M K B B a n k Z r t.
Group

10 011 922 641 911 400

Statistic code

Consolidated
Financial
Statements

Prepared under
International Financial Reporting Standards
as adopted by the EU

June 30, 2011

The Board of Directors of MKB Bank Zrt (hereinafter: Bank) discussed and adopted the consolidated half-year Statements of the Bank for the year 2011, and resolved its publication at its meeting held on 23rd August 2011. By publishing the Semi-annual Statements, the Bank complies with its obligations set forth in Sections 54-55 of Act no. CXX of 2001 on Capital Markets, Annex 2 to Ministry of Finance Decree no. 24/2008. (VIII.15.) PM and point 1.10 of Annex 4 to the same.

MKB Bank Zrt. Group
Consolidated Statement of Financial Postions as at June 30, 2011

		30.06.2011	31.12.2010
		HUF million	
	ASSETS		
3	Cash reserves	286 866	222 442
4	Loans and advances to banks	111 899	75 780
5	Trading assets	53 246	43 787
5	Derivative assets held for risk management	-	-
6	Investments in securities	222 486	253 237
7	Loans and advances to customers	1 977 881	2 177 770
8	Other assets	30 473	27 007
9	Goodwill	25 023	26 224
29	Deferred tax assets	9 320	9 465
10	Investments in jointly controlled entities and associates	11 079	11 750
11	Intangibles, property and equipment	89 309	91 726
		2 817 581	**2 939 188**
	LIABILITIES		
12	Amounts due to other banks	938 770	965 684
13	Current and deposit accounts	1 360 928	1 467 245
14	Trading liabilities	22 844	29 692
14	Derivative liabilities held for risk management	144	276
15	Other liabilities and provisions	52 911	26 476
29	Deferred tax liability	2 476	2 480
16	Issued debt securities	156 945	144 701
17	Subordinated debt	92 070	96 561
		2 627 089	**2 733 115**
	SHAREHOLDERS' EQUITY		
18	Share capital	20 733	20 733
19	Reserves	163 230	178 805
20	Non-controlling interest	6 529	6 535
		190 492	206 073
		2 817 581	**2 939 188**

MKB Bank Zrt. Group
Consolidated Income Statement for the period ended June 30, 2011

		30.06.2011	30.06.2010
		HUF million	
21	Interest income	86 176	95 638
22	Interest expense	44 014	49 809
	Net interest income	**42 161**	**45 829**
23	Net income from commissions and fees	7 970	10 402
		50 131	**56 231**
24	Other operating income	(10 673)	7 181
		39 458	**63 412**
25	Impairments and provisions for losses	20 694	77 461
		18 763	**(14 049)**
26	Operating expenses	35 331	37 377
		(16 568)	(51 426)
	Share of jointly controlled and associated companies' profit / (loss)	(11)	(995)
	Profit before taxation	**(16 578)**	**(52 421)**
28	Taxation	2 537	1 409
	Profit for the period	**(19 115)**	**(53 830)**
	As attributable to:		
	Shareholders of the parent	(18 609)	(52 929)
	Non-controlling interest	(506)	(901)

CONSOLIDATED MANAGEMENT REPORT

to the 2011 H1 consolidated REPORT

of MKB Bank Zrt.

prepared according to the international accounting standards

(IFRS)

In the first half of 2011 several international events had bad impact on the economies of the MKB Group countries. In addition to the general setback of growth many Eurozone countries' stability were questioned more or less, the European debt crisis deepened while no reassuring answer could be given to the American indebtedness and furthermore the series of the Japanese natural disasters caused further economic uncertainty. The investor interest towards the Eastern European economies – considered to be more sensitive – did not grow in this environment, though the improvement of the domestic macroeconomic situation and the performance is getting relatively more favorable.

The Hungarian growth is going to be less dynamic than pre-crisis, and it is a risk that is might be persistently beyond 3% after 1.5% (year-to-year) in 2011 H1. Growth is still fueled by export, that is growing more dynamically than import (in the first 5 months +16% and +14%). The domestic consumption showed slight signs of improvement at the end of H1 but the latest external effects of the crisis and as a result the weakening of the HUF are questioning its duration. The industrial production after its 8.1% growth in 2011 H1 is slowing down which was worsened by the permanent backset of the construction industry. In this environment the consistent implementation of the Széll Kálmán Plan has a special emphasis. All in all the most relevant factor for MKB Group is that the improvement of the Hungarian economic environment is slower and weaker than it seemed during the planning period and probably this remains in the rest of the year.

In 2011 MKB Bank is to continue the implementation of its mid-term capital market strengthening strategic program formulated in the beginning of the crisis.
The main elements of these in addition to inner consolidation is the strengthening of the fundamentals such as: capital optimization, the maintenance of stable capital and liquidity position, the improvement of the self-financing ability, efforts to improve the maturity and currency structure of the balance sheet in the mid-term and the profitability. These goals are backed by the increasing of the proportion of primary bank relations, the improving of the quality and depth of client relations, the strengthening of loyalty, the further improvement or diversification of the profit generating ability by significantly increasing the commission income, as well as selective lending activity. All these contribute to the above strategic goals by e.g. the gradual improvement of the profit.
The goals of the subsidiaries include prudent risk management and the improving of efficiency, as well as continued consolidation.

Compared to the end of 2010 MKB Group increased its IFRS consolidated total assets by 4.1%, to HUF 2,817.6 billion. In 2011 H1 MKB Group achieved a gross operating profit (that includes the expenses due to the Hungarian banking tax) of HUF 39 billion, which backlogs behind the performance of 2010 by 37.8% (without banking tax HUF 53 billion, 13.9% lower). The Bank's operating expenses fell by 5.5% compared to 2010 H1 and amounted to HUF 35.3 billion at the end of the period as a result of the continued strict cost management. In 2011 H1 the operating profit of MKB Group exceeded HUF 4.1 billion (2010 H1: HUF 26 billion). The delayed and favorable effect of the economic recovery deferred within the clientele, therefore the quality of the portfolio shows a slower than expected improvement. MKB Group closed the period with HUF 16.6 billion loss (before tax) with considerable provisions.

MKB-Euroleasing Group

Although the new car market sales figures of the first quarter were higher than in the same period of last year, the increase in the number of new car sales still does not suggest a future market above 55-60 thousand sold items which lack behind pre-crisis sales figures. In spite of the growth in number of cars, new placements fell by 2.9% or HUF 2.2 billion compared to the same period of last year, since there was no actual positive change. The new fleet and corporate purchases boost the market with 19.2% growth, while the retail financing grew by 7.8% in the period. The decrease in the second-hand car market is still double-digit. For the car financing firms, the real challenge is the low level of new placements in addition to the effects of unpredictable CHF and EUR exchange rate developments on profits.

Central and Eastern European Region – Romania and Bulgaria

The recovery and the improvement of the macro environment continued, the growth volume accelerated in these two countries of the Southern and Central-Eastern European region. The improved and relatively stable macroeconomic environment in the CEE region together with crisis management can upgrade the region in reflect to some Western European economies' problems in the short and medium term. In short term the growth might outpace that of the developed part of Europe and track back to the convergence path.
The fuel of the growth is still the export with significantly high trade balance surpluses (in Bulgaria already from 2010 H2 and in Romania from this year). The domestic consumption, the earlier expectations of rebounding domestic consumption in 2011 proved to be optimistic for the time being. Sizable growth in this area is not expected before the end of the year – however Bulgaria sooner expect to increase retail sales than Romania with a lag, but Romania could benefit the more of it afterwards (by this resource and its domestic market size).
Recovery can be endangered by the Greek and Portuguese and other EU members' economic crisis stories. As Romania has floating FX regimes, Bulgaria (with its currency board) was less exposed to money market's volatility as a result of the above mentioned. But Bulgaria was the most exposed to Greece by trade, FDI and commodity markets. In addition to these, the upgrading and efforts of these region is well reflected by the fact as Moody's upgraded Bulgaria's government ratings to Baa2/stable from Baa3. In 2011 and 2012 Bulgaria is expected to be among the most disciplined countries in EU by budgetary terms. While Romania also targets a significant reduction of the deficit.

MKB Romexterra Bank – Romania

The collection of customer sources, and the appropriate management of existing customers and the maintenance of the portfolio were in focus of MKB Romexterra Bank's business activity after the implementation of the "Profile Cleansing" concept in 2010, in 2011 H1. In 2011 H1, the Bank's assets declined by 11%, compared to an approximately 31% decrease from 2010 H1. In the meantime, the LTD-ratio continued to improve during the past 6 months, from 61% to 57% (2010 H1: 84%)– and an even more significant improvement can be seen when compared to the figures in the same period of last year. During the Bank's operation in the first half of the year, thanks to portfolio cleansing carried out last year, and the consolidation of problematic client management, the level of provisions practically stagnated.

Taking into consideration the opportunities inherent in the domestic economic environment, the Bank plans to expand business primarily in the retail, micro-business and the SME segments, and according to the expectations this might become possible mainly in the second half of the year. At the same time the appropriate handling of problematic loans and the intensifying of cross-selling in the existing clientele are still goals of the Bank.

MKB Unionbank – Bulgaria

In the first half of 2011 the Bank's assets increased by 5.1% compared to the same period of last year. The business activity of MKB Unionbank, the customer credit portfolio increased in almost every segments, compared to the end of 2010 (large corporates, SME, Micro- and retail business lines), the gross loans increased from the end of last year, and had 4.7% provision coverage by the end of the first half. The deposits and current accounts decreased by BGN 46.9 million (4.5%) from the end of last year. The Bank's business activity focused on the retail and SME segments, in accordance with the rules defined in the course of managing the impacts of the economic recession. The deepening of the primary bank relations through the increase of the customers' product penetration received special emphasis, and the aim was to increase efficiency and to prevent the deterioration of the portfolio quality. As a result, the Bank's profit-before-tax reached BGN 3.6 million in the first six months of the year with a CIR ratio of 53.57%.

In addition to the sales activities, the application of consolidated problematic client management processes continues to be a key priority, in order to reduce any eventual losses arising from the negative impacts of the crisis.

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Although the following strategic participations and partners are not in the consolidation pool of MKB Bank contributed to the 2011 H1 performance of MKB Group.

MKB Pension Fund

Within the pension funds, the Compulsory Fund suffered the most significant changes with the returns to the State Scheme. Altogether 35 thousand people returned to the Social Security System from the Compulsory Fund as of 1st March. Assets of the returning customers worth HUF 54 billion were refunded on 10th June 2011. The value of assets held by the 3,300 members remaining within the pension fund reached HUF 11 billion as at 30th June.
The Voluntary Fund was able to register altogether 2,700 new members, much more than in the similar period of the previous year. At the same time, the number of those who left remained high, so in the first half of the year the number of members decreased from 97,800 only to 96,400. The assets of the Voluntary Fund reached HUF 87.3 billion on 30th June.

MKB Health Care Fund

The increase in membership has continued in the MKB Health Care Fund who as a possible kind of self-care had a very successful half year. With the 7,400 new members, the number of members exceeded 139 thousand, and the managed assets reached HUF 8.4 billion by the end of 2011 H1. The utilisation of services exceeded the amount of membership fees paid: HUF 4.1 billion was paid for services, from the membership fee income worth HUF 3.5 billion.

MKB Insurance

The total premium revenue of MKB General and MKB Life Assurance increased by 37% in the first half of 2011 from the same period of last year, while the Hungarian insurance market had to absorb a decline of 3.7% in 2011 Q1. Due to the decline in retail lending, the total premium revenue of MKB Life Assurance differs from the plan, however this is compensated for by the sale of the up-front unit-linked product. The Liability Insurance played a significant role in the time-proportionate over-performance of the General Insurance premium revenue, and furthermore the more and more intensive business activity of the General Insurance in the micro-business or retail property insurance. In addition to the bank's own sales channel, the company pays great attention to the collaboration with third party sales partners – brokers, other agents.

STATEMENT
on the consolidated semi-annual financial statements of 2011
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 consolidated semi-annual financial statements the following statement:

The Bank declares that the consolidated semi-annual financial statements have been compiled in accordance with the applicable accounting rules. The 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 and of the consolidated enterprises.

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

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

Budapest, 29th August 2011.

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Tamás Erdei
Chairmen & Chief Executive

dr Pál Simák
Chief Financial Officer