



2020 MKB Group

Flash Report presentation

Budapest, 25 March 2021





We kindly draw your attention to that in this presentation MKB Bank's underlying financial performance presented – if not stated otherwise – using **adjusted financial figures** (alternative performance measurement indicators – APM).

For definition and calculation methodology of alternative performance measurement indicators please refer to 4Q Flash Report chapter 4.1 – Financial indicators.

This presentation is to support the understanding of the underlying financial performance of MKB Group and it is a close and inseparable part of the 4Q 2020 Flash Report.

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Disclaimer























MKB Bank attained its goals in 2020 despite the turmoil and uncertainties stemming from COVID-19 pandemic:

- **HUF 22.0 bln** adjusted profit reached
- **Substantial expansion of the balance sheet:** +15.9% p/p, +58.1% y/y growth as a result of
 - rapid deposit inflow (+51.8% y/y)
 - significant customer loan increase (+19.5% y/y) accompanied by excellent portfolio quality: **NPL rate down to 2.60%**
- **Capital position maintained:** strong foundation for 2021 business growth targets and Hungarian Bankholding ambitions
- **63.6% adjusted CIR:** strict cost control measures still in place
- **Sound liquidity position** in 2020 supported by deposit inflow
- **Risk costs** (unadjusted) mainly related to EBA moratoria requirements and macro parameter adjustments

- Hungarian Bankholding Ltd. become the majority stakeholder of Budapest Bank, MKB Bank and Takaréknál Group on 15th of December, after NBH approved the approval transaction
- Dr. Zsolt Barna was appointed as Chairman and CEO of MKB Bank
- Loan repayment moratorium extended until 30 June 2021 with basically unchanged conditions
- Remarkable market share in government economic stimulus program disbursement in 4Q
- Steady moratorium participation rate: 55% of all eligible exposures in MKB Bank are under moratorium as 62% of eligible clients participated in 4Q

Adjusted figures (year)*

PAT	Total Assets
 HUF 21.96 bln  -41.2% ; -121.4%	 HUF 2,781.6 bln  58.1% ; 15.9%
ROAE	CIM
 11.06%  -10.1%-pt ; -9.2%-pt	 3.12%  -1.1%-pt ; -1.2%-pt
GAE	CIR
 HUF 43.73 bln  6.2% ; -7.5%	 63.60%  12.5%-pt ; 26.3%-pt
Risk%	NPL%
 0.14%  -0.2%-pt ; -0.9%-pt	 2.60%  -1.7%-pt ; -0.7%-pt
CAR	Securities to TA
 20.49%  -2.1%-pt ; 1.6%-pt	 42.21%  8.1%-pt ; 1.5%-pt

(↓ y/y YTD; p/p ↑)

*For PAT adjustments see page 13, for unadjusted figures see 4Q 2020 Flash report, paragraph 3.1.2

Retail



- MKB Bank has renewed mobile payment services. Apple Pay was introduced for all MKB bankcards and the Android mobile payment solution has been upgraded: a faster, more convenient and simpler payment solution had been rolled out
- Steady market share growth in retail loans disbursement
- More than 50% y/y increase in premium segment customer count in 2020 reflects the successful execution of strategy
- On 20 November MKB kicked off its latest card campaign: „metal card” product was introduced, targeting the premium customer segment
- ATM network renewal completed: 72 new state of the art ATM-s at our client’s disposal

Corporate

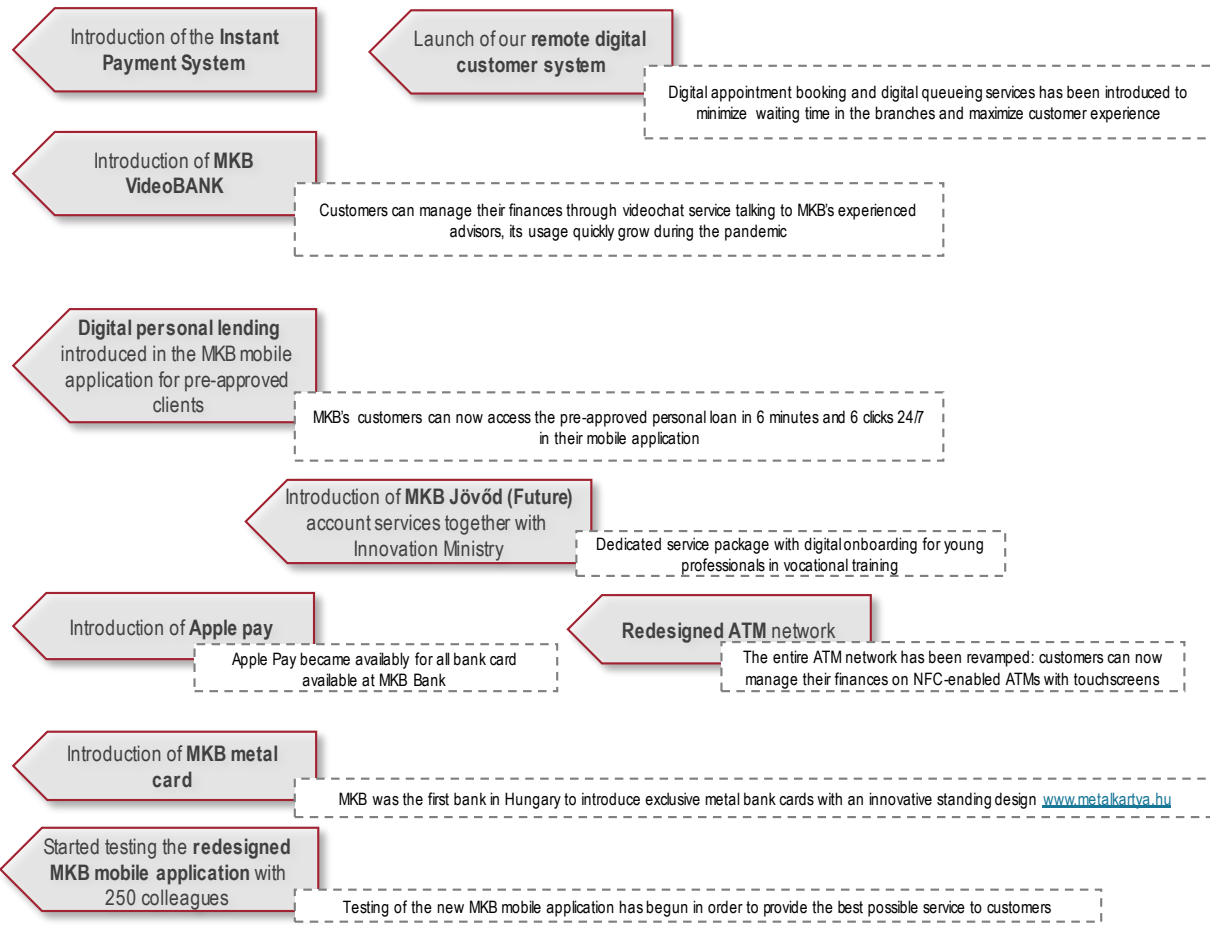
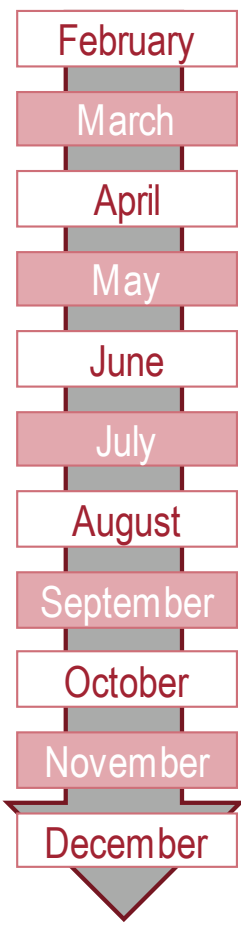


- MKB Group successfully increased its corporate market presence after the restructuring period completed in 2019:
 - Gross corporate loans increased by 25.5% y/y
 - Corporate deposit upturn with HUF 568.5 bln deposit inflow in 2020 (63.7% y/y)
- Economic stimulus loan disbursements significantly increased in 4Q propelled the overall market share of the Bank

Leasing



- Steady market position in terms of new disbursement: 4Q figures mark healthy y/y improvement despite market setbacks
- As of December 2020, around 35% of the eligible leasing customers participate in the moratorium
- Continuous growth in retail car financing despite the COVID-19 pandemic



In order to be able to respond to the changes in the world quickly and in the right quality, agile way of working started to introduce in MKB's digital department

Introduction of agile way of working

MKB Website redesign (main page and key landing pages)

Redesigning and updating the bank's website constantly with MKB's digital image

Moody's credit rating upgrade: on 18 February Moody's Investor Service upgraded MKB Bank Plc.'s deposit ratings to Ba2 with positive outlook

MOODY'S

Bid submission for the ordinary shares of MKB Bank Plc. closed on 17 February 2021

On 26 February, MKB Bank has purchased 100% of shares of **Első Értékpapírosítási Tanácsadó Zrt.** (a securitisation advisory company) from Budapest Stock Exchange Ltd



The Hungarian Bankholding Ltd. has approved the five-year business strategy for the merger of Budapest Bank, MKB Bank and Takarékbank. The new and unified bank will launch in 2023



Changes in top management:

- Employment relationship of Dr. András Csapó, Deputy CEO for Legal, Corporate Governance, Group Management and Priority Deals and therefore his internal membership in the Board of Directors was terminated as of 3 March 2021 with mutual consent
- Dr. Zsolt Barna, CEO of MKB appoints Dr. Ilona Török as Head of the CEO's Cabinet in Deputy CEO position with the effect of the receipt of the relevant approval of the National Bank of Hungary



MKB Bank is prepared for the 3rd wave of COVID-19:

- Normal, but safe branch operation throughout the network
- Digital queue management as well as distancing and spread prevention measures were implemented which allows for near-normal operation in branches while protecting customers and employees
- VideoBank extended functionality – high customer satisfaction
- High (>60%) home-office participation underpins strong and effective corporate culture and supports anti-spread initiatives. Hybrid working solutions to maximize effectiveness



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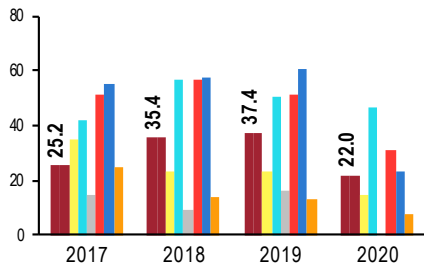
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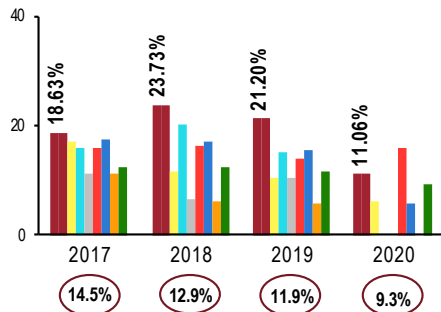
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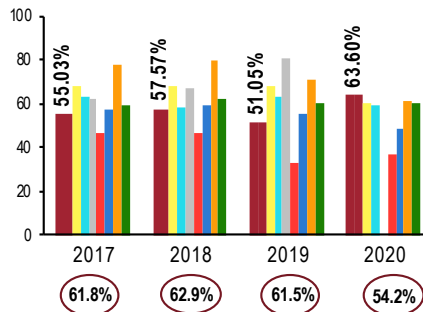
Adjusted profit after tax (HUF bln)



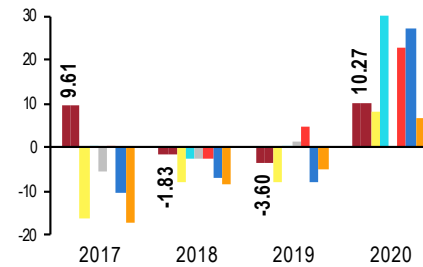
Adjusted ROAE (%)



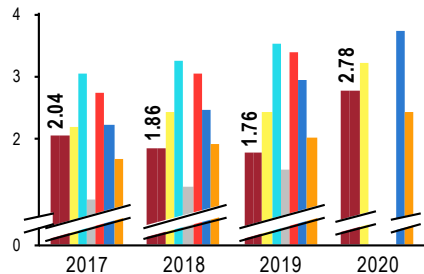
Cost/income ratio (% adjusted)



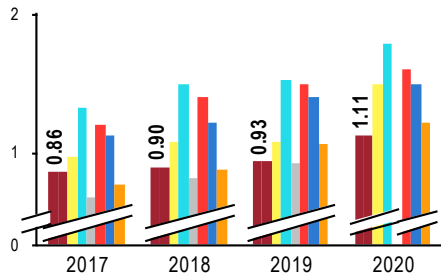
Unadjusted risk cost (HUF bln, +/- charge/release)



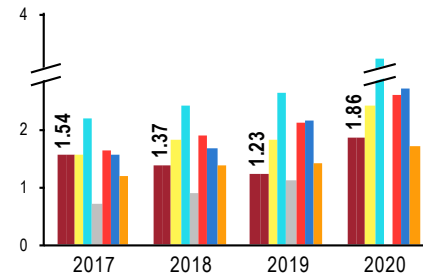
Total assets (HUF thousand bln)



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

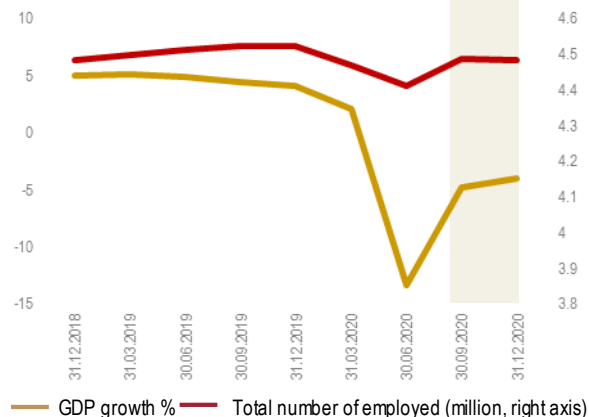
- **Risk cost** (unadjusted) is mostly driven by COVID-19 effects
- **MKB Bank's total assets and customer loan increase** shows a significant step towards regaining its market positions after concluding the EU commitments in 2019

Source: flash reports of banks

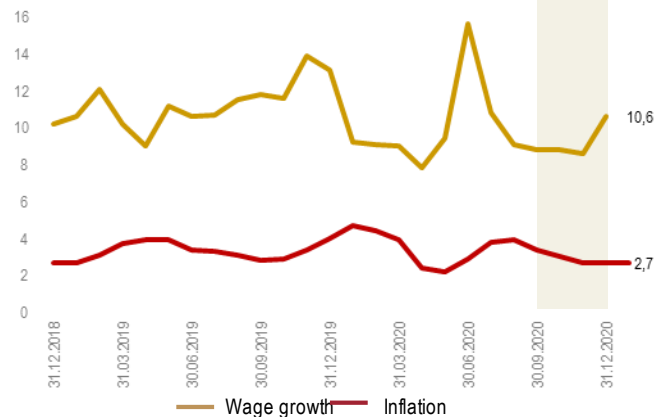
- Moratorium and restricted spending opportunities propelled retail savings, while the corporate savings market also increased due to the state support programs and the corporate moratoria
- EUR/HUF exchange rate stabilized around 360HUF/EUR level in 4Q as inflation worries intensified

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

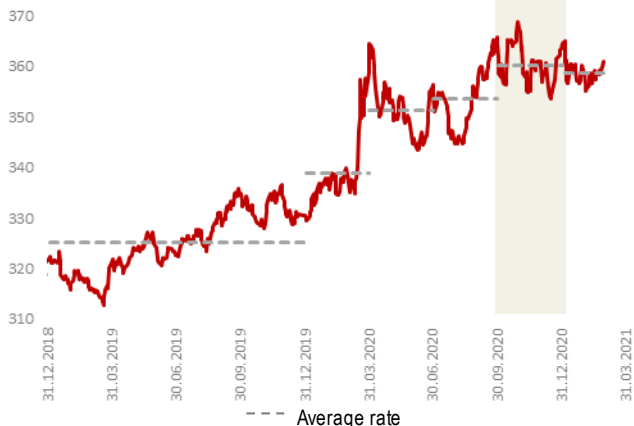
GDP growth (y/y %) and employment



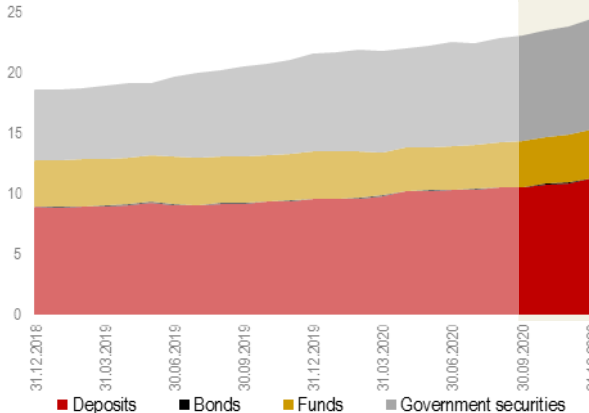
Average inflation and wage growth (y/y %)



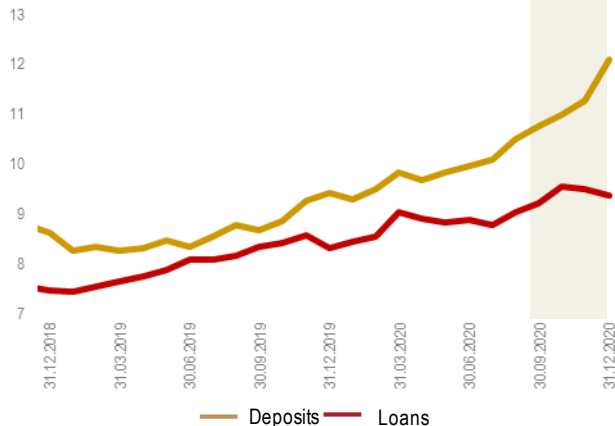
EUR/HUF rate



Household savings (HUF thous. bln)



Corporate volumes* (HUF thous. bln)

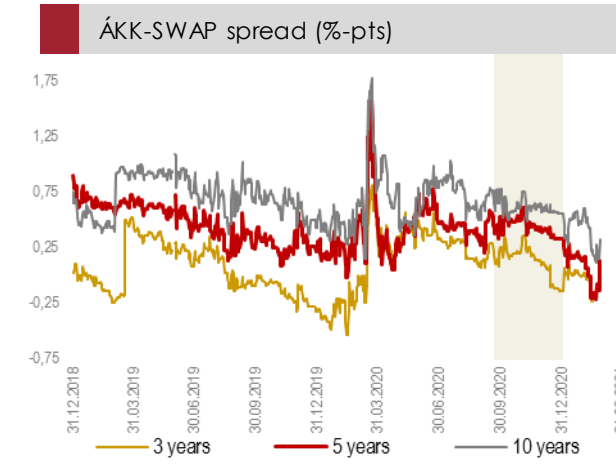
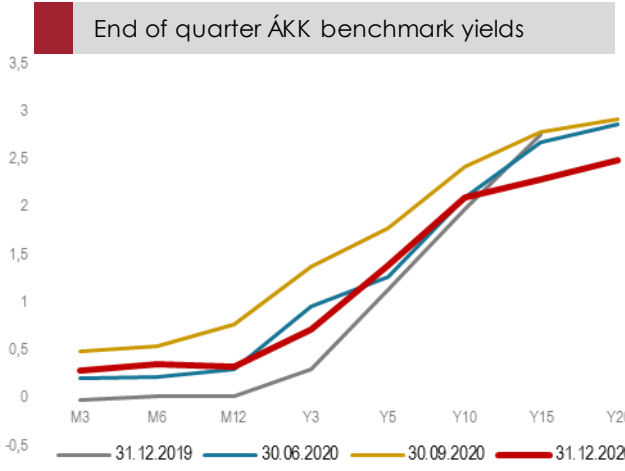
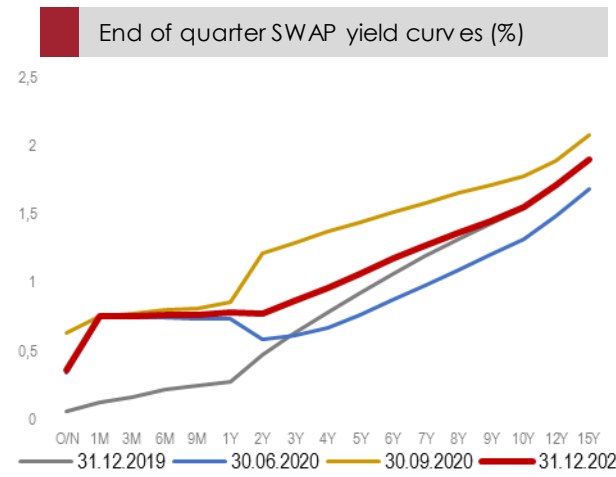
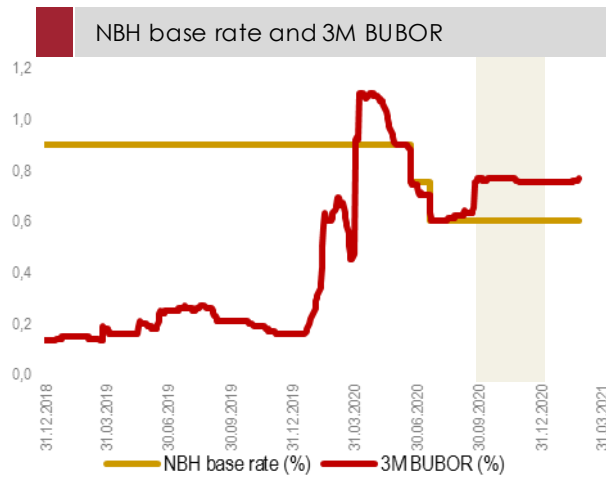


Largely unchanged macroeconomic background in 4Q

25.03.2021



- Decreasing bond prices together with relatively stable swap yield initiated a downward trend in asset-swap spreads in 4Q. As money market trends are important factors of MKB results, 4Q financials were affected both at P&L (interest and fair value) and OCI levels
- Stable short term interest rate environment in 4Q, anchored by the one week NBH deposit facility's 75bps rate





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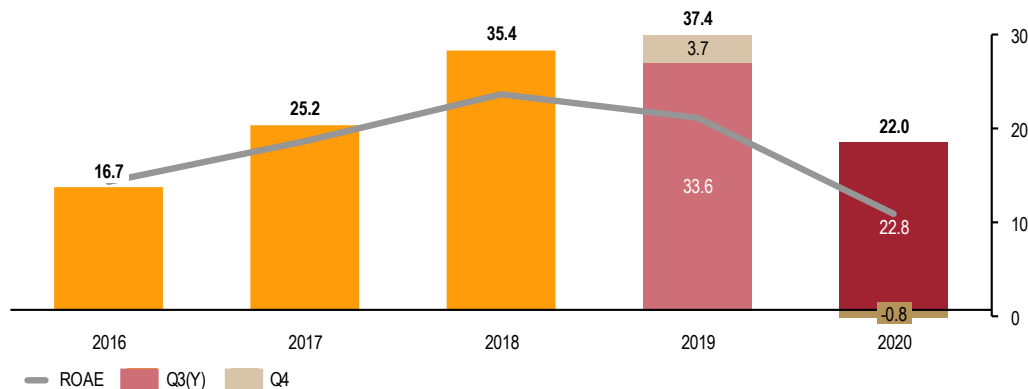
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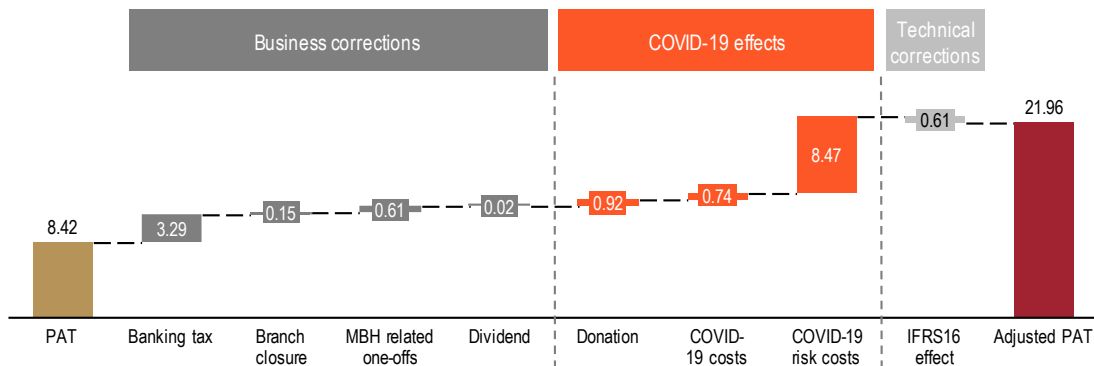
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Adjusted Profit after tax (HUF bln, YTD) and ROAE (%)



4Q 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.

Business corrections applied to emphasize the underlying business performance by eliminating effects of non-core business related accounting items.

MBH related one-offs are attributable to the setting up and initial phase of the Hungarian Bankholding Ltd.

COVID-19 adjustments used to eliminate the distortion 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, the effect of the EBA guideline on loans under moratorium, and the revision of risk model parameters due to deteriorating external environment
- One-off expenditure of HUF 1.0 bln (before tax) donation

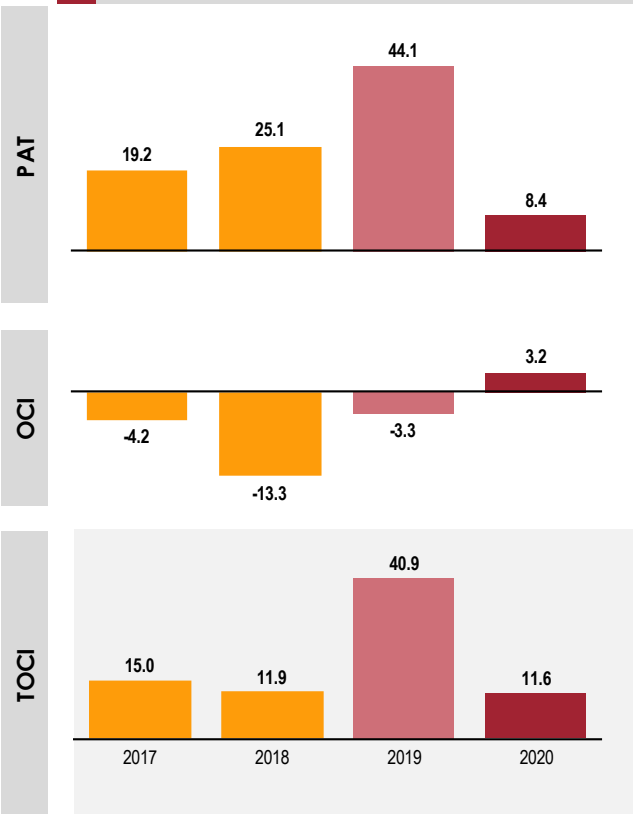
Technical corrections (IFRS16 effect - HUF 0.61 bln) are required for biased p/p and y/y comparison

Adjustments mostly attributable to COVID-19 effects

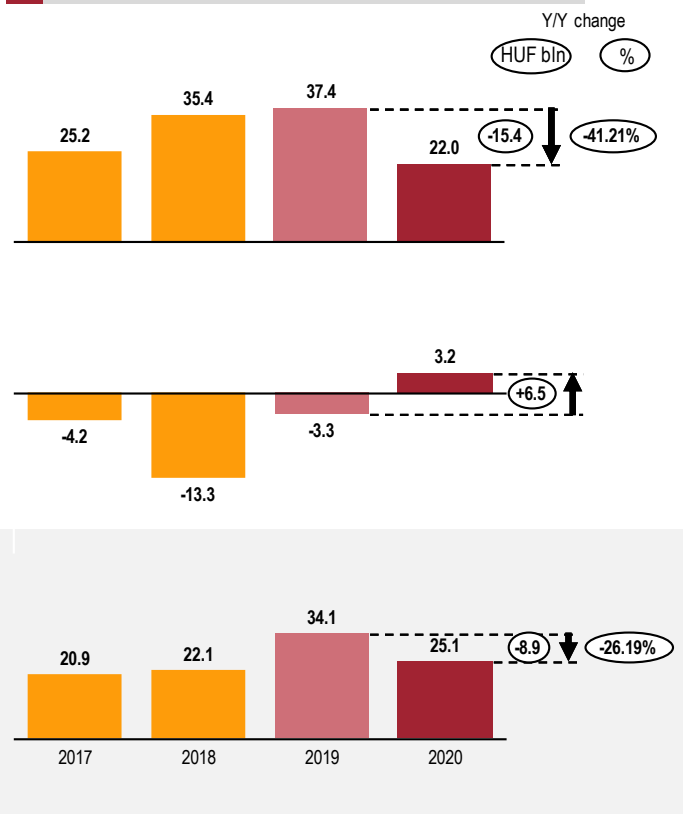
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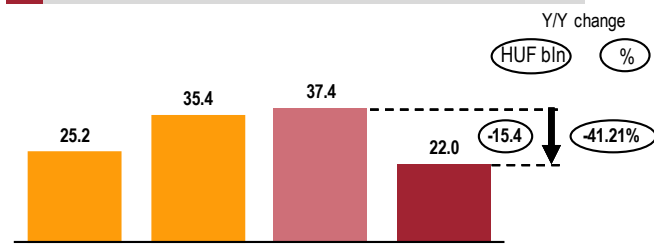
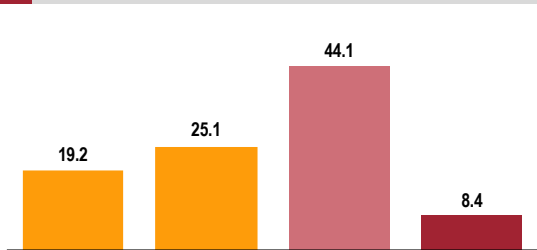
Total Comprehensive Income
(YTD, HUF bln)



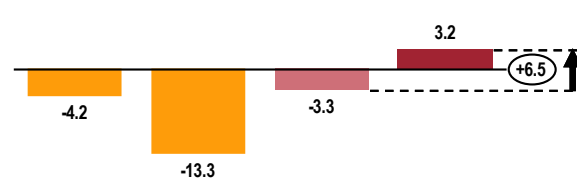
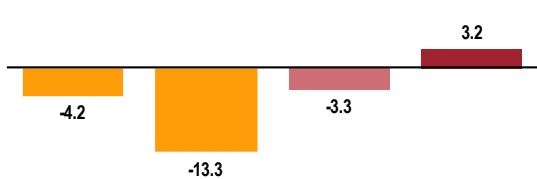
Adjusted Total Comprehensive Income
(YTD, HUF bln)



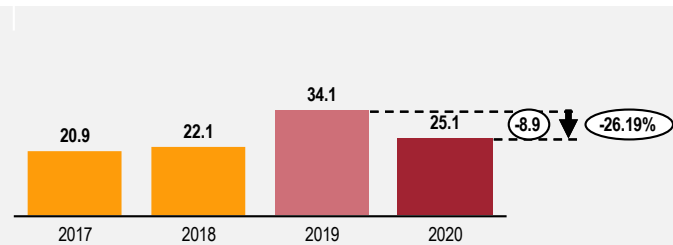
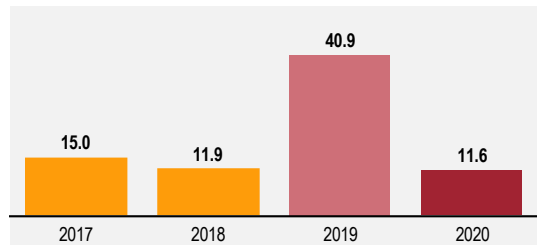
PAT



OCI



TOCI



- HUF 22.0 bln adjusted YTD PAT** (HUF -15.4 bln y/y) signals stable business performance as the direct effects attributable to COVID-19 were eliminated. Both customer related and banking book portfolios had strong revenue contribution while costs kept under control. Portfolio quality allows for marginal risk cost (adjusted) levels
- HUF 3.2 bln OCI** boosted the **adjusted total comprehensive income (TOCI)** to HUF 25.1 bln (HUF -8.9 bln y/y) as shrinking asset-swap spreads had an overall positive effect on TOCI in 4Q

HUF 8.4 bln profit (unadjusted) realized in 2020 amid economic uncertainties

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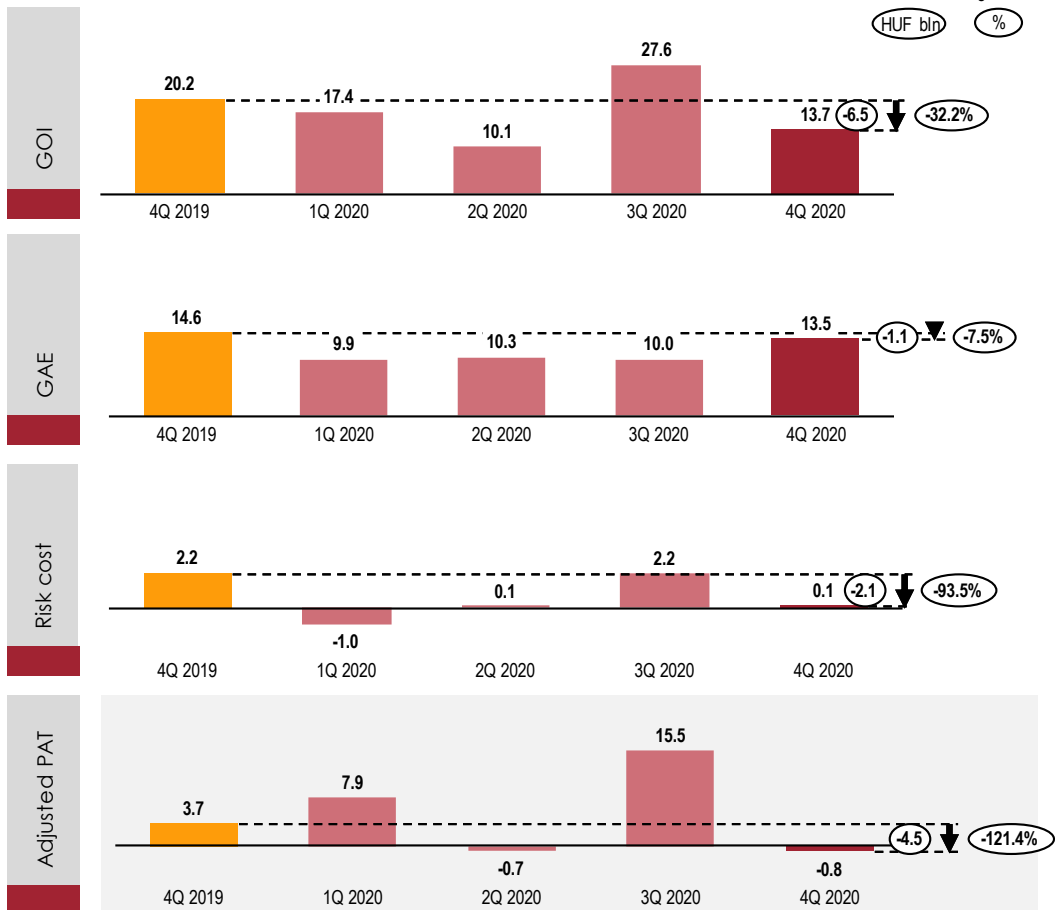
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Adjusted P&L (HUF bln)	2018		2019		2020		Y/Y (Y)	P/P	Y/Y (P)
	4Q(Y)	4Q	4Q(Y)	3Q	4Q	4Q(Y)	%	%	%
<i>Net operating income</i>	33.1	5.6	39.5	17.5	0.2	25.0	-36.62%	-98.86%	-96.44%
Gross operating income	78.0	20.2	80.7	27.6	13.7	68.8	-14.76%	-50.23%	-32.20%
Net interest income	40.5	8.8	40.8	9.3	10.6	36.1	-11.49%	13.92%	20.88%
Net fee income	25.9	7.8	27.3	5.9	6.4	23.6	-13.72%	8.41%	-18.51%
Other Income ¹	11.6	3.6	12.5	12.3	-3.3	9.1	-27.68%	-126.90%	-192.48%
General admin. Expenses	-44.9	-14.6	-41.2	-10.0	-13.5	-43.7	6.19%	34.91%	-7.53%
Provisions	1.8	-2.5	-2.9	-1.9	0.0	-1.0	-65.10%	-97.80%	-98.36%
Provision for losses on loans	1.9	-2.2	-3.1	-2.2	-0.1	-1.4	-52.64%	-93.45%	-93.50%
Other provisions and impairments	-0.10	-0.27	0.15	0.35	0.1	0.43	192.03%	-70.02%	-138.58%
Adjusted PBT	34.9	3.1	36.6	15.7	0.2	24.0	-34.35%	-98.99%	-94.88%
Taxation	0.44	0.64	0.78	-0.14	-0.96	-2.05	-	-	-249.71%
Adjusted PAT	35.4	3.7	37.4	15.5	-0.8	22.0	-41.21%	-105.15%	-121.38%
Adjusted revaluation on non HFC financial assets (OCI)	-13.3	-0.1	-3.3	-6.0	9.2	3.2	-197.13%	-254.50%	-
Adjusted Total Comprehensive Income	22.1	3.6	34.1	9.6	8.4	25.1	-26.19%	-11.81%	133.30%
Adjustments total on PAT ²	10.2	-4.2	-6.8	0.3	4.1	13.5	-299.34%	-	-197.22%
Profit after tax (PAT, unadjusted)	25.1	7.9	44.1	15.3	-4.9	8.4	-80.92%	-131.85%	-161.40%
Revaluation on non HFC financial assets (OCI, unadjusted)	-13.3	-0.1	-3.3	-6.0	9.2	3.2	-197.13%	-254.50%	-
Unadjusted Total Comprehensive Income	11.9	7.8	40.9	9.3	4.4	11.6	-71.59%	-53.13%	-44.04%

¹Net other Income contains FX+FV result

²The 3.1 chapter of the Flash report contains the list of adjustments



- HUF 13.7 bln gross operating income:** volatile money market conditions drive the p/p GOI change (HUF -13.8 bln). Core income* (HUF 19.5 bln in 4Q 2020) increased +3.4%, HUF +0.6 bln p/p and is at the same level y/y as net interest income compensates for COVID-19 related loss of fee income
- HUF 13.5 bln GAE:** 4Q p/p increase of HUF 3.5 bln is in line with the uneven intra-year distribution of costs. Steady increase in perex and depreciation are key factors behind quarterly cost levels being slightly higher than in 2019
- HUF 0.1 bln adjusted risk cost** recognized in the fourth quarter as underlying portfolio quality is still improving, with the NPL rate reaches 2.60% (-0.7%-pts p/p)
- HUF -0.8 bln (HUF -4.5 bln y/y) adjusted profit after tax** for 4Q

*Core income: net interest income + net fee income + FX, see pg 26

**Other income: FV result + other income

MKB closes 2020 on a positive note: HUF 22.0 bln yearly PAT despite sub-zero adjusted 4Q result

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Balance sheet (HUF bln)	2018 4Q	2019 4Q	2020		Y/Y %	P/P %
			3Q	4Q		
Financial assets	82.9	117.8	276.0	377.7	220.72%	36.88%
Trading portfolios	79.3	20.7	46.9	34.0	63.89%	-27.52%
Securities	710.7	594.7	954.2	1,163.3	95.62%	21.91%
Customer Loans (net)	895.2	930.3	1,027.4	1,114.0	19.74%	8.42%
Customer Loans (gross)	965.3	976.7	1,076.0	1,159.9	18.76%	7.80%
Provision for Customer loans	-70.1	-46.4	-48.6	-46.0	-0.88%	-5.35%
Total Other assets	89.5	96.3	94.7	92.6	-3.82%	-2.23%
Total Assets	1,857.6	1,759.8	2,399.2	2,781.6	58.06%	15.94%
Interbank liabilities	214.3	195.8	473.3	575.1	193.70%	21.52%
Deposits & C/A	1,372.0	1,226.5	1,582.7	1,862.3	51.83%	17.67%
Other liabilities	85.0	99.6	93.9	89.7	-9.91%	-4.44%
Subordinated debt	28.0	39.4	44.2	44.7	13.57%	1.25%
Shareholders' Equity	158.2	198.5	205.2	209.8	5.70%	2.22%
Total Liabilities & Equity	1,857.6	1,759.8	2,399.2	2,781.6	58.06%	15.94%
Customer off balance items	427.6	357.7	388.5	425.3	18.90%	9.45%

MKB Group's 2020 growth ambitions were fulfilled, boosting the balance sheet to nearly HUF 2.8 ths bln: market share of MKB Group grew from 4.0% in 2019 to 5.2% (+1.2%-pts y/y)

- **17.7% (HUF +279.6 bln) p/p customer deposits growth** mainly on corporate sight deposits
- Utilizing its strong market position MKB actively participated in the economic stimulus programs which - together with the growth of classic loan products - resulted a **+7.8% Customer loan increase in 4Q**. +18.8% y/y increase outperformed market growth
- **Interbank liabilities** (+21.5% p/p) increase driven by liabilities from NBH liquidity boosting facilities
- **Banking book securities portfolio** (+21.9%; HUF +209.1 bln p/p) absorbed the liquidity surplus stemming from the quickly growing customer deposit base

Customer deposits growth was instrumental in balance sheet increase in 2020

25.03.2021



KPIs based on adjusted PAT	2018 4Q(Y)	2019		2020			Y - Y (Y) %-pt	P - P %-pt	Y - Y (period) %-pt
		4Q	4Q(Y)	3Q	4Q	4Q(Y)			
Profitability									
TRM - Total revenue margin	3.89%	4.38%	4.31%	4.79%	2.12%	3.09%	-1.2%-pt	-2.7%-pt	-2.3%-pt
NIM - Net income margin	2.02%	1.90%	2.18%	1.62%	1.64%	1.62%	-0.6%-pt	0.0%-pt	-0.3%-pt
NFM - Net fee margin	1.29%	1.70%	1.46%	1.02%	0.99%	1.06%	-0.4%-pt	0.0%-pt	-0.7%-pt
CIM - Core income margin	3.96%	4.24%	4.18%	3.28%	3.01%	3.12%	-1.1%-pt	-0.3%-pt	-1.2%-pt
GOI/RWA - RWA efficiency	8.06%	9.04%	8.85%	10.91%	5.43%	6.90%	-2.0%-pt	-5.5%-pt	-3.6%-pt
Risk% - Risk cost rate	-0.19%	0.91%	0.31%	0.84%	0.05%	0.14%	-0.2%-pt	-0.8%-pt	-0.9%-pt
Efficiency									
CIR - Cost-Income ratio	57.57%	72.25%	51.05%	36.35%	98.54%	63.60%	12.5%-pt	62.2%-pt	26.3%-pt
C/TA - Cost to total assets	2.24%	3.16%	2.20%	1.74%	2.09%	1.96%	-0.2%-pt	0.3%-pt	-1.1%-pt
Cost/(income+OCI)	69.35%	72.72%	53.22%	46.41%	58.91%	60.78%	7.6%-pt	12.5%-pt	-13.8%-pt
ROAE - Return on average equity	23.73%	7.70%	21.20%	30.92%	-1.54%	11.06%	-10.1%-pt	-32.5%-pt	-9.2%-pt
ROMC - Return on minimum capital	28.98%	11.34%	29.05%	42.75%	-2.21%	15.03%	-14.0%-pt	-45.0%-pt	-13.5%-pt
ROAA - Return on average total asset	1.76%	0.81%	1.99%	2.70%	-0.12%	0.99%	-1.0%-pt	-2.8%-pt	-0.9%-pt
Share information									
EPS - Earning per share (HUF, annualized)	353.7	149.7	373.6	620.9	-32.0	219.62	-153.9	-653.0	-181.7

KPIs based on (unadjusted) financial statements	2018	2019		2020			Y - Y (Y)	P - P	Y - Y (period)
	4Q(Y)	4Q	4Q(Y)	3Q	4Q	4Q(Y)	%-pt	%-pt	%-pt
Profitability									
TRM - Total revenue margin	3.83%	4.53%	4.34%	4.76%	1.86%	2.79%	-1.5%-pt	-2.9%-pt	-2.7%-pt
NIM - Net income margin	2.06%	1.87%	2.18%	1.62%	0.90%	1.33%	-0.8%-pt	-0.7%-pt	-1.0%-pt
NFM - Net fee margin	1.29%	1.70%	1.46%	1.02%	0.99%	1.06%	-0.4%-pt	0.0%-pt	-0.7%-pt
CIM - Core income margin	4.00%	4.20%	4.18%	3.27%	2.27%	2.83%	-1.4%-pt	-1.0%-pt	-1.9%-pt
GOI/RWA - RWA efficiency	7.93%	9.34%	8.92%	10.86%	4.77%	6.24%	-2.7%-pt	-6.1%-pt	-4.6%-pt
Risk% - Risk cost rate	-0.12%	0.22%	-0.38%	0.74%	1.07%	0.79%	1.2%-pt	0.3%-pt	0.8%-pt
Efficiency									
CIR - Cost-Income ratio	68.87%	66.43%	53.21%	36.78%	109.32%	72.38%	19.2%-pt	72.5%-pt	42.9%-pt
C/TA - Cost to total assets	2.63%	3.01%	2.31%	1.75%	2.03%	2.02%	-0.3%-pt	0.3%-pt	-1.0%-pt
Cost/(income+OCI)	67.46%	92.13%	55.45%	47.03%	61.90%	68.86%	13.4%-pt	14.9%-pt	-30.2%-pt
ROAE - Return on average equity	16.87%	16.30%	25.06%	30.42%	-9.38%	4.24%	-20.8%-pt	-39.8%-pt	-25.7%-pt
ROMC - Return on minimum capital	20.59%	24.01%	34.33%	42.06%	-13.43%	5.76%	-28.6%-pt	-55.5%-pt	-37.4%-pt
ROAA - Return on average total asset	1.25%	1.72%	2.36%	2.65%	-0.75%	0.38%	-2.0%-pt	-3.4%-pt	-2.5%-pt
Share information									
EPS - Earning per share (HUF, IFRS)	251.3	79.2	441.5	152.7	-48.6	84.23	-357.3	-201.4	-127.9

	2018	2019	2020		Y - Y	P - P
	4Q	4Q	3Q	4Q		
Volume KPIs						
LTD - Loan to deposit ratio	70.36%	79.63%	67.99%	62.29%	-17.3%-pt	-5.7%-pt
Securities ratio	41.56%	34.07%	40.70%	42.21%	8.1%-pt	1.5%-pt
Provision to total assets	3.77%	2.63%	2.02%	1.65%	-1.0%-pt	-0.4%-pt
RWA/TA - RWA/total assets	49.57%	49.45%	42.28%	36.12%	-13.3%-pt	-6.2%-pt
CAR - Capital adequacy ratio	17.90%	22.59%	18.88%	20.49%	-2.1%-pt	1.6%-pt
Portfolio quality						
DPD90+ rate	5.11%	2.59%	1.93%	1.31%	-1.3%-pt	-0.6%-pt
DPD90+ coverage	142.09%	183.37%	233.55%	302.55%	119.2%-pt	69.0%-pt
NPL rate	8.35%	4.30%	3.28%	2.60%	-1.7%-pt	-0.7%-pt
NPL coverage (indirect)	86.95%	110.31%	137.40%	152.20%	41.9%-pt	14.8%-pt
NPL direct coverage	70.50%	71.97%	77.11%	71.05%	-0.9%-pt	-6.1%-pt
Stage 1 loans (HUF bln)	819.4	855.7	956.5	1,023.9	168.2	67.4
Stage 2 loans (HUF bln)	51.4	73.9	76.9	99.4	25.5	22.4
Stage 3 loans (HUF bln)	61.0	37.8	34.6	29.2	-8.5	-5.3
POCI (HUF bln)	17.4	7.9	6.7	6.4	-1.5	-0.3

- **NPL rate:** 2.6%, (-170 bps y/y) and **DPD90+ rate** 1.3%; (-128 bps y/y) decreased. Stringent portfolio management kept the NPL formation under control, while successful sales of selected NPL volumes also contributed
- **Loan-to-deposit** ratio steadily decreased to 62.29%, (-17.3%-pts y/y) and **securities ratio** improved to 42.21%, (+8.14%-pts y/y) throughout the year due to rapid deposit inflow
- **RWA density** (RWA/TA) decreased to **36.12%** in 4Q (-13.3%-pts y/y) together with the increasing securities ratio. CRR-based preferential COVID-19 RWA rates for SME-s and sovereign FX denominated assets were implemented during 3Q and 4Q, as required by EU regulation as part of the COVID-19 easing measures

Improving liquidity, LTD ratio down to 62.3%

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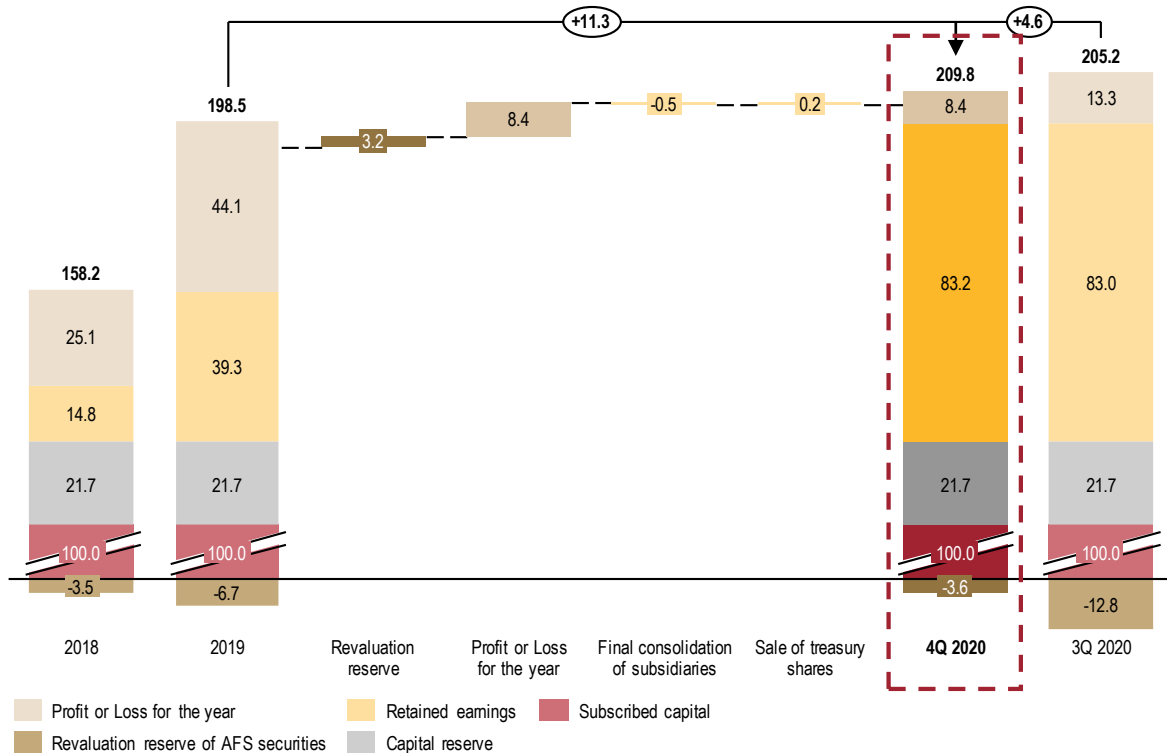
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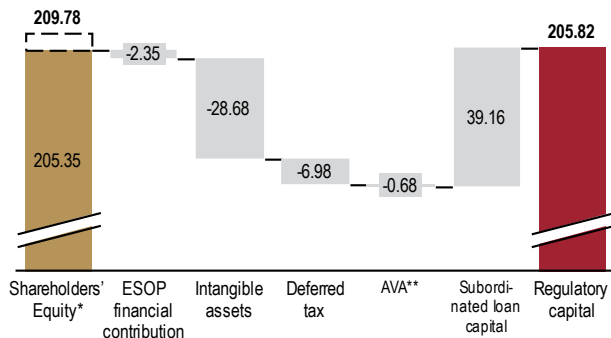


HUF +8.4 bln capital accumulation (Q4: HUF 4.6 bln) in 2020 results in HUF 209.8 bln capital:

- Despite the COVID-19 related extra provisioning and loss of incomes, cumulated profit (unadjusted) remained positive (HUF 8.4 bln in 2020), supporting capital accumulation
- Revaluation reserves increased to HUF -3.6 bln (HUF +3.1 bln y/y and HUF +9.2 bln p/p) as the banking book securities portfolio fair value capitalised on shrinking asset-swap spread stemming from the shifting market outlook

Capital position underpins the 2021 business growth and supports the implementation of the Hungarian Bankholding goals

Regulatory capital formulation (HUF bln)

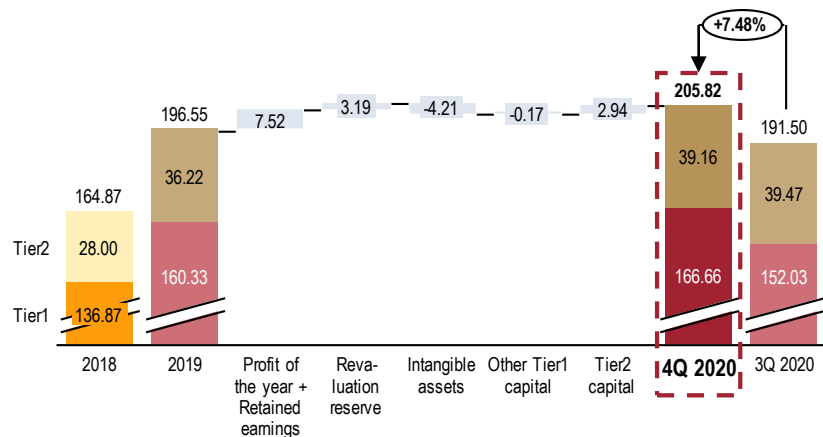


* Equity under IFRS and prudential consolidation differ due to differences in the range of firms included in the calculation

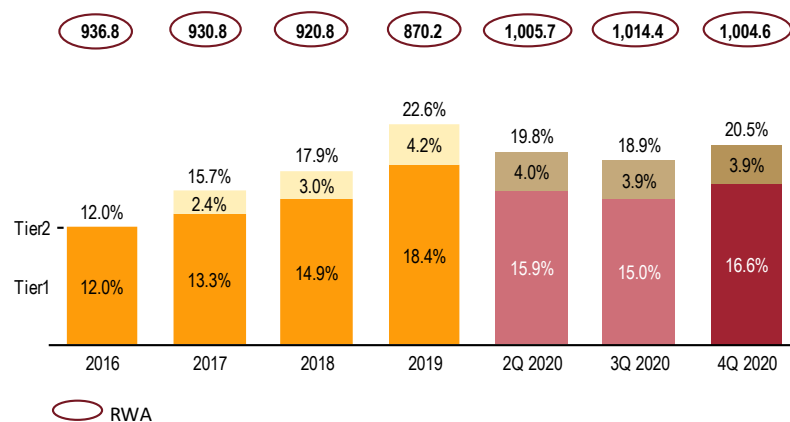
** AVA = Asset value adjustment – CRR specification

- **Stable, 20.5% CAR ratio:** moderate y/y decrease as business volume growth driven RWA increase was partially offset by the increase in regulatory capital.
- Positive, HUF 11.6 bln TOCI supported the regulatory capital increase (+7.5%, HUF 14.3 bln p/p; +4.7%, HUF +9.3 bln y/y)
- **HUF 1,004.6 bln RWA:** slight RWA decrease in 4Q (HUF -9.8 bln p/p) – despite customer loan growth – is caused by the implementation of CRR-based preferential COVID-19 RWA rates, as required by regulation. Yearly growth (+134.4 bln y/y) echoes the strong market presence of MKB Group

Evaluation of regulatory capital (HUF bln)



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



RWA

Stable Capital Adequacy Ratio in 2020

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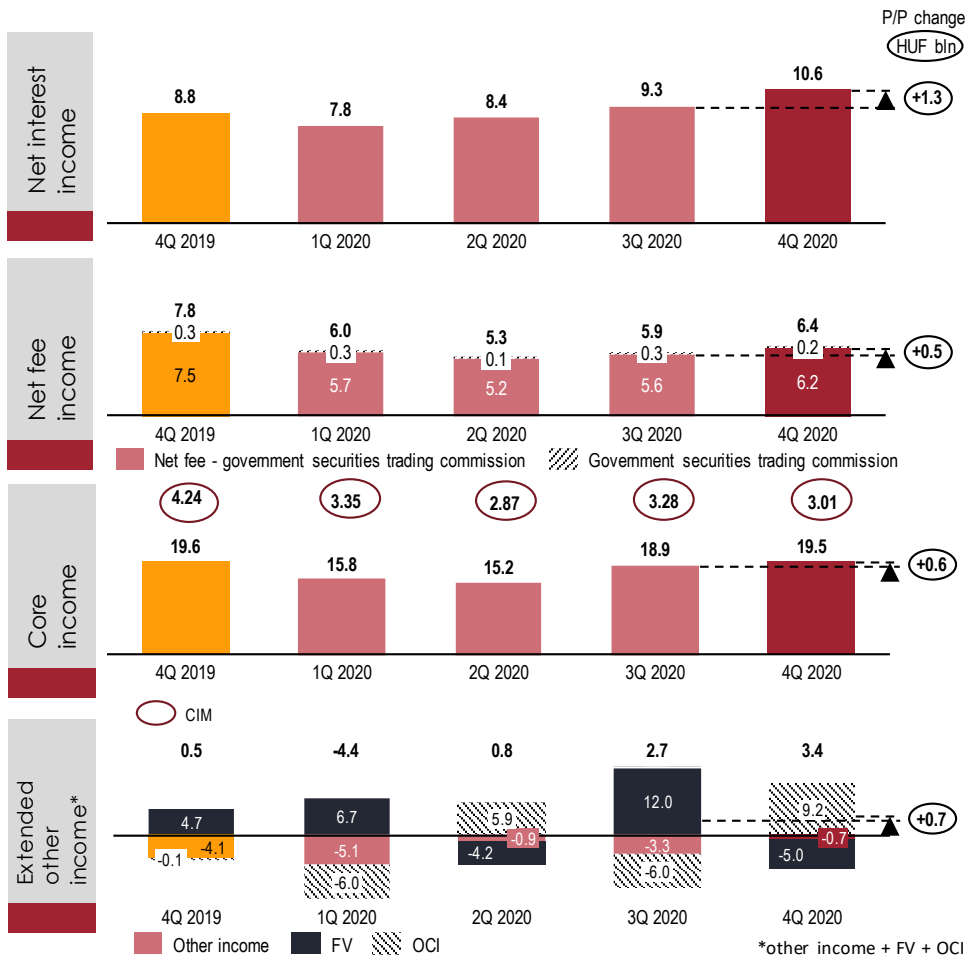
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- **HUF 10.6 bln net interest income in 4Q (+14.0% p/p; +20.5% y/y):** customer loan and banking book securities portfolio increase together with the moratorium and the upturn of long term interest rates resulted in higher net interest income compared to previous quarter
- **HUF 6.4 bln quarterly net fee income:** the +8.5% p/p increase marks the slowly improving economic outlook and increasing business activity while the annual comparison (-17.9% y/y) reflects the sharp downturn of client transactions due to COVID-19
- **Steady y/y core income:** interest income on expanding customer assets compensates the fee decrease due to COVID-19 business activity effects
- **HUF 4.2 bln net fair value results (FV+OCI) in 4Q:** as the negative (HUF -5.0 bln) FVTPL result of the ALM portfolio was over-compensated by FVTOCI gains as asset-swap spreads shrank in 2H. Although 1H results were heavily affected by the pandemic, the **annual net fair value result of HUF +12.6 bln** marks only a HUF -1.0 bln y/y decrease as active ALM portfolio management brought on HUF 10.2 bln addition in 2H.



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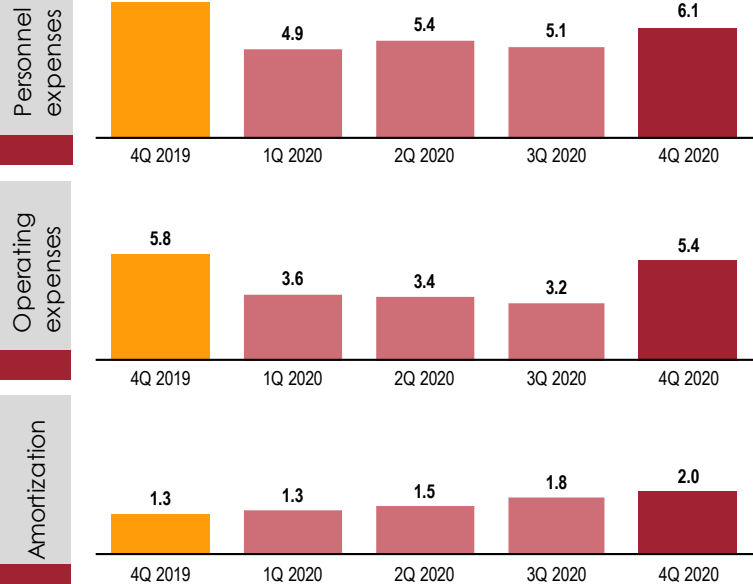
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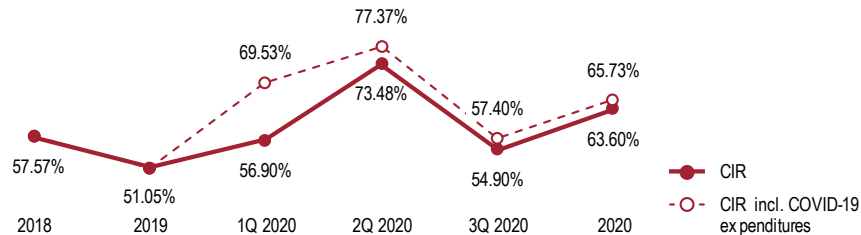
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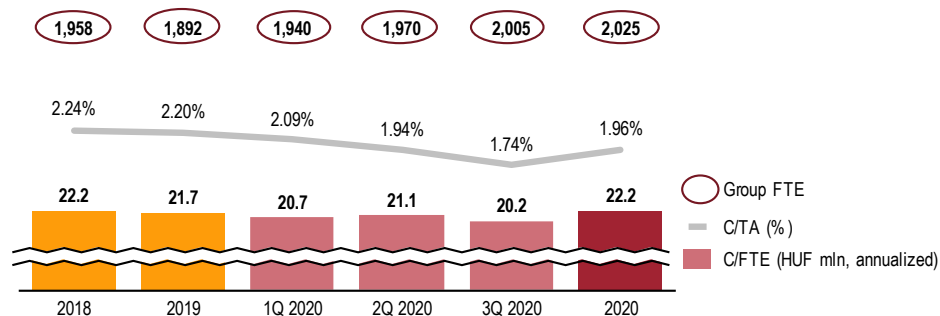
Breakdown of GAE (HUF bln)



Adjusted cost-income ratio (cumulated, %)



Cost efficiency (period) and headcount (FTE)



- **63.6% adjusted (cumulated) CIR:** strict cost control measures were maintained and deterioration was driven by revenues affected pandemic impacts
- Continuously strong wage inflation and intense business activity caused a slight y/y increase in YTD Perex
- 4Q OPEX spending is in line with the uneven intra-year distribution of costs
- High IT investment rate results in increasing amortization
- Annual C/TA 1.96% (-20 bps y/y)

Business activity increase pushes yearly costs slightly upwards

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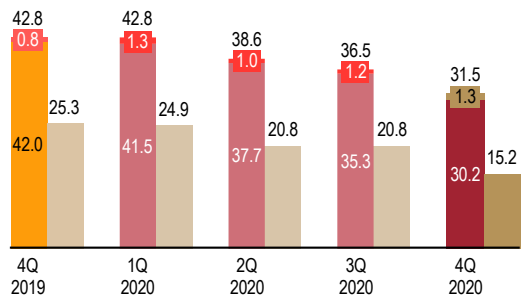
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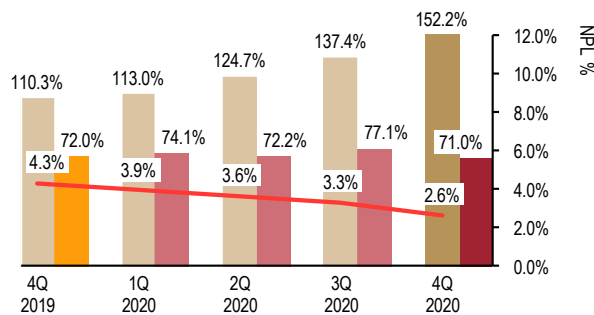
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NPL, NPE and DPD90+ portfolio (HUF bln)



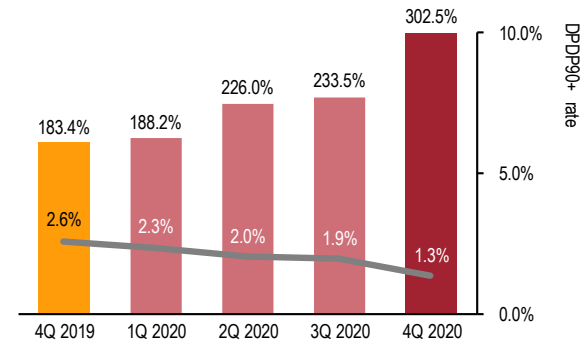
■ NPL ■ NPE-NPL ■ DPD90+

NPL coverage and NPL rate (IFRS*)



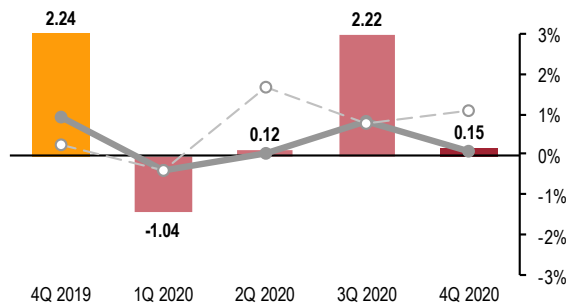
— NPL% ■ Indirect NPL coverage ■ Direct NPL coverage

DPD90+ coverage and DPD90+ rate



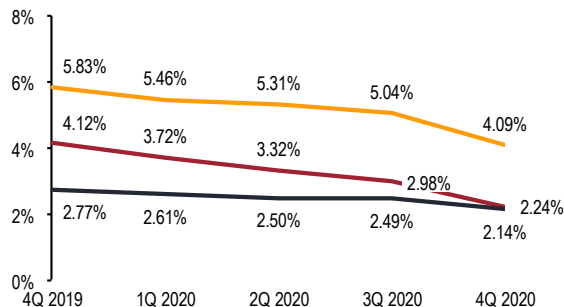
■ DPD90+ coverage — DPD90+ rate

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



— Adjusted risk cost rate ■ Adjusted risk cost
-○- Unadjusted risk cost rate

Segment NPL rates



— Corporate — Retail — Leasing

NPL rate further improved; outstanding NPL coverage:

- HUF 0.1 bln risk cost (adjusted) charge in 4Q
- NPL volume: -28.2%; HUF -11.8 bln y/y. Divestment of NPL portfolio in 2020 only as part of BAU
- NPL rate: 2.6% (-170 bps y/y)

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

NPL rate further improves in 2020

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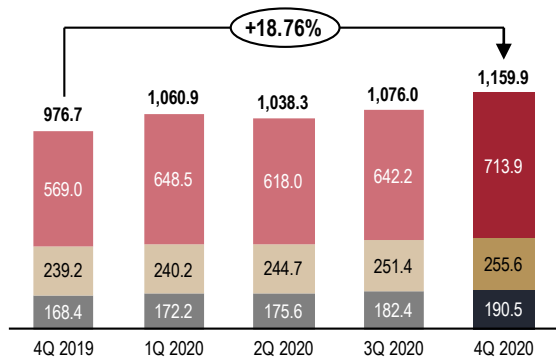
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Breakdown of gross customer loans¹
(HUF bln)



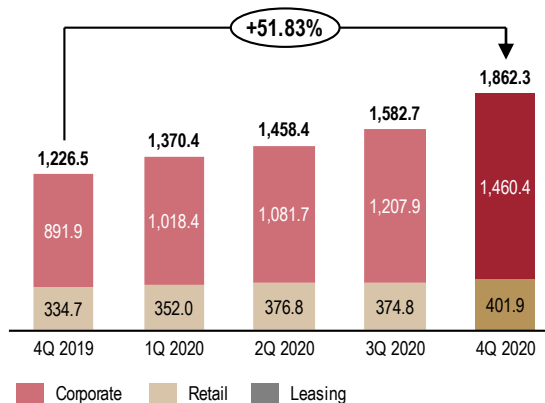
¹ IFRS figures

² Replacing HAS segments

Gross customer loans: HUF +183.2 bln (+18.8%) y/y; HUF +83.9 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
- MKB was able to grow its loan portfolio in its each of the strategically important segments

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

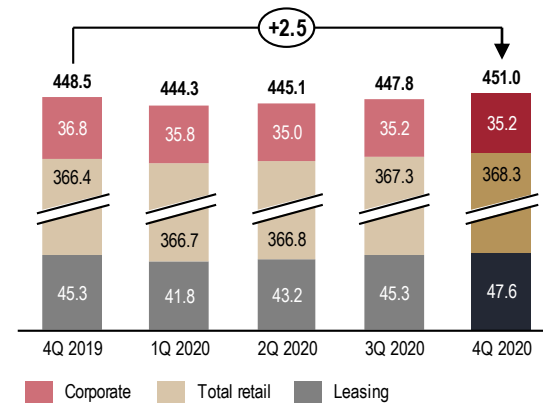


Corporate Retail Leasing

Customer deposits: +51.8% (HUF 635.7 bln) growth since 2019, HUF +279.6 bln p/p. MKB's rapid customer deposit increase outperformed the market growth:

- Corporate deposits grew by +63.7% (HUF 568.5 bln) to 2019 and +20.9% (HUF 252.5 bln) p/p
- Retail deposits also grew by +20.1% on yearly and +7.2% on p/p basis

Number of clients
(thousand)



Corporate Total retail Leasing

Number of clients increased y/y by 2.5 thousands:

- Continuous growth in customer base both in retail (+1.9 thousand y/y) and leasing (+2.3 thousand y/y) business, steady overall client number
- In retail business, MKB Bank have been successful in acquiring customers in the most important and profitable „premium” segment

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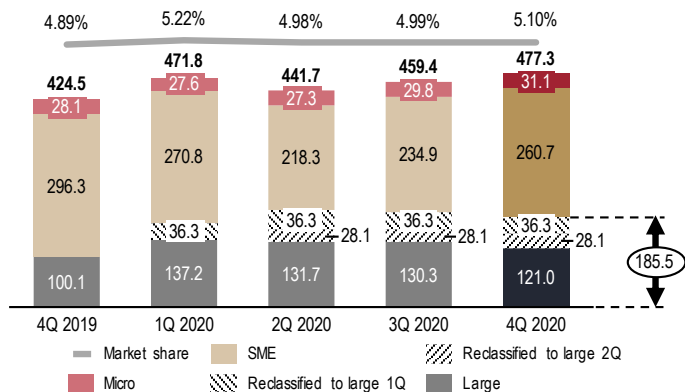
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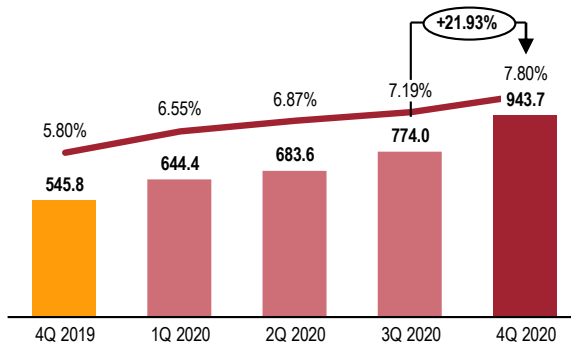
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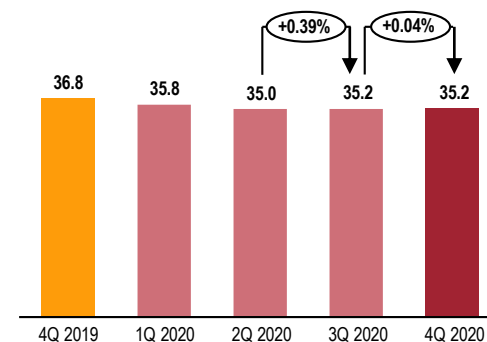
Gross corporate loans* breakdown (HUF bln) and market share** (%)



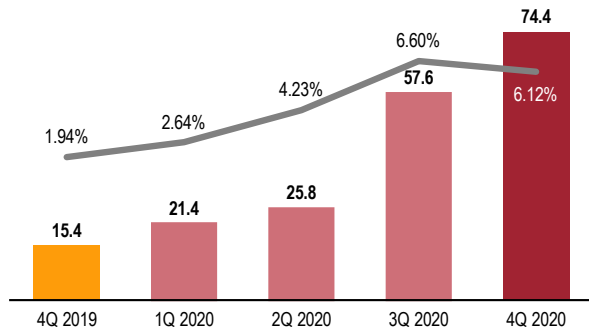
Corporate deposit* (HUF bln) and market share** (%)



Corporate client numbers (in thousands)



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



MKB Group's increasing market presence reflects the successful achievement of business goals set for 2020:

- Rapid **customer deposit** expansion: HUF +397.9 bln increase since 2019 4Q, HUF +169.7 bln increase p/p, market share increased to 7.8% (+61bps p/p)
- **Corporate loans:** persistent demand for FGS GO!, EXIM and Széchenyi loans contributed to the increase in the loan portfolio (volume increase HUF +17.9 bln p/p)
- **Disbursement in 4Q** significantly increased compared to same period of last year. Economic stimulus loans propelled disbursements. Market share is 6.12%, (+418bps y/y), 4Q market share of Széchenyi loans disbursement is 5.03%, 2020 annual market share of Széchenyi loans is 6.98%

* Includes only loans to domestic non-financial corporations, in line with the definition of NBH 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: NBH statistics

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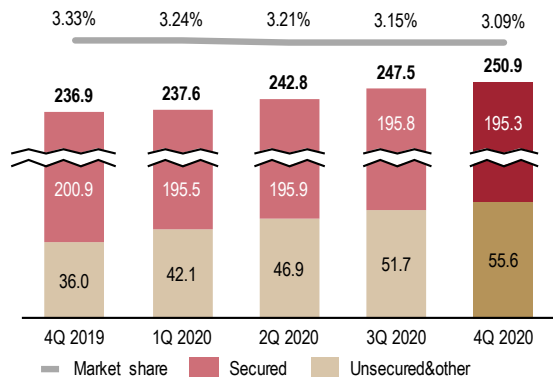
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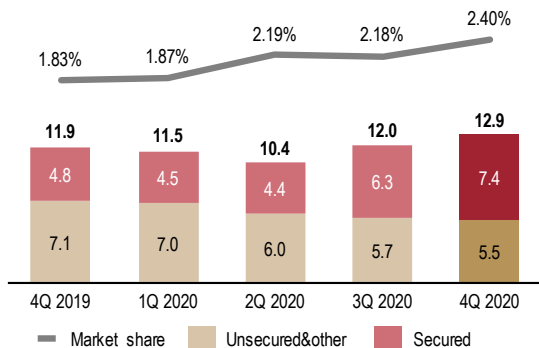
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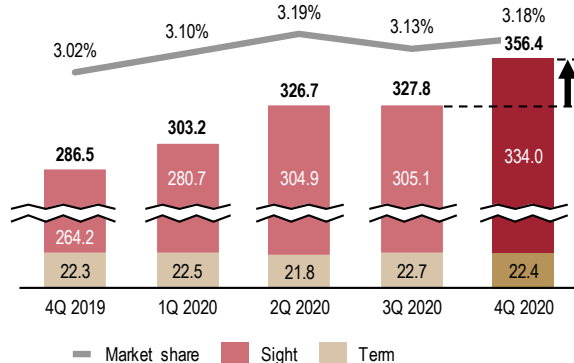
Retail gross loans¹ (HUF bln) and market share² (%)



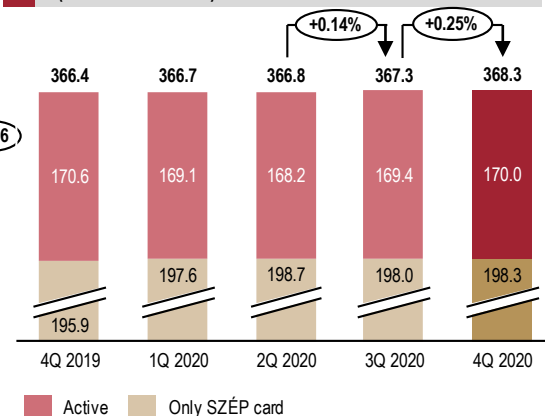
Loan disbursement¹ (HUF bln) and market share² (%)



Deposits¹ (HUF bln) and market share² (%)



Total retail client number (in thousands)



HUF 250.9 bln retail gross loan: HUF +14.0 bln y/y (HUF +3.4 bln p/p) increase, mainly due to the „Babaváró” and secured loans disbursement

- **Secured loan disbursements** were outstanding in 2020 4Q: HUF 7.4 bln, which marks +1.1 bln p/p and +2.6 bln y/y improvement
- **Unsecured loan disbursements** were around the same level as in 3Q (HUF -0.2 bln p/p)
- **Flow market share of loans** increased +22 bps p/p and +57 bps y/y

HUF 356.4 bln deposits (HUF +69.9 bln y/y; HUF +28.6 bln p/p) the significant increase is due to sight deposit volume inflow resulted +16 bps y/y and +5 bps p/p increase in deposits' stock market share

Premium customer³ focused strategy in 2020: client number increased by 12.2% p/p and 50.2% y/y, reaching 7,646 in 4Q

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

² Source: NBH statistics.

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

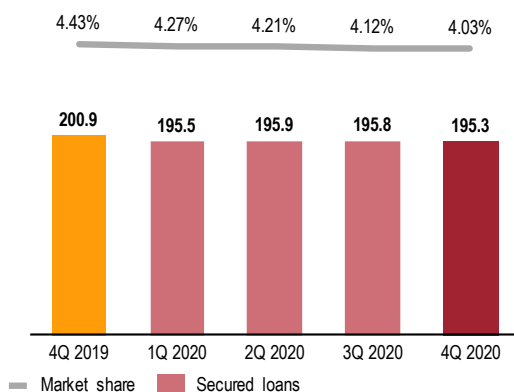
Secured and Babaváró loan disbursement allows for 2.4% flow market share in 4Q

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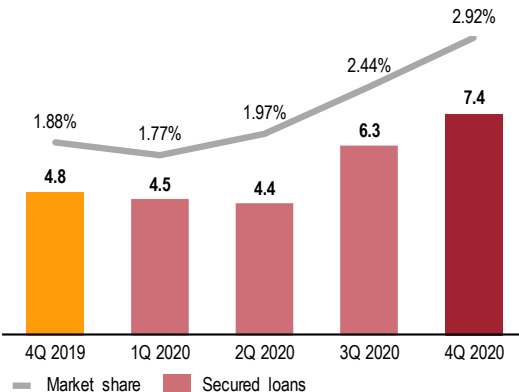


Volumes (HUF bln) and market share (%)

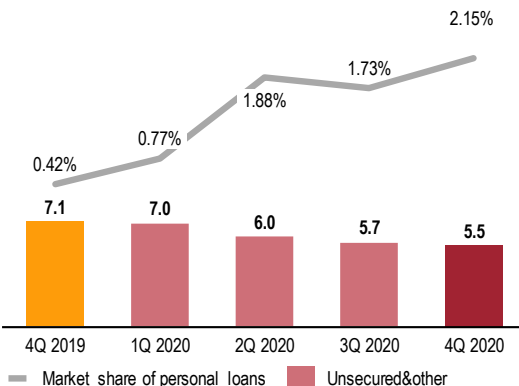
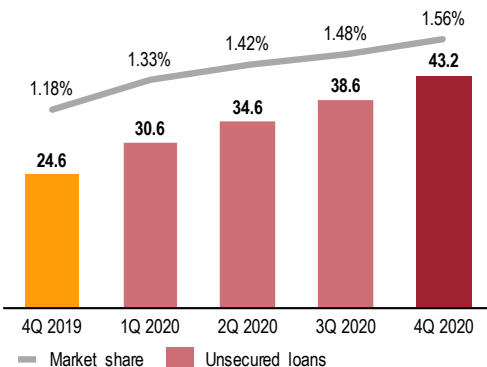
Secured loans



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



Unsecured loans



- **Secured loan volumes** decreased slightly in 4Q (HUF -0.5 bln p/p). Increasing opt-out rates induced higher repayments mitigated the volume growth stemming from increased disbursement. Also non-performing loans were sold in 4Q 2020
- **Disbursements** increased to HUF 7.4 bln in 4Q (HUF +2.6 bln y/y; HUF +1.1 bln p/p)
- **Flow market share** increased to 2.92% (+104 bps y/y and +48 bps p/p), while stock market share decreased p/p by 9 bps

- **Unsecured loans volumes** almost doubled y/y, reaching HUF 43.2 bln (HUF +4.6 bln p/p) due to strong but decreasing demand for Babaváró loans
- **Disbursements** slightly decreased p/p by HUF 0.2 bln to HUF 5.5 bln as demand for Babaváró loans was influenced by the newly announced government subsidies on housing
- **Flow market share** (2.15%) shows positive signs: +42 bps p/p, while **stock** market share also increased steadily by 8 bps

Growing flow market share in every retail product types

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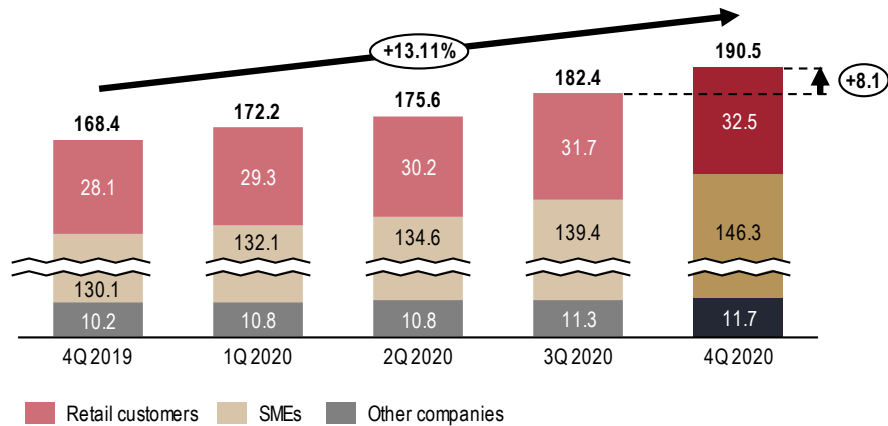
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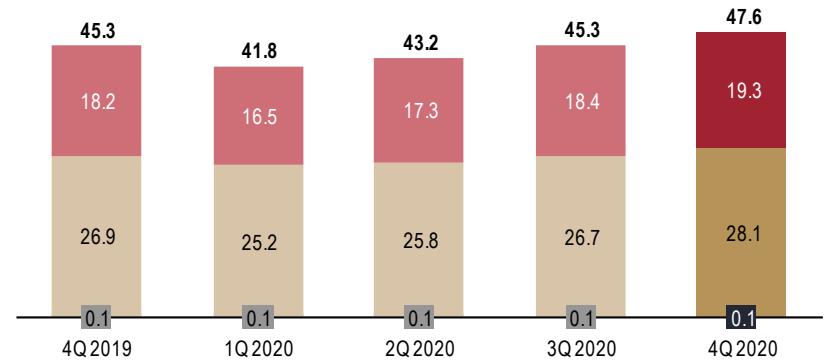
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Gross volumes by customers (HUF bln)



Active clients (in thousands)



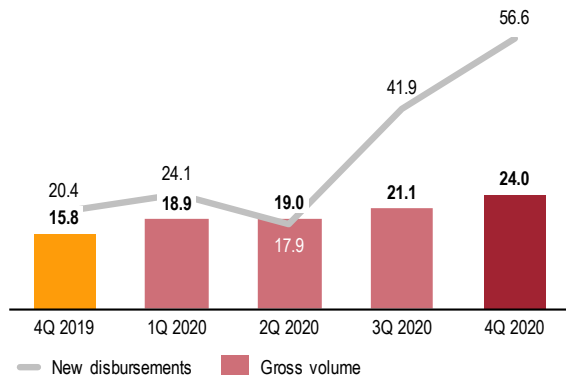
- **Steady market position in terms of new disbursement** (3rd among leasing companies, based on Hungarian Leasing Association data)
- **Continuous, quick portfolio growth: +13.1%; HUF +22.1 bln y/y.** Loan portfolio increased by HUF 8.1 bln p/p making 4Q the strongest period in 2020. Car financing was in the focus of attention, while stock financing turnover was skyrocketing
- **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

Gross loans up by HUF 8.1 bln in 4Q

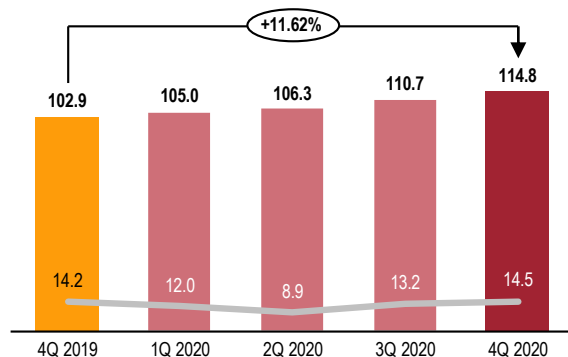
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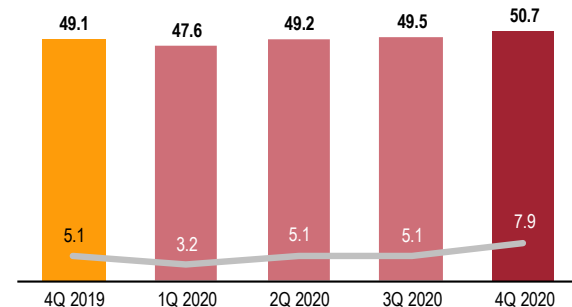
Stock financing (HUF bln)



Retail car financing (HUF bln)



Wholesale, agricultural and machine financing (HUF bln)



- **Increase in the vehicle financing portfolio strongly outpaced markets growth: +11.6%; HUF +11.9 bln y/y**
- Growth in car stock (dealer) financing: HUF +8.1 bln y/y
- Agricultural machinery and agricultural vehicle financing grew slightly +3.3%; HUF +1.6 bln y/y
- As of December 2020, around 35% of the eligible leasing customers participate in the moratorium, which means a favourable risk position

Intensive demand in retail car financing business resulting in best quarterly disbursement results

25.03.2021



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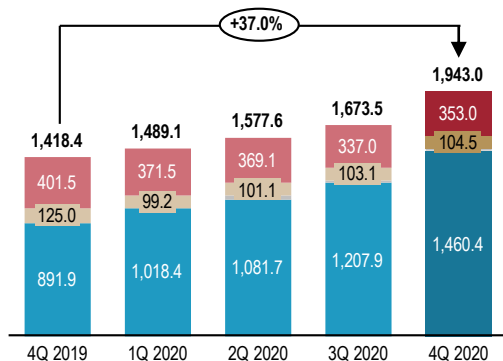
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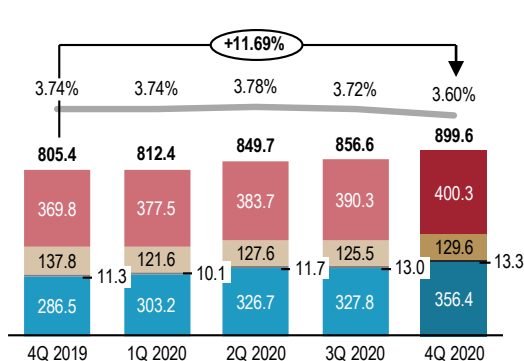


Corporate* savings (HUF bln)



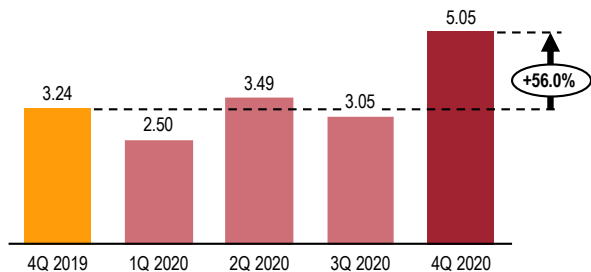
■ Deposits
 ■ Funds
 ■ Bonds
 ■ Government securities

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



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

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



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

- **Total corporate savings increased by 16.1% p/p (+37.0% y/y)** as a result of heavy deposit inflow, supported by government programs and partially by the moratorium induced lack of repayments
- **Retail savings grew by HUF 94.2 bln y/y.** Lack of spending opportunities together with the effect of moratorium allowed for higher savings rate for retail customers. Deposits (HUF +69.9 bln y/y) soaked up the majority of the excess liquidity, albeit government securities (HUF +30.5 bln) also increased

The higher than usual customer related treasury results were booked in 4Q:

- Due to the 4Q stock market volatility the turnover of customer related trading transactions remained high resulting in similarly high revenue levels as in the previous quarters
- Changes in the yield environment had a positive FVTPL revaluation impact on the profitability of the proprietary trading portfolio offsetting the negative trends of previous quarters
- Revenues related to customer swap deals also heavily contributed to 4Q results

Impressive y/y growth in corporate savings

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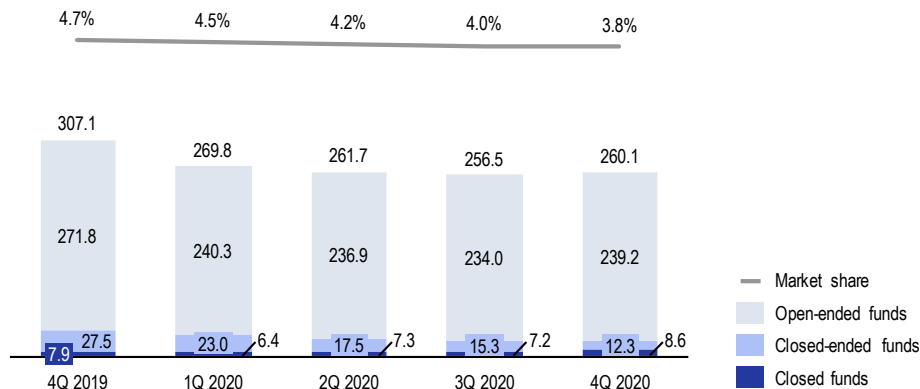
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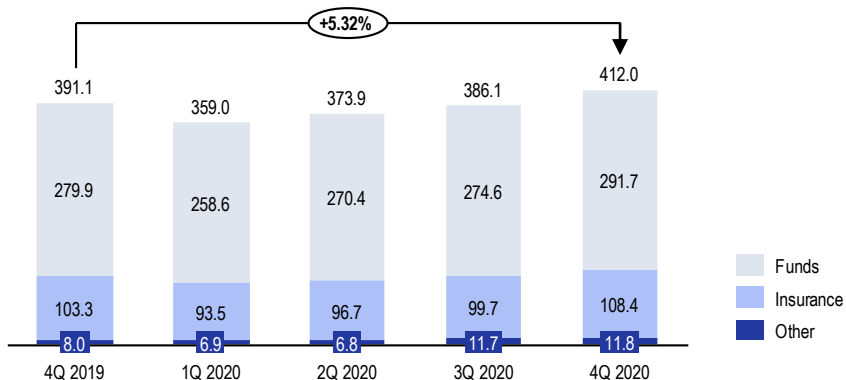
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Breakdown of investment funds (HUF bln)

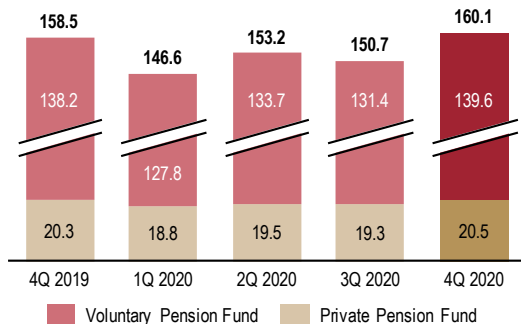


Breakdown of managed portfolios (HUF bln)

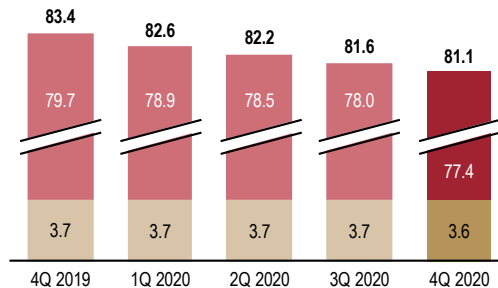


- MKB-Pannónia's AUM market share slightly decreased to 7.02% in 4Q. The market recovery significantly increased the value of the open-ended funds, even though strong retail outflow continued
- A closed-end fund matured in 4Q, thereby the closed-end funds AUM further decreased. The total AUM of investment funds grew over HUF 3.5 bln at the same time
- The AUM of the managed portfolios increased by 6.7% to HUF 412 bln in 4Q due to the positive effect of the market revaluation

Breakdown of total fund assets (HUF bln)



Number of members (thousand pax)

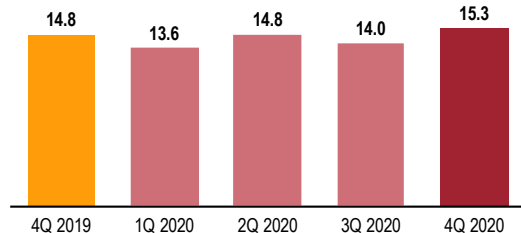


MKB Voluntary Pension Fund had a membership count of 77.4 thousand persons, while its funds on the personal accounts reached HUF 139.6 bln by the end of 2020

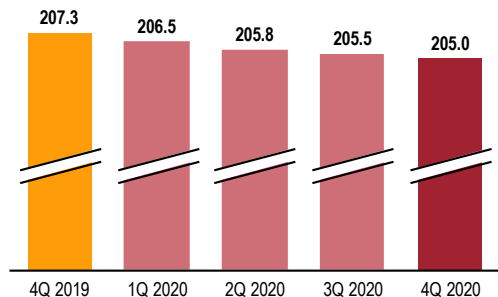
Based on the total assets under management MKB Voluntary Pension Fund succeeded in maintaining its 5. ranking with 9 percent market share

The market value of total assets managed by MKB Private Pension Fund was HUF 20.5 bln, while the number of members was 3,645 persons at the end of 2020

Total fund assets (HUF bln)



Number of members (thousand pax)



The value of the portfolio managed by **MKB-Pannónia Voluntary Health and Mutual Aid Fund** increased to HUF 15.3 bln by the end of 2020, it maintained its 3. ranking with a 25% market share

The membership decreased by 0.2% compared to end of 3Q 2020, yet with 205 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
 MKB Group
 MBH Hungarian Bankholding Zrt.
 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