



ERSTE Bank Hungary Zrt.

Consolidated Financial Statements

for the period ended 30 June 2024

**Prepared in accordance with the International Financial Reporting Standards
adopted by the European Union
(translated from Hungarian)**

.....
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.....
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Budapest, 24 September 2024

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The consolidated financial statements for the six-month period ended 30 June 2024 of Erste Bank Hungary Zrt. (referred to as ‘Bank’) contain aggregated data on consolidated activities, supplemented by the information which had a significant effect on the operation of the Bank and its subsidiaries (referred to as Erste Hungary). The statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The consolidated financial statements for the six-month period ended 30 June 2024 are not audited.

The subsidiaries of the Bank, all registered in Hungary, as of 30 June 2024 are as follows:

Company name	Core activity	30.06.2023	31.12.2023	30.06.2024
Erste Befektetési Zrt.	brokerage services	x	x	x
Erste Ingatlan Kft.	property management	x	x	x
Erste Lakástakarék Zrt.	building society	x	x	x
Collat-real Kft.	property management	x	x	x
Erste Jelzálogbank Zrt.	refinancing activity	x	x	x
RND Solutions Informatikai Fejlesztő és Szolgáltató Zrt.	IT services	x*		
Commerzbank Zrt	under liquidation	x	x	x
Z3 Ingatlanhasznosító Kft.	property leasing	x	x	x**

* The winding up procedure of RND Solutions Informatikai Fejlesztő és Szolgáltató Zrt. has been started in March 2023 and ended at September 2023.

** Z3 Ingatlanhasznosító Kft. was sold in July 2024.

Business environment, objectives and strategy of the consolidated group

Macroeconomic data, business environment

The economy expanded by 1.5 percent on an annual basis according to raw data, and by 1.3 percent according to seasonally and calendar-adjusted and balanced data in the second quarter of this year. On a quarterly basis, the volume of the gross domestic product decreased by 0.2 percent, in contrast to the generally expected further expansion. The industry contributed negatively to growth due to moderate demand for vehicles, especially electric vehicles. In addition, agriculture decreased by 5.2% year-on-year, resulting in a contribution of -0.2 percentage points. Compared to our forecast, some sectors showed below-expected performance, such as tourism and info-communication services, in contrast to the previously usual, dynamic growth.

Investments on the expenditure side caused a negative surprise: gross fixed asset accumulation fell by 15.4% on an annual basis. Household consumption proved to be resilient again, and net exports also had a significant positive impact.

After the rebound in the first quarter, the drop in the second quarter was unexpected, especially because the Eurozone could register a slight increase. Looking ahead, moderate inflation data and the continued normalization of the interest rate environment may play an important role in the rise. The often double-digit growth in real wages experienced in the past period also supports consumption. On the other hand, the weakening of our country's main export markets is reflected in the subdued performance of Hungarian industrial production. There is still no sign of an actual pick-up in electric vehicle sales, which limits domestic growth. Despite the massively negative second quarter data, our pessimistic 2% growth forecast for the year could be in line with the general development of processes.

The average value of the unemployment rate in 2023 was 4.1 percent. Despite this year's economic situation, which was less favorable than previously expected, the unemployment rate was able to decrease in the first half of the year from the multi-year peak level at the end of last year. Based on that it may be close to last year's level this year as well. In the medium term, the indicator will most likely range between 3 and 4 percent, and the Hungarian labor market is expected to remain tight.

In the first half of this year, annual inflation remained within the central bank's tolerance band of 2-4 percent. The rate of monthly repricing and consumer demand will remain crucial in terms of the development of inflation in the coming months as well. Accelerating

consumption can provide more room for price increases. In the last quarter, the unfavorable base effect - even with moderate monthly revaluations - induces a gradual rise in inflation. It seems that the annual inflation could be around 5 percent by December, and slightly below 4 percent on average in 2024. After the local peak expected in 2024-2025, the disinflation process may start again in 2025, and the annual index is expected to remain permanently within the central bank's target range from the last quarter of next year. As a result, we expect the central bank base interest rate at the end of the year to be 6.25 percent.

Performance of the Hungarian banking sector, expectations

The consolidated profit after tax of the Hungarian banking sector was HUF 1 011 billion in the first half of 2024, which was 3.4% higher than a year earlier. In the first six months, the operating income of the sector exceeded HUF 2 600 billion, an increase of 9.5% year-on-year. The increase in operating income was primarily driven by a 7.7% change in net interest income and a 14.6% increase in fee and commission income. The sector's operating expenses decreased by 0.9% compared to a year earlier. The cost/income ratio decreased to 52.1% at the end of June from 57.5% last year, the return on equity ratio was 20% at the end of the first half of the year.

The sector's balance sheet total increased by 11.4% compared to the same period in 2023. Lending activity picked up, with gross loan 7.9% higher than a year earlier. The share of non-performing loans declined further to 3.1% in the first half of 2024. Customer deposits increased by 8.2% compared to the first half of 2023.

In 2024, the rules on the reduction of the extra profit tax introduced by the Government in 2022 as part of the fiscal adjustment have been amended. The tax base remains unchanged at the pre-tax profit for 2022, adjusted by the detailed rules. The tax rate remains banded at 13% for the part of the tax not exceeding HUF 20 billion and 30% for the amount exceeding HUF 20 billion. The extra profit tax may be reduced by up to 50% if the daily average balance of Hungarian government bonds denominated in HUF and placed at auction maturing after 1 January 2027 increases between 1 January 2024 and 30 November 2024 compared to the daily average balance between 1 January 2023 and 30 April 2023. The tax reduction will be 10% of the increase in the stock of government securities. The extra profit tax will remain in force in 2025 and the tax base will be the adjusted pre-tax profit in 2023.

According to the Government's decision, from 1 August 2024 the financial transaction tax will increase from 0.3% to 0.45%, up to a maximum of HUF 20 000 per transaction, and the tax rate for cash transactions will be 0.9% instead of 0.6%. The government will increase the tax-free threshold from the current HUF 20,000 to HUF 50,000. In addition, a levy on foreign currency conversions will be introduced from 1 October, at a rate of 0.45% above the

increased transaction tax (0.45%), up to a maximum of HUF 20 000 per transaction. The measures do not apply to card transactions but do apply to transactions between own accounts. In addition, a fee freeze has been introduced for retail bank accounts until 31 December 2024.

Erste Bank Hungary Zrt. and its subsidiaries (Erste Hungary)

In this challenging environment Erste Hungary focuses on a safe and high-quality servicing of customers in both retail and corporate segment. The strategic goal of Erste Hungary is to remain one of the leading banks in Hungary. The bank aims to further strengthen both retail and corporate segments, while improve its risk management, efficiency and the quality of its services. Erste Hungary offers wide range of financial services to its customers during their lifetime: deposit, investments, loans and financial consulting is among the bank's products.

The Bank offers wide range of financial solutions and services to its retail customers. The loan processes are continuously being improved with special attention to digital channels to support growth. The fast economic rebound after the 2020 economic recession caused a dynamic loan disbursement increase. In the retail segment our focus products are unsecured loans, mortgages and state supported loan products. The Bank was among the first banks to introduce baby loan in 2019, resulting in significant market share in this product line.

The Bank offers a full range of products in the corporate segment. We are expecting the highest increase in the SME segment, where we are focusing on the improvement of transactional services and proximity banking via a countrywide presence. The bank pays special attention to agricultural financing in its corporate strategy. To stimulate the economy, the state introduced several state-supported loan products, in which the bank is actively participating to support the Hungarian companies and economy.

The Bank focuses on improving its digital channels and offer innovative solutions to its customers. The relevance of these developments has further increased during the pandemic. A large share of our customers used our digital channels during the pandemic to minimize personal contact. Due to the pandemic the bank speeded up its digital development efforts to increase the service quality. In line with our business strategy the bank introduced George, which offers continuously widening digital products and services for retail clients. However, the modernization of branches did not stop, as the bank still considers personal banking an important channel. In this spirit the bank is renewing its branches based on its branch concept.

To remain a leading bank in Hungary, the Bank offers wide range of financial services beyond its core operation in cooperation with its subsidiaries: investments and pension savings services are available for our customers. We continue to service our customers with existing building society contracts, although the product sales is currently suspended.

Risk management remained a core focus of Erste Hungary to support responsible lending.

The main subsidiaries of the Bank

Erste Befektetési Zrt.

The Company provides investment services.

The Company was founded in 1998. The Company is in a leader position on the Hungarian capital market. The volume of the products available for customers are increasing continuously. The Company's goal to provide high level services to customers on a quicker and simpler way. In the branches of Erste Hungary on-line trading system ensure that the customer's orders met regarding stock-exchange and government bonds in anywhere in the country.

Erste Lakástakarék Zrt.

Erste Lakástakarék Zrt. is a credit institution that deals with building society. Its license has been issued on 29 September 2011 by the Financial Supervisory Authority and started its trading activity on 17 October 2011. After four years of collecting deposits, it started disbursing loans in January 2016.

Erste Ingatlan Kft.

The Company's main activities are the followings: property sale, property leasing and property management activities.

Within Erste Hungary the activities of Erste Ingatlan Kft. are focused on technical consulting, real estate portfolio utilization, and real estate purchases related to workout deals.

Erste Jelzálogbank Zrt.

The Company was founded on 11 December 2015 by Erste Bank Hungary Zrt. The Company's main activity is refinancing.

In addition to complying with legal regulations, Erste Hungary's mortgage banking activities also have business potential. The medium-sized or smaller domestic commercial banks will not establish their own mortgage bank for efficiency purposes, these financial institutions will require refinancing from another mortgage bank.

Consolidated financial statements for the six-month period ended 30 June 2024 based on non-audited figures

Consolidated Statement of Financial Position

Data in HUF million	31.12.2023	30.06.2024	Change compared to prior year %
Cash and cash balances	604,510	816,900	35%
Financial assets held for trading	110,488	170,372	54%
Derivatives	61,766	57,412	-7%
Other financial assets held for trading	48,722	112,960	132%
Non-trading financial assets at fair value through profit or loss	389,236	420,551	8%
Equity instruments	2,136	3,099	45%
Debt securities	814	890	9%
Loans and advances to customers	386,286	416,562	8%
Financial assets at fair value through other comprehensive income	264,630	278,480	5%
Debt securities	264,630	278,480	5%
Financial assets at amortised cost	3,243,865	3,164,850	-2%
Debt securities	1,137,340	1,080,858	-5%
Loans and advances to banks	288,882	255,151	-12%
Loans and advances to customers	1,817,643	1,828,841	1%
Finance lease receivables	33,453	33,761	1%
Property and equipment	29,690	26,602	-10%
Investment properties	14,951	15,228	2%
Intangible assets	32,955	33,429	1%
Current tax assets	486	285	-41%
Deferred tax assets	413	485	17%
Assets held for sale	0	4,188	n/a
Trade and other receivables	20,821	14,587	-30%
Other assets	44,254	47,923	8%
Total assets	4,789,752	5,027,641	5%

Data in HUF million	31.12.2023	30.06.2024	Change compared to prior year %
Financial liabilities held for trading	65,459	61,166	-7%
Derivatives	65,459	61,166	-7%
Other financial liabilities held for trading	0	0	n.a
Financial liabilities at fair value through profit or loss	0	0	n.a
Debt securities issued	0	0	n.a
Financial liabilities at amortised cost	4,067,111	4,250,485	5%
Deposits from banks	553,073	646,179	17%
Deposits from customers	3,155,379	3,167,381	0%
Debt securities issued	354,149	417,488	18%
Other financial liabilities	4,510	19,437	331%
Finance lease liabilities	19,413	19,353	0%
Provisions	10,302	11,567	12%
Current tax liabilities	7,328	7,336	0%
Deferred tax liabilities	7	22	214%
Other liabilities	57,743	77,366	34%
Total equity	562,389	600,346	7%
Equity attributable to owners of the parent	562,389	600,346	7%
Total liabilities and equity	4,789,752	5,027,641	5%

The total assets of Erste Group increased by 5,0% compared to the year end of 2023, but the composition ratios of assets and liabilities changed in a different extension.

The total customer loan stock increased by 0,6% compared to year end of 2023, mainly driven by the increase in the retail portfolio. ‘Cash on hand and Cash balances at central banks’ and ‘Financial assets Held for trading’ increased compared to December last year, meanwhile the balance of ‘Loans and advances to banks’ decreased.

On the liability side, ‘Deposits from customers’ increased by 0,4%, the ‘Deposits from banks’ showed greater extent of increase (+16,8%) in the reporting period.

Consolidated Income Statement

Data in HUF million	30.06.2023	30.06.2024	Change compared to prior year %
Net interest income	66,454	96,990	46%
Net fee and commission income	46,282	55,640	20%
Dividend income	17	0	n/a
Net trading result	28,488	22,292	-22%
Rental income from investment properties & other operating leases	1,970	2,603	32%
Personnel expenses	-22,504	-25,575	14%
Other administrative expenses	-20,948	-25,063	20%
Depreciation and amortisation	-6,150	-6,581	7%
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	41	606	1378%
Gains/losses from derecognition of financial assets measured at amortised cost	-27	0	-100%
Impairment result from financial instruments	-1,142	2,514	-320%
Other operating result	-40,765	-37,557	-8%
Pre-tax result from continuing operations	51,716	85,869	66%
Taxes on income	-5,004	-11,476	129%
Net result for the period	46,712	74,393	59%
Net result attributable to owners of the parent	46,712	74,393	59%

Erste Hungary Group's consolidated net result was 74,4 billion forints in the first half year of 2024, increased by 27,7 billion forints compared to the first half-year of 2023. The significant increase is due to the growing net interest income driven by the favorable change of the market environment, and the better 'net fee and commission' and net trading results.

The net interest income is higher by 45,9% (+30,5 billion forints) compared to June 2023. The interest income decreased by 140,4 billion forints which is due to the decrease of the volume of short-term placements, which effect was further amplified by the decreasing interest rates in asset side. Interest expenses also decreased by 167,0 billion forints due to the drop of average interest rates in the liability side.

The net fee and commission income of the Group dynamically increased by 20,2% (9,4 billion forints) compared to the first half-year of 2023. The increase is driven by inflation, the growing transactional volumes and the increase of corporate segment released fees. The net trading result increase by 5,8 billion forints compared to the first half-year of 2023 due to the positive results of IRS deals.

The operating expenses of the Group increased by 7,6 billion forints compared to June 2023. The other administrative expenses increased by 19,6% (4,1 billion forints) mainly due to the IT related costs. The personnel expenses increased by 13,6% (3.1 billion forints) compared to the same period of the previous year.

Consolidated Statement of Comprehensive Income

Data in HUF million	30.06.2023	30.06.2024	Change compared to prior year %
Net result for the period	46,712	74,393	59%
Items that may be reclassified to profit or loss			
Fair value reserve change of debt instruments at fair value through other comprehensive income	6,155	-742	-112%
Deferred taxes relating to items that may be reclassified to profit or loss	-410	72	-118%
Total other comprehensive income	5,745	-670	-112%
Total comprehensive income	52,457	73,723	41%
Total comprehensive income attributable to owners of the parent	52,457	73,723	41%

Consolidated Statement of Changes in Equity

Statement of changes in total equity for the period ended 30 June 2024

in HUF million	Notes	Subscribed capital	Additional paid-in capital	Other equity – AT1	Retained earnings	Fair value reserve	Deferred tax	Attributable to owners of the parent	Total equity
Total equity at 01 January 2024		146,000	117,492	0	298,945	(37)	(11)	562,389	562,389
Dividends					(95,000)			(95,000)	(95,000)
Capital increase				59,234					
Total comprehensive income					74,393	(741)	71	52,457	52,457
of which: Net profit / (loss) for the year					74,393			74,393	74,393
of which: Other comprehensive income						(741)	71	(670)	(670)
Total equity at 30 June 2024		146,000	117,492	59,234	278,338	(778)	60	600,346	600,346

Statement of changes in total equity for the period ended 30 June 2023

in HUF million	Notes	Subscribed capital	Additional paid-in capital	Other equity – AT1	Retained earnings	Fair value reserve	Deferred tax	Attributable to owners of the parent	Total equity
Total equity at 01 January 2023		146,000	117,492	0	119,044	(16,246)	1,089	447,379	447,379
Dividends					(15,000)			(15,000)	(15,000)
Total comprehensive income					46,712	6,155	(410)	52,457	52,457
of which: Net profit / (loss) for the year					46,712			46,712	46,712
of which: Other comprehensive income						6,155	(410)	5,745	5,745
Total equity at 30 June 2023		146,000	117,492	0	230,756	(10,091)	679	484,836	484,836

Consolidated Statement of Cash Flows

in HUF million	30.06.2023 (6 months)	30.06.2024 (6 months)
Net result for the period	46,712	74,393
Income tax adjustment	5,004	11,476
Income tax adjusted result for the period	51,716	85,869
Non-cash adjustments for items in net profit for the year		
Depreciation, amortisation and net impairment of non-financial assets	6,095	6,109
from which regarding right-of-use assets - Land and buildings Leasing	1,490	1,199
Net allocation of credit loss allowances and other provisions	(919)	(2,943)
Modification gain/loss on loans and advances	9,183	3,152
Gains/losses from measurement and derecognition of financial assets and financial liabilities	14	606
Revaluation of subordinated liabilities	(9,917)	4,292
Revaluation of derivatives	16,222	(182)
Other adjustments	(1,343)	(4,260)
from which regarding Finance lease liabilities under IFRS 16	(1,198)	610
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Financial assets - held for trading	17,267	(62,153)
Non-trading financial assets at fair value through profit or loss		
Equity instruments	660	(963)
Debt securities	(33)	(76)
Loans and advances to customers	(26,586)	(30,276)
Financial assets at fair value through other comprehensive income		
Equity instruments	-	-
Debt securities	5,422	(1,538)
Financial assets at amortised costs		
Debt securities	(2,745)	(736)
Loans and advances to banks	64,097	33,731
Loans and advances to customers	78,592	(11,155)
Finance lease receivables	1,297	16
Other assets from operating activities	13,996	(1,038)
Financial liabilities - held for trading	166	(1,842)
Financial liabilities at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost		
Deposits from banks	35,802	88,814
Deposits from customers	(245,528)	12,002
Debt securities issued	(2,028)	30,198
Other financial liabilities	(641)	14,927
Other liabilities from operating activities	17,402	19,623
Lease liabilities	120	170
Payments for taxes on income	(6,096)	(6,383)
Cash flow from operating activities	22,215	175,964

in HUF million	30.06.2023	30.06.2024
	(6 months)	(6 months)
Proceeds of disposal		
Financial assets at fair value through other comprehensive income - Debt instruments	15,861	683
Financial assets at amortised costs - Debt securities	46,622	101,849
Property and equipment, intangible assets and investment properties	2,081	170
Acquisition of		
Financial assets at fair value through other comprehensive income - Debt instruments	(67,080)	(14,418)
Financial assets at amortised costs - Debt securities	(13,158)	(44,355)
Property and equipment, intangible assets and investment properties	(6,146)	(2,855)
Cash flow from investing activities	(21,820)	41,074
Capital increase	-	59,234
Dividends paid to equity holders of the parent	(15,000)	(95,000)
Subordinated loan received	-	-
Income from Debt securities issued	56,045	33,141
Finance lease liabilities repayment	(1,947)	(2,023)
Cash flow from financing activities	39,098	(4,648)
Cash and cash equivalents at beginning of period	603,347	604,510
Cash flow from operating activities	22,215	175,964
Cash flow from investing activities	(21,820)	41,074
Cash flow from financing activities	39,098	(4,648)
Cash and cash equivalents at end of period	642,840	816,900

Notes to the Half-Year Consolidated Financial Statements

Financial assets at amortised cost

The credit loss allowance movements related to the particular asset categories are presented in the individual credit loss allowance movement tables of each table.

Gross carrying amounts and credit loss allowances per impairment buckets as of 31.12.2023:

in HUF million	GCA					CLA					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	1,129,402	8,907	1,371	0	1,139,680	(749)	(408)	(1,183)	0	(2,340)	1,137,340
- Central Banks	0	0	0	0	0	0	0	0	0	0	0
- General governments	703,312	0	0	0	703,312	(180)	0	0	0	(180)	703,132
- Credit institutions	365,122	0	0	0	365,122	(47)	0	0	0	(475)	364,647
- Other financial corporations	5702	0	0	0	5,702	(6)	0	0	0	(6)	5,696
- Non-financial corporations	55,266	8,907	1,371	0	65,544	(88)	(408)	(1,183)	0	(1,679)	63,865
Loans and advances to banks	289,175	0	0	0	289,175	(295)	0	0	0	(295)	288,880
- Central Banks	55,197	0	0	0	55,197	(2)	0	0	0	(2)	55,195
- Credit institutions	233,978	0	0	0	233,978	(293)	0	0	0	(293)	233,685
Loans and advances to customers	1,513,331	305,253	51,027	12,804	1,882,415	(7,878)	(17,966)	(35,561)	(3,368)	(64,773)	1,817,642
- General governments	123,053	146	0	6	123,205	(50)	(2)	0	0	(52)	123,153
- Other financial corporations	106,486	104	23	0	106,613	(813)	(9)	(19)	0	(841)	105,772
- Non-financial corporations	605,593	212,871	20,634	2,904	842,002	(2,498)	(4,153)	(13,041)	(8799)	(20,571)	821,431
- Households	678,199	92,132	30,370	9,894	810,595	(4,517)	(13,802)	(22,501)	(2,489)	(43,309)	767,286
Total	2,931,908	314,160	52,398	12,804	3,311,270	(8,922)	(18,374)	(36,744)	(3,368)	(67,408)	3,243,862

Gross carrying amounts and credit loss allowances per impairment buckets as of 30.06.2024:

in HUF million	GCA					CLA					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	1,077,723	3,866	1,351	0	1,082,940	(565)	(253)	(1,266)	0	(2,084)	1,080,856
- Central Banks	0	0	0	0	0	0	0	0	0	0	0
- General governments	659,965	0	0	0	659,965	(168)	0	0	0	(168)	659,797
- Credit institutions	351,740	0	0	0	351,740	(320)	0	0	0	(320)	351,420
- Other financial corporations	5581	0	0	0	5,581	(5)	0	0	0	(5)	5,576
- Non-financial corporations	60,437	3,866	1,351	0	65,654	(72)	(253)	(1,266)	0	(1,591)	64,063
Loans and advances to banks	255,373	0	0	0	255,373	(220)	0	0	0	(220)	255,153
- Central Banks	0	0	0	0	0	0	0	0	0	0	0
- Credit institutions	255,373	0	0	0	255,373	(220)	0	0	0	(220)	255,153
Loans and advances to customers	1,568,567	263,033	48,298	11,677	1,891,575	(8,639)	(16,857)	(34,385)	(2,855)	(62,736)	1,828,839
- General governments	132,997	1	0	5	133,003	(52)	0	0	0	(52)	132,951
- Other financial corporations	114,594	13,171	16	0	127,781	(1,040)	(652)	(12)	0	(1,704)	126,077
- Non-financial corporations	625,704	159,231	18,767	2,380	806,082	(2,986)	(4,382)	(11,952)	(682)	(20,002)	786,080
- Households	695,272	90,630	29,515	9,292	824,709	(4,561)	(11,823)	(22,421)	(2,173)	(40,978)	783,731
Total	2,901,663	266,899	49,649	11,677	3,229,888	(9,424)	(17,110)	(35,651)	(2,855)	(65,040)	3,164,848

Movement in credit loss allowances:

CLA in HUF million	01.01.2024	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Write-offs	Other	30.06.2024
- General governments	231	8	(18)	(4)	1	0	2	220
- Central Banks	2	0	(2)	0	0	0	0	0
- Credit institutions	767	46	(35)	0	(239)	0	4	543
- Other financial corporations	847	676	(434)	639	(43)	0	24	1,709
- Non-financial corporations	22,251	677	(628)	226	(1,150)	(11)	231	21,596
- Households	43,309	1,374	(3,360)	1,797	(1,879)	(49)	(218)	40,974
Total	67,407	2,781	(4,477)	2,658	(3,310)	(60)	43	65,042

Finance lease receivables

Gross carrying amounts and credit loss allowances per impairment buckets as of 31.12.2023:

in HUF million	GCA					CLA					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
- Other financial corporations	3,307	0	0	0	3,307	(3)	0	0	0	(3)	3,304
- Non-financial corporations	16,556	12,336	766	91	29,749	(115)	(356)	(401)	(74)	(946)	28,803
- Households	966	361	174	33	1,534	(11)	(44)	(126)	(6)	(187)	1,347
Total	20,829	16,365	940	124	34,589	(129)	(400)	(527)	(80)	(1,136)	33,453

Gross carrying amounts and credit loss allowances per impairment buckets as of 30.06.2024:

in HUF million	GCA					CLA					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
- Other financial corporations	2,798	0	0	0	2,798	(2)	0	0	0	(2)	2,796
- Non-financial corporations	22,306	7,329	705	78	30,418	(130)	(164)	(328)	(57)	(679)	29,739
- Households	965	219	177	27	1,388	(11)	(15)	(132)	(5)	(163)	1,225
Total	26,069	7,548	882	105	34,604	(143)	(179)	(460)	(62)	(844)	33,760

Movement in credit loss allowances:

CLA in HUF million	01.01.2024	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Write-offs	Other	30.06.2024
- Other Financial corporations	3	0	0	1	0	0	0	4
- Non-financial corporations	946	28	(47)	(85)	(179)	0	14	677
- Households	187	0	(1)	(15)	(8)	0	0	163
Total	1,136	28	(48)	(99)	(187)	0	14	844

Trade and other receivables

Gross carrying amounts and credit loss allowances per impairment buckets as of 31.12.2023:

in HUF million	GCA					CLA					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
- General governments	1,560	0	0	0	1,560	(9)	0	0	0	(9)	1,551
- Credit institutions	2,463	0	0	0	2,463	(1)	0	0	0	(1)	2,462
- Other financial corporations	9,735	800	0	0	10,535	(13)	0	0	0	(13)	10,522
- Non-financial corporations	5,785	438	0	0	6,223	(45)	(23)	0	0	(68)	6,155
- Households	135	6	0	0	141	(7)	(2)	0	0	(9)	132
Total	19,678	1,244	0	0	20,922	(75)	(25)	0	0	(100)	20,822

Gross carrying amounts and credit loss allowances per impairment buckets as of 30.06.2024:

in HUF million	GCA					CLA					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
- General governments	0	0	0	0	0	0	0	0	0	0	0
- Credit institutions	7,950	0	0	0	7,950	(3)	0	0	0	(3)	7,947
- Other financial corporations	2	3,908	0	0	3,910	0	(64)	0	0	(64)	3,846
- Non-financial corporations	2,544	43	0	0	2,587	(16)	(2)	0	0	(18)	2,569
- Households	67	164	1	0	232	(3)	(3)	0	0	(6)	226
Total	10,563	4,115	1	0	14,679	(22)	(69)	0	0	(91)	14,588

Movement in credit loss allowances:

CLA in HUF million	01.01.2024	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Write-offs	Other	30.06.2024
- General government	9	12	(21)	0	0	0	0	0
- Credit institutions	1	2	0	0	1	0	0	4
- Other financial corporations	13	0	0	0	51	0	0	64
- Non-financial corporations	68	124	(221)	(1)	47	0	0	17
- Households	9	10	(98)	0	4	0	0	(75)
Total	100	148	(340)	(1)	103	0	0	10

Fair value of financial and non-financial instruments

Erste Hungary uses the following hierarchy to present the fair valuation of financial instruments, which reflects the importance of the unique basic data used in the process of determining the fair value of financial instruments:

Level 1: financial instruments are valued on the basis of the quoted (unadjusted) price of such assets or resources in an active market. These include financial instruments that are traded in sufficient quantities on a stock exchange, as well as debt securities traded on the stock exchange that are subscribed to by numerous market participants with adequate depth or liquid derivatives.

Level 2: financial instruments that are valued based on quoted prices (in non-active markets or in active markets for similar assets or funds) and input data based on observable quoted prices. This includes yield curves from liquid underlying instruments or prices from similar instruments.

Level 3: the input data is not observable. This includes yield curves or extrapolating volatilities and using past volatilities.

The table below details the valuation methods used to determine the fair value of financial instruments measured at fair value:

in HUF million	31.12.2023				30.06.2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets - Held for trading	6,247	104,210	31	110,488	63,948	106,360	63	170,371
Derivatives	16	61,749	1	61,766	2	57,410	-	57,412
Other financial assets held for trading	6,231	42,461	30	48,722	63,946	48,950	63	112,960
Non-trading financial assets at FVPL	-	-	389,236	389,236	489	-	420,062	420,551
Equity instruments	-	-	2,136	2,136	489	-	2,610	3,099
Debt securities	-	-	814	814	-	-	890	890
Loans and advances	-	-	386,286	386,286	-	-	416,562	416,562
Financial assets at FVOCI	72,354	192,242	34	264,630	80,100	196,760	1,621	278,481
Equity instruments	72,354	192,242	34	264,630	80,100	196,760	1,621	278,481
Total assets	78,601	296,452	389,301	764,354	144,537	303,120	421,746	869,403
Liabilities								
Financial liabilities HfT	17	65,430	12	65,459	288	60,878	-	61,166
Derivatives	17	65,430	12	65,459	288	60,878	-	61,166
Total liabilities	17	65,430	12	65,459	288	60,878	-	61,166

Provisions

Credit loss allowances for loan commitments and financial guarantees (IFRS 9)

in HUF million	01.01.2024	Allocations	Use	Releases	Discount rate effect	Exchange rate changes	30.06.2024
Stage 1	1,626	702	(604)	(2,582)	2,129	21	1,292
Stage 2	1,695	0	(422)	1,387	(1,290)	4	1,373
Stage 2	3,063	0	(639)	1	1,048	60	3,533
POCI	209	0	(6)	0	8	0	211
Total	6,594	702	(1,671)	(1,194)	1,894	85	6,409

Other provisions

in HUF million	01.01.2024	Allocations	Use	Releases	Discount rate effect	Exchange rate changes	30.06.2024
Pending legal issues and tax litigation	3425	282	0	(13)	0	0	3,694
Commitments and guarantees given out of scope of IFRS9	0	0	0	0	0	0	0
Other provisions	283	3,782	(2,601)	0	0	0	1,464
Other	283	3,782	(2,601)	0	0	0	1,464
Provisions	3,708	4,064	(2,601)	(13)	0	0	5,158

Segment report

The segment reporting of Erste Hungary follows the presentation and measurement requirements of IFRS. For management purposes, the bank is organised into four operating segments based on products and services as follows:

Retail

The Retail segment is constituted by the branch network where Erste Hungary sells products mainly to private and micro customers (up to 300 million forint turnover). The Retail business line at Erste Hungary is divided into 4 regions and 98 branches in 2024 (5 regions and 100 branches in 2023).

The relevant results of the building society (Erste Lakástakarékpénztár Zrt.), investment banking and brokerage company (Erste Befektetési Zrt) are also included into this segment, along with the relevant results of workout companies (Collat-real Kft., Erste Ingatlan Kft.).

Corporates

The Corporates segment comprises business done with corporate customers of different turnover size (small and medium-sized enterprises, Large Corporate customers) as well as commercial real estate and public sector business. Small and medium-sized enterprises (SME) are clients which are under the responsibility of the local corporate commercial center network, mainly consisting of companies with an annual turnover from 300 million to 15 billion forints. The relevant results of workout / property management companies (Erste Ingatlan Kft.) are also included into this segment.

The consolidated annual turnover of Large Corporate clients is above 15 billion forints. Commercial Real Estate (CRE) covers for example investors in real estate for the purpose of generating income from the rental of individual properties or portfolios of properties, developers of individual properties or portfolios of properties for the purpose of generating capital gains through sale, asset management services. The Commercial Real Estates segment consists of the Erste Hungary Real Estate Business Line and the workout company's relevant results (Erste Ingatlan Kft.).

Public Sector consists of three sets of customers: public sector, public corporations and non-profit sector. Most of the local governments are in Public Sector as well.

Group Markets (GM)

The Group Markets (GM) segment comprises trading and markets services as well as customer business with financial institutions. It includes all activities related to the trading books of Erste Group, including the execution of trade, market making and short-term liquidity management. In addition, it comprises business connected with servicing financial institutions as clients including custody, depository services, commercial business (loans, cash management, trade & export finance). Besides the Bank's own activities, it also includes institutional clients (typically funds, and asset management companies) at the brokerage company (Erste Befektetési Zrt.)

Asset/Liability Management & Local Corporate Center

The Asset/Liability Management & Local Corporate Center (ALM & LCC) segment comprises on the one side the management of bank assets and liabilities in the light of uncertainty of cash flows, cost of funds and return on investments in order to determine the optimal trade-off between risk, return and liquidity. Furthermore, it comprises funding transactions, hedging activities, investments into securities other than held for trading purpose, management of own issues and FX positions.

On the other side it also includes the local corporate center of EBH which comprises all non-core banking business activities such as non-profit servicing participations, intragroup eliminations within EBH partial group, dividends, refinancing costs of participations, all non-banking balance sheet positions (e.g. fixed assets, intangible assets) which cannot be allocated to other business segments as well as the profit and loss positions resulting from these balance sheet items. Apart from that the Corporate Center includes the reconciliations to the accounting result. Besides that, the Free Capital of EBH defined as a difference between the average IFRS capital and the sum of the average allocated equity to the operating segments is reported under ALM/Local Corporate Center. The full results of mortgage/refinancing bank company (Erste Jelzálogbank Zrt.) is also included in this segment. The non-allocated subsidiaries like property management companies' Corporate Centre (Erste Ingatlan Kft., Collat-real Kft., Z3 Ingatlanhasznosító Kft., Commerzbank Zrt.) are also recorded in this segment.

Transactions between operating segments are on an arm's length basis.

Segment report 30.06.2024

	Retail	Corporate	Group Markets	ALM & LCC	Total group
in HUF million					
Net interest income	64,031	26,609	4,214	2,136	96,989
Net fee and commission income	39,055	10,230	6,410	(55)	55,640
Net trading result	5,868	3,791	6,344	(1,473)	14,531
Gains/losses from financial instruments at FVPL	6,766	(3)	0	999	7,761
Rental income from investment properties & other operating leases	0	2,604	0	(2)	2,603
General administrative expenses	0	(7,923)	(3,350)	(2,647)	(57,219)
Gains/losses from derecognition of financial assets at AC	0	0	0	0	0
Other gains/losses from derecognition of financial instruments not at FVPL	0	0	0	0	0
Impairment result from financial instruments	2,403	587	424	176	3,589
Other operating result	(14,946)	(9,558)	(1,759)	(12,368)	(38,632)
Levies on banking activities	(14,640)	(8,490)	(1,660)	(12,362)	(37,153)
Pre-tax result from continuing operations	59,877	26,336	12,283	(12,627)	85,869
Taxes on income	(6,804)	(3,046)	(1,203)	(423)	(11,476)
Net result for the period	53,073	23,290	11,080	(13,050)	74,392
Net result attributable to owners of the parent	53,073	23,290	11,080	(13,050)	74,392
Operating income	115,720	43,231	16,968	1,605	177,524
Operating expenses	(43,299)	(7,923)	(3,350)	(2,647)	(57,219)
Operating result	72,420	35,308	13,618	(1,042)	120,306
Total assets (eop)	1,500,223	1,116,288	730,198	1,680,931	5,027,641
Total liabilities (eop)	1,778,225	1,261,905	534,890	852,275	4,427,296
Impairments	2,328	556	401	1,631	4,916
Net impairment loss on financial assets AC	2,234	475	43	36	2,789
Net impairment loss on financial assets FVOCI	0	0	0	0	0
Net impairment loss on financial assets finance lease receivables	12	310	0	0	322
Net impairment loss on commitments and guarantees given	149	(230)	358	6	283
Net impairment on other non-financial assets	(68)	0	0	1,589	1,522

Segment report 30.06.2023

	Retail	Corporate	Group Markets	ALM & LCC	Total group
in HUF million					
Net interest income	85,938	32,170	7,060	(58,714)	66,454
Net fee and commission income	32,294	9,081	5,502	(595)	46,282
Net trading result	0	0	0	17	17
Gains/losses from financial instruments at FVPL	6,550	4,122	11,252	(13,172)	8,752
Rental income from investment properties & other operating leases	19,412	18	0	306	19,736
General administrative expenses	0	0	0	0	0
Gains/losses from derecognition of financial assets at AC	0	0	0	(27)	(27)
Other gains/losses from derecognition of financial instruments not at FVPL	0	0	0	41	41
Impairment result from financial instruments	(3,448)	4,030	(369)	(1,355)	(1,142)
Other operating result	(15,730)	(9,388)	(3,211)	(12,436)	(40,765)
Levies on banking activities	(15,208)	(9,294)	(3,018)	(12,550)	(40,069)
Pre-tax result from continuing operations	89,040	35,264	17,015	(89,603)	51,716
Taxes on income	(7,089)	(2,552)	(1,266)	5,902	(5,004)
Net result for the period	81,952	32,712	15,749	(83,700)	46,712
Net result attributable to owners of the parent	81,952	32,712	15,749	(83,700)	46,712
Operating income	144,193	47,334	23,814	(72,129)	143,211
Operating expenses	(35,974)	(6,712)	(3,219)	(3,696)	(49,602)
Operating result	108,219	40,622	20,595	(75,826)	93,609
Total assets (eop)	1,399,786	1,144,828	761,745	1,643,920	4,950,279
Total liabilities (eop)	1,621,834	1,287,852	769,707	786,050	4,465,444
Impairments	(3,652)	4,030	(369)	46	55
Net impairment loss on financial assets AC	(3,447)	3,407	(227)	17	(250)
Net impairment loss on financial assets FVOCI	0	142	(33)	5	114
Net impairment loss on financial assets finance lease receivables	33	120	2	0	155
Net impairment loss on commitments and guarantees given	(33)	361	(112)	65	281
Net impairment on other non-financial assets	(204)	0	0	(41)	(245)

Events after balance sheet date

Sale of Z3 Ingatlanhasznosító Kft.

In June 2024, a buying offer for Z3 Ingatlanhóvilzótó Kft. was received, due to which the company was reclassified to the asset held for sale category in the financial statements for the period ended 30 June 2024. The contract was signed and the sale completed in July 2024.

The amendment to the Government Decree on extra-profit taxes was published on 7 July 2024.

Changes in the regulation of financial transaction tax

1. The base and the measure of the Financial transaction tax (FTT) changed effective from 1 August 2024:
 - a. the base of the FTT
 - i. after money transfer, postal payments and securities transactions below 50 thousand forints there is no FTT (until 31 July 2024 this limit was 20 thousand forints)
 - ii. FTT needs to be calculated for the amount above 50 thousand forints (in case of securities transactions above 50 thousand forints the base of FTT will be the whole amount)
This preference is only available for retail clients, not for corporate account transactions.
 - b. the measure of FTT
 - i. in general for the transactions in scope of FTT the measure is 0,45% but maximum 20 thousand forints per transactions (until 31 July 2024 0,3 % and 10 thousand forints)
 - ii. in case of cash payment 0,9 % without a limit (until 31 July 2024 0,6%)
2. Supplementary financial transaction tax (SFTT) effective from 1 October 2024: Based on the Government Decree a new supplementary financial transaction tax will be effective from 1 October 2024 on the conversion transactions beside the FTT.
Measure of SFTT: 0,45% with a maximum amount of 20 thousand forints besides the FTT

Based on other Government Decree the amount of the increase in FTT and the amount of the SFTT cannot be passed on retail clients until 31 December 2024.

Changes in the regulation of the extraprofit tax

In the resolution of the Ministry of Finance the increase in the stock of government securities which can be considered as deduction item in extra profit tax calculation was clarified. Based on this resolution the earlier deducted amount of stock increase cannot be considered as deduction item which causes an increase in extra profit tax.

For covering the expenses of the two regulatory changes the Bank made a provision in amount of 4 milliard forints.