

# Financial Statements

in accordance with Hungarian Accounting Standards

as at 31 December 2015

Budapest, 5 April 2016

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## Balance Sheet

### Assets

31.12.2015

Line No.	Description of the item	31.12.2014 (data in HUF million)	31.12.2015 (data in HUF million)
<b>1</b>	<b>Cash and cash equivalents</b>	<b>34,294</b>	<b>97,470</b>
<b>2</b>	<b>Government securities</b>	<b>229,532</b>	<b>372,924</b>
a	for trading purposes	7,537	52,020
b	for investment purposes	221,931	321,119
<b>2/A</b>	<b>Valuation difference of government securities</b>	<b>64</b>	<b>(215)</b>
<b>3</b>	<b>Receivables from credit institutions</b>	<b>341,112</b>	<b>270,319</b>
a	due on demand	7,030	11,355
b	other receivables from financial services	334,082	258,964
ba	with maturity within one year	334,082	258,964
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	-	14,399
	<i>from other participating interests</i>	-	5,370
	<i>to the Central Bank of Hungary</i>	303,300	220,000
	<i>from clearing houses</i>	-	-
bb	with maturity over one year	-	-
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	-	-
	<i>from other participating interests</i>	-	-
	<i>to the Central Bank of Hungary</i>	-	-
	<i>from clearing houses</i>	-	-
c	from investment services	-	-
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	-	-
	<i>from other participating interests</i>	-	-
	<i>receivables from clearing houses</i>	-	-
<b>3/A</b>	<b>Valuation difference of receivables from credit institutions</b>	<b>-</b>	<b>-</b>
<b>4</b>	<b>Receivables from customers</b>	<b>1,192,569</b>	<b>988,292</b>
a	from financial services	1,192,406	988,292
aa	with maturity within one year	81,991	80,343
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	26	-
	<i>from other participating interests</i>	-	-
ab	with maturity over one year	1,110,282	907,949
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	3,004	2,428
	<i>from other participating interests</i>	246	-
b	from investment services	163	-
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	19	-
	<i>from other participating interests</i>	-	-
ba	receivables from stock market investment services	-	-
bb	from OTC investment services	116	-
bc	receivables from customers, arising from investment services	19	-
bd	receivables from clearing houses	-	-
be	receivables from other investment services	28	-
<b>4/A</b>	<b>Valuation difference of receivables from customers</b>	<b>-</b>	<b>-</b>

<b>5</b>	<b>Debt securities, including those with fixed interest rates</b>	<b>10,913</b>	<b>33,119</b>
a	debt securities in issue by local governments and other public bodies (excluding government securities)	3,024	3,075
aa	for trading purposes	-	-
ab	for investment purposes	3,024	3,075
b	debt securities in issue by other issuers	12,521	30,044
ba	for trading purposes	3,122	-
	<i>Of</i>		
	<i>which: issued by affiliated undertakings</i>	-	-
	<i>issued by other participating interests</i>	-	-
	repurchased own-issue securities	-	-
bb	for investment purposes	4,692	30,044
	<i>Of</i>		
	<i>which: issued by affiliated undertakings</i>	-	-
	<i>issued by other participating interests</i>	-	-
<b>5/A</b>	<b>Valuation difference of debt securities</b>	<b>75</b>	<b>-</b>
<b>6</b>	<b>Shares and other variable-yield securities</b>	<b>-</b>	<b>-</b>
a	shares and interests held for trading purposes	-	-
	<i>Of</i>		
	<i>which: issued by affiliated undertakings</i>	-	-
	<i>issued by other participating interests</i>	-	-
b	variable-yield securities	-	-
ba		-	-
bb		-	-
<b>6/A</b>	<b>Valuation difference of shares and other variable-yield securities</b>	<b>-</b>	<b>-</b>
<b>7</b>	<b>Shares and interests held for investment purposes</b>	<b>778</b>	<b>778</b>
a	shares and interests held for investment purposes	778	778
	<i>Of</i>		
	<i>which: interests in credit institutions</i>	-	-
b	value adjustment of shares and interests held for investment purposes	-	-
	<i>Of</i>		
	<i>which: interests in credit institutions</i>	-	-
<b>7/A</b>	<b>Valuation difference of shares and interests</b>	<b>-</b>	<b>-</b>
<b>8</b>	<b>Shares and interests in affiliated undertakings</b>	<b>53,150</b>	<b>56,846</b>
a	shares and interests held for investment purposes	53,150	56,846
	<i>Of</i>		
	<i>which: interests in credit institutions</i>	3,600	7,573
b	value adjustment of shares and interests held for investment purposes	-	-
	<i>Of</i>		
	<i>which: interests in credit institutions</i>	-	-
<b>9</b>	<b>Intangible assets</b>	<b>11,600</b>	<b>11,160</b>
	Intangible assets	11,600	11,160
	Value adjustment of intangible assets	-	-
<b>10</b>	<b>Property and equipment</b>	<b>8,682</b>	<b>8,239</b>
a	property and equipment held for the purpose of financial and investment services	8,682	8,239
aa	properties	5,379	5,409
ab	plant and machinery, equipment, vehicles	2,818	2,414
ac	investments	485	416
ad	payments made on account	-	-
b	property and equipment not directly held for the purpose of financial and investment services	-	-
ba	properties	-	-
bb	plant and machinery, equipment, vehicles	-	-
bc	investments	-	-
bd	payments made on account	-	-
c	value adjustment of property and equipment	-	-
<b>11</b>	<b>Own shares</b>	<b>-</b>	<b>-</b>
<b>12</b>	<b>Other assets</b>	<b>35,567</b>	<b>25,197</b>
a	inventories	2,298	1,209
b	other receivables	12,164	13,516

<i>Of</i>			
<i>which:</i>	<i>receivables from affiliated undertakings</i>	2,357	2,527
	<i>receivables from other participating interests</i>	-	-
<b>12/A</b>	<b>Valuation difference of other receivables</b>	-	-
<b>12/B</b>	<b>Positive valuation difference of derivative transactions</b>	<b>6,974</b>	<b>10,472</b>
<b>13</b>	<b>Accrued and deferred assets</b>	<b>24,067</b>	<b>18,731</b>
a	accrued income	20,692	16,212
b	accrued expenses	3,375	2,519
c	deferred expenses	-	-
<b>TOTAL ASSETS</b>		<b>2,293,696</b>	<b>1,883,075</b>
<i>Of which:</i>	<i>Current assets</i>	<i>504,058</i>	<i>525,134</i>
	<i>Fixed assets</i>	<i>1,414,139</i>	<i>1,339,210</i>

Date: Budapest, 5 April 2016

.....  
Radován Jelasity  
Chairman-Chief Executive Officer

.....  
Ivan Vondra  
Chief Financial Officer

## Liabilities

### 31.12.2015

Line No.	Description of the item	31.12.2014 (data in HUF million)	31.12.2015 (data in HUF million)
<b>1</b>	<b>LIABILITIES TO CREDIT INSTITUTIONS</b>	<b>237,912</b>	<b>290,768</b>
a	due on demand	1,606	1,624
b	liabilities committed for a certain period, arising from financial services	236,306	289,144
ba	with maturity within one year	9,471	153,532
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	2,707	152,832
	<i>from other participating interests</i>	-	-
	<i>to the Central Bank of Hungary</i>	-	-
	<i>liabilities to clearing houses</i>	-	-
bb	with maturity over one year	226,835	135,612
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	108,081	7,637
	<i>from other participating interests</i>	-	-
	<i>to the Central Bank of Hungary</i>	61,000	69,836
	<i>liabilities to clearing houses</i>	-	-
c	from investment services	-	-
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	-	-
	<i>from other participating interests</i>	-	-
	<i>liabilities to clearing houses</i>	-	-
<b>1/A</b>	<b>VALUATION DIFFERENCE OF LIABILITIES TO CREDIT INSTITUTIONS</b>	-	-
<b>2</b>	<b>LIABILITIES TO CUSTOMERS</b>	<b>1,227,407</b>	<b>1,221,560</b>
a	savings deposits	2,378	2,367
aa	due on demand	2,378	2,367
ab	with maturity within one year	-	-
ac	with maturity over one year	-	-
b	other liabilities arising from financial services	1,222,403	1,215,078
ba	due on demand	486,015	612,115
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	39,888	51,991
	<i>from other participating interests</i>	735	2,006
bb	with maturity within one year	674,675	535,349
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	3,026	1,969
	<i>from other participating interests</i>	2,236	968
bc	with maturity over one year	61,713	67,614
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	-	-
	<i>from other participating interests</i>	-	-
c	from investment services	2,626	4,115
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	16	36
	<i>from other participating interests</i>	618	113
ca	liabilities arising from stock market investment services	-	-
cb	liabilities arising from OTC investment services	2,626	4,115
cc	liabilities to customers, arising from investment services	-	-
cd	liabilities to clearing houses	-	-
ce	liabilities arising from other investment services	-	-
<b>2/A</b>	<b>VALUATION DIFFERENCE OF LIABILITIES TO CUSTOMERS</b>	-	-
<b>3</b>	<b>LIABILITIES EXISTING AS A RESULT OF DEBT SECURITIES IN ISSUE</b>	<b>21,205</b>	<b>19,551</b>
a	issued bonds	21,205	19,551
aa	with maturity within one year	-	-

	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	-	-
	<i>from other participating interests</i>	-	-
ab	with maturity over one year	21,205	19,551
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	-	-
	<i>from other participating interests</i>	-	-
b	other debt securities issued	-	-
ba	with maturity within one year	-	-
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	-	-
	<i>from other participating interests</i>	-	-
bb	with maturity over one year	-	-
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	-	-
	<i>from other participating interests</i>	-	-
c	debt instruments treated as securities in terms of accounting but not qualified as securities according to the Securities Act	-	-
ca	with maturity within one year	-	-
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	-	-
	<i>from other participating interests</i>	-	-
cb	with maturity over one year	-	-
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	-	-
	<i>from other participating interests</i>	-	-
<b>4</b>	<b>OTHER LIABILITIES</b>	<b>29,149</b>	<b>29,800</b>
a	with maturity within one year	47,511	8,904
	<i>Of which: from affiliated undertakings</i>	1,455	2,266
	<i>from other participating interests</i>	17	2
b	with maturity over one year	-	-
	<i>Of which: from affiliated undertakings</i>	-	-
	<i>from other participating interests</i>	-	-
<b>4A</b>	<b>NEGATIVE VALUATION DIFFERENCE OF DERIVATIVES</b>	<b>21,403</b>	<b>20,896</b>
<b>5</b>	<b>ACCRUED AND DEFERRED LIABILITIES</b>	<b>14,557</b>	<b>15,070</b>
a	deferred income	665	18
b	deferred expenses	13,877	15,038
c	deferred income	15	14
<b>6</b>	<b>SUNDRY PROVISIONS</b>	<b>91,094</b>	<b>8,811</b>
a	provision for pensions and severance payments	-	-
b	risk provision for contingent liabilities and commitments	732	6,942
c	general risk provisions	-	-
d	other provisions	90,362	1,869
<b>7</b>	<b>SUBORDINATED LIABILITIES</b>	<b>133,634</b>	<b>132,907</b>
a	subordinated loan capital	133,634	132,907
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	129,420	128,692
	<i>from other participating interests</i>	-	-
b	other capital contribution of the members in the case of credit institutions operating as cooperatives	-	-
c	other subordinated liabilities	-	-
	<i>Of</i>		
	<i>which: from affiliated undertakings</i>	-	-
	<i>from other participating interests</i>	-	-
<b>8</b>	<b>SUBSCRIBED CAPITAL</b>	<b>102,000</b>	<b>102,000</b>
	<i>Of</i>		
	<i>which: ownership interests repurchased at nominal value</i>	-	-
<b>9</b>	<b>SUBSCRIBED BUT UNPAID CAPITAL (-)</b>	<b>-</b>	<b>-</b>
<b>10</b>	<b>CAPITAL RESERVE</b>	<b>283,327</b>	<b>83,493</b>
a	difference between the nominal value and the issue price of shares and	283,327	83,493

	interests (premium)		
	b other	-	-
<b>11</b>	<b>GENERAL RESERVE</b>	-	-
<b>12</b>	<b>RETAINED EARNINGS (+-)</b>	<b>(107,481)</b>	-
<b>13</b>	<b>TIED-UP RESERVE</b>	-	-
<b>14</b>	<b>VALUATION RESERVE</b>	<b>(2,243)</b>	<b>(830)</b>
	a Valuation reserve of the value adjustment	-	-
	b Valuation reserve of fair valuation	(2,243)	(830)
<b>15</b>	<b>PROFIT OR LOSS FOR THE YEAR ACCORDING TO THE STATEMENT OF FINANCIAL POSITION (+-)</b>	<b>(92,353)</b>	<b>(20,455)</b>
<b>TOTAL LIABILITIES</b>		<b>1,938,208</b>	<b>1,883,075</b>
	<i>Of</i>		
	<i>which: Short-term maturity liabilities</i>	1,205,920	1,338,902
	<i>Long-term maturity liabilities</i>	443,387	356,084
	<i>Total equity</i>	183,250	164,208

Line No.	Description of the item	31.12.2014 (data in HUF million)	31.12.2015 (data in HUF million)
1	Contingent liabilities	142,694	229,764
2	Liabilities	1,986,324	1,498,449
<b>TOTAL CONTINGENT LIABILITIES AND COMMITMENTS</b>		<b>2,129,018</b>	<b>1,728,210</b>

Line No.	Description of the item	31.12.2014 (data in HUF million)	31.12.2015 (data in HUF million)
1	Contingent claims	2,913,988	2,873,037
2	Future receivables	1,979,684	1,492,766
<b>TOTAL CONTINGENT CLAIMS AND FUTURE RECEIVABLES</b>		<b>4,893,672</b>	<b>4,365,804</b>

Date: Budapest, 5 April 2016

.....  
Radován Jelasity  
Chairman-Chief Executive Officer

.....  
Ivan Vondra  
Chief Financial Officer



## Income statement

31.12.2015

Line No.	Description of the item	31.12.2014 (data in HUF million)	31.12.2015 (data in HUF million)
<b>1</b>	<b>INTEREST AND SIMILAR INCOME RECEIVED</b>	<b>116,695</b>	<b>89,105</b>
a	interest income received (due) on debt securities with fixed interest rates	21,772	12,640
	<i>Of which:</i>		
	<i>from affiliated undertakings</i>	-	-
	<i>from other participating interests</i>	-	-
b	other interest and similar income received	94,923	76,465
	<i>Of which:</i>		
	<i>from affiliated undertakings</i>	2,242	2,233
	<i>from other participating interests</i>	7	15
<b>2</b>	<b>INTEREST PAID AND SIMILAR CHARGES</b>	<b>37,020</b>	<b>28,717</b>
	<i>Of which:</i>		
	<i>to affiliated undertakings</i>	18,004	12,928
	<i>to other participating interests</i>	98	39
	<b>INTEREST DIFFERENTIAL (1-2)</b>	<b>79,675</b>	<b>60,388</b>
<b>3</b>	<b>INCOME FROM SECURITIES</b>	<b>2,033</b>	<b>1,855</b>
a	income from shares and interests held for trading (dividends, equity holdings)	-	-
b	income from interests in affiliated undertakings (dividends, equity holdings)	2,000	1,800
c	income from other interests (dividends, equity holdings)	33	55
<b>4</b>	<b>FEE AND COMMISSION INCOME RECEIVED (DUE)</b>	<b>46,460</b>	<b>46,646</b>
a	from the income of other financial services	44,767	44,924
	<i>Of which:</i>		
	<i>from affiliated undertakings</i>	5,741	7,006
	<i>from other participating interests</i>	-	-
b	of the income of investment services (excluding the income of trading activities)	1,693	1,722
	<i>Of which:</i>		
	<i>from affiliated undertakings</i>	-	-
	<i>from other participating interests</i>	-	-
<b>5</b>	<b>COMMISSIONS AND FEES PAID (PAYABLE)</b>	<b>8,441</b>	<b>8,252</b>
a	of the expenses of other financial services	7,502	7,407
	<i>Of which:</i>		
	<i>to affiliated undertakings</i>	20	23
	<i>to other participating interests</i>	-	-
b	of the expenses of investment services (excluding the expenses of trading activities)	939	845
	<i>Of which:</i>		
	<i>to affiliated undertakings</i>	639	579
	<i>to other participating interests</i>	-	-
<b>6</b>	<b>NET PROFIT OR LOSS FROM FINANCIAL TRANSACTIONS (6.A-6.B+6.C-6.D)</b>	<b>4,081</b>	<b>(6,258)</b>
a	from the income of other financial services	14,330	13,611
	<i>Of which:</i>		
	<i>from affiliated undertakings</i>	6,557	4,339
	<i>from other participating interests</i>	783	564
	<i>valuation difference</i>	-	-
b	of the expenses of other financial services	6,622	16,531
	<i>Of which:</i>		
	<i>to affiliated undertakings</i>	505	4,006

	<i>to other participating interests</i>	1	-
	<i>valuation difference</i>	-	-
c	of the income of investment services (the income of trading activities)	85,065	142,071
	<i>Of which:</i>		
	<i>from affiliated undertakings</i>	16,292	37,898
	<i>from other participating interests</i>	395	201
	<i>reversal of the impairment loss of securities held for trading</i>	-	-
	<i>valuation difference</i>	20,330	45,469
d	of the expenses of investment services (the expenses of trading activities)	88,692	145,409
	<i>Of which:</i>		
	<i>to affiliated undertakings</i>	6,792	42,238
	<i>to other participating interests</i>	187	197
	<i>impairment loss of securities held for trading</i>	-	-
	<i>valuation difference</i>	39,700	57,960
<b>7</b>	<b>OTHER INCOME FROM BUSINESS ACTIVITIES</b>	<b>25,074</b>	<b>124,341</b>
a	income of services other than financial or investment services	1,531	1,793
	<i>Of which:</i>		
	<i>from affiliated undertakings</i>	57	339
	<i>from other participating interests</i>	2	-
b	other income	23,543	122,548
	<i>Of which:</i>		
	<i>from affiliated undertakings</i>	7,975	1,881
	<i>from other participating interests</i>	-	-
	<i>reversal of the impairment loss of inventories</i>	4,591	2,131
<b>8</b>	<b>GENERAL ADMINISTRATION COSTS</b>	<b>43,079</b>	<b>44,656</b>
a	staff costs	22,834	23,512
	<i>aa wages and salaries</i>	16,461	16,877
	<i>ab other employee benefits</i>	1,264	1,372
	<i>Of which:</i>		
	<i>social insurance costs</i>	106	116
	<i>pension-related costs</i>	102	91
	<i>ac contributions on wages and salaries</i>	5,109	5,263
	<i>Of which:</i>		
	<i>social insurance costs</i>	226	4,486
	<i>pension-related costs</i>	12	5
b	other administration costs (material costs)	20,245	21,144
<b>9</b>	<b>DEPRECIATION</b>	<b>5,491</b>	<b>5,747</b>
<b>10</b>	<b>OTHER EXPENDITURE RELATING TO BUSINESS ACTIVITIES</b>	<b>164,129</b>	<b>68,882</b>
a	expenses on services other than financial or investment services	1,276	944
	<i>Of which:</i>		
	<i>to affiliated undertakings</i>	5	8
	<i>to other participating interests</i>	-	-
b	other expenditure	162,853	67,938
	<i>Of which:</i>		
	<i>to affiliated undertakings</i>	8,491	-
	<i>to other participating interests</i>	-	-
	<i>impairment loss of inventories</i>	2,529	219
<b>11</b>	<b>IMPAIRMENT LOSS ON RECEIVABLES AND RISK PROVISIONING FOR CONTINGENT LIABILITIES AND COMMITMENTS</b>	<b>85,002</b>	<b>90,008</b>
a	impairment loss on receivables	84,655	83,442
b	risk provisioning for contingent liabilities and commitments	347	6,566
<b>12</b>	<b>REVERSAL OF IMPAIRMENT LOSS ON RECEIVABLES AND THE USE OF RISK PROVISIONS FOR CONTINGENT LIABILITIES AND COMMITMENTS</b>	<b>73,031</b>	<b>92,575</b>
a	reversal of impairment loss on receivables	71,619	92,217
b	the use of risk provisions for contingent liabilities and commitments	1,412	358
<b>12/A</b>	<b>DIFFERENCE BETWEEN THE GENERAL RISK PROVISION AND ITS UTILISATION</b>	<b>-</b>	<b>-</b>
<b>13</b>	<b>IMPAIRMENT LOSS ON DEBT SECURITIES HELD FOR</b>	<b>2,847</b>	<b>2,731</b>

	<b>INVESTMENT PURPOSES AND ON SHARES AND EQUITY HOLDINGS IN AFFILIATED UNDERTAKINGS AND IN OTHER PARTICIPATING INTERESTS</b>		
14	<b>REVERSAL OF IMPAIRMENT LOSS ON DEBT SECURITIES HELD FOR INVESTMENT PURPOSES AND ON SHARES AND EQUITY HOLDINGS IN AFFILIATED UNDERTAKINGS AND IN OTHER PARTICIPATING INTERESTS</b>	<b>91</b>	<b>239</b>
15	<b>PROFIT/LOSS FROM ORDINARY OPERATING ACTIVITIES</b>	<b>(78,544)</b>	<b>99,510</b>
	PROFIT/LOSS FROM FINANCIAL AND INVESTMENT SERVICES (1-2+3+4-5+-6+7.b-8-9-10.b-11+12-13+14) Of which:	(78,799)	98,661
	PROFIT/LOSS FROM SERVICES OTHER THAN FINANCIAL AND INVESTMENT SERVICES (7.a-10.a)	255	849
16	<b>EXTRAORDINARY INCOME</b>	<b>191</b>	<b>3,446</b>
17	<b>EXTRAORDINARY EXPENSES</b>	<b>14,000</b>	<b>123,406</b>
18	<b>EXTRAORDINARY PROFIT/LOSS (16-17)</b>	<b>(13,809)</b>	<b>(119,960)</b>
19	<b>PROFIT/LOSS BEFORE TAXATION (+15)+-18)</b>	<b>(92,353)</b>	<b>(20,450)</b>
20	<b>TAX PAYMENT LIABILITY</b>	-	5
21	<b>PROFIT/LOSS FOR THE YEAR (+19)-20)</b>	<b>(92,353)</b>	<b>(20,455)</b>
22	<b>APPROPRIATION AND USE OF GENERAL RESERVE (+-)</b>	-	-
23	<b>RETAINED EARNINGS USED FOR DIVIDENDS AND SHARES</b>	-	-
24	<b>APPROVED DIVIDENDS AND SHARES</b>	-	-
	Of which:		
	to affiliated undertakings	-	-
	to other participating interests	-	-
25	<b>PROFIT OR LOSS FOR THE YEAR ACCORDING TO THE STATEMENT OF FINANCIAL POSITION (+21)-/+22+23-24)</b>	<b>(92,353)</b>	<b>(20,455)</b>

Date: Budapest, 5 April 2016

.....  
Radován Jelasity  
Chairman-Chief Executive Officer

.....  
Ivan Vondra  
Chief Financial Officer

## Notes

### I/1 Short description of ERSTE BANK HUNGARY Zrt.

Legal form:	Company limited by shares (Zártkörűen Működő Részvénytársaság)
Date of foundation:	17 December 1986
Date of registration:	12 April 1988 (last registration of changes: on December 9, 2015)
Registered office:	1138 Budapest, Népfürdő u. 24-26.
The company's internet address:	<a href="http://www.erstebank.hu">http://www.erstebank.hu</a>
Owner:	Erste Group Bank AG (100%)

ERSTE BANK HUNGARY Zrt. is entitled to perform the following activities as a credit institution:

#### SCOPE OF ACTIVITIES

##### Main activity:

64.19'08 Other monetary intermediation

##### Other activities:

64.92'08 Other credit extension  
 64.99'08 Other financial service activities n.e.c.  
 66.12'08 Security and commodity contracts brokerage  
 66.19'08 Other activities auxiliary to financial services  
 66.22'08 Activities of insurance agents and brokers  
 Other activities auxiliary to insurance and pension funding  
 66.29'08  
 68.20'08 Renting and operating of own or leased real estate  
 64.91'08 Financial lease  
 69.20'08 Accounting, bookkeeping and auditing activities; tax consultancy (non-profit activity)

The Bank is a credit institution, which provides the following financial and investment services within the above statistical classification, pursuant to the Credit Institutions Act and the Investment Firms Act:

#### Financial services:

- (i) collection of deposits and other repayable monetary assets from the public;
- (ii) granting of credits and loans;
- (iii) financial leasing;
- (iv) provision of payment services;
- (v) issue of electronic money and paper-based cash equivalents (for example paper-based traveller's cheques, bills) and provision of related services that are not classified as payment services;
- (vi) undertaking of suretyship and guarantees as well as other banking liabilities;
- (vii) trading activity for own account or on commission in currency, foreign exchange (excluding currency conversion activities), bills and cheques;
- (viii) intermediation of financial services ;
- (ix) custodial services, provision of safe-deposit boxes;

- (x) *loan reference services.*

#### **Ancillary financial services:**

- (xi) *Currency conversion activity.*

#### **Investment services:**

- (xii) *receiving and transmitting client orders, execution of orders on behalf of clients (points (a) and (b) of Section 5(1) of the Investment Firms Act);*
- (xiii) *trading on own account relating to financial instruments (point (c) of Section 5(1) of the Investment Firms Act);*
- (xiv) *investment advice (point (e) of Section 5(1) of the Investment Firms Act);*
- (xv) *placement of financial instruments without any commitment for the purchase of assets (financial instruments) (point (g) of Section 5(1) of the Investment Firms Act).*

#### **Ancillary investment services:**

- (xvi) *safekeeping and administration of financial instruments, including the management of related client accounts (point (a) of Section 5(2) of the Investment Firms Act);*
- (xvii) *safe custody services, including the management of related securities accounts, and keeping records of printed securities and the management of the related client accounts (point (b) of Section 5(2) of the Investment Firms Act);*
- (xviii) *granting credits and loans to investors (point (c) of 5(2) of the Investment Firms Act);*
- (xix) *advice to companies on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of companies (point (d) of 5(2) of the Investment Firms Act);*
- (xx) *investment analysis and financial analysis (point (f) of 5(2) of the Investment Firms Act);*
- (xxi) *services related to underwriting guarantees (point (g) of 5(2) of the Investment Firms Act);*
- (xxii) *investment services and ancillary activities related to the underlying instruments of the derivatives mentioned in points (e)-(g), (j) and (k) of Section 6 of the Investment Firms Act ((point (h) of 5(2) of the Investment Firms Act).*

#### **Other for-profit activities performed in addition to the financial services, ancillary financial and investment services and ancillary investment services:**

- (i) *activities aimed at the utilisation of collaterals or securities acquired by the Bank with a view to reducing or avoiding losses from financial services (point (i) of Section 7(3) of the Credit Institutions Act).*

#### **Other not for-profit activities:**

- (i) *accounting services and representation before the tax authority, which can only be performed by the Bank for the benefit of its subsidiaries and affiliated undertakings belonging to the Hungarian Erste Group, on a not for-profit basis, in order to promote the prudent operation of its subsidiaries and affiliated undertakings as well as their compliance with the requirements for risk assumption and capital adequacy and their fulfilment of accounting liabilities.*

Pursuant to Section 155(2) of Act C of 2000 on Accounting, auditing is compulsory for the Bank.

The Bank's auditor is Ernst & Young Kft. (1132 Budapest, Váci út 20.)

Registration number with the Chamber of Hungarian Auditors: 001165

Appointed auditor: Gergely Szabó (mother's maiden name: Zsuzsanna Kiss, 1202 Budapest, Mézes u. 35, membership number with the chamber: 005676)

**The Board of Directors of ERSTE Bank Hungary Zrt.**

31 December 2015

Radován Jelasity	Chairman, internal member
Jurgen Kristiaan.De Ruijter	internal member
Ivan Vondra	internal member
László Szabolcs Harmati	internal member
Krisztina Zsiga*	external member
Frederik Silzer	external member
dr. János Rudnay	external member

**The Supervisory Board of ERSTE Bank Hungary Zrt.**

31 December 2015

Manfred Wimmer	Chairman
Friedrich Rödler	member
Gernot Mittendorfer	member
Maximilian Clary Und Aldringen*t	member
Magdolna Nagy	employee member
Márta Balogh	employee member

\* The election of Krisztina Zsiga as member of the Board of Directors and Maximilian Clary Und ALDRINGEN as member of the Supervisory Board is subject to the consent of the Hungarian National Bank (MNB), issued in accordance with the relevant provisions.

## I/2 ERSTE Bank Hungary Zrt.'s accounting policy

The Bank's accounting policy is a collection of the reporting and bookkeeping provisions of the Accounting Act, as well as the Government Decree issued for the implementation of such Act regarding credit institutions and the accounting and valuation rules applied by the company. The combined application of these rules creates the bases of the operation of the management information system and of the regulatory compliance of the compilation of the financial statements and the report.

ERSTE Bank Hungary Zrt. enforces the accounting principles specified in the Act and the Government Decree both in its accounting system and during the preparation of the annual report.

ERSTE Bank Hungary Zrt. took into account the provisions of the following laws when establishing its accounting policy used for the preparation of its report for the year 2014 and the related accounting system:

- Act C of 2000 on Accounting (hereinafter: the Accounting Act), as amended
- Government Decree 250/2000. (XII. 24) on the specifics of the annual reporting and accounting liabilities of credit institutions, as amended
- Act LXXXI of 1996 on Corporate Income Tax and Dividend Tax, as amended
- Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter: the Credit Institutions Act), as amended
- other laws applicable to the Bank and the Bank's internal regulations issued for the purpose of the enforcement of such laws.

ERSTE Bank Hungary Zrt. keeps its books by applying a business management approach, according to the rules of the double-entry method, and it compiles its annual report in accordance with the provisions of the Government Decree applicable to credit institutions. The Bank prepares its income statement in accordance with the relevant requirements, in a vertical layout.

The accounting date of the financial statements for 2015: 31 December 2015

Date of preparation of the balance sheet: 6 January 2016

### Measurement methods used in the financial statements

#### The measurement of assets and liabilities

The Bank measures current assets and fixed assets at cost or production cost (with the exception of currency and foreign exchange holdings) and recognises them at such costs in the statement of financial position.

In accordance with the content requirements of Section 87(1) of the Credit Institutions Act and the provisions of Government Decree 250/2000. (XII. 24) (Annex 7), the Bank classified its outstanding claims, investments and undertaken contingent liabilities and commitments required for the assessment of individual risks and the establishment of the impairment losses and provisions serving as a collateral for such risks individually.

When performing such classification, the Bank classified all parts of outstanding claims, investments and undertaken liabilities in relation to which there is a risk of losses.

When classifying investments, first of all the losses expected to arise from such investments were estimated.

When classifying outstanding claims, the Bank examined the defaults in principal repayment and interest payment arising in connection with the repayment of the outstanding claim, jointly with the changes in the debtor's financial situation, stability and income-generating ability, as well as any deterioration in the value, liquidity and availability of securities accepted as collateral.

Based on the impairment loss established during classification as well as on the size of the provision, the Bank classified outstanding claims, investments and undertaken liabilities into the following categories: pass, special mention, sub-standard, doubtful and loss.

The Bank daily revalues its currency (foreign exchange) stock and its receivables and liabilities denominated in a foreign currency and exclusively related to its credit institution activity into a HUF amount based on the exchange rate published by the Central Bank of Hungary.

The Bank recognises liabilities at carrying amount (with the exception of the above-mentioned currencies).

### Fair value measurement

The assets and liabilities subject to fair value measurement are included in the statement of financial position with the amount for which an asset can be exchanged (sold or purchased) or a liability can be settled between the parties expressing their intention to conclude a transaction, within the framework of a deal concluded at arm's length.

In accordance with the provisions of the Accounting Act, the Bank classified the financial instruments that are not part of any hedges into the following categories:

- Financial instruments for trading: financial instruments acquired for the purpose of generating profit from short-term price and rate fluctuations.
- Originated loans and other receivables: financial assets created by the Bank through making financial instruments, goods or services available, which involve fixed or ascertainable payments, unless the Bank created them for the purpose of short-term sales. Originated loans and other receivables primarily consist of credits and loans provided to banks and customers.
- Financial instruments held to maturity: financial assets which the Bank intends to and is able to retain until maturity. The Bank classifies securities held to maturity into this category.
- Assets available for sale: financial instruments that are not classified as financial assets held for trading, credits or loans originated by the Bank or financial instruments held to maturity.

In the case of securities available for sale and held for trading, when establishing the fair value taken into account during fair value measurement, the prices are unreliable due to the vulnerable liquidity that can be observed on the market, therefore the Bank performs the measurement based on a yield curve. The market price "calculated" based on the yield curves is calculated by the Kondor system.

Bonds issued by local governments or municipal companies have been an exception from the general rule of measuring securities available for sale at market price since 2011. For such bonds, in 2011, the Bank introduced a model similar to the rating-based impairment loss used during the valuation of the loan portfolio.

The fair value measurement methodology used for derivatives and the valuation principles were developed in a manner approved by the Bank's management.

The point of fair value measurement is that the assets and liabilities subject to fair value measurement are included in the statement of financial position with the amount for which an asset can be exchanged (sold or purchased) or a liability can be settled between well-informed parties expressing their intention to conclude a transaction, within the framework of a deal concluded at arm's length. In the case of securities held for trading, the valuation difference is recognised directly in the profit/loss and in the case of securities available for sale, it is recognised in the shareholders' equity (valuation reserve).

The fair value hedges concluded by the Bank are market value type (fair value) and cash flow type hedges. Hedges must be marked as hedges when concluding the transaction and they must be recorded as such. In the records kept of hedges, the open position existing due to the hedge(s) as well as its expected interest and exchange rate losses must be assigned to the hedge. The hedge efficiency must be ensured at the time of the conclusion of the hedge and also during its entire maturity term. Reviews must be performed at the measurement dates (monthly), and their results must be recorded in the hedge document. If the nature of a deal concluded with a hedging purpose changes during its maturity term, its result must be recognised according to the general rules applicable to forward deals.

The Bank does not have fair value and cash flow hedge transactions at 31.12.2015.

### Impairment loss and sundry provisions

The Bank recognises the portfolio of the following recognised impairment losses among the assets (according to the provisions of the Credit Institutions Act and the government decree on credit institutions) in the statement of financial position:



- impairment loss recognised on receivables,
- impairment loss recognised on securities,
- impairment loss recognised on inventories,
- impairment loss recognised on fixed financial assets.

The following sundry provisions created according to the requirements of the Credit Institutions Act and the Accounting Act are recognised in liabilities:

- provision for pensions and severance payments,
- risk provision for contingent liabilities and commitments,
- other provisions for expected, significant and periodically recurring future costs.
- other provision

The Bank continuously monitors the legal affairs by which it is directly or indirectly affected. The Bank creates a provision for potentially arising liabilities, taking into account the chances of their occurrence. In cases for which the Bank has not created any provision, the potential claim against the Bank is not substantiated or it has no significant effect on the financial and income situation of the Bank.

### Making interest pending

According to the requirements of the government decree on credit institutions, we accounted for the income from interest, interest-type commissions and other financial services and made them pending. There are expired interest and commission receivables among the receivables that were due pro rata for the financial year, were payable and paid by the time of the preparation of the balance sheet, and there are overdue receivables which were paid late but not later than the date of preparation of the balance sheet.

### Income statement

The income statement contains detailed information on the Bank's profit or loss for the year according to the statement of financial position, the main factors influencing the profit/loss generated, and the components and trends in the profit or loss for the year.

The principles specified by the Accounting Act were also enforced during the preparation of the income statement; the profit/loss is the difference between the income and expenses for the financial year, realised for certain by the statement of financial position date or the preparation of the statement of financial position and arising by the statement of financial position date or becoming known to the Bank by the date of preparation of the statement of financial position.

### Depreciation of assets

Based on the Corporate Income Tax Act and the Accounting Act, the Bank recognises depreciation and depreciation allowances according to the following:

- based on individual consideration, it accounted for the carrying amount of property and equipment below an individual acquisition value of HUF 100,000 in one sum as depreciation at the time of their putting into use,
- it accounted for depreciation every month; on property and equipment acquired during the month, a pro rata depreciation was recognised from the date of commissioning,
- it used the straight line depreciation method determined based on gross values for accounting for depreciation,
- for recognising the annual depreciation of property and equipment, it acted in accordance with the requirements of the Accounting Act, taking into account the time of use,
- the following rates were used for the write-down of intangible assets:
  - tenancy right 10%, software 10% (or depending on the time of use)
  - capitalised value of formation/reorganisation 20%
- it recognises concessions, licences and similar rights relating to property and equipment among tangible assets in the books,

it specified a residual value in the case of motor vehicles and own investments; it is a residual value expected at the end of the service life and is 20% of the gross value.

## Accounting closing and stocktaking

The Bank prepares a general ledger statement every month, including the designation of the accounts in the general ledger, their currencies and the closing balance in the original currency and in HUF.

When preparing the annual financial statements, the Bank performs the closing activities prescribed by the laws. The Bank makes a stock-list for the year-end closing of the books and the preparation of the annual financial statements, which contains its assets and liabilities (their quantities and values) existing on the statement of financial position date, in an itemised form and a verifiable manner.

Stocktaking is done of property and equipment and intangible assets every three years, and annually/quarterly or monthly of inventories – depends on type of inventory.

## Notes

The note contains all numerical data and explanatory texts that are necessary for owners, investors and creditors to judge the Bank's financial situation and operating profit/loss.

The Notes also include the cash flow statement with the content required by the government decree on credit institutions (Annex 3 "A").

## I/3 Legislative changes with an effect on the Bank's financial and income situation in 2015

### Legislative changes relating to consumer loan agreements

Act XXXVIII of 2014 on the Settlement of certain issues concerning the Uniformity Decision of the Supreme Court related to consumer loan agreements provided by financial institutions was promulgated on 18 July 2014 (the "Curia Act").

On 24 September 2014 the Parliament adopted Act XL of 2014 on the rules of settlement described in Act XXXVIII of 2014 on the Settlement of certain issues concerning the Uniformity Decision of the Supreme Court related to consumer loan agreements provided by financial institutions, and on certain other provisions (the "Settlement Act"), pursuant to which financial institutions are required to settle accounts with their clients regarding their overpayments arising due to the nullity of the exchange rate spread and the unilateral amendments of their contracts.

The Settlement Act clarified the provisions of the Curia Act. The scope of the Settlement Act covers all active consumer agreements, including credit cards, overdraft facilities as well as contracts falling within the scope of early repayment and the NAMA programme. However, the Settlement Act does not apply to state-subsidised HUF housing loans. The amount payable to consumers may be reduced by the amount of all discounts provided by the Bank to its clients.

Pursuant to the Settlement Act, the Bank determined the amount of overpayments payable to consumers using the calculation method published by the Central Bank of Hungary. In the case of foreign currency loans consumers are informed between 1 March 2015 and 30 April 2015. In the case of HUF loans affected by the settlement, the Bank must inform the clients concerned between 15 August 2015 and 30 September 2015.

Act LXXVII of 2014 on the Settlement of certain issues concerning the modification of the currency and interest conditions related to consumer loan agreements was also promulgated. This Act provides for the conversion into HUF of debts arising from foreign currency or foreign-currency-based consumer mortgage contracts on 1 February 2015 (the "Conversion Act").

The Bank hedged its theoretical open position arising in connection with the Settlement Act and the Conversion Act with spot and derivative transactions concluded with the Central Bank of Hungary.

*The accounting treatment of the legislative changes relating to consumer loan agreements in the annual report for 2014*

#### a) Settlement Act

The Bank allocated a provision of HUF 89,254 million in its financial statements for 2014 in relation to its repayment liability arising as a result of the nullity of the application of the interest rate spread.

The Bank also estimated the amount of the probable liability relating to the presumptive unfairness of the provisions applicable to the unilateral amendments of contracts, based on which a provision was also allocated and recorded.

In the case of the above provisions, the provisions regarding the active mortgage-backed loans involved in the conversion were recognised in the financial statements at the conversion rates (CHF: 256.47, EUR: 308.97, JPY: 2.163). In the case of loans not involved in the conversion – typically foreign-currency-based – consumer loans the Bank recognised the provisions allocated in foreign currency in the financial statements at the rate of the Central Bank of Hungary valid on the balance sheet date.

The Bank recognised the provisions allocated based on the Settlement Act among the other provisions allocated for other, contingent and expected liabilities in its financial statements.

In FY 2015 the above provisions have been used and – in accordance with the government regulation no. 250/2000 – the result were shown as extraordinary expenses

#### *b) Conversion Act*

Pursuant to the Conversion Act, in the case of mortgage-backed loans involved in the conversion, the loans recorded in foreign currencies, the related impairment, the accrued interest and the allocated provisions are recognised at the conversion rate in the financial statements of 31 December 2014.

#### *FX car loan, financial leasing and unsecured loan conversion law CXLV of 2015 (passed 6 October 2015)*

The Hungarian Government decided that FX denominated car loans and unsecured loans shall also be converted into HUF until the end of 2015.

The date of conversion regarding the existing contracts was the scheduled repayment day in November, but not later than 1 December 2015. The conversion regarding the claims arisen from a terminated contract had to be concluded until 31 January 2016 with a value date of 1 January 2016. Similarly to previous conversion, borrowers of terminated contracts are compensated in cash.

#### *Exchange rate*

The conversion has taken place at the average NBH rate of 19 August 2015 (287.2 CHF/HUF, 309.2 EUR/HUF). In the practice, the HUF conversion has been executed at the same FX rate as applied by the FX mortgage loans in February 2015 (FX fixation of 7 November 2014 see point (ii), page 11: 256.47 CHF/HUF, 308.97 EUR/HUF). The exposure has been reduced by the financial institution as a 'rebate' with the amount of the difference between the two rates.

#### *Eligibility*

The participation was voluntary, borrowers, either with existing or expired foreign currency based consumer loan contracts, had 30 days to decide whether to take this opportunity or not.

#### *Modification of the consumer contracts*

New amortization instalments shall be applied. The interest rates, fees and charges could not be changed. All the contracts had to be turned into annuity.

### [Act on fair banking](#)

Act LXXVIII of 2014 amending Act CLXII of 2009 on loans provided to consumers, better known as the "Fair" Banking System Act was also promulgated. The purpose of this Act is to make changes to the interest rates of consumer loan agreements transparent, thereby making them traceable at the same time. The provisions of this law must be applied from 1 February 2015.

This law also affects the new provisions applicable to the amendment of loan agreements, the rules on consumers' right to terminate their loan agreements free of charge, the special provisions on foreign-currency-based loans and the rules of converting to the new contract terms. In connection with unilateral amendments of contracts the Act provides that only loan interest rates, interest surcharges, costs and fees may be amended unilaterally to the disadvantage of consumers. No other condition may be amended unilaterally to the disadvantage of consumers.

### [Recovery Fund](#)

In accordance with the EU rules, the safety net of financial stability was expanded by the creation of the Recovery Fund, which is to be financed by credit institutions and investment firms.

The main task of the Recovery Fund is to pay the costs arising in the recovery stage of institutional crisis management and to finance the application of recovery tools.

The Recovery Fund will rely on the payments of market operators (credit institutions and investment firms), reaching the expected level, which is at least 1 per cent of insured deposits (not exceeding EUR 100 thousand) in every EU Member State, during a ten-year transitional period.

Financial institutions were required to pay a joining fee to the Recovery Fund in autumn 2014. The joining fee and the proportional annual fee for 2014 are recognised as other costs.

### [The Advertising Tax Act](#)

The Advertising Tax Act was promulgated in Hungary on 18 July 2014. In addition to companies earning revenues by disclosing advertisements, the scope of the Act also covers companies that perform advertising activities for their own purposes. The amount of advertising tax paid by the Bank was recognised as other expenditure.

## I/4 The assessment of the Bank's financial and income situation

### Balance sheet composition

The Bank's balance sheet total was HUF 1,883 billion at the end of 2015, 2.8 % lower than the balance sheet total at the end of the previous year. The amount of total equity is HUF 164,208 million.

### Items on the asset side

The structure of the Bank's asset portfolio shows a significant change at the end of 2015 compared to the preceding years.

The portfolio of government securities, and especially government securities held as investments grew by approximately HUF 143 billion and their share within the balance sheet total also increased.

However, decreasing can be seen in the portfolio of receivables from credit institutions and their share within total assets. Mainly placements with the National Bank of Hungary (MNB) decreased by about HUF 83 billion, due to the decision of the MNB to terminate two-week deposits by the end of April 2016. Thus the share of receivables from credit institutions within total assets fall back slightly to 14.4% as compared with the 17.6% reported for the preceding year.

The proportion of receivables from customers continued also decreased, thus, at the end of the year, it amounted to 52.5% of the Bank's asset portfolio in contrast to 61.5% in the previous year. The main reasons of the decreasing are that the FX loan settlements effects on the stock (in accordance with the Hungarian Accounting Standards) were shown in FY 2014. Furthermore the high amount of prepayments and final repayments cannot be compensated by new outplacements.

There was a significant increase in the portfolio of government securities, which decreased by HUF 143 billion

The gross amount of retail loans (including the self-employed) was HUF 832 billion. The proportion of HUF loans and FX loans was 98%-2%. At the end of the year, 59.3% of long-term maturity retail loans were housing loans (HUF 493 billion) and 35.4% were consumer loans (HUF 295 billion).

### Changes in the distribution of retail loans by product group in 2015:

Households, retail customers (million HUF)	31.12.2014	31.12.2015	change %
housing loans	586,070	493,151	(15.85)
consumer loans	394,398	294,662	(25.29)
other loans	32,009	44,058	37.64
<b>Total</b>	<b>1,012,477</b>	<b>831,871</b>	<b>(17.84)</b>

The (net) loans to business organisations (including local governments, not profit-oriented organisations, financial undertakings and the central budget) decreased to HUF 323 billion by the end of the year, which was HUF 35 billion lower than the portfolio at the end of 2014.

The restructured loans made up HUF 403 billion within the entire portfolio (of this receivables from companies: HUF 82 billion, receivables from retail customers – including the bailout schemes and the collective account schemes: HUF (312 billion), and their carrying amount was HUF 312 billion.

## Main asset categories, 2014-2015

(In million HUF)	31.12.2014	31.12.2015	Change %		Proportion %	
			2015/2014	31.12.2014	31.12.2015	
Cash and cash equivalents	34,294	97,470	184.2%	1.8%	5.2%	
Government securities	229,532	372,924	62.5%	11.8%	19.8%	
Receivables from credit institutions	341,112	270,319	(20.8)%	17.6%	14.4%	
Receivables from customers	1,192,569	988,292	(17.1)%	61.5%	52.5%	
Other assets	140,701	154,070	9.5%	7.3%	8.2%	
<b>TOTAL ASSETS</b>	<b>1,938,208</b>	<b>1,883,075</b>	<b>(2.8)%</b>	<b>100%</b>	<b>100%</b>	

### Items on the liabilities side

There was a slight change in the structure of liabilities in 2015 compared to the end of 2014. Proportions shifted towards retail and corporate deposits. Liabilities consist of the following: retail and corporate deposits 64.9% (64.35% in 2014), funds from credit institutions, the central bank and money market funds 15.43% (12.3% in 2014), deferred accounts 10.9% (14.9% in 2014) and own resources 8.7% (9.5% in 2014).

The Bank recognised HUF 132.907 million subordinated loan capital in its liabilities.

## Deposits in 2015

Deposits (million HUF)	31.12.2014	31.03.2015	30.06.2015	30.09.2015	31.12.2015
Central government	11,560	18,989	9,813	13,865	5,048
Local governments	31,688	56,703	45,651	58,496	37,543
Other financial enterprises	238,627	254,005	228,802	223,250	235,972
Money market funds	123,328	113,050	91,474	79,055	75,437
Companies engaged in activities auxiliary to financial services	2,628	4,167	3,218	3,311	3,608
Insurers and pension funds	12,165	14,177	15,863	16,769	18,072
Auxiliary undertakings	16,544	18,942	20,115	19,889	13,038
Non-financial enterprises	288,706	286,268	284,661	313,304	315,654
Households, retail customers	432,477	432,746	438,009	428,877	443,752
Households, self-employed	9,534	9,750	9,906	10,415	11,633
Households non-profit	36,033	37,348	35,036	34,208	38,079
Foreign countries	21,491	20,421	20,367	19,455	19,609
<b>Total</b>	<b>1,224,781</b>	<b>1,266,566</b>	<b>1,202,915</b>	<b>1,220,894</b>	<b>1,217,445</b>

As regards customer deposits, the portfolio decreased slightly, by HUF 6 billion, and in parallel with this their share within the balance sheet total increased to 65% from 63% in 2014. The Bank has a 6.25% market share regarding retail deposits, which corresponds to a 11 bps increase over the past year.

## Distribution of retail deposits by product in 2015

Retail deposits (million HUF)	31.12.2014	31.03.2015	30.06.2015	30.09.2015	31.12.2015
Due on demand	202,675	208,159	220,283	226,069	255,218
Fixed-term deposit - on account	229,802	224,587	217,726	202,808	188,534
<b>Total</b>	<b>432,477</b>	<b>432,746</b>	<b>438,009</b>	<b>428,877</b>	<b>443,752</b>

The Bank's treasury activity focuses on the Hungarian currency and on trading on the related derivatives market, however it carries out the dominant part of this activity not on its own behalf but on behalf of Erste Group Bank.

As regards its activities performed on its own behalf, the Bank concludes own-account hedges and deals for the purpose of serving customers, primarily on the Hungarian money and foreign exchange markets.

The Bank's FX financing continues to heavily rely on the parent bank's financing within the Erste Group.

The Bank did not repurchase any of its own shares or concluded any other transaction with its own shares.

### Main liability categories, 2014-2015

(In million HUF)	31.12.2014	31.12.2015	Change %	Proportion %	Proportion %
			2015/2014	31.12.2014	31.12.2015
Liabilities to credit institutions	237,912	290,768	22.2%	12.3%	15.4
Liabilities to customers	1,227,407	1,221,560	(0.5)%	63.3%	64.9
Total equity	183,250	164,208	(10.4)%	9.5%	8.7
Other liabilities, sundry provisions	289,639	206,539	(28.7)%	14.9%	10.9
<b>TOTAL LIABILITIES</b>	<b>1,938,208</b>	<b>1,883,075</b>	<b>(2.8)%</b>	<b>100%</b>	<b>100</b>

### Income statement

The Bank's operating revenues decreased by 23.8%, while its operating expenses increased by 3.8% in 2015.

There was a significant decrease in the net interest profit compared to the previous year. (2015: HUF 60.4 billion 2014: HUF 79.7 billion;) There was a HUF 27.6 billion decrease on the revenue side, while HUF 8,38 billion decrease in expense side.

The decrease of both the revenue and the expenditure sides were basically determined by the continued decrease of interest rates, which had a greater reducing effect on interest paid on deposits than on the interest rates of loans.

The central bank prime rate was 2.1% at the end of 2014 and 1.35% at the end of 2015.

At the end of 2015, the Bank received HUF 1.8 billion in dividends from its subsidiary Erste Befektetési Zrt. (This amount was HUF 2 billion in 2014.)

Administrative costs were by 3.7% higher this year than in the same period of the previous year. Within this category, staff costs increased by 3%, the other administrative costs increased by 4.4% too.

The Bank's headcount did not significantly change in 2015, and the projects supporting the Bank's development and improvement continued, adjusted to market circumstances and to the Bank's long-term strategy. At the end of 2015, the Bank had 2,605 employees (projected to 8-hour employment), disregarding trainees.

The average age of our employees is 37 years, and the average length of their employment is 6.9 years.

During 2015, the Bank provided an opportunity for 170 trainees within the framework of a trainee programme to get an inside view of the Bank's operation and to acquire work experience. 13% of those participating in the Bank's trainee programme were recruited as employees of the Bank.

Depreciation increased by 4.7% (HUF 256 million) compared to the previous year..

Net income from other operating activities progressed by HUF 194.5 billion as compared with the last quarter of 2014, which is almost entirely explained by the use of provisions allocated due to the measures aimed at helping foreign currency mortgage borrowers. The profit and loss effect of the settlement is shown as extraordinary result in 2015.

## Operating revenues and expenses in 2014-2015

(In million HUF)	2014	2015	Change %
			2015/2014
Net interest income	79,675	60,388	(24.2)
Commission income	38,019	38,394	1.0
Dividend income	2,033	1,855	(8.8)
Profit/loss from financial transactions	4,081	(6,258)	(253.3)
<b>Operating revenues</b>	<b>123,808</b>	<b>94,379</b>	<b>(23.8)</b>
Administration costs	43,079	44,656	3.7
<i>Staff costs</i>	22,834	23,512	3
<i>Other costs</i>	20,245	21,144	4.4
Depreciation	5,491	5,747	4.7
<b>Operating expenses</b>	<b>48,570</b>	<b>50,403</b>	<b>3.8</b>
Other profit or loss	(139,055)	55,459	139.9
Impairment loss + provision	(87,849)	(92,739)	(5.6)
Reversals of impairment loss + provision	73,122	92,814	26.9
Extraordinary profit/loss	(13,809)	(119,960)	(768.7)
Profit/loss before taxation	(92,353)	(20,450)	77.9
Profit/loss for the year	(92,353)	(20,455)	77.9
<b>Profit or loss for the year according to the statement of financial position</b>	<b>(92,353)</b>	<b>(20,455)</b>	<b>77.9</b>

## Main profitability indices

Rate of return on assets (ROA)	31.12.2014	31.12.2015
Profit/loss before tax / Asset value	(4.76)	(1.09)
Profit/loss for the year / Asset value	(4.76)	(1.09)
Rate of return on total equity (ROE)	31.12.2014	31.12.2015
Profit/loss for the year / Total equity	(50.4)	(12.46)

## Impairment loss, provision

At the end of the fourth quarter of 2015, 70.7% of the gross balance sheet items to be classified were pass, 9.6% special-mention, 0.8% were sub-standard, 10% were doubtful and 9.3% were loss. There were significant shift in the proportions compared to the previous year: the pass items increased by 27.8 percentage points, special-mention increased by 16 percentage points, and sub-standard increased by 8.4 percentage points. Doubtful items decreased by 2.7 percentage points and loss items increased by 0.3 percentage points.

Impairment losses and risk provisions improved by HUF 14.8 billion in Q4 2015 compared to the same period of the previous year. The provision and impairment usage was by HUF 19.6 billion higher than in the previous period, out of which HUF 10 billion was released in relation to the FX settlement related compensation, whereas provisions for loans and receivables grew by HUF 10 billion, and provision for contingent liabilities were up by HUF 5.3 billion as well. These effects altogether led to a minor reversal of impairment for the reporting period.



## I/5 Compliance with the rules for certain risky activities

Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises and Directive (EU) No 575/2013 on prudential requirements for credit institutions and investment firms regulate the limit values of certain risky activities of credit institutions and their secure operation. Compliance with this Act can be summarized as follows, based on the data on 31 December 2015:

For each activities regarded as risky, the Act determines the limit values as a proportion of the Bank's own funds. The Bank's own funds that can be taken into account for covering the risks of the year 2015 and as the basis of restrictions were HUF 280.935 million (there was no limit overrun in the period in question).

Compliance with the limits prescribed by the Credit Institutions Act:

Section 106 § (1)-(3) The Bank did not grant any loan classified as internal credit; it only granted employer's loan - in its capacity as employer - to its employees, approved in accordance with the internal policy, and retail loans, in addition to the overdraft facility held for executive officers closely linked to the credit institution, and it only granted loans to companies under the controlling influence of the management body of the credit institution on the bases of the decision of the management body exercising management powers made with a more than two-thirds majority.

Section 83 (1)-(2) The Bank accumulated no general reserve in 2015.

Section 79 § (1)-(2) The Bank's solvency ratio exceeded the minimum value specified in the Act throughout the year. At the end of the year, based on the numerical data of the statement of financial position, also taking into account the adjustment factors, the solvency ratio decreased from 11.92% in 2014 to 10.30%.

CRR Article 395 The Bank did not incur any exposure calculated taking into account the effect of the credit risk mitigation in excess of 25% of its eligible capital or EUR 150 million, whichever the higher, to a client or group of connected clients.

CRR Article 89 (1) The Bank had no qualifying shares in any undertaking - with the exception of those mentioned in subsections a) and b) of Article 89 (1) of the CRR - exceeding 15% of its eligible capital.

CRR Article 89 (2) The Bank's qualifying interests in any undertakings other than those exempted did not exceed 60% of its eligible capital.

Section 101 § The total amount of the Bank's real estate investment portfolio, excluding real estate not used exclusively for banking purposes, did not exceed 5% of its own funds. These properties were acquired by the Bank in order to avoid credit losses.

Section 102 § (1) Total net amount of the Bank's (direct and indirect) investment portfolio did not exceed one hundred percent of its own funds.

Section 84 § (1) To compensate for any and all identifiable and classifiable risks that may arise in connection with its activities, the Bank created the required risk provision and recognized the impairment loss.

Section 84 § (1) At the end of 2015 the Bank had no general risk provision.

When determining the limits, the Bank took into account also the capital requirements of the trading book.

The Bank fulfilled the mandatory central bank reserve liability within the regulatory scope of the central bank.



## II/1 Foreign currency assets within total assets, expressed in HUF

Data in million HUF

Description	Statement of financial position line	Data in million HUF	
		31.12.2014	31.12.2015
Cash and cash equivalents	1	1,690	2,311
Government securities	2	0	15,215
Receivables from credit institutions	3	19,876	36,193
Receivables from customers	4	789,261	183,331
Debt securities	5	10,693	7,292
Shares and other variable-yield securities	6	-	-
Shares and interests held for investment purposes	7	-	-
Shares and interests in affiliated undertakings	8	-	-
Other receivables	12b,12/A,12/B	1,705	1,972
Accrued and deferred assets	13	3,155	1,318
<b>Total</b>		<b>826,380</b>	<b>247,632</b>

## II/2 Foreign currency liabilities within total liabilities, expressed in HUF

Data in million HUF

Description	Statement of financial position line	Data in million HUF	
		31.12.2014	31.12.2015
Liabilities to credit institutions	1	139,624	45,475
Liabilities to customers	2	286,711	210,636
Other liabilities	4	1,351	2,751
Accrued and deferred liabilities	5	2,043	2,720
Sundry provisions	6	26	6,415
Subordinated liabilities	7	129,420	128,692
<b>Total</b>		<b>559,175</b>	<b>396,689</b>

## II/3 Receivables from credit institutions and customers by remaining maturity (excluding receivables on demand) 31.12.2015

Data in million HUF

Description	Maturity					Impairment loss	Deferred interest provision	Total
	3 months	3 months - 1 year	1 - 5 years	Over 5 years				
3.b) Other receivables from credit institutions from financial services	154,484	104,480	-	-	-	-	-	258,964
4.a) Receivables from customers arising from financial services	172,556	62,350	121,992	789,900	(208,115)	(1,913)		936,769

## II/4 Liabilities to credit institutions and customers by remaining maturity (excluding demand deposit items) 31.12.2015

Data in million HUF

Description	Maturity				Total
	3 months	3 months - 1 year	1 - 5 years	Over 5 years	
1.b) Liabilities to credit institutions, committed for a certain period, arising from financial services	199,337	88,317	1,490	0	289,144
2.ab) Customers' savings deposits with a maturity of up to one year	-	-	-	-	-
2.ac) Customers' savings deposits with a maturity over one year	-	-	-	-	-
2.bb) Other liabilities to customers, with maturity within one year, arising from financial services	206,522	328,828	-	-	535,349
2.bc) Other liabilities to customers, with maturity over one year, arising from financial services	15,506	18,835	33,153	120	67,614
7) Subordinated liabilities (subordinated loan capital)	-	-	863	132,044	132,907

## II/5 Receivables from the parent company and the subsidiaries 31.12.2015

Data in million HUF

Statement of financial position lines	Description	Maturity			Total
		due on demand	within one year	over one year	
3)	<b>Receivables from credit institutions</b>	11,355	258,964	-	270,319
of which	- from the parent company	-	14,399	-	14,399
	- from subsidiaries	-	-	-	-
4)	<b>Receivables from customers</b>	51,523	28,820	907,949	988,292
of which	- from the parent company	-	-	-	-
	- from subsidiaries	-	-	2,424	2,427
12b)	<b>Other receivables</b>	-	13,516	-	13,516
of which	- from the parent company	-	2,527	-	2,527
	- from subsidiaries	-	-	-	-
13)	<b>Accrued and deferred assets</b>	-	18,731	-	18,731
of which	- from the parent company	-	1,035	-	1,035
	- from subsidiaries	-	2,323	-	2,323

## II/6 Liabilities to the parent company and the subsidiaries 31.12.2015

Data in million HUF

Statement of financial position lines	Description	Maturity			Total
		due on demand	within one year	over one year	
<b>1)</b>	<b>Liabilities to credit institutions</b>	<b>1,624</b>	<b>153,532</b>	<b>135,612</b>	<b>290,768</b>
of which	- from the parent company	-	150,000	5,497	155,497
	- from subsidiaries	-	2,832	2,140	4,972
<b>2)</b>	<b>Liabilities to customers</b>	<b>614,482</b>	<b>535,349</b>	<b>71,729</b>	<b>1,221,560</b>
of which	- from the parent company	-	-	-	-
	- from subsidiaries	35,179	18,818	-	53,996
<b>3)</b>	<b>Liabilities existing as a result of debt securities in issue</b>	-	-	<b>19,951</b>	<b>19,951</b>
of which	- from the parent company	-	-	-	-
	- from subsidiaries	-	-	-	-
<b>4)</b>	<b>Other liabilities</b>	-	<b>29,800</b>	-	<b>29,800</b>
of which	- from the parent company	-	480	-	480
	- from subsidiaries	-	1,787	-	1,787
<b>5)</b>	<b>Accrued and deferred liabilities</b>	-	<b>15,070</b>	-	<b>15,070</b>
of which	- from the parent company	-	843	-	843
	- from subsidiaries	-	169	-	169
<b>7)</b>	<b>Subordinated liabilities</b>	-	-	<b>132,907</b>	<b>132,907</b>
of which	- from the parent company	-	-	128,962	128,692
	- from subsidiaries	-	-	-	-

## II/7 Shares and interests held for investment purposes

Data in million HUF

### Interests for investment purposes 31.12.2015

Description	In affiliated undertakings (subsidiaries)	In affiliated associates	In other non-affiliated undertakings	Total
Opening balance	53,150	-	778	55,894
Growth (+)*	6,100	-	-	6,100
Decrease (-)	-	-	-	-
Reclassification (+, -)	-	-	-	-
<b>Closing balance</b>	<b>59,250</b>	-	<b>778</b>	<b>60,028</b>
Impairment loss	2,476	-	-	2,476
Reversal of impairment loss	72	-	-	72
<b>Carrying amount</b>	<b>56,846</b>	-	<b>778</b>	<b>57,624</b>
Statement of financial position line	8.a)		7.a)	

\*HUF 2,200 million relates to capital increase of Erste Lakástakarékpénztár Zrt. and HUF 3,900 million to the establishment of Erste Jelzálogbank Zrt.

## II/8 The portfolio of intangible assets

Data in million HUF

Description	Concessions, licences and similar rights	Goodwill	Total
1 <b>Gross value on 01.01.2015</b>	<b>23,264</b>	<b>6,148</b>	<b>29,412</b>
2 Growth (+)	3,248	247	3,525
3 Decrease (-)	334	715	1,049
4 Transfer (+, -)	-	-	-
5 <b>Gross value on 31.12.2015 (1+2-3±4)</b>	<b>26,208</b>	<b>5,680</b>	<b>31,888</b>
6 <b>Accumulated depreciation on 01.01.2015</b>	<b>12,334</b>	<b>5,478</b>	<b>17,812</b>
7 Increase of depreciation (+)	3,542	423	3,965
of which depreciation of the reviewed period	3,542	423	3,965
of which extraordinary depreciation in the reviewed period	-	-	-
8 Decrease of depreciation (-)	334	715	1,049
9 Change of depreciation due to transfer (+, -)	-	-	-
10 <b>Accumulated depreciation on 31.12.2015 (6+7-8±9)</b>	<b>15,542</b>	<b>5,186</b>	<b>20,728</b>
11 <b>Net value on 31.12.2015 (5-10)</b>	<b>10,666</b>	<b>494</b>	<b>11,160</b>
Statement of financial position line			9)

## II/9 The portfolio of property and equipment and investments held for the purpose of financial and investment services (including concessions, licences and similar

Data in million HUF

Description	Properties	Plant and machinery, vehicles	Investments	Total
1 <b>Gross value on 01.01.2015</b>	<b>8,443</b>	<b>15,716</b>	<b>485</b>	<b>24,644</b>
2 Growth (+)	815	1,088	292	2,195
3 Decrease (-)	443	3,631	361	4,435
4 Transfer (+, -)	-	-	-	-
5 <b>Gross value on 31.12.2015 (1+2-3±4)</b>	<b>8,815</b>	<b>13,173</b>	<b>416</b>	<b>22,404</b>
6 <b>Accumulated depreciation on 01.01.2015</b>	<b>3,064</b>	<b>12,898</b>	<b>-</b>	<b>15,962</b>
7 Increase of depreciation (+)	585	1,287	-	1,872
of which depreciation of the reviewed period	585	1,287	-	1,872
of which extraordinary depreciation in the reviewed period	-	-	-	-
8 Decrease of depreciation (-)	243	3,426	-	3,669
9 Change of depreciation due to transfer (+, -)	-	-	-	-
12 <b>Accumulated depreciation on 31.12.2015 (6+7-8±9)</b>	<b>3,406</b>	<b>10,759</b>	<b>-</b>	<b>14,165</b>
13 <b>Net value on 31.12.2015 (5-12)</b>	<b>5,409</b>	<b>2,414</b>	<b>416</b>	<b>8,239</b>
Statement of financial position line	10.aa)	10.ab)	10.ac)	10.a)

The table also contains the data of concessions, licences and similar rights relating to real properties.

## II/10 The portfolio of rights relating to properties held for the purpose of financial and investment services, shown by type (using table II/9)

The Bank has tenancy related to properties serves financial and investment purposes in its' books amounted HUF 19 million net (HUF 346 million gross with amortisation of HUF 327 million) at the end of FY 2015.

## II/11 The portfolio of property and equipment and investments held not directly for financial and investment services

In 2015 the Bank had no property and equipment or investments not directly held for financial and investment services.

## II/12 The portfolio of rights relating to properties held not directly for the purpose of financial and investment services, shown by type

In 2015 the Bank had no rights relating to properties not directly held for financial and investment services.

## II/13 The portfolio of assets reported as inventories, per type 31.12.2015

Data in million HUF			
Description	Carrying amount	Impairment loss	Book value
<b>Purchased inventories</b>	<b>229</b>	<b>-</b>	<b>229</b>
a Raw materials and consumables	224	-	224
b Goods	-	-	-
c Performance of subcontractors	-	-	-
d Other materials	5	-	5
e Advances and prepayments for inventories	-	-	-
<b>Inventories received in exchange for receivables</b>	<b>1,439</b>	<b>459</b>	<b>980</b>
a Properties	1,412	458	954
b Machinery and equipment, fixtures and fittings	-	-	-
c Vehicles	-	-	-
d Other assets	27	1	26
<b>Total inventories</b>	<b>1,668</b>	<b>459</b>	<b>1,209</b>
<b>Statement of financial position line</b>			<b>12.a)</b>

## II/14 Legal title and amount of contingent liabilities and commitments

Data in million HUF

Contingent liabilities	31.12.2014	31.12.2014 of which: related	31.12.2015	31.12.2015 of which: related
	- undertaken guarantees and suretyship	31,345	10	28,299
- unused credit line	94,481	6,011	199,505	4,955
- lawsuits	13,401	-	53	-
- return guarantee	-	-	-	-
- liabilities arising from forward deal in securities	-	-	-	-
- import letters of credit	858	-	1,295	-
- export letters of credit	1,996	-	-	-
- other contingent liabilities	613	-	609	-
<b>Total</b>	<b>142,694</b>	<b>6,021</b>	<b>229,761</b>	<b>4,965</b>

Liabilities	31.12.2014	31.12.2014 of which: related	31.12.2015	31.12.2015 of which: related
	- futures	45	0	302
- forward	0	0	3,507	3,507
- spot	8,657	8,657	12,944	12,944
- margin	714	156	1,219	705
- FRA	-	-	-	-
- swap	1,117,320	772,064	583,340	457,525
- option	78,164	45,892	80,800	49,634
- interest rate swap (IRS)	773,559	379,045	816,337	389,110
<b>Total</b>	<b>1,978,459</b>	<b>1,205,814</b>	<b>1,498,449</b>	<b>914,923</b>

## II/15 Not due futures contracts and forward deals concluded on the interbank market and their impact on the profit

Data in million HUF

Stock exchange deals	Contract amount (measured at the rate of the Central Bank of Hungary)		Expenditure taken into account		Income taken into account	
	In 2014	In 2015	In 2014	In 2015	In 2014	In 2015
	- liabilities arising from foreign exchange futures	13	(289)	65	17	19
<b>Total</b>	<b>13</b>	<b>(289)</b>	<b>65</b>	<b>17</b>	<b>19</b>	<b>211</b>

Deals concluded in the interbank market	Contract amount (measured at the rate of the Central Bank of Hungary)		Income taken into account		Expenditure taken into account	
	In 2014	In 2015	In 2014	In 2015	In 2014	In 2015
	- spot	0	(6)	2	4	23
- margin	6,991	379	8,511	1,744	553	1,089
- options	0	-	1,340	1,044	1,252	986
- FRA	0	-	0	-	0	-
- swap	(5,884)	(1,507)	3,229	872	9,108	2,574
- forward	0	(266)	0	-	0	265
- IRS	1,540	1,454	7,958	6,791	10,448	15,761
<b>Total</b>	<b>2,648</b>	<b>55</b>	<b>21,040</b>	<b>10,455</b>	<b>21,384</b>	<b>20,685</b>

## II/16 Legal title of contingent claims and future receivables and the collaterals received

	Data in million HUF	
	31.12.2014	31.12.2015
<b>Collaterals received</b>		
- Cash collateral	48,090	32,543
- Bank guarantees and joint and several suretyship	969	1,381
- Guarantees from the central budget	2,242	96,808
- Guarantees from other public or state-owned bodies	11,345	9,042
- Securities – shares	219	910
- Securities – other securities	40,790	42,739
- Assignment of sales revenue	55	-
- Assignment of other receivables	59,471	43,246
- Lien registered on goods in stock	48,430	53,970
- Mortgages	1,509,320	1,436,223
- Other	1,197,358	1,156,176
- Suretyship	315,456	271,047
- Movable	242,816	237,111
- Other lien	616,374	604,697
- Other	18,410	43,051
<b>Total collaterals and securities</b>	<b>2,913,988</b>	<b>2,873,037</b>
Collaterals and securities (up to the value of the receivable)	769,923	732,720
<b>Future receivables</b>		
- physical settlement active repos	0	2,995
- futures	58	13
- forward	0	3,241
- spot	8,636	12,938
- margin	7,705	1,598
- FRA	0	-
- swap	1,111,436	581,833
- option	78,164	80,799
- interest rate swap	753,116	791,816
- IRS	20,569	17,534
<b>Total</b>	<b>1,979,684</b>	<b>1,492,766</b>

## II/17 Statement of interest and commission claims made pending

Description	Data in million HUF	
	Closing balance of claims made contingent	
	31.12.2014	31.12.2015
Deal interest, default interest, interest-type commissions	68,966	62,413
Financial service fees	109	85
<b>Total</b>	<b>69,075</b>	<b>62,498</b>

## II/18 Claims that were made contingent in previous years and were received in the financial year reviewed

Data in million HUF

Description	Amount of received contingent claims	
	In 2014	In 2015
Deal interest, default interest, interest-type commissions	10,147	6,812
Financial service fees	25	8
<b>Total</b>	<b>10,172</b>	<b>6,820</b>

## II/19 The portfolio of sundry provisions per type 31.12.2015

Data in million HUF

	Opening balance	Reclassification	Growth in the year	Reclassification as impairment *	Decrease in the year	Impact of exchange rate changes	Closing balance
For contingent liabilities and commitments	709		7,082	-	913	-	6,878
For litigations	23		40	-	0	-	64
Other provisions	100,831		963	(10,469)	94,059	4,596	1,869
<b>Total</b>	<b>101,563</b>		<b>8,087</b>	<b>(10,469)</b>	<b>94,965</b>	<b>4,596</b>	<b>8,811</b>
*Provision created for deferred interest of housing loans with deferred payment**	1,796		667	-	550	-	1,913
<b>Total</b>	<b>103,359</b>		<b>8,754</b>	<b>(10,469)</b>	<b>95,515</b>	<b>4,596</b>	<b>10,724</b>

\* Difference between the fixed rate and the rate of the Central Bank of Hungary in FX settlement, recognised in the receivables from customers line

\*\* Recognised in the receivables from customers line



## II/20 Changes of the portfolio of impairment losses by asset class 31.12.2015

Data in million HUF

	Opening balance	Impairment loss due to classification	Reversed from the impairment for the year under review due to classification/write-offs	Net increase	Reversed from the impairment for the previous years due to classification/write-offs	Decrease due to sales	Exchange rate changes	Closing balance
Receivables from credit institutions	66	-	-	-	8	-	-	58
Receivables from customers	251,420	137,161	53,793	83,368	91,823	35,730	819	208,053
Other receivables	605	425	362	64	386	-	10	293
Securities and interests	12,868	4,828	2,097	2,731	239	-	384	15,744
Inventories	2,367	468	-	468	3	2,372	-	459
<b>Total</b>	<b>267,326</b>	<b>142,881</b>	<b>56,252</b>	<b>86,630</b>	<b>92,459</b>	<b>38,103</b>	<b>1,212</b>	<b>224,607</b>

## II/21 Detailed statement of accruals and prepaid expenditure

Data in million HUF

Description	Statement of financial position line	31.12.2014	31.12.2015
<b>Accrued income</b>	<b>13a</b>	<b>16,289</b>	<b>16,212</b>
- interest on placements		4,190	2,587
- interest on securities		7,628	8,846
- exchange rate margin of securities for investment purposes		4	5
- pro rata profit/loss of derivatives		800	1,028
- other income from commissions and fees		1,661	1,947
- rent		0	-
- other income		2,007	1,800
<b>Accrued expenses</b>	<b>13b</b>	<b>3,722</b>	<b>2,519</b>
- operating costs		659	456
- other accrued costs		3,045	1,855
- accrued losses relating to derivatives		19	207
<b>Deferred expenses</b>	<b>13c</b>		<b>-</b>
<b>Total</b>	<b>13</b>	<b>20,011</b>	<b>18,731</b>

## II/22 Detailed statement of accrued and deferred liabilities

Data in million HUF

Description	Statement of financial position line	31.12.2014	31.12.2015
<b>Deferred income</b>	<b>5a</b>	<b>665</b>	<b>18</b>
- deferred income of derivatives		65	18
- deferred interest income		600	-
<b>Deferred expenses</b>	<b>5b</b>	<b>13,877</b>	<b>15,038</b>
- interest on deposits		5,839	3,428
- interest on subordinated loan capital		86	82
- interest on issued bonds		480	779
- exchange rate margin of securities for investment purposes		1,806	2,961
- deferred profit/loss of derivatives		211	325
- operating costs		5,411	7,382
- other deferred expenditure		44	81
<b>Deferred income</b>	<b>5c</b>	<b>15</b>	<b>14</b>
- other deferred income		15	14
<b>Total</b>	<b>5</b>	<b>14,557</b>	<b>15,070</b>

## II/23 Changes in total equity

Data in million HUF

The items of total equity	31.12.2014	Growth (+)	Decrease (-)	31.12.2015
Subscribed capital	102,000	-	-	
Capital reserve	283,327	-	199,834	83,493
- premium	0	-	-	-
- other	0	-	199,834	199,834
General reserve	0	-	-	-
Retained earnings	(107,481)	199,834	92,353	-
transfer of the profit or loss for the previous year according to the statement of financial position	(163,074)	-	92,353	(255,427)
Valuation reserve	(2,243)	1,413	-	(830)
valuation reserve of fair valuation	(2,243)	1,413	-	(830)
Profit or loss for the year according to the statement of financial position	(92,353)	92,353	20,455	(20,455)
<b>Total</b>	<b>183,250</b>	<b>293,600</b>	<b>312,642</b>	<b>164,208</b>

Based on the decision of the Directorate the negative retained earnings (HUF 199,834 million) of the previous years were settled against capital reserve – which decreased with HUF 199,834 million.

## II/24 Other detailed statements relating to the items of the statement of financial position

- The total exposure value of the total large exposures was 1,076.602 billion HUF, the reduced value with deductions according to Article 395 (1) of the CRR, undertaken by the Bank, was HUF 1,067.231 billion on the statement of financial position date (of this HUF 817.554 billion to the Central Bank of Hungary and the Government Debt Management Agency); the value adjusted by exceptions was HUF 95.97 billion.
- To cover its open liquidity and interest rate risk positions existing in the various currencies, the Bank concludes IRS (Interest Rate Swap) and CCIRS (Cross Currency Interest Rate Swap) deals. The cross currency interest rate swap deals (CCIRS) are used for financing the CHF and the EUR loan portfolios; their typical term is between 2 and 5 years.
- At the end of 2015 the Bank had no subordinated receivables among its assets, but there were subordinated liabilities among liabilities to the amount of approximately HUF 132,907 million. Within this:
  - subordinated liabilities – securities amounted to HUF 4,215 million → (A)
  - subordinated and financial liabilities – loans were HUF 128,692 million → (B)

A)

The Bank's subordinated liabilities include subordinated loan capital bonds of a total value of HUF 4,215 million.

Name of Bonds	Issue date	Subscribe partner	Subscribe amount (million HUF)	Nominal amount	Maturity date
Erste Guarantee Bond	01.12.2008	Erste Sparkassen Biztosító Zrt	389.3	10,000	01.12.2020
Erste Guarantee 2 Bond	30.04.2009	ERSTE Vienna Insurance Group Zrt*	473.7	10,000	30.04.2019
ERSTE Subordinated Loan Capital Bond	28.03.2014	ERSTE Vienna Insurance Group Zrt*	3,352	10,000	28.03.2024
<b>Total:</b>			<b>4,215</b>		

B)

In addition to the above, in 2014, Erste Group Bank AG. made available to us subordinated loan capital in the amount of EUR 195 million, in addition to extending the maturity of the existing subordinated loan capital of EUR 216 million. As a result of this, the maturity of the entire subordinated loan capital portfolio is 2021.

	Value (in million EUR)	Value (in million HUF)	Maturity year
Subordinated loan capital	195	61,058	2021
Subordinated loan capital	216	67,634	2021
<b>Total:</b>	<b>411</b>	<b>128,682</b>	

- There are no assets encumbered by a mortgage and related rights among the intangible assets and property and equipment owned by the Bank.
- On the statement of financial position date, the Bank had no real sale and repurchase liabilities, within the framework of which it received assets from the counterparty with a repurchase obligation.
- The Bank is a member of the National Deposit Insurance Fund and the Investor Protection Fund; the amounts of the contributions paid in 2015 according to the applicable rules:

• Contribution paid to the National Deposit Insurance Fund	HUF 989 million
• Contribution paid to the Investor Protection Fund	HUF 4 million

- In its books among own securities, the Bank showed at nominal value securities in value of HUF 404,762 million. The value of third-party securities was HUF 1,476,311 million.
- The Bank's own securities denominated in HUF, excluding business shares, on 31 December 2015:

	Data in million HUF
<b>Portfolio of own securities denominated in</b>	
At nominal value (dematerialised)	372,734
At nominal value (physical)	2,420
At book value	383,406
of this securities maturing within one year	120,237
Securities in the custody of KELER Rt	321,904
Stored with a third party (dematerialised)	50,830
In own custody (physical)	2,420
<b>Portfolio of securities denominated in HUF, owned by third parties</b>	
Portfolio of securities owned by third parties	1,275,176
of this in the custody of KELER	857,824
of this in own custody	415,424
of this stored with a third party	1,928

HUF 207,536 million of the securities denominated in HUF and owned by third parties is printed.

- The Bank's own securities denominated in foreign currencies, excluding business shares, on 31 December 2015:

	Data in million HUF
<b>Portfolio of own securities denominated in foreign currencies</b>	
At nominal value	29,608
At book value	22,507
Of securities, in the custody of KELER Rt	29,573
Stored with a third party (Erste Wien)	35

- The Bank's securities denominated in foreign currencies and owned by third parties, on 31 December 2015 (expressed in HUF):

	Data in million HUF
<b>Customer securities in custody</b>	
At nominal value (dematerialised)	199,168
At nominal value (physical)	1,967

### III/1 Detailed statement of recognised costs by cost type and of the costs of services used

Data in million HUF

Recognised costs	2014	2015
<b>Description</b>		
Costs of raw materials	862	763
Value of contracted services	18,231	19,229
The value of other services	1,152	1,152
Wages and salaries	16,461	16,877
Staff costs	1,264	1,372
Contributions on wages and salaries	5,109	5,263
Depreciation	5,491	5,747
<b>Total: Er: 8), 9)</b>	<b>48,570</b>	<b>50,403</b>

Contracted services	2014	2015
<b>Description</b>		
Property rent	4,617	4,546
Hardware/Software rent	211	261
IT services	4,186	5,447
Advertising, promotion	1,941	1,892
Education	214	201
Telecommunications, data transmission and postal charges	2,053	1,946
Service fees related to the production of bank account statements	273	230
Audits, reviews, expert services	135	171
Travel and transportation	185	189
Experts' fees	1,151	1,349
Cash and valuables transportation, property protection	945	881
Expenses related to operation	2,173	1,981
Other	32	134
<b>Total</b>	<b>18,231</b>	<b>19,229</b>

### III/2 Detailed statement of the income and expenses of services other than financial or investment services

Data in million HUF

Income	2014	2015
<b>Description</b>		
Income from mediated services	1,145	702
Other	386	1,091
<b>Total: Er: 7a)</b>	<b>1,531</b>	<b>1,793</b>

Expenses	2014	2015
<b>Description</b>		
Expenses of mediated services	1,275	795
Other	1	149
<b>Total: Er: 10a)</b>	<b>1,276</b>	<b>944</b>

### III/3 Detailed statement of the income and expenses of other financial services

Data in million HUF

Income	2014	2015
<b>Description</b>		
Commissions and fees relating to the management of client accounts	16,501	16,068
Foreign exchange commissions	2,474	2,328
Exchange rate gain on foreign exchange trade	6,451	8,993
Bank card commissions	12,258	11,786
Fees and commissions related to lending	1,765	1,876
Guarantee fees	288	244
Lease commissions	1	-
Pension fund commissions	1	7
Mortgage bank commissions	5	4
Exchange gain on fixed assets	6,282	4,546
Insurance and other brokerage commissions	11,369	12,452
Other	38	164
Exchange gain on revaluation	1,597	0
Income from Széchenyi Card fees	68	68
<b>Total: Er: 4a), 6a)</b>	<b>59,097</b>	<b>58,535</b>

Expenses	2014	2015
<b>Description</b>		
Commissions relating to account management	505	507
Foreign exchange commissions	1	1
Other commission-type banking charges	74	77
Costs of card production	513	342
Guarantee fees	4	1
Commissions relating to bank cards	1,792	1,780
Exchange rate loss on foreign exchange trade	4,369	7,127
Expenses related to lending	1,261	1,148
Brokerage commissions and charges payable to the post	1,527	1,398
Exchange rate loss on fixed assets	1,583	8,466
Other	2,494	2,321
Exchange rate loss on valuation	-	770
<b>Total: Er: 5a), 6b)</b>	<b>14,124</b>	<b>23,938</b>

### III/4 Income and expenses of investment services

	Data in million HUF	
<b>Income</b>	<b>2014</b>	<b>2015</b>
<b>Description</b>		
Commercial activity	476	220
Exchange rate profit on issued bonds	-	8
Income from account management	1,448	1,521
Exchange rate gain on futures/forward deals	61,637	93,505
Fair valuation income of derivatives	20,900	46,528
Exchange rate gain on the fair valuation of securities held for trading	0	-
Income from option fees and premiums	2,051	1,809
Other activities	246	202
<b>Total: Er: 4b, 6c)</b>	<b>86,758</b>	<b>143,793</b>
<b>Expenses</b>	<b>2014</b>	<b>2015</b>
<b>Description</b>		
Commercial activity	16	669
Commission agent activities	316	350
Exchange rate loss on issued bonds	10	16
Custodian, safekeeping and portfolio management activities	208	188
Exchange rate loss on futures/forward deals	46,981	84,475
Fair valuation expenses of derivatives	39,646	58,249
Exchange rate loss on the fair valuation of securities held for trading	260	426
Expenses of option prices and premiums	1,778	1,574
Other activities	415	306
<b>Total: Er: 5b, 6d)</b>	<b>89,631</b>	<b>146,254</b>

### III/5 Recognised items of extraordinary expenses and extraordinary income

	Data in million HUF	
<b>Extraordinary expenses</b>	<b>2014</b>	<b>2015</b>
Corporate income tax expense with regard to the previous years	-	11
Extraordinary expenses due to FX settlements		107,925
Extraordinary expenses due to exchange differences from FX car loan, financial leasing and unsecured loan conversion		1,838
Write-down of cancelled receivables	14,000	13,628
Value of assets transferred without consideration	-	4
<b>Total: Er: 17)</b>	<b>14,000</b>	<b>123,406</b>
<b>Extraordinary income</b>	<b>2014</b>	<b>2015</b>
Value of assets received without consideration	191	161
Income due to discontinued interests	-	3,280
<b>Total: Er: 16)</b>	<b>191</b>	<b>3,446</b>



### III/6 Recognised items of other operating income and expenses

	Data in million HUF	
	2014	2015
<b>Other income</b>		
Income relating to the sale of fixed assets	11,300	18,482
Income from selling own receivables and write-offs	4,240	5,604
Reversal of the impairment loss of inventories	4,591	2,131
Use and release of provisions	1,902	94,604
<i>from which: FX settlements</i>	-	93,149
Other income	1,511	3,520
<b>Total: Er: 7b)</b>	<b>23,543</b>	<b>124,341</b>

	Data in million HUF	
	2014	2015
<b>Other expenditure</b>		
Expenditure relating to the sale of fixed assets and inventories	14,025	20,421
Expenditure relating to selling own receivables and write-offs	21,260	12,874
Impairment loss of inventories	2,529	212
Expenditure of allocating provisions	87,463	1,672
Taxes, duties and contributions	33,393	30,731
Other expenditure	4,183	2,971
<b>Total: Er: 10b)</b>	<b>162,853</b>	<b>68,882</b>

### III/7 Geographical breakdown of income

93.01% of income are interior, 6.93% are with partners from other EU members.

Income	Data in million HUF			
	Domestic	EU other	Outside EU	Total
Interest and similar income received	86,633	2,444	28	89,105
Income from securities	1,855	-	-	1,855
Fee and commission income received (due)	46,159	244	243	46,646
Income of other financial services	9,317	4,294	-	13,611
Income of investment services (the income of trading activities)	120,128	21,943	-	142,071
Other income of business services	124,335	5	-	124,341
<b>Total</b>	<b>328,428</b>	<b>28,930</b>	<b>271</b>	<b>417,629</b>

## IV/1 Erste Bank Hungary Zrt.'s interests ensuring a direct majority and a qualifying holding 31.12.2014

### Direct majority interest in undertakings

Company name	The Bank's ownership ratio in %	Subscribed capital on 31.12.2014, HUF million	Subscribed capital on 31.12.2015, HUF million	Total equity on 31.12.2014, HUF million	Total equity on 31.12.2015, HUF million	Registered office of the company	The company's internet address
Erste Jelzálogbank Zrt.**	100,00	-	3,000	-	3,900	1138 Budapest, Népfürdő u. 24-26	none
Erste Befektetési Zrt.	100.00	2,000	2,000	8,269	8,451	1138 Budapest, Népfürdő u. 24-26.	<a href="http://www.erstebroker.hu">http://www.erstebroker.hu</a>
Erste Lakástakarék Zrt.	100.00	2,005	2,015	2,079	3,450	1138 Budapest, Népfürdő u. 24-26.	<a href="http://www.erstebank.hu/hu/lakastakarekpenzta.html">http://www.erstebank.hu/hu/lakastakarekpenzta.html</a>
Erste Ingatlan Kft.	100.00	210	210	39,838	39,698	1138 Budapest, Népfürdő u. 24-26.	<a href="http://www.ersteingatlan.hu/">http://www.ersteingatlan.hu/</a>
Erste Lakáslízing Zrt.	100.00	53	53	94	218	1138 Budapest, Népfürdő u. 24-26.	none
Erste Leasing Bérlet Kft.*	100.00	4	4	145	141	1138 Budapest, Népfürdő u. 24-26.	<a href="http://www.ersteleasing.hu">http://www.ersteleasing.hu</a>
Collat-real Kft.	100.00	3	3	6,423	6,391	1138 Budapest, Népfürdő u. 24-26.	none

\* Erste Leasing Bérlet Szolgáltató Kft. was cancelled from registration on 7 January 2016 due to voluntary winding up procedure.

\*\*The Bank established a fully owned mortgage bank in 2015 which was registered in the company register 11 December 2015. The company will begin its activity as credit institution following the activity licence issuance by National Bank of Hungary, expectedly in 2016. Currently registered as 'other institution'.

### Indirect majority interest in undertakings

Company name	The Bank's ownership ratio in %	Subscribed capital on 31.12.2014, HUF million	Subscribed capital on 31.12.2015, HUF million	Total equity on 31.12.2014, HUF million	Total equity on 31.12.2015, HUF million	Registered office of the company	The company's internet address
Portfólió Szolgáltató Kft.**	100.00	230	-	233	-	1138 Budapest, Népfürdő u. 24-26.	none
Sió Ingatlan Invest Kft.	100.00	13	13	3,706	3,284	1138 Budapest, Népfürdő u. 24-26.	none
Erste IN_FORG Kft.	100.00	5	5	401	416	1138 Budapest, Népfürdő u. 24-26.	none

\*\*The dissolution procedure of Portfólió Szolgáltató Kft. was closed on 30 June 2014, and with regard to the termination of the company, the court ordered the company's deletion from the register of companies with effect from 21 January 2015.

## IV/2 The valuation differences of valuation at fair value

Data in million HUF

Derivatives	Positive fair value		Negative fair value		Future cash flow	
	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015
- futures	65	17	19	211	13	(289)
- forward	-	-	-	265	-	(266)
- spot	2	4	23	10	-	(6)
- margin	8,511	1,744	553	1,089	6,991	379
- FRA	-	-	-	-	-	-
- swap	3,229	872	9,108	2,574	(5,884)	(1,507)
- option	1,340	1,044	1,252	986	-	-
- IRS	7,958	6,791	10,448	15,761	1,540	1,454
<b>Total</b>	<b>21,105</b>	<b>10,472</b>	<b>21,403</b>	<b>20,896</b>	<b>2,661</b>	<b>(235)</b>

Data in million HUF

Securities for trading purposes	Carrying amount		Fair value		Valuation difference		Recognition of valuation	
	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015
Government bonds	-	25,770	-	25,430	-	339	Profit/loss	Profit/loss
Discounted treasury bills	7,537	26,250	7,543	26,244	6	6	Profit/loss	Profit/loss
Central-bank bond	-	-	-	-	-	-	Profit/loss	Profit/loss
<b>Total government securities:</b>	<b>7,537</b>	<b>52,020</b>	<b>7,543</b>	<b>51,675</b>	<b>6</b>	<b>345</b>		
Debt securities	3,122	-	3,197	-	75	-	Profit/loss	Profit/loss
<b>Grand total:</b>	<b>10,659</b>	<b>52,020</b>	<b>10,740</b>	<b>51,675</b>	<b>81</b>	<b>345</b>		

Data in million HUF

Securities available for sale	Carrying amount		Fair value		Valuation difference		Recognition of valuation	
	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015
Investment unit	-	-	-	-	-	-	-	-
Government bonds	33	51,929	40	52,044	7	115	Valuation reserve	Valuation reserve
Discounted treasury bills	19,658	5,689	19,708	5,704	50	15	Valuation reserve	Valuation reserve
Central-bank bond	-	-	-	-	-	-	Valuation reserve	Valuation reserve
Other bonds	7,716	33,118	7,716	33,118	-	-	Valuation reserve	Valuation reserve
<b>Total</b>	<b>27,407</b>	<b>90,736</b>	<b>27,463</b>	<b>90,866</b>	<b>57</b>	<b>130</b>		

### IV/3 The shareholder having a qualifying holding in Erste Bank Hungary Zrt. 31.12.2015

Name of the shareholder	Registered office of the shareholder	The ratio of its votes in %
ERSTE Group Bank AG	A-1010 Wien, Graben 21	100.00

Due to a merger per 31 August 2014 there was a change to shareholding from EGB Ceps Holding GmbH to Erste Group Bank AG. The economic transfer is already effectuated in terms of availability of the Merger Agreement in form of a notarial deed dated 3 November 2014, resolutions passed and the fact that the Erste Group Bank AG has the full economic control over the transferred assets with the authority to issue directives to the transferring company.

The implementation of the merger was approved by the Austrian Financial Market Authority on February 12, 2015 and the merger was registered in the Austrian Commercial Register as of March 25, 2015. The National Bank of Hungary approved the acquisition of controlling interest on August 14, 2015, and the change in the ownership was registered in the company register on September 2, 2015.

On 9 February 2015 Erste Group, the European Bank for Reconstruction and Development (EBRD) and Hungarian Government declared cooperation on common press conference. Erste Group offered to the Hungarian Government and to EBRD to acquire minority share in Erste Bank Hungary Zrt at a maximum level of 15% per each. Bilateral negotiations were proceeded during 2015, but the change of the ownership structure hasn't happen till the date of these financial statements.

### IV/4 The number and nominal value of the Bank's shares by type

Description	Nominal value (HUF/share)		Pieces		Value (in million HUF)	
	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015
Registered shares	1	1	102,000,000,000	102,000,000,000	102,000	102,000

The Bank's share capital is HUF 102,000,000,000 (one hundred and two billion forints), consisting exclusively of cash contributions, that is, 102,000,000,000 (one hundred and two billion) registered ordinary shares with a nominal value of HUF 1 (one forint) each. The Bank's share capital has been fully paid up.

### IV/5 The average annual statistical headcount and the costs of wages and salaries of employees by group 31.12.2015

Employees by groups	Average statistical headcount (2014)	Average statistical headcount (2015)	Wages and salaries (HUF million) (2014)	Wages and salaries (HUF million) (2015)
<b>Full-time</b>				
- white-collar	2,589	2,674	16,089	16,454
- blue-collar	0	-	-	-
<b>Total</b>	<b>2,589</b>	<b>2,674</b>	<b>16,089</b>	<b>16,454</b>
<b>Part-time</b>				
- white-collar	61	89	227	255
- blue-collar	-	-	-	-
<b>Total</b>	<b>61</b>	<b>89</b>	<b>227</b>	<b>255</b>
<b>Pensioners</b>				
- white-collar	-	1	-	2
- blue-collar	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>2</b>
<b>Grand total</b>	<b>2,650</b>	<b>2,764</b>	<b>16,316</b>	<b>16,711</b>

Other wages and salaries for employees not on the payroll: HUF 166 million.

#### IV/6 Other employee benefits

Data in million HUF	31.12.2014	31.12.2015
Cafeteria vouchers, certificates, season tickets	362	386
Sick pay	150	168
Payments into health insurance funds	143	116
Pension fund contributions	96	91
Cafeteria benefits - Housing supports	73	86
Use of own cars, travel allowances	55	59
Daily allowances	45	52
Entertainment costs	29	31
Education, catering	26	20
In-kind benefits	1	18
Other unspecified benefits	284	345
<b>Total other employee benefits (8ab)</b>	<b>1,264</b>	<b>1,372</b>

#### IV/7 The remuneration of the members of the Board of Directors and the Supervisory Board regarding the financial year

Description	Data in million HUF	
	Headcount	Remuneration
Board of Directors	5	431
Supervisory Board	3	32
<b>Total</b>	<b>8</b>	<b>463</b>

The above amounts include wages and salaries related to employment relationships, with the exception of severance payments.

#### IV/8 The amount of loans disbursed to the members of the Board of Directors, the management and the members of the Supervisory Board 31.12.2015

Description	Data in million HUF		
	Contractual amount	Outstanding debt	Conditions of the loan
Total amount of loans granted	5	3	According to the general terms and conditions of the loans provided to employees.
<b>Total</b>	<b>5</b>	<b>3</b>	

## IV/9 Cash flow statement

Data in million HUF

Line No.	Description	2014	2015
1	Interest income	116,694	89,105
2	+ Income from other financial services (excluding the reversal of the impairment loss of securities and the positive valuation difference of receivables)	59,097	58,535
3	+ Other income (excluding the use of provisions and the reversal of surplus provisions, the reversal of the impairment loss of inventories and the reversal of extraordinary write-offs)	21,640	25,817
4	+ Income from investment services (excluding the reversal of the impairment loss of securities and the positive valuation difference)	66,428	98,324
5	+ Income of services other than financial or investment services	1,531	1,793
6	+ Dividend income	2,033	1,855
7	+ Extraordinary income	191	3,446
8	- Interest expenses	(37,020)	(28,717)
9	- Expenses of other financial services (excluding the impairment loss of securities and the negative valuation difference of receivables)	(505)	(17,580)
10	- Other expenses (excluding the accumulation of provisions, impairment loss of inventories and unplanned write-offs)	(107,696)	(102,493)
11	- Expenses of investment services (excluding the impairment loss of securities and the negative valuation difference)	(71,426)	(90,261)
12	- Expenses on services other than financial or investment services	(1,276)	(944)
13	- General administration costs	(43,079)	(44,656)
14	- Extraordinary expenses (excluding the amount of the corporate income tax liabilities for the year under review)	(14,000)	(123,406)
15	- Corporate income tax liabilities for the year under review	-	(5)
16	- Dividend payment liabilities	-	-
<b>17</b>	<b>Operating cash flow (lines 01-16)</b>	<b>(7,387)</b>	<b>(129,187)</b>
18	± Changes in liabilities (+ if increased, - if decreased)	(392,362)	46,186
19	± Changes in receivables (- if increased, + if decreased)	(24,888)	317,405
20	± Changes in inventories (- if increased, + if decreased)	7,893	2,997
21	± Changes in securities reported in current assets (- if increased, + if decreased)	398,895	(165,901)
22	± Changes in securities reported among fixed assets (- if increased, + if decreased)	(10,355)	(5,253)
23	± Changes in investments (including advances) (- if increased, + if decreased)	147	69
24	± Changes in intangible assets (- if increased, + if decreased)	875	440
25	± Changes in property and equipment (excluding investments and payments made on account) (- if increased, + if decreased)	(5,148)	(5,373)
26	± Changes in accrued and deferred assets (- if increased, + if decreased)	4,056	1,280
27	± Changes in accrued and deferred liabilities (+ if increased, - if decreased)	(6,202)	513
28	+ Capital increase	39,000	-
29	+ cash and cash equivalents received permanently based on a legal provision	-	-
30	- Cash and cash equivalents transferred permanently based on a legal provision	-	-
31	effect of the previous years on the retained earnings	-	-
32	effect of the previous years on the general reserve	-	-
33	- Nominal value of withdrawn own shares	-	-
<b>34</b>	<b>Net cash flow (lines 17-33)</b>	<b>4,524</b>	<b>63,176</b>
35	- changes in cash (HUF and foreign currency in cash, checks)	2,677	(1,829)
36	- changes in the portfolio of deposit money (HUF and FX current accounts and short-term maturity deposit accounts with the Central Bank of Hungary, and HUF deposit accounts managed by another credit institution based on specific laws)	1,847	65,005

## IV/10 Adjustment items taken into account when establishing the amount of corporate income tax

		Data in million HUF	
7	Items decreasing the tax base	31.12.2014	31.12.2015
7 (1) a	Accrued loss		
7 (1) b	Use of provisions	2,805	1,127
7 (1) c	Environmental provision		
7 (1) cs	Extraordinary depreciation reversed during the tax year	332	
7 (1) d	Depreciation according to the Tax Act (+SZNy value at the time of derecognition)	4,945	5,030
7 (1) dz	The exchange rate gain on the sale of the reported participation in the tax year and the impairment loss reversed regarding the reported interest in the tax year		
7 (1) dzs	Exchange rate gains and exchange rate losses accounted for during the year-end revaluation of financial fixed assets and long-term maturity liabilities		
7 (1) e	50% of the profit/loss of capital market operations		
7 (1) f	Development reserve		
7 (1) g	Received dividends	2,033	1,824
7 (1) gy	Withdrawal of interests		
7 (1) h	Beneficiary exchanges of interest		
7 (1) i	Training of industrial apprentices		
7 (1) j	Allowance for the employment of skilled workers and unemployed persons		
7 (1) k	50% of the interest rate differential received from an affiliated party		
7 (1) l	Works of art		
7 (1) ly	Grants and allowances received without any obligation of repayment		
7 (1) m	Repurchased own shares, redemption of business shares		
	Use of provision of FX settlements		93,149
7 (1) n	Uncollectable receivables		93
7 (1) ny	Income relating to the trading of greenhouse gas emission units		
7 (1) o	Condominium income		
7 (1) p	Conversion difference		
7 (1) r	Cancelled fines		
7 (1) s	50% of royalties received		
7 (1) u	Impact of tax audit and self-audit	836	
7 (1) w	Value of interests in small and medium-sized enterprises		
7 (1) x	100% of local business tax		
7 (1) z	Confirmed donations		
18 (1) a)	Other		
	<b>Total</b>	<b>10,951</b>	<b>101,224</b>

		Data in million HUF	
8	Items increasing the tax base	31.12.2014	31.12.2015
8 (1) a	Expenses recognised as a result of a provision (for expected liabilities, future costs)	87,474	1,046
8 (1) d	Costs not related to the company's business activity (Annex 3 of the Corporate Tax Act) (e.g.: services, deficit, wastage, bribery in excess of 200 thousand)	333	390
8 (1) b	Depreciation (planned, extraordinary, derecognition)	6,700	5,951
8 (1) m/b	The part of expenses which was recognised as a result of the exchange rate loss or impairment loss recognised in relation to the reported interest in the tax year or as a result of the derecognition of the participation under any title and which is in excess of the income		
8 (1) dzs	Exchange rate gains and exchange rate losses on financial fixed assets and long-term maturity liabilities	1,974	
8 (1) j	The part of the interest on the liability falling to the liability exceeding three times the total equity		
8 (1) r	Derecognition of interests in the event of transformation		
8 (1) t	Beneficiary exchanges of interest		
8 (1) m	Expenses relating to the interest in a controlled foreign company		
8 (1) k	50% of the interest rate differential paid to affiliated parties		
8 (1) n	Supports granted (e.g. donations), benefits, monetary assets transferred permanently and assets transferred without consideration, liabilities assumed, services provided free of charge		
8 (1) h	Cancelled receivables		
8 (1) gy	Impairment loss accounted for receivables	54	31
8 (1) o	Conversion difference		
8 (1) e	Fines, tax penalties	106	6
	FX settlements		60,187
8 (1) p	Impact of tax audit and self-audit	-	
8 (1) s	Non-payment of long-term donations		
8 (1) u	Tax base increase related to the allowance of small and medium-sized enterprises		
8 (1) v	Retrenchment at taxpayers qualified as micro-enterprises		
18 (1) b)	Other (e.g. the amendment of transfer prices)	39	15
	Other	44	
	<b>Total</b>	<b>96,724</b>	<b>67,625</b>

		Data in million HUF	
Tax calculation		31.12.2014	31.12.2015
Total tax base adjustments		85,774	(54,048)
Corporate income tax base (pursuant to the general rules)		(6,579)	(54,048)
Tax base according to the minimum income (profit)		7,263	8,421
Amount of corporate income tax		-	-
Corporate income tax (10%/16%)			
Tax exemption (Section 20(1))			
Tax allowances (Sections 21-23)			
Tax paid abroad that can be set off			5
<b>Payable corporate income tax</b>		<b>-</b>	<b>-</b>



#### **IV/11 Data of the persons entitled to represent Erste Bank Hungary Zrt. and obliged to sign the annual report 31.12.2015**

<b>Name</b>	<b>Address</b>
Radován Jelasity	1026 Budapest, Balogh Ádám utca 35
Ivan Vondra	1051 Budapest, Dorottya U. 6

The name and registered office of the company that compiles consolidated financial statements of the international Erste Group:

Erste Group Bank AG, Austria, Vienna, 1010 Graben 21

The financial statements can be inspected at the above company's registered office.

#### **IV/12 Events after the balance sheet date**

Erste Leasing Bérlet Szolgáltató Kft. was cancelled from registration on 7 January 2016 due to voluntary winding up procedure.

The registered seat of Erste Group Bank AG, the parent company of the Bank changed as of 8 January 2016; the new registered seat is Austria, 1100 Vienna, Am Belvedere 1.

Date: Budapest, 5 April 2015

.....  
Radován Jelasity  
Chairman-Chief Executive Officer

.....  
Ivan Vondra  
Chief Financial Officer

# Business Report

for

the Financial Statement of Erste Bank Hungary Zrt.  
Concerning Year 2015

Budapest, 5 April 2016

The Financial Statement and Business Report for 2015 of ERSTE Bank Hungary Zrt. contains primarily a summary of its banking activities, supplemented with the information that affected the Bank's operation for the purposes of the evaluation of its business operation.

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## BUSINESS ENVIRONMENT, OBJECTIVES AND STRATEGY OF THE COMPANY

Based on data adjusted for seasonal and calendar effects, the performance of Hungarian economy grew by 2.6 per cent in the first three quarters of 2015, compared to the 3.7 per cent increase in the previous year. Growth in Q3 means an increase of 2.4 per cent in performance as compared with the same period of the previous year, which is due primarily to the contribution of the processing and automobile sectors, besides the increase of services. Till November 2015 the performance of agriculture became 18% lower. As regards year 2015 as a whole, based on preliminary calculations the performance of the economy grew by 2.7 per cent.

With regards to internal consumption, year 2015 brought a positive turn: in the 3rd quarter of 2015 retail consumption increased by 2.6 per cent, which is considered as a significant growth. The volume of investments in the national economy decreased by 3.9 per cent in the 3rd quarter of 2015 compared to the high base a year earlier, which is attributable to the end of the 2007-2014 EU funding cycle and thus the decline in government investment financed by EU funds. Investment performance fell in the areas of manufacturing, transportation and storage as well as wholesale and retail trade. In the first three quarters of 2015, investment performance was reduced by 0.6 per cent compared to the previous year.

By November 2015, the total foreign trade export volume of the country grew by 9.4 per cent as compared with the same period of year 2014. While exports of goods slowed down in the third quarter after the robust growth observed early in the year, services exports rose significantly in the past quarter. Unemployment rate is moving on a decreasing path and has been steadily below 10 per cent since the second half of 2013: in the period between October and December 2015 unemployment fell by 1.0 percentage point to 6.2 per cent, mostly as a result of the government's public works programmes.

In December 2015, consumer prices were 0.9% higher on average than a year earlier. The highest price rise was recorded for alcoholic beverages and tobacco in this period, while motor fuel prices decreased significantly. In 2015 as a whole, consumer prices were cut by 0.1% on average compared to the previous year, mainly as a consequence of the decrease in fuel prices and other goods, and the continuous decrease in household energy prices in the wake of government measures.

During the year, the 5-year CDS spread of the country fell further, which is largely attributable to the FX-conversion of mortgage loans: in December 2015 it amounted to 164 basis points. The interest rate cutting cycle has started again in March 2015, as a result, after a five-month decrease of 15 percentage points, in July 2015 the central bank decreased the benchmark rate to a historically low level of 1.35 per cent.

In 2016 the deceleration in external demand and in funding from the EU will lead to a significant slowdown of growth. Recovery is expected from the second half of 2016, mainly reflecting the strengthening performance of Hungary's export markets as well as the central bank's and the Hungarian government's measures. The Growth Supporting Programme of the National Bank of Hungary and the recent steps taken by the Government to encourage home building and improvement are expected to dampen the slowdown in the rate of growth. In addition to these factors, rising household consumption is likely to support the economic expansion in the coming years.

The typical trend of the previous years, the decrease of retail loan and deposit portfolios throughout the banking sector continued in 2015 as well. As regards lending, in the first half of the year the amortization of the existing portfolio still exceeded the level of new placements, as a consequence of which the portfolio further decreased. The pace of this decrease, however, significantly slowed down in the second half of the year as a result of the growth in the new disbursements of HUF loans. As result of the conversion into forints the exchange rate risk was removed from households' balance sheet, and considerably changed in the currency structure of household lending. As a one-off effect of settlement, there was a major decline in outstanding loans, however, in spite of the entry into force of the debt brake regulation, the volume of new disbursements both in housing and consumer loans increased in the first three quarters of 2015. In corporate lending, while new placements were encouraged by the subsidised programmes developed primarily for the small and medium-sized enterprise segment (Funding for Growth Scheme, Exim loans) in 2015 as well, a major decline was observed this year in outstanding loans to large corporations, due to one-off effects. In order to reduce the risk of a creditless recovery, funds with favourable conditions will remain available for SMEs in a more targeted form and lower volume rather with investment and export focus in 2016, during the phase-out stage of the FGS. Additionally in order to facilitate market-based lending by banks, central bank decided to launch the Growth Supporting Programme including the Market based Lending Scheme (MLS). Within the framework of the MLS, the central bank will support the changeover of the banks to market-based lending by an instrument that supports risk management and also by a liquidity-enhancing instrument. On the liability side, as a result of the squeezing out effect of the low interest rate environment and alternative investment opportunities the retail deposit portfolio of the sector shrank further, at a slowing down pace though, while due to the savings of the corporate and other segments the total deposit portfolio slightly increased.

After the negative effect of the settlement in 2014, the Hungarian banking sector is expected to be profitable in 2015. Apart from the economic environment, the profitability of the banking sector is also significantly influenced by the regulatory and legislative environment: after the settlement law issuance aiming to help the foreign currency loan holders, the low interest rate environment and the Act on Fair Banking System, whose primary purpose is to regulate Hungarian lending practice and render it transparent, negatively impacted the bank's interest income generating capability as well. In 2015 conversion into HUF of foreign-currency-based and foreign currency real-estate leasing and mortgage loan took place, while in September 2015 the Parliament adopted the FX-conversion of car leasing and personal loans as well.

The Memorandum of Understanding, signed by the Hungarian Government and the European Bank for Reconstruction and Development (EBRD) in February 2015 about the banking tax reduction from 2016, means a significantly positive change to the banking sector, however financial transaction duty and free cash withdrawal are going to remain in effect with slight adjustments. Additionally bankruptcy of the brokerage companies in the first half of 2015 can mean extra burdens to the financial sector as it is expected that compensation of customers will be borne by the financial institutions.

Looking ahead to the coming years, changes in legislation and government measures have a significant impact on profits: the settlement and FX-conversions of remaining foreign currency household loans, and the increase in the fees to be paid to the National Deposit Insurance Fund (OBA) and the Investor Protection Fund (BEVA) have a negative effect on the banking sector's income, while the reduction of the bank levy, the allowance that can be received in the bank levy and the termination of the exchange rate cap scheme have a positive impact.

Among government measures, the National Asset Management Company set up in 2011 in the scope of the Home Protection Action Plan in order to help foreign currency mortgage borrowers should also be mentioned. The company completed about 14,000 sales transactions during 2013-2014 and its target to purchase 25,000 real estates by 2015 has been extended to 35,000 by the end of 2017. Additional government measure was the introduction of personal bankruptcy, which presents an ordered option for restructuring with tight conditions for debtors.

Erste Bank's position in the Hungarian market remained significant in 2015 as well. In February 2015, together with the Hungarian Government and EBRD, the bank signed the Memorandum of Understanding from which the entire Hungarian banking sector will benefit. Additionally the bank has implemented one of the largest bank acquisitions in the last years by acquiring the Hungarian consumer banking business of Citibank Europe plc. and further strengthened its market position by establishing its own mortgage bank and Agricultural Competence Centre. Erste Bank's achievements and efforts in 2015 were acknowledged by the sector as well by receiving the MasterCard's "Bank of the Year" Grand Prize and also won the "Most Innovative Bank of the Year" title.

The strategic goal of Erste Bank Hungary Zrt. is to continue its operation as an important player of the Hungarian banking market with the support of a well-balanced corporate business, a reinforced risk management, efficient operations and a continuously improving service quality, focusing on retail customers who regard EBH as the number one financial institution. Keeping its position as a leading retail lending institution, together with the acquisition of Citibank's retail business line the bank wishes to become market leader in the private banking and credit card business lines, as well as in terms of electronic channels and innovative solutions, and furthermore lays great emphasis on retaining its solid share in the market of savings. In order to keep its market position, the bank offers tailored financial services through its simplified and segmentation-based product portfolio, and wishes to expand its existing customer base with the improvement of service quality and innovative banking solutions. Apart from its core banking activities, EBH plays an important role in the market of products having a significant growth potential such as investment and building society services.

The corporate business line still offers all-inclusive banking services for all segments, anticipating the biggest growth in the midmarket segment, where the goal is the development of transaction services and the maintenance of nation-wide presence. In line with the market trends, corporate lending takes place primarily via subsidised structures, and besides credit products the bank offers a wide range of transaction services and other solutions to its corporate customers.

## Change in the bank's form of operation

The Bank's form of operation did not change during the business year of 2015. The change in the corporate form of the Bank to private limited company (Zrt.) was registered by the Court of Registration as of 3 January 2011.

Due to a merger per 31 August 2014 there was a change to shareholding from EGB Ceps Holding GmbH to Erste Group Bank AG. The economic transfer is already effectuated in terms of availability of the Merger Agreement in form of a notarial deed dated 3 November 2014, resolutions passed and the fact that the Erste Group Bank AG has the full economic control over the transferred assets with the authority to issue directives to the transferring company.

The implementation of the merger was approved by the Austrian Financial Market Authority on February 12, 2015 and the merger was registered in the Austrian Commercial Register as of March 25, 2015. The National Bank of Hungary approved the acquisition of controlling interest on August 14, 2015, and the change in the ownership was registered in the company register on September 2, 2015.

## Other changes

New regulation of the National Bank of Hungary requires minimum 15% mortgage bond funding in the net retail loan portfolio from October 2016 which has provided opportunity for Erste Bank Hungary to establish an own mortgage bank on 2015. Additionally Erste Leasing Bérlet Kft. is no longer included, since the voluntary liquidation of the company was closed on 30 June, 2015.

## PRODUCT RANGE, COOPERATION AGREEMENTS, STRATEGIC ALLIANCES

2015 saw a further boom in the property market and consequently in the mortgage market as well. The Bank's resources were tied down mostly by the implementation of the settlement with foreign currency and HUF mortgage borrowers and conversion into HUF, in line with the laws enacted by Parliament. Erste Bank responsibly undertook a role in the information of customers since it launched the [forintositas.hu](http://forintositas.hu) portal, supported by a marketing campaign, where customers could get a reply to their questions related to the HUF conversion.

The Bank's share in the retail lending market showed a rising trend throughout the year, as regards housing mortgage loans as well as home equity loans.

The replacement activity that occurred after the settlement caused a boom in the lending market, and Erste Bank, having recognised this, launched its new product facilitating loan replacement. In this offer the Bank offered a solution for the payment of costs arising when closing down a loan with another market player. This product was also recognised by the industry, it was awarded second price at the 2015 "Mastercard retail loan product of the year" award. In March 2015 launched its market based 5 year interest period mortgage loan product, in order to serve broad and responding to the low base rate. As of 1 July 2015, Erste Bank was amongst the first to launch the application for the new type of state subsidies (CSOK), the introduction of which was supported by a wide marketing campaign in the home building topic ([ersteotthon.hu](http://ersteotthon.hu)).

In 2015 the product "market interest rate housing loan with preliminary evaluation" for the purchase of new and used apartments is still available, providing an opportunity for customers to file their loan requests already before the apartment has been chosen and the sales contract concluded, and get an offer from the Bank on the basis of their certified incomes and creditworthiness. Due to their preliminary evaluation certificates, customers are able to exactly assess the loan amount they are entitled to, and may start searching for an apartment accordingly.

At the end of 2015 the Bank developed a preferential package for public servants, containing retail account keeping and savings, personal loans, mortgage loans and credit card products. Our Bank looks at customers working in the public sector as a long term important strategic segment.

In view for increasing its credit portfolio, the Bank is present in the consumer lending market with a continuous DM activity.

In year 2015, the Bank endeavoured to increase its share in the consumer loan market with an active DM activity based on external and internal databases. The increase of the volume of personal loans was further enhanced in 2015 by on-line campaigns and a microsite.

Erste Bank serves customer needs for retail loan products with a full product range and wide scale solutions.

At end-January 2014, for our retail customers the Erste OneAccount was introduced, which is supposed to address customers who get their salaries transferred to the Bank, and use their accounts in an active manner. In 2015 again the Erste OneAccount was the main account product of the Bank for private individuals. In 2015 we paid special attention to young people who join the banking customers as new actors.

In 2015 the Bank endeavoured to maintain its portfolio of term deposits and obtain new portfolios even in a decreasing interest rate environment. With the view of this we introduces the CombiSaving, one of its legs is a fixed term deposit, and the other is the Erste Real Estate Fund.

Simultaneously with OneAccount, Target Deposit Saving Account was introduced to provide flexible, customisable options for customers who have regular savings. The simpler, more transparent range of retail account and deposit products developed in 2014 was maintained in 2015.

The range of account products sold to micro-enterprises is still adjusted to the needs of customers. For start-up enterprises, the Erste Start-up Account Package, and for already operating customers with an actual account turnover the Selection Plus Account Package is offered. The Selection Plus Account Package offers a wide range of services to customers, and each customer can select the two discounts most appealing to them from the account management and transaction discounts offered in the Announcement.

For customers working in agriculture we introduced the Erste Agro Account Package, aligned to customer needs, providing lower transaction fees during two periods within the calendar year, compared to other periods of the year. We introduced a new account package for condominiums, the Erste Condo Account Package. The Erste Condo Account Package provides

preferential account keeping and transaction fees for our condominium customers, as well as flexible optional discounts and a renewal fund account without monthly fees.

After 2013, Erste Bank provided loans to its micro-business customers in 2014 and 2015 as well in the scope of the Funding for Growth Scheme of the National Bank of Hungary. The loan scheme, available at a 2.5% interest rate, represented a significant share within investment loans disbursed last year. The total volume of loans placed under the Scheme remained below the amount placed in 2014.

Erste Bank continued the intensive sales of Széchenyi Card Overdraft Facilities in 2015 as well. In order to strengthen the ability for new acquisitions the Bank's product terms were reviewed in the Autumn of 2014, as a result of which the loan portfolio volume grew in 2015.

In addition to the specifically structured loan products, Erste Bank also offered its own financing products to its customers. To mention only the classic products: loans promoting the increase of liquidity, development and investment loans, general purpose loans, bank guarantees.

In 2015 the launch of the agrofinancing of the micro corporate segment received priority. Under this we introduced an overdraft facility, working loan capital and area based subsidy prefinancing loans, specifically developed for agricultural businesses. These products are loans that can be taken out without a tangible collateral; the parameters of individual products have been specifically aligned to this segment.

In 2015, our lending processes were also reviewed in order to further improve customer service quality. In order to accelerate this process we redeveloped the loan evaluation process and strengthened the system support of lending.

We provide all-inclusive financing service to companies and municipalities managed under the corporate business line. In the scope of this, the Bank provides HUF and foreign currency loans from its own resources or in the form of refinancing, issues credit cards and bank guarantees, opens letters of credit, and provides leasing financing and factoring services to its partners. We participate in project finance as well as in syndicated loans.

Predominant were among financing products in year 2015 the HUF loans refinanced under the MNB's Funding for Growth Scheme and the foreign currency loans refinanced under the EXIM Bank's Export Promoting Credit Programme, which enabled the Bank to provide financing in both HUF and foreign currencies to its partners at costs more favourable than in the case of loans disbursed from own funds. Both refinancing programmes were extended also to financial leasing funding and factoring.

Another characteristic element of the product structure was the loans provided against the guarantees of Garantiqa Zrt. and the Rural Credit Guarantee Foundation also in year 2015, which enable the Bank to expand the range of our financed customers via risk sharing with institutional guarantors.

In the corporate lending business the customer driven approach to lending and increasing the level of system support are key aspects that contribute to the achievement of the increasingly high level of customer service.

## MAIN RESOURCES AND RISKS, AND THE RELATED CHANGES AND UNCERTAINTIES

### *Asset-liability management (interest rate risk management)*

The Bank uses a simulation procedure, one of the more advanced methodology solutions, to measure the interest rate risk of its banking book, as that method takes into account both traditionally applied approaches, i.e., the net interest-income simulation (income perspective) and the cash flow assessment, i.e., the economic value simulation (economic perspective). The highest-level strategic decisions on asset-liability management and, more specifically, interest rate risk management, are made by the Asset-Liability Committee (ALCO). In accordance with its responsibilities, the Committee regularly reviews the interest rate risk situation of the Bank and the development of its positions. In addition to monitoring the position, the Committee also has the right to evaluate and rate the Bank's interest rate risk position. Its competence includes the approval and modification of applicable internal regulations, with special regard to the modification of effective limits, assumptions, procedures and methods. Other organisational units involved in interest rate risk management: (1) Asset-Liability Management Directorate (ALM), which prepares decisions and supports the activities of ALCO, (2) Treasury, which performs the operational implementation of the strategic decisions of ALCO and the market transactions of ALM. The Bank's management receives regular reports on the variation of the interest rate risk exposures of the banking book. Those reports enable the management:

- to evaluate the level and trend of the Bank's total interest rate risk exposure;
- to check compliance with the defined risk tolerance levels;
- to identify potentially excessive risks undertaken in excess of the level set forth by the policy;
- to determine if the Bank has enough capital to undertake the respective interest rate risk;
- to make decisions relating to interest rate risks.

### *Liquidity risk management*

The Bank uses a *Survival Period Analysis* based on stress scenarios to measure its shorter-term liquidity risks. The analysis shows for how long the Bank would be able to fulfil its payment obligations in various liquidity stress scenarios, under specific conditions. ALM is responsible for coordinating the maturity structure of on-statement of financial position and off-statement of financial position items by ensuring that the aggregated net cash flows remain positive for the period of time specified as the limit. In addition to the survival period analysis based on stress scenarios, compliance with the liquidity ratios introduced by Hungarian regulators (FX Adequacy Ratio, Deposit and Statement of Financial Position Sheet Coverage Ratios) as well as compliance with the expected levels of the liquidity ratios (LCR, NSFR) introduced by the Basel Committee on Banking Supervision are also taken into account when managing liquidity risks. The Counterparty and Market Risk Management Department regularly monitors and reports to ALCO the current figures of liquidity ratios.

During the year, the currency structure of the loan portfolio underwent significant changes due to the conversion of retail FX mortgage loans, personal loans and leasing to HUF. By the end of 2015, the vast majority of retail loans was HUF denominated. Apart from the changes in the currency structure, the loan portfolio also decreased significantly, whose primary cause was the volume drop in retail loans. The deposit portfolio also decreased to a lesser degree in 2015, mainly due to outflows of FX deposits placed by mutual funds. The retail deposit portfolio grew during the year, caused by the increase of sight deposits. The level of deposits from non-financial corporations remained more-or-less unchanged. The flow of liquidity from term deposits to sight deposits on the one hand, and from FX deposits to HUF deposits on the other hand was observed in all client segments.

Due to the conversion of FX retail loans and to the diminishing loan-to-deposit ratio, the external financing need of the Bank decreased significantly in 2015. By the end of the first quarter of 2015, the Bank has paid back all uncovered FX funds from the parent bank.

Table No. 1 shows the Bank's contractual maturity structure by currency (with modelled amortisation for demand deposits).

Table No. 1

Data in millions of HUF

	Non-maturing	< 1 month	1-3 months	3-6 months	6-12 months	> 1 year
HUF	-37 077	-273 765	-186 556	26 377	-31 367	573 095
EUR	825	-26 531	149 325	-32 307	-9 653	-132 047
CHF	0	91 713	-68 058	-55 655	-18 513	-132 319
USD	6 265	-11 099	10 448	-2 846	-7 634	-3 424
Other	0	6 739	-3 923	64	-649	-2 369
Total	-29 986	-212 944	-98 765	-64 366	-67 817	302 936



### Interest rate risk management

The Bank applies two analytical methods to quantify interest rate risk: a) the net interest income method, and b) the simulation of the market value of total equity.

Both types of risk indicators suggested a medium interest rate risk exposure; both the external and the internal limits were met during the year. The increase in the market sensitivity of total equity is a consequence of the risk of the modelled products, which has increased due to the low yield environment.

#### Sensitivity of the market value of the total equity:

It is expressed as the absolute sum total of the variation of the economic capital value by currency, occurring as a result of a parallel, 200 basis point assumed change in interest rates, in any direction, compared to the capital amount calculated with an unchanged interest rate scenario.

#### Sensitivity of the net interest income, simulated for 12 months:

It is expressed as the absolute sum total of the variation of the 1-year net interest income by currency, occurring as a result of parallel, +100 basis point assumed change in interest rates, compared to the net interest income calculated with an unchanged interest rate scenario.

Table No. 2	2014.12.31	2015.12.31
Sensitivity of the total equity	7.02%	7.42%
Sensitivity of the net interest income, simulated for 12 months	3.07%	4.88 %

The repricing table classifies the volumes of assets, liabilities and off-balance sheet items into time bands, in the main currencies, according to the next repricing date. The repricing gap is calculated after the classification, as the difference of the assets and liabilities.

At the end of 2016, the portfolios denominated in HUF had a positive repricing gap (< 5 years). The positive gap of the longer terms (2-5 years) resulted primarily from the longer-term government securities portfolio with a fixed interest rate.

The interest-bearing items, denominated in USD and EUR, are dominated by deals priced within one year, i.e. those statement of financial position components carry generally low repricing risks. In the case of interest-bearing items denominated in CHF we have surplus liabilities, which is the reason for the negative gap. The table below does not include the demand deposit portfolio, whose maturities are modelled.

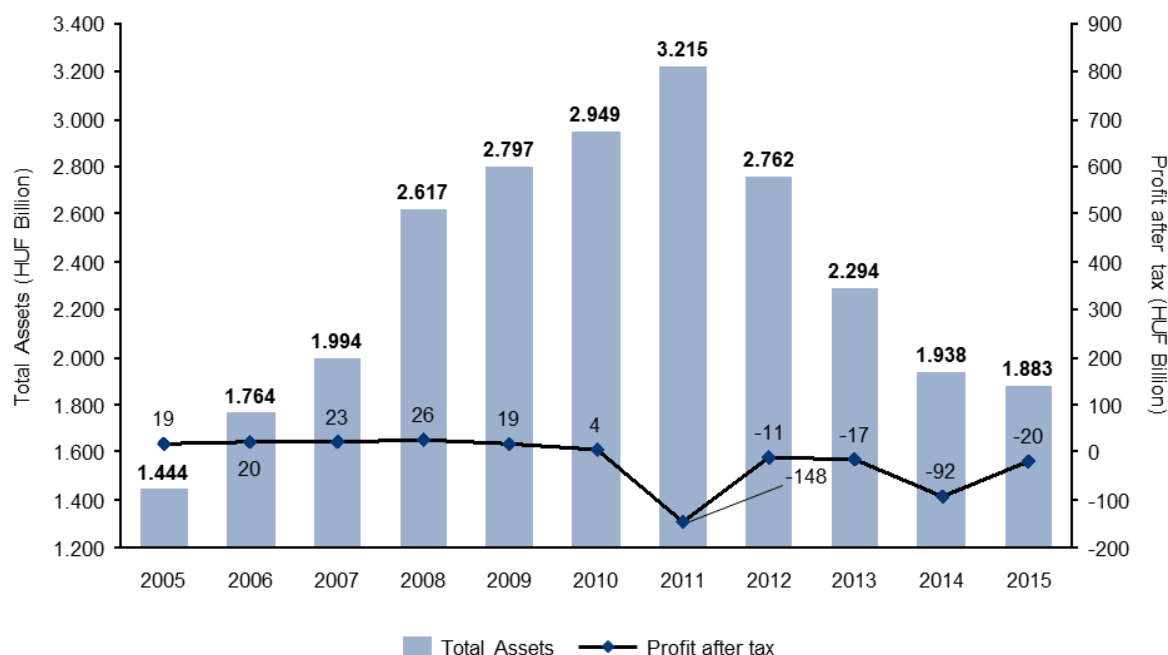
Table No.3	Data in millions of HUF					
	1 year	2 years	3 years	4 years	5 years	>5 years
CHF	(6,815)	0	0	0	0	0
HUF	300,805	22,623	73,847	52,467	62,441	(3,670)
EUR	103,570	0	(9,599)	9,157	(510)	3
USD	15,250	0	0	0	0	0

\*The data of the table do not include the demand deposit portfolio, which is modelled

The Asset-Liability Committee (ALCO) is responsible for managing interest rate and liquidity risks at the highest decision making level.

## FINANCIAL DATA

The Bank's business result still negative in 2015, but on an improving trend compared to 2014 YE, due to FX settlement related one-off provisioning in 2014.



As of the end of year, the Bank had HUF 1.883 billion total assets, which is by 2,8% down from the figure reported for the end of the previous year. The Bank reported HUF -20,5 billion after tax loss.

The structure of the Bank's asset portfolio shows a significant change at the end of 2015 compared to the preceding years. The portfolio of government securities, and especially government securities held as investments grew by approximately HUF 143 billion and their share within the balance sheet total also increased.

However, decreasing can be seen in the portfolio of receivables from credit institutions and their share within total assets. Mainly placements with the National Bank of Hungary (MNB) decreased by about HUF 83 billion, due to the decision of the MNB to terminate two-week deposits by the end of April 2016. Thus the share of receivables from credit institutions within total assets fall back slightly to 14% as compared with the 18% reported for the preceding year.

*Changes in the main asset categories 2013-2015:*

(data in mn HUF)	2013	2014	2015	Change %		Proportion %		
				2014/ 2013	2015/ 2014	2013	2014	2015
Securities	609 072	229 532	372 924	-62.3%	62.5%	26.6%	11.8%	19.8%
Loans to credit institutions	147 125	341 112	270 319	131.9%	-20.8%	6.4%	17.6%	14.4%
Loans to customers	1 321 566	1 192 569	988 292	-9.8%	-17.1%	57.6%	61.5%	52.5%
Cash reserve	29 770	34 294	97 470	15.2%	184.2%	1.3%	1.8%	5.2%
Other (non interest-bearing) assets	186 163	140 701	154 070	-24.4%	9.5%	8.1%	7.3%	8.2%
<b>Total Assets</b>	<b>2 293 696</b>	<b>1 938 208</b>	<b>1 883 075</b>	<b>-15.5%</b>	<b>-2.8%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The nominal portfolio of receivables from customers continued to decrease in accordance with the trend of the previous years; mainly as a result of FX settlement related customer compensation in 2015 according to Hungarian Accounting Standards, and the high level of early- and final repayments which couldn't be compensated by new disbursements. Within the total HUF 204 billion decrease, HUF 2 billion loans were maturing within one year and HUF 202 billion were maturing over one year; altogether retail loans had a share of 80 per cent and corporate loans a share of 20 per cent in the decrease.

There were no major changes in the share of cash and cash equivalents and non-interest-bearing assets.

*Changes in the main liability categories, 2013-2015:*

(data in mn HUF)	2013	2014	2015	Change %		Proportion %		
				2014/ 2013	2015/ 2014	2013	2014	2015
Amounts owed to credit institutions	749 532	237 912	290 768	-68.3%	22%	33%	12%	15%
Amounts owed to customers	1 203 811	1 227 407	1 221 560	2.0%	0%	52%	63%	65%
Equity	180 916	183 250	164 208	1.3%	-10%	8%	9%	9%
Other liabilities + subordinated capital	159 437	289 639	206 539	81.7%	-29%	7%	15%	11%
<b>Total Liabilities</b>	<b>2 293 696</b>	<b>1 938 208</b>	<b>1 883 075</b>	<b>-15%</b>	<b>-3%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The ratios of portfolios within the liability structure were around the same level of last year. Deposits from monetary financial institutions increased by HUF 53 billion since the preceding year, altogether short-term deposits from the parent company was up, while long-term interbank loans was down as a merit of deleveraging via senior debt repayment. Overall, the share of liabilities to credit institutions within the balance sheet total up to 15% from the 12% reported for the preceding year.

As regards customer deposits, the portfolio decreased slightly by HUF 6 billion, however their share within the total balance sheet increased to 65% from 63% in 2014. The Bank has a 6.25% market share regarding retail deposits, which corresponds to a 11 bps increase over the past year. However there is a change in components, market share of sight deposits increased by 26bps, but term deposits decreased by 19 bps, attributable to subdued demand on this saving form caused by diminishing interest rate environment. Another structural change that occurred last year was that within the significant decrease of customer liabilities (HUF 139 billion), that the short-term deposits couldn't be compensated by the HUF 126 billion increase of demand deposits.

There were no major changes looking at the structure of other liabilities and deferred income, at the same time the Bank released HUF 86 billion FX settlement (foreign currency loan settlement) related provision.

*Changes in the main profit and loss elements, 2013-2015:*

(data in mn HUF)	2013	2014	2015	Change %		
				2013/2012	2014/2013	2015/2014
Net interest income	86 294	79 675	60 388	32.0%	-7.7%	-24.2%
Fee income	34 402	38 019	38 394	38.0%	10.5%	1.0%
Dividend	2 663	2 033	1 855	-3.3%	-23.7%	-8.8%
Trading	-481	4 081	-6 258	-102.1%	948.4%	-253.3%
<b>Operating income</b>	<b>122 878</b>	<b>123 808</b>	<b>94 379</b>	<b>5.5%</b>	<b>0.8%</b>	<b>-23.8%</b>
<b>Operating expenses</b>	<b>48 402</b>	<b>48 570</b>	<b>50 403</b>	<b>1.3%</b>	<b>0.3%</b>	<b>3.8%</b>
<b>Operating result</b>	<b>74 476</b>	<b>75 238</b>	<b>43 976</b>	<b>8.4%</b>	<b>1.0%</b>	<b>-41.6%</b>
Other operating result	-51 690	-139 055	55 459	35.4%	-169.0%	139.9%
Risk provision for loans and off-balance	-38 432	-14 727	75	-971.3%	61.7%	100.5%
Extraordinary income	-1 023	-13 809	-119 960	75.5%	-1249.9%	-768.7%
Pre-tax profit	-16 669	-92 353	-20 450	-50.7%	-454.0%	77.9%
<b>Net profit</b>	<b>-16 669</b>	<b>-92 353</b>	<b>-20 455</b>	<b>-50.7%</b>	<b>-454.0%</b>	<b>77.9%</b>
<b>Profit after dividend and reserves</b>	<b>-16 669</b>	<b>-92 353</b>	<b>-20 455</b>	<b>-50.7%</b>	<b>-454.0%</b>	<b>77.9%</b>

The Bank's operating income decreased significantly, while its operating expenses slightly increased compared to the previous year, resulting in a HUF 20.5 billion after tax loss at the end of 2015.

Regarding the elements of operating incomes, in 2015 net interest income was down by 24.2% (HUF 19.3 billion) compared to previous year. The decrease of interests received by HUF 27.6 billion was not fully compensated by the decrease in interests paid by HUF 8.3 billion (-22%).

The reason for the shrinking operating income is mainly the significant reduction of the customer loan portfolio, due to the lower level of new disbursement, while the FX settlement related customer compensation had a reducing effect on the total loan portfolio as well. This was also influenced by the Fair Banking Act related fair IR settlement on converted foreign currency-denominated loans, but also applied on forint loans stipulated in the legislation.

The above trend was further enhanced by the decrease in interests received on securities.

One of the main reasons behind the HUF 8.3 billion improvement on interest expenses is the diminishing interests paid on term deposits primarily due to the low level of the interest rate environment, further to this the restructuring of savings towards sight deposits also contributed to the sinking interest expenses.

The Net fee and commission income of the Bank remained at the previous year's level, and by only a HUF 375 million higher than as of December 2014. The growth was induced by the increase in distribution- and lending business fees. This was partially counterbalanced by the lower payment- and card transaction fee income.

Net income from securities transactions fell by HUF 178million (8.8%) as compared with 2014 YE due to lower dividend income, which was HUF 1.8 billion in 2015, 10% lower than in the previous year.

As regards Net trading income, a decrease of HUF 10.3 billion can be seen as compared to the previous year. The main reason for the negative result is the FX settlement related revaluation loss on foreign currency assets.

Operating expenses amounted to HUF 50.4 billion in 2015, which is by 3.8% higher than the amount recognised in the same period of the previous year.

Higher Operating expenses are mainly caused by the increase in Personnel related expenses in line with higher project staff requirement. Further temporary FTE increase is also induced by the extra headcount for FX settlement related duties and the establishment of our new subsidiary (Erste Mortgage Bank).

IT expenses increased due to Group projects and consultancy expenses accordingly.

Other costs declined due to building maintenance and miscellaneous business operation expenses.

Depreciation amounted to HUF 5.7 billion and increased by 5% compared to previous year mainly due to property, plant and equipment and software depreciation.

Cost-income ratio worsened from 39.2% (Q4 2014) to 53.4% (Q4 2015) mainly as a result of lower operating income.

Other operating result improved by HUF 194.5 billion compared to the last quarter of 2014, which is almost solely attributable to the FX settlement related provision release. Effect of customer compensation appears as extraordinary expenditures after this provision release.

Impairment losses and risk provisions improved by HUF 14.8 billion in Q4 2015 compared to the same period of the previous year. The provision and impairment usage was by HUF 19.6 billion higher than in the previous period, out of which HUF 10 billion was released in relation to the FX settlement related compensation, whereas provisions for loans and receivables grew by HUF 10 billion, and provision for contingent liabilities were up by HUF 5.3 billion as well. These effects altogether led to a minor reversal of impairment for the reporting period.

## Changes in capital adequacy, 2014-2015.

BANK ONLY (mHUF)	2014 DEC	2015 MAR	2015 JUN	2015 SEP	2015 DEC
	Basel II	Basel III	Basel III	Basel III	Basel III
<b>Solvency Capital</b>	<b>277 782</b>	<b>289 684</b>	<b>296 733</b>	<b>292 438</b>	<b>281 010</b>
<b>Tier 1 Capital</b>	<b>150 362</b>	<b>163 481</b>	<b>163 270</b>	<b>158 414</b>	<b>146 664</b>
<b>CET1 - Common Equity Tier1</b>	<b>150 362</b>	<b>163 481</b>	<b>163 270</b>	<b>158 414</b>	<b>146 664</b>
Subscribed capital	102 000	102 000	102 000	102 000	102 000
Agio	283 327	283 327	283 327	283 327	83 493
Profit reserve	-107 481	-199 834	-199 834	-199 834	0
Non audited negative YTD net profit	-109 010	0	0	-7 302	-20 455
Other reserve	-2 244	-1 902	-1 320	-1 055	-831
Other CET1 Capital Components	2 078	1 639	1 284	963	673
<b>Deductible items</b>	<b>-18 309</b>	<b>-21 750</b>	<b>-22 187</b>	<b>-19 685</b>	<b>-18 216</b>
- Intangible Assets	-11 600	-11 522	-11 285	-11 219	-11 160
- IRB Shortfall	-6 708	-10 228	-10 902	-8 466	-7 057
- Other Deductions from CET1 Capital					
<b>AT1 - Additional Tier 1 Capital</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Tier 2 Capital</b>	<b>127 420</b>	<b>126 203</b>	<b>133 462</b>	<b>134 023</b>	<b>134 345</b>
Subordinated debts	131 892	125 396	131 907	131 176	131 064
Part of the subordinated loan that cannot be taken into account					
IRB Surplus					
Other Tier 2 Components					
<b>Deductible items</b>	<b>-4 472</b>	<b>808</b>	<b>1 555</b>	<b>2 847</b>	<b>3 281</b>
- IRB Shortfall	-4 472	-4 383	-4 603	-3 499	-2 916
- Other Deductions from Tier2 Capital	0	5 191	6 158	6 346	6 197
<b>Capital requirement</b>	<b>186 481</b>	<b>215 581</b>	<b>321 362</b>	<b>326 112</b>	<b>323 658</b>
<b>Pillar 1 Capital Requirements</b>	<b>110 318</b>	<b>104 332</b>	<b>104 804</b>	<b>106 354</b>	<b>105 553</b>
Credit risk	98 024	91 459	91 915	92 042	93 304
Trading Book and exchange rates	637	546	644	1 169	683
Operational risk	11 656	12 327	12 246	13 142	11 566
<b>Pillar 2 Capital Requirements</b>	<b>76 163</b>	<b>111 249</b>	<b>216 557</b>	<b>219 759</b>	<b>218 105</b>
<b>CET1 / TIER 1 capital surplus / shortage compared to P1 Capital requirements</b>	<b>40 044</b>	<b>59 149</b>	<b>58 466</b>	<b>52 061</b>	<b>41 111</b>

At the end of 2015, the Bank's capital adequacy was stable; the solvency ratio (11.12%) was higher than the statutorily required level. (In the table, the most recent non-audited interim negative result is also taken into account.)

According to 2015 YE data the regulatory own funds were HUF 3.2 billion higher than at the end of the previous year.

The capital requirement presented in the report shows an increase of HUF 137.2 billion, mainly because of the application of SREP ratio in accordance with the new guidelines of the National Bank of Hungary, however credit risk was declined by HUF 4.7 billion compared to the previous year due to growing risk-weighted assets. The capital requirement calculated for operational risk, credit risk, trading book and exchange rates haven't changed significantly compared with the preceding year.

## QUANTITATIVE AND QUALITATIVE PERFORMANCE INDICATORS AND MARKERS FOR THE PROCESSES

The bank measures the quality of its internal operations through the main customer service channels (branch, Contact Center, electronic channels), and through the performance of its major customer service processes. The performance requirements for customer processes and service channels are defined following an assessment of customer needs. We conduct regular researches: annual customer satisfaction and customer expectations surveys, mystery shopping in branches, and research of the willingness of branch advisers to make referrals.

Customer needs and expectations are converted into indicators and measurable parameters. As a primary focus, we build a system of indicators for business processes and channels in the Bank, and conduct measurements to determine the performance of the processes. Our processes are analyzed from the occurrence of the customer needs to the satisfaction of those needs. Main indicators describing process capacities: processing time, number of errors, service levels, for example the measuring of waiting times, or NetBank availability. Target values are defined for these indicators, and the results of the regular measurements are compared to the desired target values.

If the performance of a process remains below the target, a detailed process analysis is conducted to identify the reasons of non-compliance, and development proposals are elaborated. This activity is performed weekly and monthly, involving the areas affected by the process. If necessary, we launch a project for improving the process, where we work out action plans using process improvement methodologies (LEAN, Six Sigma) in order to increase the efficiency of the process.

In 2015, focus was on the FX project, where we established new customer service processes and information platforms (forintosság.hu). These ensured, that the processes were understandable and clear for our clients.

Besides that, in alignment with the Erste 2015 strategy program, we modified, and significantly simplified the documents used in branch customer processes. We continued the simplification of the micro lending process, and established customer processes for the newly introduced personal bankruptcy.

New mystery shopping methodology has been introduced for measuring client satisfaction, which has been included in the branch incentive by 2015 Q3.

## EMPLOYMENT POLICY

The Bank's year-end headcount did not significantly change in 2015, at the end of 2015, the Bank had 2,605,05 employees (projected to 8-hour employment), disregarding trainees. The Bank's average 2015 headcount was a bit higher, due to the extra capacity hired for FX-loan conversion related task to the relevant areas. In line with the Bank's long-term strategy the projects supporting the Bank's development and improvement continued and the preparation for the takeover of the Consumer Business of Citibank has also started which will continue in 2016.

The average age of our employees is 37 years, and the average length of their employment is 6.9 years.

During 2015 the Bank provided an opportunity for 170 trainees within the framework of a trainee programme to get an inside view of the Bank's operation and to acquire work experience. 13% of those participating in the Bank's trainee programme were recruited as employees of the Bank.

## DESCRIPTION OF BUSINESS PREMISES

The Bank's registered office has been at Népfürdő utca 24-26 since 1 September 2006. The modern office building hosts the organisational units of the Bank's head office and the subsidiaries. The Bank has a nationwide branch network, which is professionally controlled at regional level (Pest, Buda, North-East Hungary, South-East Hungary, South Transdanubia, North Transdanubia). The branches are listed in Annex No. 1.

## EDUCATION POLICY

Erste Bank Hungary was characterized by balanced training activity in 2015. Our employees spent 4,52 working days on average in various training courses which was primarily aimed the updation of their professional knowledge, enchancement of the preparedness, the improvement of the quality of the customer service, and the development of their leadership skills. In 2015 the Bank provided extensive training portfolio for the employees and managers too.

Similarly to previous years, regarding the training intensity of the Divisions, the training focus was on the employees who have direct contact with the customers.

In retail business line the preparation and integration of the new entrants was provided by our internal education team, furthermore the knowledge development regarding micro-enterprise segment has been renewed and restarted. In view for the prevention of fraud cases, the signature and document verification training received emphasized role for the entire branch network, while in connection with the settlement act the Bank provided increased training activity in mortgage lending.

In 2015 in the area of leadership development, the Bank offered a variety of development methodologies for the managers, which are effectively integratable into the daily business processes as well. In Private Banking business line, the professional knowledge basis was strengthened by training courses which provided international certification.

In corporate business line the emphasis laid on improving the sales and customer service skills of the employees who have direct contact with the customers and on deepening the sales management skill of the sales directors. According to the business requirements, the topic of agriculture received priority in the knowledge development.

On the Risk area the training of project management methodology received important role to support the increased project activities, furthermore the area was also characterized by visiting professional programmes which aimed to analyze the risk approach of the agricultural financing.

IT solutions and Operation area focused on achieving a more efficient banking operation; besides receiving modern professional knowledge, the area aimed to expand the business analyst knowledge basis. Financial area achieved a new training series which started the employees' preparation for IFRS transition if the Bank.

Besides the BAU related operation, the managers took responsible for several projects in 2015 which was supported with active managerial skill development programmes provided by the Bank.

In 2015 talent management programme started which has provided a complex preparation for the selected talents to complete the challenges of the future.

## CORPORATE SOCIAL RESPONSIBILITY

In our complex world Erste Bank intends to be more than simply a business venture that provides financial solutions, because it actually offers solutions to various life situations. In this context, the Bank is committed to Hungary and Hungarian customers not only through banking and investment activities, but also with social investments.

The Bank's activities in Corporate Social Responsibility rest on three pillars: the activities of ERSTE Foundation in Hungary, the Good.bee program, and the Bank's own CSR program named "+1 tett" ["+1 Deed"].

### ERSTE Foundation in Hungary

As the main shareholder of Erste Group, ERSTE Foundation is dedicated to foster the development of societies in Central and Southeast Europe, realising this commitment through projects initiated or supported in the scope of three programs: Social Development, Culture, and Europe.

In order for non-government organisations to expand their capacities and thus become stronger and more sustainable, ERSTE Alapítvány Civil Akadémia [ERSTE Foundation NGO Academy] was established with participation of Hungarian organisations. ERSTE Alapítvány Roma Partnerség [Erste Foundation Roma Partnership] focuses on initiatives regarding social businesses on community level, supporting cooperation between Roma and non-Roma, at the same time promoting the fight on poverty. ERSTE Alapítvány Társadalmi Kutatások Ösztöndíj [ERSTE Foundation Fellowship for Social Research] enables researchers, scientists and intelligentsia from Central and Eastern Europe to carry out research on topics regarding economic and social demographic change.

Additionally, ERSTE Foundation is also the main partner of tranzit.hu, a platform for contemporary art, encouraging the propagation of arts.

Founded and financed by the Foundation, Academy of Central European Schools offers opportunities for youth from Hungary and 14 other CEE countries to develop cross-border friendships through participation in the international school projects designed to promote European values.



## Good.bee

Good.bee is the financial inclusion initiative established by ERSTE Foundation and Erste Group, with the principle task to develop innovative solutions to break down the barriers of financial inclusion for individuals and enterprises in Central and Eastern Europe.

The program in Hungary focuses on development of social businesses. The majority of the work is carried out in respect of identifying and developing business models, but financing is also included in the set of tools. By 2015, the cumulative total of the credit facility provided by EBH for social businesses amounted to HUF 130 million. The significance of the social impact far outstrips the loan portfolio, another evidence that financing this segment can be implemented in the framework of commercial banking.

Good.bee program acts as a business partner of Szociális Farm Projekt [Social Farm Project], an initiative managed by Szimbíózis Alapítvány [Symbiosis Foundation], which holds the promise that employment of the underprivileged in this farming setup may be feasible on a wider scale.

## “+1 tett”[“+1 Deed”] program

“The Bank is committed to Hungary and Hungarian customers not only through banking and investment activities, but also with social investments”. It was in the spirit of this motto, taken from Erste’s future vision, that our program “+1tett” [“+1Deed”] was launched in 2014 with an application designed to identify communities and projects that provide efficient help in resolving matters of social focus, as well as in the scope of self-care and digitalisation. At the same time, employees of the Bank actively participated in the projects, supporting the work of the selected organisations with their expertise beside providing financial support.

Carried out as part of “+1 tett” project in cooperation with Salva Vita Alapítvány [Salva Vita Foundation], Pénzügyi1X1 Program [Financial 1X1 Program] was honoured with Most Innovative Sponsorship Program Award 2015 by Magyar Adományozói Fórum [Hungarian Donors Forum].

## Community Teamwork

As an extension of “+1 tett” Program , a new volunteering initiative, based on our employee force, was launched in 2015, dubbed Közösségi Csapatmunka [Community Teamwork]. As part of the program, employees of the Bank are given the chance to apply for implementation of programs they have selected themselves. An important aspect, employees in each case should themselves organise the program within the community teamwork they have applied for, and the Bank provided financing to the program.

Within the framework of the program, diverse cooperation projects were implemented such as repainting the signals of trekking trails, supporting the financial education of children in state custody or living with foster parents, or organising dragon boat events for underprivileged children. In 2015, nearly 300 Erste employees participated in community teamwork projects.

## Additional cooperation projects

### Mosoly Alapítvány [Smile Foundation]

Erste Bank sponsored the initiative Mosoly Váltó [Smile Relay], launched by Mosoly Alapítvány [Smile Foundation], in which some of our enthusiastic employees were running in a 4-kilometre stretch alongside kids treated from serious illnesses.

### Szimplakert Közös Lábos Program [Simple Garden Common Pot Program]

Erste Bank joined Közös Lábos Program [Common Pot Program] in 2014, a traditional initiative organised by Szimplakert [Simple Garden]. With help from volunteering Erste employees, donations are collected every time in the course of the program: the meals prepared by our staff are sold on the basis of honour system and the amounts thus realised are offered to select organisations. Most recently, in March 2015, the donations offered in the open-air cooking in Szimplakert were transferred to 90 Decibel Alapítvány [90 Decibels Foundation].

The Foundation spends the amounts realised on providing ease of access—primarily in theatres and museums—for those living with hearing or visual impairment.



## United Way book donation

In the spring of 2015, a book donation campaign dubbed KÖNYVFORGATÓ (Book Turner) was organised in cooperation with United Way with the aim to draw the attention to the importance of reading in the summer at the same time encouraging underprivileged children to read books by providing them with donated books and by enhancing peer relationships. Within the book donation program in May 2015, 694 books were donated, proudly becoming the company with the highest number of books ever donated.

## Sponsorship: Art and culture

In 2015, Erste Bank Hungary continued to sponsor the program launched by Ferenc Liszt Academy of Music, organising three concerts conducted by world-famous conductors with support from Erste Bank.

## Customers with disabilities

Erste Bank Hungary Zrt. continues to free retail branches of accessibility obstacles in order to facilitate for customers living with disabilities and confined to wheelchairs to manage their banking matters as conveniently as possible. As a result of the program, the bank has modified 72 out of its 128-unit branch network in Hungary to date to make them disabled-friendly by ensuring full access to the entrances and creating larger spaces inside the branches for easier manoeuvring in the customer area. Going forward, all bank branch investments will be implemented with ease of access in mind.

## Environment protection

### Erste Bank Hungary's energy efficiency

The Bank attaches great emphasis on improving and sustaining energy efficiency both in its central buildings and branch network.

The central buildings of the Bank are Class A office buildings constructed with up-to-date architecture standards, modern heating and cooling technologies, and facility monitoring systems. Motion sensors as well as energy efficient and LED lighting sources have been installed at numerous locations in the buildings. The heating and air conditioning systems are operated in energy-saving mood during the weekends. All workstations in the buildings have natural illumination, an important aspect for employees health and energy consumption as well.

By constant development, the appliances providing the energy supply of the building are replaced with more efficient appliances that meet the demands with a higher level of efficacy.

In the spirit of environment consciousness selective waste disposal units for paper and plastic refuse as well as communal waste have been placed in the central buildings. Plans include introducing selective waste disposal in the branch network as well.

In order to ensure continuous maintenance and development of energy management efficacy, a management system with ISO50001 standards has been implemented.

The energy-efficient design of the branch network is ensured by continuously developed planning standards. A lower level of energy consumption for the periods outside business hours is facilitated with changes in the operating mode aligned with opening hours.

Artificial illumination is provided with energy-efficient neon lighting and LED light fittings set in line with demands. Logo illumination is controlled by timers, most of the night illumination is limited. All new appliances installed carry energy certificate A.

When selecting air conditioning systems, VRV (thermal pump) and inverted appliances which ensuring efficient use of energy are preferred. Recently installed furnaces are of the condensing type.

In order to reduce paper consumption, Erste Bank has implemented the option of cash withdrawal from home ATMs without receipt, also using recyclable, environment-friendly paper in its ATMs and also in the daily operation of the bank.

In the Bank's internal mailing system, envelopes that can be re-addressed 24 times are used as well as recyclable paper and stamps.

Obsolete but still operable computers as well as unused furniture are donated to education institutions in need, and also to foundations. Used paint cartridges from copy machines and printers are collected by the suppliers.

In order to reduce the direct harmful effects of traffic on the environment, priority is given to checking the emission levels of company cars when they are undergoing regular maintenance. For biking colleagues an area to park approximately 180 bicycles simultaneously are provided in the Bank's central buildings, promoting a healthy and environment-friendly way of commute.

## EVENTS AFTER THE BALANCE SHEET DATE

Erste Leasing Bérlet Szolgáltató Kft. was cancelled from registration on 7 January 2016 due to voluntary winding up procedure.

On 9 February 2015 Erste Group, the European Bank for Reconstruction and Development (EBRD) and Hungarian Government declared cooperation on common press conference. Erste Group offered to the Hungarian Government and to EBRD to acquire minority share in Erste Bank Hungary Zrt at a maximum level of 15% per each. Bilateral negotiations were proceeded during 2015, but the change of the ownership structure hasn't happen till the date of these financial statements.

The registered seat of Erste Group Bank AG, the parent company of the Bank changed as of 8 January 2016; the new registered seat is Austria, 1100 Vienna, Am Belvedere 1.

Budapest, 5 April 2016

.....  
Radován Jelasity  
Chairman and Chief Executive Officer

.....  
Ivan Vondra  
Chief Financial Officer

## 1. Annex No. 1 Branch network of the Bank as of 31 December 2015:

No.	Branch	City/town
1	Ajkai Branch	Ajka
2	Árkád Üzletközponti Branch	Budapest
3	Bajai Branch	Baja
4	Balassagyarmati Branch	Balassagyarmat
5	Baross téri Branch	Budapest
6	Bartók-Házi Branch	Budapest
7	Béke téri Branch	Budapest
8	Békéscsaba, Andrássy úti Branch	Békéscsaba
9	Budaörsi Branch	Budaörs
10	Campona Branch	Budapest
11	Ceglédi Branch	Cegléd
12	Corvin negyed Branch	Budapest
13	Csepeli Branch	Budapest
14	Csornai Branch	Csorna
15	Danubius ház Branch	Budapest
16	Deák téri Branch	Budapest
17	Debrecen, Belvárosi Branch	Debrecen
18	Debrecen, Egyetemi Branch	Debrecen
19	Debrecen, Piac u. Branch	Debrecen
20	Debrecen, Vár u. Branch	Debrecen
21	Dombóvári Branch	Dombóvár
22	Dorogi Branch	Dorog
23	Dunaharaszti Branch	Dunaharaszti
24	Dunakeszi Branch	Dunakeszi
25	Dunaújvárosi Branch	Dunaújváros
26	Egri Branch	Eger
27	Egry József utcai Branch	Budapest
28	Érdi Branch	Érd
29	Erzsébet krt.8. Branch	Budapest
30	Esztergomi Branch	Esztergom
31	Eurocenter Branch	Budapest
32	Európa Torony Branch	Budapest
33	Fehérvári út 130. Branch	Budapest
34	Fehérvári út 28. Branch	Budapest
35	Flórián téri Branch	Budapest
36	Gödöllői Branch	Gödöllő
37	Gyöngyösi Branch	Gyöngyös
38	Győr, Árpád úti Branch	Győr
39	Győr, Bajcsy-Zs. úti Branch	Győr
40	Gyulai Branch	Gyula
41	Hajdúböszörményi Branch	Hajdúböszörmény
42	Hajdúnánási Branch	Hajdúnánás

43	Hajdúszoboszlói Branch	Hajdúszoboszló
44	Hatvani Branch	Hatvan
45	Heltai Jenő téri Branch	Budapest
46	Hódmezővásárhelyi Branch	Hódmezővásárhely
47	Hűvösvölgyi Branch	Budapest
48	Jászberényi Branch	Jászberény
49	Kalocsai Branch	Kalocsa
50	Kálvin téri Branch	Budapest
51	Kaposvári Branch	Kaposvár
52	Karcagi Branch	Karcag
53	Kazincbarcikai Branch	Kazincbarcika
54	Kecskemét, Dobó körúti Branch	Kecskemét
55	Kecskemét, Kossuth téri Branch	Kecskemét
56	Keszthelyi Branch	Keszthely
57	Királyhágó téri Branch	Budapest
58	Kiskunfélegyházi Branch	Kiskunfélegyháza
59	Kiskunhalasi Branch	Kiskunhalas
60	Kispesti Branch	Budapest
61	Kisvárdai Branch	Kisvárd
62	Komáromi Branch	Komárom
63	Kossuth téri Branch	Budapest
64	Kőbányai Branch	Budapest
65	Köki Terminál Branch	Budapest
66	Krisztina téri Branch	Budapest
67	Makói Branch	Makó
68	Mammut II. Branch	Budapest
69	Mátészalkai Branch	Mátészalka
70	Mezőkövesdi Branch	Mezőkövesd
71	Miskolc, Bajcsy-Zs. u. Branch	Miskolc
72	Miskolc, Mindszent téri Branch	Miskolc
73	Miskolc, Városház téri Branch	Miskolc
74	Mohácsi Branch	Mohács
75	Móri Branch	Mór
76	Mosonmagyaróvári Branch	Mosonmagyaróvár
77	Nagykanizsa, Belvárosi Branch	Nagykanizsa
78	Nagyvárad téri Branch	Budapest
79	Nyírbátori Branch	Nyírbátor
80	Nyíregyháza, Korzó Branch	Nyíregyháza
81	Nyíregyháza, Országzászló téri Branch	Nyíregyháza
82	Nyugati téri Branch	Budapest
83	Orosházi Branch	Orosháza
84	Paksi Branch	Paks
85	Pápai Branch	Pápa

86	Párisi utcai Branch	Budapest
87	Pécs, Diana téri Branch	Pécs
88	Pécs, Rákóczi úti Branch	Pécs
89	Pesterzsébeti Branch	Budapest
90	Pólus Irodaház Branch	Budapest
91	Private Banking SAS torony	Budapest
92	Rákóczi téri Branch	Budapest
93	Rákoskeresztúri Branch	Budapest
94	Salgótarjáni Branch	Salgótarján
95	Sárospataki Branch	Sárospatak
96	Sárvári Branch	Sárvár
97	Sátoraljaújhelyi Branch	Sátoraljaújhely
98	Siófoki Branch	Siófok
99	Sopron, Előkapu Branch	Sopron
100	Szabadság téri Branch	Budapest
101	Szarvasi Branch	Szarvas
102	Százhalombattai Branch	Százhalombatta
103	Szeged, Kölcsey u. Branch	Szeged
104	Szeged, Széchenyi téri Branch	Szeged
105	Székesfehérvár, Budai úti Branch	Székesfehérvár
106	Székesfehérvár, Palotai úti Branch	Székesfehérvár
107	Szekszárdi Branch	Szekszárd
108	Szentendrei Branch	Szentendre
109	Szentesi Branch	Szentes
110	Szentgotthárdi Branch	Szentgotthárd
111	Szigetszentmiklós Auchan Branch	Szigetszentmiklós
112	Szolnok, Baross u. Branch	Szolnok
113	Szombathely, Mártírok tér Branch	Szombathely
114	Tatabányai Branch	Tatabánya
115	Tatai Branch	Tata
116	Teréz körúti Branch	Budapest
117	Thököly úti Branch	Budapest
118	Tiszaújvárosi Branch	Tiszaújváros
119	Törökszentmiklósi Branch	Törökszentmiklós
120	Újpesti Branch	Budapest
121	Váci Branch	Vác
122	Váci út 33. Branch	Budapest
123	Várpalotai Branch	Várpalota
124	Veszprém, Ádám Iván utcai Branch	Veszprém
125	Westend Branch	Budapest
126	Záhonyi Branch	Záhony
127	Zalaegerszeg, Ispotályközi Branch	Zalaegerszeg
128	Zirci Branch	Zirc

## 2. Annex No. 2 Erste Bank Hungary Zrt. Corporate Governance Report for the year 2015

### ERSTE BANK HUNGARY Zrt. CORPORATE GOVERNANCE REPORT FOR THE YEAR 2015

Under Section 95/B of Act C of 2000 on Accounting, ERSTE BANK HUNGARY Private Limited Company („the Company”) hereby publishes its Corporate Governance Report. The Company, as an issuer of certain listed securities prepared its corporate governance report – to ensure transparency and full comparability – in accordance with Corporate Governance Recommendations approved by the Board of Directors of the Budapest Stock Exchange Zrt. on 12 November 2012. The Company notes that in some cases the recommendations prepared primarily for public limited companies are not valid for the Company due to its private limited structure.

The Company established its corporate governance system responsibly and in an efficient and transparent manner, in line with the effective financial legislative requirements and supervisory recommendations and expectations, keeping in mind the interests of customers and the Sole Shareholder. The Company is established as a one-member private bank applying the additional legislative provisions and recommendations applicable to public listed companies with the differences justified by the characteristics and operations due to its organisation.

#### PART I

##### 1. Operation of the Board, and a description of the division of responsibility and duties between the Board and the executive management

The Board as executive body of the Company governs the operation of the Company and its management in the framework set by legislation, the Statutes and the resolutions of the Sole Shareholder, and by taking into account the recommendations of its Supervisory Board. It sets its own Rules of Procedure after seeking the opinion of the Supervisory Board.

The Board's competence is, under the Statutes and the Rules of Procedure of the Board, amongst others, the preparation of the reports under the Accounting Act<sup>1</sup> (including the proposal for a decision to deploy the profit after tax), the preparation of the budget, the approval of the Company's organisational structure, the approval of the bylaws specified in the Credit Institution Act<sup>2</sup>; decision-making on the establishment and the dissolution of subsidiaries.

The Board can consist of 3 to 11 members, elected by the Sole Shareholder for a maximum of 5 years. The Board members can be reappointed and dismissed by the Sole Shareholder.

The members of the Board are employed by the Company (internal members), and persons not employed by the Company (external members). The internal members of the Board are the CEO, the Retail Deputy CEO, the CFO, the Deputy IT and Operative CEO and the Deputy Management CEO, who govern the organisational units belonging to them in order to perform their duties.

The Board elects a Chairman amongst its members. The Chairman of the Board organises the Board's work, ensures the efficient operation of the Board, represents the Board and carries out the tasks specified in the Statutes and the Board's Rules of Procedure in connection with the holding of the meetings and other tasks.

The meetings of the Board are held with the necessary frequency, but at least 4 (four) times a year. The Chairman of the Board is required to convene a Board meeting upon a written request from any member, specifying the reason for convening the meeting and the proposed agenda. The invitation must be sent in advance to the Board members as set out in the Rules of Procedure

The Board has a quorum if more than half of its members are present. The Board makes its decisions with a simple majority unless it is otherwise provided by the law or the Statutes. The language of its meetings is, under the Board's decision, either English or Hungarian.

The Board may pass its resolutions in writing, by phone, fax or in any similar way.

The Chairman elected by the Board and employed by the Company and the CEO in employed status (i.e. the primary manager appointed for the management of the Bank), and his deputies qualify as executive managers under the Credit Institution Act. The

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<sup>1</sup>Act C of 2000 on Accounting

<sup>2</sup>Act CXII of 2013 on Credit Institutions and Financial Enterprises

Board decides on the distribution of business activities amongst the executive directors and the rules for replacement. The Board's decisions are implemented by the executive directors.

The Board established, within its organisation, a Management. The Management is a body engaged in the everyday operational management of the Company, drafting the decisions and principles required for the everyday operation, the competence of which covers, amongst others: management and supervision of pending Company matters, making decisions required for the everyday business operation, issuing bylaws, decision on bringing court cases, provided that these decisions are not within the exclusive competence of the Board or other bodies under the internal Rules of Procedures or effective legislative provisions.

The members of the Management are the Chairman of the Board, the CEO of the Company and the Deputy CEO's who are also members of the Board. The CEO of the Company is the Chairman of the Management.

The Management convenes a Management meeting at a weekly frequency. The Management meeting has a quorum if more than half of its members are present. The Management meeting adopts its decisions with a simple majority.

The Management informs the Board of the measures and decisions made on a quarterly basis.

In year 2015 the Board's decisions related, amongst others, the following matters:

- reports of the executive management:
- Risk Management Reports
- adoption of the amendments to bylaws Board within the competence of the Board,
- preparation of the annual accounts and the related documentation,
- monitoring the inspection carried out by external authorities,
- decisions related to the foundation of subsidiaries (such as Erste Jelzálogbank Zrt)
- making the Company decisions related to the purchase of Citibank's retail business in Hungary, and
- to the intended acquisitions by the EBRD and the Hungarian State in the Company.

## 2. Introduction to the members of the Board and the Supervisory Board

### 2.1. *Members of the Board on 31 December 2015*

**Jelasy Radován**, Chairman of the Board, CEO, an executive manager responsible for the Corporate Business, and temporarily for certain IT and operative activities

He has been Chairman-CEO at ERSTE BANK HUNGARY Zrt. since mid 2011. Previously he was the Governor of the National Bank of Serbia between 2004 and 2010, and earlier he was Deputy Governor at the Serbian central bank. As central banker he played an important role in the consolidation of the Serbian banking sector and the insurance market, as well as in the strengthening of the regulatory and supervisory bodies; furthermore he played a key role in Serbia's negotiations with international financial institutions. As Vice President of the Banking Rehabilitation Agency he participated in the reorganisation of the banking sector and in the launch of the privatisation process of several large banks. Before that, he participated, on behalf of McKinsey&Company in Frankfurt in banking projects in Germany, Poland and Bulgaria. He started his banking career at the Deutsche Bank in Frankfurt where he worked for four years as area manager responsible for Central-Eastern Europe. The Baja born Jelasy Radován finished his secondary school in Budapest. He obtained an MBA at the Finance Faculty of Illinois University in Chicago, after having acquired a degree in economics at the Belgrade University.

**László Harmati** Executive Director, Deputy Retail CEO, an Executive Director temporarily responsible for certain IT and operative activities

The professional economist started his career at the ITCB - Consulting and Training, then between 1998 to 1999 he was Head of Department of Entrepreneurship and Regulation in the Ministry of Finance. Between 1999 and 2002, as Head of Department of Regulation at the National Bank of Hungary, he played a leading role, amongst others, in the development and launching of the domestic trading book regulation and the implementation of the Basel capital rules in Hungary. From 2002 until early 2013, as Deputy CEO at FHB Mortgage Bank Nyrt, and as CEO from 2010 the supervision of the entire business area was his competence, thus he played a leading role in the management of the bank's business strategy. In 2006-2007 he undertook an active role in founding the FHB Kereskedelmi Bank Zrt where he fulfilled the position of the CEO. In 2010 and 2011, during the acquisition of Allianz Bank Zrt he was in charge of the merger, he is associated with the establishment of the new business model, managing the rationalisation project, and the intensive retail online developments (netbank, netbroker, lead generation via the Internet). In 2012 he led several state schemes (NET, fixed exchange rate). He was a leading actor in the cost rationalisation, the development of the new set of tools for housing subsidy, he is credited with the re-tuning of the collection protocols, and the increase of the branch and direct channels' cross-sale potential.

**Jurgen De Ruijter** Executive Director, Deputy Risk management CEO

Jurgen De Ruijter has started his career in 2003 at ABN AMRO Bank NV in the Netherlands where he fulfilled various positions in both retail and corporate segments, in loan portfolio management. From 2008 he continued his career in the ABN AMRO Bank in Romania as Corporate Loan Portfolio Management Director. In 2009 he moved to the Romanian Bank of Erste Group (BCR), where he filled in numerous management positions. He was in charge of Workout between 2009 and 2011, he was a Divisional Director at Remedial & Recovery business line from 2012 until January 2013, and as of January 2013 he was the CEO of the Workout Division. From 4 February 2015 he has been Deputy Risk Management CEO at Erste Bank.

**Ivan Vondra** Executive Director, CFO

The economist professional used to work at the Czech subsidiary of the Erste Group, at Česká Sporitelna as Head of Accounting, Controlling and Business Intelligence since 2002. Before this he was also employed by a financial institution - between 1992 and 1996 he was Deputy CFO at International Commercial Bank, in Prague, thus he has a total of 20 years experience gained in the financial field. He joined Erste Bank on 1 October 2015. As CFO Ivan Vondra is responsible for Controlling, Finance and Accounting, ALM and Procurement at Erste Bank Hungary Zrt.

**Dr. János Rudnay**, external Board member

He graduated at the Vienna University' Law School in 1977. Between 1977 and 1994 he worked in management positions at various Philips affiliates. As of 1994 has was the CEO of the Pécs Brewery Rt. From 1995, he was the CEO of Reemtsma Debrecen Tobacco Plant Kft. Between 2001 and 2002 he was the member of SPB Investment Rt's advisory body. He has been a consultant to Erste Group Bank AG since September 2002. From 4 December 2003 he was external Board member of Postbank and Savings Fund Rt, then from 1 October 2004 he has been external Board member of ERSTE BANK HUNGARY Zrt.

**Frederik Silzer** external Board member

He started his career in 1988 at the die Erste österreichische Spar-Casse Bank, then from 1993 he worked at AVABANK in the control of affiliates, he was Executive Director at several Central European subsidiaries. In 1998 he joined Bank Austria AG (earlier operated as Creditanstalt AG) where he was in charge of coordinating subsidiaries, amongst other in Hungary. Since 2008 he has been in charge of coordinating Erste Bank der österreichischen Sparkassen AG in Central-Eastern Europe, including Hungary. He is responsible for numerous acquisition and integration projects.

## 2.2. *Members of Supervisory Board on 31 December 2015*

**Dr. Manfred Wimmer**, member of the Supervisory Board, Chairman of the Supervisory Board.

He graduated in 1978 at the Law School of the Innsbruck University.

His work experiences: 1982-1999: Creditanstalt, Wien, International Division. Since 1998 he has been working at ERSTE Bank der Oesterreichischen Sparkassen AG. between 1998-1999 as Head of International Marketing Department, between 1999-2002 as acquisition and integration Project Manager of Ceska Sporitelna, between 2002-2007 as Head of Strategic Holding Development Area, between 2007 and 2008 as President and Board Member of Banca Comerciala Romana, Bucharest, since 2008 as Board Member at Erste Group Bank AG responsible for Finance and Accounting and Performance Management. He retired as of 1 September 2013, keeping the Chairman position of the Bank's Supervisory Board.

**Friedrich Rödler**, Supervisory Board member

He graduated in 1975 at the Vienna Technical University (Mathematics and IT specialty), then obtained an academic degree at the Vienna School of Economics in 1976, then a second degree in "International relations" specialty. From 1976 to 1986 he was employed by Arthur Andersen & Co, then between 1986 and 1990 ha worked as a partner at GRT Robol & CO. He has been working at PWC Austria since 2000 in various positions, currently as Country Senior Partner. He has more than 34 years of work experience in financial, accounting and tax consultancy matters.

**Krisztina Zsiga**, Supervisory Board member

She graduated in 1993 at the Manchester Metropolitan University. She has been working in risk management for more than 14 years, and her career advanced in this area. She obtained numerous experiences in various European countries. Between 1995 and 2007 she worked in the Inter-Európa Bank, in Citibank and in the CitiGroup in Budapest, Moscow, Norway, Prague, London. She joined Erste Group Bank AG in January 2008 where she has been working as Head of Retail Risk Management.

**Gernot Mittendorfer**, Supervisory Board member

He graduated at the Linz Law School in 1989. He started his career at the Erste Group in 1990 as Account Manager. From 1997 he joined Sparkasse Mühlviertel West Bank AG where he built the business in the Czech Republic as member of the Managing Board. In November 1999 he was moved to the Prague headquarter of Erste Group Bank AG where he was responsible for the retail area. As of 1 July 2000 he was appointed to member of Ceska Sporitelna's Managing Board. As of August 2004 he received a CEO mandate at the Salzburger Sparkasse Bank AG, then in 2007 at Ceska Sporitelna. Since January 2011 he has been a member of Erste Group Bank AG's Managing Board as Risk Management Director. As of September 2013 he is Finance Director at Erste Group Bank AG, and in this position he is responsible for the Group Accounting, Group Performance Management and Group Asset/Liability Management.

**Magdolna Nagy**, Supervisory Board member, representing employees

She is Head of the Deposit Management and Financial Services Department

She graduated in 1990 at the Budapest School of Economics. She has 20 year experience in investment services. Since 1993 she developed the depository service activity in various domestic banks. Between 1993 and 1997, she was head of deposit management at Magyar Hitelbank, between 1997 and 2000 at CIB Közép-európai International Bank Rt; at Erste Bank she has been Head of Deposit Management since 2000.



**Márta Balogh**, Supervisory Board member, representing employees

She is Head of the Operating Control Department within IT and Operation.

She has a chartered accountant degree; and she graduated in 2002 at the Budapest Business School as economist and controller.

She started her professional career in 2002 as accountant at Colling Ltd. Between 2003-2007 she worked as an expert at Citibank Hungary and Citibank Handlowy/Warsaw/Poland (current accounts, deposits, loans, insurance and investments) within Operation, and she supported the conversion of the Core Bank System. Between 2007-2010 she worked at HSBC's Polish bank as Financial Control Manager. She joined the Bank in 2010 as Head of Section at the Operation Control; since January 2011 she leads the Operational Control Department at the Bank.

2.3. *Members of Management on 31 December 2015*

**Jelasyt Radován**, Chairman of the Board, CEO, CFO, an executive manager responsible for the Corporate Business, and temporarily for certain IT and operative activities

**László Harmati** Executive Director, Deputy Retail CEO, and an Executive Director temporarily responsible for certain IT and operative activities

**Jurgen De Ruijter** Executive Director, Deputy Risk management CEO

**Ivan Vondra** Executive Director, CFO

### 3. Description of the number of meetings held by the Board and the Supervisory Board in 2015

In 2015 the Board and the Supervisory Board held four meetings.

The quorum of the bodies at the 2015 meetings of the Board and the Supervisory Board was ensured in each case.

### 4. The presentation of viewpoints considered when evaluating the work of the Managing Body, the Supervisory Board, the executive management, as well as of the different members

The Company is a credit institution subject to the Credit Institution Act, where, in line with the legislative provisions the Remuneration and Appointment Committee appraised the members of the Board and the Supervisory Board. The appraisal criteria for Executive Managers are set out in the Remuneration Policy published by the Company, and other criteria in the Credit Institution Act. No further measures were made as a follow-up to this appraisal.

### 5. Report on the operation of individual committees

5.1. *Supervisory Board*

The Supervisory Board verifies, for the Sole Shareholder, the operation of the Company and carries out the tasks delegated to it by the law or the Company's Statutes, in particular:

- the Supervisory Board will ensure that the Company's operation is in line with the laws and the resolutions of the Sole Member;
- the Supervisory Board forms an opinion on the balance sheet of the Company and the proposals on the distribution of profits and the coverage of losses;
- the Supervisory Board will check the performance of the Company's Board;
- Before submitting it to the Sole Shareholder, it forms an opinion on the draft amendments to the Statutes;
- it makes a proposal to the Sole Shareholder on the person and remuneration of the auditor to be elected;
- it makes a proposal to the Sole Shareholder on the appointment, dismissal and remuneration of the Company's Board members;
- the Supervisory Board forms a preliminary opinion on the Company's budget;
- it forms an opinion on the Board's Rules of Procedure;
- it adopts, implements and reviews the principles of the Remuneration Policy and it is responsible for its verification;
- the Supervisory Board manages the organisation of the Internal Audit;
- it develops recommendations and proposals on the basis of the findings of the examinations carried out by the Internal Audit.

In order to complete the above task it can request reports and information from the Board and the Company employees in management positions. The Supervisory Board can examine, either by itself or via appointed experts, the Company's books and documents.

The Supervisory Board can consists of 3 to 9 members, elected by the Sole Shareholder for a maximum of 5 years. The Supervisory Board members can be reappointed and dismissed by the Sole Shareholder. As long as the annual average number of the Company's FTE employees exceeds 200 people, one third of the Supervisory Board members are appointed by the Sole Shareholder on the basis of the nomination by the Work Council. The Sole Shareholder can dismiss employee delegates only upon the proposal from the Work Council.

The Supervisory Board shall elect a chairperson from among its members. The Chairman of the Supervisory Board can participate in Board meetings in a consultative capacity.

The Supervisory Board holds meetings as necessary but it must have a minimum of four meetings a year. Any member of the Supervisory Board may request the chairperson to convene a meeting in writing by specifying the reason and the purpose of the meeting.

The invitation letters and the proposals concerning the matters to be discussed at the Supervisory Board's meeting must be sent to the members as set out in the Rules of Procedure.

The Supervisory Board has a quorum if it is properly convened and the composition of the attendees is in line with the conditions set out in the Rules of Procedure.

The Supervisory Board will pass its resolutions by a simple majority of votes and by open voting. In the case of equal number of votes, the vote of the chairman is decisive. Where the employee delegate's opinion is unanimously different from the Supervisory Board's majority opinion, the minority position of the employees must be disclosed to the Sole Shareholder.

The Supervisory Board may pass its resolutions in writing, by phone, fax or in any similar way, as set out in the Rules of Procedure.

As a rule, the documents related to the Supervisory Board meetings and resolutions are drawn up in English.

In 2015 the Supervisory Board resolutions affected primarily the following issues:

- Quarterly Board reports,
- Remuneration Policy,
- Matters related with the governance of the Internal Audit; and
- the Company's organisational transformations,
- Preparation of the Annual Report and the related report, making proposals,
- making decisions related to the main changes related to subsidiaries (such as foundation of Erste Jelzálogbank Zrt),
- Company decisions related to the purchase of Citibank's retail business in Hungary, and
- to the intended acquisitions by the EBRD and the Hungarian State in the Company.

## 5.2. *Audit Committee*

The Audit Committee is a sub-committee of the Supervisory Board that carries out advisory and consultancy tasks to the Supervisory Board as set out in its Rules of Procedure, and performs other tasks as set out by the Supervisory Board. Under the Rules of Procedure, the Audit Committee is competent in the following matters, amongst others: tasks related to the report under the Accounting Act, the audit made by the auditors, the person of the auditor and the contract to be concluded with it, the evaluation of the financial reporting system; furthermore the Audit Committee performs tasks related to the operation of internal control, such as the activities of the internal independent audit organisation and proposes measures in connection with the risk assessment and risk management systems.

The Audit Committee can consist of 3 members, elected by the Sole Shareholder from the members of the Supervisory Board. The Chairman and Deputy Chairman of the Audit Committee are elected from its members by the Supervisory Board.

The Audit Committee holds meetings as necessary but it must have a minimum of two meetings a year. The meeting is convened by the Chairman, or in his absence by the Deputy Chairman. Its meeting must be convened if initiated by the Supervisory Board by specifying the purpose of the meeting.

The Audit Committee has a quorum if it is properly convened and at least two members are present; it passes its resolutions with unanimous decision.

The rules of the Audit Committee's operation are set out in its Rules of Procedure, adopted by the Supervisory Board. The Rules of Procedure allows participation at the meeting via tele-conference or video-conference.

The Audit Committee may pass its resolutions by phone, fax or in any similar way.

The language of the Audit Committee's meetings is either English or German, depending on the ad-hoc decision by the Audit Committee.

The Audit Committee reports to the Supervisory Board on its activities and prepares regular written reports on its meetings.

In 2015, the Audit Committee held four meetings, all of them had a quorum.

In 2015 the Audit Committee primarily passed decisions on internal audit, the inspections carried out by the NBH at the Company, with the annual report and the auditor. The Board made no resolutions against the proposal from the Committee.

Members of the Audit Committee on 31 December 2015

Friedrich Rödler, Chairman  
Krisztina Zsiga, Deputy Chairwoman  
Gernot Mittendorfer, member

### 5.3. *Risk Taking - Risk Management Committee*

The Risk Taking - Risk Management Committee is responsible for examining the reports related to the Company's risk profile, the risk management framework and risk management processes, and to supervise continuously the Company's solvency positions and compliance with the legislation and Erste Group level standards. It examines pricing principles, reviews remuneration guidelines in the context whether they comply with the institution's risk, capital and liquidity positions and the expected revenues.

The Committee receives information on every relevant development in risk management, reviews and discusses portfolio reports, and reports prepared on the risk management framework and related processes.

The Risk Taking - Risk Management Committee has five members: the external Board members, and members delegated by the Supervisory Board from its members, aligned to the number of external Board members.

The Risk Taking - Risk Management Committee shall elect a chairman and a deputy chairman.

The meetings of the Risk Taking - Risk Management Committee can be attended by any member of the Board or the Supervisory Board without a voting right, and experts and employees can also be invited.

The Risk Taking - Risk Management Committee holds its meetings as required but at least four times a year. The meeting of the Committee must be convened by the Chairman, or in his absence by the deputy chairman upon the request from any member specifying the reason for the meeting.

The Risk Taking - Risk Management Committee has a quorum if it is convened properly and at least three members are present. The Committee's meetings are conducted in the English language. To pass a resolution on any matter discussed at the Committee's meeting at least three members voting for the decision is required. The members can participate at the meeting via a teleconference or a video conference.

The Risk Taking - Risk Management Committee may pass its resolutions via the phone, fax or other similar ways.

The Chairman, or in his absence the deputy Chairman reports the Board on the activities completed by the Committee and the meetings held. The Committee prepares regular reports and submits them to the Supervisory Board.

In 2015 the Risk Taking - Risk Management Committee held four meetings, all members attended two meetings, and five members attended two meetings.

In year 2015 the Committee dealt with the matters within its competence, the amendment of risk management policies, and the effects of external events relevant for risk management, amongst others the FX conversion, the broker scandal and the issue of the Swiss Franc's exchange rate.

Members of the Risk Taking - Risk Management Committee on 31 December 2015

Krisztina Zsiga, Chairwoman  
Manfred Wimmer, Deputy Chairman  
Gernot Mittendorfer  
Friedrich Rödler  
Frederik Silzer  
Dr. János Rudnay

### 5.4. *Remuneration and Nomination Committee*

The Remuneration and Nomination Committee performs the tasks specified in the Credit Institution Act for the Remuneration and Nomination Committee, as set out in its Rules of Procedure.

The Remuneration and Nomination Committee has five members, its members are the external members of the Board and the members delegated by the Supervisory Board, depending on the number of external Board members

The Committees Rules of Procedure sets out the Board and Supervisory Board members, and employees that can attend the meetings of the Committee with consultancy rights. Depending on the agenda items, further guests, the Company's employees and external experts can be invited to the meetings of the Remuneration and Nomination Committee.

The Board elects the Chairman of the Committee out of the external Board members. The Board elects a Deputy Chair to replace the Chairman.

The Committee shall meet as required but at least twice a year. The Committee's meeting must be convened if initiated by the any of its members by specifying the purpose of the meeting. The invitation letters and the documents concerning the matters to be discussed at the meeting must be sent to the members before the meeting, as set out in the Rules of Procedure.

The Committee may pass its resolutions by phone, fax or in any similar way.

The Committee has a quorum if at least three members are present. The Committee can pass decisions in any matter discussed at the meeting if at least three members vote for it. The meeting can be attended via a teleconference or a video conference.

The Committee's meetings are held in Hungarian, English or German.

In 2015 the Remuneration and Nomination Committee held two meetings; both meetings had a quorum.

In 2015 the Committee mainly dealt with changes in the top management, remuneration issues, tasks within the Nomination Committee's competence and matters related to the amendment of the Remuneration Policy.

Members of the Remuneration and Nomination Committee on 31 December 2015:

dr. János Rudnay, Chairman  
Frederik Silzer, Deputy Chairman  
Manfred Wimmer  
Krisztina Zsiga  
Gernot Mittendorfer

## **6. Presentation of the system of internal controls and evaluation of the activity in the relevant period**

The Company's internal control functions are the risk control function, compliance control function and internal audit function. In the context of the financial process the work of the standing auditor is part of the internal control. The system of internal controls, the principles related to this system are set out in the Company bylaws in line with the Credit Institution Act and the recommendation from the National Bank of Hungary.

The Supervisory Board governs the system of the independent internal audit and during this:

- it ensures that the Company has a comprehensive control system in place that is suitable for the effective operation,
- it checks the annual and interim Company financial reports,
- it adopts the annual audit plan of the internal audit organisational unit,
- It discusses at least half yearly the reports prepared by the internal audit and verifies the implementation of the required measures.
- if necessary, it assists the work of the internal audit by engaging an external expert,
- it makes proposals to change the headcounts of the internal audit organisational unit.

The Supervisory Board develops recommendations and proposals on the basis of the findings of the examinations carried out by the Internal Audit.

Decisions related to the establishment of an employment of the Head of Internal Audit, and his dismissal by the employer can be passed with the preliminary consent from the Supervisory Board.

The sub-committee of the Supervisory Board, the Audit Committee also performs tasks related to the operation of the internal control system and the activities of the independent internal audit system, amongst others: it discusses all internal audit related material prepared for the Supervisory Board, it makes proposals for the Supervisory Board on the appointment, dismissal of the head of internal audit, the organisation, headcount and main operational rules of the internal audit, makes proposals to the Supervisory Board in connection with the annual audit plan and the outcome of the internal audit activity.

## **7. Report on the efficiency and effectiveness of risk management procedures :**

**The Company publishes its Risk Report on its website each year, containing the organisational structure of risk management and the relevant risk management information at the Company in the previous year, and the risk factors influencing the Company's operation and management.** The Risk Report can be accessed here at the Company website

(www.erstebank.hu): *Bankunkról/Erste Bank Hungary Zrt./Vállalatirányítás/Közlemények/2016-os hivatalos közzétételek*

### **Auditor's activity**

The Company has a standing auditor, appointed by the Sole Shareholder, registered in the Company Register.

The Company engaged with the audit of its 2015 annual report and consolidated annual report in line with the legislation in force Ernst & Young Kft (1132 Budapest, Váci út 20.). Appointed auditor: Gergely Szabó (mother's name: Zsuzsanna Kiss, 1202 Budapest, Mézes u. 35, Registration number with the Chamber: 005676

The auditor performs its other tasks specified by the law (in particular in the Credit Institution Act); furthermore the Board and the Supervisory Board can request the auditor to perform special inspections and to draw up a report on them.

The Company regularly presents, in the Notes to the Annual Accounts, the fees charged by the auditor for the other certification services, for tax consultancy and other non-audit services charged in the reporting year (in addition to the fee charged by the auditor for the audit of the reports of the reporting year).

### **8. The company's disclosure policy**

The Company is a one-member private limited company that lays down its publication principles and procedures in its bylaws, in accordance with the legislative provisions. The bylaws set out principles and procedures which ensure that all relevant information about the Company and circumstances influencing its share price are disclosed accurately, in a timely fashion and in full.

### **9. The Company's policy on trading by insiders**

The Company is a one-member private limited company, which manages the list of insider traders in line with the provisions of the Capital Market Act<sup>3</sup> and establishes its bylaws on insider trading.

### **10. Method of exercising shareholders' rights**

The Company's main body is the Sole Shareholder, which decides in matters belonging into his competence under legislation and the Statutes in writing, of which it is required to notify the senior officials. The Sole Shareholder's decisions become effective upon their communication to the Board.

The decision-making by the Sole Shareholder can be initiated by the Board, and in cases specified by the law, the National Bank of Hungary, the Supervisory Board, the auditor and the Court of Registration.

The Sole Shareholder's exclusive competence, amongst others,

- establishment and amendments to the Statutes;
- increasing and decreasing the share capital;
- decisions on transformation, form of operation or termination of the Bank without succession;
- appointment, dismissal, and setting the remuneration of the members of the Board;
- the election and dismissal of the members of the Supervisory Board or the Bank's auditor, and establishing their remuneration;
- the election and dismissal of the members of the Audit Committee;
- adoption of the accounts under Act C of 2000 on Accounting (the Accounting Act), including the decision of the profit after tax;
- decision on interim dividends, with the exception of the cases set out in Section 13.3(ii) of the Statutes;
- decisions to issue convertible bonds or bonds with subscription rights;
- decisions on all issues which are assigned to the competence of the Sole Shareholder by law or the Statutes.

### **11. Remuneration statement**

The Company publishes, together with its annual report, on its website the main remuneration data for the previous years, furthermore the summary of its current remuneration policy is available on its website.

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<sup>3</sup>Act CXX of 2001 on the Capital Market

## II. PART

### CORPORATE GOVERNANCE REPORT

#### Corporate Governance Declaration on Compliance with the Corporate Governance Recommendations

As part of the Corporate Governance Report, by completing the following tables, the company declares to what extent it applied in its own practice of corporate governance the recommendations and suggestions formulated in the different points of the Corporate Governance Recommendations published by the Budapest Stock Exchange Ltd.

By reviewing the tables, market participants may receive information on the extent to which the corporate governance practice of different companies meets certain requirements included in the CGR, and may easily compare the practices of the different companies.

#### Level of compliance with the Recommendations

The Company should indicate whether it applies the relevant recommendation or not, and in the case of a negative answer, it should provide the reasons for not applying the given recommendation.

A 1.1.1	The Managing Body ensured that shareholders received access to information in time to enable them to exercise their rights.	Yes (Complies)	No (Explanation)
A 1.1.2	The company applies the "one share - one vote" principle.	Yes (Complies)	No (Explanation)
A 1.2.8	The company ensures that shareholders must meet the same requirements in order to attend at the general meeting.	Yes (Complies)	No (Explanation)
A 1.2.9	Items on the general meeting agenda only include subjects which are correctly detailed and summarized clearly and unambiguously.	Yes (Complies)	No (Explanation)
	The proposals included the suggestions of the Supervisory Board and a detailed explanation of the effects of the decision.	Yes (Complies)	No (Explanation)
A 1.2.10	Shareholders' comments on and supplements to the items on the agenda were published at least two days prior to the general meeting.	Yes (Complies)	<b>No (Explanation)</b>
	<b>The Company is a one-member private limited company, for which no legislative obligation for such publication exists, due to the special characteristics of the operational form.</b>		
A 1.3. 8	Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.	Yes (Complies)	No (Explanation)
	<b>The Company is a one-member private limited company, for which no such registration takes place, due to the special characteristics of the operational form and publication is not mandatory under the law.</b>		
	Written comments made on the items on the agenda were published two working days prior to the general meeting.	Yes (Complies)	No (Explanation)
	<b>The Company is a one-member private limited company, for which no legislative obligation for such publication exists, due to the special characteristics of the operational form.</b>		
A 1.3.10	The election and dismissal of executives took place individually and by separate resolutions.	Yes (Complies)	No (Explanation)
A 2.1.1	The responsibilities of the Managing Body include those laid out in 2.1.1.	Yes (Complies)	No (Explanation)

**The Company is subject to the Credit Institution Act, which delegates the task under Section 2.1.1. d) to the Remuneration and Appointment Committee, otherwise the Board's tasks cover Section 2.1.1.**

- A 2.3.1 The Managing Body held meetings regularly, at times designated in advance.  
**Yes (Complies)** No (Explanation)
- The Supervisory Board held meetings regularly, at times designated in advance.  
**Yes (Complies)** No (Explanation)
- The rules of procedure of the Managing Body provide for unscheduled meetings and decision-making through electronic communications channels.  
**Yes (Complies)** No (Explanation)
- The rules of procedure of the Supervisory Board provide for unscheduled meetings and decision-making through electronic communications channels.  
**Yes (Complies)** No (Please explain)
- A 2.5.1 The Board of Directors / Supervisory Board of the company has a sufficient number of independent members to ensure the impartiality of the board.  
**Yes (Complies)** **No (Explanation)**  
**The Company is a private limited company, where the rules provided for in the Civil Code<sup>4</sup> for the independence of public limited companies' board members are not applicable. No Board of Directors operates at the Company.**
- A 2.5.4 At regular intervals (in connection with the CG Report) the Board of Directors / Supervisory Board requested a confirmation of their independent status from those members considered independent.  
**Yes (Complies)** **No (Explanation)**  
**The Company is a private limited company, where the rules provided for in the Civil Code for the independence of public limited companies' board members are not applicable. No Board of Directors operates at the Company.**
- A 2.5.6 The company disclosed on its website the guidelines on the independence of the Board of Directors / Supervisory Board, as well as the criteria applied for assessing independence.  
**Yes (Complies)** **No (Explanation)**  
**The Company is private limited company, and it has no such obligation, due to the special characteristics of the operational form.**
- A 2.6.1 Members of the Managing Body informed the Managing Body (Supervisory Board/Audit Committee) if they (or any other person in a close relationship to them) had a significant personal stake in a transaction of the company (or the company's subsidiary).  
**Yes (Complies)** No (Explanation)
- A 2.6.2 Transactions between board and executive management members (and persons in close relationship to them) and the company (or its subsidiary) were conducted according to general rules of practice of the company, but with stricter transparency rules in place.  
**Yes (Complies)** No (Explanation)
- Transactions which according to 2.6.2, fell outside the normal course of the company's business, and their terms and conditions were approved by the Supervisory Board (Audit Committee).  
**Yes (Complies)** **No (Explanation)**  
**The Company is a company subject to the Credit Institution Act, and according to this legislation, transactions concluded between the members of the bodies and the management (and persons related to them) and the Company (and its subsidiaries) are approved by the body/bodies specified by the bylaws, established in line with the requirements of the Credit Institution Act on internal lending and conflict of interests (decision of the Company's Board and the consent decision by the Supervisory Board, and of the subsidiary's Board and/or Supervisory Board).**
- A 2.6.3 Board members informed the Supervisory Board/Audit Committee if they received an offer of Board membership or an offer of an executive management position in a company which is not part of the company group.  
**Yes (Complies)** **No (Explanation)**

<sup>4</sup>Act V of 2013 on the Civil Code of Hungary



- At the Company, notifications to the Company Secretariat are examined by Compliance in line with the bylaws for potential conflicts of interests, and in the event of establishing the existence of the conflict of interests it calls the person concerned, by setting an appropriate deadline, to resolve the conflict of interest.**
- A 2.6.4 The Managing Body established its guidelines on information flow within the company and the handling of insider information, and monitored compliance with those guidelines.
- Yes (Complies) No (Explanation)
- The Managing Body established its guidelines regarding insiders' trading in securities and monitored compliance with those guidelines.
- Yes (Complies) No (Explanation)
- A 2.7.1 The Managing Body formulated remuneration guidelines regarding the evaluation and remuneration of the work of the Managing Body, the Supervisory Board and the executive management.
- Yes (Complies) **No (Explanation)**
- The Company is a company subject to the Credit Institution Act, and in line with the requirements of that legislation the principles of the Company Remuneration Policy are adopted and reviewed by the Supervisory Board. In line with the legislative provisions the Remuneration and Appointment Committee appraised the members of the Board and the Supervisory Board.**
- The Supervisory Board formed an opinion on the remuneration guidelines.
- Yes (Complies) **No (Explanation)**
- The Company is a company subject to the Credit Institution Act, and in line with the requirements of that legislation the principles of the Company Remuneration Policy are adopted and reviewed by the Supervisory Board.**
- The guidelines regarding the remuneration for the Managing Body and the Supervisory Board and the changes in those guidelines were approved by the general meeting, as a separate item on the agenda.
- Yes (Complies) **No (Explanation)**
- The Company is a company subject to the Credit Institution Act, and in line with the requirements of that legislation the principles of the Company Remuneration Policy are adopted and reviewed by the Supervisory Board.**
- A 2.7.2 The Managing Body prepared an evaluation of the work it carried out in the given business year.
- Yes (Complies) **No (Explanation)**
- The Company is a company subject to the Credit Institution Act, and in line with the requirements of that legislation the appraisal of the Board's members work and performance is the responsibility of the Remuneration and Appointment Committee.**
- A 2.7.2.1 The Supervisory Board prepared an evaluation of the work it carried out in the given business year.
- Yes (Complies) **No (Explanation)**
- The Company is a company subject to the Credit Institution Act, and in line with the requirements of that legislation the appraisal of the Supervisory Board's members work and performance is the responsibility of the Remuneration and Appointment Committee.**
- A 2.7.3 It is the responsibility of the Managing Body to monitor the performance of and determine the remuneration for the executive management.
- Yes (Complies) No (Explanation)
- The frameworks of benefits due to members of the executive management that do not represent normal practice, and the changes in those benefits were approved by the general meeting as a separate agenda item.
- Yes (Complies) **No (Explanation)**
- The Company is a company subject to the Credit Institution Act, and in line with the requirements of that legislation the frameworks of the remuneration applied by the Company and different from the usual are adopted and reviewed by the Remuneration and Appointment Committee, within the framework set by the principles of the Remuneration Policy.**
- A 2.7.4 The structure of share-incentive schemes were approved by the general meeting.



	Yes (Complies)	No (Explanation)
	<b>In year 2015 no share-incentive scheme existed at the Company.</b>	
	Prior to the decision by the general meeting on share-incentive schemes, shareholders received detailed information (at least according to those contained in 2.7.4).	
	Yes (Complies)	No (Explanation)
	<b>In year 2015 no share-incentive scheme existed at the Company.</b>	
A 2.7.7	The Remuneration Statement was prepared by the company and submitted to the general meeting.	
	Yes (Complies)	No (Explanation)
	<b>The Company's Remuneration Policy is approved by the Supervisory Board, in line with the requirements of the Credit Institution Act, the summary of which is published by the Company. Furthermore, the Company prepares, under the CRR<sup>5</sup>, and publishes in the framework of the Risk Report its remuneration data for the reporting year; the Risk Report is approved by the Management of the Company.</b>	
	The Remuneration Statement includes information about the remuneration of individual members of the Managing Body, the Supervisory Board, and the executive management.	
	Yes (Complies)	No (Explanation)
	<b>The Company prepares, under the CRR, and publishes in the framework of the Risk Report its remuneration data for the reporting year; it contains remuneration data on an aggregate basis.</b>	
A 2.8.1	The Managing Body or the committee operated by it is responsible for monitoring and controlling the company's entire risk management.	
	Yes (Complies)	No (Explanation)
	<b>The Company, as a credit institution with at least 5 percent market share in terms of its balance sheet total, has a Risk Management Committee established in line with the Credit Institution Act.</b>	
	The Managing Body requests information on the efficiency of risk management procedures at regular intervals.	
	Yes (Complies)	No (Explanation)
	The Managing Body took the necessary steps to identify the major risk areas.	
	Yes (Complies)	No (Explanation)
A 2.8.3	The Managing Body formulated the principles regarding the system of internal controls.	
	Yes (Complies)	No (Explanation)
	<b>Risk control function, compliance control function and internal audit function can be classified as internal control functions. The system of internal controls, and the principles related to that system are established in accordance with the Credit Institution Act and Recommendation No. 6/2014 (XII. 17.) of the National Bank of Hungary, approved by the bodies provided for in the bylaws and legislation.</b>	
	The system of internal controls established by the executive management guarantees the management of risks affecting the activities of the company, and the achievement of the company's performance and profit targets.	
	Yes (Complies)	No (Explanation)
A 2.8.4	When developing the system of internal controls, the Managing Body took into consideration the viewpoints included in 2.8.4	
	Yes (Complies)	No (Explanation)
A 2.8.5	It is the duty and responsibility of the executive management to develop and maintain the system of internal controls.	
	Yes (Complies)	No (Please explain)
	<b>Within the framework set out in the Credit Institution Act</b>	
A 2.8.6	The company created an independent Internal Audit function which reports to the Audit Committee / Supervisory Board.	

<sup>5</sup>Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (CRR)

	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
	The Internal Audit reported at least once to the Audit Committee / Supervisory Board on the operation of risk management, internal control mechanisms and corporate governance functions.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
A 2.8.7	The internal audit activity is carried out by the Internal Audit function based on authorisation from the Audit Committee / Supervisory Board.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
	As an organisation, the Internal Audit function is independent from the executive management.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
A 2.8.8	The Internal Audit schedule was approved by the Managing Body (Supervisory Board) based on the recommendation of the Audit Committee.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
	<b>Under the Credit Institution Act, the internal audit plan is adopted by the Supervisory Board.</b>	
A 2.8.9	The Managing Body prepared its report for shareholders on the operation of internal controls.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
	<b>The operation of internal controls established in line with the Credit Institution Act is audited by the Internal Audit; the supervision of the Internal Audit is the competence of the Supervisory Board. Risk control and compliance control are subject to the governance by the member of the Company's risk management, which areas regularly report to the Board, to the Supervisory Board, and to the management.</b>	
	The Managing Body developed its procedures regarding the receipt, processing of reports on the operation of internal controls, and the preparation of its own report.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
	<b>The Supervisory Board is responsible for developing the procedures related to the reports on internal controls established in accordance with the Credit Institution Act, in the cases specified in the Credit Institution Act.</b>	
A 2.8.11	The Managing Body identified the most important deficiencies or flow in the system of internal controls, and reviewed and re-evaluated the relevant activities.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
A 2.9.2	The Managing Body, the Supervisory Board and the Audit Committee were notified in all cases when an assignment given to the auditor may have resulted in significant additional expense, caused a conflict of interest, or affected normal business practices significantly in any other way.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
A 2.9.3	The Managing Body informed the Supervisory Board of any assignment given to the external auditor or an external advisor in connection with any event which held significant bearing on the operations of the company.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
	The Managing Body pre-determined in a resolution what circumstances constitute "significant bearing" on the operation of the Company.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
	<b>The Company classify economic transactions as „significant bearing” actions according to the finance ministry decree of 24/2008. (VIII. 15.).</b>	
A 3.1.6	On its website, the company disclosed duties delegated to the Audit Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
	<b>The Company is a one-member private limited company, for which no above referred publication takes place.</b>	

A 3.1.6.1	<p>On its website, the company disclosed duties delegated to the Nomination Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).</p> <p>Yes (Complies) <span style="float: right;"><b>No (Explanation)</b></span></p> <p><b>The Company is a private limited company, for which no above referred publication takes place.</b></p>
A 3.1.6.2	<p>On its website, the company disclosed duties delegated to the Remuneration Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).</p> <p>Yes (Complies) <span style="float: right;"><b>No (Explanation)</b></span></p> <p><b>The Company is a private limited company, for which no above referred publication takes place.</b></p>
A 3.2.1	<p>The Audit Committee / Supervisory Board monitored the efficiency of risk management, the operation of internal controls, and the activity of the Internal Audit.</p> <p><b>Yes (Complies)</b> <span style="float: right;">No (Explanation)</span></p>
A 3.2.3	<p>The Audit Committee / Supervisory Board received accurate and detailed information on the work schedule of the Internal Auditor and the independent auditor, and received the auditor's report on problems discovered during the audit.</p> <p><b>Yes (Complies)</b> <span style="float: right;">No (Explanation)</span></p>
A 3.2.4	<p>The Audit Committee / Supervisory Board requested the new candidate for the position of auditor to submit the disclosure statement according to 3.2.4.</p> <p><b>Yes (Complies)</b> <span style="float: right;">No (Explanation)</span></p>
A 3.3.1	<p>There is a Nomination Committee operating at the company.</p> <p><b>Yes (Complies)</b> <span style="float: right;">No (Explanation)</span></p>
A 3.3.2	<p>The Nomination Committee provided for the preparation of personnel changes.</p> <p><b>Yes (Complies)</b> <span style="float: right;">No (Explanation)</span></p> <p>The Nomination Committee reviewed the procedures regarding the election and appointment of members of the executive management.</p> <p><b>Yes (Complies)</b> <span style="float: right;">No (Explanation)</span></p> <p>The Nomination Committee evaluated the activity of board and executive management members.</p> <p><b>Yes (Complies)</b> <span style="float: right;">No (Explanation)</span></p> <p>The Nomination Committee examined all the proposals regarding the nomination of board members which were submitted by shareholders or the Managing Body.</p> <p>Yes (Complies) <span style="float: right;"><b>No (Explanation)</b></span></p> <p><b>The Nomination Committee examines, in accordance with the Credit Institution Act, the nomination of Board members, Executive Directors and Supervisory Board members.</b></p>
A 3.4.1	<p>There is a Remuneration Committee operating at the company.</p> <p><b>Yes (Complies)</b> <span style="float: right;">No (Explanation)</span></p>
A 3.4.2	<p>The Remuneration Committee made a proposal for the system of remuneration for the boards and the executive management (individual levels and the structure of remuneration), and carries out its monitoring.</p> <p><b>Yes (Complies)</b> <span style="float: right;">No (Explanation)</span></p>
A 3.4.3	<p>The remuneration of the executive management was approved by the Managing Body based on the recommendation of the Remuneration Committee.</p> <p><b>Yes (Complies)</b> <span style="float: right;">No (Explanation)</span></p> <p>The remuneration of the Managing Body was approved by the general meeting based on the recommendation of the Remuneration Committee.</p>

	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
	<b>The employer's rights with regard to Executive Directors are exercised by the Board of the Company; the remuneration of the Board members is approved by the Sole Shareholder.</b>	
	The Remuneration Committee also monitored the share option, cost reimbursement and other benefits in the remuneration system.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
A 3.4.4	The Remuneration Committee made proposals regarding remuneration guidelines.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
A 3.4.4.1	The Remuneration Committee made proposals regarding the remuneration of individual persons.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
A 3.4.4.2	The Remuneration Committee reviewed the terms and conditions of contracts concluded with the members of the executive management.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
<b>A 3.4.4.3</b>	The Remuneration Committee ascertained whether the company fulfilled its disclosure obligations regarding remuneration issues.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
A 3.4.7	The majority of the members of the Remuneration Committee are independent.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
	<b>The Company is a credit institution subject to the Credit Institution Act, whose Remuneration Committee is established with the composition set out by the law.</b>	
A 3.5.1	The Managing Body disclosed its reasons for combining the Remuneration and Nomination Committees.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
	<b>The Credit Institution Act applicable to the Company does not provide for a publication on the justified nature of this combination.</b>	
A 3.5.2	The Managing Body carried out the duties of the Nomination Committee and disclosed its reasons for doing so.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
	<b>There is a Remuneration and Nomination Committee operating at the Company.</b>	
A 3.5.2.1	The Managing Body carried out the duties of the Remuneration Committee and disclosed its reasons for doing so.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
	<b>There is a Remuneration and Nomination Committee operating at the Company.</b>	
A 4.1.1	In its disclosure guidelines, the Managing Body established those principles and procedures which ensure that all relevant information about the operations of the company and circumstances influencing its share price are disclosed and made available accurately, in a timely fashion and in full.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
	<b>The Company is a one-member private limited company that lays down its publication principles and procedures in its bylaws, in accordance with the legislative provisions.</b>	
A 4.1.2	The company ensured in its disclosure activities that all shareholders and market participants were treated equally.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
	<b>The Company is a one-member private limited company, therefore the above principle applies automatically.</b>	
A 4.1.3	The company's disclosure guidelines include the procedures governing electronic, on-line disclosure.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>
	The company develops its website taking into consideration disclosure guidelines and the provision of information to investors.	
	<b>Yes (Complies)</b>	<b>No (Explanation)</b>

	<b>The Company is a one-member private credit institution, who develops its website in line with its ownership structure, by keeping in mind the disclosure principles and the notification of customers and investors.</b>	
A 4.1.4	The Managing Body assessed the efficiency of disclosure processes. <b>Yes (Complies)</b> <b>The Company is a one-member private limited company.</b>	No (Explanation)
A 4.1.5	The company published its corporate events calendar on its website. <b>Yes (Complies)</b> <b>The Company is a one-member private limited company.</b>	<b>No (Explanation)</b>
A 4.1.6	In the annual report and on the website of the company, the public was informed about the company's corporate strategy, its main business activities, business ethics and its policies regarding other stakeholders. <b>Yes (Complies)</b>	No (Explanation)
<b>A 4.1.8</b>	In the annual report the Managing Body disclosed the character and size of any other assignments given by the company or its subsidiaries to the auditing firm responsible for auditing the financial statements. <b>Yes (Complies)</b>	No (Explanation)
A 4.1.9	In the annual report and on the website the company discloses information on the professional career of the members of the Managing Body, the Supervisory Board and the executive management. <b>Yes (Complies)</b>	No (Explanation)
A 4.1.10	The company provided information on the internal organisation and operation of the Managing Body and the Supervisory Board. <b>Yes (Complies)</b> <b>The Company is a one-member private limited company that provides public information on the compositions of the Board and the Supervisory Board.</b>	<b>No (Explanation)</b>
A 4.1.10.1	The company provided information on the criteria considered when evaluating the work of the Managing Body, the executive management and the individual members thereof. <b>Yes (Complies)</b>	No (Explanation)
A 4.1.11	In the annual report and in the Remuneration Statement on the company's website, the company informed the public about the applied remuneration guidelines, including the remuneration and fees provided for members of the Managing Body, the Supervisory Board and the executive management. <b>Yes (Complies)</b> <b>The Company publishes the summary of its Remuneration Policy, and in the framework of the Risk Report its remuneration data for the reporting year, in accordance with the reporting year. The Company does not publish the remuneration declaration set out in the Commission Recommendation 2004/913/EC.</b>	<b>No (Explanation)</b>
A 4.1.12	The Managing Body disclosed its risk management guidelines, including the system of internal controls, the applied risk management principles and basic rules, as well as information about major risks. <b>Yes (Complies)</b> <b>The Company publishes its Risk Report with the above content, in line with the requirements of the Credit Institution Act.</b>	No (Explanation)
A 4.1.13	In order to provide market participants with information, the company publishes its report on corporate governance at the same time that it publishes its annual report. <b>Yes (Complies)</b> <b>In 2015 the Company's Corporate Governance report in line with CRR was published in the framework of the Risk Report.</b>	No (Explanation)
A 4.1.14	The company discloses its guidelines governing insiders' trading in the company's securities on its website. <b>Yes (Complies)</b> <b>The Company is a one-member private limited company whose securities are not traded publicly.</b>  The company published in the annual report and on its website ownership in the company's securities held by the members of the Managing Body, the Supervisory Board and the executive management, as well as any interests held in share-incentive schemes.	<b>No (Explanation)</b>

Yes (Complies)

**No (Explanation)**

**The Company is a private limited company, whose shares are fully owned by the Sole Shareholder.**

A 4.1.15 In the annual report and on its website, the company disclosed any relationship between members of the Managing Body and the executive management with a third party, which might have an influence on the operations of the company.

Yes (Complies)

**No (Explanation)**

**The Company is a one-member private limited company that treats and keeps record of the relationships between the Board and the management with third parties that can influence the operation of the Company as set out in its bylaws, in accordance with the Credit Institution Act.**

### Level of compliance with the Suggestions

The company should indicate whether the relevant suggestion of the CGR is applied or not (– Yes / No)

J 1.1.3	The company has an investor relations department.	<u>Yes</u> / No
J 1.2.1	The company published on its website the summary document regarding the conducting of the general meeting and the exercise of shareholders' rights to vote (including voting via proxy) Note: the Company's Statutes provides for decision-making by the Sole Shareholder	Yes / <u>No</u>
J 1.2.2	The company's articles of association are available on the company's website.	<u>Yes</u> / No
J 1.2.3	The company disclosed on its website information according to 1.2.3 (on the record date of corporate events).	Yes / <u>No</u>
J 1.2.4	Information and documents according to 1.2.4 regarding general meetings (invitations, proposals, draft resolutions, resolutions, minutes) were published on the company's website. Note: under Section 123 (1) (g) of the Investment Services Act 6the Bank notifies to NBH the resolutions made by the Sole Shareholder, and publishes the summary of the essence of such resolutions.	Yes / <u>No</u>
J 1.2.5	The general meeting of the company was held in a way that ensured the greatest possible shareholder participation. Note: the Company is a one-member private limited company.	Yes / <u>No</u>
J 1.2.6	Additions to the agenda were published within 5 days of receipt, in the same manner as the publication of the original invitation for the general meeting. Note: the Company is a one-member private limited company.	Yes / <u>No</u>
J 1.2.7	The voting procedure applied by the company ensured unambiguous, clear and fast decision-making by shareholders. Note: the Company is a one-member private limited company.	Yes / <u>No</u>
J 1.2.11	At the shareholders' request, the company also provided information on the general meeting electronically.	Yes / <u>No</u>
J 1.3.1	The identity of the chairman of the general meeting was approved by the company's general meeting prior to the discussion of the items on the agenda.	Yes / <u>No</u>

6Act CXXXVIII of 2007 on investment companies and commodity exchange service providers as well as on the rules of the activities to be carried out by them<sup>6</sup>

J 1.3.2	The Managing Body and the Supervisory Board were represented at the general meeting.	Yes / <u>No</u>
J 1.3.3	The company's articles of association render possible that at the initiation of the chairman of the Managing Body or the shareholders of the company, a third party be invited to the company's general meeting and be granted the right of participation in the discussion of the relevant items on the agenda.	Yes / <u>No</u>
J 1.3.4	The company did not prevent shareholders attending the general meeting from exercising their rights to request information, make comments and proposals, and did not set any pre-requisites to do so.	Yes / <u>No</u>
J 1.3.5	The company published on its website within three days its answers to those questions which it was unable to answer satisfactorily at the general meeting. Where the company declined to give an answer it published its reasons for doing so.	Yes / <u>No</u>
J 1.3.6	The chairman of the general meeting and the company ensured that in answering the questions raised at the general meeting, national laws and regulations of the Stock Exchange pertaining to disclosure were complied with.	Yes / <u>No</u>
J 1.3.7	The company published a press release and held a press conference on the decisions passed at the general meeting.	Yes / <u>No</u>
J 1.3.11	The company's general meeting decided on the different amendments of the articles of association in separate resolutions.	Yes / <u>No</u>
J 1.3.12	The minutes of the general meeting containing the resolutions, the presentation of draft resolutions, as well as the most important questions and answers regarding the draft resolutions were published by the company within 30 days of the general meeting.	Yes / <u>No</u>
J 1.4.1	The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation. Note: in year 2015 no dividend was distributed.	Yes / <u>No</u>
J 1.4.2	The company disclosed its policy regarding anti-takeover devices.	Yes / <u>No</u>
J 2.1.2	The rules of procedure define the composition of the Managing Body and all procedures and protocols for the preparation and holding of meetings, the drafting of resolutions and other related matters.	<u>Yes</u> / No
J 2.2.1	The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation and duties, as well as procedures and processes which the Supervisory Board followed.	<u>Yes</u> / No
J 2.3.2	Board members had access to the proposals of a given meeting at least five days prior to the board meeting.	<u>Yes</u> / No
J 2.3.3	The rules of procedure regulate the regular or occasional participation at board meetings of persons who are not members of the boards.	<u>Yes</u> / No
J 2.4.1	The election of the members of the Managing Body took place in a transparent way, information on candidates was made public at least five days prior to the general meeting.	Yes / <u>No</u>
J 2.4.2	The composition of boards and the number of members complies with the principles specified in 2.4.2 Note: The Company is a private limited company, where the rules provided for in the Civil Code for the independence of public limited companies' board members are not applicable.	Yes / <u>No</u>
J 2.4.3	Newly elected, non-executive board members were able to familiarize themselves with	<u>Yes</u> / No

the structure and operations of the company, as well as their duties as board members through a tailored induction programme.

Note: the Company has no induction programmes

J 2.5.2	The separation of the responsibilities of the Chairman of the Managing Body from those of the Chief Executive Officer has been outlined in the basic documents of the company.	<u>Yes</u> / No
J 2.5.3	The company has published a statement about the means it uses to ensure that the Managing Body gives an objective assessment of the executive management's work where the functions of Chairman and CEO are combined.	Yes / <u>No</u>
J 2.5.5	The company's Supervisory Board has no member who held a position in the Managing Body or the executive management of the company in the three years prior to his nomination.	<u>Yes</u> / No
J 2.7.5	The development of the remuneration system of the Managing Body, the Supervisory Board and the executive management serves the strategic interests of the company and thereby those of the shareholders.	<u>Yes</u> / No
J 2.7.6	In the case of members of the Supervisory Board, the company applies a fixed amount of remuneration and does not apply a remuneration component related to the share price.	<u>Yes</u> / No
J 2.8.2	The Managing Body developed its risk management policy and regulations with the cooperation of those executives who are responsible for the design, maintenance and control of risk management procedures and their integration into the company's daily operations.	<u>Yes</u> / No
J 2.8.10	When evaluating the system of internal controls, the Managing Body took into consideration the aspects mentioned in 2.8.10	<u>Yes</u> / No
J 2.8.12	The company's auditor assessed and evaluated the company's risk management systems and the risk management activity of the executive management, and submitted its report on the matter to the Audit Committee / Supervisory Board.	<u>Yes</u> / No
J 2.9.1	The rules of procedure of the Managing Body cover the procedure to be followed when employing an external advisor.	Yes / <u>No</u>
S 2.9.1.1	The rules of procedure of the Supervisory Board cover the procedure to be followed when employing an external advisor.	Yes / <u>No</u>
S 2.9.1.2	The rules of procedure of the Audit Committee cover the procedure to be followed when employing an external advisor.	Yes / <u>No</u>
S 2.9.1.3	The rules of procedure of the Nomination Committee cover the procedure to be followed when employing an external advisor.	Yes / <u>No</u>
S 2.9.1.4	The rules of procedure of the Remuneration Committee cover the procedure to be followed when employing an external advisor.	Yes / <u>No</u>
J 2.9.4	The Managing Body may invite the company's auditor to participate in those meetings where it debates general meeting agenda items.	<u>Yes</u> / No
J 2.9.5	The company's Internal Audit function co-operated with the auditor in order to help it successfully carry out the audit.	<u>Yes</u> / No
J 3.1.2	The chairmen of the Audit Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year. Note: The Audit Committee assists the Supervisory Board in verifying the system of	Yes / <u>No</u>



financial reports, in the selection of the auditor and in the cooperation with the auditor

J 3.1.2.1	The chairmen of the Nomination Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.	Yes / <u>No</u>
J 3.1.2.2	The chairmen of the Remuneration Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.	Yes / <u>No</u>
J 3.1.4	The company's committees are made up of members who have the capabilities, professional expertise and experience required to perform their duties.	<u>Yes</u> / No
J 3.1.5	The rules of procedure of committees operating at the company include those aspects detailed in 3.1.5	<u>Yes</u> / No
J 3.2.2	The members of the Audit Committee / Supervisory Board were fully informed about the accounting, financial and operational peculiarities of the company.	<u>Yes</u> / No
J 3.3.3	The Nomination Committee prepared at least one evaluation for the chairman of the Managing Body on the operation of the Managing Body and the work and suitability of the members of the Managing Body.	<u>Yes</u> / No
J 3.3.4	The majority of the members of the Nomination Committee are independent.	Yes / <u>No</u>
J 3.3.5	The rules of procedure of the Nomination Committee includes those details contained in 3.3.5	Yes / <u>No</u>
J 3.4.5	The Remuneration Committee prepared the Remuneration Statement.	<u>Yes</u> / No
J 3.4.6	The Remuneration Committee exclusively consists of non-executive members of the Managing Body. <u>Note: the external members of the Board and the members delegated by the Supervisory Board, depending on the number of external Board members</u>	Yes / <u>No</u>
J 4.1.4	The disclosure guidelines of the company at least extend to those details contained in 4.1.4	<u>Yes</u> / No
	The Managing Body informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures.	Yes / <u>No</u>
J 4.1.7	The company's financial reports followed IFRS guidelines.	<u>Yes</u> / No
J 4.1.16	The company also prepares and releases its disclosures in English.	<u>Yes</u> / No