



2019 MKB Group

Flash Report presentation

Budapest, 25 March 2020



Executive summary

Business environment

Financials at a glance MKB Group

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

Capital position

Business income

General administrative expenses

Portfolio quality

Business segments results

Corporate segment

Leasing segment

Retail segment

Investments, Private Bank and Treasury activities

Annexes

Strategic Partners' Performances

Abbreviations

Disclaimer



- **EU Commitments fulfilled:** Uniquely in Europe, MKB has closed the restructuring period with an outstanding financial result
- **Record profit** in 2019: HUF 37.4 bln (HUF 44.1 bln unadjusted), 21.2% ROAE
- **Capital position further enhanced:** HUF 196.6 bln (+19.2% y/y) regulatory capital, 22.6% CAR (+4.7%-pt y/y) means considerable cushion to support business growth as well as to absorb any unexpected shocks in 2020
- **Decreasing CIR%** underpins sustainability, successful organization realignment and digitalization
- **ALM portfolio's profitability maintained**
- **Successful NPL build-down resulting in 4.3% NPL rate**
- **Stable customer base** allows for excessive liquidity surplus (79.6% LTD) and robust core income margin (4.18% CIM)

- **Balance sheet management** induced low-key disbursements with focus on participation in government initiatives („Babaváró”)
- **Favourable ALM portfolio gains:** alignments and yield environment changes resulted in lower net interest income and better fair value
- **Expenses heavily affected by IT OPEX and bonus related costs**
- **NPL portfolio:** compilation of sales of large corporate NPL deals allowed for risk cost release

TOCI	HUF 34.08 bln 54.1% ; -72.5%
PAT	HUF 37.36 bln 5.6% ; -82.8%
ROAE	21.20% -2.5%-pt ; -40.4%-pt
CIM	4.18% 0.2%-pt ; 0.0%-pt
GAE	HUF 41.18 bln -8.3% ; 77.6%
CIR	51.05% -6.5%-pt ; 47.9%-pt
Risk%	0.31% 0.5%-pt ; -0.8%-pt
NPL%	4.30% -4.0%-pt ; 0.3%-pt
CAR	22.59% 4.7%-pt ; 4.4%-pt
Securities to TA	34.07% -7.5%-pt ; -6.2%-pt

adjusted data

(↓) y/y YTD; p/p (↑)

- **Strong push for decreasing costs:**
 - **Realignment** resulted in decreasing personnel expenses and improving organizational efficiency. Wage inflation partially neutralised the gains
 - **Bonus and welfare costs** was strongly bound to profitability
- **Ongoing balance sheet management** to ensure fulfilment of the EU Commitments:
 - **Acquisition efforts managed** to keep RWA below the required level
 - Focusing on securities based savings product to **manage customer liabilities and liquidity** as well as to boost fee income
 - Balanced approach allowed for keeping the **customer base largely intact**
- **Investments in IT background**
 - **Regulatory projects** (e.g. AFR, Hitreg, PSD2, etc.) consume capacities and put pressure on related costs
 - **Focusing on digital solutions** as preparatory measures for post-EU Commitments era
- **Successful ALM portfolio realignment in 2H:**
 - Adaptation to the new, lower than previously expected yield levels completed
 - Underlying value of the portfolio partially realized supporting the capital accumulation
- **Portfolio divestment** allowed for HUF ~41 bln NPL portfolio decrease and HUF ~6.5 bln risk cost release (see adjustments)

EU Commitments	
✓	
RWA	Total Assets
HUF 870.2 bln ✓ < HUF 900-1,000 bln	HUF 1,759.8 bln ✓ < HUF 1,800-2,000 bln
CIR	ROAE
51.05% ✓ < 50-55%	21.20% ✓ > 5-12%
Headcount	Number of branches
1,892 FTE ✓ < 1,950-2,000 FTE	51 ✓ < 70-76
Marketing costs	Portfolio quality: NPL%
HUF 0.76 bln ✓ < HUF 1-1.5 bln	4.30% ✓ 2016: 17.5%; 2018: 8.4%
Regulated capital market	
Standard category at BSE ✓	

Ranges displayed above are 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.

MKB Bank's credit ratings by Moody's Investor Service has been **upgraded to Ba3** on 28 January 2020 confirming the achievements of MKB Bank.

MKB Bank **successfully launched its instant payment system** („AFR”) solution on 2nd March 2020. Problem-free operation creates the foundation for further upgrades to cashless payment services. MKB Bank is committed to leverage business opportunities attached in the near future.

While the outbreak of the COVID-19 pandemic puts stress on almost every aspect of MKB Bank's operation, the management is committed to do everything in its powers to **keep its operation as smooth as possible**.

By the decision of the Government of Hungary

- **All payment (interest, fees, principal) obligations related to loans and financial leasing contracts are suspended** until 31.12.2020
- **Unsecured retail loan rates limited** to base rate + 5%points
- **Dividend payments suspended until 30.09.2020**
- As of March 25th, MNB launched **new facilities providing significant support for liquidity** of both the markets and the banking sector, and expressed its commitment to introduce more should new developments demand



Impact on profitability is still largely unpredictable due to ongoing negotiations regarding legislation changes and fast moving market conditions. However, funds at MKB Pannónia might be affected by decreasing market liquidity.

MKB Bank donated HUF 1 bln to support the measures aimed at prevent the spread of the virus.

Executive summary

Business environment

Financials at a glance MKB Group

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

Capital position

Business income

General administrative expenses

Portfolio quality

Business segments results

Corporate segment

Leasing segment

Retail segment

Investments, Private Bank and Treasury activities

Annexes

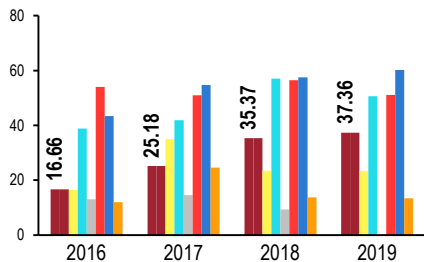
Strategic Partners' Performances

Abbreviations

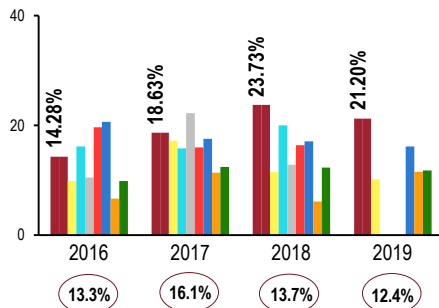
Disclaimer



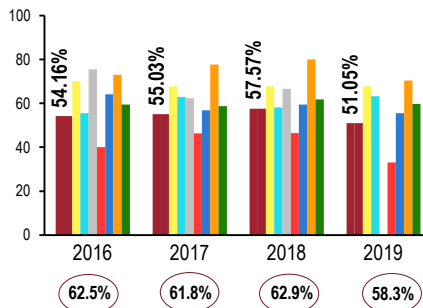
Adjusted profit after tax (HUF bln)



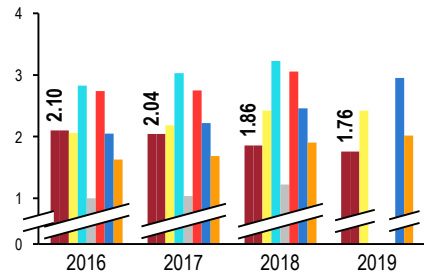
Adjusted ROAE (%)



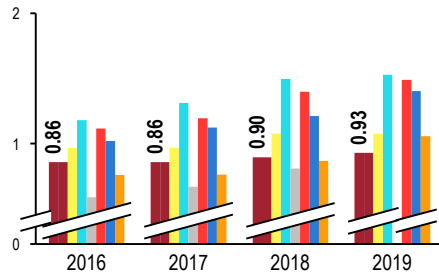
Cost/income ratio (% adjusted)



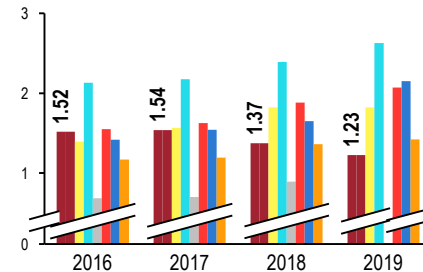
Total assets (HUF thousand bln)



Net loan portfolio (HUF thousand bln)



Deposits (HUF thousand bln)



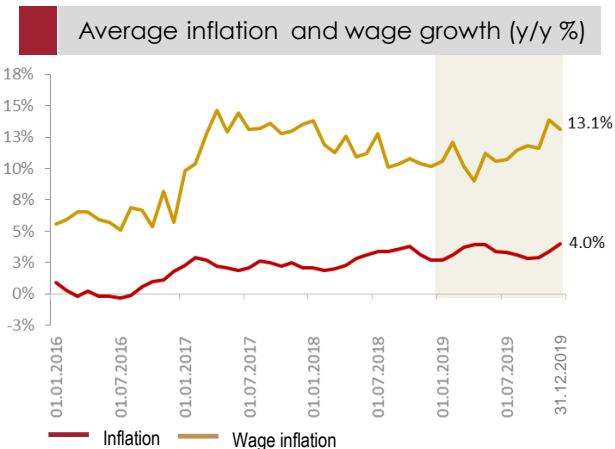
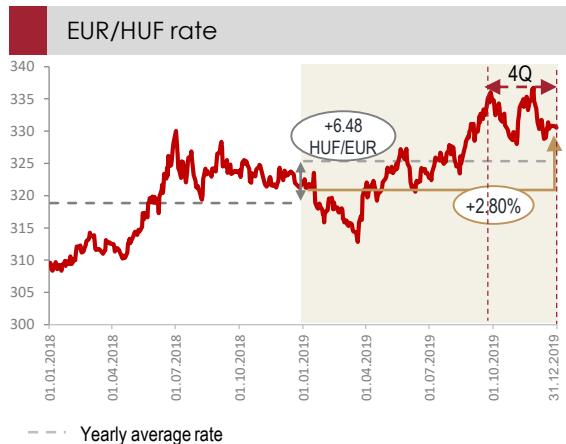
■ MKB ■ KH ■ UC ■ CIB
■ Raiffeisen ■ BB ■ Erste ■ OTP Core

(17.5) peer group average incl. OTP Core

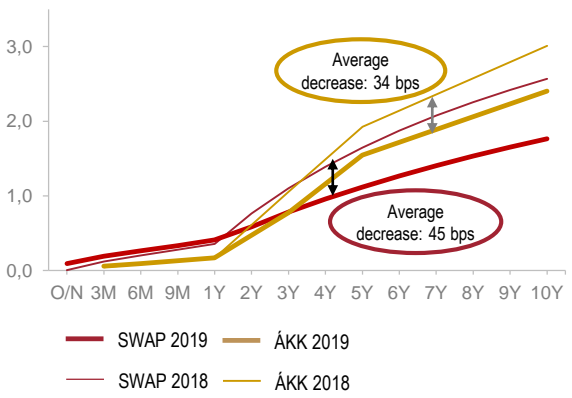
Source: annual reports of banks

- **21.20% ROAE** stands out from the competition
- **HUF 37.4 bln profit** (adjusted) means higher than total asset based market share for MKB Group
- **51.05% CIR** (53.2% unadjusted) is better than peer average by more than seven percentage points. Y/Y decrease signals improved efficiency
- **Successful management of the balances sheet** resulted in decreasing and below EU requirement **total assets**

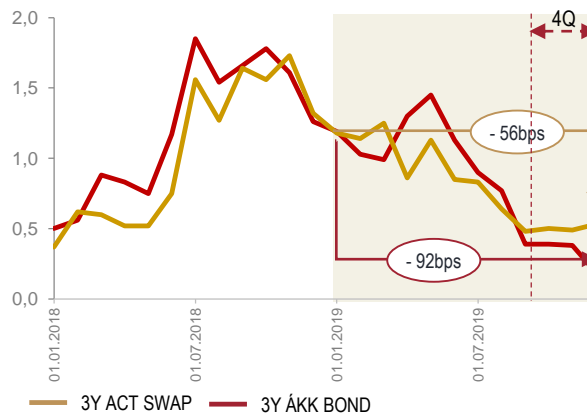
- Yield curves were shifted downwards - spreads narrowed significantly
- Wage inflation remained high putting stress on wages (11.4% yearly average)
- Inflation rate started to grow in 4Q - reached 4% by the end of the year



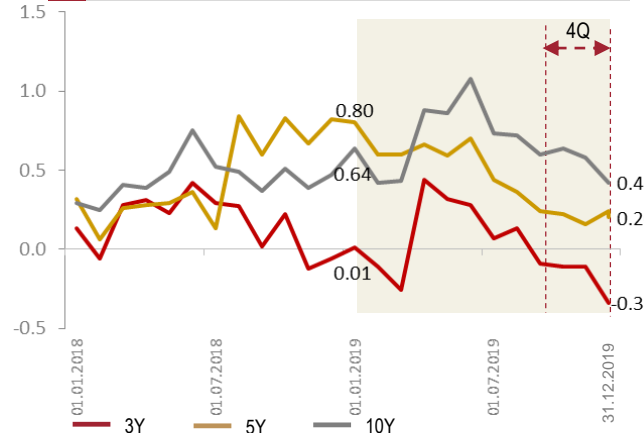
ÁKK and SWAP yield curves (%)



3 years ÁKK and SWAP yields (%)



ÁKK-SWAP spread (%-pt)



Downward yield trends, increasing FX rates in 2019

25.03.2020



Executive summary
Business environment

Financials at a glance MKB Group

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

Capital position

Business income

General administrative expenses

Portfolio quality

Business segments results

Corporate segment

Leasing segment

Retail segment

Investments, Private Bank and Treasury activities

Annexes

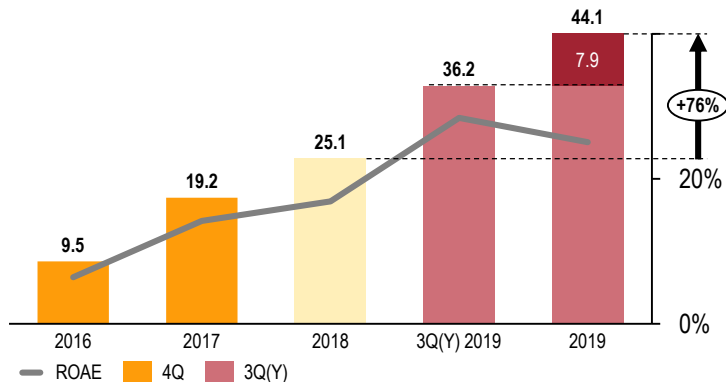
Strategic Partners' Performances

Abbreviations

Disclaimer



Profit after tax (HUF bln, YTD, unadjusted) and ROAE (%)



75.7% y/y increasing cumulated profit after tax: HUF 7.9 bln profit added in 4Q:

- Stable core income
- Favourable ALM results from fruitful portfolio adjustments in 2H
- Costs increase: IT OPEX and bonus related cost booked
- Provision release due to one-offs

Managed portfolio sales: selling of performing corporate assets and one-off results from real estate divestments

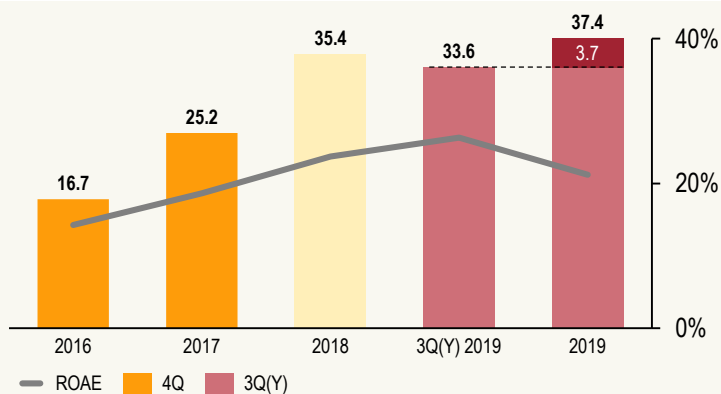
Distressed portfolio sales: one-off results from retail and large corporate NPL portfolio divestments

Branch closure reserve: branch closure related costs were better than budgeted for

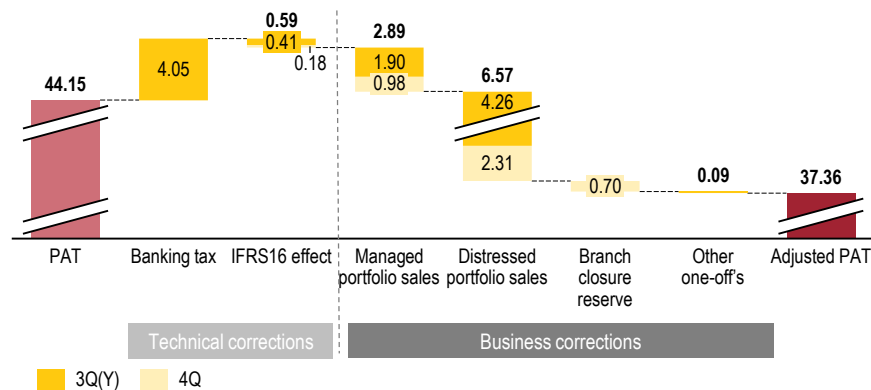
Other one-offs: dividend income, etc.

Business corrections

Adjusted Profit after tax (HUF bln, YTD) and ROAE (%)



4Q(Y) 2019 adjusted Profit After Tax breakdown (HUF bln)



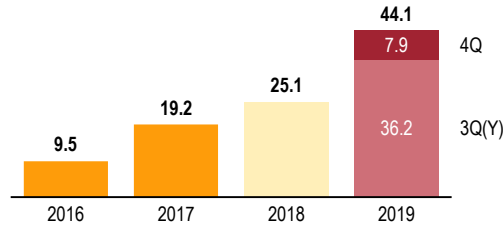
Excellent PAT in 2019, 4Q results affected by end-of-the-year costs and favourable ALM results

25.03.2020

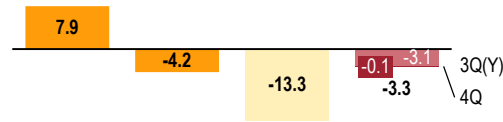


Total Comprehensive Income (YTD, HUF bln)

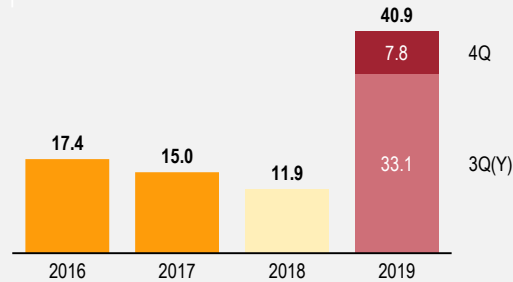
PAT



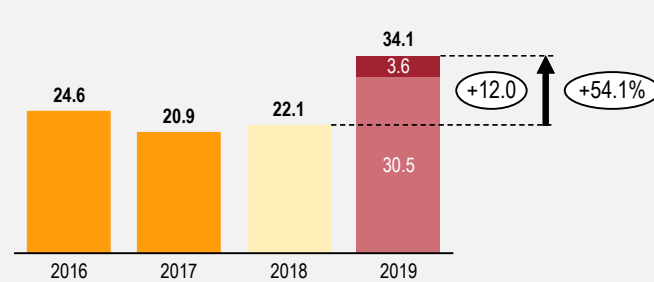
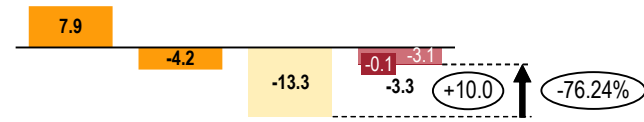
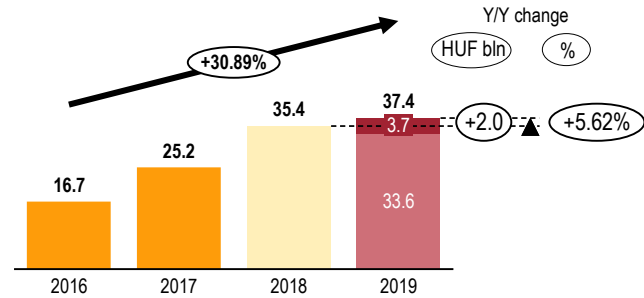
OCI



TOCI



Adjusted Total Comprehensive Income (YTD, HUF bln)



TOCI (adjusted) increased by HUF +12.0 bln y/y

- **Sustainable profit generation** (+5.6% y/y) based on slightly increasing core income (+5.2% y/y), decreasing costs (-8.4% y/y) and moderate risk costs (0.3%)
- **Favourable OCI** stemming from successful ALM portfolio realignment in 2H. OCI changed HUF 10 bln y/y marking a significant change in yield environment

Executive summary
Business environment

Financials at a glance MKB Group

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

Capital position

Business income

General administrative expenses

Portfolio quality

Business segments results

Corporate segment

Leasing segment

Retail segment

Investments, Private Bank and Treasury activities

Annexes

Strategic Partners' Performances

Abbreviations

Disclaimer



P&L (HUF bln)	2017		2018		2019			Y/Y (Y) %	P/P %	Y/Y (P) %
	4Q(Y)	4Q	4Q(Y)	3Q	3Q(Y)	4Q	4Q(Y)			
<i>Net operating income</i> ¹	36.6	-0.5	33.1	25.6	33.9	5.6	39.5	19.28%	-78.08%	-
Gross operating income ¹	81.4	14.0	78.0	33.8	60.4	20.2	80.7	3.39%	-40.23%	44.05%
Net interest income	39.58	9.40	40.50	10.48	32.01	8.80	40.80	0.74%	-16.03%	-6.39%
Net fee income	28.85	5.29	25.91	7.75	19.47	7.85	27.32	5.43%	1.22%	48.45%
Other Income ²	12.98	-0.64	11.61	15.62	8.96	3.58	12.55	8.08%	-77.05%	-
General admin. expenses ¹	-44.8	-14.6	-44.9	-8.2	-26.6	-14.6	-41.2	-8.32%	77.56%	0.16%
Provisions ¹	-9.6	0.7	1.8	-3.8	-0.4	-2.5	-2.9	-258.72%	-33.64%	-
Provision for losses on loans	-10.59	1.05	1.93	-4.20 ⁴	-0.81 ⁴	-2.24	-3.06	-258.48%	-46.62%	-
Other provisions and impairments	0.98	-0.35	-0.10	0.41	0.42	-0.27	0.15	-253.95%	-165.50%	-22.77%
Adjusted PBT ¹	27.0	0.2	34.9	21.8	33.5	3.1	36.6	4.70%	-85.79%	-
Taxation	-1.82	0.58	0.44	-0.08	0.14	0.64	0.78	79.31%	-	10.33%
Adjusted PAT	25.2	0.7	35.4	21.8	33.6	3.7	37.4	5.62%	-82.79%	-
Adjustments total ³	6.0	0.9	10.2	-6.3	-2.6	-4.2	-6.8	-166.35%	-33.67%	-
Profit after tax (PAT)	19.2	-0.1	25.1	28.1	36.2	7.9	44.1	75.67%	-71.76%	-
Revaluation on AFS financial assets (OCI)	-4.2	5.0	-13.3	-8.6	-3.1	-0.1	-3.3	-75.24%	-98.48%	-102.62%
Total Comprehensive Income	15.0	4.9	11.9	19.4	33.1	7.8	40.9	244.06%	-59.86%	59.52%

¹Adjusted figures

²Net other Income contains FX+FV result too

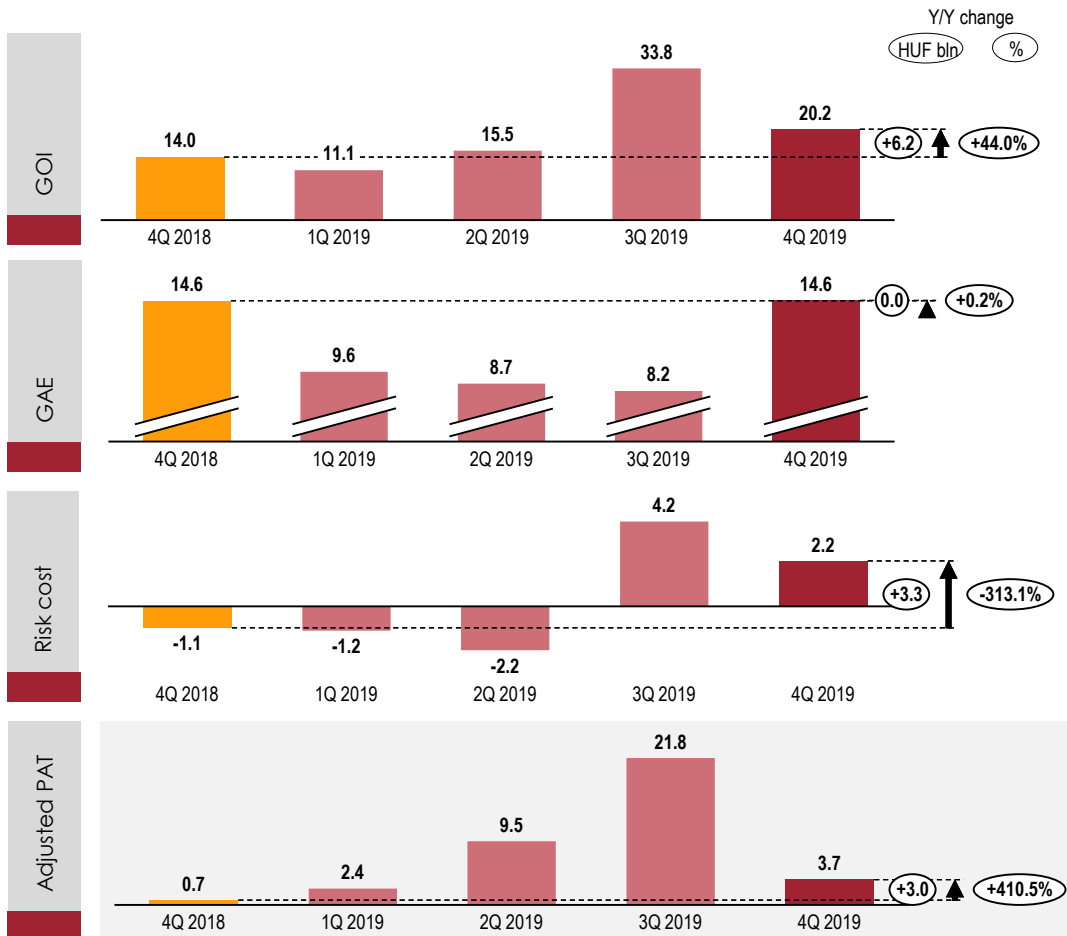
³The 3.1 chapter of the Flash report contains the list of adjustments

⁴It contains the result of the 3Q 2019 NPL portfolio sale

Excellent performance in 2019; due to the significantly higher incomes and lower costs

25.03.2020





- HUF 20.2 bln gross income:** stable Core income (HUF 19.6 bln; +5.2% y/y) supported by positive ALM FVTPL results. Realisation of the underlying results of the ALM portfolio were still ongoing in 4Q marking the securities portfolio realignment fruitful
- Steady expense level:** HUF 14.6 bln (+0.2% y/y) in 4Q. Profitability bound bonus costs and IT OPEX attributable to regulatory projects resulting in non pro-rata cost distribution between quarters
- HUF 2.2 bln risk provisioning as a result of prudent risk management and enhanced portfolio quality:** Low risk cost rate (0.3%) despite slightly worsening macroeconomic growth and inflation prospects
- HUF 3.7 bln adjusted profit after tax:** healthy income allowed for positive results despite 4Q being traditionally cost-heavy

Significant increase in earnings on y/y basis

25.03.2020



Balance sheet (HUF bln)	2017	2018	2019		Y/Y	P/P
	4Q	4Q	3Q	4Q	%	%
Financial assets	109.6	82.9	95.5	117.8	42.16%	23.34%
Trading portfolios	72.3	79.3	44.4	20.7	-73.87%	-53.28%
Securities	902.7	710.7	757.3	594.7	-16.32%	-21.48%
Customer Loans (net)	858.6	895.2	942.3	930.3	3.92%	-1.28%
Customer Loans (gross)	938.4	965.3	986.0	976.7	1.18%	-0.95%
Provision for Customer loans	-79.8	-70.1	-43.7	-46.4	-33.87%	6.14%
Total Other assets	101.7	89.5	95.4	96.3	7.56%	0.89%
Total Assets	2,045.0	1,857.6	1,935.0	1,759.8	-5.26%	-9.05%
Interbank liabilities	239.3	214.3	235.4	195.8	-8.65%	-16.81%
Deposits & C/A	1,539.1	1,372.0	1,365.9	1,226.5	-10.61%	-10.21%
Issued debt securities	10.6	5.0	0.0	0.0	-100.00%	0.00%
Other liabilities	93.2	80.1	103.7	99.6	24.44%	-3.95%
Subordinated debt	22.3	28.0	39.4	39.4	40.64%	-0.13%
Shareholders' Equity	140.4	158.2	190.5	198.5	25.48%	4.16%
Total Liabilities & Equity	2,045.0	1,857.6	1,935.0	1,759.8	-5.26%	-9.05%
Customer off balance items	557.9	427.6	405.5	357.7	-16.36%	-11.80%

- **EU restriction induced balance sheet management** resulted in 5.6% y/y total assets decrease
- **Customer loans** only slightly affected by balance sheet management: limited, 3.92% y/y growth to cover for RWA limitations
- **Customer liabilities decreased** (HUF -139.4 bln p/p; HUF -145.5 bln y/y). Customer deposits were redirected to MKB Pannónia Funds to keep customer relations intact
- **Securities portfolio** decrease (HUF -162.7 bln p/p; HUF -116.0 bln y/y;) was driven by shrinking liquidity
- **Ongoing capital accumulation:** outstanding profitability boosts the equity by HUF +40.3 bln y/y

KPIs based on adjusted PAT	2017 4Q(Y)	2018		2019				Y - Y (Y)	P - P	Y - Y (P)
		4Q	4Q(Y)	3Q	3Q(Y)	4Q	4Q(Y)			
Profitability										
TRM - Total revenue margin	3.83%	2.87%	3.89%	7.20%	4.28%	4.38%	4.31%	0.4%-pt	-2.8%-pt	1.5%-pt
NIM - Net income margin	1.86%	1.92%	2.02%	2.23%	2.27%	1.90%	2.18%	0.2%-pt	-0.3%-pt	0.0%-pt
NFM - Net fee margin	1.36%	1.08%	1.29%	1.65%	1.38%	1.70%	1.46%	0.2%-pt	0.1%-pt	0.6%-pt
CIM - Core income margin	3.82%	3.80%	3.96%	4.22%	4.17%	4.24%	4.18%	0.2%-pt	0.0%-pt	0.4%-pt
GOI/RWA - RWA efficiency	8.55%	5.91%	8.06%	14.82%	8.79%	9.04%	8.85%	0.8%-pt	-5.8%-pt	3.1%-pt
Risk% - Risk cost rate	1.07%	-0.42%	-0.19%	1.72%	0.11%	0.91%	0.31%	0.51%-pt	-0.8%-pt	1.3%-pt
Efficiency										
CIR - Cost-Income ratio	55.03%	103.91%	57.57%	24.32%	43.96%	72.25%	51.05%	-6.5%-pt	47.9%-pt	-31.7%-pt
C/TA - Cost to total assets	2.11%	2.98%	2.24%	1.75%	1.88%	3.16%	2.20%	0.0%-pt	1.4%-pt	0.2%-pt
Cost/(income+OCI)	58.05%	76.59%	69.35%	32.66%	46.37%	72.72%	53.22%	-16.1%-pt	40.1%-pt	-3.9%-pt
ROAE - Return on average equity	18.63%	1.88%	23.73%	48.10%	26.35%	7.70%	21.20%	-2.5%-pt	-40.4%-pt	5.8%-pt
ROMC - Return on minimum capital	0.00%	2.30%	28.98%	67.79%	35.16%	11.34%	29.05%	0.1%-pt	-56.5%-pt	9.0%-pt
ROAA - Return on average total asset	1.18%	0.15%	1.76%	4.62%	2.38%	0.81%	1.99%	0.2%-pt	-3.8%-pt	0.7%-pt
Share information										
EPS - Earning per share (HUF, annualized)	251.8	29.3	353.7	870.1	448.2	149.7	373.56	19.9	-720.4	120.4

Cost-to-income ratio shows improved efficiency

25.03.2020



	2017 4Q	2018 4Q	2019		Y - Y	P - P	YTD
			3Q	4Q			
Volume KPIs							
LTD - Loan to deposit ratio	61.0%	70.36%	72.19%	79.63%	9.3%-pt	7.4%-pt	9.3%-pt
Securities ratio	44.1%	41.56%	40.26%	34.07%	-7.5%-pt	-6.2%-pt	-7.5%-pt
Provision to total assets	3.9%	3.77%	2.26%	2.63%	-1.1%-pt	0.4%-pt	-1.1%-pt
RWA/TA - RWA/total assets	45.5%	49.57%	47.52%	49.45%	-0.1%-pt	1.9%-pt	-0.1%-pt
CAR - Capital adequacy ratio	15.7%	17.90%	18.16%	22.59%	4.7%-pt	4.4%-pt	4.7%-pt
Portfolio quality							
DPD90+ rate	6.6%	5.11%	2.61%	2.59%	-2.5%-pt	0.0%-pt	-2.5%-pt
DPD90+ coverage	128.7%	142.09%	169.55%	183.37%	41.3%-pt	13.8%-pt	41.3%-pt
NPL rate	10.9%	8.35%	4.00%	4.30%	-4.0%-pt	0.3%-pt	-4.0%-pt
NPL coverage (indirect)	78.2%	86.95%	110.67%	110.31%	23.4%-pt	-0.4%-pt	23.4%-pt
NPL direct coverage	73.3%	63.89%	60.52%	63.45%	-0.4%-pt	2.9%-pt	-0.4%-pt
Stage 1 loans (HUF bln)	N/A	819.4	843.7	855.7	36.3	12.0	36.3
Stage 2 loans (HUF bln)	N/A	51.4	76.0	73.9	22.5	-2.1	22.5
Stage 3 loans (HUF bln)	N/A	61.0	36.1	37.8	-23.2	1.7	-23.2
POCI (HUF bln)	N/A	17.4	7.0	7.9	-9.4	0.9	-9.4

- **51.05% CIR (-6.5%-pt y/y)** showing improved cost efficiency and sustainability
- **4.18% Core income margin:** slight y/y increase despite lower yield environment
- **RWA efficiency improved to 8.85%** (+0.8%-pt y/y) helped mainly by decreasing RWA. Moderate income growth also contributed (+30bps)
- **Moderate risk cost rate:** 0.31% as a result of prudent risk management and NPL divestment
- **4.3% NPL rate:** -4.0%-pt y/y decrease attributable to HUF ~41 bln NPL divestment in 2019. Retail NPL portfolio (HUF ~22 bln) and a large corporate deals (total of HUF ~19 bln) were sold



Executive summary

Business environment

Financials at a glance MKB Group

Adjusted Profit After Tax, Total Comprehensive Income

Profit and Loss, KPIs

Capital position

Business income

General administrative expenses

Portfolio quality

Business segments results

Corporate segment

Leasing segment

Retail segment

Investments, Private Bank and Treasury activities

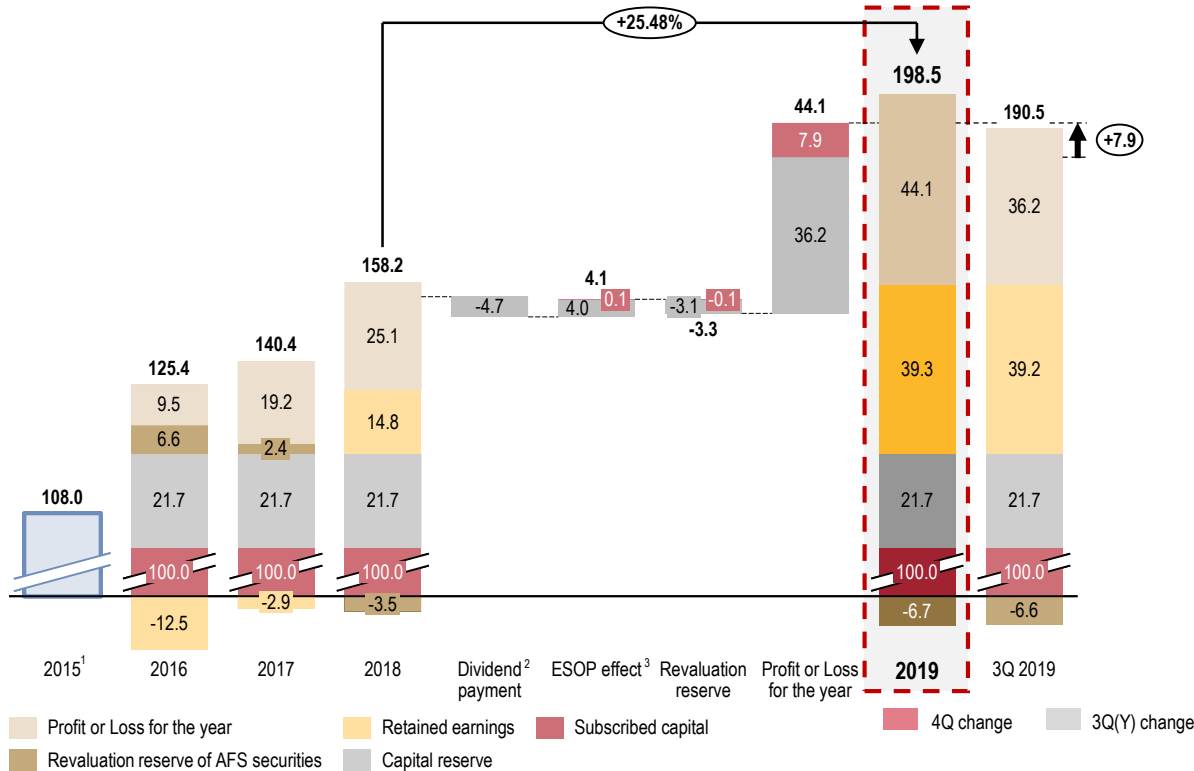
Annexes

Strategic Partners' Performances

Abbreviations

Disclaimer





HUF 40.3 bln (+25.5% y/y) capital accumulated in 2019:

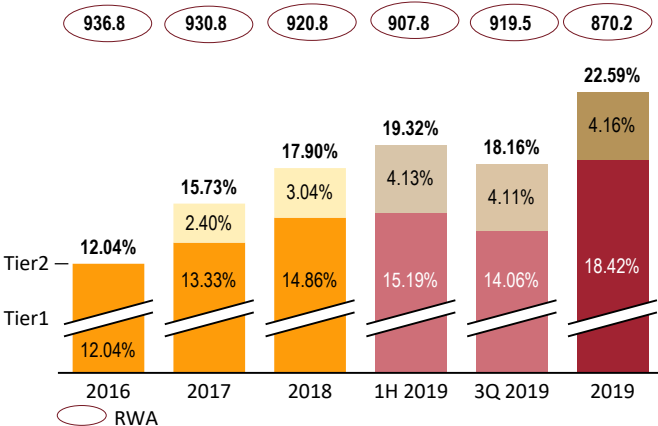
- Record profit of HUF 44.1 bln (unadjusted) in 2019
- HUF -3.3 bln OCI driven by ALM portfolio restructuring in 2H

HUF 7.8 bln TOCI in 4Q (+59.5% y/y)

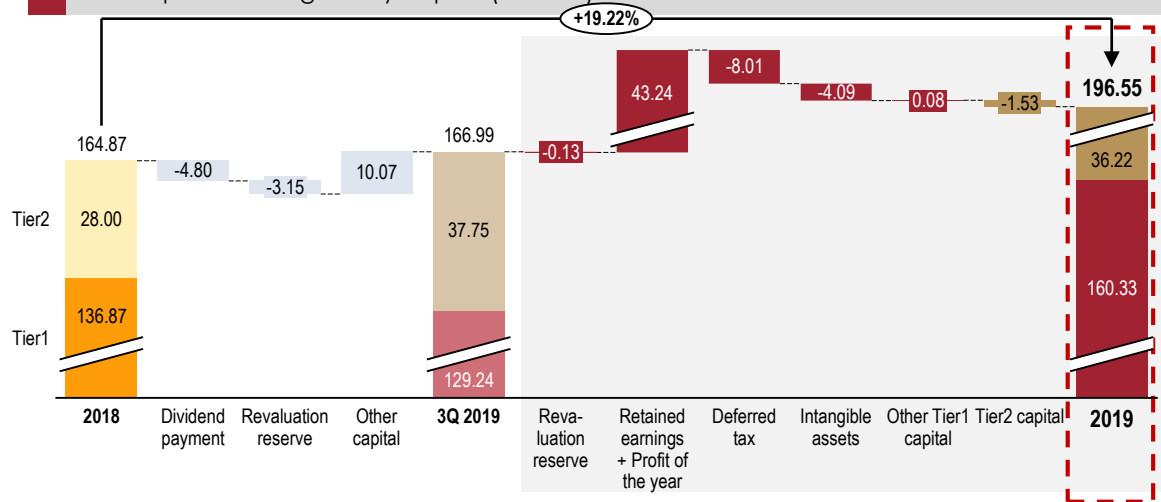
- HUF +7.9 bln profit
- HUF -0.1 bln OCI as a result of slightly increasing yields

¹Shareholders' equity for 2015 has not been disclosed in detail due to significant restructuring within the year.
²Dividend payment: MKB Bank's General meeting decided to pay dividend of HUF 4.8bln (HUF 4.7bln including ESOP effect).
³ESOP Effect: settlement of ESOP

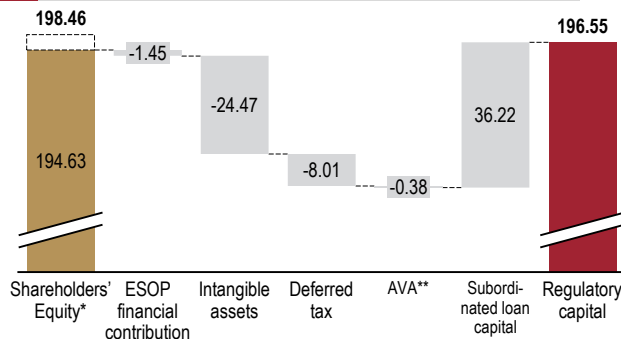
Total RWA (HUF bln), CAR (%)



Development of regulatory capital (HUF bln)



Regulatory capital formulation (HUF bln)



* 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

- **CAR 22.6% in 2019:** considerable cushion to support business growth as well as to absorb any unexpected shocks in 2020
- **HUF -8.0 bln deferred tax asset deduction** as per NBH requirement
- **Ongoing regulatory and digitalization project investments** drive immaterial assets upward by HUF 4.1 bln
- Managed decrease of **RWA to HUF 870.2 bln** (HUF -50.6 bln y/y, HUF -49.3 bln p/p) decreases capital requirement

HUF 30 bln addition to regulatory capital in 2019

25.03.2020





Executive summary

Business environment

Financials at a glance MKB Group

Adjusted Profit After Tax, Total Comprehensive Income

Profit and Loss, KPIs

Capital position

Business income

General administrative expenses

Portfolio quality

Business segments results

Corporate segment

Leasing segment

Retail segment

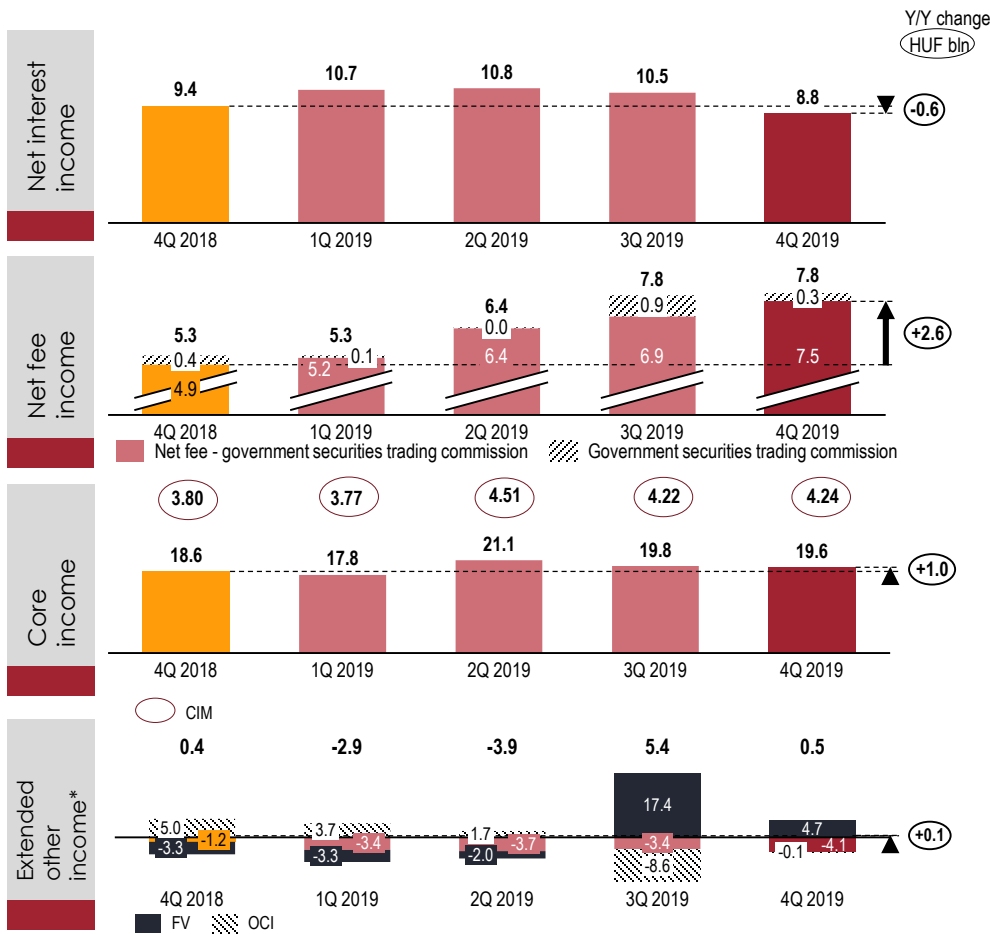
Investments, Private Bank and Treasury activities

Annexes

Strategic Partners' Performances

Abbreviations

Disclaimer



- **Slight decrease in net interest income:**
 - robust customer net interest income despite submerging yields and RWA limited lending
 - Banking book net interest affected by ALM portfolio adjustments in 2H, compensated by FVTPL results
 - **Improving net fee result: HUF 7.8 bln** (HUF +2.6 bln y/y; 1.2% p/p) focusing on fee intensive activities in micro and SME business elevated fee income while effect of MÁP+ sales decreased
 - **Above 4.0%, steady business margin:** despite the constraints imposed upon the business activity of the Group, operating profit could growth (HUF +1.0 bln y/y)
 - **Revaluation results dropped by HUF 4.2 bln q/q.** In 3Q 2019 ALM portfolio was adapted to the stabilizing yield environment. Concentrated and partial realization of the underlying value of the portfolio propelled the income in 3Q, offsetting the unrealised losses incurred in 1H
- ALM portfolio results in 4Q were affected by the less volatile yield environment and the fair value gains from securities divestment activity. The ALM portfolio was further adjusted in 4Q to make room for balance sheet management and to support 2020 liquidity needs

*other income + FV + OCI

The declining yield environment affects mainly the other income

25.03.2020





Executive summary

Business environment

Financials at a glance MKB Group

Adjusted Profit After Tax, Total Comprehensive Income

Profit and Loss, KPIs

Capital position

Business income

General administrative expenses

Portfolio quality

Business segments results

Corporate segment

Leasing segment

Retail segment

Investments, Private Bank and Treasury activities

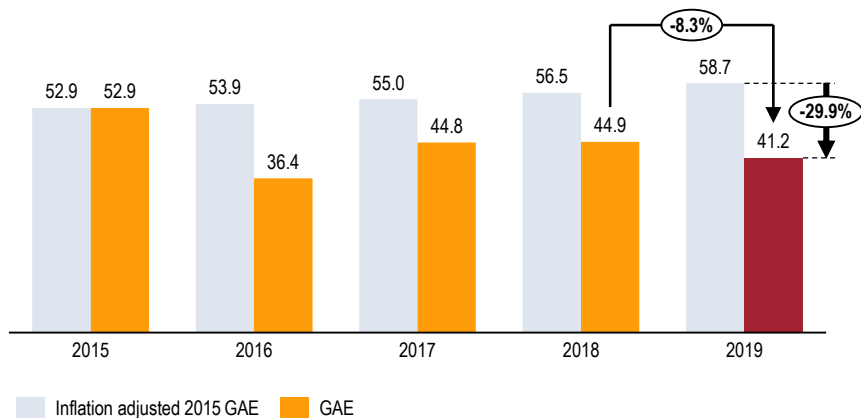
Annexes

Strategic Partners' Performances

Abbreviations

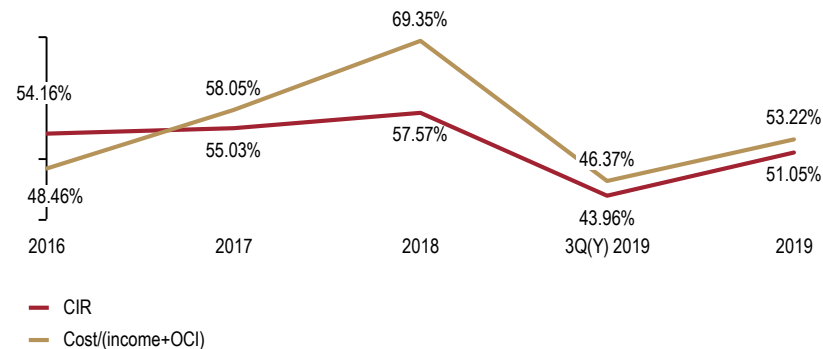
Disclaimer

Cost level on 2015 basis (HUF bln)

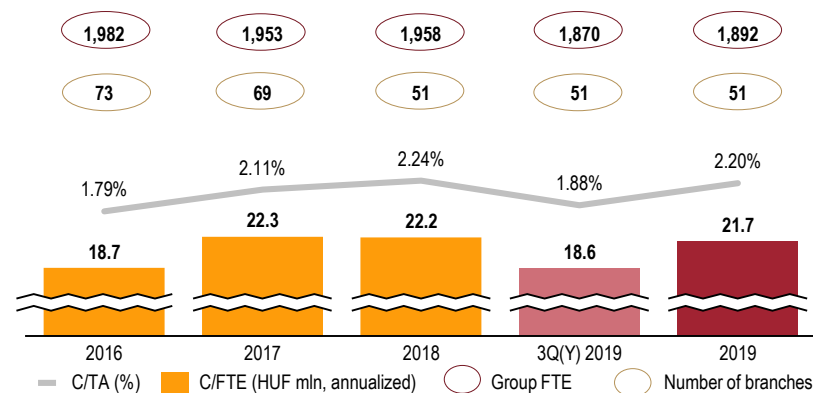


- **51.0% CIR** (-6.5%-pt y/y) showing improved cost efficiency and sustainability
- **8.2% (HUF -3.7 bln) cost cut in 2019** to fulfil CIR requirements
- 29.9% (HUF -17.6 bln) nominal decrease in costs compared to the present value of 2015Y costs
- **3.4% (66 FTE) headcount decrease** in 2019

Cost rates (cumulated, %)



Cost efficiency and headcount (FTE)

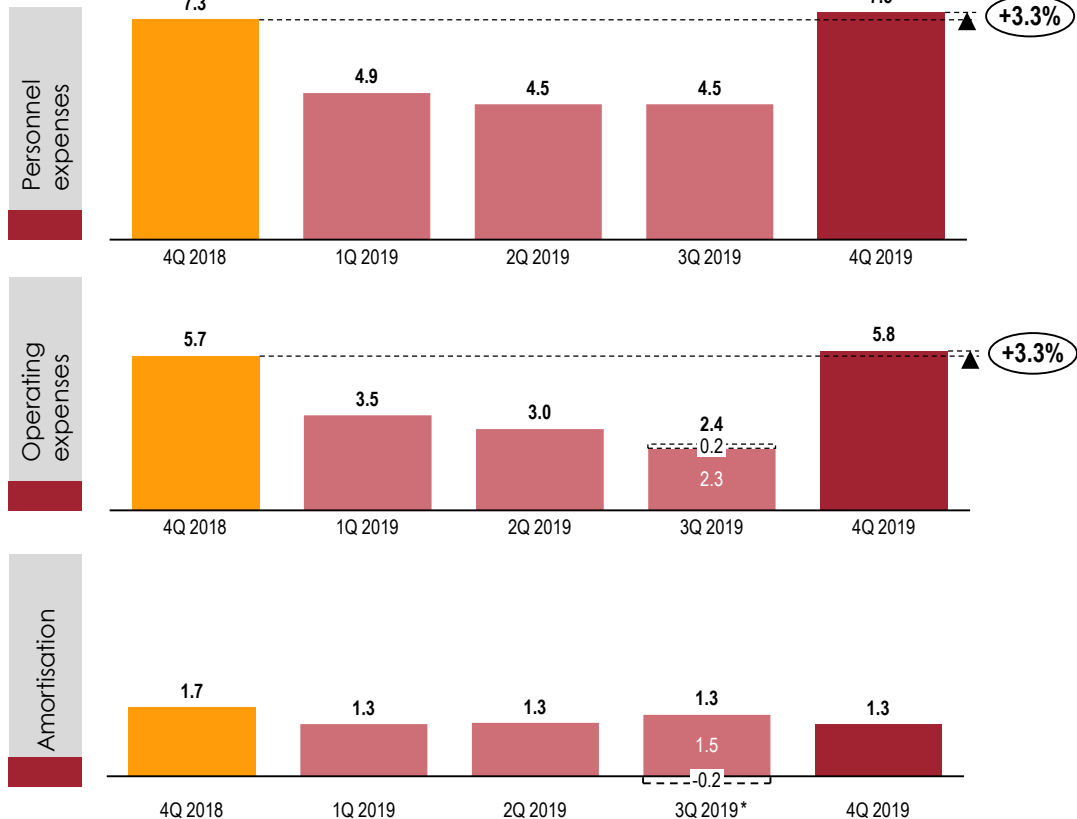


GAE under the 2015 basis causing outstanding CIR

25.03.2020



Breakdown of GAE (HUF bln)



Temporary administrative expenses increase in 4Q

- Personnel expenses in 4Q affected by profitability-bound bonus costs
Savings stemming from headcount reduction in 2019 was neutralized by wage inflation
HUF 21.3 bln personnel expenses in 2019 (-8.1%; HUF -1.9 bln y/y)
- IT OPEX was not pro-rata booked during the year. Regulatory (e.g. AFR, Hitreg, PSD2, etc.) and digitalization projects related cost were responsible for temporarily increase in 4Q
Yearly OPEX (HUF 14.7 bln) decreased by 13% (HUF -2.2 bln) y/y
- Steady level of depreciation in 4Q and 2019

*) IFRS16 effect on amortisation and OPEX was revised in Q4

Seasonally growing personnel and operating costs

25.03.2020





Executive summary

Business environment

Financials at a glance MKB Group

Adjusted Profit After Tax, Total Comprehensive Income

Profit and Loss, KPIs

Capital position

Business income

General administrative expenses

Portfolio quality

Business segments results

Corporate segment

Leasing segment

Retail segment

Investments, Private Bank and Treasury activities

Annexes

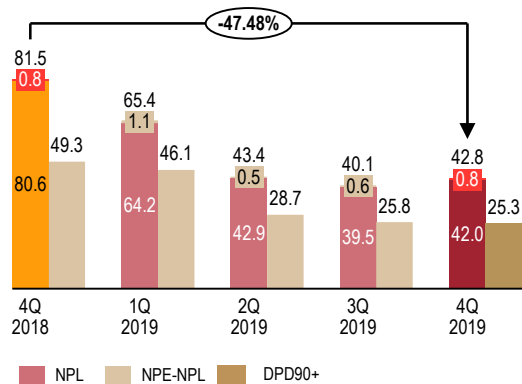
Strategic Partners' Performances

Abbreviations

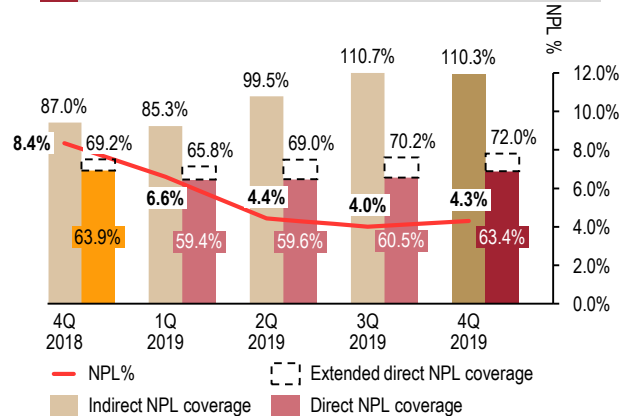
Disclaimer



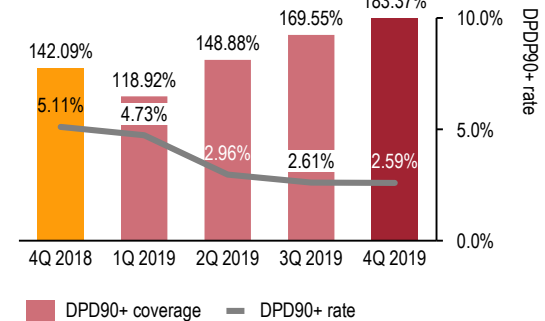
NPL, NPE and DPD90+ portfolio (HUF bln)



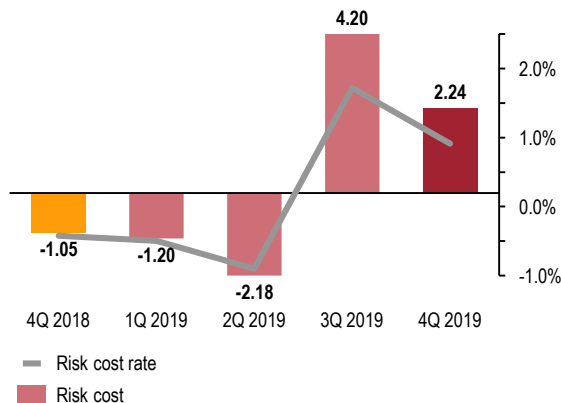
NPL coverage and NPL rate (IFRS*)



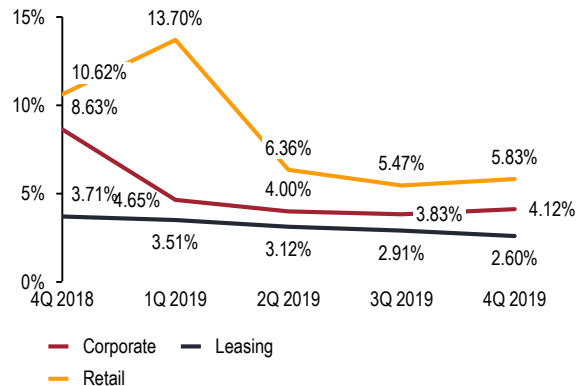
DPD90+ coverage and DPD90+ rate



Risk cost (HUF bln) and rate (%)



Segment NPL rates



- **NPL Coverage Over 100%:** Due to portfolio divestment, NPL portfolio decreased by HUF 38.6 bln y/y while coverage has increased above 100%
- **HUF 3.1 bln, cumulative net provisioning, far below expectations.** Q4 provisioning is consistent with changes in customer ratings

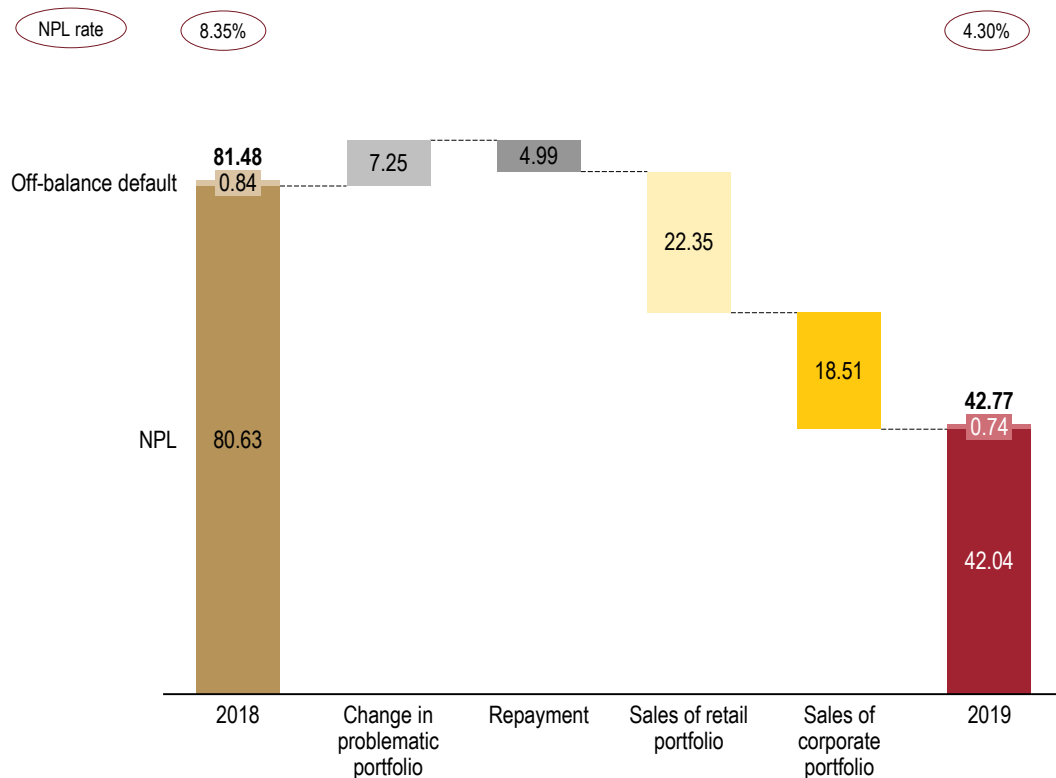
*According to IFRS held for sale and FVTPL portfolio not included

NPL rate improved further; outstanding NPL coverage

25.03.2020



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



- **Portfolio cleansing:** during 2019, MKB Bank completed NPL portfolio divestments in total of HUF 41 bln (-52.4%)
 - HUF 22.5 bln retail portfolio batch sales
 - Total of HUF 18.5 bln corporate deal volume was sold during 2019
- **Declining NPL Rate:** As a result of portfolio reduction, the NPL ratio declined from 8.35% to 4.30% by the end of 2019
- HUF 6.6 bln risk cost release attributable to NPL build-down (see „adjustments”)

Executive summary
Business environment
Financials at a glance MKB Group
Adjusted Profit After Tax, Total Comprehensive Income
Profit and Loss, KPIs

Capital position
Business income
General administrative expenses
Portfolio quality

Business segments results

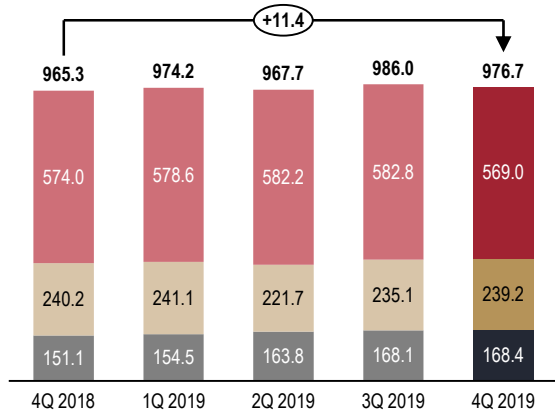
Corporate segment
Leasing segment
Retail segment
Investments, Private Bank and Treasury activities

Annexes
Strategic Partners' Performances
Abbreviations

Disclaimer

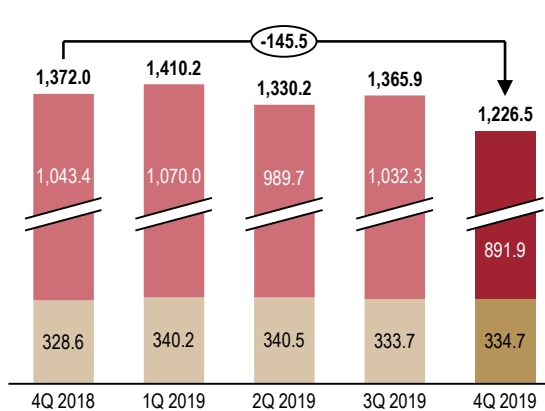


Breakdown of gross customer loans¹
(HUF bln)



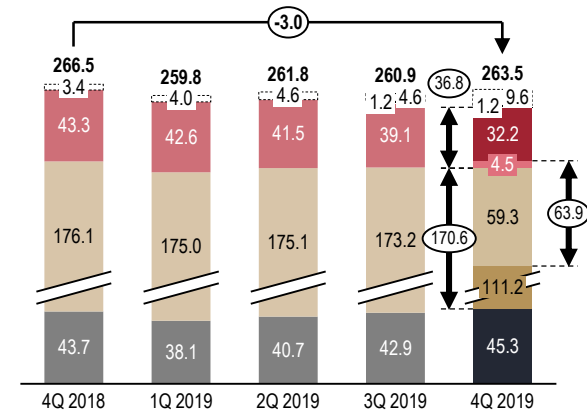
¹IFRS figures
²Replacing HAS segments

Breakdown of deposits^{1,2}
(HUF bln)



Corporate Retail Leasing

Number of clients
(thousand)



Effect of data cleansing Effect of portfolio divestment Corporate TRY Retail TRY

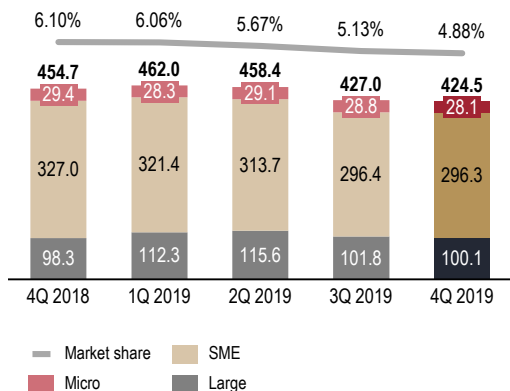
- **Gross customer loans:** HUF +11.4 bln y/y; HUF -9.3 bln p/p;
 - Active focus on profitability
 - High demand for „Babaváró” loans
 - HUF +17.4 bln y/y leasing portfolio growth
 - 9.0% GOI/RWA rate in 4Q 2019
- **Customer deposits:** HUF -139.4 bln p/p; HUF -145.5 bln y/y
 - Customer deposits were redirected to MKB Pannónia Funds to keep customer relations intact
 - Excess corporate liquidity allows for cheap funds

- **Increasing overall customer number, neglecting termination of client account:**
 - 2.4 thousand increase in leasing customer count in 4Q
 - Corporate customer decrease in line with terminating relations with certain client sub segments (w/o termination +1.1thsd)
 - Ongoing retail client portfolio cleansing: closing-off accounts with negative profitability and lack of activity (w/o termination -0.9thsd)

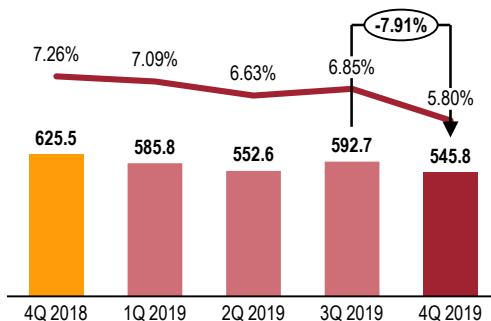
Executive summary
Business environment
Financials at a glance MKB Group
 Adjusted Profit After Tax, Total Comprehensive Income
 Profit and Loss, KPIs
Capital position
Business income
General administrative expenses
Portfolio quality
Business segments results
 Corporate segment
 Leasing segment
 Retail segment
 Investments, Private Bank and Treasury activities
Annexes
 Strategic Partners' Performances
 Abbreviations
Disclaimer



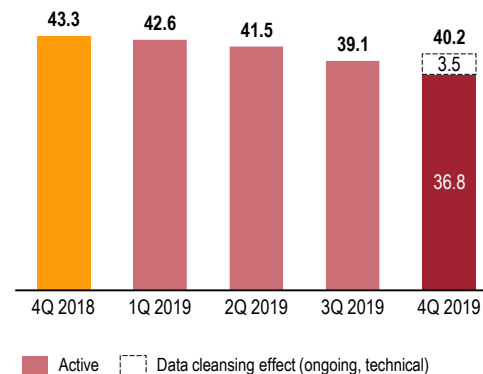
Gross corporate loans* breakdown (HUF bln) and market share** (%)



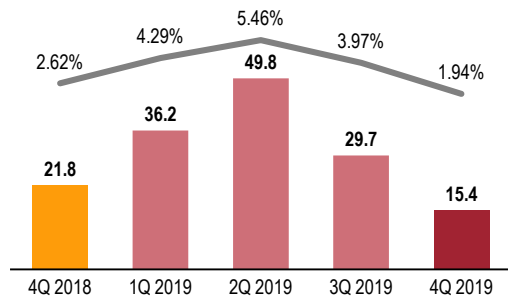
Corporate deposit* (HUF bln) and market share** (%)



Corporate client numbers (in thousands)



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



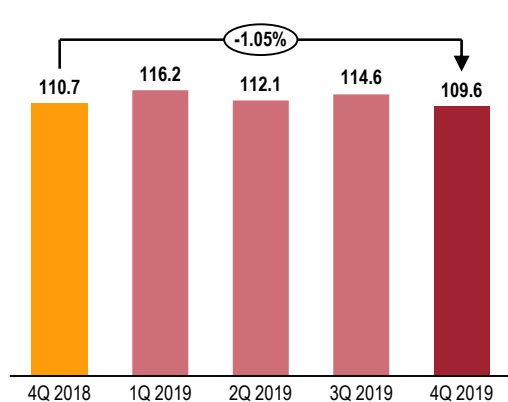
- **Corporate loans:** balance sheet management led to decrease of HUF 30.2 bln since last year (6.6%)
- **Pressure on market position:** market share shrank by 121bps (y/y) to 4.88% (-24bps q/q) due to below-the-market growth, induced by the Group RWA commitment. **Deposits market share decreased** by 146bps (y/y) to **5.8%** (-105bps q/q)
- **Loan disbursement:** HUF 131.1 bln disbursement in 2019 resulted a 3.97% flow market share

* Includes only loans to domestic non-financial corporations, in line with the definition of MNB statistics. Hungarian GAAP data includes held for sale assets according to IFRS. The breakdown of historical data by company size has been changed minimally due to the refinement of methodology.

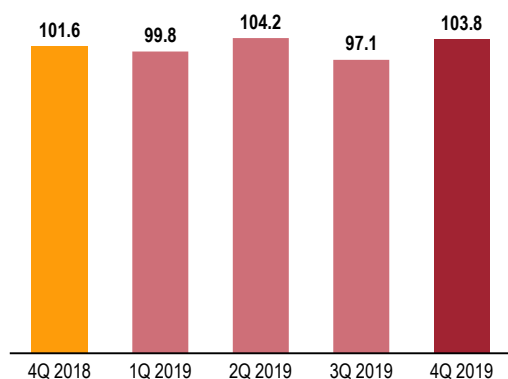
** Source: MNB statistics

Volumes (HUF bln)

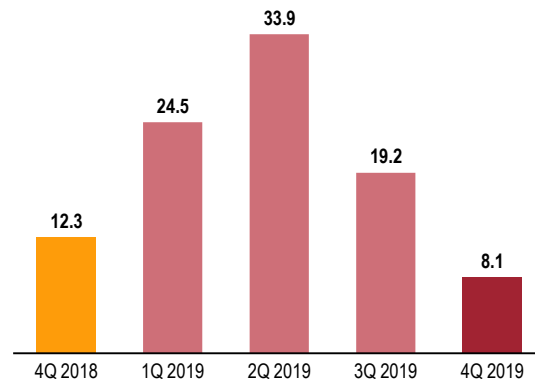
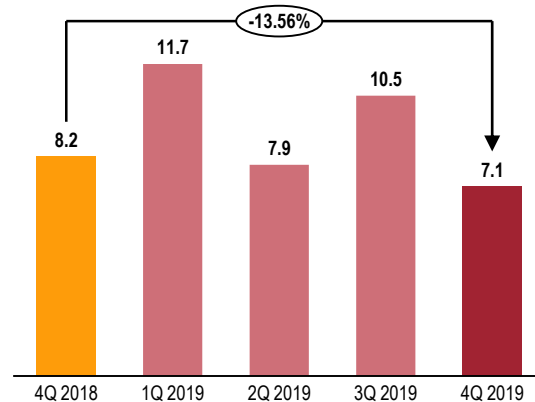
Investment loans*



Working capital loans*



New disbursement (HUF bln)



- **Investment loans decreased by 1.05% (y/y):** closing volume amounted to HUF 109.6 bln, making up 25.8% of the corporate loans
- **Disbursement of HUF 37.2 bln in 2019:** slight decrease by 7.0% compared to previous year (-13,56% q/q)

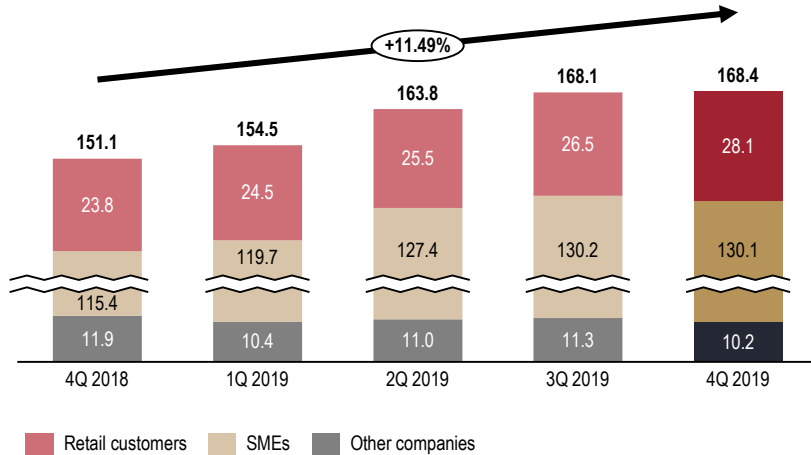
- **Working capital loans volume:** gained a 2.2% y/y increase (7.0% q/q)
- **Disbursement of HUF 85.6 bln in 2019:** y/y increase by HUF 14.2 bln (+19.8% y/y)

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

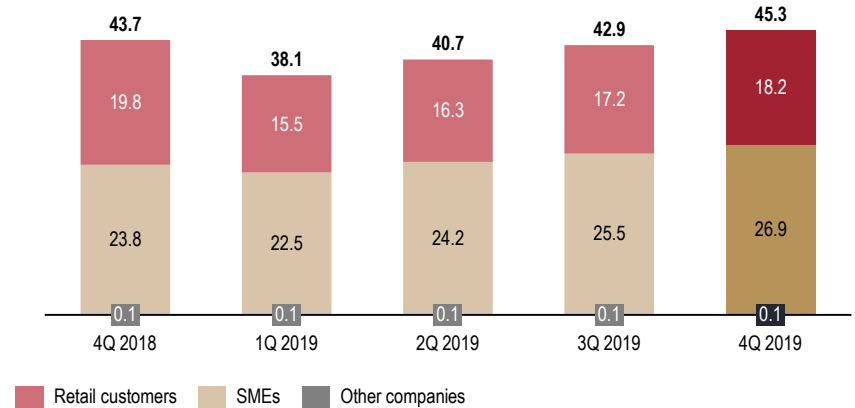
Executive summary
Business environment
Financials at a glance MKB Group
 Adjusted Profit After Tax, Total Comprehensive Income
 Profit and Loss, KPIs
Capital position
Business income
General administrative expenses
Portfolio quality
Business segments results
 Corporate segment
 Leasing segment
 Retail segment
 Investments, Private Bank and Treasury activities
Annexes
 Strategic Partners' Performances
 Abbreviations
Disclaimer



Gross volumes by customers (HUF bln)



Active clients (in thousands)



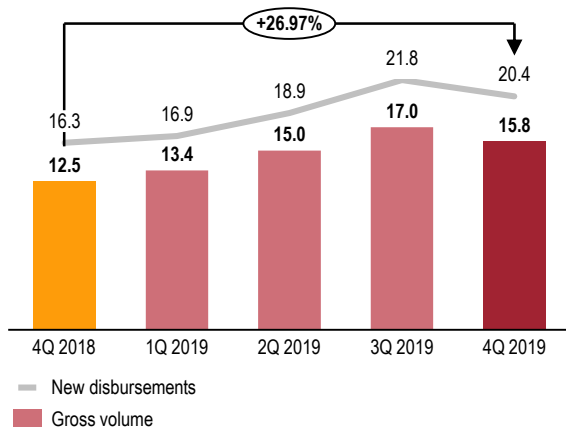
- **Continuous growth of the portfolio:** +11.5%; HUF +17.4 bln y/y. Focus on car and stock finance
- **SME clientele share is growing:** sales focuses on diversified vehicle and agricultural machine financing, supported by NHP-based refinancing product
- **Steady market position** in terms of new disbursement (3rd among leasing companies, based on Hungarian Leasing Association data)

2.76% portfolio CAGR rate (quarterly)

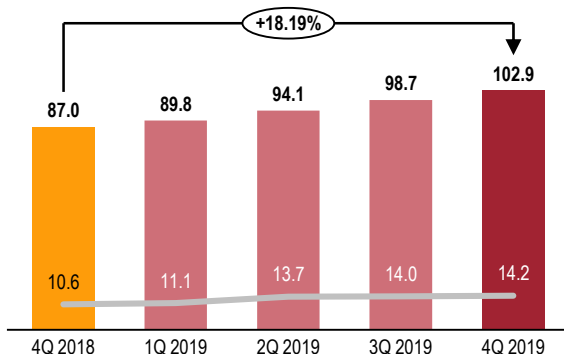
25.03.2020



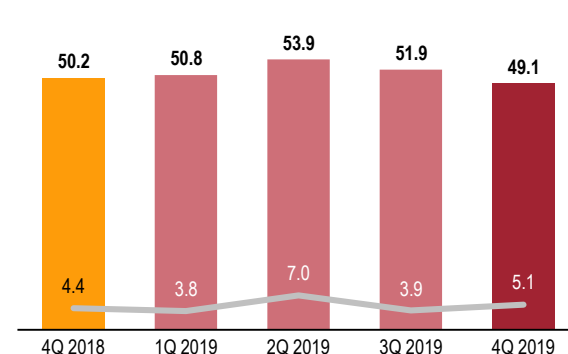
Stock financing (HUF bln)



Retail car financing (HUF bln)



Wholesale, agricultural and machine financing (HUF bln)

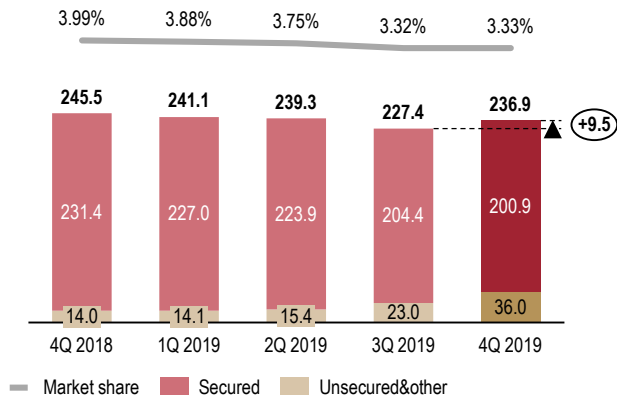


- **Rapid growth in car stock (dealer) financing:** +27.0%; HUF +3.4 bln y/y; Ongoing changes in car market (environment protection policy enhancements) causes all-time high demand for dealer financing in 2019
- **Vehicle financing increase exceeds markets growth:** +18.2%; HUF +15.8 bln Y/Y
- **Stable asset financing portfolio:** risk cautious approach in big ticket, RWA-heavy transactions
- Decreasing NPL portfolio, high provision coverage (82%)

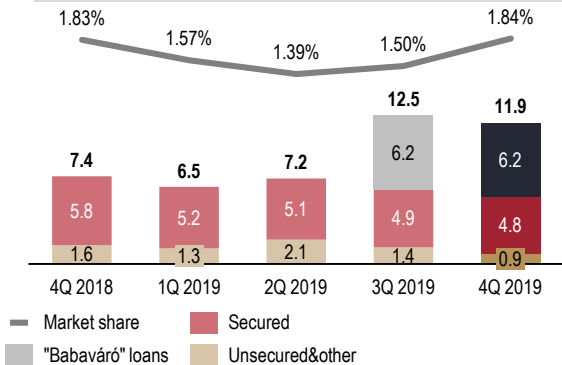
Executive summary
Business environment
Financials at a glance MKB Group
 Adjusted Profit After Tax, Total Comprehensive Income
 Profit and Loss, KPIs
Capital position
Business income
General administrative expenses
Portfolio quality
Business segments results
 Corporate segment
 Leasing segment
 Retail segment
 Investments, Private Bank and Treasury activities
Annexes
 Strategic Partners' Performances
 Abbreviations
Disclaimer



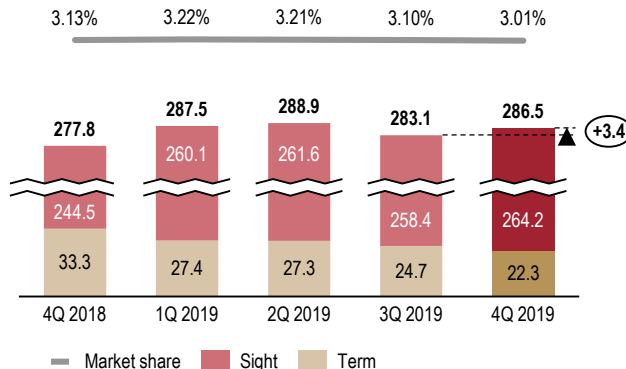
Retail gross loans* (HUF bln) and market share** (%)



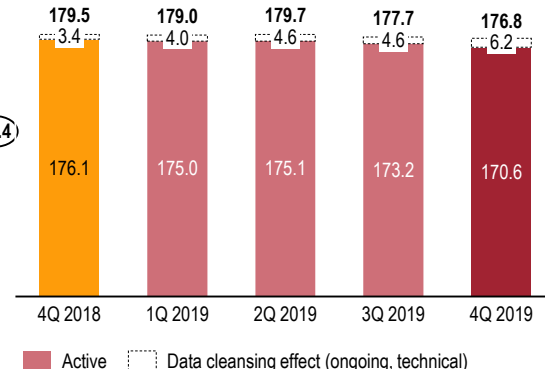
Loan disbursement* (HUF bln) and market share** (%)



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



Retail client number (in thousands)



- **HUF 236.9 bln retail gross loan*** (HUF -8.6 bln y/y; HUF +9.5 bln q/q): Continuously strong demand for „Babaváró” loans
- **HUF 286.5 bln deposits** (HUF +8.7 bln y/y; HUF +3.4 bln q/q)
- **„Babaváró” and secured loan disbursement** remain in the same level as previous quarter, the market share of new disbursement increased by 35 bps
- **Premium customers are in strategic focus in 2019**, their numbers increased by 47.5% to ~ 5,100 compared to the end of 2018.

* The segments are formed according to the requirements to be used in the reports prepared for MNB for comparison which may involve discrepancy between calculated gross volume vs. segment volume. Hungarian GAAP data includes held for sale assets according to IFRS.

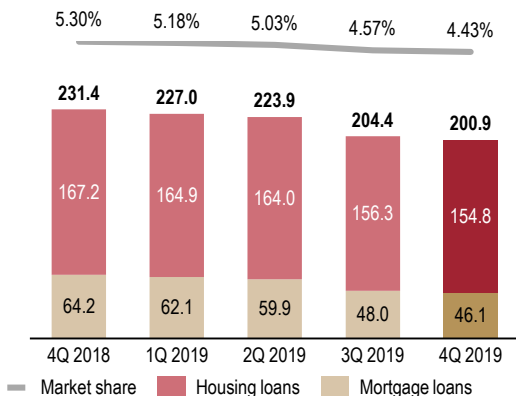
** Source: MNB statistics.

Continuously strong loan disbursement due to „Babaváró” programme

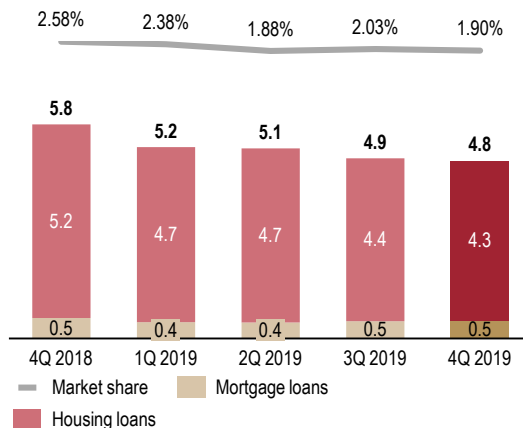
25.03.2020



Volumes (HUF bln) and market share (%)



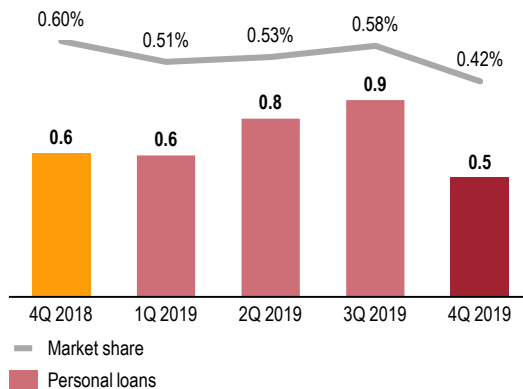
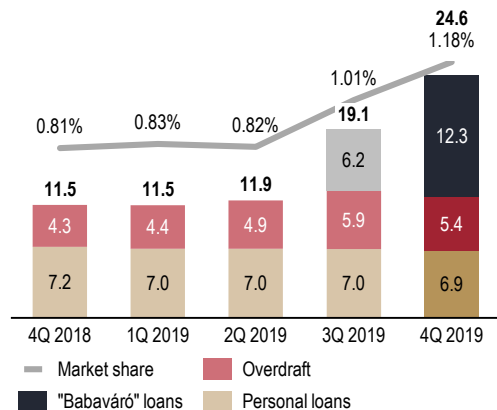
New disbursement (HUF bln) and market share (%)



- Secured loans slightly decreased (HUF -3.5 bln q/q) due to the continuous demand for „Babaváró” loan and the sale of non-performing portfolio
- HUF 4.8 bln new volume (HUF -1.0 bln y/y; HUF -0.1 bln q/q) and market share decrease by 13bps

* Hungarian GAAP data includes held for sale assets according to IFRS.

Unsecured loans



- The market share of unsecured loans increased by 17 bps** compared to the previous period
- q/q 28.8% increasing unsecured loans volume:** Disbursement of „Babaváró” loans remain in the same level as previous quarter
- Personal loan disbursement decreased by HUF 0.4 bln q/q

HUF 5.5 bln unsecured loan volume increase

25.03.2020



Executive summary
Business environment
Financials at a glance MKB Group
Adjusted Profit After Tax, Total Comprehensive Income
Profit and Loss, KPIs

Capital position
Business income
General administrative expenses
Portfolio quality

Business segments results

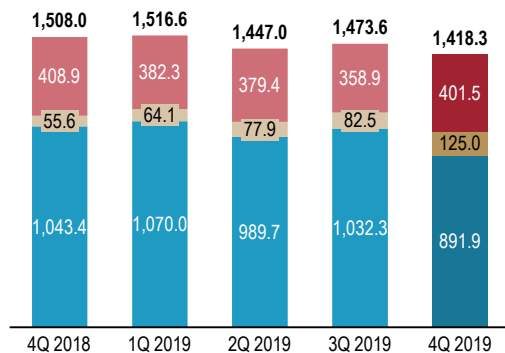
Corporate segment
Leasing segment
Retail segment
Investments, Private Bank and Treasury activities

Annexes
Strategic Partners' Performances
Abbreviations

Disclaimer

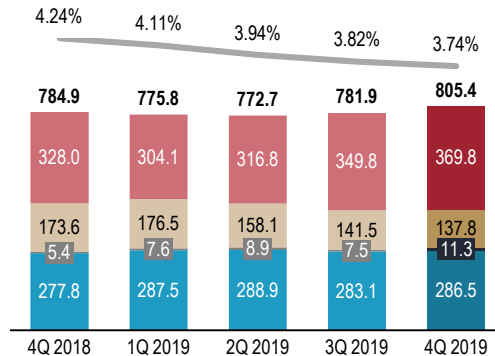


Corporate* savings (HUF bln)



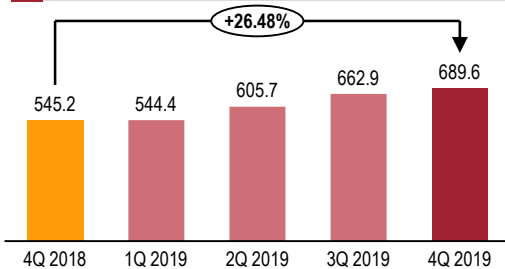
Deposits Bonds Funds Government securities

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

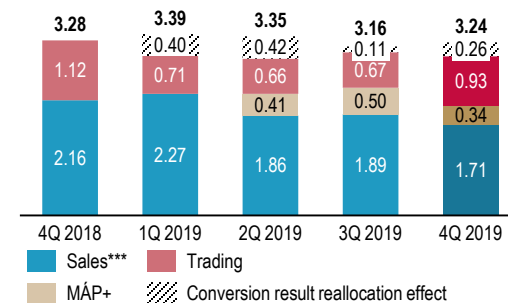


Market share Funds Deposits Government securities

Private Banking assets (HUF bln)



Treasury sales*** and trading income (HUF bln)



Sales*** Trading M&P+ Conversion result reallocation effect

- The introduction of **MÁP+** securities had a material but in Q4 decreasing effect on deposits and investment funds.
- Fast-growing Private Banking portfolio:** HUF 689.6 bln (+ 26.5% y/y; + 4.0% p/p). MÁP+ and third party securities' inflow propelled the growth
- Corporate deposits were partially converted into securities using MKB PAK funds in order to support MKB Bank's balance sheet management goals

Treasury sales:

- High share of MÁP+** related sales results (total treasury sales: HUF 2.04 bln)
- Increasing **FX conversion** earnings
- Cash rate FX conversion results' allocation was updated at the end of the year using transfer pricing methodology. 2019 quarterly results were updated accordingly in order to enhance y/y comparison

* Non-financial and financial corporates

** Source: MNB;

***Treasury products and securities distribution;

**Rapid Private Banking portfolio growth: +26% y/y;
Steady treasury income**

25.03.2020





Executive summary
Business environment
Financials at a glance MKB Group
Adjusted Profit After Tax, Total Comprehensive Income
Profit and Loss, KPIs
Capital position
Business income
General administrative expenses
Portfolio quality
Business segments results
Corporate segment
Leasing segment
Retail segment
Investments, Private Bank and Treasury activities

Annexes

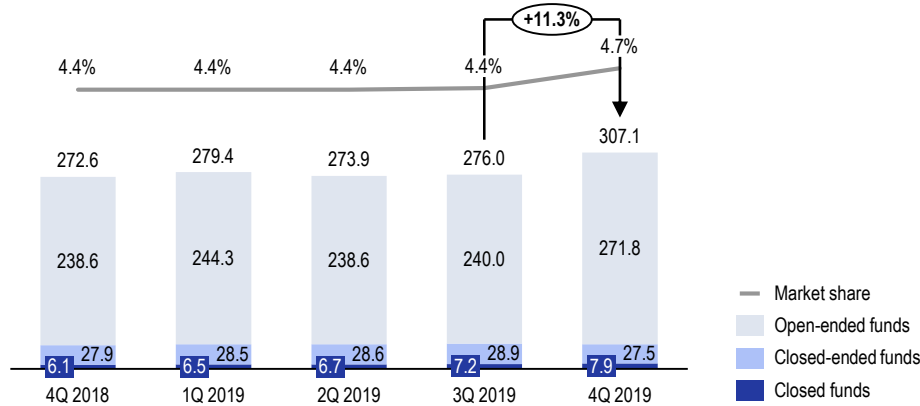
Strategic Partners' Performances

Abbreviations

Disclaimer

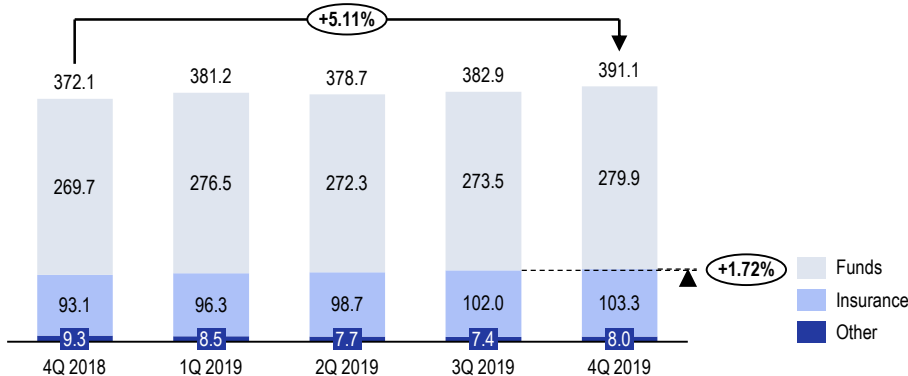


Breakdown of investment funds (HUF bln)



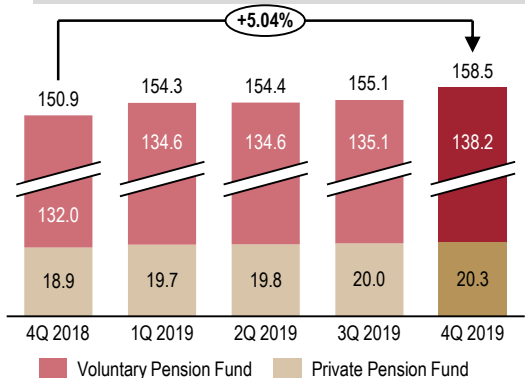
- **Increasing Investment Fund portfolio:** despite the outflow generated by MÁP + at summer, investment fund portfolio increased by 12.6% y/y, driven by yield and inflow in Q4
- **Good Investment Fund portfolio performance in Q4:** due to a good performance in the market relative high inflow in the Q4. Market share of the MKB-P rose to 4.7% at the year end from the Q3 4.4 % level

Breakdown of managed portfolios (HUF bln)

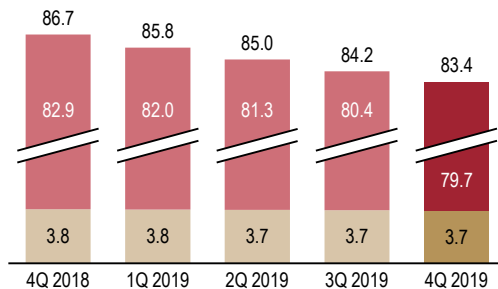


- **5.1% y/y growth in portfolio under management:** slightly increasing mandate (on yearly basis), decreasing negative cash-flow effect in Q4
- **Modest increase in insurance business:** 11 % y/y growth in the insurance portfolio mainly due to higher market prices. Insurance portfolio stock reached 103,3 billion HUF in 2019 Q4

Breakdown of total fund assets (HUF bln)

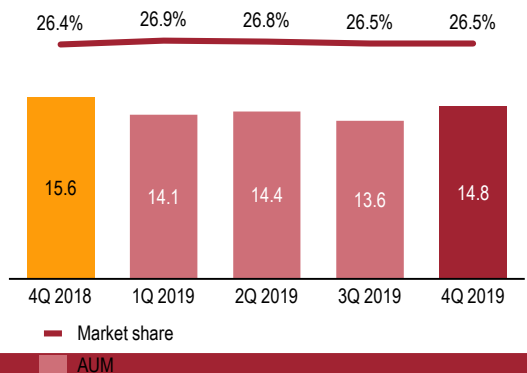


Number of members (thousand pax)

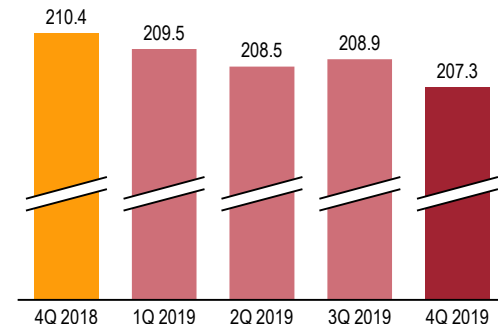


- MKB Voluntary Pension Fund had a membership count of 83.4 thousand persons, while its funds on the personal accounts reached HUF 138.2 bln by the end of 2019
- Based on the total assets under management MKB Voluntary Pension Fund succeed in maintaining its stable 5. ranking with 10% market share
- The market value of total assets managed by MKB Private Pension Fund was HUF 20.3 bln, while the number of members was 3,701 persons at the end of 2019

Total fund assets (HUF bln) and market share (%)



Number of members (thousand pax)



- The value of the portfolio managed by MKB-Pannónia Voluntary Health and Mutual Aid Fund increased to HUF 14.8 bln by the end of 2019, however, it maintained its leading position in the sector with a 26% market share
- The membership in the fund decreased by 1% compared to end of 3Q 2019, but with 207.3 thousand members, it is still the third biggest player within the health and mutual aid fund sector

Executive summary
Business environment
Financials at a glance MKB Group
Adjusted Profit After Tax, Total Comprehensive Income
Profit and Loss, KPIs
Capital position
Business income
General administrative expenses
Portfolio quality
Business segments results
Corporate segment
Leasing segment
Retail segment
Investments, Private Bank and Treasury activities

Annexes

Strategic Partners' Performances

Abbreviations

Disclaimer



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, NBH Magyar Nemzeti Bank (the Central Bank of Hungary)

PAT Profit after tax
PBT Profit before tax
GOI Gross Operating Income
GAE General Administrative Expenses
OCI Other comprehensive income
TOCI Total other comprehensive 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

y/y Year on year
p/p Period on period
bp Basis point
CAGR Compounded Annual Growth Rate
(Y), YTD Year to date data

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 total asset
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

Executive summary
Business environment
Financials at a glance MKB Group
 Adjusted Profit After Tax, Total Comprehensive Income
 Profit and Loss, KPIs
Capital position
Business income
General administrative expenses
Portfolio quality
Business segments results
 Corporate segment
 Leasing segment
 Retail segment
 Investments, Private Bank and Treasury activities
Annexes
 Strategic Partners' Performances
 Abbreviations

Disclaimer



DISCLAIMER

This presentation contains statements that are, or maybe deemed to be, “forward-looking statements” which are prospective in nature. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward looking statements are not based on historical facts, but rather on current predictions, expectations, beliefs, opinions, plans, objectives, goals, intentions and projections about future events, results of operations, prospects, financial condition and discussions of strategy.

By their nature, forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the control of MKB Bank. Forward-looking statements are not guarantees of future performance and may and often do differ materially from actual results. Neither MKB Bank nor any of its subsidiaries or members of its management bodies, directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this presentation will actually occur. You are cautioned not to place undue reliance on these forward-looking statements which only speak as of the date of this presentation. Other than in accordance with its legal or regulatory obligations, MKB Bank is not under any obligation and MKB Bank and its subsidiaries expressly disclaim any intention, obligation or undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This presentation shall not, under any circumstances, create any implication that there has been no change in the business or affairs of MKB Bank since the date of this presentation nor that the information contained herein is correct as at any time subsequent to its date.

This presentation does not constitute or form part of any offer to purchase or subscribe for any securities. The making of this presentation does not constitute a recommendation regarding any securities.

The distribution of this presentation in other jurisdictions may be restricted by law and persons into whose possession this presentation comes should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of other jurisdictions.

The information contained in this presentation is provided as of the date of this presentation and is subject to change without notice.

Investor Relations

Email: investorrelations@mkb.hu

Phone: 0036-1-268-8004

www.mkb.hu/investor