MKB Bank Nyrt.

Report on the
1Q 2022 results
(Flash Report)

Budapest, 26 May 2022

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1 MKB GROUP 1Q 2022 RESULTS – OVERVIEW

Main components of P&L (in MHUF)	Period 1Q 2021*	4Q 2021*	1Q 2022	P/P	Y/Y	YTD 1Q 2021	1Q 2022	Y/Y
TOCI (Total Comprensive Income)	**16 414**	**5 406**	**10 792**	**99,7%**	**-34,2%**	**16 414**	**10 792**	**-34,2%**
Revaluation on non HFC financial assets (OCI)	-10 393	-33	-12 691	-	22,1%	-10 393	-12 691	22,1%
Profit after tax	**26 807**	**5 439**	**23 483**	**-**	**-12,4%**	**26 807**	**23 483**	**-12,4%**
Adjustments total on PAT	2 796	8 753	5 505	-37,1%	96,9%	2 796	5 505	96,9%
Adjusted TOCI	**19 210**	**14 159**	**16 297**	**15,1%**	**-15,2%**	**19 210**	**16 297**	**-15,2%**
Adjusted revaluation on non HFC financial assets (OCI)	-10 393	-33	-12 691	-	22,1%	-10 393	-12 691	22,1%
Adjusted Profit after tax	**29 603**	**14 192**	**28 988**	**104,3%**	**-2,1%**	**29 603**	**28 988**	**-2,1%**
Profit before tax (adjusted)	**32 002**	**12 766**	**31 701**	**148,3%**	**-0,9%**	**32 002**	**31 701**	**-0,9%**
Gross Operating Income (adjusted)	**43 159**	**33 071**	**42 318**	**28,0%**	**-1,9%**	**43 159**	**42 318**	**-1,9%**
Net Interest Income (adjusted)	11 463	16 632	25 170	51,3%	119,6%	11 463	25 170	119,6%
Net Fee Income (adjusted)	5 510	6 913	5 453	-21,1%	-1,0%	5 510	5 453	-1,0%
Net Other Income (adjusted)	26 186	9 527	11 695	22,8%	-55,3%	26 186	11 695	-55,3%
General Administrative Expenses (adjusted)	-10 558	-15 943	-12 701	-20,3%	20,3%	-10 558	-12 701	20,3%
Provision for losses on loans (adjusted)	209	-3 127	3 446	-210,2%	-	209	3 446	1550,4%
Main components of Balance sheet (in MHUF)	**Volumes at the end of period 1Q 2021**	**4Q 2021**	**1Q 2022**	**P/P**	**Y/Y**	**YTD average 1Q 2021**	**1Q 2022**	**Y/Y**
Total Assets	**2 996 511**	**3 314 159**	**3 797 326**	**14,6%**	**26,7%**	**2 889 059**	**3 555 742**	23,1%
Customer Loans (net)	1 091 537	1 215 347	1 242 678	2,2%	13,8%	1 102 750	1 229 012	11,4%
Customer Loans (gross)	1 136 335	1 263 647	1 287 614	1,9%	13,3%	1 148 128	1 275 631	11,1%
Provision for Customer loans	-44 797	-48 301	-44 936	-7,0%	0,3%	-45 378	-46 618	2,7%
Deposits & C/A	1 816 604	2 216 145	2 217 487	0,1%	22,1%	1 839 433	2 216 816	20,5%
Subordinated debt	45 034	45 070	45 635	1,3%	1,3%	44 879	45 352	1,1%
Shareholders' Equity	226 193	249 753	260 529	4,3%	15,2%	217 986	255 141	17,0%
KPIs based on adjusted and unadjusted PAT (%)	**Period 1Q 2021**	**4Q 2021**	**1Q 2022**	**P-P**	**Y-Y**	**YTD 1Q 2021**	**1Q 2022**	**Y-Y**
ROAE (Return on Average Equity - unadjusted)	49,2%	8,8%	36,8%	28,0%-pt	-12,4%-pt	49,2%	36,8%	-12,4%-pt
EPS (Earning Per Share - unadjusted, IFRS)	268,1	54,4	234,8	180,4	-33,2	268,1	234,8	-33,2
ROAE (Return on Average Equity - adjusted)	54,3%	23,0%	45,4%	22,5%-pt	-8,9%-pt	54,3%	45,4%	-8,9%-pt
ROMC (Return on Minimum Capital - adjusted)	80,0%	34,6%	68,1%	33,5%-pt	-11,9%-pt	80,0%	68,1%	-11,9%-pt
ROAA (Return on Average Assets - adjusted)	4,1%	1,8%	3,3%	1,5%-pt	-0,8%-pt	4,1%	3,3%	-0,8%-pt
TRM (Total Revenue Margin - adjusted)	6,0%	4,1%	4,8%	0,7%-pt	-1,2%-pt	6,0%	4,8%	-1,2%-pt
CIM (Core income margin - adjusted)	2,5%	3,0%	3,4%	0,5%-pt	0,9%-pt	2,5%	3,4%	0,9%-pt
NIM (Net Interest Margin - adjusted)	1,6%	2,1%	2,8%	0,8%-pt	1,2%-pt	1,6%	2,8%	1,2%-pt
NFM (Net Fee Margin - adjusted)	0,8%	0,9%	0,6%	-0,2%-pt	-0,1%-pt	0,8%	0,6%	-0,1%-pt
C/TA (Cost to Total Assets - adjusted)	1,5%	2,0%	1,4%	-0,5%-pt	0,0%-pt	1,5%	1,4%	0,0%-pt
CIR (Cost Income Ratio - adjusted)	24,5%	48,2%	30,0%	-18,2%-pt	5,6%-pt	24,5%	30,0%	5,6%-pt
Risk% (Risk cost rate - adjusted)	-0,1%	1,0%	-1,1%	-2,1%-pt	-1,0%-pt	-0,1%	-1,1%	-1,0%-pt
GOI/RWA (RWA efficiency - adjusted)	17,0%	11,9%	14,9%	3,0%-pt	-2,1%-pt	17,0%	14,9%	-2,1%-pt
EPS (Earning Per Share - adjusted)	1184,1	567,7	1159,5	591,8	-24,6	1184,1	1159,5	-24,6
Volume KPIs (%)	**Period 1Q 2021**	**4Q 2021**	**1Q 2022**	**P-P**	**Y-Y**	**YTD 1Q 2021**	**1Q 2022**	**Y-Y**
Provision/Total Assets	1,5%	1,5%	1,2%	-0,3%-pt	-0,3%-pt	1,5%	1,2%	-0,3%-pt
CAR (Capital Adequacy Ratio)	18,9%	22,0%	20,3%	-1,7%-pt	1,4%-pt	18,9%	20,3%	1,4%-pt
RWA/Total Assets	34,1%	33,8%	30,2%	-3,5%-pt	-3,9%-pt	34,1%	30,2%	-3,9%-pt
LTD (Loan to Deposit)	62,6%	57,0%	58,1%	1,0%-pt	-4,5%-pt	62,6%	58,1%	-4,5%-pt
DPD90+ rate	1,2%	1,0%	1,0%	0,1%-pt	-0,2%-pt	1,2%	1,0%	-0,2%-pt

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

MKB Group 1Q 2022 results are based on cumulated, consolidated, unaudited IFRS data of 31.03.2022. "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.

The legal merger of the two member banks of Hungarian Bankholding Ltd, Budapest Bank and MKB Bank has been concluded at midnight on 31st March, by which the registered capital of MKB Bank has increased to HUF 311.3 billion. The merged financial institution will continue to operate temporarily under the name MKB Bank Nyrt.

This marks another milestone in the triple bank merger led by Hungarian Bankholding, which aims to create the second largest universal major bank of Hungary by its total assets, also at the forefront of digitalisation, by integrating Budapest Bank, MKB Bank and – in the near future, but no later than May 2023, if all necessary internal decisions and statutory approvals are obtained and other necessary prior conditions are fulfilled – Takarékbank.

As a significant step in the merger processes of Magyar Bankholding, on the first day of 2022, MKB-Euroleasing, Budapest Leasing, Takarék Leasing and Budapest Bank's Car Finance started operating in an integrated manner under the name Euroleasing.

With its General Meeting Resolution No. 11/2021 MKB Bank decided on 15th December 2021 by to pay interim dividend of HUF 4.3 billion to the shareholders of the Company. Pursuant to the Board of Directors' resolution 13/2022. (31st January), the first date of payment of the interim dividend was 14th February 2022.

Upon request of Hungarian Bankholding the National Bank of Hungary revoked the licence for operating as a financial holding company issued to Hungarian Bankholding. MKB Bank took over the group management function over the banking group after 29th April 2022.

In 1Q 2022 the following main factors were the key drivers of operation:

- **Money market trends:** the increasing yield environment had a positive impact on profitability and total comprehensive income (TOCI).
- **Strengthening market position** in corporate lending and retail deposits; the Bank managed to maintain market share in retail lending.
- Highlighted focus on the **renewed Széchenyi products**: the Széchenyi GO! and the Széchenyi Leasing GO! products were popular products among the corporate clientele.
- Still active and successful participation in **government recovery programs.**
- **A new, innovative digital MKB bank branch** opened in the renewed GoBuda Mall. The branch has been designed according to the needs of the customers; digital displays and tablets help customers find their way around in an environment that supports the feeling discreet, premium banking and a digital play corner awaits the children of the customers.
- From the first quarter of 2022, company executives will be able to meet with **BUPA in six designated branches of MKB Bank**. The service takes the burden of administrative and billing off the shoulders of SME leaders.
- The **customer information program** related to the merger was launched by MBH as early as December 2021. The Bank assisted customers in writing, electronically, with merger sub-pages and by compiling customer brochures.

Financial highlights in 1Q:

- **Total assets over HUF 3,797 billion (+14.6% p/p, +26.7% y/y):** customer loan's further growth (+2.2% p/p) while deposits stagnated.
- **HUF 29.0 billion adjusted cumulated profit in 1Q 2022** as increasing customer related income together with strong FV results created substantial accumulated PAT and TOCI.
- Customer loan portfolio increase and the upturn in interest rates resulted in **higher net interest income (+119.6% y/y) and +66.1% yearly core income (HUF 30.5 billion in 1Q) increase.** Changes in swap and money market yields and results of FV revaluation of subsidized loans also supported fair value results and having HUF 15.0 billion effect on GOI in 1Q.
- Impressive **CIR: 30.0%**. CIR was 41.6% in 1Q 2022 calculated with core income.
- **HUF 3.9 billion credit risk cost** (unadjusted) was **released** in 1Q. Moratorium related expenses reduced unadjusted PAT by further HUF 0.4 billion.
- **Outstanding capital position:** capital adequacy at the end of 1Q 2022 was 20.3%, significantly exceeds the regulatory minimum requirement despite the negative OCI effect in 1Q.

MKB Group's **unadjusted** total comprehensive income was HUF 10.8 billion in 1Q 2022 (HUF +5.4 billion p/p; HUF -5.6 billion y/y) as the increase of profit after tax (1Q 2022: HUF 23.5 billion, HUF +18.0 billion p/p), significantly offset the downturn in other comprehensive income (1Q 2022: HUF -12.7 billion, HUF -12.7 billion p/p) compared to Q4. The HUF 5.6 billion decrease (y/y) in unadjusted total comprehensive income (TOCI) was the result of HUF 3.3 billion decrease in after tax profit and HUF 2.3 billion decrease in other comprehensive income (OCI).

Adjusted total comprehensive income in 1Q 2022 was HUF 16.3 billion (HUF -2.9 billion y/y) as adjustments on TOCI (and also on PAT) reached HUF 5.5 billion. Adjusted profit after tax in 1Q 2022 was HUF 29.0 billion (HUF -0.6 billion y/y; HUF +14.8 billion p/p). Other comprehensive income (adjusted) was HUF minus 12.7 billion (HUF -2.3 billion y/y; HUF -12.7 billion p/p).

Total assets increased to HUF 3,797.2 billion (+14.6% p/p; +26.7% y/y) mainly due to the amount MBH acquired from its bond issue and deposited at the MKB prior to its capital increase (1st April) and related liquidity management measures in 1Q. **Customer deposits** reached HUF 2,217.5 billion (HUF +1.3 billion p/p; HUF +400.9 billion y/y). **Customer loan (gross)** portfolio increased to HUF 1,287.6 billion (+1.9% p/p) which marks a HUF +151.3 billion growth since 1Q 2021. The securities portfolio increased temporarily as part of a major repo transaction in 1Q (+17.6%; HUF +176.5 billion p/p). In 1Q 2022 the loan-to-deposit ratio slightly increased, reached 58.1% at the end of the period (+1.0%-pts p/p). The **shareholder's equity** increased from HUF 249.8 billion at the end of 4Q 2021 to HUF 260.5 billion. Capital adequacy was 20.3% (+138 bps y/y). MKB Group's 1Q 2022 annualised, adjusted ROAE was 45.5%, while unadjusted ROAE was 36.8%. Adjusted ROAE was 25.6% calculated with TOCI.

Remarkable business line performances in 1Q:

- **Retail segment:**

  With an increase of 17.6% (y/y), the performance was outstanding regarding retail deposits, while the gross loan portfolio grew by 2.5% (y/y)

  In order to prepare for the merger with Budapest Bank, the acceptance of new mortgage loans was suspended between 4th and 31st March 2022, the impacts on application and disbursement occurred only after the first quarter.

MKB Bank achieved outstanding results in the Euromoney survey of international, private banking and asset management services. The Bank received with the first prize for the best inheritance advisory service and proved to be the third best private banking service provider in Hungary. In addition, MKB Bank's private banking services ranked second in the “Next Generation” and donation consulting, and third in the investment management, data management and data security categories.

Magyar Bankholding entered into a strategic cooperation agreement with the CIG Pannónia Group in the first quarter of 2022. This means that as of 16th March 2022, CIG Pannónia LakóTárs home insurance was introduced.

- **Corporate segment:**

  MKB Group was able to increase its customer base dynamically: the total corporate gross loan portfolio grew by + 20.4% y/y (+ 3.4% p/p), while the corporate deposit portfolio grew by + 23.3% y/y (-1.6% p/p).

  The Bank remains an active market player in subsidized and refinanced lending programs and third party loan guarantee programs.

  Another key element of corporate financing is the NBH’s Funding Growth Scheme, under which the purchased corporate bond portfolio increased by 126.7% on a yearly basis.

- **Leasing segment:**

  As a significant step in the merger processes of Hungarian Bankholding, from 1st January 2022, MKB-Euroleasing, Budapest Leasing, Takarék Leasing and Budapest Bank's Car Finance business operate in an integrated manner under the name Euroleasing.

  From 1st January 2022, the mentioned leasing companies will carry out their activities as an integrated entity under one unified management. After that – in most cases - new loan and leasing services were provided only by Euroleasing Zrt., while the contracts concluded before 1st January were still managed by the original leasing companies.

  MKB Group's leasing portfolio continued to grow despite the unfavorable environment, reaching HUF 203.9 billion by the end of the first quarter of 2022 (+ 3.2% y/y).

Changes in top management:

- The NBH approved the appointment of Beatrix Mészáros, dr. as Deputy CEO for Subsidiaries on 9th February 2022.
- Changes in the composition of the Board of Directors and the Supervisory Board:

  Based on the resolutions passed by the General Meeting of the Company on 31st March 2022 concerning the members of the Board of Directors and the Supervisory Board:

  - With the relevant resolutions, the General Meeting recalled Ildikó Ginzer and Mihály Valkó as members of the Board of Directors by the day of 3rd April 2022.
  - With the relevant resolutions, for the period from 4th April 2022 to 31st December 2025, subject to the relevant supervisory licenses, Géza Károly Láng, dr., István Sárváry, Balázs Vinnai, dr., Levente László Szabó and Ádám Egerszegi were elected to members of the Board of Directors by the General Meeting.

- With the relevant resolutions, the General Meeting recalled Rita Feodor, Ágnes Anna Hornung and Törtel András Oszlányi as members of the Supervisory Board by the day of 3rd April 2022.
- With the relevant resolutions, for the period from 4th April 2022 to 31st December 2025, subject to the availability of the relevant supervisory licenses, Andor Nagy, dr., Ágnes Anna Hornung, Erzsébet Beáta Bánkuti, dr., Zsigmond Járai, Mihály Valkó and Miklós Vaszily were elected to members of the Supervisory Board by the General Meeting. Andor Nagy, dr. was elected Chairman of the Supervisory Board.

Post-closing events:

- Within the authorization granted by its general meeting, the board of directors of Takarékbank decided to raise the registered capital of Takarékbank by HUF 86.7 billion from HUF 100.26 billion to HUF 186.96 billion. The increase of the registered capital is to be executed by the private placement (issuance) of 867 dematerialised, series C ordinary shares with nominal value of HUF 100 million and issuing value of HUF 115,340,254 per share. In the context of the capital increase MKB Bank acquired 867 dematerialised, series C ordinary shares with nominal value of HUF 100 million and issuing value of HUF 115,340,254 per share, i.e. on a total issuing value of HUF 100,000,000,218, and by that MKB Bank acquires 46.37% direct ownership, therefore – considering the sale and purchase agreement of shares in next – has an interest of 85.72% in Takarékbank.
- A sale and purchase agreement was concluded by and between MKB Bank as buyer and MTB Bank of Hungarian Savings Cooperatives Co. Ltd. as seller by which MKB Bank purchased from MTB 7,156 dematerialised series 'A' series ordinary shares with nominal and issuing value of HUF 10 million per share and 200 thousand dematerialised series 'B' preference (dividend preference) shares with nominal and issuing value of HUF 10 thousand issued by Takarékbank. The shares represent 39.35% of the registered capital of Takarékbank considering the capital increase written in previous Section.
- A transfer agreement was concluded by and between MKB Bank and Magyar Posta Zrt. by which MKB Bank or its designated subsidiary would acquire 1,771 dematerialised series A ordinary shares issued by Takarékbank and owned by Magyar Posta with a nominal value of HUF 10 million per share, altogether a total nominal and issuing value of HUF 17.71 billion until 31 October 2022 at the latest, which shares represented the 17.66% of the registered capital of Takarékbank on the signing date of the agreement.
- Takarékbank, as a company to be included in the consolidation of MKB Bank, in possession of the necessary prior approvals and acting upon its rights stipulated in the law, at 23:59 on 1 April, 2022 left the mandatory institutional protection organization of the integrated credit institutions, Integration Organization.
- On 1st April 2022 MKB Bank has purchased the shares of MKB Consulting Zrt. representing 12.58% ownership in it. Following the closing of the transaction the direct and indirect ownership of the Company in MKB Consulting Zrt. altogether increased from 71.75 % to 86.65 %.
- Upon request of Hungarian Bankholding the National Bank of Hungary with its decision nr. H-EN-I-119/2022, revoked the licence for operating as a financial holding company issued to

Hungarian Bankholding. MKB Bank took over the group management function over the banking group after 29th April 2022.

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 first quarter of 2022:

- **Yields:** The Fed raised the target range for the federal funds rate by 25bps to 0.25-0.50% in March 2022. It was the first hike since December 2018. According to the central bank, the impact of the Russian-Ukrainian war on the US economy was unpredictable, but in the short term it could lead to a further rise in inflation and a slowdown in economic activity. Both the personal consumption expenditure price index (PCE price index) and the consumer price index (CPI) have been accelerating since the beginning of 2021 in the US, and have risen above the 2% central bank target since March 2021 (PCE: 6.0% (yoy); CPI: 7.5% (yoy) in January; while PCE: 6.6% (yoy) and CPI 8.5% (yoy) in March). Therefore, Fed no longer expected a surge in inflation to be temporary, for this reason the tightening of monetary policy began in November 2021 with the tapering of the asset purchase program which was completed by Q1 2022, and the Federal Reserve has planned to shrink its balance sheet from Q2 2022. The 10-year U.S. government bond market yield fluctuated between 1.63% and 2.48% in the Q4 2021, closing at 2.32% in December.

  The European Central Bank (ECB) kept its policy rates unchanged even in Q1 2022 (the rate on the main refinancing operations: 0.00%, those on marginal lending and on the deposit facility: 0.25% and -0.50%, respectively). The ECB has temporarily increased the monthly volume of its traditional asset purchase program (APP) from € 20 billion to € 40 billion to replace the Pandemic Emergency Asset Purchase Program (PEPP), which expired in March. Later, APP can be gradually reduced by Q3 2022. Inflation also accelerated above the central bank target (2%) in the euro area in Q3 2021. The rate of inflation moved from 5.1% to 7.5% in Q1 2022, exceeding the 2% target level. Base effects and a pick-up in demand following the easing of restrictions, as well as the release of energy prices may lead to the further acceleration of inflation. Yields on 10-year euro area government bonds ranged between 0.28% and 1.05% in the second quarter (at the end of June it stood at 1.05%).

  Since the beginning of this year inflation has accelerated further in Hungary: the rate of the headline CPI climbed to 7.9% (yoy) in January, 8.3 in February, and 8.5% in March, hence it was 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 from 2.40% to 4.40%, and the rate on the one-week deposit rate from 3.80% to 6.15%, in Q1 2022[1]. According to the central bank's March guidelines, the goal was to continue the tightening cycle on monthly basis, and the central bank was also aiming to gradually catch up with the one-week deposit rate.

  In Q1 2022 the rise of yields in the Hungarian government securities market accelerated: the 10 year domestic government bond yield stood at 4.46% in early January and at 5.90% at the end of March.

[1] A further 100 basis point increase followed in April 2022, with the base rate standing at 5.40% on 2 May 2022. The one-week deposit rate changed to 6.45% during the same period.

In Q1 2022 with continuing rate hikes, and in parallel with rising inflation expectations, yields rose at all maturities. Meanwhile short term yields rose faster, so the yield curve flattened slightly. As a result of the further deterioration in the inflation outlook and the expectations of a significant increase in interest rates, yields on government securities and swaps between the 2- and 10-year bond have risen further by around 180-290bps.

- **FX market:** The forint's exchange rate against the major currencies (EUR/HUF, USD/HUF) was primarily influenced by the Russo-Ukrainian war. An important factor in connection with the Forint is the EU Recovery RRF fund, which could represent ca. HUF 5,800 billion (in two parts) support for the domestic economy[2]. In Q1 2022, very high volatility was observed; hence, the forint fluctuated against the euro between 353 to 400, even the MNB's interest rate hike cycle could not strengthen it permanently. Against the US Dollar the forint weakened from the 310 level by the end of December above 330, but in early March it was also temporarily above the 360 level. During Q1 2022, the forint moved together with the regional currencies, and euro also weakened against the dollar, which is a significant weakening compared to 296.3 at the end of Q2 2021.
- **Government finances:** By the end of Q4 2021 Hungary's public debt (combined with Eximbank) relative to GDP decreased to 76.8%. In fact, the indicator is 11 percentage points higher compared to the end of 2019. The budget deficit amounted 6.8% of GDP (HUF 3,736 billion) in 2021, which is more favourable than the planned deficit of 7.5%. According to the Ministry of Finance's forecast, the annual budget deficit in 2022 is expected to reach 4.9% of GDP. However, in the first three months of 2022, more than 70% of the planned deficit was met (HUF 2,309 billion) due to previously planned significant expenditures at the beginning of the year, (such as the Personal Income Tax rebate of families, the 13th month pension and the special allowance for law enforcement officers).
- **GDP:** In Q1 2022, Hungary's GDP grew by 8.2%, so the domestic economy exceeded the European Union average by three percentage points (5.2%), i.e. the domestic economy continued to catch up. The carry-over effects of the unexpected economic recovery at the end of 2021 and the data for the first two months of this year alone would have justified an improvement in the growth outlook (economic growth reached 8-9%, taking into account sectoral data). The outbreak of the war in Ukraine is worsening domestic growth prospects through a number of predominantly indirect effects. The impact on production chains, energy, raw materials, and food supply is unpredictable, which causes extreme price fluctuations and volatility in commodity markets. Under such circumstances, not only growth, but also inflation, public finances and foreign trade forecasts are facing increased difficulties.
- **Wages and employment:** Domestic wage growth strengthened between January and March. The gross and net average earnings for the period increased by 21.0% compared to the previous year; net earnings including tax benefits increased 21.6% year-over-year. The regular (gross, without premium, bonus, one-month special allowance) gross average earnings can be estimated at HUF 447,700, which is 14.3% higher compared to the previous year. In the average of the January-March three-month period employment in the 15–74 age group amounted to 4,674,000, while the employment rate was 63.7%. The figure is 107,000 higher than in the same period of 2021. The unemployment rate was 3.7%.

[2] After Q1 2022, on April 6, the European Commission launched infringement procedures against Hungary, which also caused the weakening of the Forint.

- **Inflation:** Inflation continued to accelerate in Q1 2022, from 7.9% in January, 8.3% in February and 8.5% in March (yoy). The economic recovery following the coronavirus pandemic has slowed by a huge global supply shock that affected growth and boosted inflation. These effects were compounded by the war in Ukraine and economic sanctions against Russia, which posed a particular risk to global energy security. It has indirect effects mainly through supply chain disruptions and, in close connection with this, external inflationary pressures. In addition, the duration and outcome of the war, the further escalation of sanctions or, in a favourable case, the easing of sanctions, cause considerable uncertainty. The impact on production chains, energy, raw materials and food supply is unpredictable, which causes extreme price fluctuations and volatility in commodity markets.

2 MANAGEMENT REPORT ON THE 1Q 2022 RESULTS OF THE MKB GROUP

2.1 P&L development

MKB Group								
Consolidated, IFRS P&L (in MHUF)	Period					YTD		
	1Q 2021*	4Q 2021*	1Q 2022	P/P	Y/Y	1Q 2021	1Q 2022	Y/Y
TOCI (Total Comprehensive Income)	**16 414**	**5 406**	**10 792**	**99,7%**	**-34,2%**	**16 414**	**10 792**	**-34,2%**
Revaluation on non HFC financial assets (OCI)	*-10 393*	*-33*	*-12 691*	-	22,1%	*-10 393*	*-12 691*	22,1%
Profit after tax	**26 807**	**5 439**	**23 483**	**-**	**-12,4%**	**26 807**	**23 483**	**-12,4%**
Adjustments total on PAT	**2 796**	**8 753**	**5 505**	**-37,1%**	**96,9%**	**2 796**	**5 505**	**96,9%**
Business corrections	3 375	4 325	6 284	45,3%	86,2%	3 375	6 284	86,2%
Banking tax	*2 321*	*-774*	*3 718*	*-*	*60,2%*	*2 321*	*3 718*	*60,2%*
Dividend income	*-2*	*-4*	*-2*	*-51,5%*	*-8,7%*	*-2*	*-2*	*-8,7%*
Integration costs	*1 381*	*5 115*	*2 568*	*-49,8%*	*86,0%*	*1 381*	*2 568*	*86,0%*
Non-core one-offs	*-326*	*-13*	*0*	*-100,0%*	*-100,0%*	*-326*	*0*	*-100,0%*
Covid-19 effect	-646	3 138	-844	-126,9%	30,7%	-646	-844	30,7%
COVID-19 related expenditures	*-646*	*2 087*	*-400*	*-119,2%*	*-38,0%*	*-646*	*-400*	*-38,0%*
Covid-19 related interest refund	*0*	*160*	*0*	*-100,2%*	-	*0*	*0*	-
Covid-19 related interest stop	*0*	*891*	*-444*	*-149,8%*	-	*0*	*-444*	-
FV corrections	*0*	*1 313*	*0*	*-100,0%*	-	*0*	*0*	-
Technical corrections	67	-22	65	-	-3,2%	67	65	-3,2%
Adjusted TOCI	**19 210**	**14 159**	**16 297**	**15,1%**	**-15,2%**	**19 210**	**16 297**	**-15,2%**
Adjusted revaluation on non HFC financial assets (OCI)	*-10 393*	*-33*	*-12 691*	-	22,1%	*-10 393*	*-12 691*	22,1%
Adjusted Profit after tax	**29 603**	**14 192**	**28 988**	**104,3%**	**-2,1%**	**29 603**	**28 988**	**-2,1%**
Adjusted Profit before tax	**32 002**	**12 766**	**31 701**	**148,3%**	**-0,9%**	**32 002**	**31 701**	**-0,9%**
Gross Operating Income (adjusted)	**43 159**	**33 071**	**42 318**	**28,0%**	**-1,9%**	**43 159**	**42 318**	**-1,9%**
Net Interest Income (adjusted)	**11 463**	**16 632**	**25 170**	**51,3%**	**119,6%**	**11 463**	**25 170**	**119,6%**
Interest Income (adjusted)	*17 656*	*27 748*	*43 161*	*55,5%*	*144,5%*	*17 656*	*43 161*	*144,5%*
Interest Expense (adjusted)	*-6 193*	*-11 116*	*-17 991*	*61,8%*	*190,5%*	*-6 193*	*-17 991*	*190,5%*
Net Fee Income (adjusted)	**5 510**	**6 913**	**5 453**	**-21,1%**	**-1,0%**	**5 510**	**5 453**	**-1,0%**
Net Other Income (adjusted)	**26 186**	**9 527**	**11 695**	**22,8%**	**-55,3%**	**26 186**	**11 695**	**-55,3%**
FX result (adjusted)	*1 395*	*480*	*-109*	*-122,7%*	*-107,8%*	*1 395*	*-109*	*-107,8%*
FV result (adjusted)	*27 984*	*10 555*	*14 968*	*41,8%*	*-46,5%*	*27 984*	*14 968*	*-46,5%*
Other Income (adjusted)	*-3 194*	*-1 508*	*-3 164*	*109,8%*	*-0,9%*	*-3 194*	*-3 164*	*-0,9%*
General Administrative Expenses (adjusted)	**-10 558**	**-15 943**	**-12 701**	**-20,3%**	**20,3%**	**-10 558**	**-12 701**	**20,3%**
Personnel Expenses (adjusted)	*-4 898*	*-8 540*	*-5 686*	*-33,4%*	*16,1%*	*-4 898*	*-5 686*	*16,1%*
Operating Expenses (adjusted)	*-3 538*	*-4 684*	*-4 659*	*-0,5%*	*31,7%*	*-3 538*	*-4 659*	*31,7%*
Amortisation and depreciation (adjusted)	*-2 122*	*-2 718*	*-2 356*	*-13,3%*	*11,0%*	*-2 122*	*-2 356*	*11,0%*
Provisions (adjusted)	**251**	**-3 511**	**3 446**	**-198,1%**	-	**251**	**3 446**	**1271,7%**
Provision for losses on loans (adjusted)	*209*	*-3 127*	*3 446*	*-210,2%*	-	*209*	*3 446*	*1550,4%*
Other provisions and impairments (adjusted)	*42*	*-385*	*0*	*-100,1%*	*-99,3%*	*42*	*0*	*-99,3%*
Banking tax	***-850***	***-850***	***-1 362***	***60,2%***	***60,2%***	***-850***	***-1 362***	***60,2%***
Corporate income tax (adjusted)	**-2 399**	**1 426**	**-2 713**	**-290,3%**	**13,1%**	**-2 399**	**-2 713**	**13,1%**
KPIs based on adjusted PAT (%)	Period					YTD		
	1Q 2021*	4Q 2021*	1Q 2022	P-P	Y-Y	1Q 2021	1Q 2022	Y-Y
ROAE (Return on Average Equity - adjusted)	54,3%	45,9%	0,0%	-45,9%-pt	-54,3%-pt	54,3%	45,4%	-8,9%-pt
ROAA (Return on Average Assets - adjusted)	4,1%	1,8%	0,0%	-1,8%-pt	-4,1%-pt	4,1%	3,3%	-0,8%-pt
TRM (Total Revenue Margin - adjusted)	6,0%	4,1%	0,0%	-4,1%-pt	-6,0%-pt	6,0%	4,8%	-1,2%-pt
CIM (Core income margin - adjusted)	2,5%	3,0%	0,0%	-3,0%-pt	-2,5%-pt	2,5%	3,4%	0,9%-pt
NIM (Net Interest Margin - adjusted)	1,6%	2,1%	0,0%	-2,1%-pt	-1,6%-pt	1,6%	2,8%	1,2%-pt
NFM (Net Fee Margin - adjusted)	0,8%	0,9%	0,0%	-0,9%-pt	-0,8%-pt	0,8%	0,6%	-0,1%-pt
C/TA (Cost to Total Assets - adjusted)	1,5%	2,0%	1,4%	-0,5%-pt	0,0%-pt	1,5%	1,4%	0,0%-pt
CIR (Cost Income Ratio - adjusted)	24,5%	48,2%	30,0%	-18,2%-pt	5,6%-pt	24,5%	30,0%	5,6%-pt
Risk% (Risk cost rate - adjusted)	-0,1%	1,0%	0,0%	-1,0%-pt	0,1%-pt	-0,1%	-1,1%	-1,0%-pt

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

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.

MKB Group reached HUF 29.0 billion adjusted profit in 1Q 2022 as a result of improved business performance, stable portfolio quality, strict cost management and strong revaluation income. 1Q 2022 adjusted total comprehensive income was HUF 16.3 billion (HUF +2.1 billion p/p), the revaluation effect through the other comprehensive income partly offset the increase of cumulated profit.

Adjusted **ROAE** in 1Q 2022 was 45.5% (+22.5%-pts y/y) propelled by outstanding profit.

1Q 2022 core income was supported by increasing **net interest income** (HUF +13.7 billion; +119.6% y/y; HUF +8.5 billion; +51.3% p/p) induced by portfolio and interbank growth and upturning interest rates. The adjusted total revenue margin (TRM) increased 0.7%-pts on p/p basis to 4.8% for 1Q 2022.

HUF 3.4 billion release of **adjusted credit risk cost** in 1Q 2022, resulting in minus 1.1% adjusted risk cost rate.

Wage inflation, unfavourable macroeconomic events, business development due to accelerated digitalization drove the nominal cost levels upwards in 1Q 2022, but in the meantime operating expenses attributable to the daily banking operation increased minimal. **Costs/total assets** ratio (C/TA) decreased to 1.43% (-0.55%-pt p/p) in 1Q 2022 due to balance sheet growth. **Cost to income ratio** (CIR) was 30.0% in 1Q 2022 (-18.2%-pts p/p; +5.6%-pt y/y).

2.1.1 Adjusted profit after taxation

MKB Group's adjusted, **consolidated profit** was HUF 29.0 billion in 1Q 2022 (HUF +14.8 billion p/p; HUF -0.6 billion y/y). Impressive profit marks excellent business line performance combined with robust money market impact and continued strict costs control.

Net total adjustment on PAT sums up to HUF +5.5 billion in 1Q, adjustments were time-proportional part of the banking tax, moratorium and integration costs related.

HUF 30.5 billion quarterly **core income** – increased by +66.1% y/y (+27.0% p/p) – was primarily supported by improving net interest income on expanding loan portfolio. Quarterly **core income margin** (CIM) increased to 3.4% (+46 bps p/p; +89 bps y/y) as the growth of net fee and interest income exceeded the expansion of the total assets.

Capital adequacy ratio (CAR) was 20.3% at the end of 1Q 2022 (+138 bps y/y). MKB Group's stable capital position is essential for the implementation of the business strategy and the realization of the further goals of Magyar Bankholding.

2.1.2 Total comprehensive income

MKB Group reached HUF +10.8 billion **unadjusted total comprehensive income** in 1Q 2022 (HUF +5.4 billion p/p; HUF -5.6 billion y/y).

The HUF 16.3 billion adjusted quarterly total comprehensive income (HUF +2.1 billion p/p; HUF -2.9 billion y/y) was driven by HUF 29.0 billion PAT and HUF minus 12.7 billion OCI. The increase in **1Q 2022 adjusted TOCI** was mainly due to significantly increasing income and released credit risk costs.

2.1.3 Net interest income

MKB Group's **net interest income** was HUF 25.2 billion in 1Q 2022 (HUF +13.7 billion y/y). Customer and interbank loan portfolio growth together with rise in interest rates and favourable outstanding portfolio quality resulted in higher net interest income compared to previous quarter (+51.3% p/p) and same quarter last year (+119.6% y/y).

Interest income was HUF 43.2 billion in 1Q 2022, this increased by 55.5% p/p (+144.5% y/y). The main drivers of the interest income were the income from developing customer loans (+13.3% y/y). Due to the upturn in market yields, interest income growth outperformed the increase of average volumes (gross loan increase +11.1% y/y).

Interest expense was HUF 18.0 billion in 1Q 2022, this increased by HUF 11.8 billion on yearly basis (+190.5% y/y) together with the rise in market yields as well as higher customer deposit volumes.

The **net interest margin** (NIM) increased to 2.8% in 1Q because net interest income grew faster than average total assets. NIM ratio in 1Q 2022 was marginally higher by 124 bps than the last year's same period value.

2.1.4 Net fee and commission revenues

1Q net fee income decreased to HUF 5.5 billion (-21.1% p/p) after a sharp upturn in 4Q supported by the year-end season, however on y/y basis there is only a minimal decrease of HUF 56.4 million.

2.1.5 FX results

Results from **foreign exchange activities** were HUF minus 0.1 billion (HUF -0.6 billion p/p; HUF -1.5 billion y/y).

In addition to the higher volatility of foreign exchange rates the turnover of customer FX conversions increased both quarter-on-quarter and year-on-year comparison. As a result, the result on individual price and fixing spot FX conversions was significantly higher than in the previous quarter. However, the HUF depreciation against EUR further reduced the FX result regarding on balance-sheet FX open positions.

2.1.6 Revaluation result

Due to the intensifying domestic inflation worries and uncertain macroeconomic environment NBH continued the base rate hike cycle. Besides the NBH's base rate, the one-week NBH deposit's interest rate became the key interest rate, which was increased by 215 basis points during the quarter, leading to a significant upward shift in the swap yield curve (3, 5 and 10-year swap yields increased by +200 bps, +168 bps and +140 bps p/p), while the GDMA benchmarks (government bond yield curves) for the same maturities also increased by +222 bps, +199 bps and +139 bps. The asset swap spreads has remained fluctuating at low levels during the quarter.

As a result of yield curves shifting upwards, the revaluation result was HUF +14.97 billion (HUF +4.4 billion p/p; HUF -13.0 billion y/y) in 1Q, while negative OCI effect from revaluation of fixed income government securities portfolio was HUF minus 12.7 billion. **Net revaluation result** (FVTPL+FVTOCI) was HUF +2.3 billion in 1Q.

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. In 1Q 2022 other profit was HUF minus 3.2 billion at the level of the same period of the previous year (HUF +0.03 billion y/y).

2.1.8 General administrative expenses

MKB Group's **general administrative expenses** were HUF 12.7 billion in 1Q 2022. It shows an increase of 20.3% (HUF +2.1 billion y/y) compared to the same period in 2021, while saving of 20.3% (HUF -3.2 billion p/p) compared to the previous quarter. On an annual basis the increase was driven by inflation and exchange rate effects, the p/p decline is typically due to the unequal distribution of personnel costs over the year. Despite the significant cost-increasing effect of unfavorable macroeconomic developments, MKB maintained strong cost control and the level of expenses relative to the total size of the balance sheet minimally increased: the value of C/TA was 1.43% (-3 bp y/y) despite the rising cost level.

Personnel expenses amounted to HUF 5.7 billion in 1Q 2022, this increased by 16.1% y/y. The increase is mainly driven by increase in headcount and significant wage inflation adjusted for business expansion, but merger process is also a strong contributing factor: the formation of new top management in MKB Bank has already begun before the legal merger of BB-MKB. The number of employees of the MKB Group at the end of 1Q 2022 was 2,255.48 FTE (+217.6 FTE; +10.7% y/y).

Operating expenses were HUF 4.7 billion in 1Q 2022. It grew by HUF 1.1 billion mainly due to inflation and HUF devaluation effects, in addition VAT was reclassified to expenses from 2022, while in 2021 it was included in other results.

The amount of **depreciation** in 1Q 2022 was HUF 2.4 billion (+11.0% y/y), as accelerated previously investment needs of digitalization and regulatory environmental changes.

Impressive 1Q 2022 **cost-to-income ratio** (CIR): 30.0% (-18.2%-pts p/p; +5.6%-pts y/y) was a result of strong income.

2.1.9 Risk costs

MKB Group's **adjusted credit risk cost** was HUF +3.4 billion (release) in 1Q 2022 as a result of the excellent portfolio quality and thorough risk monitoring.

The closing **volume of the NPL portfolio** was HUF 35.9 billion at the end of 1Q 2022. It increased by HUF 7.0 billion (+24.3% y/y) compared to 1Q 2021 (+1.2% p/p). NPL rate rose because of the stage reclassifications due to EBA regulations and the prudent individual monitoring, which took place in the last quarter of 2021 after the expiry of the Moratorium2. The **IFRS-based NPL ratio** increased to 2.79% (+25 bps y/y), while **direct NPL coverage** decreased from 71.8% to 62.5% y/y.

2.1.10 Corporate income tax

In 1Q 2022 HUF 2.2 billion accounting **corporate income tax** expense was recorded, as a result of HUF 1.0 billion current corporate income tax expense and HUF 1.2 billion deferred tax expense.

The adjustments made in the flash report had a tax effect of HUF 0.5 billion therefore the **adjusted corporate income tax** was HUF 2.7 billion (expense).

2.2 Balance sheet

MKB Group							
Adjusted balance sheet (in MHUF)	**4Q 2020**	**1Q 2021**	**4Q 2021**	**1Q 2022**	**P/P**	**Y/Y**	**YTD**
Financial assets	**377 741**	**425 862**	**893 391**	**1 093 688**	22,4%	156,8%	156,8%
Trading portfolios	**33 980**	**44 007**	**107 376**	**181 039**	**68,6%**	**-**	**-**
Securities	**1 163 309**	**1 340 971**	**1 000 734**	**1 177 283**	**17,6%**	**-12,2%**	**-12,2%**
Loans and advances to customers/Customer Loans (net)	**1 113 962**	**1 091 537**	**1 215 347**	**1 242 678**	**2,2%**	**13,8%**	**13,8%**
Loans and advances to customers/Customer Loans (gross)	1 159 921	1 136 335	1 263 647	1 287 614	1,9%	13,3%	13,3%
Retail	*255 554*	*258 440*	*270 393*	*264 888*	*-2,0%*	*2,5%*	*2,5%*
Corporate	*713 855*	*680 338*	*792 023*	*818 861*	*3,4%*	*20,4%*	*20,4%*
Leasing	*190 512*	*197 557*	*201 231*	*203 865*	*1,3%*	*3,2%*	*3,2%*
Provision for Customer loans	-45 959	-44 797	-48 301	-44 936	-7,0%	0,3%	0,3%
Retail	*-10 866*	*-9 208*	*-13 656*	*-12 557*	*-8,1%*	*36,4%*	*36,4%*
Corporate	*-28 550*	*-29 101*	*-28 188*	*-26 157*	*-7,2%*	*-10,1%*	*-10,1%*
Leasing	*-6 543*	*-6 488*	*-6 456*	*-6 221*	*-3,6%*	*-4,1%*	*-4,1%*
Total Other assets	**92 614**	**94 133**	**97 311**	**102 638**	**5,5%**	**9,0%**	**9,0%**
Investments in jointly controlled entities and associates	*7 295*	*7 989*	*8 586*	*9 102*	*6,0%*	*13,9%*	*13,9%*
Intangibles, property and equipment	*58 194*	*58 004*	*59 790*	*58 543*	*-2,1%*	*0,9%*	*0,9%*
Other assets	*27 125*	*28 140*	*28 935*	*0*	*-100,0%*	*-100,0%*	*-100,0%*
Total Assets	**2 781 607**	**2 996 511**	**3 314 159**	**3 797 326**	14,6%	26,7%	26,7%
Interbank liabilities	**575 097**	**820 993**	**711 396**	**952 587**	**33,9%**	**16,0%**	**16,0%**
Deposits & C/A	**1 862 261**	**1 816 604**	**2 216 145**	**2 217 487**	**0,1%**	**22,1%**	**22,1%**
Retail	*401 888*	*402 792*	*444 548*	*473 702*	*6,6%*	*17,6%*	*17,6%*
Corporate	*1 460 373*	*1 413 812*	*1 771 596*	*1 743 785*	*-1,6%*	*23,3%*	*23,3%*
Issued debt securities	**0**	**0**	**0**	**0**	**-**	**-**	**-**
Other liabilities	**89 746**	**87 687**	**91 795**	**321 088**	**249,8%**	**266,2%**	**266,2%**
Subordinated debt	**44 724**	**45 034**	**45 070**	**45 635**	**1,3%**	**1,3%**	**1,3%**
Shareholders' Equity	**209 779**	**226 193**	**249 753**	**260 529**	**4,3%**	**15,2%**	**15,2%**
Total Liabilities & Equity	**2 781 607**	**2 996 511**	**3 314 159**	**3 797 326**	14,6%	26,7%	26,7%
Guarantees	120 072	120 356	129 122	132 703	2,8%	10,3%	10,3%
Undrawn commitments to extend credit	276 333	358 961	381 316	413 064	8,3%	15,1%	15,1%
Obligations from letters of credit and other short term trade related items	17 178	17 351	17 983	18 227	1,4%	5,0%	5,0%
Other contingent liablities (including litigation)	11 676	10 830	11 042	8 450	-23,5%	-22,0%	-22,0%
Customer off Balance items	**425 259**	**507 498**	**539 463**	**572 444**	6,1%	12,8%	12,8%

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.

MKB Group's the **total assets** increased to HUF 3,797.3 billion by the end of the first quarter 2022 (HUF +483.2 billion; +14.6% p/p), while the annual increase was HUF +800.8 billion; +26.7% y/y. Deposits stagnated q/q, but increased by HUF +400.9 billion y/y.

The closing volume of **gross customer loans** was HUF 1,287.6 billion (p/p 1.9%) at the end of the quarter; the annual increase of the portfolio (13.3% y/y) signals the acquisition capability of MKB.

The loan-to-deposit ratio of the MKB Group is 58.1%. This is close to the value of 57.0% in the previous quarter, which shows a favorable balance sheet structure and liquidity situation.

The quarterly growth of total assets was rather due to the amount MBH acquired from its bond issuance and deposited at the MKB prior to its capital increase (1st April) MKB Group's capital **grew to HUF 260.5 billion** (+4.3% p/p; +15.2% y/y). **Outstanding capital adequacy at the end of the first quarter 2022 is 20.3%.**

2.2.1 Loans

The **gross customer loan** portfolio grew further compared to the previous quarter (+1.9%; net: +2.2% p/p). Meanwhile, on a year-on-year basis, due to corporate lending (which is the engine of growth), the loan portfolio increased by HUF +151.3 billion (+ 13.3% y/y).

In addition to the increase in corporate loans (+3.4% p/p; +20.4% y/y), the volume of the retail loan portfolio (-2.0% p/p; +2.5% y/y) decreased during the quarter.

The quarterly growth in corporate loans was supported by demand for investment loan products, working capital loans and subsidized loans. The quarterly decline in **retail loan stock** was mainly due to moderate disbursement of secured loans.

Impairment losses on loans were more favourable than at the end of the previous quarter (-7.0%), at the same time the Bank's performance is the opposite in annual comparison (+ 0.3%).

2.2.2 Securities

The securities portfolio increased temporarily as part of a major repo transaction (HUF +176.5 billion, +17.6%; p/p) during Q1 to HUF 1,177.3 billion (HUF -163.7 billion y/y) at the end of the quarter. The quarterly increase is mainly due to the expansion of held-to-maturity instruments.

2.2.3 Financial assets

Financial assets increased significantly during the quarter (HUF +200.3 billion) and amounted to HUF 1,093.7 billion at the end of the period. The HUF +667.8 billion y/y increase was mainly driven by additional liquidity generated by Magyar Bankholding's deposits.

2.2.4 Deposits and C/A

Customer deposits reached HUF 2,217.5 billion at the end of the quarter. Quarterly change (+0.1% p/p) was characterized by the moderation of **corporate deposits** (-1.6% p/p), while **retail deposits** (+6.6% p/p) grew. The moderate quarterly portfolio growth is due to seasonality effect.

Every business segment contributed to the yearly deposit stock increase of HUF 400.9 billion (+22.1% y/y): corporate +23.3% y/y; retail +17.6% y/y. Retail deposit stock increase was mostly supported by the effect of the moratorium: household savings remained high.

2.2.5 Interbank liabilities

Interbank liabilities were HUF 952.6 billion (HUF +241.2 billion p/p; HUF +131.6 y/y) at the end of the first quarter 2022. The y/y growth was fuelled by the economic stimulus programs and the NBH liquidity boosting facilities.

2.2.6 Capital

MKB Group reported **HUF 260.5 billion capital** at the end of the period. Capital accumulation continued both in p/p and y/y comparison: 4.3% increase on p/p and 15.2% increase on y/y basis, which significantly increases shock absorbing capabilities of the Bank.

The HUF 10.8 billion increase since the end of 2021 was supported by a HUF 60.0 billion increase in retained earnings, which was partially offset by lower earnings compared to the previous quarter and a more unfavorable revaluation result.

2.2.7 Off-balance sheet exposures to customers

MKB Group's **off-balance sheet exposure** was HUF 572.4 billion at the end of the first quarter 2022, which is a 6.1% (HUF +33.0 billion p/p) growth on quarterly basis (+12.8%; HUF +64.9 billion y/y). The increase was mainly attributable to the higher volume of undrawn loan commitments (gross) (+15.1% y/y).

2.3 Capital adequacy

The capital adequacy of MKB Group remains strong, with a **capital adequacy ratio (CAR) of 20.3%** at the end of the first quarter 2022, an increase of 138 basis points year-on-year. The moderate 1.7% point decrease in CAR on a p/p was mainly due to IFRS standards profit for the year might only be considered in regulatory capital after a successful audit.

The Bank's risk-weighted assets (RWA) increased by 12.3% from HUF 1,021.5 billion at the end of the first quarter of 2021 to HUF 1,147.0 billion (+2,5% p/p), indicating MKB Group's potent customer acquisition capacity.

The capital adequacy ratio significantly exceeds the regulatory minimum requirement, thus providing a convenient capital buffer for the Group's operations.

2.4 Presentation of business segment results

In this chapter, MKB Group's customer portfolio and market share are presented by segments. The segments are formed according to the requirements used in the reports prepared for the National Bank of Hungary (NBH), and the portfolios are presented accordingly.

2.4.1 Corporate business

Based on its traditional strengths and business values, MKB's ongoing strategic goal is to maintain its strong corporate business line by focusing on local knowledge, professional service, consultative sales.

MKB Bank does not sell simple products to its customers, but provides complex business solutions and advices, sets up complex loan structures if necessary, and satisfies special financial customer needs. MKB Bank is able to provide efficient, individual solutions to all players in the corporate segment, regardless of customer size.

In order to further develop the customer lifecycle-based approach, the Bank devoted significant resources in 2022 to further optimize product development processes and models, including the allocation of extra resources to strengthen digitalization solutions in response to the challenges of the pandemic situation.

Demand for loans by businesses did not decline during 1Q 2022. In 2022, MKB Bank also strived to provide the most comprehensive service to customers, to enhance customer experience, and, to this end, it participated in various – modified – subsidized and refinanced lending programs and guarantee programs included in economic stimulus packages, which have been very popular since their introduction. Significant borrowing was experienced by the bank, which gives further impetus to the economy, and the various financial solutions provided by MKB Bank can be a bridging solution even in sectors that are more affected by the pandemic.

MKB Bank has made the loan repayment moratorium available to its customers for the entire period, thereby helping to temporarily resolve any liquidity difficulties. The general nature of the moratorium ended in 2021, however, depending on eligibility, customers can also participate in the moratorium until 30 June 2022, in addition, small petrol stations may also apply for the moratorium until 15 May 2022 (subject to eligibility).

MKB Group loans managed by the corporate business amounted to HUF 818.9 billion at the end of the quarter, an increase of +20.4% (+ HUF 138.5 billion) compared to the same period of the previous year (+ 3.4% p/p).

Non-financial companies' loans amounted HUF 624.5 billion, an increase of 3.9% on the previous quarter (+ HUF 23.2 billion) and +28.4% on an annual basis (+HUF 138.1 billion). Loans to non-financial corporations amounted to HUF 66.9 billion in the first quarter, resulting in a market share of 7.8%.

The gross loan portfolio of large non-financial corporations increased by HUF 33.2 billion to HUF 253.1 billion (+ 15.1% p/p), mainly due to the growth of own investment loans, working capital loans and Funding Growth Scheme's investment and working capital loans dampened by the decline in syndicated and project loans. Due to the decline in Funding Growth Scheme's investment loans the SME loan portfolio decreased by HUF 11.3 billion to HUF 335.4 billion (- 3.3% p/p). The loan portfolio of micro-enterprises was HUF 36.1 billion (HUF +1.3 billion p / p; + 5.4% y/y) at the end of the period; both the quarterly and annually change is due to Széchenyi loans.

Another key element of corporate financing is the NBH's Funding Growth Scheme, under which the purchased corporate bond portfolio increased by 126.7% in a year.

Small and medium-sized enterprise (SME) customers are still considered as a key segment in 2022, increasing product penetration here is a priority task.

MKB Bank remained an active participant in the continually renewed Széchenyi Program. In the first quarter of 2022, the bank achieved a 5.0% market share in Széchenyi Program.

Thanks to the traditionally close cooperation between MKB Bank and Eximbank, customers can benefit from EXIM's funding sources, the bank's market share in the first quarter of 2022 of total refinanced disbursements was 12.7%. In terms of the performance of the Hungarian economy, foreign trade is a top priority, as almost 80% of GDP comes from exports. Not only exporters, but also suppliers organized around exports and start-up businesses in the export market are also contributing to this.

Relying on its customer base, MKB Group achieved a significant increase in the deposit portfolio on a yearly basis. The expansion of corporate deposits was supported by the economic recovery programs of the government and the National Bank, as well as the corporate liquidity puffer due to the moratorium. Non-financial corporate deposit volume increased by 9.8% y/y to HUF 994.1 billion (+ HUF 88.3 billion y/y). Compared to the previous quarter, the portfolio decreased by 13.1%, so the market share reached 7.26%.

The number of corporate customers was 34.7 thousand at the end of the first quarter, an increase of 0.3% compared to the end of the previous quarter.

As a significant step in the merger processes of Hungarian Bankholding, from 1st January 2022, MKB-Euroleasing, Budapest Leasing, Takarék Leasing and Budapest Bank's Car Finance business operate in an integrated manner under the name Euroleasing. The significance of the move is indicated by the fact that the company has a nationwide network, 110 000 customers and a market share of more than 20% based on the newly placed aggregate leasing portfolio.

Preparatory work for the merger of MKB Bank and Budapest Bank was completed in the first quarter of 2022, based on which Budapest Bank merged with MKB Bank on 31 March 2022 and the merged bank continued to operate under the name of MKB Bank.

In addition to complying with legal requirements, it was extremely important for the Bank to implement the merger with the customer experience in mind. The merger brought many benefits to the customers of the merged MKB Bank, the Bank is present in 66 cities, with a total of 143 bank branches and 184 ATMs, with this the Bank provides customers with personal administration and the high-quality service at more locations than before. Through the merger, the strengths add up, giving customers a unified but much wider range of products.

2.4.2 Retail business

At the end of the first quarter 2022 retail loan closing volume was HUF 275.4 billion (according to the requirements used in the reports prepared for the National Bank of Hungary (NBH)), representing HUF 1.3 billion p/p and HUF 21.8 billion y/y increase. The improvement was mainly due to the strong secured loans disbursement in 2Q and the long-term „Babaváró” loans. Retail loan disbursements in 1Q reached HUF 15.5 billion which is a 5.0% decrease compared to 4Q 2021 (HUF -0.8 billion p/p; HUF 4.4 billion y/y). Quarterly unsecured and other loan disbursements' volume slightly decreased compared to 4Q 2021, while the Bank achieved an increase in personal lending, which is the main product of consumer loans. Thanks to the outstanding lending activity, market share in retail loan disbursement reached 2.46% by the end of the first quarter of 2022.

The performance achieved in lending in the first quarter of 2022 should also be assessed positively in the light of the fact MKB Bank suspended the acceptance of new mortgage loans between 4 and 31 March 2022 in order to prepare for the merger with Budapest Bank.

The mortgage loan portfolio increased to HUF 205.0 billion (HUF +2.5 billion p/p; HUF 11.2 billion y/y) while the market share slightly increased in the first quarter of 2022 (+2 bp p/p and -18 bp y/y). The disbursement of secured loans declined slightly in 1Q (HUF -0.7 billion p / p) due to a decrease in the disbursement of housing mortgage loans. The market share of secured loans disbursed was 2.99% in Q1 2022.

Unsecured loan volumes decreased by HUF 1.2 billion compared to the end of 4Q 2021 and reached HUF 57.2 billion (HUF +10.4 billion y/y). Market share rose by 3 bps to 1.74% (p/p) while on yearly basis it was +14 bps p/p. The favourable yearly increase is mainly due to the significant demand for personal loans, the availability of online personal loan products and the increased activity of sales partners. The unsecured and other loans disbursements' volume decreased compared to 4Q 2021 (HUF 4.5 billion). The market share of personal loans reached 1.95%.

Due to the rising yield environment, MKB Bank considered necessary to raise interest rates on retail mortgages. When raising interest rates, the Bank kept in mind to maintain the market position set in its business strategic goal. The interest rate rise affected 5-year and 10-year home and private loan products. The new interest rates were applied by the bank for applications received from 7th February 2022.

Deposit closing volume was HUF 456.3 billion, increased by HUF 33.0 billion compared to the end of 4Q 2021 while the annual growth was 26.4% (HUF +95.4 billion y/y) despite COVID-19.

In the retail sector, demand for safe and predictable government securities remained strong. In addition to MÁP+, Premium Hungarian Government Securities became also popular, which track the domestic inflation. Net sales continued to grow in the fourth quarter and the popularity of investment funds appears to be recovering after a temporary decline in demand.

In the fourth quarter, MÁP brought + 10% growth result, while investment funds brought + 44% growth result compared to the previous quarter.

The total retail client count increased by 2,800 customers compared to 4Q 2021 (377.9 thousand customers at the end of the first quarter of 2022), and also compared to 1Q 2021 by 2.5%.

The number of premium customers exceeds 10,500 (+4.3% p/p; 28.2% y/y) owing to the focused, elaborated value proposals in customer acquisitions and the efficient utilization of the value-added premium consulting system. As a result of using the 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.

In the first quarter of 2022, MKB Bank worked on the renewal of the product range in addition to the preparations for the merger. The aim is to further strengthen the Bank's market position so that the agents can sell the Bank's products (in retail and small business lending sector) with competitive conditions. Intermediary partners' sales remained significant in the quarter, driven by the conditions, processes and lending terms. MKB Bank is constantly working on developments that simplify partnership activity in the day-to-day work.

The activity of intermediary partners is getting stronger, reaching 49% of secured retail loan disbursements through sales partners.

Based on the strategic agreement between MKB Bank and CIG Pannónia Life Insurance Nyrt., the branch network of MKB Bank sells CIG Pannónia's pension and life insurance products. Individual life insurance sales showed an evolving trend until 2019, which was halted by the pandemic in 2020, however, performance returned to growth in 2021 compared to 2020. MKB's performance in the first quarter of 2022 lags behind that of the same period of the previous year; in the case of life insurance with regular insurance premiums the lag is 18%, while in the case of life insurances with a single insurance premium the lag is 31%.

The sales of insurance policies by Magyar Bankholding will be placed on a new basis, as a result of which the member banks of Magyar Bankholding entered into a strategic cooperation agreement with the CIG Pannónia Group in the first quarter of 2022. Within the framework of the agreement, the banks will develop the product range, which will be assembled from the products of CIG Pannónia Life Insurance Nyrt, in order to provide unified customer service. The products of CIG Pannónia Life Insurance Nyrt. and CIG Pannónia Első Magyar Általános Biztosító Zrt. (EMABIT) will be available exclusively in all member banks. MKB Bank acts as a dependent insurance intermediary for CIG Pannónia Insurance Companies. The first step in the cooperation were the changes in the sale of home insurances.

In the case of home insurances the Bank was in contact with Aegon Magyarország Általános Biztosító Zrt. until 11 March 2022. Based on the results of the first quarter, the portfolio premium of the sold home insurance products is 132% of the same period of 2021. As a result of the strategic cooperation between Magyar Bankholding and CIG Pannónia Biztosító, the sale of Aegon Magyarország Általános Biztosító Zrt.'s OKÉ home insurance has stopped on 11th March 2022. The related cooperation agreements have also been terminated by mutual agreement. This means that as of 16th March 2022, CIG Pannónia LakóTárs home insurance was introduced, which replaced Aegon OKÉ home insurance product.

As in previous periods, in the first quarter of 2022, in accordance with the current government pandemic rules, the branch network operated with enhanced health measures. As in previous quarters, the Bank continuously monitored the existence of protection devices available in the branch network and replaced them if necessary, with the security of all colleagues and customers in mind.

As part of the preparations for the merger, coordination of ATM services has begun. As a result, MKB Bank's customers with retail and corporate debit cards would be able to withdraw cash with their bank cards from 1st April 2022 at almost 1,000 locations nationwide (at the ATMs of Budapest Bank and Takarékbank) with their own bank cash withdrawal fees.

The basis of MKB Bank's branch network development strategy is the continuous improvement of the quality of customer service, in which ensuring the most efficient and convenient customer service is the most important factor. The Bank, adapting to the market conditions and the pandemic situation, ensured the smooth operation of the branch in 1Q 2022 as well, and prepared/continued the upgrades and renovations of the customer space, taking into consideration the conditions dictated by the Bank Fusion.

During the renovation of the Eurocenter shopping mall in Budapest, which started in April 2021, a new bank branch has been established in the building. The new bank branch has been designed with today's modern digital habits in mind, which is also suitable for high-quality premium customer service. After the new bank branch was fully established, the relocation from the temporary branch took place on 28th March 2022.

2.4.3 Leasing business[3]

MKB Group's leasing portfolio was HUF 203.9 bln at 31st March 2022. The portfolio increased by 3.2%, HUF +6.3 bln during the last one year. The vehicle financing sector's leasing volume was HUF 134.9 bln (+13.5%, HUF +16.0 bln yearly increase), while the volume of equipment financing was HUF 55.4 bln at the end of the quarter, meaning a 3.3% increase in the last twelve months. The stock financing portfolio decrease to HUF 12.8 bln, while other receivables closed at HUF 800.7 million.

The payment moratorium imposed on 18th March 2020, meanwhile two times prolonged affected the portfolio development and characteristics. However, at the current stage of the moratorium, only less than 1% of the portfolio is affected. In accordance with MKB Group risk principles, Euroleasing pays significant attention to the management of the portfolio that has left the moratorium and to the reduction of potential losses arising from this portfolio.

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

In March 2021, Magyar Bankholding Zrt. announced its 5-year strategy for merging Budapest Bank Zrt., MKB Bank Nyrt. and Takarékbank Zrt. In line with the strategy the merger of the three financial institutions will be completed in 2023. This will create the second largest banking group in Hungary, which includes four key players in the leasing market: Euroleasing Zrt., the car finance division of Budapest Bank Zrt., Budapest Lízing Zrt. and Takarék Lízing Zrt.

From 1st January 2022, the mentioned leasing companies will carry out their activities as an integrated entity under one unified management. After that – in most cases - new loan and leasing services were provided only by Euroleasing Zrt., while the contracts concluded before 1st January were still managed by the original leasing companies.

From last year's third quarter, international trends - chip shortages, slowdown in supply chains – had a strong negative impact in the Hungarian vehicle market too, and through it in the car financing market. At the same time, the introduction of the subsidized Széchenyi Leasing GO! product had a stimulating effect on the financing market in the fourth quarter, it has diverted a significant proportion of cash buyers towards the financing market. In the first quarter of 2022, compared to the same period of the previous year, new car sales in Hungary decreased significantly, while sales prices and thus financing amounts continued to grow rapidly. In addition to the previous negative factors, the Ukrainian-Russian war is expected to have a further negative impact on the production and sale of new vehicles, and thus on the financing market.

By the end of 2021, the inventory financing portfolio- which had substantially increased in 2020 - had already decreased significantly due to the shortage of new car stocks, and thus the increase in the financed amounts (increase in car prices) could not compensate for the decrease in the number of vehicles in stock.

[3] 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 the first quarter of 2022 the inventory financing portfolio continued to decline. Inventory financing exposures are still adequately diversified, both for manufacturers (brands) and trading partners (car dealerships). The aging and turnover rate of the financed stock is favorable.

The financing market for agricultural machinery and vehicles stagnated in 2021, as did Euroleasings market share in the segment, which exceeds 15%. Our goal for 2022 is to strengthen our market position in the segment.

The equipment and heavy duty utility vehicle financing sub-segment has been hit hardest by the pandemic in the last period. In the first quarter of 2021, however, positive market developments started in these sub-segments, and the launch of previously postponed investments also contributed to the segment’s outstanding annual growth.

In 2022, the disruption of supply chains and the lack of basic raw materials and components could have a similarly negative impact on the asset financing market as the effects already appeared on the automotive sales market.

The expansion of the SME customer base is still an important strategic aspect, for which we also have the necessary self-funded and supported funding (EXIM; Széchenyi Leasing GO!) products.

In addition to the growing portfolio, the non - performing portfolio is steadily declining, the 90+ dpd (days past due) portfolio is only 1.5% of the total portfolio, while its provision coverage is over 85%. The bulk of the declining non-performing portfolio still comes from the lending activities in 2007 – 2008.

2.4.4 Investments and Treasury

The **treasury sales and trading income** amounted to HUF 4.2 billion in the first quarter of 2022 (HUF +1.1 billion p/p; HUF +0.2 billion (y/y).

The quarterly increase in total treasury sales and trading income is mainly due to the FX result realized on business currency conversions.

The volume of customer-related securities trading and the resulting fee and custody incomes increased p/p. The retail government securities stock declined slightly due to inflationary effects.

Declaration

MKB Bank Nyrt. (hereinafter Bank) issues the following declaration in relation to its report on the 1Q 2022 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 May 2022

MKB Bank Nyrt.

Mr Zsolt Barna, dr.	Mr Antal Martzy
Chairman Chief Executive	Deputy CFO

3 FINANCIAL FIGURES

3.1 Correction factors 2022Q1

	2022Q1 Accounting Report	Structure corrections	Business corrections			COVID-19 effects	Adjusted PAT
			Banking tax and other taxes	Non-core one-offs	Dividend income	COVID-19 related expenditures	
Interest income	44 395	-744	0	0	-2	-488	43 161
Interest expense	-27 737	9 746	0	0	0	0	-17 991
Net interest income	**16 658**	**9 002**	**0**		**-2**	**-488**	**25 170**
Net income from commissions and fees	5 453	0	0	0	0	0	5 453
Other operating income / (expense), net	15 690	-7 085	3 025	72	0	-7	11 695
Impairments and provisions for losses	3 886	-7	0	0	0	-433	3 446
Operating expenses	-16 382	-1 564	2 423	2 822	0	0	-12 701
Share of jointly controlled and associated companies' profit / (loss)	347	-347	0	0	0	0	0
Banking tax	0	0	-1 362	0	0	0	-1 362
Profit / (Loss) before taxation	**25 652**	**-1**	**4 086**	**2 893**	**-2**	**-927**	**31 701**
Income tax expense / (income)	-2 169	0	-374	-254	0	83	-2 713
Profit/ (Loss) for the year from continuing operation	**23 483**	**0**	**3 712**	**2 639**	**-2**	**-844**	**28 988**
PROFIT/ (LOSS) FOR THE YEAR	**23 483**	**0**	**3 712**	**2 639**	**-2**	**-844**	**28 988**
Other comprehensive income:		0	0	0	0	0	0
Revaluation on financial assets measured at FVTOCI	-12 691	0	0	0	0	0	-12 691
Other comprehensive income for the year net of tax	**-12 691**	**0**	**0**	**0**	**0**	**0**	**-12 691**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**10 792**	**0**	**3 712**	**2 639**	**-2**	**-844**	**16 297**

	1Q 2022 Quarterly Report	Structure corrections		Adjusted BS structure
		Liabilities Repo reallocation	Assets Trading securities reclassification	
Total Assets	**3 797 326**		**0**	**3 797 326**
Financial assets	1 093 689		0	1 093 689
Loans and advances to banks (net)	82 614			82 614
Cash and cash equivalents	1 011 075			1 011 075
Trading portfolios	170 798		10 240	181 038
Trading securities	0		10 240	10 240
Derivative financial assets	170 798			170 798
Securities	1 187 523		-10 240	1 177 283
Loans and advances to customers/Customer Loans (net)	1 242 678			1 242 678
Total Other assets	102 638		0	102 638
Total liabilities and equity	**3 797 326**	**0**	**0**	**3 797 326**
Interbank liabilities (Amounts due to other banks)	950 927	1 660		952 588
Deposits and current accounts	2 219 147	-1 660		2 217 487
Other Liabilities	321 088		0	321 088
Subordinated debt	45 635			45 635
Shareholders' Equity	260 529	0	0	260 529
Subscribed capital	100 000			100 000
Reserves	160 529			160 529
Treasury shares	0			0
Non-controlling interests	0			0

3.2 Consolidated, non-audited financial statements of the MKB Group according to IFRS

3.2.1 Income statement

	1Q 2021	1Q 2022
Interest income	17 658	44 395
Interest expense	6 193	27 737
Net interest income	**11 465**	**16 658**
Net income from commissions and fees	5 510	5 453
Other operating income / (expense), net	25 040	15 690
Impairments and provisions for losses	(1 051)	(3 886)
Operating expenses	14 482	16 382
Share of jointly controlled and associated companies' profit / (loss)	344	347
Profit / (Loss) before taxation	**28 928**	**25 652**
Income tax expense / (income)	2 122	2 169
Profit/ (Loss) for the year from continuing operation	**26 806**	**23 483**
Profit/ (Loss) for the year from discontinued operation	-	-
PROFIT/ (LOSS) FOR THE YEAR	**26 806**	**23 483**
Other comprehensive income:	-	-
Items that may be reclassified subsequently to profit or loss:	-	-
Revaluation on financial assets measured at FVTOCI	(10 393)	(12 691)
Other comprehensive income for the year net of tax	**(10 393)**	**(12 691)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**16 413**	**10 792**

3.2.2 Balance sheet

	1Q 2021	1Q 2022
Assets		
Cash reserves	347 163	1 011 075
Loans and advances to banks	78 699	82 614
Derivative financial assets	30 032	170 798
Securities	1 354 946	1 187 523
Loans and advances to customers	1 091 538	1 242 678
Non-current assets held for sale and discontinued operations	36	32
Other assets	20 365	26 760
Current income tax assets	776	2
Deferred tax assets	6 963	8 199
Investments in jointly controlled entities and associates	7 989	9 102
Intangibles, property and equipment	58 004	58 543
Total assets	**2 996 511**	**3 797 326**
Liabilities		
Amounts due to other banks	620 692	950 927
Deposits and current accounts	2 016 905	2 219 147
Derivate financial liabilities	17 760	73 904
Other liabilities and provisions	69 834	244 611
Current income tax liabilities	4	2 443
Deferred tax liabilities	89	130
Subordinated debt	45 034	45 635
Total liabilities	**2 770 318**	**3 536 797**
Equity		
Share capital	100 000	100 000
Reserves	126 193	160 529
Total equity	**226 193**	**260 529**
Total liabilities and equity	**2 996 511**	**3 797 326**

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 2021	**100 000**	**-**	**21 729**	**-**	**91 610**	**(3 560)**	**-**	**209 779**
Profit/ (loss) for the year	-	-	-	-	59 983	-	-	**59 983**
Other comprehensive income for the year	-	-	-	-	-	(20 009)	-	**(20 009)**
First / (final) consolidation of subsidiaries	-	-	-	-	-	-	-	**-**
Disposal of treasury shares	-	-	-	-	-	-	-	**-**
At 31 December 2021	**100 000**	**-**	**21 729**	**-**	**151 593**	**(23 569)**	**-**	**249 753**
Profit/ (loss) for the year	-	-	-	-	23 483	-	-	**23 483**
Other comprehensive income for the year	-	-	-	-	-	(12 691)	-	**(12 691)**
Other profit					(16)			**(16)**
At 31 March 2022	**100 000**	**-**	**21 729**	**-**	**175 060**	**(36 260)**	**-**	**260 529**

3.3 Individual, non-audited financial statements of MKB Bank Nyrt. according to IFRS

3.3.1 Income statement

	1Q 2021	1Q 2022
Interest income	16 127	42 926
Interest expense	6 292	27 825
Net interest income	**9 835**	**15 101**
Net income from commissions and fees	5 560	5 531
Other operating income / (expense), net	24 004	15 739
Impairments and provisions for losses	(1 058)	(3 643)
Operating expenses	12 731	15 734
Share of jointly controlled and associated companies' profit / (loss)	-	-
Profit / (Loss) before taxation	**27 726**	**24 280**
Income tax expense / (income)	2 066	2 070
Profit/ (Loss) for the year from continuing operation	**25 660**	**22 210**
Profit/ (Loss) for the year from discontinued operation	-	-
PROFIT/ (LOSS) FOR THE YEAR	**25 660**	**22 210**
Other comprehensive income:	-	-
Items that may be reclassified subsequently to profit or loss:	-	-
Revaluation on financial assets measured at FVTOCI	(10 393)	(12 692)
Other comprehensive income for the year net of tax	**(10 393)**	**(12 692)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**15 267**	**9 518**

Company name: MKB Bank Nyrt.
Address: 1056 Budapest, Váci u. 38.
Sector: Other monetary activity
Reporting period: 01.01.2022-31.03.2022
Phone: +36 (1) 268-8004
Fax: +36 (1) 268-7555
E-mail address: investorrelations@mkb.hu
Investors' contact person: Dóra Bertalan

3.3.2 Balance sheet

	1Q 2021	1Q 2022
Assets		
Cash reserves	347 163	1 011 075
Loans and advances to banks	78 699	82 575
Derivative financial assets	30 032	170 867
Securities	1 354 946	1 184 523
Loans and advances to customers	1 080 965	1 227 183
Non-current assets held for sale and discontinued operations	36	32
Other assets	18 506	24 606
Current income tax assets	726	0
Deferred tax assets	6 700	7 871
Investments in jointly controlled entities and associates	49 885	54 035
Intangibles, property and equipment	39 383	40 197
Total assets	**3 007 041**	**3 802 964**
Liabilities		
Amounts due to other banks	620 143	946 523
Deposits and current accounts	2 031 228	2 232 461
Derivate financial liabilities	17 760	73 904
Liabilities held for sale and discontinued operations	0	0
Other liabilities and provisions	71 136	245 903
Current income tax liabilities	0	2 436
Deferred tax liabilities	0	0
Issued debt securities	3 499	7 702
Subordinated debt	45 034	45 635
Total liabilities	**2 788 800**	**3 554 564**
Equity		
Share capital	100 000	100 000
Reserves	118 241	148 400
Total equity attributable to equity holders of the Bank	**218 241**	**248 400**
Non-controlling interests	0	0
Total equity	**218 241**	**248 400**
Total liabilities and equity	**3 007 041**	**3 802 964**

3.3.3 Shareholders' assets

	Share capital	Share premium	Retained earnings	Revaluation on financial assets measured at FVTOCI	Total equity
On 1 January 2021	**100 000**	**21 729**	**84 805**	**(3 560)**	**202 974**
Profit/ (loss) for the year	-	-	55 916	-	**55 916**
Other comprehensive income for the year	-	-	-	(20 009)	**(20 009)**
At 31 December 2021	**100 000**	**21 729**	**140 721**	**(23 569)**	**238 881**
Profit/ (loss) for the year	-	-	22 210	-	**22 210**
Other comprehensive income for the year	-	-	-	(12 692)	**(12 692)**
At 31 March 2022	**100 000**	**21 729**	**162 931**	**(36 261)**	**248 400**

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%	Magyarország	Intangible assets, license maintenance
Euroleasing Zrt.	100.00%	100.00%	Magyarország	Car and consumer finance activities, other finance activities
MKB Bank MRP Szervezet	100.00%	0.00%	Magyarország	Special purpose entity for the Employee Share Program
MKB Üzemeltetési Kft.	100.00%	100.00%	Magyarország	Property operation and maintenance
Retail Prod Zrt.	100.00%	100.00%	Magyarország	Car and consumer finance activities
MKB-Pannónia Alapkezelő Zrt.	49.00%	49.00%	Magyarország	Investment fund management activity
MKB Digital Szolgáltató Zrt.	100.00%	100.00%	Magyarország	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%

Company name: MKB Bank Nyrt.
Address: 1056 Budapest, Váci u. 38.
Sector: Other monetary activity
Reporting period: 01.01.2022-31.03.2022
Phone: +36 (1) 268-8004
Fax: +36 (1) 268-7555
E-mail address: investorrelations@mkb.hu
Investors' contact person: Dóra Bertalan

Full-time employees

FTE, end of period	31.12.2020	31.03.2021	31.12.2021	31.03.2022
MKB Bank Nyrt.	1 612,48	1 615,93	1 640,10	1 833,30
MKB Digital Zrt.	198,95	208,25	189,75	190,35
MKB Üzemeltetési Kft	45,61	43,86	46,51	45,11
MKB Euroleasing Autólízing Zrt.	165,40	167,65	177,45	184,62
Retail Prod Zrt.	0,18	0,18	0,15	0,10
MKB Nypénzt. és Eü.Pénzt.Kiszolgáló Kft.	0,00	0,00	0,00	0,00
Extercom Kft.	0,00	0,00	0,00	0,00
MKB Bank MRP Szervezet	2,00	2,00	2,00	2,00
MKB Group	2 024,61	2 037,86	2 055,96	2 255,48

Managers and strategic employees

Type[1]	Name[2]	Position	Beginning of mandate	End/termination of mandate	Number of shares held
IT, SP	Dr. Zsolt Barna	Chairman and CEO	01.01.2021	31.12.2025	0
IT	Dr. Géza Láng	member	04.04.2022	12.31.2025	0
IT	István Sárváry	member	04.04.2022	12.31.2025	0
IT	Dr. Balázs Vinnai	member	05.04.2022	12.31.2025	0
IT	Marcell Tamás Takács	member	30.07.2020	29.07.2025	0
IT, SP	Ádám Egerszegi	member	04.04.2022	12.31.2025	0
IT, SP	Levente László Szabó	member	04.04.2022	12.31.2025	0
FB	Dr. Andor Nagy	Chairman	04.04.2022	12.31.2025	0
FB	Dr. Beáta Bánkuti Erzsébet	member	04.04.2022	12.31.2025	0
FB	Zsigmond Járai	member	04.04.2022	12.31.2025	0
FB	Miklós Vaszily	member	04.04.2022	12.31.2025	0
FB	Valkó Mihály	member	08.04.2022	12.31.2025	0
FB	Ágnes Hornung	member	04.04.2022	12.31.2025	0
FB	János Nyemcsok	member	18.05.2021	31.03.2026	0
FB, SP	Kitti Dobi	member	26.07.2021	24.07.2026	0
FB	Balázs Bechtold	member	26.07.2021	06.07.2026	0
SP	Ildikó Ginzer	Deputy CEO	21.12.2016		0
SP	Ádám Egerszegi	Deputy CEO	10.12.2021		0
SP	Dr. Csaba Szomolai	Deputy CEO	09.12.2021		0
SP	Levente László Szabó	Deputy CEO	10.12.2021		0
SP	Antal Martzy	Deputy CEO	08.12.2021		0
SP	Kitti Dobi	Deputy CEO	09.12.2021		0
SP	Dr. Beatrix Mészáros	Deputy CEO	10.02.2022		0

[1] Employee in strategic position (SP), Board of Directors member (IT), Supervisory Board member (FB)
[2] The Board of Directors membership of Dr. Gabriella Gombai, Dr. Zsuzsa Piller, Mihály Valkó and Ildikó Ginzer, as well as the Lady Chair position of Ms Ágnes Hornung in the Supervisory Board, furthermore the Supervisory Board membership of Dr. László Ipacs, Törtel András Oszlányi and Rita Feodor terminated on 03.04.2022

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	Annualised adjusted PAT (HUF bln) / Average equities (HUF bln)	28 988 / 255 141 * 4 / 1 = 45,45%
ROMC	Adjusted rate on minimum capital	Annualised adjusted PAT (HUF bln) / Average minimum capital (HUF bln)	28 988 / 170 235 * 4 / 1 = 68,11%
ROAA	Adjusted rate on average total assets	Annualised adjusted PAT (HUF bln) / Average Total assets (HUF bln)	28 988 / 3 555 742 * 4 / 1 = 3,26%
TRM	Adjusted total revenue margin	Annualised adjusted Gross Operating Income (HUF bln) / Average Total assets (HUF bln)	42 318 / 3 555 742 * 4 / 1 = 4,76%
CIM	Adjusted core income margin	Annualised adjusted net interest + net fee + FX income (HUF bln) / Average Total assets (HUF bln)	(25 170 + 5 453 + -109) / 3 555 742 * 4 / 1 = 3,43%
NIM	Adjusted net interest income margin	Annualised adjusted Net Interest Income (HUF bln) / Average Total assets (HUF bln)	25 170 / 3 555 742 * 4 / 1 = 2,83%
NFM	Adjusted net fee margin	Annualised adjusted Net Fee Income (HUF bln) / Average Total assets (HUF bln)	5 453 / 3 555 742 * 4 / 1 = 0,61%
C/TA	Adjusted cost to total assets	Annualised adjusted General Admin. Expenses (HUF bln) / Average Total assets (HUF bln)	12 701 / 3 555 742 * 4 / 1 = 1,43%
CIR	Adjusted cost-income ratio	Adjusted General Admin. Expenses (HUF bln) / Adjusted Gross Operating Income (HUF bln)	12 701 / 42 318 = 30,01%
Risk%	Adjusted risk cost rate	Annualised adjusted provision for losses on loans (HUF bln) / Average gross loans (HUF bln)	-3 446 / 1 275 631 * 4 / 1 = -1,08%
GOI/RWA	Adjusted RWA efficiency	Annualised adjusted Gross Operating Income (HUF bln) / Average Total RWA (HUF bln)	42 318 / 1 132 807 * 4 / 1 = 14,94%
EPS	Adjusted earnings per share	Annualised adjusted PAT (HUF bln) / Average number of shares (bln pcs)	28 988 / 100 * 4 / 1 = 1159,53

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)	23 483 / 255 141 * 4 / 1 = **36,82%**
ROMC	Rate on minimum capital	Annualised PAT (HUF bln) / Average minimum capital (HUF bln)	23 483 / 170 235 * 4 / 1 = **55,18%**
ROAA	Rate on average total assets	Annualised PAT (HUF bln) / Average Total assets (HUF bln)	23 483 / 3 555 742 * 4 / 1 = **2,64%**
TRM	Total revenue margin	Annualised Gross Operating Income (HUF bln) / Average Total assets (HUF bln)	38 148 / 3 555 742 * 4 / 1 = **4,29%**
CIM	Core income margin	Annualised net interest + net fee + FX income (HUF bln) / Average Total assets (HUF bln)	(16 658 + 5 453 + 0) / 3 555 742 * 4 / 1 = **2,49%**
NIM	Net interest income margin	Annualised Net Interest Income (HUF bln) / Average Total assets (HUF bln)	16 658 / 3 555 742 * 4 / 1 = **1,87%**
NFM	Net fee margin	Annualised Net Fee Income (HUF bln) / Average Total assets (HUF bln)	5 453 / 3 555 742 * 4 / 1 = **0,61%**
C/TA	Cost to total assets	Annualised General Admin. Expenses (HUF bln) / Average Total assets (HUF bln)	16 382 / 3 555 742 * 4 / 1 = **1,84%**
CIR	Cost-income ratio	General Admin. Expenses (HUF bln) / Gross Operating Income (HUF bln)	16 382 / 38 148 = **42,94%**
Risk%	Risk cost rate	Annualised provision for losses on loans (HUF bln) / Average gross loans (HUF bln)	-3 879 / 1 275 631 * 4 / 1 = **-1,22%**
GOI/RWA	RWA efficiency	Annualised Gross Operating Income (HUF bln) / Average Total RWA (HUF bln)	38 148 / 1 132 807 * 4 / 1 = **13,47%**
EPS	Earnings per share, IFRS	PAT (HUF bln) / Average number of shares (bln pcs)	23 483 / 100 = **234,8**

Company name: MKB Bank Nyrt.
Address: 1056 Budapest, Váci u. 38.
Sector: Other monetary activity
Reporting period: 01.01.2022-31.03.2022
Phone: +36 (1) 268-8004
Fax: +36 (1) 268-7555
E-mail address: investorrelations@mkb.hu
Investors' contact person: Dóra Bertalan

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)	44 936 / 3 797 326 = **1,18%**
Securities rate	Securities to Total assets	Securities (HUF bln) / Total Assest (HUF bln)	1 187 523 / 3 797 326 = **31,27%**
CAR	Capital adequacy ratio	Regulatory capital (HUF bln) / Total RWA (HUF bln)	232 878 / 1 146 969 = **20,30%**
RWA/ Total Assets	Risk weighted assets to Total assets ratio	Total RWA (HUF bln) / Total Assest (HUF bln)	1 146 969 / 3 797 326 = **30,20%**
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)	13 307 / 1 287 614 = **1,03%**
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)	44 936 / 13 307 = **337,70%**
NPL rate	Rate of non-performing loans	Non-performing customer loans (HUF bln) / Gross customer loans (HUF bln)	35 896 / 1 287 614 = **2,79%**
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)	22 445 / 35 896 = **62,53%**
Indirect NPL coverage	Rate of non-performing loans covered by provision	Provision for customer loans (HUF bln) / Non-performing customer loans (HUF bln)	44 936 / 35 896 = **125,18%**

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
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