



DOCUMENTATION

OF THE ANNUAL GENERAL MEETING OF

MKB BANK PLC.

TO BE HELD ON 29 APRIL 2021

Date of the General Meeting: 29 April 2021, 10:00 a.m.

Venue: Headquarters of MKB Bank Plc. (1056 Budapest, V. Váci u. 38.),
Meeting room No. 24 on the ground floor

Important notice

“Hungarian language is the official and registered language of MKB Bank Plc’s („the Issuer”) disclosures pursuant to the relevant legal and stock-exchange rules. The present English translation has been prepared on a voluntary basis, with the best care and intention of the Issuer to inform English speaking investors, however, in the event of any controversy between the Hungarian and English version, the authentic Hungarian version shall prevail.”

MKB Bank Plc. (1056 Budapest, Váci utca 38.; Cg.01-10-040952; hereinafter: Company) informs its shareholders that pursuant to Act I of 2021 on Prevention of the Coronavirus Pandemic and Government Decree 502/2020. (XI. 16.) (hereinafter: "Decree"), which has been extended until 22 May 2021, the general meeting cannot be held at the announced date and time with the personal attendance of shareholders.

The Decree stipulates that decisions regarding items on the General Meeting's agenda shall be taken by the Company's Board of Directors.

Section 9 (2) of the Decree stipulates that the Board of Directors has the right to make decisions on all matters included in the published agenda, along with issues specified in Section 5 (1) of the Decree. The Board of Directors may even take decisions other than the published proposed resolutions regarding items on the published agenda.

ACCORDINGLY, THE GENERAL MEETING WILL NOT TAKE PLACE: WE ARE KINDLY ASKING THE SHAREHOLDERS NOT TO APPEAR AT THE ANNOUNCED DATE AND TIME.

The Company advises the shareholders that shareholders with at least 1% of the votes may, pursuant to Section 9 (7) of the Decree within a 30 day forfeiture deadline following the termination of the emergency situation, request that a general meeting be summoned for the ex-post approval of the general meeting resolutions, not mentioned in Section 9(5) of the Decree and adopted by the Board of Directors during the emergency ("Ex-post Approval of Decisions Adopted in the Scope of the General Meeting's Scope of Power"). Shareholders listed in the Company's share register on the basis of shareholder identification requested and conducted in relation to the general meeting referred to in this invitation shall have the right to convene the general meeting.

Pursuant to Section 9 (6) of the Decree, a general meeting may be convened for the purpose of the subsequent approval of the decision on the appropriation of the profit after tax as described above, with the exception that shareholders have the right to initiate the convocation of a general meeting within 30 days of the publication of the decision of the Board of Directors on the financial statements and the appropriation of the profit after tax. Failure to comply with this deadline, including a shareholders' request not received by the last day of the deadline, will result in forfeiture of rights. In the case of a request to convene a general meeting, the invitation to the general meeting shall be published within 45 days of the end of the emergency or, if the emergency has already ended when the shareholders' request is received, within 45 days of the receipt of the shareholders' request.

Pursuant to Section 9 (8) of the Decree, if the period between the end of the emergency and 1 April of the following calendar year is less than 180 days, the convocation of a general meeting pursuant to Section 9 (6) or Section 9 (7) of the Decree may not be requested, but the approval of the resolutions of the general meeting adopted by the management of the company during the emergency may be put on the agenda of the next general meeting.

Agenda of the General Meeting

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Agenda item No. 1

**FINANCIAL STATEMENTS OF MKB BANK PLC. FOR THE BUSINESS YEAR 2020,
PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS ADOPTED BY THE EU: SEPARATE (UNCONSOLIDATED)
AND CONSOLIDATED FINANCIAL STATEMENTS AND THE APPROPRIATION OF
THE PROFIT, DIVIDEND PAYMENT**

Agenda item No. 1.1

REPORT OF THE BOARD OF DIRECTORS ON THE BUSINESS ACTIVITIES IN 2020

BUSINESS REPORT

OPERATING ENVIRONMENT

International macroeconomic environment

Although optimistic expectations emerged at the beginning of 2020, the COVID-19 coronavirus epidemic caused a very sudden stop: due to the nature of the epidemic, the protection mode was a partial or total shutdown of the economies. As a result, global economies suffered a significant, in many cases record, contraction in Q2 2020 (e.g. Eurozone: -14.7%, US: -9%, on a year/year basis), and following the recovery in the third quarter, the second wave of the epidemic in autumn/winter led to a decline in Q4 too, albeit not as severe as in the spring.

Governments around the world supported economic operators during the epidemic with fiscal stimulus, while central banks (e.g. ECB, Fed) supported them with asset purchases and lower interest rates, which provided significant support to the prices of financial assets. The emergence of vaccines towards the end of the year also boosted optimism among economic, financial and capital market participants.

Besides COVID-19, the critical issue for 2020 was the UK's exit from the EU. The Brexit Agreement was reached on 24 December, creating a free trade agreement between the parties based on a free trade area with no tariffs, duties and quotas. The United Kingdom left the EU at the end of 2020.

The other big event of 2020 was the US presidential election, where Democratic candidate Joe Biden won the presidency. The Democrats won a majority in the Senate as well as the House of Representatives, giving the new President a much greater opportunity to implement his agenda.

Hungarian macroeconomic environment

In Hungary too, the COVID-19 virus outbreak and the restrictive measures that followed determined economic performance. In the second quarter of 2020, the domestic economy fell sharply by 13.6% on year-on-year basis. The economic opening and recovery after the spring epidemic wave was also reflected in the Q3 data, with the domestic economy growing by 11.4% on a quarterly basis (-4.6% on an annual basis). The Q4 performance was affected by the second wave of the epidemic in the autumn (-3.7%, raw data, y/y). In total, domestic GDP fell by 5.1% in 2020 compared to 2019. Danube Capital forecasts domestic economic growth of 4.5% in 2021.

The situation caused by COVID-19, deteriorating economic performance and lower tax revenues, as well as government bailouts, have led to a surge in the government sector deficit. As a result, the gross public debt-to-GDP ratio also increased, rising to 81% by end-2020 (end of 2019: 65.5%).

Inflation dynamics were also affected by the epidemic in 2020, but after levels above 4% at the beginning of the year, the indicator remained in the 2-4% range throughout the rest of the year. Inflation stayed on average at 3.3% in 2020. It is important to note, however, that internal price pressures remained high, with core inflation averaging 4.1% per year. Looking ahead, Danube Capital forecasts that in 2021 the main domestic inflation rate could slow to 3.1% and core inflation to 3.6%.

The MNB has used a number of old and new monetary policy instruments to mitigate the economic impact of the epidemic. Most importantly, the one-week commercial bank deposit facility was re-introduced, the central bank launched and maintained a government bond and mortgage bond purchase programme, launched a long-term secured loan programme, expanded the Funding for Growth Scheme and introduced relaxations to the Bond Funding for Growth Programme. In addition, the MNB lowered the base rate from 0.90% to 0.60% in summer 2020.

Yields in the Hungarian government bond market were virtually unchanged until the start of the COVID-19 epidemic. After the state of danger was declared, yields rose on a larger scale, followed by a significant decline in the second quarter (thanks to MNB programmes and improving global sentiment): the 10-year Hungarian government bond market yield ended in 2020 at essentially the same level as at the beginning of the year, but with significant fluctuations (between 1.8% and 3.3%).

Overview of the banking sector¹

Last year was a year of pandemics, accelerated digitisation, government-backed lending programmes and a payment moratorium in the banking sector. In March 2020, the overnight outbreak of the coronavirus also required banks to maintain their business in circumstances for which they were not previously prepared, at least to such an extent. Changing customer needs and life circumstances put extreme pressure not only on customers but also on employees. Many banks introduced home office and allowed physical presence in the office only in the most necessary cases and for health reasons. As a result of the pandemic, almost everything has shifted to the digital space, and the banking sector also accelerated its digitalisation efforts, with banks all strengthening their online services and internal processes.

However, this crisis is different from 2008, as banks are much better prepared financially and have a stronger capital position to face the challenges of the coronavirus epidemic. In 2020, banks played an important role in stimulating the economy by intermediating state-subsidised loans (FGS Go, Exim Compensation, Széchenyi Card Programme, MFB Crisis Programme) and paying the one-off special tax. In terms of banking sector results, the operating income rose and significant provisioning/impairment charges were applied in 2020.

According to the preliminary prudential data of Magyar Nemzeti Bank, the net profit for 2020 was HUF 390 billion, down by almost 44 percent compared to the same period in 2019. Net interest income increased by 10.4 percent and net fee and commission income by 1.4 percent, thanks to an increase in assets to HUF 60,609 billion (+22.5 percent) and exchange rate effects. Loans and deposits expanded by 22.7% and 25.3% respectively compared to the audited figures for 2019. Provisions and impairment charges were significant during the year, due to the economic impact of the coronavirus epidemic and the repayment moratorium, and increased almost threefold to HUF 399 billion compared to HUF 103 billion in 2019. Operating expenses are up 6.3 percent in the 2020 preliminary data, reflecting a potential reduction in costs of home office and increased costs due to pandemic-related health protection measures and significant digital upgrades.

In terms of digitalisation, the timing was perhaps best for the spring launch of the new era of instant payments, for which a number of ground-breaking developments were made during the year. These include payment requests and QR code payments, but the preparation for the introduction of the stringent customer authentication requirements of the PSD2 Directive also required significant resources. New mobile applications and mobile payment solutions were introduced, video banking

¹ Source: MNB

services, appointment booking systems and a wider range of online products appeared, which were increasingly accepted and used by customers.

PERFORMANCE OF THE MKB GROUP AND MKB BANK IN 2020

MKB Group

The Group's (consolidated) IFRS balance sheet total increased by 58.1%, by more than HUF 1,000 billion, to HUF 2,781.6 billion at the end of 2020. Customer loans (net) increased by 19.7% to HUF 1,114.0 billion, while customer deposits grew by 51.8% to HUF 1,862.3 billion. The Group's profitability in 2020 was severely impacted by the economic downturn caused by the COVID-19 pandemic, with profit after tax falling to HUF 8.4 billion from HUF 44.1 billion last year.

The Bank's financial and business fundamentals are sound, including capitalisation, liquidity, self-financing capacity, balance sheet structure and the performance of its business lines.

MKB Bank

The Bank's IFRS-based balance sheet total increased by 57.6% to HUF 2,792.6 billion at the end of 2020, up by more than HUF 1,000 billion. The customer loan portfolio grew by 19.7% to HUF 1,106.2 billion, while customer deposits grew by 51.7% to HUF 1,877.4 billion. The economic downturn caused by the COVID-19 pandemic put a strong pressure on MKB Bank's profitability in 2020, with profit after tax falling to HUF 6.2 billion from HUF 42.0 billion last year.

The Bank's financial and business fundamentals are sound, including capitalisation, liquidity, self-financing capacity, balance sheet structure and the performance of its business lines.

PERFORMANCE OF THE INDIVIDUAL BUSINESS LINES²

Retail segment

In 2020, the pandemic situation caused by COVID-19 changed customers' previous expectations and habits in very many areas, and in the changed circumstances; in Retail sales greater emphasis than before was placed on providing expert advice and support to customers in liquidity management, crisis loans, moratorium and remote access digital solutions.

The bank continued the developments started earlier, focusing on high quality customer service, enhancing customer experience, lending and the premium segment, further increasing the market share of MKB Bank's Retail business in the changed circumstances caused by the pandemic.

MKB achieved outstanding results in increasing the number of customers and assets managed in the premium segment, thanks to the continuation in 2020 of focused customer approach with elaborated value propositions and the development of the premium advisory system, which provides greater added value. As a result, the business line achieved an increase of more than 50% in the number of premium clients and 41% in assets under management. Because of the investment portfolio-based

² Source: MNB, KAVOSZ, Eximbank, MFB, MKB's own calculation

investment advisory, MKB-Pannónia Fund Manager open-ended investment funds increased by 17%, further expanding the diversification of customer investments.

In retail lending, the Bank also outperformed in mortgage and baby expecting loans, and as an important step in consumer lending, the personal loan product, which can also be applied for online, was introduced with a specific loan amount offer following pre-rating by the Bank.

In 2020, special emphasis was placed on providing full customer service and support in the small business segment. The Bank offers its customers a range of solutions to help them with their day-to-day banking, liquidity management and foreign exchange management - all focused on the pandemic environment. MKB Bank was one of the first to introduce a wide range of new subsidised loans, the positive reception of which is confirmed by the volumes of loans disbursed in this segment.

Despite the difficulties caused by the pandemic situation, the Bank remained committed to implementing improvements to enhance the comfort and security of its customers.

In Q2 2020, the Bank began the development of a digital customer call system in its branch network, which allows for drawing a number online and booking an appointment, thus minimising waiting times at the branch and avoiding queuing and waiting on site. The roll-out of the new customer call service to the entire branch network was completed in Q1 2021, enabling customers to remotely draw numbers and book appointments in all branches.

The Bank has made customers aware of the option of using alternative channels and has produced a number of leaflets to promote the use of electronic channels. The VideoBank service was launched, which allows customers to use a range of services, from retail transactions to opening securities accounts and small business cards, without visiting a branch, following remote identification.

From Q1 2020, the branch network's activities were heavily affected by the international and national health emergency related to the pandemic. In order to protect customers and staff, the branch network operated throughout the year in compliance with safe and responsible branch customer service conditions and in accordance with the prevailing government measures and regulations. In addition to the extensive and continuously expanding online banking services, MKB Bank continues to provide personal customer service in 51 branches nationwide.

MKB Bank's branch network development strategy is based on the continuous improvement of customer service, in which the provision of the most efficient and convenient customer service plays an important role. Adapting to market conditions and the pandemic situation, the Bank continued to upgrade and refurbish its branch customer premises in 2020. As a result, the complete refurbishment of the branch on Szent István tér was completed, creating a Premium Customer Centre with state-of-the-art digital facilities and a superior customer experience.

In 2020, branch network training was restructured and expanded to provide a high level of customer service. Both sales and soft skills training and segment-specific training were made available online for branch network staff. Also, in response to the pandemic situation, on-site sales support to the branch network was reorganised. A complex, full-service sales dynamics programme was introduced to improve the quality of customer service and the customer experience.

As in previous years, in 2020, the strategic cooperation between MKB Bank and CIG Pannónia Insurance continued, making pension, investment, risk and health insurance products available in the bank's branch network and enabling customers to diversify their investment portfolios. Due to the economic impact of the pandemic, 2020 was also a special year for insurance sales. The Bank achieved a 70% increase on the previous year's performance for regular premium life insurance and 119% for

single premium products, with the latter result being effectively boosted by the launch of the Euro-based Gravis Single Premium Life Insurance in April 2020.

CIG Pannónia Életbiztosító Nyrt. introduced a new service, Pannónia SelfID, from 1 December 2020, enabling remote identification and digital signature in the sales process. The aim of the service was to create fast, convenient, location-independent sales, thereby improving both the efficiency and orderly operation of insurance sales and continuously enhancing the customer experience, thus achieving a completely paperless, digital customer service.

In terms home insurance, the OKÉ (Home, Garden, Value) of Aegon Magyarország Általános Biztosító Zrt. is still available in MKB Bank's branch network, and online insurance contracts can now be concluded on MKB Bank's website, allowing customers to purchase home insurance conveniently without visiting a branch.

In 2020, the intermediary sales channel was able to achieve significant growth in both retail and small business sales compared to the previous year. Sales from partnerships have increased both in absolute terms and in proportion to the branch network.

On the retail side, the temporary downturn related to the pandemic in Q2 was not only compensated but also exceeded in the rest of the year. In residential mortgage loans, the volume of intermediated transactions exceeded 42%.

The demand for the preferential loans introduced by the government to stimulate the economy and save jobs increased considerably among small businesses, with intermediaries catalysing the process, which was reflected in the volume of loans disbursed. The results have been helped by measures to promote online solutions in partner communication and administration, and to reduce face-to-face meetings to the minimum necessary.

The efforts made to improve partner cooperation in 2020 proved to be successful, and MKB Bank plans to continue the improvements initiated in order to further increase its market share in the intermediary market.

Digital products and channels

In 2020, the implementation of the digital strategy and the digital transformation of the customer experience continued, with MKB's primary objective being to enhance the customer experience, introduce new digital products and broaden cooperative partnerships. New features were successfully launched on all channels and new alternative channels were introduced, and the Bank also made great strides in digital sales. The pandemic situation significantly changed consumer habits, shifting customers, who were previously less receptive to digital administration, to digital channels, further increasing the number of active users of these channels and accelerating our digital development. The Bank is striving to align channels, develop service packages that deliver real value and to integrate them into the lives of customers.

At the start of 2020, the VideoBANK service for retail and corporate customers, where they can access the service after identifying themselves via video chat, was launched at record speed. MKB VideóBANK provides assistance in opening securities accounts, SZÉP Card applications, small business advice, loan pre-screening and day-to-day banking-related matters, with its range of services continuously expanding.

The number of users of the MKB Mobile Application increased by more than 20%, customers are actively using it for day-to-day banking; in addition, pre-rating based personal loans also became available in the mobile application. Thanks to the development, pre-rated customers using the MKB

mobile application can access pre-assessed loans of up to HUF 2 million with just a few clicks using their smartphone. Customers were involved in the development process with the help of MKB Fintechlab, the Group's innovation centre, in order to offer customers a digital solution that is truly tailored to their needs. The development of the service will continue based on customer feedback to further enhance the customer experience. In addition, in September, the Apple Pay service was made available for all bank cards issued by MKB Bank, including, for the first time, the Széchenyi Card.

The Bank completed the switch to the Instant Payment System on time, and banking operations have been running smoothly since then. The Bank's customers have responded positively to the additional services available, with a third of the transactions that qualify as instant payments being initiated and completed outside working hours.

The Bank also introduced new digitalisation innovations in branch services, including the introduction of a digital customer call system, which allows for online number drawing and appointment booking, thus minimising waiting times at the branch, which significantly improved the customer experience during the pandemic.

In addition to the digital developments for remote service, the ATM network has been renewed, as the Bank replaced the old machines with touch-screen displays for a modern, premium experience.

In addition to the digital developments, the Bank's digital capabilities have also improved significantly, with design thinking, UX design and agile product development playing a growing role. These methodologies and capabilities are essential to actively engage customers when researching, designing and launching products and services and to enable the Bank to respond quickly to the growing challenges of the digital world.

MKB SZÉP Card

The performance of the MKB SZÉP Card in 2020 was largely determined by the spread of the COVID-19 virus and the government measures taken to contain it: to encourage employer benefits with SZÉP Cards, employers were exempted from paying SZOCHO (social contribution) from 22 April 2020 (until 30 June 2021); the restrictive health protection measures significantly reduced SZÉP Card usage in April and May and at the end of the year. However, between the two emergency periods, in July and August, the use of the MKB SZÉP Card was record high.

Within SZÉP Card usage, the share of online payments increased significantly in 2020 and since October 2020 MKB SZÉP Card accounts can also be opened online using the MKB VideoBank service.

In total, the MKB SZÉP Card achieved an outstanding result in 2020, with the product outperforming 2019 in almost all features: 227,000 MKB SZÉP Cardholders received nearly HUF 28.6 billion in employer contributions in 2020 with 1.5 million transactions, and SZÉP Cardholders spent nearly HUF 23.6 billion in 2020 with 5.3 million transactions. The cardholders financed 71% of their SZÉP Card spending from the hospitality pocket, 19% from the accommodation pocket and 10% from the recreation pocket.

The average annual assets on MKB SZÉP Card accounts amounted to approximately HUF 14.8 billion. Cardholders can now use their cards for payments at 28,000 places of acceptance.

Corporate and institutional customers

MKB's permanent strategic objective is to maintain a strong corporate business line, based on our traditional strengths. The corporate business line is focused on local knowledge, professional service provision, advice-based sales and the provision of innovative solutions.

What MKB sells to its customers is not simply a variety of products but complex business solutions and advice, setting up complex credit facilities and satisfying special banking needs when necessary. MKB can provide effective and efficient solutions to all participants of the corporate segment, regardless of customer size.

To continue the development of the customer life-cycle based approach the Bank devoted major resources in 2020 to further optimising the product development processes and models, as well as to developing digitised solutions in response to the challenges of the pandemic.

Business demand for credit declined in the initial phase of the pandemic and gradually increased in the second half of the year. MKB introduced subsidised and refinanced loans and guarantee schemes included in the new economy boosting packages smoothly. Interest in the new schemes has been growing steadily. Since their introduction, they have proved very popular, with a significant demand for loans, which both boost the economy and helps companies in difficulties to survive. The Bank has achieved an outstanding market share of 8.8% in the MNB's FGS Go programme.

Maintaining portfolios continue to be crucial for MKB, thereby keeping up the strong market positions and the diversified loan portfolios and avoiding the build-up of material risk, industry or customer concentrations.

Small and medium-sized (SME) customers continued to be a key segment for the Bank in 2020, where increasing product penetration was a priority.

MKB Bank continues to be an active participant in the Széchenyi Programme, with the lending portfolio of the Bank under the Széchenyi Programme amounting to HUF 38.2 billion in 2020, representing a market share of 7.0%.

The Bank has been traditionally closely cooperating with Eximbank to maximise the number of customers provided with funding. Foreign trade is a top priority for the performance of the Hungarian economy, as nearly 90% of GDP is generated by exports, to which not only exporters but also suppliers and companies that are just entering the export market contribute. The Bank is particularly proud to have received the 'SME Financier of the Year 2019' award in 2020 for its support of the SME sector through EXIM loans, the highest volume of financing provided to the SME segment in 2019. MKB had an outstanding market share of 9.3% for Exim products.

Investment services

In 2020, the Bank continued to expand the range of investment funds offered by it in order to better serve customer needs. The launch of the 'New Global fund line', which aims to meet the investment needs of today, is the result of a joint effort with strategic partner MKB-Pannónia Fund Manager. During the year, the Bank entered into a strategic agreement with Diófa Fund Manager, which aims to provide MKB's customers with a wider range of investment opportunities in the Hungarian real estate market.

COVID-19 of course had a strong impact on the performance of investment products, but it can be said that the losses suffered at the beginning of the year were recovered by the end of the year and, for the year as a whole, most funds finished 2020 with a positive performance.

Also in view of the COVID-19 situation, the Bank has continued to expand the range of services available without a face-to-face meeting. One important step in this direction is that customers can now open a securities account with the VideoBank service, which was introduced during the year.

In addition to the sale of investment funds, the sale of Retail Government Securities and Certificates was another highlight in 2020.

In 2020, MKB's Capital Markets and Transaction Advisory Directorate was again one of the leading investment providers in the Bond Funding for Growth Scheme (BGS), participating in five successful bond issues with a total amount of HUF 46.5 billion. In addition, it was also involved in the preparation and execution of other transactions and continued to act as Nominated Advisor on the Xtend market of BSE.

Private Banking

In 2020, MKB Private Banking was able to increase its assets under management by approximately 5%. In terms of the size of assets under management per customer, its business continues to be the market leader among domestic service providers and was awarded first place in this category at the Private Banking Hungary awards. In addition to this recognition, MKB Private Banking also won the Business Developer of the Year award thanks to its continued market-leading bank card portfolio, the development of its investment advisory business and the professional training of its advisory colleagues. A colleague from MKB Private Banking also earned the Junior Private Banker of the Year award. MKB's product development has not stopped, its structured bond distribution has gained a new, internationally highly respected partner.

COVID-19 has created an unprecedented business environment in which MKB Private Banking has been able to stand its ground. MKB's operations and all services were fully switched to seamless teleworking at the beginning of the second quarter, with flexible return to office work when required. The customer portfolios were naturally affected by the extraordinary price movements, but the Bank did not significantly change the composition of its portfolios, thanks to the typically long-term investment horizons. The overall risk exposure of the portfolios increased moderately in Q2, and remained at a higher level until the end of the year, thanks to attractive entry opportunities for certain products. MKB Private Banking's customer base remained stable and increased slightly during the year.

SUBSIDIARIES / STRATEGIC ARRANGEMENTS AND PARTNERS

The range of MKB's own banking products and services is supplemented by those provided by its subsidiaries and partners. The key objectives include maintaining or enhancing the market positions of the subsidiaries engaged in business activities, increasing cooperation among the members of the Group and strengthening the auxiliary financial services.

SUBSIDIARIES³

MKB Euroleasing Group

As one of the leading domestic leasing companies, the MKB-Euroleasing Group was not only able to remain a highly active player in the extremely difficult year of 2020, but was able to finance its customers even beyond the sales volume forecast.

As in previous years, the MKB-Euroleasing Group continued to achieve outstanding market shares, mainly in motor vehicle financing and agricultural machinery financing, and also offers its customers a full range of services in the areas of commercial vehicle and general purpose machinery financing.

³ Source: Hungarian Leasing Association, BAMOSZ

The goal of the MKB-Euroleasing Group is to build a risk- and business-diversified portfolio based on its financing segments and the portfolio of contracts within them, to ensure the operation of a profitable business model in the long term. This strategy can ensure stable, low-risk and profitable operations in the long term.

The MKB-Euroleasing Group was able to increase the size of the portfolio managed by it in 2020, which will contribute significantly to further improving operational efficiency.

The strategic objective of MKB-Euroleasing Group remains to be the further strengthening of its market share and its status as the leading domestic leasing company. The stable market presence is also due to the continuous development of existing dealer and importer relationships and the establishment of new ones. Furthermore, the Group intends to remain at the forefront in the development and implementation of innovative digital solutions, both in terms of serving its customers and its partners.

MKB Consulting

Despite COVID-19, MKB Consulting, which became a private limited company in 2020, offered a complex consulting portfolio to its corporate, public administration and higher education customers. It advised companies mainly on the preparation and implementation of investment projects, innovation and research and development projects.

A key focus for 2020 was the digitisation of business processes. As a result of the COVID-19 global epidemic, Consulting also used digital channels for customer contact, introduced electronic signatures and digitally transformed a number of processes.

In addition to digitalisation, MKB Consulting has also made significant improvements in terms of human resources, with the addition of more experts in the agricultural and food sector, which is expected to play an even more significant role in 2021. Counselling for county-level cities and various venture capital fund managers has led to the launch of programs that generate significant improvements in certain rural regions and sectors.

MKB Consulting also successfully completed projects in 2020 in the framework of its operational improvement consulting activities based on its CELONIS process optimisation software, and at the end of the year it was awarded non-repayable support of HUF 133 million for a digital product development project.

MKB Consulting starts 2021 with expanded consulting services, a strengthened team of experts and digital processes adapted to the needs of the 21st century.

MKB Pannónia Fund Manager

In 2020, the epidemic situation caused by COVID-19 was also a key issue for MKB-Pannónia Alapkezelő Zrt. both in terms of operation and investment. On the operational side, there were no minor disruptions thanks to a fast and adaptive response, and on the investment side, the Fund Manager responded very successfully to market events. As a result, the Fund Manager achieved a business profit in 2020, exceeding all previous years.

On the product development side, the Fund Manager launched two new funds to introduce the increasingly green approach to its products. In 2020, the standardisation of the investment fund documentation and the implementation of the new registration system were completed. In the second half of the year, the establishment of the real estate fund management business line began, which will result in the launch of the Fund Manager's first real estate investment fund in April 2021.

As of 31 December 2020, the Fund Manager managed in total HUF 609 billion net investments, representing a market share of 7%. Within this, it manages investments of HUF 197 billion in 38 investment funds for 76,000 customers, and within portfolio management, it manages in total HUF 412 billion investments for 9 funds, 3 insurance companies and 4 other customers. MKB-Pannónia Fund Manager is ranked second among pension fund asset managers (in terms of assets under management).

Danube Capital R&A Zrt.

In 2019, a dedicated competence in economic analysis and market research was established within the MKB Financial Group with the establishment of Danube Capital R&A Zrt., which, in addition to its analytical activities, regularly provides professional publications to help company managers and owners make business decisions. Danube Capital published 182 professional blog posts in 2020, which resulted in a total of 56,000 views. In more than a year of operation, Danube Capital's professional team has supported MKB Financial Group's clients with complex business valuation, sector and macroeconomic analysis, market research and advisory services.

MKB Inkubátor Kft. - MKB Fintechlab

The year 2020 has been an outstanding year in the life and development of MKB Fintechlab. As part of the digital business development area, MKB Fintechlab contributes greatly to the establishment of digital capabilities in banking and is responsible for integrating the design and design approach, consciously developing innovation maturity and exploiting its business potential.

The three pillars of MKB Fintechlab's strategy are investments, the digital and design competence centre and the innovation management capability.

MKB Fintechlab has in total 28 start-ups in its investment portfolio and plans to invest in 10 more start-ups in the next two years.

Continuing the scaling of its unique banking design and digital competence centre, by the end of the year it had supported the digital transformation of the bank and the banking group with nearly 20 professionals. These professionals include transformation experts, digital product designers, service designers and digital performance optimisation specialists.

Despite COVID-19, MKB Fintechlab organised several international innovation events in 2020, including a hackathon in cooperation with Corvinus University and MKB Digital Zrt, and the Fintechlab Design Summit, an international online conference on digital transformation and design in banking, which attracted nearly 500 people over two days.

The company will continue its innovation work in 2021, supporting the digital transformation not only of MKB Bank but of the entire Hungarian financial sector.

Solus Capital Venture Capital Fund Manager

In 2020, Solus Capital Kockázati Tőkealap-kezelő Zrt. managed two funds (Solus I and Solus II Funds) with a total subscribed capital of approximately HUF 21.4 billion, making it a leading player in the venture capital market. The Funds are financed by a combination of EU and private funding to achieve the designated objectives, with EU funding provided by MFB Bank as the fund of funds.

Solus I Venture Capital Fund seeks to contribute to regional development and the technological modernization of the SME sector under the S3 Venture Capital Programme. The Capital Fund invests in small and medium-sized enterprises, outside the Central Hungary region, that are capable of rapid growth through innovation in the field of smart technology. Solus I Venture Capital Fund currently has a portfolio of 28 companies, which has invested nearly HUF 6.8 billion in various manufacturing and service industries.

Solus II Venture Capital Fund launched its active capital investment activity at the end of 2019 to support the strategic objectives of the Digital Success Programme (DJP), such as promoting digital infrastructure and skills and the development of the digital economy through venture capital investments. Solus II. Venture Capital Fund invests in micro, small and medium-sized companies whose development goals are related to the strategic goals of DJP, such as education (EdTech), government services (GovTech), health and welfare services (MedTech, SportsTech), various sectors of the digital economy (AgTech, E-commerce, Sharing Economy), information security (Cybersecurity) and the latest innovations (5G developments and related innovations).

The first investment was made in 2020, the portfolio consisted of 11 companies by the end of the year and a total capital injection of EUR 3.62 billion was decided by the Board of Directors of Solus Capital Zrt.

For both Funds, Solus Capital met and exceeded its commitment for the total value of the Investment from Initial Primary Sources and Investment from Complementary Primary Sources set out in the Board Resolution along the 2020 targets.

In the autumn of 2020, the Solus I Venture Capital Fund completed its first successful sale of shares. In 2018, we completed our first capital increase in Medicorp Hungary Zrt, a company operates in the MedTech industry.

STRATEGIC COOPERATION ARRANGEMENTS AND PARTNERS⁴

MKB Pension Fund

The Voluntary segment of MKB Pension Fund, offers a decades-long, efficient savings instrument to nearly 77,500 customers within the MKB Group's comprehensive investment solutions. The simple, interest tax-free product, which can be used in a number of ways, even in active years, can be tailored to the return expectations and risk-bearing capacity of the Pension Fund members. In addition to member and employer contributions, the savings are also increased by a 20% tax credit, which can be enforced from a maximum of HUF 150,000 per year in personal income tax, which can be achieved with a payment of HUF 750,000. Customers investing in their future with the MKB Pension Fund can take advantage of the combined advantages of above-inflation returns and low costs over an impressive 10 and 15-year time horizon thanks to expert asset management. Use is ensured by a flexible range of services.

⁴ Source: Association of Mutual Funds

The Fund's assets of HUF 139.6 billion as at 31 December 2020 increased by HUF 1.4 billion year-on-year. This means that the Fund has exceeded its financial plans for 2020, even under the more difficult market conditions resulting from the pandemic COVID-19. A positive result of the year is that the willingness of individuals to consciously save became increasingly important in terms of the individual member's contribution activity. In addition, there was a renewed upturn in employer engagement by supporting employees' savings for retirement.

The Private segment of MKB Pension Fund had a total of 3,639 members and managed HUF 20.5 billion in assets at the end of 2020. The ratio of members paying contributions was well above the minimum requirement of 70%.

MKB Pension Fund is one of Hungary's leading pension funds. Its continuous stable and prudent operation for more than 25 years is backed by well-prepared fund and asset management professional support, as well as by digitally expanding developments from 2020. Among the targeted developments in customer service, the expansion of e-administration with authentic electronic signatures, the development of the Member Portal and the implementation of the website renewal project took place last year, which will further enhance the user experience from 2021. In addition, last year a complete review of internal business processes was performed to increase efficiency and streamline implementable processes. The focus of business development has also been on continuous activation, customer engagement and the testing and integration of new and innovative solutions to continuously improve customer satisfaction.

MKB-Pannónia Health and Mutual Fund

MKB-Pannónia Health and Self Assistance Fund is one of Hungary's leading health funds, providing a wide range of services to more than 205,000 members and with total assets of HUF 15.3 billion as of 31 December 2020. Adapting quickly and efficiently to the changed environment, the Fund has exceeded its financial plans for 2020 in a turbulent environment due to the effects of pandemic COVID-19. The positive results of the year were that the Fund ended the year with an increasingly dynamic level of Member contributions, thanks to its strengthened business approach and its ability to sensitively address its Members. In addition, in response to the growing health awareness, the Fund has implemented product development with its external partner and successfully launched a new health insurance product at the end of 2020, which can be financed through the Fund.

From 2020, as a result of the dynamic digitalisation developments, the Fund has expanded electronic administration, enabled the submission and settlement of scanned product purchase invoices, and created a document uploading interface to increase the convenience of e-administration with a certified electronic signature. In addition, while continuing to improve its IT infrastructure, the Pension Fund has also upgraded its website, thus a modern UI and UX compliant web platform will assist its member orientation from 2021. Due to a full review of internal fund management processes in 2020, organisational efficiency is expected to increase that will enable even smoother customer service. In 2020, the Fund continued to operate in a stable and predictable manner, exploring a number of new and innovative solutions to continuously improve customer satisfaction.

For almost 25 years, the MKB-Pannónia Health and Self Assistance Fund has been providing its customers with the widest range of health support and cost-cutting services available, through financial support for health awareness. The health fund assets, which can be spent on the needs of the whole family, in almost all life situations and accumulated with a 20% tax credit, can be used for a wide range of purposes, from having children to private health care spending to supporting elderly care. In the case of preventive spending and two-year commitment, the state provides an additional 10% tax reduction for the Members, which can be spent on a wide variety of products and services at

15,600 partners through traditional payment methods or at nearly 9,500 service providers contracted for card acceptance with the elegant MKB Health Card, which will have a renewed look by the end of 2020, in line with the MKB Brand.

Agenda item No. 1.2

**PROPOSAL OF THE BOARD OF DIRECTORS
FOR THE ADOPTION OF THE 2020 SEPARATE (UNCONSOLIDATED) FINANCIAL
STATEMENTS
PREPARED UNDER IFRS**

MKB Bank Plc.
Statement of separate (unconsolidated) financial position for the year ended on 31 December 2020

Data in HUF million

	Note	31 December 2020	31 December 2019
Assets			
Cash and cash equivalents	7	294 183	55 388
Loans and advances to banks	8	83 558	62 392
Derivative financial assets	9	23 262	18 193
Securities	10	1 174 027	600 894
Loans and advances to customers	11	1 106 242	923 938
Non-current assets held for sale and discontinued operations	38	504	4 075
Other assets	12	15 149	14 256
Current income tax assets		1 418	455
Deferred tax assets	23	6 707	7 718
Investments in subsidiaries, jointly controlled entities and associates	13	48 373	46 708
Intangibles, property and equipment	14	39 213	38 439
Total assets		2 792 636	1 772 456
Liabilities			
Amounts due to other banks	15	574 825	195 683
Deposits and current accounts	16	1 877 454	1 237 260
Derivate financial liabilities	17	35 406	44 263
Other liabilities and provisions	18	54 910	60 983
Issued debt securities	19	2 343	1 331
Subordinated debt	20	44 724	39 381
Total liabilities		2 589 662	1 578 901
Equity			
Share capital	21	100 000	100 000
Reserves	22	102 974	93 555
Total equity		202 974	193 555
Total liabilities and equity		2 792 636	1 772 456

MKB Bank Plc.**Statement of separate (unconsolidated) income for the year ended on 31 December 2020***Data in HUF million*

	Note	2020	2019
<i>Statement of profit or loss</i>			
Interest and similar to interest income	24	50 895	56 927
Interest expense	25	24 988	19 008
Net interest income		25 907	37 919
Net income from commissions and fees	26	23 731	27 371
Other operating income / (expense), net	27	6 121	11 612
Impairment / (Reversal) and provision for losses	28	7 204	(4 027)
Operating expense	29	41 602	39 590
Profit before taxation		6 953	41 339
Income tax (income) / expense	30	721	(673)
PROFIT FOR THE YEAR		6 232	42 012
<i>Other comprehensive income</i>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Revaluation on financial assets measured at FVTOCI	10	3 187	(3 281)
Other comprehensive income for the year net of tax		3 187	(3 281)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		9 419	38 731
Net income available to ordinary shareholders		6 232	42 012
Average number of ordinary shares outstanding (thousands)		100 000	100 000
Earnings per Ordinary Share (in HUF)	32		
Basic		62	420
Diluted		62	420

MKB Bank Plc.**Separate (unconsolidated) statement of changes in equity for the period ended on 31 December 2020***Data in HUF million*

	Share capital	Share premium	Retained earnings	Revaluation on financial assets measured at FVTOCI	Total equity
At 1 January 2019	100 000	21 729	41 361	(3 466)	159 624
Dividend	-	-	(4 800)	-	(4 800)
Profit for the year	-	-	42 012	-	42 012
Other comprehensive income for the year	-	-	-	(3 281)	(3 281)
At 31 December 2019	100 000	21 729	78 573	(6 747)	193 555
Profit for the year	-	-	6 232	-	6 232
Other comprehensive income for the year	-	-	-	3 187	3 187
At 31 December 2020	100 000	21 729	84 805	(3 560)	202 974

MKB Bank Plc.
Separate equity reconciliation for the period ending on 31 December 2020

Data in HUF million

	Share capital	Capital reserve	Retained earnings	Revaluation reserve	Total
Balance at 1 January 2019	100 000	21 729	41 361	(3 466)	159 624
Dividend	-	-	(4 800)	-	-
Profit before tax	-	-	42 012	-	42 012
Accumulated other comprehensive income	-	-	-	(3 281)	(3 281)
Balance at 31 December 2019	100 000	21 729	78 573	(6 747)	193 555
Profit before tax	-	-	6 232	-	6 232
Accumulated other comprehensive income	-	-	-	3 187	3 187
Balance at 31 December 2020	100 000	21 729	84 805	(3 560)	202 974

Data in HUF million

Reconciliation of share capital registered at registry court and share capital under IFRS as adopted by the EU	31 December 2020	31 December 2019
Share capital registered at the registry court	100 000	100 000
Instruments recognised as liabilities	-	-
Share capital under IFRS as adopted by the EU	100 000	100 000

Schedule of the profit reserves available for dividend (million HUF)	31 December 2020	31 December 2019
Retained earnings	84 805	78 573
Statutory other reserve	11 448	10 825
Profit reserve available for dividend	73 357	67 748

MKB Bank Plc.

Statement of separate (unconsolidated) cash flows for the year ended on 31 December 2020

Data in HUF million

	Note	2020	2019
<i>Cash flows from operating activities</i>			
Profit/ (Loss) before taxation		6 953	41 339
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	14, 31	4 162	4 109
Impairment / (Reversal of impairment) on other assets	12	(29)	1 181
(Reversal of provisions for) / Recognise provisions on off-BS items and settlement for customers	18, 33	480	(511)
Reversal of impairment on loans and advances	8, 11	(782)	(23 652)
Reversal of impairment on non-current assets held for sale	38	(6 371)	(194)
Impairment / (Reversal of impairment) on securities and associates	10, 13	19	(1 608)
Other IFRS adjustment on securities	10	2 716	(483)
Deferred tax movement	30	1 011	(1 947)
Net interest income	24, 25	(24 807)	(37 634)
Dividends from shares and other non-fixed income securities		(223)	(167)
Revaluation of issued securities	19, 20	-	(92)
Revaluation and other result on securities measured at FVTOCI	Change in Equity	3 187	(3 281)
Foreign Exchange movement		1 279	977
Cash flows from operating activities		(12 405)	(21 963)
Change in loans and advances to banks	8	(21 186)	1 213
Change in loans and advances to customers	11, 34, 35, 37	(181 502)	(7 137)
Change in derivative assets	9	(5 069)	(279)
Change in other assets	12	(864)	1 081
Change in amounts due to banks (short term)	15	4 444	(32 017)
Change in current and deposit accounts	16	640 194	(143 578)
Change in other liabilities and provisions (without provision charge of the year)	18, 31	(6 553)	22 786
Change in derivative liabilities	17	(8 857)	12 655
Interest received	24	50 468	58 207
Interest paid	25	(25 661)	(20 573)
Income tax	30	(1 684)	218
		443 730	(107 424)
Net cash (used in)/ generated operating activities		431 325	(129 387)
<i>Cash flow from investing activities</i>			
Increase of reserves of group companies	13	(2 696)	(2 212)
Disposals of group companies	13	1 098	103
Purchase and disposals of PPEs and intangible assets	14, 31	(4 936)	(20 355)
Purchase of securities	10	(1 048 714)	(750 421)
Disposals of securities	10	473 002	923 187
Change in non-current assets held for sale and discontinued operations	38	9 942	357
Net cash (used in)/ generated by investing activities		(572 304)	150 659
<i>Cash flow from financing activities</i>			
Increase in issued securities	19	2 343	1 116
Decrease in issued securities	19	(1 331)	(5 389)
Increase in subordinated liabilities	20	19 248	10 524
Decrease in subordinated liabilities	20	(15 012)	-
Change in amounts due to banks (Borrowings)	15	374 698	13 547
Dividends paid	Change in equity	-	(4 800)
Net cash generated by financing activities		379 946	14 998
Net increase of cash and cash equivalents		238 967	36 270
Cash reserves at 1 January		55 388	19 240
FX change on cash reserve		(172)	(122)
Cash reserves at the end of period		294 183	55 388

Agenda item No. 1.3

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE ADOPTION OF THE 2020 CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER IFRS

MKB Group

Consolidated Statement of Financial Position for the year ended on 31 December 2020

Data in HUF million

	Note	31 December 2020	31 December 2019
<i>Assets</i>			
Cash and cash equivalents	7	294 183	55 388
Loans and advances to banks	8	83 558	62 392
Derivative financial assets	9	23 262	18 193
Securities	10	1 174 027	600 894
Loans and advances to customers	11	1 113 962	930 313
Non-current assets held for sale and discontinued operations	38	1 533	4 075
Other assets	12	17 146	15 176
Current income tax assets		1 468	539
Deferred tax assets	23	6 979	8 008
Investments in jointly controlled entities and associates	13	7 295	5 911
Intangibles, property and equipment	14	58 194	58 907
Total assets		2 781 607	1 759 796
<i>Liabilities</i>			
Amounts due to other banks	15	575 097	195 810
Deposits and current accounts	16	1 862 261	1 226 529
Derivate financial liabilities	17	35 406	44 263
Other liabilities and provisions	18	54 249	55 222
Current income tax liabilities		3	3
Deferred tax liabilities	23	88	126
Subordinated debt	20	44 724	39 381
Total liabilities		2 571 828	1 561 334
<i>Equity</i>			
Share capital	21	100 000	100 000
Treasury shares		-	(35)
Reserves	22	109 779	98 462
Total equity attributable to shareholders of the Bank		209 779	198 427
Non-controlling interests	22	-	35
Total equity		209 779	198 462
Total liabilities and equity		2 781 607	1 759 796

MKB Group

Consolidated Income Statement for the period ended on December 31, 2020

Data in HUF million

	Note	2020	2019
Statement of profit or loss			
Interest and similar to interest income	24	54 308	59 217
Interest expense	25	24 668	18 420
Net interest income		29 640	40 797
Net income from commissions and fees	26	23 568	27 316
Other operating income / (expense), net	27	6 071	10 108
Impairment / (Reversal) and provision for losses	28	7 968	(5 350)
Operating expense	29	45 042	43 240
Share of jointly controlled and associated companies' profit		2 949	3 037
Profit before taxation		9 218	43 368
Income tax (income) / expense	30	795	(780)
PROFIT FOR THE YEAR		8 423	44 148
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Revaluation on financial assets measured at FVTOCI	10	3 187	(3 281)
Other comprehensive income for the year net of tax		3 187	(3 281)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		11 610	40 867
Profit / (Loss) attributable to:			
Shareholders of the bank		8 423	44 148
Non-controlling interests		-	-
Total comprehensive income attributable to:			
Shareholders of the bank		11 610	40 867
Non-controlling interests		-	-
Net income available to ordinary shareholders		8 423	44 148
Average number of ordinary shares outstanding (thousands)		100 000	99 906
Earnings per Ordinary Share (in HUF)	32		
Basic		84	442
Diluted		84	442

MKB Group

Consolidated statement of changes in equity as at 31 December 2020

Data in HUF million

	Share capital	Treasury shares	Share premium	Share-based payments	Retained earnings	Revaluation on financial assets measured at FVTOCI	Non-controlling interests	Total equity
At 1 January 2019	100 000	(1 987)	21 729	194	39 709	(3 466)	1 987	158 166
Dividend	-	-	-	-	(4 665)	-	-	(4 665)
Profit for the year	-	-	-	-	44 148	-	-	44 148
Other comprehensive income for the year	-	-	-	-	-	(3 281)	-	(3 281)
Equity settled share-based payments	-	-	-	(194)	194	-	-	-
Disposal of treasury shares	-	1 952	-	-	4 094	-	(1 952)	4 094
At 31 December 2019	100 000	(35)	21 729	-	83 480	(6 747)	35	198 462
Profit for the year	-	-	-	-	8 423	-	-	8 423
Other comprehensive income for the year	-	-	-	-	-	3 187	-	3 187
Deconsolidation of subsidiaries	-	-	-	-	(489)	-	-	(489)
Disposal of treasury shares	-	35	-	-	196	-	(35)	196
At 31 December 2020	100 000	-	21 729	-	91 610	(3 560)	-	209 779

MKB Group

Consolidated statement of cash flows for the year ended on 31 December 2020

Data in HUF million

	Note	2020	2019
<i>Cash flows from operating activities</i>			
Profit/ (Loss) before taxation		9 218	43 368
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	14	4 488	4 075
Impairment / (Reversal of impairment) on other assets	12	(29)	1 180
(Reversal of provisions for) / Recognise provisions on off-BS items and settlement for customers	18, 31	312	(2 509)
Reversal of impairment on loans and advances	11	(389)	(23 739)
Reversal of impairment on non-current assets held for sale	36	(6 372)	(194)
Impairment on securities and associates	10, 13	19	349
Other IFRS adjustment on securities	10	2 716	(483)
Deferred tax movement	28	991	(2 070)
Net interest income	24, 25	(19 760)	(40 512)
Dividends from shares and other non-fixed income securities		(26)	(167)
Revaluation of issued securities	19	-	(103)
Revaluation and other result on securities measured at FVTOCI	Change in Equity	3 187	(3 281)
Foreign Exchange movement		1 279	977
Cash flows from operating activities		(4 366)	(23 109)
Change in loans and advances to banks	8	(21 186)	1 213
Change in loans and advances to customers	11, 32, 33, 35	(183 240)	(11 366)
Change in derivative assets	9	(5 069)	(279)
Change in other assets	12	(1 941)	5 343
Change in amounts due to banks (short term)	15	4 444	(32 017)
Change in current and deposit accounts	16	635 732	(145 517)
Change in other liabilities and provisions (without provision charge of the year)	18	(1 285)	9 306
Change in derivative liabilities	17	(8 857)	12 655
Interest received	24	57 660	60 497
Interest paid		(37 900)	(19 985)
Income tax	28	(1 724)	230
		436 634	(119 920)
Net cash (used in)/ generated operating activities		432 268	(143 029)
<i>Cash flow from investing activities</i>			
Increase of reserves of group companies	13	(1 357)	(1 657)
Disposals of group companies	13	40	103
Purchase and disposals of PPEs and intangible assets	14	(3 775)	(10 839)
Purchase of securities	10	(1 048 911)	(750 421)
Disposals of securities	10	473 002	923 187
Non-current assets held for sale and discontinued operations	36	8 914	357
Net cash (used in)/ generated by investing activities		(572 087)	160 730
<i>Cash flow from financing activities</i>			
Increase in issued securities	19	196	4 214
Decrease in issued securities	19	-	(4 991)
Increase in subordinated liabilities	20	19 248	10 524
Decrease in subordinated liabilities	20	(15 012)	-
Change in amounts due to banks (Borrowings)	15	374 843	13 487
Dividends paid	Change in Equity	-	(4 665)
Deconsolidation of subsidiaries	Change in Equity	(489)	-
Net cash generated by financing activities		378 786	18 569
Net increase of cash and cash equivalents		238 967	36 270
Cash reserves at 1 January		55 388	19 240
FX change on cash reserve		(172)	(122)
Cash reserves at the end of period		294 183	55 388

Agenda item No. 1.4

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF THE PROFIT FOR 2020 AND THE PAYMENT OF DIVIDENDS

Proposal of the Board of Directors for the appropriation of the profit for 2020:
Data in HUF million

1. Profit before taxation	6 953
2. Income tax (income) / expense	721
3. Profit for the year (1.-2.)	6 232
Increase in Retained earnings	6 232

Dividend payment:

Disposable retained earnings available for dividend payment:

Data in HUF million

Schedule of the profit reserves available for dividend	31.12.2020.
1. Retained earnings as of 1 January 2020	78 573
2. Profit for the year	6 232
3. Statutory other reserve/equity	11 448
Profit reserve available for dividend (1.+2.-3.)	73 357

Proposal to the General Meeting
Distributable profit from profit after taxes will remain in the retained earnings.

Agenda item No. 1.5

**REPORT OF THE SUPERVISORY BOARD
ON THE 2020 SEPARATE (UNCONSOLIDATED) FINANCIAL STATEMENTS
PREPARED UNDER IFRS AND THE APPROPRIATION OF PROFIT PROPOSAL,
AS WELL AS ON THE 2020 CONSOLIDATED FINANCIAL STATEMENTS PREPARED
UNDER IFRS**

Report on the separate (unconsolidated) and consolidated financial statements prepared in accordance with International Accounting Standards and the appropriation of the profit after tax for the business year ended 31 December 2020

The Supervisory Board discussed at its meeting of 30 March 2021 and proposes to the General Meeting for approval the following reports prepared by the Board of Directors on the business year of MKB Bank Plc. ended on 31 December 2020:

- the individual (non-consolidated) annual report⁵ for the year 2020 prepared in accordance with International Accounting Standards,
- the consolidated financial statements for the year 2020 prepared in accordance with the International Accounting Standards
- the appropriation of after-tax profits for 2020.

Pursuant to the Articles of Association of MKB Bank Plc., the Supervisory Board checks the annual financial statements of the Company in order to comply with the statutory requirements.

In view of the above and based on the preliminary opinion of the Audit Committee, the Supervisory Board wishes to emphasize the following:

In relation the audit of the 2020 separate and consolidated financial statements, the auditor (Deloitte) performed its annual audit activities on the basis of a detailed schedule, for the mid-year audit from the middle of June 2020 to the end of January 2021 and for the year-end audit from the beginning of January 2021 to the middle of March 2021.

For the auditors the purpose of the audit activity was to obtain reasonable assurance that the annual financial statements and the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an audit report containing their opinion.

The audit activity was designed by the auditors to focus on the following key objectives to ensure the quality of the audit:

- A thorough and critical review of the key estimates and judgements made by Management in the preparation of the financial statements.
- A thorough understanding of the internal audit environment.
- The audit should be planned and executed in such a way that emerging issues are identified early and communicated to those charged with governance in a timely manner.

⁵ In line with Section 9/A(2) of the Accounting Act, the IFRS provisions were applied in all issues regulated under IFRS (international accounting standards promulgated in the Official Journal of the European Union by way of the procedure provided for in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards).

After the preparation phase, the audit started with process reviews and in-process controls, and was followed in 2020 by interim business year reviews, an examination of the Impairment Methodology, an examination of Credit Transactions and an examination of IT systems. Continuing the audit process in 2021, a detailed audit of the Annual Accounts was performed as of January as part of the year-end review, followed by a detailed audit of the Consolidated Financial Statements.

While assessing the impairment of loans and receivables valued on individual basis, the audit procedures included:

- the review of key internal controls related to loan monitoring and impairment measurement and recording,
- the assessment of the impairment of individual credit transactions on a random basis by risk profile, including the review of collateral and its appropriate valuation, and estimating the expected cash flows,
- the review of events after the reporting date (loan sales), analysis of the impact on the current year,
- the examination of impairment indicators for the non-impaired portfolio.

After completing the year-end accounting closing, the auditor reviewed and tested the analytics, various valuations (e.g., loans, deposits, securities, derivatives), and examined the financial statements of the complete annual and consolidated annual reports, including the notes to the financial statements and other notes, and the year-end provisions and the non-financial statements that form part of the annual report.

The main aspects of the review included:

- Interest and commission income - completeness of commission amortization
- Manual posting items
- Identification of related parties and presentation of transactions with them
- Review of cooperation with internal audit and internal controls

Based on the audit work, the auditor has issued an unqualified, clear audit report⁶ and will prepare the Compliance report for the MNB and the Management Letter for MKB management.

The cooperation with the auditor was coordinated by the Finance Executive Directorate. The auditor and representatives of the Bank reconciled the auditor's findings made during the annual audit and assisted in the audit process at regular weekly meetings.

In connection with the effectiveness of the risk management system, the Supervisory Board identified various measures to improve the risk management system, which include the processes, procedures and systems used by the following organizational units: Integrated Risk Control, Asset-Liability Control, Central Oprisk Management, Capital Management.

Integrated Risk Control

- Developing an agile working method
- Active support of the Flex POPEYE project
- AMR system development
- Review of MKB Group's Risk Strategy
- Risk cost planning

⁶ The issue of the audit report is still in progress.

- Modification of the IFRS9 transaction rating process and system using changed risk management information and methodologies as a result of the coronavirus pandemic and the payment moratorium
- Preparation of risk self-assessment
- Review of country limit allocation in annual planning
- Support for the operation of the Collateral Recording Robot
- Adaptation of Banking Level 1, Level 2 regulations to changes in the regulatory environment. Implement process changes adopted to improve internal efficiency and perform mandatory reviews.
- Specification of development needs, active participation in development
- Preparation of ad-hoc and regular reports, compliance with deadlines for submission
- A number of reports have been revised considerably to make them more visually accessible and transparent
- Review of KPI Dashboard industry level indicators
- Review of KPI Dashboard bank-level indicators
- Updating the default module
- Coordinating role in the preparation of sectoral strategies
- Rationalising and operation of the Mortgage Funding Adequacy Ratio compliance process
- Expected SLA compliance - operation of a complex lead time backtesting system in the MKB Real Estate Database,
- Annual implementation of statistical re-valuation of residential properties, introduction of manual ad hoc corrections
- Issuing revaluation assignments for non-residential properties, preparation of revaluations initiated by the network
- Establishment of a valuation procedure in the non-residential revaluation process according to MNB standards
- Mortgage Funding Adequacy Ratio (MFAR) support by real estate professionals
- Continuous certification of the network of experts, termination of contracts where appropriate, and examination and recruitment of new experts on an invitation basis
- Operation of SOS valuation processes
- MKB Real Estate Database - Administrator Interface Phase I specification, proposal and starting and going live of development
- MKB Real Estate Database - External expert interface development
- Automation of customer invoicing process, uploading invoices and fee payment information back to the Real Estate Database system
- Takarnet - introduction and development of a title deed retrieval robot
- Introduction of new efficiency and data quality improving processes based on the e-authentic title deed automated reading algorithm
- Expert data sheet development according to business requirements
- Adapting specific regulations to changes in the legal environment (MNB recommendations, CSOK, etc.)
- Active participation in mortgage specialist foundation and refresher training
- IFRS9 related review of the wholesale macro model
- Validation of banking and Euroleasing retail credit risk models according to the annual validation plan or according to the planned introduction

- Active participation in the methodology definition, development specification, testing of new cash flows related to the moratorium
- Definition of modGL for the WS portfolio related to the moratorium

Asset-Liability Control

- Support reporting and communication activities necessary for the successful completion of EU commitments
- Digitalisation of Treasury control processes required to work from home, moving to paperless working
- Further automation of area-related changed processes following the replacement of the Core System and integration of additional control points
- Further development of the ALCO support function, daily monitoring of interest rate risk in the banking books
- Further development of the interest rate risk methodology in the banking book in terms of forward modelling, introduction of product-dependent interest rate floor in NII calculation, ensuring compliance with new ICAAP requirements
- Introduction of daily LCR monitoring
- Formalised preparation of business/risk action plans required in a pandemic situation and support for their daily monitoring
- Regular annual validation of market and liquidity risks and updating of related regulations
- Closer monitoring of margin trading coverage, tightening of related collateral conditions
- Integration of additional automated checkpoints to ensure consistency between Treasury front and back office systems
- Effective support to the planning phase of the Kondor upgrade project
- Improvement of the Bubor quotation verification methodology
- Active support to the project supporting the launch of Magyar Bankholding Zrt on market and liquidity risk control issues

Central Oprisk Management

- The most important regulations have been reviewed, of which the following should be emphasized:
 - modification of the Reputational Risk Policy, in which the definition of the 4-grade scale used to classify reputational risks has been refined on the basis of practical experience,
 - the updating of the loss data collection policy, which, in line with previous supervisory expectations, introduced the obligation to record in a database the results of estimates of losses that cannot be precisely quantified but which, due to the nature of the event, can be estimated in order of magnitude.
- A process for identifying non-credit claims and referring cases to the Restructuring and Receivables Management Directorate has been established and implemented in the policy.
- The Bank's product catalogue has been extended to include the MKB-Euroleasing Group, together with its annual review.

Capital Management

- Continuous monitoring of capital requirements and the capital limit system
- Continuous monitoring and implementing in the reports of the compliance of capital requirement calculation with the CRR
- Monthly monitoring, development, annual validation of internal capital requirements calculation and coordination of MNB audit (SREP dialogue)
- Participation in ALCO, MIS reporting, analysis of parts of the risk report related to capital adequacy
- Review and improvement of data quality affecting capital calculation due to the Flex
- Performing collateral monitoring for the ALCO Capital Management Report
- Monitoring the key indicators of the recovery plan
- Developments (concerning capital requirement) related to the SREP dialogue
- Annual review of the capital plan, fine-tuning of the capital limit system
- Annual review of the recovery plan
- Compilation and development of Pillar3 risk report
- Preparation of the capital management section of the financial report
- Participation in the work of the Capital adequacy section of the comprehensive audit
- Compilation of the MREL Supervisory Report
- Preparing for changes in Basel IV capital requirements

In line with the practice of previous years, the Bank also made the auditor declare the independence of the audit firm and the audit in 2020 too. The auditor stated that, in accordance with Hungarian law, there is no conflict of interest with them and that they comply with the statutory requirements for independence.

In addition to the auditing of the annual unconsolidated and consolidated financial statements for 2020, the auditor performed the following audits/assignments:

Closed assignments:

- **Project Merit 2 data room** (Virtual Data Room service)
- **Non-performing loan project** (Non-performing project loan sales support)
- **Project Merit** (Technical vendor due diligence assistance)
- **Project Drava 2** (Due diligence and modelling support services for a potential acquisition)
- **Project Merit 2 Business Plan Support** (Support for the preparation and updating of a unique banking business plan; Support for the preparation of a unique business plan for a Financial Holding Company; Support for the preparation of a consolidated business plan for a Financial Holding Company)
- **Project Glass** (Advice on non-performing loans)
- **Project Collect** (Due diligence prior to potential financing)
- **Cyber Security - IT Consulting assignment** (IT security penetration testing on NetBankár, PC Bankár systems)
- **Cybersecurity Assignment** (To perform tasks related to Risk Advisory Service/Attach & Penetration Testing services for the contract concluded in August 2019)
- **Contracted testing** (Testing of banking indicators used for bonus determination)

- **CRS and FATCA Implementation Planning** (Advisory service for planning and carrying out CRS and FATCA implementation)

The following engagements are still in progress:

- **Project Merit** (Technical vendor due diligence assistance)
- **Modelling Consulting** (Review and comment on the Bank's covid-19 loan impairment modelling solutions for compliance with the relevant MNB Circular)
- **Tax Advisory Services** (ongoing general tax advisory assignment)
- **Customer Experience Project Online Personal Loan process and system regulatory compliance assessment** (Phase I: Preliminary regulatory compliance assessment; Phase II: Conducting compliance checks of systems involved in e-certification, testing of system components and other conditions involved in video identification, vulnerability assessment, Data communication layer vulnerability assessment)
- **Project Capital** (Valuation service in relation to a shareholding)
- **Security assessment of new ATMs** (Infrastructure level penetration test and configuration analysis)
- **Problem screening reviews** (Problem screening reviews for offering mortgage loans)
- **Project Merit 2** (Providing IFRS accounting advice - Gap analysis and PHT consolidated accounting policies)
- **Project Merit 2** (Providing IFRS accounting advice - PHT transaction)
- **Implementation of TaxCube software** (Automatic preparation of electronic VAT returns and management of attachments at MKB VAT group level)

Circumstances that compromise auditor independence have not been identified in either closed or on-going assignments. The management of the Bank has been informed of all the assignments listed. Independence from audit services has been continuously assured - assignments were performed by staff separate from the audit team.

1. Notes to the individual (not-consolidated) IFRS Financial Statements for 2020

On the basis of written reports received, personal discussions with members of the Board of Directors and management, as well as audits performed by the Executive Directorate for Internal Audit, the Supervisory Board determined that the 2020 individual (nonconsolidated) financial statements were prepared in accordance with the Accounting Act and related legal regulations, where, in accordance with Section 9A (2) of the Accounting Act, the IFRS requirements were applied similarly to the consolidated annual financial statements in issues regulated in IFRS (International Accounting Standards (as published in the Official Journal of the European Union based on the procedure laid down in the European Parliament and Council Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards).

Presentation of the financial position

MKB Bank's **Balance Sheet total** increased to HUF 2,792,636 million at the end of 2020, which represent a significant increase of 57.56% compared to HUF 1,772,456 million at the end of the previous year.

The **cash and cash equivalents** amounted to HUF 294,183 million at the end of 2020, with a significant increase of HUF 238,795 million compared to HUF 55,388 million at the end of the previous year. Within this growth, the balance on the account with the Central Bank was HUF 229,547 million higher and the volume of cash was HUF 9,248 million higher.

The **receivables from Credit Institutions** totalled HUF 83,558 million at the end of 2020, an increase of 33.92% or HUF 21,166 million compared to HUF 62,392 million at the end of the previous year.

The HUF 46,021 million money market deposits represent a significant share in receivables from credit institutions.

Derivative financial instruments totalled HUF 23,262 million at the end of 2020, an increase of 27.86% or HUF 5,069 million compared to HUF 18,193 million at the end of the previous year.

At the end of 2020 the **Securities** amounted to HUF 1,174,027 million, up by 95.38% or HUF 573,133 million compared to the HUF 600,894 million at the end of the previous year. A significant part of the increase, HUF 538,843 million, is related to the growth of the government bond portfolio, while the corporate bond portfolio increased by HUF 35,526 million, the investment fund portfolio by HUF 4,554 million and the foreign government bond portfolio was completely eliminated.

The government bonds portfolio continues to represent a dominant share of the securities portfolio, accounting for a volume of HUF 1,074,557 million.

At the end of 2020 **Receivables from customers** amounted to HUF 1,106,242 million, showing an increase of 19.73% or HUF 182,304 million compared to HUF 923,938 million at the end of the previous year. The increase is significantly related to the increase in corporate loans

measured at amortized cost and, to a lesser extent, to the decrease in the amount of recognised impairment.

The gross carrying amount of trade receivables was HUF 1,145,658 million at the end of 2020 and HUF 964,156 million at the end of the previous year. The impairment losses recognised on trade receivables totalled HUF 39,416 million at the end of 2020 and HUF 40,218 million at the end of the previous year.

Non-current assets classified as held for sale and discontinued operations totalled HUF 504 million at the end of 2020, a decrease of 87.63% or HUF 3,571 million year-on-year.

At the end of 2020 **other assets** amounted to HUF 15,149 million, which increased by 6.26% or HUF 893 million compared to HUF 14,256 million at the end of the previous year. The increase was mainly due to a decrease in accrued income of HUF 2,235 million and an increase in other tax receivables of HUF 3,176 million.

Other assets include a significant share of accrued income of HUF 10,865 million and other tax assets of HUF 5,391 million. Impairment losses recognised on other assets amount to HUF 1,551 million.

Investments in associates and joint ventures totalled HUF 48,373 million at the end of 2020, an increase of 3.56% or HUF 1,665 million compared to HUF 46,708 million at the end of the previous year.

Intangible assets and property, plant and equipment totalled HUF 39,213 million at the end of 2020, an increase of 2.01% or HUF 774 million compared to HUF 38,439 at the end of the previous year.

Within intangible assets and property, plant and equipment, the value of intangible assets was HUF 24,478 million, the value of owned buildings was HUF 12,609 million and of equipment was HUF 2,126 million, respectively.

Liabilities to Credit Institutions at the end of 2020 stood at HUF 574,825 million, up 193.75% or HUF 379,142 million compared to HUF 195,683 million at the end of the previous year. The increase is due to an increase in money market deposits of HUF 1,879 million, an increase in borrowings of HUF 374,698 million and repo transactions of HUF 2,732 million and a decrease in current and clearing accounts of HUF 167 million.

The HUF 566,454 million borrowings represent a significant share of liabilities to credit institutions.

The total of **current and deposit accounts** of customers at the end of 2020 was HUF 1,877,454 million, showing an increase of 51.74% or HUF 640,194 million compared to the previous year's HUF 1,237,260 million. The increase is the result of the HUF 573,976 million increase in corporate deposits and the HUF 66,218 million increase in retail deposits.

The HUF 1,476,656 million corporate deposits represent a significant proportion of customer-related current and deposit accounts.

The total of **Derivative financial liabilities** recorded on the liability side at the end of 2020 was HUF 35,406 million, an increase of 20.01% or HUF 8,857 million compared to HUF 44,263 million at the end of the previous year. The decrease is mainly due to changes in the fair value of derivatives related to interest rate and exchange rate risks.

The **Other liabilities and provisions** amounted to HUF 54,910 at the end of 2020, a decrease of 9.96% or HUF 6,073 million compared to HUF 60,983 million at the end of the previous year. The decrease is due to a decrease in accrued expenses and other liabilities of HUF 4,759 million and lease liabilities of HUF 1,840 million, and an increase in provisions for guarantees and contingent liabilities and other tax liabilities of HUF 526 million.

The HUF 30,616 million accruals and other liabilities and HUF 19,957 million other lease liabilities represent a significant value in the other liabilities and provisions.

The amount of **issued bonds** at the end of 2020 was HUF 2,343 million, up 76.03% or HUF 1,012 million compared to HUF 1,331 million at the end of the previous year.

The **subordinated debt** at the end of 2020 was HUF 44,724 million, up 13.57% or HUF 5,343 million compared to HUF 39,381 million at the end of the previous year.

The subordinated debt consists of subordinated debt securities.

MKB Bank's **Equity** increased to HUF 202,974 million by the end of 2020, a significant increase of 4.87% or HUF 9,419 million compared to HUF 193,555 million at the end of the previous year. The increase is attributable to the increase in profit after tax for 2020 of HUF 6,232 million and an increase in other comprehensive income of HUF 3,187 million.

Statement of income for the period

In 2020, MKB Bank achieved a profit after tax of HUF 6,232 million, which is significantly lower by 85.17% or HUF 35,780 million compared to the profit after tax of HUF 42,012 million generated in the previous year. MKB Bank's profitability in 2020 was severely impacted by the economic downturn caused by the COVID-19 epidemic.

The **net interest income** for 2020 amounted to HUF 25,907 million, a decrease of 31.68% or HUF 12,012 million compared to HUF 37,919 million of the previous year. The decrease in interest income is primarily due to a decrease in interest income on bonds measured at fair value through profit or loss.

Within the HUF 50,895 million interest income, interest on receivables from customer accounts for HUF 27,124 million and within the interest expense of HUF 24,988 million the interest expense related to derivatives is HUF 17,132 million.

The **Net commission and fee income** in 2020 amounted to HUF 23,731 million, a decrease of 13.30% or HUF 3,640 million compared to HUF 27,371 million in the previous year. The decrease in net fee and commission income in 2020 was mainly due to the decrease in the payment processing and account management services.

Within the HUF 30,295 million commissions and fees, commission and fee income from services related to the execution of payment transactions and account management is the biggest item with HUF 18,235 million. Commission and fee expenses totalled HUF 6,564 million in 2020, compared to HUF 8,282 million in the previous year.

The **Net other operating income** for 2020 was HUF 6,121 million, a decrease of 47.29% or HUF 5,491 million compared to the previous year's HUF 11,612 million.

Compared to the previous year, Net realised foreign exchange gains on trading securities decreased significantly from HUF 24,212 million to HUF 1,268 million (HUF 22,944 million), Net foreign exchange gains decreased from HUF 9,011 million to HUF 1,067 million (HUF 7,944 million) and Net other operating expenses increased from HUF 841 million to HUF 5,549 million (HUF 4,708 million).

In addition, the Realised result on derivative transactions increased significantly compared to the previous year, from a loss of HUF 10,757 million to a profit of HUF 16,865 million (increased by HUF 27,622 million), the Transaction levy expense decreased from HUF 11,935 million to HUF 10,265 million (increased by HUF 1,670 million) and the amount of other taxes paid decreased from HUF 3,080 million to HUF 1,737 million (decreased by HUF 1,343 million).

In 2020, an impairment loss/provision of HUF 7,456 million and a reversal of an impairment loss/provision of HUF 252 million were generated in connection with each balance sheet row, which generated a total of HUF 7,204 million in net **Impairment loss and provisioning**. The significantly higher provisioning was mainly due to the impact of the economic downturn caused by COVID-19.

Banking expenses amounted to HUF 41,602 million in 2020, an increase of 5.08% or HUF 2,012 million compared to HUF 39,590 million in the previous year. The increase in Banking expenses was mainly due to an increase in general administrative expenses.

As of 31 December 2020, including the full year result, MKB Bank's individual capital adequacy ratio stood at 23.11%, which is above the 8% statutory minimum.

2. Appropriation of the profit for 2020

Numerical use of profit after tax:

	HUF million
Profit (loss) before taxation (1)	6,953
Taxes on income (2)	721
Profit/loss after taxation (1-2)	6,232
Increase in Retained earnings	6,232

Disposable retained earnings available for dividend payment:

	HUF million
Retained earnings (1)	84,805
Provisions based on legal obligations (2)	11,448
Profit reserve available for dividend (1-2)	73.357

The Board of Directors does not propose to pay a dividend.

3. Notes to the Consolidated IFRS Financial Statements for 2020

Pursuant to Section 10 (2) of the Accounting Act, an entity subject to Section 4 of Regulation (EC) No 1606/2002 on the application of international accounting standards shall comply with its obligation to draw up consolidated accounts by preparing its consolidated accounts in accordance with international accounting standards as published in the Official Journal of the European Union in the form of a Regulation.

Based on the above-mentioned regulations, MKB Bank Plc. prepares its consolidated financial statements only in accordance with International Financial Reporting Standards (IFRS).

The following companies of the MKB Group were included in the consolidation at the end of 2020:

- Euro-Immat Üzemeltetési Kft.,
- MKB-Euroleasing Autó lízing Szolgáltató Zrt.,
- Retail Prod Zrt.,
- MKB Üzemeltetési Kft.,
- MKB Pannónia Alapkezelő Zrt.,
- MKB Digital Zrt.,
- MKB Bank ESOP Organisation

Presentation of the financial position

MKB Group's **Balance Sheet total** increased to HUF 2,781,607 million at the end of 2020, which represent a significant increase of HUF 1,759,796 million at the end of the previous year.

The **cash and cash equivalents** amounted to HUF 294,183 million at the end of 2020, with a significant increase of HUF 238,795 million compared to HUF 55,388 million at the end of the previous year. Within this growth, the balance on the account with the Central Bank was HUF 229,547 million higher and the volume of cash was HUF 9,248 million higher.

The **receivables from Credit Institutions** totalled HUF 83,558 million at the end of 2020, an increase of 33.92% or HUF 21,166 million compared to HUF 62,392 million at the end of the previous year.

The HUF 46,021 million money market deposits represent a significant share in receivables from credit institutions.

Derivative financial instruments totalled HUF 23,262 million at the end of 2020, an increase of 27.86% or HUF 5,069 million compared to HUF 18,193 million at the end of the previous year.

At the end of 2020 the **Securities** amounted to HUF 1,174,027 million, up by 95.38% or HUF 573,133 million compared to the HUF 600,894 million at the end of the previous year. A significant part of the increase, HUF 538,843 million, is related to the growth of the government bond portfolio, while the corporate bond portfolio increased by HUF 35,526 million, the investment fund portfolio by HUF 4,554 million and the foreign government bond portfolio was completely eliminated.

The government bonds portfolio continues to represent a dominant share of the securities portfolio, accounting for a volume of HUF 1,074,557 million.

At the end of 2020 **Receivables from customers** amounted to HUF 1,113,962 million, showing an increase of 19.74% or HUF 183,649 million compared to HUF 930,313 million at the end of the previous year. The increase is significantly related to the increase in corporate loans measured at amortized cost and, to a lesser extent, to the decrease in the amount of recognised impairment.

The gross carrying amount of trade receivables was HUF 1,159,921 million at the end of 2020 and HUF 976,681 million at the end of the previous year. The impairment losses recognised on trade receivables totalled HUF 45,959 million at the end of 2020 and HUF 46,368 million at the end of the previous year.

Non-current assets classified as held for sale and discontinued operations totalled HUF 1,533 million at the end of 2020, a decrease of 62.38% or HUF 2,542 million year-on-year.

Other assets amounted to HUF 17,146 million at the end of 2020, up 12.98% or HUF 1,970 million compared to HUF 15,176 million at the end of the previous year. The increase was mainly due to a decrease in accrued income of HUF 1,026 million and an increase in other tax receivables of HUF 3,007 million.

Other assets include a significant share of accrued income of HUF 12,329 million and other tax assets of HUF 5,594 million. Impairment losses recognised on other assets amount to HUF 1,551 million.

Investments in associates and joint ventures totalled HUF 7,295 million at the end of 2020, an increase of 23.41% or HUF 1,384 million compared to the figure reported at the end of the previous year.

Intangible assets and property, plant and equipment totalled HUF 58,194 million at the end of 2020, a decrease of 1.21% or HUF 713 million compared to HUF 58,907 at the end of the previous year.

Within intangible assets and property, plant and equipment, the value of intangible assets was HUF 28,679 million, the value of owned buildings was HUF 22,604 million and of equipment was HUF 6,911 million, respectively.

Liabilities to Credit Institutions at the end of 2020 were HUF 575,097 million, up 193.70% or HUF 379,287 million compared to HUF 195,810 million at the end of the previous year. The increase is due to an increase in money market deposits of HUF 1,879 million, an increase in borrowings of HUF 374,843 million and repo transactions of HUF 2,732 million and a decrease in current and clearing accounts of HUF 167 million.

The HUF 566,726 million borrowings represent a significant share of liabilities to credit institutions.

The total of **current and deposit accounts** of customers at the end of 2020 was HUF 1,862,261 million, showing an increase of 51.83% or HUF 635,732 million compared to the previous year's HUF 1,226,529 million. The increase is the result of the HUF 568,424 million increase in corporate deposits and the HUF 67,308 million increase in retail deposits.

The HUF 1,460,373 million corporate deposits represent a significant proportion of customer-related current and deposit accounts.

The total of **Derivative financial liabilities** recorded on the liability side at the end of 2020 was HUF 35,406 million, an increase of 20.01% or HUF 8,857 million compared to HUF 44,263 million at the end of the previous year. The decrease is mainly due to changes in the fair value of derivatives related to interest rate and exchange rate risks.

The **Other liabilities and provisions** amounted to HUF 54,249 at the end of 2020, a decrease of 1.76% or HUF 973 million compared to HUF 55,222 million at the end of the previous year. The decrease is due to a decrease in accrued expenses and other liabilities of HUF 4,160 million and an increase in lease liabilities of HUF 2,795 million, provisions for guarantees and contingent liabilities of HUF 312 million and other tax liabilities of HUF 80 million.

The HUF 34,473 million accruals and other liabilities and HUF 15,057 million other lease liabilities represent a significant value in the other liabilities and provisions.

The **subordinated debt** at the end of 2020 was HUF 44,724 million, up 13.57% or HUF 5,343 million compared to HUF 39,381 million at the end of the previous year.

The subordinated debt consists of subordinated debt securities.

MKB Group's **Equity** increased to HUF 209,779 million by the end of 2020, an increase of 5.7% or HUF 11,317 million compared to HUF 198,462 million at the end of the previous year. The increase is due to the HUF 8,423 million increase in Profit after tax for 2020, the HUF 3,187 million increase in Other comprehensive income and the HUF 196 million increase in Treasury shares, as well as the HUF 489 million decrease due to the final consolidation of subsidiaries.

Statement of income for the period

In 2020, MKB Group generated a **Profit after tax** of HUF 8,423 million, which is 80.92% or HUF 35,725 million lower than the profit after tax of HUF 44,148 million generated in the previous year. The Group's profitability in 2020 was severely impacted by the economic downturn caused by the COVID-19 epidemic.

The **Net interest income** for 2020 amounted to HUF 29,640 million, a decrease of 27.35% or HUF 11,157 million compared to HUF 40,797 million of the previous year. The decrease in interest income is primarily due to a decrease in interest income on bonds measured at fair value through profit or loss.

Within the HUF 54,308 million interest income, interest on receivables from customer accounts for HUF 33,136 million and within the interest expense of HUF 24,668 million the interest expense related to derivatives is HUF 17,132 million.

The **Net commission and fee income** in 2020 amounted to HUF 23,568 million, a decrease of 13.72% or HUF 3,748 million compared to HUF 27,316 million in the previous year. The decrease in net fee and commission income in 2020 was mainly due to the decrease in the payment processing and account management services.

Within the HUF 30,353 million commissions and fees, commission and fee income from services related to the execution of payment transactions and account management is the

biggest item with HUF 18,235 million. Commission and fee expenses totalled HUF 6,785 million in 2020, compared to HUF 8,440 million in the previous year.

The **Net other operating income** for 2020 was HUF 6,071 million, a decrease of 39.94% or HUF 4,037 million compared to the previous year's HUF 10,108 million.

Compared to the previous year, Net realised foreign exchange gains on trading securities decreased significantly from HUF 24,212 million to HUF 1,268 million (HUF 22,944 million), Net foreign exchange gains decreased from HUF 9,011 million to HUF 1,067 million (HUF 7,944 million) and Net other operating expenses increased from HUF 63 million to HUF 5,165 million (HUF 5,102 million).

In addition, the Realised result on derivative transactions increased significantly compared to the previous year, from a loss of HUF 10,801 million to a profit of HUF 16,826 million (increased by HUF 27,627 million), the Transaction levy expense decreased from HUF 11,935 million to HUF 10,265 million (increased by HUF 1,670 million) and the amount of other taxes paid decreased from HUF 3,479 million to HUF 1,817 million (decreased by HUF 1,662 million).

In 2020, an impairment loss/provision of HUF 8,220 million and a reversal of an impairment loss/provision of HUF 252 million were generated in connection with each balance sheet row, which generated a total of HUF 7,968 million in net **Impairment loss and provisioning**.

Banking expenses amounted to HUF 45,042 million in 2020, an increase of 4.17% or HUF 1,802 million compared to HUF 43,240 million in the previous year. The increase in Banking expenses was mainly due to an increase in general administrative expenses.

The Group's capital position is stable. At the end of 2020, the consolidated capital adequacy ratio was 20.49%, which is significantly higher than the required minimum ratio plus mandatory buffers.

The principal figures in the Individual (Non-consolidated) and Consolidated Annual Financial Statements as at 31 December 2020 presented by the Board of Directors are as follows:

HUF million

Definition	separate (unconsolidated)	consolidated	difference (consolidated- separate)
Balance sheet total	2,792,636	2,781,607	-11,029
Profit (loss) before taxation	6,953	9,218	2,265
Profit/loss after taxation	6,232	8,423	2,191

Agenda item No. 1.6

AUDITOR'S REPORT ON THE AUDIT OF THE 2020 SEPARATE (UNCONSOLIDATED) FINANCIAL STATEMENTS PREPARED UNDER IFRS



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MKB Bank Nyrt.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MKB Bank Nyrt. (the „Company”) for the year 2020 which comprise the statement of financial position as at December 31, 2020 – which shows a total assets of mn HUF 2,792,636 –, and the related statement of recognized income, statement of comprehensive income – which shows a net profit for the year of mn HUF 6,232–, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS”), and the financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (the „Accounting Act”) relevant to the entities preparing financial statements in accordance with EU IFRS.

Basis for Opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the *“The Auditor’s Responsibilities for the Audit of the Financial Statements”* section of our report.

We are independent of the Company in compliance with the relevant effective Hungarian regulations and the “Rules of conduct (ethical rules) of the auditor profession and the disciplinary process” of the Chamber of Hungarian Auditors and, in respect of matters not regulated therein, the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Related audit procedures
<i>Impairment of the loan receivables</i>	
<p>(See Section 11. of the Notes to the Financial Statements for the details)</p> <p>The net value of loans to customers in an amount of HUF 1,106,242 million comprise 39.6% of the total assets (gross book value of HUF 1,144,720 million of loans measured at amortized cost), and the relevant impairment balance at the end of the current year was HUF 39,416 million.</p> <p>The determination of impairment of loans requires application of professional judgement and use of subjective assumptions by management. The most significant assumptions applied in the provisioning calculation are the followings:</p> <ul style="list-style-type: none"> - actual model parameters - valuation of collaterals; - estimated time to realize the collaterals; - estimates of future cash-flows expected to be realized. <p>The COVID-19 pandemic has resulted in an increase in the uncertainty of assumptions underlying the economic outlook. This combined with varying government responses, has raised the complexity of assessing and monitoring customers' financial health, necessitating an elevated level of judgement required by the Bank in calculating the ECL.</p> <p>Based on the significance of the above described circumstances the calculation of impairment of loans was identified as a key audit matter.</p>	<p>The relevant audit procedures performed by us included the following:</p> <ul style="list-style-type: none"> - evaluating internal controls relating to monitoring of loans and calculating and recording of impairment; - evaluating specific loan impairments by selecting a random sample based on risk profiles, and for the individually impaired loans the review of consideration and valuation of collaterals and estimates of expected future cash-flows; - evaluating the appropriateness of collective provisioning models, and review of the assumptions, management estimates and parameters applied, including comparison with historical data, and recalculation of the impairment charge with the involvement of our experts; - reviewing subsequent events (sold receivables), and analysing of the possible effect on the year audited; - evaluating the impairment triggers related to the non-impaired portfolio. - assessing the requirement for additional allowances considering the Bank's ECL model, particularly in light of the extraordinary volatility in economic scenarios caused by the current COVID-19 pandemic and government responses.

Other Information: The Business Report and the Corporate Governance Report

Other information comprises the information included in the Corporate Governance Report and the business report of the Company for 2020, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information and for the preparation of the business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the financial statements provided in the section of our independent auditor's report entitled "Opinion" does not apply to the other information.

Our responsibility in connection with our audit of the financial statements is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, in accordance with the Accounting Act, our responsibilities regarding the business report also include reviewing the business report to assess whether the business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any, including the assessment whether the business report complies with the requirements of Section 95/B. (2) e) and f) of the Accounting Act, and to express an opinion on the above and on whether the business report is consistent with the financial statements. Furthermore, in accordance with the Accounting Act we shall make a statement whether the information referred to in Section 95/B. (2) a)-d), g) and h) has been provided in the business report.

In our opinion, the business report of the Company for 2020 corresponds to the financial statements of the Company for 2020 and the relevant provisions of the Accounting Act in all material respects. The information referred to in Section 95/B. (2) a)-d), g) and h) of the Accounting Act has been provided.

As the Company is not subject to additional requirements under any other regulation in connection with the business report, we have not formulated an opinion on this matter.

In addition to the above, based on the information obtained about the Company and its environment, we must report on whether we became aware of any material misstatements in the other information and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

The Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives during the audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue, on the basis of the above, an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance,

but is not a guarantee that an audit conducted in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the Company's internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 17 April 2020 and our uninterrupted engagement has lasted for 9 years.

Consistence with the Additional Report to the Audit Committee

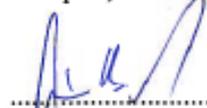
We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 30 March 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

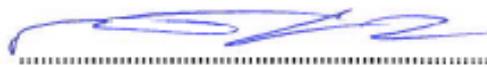
We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the business report.

The engagement partners on the audit resulting in this independent auditor's report are the signatories of the report.

Budapest, 30 March 2021



.....
József Bálint
Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
Registration number: 000083



.....
Mádi-Szabó Zoltán
Statutory registered auditor
Registration number: 003247

Agenda item No. 1.7

AUDITOR'S REPORT ON THE AUDIT OF THE 2020 CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER IFRS



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Company Registration Number: 01-09-071057

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MKB Bank Nyrt.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of MKB Bank Nyrt. and its subsidiaries (the „Group”) for the year 2020 which comprise the consolidated statement of financial position as at December 31, 2020 – which shows a total assets of mn HUF 2,781,607 –, and the related consolidated statement of recognized income, consolidated statement of comprehensive income – which shows a net profit for the year of mn HUF 8,423 –, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS”), and the consolidated financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (the „Accounting Act”) relevant to the entities preparing consolidated financial statements in accordance with EU IFRS.

Basis for Opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the *“The Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements”* section of our report.

We are independent of the Group in compliance with the relevant effective Hungarian regulations and the “Rules of conduct (ethical rules) of the auditor profession and the disciplinary process” of the Chamber of Hungarian Auditors and, in respect of matters not regulated therein, the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the

context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Related audit procedures
<i>Impairment of the loan receivables</i>	
<p>(See Sections 11. of the Notes to the Financial Statements for the details)</p> <p>The net value of loans to customers in an amount of HUF 1,113,962 million comprise 40.5% of the total assets (gross book value of HUF 1,158,983 million of loans measured at amortized cost), and the relevant impairment balance at the end of the current year was HUF 45,959 million.</p> <p>The determination of impairment of loans requires application of professional judgement and use of subjective assumptions by management. The most significant assumptions applied in the provisioning calculation are the followings:</p> <ul style="list-style-type: none"> - actual model parameters - valuation of collaterals; - estimated time to realize the collaterals; - estimates of future cash-flows expected to be realized. <p>The COVID-19 pandemic has resulted in an increase in the uncertainty of assumptions underlying the economic outlook. This combined with varying government responses, has raised the complexity of assessing and monitoring customers' financial health, necessitating an elevated level of judgement required by the Bank in calculating the ECL.</p> <p>Based on the significance of the above described circumstances the calculation of impairment of loans was identified as a key audit matter.</p>	<p>The relevant audit procedures performed by us included the following:</p> <ul style="list-style-type: none"> - evaluating internal controls relating to monitoring of loans and calculating and recording of impairment; - evaluating specific loan impairments by selecting a random sample based on risk profiles, and for the individually impaired loans the review of consideration and valuation of collaterals and estimates of expected future cash-flows; - evaluating the appropriateness of collective provisioning models, and review of the assumptions, management estimates and parameters applied, including comparison with historical data, and recalculation of the impairment charge with the involvement of our experts; - reviewing subsequent events (sold receivables), and analyzing of the possible effect on the year audited; - evaluating the impairment triggers related to the non-impaired portfolio. - assessing the requirement for additional allowances considering the Bank's ECL model, particularly in light of the extraordinary volatility in economic scenarios caused by the current COVID-19 pandemic and government responses.

Other Information: The Consolidated Business Report and the Corporate Governance Report

Other information comprises the information included in the Corporate Governance Report and the consolidated business report of the Group for 2020, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information and for the preparation of the consolidated business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the consolidated financial statements provided in the section of our independent auditor's report entitled "*Opinion*" does not apply to the other information.

Our responsibility in connection with our audit of the consolidated financial statements is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, in accordance with the Accounting Act, our responsibilities regarding the consolidated business report also include reviewing the consolidated business report to assess whether the consolidated business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any, including the assessment whether the consolidated business report complies with the requirements of Section 95/B. (2) e) and f) of the Accounting Act, and to express an opinion on the above and on whether the consolidated business report is consistent with the consolidated financial statements. Furthermore, in accordance with the Accounting Act we shall make a statement whether the information referred to in Section 95/B. (2) a)-d), g) and h) has been provided in the consolidated business report.

In our opinion, the consolidated business report of the Group for 2020 corresponds to the consolidated financial statements of the Group for 2020 and the relevant provisions of the Accounting Act in all material respects. The information referred to in Section 95/B. (2) a)-d), g) and h) of the Accounting Act has been provided.

As the Group is not subject to additional requirements under any other regulation in connection with the consolidated business report, we have not formulated an opinion on this matter.

In addition to the above, based on the information obtained about the Group and its environment, we must report on whether we became aware of any material misstatements in the other information and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

The auditor's responsibilities for the audit of the consolidated financial statements

Our objectives during the audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue, on the basis of the above, an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the Group's internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditors of the MKB Bank Nyrt. by the General Meeting of Shareholders on 17 April 2020 and our uninterrupted engagement has lasted for 9 years.

Consistence with the Additional Report to the Audit Committee

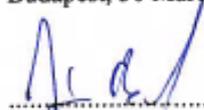
We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the MKB Bank Nyrt., which we issued on 30 March 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Group. In addition, there are no other non-audit services which were provided by us to the MKB Bank Nyrt. and its controlled undertakings and which have not been disclosed in the consolidated business report.

The engagement partners on the audit resulting in this independent auditor's report are the signatories of the report.

Budapest, 30 March 2021



.....
József Bálint
Deloitte Auditing and Consulting Ltd.
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Registration number: 000083



.....
Mádi-Szabó Zoltán
Statutory registered auditor
Registration number: 003247

Agenda item No. 1.8

DECISIONS ON PERFORMANCE RELATED REMUNERATION FOR THE CURRENT YEAR OF 2020

Reasoning:

CORPORATE ASSESSMENT TARGET INDEX EVALUATION

The Corporate Assessment Index is an economic indicator used to measure the Bank's economic performance or risk management based on a scoring system.

The performance-related performance assessment is based on the target value (expressed in points) of the Corporate Assessment Index for the Current Year. Performance Remuneration is not payable if the index does not reach the target level.

The target value of the Corporate Assessment Index for the Current Year is based on the current annual Business Plan approved by MKB Bank's Board of Directors. The target value of the Corporate Assessment Index for the Current Year is decided by the CEO of MKB Bank Plc.

Based on a proposal from the Working Group the CEO of MKB Bank Plc. may adjust the target value of the Group Corporate Assessment Index for the Current Year following any regulatory change and/or change in any market condition that has a significant impact on the consolidated profit of the MKB Bank Group and the achievement of the target or the underlying Business Plan.

The CEO of MKB Bank Plc. decides on the realization of the target of the Corporate Assessment Index for the Current Year. The decision is confirmed by the Board of Directors of MKB Bank at a meeting prior to the Annual General Meeting of the following year and by the Annual General Meeting of the following year.

The performance-related performance assessment is based on the target value (expressed in points) of the Corporate Assessment Index for the Current Year. The target value for the Corporate Valuation Index is 100 points.

The remuneration policy defines the process and objectives of the calculation of the Corporate Assessment Index.

During the reporting year, the Controlling Directorate continuously monitors the development of the Bank Group Corporate Assessment Index, and when if it discovers that the current value of the Corporate Assessment Index differs significantly from the target value, it may initiate an ex ante risk assessment by notifying the working group.

The payment of Performance Remuneration depends on the following three factors:

- Completion of the gross profit plan
- Completion of the operating cost plan
- Completion of the risk cost plan

Pre-defined scores are determined based on the percentage of completion of each category.

Gross profit (actual/budget)	Score	Operating expenses (actual/budget)	Score	Risk cost (actual/budget)	Score
0-79%	0	100%		100%	30

80-84%	5	101-110%		101-110%	25
85-89%	15	111-120%		111-120%	20
90-94%	25	121-130%		121-130%	15
95-99%	30	131-140%		131-140%	5
100%	35	141%-		141%-	0

In the case of over-performance of each plan, 10 points are added to the overall score for each 10% plan over-performance for gross profit, and 5-5 points are added to the overall score for each 10% plan over-performance for operating cost and risk cost.

The Controlling Directorate continuously monitors the development of the Bank Group-level Corporate Assessment Index during the Current year, and if it discovers that the current value of the Corporate Assessment Index deviates significantly from the target value, the CEO of MKB Bank Zrt may adjust the target value of the Business Assessment Index for a given Reference Year based on a change in legislation and/or market conditions after its determination, which has a material impact on the consolidated results of MKB Bank Group or the achievement of the target value or the underlying Business Plan.

This year, the COVID pandemic is a high impact event that required a review of the short and medium term prospects of the Bank Group, its operating conditions and the expected impact on the business results.

As a consequence, the Board of Directors of MKB adopted a new business plan on 25 May 2020.

On the basis of the above, Controlling has calculated some components of the Corporate Assessment Index for the period 2020:

MKB Group (HUF million)	2020 Target value	2020 Actual	%	Score
Completion of the gross profit plan	64,867	67,352	103.83%	35
Completion of the operating cost plan	-41,153	-43,332	105.30%	30
Completion of the risk cost plan	-7,998	-5,510	68.89%	45
Total:	15,716	18,509		110

Based on the achievement of the three components, the Index is **110**.

Based on the above, **the Chairman and CEO noted that the corporate assessment target index for the 2020 business year has been achieved** in the plan numbers that serve as the basis for the payment of the 2020 performance remunerations. The decision of the Chairman and CEO was confirmed by the Remuneration Committee, the Board of Directors and the Supervisory Board.

Proposal to the General Meeting

It is proposed to the General Meeting to confirm the relevant decision of the Chairman and CEO stating that the corporate assessment target index has been achieved for the 2020 business year.

EX POST RISK ASSESSMENT

The deferred instalments in performance remuneration for identified persons falling within the scope of the Remuneration Policy under the Credit Institutions Act may be made paid out in each due year of the payment cycle, following a subsequent risk assessment.

Based on the values of the criteria of prudential operation, in the framework of ex-post risk assessment, MKB Bank's chairman and CEO decides at Group level on the payment of the deferred instalment due according to the payment cycle and assesses the risks that may arise at the level of the Bank Group, subsidiaries and organisational units during the reporting year, and, in relation to the identified person, the Working Group shall assess the Individual risks associated with the identified person's activities during the year, based on the following criteria:

- fulfilment of the obligations arising from the legal relationship,
- compliance with applicable laws, internal regulations, management regulations, applicable professional standards, and
- meeting the employers' expectations for the identified person's managerial behaviour.

Unless an assessment of the individual risks associated with the identified person's performance indicates that the deferred instalment of the identified person's performance remuneration due according to the payment cycle needs to be reduced (or, ultimately, completely removed), the Working Group will not propose ex post risk assessment.

From the end of the performance evaluation process, consideration should be given throughout the remainder of the deferral period to the effects that may be attributable to the identified persons' activities in the current year and, where appropriate, the amount of the granted performance remuneration payable with or without deferred payment shall be reduced within the framework of ex post risk assessment.

The deferred instalments may be made paid out in each due year of the payment cycle, following a subsequent risk assessment.

The 2017, 2018 and 2019 working group evaluation did not reveal **any circumstance or risk** based on an assessment of the individual risks associated with the activities of identified persons that would result in a reduction in the deferred instalment of the identified individuals' performance remuneration due in the payment cycle therefore the working group has proposed that the deferred and withheld amounts due in accordance with the payment cycle should be paid as planned to the identified employees concerned, **which has been approved by the chairman and CEO**. The decision of the Chairman and CEO was confirmed by the Remuneration Committee, the Board of Directors and the Supervisory Board.

Proposal to the General Meeting

It is proposed to the General Meeting to confirm the relevant decision of the chairman and CEO, stating that, based on the ex-post risk assessment, there was no individual risk for the activities of identified persons for the 2017, 2018 and 2019 business years.

APPROVAL OF SHARE-BASED PERFORMANCE REMUNERATION COMPONENTS FOR THE IDENTIFIED PERSONS OF MKB BANK PLC. FOR THE YEAR 2019

Pursuant to the Articles of Association of MKB Bank Plc, which entered into force with the admission of MKB Bank Plc. to the stock exchange, the General Meeting is competent to approve the elements of share-based remuneration schemes.

The Company provides the share-based remuneration component representing 50% of the performance remuneration of individuals falling within the scope of the remuneration policy under the Hpt. in the form of a share price linked instrument (purchase right) by entering into an agreement on call option with the MKB Bank ESOP Organisation for financial settlement. There is no additional cost for the Company in applying the share-based remuneration scheme. Proposal to the General Meeting

Proposal to the General Meeting

It is proposed to the General Meeting to approve the share-based remuneration components of MKB Bank Plc's remuneration scheme in the form of a share price-linked instrument (i.e., not an actual share allocation).

DECISIONS RELATING TO REMUNERATION OF THE CHAIRMAN AND CEO AND THE DEPUTY CEOS

The remuneration of the chairman and CEO and deputy CEOs falls within the exclusive competence of the General Meeting. While exercising this power, the General Meeting determines that the chairman and CEO and the deputy CEOs are entitled to performance remunerations for the 2020 business year. The Remuneration Committee prepares the General Meeting's decision on their performance remuneration.

The Remuneration Committee examined the 2020 targets set for Deputy CEOs dr. András Bakonyi, Ildikó Ginzer and János Nyemcsok and concluded that they were met and recommends that the General Meeting establish the eligibility of those named for performance remuneration. The decision of the Remuneration Committee was confirmed by the Board of Directors and the Supervisory Board. Personally affected board members were not involved in the decision.

In the performance evaluation process, the objectives are formed like a 'water cascade'. The total banking targets are broken down into each area's own targets, and then the employees' targets are determined based on them. Each set target must contribute to the achievement of the given higher-level target in order for the overall banking targets to be met.

Overall banking targets for 2020:

CIR ratio:	consolidated GAE/consolidated GOI:	63.44%
Core Income (net):	Net interest + net commission + FX - total operating expenses - credit risk expense:	HUF 23,497 billion
NPE%:	Non-performing exposure / total assets (on + off balance, default):	2.46%

Corporate values objectives

- Cooperation
- Commitment
- Flexibility
- Respect
- Responsibility

In addition to the above, an annual personal target has been set for the chairman and CEO and deputy CEOs.

Proposal to the General Meeting

It is proposed to the General Meeting to decide, on the basis of the assessment by the Remuneration Committee, that deputy CEOs András Bakonyi, Ildikó Ginzer and János Nyemcsok are entitled to performance remunerations for the year 2020.

It is further proposed that the General Meeting request the Remuneration Committee, with respect to persons subject to the Remuneration Policy under the Credit Institutions Act, to decide, based on the provisions of MKB Bank Plc's Remuneration Policy under the Hpt., on the amount of the performance remuneration to be paid to deputy CEOs András Bakonyi, Ildikó Ginzer and János Nyemcsok for the year 2020.

The General Meeting should also declare that, based on the ex-post risk assessment, there was no individual risk relating to the activities of the chairman and CEO and the deputy CEOs for the 2017, 2018 and 2019 years, therefore, the deferred and withheld instalments of the performance remuneration due in accordance with the payment cycle may be paid out to them in accordance with the provisions of MKB Bank Plc's Remuneration Policy under the Hpt.

The General Meeting should call on the Remuneration Committee to set targets for the year 2021 for the chairman and CEO and deputy CEOs, along with the company's 2021 business policy and overall banking objectives.

Proposed general meeting resolutions:

1.

The Board of Directors of the Company, acting within the competence of the General Meeting, approves the Board of Directors' report on the 2020 business activities and, accepts - being aware of the reports of the Supervisory Board and the Auditor - the separate (non-consolidated) and consolidated financial statements for 2020 prepared in accordance with the International Financial Reporting Standards as adopted by the EU as well as the proposal concerning the use of profit and the payment of dividends.

The Board of Directors of the Company, acting within the competence of the General Meeting establishes the separate (non-consolidated) balance sheet of MKB Bank Plc. according to International Accounting Standards 2020 with the following main figures

BALANCE SHEET TOTAL: HUF 2,792,636 million
PROFIT (LOSS) BEFORE TAXATION: HUF 6,953 million

The Board of Directors of the Company, acting within the competence of the General Meeting establishes the consolidated balance sheet of MKB Group according to International Accounting Standards 2020 with the following main figures:

BALANCE SHEET TOTAL: HUF 2,781,607 million
PROFIT (LOSS) BEFORE TAXATION: HUF 9,218 million

The Board of Directors of the Company, acting within the competence of the General Meeting, decides that the distributable profit from the after-tax profit shall remain in the retained earnings.

2.

The Board of Directors of the Company, acting within the competence of the General Meeting confirms the relevant decision of the chairman and CEO, stating that the corporate assessment target index has been achieved for the 2020 business year.

The Board of Directors of the Company, acting within the competence of the General Meeting also confirms the relevant decision of the chairman and CEO, stating that, according to the ex-post risk assessment, there was no individual risk related to the activities of the persons covered by the scope of the remuneration policy under the Credit Institutions Act for the business years 2017, 2018 and 2019.

The Board of Directors of the Company, acting within the competence of the General Meeting approves the share-based remuneration component of MKB Bank Plc's remuneration scheme in the form of a share price linked asset (i.e., not an actual share bonus) as proposed.

The Board of Directors of the Company, acting within the competence of the General Meeting confirms and approves that, in connection with the approval of the financial statements for the year 2020, deputy CEOs András Bakonyi, Ildikó Ginzer and János Nyemcsok are entitled to performance remunerations for the 2020 business year.

The Board of Directors of the Company, acting within the competence of the General Meeting requests the Remuneration Committee of MKB Bank Plc, with respect to persons subject to the Remuneration Policy under the Credit Institutions Act, to decide, based on the provisions of MKB Bank Plc's Remuneration Policy under the Hpt., on the amount of the performance remuneration to be paid to deputy CEOs András Bakonyi, Ildikó Ginzer and János Nyemcsok for the year 2020. The Board of Directors of the Company, acting within the competence of the General Meeting declares that, based on the ex-post risk assessment, there was no individual risk relating to the activities of the chairman and CEO and the deputy CEOs for the 2017, 2018 and 2019 years, therefore, the deferred and withheld instalments of the performance remuneration due in accordance with the payment cycle may be paid out to them in accordance with the provisions of MKB Bank Plc's Remuneration Policy under the Hpt.

The Board of Directors of the Company, acting within the competence of the General Meeting calls on the Remuneration Committee to set targets for the year 2021 for the chairman and CEO and deputy CEOs, along with the company's 2021 overall banking objectives.

Agenda item No. 2

ADOPTION OF THE 2020 CORPORATE GOVERNANCE REPORT

Reasoning:

Pursuant to the provisions of the Civil Code (Section 3:289): the management board of a public limited company shall present to the annual general meeting the company governance and management report prepared according to the rules applicable to the actors of the given stock exchange. The General Meeting shall decide on the adoption of the report. The resolution of the general meeting and the report itself shall be published.

Considering that MKB Bank Plc's shares were admitted in the Budapest Stock Exchange (BSE) standard category on 30 June 2019, in accordance with market practice and the BSE Corporate Governance Recommendations (Recommendations), MKB prepared the Corporate Governance Report (Report) for the second time after March 2020 which is included in Annex 3.

The Report is based on the Responsible Corporate Governance Recommendations as amended by BSE with effect from 1 January 2021. The amendment has repealed the recommendations in Section 1.5 and 1.6.7 on remuneration and amended accordingly Sections 1.6.2, 1.6.9 and 2.2.2 and Annex 1, given that, as of July 2019, the rules on remuneration will be regulated by Act LXVII of 2019 on Encouraging Long-Term Shareholder Engagement and amendments of further regulations for harmonization purposes.

MKB attaches great importance to the development and operation of a corporate governance system that complies with best market practice and ensures efficient and effective operation, and responsible corporate governance. MKB's governance structure takes into account regulatory, supervisory and stock exchange requirements as well as business specifics. MKB intends to comply as much as possible with the Corporate Governance Recommendations of the BSE.

The BSE Corporate Governance Recommendations aim to formulate guidelines to help publicly traded companies (issuers) comply with internationally recognized rules and standards for corporate governance. The Recommendations also aim to make the corporate governance system transparent by disclosing information on the governance and operation of issuers.

There are two ways for issuers to report on their corporate governance practices in their corporate governance report to the Annual General Meeting. They must, on the one hand, declare their corporate governance practices applied during the business year and, on the other hand, clearly demonstrate their compliance with each of the points of the Recommendations.

Following the above structure, the Corporate Governance Report of MKB consists of the following two parts:

1. Declaration of the Corporate Governance practice
2. Introduction of compliance with the Corporate Governance Recommendations

The Recommendations contain partly recommendations binding for all issuers and partly non-binding recommendations. Issuers may differ from mandatory recommendations and non-binding recommendations. In case of deviation from the recommendations, issuers are

obliged to disclose the deviation in the corporate governance report and justify it ("comply or explain"). This allows issuers to take into account industry-specific or company-specific needs. Accordingly, an issuer deviating from the recommendation may, where appropriate, meet the requirements of corporate governance. In the case of proposals, issuers must indicate whether or not they are applying the directive and have the opportunity to justify deviations from the proposals.

If the practice followed by the issuer is the same as in the Recommendations, it should be marked YES in the report. If the issuer does not apply the recommendation or uses it in a different way, they must explain the actual deviation and explain why the deviation was made ("comply or explain" principle). This method allows the issuer to inform shareholders and market participants, in view of the unique and sectoral features prevailing for them, of the specificities of in what and why they depart from the general principles of corporate governance. Based on the same principle, it is also possible to justify deviations in the case of proposals.

The principle and purpose of the Corporate Governance Report is to report on the company's previous business year and to what extent the issuer has complied with the Recommendations. However, the Recommendations may include recommendations and suggestions that relate to an event or event that did not occur at the issuer during that period. According to the practice to date, such "event type" questions can be answered YES even if no event occurred during the business year (for example, no dividend was paid or no shareholder comments were received prior to the general meeting), but the company would have acted upon the occurrence of the event as stated in the Recommendation in accordance with its Articles of Association or practice. In such cases, the principle of transparent operation is most appropriate.

The Recommendations contain 72 points, including 60 recommendations and 12 proposals. Based on the attached draft report, MKB is 92% compliant with the Recommendations. The BSE annually measures and publishes the compliance of listed companies with the Recommendations on an aggregate basis, which was 74% in 2019.

In the draft report referred to in the proposal MKB currently does not at all or only partially complies with the relevant recommendations in 5 cases out of the 60 recommendations and has a negative response to 1 out of 12 proposals.

The "No" answers are detailed below.

Proposal 1.1.3: The company's Articles of Association allow the shareholder to exercise their voting rights even in their absence.

Question to be answered: Does the company's Articles of Association allow the shareholder to exercise their voting rights even in their absence?

Response: No

Reasoning: If such a demand arises from the shareholders, the company will examine the feasibility.

Recommendation 1.1.4: Where the Articles of Association permit shareholders to exercise their rights in their absence, the company shall disclose the ways and conditions of such exercise, including any necessary documentation.

Question to be answered: If the Articles of Association of the company allow shareholders to exercise their rights in their absence, has the company published on its website the modalities and conditions, including the necessary documents?

Response: No

Reasoning: See the justification given in section 1.1.3

Recommendation 1.2.6: The company does not restrict the possibility for a shareholder to have a separate representative per securities account for any shares held on these securities accounts for any general meeting when a shareholder has more than one securities account. Where a shareholder is represented by more than one representative and they vote or make statements differently from each other, the votes or declarations made by each of them shall be null and void.

Question to be answered: The company has not restricted a shareholder from appointing a separate representative per securities account for any general meeting.

Response: No

Reasoning: If such a demand arises from the shareholders, the company will examine the feasibility.

Recommendation 1.3.8.2: In the case of executive officers or members of the supervisory board nominated with shareholder support, the company should also be informed of the identity of the supporting shareholder(s) when presenting the candidate.

Question to be answered: In the case of executive officers and supervisory board members nominated for shareholder support, the company has provided information on the identity of the supporting shareholder(s).

Response: No

Reasoning: The nomination is in accordance with Hpt.

Recommendation 1.6.10: Preserving the confidentiality of business and other confidential information protected by legal and regulatory provisions regarding confidentiality, the company discloses any relationship between a member of the Board of Directors, Supervisory Board and management and third parties that may affect the operation of the company.

Question to be answered: The Company published the relationship of Board of Directors / Governing Board, Supervisory Board and management members may have with third parties which could affect the operation of the Company.

Response: No

Reasoning: The Company manages conflicts of interest in accordance with applicable laws and recommendations of the MNB, EBA, ESMA.

Recommendation: 2.4.2.1: 'It shall be the responsibility of the Chair of the Board of Directors or the Supervisory Board to make the agenda and proposals available to members at least five working days before the meeting, in order to allow for accurate and effective decision-making.'

Question to be answered: Have board members accessed the proposals of the given meeting at least five working days in advance?

Response: No

Reasoning: The company partially complies. The general practice is in line with the recommendation, but it is possible, however, to grant a shorter deadline with the approval of the chair of the board, where justified.

* * *

Proposed general meeting resolution:

The Board of Directors of the Company, acting within the competence of the General Meeting approves the Corporate Governance Report for 2020.

Agenda item No. 3

HOLD-HARMLESS WARRANT FOR THE MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

Reasoning:

At the 2020 Annual General Meeting, the General Meeting granted to all members of the Board of Directors and the Supervisory Board having a membership status between 1 January and 31 December 2019 the Civil Code the hold-harmless warrant specified in Section 3:117(1) of the Civil Code for that period. Furthermore, in view of the termination of his membership, the General Meeting, by its resolution 25/2020 (14 December), granted Dr. Ádám Balog a hold-harmless warrant for the period from 1 January 2020 to 14 December 2020.

In the present proposal, we propose that the General Meeting also grants the hold-harmless warrant to all members of the Board of Directors and the Supervisory Board who are members in 2020 for the period from 1 January 2020 to 31 December 2020:

Board of Directors		
	Start of membership	Termination of membership
dr. Ádám Balog	23.07.2020	31.12.2020
Balázs Benczédi	12.06.2020	11.06.2025
dr. András Csapó	23.07.2020	22.07.2025
dr. Gabriella Gombai	11.06.2020	10.06.2025
Márk Hetényi	16.04.2019	26.03.2020
Imre Kardos	25.07.2016	24.07.2021
Balázs Nyitrai	27.06.2018	22.05.2020
Marcell Tamás Takács	30.07.2020	29.07.2025
Mihály Valkó	22.05.2020	21.05.2025

Supervisory Board		
	Start of membership	Termination of membership
dr. Ágnes Hornung	28.02.2019	27.02.2024
Rita Feodor	19.09.2018	18.09.2023
dr. Albert Godena	25.07.2016	24.07.2021
dr. László Ipacs	25.02.2019	24.02.2024
Ferenc Müller*	15.04.2016	31.03.2021
János Nyemcsok	15.04.2016	31.03.2021
András Törtel Oszlányi	25.02.2019	24.02.2024

* the Extraordinary General Meeting on 30 March 2021 will decide on their re-election

Pursuant to Section 3:117 (1) of the Civil Code⁷ the highest organ of the company (i.e. the General Meeting) can establish the adequacy of the management activities of the members

⁷ **Section 3:117** [Liability of executive officers to the business association for damages]

(1) If the company's supreme body provides a hold-harmless warrant to an executive officer at the time of approval of the financial report, thus acknowledging the executive officer's management activities during the

of the Board of Directors and the control activities of the members of the Supervisory Board during the effective term of their legal relationship by granting them the hold-harmless warrant.

If the company's supreme body provides a hold-harmless warrant, the company may only bring action against the executive officers on the grounds of breaching management (control) obligations in a claim for damages if the facts and information underlying the holdharmless warrant proved to be false or incomplete.

Granting the hold-harmless warrant falls within the exclusive competence of the General Meeting.

Proposed general meeting resolution:

The Board of Directors of the Company, acting within the competence of the General Meeting, determines the adequacy of the management activities of the following members of the Board of Directors and the Supervisory Board in the following period, therefore grants them hold-harmless warrant pursuant to Section 3:117 of Act V of 2013:

Members of the Board of Directors:

dr. Ádám Balog: 14 December 2020 - 31 December 2020
Balázs Benczédi: 12 June 2020 - 31 December 2020
dr. András Csapó: 1 January 2020 - 31 December 2020
dr. Gabriella Gombai: 11 June 2020 - 31 December 2020
Márk Hetényi: 1 January 2020 - 26 March 2020
Imre Kardos: 1 January 2020 - 31 December 2020
Balázs Nyitrai: 1 January 2020 - 22 May 2020
Mihály Valkó: 22 May 2020 - 31 December 2020
Marcell Tamás Takács: 30 July 2020 - 31 December 2020

Members of the Supervisory Board:

Ágnes Hornung: 1 January 2020 - 31 December 2020
Rita Feodor: 1 January 2020 - 31 December 2020
dr. Albert Godena: 1 January 2020 - 31 December 2020
dr. László Ipacs: 1 January 2020 - 31 December 2020
Ferenc Müller: 1 January 2020 - 31 December 2020
János Nyemcsok: 1 January 2020 - 31 December 2020
András Törtel Oszlányi: 1 January 2020 - 31 December 2020

previous business year, the company may bring action against the executive officer on the grounds of breaching management obligations in a claim for damages if the facts and information underlying the holdharmless warrant proved to be false or incomplete.

(2) If an executive officer is removed from office in between two meetings debating the financial report, the executive officer may request the supreme body's decision for the issue of a hold-harmless warrant in the next session.

Agenda item No. 4

REPORT OF THE BOARD OF DIRECTORS ON THE BUSINESS POLICY OF COMPANY FOR 2021

Report of the Board of Directors on the business policy of Company for 2021

The goal is for the MKB Group, now as part of Magyar Bankholding, to operate as a leading domestic financial group with a well- established, stable and sustainable business model, a well-prosperous and efficient operating model based on the highest possible application of digitisation.

For the Group, the year 2021 will be the first full year of operation as part of the Magyar Bankholding, during which the Group's primary task will be to implement the objectives set by the Holding as owner. In addition to capitalising on the portfolio growth achieved in 2020, maintaining tight cost control, risk-conscious credit portfolio increase and implementing further digital improvements will remain key priorities. In addition, managing the impact of the moratorium (expected to end in June 2020) will be an important task.

In line with its announced strategy, MKB aims to play a key role in the domestic financial services market in the future, in line with its professional experience, product range, quality of service, focused business model and digital capabilities, as:

- in the retail segment, the objective is to expand the customer base and strengthen the role of the affluent and premium segments by building on the Bank's corporate relations and strategic partnerships, as well as to increase the contribution of the business to overall banking results and to strengthen the commission focus
- building on the traditional values of MKB, our strategic goal is to develop our strong corporate business line, focusing on local knowledge, responsible professional service, advice-based sales and search for innovative solutions.
- the MKB Finance Group offers wide range of investment banking services, such as Private Banking, Fund Manager, Consulting, Capital Market and Transaction Advice, Fintechlab, Venture Capital Fund Management, MFB Points, Danube Capital and Treasury, in order to exploit more intensively the cooperation opportunities within the group.
- MKB Financial Group is an open to collaboration, universal and complex group that serves its customers with a uniquely wide range of services, including its own banking products and services as well as the range of services provided by its subsidiaries and partners. The aim is to further strengthen the market position of our strategic subsidiaries, to enhance intra-group cooperation and improve the ancillary financial services.

* * *

Proposed general meeting resolution:

The Board of Directors of the Company, acting within the competence of the General Meeting approves the report of the Board of Directors on the business policy of Company for 2021

Agenda item No. 5

**ELECTION OF THE AUDITOR AND ESTABLISHMENT OF THE AUDITOR'S
REMUNERATION FOR THE 2021 AUDIT, APPROVAL OF THE PERSONS LIABLE
FOR THE AUDIT AND DETERMINING THE CONDITIONS OF THE CONTRACT TO
BE CONCLUDED WITH THE AUDITOR**

Reasoning:

5.1. ELECTION OF THE AUDITOR AND ESTABLISHING ITS REMUNERATION FOR 2021

Pursuant to Section 155 (6) and (7) of the Accounting Act:

'(6) Where the auditing is statutory, the supreme body of the company must - at the time of approval of the annual report or simplified annual report of the previous financial year or, in respect of companies established without legal predecessor, prior to the balance sheet date of the financial year - appoint a registered auditor or audit firm in accordance with Section (7) to review the company's annual report or simplified annual report on the financial year from the point of view of legitimacy and authenticity

(7) A member of the Hungarian Chamber of Auditors or an audit firm registered with the Hungarian Chamber of Auditors may be selected for the audit referred to in Section (6).'

Hpt., in addition to the above, it also imposes additional requirements on the credit institution auditor (financial institution rating, multiple conflict of interest requirements, etc.).

Based on the above legal requirements and preliminary discussions with the current auditor of the Bank, we recommend that Deloitte Könyvvizsgáló és Tanácsadó Kft. be elected as the permanent auditor by 2021.

As of the financial year 2012, Deloitte has been performed the work of the selected auditor of the MKB Group in accordance with the Hungarian National Standards on Auditing. In the past, there has always been efficient and effective professional cooperation with the auditor, and mutually constructive and partner working relationships have been established through joint work, which does not justify a change of auditor. In addition, a possible switch would mean an additional resource burden for the Bank's organisation, which should be avoided at the present time in view of strategic projects.

The audit fee shall include the examination of the following:

- auditing the separate (non-consolidated) and consolidated financial statements for the year 2021, prepared in accordance with IFRS rules,
- audit of CRR report based on Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises ('Hpt.') and Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms ('CRR'),
- examination of the information and data to be disclosed in accordance with the recommendations of the National Bank of Hungary ('MNB') and the issuance of a so-called 'Special Compliance Report' (Compliance report) for the Authority (MNB) to provide limited assurance

Deloitte's annual audit fee for the business year 2021 (including the preparation and of the auditor's additional report to be submitted to the National Bank of Hungary as described above, and the review of the data and information to be disclosed as required under the Hpt., CRR, and MNB and publishing a report of limited assurance on it) is maximized at HUF 120 million + VAT.

In addition to the regular audit work for 2021, the Company intends to enter into a framework agreement for ad hoc tasks up to a maximum annual amount of HUF 55 million+VAT, which is optional:

- preparation of quarterly due diligence report(s) (to be submitted to the MNB for approval of capital adjustment), and
- auditing the MKB Group's interim (semi-annual) consolidated financial statements.

Deloitte also provides audit services major subsidiaries of the Bank involved in consolidation, according to their offer, the amount they are expected to receive will not exceed HUF 31 million+VAT.

5.2 APPROVAL OF THE APPOINTMENT OF THE PERSON RESPONSIBLE FOR AUDITING

The audit firm has nominated Zoltán Mádi-Szabó registered auditor (membership certificate number of the Chamber of Hungarian Auditors: 007623, registration number: 003247) as the natural persons performing and responsible for the auditing of MKB Bank Plc. in 2021.

We recommend the approval of the person responsible for auditing to the General Meeting based on the nomination of the audit firm.

5.3 APPROVAL OF THE TERMS AND CONDITIONS OF THE CONTRACT TO BE CONCLUDED WITH THE AUDITOR

Pursuant to the applicable provisions of the Civil Code, the General Meeting shall determine the terms and conditions of the contract to be concluded with the auditor simultaneously with the appointment of the Company's auditor. The contract with the appointed auditor shall be concluded within ninety days of their appointment. The assignment contract with the permanent auditor for the performance of the audit shall be concluded with the approval of the Board of Directors, subject to the following main conditions determined by the General Meeting:

Auditor:

Pursuant to Sections 5.1 and 5.2

Remuneration of the Auditor:

Pursuant to Section 5.1

Subject matter of the Contract:

- auditing of the individual (non-consolidated) and consolidated financial statements of MKB Bank Plc. for 2021 prepared according to the international accounting standards (IFRS) and the preparation of the related independent Auditor's reports
- auditing of the disclosures (CRR Report) under the requirements of Regulation (EU) No 575/2013 of the European Parliament and of the Council
- preparation of the Auditor's Special Report (Compliance Report) to be sent to the National Bank of Hungary
- Issuing of the Management Letter

Term of the contract:

Fixed term, 1 year.

Effective date of the contract:

The date on which the Board of Directors approves the assignment contract to be concluded within 90 days of the auditor's appointment.

Date of termination of contract:

The date of approval by the General Meeting of the Annual Report and accounts under the Accounting Act for the business year ending 31 December 2021 and, if the auditor is reappointed, the day prior to the effective date of the new contract to be concluded with the auditor.

Miscellaneous provisions:

The Company may also commission the auditor to perform other tasks within the framework of separate contracts, including but not limited to:

- Business consultancy and participation in due diligence procedures;
- Project management, execution of tasks and quality assurance of strategic projects;
- Other consultancy in the fields of business, risk, bank security, accounting, reporting and taxation;
- Trainings.

Proposed general meeting resolutions:

For the 2021 business year the Board of Directors of the Company, acting within the competence of the General Meeting appoints Deloitte Könyvvizsgáló és Tanácsadó Kft (Cg 01-09-071057, Hungarian Chamber of Auditors Registration Number: 000083, hereinafter: 'Deloitte') as the Company's statutory auditor, and sets the annual audit fee for Deloitte for the 2021 business year at a maximum of HUF 120 million + VAT (including the preparation of a separate auditor's report to be submitted to Magyar Nemzeti Bank in accordance with the Hpt., and the examination of the information and data to be made public in accordance with the provisions of the Hpt., the CRR or the MNB, and the provisions of a limited assurance report).

The Board of Directors of the Company, acting within the competence of the General Meeting, approves an additional optional budget of up to HUF 55 million + VAT for the preparation of the quarterly due diligence report(s) (to be submitted to the MNB for the approval of the capital increase) and for the due diligence of the consolidated interim balance sheet of MKB Group as of 30 June 2021 in accordance with International Financial Reporting Standards (IFRSs).

The Board of Directors of the Company, acting within the competence of the General Meeting, also authorises the Deputy Chief Financial and Operations Officer and the Procurement Directorate to negotiate the engagement contract with the auditor. The final amount of the assignment contract is decided by the Board of Directors within the limits set by the General Meeting, as well as the conclusion of the contract.

In accordance with the proposal of the audit firm, the Board of Directors of the Company, acting within the competence of the General Meeting approves the appointment of Zoltán Mádi-Szabó registered auditor (membership certificate number of the Chamber of Hungarian Auditors: 007623, registration number: 003247) as the person responsible for the audit of MKB Bank Plc. for the year 2021.

The Board of Directors of the Company, acting within the competence of the General Meeting, approves the terms and conditions of the contract to be concluded with the auditor of the Company as proposed, and at the same time requests the Board of Directors to conclude the corresponding engagement contract with the elected permanent auditor on behalf of MKB Bank Plc. within 90 days after the election of the auditor.

Agenda item No. 6

DETERMINATION OF THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

Reasoning:

The General Meeting has the exclusive competence to determine the election and remuneration of the Chairman and members of the Board of Directors, the Chairman and members of the Supervisory Board and the members of the Audit Committee.

At the extraordinary General Meeting held on 17 January 2019, the Shareholders decided to significantly reduce the remuneration of the members of the Board of Directors and the Supervisory Board - with the aim of meeting the cost reduction requirements necessary to achieve the strategic goals of MKB - with the following resolution:

“General Meeting Resolution 12/2019 (17 January)

The General Meeting determines the remuneration of the members of the Supervisory Board and the Board of Directors - from the day of the entry into force of the election of new members, and from the day following the date of this General Meeting for existing members - for the period up to the date of approval of the annual report for 2019 prepared in accordance with the provisions of the Accounting Act:

Chairman of the Supervisory Board: gross HUF 1 million/month

Members of the Supervisory Board: gross HUF 250,000/month

Chairman of the Board of Directors: gross HUF 1 million/month

External member of the Board of Directors: gross HUF 500,000/month

Internal member of the Board of Directors: gross HUF 500,000/month

If a member of the Board of Directors or the Supervisory Board is also a member of any of the committees the establishment of which is a statutory requirement of the Company (Audit Committee, Remuneration Committee, Risk Committee, Nomination Committee) then the member shall receive further gross HUF 100 thousand remuneration a month irrespective of the number of the committees in which they are a member.

The General Meeting approves that the honorary fees for membership in the Supervisory Board and the Board of Directors should be paid (transferred and credited to the bank account) in line with the wage accounting practice of MKB Bank Zrt. i.e., on the second day of each month, simultaneously with the wages of the employee members of the Supervisory Board and the internal members of Board of Directors.’

It is proposed that the General Meeting, similarly to the previous year, continuing to take into consideration the cost-effectiveness efforts of MKB, set the remuneration for the members of the Supervisory Board and Board of Directors for the subsequent one year period at the same amount as approved at the extraordinary General Meeting held on 17 January 2019.

Proposed general meeting resolution:

The Board of Directors of the Company, acting within the competence of the General Meeting, decides to maintain the remuneration of the Supervisory Board and the members of the Board of Directors in the same amount and with the same payment practice as set out in the resolution of the General Meeting 12/2019 (17 January) for the period until the date of the adoption of the annual accounts for the year 2021 in accordance with the Accounting Act.

APPENDICES

1. Separate Financial Statements and Independent Auditor's report (31 December 2020)
2. Consolidated Financial Statements and Independent Auditor's report (31 December 2020)
3. Corporate Governance Report