MKB Bank Nyrt.

Report on the 3Q 2022 results

Budapest, 29 November 2022

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Summary of the methodology underlying the 3Q 2022 report:

Concerning comparisons to base year figures, this first three quaterly report and the related investment presentation are – unless otherwise indicated – based on the pro forma statement prepared by the Bank Group for year 2021.

MKB Bank prepared and published the pro forma consolidated balance sheet and profit and loss statement for 2021, as presented in the Exemption Document. The pro forma information in the balance sheet and profit and loss statements show the consolidated financial position as well as profit and loss of MKB Bank and its consolidated subsidiaries as of the reporting date of 31st December 2021, assuming the Merger had been executed on 1st January 2021.

The pro forma data and related statements are given only for information purposes; by their very nature they apply to a presumed situation and illustrate the impacts of the Merger if it had taken place at an earlier date.

Principles underlying the preparation of pro forma statements:

- It was compiled in accordance with the single consolidated accounting policy applied in business years 2021 and 2022. Consequently, it does not contain any adjustments that might stem from potential differences between accounting policies.
- The unadjusted initial information used in the preparation of the accounting statements was taken from the consolidated audited IFRS annual report of the business year ending on 31st December 2021.
- Since on 15th December 2020 Magyar Bankholding Zrt. acquired majority influence in MKB Bank, Budapest Bank and the Takarék Group, the consolidated annual report prepared by Magyar Bankholding Zrt. for the business year 2021 includes the data of these companies as well as their subsidiaries consolidated for accounting purposes.
- Main steps of the preparation of pro forma statements

  The following steps were taken into consideration during the preparation of the pro forma statements:

  1. Step One: subtraction of Magyar Bankholding Zrt's individual data from its consolidated data;
  2. Step Two: elimination of consolidation steps from Magyar Bankholding Zrt's consolidated statements to generate the aggregated individual data of the new Issuer group created by the Merger.
  3. Step Three: various steps of the consolidation of the new Issuer group resulting from the Merger, i.e.
     - Capital consolidation; and
     - Intra-group debt and yield consolidation;
  4. Step Four: separate presentation of the impacts of Magyar Bankholding Zrt's additional asset contribution made simultaneously with the Merger.
- MKB Bank's 1Q 2022 accounting profit does not include the 1Q profits/losses of the merging companies. Therefore, the profit and loss data are presented on the basis of modelled pro forma data, adjusted with the profits and losses of the merging entities, for comparability.

- For year 2021 and 1Q 2022 the items and principles used in the generation of the adjusted (normalised) profit and loss were modelled retroactively for the pro forma accounting statements in accordance with the 2Q and 3Q 2022 principles, to ensure comparability of the adjusted profit and loss data.
- From 2Q 2022 the Consolidated Financial Data are presented including the merged banks.
- MKB Nyrt's information on its 1H 2022 performance is based on data contained in the consolidated balance sheet and profit and loss statement prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The analysis of the Bank's activity was based on unaudited data as at 31st December 2021, 30th September 2021 and 30th September 2022.

1 MKB GROUP 3Q 2022 RESULTS – OVERVIEW

Table 1: Main components of P&L and balance sheet, key performance indicators

Main components of P&L (in HUF million)	Period					YTD		
	3Q 2021	2Q 2022	3Q 2022	P/P	Y/Y	1Q3Q 2021	1Q3Q 2022	Y/Y
TOCI (Total Comprensive Income)	**15 690**	**45 923**	**36 529**	**-20,5%**	**132,8%**	**56 012**	**65 310**	**16,6%**
Other comprehensive income	-8 544	36 482	-6 291	-117,2%	-26,4%	-23 833	-11 030	-53,7%
Consolidated Profit after tax	**24 234**	**9 442**	**42 820**	**-**	**76,7%**	**79 845**	**76 341**	**-4,4%**
Adjusted profit after tax by the result of mergers*	24 234	9 442	42 820	-	76,7%	79 845	92 586	16,0%
Adjustments total on PAT	7 973	51 539	493	-99,0%	-93,8%	27 596	57 210	107,3%
Adjusted TOCI	**23 663**	**97 462**	**37 023**	**-62,0%**	**56,5%**	**83 608**	**132 353**	**58,3%**
Adjusted revaluation on non HFC financial assets (OCI)	-8 544	36 482	-6 291	-117,2%	-26,4%	-23 833	-17 443	-26,8%
Adjusted Consolidated Profit after tax	**32 207**	**60 981**	**43 314**	**-29,0%**	**34,5%**	**107 441**	**149 795**	**39,4%**
Profit before tax (adjusted)	**35 502**	**66 597**	**47 287**	**-29,0%**	**33,2%**	**118 923**	**163 327**	**37,3%**
Gross Operating Income (adjusted)	**84 852**	**118 918**	**127 532**	**7,2%**	**50,3%**	**254 440**	**342 623**	**34,7%**
Net Interest Income (adjusted)	52 716	96 949	113 780	17,4%	115,8%	149 067	286 142	92,0%
Net Fee Income (adjusted)	18 851	20 393	15 610	-23,5%	-17,2%	52 197	53 997	3,4%
Net Other Income (adjusted)	13 285	1 576	-1 858	-217,9%	-114,0%	53 175	2 484	-95,3%
General Administrative Expenses (adjusted)	-42 662	-50 626	-49 819	-1,6%	16,8%	-127 635	-144 192	13,0%
Provision for losses on loans (adjusted)	-5 066	-336	-27 507	-	-	-4 289	-26 774	524,2%
Main components of Balance sheet (in HUF million)	**Volumes at the end of period**					**YTD average**		
	3Q 2021	2Q 2022	3Q 2022	P/P	Y/Y	1Q3Q 2021	1Q3Q 2022	Y/Y
Total Assets	**9 340 230**	**10 189 745**	**10 939 765**	**7,4%**	**17,1%**	**9 074 744**	**10 472 970**	15,4%
Customer Loans (net)	4 173 757	4 472 888	4 839 777	8,2%	16,0%	3 987 283	4 589 167	15,1%
Customer Loans (gross)	4 317 604	4 640 508	5 036 916	8,5%	16,7%	4 132 172	4 764 385	15,3%
Provision for Customer loans	-143 848	-167 620	-197 139	17,6%	37,0%	-144 890	-175 217	20,9%
Deposits & C/A	5 740 440	6 267 540	6 491 510	3,6%	13,1%	5 466 448	6 315 828	15,5%
Subordinated debt	308 450	88 306	90 905	2,9%	-70,5%	313 306	90 850	-71,0%
Shareholders' Equity	695 112	727 783	755 272	3,8%	8,7%	679 431	731 584	7,7%
KPIs based on adjusted and unadjusted PAT (%)	**Period**					**YTD**		
	3Q 2021	2Q 2022	3Q 2022	P-P	Y-Y	1Q3Q 2021	1Q3Q 2022	Y-Y
ROAE (Return on Average Equity - unadjusted)	14,1%	5,2%	23,1%	17,9%-pt	9,0%-pt	15,8%	14,1%	-1,7%-pt
ROAE (Return on Average Equity - adjusted)	18,7%	33,9%	23,4%	-10,5%-pt	4,6%-pt	21,3%	27,7%	6,4%-pt
ROMC (Return on Minimum Capital - adjusted)	24,0%	47,7%	34,5%	-13,2%-pt	10,5%-pt	27,4%	38,9%	11,5%-pt
ROAA (Return on Average Assets - adjusted)	1,4%	2,4%	1,6%	-0,7%-pt	0,2%-pt	1,6%	1,9%	0,3%-pt
TRM (Total Revenue Margin - adjusted)	3,7%	4,6%	4,8%	0,2%-pt	1,1%-pt	3,8%	4,4%	0,7%-pt
CIM (Core income margin - adjusted)	3,1%	4,6%	4,9%	0,3%-pt	1,8%-pt	3,0%	4,4%	1,4%-pt
NIM (Net Interest Margin - adjusted)	2,3%	3,8%	4,3%	0,5%-pt	2,0%-pt	2,2%	3,7%	1,5%-pt
NFM (Net Fee Margin - adjusted)	0,8%	0,8%	0,6%	-0,2%-pt	-0,2%-pt	0,8%	0,7%	-0,1%-pt
C/TA (Cost to Total Assets - adjusted)	1,9%	2,0%	1,9%	-0,1%-pt	0,0%-pt	1,9%	1,9%	0,0%-pt
CIR (Cost Income Ratio - adjusted)	50,3%	42,6%	39,1%	-3,5%-pt	-11,2%-pt	50,2%	42,1%	-8,1%-pt
Risk% (Risk cost rate - adjusted)	-0,4%	0,1%	2,2%	2,1%-pt	2,6%-pt	-0,3%	0,7%	1,0%-pt
GOI/RWA (RWA efficiency - adjusted)	9,2%	12,3%	12,6%	0,3%-pt	3,4%-pt	9,5%	11,8%	2,3%-pt
EPS (Earning Per Share - adjusted)	413,8	783,5	556,5	-227,0	142,7	460,2	641,5	181,4
Volume KPIs (%)	**Period**					**YTD**		
	3Q 2021	2Q 2022	3Q 2022	P-P	Y-Y	1Q3Q 2021	1Q3Q 2022	Y-Y
Provision/Total Assets	1,5%	1,6%	1,8%	0,2%-pt	0,3%-pt	1,5%	1,8%	0,3%-pt
CAR (Capital Adequacy Ratio)	16,2%	16,9%	16,3%	-0,6%-pt	0,1%-pt	16,2%	16,3%	0,1%-pt
RWA/Total Assets	40,1%	39,3%	37,5%	-1,8%-pt	-2,6%-pt	40,1%	37,5%	-2,6%-pt
LTD (Loan to Deposit)	75,2%	74,0%	77,6%	3,6%-pt	2,4%-pt	75,2%	77,6%	2,4%-pt
DPD90+ rate**	3,5%	3,8%	1,7%	-2,1%-pt	-1,8%-pt	3,5%	1,7%	-1,8%-pt

**The legal merger of Magyar Bankholding Zrt's two member banks, i.e. Budapest Bank Zrt. and MKB Bank took place on 31st March 2022. Since MKB Bank's 1Q 2022 accounting profit does not include the 1Q profits/losses of the merging companies, the profit and loss data are presented on the basis of modelled pro forma data, adjusted with the profits and losses of the merging entities, for comparability.*

*** There was a methodological change.*

The report is based on "Adjusted" figures presenting the indicators of the underlying business performance, the list of correction factors is included in Chapter 3.1. In order to comprehensive present the financial performance of the MKB Group, all data in the report and in the investor presentation are - unless otherwise indicated - alternative performance measurement indicators (Alternative Financial Indicator - APM).

For definition and calculation methodology of alternative performance measurement indicators used to depict the underlying business performance please refer to the Report for 3Q 2022 chapter 4.1 – Financial indicators.

On September 27, 2022, the MKB Group announced that MKB Bank Nyrt. and Takarékbank Zrt., which will merge in May 2023, will operate under the name MBH Bank Nyrt., with a unified brand name and image. The new brand name indicates that a completely new bank is being built, raising the customer experience to a new level, combining the strengths and heritage of the three banks. With a fresh, clean, modern image, the Bank intends to continue its construction in order to become a successful bank by international standards and to create value for its customers.

The brand's core values include respect for local communities and values, and responsibility for our environment, through which the sustainability efforts of the bank will be emphasised.

The new brand will be launched by the Group in May 2023, with a first round of rebranding of the larger flagship branches, followed by a gradual rebranding of branches. From May, the entire bank card portfolio and online interfaces will also be renewed under the new branding. In addition to an advertising campaign, the launch of the new brand will be supported by a strong social responsibility and sponsorship programme.

After completing the relevant financial impact assessments, the Bank submitted a binding offer to Pénzügyi Stabilitási és Felszámoló Nonprofit Kft., the appointed liquidator of Sberbank Magyarország Zrt. "under liquidation" concerning the takeover of its loan portfolio. In the tender the Company was selected as winning tenderer. Accordingly, the agreement on the transfer of Sberbank Magyarország's loan portfolio between the Company as buyer and transferee and Sberbank Magyarország as seller and transferor, was concluded on 26th May 2022. The loan portfolio was transferred to the Bank Group on 1st August 2022. Thanks to the transaction, the bank's customer base will be expanded by around 35,000 retail customers and around 3,000 corporate customers.

The Strategy 2023-27 was passed on the 14th September by the Board. It strengthened the will for the merger of the MKB and Takarékbank, with further detailing the digital IT system and solution developments, the merger procedures, the improvements of the service level and value proposition. The new strategy also took the considerations of the rapidly changing economic and regulatory environment. The Strategy also priorized the active MKB share trade for the 2024-2025 period, based on the economic upturn and the improving business abilities of MKB, with expectedly increasing record of favourable results.

The most important changes among the participations of the MKB Group during the past quarter:

- The merger of the two fund management subsidiaries of Magyar Bankholding was successfully completed at the end of the summer. The legal successor company has operate under the name MKB Alapkezelő Zrt. from 1 September, managing assets of approximately HUF 1,200 billion. The merger has created a broad range of investment funds for retail and corporate clients, covering the full spectrum of money and capital markets, from dedicated low-risk bond funds through mixed funds to equity and commodity funds. In addition, MKB Alapkezelő Zrt. will also offer its clients unique products, such as an investment card.
- As of the end of August, the IT subsidiaries of the two member banks have continue their operations in one company: MKB Digital Zrt. and Euro Immat Kft. merged into Takarékinfo Adatfeldolgozó Zrt., which continues to operate under a new name and profile as MITRA Informatikai Zrt. As a result of the merger, a unified IT subsidiary and organisation has been created, with the aim of exploiting synergies to create a flexible, competence-based IT company providing infrastructure solutions, operations, development and consulting services.

- MTB Magyar Takarékszövetkezeti Bank Zártkörűen Működő Részvénytársaság, the 75.91% of which is owned by the Company, has sold its stock package, incorporating 100% of the registered capital, in Takarék Központi Követeléskezelő Zártkörűen Működő Részvénytársaság ("TKK Zrt.") as the sole shareholder thereof on 30 August 2022, thus, following the transaction neither the Company nor MTB Zrt. has any direct or indirect ownership in TKK Zrt..
- The transfer agreement concluded by and between MKB Bank and Magyar Posta Zártkörűen Működő Részvénytársaság ("Magyar Posta"), as announced by MKB Bank on 4 April 2022 by way of extraordinary information, has been modified as follows: MKB Bank or its designated subsidiary is entitled to acquire 1,771 dematerialised series A ordinary shares issued by Takarékbank Private Company Limited by Shares ("Takarékbank") and owned by Magyar Posta with a nominal value of HUF 10,000,000 per share, altogether a total nominal and issuing value of 17,710,000,000 until 9 December 2022 at the latest, which shares represented the 9.47% of the registered capital of Takarékbank on the signing date of the modification of the agreement.

In 3Q 2022 the Company's business policy and business performance were dominated by the following factors:

- Money market trends: the increasing yield environment had a positive impact on MKB Group's profitability and total comprehensive income (TOCI).
- Being Hungary's second largest bank[1], it has **stable market positions** in the standard and non-standard business lines.
- The successful acquisition of the Sberbank portfolio on 1 August 2022 had a determinate impact on the Bank's loan growth. The acquired assets fits well into the Bank's portfolio: the retail business is dominated by personal loans and baby loans, while the corporate business is dominated by SME loans. The Sberbank portfolio further strengthen the Group's market position.

The main performance indicators of the first three quarters of 2022:

- **HUF 10,940 billion total assets** (+7,4% p/p; +17,1% y/y): with a growing net loan portfolio (+16.0% y/y) and deposit portfolio (+13.1% y/y), which clearly reflects the customers' continuous trust in the Bank Group.
- **HUF 149.8 billion adjusted profit after taxes** in the first three quarters: the growth of the accumulated profit after taxes and comprehensive income was enabled by an increase in the interest revenues from customers and FX and FV result.
- The increase in the customer loan portfolio and general rise of interest rates **resulted in higher net interest income (+115.8% y/y) and +69.0% y/y core income (HUF 138.9 billion in 3Q(Y)) increase.**
- Impressive **cost to income ratio**: **42.1%.** The CIR was 42.4% in the first three quarters of 2022 calculated with core income.

[1] Source: Banking Groups' flash reports and parent bank's flash reports (converted to HUF).

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- **HUF 27.8 billion (unadjusted) credit risk cost** (provisions and other impairments) was charged in the first three quarters of the year. The moratorium related expenses reduced the (unadjusted) accounting profit by another HUF 8.8 billion.
- **Sound capital position**: The stable and high **16.3% capital adequacy** was – at the end of 3Q 2022 – significantly above the regulatory requirement, with the negative OCI effect during the year, but even without taking into account the interim positive after tax profit.

MKB Group's unadjusted total comprehensive income was HUF 65.3 billion in the first three quarters of 2022. MKB Group's proforma accounting total comprehensive income (for comparability, it includes the 1Q 2022 results of the merging companies) was HUF 75.1 billion (HUF +19.1 billion y/y) in the first three quarters of 2022, while in 3Q it amounted to HUF 36.5 billion (HUF +20.8 billion y/y, HUF -9.4 billion p/p), due to the increase in the profit after tax (3Q(Y): HUF 92.6 billion, HUF +12.7 billion y/y, 3Q: HUF 42.8 billion, HUF +18.6 billion y/y) and the increase in the other comprehensive income (3Q(Y): HUF minus 17.4 billion, HUF +6.4 billion y/y, 3Q: HUF minus 6.3 billion, HUF +2.3 billion y/y). The proforma unadjusted total comprehensive income (TOCI) moderated by HUF 9.4 billion q/q, as a result of a HUF 33.4 billion increase p/p in the accounting profit after taxes and a HUF 42.8 billion p/p drop in the other comprehensive income (OCI).

In the first three quarters of 2022 the **adjusted** total comprehensive income (TOCI) amounted to HUF 132.4 billion (HUF +48.7 billion y/y), with a HUF +57.2 billion TOCI adjustment. The adjusted profit after tax was HUF 149.8 billion (HUF +42.4 billion y/y), while the adjusted other comprehensive income amounted to HUF minus 17.4 billion (HUF +6.4 billion y/y) in the first three quarters of 2022.

The **total assets** amounted to HUF 10,939.8 billion (+7.4% p/p; +17.1% y/y) by the end of the 3Q 2022. The Group's customer **deposits portfolio** increased to HUF **6,491.5** billion by the end of the quarter (HUF +224.0 billion p/p; HUF +751.1 billion y/y). The **(gross)** portfolio of **customer loans** increased to HUF 5,036.9 billion (+8.5% p/p), however the annual growth is HUF +719.3 billion. The portfolio of securities increased by 22.2% y/y (+6.4% p/p). In 3Q 2022 the loans to deposits ratio increased, to 77.6% (+3.55% pt p/p) by the end of the period. The **shareholders' equity** increased from HUF 727.8 billion at the end of 2Q 2022 to HUF **755.3** billion. The capital adequacy ratio was steadily high, at 16.3% (+12 bps y/y), while MKB Group's adjusted return on shareholders' equity (ROAE) was 27.7% (the unadjusted ROAE was 14.1%) in 3Q 2022. The ratio of the return on shareholders' equity calculated with the total comprehensive income equalled 24.5%.

Remarkable business performance in 3Q 2022:

- **Standard segment – retail, micro and small corporate customers:**

  Outstanding performance in deposit management with an increase of 8.8% (y/y), while the gross loan portfolio also regarding to the preliminary segmentation of the Sberbank stock grew by 13.0% (y/y).

  Under the cooperation with Magyar Posta (Hungarian Post) MKB Bank has expanded further the sale of credit cards in the last quarter, as a result of which 'ÉnPostám' credit card is avalaible at 200 post offices countrywide. As of July 1, 2022 a new premium credit card has been launched in the branch network, which is named GO! Platinum credit card. The new card is primarily designed to meet the special needs of premium segment and private banking clients.

In 3Q 2022, the main focus was on the full launch of the new Széchenyi Card MAX programme products. Considering that a significant part of the micro and small business lending volume is done through this scheme, the launch and disbursement was prioritised.

- **Non-standard segment** - Medium-sized corporate, large corporate, agricultural and private banking customers**:**

  MKB Group was able to increase its customer base dynamically: the gross loan portfolio also regarding to the preliminary segmentation of the Sberbank stock grew by +25.9% y/y (+16.5% p/p), while the deposit portfolio grew by +14.3% y/y (+5.6% p/p) in the non-standard segment.

  Due to changes in the environment and among subsidised loan product structure, the companies' demand for loans first declined then quickly recovered in 3Q 2022. The reason behind this was – beyond the organic growth from MKB liabilities -, the sustained participation in the subsidised and refinanced loan programmes and guarantee schemes comprised in the various, modified economic recovery packages in 2022 as well; these have generated significant demand among customers since their introduction.

  The services provided to clients have been further expanded: a new, internationally recognized market participant's investment funds will be available in MKB's Private Banking, while the Bank's structured product program offers an increasing number of capital-guaranteed solutions.

- **Leasing activity:**

  The leasing portfolio of the member companies of MKB Group amounted to HUF 532.1 billion as of 30 September 2022, which is higher by HUF 4.6 billion than in the previous quarter, despite the unfavourable market conditions in 2022.

Changes in the composition of the Supervisory Board:

- For the period from 1 September 2022 to 31 August 2024, Andrea Mager was elected to member of the Board of Directors by the General Meeting.
- For the period from 1 September 2022 to 31 December 2025 Rita Feodor, dr. Géza Károly Láng and dr. Péter Magyar, and for the period from 2 September 2022 to 31 March 2026 dr. Ilona Török were elected to members of the Supervisory Board by the General Meeting.

Post-closing events:

- On October 18, 2022, MKB Bank acquired the 43,076,417 dematerialized common shares of Takarék Jelzálogbank Nyrt. ("Takarék Jelzálogbank") - nominal value 100 HUF each, series "A" dematerialized common shares (ISIN code: HU0000078175); total nominal value: HUF 4,307,641,700, i.e. four billion three hundred seven million six hundred forty one thousand seven hundred HUF - from MTB Magyar Takarékszövetkezeti Bank Zártkörűen Működő Részvénytársaság ("MTB Zrt.").

  With the aformentioned transaction, MKB Bank acquired a direct interest of 39.8% in Takarék Jelzálogbank. MKB Bank's purchase of 39.8% direct qualified interest in Takarék Jelzálogbank does not require a supervisory authorization procedure, thus MKB Bank has already had an indirect qualified interest (a total of 93.43%) in Takarék Jelzálogbank, and the change only involves the ownership structure.

- The company will hold its next Extraordinary General Meeting on 9 December 2022. The agenda of the General Meeting will include:
    - decision to increase the share capital of the Company,
    - decision to amend the Articles of Association of the Company and
    - decision to merge the Company as the acquiring company with Takarékbank Zrt. as the merging company and on the date of commencement of the legal effects related to the merger

- Changes in the legal and regulatory environment:
    - **Corporate interest rate freeze:** the interest rate freeze (only for loans already in stock) will also be extended to SME loans. The reference date for interest rates is 28 June. The regulation will enter into force on 15 November (also retroactively) and will be in force until 30 June next year.
    - **Mortgage loan interest rate freeze:** the interest rate freeze will also be extended to mortgage loans with maximum 5-yer interest periods. The measure will enter into force from November and will remain in force until the end of June 2023.
    - **Factory Rescue Programme:** in the first round, HUF 150 billion will be available for large companies to invest in energy efficiency. Companies can apply if they are expanding their energy supply capacity with a minimum investment of HUF 200 million. A decision was also made to launch a HUF 200 billion Factory Rescue Guarantee and Credit Scheme.
    - **Széchenyi Card Programme:** From 2023, fixed 5% loans will replace the fixed 3.5% loans which will expire at the end of the year as announced by the Government, and will be available for investment, working capital, overdraft, micro, agricultural and tourism loans.
    - **Bank tax:** the Banking Association and the Government are working together to develop a **scheme to make the amount of bank tax dependent on lending**
    - **Széchenyi Card:** the SZÉP-card pockets will be abolished, i.e. the amount on the card can be used for accommodation, catering and other purposes without internal limits
    - **Retail deposits over HUF 20 million and deposits of institutional investors:** the interest paid on HUF denominated sights and term deposits with a maximum 1 year maturity, concluded by 31 March 2023, may not exceed the average auction yield of a discount Treasury bill with a remaining maturity of 3 months
    - **Energy-intensive SMEs:** from now on, a company is considered energy-intensive if its energy costs reach 2% of turnover in 2021 (previously 3%)

Financial and capital market developments, the macroeconomic environment

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 third quarter of 2022.

- The **Federal Reserve** continued the cycle of interest rate hikes in the third quarter of 2022. In total, interest rates overseas rose by 150 basis points during the quarter. The Fed raised the US interest rate by 75-75 basis points at both the 26-27 July and the 20-21 September policy meetings. The two rate decisions resulted in a US policy rate range of 3.00% to 3.25% by the end of the third quarter. In its rate decisions, the Fed has communicated the need to raise interest rates and keep them at a level that can hold back economic growth for a longer period of time. According to the Fed, a slowdown in the economy is needed to bring inflation down, to balance supply and demand, and to ease labour market tensions spectacularly to avoid a price-wage spiral. The quantitative tightening and balance sheet contraction that started in June continued, leading to a gradual tightening of dollar liquidity over the quarter, which triggered an appreciation of the dollar against major international currencies, helped at least as much by a rise in global risk aversion.

The US consumer price index (CPI) fell in all three months of the third quarter, to stand at 8.2% in September. A fall in the headline inflation indicator would suggest a turnaround in inflation, but core inflation rose in both August and September to stand at 6.6% at the end of the quarter. The acceleration in core inflation suggests that persistent inflationary trends in the US economy have not eased, and indeed have strengthened, with strong demand not yet moderating. This development could prompt the Fed to continue its tight monetary policy.

The US 10-year government bond market yield fluctuated between 2.74% and 3.96% in the third quarter of 2022, ending the quarter at 3.80%.

- The Governing Council of the **European Central Bank** had already communicated in June that a cycle of interest rate hikes would start at the beginning of the third quarter in the euro area. Accordingly, the central bank raised its interest rates by 50 basis points at its policy meeting on 21 July and by 75 basis points on 8 September. The total increase of 125 basis points pushed up the key refinancing operations rate, from 0% to 1.25% by the end of the quarter. Moreover, the deposit facility rate, which had been in negative territory for a long time, also moved into positive territory. The ECB's Governing Council also decided to end the traditional asset purchase programme (APP) at the end of June, thus ending quantitative easing in the euro area in the third quarter. In addition, in July the ECB added a new instrument to its monetary toolbox, the Transmission Protection Instrument (TPI), which provides greater flexibility to deal with bond market anomalies, in particular to help to reduce yields in highly indebted southern European countries.

  Monetary tightening is necessary because the euro area is also under significant inflationary pressure: inflation was already high at 8.6% at the end of the second quarter, but accelerated further to 9.9% in September. This continued to be primarily driven by high energy prices, but food inflation is also becoming more pronounced in the euro area, with a growing range of products affected by significant price increases.

  The 10-year German government bond market yield fluctuated between 0.77-2.25% in the third quarter of 2022, ending the quarter at 2.11%.

- The **Hungarian National Bank (MNB)** significantly tightened monetary conditions in Hungary during the third quarter. While the base rate was 7.75% at the end of June, it rose to 13% by the end of September, a total increase of 525 basis points over three months. At the beginning of July, the forint market experienced significant turbulence, and in response the MNB intervened with an extraordinary 200 basis point rate hike, followed by a further 100 basis point tightening at the end of the month at the regular Monetary Council meeting on 26 July. On 30 August, policy rates in Hungary were raised again by 100 basis points, and the central bank announced three liquidity tightening measures to improve the efficiency of monetary transmission. Finally, on 27 September, the central bank raised interest rates by a larger than expected 125 basis points and announced the end of the rate hike cycle[2], which will start in June 2021.

On the one hand, the central bank justified the end of interest rate hikes by arguing that there was no point in tightening further in the double-digit interest rate range. Furthermore, the central bank believes that inflation risks had become balanced by the end of the third quarter, with as many risks pointing upwards as downwards, which could soon lead to a turnaround in global inflation. At the same time, although inflation data do not show it yet (the domestic consumer price index rose to 21.1% in October), the central bank expects that an inflation turnaround could also occur in Hungary in early 2023. Consequently, the forward-looking real interest rate could be in positive territory next year, according to the MNB.

As a result of the rising interest rate environment, the benchmark rates calculated by the ÁKK continued to rise in the third quarter. The benchmark rate for 10-year government bonds stood at 9.78% at the end of September. During the quarter, short-side interest rates rose at a higher rate, resulting in an inverted yield curve.

- **FX market**: the forint fluctuated significantly against major international currencies during the third quarter. The MNB raised the effective interest rate significantly during the third quarter, by a total of 525 basis points, resulting in Hungary's real interest rate yield remaining negative but the highest in the region during the quarter. Nevertheless, the forint failed to strengthen, driven by a number of global and Hungary-specific factors.

  The outbreak of the war between Russia and Ukraine, the slowdown in the global economy and rising concerns about a recession have reduced investors' risk appetite. This has been reflected in the withdrawal of some investors from assets perceived to be riskier and a shift away from the still traditionally safe haven Japanese assets towards the dollar. This was also reflected in the movement of EUR/USD, which broke parity during the third quarter. The last time the dollar was this strong against the euro was in the early 2000s. Due to the physical proximity of war, the Central and Eastern European region was particularly affected by outflows of international capital. This was naturally reflected in Hungarian assets, including the weakening of the forint.

  In addition to global factors, other country-specific events of equal importance have also had an impact on the forint. One of the most important drivers is the ongoing dispute with the European Commission. In April, the European Commission launched a rule of law procedure against Hungary and, although the positions of the parties have been converging, the dispute has not yet been clearly resolved during the third quarter. Uncertainty over EU funding has also had negative impacts on investors' perceptions. In addition, gas prices rose to unprecedented levels during the third quarter, creating a significant financing burden during the storage period, which translated into a surge in foreign exchange demand and a continued weakening of the forint. In response to these two risks, S&P Global Ratings downgraded Hungary's debt rating outlook from stable to negative in August, reflecting the increased risk of future downgrades. The rating agency's decision also led to a weakening of the forint.

  Against the euro, the forint fluctuated in a fairly wide range, typically between 390 and 415 levels. During the July turbulence in the foreign exchange market, the euro appreciated from around 400 to 415 in forint terms in a few days. The central bank intervened with an extraordinary interest rate hike of 200 basis points. Then, as a result of the aforementioned S&P decision, the Hungarian

[2] Since then, on 14 October 2022, the extraordinary weakening of the forint forced the MNB to raise the effective interest rate by 500 basis points

currency weakened again from 390 to 415 HUF/EUR within a short period of time in mid-August. Finally, the autumn saw another wave of weakening in the forint, partly due to the unexpected end of the rate hike cycle, partly due to the gas storage, which created significant demand for foreign exchange, and partly due to speculative positions playing on the weakening of the forint. As a result, the exchange rate broke out of the 390-415 range at the end of the quarter and closed the third quarter at a mid-range of 423.5 HUF/EUR[3].

- **Public finances**: by the end of 3Q 2022, the debt-to-GDP ratio, including Eximbank's debt, fell to 75.9% (at the end of 2Q 2022, the debt ratio stood at 77%). The government has reaffirmed several times this year that it is committed to a deficit target of 4.9% of GDP in 2022. However, in the third quarter, the government decided to make a significant additional gas purchase worth nearly HUF 740 billion, which will raise the deficit target to 6.1% of GDP in 2022 (compared to a deficit of 7.1% of GDP in 2021). In addition, the government announced that the 2023 budget will be amended in the fourth quarter, in response to the changed macroeconomic and financial situation.

  In response to the changed macroeconomic environment, the government has extended a number of exceptional measures and decided on new ones. During the quarter, the government announced that it would extend the fuel and food price caps, which were originally due to expire on 1 October, until 31 December. In addition, the government amended the fuel cap so that from 30 July only private individuals can benefit from the reduced fuel prices of 480 Ft/l unit, thus excluding company cars from the cap (taxi drivers and owners of agricultural machinery are exempted). In addition, the government extended the interest rate freeze, which was originally due to expire on 31 December, until 2023[4]. In addition, the government also amended the rules for the KATA (tax for small enterprises and individuals) during the third quarter, so that only full-time self-employed individuals can opt for this tax, which can only receive income from individuals and not from companies.

  Following the turbulence in the energy market, and in particular the gas market, the government declared an energy emergency in Hungary in mid-July. The most important step was that from August onwards, residential energy consumers will only be able to benefit from reduced tariffs up to the average consumption. Consumption above this level will be charged at a higher, so-called residential market price[5]. Furthermore, at the end of the quarter, the government decided to support SMEs in the manufacturing sector. The programme, which has a total size of HUF 200 billion and could help around 9-10 thousand SMEs, will compensate for energy losses and stimulate investment. In addition, the government will support investments by large industrial companies in the factory rescue programme. Furthermore, a job protection programme for the service sector will be launched.

- **Wages and employment**: The dynamic wage growth seen in the first half of 2022 was maintained in the third quarter, with average gross average wages in August 16.6% higher than a year earlier for businesses and organisations with 5 or more employees. This resulted in an average gross wage of HUF 497,000 in August. The median wage was lower at 402 thousand forints gross at the end of

[3] Since then, the forint has weakened further, reaching a new low of 432.94 against the euro on 13 October 2022.
[4] The government has decided to extend the interest rate freeze to mortgages with an interest period of up to 5 years from 1 November, so that borrowers with an interest period of 3 and 5 years can also benefit from the safety net. Later, the government also announced that it would fix the interest rates on variable-rate SME loans, which will come into force on 15 November. Like the other interest rate freezes, the new measures will be in place until the end of June 2023.
[5] For electricity, the tariff will be 36 HUF/kWh up to 2523 kWh/year, and 70.1 HUF/kWh above that; for gas, the tariff will be 102 HUF/m3 up to 1729 m3/year, and 747 HUF/m3 above that

the summer. Despite the high nominal wage growth, the real value of the average wage was only 0.9% higher than in the same period of the previous year due to the soaring inflation. In the third quarter, there were on average 178,000 unemployed in the country, resulting in an average unemployment rate of 3.6% over the period (in the third quarter of 2021, there were still 200,000 unemployed in the country on average). The unemployment rate gradually increased during the third quarter: while it closed the second quarter at 3.2%, it rose in steps to 3.6% during the third quarter. In addition, the average number of people in employment between July and September was 4,712,000, an increase of 49,000 compared to the same period last year.

- **GDP**: The Hungarian economy1s growth momentum slowed markedly in the third quarter of 2022, with GDP expanding by 4% year-on-year in raw and 4.1% in adjusted terms. In the previous three quarters, the annual growth rate has been consistently between 6% and 8%. Compared to the second quarter, the economy declined by 0.4% in the third quarter. This brings domestic GDP to around 5.9% above its pre-pandemic level. All sectors except agriculture contributed to growth, with industry and market services being the main contributor, but agricultural output fell markedly due to severe drought.

  A substantial slowdown in the Hungarian economy can be expected from the third quarter onwards. The prolonged war, soaring energy prices, deteriorating external environment, rising interest rates, declining household disposable income, or drought damage during the year all point to a possible slowdown in economic activity in the coming quarters. A technical recession is expected in the fourth quarter of 2022 and the first quarter of 2023, with a moderate return of growth momentum in the last quarter of 2023, thanks to the resilience of the global and domestic economy.

- **Changes in the regulatory environment:**

During the third quarter of 2022, regulated prices were maintained in a number of areas:

  - The default interest payable in case of subsequent non-fulfillment of **CSOK** conditions (e.g. having a child) has been maximized at 5%. The amendment also applies to couples who have already used CSOK.
  - **Agricultural loan moratorium**: On 31st July 2022 the Drought Emergency Operative Body established by the Government announced a package of actions, comprises 5 items, including a loan moratorium for agricultural businesses. The loan moratorium applies to investment and working capital loans taken out by agricultural businesses and lasts from 1st September 2022 until 31st December 2023. The decree stipulates that the loan and lease contracts of those concerned cannot be cancelled by notice of termination up to 31st December 2023 due to non-fulfilment of principal, interest or fee payment obligations.
  - **The Agricultural Széchenyi Card Overdraft Loan** granted to agricultural producers affected by the drought until December 31, 2022 can be used with a state interest subsidy of up to 14%, provided that the initial annual interest burden of these loans - taking the interest subsidy into account - is 3%.
  - **Home VAT prolongation:** The decree on the application of the preferential value added tax rate on newly constructed residential real estates provides that the 5 percent VAT on dwellings remains in effect from 1st January 2023 until 31st December 2024.
  - On September 17, the government adopted the **rescue program for energy-intensive small and medium-sized enterprises**. The most important parameters of the targeted state program: (1) Applies to energy-intensive companies whose energy costs as a proportion of their sales revenue in 2021 reached or exceeded 3%, (2) The program is limited to

manufacturing companies, (3) It applies to SMEs; arc. there will be job retention expectations for companies.

- Amended (1) on the level of the mandatory reserve ratio, and (2) NHB decrees on the calculation of the mandatory central bank reserve and the manner in which it is formed and allocated.
- The Government announced an **energy emergency** in Hungary and adopted a package of actions (7 items) to protect the utility bill reduction scheme and Hungary's energy supply. The utility bill reduction scheme has been modified from August: the higher – market – rates will be charged for consumption exceeding the average level. The Government's calculations show that the price increase will leave about three quarters of households unaffected.
- **Changes to the small business specific tax (KATA)** The KATA offers small businesses favourable taxation – of HUF 50,000 a month – up to an annual income of HUF 18 million. Under the new rules; however, KATA payers can only receive income from private individuals, with the exception of those engaged in passenger transport by taxi. The new KATA rules come into force on 1st September 2022.

2 Management Report on the 3Q 2022 Results of MKB Group

2.1 P&L development

Table 2: Consolidated P&L

MKB Group								
Consolidated, IFRS P&L (in HUF million)	Period					YTD		
	3Q 2021	2Q 2022	3Q 2022	P/P	Y/Y	1Q3Q 2021	1Q3Q 2022	Y/Y
TOCI accounting (Total Comprensive Income)	**15 690**	**45 923**	**36 529**	**-20,5%**	**132,8%**	**56 012**	**65 310**	**16,6%**
Other comprehensive income	*-8 544*	*36 482*	*-6 291*	***-117,2%***	***-26,4%***	*-23 833*	*-11 030*	*-53,7%*
Profit after tax	**24 234**	**9 442**	**42 820**	**-**	**76,7%**	**79 845**	**76 341**	**-4,4%**
1Q 2022 profit after tax of merged entities*	**0**	**0**	**0**	**-**	**-**	**0**	**16 245**	**-**
Adjusted profit after tax by the result of merged entities*	**24 234**	**9 442**	**42 820**	**-**	**76,7%**	**79 845**	**92 586**	**16,0%**
Adjustments total on PAT	**7 973**	**51 539**	**493**	**-99,0%**	**-93,8%**	**27 596**	**57 210**	**107,3%**
Business corrections	3 039	37 417	1 171	*-96,9%*	*-61,5%*	12 832	52 652	310,3%
Banking tax	*-1 460*	*27 775*	*-2 851*	*-110,3%*	*95,3%*	*1 460*	*33 477*	*2193,6%*
Dividend income	*-36*	*2*	*0*	*-100,0%*	*-100,0%*	*-19*	*0*	*-100,0%*
Bankcard transaction fee proportionality	*-138*	*-148*	*-295*	*100,0%*	*113,8%*	*138*	*0*	*-100,0%*
Integration costs	*4 673*	*9 788*	*4 318*	*-55,9%*	*-7,6%*	*11 579*	*19 175*	*65,6%*
Non-core one-offs	*0*	*0*	*0*	*-*	*-*	*-326*	*0*	*-100,0%*
Covid-19 effect	4 934	14 122	-678	-104,8%	-113,7%	14 764	4 558	-69,1%
COVID-19 related expenditures	*4 450*	*14 122*	*-678*	*-104,8%*	*-115,2%*	*14 280*	*4 558*	*-68,1%*
Covid-19 related interest refund	*484*	*0*	*0*	*-*	*-100,0%*	*484*	*0*	*-100,0%*
Covid-19 related interest stop	*0*	*0*	*0*	*-*	*-*	*0*	*0*	*-*
FV corrections	*0*	*0*	*0*	*-*	*-*	*0*	*0*	*-*
Adjusted TOCI	**23 663**	**97 462**	**37 023**	**-62,0%**	**56,5%**	**83 608**	**132 353**	**58,3%**
Adjusted revaluation on non HFC financial assets (OCI)	*-8 544*	*36 482*	*-6 291*	-117,2%	-26,4%	*-23 833*	*-17 443*	-26,8%
Adjusted Profit after tax	**32 207**	**60 981**	**43 314**	**-29,0%**	**34,5%**	**107 441**	**149 795**	**39,4%**
Adjusted Profit before tax	**35 502**	**66 597**	**47 287**	**-29,0%**	**33,2%**	**118 923**	**163 327**	**37,3%**
Gross Operating Income (adjusted)	**84 852**	**118 918**	**127 532**	**7,2%**	**50,3%**	**254 440**	**342 623**	**34,7%**
Net Interest Income (adjusted)	**52 716**	**96 949**	**113 780**	**17,4%**	**115,8%**	**149 067**	**286 142**	**92,0%**
Interest Income (adjusted)	*69 481*	*153 739*	*204 299*	*32,9%*	*194,0%*	*188 842*	*466 546*	*147,1%*
Interest Expense (adjusted)	*-16 765*	*-56 790*	*-90 520*	*59,4%*	*-*	*-39 775*	*-180 403*	*353,6%*
Net Fee Income (adjusted)	**18 851**	**20 393**	**15 610**	**-23,5%**	**-17,2%**	**52 197**	**53 997**	**3,4%**
Net Other Income (adjusted)	**13 285**	**1 576**	**-1 858**	**-217,9%**	**-114,0%**	**53 175**	**2 484**	**-95,3%**
FX and FV result	*18 786*	*4 114*	*10 135*	*146,4%*	*-46,0%*	*65 522*	*24 767*	*-62,2%*
Other Income (adjusted)	*-5 501*	*-2 538*	*-11 993*	*-*	*118,0%*	*-12 346*	*-22 283*	*80,5%*
General Administrative Expenses (adjusted)	**-42 662**	**-50 626**	**-49 819**	**-1,6%**	**16,8%**	**-127 635**	**-144 192**	**13,0%**
Personnel Expenses (adjusted)	*-22 565*	*-26 134*	*-26 977*	*3,2%*	*19,6%*	*-65 888*	*-75 520*	*14,6%*
Operating Expenses (adjusted)	*-14 026*	*-18 363*	*-14 626*	*-20,3%*	*4,3%*	*-43 522*	*-48 216*	*10,8%*
Amortisation and depreciation (adjusted)	*-6 071*	*-6 129*	*-8 216*	*34,1%*	*35,3%*	*-18 225*	*-20 456*	*12,2%*
Provisions (adjusted)	**-5 066**	**-336**	**-27 507**	**-**	**-**	**-4 289**	**-26 774**	**524,2%**
Banking tax	***-1 622***	***-1 358***	***-2 918***	***114,8%***	***80,0%***	***-3 592***	***-8 330***	***131,9%***
Corporate income tax (adjusted)	**-3 295**	**-5 616**	**-3 974**	**-29,2%**	**20,6%**	**-11 483**	**-13 532**	**17,8%**
KPIs based on adjusted PAT (%)	Period					YTD		
	3Q 2021	2Q 2022	3Q 2022	P-P	Y-Y	1Q3Q 2021	1Q3Q 2022	Y-Y
ROAE (Return on Average Equity - adjusted)	18,7%	33,9%	23,4%	-10,5%-pt	4,6%-pt	21,3%	27,7%	6,4%-pt
ROAA (Return on Average Assets - adjusted)	1,4%	2,4%	1,6%	-0,7%-pt	0,2%-pt	1,6%	1,9%	0,3%-pt
TRM (Total Revenue Margin - adjusted)	3,7%	4,6%	4,8%	0,2%-pt	1,1%-pt	3,8%	4,4%	0,7%-pt
CIM (Core income margin - adjusted)	3,1%	4,6%	4,9%	0,3%-pt	1,8%-pt	3,0%	4,4%	1,4%-pt
NIM (Net Interest Margin - adjusted)	2,3%	3,8%	4,3%	0,5%-pt	2,0%-pt	2,2%	3,7%	1,5%-pt
NFM (Net Fee Margin - adjusted)	0,8%	0,8%	0,6%	-0,2%-pt	-0,2%-pt	0,8%	0,7%	-0,1%-pt
C/TA (Cost to Total Assets - adjusted)	1,9%	2,0%	1,9%	-0,1%-pt	0,0%-pt	1,9%	1,9%	0,0%-pt
CIR (Cost Income Ratio - adjusted)	50,3%	42,6%	39,1%	-3,5%-pt	-11,2%-pt	50,2%	42,1%	-8,1%-pt
Risk% (Risk cost rate - adjusted)	-0,4%	0,15%	2,21%	2,1%-pt	2,6%-pt	-0,3%	0,74%	1,0%-pt

** The legal merger of Magyar Bankholding Zrt's two member banks, i.e. Budapest Bank Zrt. and MKB Bank and Magyar Takarék Bankholding took place on 31st March 2022. Since MKB Bank's 1Q 2022 accounting profit does not include the 1Q profits/losses of the merging companies, the profit and loss data are presented on the basis of modelled pro forma data, adjusted with the profits and losses of the merging entities, for comparability.*

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.

In the first three quarters of 2022 and in 3Q 2022 **the adjusted profit after tax of MKB Group** amounted to **HUF 149.8 billion** and HUF 43.3 billion, respectively, as a result of its increasing business performance, tight cost management and favourable yield environment. The increase in profit after tax in the first three quarters was partly offset by the FV result through other comprehensive income, resulting in an adjusted total comprehensive income of HUF 132.4 billion (HUF +48.7 billion y/y).

The (adjusted) **ROAE** was 27.7% (+6.4%-pt y/y), thanks to the outstanding profit rate.

The increase in the core income was driven by the growth in the **net interest income**, enabled by growing loan portfolios and rising interest rates, (HUF +137.1 billion, +92.0% y/y; HUF +16.8 billion, +17.4% q/q) and an upswing in the commission income (+3.4% y/y). The adjusted 3Q(Y) **total revenue margin** (TRM) increased by 0.7%-pt y/y to 4.4%.

HUF 26.7 billion **adjusted credit risk cost was charged** in the first three quarters of 2022 in relation to loans, resulting in a 0.7% adjusted risk cost rate.

Wage inflation, unfavourable macroeconomic processes put a substantial pressure on costs in the first three quarters of 2022 as well. The rapid growth of the total assets resulted in a slightly decrease in the **costs to total assets ratio** (C/TA), to 1.87% in 3Q(Y) 2022 (-0.02%-pt y/y). The **cost to income ratio** (CIR) was 42.1% in 3Q(Y) 2022 (-8.1%-pt y/y, -3.5%-pt q/q).

2.1.1 Adjusted profit after taxation

Because of the HUF 43.3 billion **adjusted consolidated profit after tax** MKB Group's in 3Q(Y) 2022 profit amounted to HUF 149.8 billion (HUF +42.4 billion y/y). The impressive 3Q(Y) profit marks excellent business performance combined with robust money market impact and continued strict costs control.

The **adjustments** amounted to HUF +57.2 billion in the first three quarters of the year, which were related primarily to the special tax on the extra profit, the adjustment of the pro rata part of the banking tax paid for the whole of the year, the individual risk costs booked in relation to the COVID-19 pandemic and one-off integration costs.

The HUF 129.4 billion 3Q **business revenue** rose by 69.0% y/y (+10.3% q/q), primarily because of the higher net interest income on the expanding MNB and loan portfolio. The 3Q(Y) core income increased to HUF 340.1 billion (HUF +138.9 billion y/y). The 3Q **core income margin** (CIM) increased to 4.9% (+32 bps q/q; +179 bps y/y) as the growth of net fee and interest income exceeded the expansion of the total assets. The 3Q(Y) ratio increased to 4.4% (+143 bps y/y).

The **capital adequacy ratio** was **16.3%** at the end of 3Q 2022 (+12 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 MKB Group.

2.1.2 Total comprehensive income

MKB Group's **accounting** (unadjusted) **total comprehensive income** (TOCI) in 3Q(Y) 2022 amounted to HUF 65.3 billion.

The modelled 3Q(Y) pro forma (unadjusted) total comprehensive income amounted to HUF 75.1 billion, higher by HUF 19.1 billion y/y.

The HUF 37.0 billion 3Q **adjusted total comprehensive income** (HUF -60.4 billion q/q; HUF +13.4 billion y/y) was driven by the HUF 43.3 billion profit after tax and the HUF minus 6.3 billion other comprehensive income (OCI). The 3Q(Y) 2022 **adjusted total comprehensive income** amounted to HUF 132.4 billion (HUF +48.7 billion y/y), and the **growth** was driven primarily by the significant upswing in the net interest income.

2.1.3 Net interest income

MKB Group's accumulated **net interest income** was HUF 286.1 billion in 3Q(Y) 2022 (HUF +137.1 billion y/y), up 92.0% y/y due to the growth in the customer and ALM portfolio, the favourable yield environment and the outstanding portfolio quality.

The 3Q(Y) **interest revenue** amounted to HUF 466.5 billion (HUF +277.7 billion, +147.1% y/y). The interest income increased by 32.9% q/q to HUF 204.3 billion (+194.0% y/y) in 3Q. The main driver of the interest income was the income from developing customer loans (+16.7% y/y) and securities portfolio (+22.2% y/y). Due to the upturn in market yields, the interest income growth outperformed the increase of average volumes (gross loan increase +14.5% y/y).

The 3Q(Y) **interest expense** amounted to HUF 180.4 billion, whose HUF 140.6 billion increase (+353.6% y/y) was driven by market yields and an increase in the customer deposit portfolio.

The **net interest margin** (NIM) increased from 3.8% to 4.3% in 3Q because the net interest income grew faster than average total assets. The 3Q(Y) accumulated ratio was 3.7%, slightly up, by 150 bps, year-on-year.

2.1.4 Net fee and commission revenues

The **commission income** decreased to HUF 15.6 billion in 3Q (-23.5% q/q) relative to the preceding quarter, an increase of 3.4% was achieved year-on-year. The lower growth reflects the impact of the transaction levy and the economic slowdown.

2.1.5 Profit/loss on financial transactions (FX and FV result)

The 3Q(Y) **profit on financial transactions** amounted to HUF 24.8 billion, 62.2% (HUF -40.8 billion) less year-on-year.

Due to the further acceleration of inflation combined with a worsening inflation outlook, as well as intensifying pressure on Hungary's financial asset prices the MNB continued the rate hike cycle. By the end of September it raised the base rate level to 13%. In the course of the third quarter the MNB also raised the mandatory reserve rate from the former 1% to minimum 5%, with which financial institutions were obliged to comply on a daily basis. The central bank also made changes to its pool of monetary tools by introducing a longer-term variable rate deposit facility from October and making the previously occasional discount bond auctions regular. With these steps the MNB intended to markedly lower instant liquidity in the interbank market. In line with the tighter monetary conditions the swap yield curve also moved significantly up: the 3-, 5- and 10-year swap yields increased by 273, 228 and 197 basis points, respectively, from the end of 2Q by the end of 3Q. At the same time the secondary market yields on Hungarian government bonds of corresponding maturity rose by 329, 190 and 177 basis points, respectively. Asset-swap spreads exhibited diverse directions during the third quarter: in the 3-year term they narrowed markedly (from 115 to 59bps), but widened in the 5- and 10-year terms (from 31 to 69bps in the former, and from -2 to 18bps in the latter).

As a result of the yields shifting upwards, the exchange and revaluation result was HUF 10.1 billion (HUF +6.0 billion q/q; HUF -8.7 billion y/y) in 3Q, while the OCI effect due to revaluation of the fixed rate government securities portfolio was HUF minus 6.3 billion (HUF -42.8 billion q/q; HUF +2.3 billion y/y). The quarterly **net revaluation result and exchange rate gain** – as a result of the two impacts – was HUF 3.8 billion. The growth in Q2 compensated for the loss in Q1, so the sum of FV, FX and OCI results were flat in Q3, as a consequence of the outstanding Treasury performance which also kept risks at a lower level.

2.1.6 Other results

The tax and/or regulatory fees and commission expenses of MKB Group are recognized under other profit/loss: levy, NDIF and IPF fees, local business tax, innovation contribution and other revenues/expenses of ordinary business operation. On a q/q basis, there was a negative directional change due to the booking of the actual HIPA fee and the booking of the TKK sale in August in September; other expenditure was HUF minus 12.0 billion in 3Q, compared to HUF minus 2.5 billion in 2Q (HUF -9.5 billion q/q; HUF -6.5 billion y/y). The **other profit/loss** amounted to HUF minus 22.3 billion in 3Q(Y) 2022, HUF 9.9 billion up y/y.

2.1.7 General administrative expenses

MKB Group's **operating cost** amounted to HUF 49.8 billion in 3Q 2022, (HUF 7.2 billion) up 16.8% y/y and decrease 1.6% q/q (HUF -0.8 billion q/q). Despite the significant cost-increasing effect of unfavourable 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 1.89% (-9 bps q/q) in 3Q despite the rising cost level.

The **personnel expenses** amounted to HUF 27.0 billion in 3Q 2022 (+3.2% q/q), annual cumulative personnel costs were HUF 75.5 bn (+14.6% y/y). Although the headcount decreased slightly (-2.2% y/y), this could not offset the significant wage inflationary pressures also in the financial sector and the resulting impact of the harmonisation of accounting methodologies as part of the merger.

The number of employees of MKB Group at the end of September 2022 was 9,688.2 FTE (-215.9 FTE; -2.2% y/y).

The HUF 14.6 billion (HUF +0.6 billion y/y) increase in **non-personnel costs** in 3Q 2022 was driven primarily by inflation processes and changes in the applied accounting methodologies of VAT deduction ratio.

Depreciation in 3Q 2022 amounted to HUF 8.2 billion (+35.3% y/y) as result of previously implemented digitalization and regulatory compliance.

The **cost-income ratio** (**CIR**) continued to decline from the 42.6% measured in 2Q 2022, to 39.1% as a result of substantial income increase.

2.1.8 Risk costs

The adjusted credit risk cost amounted to HUF 26.8 billion charge in 3Q 2022, compared to HUF 26.0 billion in the first three quarters of 2022, reflecting the moratorium 4, the impairment charge recognised for the agricultural moratorium and the Sberbank portfolio acquired, and methodological changes during the year. The quality of the portfolio does not justify an increase in the impairment coverage on non-moratorium stocks.

The **NPL closing portfolio** amounted to HUF 225.4 billion at the end of 3Q 2022, up HUF 75.5 billion (+50.4%-pt y/y) from the end of 3Q 2021 (+29.5%-pt q/q). The growth of the NPL rate was driven primarily by the methodological changes and Stage 3 impairments due to moratorium. The **IFRS-based NPL ratio** increased to 4.5% (+100 bps y/y), while the **direct NPL coverage** was 49.7% at the end of 3Q.

2.1.9 Corporate income tax

In 3Q(Y) 2022 HUF 7.9 billion pro forma **corporate income tax expense** was recorded, as a result of HUF 4.3 billion current corporate income tax expense and HUF 3.6 billion deferred tax expense.

The adjustments in the flash report had a tax effect of HUF 5.7 billion therefore the **adjusted corporate income tax** was HUF 13.5 billion.

2.2 Balance sheet

Table 3: Balance sheet

	MKB Group						
Adjusted balance sheet (in HUF million)	**3Q 2021**	**4Q 2021**	**2Q 2022**	**3Q 2022**	**P/P**	**Y/Y**	**YTD**
Financial assets	**1 915 490**	**2 342 464**	**1 633 985**	**1 624 943**	-0,6%	-15,2%	-30,6%
Trading portfolios	**128 488**	**193 879**	**420 070**	**569 259**	**35,5%**	**-**	**193,6%**
Securities	**2 844 940**	**2 689 136**	**3 281 110**	**3 484 708**	**6,2%**	**22,5%**	**29,6%**
Loans and advances to customers/Customer Loans (net)	**4 173 757**	**4 260 698**	**4 472 888**	**4 839 777**	**8,2%**	**16,0%**	**13,6%**
Loans and advances to customers/Customer Loans (gross)	4 317 604	4 428 674	4 640 508	5 036 916	8,5%	16,7%	13,7%
Standard business segment	*1 659 575*	*1 713 992*	*1 743 773*	*1 875 237*	*7,5%*	*13,0%*	*9,4%*
Non-Standard business segment	*2 047 381*	*2 129 111*	*2 212 254*	*2 576 835*	*16,5%*	*25,9%*	*21,0%*
Leasing	*519 464*	*522 365*	*525 599*	*532 105*	*1,2%*	*2,4%*	*1,9%*
Other	*91 185*	*63 206*	*158 882*	*52 739*	*-66,8%*	*-42,2%*	*-16,6%*
Provision for Customer loans	-143 848	-167 976	-167 620	-197 139	17,6%	37,0%	17,4%
Total other assets	**277 556**	**259 975**	**381 692**	**421 077**	**10,3%**	**51,7%**	**62,0%**
Investments in jointly controlled entities and associates	*61 564*	*42 612*	*96 447*	*78 337*	*-18,8%*	*27,2%*	*83,8%*
Intangibles, property and equipment	*146 775*	*147 305*	*143 569*	*166 929*	*16,3%*	*13,7%*	*13,3%*
Other assets	*69 217*	*70 058*	*141 677*	*175 811*	*24,1%*	*154,0%*	*151,0%*
Total Assets	**9 340 230**	**9 746 152**	**10 189 745**	**10 939 765**	7,4%	17,1%	12,2%
Interbank liabilities	**2 277 551**	**2 149 254**	**2 427 047**	**2 857 644**	**17,7%**	**25,5%**	**33,0%**
Deposits & C/A	***5 740 440***	***6 218 750***	***6 267 540***	***6 491 510***	***3,6%***	***13,1%***	***4,4%***
Standard business segment	*2 757 170*	*2 974 297*	*3 013 748*	*2 999 550*	*-0,5%*	*8,8%*	*0,8%*
Non-Standard business segment	*2 919 226*	*3 177 303*	*3 158 418*	*3 335 575*	*5,6%*	*14,3%*	*5,0%*
Other	*64 044*	*67 150*	*95 375*	*156 384*	*64,0%*	*144,2%*	*132,9%*
Issued debt securities	**313 364**	**337 267**	**377 105**	**380 040**	**0,8%**	**21,3%**	**12,7%**
Other liabilities	**313 763**	**348 832**	**390 270**	**455 300**	**16,7%**	**45,1%**	**30,5%**
Shareholders' Equity	**695 112**	**692 049**	**727 783**	**755 272**	**3,8%**	**8,7%**	**9,1%**
Total Liabilities & Equity	**9 340 230**	**9 746 152**	**10 189 745**	**10 939 765**	7,4%	17,1%	12,2%
Loan commitments given	1 181 219	1 145 396	1 226 451	1 205 033	-1,7%	2,0%	5,2%
Financial guarantees given	158 893	165 372	124 378	118 148	-5,0%	-25,6%	-28,6%
Other Commitments given	127 481	112 083	258 201	263 462	2,0%	106,7%	135,1%
Customer off Balance items	**1 467 593**	**1 422 850**	**1 609 031**	**1 586 643**	-1,4%	8,1%	11,5%

The balance sheet of the MKB Group is presented on the basis of consolidated financial statements prepared according to IFRS.

MKB Group’s **total assets** amounted to HUF 10,939.8 billion by the end of 3Q 2022 (HUF +750.0 billion; +7.4% q/q), while the annual increase was HUF 1,599.5 billion; +17.1% y/y. The deposit portfolio continued to grow (+3.6%) during the quarter, while year-on-year growth was HUF +751.1 billion (+13.1% y/y).

The **gross loan portfolio** increased to HUF 5,036.9 billion by the end of 3Q 2022; the +16.7% y/y (+8.5% q/q) the expansion reflects the dynamics of MKB's financing operations and the acquisition of the Sberbank portfolio.

The MKB Group’s **loan-to-deposit ratio** reached 77.6%, which is 2.4%-pt higher compared to the same period of the previous year (3Q 2021: 75.2%).

The **shareholders' equity** of the MKB Group increased to HUF **755.3** billion (+3.8% q/q; +8.7% y/y). A slightly higher capital adequacy ratio of 16.3% at the end of the period compared to the third quarter of 2021 (3Q 2021: 16.2%).

2.2.1 Loans

Gross loans increased at an attractive pace (+8.5%; net: +8.2% p/p) compared to the previous quarter, partly due to the acquisition of the Sberbank portfolio.

The increase in the asset volumes of all three business segments contributed positively to the growth in gross loan portfolio: non-standard segment loans +16.5% p/p (+25.9% y/y), standard segment loans +7.5% p/p (+13.0% y/y) and leasing portfolio +1.2% p/p (+2.4% y/y) in 3Q.

The **corporate loan portfolio** has experienced an impressive growth, partly due to some individual large transactions and partly due to the change in the exchange rate. The changes in the **retail loan portfolio** were dominated by the acquisition of the Sberbank portfolio.

Impairment provisions for loans increased by 17.6% q/q and by 37.0% y/y.

2.2.2 Securities

In a changing inflation and yield environment, the popularity of different securities is undiminished, and this is reflected in portfolio performance.

The securities portfolio increased by HUF 214.4 billion (+6.4% q/q) during the quarter, as a result, the **portfolio of securities** amounted to HUF 3,539.9 billion at the end of 3Q 2022 (HUF +643.3 billion y/y).

2.2.3 Financial assets

The **portfolio of financial assets** decreased slightly by 0.6% during the quarter (HUF -9.0 billion) to HUF 1,624.9 billion at the end of the period.

2.2.4 Deposits and C/A

The **customer deposit portfolio** amounted to HUF 6,491.5 billion at the end of 3Q. The change during the quarter (+3.6% q/q) was characterised by a decrease in **standard segment deposits** (-0.5% q/q), while the **non-standard segment deposit portfolio** increased (+5.6% q/q).

Every business segment contributed to the yearly increase of HUF 751.1 billion (+13.1% y/y): non-standard segment +14.3% y/y; standard segment +8.8% y/y. The attractive year-on-year growth rate clearly reflects the customer's continued confidence in the Bank Group.

2.2.5 Interbank liabilities

The portfolio of **interbank liabilities** amounted to HUF 2,857.6 billion (HUF +430.6 billion q/q; HUF +580.1 billion y/y) at the end of 3Q 2022. The year-on-year increase was primarily due to the MNB's liquidity increasing and economic recovery programmes.

2.2.6 Capital

MKB Group's **capital amounted to HUF 755.3 billion** at the end of 3Q 2022. Capital accumulation continued both in q/q and y/y terms: +3.8% on q/q and +8.7% on y/y basis, significantly increasing the Bank's resilience to external shocks. The HUF 63.2 billion increase since the end of 2021 was also supported by the increase in retained earnings.

2.2.7 Off-balance sheet exposures to customers

MKB Group's **off-balance sheet exposure** was HUF 1,586.6 billion at the end of 3Q 2022, corresponding to a 1.4% (HUF -22.4 billion q/q) decrease on a quarterly basis (+8.1%; HUF +119.0 billion y/y). The year-on-year growth (+106.7% y/y) was mainly attributable to an increase in the volume of other commitments given.

2.3 Capital adequacy

The capital adequacy of MKB Bank Group remains strong, with a **capital adequacy ratio (CAR) of 16.3%** at the end of 3Q 2022, up 12 bps year-on-year. On a quarterly basis, the CAR decreased by 0.6%-pt because the unaudited after-tax profit (typically during the year) is not taken into account in the regulatory capital under the IFRS rules.

The Bank's risk-weighted assets (RWA) increased by 2.6% from the revised HUF 4,004.4 billion at the end of the 2Q of 2022 to HUF 4,107.1 billion (+9.6% y/y), indicating MKB Group's strong customer acquisition capacity.

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

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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 Non-standard business

The Bank Group's non-standard segment comprises the management of the medium and large corporate, the agricultural, the Treasury, the investment service and private banking business areas.

Based on its traditional strengths – strengthen via the successful legal merger of Budapest Bank and MKB Bank – it is MKB's strategic goal to maintain and to continue developing its strong corporate business line, focusing on local knowledge, professional services, consultative sales and innovative solutions.

In addition to conventional product sales, MKB Bank provides complex business solutions, develops complex loan structures as necessary, and satisfies its customers' special financial needs. MKB Bank is able to provide all of its individually managed corporate customers, regardless of customer size, with effective and efficient individually tailored solutions.

Due to changes in the environment and among subsidised loan product structure, the companies' demand for loans first declined then quickly recovered in 3Q 2022. MKB Bank continues to participate in the subsidised and refinanced loan programmes and guarantee schemes comprised in the various – modified – economic recovery packages in 2022 as well; these have generated significant demand among customers since their introduction.

MKB Group's loan portfolio in standard business line totalled HUF 2,576.8 billion including the impact of the acquisition of the Sberbank portfolio, which represents an increase of 25,9% (+HUF 529.5 billion) compared to the same period of the previous year (+16.5% q/q). The corporate loan portfolio has experienced an impressive growth, partly due to some individual large transactions and partly due to the change in the exchange rate.

Among the corporate loans, the portfolio of non-financial enterprises (based on the segmentation as per the MNB's statistics requirements) amounts to HUF 2,362.9 billion, corresponding to an increase of +9.9% quarter-on-quarter (HUF +213.0 billion) and +19,2% (HUF +380,9 billion) year-on-year. The loans disbursed to non-financial corporations amounted to HUF 130.9 billion in the quarter under review, resulting in a market share of 13.1%.

The gross loan portfolio of large non-financial corporations increased by HUF 81.8 billion to HUF 681.3 billion (+13.6% q/q). The loan portfolio of medium-sized enterprises increased to HUF 1,136.0 billion (+7.6% q/q).

Medium-sized corporate customers were still considered as a key segment in 2022; increasing product penetration here is a priority.

Thanks to the traditionally close cooperation between MKB Bank and Eximbank, customers can benefit from EXIM's funding sources; in 3Q(Y) 2022 the Bank's market share of total refinanced disbursements was 21.8%.

MKB Bank Group is also considered as one of the most significant market player among the Széchenyi Kártya subsidised loan programs. After this pinnacle, the decreasing loan demand was quickly recovered by the announcement of Széchenyi Kártya MAX loan product group as of August 1st. MKB

Bank Group's business expectation to reach equally high penetration in these products as the previous Széchenyi Kártya products.

Relying on its customer base, MKB Bank Group achieved a significant increase in the deposit portfolio year-on-year. The expansion of corporate deposits was supported by the economic recovery programs of the government and the National Bank of Hungary, as well as the corporate liquidity puffer due to the moratorium.

The non-financial corporate deposit portfolio (based on the segmentation as per the MNB's statistics requirements) increased by 10.2% y/y to HUF 2,742.9 billion (HUF +253.8 billion y/y). The portfolio increased by 1.8% quarter-on-quarter, resulting in a market share of 17.8% at the end of September, 2022.

The number of corporate customers managed by the non-standard business line was nearly 43,000 at the end of 3Q 2022, up 4.7% quarter-on-quarter partly as a result of resegmentation (from standard micro to non-standard agricultural segment).

The first phase of the merger of the Private Banking business branch was successfully completed. As a result of the formation of a consolidated national network, the Bank established dedicated private banking service centers in several locations in Budapest and in nearly twenty locations nationwide. In addition to the easier personal contact, the business continues to provide the possibility of a call center, covering all its services.

The services provided to clients have been further expanded: a new, internationally recognized market participant's investment funds will be available in MKB's Private Banking, while the Bank's structured product program offers an increasing number of capital-guaranteed solutions. In 2022, MKB Private Banking won the title of "Hungarian private banking service provider of the year in the succession planning category" awarded by the prestigious Euromoney for the development of services related to family wealth planning. At the Private Banking Hungary award ceremony, MKB Private Banking gained second place in the "Private Banking Service Provider of the Year" category.

Up till now in 2022 the Bank generated an extremely high turnover in structured bonds typically issued in foreign currency – affording capital protection – and sold mostly to premium and private banking customers.

2.4.2 Standard business

The Bank Group's standard business line caters for customers whose needs can be efficiently managed through pre-defined sales processes, with variants of the standard product range. They include retail, as well as micro and small corporate customers; product development and service for such customers, as well as the management of the digital transformation of the newly created large bank regarding such customers also form part of this business line's responsibilities.

In the standard business line the Bank Group's aims include strengthening its market positions, attracting new customers and providing market leading services through its extensive branch network, digital services, as well as a universal – all inclusive – range of products and services, while accomplishing high levels of customer satisfaction and customer experience.

In the wake of the merger of Budapest Bank and MKB Bank several new account packages have been introduced for customers opening accounts with the merged MKB Bank or Takarékbank. In accordance with the Bank's long-term strategy, the new products offer a wide range of account keeping services, even without conditions linked to income or savings. The new account facilities are specifically tailored to the needs of younger customers and offer favourable terms and conditions for employees of companies having signed partnership contracts with MKB Bank. In 3Q 2022 new account packages have been added to the existing product range designed for special target groups like 'Gyámhatósági' bank account or 'Zsebpénz' account available for the youngest clients. In addition to the branches of MKB and Takarékbank, accounts can be opened online as well.

The business line pays particular attention to meeting customer needs in full. To reach this, the Bank typically provides various preferential terms and conditions to promote the use of products and services in addition to account management.

Concerning deposit cards, all Intra-group ATM services have been made available to the customers of the member banks during the merger process for a lower fee, which is applied to the institution's own ATMs.

During the technical switch-over, as part of the merger process, the Bank continuously enabled its customers' bank card use. High priority was given to minimising any restriction on card use. During the merger processes special emphasis was laid on ensuring access to services previously unavailable to the customers of the various member banks (e.g. Metal bank card and Concierge service).

In relation with the MKB SZÉP Card the cancellation of the exemption from social security contributions and the reset of the annual limit of HUF 450,000 for grant as fringe benefits have been reduced the received allowances while accepting the Card for the purchase of cold food has been increased the spendings. Thus the asset managed on the account dropped substantially, by 36% compared to 2Q 2022.

The closing volume of deposits in the retail segment was HUF 2,999.5 billion, which means an increase of 8.8% (HUF +242.4 billion y/y) in a year-on-year comparison. It clearly reflects the customers' continuous trust in the Bank Group. At the same time, the changing inflation and yield environment had a significant impact on third quarter performance. The popularity of various securities remained undiminished, resulting in a modest quarter-on-quarter decline in deposits of 0.5%.

The volume of MKB Group's retail loans (based on segmentation according to the MNB's statistics criteria) at the end of 3Q 2022 amounted to HUF 1,562.1 billion, which represents an increase of HUF 143.3 billion compared to the previous quarter and HUF 174.9 billion compared to the same period last year. Both mortgage-backed loans and unsecured loans contributed positively to the year-on-year increase.

The closing portfolio of secured loans amounted to HUF 932.5 billion at the end of the quarter (HUF +27.6 billion q/q, HUF +48.4 billion y/y). Despite the downward trend in the real estate market and the increasing interest rates MKB Bank was able to maintain its market share in mortgage lending. The portfolio of consumer and other unsecured loans increased by 22.5% compared to the previous quarter, thus amounting to HUF 629.5 billion at the end of the period (+126.5 billion y/y). In terms of personal loans, the market share increased at the beginning of the period, with the trend of new lending fully reflected in both admissions and disbursements.

Under the cooperation with Magyar Posta (Hungarian Post) MKB Bank has expanded further the sale of credit cards in the last quarter, as a result of which 'ÉnPostám' credit card is avalaible at 200 post offices countrywide. As of July 1, 2022 a new premium credit card has been launched in the branch network, which is named GO! Platinum credit card. The new card is primarily designed to meet the special needs of premium segment and private banking clients.

Within the framework of a strategic cooperation with CIG Pannónia Group, CIG Pannónia Insurance has agreed with BNP Paribas Cardif Life Insurance Ltd. and BNP Paribas Insurance Ltd. to transfer the group insurance contracts concluded between Budapest Bank Zrt., the legal predecessor of MKB Bank and BNP Cardif Insurance to CIG Pannónia Insurance as of 1 September 2022 in order to provide full customer service.

MKB Bank, together with Sberbank's loan portfolio, will also manage group credit insurance relating to the loans, for which it has started the appropriate legal, process and system engineering preparations.

Micro and small business segment: In 3Q 2022, the main focus was on the full launch of the new Széchenyi Card MAX programme products. Considering that a significant part of the micro and small business lending volume is done through this scheme, the launch and disbursement was prioritised.

MKB was one of the first banks to join the programme and start accepting and processing transactions. A significant number of applications have been received and disbursement has started.

Due to the delay in the finalisation of the Széchenyi Card MAX programme, it was necessary to provide the possibility to roll over the expiring framework transactions. In parallel with the evolution of the rollover deadlines and possibilities, the bank has updated the internal use options.

The risk harmonisation of MKB and Takarékbank has started through the products of the new Széchenyi Card MAX programme. Within this framework, important steps have been taken in order to converge rating of customers.

After the legal merger of Budapest Bank and MKB Bank, a new family of account packages was introduced in the micro and small business segment, which facilitates both acquisition and customer retention, and which can be properly calibrated to the customer's operations and transaction habits, and makes monthly banking costs predictable.

In addition, most of the tasks resulting from the legal merger in April have been completed and the next tasks related to the merger of Takarékbank and MKB, such as the harmonisation of processes and pricing methodologies, have started.

Within non-financial corporations, the loan portfolio of microenterprises stood at HUF 518.7 billion (+37.0 billion p/p; +26.3% y/y) at the end of the period.

In 3Q 2022, MKB Bank continued to focus on the continuous improvement of **customer service** quality and the modernisation of its physical presence, especially the customer areas. By standardising branch processes and homogenising the service model, customer satisfaction was further improved. Ongoing information to the branch network, high quality professional materials and training, and the implementation of a new internal platform have made operations even more efficient.

As in previous quarters, the branch network operated in line with the current epidemic situation and the corresponding health measures. The Bank continued to place great emphasis on the safety of its customers and colleagues, with protective equipment and advisory desks with Plexiglass were still used in all branches.

Following the merger of Budapest Bank and MKB Bank on 1 April 2022, the Bank reviewed the operation of the branch network expanded in 2Q, the location and design of the branches in 3Q. In order to provide a higher level of customer service, the modernisation of branches and the optimisation of geographical locations has also started at Group level. The branch network focused intensively on communicating information on modernisation, as it did earlier in the communication with customers on merger-related changes.

In 3Q, the improvement of customer service quality was strengthened in the branch network, based on customer experience surveys and mystery shopping results.

The Bank has paid particular attention to serving and informing Sberbank's customers. As part of the takeover of Sberbank's loan portfolio, the Bank offered new customers various discounts, ensuring conditions similar to their previous terms.

2.4.3 Leasing activities

Some major players in the leasing market, Euroleasing Zrt., Budapest Lízing Zrt. and Takarék Lízing Zrt., are part of the consolidated MKB Group.

As an important step in the merger process, MKB-Euroleasing, Budapest Lízing, Takarék Lízing, Budapest Bank and the Car Financing business of Budapest Bank (from April 2022 MKB Bank) continue to operate as an integrated unit under the name Euroleasing from the first day of 2022. The importance of the transaction is shown by the company's nationwide network, approximately 110,000 customers and its market share of over 20% based on the newly leased aggregate leasing portfolio. New loan and leasing services will be provided mainly by Euroleasing Zrt., while contracts signed before 1 January 2022 will continue to be managed by the original leasing companies.

The leasing portfolio of the member companies of MKB Group amounted to HUF 532.1 billion as of 30 September 2022, which is higher by HUF 4.6 billion than in the previous quarter, despite the unfavourable market conditions in 2022.

As a measure also affecting the leasing portfolio, the Government, in its Government Decree 292/2022 (8 August) issued on 8 August 2022, granted a moratorium on payments for agricultural credit and loan agreements and financial leasing contracts of agricultural farmers between 1 September 2022 and 31 December 2023. Customers were able to declare their intention to enter the moratorium until 15 September 2022. Approximately 2.8% of the leasing portfolio of MKB Group is affected by the agricultural moratorium. The Group pays considerable attention to monitoring and tracking the portfolios of customers who have left or stayed in previous moratoria in order to reduce potential losses.

As of the 3Q 2021, the international trends (chip shortages, slowing supply chains) which are having a strong negative impact on both the sales and financing markets, have become apparent in the Hungarian car sales market and, through it, the car financing market. However, the financing market in 4Q 2021 and 2022 was boosted by the introduction of the subsidised Széchenyi Leasing GO! and Széchenyi Leasing MAX products, which pushed a significant number of cash buyers to the financing market in the relevant segments. In addition to the previous negative factors, the Ukrainian-Russian war also has a negative impact on the manufacturing and sales of new cars, and thus on the financing market. The general trend of rising interest rates is reducing demand for financing, while rising prices are having a negative impact on the sales market.

In the first half of 2022, the portfolio of stock financing continued to decline, followed by a slight increase in the stock financed, mainly due to a significant increase in the price of financed vehicles. Stock financing exposures remain well diversified, both in terms of manufacturers (brands) and dealer partners. The ageing and turnover rate of financed stocks is favourable.

We have further strengthened our market position in the agricultural machinery and vehicles financing segment. We are the market leader in that segment.

The large commercial vehicle financing segment, where we have also established a solid market leadership, has grown significantly compared to the same period in 2021.

Supply chain disruptions and shortages of essential raw materials and parts, price increases and an unfavourable interest rate environment could have a similar negative impact on the asset finance market in 2023 as they have already had on the motor vehicle sales market. The market segment will be significantly impacted by government support programmes.

2.4.4 Investment services and Treasury activities

Inflation continued to accelerate in the eurozone, the United States and also Hungary in the third quarter, partly fuelled by the war between Russia and Ukraine. In response to that, central bank tightening and concerns over the energy crisis have kept market volatility high, while yields have continued to rise and the HUF has reached new lows against major currencies.

Treasury Trading and Sales activities

The member banks were very active in the foreign exchange and bond markets. In the case of Treasury **Trading**, the market environment, which was seeking direction with significantly higher than usual volatility, contributed positively to profitability, with above-target performances in both FX and interest rate products. As the Treasury Trading business is directly affected by the transformations within the MKB Group, the area has focused in the last quarter on developing an operational structure adapted to the changing environment and on implementing various forward-looking IT developments.

Due to market trends and exchange rate volatility, spot and derivative transactions continued to increase and spreads widened, resulting in the **Sales** business of both MKB Bank and Takarékbank significantly exceeding the planned and the previous quarters' revenue, thus posting a total profit of HUF 3.5 billion on this line. At the same time, the organisational model has made significant progress towards a new banking group-level segmentation, which has enabled Treasury to support the acquisition and increase product penetration in a consistent manner.

Investment services

The first milestone in the implementation of the strategy for the merger of the member banks of Magyar Bankholding was the merger of Budapest Bank Zrt. into MKB Bank Nyrt. on 31 March 2022. In the second phase, Takarékbank will join the bank merged in 2022 in spring 2023. As a result of the merger of Budapest Bank and MKB Bank, Budapest Alapkezelő Zrt., the fund manager of Budapest Bank, became 100% owned by MKB Bank, while MKB-Pannónia Alapkezelő Zrt. remained a minority participation of MKB Bank.

The aim of the two-stage merger of the member banks of the MKB Group is to move from the current group-level operation towards a full operational merger, in a way that the Group takes maximum account of the dynamically growing needs of its member bank customers and smooth service expectations.

In line with the strategy of the MKB Group, the owners decided to merge the two Fund Management Companies with the aim of enhancing the customer experience, providing outstanding service quality and setting the Fund Manager on a stable and predictable growth path. This will be based on the uniquely broad customer base following the merger of the 3 member banks, as well as on products and services built on customer-centred digital solutions as set out in the strategy of the MKB Group.

The legal merger of the two fund management companies (Budapest Fund Management and MKB-Pannónia Fund Management) was completed on 31.08.2022, during which MKB-Pannónia Alapkezelő

Zrt. merged into Budapest Alapkezelő Zrt. The merged entity will continue to operate under the name MKB Alapkezelő Zrt. The merged fund manager is 75.54% owned by MKB Bank.

After the merger, at the end of 3Q 2022, the assets under the management of MKB Alapkezelő Zrt. amounted to HUF 1,216 billion, held in investment funds, institutional assets and private equity funds. Of the total portfolio of the investment funds, HUF 595.5 billion was held in public open-ended funds, which showed an increase of nearly 10% (HUF 52.4 bn) compared to the previous quarter, mainly due to capital inflows into short-term bond funds.

The Investment Services business line continues to focus on retail securities, more specifically the sale of government securities. In the changing inflation and yield environment, inflation-indexed retail securities (PMÁP) replaced the previously more popular MÁP+ in customer demand and hence sales, (the sale of the new government papers, which can be subscribed from the end of September, was a smash success, with MKB and MTB network sales of HUF 164 billion). In addition, the sale of fixed-rate bonds with maturities of over one year and discount treasury bills has also become increasingly important.

Following the merger in March 2022, the range of investments has been further expanded, with customers now able to choose from a larger number of third-party and proprietary investment funds, which are best suited to their interests and risk appetite.

Demand for individual equity investments was particularly strong in the first half of the year, as more investors saw opportunities to buy low-priced assets, complemented in the third quarter by active trading in foreign exchange markets. The volatility of exchange rates is attracting an increasing number of investors to this market segment, resulting in a steady increase in the volume of FX products traded.

A further strong feature of the third quarter was the rebalancing as short and medium-term uncertainties intensified and investors turned to money market, short bond and interest bearing government securities which offer increasingly higher nominal yields by selling equity-type funds. MKB Alapkezelő Zrt., which was created by merger in 3Q, offers an adequate and broad range of products in the former.

2.5 Performance of key members and subsidiaries of MKB Group[6]

2.5.1 MKB Bank Nyrt.

MKB Bank Nyrt. is one of the oldest member of the Hungarian banking system. Combining its 70 years of experience with advanced digital banking solutions, it provides both retail and corporate customers with professional services at the highest standards. The bank is on a dynamic growth trajectory, with advanced digital foundations and strategy, has traditionally strong large corporate and private banking clientele, and robust consultancy and analyst capabilities. As a result of the merger, these were complemented, based on Budapest Bank's dominant domestic positions, by a strong small corporate financing and deposit management profile; retail personal loans, commodity lending as well as an ecosystem beyond banking services.

[6] Unadjusted (non-normalized) data. The values contain data compiled according to accounting regulations, except in the case of a different marking. Takarék Mortgage Bank publishes stock-exchange reports on semi-annual basis, thus the present MKB report excludes the Mortgage Bank's figures.

At the end of 3Q 2022, the Bank's total assets amounted to HUF 7,595.2 billion, comprising the previous portfolios of Budapest Bank merged into the Bank at the end of March 2022. MKB Bank's profitability was favourable during the first three quarters of 2022, despite the special extra profit tax paid. Profit after tax amounted to HUF 71.5 billion, while the total comprehensive income for the year under review amounted to HUF 85.8 billion.

Table 4: Individual financial statements of MKB Bank Nyrt. according to IFRS - Balance sheet

BALANCE SHEET	**MKB**	
in HUF million	**30/09/2021**	**30/09/2022**
Cash, claims on central bank and other sight deposits	362 064	300 870
Available-for-sale financial assets	64 526	425 181
Not-for-sale financial assets mandatorily measured at fair value through profit/loss	8 138	196 916
Financial assets at fair value through other comprehensive income	447 741	442 090
Financial assets at amortized costs	2 158 057	5 691 881
Financial derivatives - assets	0	69 913
Change in the fair value of items hedged for the interest rate risk of the portfolio	0	-59 992
Investments into affiliated and associated companies	48 675	406 009
Tangible assets	14 125	31 139
Goodwill and other intangible assets	25 298	46 469
Deferred tax assets	6 178	6 111
Other assets	18 786	38 637
Invested assets categorised as held for sale and disposal groups	23	0
Total assets	**3 153 609**	**7 595 223**
Available-for-sale financial liabilities	22 548	213 781
Financial liabilities at amortized costs	2 870 733	6 564 970
Provisions	3 868	10 880
Tax liabilities	1 804	115
Other liabilities	17 688	40 059
Total liabilities	**2 916 641**	**6 829 806**
Share capital	100 000	311 320
Paid-in capital on top of face value	21 729	301 105
Accumulated other comprehensive income	-23 536	-35 255
Accumulated profit reserve	84 805	90 618
Other reserves	0	26 089
Profit/loss for the year	53 970	71 539
Total shareholders' equity	**236 968**	**765 417**
Total liabilities and shareholders' equity	**3 153 609**	**7 595 223**

Table 5: Individual financial statements of MKB Bank Nyrt. according to IFRS - Income statement

P&L	MKB	
in HUF million	2021 Q3(Y)	Q3(Y) 2022
Interest income	53 834	301 072
Interest expense	21 248	160 227
Net interest income	**32 587**	**140 845**
Fee and commission income	23 769	54 865
Fee and commission expense	4 778	14 243
Net fee and commission income	**18 990**	**40 622**
Dividend income	2 991	4 020
Profit/Loss on derecognition of financial assets and liabilities valued not at fair value through profit and loss	6 068	-24 793
Profit on financial assets and liabilities available for sale	50 445	151 156
Profit/Loss from not-for-sale financial assets mandatorily measured at fair value through profit/loss	-48	-8 284
Profit/Loss arising from hedging operations	0	5 552
Exchange rate difference profit or (-) loss, net	-2 329	-84 352
Net trading result	**57 127**	**43 298**
Net depreciation of non-financial assets	5	207
Net other operating revenue	3 683	2 084
Net other operating expenses	3 996	3 335
Operating income	**108 395**	**223 721**
Operating costs	47 976	120 373
Provisioning and deprovisioning	1 297	3 371
Net depreciation of financial assets and liabilities valued not at fair value through profit and loss	-1 976	13 296
Impairment/impairment reversal on investment into subsidiaries, joint and associated companies	147	-2 662
Net depreciation of non-financial assets	0	0,266
Gains or (-) losses on non-discontinued non-current assets held for sale and disposal groups	-3	9
(Financial contribution to resolution and deposit insurance funds)	1 579	3 030
Profit/Loss on reclassification	-412	-4 045
Profit/Loss before tax	**58 956**	**82 278**
Income tax	4 986	10 739
Profit/Loss for the period	**53 970**	**71 539**
Other comprehensive income	-19 976	-11 685
Total comprehensive income	**33 994**	**59 854**

2.5.2 Takarékbank Zrt.

Takarékbank Zrt is a commercial bank with nationwide coverage. On 31st October 2019 the legal merger of 11 savings cooperatives and 2 banks brought to completion a nearly five-year process combining nearly 120 savings cooperatives in a single bank. As a modern universal bank, its values consistently include its former savings cooperative flexibility and customer orientation, combining their 150-year traditions with up-to-date innovative commercial banking practices in the best possible way.

Takarékbank's total assets increased by HUF 408.2 billion in one year to HUF 3,607.8 billion at the end of 3Q 2022, while its shareholders' equity had grown to HUF 212.1 billion. Takarékbank's profit after taxes amounted to HUF 14,826 million. The other comprehensive income was a loss of HUF 9,098 million, as a result of the current year's total comprehensive income was HUF 5,729 million in 2022.

Table 6: Individual financial statements of Takarékbank according to IFRS - Balance sheet

BALANCE SHEET in HUF million	TAKARÉKBANK 30/09/2021	30/09/2022
Cash, claims on central bank and other sight deposits	90 441	109 764
Available-for-sale financial assets	2 843	28 459
Not-for-sale financial assets mandatorily measured at fair value through profit/loss	11 698	227 482
Financial assets at fair value through other comprehensive income	130 436	194 415
Financial assets at amortized costs	2 932 691	2 994 906
Financial derivatives - assets	1 769	27 398
Impairment/impairment reversal on investment into subsidiaries, joint and associated companies	4 686	5 081
Tangible assets	9 546	9 130
Goodwill and other intangible assets	3 991	1 600
Deferred tax assets	4 656	6 277
Other assets	6 204	2 674
Total assets	**3 198 961**	**3 607 186**
Available-for-sale financial liabilities	4 154	17 355
Financial liabilities at amortized costs	3 046 200	3 332 492
Financial derivatives - assets	454	489
Provisions	6 704	8 300
Tax liabilities	0	78
Other liabilities	25 434	36 341
Total liabilities	**3 082 947**	**3 395 056**
Share capital	100 260	186 960
Paid-in capital on top of face value	21 647	34 947
Accumulated other comprehensive income	-1 638	-13 527
Accumulated profit reserve	-10 744	-11 995
Other reserves	919	919
Profit/loss for the year	5 569	14 826
Total shareholders' equity	**116 014**	**212 130**
Total liabilities and shareholders' equity	**3 198 961**	**3 607 186**

Table 7: Individual financial statements of Takarekbank according to IFRS - Income statement

P&L in HUF million	TAKARÉKBANK 3Q (Y) 2021	 3Q (Y) 2022
Interest income	61 923	151 837
Interest expense	-8 063	-39 964
Net interest income	**53 860**	**111 874**
Fee and commission income	42 459	49 192
Fee and commission expense	-12 307	-14 260
Net fee and commission income	**30 151**	**34 932**
Dividend income	4	574
Profit/Loss on derecognition of financial assets and liabilities valued not at fair value through profit and loss	1 327	-3 425
Profit on financial assets and liabilities available for sale	-151	22 711
Profit/Loss from not-for-sale financial assets mandatorily measured at fair value through profit/loss	-437	-27 404
Profit/Loss arising from hedging operations	-1 316	320
Exchange rate difference profit or (-) loss, net	2 309	-10 187
Impairment/impairment reversal on investment into subsidiaries, joint and associated companies	0	51
Net depreciation of non-financial assets	410	18
Net other operating revenue	1 544	629
Net other operating expenses	-1 777	-911
Operating income	**85 924**	**129 183**
General and administrative expenses	-67 398	-83 493
Cash contributions to resolution funds and deposit guarantee schemes	-2 161	-1 982
Depreciation	-3 774	-3 598
Profit/Loss on reclassification	-264	-3 459
Provisioning and deprovisioning	-358	-2 771
Net depreciation of financial assets and liabilities valued not at fair value through profit and loss	-7 182	-13 610
Impairment/impairment reversal on investment into subsidiaries, joint and associated companies	36	-131
Net depreciation of non-financial assets	180	-14
Gains or (-) losses on non-discontinued non-current assets held for sale and disposal groups	380	-51
Profit/Loss before tax	**5 385**	**20 073**
Income tax	-258	-5 246
Profit/Loss for the period	**5 127**	**14 826**
Profit for the year from discontinued operations	443	0
Profit/Loss for the period	**5 569**	**14 826**

Profit/Loss for the period	**5 569**	**14 826**
Other comprehensive income	-1 922	-9 098
Total comprehensive income	**3 648**	**5 729**

2.5.3 MTB Zrt.

MTB Magyar Takarékszövetkezeti Bank was established in 1989 as an umbrella bank and corresponding bank of 236 integrated savings cooperatives (later referred to as cooperative credit institutions). The Bank supported the savings cooperatives' business operations with its banking authorisations which the savings cooperatives did not have (borrowing funding for refinancing, keeping accounts with the central bank, executing currency transactions). Out of its preceding business functions from 2020 it only operated the Treasury and the investment service business lines and it also functioned as the central manager of the Takarék Group.

At the end of 3Q 2022 MTB's total assets and shareholders' equity amounted to HUF 1,530.8 billion and HUF 35.1 billion, respectively. The Bank’s profit after taxes amounted to HUF 725 million. The other comprehensive income was a loss of HUF 142 million, as a result of the current year's total comprehensive income was HUF 583 million in 2022.

Table 8: Individual financial statements of MTB according to IFRS - Balance sheet

BALANCE SHEET in HUF million	**MTB**	
	30/09/2021	**30/09/2022**
Cash, claims on central bank and other sight deposits	442 458	143 829
Available-for-sale financial assets	59 337	145 537
Not-for-sale financial assets mandatorily measured at fair value through profit/loss	21 373	11 656
Financial assets at fair value through other comprehensive income	212	44 239
Financial assets at amortized costs	1 024 108	1 055 969
Financial derivatives - assets	0	0
Investments into affiliated and associated companies	203 289	107 794
Tangible assets	3 302	2 574
Goodwill and other intangible assets	1 705	1 826
Deferred tax assets	304	455
Other assets	22 863	15 589
Invested assets categorised as held for sale and disposal groups	0	1 320
Total assets	**1 778 951**	**1 530 788**
Available-for-sale financial liabilities	23 422	108 849
Financial liabilities at amortized costs	1 706 988	1 358 893
Financial derivatives - assets	410	1 534
Provisions	793	638
Tax liabilities	0	34
Other liabilities	8 031	25 736
Total liabilities	**1 739 645**	**1 495 685**
Share capital	3 390	3 390
Paid-in capital on top of face value	3 479	3 479
Accumulated other comprehensive income	-1 354	-1 540
Accumulated profit reserve	23 704	26 051
Other reserves	5 276	5 536
(-) Own shares	-2 539	-2 539
Profit/loss for the year	7 349	725
Total shareholders’ equity	**39 306**	**35 103**
Total liabilities and shareholders’ equity	**1 778 951**	**1 530 788**

Table 9: Individual financial statements of MTB according to IFRS - Income statement

P&L (HUF million)	MTB 3Q (Y) 2021	MTB 3Q (Y) 2022
Interest income	16 667	47 178
Interest expense	-11 275	-50 417
Net interest income	**5 392**	**-3 240**
Fee and commission income	9 219	12 815
Fee and commission expense	-5 438	-10 510
Net fee and commission income	**3 781**	**2 305**
Dividend income	5 353	14
Profit/Loss on derecognition of financial assets and liabilities valued not at fair value through profit and loss	3 372	638
Profit on financial assets and liabilities available for sale	2 442	14 536
Profit/Loss from not-for-sale financial assets mandatorily measured at fair value through profit/loss	522	15
Profit/Loss arising from hedging operations	-2 028	-887
Exchange rate difference profit or (-) loss, net	3	-7 115
Impairment/impairment reversal on investment into subsidiaries, joint and associated companies	0	1 134
Net depreciation of non-financial assets	1 014	1 064
Net other operating revenue	7 263	6 452
Net other operating expenses	-2	-418
Operating income	**27 112**	**14 498**
General and administrative expenses	-13 201	-14 746
Cash contributions to resolution funds and deposit guarantee schemes	-785	-729
Depreciation	-974	-1 236
Provisioning and deprovisioning	-21	450
Net depreciation of financial assets and liabilities valued not at fair value through profit and loss	-63	-155
Impairment/impairment reversal on investment into subsidiaries, joint and associated companies	-4 393	11
Net depreciation of non-financial assets	13	-5
Gains or (-) losses on non-discontinued non-current assets held for sale and disposal groups	-252	4 810
Profit/Loss before tax	**7 438**	**2 898**
Income tax	-88	-2 173
Profit/Loss for the period	**7 349**	**725**

Profit/Loss for the period	**7 349**	**725**
Other comprehensive income	-285	-142
Total comprehensive income	**7 064**	**583**

2.6 Awards and recognitions

MKB Private Banking won multiple awards at Blochamps Capital's Private Banking Hungary 2022 ceremony. Private Banking Director Pleschinger Gyula Márk was named 'Business Developer of the Year' and also received the first prize in the category 'Assets under Management per Client'.

MKB Group's banking security and IT professionals were named 'Information Security Incident Management Team of the Year, 2022' at the ITBN Conf-Expo.

Declaration

MKB Bank Nyrt. (hereinafter Bank) issues the following declaration in relation to its report on the 3Q 2022 results:

The Bank declares that the Report has been prepared in compliance with the applicable accounting regulations. The 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 Report.

Budapest, 29 November 2022

MKB Bank Nyrt.

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

3 FINANCIAL FIGURES

3.1 Correction factors 3Q (Y) 2022

in HUF million	3Q 2022 Accounting Report	3Q 2022 Accounting Report Merger entities	3Q 2022 Pro-forma accounting Report	Structure corrections	Business corrections		COVID-19 effects	Adjusted PAT
					Banking tax and other taxes	Non-core one-offs	COVID-19 related expenditures	
Interest income	409 474	65 641	475 115	-8 569	0	0	0	466 546
Interest expense	-175 805	-14 790	-190 594	10 191	0	0	0	-180 403
Net interest income	**233 669**	**50 852**	**284 521**	**1 622**	**0**		**0**	**286 142**
Net income from commissions and fees	36 801	13 820	50 621	3 375	0	0	0	53 997
Other operating income / (expense), net	12 445	-3 523	8 922	-7 703	0	0	0	1 219
Impairments and provisions for losses	-36 570	-5 082	-41 653	9 871	0	0	5 008	-26 774
Operating expenses	-129 954	-33 295	-163 250	-2 015	0	21 072	0	-144 192
Share of jointly controlled and associated companies' profit / (loss)	1 169	96	1 265	0	0	0	0	1 265
Banking tax	-34 691	-5 276	-39 967	-5 150	36 788	0	0	-8 330
Profit / (Loss) before taxation	**82 868**	**17 591**	**100 459**	**0**	**36 788**	**21 072**	**5 008**	**163 327**
Income tax expense / (income)	-6 528	-1 346	-7 874	0	-3 311	-1 896	-451	-13 532
PROFIT/ (LOSS) FOR THE YEAR	**76 341**	**16 245**	**92 586**	**0**	**33 477**	**19 175**	**4 558**	**149 795**
Other comprehensive income	-11 030	-6 412	-17 443	0	0	0	0	-17 443
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**65 310**	**9 833**	**75 143**	**0**	**33 477**	**19 175**	**4 558**	**132 353**

Company name: MKB Bank Nyrt.
Address: 1056 Budapest, Váci u. 38.
Sector: Other monetary activity
Reporting period: 01.07.2022-30.09.2022
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Fax: +36 (1) 268-7555
E-mail address: investorrelations@mkb.hu
Investors' contact person: Dóra Bertalan

in HUF million	3Q 2022 Quarterly Report	Structure corrections Assets: Custormer loans and other assets reclassification	Custormer loans and interbank loans reclassification	Securities and interbank loans reclassification	Adjusted BS structure
Total Assets	**10 939 765**	**0**	**0**	**0**	**10 939 765**
Cash reserves	85 269				85 269
Loans and advances to banks	1 540 440		-775	9	1 539 674
Trading portfolio	569 259				569 259
Securities	3 484 718			-9	3 484 708
Loans and advances to customers	4 849 500	-10 498	775		4 839 777
Other assets	165 384	10 427			175 811
Investments in jointly controlled entities and associates	78 337				78 337
Intangibles, property and equipment	166 858	71			166 929
Total liabilities and equity	**10 939 765**	**0**	**0**	**0**	**10 939 765**
Total liabilities	**10 184 494**	**0**	**0**	**0**	**10 184 494**
Amounts due to other banks	2 857 644				2 857 644
Deposits and current accounts	6 491 510				6 491 510
Derivate financial liabilities	258 617				258 617
Other liabilities and provisions	196 683				196 683
Issued debt securities	380 040				380 040
Shareholders' Equity	**755 272**	**0**	**0**	**0**	**755 272**
Share capital	311 320				311 320
Reserves	412 269				412 269
Non-controlling interests	31 682				31 682

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

3.2.1 Income statement

in HUF million	3Q 2021(Y)	3Q 2022(Y)
Interest income	58 165	409 474
Interest expense	20 981	175 805
Net interest income	**37 184**	**233 669**
Net income from commissions and fees	17 905	36 801
Other operating income / (expense), net	41 942	(22 246)
Impairments and provisions for losses	(1 100)	36 570
Operating expenses	39 526	129 954
Share of jointly controlled and associated companies' profit / (loss)	1 106	1 169
Profit / (Loss) before taxation	**59 711**	**82 868**
Income tax expense / (income)	(5 166)	(6 528)
PROFIT/ (LOSS) FOR THE YEAR	**54 545**	**76 341**
Other comprehensive income	(19 976)	(11 030)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**34 569**	**65 310**

Company name: MKB Bank Nyrt.
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3.2.2 Balance sheet

in HUF million	3Q 2021	3Q 2022
Assets		
Cash reserves	341 042	85 269
Loans and advances to banks	50 271	1 540 440
Trading portfolio	52 340	569 259
Securities	1 404 638	3 484 718
Loans and advances to customers	1 204 973	4 849 500
Other assets	26 638	165 384
Investments in jointly controlled entities and associates	5 563	78 337
Intangibles, property and equipment	56 638	166 858
Total assets	**3 142 103**	**10 939 765**
Liabilities		
Amounts due to other banks	691 939	2 857 644
Deposits and current accounts	2 085 399	6 491 510
Derivate financial liabilities	18 244	258 617
Other liabilities and provisions	58 626	196 683
Issued debt securities	43 547	380 040
Total liabilities	**2 897 755**	**10 184 494**
Equity		
Share capital	100 000	311 320
Treasury Shares	0	0
Reserves	144 348	412 269
Total equity attributable to equity holders of the Bank	**244 348**	**723 589**
Non-controlling interests	0	31 682
Total equity	**244 348**	**755 272**
Total liabilities and equity	**3 142 103**	**10 939 765**

3.2.3 Cash flow

in HUF million	2022
Cash flow from operations	
Pre-tax profit/(loss)	**93 954**
Adjusting events	
Depreciation and impairment of tangible assets and intangible assets	16 064
Net realized gains on the sale of tangible assets	(512)
Impairment of loans and contingent liabilities	30 065
Impairment of non-financial instruments (release of impairment)	35
Changes in other provisions	8 992
Unrealized remeasurement gains (remeasurement of trading and derivatives)	(191 222)
Profit or loss of associates	(1 169)
Interest received	(409 472)
Interest paid	175 803
Dividend received	(716)
FX change	99 808
Cash flow from pre-tax operating results prior to changes in operating assets and liabilities	**(178 370)**
Changes in financial assets and liabilities at fair value through profit or loss	(138 227)
Changes in financial assets and liabilities measured through other comprehensive income	186 344
Changes in assets and liabilities measured at amortized cost	(345 570)
Changes in hedge accounting	(30 012)
Changes in other assets	(43 370)
Changes in other liabilities	(59 567)
Interest received	409 472
Interest paid	(175 803)
Changes in operating assets and liabilities	**(196 733)**
Income tax	(23 279)
Net cash flow from operations	**(398 382)**
Cash flow from investment and improvement activity	
Changes in cash and cash equivalents due to business combination	428 929
Changes in cash and cash equivalents from the sale of affiliated interest	-
Dividend received	716
Purchase of intangible assets and tangible assets	(23 048)
Amount from the sale of tangible assets	(5)
Net cash flow from investment and improvement activity	**406 592**
Cash flow from financing activities	
Capital increase	185 000
Dividend paid	-
Net cash flow from financing activities	**185 000**
Changes in cash and cash equivalents	**193 210**
o.w. effect of reclassification	
Cash and cash equivalents at the beginning of the period	310 855
Impact of exchange rate changes	(99 808)
Cash and cash equivalents at the end of the period	404 257
Changes in cash and cash equivalents	**193 210**

Company name: MKB Bank Nyrt.
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Investors' contact person: Dóra Bertalan

in HUF million	2022
Pre-tax profit/(loss)	**93 954**
Adjusting events	(272 324)
Cash flow from pre-tax operating results prior to changes in operating assets and liabilities	**(178 370)**
Changes in operating assets and liabilities	**(196 733)**
Income tax	(23 279)
Net cash flow from operations	**(398 382)**
Net cash flow from investment and improvement activity	**406 592**
Net cash flow from financing activities	**185 000**
Changes in cash and cash equivalents	**193 210**
o.w. effect of reclassification	
Cash and cash equivalents at the beginning of the period	310 855
Impact of exchange rate changes	(99 808)
Cash and cash equivalents at the end of the period	404 257
Changes in cash and cash equivalents	**193 210**

Company name: MKB Bank Nyrt.
Address: 1056 Budapest, Váci u. 38.
Sector: Other monetary activity
Reporting period: 01.07.2022-30.09.2022

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3.2.4 Shareholders' assets

in HUF million	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	-	-	-	-	54 545	-	-	**54 545**
Other comprehensive income for the year	-	-	-	-	-	(19 976)	-	**(19 976)**
On 30 September 2021	**100 000**	**-**	**21 729**	**-**	**146 155**	**(23 536)**	**-**	**244 348**
Profit/ (loss) for the year	-	-	-	-	5 437	-	-	**5 437**
Other comprehensive income for the year	-	-	-	-	-	(33)	-	**(33)**
At 31 December 2021	**100 000**	**-**	**21 729**	**-**	**151 592**	**(23 569)**	**-**	**249 752**
Capital increase	75 603	-	109 397	-	-	-	-	**185 000**
Share capital from merging entities	135 717	-	169 979	-	(19 713)	(4 102)	-	**281 881**
Dividend	-	-	-	-	(4 300)	-	-	**(4 300)**
Profit/ (loss) for the year	-	-	-	-	75 279	-	1 062	**76 341**
Other comprehensive income for the year	-	-	-	-	-	(10 758)	(272)	**(11 030)**
First consolidation of subsidiaries	-	-	-	(59 338)	7 544	1 760	36 758	**(13 276)**
Change in scope of consolidation (increase in shareholding, sale)	-	-	-	-	(3 231)	-	(5 865)	**(9 095)**
At 30 September 2022	**311 320**	**-**	**301 105**	**(59 338)**	**207 172**	**(36 669)**	**31 682**	**755 272**

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

3.3.1 Income statement[7]

in HUF million	3Q(Y) 2021	3Q(Y) 2022
Interest income	56 523	301 072
Interest expense	21 250	160 227
Net interest income	**35 273**	**140 845**
Net income from commissions and fees	18 071	40 622
Other operating income / (expense), net	40 895	35 214
Impairments and provisions for losses	(673)	18 049
Operating expenses	35 956	120 373
Share of jointly controlled and associated companies' profit / (loss)	-	4 020
Profit / (Loss) before taxation	**58 956**	**82 278**
Income tax expense / (income)	4 986	10 739
PROFIT/ (LOSS) FOR THE YEAR	**53 970**	**71 539**
Other comprehensive income	(19 976)	(11 685)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**33 994**	**59 854**

[7] Based on the Financial Reporting (FINREP) SF statement prepared for the NBH for 3Q(Y) 2022.

3.3.2 Balance sheet[8]

in HUF million	3Q 2021	3Q 2022
Assets		
Cash reserves	341 042	234 113
Loans and advances to banks	50 269	1 447 381
Trading portfolio	52 397	425 716
Securities	1 404 638	2 236 485
Loans and advances to customers	1 191 904	2 723 163
Other assets	25 262	44 748
Investments in jointly controlled entities and associates	48 675	406 009
Intangibles, property and equipment	39 422	77 608
Total assets	**3 153 609**	**7 595 223**
Liabilities	0	0
Amounts due to other banks	689 277	1 956 096
Deposits and current accounts	2 101 017	4 551 394
Derivate financial liabilities	18 244	213 781
Other liabilities and provisions	62 035	51 055
Issued debt securities	46 068	57 480
Total liabilities	**2 916 641**	**6 829 806**
Equity	0	0
Share capital	100 000	311 320
Reserves	136 968	454 097
Total equity	**236 968**	**765 417**
Total liabilities and equity	**3 153 609**	**7 595 223**

[8] Based on the Financial Reporting (FINREP) SF statement prepared for the MNB for 3Q(Y) 2022.

3.3.3 Shareholders' assets

in HUF million	Share capital	Share premium	Retained earnings	Other reserve	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	-	-	53 970	-	-	**53 970**
Other comprehensive income for the year	-	-	-	-	(19 976)	**(19 976)**
On 30 September 2021	**100 000**	**21 729**	**138 775**	**-**	**(23 536)**	**236 968**
Profit/ (loss) for the year	-	-	(15 094)	-	-	**(15 094)**
Other comprehensive income for the year	-	-	-	17 040	(33)	**17 007**
On 31 December 2021	**100 000**	**21 729**	**123 681**	**17 040**	**(23 569)**	**238 881**
Capital increase	75 603	109 397	-	-	-	**185 000**
Share capital from merging entities	135 717	169 979	(19 714)	-	(4 102)	**281 880**
Reclassification among the components of equity capital*	-	-	(26 089)	26 089	-	**-**
Dividend	-	-	(4 300)	-	-	**(4 300)**
Profit/ (loss) for the year	-	-	71 539	-	-	**71 539**
Other comprehensive income for the year	-	-	-	-	(7 583)	**(7 583)**
On 30 September 2022	**311 320**	**301 105**	**145 118**	**43 129**	**(35 254)**	**765 417**

*Due to the application of uniform accounting policy principles, the general reserve is separated in the other reserve.

3.4 Other information

Consolidated companies

Company	Country of incorporation	Brief description of activities	MKB's share of ownership, total, according to Credit Institutions Act (%)	MKB's share of voting right, total (%)
MKB Befektetési Alapkezelő Zrt.	Hungary, Czech Republic	Fund management	75,54	75,54
Budapest Lízing Zrt.	Hungary	Financial leasing	100,00	100,00
Budapest Eszközfinanszírozó Zrt.	Hungary	Renting and leasing of other machinery, equipment and tangible goods	100,00	100,00
MKB Üzemeltetési Kft.	Hungary	Renting and operating of own or leased real estate	100,00	100,00
Euroleasing Zrt.	Hungary	Financial leasing	100,00	100,00
Retail Prod Zrt.	Hungary	Other credit granting	100,00	100,00
MKB Bank MRP Szervezet	Hungary	Entity operating based on the ESOP Act	100,00	100,00
MTB Magyar Takarékszövetkezeti Bank Zrt.	Hungary	Credit institution, investment and Treasury services	80,55	100,00
Takarékbank Zrt.	Hungary	Universal banking services	89,36	89,36
Takarék Jelzálogbank Nyrt.	Hungary	Issuance of mortgage bonds, refinancing of mortgage loans	88,13	88,33
Takarék Faktorház Zrt.	Hungary	Other credit granting	100,00	100,00
Takinfo Kft.	Hungary	Formerly: computer facilities management activities, now only operation and utilisation of real estates	52,38	52,38
TAKARÉK Lízing Zrt.	Hungary	Other credit granting	100,00	100,00
TAKARÉK Ingatlan Zrt.	Hungary	Management of real estate on a fee or contract basis	100,00	100,00
Takarék Invest Kft.	Hungary	Activities of holding companies	100,00	100,00
MPT Security Magyar Posta Takarék Biztonsági és Logisztikai Zrt.	Hungary	Private security activities	50,00	50,00
MITRA Informatikai Zrt.	Hungary	Data processing, hosting and related activities	87,73	87,73
TIFOR Takarék Ingatlanforgalmazó Zrt.	Hungary	Buying and selling of own real estate	100,00	100,00
TIHASZ Takarék Ingatlanhasznosító Zrt.	Hungary	Renting and operating of own or leased real estate	100,00	100,00
Magyar Strat-Alfa Befektetési Zrt.	Hungary	Buying and selling of own real estate. Renting and operating of own or leased real estate.	50,00	50,00

List and presentation of owners with more than 5% participation

Name	Number of shares	Ownership share (%)	Voting rights (%)
Hungarian Bankholding Ltd.	308 504 991	99.09%	99.09%

Full-time employees

FTE, end of period	30.09.2021	31.12.2021	31.03.2022	30.06.2022	30.09.2022
MKB Bank Nyrt.	4 406,00	4 382,55	4 462,73	4 613,90	4 743,75
MBH	81,05	116,90	60,90	13,55	12,65
MKB Digital Zrt.	216,60	189,75	190,35	168,40	403,80
MKB Üzemeltetési KFt.	47,11	46,51	45,11	30,61	32,61
Eurolízing	178,45	177,60	184,72	195,15	204,37
Alapkezelő	15,85	16,85	16,85	15,25	45,00
Budapest Eszközfinanszírozó Zrt.	8,27	8,07	6,23	3,25	4,25
Budapest Lízing Zrt.	35,15	34,35	33,80	24,50	23,75
MKB Bank MRP Szervezet	2,00	2,00	2,00	2,00	2,00
MTB Zrt.	557,70	533,60	497,47	456,75	419,09
Takarékbank Zrt.	4 174,93	4 187,19	4 074,68	3 919,74	3 686,60
Takarék Jelzálogbank Nyrt.	14,54	14,44	15,41	14,88	14,88
Takarék Központi Követelésbehajtó Zrt.	4,25	0,25	0,25	0,25	0,00
Takarék Faktorház Zrt.	13,78	13,28	11,38	10,38	8,28
Takarék Ingatlan Zrt.	21,38	21,75	22,50	19,63	18,63
Takarék Lízing Zrt.	27,05	27,05	20,74	15,54	15,54
TIFOR Takarék Ingatlanforgalmazó Zrt.	3,98	3,98	3,65	4,05	3,55
TIHASZ Takarék Ingatlanhasznosító Zrt.	37,23	39,93	39,35	37,95	49,45
MATAKEL	0,00	0,00	0,00	0,00	0,00
Takarék Központi Követelés Kezelő Zrt.	58,75	60,50	59,50	58,50	0,00
MKB Group	**9 904,06**	**9 876,54**	**9 747,61**	**9 604,28**	**9 688,20**

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	Dr. Géza Láng[2]	member	04.04.2022	31.08.2022	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
IT	Andrea Mager	member	01.09.2022	31.08.2024	0
FB	Dr. Andor Nagy	Chairman	04.04.2022	12.31.2025	0
FB	Dr. Beáta Erzsébet Bánkuti[3]	member	04.04.2022	31.08.2022	0
FB	Zsigmond Járai	member	04.04.2022	12.31.2025	0
FB	Miklós Vaszily	member	04.04.2022	12.31.2025	0
FB	János Nyemcsok[4]	member	18.05.2021	01.09.2022	0
FB	dr. Géza Láng	member	01.09.2022	12.31.2025	0
FB	Rita Feodor	member	01.09.2022	12.31.2025	0
FB	dr. Péter Magyar	member	01.09.2022	12.31.2025	0
FB, SP	Kitti Dobi	member	26.07.2021	24.07.2026	0
FB	Balázs Bechtold	member	26.07.2021	06.07.2026	0
FB	dr. Ilona Török	member	02.09.2022	31.03.2026	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] Dr. Géza Láng resigned from his Board of Directors membership as of 31st August 2022
[3] Dr. Beáta Erzsébet Bánkuti resigned from her Supervisory Board membership as of 31st August 2022
[4] János Nyemcsok resigned from his Supervisory Board membership as of 1st September 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	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average equities (HUF bln)}}$	$\frac{149\,795}{721\,047} * \frac{4}{3} =$ 27,70%
ROMC	Adjusted rate on minimum capital	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average minimum capital (HUF bln)}}$	$\frac{149\,795}{513\,782} * \frac{4}{3} =$ 38,87%
ROAA	Adjusted rate on average total assets	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{149\,795}{10\,274\,034} * \frac{4}{3} =$ 1,94%
TRM	Adjusted total revenue margin	$\frac{\text{Annualised adjusted Gross Operating Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{342\,623}{10\,274\,034} * \frac{4}{3} =$ 4,45%
CIM	Adjusted core income margin	$\frac{\text{Annualised adjusted net interest + net fee + FX income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{(286\,142 + 53\,997)}{10\,274\,034} * \frac{4}{3} =$ 4,41%
NIM	Adjusted net interest income margin	$\frac{\text{Annualised adjusted Net Interest Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{286\,142}{10\,274\,034} * \frac{4}{3} =$ 3,71%
NFM	Adjusted net fee margin	$\frac{\text{Annualised adjusted Net Fee Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{53\,997}{10\,274\,034} * \frac{4}{3} =$ 0,70%
C/TA	Adjusted cost to total assets	$\frac{\text{Annualised adjusted General Admin. Expenses (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{144\,192}{10\,274\,034} * \frac{4}{3} =$ 1,87%
CIR	Adjusted cost-income ratio	$\frac{\text{Adjusted General Admin. Expenses (HUF bln)}}{\text{Adjusted Gross Operating Income (HUF bln)}}$	$\frac{144\,192}{342\,623} =$ 42,08%
Risk%	Adjusted risk cost rate	$\frac{\text{Annualised adjusted provision for losses on loans (HUF bln)}}{\text{Average gross loans (HUF bln)}}$	$\frac{26\,034}{4\,663\,011} * \frac{4}{3} =$ 0,74%
GOI/RWA	Adjusted RWA efficiency	$\frac{\text{Annualised adjusted Gross Operating Income (HUF bln)}}{\text{Average Total RWA (HUF bln)}}$	$\frac{342\,623}{3\,872\,421} * \frac{4}{3} =$ 11,80%
EPS	Adjusted earnings per share	$\frac{\text{Annualised adjusted PAT (HUF bln)}}{\text{Average number of shares (bln pcs)}}$	$\frac{149\,795}{311} * \frac{4}{3} =$ 641,55

4.1.2 KPIs on profit&loss as in financial statements (accounting and pro forma)

KPI	Short description	Formulation	Current cumulated accounting figures	Current cumulated pro forma figures
ROAE	Rate on average equities	$\frac{\text{Annualised PAT (HUF bln)}}{\text{Average equities (HUF bln)}}$	$\frac{76\ 341}{721\ 047} * \frac{4}{3} =$ 14,12%	$\frac{92\ 586}{721\ 047} * \frac{4}{3} =$ 17,12%
ROMC	Rate on minimum capital	$\frac{\text{Annualised PAT (HUF bln)}}{\text{Average minimum capital (HUF bln)}}$	$\frac{76\ 341}{513\ 782} * \frac{4}{3} =$ 19,81%	$\frac{92\ 586}{513\ 782} * \frac{4}{3} =$ 24,03%
ROAA	Rate on average total assets	$\frac{\text{Annualised PAT (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{76\ 341}{10\ 274\ 034} * \frac{4}{3} =$ 0,99%	$\frac{92\ 586}{10\ 274\ 034} * \frac{4}{3} =$ 1,20%
TRM	Total revenue margin	$\frac{\text{Annualised Gross Operating Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{284\ 084}{10\ 274\ 034} * \frac{4}{3} =$ 3,69%	$\frac{342\ 623}{10\ 274\ 034} * \frac{4}{3} =$ 4,45%
CIM	Core income margin	$\frac{\text{Annualised net interest + net fee + FX income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{(233\ 669 + 36\ 801)}{10\ 274\ 034} * \frac{4}{3} =$ 3,51%	$\frac{(286\ 142 + 53\ 997)}{10\ 274\ 034} * \frac{4}{3} =$ 4,41%
NIM	Net interest income margin	$\frac{\text{Annualised Net Interest Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{233\ 669}{10\ 274\ 034} * \frac{4}{3} =$ 3,03%	$\frac{286\ 142}{10\ 274\ 034} * \frac{4}{3} =$ 3,71%
NFM	Net fee margin	$\frac{\text{Annualised Net Fee Income (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{36\ 801}{10\ 274\ 034} * \frac{4}{3} =$ 0,48%	$\frac{53\ 997}{10\ 274\ 034} * \frac{4}{3} =$ 0,70%
C/TA	Cost to total assets	$\frac{\text{Annualised General Admin. Expenses (HUF bln)}}{\text{Average Total assets (HUF bln)}}$	$\frac{129\ 954}{10\ 274\ 034} * \frac{4}{3} =$ 1,69%	$\frac{165\ 264}{10\ 274\ 034} * \frac{4}{3} =$ 2,14%
CIR	Cost-income ratio	$\frac{\text{General Admin. Expenses (HUF bln)}}{\text{Gross Operating Income (HUF bln)}}$	$\frac{129\ 954}{284\ 084} =$ 45,75%	$\frac{165\ 264}{342\ 623} =$ 48,24%
Risk%	Risk cost rate	$\frac{\text{Annualised provision for losses on loans (HUF bln)}}{\text{Average gross loans (HUF bln)}}$	$\frac{-1\ 476}{4\ 622\ 971} * \frac{4}{3} =$ 0,04%	$\frac{-26\ 034}{4\ 663\ 011} * \frac{4}{3} =$ 0,74%
GOI/RWA	RWA efficiency	$\frac{\text{Annualised Gross Operating Income (HUF bln)}}{\text{Average Total RWA (HUF bln)}}$	$\frac{284\ 084}{3\ 864\ 949} * \frac{4}{3} =$ 9,80%	$\frac{342\ 623}{3\ 864\ 949} * \frac{4}{3} =$ 11,82%
EPS	Earnings per share, IFRS	$\frac{\text{PAT (HUF bln)}}{\text{Average number of shares (bln pcs)}}$	$\frac{76\ 341}{311} * \frac{4}{3} =$ 327,0	$\frac{92\ 586}{311} * \frac{4}{3} =$ 396,5

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)	197 139 / 10 939 765 =	1,80%
Securities rate	Securities to Total assets	Securities (HUF bln) / Total Assest (HUF bln)	3 539 896 / 10 939 765 =	32,36%
CAR	Capital adequacy ratio	Regulatory capital (HUF bln) / Total RWA (HUF bln)	669 450 / 4 107 070 =	16,30%
RWA/ Total Assets	Risk weighted assets to Total assets ratio	Total RWA (HUF bln) / Total Assest (HUF bln)	4 107 070 / 10 939 765 =	37,54%
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)	84 726 / 5 036 916 =	1,68%
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)	197 139 / 84 726 =	232,68%
NPL rate	Rate of non-performing loans	Non-performing customer loans (HUF bln) / Gross customer loans (HUF bln)	225 443 / 5 036 916 =	4,48%
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)	111 935 / 225 443 =	49,65%
Indirect NPL coverage	Rate of non-performing loans covered by provision	Provision for customer loans (HUF bln) / Non-performing customer loans (HUF bln)	197 139 / 225 443 =	87,44%

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