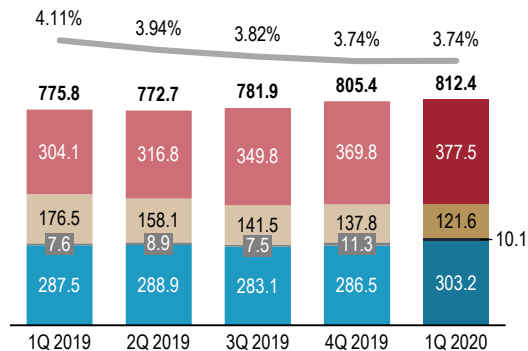


Corporate* savings (HUF bln)



■ Deposits ■ Funds
■ Bonds ■ Government securities

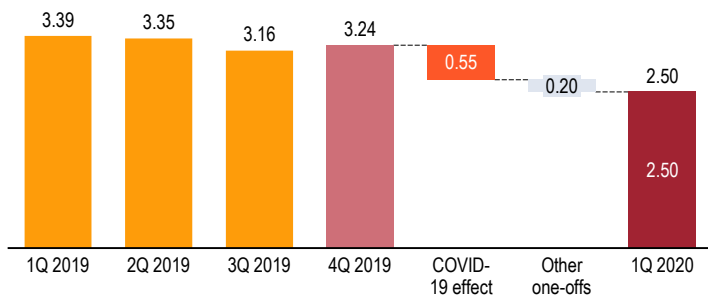
Retail savings (HUF bln) and market share** (%)



■ Market share ■ Bonds ■ Government securities
■ Deposits ■ Funds

- **Total corporate savings increased by 5.0% p/p after the EU restructuring period.** The volume decrease in funds and bonds was fully offset by the heavy corporate deposit inflow in 1Q (+14.2% p/p) supported by the strong customer base.
- In line with market trends retail customers' deposit as well as government bond volumes increased

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



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

- Treasury sales results are in line with previous quarters. Prosperous FX and investment service results due to the volatile market environment
- Exchange rate fluctuations had a negative effect on trading portfolio fair value results

Savings increase driven by deposit inflow

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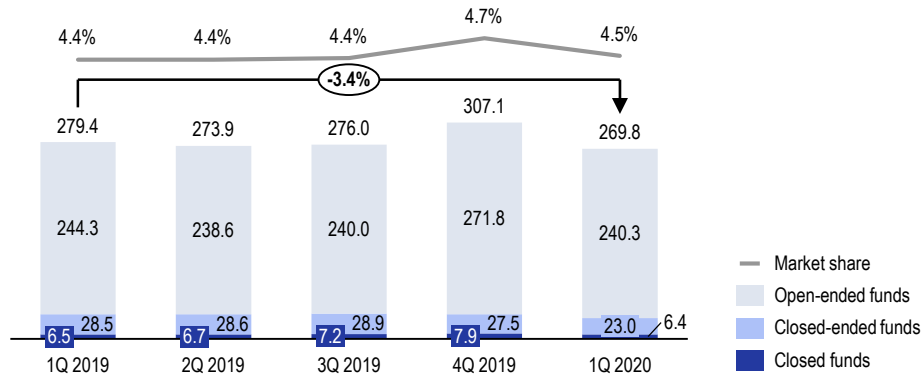
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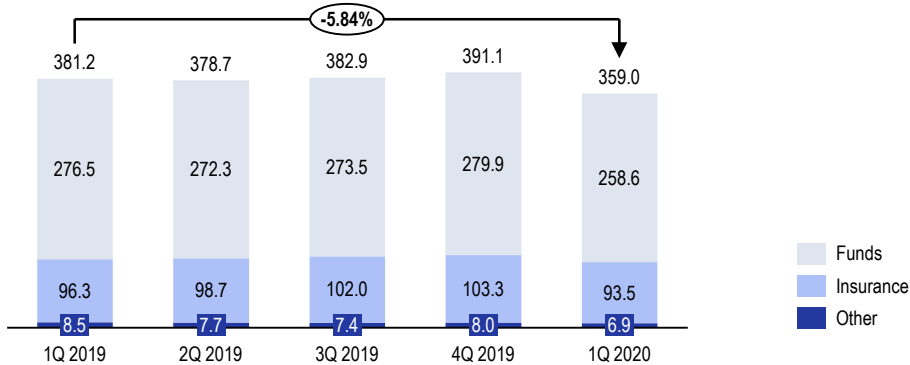
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Breakdown of investment funds (HUF bln)

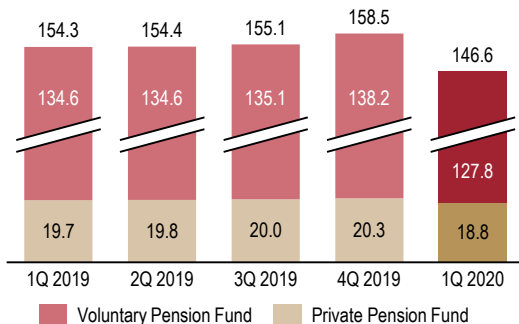


Breakdown of managed portfolios (HUF bln)

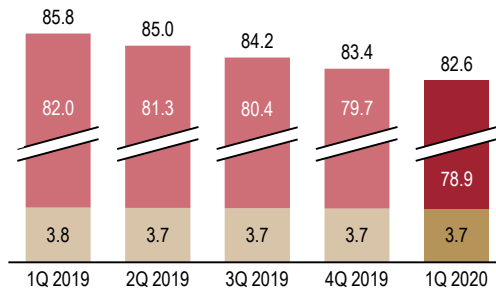


- The COVID-19 induced recession and market turmoil had a severe negative effect on AUMs in Q1 2020 compared to year end 2019. The open-ended funds lost 11.5%, while managed portfolios decreased by 7.6% and insurance related assets by 9.5%. The decrease was almost completely driven by market performance, there were no large client outflows throughout the quarter
- The market share of MKB-Pannónia decreased to 4.5% from 4.7% p/p, due to the larger share of highly market exposed funds (low proportion of money market, short bond or real estate funds)
- Despite the larger share of highly market exposed funds, MKB-Pannónia had a relatively slight decrease in AUMs among peer Fund managers

Breakdown of total fund assets (HUF bln)



Number of members (thousand pax)

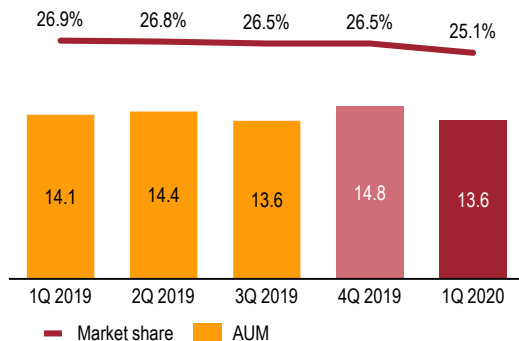


MKB Voluntary Pension Fund had a membership count of 82,6 thousand persons, while its funds on the personal accounts reached HUF 127,8 bln by the end of March 2020

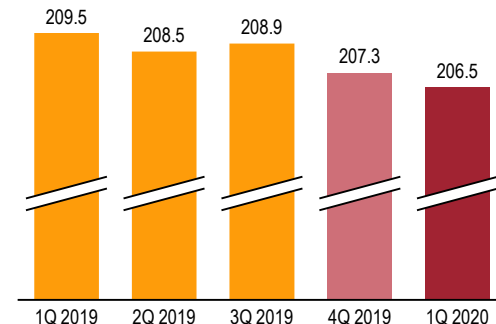
Based on the total assets under management MKB Voluntary Pension Fund succeeded in maintaining its stable 5. ranking with approx. 10% market share

The market value of total assets managed by MKB Private Pension Fund was HUF 18,8 bln, while the number of members was 3,680 persons at the end of March 2020

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



Number of members (thousand pax)



The value of the portfolio managed by MKB-Pannónia Voluntary Health and Mutual Aid Fund decreased to HUF 13,6 bln by the end of March 2020, however, **it maintained its leading position in the sector with a 25% market share**

The membership in the fund decreased by 0,4% compared to end of 2019, but with 206.5 thousand members, it is still the third biggest player within the health and mutual aid fund sector

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MKB, MKB Bank, MKB Group
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EU commitments Required range of certain EU Commitments marked in brackets, as defined in the following public document:
https://ec.europa.eu/competition/state_aid/cases/261437/261437_1721348_166_2.pdf
Please note that specific targets were set within the displayed ranges.

MNB, 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

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Investor Relations

Email: investorrelations@mkb.hu

Phone: 0036-1-268-8004

www.mkb.hu/investor