



# ANNUAL REPORT 2011

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# Key figures, ratings

## Key figures of Erste Bank Hungary

for the annual report, dated 31st December, 2011, based on audited, consolidated annual figures according to Hungarian accounting standards.

<b>in million HUF</b>		
<b>Profit and loss account</b>	<b>31.12.2010</b>	<b>31.12.2011</b>
Net interest income	113,008	116,100
Net fee and commission income	28,422	29,055
Net trading result	15,356	11,891
Risk provisions for loans and advances	-72,854	-225,808
Net operating income / (expenses)	83,931	-68,762
General administrative expenses	-60,592	-59,635
Other operating result	-1,922	-15,515
Profit / (loss) before tax	4,119	-143,911
Loss for the year	-1,986	-149,403
Other comprehensive income	-19	-18
Total comprehensive income	-2,005	-149,421
<b>Balance sheet</b>	<b>31.12.2010</b>	<b>31.12.2011</b>
Total assets	2,953,552	3,247,936
Loans and advances to customers	2,258,206	2,309,752
Customer deposits	1,092,732	1,201,878
Equity	147,179	177,791
<b>Cost/Income ratio</b>		
<b>Return on Assets (ROA)</b>		
Pre-tax profit / Asset worth	0.14%	-4.43%
After-tax profit / Asset worth	-0.07%	-4.60%
<b>Return on Equity (ROE)</b>		
After-tax profit / Equity	-1.36%	-84.04%
Number of employees	3,100	2,952
Number of corporate trade centers	23	
Number of retail branches	184	143

## Ratings of Erste Bank Hungary:

Moody's:	Long-term	BA1
	Short-term	NP
	Financial strength	Stable

## Dear Customers, Partners, and Shareholders,



2011 will be entered in the annals of banking as the black year of the banking sector. Apart from adverse external economic conditions, Hungarian economic policy also acted to hamper the operation of the entire financial sector. As a consequence, the 2011 year meant harsher conditions than ever for Erste Bank Hungary Zrt.

The Bank had barely recovered from the adverse impacts of the global economic crisis when additional burdens were imposed in the form of changes in the legal environment, the implementation of the banking tax and the early repayment plan of forex mortgages, not to mention a deteriorating macro-economic landscape. It was mainly due to those reasons that the Managing Board of Erste Group decided last October to write off the goodwill of the Hungarian operation, create additional risk

provisions and increase capital in the Hungarian affiliate. The financial results of Erste Bank Hungary Zrt. in 2011 were impacted greatly by that decision.

Erste Group, the sole shareholder of the Bank, has repeatedly stated its commitment to the Hungarian operation, regarding Hungary a home market and one of its key markets. In this context, the opinion of the banking group has not been altered even in spite of extraordinary conditions. But due to a continuous and intensive government interference in the operation of the banking sector, the owner of the Bank has reviewed Hungary's medium-term outlooks and adjusted its country strategy and business model accordingly. The essence of the modification is that Erste Bank Hungary will focus on forint loans provided from local funding sources going forward, at the same time attempting to improve the quality of customer care at a considerable rate in its existing branch network.

The capital increase, rationalisation in the branch network and headcount, restructuring in the scope of affiliates, personnel changes in the Managing Board, as well as the development of a new business strategy that is valid until 2015 mean the work to renew Erste Bank Hungary Zrt. has started, preparing the financial institution for new challenges and new market situations.

It is a priority objective for Erste Bank Hungary Zrt. to improve the standard of customers services,

at the same time retaining its customers. We are certain that our new business model and strategy will be successful even amid a fierce market competition and against a backdrop of uncertain external market conditions. Going forward, the emphasis will be shifted from lending to funding, transaction-based banking, and to the services offered by our own building society launched in 2011.

The objectives of the Bank are clear. As a member of one of the most powerful banking groups in the CEE region, the Bank intends to continue its role as a decisive player in the Hungarian banking market.

A handwritten signature in blue ink, reading "Jeleń Radován". The signature is fluid and cursive, with the first name "Jeleń" and the last name "Radován" clearly distinguishable.

Radován Jelasity  
President and CEO

# CSR activity

Erste Bank Hungary Zrt. considers it not only one of its top priority concerns but also part of its strategy to reach customers also in ways outside its high-standard and diverse services and to actively take part in issues concerning the society and support communities as well as promote interesting and valuable initiatives that it deems remarkable and fitting to its strategy.

## Sponsoring culture

It is one of the most significant commitments for Erste Bank Hungary Zrt. to be dedicated to high-end culture that conveys values. Accordingly, its sponsorship policy has been developed for three main scopes, sponsoring contemporary art as well.

### I. Musical art

#### **Művészetek Palotája**

In 2008, Erste Bank became a strategic sponsor of Művészetek Palotája [Palace of Arts], a centre for arts recognised and acclaimed both in Hungary and internationally. This partnership carries particular significance for the Bank, because the greatest representatives of various art scenes have performed here, meeting all cultural demands.

Organised by and presented in Művészetek Palotája, the broadcasts “The Metropolitan Opera: Live in HD” are also sponsored by the bank.

### II. Fine arts

#### **Szépművészeti Múzeum Baráti Köre**

The objective of Szépművészeti Múzeum Baráti Kör [Art Lovers Club of the Museum of Fine Arts] is to create a group of regular patrons that provide donation to contribute to preserve and expand the excel-

lent collection of the museum, enhance the standards of the services of the museum, and create a dynamic and attractive program of exhibitions.

Erste Bank Hungary Zrt. has been the Maecenas supporter of the Baráti Kör since September 2011.

#### **The collection Kontakt**

Involving an international panel of art experts, Erste Group launched the unique Kontakt collection in 2004, a unique cache of conceptual works of art from the 1960s and 1970s that focuses on the Central, Eastern and Southeast European region. It is the objective of the collection to protect the values and present the works of one of the most significant artistic eras of the recent past for the present generation. The collection has been expanded continuously in recent years, now also including contemporary designs of conceptual tradition.

#### **Tranzit**

Designed to support contemporary art, the program tranzit.hu was launched in December 2005. In order to ensure operation of the program in Hungary, Tranzit Hungary Egyesület [Tranzit Hungary Society] was established, comprising art historians, experts managing the program in other countries, renowned curators, and representatives from Erste Bank.

### III. Erste Bank for talent

#### **Junior Prima Primiissima – Hungarian Press**

It is the declared objective of the Prima Primiissima Award Awards to safeguard the achievements of Hungarian intellect and spirit, enhance the commitment of Hungarian professionals for fostering sciences, arts, culture and sports. Erste Bank joined this noble initiative in 2008 by establishing the category Hungarian Press in the Junior Prima Awards.

Erste Bank intends to reward young, committed, professionally excellent and non-partisan journalists under 30 years of age that deliver outstanding quality in Hungarian electronic media and printed press. As it has been reported in press, the award means financial reward of EUR 7,000 each in addition to professional recognition with which the banks wishes to contribute to that esteemed financial independence of journalists.

### **Erste for the best**

As part of the program, the most gifted students of Liszt Ferenc Zeneművészeti Egyetem [The Liszt Academy of Music] can now secure a monthly grant and acquire know-how that is essential to building their musical career. Successful applicants will have a chance to develop their self-knowledge and communication skills as well as expand their knowledge in behaviour culture and languages, and obtain understanding of the structure and operation of Hungarian and international institutions of music. The bank provides outstanding talents with individual grants to contribute to their international stage performances.

## **Charity**

The charity activity of Erste Bank Hungary Zrt. is primarily focused to help youth, to improve the living standards of our underprivileged fellow human beings, to retain healthy lifestyle, and to prevent diseases. In addition to financial donations, Erste Bank often provides material assets as well as the expertise and volunteering work of employees to help those in need.

### **SOS Gyermekfalu**

Beyond cash donations, Erste Bank Hungary Zrt. supports the villages by providing other assets (such as furniture and computers) so that children living in the SOS villages shall not be in want of anything.

Additionally, Erste Bank Hungary Zrt. makes sure they spend the summer pleasantly: each year the residents of the villages can spend some days in the holiday resort of the bank at Lake Balaton. The bank joined the initiative in 2011 that organises a sailboat race in Balatonfüred for the children living in the SOS villages.

### **Mosoly Alapítvány**

Owing to support from Erste Bank Hungary Zrt., the storytelling therapy Mesével gyógyítunk, avagy hogyan lesz a törpéből óriás [Healing with fairy tales, or how dwarfs make into giants] organised by Mosoly Alapítvány [Smile Foundation] is up and running, providing aid in the healing process of nearly 650 children.

### **Nemzetközi Gyermekmentő Szolgálat**

Nemzetközi Gyermekmentő Szolgálat [International Children's Safety Service] works to protect the health of tens of thousands of children every year and to provide support for them. Erste Bank Hungary Zrt. has for years provided support for the organisation in securing the conditions required for operation and funding. Renovation of one of the training facilities in the hippotherapy centre of the organisation in Fót has been carried out with the Bank's support, contributing to the rehabilitation of children.

### **Magyar Vöröskereszt**

It was also owing to financial donation from Erste Bank Hungary Zrt. that Magyar Vöröskereszt [Hungarian Red Cross] purchased the first mobile blood donation unit in Hungary, a truck that ensures easy access for all who intend to donate blood across the country. The truck visits the headquarters of the Bank several times a year, making it possible for employees to donate blood at the doorstep of the Bank.

## Erste Bank for underprivileged customers

### **For the disabled**

In order to ensure that customers confined to wheelchairs be able to manage their banking matters in the most comfortable way possible, the bank has made continuous efforts to altering its branch office network to provide free access. As part of the program that has been running for 5 years, 80 out of the Bank's 143 branches have been remodelled to date to accommodate wheelchairs by providing ease of access for handicapped people and creating unblocked routes in the customer space. Plans indicate that additional branches will be remodelled in the years ahead, and newly constructed units will be designed to ensure free access for wheelchairs.

### **For the hearing impaired**

In the fall of 2009, Erste Bank Hungary Zrt. launched a program in collaboration with SINOSZ [National Association for the Deaf and Hearing Impaired] to teach banking advisors the sign language developed for the deaf-mute. There are Erste branches where banking services are provided for deaf-mute customers at high standards and without having to use the services of a sign language interpreter. Additionally, members of SINOSZ may open bank accounts with discount fees at Erste branches.

## Financial education

### **Pénzügyi Kisokos**

In order to enhance financial culture in Hungary, a nationwide education program was launched by Erste Bank Hungary Zrt. in May 2009. As part of the Pénzügyi Kisokos [Financial Guide] program, branch managers from the Bank visiting nearby primary and secondary schools that have applied for the program, giving students interactive lectures about basic finances designed for youth. To date, nearly 100 schools have joined the free educational

program, and experts and volunteers from the bank have delivered over 170 lectures. As of this year, the program has been extended to the summer season of camping.

The Bank has focused on the program with even greater attention since 2011. In September 2011, letters and e-mails were sent to hundreds of primary and secondary schools in Hungary, drawing their attention to the education program offered by the Bank.

### **Pénzügyi Navigátor Program**

Cooperation between the government, the business scope and civic organisations is of utmost important for the concerted and efficient enhancement of the financial culture of the Hungarian population. Accordingly, Erste Bank Hungary Zrt. is delighted to have joined Pénzügyi Navigátor Program [Financial Navigator Program], an initiative implemented by the National Bank of Hungary with the aim of transmitting financial know-how that is relevant and useful in specific life situations.



# Economic environment and banking sector in 2011

In 2011, the Hungarian economy achieved a moderate GDP growth of 1.7 per cent. Rising 8.4 per cent, exports continued to act as the fuel of growth, but their contribution to the growth of domestic demand components remained limited. The actual consumption of households stagnated, community consumption declined 1.3 per cent, while gross accumulation of fixed assets decreased 5.4 per cent in 2011.

Consumer inflation decelerated close to the 3-percent medium-term target in the summer, but in the last months of the year—mostly owing to food and oil prices as well as tax modifications—it embarked on a rising path again. By December, annual inflation had accelerated to 4.1 per cent, and it has continued to rise year-to-date. Fiscal processes for the period have received conflicting assessments. To improve the revenue side of the budget, the cabinet imposed temporary taxes (banking tax, and “crisis taxes” on various sectors) and seized the assets of private pension funds almost completely in the course of the year. As a result of “unorthodox” revenue-boosting measures, the balance of public finance reflected a considerable surplus last year, amounting to 4.3 per cent of GDP. In order for budget processes to be sustainable even in the medium term without one-off revenues and for the public finance deficit to stay below 3 per cent of GDP permanently, the government started announcing fiscal adjustments last year already. In spite of a positive external balance position and a relatively high interest environment, the forint continued to be a highly volatile currency throughout 2011. After relatively balanced processes in the forint market in the first half of the year, the exchange rate of the Hungarian currency was affected in a definitely adverse fashion by the announcement of the option for early repayment of forex mortgages at preferential fixed

exchange rates in September. Also, external market conditions changed for the worse, because increasingly negative news were released concerning the European debt crisis as the year was drawing to a close. Consequently, in November the government had to turn to the IMF for financial support. The negotiations, however, abruptly ended in December, and are not expected to restart before this summer. In 2011, the prime rate had stagnated at 6 per cent for most of the year, but was raised in November and December by 100 basis points in total to 7 per cent. The National Bank of Hungary explained this year-end monetary tightening with a considerable deterioration in inflation outlooks and risk perception.

# Reports of divisions

## I. Retail division

Funding secured in the retail and micro businesses division played a pivotal role in the strategy of Erste Bank in 2011 again, at the same time the financial institution aimed at maintaining its previous position in the lending market in spite of changes in the economic and legal landscape.

### **Account management, deposits for retail customers and micro businesses**

In 2011, the bank primarily focused on retaining and even increasing its existing deposit portfolio, supported by customer acquisition efforts, marketing campaigns and favourable deposit rates. Adjusting to changes in savings patterns, Erste Bank provided customers with favourable offers for existing and new funds.

Priority was given to selling Forint Aktív Betét and Euró Aktív Betét [Forint and Euro Active Deposit, respectively], designs that ensure high interest rates in case of fixing existing savings and using the related bank account or bankcard extensively. Euró Aktív Betét facilitated for customers to convert forint savings into euro deposits at a preferential exchange rate and free of charges.

Dubbed Erste Otthon Betét [Erste Home Deposit], a new, 12-month retail deposit product was introduced in October 2011. All existing and new customers that established Erste Lakás-takarékpénztár [Erste Building Society] contracts were granted an interest premium.

A new bank account product, Erste Príma Bank-számla [Erste Prime Bank Account], was also rolled out last year. In case at least HUF 100,000 income is transferred to the account each month in no more than two instalments, account holders can choose free account services based on their own demands and transaction patterns.

Beginning in June 2011, special offers related to bank accounts were launched, projected to increase the number of forint accounts and active customers. As one of the special offers, HUF 15,000 was credited to accounts of customers that chose now to have their salaries or pension transferred to their accounts. The

offer was available to retail customers as well who had already had their monthly wage or pension wired to the bank. Also beginning in June, in another campaign that lasted until the end of the year, micro businesses and retail customers had a 5-percent refund from their public utility bills in case they gave new orders for direct debit for utility bill payment.

October 2011 witnessed the implementation of Erste Kiugró Mikrovállalati Betét [Erste Outstanding Deposit for Micro Businesses], a three- or six-month revolving forint- or euro-denominated deposit whose interest earned is added to the principal. This new deposit design was devised for new and existing customers that had free liquidity and a plan to involve the bank in bolstering their free assets.

Having a maturity of three or six months, Erste Extrakamat Mikrovállalati Betét [Erste Extra Interest Deposit for Micro Businesses], a revolving forint deposit whose interest earned is not added to the principal. The annual interest rate of the deposit is the key rate as defined in the Terms and Conditions, but interest premiums are available in case certain conditions are met. The design is recommended to existing customers that consider Erste Bank their main accounting bank and have free funds, and also to new customers that want to make their moneys held in the account earn favourable interest rates.

### **Loans for retail customers and micro businesses**

The decline in the retail loan portfolio decelerated until the autumn of 2011, and the volume of newly disbursed loans was quite similar to the total provided in the previous year. Due to legal regulations implemented earlier, new loans were disbursed in forints exclusively. The growth of gross loan portfolio that lasted until the autumn of 2011 was solely owing to the exchange rate effect as the forint-denominated amount of the loan book, mostly denominated in foreign currencies, increased because of a deteriorating forint. In spite of a stagnating market and hardships caused by a deteriorating economic environment, the Bank managed to increase its mar-

ket share continuously until the autumn of 2011 in terms of both total loans and new disbursements. Based on the total loan portfolio, the market share was 14.58 per cent in September 2011, up 0.5 per cent from December 2010. The disbursements meant a steady market share over 20 per cent, nearly a quarter higher than in the comparative period in 2010.

Dubbed Hitel Plusz [Loan Plus] and designed to provide customers with financing for their costs related to raising a loan, a completely new and innovative product was launched in September 2011.

This hope-inspiring and definitely positive trend was arrested by the early repayment scheme on forex mortgages at preferential non-market exchange rates, which came into force in September 2011. This measure, implemented as part of the package designed by the government to ease the position of forex debtors, allowed customers holding currency loans to make lump-sum repayment on their loans at HUF/CHF 180 and EUR/HUF 250 until February 2012.

This measure had an extremely severe impact on the entire banking sector in Hungary, causing all market players considerable losses. As part of the program, Erste Bank registered HUF 200 billion worth of currency loans repaid, incurring nearly HUF 60 billion instantaneous loss. Apart from that, unrealised interest income from repaid loan contracts also add to the losses.

As the general impact of the early repayment scheme, interest rates have risen dramatically in the sector and lending loans have become more stringent. Having plunged considerably, lending activity focused on meeting the occasional loan demands of customers opting for the early repayment option.

In the scope of personal loans, continuous interest rate discount was ensured throughout 2011 for customers that had had their salaries transferred to their Erste Bank accounts for at least three months. The loan design Most Személyi Kölcsön [Now Personal Loan] was launched, offered with favourable terms and conditions to a well-defined customer scope, which has been expanded continuously.

Demand for retail current account overdrafts and Lombard loans was similar than in 2010.

Government loan programs—for instance, Széchenyi Kártya Program [Széchenyi Card Program] and Új Magyarország Hitelprogramok [New Hungary Loan Programs]—were again available to micro businesses with annual sales below HUF 200 million. Constant adjustments were made by the bank to modifications in such loan programs, and Széchenyi Forgóeszközhitel [Széchenyi Current Asset Loan] was also added to the range of products offered in this area. Against the backdrop of the economic environment of the time, Erste Bank experienced a higher demand for liquidity loans on the part of micro businesses. As a result, the role of Széchenyi Kártya Folyószámlahitel [Széchenyi Card Current Account Overdraft] was especially important. Erste Bank promoted Széchenyi Card loans by a nationwide loan campaign and special offer in order to provide as many micro businesses as possible with information about the loan products marketed by the bank. In 2011, similarly to previous years, there was a significant demand for current account overdrafts and Lombard loans.

## **Sales channels**

On 31 December 2011, a nationwide network of 183 branches was operated by Erste Bank. Meeting requirements regarding corporate quality and image, relocation, renovation, and modernisation works were carried out in 2011. Also, two branches in Budapest were consolidated in order to ensure efficient operation.

## **Alternative sales channels**

Erste Bank sells several banking products in the network of Magyar Posta [Hungarian Post], including current accounts for retail customers and micro businesses, savings, personal loans, credit cards. As a result of the cooperation, the number of Posta brand customers increased by 200,000 by the end of 2011, and their fixed deposits represented a considerable ratio in funding.

The penetration of electronic channels reflect a dynamic growth in comparison to 2010. The number of Erste TeleBank customers was 760,000 at the end of 2011, and Erste NetBank registered 415,000 users.

## II. Corporate division

Impacts of the economic crisis continued in 2011, strongly defining the financial activities of corporations operating in Hungary—similarly to 2010. The loan portfolio of non-financial companies dropped when unadjusted for exchange rate effects. On the demand side, investment activities plunged in the corporate sector. On the supply side, however, loan growth was hampered by tighter conditions of lending and the impacts of the banking tax. Unadjusted for exchange rate effects, the total of corporate deposits increased at a small extent, allowing Erste Bank to retain its market share in that segment. Competition for deposits was powerful among banks all year, manifesting mostly in a price race.

### Small and Medium Enterprises Division

#### I. Customer care, customer acquisitions

The division servicing small and medium enterprises focused on selling passive and payment products primarily. Targets defined for the year were met. As a consulting partner bank, Erste Bank continued to provide customers with active financial consulting, efficiently offering them all the services of the banking group in a single package.

Acquisition of new customers continued all year successfully as accounts for nearly 870 new customers were opened by the Small and Medium Enterprises Division.

#### II. Financing

The loan volume of the division developed similarly to the lending market for non-financial companies in terms of both changes and the composition of the portfolio. Within the loan portfolio, the ratios of forint-based financing and short-term loans increased.

The quality of corporate loans deteriorated in the course of the year, a phenomenon also experienced by competing banks. In order to manage it, the Reconstruction Department was established within Risk Management, providing efficient help for customers struggling with temporary financial troubles.

## III. Deposits

Owing to a high-level deposit acquisition activity, the deposit portfolio increased by 8 per cent, outstripping the pace of the market and resulting in a loan/deposit ratio that exceeded the average of the corporate market by far.

## IV. Other services

In respect of other banking services, cross selling volumes of factoring should be underlined, which helped the asset portfolio of Erste Faktor Zrt. [Erste Factoring Co. Ltd.] increase by nearly 20 per cent. Magyar Factor Zrt. [Hungarian Factoring Co. Ltd.] was acquired in the course of the year, and both companies are set to merge into the Bank by the end of 2012. The related project is under way.

### Municipal Business

Throughout 2011, the Bank pursued a decidedly cautious business policy in financing the municipal sector. Considerable risks had built up in the sector, and now a large percentage of them was pushed to the surface by the global crisis and its impacts on Hungary. Expecting government measures to make the sector sustainable in the long term, Erste Bank did not carry out major acquisitions in 2011—save for a few large-volume deals—focusing instead on managing the existing portfolio and restructuring it if necessary. In order to manage this latter activity with professionalism, a specialised area was set up within Risk Management.

In the course of the year, the consolidation of county-level municipalities were carried out successfully, a considerable total of loans have been paid back or assumed by the government.

The business area Infrastructure and Energy Finance was set up within the Municipal Division to manage financing projects related to those special fields.

The NPL ratio of the loan portfolio managed by the Municipal Division stayed below 8 per cent and comprised mostly transactions that are managed by the Division but not related to municipalities directly. Although the systemic risks of the municipal sector are significant, they did not make a marked impact in the

quality of the portfolio in 2011 as the decisive majority of municipal partners duly met their contractual obligations fully.

## **Large Corporates Business**

In spite of the impacts of the economic crisis, the Large Corporates Business met the targets defined for 2011. In close cooperation with the related areas in Erste Group, Large Corporates Business was involved as lead manager in the EUR 1 billion club loan organised for MOL. Business relations were expanded both domestically and internationally, acquiring new customers in both scopes, which was also reflected in a considerable increase in the deposit portfolio.

Owing to the business division's a cautious approach to risks, the quality of the portfolio continued to be much higher than the market average.

## **Project and Real Estate Finance Division**

The operational environment of the business area engaged in real estate finance remained very harsh in 2011. As a result, and also due to the repayment of duly performing loans and a marginal amount of new disbursements, the average quality of the portfolio continued to deteriorate and the ratio of non-performing loans kept rising. Regarding the rise in the NPL total, which required considerable risk provisions to be allocated, and also in order to ensure as efficient and successful restructuring as possible, the real estate restructuring department, established previously as part of the business division, was transferred to be under the direct control of the Deputy CEO in charge of Risk Assessment first, and then to the new head of Workout and Restructuring Division.

Real estate financing activity in respect of new contracts is now managed via direct business control and competence directly from Vienna within the organisational envelope of Erste Group Immorent, an affiliate established in January 2011.

## **III. Treasury (Group Capital Markets)**

In addition to regular trading and sales activity, Erste Bank's Treasury Division carries out the tasks in operative liquidity management and risk management that ensure continuity and security for the bank's trading activities, and also implements the long-term financing plans of the bank in cooperation with Assets and

Liabilities Management Division (ALM).

The division has conducted trading activities in spot and derivative products in the forex and financial markets since 2008 on behalf of Erste Group Bank AG as part of Group Capital Markets of Erste Bank.

Due to trading and sales activities, Treasury is one of the decisive players in the Hungarian forex and financial markets. It managed to hold on to previous market positions in 2011, remaining an active player in the Hungarian interbank forex and financial market.

The business unit concluded 2011 with success as its total business result exceeded initial business targets by 12 per cent. Sales income in 2011 reflected a steady growth as seen in the preceding three years, and the performance in trading activities in financial markets carried out as part of the local and GCM division also exceeded targets.

An excellent financial result was achieved, at the same time maintaining business efficiency. Return on equity of the division continued to be outstanding, and cost/income was kept below the target.

Augmenting sales activity is a central part in the local business strategy of the division, primarily built on a close cooperation with Corporate Division of the bank. Servicing small and medium enterprises of the bank continued to be in the focus of Treasury's sales activities, at the same time remaining active in the retail market via the private banking arm of the bank.

Product consulting and sales activity related to funds, derivative and structured FX market products are in the focus of the business activity of Treasury. Seventy per cent of sales income originate from products linked to forex markets account. In 2011, income from selling interest hedge products boosted considerably, supported by developments in global interest landscape. As another favourable business trend, the ratio of income realised on investment products as well as interest derivatives and commodity derivatives increased further.

Treasury Division constantly develops its services and product line, aiming to meet a constantly widening demand on the part of customers. Investment products occupied the core of product development in 2011, the development of services focused on expanding access for external and internal online customers.

# Analysis of the financial position

## Composition of the balance sheet

By the end of 2011, the Bank's balance sheet total reached HUF 3,215 billion, which exceeds the previous year's figure by 9 percent. The shareholders' equity grew to HUF 171.580 million.

## Items on the assets side

In 2011, the structure of the Bank's asset portfolio changed concerning the disbursement of loans to customers and credit institutions. The volume of lending to credit institutions increased considerably, its ratio compared to the increasing balance sheet total was 15 per cent, up from 6 per cent last year. The proportion of receivables from customers decreased significantly, resulting in 59 per cent of the

Bank's assets, as opposed to last year's 69 per cent. On the aggregate, disbursements increased, receivables from credit institutions grew by HUF 304.5 billion, while credits to customers dropped by HUF 140.3 billion.

According to the latest market figures (Q3 2011), the Bank retained its second position in terms of retail loans (14.62 per cent); in terms of deposits, it also ranked second with its 8.2 per cent market share. The Bank improved its position from fifth to fourth in the field of corporate lending (exclusive of local governments) (market share: 8.85 per cent); while in the field of deposits, it is on the sixth position with its 7.18 per cent market share.

### Changes in the distribution of retail loans by product type in 2011:

(in HUF million)	31.12.2010	31.12.2010	Change
<b>Households, retail customers, private entrepreneurs</b>			
Housing loans	753,830	766,844	1.73%
Consumer loans	426,193	445,035	4.42%
Other loans	32,059	33,021	3.00%
<b>TOTAL</b>	<b>1,212,082</b>	<b>1,244,900</b>	<b>2.71%</b>

(in HUF million)

### Dynamics of major asset categories in 2010 and in 2011:

	2010	2011	Change % 2011/2010	Ratio % 2010	Ratio % 2011
Cash instruments	34,189	51,278	50.0%	1.2%	1.6%
Government securities	499,555	570,517	14.2%	16.9%	17.7%
Receivables from credit institutions	189,249	493,784	160.9%	6.4%	15.4%
Receivables from customers	2,031,851	1,891,525	-6.9%	68.9%	58.8%
Non-interest bearing instruments	193,673	208,223	7.5%	6.6%	6.5%
<b>ASSETS TOTAL</b>	<b>2,948,517</b>	<b>3,215,327</b>	<b>9.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The net retail loan portfolio (including private entrepreneurs) amounted to HUF 1,160 billion, with the gross portfolio equaling HUF 1,245 billion. The proportion of HUF and FX denominated loans was 22 percent to 78 percent, while the proportion of short-term and long-term loans was 2.4 to 97.6 percent. The amount of short-term retail receivables, which mostly consist of current account overdrafts, kept growing in 2011 to reach HUF 29.5 billion by the end of year.

As at the end of year, 63.2 per cent of long-term retail loans (HUF 1,213 billion, exclusive of sole entrepreneurs) account for housing loans (HUF 767 billion), while 36.7 per cent for consumer loans (HUF 445 billion). The ratio of FX loans was 77.1 per cent for housing loans, while 85.9 per cent for consumer loans, which show a slight shift towards HUF denominated loans in comparison with the previous period.

Demand for mortgage-based loans kept declining in 2011. A considerable portion of the existing FX loans is still denominated in CHF, whereas new contracts are exclusively HUF loans. The shrinkage of CHF housing loans within the total

portfolio accelerated as a result of the FX mortgage early repayment scheme implemented at fixed exchange rates, currently representing less than 68 per cent, while 75 per cent for any-purpose mortgages.

For mortgages, retail customers were only allowed to borrow HUF denominated credits in compliance with amended relevant legislation. In Q4 of 2011, HUF denominated loan disbursements expanded in the wake of replacement loans borrowed for the FX mortgage early repayment scheme.

The (net) corporate loan portfolio (including municipalities, non-profit organisations, financial enterprises, the central budget and private entrepreneurs) dropped to HUF 748 billion (gross portfolio: HUF 894 billion), which is HUF 114 billion lower in comparison to the end of 2010 figure.

The aggregate outstanding contractual principal of restructured loans in the portfolio was HUF 162 billion (of which: principal receivables from businesses equals HUF 60 billion, while from retail customers HUF 102 billion), at a book value of HUF 116 billion.

(in HUF million)

**Dynamics of major items on the liabilities side in 2010 and 2011:**

	2010	2011	Change % 2011/2010	Ratio % 2010	Ratio % 2011
Deposits by banks	1,510,473	1,644,563	8.9%	51.2%	51.1%
Deposits by customers	1,097,130	1,188,498	8.3%	37.2%	37.0%
Equity	139,208	171,580	23.3%	4.7%	5.3%
Other obligations + CT	201,706	210,686	4.5%	6.8%	6.6%
<b>LIABILITIES TOTAL</b>	<b>2,948,517</b>	<b>3,215,327</b>	<b>9.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Items on the liabilities side

In comparison with the year-end of 2010, no considerable changes were seen in the structure of liabilities in 2011. Retail and corporate deposits account for 37 per cent of all liabilities, funds from credit institutions, the central bank and money market funds for 51 per cent, while 1 per cent comes from passive settlements, 5 per cent from own funds and 6 per cent from loans borrowed.

The Bank's liabilities include subordinated capital worth HUF 83,617 million.

Deposits from monetary and financial institutions rose by HUF 134 billion in comparison with the previous year.

The Bank continues to lay great emphasis on keeping up and expanding the retail liabilities, which is why it is present in the market on a continuous basis with products that offer favourable deposit interest rates.

In 2012, we are planning to pay particular attention to further expansion of the deposit portfolio, which we intend to achieve through our efforts in customer acquisition, marketing campaigns and favourable deposit interest rates.

The Bank's Treasury activities are focused around trading in the domestic foreign exchange market and the market of related derivatives; however, the Bank performs a considerable portion of such trading on behalf of Erste Group Bank instead of on the local Bank's behalf.

In terms of activities on its own behalf, the Bank concludes deals for own account hedging and for serving customers, primarily on the domestic money and FX markets. The Bank's FX financing continues to heavily rely on parent bank financing within the Erste Group.

The Bank did not repurchase any of its own shares, and did not perform transactions with its own shares.

## Profit and Loss Statement

The Bank's operating income decreased by 5.3 per cent, while its operating expenses by 5.8 per cent in 2011.

The net interest income shows a minimal decrease in comparison with the previous year's figure (2011: HUF 74.2 billion; 2010: HUF 74.8 billion).

In terms of the income side, the interest revenues from

derivatives, particularly those from IRS and cross currency deals, decreased compared to the previous year (by HUF 5.4 billion). Moreover, the interest revenue earned on securities dropped by HUF 2.1 billion versus December of the previous year (primarily in case of securities held to maturity). In case of other interest and interest type revenues, a slight growth of HUF 1 billion was seen, caused by disbursement of fewer new loans due to stricter lending; decline was particularly seen in revenues of management fees, disbursement commission and credit limit commitment fee. Another cause of changes in the structure of lending-related commissions is that cooperation agreements with other agent channels were terminated in 2011.

Interest revenue from customer credits grew by HUF 7.4 billion. The Bank's portfolio of CHF denominated credits and its capability of generating revenue perceptibly deteriorated as a result of the FX mortgage early repayment scheme.

At the end of 2011, the Bank received HUF 3 billion and HUF 138 million in dividends from its subsidiary, Erste Befektetési Zrt. (Erste Investments Co. Ltd.) and from Giro Rt., respectively. (In 2010, the same dividends amounted to HUF 3.5 billion from Erste Befektetési Zrt. and HUF 154 million from Giro Rt.)

Management costs were 8.2 per cent (HUF -4 billion) lower in comparison with the end of the previous year. Within these, personnel expenses versus the previous year's figure shrank by 10.8 per cent on the aggregate. The total headcount of the Bank as at the end of 2011

### The deposit portfolio in 2011:

(in HUF million)

Deposits	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Central government	12,637	17,532	12,586	17,855
Municipalities	42,367	43,834	41,306	32,616
Other financial enterprises	111,256	132,946	134,139	112,159
Money-market funds	27,662	55,995	59,863	42,768
Enterprises engaged in suppleme	6,743	6,278	4,139	3,413
Insurers and pension funds	12,845	5,844	5,412	4,833
Subsidiary enterprises	1,452	1,437	2,223	2,348
Non-financial enterprises	281,155	282,258	294,252	301,219
Households, retail customers	536,345	566,633	615,696	612,082
Households, private entrepreneurs	7,047	6,771	7,258	6,948
Households, NGOs	16,012	17,135	18,185	20,237
International	108,664	31,958	103,231	31,949
<b>Total according to HAS</b>	<b>1,164,185</b>	<b>1,168,621</b>	<b>1,298,290</b>	<b>1,188,427</b>



was 66 up compared to one year earlier. However, the average headcount in 2011 was 145 lower than in 2010. The augmented headcount as of the end of 2011 was caused by the use of temporary agency work-force, and the extra headcount requirements of collections. Savings of approximately HUF 2.7 billion are seen in personnel expenses.

Depreciation write-off rose by 25.4 percent over the end of the preceding year, which was caused by the increased soft-ware base received from a company within the Erste Group, implemented in March 2011, as well as standard annual investments.

Profit/loss from other business activities dropped HUF 31.7 billion in comparison with the end of 2010, which was primarily brought about by the HUF 28 billion ex-

pense incurred mainly as a result of the FX early repayment scheme. The total calculated loss generated by the FX mortgage early repayment scheme allowed by legislation, which grants a fixed exchange rate, equalled HUF 57 billion. The HUF 29 billion not realised until 31 December 2011 is represented in the Bank's books as impairment.

The Bank booked HUF 21.8 billion as extraordinary expenditures in the current year, which includes HUF 21.7 billion transferred to three subsidiary companies in order to boost their capital (Erste Leasing Eszközfinanszírozási Zrt. [Erste Leasing Asset Financing Co. Ltd]: HUF 3.5 billion, Erste Leasing Autófinanszírozási Zrt. [Erste Leasing Car Financing Co. Ltd]: HUF 18 billion, Erste Ingatlanlizing Zrt. [Erste Real Estate Leasing Co. Ltd]: HUF 0.2 billion).

#### Distribution of retail deposits by product in 2011:

(in HUF million)	Q1 2011	Q2 2011	Q3 2011	Q4 2011
<b>Retail deposits</b>				
Sight deposits	124,487	126,005	130,941	140,961
Fixed deposits – in accounts	410,942	439,722	483,861	470,240
Fixed deposits – in instruments	916	906	894	881
<b>Total deposits</b>	<b>536,345</b>	<b>566,633</b>	<b>615,696</b>	<b>612,082</b>

(in HUF million)

#### Operating income and expenses in 2010 and 2011:

	2010	2011	Change % 2011/2010
Net interest income	74,849	74,200	-0.9%
Net comission income	24,285	23,702	-2.4%
Dividend income	3,619	3,141	-13.2%
Result of financial transactions	33,450	27,905	-16.6%
<b>Operating income</b>	<b>136,203</b>	<b>128,948</b>	<b>-5.3%</b>
Adminsitrative expenses	48,282	44,323	-8.2%
Personnel expenses	24,956	22,259	-10.8%
Other expenses	23,326	22,064	-5.4%
Depreciation	3,678	4,614	25.4%
<b>Operating costs</b>	<b>51,960</b>	<b>48,937</b>	<b>-5.8%</b>
Other earnings	-32,937	-64,622	96.2%
Impairment + provisions	-69,464	-181,059	160.7%
Re-accounting of impairment + provisions	27,471	38,398	39.8%
Extraordinary profit	-5,165	-21,722	320.6%
Pre-tax profit	4,148	-147,572	-3,657.7%
After-tax profit	3,848	-147,572	-3,935.0%
<b>Retained earnings</b>	<b>3,463</b>	<b>-135,342</b>	<b>-4,008.2%</b>



# Non-consolidated report

## I. Balance sheet

### ASSETS

(in HUF million)		31.12.2010	31.12.2011
Items			
<b>1</b>	<b>Cash assets</b>	<b>34,189</b>	<b>51,278</b>
<b>2</b>	<b>Government securities</b>	<b>499,555</b>	<b>570,517</b>
a	for trading purposes	165,396	132,171
b	for investment purposes	334,227	438,529
2/A	Valuation difference of government securities	-68	-183
<b>3</b>	<b>Loans and advances of credit institutions</b>	<b>189,249</b>	<b>493,784</b>
a	sight	3,987	20,761
b	other receivables for financial services	185,262	473,023
ba	maturities within a year	102,535	390,307
	of which: from affiliated enterprises	0	113,707
	from other participations	0	0
	from the National Bank of Hungary	77,405	276,600
	from clearing houses	0	0
bb	maturities over a year	82,727	82,716
	of which: from affiliated enterprises	80,643	80,643
	from other participations	0	0
	from the National Bank of Hungary	0	0
	from clearing houses	0	0
c	from investment services	0	0
	Ebből: from affiliated enterprises	0	0
	from other participations	0	0
	from clearing houses	0	0
<b>4</b>	<b>Loans to customers</b>	<b>2,031,851</b>	<b>1,891,525</b>
a	from financial services	2,031,761	1,891,056
aa	maturities within a year	246,054	205,249
	of which: from affiliated enterprises	45,659	33,357
	from other participations	0	0
ab	maturities over a year	1,785,707	1,685,807
	of which: from affiliated enterprises	169,393	153,400
	from other participations	411	433
b	from investment services	90	469

(in HUF million)		31.12.2010	31.12.2011
Items			
	of which: from affiliated enterprises	0	21
	from other participations	0	0
ba	from equity market investment services	0	0
bb	from OTC investment services	90	469
bc	receivables from customers originating from investment services	0	0
bd	receivables from clearing houses	0	0
be	receivables from other investment services	0	0
4/A	Valuation difference of receivables from customers	0	0
<b>5</b>	<b>Debt securities, including fixed-income securities</b>	<b>108,675</b>	<b>91,702</b>
a	securities issued by municipalities and other government agencies (excluding government securities)	86,843	72,981
aa	for trading purposes	0	0
ab	for investment purposes	86,843	72,981
b	securities issued by other issuers	22,217	19,127
ba	for trading purposes	5,545	3,085
	of which: issued by affiliated enterprises	0	0
	issued by other participations	0	0
	repurchased own issue	0	0
bb	for investment purposes	16,672	16,042
	of which: issued by affiliated enterprises	0	0
	issued by other participations	0	0
5/A	Valuation difference of debt securities	-385	-406
<b>6</b>	<b>Shares and other variable yield securities</b>	<b>0</b>	<b>0</b>
a	shares and participation for trading purposes	0	0
	of which: issued by affiliated enterprises	0	0
	issued by other participations	0	0
b	securities with variable yields	0	0
ba	for trading purposes	0	0
bb	for investment purposes	0	0
6/A	Valuation difference of shares and other variable yield securities	0	0
<b>7</b>	<b>Shares and participations for investment purposes</b>	<b>868</b>	<b>864</b>
a	shares and participations for investment purposes	868	864
	of which: shares in credit institutions	0	0
b	adjustment of shares and participations held for trading purposes	0	0
	of which: shares in credit institutions	0	0
<b>8</b>	<b>Shares and participations in affiliated enterprises</b>	<b>9,606</b>	<b>13,482</b>
a	shares and participations for investment purposes	9,606	13,482
	of which: shares in credit institutions	0	3 000
b	adjustment of shares and participations held for trading purposes	0	0
	of which: shares in credit institutions	0	0
<b>9</b>	<b>Intangible assets</b>	<b>5,746</b>	<b>9,075</b>
	Intangible assets	5,746	9,075
	adjustment of intangible assets	0	0
<b>10</b>	<b>Tangible assets</b>	<b>10,954</b>	<b>11,778</b>
a	tangible assets for purposes of financial and investment services	10,954	11,778
aa	real estate	4,550	5,004
ab	technical equipment, machinery, appliances, vehicles	4,050	4,256
ac	investments	2,354	2,518

(in HUF million)		2010.12.31	2011.12.31
Items			
	ad advances on investments	0	0
b	tangible assets for purposes other than direct financial and investment services	0	0
	ba real estate	0	0
	bb technical equipment, machinery, appliances, vehicles	0	0
	bc investments	0	0
	bd advances on investments	0	0
c	adjustment of tangible assets	0	0
<b>11</b>	<b>Own shares</b>	<b>0</b>	<b>0</b>
<b>12</b>	<b>Other assets</b>	<b>21,469</b>	<b>46,659</b>
a	inventories	4,599	6,680
b	other receivables	8,764	23,205
	of which: from affiliated enterprises	1,992	1,879
	from other participations	0	0
12/A	valuation difference of other receivables	0	0
12/B	Positive valuation difference on derivative transactions	8,106	16,774
<b>13</b>	<b>Accruals</b>	<b>36,355</b>	<b>34,663</b>
a	accrued income	34,732	33,661
b	accrued costs and expenses	1,623	1,002
c	deferred expenses	0	0
<b>TOTAL ASSETS</b>		<b>2,948,517</b>	<b>3,215,327</b>
	of which: Current assets	578,812	849,390
	Invested assets	2,333,350	2,331,274

## LIABILITIES

(in HUF million)		31.12.2010	31.12.2011
Items			
<b>1</b>	<b>Deposits by credit institutions</b>	<b>1,510,473</b>	<b>1,644,563</b>
a	sight	16,881	3,814
b	time deposits from financial services	1,493,592	1,640,749
	ba maturities within a year	196,634	495,748
	of which: from affiliated enterprises	134,798	456,692
	from other participations	0	0
	from the National Bank of Hungary	0	25,000
	from clearing houses	0	0
	bb maturities over a year	1,296,958	1,145,001
	of which: from affiliated enterprises	1,177,586	1,015,461
	from other participations	0	0
	from the National Bank of Hungary	0	0
	from clearing houses	0	0
c	from investment services	0	0
	of which: from affiliated enterprises	0	0
	from other participations	0	0
	from clearing houses	0	0

(in HUF million)		31.12.2010	31.12.2011
<b>Items</b>			
1/A	valuation difference of deposits from credit institutions	0	0
<b>2</b>	<b>Deposits by customers</b>	<b>1,097,130</b>	<b>1,188,498</b>
a	savings	2,453	2,422
aa	sight	2,453	2,422
ab	maturities within a year	0	0
ac	maturities over a year	0	0
b	other liabilities from financial services	1,094,567	1,186,004
ba	sight	289,261	330,763
	of which: from affiliated enterprises	18,574	20,272
	from other participations	430	373
bb	maturities within a year	738,891	792,857
	of which: from affiliated enterprises	0	4,626
	from other participations	3,704	1,169
bc	maturities over a year	66,415	62,384
	of which: from affiliated enterprises	0	0
	from other participations	0	0
c	from investment services	110	72
	of which: from affiliated enterprises	0	0
	from other participations	0	0
ca	liabilities from investment services at equity markets	0	0
cb	liabilities from investment services outside equity markets	110	72
cc	liabilities from investment services to customers	0	0
cd	liabilities to clearing houses	0	0
ce	liabilities from other investment services	0	0
2/A	valuation difference of liabilities to customers	0	0
<b>3</b>	<b>Liabilities from securities issued</b>	<b>24,152</b>	<b>3,958</b>
a	bonds issued	24,152	3,958
aa	maturities within a year	0	0
	of which: from affiliated enterprises	0	0
	from other participations	0	0
ab	maturities over a year	24,152	3,958
	of which: from affiliated enterprises	0	0
	from other participations	0	0
b	other debt securities issued	0	0
ba	maturities within a year	0	0
	of which: from affiliated enterprises	0	0
	from other participations	0	0
bb	maturities over a year	0	0
	of which: from affiliated enterprises	0	0
	from other participations	0	0
c	debt instruments managed as securities from an accounting aspect but not classified as such under the Securities Act		0
ca	maturities within a year	0	0
	of which: from affiliated enterprises	0	0
	from other participations	0	0
cb	maturities over a year	0	0
	of which: from affiliated enterprises	0	0
	from other participations	0	0

(in HUF million)		31.12.2010	31.12.2011
Items			
<b>4</b>	<b>Other liabilities</b>	<b>67,124</b>	<b>73,875</b>
a	maturities within a year	13,067	28,700
	of which: from affiliated enterprises	155	3
	from other participations	0	0
b	maturities over a year	0	0
	of which: from affiliated enterprises	0	0
	from other participations	0	0
4/A	Negative valuation difference of derivative transactions	54,057	45,175
<b>5</b>	<b>Accrued expenses and deferred income</b>	<b>28,695</b>	<b>34,693</b>
a	accrued income	375	352
b	accrued costs and expenses	28,300	34,324
c	deferred income	20	17
<b>6</b>	<b>Provisions</b>	<b>6,595</b>	<b>14,543</b>
a	provisions for pensions and severance payment	436	1,584
b	risk provisions for pending and future liabilities	3,818	2,241
c	general risk provisions	1,422	0
d	other risk provisions	919	10,718
<b>7</b>	<b>Subordinated liabilities</b>	<b>75,140</b>	<b>83,617</b>
a	subordinated loan capital	75,140	83,617
	of which: from affiliated enterprises	72,977	81,454
	from other participations	0	0
b	other contribution by members of credit institutions operating as cooperatives	0	0
c	other subordinated obligations	0	0
	of which: from affiliated enterprises	0	0
	from other participations	0	0
<b>8</b>	<b>Subscribed capital</b>	<b>60,910</b>	<b>100,000</b>
	of which: nominal value of repurchased ownership share	0	0
<b>9</b>	<b>Subscribed but unpaid capital (-)</b>	<b>0</b>	<b>0</b>
<b>10</b>	<b>Capital reserve</b>	<b>10,418</b>	<b>151,327</b>
a	margin between nominal value and issue price of shares and participations (agio)	10,418	151,327
b	other	0	0
<b>11</b>	<b>General reserve</b>	<b>12,230</b>	<b>0</b>
<b>12</b>	<b>Profit reserve (+-)</b>	<b>52,129</b>	<b>55,592</b>
<b>13</b>	<b>Fixed reserve</b>	<b>0</b>	<b>0</b>
<b>14</b>	<b>Valuation reserve</b>	<b>58</b>	<b>3</b>
a	Reserve for restatement on fixed assets and inventories	0	0
b	Reserve for restatement at fair value	58	3
<b>15</b>	<b>Retained earnings (+-)</b>	<b>3,463</b>	<b>-135,342</b>
<b>TOTAL LIABILITIES</b>		<b>2,948,517</b>	<b>3,215,327</b>
	of which: Short-term liabilities	1,311,354	1,699,551
	Long-term liabilities	1,462,665	1,294,960
	Own equity	139,208	171,580

## II. Profit&Loss account

(in HUF million)		31.12.2010	31.12.2011
Items			
<b>1</b>	<b>Interest and other interest-type revenues earned</b>	<b>167,113</b>	<b>166,090</b>
a	interest revenue from fixed-income debt securities		
	of which: from affiliated enterprises	0	0
	from other participations	0	0
b	other interest and interest-type revenues	143,220	144,277
	of which: from affiliated enterprises	13,111	11,657
	from other participations	15	15
<b>2</b>	<b>Interest paid and other interest-type expenses</b>	<b>92,264</b>	<b>91,890</b>
	of which: to affiliated enterprises	43,938	34,221
	to other participations	375	241
	<b>Net interest margin (1-2)</b>	<b>74,849</b>	<b>74,200</b>
<b>3</b>	<b>Revenue from securities</b>	<b>3,619</b>	<b>3,141</b>
a	revenue from securities and participations held for trading purposes (dividends, participations)	0	0
b	revenue from participations in other enterprises (dividends, participations)	3,465	3,000
c	revenue from other participations (dividends, participations)	154	141
<b>4</b>	<b>Fees and commissions earned</b>	<b>34,806</b>	<b>32,637</b>
a	from revenues of other financial services	30,182	31,770
	of which: from affiliated enterprises	3,164	3,332
	from other participations	476	94
b	from revenues of investment services (excluding income from trading activity)	4,624	867
	of which: from affiliated enterprises	4,005	141
	from other participations	0	0
<b>5</b>	<b>Fees and commissions paid (due)</b>	<b>10,521</b>	<b>8,935</b>
a	from expenses of other financial services	7,278	8,392
	of which: to affiliated enterprises	20	48
	to other participations	0	0
b	from expenses of investment services (excluding expenses of trading activity)	3,243	543
	of which: to affiliated enterprises	3,068	270
	to other participations	0	0
<b>6</b>	<b>Net result of financial transactions (6.a-6.b+6.c-6.d)</b>	<b>33,450</b>	<b>27,905</b>
a	from revenues of other financial services	77,824	24,896
	of which: from affiliated enterprises	4,128	9,241
	from other participations	0	0
	valuation difference	0	0
b	from expenses of other financial services	14,392	15,794
	of which: to affiliated enterprises	693	9,786
	to other participations	0	0
	valuation difference	0	0
c	from revenues of investment services (income from trading activity)	90,244	105,499
	of which: from affiliated enterprises	8	1,756
	from other participations	6	0
	restatement of impairment of securities held for trading purposes	0	0
	valuation difference	16,028	21,818

(in HUF million)		31.12.2010	31.12.2011
Items			
d	from expenses of investment services (expenses of trading activity)	120,226	86,696
	of which:		
	to affiliated enterprises	3	100
	to other participations	2	3
	impairment of securities held for trading purposes	0	0
	valuation difference	48,921	4,534
<b>7</b>	<b>Other revenues from business activity</b>	<b>6,252</b>	<b>13,888</b>
a	revenues from non-financial and non-investment services	1,939	1,928
	of which:		
	from affiliated enterprises	253	344
	from other participations	0	13
b	other revenues	4,313	11,960
	of which:		
	from affiliated enterprises	1,377	1,726
	from other participations	0	0
	restatement of impairment of inventories	413	433
<b>8</b>	<b>General administrative expenses</b>	<b>48,282</b>	<b>44,323</b>
a	personnel expenses	24,956	22,259
	aa payroll	16,464	14,992
	ab other personnel expenses	2,600	2,350
	of which:		
	social security costs	614	414
	retirement costs	605	404
	ac contributions on wages	5,892	4,917
	of which:		
	social security costs	4,774	3,873
	retirement costs	3,255	3,244
b	other administrative costs (materials expenses)	23,326	22,064
<b>9</b>	<b>Depreciation</b>	<b>3,678</b>	<b>4,614</b>
<b>10</b>	<b>Other expenses of business activity</b>	<b>39,189</b>	<b>78,510</b>
a	expenses of non-financial and non-investment services	1,826	1,607
	of which:		
	to affiliated enterprises	1	0
	to other participations	0	0
b	other expenses	37,363	76,903
	of which:		
	to affiliated enterprises	150	75
	to other participations	0	0
	impairment of inventories	189	1,376
<b>11</b>	<b>Impairment of receivables and risk provisions for pending and future liabilities</b>	<b>69,297</b>	<b>174,611</b>
a	impairment of receivables	67,671	174,190
b	risk provisions for pending and future liabilities	1,626	421
<b>12</b>	<b>Restatement of impairment of receivables and use of risk provisions for pending and future liabilities</b>	<b>27,463</b>	<b>38,398</b>
a	restatement of impairment of receivables	26,126	36,363
b	use of risk provisions for pending and future liabilities	1,337	2,035
12/A	Difference between risk provisions allocated and used	0	1,422
<b>13</b>	<b>Impairment of debt securities as well as of shares and participations in affiliated enterprises and other participations held for trading purposes</b>	<b>167</b>	<b>6,448</b>
<b>14</b>	<b>Restatement of impairment of debt securities and shares and participations in affiliated enterprises and other participations held for investment purposes</b>	<b>8</b>	<b>0</b>
<b>15</b>	<b>Profit/loss from usual (business) activities</b>	<b>9,313</b>	<b>-125,850</b>



(in HUF million)		31.12.2010	31.12.2011
Items			
	of which: Profit/loss from financial and investment services (1-2+3+4-5+-6+7.b-8-9-10.b-11+12-13+14)	9,200	-126,171
	Profit/loss from non-financial and non-investment services (7.a-10.a)	113	321
<b>16</b>	<b>Extraordinary income</b>	<b>205</b>	<b>91</b>
<b>17</b>	<b>Extraordinary expenses</b>	<b>5,370</b>	<b>21,813</b>
<b>18</b>	<b>Extraordinary profit/loss (16-17)</b>	<b>-5,165</b>	<b>-21,722</b>
<b>19</b>	<b>Pre-tax profit/loss (+-15+-18)</b>	<b>4,148</b>	<b>-147,572</b>
<b>20</b>	<b>Taxes</b>	<b>300</b>	<b>0</b>
<b>21</b>	<b>After-tax profit/loss (+-19-20)</b>	<b>3,848</b>	<b>-147,572</b>
<b>22</b>	<b>General reserves, use (+-)</b>	<b>385</b>	<b>-12,230</b>
<b>23</b>	<b>Allocation of profit reserves for dividends and participations</b>	<b>0</b>	<b>0</b>
<b>24</b>	<b>Approved dividends and participations</b>	<b>0</b>	<b>0</b>
	of which: to affiliated enterprises	0	0
	to enterprises affiliated in other forms of participations	0	0
<b>25</b>	<b>Balance sheet profit/loss (+-21-/+22+23-24)</b>	<b>3,463</b>	<b>-135,342</b>

### III. Cash-flow Statement

(in HUF million)		2010	2011
Items			
1	Interest income	167,113	166,090
2	+ Income from other financial services (excluding restatement of securities impairment and positive valuation difference of receivables)	107,998	57,533
3	+ Other income (excluding use of provision, restatement of surplus provision, impairment of inventories, and restatement of extraordinary write-offs)	3,634	10,160
4	"+ Income from investment services (excluding restatement of securities impairment and positive valuation difference)"	78,840	83,667
5	+ Income from non-financial and non-investment services	1,939	1,928
6	+ Dividend income	3,619	3,141
7	+ Extraordinary revenues	205	91
8	- Interest costs	92,264	91,890
9	- Other expenses of financial services (excluding securities impairment and negative valuation difference of receivables)	21,670	10,756
10	- Other expenses (excluding provisions, inventories impairment and extraordinary write-offs)	35,434	62,403
11	- Expenses from investment services (excluding securities impairment and negative valuation difference)	74,548	82,162
12	- Expenses of non-financial and non-investment services	1,826	1,607
13	- General administrative expenses	51,960	44,323
14	- Extraordinary expenses (excluding corporate tax liability for the current year)	370	113
15	- Corporate tax liability for the current year	300	0
16	- Dividend payment liability	0	0
<b>17</b>	<b>Operating cash flow (lines 01 to 16)</b>	<b>84,976</b>	<b>29,355</b>
18	± Change in liabilities (+ if increase, - if decrease)	134,840	229,374
19	± Change in receivables (- if increase, + if decrease)	-301,624	-331,223
20	± Change in inventories (- if increase, + if decrease)	-3,605	-3,023
21	± Change in securities registered among current assets (- if increase, + if decrease)	169,548	-54,274
22	± Change in securities registered among invested assets (- if increase, + if decrease)	-78,450	-10,342
23	± Change in investments (including advances paid) (- if increase, + if decrease)	-1,096	-164
24	± Change in intangible assets (- if increase, + if decrease)	21	-3,329
25	± Change in net value of fixed assets (excluding investments and advances paid) (- if increase, + if decrease)	-13	-5,274
26	± Change in active accruals (- if increase, + if decrease)	16,202	1,692
27	± Change in passive accruals (+ if increase, - if decrease)	-17,548	5,998
28	+ Capital increase	0	179,999
29	+ Cash assets received in perpetuity by law	0	0
30	- Cash assets transferred in perpetuity by law	-5,925	-21,700
31	Effect of previous years on profit provisions	0	0
32	Effect of previous years on general provisions	0	0
33	- Nominal value of withdrawn treasury shares and investment notes	0	0
<b>34</b>	<b>Net cash flow (lines 17 to 33)</b>	<b>-2,674</b>	<b>17,089</b>
35	- Change in cash (forint and currency petty cash, cheques)	661	-737
36	Change in cash in account (foreign exchange and forint payment accounts and other payment deposit accounts with maturities within a year held with the NBH, and other forint deposit accounts with maturities within one year held with other credit institutions)	-3,335	17,826

## This is a translation of the Hungarian Report

### Independent Auditors' Report

To the Shareholder of Erste Bank Hungary Zrt.

#### Report on financial statements

1.) We have audited the accompanying 2011 annual financial statements of Erste Bank Hungary Zrt. ("the Company"), which comprise the balance sheet as at 31 December 2011 - showing a balance sheet total of HUF 3,215,327 million and a loss for the year of HUF 135,342 million -, the related profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

#### Management's responsibility for the financial statements

2.) Management is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with the Hungarian Accounting Law and generally accepted accounting principles in Hungary, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' responsibility

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

4.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

6.) We have audited the elements of and disclosures in the annual financial statements, along with underlying records and supporting documentation, of Erste Bank Hungary Zrt. in accordance with Hungarian National Auditing Standards and have gained sufficient and appropriate evidence that the annual financial statements have been prepared in accordance with the Hungarian Accounting Law and with generally accepted accounting principles in Hungary. In our opinion the annual financial statements give a true and fair view of the equity and financial position of Erste Bank Hungary Zrt. as at 31 December 2011 and of the results of its operations for the year then ended.

## Other reporting requirement- The business report

7.) We have reviewed the business report of Erste Bank Hungary Zrt. for 2011. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and generally accepted accounting principles in Hungary. Our responsibility is to assess whether the business report is consistent with the financial statements for the same financial year. Our work regarding the business report has been restricted to assessing whether the business report is consistent with the financial statements and did not include reviewing other information originated from non-audited financial records. In our opinion, the business report of Erste Bank Hungary Zrt. for 2011 corresponds to the disclosures in the 2011 financial statements of Erste Bank Hungary Zrt.

Budapest, 24 April 2012

(The original Hungarian language version has been signed.)

Martin Zuba  
Ernst & Young Kft.  
Registration No. 001165

Sulyok Krisztina  
Registered auditor  
Chamber membership No.: 006660

# Companies included in the consolidation

## Erste Befektetési Zrt.

Founded in 1998, Erste Befektetési Zrt. [Erste Investments Co. Ltd.] has long been the leading brokerage company in the Hungarian equity market. Constantly expanding its product range, the company offers customers all the products and services available to investment companies.

Customers are provided with high-standard, swift, and trouble-free access to the services of Erste Befektetési Zrt., also supported by the branch network of Erste Bank and a wide range of online services.

Erste Befektetési Zrt.'s market share in the (duplicated) stock trading volume in the spot section of the Budapest Stock Exchange was 18 per cent in 2011. The company registered the highest trading volume of the year in the section of listed shares last year (HUF 1,431,627 million).

The company concluded the year 2011 on HUF 2,834 million after-tax profit, and its total assets amounted to HUF 35,949 million.

(in HUF million)	2010 TOTAL	2010 TOTAL
<b>Trading results in 2009-2010</b>		
Trading volume in shares in the BSE (Erste)	2,340,996	1,431,627
Total trading volume in shares in the BSE	11,045,065	7,865,695
Market share	21.19%	18.20%
<b>Ranking</b>	<b>1</b>	<b>1</b>
Futures trading volume (total)	1,671,851	1,098,686
Futures trading volume (BUX)	456,730	181,062
Futures trading volume (shares)	702,947	432,242
Futures trading volume (FX)	512,174	485,382
Number of contracts (total)	4,551,589	3,282,140
Number of contracts (BUX)	1,998,928	878,099
Number of contracts (shares)	602,011	429,677
Number of contracts (FX)	1,950,650	1,974,364
Market share (BUX)	27.52%	23.45%
Market share (stocks)	28.22%	26.82%
Market share (FX)	13.74%	15.83%
<b>Ranking (BUX)</b>	<b>1</b>	<b>1</b>
<b>Ranking (shares)</b>	<b>1</b>	<b>1</b>
<b>Ranking (FX)</b>	<b>5</b>	<b>2</b>

## Erste Leasing Csoport

### Members of Erste Leasing Csoport [Erste Leasing Group] are:

- Erste Leasing Autófinanszírozási Zrt.  
[Erste Leasing Auto Finance Co. Ltd.]
- Erste Leasing Eszközfinanszírozási Zrt.  
[Erste Leasing Asset Finance Co. Ltd.]
- Erste Leasing Bérlet Kft.  
[Erste Leasing Rent LLC]

The ownership structure of Erste Leasing Csoport has been unmodified since the company was established. Its powerful capital structure is ensured by Erste Banking Group at a rate of 100 per cent.

The biggest weight in its asset portfolio is represented by financing provided for passenger cars and small utility vehicles in Hungary.

The customer scope of the corporate group exceeds 60,000 customers. In order to ensure a more comprehensive customer service, financing products offered by the company have been made available in all Erste branches since 2010.

In 2011, HUF 7.9 billion was disbursed in 4,409 contracts. The average co-finance provided by customers was 35 per cent, and the average maturity was 50 months.

## Erste Ingatlanlizing Zrt., Erste Lakáslizing Zrt.

Erste Ingatlanlizing Zrt. [Erste Real Estate Leasing Co. Ltd.] focuses on granting lease on newly constructed buildings, while Erste Lakáslizing Zrt. [Erste Housing Leasing Co. Ltd.] specialises in providing leasing schemes for used properties. Both companies target private individuals as well as micro businesses and small enterprises. Access to their target groups is ensured through the bank's network.

In 2011, no considerable changes manifested in the balance of power in the market. Based on the data published, both companies continued to play leading roles in the market for retail real estate and housing leasing.

By the end of 2011, total assets of Erste Ingatlanlizing Zrt. and Erste Lakáslizing Zrt. increased to HUF 19.2 billion and HUF 4.2 billion, respectively.

## Erste Faktor Zrt.

Erste Faktor Zrt. [Erste Factoring Co. Ltd.] started operation in the third quarter of 2005, making it possible for the banking group to expand its range of services.

Compared to the preceding year, no substantial changes were registered in the composition of that particular market segment. Published data indicated that the topmost 5 players continued to account for more than 70 per cent of total sales, and the combined market share of the Top 10 still exceeded 85 per cent.

In 2011, the company's factoring sales amounted to HUF 91.5 billion, representing a one-percent increase from HUF 90.9 billion generated in the previous year. This performance again earned the company fourth spot in the ranking of Hungarian factoring companies.

Total assets of Erste Faktor Zrt. amounted to HUF 12.8 billion at the end of 2011.

## Magyar Factor Zrt.

Acquired by Erste Bank Hungary Zrt., Magyar Factor Zrt. [Hungarian Factor Co. Ltd.] has been a fully owned subsidiary since 9 September 2011, expanding the Erste universe by another factoring company.

In 2011, Magyar Factor Zrt. realised HUF 112.7 billion in factoring turnover. By the end of the year its market share grew to 12.69 per cent, earning second place in the market ranking, according to the factored sales data released by Magyar Faktoring Szövetség [Hungarian Factoring Association].

Total asset of Magyar Factor amounted to HUF 10.6 billion at the end of the year.

### Erste Ingatlan Kft.

The business activities of Erste Ingatlan Kft. [Erste Real Estate LLC] encompass selling, letting, managing and developing properties. As a consequence of the economic crisis, which has affected the real estate sector severely since 2009, the activities of the company now focus on utilising the real estate portfolio within Erste Bank Hungary and on real estate acquisition related to workout transactions.

On 5 May 2010, the company acquired a 100 per cent shareholding in Sió Ingatlan Invest Kft. [Sió Real Estate Invest LLC], a project company established for the development of Sió Pláza, a shopping mall located downtown Siófok.



# Consolidated report

## I. Balance sheet

### ASSETS

(in HUF million) Items	2010	2011
Cash and balances with central banks	111,594	328,162
Loans and advances to credit institutions	119,112	226,109
Loans and advances to customers	2,258,206	2,309,752
Risk provisions for loans and advances	-143,049	-334,158
Derivative financial instruments	10,505	21,628
Trading assets	<b>18,889</b>	141,635
Financial assets - available for sale	31,978	160,814
Financial assets - held to maturity	32,012	314,002
Intangible assets	11,034	11,765
Property and equipment	12,944	11,989
Current tax assets	2,273	1,451
Deferred tax assets	758	58
Assets classified as held for sale	2,124	1,564
Other assets	27,062	53,162
<b>Total assets</b>	<b>2,953,552</b>	<b>3,247,936</b>

### LIABILITIES AND EQUITY

(in HUF million) Items	2010	2011
Deposits by banks	1,519,656	1,684,385
Customer deposits	1,092,732	1,201,878
Debt securities in issue	25,877	4,788
Derivative financial instruments	54,508	48,973
Trading liabilities	7,708	13
Provisions	<b>4,873</b>	9,405
Current tax liabilities	161	182
Deferred tax liabilities	634	366
Other liabilities	24,908	36,276
Subordinated liabilities	75,317	8,388
Total equity	147,179	177,791
<b>Attributable to:</b>		
Non-controlling interests	-32	0
Owners of the parent	147,211	177,791
<b>Total liabilities and equity</b>	<b>2,953,552</b>	<b>3,247,936</b>



## II. Profit & loss account

(in HUF million)	2010	2011
<b>Items</b>		
Interest and similar income	199,894	208,726
Interest and similar expenses	-86,886	-92,626
Net interest income	113,008	116,100
Fee and commission income	38,641	39,108
Fee and commission expenses	-10,219	-10,053
Net fee and commission income	28,422	29,055
Net trading result	15,356	11,891
Risk provisions for loans and advances	-72,854	-225,808
<b>Net operating income / (expenses)</b>	<b>83,931</b>	<b>-68,762</b>
Personnel expenses	-28,999	-26,532
Other administrative expenses	-26,703	-2,794
Depreciation and amortisation	-489	-5,163
<b>General administrative expenses</b>	<b>-60,592</b>	<b>-59,635</b>
<b>Other operating result</b>	<b>-1,922</b>	<b>-15,515</b>
Profit / (loss) before tax	4,119	-143,911
Taxes on income	-6,105	-5,492
<b>Loss for the year</b>	<b>-1,986</b>	<b>-149,403</b>
<b>Attributable to:</b>		
Non-controlling interests	57	0
<b>Owners of the parent</b>	<b>-1,929</b>	<b>-149,403</b>
<b>Other comprehensive income</b>		
Available for sale-reserve		
Gain during the year	0	1
Loss during the year	-24	-23
Deferred tax related to 'Available for sale-reserve'	5	4
<b>Other comprehensive income – total</b>	<b>-19</b>	<b>-18</b>
<b>Total comprehensive income</b>	<b>-2,005</b>	<b>-149,421</b>
<b>Attributable to:</b>		
Non-controlling interests	57	0
<b>Owners of the parent</b>	<b>-1,948</b>	<b>-149,421</b>

### III. Cash-flow Statement

(in HUF million) Items	2010	2011
<b>Loss for the year</b>	<b>-1,986</b>	<b>-149,403</b>
<b>Non-cash adjustments for items in profit / (loss) for the year</b>		
Depreciation and amortisation of assets	489	5,163
Impairment and reversal of impairment, revaluation of assets	704	6,898
Allocation to and release of provisions (including risk provisions)	6,737	194,743
(Gains) / losses from the sale of assets	57	62
Fair value of derivative financial instruments (excluding cash option premiums)	32,009	-16,487
Revaluation of subordinated liabilities	2,156	8,564
Change in deferred tax assets/liabilities	-250	433
Other	135	240
<b>Changes in assets and liabilities from operating activities after adjustment for non-cash components</b>		
Loans and advances to credit institutions	-87,846	-106,865
Loans and advances to customers	-184,299	-4,101
Trading assets	168,766	4,687
Financial assets - available for sale	-132	-287
Financial assets - held to maturity	-329	428
Other assets from operating activities	-8,601	-26,032
Deposits by banks	17,862	157,457
Customer deposits	-44,345	107,901
Debt securities in issue	-5,987	-21,089
Trading liabilities	-4,514	-7,717
Other liabilities from operating activities	-1,045	11,291
<b>Cash flows from operating activities</b>	<b>11,537</b>	<b>17,116</b>
Proceeds of disposal		
Financial assets - held to maturity and associated companies	88,896	27,232
Property and equipment, intangible assets and investment properties	299	1,489
Acquisition of		
Financial assets - held to maturity and associated companies	-11,558	-21,542
Financial assets - available for sale	-29,906	-128,572
Property and equipment, intangible assets and investment properties	-4,858	-11,775
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	-97	-1,424
<b>Cash flows (used in) investing activities</b>	<b>-61,247</b>	<b>-134,592</b>
Capital increases	0	180
Dividends paid	-13,921	0
<b>Cash flows from/(used in) financing activities</b>	<b>-13,921</b>	<b>180</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>71,392</b>	<b>111,594</b>
Cash flows from operating activities	11,537	17,116
Cash flows from investing activities	-61,247	-134,592
Cash flows from financing activities	-13,921	180
<b>Cash and cash equivalents at end of period</b>	<b>111,594</b>	<b>328,162</b>
<b>Cash flows related to taxes, interest and dividends</b>		
Payments for taxes on income	-8,986	-709
Interest received	197,277	20,882
Dividends received	154	141
Interest paid	-7,968	-100,563

## **Independent auditors' report**

To the shareholder of Erste Bank Hungary Zrt.

We have audited the accompanying consolidated financial statements of Erste Bank Hungary Zrt. and its subsidiaries, ("the Group") which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Erste Bank Hungary Zrt. as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.



Ernst & Young Kft.  
Budapest, Hungary  
24 April 2012

# Branch network

## Budapest branches

Alkotás Road Branch	1123	Budapest	Alkotás út 15.
2 Andrássy Road Branch	1061	Budapest	Andrássy út 2.
Árkád Shopping Centre Branch	1106	Budapest	Örs vezér tere 25.
Astoria Branch	1088	Budapest	Rákóczi út 1-3.
Bajcsy-Zsilinszky Road Branch	1055	Budapest	Bajcsy-Zsilinszky út 74.
Baross Square Branch	1077	Budapest	Baross Gábor tér 15.
92-94 Bartók Béla Road Branch	1115	Budapest	Bartók Béla út 92-94.
Bartók House Branch	1114	Budapest	Bartók Béla út 43-47.
Bécsi Road Branch	1036	Budapest	Bécsi út 52-54.
Béke Square Branch	1139	Budapest	Lehel út 70-72. F1 épület
Bosnyák Square Branch	1149	Budapest	Bosnyák tér 8.
Böszörményi Road Branch	1126	Budapest	Böszörményi út 24.
Budafok Branch	1221	Budapest	Promontor udvar, Kossuth L. u. 25-29.
Campona Branch	1222	Budapest	Nagytétényi út 37-43.
Csepel Branch	1211	Budapest	Kossuth Lajos utca 70-86.
Csillaghegy Branch	1038	Budapest	Vasútsor u. 1.
Danubius House Branch	1138	Budapest	Váci út 141.
Egry József Street Branch	1111	Budapest	Egry József utca 2.
17 Erzsébet Boulevard Branch	1073	Budapest	Erzsébet körút 17.
8 Erzsébet Boulevard Branch	1073	Budapest	Erzsébet körút 8.
Eurocenter Branch	1032	Budapest	Bécsi út 154. (Eurocenter)
Europe Tower Branch	1138	Budapest	Népfürdő utca 24-26.
130 Fehérvári Road Branch	1116	Budapest	Fehérvári út 130.
28 Fehérvári Road Branch	1117	Budapest	Fehérvári út 28.
Ferenc Boulevard Branch	1090	Budapest	Ferenc körút 25.
Flórián Square Branch	1033	Budapest	Flórián tér 3.
Heltai Jenő Square Branch	1039	Budapest	Heltai Jenő tér 15.
Hermina Residence Branch	1141	Budapest	Nagy Lajos király útja 214.
Hunyadi Shopping Centre Branch	1195	Budapest	Üllői út 283.
Hűvösvölgy Branch	1021	Budapest	Hűvösvölgyi út 138. (StopShop)
Illyés Gyula Street Branch	1152	Budapest	Illyés Gyula u.2-4.
Istenhegy Branch	1125	Budapest	Nógrádi u. 39.
József Boulevard Branch	1085	Budapest	József körút 86.
Kálvin Square Branch	1082	Budapest	Baross utca 1-3.

Károly Bouelvard Branch	1075	Budapest	Károly körút 7.
Kispest Branch	1193	Budapest	Kossuth tér 23-24.
Kossuth Square Branch	1055	Budapest	Kossuth tér 13-15.
Kossuth Square VIP Branch	1055	Budapest	Kossuth tér 13-15.
Köki Terminál Branch	1195	Budapest	Vak Bottyán út 75. a-c.
Kőbánya Branch	1102	Budapest	Körösi Csoma sétány 9/B
Krisztina Square Branch	1013	Budapest	Krisztina tér 2.
Mammut II. Branch	1024	Budapest	Margit körút 87-89.
Margit Boulevard Branch	1027	Budapest	Margit körút 48.
Maros Road Branch	1122	Budapest	Maros utca 19-21.
Multiplaza Branch	1119	Budapest	Fehérvári út 89-95.
Nagyvárad Square Branch	1091	Budapest	Üllői út 121. (Nagyvárad tér)
Napfény Street Branch	1098	Budapest	Napfény u. 7. (József A. ltp.)
Párisi Street Branch	1052	Budapest	Párisi utca 3.
Pesterzsébet Branch	1203	Budapest	Kossuth Lajos utca 21-29.
Pólus Center Branch	1151	Budapest	Szentmihályi út 131.
Rákóczi Square Branch	1085	Budapest	József körút 30-32.
Rákoskeresztúr Tesco Branch	1173	Budapest	Pesti út 5-7.
Savoya Park Branch	1117	Budapest	Hunyadi J. u. 19.
Soroksár Branch	1238	Budapest	Grassalkovich u. 150.
Tátra Street Branch	1136	Budapest	Tátra utca 6.
Teréz Boluevard Branch	1066	Budapest	Teréz körút 24.
Thököly Road Branch	1143	Budapest	Gizella út 59.
Törökvéshi Road Branch	1022	Budapest	Bég utca 3-5.
Újpest, Váci Road Branch	1047	Budapest	Váci út 15-19.
Újpest Branch	1042	Budapest	Árpád út 68.
30 Váci Road Branch	1132	Budapest	Váci út 30.
33 Váci Road Branch	1134	Budapest	Váci út 33.
Vízimolnár Street Branch	1031	Budapest	Vízimolnár u. 2-4.
Westend Branch	1062	Budapest	Váci út 1-3.

## Countryside Branches

Ajka Branch	8400	Ajka	Szabadság tér 4/a.
Baja Branch	6500	Baja	Vörösmarty utca 5.
Balassagyarmat Branch	2660	Balassagyarmat	Rákóczi fejedelem utca 34-36.
Balatonfüred Branch	8230	Balatonfüred	Zsigmond utca 1.
Békés Branch	5630	Békés	Széchenyi tér 4.
Békéscsaba, Munkácsy Street Branch	5600	Békéscsaba	Munkácsy u. 2.
Békéscsaba, Andrásy Road Branch	5600	Békéscsaba	Andrásy út 20.
Berettyóújfalu Branch	4100	Berettyóújfalu	Bajcsy-Zsilinszky u. 1.
Budakeszi Branch	2092	Budakeszi	Fő utca 43-45.
Budaörs Branch	2040	Budaörs	Szabadság u. 27.
Budaörs Tesco Branch	2040	Budaörs	Kinizsi út 1-3.
Cegléd Branch	2700	Cegléd	Népkör u. 2.
Csorna Branch	9300	Csorna	Szent István tér 29.
Csurgó Branch	8840	Csurgó	Széchenyi tér 16.
Debrecen, Vár Street Branch	4024	Debrecen	Vár utca 4.
Debrecen, Fórum Branch	4042	Debrecen	Csapó u. 30.
Debrecen, Szent Anna Street Branch	4024	Debrecen	Szent Anna utca 14/B
Debrecen, Downtown Branch	4025	Debrecen	Hatvan utca 1/B
Debrecen, University Branch	4032	Debrecen	Egyetem tér 1.
Dombóvár Branch	7200	Dombóvár	Hunyadi tér 19-21.
Dorog Branch	2510	Dorog	Bécsi út 76.
Dunaharaszti Branch	2330	Dunaharaszti	Dózsa György út 27.
Dunakeszi Branch	2120	Dunakeszi	Fő út 24.
Dunaújváros Branch	2400	Dunaújváros	Dózsa György utca 2/a.
Eger, Kossuth Street Branch	3300	Eger	Kossuth Lajos utca 13/a.
Eger, Dobó Square Branch	3300	Eger	Szt. János u. 13.
Érd Branch	2030	Érd	Budai út 13.
Esztergom Branch	2500	Esztergom	Imaház utca 2/a
Gödöllő Branch	2100	Gödöllő	Szabadság tér 14.
Gyál Branch	2360	Gyál	Vak Bottyán u. 66.
Gyöngyös Branch	3200	Gyöngyös	Mikszáth Kálmán utca 4.
Győr, Bajcsy-Zs. Road Branch	9022	Győr	Bajcsy-Zsilinszky u. 30-32.
Győr, Árpád Road Branch	9021	Győr	Árpád út 42.
Győr, 74 Bajcsy-Zs. Road Branch	9022	Győr	Bajcsy-Zsilinszky u. 74.
Gyula Branch	5700	Gyula	Városház utca 16.
Hajdúböszörmény Branch	4220	Hajdúböszörmény	Szt. István tér 2.

Hajdúdorog Branch	4087	Hajdúdorog	Nánási út 2.
Hajdúnánás Branch	4080	Hajdúnánás	Dorogi utca 10-14.
Hajdúszoboszló Branch	4200	Hajdúszoboszló	Hősök tere 9-11.
Hatvan Branch	3000	Hatvan	Kossuth tér 16.
Hévíz Branch	8380	Hévíz	Széchenyi u. 11.
Hódmezővásárhely Branch	6800	Hódmezővásárhely	Andrássy út 2-4.
Jászberény Branch	5100	Jászberény	Szabadság tér 20.
Kalocsa Branch	6300	Kalocsa	Szent István király utca 30.
Kaposvár Branch	7400	Kaposvár	Fő u.2.
Karcag Branch	5300	Karcag	Kossuth tér 6.
Kazincbarcika Branch	3700	Kazincbarcika	Egressy utca 44.
Kecskemét, Nagykőrös Street Branch	6000	Kecskemét	Nagykőrösi utca 11.
Kecskemét, Dobó Avenue Branch	6000	Kecskemét	Dobó körút 7.
Keszthely Branch	8360	Keszthely	Kossuth utca 45.
Kiskunfélegyháza Branch	6100	Kiskunfélegyháza	Mártírok útja 1.
Kiskunhalas Branch	6400	Kiskunhalas	Bethlen Gábor tér 4.
Kisvárdá Branch	4600	Kisvárdá	Szent László utca 26.
Komárom Branch	2900	Komárom	Gyár u. 2-6.
Komló Branch	7300	Komló	Pécsi út 1.
Kőszeg Branch	9730	Kőszeg	Rákóczi utca 1.
Lenti Branch	8960	Lenti	Zrínyi utca 3.
Makó Branch	6900	Makó	Csanád vezér tér 5.
Marcali Branch	8700	Marcali	Rákóczi utca 6-10.
Mátészalka Branch	4700	Mátészalka	Kölcsey utca 15.
Mezőkövesd Branch	3400	Mezőkövesd	Mátyás király út 129.
Mezőtúr Branch	5400	Mezőtúr	Földvári út 2.
Miskolc, Mindszent Square Branch	3530	Miskolc	Mindszent tér 3.
Miskolc, Városház Square Branch	3525	Miskolc	Városház tér 9.
Miskolc, Egyetemváros Branch	3515	Miskolc	Egyetemváros C/1 épület
Miskolc, Bajcsy-Zs. Street Branch	3527	Miskolc	Bajcsy-Zsilinszky utca 1-3.
Mohács Branch	7700	Mohács	Szabadság út 16.
Monor Branch	2200	Monor	Kossuth L. u. 88/B.
Mór Branch	8060	Mór	Köztársaság tér 1.
Mosonmagyaróvár Branch	9200	Mosonmagyaróvár	Fő utca 26.
Nagykanizsa, Downtown Branch	8800	Nagykanizsa	Fő utca 2.
Nyírbátor Branch	4300	Nyírbátor	Szabadság tér 10.
Nyíregyháza, Vay Á. Avenue Branch	4400	Nyíregyháza	Vay Ádám körút 12.
Nyíregyháza, Luther Street Branch	4401	Nyíregyháza	Luther u. 2.
Orosháza Branch	5900	Orosháza	Kossuth utca 2-4.
Ózd Branch	3600	Ózd	Gyújtó tér 1.
Paks Branch	7030	Paks	Dózsa György út 64.
Pápa Branch	8500	Pápa	Fő tér 25-26.
Pécs, Rákóczi Road Branch	7620	Pécs	Rákóczi út 62-64.

Pécs, Alkotmány Street Branch	7624	Pécs	Alkotmány utca 12.
Pécs, Diana Square Branch	7632	Pécs	Diana tér 20.
Pilisvörösvár Branch	2085	Pilisvörösvár	Fő u. 48.
Salgótarján Branch	3100	Salgótarján	Erzsébet tér 5.
Sárospatak Branch	3950	Sárospatak	Rákóczi utca 40.
Sárvár Branch	9600	Sárvár	Batthyány u. 20.
Sásd Branch	7370	Sásd	Rákóczi utca 17.
Sátoraljaújhely Branch	3980	Sátoraljaújhely	Széchenyi tér 3.
Siófok Branch	8600	Siófok	Fő utca 172.
Sopron, Előkapu Branch	9400	Sopron	Előkapu 2-4.
Szarvas Branch	5540	Szarvas	Szabadság utca 32.
Százhalombatta Branch	2440	Százhalombatta	Szent István tér 9.
Szeged, Széchenyi Square Branch	6720	Szeged	Széchenyi tér 17.
Szeged, Kölcsey Street Branch	6720	Szeged	Kölcsey utca 13.
Székesfehérvár, Palotai Road Fiók	8000	Székesfehérvár	Palotai út 4.
Székesfehérvár, Budai Road Branch	8000	Székesfehérvár	Budai út 32.
Szekszárd Branch	7100	Szekszárd	Széchenyi utca 40.
Szentendre Branch	2000	Szentendre	Duna korzó 18.
Szentes Branch	6600	Szentes	Kossuth u.12-16.
Szentgotthárd Branch	9970	Szentgotthárd	Széchenyi utca 2.
Szerencs Branch	3900	Szerencs	Rákóczi út 73-75.
Szigetszentmiklós Branch	2310	Szigetszentmiklós	Szent Miklós útja 1.
Szolnok, Baross Street Branch	5000	Szolnok	Baross utca 8.
Szolnok, Nagy Imre Avenue Branch	5000	Szolnok	Nagy Imre krt. 8/A.
Szombathely, Mártírok Square Branch	9700	Szombathely	Mártírok tere 12.
Szombathely, Fő Square Branch	9700	Szombathely	Fő tér 29.
Tapolca Branch	8300	Tapolca	Deák Ferenc u. 7.
Tata Branch	2890	Tata	Országgyűlés tér 3.
Tatabánya Branch	2800	Tatabánya	Fő tér 20.
Tiszaújváros Branch	3580	Tiszaújváros	Bethlen Gábor utca 5/b
Tiszavasvári Branch	4440	Tiszavasvári	Kossuth utca 22.
Törökszentmiklós Branch	5200	Törökszentmiklós	Kossuth utca 125.
Vác Branch	2600	Vác	Széchenyi u. 14.
Várpalota Branch	8100	Várpalota	Szent István út 7-9.
Veszprém, Szabadság Square Branch	8200	Veszprém	Szabadság tér 1.
Veszprém, University Branch	8200	Veszprém	Egyetem utca 19.
Veszprém, Ádám Iván Street Branch	8200	Veszprém	Ádám Iván utca 2.
Záhony Branch	4625	Záhony	Ady Endre utca 27-31.
Zalaegerszeg, Ispotály Street Branch	8900	Zalaegerszeg	Ispotály köz 2.
Zirc Branch	8420	Zirc	Rákóczi tér 16.



# Corporate Trade Centres

## Small and Medium Enterprises

### **BUDAPEST REGIONS**

Budapest, Region 1  
Budapest, Region 2  
Local Large Corporates and International Customers

Budapest  
Budapest  
Budapest

### **RURAL REGIONS**

#### **North-western Hungary Region**

Commercial Centre for Győr-Moson-Sopron County  
Commercial Centre for Komárom-Esztergom County  
Commercial Centre for Vas County

Győr  
Tatabánya  
Szombathely

#### **South-western Hungary Region**

Commercial Centre for Baranya County  
Commercial Centre for Fejér County  
Commercial Centre for Somogy County  
Commercial Centre for Tolna County  
Commercial Centre for Veszprém County  
Commercial Centre for Zala County

Pécs  
Székesfehérvár  
Kaposvár  
Szekszárd  
Veszprém  
Zalaegerszeg

#### **North-eastern Hungary Region**

Commercial Centre for Borsod-Abaúj-Zemplén County  
Commercial Centre for Heves County  
Commercial Centre for Nógrád County

Miskolc  
Eger  
Salgótarján

#### **South-eastern Hungary Region**

Commercial Centre for Bács-Kiskun County  
Commercial Centre for Békés County  
Commercial Centre for Csongrád County  
Commercial Centre for Hajdú-Bihar County  
Commercial Centre for Jász-Nagykun-Szolnok County  
Commercial Centre for Szabolcs-Szatmár-Bereg County

Kecskemét  
Békéscsaba  
Szeged  
Debrecen  
Szolnok  
Nyíregyháza

## Large Corporate Customers

**Budapest**

## Project and Real Estate Finance

**Budapest**

## Municipal Business

**Budapest**

# Supervisory Board, Board of Directors

## The Supervisory Board of Erste Bank Hungary Zrt.

31 December 2011

### Chairman:

Manfred Wimmer      Erste Group Bank AG

### Members:

Martin Skopek	Erste Group Bank AG
Martin Rohmann	Erste Group Bank AG
Peter Weiss	Erste Group Bank AG
Róbert Nemes	Erste Bank Hungary Zrt.
Béla Bokor	Erste Bank Hungary Zrt.

## The Managing Board of Erste Bank Hungary Zrt.

31 December 2011

### President:

Jelasily Radován      Erste Bank Hungary Zrt.

### Members:

Imre Sztanó	Erste Bank Hungary Zrt.
János Major	Erste Bank Hungary Zrt.
László Pelle	Erste Bank Hungary Zrt.
Frederik Silzer	external member
Dr. János Rudnay	external member

Erste Bank Hungary hereby declares that its parent company, Erste Group Bank AG, adheres to the Austrian Corporate Governance Code and Erste Bank Hungary's corporate management practice is based on the same principles and guidelines.

