Flash Report presentation
1H 2019
MKB Group

29. August 2019

Tradition
Innovation
Cooperation

Profitable operation since 2016

Following the 2015 reorganization MKB Gorup had been successfully transformed into profit generating banking group. Besides meeting EU commitments, management is focusing on cost-effective operation and digitalisation.
EU commitments define the fundamental aspects of MKB Group's operation**: **asset growth** is limited by the restrictions on RWA (HUF 900-1000 bln) and total assets (HUF [1800-2000] bln); the CIR (cost-income ratio, [50-55] %), number of branches ([70-76]) and headcount ([1950-2050] FTEs) requirements aim to achieve and maintain **cost-effectiveness**; **market and customer acquisition** is limited by the restrictions on deal ROE ([5-12] %), pricing capabilities (aggressive pricing limitation) and the marketing budget (HUF [1-1.5] bln); requirements on the downsizing (HUF[0-60] bln) of the CRE (commercial real estate) portfolio and the restrictions on foreign currency lending aim **to improve the portfolio quality**.

- **Successful transformation**: NPL rate decreasing from 28.5% in 2015 to 4.4%, positive after-tax profit since 2016; cost savings over 20%*; equity increasing by 58.2%; capital adequacy of 19.6%.
- **Increasing organizational efficiency:** Closure of 15 branches in 2018 and ~ 9% job cuts/downsizing resulted in significant cost savings while maintaining profitability.
- **Digitalisation**: MKB Bank serves its customers with a new, efficient and flexible core system from July 2018; the digitalization of core operations will continue in 2019.

2019 half-year results

MKB Group's adjusted consolidated profit for the first half of 2019 supports effective capital accumulation:

- **HUF 11.9 bln** adjusted, consolidated after-tax profit (+20.0% p/p), with a total comprehensive income of HUF 17.4 bln;
- **14.4% adjusted ROAE**, with 2.8% revenue and 4.1%, stable core income margin;
- **HUF 18.3 bln adjusted operating expenses/costs**, which means a decrease of HUF 5.4 bln p/p (CIR%: 69.0%);
- **-0.7% risk cost rate**, HUF 3.4 bln release in 1H 2019;
- **4.4% NPL rate** (390bp p/p decrease);
- **19.3% capital adequacy**, 50% increase in equity (on a 2015 basis);
- **1871.2 FTEs**, 9% y/y decrease.

* Difference in operating expenses in 2018 compared to 2015 increased with inflation
** 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.

Key factors – 1H19

Key factors affecting MKB Group's 1H 2019 results:

- **Yield environment**: the yield environment evolved differently than it was expected in 1H 2018, it continued to decline in 1H 2019, and had a negative impact on after-tax profit and a positive impact on total other comprehensive income (TOCI);
- **Dividends**: MKB Bank's General Meeting approved dividend of HUF 4.8 bln in April 2019 due to successful and profitable operation;
- **NPL divestment**: the Bank decided to sell/divest HUF 17,9 bln retail NPL portfolio, expected to be finalised in 19Q3;
- **MÁP+**: The sale of MÁP+ government securities started in June 2019 (~ HUF 90 bln MKB sales in June), which had a significant crowding out effect on other government sales. Commission on MÁP+ sales will be presented in Q3 2019 financials;
- **Outsourcing:** MKB Digital Zrt. was established to provide the state-of-the-art IT background of MKB Group, market analytics and forecasting competencies were outsourced to Danube Capital Zrt. was founded to perform analytical tasks
- **Rating upgrade:** on 28. 05. 2019.Moody's Investor Service upgraded MKB group's ratings:
  - Baseline credit assessment (BCA) increased from caa1 to b3
  - Long term HUF and FX deposit rating was upgraded from "B2„ to "B1"
  - Counterparty Risk Assessment (CRA) was upped to "Ba3(cr)„ from "B1(cr)"
  - Long term deposit rating positive outlook was upgraded to positive with upgrade possibility.

Business environment and Competitor comparison

- Macroeconomic indicators
- Competitor comparison

Tradition
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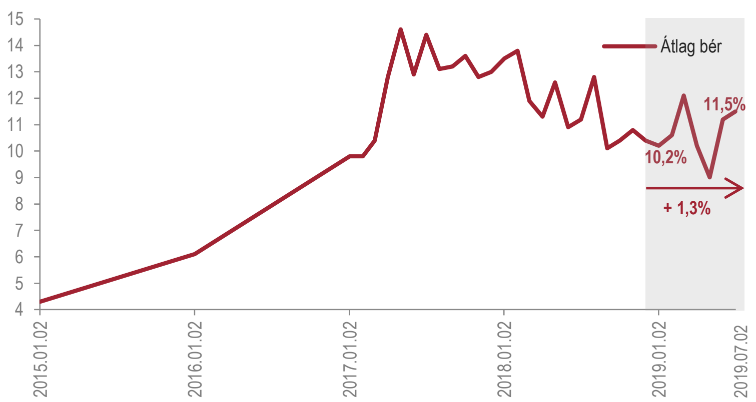
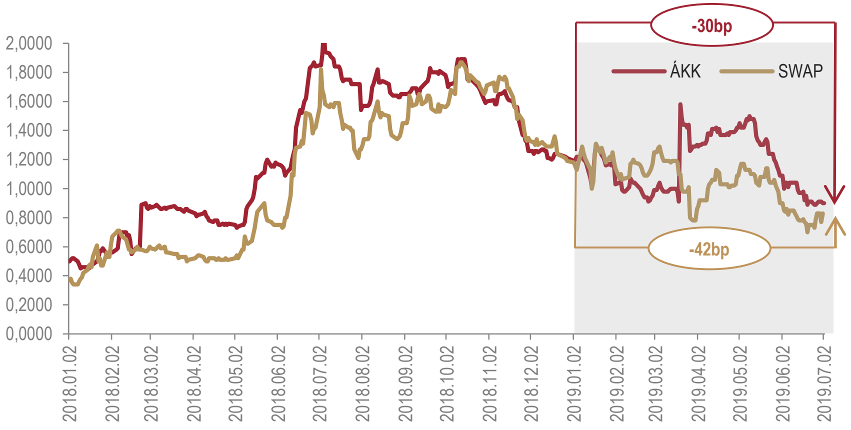
Average wage growth (y/y %)

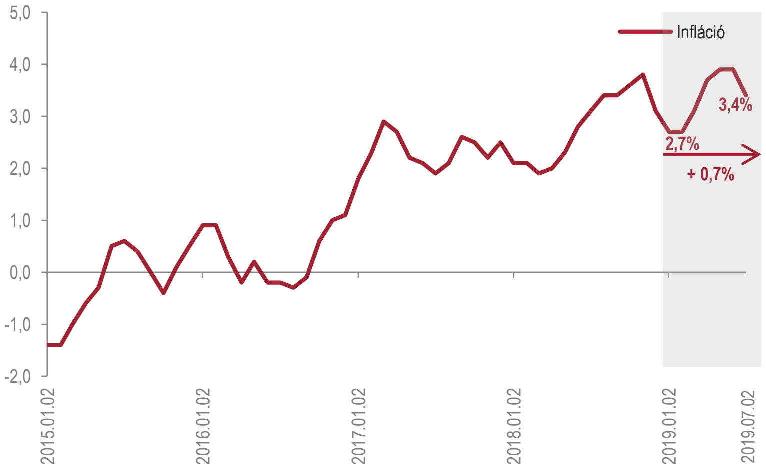


3 years ÁKK and SWAP yields (%)

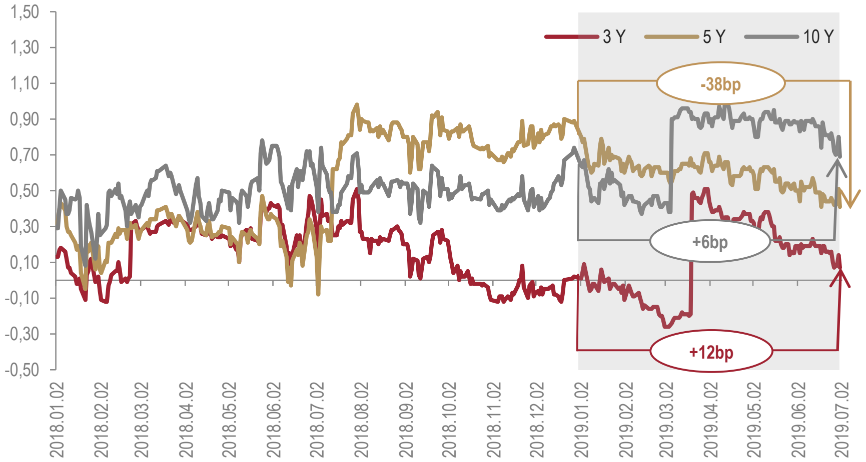


EUR/HUF rate

Average inflation (y/y %)



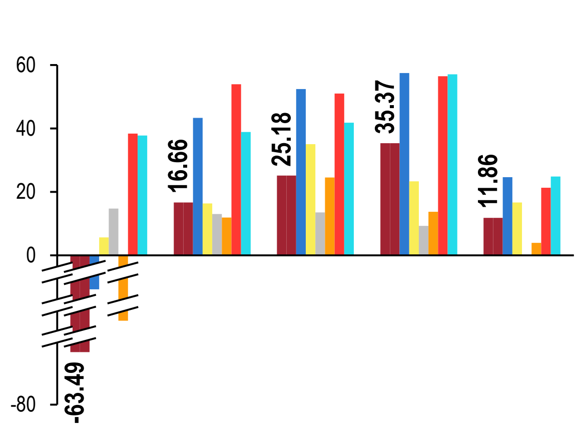
ÁKK-SWAP spread



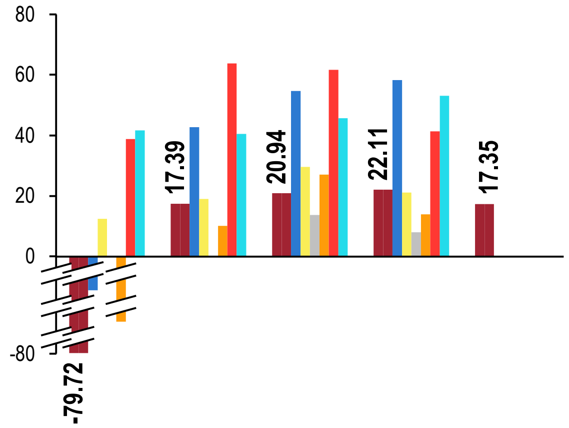
- Yield environment is differs from what was expected in 1H 2018
- Volatile 3Y bond (ÁKK)-SWAP spread
- Rising pressure on inflation
- Wage inflation is still high

A different than previously expected macroeconomic environment

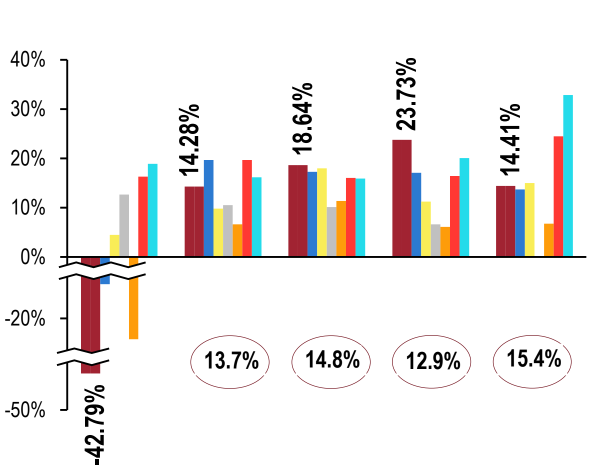
Adjusted profit after tax (HUF bln)



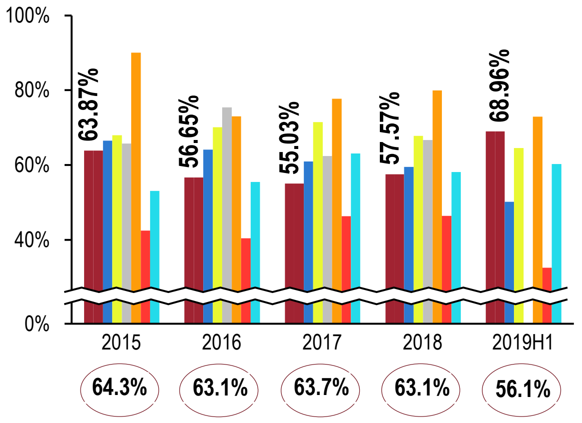
Total comprehensive income (adj, HUF bln)



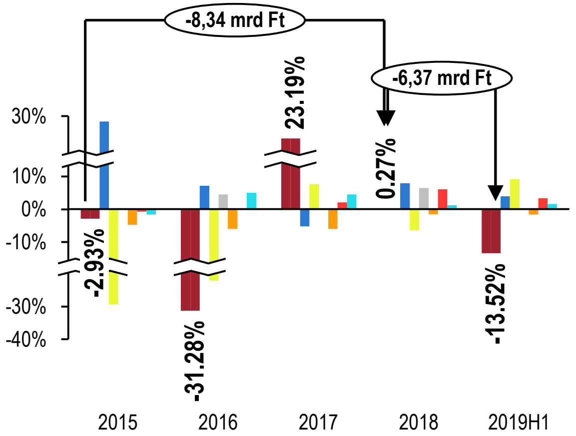
Adjusted ROAE (%)



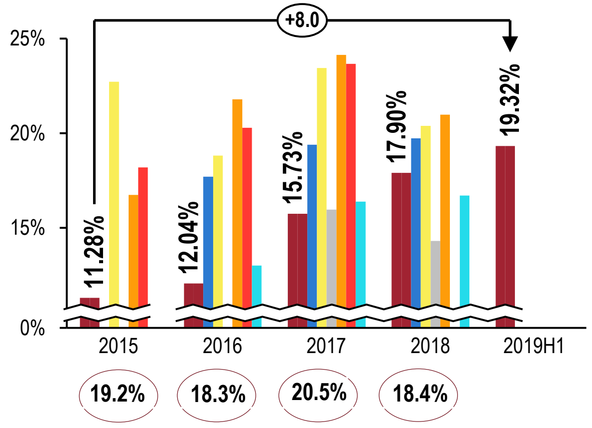
Adjusted Cost/income ratio (%)



Nominal cost change(same period last year=100%)



Capital adequacy ratio (%)



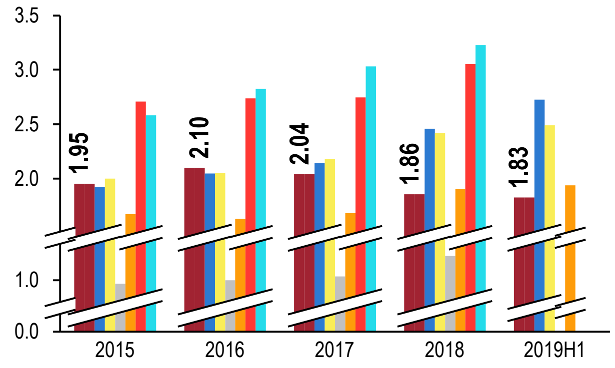
MKB | Raiffeisen | CIB | K&H
ERSTE | BB | UniCredit | 17,5 peer group average

- MKB Group's adjusted, consolidated after-tax profit was positive from 2016 and quadrupled by 2018, with prudent operation developed during the 2015 restructuring.
- The Group **increased its regulatory capital by 50%** in 2016-2018, while the **solvency ratio increased from 11.3% to 19.3%.**
- As a result of stringent cost management and organizational realignment, the **operating costs are declining at a rate which is** outstanding in comparison to competitors.

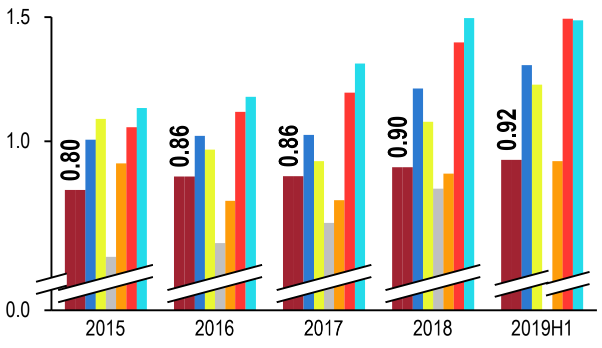
Source: annual, semi-annual reports of banks

Excellent capital adequacy, favourable and decreasing cost level

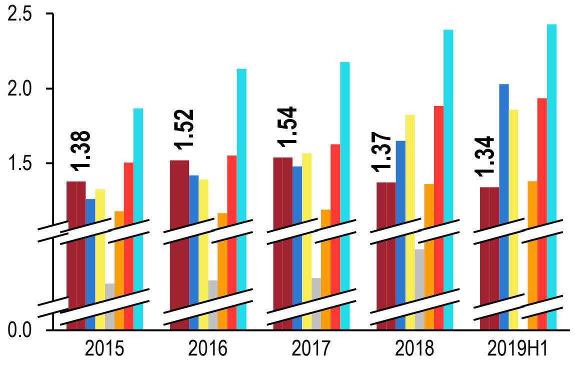
Total assets (HUF thousand bln)



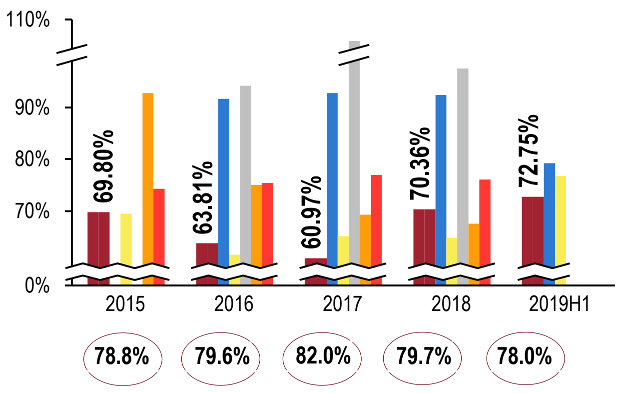
Net loan portfolio (HUF thousand bln)



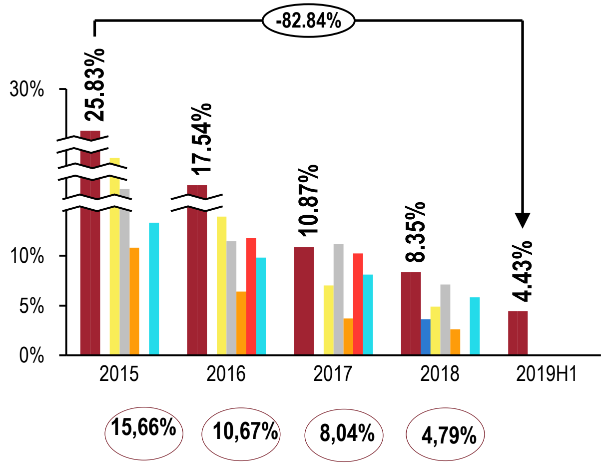
Deposits (HUF thousand bln)



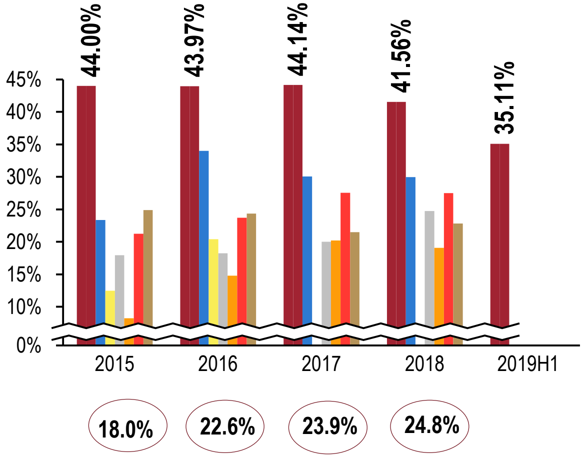
Loan to deposit ratio (%)



Non performing loans (%)



Securities to total assets (%)



MKB | Raiffeisen | CIB | K&H
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Source: annual, semi-annual reports of banks

- **Focus on NPL portfolio build-down**: NPL ratio declined from 25.8% to 8.4% in 2015-2018 and reach a level of 4.4% after a further 400bp decrease in 1H 2019.
- **Total assets remains in the same level in 2018 and 1H 2019**, in line with EU commitments.
- The **value of client assets** is within the set **RWA limit**.
- The **value of customer debts** is determined by the limited balance sheet growth capabilities and liquidity management considerations.
- **Securities**: MKB Bank's securities to total assets ratio is has been consistently higher that then of its competitors due to RWA cap.

Constant portfolio quality improvement, limited portfolio growth

Financials at a glance
MKB Group

- Adjusted Profit After Tax
- Total Comprehensive Income
- Profit and Loss
- KPIs

Tradition
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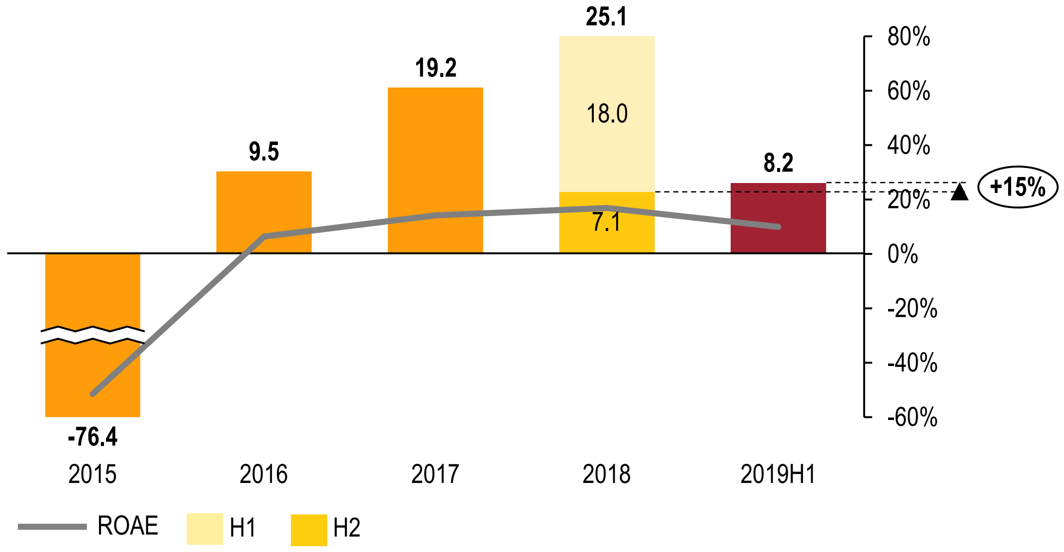
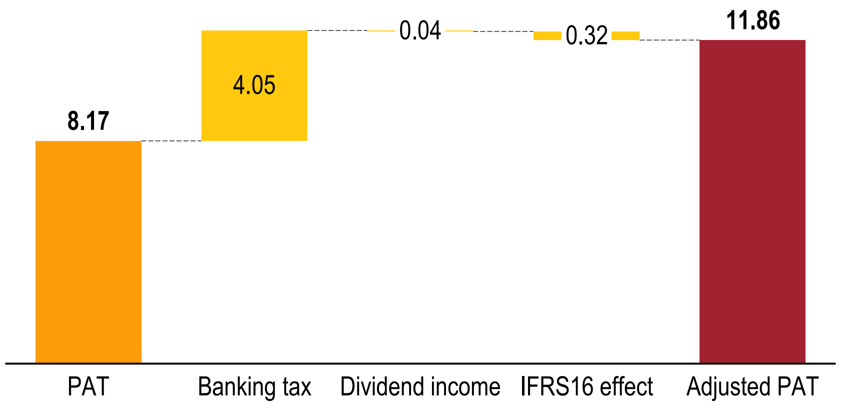
Profit after tax (HUF bln) and ROAE (%)

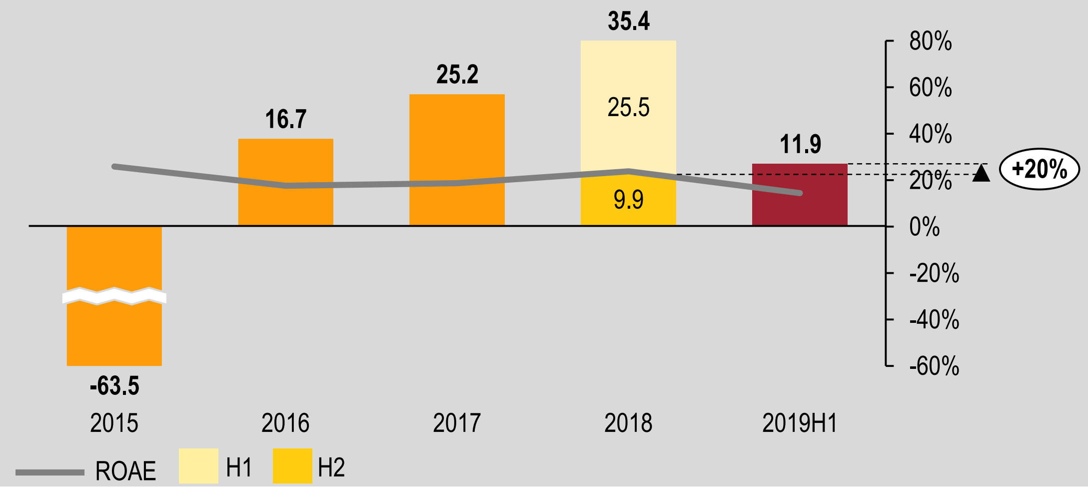


1H 2019 adjusted Profit After Tax breakdown (HUF bln)

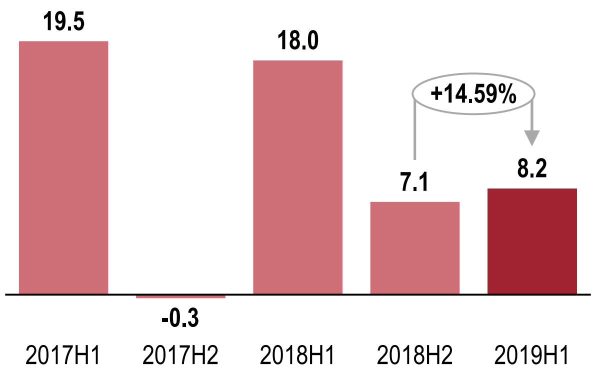


- Despite the adverse yield/market environment the adjusted Profit After Tax increased by 20.0% compared to 2H 2018.
- The negative impact on PAT (-54,4% y/y) was mostly caused by the IRS portfolio revaluation change.

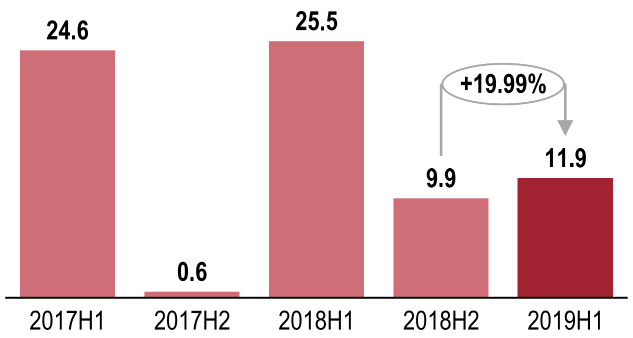
Adjusted profit after tax (HUF bln) and ROAE (%)



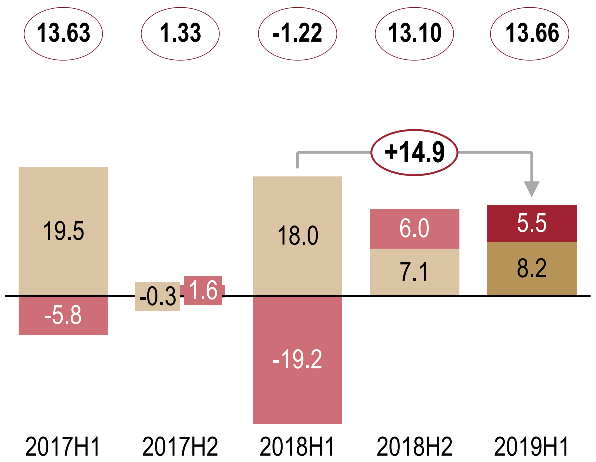
Profit After Tax (HUF bln)



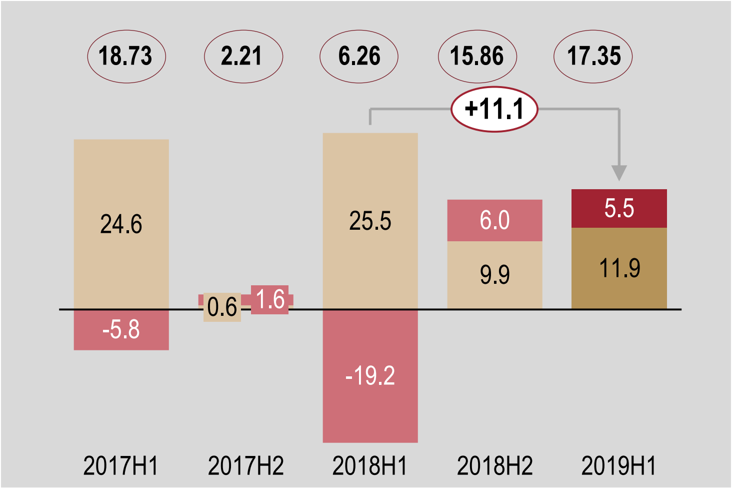
Adjusted Profit After Tax (HUF bln)



Total Comprehensive Income (TOCI) (HUF bln)



Adjusted Total Comprehensive Income (HUF bln)



Revaluation on AFS financial assets (OCI) Profit after tax (PAT) TOCI

- **Stabilized TOCI:** adjusted Total Comprehensive Income increased by HUF 1.5 bln compared to 2H 2018, and HUF 11.1 bln compared to the same period last year*
- The IFRS impact of IRS transactions hedging the FVTOCI portfolio caused significant volatility in profit after tax, which is offset by revaluation results in other comprehensive income.

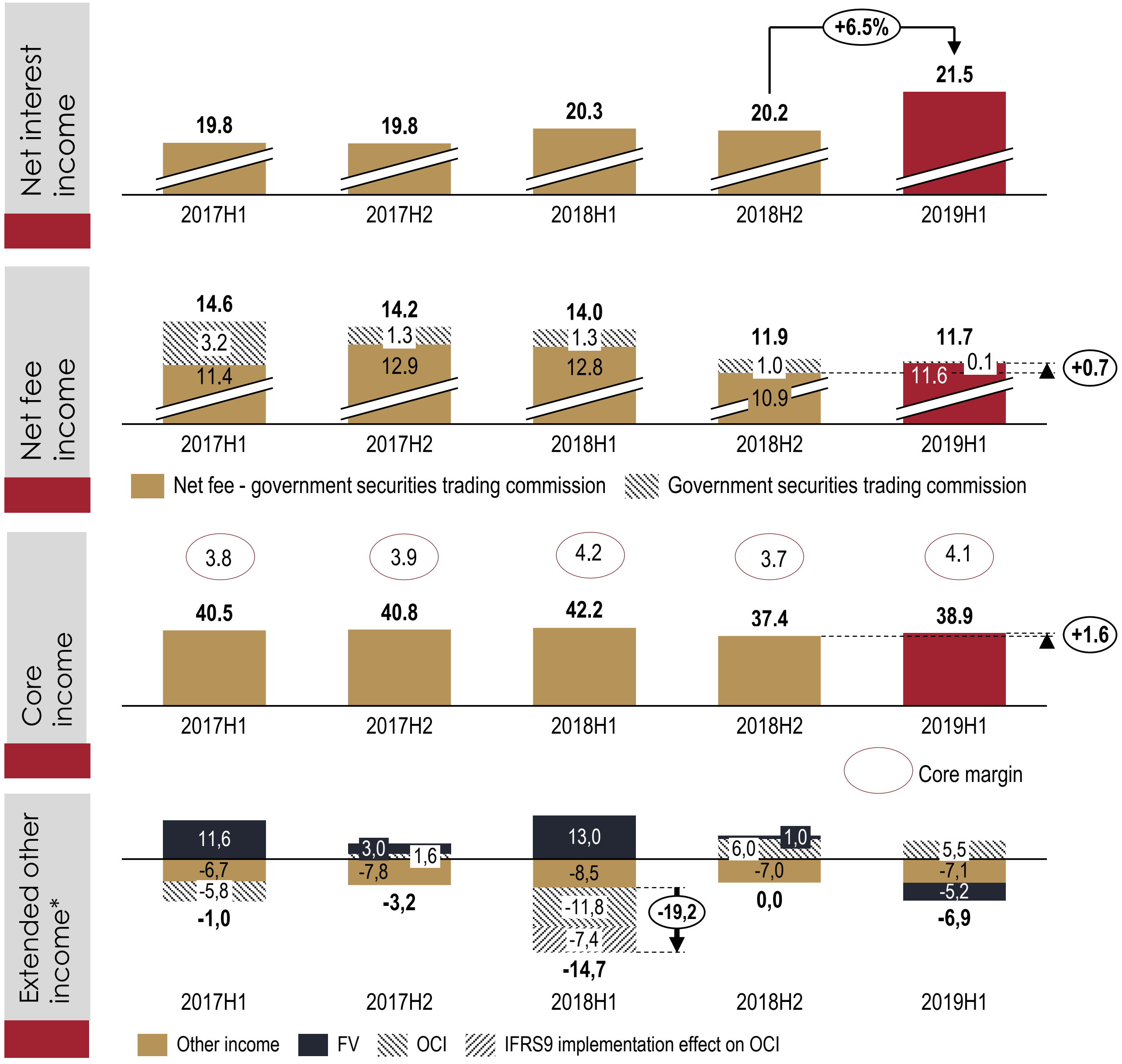
* It is worth highlighting that the 1H 2018 PAT is not an adequate basis for comparison since the rapid and unexpected rise in the yield environment resulted in a one-off surge to a record high level while total comprehensive income was adversely affected.

Stabilized total comprehensive income

P&L (HUF bln)	2017	1H 2018	2H 2018	2018	1Q 2019	2Q 2019	1H 2019	2018/2017 %	1H 2019/H2 2018 %	1H 2019/1H 2018 %
*Net operating income**	*36.6*	*25.4*	*7.7*	*33.1*	*1.5*	*6.7*	*8.3*	*-9.6%*	*7.8%*	*-67.6%*
Gross operating income*	**81.4**	**46.6**	**31.4**	**78.0**	**11.1**	**15.5**	**26.6**	**-4.2%**	**-15.3%**	**-43.0%**
Net interest income	39.6	20.3	20.2	40.5	10.7	10.8	21.5	2.3%	6.5%	6.1%
Net fee income	28.8	14.0	11.9	25.9	5.3	6.4	11.7	-10.2%	-1.3%	-16.5%
Other Income	13.0	12.3	-0.7	11.6	-4.8	-1.8	-6.7	-10.6%	-	-154.0%
General admin. expenses*	**-44.8**	**-21.2**	**-23.7**	**-44.9**	**-9.6**	**-8.7**	**-18.3**	**0.3%**	**-22.7%**	**-13.5%**
Provisions*	***-9.6***	***1.6***	***0.2***	***1.8***	***1.2***	***2.2***	***3.4***	***-119.1%***	***-***	***112.6%***
Provision for losses on loans	-10.6	1.6	0.3	1.9	1.2	2.2	3.4	-118.2%	-	112.0%
Other provisions and impairments	1.0	0.0	-0.1	-0.1	0.0	0.0	0.0	-109.8%	-105.8%	-
Adjusted PBT*	***27.0***	***27.0***	***7.9***	***34.9***	***2.7***	***8.9***	***11.6***	***29.4%***	***47.5%***	***-56.9%***
Taxation	-1.8	-1.6	2.0	0.4	-0.3	0.6	0.2	-123.9%	-89.1%	-114.0%
Adjusted PAT*	**25.2**	**25.5**	**9.9**	**35.4**	**2.4**	**9.5**	**11.9**	**40.5%**	**20.0%**	**-53.5%**
Adjustments total**	6.0	7.5	2.8	10.2	3.9	-0.2	3.7	71.2%	33.9%	-50.6%
Profit after tax (PAT)	19.2	18.0	7.1	25.1	-1.5	9.6	8.2	30.9%	14.6%	-54.6%
Revaluation on AFS financial assets (OCI)	-4.2	-19.2	6.0	-13.3	3.7	1.7	5.5	212.4%	-8.1%	-128.6%
Total Comprehensive Income	**15.0**	**-1.2**	**13.1**	**11.9**	**2.3**	**11.4**	**13.7**	**-20.6%**	**4.3%**	**-**

*Adjusted figures
**The 3.1 chapter of the Flash report contains the list of adjustments

Profitability propels the fast capital accumulation; significant decrease in administration expenses



- **Increasing net interest income:** securities and IRS net interest income increase offsets the negative impact of turbulent market conditions and RWA commitments on customer income and portfolio growth;
- **Stable net fee basis:** moderate business performance resulting in decreasing upfront loan fees; net commission income adjusted for decrease in government securities trading income is around as before.
- **Stable business marge around 4.0%:** core income (interest + fee + FX margin) generating capability is around HUF 39 bln/period
- Uncertain yield environment causes high volatility in fair value of IRS portfolio (FVTPL) which is compensated by the reverse changes in government bonds fair value (FVTOCI); resulting in a smoothed out total comprehensive income.

*Other income + FV + OCI

The declining yield environment stresses the other income

Balance sheet (HUF bln)	2H 2017	1H 2018	2H 2018	1Q 2019	1H 2019	2018/2017 %	1H 2019/H2 2018 %	1H 2019/1H 2018 %
Financial assets	109.6	95.3	82.9	85.7	147.4	-24.4%	77.9%	54.6%
Trading portfolios	72.3	100.7	79.3	85.5	40.6	9.7%	-48.8%	-59.7%
Securities	902.7	793.1	710.7	733.9	618.9	-21.3%	-12.9%	-22.0%
Customer Loans (net)	858.6	952.8	895.2	919.4	924.8	4.3%	3.3%	-2.9%
Customer Loans (gross)	938.4	1,044.0	965.3	974.2	967.7	2.9%	0.3%	-7.3%
Provision for Customer loans	-79.8	-91.2	-70.1	-54.8	-42.9	-12.1%	-38.8%	-53.0%
Total Other assets	101.7	89.5	89.5	94.4	95.9	-12.0%	7.2%	7.2%
Total Assets	**2,045.0**	**2,031.4**	**1,857.6**	**1,918.9**	**1,827.7**	**-9.2%**	**-1.6%**	**-10.0%**
Interbank liabilities	239.3	509.3	214.3	224.3	206.2	-10.4%	-3.8%	-59.5%
Deposits & C/A (without repo)	1,539.1	1,246.1	1,372.0	1,410.2	1,330.2	-10.9%	-3.1%	6.7%
Issued debt securities	10.6	8.1	5.0	3.3	2.1	-53.2%	-57.3%	-73.7%
Other liabilities	93.2	93.7	80.1	78.2	80.2	-14.1%	0.2%	-14.4%
Subordinated debt	22.3	28.0	28.0	38.2	37.7	25.5%	34.6%	34.7%
Shareholders' Equity	140.4	146.2	158.2	164.6	171.3	12.7%	8.3%	17.1%
Total Liabilities & Equity	**2,045.0**	**2,031.4**	**1,857.6**	**1,918.9**	**1,827.7**	**-9.2%**	**-1.6%**	**-10.0%**
Customer off balance items	557.9	533.4	427.6	426.1	400.7	-23.3%	-6.3%	-24.9%

Balance sheet dynamics determined by EU commitments

KPIs based on adjusted PAT (%)	2017	1H 2018	2H 2018	2018	1H 2019	2018 - 2017	1H 2019 - 2H 2018	1H 2019 - 1H 2018
Profitability								
TRM - Total revenue margin	3.8%	4.6%	3.1%	3.9%	2.8%	0.1%-pt	-0.3%-pt	-1.8%-pt
NIM - Net interest margin	1.9%	2.0%	2.0%	2.0%	2.3%	0.2%-pt	0.3%-pt	0.3%-pt
NFM - Net fee margin	1.4%	1.4%	1.2%	1.3%	1.2%	-0.1%-pt	0.1%-pt	-0.2%-pt
Core income margin	3.8%	4.2%	3.7%	4.0%	4.1%	0.1%-pt	0.4%-pt	-0.1%-pt
GOI/RWA - RWA efficiency	8.5%	9.7%	6.4%	8.1%	5.8%	-0.5%-pt	-0.7%-pt	-3.9%-pt
Risk% - Risk rate	1.1%	-0.3%	-0.1%	-0.2%	-0.7%	-1.3%-pt	-0.6%-pt	-0.4%-pt
Efficiency								
CIR - Cost-Income ratio	55.0%	45.5%	75.6%	57.6%	69.0%	2.5%-pt	-6.6%-pt	23.5%-pt
C/TA - Cost to total assets	2.11%	2.11%	2.37%	2.24%	1.95%	0.1%-pt	-0.4%-pt	-0.2%-pt
Cost/(income+OCI)	58.1%	77.3%	63.5%	69.4%	57.2%	11.3%-pt	-6.3%-pt	-20.2%-pt
ROAE - Rate on average equities	18.6%	35.1%	12.9%	23.7%	14.4%	5.1%-pt	1.5%-pt	-20.7%-pt
ROAA - Rate on average assets	1.2%	2.5%	1.0%	1.8%	1.3%	0.6%-pt	0.3%-pt	-1.3%-pt

Stable business margin (NII+NFI+FX) around 4.0%

KPIs	2017	1H 2018	2H 2018	2018	1H 2019	2018 - 2017	1H 2019 - 2H 2018	1H 2019 - 1H 2018
Volume KPIs								
LTD - Loan to deposit ratio	61,0%	83,8%	70,4%	70,4%	72,8%	9,4%-pt	2,4%-pt	-11,0%-pt
Securities ratio	44,1%	42,5%	41,6%	41,6%	35,1%	-2,6%-pt	-6,5%-pt	-7,4%-pt
Provision to total assets	3,9%	4,5%	3,8%	3,8%	2,3%	-0,1%-pt	-1,4%-pt	-2,2%-pt
RWA/TA - RWA/total assets	45,5%	49,8%	49,6%	49,6%	49,7%	4,1%-pt	0,1%-pt	-0,1%-pt
CAR - Capital adequacy ratio	15,7%	13,3%	17,9%	17,9%	19,3%	2,2%-pt	1,4%-pt	6,0%-pt
Portfolio quality								
DPD90+ rate	6,6%	5,8%	5,1%	5,1%	3,0%	-1,5%-pt	-2,1%-pt	-2,8%-pt
DPD90+ coverage	128,7%	151,9%	142,1%	142,1%	148,9%	13,4%-pt	6,8%-pt	-3,0%-pt
NPL rate	10,9%	11,3%	8,4%	8,4%	4,4%	-2,5%-pt	-3,9%-pt	-6,9%-pt
NPL coverage	78,2%	77,1%	86,9%	86,9%	99,5%	8,8%-pt	12,6%-pt	22,4%-pt
Stage 1* loans (HUF bln)	N/A	N/A	819,4	819,4	852,9	N/A	33,6	N/A
Stage 2* loans (HUF bln)	N/A	N/A	51,4	51,4	59,6	N/A	8,2	N/A
Stage 3* loans (HUF bln)	N/A	N/A	61,0	61,0	38,9	N/A	-22,0	N/A
POCI* (HUF bln)	N/A	N/A	17,4	17,4	7,5	N/A	-9,9	N/A
Share information								
EPS - Earning per share (HUF)	251,8	509,6	197,7	353,7	237,2	101,9	39,5	-272,4

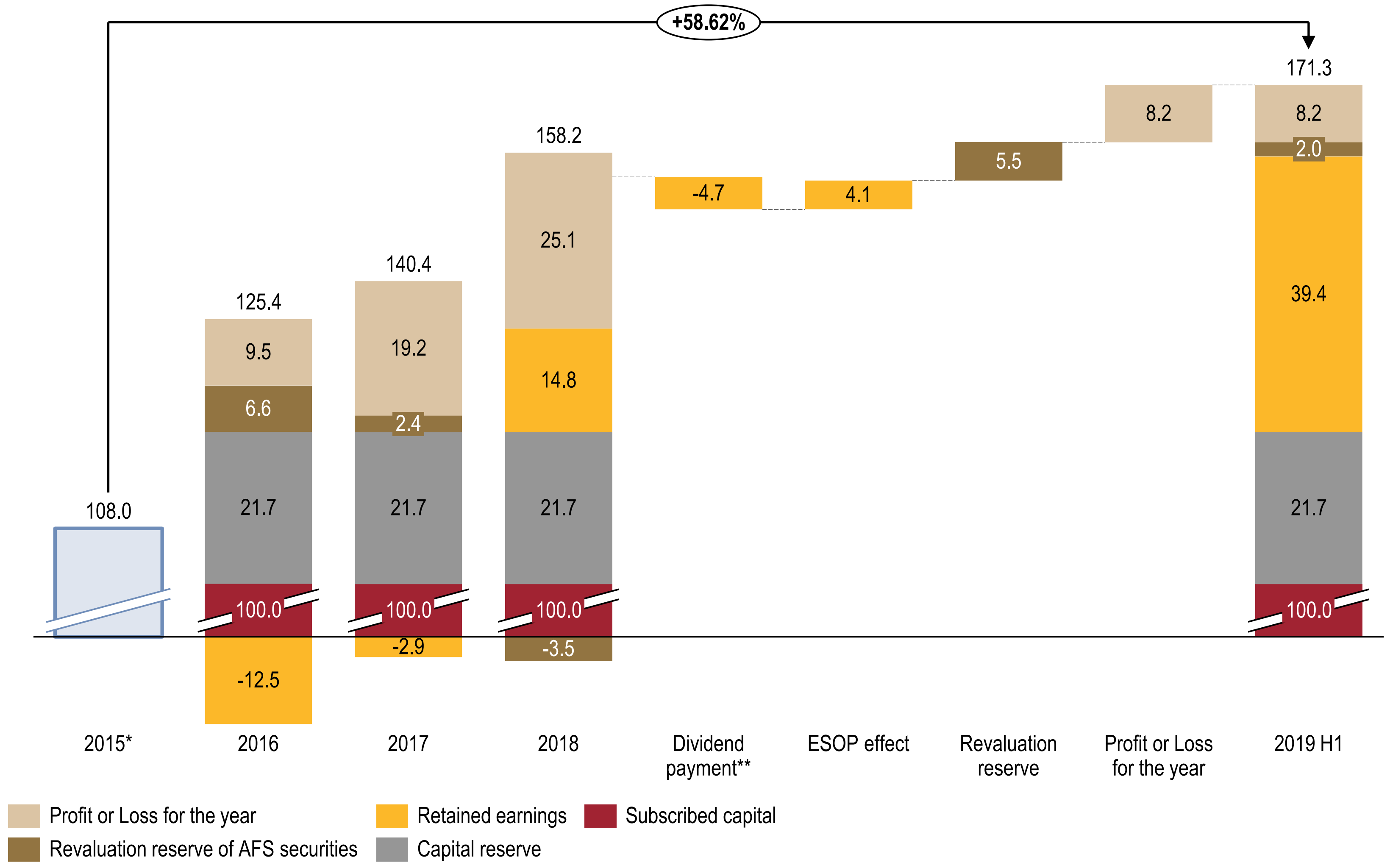
*The Bank has been publishing its exposures according to IFRS9 standards since 2H 2018.

Better than peer average RWA/Total Asset ratio

Capital position

- Capital accumulation
- Capital adequacy

Shareholders' Equity (HUF bln)

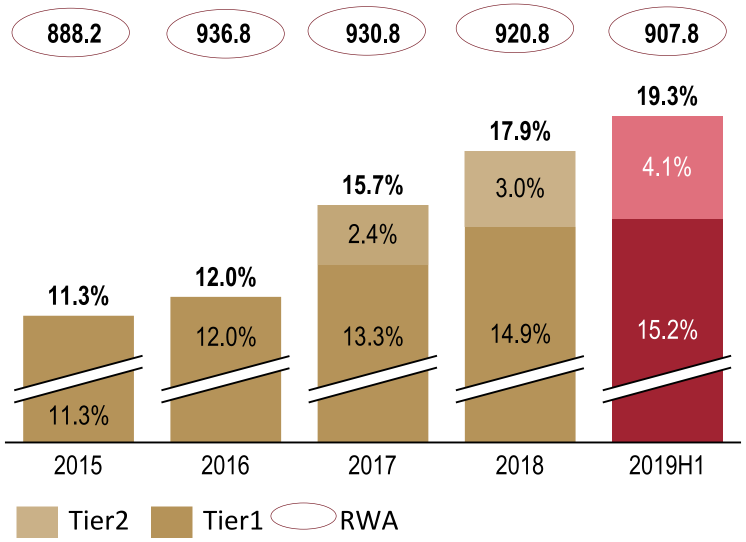


- **Intensive capital accumulation:** HUF 63.1bln, 58.6% increase in equity compared to 2015**.**
- **Dividend payment:** MKB Bank's General meeting decided to pay dividend of HUF 4.8bln (HUF 4.7bln including ESOP effect).
- **ESOP Effect:** settlement of ESOP.

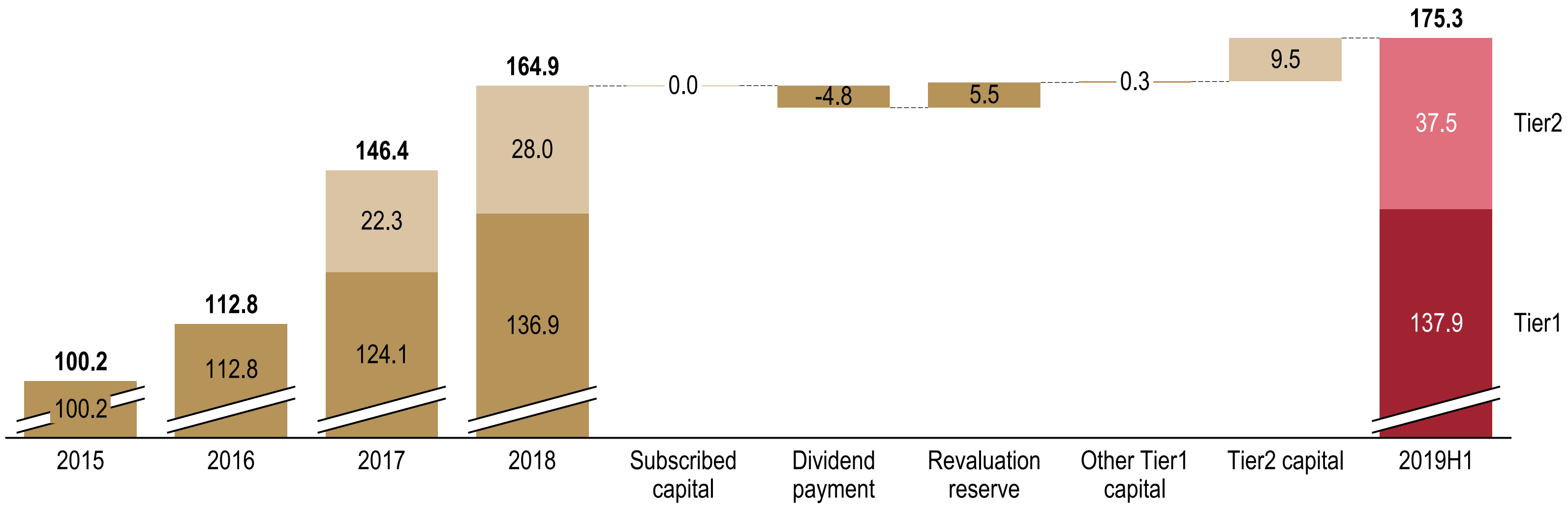
*Shareholders' equity for 2015 has not been disclosed in detail due to significant restructuring within the year.
**Dividends paid to the ESOP Organization were deducted from the dividend amount.

Rapid capital accumulation: equity increased by 58.6% since 2015

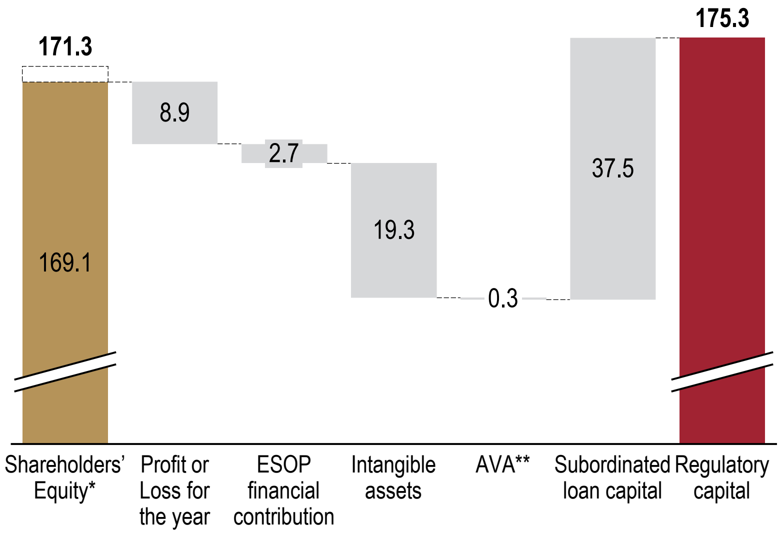
Total RWA (HUF bln), CAR (%)



Development of regulatory capital (HUF bln)



Regulatory capital formulation (HUF bln)



- **19.3% CAR% in 1H 2019**. The MKB group's regulatory capital was HUF 175.3 bln at the end of 1H 2019, which resulted a capital adequacy ratio of 19.3%.
- **Tier-2 placement:** during 1H 2019, subordinated loan of approximately EUR 31 mln was raised through an organized exclusive placement. The insourced subordinated debt is primarily aimed at maintaining an appropriate and robust capital, with a pricing reflecting our favourable risk profile.
- **RWA management:** RWA stock is on a downward trajectory in line with EU commitments, limiting growth.

* equity under IFRS and prudential consolidation differ due to differences in the range of firms included in the calculation
** AVA = Asset value adjustment – CRR specification

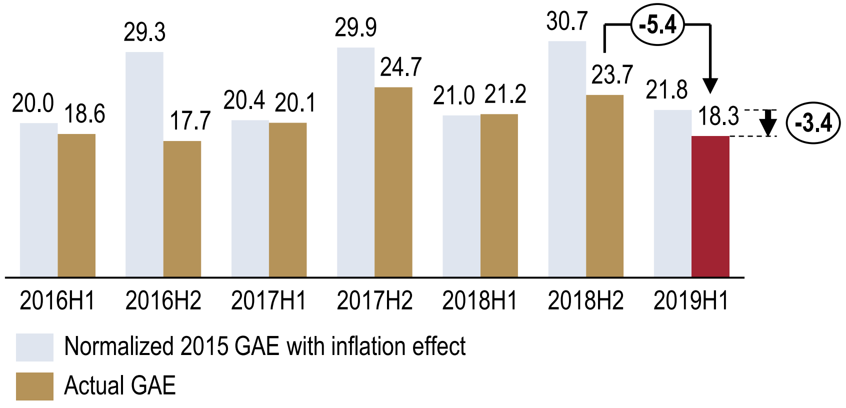
Outstanding and stable capital base

General administrative expenses

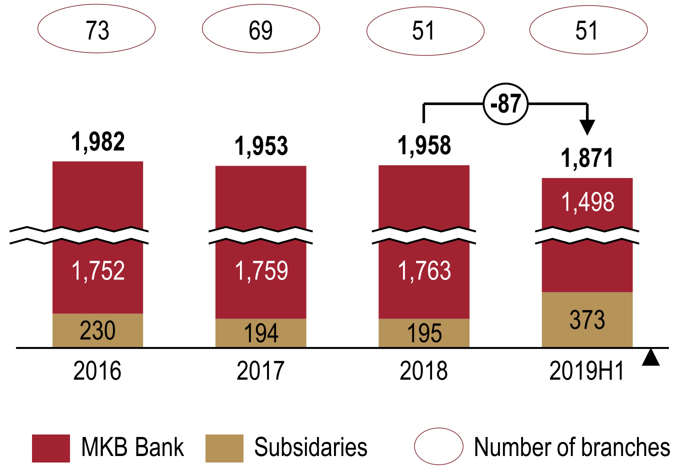
- Cost structure
- Cost efficiency

Tradition
Innovation
Cooperation

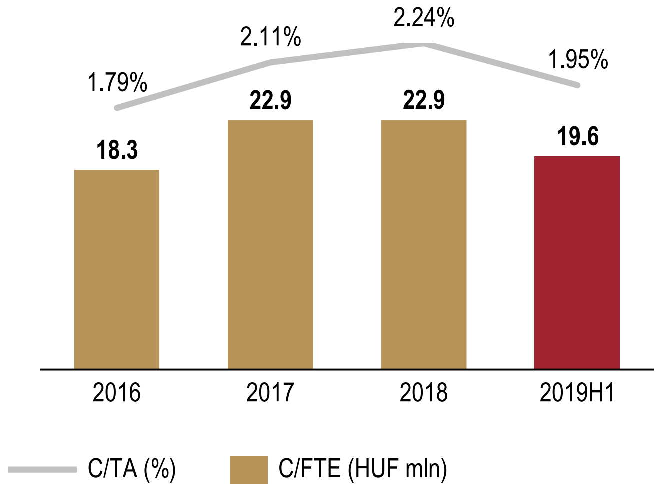
Cost level on 2015 basis(HUF bln)



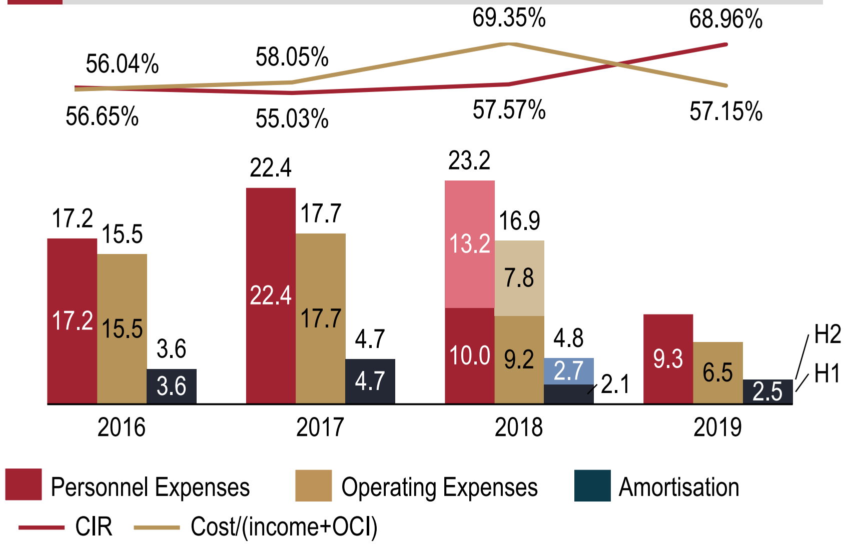
Number of branches and headcount



Cost efficiency



Structure of GAE (HUF bln)



- **HUF 5.4 bln p/p decrease in GAE** as a result of 15 branch closures in 2018H2, approx. 9% y/y jobs cut and stringent cost management.
- **Increasing organizational efficiency**: new opportunities created by core system launched in 2018 contribute to cost effectiveness and digitalization goals.
- Operating costs in 2019 are kept in line with the level set by the 2015 restructuring plan, one of the primary conditions for meeting EU commitments.

Revenue trends challenges the effect of cost reduction on CIR%

Portfolio quality

- Portfolio quality
- Break-down history of portfolio cleansing

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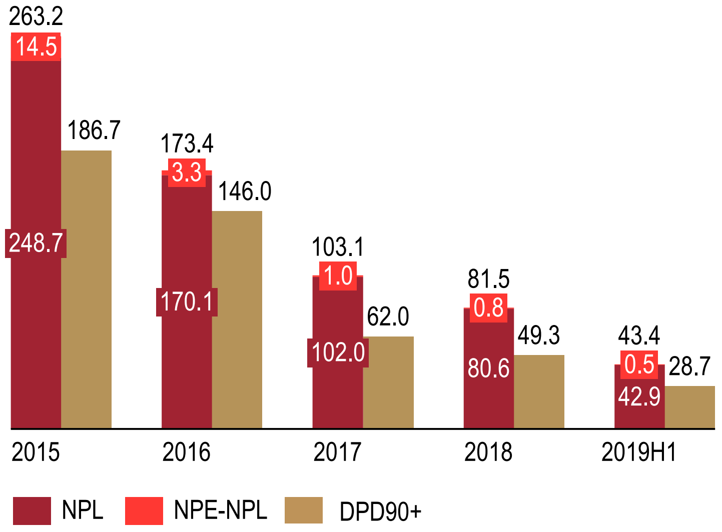
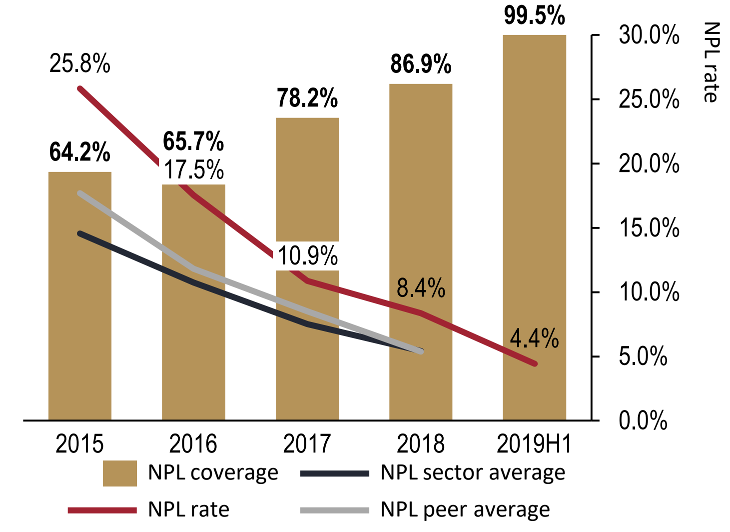
Innovation
Cooperation

NPL and DPD90+ portfolio (HUF bln)

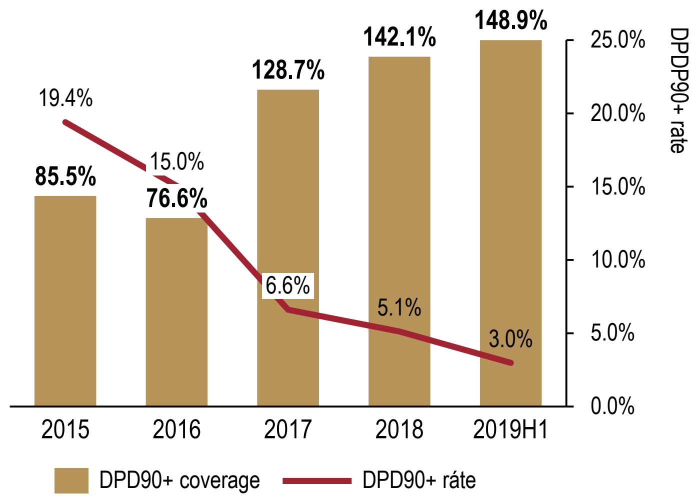


NPL coverage and NPL rate (IFRS*)

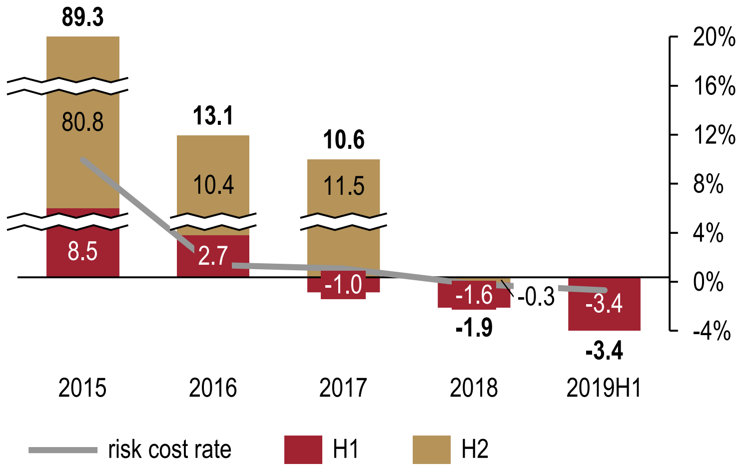


* Accoding to IFRS held for sale and FVTPL portfolio not included

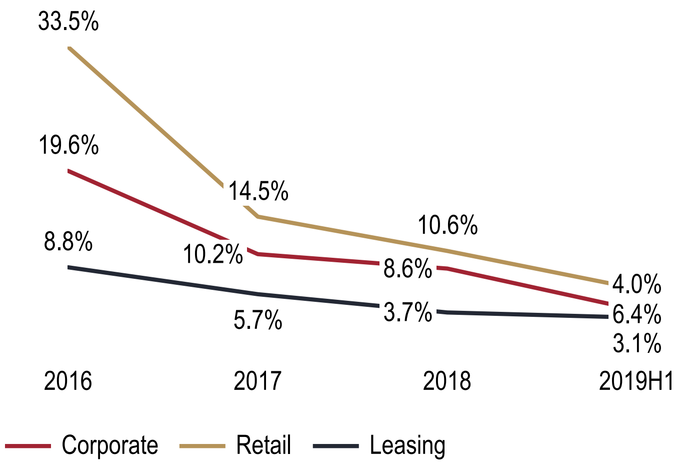
DPD90+ coverage and DPD90+ rate



Risk cost (HUF bln) and rate (%)



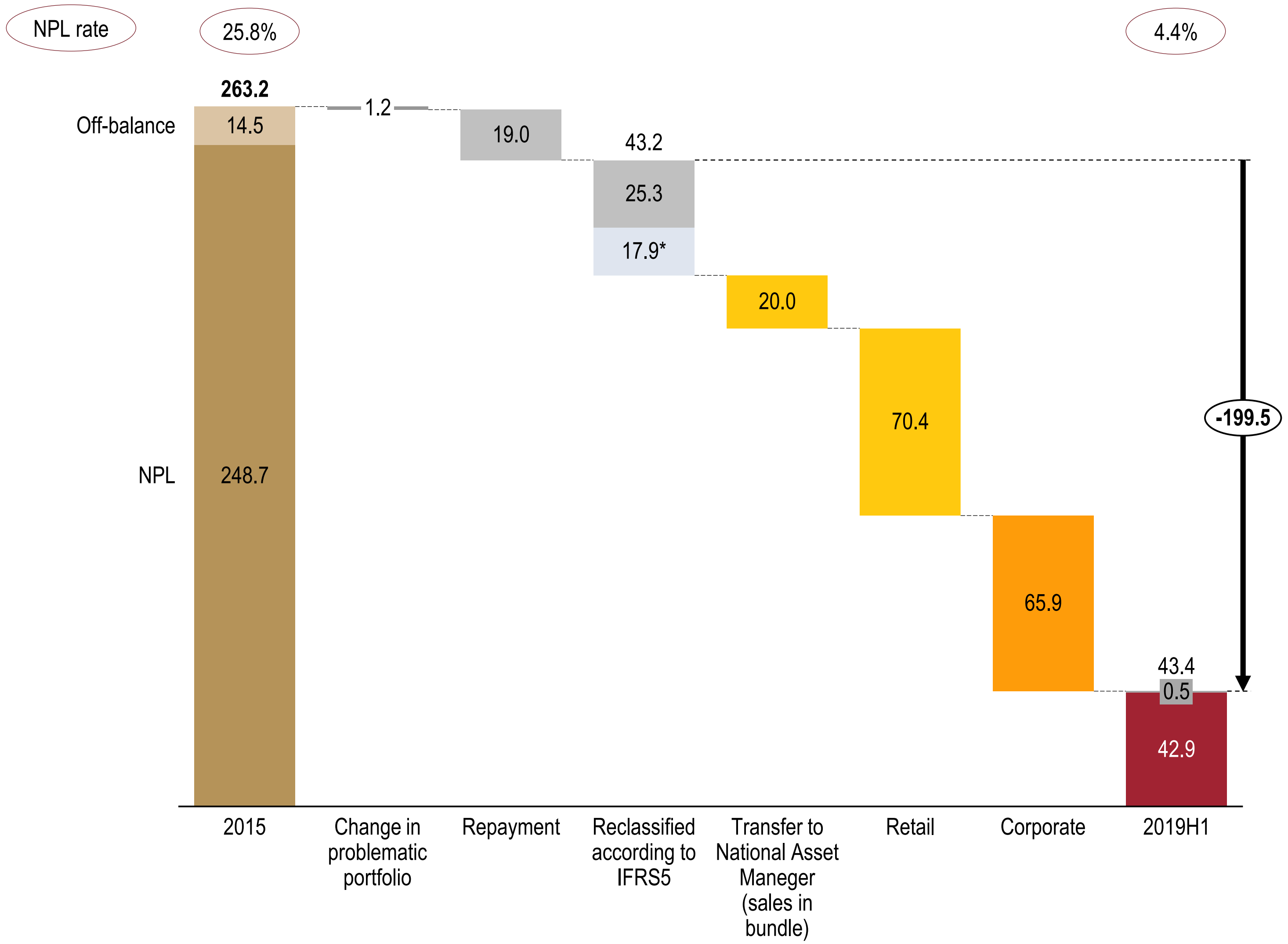
Segment NPL rates



- **NPL decrease:** As a result of building down of non-performing portfolio, NPL rate declined close to sector average by end of 1H 2019
- **Decreasing risk cost:** As a result of prudent risk management and non-performing portfolio build-down efforts, provisioning decreased significantly compared to 2015
- HUF 3.4bln risk cost write-backs in 1H 2019 while maintaining high level of coverage. Significant improvement of risk cost ratio from -9.9% to + 0.7% fuelled by outstanding new portfolio.

In 1H 2019 NPL rate declined: close to the sector average

Non-performing portfolio build-down (NPE*) (HUF bln)



- **Portfolio cleaning:** between 2015 - 1H 2019, MKB Bank undertook a large-scale multi-step NPE portfolio reduction, with the NPE portfolio declining by HUF 219.8 bln .
- **Declining NPL Rate:** as a result of portfolio downsizing, NPL ratio decreased from 25.8% to 4.4% by the end of 1H 2019.
- Continuous portfolio sales efforts resulting in a total of HUF 199.5 bln NPL portfolio decrease
- The vast majority of domestic receivables were sold in bundles between 2016 and 2018.

* IFRS5 effect of planned retail NPL portfolio sales

Historic build down of problematic assets

Business segments results

- Corporate segment
- Retail segment
- Leasing
- Investments , Private Bank and Treasury

Market share figures and sector data based on MNB reports for comparability purposes.

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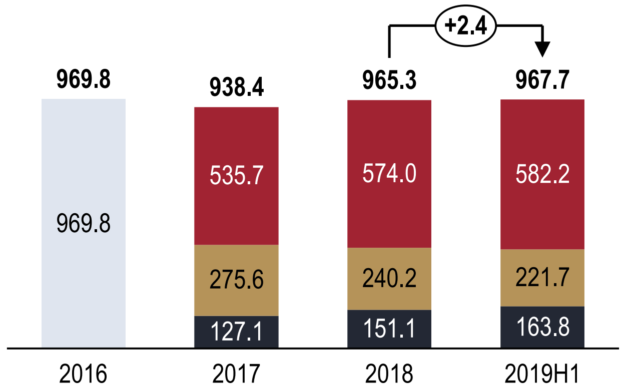
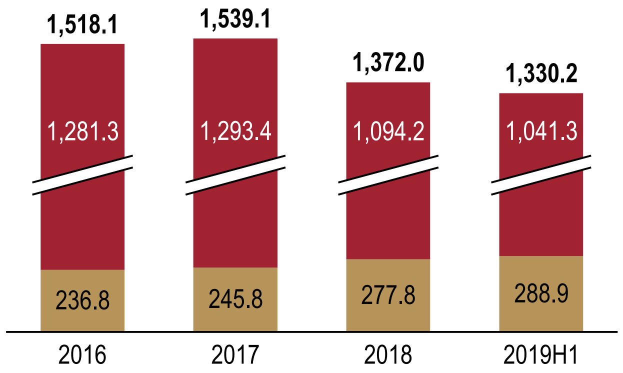
Breakdown of gross customer loans (HUF bln)

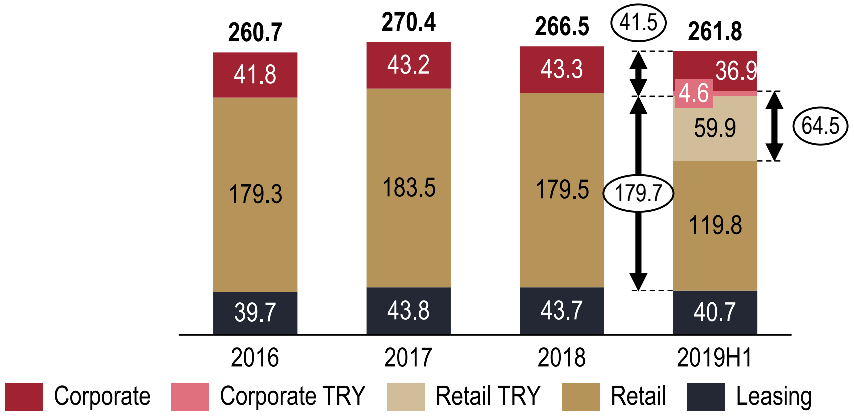


Breakdown of deposits* (HUF bln)



* Customer without repo.

Number of customers (thousand pcs)

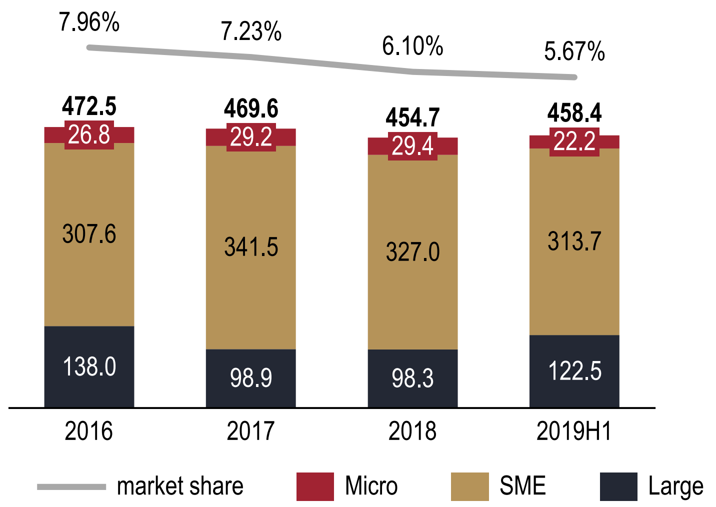


- **Traditionally strong corporate lending:** MKB Bank focuses on servicing its high value customers with credit, deposit and treasury products;
- **Fast-growing leasing portfolio:** following the acquisition of MKB EuroLeasing, rapid and profitable portfolio growth as a result of expanding product range and improving operational efficiency.
- **Growing retail deposit volumes:** Focus on affluent premium customers with steadily higher profitability and better risk profile,
- **RWA Limited Growth**: stagnating customer loans stem from EU restrictions regarding loan, balance sheet total and pricing.
- **RWA efficiency around 6%:** favourable Gross operating income to RWA ratio;
- **Managed customer deposit decline:** deposit portfolio development is hindered by the balance sheet cap resulting in missed market opportunities
- **Stable customer count:** The balance sheet cap also affects customer acquisition; due to profitability commitments, sales focus on higher value added corporate and retail clients.

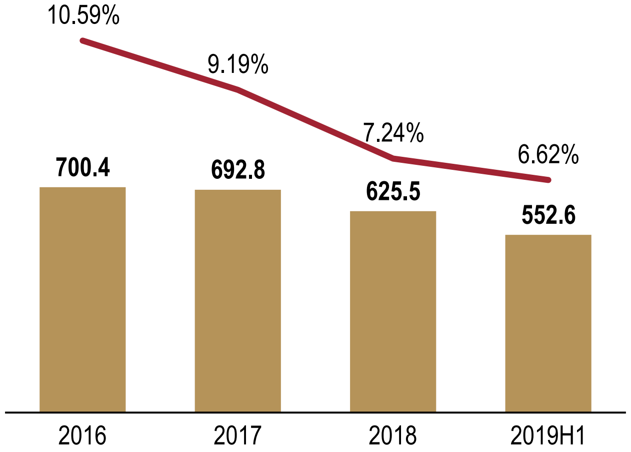
MKB Group has 200,000+ (and growing) SZÉP Kártya customers

Stable customer count

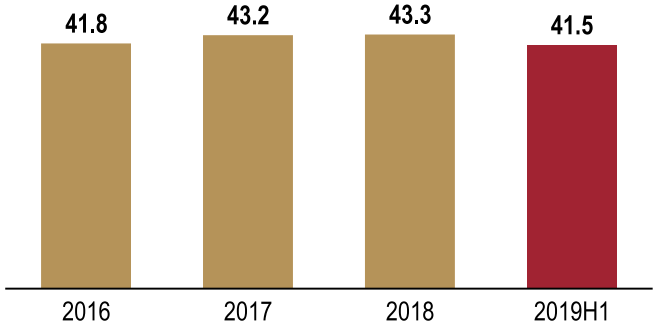
Gross corporate loans* breakdown (HUF bln) and market share (%)



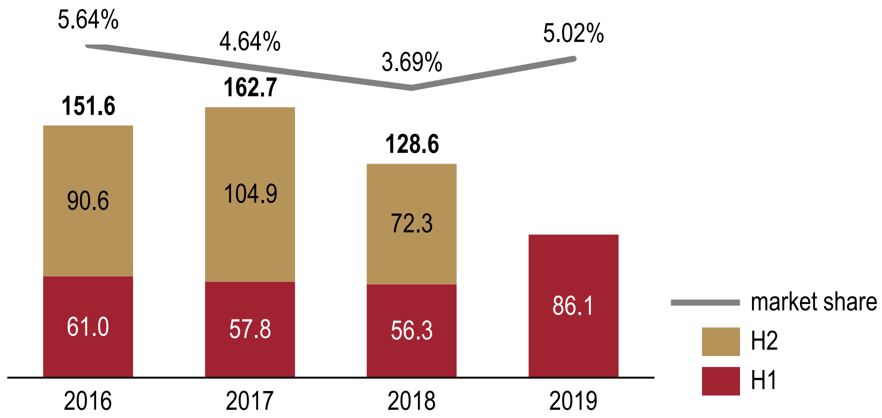
Corporate deposit* (HUF bln) and market share (%)



Corporate client numbers (in thousands)



Corporate loan disbursement* (HUF bln) and market share (%)



- **Cautiously expanding loan portfolio:** Gross loan volumes increased p/p only by HUF 3.7 bln (0.8%) due to limited RWA capacity.
- **Pressure on market position:** market share fell by 43bp to 5.67% due to below-the-market growth, as the Bank's RWA commitment does not allow for faster growth (in 2019). Deposits fell by 62bp to 6.62% owing to the adjustment of the liabilities side of the balance sheet total.
- **Outstanding loan disbursement:** 52.9% yoy growth and the HUF 86.1 bln disbursement resulted in a 5.02% market share compared to the previous year 3.69%.
- **41.5 thousand corporate customers:** due to compliance reasons the Bank closed its relationship with certain client sub segments, which significantly contributed to the decline.

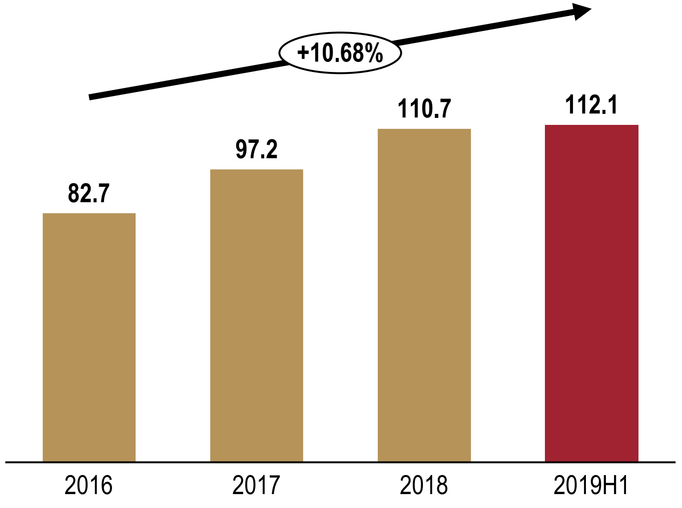
* Includes only loans to domestic non-financial corporations, in line with the definition of MNB statistics
** Source: MNB statistics

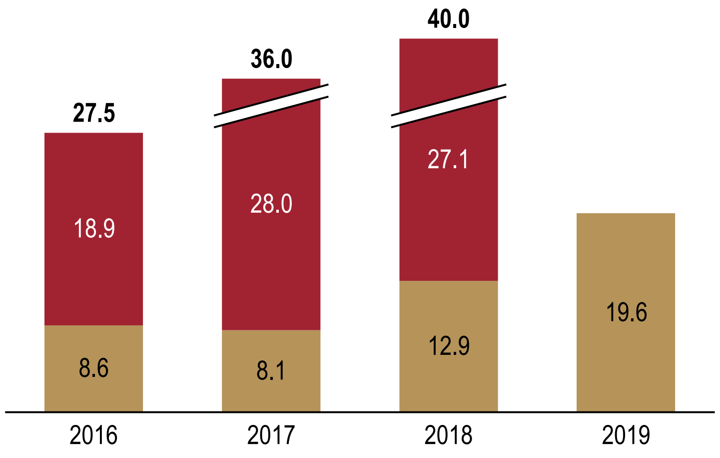
Increasing loan portfolio and outstanding disbursement

Volumes (HUF bln)

New disbursement (HUF bln)

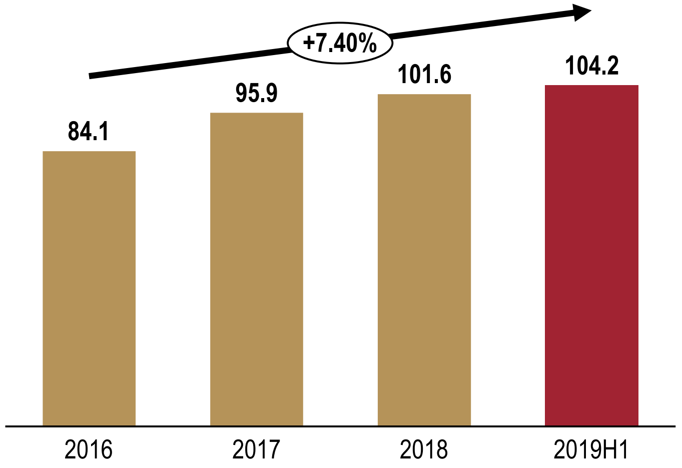
Investment loans*

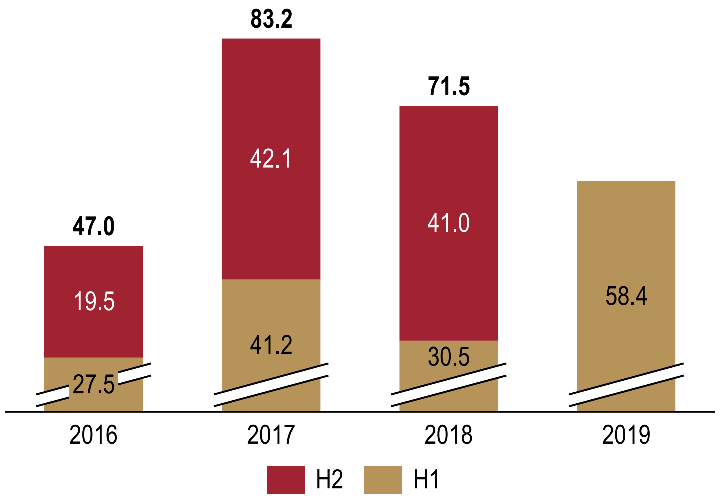




- **Investment loans growth by 10.7% (CAGR):** closing volumes amounted HUF 112.1 bln, making up 24.5% of the corporate loans.
- **Disbursement of HUF 19.6 bln in 1H 2019:** a significant increase compared to the same periods of previous years.

Working capital loans*



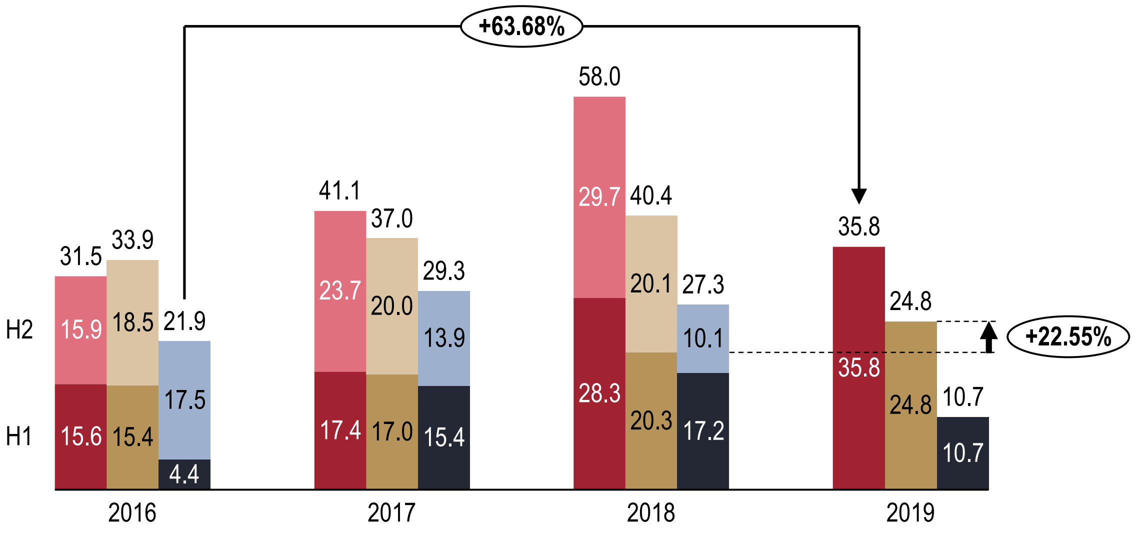


- **Significant increase in disbursement:** HUF 58.5 bln disbursement in 1H 2019, almost double of the previous period.
- **Moderated volumes growth:** HUF 2.6 bln, with a CAGR of 7.4%.

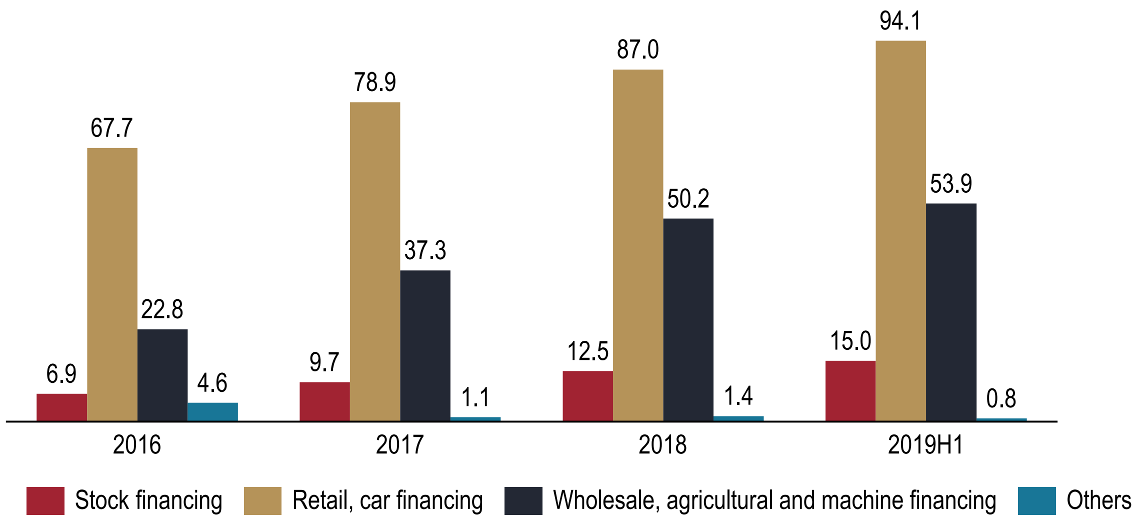
* Includes only loans to domestic non-financial corporations, in line with the definition of MNB statistics.

Investment loan disbursement ~50% up on last year, working capital disbursement almost doubled

New disbursements (HUF bln)

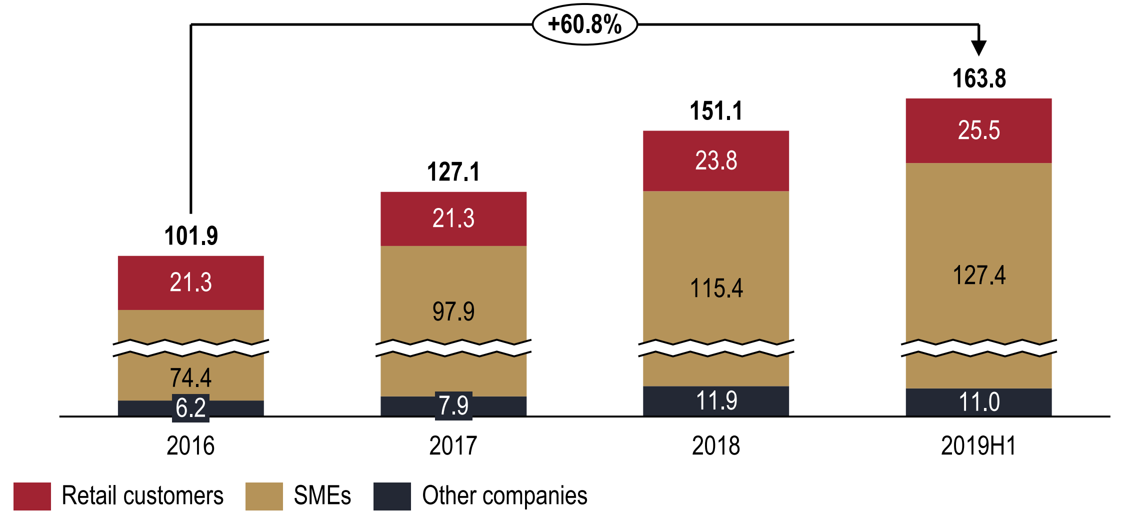


Gross volumes (HUF bln)

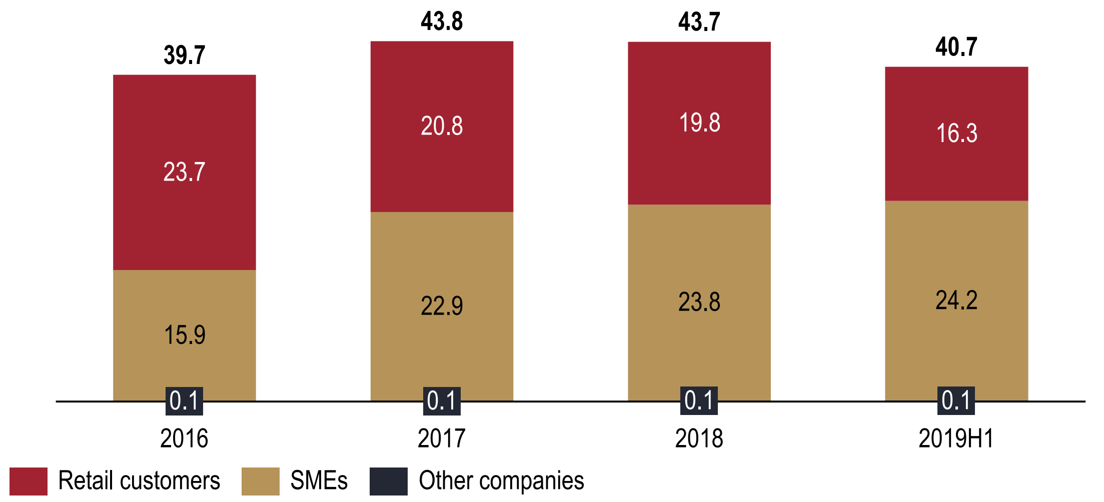


- **MKB Group's leasing business is ranked in TOP3 in Hungary** (according to Hungarian Leasing Association publications).
- **MKB Group doubled its leasing portfolio since 2015.** Establishing itself on stock- and equipment financing markets resulted in a more diversified portfolio with higher, more stable growth potential.
- **Dynamic growth in car financing sub segments in 1H 2019**: disbursement in stock financing is up by 20,5% (+6,1bln); customer financing by +23,5% (+4,7bln);
- Long term partnerships with car importer companies gives extraordinary stability to car financing segments;
- Steady disbursement results in wholesale/equipment financing business stemming from the core nature of business: high ticket size with lower frequency means fluctuating results;
- After several years of robust growth wholesale/machine financing sub segment is managed to keep moderate concentration level of the portfolio by focusing on long-term, high-value added partners.

Gross volumes by customers (HUF bln)



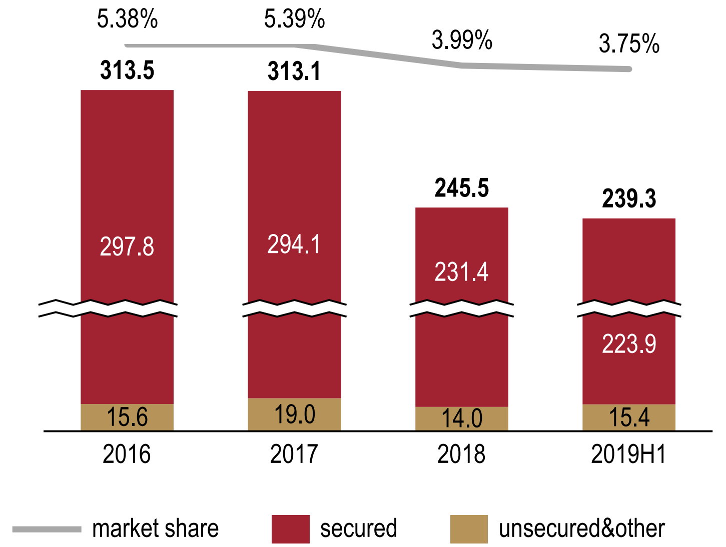
Active customers (in thousands)



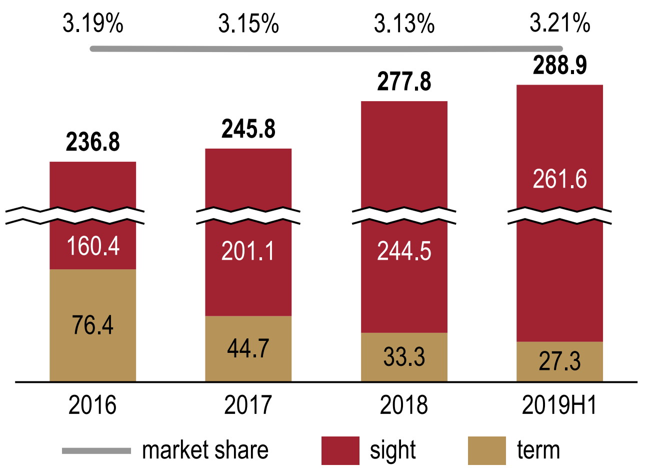
- Customer base shifted from retail to SME customers as a consequence of opening up new business lines. Wholesale/equipment and stock financing is integral parts of MKB Group’s strategy, resulting in increasing number of SME customers.
- Increasing operational efficiency and long term customer relationships results in higher ticket size deals
- The participation in the „NHP-program” helps to widen SME customer base.
- The size of non-covered non-performing expenditure is less than HUF 1 bln.

Steady increase in SME customer base

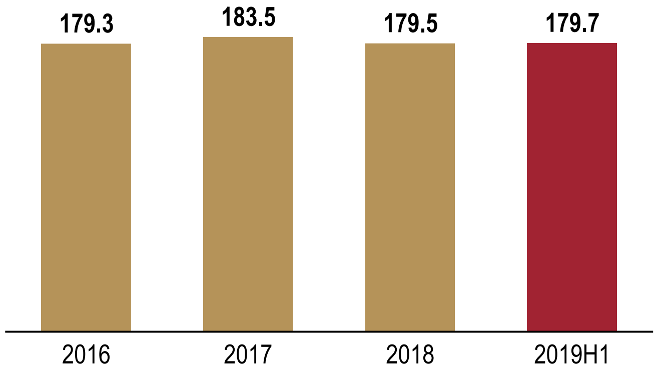
Retail gross loans* (HUF bln) and market share** (%)



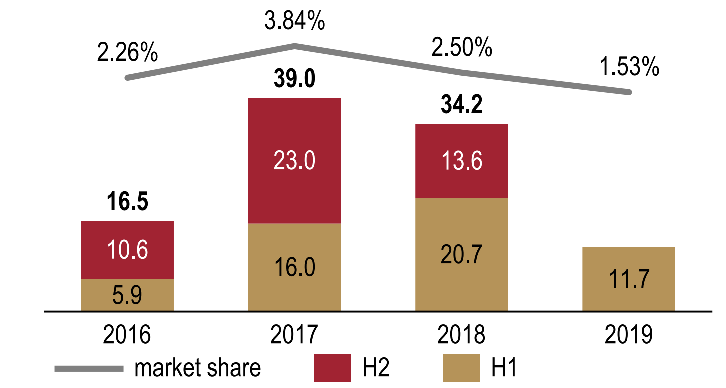
Deposits* (HUF bln) and market share** (%)



Retail client number (in thousands)



Loan disbursement* (HUF bln) and market share** (%)



- In 1H 2019 the closing volumes of retail loan is HUF 239.3 bln signalling a -24bp, -163bp drop in market share p/p and compared to 2016, respectively. However, accounting for the HUF 70.4 bln NPL portfolio, the volumes remained stable despite of the growth ceiling, pricing restrictions and distinctive cap on marketing spending.
- In 1H 2019 the term deposit volume increased by 4% to HUF 288.9 bln, sight deposit by HUF 17.1 bln.
- Despite of moderate asset side activity as well as of the balance sheet cap, market share of deposit volumes are steady (~+10bp) reflecting the more affluent profile of our clientele.

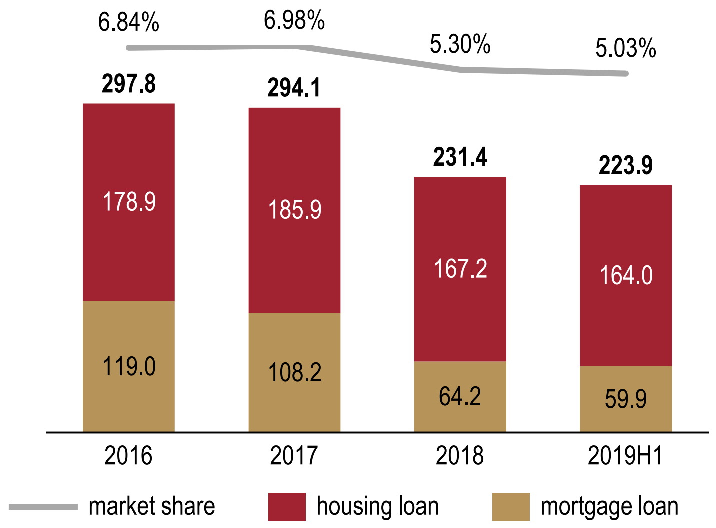
* The segments are formed according to the requirements to be used in the reports prepared for MNB and the portfolios are also analysed accordingly for the exact presentation of the market shares.
** Source: MNB statistics

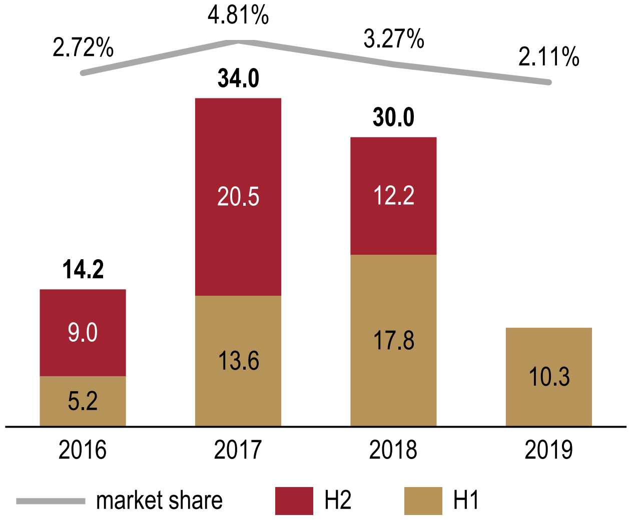
Increasing deposit volumes and decreasing loan volumes despite restrictions

Volume (HUF bln) and market share (%)

New disbursement(HUF bln) and market share (%)

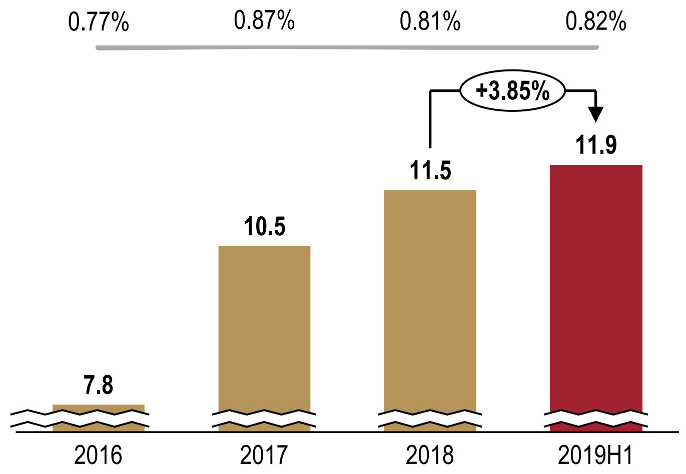
Secured loans

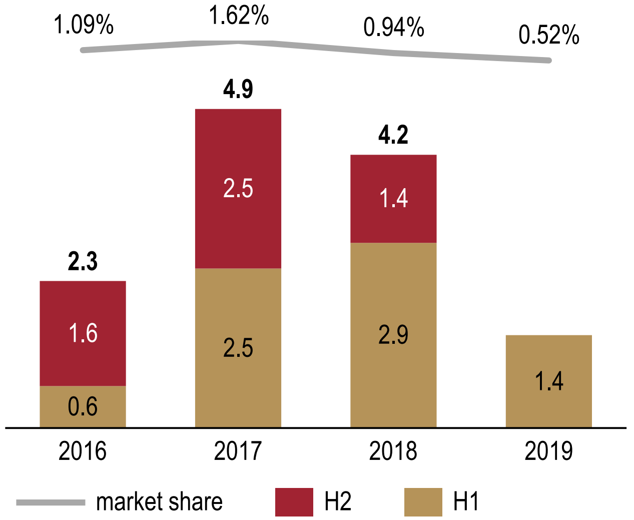




- In 1H 2019 the secured loan volume was HUF 223.9 bln .
- HUF 10.3 bln disbursements in 1H 2019.
- The crowding out effect of „Babaváró" loans already visible.

Consumer loans

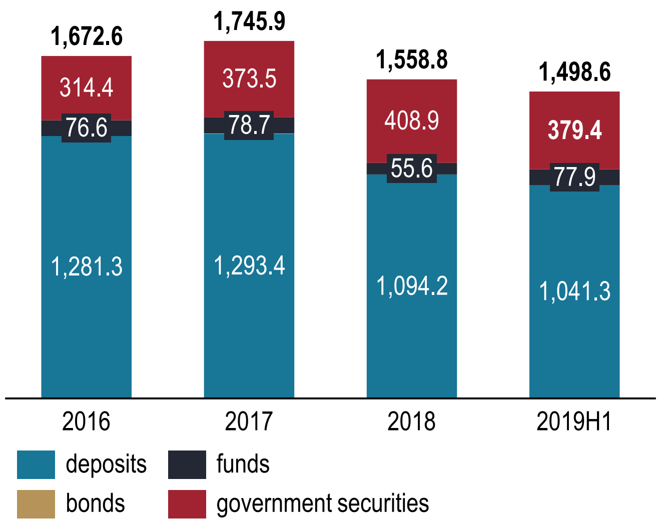




- The consumer loan volume increased by 3.85% to HUF 11.9 bln at the end of half-year.
- The stock market share is 0.8% - stable.

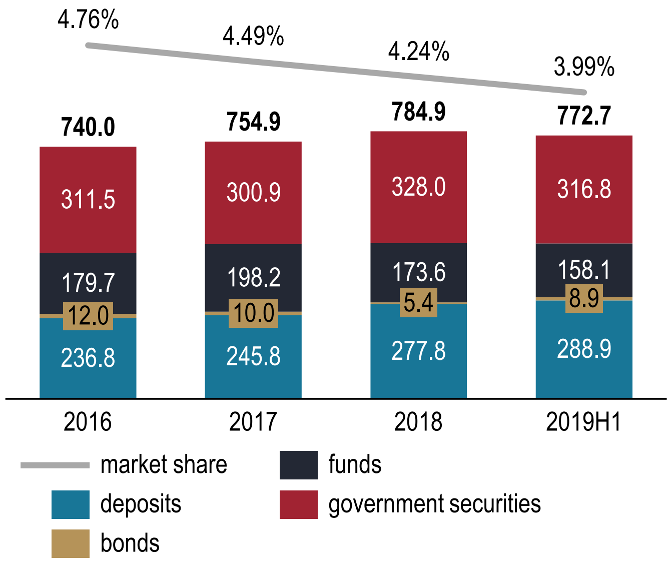
Profitability driven unsecured lending, growing consumer loan volumes by 3.9%

Corporate* savings (HUF bln)



* Non-financial and financial corporates

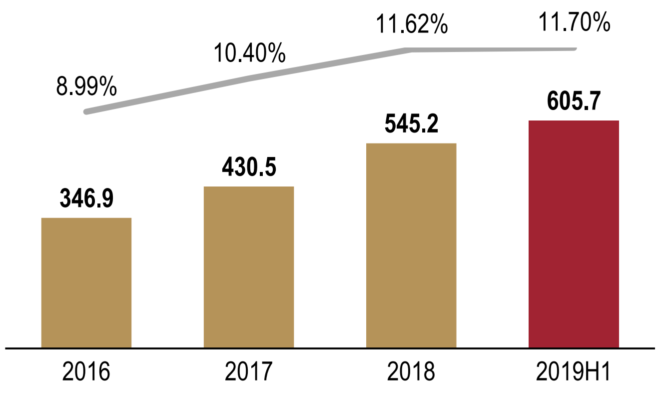
Retail savings (HUF bln) and market share** (%)



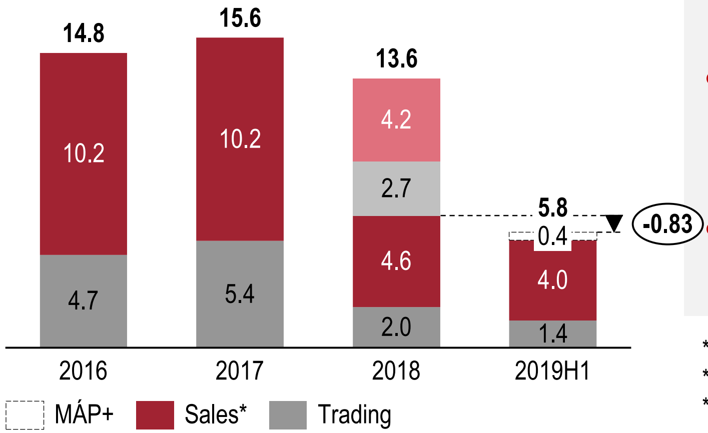
- **Focus on wealth management:** in order to support balance sheet adjustment the aim is to increase the weight of the securities;
- Inflow to funds has been subdued by the crowding-out effect of attractive yields on government bonds..
- The temporary increase in sight deposits at the end of 1H 2019 might be dissipated by fast increasing sales of MÁP+.

- Assets managed by Private Banking business line were further increased in 2019 due to additional inflow from existing and new clients alike .
- Assets under management per client increased by 13%.
- MKB Bank has an outstanding market share of 30%+ among private banks operating at an entry threshold of at least HUF 100mln.

Private Banking assets(HUF bln)and market share*** (%)



Treasury sales and trading income* (HUF bln)



- **The income of Treasury** is susceptible to momentary market conditions. Accordingly past results may not be indicative as to the evaluation of current results.
- Treasury sales were impacted by decreasing commission rates of government securities trading, while the FX sales results increased due to more volatile FX rates
- HUF 0.4bn MÁP+ Q2 results shown on the bottom right chart will be accounted for in Q3 financials

* Treasury products and securities distribution;
** Source: MNB;
*** Source : Blochamps

Increase in highly profitable private banking portfolio

Annexes

- Strategic Partners' Performances
- Abbreviations
- Peer group and market data sources

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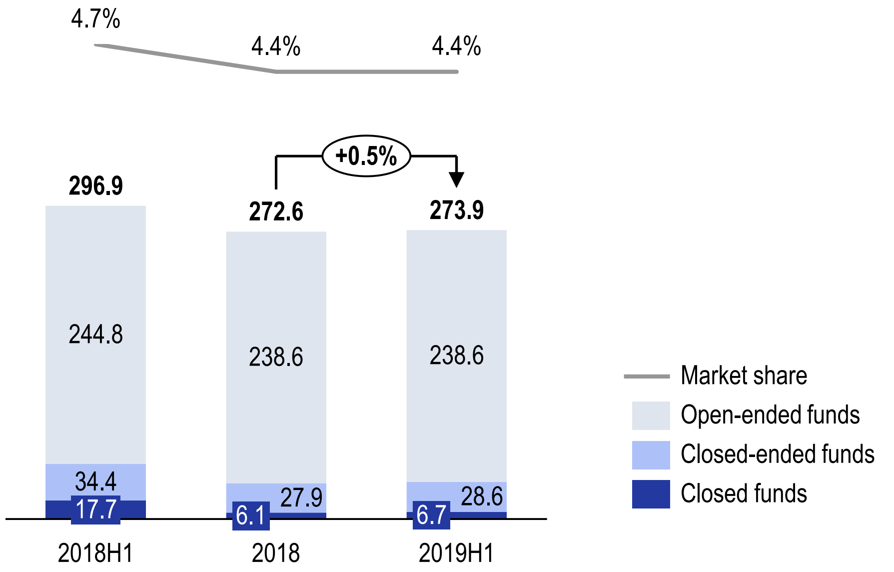
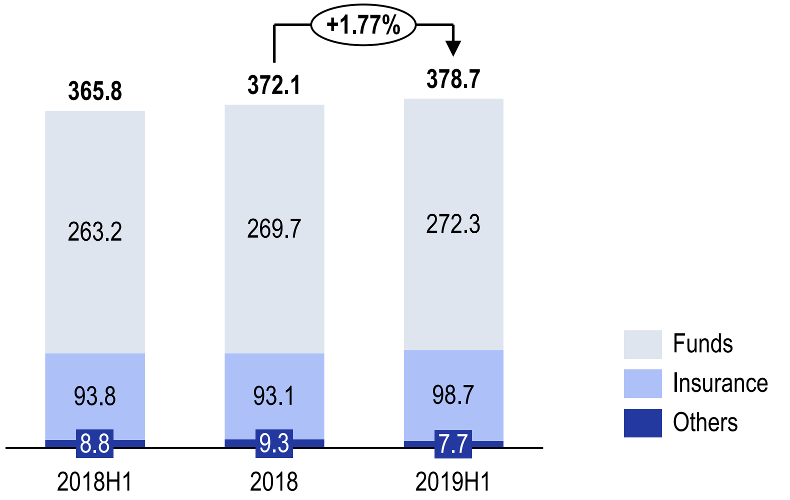
Tradition
Innovation
Cooperation

Breakdown of investment funds (HUF bln)



Breakdown of managed portfolios (HUF bln)



- **Stagnant investment portfolio:** 0.5% p / p stock increase in 1H 2019 but decrease in Q2 2019.
- **MÁP+ crowd-out effect:** the background of the outflow from open-ended funds is the appearance of Hungarian Venture Capital Plus (in HUN: Magyar Állampapír Plusz - MÁP +) at the end of 1H 2019; in line with the trends on retail investment market;
- **Outflow of ~ HUF 175 billion in June 2019:** The outflow of MKB-Pannónia Fund Management was less than the % of the market.
- **Moderated 1% Wealth Growth in 1H 2019:** negative cash flow was compensated by yield effects. The change in clientele (one client merged into another fund and thus the Asset Management mandate of the Fund Manager ceased) also contributed to the loss of assets.
- In insurance asset management, the effect of yield also explained a significant part of the increase in assets. Assets under management increased by approximately 6% to HUF 98.7 bln from the base of the end of 2018.

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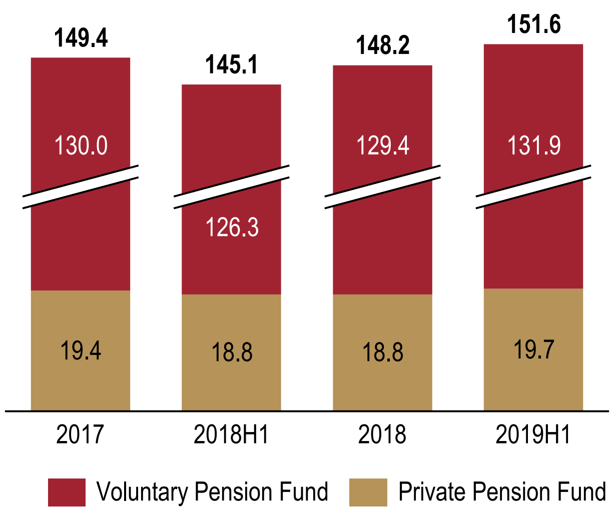
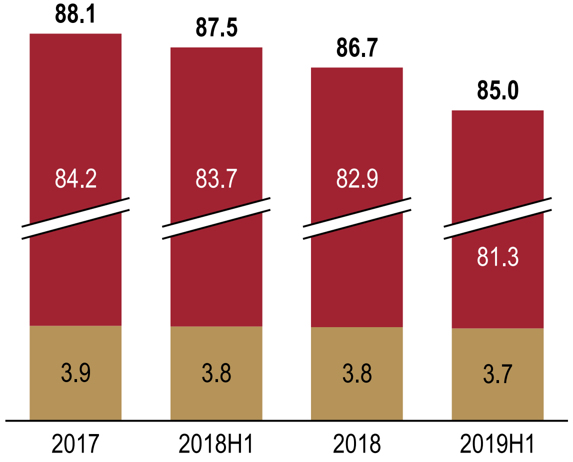
Moderately growing investment portfolio, yield effect on assets under management

Breakdown of fund assets (HUF bln)

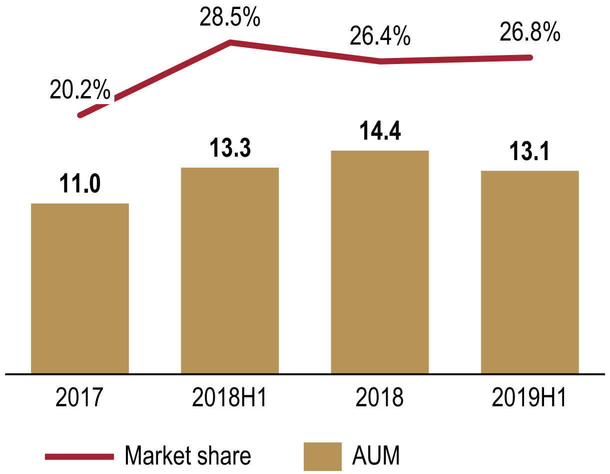


Number of members (thousand pax)

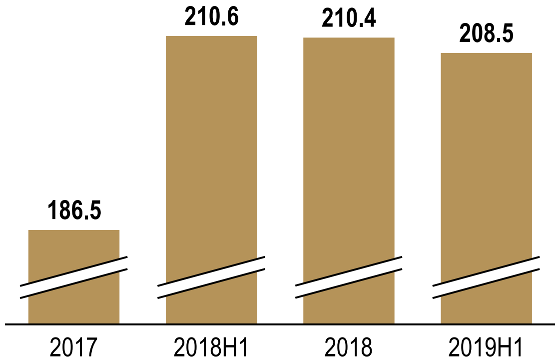


- Number of members: stable private pension fund, decreasing number of voluntary pension fund members (3rd place based on membership number)
- In terms of wealth, among the five largest players in the sector.

Fund assets (HUF bln) and market share (%)



Number of members (thousand pax)



- MKB-Pannónia Health Fund continues to hold first place in the sector in terms of fund assets in 2019.
- Along with the increase in individual contributions, total membership fees decreased as employer contributions decreased in the sector and at MKB-Pannónia Health Fund as a result of tax regulations effective from January 2019.

MKB, MKB Bank, MKB Group	MKB Group
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.
MNB	Magyar Nemzeti Bank (the Central Bank of Hungary)
y/y	Year on year
p/p	Period on period
bp	Basis point
CAGR	Compounded Annual Growth Rate
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
Covered loans	Home Loans + Free-to-Use Mortgages
FVTOCI	Fair Value Through OCI
FVTPL	Fair Value Through P&L
FTE	Full Time Equivalent
NPL	Non Performing Loans
NPE	Non Performing Exposures
DPD90+	Days past due over 90 days
POCI	Purchased or Originated Credit Impaired Asset
ROE, ROAE	Return On Equity
CIR	Cost Income Ratio
TRM	Total Revenue Margin
NIM	Net Interest Margin
NFM	Net Fee Margin
CAR	Capital Adequacy Ratio
LTD	Loans To Deposits ratio
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)

Abbreviations

MNB	https://www.mnb.hu/en/statistics/statistical-data-and-information/statistical-time-series	
K&H (KBC)	https://www.kbc.com/en/quarterly-reports#tab	
Unicredit	https://www.unicreditgroup.eu/en/investors/group-results.html	Divisional Database
Erste Bank	https://www.erstegroup.com/en/investors/reports/financial-reports	
Raiffeisen	http://investor.rbinternational.com/index.php?id=556&L=1	
CIB (Intesa)	https://www.group.intesasanpaolo.com/scriptIsir0/si09/investor_relations/eng_bilanci_relazioni.jsp	Key figures database
Budapest Bank	https://www.budapestbank.hu/info/irattar/irattar-eves.php	

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