



4Q 2021

MKB Group

Flash Report presentation

Budapest, 24 March 2022



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 2021 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 2021 Flash Report.



Executive summary

Business environment

Adjusted Profit After Tax

Profit and Loss developments, KPIs

Balance sheet

Business segments results

Overview

Corporate segment

Retail segment

Leasing segment

Portfolio quality

Capital position

Highlights of the merger process

Annexes

Leasing segment

Strategic Partners' Performances

Post closing events

Achievements of digital business developments

Abbreviations

Disclaimer

- **MKB Group had a successful year in financial terms** despite the intensifying market uncertainty regarding the effects of mutant, **highly transmissible variants of COVID19 and wage inflation and energy price pressure**. The **adjusted profit after tax reached HUF 77.7 bn in FY 2021**, which is a HUF 55.7 bn growth in comparison to that of 2020.
- **Adjusted GOI reached HUF 132.3 bn, a 92.5% increase compared to FY 2020** attributed to **higher business activity** accompanied by **stable portfolio quality of the expanding customer portfolio, the increasing interest rate environment and strict cost control measures**.
- GAE increased by 10.1% y/y mainly driven by wage inflation, regulatory compliance projects and the launch of revitalized business activity.
- **Portfolio quality is on an improving trend** evidenced by the decreasing DPD90+ ratio resulting in a moderate risk cost.
- In FY 2021, MKB Group was highly profitable reaching an **adjusted ROAE of 33.2%** and a **CIR of 36.4%**. Profitability and efficiency ratios show a significant improvement in all aspects compared to FY 2020.
- GOI/RWA also reflects an improvement in the utilization of RWA in FY 2021.

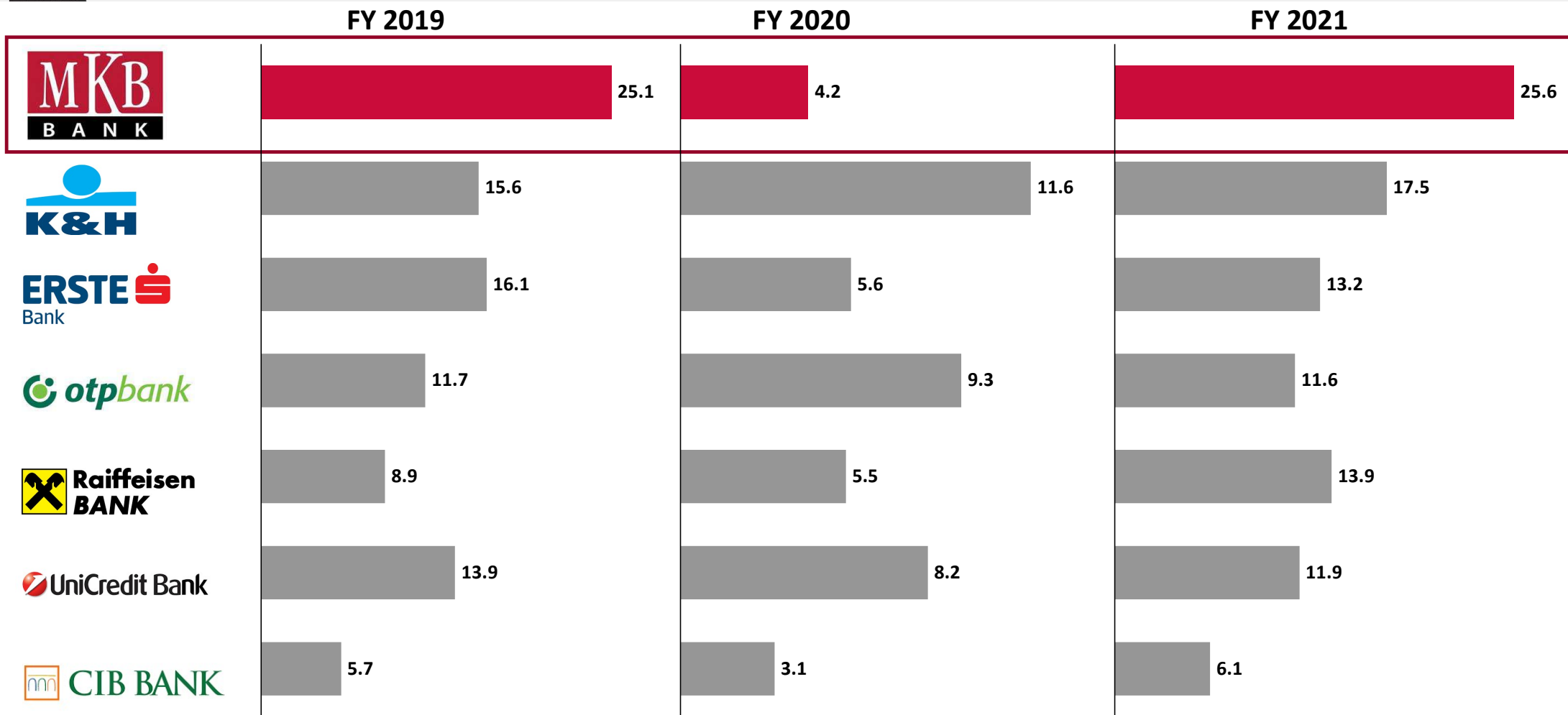
PAT	GOI	Total Assets	CUSTOMER LOAN
HUF 77.7 bn	HUF 132.3 bn 92.5% ; 6.1%	HUF 3,314.2 bn	HUF 1,215.3 bn 9.1% ; 0.9%
253.7% ; -21.2%	GAE		CUSTOMER DEPOSIT
	HUF 48.1 bn 10.1% ; 46.9%		HUF 2,216.1 bn 19.0% ; 9.1%
	Risk		EQUITY CAPITAL
	HUF 1.6 bn 11.7% ; n/a		HUF 249.8 bn 19.1% ; 2.2%
ROAE	CIR	Risk%	GOI/RWA
33.21% 22.1%-pt ; -7.5%-pt	36.38% -27.2%-pt ; 13.4%-pt	0.14% 0.0%-pt ; 1.2%-pt	12.38% 5.5%-pt ; 0.5%
CAR	RWA/TA	LTD	DPD90+
22.02% 1.5%-pt ; 5.2%-pt	33.75% -2.4% ; -1.4%	57.0% -5.3%-pt ; -4.4%-pt	0.98% -0.3%-pt ; -0.1%-pt

(↓) y/y ; q/q (↑) ¹ The 3.1. chapter of the Flash report contains the list of adjustments.

- **Total assets increased substantially by 19.1% in FY 2021**, standing at HUF 3,314.2 bn as a result of the further elevated liquidity in the financial markets.
- **Growth of customers deposits** was mainly attributable to the **improving saving capability of both corporate and household segments** due to the moratorium as well as NBH and government measures aiming economic stimulus in order to mitigate the potential negative impact of COVID-19.
- **Corporate business proved excellent performance as loan portfolio grew by HUF 124 bn y/y (+26.0% y/y)** which contributed to the increase of **market share from 5.1% in FY 2020 to 5.8% in FY 2021**. Corporate funding also increased by **purchase of corporate bonds**, the net growth of the bond portfolio was **HUF 64.8 bn** underlying MKB Group's principal role in NBH's Bond Funding for Growth Scheme and other state economic stimulus programs.
- **Household loan portfolio growth was led by the focus segment, the unsecured loan**. Its volume increased by 28.7% to HUF 71.6 bn during FY. The **deposit from households also grew by 18.8%**.
- **Decrease of RWA/TA ratio reflects efficient business activity after years of restructuring period**.
- Loan-to-deposit ratio decreased due to the liquidity inflow and the corporate bond purchases (excl-LTD).
- **Total equity increased by accumulated profit (unadjusted TOCI, HUF 40.0 bn) which results in a robust capital adequacy position of 22.0%**.

PAT	GOI	Total Assets	CUSTOMER LOAN
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253.7% ; -21.2%	GAE		CUSTOMER DEPOSIT
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ROAE	CIR	Risk%	GOI/RWA
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CAR	RWA/TA	LTD	DPD90+
22.02% 1.5%-pt ; 5.2%-pt	33.75% -2.4% ; -1.4%	57.0% -5.3%-pt ; -4.4%-pt	0.98% -0.3%-pt ; -0.1%-pt

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1: Unadjusted figures

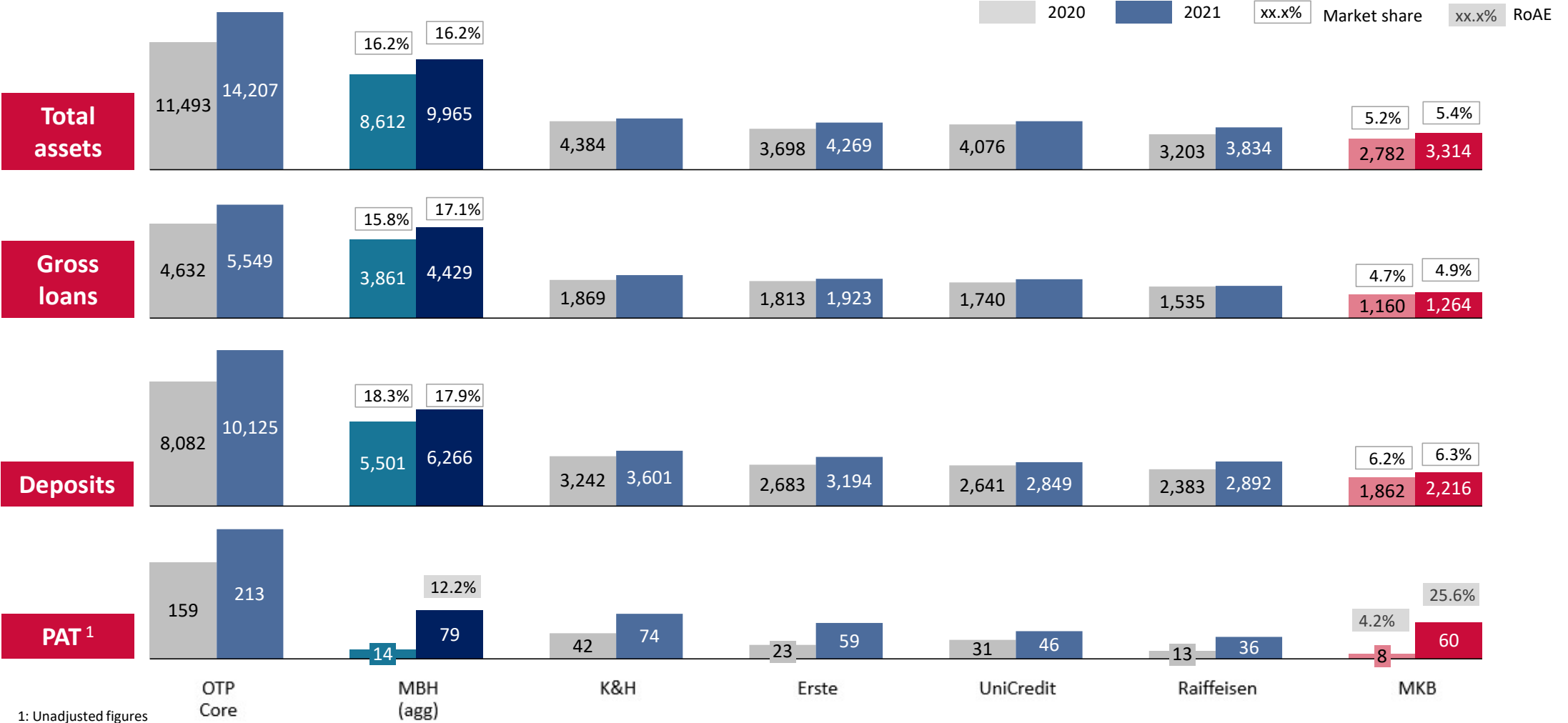
Sources:

- FY 2019 and FY 2020 data: companies' annual reports
- FY 2021 data are preliminary figures based on Banking Groups' Q4 flash reports (converted to HUF). Please note estimated figures might differ from the actual audited numbers.



MKB Group is part of the second largest financial group

Competition
HUF Bn



1: Unadjusted figures

Sources:

FY 2020 data: companies' annual reports. FY 2021 data are preliminary figures based on Banking Groups' Q4 flash reports (converted to HUF). Please note estimated figures might differ from the actual audited numbers. MBH (aggr) figures are preliminary.

Corporate

- **Maintaining corporate focus**, MKB Bank made **extensive efforts on product development** (including “Eximbank’s Future Exporters Program”, “Eximbank’s Green Financing Loan Program”). The MKB Group also **remains an active participant in** the renewed “**Széchenyi Program**”.
- **MKB Bank joined several government programs** which mitigated the negative impact of COVID-19.
- **MKB Bank was awarded with “NHP Go excellence prize”** due to its outstanding contribution to NBH’s “NHP Go”, reaching a market share of 8.3%.
- **Another key element** of corporate financing was the **NBH’s Bond Funding for Growth Scheme**, under which the corporate bond portfolio stock increased by 151.2% in 2021.
- **Further digital solutions were implemented** in order to support corporate clients during the pandemic situation.
- In line with MBH’s strategy, the Bank preserved a **special focus on SME and agriculture sectors**.

Retail

- **Improving customer services via digital platform.**
- Improved participation in government programs aiming **family protection** (“Babaváró”, “CSOK”).
- Green mortgage program participation, initiated by NBH.
- Started **strategic cooperation with a Hungarian insurance company**, CIG Pannónia Életbiztosító Nyrt., selling pension and life insurance products, **creating additional fee business to the MKB network**.

Subsidiaries and partners

- **Leasing business** - Despite the difficulties in the car financing market mainly in the second half of 2021, **the leasing business managed to increase its portfolio in 2021** as a result of the successful launch of the “Széchenyi Lízing GO!” product. **The company** preserved its Top 3 market position as of 2021. **From January 2022 it integrates the activity of the MBH’s leasing companies** (MKB-Euroleasing, Budapest Leasing, Takarékszövetkezet Leasing and Budapest Bank’s Car Finance business) grouping up to the first position on the leasing market.
- **Fund management business** – the net AuM of the investment funds of MKB-Pannonia Asset Management increased by 13.76% y/y to HUF 295.9 bn, whilst the value of the managed portfolio increased by 10.76% y/y.
- **Health and pension funds** preserved their asset under management with the MKB Voluntary pension fund’s market share of 9% (6th largest in its own category in Hungary) and with the MKB-Pannónia Health and Self-care fund’s market share of 24% (3rd largest fund in its own category in Hungary)



Executive summary

Business environment

Adjusted Profit After Tax

Profit and Loss developments, KPIs

Balance sheet

Business segments results

Overview

Corporate segment

Retail segment

Leasing segment

Portfolio quality

Capital position

Highlights of the merger process

Annexes

Leasing segment

Strategic Partners' Performances

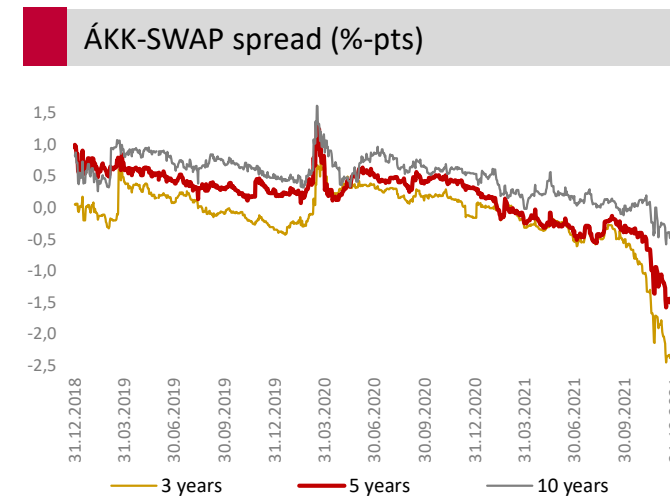
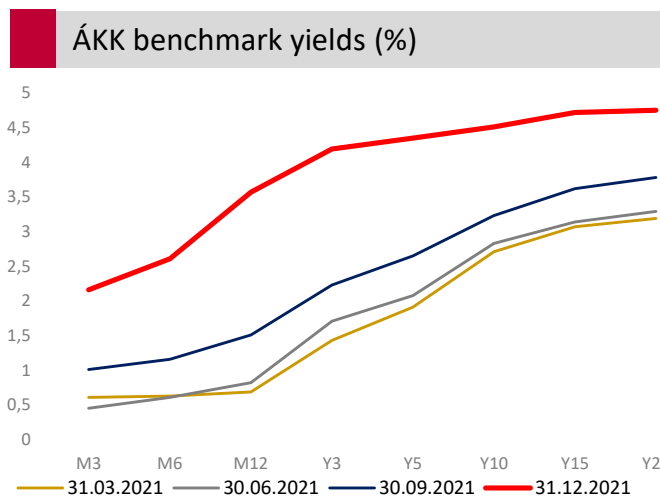
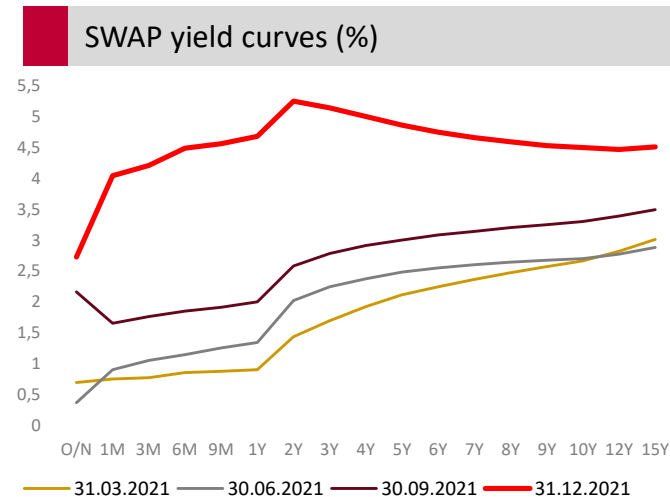
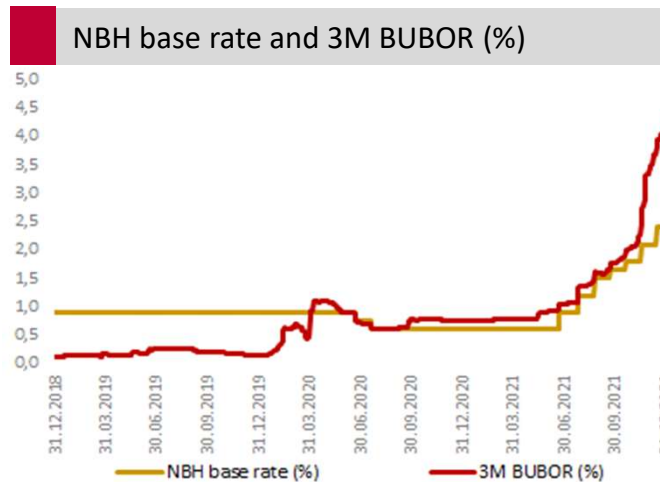
Post closing events

Achievements of digital business developments

Abbreviations

Disclaimer

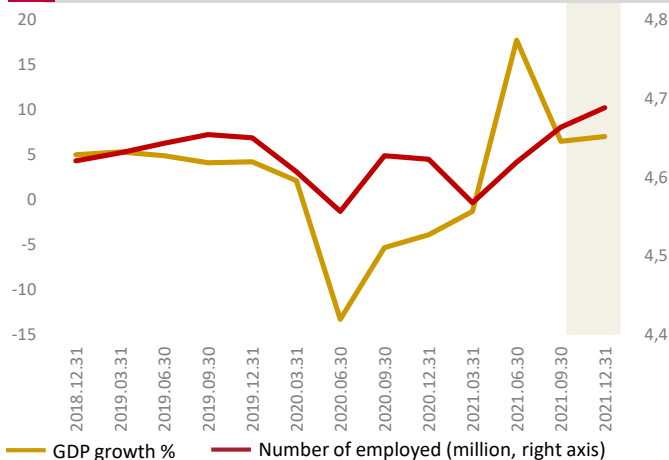
- The NBH continued to raise interest rates, and the base rate has increased by 75bps to 2.4% during the last 3 months of the year.
- The increasing central deposit rate also led to changes in the SWAP curve, which increased over 200bps on the short end and over 100bps on the long end. ÁKK benchmark yield curve also increased but at a lower pace than the SWAP curve, further decreasing the asset-swap spread.



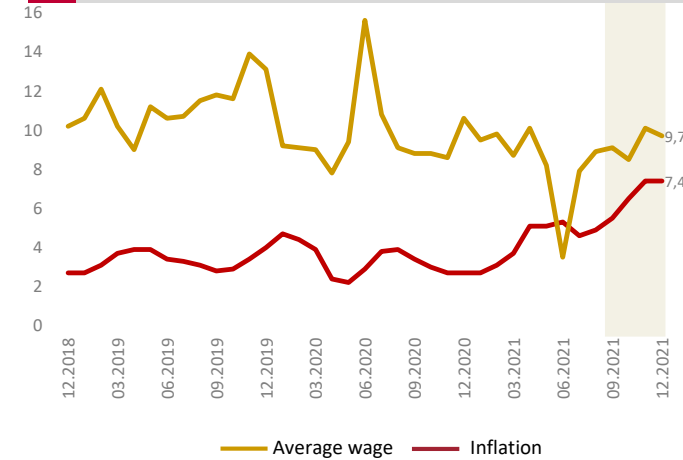
- In Q4 2021, the GDP growth exceeded 7% and the number of employed persons also increased.
- Despite the growth in the funds rate, inflation has increased to 7.4% in December 2021, while the EUR/HUF rate slightly deteriorated compared to the previous quarter and ended the year around 369 HUF/EUR.
- Corporate savings increased in the last quarter of 2021.

¹Includes only loans to domestic non-financial corporations, in line with the definition of NBH statistics.

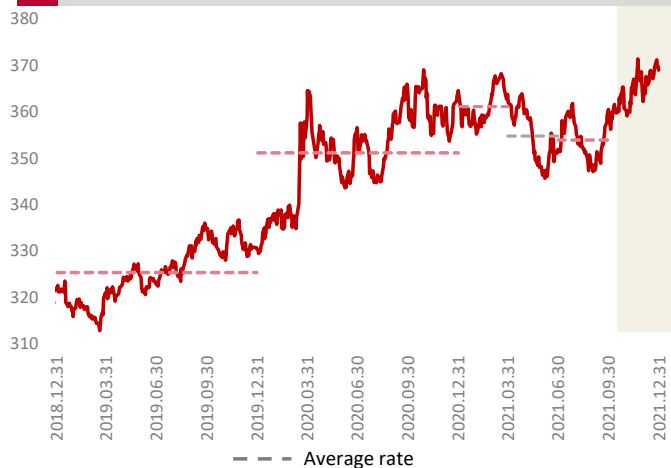
GDP growth (y/y%) and employment



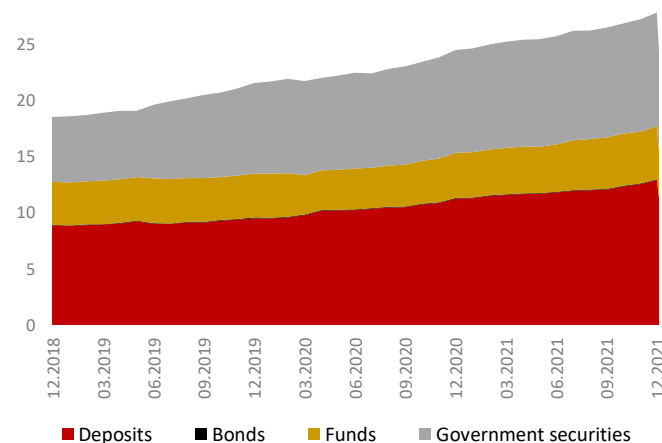
Average inflation and wage growth (y/y %)



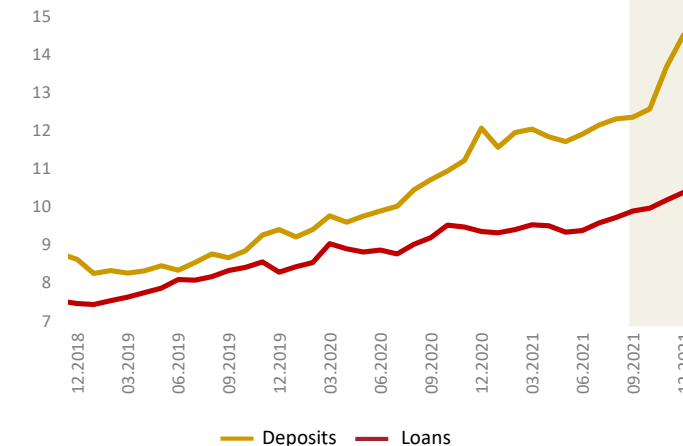
HUF/EUR rate



Household savings (HUF, thous. bn)



Corporate volumes¹ (HUF thous. bn)



Geopolitical impacts

- The **Russia-Ukraine conflict** triggered an important change in the economic environment in late February 2022.
- Geopolitical conflicts contribute to the uncertainty of growth prospects. The **favourable economic outlook was overwritten by the conflict**.
- The gloomier growth prospects and rising inflationary pressures are not driven by the weight of these two countries in European and Hungarian foreign trade. The conflict and the European and American **sanctions** imposed in response to it **are affecting strategically important industries, which have increased demand-supply frictions that have been going on for months**. The process is leading to the persistence of intense inflationary pressures, with shortages of raw materials and price pressures on a wider range of products than before.

MBH (and MKB) measures

- **Liquidity and capital strength of the MBH banks are stable and adequately managed**. No major difficulties emerged from the household or corporate client perspective. **Interbank finance limits were set to zero** for the UA and RU banks (there was no existing exposure). **Coverage monitoring** of the client positions strengthened (no client positions under the coverage limit).
- The **Bankholding does not possess notable FX open positions**, thus FX changes had no direct effect.
- **Strategic Analysis Center** of the MBH watches and **analyzes the money and capital market movements closely**. FX volatility of the HUF increased accordingly to the other currencies of the region, but as of today, **there was no extraordinary demand for FX cash from households**. The asset prices, including housing prices (as collateral behind mortgage loans), were also monitored.
- Excluding a large part of the Russian banks from SWIFT as a sanction measure, burdens trade relations and settlement toward these relations and also resulted in difficulties to the clients. **MBH was ready to implement all sanction measures including SWIFT-related ones**.

Inflationary pressure and measures

- **Central banks have responded to high inflation**. (Inflation in the euro area rose to 5.8% y/y in February 2022 after 5.1% in January 2022. Domestic price pressures rose to 8.3% y/y in February from 7.9% in January).
- **The European Central Bank (ECB) kept its policy rates unchanged in March 2022**. At the same time, the ECB accelerated tapering of its traditional asset purchase program (APP), which could end in June, with interest rate hikes no earlier than June 2022.
- In response to developments since the end of February, the **NBH raised the upper barrier of the interest rate corridor by 100 basis points to 6.4% on 8th March**, while the base rate and the interest rate on the O/N deposit remained unchanged. The MNB announced its one-week deposit tender at 5.85% on 10th March, which represents an effective interest rate increase of 50 basis points compared to the previous week (the NBH raised the interest rate on one-week deposits by 75 basis points to 5.35% on 3rd March).
- High inflation could dampen strong economic growth this year for both the domestic and European economies.



Executive summary

Business environment

Adjusted Profit After Tax

Profit and Loss developments, KPIs

Balance sheet

Business segments results

Overview

Corporate segment

Retail segment

Leasing segment

Portfolio quality

Capital position

Highlights of the merger process

Annexes

Leasing segment

Strategic Partners' Performances

Post closing events

Achievements of digital business developments

Abbreviations

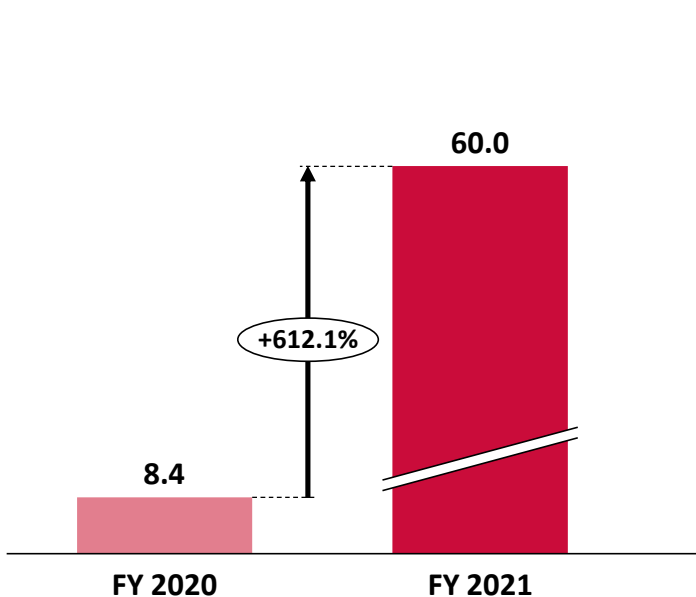
Disclaimer

Significant annual increase in accounting and adjusted PAT amid economic uncertainties thanks to excellent business performance combined with money market developments

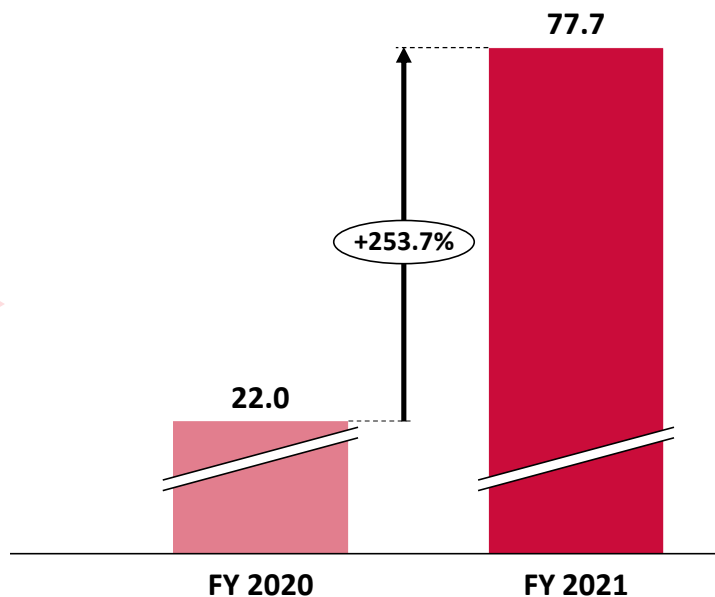
PAT

Y/Y development of after-tax profit (HUF bn)

Accounting profit after tax

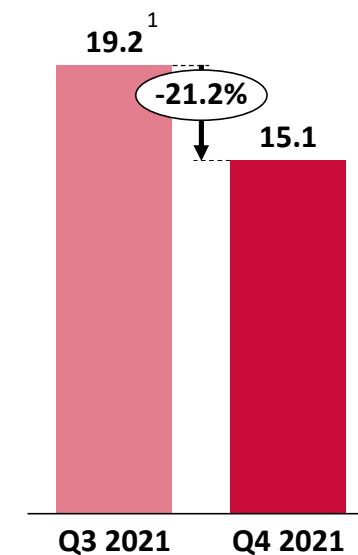


Adjusted profit after tax



Q/Q development of adj. after-tax profit (HUF bn)

Adjusted profit after tax



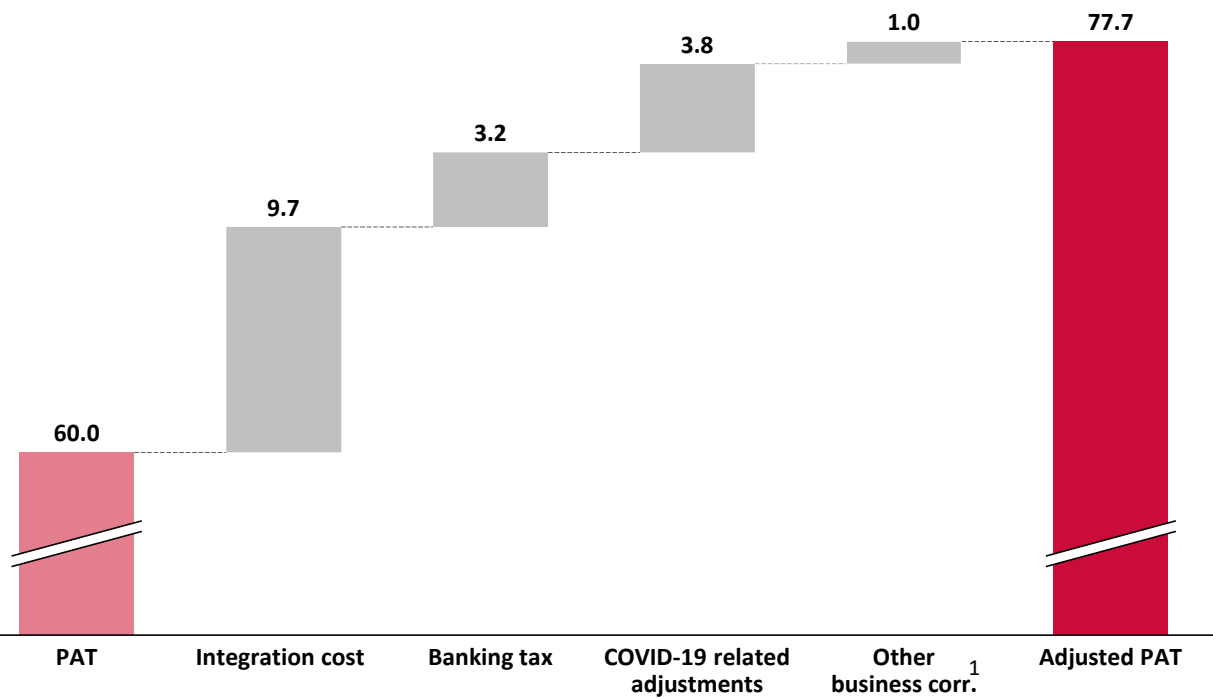
- Due to **increasing core income, stable portfolio quality** and **strict cost control measures** as well as the **substantial FV result**, both accounting and adjusted profit after tax increased significantly in 2021 compared to 2020.
- Adjusted profit after tax posted a decrease of 21.2% q/q mainly due to higher operating expenses and the risk cost in the last quarter.

¹Please, note that Q3 was restated by the integration cost which affected adjusted PAT through General Admin. Expenses

A significant adjustment is attributable to the expenses relating to the MBH merger besides the COVID-19 effects

PAT adjustments

FY 2021 adjusted Profit after tax breakdown (HUF bn)



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.

Covid-19 adjustments used to eliminate the distortion effect of the pandemic: moratorium related expenses amounted to HUF 3.8 bn in unadjusted PAT.

Integration cost adjustment comprises of integration expenses in relation to the merger of MKB Bank, Budapest Bank and Takarékbank. The preparatory work for the integration shifted into a higher gear as MBH published its strategic goals and the roadmap of the merger.

(1) Other business corrections include portfolio cleaning, dividend income and fair value adjustments



Executive summary
Business environment
Adjusted Profit After Tax

Profit and Loss developments, KPIs

Balance sheet
Business segments results

- Overview
- Corporate segment
- Retail segment
- Leasing segment

Portfolio quality
Capital position
Highlights of the merger process
Annexes

- Leasing segment
- Strategic Partners' Performances
- Post closing events
- Achievements of digital business developments
- Abbreviations

Disclaimer

ADJUSTED P&L (HUF bn)	2019	2020	2021		Y/Y (Y) %	Q/Q %	
	FY	FY	Q3 ³	Q4			FY
Net operating income	39.5	25.0	20.3	17.2	84.2	236.4%	-15.7%
Gross operating income	80.7	68.8	31.2	33.1	132.3	92.5%	6.1%
Net interest income	40.8	36.1	13.0	16.6	53.8	48.9%	27.7%
Net fee and commission income	27.3	23.6	6.3	6.9	24.8	5.3%	10.2%
Other income	12.5	9.1	11.9	9.6	53.7	492.2%	-19.7%
FX result	10.2	9.7	1.4	0.5	5.9	-39.4%	-65.8%
FV result	16.8	9.4	14.3	10.6	59.2	530.4%	-26.2%
Other result	-14.5	-10.1	-3.8	-1.5	-11.4	12.9%	-61.0%
General Admin. Expenses	-41.2	-43.7	-10.9 ³	-15.9	-48.1	10.1%	46.9%
Provisions and impairments¹	-2.9	-1.0	0.6	-3.5	-2.0	99.5%	-
Adjusted PBT	36.6	24.0	20.9	13.6	82.2	242.2%	-34.8%
Corporate tax	0.8	-2.0	-1.8	1.5	-4.5	119.2%	-
Adjusted PAT	37.4	22.0	19.2	15.1	77.7	253.7%	-21.2%
Adjustments total on PAT ²	-6.8	13.5	2.8	9.7	17.7	30.7%	239.4%
Profit after tax (PAT, unadjusted)	44.1	8.4	16.3	5.4	60.0	612.1%	-66.7%

¹ Includes provision for losses on loan, as well as other provisions and impairments

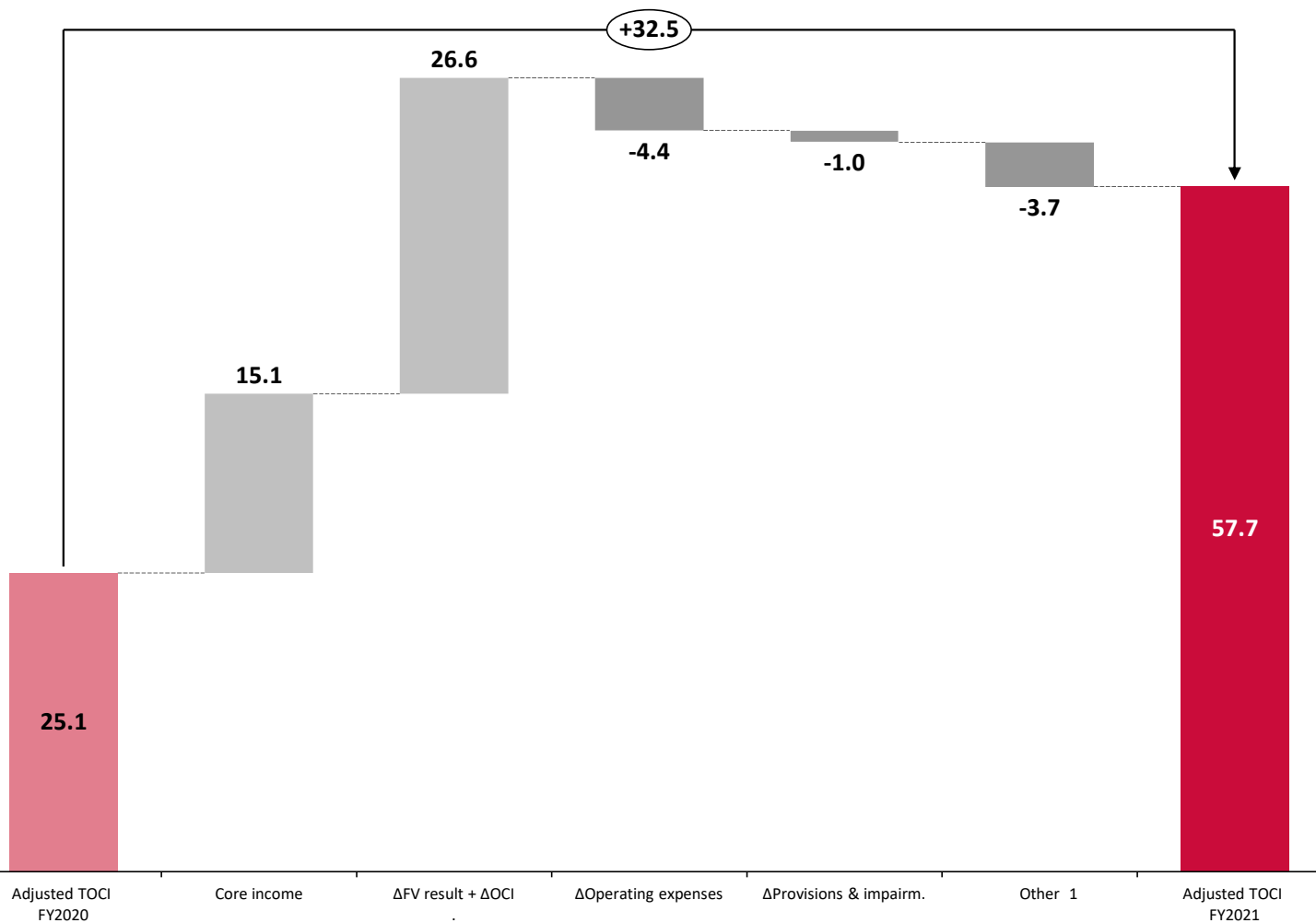
² The 3.1. chapter of the Flash report contains the list of adjustments

³ Please, note that Q3 was restated by the integration cost which affected adjusted PAT through General Admin. Expenses

KPIs based on adjusted PAT	2019	2020	2021		Y - Y (Y)	Q - Q	
	FY	FY	FY	Q3	Q4	%-pt	%-pt
Profitability							
TRM - Total Revenue Margin	4.31%	3.09%	4.33%	4.04%	4.10%	1.2%-pt	0.1%-pt
NIM - Net Interest Margin	2.18%	1.62%	1.76%	1.69%	2.06%	0.1%-pt	0.4%-pt
NFM - Net Fee Margin	1.46%	1.06%	0.81%	0.81%	0.86%	-0.2%-pt	0.0%-pt
CIM - Core Income Margin	4.18%	3.12%	2.77%	2.68%	2.98%	-0.4%-pt	0.3%-pt
Efficiency							
CIR - Cost-to-Income Ratio	51.05%	63.60%	36.38%	34.78%	48.17%	-27.2%-pt	13.4%-pt
C/TA - Cost-to-Total Assets	2.20%	1.96%	1.58%	1.41%	1.98%	-0.4%-pt	0.6%-pt
ROAE - Return on Average Equity	21.20%	11.06%	33.21%	31.97%	24.46%	22.1%-pt	-7.5%-pt
ROMC - Return on Minimum Capital Required	29.05%	15.03%	49.70%	48.20%	36.82%	34.7%-pt	-11.4%-pt
Risk% - Risk Cost Ratio	0.31%	0.14%	0.14%	-0.22%	1.00%	0.0%-pt	1.2%-pt
Equity share information							
EPS - Earning Per Share (HUF, annualized)	373.6	219.6	776.8	766.7	604.3	557.2	-162.4

- The impressive Cost-to-Income Ratio of 36.38% decreased significantly by 27.2%-pts y/y mainly due to the substantially increasing income as well as the strict cost control measures.
- Net interest margin posted a 0.1%-pts increase y/y, However the considerable increase of 0.4%-pts q/q reflects the increasing interest rate environment and as a result the repricing and restructuring of the loan portfolio.

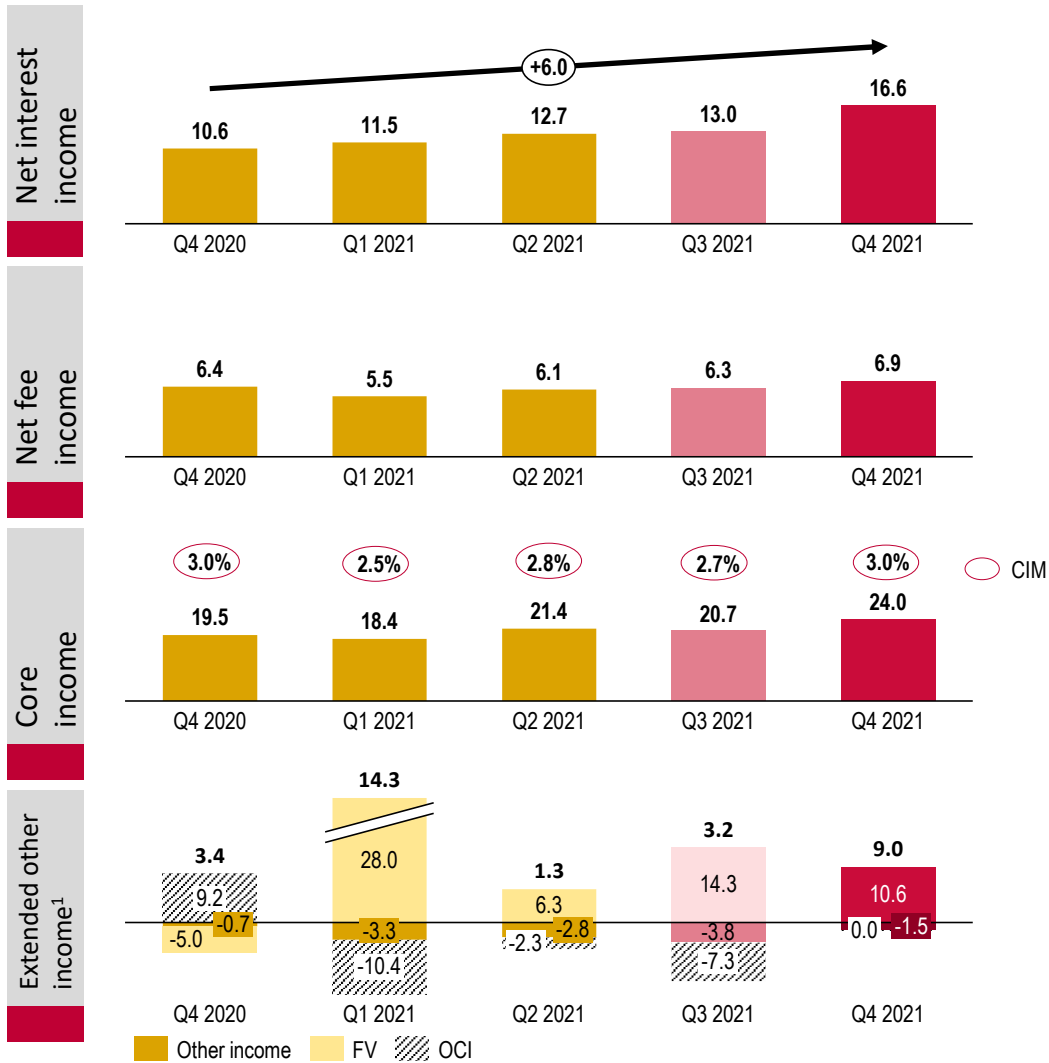
KPIs based on (unadjusted) financial statements	2019	2020	2021		Y - Y (Y)	Q - Q	
	FY	FY	FY	Q3	Q4	%-pt	%-pt
Profitability							
TRM - Total Revenue Margin	4.34%	2.79%	4.16%	4.04%	3.59%	1.4%-pt	-0.4%-pt
NIM - Net Interest Margin	2.18%	1.33%	1.77%	1.69%	2.08%	0.4%-pt	0.4%-pt
NFM - Net Fee Margin	1.46%	1.06%	0.81%	0.81%	0.86%	-0.2%-pt	0.0%-pt
CIM - Core Income Margin	4.18%	2.83%	2.77%	2.68%	3.00%	-0.1%-pt	0.3%-pt
Efficiency							
CIR - Cost-to-Income Ratio	53.21%	72.38%	46.87%	40.89%	69.21%	-25.5%-pt	28.3%-pt
C/TA - Cost-to-Total Assets	2.31%	2.02%	1.95%	1.65%	2.48%	-0.1%-pt	0.8%-pt
ROAE - Return on Average Equity	25.06%	4.24%	25.64%	27.22%	8.81%	21.4%-pt	-18.4%-pt
ROMC - Return on Minimum Capital Required	34.33%	5.76%	38.38%	41.03%	13.26%	32.6%-pt	-27.8%-pt
Risk% - Risk Cost Ratio	-0.38%	0.79%	0.36%	-0.22%	2.05%	-0.4%-pt	2.3%-pt
Share information							
EPS - Earning Per Share (HUF, IFRS)	441.5	84.2	599.8	163.2	54.4	515.6	-108.8



- MKB Group's Adjusted Total Comprehensive Income for FY 2021 was HUF 57.7 bn, considerably exceeding previous year's result by HUF 32.6 bn.
- Net interest income amounted to a significant proportion of the annual TOCI increase, mainly due to the upturn in interest rates and the expansion of the customer loan portfolio.
- The outstanding result is mainly attributable to the revaluation result:
 - As a result of yield curves shifting upwards, the Bank revaluation gains on swap positions undertaken to manage exposure to interest rate risk. This was partly offset by the negative OCI effect.
- Net fee and commission income also increased contributing to the change of Adjusted TOCI by HUF 1.2 bn.

¹Other = ΔOther income + ΔBanking tax + ΔCorporate tax

The steady growth of core income in FY 2021 is mainly attributable to the expanding customer loan portfolio as well as the rising interest rate environment



- **HUF 16.6 bn Net Interest Income in Q4 (+27.7% q/q; +56.4% y/y):** the expanding customer loan portfolio and the rising interest rate environment caused a substantially higher net interest income compared to the previous quarter. Expanding interbank assets also contributed to the result.
- **HUF 6.9 bn Net fee & Commission income in Q4 (+10.2% q/q; +8.1% y/y):** annual increase of HUF 1.2 bn due to the resumption of the economy and growing business activity after the third wave of COVID-19.
- **Extended other income:** volatile money market conditions drive the q/q changes throughout FY 2021.

¹ Other income + FV + OCI

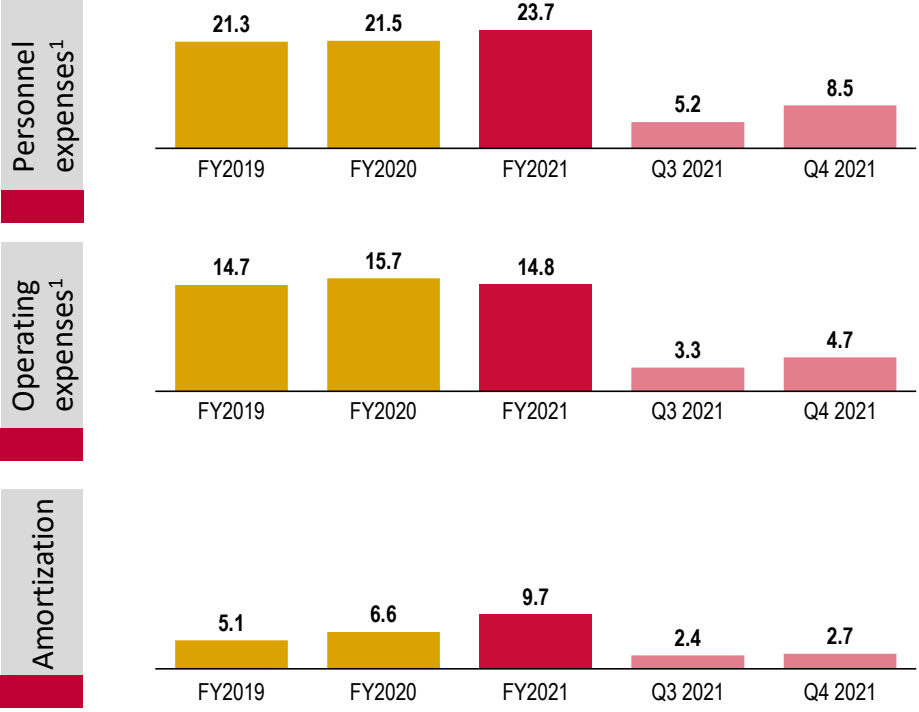
Increasing customer related income together with strong FV results contributed to substantial accumulated PAT



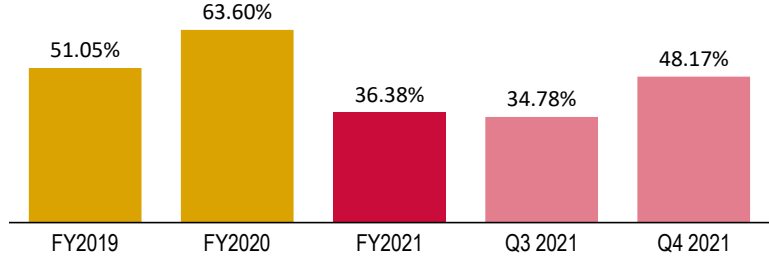
- **HUF 33.1 bn (+HUF 19.4 bn y/y) Gross Operating Income in Q4:** the outstanding increase is mainly attributable to the increase of net interest income and FV result, the latter contributing to somewhat volatile q/q changes in FY 2021.
- **HUF 15.9 bn (+HUF 5 bn q/q) General Administrative Expense in Q4:** the increase in the last quarter can be explained by the uneven distribution of operating expenses during the year.
- **HUF 3.1 bn risk cost** recognized in Q4 which can be attributed to NBH's requirements with regards to the reclassification of loans under moratoria. Throughout the year, moratorium had an overall positive impact on the NPL ratios in the banking sector.
- **HUF 15.1 bn adjusted Profit after tax in Q4**

¹Please note that Q1-Q3 was restated by the integration cost which affected adjusted PAT through General Admin. Expenses

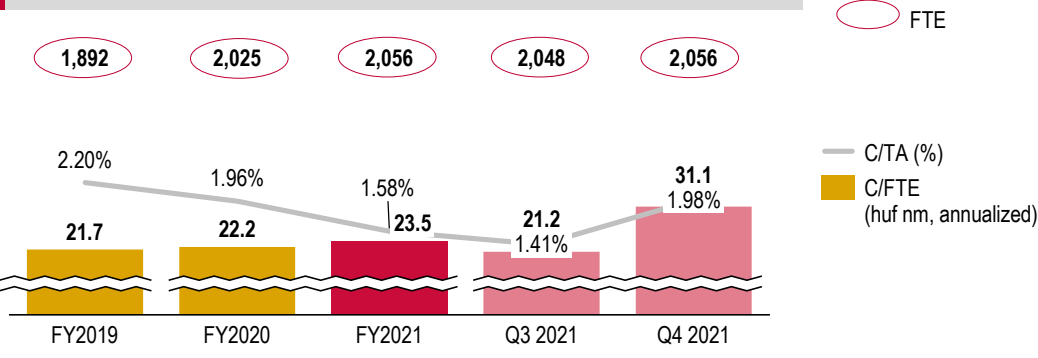
GAE breakdown (HUF bn)



Cost-to-income ratio (cumulated, adjusted, %)



Cost efficiency and headcounts (FTE)



- **Adjusted (cumulated) CIR of 36.4%** is the result of strict cost control measures as well as the considerable increase of core income
- **Personnel expenses** slightly increased in FY 2021 mainly due to overlapping effect of the increase in headcount necessary for business expansion as well as wage inflation
- Q4 OPEX and PEREX spending is in line with the uneven intra-year distribution of costs
- The amount of amortization was HUF 2.7 bn in Q4. Previously implemented digitization projects and regulatory compliance projects caused an annual increase of HUF 3.1 bn in amortization costs.

¹Please note that Q3 was restated by the integration cost which affected adjusted PAT through General Admin. Expenses



Executive summary
Business environment
Adjusted Profit After Tax
Profit and Loss developments, KPIs

Balance sheet

Business segments results

Overview

Corporate segment

Retail segment

Leasing segment

Portfolio quality

Capital position

Highlights of the merger process

Annexes

Leasing segment

Strategic Partners' Performances

Post closing events

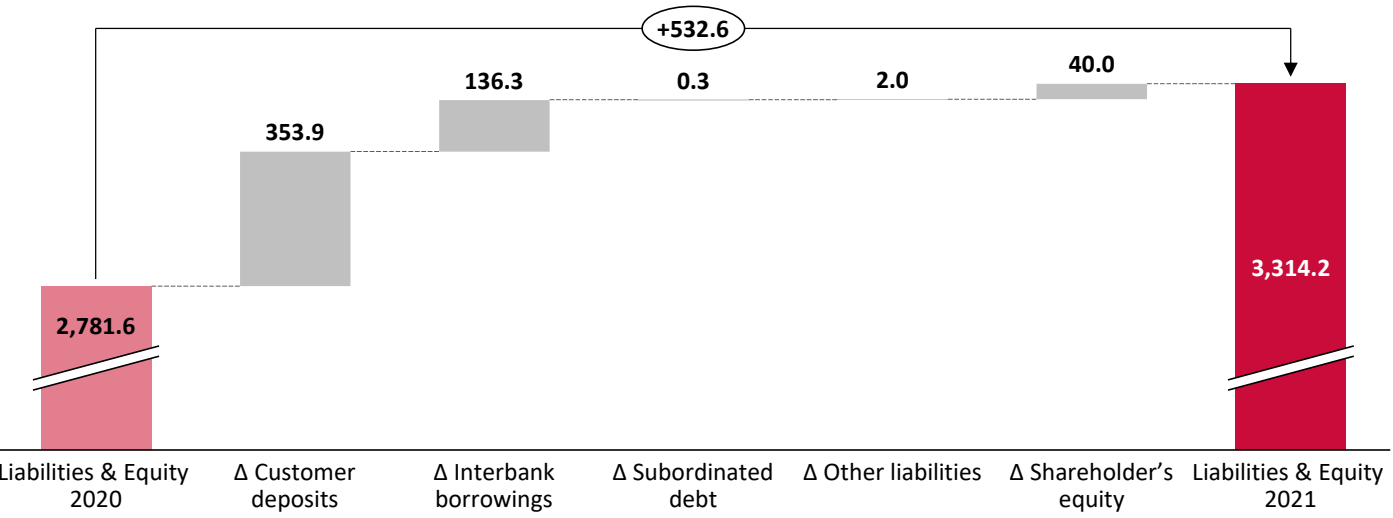
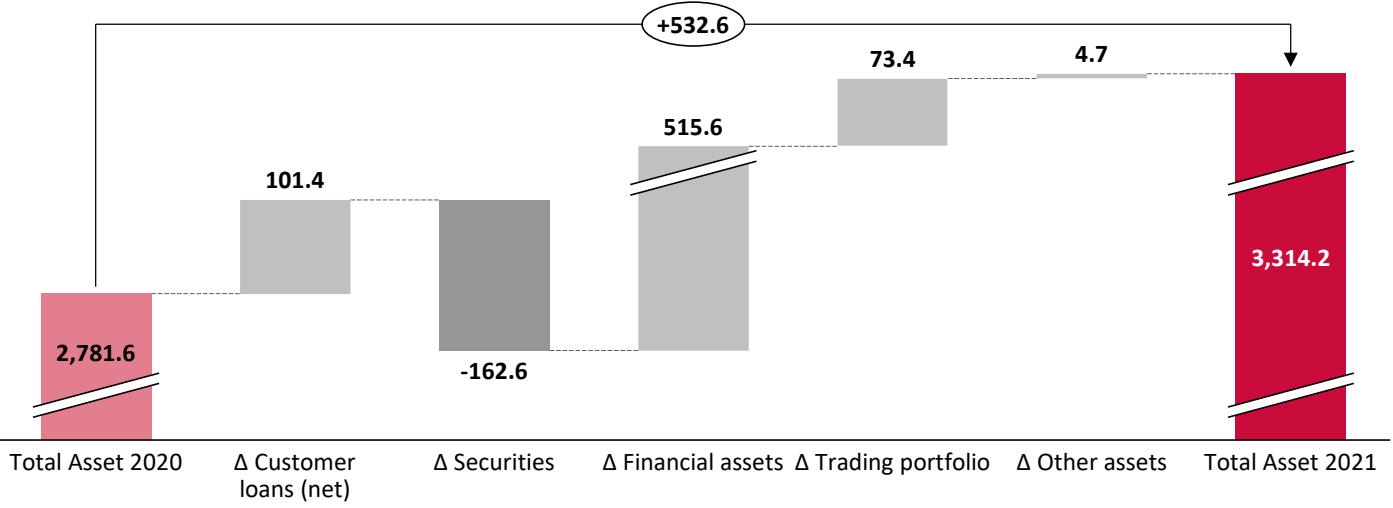
Achievements of digital business developments

Abbreviations

Disclaimer

Customer deposit inflow and NBH refinance funded the outstanding customer loan portfolio growth and also resulted in liquidity surplus

BS



- **MKB Group's total assets expanded by 19.1% y/y**, exceeding last year's figure by HUF 532.6 bn. The pace of expansion was mainly driven by the Group's growth in its deposit-collecting capability.
- The increase of customer deposits is largely attributable to the corporate segment with 21.3% growth rate.
- Growth of customers deposits was partly a consequence of the improving saving capability of both corporate and household segments due to the moratorium as well as the economic stimulus programs introduced by the government and NBH.
- The excess liquidity enabled MKB to efficiently increase its **customer loan portfolio**, which surpass the last year's result by **HUF 103.7 bn**. The above-plan loan portfolio was driven mostly by the new disbursements of **loans for medium-sized businesses** (long-and short-term loans, loans under the Funding for Growth Scheme), as well as by the expansion of the **retail mortgage loan portfolio**.
- **Shareholders' equity** increased significantly by HUF 40 bn.

STATEMENT OF BALANCE SHEET (HUF bn)	2019	2020	2021		Diff.%	Diff.%
	Q4	Q4	Q3	Q4	Y/Y	Q/Q
Financial assets	117.8	377.7	391.3	893.4	136.5%	128.3%
Trading portfolio	20.7	34.0	64.4	107.4	216.0%	66.7%
Securities	594.7	1,163.3	1,392.6	1,000.7	-14.0%	-28.1%
Loans and advances to customers (net)	930.3	1,114.0	1,205.0	1,215.3	9.1%	0.9%
Loan and advances to customers (gross)	976.7	1,159.9	1,248.0	1,263.6	8.9%	1.3%
Allowance for loan and lease losses	-46.4	-46.0	-43.0	-48.3	5.1%	12.4%
Other assets	96.3	92.6	88.8	97.3	5.1%	9.5%
TOTAL ASSETS	1,759.8	2,781.6	3,142.1	3,314.2	19.1%	5.5%
Interbank liabilities	195.8	575.1	746.2	711.4	23.7%	-4.7%
Customer deposits	1,226.5	1,862.3	2,031.1	2,216.1	19.0%	9.1%
Other liabilities	99.6	89.7	76.9	91.8	2.3%	19.4%
Subordinated debt	39.4	44.7	43.5	45.1	0.8%	3.5%
Shareholders' equity	198.5	209.8	244.3	249.8	19.1%	2.2%
TOTAL LIABILITIES AND EQUITY	1,759.8	2,781.6	3,142.1	3,314.2	19.1%	5.5%
Off-Balancesheet customer items (gross)	357.7	425.3	511.7	539.5	26.9%	5.4%
LTD - Loan-to-Deposit ratio	79.6%	62.3%	61.4%	57.0%	-5.3%-pt	-4.4%-pt
Securities ratio	34.1%	42.2%	44.7%	30.3%	-11.9%-pt	-14.4%-pt
Allowance for losses/ Total assets	2.6%	1.7%	1.4%	1.5%	-0.2%-pt	0.1%-pt
RWA/TA - RWA/Total assets	49.4%	36.1%	35.1%	33.8%	-2.4%-pt	-1.4%-pt
CAR - Capital adequacy ratio	22.6%	20.5%	16.8%	22.0%	1.5%-pt	5.2%-pt

MKB Group's total assets at the end of FY 2021 exceeded HUF 3.3 trillion (+19.1% y/y), demonstrating the fulfillment of its growth ambitions

- The growth of total assets in FY 2021 was mainly driven by the customer deposits portfolio (+19.0% y/y), serving as a solid source of financing for the MKB group.
- The growth of interbank financing related to NBH's refinanced programs also contributed to the expansion of total assets.
- The outstanding y/y customer loan increase (+8.9% y/y) signals the acquisition capability of MKB Group.
- Loan-to-deposit ratio of 57.% shows strong liquidity position.



Executive summary
Business environment
Adjusted Profit After Tax
Profit and Loss developments, KPIs
Balance sheet

Business segments results

Overview

Corporate segment

Retail segment

Leasing segment

Portfolio quality

Capital position

Highlights of the merger process

Annexes

Leasing segment

Strategic Partners' Performances

Post closing events

Achievements of digital business developments

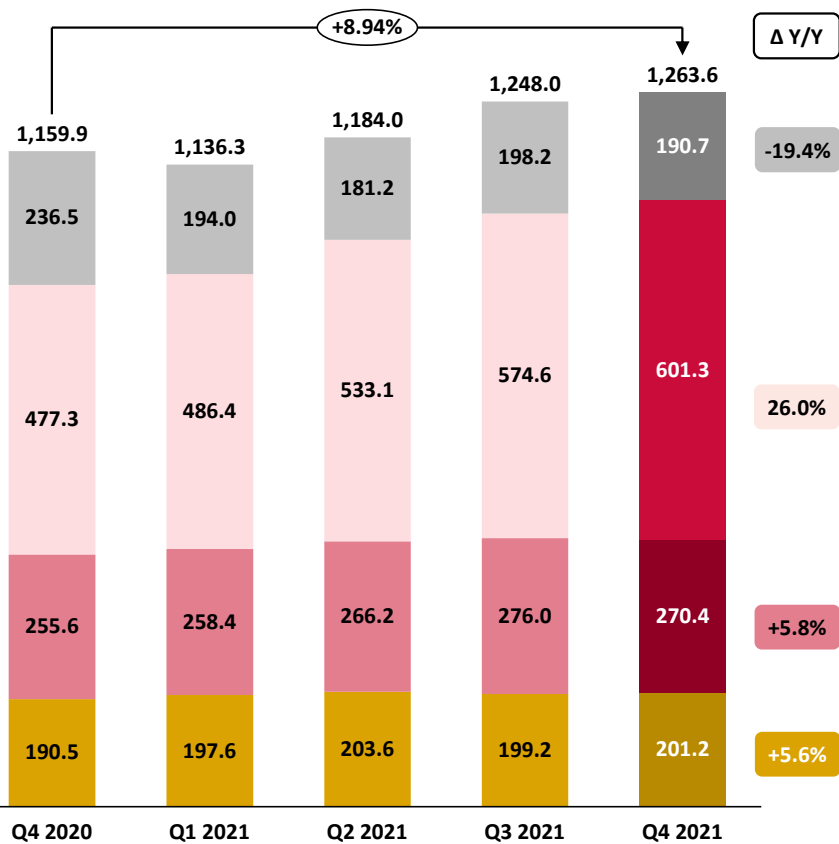
Abbreviations

Disclaimer

Expanding business activity with increasing market share (y/y) in the corporate loan segment, whilst market share of unsecured household loans also increased

Loan portfolio

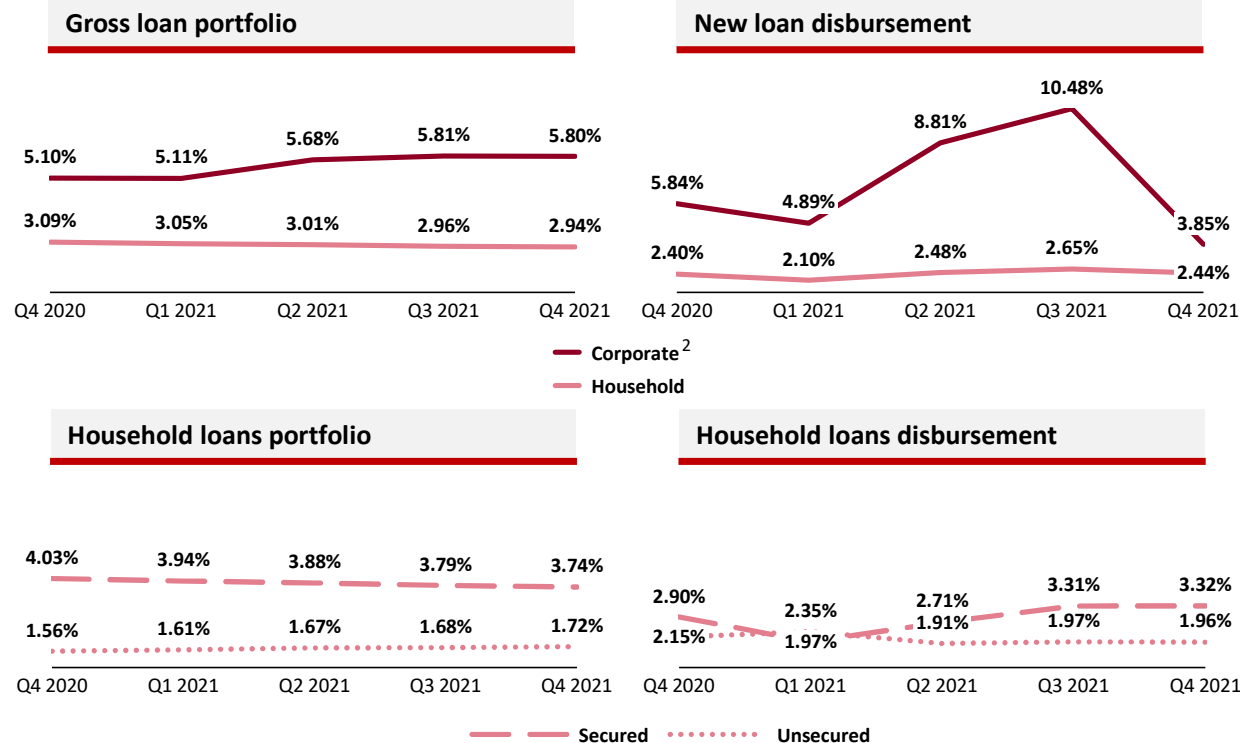
Gross loan portfolio¹ composition (HUF bn)



Other corporate
Non-financial corporate
Retail
Leasing

¹IFRS figures
²Non-financial corporations

Market shares (%)



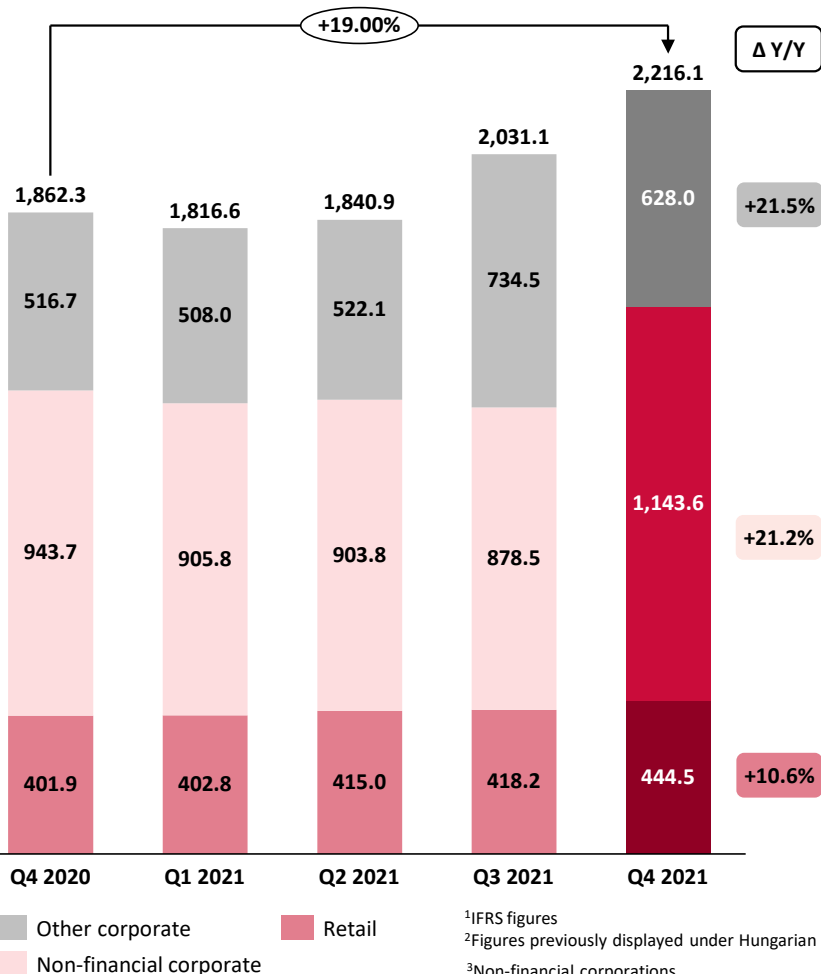
Gross loan portfolio: +HUF 103.7 bn y/y (+8.9% y/y), +HUF 15.6 bn q/q (+1.3% q/q)

- The continuously growing portfolio demonstrates MKB Group's success in meeting and even overachieving its annual business goals.

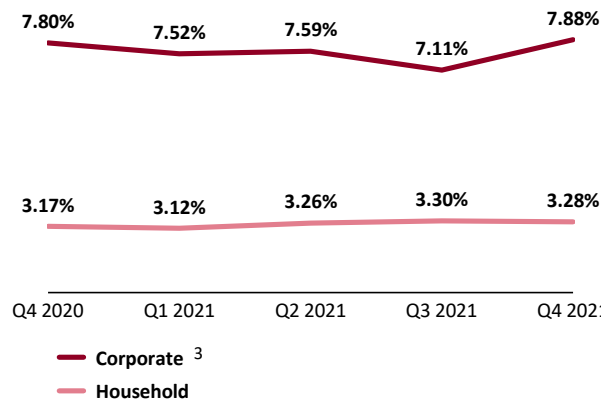
MKB managed to increase its market share in terms of customer deposits both in the corporate and household segment

Deposit portfolio

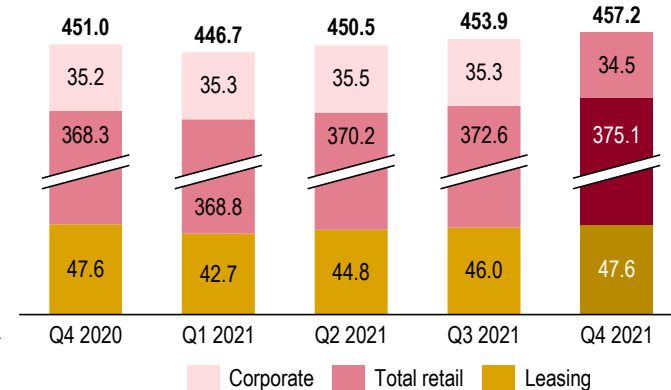
Deposit portfolio^{1,2} composition (HUF bn)



Deposit portfolio market share (%)



Number of clients (in thousands)



Deposit portfolio: +HUF 353.9 bn y/y (+19.0% y/y), +HUF 185 bn q/q (+9.1% q/q)

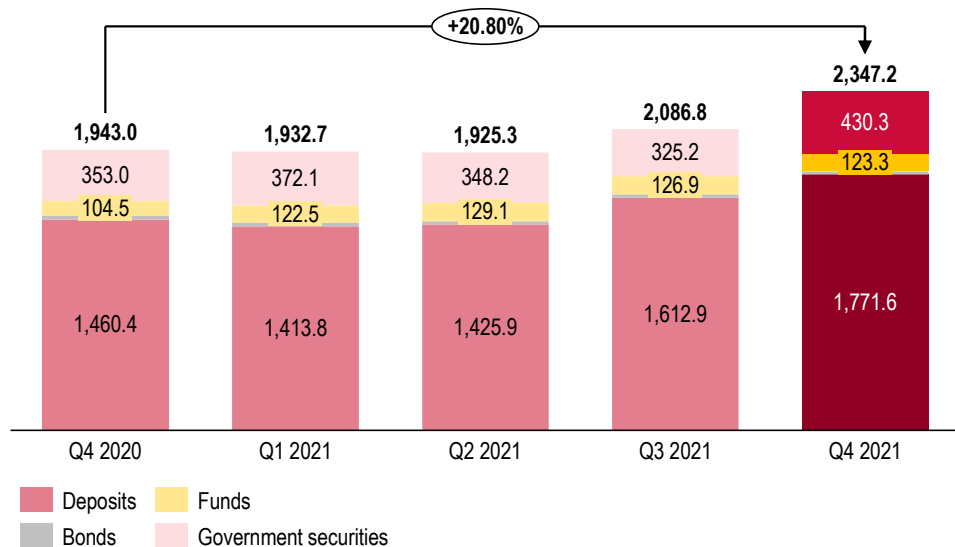
- The total portfolio of corporate deposits grew by 9.8% (+HUF 158.6 bn) during Q4 2021, generating an exceptional y/y growth of 21.3% (+HUF 311.2 bn) compared to the 2020 year-end portfolio
- Household deposit portfolio also experienced a double-digit y/y growth of 10.6%, which was primarily driven by the higher household saving rate.

Number of customers increased y/y by 6.2 thousands:

- The retail business of MKB has been experiencing stable growth (+2.5 thousands q/q, +6.8 thousands y/y). Moreover, the **Group has been successfully growing in the crucial and profitable premium segment**

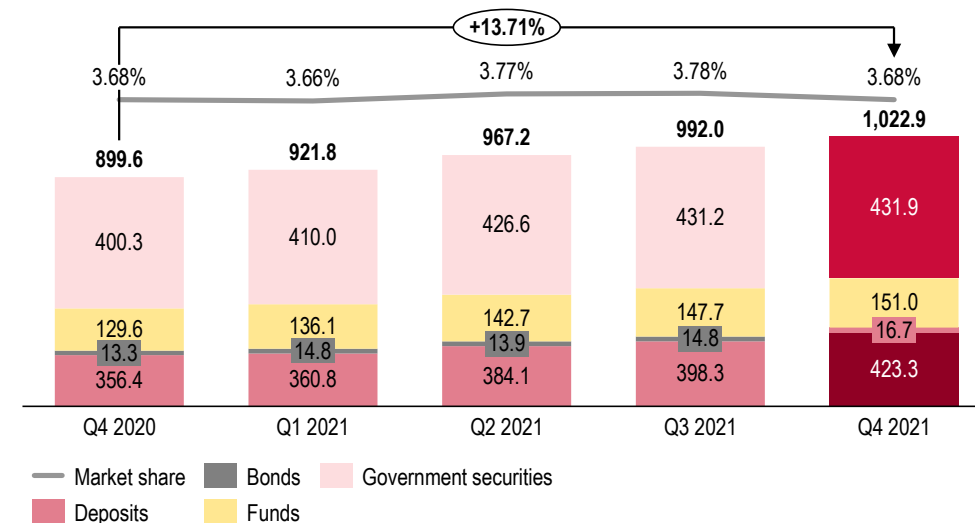
In FY 2021, both corporate and household segments managed to increase savings as a benefit of the government programs and the moratorium

Corporate¹ savings (HUF bn)



¹ Non-financial and financial corporations
² Source: NBH

Household savings (HUF bn) and market share² (%)



- **Corporate savings** have continued to increase (+20.8% y/y; +HUF 404.2 bn y/y), especially deposits supported by the government programs and partially by the moratorium induced lack of repayments. Corporate investment to government bonds also increased by over HUF 100 bn in Q4 2021.
- In line with market trends, **household savings** also increased by 13.71% y/y (+HUF 123.3 bn). Bank deposits and government securities remained the most popular saving directions in the household segment.



Executive summary

Business environment

Adjusted Profit After Tax

Profit and Loss developments, KPIs

Balance sheet

Business segments results

Overview

Corporate segment

Retail segment

Leasing segment

Portfolio quality

Capital position

Highlights of the merger process

Annexes

Leasing segment

Strategic Partners' Performances

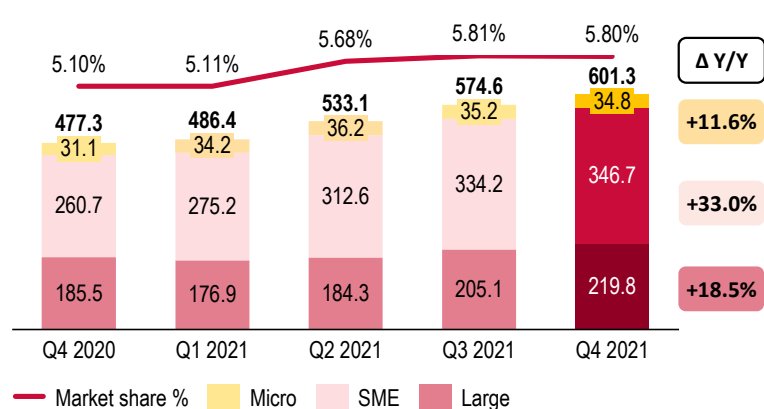
Post closing events

Achievements of digital business developments

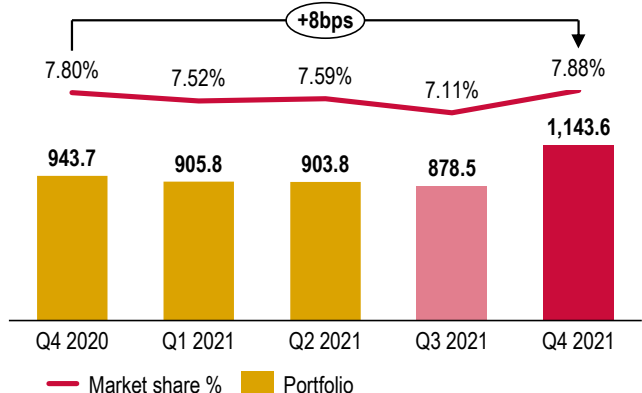
Abbreviations

Disclaimer

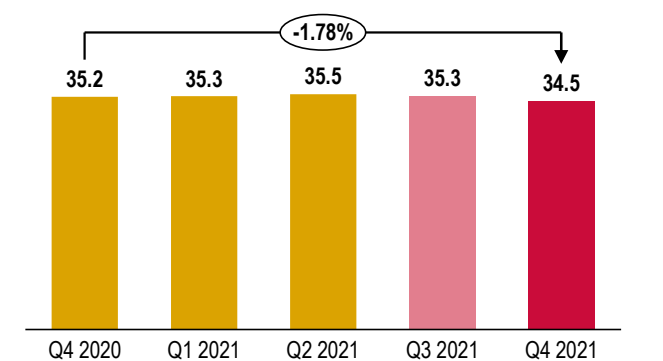
Gross corporate loans¹ breakdown (HUF bn) and market share² (%)



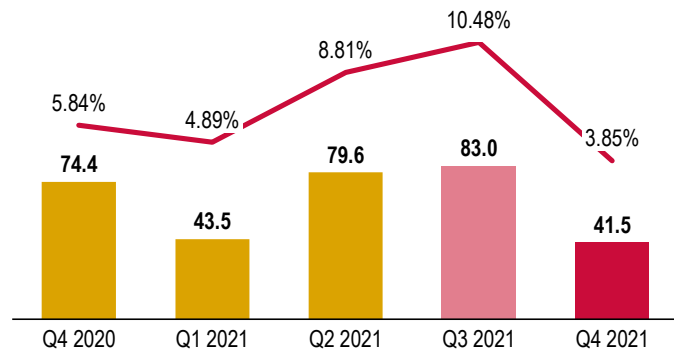
Corporate deposit portfolio¹ (HUF bn) and market shares² (%)



Number of corporate clients (in thousands)



Corporate loan disbursements¹ (HUF bn) and market share² (%)



MKB Group continued to actively participate in subsidised and refinanced economic stimulus programs during FY 2021

- The increasing demand for syndicated and project financing loans, as well as the working capital and investment loans contributed to the q/q increase of the loan portfolio of +HUF 26.7 bn in Q4.
- Loans provided to non-financial companies amounted to HUF 601.3 bn at the end of 2021, demonstrating a y/y increase of +HUF 124.0 bn (26.0%) which was driven mainly by the outstanding demand for own working capital and investment financing loans, as well as by the increased disbursements of EXIM loans and loan products under “NHP” and “Széchenyi” schemes. Consequently, **MKB increased its market share to 5.8%** by the end of the year.
- The **corporate deposit portfolio** increased significantly by +HUF 199.9 bn y/y.
- Product development was essential mainly in the key segments of SMEs as well as clients from the agriculture sector.
- The decrease in the number of corporate clients in Q4 is a result of MKB’s technical portfolio data cleaning activity, mainly in the micro segment.

¹ Includes only loans to domestic non-financial corporations, in line with the definition of NBH statistics (w/o FGS).
² Source: NBH statistics

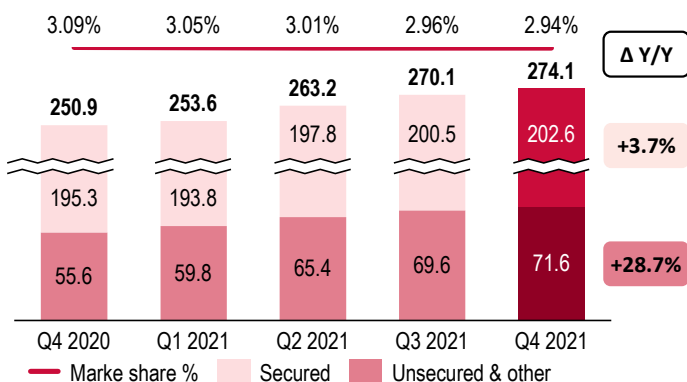


- Executive summary
- Business environment
- Adjusted Profit After Tax
- Profit and Loss developments, KPIs
- Balance sheet
- Business segments results
 - Overview
 - Corporate segment
 - Retail segment**
 - Leasing segment
- Portfolio quality
- Capital position
- Highlights of the merger process
- Annexes
 - Leasing segment
 - Strategic Partners' Performances
 - Post closing events
 - Achievements of digital business developments
 - Abbreviations
- Disclaimer

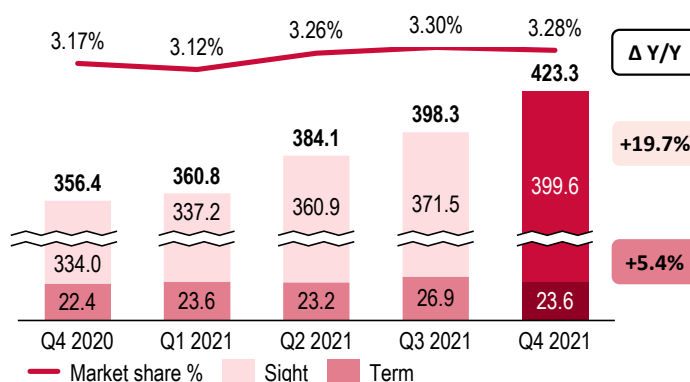
MKB Group dynamically increased both its loans and customer deposits in the household¹ segment

Households¹

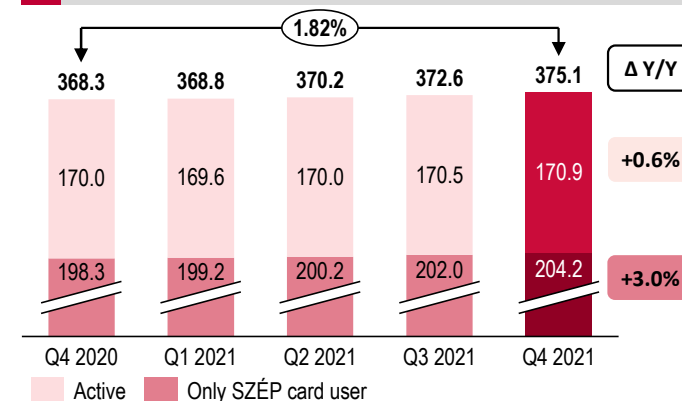
Household gross loans¹ breakdown (HUF bn) and market share² (%)



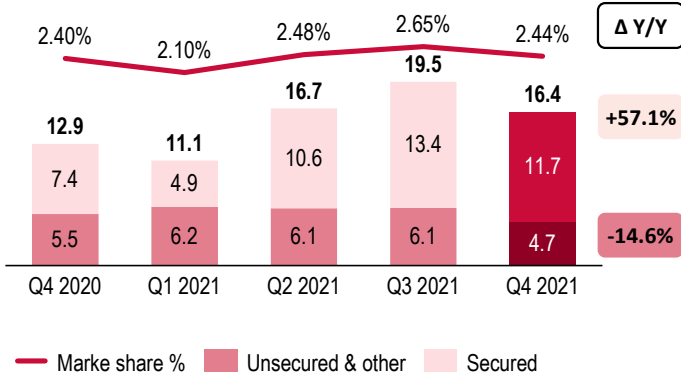
Household deposit portfolio¹ (HUF bn) and market share² (%)



Number of retail clients (in thousands)



Household loan disbursements¹ (HUF bn) and market share² (%)



HUF 274.1 bn household loan portfolio (+HUF 4.0 bn q/q): the +HUF 23.2 bn y/y increase is mainly attributable to the long-term „Babaváró" loan and the outstanding disbursement of secured loans in Q2 and Q3.

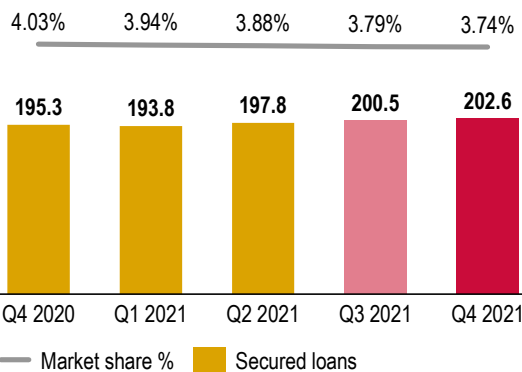
- **The volume of secured loan disbursements** amounted to HUF 11.7 bn in Q4, resulting a slight decrease of HUF 1.7 bn q/q.
- **The volume of unsecured loans increased significantly in FY 2021 (+28.7% y/y)**, mainly thanks to the wide range of online personal loan products provided during the pandemic situation as well as increasing demand for unsecured loans related to housing renewal subsidy.

The annual and quarterly increase in **deposit portfolio to HUF 423.3 bn** (+HUF 24.9 bn q/q; +HUF 66.9 bn y/y) was mainly attributable to the high household savings rate driven by the moratorium. The market share of household deposit portfolio increased to 3.28% by the end of FY 2021.

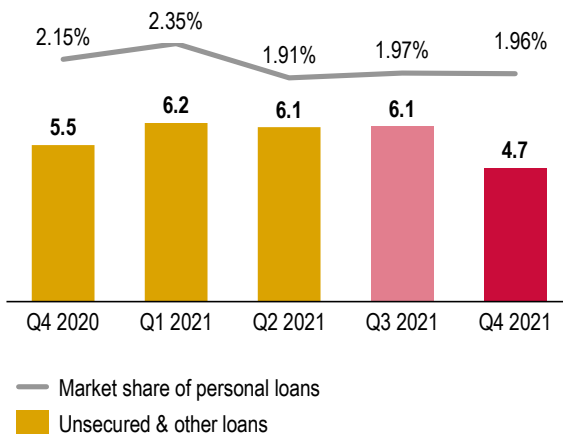
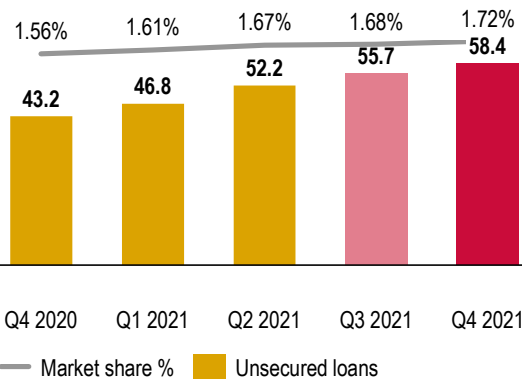
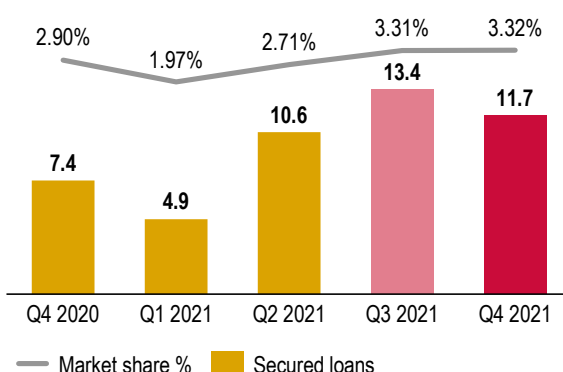
¹ The segments are formed according to the requirements to be used in the reports prepared for NBH for comparison which may involve discrepancy between calculated gross volume vs. segment volume.

² Source: NBH statistics

Volumes (HUF bn) and market share (%)



New disbursements (HUF bn) and market share (%)



- **The secured loan portfolio** grew by HUF 7.3 bn y/y and reached HUF 202.6 bn at the end of FY 2021 due to the outstanding volume of new loan disbursements happened in Q3.
- **Mortgage loan** disbursement was supported by real estate market trends as well as the subsidised loans related to “Family Protection” program. The launch of the housing renewal subsidy also accelerated demand for mortgage loans.
- **The new loan disbursement volume with respect to the secured loans** slightly decreased to HUF 11.7 bn in Q4 (-HUF 1.7 bn q/q), which is attributable to the decline in disbursement value of home equity loans.
- **Unsecured loan portfolio and market share have steadily increased throughout the year** and amounted to HUF 58.4 bn (+HUF 15.2 bn y/y) due to the significant demand for personal loans, the availability of favourable online personal loan products and the increased activity of sales agent partners.

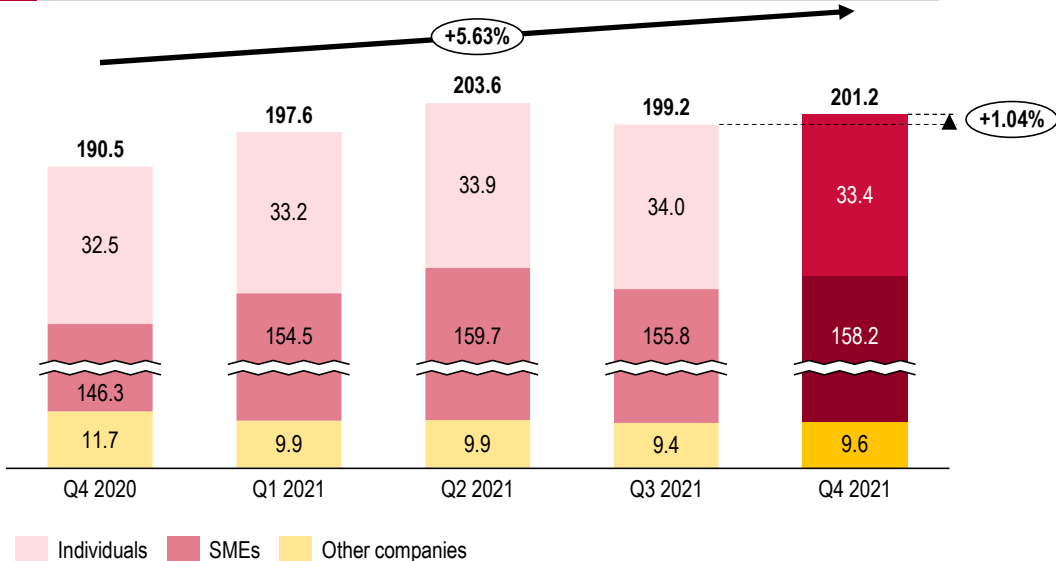


- Executive summary
- Business environment
- Adjusted Profit After Tax
- Profit and Loss developments, KPIs
- Balance sheet
- Business segments results
 - Overview
 - Corporate segment
 - Retail segment
 - Leasing segment**
- Portfolio quality
- Capital position
- Highlights of the merger process
- Annexes
 - Leasing segment
 - Strategic Partners' Performances
 - Post closing events
 - Achievements of digital business developments
 - Abbreviations
- Disclaimer

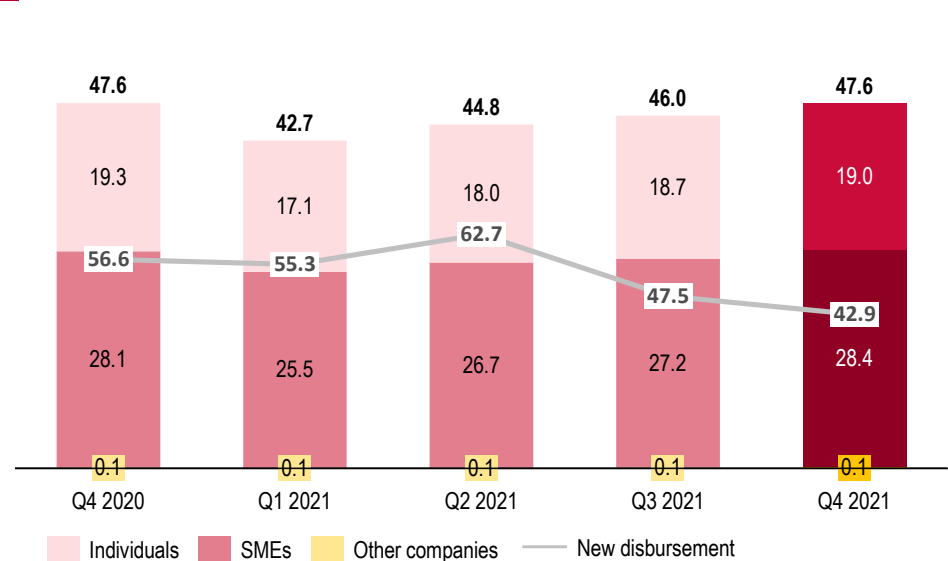
Despite the turbulences on the vehicle industry gross leasing volume posted a growth of +5.6% y/y

Leasing

Composition of leasing volume (HUF bn)



Number of leasing clients (thousand) and new disbursement (HUF bn)



- **The car financing business closed a successful year.** In Q3, international trends – chip shortages, supply chain disruptions – also had a negative impact on the Hungarian market, which limited the continuous expansion. At the same time, **gross volumes in Q4 were stimulated by the Széchenyi Leasing GO! Product.**
- Based on Hungarian Leasing Association’s data, regarding new disbursements, **MKB has a stable position among the three largest players on the Hungarian leasing market. The integration of MBH’s leasing companies was completed by the beginning of January 2022 which results market leading position on the Hungarian leasing market.**

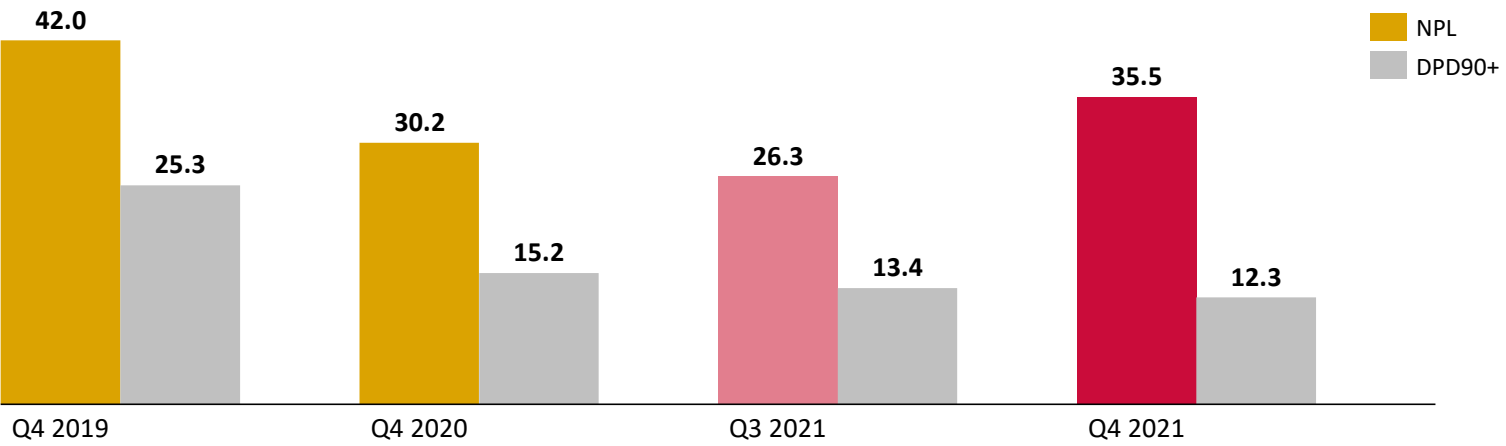


- Executive summary
- Business environment
- Adjusted Profit After Tax
- Profit and Loss developments, KPIs
- Balance sheet
- Business segments results
 - Overview
 - Corporate segment
 - Retail segment
 - Leasing segment
- Portfolio quality**
- Capital position
- Highlights of the merger process
- Annexes
 - Leasing segment
 - Strategic Partners' Performances
 - Post closing events
 - Achievements of digital business developments
 - Abbreviations
- Disclaimer

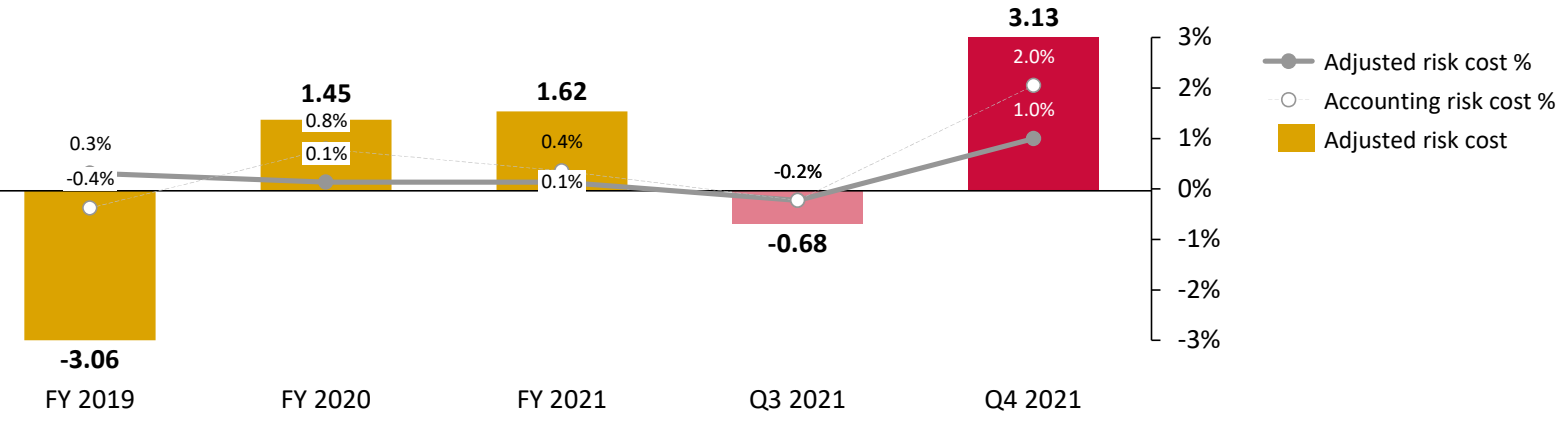
The increase of NPL amount in Q4 is in line with EBA's requirement and is attributable to the reclassification of customer loans under moratorium

Risk

NPL & DPD90+ exposures (HUF bn)



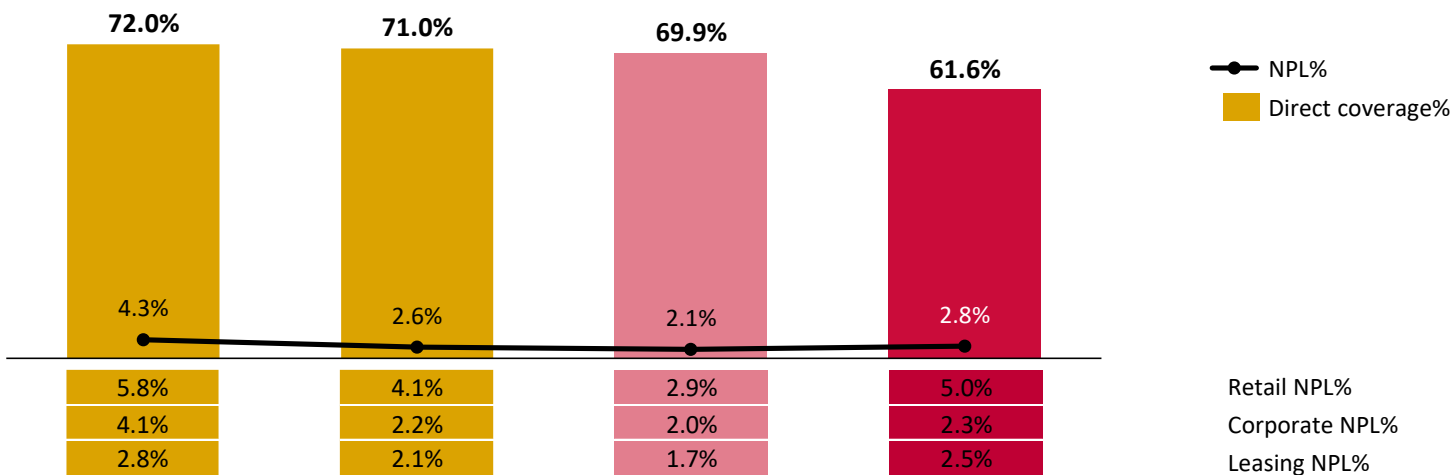
Adjusted risk cost (HUF bn) and rate (%)



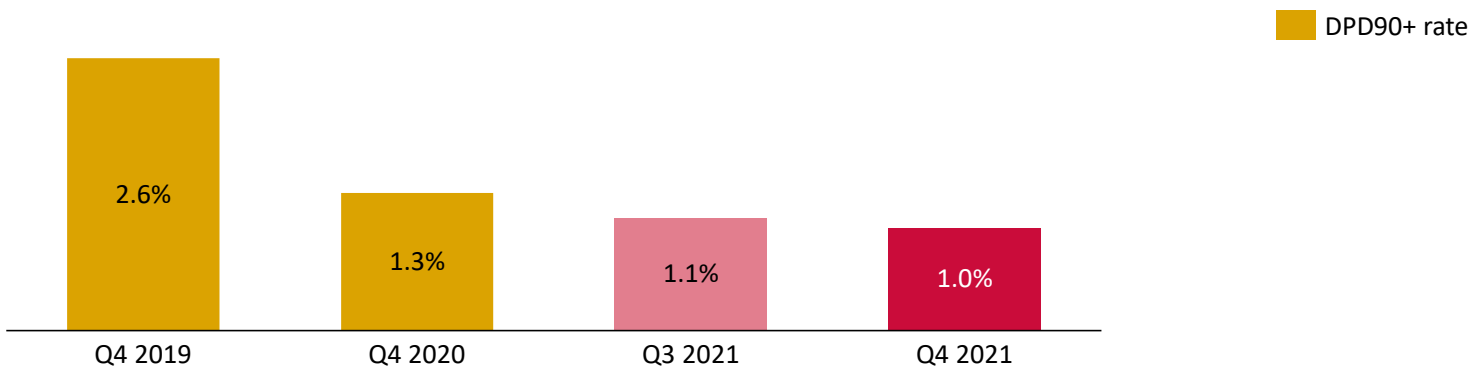
- The amount of NPL loans increased in Q4 2021, due to NBH's requirement to classify customer loans under moratorium into Stage 3 category. The requirement was communicated in September and implemented by the banks during the last quarter of 2021.
- This resulted in an increased risk cost of HUF 3.1 bn in Q4 2021.

Portfolio quality is on an improving trend evidenced by the decreasing DPD90+ ratio resulting in a moderate risk cost

NPL ratio and NPL coverage (%) ¹



DPD90+ rate (%)

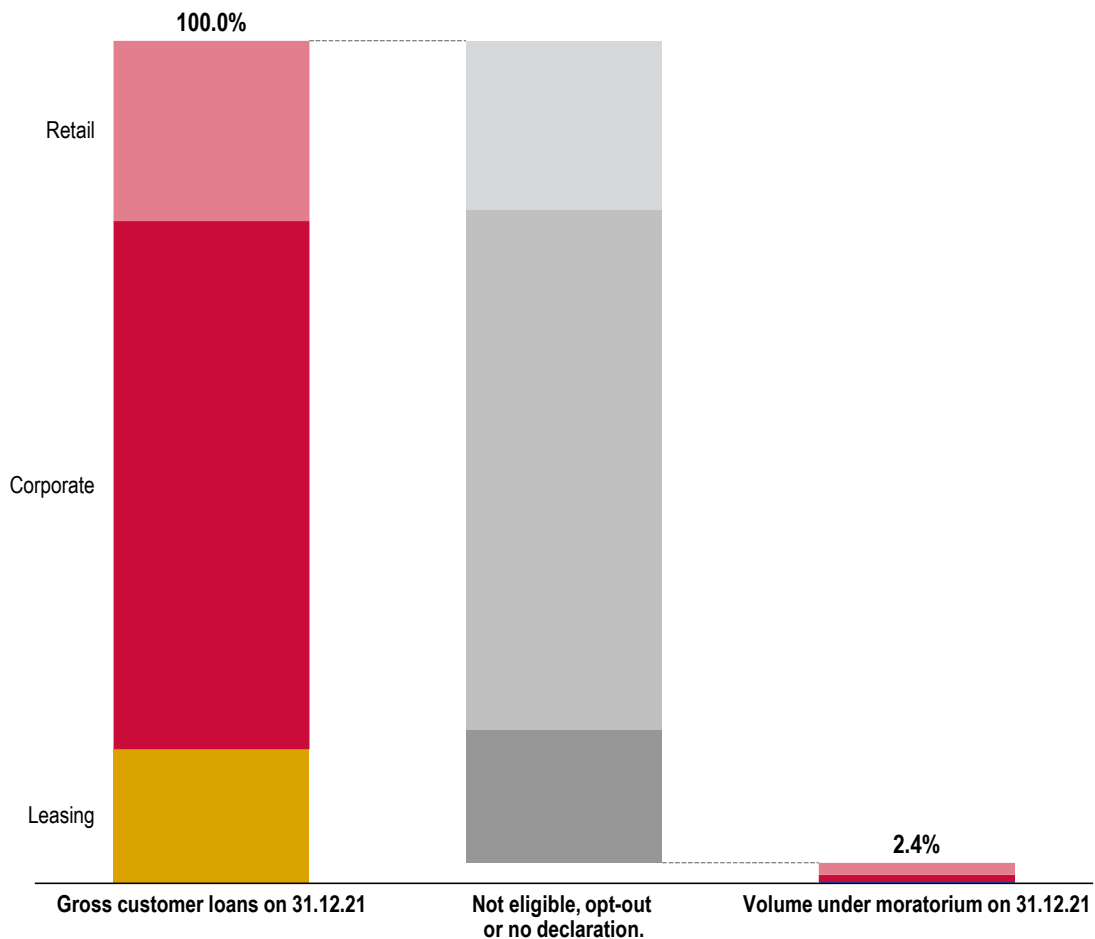


- In line with NBH’s requirement, NPL ratio increased in Q4 2021 from 2.1% to 2.8% as a result of the mandatory reclassification of loans under moratoria to Stage 3.
- This affected mainly the retail segment where NPL ratios increased from 2.9% in Q3 2021 to 5.0% in Q4 2021.
- To the newly reclassified Stage 3 volume minimum provision levels were attributed as there is no evidence of non-payment.
- Another NBH regulation required banks to update their ECL models with more optimistic macro assumptions.

¹ According to IFRS, held for sale and FVTP portfolio is not included.

By the end of Q4, the participation rate in the moratorium decreased to approximately 2.4% of total gross loans

Moratorium

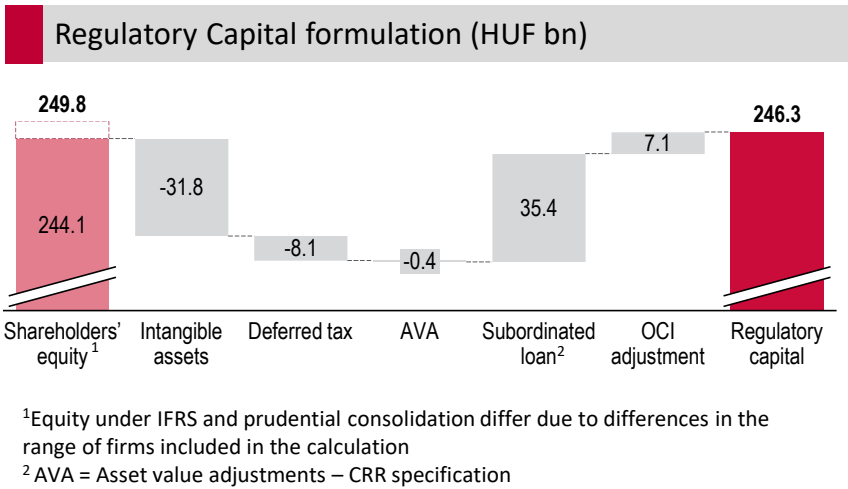
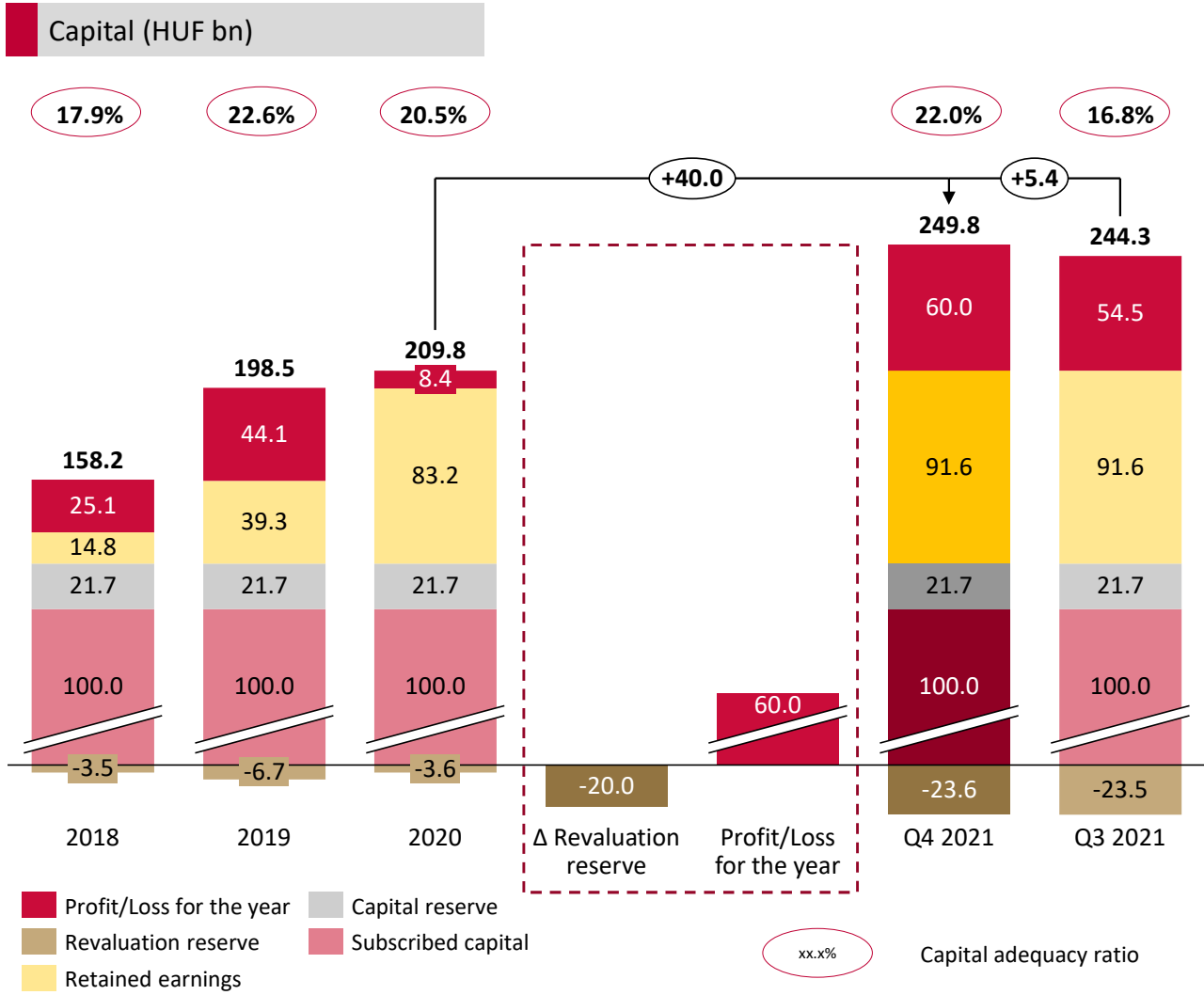


- Already under the moratorium, a significant part of the Bank's customers indicated that they are ready to opt-out of the program or had no declaration to continue participation in the moratorium program.
- Compared to Q3 2021, the share of total gross loans under moratorium decreased to 2.4% in Q4.

	% of funds under moratorium	
	Q3 2021	Q4 2021
Retail	6.7%	6.5%
Corporate	1.5%	1.4%
Leasing	0.8%	0.9%
Total Gross Loans under moratorium	2.5%	2.4%



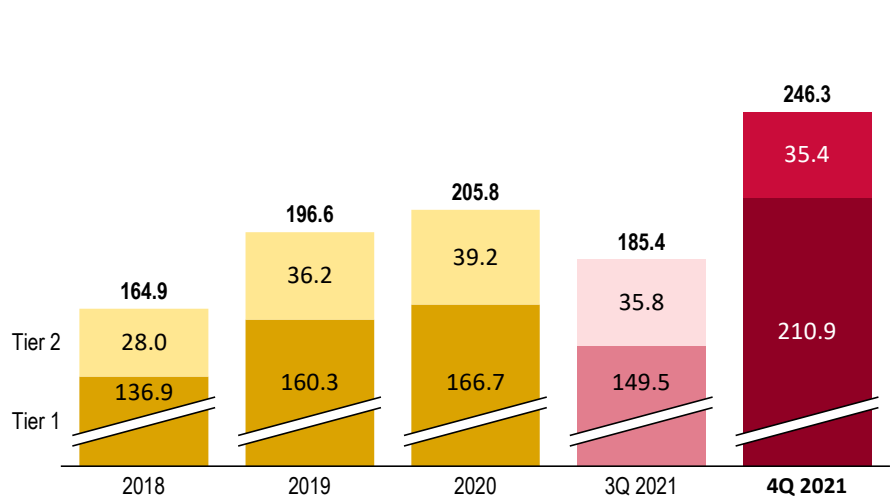
- Executive summary
- Business environment
- Adjusted Profit After Tax
- Profit and Loss developments, KPIs
- Balance sheet
- Business segments results
 - Overview
 - Corporate segment
 - Retail segment
 - Leasing segment
- Portfolio quality
- Capital position**
- Highlights of the merger process
- Annexes
 - Leasing segment
 - Strategic Partners' Performances
 - Post closing events
 - Achievements of digital business developments
 - Abbreviations
- Disclaimer



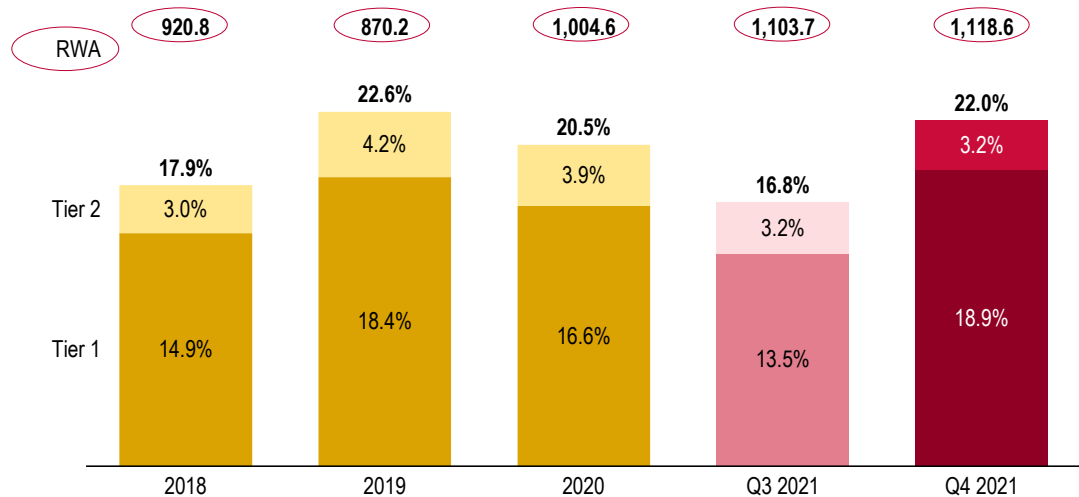
Capital position underpins the 2022 business growth and supports the implementation of the MBH goals
The strong capital position also strengthened MKB's shock absorbing capacity
 MKB Group's unadjusted total comprehensive income was HUF 40.0 bn in FY 2021.

The strengthening of the capital position continued in FY 2021 after a relative slowdown in FY 2020 due to COVID-19

Development of Regulatory Capital (HUF bn)



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



- The outstanding capital adequacy of 22.0% steadily exceeds the regulatory minimum requirement and was last seen in 2019 within the limits set by EU commitments.
- The increase of RWA also presents MKB's reviving business activity in FY 2021 and indicates potent customer acquisition capacity.



- Executive summary
- Business environment
- Adjusted Profit After Tax
- Profit and Loss developments, KPIs
- Balance sheet
- Business segments results
 - Overview
 - Corporate segment
 - Retail segment
 - Leasing segment
- Portfolio quality
- Capital position
- Highlights of the merger process**
- Annexes
 - Leasing segment
 - Strategic Partners' Performances
 - Post closing events
 - Achievements of digital business developments
 - Abbreviations
- Disclaimer

MBH level

The owners contributed their respective shares as a contribution in kind to MBH

The strategy of MBH and the 5-year Business plan was approved by the Board of MBH

New management was appointed at MBH in order to ensure centralized management

Merger of MKB and Budapest Bank and Takarékbank becomes subsidiary of the merged bank

Full integration of the 3 banks is completed with the Takarékbank merger into MKB

Dec 2020

Mar 2021

Nov 2021

Current phase

Apr 2022

Q3 2023

Starting of the new operation

5-year strategy

New management was appointed

Legal Day 1

Full Integration

MKB level

MKB became part of MBH Group

MKB implemented its 5-year strategy in accordance with MBH's strategy

Changes in leadership

MKB is the leading entity of the merger. MKB receives capital increase of HUF 188 bn from MBH to further strengthen its capital position.

MKB becomes the single bank entity

Merger of MKB and Budapest Bank in the beginning of April 2022

VOLUME AND MARKET SHARE (HUF BN)	MKB		BB		MTB		MBH	
	Volume	Market share	Volume	Market share	Volume	Market share	Volume	Market share
Total Asset	3,314	5.4%	2,537	4.1%	4,113	6.7%	9,965	16.2% ²
Gross Loan	1,264	4.9%	1,265	4.9%	1,900	7.3%	4,429	17.1% ²
<i>Retail</i>	275	3.1%	428	4.9%	674	7.7%	1,377	15.7%
<i>Corporate</i>	789	7.7%	570	5.6%	1,128	11.0%	2,487	24.4%
Leasing	201	n/a	265	n/a	59	n/a	525	n/a ¹
Deposit	2,216	6.3%	1,601	4.6%	2,448	7.0%	6,266	17.9% ²
<i>of which Retail</i>	431	3.6%	423	3.6%	974	8.2%	1,827	15.5% ¹
<i>of which Corporate</i>	1,772	13.8%	1,086	8.5%	1,466	11.4%	4,324	33.7%

¹ Indicates the expected market position in the given segment post-merger based on FY 2021 volumes

- With respect to retail deposits, MBH's market share accounts for c. 15.5%, by which MBH became the market leader in this segment.
- **Leasing business** - The integration of MBH's leasing companies was completed by the beginning of January 2022 which resulted a market-leading position on the Hungarian leasing market.
- Based on total assets, MBH is the second largest player in the Hungarian market.

- The Bank Group remains a **dominant market participant in the Hungarian financial market with full national coverage**. The Bank has an intention **to keep its prime relative market positions and portfolio**. It intends to manage one of the **top three positions in each subsegment** of the banking and the satellite markets.
- The Strategy targets **full digital transformation**, rapid introduction of financial innovations such as digital products, ‚green‘ and sustainable banking.
- The Bankholding intends to further **strengthen its local coverage by acquisitions** in its core markets or **fintech, digital** and ecosystem actors. Successful performance can also pave the way for **future cross-border** market entry.
- The Strategy also sets special focuses and advanced improvement for sectors in primary for **domestic companies, support in the agricultural segment, rural development** and improving financial education, providing local assistance to the rural segment.
- **A new operational model** was set with common governance and organization structure, harmonized management information system. The merger procedure of the banks stipulates **better synergies** in the field of management, branches, operation, IT, staff; and also business, cross-selling opportunities.



Executive summary
Business environment
Adjusted Profit After Tax
Profit and Loss developments, KPIs
Balance sheet

Business segments results

Overview

Corporate segment

Retail segment

Leasing segment

Portfolio quality

Capital position

Highlights of the merger process

Annexes

Leasing segment

Strategic Partners' Performances

Post closing events

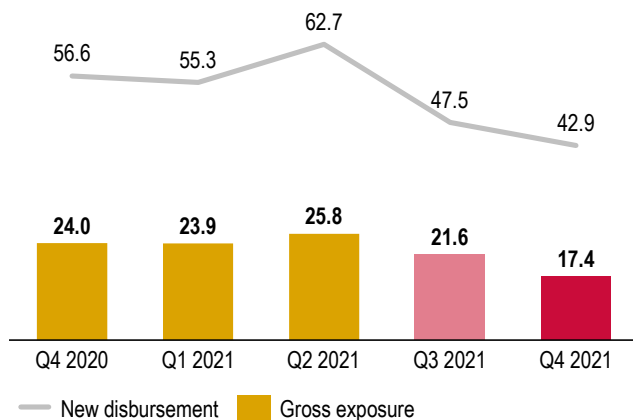
Achievements of digital business developments

Abbreviations

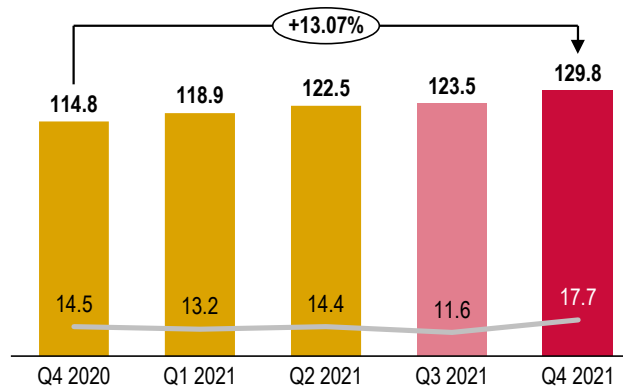
Disclaimer

MKB managed to increase the exposure of retail car financing despite of market turbulences

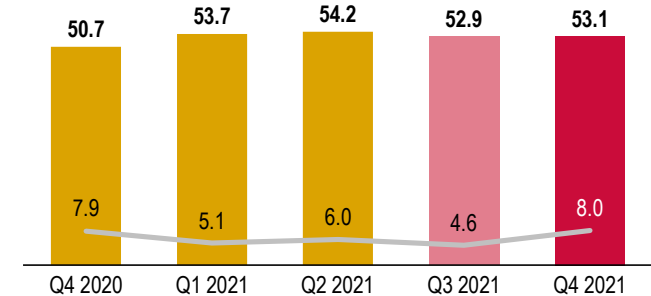
Stock financing (HUF bn)



Retail car financing (HUF bn)



Wholesale, agricultural and machine financing (HUF bn)



- The gross volume of stock financing was HUF 17.4 bn (-27.5% y/y and -HUF 6.5 bn y/y).
- The stock of retail car financing was HUF 129.8 bn (+13.1% y/y and +HUF 15.0 bn y/y). The amount of new disbursements were HUF 17.7 bn in Q4 2021, a revival after a subdued third quarter.
- The stock of wholesale, agricultural and machine financing volume was HUF 53.1 bn at the end of the year. This represents an increase of 4.9 % y/y. New disbursements amounted to HUF 8 bn in Q4 2021 which was the highest in 2021.



- Executive summary
- Business environment
- Adjusted Profit After Tax
- Profit and Loss developments, KPIs
- Balance sheet
- Business segments results
 - Overview
 - Corporate segment
 - Retail segment
 - Leasing segment
- Portfolio quality
- Capital position
- Highlights of the merger process
- Annexes

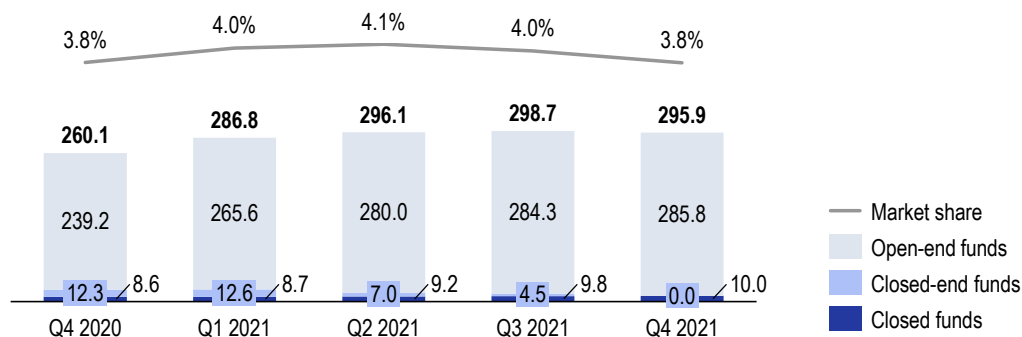
- Leasing segment

Strategic Partners' Performances

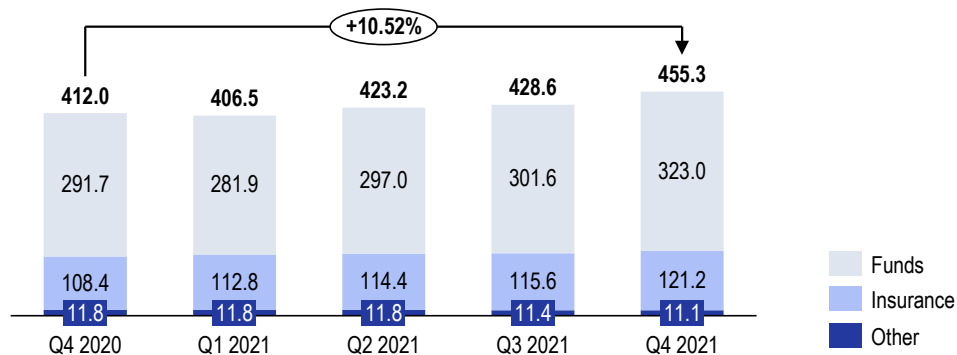
- Post closing events
- Achievements of digital business developments
- Abbreviations

Disclaimer

Breakdown of investment funds (HUF bn)



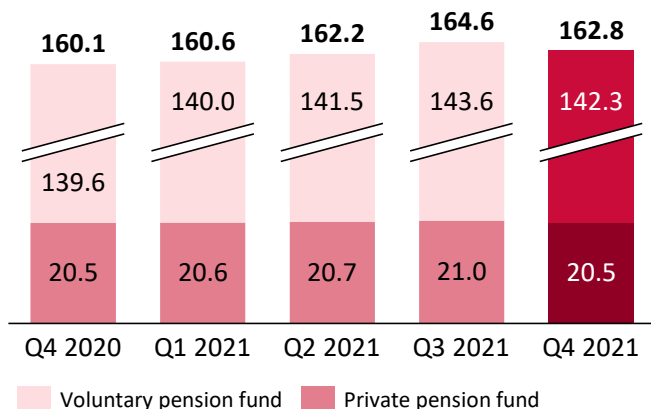
Breakdown of managed portfolios (HUF bn)



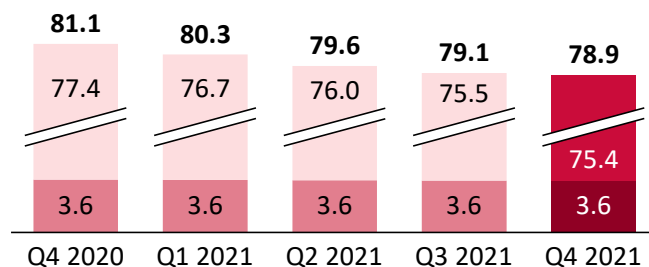
- The AUM of the investment funds increased by 13.76% Y/Y to HUF 295.9 bn in 2021.
- In Q4, MKB-Pannónia's market share and AUM slightly decreased due to the outflows generated by the maturities of the closed-end funds, which were slightly compensated by the positive investment performance of the funds.
- In the last quarter of 2021, the managed portfolios grew to HUF 455 bn which is 10.5% increase compared to the end of 2020. The growth was backed by the release of the DIMENZIÓ Kölcsönös Biztosító és Önszegélyező Egyesület's unit-linked and pension fund portfolios.

MKB Pension & Health Funds

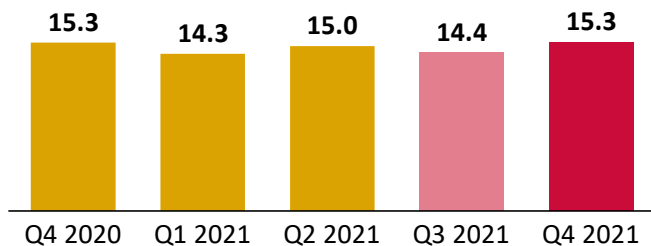
Pension Funds - Total AUM (HUF bn)



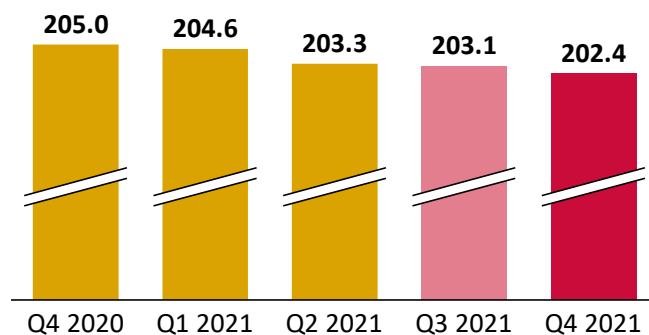
Pension funds – Number of members (in thousands)



Health Funds – Total AUM (HUF bn)



Health Funds – Number of members (in thousands)



Az **MKB Voluntary Pension Fund** had over 75,000 members by the end of the year and had HUF 142.3 bn in asset value. Among voluntary pension funds in Hungary, MKB Group has around 9% market share based on asset value. This makes this fund the 6th biggest in its own category in Hungary.

The **MKB-Pannónia Health and Voluntary Health and Mutual Aid Fund's** assets increased over the year to HUF 15.3 bn. This represents a 24% market share based on the value of the funds. Despite the fact, that the number of members decreased by 1.3% over the year, with over 202,000 members it is still the 3rd largest fund in its own category in Hungary.



- Executive summary
- Business environment
- Adjusted Profit After Tax
- Profit and Loss developments, KPIs
- Balance sheet
- Business segments results
 - Overview
 - Corporate segment
 - Retail segment
 - Leasing segment
- Portfolio quality
- Capital position
- Highlights of the merger process
- Annexes
 - Leasing segment
 - Strategic Partners' Performances
- Post closing events**
 - Achievements of digital business developments
 - Abbreviations
- Disclaimer

In its resolution made on January 20, 2022 the general meeting of Magyar Bankholding Ltd. ordered the bond issuance. Based on the resolution of the general meeting the MBH 2042/A bond series (ISIN: HU0000361282) was issued and subscribed by the Integration Organization within the statutory deadline. Hence, as of January 31, 2022 the Integration Organization's securities account was credited by 3,794 pieces of MBH 2042/A bonds bearing a face value of HUF 50 million each, while the account of Magyar Bankholding Ltd., the issuer, was credited by HUF 188,220.34 million as the value of the bonds sold at the 99.22% subscription price.



Further Hungarian Bankholding merger steps were announced: According to the plans of Hungarian Bankholding Ltd., Budapest Bank Ltd., and MKB Bank Plc., the two-member banks of the banking group and the Hungarian Takaréknál Bankholding will merge on 31 March 2022, thus creating the basis for the unified operation of the banking group. During the merger, Budapest Bank will merge into MKB Bank and MTB Bank Zrt. will continue to operate as a subsidiary of the merged bank. The merged banks will temporarily continue to operate under the name MKB Bank Plc.



The launch of a new, single brand name for merged banks is planned for early 2023. The Takaréknál Group will join the merged bank in the second quarter of 2023, while Hungarian Bankholding Ltd. will continuously harmonize banking operations. At the same time, the complete management of Hungarian Bankholding Ltd. will take over the responsibilities of the senior management of the member banks, so the operation and management of the Hungarian Bankholding group will be unified, thus simpler and more efficient. The merger plans were approved by the owners on 15.12.2021.

Changes in top management: The NBH approved the appointment of dr. Beatrix Mészáros as Deputy CEO for Subsidiaries on 9 February 2022.





- Executive summary
- Business environment
- Adjusted Profit After Tax
- Profit and Loss developments, KPIs
- Balance sheet
- Business segments results
 - Overview
 - Corporate segment
 - Retail segment
 - Leasing segment
- Portfolio quality
- Capital position
- Highlights of the merger process
- Annexes

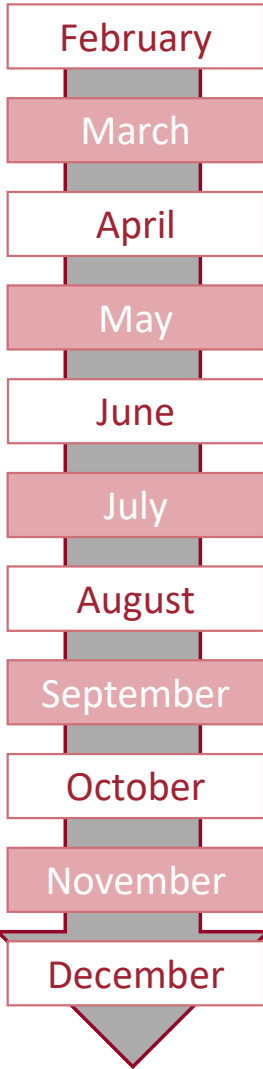
- Leasing segment
- Strategic Partners' Performances
- Post closing events

Achievements of digital business developments

Abbreviations

Disclaimer

Achievements of digital business developments (2021)



- February**: Mobile payment system renewal
- March**: Introduction of Digital Branch Channel and Online Smile Personal Loan (Mosoly Személyi Kölcsön)
- April**: Introduction of Online Qualified Customer-Friendly Personal Loan (Online Minősített Fogyasztóbarát Személyi Hitel)
- May**
- June**
- July**: Extension of Online Personal Loan products to new customers
- August**
- September**: Small enterprise online credit filtering service
- October**: Outlook integration of digital customer calling system
- November**
- December**: Replacement of ATM network

Following to the digitalization of client's bank card via the mobile application, clients can pay by touching their device to the credit card payment terminal. Thanks to this innovation, logging into any application is not necessary for making payments. In order that the POS bank card payment terminals can automatically detect the device and deduct the corresponding amount – similar to a pay pass bank card – it is sufficient to unlock the screen of the device.

We established a new digital lending platform (Digital Branch) where our existing customers can apply for a personal loan without personal appearance through an end-to-end online process. The provision of these services was launched in March.

For our existing customers, we offer an expanded variety of E2E online personal loan products.

From mid-2021, we extended our online loan application opportunities to new customers through an entirely online process. We came up with an innovation which enables customers to prove their income by agreeing to the query of account history of their account holding bank through an automatic, closed channel during the online loan application process. Consequently, provision of traditional income proof forms is not necessary (e.g. bank statement, employer certificate).

As a result of the cooperation between MKB and Péntech engaged in digital financing solutions, we successfully launched our small enterprise online credit filtering service. With the help of this development, companies can access information on their creditworthiness by providing their company name. As a next step, companies can book an appointment online to one of our bank branches. As a result, our specialists will be able to provide tailor-made service during the personal administration process regarding the optimal form of financing suiting best to the client needs.

Due to the new Outlook integration development, our customers can choose online the agent they desire to arrange their banking matters with. This development enables us to strengthen the convenience of personal service in the online space as well, by being able to book a personal appointment in the calendar of our colleagues.

During 2021, we closed one of our high-priority innovation projects, in which our entire ATM network was renewed - we replaced our ATM devices with touch-screen, modern machines, and made cash deposition through ATMs available. Besides, the new ATMs have touch screens which can also be used with a touch card reader.

Introduction of Netbankár QR code login system

As part of our innovation of Netbankár channel, we made available QR code login system as well, providing our customers a simpler, faster and more secure login option.



In order that we can react to global changes at adequate speed and quality in an increasingly fast-changing world, the introduction of an agile methodology in the digital fields continued during 2021.

Introduction of agile methodology



- Executive summary
- Business environment
- Adjusted Profit After Tax
- Profit and Loss developments, KPIs
- Balance sheet
- Business segments results
 - Overview
 - Corporate segment
 - Retail segment
 - Leasing segment
- Portfolio quality
- Capital position
- Highlights of the merger process
- Annexes
 - Leasing segment
 - Strategic Partners' Performances
 - Post closing events
 - Achievements of digital business developments
- Abbreviations**
- Disclaimer

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.
NBH, MNB	National Bank of Hungary (the central bank of Hungary)
y/y	Year on year
q/q	Quarter on quarter
bp	Basis point
CAGR	Compounded Annual Growth Rate
FY	Financial Year
(Y), YTD	Year to date data
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
Secured loans	Home Loans + Free-to-Use Mortgages
FVTOCI	Fair value through OCI
FVTPL	Fair value through P&L
FTE	Full time equivalent

NPL	Non performing loans
NPE	Non performing exposures
DPD90+	Days past due over 90 days
POCI	Purchased or Originated Credit Impaired Asset

ROE, ROAE	Return on average equity
ROMC	Return on minimum capital
ROA, ROAA	Return on average assets
CIR	Cost-to-income ratio
TRM	Total revenue margin
NIM	Net interest margin
NFM	Net fee margin
CIM	Core Income Margin
CAR	Capital adequacy ratio
LTD	Loans to deposits
EPS	Earning per share
AVA	Asset value adjustment – CRR specification

MÁP+	Hungarian Governmental Securities+
ÁKK	Price of government bond reference yields determined daily by the National Debt Management Center (ÁKK)
NHP	FGS, Funding for Growth Scheme
KSH	Hungarian Central Statistical Office
AFR	Instant payment system implementation project to comply with NBH requirements
Hitreg	Loan registry requirements of NBH
PSD2	Payment service directive 2



- Executive summary
- Business environment
- Adjusted Profit After Tax
- Profit and Loss developments, KPIs
- Balance sheet
- Business segments results
 - Overview
 - Corporate segment
 - Retail segment
 - Leasing segment
- Portfolio quality
- Capital position
- Highlights of the merger process
- Annexes
 - Leasing segment
 - Strategic Partners' Performances
 - Post closing events
 - Achievements of digital business developments
 - Abbreviations

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Investor relations

Email: investorrelations@mkb.hu

Phone: 0036-1-268-8004

www.mkb.hu/investor