MKB Bank Nyrt.

Report on the
4Q 2021 results
(Flash Report)

Budapest, 24 March 2022

Table of Contents

1 MKB GROUP 4Q 2021 RESULTS – OVERVIEW

Main components of P&L (in MHUF)	Period					YTD		
	4Q 2020	3Q 2021*	4Q 2021	P/P	Y/Y	2020	2021	Y/Y
TOCI (Total Comprensive Income)	**4 360**	**9 014**	**5 406**	**-40,0%**	**24,0%**	**11 610**	**39 974**	**244,3%**
Revaluation on non HFC financial assets (OCI)	9 225	-7 305	-33	-99,5%	-100,4%	3 187	-20 009	-727,8%
Profit after tax	**-4 865**	**16 319**	**5 439**	**-66,7%**	**-211,8%**	**8 423**	**59 983**	**612,1%**
Adjustments total on PAT	4 065	2 849	9 670	239,4%	137,9%	13 539	17 695	30,7%
Adjusted TOCI	**8 425**	**11 863**	**15 075**	**27,1%**	**78,9%**	**25 149**	**57 669**	**129,3%**
Adjusted revaluation on non HFC financial assets (OCI)	9 225	-7 305	-33	-99,5%	-100,4%	3 187	-20 009	-727,8%
Adjusted Profit after tax	**-800**	**19 168**	**15 109**	**-21,2%**	**-**	**21 962**	**77 678**	**253,7%**
Profit before tax (adjusted)	**159**	**20 937**	**13 641**	**-34,8%**	**-**	**24 012**	**82 171**	**242,2%**
Gross Operating Income (adjusted)	**13 715**	**31 196**	**33 096**	**6,1%**	**141,3%**	**68 757**	**132 338**	**92,5%**
Net Interest Income (adjusted)	10 635	13 023	16 632	27,7%	56,4%	36 116	53 795	48,9%
Net Fee Income (adjusted)	6 394	6 272	6 913	10,2%	8,1%	23 568	24 818	5,3%
Net Other Income (adjusted)	-3 315	11 901	9 551	-19,7%	-	9 072	53 725	492,2%
General Administrative Expenses (adjusted)	-13 515	-10 850	-15 943	46,9%	18,0%	-43 730	-48 143	10,1%
Provision for losses on loans (adjusted)	-146	683	-3 127	-	-	-1 447	-1 616	11,7%
Main components of Balance sheet (in MHUF)	**Volumes at the end of period**					**YTD average**		
	4Q 2020	**2021Q3**	**4Q 2021**	**P/P**	**Y/Y**	**2020**	**2021**	**Y/Y**
Total Assets	**2 781 607**	**3 142 103**	**3 314 159**	**5,5%**	**19,1%**	**2 226 910**	**3 055 161**	**37,2%**
Customer Loans (net)	1 113 962	1 204 973	1 215 347	0,9%	9,1%	1 013 734	1 150 299	13,5%
Customer Loans (gross)	1 159 921	1 247 951	1 263 647	1,3%	8,9%	1 060 871	1 195 015	12,6%
Provision for Customer loans	-45 959	-42 978	-48 301	12,4%	5,1%	-47 138	-44 716	-5,1%
Deposits & C/A	1 862 261	2 031 108	2 216 145	9,1%	19,0%	1 488 977	1 931 963	29,8%
Subordinated debt	44 724	43 547	45 070	3,5%	0,8%	43 047	44 110	2,5%
Shareholders' Equity	209 779	244 348	249 753	2,2%	19,1%	198 596	233 910	17,8%
KPIs based on adjusted and unadjusted PAT (%)	**Period**					**YTD**		
	4Q 2020	**2021Q3**	**4Q 2021**	**P-P**	**Y-Y**	**2020**	**2021**	**Y-Y**
ROAE (Return on Average Equity - unadjusted)	-9,4%	27,2%	8,8%	-18,4%-pt	18,2%-pt	4,2%	25,6%	21,4%-pt
EPS (Earning Per Share - unadjusted, IFRS)	-48,6	163,2	54,4	-108,8	103,0	84,2	599,8	515,6
ROAE (Return on Average Equity - adjusted)	-1,5%	32,0%	24,5%	-7,5%-pt	26,0%-pt	11,1%	33,2%	22,1%-pt
ROMC (Return on Minimum Capital - adjusted)	-2,2%	48,2%	36,8%	-11,4%-pt	39,0%-pt	15,0%	49,7%	34,7%-pt
ROAA (Return on Average Assets - adjusted)	-0,1%	2,5%	1,9%	-0,6%-pt	2,0%-pt	1,0%	2,5%	1,6%-pt
TRM (Total Revenue Margin - adjusted)	2,1%	4,0%	4,1%	0,1%-pt	2,0%-pt	3,1%	4,3%	1,2%-pt
CIM (Core income margin - adjusted)	3,0%	2,7%	3,0%	0,3%-pt	0,0%-pt	3,1%	2,8%	-0,4%-pt
NIM (Net Interest Margin - adjusted)	1,6%	1,7%	2,1%	0,4%-pt	0,4%-pt	1,6%	1,8%	0,1%-pt
NFM (Net Fee Margin - adjusted)	1,0%	0,8%	0,9%	0,0%-pt	-0,1%-pt	1,1%	0,8%	-0,2%-pt
C/TA (Cost to Total Assets - adjusted)	2,1%	1,4%	2,0%	0,6%-pt	-0,1%-pt	2,0%	1,6%	-0,4%-pt
CIR (Cost Income Ratio - adjusted)	98,5%	34,8%	48,2%	13,4%-pt	-50,4%-pt	63,6%	36,4%	-27,2%-pt
Risk% (Risk cost rate - adjusted)	0,1%	-0,2%	1,0%	1,2%-pt	0,9%-pt	0,1%	0,1%	0,0%-pt
GOI/RWA (RWA efficiency - adjusted)	5,4%	11,4%	11,9%	0,5%-pt	6,5%-pt	6,9%	12,4%	5,5%-pt
EPS (Earning Per Share - adjusted)	-32,0	766,7	604,3	-162,4	636,4	219,6	776,8	557,2
Volume KPIs (%)	**Period**					**YTD**		
	4Q 2020	**2021Q3**	**4Q 2021**	**P-P**	**Y-Y**	**2020**	**2021**	**Y-Y**
Provision/Total Assets	1,7%	1,4%	1,5%	0,1%-pt	-0,2%-pt	1,7%	1,5%	-0,2%-pt
CAR (Capital Adequacy Ratio)	20,5%	16,8%	22,0%	5,2%-pt	1,5%-pt	20,5%	22,0%	1,5%-pt
RWA/Total Assets	36,1%	35,1%	33,8%	-1,4%-pt	-2,4%-pt	36,1%	33,8%	-2,4%-pt
LTD (Loan to Deposit)	62,3%	61,4%	57,0%	-4,4%-pt	-5,3%-pt	62,3%	57,0%	-5,3%-pt
DPD90+ rate	1,3%	1,1%	1,0%	-0,1%-pt	-0,3%-pt	1,3%	1,0%	-0,3%-pt

* Please note that Q3 was restated by the integration cost which affected adjusted PAT through General Administrative Expenses (HUF 1,517 million in Q1 and HUF 1,605 million in Q2)

MKB Group 4Q 2021 results are based on cumulated, consolidated, unaudited IFRS data of 31.12.2021. "Adjusted" figures (alternative performance measurement indicators – APM) are indicators of the underlying business performance; the list of correction factors is included in Chapter 3.1.

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

In the fiscal year of 2021 despite an intensive internal transformation process and increasing market uncertainty, MKB Group (a member of Hungarian Bankholding Group), delivered one of the most outstanding results of its history. The positive development of the 4Q result was extensively supported by the significantly expanding customer portfolio's stable profitability and high quality, while the rising interest rates also had a positive effect on the profitability.

The merger process of Hungarian Bankholding's member banks reached an intensive phase in 4Q: Hungarian Bankholding's Board of Directors approved a Strategic Plan for the period of 2022-26 setting the strategic objectives of the merger and confirming its timetable.

In 4Q 2021 the following main factors were instrumental:

- **Excellent business line performance persisted**: In the first three quarters of the year, the improving market share of retail deposits, corporate lending and leasing was maintained, and the market share of corporate deposits increased further in the last quarter.
- **Strong demand for loans**: investment loans further increased corporate portfolio (+2.5% p/p; +11.0% y/y).
- In 4Q 2021, the original **moratorium** (a temporary suspension of the loan repayment obligations for retail and corporate debtors announced by the Hungarian Government as part of the general economic rescue package to mitigate the impact of the coronavirus pandemic in April 2020) expired. Already under the moratorium, a significant part of the Bank's customers indicated their ability and intention to continue payment of the regular instalments, thus opting-out of the program. In October 2021, the law was amended as certain debtors (fulfilling a set of conditions) had the opportunity to declare that they are both eligible and want to participate in the new phase of the moratorium for the extended period, until the end of June 2022 latest. Based on the customer statements the Bank received in October 2021, customers accounting for about approximately 2.5% of the total loan portfolio requested participation in the moratorium for the extended period. By the end of 4Q, the participation rate decreased to approximately 2.4%.
- Customer attention shifted to the reshaped **Széchenyi Card Program** after the exhaustion of the NBH's NHP Hajrá! (Funding For Growth Go) bracket. "Széchenyi GO!" and "Széchenyi Leasing GO!" products became popular alternatives in the corporate segment.
- **Money market trends:** the increasing yield environment had a net positive impact on profitability and total comprehensive income (TOCI) through the fair value revaluation of the banking book securities portfolio**.**
- Business developments, regulatory projects and higher-than-expected price increases put pressure on costs.

Financial highlights in 4Q:

- **Total assets over HUF 3,300 billion (+5.5% p/p, +19.1% y/y):** customer loan's growth (+1.3% p/p) while deposits grew above HUF 2,200 billion in 4Q.
- **HUF 77.7 billion adjusted cumulated profit in 2021** and HUF 14.7 billion adjusted profit in 4Q 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 (+48.9% y/y) and +23.2% yearly core income (HUF 24.0 billion in 4Q) increase.** Changes in swap and money market yields and results of FV revaluation of subsidized loans also supported fair value results and having HUF 10.6 billion effect on GOI in 4Q.
- Impressive **CIR: 36.4%**. CIR was 57,0% in the year of 2021 calculated with core income.
- **HUF 3.1 billion credit risk cost** (unadjusted) was **charged** in 4Q because of stage reclassifications in accordance with EBA regulations and prudent case-by-case monitoring. Moratorium related expenses amounted to further HUF 3.3 billion in unadjusted PAT.
- **Strong capital position:** Outstanding capital adequacy at the end of 2021 is 22.0%. The Bank's capital adequacy last reached this level in 2019 within the limits set by EU commitments.

MKB Group's **unadjusted** total comprehensive income was HUF 40.0 billion in 2021 (HUF +28.4 billion y/y) and HUF 5.4 billion in 4Q (HUF +1.0 billion y/y; HUF -3.6 billion p/p) as the increase of profit after tax (2021 year: HUF 60.0 billion, HUF +51.6 billion y/y; 4Q: HUF 5.4 billion, HUF +10.3 billion y/y) significantly outperformed the downturn in other comprehensive income (2021 year: HUF -20.0 billion, HUF -23.2 billion y/y; 4Q: HUF -0.03 billion, HUF -9.3 billion y/y). In p/p comparison the HUF -3.6 billion decrease in unadjusted total comprehensive income (TOCI) was the result of HUF -10.9 billion decrease in after tax profit and HUF +7.3 billion increase in other comprehensive income (OCI).

Adjusted total comprehensive income in 2021 was HUF 57.7 billion (HUF +32.6 billion y/y) as adjustments on TOCI (and also on PAT) reached HUF 17.7 billion. Adjusted profit after tax in 2021 was HUF 77.7 billion. Other comprehensive income (adjusted) was HUF -20.0 billion (HUF -23.2 billion y/y).

Total assets increased to HUF 3,314.2 billion (+5.5% p/p; +19.1% y/y) mainly due to the increasing customer deposit portfolio in 4Q. **Deposits** grew by HUF +185.0 billion p/p (HUF +353.9 billion y/y) to HUF 2,216.1 billion. **Customer loan (gross)** portfolio was HUF 1,263.6 billion (+1.3% p/p) which marks a HUF +103.7 billion growth since 4Q 2020. The banking book securities portfolio temporarily moderated in 4Q (-28.1%; HUF -391.9 billion p/p); in addition to the increase in customer loans, the transfer of the NBH to favourable short-term assets played an important role. In 4Q 2021 the loan-to-deposit ratio improved to 57.0% (-4.4%-pts p/p). The **shareholder's equity** increased from HUF 244.3 billion at the end of 3Q 2021 to HUF 249.8 billion. Capital adequacy was 22.0% (+153 bps p/p). MKB Group's 4Q YTD 2021 annualised, adjusted ROAE was 33.2%, while unadjusted ROAE was 25.6%. Adjusted ROAE was 24,7% calculated with TOCI.

Excellent business line performances in 4Q:

- **Retail segment:**

  The focus of the Bank Group's strategy is on consumer loans, their disbursement increased significantly compared to the 2020 performance, which was primarily determined by the interest in personal loans. Compared to previous years, the Bank achieved an outstanding result in the sale of personal loans in 2021. The favourable performance was also supported by the favourable online personal loan introduced during the pandemic period.

  Outstanding growth was in retail savings (+ 10.6% y/y), while the gross loan portfolio grew 5.8% y/y.

- **Corporate segment:**

In 2021, the MKB Group was able to increase its customer base dynamically: the corporate total gross loan portfolio grew by +11.0% (+2.5% p/p), while the corporate deposit portfolio was by +21.3% (y/y) higher (+9.8% p/p).

Eximbank's "Future Exporters Program" has been extended and the "Exim Green Financing Loan Program" has been announced, further expanding the product range in terms of refinanced funds.

The MKB Group remains an active participant in the continuously renewed Széchenyi Program.

- **Leasing segment:**

  As a significant step in the merger processes of Hungarian Bankholding, from January 1, 2022, MKB-Euroleasing, Budapest Leasing, Takarék Leasing and Budapest Bank's Car Finance business operate in an integrated manner under the name Euroleasing. The conclusion of new transactions is mainly carried out in the unified system of Euroleasing, while the financing agreements concluded earlier are still managed by the companies belonging to Hungarian Bankholding.

  MKB Group's leasing portfolio was HUF 201.2 billion at the end of 2021. Despite the unfavorable environment, the portfolio increased significantly, by 5.6%, HUF +10.7 billion during the year.

Changes in top management:

- The MKB's Board of Directors approved the appointment of the following persons as Deputy Chief Executive Officers for the designated areas with effect from 16 November 2021, or in the absence of the relevant permits of the National Bank of Hungary (hereinafter: "NBH") at the time, from the date of issue of the relevant NBH permits:
  - Kitti Dobi, Deputy CEO for Human Resources
  - Ádám Egerszegi, Deputy CEO for Transformation
  - Ildikó Ginzer, Deputy CEO for Standard Services
  - Antal Martzy, Deputy CEO for Finances
  - Dr. Beatrix Mészáros, Deputy CEO for Subsidiaries
  - Levente László Szabó, Deputy CEO for Individual Services
  - Roland Pecsenye, Deputy CEO for Digital Transformation and Operations
  - András Puskás, Deputy CEO for Key Issues, Government Relations, Communications, ESG and Sustainability
  - Dr. Csaba Szomolai, Deputy CEO for Risk Management
- The positions of the following persons as Deputy Chief Executive Officer cease to exist as of 16 November 2021:
  - András Bakonyi Deputy CEO for Risk Management
  - János Nyemcsok Deputy CEO for Finance and Operations
  - Dr. Ilona Török Deputy CEO, Head of CEO's Cabinet.

  They will continue to pursue their career in the Hungarian Bankholding Group.

Post closing events:

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

- **Monetary policy tweaks**: The tightening of interest rate conditions, which the NBH began in June last year, continued in 2022 as well. The base rate was hiked by 100 basis points in two steps, and following February's rate setting meeting it stood at 3.4%. In the January and February setting meeting the Monetary Council also moved the interest rate corridor upwards, and due to pressures on the Forint emerging in the wake of the war in Ukraine, it widened the interest rate corridor by 100 basis points at its non rate setting meeting on March 8 by raising the rate on the overnight and the 1-week covered central bank loan facility, which acts as the upper edge of the interest rate corridor, to 6.4%. The rate on the 1-week deposit facility, currently being the effective policy rate, initially was raised, in line with the central bank's previous announcements, only on tenders immediately following rate setting meetings, and by only 30-30 basis points, falling short of base rate hikes of 50-50 basis points. However, continued pressures on the Forint led the central bank to raise the rate on the 1-week deposit facility by 75 basis points on the March 3, 2022 tender, which were increased to 5.85% on the March 11. The inflationary impact of the weakening Forint, which hit an historic low against the Euro, for a short period even crossing the 400 psychological threshold.

- Russian-Ukrainian crisis: On February 24 2022, the Russian army launched a general invasion of the Ukraine. This came as a surprise to the money and capital markets; actors were not prepared for the events of the war. In addition to the freezing of the Eastern markets, the emerging economic turbulence caused energy and food prices to rise, the HUF FX-rate began to weaken against the euro, the prices of riskier financial assets dropped and yield levels rose.

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

- Further steps in connection with the merger of **Hungarian Bankholding's banks:** According to the plans of Hungarian Bankholding Ltd., Budapest Bank Ltd. and MKB Bank Plc., the two member banks of the banking group and the Hungarian Takarék Bankholding will merge on 31 March 2022, thus creating the basis for the unified operation of the banking group. During the merger, Budapest Bank will merge into MKB Bank and MTB Bank will continue to operate as a subsidiary of the merged bank. The merged banks will temporarily continue to operate under the name MKB Bank Plc. The launch of a new, single brand name for merged banks is planned for early 2023. The Takarék Group will join the merged bank in the second quarter of 2023, while Hungarian Bankholding Ltd. will continuously harmonize banking operations.

- Based on paragraph 20/H (1) – effective from October 29, 2021 – of Act 135 of 2013 on the modification of the integration of cooperative credit institutions and select economic legislation the Integration Organization – in order to meet the goals of the integration of credit institutions – is obliged to invest its assets until January 31, 2022 into bonds, to be issued by the financial holding parent company, i.e. the Hungarian Bankholding Ltd. (which has supervisory control influence over the Integration Organization) for 20-year maturity, paying a coupon that matches the average YTM of applicable government bonds as published on the website of AKK Ltd. (State Debt Management Centre) provided that Hungarian Bankholding Ltd. is obliged to issue these bonds at a value, which is set in the inquiry of the Integration Organization according to legal provisions.

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

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 forth quarter of 2021:

- **Yields:** The Fed holds the target range for the federal funds rate at 0-0.25% since March 2020 in order to mitigate the adverse economic impacts of the coronavirus pandemic.[1] 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: 5.8% (y/y) in December; CPI: 7.0% (y/y) in December). Faster inflation is mostly driven by a recovery in demand following the lifting of restrictions, short-term supply constraints (shortages), base effects in spring, and due to soaring commodity and energy prices. Therefore, FED no longer expects the surge in inflation to be temporary and the tightening of monetary policy began in November 2021 with the tapering of the asset purchase program which could be finished by Q2 2022. The cycle of interest rate hikes is also expected to begin in 2022. The 10-year U.S. government bond market yield fluctuated between 1.36% and 1.70% in the Q4 2021, closing at 1.53% in December.

  The European Central Bank (ECB) kept its policy rates unchanged even in Q4 2021 (the rate on the main refinancing operations: 0.00%, those on marginal lending and on the deposit facility: 0.25% and -0.50%, respectively). While ECB has begun tapering its pandemic emergency purchase programme (PEPP), which is scheduled to continue until the end of March 2022, and can be compensated with temporary increase in its traditional asset purchase program (APP), through which quantitative easing in the euro area will continue in the coming years. Inflation also accelerated above the central bank target (2%) in the euro area in Q3 2021. The rate of inflation fluctuated in a range of 4.1% to 5.0% in Q4 2021, 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. In order to increase the flexibility of monetary policy ECB made the inflation target symmetric, hence it temporarily tolerates inflation rates in excess of 2%. Yields on 10-year German government bonds ranged between -0.08% and -0.38% in the fourth quarter (at the end of December it stood at -0.18%).

[1] There has been a significant turnaround in US - and global - monetary policy in early 2022, with up to five 25bps rate hikes possible by the Fed this year due to significantly inflation risks.

From 2021 the inflation has been steadily accelerating in Hungary: the rate of the headline CPI climbed to 7.4% (y/y) in November and December up from October's 6.5%, hence it fluctuated well above the upper level (4%) of NBH's tolerance band.

In response to a rise in inflation risks and to prevent second-round inflation effects the National Bank of Hungary (NBH) embarked on a tightening cycle in June 2021, raising the base rate from 0.90% to 2.40%, and the rate on the one-week deposit facility to 3.80% by the end of 2021[2]. The HUF 3,000 billion budget of the Funding for Growth Scheme was depleted and thus the programme was terminated, and the central bank's government securities purchase program was also completed

In Q4 2021 the rise of yields in the Hungarian government securities market moderated: the 10-year domestic government bond yield stood at 3.38% in early October and at 4.51% towards the end of December, while below 10 year yields went up by 160 to 200bps.

In Q4 2021 with continuing rate hikes, and in parallel with rising inflation expectations, yields rose at all maturities, while short term yields rose faster, so the yield curve flattened.

- **FX market:** The exchange rate of the forint against major currencies (EUR, USD) was mainly affected by fluctuations in international investor sentiment, increased risk aversion and pressure from sellers of emerging currencies, but the NBH's cycle of raising interest rates provided some protection for the domestic currency. In Q4 2021 Forint against the Euro fluctuated between 353 to 366. Against the US Dollar the Forint weakened from the 300 level by the end of December above 321.
- **Government finances:** By the end of Q4 2021 Hungary's public debt relative to GDP went up to 78.1%. In fact, this indicator increased by 12 percentage points compared to the end of 2019. The accruals-based budget deficit amounted to 3.9% of GDP (HUF 1570 billion) in the first three quarter of 2021. According to the Ministry of Finance's forecast, the annual budget deficit in 2021 is expected to reach 7.5% of GDP, somewhat down from last year's 8.1%.
- **GDP**: In 2021, Hungary's GDP grew by 7.1%, so the domestic economy exceeded the European Union average by 1.9 percentage points (5.2%), i.e. the domestic economy continued to catch up. In Q4 2021, Hungary's economy grew by 7.1% year-on-year, and analysts expected growth of 5.9%. There were a number of growth risks in Q3 2021 that may have had an impact in Q4, both globally and domestically as a result of the epidemic and the opening. Overall at the end of 2021, there were currently supply-side problems in the world, while demand has recovered rapidly since reopening of economies. Serious supply and shipping difficulties (e.g., shortages of containers) occurred globally, leading to shortages in some product categories. In addition to curbing industrial and construction output, these effects were reflected in a significant rise in prices. Supply constraints are limited to raw materials and also appeared in terms of energy sources, causing disruptions in production. The outbreak of another wave of epidemics in autumn-December period and the new coronavirus variant (omicron) also carried negative economic risks, mainly due to the uncertainty, the expected effects of lost workforce and foreign markets. According to Banks' forecast, the economy has already adapted to the epidemic situation and has become resilient.
- **Wages and employment:** Domestic wage growth remained similarly strong between October and December as in previous period. In December 2021, the average gross monthly wage of a full-

[2] A further 50-50 basis point increase followed in January and February 2022, with the base rate standing at 3.4% on 2 March 2022. The one-week deposit rate changed to 5.65% at March 10, 2022.

time employee was HUF 492,8 thousand, 9.7% higher than a year earlier. For the whole year of 2021, the average gross earnings were HUF 438,8 thousand, increased by 8.7% compared to 2020. In the average of the October-December three-month period employment in the 15–74 age group amounted to 4,688,000, while the employment rate was 62.8%, reaching a historic peak since transition in 1990. The figure is 65,000 higher than in the same period of 2020. The employment rate of 15-74 age group was only 63.8%. In 2021, average employment reached 4,635,000, exceeding the previous year's figure by 31 thousand.

The rate of unemployment eased somewhat more moderately, since many from the inactive population returned to the labour market, thus raising the participation rate. In the average of the October-December period, the number of unemployed was 180,000, which translates into an unemployment rate of 3.9%. In 2021, for the whole year, the average number of unemployed was 196,000, and the unemployment rate was 4.1%, which is essentially the same as a year earlier.

- **Inflation:** Inflation continued to soar in Q4 2021, accelerating from 6.5% in October to 7.4% in November and December (y/y). In the whole of 2021, prices increased by 5.1% compared to the previous year, which was driven by demand-supply imbalances following the lifting of restrictions and the steep rise in commodity prices. Rising commodity prices, transportation costs, a strong pick-up in consumer demand and wage growth fuelled by labour shortages continue to pose upward risks to inflation in the rest of the year.

2 Management Report on the 4Q 2021 Results of the MKB Group

2.1 P&L development

Consolidated, IFRS P&L (in MHUF)	Period 4Q 2020	3Q 2021	4Q 2021	P/P	Y/Y	YTD 2020	2021	Y/Y
TOCI (Total Comprensive Income)	**4 360**	**9 014**	**5 406**	**-40,0%**	**24,0%**	**11 610**	**39 974**	**244,3%**
Revaluation on non HFC financial assets (OCI)	*9 225*	*-7 305*	*-33*	-99,5%	-100,4%	*3 187*	*-20 009*	-727,8%
Profit after tax	**-4 865**	**16 319**	**5 439**	**-66,7%**	**-211,8%**	**8 423**	**59 983**	**612,1%**
Adjustments total on PAT	**4 065**	**2 849**	**9 670**	**239,4%**	**137,9%**	**13 539**	**17 695**	**30,7%**
Business corrections	638	1 763	5 218	196,0%	-	4 035	12 575	211,7%
Banking tax	*19*	*0*	*120*	-	-	*3 294*	*3 215*	*-2,4%*
Branch closure reserve	*17*	*0*	*0*	-	*-100,0%*	*154*	*0*	*-100,0%*
Dividend income	*-8*	*-2*	*-4*	*76,1%*	*-53,2%*	*-24*	*-23*	*-5,0%*
MBH related one-offs	*610*	*0*	*0*	-	*-100,0%*	*610*	*0*	*-100,0%*
*Integration costs**	*0*	*1 765*	*5 115*	*189,8%*	-	*0*	*9 721*	-
Non-core one-offs	*0*	*0*	*-13*	-	-	*0*	*-338*	-
Covid-19 effect	3 624	1 086	3 138	188,9%	-13,4%	10 120	3 807	-62,4%
Donation	*5*	*0*	*0*	-	*-100,0%*	*915*	*0*	*-100,0%*
COVID-19 costs	*4*	*0*	*0*	-	*-100,0%*	*735*	*0*	*-100,0%*
COVID-19 related expenditures	*3 615*	*1 086*	*2 087*	*92,1%*	*-42,3%*	*8 469*	*2 756*	*-67,5%*
Covid-19 related interest refund	*0*	*0*	*160*	-	-	*0*	*160*	-
Covid-19 related interest stop	*0*	*0*	*891*	-	-	*0*	*891*	-
FV corrections	*0*	*0*	*1 313*	-	-	*0*	*1 313*	-
Technical corrections	-198	0	0	-	-100,0%	-615	0	-100,0%
IFRS16 effect	*-198*	*0*	*0*	-	*-100,0%*	*-615*	*0*	*-100,0%*
Adjusted TOCI	**8 425**	**11 863**	**15 075**	**27,1%**	**78,9%**	**25 149**	**57 669**	**129,3%**
Adjusted revaluation on non HFC financial assets (OCI)	*9 225*	*-7 305*	*-33*	-99,5%	-100,4%	*3 187*	*-20 009*	-727,8%
Adjusted Profit after tax	**-800**	**19 168**	**15 109**	**-21,2%**	**-**	**21 962**	**77 678**	**253,7%**
Adjusted Profit before tax	**159**	**20 937**	**13 641**	**-34,8%**	**-**	**24 012**	**82 171**	**242,2%**
Gross Operating Income (adjusted)	**13 715**	**31 196**	**33 096**	**6,1%**	**141,3%**	**68 757**	**132 338**	**92,5%**
Net Interest Income (adjusted)	**10 635**	**13 023**	**16 632**	**27,7%**	**56,4%**	**36 116**	**53 795**	**48,9%**
Interest Income (adjusted)	*14 503*	*21 180*	*27 748*	*31,0%*	*91,3%*	*53 341*	*85 892*	*61,0%*
Interest Expense (adjusted)	*-3 869*	*-8 157*	*-11 116*	*36,3%*	*187,3%*	*-17 224*	*-32 097*	*86,3%*
Net Fee Income (adjusted)	**6 394**	**6 272**	**6 913**	**10,2%**	**8,1%**	**23 568**	**24 818**	**5,3%**
Net Other Income (adjusted)	**-3 315**	**11 901**	**9 551**	**-19,7%**	**-**	**9 072**	**53 725**	**492,2%**
FX result (adjusted)	*2 477*	*1 402*	*480*	*-65,8%*	*-80,6%*	*9 740*	*5 905*	*-39,4%*
FV result (adjusted)	*-5 050*	*14 307*	*10 555*	*-26,2%*	-	*9 387*	*59 178*	*530,4%*
Other Income (adjusted)	*-741*	*-3 808*	*-1 484*	*-61,0%*	*100,1%*	*-10 055*	*-11 357*	*12,9%*
General Administrative Expenses (adjusted)	**-13 515**	**-10 850**	**-15 943**	**46,9%**	**18,0%**	**-43 730**	**-48 143**	**10,1%**
Personnel Expenses (adjusted)	*-6 133*	*-5 186*	*-8 540*	*64,7%*	*39,3%*	*-21 499*	*-23 661*	*10,1%*
Operating Expenses (adjusted)	*-5 414*	*-3 261*	*-4 684*	*43,6%*	*-13,5%*	*-15 664*	*-14 797*	*-5,5%*
Amortisation and depreciation (adjusted)	*-1 968*	*-2 403*	*-2 718*	*13,1%*	*38,1%*	*-6 568*	*-9 684*	*47,5%*
Provisions (adjusted)	**-41**	**592**	**-3 511**	**-**	**-**	**-1 015**	**-2 024**	**99,5%**
Provision for losses on loans (adjusted)	*-146*	*683*	*-3 127*	-	-	*-1 447*	*-1 616*	*11,7%*
Other provisions and impairments (adjusted)	*104*	*-91*	*-385*	-	-	*432*	*-408*	*-194,3%*
Corporate income tax (adjusted)	**-959**	**-1 769**	**1 467**	**-182,9%**	**-253,0%**	**-2 050**	**-4 493**	**119,2%**

KPIs based on adjusted PAT (%)	Period 4Q 2020	3Q 2021	4Q 2021	P/P	Y/Y	YTD 2020	2021	Y/Y
ROAE (Return on Average Equity - adjusted)	14,7%	29,0%	48,9%	19,8%-pt	34,2%-pt	23,7%	57,9%	34,1%-pt
ROAA (Return on Average Assets - adjusted)	-0,1%	2,3%	1,9%	-0,4%-pt	2,0%-pt	1,0%	2,5%	1,6%-pt
TRM (Total Revenue Margin - adjusted)	2,1%	4,0%	4,1%	0,1%-pt	2,0%-pt	3,1%	4,3%	1,2%-pt
CIM (Core income margin - adjusted)	3,0%	2,7%	3,0%	0,3%-pt	0,0%-pt	3,1%	2,8%	-0,4%-pt
NIM (Net Interest Margin - adjusted)	1,6%	1,7%	2,1%	0,4%-pt	0,4%-pt	1,6%	1,8%	0,1%-pt
NFM (Net Fee Margin - adjusted)	1,0%	0,8%	0,9%	0,0%-pt	-0,1%-pt	1,1%	0,8%	-0,2%-pt
C/TA (Cost to Total Assets - adjusted)	2,1%	1,7%	2,0%	0,3%-pt	-0,1%-pt	2,0%	1,6%	-0,4%-pt
CIR (Cost Income Ratio - adjusted)	98,5%	41,0%	48,2%	7,2%-pt	-50,4%-pt	63,6%	36,4%	-27,2%-pt
Risk% (Risk cost rate - adjusted)	0,1%	-0,2%	1,0%	1,2%-pt	0,9%-pt	0,1%	0,1%	0,0%-pt

* Please note that Q3 was restated by the integration cost which affected adjusted PAT through General Administrative Expenses (HUF 1,517 million in Q1 and HUF 1,605 million in Q2)

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 77.7 billion annual adjusted profit of which HUF 14.7 billion was generated in 4Q 2021 as a result of improved business performance, stable portfolio quality, strict cost management and strong revaluation income. 2021 FY adjusted total comprehensive income was HUF +57.7 billion (+32.6 billion y/y), the revaluation effect through the other comprehensive income partly offset the increase of cumulated profit.

Cumulated, adjusted **ROAE** for 2021 was 33.2% (+22.2%-pts y/y) propelled by outstanding profit.

2021 FY core income was supported by increasing **net interest income** (HUF +17.7 billion; +48.9% y/y) induced by portfolio growth and upturning interest rates, as well as the rising **net fee income** (+10.2% p/p; +5.3% y/y) attributable to the intensifying business activity. The total revenue margin (TRM) increased 1.2%-pts on yearly basis to 4.3% for 4Q.

HUF 1.6 billion cumulated charge of **adjusted credit risk cost** in 2021, resulting in 0.14% adjusted risk cost rate (charge).

Wage inflation, unfavourable macroeconomic events, business development due to accelerated digitalization and regulatory projects drove the nominal cost levels upwards in 2021, but in the meantime operating expenses attributable to the daily banking operation remained mostly stable. **Costs/total assets** ratio (C/TA) decreased to 1.58% (-0.39%-pt y/y) in 2021 due to balance sheet growth. **Cost to income ratio** (CIR) was 36.4% in 2021 (-27.2%-pts y/y).

2.1.1 Adjusted profit after taxation

With HUF 14.7 billion (4Q) quarterly profit, MKB Group's adjusted, cumulated **consolidated profit** was HUF 77.7 billion in 2021 (HUF +55.7 billion y/y). Impressive cumulated 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 +9.7 billion in 4Q, adjustments were moratorium and integration costs related. Cumulated adjustments were HUF +17.7 billion in 2021.

HUF 24.0 billion quarterly **core income** – increased by +23.2% y/y (+16.1% p/p) – was primarily supported by improving net interest income on expanding portfolio. Annual core income was HUF 84.5 billion (+21.7% y/y). Quarterly **core income margin** (CIM) increased to 3.0% (+30 bps p/p) as the growth of net fee and interest income exceeded the expansion of the total assets.

2.1.2 Total comprehensive income

MKB Group reached HUF +40.0 billion **unadjusted total comprehensive income** in the year of 2021 (HUF +28.4 billion y/y).

The HUF 14.62 billion adjusted quarterly total comprehensive income was driven by HUF 14.65 billion PAT. **2021 FY adjusted TOCI** was HUF 57.7 billion (HUF +32.6 billion y/y) mainly due to significantly increasing income.

2.1.3 Net interest income

MKB Group's cumulated **net interest income** was HUF 53.8 billion in 2021 (HUF +17.7 billion; +48.9% y/y). Customer loan portfolio growth together with upturn in interest rates resulted in higher, HUF 16.6 billion net interest income compared to previous quarter (+27.7% p/p).

Interest income in 2021 was HUF 85.9 billion (HUF +32.6 billion; +61.0% y/y). The main drivers of the interest income were the expanding interbank assets (all-in-all +136.5% y/y, including NBH deposit) as well as the income from developing customer loans (+8.9% y/y). Due to the upturn in market yields, interest income growth outperformed the increase of average volumes (gross loan increase +12.6% y/y)

HUF 32.1 billion cumulated **interest expense** increased by HUF +14.9 billion on yearly basis (+86.3% y/y) together with the increasing customer deposit volumes as well as higher interbank liabilities portfolio.

The **net interest margin** (NIM) increased to 2.1% in 4Q because net interest income grew higher measure than average total assets. Cumulated 4Q NIM ratio in 2021 was 1.8%, marginally, 14 bps higher than the last year's same period value.

2.1.4 Net fee and commission revenues

Net fee income of HUF 6.9 billion increased by HUF 0.6 billion in Q4 (+10.2% p/p), mainly due to fees collected on the increased volume of customer transactions and commission revenues related to ÁKK securities auctions.

2.1.5 FX results

Results from **foreign exchange activities** were HUF 0.5 billion (HUF -0.9 billion p/p; HUF -2.0 billion y/y).

The turnover of customer FX conversions decreased both quarter-on-quarter and year-on-year comparison. While the result on individual price and fixing spot FX conversions remained at the level of the previous quarter, the FX results on forward FX transactions was significantly lower. 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 to the NBH's base rate, the one-week NBH deposit's interest rate became the key interest rate, which was increased by 235 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 +236 bps, +186 bps and +120 bps p/p), while the ÁKK benchmarks (government bond yield curves) for the same maturities also increased by +196 bps, +170 bps and +128 bps. The tightening of asset swap spreads (stated in early 2020) has stopped, but has remained fluctuating at low levels during the quarter.

As a result of yield curves shifting upwards, the revaluation result was HUF +10.55 billion (HUF -3.8 billion p/p; HUF +15.6 billion y/y) in 4Q, while negative OCI effect from revaluation of fixed income government securities portfolio was HUF -0.03 billion. **Net revaluation result** (FVTPL+FVTOCI) was HUF +10.52 billion in 4Q.

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. Increase at other results on yearly basis (+12.9%

y/y) mainly due to higher transaction levy, resulted by stronger turnover. Cumulated 2021 FY **other result** was HUF -11.4 billion.

2.1.8 General administrative expenses

MKB Group's **general administrative expenses** were HUF 15.9 billion in Q4 2021, and HUF 48.1 billion in 2021 YTD. Expenditure in Q4 was in line with the uneven distribution of 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 did not increase: compared to 2020, while expenses increased by of 10.1% (+HUF 4.4 billion), C/TA slightly decreased to 1.58% (-39 bps y/y).

Personnel expenses amounted to HUF 23.7 billion in 2021 (Q4: HUF 8.5 billion). The 10.1% annual increase is mainly driven by overlapping effect of the increase in headcount adjusted for business expansion, but wage inflation is also a strong contributing factor. The number of employees of the MKB Group at the end of 2021 was 2,055.96 FTE (+31.4 FTE; +1.5% y/y).

Operating expenses were HUF 14.8 billion in FY 2021. It grew by HUF 0.9 billion mainly due to inflation and HUF devaluation effects.

The amount of **depreciation** in 4Q 2021 was HUF 2.7 billion (+13.1% p/p), as accelerated investment needs of digitalization and regulatory environmental changes

2021 FY adjusted (cumulated) **Cost-to-Assets ratio** was 1.58% (-39 bps y/y) as rapid total assets growth offset the elevation of costs. Impressive cumulated **cost-to-income ratio** (CIR): 36.4% (-27.2%-pts y/y) was a result of strong income.

2.1.9 Risk costs

The MKB Group's annual **adjusted credit risk cost** was HUF -1.6 billion (charge) in 2021, of which HUF -3.1 billion credit risk cost (adjusted value) was generated in 4Q in accordance with NBH guidelines.

The **volume of the NPL portfolio** was HUF 35.5 billion at the end of 2021. It increased by HUF 5.3 billion (17.4%) compared to 2020. The improving trend until Q3 2021 was supported not only by the excellent portfolio quality but also by the positive impact of Moratorium on the whole banking system. However, after the expiry of Moratorium2, stage reclassifications in accordance with EBA regulations and prudent case-by-case monitoring resulted in an increase of HUF 9.2 billion (q/q) in the volume of the NPL portfolio. The **IFRS-based NPL ratio** increased to 2.81% (+20 bps y/y), while **direct NPL coverage** decreased from 71.0% to 61.6%, since relative coverage requirement of the assets under moratorium was below that of the pre-moratorium NPL coverage.

2.1.10 Corporate income tax

In 2021 HUF 3.5 billion accounting **corporate income tax** expense was recorded, as a result of HUF 2.6 billion current corporate income tax expense and HUF 0.9 billion deferred tax expense.

The adjustments made in the flash report had a tax effect of HUF 1.0 billion therefore the **adjusted corporate income tax** was HUF 4.5 billion (expense).

2.2 Balance sheet

MKB Group						
Adjusted balance sheet (in MHUF)	**4Q 2019**	**4Q 2020**	**3Q 2021**	**4Q 2021**	**P/P**	**Y/Y**
Financial assets	**117 780**	**377 741**	**391 313**	**893 391**	128,3%	136,5%
Trading portfolios	**20 734**	**33 980**	**64 395**	**107 376**	**66,7%**	**216,0%**
Securities	**594 677**	**1 163 309**	**1 392 583**	**1 000 734**	**-28,1%**	**-14,0%**
Loans and advances to customers/Customer Loans (net)	**930 314**	**1 113 962**	**1 204 973**	**1 215 347**	**0,9%**	**9,1%**
Loans and advances to customers/Customer Loans (gross)	976 681	1 159 921	1 247 951	1 263 647	1,3%	8,9%
Retail	*239 236*	*255 554*	*276 039*	*270 393*	*-2,0%*	*5,8%*
Corporate	*569 018*	*713 855*	*772 761*	*792 023*	*2,5%*	*11,0%*
Leasing	*168 427*	*190 512*	*199 152*	*201 231*	*1,0%*	*5,6%*
Provision for Customer loans	-46 368	-45 959	-42 978	-48 301	12,4%	5,1%
Retail	*-9 697*	*-10 866*	*-9 154*	*-13 656*	*49,2%*	*25,7%*
Corporate	*-30 730*	*-28 550*	*-27 854*	*-28 188*	*1,2%*	*-1,3%*
Leasing	*-5 941*	*-6 543*	*-5 970*	*-6 456*	*8,1%*	*-1,3%*
Total Other assets	**96 293**	**92 614**	**88 839**	**97 311**	**9,5%**	**5,1%**
Investments in jointly controlled entities and associates	*7 312*	*7 295*	*5 563*	*8 586*	*54,3%*	*17,7%*
Intangibles, property and equipment	*58 907*	*58 194*	*56 638*	*59 790*	*5,6%*	*2,7%*
Other assets	*30 073*	*27 125*	*26 637*	*28 935*	*8,6%*	*6,7%*
Total Assets	**1 759 796**	**2 781 607**	**3 142 103**	**3 314 159**	5,5%	19,1%
Interbank liabilities	**195 810**	**575 097**	**746 231**	**711 396**	**-4,7%**	**23,7%**
Deposits & C/A	**1 226 529**	**1 862 261**	**2 031 108**	**2 216 145**	**9,1%**	**19,0%**
Retail	*334 660*	*401 888*	*418 160*	*444 548*	*6,3%*	*10,6%*
Corporate	*891 869*	*1 460 373*	*1 612 948*	*1 771 596*	*9,8%*	*21,3%*
Issued debt securities	**0**	**0**	**0**	**0**	**-**	**-**
Other liabilities	**99 614**	**89 746**	**76 870**	**91 795**	**19,4%**	**2,3%**
Subordinated debt	**39 381**	**44 724**	**43 547**	**45 070**	**3,5%**	**0,8%**
Shareholders' Equity	**198 462**	**209 779**	**244 348**	**249 753**	**2,2%**	**19,1%**
Total Liabilities & Equity	**1 759 796**	**2 781 607**	**3 142 103**	**3 314 159**	5,5%	19,1%
Guarantees	98 357	120 072	115 644	129 122	11,7%	7,5%
Undrawn commitments to extend credit	235 494	276 333	382 231	381 316	-0,2%	38,0%
Obligations from letters of credit and other short term trade related items	14 570	17 178	1 698	17 983	-	4,7%
Other contingent liablities (including litigation)	9 232	11 676	12 174	11 042	-9,3%	-5,4%
Customer off Balance items	**357 653**	**425 259**	**511 747**	**539 463**	5,4%	26,9%

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.

Driven by the increasing customer deposit portfolio, the **total assets** increased to HUF 3,314.2 billion by the end of 2021 (HUF +172.1 billion; +5.5% p/p), while the annual increase was HUF +532.6 billion; +19.1% y/y. Deposits grew by HUF +185.0 billion p/p (HUF +353.9 billion y/y) to HUF 2,216.1 billion. On an annual base, balance sheet expansion was also supported by the increase in interbank liabilities, related to the NBH's refinancing programs.

The 8.9% y/y (+1.3% p/p) increase in **gross customer loans** signals the acquisition capability of MKB; closing volume was HUF 1,263.6 billion at the end of the year.

Loan-to-deposit ratio was 57.0%. The 442 bps p/p decrease of the ratio shows strong liquidity position of the MKB Group, and the increased participation in the bond finance (NKP)

MKB Group's capital **grew to HUF 249.8 billion** (+2.2% p/p; +19.1% y/y). **Outstanding capital adequacy at the end of 2021 is 22.0%**. The Bank's capital adequacy last reached this level in 2019 within the limits set by EU commitments.

2.2.1 Loans

The growth of gross customer loan stagnated in the quarter (+1.3%; net: +0.9% p/p); comparing to the same period of the previous year, HUF 103.7 billion (+8.9% y/y) gross customer loan volume increase was recorded.

Besides to the increase in corporate loans (+2.5% p/p; +11.0% y/y), the volume of the retail loan portfolio (-2.0% p/p; +5.8% y/y) decreased during the quarter.

Increase of **corporate loan volume in Q4** was driven by outstanding demand for investment loans, working capital loans, also syndicated and project financing loans. The quarterly decline in **retail loan stock** mainly due to moderate disbursement of secured loans.

Impairment losses on loans increased by 12.4% (HUF +5.3 billion) p/p, and by 5.1% (HUF +2.3 billion) y/y.

2.2.2 Securities

The securities portfolio decreased significantly (HUF -391.8 billion, -28.1%; p/p) during Q4 to HUF 1,000.7 billion (HUF -162.6 billion y/y) at the end of 2021. At the end of the year, due to the change in the liquidity structure of Hungarian Bankholding, the stock of securities decreased temporarily, while the stock of financial assets increased.

In 2021, MKB was one of the key investment service providers of the Bond Funding for Growth Scheme (NKP): it participated in eight successful bond issues as distributor and co-distributor, the total value of which reached HUF 476.2 billion.

2.2.3 Financial assets

Financial assets increased significantly p/p (HUF +502.1 billion) and amounted to HUF 893.4 billion at the end of 2021. The p/p change and the HUF +515.6 billion y/y increase was mainly driven by the change in the liquidity structure of Hungarian Bankholding.

2.2.4 Deposits and C/A

Customer deposit stock reached HUF 2,216.1 billion at the end of the year. Quarterly growth (+9.1% p/p) was supported mainly by **corporate deposits** (+9.8% p/p), but **retail deposits** (+6.3% p/p) also increased.

Every business segment contributed to the yearly deposit stock increase of HUF 353.9 billion (+19.0% y/y): corporate +21.3% y/y; retail +10.6% 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 711.4 billion (HUF -34.8 billion p/p; HUF +136.3 y/y) at the end of 2021. The quarterly decrease was mostly driven by the decrease of short term borrowings parallel with increasing deposit stock. The y/y growth was fuelled by the economic stimulus programs and the NBH liquidity boosting facilities, however many of these programs were phased out, or modified significantly, therefore the the stock of refinancing liabilities is expected to diminish.

2.2.6 Capital

MKB Group reported **HUF 249.8 billion capital** at the end of the period. Capital accumulation continued both in p/p and y/y comparison: 2.2% increase on p/p and 19.1% increase on y/y basis, which significantly increases shock absorbing capabilities of the Bank.

Year-to-date increase of HUF 40.0 billion is due to the HUF 60.0 billion after-tax profit of the reporting period, which was partially offset by the revaluation result of HUF -20.0 billion.

2.2.7 Off-balance sheet exposures to customers

MKB Group's **off-balance sheet exposure** was HUF 539.5 billion at the end of 2021, which is a 5.4% (HUF +27.2 billion p/p) growth on quarterly basis (+26.9%; HUF +114.2 billion y/y). The increase was mainly attributable to the higher volume of undrawn loan commitments (+38.0% y/y).

2.3 Capital adequacy

The capital adequacy of the MKB Group remains strong, with a **capital adequacy ratio (CAR) of 22.0%** at the end of 2021, steadily exceeding the regulatory minimum requirement, with elevated RWA volume and decreasing regulatory capital level. The exceptionally high capital adequacy is also a significant result in view of the fact that the ratio last reached this level in 2019 within the framework set by the EU commitments.

The increase in regulatory capital (+ HUF 40.5 billion y/y) was mainly driven by profit after tax and the OCI adjustment (HUF 7.1 million). At the same time, the change in valuation reserve and intangible assets reduced the solvency capital by HUF 23.1 billion y/y.

RWA increased by 11.3% from HUF 1,004.6 billion in 2020 to HUF 1,118.6 billion indicating MKB Group's potent customer acquisition capacity.

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, consulting-based sales and innovative solutions.

In order to further develop the customer lifecycle-based approach, the Bank devoted significant resources also in 2021 to further optimizing product development processes and models, including the allocation of extra resources to strengthen digitalization solutions in response to the challenge of the protracted pandemic situation.

Demand for loans by businesses did not decline even during the pandemic. In 2021, 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 surety programs included in economic stimulus packages, which have been very popular since their introduction. Special emphasis placed on the Funding Growth Scheme, another key element of corporate financing, in which the Bank was an active player in 2021.

Small and medium-sized enterprise (SME) customers are still considered as a key segment in 2021, where increasing product penetration is a priority task. Customers in the agricultural sector, regardless of their size, will receive additional special attention.

Eximbank's "Future Exporters Program" has been extended and the "Exim Green Financing Loan Program" has been announced, so the product range has been further expanded in terms of refinanced funds.

The Bank provided information and processes concerning the loan repayment moratorium to its customers on a regular basis, facilitating a temporary solution to any potential liquidity problem. After October 2021, customers could only maintain their participation in the moratorium after their express request, which significantly reduced the scope of those affected and in need.

The MKB Group's corporate loans amounted to HUF 792.0 billion at the end of the quarter, an increase of + 11.0% (+ HUF 78.2 billion) compared to the same period of the previous year (+ 2.5% p / p).

Non-financial companies' loans amounted HUF 601.3 billion, an increase of 4.7% on the previous quarter (+ HUF 26.7 billion) and + 26.0% on an annual basis (+HUF 124.0 billion). The y/y change was driven mainly by the outstanding demand for own working capital and investment financing loans, as well as by the increased disbursements of EXIM loans and loan products under "NHP" and "Széchenyi" schemes. Loans to non-financial corporations amounted to HUF 41.5 billion in the fourth quarter, resulting in a market share of 3.9%.

MKB Bank remained an active participant in the continually renewed Széchenyi Program. In the past year, the Bank achieved a market share of 5.3% in the Széchenyi Program in terms of contracted value.

The gross loan portfolio of large non-financial corporations increased by HUF 14.7 billion to HUF 219.8 billion (+ 7.2% p/p). Due to the growing demand for Széchenyi restart loans, overdraft and investment loans the SME loan portfolio increased by HUF 12.5 billion to HUF 346.7 billion (+ 3.7% p/p). The loan portfolio of micro-enterprises was HUF 34.8 billion (HUF -0.5 billion p / p; + 11.6% y/y) at the end of the period.

Another key element of corporate financing is the NBH's Funding Growth Scheme, under which the purchased corporate bond portfolio increased by 151.2% in 2021.

Relying on its customer base, MKB Group achieved a significant increase in the deposit portfolio year-on-year 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 21.2% y/y to HUF 1,143.6 billion (+ HUF 199.9 billion y/y). Compared to the previous quarter, the portfolio grew by an outstanding amount of HUF 265.2 billion, while the market share increased by 77 bps to 7.88%.

MKB Bank have been awarded the "NHP Hajrá!" award of excellence in 2021 on behalf of the Bankholding. The Bank achieved an outstanding market share of 8.3% in the National Bank's "NHP Hajrá! Scheme".

The number of corporate customers was 34.5 thousand at the end of 2021, a decrease of 2.3% compared to the end of the previous quarter. The decrease is the result of MKB's technical portfolio data cleaning activities, which mainly affected the micro-enterprise segment.

2.4.2 Retail business

The basis of MKB Bank Retail's business strategy is the continuous improvement of customer service quality, in which providing the most efficient and convenient customer service is the main focus. Due to the circumstances generated by the pandemic, MKB Digital Platform and other online available products are the flagships of MKB Bank's digital strategy.

At the end of 2021, retail loan closing volume was HUF 274.1 billion, representing HUF 4.0 billion p/p and HUF 23.2 billion y/y increase. The improvement was mainly due to the strong secured loans disbursement in 2Q and 3Q and the long-term „Babaváró" loans. Retail loan disbursements in 4Q reached HUF 16.4 billion which is a 26.8% increase compared to 4Q 2020 (HUF -3.2 billion p/p; HUF +3.5 billion y/y). Quarterly unsecured and other loan disbursements' volume decreased compared to 3Q 2021, while secured loan disbursement increased by HUF 1.1 billion p/p. Thanks to the outstanding lending activity in 2021, market share in retail loan disbursement increased by 29 bps.

In addition to the opportunities provided by the real estate market in mortgage lending, the introduction of new subsidized loan programs in the Family Protection Action Plan, the home renovation loan, also increased the demand for retail bank loans. On October 4, 2021, MKB "NHP Zöld Otthon Lakáshitel" was added to the Bank's mortgage loan product range.

Secured loan's closing volumes grew (HUF +2.1 billion p/p) to HUF 202.6 billion, while market share slightly decreased in 4Q 2021 (-5 bps p/p and -29 bps y/y). The disbursement of secured loans declined slightly in 4Q (HUF -1.7 billion p / p) due to a decrease in the disbursement of equity mortgage loans. The market share of secured loans disbursed was 3.32% in Q4 2021 (+41 bps y/y).

The activity of intermediary partners is getting stronger, 47% of secured retail loan disbursements were achieved through sales partners.

Unsecured loan volumes increased by HUF +2.7 billion compared to the end of 3Q 2021 and reached HUF 58.4 billion (HUF +15.2 billion y/y). Market share rose by 4 bps to 1.72% (p/p) while on yearly basis it was +16 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 3Q 2021 (HUF 4.7 billion). The market share of personal loans reached 1.96%.

Deposit closing volume was HUF 423.3 billion, increased by HUF 24.9 billion compared to the end of 3Q 2021 while the annual growth was 18.8% (HUF +66.9 billion y/y) despite COVID-19.

The total retail client count increased by 2,500 customers compared to 3Q 2021 (375.1 thousand customers at the end of 2021), and also compared to 2020 by 1.85%.

The number of premium customers reached 10,080 (+6.0% p/p; 31.4% y/y) and their assets under management (+7.4% y/y) increased in 4Q 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.

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.

As another digital development, MKB Bank completed the installment of tablets - conveniently accessible for customers - in its branch network, in order to replace paper-based product catalogs, terms of services, regulatory and branch announcements. Preparations of the project began in the third quarter of 2021, and branch installations were completed by the end of the fourth quarter.

Thanks to the ATM replacements launched by MKB Bank in 2020, the entire ATM fleet was renewed by the beginning of 2021. As a result of another development in the third quarter, it made the deposit function available for all ATMs.

2.4.3 Leasing business[3]

As a significant step in the merger processes of Hungarian Bankholding, from January 1, 2022, MKB-Euroleasing, Budapest Leasing, Takarék Leasing and Budapest Bank's Car Finance business operate in an integrated manner under the name Euroleasing. The conclusion of new transactions is mainly carried out in the unified system of Euroleasing, while the financing agreements concluded earlier are still managed by the companies belonging to Hungarian Bankholding.

Regarding new placements, according to the data of the Hungarian Leasing Association, MKB Group remains one of the three largest players in the Hungarian leasing market in 2021.

The vehicle-financing business segment closed an outstandingly successful year. From Q3 international trends – chip shortages, slowdowns in supply chains – having a strong negative impact on the Hungarian car financing market became apparent which have broken the steady increase of the stock. Supply constraints led to price increases, which lead to a decline in demand. To compensate it, a subsidized product with favorable interest rate was introduced. The Széchenyi Leasing GO! product was successfully launched, which also drove a significant portion of cash buyers to the financing market.

The inventory financing portfolio- which increased significantly in 2020- stagnated in the first quarter of the year, partly due to shipping difficulties caused by the global trend of chip shortage, but increased

[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.

slightly again in the second quarter, mainly due to significant increases in car prices. In the third quarter, the increase in sales prices could no longer compensate for the decline in the number of cars in stock, so the financed amount also decreased. Inventory financing exposures remain adequately diversified in terms of both manufacturers (brands) and trading partners. The aging and turnover rate of the financed stock is favorable.

The agricultural machinery and agricultural vehicle financing market stagnated in 2021, as market share in the segment, which exceeds 15%.

The equipment and heavy-duty utility vehicle-financing sub-segment has been hit hardest by the pandemic in the recent past. However, in the first quarter of the year positive market developments started also in these sub-segments, and the realization of previously delayed investments also contributed to the outstanding annual growth of the segment.

The expansion of the SME customer base is still an important strategic goal, mainly supported by MKB Group strong participation in the distribution of the available “NHP Go!” resources as well as in the management of other state subsidized programs. With the exhaustion of “NHP Go!” funding, self-financed and other subsidized products (eg. EXIM) became more popular. From September, MKB Group - as one of the first players in the market - also offers the “Széchenyi Leasing GO!” product, as part of the “Széchenyi Card Relaunch Program”, which is available for micro, small and medium-sized enterprises. The product had a significant positive impact on the total financing market volume.

The payment moratorium - imposed on March 18, 2020 and extended several times - affected the development and characteristics of the portfolio. However, at the current phase of the moratorium, only less than 1% of the portfolio is affected. In accordance with the uniform risk principles of the MKB Group, the Bank pay significant attention to the management of the portfolio exiting the moratorium and to the reduction of potential losses.

MKB Group's leasing portfolio was HUF 201.2 billion at the end of 2021. The portfolio increased significantly, by 5.6%, HUF +10.7 billion during the year. The vehicle financing sector's leasing volume was HUF 129.8 billion (+13.1%, HUF +15.0 billion y/y), while the volume of equipment financing was HUF 53.1 billion (+4.9% y/y) at the end of 2021. The stock financing portfolio decrease was HUF 6.5 billion, while other receivables declined slightly by HUF 0.2 billion (y/y).

While the overall portfolio increasing, the non-performing portfolio is continuous to shrink, with over 90 days day past due portfolios accounting for only 1.6% of the total portfolio and provision coverage exceeding 80%. The overwhelming majority of the continuously decreasing non-performing portfolio is still from placements in 2007 and 2008.

2.4.4 Investments and Treasury

The **treasury sales and trading income** amounted to HUF 16.8 billion in 2021 (HUF +2.7 billion y/y), while the quarterly income was HUF 3.1 billion (-2.2 billion p/p).

The quarterly decrease in the total treasury and trading income was driven by FVTPL revaluation impact on the profitability of the proprietary trading portfolio as a result of changes in the yield environment.

Customer-related treasury incomes decreased in 4Q. The volume of customer-related securities trading and the resulting fee and custody incomes decreased p/p.

Transaction volume in foreign equities declined and the growth rate of retail government securities stock also lagged behind the previous quarter, so related brokerage fees and government bond agency commissions also declined. The decreasing volume of customer-related foreign currency transactions contributed to the p/p decrease in FX results.

Declaration

MKB Bank Nyrt. (hereinafter Bank) issues the following declaration in relation to its report on the 4Q 2021 results (Flash Report):

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

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

Budapest, 24 March 2022

MKB Bank Nyrt.

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

3 FINANCIAL FIGURES

3.1 Correction factors 2021

	2021 yearly 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	86 060	0	0	-144	-24	0	85 892
Interest expense	-32 097	0	0	0	0	0	-32 097
Net interest income	**53 963**	**0**	**0**		**-24**	**0**	**53 795**
Net income from commissions and fees	24 818	0	0	0	0	0	24 818
Other operating income / (expense), net	44 215	4 608	2 005	1 386	0	1 513	53 725
Impairments and provisions for losses	-4 080	-248	0	-211	0	2 515	-2 024
Operating expenses	-59 577	-246	1 397	10 283	0	0	-48 143
Share of jointly controlled and associated companies' profit / (loss)	4 113	-4 113	0	0	0	0	0
Profit / (Loss) before taxation	**63 452**	**0**	**3 401**	**11 458**	**-24**	**4 027**	**82 171**
Income tax expense / (income)	-3 469	0	-186	-619	1	-220	-4 493
Profit/ (Loss) for the year from continuing operation	**59 983**	**0**	**3 215**	**10 839**	**-23**	**3 807**	**77 678**
PROFIT/ (LOSS) FOR THE YEAR	**59 983**	**0**	**3 215**	**10 839**	**-23**	**3 807**	**77 678**
Other comprehensive income:		0	0	0	0	0	0
Revaluation on financial assets measured at FVTOCI	-20 009	0	0	0	0	0	-20 009
Other comprehensive income for the year net of tax	**-20 009**	**0**	**0**	**0**	**0**	**0**	**-20 009**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**39 974**	**0**	**3 215**	**10 839**	**-23**	**3 807**	**57 669**

	2021 Yearly Report	Structure corrections		Adjusted BS structure
		Liabilities	Assets	
		Repo reallocation	Trading securities reclassification	
Total Assets	**3 314 159**		**0**	**3 314 159**
Financial assets	893 392		0	893 392
Loans and advances to banks (net)	61 818			61 818
Cash and cash equivalents	831 574			831 574
Trading portfolios	104 359		3 017	107 376
Trading securities	0		3 017	3 017
Derivative financial assets	104 359			104 359
Securities	1 003 751		-3 017	1 000 734
Loans and advances to customers/Customer Loans (net)	1 215 347			1 215 347
Total Other assets	97 310		0	97 310
Total liabilities and equity	**3 314 159**	**0**	**0**	**3 314 159**
Interbank liabilities (Amounts due to other banks)	709 174	2 223		711 397
Deposits and current accounts	2 218 367	-2 223		2 216 144
Other Liabilities	91 795		0	91 795
Subordinated debt	45 070			45 070
Shareholders' Equity	249 753	0	0	249 753
Subscribed capital	100 000			100 000
Reserves	149 753			149 753
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

	2020	2021
Interest income	54 308	86 060
Interest expense	24 668	32 097
Net interest income	**29 640**	**53 963**
Net income from commissions and fees	23 568	24 818
Other operating income / (expense), net	6 071	44 215
Impairments and provisions for losses	7 968	4 080
Operating expenses	45 042	59 577
Share of jointly controlled and associated companies' profit / (loss)	2 949	4 113
Profit / (Loss) before taxation	**9 218**	**63 452**
Income tax expense / (income)	795	3 469
Profit/ (Loss) for the year from continuing operation	**8 423**	**59 983**
Profit/ (Loss) for the year from discontinued operation	-	-
PROFIT/ (LOSS) FOR THE YEAR	**8 423**	**59 983**
Other comprehensive income:	-	-
Items that may be reclassified subsequently to profit or loss:	-	-
Revaluation on financial assets measured at FVTOCI	3 187	(20 009)
Other comprehensive income for the year net of tax	**3 187**	**(20 009)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**11 610**	**39 974**

3.2.2 Balance sheet

	2020	2021
Assets		
Cash reserves	294 183	831 574
Loans and advances to banks	83 558	61 818
Derivative financial assets	23 262	104 359
Securities	1 174 027	1 003 751
Loans and advances to customers	1 113 962	1 215 347
Non-current assets held for sale and discontinued operations	1 533	35
Other assets	17 146	20 784
Current income tax assets	1 468	2
Deferred tax assets	6 979	8 113
Investments in jointly controlled entities and associates	7 295	8 586
Intangibles, property and equipment	58 194	59 790
Total assets	**2 781 607**	**3 314 159**
Liabilities		
Amounts due to other banks	575 097	709 174
Deposits and current accounts	1 862 261	2 218 367
Derivate financial liabilities	35 406	41 528
Other liabilities and provisions	54 249	48 276
Current income tax liabilities	3	1 867
Deferred tax liabilities	88	124
Subordinated debt	44 724	45 070
Total liabilities	**2 571 828**	**3 064 406**
Equity		
Share capital	100 000	100 000
Reserves	109 779	149 753
Total equity	**209 779**	**249 753**
Total liabilities and equity	**2 781 607**	**3 314 159**

3.2.3 Shareholders' assets

	Share capital	Treasury shares	Share premium	Share-based payments	Retained earnings	Revaluation on financial assets measured at FVTOCI	Non-controlling interests	Total equity
On 1 January 2020	**100 000**	**(35)**	**21 729**	**-**	**83 480**	**(6 747)**	**35**	**198 462**
Profit/ (loss) for the year	-	-	-	-	8 423	-	-	**8 423**
Other comprehensive income for the year	-	-	-	-	-	3 187	-	**3 187**
First / (final) consolidation of subsidiaries	-	-	-	-	(489)	-	-	**(489)**
Disposal of treasury shares	-	35	-	-	196	-	(35)	**196**
At 31 December 2020	**100 000**	**-**	**21 729**	**-**	**91 610**	**(3 560)**	**-**	**209 779**
Profit/ (loss) for the year	-	-	-	-	59 983	-	-	**59 983**
Other comprehensive income for the year	-	-	-	-	-	(20 009)	-	**(20 009)**
At 31 December 2021	**100 000**	**-**	**21 729**	**-**	**151 593**	**(23 569)**	**-**	**249 753**

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

3.3.1 Income statement

	2020	2021
Interest income	50 895	82 330
Interest expense	24 988	32 472
Net interest income	**25 907**	**49 858**
Net income from commissions and fees	23 731	25 051
Other operating income / (expense), net	6 121	43 768
Impairments and provisions for losses	7 204	3 753
Operating expenses	41 602	55 541
Share of jointly controlled and associated companies' profit / (loss)	-	-
Profit / (Loss) before taxation	**6 953**	**59 383**
Income tax expense / (income)	721	3 467
Profit/ (Loss) for the year from continuing operation	**6 232**	**55 916**
Profit/ (Loss) for the year from discontinued operation	-	-
PROFIT/ (LOSS) FOR THE YEAR	**6 232**	**55 916**
Other comprehensive income:	-	-
Items that may be reclassified subsequently to profit or loss:	-	-
Revaluation on financial assets measured at FVTOCI	3 187	(20 009)
Other comprehensive income for the year net of tax	**3 187**	**(20 009)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**9 419**	**35 907**

Company name: MKB Bank Nyrt.
Address: 1056 Budapest, Váci u. 38.
Sector: Other monetary activity
Reporting period: 01.10.2021-31.12.2021
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

	2020	2021
Assets		
Cash reserves	294 183	831 574
Loans and advances to banks	83 558	61 814
Derivative financial assets	23 262	104 402
Securities	1 174 027	1 003 751
Loans and advances to customers	1 106 242	1 201 209
Non-current assets held for sale and discontinued operations	504	35
Other assets	15 149	18 810
Current income tax assets	1 418	0
Deferred tax assets	6 707	7 756
Investments in jointly controlled entities and associates	48 373	49 563
Intangibles, property and equipment	39 213	41 408
Total assets	**2 792 636**	**3 320 322**
Liabilities		
Amounts due to other banks	574 825	705 565
Deposits and current accounts	1 877 454	2 233 694
Derivate financial liabilities	35 406	41 528
Other liabilities and provisions	54 910	50 328
Current income tax liabilities	0	1 862
Deferred tax liabilities	0	0
Issued debt securities	2 343	3 394
Subordinated debt	44 724	45 070
Total liabilities	**2 589 662**	**3 081 441**
Equity		
Share capital	100 000	100 000
Reserves	102 974	138 881
Total equity	**202 974**	**238 881**
Total liabilities and equity	**2 792 636**	**3 320 322**

3.3.3 Shareholders' assets

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

3.4 Other information

Consolidated companies

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

List and presentation of owners with more than 5% participation

Name	Number of shares	Ownership share (%)	Voting rights (%)
Hungarian Bankholding Ltd.	97 185 008	97,19%	97,19%

Full-time employees

FTE, end of period	30.09.2020	31.12.2020	30.06.2021	30.09.2021	31.12.2021
MKB Bank Nyrt.	1 608,10	1 612,48	1 609,60	1 604,18	1 640,10
MKB Digital Zrt.	185,08	198,95	221,20	216,60	189,75
MKB Üzemeltetési Kft	44,61	45,61	48,11	47,11	46,51
MKB Euroleasing Autólízing Zrt.	164,55	165,40	171,40	178,30	177,45
Retail Prod Zrt.	0,18	0,18	0,18	0,15	0,15
MKB Nypénzt. és Eü.Pénzt.Kiszolgáló Kft.	0,00	0,00	0,00	0,00	0,00
Extercom Kft.	0,00	0,00	0,00	0,00	0,00
MKB Bank MRP Szervezet	2,00	2,00	2,00	2,00	2,00
MKB Group	**2 004,51**	**2 024,61**	**2 052,49**	**2 048,34**	**2 055,96**

Managers and strategic employees

Type[1]	Name	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	Mihály Valkó	member	22.05.2020	21.05.2025	0
IT	Dr. Gabriella Gombai	member	11.06.2020	10.06.2025	0
IT	Balázs Benczédi[2]	member	12.06.2020	31.12.2021	0
IT	Marcell Tamás Takács	member	30.07.2020	29.07.2025	0
IT, SP	Ginzer Ildikó[3]	member, deputy CEO	13.09.2021	06.07.2026	0
IT	Dr. Zsuzsa Piller	member	23.09.2021	07.24.2026	0
FB	János Nyemcsok	member	18.05.2021	31.03.2026	0
FB	Rita Feodor	member	19.09.2018	18.09.2023	0
FB	Dr. Ágnes Hornung	Chair Lady	28.02.2019	27.02.2024	0
FB	Törtel András Oszlányi	member	25.02.2019	24.02.2024	0
FB	Dr. László Ipacs	member	25.02.2019	24.02.2024	0
FB, SP	Kitti Dobi[4]	member, deputy CEO	26.07.2021	24.07.2026	0
FB	Balázs Bechtold	member	26.07.2021	06.07.2026	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	András Puskás	Deputy CEO	14.12.2021		0

[1] Employee in strategic position (SP), Board of Directors member (IT), Supervisory Board member (FB)
[2] Balázs Benczédi resigned from his Board of Directors membership as of 31 December 2021.

[3] Ildikó Ginzer has been Deputy CEO since 21.12.2016. Her Board of Directors membership entered into force on 13 September 2021.
[4] Kitti Dobi has been deputy CEO since 9 December 2021.

4 ANNEXES

4.1 Financial indicators

4.1.1 Adjusted KPIs on profit&loss

KPI	Short description	Formulation	Current cumulated figures
ROAE	Adjusted rate on average equities	Annualised adjusted PAT (HUF bln) / Average equities (HUF bln)	77 678 / 233 910 = 33,21%
ROMC	Adjusted rate on minimum capital	Annualised adjusted PAT (HUF bln) / Average minimum capital (HUF bln)	77 678 / 156 283 = 49,70%
ROAA	Adjusted rate on average total assets	Annualised adjusted PAT (HUF bln) / Average Total assets (HUF bln)	77 678 / 3 055 161 = 2,54%
TRM	Adjusted total revenue margin	Annualised adjusted Gross Operating Income (HUF bln) / Average Total assets (HUF bln)	132 338 / 3 055 161 = 4,33%
CIM	Adjusted core income margin	Annualised adjusted net interest + net fee + FX income (HUF bln) / Average Total assets (HUF bln)	(53 795 + 24 818 + 5 905) / 3 055 161 = 2,77%
NIM	Adjusted net interest income margin	Annualised adjusted Net Interest Income (HUF bln) / Average Total assets (HUF bln)	53 795 / 3 055 161 = 1,76%
NFM	Adjusted net fee margin	Annualised adjusted Net Fee Income (HUF bln) / Average Total assets (HUF bln)	24 818 / 3 055 161 = 0,81%
C/TA	Adjusted cost to total assets	Annualised adjusted General Admin. Expenses (HUF bln) / Average Total assets (HUF bln)	48 143 / 3 055 161 = 1,58%
CIR	Adjusted cost-income ratio	Adjusted General Admin. Expenses (HUF bln) / Adjusted Gross Operating Income (HUF bln)	48 143 / 132 338 = 36,38%
Risk%	Adjusted risk cost rate	Annualised adjusted provision for losses on loans (HUF bln) / Average gross loans (HUF bln)	1 616 / 1 195 015 = 0,14%
GOI/RWA	Adjusted RWA efficiency	Annualised adjusted Gross Operating Income (HUF bln) / Average Total RWA (HUF bln)	132 338 / 1 069 234 = 12,38%
EPS	Adjusted earnings per share	Annualised adjusted PAT (HUF bln) / Average number of shares (bln pcs)	77 678 / 100 = 776,78

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)	59 983 / 233 910 = 25,64%
ROMC	Rate on minimum capital	Annualised PAT (HUF bln) / Average minimum capital (HUF bln)	59 983 / 156 283 = 38,38%
ROAA	Rate on average total assets	Annualised PAT (HUF bln) / Average Total assets (HUF bln)	59 983 / 3 055 161 = 1,96%
TRM	Total revenue margin	Annualised Gross Operating Income (HUF bln) / Average Total assets (HUF bln)	127 108 / 3 055 161 = 4,16%
CIM	Core income margin	Annualised net interest + net fee + FX income (HUF bln) / Average Total assets (HUF bln)	(53 963 + 24 818 + 0) / 3 055 161 = 2,58%
NIM	Net interest income margin	Annualised Net Interest Income (HUF bln) / Average Total assets (HUF bln)	53 963 / 3 055 161 = 1,77%
NFM	Net fee margin	Annualised Net Fee Income (HUF bln) / Average Total assets (HUF bln)	24 818 / 3 055 161 = 0,81%
C/TA	Cost to total assets	Annualised General Admin. Expenses (HUF bln) / Average Total assets (HUF bln)	59 577 / 3 055 161 = 1,95%
CIR	Cost-income ratio	General Admin. Expenses (HUF bln) / Gross Operating Income (HUF bln)	59 577 / 127 108 = 46,87%
Risk%	Risk cost rate	Annualised provision for losses on loans (HUF bln) / Average gross loans (HUF bln)	4 280 / 1 195 015 = 0,36%
GOI/RWA	RWA efficiency	Annualised Gross Operating Income (HUF bln) / Average Total RWA (HUF bln)	127 108 / 1 069 234 = 11,89%
EPS	Earnings per share, IFRS	PAT (HUF bln) / Average number of shares (bln pcs)	59 983 / 100 = 599,8

Company name: MKB Bank Nyrt.
Address: 1056 Budapest, Váci u. 38.
Sector: Other monetary activity
Reporting period: 01.10.2021-31.12.2021
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)	48 301 / 3 314 159 = **1,46%**
Securities rate	Securities to Total assets	Securities (HUF bln) / Total Assest (HUF bln)	1 003 751 / 3 314 159 = **30,29%**
CAR	Capital adequacy ratio	Regulatory capital (HUF bln) / Total RWA (HUF bln)	246 299 / 1 118 645 = **22,02%**
RWA/ Total Assets	Risk weighted assets to Total assets ratio	Total RWA (HUF bln) / Total Assest (HUF bln)	1 118 645 / 3 314 159 = **33,75%**
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)	12 339 / 1 263 647 = **0,98%**
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)	48 301 / 12 339 = **391,44%**
NPL rate	Rate of non-performing loans	Non-performing customer loans (HUF bln) / Gross customer loans (HUF bln)	35 458 / 1 263 647 = **2,81%**
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)	21 859 / 35 458 = **61,65%**
Indirect NPL coverage	Rate of non-performing loans covered by provision	Provision for customer loans (HUF bln) / Non-performing customer loans (HUF bln)	48 301 / 35 458 = **136,22%**

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