



MKB Bank Zrt.

10 011 922 641 911 401
Reg. number

Interim Financial Report

according to
Hungarian Accounting Rules

Budapest, 26 August, 2016

June 30, 2016

NON-CONSOLIDATED BALANCE SHEET
(Hungarian Accounting Rules)

Nr.	Item	31.12.2015	30.06.2016
	ASSETS:		
1	1. Cash in hand, balances with central banks	29 908	28 689
2	2. Treasury bills	845 015	800 418
3	a) held for dealing	796 459	542 862
4	b) held for investment	47 523	253 200
5	2/A Revaluation difference on treasury bills	1 033	4 356
6	3. Loans and advances to credit institutions	63 364	61 680
7	a) due on demand	49 124	51 672
8	b) other receivables from financial services	14 240	10 008
9	ba) maturity up to one year	14 240	10 008
10	Of which: – to affiliated undertakings	0	0
11	– to significant undertakings	0	0
12	– to other undertakings with participating interest	0	0
13	– to the National Bank of Hungary	11 585	0
14	– central counterparties	101	158
15	bb) maturity over one year	0	0
16	Of which: – to affiliated undertakings	0	0
17	– to significant undertakings	0	0
18	– to other undertakings with participating interest	0	0
19	– to the National Bank of Hungary	0	0
20	– central counterparties	0	0
21	c) receivables from investment services	0	0
22	Of which: – to affiliated undertakings	0	0
23	– to significant undertakings	0	0
24	– to other undertakings with participating interest	0	0
25	– central counterparties	0	0
26	3/A Revaluation difference on receivables due from credit institutions	0	0
27	4. Loans and advances to customers	848 730	811 627
28	a) receivables from financial services	848 521	810 721
29	aa) maturity up to one year	298 991	108 145
30	Of which: – to affiliated undertakings	48 754	7 520
31	– to significant undertakings	0	0
32	– to other undertakings with participating interest	0	0
33	ab) maturity over one year	549 530	702 576
34	Of which: – to affiliated undertakings	44 468	63 478
35	– to significant undertakings	334	324
36	– to other undertakings with participating interest	0	0

NON-CONSOLIDATED BALANCE SHEET
(Hungarian Accounting Rules)

Nr.	Item	31.12.2015	30.06.2016
37	b) receivables from investment services	209	906
38	Of which: – to affiliated undertakings	0	0
39	– to significant undertakings	0	0
40	– to other undertakings with participating interest	0	82
41	ba) receivables from investment service activities on the stock exchange	33	82
42	bb) receivables from over-the-counter investment service activities	6	
43	bc) receivables from investment services to customers	170	145
44	bd) receivables from central counterparties	0	0
45	be) other receivables from investment services	0	679
46	4/A Revaluation difference on receivables due from customers	0	0
47	5. Debt securities including fixed-income securities	92 567	74 845
48	a) securities issued by local authorities and by other public entities (excluding Treasury bills issued by Hungarian state and securities issued by the National Bank of Hungary)	0	0
49	aa) held for dealing	0	0
50	ab) held for investment	0	0
51	b) securities issued by other entities	92 570	74 817
52	ba) held for dealing	88 327	6 829
53	Of which: – to affiliated undertakings	0	0
54	– to significant undertakings	0	0
55	– to other undertakings with participating interest	0	0
56	– repurchased own debt securities	10 805	2 433
57	bb) held for investment	4 243	67 988
58	Of which: – to affiliated undertakings	0	0
59	– to significant undertakings	0	0
60	– to other undertakings with participating interest	0	0
61	5/A Revaluation difference on debt securities and fixed-income securities	-3	28
62	6. Shares and other variable-yield securities	304	1 029
63	a) shares and equity stakes held for dealing	274	961
64	Of which: – to affiliated undertakings	0	0
65	– to significant undertakings	0	0
66	– to other undertakings with participating interest	0	0
67	b) other variable-yield securities	0	0
68	aa) held for dealing	0	0
69	bb) held for investment	0	0
70	6/A Revaluation difference on shares and other variable-yield securities	30	68
71	7. Shares and participating interests held for investment purposes	216	655
72	a) shares and participating interests	216	655

NON-CONSOLIDATED BALANCE SHEET
(Hungarian Accounting Rules)

Nr.	Item	31.12.2015	30.06.2016
73	Of which: – shares and participating interests in credit institutions	0	0
74	b) revaluation surplus on shares and participating interests	0	0
75	Of which: – shares and participating interests in credit institutions	0	0
76	7/A Revaluation difference on shares and participating interests held for investment purposes	0	0
77	8. Shares and participating interests in affiliated undertakings	44 226	45 590
78	a) shares and participating interests in affiliated undertakings	44 226	45 590
79	Of which: – shares and participating interests in credit institutions	0	1 980
80	b) revaluation surplus on shares and participating interests in affiliated undertakings	0	0
81	Of which: – shares and participating interests in credit institutions	0	0
82	9. Intangible assets	5 927	6 689
83	a) intangible assets	5 927	6 689
84	b) revaluation surplus on intangible assets	0	0
85	10. Tangible fixed assets	1 945	2 048
86	a) tangible fixed assets for financial and investment services	1 881	1 983
87	aa) land and buildings	1 208	1 163
88	ab) technical equipment, fittings and vehicles	673	820
89	ac) fixed assets in the course of construction	0	0
90	ad) advance payments on constructions	0	0
91	b) tangible fixed assets servicing non-financial and non-investment activities	64	65
92	ba) land and buildings	35	62
93	bb) technical equipment, fittings and vehicles	27	0
94	bc) fixed assets in the course of construction	0	0
95	bd) advance payments on constructions	2	3
96	c) revaluation surplus on tangible fixed assets	0	0
97	11. Own shares	0	0
98	12. Other assets	25 846	25 670
99	a) stocks (inventories)	525	409
100	b) other receivables (from non-financial and non-investment securities)	4 174	5 679
101	Of which: – to affiliated undertakings	615	316
102	– to significant undertakings	0	0
103	– to other undertakings with participating interest	0	0
104	12/A Revaluation difference on other receivables	0	0
105	12/B Positive revaluation difference on derivative transactions	21 147	19 582
106	13. Prepayments and accrued income	16 363	16 356
107	a) accrued income	15 594	12 301
108	b) prepayments	769	4 055
109	c) deferred charges	0	0
110	TOTAL ASSETS	1 974 411	1 875 296
111	<i>From this: - CURRENT ASSETS [1 + 2.a) + 3.a) + 3.ba) + 3.c) + 4.aa) + 4.b) + 5.aa) + 5.ba) + 6.a) + 6.ba) + 11 + 12+ a 2/A, 3/A, 4/A, 5/A, 6/A, 12/A, 12/B]</i>	<i>1 304 438</i>	<i>780 194</i>
112	<i>- FIXED ASSETS [2.b) + 3.bb) + 4.ab) + 5.ab) + 5.bb) + 6.bb) + 7 + 8 + 9 + 10 + a 2/A, 3/A, 4/A, 5/A, 6/A, 7/A, 12/A, 12/B]</i>	<i>653 610</i>	<i>1 078 746</i>

NON-CONSOLIDATED BALANCE SHEET
(Hungarian Accounting Rules)

	Nr.	Item	31.12.2015	30.06.2016
113		LIABILITIES		
114	1.	Liabilities to credit institutions	334 768	333 418
115		a) due on demand	4 914	6 616
116		b) liabilities from financial services with agreed maturity dates or periods of notice	329 354	326 801
117		ba) maturity up to one year	148 887	133 809
118		Of which: – to affiliated undertakings	0	0
119		– to significant undertakings	0	0
120		– to other undertakings with participating interest	0	0
121		– to the National Bank of Hungary	78 286	116 668
122		– central counterparties	0	0
123		bb) maturity over one year	180 467	192 992
124		Of which: – to affiliated undertakings	0	0
125		– to significant undertakings	0	0
126		– to other undertakings with participating interest	118 456	
127		– to the National Bank of Hungary	0	127 649
128		– central counterparties	0	0
129		c) liabilities from investment services	500	1
130		Of which: – to affiliated undertakings	0	0
131		– to significant undertakings	0	0
132		– to other undertakings with participating interest	0	0
133		– central counterparties	499	
134	1/A	Revaluation difference on liabilities due to credit institutions	0	0
135	2.	Liabilities to customers	1 375 029	1 323 168
136		a) saving deposits	97	10
137		aa) due on demand	0	0
138		ab) maturity up to one year	90	3
139		ac) maturity over one year	7	7
140		b) other liabilities from financial services	1 366 419	1 315 694
141		ba) due on demand	646 712	686 387
142		Of which: – to affiliated undertakings	8 723	8 775
143		– to significant undertakings	29	27
144		– to other undertakings with participating interest	633	725
145		bb) maturity up to one year	642 511	570 670
146		Of which: – to affiliated undertakings	7 839	7 964
147		– to significant undertakings	0	0
148		– to other undertakings with participating interest	4 985	1 695
149		bc) maturity over one year	77 196	58 637
150		Of which: – to affiliated undertakings	0	9
151		– to significant undertakings	0	0

NON-CONSOLIDATED BALANCE SHEET
(Hungarian Accounting Rules)

Nr.	Item	31.12.2015	30.06.2016
152	– to other undertakings with participating interest	0	0
153	e) liabilities from investment services	8 513	7 464
154	Of which: – to affiliated undertakings	0	0
155	– to significant undertakings	0	0
156	– to other undertakings with participating interest	0	0
157	ca) liabilities from investment service activities on the stock exchange	0	0
158	cb) liabilities from over-the-counter investment service activities	0	0
159	cc) liabilities to customers from investment services	8 513	7 464
160	cd) liabilities from central counterparties	0	0
161	ce) other liabilities from investment services	0	0
162	2/A Revaluation difference on liabilities due to customers	0	0
163	3. Liabilities from issued debt securities	94 811	37 030
164	a) issued bonds	94 811	37 030
165	aa) maturity up to one year	81 481	
166	Of which: – to affiliated undertakings	0	0
167	– to significant undertakings	0	0
168	– to other undertakings with participating interest	0	0
169	ab) maturity over one year	13 330	37 030
170	Of which: – to affiliated undertakings	0	0
171	– to significant undertakings	0	0
172	– to other undertakings with participating interest	0	0
173	b) other debt securities	0	0
174	ba) maturity up to one year	0	0
175	Of which: – to affiliated undertakings	0	0
176	– to significant undertakings	0	0
177	– to other undertakings with participating interest	0	0
178	bb) maturity over one year	0	0
179	Of which: – to affiliated undertakings	0	0
180	– to significant undertakings	0	0
181	– to other undertakings with participating interest	0	0
182	c) Certificates (qualified as securities according to the Act on Accounting but not defined as such by the Act on Securities)	0	0
183	ca) maturity up to one year	0	0
184	Of which: – to affiliated undertakings	0	0
185	– to significant undertakings	0	0
186	– to other undertakings with participating interest	0	0
187	cb) maturity over one year	0	0

NON-CONSOLIDATED BALANCE SHEET
(Hungarian Accounting Rules)

	Nr.	Item	31.12.2015	30.06.2016
188		Of which: – to affiliated undertakings	0	0
189		– to significant undertakings	0	0
190		– to other undertakings with participating interest	0	0
191	4.	Other liabilities	27 048	42 317
192		a) maturity up to one year	8 162	16 639
193		Of which: – to affiliated undertakings	12	
194		– to significant undertakings	0	0
195		– to other undertakings with participating interest	0	0
196		– pecuniary contribution of members at credit cooperatives	0	0
197		b) maturity over one year	0	0
198		Of which: – to affiliated undertakings	0	0
199		– to significant undertakings	0	0
200		– to other undertakings with participating interest	0	0
201	4/A	Negative revaluation difference on derivative transactions	18 886	25 678
202	5.	Accruals and deferred income	16 243	11 052
203		a) accrued liabilities	280	413
204		b) accrued costs and expenses	15 944	10 620
205		c) deferred income	19	19
206	6.	Provisions	6 589	3 143
207		a) provisions for pensions and similar obligations	0	0
208		b) risk provisions for off-balance sheet items (for contingent and future liabilities)	4 973	1 185
209		c) general risk provision	0	0
210		d) other provisions	1 616	1 958
211	7.	Subordinated liabilities	0	0
212		a) subordinated borrowings	0	0
213		Of which: – to affiliated undertakings	0	0
214		– to significant undertakings	0	0
215		– to other undertakings with participating interest	0	0
216		b) pecuniary contribution of members at credit cooperatives	0	0
217		c) other subordinated liabilities	0	0
218		Of which: – to affiliated undertakings	0	0
219		– to significant undertakings	0	0
220		– to other undertakings with participating interest	0	0
221		– to other entities	0	0
222	8.	Subscribed capital	225 490	225 490
223		Of which: repurchased own shares at face value	0	
224	9.	Subscribed but unpaid capital (-)	0	

NON-CONSOLIDATED BALANCE SHEET
(Hungarian Accounting Rules)

	Nr.	Item	31.12.2015	30.06.2016
225	10.	Capital reserves	220 287	220 287
226		a) share premium	220 226	220 226
227		b) other	61	61
228	11.	General reserve	0	
229	12.	Retained earnings (accumulated profit reserve) (±)	-262 024	-326 647
230	13.	Legal reserves	0	
231	14.	Revaluation reserve	793	4 143
232		Value-adjusted reserves	0	
233		Revaluation reserves	793	4 143
234	15.	Profit or loss for the financial year (±)	-64 623	1 895
235		TOTAL LIABILITIES	1 974 411	1 875 296
236		<i>Of which: - SHORT TERM LIABILITIES</i> <i>[1.a) + 1.ba) + 1.c) + 1/A + 2.aa) + 2.ab) + 2.ba) + 2.bb) + 2.c) + 2/A + 3.aa) + 3.ba) + 3.ca) + 4.a) + 4/A]</i>	<i>1 560 656</i>	<i>1 447 267</i>
237		<i>- LONG TERM LIABILITIES</i> <i>[1.bb) + 2.ac) + 2.bc) + 3.ab) + 3.bb) + 3.cb) + 4.b) + 7]</i>	<i>271 000</i>	<i>288 666</i>
238		<i>-EQUITY (CAPITAL AND RESERVES) [8-9+10+11±12+13+14 ±15]</i>	<i>119 923</i>	<i>125 168</i>

Budapest, 26 August, 2016


dr. Ádám Balog
Chief Executive Officer


Benedek Sándor
Deputy Chief Executive Officer

NON-CONSOLIDATED INCOME STATEMENT
(Hungarian Accounting Rules)

	S.sz.	Megnevezés	30.06.2015	30.06.2016
1	1.	Interest receivable and similar income	27 804	30 048
2		a) interest income (receivable) from fixed-income securities	6 299	15 576
3		Of which: – from affiliated undertakings	0	0
4		– to significant undertakings	0	0
5		– from other undertakings with participating interest	0	0
6		b) other interest and similar income	21 505	14 472
7		Of which: – from affiliated undertakings	1 485	1 074
8		– to significant undertakings	0	0
9		– from other undertakings with participating interest	0	0
10	2.	Interest payable and similar charges	10 307	6 532
11		Of which: – to affiliated undertakings	126	118
12		– to significant undertakings	0	0
13		– from other undertakings with participating interest	20	0
14		NET INTEREST INCOME	17 497	23 516
15	3.	Income from securities	412	326
16		a) income from shares held for dealing (dividend, profit-sharing)	11	12
17		b) income from shares in affiliated undertakings (dividend, profit-sharing)	401	314
18		– to significant undertakings	0	0
19		c) income from other shares and participating interests	0	0
20	4.	Commission and fees income	17 147	18 020
21		a) from other financial services	13 564	13 438
22		Of which: – from affiliated undertakings	90	92
23		– to significant undertakings	0	0
24		– from other undertakings with participating interest	14	0
25		b) from investment services (except for income from trading activities)	3 583	4 582
26		Of which: – from affiliated undertakings	95	25
27		– to significant undertakings	0	0
28		– from other undertakings with participating interest	5	0
29	5.	Commission and fee expense	3 004	2 875
30		a) from other financial services	2 848	2 650
31		Of which: – to affiliated undertakings	0	0
32		– to significant undertakings	0	0
33		– from other undertakings with participating interest	0	0
34		b) from investment services (except for charges of trading activities)	156	225

NON-CONSOLIDATED INCOME STATEMENT
(Hungarian Accounting Rules)

	S.sz.	Megnevezés	30.06.2015	30.06.2016
35		Of which: – to affiliated undertakings	0	0
36		– to significant undertakings	0	0
37		– from other undertakings with participating interest	0	0
38	6.	Net profit or net loss on financial operations	10 345	-7 502
39		a) income from other financial services	2 333	6 760
40		Of which: – from affiliated undertakings	0	0
41		– to significant undertakings	0	0
42		– from other undertakings with participating interest	0	0
43		- valuation difference	0	0
44		b) expenses from other financial services	530	2 540
45		Of which: – to affiliated undertakings	0	0
46		– to significant undertakings	0	0
47		– from other undertakings with participating interest	0	0
48		- valuation difference	0	0
49		c) income from investment services (income from trading activities)	45 149	42 429
50		Of which: – from affiliated undertakings	0	0
51		– to significant undertakings	0	0
52		– from other undertakings with participating interest	0	0
53		– value re-adjustment (increase) of securities for trade (not more than acquisition value)	88	18
54		- valuation difference	25 375	19 221
55		d) expenses from investment services (expenses from trading activities)	36 607	54 151
56		Of which: – to affiliated undertakings	0	0
57		– to significant undertakings	0	0
58		– from other undertakings with participating interest	0	0
59		– value adjustment (decrease) of securities for trade	93	98
60		- valuation difference	23 928	27 030
61	7.	Other operating income	31 341	30 065
62		a) incomes from non-financial and non-investment services	906	986
63		Of which: – from affiliated undertakings	57	41
64		– to significant undertakings	0	0
65		– from other undertakings with participating interest	0	0
66		b) other income	30435	29 079
67		Of which: – from affiliated undertakings	0	0
68		– to significant undertakings	0	0

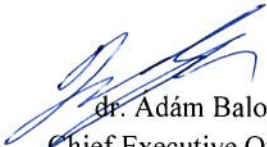
NON-CONSOLIDATED INCOME STATEMENT
(Hungarian Accounting Rules)

	S.sz.	Megnevezés	30.06.2015	30.06.2016
69		– from other undertakings with participating interest	0	0
70		– value re-adjustment (increase) of stocks (inventories) (not more than acquisition value)	0	0
71	8.	General and administrative expenses	18 915	16 555
72		a) Staff costs	9 715	8 020
73		aa) wages and salaries	6 914	5 780
74		ab) other staff costs	657	468
75		Of which: – social security contributions	139	113
76		= pension costs	12	12
77		ac) contributions on wages	2 144	1 772
78		Of which: – social security contributions	1 998	1 682
79		= pension costs	0	0
80		b) Other administrative expenses (material-type expenses)	9 200	8 535
81	9.	Depreciation (value adjustments in respect of assets items 9 and 10)	1064	977
82	10.	Other operating expenses	52 660	39 543
83		a) expenses from non-financial and non-investment services	572	656
84		Of which: – to affiliated undertakings	0	140
85		– to significant undertakings	0	0
86		– to other undertakings with participating interest	0	0
87		b) other expenses	52 088	38 887
88		Of which: – to affiliated undertakings	0	0
89		– to significant undertakings	0	0
90		– to other undertakings with participating interest	0	0
91		– value adjustment (decrease) of stocks (inventories)	0	0
92	11.	Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	34 343	14 841
93		a) value adjustments (decrease) in respect of loans and advances	34 131	14 775
94		b) provisions for contingent liabilities and commitments	212	66
95	12.	Reversals of value adjustments in respect of loans and advances and use of provisions for contingent liabilities and commitments	38 468	15 961
96		a) value re-adjustments (increase) in respect of loans and advances	37 971	12 107
97		b) use of provisions for contingent liabilities and commitments	497	3 854
98	12/A.	General risk provision and use	0	0
99	13.	Value adjustments in respect of debt securities held for investment purposes, shares in affiliated undertakings and participating interests	2 124	3 821

NON-CONSOLIDATED INCOME STATEMENT
(Hungarian Accounting Rules)

	S.sz.	Megnevezés	30.06.2015	30.06.2016
100	14.	Reversals of value adjustments in respect of debt securities held for investment purposes, shares in affiliated undertakings and participating interests	0	0
101	15.	Profit or loss on ordinary activities	3 100	1 774
102		Of which: -PROFIT OR LOSS OF FINANCIAL AND INVESTMENT SERVICES (1-2+3+4-5±6+7/b-8-9-10/b-11+12+12/A-13+14)	2 766	1 444
103		- PROFIT OR LOSS OF NON-FINANCIAL AND NON-INVESTMENT SERVICES (7/a -10/a)	334	330
104	16.	Extraordinary income	45 821	2 140
105	17.	Extraordinary expense	41 403	491
106	18.	Extraordinary profit or loss (16-17)	4 418	1 649
107	19.	Profit or loss before taxation (±15±18)	7 518	3 423
108	20.	Tax payable	1 104	1 528
109	21.	Profit or loss after taxation (±19-20)	6 414	1 895
110	22.	Addition to and use of general reserve (±)	0	0
111	23.	Profit or loss for the financial year (±21±22)	6 414	1 895

Budapest, 26 August, 2016


dr. Adám Balog
Chief Executive Officer


Benedek Sándor
Deputy Chief Executive Officer

STATEMENT

on the non-consolidated semi-annual financial statements of 2016
and on the Report of the Management
Pursuant to Ministry of Finance Decree no. 24/2008 (VIII.15.)

MKB Bank Zrt (hereinafter: Bank) declares concerning its non-consolidated semi-annual financial statements the following statement:

The Bank declares that the non-consolidated semi-annual financial statements have been compiled in accordance with the applicable accounting rules. The non consolidated semi-annual financial statements compiled based on the best knowledge of the Bank's competent experts and decision making managers present a realistic and reliable picture on the assets, liabilities, financial position, as well as profits and losses of the Bank as an issuer of securities.

No independent audit report was made concerning the non-consolidated semi-annual financial statements.

The Bank declares furthermore that The Report of the Management (Business Report) provides a reliable picture of the position, situation, development and performance of the Bank as an issuer of securities, and describes the key risks and uncertainty factors concerning the remaining six months of the financial year.

Budapest, 29 August, 2016

MKB Bank Zrt.



dr. Adam Balog
Chief Executive Officer



Benedek Sándor
Deputy Chief Executive Officer



MANAGEMENT REPORT

**to the 2016 H1
REPORT
of MKB Bank Zrt.**

(Hungarian Accounting Rules, HAR)

After the market turmoil of global financial markets at the beginning of the year, improving risk taking has been backed by measures of central banks of developed economies (BoJ, ECB). Positive macroeconomic data have diminished recession fears and in the spring we could see forward-looking sentiment indicators beating expectations, as well. Two main factors characterised the second quarter: Fed rate hike expectations have decreased and uncertainty has risen in connection with the British referendum. After the June 23rd Brexit vote the US dollar has appreciated as safe haven currency and stock markets lost momentum.

The gross domestic product of Hungary grew by 2.6% in the 2nd quarter of 2016 compared to the corresponding period of the previous year. Hungarian growth will be lower this year than in 2015 due to the lower inflow from EU funds. While in production side if the GDP industrial production and construction decreased at the beginning of the year, it was more than balanced by consumption growth in the expenditure side; latter was the engine of the Hungarian economy. In the first 6 months of the year, consumer prices grew by 0.2% annually. Fuel prices got cheaper than a year ago, while alcohol and tobacco prices have risen the most. Employment grew in the first months of the year and unemployment rate decreased to 5.1% in April–June, the lowest in 10 years.

The National Bank of Hungary lowered the base rate 3 times by 15 basis points between March and May, to 0.90%. Another important event of the Hungarian monetary policy was the termination of the two-week central bank deposit facility for liquidity management purposes by the end of April 2016. In the first quarter Hungarian yield curve flattened, in the second quarter short-term yields decreased, while yields on domestic long-term government securities didn't change notably. Fitch Ratings has upgraded Hungary back to investment grade in May. Sentiment in Hungarian financial market has moved together with global sentiment, forint had greater volatility only in January and in the second half of April. Improving risk appetite was broken by lower than expected GDP growth for the first quarter, in June HUF exchange rate was weakened again.

During the first half of the year the National Bank of Hungary introduced a number of measures determining the development of financial markets, such as changing the three-month policy instrument, additional obligation paid by commercial banks after extra reserves, BUBOR-subscription of one and three-month maturities and the termination of preferential IRS tenders.

In the first half of 2016, the profitability of the banking sector has improved significantly compared to the base period, primarily due to the lower provisioning needs and the impact of passing of the FX-settlement. In a long-lasting low interest rates environment in a competing banking market banks are constantly looking for solutions to increase and change the structure of income. However, in a tightening regulatory (capital, liquidity, consumer protection) regime the amount of available income are partly determined. The expansion of lending activity has started (according to the latest available statistics, net corporate loans of the financial institutions grew by 2.2%, households' volumes declined by 1.2%, as the amortisation of the portfolio was even higher than the substantial growth of the new disbursements), supported by various state incentives. Among other things, the extensive credit outflow improves portfolio quality, and in such of a positive macroeconomic environment favourable risk cost trend remains. Despite banks have taken large steps to improve cost efficiency, in international comparison cost to assets ratio is still quite high. The overall picture will continue to improve, as the sector's burden will be reduced significantly through banking tax moderation.

The most significant event of the first half of 2016 was the completion of the sales process of MKB Bank, closely monitored by the European Commission, and the termination of the reorganization process. MKB Bank, as a result of the reorganization process launched in December 2014 is now on a competitive and sustainable growth path and became a profitable institution with adequate growth potential, bearing high quality of assets and loan portfolio. During the reorganisation process several measures was taken, such as the separation of toxic commercial real estate loan portfolio, the commercial banking subsidiaries not closely linked to the commercial banking activity were sold, significant cost-reduction and efficiency-improving measures were taken. The Restructuring Plan set during the reorganization process (approved by the European Commission) and the commitments

included - supervised by the EU trustee - ensure the realization of the bank's business plan, which Moody's international rating agency acclaimed in July 2016, by upgrading MKB Bank's long-term domestic and foreign currency deposit ratings from "Caa2" to "B3", with stable outlook. The agency stated that such a favourable operating environment strongly supports the successful implementation of MKB Bank's strategy for the next one and a half years.

In this environment, MKB Bank Zrt. realized HUF 3.4 bn profit before taxation according to HAR in the first half of 2016 (H1 2015: HUF 7.5 bn). The Bank's gross operating income was HUF 22.0 bn in the period (H1 2015: HUF 21.1 bn; 4.4% growth). As a result of the strict cost-reducing program that has been continued, operating expenses decreased by another 12.2%. The Bank's total assets according to HAR decreased by 5.0% at the end of the first half of 2016 as compared to the end of 2015: it, amounting to HUF 1,875.3 bn.

PERFORMANCE OF THE BUSINESS LINES

CORPORATE AND INSTITUTIONAL CLIENTS¹

At the end of 2016 H1, the number of core corporate customers with MKB account (including large corporations, institutional and medium and small sized corporate customers) was near 40.700. The closing portfolio of core loans (excluding portfolio under special treatment) disbursed to the segment, reached HUF 460.3 bn (H1 2015: HUF 405.5 bn). The market share of MKB Bank in lending to non-financial companies was 7.6% at the end of the first half of the year. Account and deposits of the segment amounted to HUF 978.3 bn at the end of June 2016 (H1 2015: HUF 818.4 bn). The Bank's market share in non-financial companies' accounts and deposits was 9.9% at the end of June 2016. In 2015 the majority of non-core assets' - which do not fit MKB's strategy - separation and sale was realised. The non-core commercial real estate portfolio is continuously built off, the carrying amount of these loans decreased by over 20% compared to the end-2015. The remaining portfolio is being further reduced in the framework of EU commitments part of the Bank's restructuring plan adopted by the European Commission.

Large Corporates

The number of large corporate customers and their subsidiaries slightly exceeded 300 at the end of the period. Core loans to large corporate customers was HUF 111.9 bn at the end of the first half of 2016 (H1 2015: HUF 119.1 bn), while their accounts and deposits amounted to more than HUF 239.4 bn (H1 2015: HUF 266.1 bn).

Medium-sized corporate customers

The number of core medium-sized corporate customers was near 5.300 at the end of the period. Loans disbursed to these customers amounted to HUF 319.8 bn at the end of June 2016 (H1 2015: HUF 260.7 bn), while the current account and deposit balances reached HUF 550.7 bn at the end of the first half of 2016 (H1 2015: HUF 371.9 bn).

Small enterprises

The number of the Bank's core small-enterprise customers exceeded 35,100 at the end of the first half of the year. The loan portfolio of these customers exceeded HUF 28.6 bn at the end of the first

¹ Business segments contains only core customer portfolios. The portfolio of special credit unit cannot be filtered from market share calculation.

half of 2016 (H1 2015: HUF 25.7 bn), while the accounts and deposits amounted to more than HUF 188.2 bn (H1 2015: HUF 180.4 bn).

RETAIL BANKING SERVICES

At the end of the first half of 2016, the number of account holding private individual customers of the Bank reached 197.3 thousand. The total portfolio of the Bank in households' savings (deposits + bonds + investment funds + government securities) reached HUF 704.5 bn at the end of May 2016 (H1 2015: HUF 687.6 bn). The Bank's market share was 4.8% at the end of May 2016 (H1 2015: 5.0%). Within this, the accounts and deposits amounted to HUF 303.4 bn, while MKB bonds reached HUF 29.3 bn at par value. The loan portfolio of private individuals was HUF 342.6 bn at the end of the first half of 2016 (H1 2015: HUF 377.4 bn), while the Bank's market share was 5.9% at the end of June 2016 (H1 2015: 6.1%).

PRIVATE BANKING AND MONEY AND CAPITAL MARKET, INVESTMENT SERVICES


Private banking

The number of private banking customers reached about 1,900 at the end of the first half of 2016, while assets managed by the business line grew by almost 6% and reached almost HUF 332.0 bn (H1 2015: HUF 313.4 bn).

Money and capital market, investment services

The assets managed by MKB investment funds reached HUF 234.0 bn (H1 2015: HUF 217.0 bn), so the Bank's market share increased to 4.3% at the end of the period. The Bank reached a market share of 3.7% among the primary dealers of government securities during the period. The market share of MKB in spot FX trading for customers reached 11.1% in the first half of 2016 (H1 2015: 7.8%).

Budapest, 26 August, 2016



dr. Ádám Balog
Chief Executive Officer



Benedek Sándor
Deputy Chief Executive Officer