# MKB Bank Nyrt.

**Report on the**
**1Q 2020 results**
(Flash Report)

Budapest, 27. May 2020

# Table of Contents

**Company name:** MKB Bank Nyrt.
**Address:** 1056 Budapest, Váci u. 38.
**Sector:** Other monetary activity
**Reporting period:** 01.01.2020-31.03.2020
**Phone:** +36 (1) 268-8004
**Fax:** +36 (1) 268-7555
**E-mail address:** investorrelations@mkb.hu
**Investors' contact person:** Dóra Sebestyén-Bertalan

# 1 MKB GROUP 1Q 2020 RESULTS - OVERVIEW

| Main components of P&L (in MHUF) | Period | | | | | YTD | | |
|---|---|---|---|---|---|---|---|---|
| | 1Q2019 | 4Q2019 | 1Q2020 | P/P | Y/Y | 1Q2019 | 1Q2020 | Y/Y |
| **TOCI (Total Other Comprensive Income)** | **2,278** | **7,792** | **-9,829** | **-226.1%** | **-** | **2,278** | **-9,829** | **-** |
| Revaluation on non HFC financial assets (OCI) | 3,741 | -131 | -11,636 | - | - | 3,741 | -11,636 | - |
| **Profit after tax** | **-1,463** | **7,924** | **1,807** | **-77.2%** | **-223.6%** | **-1,463** | **1,807** | **-223.6%** |
| Adjustments total on PAT | 3,866 | -4,181 | 6,132 | -246.7% | 58.6% | 3,866 | 6,132 | 58.6% |
| **Adjusted TOCI** | **6,144** | **3,611** | **1,988** | **-44.9%** | **-67.6%** | **6,144** | **1,988** | **-67.6%** |
| Adjusted revaluation on non HFC financial assets (OCI) | 3,741 | -131 | -5,950 | - | -259.1% | 3,741 | -5,950 | -259.1% |
| **Adjusted Profit after tax** | **2,404** | **3,743** | **7,939** | **112.1%** | **230.3%** | **2,404** | **7,939** | **230.3%** |
| **Adjusted Profit before tax** | **2,747** | **3,102** | **8,570** | **176.2%** | **211.9%** | **2,747** | **8,570** | **211.9%** |
| **Gross Operating Income** | **11,137** | **20,229** | **17,403** | **-14.0%** | **56.3%** | **11,137** | **17,403** | **56.3%** |
| Net Interest Income | 10,705 | 8,798 | 7,755 | -11.9% | -27.6% | 10,705 | 7,755 | -27.6% |
| Net Fee Income | 5,276 | 7,847 | 5,996 | -23.6% | 13.6% | 5,276 | 5,996 | 13.6% |
| Net Other Income | -4,844 | 3,584 | 3,652 | 1.9% | -175.4% | -4,844 | 3,652 | -175.4% |
| General Administrative Expenses | -9,592 | -14,615 | -9,902 | -32.2% | 3.2% | -9,592 | -9,902 | 3.2% |
| Provision for losses on loans | 1,203 | -2,241 | 1,042 | -146.5% | -13.4% | 1,203 | 1,042 | -13.4% |
| **Main components of Balance sheet (in MHUF)** | **Volume at the end of period** | | | | | **YTD average** | | |
| | **1Q2019** | **4Q2019** | **1Q2020** | **P/P** | **Y/Y** | **1Q2019** | **1Q2020** | **Y/Y** |
| **Total Assets** | **1,918,920** | **1,759,796** | **2,029,903** | **15.3%** | **5.8%** | **1,888,250** | **1,894,850** | **0.3%** |
| Customer Loans (net) | 919,389 | 930,314 | 1,014,020 | 9.0% | 10.3% | 907,296 | 972,167 | 7.1% |
| Customer Loans (gross) | 974,166 | 976,681 | 1,060,867 | 8.6% | 8.9% | 969,741 | 1,018,774 | 5.1% |
| Provision for Customer loans | -54,777 | -46,368 | -46,847 | 1.0% | -14.5% | -62,445 | -46,607 | -25.4% |
| Deposits & C/A | 1,410,233 | 1,226,529 | 1,370,420 | 11.7% | -2.8% | 1,391,139 | 1,298,474 | -6.7% |
| Subordinated debt | 38,190 | 39,381 | 43,252 | 9.8% | 13.3% | 33,096 | 41,317 | 24.8% |
| Shareholders' Equity | 164,642 | 198,462 | 188,633 | -5.0% | 14.6% | 161,404 | 193,547 | 19.9% |
| **KPIs based on adjusted PAT (%)** | **Period** | | | | | **YTD** | | |
| | **1Q2019** | **4Q2019** | **1Q2020** | **P-P** | **Y-Y** | **1Q2019** | **1Q2020** | **Y-Y** |
| ROAE - not adjusted | -3.6% | 16.3% | 3.7% | -12.6%-pt | 7.4%-pt | -3.6% | 3.7% | 7.4%-pt |
| ROAE (Return on Average Equity) | 6.0% | 7.7% | 16.4% | 8.7%-pt | 10.5%-pt | 6.0% | 16.4% | 10.5%-pt |
| ROMC (Return on Minimum Capital) | 7.6% | 11.3% | 22.1% | 10.8%-pt | 14.5%-pt | 7.6% | 22.1% | 14.5%-pt |
| Adjusted ROAA (Return on Average Assets) | 0.5% | 0.8% | 1.7% | 0.9%-pt | 1.2%-pt | 0.5% | 1.7% | 1.2%-pt |
| TRM (Total Revenue Margin) | 2.4% | 4.4% | 3.7% | -0.7%-pt | 1.3%-pt | 2.4% | 3.7% | 1.3%-pt |
| CIM (Core income margin) | 3.8% | 4.2% | 3.3% | -0.9%-pt | -0.4%-pt | 3.8% | 3.3% | -0.4%-pt |
| NIM (Net Interest Margin) | 2.3% | 1.9% | 1.6% | -0.3%-pt | -0.6%-pt | 2.3% | 1.6% | -0.6%-pt |
| NFM (Net Fee Margin) | 1.1% | 1.7% | 1.3% | -0.4%-pt | 0.1%-pt | 1.1% | 1.3% | 0.1%-pt |
| C/TA (Cost to Total Assets) | 2.0% | 3.2% | 2.1% | -1.1%-pt | 0.1%-pt | 2.0% | 2.1% | 0.1%-pt |
| CIR (Cost Income Ratio) | 86.1% | 72.2% | 56.9% | -15.3%-pt | -29.2%-pt | 86.1% | 56.9% | -29.2%-pt |
| Provision/Total Assets | 2.9% | 2.6% | 2.3% | -0.3%-pt | -0.5%-pt | 2.9% | 2.3% | -0.5%-pt |
| Risk cost rate | -0.5% | 0.9% | -0.4% | -1.3%-pt | 0.1%-pt | -0.5% | -0.4% | 0.1%-pt |
| CAR (Capital Adequacy Ratio) | 19.2% | 22.6% | 18.0% | -4.6%-pt | -1.2%-pt | 19.2% | 18.0% | -1.2%-pt |
| RWA/Total Assets | 48.0% | 49.4% | 50.7% | 1.3%-pt | 2.7%-pt | 48.0% | 50.7% | 2.7%-pt |
| LTD (Loan to Deposit) | 69.1% | 79.6% | 77.4% | -2.2%-pt | 8.3%-pt | 69.1% | 77.4% | 8.3%-pt |
| GOI/RWA (RWA efficiency) | 4.8% | 9.0% | 7.3% | -1.7%-pt | 2.5%-pt | 4.8% | 7.3% | 2.5%-pt |
| DPD90+ rate | 4.7% | 2.6% | 2.3% | -0.2%-pt | -2.4%-pt | 4.7% | 2.3% | -2.4%-pt |
| EPS (Earning Per Share) | 96.1 | 149.7 | 317.6 | 167.8 | 221.4 | 96.1 | 317.6 | 221.4 |

*MKB Group 1Q 2020 results are based on cumulated, consolidated, unaudited IFRS data of 31.03.2020. "Adjusted" figures are indicators of the underlying business performance; the list of correction factors is included in Chapter 3.1.*

MKB Group started the first quarter of 2020 on a high note. Strong capital position combined with the overwhelmingly successful completion of the EU commitments allowed for ambitious business goals in every business line of the MKB Group.

**The outbreak of the COVID-19 pandemic** in the beginning of March put significant stress on MKB Bank's operation model and business plans. Ambitious growth plans were put on hold, damage limitation, anti-spread and recovery measures were put in place.

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

- MKB Group donated HUF 1 bln to anti-pandemic government activities as an integral part of its CSR activity
- Product portfolio was updated to grant access to the numerous economic stimulus initiatives implemented by the Government and NBH. Based on its strong capital position, MKB is prepared to participate and support its customers with adequate solutions and funds.

New forms of customer service and work:

- Loan repayment moratorium declaration on-line form available since end of March in order to encourage digital, contactless administration;
- Digital queue management in the main branches as well as distancing and spread prevention measures were implemented which allows for near-normal operation in branches while protecting customers and employees;
- VideoBank: video chat service was launched on April 7 helping customers keeping touch with the bank;
- Majority of the Group's employees have been working from home office since mid-March, without significant loss of effectiveness or hiccups. MKB's existing digital approach to office work provided the solid foundations for such a rapid change.

The 1Q financials and the trouble free period since mid-March shows that the management was successful in keeping the operation of the MKB Group as smooth, effective and profitable as possible.

Due to the radical changes in the macroeconomic and business environment, rethinking of the business goals for 2020 become inevitable.

The **total comprehensive income** (unadjusted) of the MKB Group in 1Q was HUF -9.8 bln due to the excessive fair value losses attributable to market turmoil caused by COVID-19. After tax profit was HUF 1.8 bln (+3.3 bln y/y) while other comprehensive income (OCI) was HUF -6.0 bln (HUF -9.7 bln y/y) marking a significant change in yield environment.

**Adjusted profit after tax** was HUF 7.9 bln (HUF +5.5 bln y/y), increasing by HUF 4.2 bln compared to 4Q 2019. **Total assets increased** to HUF 2,029.9 bln (+15.4%p/p; +5.8% y/y) as a result of rapid customer portfolio growth. The **shareholder's equity** slightly decreased to HUF 188.6 bln from HUF 198.5bln in 2019. Capital adequacy was 18.02% (+12bps y/y). MKB Group's 1Q cumulated, adjusted ROAE was 16.41%.

**First quarter highlights:**

- **Strong capital and liquidity position maintained** in 1Q 2020 amid COVID-19 crisis. MKB Group's considerable capital cushion allowed for a rapid RWA growth in 1Q.as well as ensured well above the limit the capital adequacy.
- **Well executed post-EU business strategy** boosted customer deposit and loan volumes, while enhanced liquidity allowed for securities portfolio growth. As a result, total asset grew by more than 15% in 1Q closing above HUF 2 ths bln. Increasing flow market share in corporate and retail loans (high demand for "babaváró" loans) together with swift deposit volume growth unfolds strong business potential of MKB Bank.
- **Adjusted profit after tax figures show favourable profitability** despite the crisis putting pressure on incomes and costs.
- **Sustainable cost efficiency and strict control mitigates the effect of decreasing income on CIR%**
- Prudent and risk-cautious asset management kept the NPL volumes stable. Due to the still high uncertainty covering the expected effect of the moratorium, no additional, COVID-19 related risk cost was booked in 1Q. The management of the MKB Group thoroughly monitors the trends and evaluates the situation. Based on its current understanding, reliable estimation regarding the effect of the moratorium might be available during second half of 2020.
- **MKB Bank successfully launched its instant payment system** („AFR") solution on 2nd March 2020. Problem-free operation creates the foundation for further upgrades to cashless payment services. MKB Bank is committed to leverage business opportunities attached in the near future.
- **MKB Bank's credit ratings** by Moody's Investor Service has been upgraded to Ba3 on 28 January 2020 confirming the achievements of MKB Bank

**Post-closing events:**

- **Letter of intent on the establishment of a financial holding company**: On 15th of May MKB Bank Plc and MTB Bank of Hungarian Savings Cooperatives Co. Ltd. (MTB) signed a letter of intent on the establishment of a shared financial holding company each party holding a 50 percent share therein. The new, joint banking group having a significant market power will be established exploiting synergies between the banks and the operational and cost optimization potential of their cooperation. The specific form of cooperation, the possible merger of financial institutions - in part or in full - will be decided only later, following investigations and consultations with renowned international consultants.

  MTB and MKB with their 1.3 million customers, 840 branches, HUF 4300 billion total assets, HUF 2,600 billion credit volume and HUF 3,100 billion deposit volume would become the second largest organization on the Hungarian banking market
- **Leasing rebranding:** After 29 years the logo and image of the MKB-Euroleasing group changes to reflect the firm's innovative, state of the art digital solutions and it's market leading position in the leasing market

- **Changes in management:** As of May 13, 2020 the employment relationship of Deputy Chief Executive Officer for Finance and Operations Mr Csaba Gábor Fenyvesi was terminated with mutual consent. Mr János Nyemcsok was appointed as head of the finance and operations division. Ildikó Ginzer former Deputy Chief Executive Officer for Business was appointed as General DCEO
- **Senior, subordinated bonds:** To support rapid business growth and to strengthen it's capital position MKB Bank issued EUR 51.3 mln senior, subordinated bond (maturity 8 years) with the value date of 26.05.2020. In the meantime, 48.1 million EUR (remaining maturity: 4 years) senior, subordinated bonds were redeemed based on the authorization of the Hungarian National Bank.

Changes in the macroeconomic environment and the recent capital and money market developments in 1Q 2020 also had a huge impact on the income generating capacity of the MKB Group.

- **Yield environment:** The Fed began lower its target range for the federal funds rate in 3Q 2019, which continued in 1Q 2020, in contrary to previous market expectations. In March 2020, the Fed cut its target range to 0-0.25% in two steps, from the range of 1.50-1.75% at the end of 2019 (March 3: 0.5 percentage point, March 15: 1,0 percentage point interest rate cut). The central bank's target rate cuts were mainly driven by the intention to mitigate of the effects of the coronavirus pandemic and the expected global economic slowdown. Due to the extraordinary conditions, the target rate cuts took place at two unscheduled meetings.

  The ECB did not change the key interest rates at the Governing Council's meeting in March 2020, but it reacted to the coronavirus pandemic and its expected negative economic effects by utilizing several tools. Thus, an additional targeted longer-term refinancing operation (TLTRO) was launched on a temporary basis to provide immediate liquidity support to the euro area financial system. Regarding the previously launched TLTRO program, they announced more favourable conditions than before, and the ECB also expanded its asset purchase program. (During the meetings of the Governing Council in March, in addition to the previous month's € 20 billion asset purchase quota, an additional € 120 billion asset purchase was announced. Subsequently, € 750 billion additional asset purchases were announced.)

  In the first two months of 2020, despite high internal price pressures, the National Bank of Hungary (NBH) in line with market expectations did not change the key rate, and, interest rate conditions in the Hungarian government securities market were roughly unchanged until the beginning of the coronavirus pandemic (the government declared a state of emergency on 11 March 2020). This was followed by a larger-scale increase in yields: the 10-year domestic government bond yield stood at 2.01% at the end of December 2019 and at 2.65% at the end of March. To counterbalance the effects of the coronavirus pandemic the NBH introduced a complex package of monetary policy instruments[1] including a long-term collateralized loan instrument at fixed interest rates, and a one week deposit facility. The newly introduced instruments simultaneously increased short term and decreased long term yields. The NBH also proposed the introduction of a moratorium on the instalment of loans for households and corporate clients, and the regulation of the APR ceiling for consumer loans (what was subsequently announced in a government decree).

[1] The April package included: the resumption of flexible one-week deposit tenders, a government securities and mortgage bond purchase program, an expansion of the Funding for Growth Scheme and the Bond Funding for Growth Scheme. From 8 April, the interest rate on O/N and 1-week covered loans rose from 0.9% to 1.85%.

**Company name:** MKB Bank Nyrt.
**Address:** 1056 Budapest, Váci u. 38.
**Sector:** Other monetary activity
**Reporting period:** 01.01.2020-31.03.2020
**Phone:** +36 (1) 268-8004
**Fax:** +36 (1) 268-7555
**E-mail address:** investorrelations@mkb.hu
**Investors' contact person:** Dóra Sebestyén-Bertalan

- **Weakening HUF exchange rate:** The exchange rate of the HUF against major currencies (EUR/HUF, USD/HUF) rose significantly in 1Q 2020, especially during March, due to the ringing of the coronavirus epidemic. The EUR/HUF closed the first quarter of 2020 at 359 and the HUF continued to weaken further during the second quarter. The significant weakening of the HUF was mainly due to the increasingly gloomy international sentiment (coronavirus epidemic and the ensuing recession), leading to increased risk awareness of international investors.

- **Government**: According to preliminary data, the general government deficit was 2.0% of GDP in 2019 as a whole, mainly due to the surplus in the first half of the year (1Q2019: 0.7% of GDP, 1Q: 1.1% of GDP, 3Q: -0.1%, then 4Q: -6.3%). The deficit target of 1.8% of GDP set for 2019 has not been met, but the general government sector has met the 3% target (Maastricht) in 2019. This favourable performance was largely due to a significant increase in budget revenues (8.4% year-on-year). Revenues from VAT, personal income taxes, excise duties, and other revenues, significantly exceeded the amounts of the previous year (2018). A further positive trend is that the debt-to-GDP ratio (Maastricht) of general government decreased to 66.3% by the end of 2019 from 70.2% at the end of 2018.

- **GDP**: Overall, the domestic economy grew by an average of 4.9% in 2019, slightly below the 5.1% GDP growth of 2018. In 2020, recession expectations came to the fore due to the negative economic effects of the coronavirus pandemic. Danube Capital's (part of the MKB Financial Group) forecast, which was created in an extremely uncertain economic environment, states, that three possible GDP trajectories are conceivable. In the baseline scenario, GDP is estimated to decline by 4% in 2020, while, as first alternative path, expects stagnation; while in the second alternative path, the GDP may decline 8.2% in this year.

- **Wages**: The dynamic expansion of domestic wages is due to the still extremely tight Hungarian labour market, which remained intact in January-February this year, before the pandemic took place. However, looking ahead this trend may reverse due to COVID-19. On a year-on-year basis gross average earnings increased by 9.2% in 2020 January and by 9.1% in February, which is a decrease compared to the double-digit increase of the previous year (2019 as a whole: 11.4% year-on-year).

- **Inflation**: Inflation figures came above the upper 4% band of the NBH's tolerance band in the first months of the year (January: 4.7%, February: 4.4% year-on-year), before decreasing in March due to the pandemic. In March, domestic inflation was 3.9%, returning below the upper limit of the NBH's tolerance band. Internal price pressures were also high, with core inflation showing a steady acceleration over the period, standing at 4% in January and 4.3% in March (year-on-year). In 2019, annual inflation averaged 3.4% (2018: 2.8%) and domestic core inflation averaged 3.8%.

**Government and central bank responses to COVID-19 in Hungary:**

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

- Introduction of the Funding for Growth Go! scheme (FGS Go!) in order to foster recovery without hampering the liquidity of the banks

- Liquidity boosting initiatives: Mortgage bond purchase program and collateralized loan instrument (fix term, corporate loans are eligible collaterals)

- Capital adequacy measures: temporary easing on capital conversation and O-SII buffers (effective from 01.07.2020)

**Company name:** MKB Bank Nyrt.
**Address:** 1056 Budapest, Váci u. 38.
**Sector:** Other monetary activity
**Reporting period:** 01.01.2020-31.03.2020
**Phone:** +36 (1) 268-8004
**Fax:** +36 (1) 268-7555
**E-mail address:** investorrelations@mkb.hu
**Investors' contact person:** Dóra Sebestyén-Bertalan

- Rates on unsecured loans capped at NBH base rate +5%pt
- Contactless payment limit raised to HUF 15,000
- Further preferential credit and guarantee programs (MFB, GHG, EXIM, Széchenyi loans) were also launched aiming at easing pressure on companies affected by the pandemic
- Additional banking tax was introduced by the government to raise additional funds for government economic stimulus. The additional banking tax might be deductible from the regular bank levy over the upcoming five years.

# 2 Management Report on the 1Q 2020 Results of the MKB Group

## 2.1 P&L development

| MKB Group | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Consolidated, IFRS P&L (in MHUF)** | **Period** | | | | | **YTD** | | |
| | **1Q2019** | **4Q2019** | **1Q2020** | **P/P** | **Y/Y** | **1Q2019** | **1Q2020** | **Y/Y** |
| **TOCI (Total Other Comprensive Income)** | **2,278** | **7,792** | **-9,829** | **-226.1%** | **-** | **2,278** | **-9,829** | **-** |
| Revaluation on non HFC financial assets (OCI) | *3,741* | *-131* | *-11,636* | *-* | - | *3,741* | *-11,636* | - |
| **Profit after tax** | **-1,463** | **7,924** | **1,807** | **-77.2%** | **-223.6%** | **-1,463** | **1,807** | **-223.6%** |
| **Adjustments total on PAT** | **3,866** | **-4,181** | **6,132** | **-246.7%** | **58.6%** | **3,866** | **6,132** | **58.6%** |
| *Banking tax* | *4,047* | *0* | *3,275* | *-* | *-19.1%* | *4,047* | *3,275* | *-19.1%* |
| *IFRS16 effect* | *-181* | *-182* | *-35* | *-80.6%* | *-80.5%* | *-181* | *-35* | *-80.5%* |
| *Dividend income* | *0* | *-4* | *-8* | *99.9%* | - | *0* | *-8* | - |
| *Managed portfolio downsizings* | *0* | *-984* | *0* | *-100.0%* | - | *0* | *0* | - |
| *Distressed portfolio downsizing* | *0* | *-2,308* | *0* | *-100.0%* | - | *0* | *0* | - |
| *Covid-19 effect* | *0* | *0* | *2,872* | *-* | - | *0* | *2,872* | - |
| *Branch closure reserve* | *0* | *-703* | *27* | *-103.9%* | - | *0* | *27* | - |
| **Adjusted TOCI** | **6,144** | **3,611** | **1,988** | **-44.9%** | **-67.6%** | **6,144** | **1,988** | **-67.6%** |
| Adjusted revaluation on non HFC financial assets (OCI) | *3,741* | *-131* | *-5,950* | *-* | *-259.1%* | *3,741* | *-5,950* | *-259.1%* |
| **Adjusted Profit after tax** | **2,404** | **3,743** | **7,939** | **112.1%** | **230.3%** | **2,404** | **7,939** | **230.3%** |
| **Adjusted Profit before tax** | **2,747** | **3,102** | **8,570** | **176.2%** | **211.9%** | **2,747** | **8,570** | **211.9%** |
| **Gross Operating Income** | **11,137** | **20,229** | **17,403** | **-14.0%** | **56.3%** | **11,137** | **17,403** | **56.3%** |
| **Net Interest Income** | **10,705** | **8,798** | **7,755** | **-11.9%** | **-27.6%** | **10,705** | **7,755** | **-27.6%** |
| *Interest Income* | *14,794* | *13,736* | *12,235* | *-10.9%* | *-17.3%* | *14,794* | *12,235* | *-17.3%* |
| *Interest Expense* | *-4,089* | *-4,938* | *-4,480* | *-9.3%* | *9.6%* | *-4,089* | *-4,480* | *9.6%* |
| **Net Fee Income** | **5,276** | **7,847** | **5,996** | **-23.6%** | **13.6%** | **5,276** | **5,996** | **13.6%** |
| **Net Other Income** | **-4,844** | **3,584** | **3,652** | **1.9%** | **-175.4%** | **-4,844** | **3,652** | **-175.4%** |
| *FX result* | *1,817* | *2,929* | *2,097* | *-28.4%* | *15.4%* | *1,817* | *2,097* | *15.4%* |
| *FV result* | *-3,290* | *4,712* | *6,662* | *41.4%* | - | *-3,290* | *6,662* | - |
| *Other Income* | *-3,371* | *-4,056* | *-5,106* | *25.9%* | *51.5%* | *-3,371* | *-5,106* | *51.5%* |
| **General Administrative Expenses** | **-9,592** | **-14,615** | **-9,902** | **-32.2%** | **3.2%** | **-9,592** | **-9,902** | **3.2%** |
| *Personnel Expenses* | *-4,852* | *-7,517* | *-4,912* | *-34.7%* | *1.2%* | *-4,852* | *-4,912* | *1.2%* |
| *Operating Expenses* | *-3,480* | *-5,840* | *-3,643* | *-37.6%* | *4.7%* | *-3,480* | *-3,643* | *4.7%* |
| *Amortisation and depreciation* | *-1,260* | *-1,257* | *-1,348* | *7.2%* | *7.0%* | *-1,260* | *-1,348* | *7.0%* |
| **Provisions** | **1,202** | **-2,512** | **1,069** | **-142.6%** | **-11.0%** | **1,202** | **1,069** | **-11.0%** |
| *Provision for losses on loans* | *1,203* | *-2,241* | *1,042* | *-146.5%* | *-13.4%* | *1,203* | *1,042* | *-13.4%* |
| *Other provisions and impairments* | *-1* | *-271* | *27* | *-110.1%* | - | *-1* | *27* | - |
| **Corporate income tax** | **-344** | **641** | **-631** | **-198.5%** | **83.5%** | **-344** | **-631** | **83.5%** |
| **KPIs based on adjusted PAT (%)** | **Period** | | | | | **YTD** | | |
| | **1Q2019** | **4Q2019** | **1Q2020** | **P/P** | **Y/Y** | **1Q2019** | **1Q2020** | **Y/Y** |
| ROAE (Return on Average Equity) | -3.6% | 16.3% | 3.7% | -12.6%-pt | 7.4%-pt | -3.6% | 3.7% | 7.4%-pt |
| Adjusted ROAE | 6.0% | 7.7% | 16.4% | 8.7%-pt | 10.5%-pt | 6.0% | 16.4% | 10.5%-pt |
| Adjusted ROAA (Return on Average Assets) | 0.5% | 0.8% | 1.7% | 0.9%-pt | 1.2%-pt | 0.5% | 1.7% | 1.2%-pt |
| TRM (Total Revenue Margin) | 2.4% | 4.4% | 3.7% | -0.7%-pt | 1.3%-pt | 2.4% | 3.7% | 1.3%-pt |
| CIM (Core income margin) | 3.8% | 4.2% | 3.3% | -0.9%-pt | -0.4%-pt | 3.8% | 3.3% | -0.4%-pt |
| NIM (Net Interest Margin) | 2.3% | 1.9% | 1.6% | -0.3%-pt | -0.6%-pt | 2.3% | 1.6% | -0.6%-pt |
| NFM (Net Fee Margin) | 1.1% | 1.7% | 1.3% | -0.4%-pt | 0.1%-pt | 1.1% | 1.3% | 0.1%-pt |
| C/TA (Cost to Total Assets) | 2.0% | 3.2% | 2.1% | -1.1%-pt | 0.1%-pt | 2.0% | 2.1% | 0.1%-pt |
| CIR (Cost Income Ratio) | 86.1% | 72.2% | 56.9% | -15.3%-pt | -29.2%-pt | 86.1% | 56.9% | -29.2%-pt |
| Provision/Total Assets | 2.9% | 2.6% | 2.3% | -0.3%-pt | -0.5%-pt | 2.9% | 2.3% | -0.5%-pt |
| Risk cost rate | -0.5% | 0.9% | -0.4% | -1.3%-pt | 0.1%-pt | -0.5% | -0.4% | 0.1%-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 (FVTOC), and hedges its interest risk position with IRS transactions, TOCI figures should only be used to evaluate the results.*

### 2.1.1 Adjusted profit after taxation

In 1Q 2020, MKB Group's adjusted consolidated profit was HUF 7.9 bln (+230.3% y/y). The 112% increase in quarterly profit was assisted by HUF 4.7 bln decrease (-32.2% p/p) in costs which mitigated the decrease in incomes (-14.0% p/p). Profit was supported by HUF1.0 bln risk costs release

Adjustments total increased from HUF 3.9 bln in 1Q 2019 to HUF 6.1 bln due to incorporation of COVID-19 adjustments.

The **ROAE** (adjusted) for 1Q 2020 was 16.4% (+10.5%-pt y/y).

The **total revenue margin** (TRM) increased 131bps y/y and reached 3.7% for 1Q.

The **core income margin** (CIM) was 3.3%, decreased with 42bps y/y. In 1Q the rate dropped by 89bps compared to 4Q 2019, due to the decreasing net interest income and net fee income.

The **net interest margin** (NIM) was 1.6%, decreased with 63 bps on y/y basis, while there was a 27 bps decrease compared to 4Q 2019. Majority of the decrease is stemming from the banking book portfolio.

**1Q cost-to-income ratio** (CIR) decreased to 56.9% (-29.2%-pt y/y) due to rising revenues and steady operating cost. On p/p comparison the 15.3%-pt decrease in CIR% was attributable to the typically higher 4Q cost level.

**The risk cost on loans was HUF 1.0 bln** (release), resulting a -0.4% risk cost ratio. The IFRS NPL ratio decreased to 3.9% from 4.3% at the end of 2019, and NPL indirect coverage rose to 113.0% from 110.7%.

The MKB Group's **capital adequacy** decreased to 18.0% by 456bps p/p (-123bp y/y) as total RWA increased significantly.

### 2.1.2 Comprehensive income

MKB Group reported HUF -9.8 bln (HUF -12.1 bln y/y) unadjusted total comprehensive income in 1Q 2020, which is a significant decrease compared to 2019.

Adjusted Total comprehensive income was HUF 2.0 bln (-67.6% y/y).

Decreasing profit was partially mitigated by the increase of FVTOCI revaluation reserves changes of securities.

### 2.1.3 Net interest income

MKB Group's net interest income was HUF 7.8 bln in 1Q 2020 (-27.6% y/y). Most of the decrease is due to the banking book portfolio.

**Interest income** in 1Q 2020 was HUF 12.2 bln (-17.3% y/y). Customer related incomes remained stable despite the pandemic. Balance sheet management required to fulfil EU commitments at the end of 2019 resulted in decreasing securities portfolio. Lower 1Q average securities volume resulted in less income despite the closing volumes are showing securities portfolio growth. Changing market circumstances put pressure on average interest rate of the securities portfolio.

**Interest expense** was HUF 4.5bln (+9.6% y/y) in 1Q 2020, due to IRS benchmark yield changes.

### 2.1.4 Net fee and commission revenues

On a year/year basis the net fee income in Q1 increased significantly by +13.6% to HUF 6.0 bln, however on a p/p basis it is still a -23.6% decrease mostly due to annual seasonality of fee income. To a lesser extent the p/p fee income decrease can be attributed to the negative impacts of the coronavirus pandemic. The credit moratorium introduced by the government decreases the amount of new disbursements, and therefore disbursement fees, while the severe slowdown of both international trade and tourism decreased the amount of international transactions, where banks can charge fees with high margins.

As RWA restriction ended from 2020 there was potential for improving corporate revenues from loans and decreasing specific fee expense, just as increasing income regarding investment services and more intense treasury activity.

Brokerage fees and other securities business revenues have risen in the past quarter, but there is a decrease in MÁP+ revenues.

### 2.1.5 FX results

Results from own account foreign exchange activities in 1Q 2020 was HUF 2.1 bln YTD, (HUF 0.3 bln y/y; HUF -0.8 bln p/p), which is at the same level of the previous year

The individually priced and fixing spot FX conversions and the exchange rate gain on forward and futures transactions of retail and corporate customers were steady compared to the previous quarter.

### 2.1.6 Revaluation result

At the end of February, the steadily increasing trend of yields initiated in 4Q 2019 changed dramatically. Swap yields dropped while bond yields continued to increase resulting in significant although temporary widening of the bond-swap spreads. However, end of March was marked by shrinking bond-swap-spread.

Fair value results for 1Q were adjusted for COVID-19 effects. Fair value adjustments (FVTPL, FVOCI) booked as a result of market turmoil are expected to be offset based on the market trends unfolded post 1Q 2020.

The adjusted revaluation result was HUF 6.7 bln in 1Q (HUF +10.0 bln y/y; HUF +1.9 bln p/p). The positive effect on PAT is offset by the revaluation loss of HUF -6.0 bln in OCI (adjusted). Increasing yield trends resulted in higher fair value adjustments, although the net result remained moderate (HUF 0, 7 bln)

### 2.1.7 Other results

The tax and/or regulatory fees and commission expenses of the 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. One of the factors in the negative 1Q change (y/y -51.5%) was the higher local tax and innovation contribution expense, as well as the lower transaction levy paid into the budget because of the moderate turnover.

### 2.1.8 Operating expenses

MKB Group's general administration expenses were HUF 9.9 bln in 1Q 2020. Stringent cost management and successful organizational realignment led to costs remain at near the same level as 1Q 2019. Cost-income ratio was 56.9% in the first quarter (-29.2%-pt y/y) with COVID-19 adjustments, which is still favourable in comparison with the peer average.

**Personnel expenses** were HUF 4.9 bln in 1Q 2020 (+1.2%; HUF +0.1 bln y/y). Savings stemming from headcount reduction in 2019 was mostly neutralized by constantly high (>10%) wage inflation. On a p/p basis a significant decrease can be seen (-34.7%), since profitability-bound bonus costs were booked in 4Q 2019 which resulted in a temporary increase in PEREX in the previous period.

The closing headcount of the MKB Group was 1,897 FTE in 1Q 2020 (+5 FTE p/p).

**Operating expenses** reached HUF 3.7 bln in 1Q 2020. Increased operational efficiency and strong focus on cost management resulted in an only slightly higher cost level than 1Q 2019 (+4.7% y/y) despite the increasing FX rates.

**Depreciation** (HUF 1.3bln, +7.0% y/y) slightly increased in 1Q 2020.

### 2.1.9 Risk costs

In line with the management's expectations HUF 1.0 bln risk cost release was recognized in the first quarter due to some smaller improvements in the portfolio's quality.

The closing balance of the NPL portfolio for the first quarter was HUF 41.5 bln, following a decrease of HUF 22.7 bln compared to first quarter of 2019. The IFRS-based NPL ratio dropped to 3.9% (-269 bps y/y), while Indirect NPL coverage rose from 85.3% to 113.0% and Direct NPL coverage rose from 65.8% to 74.1%.

### 2.1.10 Corporate income tax

In 1Q 2020 the recorded corporate income tax expense was HUF 24.3 million as a result of HUF 6.8 million corporate income tax expense, HUF 24.5 million deferred tax expense and HUF 7 million deferred tax revenue. Tax revenues are resulted from the recognition of deferred tax income related to unused tax loss.

The adjustments made in the flash report had a tax effect of HUF 606.4 million therefore the adjusted P&L tax effect including the corporate income tax was HUF 630.7 million.

## 2.2 Balance sheet

| MKB Group | | | | | | |
|---|---|---|---|---|---|---|
| **Balance sheet (in MHUF)** | **4Q2018** | **1Q2019** | **4Q2019** | **1Q2020** | **P/P** | **Y/Y** |
| **Financial assets** | **82,850** | **85,728** | **117,780** | **132,776** | 12.7% | 54.9% |
| **Trading portfolios** | **79,333** | **85,501** | **20,734** | **60,179** | **190.2%** | **-29.6%** |
| **Securities** | **710,669** | **733,933** | **594,677** | **729,038** | **22.6%** | **-0.7%** |
| **Loans and advances to customers/Customer Loans (net)** | **895,203** | **919,389** | **930,314** | **1,014,020** | **9.0%** | **10.3%** |
| Loans and advances to customers/Customer Loans (gross) | 965,315 | 974,166 | 976,681 | 1,060,867 | 8.6% | 8.9% |
| *Retail* | *240,241* | *241,066* | *239,236* | *240,159* | *0.4%* | *-0.4%* |
| *Corporate* | *574,006* | *578,583* | *569,018* | *648,465* | *14.0%* | *12.1%* |
| *Leasing* | *151,069* | *154,517* | *168,427* | *172,243* | *2.3%* | *11.5%* |
| Provision for Customer loans | -70,112 | -54,777 | -46,368 | -46,847 | 1.0% | -14.5% |
| *Retail* | *-23,784* | *-26,310* | *-9,697* | *-9,398* | *-3.1%* | *-64.3%* |
| *Corporate* | *-40,301* | *-22,405* | *-30,730* | *-31,816* | *3.5%* | *42.0%* |
| *Leasing* | *-6,028* | *-6,061* | *-5,941* | *-5,633* | *-5.2%* | *-7.1%* |
| **Total Other assets** | **89,523** | **94,369** | **96,293** | **93,890** | **-2.5%** | **-0.5%** |
| *Investments in jointly controlled entities and associates* | *5,627* | *6,483* | *7,312* | *6,392* | *-12.6%* | *-1.4%* |
| *Intangibles, property and equipment* | *52,143* | *55,432* | *58,907* | *58,336* | *-1.0%* | *5.2%* |
| *Other assets* | *31,753* | *32,454* | *30,073* | *29,162* | *-3.0%* | *-10.1%* |
| **Total Assets** | **1,857,579** | **1,918,920** | **1,759,796** | **2,029,903** | 15.3% | 5.8% |
| **Interbank liabilities** | **214,340** | **224,337** | **195,810** | **313,323** | **60.0%** | **39.7%** |
| **Deposits & C/A** | **1,372,046** | **1,410,233** | **1,226,529** | **1,370,420** | **11.7%** | **-2.8%** |
| *Retail* | *328,649* | *340,185* | *334,660* | *352,031* | *5.2%* | *3.5%* |
| *Corporate* | *1,043,397* | *1,070,047* | *891,869* | *1,018,389* | *14.2%* | *-4.8%* |
| **Issued debt securities** | **4,974** | **3,331** | **0** | **0** | **0.0%** | **-100.0%** |
| **Other liabilities** | **80,053** | **78,187** | **99,614** | **114,276** | **14.7%** | **46.2%** |
| **Subordinated debt** | **28,002** | **38,190** | **39,381** | **43,252** | **9.8%** | **13.3%** |
| **Shareholders' Equity** | **158,166** | **164,642** | **198,462** | **188,633** | **-5.0%** | **14.6%** |
| **Total Liabilities & Equity** | **1,857,579** | **1,918,919** | **1,759,796** | **2,029,903** | 15.3% | 5.8% |
| Guarantees | 147,627 | 153,574 | 98,357 | 99,160 | 0.8% | -35.4% |
| Undrawn commitments to extend credit | 251,299 | 228,655 | 235,494 | 207,432 | -11.9% | -9.3% |
| Obligations from letters of credit and | 4,625 | 14,058 | 14,570 | 15,843 | 8.7% | 12.7% |
| Other contingent liablities (including litigation) | 24,075 | 29,814 | 9,232 | 8,977 | -2.8% | -69.9% |
| **Customer off Balance items** | **427,626** | **426,101** | **357,653** | **331,412** | -7.3% | -22.2% |

*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.*

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

The closing balance sheet total of MKB Group for 1Q 2020 was HUF 2,029.9 bln, which represents 15.3% increase over the base period and 5.8% increase over the balance sheet total of 1Q 2019.

The balance sheet increase was driven by customer deposit inflow. Customer loans increase (+8.62% p/p) was driven by increasing corporate loan portfolio. Securities portfolio growth (+22.59% p/p) absorbed the liquidity surplus stemming from the quickly growing customer deposit volumes.

The MKB Group's loan-to-deposit ratio was 77.4%, which is decrease compared to the previous quarter's 79.6%.

### 2.2.1 Loans

Customer loans increase (+8.9% y/y;) was driven by the increasing leasing and corporate loan portfolio along with a stable retail loan volume. 1Q 2020 closing volumes were only marginally influenced by COVID-19 moratorium effects. The leasing portfolio expanded significantly with an 11.5% increase y/y.

In the last quarter, the corporate loan portfolio also increased by +14.0% p/p. Retail loan volume stagnated in the last year, and compared to the last quarter as well.

The impairment losses on loans fell by 14.5% (HUF 7.9 bln). In the last quarter there is a slight increase of 1% (HUF 0.5 bln) in provision volume.

### 2.2.2 Securities

Securities portfolio absorbed the liquidity surplus stemming from the quickly growing customer deposit volumes. Securities volumes at the end of 1Q reached HUF 729.0 bln (HUF -4.9 bln y/y; HUF +134.4 bln p/p). Changing market circumstances put pressure on average interest rate of the securities portfolio.

MKB Bank's historically high securities to total assets ratio slightly increased to 37.0% from the previous quarter's 34.1% (-4.5%-pt y/y).

### 2.2.3 Financial assets

Financial assets were HUF 132.8 bln at the end of 1Q, representing a significant 12.7% increase over the previous quarter. The majority of the portfolio, moves parallel with the liquidity position and total assets of the MKB Group, is made up of interbank liabilities and NBH related instruments used mainly for short term liquidity management purposes.

### 2.2.4 Deposits

Rapid increase in customer deposits (+11.7% p/p) mitigating the liquidity shrinking effect of balance sheet management ongoing at the end of 2019. Customer deposits amounted to HUF 1,370.4 bln at the end of 1Q 2020.

Corporate deposits decreased on a year/year basis (y/y: -4.8%), while both corporate and retail generated period increase (corporate: +14.2%, retail: +5.2%).

### 2.2.5 Interbank liabilities

The interbank liabilities significantly increased by 39.7% on a y/y basis and were HUF 313.3 bln at the end of 1Q.

Volume of refinancing liabilities is linked to the changes of the corresponding asset side portfolio.

The volume of other interbank liabilities is matching the operative liquidity position of the Group. As the limitation period of total assets was over, this portfolio component was able to increase significantly compared to the preceding periods.

### 2.2.6 Capital

MKB Group had HUF 188.6 bln capital at the end of the reporting period. There was a major increment compared to previous year and slight fall compared to last quarter: 14.6% increase on y/y and -5.0% decrease on p/p basis.

The strong capital position of MKB Group only slightly affected (HUF -9.8 bln p/p) by the pressures stemming from COVID-19. Sharp decrease of revaluation reserves was induced by market turmoil at the end of 1Q. Based on post 1Q positive trends devaluation might be temporary.

Capital adjusted for COVID-19 effects would have been HUF 197.2bln.

Since 1Q 2019, HUF 24.0 bln (14.57% y/y) capital was accumulated.

### 2.2.7 Off-balance sheet exposures to customers

The Group's off-balance sheet exposures was HUF 331.4 bln at the end of 1Q, which is 22.2% decrease on y/y basis, while it represents smaller decline of 7.3% compared the previous quarter. Most of the decrease is attributable to the guarantees (-35.4% y/y), and the undrawn commitments to extend credit (-9.3% y/y).

## 2.3 Capital adequacy

Capital adequacy ratio was 18.0% at the end of 1Q 2020.

MKB Groups' considerable capital cushion at the end of 2019 allowed for rapid customer loans growth in 1Q: increasing RWA (1,029.8 bln; HUF +108.0 bln y/y, HUF +159.6bln p/p) accountable for 2.5%pt CAR% decrease.

Further 1.3% drop in CAR% was attributable to COVID-19. Increasing yields resulted in FVTOCI portfolio fair value loss, while sky-high FX rate driven RWA increase was partially mitigated by the FX effect on TIER2 elements.

## 2.4 Presentation business segment results

*This chapter presents the loan portfolio of the 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 Magyar Nemzeti Bank (MNB) and the portfolios are also analysed accordingly for the comparable presentation of market shares.*

### 2.4.1 Corporate business

After successfully closing the restructuring period, MKB Bank shifted its strategic focus and available tools to rapid portfolio growth and customer acquisition. A well-executed business plan resulted in rapid portfolio growth.

MKB Bank reacted quickly and adequately to the outbreak of COVID-19 pandemic. Loan portfolio review and customer protection measures were put in place in order to mitigate the negative effect to the pandemic.

Measures to protect colleagues and customers were also put in place: instead of personal contacts, alternative, digital channels are the preferred way of doing business and supporting customers during the hard times.

Loan repayment moratorium was quickly implemented to ease off pressure on customers' liquidity and profitability. Opt-out rate was around 30-35% at the end of 1Q, in line with the market average. MKB Group's corporate loan volume was HUF 648.5 bln at the end of 1Q 2020, 14.0% y/y (79.4bln) and +12.1% p/p.

Non-financial companies' loans amounted to HUF 471.8 bln, reflecting 11.1%, HUF 47.3 bln increase compared to the previous year, p/p increase was 2.1%. Stock market share increased by 34 bp to 5.22%. Loan disbursements during the period reached HUF 21.4 bln resulting in 2.64% flow market share.

Non-financial large corporate gross loan portfolio growth was significant partly due to segment reclassification, and total volume increased to HUF 173.5 bln, SME loan portfolio decreased, to HUF 270.8 bln as a result of reclassification and portfolio growth, while micro enterprises loan stock was HUF 27.6 bln at the end of the period.

Non-financial corporate deposit volume, increased 18.5% y/y, to HUF 644.4 bln (HUF +98.6bln y/y), while market share increased 75 bp y/y to 6.55%.

Corporate customer count at the end of 1Q 2020 was 35.8 thousand. Managed decrease of corporate customer count was due to the revision of business relations with certain client sub segments.

### 2.4.2 Retail business

Retail business was also heavily affected by the outbreak of COVID-19 crisis. Social distancing and anti-spread measures were put in place in the branches in order to protect customers and colleagues. Customer relations were largely redirected to digital channels: Contact Center upgraded to cope with the increased demand. VideoBank service was introduced helping customers to keep in touch with the bank.

Pandemic related product were launched:

- APR cap of NBH base rate+5% pt was introduced on consumer loans. Redesign of credit card and overdraft loans have been initiated.

- moratorium declaration can be filed digitally

The retail loan closing volume in 1Q 2020 was HUF 237.6 bln, representing HUF 0.7 bln increase compared to 4Q 2019 and -9bp change in market share.

Total loan disbursements in 1Q 2020 were lower than in 4Q 2019 by HUF -0.4 bln (11.5 bln in 1Q 2020). Unsecured and other loan disbursements decreased by HUF 0.1 bln, secured loan disbursement by HUF 0.3 bln compared to 4Q 2019. The market share of total new loan increased by 4 bps.

Secured loans closing volumes was HUF 195.5 bln in 1Q 2020, compared to HUF 200.9 bln in 4Q 2019, while the market share decreased from 4.43% to 4.28%. Volume decrease (HUF -31.5 bln y/y) was driven by regressive disbursement level in 2019. The volume of new loans (HUF 4.5 bln) was slightly lower in 1Q 2020 than in 4Q 2019 (HUF 4.8 bln), due to the continuous crowding-out effect of “Babaváró” loans.

Unsecured loan volume increased by HUF 6.0 bln compared to the end of 4Q 2019 - while the market share increased by 15 bps to 1.33% - mainly due to the continuous strong demand for „Babaváró” loans in 1Q 2020. Personal loan disbursements increased by HUF 0.5 bln in 1Q 2020 (HUF 1.0 bln) compared to 4Q 2019, which leads to a 35bps increase in market share.

Deposit closing volume was HUF 303.2 bln, increased by HUF 16.7 bln compared to the end of 4Q 2019. Sight deposits volume increase (HUF +16.5 bln p/p) was the main driver of growth, while term deposit slightly increased (HUF +0.2 bln p/p). Deposit market share was 3.10% at the end of the period, representing 9bps increase.

The total retail client number showed a slight increase in 1Q, to 366.7 thousand customers. Premium customers are still in strategic focus in 2020. Premium customer acquisition campaigns resulted in a p/p increase of 15.5% (~5890 customers) by the end of 1Q 2020.

### 2.4.3 Leasing business[2]

In the first quarter of the year, the new disbursements exceeded expectations, mainly due to the increase in vehicle financing.

In line with MKB Group’s strategy, RWA effective segments (vehicle financing, SME customers) were prioritised during 2019 at new lending decisions. In the last quarter, the leasing business unit has taken significant steps to increase its market share in other equipment financing segments, beside agricultural machinery financing and vehicles financing segment, while maintaining the RWA considerations above. The stability of vehicle financing will also be further enhanced by a new cooperation, established in the first quarter. The increase in stock financing sub-portfolio is defined by the stockpiling policy of importers and car dealers, which in the second half of 2019 was significantly influenced by the new, stricter environmental regulations for new car registration (entering into force from 1st Jan 2020). Due to market effects, the sub-portfolio increased in the first quarter of 2020 further compared to the end-2019 data, but the aging of diversified stock-financing remains adequate.

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 “NHP” resources according to its market share and is also involved in other state launched programs.

[2] 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.

In addition to the growing portfolio, the non - performing portfolio is continuously decreasing, -3.4% during the last quarter, while its provision coverage remained stable over 80%. The bulk of the declining non-performing portfolio still comes from the lending activities in 2007 – 2008.

The emergency declaration on 11th March 2020 and the payment moratorium imposed on 18th March 2020 also affects the operation of the leasing business. The emergency situation and the movement restrictions that came into force after that affect the new disbursement of the business line, while the payment moratorium affects the development and characteristics of the existing portfolio. The assessment and management of (fact-based) impacts is ongoing.

The operation of the leasing business is even in the changed circumstances stable and trouble-free.

MKB Group's leasing portfolio was HUF 172.2 bln at 31st Marc 2020. The portfolio increased significantly, by 11.5% (HUF +17.7 bln y/y) compared to 2019. The portfolio increase was 2.3%, 3.8 bln in the last quarter. The vehicle financing sector's leasing volume was HUF 105.0 bln (+16.9%, HUF 15.2 bln increase y/y), while the volume of equipment financing was HUF 47.6 bln, decreased with 6.2% (y/y) over the year. The stock financing portfolio expanded by HUF 5.5 bln (y/y) compared to March 2019, while other receivables increased by HUF 0.7 bln over the year.

In terms of new disbursements, MKB Group has a stable position among the three largest actors in the Hungarian leasing market according to the data of the Hungarian Leasing Association. Figures for 1Q 2020 are not yet available.

### 2.4.4 Investments and Treasury

Total corporate savings increased by 5.0% p/p after the EU restructuring period. The volume decrease in funds and bonds was fully offset by the heavy corporate deposit inflow in 1Q (+14.2% p/p) supported by the strong customer base.

In line with market trends retail customers' deposit as well as government bond volumes increased.

Treasury sales results are in line with previous quarters. Prosperous FX and investment service results due to the volatile market environment.

Exchange rate fluctuations had a negative effect on trading portfolio fair value results.

# Declaration

MKB Bank Nyrt. (hereinafter Bank) issues the following declaration in relation to its report on the 1Q 2020 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, 27. May 2020

MKB Bank Nyrt.

| | |
|---|---|
| Mr Ádám Balog, dr. | Mr János Nyemcsok |
| Chairman Chief Executive | Deputy CEO |

# 3 FINANCIAL FIGURES

## 3.1 Correction factors

### 3.1.1 1Q 2019

| | 1Q 2019 Quarterly Report | Structure correction | Banking tax and other taxes | IFRS16 effect | Realignment reserve | Branch closure reserve | Adjusted PAT |
|---|---|---|---|---|---|---|---|
| Interest income | 14,829 | -35 | 0 | 0 | 0 | 0 | 14,794 |
| Interest expense | -4,140 | 0 | 0 | 51 | 0 | 0 | -4,089 |
| **Net interest income** | **10,689** | **-35** | **0** | **51** | **0** | **0** | **10,705** |
| Net income from commissions and fees | 5,276 | 0 | 0 | 0 | 0 | 0 | 5,276 |
| Other operating income / (expense), net | -7,280 | 440 | 2,024 | -27 | 0 | 0 | -4,843 |
| Impairments and provisions for losses | 1,530 | 3 | 0 | 0 | -125 | -207 | 1,201 |
| Operating expenses | -11,781 | 39 | 2,023 | -205 | 125 | 207 | -9,592 |
| Share of jointly controlled and associated companies' profit / (loss) | 447 | -447 | 0 | 0 | 0 | 0 | 0 |
| **Profit / (Loss) before taxation** | **-1,119** | **0** | **4,047** | **-181** | **0** | **0** | **2,747** |
| Income tax expense / (income) | -344 | 0 | **0** | 0 | 0 | 0 | -344 |
| **PROFIT/ (LOSS) FOR THE YEAR** | **-1,463** | **0** | **4,047** | **-181** | **0** | **0** | **2,403** |
| ***Other comprehensive income:*** | | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation on financial assets measured at FVTOCI | 3,741 | 0 | 0 | 0 | 0 | 0 | 3,741 |
| **Other comprehensive income for the year net of tax** | **3,741** | **0** | **0** | **0** | **0** | **0** | **3,741** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **2,278** | **0** | **4,047** | **-181** | **0** | **0** | **6,144** |

| | 1Q 2019 Quarterly Report | Structure corrections | | | | | | | Adjusted BS structure |
|---|---|---|---|---|---|---|---|---|---|
| | | Liabilities | | | | Assets | | | |
| | | Equity realignment | Rename | Repo reallocation | Other liabilities summation | Trading securities separation | Shares reallocation | Other assets summation | |
| **Total Assets** | **1 918 920** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **1 918 920** |
| Financial assets | 85 728 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 85 728 |
| Loans and advances to banks (net) | 59 229 | | | | | | | -35 | 59 194 |
| Cash and cash equivalents | 26 499 | | | | | | | 35 | 26 534 |
| Trading portfolios | 21 392 | 0 | 0 | 0 | 0 | 64 109 | 0 | 0 | 85 501 |
| Trading securities | 0 | | | | | 64 109 | | | 64 109 |
| Derivative financial assets | 21 392 | | | | | | | | 21 392 |
| Securities | 799 253 | | | | | -64 109 | -1 212 | | 733 933 |
| Loans and advances to customers/Customer Loans (net) | 919 390 | | | | | | | | 919 390 |
| Total Other assets | 93 157 | 0 | 0 | 0 | 0 | 0 | 1 212 | 0 | 94 369 |
| Investments in jointly controlled entities and associates | 5 271 | | | | | | 1 212 | | 6 483 |
| Non-current assets held for sale and discontinued operations | 4 163 | | | | | | | | 4 163 |
| Deferred tax assets | 5 492 | | | | | | | | 5 492 |
| Current income tax assets | 21 | | | | | | | -21 | 0 |
| Intangibles, property and equipment | 55 432 | | | | | | | | 55 432 |
| Other assets | 22 778 | | | | | | | 21 | 22 799 |
| **Total liabilities and equity** | **1 918 920** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **1 918 920** |
| Interbank liabilities (Amounts due to other banks) | 214 337 | | | 10 000 | | | | | 224 337 |
| Deposits and current accounts | 1 420 233 | | | -10 000 | | | | | 1 410 233 |
| Other Liabilities | 78 187 | 0 | 0 | | 0 | 0 | 0 | 0 | 78 187 |
| Negative fair values of derivative financial instruments | 0 | | 37 868 | | | | | | 37 868 |
| Other liabilities and provisions | 40 252 | | | | 67 | | | | 40 319 |
| Non-current assets held for sale and discontinued operations | 29 | | | | -29 | | | | 0 |
| Derivate financial liabilities | 37 868 | | -37 868 | | | | | | 0 |
| Deferred tax liabilities | 26 | | | | -26 | | | | 0 |
| Current income tax liabilities | 12 | | | | -12 | | | | 0 |
| Subordinated debt | 38 190 | | | | | | | | 38 190 |
| Shareholders' Equity | 164 642 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 164 642 |
| Subscribed capital | 100 000 | -1 042 | | | | | | | 98 958 |
| Reserves | 64 642 | 1 042 | | | | | | | 65 684 |
| Treasury shares | -1 042 | 1 042 | | | | | | | 0 |
| Non-controlling interests | 1 042 | -1 042 | | | | | | | 0 |

### 3.1.2 1Q 2020

| | 1Q 2020 Quarterly Report | Structure correction | Banking tax and other taxes | IFRS16 effect | Dividend income | Covid-19 effect | Branch closure reserve | Adjusted PAT |
|---|---|---|---|---|---|---|---|---|
| Interest income | 12,164 | 79 | 0 | 0 | -9 | 0 | 0 | 12,235 |
| Interest expense | -4,502 | 0 | 0 | 22 | 0 | 0 | 0 | -4,480 |
| **Net interest income** | **7,662** | **79** | **0** | **22** | **-9** | **0** | **0** | **7,755** |
| Net income from commissions and fees | 6,012 | -16 | 0 | 0 | 0 | 0 | 0 | 5,996 |
| Other operating income / (expense), net | -2,064 | 536 | 1,800 | 255 | 0 | 3,126 | 0 | 3,652 |
| Impairments and provisions for losses | 1,143 | -74 | 0 | 0 | 0 | 0 | 0 | 1,069 |
| Operating expenses | -11,400 | -46 | 1,800 | -316 | 0 | 30 | 30 | -9,902 |
| Share of jointly controlled and associated companies' profit / (loss) | 479 | -479 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Profit / (Loss) before taxation** | **1,832** | **0** | **3,599** | **-39** | **-9** | **3,156** | **30** | **8,570** |
| Income tax expense / (income) | -24 | 0 | -324 | 3 | 1 | -284 | -3 | -631 |
| **Profit/ (Loss) for the year from continuing operation** | **1,808** | **0** | **3,275** | **-35** | **-8** | **2,872** | **27** | **7,939** |
| **PROFIT/ (LOSS) FOR THE YEAR** | **1,808** | **0** | **3,275** | **-35** | **-8** | **2,872** | **27** | **7,939** |
| ***Other comprehensive income:*** | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation on financial assets measured at FVTOCI | -11,637 | 0 | 0 | 0 | 0 | 5,686 | 0 | -5,951 |
| **Other comprehensive income for the year net of tax** | **-11,637** | **0** | **0** | **0** | **0** | **5,686** | **0** | **-5,951** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **-9,829** | **0** | **3,275** | **-35** | **-8** | **8,558** | **27** | **1,988** |

| | 1Q 2020 Quarterly Report | Structure corrections | | | | | | Adjusted BS structure |
|---|---|---|---|---|---|---|---|---|
| | | Liabilities | | | Assets | | | |
| | | Equity realignment | Rename | Other liabilities summation | Trading securities separation | Shares reallocation | Other assets summation | |
| **Total Assets** | **2 029 903** | **0** | **0** | **0** | **0** | **0** | **0** | **2 029 903** |
| Financial assets | 132 776 | 0 | 0 | 0 | 0 | 0 | 0 | 132 776 |
| Loans and advances to banks (net) | 100 704 | | | | | | | 100 704 |
| Cash and cash equivalents | 32 072 | | | | | | | 32 072 |
| Trading portfolios | 37 271 | 0 | 0 | 0 | 22 908 | 0 | 0 | 60 179 |
| Trading securities | 0 | | | | 22 908 | | | 22 908 |
| Derivative financial assets | 37 271 | | | | | | | 37 271 |
| Securities | 751 946 | | | | -22 908 | -1 461 | | 727 577 |
| Loans and advances to customers/Customer Loans (net) | 1 014 020 | | | | | | | 1 014 020 |
| Total Other assets | 93 890 | 0 | 0 | 0 | 0 | 1 461 | 0 | 95 351 |
| Investments in jointly controlled entities and associates | 6 392 | | | | | 1 461 | | 7 853 |
| Non-current assets held for sale and discontinued operations | 448 | | | | | | | 448 |
| Deferred tax assets | 9 154 | | | | | | | 9 154 |
| Current income tax assets | 684 | | | | | | -684 | 0 |
| Intangibles, property and equipment | 58 336 | | | | | | | 58 336 |
| Other assets | 18 876 | | | | | | 684 | 19 561 |
| **Total liabilities and equity** | **2 029 903** | **0** | **0** | **0** | **0** | **0** | **0** | **2 029 903** |
| Interbank liabilities (Amounts due to other banks) | 313 323 | | | | | | | 313 323 |
| Deposits and current accounts | 1 370 420 | | | | | | | 1 370 420 |
| Other Liabilities | 114 275 | 0 | 0 | 0 | 0 | 0 | 0 | 114 276 |
| Negative fair values of derivative financial instruments | 0 | | 54 168 | | | | | 54 169 |
| Other liabilities and provisions | 59 972 | | | 135 | | | | 60 107 |
| Derivate financial liabilities | 54 168 | | -54 168 | | | | | 0 |
| Deferred tax liabilities | 133 | | | -133 | | | | 0 |
| Current income tax liabilities | 2 | | | -2 | | | | 0 |
| Subordinated debt | 43 252 | | | | | | | 43 252 |
| Shareholders' Equity | 188 633 | 0 | 0 | 0 | 0 | 0 | 0 | 188 633 |
| Subscribed capital | 100 000 | -35 | | | | | | 99 965 |
| Reserves | 88 633 | 35 | | | | | | 88 668 |
| Treasury shares | -35 | 35 | | | | | | 0 |
| Non-controlling interests | 35 | -35 | | | | | | 0 |

# 3.2 Consolidated financial statements of the MKB Group according to IFRS

## 3.2.1 Income statement

| | 1Q(Y) 2019 | 1Q(Y) 2020 |
|---|---|---|
| Interest income | 14,829 | 12,164 |
| Interest expense | 4,140 | 4,502 |
| **Net interest income** | **10,689** | **7,662** |
| Net income from commissions and fees | 5,276 | 6,012 |
| Other operating income / (expense), net | (7,280) | (2,064) |
| Impairments and provisions for losses | (1,530) | (1,143) |
| Operating expenses | 11,781 | 11,400 |
| Share of jointly controlled and associated companies' profit / (loss) | 447 | 479 |
| **Profit / (Loss) before taxation** | **(1,119)** | **1,832** |
| Income tax expense / (income) | 344 | 24 |
| **Profit/ (Loss) for the year from continuing operation** | **(1,463)** | **1,808** |
| Profit/ (Loss) for the year from discontinued operation | - | - |
| **PROFIT/ (LOSS) FOR THE YEAR** | **(1,463)** | **1,808** |
| ***Other comprehensive income:*** | - | - |
| ***Items that may be reclassified subsequently to profit or loss:*** | - | - |
| Revaluation on financial assets measured at FVTOCI | (3,694) | (11,637) |
| **Other comprehensive income for the year net of tax** | **(3,694)** | **(11,637)** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **(5,157)** | **(9,829)** |

### 3.2.2 Balance sheet

| | 1Q 2019 | 1Q 2020 |
|---|---|---|
| ***Assets*** | | |
| Cash reserves | 26,499 | 32,072 |
| Loans and advances to banks | 59,229 | 100,704 |
| Derivative financial assets | 21,392 | 37,271 |
| Securities | 799,253 | 751,946 |
| Loans and advances to customers | 919,390 | 1,014,020 |
| Non-current assets held for sale and discontinued operations | 4,163 | 448 |
| Other assets | 22,778 | 18,876 |
| Current income tax assets | 21 | 684 |
| Deferred tax assets | 5,492 | 9,154 |
| Investments in jointly controlled entities and associates | 5,271 | 6,392 |
| Intangibles, property and equipment | 55,432 | 58,336 |
| **Total assets** | **1,918,920** | **2,029,903** |
| ***Liabilities*** | 0 | 0 |
| Amounts due to other banks | 214,337 | 313,323 |
| Deposits and current accounts | 1,420,233 | 1,370,420 |
| Derivate financial liabilities | 37,868 | 54,168 |
| Liabilities held for sale and discontinued operations | 29 | 0 |
| Other liabilities and provisions | 40,252 | 59,972 |
| Current income tax liabilities | 12 | 2 |
| Deferred tax liabilities | 26 | 133 |
| Issued debt securities | 3,331 | 0 |
| Subordinated debt | 38,190 | 43,252 |
| **Total liabilities** | **1,754,278** | **1,841,270** |
| ***Equity*** | 0 | 0 |
| Share capital | 100,000 | 100,000 |
| Treasury Shares | -1,042 | -35 |
| Reserves | 64,642 | 88,633 |
| **Total equity attributable to equity holders of the Bank** | **163,600** | **188,598** |
| Non-controlling interests | 1,042 | 35 |
| **Total equity** | **164,642** | **188,633** |
| **Total liabilities and equity** | **1,918,920** | **2,029,903** |

### 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 |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2019** | **100,000** | **(1,987)** | **21,729** | **194** | **39,709** | **(3,466)** | **1,987** | **158,166** |
| Dividend for the year 2018 | - | - | - | - | (4,665) | - | - | **(4,665)** |
| Profit/ (loss) for the year | - | - | - | - | 44,148 | - | - | **44,148** |
| Other comprehensive income for the year | - | - | - | - | - | (3,281) | - | **(3,281)** |
| Equity settled share-based payments | - | - | - | (194) | 194 | - | - | **-** |
| Disposal of treasury shares | - | 1,952 | - | - | 4,094 | - | (1,952) | **4,094** |
| **At 31 December 2019** | **100,000** | **(35)** | **21,729** | **-** | **83,480** | **(6,747)** | **35** | **198,462** |
| Profit/ (loss) for the year | - | - | - | - | 1,808 | - | - | **1,808** |
| Other comprehensive income for the year | - | - | - | - | - | (11,637) | - | **(11,637)** |
| **At 31 March 2020** | **100,000** | **(35)** | **21,729** | **-** | **85,288** | **(18,384)** | **35** | **188,633** |

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

### 3.3.1 Income statement

| | 1Q(Y) 2019 | 1Q(Y) 2020 |
|---|---|---|
| Interest income | 13,527 | 10,691 |
| Interest expense | 4,218 | 4,612 |
| **Net interest income** | **9,309** | **6,079** |
| Net income from commissions and fees | 5,293 | 6,059 |
| Other operating income / (expense), net | (7,037) | (1,099) |
| Impairments and provisions for losses | (1,392) | (942) |
| Operating expenses | 10,889 | 10,980 |
| Share of jointly controlled and associated companies' profit / (loss) | - | - |
| **Profit / (Loss) before taxation** | **(1,932)** | **1,001** |
| Income tax expense / (income) | 354 | 12 |
| **Profit/ (Loss) for the year from continuing operation** | **(2,286)** | **989** |
| Profit/ (Loss) for the year from discontinued operation | - | - |
| **PROFIT/ (LOSS) FOR THE YEAR** | **(2,286)** | **989** |
| ***Other comprehensive income:*** | - | - |
| ***Items that may be reclassified subsequently to profit or loss:*** | - | - |
| Revaluation on financial assets measured at FVTOCI | (3,694) | (11,637) |
| **Other comprehensive income for the year net of tax** | **(3,694)** | **(11,637)** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **(5,980)** | **(10,648)** |

### 3.3.2 Balance sheet

| | 1Q 2019 | 1Q 2020 |
|---|---|---|
| ***Assets*** | | |
| Cash reserves | 26,499 | 32,072 |
| Loans and advances to banks | 59,229 | 100,704 |
| Derivative financial assets | 21,392 | 37,271 |
| Securities | 799,253 | 751,946 |
| Loans and advances to customers | 917,568 | 1,010,248 |
| Non-current assets held for sale and discontinued operations | 4,163 | 448 |
| Other assets | 18,413 | 16,588 |
| Current income tax assets | 0 | 575 |
| Deferred tax assets | 5,412 | 8,874 |
| Investments in jointly controlled entities and associates | 42,014 | 46,710 |
| Intangibles, property and equipment | 40,426 | 37,958 |
| **Total assets** | **1,934,369** | **2,043,394** |
| ***Liabilities*** | 0 | 0 |
| Amounts due to other banks | 214,168 | 313,200 |
| Deposits and current accounts | 1,443,736 | 1,381,813 |
| Derivate financial liabilities | 37,868 | 54,168 |
| Liabilities held for sale and discontinued operations | 29 | 0 |
| Other liabilities and provisions | 35,244 | 66,711 |
| Deferred tax liabilities | 0 | 12 |
| Issued debt securities | 4,055 | 1,331 |
| Subordinated debt | 38,190 | 43,252 |
| **Total liabilities** | **1,773,290** | **1,860,487** |
| ***Equity*** | 0 | 0 |
| Share capital | 100,000 | 100,000 |
| Reserves | 61,079 | 82,907 |
| **Total equity attributable to equity holders of the Bank** | **161,079** | **182,907** |
| Non-controlling interests | 0 | 0 |
| **Total equity** | **161,079** | **182,907** |
| **Total liabilities and equity** | **1,934,369** | **2,043,394** |

### 3.3.3 Shareholders' assets

| | Share capital | Share premium | Retained earnings | Revaluation on financial assets measured at FVTOCI | Total equity |
|---|---|---|---|---|---|
| **At 1 January 2019** | **100,000** | **21,729** | **41,361** | **(3,466)** | **159,624** |
| Profit/ (loss) for the year | - | - | (4,800) | - | **(4,800)** |
| Other comprehensive income for the year | - | - | 42,012 | - | **42,012** |
| **At 31 December 2019** | **-** | **-** | **-** | **(3,281)** | **(3,281)** |
| Dividend for the year 2018 | 100,000 | 21,729 | 78,573 | (6,747) | **193,555** |
| Profit/ (loss) for the year | - | - | 989 | - | **989** |
| Other comprehensive income for the year | - | - | - | (11,637) | **(11,637)** |
| **At 31 March 2020** | **100,000** | **21,729** | **79,562** | **(18,384)** | **182,907** |

## 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 |
| Exter-Adósságkezelő Kft. | 100.00% | 100.00% | Hungary | Collecting receivables |
| Extercom Vagyonkezelő Kft. | 100.00% | 100.00% | Hungary | Property investments |
| 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 Nyugdíjpénztárt és Egészségpénztárt Kiszolgáló Kft. | 100.00% | 100.00% | Hungary | Other financial services |
| 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

| Név | Number of shares | Ownership share (%) | Voting rights (%) |
|---|---|---|---|
| METIS Private Equity Fund | 35 000 001 | 35.00% | 35.00% |
| Blue Robin Investments S.C.A. | 32 900 000 | 32.90% | 32.90% |
| RKOFIN RKOFIN Investment and Asset Management Ltd. | 13 620 597 | 13.62% | 13.62% |
| EIRENE Private Equity Fund | 9 999 999 | 9.99% | 9.99% |

## Full-time employees

| FTE, end of period | 31.12.2018 | 30.06.2019 | 31.12.2019 | 31.03.2020 |
|---|---|---|---|---|
| MKB Bank Nyrt. | 1,742.30 | 1,497.78 | 1,509.70 | 1,506.20 |
| MKB Digital Zrt. | 0.00 | 190.70 | 185.83 | 193.78 |
| MKB Üzemeltetési Kft | 40.50 | 37.11 | 40.11 | 42.36 |
| MKB Euroleasing Autólízing Zrt. | 134.55 | 133.18 | 146.73 | 145.57 |
| Retail Prod Zrt. | 0.23 | 0.23 | 0.18 | 0.18 |
| MKB Nypénzt. és Eü.Pénzt.Kiszolgáló Kft. | 7.00 | 6.00 | 6.25 | 5.25 |
| Exter Adósságkezelő Kft. | 1.00 | 1.00 | 0.00 | 0.00 |
| Extercom Kft. | 2.15 | 3.20 | 1.63 | 1.63 |
| MKB Bank MRP Szervezet | 2.00 | 2.00 | 2.00 | 2.00 |
| **MKB Group** | **1,929.73** | **1,871.19** | **1,892.41** | **1,896.96** |

## Managers and strategic employees

| Type[1] | Name | Position | Beginning of mandate | End/termination of mandate | Number of shares held |
|---|---|---|---|---|---|
| IT, VB | Dr. Ádám Balog | Chairman and CEO | 2015.07.23 | 2020.07.22 | 0 |
| IT, VB | Dr. András Csapó | member, Deputy CEO | 2017.09.07 | 2020.07.22 | 0 |
| IT | Imre Kardos | member | 2016.07.25 | 2021.07.24 | 0 |
| IT | Balázs Nyitrai* | member | 2018.06.27 | 2023.06.26 | 0 |
| FB, VB | János Nyemcsok | member, Deputy CEO | 2016.04.15 | 2021.03.31 | 0 |
| FB | Ferenc Müller | member, Chief Strategic Consultant | 2016.04.15 | 2021.03.31 | 0 |
| FB | Albert Godena | member, Director | 2016.07.25 | 2021.07.24 | 0 |
| FB | Rita Feodor | member | 2018.09.19 | 2023.09.18 | 0 |
| FB | Dr. Ágnes Hornung | Chair Lady | 2019.02.28 | 2024.02.27 | 0 |
| FB | Törtel András Oszlányi | member | 2019.02.25 | 2024.02.24 | 0 |
| FB | Dr. László Ipacs | member | 2019.02.25 | 2024.02.24 | 0 |
| SP, VB | András Bakonyi | Deputy CEO | 2017.09.22 | | 0 |
| SP, VB | Ildikó Ginzer | Deputy CEO | 2016.12.21 | | 0 |
| SP, VB | Csaba Gábor Fenyvesi** | Deputy CEO | 2019.06.25 | | 0 |

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

* The election of Mihály Valkó as a member of the Board of Directors and the resignation of Balázs Nyitrai as a member of the Board of Directors entered into effect on 22.05.2020.

** Member of the Executive Committee since 01.08.2017. As of May 13, 2020 the employment relationship of Deputy Chief Executive Officer for Finance and Operations Mr Csaba Gábor Fenyvesi was terminated with mutual consent.

# 4 Annexes

## 4.1 Financial indicators

$$\textbf{ROAE}\ (\text{Return on Average Equity}) = \frac{\text{Profit after taxation of the period}}{\text{Average equity}}$$

$$\textbf{ROAA}\ (\text{return on average assets}) = \frac{\text{Profit after taxation of the period}}{\text{Average total assets}}$$

$$\textbf{ROMC}\ (\text{return on minimum capital requirement}) = \frac{\text{Profit after taxation of the period}}{\text{Minimum capital requirement}}$$

$$\textbf{TRM}\ (\text{total revenue margin}) = \frac{\text{Gross revenues}}{\text{Average total assets}}$$

$$\textbf{NIM}\ (\text{net interest margin}) = \frac{\text{Net interest income}}{\text{Average total assets}}$$

$$\textbf{NFM}\ (\text{net fee margin}) = \frac{\text{Net fee/commission income}}{\text{Average total assets}}$$

$$\text{Business margin} = \frac{\text{Net interest income} + \text{Net fee/commission income} + \text{Exchange rate result}}{\text{Average total assets}}$$

$$\textbf{C/TA}\ (\text{operating expenses /total assets}) = \frac{\text{Total operating expenses}}{\text{Average total assets}}$$

$$\textbf{CIR}\ (\text{cost} - \text{income ratio}) = \frac{\text{Total operating expenses}}{\text{Gross revenues}}$$

$$\text{Impairment / Total assets} = \frac{\text{Impairment recognised on loans}}{\text{Total assets (closing)}}$$

$$\text{Risk costs ratio} = \frac{\text{Risk cost recognised on loans}}{\text{Average gross loan portfolio}}$$

$$\textbf{CAR}\ \text{(capital adequacy ratio)} = \frac{\text{Regulatory capital}}{\text{Risk weighted assets (RWA)(closing)}}$$

$$\text{RWA ratio} = \frac{\text{RWA (closing)}}{\text{Total assets (closing)}}$$

$$\textbf{LTD}\ \text{(loan to deposit ratio)} = \frac{\text{Gross customer loans (closing)}}{\text{Customer deposits (closing)}}$$

$$\text{RWA efficiency} = \frac{\text{Gross revenues}}{\text{RWA (average)}}$$

$$\textbf{EPS}\ \text{(earnings per share)} = \frac{\text{Profit after taxation of the period}}{\text{Number of shares}}$$

$$\text{NPL coverage} = \frac{\text{Impairment recognised on loans}}{\text{Non} - \text{performing loans (NPL)(closing)}}$$

$$\text{Direct NPL coverage} = \frac{\text{Impairment recognised on NPL}}{\text{Non} - \text{performing loans (NPL)(closing)}}$$

$$\text{NPL ratio} = \frac{\text{NPL portfolio (closing)}}{\text{Gross customer loans (closing)}}$$

$$\text{DPD90} + \text{coverage} = \frac{\text{Impairment recognised on loans}}{\text{Loans past due for more than 90 days (DPD90+) (closing)}}$$

$$\text{DPD90} + \text{ratio} = \frac{\text{DPD90} + \text{portfolio (closing)}}{\text{Gross customer loans (closing)}}$$

## 4.2 Abbreviations

| | |
|---|---|
| MKB, MKB Bank, MKB Group | MKB Group |
| EU kötelezettség-vállalások | Required range of certain EU Commitments marked in brackets, as defined in the following public document: https://ec.europa.eu/competition/state_aid/cases/261437/261437_1721348_166_2.pdf Please note that specific targets were set within the displayed ranges. |
| MNB | Magyar Nemzeti Bank (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 |
| Fedezett hitelek | 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 |