STATEMENT

on the non-consolidated annual financial statements of 2011

and on the Report of the Management

Pursuant to Ministry of Finance Decree no. 24/2008 (VIII.15.)

and Act CXX of 2001 on the Capital Market

STATEMENT
on the non-consolidated 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 non-consolidated annual financial statements – accepted by the Annual General Meeting of the Bank on April 25, 2012 and audited by an independent auditor - the following statement:

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

The Bank declares furthermore that The Report of the Management 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.

Budapest, 27... April 2012.

MKB Bank Zrt.

MKB Bank Zrt. | 145

Dr Pál Simák
Chairmen & Chief Executive

Csaba Szekeres
Executive Director

KPMG Hungária Kft.
Váci út 99.
H-1139 Budapest
Hungary

Tel.: +36 (1) 887 71 00
Fax: +36 (1) 887 71 01
E-mail: info@kpmg.hu
Internet: kpmg.hu

Independent Auditors' Report

To the shareholders of MKB Bank Zrt.

Report on the Annual Report

We have audited the accompanying 2011 annual report of MKB Bank Zrt. (hereinafter referred to as "the Bank"), which comprise the balance sheet as at 31 December 2011, which shows total assets of MHUF 2,696,991 and retained loss for the year of MHUF 111,355, and the income statement for the year then ended, and supplementary notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Annual Report

Management is responsible for the preparation and fair presentation of this annual report in accordance with the provisions of the Act on Accounting and accounting principles generally accepted in Hungary, and for such internal control as management determines is necessary to enable the preparation of annual report are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with the Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the annual report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual report.

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

Opinion

We have audited the annual report of MKB Bank Zrt., its components and elements and their accounting and documentary support in accordance with Hungarian National Standards on Auditing and gained sufficient and appropriate evidence that the annual report has been prepared in accordance with the provisions of the Act on Accounting and accounting principles generally accepted in Hungary. In our opinion, the annual report gives a true and fair view of the financial position of MKB Bank Zrt. as of 31 December 2011, and of its financial performance and of the result of its operations for the year then ended.

Emphasis of Matter

Without qualifying our opinion we draw attention to Note 2 which describes that as at December 31, 2011 the Bank did not comply with the capital adequacy requirements set out in the Act CXII of 1996 on Credit Institutions and Financial Enterprises and the measures the Bank's shareholders have taken and plan to take to restore and maintain the Bank's compliance with these capital adequacy requirements in 2012.

Report on the Business Report

We have audited the accompanying 2011 business report of MKB Bank Zrt.

Management is responsible for the preparation of the business report in accordance with the provisions of the Act on Accounting and accounting principles generally accepted in Hungary. Our responsibility is to assess whether this business report is consistent with the 2011 annual report. Our work with respect to the business report was limited to the assessment of the consistency of the business report with the annual report, and did not include a review of any information other than that drawn from the audited accounting records of the Company.

In our opinion, the 2011 business report of MKB Bank Zrt. is consistent with the data included in the 2011 annual report of MKB Bank Zrt.

Budapest, 20th March 2012

KPMG Hungária Kft.
Registration number: 000202

Robert Stöllinger
Partner

Gábor Agócs
Professional Accountant
Registration number: 005600

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MKB Bank Zrt.

NON-CONSOLIDATED BALANCE SHEET

Data:in HUF'mill.

		Item	31.12.2010.	31.12.2011.
		ASSETS:		
1	**1.**	**Cash in hand, balances with central banks**	**81 928**	**65 618**
2	**2.**	**Treasury bills**	**334 937**	**550 843**
3		a) held for dealing	334 946	551 949
4		b) held for investment		
5	**2/A**	Revaluation difference on treasury bills	-9	-1 106
6	**3.**	**Loans and advances to credit institutions**	**113 602**	**91 070**
7		a) due on demand	11 104	8 496
8		b) other receivables from financial services	102 412	82 518
9		ba) maturity up to one year	95 318	82 518
10		Of which: – to affiliated undertakings	84 775	80 344
11		– to other undertakings with participating interest		
12		– to the National Bank of Hungary		
13		– clearing house	22	46
14		bb) maturity over one year	7 094	0
15		Of which: – to affiliated undertakings	7 094	0
16		– to other undertakings with participating interest		
17		– to the National Bank of Hungary		
18		– clearing house		
19		c) receivables from investment services	86	56
20		Of which: – to affiliated undertakings		
21		– to other undertakings with participating interest		
22		– clearing house	86	56
23	**3/A**	Revaluation difference on receivables due from credit institutions		
24	**4.**	**Loans and advances to customers**	**1 985 475**	**1 784 445**
25		a) receivables from financial services	1 985 100	1 783 827
26		aa) maturity up to one year	606 141	680 912
27		Of which: – to affiliated undertakings	78 290	100 320
28		– to other undertakings with participating interest	0	
29		ab) maturity over one year	1 378 959	1 102 915
30		Of which: – to affiliated undertakings	93 866	58 709
31		– to other undertakings with participating interest	0	
32		b) receivables from investment services	203	450
33		Of which: – to affiliated undertakings		
34		– to other undertakings with participating interest		
35		ba) receivables from investment service activities on the stock exchange		
36		bb) receivables from over-the-counter investment service activities	166	89
37		bc) receivables from investment services to customers	37	361
38		bd) receivables from clearing houses		
39		be) other receivables from investment services		
40	**4/A**	Revaluation difference on receivables due from customers	172	168
41	**5.**	**Debt securities including fixed-income securities**	**38 137**	**23 608**
42		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
43		aa) held for dealing		
44		ab) held for investment		
45		b) securities issued by other entities	37 831	23 429
46		ba) held for dealing	37 831	23 429
47		Of which: – to affiliated undertakings	45	
48		– to other undertakings with participating interest		
49		– repurchased own debt securities	30 382	14 752

Data:in HUF'mill.

		Item	31.12.2010.	31.12.2011.
50		bb) held for investment		
51		Of which: – to affiliated undertakings		
52		– to other undertakings with participating interest		
53	5/A	Revaluation difference on debt securities and fixed-income securities	306	179
54	**6.**	**Shares and other variable-yield securities**	**6 382**	**3 108**
55		a) shares and equity stakes held for dealing	285	547
56		Of which: – to affiliated undertakings		
57		– to other undertakings with participating interest		
58		b) other variable-yield securities	5 962	2 540
59		aa) held for dealing	5 962	2 540
60		bb) held for investment		
61	6/A	Revaluation difference on shares and other variable-yield securities	135	21
62	**7.**	**Shares and participating interests held for investment purposes**	**456**	**450**
63		a) shares and participating interests	456	450
64		Of which: – shares and participating interests in credit institutions		
65		b) revaluation surplus on shares and participating interests		
66		Of which: – shares and participating interests in credit institutions		
67	7/A	Revaluation difference on shares and participating interests held for investment purposes		
68	**8.**	**Shares and participating interests in affiliated undertakings**	**123 017**	**105 034**
69		a) shares and participating interests in affiliated undertakings	123 017	105 034
70		Of which: – shares and participating interests in credit institutions	36 715	22 628
71		b) revaluation surplus on shares and participating interests in affiliated undertakings		
72		Of which: – shares and participating interests in credit institutions		
73	**9.**	**Intangible assets**	**23 440**	**8 969**
74		a) intangible assets	23 440	8 969
75		b) revaluation surplus on intangible assets		
76	**10.**	**Tangible fixed assets**	**3 869**	**3 500**
77		a) tangible fixed assets for financial and investment services	3 421	3 038
78		aa) land and buildings	1 950	1 885
79		ab) technical equipment, fittings and vehicles	1 452	1 153
80		ac) fixed assets in the course of construction	19	
81		ad) advance payments on constructions		
82		b) tangible fixed assets servicing non-financial and non-investment activities	448	462
83		ba) land and buildings	34	34
84		bb) technical equipment, fittings and vehicles	414	418
85		bc) fixed assets in the course of construction		
86		bd) advance payments on constructions	0	10
87		c) revaluation surplus on tangible fixed assets		
88	**11.**	**Own shares**		
89	**12.**	**Other assets**	**19 341**	**38 764**
90		a) stocks (inventories)	1 118	290
91		b) other receivables (from non-financial and non-investment securities)	4 109	15 641
92		Of which: – to affiliated undertakings	108	111
93		– to other undertakings with participating interest		
94	12/A	Revaluation difference on other receivables		
95	12/B	Positive revaluation difference on derivative transactions	14 114	22 833
96	**13.**	**Prepayments and accrued income**	**19 253**	**21 582**
97		a) accrued income	17 929	19 643
98		b) prepayments	1 324	1 939
99		c) deferred charges		
100		**TOTAL ASSETS**	**2 749 837**	**2 696 991**
101		*From this: - CURRENT ASSETS* (1+2/a+3/c+3/a+3/ba+4/aa+4/b+5/aa+5/ba+6/a+6/ba+11+12)	*1 207 863*	*1 477 374*
102		*- FIXED ASSETS* (2/b+3/bb+4/ab+5/ab+5/bb+6/bb+7+8+9+10)	*1 536 835*	*1 220 868*

March, 2012, Budapest

Head of the Company

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MKB Bank Zrt.

NON-CONSOLIDATED BALANCE SHEET

Data:in HUF'mill.

		Item	31.12.2010.	31.12.2011.
103		***LIABILITIES***		
104	**1.**	**Liabilities to credit instiutions**	**963 183**	**958 985**
105		a) due on demand	5 549	4 266
106		b) liabilities from financial services with agreed maturity dates or periods of notice	957 497	954 605
107		ba) maturity up to one year	144 001	234 611
108		Of which: – to affiliated undertakings	140 028	216 215
109		– to other undertakings with participating interest		
110		– to the National Bank of Hungary		
111		– clearing house		
112		bb) maturity over one year	813 496	719 994
113		Of which: – to affiliated undertakings	711 050	590 624
114		– to other undertakings with participating interest		
115		– to the National Bank of Hungary		
116		– clearing house		
117		c) liabilities from investment services	137	114
118		Of which: – to affiliated undertakings		
119		– to other undertakings with participating interest		
120		– clearing house	137	114
121	**1/A**	Revaluation difference on liabilities due to credit institutions		
122	**2.**	**Liabilities to customers**	**1 263 281**	**1 295 031**
123		a) saving deposits	194	160
124		aa) due on demand		
125		ab) maturity up to one year	187	160
126		ac) maturity over one year	7	0
127		b) other liabilities from financial services	1 260 473	1 293 572
128		ba) due on demand	392 436	378 050
129		Of which: – to affiliated undertakings	36 677	15 940
130		– to other undertakings with participating interest	58	31
131		bb) maturity up to one year	837 814	879 207
132		Of which: – to affiliated undertakings	1 915	1 729
133		– to other undertakings with participating interest	250	3 001
134		bc) maturity over one year	30 223	36 315
135		Of which: – to affiliated undertakings		
136		– to other undertakings with participating interest		
137		c) liabilities from investment services	2 614	1 299
138		Of which: – to affiliated undertakings		
139		– to other undertakings with participating interest		
140		ca) liabilities from investment service activities on the stock exchange	11	7
141		cb) liabilities from over-the-counter investment service activities		0
142		cc) liabilities to customers from investment services	2 603	1 292
143		cd) liabilities from clearing houses		
144		ce) other liabilities from investment services		
145	**2/A**	Revaluation difference on liabilities due to customers		
146	**3.**	**Liabilities from issued debt securities**	**175 145**	**184 448**
147		a) issued bonds	175 145	184 448
148		aa) maturity up to one year	111 400	92 718
149		Of which: – to affiliated undertakings	400	200
150		– to other undertakings with participating interest		
151		ab) maturity over one year	63 745	91 730
152		Of which: – to affiliated undertakings	1 500	4 000
153		– to other undertakings with participating interest		
154		b) other debt securities	0	0
155		ba) maturity up to one year		
156		Of which: – to affiliated undertakings		
157		– to other undertakings with participating interest		
158		bb) maturity over one year		
159		Of which: – to affiliated undertakings		
160		– to other undertakings with participating interest		
161		c) Certificates (qualified as securities according to the Act on Accounting but not definied as such by the Act on Securities)	0	0
162		ca) maturity up to one year		

Data:in HUF'mill.

		Item	31.12.2010.	31.12.2011.
163		Of which: – to affiliated undertakings		
164		– to other undertakings with participating interest		
165		cb) maturity over one year		
166		Of which: – to affiliated undertakings		
167		– to other undertakings with participating interest		
168	3/A	Revaluation difference on issued debt securities		
169	**4.**	**Other liabilities**	**92 049**	**45 831**
170		a) maturity up to one year	62 064	15 570
171		Of which: – to affiliated undertakings	44 675	31
172		– to other undertakings with participating interest		
173		– pecuniary contribution of members at credit cooperatives		
174		b) maturity over one year		
175		Of which: – to affiliated undertakings		
176		– to other undertakings with participating interest		
177	**4/A**	Negative revaluation difference on derivative transactions	29 985	30 261
178	**5.**	**Accruals and deferred income**	**14 563**	**19 420**
179		a) accrued liabilities	432	614
180		b) accrued costs and expenses	14 064	18 780
181		c) deferred income	67	26
182	**6.**	**Provisions**	**5 047**	**7 107**
183		a) provisions for pensions and similar obligations	22	231
184		b) risk provisions for off-balance sheet items (for contingent and future labilities)	3 453	5 281
185		c) general risk provision	1 572	1 595
186		d) other provisions	0	
187	**7.**	**Subordinated liabilities**	**96 169**	**107 936**
188		a) subordinated borrowings	96 169	107 936
189		Of which: – to affiliated undertakings	96 169	107 936
190		– to other undertakings with participating interest		
191		b) pecuniary contribution of members at credit cooperatives		
192		c) other subordinated liabilities		
193		Of which: – to affiliated undertakings		
194		– to other undertakings with participating interest		
195	**8.**	**Subsribed capital**	**16 038**	**20 733**
196		Of which: repurchased own shares at face value		
197	**9.**	**Subsribed but unpaid capital (-)**		
198	**10.**	**Capital reserves**	**136 708**	**181 491**
199		a) share premium	136 647	181 430
200		b) other	61	61
201	**11.**	**General reserve**	**0**	
202	**12.**	**Retained earnings (accumulated profit reserve) (±)**	**81 057**	**-13 008**
203	**13.**	**Legal reserves**	**1 207**	**317**
204	**14.**	**Revaluation reserve**	**345**	**55**
205		Value-adjusted reserves		
206		Revaluation reserves	345	55
207	**15.**	**Profit or loss for the financial year (±)**	**-94 955**	**-111 355**
208		***TOTAL LIABILITIES***	**2 749 837**	**2 696 991**
209		*Of which:* - SHORT TERM LIABILITIES (1/a+1/ba+1/c+2/aa+2/ab+2/ba+2/bb+2/c+3/aa+3/ba+3/ca +4/a)	*1 586 187*	*1 636 256*
210		*- LONG-TERM LIABILITIES (1/bb+2/ac+2/bc+3/ab+3/bb+3/cb+4/b+7)*	*1 003 640*	*955 975*
211		*- EQUITY (CAPITAL AND RESERVES) (8-9+10+11 ±12+13+14 ±15)*	*140 400*	*78 233*

		OFF-BALANCE SHEET:	**31.12.2010.**	**31.12.2011.**
		Contingent liabilities:	619 973	540 583
		Future receivables	606 067	668 827
		Future liabilities:	595 565	664 381
		Control number	**1 821 605**	**1 873 791**

20, March, 2012, Budapest

Head of the Company

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MKB Bank Zrt.

NON CONSOLIDATED INCOME STATEMENT

Data:in HUF'mill.

		Item	31.12.2010.	31.12.2011.
1	**1.**	**Interest receivable and similar income (2+5)**	**135 354**	**127 292**
2		a) interest income (receivable) from fixed-income securities	26 847	27 504
3		Of which: – from affiliated undertakings		
4		– from other undertakings with participating interest		
5		b) other interest and similar income	108 507	99 788
6		Of which: – from affiliated undertakings	8 211	7 525
7		– from other undertakings with participating interest		
8	**2.**	**Interest payable and similar charges**	**79 481**	**82 505**
9		Of which: – to affiliated undertakings	21 436	22 291
10		– from other undertakings with participating interest	53	186
11		**NET INTEREST INCOME (1-8)**	**55 873**	**44 787**
12	**3.**	**Income from securities (13+14+15)**	**650**	**1 395**
13		a) income from shares held for dealing (dividend, profit-sharing)		0
14		b) income from shares in affiliated undertakings (dividend, profit-sharing)	629	1 395
15		c) income from other shares and participating interests	21	0
16	**4.**	**Commission and fees income (17+20)**	**22 432**	**20 833**
17		a) from other financial services	19 370	18 208
18		Of which: – from affiliated undertakings	136	141
19		– from other undertakings with participating interest	2	1
20		b) from investment services (except for income from trading activities)	3 062	2 625
21		Of which: – from affiliated undertakings	1 678	1 643
22		– from other undertakings with participating interest	4	3
23	**5.**	**Commission and fee expense (24+27)**	**6 479**	**9 424**
24		a) from other financial services	6 084	9 110
25		Of which: – to affiliated undertakings	35	15
26		– from other undertakings with participating interest		
27		b) from investment services (except for charges of trading activities)	395	314
28		Of which: – to affiliated undertakings		
29		– from other undertakings with participating interest		
30	**6.**	**Net profit or net loss on financial operations (31-34+37-41)**	**21 547**	**21 720**
31		a) income from other financial services	22 685	3 134
32		Of which: – from affiliated undertakings		
33		– from other undertakings with participating interest		
34		- valuation difference		
35		b) expenses from other financial services	499	578
36		Of which: – to affiliated undertakings	1	1
37		– from other undertakings with participating interest		
38		- valuation difference		
39		c) income from investment services (income from trading activities)	51 488	68 482
40		Of which: – from affiliated undertakings		
41		– from other undertakings with participating interest		
42		– value re-adjustment (increase) of securities for trade (not more than acquisition value)		7
43		- valuation difference	18 872	36 966
44		d) expenses from investment services (expenses from trading activities)	52 127	49 318
45		Of which: – to affiliated undertakings	11	3
46		– from other undertakings with participating interest		
47		– value adjustment (decrease) of securities for trade	7	4 456
48		- valuation difference	33 909	31 226
49	**7.**	**Other operating income(46+49)**	**8 827**	**8 595**
50		a) incomes from non-financial and non-investment services	6 434	3 783
51		Of which: – from affiliated undertakings	404	348
52		– from other undertakings with participating interest		
53		b) other income	2 393	4 812
54		Of which: – from affiliated undertakings	1	
55		– from other undertakings with participating interest		
56		– value re-adjustment (increase) of stocks (inventories) (not more than acquisition value)	41	
57	**8.**	**General and administrative expenses (54+62)**	**49 573**	**48 640**

58		a) Staff costs (55+56+59)	20 721	22 367
59		aa) wages and salaries	14 576	16 133
60		ab) other staff costs	1 788	1 343
61		Of which: – social security contributions	557	298
62		= pension costs	136	38
63		ac) contributions on wages	4 357	4 891
64		Of which: – social security contributions	4 116	4 541
65		= pension costs	3 672	3 947
66		b) Other administrative expenses (material-type expenses)	28 852	26 273
67	**9.**	**Depreciation** (value adjustments in respect of assets items 9 and 10)	**3 165**	**3 440**
68	**10.**	**Other operating expenses (65+68)**	**38 168**	**46 651**
69		a) expenses from non-financial and non-investment services	6 282	3 416
70		Of which: – to affiliated undertakings	1	1
71		– to other undertakings with participating interest		
72		b) other expenses	31 886	43 235
73		Of which: – to affiliated undertakings	2	
74		– to other undertakings with participating interest		
75		– value adjustment (decrease) of stocks (inventories)	27	
76	**11.**	**Value adjustments in respect of loans and advances and provisions for contigent liabilities and for commitments (73+74)**	**118 368**	**96 708**
77		a) value adjustments (decrease) in respect of loans and advances	115 128	92 378
78		b) provisions for contingent liabilities and commitments	3 240	4 330
79	**12.**	**Reversals of value adjustments in respect of loans and advances and use of provisions for contingent liabilities and commitments (76+77)**	**29 576**	**41 182**
80		a) value re-adjustments (increase) in respect of loans and advances	28 249	38 511
81		b) use of provisions for contingent liabilities and commitments	1 327	2 671
82	**12/A.**	**General risk provision and use**	**501**	**-23**
83	**13.**	**Value adjustments in respect of debt securities held for investment purposes, shares in affiliated undertakings and participating interests**	**36 339**	**44 112**
84	**14.**	**Reversals of value adjustments in respect of debt securities held for investment purposes, shares in affiliated undertakings and participating interests**		
85	**15.**	**Profit or loss on ordinary activities**	**-112 686**	**-110 486**
86		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)	**-112 838**	**-110 853**
87		– PROFIT OR LOSS OF NON-FINANCIAL AND NON-INVESTMENT SERVICES (7/a -10/a)	**152**	**367**
88	**16.**	**Extraordinary income**	**0**	**19 011**
89	**17.**	**Extraordinary expense**	**126**	**19 864**
90	**18.**	**Extraordinary profit or loss (16-17)**	**-126**	**-853**
91	**19.**	**Profit or loss before taxation (±15±18)**	**-112 812**	**-111 339**
92	**20.**	**Tax payable**	**-25**	**16**
93	**21.**	**Profit or loss after taxation (±19-20)**	**-112 787**	**-111 355**
94	**22.**	**Addition to and use of general reserve (±)**	**17 832**	
95	**23.**	**Retained earnings allocated for dividends**		
96	**24.**	**Dividends and profit-shares approved**		
97		Of which: – to affiliated undertakings		
98		– to other undertakings with participating interest		
99	**25.**	**Profit or loss for the financial year (±21±22+23-24)**	**-94 955**	**-111 355**

March, 2012, Budapest

Head of the Company

M K B B a n k Z r t.

10 011 922 641 911 400
Reg. number

Annual
Report

according to
Hungarian Accounting Rules

Dated: Budapest, 20th March 2012

31st December 2011.

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Statutory supplement
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1 Accounting policies

Company	**MKB Bank Zrt.**
Head Office	**1056 Budapest, Váci utca 38.**
Internet home page	**www.mkb.hu**

MKB Bank Zrt. prepared its annual report on the basis of the related EU regulations, and the provisions of the effective

- Act on Credit Institutions and Financial Enterprises (Banking Act),
- Act on Accounting,
- the Government Decree on the annual reporting and bookkeeping obligations of credit institutions,
- Act on the Capital Market, related government decrees and statutory regulations amending them,
- the Government Decree on positions recorded in the Trading Book, the rules of establishing capital requirements in order to cover foreign exchange rate risks and large risks,
- and detailed rules of keeping the Trading Book, applicable decrees of the Ministry of Finance, as well as regulations of the Hungarian Financial Supervisory Authority (Hungarian abbreviation: PSZÁF).

MKB Bank Zrt. has set 6 January 2012 as the date when the financial statements for 2011 financial year are prepared, except for the general risk provisions where this date is set as 15 February 2012.

In accordance with applicable laws and regulations, and in order to comply with its reporting obligations, MKB Bank Zrt. keeps regular records in its books on economic events occurring in relation to its activities, and affecting its assets and liabilities, financial and income position.

During the financial year, MKB Bank Zrt. closes its assets and liabilities accounts, as well as profit and loss accounts at the end of each month, by establishing their balances, creating a trial balance and, after the closing of the period, prepares a balance sheet in order to support interim reports prepared for the Hungarian Financial Supervisory Authority and the National Bank of Hungary, as well as interim reports submitted to the Management of MKB Bank Zrt. It also prepares a summary of off-balance sheet items, recorded in the 0 Account Class (contingency accounts).

During the period from the balance sheet date to the date of preparation of financial statements, all economic events affecting the profit and loss of the business year are recorded in the books.

MKB Bank Zrt. has prepared its internal policies required by the Act on Accounting, the Banking Act and other decrees related thereto that fall within the framework of the Accounting Policies.

A standard chart of accounts based on the guidelines included in the Act on Accounting supplies information for the compilation of MKB Bank Zrt's balance sheet, profit and loss account, supplementary notes and business report, in a breakdown specified in the Government Decree applicable to credit institutions.

On the day of its entry, the separation by the classified categories of financial instruments valued at fair value was completed on the basis of the details of analytical records.

The annual report of MKB Bank Zrt. was audited by KPMG Hungária Kft. chartered accountants.

Manager responsible for bookkeeping and accounting tasks at MKB Bank Zrt.:

Mr. Rádi, János, Head of the Accounting and Reporting Department
Registration number: 168198
Place of birth, date: Gödöllő, 1970. 03. 31.
Address: Budapest

General rules applicable to the annual report

For each item on the balance sheet and the profit and loss account, the corresponding figure of the previous financial year must be presented, and if the figures are not comparable, the reasons therefore must be described in the notes to the accounts. If the audit or self-audit has found error(s) of material value in the annual report(s) of previous year(s), then the modifications regarding such previous year(s) – resulting from final and conclusive statements not contested and not appealed against that become known by the date of the preparation of the balance sheet – are presented for each relevant item of the previous year on the balance sheet and the profit and loss account separately; these figures do not constitute part of the data of the profit and loss account for the year under review. In this case, the figures of the previous year, the modifications to the figures of the closed financial year(s) and the figures of the year under review are disclosed in separate columns on both the balance sheet and the profit and loss account.

Errors are deemed to be of material in all cases where in the year when such error is detected the combined (absolute) value of errors and consequences of errors found in respect of the same year that increases/decreases the profit/loss or the equity of the company exceeds

- 2% of the balance sheet total in the year under audit or revision, or
- HUF 500 million if 2% of such balance sheet total is in excess of HUF 500 million.

Obligation of Repeated Publication

Annual reports already published on any year(s) preceding the year under review must be repeatedly published with the original data left unchanged, but with all required modifications, if an audit or self-audit detects errors of material value which have a substantial impact on the reliable and true disclosure of the assets, financial position or revenues through a change in shareholders' equity, as a result of which the data previously published are misleading.

In order for an annual report to be published again, it must be accompanied by the proper auditor's clause, submitted to the body authorized to approve such report and deposited with the Company Registration and Information Service electronically via the governmental portal within 30 days following such approval.

General Rules of Valuation

With respect to valuation, the going concern principle must be applied, unless a different regulation hinders the implementation of the principle, or a different factor or condition exists which contradicts to the continuity of the enterprise.

The valuation principles applied for the financial statements of the previous financial year can only be changed if the factors causing the change occur for a long time, i.e. more than one year, and therefore the change is considered permanent and durable. In such a case, the factors causing the change and their quantified impacts must be described in details in the supplementary notes.

Assets and liabilities must be verified through taking inventories and reconciliation, and must be valued individually. In the prudent valuation process of balance sheet items, all impairments and value adjustments should be considered that are known by the date of the preparation of balance sheet and relate to assets outstanding at the balance sheet date.

With the exception of revaluations, assets cannot be shown in the balance sheet at a higher amount than their purchase value or production value.

Valuation of Assets and Liabilities in the Balance Sheet

With regard to the valuation of balance sheet items, MKB Bank Zrt. applies the provisions of Articles 54-56 and 60 of the Act on Accounting and Article 9 of the relevant Government Decree.

The modification of the Act on Accounting and the Government Decree that took effect on January 1, 2004 introduced the possibility of the valuation of certain financial instruments at fair value.

In 2007, MKB Bank Zrt. switched over to the valuation at fair value of the determined relevant financial instruments maintaining the valuation of other financial instruments at purchase value (historical costs) according to provisions of general and specific regulations on banks.

Financial assets and financial liabilities for the purposes of fair valuation were classified to special groups in accordance with applicable laws and regulations.

Apart from any other classification methods prescribed in the Act on Accounting (invested assets, current assets, short term, long-term), the 4 groups of financial assets that are not held as part of designated hedging transactions are:

- financial assets held for trading,
- available for sale (held for resale) financial assets,
- financial assets held to maturity,
- loans and other receivables originated by the company.

Financial liabilities that are not held as part of designated hedging transactions are classified into 2 groups:

- financial liabilities held for trading,
- other financial liabilities.

Following the entry of financial instruments in the books at their historical cost (original cost or purchase price) and on their valuation on the balance sheet date

- financial instruments held for trading shall be valued at fair value prevailing at the date when entered into the books or, if valuation takes place on the balance sheet date, at the balance sheet date,
- available for sale (held for resale) financial assets may be valued at fair value prevailing at the date when entered into the books or, if valuation takes place on the balance sheet date, at the balance sheet date if their fair value can be determined by any reliable method.

In reference to available for sale (held for resale) financial assets, the applied valuation method cannot be changed in two years after its introduction.

From assets classified as available for sale (held for resale) financial assets

- all debt securities for liquidity purposes

- and from the share certificates held for liquidity purposes the not-defined-term investment notes issued by investment funds are valued at fair value.

From assets classified as available for sale (held for resale) financial assets, the purchased receivables and the share certificates held for liquidity purposes (excluding the open-ended investment notes issued by investment funds) are valued at historical cost (original cost or purchase price).

Fair valuation may not be applied to:

- financial assets held to maturity
- loans and other receivables originated by the company,
- investments that entail an ownership interest in a subsidiary, a jointly controlled company or associated company shown under invested financial assets,
- repurchased debt securities of own issue and investments that incorporate ownership interests in another company,
- financial instruments with special characteristics,
- spot delivery futures and options for commodities (non-derivative transactions),
- futures and options contingent on climatic, geological or other physical variables,
- other financial liabilities,
- any financial instrument whose fair value cannot be determined by a reliable method.

Financial instruments referred above shall be shown at their historical cost (original cost or purchase price) decreased by repayments and value adjustments (impairments) and increased by value readjustment, or at their contracted value, taking into account the general valuation regulations of the Act on Accounting (historical cost valuation).

Rules of reclassification

Of the loans and other receivables originated by the company, receivables originating from financial leasing and insurance contracts as well as claims against employees and the central budget may not be classified as negotiable or held for trading.

The classification of financial instruments and their valuation shall be performed consistently.
The reclassification of financial instruments can take place only at the same time as the valuation.

Financial instruments cannot be reclassified from the category of available for sale (held for resale) financial assets to the category of financial assets held for trading, even if referring to the purpose of sale in the actual or the next financial year.

The sum of repayments of financial assets held to maturity due in the year following the actual financial year not allowed to be reclassified into the category of financial assets held for trading, or the category of available for sale (held for resale) financial assets from point of valuation. Financial assets can be reclassified only once a financial year.

If a substantial part of financial assets designated as held to maturity is sold or reclassified - and it has a substantial impact on the assets' market value and on MKB's solvency - the remaining financial assets with the same rights shall also be reclassified as available for sale (held for resale) financial assets or financial assets held for trading unless the sale or reclassification took place on account of extraordinary circumstances. Such financial assets, including those remaining and those to be purchased in the future, may not be classified as held to maturity for two years following the date of reclassification.

With respect to reclassification or selling, over 10 percent of the relevant portfolio is regarded as a substantial part of financial assets in the books of MKB Bank Zrt.

The financial assets held for trading cannot be reclassified unless the purpose (intent) of holding such assets has been changed because of extraordinary circumstances.

Accounts pertaining to financial assets shall be restored to the situation existing at the date of acquisition (purchase) when the financial assets in question are reclassified. At the same time, the valuation differences, adjustments and accruals as well as deferrals shall be recorded for financial assets that have already been reclassified.

The valuation of financial instruments valued at fair value takes place on a monthly basis in the books of MKB Bank Zrt. Detailed data needed for fair valuation come from the central Data Warehouse through a closed data flow resulting in a summary report of final accounting entries.

Fluctuations in fair values are shown separately from fluctuations in foreign exchange gains or losses in the valuation difference of the financial assets and liabilities shown in the balance sheet.

With regard to the monthly valuation of balance sheet items, the same valuation method should be applied as at the balance sheet date with the following differences.

The amendment of the valuation differences (counter-movement) have to be deducted in the actual financial year the same profit or loss account or the fair value reserve, against which the valuation differences have been accounted for during the financial year.

The fair value on the day of the valuation had to be taken as basis of the valuation during the actual financial year with respect to accounting write offs (impairments) or its reversal to available for sale (held for resale) financial assets valued at fair value, irrespective to the permanency of development in value.

With respect to financial assets held for trading, the valuation difference indicates when the asset's fair value exceeds its historical cost (original cost or purchase price) or drops below the historical cost (original cost or purchase price). The valuation difference (positive or negative) together with the asset's (less repayments) historical cost (original cost or purchase price) comprises the asset's book value, which is the same as the fair value.

With respect to available for sale (held for resale) financial assets, the valuation difference indicates when the fair value exceeds the asset's historical cost (original cost or purchase price); it is always positive and it is not part of the asset's book value.

On balance sheet date, the value of the invested assets and current assets valued at purchase or production value, known at the time of balance sheet preparation on the basis of cautious valuation,

- was reduced with scheduled and unscheduled depreciation, as well as any write-offs accounted for, and
- was increased by unscheduled depreciation accounted for earlier and reversed write-offs, up to the original purchase or production value (in the case of intangible assets and fixed assets to the net value calculated with scheduled depreciation).

Assets can only be at historic cost or lower than that in the balance sheet.

<u>Scheduled and unscheduled depreciation</u>

Depreciation is established when intangible or tangible fixed assets are put into use, based on the purchase or production value reduced with the residual value and the estimated useful life of the asset.

With regard to intangible assets and tangible fixed assets, MKB Bank Zrt. has established zero residual value in general. Different cases are included in the Valuation Regulations. Value Added Tax (VAT) charged in advance is also included in the purchase or production price.

Scheduled depreciation methods applied by MKB Bank Zrt.:

- straight-line method, in which case the same amount of depreciation is accounted for each year over the useful life of the asset,
- in the case of assets below a purchase price of HUF 50,000 MKB immediately accounts for them as an expense.

No scheduled depreciation is accounted for when the value of the underlying asset does not decrease over the asset's life or the value increases from year to year, moreover, when the carrying value of the asset has reached the previously established residual value.

MKB Bank Zrt. accounts for unscheduled depreciation when

- the book value is higher than the market value for a long time, and the difference is more than 20%,
- the asset cannot be used for its purpose, it has been destroyed or is missing.

The unscheduled depreciation based on market value is reversed when the reasons for accounting for it do not exist anymore, and the respective asset is re-valued to the lower of market value and carrying amount calculated with the scheduled depreciation.

In the cases, when the accounting for or reversal of unscheduled depreciation results in the establishment of a new scheduled depreciation, the reasons are disclosed in the supplementary appendix (notes).

Impairments and reversal of impairments

In accordance with the principle of prudence, predictable risks and expected losses in connection with receivables, securities and participations, and inventories are accounted for as impairments.

In accordance with the principle of reality, impairments accounted for in a preceding period are reversed if the recoverable amount or market value of the asset significantly and permanently exceeds the purchase or production value, reduced earlier through an impairment loss.

Impairments and their reversals are also recorded in foreign exchange in the case of assets denominated in foreign exchange and assets denominated in HUF, but performing as foreign exchange in substance.

Provisions

The valuation rules for provisions are established on the basis of the Government Decree of the Ministry of Finance No. 250/2000, MKB Bank Zrt's internal policy on transaction rating and valuation, as well as Impairment and Provision Regulations.

In the case of items denominated in foreign exchange and items denominated in HUF, but performing as foreign exchange, provisions are also recorded in foreign exchange.

According to the Act on Credit Institutions and Financial Enterprises (Banking Act), banks are allowed to set aside additional general risk provisions up to the level of 1.25 % of the total of risk-weighted assets and off-balance sheet transactions. The Bank did not choose this option between years 2003 and 2008. From the 2009 financial year onwards, the Bank decided to set aside again additional general risk provisions up to the level of 0.1 % of the risk-weighted assets and off-balance sheet items. The Bank gradually utilizes the outstanding amount for uncovered loans, securities and investments, inventories and other off-balance sheet losses during the actual financial year.

At year-end, MKB Bank Zrt. charges provisions against profit before taxation for those contingent liabilities that are certain or highly probable but their exact amounts or date of crystallization can not be established reliably and their coverage is not provided otherwise. Furthermore, such provisions are set aside for expected costs and future liabilities that become known between the balance sheet date and the date of the preparation of the balance sheet.

Value adjustments (revaluations)

MKB Bank Zrt. currently does not apply any value adjustments.

Valuation of foreign exchange assets and liabilities

MKB Bank Zrt. enters its books assets and liabilities denominated in foreign exchanges (including foreign exchange and currency stocks, receivables and liabilities in foreign currencies, government securities in foreign currencies, debt securities, shares and participations, prepayments and accruals, and securities issued by MKB Bank Zrt. in foreign currencies), depending on the nature of transaction, at an exchange rate quoted, or announced and applied by itself at the time of purchase or origination of the items.

In accordance with the statutory regulations, MKB Bank Zrt. values its foreign exchange and currency stocks, as follows:

- The assets denominated in foreign currencies shall be converted into HUF at the medium exchange rate applied by MKB Bank Nyrt, and revaluated at the official exchange rate quoted by the National Bank of Hungary on a daily basis.
- MKB Bank Zrt. values its receivables and liabilities in foreign currencies, and its foreign exchange and currency stocks, not listed by NBH at the exchange rates of the currencies of the world published in national daily papers applying the medium exchange rate applicable on the last day of the year or, if this information is not available, at the average medium exchange rate applied by MKB Bank Zrt. in the previous month.

Foreign exchange difference on assets and liabilities denominated in foreign currencies should be accounted for as income or expense of other financial services.

At each month-end and at the balance sheet date, the foreign exchange difference resulting from the translation of the book value (denominated in a foreign currency) of investments in affiliated foreign companies that are held as part of hedging transactions and for purposes other than trading as well as long-term debts and receivables payable to or due from such companies should be accounted for as fair value reserve, and it is not a part of the total of revaluation differences.

Stocks

Purchased stocks and securities are recorded and accounted for in accordance with the FIFO method.

Prepayments and accruals

MKB Bank Zrt. records among prepayments all revenue items, the financial settlement of which will only take place in the following year, but they are related to the current business year, and expenses, which have incurred in the current business year, but relate to the following years only.

Accruals

MKB Bank Zrt. records among accruals revenues which have originated in the current business year, but are related to the following year(s) and expenses which have incurred in relation to the current year, but will actually be paid in the following business year(s).

Expenses

MKB Bank Zrt. books its expenses primarily in the 5th Accounting Class, with the invoiced amount, including also value added tax (VAT) which cannot be deducted.

Contingency accounts

On the basis of individual decisions related to specific activities, MKB Bank Zrt. uses 0. Account Class to record assets, receivables and liabilities not included in the balance sheet, as well as receivables and liabilities, the reporting of which is mandatory in the 0. Account Class (e.g. contingencies, commitments, nominal value of purchased receivables, nominal values of securities, rented assets, etc.).

Rules for taking inventories

MKB Bank Zrt. takes a true, verifiable and properly documented inventory of its assets and liabilities existing at the balance sheet date for the year-end closing of its books and the preparation of the annual report. The Inventory Rules and Regulations ensure the implementation of inventory taking activities according to uniform guidelines. The analytical records corresponding to the class characteristics of assets and liabilities are kept continuously throughout the year and at year-end MKB Bank Zrt. takes a full-scale inventory following an inventory schedule.

Consolidated financial statements

BayernLB, as MKB's ultimate parent bank, cooperates with MKB Bank Zrt. as a related party during the preparation of the consolidated financial statements.

Head Office of BayernLB: Brienner Str. 18, D-80333 Munich, Germany.

MKB Bank Zrt. prepares the consolidated financial report for those companies which are regarded as subsidiaries and which are members of the BayernLB Group.

Consolidated financial report is available for review: at MKB Bank Zrt's Head Office (Budapest, V. Váci utca 38).

Data in HUF million except if stated otherwise

2 Non-consolidated balance sheet (Hungarian Accounting Rules)

Nr.	Item	31.12.2010	31.12.2011
	A S S E T S		
1.	Cash in hand, balances with central banks	81 928	65 618
2.	Treasury bills	334 937	550 843
3.	Loans and advances to credit institutions	113 602	91 070
4.	Loans and advances to customers	1 985 475	1 784 445
5.	Debt securities including fixed-income securities	38 137	23 608
6.	Shares and other variable-yield securities	6 382	3 108
7.	Shares and participating interests held for investment purposes	456	450
8.	Shares and participating interests in affiliated undertaking	123 017	105 034
9.	Intangible assets	23 440	8 969
10.	Tangible fixed assets	3 869	3 500
11.	Own shares		
12.	Other assets	19 341	38 764
13.	Prepayments and accrued income	19 253	21 582
	TOTAL ASSETS:	**2 749 837**	**2 696 991**
	L I A B I L I T I E S		
1.	Liabilities to credit institutions	963 183	958 985
2.	Liabilities to customers	1 263 281	1 295 031
3.	Liabilities from issued debt securities	175 145	184 448
4.	Other liabilities	92 049	45 831
5.	Accruals and deferred income	14 563	19 420
6.	Provisions	5 047	7 107
7.	Subordinated liabilities	96 169	107 936
8.	Registered capital	16 038	20 733
9.	Reserves	219 317	168 855
10.	Result for the year	-94 955	-111 355
	TOTAL L I A B I L I T I E S:	**2 749 837**	**2 696 991**
	Of which: -EQUITY	140 400	78 233

Data in HUF million except if stated otherwise

3 Non-consolidated income statement (Hungarian Accounting Rules)

Nr.	Item	31.12.2010	31.12.2011
1.	Interest receivable and similar income	135 354	127 292
2.	Interest payable and similar charges	79 481	82 505
	NET INTEREST INCOME	55 873	44 787
3.	Income from securities	650	1 395
4.	Commission and fees income	22 432	20 833
5.	Commission and fee expense	6 479	9 424
6.	Net profit or net loss on financial operations	21 547	21 720
7.	Other operating income	8 827	8 595
8.	General and administrative expenses	49 573	48 640
9.	Depreciation	3 165	3 440
10.	Other operating expenses	38 168	46 651
11.	Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	118 368	96 708
12.	Reversals of value adjustments in respect of loans and advances and use of provisions for contingent liabilities and commitments	29 576	41 182
12/A	General risk provision and use	501	-23
13.	Value adjustments in respect of debt securities held for investment purposes, shares in affiliated undertakings and participating interests	36 339	44 112
14.	Reversals of value adjustments in respect of debt securities held for investment purposes, shares in affiliated undertakings and participating interests	0	0
15.	Profit or loss on ordinary activities	-112 686	-110 486
16.	Extraordinary income	0	19 011
17.	Extraordinary expense	126	19 864
18.	Extraordinary profit or loss	-126	-853
19.	Profit or loss before taxation	-112 812	-111 339
20.	Tax payable	-25	16
21.	Profit or loss after taxation	-112 787	-111 355
22.	Addition to and use of general reserve	17 832	0
23.	Retained earnings allocated for dividends	0	0
24.	Dividends and profit-shares approved	0	0
25.	Profit or loss for the financial year	-94 955	-111 355

Data in HUF million except if stated otherwise

4 Non-consolidated cash flow statement

Nr.		Item	2010	2011
1		Interest income	135 354	127 292
2	+	Income from other financial activities	42 055	21 342
3	+	Other income (excluding utilized and released provisions)	2 253	5 190
4	+	Income from investment services	35 678	34 134
5	+	Incomes from non-financial activities	6 434	3 783
6	+	Dividend received	650	1 395
7	+	Extraordinary revenues	0	19 011
8	-	Interest paid	79 481	82 505
9	-	Other expenditure of financial activities	6 583	9 688
10	-	Other expenditure (excluding provisions)	31 887	43 236
11	-	Expenditures on investment services	18 606	13 950
12	-	Expenditures on non-fin. inst. activities	6 255	3 416
13	-	General and administrative expenses	49 573	48 640
14	-	Extraordinary expenditure (excluding current year's corporation tax)	126	19 864
15	-	Current year's corporation tax	-25	16
16	-	Dividend paid	0	0
17		**Operating Cash Flow (Nr. 01-16)**	**29 938**	**-9 168**
18	±	Liability position	-57 768	478
19	±	Receivables position	-44 587	114 047
20	±	Inventory position	1 643	828
21	±	Changes in stock of securities disclosed as current assets	58 822	-203 890
22	±	Financial investment position	10 015	17 989
23	±	Investment position (including advance payment)	-17	19
24	±	Intangible asset position	5 207	11 472
25	±	Net change in stock of tangible fixed assets (excl. investment and advance payment for investment)	-1 836	-91
26	±	Changes of prepayments and accrued income	12 737	-2 329
27	±	Changes of accruals	-8 455	4 857
28	+	Issuing shares at selling prices	20 251	49 478
29	+	Liquid assets received		
30	-	Liquid assets transferred		
31	-	Face value of repurchased shares, property notes		
		Net Cash Flow (Nr. 17-31)	**25 950**	**-16 310**
		of which: - changes in cash balance (HUF and FX)	-448	1 092
		- changes (in money in transit deposits at NBH)	26 398	-17 402

5 Balance sheet structure

Assets and liabilities

Description	31.12.2010 HUF million	31.12.2010 Balance sheet As a percentage of total assets	31.12.2011 HUF million	31.12.2011 Balance sheet As a percentage of total assets
Receivables due from customers	1 985 475	72,2	1 784 445	66,2
Liabilities due to customers	1 263 281	45,9	1 295 031	48,0
Receivables due from banks	113 602	4,1	91 070	3,4
Liabilities due to banks	963 183	35,0	958 985	35,6
Securities and cash	461 840	16,8	643 627	23,9
Liabilities due to issued securities	175 145	6,4	184 448	6,8
Other liabilities and prepayments	38 594	1,4	60 346	2,2
Other liabilities and accruals	202 781	7,4	173 187	6,4
Own assets and long-term investments	150 326	5,5	117 503	4,3
Shareholders' equity and provisions	145 447	5,3	85 340	3,2
Total assets	**2 749 837**	**100,0**	**2 696 991**	**100,0**

By the end of the reporting year, total assets of MKB Bank decreased to 2 697,0 billion, meanwhile customer portfolios remained the most significant part among financial instruments held by the Bank.

During 2011, proportions of the receivables due from customers to the total assets have decreased, although liabilities due to customers increased somewhat in nominal terms. The 3.4% ratio of receivables due from banks represented in total assets showed a decrease from prior year's figure of 4.1%.

At the end of the year, the total amount of liabilities due to banks was HUF 959.0 billion, which represented a 0.4% decrease in the previous 12 months (2010: HUF 963.2 billion).

During 2011 the amount of securities and cash increased by HUF 181.8 billion, while liabilities due to issued securities increased by HUF 9.3 billion to HUF 184.4 billion by the end of 2010 (2010: 175.1 billion). The growth of the issued portfolio resulted from the increasing of state bonds'portfolio.

Data in HUF million except if stated otherwise

6 Maturity structure

Item	31.12.2010	%	31.12.2011	%	Change
A S S E T S					
Cash	81 928	3,0%	65 618	2,4%	-16 310
Short-term receivables	731 247	26,6%	811 074	30,1%	79 827
Securities held for trade	379 456	13,8%	577 559	21,4%	198 103
Stocks	1 118	0,0%	290	0,0%	-828
Prepayments	19 253	0,7%	21 582	0,8%	2 329
Total short-term assets	**1 213 002**	**44,1%**	**1 476 123**	**54,7%**	**263 121**
Long-term receivables	1 386 053	50,4%	1 102 915	40,9%	-283 138
Securities held for investment	0	0,0%	0	0,0%	0
Equity investments	123 473	4,5%	105 484	4,0%	-17 989
Intangible assets	23 440	0,9%	8 969	0,3%	-14 471
Tangible assets	3 869	0,1%	3 500	0,1%	-369
Total long-term assets	**1 536 835**	**55,9%**	**1 220 868**	**45,3%**	**-315 967**
TOTAL ASSETS:	**2 749 837**	**100,0%**	**2 696 991**	**100,0%**	**-52 846**
L I A B I L I T I E S					
Short-term liabilities	1 474 787	53,6%	1 543 538	57,2%	68 751
Securities issued (short-term)	111 400	4,1%	92 718	3,5%	-18 682
Provisions	5 047	0,2%	7 107	0,3%	2 060
Accruals	14 563	0,5%	19 420	0,7%	4 857
Total short-term liabilities	**1 605 797**	**58,4%**	**1 662 783**	**61,7%**	**56 986**
Long-term liabilities	939 895	34,2%	864 245	32,0%	-75 650
Securities issued (long-term)	63 745	2,3%	91 730	3,4%	27 985
Shareholders' equity	140 400	5,1%	78 233	2,9%	-62 167
Total long-term liabilities	**1 144 040**	**41,6%**	**1 034 208**	**38,3%**	**-109 832**
TOTAL LIABILITIES:	**2 749 837**	**100,0%**	**2 696 991**	**100,0%**	**-52 846**

In 2011, the Bank's open maturity position decreased significantly, because at the end of the year long-term assets exceeded the sum of long-term liabilities and shareholders' equity by HUF 392.8 billion, while the surplus of long-term assets was HUF 186.7 billion at the end of 2010. The specific ratio of the open maturity position to total assets increased slightly to 6.9%. (2010: 14.3%).

Within the maturity structure, short-term assets increased (by HUF 263.1 billion). The main factor of the raise in short-term assets was the raise in the portfolio of securities held for trade (by HUF 198.1 billion), whereas cash reserves decreased by HUF 16.3 billion. Long-term receivables decreased by HUF 283.1 billion, which counterbalanced the raise in short-term assets from maturity position point of view.

By the end of 2011, short-term liabilities increased by HUF 68.8 billion. Meanwhile, issued securities falling due within one year fall by HUF 18.7 billion. Simultaneously, the decline in long term funds was driven by the HUF 62.2 billion fall in shareholders' equity and the decrease of long-term liabilities by HUF 75.7 billion.

Ratio of liquid assets increased to 22.9% in 2011 from 15.2% which mainly affected by the decrease in portfolio of treasury bills.

7 Fair value valuation, derivative financial instruments

On January 1st, 2007, MKB Bank Zrt. changed its accounting policy and implemented fair value revaluation for certain financial instruments whereas other instruments are still accounted for under the general rules of historical cost convention.

The exact methods, applied models, the sources of input data used during the fair value accounting are set out in Appendix No. 2 of Internal Regulation of No. 23/2009. (IX. 18.) on Trading Book Management. The Appendix discloses the Valuation Principles (chosen valuation methods, compulsory internal models, applied yield curves and volatility curves).

The short description of the valuation techniques of respective transactions is as follows:

The fair values of securities are defined on the basis of quoted market prices, if such market values are available. When quoted market prices are not reliably available, fair values are established by using quoted market values of similar securities or using internal models based on yield curves and (credit) spreads.

Bonds are valued to fair value primarily by using listed market prices. Market prices are set according to quotations on stock exchanges or prices available on OTC markets, based on data provided by Reuters or Bloomberg.
In the case of bonds whose quotations are not reliable or such quoted prices are not available, fair values are established by using internal models. Internal models are based on using present value calculations of discounted future cash flows of the respective instrument. The yield curves that are applied to define the discount factors are chosen according to both the types of the underlying securities and actual issuers of the bonds.
For those Hungarian government bonds and debt securities issued by the National Bank of Hungary who have no market prices as secondary markets do not exist, fair values are calculated by yield curves of Hungarian Forint (HUF), to be built up from other central government bonds.
Corporate bonds with no available market prices are valued to fair value by using swap curves of the currency of the respective bonds as well as by considering the credit spread applied to the issuer. Credit spreads are reviewed and updated regularly.

The fair values of derivative financial instruments that are traded on stock exchanges are established as quoted market prices. Derivatives that are traded on OTC markets are valued to fair value by using valuation techniques, including discounted cash flow models and option pricing models.

The fair values of interest rate swaps (IRSs) are calculated as the sum of the present values of opposite cash flows for the remaining period of the transaction. The net present value (NPV) is defined by using swap curves. The discount factor for each future cash flow date is derived through exponential interpolation from the yield curve valid on the balance sheet date.

In the case of cross currency swap transactions (CCSs), market conventions define that the application of swap curve in discounting future cash flows generated by swap or deterministic curves is not suitable. The reason for this judgment is that in the case of transactions swapping different currencies markets price higher risk premium for one leg than the other. This fact is reflected by credit basis swap (CBS) spreads. On these grounds, yield curves modified by CBS spreads should be used in calculating fair values of such transactions.

Net present values of FX forward transactions with maturity of less than one year are based on market quotations whereas yield curves based on quotations of interest rate swaps are used to determine fair values of transactions over one year maturity.

FX swap transactions are separated as spot and forward transactions. Thus, FX swaps are valued to fair value similarly as FX forward transactions.

The result of FX options is the net balance of market values and past cash flows (i.e. premium paid or received). Market values are defined by using different option pricing models (e.g. the Garman & Kohlhagen model for plain vanilla call/put options).

The results of stock options and indices options are defined analogous to FX options.

A cap/floor transaction is regarded as a series of OTC interest rate options, and its theoretical price is defined as the sum of the theoretical price of its components (caplets/floorlets). The valuation of interest related options are carried out by Black & Scholes model.

In the case of stock futures and indices futures transactions, fair values are defined as market prices quoted by the stock exchange. Market prices of domestic futures transactions are closing prices whereas other futures are valued at listed market prices provided by Reuters or Bloomberg prevailing at the time of downloading.

Data in HUF million except if stated otherwise

Groups of financial instruments and their fair value

1. Securities held for trading purposes

	2010 Fair value	2011 Fair value
Treasury bills M:5	-110	-1069
Debt securities M:53	222	169
Zero-coupon securities M:5	-16	-54
Shares M:61	9	-7
Total	**87**	**-961**

2. Available-for-sale securities
(valuation directly against fair value reserve /equity/)

	2010 Fair value	2011 Fair value
Treasury bills M:5	117	17
Debt securities M:53	74	10
Zero-coupon securities M: 5	0	0
Open-ended investment funds M:61	144	28
Other investment funds M:53	10	0
Total	**345**	**55**

3. Derivative financial instruments held for trading purposes

	2010 Fair value (gain) M:95	2010 Fair value (loss) M:177	2011 Fair value (gain) M:95	2011 Fair value (loss) M:177	Fair value change (2011-2010)
IRS	6797	-6654	11163	-12068	-1048
CIRS	1872	-17342	753	-4269	11954
CAP	55	-44	237	-9	217
FLOOR	1769	-1769	1028	-1028	0
FRA	24	-120	378	-204	270
FX FORWARD	288	-921	3612	-1033	3212
FX FUTURES	175	-175	108	-91	17
FX SWAP	2523	-2256	4997	-10738	-6008
FX OPCIÓ	265	-290	481	-166	340
SWAPTION	0	0	0	0	0
CDS	0	-141	0	-474	-333
BUX/SHARES FUTURES	47	-37	8	-11	-13
SHARES INDEX OPTION	299	-60	68	-2	-173
Total	**14 114**	**-29 809**	**22 833**	**-30 093**	**8 435**

Data in HUF million except if stated otherwise

4. Hedges:

Bank uses only fair value hedges, in order to hedge interest rate risk of issued securities and the foreign exchange risk resulting from EUR loans.

Fair value hedges

	Fair value 2010 (loss) M:177	Fair value 2011 (loss) M:177	Fair value change (2011-2010)
IRS	-176	-168	8
Total	**-176**	**-168**	**8**

Compensated gain/loss

	Liabilities 2010 M:40	Liabilities 2011 M:40	Fair value change (2011-2010)
IRS	172	168	-4
Total	**172**	**168**	**-4**

Data in HUF million except if stated otherwise

5. Option premiums

Deals stated before 2011

	Fair value (gain)	Fair value (loss)	Net gain/loss	Matured in 2011
FX OPTION	153	-223	-70	-70
CAP	144	-190	-46	-28
FLOOR	266	-425	-159	-64
CDS	0	-52	-52	0
INDEX OPTION	278	-20	258	99
Total	**841**	**-910**	**-69**	**-63**

Deals stated in 2011

	Fair value (gain)	Fair value (loss)	Net gain/loss	Transfers between P&L 2011
FX OPTION	74	-45	29	99
CAP	1371	-1	1370	1398
FLOOR	0	0	0	64
SWAPTION	0	0	0	0
CDS	0	0	0	0
INDEX OPTION	193	-4	189	90
Total	**1 638**	**-50**	**1 588**	**1 651**

Option premiums should be accounted for as fair value revaluation difference when the transaction is financially settled. On closing the transaction, the premium should be reclassified into P&L.

The effect of fair value revaluation on P&L and equity

	Fair value (2010)	Fair value (2011)
Securities held-for-trading	-52	-1 048
Derivatives held-for-trading	-15 016	6 784
Fair value hedges (not effective parts)	31	4
Total	**-15 037**	**5 740**

	Fair value (2010)	Fair value (2011)
Equity	**345**	**55**

Data in HUF million except if stated otherwise

Derivative financial instruments – by main types

FX forwards

Products	Partner	Original maturity	Remaining maturity	Amounts bought	Amounts sold	Fair value
AUD/HUF	CUSTOMER	1E	6H	17	15	2
AUD/HUF	CUSTOMER	3H	1H	61	59	2
AUD/HUF	CUSTOMER	6H	6H	32	34	-2
AUD/HUF	CUSTOMER	9H	3H	17	15	2
AUD/HUF	CUSTOMER	9H	6H	34	31	3
CAD/HUF	CUSTOMER	1E	1H	15	13	2
CAD/HUF	CUSTOMER	1E	3H	31	26	4
CAD/HUF	CUSTOMER	1E	6H	31	26	5
CAD/HUF	CUSTOMER	1E	9H	15	13	2
CAD/HUF	CUSTOMER	3H	3H	621	620	1
CAD/HUF	CUSTOMER	6H	6H	29	31	-2
CAD/HUF	CUSTOMER	9H	3H	15	14	1
CAD/HUF	CUSTOMER	9H	6H	31	29	2
CHF/HUF	CUSTOMER	1E	1E	768	802	0
CHF/HUF	CUSTOMER	1E	6H	256	234	27
CHF/HUF	CUSTOMER	1E	9H	2 303	2 231	128
CHF/HUF	CUSTOMER	3H	1H	253	253	0
CHF/HUF	CUSTOMER	3H	3H	307	307	-1
CHF/HUF	CUSTOMER	6H	3H	179	180	0
CHF/HUF	CUSTOMER	6H	6H	11	11	0
CHF/RON	CUSTOMER	6H	3H	205	205	1
EUR/CHF	CUSTOMER	3H	3H	459	456	2
EUR/CHF	CUSTOMER	6H	3H	153	154	0
EUR/HUF	CUSTOMER	1E	1E	3 204	3 209	-66
EUR/HUF	CUSTOMER	1E	1H	31	28	3
EUR/HUF	CUSTOMER	1E	3H	535	469	68
EUR/HUF	CUSTOMER	1E	6H	2 699	2 814	-124
EUR/HUF	CUSTOMER	1E	7N	47	43	4
EUR/HUF	CUSTOMER	1E	9H	3 764	3 544	297
EUR/HUF	CUSTOMER	1H	1H	153	155	-2
EUR/HUF	CUSTOMER	1H	7N	60	61	-1
EUR/HUF	CUSTOMER	2E	1E	2 472	2 308	237
EUR/HUF	CUSTOMER	2E	1H	31	30	2
EUR/HUF	CUSTOMER	2E	2E	2 813	2 780	78
EUR/HUF	CUSTOMER	2E	3H	498	480	21
EUR/HUF	CUSTOMER	2E	6H	1 820	1 760	88
EUR/HUF	CUSTOMER	2E	7N	31	29	2

Data in HUF million except if stated otherwise

EUR/HUF	CUSTOMER	2E	9H	1 591	1 643	-50
EUR/HUF	CUSTOMER	3H	1H	2 867	2 930	-66
EUR/HUF	CUSTOMER	3H	3H	3 106	3 115	-18
EUR/HUF	CUSTOMER	3H	7N	353	357	-5
EUR/HUF	CUSTOMER	4E	2E	212	219	7
EUR/HUF	CUSTOMER	4E	6H	264	257	12
EUR/HUF	CUSTOMER	4E	9H	887	876	35
EUR/HUF	CUSTOMER	6H	1H	1 537	1 449	89
EUR/HUF	CUSTOMER	6H	3H	3 988	3 755	250
EUR/HUF	CUSTOMER	6H	6H	2 523	2 514	32
EUR/HUF	CUSTOMER	6H	7N	686	629	58
EUR/HUF	CUSTOMER	7N	7N	166	168	-1
EUR/HUF	CUSTOMER	9H	1H	369	323	47
EUR/HUF	CUSTOMER	9H	3H	1 529	1 486	47
EUR/HUF	CUSTOMER	9H	6H	2 963	2 743	256
EUR/HUF	CUSTOMER	9H	7N	115	119	-4
EUR/HUF	CUSTOMER	9H	9H	372	373	2
EUR/PLN	CUSTOMER	6H	1H	62	62	1
EUR/RON	CUSTOMER	6H	3H	12 244	11 978	174
EUR/USD	CUSTOMER	1E	6H	23	25	-2
EUR/USD	CUSTOMER	3H	1H	409	409	0
EUR/USD	CUSTOMER	3H	3H	994	986	8
EUR/USD	CUSTOMER	6H	1H	90	96	-6
EUR/USD	CUSTOMER	6H	3H	251	265	-14
EUR/USD	CUSTOMER	6H	6H	45	48	-3
EUR/USD	CUSTOMER	9H	1H	82	90	-8
EUR/USD	CUSTOMER	9H	3H	122	134	-12
GBP/HUF	CUSTOMER	1E	1E	74	70	5
GBP/HUF	CUSTOMER	1E	6H	82	73	10
GBP/HUF	CUSTOMER	1E	9H	735	686	60
GBP/HUF	CUSTOMER	3H	1H	122	120	2
GBP/HUF	CUSTOMER	3H	3H	404	387	19
GBP/HUF	CUSTOMER	3H	7N	19	18	1
GBP/HUF	CUSTOMER	6H	1H	130	118	12
GBP/HUF	CUSTOMER	6H	3H	616	579	39
GBP/HUF	CUSTOMER	6H	6H	145	142	4
GBP/HUF	CUSTOMER	6H	7N	56	51	4
GBP/HUF	CUSTOMER	9H	3H	93	84	10
GBP/HUF	CUSTOMER	9H	6H	724	673	58
GBP/HUF	CUSTOMER	9H	9H	67	67	0
JPY/HUF	CUSTOMER	3H	7N	745	721	25
JPY/HUF	CUSTOMER	7N	7N	466	466	0
PLN/HUF	CUSTOMER	1H	1H	217	219	-2
PLN/HUF	CUSTOMER	3H	1H	219	209	10
RUB/HUF	CUSTOMER	1H	1H	299	292	7

Data in HUF million except if stated otherwise

RUB/HUF	CUSTOMER	1H	7N	108	104	4
RUB/HUF	CUSTOMER	3H	1H	799	777	22
RUB/HUF	CUSTOMER	3H	3H	831	802	27
RUB/HUF	CUSTOMER	3H	7N	149	147	2
RUB/HUF	CUSTOMER	6H	6H	224	222	0
RUB/HUF	CUSTOMER	9H	3H	224	205	19
RUB/HUF	CUSTOMER	9H	6H	224	222	0
USD/CHF	CUSTOMER	3H	3H	448	443	5
USD/CHF	CUSTOMER	6H	3H	234	241	-6
USD/HUF	CUSTOMER	1H	1H	111	113	-2
USD/HUF	CUSTOMER	1H	7N	23	24	-1
USD/HUF	CUSTOMER	3H	1H	8 575	8 268	308
USD/HUF	CUSTOMER	3H	3H	7 818	7 588	257
USD/HUF	CUSTOMER	3H	7N	727	649	78
USD/HUF	CUSTOMER	6H	1H	197	217	-20
USD/HUF	CUSTOMER	6H	3H	1 630	1 642	-11
USD/HUF	CUSTOMER	6H	6H	8	8	0
USD/HUF	CUSTOMER	7N	7N	126	127	-1
USD/HUF	CUSTOMER	9H	3H	64	52	12
USD/HUF	CUSTOMER	9H	9H	56	53	4
USD/RON	CUSTOMER	6H	3H	96	94	3
FX forward deals total				**89 736**	**87 491**	**2 579**

Data in HUF million except if stated otherwise

FX futures

Products	Partner	Original maturity	Remaining maturity	Amounts bought	Amounts sold	Fair value
CHF/HUF	BÉT	1H	1H	50	50	0
CHF/HUF	BÉT	3H	1H	929	930	0
CHF/HUF	BÉT	3H	3H	76	76	0
CHF/HUF	BÉT	6H	3H	691	675	22
EUR/HUF	BÉT	1H	1H	838	841	-3
EUR/HUF	BÉT	3H	1H	1 805	1 815	-9
EUR/HUF	BÉT	3H	3H	441	443	-2
EUR/HUF	BÉT	6H	1H	23	22	1
EUR/HUF	BÉT	6H	3H	308	303	7
EUR/USD	BÉT	1H	1H	187	189	-2
EUR/USD	BÉT	3H	1H	188	187	1
JPY/HUF	BÉT	6H	3H	47	45	2
USD/CHF	BÉT	3H	1H	714	718	-4
USD/HUF	BÉT	1E	1H	12	10	2
USD/HUF	BÉT	1E	3H	24	19	5
USD/HUF	BÉT	1E	6H	24	20	5
USD/HUF	BÉT	1E	9H	24	24	0
USD/HUF	BÉT	1H	1H	415	418	-3
USD/HUF	BÉT	2E	9H	24	21	4
USD/HUF	BÉT	3H	1H	1 222	1 227	-6
USD/HUF	BÉT	3H	3H	190	193	-3
USD/HUF	BÉT	6H	1H	11	12	-1
USD/HUF	BÉT	6H	3H	95	93	2
USD/HUF	BÉT	9H	9H	24	24	-1
FX futures deals total				**8 362**	**8 355**	**17**

“BÉT” stands for Budapest Stock Exchange

Data in HUF million except if stated otherwise

FX swap deals

Products	Partner	Original maturity	Remaining maturity	Amounts bought	Amounts sold	Fair value
AUD/USD	BANK	3H	1H	977	968	7
EUR/CHF	BANK	1H	7N	14 041	13 970	71
EUR/CHF	BANK	3H	1H	16 634	16 390	244
EUR/HRK	BANK	3H	1H	83	83	0
EUR/HUF	BANK	1E	1E	42 708	42 232	-352
EUR/HUF	BANK	1E	3H	9 715	10 890	-1 232
EUR/HUF	BANK	1E	6H	35 977	38 891	-3 494
EUR/HUF	BANK	1E	9H	37 251	37 178	-159
EUR/HUF	BANK	1H	7N	2 703	2 704	-1
EUR/HUF	BANK	4E	2E	623	634	29
EUR/HUF	BANK	6H	3H	48 830	49 470	-957
EUR/HUF	BANK	7N	7N	47 150	46 863	246
EUR/HUF	BANK	9H	3H	20 641	20 567	34
EUR/HUF	BANK	9H	6H	6 252	6 223	-67
EUR/HUF	CUSTOMER	3H	3H	91	93	-3
EUR/HUF	CUSTOMER	3H	7N	1 226	1 229	-3
EUR/RON	BANK	6H	3H	10 838	11 099	-177
EUR/USD	BANK	1H	1H	31 380	31 113	254
EUR/USD	BANK	7N	7N	8 614	8 642	-29
GBP/USD	BANK	1H	7N	1 485	1 509	-24
USD/CAD	BANK	3H	1H	1 178	1 155	22
USD/CZK	BANK	1H	1H	550	542	8
USD/CZK	BANK	7N	7N	60	60	0
USD/HUF	BANK	1E	3H	4 056	4 814	-782
USD/HUF	BANK	1H	7N	35 697	34 140	1 573
USD/HUF	BANK	6H	6H	10 251	10 000	327
USD/HUF	BANK	7N	7N	43 267	43 159	29
USD/HUF	BANK	9H	3H	4 720	6 017	-1 307
USD/JPY	BANK	3H	1H	6 183	6 210	-30
USD/NOK	BANK	3H	1H	400	419	-19
USD/PLN	BANK	7N	7N	211	212	0
USD/RUB	BANK	1H	1H	1 055	1 045	10
USD/RUB	BANK	1H	7N	299	308	-10
USD/RUB	BANK	3H	1H	2 023	1 979	45
USD/RUB	BANK	3H	3H	678	672	8
USD/SEK	BANK	1H	7N	488	490	-2
FX swap deals total				**448 335**	**451 970**	**-5 741**

Data in HUF million except if stated otherwise

CIRS (Cross-currency interest rate swaps)

Hegde	Partner	Bought product	Sold product	Original maturity	Remaining maturity	Bought principal	Sold principal	Fair value
NO HEDGE	BANK	HUF	CHF	5T	3H	53 924	56 300	-2 285
NO HEDGE	BANK	HUF	CHF	5T	7N	28 728	30 710	-1 984
NO HEDGE	BANK	USD	EUR	1E	6H	22 657	21 779	753
CIRS deals total						**105 309**	**108 789**	**-3 516**

Data in HUF million except if stated otherwise

IRS

Hegde	Partner	Bought/Sold	Original maturity	Remaining maturity	Principal	Fair value
Hedge	BANK	EUR	4E	3E	2 827	-168
Hedge	BANK	EUR	5T	7N	8	0
Hedge Total					**2 835**	**-168**
No Hedge	BANK	CHF	5E	4E	1 946	-42
No Hedge	BANK	CZK	5T	5E	6 748	-34
No Hedge	BANK	EUR	2E	6H	4 697	-5
No Hedge	BANK	EUR	2E	9H	1 288	-2
No Hedge	BANK	EUR	4E	1E	11 294	-102
No Hedge	BANK	EUR	4E	2E	10 854	97
No Hedge	BANK	EUR	5E	3E	11 004	-260
No Hedge	BANK	EUR	5E	4E	19 887	-1 518
No Hedge	BANK	EUR	5T	3E	24 073	-885
No Hedge	BANK	EUR	5T	4E	2 333	40
No Hedge	BANK	EUR	5T	5E	6 223	129
No Hedge	BANK	EUR	5T	5T	23 201	-948
No Hedge	BANK	EUR	5T	6H	1 973	-13
No Hedge	BANK	EUR	5T	TT	28 842	-5 755
No Hedge	BANK	HUF	1E	6H	10 000	-55
No Hedge	BANK	HUF	1E	9H	21 400	-211
No Hedge	BANK	HUF	2E	1E	5 050	-64
No Hedge	BANK	HUF	2E	2E	2 500	-50
No Hedge	BANK	HUF	2E	9H	3 190	-28
No Hedge	BANK	HUF	4E	1E	515	-8
No Hedge	BANK	HUF	4E	2E	6 730	-175
No Hedge	BANK	HUF	4E	4E	1 956	-58
No Hedge	BANK	HUF	4E	9H	8 000	-58
No Hedge	BANK	HUF	5E	4E	12 614	-204
No Hedge	BANK	HUF	5E	5E	1 860	0
No Hedge	BANK	HUF	5E	9H	285	-3
No Hedge	BANK	HUF	5T	1E	3 000	15
No Hedge	BANK	HUF	5T	2E	7 000	13
No Hedge	BANK	HUF	5T	3E	1 000	-18
No Hedge	BANK	HUF	5T	4E	16 720	-76
No Hedge	BANK	HUF	5T	5E	14 700	-36
No Hedge	BANK	HUF	5T	5T	14 020	14
No Hedge	BANK	HUF	5T	6H	4 000	0
No Hedge	BANK	HUF	5T	7N	6 000	0
No Hedge	CUSTOMER	CHF	5E	4E	1 946	52
No Hedge	CUSTOMER	EUR	2E	6H	4 697	7

Data in HUF million except if stated otherwise

No Hedge	CUSTOMER	EUR	2E	9H	1 288	2
No Hedge	CUSTOMER	EUR	4E	1E	9 151	129
No Hedge	CUSTOMER	EUR	4E	2E	929	13
No Hedge	CUSTOMER	EUR	5E	3E	4 001	131
No Hedge	CUSTOMER	EUR	5E	4E	18 642	1 572
No Hedge	CUSTOMER	EUR	5T	3E	8 517	333
No Hedge	CUSTOMER	EUR	5T	5T	16 978	893
No Hedge	CUSTOMER	EUR	5T	6H	1 973	14
No Hedge	CUSTOMER	EUR	5T	TT	28 842	6 249
No Hedge Total					**391 867**	**-905**
IRS Total					**394 702**	**-1 073**

Data in HUF million except if stated otherwise

FX options

Products	Partner	Original maturity	Remaining maturity	Nominal amount in HUF	Fair value
EUR/HUF	BANK	6H	3H	30	-1
EUR/HUF	CUSTOMER	6H	3H	30	1
EUR/HUF	BANK	1E	6H	1 227	-87
EUR/HUF	BANK	6H	1H	327	0
EUR/HUF	BANK	6H	3H	603	-12
EUR/HUF	BANK	9H	1H	480	0
EUR/HUF	BANK	9H	6H	330	-9
EUR/HUF	CUSTOMER	1E	1E	876	19
EUR/HUF	CUSTOMER	1E	6H	1 767	184
EUR/HUF	CUSTOMER	1E	9H	2 336	55
EUR/HUF	CUSTOMER	3H	1H	106	1
EUR/HUF	CUSTOMER	3H	7N	153	1
EUR/HUF	CUSTOMER	6H	1H	418	3
EUR/HUF	CUSTOMER	6H	3H	925	20
EUR/HUF	CUSTOMER	6H	7N	33	0
EUR/HUF	CUSTOMER	9H	1H	1 080	39
EUR/HUF	CUSTOMER	9H	3H	796	53
EUR/HUF	CUSTOMER	9H	6H	1 699	36
EUR/HUF	BANK	3H	1H	164	-1
EUR/HUF	BANK	3H	3H	241	-2
EUR/HUF	BANK	6H	1H	74	0
EUR/HUF	CUSTOMER	3H	1H	164	1
EUR/HUF	CUSTOMER	3H	3H	241	2
EUR/HUF	CUSTOMER	6H	1H	73	0
EUR/HUF	CUSTOMER	3H	1H	563	0
EUR/HUF	CUSTOMER	3H	7N	172	0
EUR/USD	CUSTOMER	6H	1H	199	6
EUR/USD	CUSTOMER	6H	3H	152	2
EUR/USD	CUSTOMER	9H	6H	48	4
FX option deals total				**15 307**	**315**

Data in HUF million except if stated otherwise

Other derivative financial instruments

Products	Partner	Bought/Sold	Original maturity	Remaining maturity	Notional	Fair value
FRA	BANK	HUF	1E	6H	50 000	176
FRA	BANK	HUF	1E	9H	60 000	19
FRA	BANK	HUF	9H	6H	30 000	-21
FRA total					**140 000**	**174**
CDS	BANK	EUR	5T	5T	1 001	-469
CDS	BANK	EUR	5T	3E	54	-5
CDS total					**1 055**	**-474**

Type	Partner	Bought/Sold product	Original maturity	Remaining maturity	Notional	Fair value
Cap	BANK	CHF	4E	1E	536	0
Cap	BANK	EUR	1E	6H	863	0
Cap	BANK	EUR	2E	1E	697	0
Cap	BANK	EUR	2E	6H	6 600	0
Cap	BANK	EUR	4E	6H	1 519	0
Cap	BANK	EUR	4E	9H	255	0
Cap	BANK	EUR	5E	1E	6 192	0
Cap	BANK	EUR	5E	3E	187	0
Cap	BANK	EUR	5E	3H	9 961	0
Cap	BANK	EUR	5T	2E	15 254	4
Cap	BANK	EUR	5T	3E	8 782	6
Cap	CUSTOMER	CHF	4E	1E	536	0
Cap	CUSTOMER	EUR	1E	6H	863	0
Cap	CUSTOMER	EUR	2E	1E	697	0
Cap	CUSTOMER	EUR	2E	6H	6 600	0
Cap	CUSTOMER	EUR	4E	6H	1 519	0
Cap	CUSTOMER	EUR	4E	9H	255	0
Cap	CUSTOMER	EUR	5E	1E	6 191	0
Cap	CUSTOMER	EUR	5E	3E	187	0
Cap	CUSTOMER	EUR	5E	3H	9 961	0
Cap	CUSTOMER	EUR	5T	2E	15 254	-4
Cap	CUSTOMER	EUR	5T	3E	9 788	-6
*Rac	BANK	EUR	2E	2E	7 923	44
*Rac	BANK	EUR	3E	2E	1 040	16
*Rac	BANK	HUF	2E	1E	2 566	14
*Rac	BANK	HUF	2E	2E	4 796	95
*Rac	BANK	HUF	2E	9H	5 061	59
Cap total					**124 083**	**228**
Floor	BANK	EUR	2E	1E	697	-2
Floor	BANK	EUR	4E	6H	1 519	-2
Floor	BANK	EUR	5E	1E	6 192	-113

Data in HUF million except if stated otherwise

Floor	BANK	EUR	5E	3E	187	-1
Floor	BANK	EUR	5E	3H	9 961	-53
Floor	BANK	EUR	5T	2E	10 027	-456
Floor	BANK	EUR	5T	3E	8 782	-399
Floor	CUSTOMER	EUR	2E	1E	697	2
Floor	CUSTOMER	EUR	4E	6H	1 519	2
Floor	CUSTOMER	EUR	5E	1E	6 191	113
Floor	CUSTOMER	EUR	5E	3E	187	1
Floor	CUSTOMER	EUR	5E	3H	9 961	53
Floor	CUSTOMER	EUR	5T	2E	10 027	456
Floor	CUSTOMER	EUR	5T	3E	9 788	399
Floor total					**75 735**	**0**

Product	Partner	Bought/Sold product	Original maturity	Remaining maturity	Fair value
Shares index options	BANK	EUR	4E	4E	63
Shares index options	BANK	HUF	1E	9H	0
Shares index options	BANK	HUF	2E	2E	0
Shares index options	BANK	HUF	2E	9H	0
Shares index options	BANK	HUF	4E	2E	1
Shares index options	BANK	HUF	4E	4E	2
Shares index options	BANK	HUF	9H	9H	0
Shares index options total					**66**
Shares futures	BÉT	HUF	1H	1H	2
Shares futures	BÉT	HUF	3H	1H	-1
Shares futures	BÉT	HUF	3H	3H	-4
Shares futures total					**-3**

Data in HUF million except if stated otherwise

1 Securities on own account

31.12.2011

Item	Stock exchange listed		Unlisted securities		Total	
	Nominal value	Book value	Nominal value	Book value	Nominal value	Book value
Government securities for dealing (M:3)	219 481	214 719	339 042	337 230	558 523	551 949
Debt securities for dealing (M:46)	19 327	19 088	4 409	4 341	23 736	23 429
Shares and participation for dealing (M:55)	17	547			17	547
Non-fixed securities for dealing (M:59)			1 758	2 540	1 758	2 540
Dealing securities total:	**238 825**	**234 354**	**345 209**	**344 111**	**584 034**	**578 465**

31.12.2010

Item	Stock exchange listed		Unlisted securities		Total	
	Nominal value	Book value	Nominal value	Book value	Nominal value	Book value
Government securities for dealing (M:3)	186 433	188 690	145 467	146 256	331 900	334 946
Debt securities for dealing (M:46)	29 807	29 446	8 564	8 385	38 371	37 831
Shares and participation for dealing (M:55)	19	285			19	285
Non-fixed securities for dealing (M:59)			4 501	5 962	4 501	5 962
Dealing securities total:	**216 259**	**218 421**	**158 532**	**160 603**	**374 791**	**379 024**

In 2011 book value of investment in securities increased to HUF 578,465 million impacted by the increase in the of portfolio of government bonds, which meant a HUF 217,003 million grow. Among these the portfolio of government securities listed on stock exchange increased by HUF 26,029 million while portfolio of unlisted securities grew by HUF 190,974 million. Portfolio of other securities declined by HUF 3,422 million.

Provisions are settled according to the Provision regulation

In case of significant decreasing of fair market value of government securities for dealing valued by fair valuation, provision must have settled ina n amount of

- in case of government sequrities transactions the difference of maximun of bought price, face value and market price and the amount of negative fair value
- in case of other bonds' transactions the difference of bought price and market price and the amount of negative fair value

In case of settlement HAR provision for debt securities for dealing bank uses the main rule, which meant a 10% significance threshold and permanence.

In case of

- no need to settle provision by unique testing of bought prices
- however in balance sheet date the negative amount of difference of market price and bought price greater than the 5% of portfolio value or HUF 1 million

considering the prudent convention, suplementary rules have to use in settlement of provision.

In case of securities respresent pernament market price decline, difference of maximum of bought price/face value/ and the market price is negatvive, provisions must have settled by using methods hereinafter:

- in case of securities matured in the consequtive year after balance sheet date, 100% of the above-mentioned difference have to settle as provision
- in case of securities matured in the consequtive 2nd year after balance sheet date, 75% of the above-mentioned difference have to settle as provision
- in case of securities matured in the consequtive 3rd year after balance sheet date, 50% of the above-mentioned difference have to settle as provision
- in case of securities matured in the consequtive 4rd year after balance sheet date, 25% of the above-mentioned difference have to settle as provision
- in case of securities matured later than the consequtive 4rd year after balance sheet date, no need to settle provision

Above-mentioned decreasing provision measurement are argued by the possibility of large market price volatility on long-term aspect and the large exposure of the securities portfolio.

Data in HUF million except if stated otherwise

1/1 Securities placed as collateral

31.12.2011

Title of Securities	Nominal value	Book value
Zero coupon bonds	849	805
Government bond	75 740	76 179
Total	**76 589**	**76 984**
Other		86
Total	**76 589**	**77 070**

31.12.2010

Title of Securities	Nominal value	Book value
Zero coupon bonds	420	396
Government bond	33 000	33 606
Total	**33 420**	**34 002**
Other		133
Total	**33 420**	**34 135**

Data in HUF million except if stated otherwise

1/2 Securities held in custody by MKB Group own account and on behalf of third parties

31.12.2011

Custodian	Total book value of securities on own account	Total nominal value of securities on own account	Total nominal value of securities held on behalf of third parties	Total nominal value
Keler Zrt	**456 882**	**461 244**	**567 273**	**1 028 517**
-securities with no physical appearance	456 882	461 244	560 422	1 021 666
- printed			6 851	6 851
MKB Zrt	**0**	**0**	**60 723**	**60 723**
-securities with no physical appearance				0
- printed			60 723	60 723
Other	**121 583**	**122 711**	**21 197**	**143 908**
-securities with no physical appearance	121 583	122 711	16 841	139 552
- printed			4 356	4 356
Total	**578 465**	**583 955**	**649 193**	**1 233 148**

31.12.2010

Custodian	Total book value of securities on own account	Total nominal value of securities on own account	Total nominal value of securities held on behalf of third parties	Total nominal value
Keler Zrt	**341 946**	**338 566**	**1 244 669**	**1 583 235**
-securities with no physical appearance	341 946	338 566	1 093 101	1 431 667
- printed			151 568	151 568
MKB Zrt	**0**	**0**	**59 409**	**59 409**
-securities with no physical appearance				0
- printed			59 409	59 409
Other	**37 078**	**36 224**	**38 732**	**74 956**
-securities with no physical appearance	34 848	33 994	30 519	64 513
- printed	2 230	2 230	8 213	10 443
Total	**379 024**	**374 790**	**1 342 810**	**1 717 600**

The above data do not contain the investments in other and affiliated companies which are shown in sections 3, 3/1, 4, 4/1 and 4/2.

Data in HUF million except if stated otherwise

2 Maturity structure of receivables

Maturity structure of short-term receivables
31.12.2011

Item	Up to 3 months	Between 3 and 12 months	Impairment	Long-term receivables due within 1 year	Total
Receivables from financial institutions	27 710	66	-17	54 759	82 518
Receivables from customers	121 334	162 223	-37 121	434 476	680 912
Total	**149 044**	**162 289**	**-37 138**	**489 235**	**763 430**

Maturity structure of long-term receivables
31.12.2011

Item	Between 1-5 years	Over 5 years	Impairment	Long-term receivables due within 1 year	Total
Receivables from financial institutions	54 759			-54 759	0
Receivables from customers	423 658	1 270 323	-156 590	-434 476	1 102 915
Total	**478 417**	**1 270 323**	**-156 590**	**-489 235**	**1 102 915**

Loan portfolio structure

Structure of the customer loan portfolio based on the size of loans – as a percentage of shareholders' equity

31.12.2011

	Number of customers	Gross exposure		Impairment	
		HUF million	percentage	HUF million	as a percentage of loans
Above 10%	37	535 676	27,07%	44 372	22,81%
1 to 10%	234	651 068	32,90%	77 810	40,01%
0.1 to 1%	920	210 779	10,65%	43 189	22,21%
Below 0.1%	69 517	581 421	29,38%	29 128	14,98%
Total	**70 708**	**1 978 944**	**100,00%**	**194 499**	**100,00%**

31.12.2010

	Number of customers	Gross exposure		Impairment	
		HUF million	percentage	HUF million	as a percentage of loans
Above 10%	12	296 146	13,91%	5 274	3,66%
1 to 10%	209	885 162	41,57%	57 911	40,19%
0.1 to 1%	709	291 535	13,68%	45 499	31,58%
Below 0.1%	79 782	656 723	30,84%	35 407	24,57%
Total	**80 712**	**2 129 566**	**100,00%**	**144 091**	**100,00%**

In 2011 the customer loan portfolio decreased by 7.1%, the number of customers decreased by 12.2%. The concentration of the MKB Bank's loan portfolio can be measured as a percentage of the shareholders' equity. The rate of loans exceeding 10% of the equity increased from 13.9% in 2010 to 27.1% by the end of 2011, while the number of customers also increased from the previous year's level. The share of loans representing between 1% and 10% of the equity was at 32.9% in 2011 decreased from the 2010 year-end level (41.6%). In the category of below 0.1% of the shareholders' equity share of the loan portfolio was stable as compared to its previous level (down by 1.4% point).
The proportion of the portfolio's provision increased more significantly in the segments above 10%, which is the result of the additional provision charge effected both the deterioration of credit portfolio impacted by general economic decline and the prudent operation of the Bank.

Structure of the customer loan portfolio based on customer segment – as a percentage of shareholders' equity

31.12.2011

Segment	Number of customers	Gross exposure HUF million	Gross exposure percentage	Impairment HUF million	Impairment as a percentage of loans
Retail	64 440	525 579	26,56%	40 379	20,76%
Micro SME	3 196	26 751	1,35%	4 550	2,34%
Wholesale	387	373 078	18,85%	16 773	8,62%
Other	5	4 312	0,22%	649	0,33%
Project	317	804 416	40,65%	78 400	40,31%
SME	2 363	244 808	12,37%	53 748	27,63%
Total	**70 708**	**1 978 944**	**100,00%**	**194 499**	**100,00%**

31.12.2010

Segment	Number of customers	Gross exposure HUF million	Gross exposure percentage	Impairment HUF million	Impairment as a percentage of loans
Retail	73 989	553 983	26,01%	16 585	11,51%
Micro SME	3 281	28 135	1,32%	5 140	3,57%
Wholesale	492	664 670	31,21%	32 205	22,35%
Other	8	6 224	0,29%	618	0,43%
Project	175	599 988	28,18%	27 423	19,03%
SME	2 767	276 566	12,99%	62 120	43,11%
Total	**80 712**	**2 129 566**	**100,00%**	**144 091**	**100,00%**

The composition of the loan portfolio by customer segments basically did not change as compared to 2010. However, there was a considerable shift in the shares expressed as percentages from the Wholesale to Project sector.
In nominal terms, the total amount of the portfolio decreased by HUF 150.6 billion, although the portfolio of Project customers increased by HUF 204.4 billion, and the portfolio of Wholesale segment decreased by HUF 291.6 billion.
The significant increase in provision balances, which was the result of the additional provision charge effected both the deterioration of credit portfolio impacted by general economic decline and the prudent operation of the bank influenced the Retail and Project segments, where the surpluses were HUF 23.8 billion and HUF 51.0 billion, respectively.

2/1 FX receivables

Data in FX thousand and HUF million

Currency	FX receivables within a year				FX receivables beyond a year			
	FX Hungary		FX abroad		FX Hungary		FX abroad	
	FX	Forint	FX	Forint	FX	Forint	FX	Forint
USD	2 817	678	79 811	19 209	3 066	738	57 803	13 912
CHF	38 045	9 736	13 837	3 541	2 145 172	548 971	12 919	3 306
CAD	204	48	1 863	439	0	0	0	0
GBP	927	344	2 096	778	0	0	0	0
DKK	335	14	2 438	102	0	0	0	0
SEK	402	14	2 524	88	0	0	0	0
NOK	200	8	4 854	194	0	0	0	0
AUD	61	15	1 945	475	0	0	0	0
JPY	1 768 059	5 490	28 985	90	0	0	0	0
EUR	365 828	113 820	48 299	15 027	2 019 281	628 259	877 443	272 999
CZK	8 714	105	10 124	122	0	0	55 104	664
PLN	2 127	150	3 077	217	0	0	0	0
HRK	606	25	1 042	43	0	0	0	0
RON	2 636	190	9 949	717	0	0	123 977	8 935
TRY	0	0	96	12	0	0	0	0
BGN	13	2	227	36	0	0	280 768	44 659
RUB	134	1	35 341	264	0	0	0	0
EGY	0	0	6 000	6	0	0	0	0
Total		**130 640**		**41 360**		**1 177 968**		**344 475**

Of which securities:

Title of securities	Currency	Nominal value in original currency	Nominal value	Book value in original currency	Book value
HUNGARY CHF 3,5 % 2013/05/21	CHF	23 225 000	5 944	22 833 095	5 843
MKB EURO FIX 2012 3,5%	EUR	3 604 800	1 122	3 608 971	1 123
MKB RÉSZV.IND.EUR 20141006	EUR	110 900	35	112 466	35
MKB FPIK EUR	EUR	3 700	1	3 352	1
MKB EURO FIX 2013 4%	EUR	1 323 800	412	1 319 978	411
MKB RÉSZV. IND. EUR 20150312	EUR	41 100	13	35 649	11
MKB DEV.IND. EUR 20130321	EUR	173 600	54	164 089	51
MKB DEV.IND. EUR 20130403	EUR	142 300	44	133 947	42
MKB DEV.IND. EUR 20130426	EUR	284 700	89	265 476	83
MKB EUR D120504	EUR	133 000	41	130 977	41
MKB KISZÁMÍTHATÓ EURO 20121205	EUR	541 300	168	539 563	168
MKB DEV.IND. EUR 20130530	EUR	197 600	61	185 761	58
MKB KISZÁMÍTHATÓ EURO 20130108	EUR	475 800	148	474 281	148
MKB DEV.IND. EUR 20130710	EUR	142 200	44	133 945	42
MKB KISZÁMÍTHATÓ EURO 20130205	EUR	429 400	134	427 383	133
MKB DEV.IND. EUR 20130808	EUR	56 100	17	51 662	16
MKB KISZÁMÍTHATÓ EURO 20130305	EUR	127 100	40	126 540	39
MKB DEV.IND. EUR 20130906	EUR	177 300	55	162 659	51
MKB DEV.IND. EUR 20131004	EUR	6 000	2	5 527	2
MKB FIX 5X5% EUR	EUR	220 800	69	218 851	68
HUNGARY EUR 4,5 % 2013/02/06	EUR	37 994 000	11 821	37 493 369	11 665
HUNGARY FRN EUR 2012/11/02	EUR	94 872 000	29 518	91 981 037	28 618
HUNGARY EUR 3,5% 2016/07/18	EUR	10 000 000	3 111	8 758 300	2 725
HUNGARY EUR 6,75 % 2014/07/28	EUR	80 423 000	25 022	81 774 460	25 442
HUNGARY EUR 6% 2019/01/11	EUR	2 000 000	622	2 000 000	622
MAGYAR EUR 5,875% 2016/05/31	EUR	3 000 000	933	2 979 420	927
Total			**79 520**		**78 365**

Data in HUF million except if stated otherwise

2/2 Subordinated assets

31.12.2011

	Amount	Interest rate	Maturity	Currency	Amount in currency
MKB Unionbank AD	0				0
Romexterra Bank	0				0
Total	**0**				

31.12.2010

	Amount	Interest rate	Maturity	Currency	Amount in currency
MKB Unionbank AD	5 701	2,457	2017.06.15	EUR	20 451 676
MKB Unionbank AD	1 394	7,024	2015.12.21	EUR	5 000 000
Total	**7 095**				

The movements in subordinated loan balances in 2011 were as follows:

- In May 2011 Romexterra Bank paid back subordinated loan in the amount of EUR 5 million.
- In June 2011 MKB Unionbank AD paid back its EUR 20.452 million subordinated loan.

The movements of these balances were the results of the Bank’s equity optimization efforts at its foreign banking subsidiaries. Repayments were used to increase the share capital at the given compnies.

Data in HUF million except if stated otherwise

2/2. a) MKB's receivables from affiliated companies

	M:10	M:15	M:27	M:30	M:92
Bayerische Landensbank	**23 625**				
Corp. Recovery Management SRL			23 563	0	
Euro Ingatlan Center Kft.			18	463	
Euro Ingatlan Kft.					
Euro Park Házak Kft.			167	0	
Exter-Bérlet Kft.			1 220		
Extercom Kft.			1 001	3 291	
Exter-Immo Rt.				4 790	
Exter-Reál Kft.				148	
Füred Service Kft.					
Interremise Kft.			1 327	0	
Kun Street Kft.			78	0	
Medister Kft.			189	963	
MKB Alapkezelő Zrt.					106
MKB Euroleasing Autóhitel Zrt.			20 372	23 640	
MKB Euroleasing Autólízing Zrt.			17 157	6 144	
MKB Nyugdíjpt.Kft.					
MKB Pénzügyi Zrt.					
MKB Üzemeltetési Kft.					
Resideal Zrt.			4 451	1 523	
Romexerra Leasing S.A.			4 947	5 114	
Romexterra Bank S. A.	1 960				2
UNIONBANK AD.	54 759				2
Leányvállalatok összesen:	**56 719**	**0**	**74 490**	**46 076**	**110**
Ercorner Kft.					
MKB Autópark Zrt.			7 418	12 614	
MKB-Euroleasing Zrt.			560		
Közös vez. váll. összesen:	**0**	**0**	**7 978**	**12 614**	**0**
EDE Duna Kft.			1 633	0	
MKB Általános Biztosító Zrt.					
MKB Életbiztosító Zrt.					1
Mogyoróskert Kft.					
Álom Sziget 2004 Kft.			12 474	0	
Pannonhalmi Apátság Pincészet			400	19	
SKAF Kft.			3 345	0	
Társult váll. összesen:	**0**	**0**	**17 852**	**19**	**1**
Kapcsolt vállalkozások összesen:	**80 344**	**0**	**100 320**	**58 709**	**111**

Codes in the header of the columns refer to the breakdown of balance sheet.
According to 89. § (6) of HAR. the Bank did not conclude significant deals with affiliates on non-market conditions.

Data in HUF million except if stated otherwise

2/2. b) Spot FX transactions outstanding at balance sheet date

Currency	Amounts bought		Amounts sold	
	in FX	in HUF	in FX	in HUF
CAD	0	0	2 737 643	645
CHF	40 000	10	12 459 630	3 189
CZK	7 099	0	0	0
DKK	3 628	0	0	0
EUR	36 573 512	11 379	9 920 829	3 087
GBP	351 422	130	50 000	19
JPY	168 660 000	524	162 009 600	503
NOK	0	0	1 000 000	40
PLN	105 325	7	0	0
USD	4 475 504	1 077	3 712 764	894
Total		**13 127**		**8 377**

Data in HUF million except if stated otherwise

Key figures of the Bank for 2010 and 2011

Item	2010	2011 Basel II before capital increase	2011 Basel II after capital increase***
Shareholders' equity *	140 400	78 233	78 233
Total assets	2 749 837	2 696 991	2 696 991
Gross operating income	94 142	83 768	83 768
Profit before taxation	-112 812	-111 339	-111 339
Profit after taxation	-112 787	-111 355	-111 355
Capital adequacy ratio	10,81%	2,09%	9,17%
Pre-tax return on average equity **	-60,24%	-101,85%	-101,85%

* including net profit for the period

** average shareholders' equity: HUF 187 267 million (2010), HUF 109 317 million (2011)

*** The capital increase was HUF 62 bln. And the 90% of capital increase was completed on 31st of January, 2012 in amount of HUF 55.8 bln

The Bank's Shareholders' equity including net profit decreased from HUF 140.4 billion at the end of 2010 to HUF 78.2 billion, which reflects 44.3% decline.
Gross operating income decreased to HUF 83,768 million in 2011 from HUF 94,142 million. There was change in the structure of the gross operating income during the year: the share of interest margin decreased to 53.5% from 59.3% in 2011, meanwhile the non-interest income increased from 23.0% to 31.3%.
By the end of 2011, the total assets of MKB Bank decreased to HUF 2,697.0 billion, which was 1.9% lower than the 2010 year-end figure of HUF 2,749.8 billion.

Due to the pre-tax loss accounted for in 2011, the profitability ratios, return on average shareholders' equity (ROAE) and return on average assets (ROAA) showed negative values in the reporting year. The gross operating margin (the gross operating income divided by the average balance sheet total) declined to 3,1% in 2011 from 3.3% in 2010. Parallelly the 1.9% share of operating expenses in 2010 practically remained at the same level in 2011, while the relative indicator of net provisioning grew from 4.8% in 2010 to 5.0% in 2011. The relative growth of the latter figure is the result of the effect of additional provision charges required by the depressed economic environment and the prudent operation of then Bank.

Data in HUF million except if stated otherwise

Regulatory capital and capital adequacy ratio

The table below contains the MKB Bank's unconsolidated capital adequacy ratio. During the capitalization process at the year end, bln 62 HUF capital injection was accomplished at the Bank. The decision about the capital increase was made in 2011 nevertheless due to technical reasons the capitalization process took till 17th of February 2012. The table below contains the complete information about the capital situation of the Bank before and after the accomplished capital increase.

Item	2010	2011 Basel II before capital increase	2011 Basel II after capital increase*
Subscribed capital	20 733	20 733	43 937
Subscribed but unpaid shares (-)	0	0	
Repurchased own shares (-)	0	0	
Capital reserve	181 491	181 491	220 287
Retained earnings	81 057	-13 008	-13 008
Profit for the year	-94 955	-111 355	-111 355
Intangible assets (-)	22 234	8 651	8 651
General reserve	0	0	0
General risk provision, net of corporate profit tax	1 273	1 292	1 292
Basic capital elements	**167 365**	**70 502**	**132 502**
Supplementary capital elements	**84 027**	**35 306**	**66 306**
Adjusted capital base	**251 392**	**105 808**	**198 808**
Investments in financial institutions and insurance companies + subordinated loan capital (-)	56 784	32 421	32 421
Other deductible items (-)	16	39 548	3
Supplementary capital for market risk coverage	5 860	5 296	5 296
Regulatory capital	**200 452**	**39 135**	**171 680**
Total assets	**2 749 837**	**2 696 991**	**2 696 991**
Risk-weighted assets	**1 572 019**	**1 607 484**	**1 607 484**
Capital requirements for credit risks	125 762	128 599	128 599
Capital requirements for open position- and foreign exchange rate risks	8 790	7 943	7 943
Capital requirements for operational risks	13 743	13 227	13 227
Regulatory capital / Total assets	7,29%	1,45%	6,37%
Capital Adequacy Ratio	10,81%	2,09%	9,17%

*The capital increase was HUF 62 bln. And the 90% of capital increase was completed on 31st of January, 2012 in amount of HUF 55.8 bln

Consolidated capital adequacy ratio is 3.71% before capital increase and 9.03% after capital increase.

At the end of 2011, the regulatory capital of the Bank amounted to HUF 39,135 million. The change in HUF values of the supplementary capital elements was due to the change in FX rates (2010: HUF 96,169 million, 2011: HUF 107,936 million). Subordinated loans in amount of EUR 120 million were converted to CHF. According to the maturity schedule limit of subordinated loans HUF 5,600 million had to be disregarded.

At the end of 2011 the capital adequacy ratio which was calculated according to the Hungarian Accounting Regulations was 2.09% (2010: 10.81%). The ratio did not reach the minimum value which prescribed by law in an expected measure (8%).

Due to the unforeseeable events of the domestic market and significant impairments, the Bank's strong capital position became volatile over the last 2 years. Consequently, the bank has put capital stability as one of the ultimate strategic objectives going forward.

The Bank is undertaking a set of capital preservation priorities to create a sufficient capital buffer to manage the unforeseen developments of the future. The main elements of this capital preservation strategic initiative are:

- Stringent execution of an all encompassing cost cutting exercise
- Strict monitoring of capital limits within a capital limit framework, driven by efficiency based (EVA/RAROC) allocation approach
- Evaluating and implement strategic options to carve-out or ring-fence certain capital intensive parts of the bank's portfolio, in collaboration with the owners and the regulator.

The shareholders of the Bank are strongly committed to maintain the capital adequacy and will take all necessary actions. The management believes that the Bank will be able to keep the capital adequacy requirements above the minimum level based on the above mentioned strategic measures.

Data in HUF million except if stated otherwise

Capital requirements

31.12.2011

Exposure class	Exposure net of value adjustments and provisions	Unfunded credit protection: adjusted values (Ga)		Substitution of the exposure due to CRM		Volatility adjustment to the exposure	Financial collateral		Fully adjusted exposure value (E*)	Risk weighted exposure amount	Capital requirements
		Guarantees	Credit derivatives	(-) Total outflows	Total inflows (+)		(-) Financial collateral: adjusted value	(-) Volatility and maturity adjustments			
Central Governments	102 313	6 022	0	-6 022	95 955	0	0	0	192 246	7 656	612
Central government and local authorities	13 346	3 333	0	-3 333	356	0	0	0	10 369	1 131	90
Public Sector Entities	0	0	0	0	0	0	0	0	0	0	0
Multilateral Development Banks	0	0	0	0	0	0	0	0	0	0	0
International Organizations	0	0	0	0	0	0	0	0	0	0	0
Institutions	133 522	1 177	0	-1 177	22 262	0	-865	0	153 742	76 632	6 131
Corporates	1 355 587	85 462	0	-85 462	0	95	-126 151	-110	1 144 069	908 987	72 719
Retail Portfolio	140 920	20 968	0	-20 968	0	0	-741	0	119 211	84 398	6 752
Collateralised by Real Estate	413 863	0	0	0	0	0	0	0	413 863	188 930	15 114
Past Due Items	212 213	1 611	0	-1 611	0	0	-496	0	210 106	260 722	20 858
Covered Bonds	0	0	0	0	0	0	0	0	0	0	0
Collective investments undertakings (CIU)	0	0	0	0	0	0	0	0	0	0	0
Other Items	114 240	0	0	0	0	0	0	0	114 240	79 030	6 322
Total	**2 486 004**	**118 573**	**0**	**-118 573**	**118 573**	**95**	**-128 253**	**-110**	**2 357 846**	**1 607 484**	**128 599**

Data in HUF million except if stated otherwise

31.12.2010

Exposure class	Exposure net of value adjustments and provisions	Unfunded credit protection: adjusted values (Ga)		Substitution of the exposure due to CRM		Volatility adjustment to the exposure	Financial collateral		Fully adjusted exposure value (E*)	Risk weighted exposure amount	Capital requirements
		Guarantees	Credit derivatives	(-) Total outflows	Total inflows (+)		(-) Financial collateral: adjusted value	(-) Volatility and maturity adjustments			
Central Governments	437 913	2 318	0	-2 318	94 421	110	-1 298	0	528 828	1 564	125
Central government and local authorities	16 691	658	0	-658	0	0	0	0	16 033	2 496	200
Public Sector Entities	0	0	0	0	0	0	0	0	0	0	0
Multilateral Development Banks	0	0	0	0	0	0	0	0	0	0	0
International Organizations	0	0	0	0	0	0	0	0	0	0	0
Institutions	182 677	0	0	0	25 462	0	0	0	208 139	37 452	2 996
Corporates	1 411 994	94 159	0	-94 159	0	0	-173 615	-10 921	1 144 220	888 956	71 116
Retail Portfolio	179 059	22 748	0	-22 748	0	0	-11 880	-2 301	144 431	103 165	8 253
Collateralised by Real Estate	672 455	0	0	0	0	0	0	0	672 455	366 868	29 349
Past Due Items	92 644	0	0	0	0	0	-526	-40	92 118	90 840	7 267
Covered Bonds	0	0	0	0	0	0	0	0	0	0	0
Collective investments undertakings (CIU)	6 152	0	0	0	0	0	0	0	6 152	0	0
Other Items	181 378	0	0	0	0	0	-1 985	0	179 393	80 679	6 454
Total	**3 180 963**	**119 883**	**0**	**-119 883**	**119 883**	**110**	**-189 304**	**-13 262**	**2 991 769**	**1 572 019**	**125 762**

Data in HUF million except if stated otherwise

2/3 Legal limits defined by the Banking Act and MNB decrees

Before the allocation of earnings

Item	Limit	Actual situation
1/ Hit. 79. § 7.sec. (Total related party loans < AC*20 %)	16 000	no excess
2/ Hit. 79. § 1. sec. (total large exposure > AC*10%)	8 000	39 pcs
3/ Hit. 79. § 2. sec. (single large exposure < AC*25 %)	20 000	excess
4/ Hit. 83. § 1. sec. (single non-bank investment < AC*15 %)	12 000	no excess
5/ Hit. 83. § 2. sec. (no direct and indirect participation above 51 % of commercial non-bank companies)		3
6/ Hit. 83. § 3. sec. (total non-bank investment < AC* 60 %)	48 000	15 240
7/ Hit 84. § (non-banking premises < AC* 5 %)	4 000	263
8/ Hit. 85. § (total investment < AC* 100 %)	80 000	83 907
9/ Hit. 5. appendix (basic capital elements > additional capital elements)		70502>35306
10/ Capital adequacy (MAC*8% < capital adequacy)	8,00%	2,09%

Data in HUF million except if stated otherwise

After the allocation of earnings

Item	Limit	Actual situation
1/ Hit. 79. § 7.sec. (Total related party loans < AC*20 %)	16 000	no excess
2/ Hit. 79. § 1. sec. (total large exposure > AC*10%)	8 000	39 pcs
3/ Hit. 79. § 2. sec. (single large exposure < AC*25 %)	20 000	excess
5/ Hit. 83. § 1. sec. (single non-bank investment < AC*15 %)	12 000	no excess
6/ Hit. 83. § 2. sec. (no direct and indirect participation above 51 % of commercial non-bank companies)		3
7/ Hit. 83. § 3. sec. (total non-bank investment < AC* 60 %)	48 000	15 240
8/ Hit 84. § (non-banking premises < AC* 5 %)	4 000	263
9/ Hit. 85. § (total investment < AC* 100 %)	80 000	83 907
10/ Hit. 5. appendix (basic capital elements > additional capital elements)		70502>35306
11/ Capital adequacy (MAC*8% < capital adequacy)	8,00%	2,09%

Data in HUF million except if stated otherwise

3 Shares and participations for investment purposes (numeric data)

31.12.2010

Investment	Gross value	Impairment	Net value
Garantiqa Hitelgarancia Zrt.	90	0	90
Trend Zrt.	3	3	0
Eurolízing Letét Kft.	0	0	0
Kisváll.fejl. Pénzügyi Zrt.	100	0	100
Adidas Kft	224	0	224
S.W.I.F.T . SCRL	35	0	35
Pénzügykutató Zrt.	1	0	1
Total	**453**	**3**	**450**

3/1 Shares and participation in affiliated companies (domicile of companies)

Garantiqa Hitelgarancia Zrt.
1053 Bp. Szép u. 2.

Trend Zrt.
1113 Bp. Diószegi Sámuel u. 53.

Eurolízing Letét Kft.
1028 Bp. Bimbó u. 56.

Kisvállalkozásfejlesztési Pénzügyi Zrt.
1053 Bp. Szép u. 2.

ADIDAS KFT
1134 Bp. Váci út 35.

Pénzügykutató Zrt.
1023 Bp. Felhévizi u. 24.

S.W.I.F.T SCRL
Aveneu Adele 1 B - 1310 La Hulpe, Belgium

Data in HUF million except if stated otherwise

4 Shares and participations in affiliated companies

31.12.2011

Company	Gross value	Impairment	Net value
Participation in subsidiaries:			
In foreign company:			
MKB Unionbank AD	44 659	22 031	22 628
Romexterra Bank S A	53 121	53 121	0
Total	**97 780**	**75 152**	**22 628**
In domestic company:			
MKB Euroleasing Autóhitel Zrt	3 685	351	3 334
MKB NyugdíjptKiszolg Kft	50		50
MKB Befektetési Alapkezelő Zrt	100		100
MKB Pénzügyi Zrt	110		110
Euro Ingatlan Kft	1 245	1 245	0
Resideal Zrt	1 566	1 566	0
Exter-Bérlet Kft	140	140	0
Extercom Vagyonkezelő Kft	250	250	0
Exter-Immo Zrt.	500	500	0
Exter-Reál Kft.	22		22
MKB Üzemeltetési Kft	56 965		56 965
Euro-Immat Üzemeltetési Kft.	18 564	3 659	14 905
Total	**83 197**	**7 711**	**75 486**
In foreign company:			
S. C. Corporate Recovery Management S.R.L.	32 446	32 446	0
MKB Romexterra Leasing S.A.	532	532	
Total	**32 978**	**32 978**	**0**
Jointly controlled business:			
In domestic company:			
MKB Euroleasing Autópark Zrt	200		200
MKB Euroleasing Zrt	6 014	1 528	4 486
Ercorner Kft	2 405	2 405	0
Total	**8 619**	**3 933**	**4 686**
Associates:			
In domestic company:			
Giro Elszámolásforgalmi Zrt	863		863
MKB Általános Biztosító Zrt	1 670	1 216	454
MKB Életbiztosító Zrt	1 217	760	457
Pannonhalmi Borház Kft	460		460
Total	**4 210**	**1 976**	**2 234**
Total	**226 784**	**121 750**	**105 034**

Changes concerning affiliated companies in 2011 are detailed below:

Due to capital increasing and share purchases, MKB's share increased in
- MKB Általános Biztosító Zrt
- MKB Életbiztosító Zrt
- Ercorner Kft
- Pannonhalmi Apátság Pincészet Kft.
- Euro Ingatlan Kft
- S. C. Corporate Recovery Management S.R.L.
- MKB Unionbank AD

There was share purchases at
- Extercom Vagyonkezelő Kft
- Exter-Immo Zrt.
- Exter-Reál Kft.
- MKB Romexterra Leasing S.A.

Remaining 40% share of Euro Ingatlan Kft purchased by MKB from a non-group member owner, so MKB’s share increased to 100%.

There was capital decrease at
- Resideal Zrt
- Exter-Bérlet Kft
- MKB Pénzügyi Zrt
- Romexterra Bank S A

Other changes
- Euro-Immat Kft. was demerged from Üzemeltetési Kft.

MKB Bank contracted a Put option deal with EBRD, minor shareholder of Unionbank. According to the expected loss of calling the option, a HUF 4 166 million impairment was settled within, which is the difference of the predicted selling price and net value of the 6% share of Unionbank.

MKB Banks negotiates on selling of Romexterra Bank S.A. with foreign investors. Because of the expectations on low selling price, MKB accounted an amount of HUF 53,121 million impairment for Romexterra Bank.

Data in HUF million except if stated otherwise

4/1 Shares and participations

31.12.2011

Item	Foreign financial institution	Domestic company	Foreign company	Total
In parent company and subsidiary:				
Unit	2	12	2	16
M HUF	22 628	75 486	0	98 114
Participation in jointly controlled companies:				
Unit		3		3
M HUF		4 686		4 686
Participation in associated companies:				
Unit		4		4
M HUF		2 234		2 234
Total				
Unit	*2*	*19*	*2*	*23*
M HUF	*22 628*	*82 406*	*0*	*105 034*
Other participations:				
Unit		6	1	*7*
M HUF		415	35	*450*
Total unit	**2**	**25**	**3**	**30**
Total Booked value	**22 628**	**82 821**	**35**	**105 484**

Data in HUF million except if stated otherwise

4/2 MKB's investment (Shares and participations in affiliated companies)

31.12.2011

Name and domicile of the company	Shares in %	Registered capital	Reserves	Profit/loss for the period	Shareholders' equity
Subsidiaries					
MKB Unionbank AD	94	19 479	12 139	724	32 342
General Totleben Bulv. 32-32. Sofia					
Romexterra Bank S.A.	92,42	10 461	-1 663	-3 039	5 759
Bd. 1 Decembrie 1918. 93. 540445 Turgu Mures					
MKB Üzemeltetési Kft.	100	55 025	213	235	55 473
1134 Bp. Kassák L. u. 18.					
Resideál Zrt.	100	51	521	-2 639	-2 067
1134 Bp. Kassák L. u. 18.					
MKB Pénzügyi Zrt.	100	100	17	5	122
1134 Bp. Kassák L. u. 18.					
MKB Befektetési Alapkezelő Zrt.	100	100	7	173	280
1056 Bp. Váci u. 38.					
MKB Euroleasing Autóhitel Zrt.	47,86+(23,89)	1 211	5 648	103	6 962
1022 Bp. Bimbó u. 56.					
Exter-Bérlet Kft.	100	10	89	-167	-68
1134 Bp. Kassák L. u. 18.					
Extercom Vagyonkezelő Kft	100	22	8	-884	-854
1134 Bp. Kassák L. u. 18.					
Exter-Immo Zrt.	100	101	572	-1 983	-1 310
1134 Bp. Kassák L. u. 18.					
Exter-Reál Kft.	100	1	31	-17	15
1134 Bp. Kassák L. u. 18.					
MKB Nyugdíjpénzt. és Egészségpénzt. Kiszolgáló Kft.	100	50	111	6	167
1134 Bp. Dévai u. 23.					
S.C. Corporate Recovery Management S. R. L.	100	622	3 974	-9 896	-5 300
34-36. BC. Carol Bucharest					
MKB Romexterra Leasing S.A.	94,78	2 387	-1 179	-991	217
Bdl. Unirii no 11. Bucharest					
Euro Ingatlan Kft.	100	76	-258	-844	-1 026
1036 Budapest, Lajos utca 80.					
Euro-Immat Kft.	100	18 558	6	-1 662	16 902
1134 Bp. Kassák L. u. 18.					
Jointly controlled companies					
MKB-Euroleasing Autópark Zrt.	50	400	46	-347	99
1024 Bp. Ady Endre u. 19.					
MKB Euroleasing Zrt.	50	5 504	4 042	-76	9 470
1022 Bp. Bimbó u. 56.					
Ercorner Kft.	50	27	3 158	-191	2 994
1062 Bp. Andrássy út 59.					
Associated companies					
Pannonhalmi Apátság Pincészet Kft.	45,48	692	285	-65	912
9090 Pannonhalma Vár u. 1.					
Giro Elszámolásforgalmi Zrt.*	22,19	2 496	3 600	15	6 111
1054 Bp. Vadász u. 31.					
MKB Életbiztosító Zrt.	37,5	1 000	571	-424	1 147
1133 Bp. Váci út 76.					
MKB Általános Biztosító Zrt.	37,5	1 000	1 138	-997	1 141
1133 Bp. Váci út 76.					

* 31.12.2010 data
Data in () means indirect participation

Data in HUF million except if stated otherwise

5 Intangible assets

31.12.2011

Gross value	Rights and titles	Goodwill	Software	Other	Total
Opening balance	2 118	16 575	15 293	6 146	40 132
Acquisition				2 552	2 552
Activation	1 357	270	1 589		3 216
Other increase			6		6
Disposal	-158		-1 798		-1 956
Other decrease	-6			-2 946	-2 952
Closing balance	**3 311**	**16 845**	**15 090**	**5 752**	**40 998**
Depreciation					
Opening balance	879	7 746	4 826	3 241	16 692
Scheduled depreciation	582		1 527	891	3 000
Extraordinary depreciation	540	9 099	4 654		14 293
Other increase	1		7		8
Disposal	-158		-1 798		-1 956
Devaluation reverse of Extraordinary depreciation					0
Other decrease	-7		-1		-8
Closing balance	**1 837**	**16 845**	**9 215**	**4 132**	**32 029**
Total	**1 474**	**0**	**5 875**	**1 620**	**8 969**

31.12.2010

Gross value	Rights and titles	Goodwill	Software	Other	Total
Opening balance	1 680	16 575	13 352	6 137	37 744
acquisition	0	0	0	2 570	2 570
Activation	585	0	1 945	0	2 530
Other increase	0	0	137	0	137
Disposal	0	0	-141	0	-141
Other decrease	-147	0	0	-2 561	-2 708
Closing balance	**2 118**	**16 575**	**15 293**	**6 146**	**40 132**
Depreciation					
Opening balance	513	0	3 498	2 351	6 362
Scheduled depreciation	513	0	1 332	890	2 735
Extraordinary depreciation	0	7 746	0	0	7 746
Other increase	0	0	137	0	137
Disposal	0	0	-141	0	-141
Devaluation reverse of Extraordinary depreciation	0	0	0	0	0
Other decrease	-147	0	0	0	-147
Closing balance	**879**	**7 746**	**4 826**	**3 241**	**16 692**
Total	**1 239**	**8 829**	**10 467**	**2 905**	**23 440**

The Bank accounts for depreciation using the straight-line method.

Based on external evidences (i.e. the valuation of MKB Bank by an appraisal at BayernLB), corporate assets, primarily software assets, of the bank had to be tested for impairments at 2011 year-end.

During these impairment calculations, the replacement cost approach was applied. The replacement costs of the most significant, key software assets were defined on the basis of current license fees, estimated necessary internal resources as well as external consultants' costs at currently available prices that should be incurred during different phases of the implementation of new software assets with exactly the same functionalities as the existing ones. In addition, the replacement costs of smaller, less significant software assets were defined at the average impairment rate calculated in the case of key software assets as detailed above.

According to these calculations, a total impairment of HUF 3,910 million for the MKB's software assets had to be accounted for as at 2011 year-end.

Besides the above, as part of its normal annual routine the bank also revised the useful economic lives of all assets at 2011 year-end in line with BayernLB's related policies. According to this revision, additional impairments of HUF 1.956 million were necessary for Intangible assets, respectively.

Included in the total amount of other assets, the cost of establishment-reorganization amounted to HUF 317 million.

In 2011, goodwill at MKB Unionbank AD was impaired by an additional HUF 8,829 million. As a consequence, the amount of net goodwill decreased to HUF 0 million as at 2011 year-end.
Resulted by a share purchase, goodwill was activated at Euro Ingatlan in amount of HUF 270 million, which was also written off during 2011.

Data in HUF million except if stated otherwise

Fixed assets of financial services

6 Movements in premises

Gross value	12.31.2010	12.31.2011	Change
Opening balance	655	2 208	1 553
Additions	1 621	69	-1 552
Move (±)	0		0
Other increase	0		0
Write-offs	0		0
Disposals	0	-46	-46
Other decrease	-68		68
Closing balance	**2 208**	**2 231**	**23**
Depreciation			
Opening balance	221	258	37
Scheduled depreciation*	68	128	60
Extraordinary depreciation	0		0
- of which: devaluation reverse	0		0
Decrease due to disposal	0	-40	-40
Write-offs (special depreciation)	0		0
Other increase and decrease	-31		31
Closing balance	**258**	**346**	**88**
Total*	**1 950**	**1 885**	**-65**

The Bank accounts for depreciation using the straight-line method.
* According to the payment of accession fee to water an electricity utilities was HUF 2 million utilisation right in 2011.

Data in HUF million except if stated otherwise

6/1 Movements in stock of equipment, machinery, tools and vehicles

Gross value	12.31.2010	12.31.2011	Change
Opening balance	2 626	2 640	14
Activation	367	94	-273
Other increase	0		0
Disposals	-306	-162	144
Transferred without consideration	0		0
Write-offs (special depreciation)	0		0
Other decrease	-45		45
Move +/-	-2		2
Closing balance	**2 640**	**2 572**	**-68**
Depreciation			
Opening balance	1 060	1 188	128
Small value depreciation	0		0
Scheduled depreciation*	366	313	-53
Extraordinary depreciation	31	30	-1
Devaluation reverse of Extraordinary depreciation	0		0
Transferred without consideration	0		0
Write-offs (special depreciation)	0		0
Decrease due to disposal	-224	-112	112
Other increase and decrease	-45		45
Move +/-	0		0
Closing balance	**1 188**	**1 419**	**231**
Total	**1 452**	**1 153**	**-299**

The Bank accounts for depreciation using the straight-line method.

Data in HUF million except if stated otherwise

6/2 Movements of investments in tangible assets used for financial services

Gross value	12.31.2010	12.31.2011	Change
Opening balance	2	19	17
Purchase	2 018	145	-1 873
Purchase of small value equipment	0		0
Activation (Additions to fixed assets)	-1 999	-164	1 835
Depreciation of small value equipment	0		0
Disposals	0		0
Extraordinary depreciation	0		0
Inventory shortage	0		0
Other increase and decrease	-2		2
Closing balance	**19**	**0**	**-19**
Total	**19**	**0**	**-19**

Fixed assets of non-financial services

6/3 Premises for non-financial services

Gross value	12.31.2010	12.31.2011	Change
Opening balance	37	37	0
Activation	0		0
Disposals	0		0
Other decrease	0		0
Closing balance	**37**	**37**	**0**
Depreciation			
Opening balance	2	3	1
Scheduled depreciation*	1		-1
Extraordinary depreciation	0		0
- of which: devaluation reverse	0		0
Decrease due to disposal	0		0
Other increase and decrease	0		0
Closing balance	**3**	**3**	**0**
Total	**34**	**34**	**0**

The Bank accounts for depreciation using the straight-line method.

Data in HUF million except if stated otherwise

6/4 Movements in stock of equipment, machinery, tools and vehicles for non-financial services

Gross value	12.31.2010	12.31.2011	Change
Opening balance	409	414	5
Activation	5	4	-1
Other increase	409	1	-408
Disposals	0		0
Other decrease	-409		409
Closing balance	**414**	**419**	**5**
Depreciation			
Opening balance	0	0	0
Scheduled depreciation*	0	1	1
Extraordinary depreciation	0	0	0
- of which: devaluation reverse	0	0	0
Transferred without consideration	0	0	0
Decrease due to disposal	0	0	0
Other increase and decrease	0	0	0
Closing balance	**0**	**1**	**1**
Total	**414**	**418**	**4**

The Bank accounts for depreciation using the straight-line method.

Data in HUF million except if stated otherwise

7 Inventories

	12.31.2010	12.31.2011	Change
Purchased goods	**88**	**88**	**0**
- materials	81	82	1
- manufactured goods	0		0
- commercial goods	7	6	-1
- disposal for stocks	0		0
Stocks received for settlement of a claim	**1 057**	**229**	**-828**
- property	1 055	229	-826
- equipment, machinery, tools and vehicles			0
- others	2		-2
Impairment	**27**	**27**	**0**
Total	**1 118**	**290**	**-828**

Data in HUF million except if stated otherwise

7/1 Accrued income and deferred expenses

	12.31.2010	12.31.2011	Change
Accrued income M:97	17 929	19 643	1 714
Interest	17 771	19 535	1 764
Others	158	108	-50
Accrued costs M:98	1 324	1 939	615
Bond issue	196	278	82
Wages and contributions	49	407	358
Others	1 079	1 254	175
Total	**19 253**	**21 582**	**2 329**

Data in HUF million except if stated otherwise

8 Maturity structure of liabilities

Maturity Structure of short term liabilities

Item	Within 3 months	Over 3 months within 1 year	Long-term liabilities due within 1 year	Total
Liabilities to financial institutions	7 439	10 827	216 345	234 611
Savings deposit		153	7	160
Liabilities to customers	340 691	524 525	13 991	879 207
Total	**348 130**	**535 505**	**230 343**	**1 113 978**

Maturity Structure of long term liabilities

Item	Between 1 to 5 years	Over 5 years	Long-term liabilities due within 1 year	Total
Liabilities to financial institutions	548 345	387 994	-216 345	719 994
Savings deposit	7		-7	0
Liabilities to customers	39 901	10 405	-13 991	36 315
Total	**588 253**	**398 399**	**-230 343**	**756 309**

Data in HUF million except if stated otherwise

8/1 Liabilities denominated in FX with original maturities over 5 years

To Financial Institutions

Currency	FX	HUF
EUR	918 371 462	285 733
USD	43 597 634	10 493
CHF	222 548 000	56 952
Total		**353 178**

To Customers

Currency	FX	HUF
USD	10 032	2
Total		**2**

MKB Bank Zrt. has no liabilities ensured by mortgage or similar rights.

Liabilities denominated in HUF with original maturities over 5 years

Type of liability	HUF
To Financial institutions	34 816
To Customers	10 403
Total	**45 219**

Liabilities with remaining maturities over 5 years

To Financial institutions

Type of liability	HUF
FX liabilities	224 380
HUF liabilities	29 733
Total	**254 113**

To Customers

Type of liability	HUF
FX liabilities	
HUF liabilities	121
Total	**121**

Data in HUF million except if stated otherwise

8/2 FX liabilities

Currency	FX liabilities within a year				FX liabilities over a year			
	FX Hungary		FX abroad		FX Hungary		FX abroad	
	FX	Forint	FX	Forint	FX	Forint	FX	Forint
USD	301 517	72 569	332 083	79 926	6 274	1 510	37 569	9 042
CHF	65 062	16 650	4 931	1 262	4	1	1 950 772	499 222
CAD	6 474	1 525	1 125	265	0	0	0	0
GBP	8 800	3 266	6 745	2 503	16	6	0	0
DKK	1 864	78	191	8	0	0	0	0
SEK	6 942	242	9 638	336	0	0	0	0
NOK	15 211	608	976	39	50	2	0	0
AUD	5 945	1 452	389	95	37	9	0	0
JPY	38 002	118	9 984	31	0	0	0	0
EUR	781 456	243 135	150 940	46 962	120 903	37 616	1 600 187	497 866
CZK	6 722	81	25 726	310	0	0	0	0
PLN	1 546	109	0	0	0	0	0	0
HRK	97	4	0	0	0	0	0	0
RON	14 528	1 047	7 424	535	0	0	0	0
BGN	0	0	1 000	159	0	0	0	0
RUB	12 851	96	0	0	0	0	0	0
EGY	6 000	6	0	0	0	0	0	0
Total		**340 986**		**132 431**		**39 144**		**1 006 130**

Data in HUF million except if stated otherwise

8/3. a) MKB's liabilities to affiliated companies

	M:108	M:113	M:129	M:132	M:149	M:152	M:171
Bayerische Landensbank	**216 056**	**590 624**					
Corp. Recovery Management SRL			11				
Euro Ingatlan Center Kft.			5	7			
Euro Ingatlan Kft.			2				
Euro Park Házak Kft.			6				
Euro-Immat Üzemeltetési Kft.			630				
Exter-Bérlet Kft.			37				
Extercom Kft.			85				
Exter-Immo Rt.			151				
Exter-Reál Kft.			34				
Füred Service Kft.			6	20			
Interremise Kft.			1				
Kun Street Kft.			122				
Medister Kft.			11				
MKB Alapkezelő Zrt.			1 288	120			
MKB Euroleasing Autóhitel Zrt.			10	778			
MKB Euroleasing Autólízing Zrt.			4	171			
MKB Nyugdíjpt.Kft.			295	130			
MKB Pénzügyi Zrt.			120				
MKB Üzemeltetési Kft.			11 502		200	4 000	
Resideal Zrt.			515				
Romexerra Leasing S.A.							
Romexterra Bank S. A.							
UNIONBANK AD.	159						
Subsidiaries total:	**159**	**0**	**14 835**	**1 226**	**200**	**4 000**	**0**
Ercorner Kft.			8				
MKB Autópark Zrt.			560	3			31
MKB-Euroleasing Zrt.			11				
Joint-ventures total:	**0**	**0**	**579**	**3**	**0**	**0**	**31**
EDE Duna Kft.			2				
MKB Általános Biztosító Zrt.			41	200			
MKB Életbiztosító Zrt.			265	200			
Mogyoróskert Kft.							
Pannonhalmi Apátság Pincészet			10				
Álom Sziget 2004 Kft			91	100			
SKAF Kft.			117				
Associated companies total:	**0**	**0**	**526**	**500**	**0**	**0**	**0**
Affiliated companies total:	**216 215**	**590 624**	**15 940**	**1 729**	**200**	**4 000**	**31**

Codes in the header of columns refer to the breakdown of balance sheet.

Data in HUF million except if stated otherwise

8/3. b) MKB's liabilities to other companies

	M:130	M:133	M:150	M:153	M:172
ADIDAS Bp. Kft.					
Euroleasing Letét Kft.					
GARANTIQA Zrt.	6	518			
Kisvállalkozásfejl. Pénzügyi Zrt.	1	2 483			
Pénzügykutató Zrt.	24				
Összesen:	**31**	**3 001**	**0**	**0**	**0**

Codes in the header of columns refer to the breakdown of balance sheet.

Data in HUF million except if stated otherwise

8/4 Investment services performed on an assignment

Portfolio of securities, owned by the clients and accepted during services performed on an assignment, at nominal value

	12.31.2010	12.31.2011
Securities	**1 337**	**642**
Money instruments owned by customers:	**5 262**	**2 729**
- (other bank keeps the account)	2 655	1 437
- (MKB keeps the account)	2 607	1 292

8/5 Subordinated debt capital

12.31.2011

	Amount (HUF million)	Interest rate (%)	Due date	Original currency	Amount FX
Bayern LB	14 001	3,14	2015.06.15	EUR	45 000 000
Bayern LB	37 932	6,32	2017.07.31	CHF	148 224 000
Bayern LB	23 335	2,51	2017.07.31	EUR	75 000 000
Bayern LB	15 556	4,91	2017.10.30	EUR	50 000 000
Bayern LB	15 556	6,79	2018.10.22	EUR	50 000 000
Bayern LB	1 556	7,21	2020.11.24	EUR	5 000 000
Total	**107 936**			**CHF**	**148 224 000**
				EUR	**225 000 000**

12.31.2010

	Amount (HUF million)	Interest rate (%)	Due date	Original currency	Amount FX
Bayern LB	12 543	2,74	2015.06.15	EUR	45 000 000
Bayern LB	33 450	1,90	2016.10.04	EUR	120 000 000
Bayern LB	20 906	1,96	2017.07.31	EUR	75 000 000
Bayern LB	13 938	4,39	2017.10.30	EUR	50 000 000
Bayern LB	13 938	6,25	2018.10.22	EUR	50 000 000
Bayern LB	1 394	6,76	2020.11.24	EUR	5 000 000
Total	**96 169**				**345 000 000**

During 2011, there were repayments of subordinated capital to Bayern LB in the amount of EUR 120 million. A new subordinated loan was granted by Bayern LB in amount of CHF 148.224 million.

Data in HUF million except if stated otherwise

8/6 Accruals and deferred income

	12.31.2010	12.31.2011	Change
Deferred income M:179	**432**	**614**	**182**
Safe fees	3	2	-1
Bond issue	107	16	-91
Other	322	596	274
Accrual of costs and expenditures M:180	**14 064**	**18 780**	**4 716**
Interests payable	12 224	17 231	5 007
Others	1 840	1 549	-291
Deferred income M:181	**67**	**26**	**-41**
Deferred income	67	26	-41
Total	**14 563**	**19 420**	**4 857**

8/7 Issued bonds

Reference	Maturity	Original currency	Par value amount in original currency	Par value amount in HUF million
MKB D120111	2012.01.11	HUF	16 270 000 000	16 270
MKB D120404	2012.04.04	HUF	10 428 000 000	10 428
MKB EUR D120504	2012.05.04	EUR	4 000 000	1 244
MKB DEV.IND. HUF 20120801	2012.08.01	HUF	1 826 780 000	1 827
MKB DEV.IND. HUF 20120831	2012.08.31	HUF	1 704 690 000	1 705
MKB DEV.IND. HUF 20120928	2012.09.28	HUF	1 529 800 000	1 530
MKB DEV.IND. HUF 20121031	2012.10.31	HUF	1 507 150 000	1 507
MKB DEV.IND. HUF 20121130	2012.11.30	HUF	1 058 850 000	1 059
MKB DEV.IND. HUF 20130110	2013.01.10	HUF	1 491 960 000	1 492
MKB DEV.IND. HUF 20130208	2013.03.08	HUF	1 355 280 000	1 355
MKB DEV.IND. HUF 20130306	2013.03.06	HUF	1 415 930 000	1 416
MKB DEV.IND. HUF 20131004	2013.10.04	HUF	532 430 000	532
MKB FIX 20120202	2012.02.02	HUF	615 130 000	615
MKB FIX 20120612	2012.06.12	HUF	6 000 000 000	6 000
MKB FIX 2013	2013.02.15	HUF	3 000 000 000	3 000
MKB FIX 2016	2016.02.15	HUF	3 000 000 000	3 000
MKB FPIK	2013.05.02	HUF	400 890 000	401
MKB FPIK IND.20150402 KÖTVÉNY	2015.04.02	HUF	577 500 000	577
MKB HAZAI RÉSZV. IND. 1	2012.07.30	HUF	448 990 000	449
MKB KISZÁMÍTHATÓ 20120227	2012.02.27	HUF	1 914 760 000	1 915
MKB KISZÁMÍTHATÓ 20120405	2012.04.05	HUF	1 908 020 000	1 908
MKB KISZÁMÍTHATÓ 20120515	2012.05.15	HUF	980 090 000	980
MKB KISZÁMÍTHATÓ 20120709	2012.07.09	HUF	3 590 730 000	3 591
MKB KISZÁMÍTHATÓ 20120730	2012.07.30	HUF	2 923 520 000	2 924
MKB KISZÁMÍTHATÓ 20120831	2012.08.31	HUF	2 855 380 000	2 855
MKB KISZÁMÍTHATÓ 20120926	2012.09.26	HUF	2 063 320 000	2 063
MKB KISZÁMÍTHATÓ 20121029	2012.10.29	HUF	1 899 030 000	1 899
MKB KISZÁMÍTHATÓ 20121203	2012.12.03	HUF	857 480 000	857
MKB KISZÁMÍTHATÓ 20130108	2013.01.08	HUF	907 020 000	907
MKB KISZÁMÍTHATÓ 20130305	2013.03.05	HUF	349 860 000	350
MKB KISZÁMÍTHATÓ 20130403	2013.04.03	HUF	582 810 000	583
MKB KISZÁMÍTHATÓ HUF 20130205	2013.02.05	HUF	872 280 000	872
MKB TARTÓS KAMATELŐNY 2013	2013.12.17	HUF	5 200 000 000	5 200
MKB TARTÓS KAMATELŐNY 2015	2015.12.17	HUF	7 100 000 000	7 100
MKB V. KÖTVÉNY	2012.10.26	HUF	20 470 000 000	20 470
MKB VI. KÖTVÉNY	2014.12.19	HUF	9 298 600 000	9 299
MKB VII. KÖTVÉNY	2016.12.16	HUF	9 350 000 000	9 350
MKB VIII KÖTVÉNY	2014.10.10	HUF	24 000 000 000	24 000
MKB DEV.IND. EUR 20130321	2013.03.21	EUR	5 196 800	1 617
MKB DEV.IND. EUR 20130403	2013.04.03	EUR	4 125 400	1 284
MKB DEV.IND. EUR 20130426	2013.04.26	EUR	4 049 900	1 260
MKB DEV.IND. EUR 20130530	2013.05.30	EUR	4 237 300	1 318
MKB DEV.IND. EUR 20130710	2013.07.10	EUR	3 342 400	1 040
MKB DEV.IND. EUR 20130808	2013.08.08	EUR	3 834 600	1 193
MKB DEV.IND. EUR 20130906	2013.09.06	EUR	3 229 000	1 005
MKB DEV.IND. EUR 20131004	2013.10.04	EUR	794 000	247
MKB EURO FIX 2012 3,5%	2012.03.02	EUR	25 000 000	7 778
MKB EURO FIX 2013 4%	2013.12.09	EUR	11 000 000	3 422
MKB FIX 5X5% EUR	2016.11.18	EUR	13 396 500	4 168
MKB FPIK EUR	2014.11.24	EUR	770 900	240
MKB KISZÁMÍTHATÓ EURO 20121205	2012.12.05	EUR	5 190 200	1 615
MKB KISZÁMÍTHATÓ EURO 20130108	2013.01.08	EUR	4 852 100	1 510
MKB KISZÁMÍTHATÓ EURO 20130205	2013.02.05	EUR	4 304 100	1 339
MKB KISZÁMÍTHATÓ EURO 20130305	2013.03.05	EUR	1 628 800	507
MKB RÉSZV. IND. EUR 20150312	2015.03.12	EUR	4 769 400	1 484
MKB RÉSZV.IND.EUR 20141006	2014.10.06	EUR	2 128 800	662
MKB USD FIX 20120924	2012.09.24	USD	5 105 000	1 229
Total				**184 448**

Data in HUF million except if stated otherwise

9 Movements of provisions

Line	Title	Opening balance	Increase in 2010	Release at rating, utilization of provision			Effect of FX rates' change	Closing balance
				Utilization in 2011	Utilization in 2010	Release in 2010		
M 183	Provisions for pension and payoff	22	231			22		231
M 184	Provisions for contingent liabilities	3 453	31 074	26 744		2 671	169	5 281
M 185	General risk reserve	1 572	1 595		1 572			1 595
Total		**5 047**	**32 900**	**26 744**	**1 572**	**2 693**	**169**	**7 107**

The Bank allocated provision for contingent liabilities and commitments concerning affiliated companies as detailed below:

Affiliated companies	Provision for contingent liabilities and commitments
Euro Ingatlan Kft.	13
CRM	11
Total	**24**

Data in HUF million except if stated otherwise

10 Nominal value and number of shares

Share	Number of shares issued	Nominal value HUF/piece	Registered share capital
Class „A” share opening balance	16 037 704	1 000	16 038
Capital increase in Aug. 2010.	4 695 198	1 000	4 695
Class „A” share closing balance	**20 732 902**	**1 000**	**20 733**

In February 2012, foreign owners increased capital when 23,203,592 new shares were issued. The issuing price was HUF 2,672 per share of HUF 1,000 each. The total capital increase was HUF 23,204 million which was booked as subscribed capital and the total premium over nominal value amounted to HUF 38,796 million which was disclosed among the share premium.

Data in HUF million except if stated otherwise

10/1 Ownership structure of MKB

Key shareholders	Proportion as percentage of registered capital
2011	
Foreign owners	
BayernLB, München	89,89%
P.S.K. Beiteiligungsverwaltung GMBH	9,77%
Antoinette Holding Limited	0,34%
Total	**100,00%**
2010	
Foreign owners	
BayernLB, München	89,79%
P.S.K. Beiteiligungsverwaltung GMBH	9,77%
Antoinette Holding Limited	0,44%
Total	**100,00%**

The table contains data of those shareholders whose share is greater than 0.1%.

Data in HUF million except if stated otherwise

11 MKB Zrt shareholders' equity

31.12.2011

Item	Total
Issued capital	**20 733**
- Opening balance	16 038
- Increasing capital	4 695
Total capital reserves	**181 491**
- Share premium	181 430
- Opening balance	136 647
- Increasing capital	44 783
- Other	61
Profit reserves	**-13 008**
- Opening balance	81 057
- Profit on the previous year	-94 955
- Depreciation on capitalized value of foundation and restructuring expenses	890
Locked-up reserves	**317**
- Opening balance	1 207
- Capitalized value of foundation and restructuring expenses	-890
General reserves	**0**
- Opening balance	0
- Addition in 2010	0
Revaluation reserves	**55**
- Adjustment to opening balance	345
- Movement in 2010	-290
Profit on the period	**-111 355**
Profit after taxation	-111 355
Utilization of General reserves	
Total Shareholders' Equity	**78 233**

Data in HUF million except if stated otherwise

12 Off-Balance-Sheet Items

Contingent liabilities	
Guarantees (HUF and FX)	133 426
Import and certified export letter of credit	14 242
Undrawn credit line	227 792
Liabilities subject to legal proceedings	8 414
Liabilities arising from option transactions	248
CAP and Floor transaction	89 216
Forward Rate Agreements FRA	65 000
Other	2 245
Total	**540 583**

Future receivables	
Interest swap	77 956
Receivables from other futures transactions:	587 866
Receivables from option transactions	3 005
Total	**668 827**

Future liabilities	
Interest swap	
- single-currency	74 781
- double-currency	219
Other liabilities arising from futures transactions	589 381
Total	**664 381**

Guarantees granted	
Bank guarantee in HUF	96 209
- granted with maturity within the year	9 436
- granted with maturity beyond the year	86 773
Bank guarantee in FX	37 217
- granted with maturity within the year	2 770
- granted with maturity beyond the year	34 447
Total	**133 426**

Expected effects of off-balance sheet items for result and cash flow:
Undrawn credit lines: HUF 22 487 million
Granted guarantees: HUF 7 627 million

Data in HUF million except if stated otherwise

12/1. a) Secured assets and commitments (Financial services)

Type of secured assets and commitments	31.12.2010	31.12.2011
Cash deposit	36 736	30 530
Debt securities issued by	25 324	5 220
- Central governments	1 542	729
- Companies	23 782	4 491
- Others	0	0
Shares		
Mortgage	2 250 717	1 813 509
- Building	2 013 681	1 661 067
- Others	237 036	152 442
Guarantees from	305 509	261 474
- Central governments	107 866	121 126
- Other banks	191 160	132 458
- Companies	6 483	7 890
Others	365 113	294 410
Total	**2 983 399**	**2 405 143**

12/1. b) Secured assets and commitments (Investment services)

Type of secured assets and commitments	31.12.2010	31.12.2011
Shares	0	0
Other	404	309
Total	**404**	**309**

Data in HUF million except if stated otherwise

Income structure

Item	2010	2011	Change
Interest margin	55 873	44 787	-19,80%
Dividends received	650	1 395	114,60%
Net income from commissions and fees	15 953	11 409	-28,50%
Other non-interest income	21 666	26 177	20,80%
Gross operating income	**94 142**	**83 768**	**-11,00%**
Tax expenses	-18 206	-6 586	-63,80%
Other income and expenses	-718	-4	-99,40%
Operating costs (including depreciation)	-52 738	-52 080	-1,20%
Impairment, provision charge and amounts written-off	-135 667	-135 561	-0,10%
of which: - specific and industry-risk	*-125 055*	*-104 294*	-16,60%
General risk provision	501	-23	-104,60%
Extraordinary profit and loss	-126	-853	577,00%
Profit before taxation	**-112 812**	**-111 339**	**-1,30%**

In 2011, gross operating incomes reached HUF 83,768 million, which represented a 11.0% decrease compared to the previous year's figure. The cut was mainly affected by the decrease of interest incomes. The structure of incomes had also changed as the ratio of interest margin decreased to 53.5% (2010: 59.4%), while the ratio of other non-interest incomes decreased from 23% in 2010 to 31.3% in 2011.
Operating costs in 2011 slightly decreased by HUF 0.7 billion, which was mainly derived from the decreasing IT costs.
Impairments decreased by HUF 106 million in 2011, which mainly resulted by

- HUF 4.6 billion impairments for credit loss,
- HUF 4.4 billion impairments rise for government bonds,
- HUF 23.4 billion impairments increasing for insvestments.

Main items affect to extraordinary profit and loss

In July 2011. a capital decrease has occurred at MKB Pénzügyi Zrt., resulting a decline in registered capital from HUF 440 million to HUF 100 million,a decline in capital reserve from HUF 14.5 million to HUF 3.3 million, and a decline in retained earnings from HUF 59.1 million to HUF 13.4 million. The total amount of Capital decrease was HUF 396.9 million.

In October 2011 Euro-Immat Kft. demerged from MKB Üzemeltetési Kft. resulting a HUF 18,585 million decline of MKB Bank's share value in MKB Üzemeltetési Kft. Euro-Immat Kft. formed with the amount of HUF 18.564.2 million shareholders' equity, the subscribed capital was HUF 18,558.5 million and the earnings reserve was HUF 5.7 million.

According to the Bank's business decision, a HUF 903 million write-off has occured due to principal- and interest claims.

Data in HUF million except if stated otherwise

Bank income indicators

Components as a percentage of gross operating income

Item	2010(%)	2011(%)
Interest margin	59,35%	53,46%
Dividends received	0,69%	1,67%
Net Income from commissions and fees	16,95%	13,62%
Other non-interest income	23,01%	31,25%
Gross operating income	**100,00%**	**100,00%**
Tax expenses	-19,34%	-7,86%
Other income and expenses	-0,76%	0,00%
Operating costs (including depreciation)	-56,02%	-62,17%
Impairment, provision charge and amounts written-off	-144,11%	-161,83%
of which: - specific and industry-risk	*-132,84%*	*-124,50%*
General risk provision	0,53%	-0,03%
Extraordinary profit and loss	-0,13%	-1,02%
Profit before taxation	**-119,83%**	**-132,91%**

Components as a percentage of average total assets

Item	2010(%)	2011 (%)
Interest margin	1,98%	1,65%
Dividends received	0,02%	0,05%
Net Income from commissions and fees	0,56%	0,42%
Other non-interest income	0,77%	0,96%
Gross operating income	**3,33%**	**3,08%**
Tax expenses	-0,64%	-0,24%
Other income and expenses	-0,03%	0,00%
Operating costs (including depreciation)	-1,87%	-1,92%
Impairment, provision charge and amounts written-off	-4,80%	-4,98%
of which: - specific and industry-risk	*-4,43%*	*-3,83%*
General risk provision	0,02%	0,00%
Extraordinary profit and loss	0,00%	-0,03%
Profit before taxation	**-3,99%**	**-4,09%**

Average total assets: HUF 2,823,714 million (2010), and HUF 2,723,414 million (2011).

Data in HUF million except if stated otherwise

Operating costs

Cost items	2 010	2 011
Salaries, wages and other staff-related expenses	20 721	22 367
Other administrative expenses (material-type expenses)	28 852	26 273
Total general costs	**49 573**	**48 640**
Depreciation	3 165	3 440
Total operating costs	**52 738**	**52 080**

Changes in active headcount numbers

Date	Number of active staff	Branches in the Countryside		Branches in Budapest		Headquarter
		Number of branches	Staff	Number of branches	Staff	Staff
01.01.2010	2 159	60	525	26	255	1 379
01.01.2011	2 194	61	481	26	252	1 461
01.01.2012	2 217	62	507	26	243	1 467

Data in HUF million except if stated otherwise

13 Revenues from and expenditures on affiliated companies (Associated companies)

Affiliated companies :	E:6	E:9	E:18	E:21	E:25	E:36	E:45	E:51	E:70
Bayerische Landesbank	**286**	**21 095**	**29**	**45**	**14**	**1**	**3**		
Corporate Recovery Man. SRL.	598	1							
EDE Duna Kft.									
Euro-Immat Üzemeltetési Kft.		10							
Euro Ingatlan Kft.	77		2						
Euro Park Házak Kft.	23								
Euroingatlan Center Kft.	15	1							
Exter-Bérlet Kft.	108	3	1					1	
Extercom Kft.	246	8	4					1	
Exter-Immo Zrt.	157	16						1	
Exter-Reál Kft.	12								
Interremise Ber. és Szolg. Kft.									
Kun Street Kft.	10	1							
Medister Kft.									
MKB Befektetési Alapkezelő Zrt.		16	66	1 562				8	
MKB Euroleasing Autóhitel Zrt.	1 103	13	7	1				65	
MKB Euroleasing Autólízing Zrt.	898	4	5					12	
MKB Nypénzt. Kiszolgáló Kft.		7						8	
MKB Pénzügyi Zrt.		21						1	
MKB Union Bank AD	1 973	215		13				19	
MKB Üzemeltetési Kft.		850	13	2				38	
Resideal Zrt.	492	16						3	
Romexerra Leasing S.A.	313								
Romexterra Bank S. A.	106	1	1		1			18	
Subsidiaries total:	**6 131**	**1 183**	**99**	**1 578**	**1**	**0**	**0**	**175**	**0**
MKB Euroleasing Autópark Zrt.	920		6						1
MKB Euroleasing Zrt.	39		1	3					
Ercorner Kft.	84								
Jointly controlled companies total:	**1 043**	**0**	**7**	**3**	**0**	**0**	**0**	**0**	**1**
MKB Általános Biztosító Zrt.		7	4	2				75	
MKB Életbiztosító Zrt.		2	1	15				98	
Pannonhalmi Borház Kft.	41		1						
SKAF Kft.	24	4							
Associated companies total:	**65**	**13**	**6**	**17**	**0**	**0**	**0**	**173**	**0**
Total	**7 525**	**22 291**	**141**	**1 643**	**15**	**1**	**3**	**348**	**1**

Codes in the header of columns refer to the breakdown of P/L.

13/1 Revenues from and expenditures on other companies

Name of the company	E:10	E:19	E:22
Adidas Kft.			
Eurolízing Letét Kft.			2
Garantiqa Hitelgarancia Zrt	90	1	1
Kisvállk.fejl. Pü-i Zrt.	96		
Pénzügykutató Zrt.			
Total	**186**	**1**	**3**

Codes in the header of columns refer to the breakdown of P/L.

Data in HUF million except if stated otherwise

13/2 Interest not accrued as at

31.12.2011

	Interest	Penalty interest	Fee	Total
HUF	4 913	25 971	108	**30 992**
FX	10 025	8 306	39	**18 370**
Total	**14 938**	**34 277**	**147**	**49 362**

31.12.2010

	Interest	Penalty interest	Fee	Total
HUF	4 960	21 140	75	**26 175**
FX	5 062	2 517	34	**7 613**
Total	**10 022**	**23 657**	**109**	**33 788**

Data in HUF million except if stated otherwise

14 Income and Expenses from investment services

31.12.2011

Item	Income Line E: 20. and 39.	Expenses Line E: 27. and 44.
from activities of securities issue	106	22
from trust activities	1 961	20
from trade activities	68 482	49 318
- of which: devaluation	7	4 456
- of which: valuation difference	36 966	31 226
from deposit fee	30	132
from other activities	528	140
Total	**71 107**	**49 632**

31.12.2010

Item	Income Line E: 20. and 39.	Expenses Line E: 27. and 44.
from activities of securities issue	330	12
from trust activities	2 210	35
from trade activities	51 488	52 127
- of which: devaluation	0	7
- of which: valuation difference	18 872	33 909
from deposit fee	28	193
from other activities	494	155
Total	**54 550**	**52 522**

Codes in the header of columns refer to the breakdown of P/L.

The profit from trading activities was HUF 19.2 billion in 2011 which represented a HUF 19.8 billion growth compared to HUF 0.6 billion loss in 2010.
The profit derived from the following effects:

- HUF 6.3 billion profit on FX rates, which mainly was the sum of HUF 7.6 profit decline on repurchased debt securities of own issue, HUF 3.7 billion loss on trading portfolios and HUF 1.0 billion profit both on SWAP and FX forward deals
- HUF 20.8 billion profit on fair value revaluation, which was the result of increasing incomes by HUF 18.1 billion and decreasing of expenses by HUF 2.7 billion
- HUF 3.2 billion loss on IRS deals, which is the sum of 5.3 billion decrease of incomes and 2.1 decrease of expenses
- HUF 3.2 billion loss on devaluation of trading portfolio of government securities.

Data in HUF million except if stated otherwise

Effect of other derivatives for cash flow:

Type of derivatives	2010	2011
CPO	12	1
CRS	-32 931	-13 359
FRA	-151	-134
FWD	509	2 856
FXFU	-605	299
FXSW	3 740	-8 233
IRS	2 260	-436
Total	**-27 166**	**-19 006**

Data in HUF million except if stated otherwise

15 Human resources

Wages and other personal costs and other supplementary informations

Categories	Average number of employees	Wage	Personal payments
Total full time	**2 146**	**14 981**	**1 304**
- Professional	2 132	14 911	1295
- Other	14	70	9
Total part time	**52**	**199**	**28**
- Professional	52	199	28
- Other			
Retired employees	6	19	1
Other employee not included in the staff		934	10
Total	**2 204**	**16 133**	**1 343**

Remuneration and loans of members of Board of directors and Supervisory Board

	Remuneration
Members of Supervisory board	49
Members of Board of directors	1 138
Total	**1 187**

Loans	Amount lent	Repayment of principal in 2010	Repayment of interests in 2010	Remaining principal debt
Members of Supervisory board	12	2	0	3
Members of Board of directors	384	20	23	415
Total	**396**	**22**	**23**	**418**

Granted loans have maturity of 10 years or more and fix interest rates.

The Bank has no pension commitments towards former members of Board of Directors and Supervisory Board.

In February, the main shareholder made a decision to recall Mr. Tamás Erdei from his position and Pál Simák dr., former CFO, was appointed to take over the Chairman and Chief – Executive role from 8 March, 2012.

After March 20th 2012 MKB's general meeting will be held, until that day the underwriter of financial report is:
Erdei, Tamás Chairman and Chief Executive
Address: Budapest

Data in HUF million except if stated otherwise

16 expenditures of non banking activities broken down by type

Type of cost	31.12.2010	31.12.2011
Costs of stock sold	1 753	506
Costs of intermediated services	4 269	2 629
Other	260	281
Total	**6 282**	**3 416**

Data in HUF million except if stated otherwise

17 Changes in impairment

Line	Title	Opening balance	Increase in 2010	Prior year reversals	Derecognition (write off or sale)	Effect of FX rates' change	Closing balance
M 6	Loans and advances to credit institution	17	3	3			17
M 24	Loans and advances to customer	144 089	120 246	66 700	10 858	7 722	194 499
M 91	Other receivables	23 905	1 529	24 905	5		524
	Total receivables	**168 011**	**121 778**	**91 608**	**10 863**	**7 722**	**195 040**
M 3	Treasury bills	0	4 416			-1	4 415
M 46	Debt securities incl. fixed-income securities	0					0
M 54	Shares and other variable-yield securities	166	128	95			199
M 63	Shares and participating interests held for investment purposes	3					3
M 69	Shares and participating interests in affiliated undertakings	46 428	73 035	5 556		7 844	121 751
M 90	Stocks	28					28
Total		**214 636**	**199 357**	**97 259**	**10 863**	**15 565**	**321 436**

In 2011 the total change in impairment balances was HUF 106.8 billion, which was an increase from HUF 214.6 billion to HUF 321.4 billion. The growth was mainly affected by HUF 120.2 billion increase in customer portfolio and HUF 73.0 billion and a HUF 1.5 billion impairment concerning foreign investments. In closing balance of customer portfolio project segment has a 40.3% share, while SME segment has 27.6% and in retail segment has 20.8%.

The Hungarian Parliament adopted Act CXXI of 2011 on the amendment of certain laws related to home protection on 19 September 2011, and the new rules became effective on 29 September. This amendment has made it possible for a certain group of customers having foreign currency based loan agreements, as defined by law, to pre-pay in full their loans at a fixed exchange rate that is significantly lower than the actual market forex rate, in other words to repay in full their outstanding loans in a lump sum before the original contractual maturity. The FX rates which should be used during the conversion were CHF/HUF 180, EUR/HUF 250 and JPY/HUF 2.5. The lending financial institutions were obligated to administer such final repayments without charging extra fees or commissions, at a fixed exchange rate, subject to the fulfilment of certain conditions defined by law, which results for the financial institution in the realisation of loss on the defined exchange rate differing significantly from the market rate valid at the time of such final repayment. Credit institutions had the opportunity to minimize their losses through submitting competitive tender bids from time to time to the Hungarian National Bank for buying EUR at market rate. The matter the conversion of EUR into CHF or JPY was done at market rates.

Data in HUF million except if stated otherwise

The final deadline for submitting the requests for the early repayment was 30 December 2011, which allowed for the Bank to have factual data regarding the loss realised. The Bank was entitled to refuse an application for early final repayment, should the debtor fail to attach to his/her submitted application by 30 January 2012 at the latest either a binding promissory note issued by another credit institution on granting a loan that is sufficient to cover the necessary sum of the early repayment, or the placement of sum in cash sufficient to cover the early repayment on the debtor's account kept at the creditor bank.

MKB recognized a HUF 37,251 million loss due to this early repayment scheme, which included HUF 15,357 million direct write off. The 11,426 customers who made final repayment belong to the high-quality debtors (with better than rating 14) and the main source of the final repayment at MKB was their own funds, albeit the relevant part of it was not savings (deposits, bonds, investment funds) held in MKB.

Financial institutions subject to the payment of special banking tax were entitled to deduct from their special tax 30% of their losses arising from early final repayments at preferential exchange rates. Should the bank not be able to deduct the 30% of his losses arising from early final repayment from the special tax remaining losses could be utilised by other financial institution in the group.

During 2011 the bank bought EUR amounts within the frame of such MNB tender detailed below.

Date	FX rate	Amounts in EUR	Amounts in HUF
2011.10.03	294,55	40 000 000	11 782 000 000
2011.10.10	293,60	100 000 000	29 360 000 000
2011.10.10	293,58	30 000 000	8 807 400 000
2011.10.10	293,56	30 000 000	8 806 800 000
2011.11.27	307,10	30 000 000	9 213 000 000
2012.01.02	315,35	10 000 000	3 153 500 000
2012.01.09	313,95	50 000 000	15 697 500 000
2012.01.23	303,35	30 000 000	9 100 500 000
2012.01.30	296,00	60 000 000	17 760 000 000
2012.02.06	293,15	70 000 000	20 520 500 000
2012.02.06	293,05	20 000 000	5 861 000 000
Total	**-**	**470 000 000**	**140 062 200 000**

Data in HUF million except if stated otherwise

18 Development of budget relations

Tax liabilities to be settled with Tax and Financial Control Office (APEH)

Item	31.12.2010	31.12.2011
Supplementary Tax for financial institutions	13 559	2 121
Corporate Profit Tax	0	0
Corporate Profit Tax due to the self-revision of the previous years	-32	16
Tax for Government Subsidies on Mortgage Loans *	548	454
Personal Income Tax	5 710	3 447
Personal Income Tax due to the self-revision of the previous years	0	
Withholding Personal Income Tax	5 946	3 734
Personal Income Tax liability due to Tax and Financial Control Office revision	0	
VAT (ÁFA) **		
a) to be paid	661	527
b) deductible	269	52
- of which: VAT liability due to APEH revision	0	0
Innovation contribution***	0	0
Rehabilitation contribution	106	106
Penalty, late charges	8	16
- of which: due to APEH revision	0	0
Self-revision charges	9	0
Other tax payment liability due to self-revision	0	0
Health contribution	31	101
Social security contributions	6 429	6 854
Additional tax on private individuals	-1	0

* Decrease of Tax for Government Subsidies on Mortgage Loans was the result of the decline in the base of the tax, which derived from both the decrease of interest income of MKB Bank and the income of state subsidy refinanced credit portfolio reported by FHB bank.

** VAT does not contain the non-deductible VAT amount relating to the financial activities accounted for as costs.

***Amount of ordered research and development service cost paid during 2011 is deductable from innovation contribution (amounted to HUF 283,199,000) payable to National Tax and Custom Office, therefore no innovation contribution occurred during 2011.

Data in HUF million except if stated otherwise

18/1 Corporate tax

Item	31.12.2010	31.12.2011
Profit before taxation	-112 812	-111 339
Items reducing the tax base (-)	11 895	14 241
Items increasing the tax base (+)	12 423	21 863
Whithholding tax	567	585
Tax base	-111 717	-103 132
Calculated tax (19%)	0	0
Whithholding tax (-)	0	0
Tax benefit (-) *	7	0
Corporate tax payable	7	0
Prior year tax adjustments, solidarity tax	-32	16
Current income tax	-25	16
Profit after tax	**-112 787**	**-111 355**

* During 2010 according to the requirements of Act on Corporate Tax, taxpayers have to deduct 30% tax of the outgoing payments of interest, royalty and service fee paid to foreign organization if

- there is no double taxation agreement between domicile country of the foreign organization and Hungary,
- foreign organization didn't prove suitably the existing of the double taxation agreement.

In 2011 this tax liability has been withdrawn.

On the basis of the Act on Corporate tax the rate of corporate tax is based on the amount of profit before tax: under HUF 500 million it is 10% of the base amount and 19% of the residual amount. Despite the result of the year, the amount of tax payable is mainly affected by the amount of the items, referred in the act, which adjust the tax base. Extraordinary incomes haven't affected tax base corrections, while HUF 400 million from extraordinary losses icreased tax base as bad debt.

Data in HUF million except if stated otherwise

18/2 Items reducing the tax base in calculating corporate profit tax

Item	31.12.2010	31.12.2011
Use of provisions made for expected liabilities and future costs	105	23
Amount of depreciation taken into account in accordance with the Tax Act.	11 130	12 814
Difference between the gross value of tangible and intangible assets sold and depreciation according to the Tax Act	650	1 395
Amount of dividends and profit distributions received	0	
Amount accounted for as revenue and tax refunded in the course of a tax audit or self-revision	0	0
Revenue from disposal of participation exceed its historic cost	0	0
Impairment reversed on receivables	10	2
Other		7
Total	**11 895**	**14 241**

Data in HUF million except if stated otherwise

18/3 Items increasing the tax base in calculating corporate profit tax

Item	31.12.2010	31.12.2011
Provisions for expected liabilities and future costs	22	231
Depreciation and impairments on fixed assets accounted for as cost under the Accounting Act. Value accounted for as expenditure in the sale of tangible and intangible assets	11 067	17 821
Cost related to non-entrepreneurial activities and activities that do not generate revenue*	907	3 013
Amounts accounted for as tax deficits, resulting from findings of tax audits or self-revisions	7	0
Impairments accounted for on receivables in the tax year	19	322
Penalties, fines	9	16
Subsidies awarded without repayment obligation (not preferred by the Act on Corporate Tax and Dividend Tax)	0	0
Uncollectible and forgiven debts	392	460
Total	**12 423**	**21 863**

*From 2010, subsidies awarded without repayment obligation is not a unique item among tax base increasing items, but part of the costs related to non-entrepreneurial activities and activities that do not generate revenue.

Data in HUF million except if stated otherwise

18/4 Development of Finantial institutions' extraordinary tax („Bank tax")

Item	31.12.2010	31.12.2011
Total Assets in 2009	2 897 590	2 897 590
Items reducing the tax base (-)	150 753	364 265
Items increasing the tax base (+)	0	982
Adjusted Total Assets	2 746 837	2 534 307
Bank tax	13 559	13 241
Amounts decreasing resulting from the final payment, at a fixed exchange rate, of foreign currency mortgage loans	0	11 120
Adjusted Bank tax	**13 559**	**2 121**

In 2010 a new tax item was introduced based on the amount of total assets at 31. December 2009, which resulted a significant tax cost for every financial institutions, includes MKB Bank.

According to the modified tax act, in 2011 some deductible and increasing items were introduced compared to 2010. Modification of Tax Act in the end of 2011 resulted a decrease in tax amount: the 30% of outgoings of final payment of mortgage loans'could have decreased the tax amount.

Data in HUF million except if stated otherwise

18/5 Obligations to be settled with local governments

Item	31.12.2010	31.12.2011
Local business tax	2 115	1 884
- self-revision	0	0
Communal tax	0,3	0
Building tax	3	3
Vehicle tax	13	13
Land tax	7	2
Penalty, fine to be paid to local governments	0	0

It can be established, that in 2011 the local business tax payment obligation to the local government has decreased. The reason for the decline was the net sales income, which forms the tax base, that decreased by HUF 14.4 billion.

The communal tax obligation has been ceased in 2011.

The amount of the payable vehicle tax was the same amount in the course of year due to the slightly increasing number of cars in the fleet.

The amount of the payable land tax decreased in 2011 resulted by the sold properties acquired against credit claims.

Like in previous years, MKB Bank Zrt. fully met its tax payment obligations in 2011.

18/6 Settlement with the National Deposit Insurance Fund

Since 1st of July, 1993, the MKB Zrt. has joint to the National Deposit Insurance Fund (OBA)

According to the fee payment regulation the annual fee consist of the following parts:

- The base of the fee is the ensured amount of deposit which relates to the previous year and derives from the approved and audited Financial Statement
- The fee rate is 0.6 ‰ of the fee-base

General information of the payable fee as at 2011

The basis of the insurance premium	HUF 1,183,161 million
The average size of the insured deposit	HUF 5.9 million
The fee payable for 2011	HUF 710 million

18/7 Settlement with the Investor-Protecting Fund

Since 13th of September, 1997, the MKB Zrt. has joint to the Investor-Protecting Fund (BEVA).

From January 1, 2008, the reported deposits should be split into two classes forming the bases for premium payment. Premium class No. 1 includes the total of those deposits that do not exceed HUF 6 million per depositor on which an annual fee of 0,57 ‰ p.a. should be paid. Premium class No.2 includes the total of those deposits that exceed HUF 6 million per depositor on which an annual fee of 0,018 ‰ p.a. should be paid. Total annual payment obligation is calculated as the sum of fees to be paid on deposits in Premium classes No. 1 and No.2.

According to the Premium Regulation, MKB should pay HUF 66 million protection fee in 2011, which reflected a HUF 11.6 million growth compared to the previous year’s fee level.

19 General Reserve

Bank have to allocate general reserves from profit after tax before paying dividends.

According to the Act 1996/CXII. Article 75 paragraph (2), credit institutions shall allocate 10% of their profit after tax for the year into General Reserve before dividend distribution.

In case of losses, the general reserves should be utilized up to the higher of the actual loss amount or the outstanding balance of such reserves.

31.12.2011

Profit after taxation	-111 355
Utilization of General Reserves	0
Total General Reserve	**0**

Data in HUF million except if stated otherwise

20 Allocation of profit for the year 2011

	31.12.2011	
1.	Profit before taxation	-111 339
2.	Taxation	16
3.	Profit after taxation	-111 355
4.	Utilization of General Reserves	0
5.	**Result for the year**	**-111 355**

Auditor

Auditing is compulsory at MKB Bank Zrt.

Auditor of MKB Bank Zrt:

KPMG Hungária Kft.
Chartered auditors (Chamber of Hungarian Auditors registration number: 000202)

Audit fee payable for 2011	
Audit fee	141
Other certification survey	0
Other advising activity (accounting, tax)	1
non auditory services	7
Total	**149**

The person responsible for the audit:

Agócs, Gábor chartered auditor (Chamber of Hungarian Auditors registration number: 005600), in case of his non-availability Henye, István (Chamber of Hungarian Auditors registration number: 005674).

Budapest, 20 March, 2012

Head of the company

Business Report

Although, the first half of the year held a vague hope for recovery and growth, in all, MKB Bank's 2011 financial year was still characterised by active crisis management, adjustment and cautious financing activity in respect to the hectic economic policy and regulatory measures in an extremely unfavorable environment. With remarkable efforts, MKB Bank has successfully overperformed its two fundamental strategic targets, the efficient risk weighted asset (RWA) management and strengthening of self-financing (decrease its LTPF ratio), including the gradual improvement of the balance sheet structure in terms of both maturities and FX mismatch, with huge contributions from all business lines.

Extremely intensive adjustment was required on the liability side concerning the re-nationalisation of the compulsory private pension system, and also in household lending on the asset side due to the Government's Home Protection Program, but the Bank more than adequately managed these challenges. In this environment it was a remarkable result that MKB Bank succeeded to reach the aforementioned key strategic objectives and manage the challenges with just some minor erosion of its market share in key client volumes with the exception of retail savings market share, where it showed impressive growth.

In most of the business segments, consolidation continued, together with customer-focused crisis management and collateral strengthening. Parallel to that, differentiated identification of the options for future business breakthrough directions are on the agenda as well. In that context the strengthening of the organisation conditions in the corporate division, centralised support to business development, the growing tendency in primary banking relationships, the success of factoring and certain Treasury products, the private banking business, the dynamically increasing penetration of electronic services and the performance of the Bank Group in self-care type savings were remarkable achievements. The fine-tuning of business processes in various business lines formed a good basis for the Bank's business performance to improve sustainably and efficiently in a consolidating macro-economic environment.

Performance of the individual business lines[1]

COMPANIES AND INSTITUTIONAL CUSTOMERS[2]

During 2011, in an environment showing the signs of a slow, strongly differentiated recovery, the Bank's business policy focused on two goals: continuation of proactive relationship management focusing on the quality indicators of the existing portfolio and exploitation of different acquisition opportunities in line with the status of the Hungarian economy, concentrating mainly on the driving sectors. In the latter case most attention was paid to a

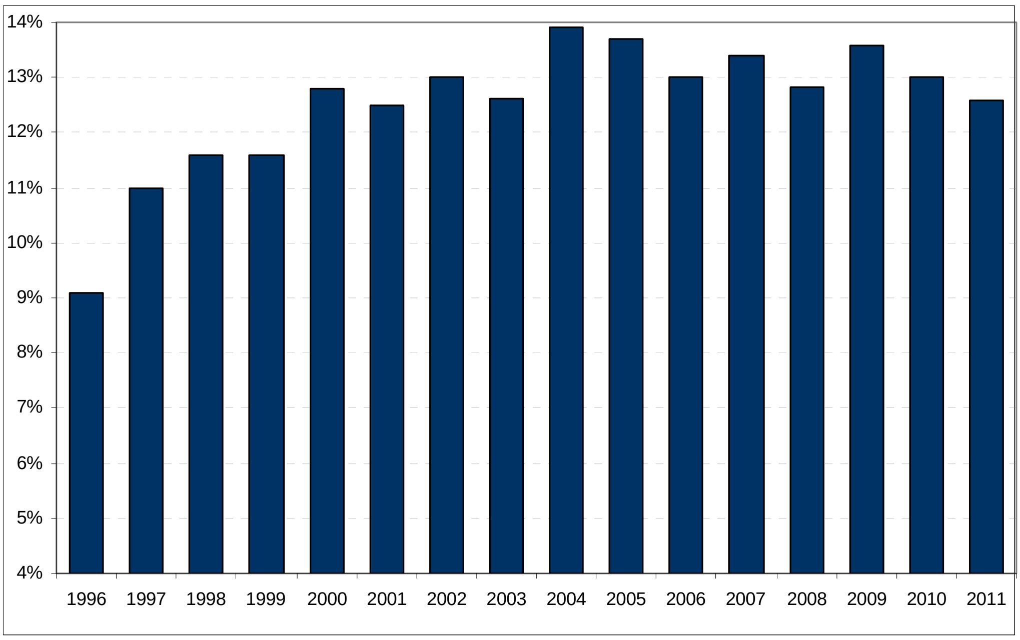
[1] The key business line figures are from of MIS
[2] For business segmentation reasons, small enterprises are a separate business line at MKB Bank, however, due to sector statistics the corporate market share calculations contain their loan and deposit portfolio. This chapter basically includes the client numbers, loans, accounts and deposits of the corporate portfolio in growth focus. The 'total'market share data include total volume, respectively.

complex service portfolio including complex financial advisory services rather than a simple extension of the customer base, and the same focus will also remain in 2012. In case of the corporate customers the restructuring activity, collateral-strengthening and, in relation to that, the reduction of the risk-weighted assets, essentially by exploiting internal resources intensively, continued to remain priorities. For achieving these goals efficiently MKB established an individual organizational background. Besides, in 2011 the Bank continued serving its customers that were unfavorably affected by the crisis yet showed growth potential in the medium to long term and reasonably applied for financing.

Corporate loan portfolio based on transactions showed a decrease in the sector due to the state of the economy and renewals were still more typical. Tendencies at MKB Bank were in line with the sector trend, and the deviation of its currency and maturity structure is the explanation for the more moderate real decrease.

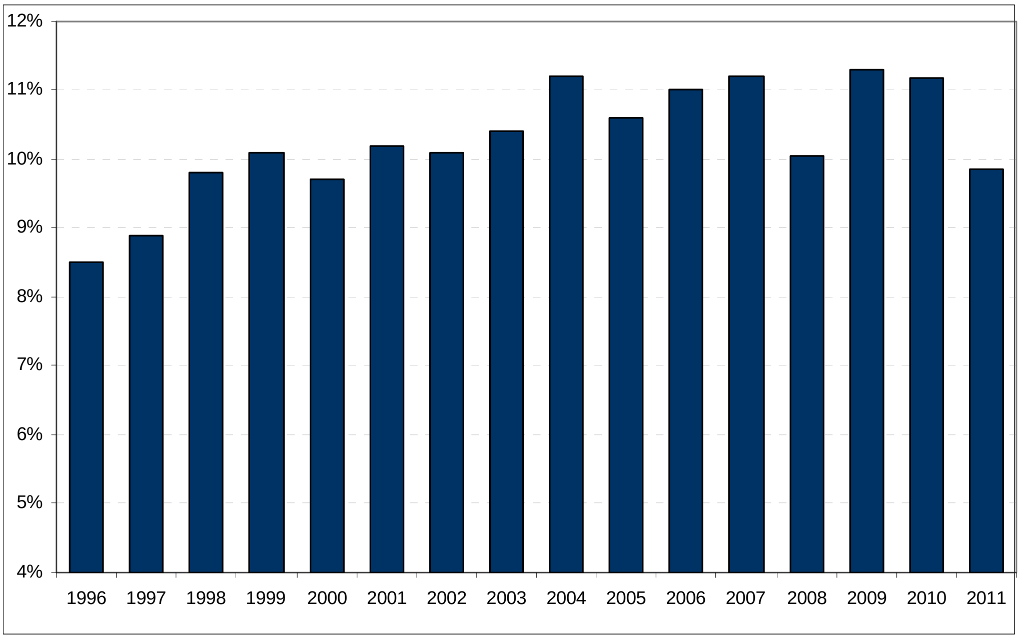
The total wholesale corporate loan portfolio of MKB Bank decreased by 7.3% and reached HUF 1,430.4 billion. Thus, MKB Bank's market share in domestic corporate lending fell by 0.4pps to 12.6%, while in the strategic segment of non-financial corporates the Bank reached a market share of 13.8% (2010: 14.3%). As for the portfolio in business and growth focus – in line with the shrinking market - loans disbursed to the Bank's large and mid-corporate project and institutional customers decreased by 12,1% to HUF 573.2 billion by the end of 2011. Consequently, the market share calculated for the non-financial corporate portfolio with growth focus was 6.5% at the end of 2011 (2010: 7.3%).

Market share in total corporate lending



The total wholesale corporate accounts and deposits of MKB Bank decreased by 6% and reached HUF 617.4 billion. Thus, MKB Bank's market share in domestic corporate funding fell by 1.3pps to 9.9%, while in the strategic segment of non-financial corporates the Bank reached a market share of 10.2% (2010: 11.8%). The accounts and deposits from the business and growth focus portfolio of the Bank, large and mid-corporate project and institutional customers decreased by 1.4% to HUF 586.1 billion by the end of 2011, partly due to decline in some large individual deposits. Consequently, the market share calculated on the basis of the non-financial corporate portfolio with growth focus was 9.6% at the end of 2011 (2010: 10.8%). The total number of corporate customers (including small enterprises) with an account of MKB Bank almost exceeded 53,000 (2010: around 47,600), out of which the number of large, medium companies and institutional customers exceeded 12,000. (2010: around 11,800).

Market share in corporate deposits



In 2011 strengthening of the business activity, apart from the normal acquisition and product development activities, manifested in establishing the organisation background facilitating business activity. With the help of centralised support to business development, a model promoting the synergy of the business lines was implemented offering a more cost effective business development solution for operation than just the more effective exploitation of cross selling opportunities. The Bank considered further development of the infrastructure background of the corporate sales activity as a part of its medium-term strategy, thus, it introduced new IT applications and further developed existing ones, e.g. the electronic channels. The Bank's preparations in 2011 for putting in place the conditions required to comply with the Basel III requirements affected the wholesale division significantly.

The payment turnover and electronisation continued to develop dynamically. Around 12,700 corporate customers are active users of the MKB PCBankár service. The number of corporate TeleBANKár (Contact Center) contracts is exceeded 21 thousand growing by 15.6%. NetBANKár Business is used by 60.3% of the corporate customers. The number of issued business bank cards by MKB Bank is around 31,000 (+24.8%). The establishment of the card acquiring business line was a major development project in 2011, as a result of which MKB Bank joined the banks supplying POS. MKB Bank became a member of the SEPA (Single Euro Payments Area) standardised payments zone. Since the end of 2010 corporate and institutional customers, by using the MKB Online Trader internet based foreign exchange trading system, are able to follow changes in the exchange rate real-time, as well as to give orders for prompt foreign exchange transactions on their bank accounts kept with MKB Bank, with extended trading period, in several number of currencies and with other further developed services.

LARGE AND UPPER-MID CORPORATES, NON-REAL ESTATE PROJECT FINANCING AND INSTITUTIONAL CUSTOMERS

This is the traditional business segment of MKB Bank with the highest customer penetration, the number of customers, including institutional ones, exceeds 3,200 with a penetration of 35.7% in account relations. As a favorable factor, despite the crisis the portfolio deteriorated only to a limited extent, in terms of large and upper-mid clientele, where their fundamentally more favorable financial background and higher export orientation played an important role. At the same time the financing activity and the demand for new loans declined, therefore in 2011 the emphasis was rather on the renewal and the management of the existing portfolio. Consequently, the closing balance of the **large, upper-mid corporate, non-real estate project and institutional loans** decreased by 11.3% to HUF 409 billion (2010: HUF 461.2 billion). In 2011, the accounts and deposits from this segment increased by 6% to HUF 444.9 billion (2010: HUF 419.8 billion). In addition to the collection of deposits, MKB Bank, in line with its efforts to generate cross selling and fee income, offered open-ended investment funds, own-issued bonds and a wide selection of government securities for liquidity management and investment purposes to its wholesale customers. The growing tendency in Treasury product sales is also worth mentioning.

In the segment of **upper-medium-size companies** MKB has a 31.8% penetration in account relations, and offers full-range of tailor-made services. The number of upper-medium-sized companies increased by 33.9% to 604 in 2011. The Bank considers this segment as strategic, satisfying its customers' needs with increasingly complex services. The Bank offers cross-border services to these companies in their international expansion and to their export activities, (e.g. export-factoring, documentary operations, export financing). The segment managed to remain relatively stable during the economic crisis, and could show some growth opportunities in the longer term. On the financing side MKB Bank is able to provide adequate medium-term financing to such companies either from its own funds, as well as with refinanced programs and state subsidised schemes. Through the Bavarian and SCountry Desk, MKB Bank, as Central and Eastern European bridgehead, provides cost-effective home bank services to Bavarian and German companies basically belonging to this segment.

MKB Bank has traditionally wide relationships with primarily **domestic institutional clients**. Insurance companies, pension funds, health care funds, municipalities, chambers, interest representation bodies, church organisations, associations, foundations and other organisations of the civil society provide significant renewing long-term funding diversifying MKB's funding base. It is important to note that, unlike to many Hungarian banks, MKB Bank followed a different strategy and it intentionally did not take part in the direct financing or the CHF-based bond financing of the municipality sector, and therefore it was not affected by the debt problems which escalated in 2011. It also kept its indirect exposure low and denominated in HUF.

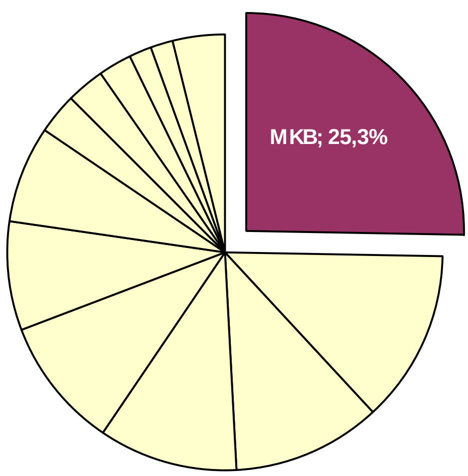
LOWER-MID MARKET ENTERPRISES

For MKB Bank lower-mid market enterprises represent special and dynamically growing clientele in the long term. At the same time the majority of these companies are heavily exposed to the domestic demand, which continued to shrink considerably in 2011. The vulnerability of the segment is similarly shown by higher default rate than in the upper-mid corporate segment. In addition, the business policy concentrated not only on the existing portfolios and their improvement, but also on the acquisition of selected companies and on the partially standardised supply of a wider possible range of services. The above clients are engaged in "crisis resistant" activities using innovative solutions. In 2011 MKB Bank continued fine-tuning its lower-mid corporates (LMC) specific service model partly to provide more efficient customer services.

In 2011 the number of LMC customers of MKB Bank increased only very slightly. The penetration in account relations was 22.9% in the lower-mid corporate segment. Following the 13.9% decline in the aggregated loans of the business segment from 8,873 customers the portfolio shrank to HUF 164.2 billion (2010: HUF 190.6 billion), while their account and deposit balance decreased by 19.3% and amounted to HUF 141.2 billion (2010: HUF 174.8 billion). The declining loan portfolio reflects the more moderate and selective financing activity of the Bank and also the already declined demand, which is also reflected by the decrease of accounts and deposits. In the LMC segment there are more companies exposed to weak domestic demand, which explains best the above development of their banking portfolios in 2011.

The Bank's special strategic objective is to assist, to the highest extent possible, small and medium sized enterprises in having access to state, EU and international development funds (refinancings) through its services including specifically designed co- and pre-financing MKB products. Similar to previous years, domestic enterprises may have access to the programs of MFB with state subsidy (New Hungary Enterprise Development Credit Program) and with favorable interest terms as well as to the EIB mid-loan credit program through MKB Bank. During the recent period the involvement of credit guarantee institutions also increased in the practice of MKB Bank, assisting small and medium sized domestic enterprises to obtain loans despite the unfavorable environment.

MKB Bank's market share in factoring by turnover, 2011



Also for MKB Bank one of the adequate means of financing the mid-corporate segment is factoring, in which the Bank has been the market leader for years. In 2011 the total factoring turnover of the factoring association increased by 3.3% to HUF 888 billion. MKB Bank's gross factoring turnover decreased by 0.3% to HUF 224.7 billion (2010: HUF 225.3 billion), but its market leader position has not changed. The crisis environment naturally left its mark on the dynamics in the LMC segment. The portfolio decreased by approximately 20.5%, but the number of customers increased by 3.6%. The agreement between MKB Bank and Deutsche Leasing Hungária for the sale of financial leasing, leasing and asset-based loan products related to EU subsidies is properly functioning; however, the economic environment and in 2011 the still declining investment activity obviously affected the leasing market as well.

SPECIAL CREDIT UNIT

Apart from the prudent management of the unfavorable impacts of the crisis, MKB Bank will focus on active growth again in its strategic segments. Consequently, in September 2011 a new organisation unit was established within the framework of strategic restructuring in order to separate the customers requiring normal and special treatment. The Special Credit Unit (SCU) concentrates specifically on borrowers requiring special treatment. The activities of the new unit include all market and risk functions related to the customers managed, from debtor rating through daily relationship and services to complaint handling. SCU contributes to the Bank's business goals by minimising losses and elaborating and implementing adequate special credit management procedures.

SMALL ENTERPRISES

In 2011 the economic environment is still characterised by high default rate and weak domestic demand both required unchanged cautious expansion in the business line that had been started previously. The focus was still put on quality growth, primary banking relationship, account keeping, and the sale of account and payment products, thus, ensuring excess funds. In the meantime, MKB Bank carried out its lending activities gradually and selectively by a range of state guaranteed and refinanced products, basically. The number of small enterprise customers grew by 15.2% and reached 41 236 by the end of 2011. (2010: 35 802). The bank had 8,105 new customers in 2011. The account turnover of new customers made up 16.4% of the total small corporate account turnover, indicating the success of building primary relationships. The credit portfolio decreased by 9% from HUF 29.4 billion to HUF 26.7 billion due to the impacts of the economic crisis and the consequent more careful lending policy, while its liabilities grew by 14.1% and amounted to HUF 144.0 billion. (2010: HUF 126.2 billion)

Within the extension of the product range, the development of sector specific service packages was a main priority in 2011. In 2011 the Széchenyi Card (SZK) overdraft with favorable collateral background continued to be the hook-product of the bank's small company financing. The Bank's market share in the case of new customers shrank from 19% to 14 %, yet the average new loan amount has not changed (2011: HUF 10 million). The chamber and VOSZ offices forwarded 3 392 applications (2010: 3478) (including 18% new applications) to the Bank, of which the ratio of successfully realised deals increased to 89% in 2011. (2010: 78%). MKB Bank was among the first institutions to introduce the Stability loan at the end of 2011, facilitating focused crisis management with a state guarantee.

With the extension of the government's Széchenyi Program aimed at the development of small and medium-sized companies, MKB Bank also continued the sale of the2 new credit products with preferential interest rates secured by Garantiqa Hitelgarancia Zrt. The

Széchenyi Working Capital Loan is used not only to solve the temporary liquidity problems but, due to its 36-month maturity, it is also explicitly suitable for the financing of working capital loans. The Széchenyi Investment loan serves the enterprises' operation and competitiveness in the long term and its maximum 10-year duration is adequate with the return period of investments. In addition, in the small company segment the sale of MKB Insurance Multivédelem product and the products of MKB-Euroleasing continued in 2011.

PRIVATE INDIVIDUALS

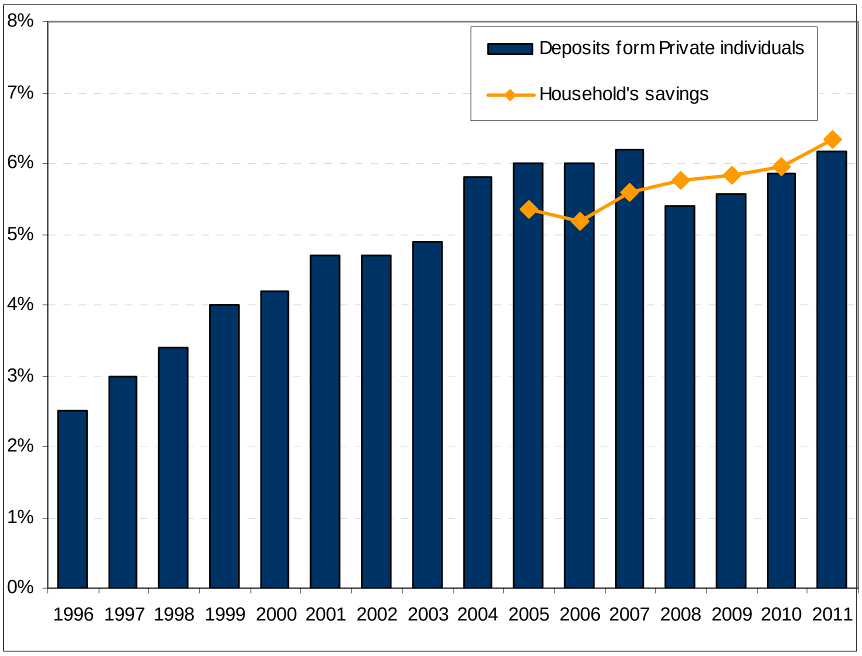
This business line, both its asset and liability side and including all customer segments were strongly affected by the economic policy measures and partly as a consequence, the unfavorable financial market developments. 2011 was determined by extreme adjustments, which MKB mastered professionally, while there was much less space for organic business building. Partly because of the slower than expected recovery from the crisis, the Bank defined the intensification of customer relations and the enhance of 'customer experience' as primary goals for 2011, and remained strongly committed to the "Personally for You" business principle; flexibly responding to the challenges of the environment in its product structure and service model. With its performance in the retail segment in 2011 MKB put in place its capacities to improve its market position further in a more favorable environment.

The above factors are reflected in the 3.5% increase of the number of the Bank's household customers to 360,805 in 2011, lower than the dynamism observed in the previous years, yet customer churn remained very low. The clientele is evaluated as affluent, which is also indicated by one of the highest per capita savings in the sector, meaning close to 3.5 times the average, while 3.2 times in lending (compared to that of the biggest mass retail banks). One of the few positive direct impacts of the crisis was a remarkable change in household savings and in their self-care attitude. In this context MKB Bank is well positioned to become the flagship of that trend, as set in its strategy, intentionally. Due to amendments in the Personal Income Tax Act, the Hungarian household savings market expanded in 2011, but the surplus partly was absorbed by the rising installments due to CHF exchange rate rise and the financial savings used for lump sum repayments. Changes influenced basically differently the medium and the affluent clientele. Last but not least in the fourth quarter the sector must have handled the (potential) outflow of savings due to negative rumors that proved to be false to date. As a result, at the end of the year, the foreign currency deposits and the investment products' volume decreased. As a result of the restructuring of the pension system, the majority of households began to seriously consider long-term savings and financial self care. All these focus points were major factors in MKB Bank's retail fund-raising strategy in 2011. The improvement of the self financing capacity, strengthening of the portfolio approach, preference to regular savings and restructuring of the maturity structure became priority issues. The Bank defined its product portfolio and pricing strategy according to those focus points. The Duplacsavar (Double Twist) and Kóstoló Betét (Tasting Deposit) products also supported the same trend, highlighting the importance of the self care customer attitude and the development of a more sophisticated savings range. The Preliminary Pension Savings Account and the Long-Term Investment Accounts are key products in that aspect. Their popularity is also due to the favorable taxation conditions for customers.

The government system of preference for self-care, including some of its principal elements was reshaped from 2011 by the introduction of the 'Széchenyi' Cafeteria Card (SzÉP Card). The card is a part of the cafeteria system benefiting from the reduced tax conditions as an element of the government priorities. It facilitates the employer to assure employees a defined amount of fringe benefit for leisure, accommodation and from 2012 sport and catering purposes. In comparison to the earlier wide-spread cafeteria elements, purchase with the card is quicker, almost free of administration, transactions could better be controlled, more comfortable and more cost efficient. After the clarification of the details in legislation, MKB Group was among the first ones to set a SzÉP Card business line. The number of SzÉP card holders is growing continuously, from 2012 exponentially, reaching 47,000 customers from 2,500 employers in February 2012. The number of contracted service providers has been also growing dynamically approaching 3,000 in the beginning of 2012.

Household savings at MKB Bank increased by 10.8% to HUF 728.7 billion, the market share was 6.3% as a result of partly the growth of the number of customers, but mainly to the more intensive product penetration within the affluent clientele. Within this, the focus product household deposit increased by 11.3% to HUF 426.5 billion, the Bank's market share increased from the 2010 year-end 5.9% to 6.1 %, while the own bonds sold to private individuals reached HUF 126.8 billion at the end of 2011, resulting 14.2% market share. The Bank’s market share in FX accounts and deposits is 13.2%. Retail customers kept HUF 82,6 billion in Trezor Long-Term Accounts. At the same time, due to the focus on deposit and bond, the market share of MKB Bank in private individuals’ investment fund savings decreased from 5.2% to 4.4%.

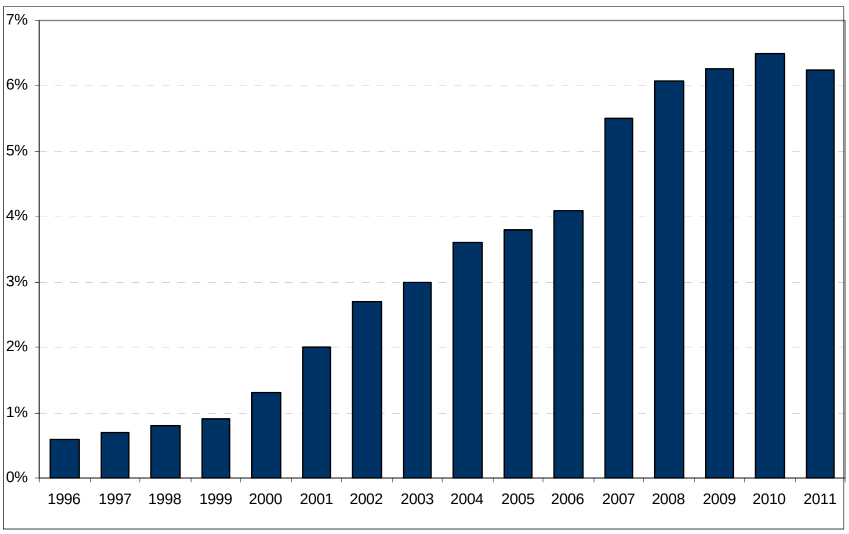
Market shares in savings from households



In 2011, the household lending market was driven primarily by legislative changes and challenges of the continuously shrinking market. MKB Bank considered the Home Protection Program a key priority in its whole network and also tried to ease the repayment difficulties of its customers by offering its own solutions apart from the options specified by law. As a result of those efforts, the Bank managed to assist more customers than the market average. The Bank paid special attention and provided assistance to the customers in the assessment of their debt burden in general and of the impact of any eventual interest rate changes till the maturity of the loan on their repayment ability. The last quarter of 2011 was clearly determined by the administration of lump sum repayments at a fixed exchange rate. 6442 transactions of MKB Bank were involved in the process, the Bank had HUF 46.3 billion (9.9%) share at repayment exchange rate within the FX loan portfolio repaid by 31 December 2011, but the respective figure in the number of contracts was only 6.8% given the fact that the Bank had many affluent customers. Expectedly, until the enacted end of the repayment facility, till the 28th of February the loan volume affected increases to HUF 102 billion at the repayment exchange rate, which means 11 426 clients (11,5% market share). As in the sector, most MKB customers used their private savings for repayments, most of which were not deposits kept by MKB. The Bank had 4.6% market share in the disbursed HUF substitution loans, of which MKB Bank disbursed 98% to its originally own debtors. The new loan market was extremely weak during the year; the portfolios were influenced primarily by the lump sum repayments and the exchange rate fluctuation. MKB's household loan portfolio, due to the different currency structure, fell over the market dynamics by 4.6% to HUF 531.1 billion, which caused the Bank's market share also to slightly decline to 6.2% at the end of 2011 (2010: 6.5%). Following 8.2% decrease the housing loan portfolio (64% proportion in all household loans) amounted to HUF 331 billion, which resulted in 7.8% market share at the end of 2011 compared to 8.3% at the end of 2010.

MKB Bank had already introduced more stringent risk criteria in retail lending prior to 2011, and therefore, contrary to its competitors, in 2011 it did not have to apply further restrictions. Preparations for the changes in the legislation (transparent pricing) effective from 2012 were also included in the main tasks of the last quarter of the year. Preservation and improvement of the quality of the loan portfolio are important priorities for MKB, and therefore in 2011 the Bank created a special unit dedicated to such tasks, which ensured at national level effective customer services with the highest possible quality. Apart from crisis management, MKB also continued to build its business in 2011 by being the first on the market to introduce a mobile phone application which made residential real estate search much easier for customers having smart phones, providing map assistance, a fee calculator and a banking relationship. This application was granted the special prize in The Website of the Year 2011 contest and the TV advertising spot prepared for it was selected in the group of the best Hungarian adverts of the year.

Market shares in loans to households



The performance of the business line was supported by a network of 88 unit including the new branch opened in Szeged Árkád shopping centre in 2011. 26 of MKB Bank branches are located in Budapest, 9 in its agglomeration and 53 in the countryside.

Transactions through electronic channels have been rising by two digits irrespective of the crisis. At the end of 2011, the number of the Bank's household customers contracted for Telebankár increased by 9% and exceeded 132,000 (increasing penetration: 37%). The Call Centre was recognized with the awarded "Best of Call Centers" prize established by the Human Resources Foundation Call Center Club and GfK Hungária Market Research Institute based on mystery shopping experiences (MKB came out at the top also in problem solving, complaint management and sales in the banking sector). MKB NetBANKár, with facility for customers to make online appointments with their personal relationship managers from last year, was used by more than 182,000 customers (42%), 13.2% more than last year. The MKB Mobil NetBANKár service was renewed in October 2011 with a new customer layout, more and transparent information, simpler form of submitting transactions, faster and more reliable customer services. The number of MKB Bank cards held by private individuals in 2011 increased by 11% to 227,000. The number of MKB or co-branded retail credit cards was 15,000 at the end of 2011. All MKB Bank issued cards in 2011 are chip technology featured ones.

PRIVATE BANKING

The number of MKB's Private Banking customers increased by 15.4% to 1,714 by the end of 2011. The assets managed reached HUF 240 billion at the end of 2011 growing by 17.4%. The average per capita asset of HUF 140 million is outstanding on the domestic market. The assets of the PB business line could increase in 2011, without deterioration in the managed wealth per client. In 2011 the reputation of MKB Private banking business line remained intact, contributing to reinforcing the customers' loyalty further.

The growth of the assets in 2011 is remarkable especially in light of the fact that the investors confidence in capital market instruments generally weakened as a consequence of the economic crisis. In addition, the political and economic-policy changes in Hungary further increased the investors' uncertainty mainly in the second half of the year, MKB made strong efforts to keep its clientele's financial investments in Hungary. At MKB Bank, however, the assets handled in the advisory structure with conservatively focusing on capital protection ensured the satisfaction of the customers, due to the very low level of risk exposure. According to the action plan developed in order to achieve a leading role on the domestic premium private banking market, in 2011 the new portfolio assessment module was used efficiently and the strengthening of cross-selling with the retail network and corporate business line also continued.

MONEY AND CAPITAL MARKETS, INVESTMENT SERVICES

During 2011, in a volatile, but definitely deteriorating market and economic environment, the business line maintained the level of its business activity or even increased it in certain segments, significantly contributing to the Bank's business performance and the implementation of its strategic objectives. Due to the global economic crisis, the increasing problems of the Eurozone and their negative effects worsening the domestic problems, attention was focused on the traditional core tasks of the business line: in financing, in the effective asset-liability and liquidity management, just as in the management of interest and exchange rate risks. The business line continued to accomplish its medium-term strategic goals through significant product, system, process and organisation developments and through the increase of additional fee income generating business endeavors related to treasury and investment services cross-selling.

The market of the traded Hungarian instruments was characterized by lower level of volatility in the first half, and higher in the second half of 2011. The exchange rate of the Hungarian forint against the Euro moved in the range of HUF 261-317, with trading in a lower zone in the first half of the year followed by trading in the range of 280-317 EUR/HUF rate from the beginning of September, due to the bad mood on the emerging currency markets. The weaker HUF exchange rates had an adverse impact on the Hungarian government securities market, where yields rose significantly in the fourth quarter of the year. In the primary dealer auctions of government bonds, (expanding to 15 PD members during the year), MKB Bank achieved 5.5 % market share, thus ranking 9th among the PDs. With the low volatility and strong HUF exchange rate prevailing in the first half of 2011 in prompt and derivative OTC exchange rate deals, corporate customers had moderate interest in FX transactions, but the higher volatility and nominal exchange rate in the second half of the year gave a boost to such deals, whereby the number of deals grew by 46% and the number of customers increased by 63% compared to 2010. This outstanding rise in the number of customers and transactions stemmed from the growing awareness and risk sensitivity of corporate customers, which made them manage their foreign exchange rate risk more actively. The forward FX transaction volume rose by 4.6% during the year. The open forward deals reached their peak in the autumn, when exporting corporate customers made deliberate risk management decisions and hedged their exchange rate risks related to their contract portfolios of the subsequent year in the range of 285-300 HUF/EUR rates. During the business year the low international interest rate levels and the market expectations of an unchanged, or declining rates reduced appetite in hedging deals significantly. The quiet trading at stable exchange rates in the first half of the year was followed by the extraction of capital from the Hungarian equity market, triggered by the negative capital market sentiment. The decline in pension funds' activity was also reflected in the stock exchange turnover generated by MKB Bank. The Bank's BSE equity turnover dropped from HUF 205 billion to 85 billion, while equity trading on BÉT decreased only by 20%, which meant 1.9% market share of MKB Bank. Within the total prompt OTC security turnover MKB Bank reached 6.6% market share, and within this its share in the OTC trade of government securities was 7.7%. Besides these, the trade of foreign securities also showed a definite increase.

MKB Bank is still one of the **leading issuer**s among domestic credit institutions. During the year the Bank ensured a wide range of investment products serving the customers' different needs in currency, maturity and interest conditions. MKB Bank renewed its public domestic issue program again and increased its bracket size to HUF 250 billion in December 2011.
In addition to its HUF issues, the Bank also launched Euro denominated bond-series regularly on the domestic market and also issued its first USD denominated bond during the year. The Bank provided opportunities for further diversification of customer portfolios by regularly issuing structured bonds during the year. The total nominal value of its bonds issued in 2011 is equivalent to HUF 140.2 billion, while the total portfolio of its 57 domestic bond series amounted to HUF 180.6 billion at the end of 2011 including also the interim maturities, which represents 12.4% growth compared to the end of the previous year. MKB Bank's share on the

Hungarian credit institutions' bond market issues was 16.6% in the household and 60.2% in the corporate segment at the end of 2011.

2011 involved several challenges for **asset management**. Although the government effectively managed to channel the majority of private pension fund savings into the public system, more people than expected decided to keep membership of the private funds. Another positive fact was that the assets held by the remaining members represented nearly 10% of the volume of savings prior to the transformation of the second pillar. However, several private pension funds lost their members, shrinking below the legal minimum, which led to an accelerated process of consolidation of the private pension fund sector in the second half of the year. Due to this development our business line lost the asset management mandate for Honvéd Private Pension Fund, and thus the managed portfolio shrank from HUF 214 billion at the beginning of the year to HUF 153 billion by the end of it.

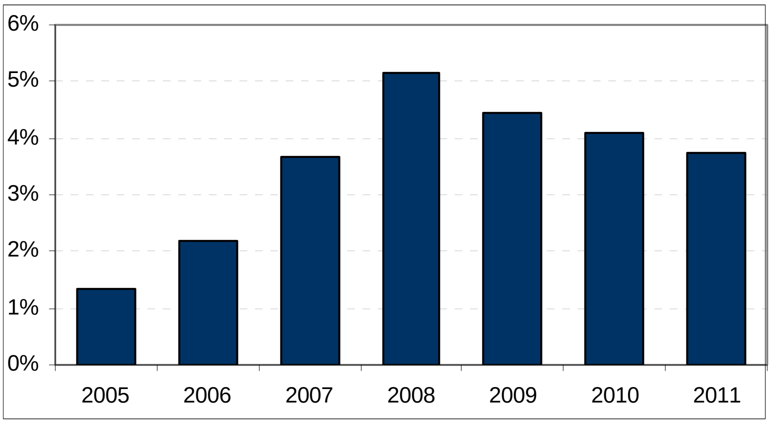
MKB is the asset manager of **MKB Pension and Health Funds.** The external environment of the pension funds has significantly deteriorated due to the members were shifted from compulsory private pension to social security: -5%), while the number of members in the "mandatory" pillar fell by 87.45% due to people system. In spite of this, the annual performance may still be regarded as impressive. The number of members of the two pension fund pillars together decreased by 28% from 136,108 to 97,826. Based on the total number of members, MKB had 7.2% market share, and by assets it had 9.1% market share. The tendency of previous years continued with a moderated intensity in the voluntary pillar as the number of its members decreased by a lesser extent, 3.4% (previous year shifted to the social security scheme (previous year: +2%). The income situation, the high number of people reaching the retirement age and the fading attractiveness of pension contribution within the cafeteria system continued to be strongly reflected in the voluntary fund pillar. The number of members in the voluntary pillar decreased to 94,478 yet it remained the 4th biggest fund. The number of new entrants and the growth in the per capita contribution was favorable, despite the increasingly difficult external conditions. In the private (mandatory) pension pillar, the number of members sank from 38,305 to 3,348. The share of members opted to keep private pillar membership was almost 8.5% for MKB private pension pillar, meanwhile only 3% proportion within the sector. The private (mandatory) pension pillar complied with the new laws regarding the shift of membership and made a settlement with its leaving members by paying out HUF 3.5 billion real yield and HUF 0.6 billion membership contribution supplement to them. HUF 50 billion was transferred to the Pension Protection Fund. The market value of the net assets also decreased from HUF 88 billion to HUF 84 billion in the voluntary pension pillar and the drop was 83% from HUF 63 billion to HUF 10.8 billion in the private pension pillar. The assets per capita are still one of the highest among the funds: HUF 0.9 million (voluntary), HUF 3.1 million (compulsory). The voluntary pension pillar ranks 4th by assets, with a market share of 10.2% (Q3 2011).

MKB Health Fund also prepared for a difficult operating environment in 2011 with stagnating number of members and falling revenues. Despite the unfavorable outlook, the Fund achieved outstanding results regarding all key figures in 2011. With 7.8% increase the number of members reached almost 144,000 by the end of the year. It is still 2nd in ranking by membership size (14.6% market share). After the previous year, the fund had again an impressive number of new clients, 13,589 entrants. The development in revenues was unfavorable, membership contributions eroded already in 2011, mostly due to the legislative limitation of service choice available for members, applicably from 2012. The Fund collected HUF 8,119 million revenues, only slightly lower than the HUF 8,173 million in the previous year. Remarkably, the volume of individual contributions has not changed and exceeded HUF 2 billion, their 25% proportion remained one of the highest among health funds. The employer contributions shrank by 0.8%, but still exceeded HUF 6 billion. The total assets of the Fund grew to HUF 9 billion by the end of the year. In 2011, the Fund accounted for 5% higher volume of drew services, worth HUF 8.3 billion from 1.4 million invoices. The number of transactions carried out with health cards reached 1.1 million, or 83.6% of the accounts settled. The number of cash invoices dropped slightly, while the number of invoices paid by card increased by 11.4%. The business relations of the Fund further expanded in 2011 to 4,723 employers (end of 2010: 4,164). The number of contracted health care service provider points increased close to 12,346 (2010: 11,400), there was no change in the number service providers accepting of cards (6,281). The Fund had contracts for electronic settlement with 1,933 (92%) of the 2,100 public pharmacies.

The adverse developments in the investment environment, affected also by external and domestic events posed another challenge to the Bank. The deteriorating upturn outlook, the higher costs of debt renewal and the lack of success in the Hungarian economic policy all reduced the risk appetite of investors. In the third and fourth quarters market developments reached extremes, while a dramatic increase in the yield of Hungarian government securities led to low investment revenue realisation. Consequently, the real return desired by customers was available only in ultra-conservative fund portfolio types. However, in a sectorwide comparison 2011's performance of the MKB Pension Fund portfolios never were so outstanding. The **assets under the management** of the business line dropped to HUF 147 billion by 31 December due to market price movements. In future the state will also become a competitor in portfolio management, as the Board of Directors of the National Deposit Insurance Fund (NDIF) selected ÁKK as portfolio manager. MKB Bank managed HUF 29 billion assets for NDIF.

Today MKB Fund Manager offers 37 **funds**, including 17 open-end funds, and 20 closed-end capital guaranteed/capital protected funds (of which 17 are denominated in HUF and 3 are denominated in EUR). 7 new closed-end funds were launched in 2011 and 4 matured closed-end investment funds were transformed into open-end capital protected liquid funds. The total net asset value of the funds managed by MKB Fund Manager was HUF 111.6 billion at the end of 2011. Great uncertainty and considerable devaluation characterised the markets, based on the rather unfavorable conditions prevailed on the external and the internal markets throughout the year. Apart from the capital withdrawn by institutions, the portfolio managed by the funds remained relatively stable within the range of HUF 110-115 billion. Within the segment of closed ended moderate risk funds with guaranteed capital MKB Fund Manager finished the year with HUF 43.54 billion net assets, and 10.39% market share, ranking 3rd largest in that segment. The MKB investment funds had 3.74% market share at the end of the year.

<u>Market share in investment funds 2005-2011</u>



There were significant changes in the structure of customer assets **under custody** at the Bank in 2011. The changes in the private pension system alone led to 69% contraction in the institutional assets and, as a result of the portfolio shrinkage of the other entities (investment funds, voluntary pension funds) the net asset of institutions dropped to 30% of its former volume, to HUF 371.53 billion. Due to the specific situation of MKB Bank's custodian service, its relative position did not change significantly on the fund market. As the non-institutional customers continued to extend their investment scope geographically and increased the volume of FX portfolio, the services, provided earlier only to institutional customers, were also made available to retail and wholesale clients within the framework of custody management of foreign securities.

In accordance with the parent bank's and MKB Bank's strategy, lending to financial institutions/banks was terminated and was limited primarily to the funding of the subsidiaries after the outbreak of the crisis. In a more depressed economic and risk environment, the sustainable, well balanced, reciprocity based and reshaped relations with other **banks** came to focus. It should contribute to the accessibility of international refinance funds facilitating the MKB to assure finance for targeted client segments already in 2012 and widening, diversifying the liability structure of the Bank on the medium term. The focus also in 2011 was on the needs of MKB Bank's corporate clients related to international payments, foreign trade transactions and hedging against their market risks. In addition to those, emphasis was placed on the most prominent banking relationships in liquidity management, fund raising and treasury co-operation. The Bank selectively facilitates its bank partners to provide exporter clients with irrevocable letter of credit and guarantee transactions, and by using risk mitigating solutions (EBRD Trade Facilitation Program, MEHIB insurance).

Budapest, 20 March, 2012

Head of the company

Enclosure 1

Corporate Governance Statement

On the basis of s.95/B of Act C of 2000 on Accounting

The Corporate Governance system applied by MKB Bank Zrt. (hereinafter: Company) is based on the effective Hungarian statutory regulations and the provisions of the Articles of Association.

The Shareholders' Meeting is the supreme governing body of the Company. Each share entitles to one vote at the Shareholders' Meeting.

The ordinary Shareholders' Meeting shall be held annually, at the latest by the end of May each year. Decision on issues conferred to the exclusive authority of the Shareholders' Meeting under the law, or the Articles of Association shall fall within the exclusive authority of the Shareholders' Meeting.

The Board of Directors is the operative management body of the Company. The members of the Board of Directors represent the Company with regard to third parties, at court and before other authorities. The Board of Directors is entitled to take all actions permitted by the effective legal regulations and the resolutions of the Shareholders' Meeting except for matters falling within the exclusive authority of the Shareholders' Meeting or the Supervisory Board. Particular decisions of the Board of Directors listed in the Articles of Association may not be executed before the approval thereof by the Supervisory Board.

The Board of Directors shall hold its meetings whenever it deems necessary, but at least ten times a year in order to perform its duties properly. The Board of Directors shall draw up its By-laws to be approved by the Supervisory Board.

The members and the Chairman of the Board of Directors are elected and recalled, and their remuneration is determined by the Shareholders' Meeting.

With the cooperation of the members of the Board of Directors the following committees function at the Company:

- Bank Development Committee
- LLP Committee
- CSR Committee
- Asset and Liability Management Committee
- Risk Market Board
- Special Credits Unit Committee

The tasks and scope of the Committees are stipulated in the by-laws approved by the Board of Directors.

The Supervisory Board shall control the management of the Company, and when approving the decisions of the Board of Directors listed under the Articles of Association it shall act as a Decision Making Supervisory Board as set out under s.37 of Act IV of 2006 on Business Associations.

The Supervisory Board shall hold its meetings whenever it deems necessary in order to perform its duties properly.

The Supervisory Board shall draw up its By-laws to be approved by the Shareholders' Meeting.

The members of the Supervisory Board are elected and recalled, and their remuneration is determined by the Shareholders' Meeting.

The members of the Supervisory Board shall be elected by the Shareholders' Meeting for a period of no more than three years. One third of the members of the Supervisory Board shall be the representatives of the Company's employees nominated by the Works Council. Unless there is an agreement between the Works Council and the Board of the Directors to the contrary, one third of the members of the Supervisory Board shall be the representatives of the Company's employees nominated by the Works Council, to be elected by the first Shareholders' Meeting following the nomination, except for cases of disqualification stipulated by law, when a new nomination is required.

Pursuant to s.62. of the Capital Market Act the Supervisory Board shall pursue additional audit committee tasks.

With the cooperation of the members of the Supervisory Board the following Committees function at the Company:

- Risk Committee
- Audits Supervision Committee
- Remuneration Committee

The Risk Committee and the Audits Supervision Committee are responsible for decision preparing and supporting tasks, while in addition to these the Remuneration Committee also deals with remuneration committee related tasks determined by the Credit Institutions and Financial Enterprises Act.

The list of the members of the Board of Directors and the Supervisory Board is enclosed hereto in Appendix 1. of the present Statement.

Main characteristics of the internal audit system of the Company:

The system of internal control functions within the organisation has been developed in accordance with the requirements set out in Recommendation No 11/2006 of the Supervisory Council of the Hungarian Financial Supervisory Authority on the "establishment and operation of internal safeguards", based on statutory and EU standards. Within the internal safeguards – in addition to internal governance – the system of internal control functions comprises the following main elements:

- Risk Management;
- Internal Audit System (therein: process integrated control, management control,
- Management information system, and independent internal audit organisation);
- Compliance.

The units pursuing internal control functions are independent from each other within the organisation, and from the banking organisational units the activities of which are controlled by them.

The elements of the internal audit system aimed at process integrated control, management control and the operation of the management information system, and the regulated operation thereof are secured by internal regulations, job descriptions and other IT-supported solutions (e.g. the self control system operated in the branch network) forming an interlinking, hierarchical system.

Brief presentation of the risk management system of the Company and the principles used during risk management:

MKB Bank's consolidated and non-consolidated Risk Strategies are reviewed annually by MKB Bank's Risk Control Unit with the cooperation of the involved areas. The Risk Strategies - adapting to the current economic environment and in accordance with the Bank's Business Strategy - incorporate the principles and objectives of the Bank's risk strategy in relation to each risk type, and determine the consolidated and non-consolidated Country, Sector, and individual limits. Following discussions with the Risk Committee it is the Supervisory Board of the Company that is entitled to give final approval on the Risk Strategy.

Within the framework of the Risk Implementation Project, in accordance with the basic requirements of the Basel II preparations, and following the guidelines of BayernLB the concept globally concerning the Company's risk bearing procedures was developed. Accordingly, with the modification of internal regulations, as of July 1, 2008 a new risk bearing procedural rules entered into force whereby the Experience test of the implementation of the IRB method was officially launched.
The Excellence Wave III. / IRB Project was closed on December 31, 2011. The Project aimed to strengthen the risk management procedures within the MKB Bank Group based on the experiences on prevalidation of the Supervision. In addition to fine tuning of risk concept elements further elements were developed.

Main elements of the concept:

- Implementation of the Uniform Bank Segmentation categorisation applicable for the whole, risk product related clientele of the Company;
- Transformation of the decision making system according to the changes of the implemented risk assumption procedural rules;
- Development and implementation of Basel II conform rating tools and the development of analytic and behavioural scorecards in the interest of IRBF compliance, the introduction of a customer rating system in line with this, which suitably supports the decision making activity of the management of the bank;
- Elaboration of internal validation methodology and its annual performance (rating and scoring tools, validation of related processes);
- Monitoring process with a basic functionality IT support;
- Definition of an overall criteria system to identify endangered loans as soon as possible containing and considering the relevant indicators facilitating the recognition of endangered loans; definition of the applicable deal management types, the related tasks, procedural rules;
- Creation of a prudent provisioning system and methodology meeting the requirements of both the Hungarian accounting rules and IFRS.
- Regular executive reporting, back testing (RQR, IRB capital requirement, data quality).

The 31 group level risk management principles approved by the Board of Directors of the Company concern 5 main subjects: the organisation, credit deals, problematic customer management, trading transactions (including treasury) and the operational risks.
The most important risk management principles contain final control enforced at the level of the Board of Directors, independent control separated from the risk assumption areas and adequate measuring, diversification, monitoring and reporting of the risks.
Efficient communication of the risks and risk assumption willingness, continuous developments in the interest of the recognition, measurement, monitoring of risks, making the risk processes of key importance up-to-date and user friendly, enhancing their performance and the employment of well trained workforce are the tokens of the efficient risk management function of the Company.

The Articles of Association of the company are available for the public on the website of MKB Bank Zrt (www.mkb.hu) and in the registry of the Metropolitan Court of Budapest as Court of Registration; the By-laws of Supervisory Board are available for the public in the registry of the Metropolitan Court of Budapest as Court of Registration.

The Boards of MKB Bank Zrt

SUPERVISORY BOARD

CHAIRMAN:
Stephan Winkelmeier (2010)
Member of the Board of Management
Bayerische Landesbank

MEMBERS:
Gerd Häusler (2010)
Chairman of the Board of Management
Bayerische Landesbank

Jochen Bottermann (2009)
Advisor
Board of Management
BAWAG P.S.K. AG

Dr. Buzáné Dr. Bánhegyi Judit (2010)
Branch Director
MKB Bank Zrt

Dr. Kotulyák Éva (2007)
Legal Counsel
MKB Bank Zrt.

Marcus Kramer (2010)
Member of the Board of Management
Bayerische Landesbank

Lőrincz Ibolya (2007)
Head of Division
MKB Bank Zrt.

Dr. Mészáros Tamás (2009)
Professor
Corvinus University, Budapest

Nils Niermann (2011)
Member of the Board of Management
Bayerische Landesbank

Note: Beginning of membership in brackets

BOARD OF DIRECTORS

CHAIRMAN:
Erdei Tamás (1991)
Chief Executive Officer
MKB Bank Zrt.

MEMBERS:
Dr. Balogh Imre (2004)
Deputy Chief Executive for Retail
MKB Bank Zrt.

Dr. Kraudi Adrienne (2008)
Deputy Chief Executive for Corporate Governance end
Marketing Communication
MKB Bank Zrt.

Roland Michaud (2010)
Deputy Chief Executive for SCU
MKB Bank Zrt.

Michael Schmittlein (2011)
Chief Risk Officer
MKB Bank Zrt.

Dr. Simák Pál (2008)
Deputy Chief Executive for Strategy and Finance
MKB Bank Zrt.

Note: Beginning of membership in brackets