MKB Bank Nyrt.

Report on the
1H 2021 results
(Flash Report)

Budapest, 26 August 2021

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1 MKB Group 1H 2021 Results – overview

Main components of P&L (in MHUF)	Period 2Q 2020	1Q 2021	2Q 2021	P/P	Y/Y	YTD 1H 2020	1H 2021	Y/Y
TOCI (Total Comprensive Income)	**7,777**	**16,414**	**9,141**	**-44.3%**	**17.5%**	**-2,053**	**25,554**	**-**
Revaluation on non HFC financial assets (OCI)	11,569	-10,393	-2,278	-78.1%	-119.7%	-67	-12,671	-
Profit after tax	**-3,793**	**26,807**	**11,419**	**-57.4%**	**-**	**-1,986**	**38,225**	**-**
Adjustments total on PAT	3,093	2,122	213	-89.9%	-93.1%	9,224	2,336	-74.7%
Adjusted TOCI	**5,183**	**18,536**	**9,354**	**-49.5%**	**80.5%**	**7,172**	**27,890**	**288.9%**
Adjusted revaluation on non HFC financial assets (OCI)	5,883	-10,393	-2,278	-78.1%	-138.7%	-67	-12,671	-
Adjusted Profit after tax	**-700**	**28,929**	**11,632**	**-59.8%**	**-**	**7,239**	**40,561**	**-**
Profit before tax (adjusted)	**-381**	**31,261**	**13,210**	**-57.7%**	**-**	**8,188**	**44,471**	**-**
Gross Operating Income (adjusted)	**10,084**	**43,085**	**24,962**	**-42.1%**	**147.5%**	**27,486**	**68,047**	**147.6%**
Net Interest Income (adjusted)	8,391	11,463	12,677	10.6%	51.1%	16,146	24,141	49.5%
Net Fee Income (adjusted)	5,279	5,510	6,123	11.1%	16.0%	11,275	11,633	3.2%
Net Other Income (adjusted)	-3,587	26,112	6,161	-76.4%	-271.8%	65	32,273	-
General Administrative Expenses (adjusted)	-10,296	-12,075	-12,397	2.7%	20.4%	-20,198	-24,472	21.2%
Provision for losses on loans (adjusted)	-121	209	619	196.4%	-	921	828	-10.1%

Main components of Balance sheet (in MHUF)	Volumes at the end of period 2Q 2020	1Q 2021	2Q 2021	P/P	Y/Y	YTD average 1H 2020	1H 2021	Y/Y
Total Assets	**2,207,809**	**2,996,511**	**3,034,148**	**1.3%**	**37.4%**	**2,006,853**	**2,952,194**	**47.1%**
Customer Loans (net)	991,345	1,091,537	1,140,032	4.4%	15.0%	987,425	1,109,267	12.3%
Customer Loans (gross)	1,038,330	1,136,335	1,183,989	4.2%	14.0%	1,034,186	1,154,145	11.6%
Provision for Customer loans	-46,985	-44,797	-43,957	-1.9%	-6.4%	-46,762	-44,878	-4.0%
Deposits & C/A	1,458,430	1,816,604	1,840,938	1.3%	26.2%	1,356,450	1,834,102	35.2%
Subordinated debt	42,711	45,034	42,964	-4.6%	0.6%	42,149	44,439	5.4%
Shareholders' Equity	196,409	226,193	235,334	4.0%	19.8%	193,034	224,375	16.2%

KPIs based on adjusted and unadjusted PAT (%)	Period 2Q 2020	1Q 2021	2Q 2021	P-P	Y-Y	YTD 1H 2020	1H 2021	Y-Y
ROAE (Return on Average Equity - unadjusted)	-7.9%	49.2%	19.8%	-29.4%-pt	27.7%-pt	-2.1%	34.1%	36.1%-pt
EPS (Earning Per Share - unadjusted, IFRS)	-37.9	268.1	114.2	-153.9	152.1	-19.9	382.3	402.1
ROAE (Return on Average Equity - adjusted)	-1.5%	53.1%	20.2%	-32.9%-pt	21.6%-pt	7.5%	36.2%	28.7%-pt
ROMC (Return on Minimum Capital - adjusted)	-1.9%	78.2%	30.2%	-48.0%-pt	32.1%-pt	9.8%	53.7%	43.9%-pt
ROAA (Return on Average Assets - adjusted)	-0.1%	4.0%	1.5%	-2.5%-pt	1.7%-pt	0.7%	2.7%	2.0%-pt
TRM (Total Revenue Margin - adjusted)	1.9%	6.0%	3.3%	-2.7%-pt	1.4%-pt	2.7%	4.6%	1.9%-pt
CIM (Core income margin - adjusted)	2.9%	2.5%	2.8%	0.3%-pt	0.0%-pt	3.1%	2.7%	-0.4%-pt
NIM (Net Interest Margin - adjusted)	1.6%	1.6%	1.7%	0.1%-pt	0.1%-pt	1.6%	1.6%	0.0%-pt
NFM (Net Fee Margin - adjusted)	1.0%	0.8%	0.8%	0.0%-pt	-0.2%-pt	1.1%	0.8%	-0.3%-pt
C/TA (Cost to Total Assets - adjusted)	1.9%	1.7%	1.6%	0.0%-pt	-0.3%-pt	2.0%	1.7%	-0.4%-pt
CIR (Cost Income Ratio - adjusted)	102.1%	28.0%	49.7%	21.6%-pt	-52.4%-pt	73.5%	36.0%	-37.5%-pt
Risk% (Risk cost rate - adjusted)	0.0%	-0.1%	-0.2%	-0.1%-pt	-0.3%-pt	-0.2%	-0.1%	0.0%-pt
GOI/RWA (RWA efficiency - adjusted)	4.0%	17.0%	9.5%	-7.6%-pt	5.5%-pt	5.6%	13.2%	7.6%-pt
EPS (Earning Per Share - adjusted)	-28.0	1157.1	465.3	-691.9	493.3	144.8	811.2	666.4

Volume KPIs (%)	Period 2Q 2020	1Q 2021	2Q 2021	P-P	Y-Y	YTD 1H 2020	1H 2021	Y-Y
Provision/Total Assets	2.1%	1.5%	1.4%	0.0%-pt	-0.7%-pt	2.1%	1.4%	-0.7%-pt
CAR (Capital Adequacy Ratio)	19.8%	18.9%	17.8%	-1.2%-pt	-2.0%-pt	19.8%	17.8%	-2.0%-pt
RWA/Total Assets	45.6%	34.1%	35.9%	1.8%-pt	-9.6%-pt	45.6%	35.9%	-9.6%-pt
LTD (Loan to Deposit)	71.2%	62.6%	64.3%	1.8%-pt	-6.9%-pt	71.2%	64.3%	-6.9%-pt
DPD90+ rate	2.0%	1.2%	1.2%	0.0%-pt	-0.8%-pt	2.0%	1.2%	-0.8%-pt

MKB Group 1H 2021 results are based on cumulated, consolidated, unaudited IFRS data of 30.06.2021. "Adjusted" figures (alternative performance measurement indicators – APM) are indicators of the underlying business performance; the list of correction factors is included in Chapter 3.1.

For definition and calculation methodology of alternative performance measurement indicators used to depict the underlying business performance please refer to chapter 4.1 – Financial indicators.

Utilising its massive capital and liquidity buffer, enhanced customer relationships and strong market presence, MKB Group – despite the adverse effects of the pandemic situation, growing inflation fears, and changing macroeconomic environment – managed to increase its core income and total balance sheet during the first half of 2021 while also focusing on Bankholding integration targets.

In 2Q 2021 the following main factors were instrumental:

- **Renewed demand for loans**: demand for investment loans and continuous participation in economic stimulus programs boosted corporate loans (+5.0% p/p; +15.6% y/y), whilst leasing (+3.0%; +15.9%) and retail loan volumes (+3.0% p/p; +8.8% y/y) also increased.
- **Excellent business line performances**: increasing flow market share in every segment. Corporate flow market share (8.85%) was more than one and a half times higher than stock market share (5.68%).
- **Enhanced turnover and transaction figures** stemming from economic recovery after the third wave of the pandemic.
- Although the participation rate only slightly decreased in 2Q (to 53.1%), **the stock under moratorium decreased significantly** (>20% YTD) in line with shrinking eligible loan volumes, mainly due to corporate customers.
- **Government and Central Bank economic stimulus programs were still in focus in 2Q**, but with the exhaustion of the FGS Go! budget for new disbursement, attention shifted to the Széchenyi Card Program after 1st July 2021: two more new products will be available from 1st September 2021 (down payment assistance, leasing product).
- **Interest rate hike cycle**: In 1Q the market started pricing - especially at over-1-year maturities - a possible interest rate increase, therefore the significant upturn in short and medium term yields in 2Q had only limited impact on MKB's banking book portfolio or OCI.
- Merger activities, business development and regulatory projects put pressure on costs.

Half year financial highlights:

- **HUF 40.6 bln adjusted profit in 1H**, HUF 11.6 bln adjusted profit in 2Q as a result of the fruitful business activity, healthy portfolio and strict costs control.
- **Total assets expanded over HUF 3,000 bln** (+1.3% p/p, +37.4% y/y): quarterly customer loan expansion (+4.4%) was the main driver of asset growth. Deposits increased near to 2020 year end peak levels. Most of the quarterly liquidity surplus was turned into customer loan volumes.
- **Healthy income on the expanding** (+2.8%; HUF +38.2 bln p/p) **banking book securities portfolio in 1H**. After the record high 1Q revaluation results, changes in market conditions had less effect (HUF +6.3 bln) on GOI in 2Q.
- **HUF 12.7 bln net interest income in 2Q** (+10.6% p/p; +51.1% y/y): Stable net interest margin due to the boosting customer loan volumes, growing stock of securities and flourishing net interest income.
- **Substantial capital buffer**: CAR significantly well above regulatory minimum despite customer loan increase induced RWA growth, stagnating regulatory capital level and 1H profit not accounted for in regulatory capital.

- **NPL volume**: -25.6%; HUF -9.6 bln y/y. Limited NPL formulation in 2Q shows excellent underlying portfolio quality, however the moratorium is a key factor behind the stable NPL rates throughout the banking sector. The volume of stage2 loans further increased related to EBA moratorium stage reclassification requirements. Without reclassification effect stage2 volume increased in line with normal business activity.
- Revised and adjusted customer ratings, together with improving portfolio quality allowed for **HUF 0.6 bln risk costs release** in 2Q.

MKB Group's **unadjusted** total comprehensive income was HUF 25.6 bln in 1H 2021 (HUF +27.6 bln y/y) and HUF 9.1 bln in 2Q (HUF +1.4 bln y/y; HUF -7.3 bln p/p) as the increase of profit after tax (1H: HUF 38.2 bln, HUF +40.2 bln y/y; 2Q: HUF 11.4 bln, HUF +15.2 bln y/y) significantly outperformed the y/y decrease of other comprehensive income (1H: HUF -12.7 bln, HUF -12.6 bln y/y; 2Q: HUF -2.3 bln, HUF -13.8 bln y/y). In p/p comparison the HUF -7.3 bln decrease in total comprehensive income (TOCI) was the result of HUF -15.4 bln decrease in after tax profit and HUF +8.1 bln increase in other comprehensive income (OCI).

Adjusted total comprehensive income for 1H 2021 was HUF 27.9 bln (HUF +20.7 bln y/y) as adjustments on TOCI (and also on PAT) reached HUF 2.3 bln. Adjusted profit after tax in 1H 2021 was HUF 40.6 bln. Other comprehensive income (adjusted) was HUF -12.7 bln (HUF -12.6 bln y/y).

Total assets increased to HUF 3,034.1 bln (+1.3% p/p, +37.4% y/y) mainly due to the increasing customer loan portfolio. **Deposits** grew by HUF +382.5 bln y/y to HUF 1,840.9 bln, accompanied by HUF +431.5 bln y/y increase in interbank liabilities (HUF +21.3 bln p/p). **Customer loans (gross)** portfolio was HUF 1,184.0 bln (+14.0% y/y) which marks a HUF +145.7 bln growth since 2Q 2020. Increase in the banking book securities portfolio was moderate in 2Q (+2.8%; HUF 38.2 bln p/p) as higher part of liquidity surplus turned to customer volumes. In 2Q 2021 the loan-to-deposit ratio slightly increased to 64.3% (+1.76%-pts p/p). The **shareholder's equity** increased to HUF 235.3 bln from HUF 226.2 bln at the end of 1Q 2021. Capital adequacy was 17.8% (-115 bps p/p). MKB Group's 1H 2021 annualised, adjusted ROAE was 36.2%, while unadjusted ROAE was 34.1%.

High quality operation continued in all business lines:

- **Retail segment**: The strong demand for housing loans and Subsidized Home Renovation Loan resulted in outstanding disbursement.

  NBH Qualified Consumer Friendly Personal Loan is available for customers since 18 April.

  Successful premium customer acquisition campaign continued in 2021: client number increased by 11.5% p/p reaching 9,145 at the end of 2Q.

- **Corporate segment:** Lending activity focus shifted towards fixed-rate, long-term deals as interest rates began to rise.

  MKB achieved a market share significantly exceeding its market weight in the disbursements of Restart Quick Loan Program available for micro and small business customers at MFB Points.

  Sign of intensive economic recovery after the pandemic pushes the demand for loans upwards: outstanding market share on the disbursement of loans to non-financial corporations.

  Funding for Growth Scheme Bond program is still in focus: MKB actively and successfully participates.

- **Leasing segment:** Vehicle financing segment had an outstanding successful first half year. New disbursement figures hit record heights in 1H.

21% of the customers participated in the moratorium at the end of June 2021.

With the exhaustion of "FGS Go!" budget for new disbursements, products with own resources and other supported resources (eg. EXIM) became more popular in the SME clientele.

Post closing events:

- Moody's credit **rating upgrade**: on 13 July Moody's Investors Service upgraded MKB Bank Plc.'s deposit ratings to Ba1 maintaining the positive outlook.
- **Base rate increase**: As part of the interest rate hike cycle that began in June, NBH further raised the central bank base rate by 30-30 basis points on both 27 July and 24 August, reaching 1.50%.
- **Moratorium**: The moratorium was extended until the end of September with unchanged conditions.
- Due to the exhaustion of the FGS Go! budget for new disbursements, the focus is on the **Széchenyi Card Program** in the field of corporate lending from 1 July 2021: two more new products will be available from 1 September 2021 (down payment assistance, leasing product).
- **FGS Green Home Programme**: NBH has announced a new green monetary toolkit strategy, as part of which a new, up to 2.5 per cent, fixed-rate housing loan will be available for retail customers from October 2021. The loan can be granted for the construction or purchase of new apartments and family houses with high energy efficiency (at least BB), in the maximum amount of HUF 70 mln and with a maximum term of 25 years.

Capital and money market developments as well as changes in the macroeconomic environment continued to have a significant impact on the income generating capacity of MKB Group in the second quarter of 2021:

- **Yields:** The Fed holds the target range for the federal funds rate at 0-0.25% since March 2020 in order to mitigate the adverse economic impacts of the coronavirus pandemic. According to the Fed's latest June economic forecast, the target range may remain at its current level until the end of 2022. The present year is, nevertheless, already characterized by accelerating growth and inflation. The PCE price index, which is closely monitored by the Fed, accelerated from 3.1% in April to 3.4% in May, and increased further to 3.5% in June. Faster inflation is mostly driven by a recovery in demand following the lifting of restrictions, short-term supply constraints (shortages), base effects in spring and the expected inflationary effects of the USD 1.9 trillion bailout package. However the Fed expects these effects to be temporary. Fed Chairman Jerome Powell emphasized that they were striving for flexibility in inflation. Since the annual rate of PCE was below 2% for an extended period, it is an explicit aim that inflation stays slightly above 2% for some time, (which is made possible by the 2020 revision of the inflation targeting system, pursuing the 2% inflation target on average). In addition, the Fed operates a large-scale asset purchase program. The 10-year U.S. government bond market yield fluctuated between 1.44% and 1.71% in the second quarter of 2021, closing at 1.47% in June.

  The European Central Bank (ECB) kept its policy rates unchanged even in the second quarter (the rate on the main refinancing operations: 0.00%, those on marginal lending and on the deposit facility: 0.25% and -0.50%, respectively), while in order to support the economic stimulus, it continued its net purchases under the already existing asset purchase programme (APP) and its newly introduced programme (PEPP – pandemic emergency purchase programme, with a budget of EUR 1.85 trillion) – the latter is expected to be maintained until at least March 2022. The PEPP represents a permanent easing of monetary conditions and is expected to help boosting inflation. The rate of inflation fluctuated in a range of 1.6% to 2% in the second quarter, briefly touching the 2% target level in May. Base effects and a pick-up in demand following the easing of restrictions may lead to the further acceleration of inflation. In order to increase the flexibility of monetary policy ECB made the inflation target symmetric, hence it temporarily tolerates inflation rates in excess of 2%. Yields on 10-year euro area government bonds ranged between -0.33% and -0.11% in the second quarter (at the end of June it stood at -0.20%).

Since the beginning of this year inflation has been steadily accelerating in Hungary: the 12-month rate of the headline CPI climbed to 5.3% in June up from April's and May's 5.1%, hence it fluctuated well above the upper level (4%) of MNB's tolerance band.

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 by 30bps to 0.90%, and the rate on the one-week deposit facility by 15bps to 0.90%. MNB has raised these rates by a further 30bps since. The HUF 3,000 billion budget of the Funding for Growth Scheme was depleted and thus the programme was terminated. Nonetheless, MNB still considers the government bond purchase programme a key element of monetary policy tools and deems it a success in the rapidly changing money market environment.

In the second quarter of 2021 the rise of yields in the Hungarian government securities market moderated: the 10-year domestic government bond yield stood at 2.70% in early April and at 2.83% towards the end of June, while below 10 year swap yields went up by 10 to 60bps.

Uncertainties in the yield environment intensified in the second quarter. Easing inflation fears led to an initial yield decrease in April, while the higher than expected inflation data and the MNB Vice Governor's statement in May about a possible rate hike led to further yield increases before global impacts again dragged yields somewhat down.

In the third quarter short term yields increased parallel with the central bank interest rate hikes, however as international yields decreased, long term interest rates stabilized, flattening the yield curve.

- **FX market:** The Forint's exchange rate against the major currencies (EUR/HUF, USD/HUF) was primarily influenced by central bank rate hike expectations, but the Hungarian currency's exchange rate also continues to react sensitively to global impacts, among them the fluctuations of the US Dollar. From early April until mid-May the Forint stabilized within a narrow band (356.50 to 364) against the Euro, following the explicit remarks for a rate hike by one of the central bank's vice governors it markedly strengthened reaching the 346 level, later it started weakening again and closed the quarter at the 351.30 level. Against the US Dollar the Forint strengthened to the 283 level by the end of May, before returning to 296.20 at the end of 2Q, which is still markedly stronger than the 306.50 level that prevailed at the end of the first quarter of 2021.
- **Government finances:** By the end of the first quarter of 2021 Hungary's public debt relative to GDP went up to 81%. In fact this indicator increased by 15.5 percentage points compared to the end of 2019, thus reaching its highest level in the past seven years. The accruals-based budget deficit amounted to 6.1% of GDP (HUF 788 billion) in the first quarter of 2021. According to the Ministry of Finance's forecast of early April, the annual budget deficit in 2021 is expected to reach 7.5% of GDP, somewhat down from last year's 8.1%.
- **GDP**: The availability of vaccines from Eastern sources (China, Russia) gave a definite impetus to the vaccination process, which, together with the successful repression of the epidemic, made it

possible to lift economic restrictions well earlier than it was possible in other member countries of the EU. With the easing and lifting of the restrictions temporarily imposed in the first quarter, the second quarter brought about a marked economic upturn, which is likely to spill over to the upcoming quarters as well. Of the productive sectors industry and construction continues to provide marked contribution to growth. Yet, for some sectors, especially tourism, travel related services, civil aviation, event organization, various forms of entertainment, cultural and sports activities it will take more time to reach pre-pandemic levels. A gradual recovery for these sectors is possible, since those who obtained their immunity certificates could already take advantage of such services in the second quarter, while from the third quarter immunity certificates are not expected to remain necessary for doing so. Due to the quick rebound after the end of lockdowns and low base figures from the previous year the second quarter GDP-growth was 17.9% on a year-over-year basis.

- **Wages and employment:** Domestic wage growth remained similarly strong in both April and May than it was in the whole of 2020. In May 2021, the average gross monthly wage of a full-time employee was HUF 431,600, 8.2% higher than a year earlier. In the average of the April-June three-month period employment in the 15–74 age group amounted to 4,619,000, while the employment rate was 62.8%. The figure is 63,000 higher than in the same period of 2020, when the employment rate of 15-74 age group was only 61.5%. In June, itself, employment reached an historic peak at 4,692,000, exceeding the previous year's figure by 98 thousand.

  The rate of unemployment eased somewhat more moderately, since many from the inactive population returned to the labour market, thus raising the participation rate. In the average of the April-June period, the number of unemployed was 198,000, which translates into an unemployment rate of 4.1% (down from the previous year's 4.5%).

- **Inflation:** Primarily due to the extremely low base of fuel prices a year ago and the tobacco excise duty raise, the annual rate of inflation jumped above 5% in the beginning of the second quarter of 2021. Driven by demand-supply imbalances following the lifting of restrictions and the steep rise in commodity prices inflation accelerated further to 5.3% in June. Rising commodity prices, transportation costs, a strong pick-up in consumer demand and wage growth fuelled by labour shortages continue to pose upward risks to inflation in the rest of the year.

2 Management Report on the 1H 2021 Results of the MKB Group

2.1 P&L development

MKB Group								
Consolidated, IFRS P&L (in MHUF)	Period					YTD		
	2Q 2020	1Q 2021	2Q 2021	P/P	Y/Y	1H 2020	1H 2021	Y/Y
TOCI (Total Comprehensive Income)	**7,777**	**16,414**	**9,141**	**-44.3%**	**17.5%**	**-2,053**	**25,554**	**-**
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Profit after tax	**-3,793**	**26,807**	**11,419**	**-57.4%**	**-**	**-1,986**	**38,225**	**-**
Adjustments total on PAT	**3,093**	**2,122**	**213**	**-89.9%**	**-93.1%**	**9,224**	**2,336**	**-74.7%**
Business corrections	9	2,768	-15	-100.5%	-263.7%	3,304	2,753	-16.7%
Banking tax	*0*	*3,095*	*0*	*-100.0%*	-	*3,275*	*3,095*	*-5.5%*
Branch closure reserve	*13*	*0*	*0*	-	*-100.0%*	*41*	*0*	*-100.0%*
Dividend income	*-4*	*-2*	*-15*	-	*254.6%*	*-12*	*-17*	*41.6%*
MBH related one-offs	*0*	*0*	*0*	-	-	*0*	*0*	-
Non-core one-offs	*0*	*-326*	*0*	*-100.0%*	-	*0*	*-326*	-
Covid-19 effect	3,309	-646	228	-135.4%	-93.1%	6,181	-417	-106.8%
Donation	*455*	*0*	*0*	-	*-100.0%*	*910*	*0*	*-100.0%*
COVID-19 costs	*302*	*0*	*0*	-	*-100.0%*	*329*	*0*	*-100.0%*
COVID-19 risk costs	*4,941*	*-646*	*228*	*-135.4%*	*-95.4%*	*4,941*	*-417*	*-108.4%*
FV corrections	*-2,390*	*0*	*0*	-	*-100.0%*	*0*	*0*	-
Technical corrections	-225	0	0	-	-100.0%	-260	0	-100.0%
IFRS16 effect	*-225*	*0*	*0*	-	*-100.0%*	*-260*	*0*	*-100.0%*
Adjusted TOCI	**5,183**	**18,536**	**9,354**	**-49.5%**	**80.5%**	**7,172**	**27,890**	**288.9%**
Adjusted revaluation on non HFC financial assets (OCI)	*5,883*	*-10,393*	*-2,278*	*-78.1%*	*-138.7%*	*-67*	*-12,671*	-
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Net Interest Income (adjusted)	**8,391**	**11,463**	**12,677**	**10.6%**	**51.1%**	**16,146**	**24,141**	**49.5%**
Interest Income (adjusted)	*13,324*	*17,656*	*19,308*	*9.4%*	*44.9%*	*25,559*	*36,964*	*44.6%*
Interest Expense (adjusted)	*-4,933*	*-6,193*	*-6,631*	*7.1%*	*34.4%*	*-9,413*	*-12,824*	*36.2%*
Net Fee Income (adjusted)	**5,279**	**5,510**	**6,123**	**11.1%**	**16.0%**	**11,275**	**11,633**	**3.2%**
Net Other Income (adjusted)	**-3,587**	**26,112**	**6,161**	**-76.4%**	**-271.8%**	**65**	**32,273**	**-**
FX result (adjusted)	*1,534*	*1,395*	*2,627*	*88.3%*	*71.2%*	*3,631*	*4,022*	*10.8%*
FV result (adjusted)	*-4,232*	*27,984*	*6,332*	*-77.4%*	*-249.6%*	*2,430*	*34,316*	-
Other Income (adjusted)	*-889*	*-3,267*	*-2,798*	*-14.4%*	*214.7%*	*-5,995*	*-6,065*	*1.2%*
General Administrative Expenses (adjusted)	**-10,296**	**-12,075**	**-12,397**	**2.7%**	**20.4%**	**-20,198**	**-24,472**	**21.2%**
Personnel Expenses (adjusted)	*-5,372*	*-5,540*	*-5,799*	*4.7%*	*7.9%*	*-10,284*	*-11,340*	*10.3%*
Operating Expenses (adjusted)	*-3,443*	*-4,413*	*-4,156*	*-5.8%*	*20.7%*	*-7,085*	*-8,569*	*20.9%*
Amortisation and depreciation (adjusted)	*-1,481*	*-2,122*	*-2,441*	*15.1%*	*64.8%*	*-2,829*	*-4,563*	*61.3%*
Provisions (adjusted)	**-169**	**251**	**645**	**156.5%**	**-**	**900**	**896**	**-0.5%**
Provision for losses on loans (adjusted)	*-121*	*209*	*619*	*196.4%*	-	*921*	*828*	*-10.1%*
Other provisions and impairments (adjusted)	*-48*	*42*	*26*	*-39.8%*	*-153.5%*	*-20*	*68*	-
Corporate income tax (adjusted)	**-319**	**-2,332**	**-1,578**	**-32.4%**	**-**	**-950**	**-3,910**	**-**

KPIs based on adjusted PAT (%)	Period					YTD		
	2Q 2020	1Q 2021	2Q 2021	P/P	Y/Y	1H 2020	1H 2021	Y/Y
ROAE (Return on Average Equity - adjusted)	-1.5%	53.1%	20.2%	-32.9%-pt	21.6%-pt	7.5%	36.2%	28.7%-pt
ROAA (Return on Average Assets - adjusted)	-0.1%	4.0%	1.5%	-2.5%-pt	1.7%-pt	0.7%	2.7%	2.0%-pt
TRM (Total Revenue Margin - adjusted)	1.9%	6.0%	3.3%	-2.7%-pt	1.4%-pt	2.7%	4.6%	1.9%-pt
CIM (Core income margin - adjusted)	2.9%	2.5%	2.8%	0.3%-pt	0.0%-pt	3.1%	2.7%	-0.4%-pt
NIM (Net Interest Margin - adjusted)	1.6%	1.6%	1.7%	0.1%-pt	0.1%-pt	1.6%	1.6%	0.0%-pt
NFM (Net Fee Margin - adjusted)	1.0%	0.8%	0.8%	0.0%-pt	-0.2%-pt	1.1%	0.8%	-0.3%-pt
C/TA (Cost to Total Assets - adjusted)	1.9%	1.7%	1.6%	0.0%-pt	-0.3%-pt	2.0%	1.7%	-0.4%-pt
CIR (Cost Income Ratio - adjusted)	102.1%	28.0%	49.7%	21.6%-pt	-52.4%-pt	73.5%	36.0%	-37.5%-pt
Risk% (Risk cost rate - adjusted)	0.0%	-0.1%	-0.2%	-0.1%-pt	-0.3%-pt	-0.2%	-0.1%	0.0%-pt

The presentation of financials in this report is based on Total Comprehensive Income ("TOCI"), which is an IFRS category aimed at presenting the economic impact for the given period by incorporating "fair value through other comprehensive income" (FVTOCI) results. Based on the fact that MKB Bank holds *a large securities portfolio, part of which is valued against capital (FVTOCI), and hedges its interest risk position with IRS transactions, TOCI figures should only be used to evaluate the results.*

HUF 40.6 bln 1H and HUF 11.6 bln 2Q **adjusted profit** as a result of excellent business performance, quality portfolio, strict cost management and p/p decreasing revaluation results as money market conditions changed. 1H adjusted total comprehensive income was HUF +27.9 bln, the +20.7 bln y/y change is a result of increasing economic activity.

ROAE (adjusted) for 1H 2021 was 36.2% (+28.7%-pts y/y) as a result of outstanding profit.

Expanding core income was supported by the loan and securities portfolio growth induced **increasing net interest income** (+8.0 mrd Ft; +49.5% y/y), and **rising net fee income** (+11.1% p/p; +16.0% y/y) due to the increasing business activity and economic recovery after the third wave of COVID-19. The **total revenue margin** (TRM) increased 1.9%-pts on yearly basis to 4.6% for 1H.

HUF 0.8 bln **adjusted risk cost release** in 1H, as the portfolio quality further increased, resulting in a -0.14% risk cost rate.

Integration tasks, business development and regulatory compliance projects increased costs by 20.4% y/y, however **costs/total assets ratio** (C/TA) decreased to 1.64% (-0.3%-pts y/y) in 2Q due to the increasing balance sheet total. **Cost to income ratio** (CIR) was 36.0% in 1H (-37.5%-pts y/y).

2.1.1 Adjusted profit after taxation

With HUF 11.6 bln (2Q) quarterly profit, MKB Group's adjusted **consolidated profit** was HUF 40.6 bln in 1H 2021 (HUF +33.3 bln y/y). Impressive half-yearly profit marks strong business performance, healthy portfolio, and strict costs control.

Net total adjustment on PAT sums up to HUF +0.2 bln in 2Q, cumulated adjustment was HUF 2.3 bln in 1H. COVID-19 risk cost effect was compensated by regular elimination of banking tax in 1H.

HUF 21.4 bln quarterly **core income** increased +16.7% p/p (+40.9% y/y) assisted by improving net interest income, resurgent net fee income and FX results as turnover and transaction figures show signs of rapid recovery after the third wave of COVID-19. Half-yearly core income was HUF 39.8 bln (HUF +8.7 bln). Quarterly **core income margin** (CIM) increased to 2.8% (+30 bps p/p). Cumulated ratio slightly deteriorated on a yearly basis (-40 bps y/y) as the balance sheet expanded.

2.1.2 Comprehensive income

MKB Group reported HUF +25.6 bln **unadjusted total comprehensive income** in the first half of 2021 (HUF +27.6 bln y/y).

The HUF 9.4 bln adjusted quarterly total comprehensive income was mainly driven by HUF 11.6 bln PAT and p/p less volatile money market trends: compared to 1Q a more favourable, only HUF -2.3 bln unrealized FVTOCI result was booked in 2Q as increase in long bond yields was concentrated in 1Q. **1H adjusted TOCI** was HUF 27.9 bln (HUF +20.7 bln y/y) mainly due to improving business activity.

2.1.3 Net interest income

MKB Group's cumulated **net interest income** was HUF 24.1 bln in 1H 2021 (HUF +8.0 bln; +49.5% y/y). Stable net interest margin due to the boosting customer loan volumes, growing stock of securities and flourishing net interest income.

Interest income in 1H 2021 was HUF 37.0 bln (HUF +11.4 bln; +44.6% y/y). Customer related incomes (+29.6% y/y) outperformed the gross loan increase (+11.6% y/y), whilst securities income grew (+71.8% y/y) in line with portfolio growth.

HUF 12.8 bln cumulated **interest expense** increased by HUF +3.4 bln on yearly basis (+36.2% y/y) due to continuous boosting of customer deposit volumes as well as higher interbank liabilities portfolio.

The **net interest margin** (NIM) ascended from 1.6% to 1.7% (+9 bps p/p), as a result of increasing interest incomes on newly disbursed loans. Cumulated ratio in 1H 2021 was 1.6%, nearly the same as last year's value.

2.1.4 Net fee and commission revenues

HUF 6.1 bln quarterly **net fee income** (+11.1% p/p; +16.0% y/y): increasing business activity and economic recovery after the third wave of the pandemic allowed for higher revenues from lending and turnover related fees in 2Q.

2.1.5 FX results

Results from **foreign exchange activities** were HUF 2.6 bln (HUF +1.2 bln p/p; HUF +1.1 bln y/y).

Due to the increasing business activity and the gradual easing of pandemic measures, the volume of customer FX conversions increased both p/p and y/y. As a result gains on individually priced, fixing spot FX conversions and the exchange rate gains on forward and futures transactions were all over its previous levels.

2.1.6 Revaluation result

Despite the NBH interest rate hike cycle and the significant upturn in short and medium term yields in 2Q, money market trends had only a limited impact on results from MKB's banking book portfolio.

Due to the uncertain macro environment and intensifying domestic inflation worries in 1Q, the market started pricing a possible increase in the interest rate environment, and over 1 year term IRS yields moved upwards. NBH initiated the base rate hike cycle in June with a 30bp base rate increase and as a result the middle range and short end of the yield curve significantly increased in 2Q (+55 bps, +37 bps and +4 bps in 3 year, 5 year, and 10 year maturities p/p), accompanied by 12-28 bps increase in ÁKK benchmarks (government bond yield curves). The asset swap spread further tightened and stayed at record low levels during the whole quarter.

As a result of yield curves shifting upwards, the revaluation result was HUF +6.3 bln in 2Q (HUF -21.7 bln p/p; HUF +10.6 bln y/y). The positive effect on PAT is partly offset by the fixed rate government bond portfolio's negative HUF -2.3 bln revaluation result in OCI. **Net revaluation result** (FVTPL+FVTOCI) was HUF +4.1 bln in 2Q.

2.1.7 Other results

The tax and/or regulatory fees and commission expenses of MKB Group are recognized within the framework of other profit/loss: transaction levy, local business tax, innovation contribution and other revenues/expenses of ordinary business operation. Positive change on quarterly basis: less then HUF

2.8 bln other expense in 2Q (HUF 3.3 bln in 1Q). Cumulated 1H **other result** was HUF -6.1 bln, similar to last year's figure.

2.1.8 Operative expenses

MKB Group's **general administrative expenses** were HUF 12.4 bln in 2Q 2021. HUF 2.1 bln (+20.4%) y/y increase as merger activities, business development and regulatory compliance created immense pressure on costs.

Personnel costs increased by +7.9% y/y to HUF 5.8 bln in 2Q 2021. Year on year increase is mainly driven by the increase in headcount adjusted for business expansion. Wage inflation is also a significant factor despite average employee fluctuation. The 2Q closing headcount of MKB Group was 2,052.5 FTE (+82.3 FTE; +4.2% y/y).

The y/y growth (+20.7%) of HUF 4.2 bln 2Q **operating expenses** was mostly caused by Hungarian Bankholding related items, without integration cost would be on last year's level. Strict control helps to counter balance the pressure caused by merger activities.

The amount of **depreciation** in 2Q 2021 was HUF 2.4 bln, as accelerated digitalization together with the high investment needs stemming from regulatory compliance projects resulted in a HUF +0.96 bln y/y increase.

1H adjusted (cumulated) **Cost-to-Assets ratio** was 1.66% (-36 bps y/y) as rapid balance sheet growth offset the pressure of integration costs, business developments and regulatory projects on GAE. **Cost-to-income ratio** (CIR) decreased to 36.0% (-37.5-pts y/y) as a result of strong incomes and under control cost growth.

2.1.9 Risk costs

HUF 0.62 bln **adjusted total risk cost release** was booked in 2Q as a result of the excellent portfolio quality, thorough risk monitoring and adjusted customer ratings. Adjusted total risk cost in 1H was HUF 0.8 bln (release).

The closing volume of the **NPL portfolio** in 2Q was HUF 28.0 bln following a y/y decrease of HUF 9.6 bln. Limited NPL formulation in 2Q shows excellent underlying portfolio quality, however the moratorium is a key factor behind the stable NPL rates throughout the banking sector. The **IFRS-based NPL ratio** dropped to 2.37% (-126 bps y/y), while **direct NPL coverage** decreased from 71.8% to 69.2%.

The volume of stage2 loans further increased related to EBA moratorium stage reclassification requirements. Without reclassification effect stage2 volume increased in line with normal business activity.

2.1.10 Corporate income tax

In 1H 2021 HUF 3,679.0 mln accounting **corporate income tax** expense was recorded, as a result of HUF 1,817.4 mln current corporate income tax expense, HUF 1,863.2 mln deferred tax expense and HUF 1.6 mln deferred tax revenue.

The adjustments made in the flash report had a tax effect of HUF 231.0 mln therefore the **adjusted corporate income tax** was HUF 3,910.0 mln (expense).

2.2 Balance sheet

MKB Group							
Adjusted balance sheet (in MHUF)	**2Q 2020**	**4Q 2020**	**1Q 2021**	**2Q 2021**	**P/P**	**Y/Y**	**YTD**
Financial assets	**243,684**	**377,741**	**425,862**	**374,796**	-12.0%	53.8%	-0.8%
Trading portfolios	**55,398**	**33,980**	**44,007**	**48,062**	**9.2%**	**-13.2%**	**41.4%**
Securities	**826,823**	**1,163,309**	**1,340,971**	**1,379,177**	**2.8%**	**66.8%**	**18.6%**
Loans and advances to customers/Customer Loans (net)	**991,345**	**1,113,962**	**1,091,537**	**1,140,032**	**4.4%**	**15.0%**	**2.3%**
Loans and advances to customers/Customer Loans (gross)	1,038,330	1,159,921	1,136,335	1,183,989	4.2%	14.0%	2.1%
Retail	*244,682*	*255,554*	*258,440*	*266,188*	*3.0%*	*8.8%*	*4.2%*
Corporate	*618,030*	*713,855*	*680,338*	*714,238*	*5.0%*	*15.6%*	*0.1%*
Leasing	*175,619*	*190,512*	*197,557*	*203,564*	*3.0%*	*15.9%*	*6.9%*
Provision for Customer loans	-46,985	-45,959	-44,797	-43,957	-1.9%	-6.4%	-4.4%
Retail	*-9,426*	*-10,866*	*-9,208*	*-9,364*	*1.7%*	*-0.7%*	*-13.8%*
Corporate	*-31,246*	*-28,550*	*-29,101*	*-28,389*	*-2.4%*	*-9.1%*	*-0.6%*
Leasing	*-6,313*	*-6,543*	*-6,488*	*-6,204*	*-4.4%*	*-1.7%*	*-5.2%*
Total Other assets	**90,559**	**92,614**	**94,133**	**92,080**	**-2.2%**	**1.7%**	**-0.6%**
Investments in jointly controlled entities and associates	*4,383*	*7,295*	*7,989*	*8,325*	*4.2%*	*89.9%*	*14.1%*
Intangibles, property and equipment	*57,166*	*58,194*	*58,004*	*56,421*	*-2.7%*	*-1.3%*	*-3.0%*
Other assets	*29,010*	*27,125*	*28,140*	*27,334*	*-2.9%*	*-5.8%*	*0.8%*
Total Assets	**2,207,809**	**2,781,607**	**2,996,511**	**3,034,148**	1.3%	37.4%	9.1%
Interbank liabilities	**410,719**	**575,097**	**820,993**	**842,263**	**2.6%**	**105.1%**	**46.5%**
Deposits & C/A	**1,458,430**	**1,862,261**	**1,816,604**	**1,840,938**	**1.3%**	**26.2%**	**-1.1%**
Retail	*376,756*	*401,888*	*402,792*	*415,012*	*3.0%*	*10.2%*	*3.3%*
Corporate	*1,081,674*	*1,460,373*	*1,413,812*	*1,425,926*	*0.9%*	*31.8%*	*-2.4%*
Issued debt securities	**0**	**0**	**0**	**0**	**-**	**-100.0%**	**-**
Other liabilities	**99,538**	**89,746**	**87,687**	**72,648**	**-17.2%**	**-27.0%**	**-19.1%**
Subordinated debt	**42,711**	**44,724**	**45,034**	**42,964**	**-4.6%**	**0.6%**	**-3.9%**
Shareholders' Equity	**196,409**	**209,779**	**226,193**	**235,334**	**4.0%**	**19.8%**	**12.2%**
Total Liabilities & Equity	**2,207,808**	**2,781,607**	**2,996,511**	**3,034,148**	1.3%	37.4%	9.1%
Guarantees	102,842	120,072	120,356	118,141	-1.8%	14.9%	-1.6%
Undrawn commitments to extend credit	221,441	276,333	358,961	358,686	-0.1%	62.0%	29.8%
Obligations from letters of credit and	15,286	17,178	17,351	16,492	-5.0%	7.9%	-4.0%
Other contingent liablities (including litigation)	8,234	11,676	10,830	10,457	-3.4%	27.0%	-10.4%
Customer off Balance items	**347,803**	**425,259**	**507,498**	**503,776**	-0.7%	44.8%	18.5%

The balance sheet of the MKB Group is presented on the basis of consolidated financial statements prepared according to IFRS. The leasing segment presented in the flash report follows the customer portfolios of the Euroleasing Group.

The 4.2% p/p (+14.0% y/y) increase in **gross customer loans** signals the acquisition capability of MKB. Quarterly customer loan increase boosted MKB Group's **balance sheet** over HUF 3 thousand bln in 1H, whilst **deposit inflow** continued in both corporate and in retail segment, and deposit stock grew to near 2020 year end, peak levels (+1.3% p/p; +26.2% y/y).

In 2Q **interbank liabilities** grew slightly (+2.6% p/p) as a result of increasing refinancing liabilities (+14.1% p/p) and decreasing repo volumes (-33.1% p/p). **Securities portfolio** increased moderately (+2.8% p/p) as larger part of liquidity surplus was used up by customer loan growth.

The MKB Group's **loan-to-deposit ratio** was 64.3%, which is almost the same as previous quarter's 62.6%, signalling a healthy balance sheet and liquidity position.

MKB Group's **capital grew to HUF 235.3 bln** as a result of 2Q profit (+4.0% p/p; +19.8% y/y). **Capital adequacy ratio (CAR) was 17.8%,** well above regulatory minimum, despite customer loan increase induced RWA growth.

2.2.1 Loans

4.2% p/p (+14.0% y/y) increase in **gross customer loans**. Increased demand for investment loans and continuous participation in economic stimulus programs boosted corporate loans (+5.0% p/p; +15.6% y/y), whilst leasing (+3.0% p/p; +15.9% y/y) and retail loan volumes (+3.0% p/p; +8.8% y/y) increased also. Majority of the liquidity surplus accumulated in 2Q was used up by customer loan growth.

Increase of **corporate loan volume** was driven by the solid demand for FGS Go!, EXIM and Széchenyi loans. Final amount of FGS Go! was distributed, new lending is available until 30. 09. 2021. The **retail loan stock** increased mainly due to significant secured loans disbursement in 2Q.

In 2Q 2021 **impairment losses on loans** decreased by 1.9% (HUF -0.8 bln) p/p, and by 6.4% (HUF -3.0 bln) y/y attributable to improving portfolio quality.

2.2.2 Securities

Moderate increase in the banking book securities portfolio (+2.8%; HUF +38.2 bln p/p) as 2Q liquidity surplus was mainly soaked up by new customer loan disbursements therefore quarterly customer loan increase outperformed securities portfolio growth. Effective liquidity management successfully enhanced business incomes by utilising the income generating potential, stemming from excess liquidity.

Securities reached HUF 1,379.2 bln (HUF +552.4 bln y/y) at the end of 2Q. The significant y/y increase is mostly attributable to strong deposit growth, while the increase of corporate bonds acquired through the Bond Funding for Growth programme also contributed to the securities portfolio growth.

The share of floating-rate government bonds continued to increase.

2.2.3 Financial assets

Financial assets slightly decreased p/p (HUF -51.1 bln) and was HUF 374.8 bln in 2Q. The HUF +131.1 bln y/y increase and the p/p decrease was driven by the changing volumes of NBH's "Preferential Deposit Plus" facility, which amounted to nearly half of financial assets. From July, "Preferential

Deposit Plus" placement rules have changed and the available volume of preferential interest rate deposits decreased.

2.2.4 Deposits and C/A

Customer deposit stock (HUF 1 840.9 bln) increase continued in the second quarter (+1.3% p/p), and almost reached the 2020 year end peak level. Both **retail** (+3.0% p/p) and **corporate deposits** (+0.9% p/p) increased in 2Q.

Every business segment contributed to the yearly deposit stock increase of HUF 382.5 bln (+26.2% y/y): retail +10.2% y/y; corporate +31.8% y/y. Retail deposit stock increase was also supported by the moratorium and the pandemic induced higher household saving rate.

2.2.5 Interbank liabilities

Increasing trends continued and **interbank liabilities** were HUF 842.3 bln (HUF +21.3 bln p/p; HUF +431.5 y/y) at the end of 2Q. The quarterly growth was mostly driven by short term borrowings and refinancing liabilities attached to the economic stimulus programs.

MKB Group's active participation in NBH liquidity boosting facilities also contributed to the y/y increase of interbank liabilities, however the increase in long term, NBH collateralised loan liabilities ensure a long-term stable operation and funding mix, while also contributing to the further reduction of short term funding in MKB's balance sheet.

2.2.6 Capital

MKB Group reported **HUF 235.3 bln capital** at the end of the period. Capital accumulation continued both on p/p and y/y comparison: 19.8% increase on y/y and 4.0% increase on p/p basis. Year-to-date increase of HUF 25.6 bln is due to the HUF 38.2 bln after-tax profit of the reporting period, which was partially offset by the revaluation result of HUF -12.7 bln.

2.2.7 Off-balance sheet exposures to customers

MKB Group's **off-balance sheet exposure** was HUF 503.8 bln at the end of 1H 2021, which is a minimal decrease on quarterly basis (-0.7% p/p). The yearly increase (+44.8%; HUF +156.0 bln y/y) was mainly attributable to the higher volume of credit lines (HUF +137.2 bln y/y).

2.3 Capital adequacy

MKB Group's **capital adequacy ratio was 17.8%** at the end of 1H 2021, being well above regulatory minimum despite elevated RWA volume, stagnating regulatory capital level and 1H profit not accounted for in regulatory capital.

Compared to the end of 2020 regulatory capital decreased by 5.9% mostly due to the HUF -12.7 bln OCI. According to IFRS accounting rules the HUF 38.2 bln profit of the first half is not yet accounted for in the regulatory capital.

RWA grew (HUF +85.5 bln; +8.5% YTD) in 1H in parallel with the gross loan and securities portfolio growth. The 2.7%-pts YTD decrease in CAR was mostly attributable to the above two factors.

MKB Group's capital adequacy ratio (CAR) decreased by 2.7%-pts since the end of last year as a result of the above mentioned factors. Should the half-year profit be taken into account, capital adequacy would have further improved in 1H.

2.4 Presentation of business segment results

This chapter presents the customer portfolio of MKB Group by segments and positions them in the banking sector according to market share. The segments are formed according to the requirements used in the reports prepared for the National Bank of Hungary (NBH) and the portfolios are also analysed accordingly for a comparable presentation of market shares.

2.4.1 Corporate business

Based on its traditional strengths, MKB's ongoing strategic goal is to maintain its strong corporate business line. The business line focuses on local knowledge, professional service, innovative solutions and consulting-based sales.

Small and medium-sized enterprise (SME) customers are still considered as a key segment in 2021, where increasing product penetration is a priority task. MKB achieved a market share significantly exceeding its market weight in the disbursements of Restart Quick Loan Program available for micro and small business customers at MFB Points. Customers in the agricultural sector, regardless of their size, will receive additional special attention.

The loan repayment moratorium which was introduced in the first quarter of 2020 and was extended until the end of September 2021. Moratorium participation ratio remained stable among corporate clients as 52.2% of eligible corporate exposures were under moratorium in 2Q. The stock under moratorium decreased significantly (>20% YTD) in line with shrinking eligible loan volumes.

On a yearly basis, disbursement of classic MKB loan products as well as economic stimulus program loans and guarantees increased during the second quarter. Disbursements of new subsidized products accounted for more than half of total corporate loan disbursement.

MKB Group's corporate loan volume was HUF 714.2 bln at the end of 2Q 2021 (+15.6%, HUF +96.2 bln y/y; +5.0% p/p).

Non-financial companies' loans amounted to HUF 533.1 bln, reflecting a 9.6% (HUF +46.7 bln) increase compared to the previous quarter. Y/y change was +20.7%, (HUF +91.4 bln) due to new disbursements of Investment loans, FGS GO!, Exim and Széchenyi loans. Loan disbursements during the 2Q period tripled compared to same period of last year, reached HUF 79.6 bln, resulting in 8.85% flow market share. Széchenyi loans disbursement market share was 4.8%.

Non-financial large corporate gross loan volumes were HUF 184.3 bln, increased by 7.4 bln (+4.2% p/p). SME loan portfolio increased to HUF 312.6 bln (HUF +37.4 bln p/p) mainly due to FGS GO!, Széchenyi loans and subsidised loans disbursements. Micro enterprises' loan stock was HUF 36.2 bln at the end of the period (HUF +2.0 bln p/p; +32.6% y/y) mainly due to the disbursement of new Széchenyi loan products.

MKB Group's strong customer base allowed for rapid y/y customer deposit increase supported by the government programs and the moratorium induced lack of repayments. Non-financial corporate deposit volume increased 32.2% y/y, to HUF 903.8 bln (HUF +220.2 bln y/y; HUF -2.0 bln p/p), while market share increased +72 bps y/y to 7.59%.

Corporate customer count at the end of 2Q 2021 was 35.5 thousand.

2.4.2 Retail business

The recovery of the economy after the third wave of COVID-19 pandemic had a positive effect on the results of MKB Bank's Retail business in 2Q 2021. The basis of MKB Bank Retail's business strategy is the continuous improvement of customer service quality, in which the provision of the most efficient and convenient customer service plays a key role. As part of this strategy from 18th of April, 2021 MKB's account-managed customers can also apply for, among other personal loan products, the NBH Qualified Consumer Friendly Personal Loan through the renewed MKB Digital Account.

The development of the ATM network continued in the second quarter of 2021, the implementation of the deposit function will be extended to all branches' ATM by the end of the summer, thus enhancing the customer experience.

The number of premium customers (+11.5% p/p) and their assets under management (+10.5% p/p) increased owing to the focused, elaborated value proposals in customer acquisitions and the development of the value-added premium consulting system. Due to model portfolio-based investment consulting, the portfolio of open-end investment funds of MKB-Pannónia Alapkezelő Zrt. continued to grow, further enhancing the diversification of the premium customers' investments.

The 2Q retail loan closing volume was HUF 263.2 bln, representing HUF 9.6 bln p/p and HUF 20.4 bln y/y increase. The improvement was mainly due to the long-term „Babaváró" loans and strong secured loans disbursement in 2Q. Retail loan disbursements in 2Q were outstanding and reached HUF 16.7 bln which is nearly 50% increase p/p (HUF +5.5 bln p/p; HUF +6.2 bln y/y). Quarterly unsecured and other loan disbursements' volume remains on the same level as 1Q 2021 (-0.1 bln p/p), while secured loan disbursement increased by HUF 5.7 bln p/p. As a result of outstanding quarterly disbursements, flow market share of retail loans increased strongly by 38 bps. In the second quarter, MKB Bank contracted subsidized loan agreements for more than HUF 5 billion, thus helping customers to purchase and renovation of homes and the ratio of subsidised loans was more than 30% among retail disbursements in 2Q.

Secured loan's closing volumes increased (HUF +4.0 bln p/p) to HUF 197.8 bln, while market share slightly decreased in 2Q 2021 (-6 bps p/p and -33 bps y/y). Secured loan disbursements increased outstanding to HUF 10.6 bln in 2Q (HUF +5.7 bln p/p). The new MKB Subsidized Home Renovation Loan with a subsidy provided by the government, and competitive pricing of secured loans had a positive impact on secured loan disbursements in 2Q. The role of intermediary partners was decisive, the channel's share is 40% of the disbursed secured loans. Flow market share strongly increased to 2.71% in 2Q (+73 bps p/p; +74 bps y/y).

Unsecured and other loan volume increased by HUF +5.3 bln compared to the end of 1Q 2021 and reached HUF 52.2 bln (HUF +17.6 bln y/y). Market share rose by 6 bps to 1.67% (+25 bps y/y) mainly due to the growing demand for personal loans, and the increased activity of sales partners. The personal loans disbursements' volume did not change compared to 1Q 2021 (-0.1 bln p/p to HUF 6.1 bln). The market share of personal loans' disbursement decreased by -44 bps p/p to 1.91% but increased on a yearly basis with +3 bps.

Deposit closing volume was HUF 384.1 bln, increased by HUF 23.2 bln compared to the end of 1Q 2021 while the annual growth was 17.6% (HUF +57.4 bln y/y) despite COVID-19. The increase was mostly due to the moratorium induced higher household saving rates.

The total retail client number increased by 1,400 customers compared to 1Q 2021 (370.2 thousand customers in 2Q 2021), and also compared to 2Q 2020 by 0.92%.

2.4.3 Leasing business[1]

In terms of new disbursements MKB Group has also in 2021 a stable position among the three largest actors in the Hungarian leasing market according to the data of the Hungarian Leasing Association.

The vehicle financing segment closed an outstanding successful first half year. New disbursement figures hit record heights in 1H.

The inventory financing portfolio – which increased significantly in 2020 – stagnated in the first quarter, partly due to shipping difficulties caused by the global chip shortage, but increased slightly again in the second quarter, mainly due to significant increase in car prices. Inventory financing portfolio is still adequately diversified, both from the perspectives of manufacturers (brands) and trading partners. The aging and turnover rate of the financed stock is favourable.

Agricultural machinery and agricultural vehicle financing performed outstanding in the first quarter, and significantly exceeded figures from last year's same period. In the second quarter the market - and new disbursement figures – re-adjusted, buyers partially postponed their purchases, waiting for new support programs.

The equipment and heavy duty utility vehicle financing sub-segment has been hit hardest by the pandemic in the last year. However in the first quarter, positive market developments started in this sub-segment, which is also reflected in a small increase in new disbursement figures. The positive developments persisted into the second quarter.

The expansion of the SME customer base is still an important strategic aspect, which is greatly facilitated by the fact that MKB Group participates in the distribution of the available "FGS Go!" resources according to its market share, and is involved in other state launched programs too. With the exhaustion of "FGS Go!" founding, products with own resources and other supported resources (eg. EXIM) became more popular amongst this clientele.

In addition to the growing portfolio, the nonperforming portfolio is continuously decreasing, 11% at 1H, while its provision coverage remained stable and over 80%. The bulk of the declining non-performing portfolio still stemming from 2007 – 2008 vintages.

The share of customers participating in the payment moratorium - imposed on 18 March 2020 and extended until 30 September 2021 - differs per customer and/ or product segment. Overall, taking principal claims of all contracts – eligible for the moratorium – into account, around 21% of the customers are under moratorium as of June 2021, which means a favourable risk position. At the same time - based on uniform MKB Group risk principles - we are preparing with significant impairments for the lengthened moratorium and the post-payment moratorium period.

MKB Group's leasing portfolio was HUF 203.6 bln at the end of the first half of 2021. The portfolio increased significantly, by 6.9%, HUF +13.1 bln during the first half of 2021. The vehicle financing sector's leasing volume was HUF 122.5 bln (+6.7%, HUF +7.7 bln increase in the half year), while the volume of equipment financing was HUF 54.2 bln at the end of the half year, meaning an increase of 7.0% during the last six months. The stock financing portfolio increase was HUF 1.8 bln, while other receivables increased slightly by HUF 45.9 million.

[1] The leasing portfolio of the MKB Group is managed by the MKB-Euroleasing Group, in which MKB Bank Nyrt. acquired 100% share in 2015. The former single focus model of operation limited to vehicle financing was replaced by a multi-focus model. The activities were extended to financing agricultural machinery, large commercial vehicles, buses and general machinery.

2.4.4 Investments and Treasury

Quarterly **treasury sales and trading income** was HUF 4.4 bln (HUF +0.4 bln p/p; HUF +0.9 bln y/y).

The increasing volume of customer foreign currency transactions contributed to the significant p/p growth of FX results.

The growth of our retail customers' government securities portfolio (especially MÁP+) resulted in higher commission incomes, despite the Government Debt Management Agency (ÁKK) decreasing its commission margins in 2Q. Secondary market government bond turnover and related fee income slightly decreased.

The volume of customer related stock market transactions and the resulting fee incomes slightly decreased p/p, while and custody incomes continued to grow.

The increasing yield environment had a positive FVTPL revaluation impact on the profitability of the proprietary trading portfolio.

Declaration

MKB Bank Nyrt. (hereinafter Bank) issues the following declaration in relation to its report on the 1H 2021 results (Flash Report):

The Bank declares that the Flash Report has been prepared in compliance with the applicable accounting regulations. The Flash Report, prepared according to the best knowledge and information of the experts and decision-making managers of the Bank concerned reflects a true and fair view of the assets and liabilities, financial position and profit and loss of the Bank as securities issuer and the consolidated companies.

No independent audit report has been prepared for the Flash Report.

Budapest, 26 August 2021

MKB Bank Nyrt.

Mr Zsolt Barna, dr.	Mr János Nyemcsok
Chairman Chief Executive	Deputy CEO

3 Financial figures

3.1 Correction factors 1H 2021

	1H 2021 Accounting Report	Structure corrections	Business corrections			COVID-19 effects	Adjusted PAT
			Banking tax and other taxes	Non-core one-offs	Dividend income	COVID-19 risk costs	
Interest income	36,983	0	0	0	-19	0	36,964
Interest expense	-12,824	0	0	0	0	0	-12,824
Net interest income	**24,159**	**0**	**0**		**-19**	**0**	**24,141**
Net income from commissions and fees	11,633	0	0	0	0	0	11,633
Other operating income / (expense), net	30,483	-37	2,005	-358	0	181	32,273
Impairments and provisions for losses	1,709	-174	0	0	0	-639	896
Operating expenses	-26,785	916	1,397	0	0	0	-24,472
Share of jointly controlled and associated companies' profit / (loss)	705	-705	0	0	0	0	0
Profit / (Loss) before taxation	**41,904**	**0**	**3,401**	**-358**	**-19**	**-459**	**44,471**
Income tax expense / (income)	-3,679	0	-306	32	2	41	-3,910
Profit/ (Loss) for the year from continuing operation	**38,225**	**0**	**3,095**	**-326**	**-17**	**-417**	**40,561**
PROFIT/ (LOSS) FOR THE YEAR	**38,225**	**0**	**3,095**	**-326**	**-17**	**-417**	**40,561**
Other comprehensive income:		0	0	0	0	0	0
Revaluation on financial assets measured at FVTOCI	-12,671	0	0	0	0	0	-12,671
Other comprehensive income for the year net of tax	**-12,671**	**0**	**0**	**0**	**0**	**0**	**-12,671**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**25,554**	**0**	**3,095**	**-326**	**-17**	**-417**	**27,890**

	1H 2021 Half Yearly Report	Structure corrections		Adjusted BS structure
		Liabilities Repo reallocation	Assets Trading securities reclassification	
Total Assets	**3,034,148**		**0**	**3,034,148**
Financial assets	374,796		0	374,796
Loans and advances to banks (net)	92,738			92,738
Cash and cash equivalents	282,058			282,058
Trading portfolios	34,927		13,135	48,062
Trading securities	0		13,135	13,135
Derivative financial assets	34,927			34,927
Securities	1,392,312		-13,135	1,379,177
Loans and advances to customers/Customer Loans (net)	1,140,032			1,140,032
Total Other assets	92,081		0	92,080
Total liabilities and equity	**3,034,148**	**0**	**0**	**3,034,148**
Interbank liabilities (Amounts due to other banks)	708,306	133,958		842,263
Deposits and current accounts	1,974,896	-133,958		1,840,938
Other Liabilities	72,648		0	72,648
Subordinated debt	42,964			42,964
Shareholders' Equity	235,334	0	0	235,334
Subscribed capital	100,000			100,000
Reserves	135,334			135,334
Treasury shares	0			0
Non-controlling interests	0			0

Company name: MKB Bank Nyrt.
Address: 1056 Budapest, Váci u. 38.
Sector: Other monetary activity
Reporting period: 31.03.2021-30.06.2021

Phone: +36 (1) 268-8004
Fax: +36 (1) 268-7555
E-mail address: investorrelations@mkb.hu
Investors' contact person: Dóra Bertalan

3.2 Consolidated financial statements of the MKB Group according to IFRS

3.2.1 Income statement

	1H 2020	1H 2021
Interest income	25,783	36,983
Interest expense	11,312	12,824
Net interest income	**14,471**	**24,159**
Net income from commissions and fees	11,291	11,633
Other operating income / (expense), net	(4,084)	30,483
Impairments and provisions for losses	2,927	(1,709)
Operating expenses	21,797	26,785
Share of jointly controlled and associated companies' profit / (loss)	1,097	705
Profit / (Loss) before taxation	**(1,949)**	**41,904**
Income tax expense / (income)	37	3,679
Profit/ (Loss) for the year from continuing operation	**(1,986)**	**38,225**
Profit/ (Loss) for the year from discontinued operation	-	-
PROFIT/ (LOSS) FOR THE YEAR	**(1,986)**	**38,225**
Other comprehensive income:	-	-
Items that may be reclassified subsequently to profit or loss:	-	-
Revaluation on financial assets measured at FVTOCI	(67)	(12,671)
Other comprehensive income for the year net of tax	**(67)**	**(12,671)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(2,053)**	**25,554**

3.2.2 Balance sheet

	1H 2020	1H 2021
Assets		
Cash reserves	128,561	282,058
Loans and advances to banks	115,124	92,738
Derivative financial assets	29,297	34,927
Securities	852,923	1,392,312
Loans and advances to customers	991,344	1,140,032
Non-current assets held for sale and discontinued operations	1,876	28
Other assets	18,085	20,860
Current income tax assets	1,004	52
Deferred tax assets	8,045	6,395
Investments in jointly controlled entities and associates	4,383	8,325
Intangibles, property and equipment	57,166	56,421
Total assets	**2,207,808**	**3,034,148**
Liabilities		
Amounts due to other banks	409,201	708,306
Deposits and current accounts	1,459,948	1,974,896
Derivate financial liabilities	45,232	15,162
Other liabilities and provisions	54,145	56,687
Current income tax liabilities	1	684
Deferred tax liabilities	161	115
Subordinated debt	42,711	42,964
Total liabilities	**2,011,399**	**2,798,814**
Equity		
Share capital	100,000	100,000
Treasury Shares	-35	0
Reserves	96,409	135,334
Total equity attributable to equity holders of the Bank	**196,374**	**235,334**
Non-controlling interests	35	0
Total equity	**196,409**	**235,334**
Total liabilities and equity	**2,207,808**	**3,034,148**

3.2.3 Shareholders' assets

	Share capital	Treasury shares	Share premium	Share-based payments	Retained earnings	Revaluation on financial assets measured at FVTOCI	Non-controlling interests	Total equity
On 1 January 2020	**100,000**	**(35)**	**21,729**	**-**	**83,480**	**(6,747)**	**35**	**198,462**
Profit/ (loss) for the year	-	-	-	-	8,423	-	-	**8,423**
Other comprehensive income for the year	-	-	-	-	-	3,187	-	**3,187**
First / (final) consolidation of subsidiaries	-	-	-	-	(489)	-	-	**(489)**
Disposal of treasury shares	-	35	-	-	196	-	(35)	**196**
At 31 December 2020	**100,000**	**-**	**21,729**	**-**	**91,610**	**(3,560)**	**-**	**209,779**
Profit/ (loss) for the year	-	-	-	-	38,225	-	-	**38,225**
Other comprehensive income for the year	-	-	-	-	-	(12,671)	-	**(12,671)**
At 30 June 2021	**100,000**	**-**	**21,729**	**-**	**129,835**	**(16,231)**	**-**	**235,334**

3.3 Individual financial statements of MKB Bank Nyrt. according to IFRS

3.3.1 Income statement

	1H 2020	1H 2021
Interest income	25,695	33,932
Interest expense	11,554	12,998
Net interest income	**14,141**	**20,934**
Net income from commissions and fees	11,366	11,741
Other operating income / (expense), net	(2,803)	29,446
Impairments and provisions for losses	2,435	(1,490)
Operating expenses	21,094	24,264
Share of jointly controlled and associated companies' profit / (loss)	-	-
Profit / (Loss) before taxation	**(825)**	**39,347**
Income tax expense / (income)	27	3,552
Profit/ (Loss) for the year from continuing operation	**(852)**	**35,795**
Profit/ (Loss) for the year from discontinued operation	-	-
PROFIT/ (LOSS) FOR THE YEAR	**(852)**	**35,795**
Other comprehensive income:	-	-
Items that may be reclassified subsequently to profit or loss:	-	-
Revaluation on financial assets measured at FVTOCI	(67)	(12,671)
Other comprehensive income for the year net of tax	**(67)**	**(12,671)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(919)**	**23,124**

3.3.2 Balance sheet

	1H 2020	1H 2021
Assets		
Cash reserves	128,561	282,058
Loans and advances to banks	115,124	92,737
Derivative financial assets	29,297	34,991
Securities	852,923	1,392,312
Loans and advances to customers	983,746	1,128,928
Non-current assets held for sale and discontinued operations	1,876	28
Other assets	17,553	19,062
Current income tax assets	879	0
Deferred tax assets	7,743	6,170
Investments in jointly controlled entities and associates	47,676	48,888
Intangibles, property and equipment	36,472	39,580
Total assets	**2,221,850**	**3,044,754**
Liabilities		
Amounts due to other banks	409,088	706,977
Deposits and current accounts	1,468,792	1,990,171
Derivate financial liabilities	45,232	15,162
Other liabilities and provisions	60,963	60,190
Current income tax liabilities	0	682
Deferred tax liabilities	26	0
Issued debt securities	2,402	2,510
Subordinated debt	42,711	42,964
Total liabilities	**2,029,214**	**2,818,656**
Equity		
Share capital	100,000	100,000
Reserves	92,636	126,098
Total equity attributable to equity holders of the Bank	**192,636**	**226,098**
Non-controlling interests	0	0
Total equity	**192,636**	**226,098**
Total liabilities and equity	**2,221,850**	**3,044,754**

3.3.3 Shareholders' assets

	Share capital	Share premium	Retained earnings	Revaluation on financial assets measured at FVTOCI	Total equity
On 1 January 2020	**100,000**	**21,729**	**78,573**	**(6,747)**	**193,555**
Profit/ (loss) for the year	-	-	6,232	-	**6,232**
Other comprehensive income for the year	-	-	-	3,187	**3,187**
At 31 December 2020	**100,000**	**21,729**	**84,805**	**(3,560)**	**202,974**
Profit/ (loss) for the year	-	-	35,795	-	**35,795**
Other comprehensive income for the year	-	-	-	(12,671)	**(12,671)**
At 30 June 2020	**100,000**	**21,729**	**120,600**	**(16,231)**	**226,098**

3.4 Other information

Consolidated companies

Company	Percentage of equity owned	Percentage of voting rights	Country of incorporation	Brief description of activities
Euro - Immat Üzemeltetési Kft.	100.00%	100.00%	Hungary	Intangible assets, license maintenance
MKB-Euroleasing Autólízing Szolgáltató Zrt.	100.00%	100.00%	Hungary	Car and consumer finance activities, other finance activities
MKB Bank MRP Szervezet	100.00%	0.00%	Hungary	Special purpose entity for the Employee Share Program
MKB Üzemeltetési Kft.	100.00%	100.00%	Hungary	Property operation and maintenance
Retail Prod Zrt.	100.00%	100.00%	Hungary	Car and consumer finance activities
MKB-Pannónia Alapkezelő Zrt.	49.00%	49.00%	Hungary	Investment fund management activity
MKB Digital Szolgáltató Zrt.	100.00%	100.00%	Hungary	IT services

List and presentation of owners with more than 5% participation

Name	Number of shares	Ownership share (%)	Voting rights (%)
Hungarian Bankholding Ltd.	97,185,008	97.19%	97.19%

Full-time employees

FTE, end of period	30.06.2020	31.12.2020	31.03.2021	30.06.2021
MKB Bank Nyrt.	1,573.98	1,612.48	1,615.93	1,609.60
MKB Digital Zrt.	186.33	198.95	208.25	221.20
MKB Üzemeltetési Kft	41.61	45.61	43.86	48.11
MKB Euroleasing Autólízing Zrt.	159.43	165.40	167.65	171.40
Retail Prod Zrt.	0.18	0.18	0.18	0.18
MKB Nypénzt. és Eü.Pénzt.Kiszolgáló Kft.	5.00	0.00	0.00	0.00
Extercom Kft.	1.63	0.00	0.00	0.00
MKB Bank MRP Szervezet	2.00	2.00	2.00	2.00
MKB Group	**1,970.14**	**2,024.61**	**2,037.86**	**2,052.49**

Managers and strategic employees

Type[1]	Name	Position	Beginning of mandate	End/termination of mandate	Number of shares held
IT, VB	Dr. Zsolt Barna	Chairman and CEO	01.01.2021	31.12.2025	0
IT	Imre Kardos[2]	member	25.07.2016	24.07.2021	0
IT	Mihály Valkó	member	22.05.2020	21.05.2025	0
IT	Dr. Gabriella Gombai	member	11.06.2020	10.06.2025	0
IT	Balázs Benczédi	member	12.06.2020	11.06.2025	0
IT	Marcell Tamás Takács	member	30.07.2020	29.07.2025	0
FB, VB	János Nyemcsok[3]	member, Deputy CEO	18.05.2021	31.03.2026	0
FB	Albert Godena[2]	member, Director	25.07.2016	24.07.2021	0
FB	Rita Feodor	member	19.09.2018	18.09.2023	0
FB	Dr. Ágnes Hornung	Chair Lady	28.02.2019	27.02.2024	0
FB	Törtel András Oszlányi	member	25.02.2019	24.02.2024	0
FB	Dr. László Ipacs	member	25.02.2019	24.02.2024	0
FB	Kitti Dobi[4]	member	26.07.2021	25.07.2026	0
FB	Balázs Bechtold[4]	member	26.07.2021	25.07.2026	0
SP, VB	Dr. Ilona Török	Deputy CEO	23.04.2021		0
SP, VB	András Bakonyi	Deputy CEO	22.09.2017		0
SP, VB	Ildikó Ginzer	Deputy CEO	21.12.2016		0

[1] Employee in strategic positions (SP), Board of Directors member (IT), Supervisory Board member (FB), Executive Committee member (VB)

[2] Membership expired as of July 24, 2021

[3] Reelected by the Board of Directors acting in the capacity of the General Meeting as employee representative member of the Supervisory Board until 31 March 2026. Membership entered into force as of May 18, 2021.

[4] Elected by the General Meeting as employee representative member of the Supervisory Board until 25 July 2026. Membership entered into force as of 26 July, 2021.

4 ANNEXES

4.1 Financial indicators

4.1.1 Adjusted KPIs on profit&loss

KPI	Short description	Formulation	Current cumulated figures
ROAE	Adjusted rate on average equities	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average equities (HUF bln)}}$	$\frac{40{,}561}{224{,}375} * \frac{4}{2} =$ 36.15%
ROMC	Adjusted rate on minimum capital	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average minimum capital (HUF bln)}}$	$\frac{40{,}561}{150{,}967} * \frac{4}{2} =$ 53.73%
ROAA	Adjusted rate on average total assets	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{40{,}561}{2{,}952{,}194} * \frac{4}{2} =$ 2.75%
TRM	Adjusted total revenue margin	$\frac{\text{Annualised adjusted Gross Operating Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{68{,}047}{2{,}952{,}194} * \frac{4}{2} =$ 4.61%
CIM	Adjusted core income margin	$\frac{\text{Annualised adjusted net interest + net fee + FX income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{(24{,}141 + 11{,}633 + 4{,}022)}{2{,}952{,}194} * \frac{4}{2} =$ 2.70%
NIM	Adjusted net interest income margin	$\frac{\text{Annualised adjusted Net Interest Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{24{,}141}{2{,}952{,}194} * \frac{4}{2} =$ 1.64%
NFM	Adjusted net fee margin	$\frac{\text{Annualised adjusted Net Fee Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{11{,}633}{2{,}952{,}194} * \frac{4}{2} =$ 0.79%
C/TA	Adjusted cost to total assets	$\frac{\text{Annualised adjusted General Admin. Expenses (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{24{,}472}{2{,}952{,}194} * \frac{4}{2} =$ 1.66%
CIR	Adjusted cost-income ratio	$\frac{\text{Adjusted General Admin. Expenses (HUF bln)}}{\text{Adjusted Gross Operating Income (HUF bln)}}$	$\frac{24{,}472}{68{,}047} =$ 35.96%
Risk%	Adjusted risk cost rate	$\frac{\text{Annualised adjusted provision for losses on loans (HUF bln)}}{\text{Average gross loans (HUF bln)}}$	$\frac{-828}{1{,}154{,}145} * \frac{4}{2} =$ -0.14%
GOI/RWA	Adjusted RWA efficiency	$\frac{\text{Annualised adjusted Gross Operating Income (HUF bln)}}{\text{Average Total RWA (HUF bln)}}$	$\frac{68{,}047}{1{,}034{,}415} * \frac{4}{2} =$ 13.16%
EPS	Adjusted earnings per share	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average number of shares (bln pcs)}}$	$\frac{40{,}561}{100} * \frac{4}{2} =$ 811.21

4.1.2 KPIs on profit&loss as in financial statements

KPI	Short description	Formulation	Current cumulated figures
ROAE	Rate on average equities	Annualised PAT (HUF bln) / Average equities (HUF bln)	38,225 / 224,375 * 4/2 = **34.07%**
ROMC	Rate on minimum capital	Annualised PAT (HUF bln) / Average minimum capital (HUF bln)	38,225 / 150,967 * 4/2 = **50.64%**
ROAA	Rate on average total assets	Annualised PAT (HUF bln) / Average Total assets (HUF bln)	38,225 / 2,952,194 * 4/2 = **2.59%**
TRM	Total revenue margin	Annualised Gross Operating Income (HUF bln) / Average Total assets (HUF bln)	66,980 / 2,952,194 * 4/2 = **4.54%**
CIM	Core income margin	Annualised net interest + net fee + FX income (HUF bln) / Average Total assets (HUF bln)	(24,159 + 11,633 + 4,022) / 2,952,194 * 4/2 = **2.70%**
NIM	Net interest income margin	Annualised Net Interest Income (HUF bln) / Average Total assets (HUF bln)	24,159 / 2,952,194 * 4/2 = **1.64%**
NFM	Net fee margin	Annualised Net Fee Income (HUF bln) / Average Total assets (HUF bln)	11,633 / 2,952,194 * 4/2 = **0.79%**
C/TA	Cost to total assets	Annualised General Admin. Expenses (HUF bln) / Average Total assets (HUF bln)	26,785 / 2,952,194 * 4/2 = **1.81%**
CIR	Cost-income ratio	General Admin. Expenses (HUF bln) / Gross Operating Income (HUF bln)	26,785 / 66,980 = **39.99%**
Risk%	Risk cost rate	Annualised provision for losses on loans (HUF bln) / Average gross loans (HUF bln)	-1,467 / 1,154,145 * 4/2 = **-0.25%**
GOI/RWA	RWA efficiency	Annualised Gross Operating Income (HUF bln) / Average Total RWA (HUF bln)	66,980 / 1,034,415 * 4/2 = **12.95%**
EPS	Earnings per share, IFRS	PAT (HUF bln) / Average number of shares (bln pcs)	38,225 / 100 = **382.3**

4.1.3 Volume KPIs

KPI	Short description	Formulation	Current cumulated figures
Provision/ Total Assets	Provision to Total Assets	Provision for customer loans (HUF bln) / Total Assest (HUF bln)	43,957 / 3,034,148 = **1.45%**
Securities rate	Securities to Total assets	Securities (HUF bln) / Total Assest (HUF bln)	1,392,312 / 3,034,148 = **45.89%**
CAR	Capital adequacy ratio	Regulatory capital (HUF bln) / Total RWA (HUF bln)	193,712 / 1,090,125 = **17.77%**
RWA/ Total Assets	Risk weighted assets to Total assets ratio	Total RWA (HUF bln) / Total Assest (HUF bln)	1,090,125 / 3,034,148 = **35.93%**
DPD90+ rate	Rate of loans past due for more than 90 days	Loans past due for more than 90 days (HUF bln) / Gross customer loans (HUF bln)	14,330 / 1,183,989 = **1.21%**
DPD coverage	Rate of loans past due for more than 90 days covered by provision	Provision for customer loans (HUF bln) / Loans past due for more than 90 days (HUF bln)	43,957 / 14,330 = **306.76%**
NPL rate	Rate of non-performing loans	Non-performing customer loans (HUF bln) / Gross customer loans (HUF bln)	28,018 / 1,183,989 = **2.37%**
Direct NPL coverage	Rate of non-performing loans covered directly by provision	Provision for non-performing customer loans (HUF bln) / Non-performing customer loans (HUF bln)	19,391 / 28,018 = **69.21%**
Indirect NPL coverage	Rate of non-performing loans covered by provision	Provision for customer loans (HUF bln) / Non-performing customer loans (HUF bln)	43,957 / 28,018 = **156.89%**

4.2 Abbreviations

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
p/p	Period on period
bp	Basis point
CAGR	Compounded Annual Growth Rate
(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