



3Q 2020 MKB Group

Flash Report presentation

Budapest, 26 November 2020





We kindly draw your attention to that in this presentation MKB Bank's underlying financial performance presented – if not stated otherwise – using **adjusted financial figures** (alternative performance measurement indicators – APM).

For definition and calculation methodology of alternative performance measurement indicators please refer to 3Q Flash Report chapter 4.1 – Financial indicators.

This presentation is to support the understanding of the underlying financial performance of MKB Group and it is a close and inseparable part of the 3Q 2020 Flash Report.



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- **3Q adjusted profit (HUF 15.5 bln)** boosts the cumulated profit for the year to HUF 22.8 bln
- **Rapid balance sheet expansion to HUF 2,399.2 bln (+8.7% p/p)** due to **strong deposit inflow (+8.5% p/p)** and MKB Group's successful participation in liquidity boosting and refinanced loan schemes
- Further improving portfolio, **NPL rate down to 3.28%**
- **Sound capital and liquidity position** in 3Q 2020
- **36.4% adjusted CIR%, 54.9% cumulated:** stringent cost management resulted in declining cumulated rate in 3Q
- Money market yield changes support banking book portfolio results

- **MKB Bank is on track to fulfil its 2020 targets despite COVID-19 negative effects:**
 - **Increasing business presence: growing loan and deposit market shares**
 - **Digitalisation & Premium Banking enhancements:**
 - ApplePay became available for MKB Bank's clients from September 15;
 - ATM network renewal almost completed; state-of-the-art, touch-screen, deposit-enabled units will serve MKB customers
 - Premium banking branch setup finished at Hercegprímás Street, Budapest
- **Decreasing moratorium participation:** only 55% of all eligible exposures are under moratorium as 62% of eligible clients participate (slight improvement from previous quarter: 57% of exposures, 63% of clients were under moratorium in 2Q)

Adjusted figures (period)*

PAT	Total Assets
HUF 15.52 bln -32.3% ; -	HUF 2,399.2 bln 24.0% ; 8.7%
ROAE	CIM
30.92% -10.8%-pt ; 32.4%-pt	3.28% -1.0%-pt ; 0.4%-pt
GAE	CIR
HUF 10.02 bln 13.7% ; -2.7%	36.35% 10.9%-pt ; -65.8%-pt
Risk%	NPL%
0.84% 0.1%-pt ; 0.8%-pt	3.28% -0.7%-pt ; -0.3%-pt
CAR	Securities to TA
18.88% 0.7%-pt ; -0.9%-pt	40.70% 0.4%-pt ; 2.1%-pt

(↓) y/y YTD; p/p (↑)

*For unadjusted figures see 3Q 2020 Flash report, paragraph 3.1.2

Retail



- ApplePay mobile payment service became available to MKB customers after a successful launch on September 15
- In September 2020, MKB Bank introduced „MKB Jövőd” account dedicated to students, tailored specifically to their needs
- Demand for retail mortgage loans propels quarterly sales results above expectations
- MKB's premium and affluent customer base enables the bank to profitably provide personal loan products to its customers, even with maximized APR levels.
- Videobank extended functionality – high customer satisfaction

Corporate



- MKB Group took a step forward in regaining its corporate lending as well as savings market shares:
 - Continuous corporate deposits growth reflects strong customer relations
 - Above its market weight FGS GO!, Exim and Széchenyi loans Flow market shares
- Outstanding results in the Bond Funding for Growth Scheme program: MKB is among the three largest investment service providers
- Active and successful participation in government economic stimulus programs to facilitate recovery continued in 3Q

Leasing



- New disbursements increased significantly in 3Q, figures of June-Sept approached the volume of last years same period
- Still low participation rate in moratorium signals healthy portfolio and well-managed customer base
- Continuous growth in retail car financing despite the COVID-19 pandemic

Hungarian Bankholding Ltd. will launch as planned. On the 30th of October, key owners of Takarék Group, MKB Bank Plc., and Budapest Bank Group signed an investment and shareholders' agreement as a confirmation of their former letter of intent and decided to transfer their shares into the joint holding company.

At the same time, the management of Magyar Bankholding also started its operation. Key personnel: dr. Zsolt Barna (Chairman of the Board of Directors), József Vida (CEO), and members of the Board of Directors: dr. Ádám Balog, dr. Koppány Lélfa and dr. Attila Tajthy



Changes in top management: dr. Ádám Balog, President and CEO of MKB Bank resigned with the effect of 31.12.2020. MKB Bank's General Meeting is to nominate the new president on 14.12.2020

According to the Proposed resolution of the General Meeting (published on 23 November 2020): „The General Meeting elects dr. Zsolt Barna as the Chief Executive Officer of MKB Bank Plc. as of 1 January 2021”



Acquisition process termination: MKB Bank terminated examining the possibility and conditions of acquiring a shareholding stake in two Croatia based banking institutions: Slatinska banka d.d. and Croatia banka d.d. without submitting any offers



Awards, new debit cards:

- MKB Bank and MKB-Pannónia Asset Management received a numerous awards at Blochamps Capital Private Banking Hungary ceremony: Business Development Award, Junior Private Banking Prize, Managed Asset Prize to One Customer and also the Asset Management of the year prize
- On 20 November MKB kicked off its latest card campaign by announcing its „metal card” product, targeting the premium customer segment. Customers signing up for the new product will be invited to be involved in the development process. The new card will provide a unique and outstanding customer experience and will be made of metal, building on the experience of fintech companies. **MKB Platinum Metal** and **MKB World Elite Metal** card products are expected to be available to customers in the first half of next year



COVID-19:

- **Partial lockdown:** New measures were introduced to fight the second wave of COVID-19: mass gatherings and family gathering with more than 10 people are forbidden, classes in secondary schools and in higher education has to go online, certain shops have to close at 7 p.m., and a partial lockdown is in effect from 8 p.m. to 5. a.m.
- **Moratorium extension:** On 20 October, Hungarian Parliament extended the moratorium on repayment due to the COVID-19 to certain key social groups and companies in financial difficulties until 30 June 2021. MKB Bank expects the effects of the elongation to be booked in 4Q 2020
- **FGS Go!:** The Monetary Council expended the budget of the FGS Go! Program by HUF 1,000 bln at its meeting on 17 November 2020
- **Operating environment:** normal, but safe branch operation throughout the network, working from home as BAU for non-front colleagues



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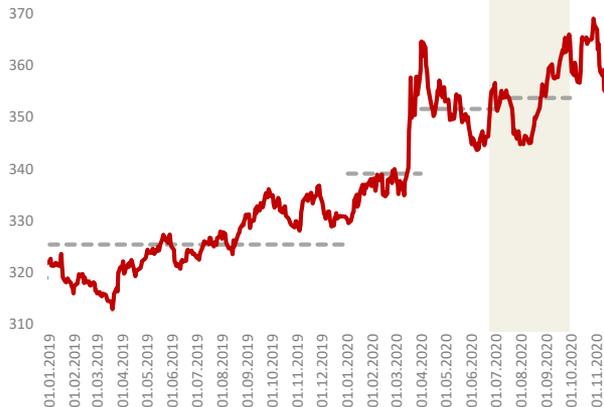
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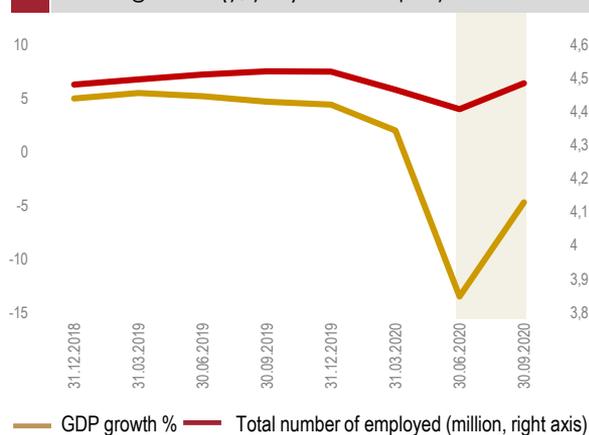
- After US presidential election the weakening trend of the EUR/HUF exchange rate driven by the increasingly gloomy international sentiment and COVID-19 related uncertainties seems to be altered
- Wage growth increased as employment improved to near pre-COVID levels after the steep decrease in 2Q
- Both retail and corporate savings markets continued to increase significantly

* 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.

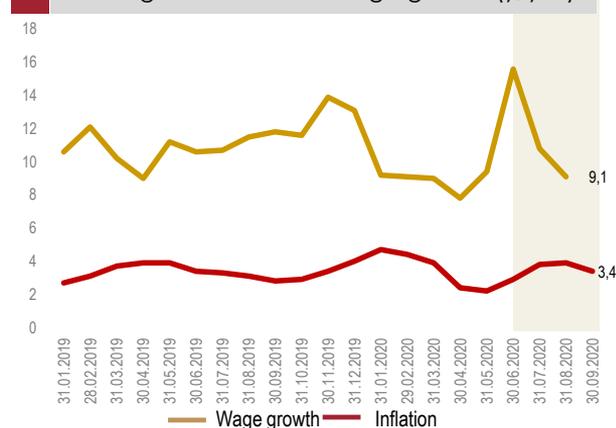
EUR/HUF rate



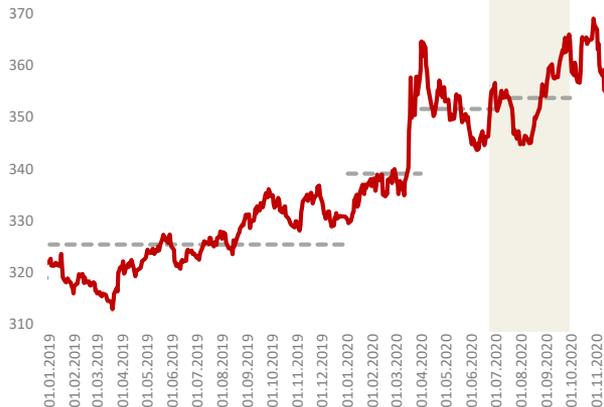
GDP growth (y/y %) and employment



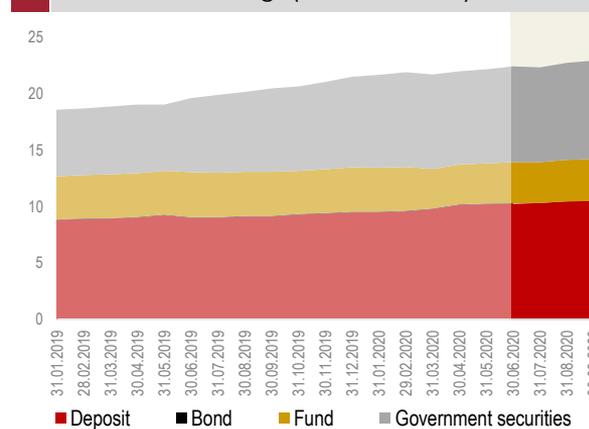
Average inflation and wage growth (y/y %)



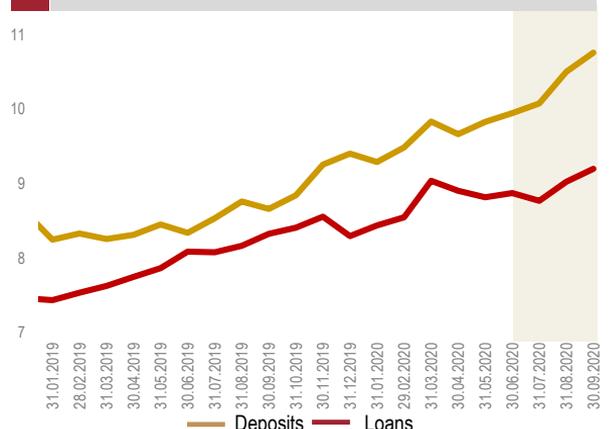
EUR/HUF rate



Household savings (HUF thous. bln)



Corporate stocks* (HUF thous. bln)



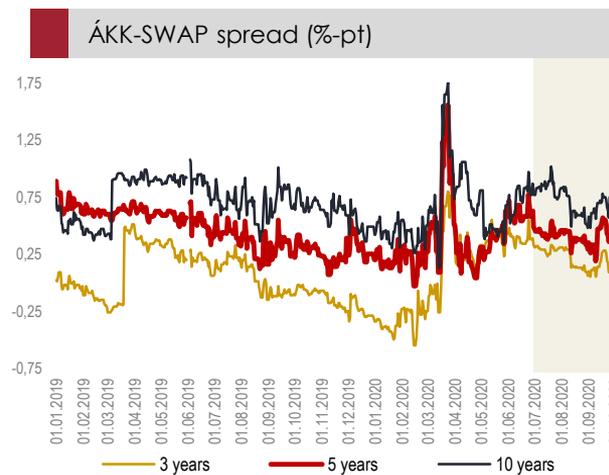
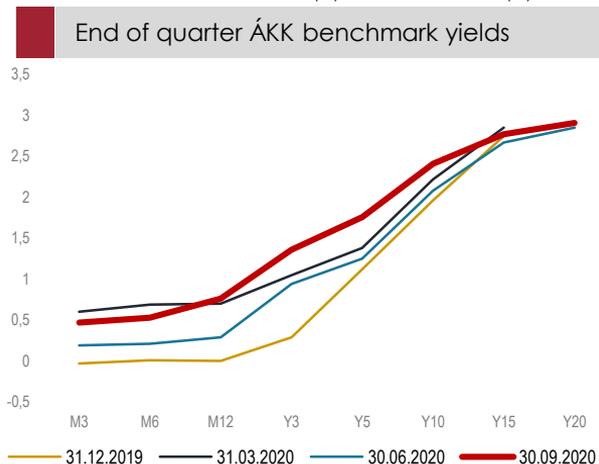
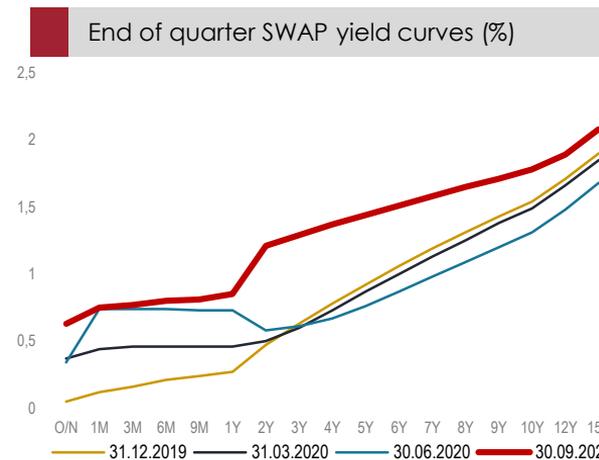
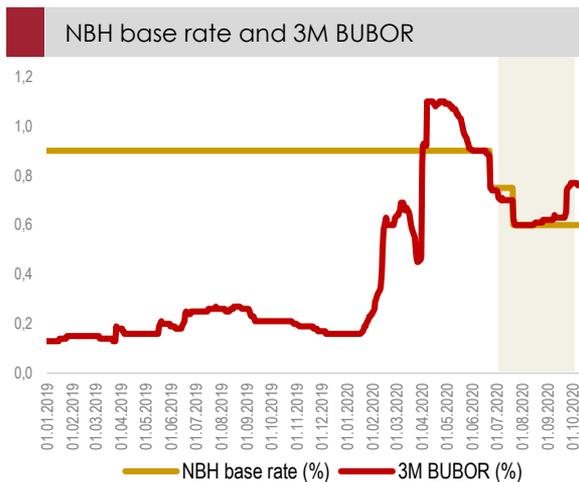
3Q employment near pre-COVID levels

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Relatively stable interest rate environment in 3Q:

- Short term yields decreased as NBH cut the base rate to 60 bps in two successive meetings in June and July
- NBH increased the one week deposit facility rate from 60 bps to 75 bps on September 24 in order to prevent an increase in inflation risks
- Long yields increased in 3Q by 30-50 bps, accompanied by narrowing asset-swap spreads



Yield environment driven by NBH policy changes

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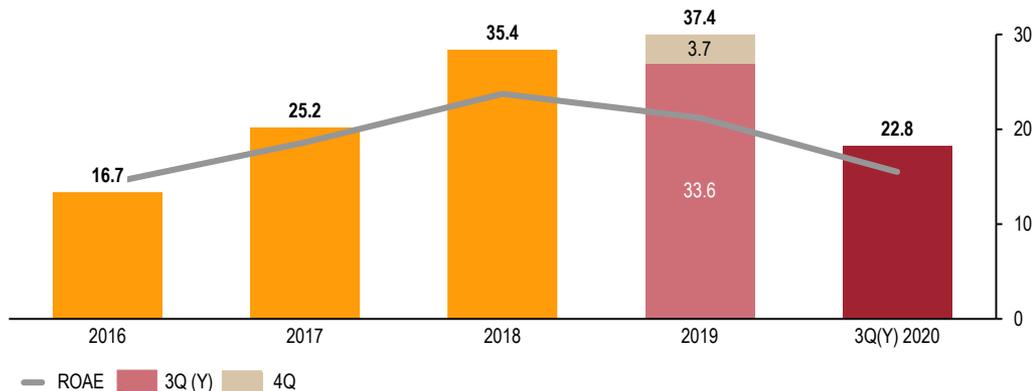
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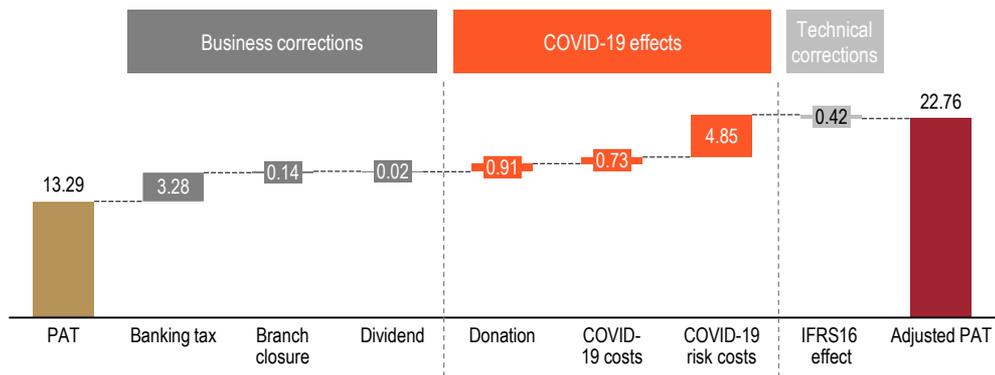
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Adjusted Profit after tax (HUF bln, YTD) and ROAE (%)



3Q 2020 adjusted Profit After Tax breakdown (HUF bln)



In order to foster understanding of the underlying financial performance, MKB Group uses adjustments in its Flash reports.

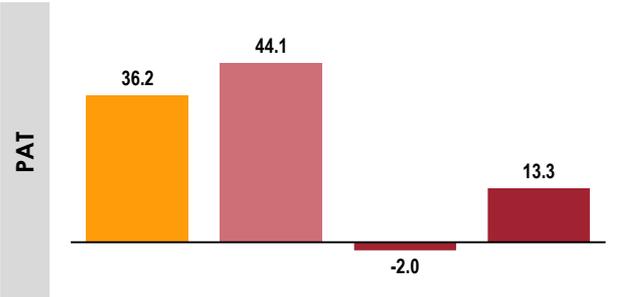
Business corrections applied to emphasize the underlying business performance by eliminating effects of non-core business related accounting items.

COVID-19 adjustments used to eliminate the distortion effect of the pandemic:

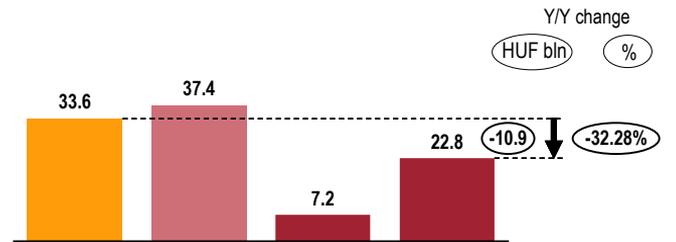
- Costs attributable to anti-spread and distancing measures are to be deducted
- COVID-19 risk costs include the modification gain&loss effect of the moratorium and the revision of risk model parameters due to deteriorating external environment
- One-off expenditure of HUF 1.0 bln (before tax) donation

Technical corrections (IFRS16 effect - HUF 0.42 bln) are required for biased p/p and y/y comparison

Total Comprehensive Income (YTD, HUF bln)



Adjusted Total Comprehensive Income (YTD, HUF bln)



- HUF 22.8 bln adjusted YTD PAT** (HUF +15.6 bln p/p; -10.9 bln y/y) signals stable business performance and favourable market conditions for banking book securities portfolio
- As long term government bond yields increased, **OCI decreased to HUF -6.0 bln** partially offsetting the positive FV results in PAT
- HUF 16.7 bln** (HUF 9.3bln in 3Q) **adjusted total comprehensive income (TOCI)**: as a result of HUF 22.8 bln PAT and HUF -6.0 bln OCI

HUF 16.7 bln adjusted TOCI in 3Q(Y) 2020

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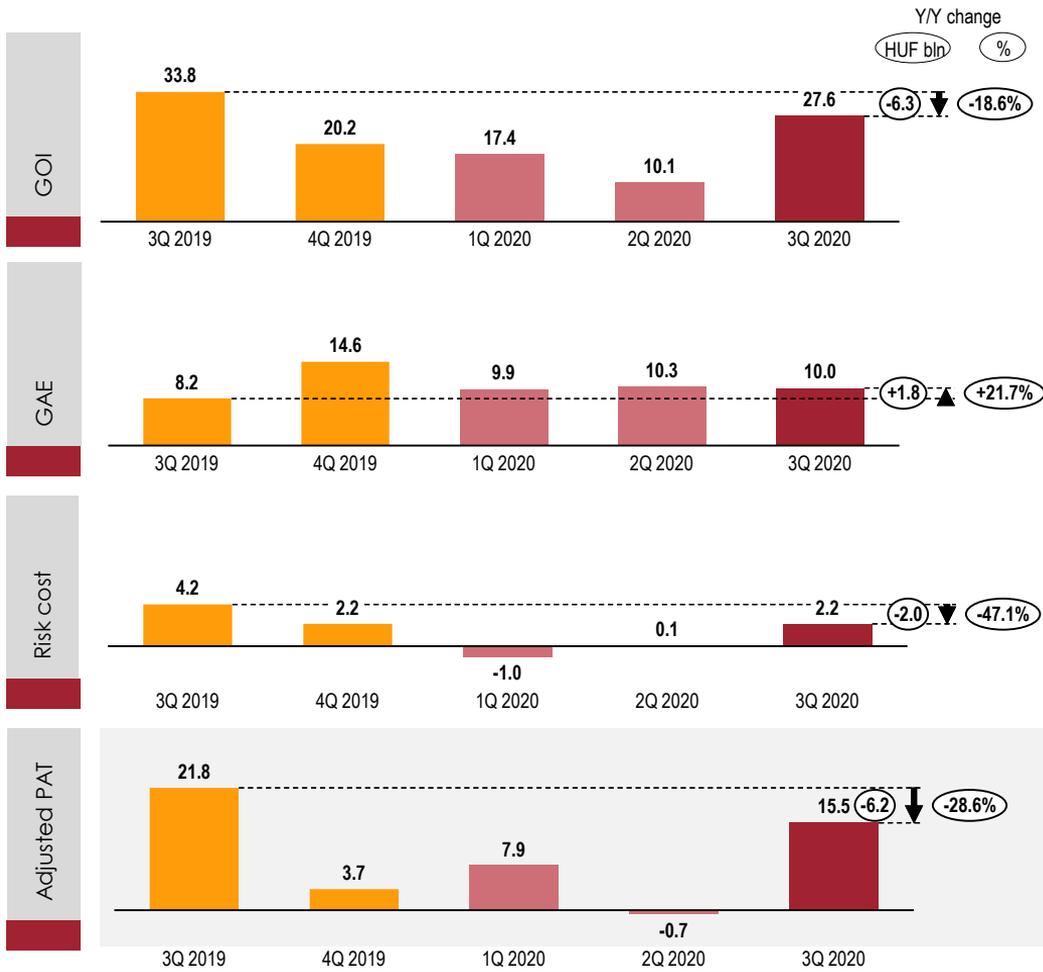
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Adjusted P&L (HUF bln)	2019			2020			Y/Y (Y)	P/P	Y/Y (P)
	3Q	3Q(Y)	4Q(Y)	2Q	3Q	3Q(Y)	%	%	%
<i>Net operating income</i>	25.6	33.9	39.5	-0.2	17.5	24.8	-26.70%	-	-31.53%
Gross operating income	33.8	60.4	80.7	10.1	27.6	55.0	-8.92%	173.27%	-18.58%
Net interest income	10.5	32.0	40.8	8.4	9.3	25.5	-20.38%	11.25%	-10.90%
Net fee income	7.8	19.5	27.3	5.3	5.9	17.2	-11.79%	11.73%	-23.92%
Other Income ¹	15.6	9.0	12.5	-3.6	12.3	12.4	38.23%	-	-21.09%
General admin. Expenses	-8.2	-26.6	-41.2	-10.3	-10.0	-30.2	13.74%	-2.71%	21.70%
Provisions	-3.8	-0.4	-2.9	-0.2	-1.9	-1.0	146.42%	-	-50.51%
Provision for losses on loans	-4.2	-0.8	-3.1	-0.1	-2.2	-1.3	59.92%	-	-47.08%
Other provisions and impairments	0.41	0.42	0.15	-0.05	0.35	0.33	-21.69%	-	-15.70%
Adjusted PBT	21.8	33.5	36.6	-0.4	15.7	23.9	-28.74%	-	-28.24%
Taxation	-0.08	0.14	0.78	-0.32	-0.14	-1.09	-	-55.75%	82.41%
Adjusted PAT	21.8	33.6	37.4	-0.7	15.5	22.8	-32.28%	-	-28.63%
Adjusted revaluation on non HFC financial assets (OCI)	-8.6	-3.1	-3.3	5.9	-6.0	-6.0	91.70%	-201.49%	-30.89%
Adjusted Total Comprehensive Income	13.1	30.5	34.1	5.2	9.6	16.7	-45.10%	84.30%	-27.14%
Adjustments total on PAT ²	-6.3	-2.6	-6.8	3.1	0.3	9.5	-	-91.90%	-103.97%
Profit after tax (PAT, unadjusted)	28.1	36.2	44.1	-3.8	15.3	13.3	-63.32%	-	-45.56%
Revaluation on non HFC financial assets (OCI, unadjusted)	-8.6	-3.1	-3.3	11.6	-6.0	-6.0	91.70%	-151.61%	-30.89%
Unadjusted Total Comprehensive Income	19.4	33.1	40.9	7.8	9.3	7.2	-78.08%	19.62%	-52.09%

¹Net other Income contains FX+FV result

²The 3.1 chapter of the Flash report contains the list of adjustments



- HUF 27.6 bln gross operating income:** Core income* (HUF 18.9 bln) also increased p/p (+24.1%) as a result of higher fee incomes and FX results stemming from increased business activity. Due to volumes growth and favourable market conditions, net interest income also increased.

After the negative FV effect in 2Q, results from long term swap yields increase helped the quarterly income

- HUF 10.0 bln GAE:** mild p/p cost decrease while cost levels are under pressure by the wage inflation and increase in headcount
- HUF 2.2 bln adjusted risk cost** (0.8% risk cost rate) is in line with the increasing lending activity. NPL% improved to 3.28% (-0.3%-pts p/p) due to prudent risk management and strict risk control of new disbursement
- HUF 15.5 bln (-28.6% y/y) adjusted profit after tax**

*Core income: net interest income + net fee income + FX, see pg 25
 **Other income: FV result + other income

Income boost in 3Q while cost remained flat

Balance sheet (HUF bln)	2019		2020		Y/Y %	P/P %	YTD %
	3Q	4Q	2Q	3Q			
Financial assets	95.5	117.8	243.7	276.0	189.00%	13.25%	134.31%
Trading portfolios	44.4	20.7	55.4	46.9	5.63%	-15.37%	126.11%
Securities	757.3	594.7	826.8	954.2	25.99%	15.41%	60.46%
Customer Loans (net)	942.3	930.3	991.3	1,027.4	9.03%	3.64%	10.44%
Customer Loans (gross)	986.0	976.7	1,038.3	1,076.0	9.12%	3.63%	10.17%
Provision for Customer loans	-43.7	-46.4	-47.0	-48.6	11.15%	3.34%	4.72%
Total Other assets	95.4	96.3	90.6	94.7	-0.75%	4.60%	-1.62%
Total Assets	1,935.0	1,759.8	2,207.8	2,399.2	23.99%	8.67%	36.34%
Interbank liabilities	235.4	195.8	410.7	473.3	101.05%	15.23%	141.69%
Deposits & C/A	1,365.9	1,226.5	1,458.4	1,582.7	15.87%	8.52%	29.04%
Other liabilities	103.7	99.6	99.5	93.9	-9.45%	-5.65%	-5.72%
Subordinated debt	39.4	39.4	42.7	44.2	12.01%	3.42%	12.17%
Shareholders' Equity	190.5	198.5	196.4	205.2	7.71%	4.49%	3.41%
Total Liabilities & Equity	1,935.0	1,759.8	2,207.8	2,399.2	23.99%	8.67%	36.34%
Customer off balance items	405.5	357.7	347.8	388.5	-4.18%	11.71%	8.63%

MKB Group is on track to fulfil its 2020 ambitions: rapid customer deposit increase boosting the balance sheet around HUF 2.4 tbs bln:

- **+8.5% (HUF +124.2 bln) p/p customer deposits growth** especially on sights deposits mainly from to LC and SME clients
- **Increasing of customer loans in 3Q** (+3.6% p/p) was driven by economic stimulus programs
- **Interbank liabilities** (+15.2% p/p) increase driven by liabilities from NHB liquidity boosting facilities
- **Banking book securities portfolio** (+15.4%; HUF +127.4 bln p/p) absorbed the liquidity surplus stemming from the quickly growing customer deposit base

KPIs based on adjusted PAT	3Q	2019	4Q(Y)	2020			Y - Y (Y)	P - P	Y - Y (P)
		3Q(Y)		2Q	3Q	3Q(Y)			
Profitability									
TRM - Total revenue margin	7.20%	4.28%	4.31%	1.90%	4.79%	3.49%	-0.8%-pt	2.9%-pt	-2.4%-pt
NIM - Net income margin	2.23%	2.27%	2.18%	1.58%	1.62%	1.61%	-0.7%-pt	0.0%-pt	-0.6%-pt
NFM - Net fee margin	1.65%	1.38%	1.46%	1.00%	1.02%	1.09%	-0.3%-pt	0.0%-pt	-0.6%-pt
CIM - Core income margin	4.22%	4.17%	4.18%	2.87%	3.28%	3.16%	-1.0%-pt	0.4%-pt	-0.9%-pt
GOI/RWA - RWA efficiency	14.82%	8.79%	8.85%	3.96%	10.91%	7.39%	-1.4%-pt	6.9%-pt	-3.9%-pt
Risk% - Risk cost rate	1.72%	0.11%	0.31%	0.05%	0.84%	0.17%	0.05%-pt	0.8%-pt	-0.9%-pt
Efficiency									
CIR - Cost-Income ratio	24.32%	43.96%	51.05%	102.11%	36.35%	54.90%	10.9%-pt	-65.8%-pt	12.0%-pt
C/TA - Cost to total assets	1.75%	1.88%	2.20%	1.94%	1.74%	1.91%	0.0%-pt	-0.2%-pt	0.0%-pt
Cost/(income+OCI)	32.66%	46.37%	53.22%	64.48%	46.41%	61.66%	15.3%-pt	-18.1%-pt	13.8%-pt
ROAE - Return on average equity	48.10%	26.35%	21.20%	-1.45%	30.92%	15.51%	-10.8%-pt	32.4%-pt	-17.2%-pt
ROMC - Return on minimum capital	67.79%	35.16%	29.05%	-1.87%	42.75%	20.71%	-14.5%-pt	44.6%-pt	-25.0%-pt
ROAA - Return on average total asset	4.62%	2.38%	1.99%	-0.13%	2.70%	1.44%	-0.9%-pt	2.8%-pt	-1.9%-pt
Share information									
EPS - Earning per share (HUF, annualized)	870.1	448.2	373.6	-28.0	620.9	303.50	-144.7	649.0	-249.1

CIR in 3Q(Y) is on a sustainable level

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KPIs based on (unadjusted) financial statements	3Q	2019 3Q(Y)	4Q(Y)	2020			Y - Y (Y) %-pt	P - P %-pt	Y - Y (period) %-pt
				2Q	3Q	3Q(Y)			
Profitability									
TRM - Total revenue margin	7.65%	4.28%	4.34%	2.02%	4.76%	3.18%	-1.1%-pt	2.7%-pt	-2.9%-pt
NIM - Net income margin	2.27%	2.28%	2.18%	1.29%	1.62%	1.51%	-0.8%-pt	0.3%-pt	-0.6%-pt
NFM - Net fee margin	1.65%	1.38%	1.46%	1.00%	1.02%	1.09%	-0.3%-pt	0.0%-pt	-0.6%-pt
CIM - Core income margin	3.91%	3.66%	3.64%	2.28%	2.64%	2.59%	-1.1%-pt	0.4%-pt	-1.3%-pt
GOI/RWA - RWA efficiency	15.76%	8.78%	8.92%	4.20%	10.86%	6.74%	-2.0%-pt	6.7%-pt	-4.9%-pt
Risk% - Risk cost rate	-0.18%	-0.58%	-0.38%	1.66%	0.74%	0.68%	1.3%-pt	-0.9%-pt	0.9%-pt
Efficiency									
CIR - Cost-Income ratio	23.29%	48.64%	53.21%	97.28%	36.78%	63.52%	14.9%-pt	-60.5%-pt	13.5%-pt
C/TA - Cost to total assets	1.78%	2.08%	2.31%	1.96%	1.75%	2.02%	-0.1%-pt	-0.2%-pt	0.0%-pt
Cost/(income+OCI)	25.36%	46.67%	55.45%	46.71%	47.03%	72.21%	25.5%-pt	0.3%-pt	21.7%-pt
ROAE - Return on average equity	62.03%	28.40%	25.06%	-7.88%	30.42%	9.06%	-19.3%-pt	38.3%-pt	-31.6%-pt
ROMC - Return on minimum capital	87.43%	37.90%	34.33%	-10.11%	42.06%	12.09%	-25.8%-pt	52.2%-pt	-45.4%-pt
ROAA - Return on average total asset	5.96%	2.57%	2.36%	-0.72%	2.65%	0.84%	-1.7%-pt	3.4%-pt	-3.3%-pt
Share information									
EPS - Earning per share (HUF, IFRS)	280.5	362.2	441.5	-37.9	152.7	132.88	-229.4	190.7	-127.8

	2019		2020		Y - Y	P - P	YTD
	3Q	4Q	2Q	3Q			
Volume KPIs							
LTD - Loan to deposit ratio	72.19%	79.63%	71.20%	67.99%	-4.2%-pt	-3.2%-pt	-11.6%-pt
Securities ratio	40.26%	34.07%	38.63%	40.70%	0.4%-pt	2.1%-pt	6.6%-pt
Provision to total assets	2.26%	2.63%	2.13%	2.02%	-0.2%-pt	-0.1%-pt	-0.6%-pt
RWA/TA - RWA/total assets	47.52%	49.45%	45.55%	42.28%	-5.2%-pt	-3.3%-pt	-7.2%-pt
CAR - Capital adequacy ratio	18.16%	22.59%	19.81%	18.88%	0.7%-pt	-0.9%-pt	-3.7%-pt
Portfolio quality							
DPD90+ rate	2.61%	2.59%	2.00%	1.93%	-0.7%-pt	-0.1%-pt	-0.7%-pt
DPD90+ coverage	169.55%	183.37%	226.00%	233.55%	64.0%-pt	7.6%-pt	50.2%-pt
NPL rate	4.00%	4.30%	3.63%	3.28%	-0.7%-pt	-0.3%-pt	-1.0%-pt
NPL coverage (indirect)	110.67%	110.31%	124.74%	137.40%	26.7%-pt	12.7%-pt	27.1%-pt
NPL direct coverage	70.23%	71.97%	72.17%	77.11%	6.9%-pt	4.9%-pt	5.1%-pt
Stage 1 loans (HUF bln)	843.7	855.7	922.7	956.5	112.8	33.8	100.8
Stage 2 loans (HUF bln)	76.0	73.9	71.3	76.9	0.9	5.7	3.0
Stage 3 loans (HUF bln)	36.1	37.8	35.6	34.6	-1.5	-1.0	-3.2
POCI (HUF bln)	7.0	7.9	7.5	6.7	-0.3	-0.8	-1.2

- **NPL rate:** 3.28%, (-72bps y/y) and **DPD90+ rate** 1.93%; (-68 bps y/y) improved further
- **NPL direct coverage** increased significantly to 77.11% (+494 bps p/p)
- **Loan-to-deposit** ratio decreased to 67.99%, (-321 bps p/p) and **securities ratio** improved to 40.70%, (+159 bps p/p) due to rapid deposit base increase
- **RWA density** (RWA/TA) decreased to **42.3%** in 3Q (-327 bps p/p) emphasizing the risk-cautious lending. CRR-based preferential COVID-19 RWA rates for SME-s were implemented during 3Q, as required by EU regulation as part of the COVID-19 easing measures



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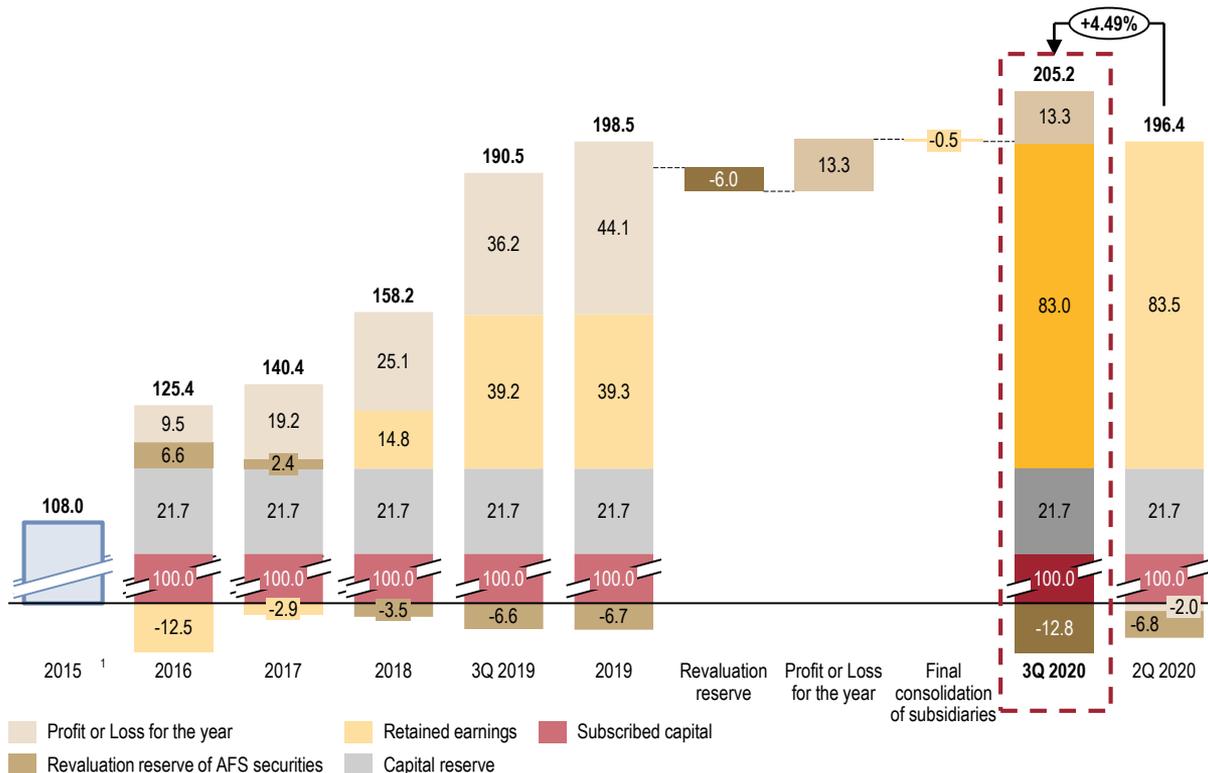
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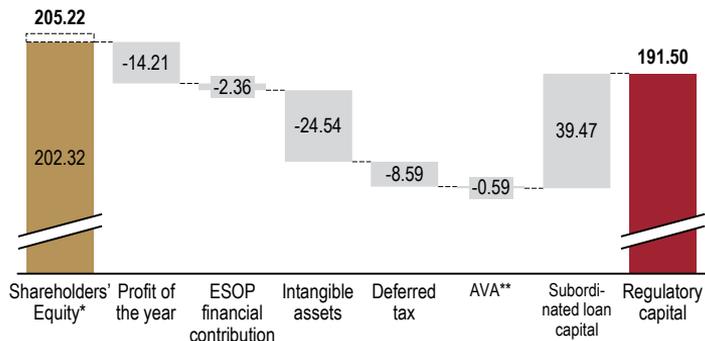


HUF +8.8 bln capital accumulation p/p results in HUF 205.2 bln:

- Despite COVID-19 related provisioning, cumulated profit (unadjusted) turned into positive (HUF 13.3 bln in 3Q(Y)), supporting capital accumulation
- Revaluation reserves decreased to HUF -12.8 bln. Positive PAT effect of narrowing asset-swap spreads over-balanced the HUF -6.0 bln negative OCI effect

¹Shareholders' equity for 2015 has not been disclosed in detail due to significant restructuring within the year.

Regulatory capital formulation (HUF bln)

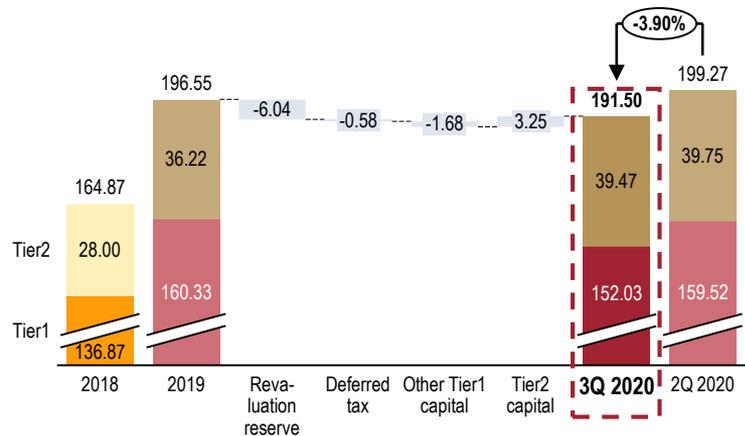


* Equity under IFRS and prudential consolidation differ due to differences in the range of firms included in the calculation

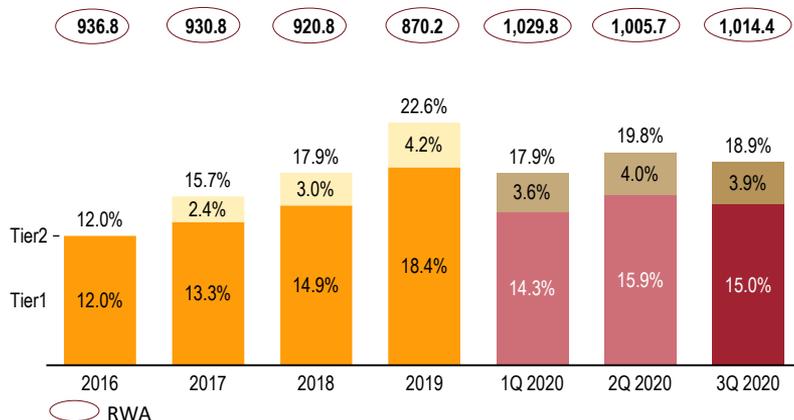
** AVA = Asset value adjustment – CRR specification

- **CAR 18.9%:** Tier2 increase caused by the weakening HUF was over-compensated by the negative fair value of FVTOCI portfolio in 3Q(Y) (HUF -6.0 bln). The profit for the year would be considered in the regulatory capital after the yearly financial audit
- **RWA: HUF 1,014.4 bln** (HUF +8.7 bln p/p; HUF +94,9 bln y/y). RWA growth from increasing customer loan portfolio was partially mitigated by the implementation of CRR-based preferential COVID-19 RWA rates for SME-s during 3Q, as required by regulation

Evaluation of regulatory capital (HUF bln)



CAR (%) and RWA (total, HUF bln),





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- **HUF 9.3 bln net interest income in 3Q 2020 (+11.3% p/p; -10.9% y/y):** customer loan and banking book securities portfolio increase together with the effect of interbank interest rate increase in 3Q resulted in higher net interest income compared to previous quarter
- **HUF 5.9 bln net fee income** marks a 11.7% p/p increase due to the recovering business activity in 3Q
- **HUF 6.0 bln (+HUF 4.3bln p/p) was the net fair value result** of the banking book portfolio. Increasing long term yields combined with narrowing asset-swap spreads resulted in sharp upturn in fair value income and in the meantime decreasing revaluation reserves

*other income + FV + OCI



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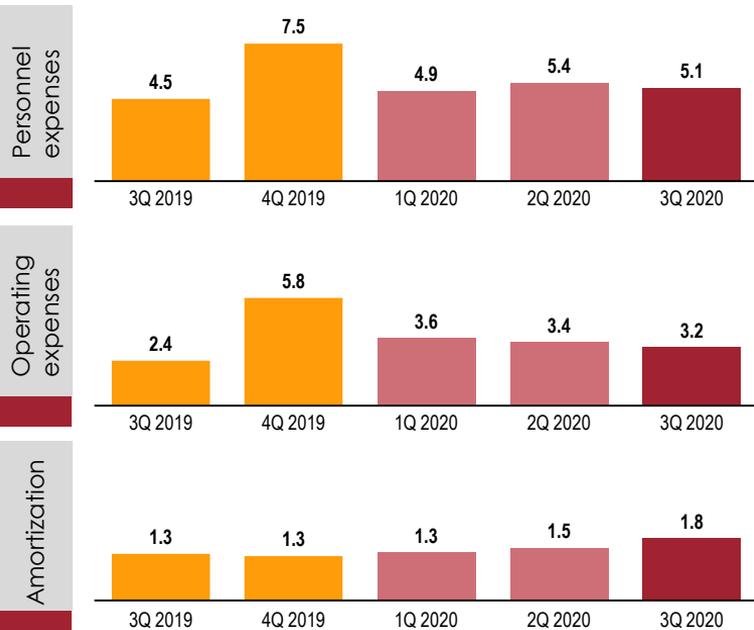
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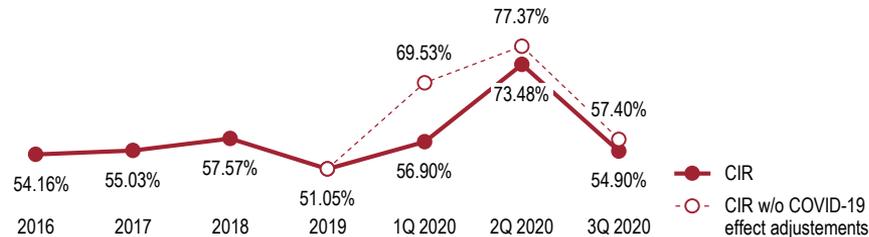
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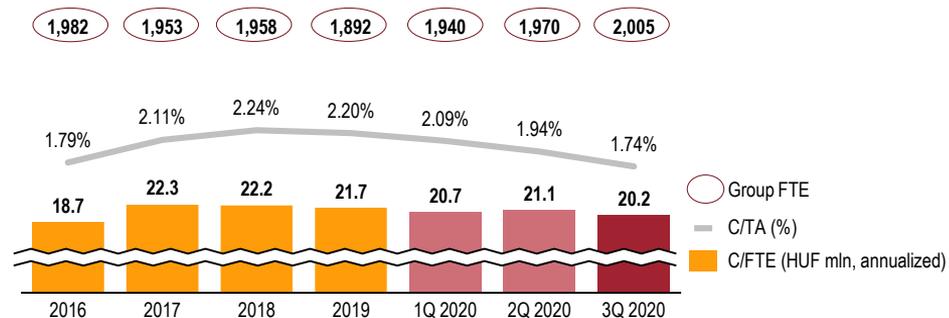
Breakdown of GAE (HUF bln)



Cost-income ratio (cumulated, %)



Cost efficiency (period) and headcount (FTE)



- **54.90% adjusted (cumulated) CIR:** stringent cost management resulted in declining cumulated rate in 3Q
- Intensified business activity to accomplish business goals and push for digitalisation increased headcount (+35 FTE p/p, +112 FTE y/y), which - together with continuously strong wage inflation - caused a slight y/y increase in PEREX
- Further improving cost efficiency: C/TA 1.74% (-20bps p/p)

Sustainable CIR despite wage inflation pressure and headcount expansion

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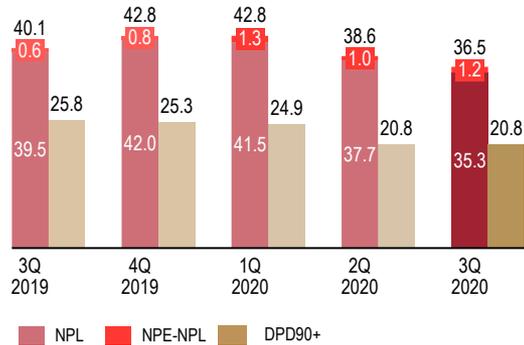
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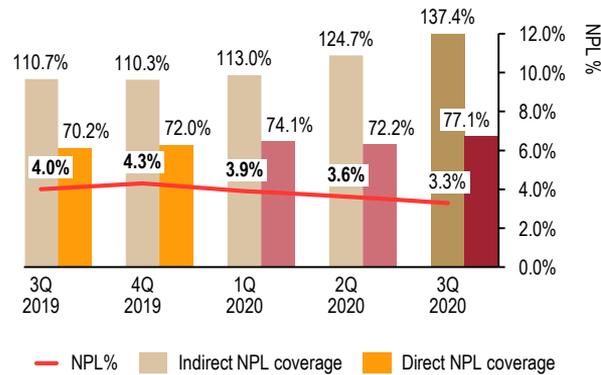
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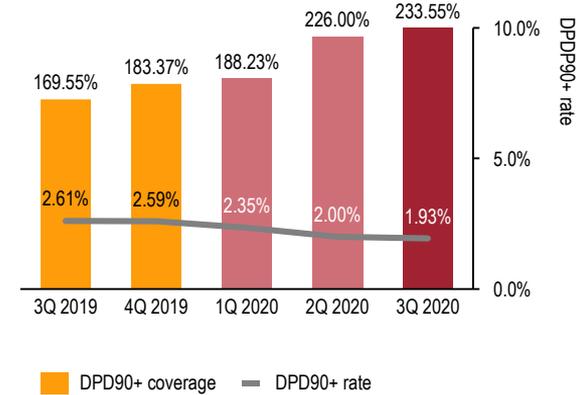
NPL, NPE and DPD90+ portfolio (HUF bln)



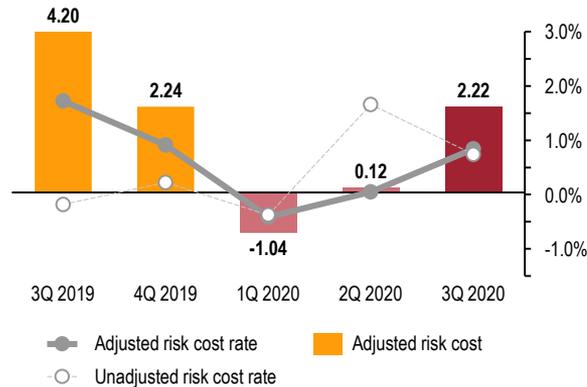
NPL coverage and NPL rate (IFRS*)



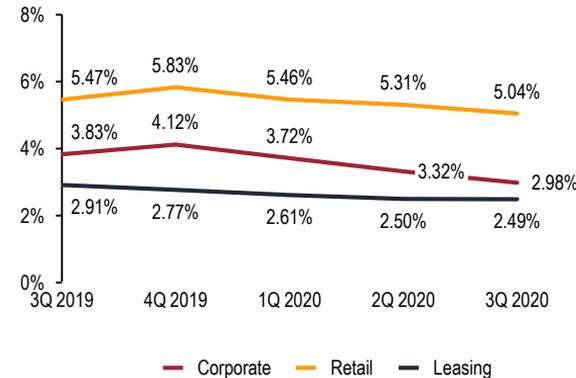
DPD90+ coverage and DPD 90+ rate



Adjusted risk cost (HUF bln) and rate (%)



Segment NPL rates



NPL rate further improved; outstanding NPL coverage:

- HUF 2.2 bln risk cost (adjusted) charge in 3Q as a result of prudent and conservative risk approach and growing customer loan portfolio
- NPL volume: -10.5%; HUF -4.1 bln y/y
- NPL rate: 3.3% (-72 bps y/y)

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

NPL rate improves again in 3Q

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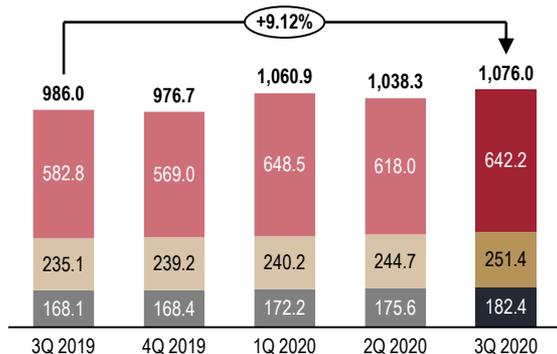
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Breakdown of gross customer loans¹
(HUF bln)



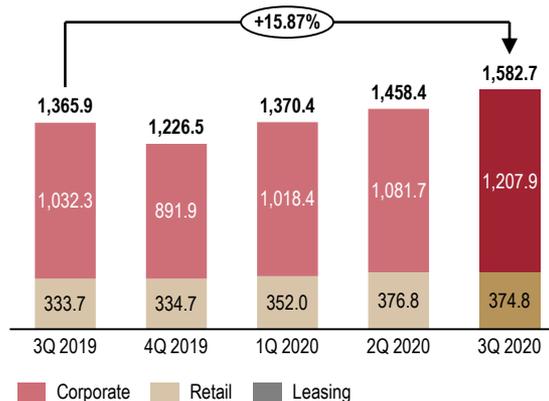
¹ IFRS figures

² Replacing HAS segments

Gross customer loans: HUF +90.0 bln (+9.1%) y/y; HUF +37.7 bln p/p

- y/y increase shows successful delivery of MKB Group's 2020 volume growth targets
- Flexible customer relationship management and agile, focused customer acquisition fosters growth both in corporate and leasing as well as in retail segments

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

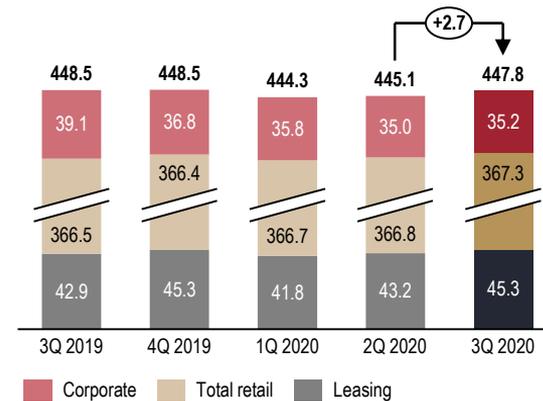


Corporate Retail Leasing

Customer deposits: +29.0% (HUF 356.1 bln) growth since 2019Y, HUF +124.2 bln p/p. MKB's rapid customer deposit increase outperformed the market growth.

- Corporate deposits grew by +35.4% (HUF 316.0 bln) to 2019Y and +11.7% (HUF 126.2 bln) p/p
- Retail deposits also grew by +12.0% to 2019Y, with a slight p/p decrease of -0.5%

Number of clients
(thousand)



Corporate Total retail Leasing

Number of clients increased p/p by 2.7 thousands:

- Increasing customer base both in leasing (+2.1 thousand), corporate (+0.1 thousand) and retail (+0.5 thousand) business
- Retail client number expansion due to a new account package dedicated to students and successful premium customer acquisition campaign

Continuous and impressive growth both in customer loans and deposits in 3Q

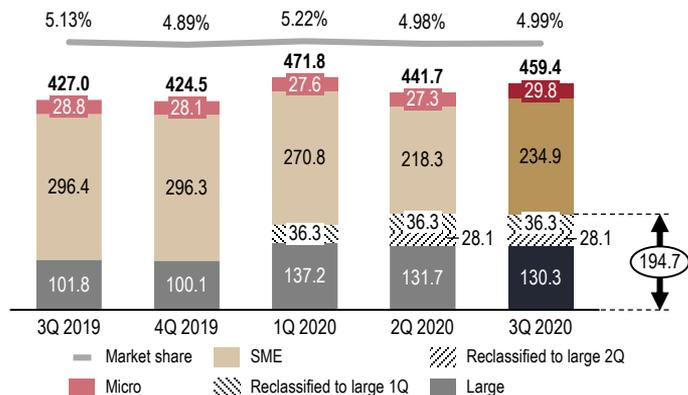
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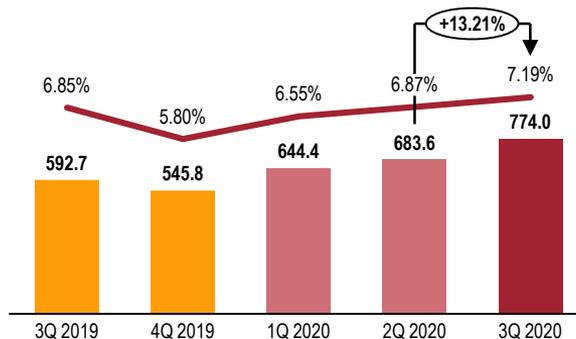
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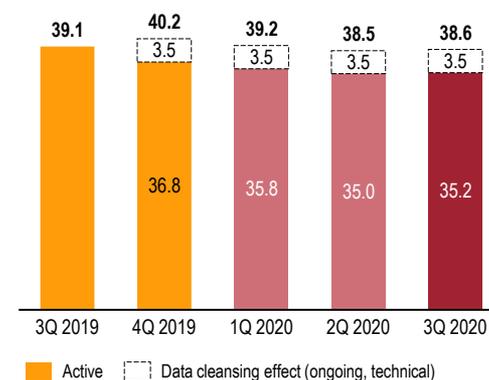
Gross corporate loans* breakdown (HUF bln) and market share** (%)



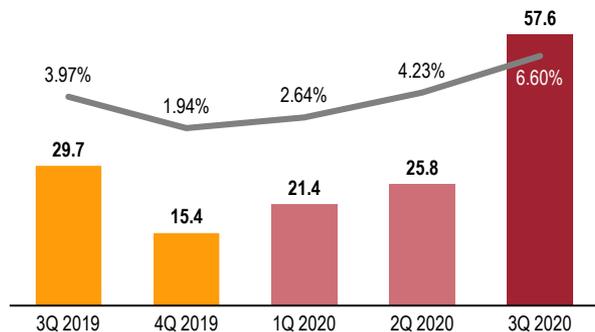
Corporate deposit* (HUF bln) and market share** (%)



Corporate client numbers (in thousands)



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



MKB Group's increasing market presence reflects the successful delivery of post-EU business goals:

- Rapid **customer deposits** increase, HUF +228.2 bln increase since 2019 4Q, HUF +90.4 bln increase p/p, market share increased to 7.19% (+32bp p/p)
- **Corporate loans:** increased new disbursements of FGS GO!, Exim and Széchenyi loans contributed to the increase (HUF +17.7 bln p/p) in the loan portfolio
- **Disbursement in 3Q** almost doubled compared to same period of last year. Economic stimulus loans propelled disbursements. Market share increased to 6.6%, (+237bp p/p), 3Q market share of Széchenyi loans disbursement is 6.0%

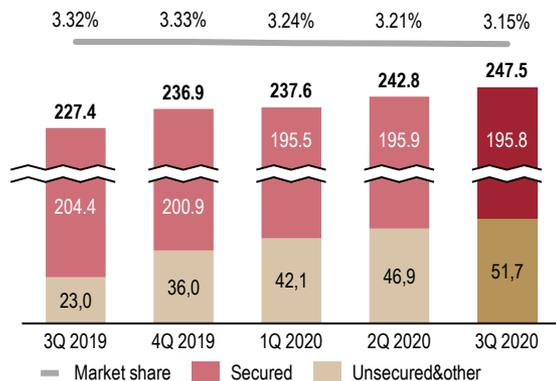
* Includes only loans to domestic non-financial corporations, in line with the definition of MNB statistics (w/o FGS). Hungarian GAAP data includes held for sale assets according to IFRS. The breakdown of historical data by company size has been changed minimally due to the refinement of methodology.

** Source: MNB statistics

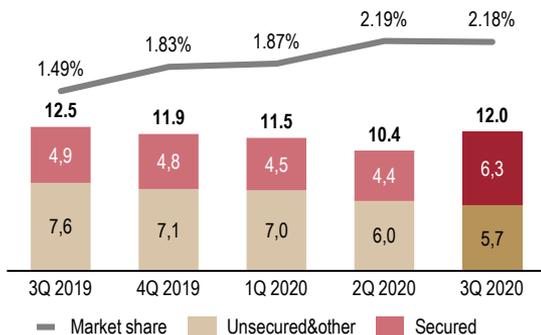
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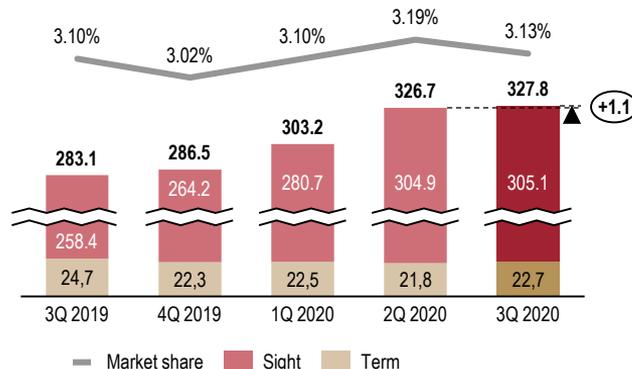
Retail gross loans¹ (HUF bln) and market share² (%)



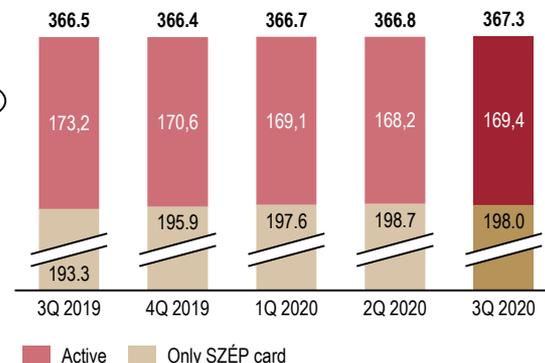
Loan disbursement¹ (HUF bln) and market share² (%)



Deposits¹ (HUF bln) and market share² (%)



Total retail client number (in thousands)



- **HUF 247.5 bln retail gross loan** (HUF +20.1 bln y/y; HUF +4.7 bln p/p) the increase is mainly due to the „Babaváró” and personal loans disbursement. Despite COVID-19 the volume of secured loan disbursements was outstanding in 3Q (HUF 6.3 bln, HUF +1.9 bln p/p), however increasing opt-out rates induced higher repayments led to flat secured loan volume levels in Q3
- **HUF 327.8 bln deposits** (HUF +44.7 bln y/y; HUF +1.1 bln p/p)
- **Unsecured loan disbursement** decreased by HUF -0.3 bln p/p while secured loan disbursement increased by HUF 1.9 bln compared to 2Q 2020. Loan disbursements increased almost to the same level as in 3Q 2019. MKB's significant premium and affluent customer base enables the Bank to profitably provide personal loan products to its customers, even with maximized APR levels
- **Premium customer³ focused strategy in 2020:** customer count increased by 8.4% p/p and reached 6,810 in 3Q

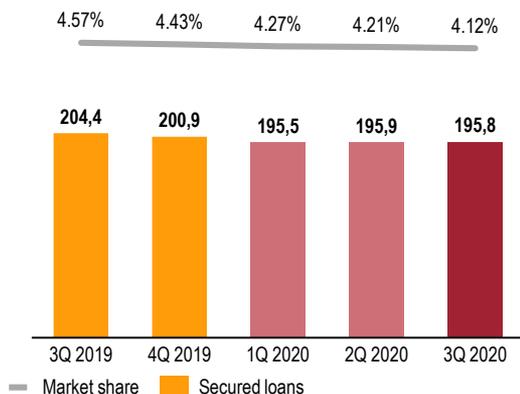
¹ The segments are formed according to the requirements to be used in the reports prepared for MNB for comparison which may involve discrepancy between calculated gross volume vs. segment volume. Hungarian GAAP data includes held for sale assets according to IFRS.

² Source: MNB statistics.

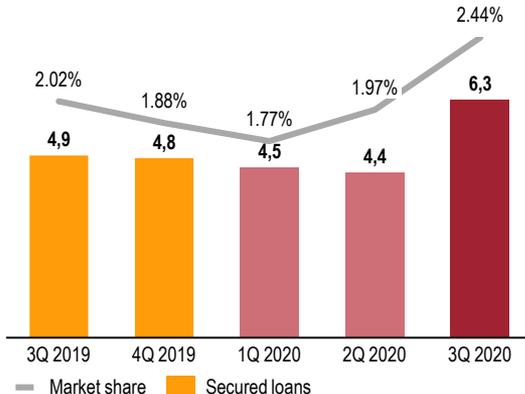
³ Customers having contract concluded for a premium service and the sum of assets on the accounts included in the service reach HUF 10 million

Volumes (HUF bln) and market share (%)

Secured loans

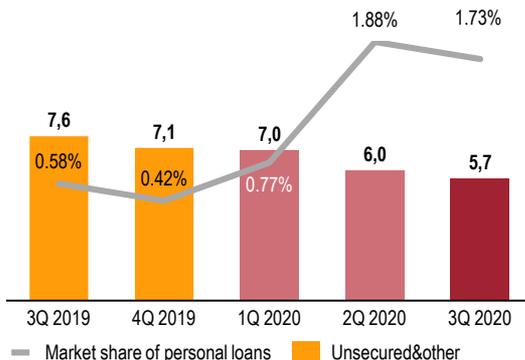
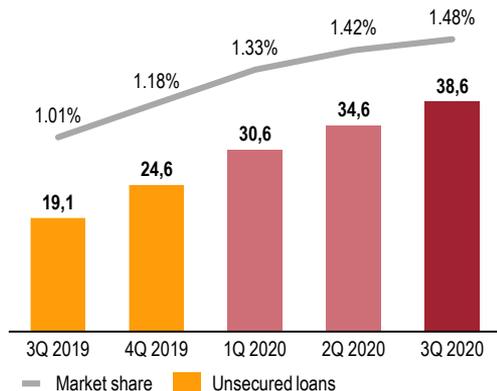


New disbursement (HUF bln) and market share (%)



- **Volumes** remained on the same level as in 2Q (HUF -0.1 bln p/p)
- **Disbursement** was HUF 6.3 bln in 3Q 2020 (increased by HUF 1.4 bln y/y; HUF 1.9 bln p/p)
- **Flow market share** increased to 2.44% (+47 bps p/p), while stock market share decreased by 9 bps

Unsecured loans



- **Volumes** almost doubled y/y, reached HUF 38.6 bln (HUF +4.0 bln p/p) due to string demand for "Babaváró" loans
- **Disbursement** decreased HUF 0.3 bln p/p to HUF 5.7 bln
- **Stock market share** increased by 6 bps p/p, while flow market share dropped by 15bps

High demand for secured and unsecured loans

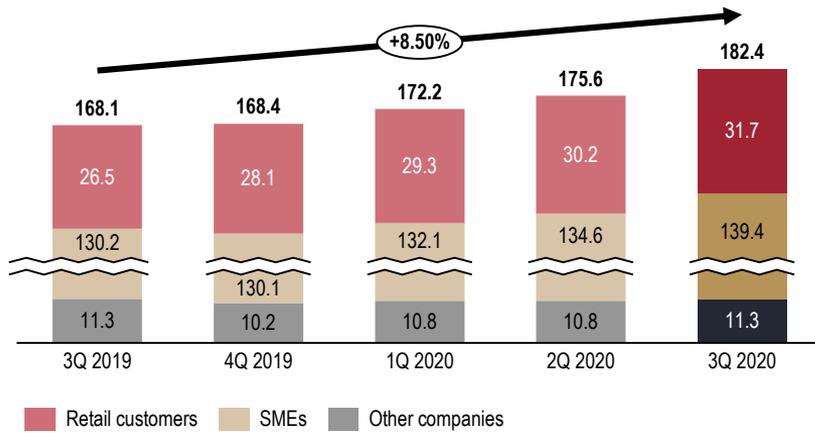
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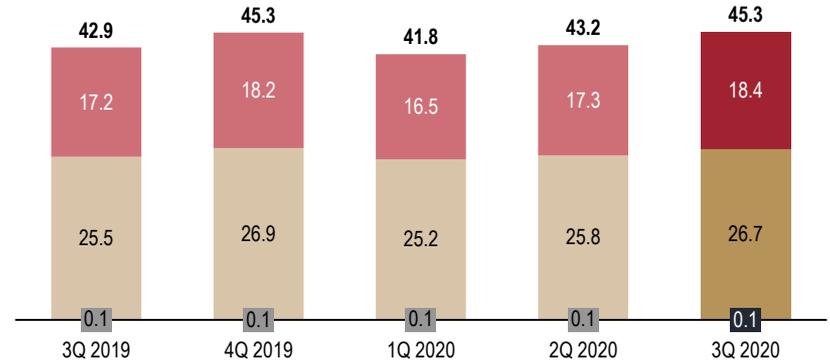
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Gross volumes by customers (HUF bln)



Active clients (in thousands)



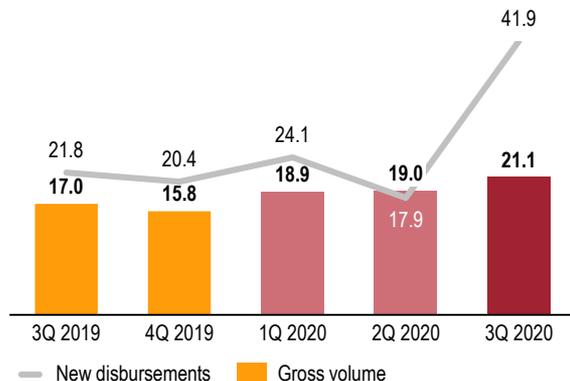
- **Steady market position in terms of new disbursement** (3rd among leasing companies, based on Hungarian Leasing Association data)
- **Continuous, quick portfolio growth: +8.5%; HUF +14.3 bln y/y.** Focus on car and stock financing
- **Growing share of SME clientele:** MKB Group participates in the distribution of the available “FGS Go!” funding according to its market share, and is involved in other state launched programs

2.06% quarterly portfolio CAGR rate

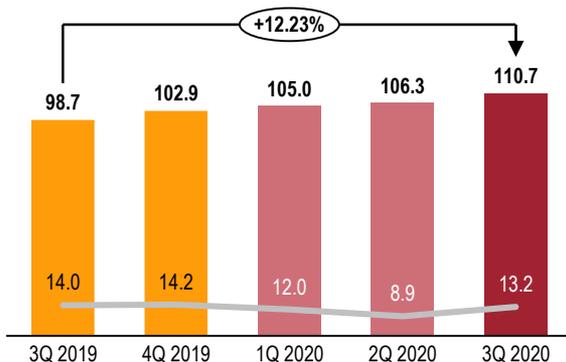
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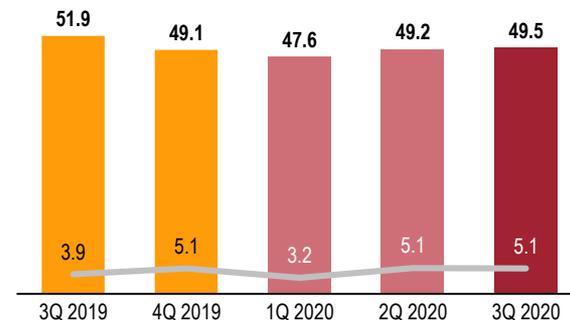
Stock financing (HUF bln)



Retail car financing (HUF bln)



Wholesale, agricultural and machine financing (HUF bln)



- Increase in the vehicle financing portfolio strongly outpaced markets growth: +12.2%; HUF +12.1 bln y/y
- Growth in car stock (dealer) financing: +3.95 bln y/y
- Agricultural machinery and agricultural vehicle financing remained stable throughout the period
- As of September 2020, less than 35% of the leasing customers participate in the moratorium, which means a favourable risk position

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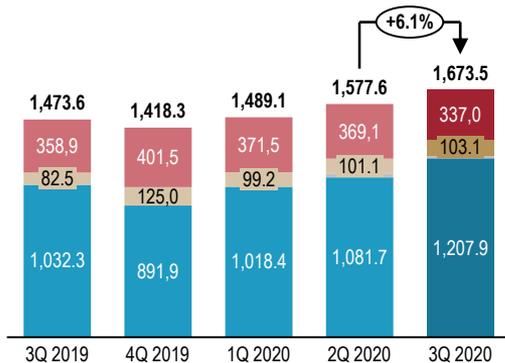
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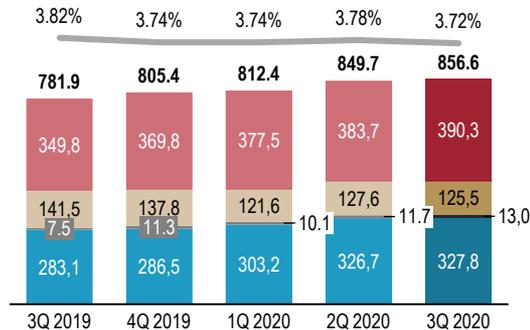


Corporate* savings (HUF bln)



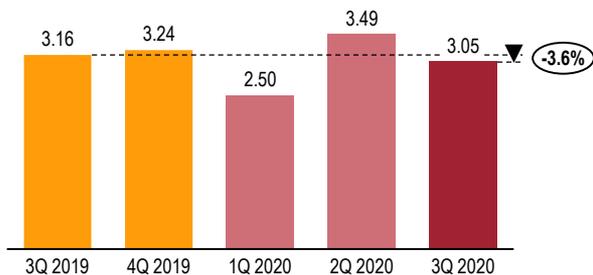
■ Deposits
 ■ Funds
 ■ Bonds
 ■ Government securities

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



■ Deposits
 ■ Funds
 ■ Bonds
 ■ Government securities

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



* Non-financial and financial corporates
 ** Source: MNB;
 *** Treasury products and securities distribution;

- **Corporate savings** increased to HUF 1.673,5 bln in 3Q (6.1% p/p), driven mostly by deposits inflow, while bond stock decreased
- Government bonds are still the customer's first choice within **retail savings**: HUF 6.6 bln increase p/p. Market share remained almost stable (-6bps p/p)

- The stock market volatility remained high in 3Q therefore the turnover of securities and the resulting revenue were at a similarly high level as in the previous quarter
- Due to the temporary easing of COVID-19, the turnover of customer FX exchange products increased, raising the revenue and profitability of treasury activities
- Increasing yields had a slightly negative FVTPL revaluation impact on the profitability of the proprietary trading portfolio



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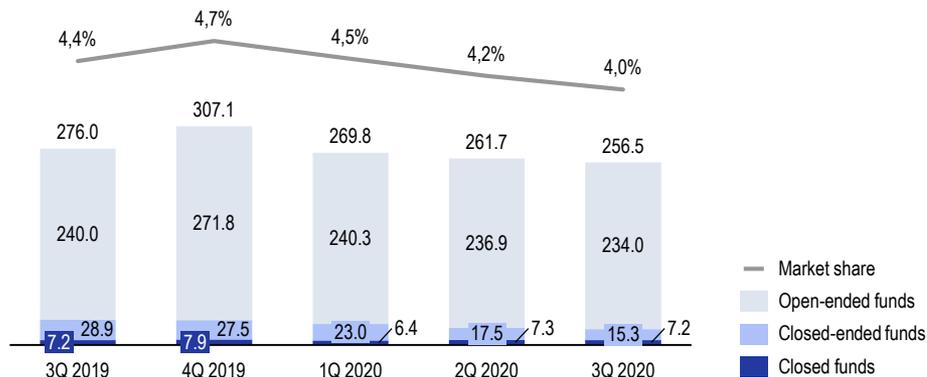
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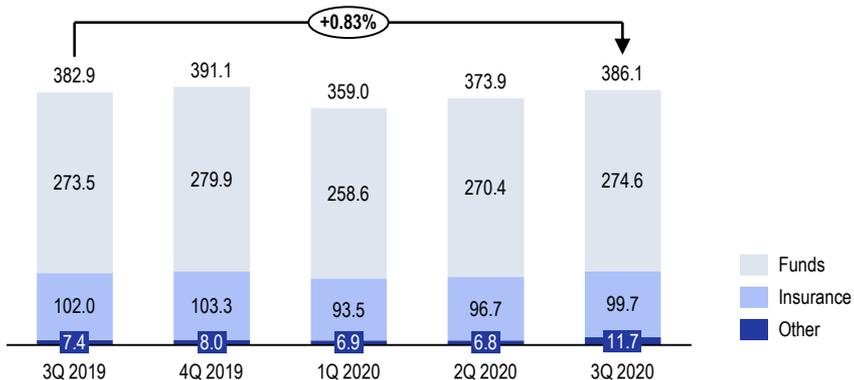
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Breakdown of investment funds (HUF bln)

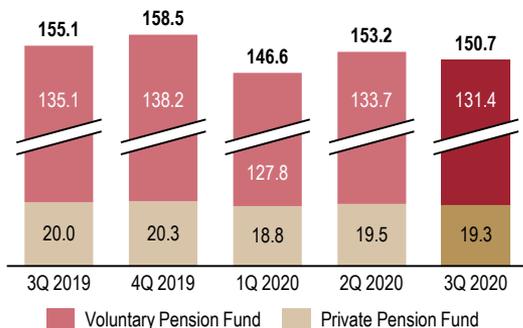


Breakdown of managed portfolios (HUF bln)

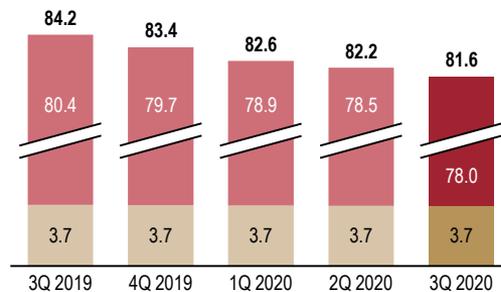


- MKB-Pannónia's market share slightly decreased in 3Q. The erosion was due to the termination of some of the closed-end funds. Besides, the open-end funds had to face small outflows despite the positive market sentiment
- On the managed portfolio's side the positive market trends helped the build-up of the portfolios of present clients
- Notable inflow from a portfolio managed client caused a large increase in the Other segment

Breakdown of total fund assets (HUF bln)



Number of members (thousand pax)

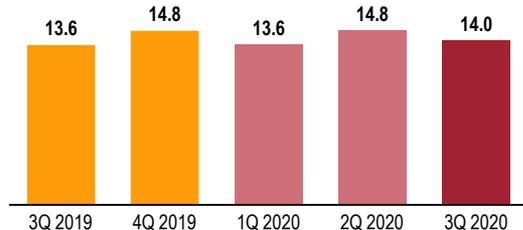


MKB Voluntary Pension Fund had a membership count of 78,000 persons, while its funds on the personal accounts reached HUF 131.4 bln by the end of 3Q 2020.

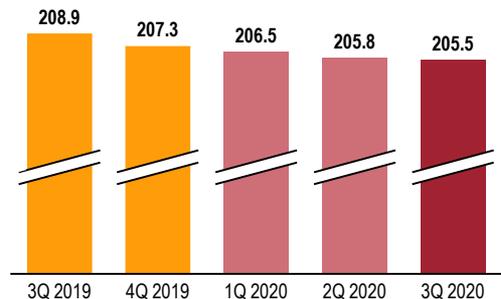
Based on total assets under management MKB Voluntary Pension Fund succeeded in maintaining its stable 5th rank with a 10 percent market share.

The market value of total assets managed by MKB Private Pension Fund was HUF 19.3 bln, while the number of members was 3,658 persons at the end of 3Q 2020

Total fund assets (HUF bln)



Number of members (thousand pax)



The portfolio managed by **MKB-Pannónia Voluntary Health and Mutual Aid Fund** decreased to HUF 14 bln by the end of 3Q 2020, but it maintained its 2nd rank with a 23 percent market share.

The membership decreased by 0.1% compared to end of 2Q 2020, yet with 205.5 thousand members, it is still the third biggest player within the health and mutual aid fund sector

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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

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