Q1 2022
MKB Group

Flash Report presentation

Budapest, 26 May 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 pleaser refer to Q1 2022 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 Q1 2022 Flash Report.


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90%
80%
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20%
10%

Highlights of Q1 2022

KPIs

Financial Performance

- **MKB Group had a successful quarter in financial terms again** despite the intensifying market uncertainties. The **adjusted profit after tax reached HUF 29.0 bn in Q1 2022, achieving a two-fold increase (+HUF 14.8 bn q/q)** in comparison to Q4 2021.
- The quarterly adjusted **GOI of HUF 42.3 bn**, although slightly lower than in Q1 2021 by HUF 0.8 bn, was no longer driven by the FV result, but by the core business income with steadily growing core income margin as a result of expanding business.
- **GAE increased by 20.3% y/y mainly due to inflation, increasing energy prices and FX rate fluctuations.** In addition, the increase in PEREX was also driven by the establishment of an organization suitable for acting as the leader of the financial group, including re-contracting employees of Magyar Bankholding and the merging banks had begun at MKB even before the legal merger. The effect of previously implemented digitalization and regulatory compliance projects also contributed to the y/y increase in GAE. Furthermore, methodical change in VAT classification (reclassification from other results to OPEX) resulted in a HUF 0.8bn increase in OPEX in Q1 2022, without which the y/y increase of GAE would be 12.7%.
- **A risk cost release of HUF 3.4 bn** was realized in Q1 2022 as a result of prudent portfolio management and increased guarantee coverage.
- MKB Group was highly profitable and efficient in Q1 2022, achieving an **adjusted ROAE of 45.5%** and a **CIR of 30.0%**. Profitability and efficiency ratios show significant improvements compared to both the Q4 and the FY 2021 levels.

Financial performance indicators

(⇩ y/y q/q ⇧)

		y/y	q/q
PAT	HUF 29.0 bn	⇩ -2.1%	⇧ 104.3%
GOI	HUF 42.3 bn	⇩ -1.9%	⇧ 28.0%
TOCI	HUF 16.3 bn	⇩ -15.2%	⇧ 15.1%
GAE	HUF 12.7 bn	⇧ 20.3%	⇩ -20.3%
ROAE	45.45%	⇩ -8.9%-pt	⇧ 22.5%-pt
Risk [1]	-HUF 3.4 bn	n/a	n/a
CAR	20.30%	⇧ 1.4%-pt	⇩ -1.7%-pt
CIR	30.01%	⇧ 5.6%-pt	⇩ -18.2%-pt

NOTE: The 3.1. chapter of the Flash report contains the list of adjustments. [1] Provision release

Highlights of Q1 2022

KPIs

Business Performance

- **Total assets increased substantially by 14.6% in Q1 2022**, standing at HUF 3,797.3 bn as a result of the temporary liquidity surplus resulted by the preparation to the capital increase in Q2.
- **Customer deposits grew by 22.1% during the last 12 months,** 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 lending business proved excellent performance as loan portfolio further grew by HUF 23.2 bn in Q1 2022,** which contributed to the increase of **market share from 5.1% in Q1 2021 (and 5,8% in Q4 2021) to 6.0% by the end of Q1 2022.** MKB Group continued to actively participate in state stimulus programs with a market share of 6% regarding the Széchenyi Program and 12.7% regarding the EXIM refinanced loans.
- MKB managed to **strengthen its position in the household segment** during the first quarter of 2022 **with increased market shares in term of both loan volume, deposit portfolio and new loan disbursement.**
- **The steadily decreasing RWA/TA ratio reflects the increase in total assets, and the efficient business activity**, and prudent portfolio management.
- **Total equity increased by 4.3% compared to the end of FY 2021 thanks to the highly profitable business, resulting in a strong capital position with CAR above 20%**

Business performance indicators

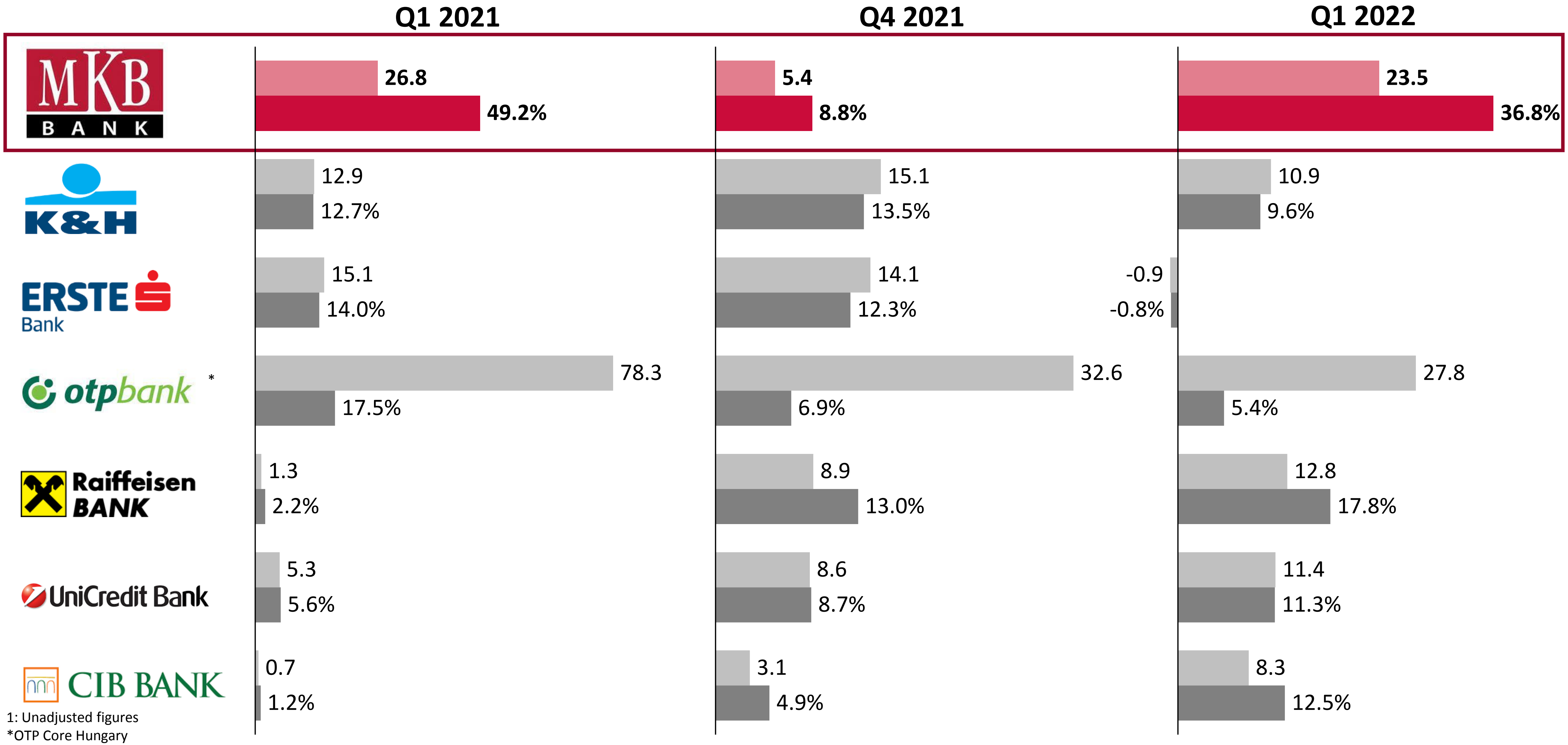
(⇩ y/y q/q ⇧)

		y/y	q/q
ASSETS & LIABILITIES	HUF 3,797.3 bn	26.7%	14.6%
EQUITY CAPITAL	HUF 260.5 bn	15.2%	4.3%
NET CUSTOMER LOAN	HUF 1,242.7 bn	13.8%	2.2%
CUSTOMER DEPOSIT	HUF 2,217.5 bn	22.1%	0.1%
RWA/TA	30.20%	-3.9%	-3.5%
Risk% [1]	-1.08%	-1.0%-pt	-2.1%-pt
GOI/RWA	14.94%	-2.1%-pt	3.0%
LTD	58.07%	-4.5%-pt	1.0%-pt
DPD90+	1.03%	-0.2%-pt	0.1%-pt

NOTE: The 3.1. chapter of the Flash report contains the list of adjustments. [1] Provision release

High profitability in Q1 2022 despite the turbulent macroeconomic environment

Competition
PAT & ROAE[1]

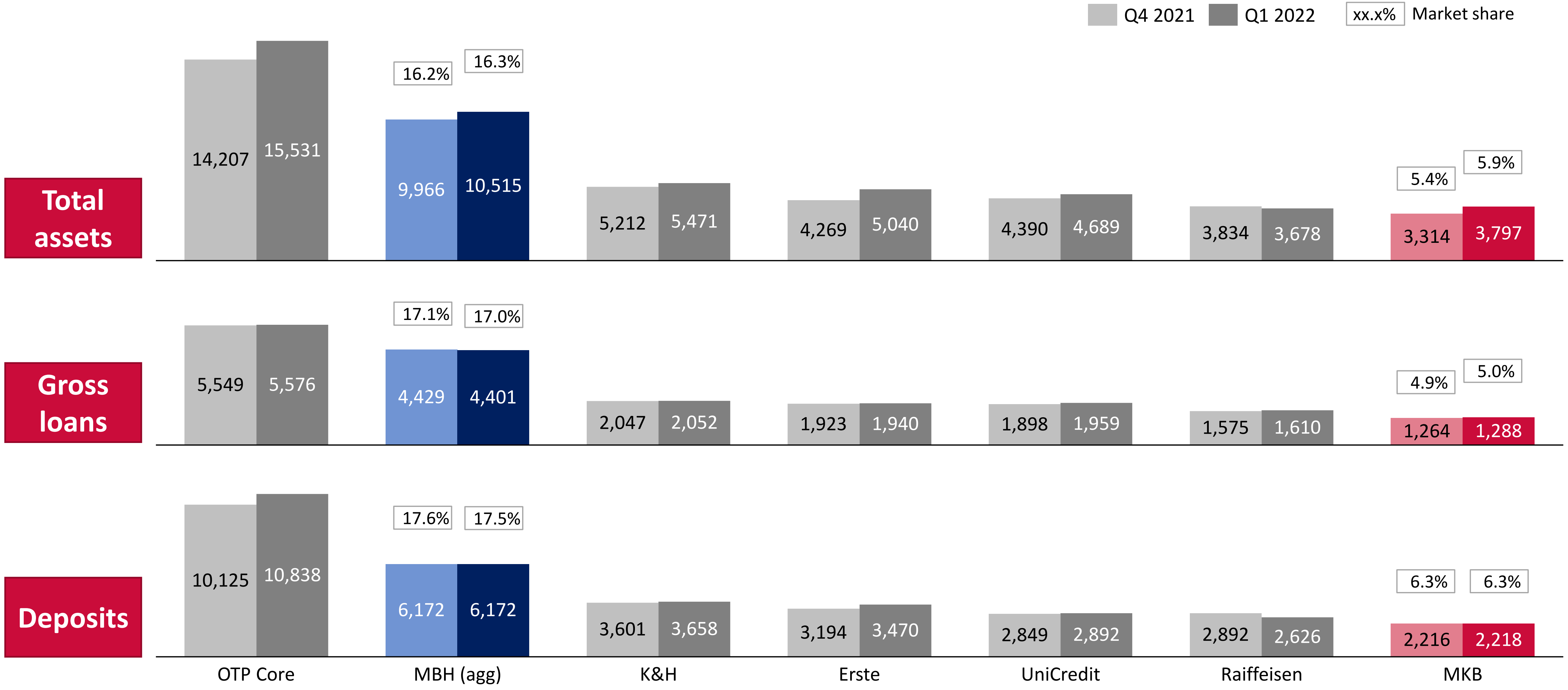


1: Unadjusted figures
*OTP Core Hungary

Sources:
- Q1 and Q4 2021 data: companies' annual reports
- Q1 2022 data are preliminary figures based on Banking Groups' Q1 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



Sources:
- Q4 2021 data: companies' annual reports
- Q1 2022 data are preliminary figures based on Banking Groups' Q1 flash reports (converted to HUF). Please note estimated figures might differ from the actual audited numbers.

Business highlights – Key facts by business lines

Corporate

- **Maintaining corporate focus**, MKB Bank continued to make extensive effort on product development in 2022, including allocating extra resources to further develop its digital solutions (including solutions to support the acceleration and optimization of internal processes, continuous digitization of documentation and introduction of digital signature for external partners) in response to the challenges posted by the prolonged impact of the pandemic.
- Despite macroeconomic uncertainties, **demand for corporate credit stayed strong** during the first quarter of 2022. MKB Bank, striving to provide clients with comprehensive range of products and services, continued to actively participate in subsidised and refinanced economic stimulus programs, as well as in loan guarantee programs, including the renewed **"Széchenyi Program"** - where its market share reached 6% - and the **EXIM refinancing scheme** with the 12.7% market share of the total disbursement volume in Q1 2022.
- Furthermore**, MKB Bank has made the loan repayment moratorium available to its clients** for the entire period, thus helping them in resolving any temporary liquidity problems.

Retail

- **Retail lending managed to achieve positive results** in Q1 2022 even though the preparation of the merger with Budapest Bank was in parallel.
- Facing rising interest rate environment, the Bank decided to **raise interest on 5-year and 10-year mortgage and personal loans.**
- Mortgage lending was also characterized by the intensifying price competition and **strong demand toward the Green Home Program.**
- **Although, inflation-protected premium government bonds** became increasingly popular saving direction in the household segment **MKB could increase its deposit market share.**
- **MKB Bank has entered into a strategic cooperation agreement with CIG Pannónia Group,** within the framework of which MKB's insurance product offering would consist solely of CIG Pannónia's products. Home insurance, as the first stage of the cooperation, was the first area experiencing changes with the introduction of CIG Pannónia LakóTárs product.

Subsidiaries and partners

- **Despite the market turbulence** (like chip shortages, supply chain disruptions) and the decline of new-car sales, **gross leasing volume posted a growth of +3.2% y/y.**
- The significant drop in the volume of new lease disbursements in Q1 2022 is mainly attributable to the **decrease in inventory financing** which has been showing a declining trend since the second quarter of 2021
- As a significant step of Magyar Bankholding's merger process, MBH's leasing companies (MKB-Euroleasing, Budapest Leasing, Takarék Leasing and Budapest Bank's Car Finance business) started operating in an integrated manner under the name Euroleasing from 1 January 2022. Consequently, **MKB has become the largest player on the Hungarian leasing market.**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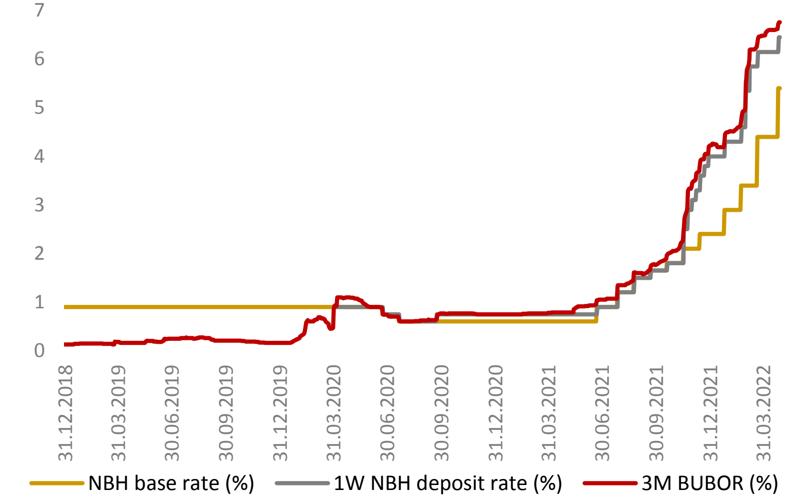
Monetary tightening continued in Q1 2022 due to high inflation

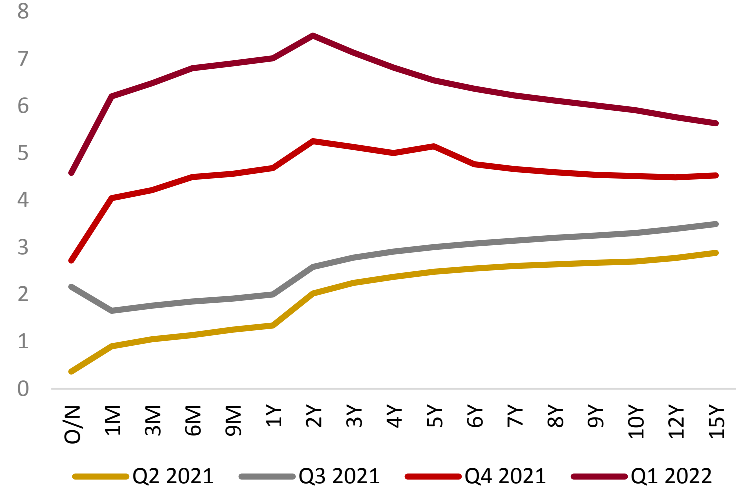
Macroeconomics

- In response to a rise in inflation risks and to prevent second-round inflation effects Hungary’s central bank (MNB) embarked on a tightening cycle in June 2021, raising the base rate from 2.40% to 4.40%, and the rate of one-week deposit rate from 3.80% to 6.15% by end of Q1 2022.
- The increasing central deposit rate also led to changes in the SWAP curve, which increased over 290bps on the short end and over 180bps 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.

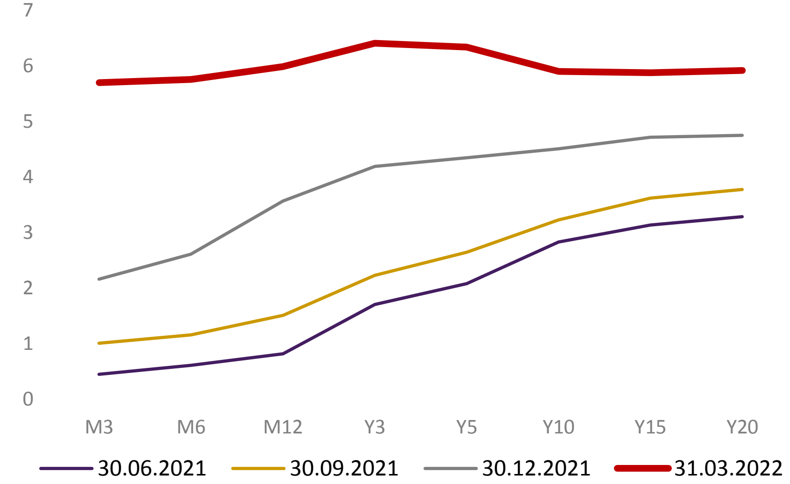
NBH rates a and 3M BUBOR (%)



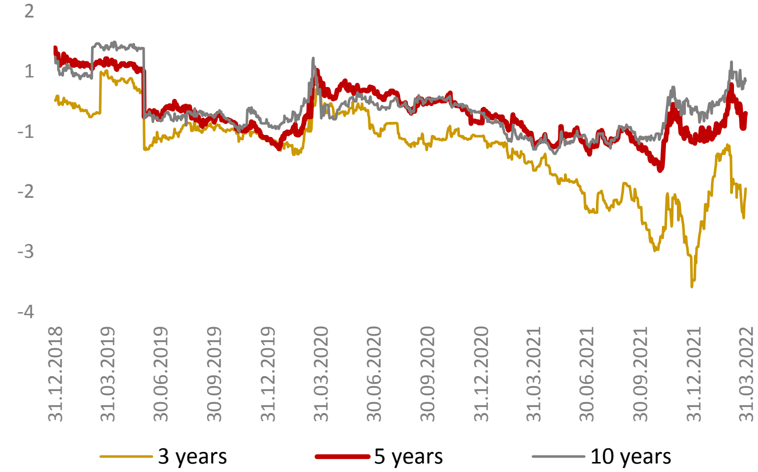
SWAP yield curves (%)



ÁKK benchmark yields (%)



ÁKK-SWAP spread (%-pts)

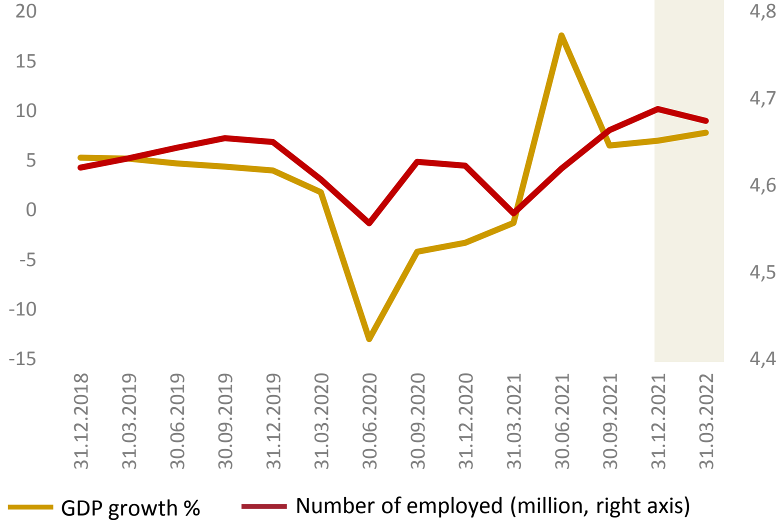


Despite favorable economic trends, rising inflation and uncertain geopolitical situation result in downside risks

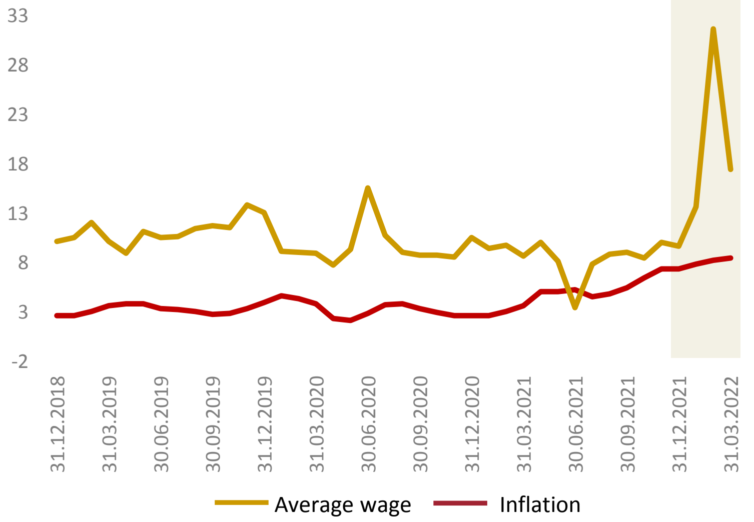
Macroeconomics

- In Q1 2022, the GDP growth exceeded 8.2% and the number of employed persons also increased.
- Despite the growth in the funds rate, inflation has increased to 8.5% in March 2022, while the EUR/HUF rate fluctuated between 353 to 400 in Q1 2022.
- Corporate savings increased in Q1 2022.

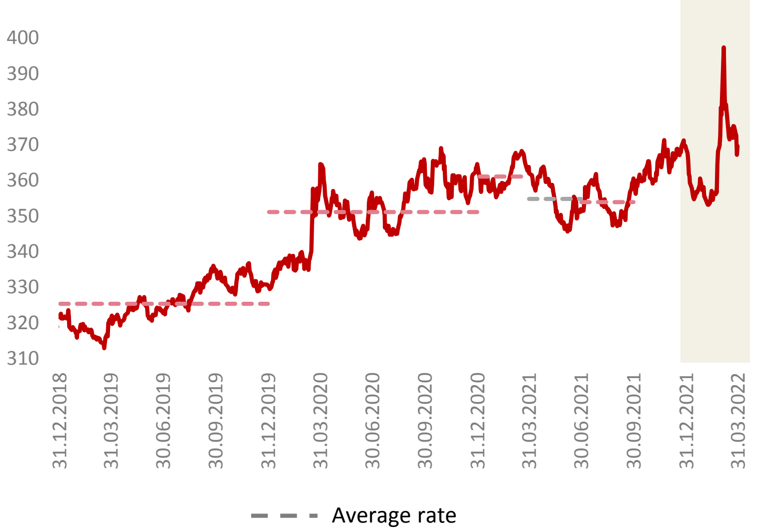
GDP growth (y/y%) and employment



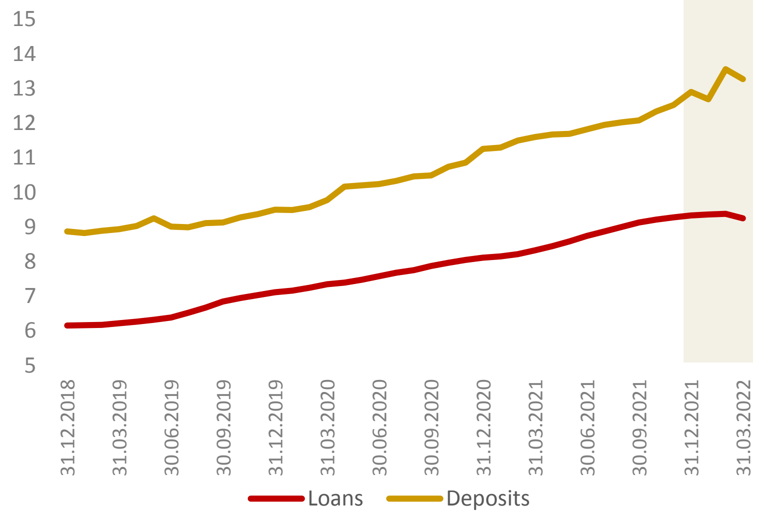
Average inflation and wage growth (y/y %)



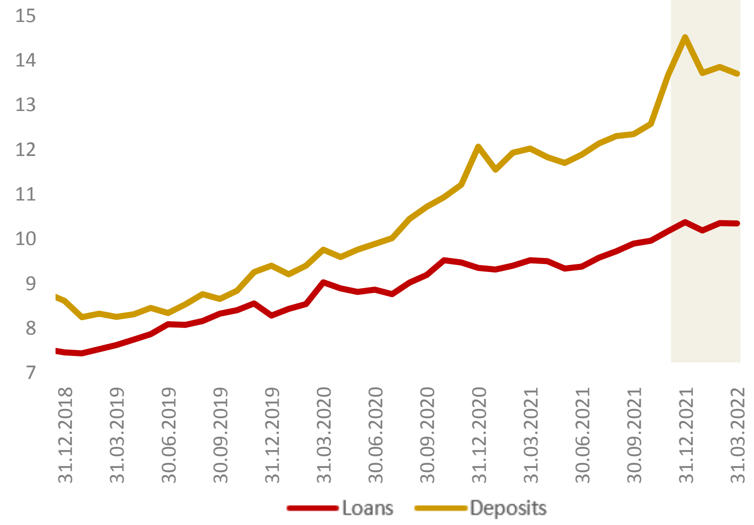
HUF/EUR rate



Household volumes (HUF, thous. bn)



Corporate volumes (HUF, thous. bn)



Macroeconomic outlook - uncertainties on economic recovery

Outlook

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.**
- Rising inflationary pressures are not driven by the weight of these two countries in European and Hungarian foreign trade. However, the European and American **sanctions** imposed/proposed in response to the conflict **are affecting strategically important industries (i.e. energy, agriculture), and industries, which already facing with demand-supply frictions (i.e. automotive) that have been going on for months**. The process is leading to the persistence of intense inflationary pressures not only at European, but also at European, however Hungarian level, with shortages of raw materials and price pressures on a wider range of products than before.
- Due to the sanctions imposed on Russian banks, **on 1 March the NBH revoked Sberbank's license and ordered the bank's liquidation, which is still ongoing.**

Inflationary pressure and measures

- **Central banks have responded to high inflation.** (Inflation in the euro area rose to 7.5% y/y in April 2022 after, 7.4% in March, and 5.9 in February 5.1% in January 2022. Domestic price pressures rose to 9.5 y/y in April, 8.5 in March, 8.3% y/y in February from 7.9% in January).
- **The European Central Bank (ECB) kept its policy rates unchanged in April 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 a rise in inflation risks and to prevent second-round inflation effects Hungary's central bank (NHB) embarked on a tightening cycle in June 2021, raising the base rate from 2.40% to 5.40%, and the rate on the one-week deposit rate from 3.80% to 6.45%, in Q1 2022 . According to the central bank's March guidelines, the goal was to continue the tightening cycle on monthly basis, and the central bank was also aiming to gradually catch up with the one-week deposit rate.
- **High inflation could dampen strong economic growth this year for both the domestic and European economies, while Q1 2022 was still favorable, (Eurozone 5.0%, Hungary estimated 7.8%).**

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**.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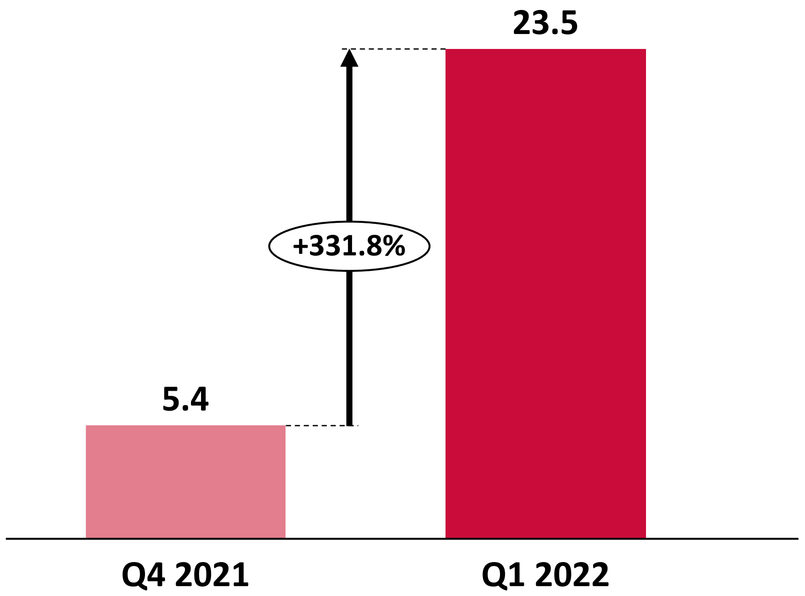
Increase in accounting and adjusted PAT due to the significant increase of net interest income

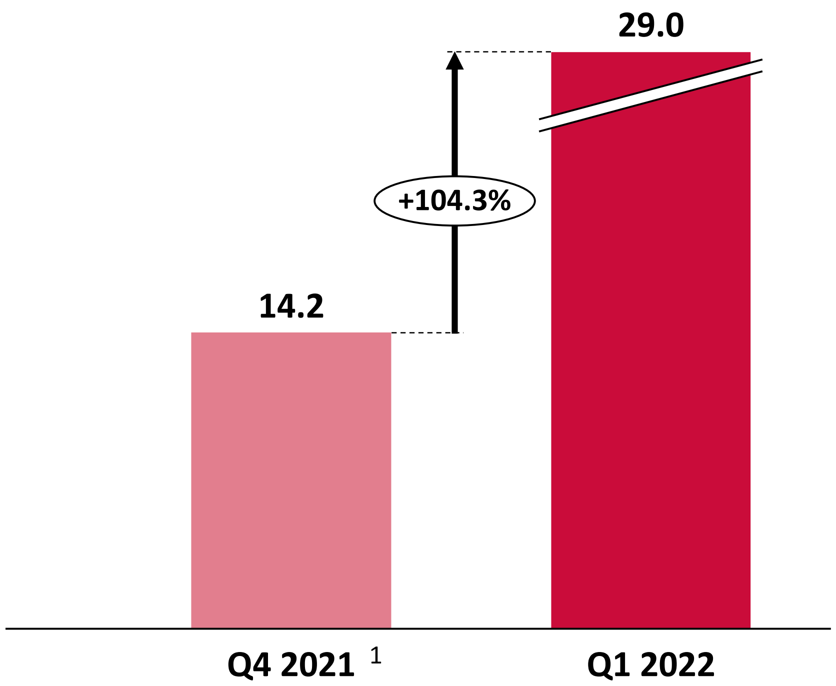
PAT

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

Accounting profit after tax

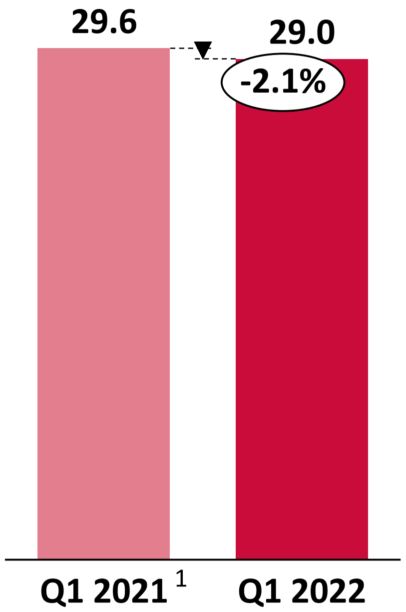


Adjusted profit after tax



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

Adjusted profit after tax

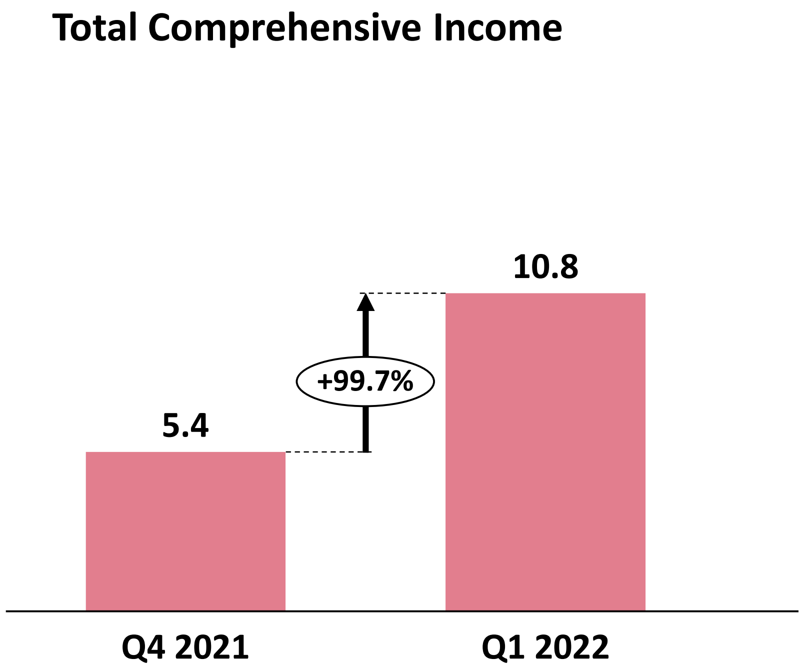


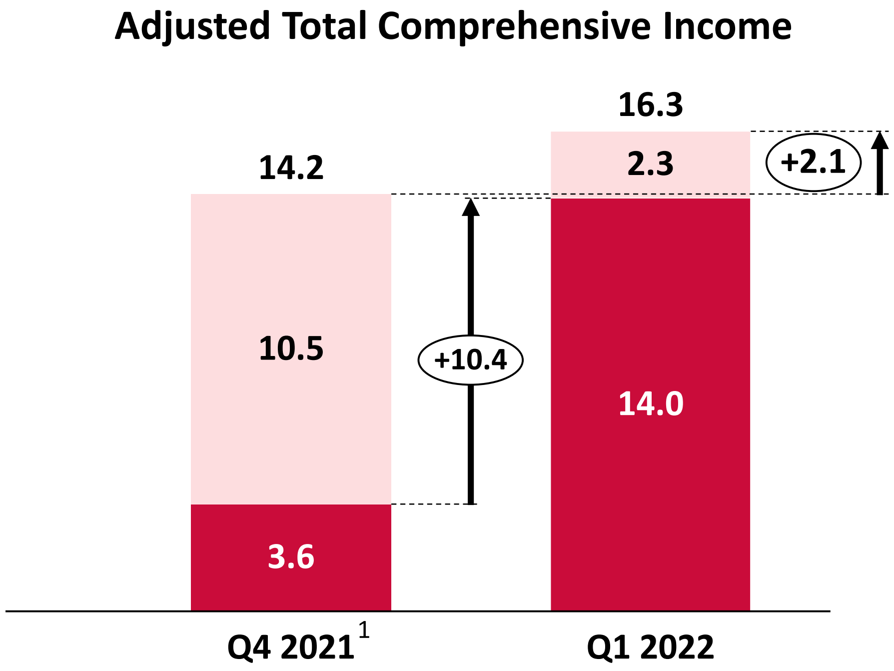
- Both accounting and adjusted profit after tax grew substantially (q/q) in Q1 2022, driven by increasing core income, as well as by the risk cost release indicating a stable portfolio quality and prudent portfolio management.
- The slight y/y decrease of 2.1% in adjusted net income was attributable to the decline in FV result compared to Q1 2021.

[1]Please, note that quarterly and yearly adjusted PAT figures for 2021 were restated with the adjustments of banking tax

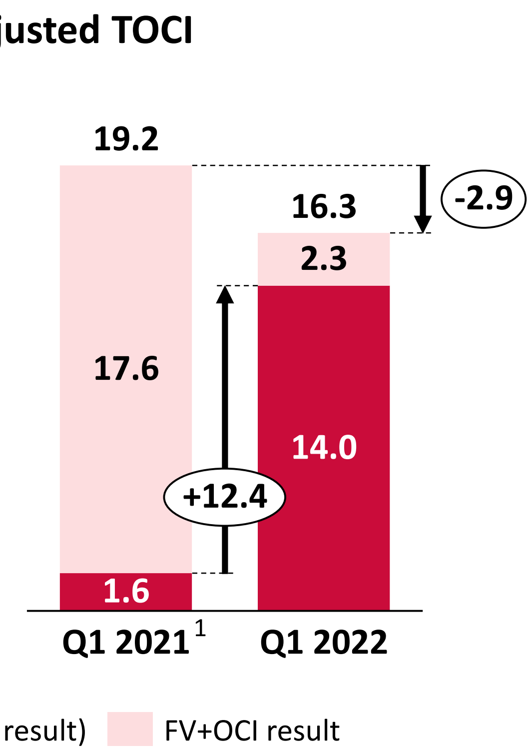
Shifting trend toward a more sustainable income structure with the core banking result accounting for an increasing part of the total TOCI

Q/Q development of TOCI (HUF bn)





Y/Y development of adj. TOCI HUF bn)



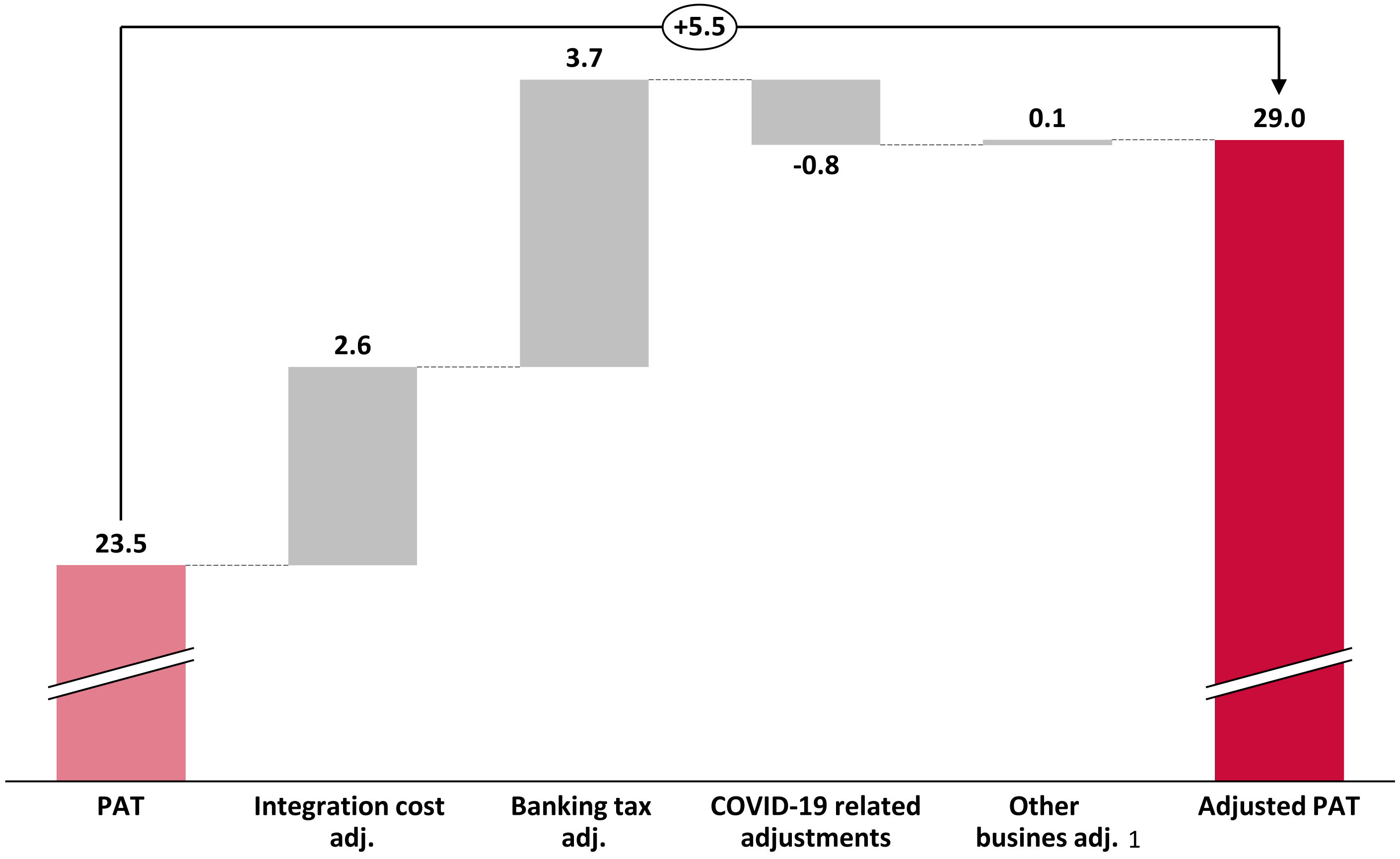
- **MKB Group's Adjusted Total Comprehensive Income for Q1 2022 was HUF 16.3 bn, exceeding previous quarter's result by HUF 2.1 bn, however the income structure of the TOCI changed compared to previous quarters and it was mainly dominated by the Core banking result by Q1 2022.**
- Compared to Q4 the increase of core banking result (+HUF 10.4bn) surpassed the decrease of FV results + OCI results (HUF -8.2bn), which resulted in a healthier, sustainable income structure.
- The slight y/y decrease of HUF 2.9bn in adjusted TOCI was attributable to the decline in FV+OCI result compared to Q1 2021.

[1] Please, note that quarterly and yearly adjusted TOCI figures for 2021 were restated with the adjustments of banking tax

A significant adjustment is attributable to the expenses relating to the MBH merger besides the banking tax adjustment

Adjustments

Q1 2022 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 are applied to emphasize the underlying business performance by eliminating effects of non-core business related accounting items.

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.

MKB incurred an amount of banking tax totaling HUF 5.4 bn in the first quarter of 2022. As this expense should be evenly allocated throughout the year to better reflect the periodic performances, an amount of **HUF 3.7 bn representing Q2-Q4 banking tax** was added back to the accounting PAT.

Covid-19 adjustments applied to eliminate the distortion effect of the pandemic: a total of HUF -0.8 bn in relation to the release of risk cost and the release of interest stop-related losses.

[1]Other business adjustments include adjustment for dividend income and adjustment for transaction fee, which was evenly allocated throughout the year to better reflect the periodic performances

Please note, from Q1 2022 the Banking tax is only normalized and allocated throughout the year to better reflect the periodic performances and not adjusted from the accounting PAT as it was in previous years.

Financial performance

HUF 29.0 bn adjusted PAT in Q1 2022 driven by Net interest income and FV result

P&L

ADJUSTED P&L (HUF bn)	2020 FY	2021 Q1	2021 Q4	2021 FY	2022 Q1	Y/Y (Y) %	Q/Q %
Net operating income	**25.0**	**32.6**	**17.1**	**84.2**	**29.6**	**-9.2%**	**72.9%**
Gross operating income	**68.8**	**43.2**	**33.1**	**132.3**	**42.3**	**-1.9%**	**28.0%**
Net interest income	36.1	11.5	16.6	53.8	**25.2**	119.6%	51.3%
Net fee and commission income	23.6	5.5	6.9	24.8	**5.5**	-1.0%	-21.1%
Other income	9.1	26.2	9.5	53.7	**11.7**	-55.3%	22.8%
FX result	9.7	1.4	0.5	5.9	**-0.1**	-	-
FV result	9.4	28.0	10.6	59.2	**15.0**	-46.5%	41.8%
Other result	-10.1	-3.2	-1.5	-11.4	**-3.2**	-0.9%	109.8%
General Admin. Expenses	**-43.7**	**-10.6**	**-15.9**	**-48.1**	**-12.7**	**20.3%**	**-20.3%**
Provisions and impairments [1]	**-1.0**	**0.3**	**-3.5**	**-2.0**	**3.4**	**1271.7%**	**-**
Banking tax	**0.0**	**-0.9**	**-0.9**	**-3.4**	**-1.4**	**60.2%**	**60.2%**
Adjusted PBT	**24.0**	**32.0**	**12.8**	**78.8**	**31.7**	**-0.9%**	**148.3%**
Corporate tax	-2.0	-2.4	1.4	-4.3	-2.7	13.1%	-
Adjusted PAT	**22.0**	**29.6**	**14.2**	**74.5**	**29.0**	**-2.1%**	**104.3%**
Adjustments total on PAT [2]	13.5	2.8	8.8	14.5	5.5	96.9%	-37.1%
Profit after tax (PAT, unadjusted)	**8.4**	**26.8**	**5.4**	**60.0**	**23.5**	**-12.4%**	**331.8%**
Revaluation on AFS financial assets (OCI)	3.2	-10.4	0.0	-20.0	-12.7	22.1%	-
Total Comprehensive Income (unadjusted)	**11.6**	**16.4**	**5.4**	**40.0**	**10.8**	**-34.2%**	**99.7%**
Adjustments total on TOCI	13.5	2.8	8.8	14.5	5.5	96.9%	-37.1%
Total Comprehensive Income	**25.1**	**19.2**	**14.2**	**54.5**	**16.3**	**-15.2%**	**15.1%**

[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

Adjusted KPIs

P&L KPIs

KPIs based on adjusted PAT	2020 FY	2021 Q1	2021 Q4	2021 FY	2022 Q1	Y - Y (Y) %-pt	Q - Q %-pt
Profitability							
TRM - Total Revenue Margin	3.09%	5.98%	4.10%	4.33%	4.76%	*-1.2%-pt*	*0.7%-pt*
NIM - Net Interest Margin	1.62%	1.59%	2.06%	1.76%	2.83%	*1.2%-pt*	*0.8%-pt*
NFM - Net Fee Margin	1.06%	0.76%	0.86%	0.81%	0.61%	*-0.1%-pt*	*-0.2%-pt*
CIM - Core Income Margin	3.12%	2.54%	2.98%	2.77%	3.43%	*0.9%-pt*	*0.5%-pt*
Efficiency							
CIR - Cost-to-Income Ratio	63.60%	24.46%	48.21%	36.38%	30.01%	*5.6%-pt*	*-18.2%-pt*
C/TA - Cost-to-Total Assets	1.96%	1.46%	1.98%	1.58%	1.43%	*0.0%-pt*	*-0.5%-pt*
ROAE - Return on Average Equity	11.06%	54.32%	22.98%	31.83%	45.45%	*-8.9%-pt*	*22.5%-pt*
ROMC - Return on Minimum Capital Required	15.03%	80.01%	34.59%	47.65%	68.11%	*-11.9%-pt*	*33.5%-pt*
Risk% - Risk Cost Ratio	0.14%	-0.07%	1.00%	0.14%	-1.08%	*-1.0%-pt*	*-2.1%-pt*
Equity share information							
EPS - Earning Per Share (HUF, annualized)	219.6	1,184.1	567.7	744.6	1,159.5	*-24.6*	*591.8*

- Net interest margin continued to increase, reaching 2.83% in Q1 2022, with a growth of 0.8%p q/q and 1.2%p y/y, reflecting the rising interest rate environment.
- The impressive Cost-to-Income ratio of 30.01% exhibits significant decreases compared both to Q4 2021 and to FY 2021, reflecting the increasing income and the strict cost control.

Further increase in core income is mainly attributable to the rising interest rate environment

P & L

- **HUF 25.2 bn Net interest income in Q1 2022 (+51.3% q/q; +119.6% y/y):** the substantial y/y growth was mainly driven by the expanding customer loan portfolio and the rising interest rate environment, whilst the 51.3% q/q increase was the result of increasing interest rates coupled with intensifying ALM activities (investment in securities and financial assets).
- **HUF 5.5 bn Net fee & commission** income **in Q1 2022 (-21.1% q/q; -1.0% y/y):** which is 1.5 bn lower compared to Q4 2021 due to seasonality.
- **HUF 30.5 bn Core income in Q1 2022 (+27.0% q/q; +66.1% y/y)** with a continuously growing core income margin.
- **Extended other income:** volatile money market conditions drove the q/q changes throughout FV and OCI results.

[1] Other income + FV + OCI

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

P&L KPIs

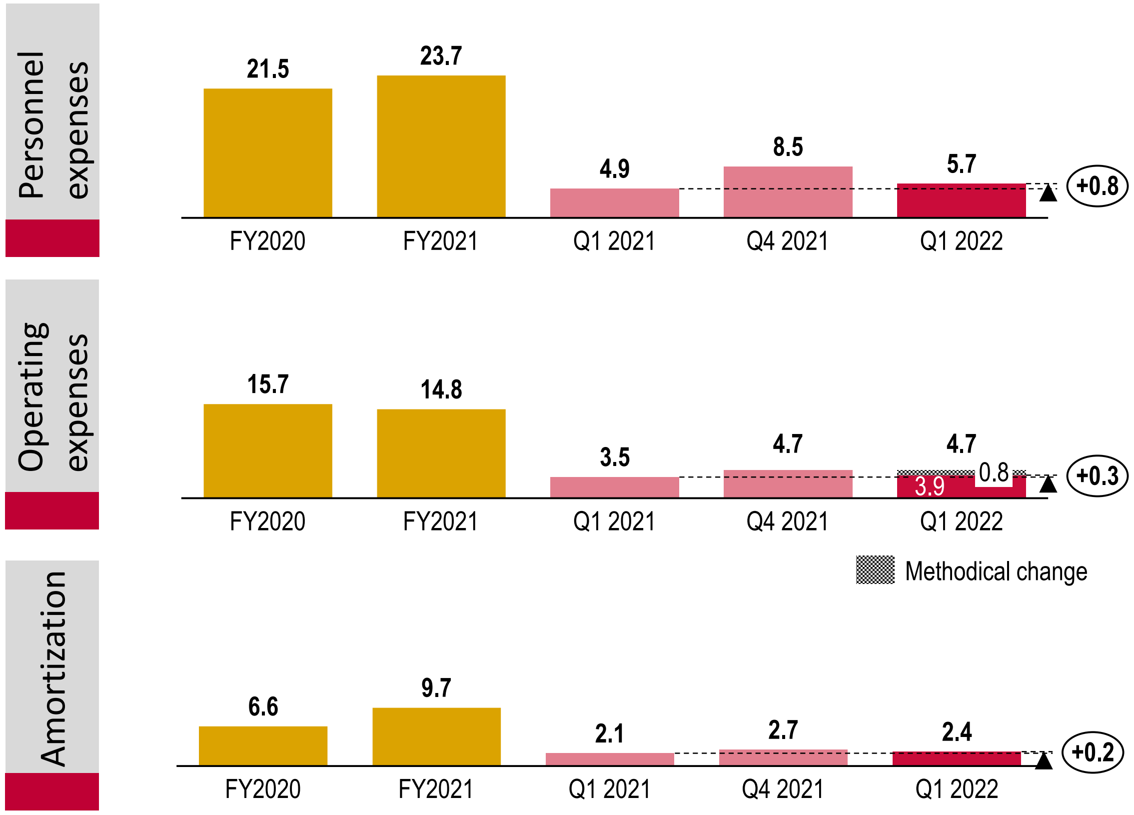
- **The Gross Operating Income of HUF 42.3 bn (+HUF 9.2 bn q/q, -HUF 0.8 bn y/y) in Q1 2022,** although experienced a minimal decline on a year over year basis, was no longer driven by the FV results, but by the core business income, which indicates a more sustainable income structure of MKB.
- **HUF 12.7 bn (-HUF 3.2 bn q/q, +HUF 2.1 bn y/y) General Administrative Expense in Q1:** the y/y increase was driven mainly by inflationary pressure, increasing energy prices, fluctuating FX rates and increase in FTE. Methodical change in VAT classification (reclassification from other results to OPEX) resulted a HUF 0.8bn increase in OPEX in Q1 2022.
- **The risk cost of negative HUF 3.4 bn** in Q1 2022 was largely caused by the provision amount of HUF 4.51 bn being released in March in relation to 4 large corporate transactions, as well as by the risk cost release of HUF 0.65 bn following the revision of stage management overlay.
- **HUF 29.0 adjusted Profit after tax in Q1 2022.**

[1]Please note that quarterly adjusted PAT figures for 2021 were restated with the banking tax.

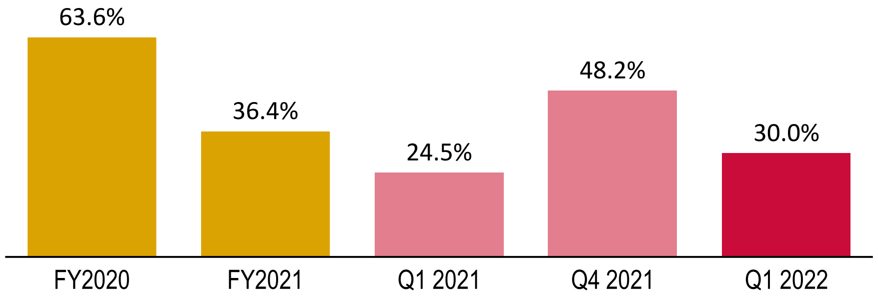
Costs increased slightly mainly due to macroeconomic trends and increased headcounts

P&L Cost

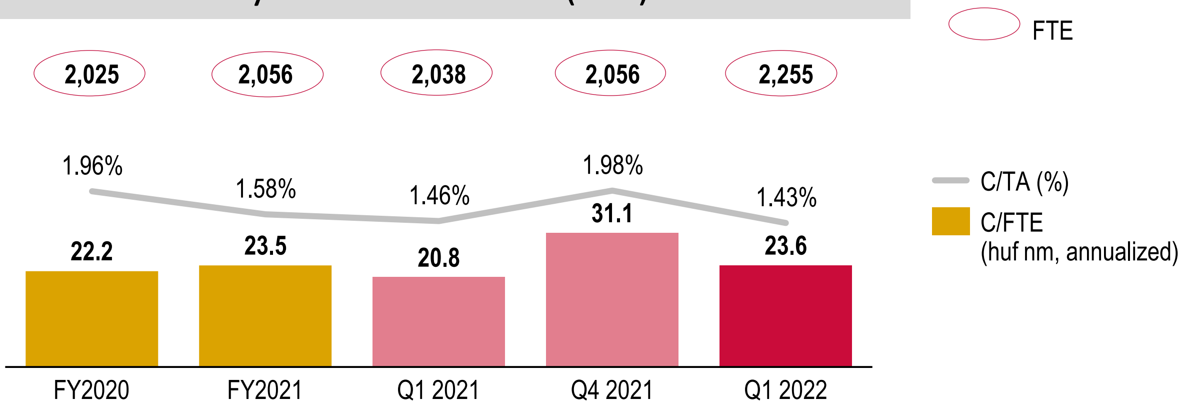
GAE breakdown (HUF bn)



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



Cost efficiency and headcounts (FTE)



- **Adjusted CIR of 30.0%** is the result of strict cost control measures as well as the considerable increase of core income.
- **Personnel expenses** in Q1 2022 grew by HUF 0.8 bn on a y-o-y basis mainly due to the increased headcount and the effect of wage growth.
- **OPEX** increase by HUF +0.3bn compared to Q1 2021, due to inflation and increasing energy prices. Methodical change in VAT classification (reclassification from other results to OPEX) resulted a HUF 0.8bn increase in OPEX in Q1 2022.
- The amount of amortization was HUF 2.4 bn in Q1, slightly higher than Q1 2021 because of previously implemented digitization and regulatory compliance projects.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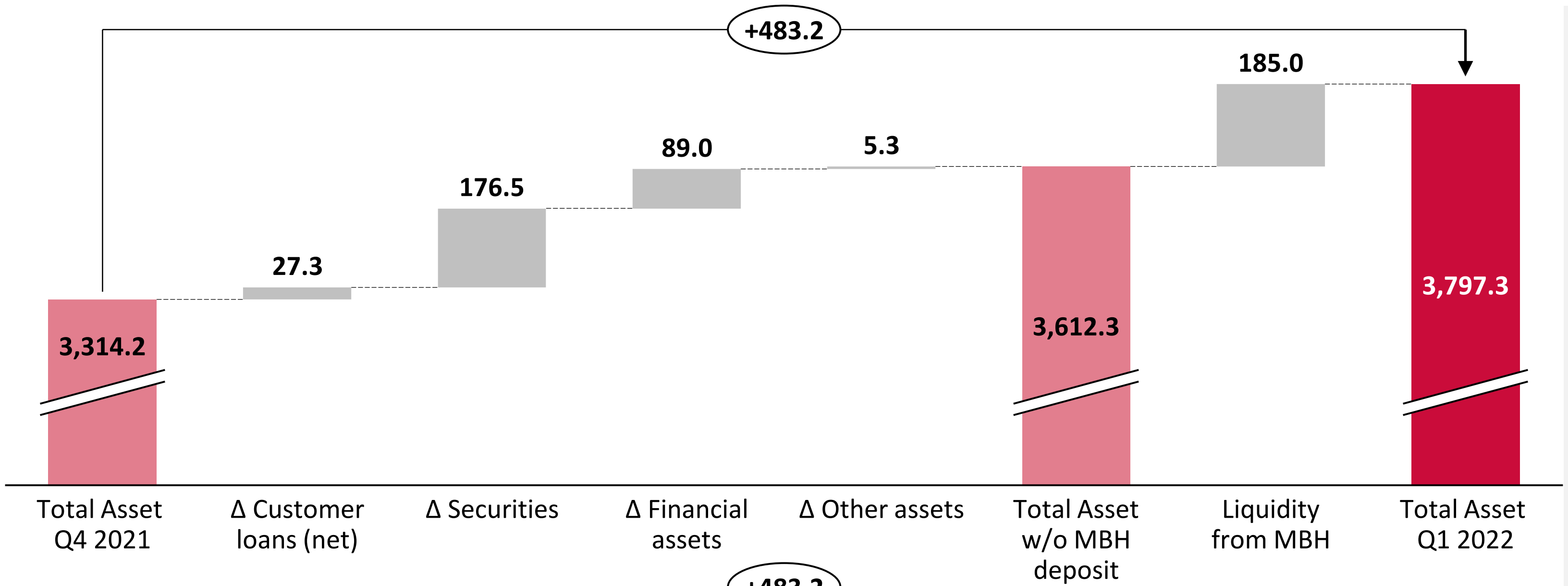
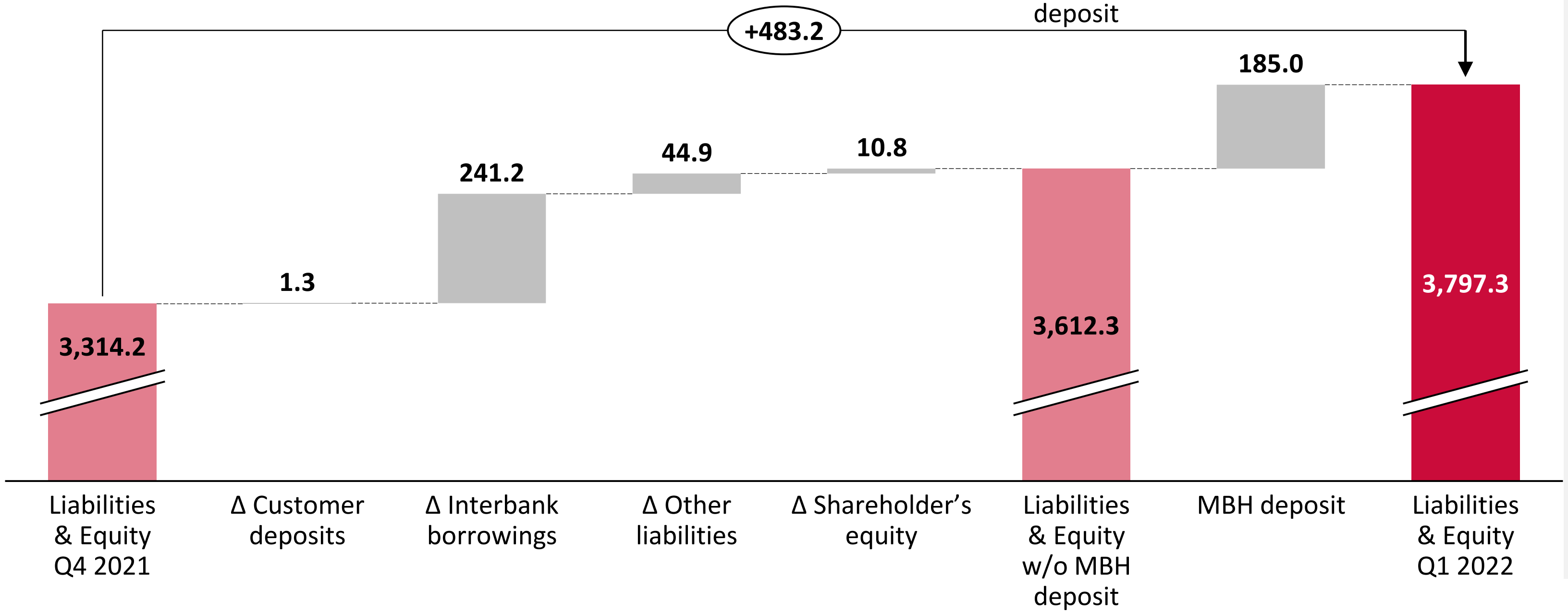
Assets & Liabilities

Interbank borrowings and other liabilites increase resulted in liquidity surplus, which funded securities and financial assets





- **MKB Group's total assets expanded by 14.6% q/q,** reaching HUF 3.8 trillion by the end of Q1 2022. The pace of expansion was mainly driven by the Group's continuously growing interbank borrowings and other liabilities and the increase of MBH's deposit.
  - The modest q/q increase of only HUF 1.3 bn in customer deposits was mainly attributable to seasonality effect, as the strongest growths in the corporate portfolio normally occur in the last quarter of the year.
  - The increase of customer deposits is largely attributable to the growth in the household segment, which compensated for the decrease of the corporate segment.
- The resulting liquidity enabled MKB to further increase its net loan portfolio by HUF 27.3 bn.
- The major portion of **excess liquidity** was, however, being **invested in financial assets and securities**, leading to the q/q growths of HUF 274.0 bn (including liquidity attributed to MBH's deposit) and HUF 176.5 bn, respectively.
- **Shareholders' equity** increased significantly by HUF 10.8 bn, contributing the sustainingly strong capital position of the Group

Liquid assets growth surpassed the increase of total assets in Q1 2022

Assets & Liabilities

STATEMENT OF BALANCE SHEET (HUF bn)	2020	2021		2022	Y/Y (Y)	Q/Q
	Q4	Q1	Q4	Q1	%	%
Financial assets	377.7	425.9	893.4	**1,093.7**	156.8%	22.4%
Trading portfolio	34.0	44.0	107.4	**181.0**	311.4%	68.6%
Securities	1,163.3	1,341.0	1,000.7	**1,177.3**	-12.2%	17.6%
Loans and advances to customers (net)	1,114.0	1,091.5	1,215.3	**1,242.7**	13.8%	2.2%
Loan and advances to customers (gross)	1,159.9	1,136.3	1,263.6	**1,287.6**	13.3%	1.9%
Allowance for loan and lease losses	-46.0	-44.8	-48.3	**-44.9**	0.3%	-7.0%
Other assets	92.6	94.1	97.3	**102.6**	9.0%	5.5%
TOTAL ASSETS	**2,781.6**	**2,996.5**	**3,314.2**	**3,797.3**	**26.7%**	**14.6%**
Interbank liabilities	575.1	821.0	711.4	**952.6**	16.0%	33.9%
Customer deposits	1,862.3	1,816.6	2,216.1	**2,217.5**	22.1%	0.1%
Other liabilities	89.7	87.7	91.8	**321.1**	266.2%	249.8%
Subordinated debt	44.7	45.0	45.1	**45.6**	1.3%	1.3%
Shareholders' equity	209.8	226.2	249.8	**260.5**	15.2%	4.3%
TOTAL LIABILITIES AND EQUITY	**2,781.6**	**2,996.5**	**3,314.2**	**3,797.3**	**26.7%**	**14.6%**
Off-Balance sheet customer items (gross)	**425.3**	**507.5**	**539.5**	**572.4**	**12.8%**	**6.1%**
LTD - Loan-to-Deposit ratio	62.3%	62.6%	57.0%	58.1%	-4.5%-pt	1.0%-pt
Secutities ratio	42.2%	45.2%	30.3%	31.3%	-13.9%-pt	1.0%-pt
Allowance for losses/ Total assets	1.7%	1.5%	1.5%	1.2%	-0.3%-pt	-0.3%-pt
RWA/TA - RWA/Total assets	36.1%	34.1%	33.8%	30.2%	-3.9%-pt	-3.5%-pt
CAR - Capital adequacy ratio	20.5%	18.9%	22.0%	20.3%	1.4%-pt	-1.7%-pt
LCR	162.6%	149.8%	184.6%	136.5%	-13.3%-pt	-48.1%-pt
NSFR	129.4%	128.4%	141.1%	136.4%	8.0%-pt	-4.7%-pt

MKB Group's total assets at the end of Q1 2022 amounted to nearly HUF 3.8 trillion (+26.7% y/y), demonstrating the fulfillment of its growth ambitions

- The growth of total assets during the last 12 months was mainly driven by the customer deposits portfolio (+22.1% 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 increase in MKB's customer loan volume (+13.3% y/y) exceeded that of the market, signaling the acquisition capability of the Group.
- Loan-to-deposit ratio has been exhibiting a long-term decreasing trend, standing at 58.1% at the end of Q1 2022
- The level of LCR (136.5%) and NSFR (136.4%) ratio is well above the regulatory minimum, assuring stable liquidity position of MKB.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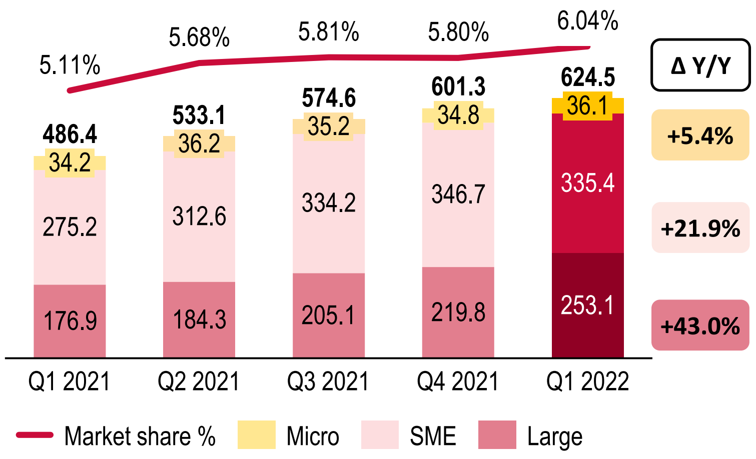
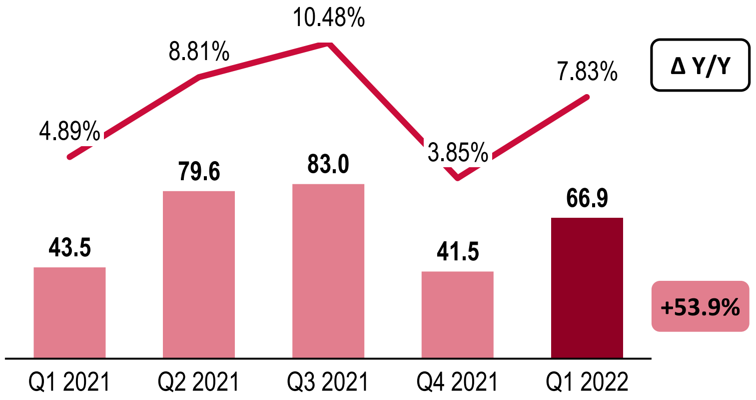
Outperforming the loan market in both corporate and household segments

Corporate & Household

Gross corporate loans[1] breakdown (HUF bn) and market share[2] (%)



Corporate loan disbursements[1] (HUF bn) and market share[2] (%)

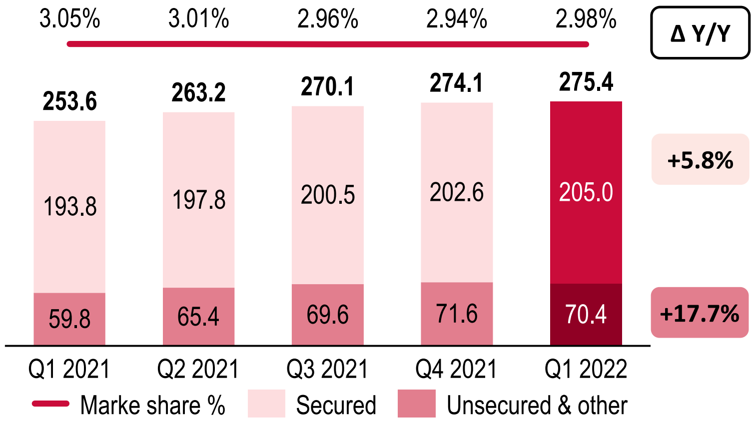


Corporate segment:

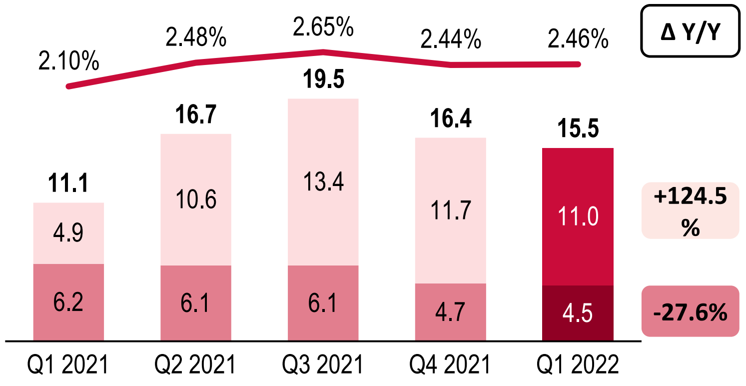
MKB Group continued to actively participate in subsidized and refinanced economic stimulus programs, as well as in loan guarantee programs during Q1 2022

- The corporate loan portfolio increased by HUF 23.2 bn in Q1 2022, mainly driven by the Large corporate segments.
- Loans provided to non-financial companies amounted to HUF 624.5 bn at the end of Q1 2022, demonstrating a y/y increase of +**HUF 138.1 bn** (28.4%) which was mainly driven by the outstanding demand for own working capital and investment financing loans. Consequently, **MKB managed to increase its market share to above 6.0%** in Q1 2022.

Household gross loans[3] breakdown (HUF bn) and market share[2] (%)



Household loan disbursements[3] (HUF bn) and market share[2] (%)



Household segment:

The decreasing market share trend in household segment bounced back in Q1 2021, resulting in a q/q market share increase of 4 basis point, even though the preparation of the merger with Budapest Bank was in parallel:

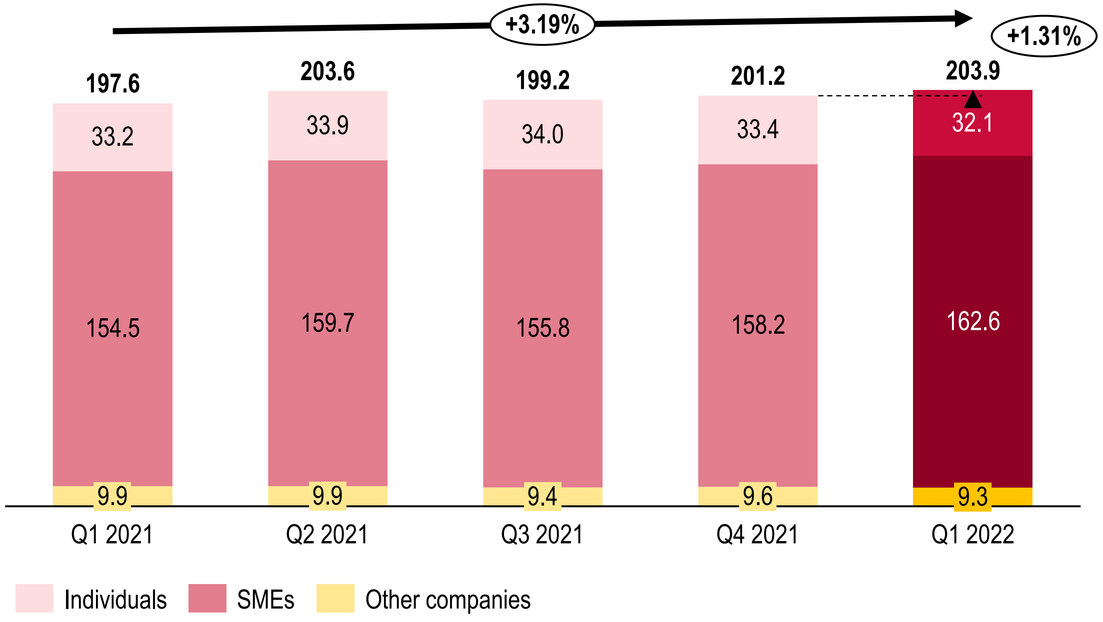
- **The volume of secured loan disbursements** amounted to HUF 11.0 bn in Q1 2022, exhibiting a slight decrease of HUF 0.7 bn q/q. **Mortgage lending** was characterized by intense price competition and strong demand for Green Home Program credit.
- **The volume of unsecured loans increased significantly during the last 12 months (+17.7% 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.

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

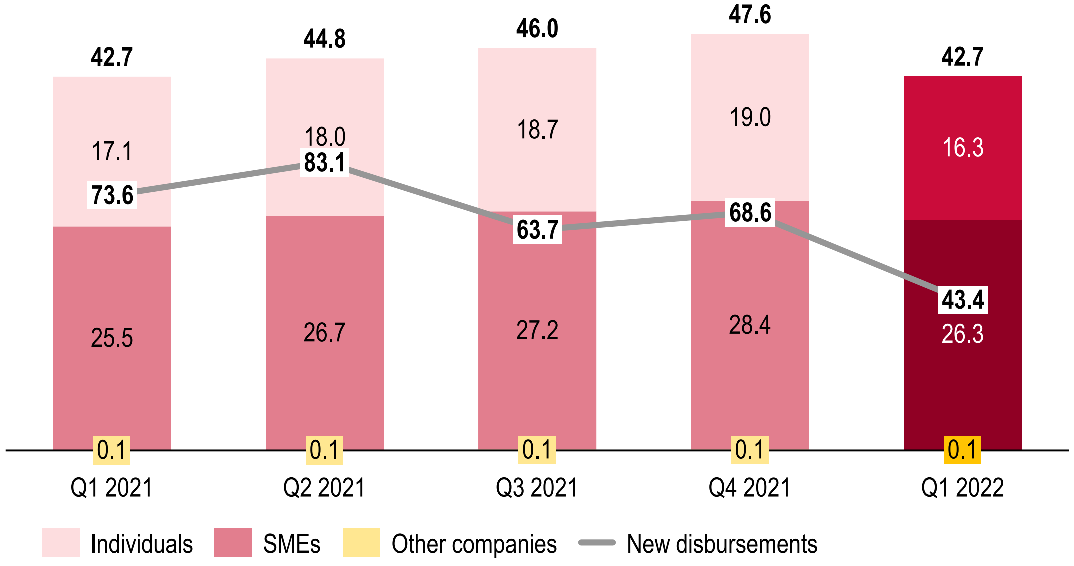
Despite the turbulences on the vehicle industry gross leasing volume posted a growth of +3.2% y/y

Leasing

Composition of leasing volume (HUF bn)



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

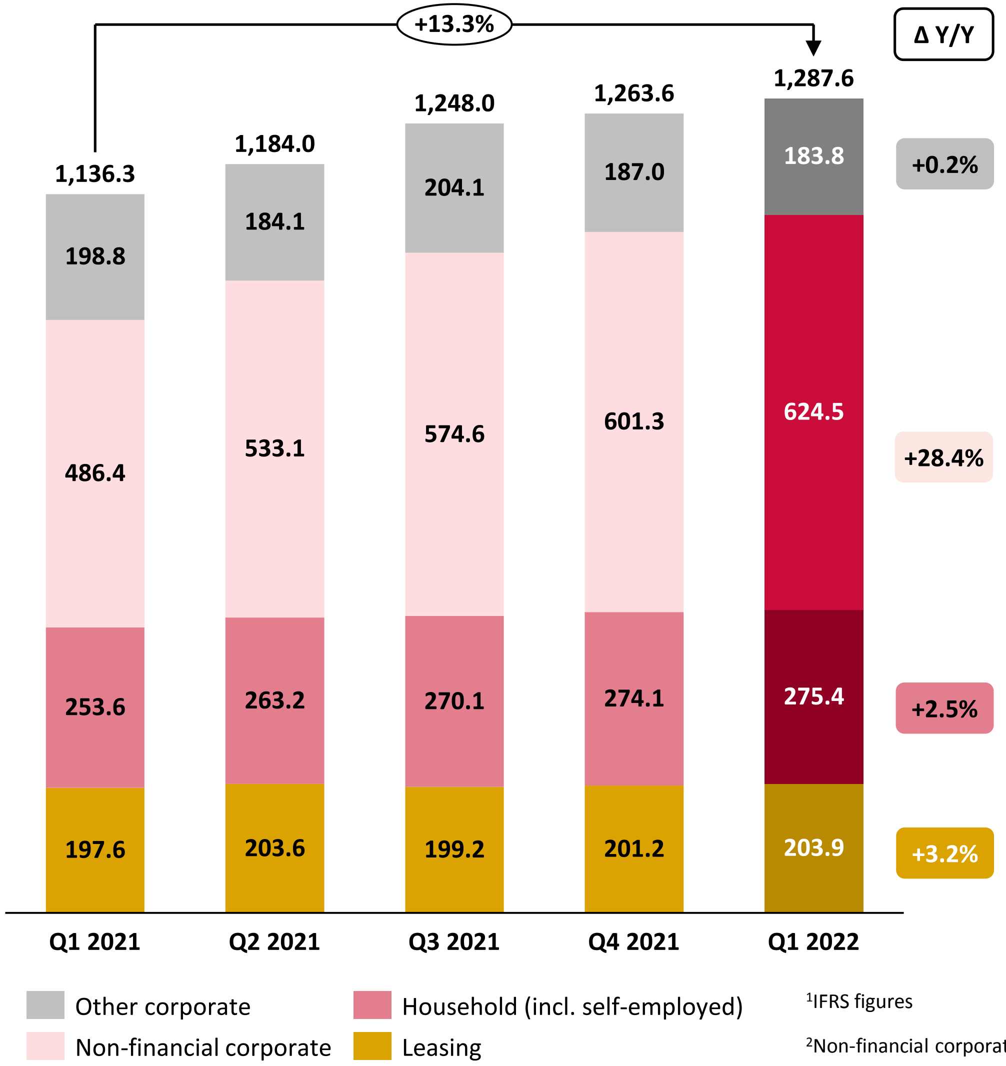


- International trends – incl. chip shortages, supply chain disruptions – have been posting a negative impact on the Hungarian market since Q3 2021, which limits the continuous expansion. The volume of new-car sales declined significantly in Q1 2022 compared to Q4 2021, whilst the selling prices, and consequently the related financing amounts, have been further sky-rocketing. The Russa-Ukraine war also puts a negative impact on the market.
- The significant **drop in the volume of new lease disbursements in Q1 2022 is mainly attributable to the decrease in inventory financing** which has been showing a declining trend since the second quarter of 2021 due to the decreased number of vehicles in stock. The inventory financing exposures, however, remained properly diversified in terms of both manufacturers (brands) and distribution partners.
- 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 resulted in the market leading position on the Hungarian leasing market**.

Expanding business activity with increasing trend in the market share of corporate loans and unsecured household loans

Loan portfolio

Gross loan portfolio[1] composition (HUF bn)

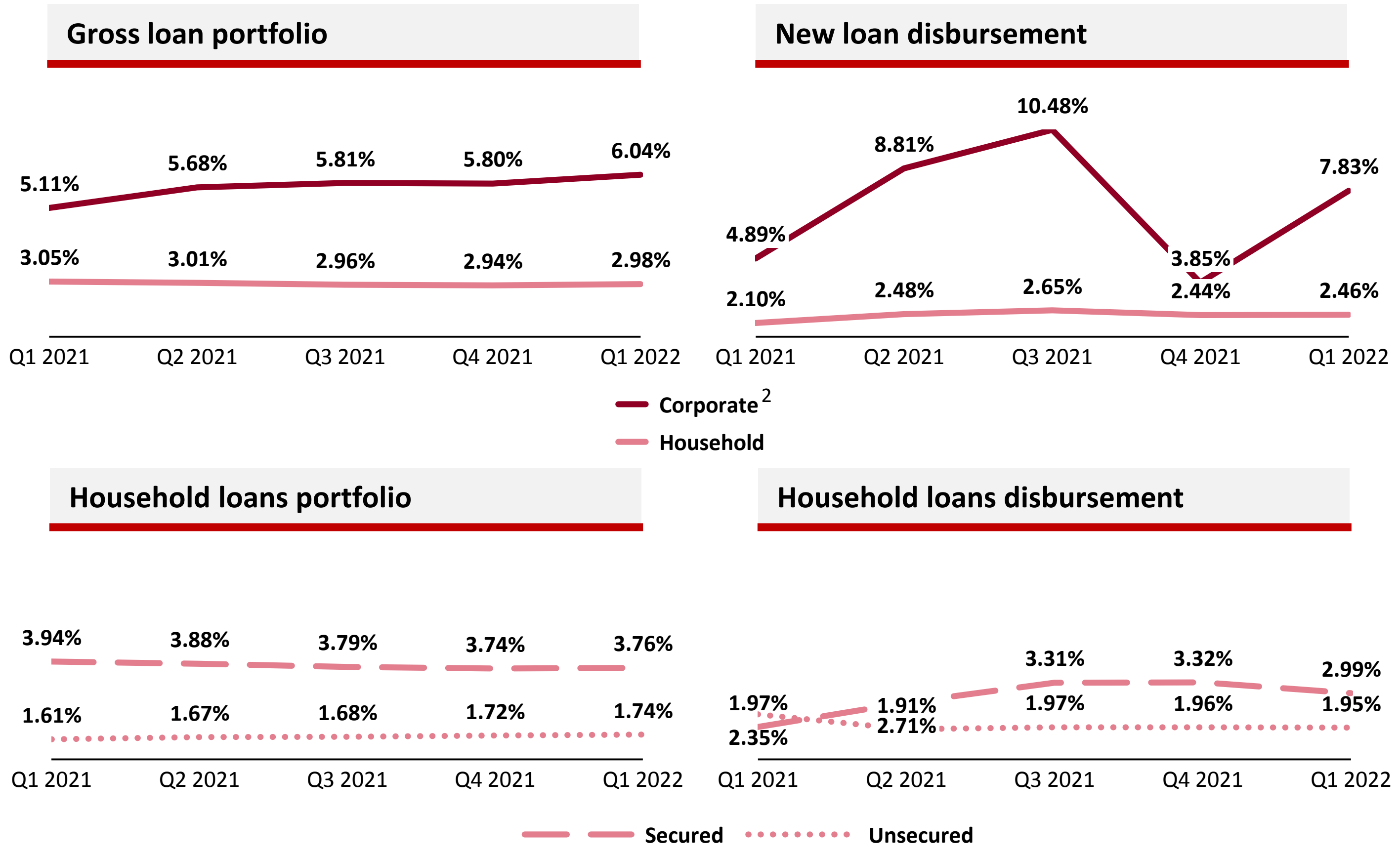


[1]IFRS figures

[2]Non-financial corporations

Please note: The segments are formed according to the requirements to be used in the reports prepared for NBH.

Market shares (%)



Gross loan portfolio: +HUF 151.3 bn y/y (+13.3% y/y), +HUF 24.0 bn q/q (+1.9% q/q)

- The continuously growing portfolio demonstrates **MKB Group's success in meeting and even overachieving its long-term business goals.**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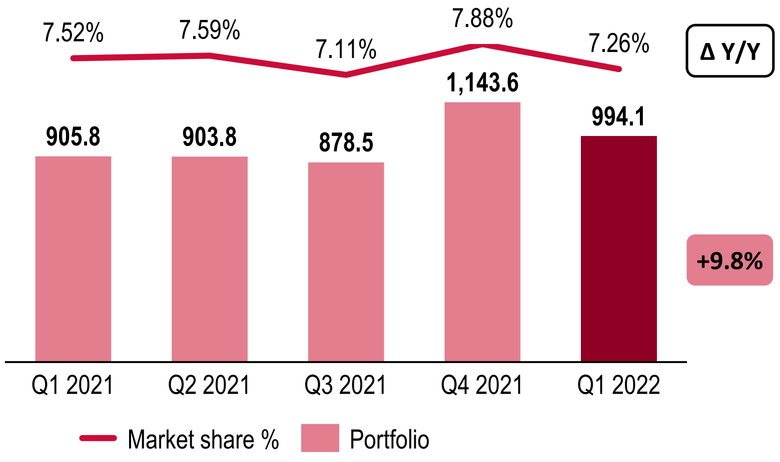
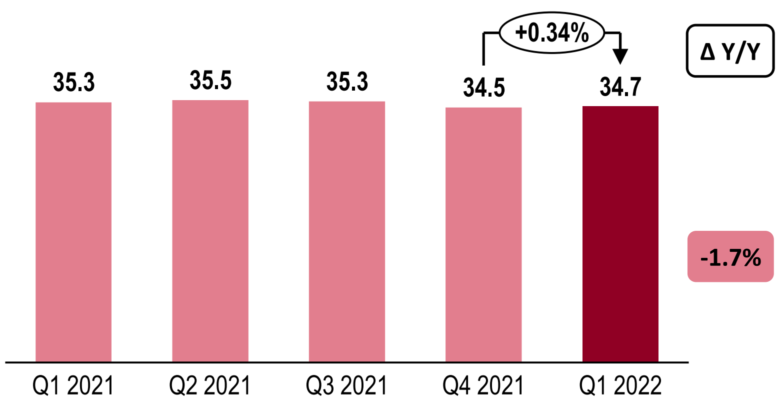
MKB managed to increase its deposit market share in household segment, meanwhile its corporate market share sligthly decreased

Corporate & Household

Corporate deposit portfolio[1] (HUF bn) and market shares[3] (%)



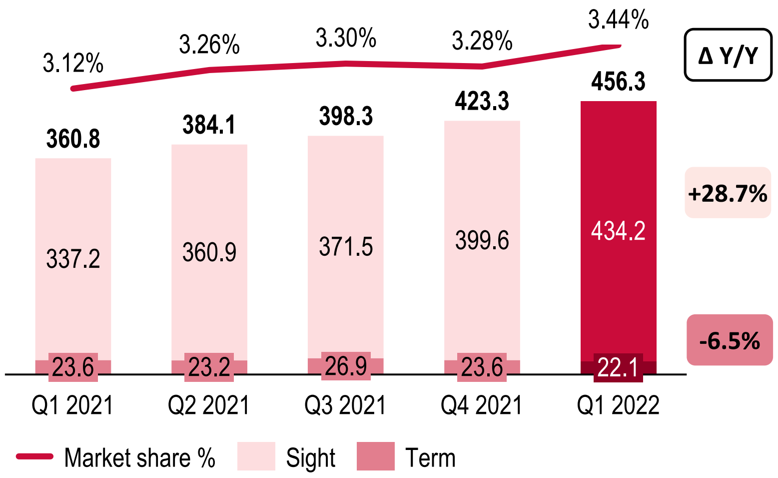
Number of corporate clients (in thousands)



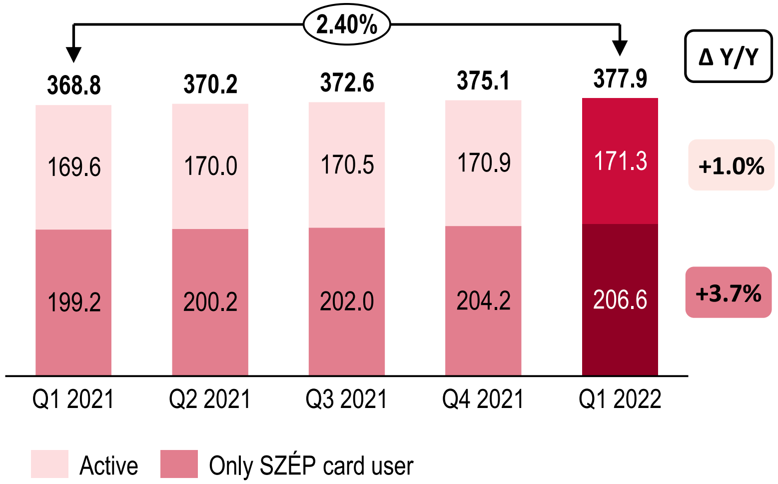
Corporate segment:

- The **corporate deposit portfolio** increased by HUF 88.3 bn y/y, but decreased by 13.1% compared to Q4 2021 due to the seasonality effect, as the corporate segment would normally experience its strongest growth during the last quarter of the year.
- Optimizing product development models and processes, including strengthening digitalization solutions in response to the challenges posted by the prolonged pandemic situation, remains a focus in 2022.
- The number of corporate clients, after experiencing a slight decline in the last quarter of 2021 due to technical portfolio data cleaning activity, increased by 0.2 thousand during Q1 2022.

Household deposit portfolio[2] (HUF bn) and market share[3] (%)



Number of retail clients (in thousands)



Household segment:

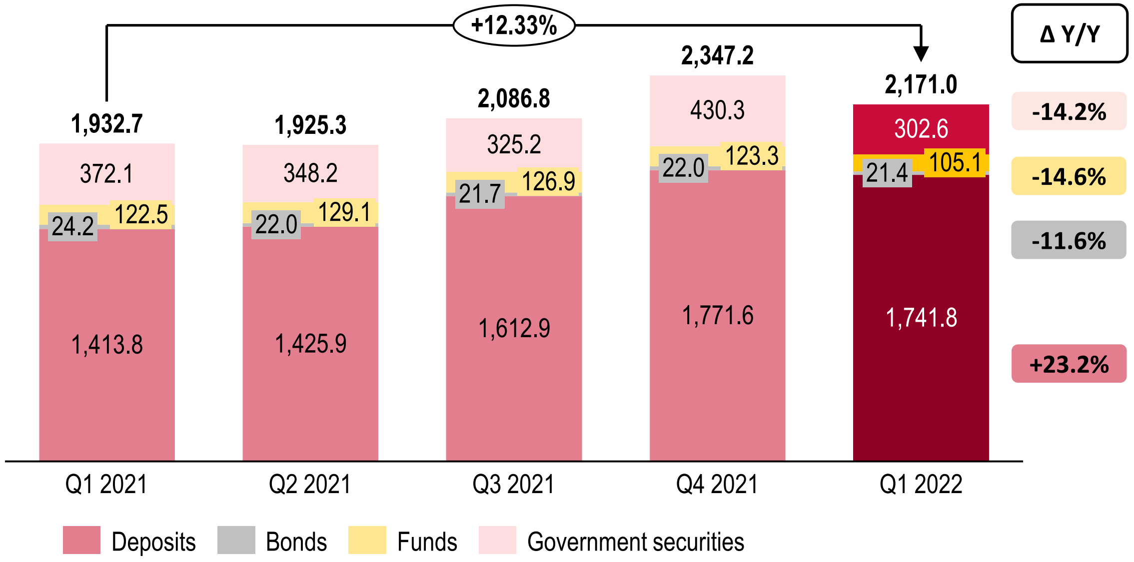
- The household **deposit portfolio increased to HUF 456.3 bn** (+HUF 33.0 bn q/q; +HUF 95.4 bn y/y) mainly attributable to tax refund to the household segment. The market share of household deposit portfolio increased to 3.44% by the end of Q1 2022.
- The number of retail clients increased to 377.9k by Q1 2022, driven mainly by the numbers of clients using SZÉP card only.

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

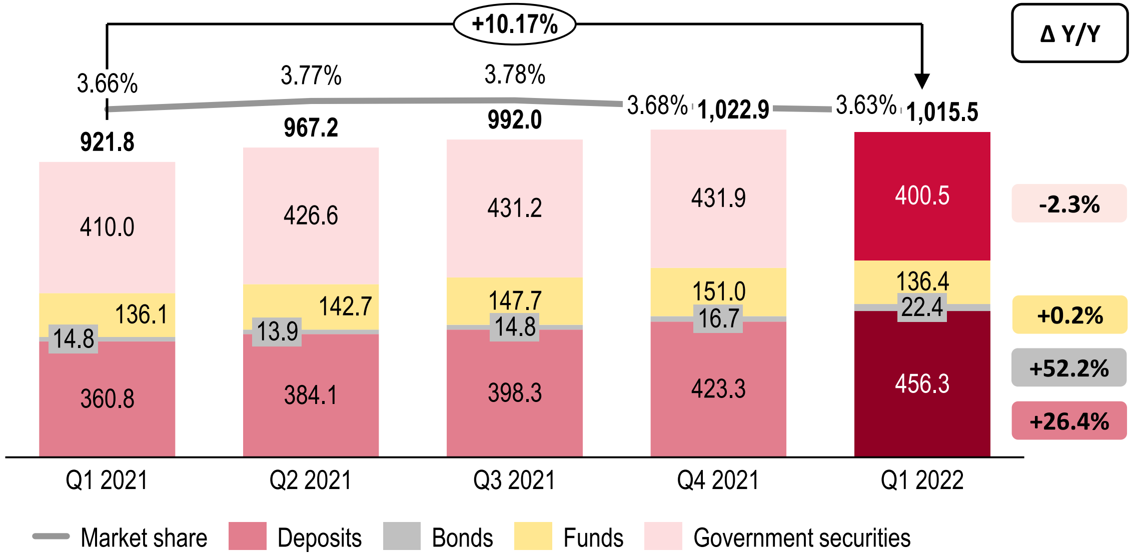
In Q1 2022, both corporate and household segments managed to increase savings as a benefit on y/y basis due to government programs and the moratorium

Savings

Corporate[1] savings (HUF bn)



Household savings (HUF bn) and market share[2] (%)



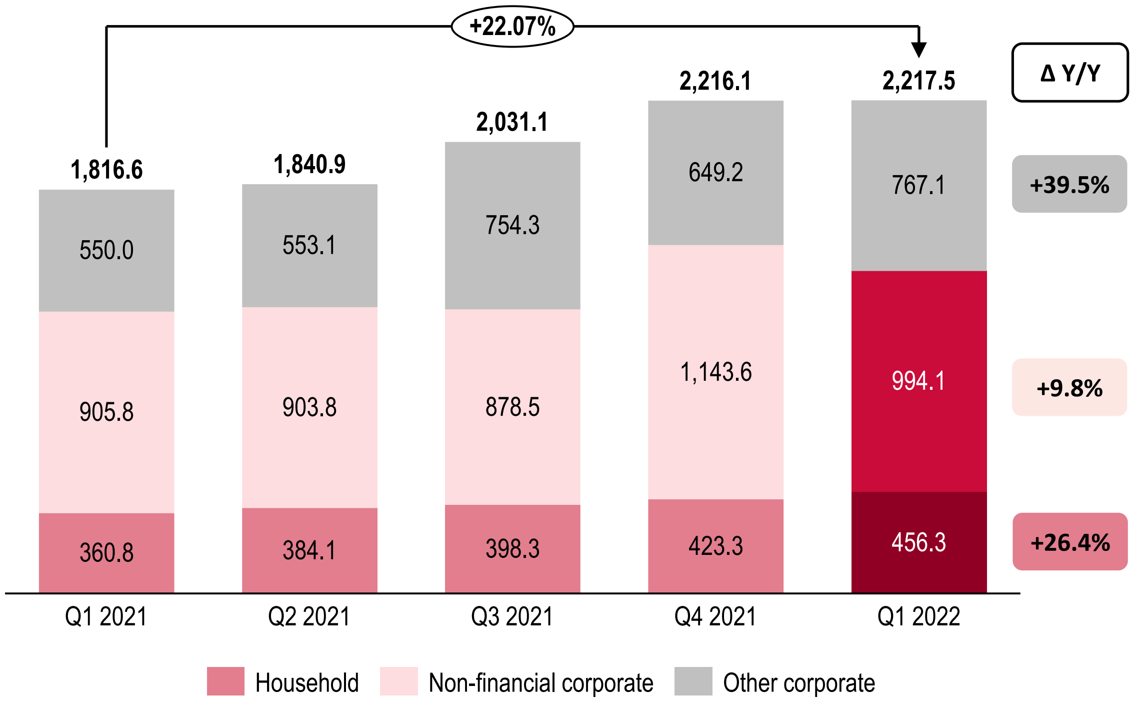
[1] Non-financial and financial corporations, including other corporate segment.
[2] Source: NBH

- **Corporate savings in total increased by 12.3% on an annual basis** (+HUF 238.3 bn y/y), **driven by the growth of 23.2% in deposits** supported by the government programs and partially by the moratorium induced lack of repayment. The moderate q/q decrease of 7.5% (-HUF 176.3 bn q/q) was attributable to the effect of one-off cash flows due to the seasonality effect, as corporate deposits would normally experience the strongest growths during the last quarter of the year, as well as to the decrease of government securities (-HUF 127.6 bn).
- In line with market trends, **household savings** also increased by **10.2% y/y (+HUF 93.8 bn)**, due to the Government's tax refund. Bank deposits, which have shown an exceptional growth of 26.4% on an annual basis, and government securities remained the most popular saving directions in the household segment, although government securities also experienced a q/q decrease of HUF 31.4 bn.

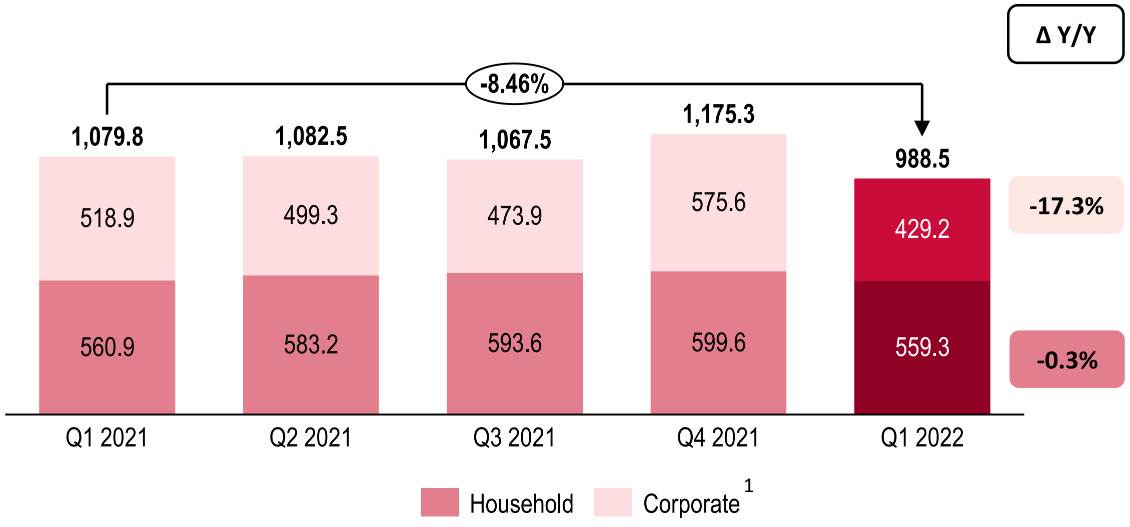
Deposit remained the most popular saving direction among corporations and household

Deposits & Savings

Savings in Deposits (HUF bn)



Savings in Bonds, Funds and Government securities (HUF bn)



[1] Non-financial and financial corporations, including other corporate segment.

- **Deposit portfolio showed a steady growth during the last quarters, reaching HUF 2,217.5 bn** by the end of Q1 2022. The significant y/y increase of 22.1% was driven by the growth of deposits provided to household and other corporate segments, which grew by 26.4% and 39.5% respectively compared to Q1 2021.
- The volume of other saving products, including investments in **bonds, funds and government** securities, declined by 8.46% y/y, totaling HUF 988.5 bn in the first quarter of 2022. The y/y decline was mainly due to the **corporate portfolio**, which decreased by 17.3% y/y. The **household portfolio** remained relatively stable during the last 12 months with a minimal y/y decrease of 0.3%.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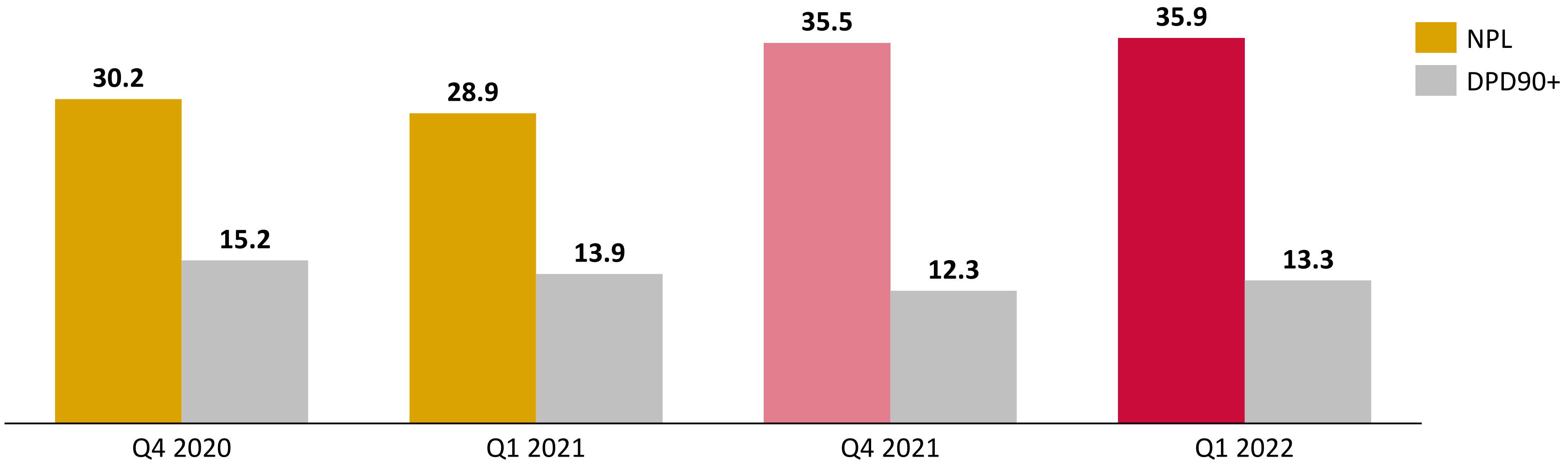
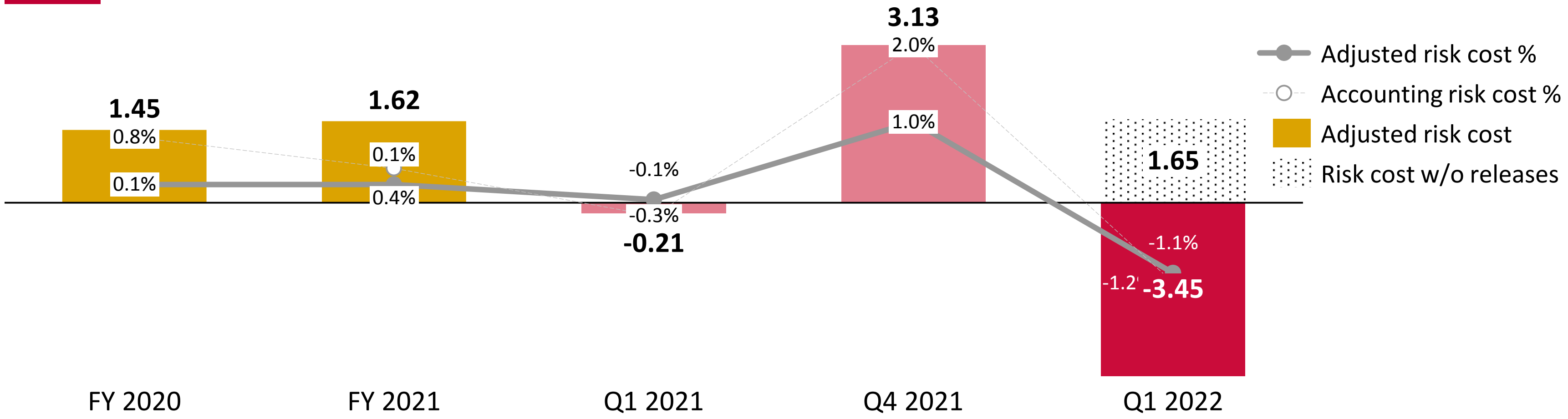
Risk cost release of HUF 3.45 bn as a result of stable loan quality, increase of guarantee coverage and adequate portfolio management

NPL & DPD90+ exposures (HUF bn)



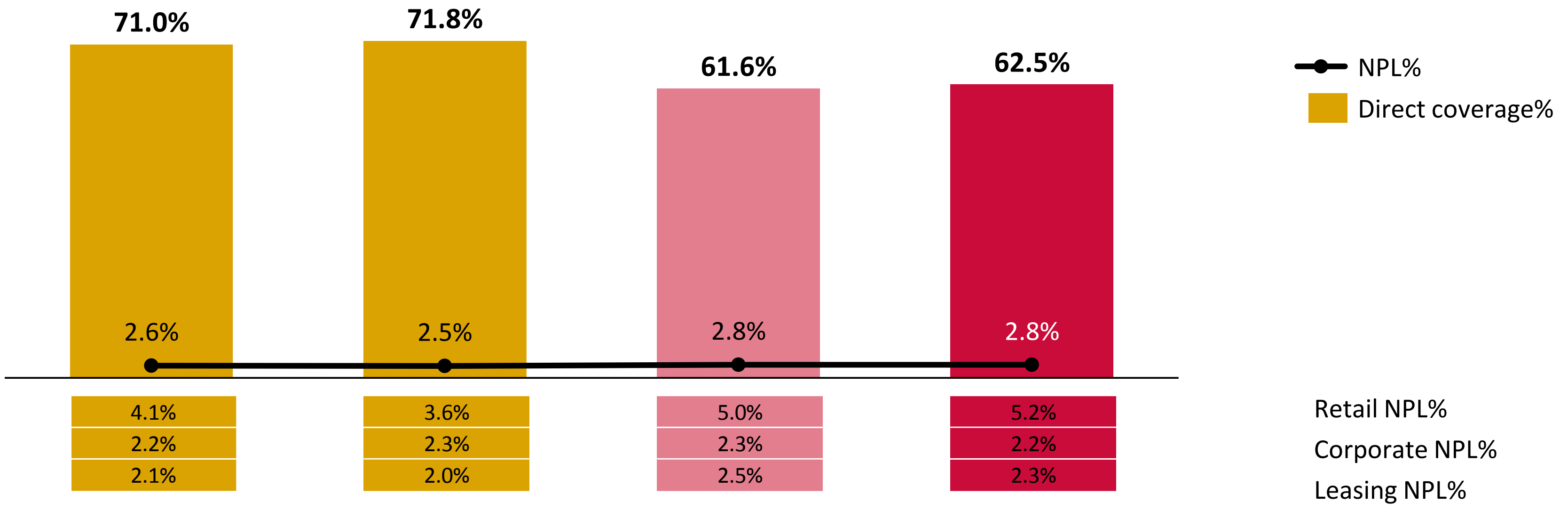
Adjusted risk cost (HUF bn) and rate (%)



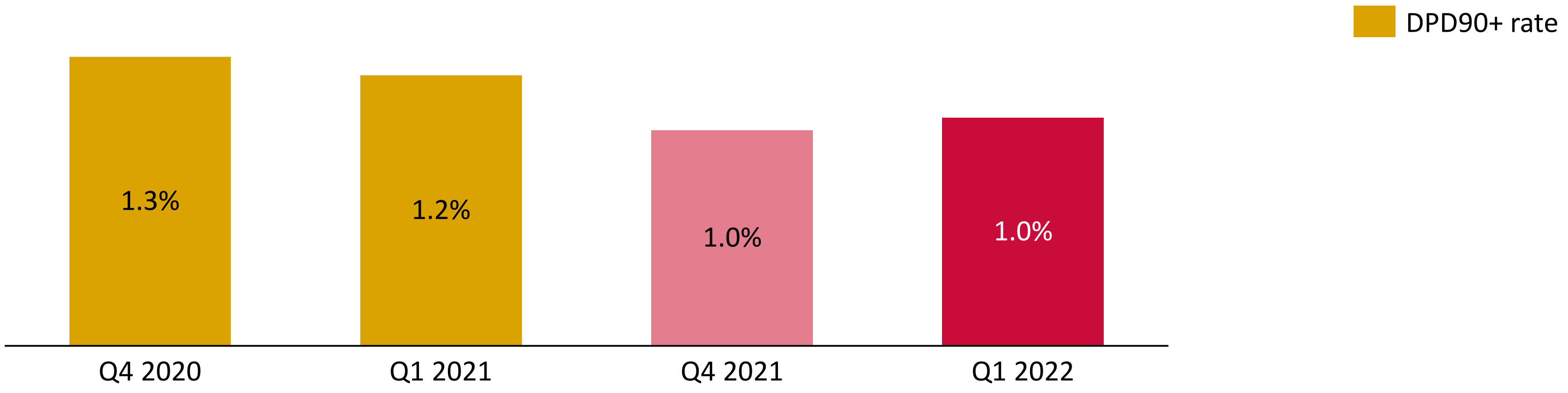
- The amount of NPL loans slightly increased to HUF 35.9 bn in the first quarter of 2022 due to a small part of clients opted out from the moratorium and being classified as non-performing.
- **The negative risk costs of - HUF 3.45 bn for Q1 2022 includes the release totaling HUF 5.1 bn in March, mainly due to the revision of stage management overlay (HUF 0.65 bn) and the risk cost release (HUF 4.51 bn) relating to 4 large corporate clients.** In case of two large corporate clients MFB guarantee contract was signed.

Slight increase in NPL ratio, due to the loan reclassification relating moratorium opt-out

NPL ratio and NPL coverage (%) [1]



DPD90+ rate (%)



- A small part of clients opted out from the moratorium was reclassified as non-performing during the first quarter of 2022, leading to an increase in the NPL portfolio.
- This affected mainly the retail segments where the NPL ratio increased from 5.0% in Q4 2021 to 5.2% in Q1 2022.
- In case of Corporate and Leasing portfolio the NPL ratio decreased by 0.1% and 0.2%points, respectively.

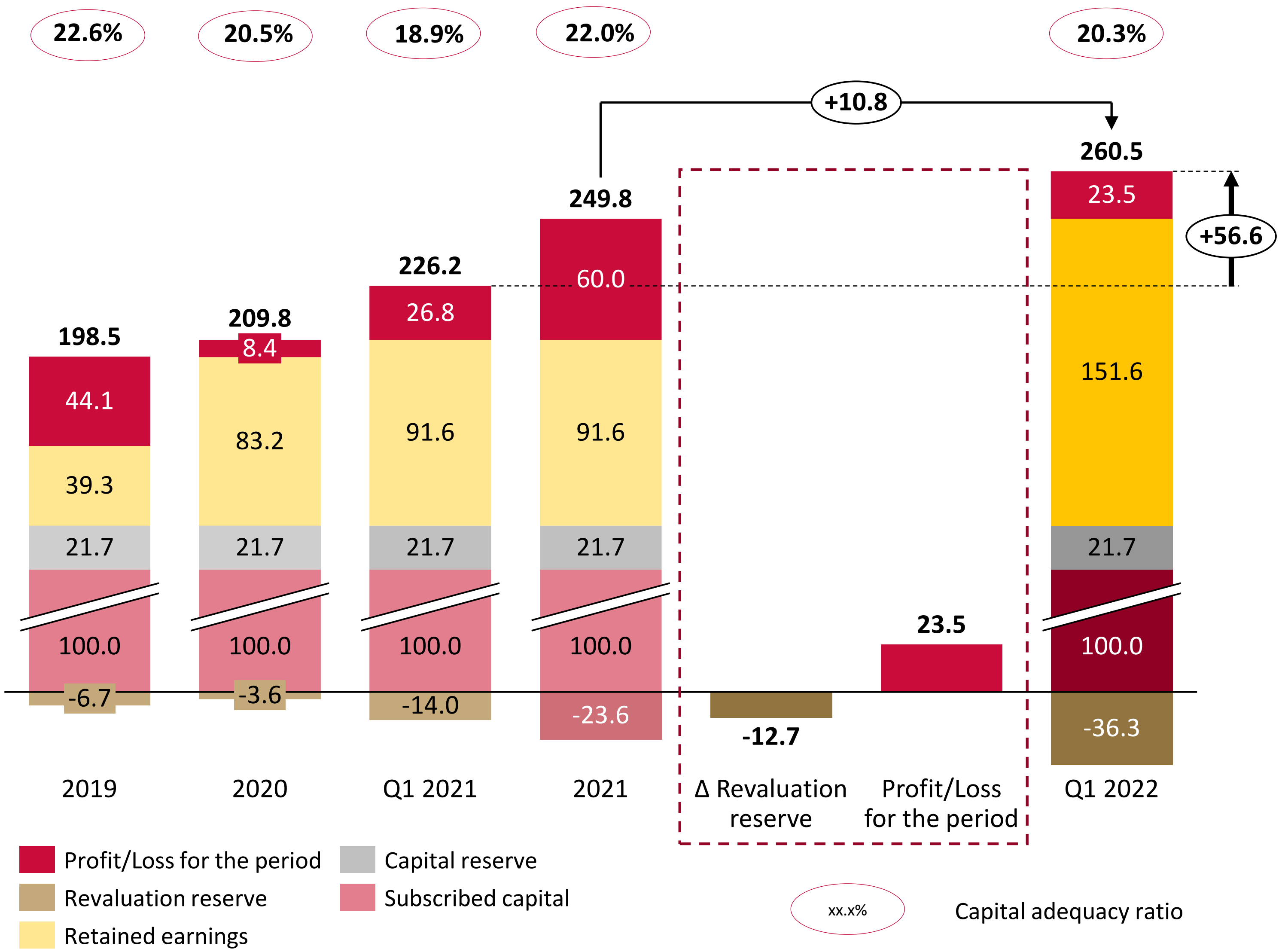
[1] According to IFRS, held for sale and FVTP portfolio is not included.

Capital position

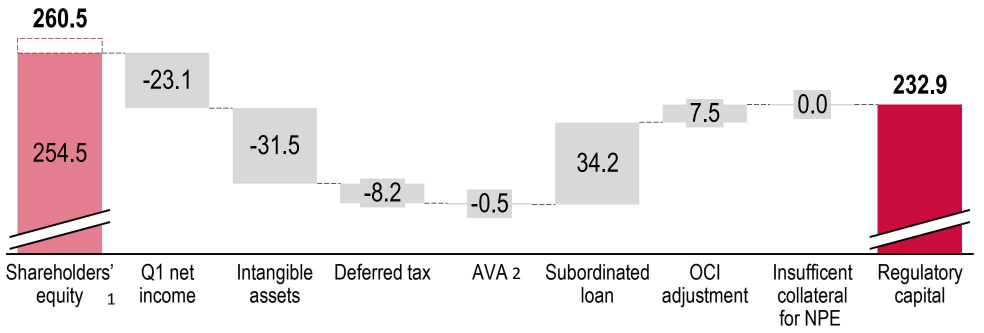
The strengthening of the capital position paves the way for continuing business growth

Capital

Capital (HUF bn)



Regulatory Capital formulation (HUF bn)



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

[2] AVA = Asset value adjustments – CRR specification

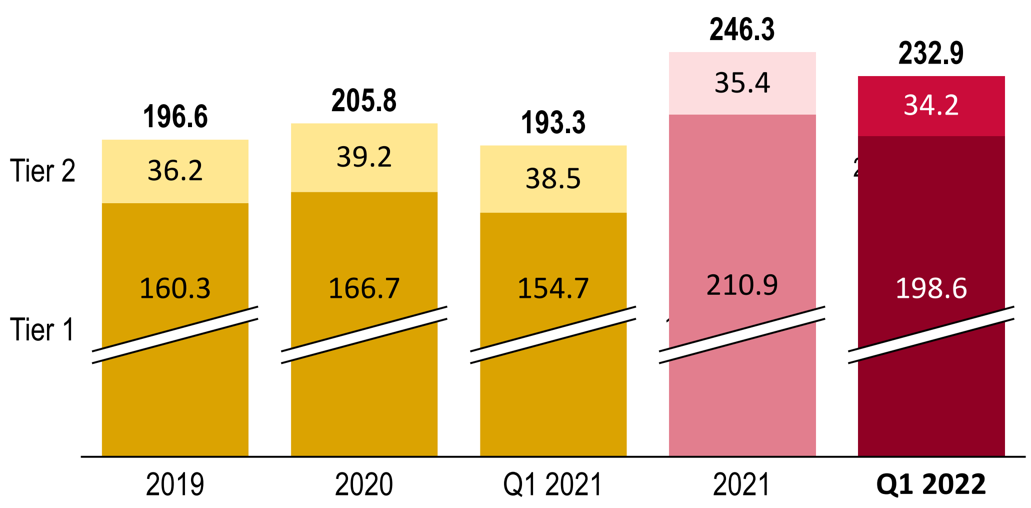
Capital position underpins the 2022 business growth and supports the implementation of the MBH goals

The strong capital position also strengthened MKB's shock absorbing capacity

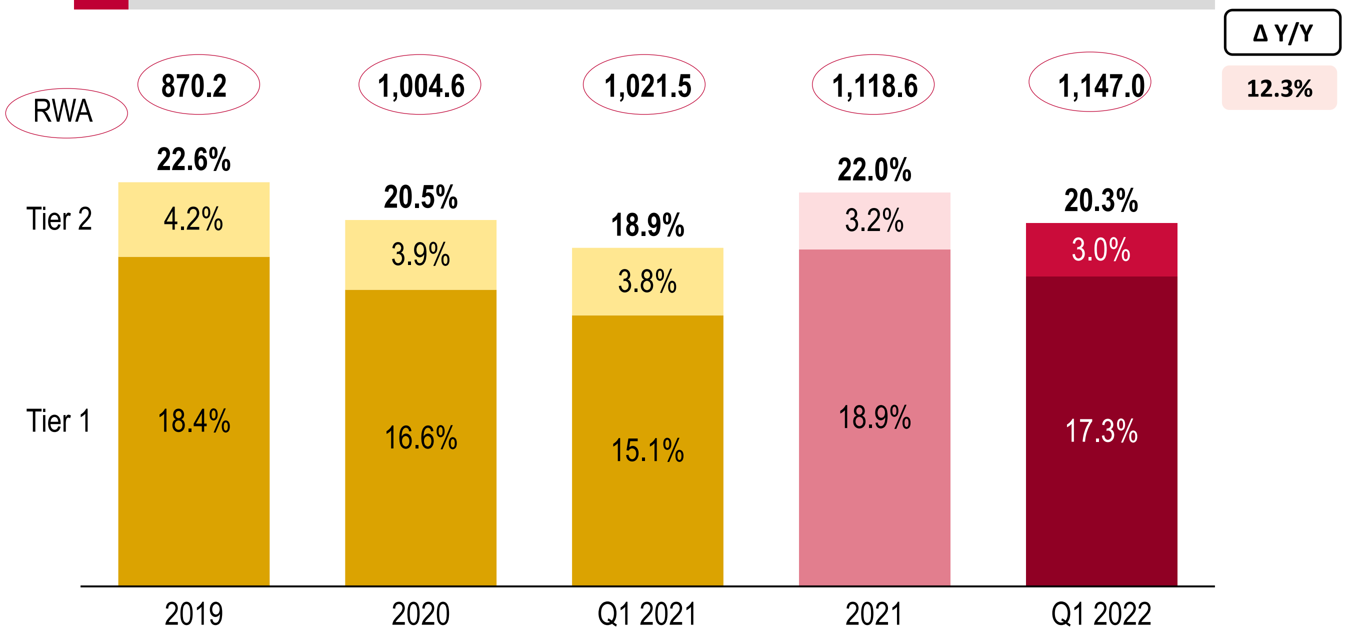
MKB Group's unadjusted total comprehensive income was HUF 10.8 in Q1 2022.

Steadily strong capital position despite macroeconomic uncertainties

Development of Regulatory Capital (HUF bn)



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



- **MKB's capital position remained strong with capital adequacy ratio above 20% level despite the prolonged effect of COVID-19 and the macroeconomic uncertainty caused by the Russia-Ukraine war.**
- **The increase of RWA also presents the continuation of MKB's reviving business activity in Q1 2022 and indicates potent customer acquisition capacity.**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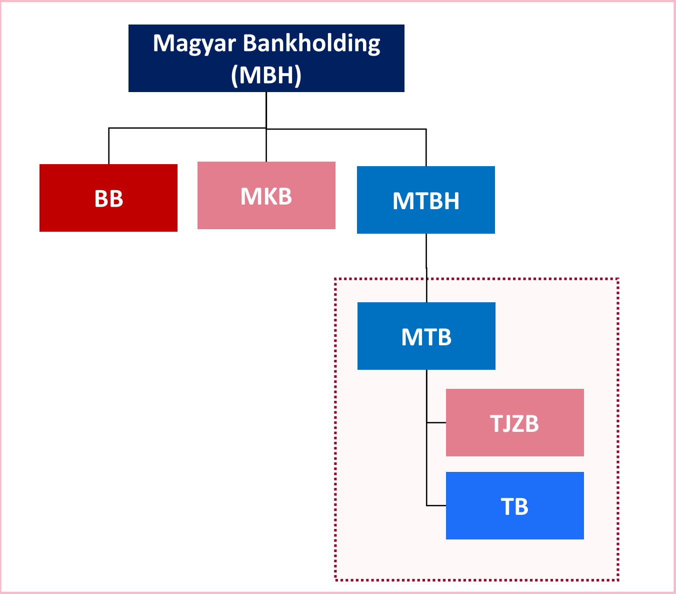
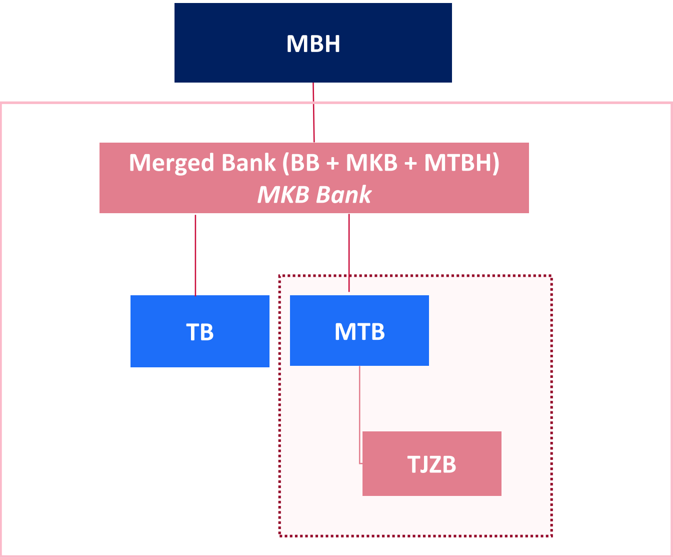
Successful legal day 1 and the upcoming milestones to a simplified governance structure

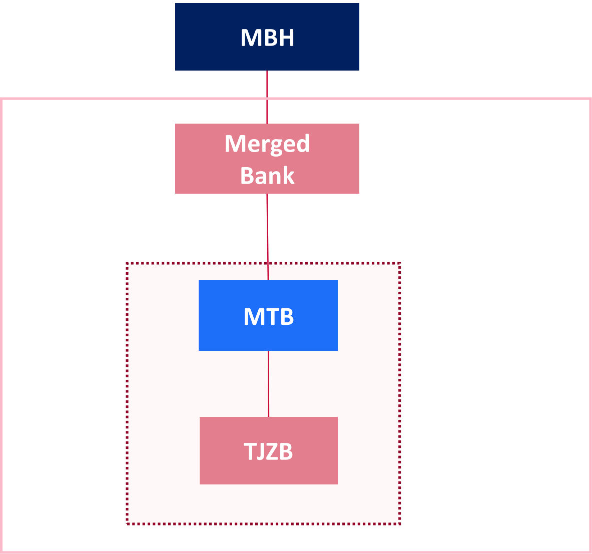
MBH

Current phase

1 Before 03.31.2022	2 Q2 2022 – Q2 2023	3 After Q2 2023
Initial structure of Magyar Bankholding	**BB and MTBH merging into MKB**	**Planned final structure**







Public entity
Scope of MTB integration
Prudential consolidation group

**The above group structure does not include all the subsidiaries (i.e.: leasing, factoring debt collection agency companies)*

- Successful Legal merger on 1 April 2022, with all changes completed in accordance with the plan and schedule
- All legal transaction process were successfully completed:
  - The MKB – BB – MTBH (Magyar Takarék Bankholding) merger
  - Takarékbank stepped out from the integration organization („Integrációs Szervezet")
- Unified umbrella ledger, ERP system and unified data warehouse have been implemented

MKB's strong corporate position and digital solutions combined with Budapest Bank's urban retail banking and SME capabilities paves the way for future growth

MBH

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

VOLUME AND MARKET SHARE OF MBH (HUF BN)	MKB		BB		MTB		MBH	
	Volume	Market share	Volume	Market share	Volume	Market share	Volume	Market share
Total Asset	3,797	5.9%	2,580	4.0%	4,138	6.4%	10,515	16.3% 2
Gross Loan	1,288	5.0%	1,262	4.9%	1,851	7.2%	4,400	17.0% 2
Retail	272	2.9%	423	4.6%	706	7.6%	1,401	15.2%
Corporate	814	7.9%	575	5.6%	1,088	10.5%	2,477	23.9%
Leasing	203	n/a	248	n/a	57	n/a	507	n/a 1
Deposit	2,217	6.3%	1,572	4.5%	2,382	6.8%	6,172	17.5% 2
o/w: Retail	459	3.5%	437	3.3%	987	7.4%	1,884	14.2% 1
o/w: Corporate	1,694	12.4%	1,035	7.6%	1,395	10.2%	4,125	30.1%

X Indicates the expected market position in the given segment post-merger based on Q1 2022 volumes

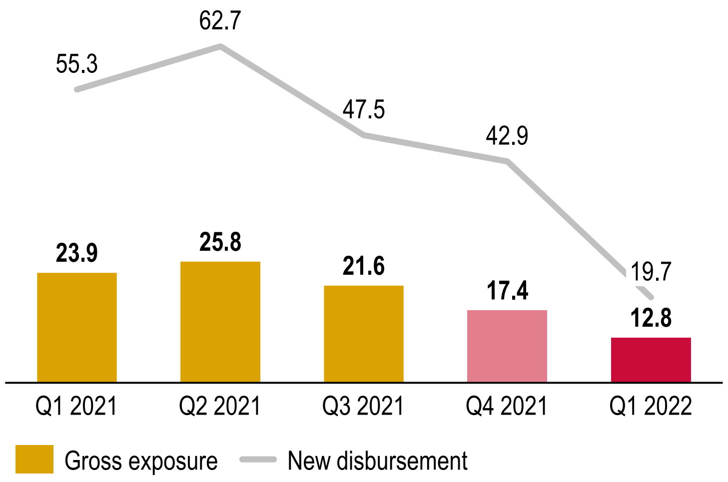
- With respect to retail deposits, MBH's market share accounts for c. 14.2%, by which MBH became the market leader in this segment.
- **Leasing business -** The integration of MBH's leasing companies was completed by the beginning of January 2022 which resulted a market-leading position on the Hungarian leasing market.
- Based on total assets, MBH is the second largest player in the Hungarian market.

Annexes

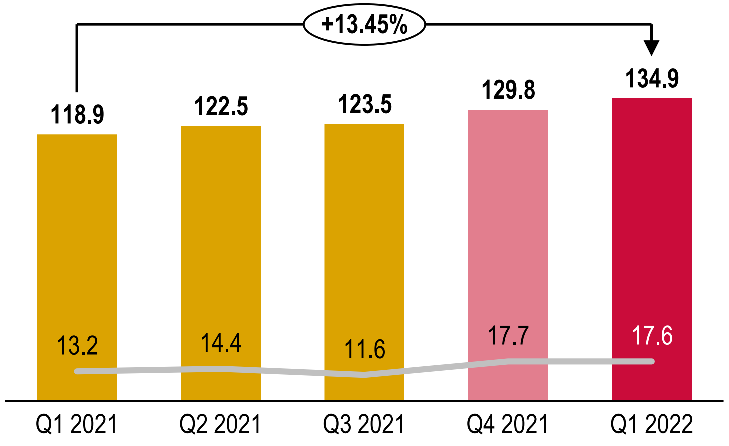
Leasing segment

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

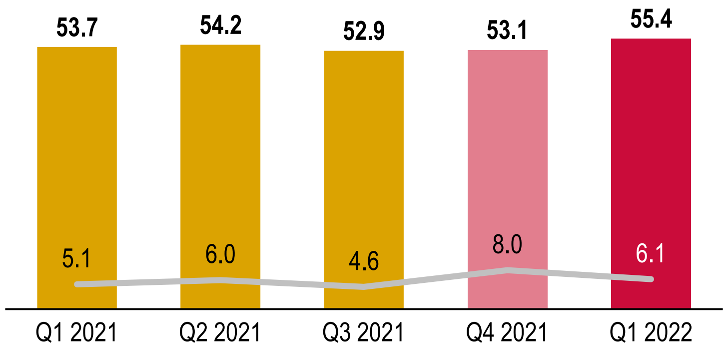
Inventory financing (HUF bn)



Retail car financing (HUF bn)



Wholesale, agricultural and machine financing (HUF bn)

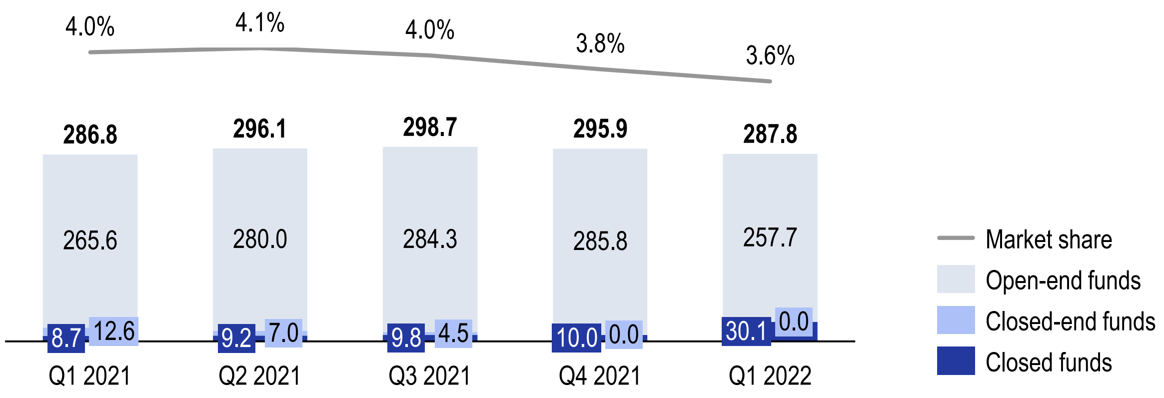


- The gross volume of inventory financing was HUF 12.8 bn (-46.6% y/y and -HUF 11.1 bn y/y).
- The stock of retail car financing was HUF 134.9 bn (+13.5% y/y and +HUF 16.0 bn y/y). The amount of new disbursements were HUF 17.6 bn in Q1 2022, slightly decreased compared to Q4 2021.
- The stock of wholesale, agricultural and machine financing volume was HUF 55.4 bn at the end of the quarter. This represents an increase of 3.3% y/y. New disbursements amounted to HUF 6.1 bn in Q1 2022 which was the second highest quarterly volume (only after the record Q4 2021) since the beginning of 2021. One of the Group's goals for 2022 is to strengthen its market position in the segment.

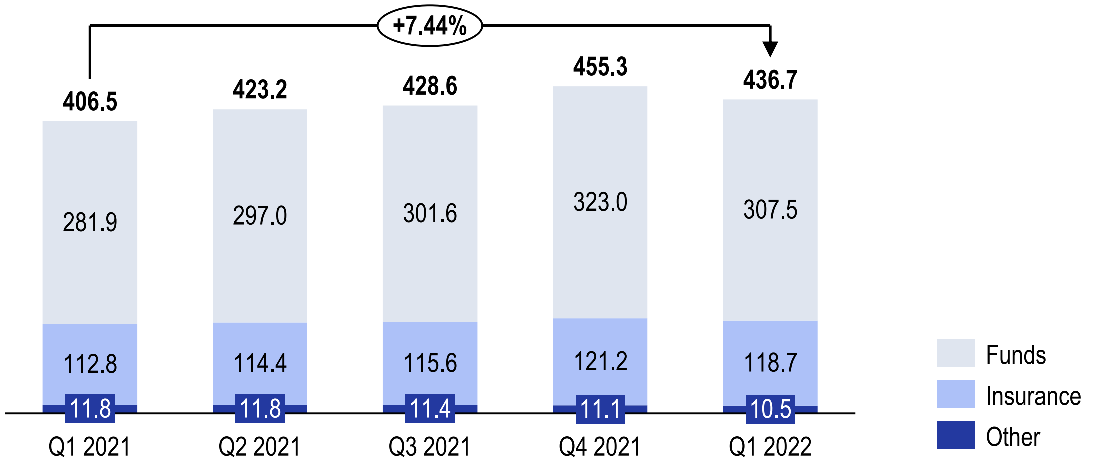

100%
90%
80%
70%
60%
50%
40%
30%
20%
10%

MKB-Pannónia Asset Management

Breakdown of investment funds (HUF bn)



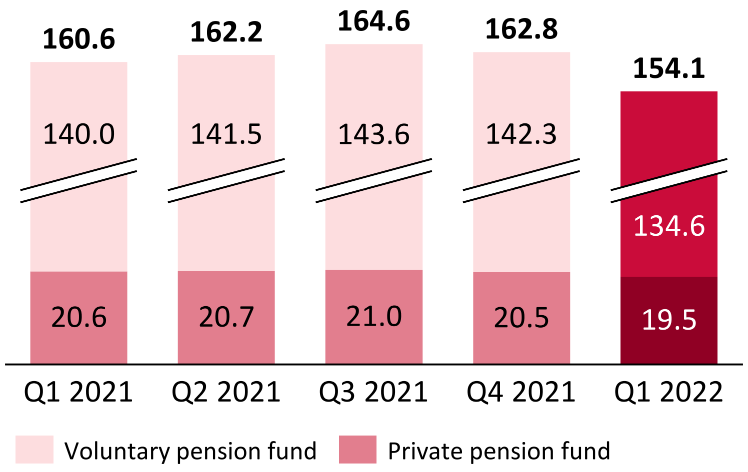
Breakdown of managed portfolios (HUF bn)



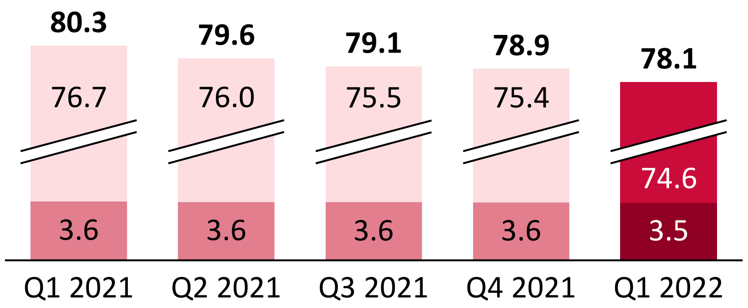
- Market share of MKB-Pannónia's AUM was 6.57% at the end Q1 2022.
- The value of the open-ended funds slightly decreased to HUF 257.7 bn due to unfavorable market movements and strong outflow from the funds.
- As MKB-Pannónia took over two new private equity funds in Q1 2022, the closed-end funds' AUM increased to over HUF 30 bn.
- AUM of the managed portfolios declined by 4% q/q to HUF 436.7 bn in Q1 mainly due to the effects of unfavorable market movements.

MKB Pension & Health Funds

Pension Funds - Total AUM
(HUF bn)

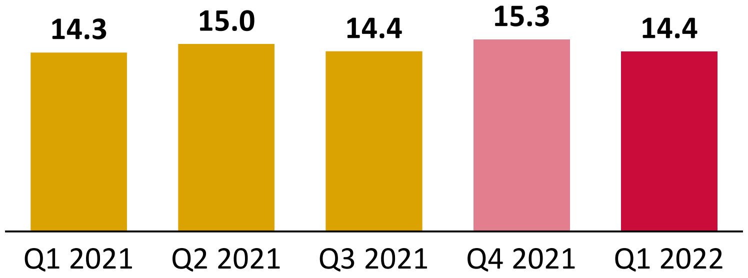


Pension funds – Number of members
(in thousands)

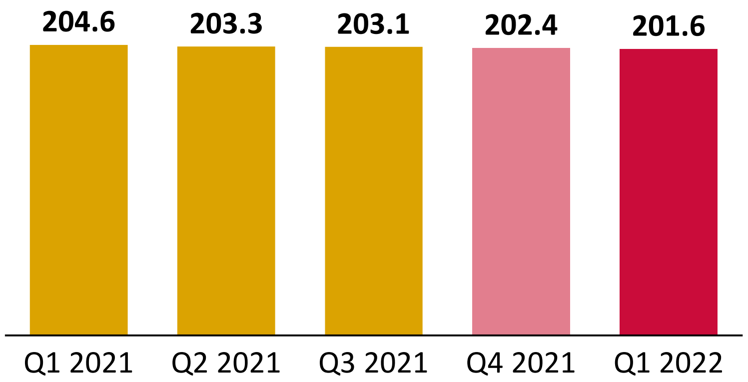


Az **MKB Voluntary Pension Fund** had nearly 75,000 members at the end of Q1 2022 and had HUF 134.6 bn in asset value. Among voluntary pension funds in Hungary, MKB Group has around 9% market share based on asset value. This makes this fund the 6th biggest in its own category in Hungary.

Health Funds – Total AUM
(HUF bn)



Health Funds – Number of members
(in thousands)



The **MKB-Pannónia Health and Voluntary Health and Mutual Aid Fund's** assets decreased to HUF 14.4 bn in Q1 2022. This represents a 24% market share based on the value of funds. Despite the fact, that the number of members decreased further slightly in Q1 2022, with almost 202k members it is still the 3rd largest fund in its own category in Hungary.

Post closing events

A sale and purchase agreement has been concluded by and between MKB Bank as buyer and MTB Bank of Hungarian Savings Cooperatives Co. Ltd. as seller by which MKB Bank has purchased from MTB 7,156 dematerialized series A ordinary shares with nominal and issuing value of HUF 10 million per share and 200 thousand dematerialized series B preference (dividend preference) shares with nominal and issuing value of HUF 10 thousand issued by Takarékbank. The shares represent 39.35% of the registered capital of Takarékbank.

Takarékbank, as a company to be included in the consolidation of MKB Bank, in possession of the necessary prior approvals and acting upon its rights stipulated in the law, at on 1 April 2022, left the mandatory institutional protection organization of the integrated credit institutions, Integration Organization.

Upon request of Hungarian Bankholding the National Bank of Hungary with its decision nr. H-EN-I-119/2022, revoked the licence for operating as a financial holding company issued to Hungarian Bankholding. MKB Bank took over the group management function over the banking group after 29 April 2022.

A transfer agreement has been concluded by and between MKB Bank and Magyar Posta Zrt. by which MKB Bank or its designated subsidiary will acquire 1,771 dematerialized series A ordinary shares issued by Takarékbank and owned by Magyar Posta with a nominal value of HUF 10 million per share, altogether a total nominal and issuing value of 17.71 billion until 31 October 2022 at the latest, which shares represented the 17.66% of the registered capital of Takarékbank on the signing date of the agreement.


100%
90%
80%
70%
60%
50%
40%
30%
20%
10%

Unadjusted KPIs

P&L KPIs

KPIs based on (unadjusted) financial statements	2020 FY	2021 Q1	2021 Q4	2021 FY	2022 Q1	Y - Y (Y) %-pt	Q - Q %-pt
Profitability							
TRM - Total Revenue Margin	2.79%	5.86%	3.59%	4.16%	4.29%	*-1.6%-pt*	*0.7%-pt*
NIM - Net Interest Margin	1.33%	1.59%	2.08%	1.77%	1.87%	*0.3%-pt*	*-0.2%-pt*
NFM - Net Fee Margin	1.06%	0.76%	0.86%	0.81%	0.61%	*-0.1%-pt*	*-0.2%-pt*
CIM - Core Income Margin	2.83%	2.54%	3.00%	2.77%	2.48%	*-0.1%-pt*	*-0.5%-pt*
Efficiency							
CIR - Cost-to-Income Ratio	72.38%	34.19%	69.21%	46.87%	42.94%	*8.8%-pt*	*-26.3%-pt*
C/TA - Cost-to-Total Assets	2.02%	2.01%	2.48%	1.95%	1.84%	*-0.2%-pt*	*-0.6%-pt*
ROAE - Return on Average Equity	4.24%	49.19%	8.81%	25.64%	36.82%	*-12.4%-pt*	*28.0%-pt*
ROMC - Return on Minimum Capital Required	5.76%	72.45%	13.26%	38.38%	55.18%	*-17.3%-pt*	*41.9%-pt*
Risk% - Risk Cost Ratio	0.79%	-0.30%	2.05%	0.36%	-1.22%	*-0.9%-pt*	*-3.3%-pt*
Share information							
EPS - Earning Per Share (HUF, IFRS)	84.2	268.1	54.4	599.8	234.8	*-33.2*	*180.4*


100%
90%
80%
70%
60%
50%
40%
30%
20%
10%

MKB, MKB Bank, MKB Group	MKB Bank Plc.
MBH, Magyar Bankholding	Hungarian Bankholding Ltd.
BB	Budapest Bank Ltd.
MTB	MTB Bank of Hungarian Savings Cooperatives Co.Ltd.
MTBH	Magyar Takarék Bankholding Ltd.
TB	Takarékbank Zprivate Co. Ltd. By Shares
TJZB	Takarék Mortgage Bank Co. Plc.
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	Annual data
(Y), YTD	Year to date data

PAT	Profit after tax
PBT	Profit before tax
GOI	Gross Operating Income
GAE	General Administrative Expenses
OCI	Other comprenesive income
TOCI	Total other comprenesive income
FX	FX result
FV	Revaluation result
IRS	Interest rate swap
TA	Total assets
RWA	Risk weighted assets

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

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