



ANNUAL REPORT 2012

Table of contents

3	Key figures, ratings
4	Letter to customers, partners and shareholders
6	CSR activity
9	Economic environment and banking sector in 2011
10	Reports of divisions
10	I. Retail division
12	II. Corporate division
13	III. Treasury
14	Analysis of the financial position
19	Non-consolidated report
19	I. Balance sheet
19	Assets
21	Liabilities
24	II. Profit & Loss account
27	III. Cash-flow statement
28	Independent auditor's report
30	Companies included in the consolidation
32	Consolidated report
32	I. Balance sheet
32	Assets
32	Liabilities
33	II. Profit & Loss account
34	III. Cash-flow statement
36	Independent auditor's report
38	Branch Network
41	Corporate Trade Centres
42	Supervisory Board, Board of Directors

Key figures, ratings

Key figures of Erste Bank Hungary

for the annual report, dated 31st December, 2012, based on audited, consolidated annual figures according to IFRS.

in million HUF		
	31. 12. 2011	31. 12. 2012
Profit and loss account		
Net interest income	116,100	103,780
Net fee and commission income	29,055	27,922
Net trading result	11,891	2,529
Risk provisions for loans and advances	-225,808	-61,331
Net operating income / (expenses)	-68,762	72,901
General administrative expenses	-59,635	-52,203
Other operating result	-15,515	-21,092
Profit / (loss) before tax	-143,911	-394
Loss for the year	-149,403	-6,113
Other comprehensive income	-18	-91
Total comprehensive income	-149,421	-6,205
Balance sheet		
Total assets	3,247,936	2,788,200
Loans and advances to customers	2,309,752	1,879,497
Customer deposits	1,201,878	1,360,292
Equity	177,791	210,585
Cost/Income ratio		
Return on Assets (ROA)		
Pre-tax profit / Asset worth	-4.43%	-0.01%
After-tax profit / Asset worth	-4.60%	-0.22%
Return on Equity (ROE)		
After-tax profit / Equity	-84.03%	-2.90%
Number of employees	2,952	2,632
Number of Commercial centres	22	21
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,



Although 2012 was a considerably better year than 2011, the long-awaited breakthrough did not happen. The revenues of the Bank were substantially affected by the economic recession, a substantially shrinking demand for loans, the early repayment of forex loans at non-market rates, and the NPL portfolio which refused to decrease. This decline was only partially offset by income.

The position of the Hungarian economy did not improve in 2012, and in terms of macroeconomic processes the year was spent in constant fiscal adjustment. The main course of action taken by the government in this context involved primarily tax increases, yet the crisis taxes imposed on various corporate segments, including the banking sector, as a temporary measure were not reduced despite promises. The operation of the banking sector was markedly affected by the monetary easing cycle launched by the National Bank of Hungary last autumn. The prime rate had been stagnant at 7 per cent until August 2012 and was reduced to 5.75 per cent by the end of December. Yet, the demand for loans failed to increase at a considerable rate whereas loan margins had been declining in the course of the year.

The manoeuvring space of Erste Bank Hungary Zrt. was greatly limited by these unfavourable external economic conditions, yet the bank managed to stabilise its business operation in 2012. Also, the new business strategy, valid until 2015, was implemented, and the Bank will have been completely renewed by the end of the process.

2012 was a year of acquisition for Erste Bank Hungary Zrt. as the Wealth Management business of BNP Paribas Magyarországi Fióktelepe [BNP Paribas Hungarian Branch] was acquired and merged successfully. On back of the transaction, the Bank's private banking customer base increased to 2,200 and the related portfolio boosted to HUF 200 billion. As a result, Erste Private Banking claimed a spot among market-leading private banking service providers in Hungary. In addition, the restructuring process at the Bank's affiliates was concluded as five subsidiaries (three leasing and two factoring companies) were integrated in order to ensure more efficient operation.

Established at the end of 2011, Erste Lakástakarék [Erste Building Society] clinched 20,000 building society contracts at a total of close to HUF 50 billion in 2012, a significant achievement, as a result of which the customer number of the affiliate exceeded 25,000 and the contracted portfolio was close to HUF 75 billion at the end of the year. We have every right to be proud of another affiliate of the Bank's, Erste Befektetési Zrt. [Erste Investments Co. Ltd.], as it retained its leading position among investment service providers in Hungary in 2012. Erste Befektetési Zrt. boasted a 16 per cent market share in the duplicated spot share trading volume of the Budapest Stock Exchange in 2012 and also achieved the highest trading volume in the shares section.

The acquisition of BNP Paribas private banking business is the best evidence of how committed Erste Group is toward Hungary. Due to an adverse macroeconomic climate, Erste Group defined a new business model and strategy for Hungary in 2011 whose focal point comprises the objective that forint lending based on funds acquired in Hungary should act as the growth driver for the financial institution.

Therefore, accelerating the dynamic of lending and enhancing customer activity are key objectives in the retail business in addition to deposit acquisition. In the scope of property finance, building society services may be a breakout segment. The Bank needs to strive to encourage small and medium enterprises to use the Bank's transaction services at an increasing rate in addition to lending services and draw on support provided by the Bank to join government programs aimed at development even more dynamically.

As a member of one of the most powerful banking groups in the Central and Eastern European region, Erste Bank Hungary Zrt. intends to continue its role as a decisive, basically retail-oriented player in the Hungarian banking market. Our three-year restructuring program ensures the chance for the Bank to emerge a completely renewed and even more up-to-date financial institution by 2015.



Radován Jelasity
President and Chief Executive Officer

CSR activity

Social mission and sponsoring

As part of its strategy, Erste Bank Hungary Zrt. actively participates in resolving issues concerning the society, supports remarkable communities as well as interesting and valuable initiatives that it deems fitting to its strategy.

Financial education

Aimed at aligned and efficient enhancement of the financial literacy of the Hungarian citizenry, cooperation between the public scope, businesses and NGOs carries great importance, and therefore the Bank was delighted to join Pénzügyi Navigátor Program [Financial Navigator Program], created upon an initiative from the National Bank of Hungary with the objective of transferring practical financial knowledge that is relevant to a variety of life situations.

Additionally, the nationwide education program Pénzügyi Kisokos [Financial Guide], launched by Erste Bank Hungary Zrt. in May 2009, continued. As part of the program, branch managers from the Bank have visited nearby primary and secondary schools that have applied for the program, giving students lectures about basic finances. In 2012, ten schools joined this free program, and our colleagues and supporters delivered lectures for a total of 1,159 students in 52 classes.

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.

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 at Művészetek Palotája, the broadcasts “The Metropolitan Opera: Live in HD” are also sponsored by the Bank.

Erste Bank Hungary Zrt. has been the Maecenas supporter of Szépművészeti Múzeum Baráti Kör [Art Lovers Club of the Museum of Fine Arts] since September 2011. The objective of this club of aficionados is to create a group of regular patrons that provide donation to contribute to preserve and expand the excellent collection of the museum, enhance the standards of the services of the museum, and create a dynamic and attractive program of exhibitions.

Involving an international panel of art experts, Erste Group launched the 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.

In addition to events with national significance, sponsorship of various regional cultural events (such as theatre performances in rural towns, village days, and festivals in rural areas) are also given importance.

Erste Bank for talented youth

Erste Bank Hungary Zrt. joined the Junior Prima Award as co-founder in 2008, awarding young, committed, professionally excelling and non-partisan journalists under 30 years of age in the category ‘Hungarian Press’.

In cooperation with Liszt Ferenc Zeneművészeti Egyetem [Ferenc Liszt University of Musical Arts]—the Academy of Music, as it is called more popularly—and a closely-related group of aficionados called Zeneakadémia Baráti Köre [Society of Friends of the Acade-

my of Music], the bank developed a new program in 2011, dubbed “Erste az elsőért” [“Erste for the Best”] to support musical talent. As part of the scholarship, the most talented students of the university have the chance to secure a monthly allowance to finance their studies with support from the Bank, but they are also invited to apply for professional training to be able to participate at master’s courses, summer academies, and international music camps for youth.

Erste Bank has sponsored Magyar Sajtófotó Kiállítás [Hungarian Press Photo Exhibition], the largest ensemble of press photography in Hungary, for the first time in 2012, and, in recognition of young photo reporters’ work, pledged to sponsor the special prize for the best young photo reporter under the age of 30.

Charity

The charity activity of Erste Bank is primarily focused to help youth, improve the living standards of our underprivileged fellow human beings, retain healthy lifestyle, and prevent diseases.

Hence, Erste Bank Hungary is now a Gold Sponsor of SOS Gyermekfalu [SOS Children’s Villages]. Beyond cash donations, the bank supports the villages by providing other assets (such as furniture, computers) so that children living in the SOS villages shall not be in want of anything. The Bank joined the initiative in 2011 that organises a sailboat race in Balatonfüred for the children living in the SOS villages, the Erste Bank–SOS Gyermekfalu Nagyhajós Vitorlásverseny [Erste Bank-SOS Children’s Villages Sailboat Competition].

Nemzetközi Gyermekmentő Szolgálat [International Children’s Safety Service] works to ensure health and support for tens of thousands of children each year. The Bank has for years provided support for the organisation in securing the conditions required for operation and funding.

Similarly to previous years, the amount allocated for Christmas presents was spent on charity in 2012 as well. In cooperation with Máltai Szeretetszolgálat [Hungarian Maltese Charity Service] the Bank supported the children of needy families who did not

have proper eyeglasses or could not afford them at all. After on-site medical examination, they received the right prescription eyeglasses as a gift, allowing them to study and play with ease.

It was also owing to financial donation from the Bank that it was possible for Magyar Vöröskereszt [Hungarian Red Cross] to purchase 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 as well, providing our colleagues with the chance to contribute to an appropriate blood supply.

The Bank donates redundant but still serviceable office furniture and office devices to NGOs that provide high-standard services for the public good in line with social expectations.

Erste Bank for the underprivileged

More than half a million people live with disabilities in Hungary, but their majority hardly ever meet non-disabled persons, because they run into obstacles the minute they leave their homes. Hence, few people with disabilities venture to seek jobs and live a full life. One of the objectives of the Bank is to make people living with disabilities more visible and make non-disabled people aware that it is worth regarding people with disabilities as potential co-workers and partners and helping them live as active members of society. People with changed working abilities are currently employed by the Bank.

Additionally, emphasis is given to service our underprivileged customers at a high standard. 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.

In the autumn of 2009, in collaboration with SINOSZ [National Association for the Deaf and Hearing Impaired], the Bank launched a program 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.

Good.bee

The organisation dubbed good.bee, a company established by ERSTE Foundation and Erste Holding jointly, was launched early 2009. Its responsibility and mission is to help extend banking and financial services to segments that are excluded from the banking sector due to social economic, geographic or other reasons. The cooperation has been a great success, it has become clear that it plays an outstanding role in supporting the NGO sector.

Corporate volunteering

Against the backdrop of the current harsh economic environment it is particularly important not only to survive, but also to help those in the need. It was this concept that prompted Erste Bank Hungary and one of its affiliates, Erste Lakástakarék [Erste Building Society], to launch a joint charity home renovation programme dubbed “Jövőt teremtünk!” [“Creating Future”]. On the advertised volunteer days the Bank’s employees have also participated in the remodelling works. Szimbiozis Alapítvány [Symbiosis Foundation] has been the first to be included in the good.bee social enterprise development program of the Bank. After a successful cooperation the Bank decided to involve employees in the work of the foundation, therefore the management of the Bank volunteered hands-on work to help Baráthegyi Majorság [Baráthegy Manor], a rehabilitation facility operated by the foundation.

Environment protection

The headquarters of Erste Bank is a Class A office complex, built with up-to-date heat insulation technologies and equipped with sophisticated automatically controlled cooling and heating technologies and facility monitoring systems.

Selective waste disposal units for paper and plastic refuse as well as containers for batteries have been

placed in the office areas.

The Bank attaches great emphasis to improve energy efficiency both at headquarters and in the branch network, consciously restructuring its processes toward conscious environmental management and sustainability:

Various forms of using recycled paper have been used since 2011, first in central areas, then in account statements sent to customers.

Due to developments in the Bank’s IT systems, many types of pre-printed forms have been discontinued because software now facilitates immediate filling out of contracts and forms.

In order to reduce paper consumption, the option of cash withdrawal without receipt has been implemented in the ATM network of Erste Bank.

Materials created as confidential documents are being recycled are re-used.

Instead of newspaper subscriptions, online versions available to the employees are preferred.

The Bank uses recycled stamp casings when the stamps have to be replaced due to an amendment in the legal structure of the Bank, and in case of used stamps the rubber pads are changed alone.

Electronic devices that are beyond repair are transferred to companies that ensure professional disassembly and recycling of components.

As part of a strategic project involving the entire organisation, the Bank implements energy rationalisation measures and investments as a result of which the electricity consumption of the Bank decreased approximately 15 per cent by the end of 2012.

The headquarters of the Bank houses bicycle storage for 180 bikes and locker rooms equipped with water facilities for employees, promoting a healthy and environment-friendly way of commute. The Bank regularly participates in the campaign “Bringázz a munkába” [“Ride to Work”] and in the applications “Legbringásabb munkahely” [“Most Bike-friendly Workplace”] and “Szívbarát munkahely” [“Heart-friendly Workplace”]. In consideration of its activities, Erste Bank applies general statutory regulations in respect of environment protection.

Economic environment and the banking sector in 2012

Hungary's GDP decreased 1.7 per cent in 2012. Economic growth in the country's most significant trade partners remained subdued, while an upswing in domestic demand was hampered to a great extent by constant fiscal adjustments that permeated the entire year in 2012. Net exports managed to contribute positively to economic growth as the annual two-per cent increase in exports was coupled with a mere 0.1-per cent swell in imports. However, components in domestic demand continued to make a negative contribution to growth. Households' actual consumption dropped 1.9 per cent, community consumption stagnated, and gross accumulation of fixed assets declined another 3.8 per cent.

Consumer inflation accelerated at a brisker pace in 2012 mostly on back of tax hikes implemented as part of fiscal adjustments—most notably the two-percentage-point increase in VAT in January 2012. Inflation did not embark on a declining path until the fourth quarter of the year, and the annual increase of consumer prices decelerated to 5 per cent by December. The average of inflation was 5.7 per cent in 2012. Owing to the government's utility bill reduction measures and a lack of demand-driven inflation, the decline of inflation has continued year-to-date in 2013.

After a relaxed fiscal policy in 2011—concealed by the budget surplus originating from taking over the assets of private pension funds—last year was all about a constant need for adjustments in the central budget. The government was operating with tax hikes predominantly; VAT and excise tax were increased, and telecom tax, a novelty in Hungary, was introduced in July. Imposed on various sectors and initially designed as temporary contributions, crisis taxes were left in place and even expanded with the

financial transaction duty levied on the banking sector effective as of 2013. As a result, Hungary's public finance concluded the year with a mere 1.9-per cent deficit in terms of GDP, which contributed greatly to Hungary's release from the EU's Excessive Deficit Procedure in June 2013.

Despite the country's continuing positive external position and a relatively high interest environment, a substantial volatility was typical for the forint throughout 2012. At the forex market the year took off with a powerful turbulence which forced the forint to ease considerably, and major and minor sways in the currency rate were caused by the waves of the debt crisis in Europe. However, markets assessed favourably overall the ECB's efforts to manage the debt problem, and the Fed launched the third quantitative easing program in September, which has been in effect since. Supportive, liquidity-expanding policies pursued by major central banks bolstered investors' risk appetite, contributing to the consolidation of the forint's FX rate in the second half of the year.

In 2012, the prime rate in Hungary stagnated at 7 per cent until August, falling to 5.75 per cent from August until the end of December. Owing to improving outlooks for inflation and a supportive external environment, prime rate cuts have continued year-to-date, registering 4.25 per cent at the end of June.

Reports of divisions

I. Retail Division

Funding secured from both retail customers and micro businesses played a pivotal role in the retail strategy of Erste Bank in 2012 again, at the same time the financial institution aimed to maintain 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 2012, the bank primarily focused on retaining and increasing the 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 depositing existing and new funds.

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

In April 2012, a new bank account product dubbed Erste Szupernulla Bankszámla [Erste SuperZero Bank Account] debuted. If at least a HUF 150,000 wage is transferred to the account in no more than two instalments monthly, the option of free account management and free cash withdrawals for ATMs is offered along with free wire transfers via electronic channels and free direct debits.

August 2012 witnessed the launch of Erste Kedvezmény Program [Erste Benefit Program] for retail customers, which is still available. As part of the Erste Kedvezmény Program, various discounts related to banking, investment, insurance and building society products and services are offered when salary/pension transfers are credited to

an Erste account regularly. As a result, customers can save up to HUF 100,000 in costs.

An account initiation campaign was carried out from 1 October until 31 December 2012 for micro businesses that initiated accounts with the Bank in that period of time, offering them free internal and external electronic wire transfers, direct debits, and tax payments for up to six months, all coupled with free SMS services for up to six months.

Loans for retail customers and micro businesses

The retail loan portfolio of the Bank remained basically unchanged in 2012 despite a decline in new disbursements. Changes in the volume was defined by the volatility of FX rates, therefore it is the forint-denominated total of the loan book, which consist of currency loans mostly, that is changing in line with FX rates. In accordance with legal provisions in effect, new loans were disbursed exclusively in forints.

Apart from a considerable decline in lending, 2012 was defined by the early repayment on FX loans at fixed currency rates and also by the related Gyűjtőszámlahitel II [Buffer Account Loan 2]. As a result of these factors, the market share of the Bank stagnated in 2012. In terms of the total loan portfolio the Bank's market share was 14.30 per cent in December 2012, down 0.33 per cent from December 2011. In the scope of new loan disbursements the Bank secured a market share between two and three per cent in 2012.

Income potential was substantially limited by a continuing decline in the real estate and the housing loan market in 2012, thus supplementing the natural shrinking of the portfolio presents the Bank with increasingly difficult challenges.

The Bank therefore dedicated the year 2012 to de-

velop and implement a new lending strategy. One of the key components is the relaunch of sales in the agent network in addition to a substantial boost in sales conducted in the branch network.

Due to the new direction in the retail strategy and also owing to the monetary easing policy of the National Bank of Hungary, the Bank has also reduced lending rates. Additionally, the main focus fell on introducing the loan design dubbed *Otthonteremtő Kamattámogatott Hitel* [Interest-subsidised Home-making Loan]. A large percentage of sales is planned to be secured through this product.

In the scope of personal loans, the focus was kept on acquiring new customers in the Bank's own customer base in 2012 again by providing continuous interest rate discounts. The loan design *Most Személyi Kölcsön* [Now Personal Loan], offered for a certain customer scope with favourable terms and conditions, reached a volume by the end of the year that had been targeted upon launch in 2010, and therefore this product is expected to account for 40 per cent of the volume in 2013. The customer scope will be expanded further.

The demand for retail current account overdrafts and Lombard loans was similar as in 2011. Taking a cue from *Most Személyi Kölcsön*, a loan product named *Most Folyószámlahitel* [Now Current Account Overdraft] was introduced at the end of the year.

In 2012, government loan programs—for instance, *Széchenyi Kártya Program* [Széchenyi Card Programme] and *MFB Hitelprogramok* [Hungarian Development Bank Loan Programmes]—were again available to micro businesses with annual sales below HUF 200 million. Constant adjustments were made by the bank to the modifications in these loan programmes, and the *MFB Vállalkozásfinanszírozási Program* [Hungarian Development Bank Enterprise Development Programme] was also implemented. Against the backdrop of the economic environment prevalent in 2012, the decisive majority of loan demand on the part of micro businesses comprised liquidity loans. As a result, Széche-

nyi *Folyószámlahitel* [Széchenyi Current Account Overdraft] became a particularly important design, and the Bank's own short-term loans also gained significance. Erste Bank promoted Széchenyi Card loans via a nationwide loan campaign and a special offer in order to provide as many micro businesses as possible with information about the loan products marketed by the bank.

Sales channels

On back of a branch network rationalisation initiative implemented at the beginning of the year the Bank operated 143 branches across the country on 31 December 2012. In order to meet requirements regarding corporate quality and image, relocation, renovation, and modernisation works were carried out in the network in 2012, similarly to previous years.

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, as well as savings products, personal loans, and credit cards. As a result of the cooperation, the number of Posta brand customers was close to 190,000 at the end of 2012.

The penetration of electronic channels reflected stagnation. The number of Erste TeleBank customers was 597,000 at the end of 2012, and Erste NetBank registered 393,000 users.

II. Corporate Business

Impacts of the economic crisis persisted in 2012 as well, strongly defining the financial activities of corporations operating in Hungary—similarly to 2011. The loan portfolio of non-financial companies reflected a decline 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 in 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 products and payment products primarily. Targets defined for the year were met. As a consulting partner bank, Erste Bank continued to support customers, 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 350 new customers were initiated by the Small and Medium Enterprises Division.

II. Financing

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

In terms of the quality of corporate loans, the trend experienced in previous years stopped as the rate of non-performing loans within the portfolio did not rise any further.

III. Deposits

Owing to a high-level deposit acquisition activity, the deposit portfolio increased at a pace outstripping the market's, resulting in a loan/deposit ratio at the end of 2012 that exceeded the average of the corporate market by far.

IV. Other services

Maintaining a high standard of services that has been typical in previous years, the affiliates Erste Faktor Zrt. [Erste Factoring Co. Ltd.], Erste Leasing Zrt., and Magyar Factor Zrt. [Hungarian Factoring Co. Ltd.] were integrated into the Bank by the end of 2012.

Municipal Business

Regulations in the municipal sector were amended considerably in 2012, and therefore no new contracts in the area of municipal financing were established. Substantial risks have built up in the sector recently, and a large part of it has been lifted to the surface by the economic crisis and its impacts on Hungary.

After the debt relief provided for county-level municipalities in 2011, debt assumption for municipalities of towns and villages was announced. The debt portfolio of towns with population less than 5,000 was assumed by the government, and the same course of action in case of towns with population over 5,000 is expected to be implemented in 2013.

The NPL ratio of the loan portfolio managed by the Municipal Division is below 12 per cent and mostly comprises 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 2012 as the decisive majority of municipal partners duly met their contractual obligations in full.

Large Corporates Business

The Large Corporates Business continued to enhance the process of capitalising on business opportunities within Erste Group, and endeavoured to service the corporate customer scope at an even higher standard—one of the priorities defined in its strategy.

In spite of prolonged impacts from the economic crisis, the Large Corporates Business managed to meet the targets defined for 2012, achieving considerable results in the sale of deposit products.

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 in 2012.

Project and Real Estate Finance Division

The operational environment of the business area engaged in real estate finance remained very harsh in 2012. The trend experienced in previous years continued as far as due repayment of performing loans and a marginal amount of new disbursements were concerned, therefore the average quality of the portfolio kept deteriorating as the ratio of non-performing loans increased even though the volume of non-performing loans decreased.

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

III. Treasury (Group Capital Markets)

The key objectives of the Bank's Treasury Division include the implementation of operative liquidity management and risk management, which ensure the continuity and security of the commercial banking activities of the financial institution. Treasury is also responsible for the implementation of the Bank's long-term financing plans in cooperation with the Assets and Liabilities Management Division (ALM).

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

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 mar-

ket positions in 2012, remaining a major player in the Hungarian interbank forex and financial market.

The Division concluded 2012 with an outstanding success as its total business result surged to an all-time high. Total business result of Treasury was more than twice as high as the initial business target.

The highest-ever annual business result was made possible primarily by the arbitrage activities related to the sales transactions of local MM trading.

Sales income remained steady in spite of a degrading business environment, and the results of trading activities carried out as part of the GCM Division also exceeded the targets in 2012. The ratio trading activities carried out as part of the GCM Division and locally as well as the ratio of income from sales activities remained balanced in 2012.

The excellent financial result was achieved by simultaneously 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 key component 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, as well as derivative and structured FX market products are in the focus of the business activity of Treasury. Seventy-one per cent of sales income in 2012 originated from products linked to forex markets, the rest was divided pro rata between interest derivatives and investment products as well as commodities.

For Treasury, the year 2012 was about enhancing the customer-focus further. Simplifying and improving customer processes were at the core of developments. The objective of organisational changes in the sales division and reconsideration of sales processes were aimed at adjusting to unique customer demands in a faster and more accurate way.

Assessment of the Bank's assets, financial and earnings position

Composition of the balance sheet

As of the end of 2012, the Bank's balance sheet total reached HUF 2,762 billion, which is 14 per cent below that of the previous year. The shareholders' equity amounted to HUF 160,415 million.

Items on the assets side

In 2012, the structure of the Bank's asset portfolio changed regarding the distribution of loans to customers and credit institutions. Loans to credit institutions dropped to a half, and their ratio to the diminishing balance sheet total shrank from last year's 15.4 per cent to 7.6 per cent. The proportion of receivables from customers slightly decreased, down to 54.4 per cent of the Bank's assets by the end of year, as opposed to last year's 58.8 per cent. The volume of loans decreased on the aggregate, with

Loans to credit institutions down by HUF 284.5 billion, while Loans to customers by HUF 387.9 billion.

According to the latest market figures (November 2012), the bank holds a 14.14 per cent market share in terms of retail loans, and 8.12 per cent in terms of deposits, which, owing to the deposit raising campaigns, shows a positive tendency (+27bp) for the past one year. In terms of the corporate segment (excluding local governments), the bank's market share is 6.62 per cent and 7.72 per cent regarding deposits and loans, respectively, which represents a 35-basis-point loss over a year, but this change is still in line with the Bank's business strategy.

The net retail loan portfolio (including sole entrepreneurs) amounted to HUF 920 billion, with the gross portfolio equal to HUF 1,035 billion. The distribution of HUF denominated loans to FX denominated

Changes in the distribution of retail loans by product type in 2012:

Households, retail customers, sole entrepreneurs (M Ft)	31. 12. 2011	31. 12. 2012	Change
Housing loans	766,844	630,368	(17.80)%
Consumer loans	445,035	370,905	(16.66)%
Other loans	33,021	33,709	2.08%
TOTAL	1,244,900	1,034,982	(16.86)%

Dynamics of major asset categories in 2011 and 2012 (M Ft)

	2011	2012	Change % 2012/2011	Proportion % 2011	Proportion % 2012
Cash instruments	51,278	53,367	4.1%	1.6%	1.9%
Government securities	570,517	807,752	41.6%	17.7%	29.2%
Loans to credit institutions	493,784	209,255	(57.6)%	15.4%	7.6%
Loans to customers	1,891,525	1,503,619	(20.5)%	58.8%	54.4%
Non-interest bearing instruments	208,223	187,630	(9.9)%	6.5%	6.8%
ASSETS TOTAL	3,215,327	2,761,623	(14.1)%	100.0%	100.0%

loans was 27 per cent to 73 per cent, while that of short-term to long-term loan was 2.9 per cent to 97.1 per cent. The amount of short-term retail receivables, which mostly consist of current account overdrafts, slightly decreased in 2012, and was down to HUF 27 billion by the end of year.

As at the end of year, 60.9 per cent of long-term retail loans represented housing loans (HUF 630 billion), while 35.8 per cent consumer loans (HUF 371 billion). The ratio of FX loans was 71.7 per cent for housing loans, while 79.9 per cent for consumer loans, which shows a slight shift towards HUF denominated loans in comparison with the previous period.

The volume of new contracts for mortgage loans is significantly below that seen last year. A considerable portion of the existing FX loan portfolio is still denominated in CHF, whereas all new loan contracts are in HUF.

The proportion of CHF housing loans did not change significantly after the substantial decrease seen in the wake of the early repayment scheme implemented at fixed FX rates for FX mortgage loans. The decrease in the portfolio was more intensive than in the previous years, the new volumes did not make up for the natural shrinkage of the loan portfolio.

Regarding mortgage loans, the legislation has changed to allow retail customers to borrow HUF denominated loans only.

The portfolio of personal loans shows a slowly diminishing tendency.

The (net) corporate loan portfolio (including local governments, non-profit organisations, financial enterprises, the central budget and sole entrepreneurs) dropped to HUF 581 billion by the end of year (gross portfolio: HUF 712 billion), which is HUF 168 billion lower in comparison with the figure as at the end of 2011.

Dynamics of major items on the liabilities side in 2011 and 2012 (M Ft)

	2011	2012	Change % 2012/2011	Proportion % 2011	Proportion % 2012
Deposits by credit institutions	1,644,563	1,085,134	(34.0)%	51.1%	39.3%
Deposits by customers	1,188,498	1,336,810	12.5%	37.0%	48.4%
Equity	171,580	160,415	(6.5)%	5.3%	5.8%
Other liabilities and provisions	210,686	179,264	(14.9)%	6.6%	6.5%
LIABILITIES TOTAL	3,215,327	2,761,623	(14.1)%	100.0%	100.0%

Items on the liabilities side

In comparison with the year-end of 2011, minor changes were seen in the structure of liabilities in 2012. Retail and corporate deposits account for 46 per cent of all liabilities, funds from credit institutions, the central bank and money market funds account for 44 per cent, while 4 per cent comes from passive settlements, and 6 per cent from own funds.

The Bank's liabilities include subordinated capital worth HUF 65,082 million.

Deposits from monetary and financial institutions declined by HUF 490 billion in comparison with the previous year.

In 2012, the Bank focused on retaining the existing deposit portfolio and on raising new funds in the segments of retail customers and micro enterprises alike, and intended to achieve it through efforts made at customer acquisition, marketing campaigns and favourable deposit interest offers. Also in 2013, the Bank lays considerable emphasis on increasing the number of retail customers who have their salaries transferred to the

Bank, and to acquire customers who actively use their bank accounts.

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.

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.

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 9.6 per cent, and its operating expenses by 2.4 per cent in 2012.

The net interest income shows a decrease in comparison with the previous year's figure (2012: HUF 65.4 billion; 2011: HUF 74.2 billion). Besides the HUF 2.1 billion shrinkage on the revenue side, the expenses have also expanded by HUF 6.7 billion.

Regarding the revenue side, the interest revenues from customer loans disbursed to retail customers, non-financial companies and other domestic sectors dimin-

ished in comparison with the figure seen in December of the previous year, by a total of HUF 14.4 billion, which was not offset by the increased interest revenues from deposits and securities held by credit institutions.

In case of other interest and interest type revenues, a HUF -2.4 billion decrease was seen, which was caused by disbursement of fewer new loans due to stricter lending and lower market demand; a decline was seen particularly in revenues of handling costs (HUF -1.9 billion). Despite a stronger CHF (average exchange rate in December 2011: HUF 226.7; in December 2012: HUF 240.0), the interest revenue made on customer loans decreased by HUF 12 billion, because the bank's high-profitability CHF portfolio perceivably shrank as a result of the FX mortgage early repayment scheme. The rise on the expense side was a result of the interest expense on the deposits of customers holding fixed-term deposits. The growth in interest expenses was HUF 6.5 billion, in comparison with the previous year, due to the deposit raising campaign carried out in the past one year.

As at the end of 2012, the Bank received dividends of HUF 2.6 billion from its subsidiary Erste Investment Hungary, and HUF 137 million from Giro Zrt. (In 2011, HUF 3 billion from Erste Investment Hungary, and HUF 138 million from Giro Zrt.)

Management costs were 2 per cent down (HUF ~1.01 billion) in comparison with the previous year. Of this, personnel expenses stayed practically at the level seen in the previous year. The wage costs rose 3 per cent on the aggregate, similarly to the contribu-

The deposit portfolio in 2012

Deposits (M Ft)	2012 Q1	2012 Q2	2012 Q3	2012 Q4
Central government	12,304	14,167	19,076	21,488
Regional governments	21,661	20,102	26,562	21,670
Financial enterprises	94,170	101,969	102,533	107,985
Money market funds	25,028	37,091	59,127	60,176
Enterprises engaged in supplementary activities	4,681	3,493	4,553	3,999
Insurance companies and pension funds	4,385	3,345	6,746	7,848
Subsidiary enterprises	1,165	441	1,008	361
Non-financial enterprises	272,054	266,020	289,628	287,327
Households, retail customers	559,489	555,010	597,697	633,660
Households, sole entrepreneurs	6,685	6,519	7,068	6,613
Households, NGOs	20,078	17,844	21,082	22,639
International	152,808	169,702	159,975	161,883
TOTAL according to HAS	1,174,508	1,195,703	1,295,055	1,335,649

tions on wages. Within this cost category, the cuts in the headcount resulting from closed down branches brought about a 7-per cent cut (HUF 913 million) in the wage costs of the staff; however, the wage costs for the lay-off period increased by 100 per cent (HUF 358 million). Bonus payments recognised for achievements in this year amounted to 1.5 times the previous year's figure.

Other personnel expenses decreased by 28 per cent (HUF 655 million). The decrease is a result of the lower headcount, as well as reduced cafeteria benefits – expense allowance for meals, contributions to health-care funds and pension funds. The incentive expenses, particularly to the sales staff, dropped.

Depreciation went 3 per cent down (HUF 145 million) in comparison with the previous year, due to lower investment costs.

The profit from other business activities dropped HUF 37.3 billion in the fourth quarter of 2012 in comparison to Q4 of 2011, which was primarily a result of the exchange rate loss from the FX mortgage early repayment scheme (HUF 31.8 billion). Moreover, the profit from other business activities was negatively affected by the HUF 17.8 billion lower profit generated from the sale of own receivables, and the Bank incurred an obligation to pay banking tax in 2012. (Last year, the Bank had the opportunity to reimburse banking tax in compensation for the losses incurred as a result of the early repayment FX cap scheme.) The net HUF 27.5 billion used and released from the provisions did not offset all of the foregoing, the majority of which was represented by the provisions accumulated last year for the loss caused by the early repayment scheme of FX mortgages, as well as the provisions accumulated for reorganisation. As a result of the foregoing, the total profit from other business activities was HUF 15.4 billion lower than in 2011.

Distribution of retail deposits by product in 2012

Retail deposits (M Ft)	2012 Q1	2012 Q2	2012 Q3	2012 Q4
Sight deposits	124,671	122,777	120,916	132,625
– Fixed deposits – in accounts	433,949	431,370	475,925	500,189
– Fixed deposits – certificates	869	863	856	846
TOTAL	559,489	555,010	597,697	633,660

Operating income and expenses in 2011-2012 (M Ft)

	2011	2012	Change % 2012/2011
Net interest income	74,200	65,397	(11.9)%
Net commission income	23,702	24,932	5.2%
Dividend income	3,141	2,755	(12.3)%
Income of financial transactions	27,905	23,428	(16.0)%
Net operating income	128,948	116,512	(9.6)%
Administrative expenses	44,323	43,315	(2.3)%
Personnel expenses	22,259	22,228	(0.1)%
Other expenses	22,064	21,087	(4.4)%
Depreciation	4,614	4,469	(3.1)%
General administrative expenses	48,937	47,784	(2.4)%
Other operating result	(64,622)	(80,032)	23.8%
Impairment, provision - allocation	(181,059)	(109,898)	(39.3)%
Impairment, provision – usage and reversal	38,398	114,309	197.7%
Extraordinary loss	(21,722)	(4,170)	(80.8)%
Pre-tax loss	(147,572)	(11,063)	(92.5)%
After-tax loss	(147,572)	(11,063)	(92.5)%
Loss of the year	(135,342)	(11,063)	(91.8)%

Shareholders' equity

Event after the balance sheet date

The Bank's Shareholder decided to increase the Bank's capital by HUF 1,000,000,000 (one billion forints) through a private issuance of new shares, from HUF 100,000,000,000 (one hundred billion forints) to HUF 101,000,000,000 (one hundred and one billion forints).

Properties of the issued shares:

- share type: registered ordinary shares,
- share issuance: dematerialised,
- share class: equal to the shares issued on founding number of shares: 1,000,000,000 ,
- share tranche: equal to the shares issued on founding,
- share nominal value: HUF 1/share, total nominal value: HUF 1,000,000,000,
- share value at issuance: HUF 39 / share, total value at issuance: HUF 39,000,000,000.

The capital increase was registered in the trade register by the Municipal Court of Budapest as the Court of Registry in its decision dated 24 January 2013.

Impairment and provisions

At the end of Q4 2012, the gross balance sheet items to be classified were comprised of 67.7 per cent 'standard', 10.3 per cent 'to watch', 2.04 per cent 'substandard', 13.7 per cent 'doubtful' and 5.9 per cent 'bad' portfolios. Compared to the preceding year, the 'standard' portfolio decreased by 5.9 percentage points, the 'to watch' portfolio and the 'substandard' portfolio grew 0.8 percentage points and 0.4 percentage points, respectively. The 'doubtful' portfolio expanded by 3.7 percentage points, while the 'bad' portfolio by 1 percentage point.

The calculated loss generated by the FX mortgage early repayment scheme, granted by legislation, offering fixed ex-change rates amounted to HUF 57 billion. Of that, HUF 28 billion was realised until 31 December 2011 as other expenses. For the loss expected for 2012, impairment worth HUF 29 billion was allocated, which did not entirely cover the loss generated in 2012 (HUF 31.765 billion).

The year-end closing balance of provisions amounted to HUF 3.4 billion, which included HUF 1.4 billion for contingent liabilities. Other provisions amounted to HUF 2.0 billion, which was mostly related to the streamlining of operations commenced in 2011.

Key profitability indicators

	31. 12. 2011	31. 12. 2012
Return on assets		
Pre-tax loss / Assets	(4.59)	(0.40)
After-tax loss / Assets	(4.59)	(0.40)
Return on equity	31. 12. 2011	31. 12. 2012
After-tax loss / Equity	(86.01)	(6.90)



Non-consolidated report

I. Balance sheet

ASSETS

(in HUF million)		31. 12. 2011	31. 12. 2012
Items			
1	Cash assets	51,278	53,367
2	Government securities	570,517	807,752
a	for trading purposes	132,171	264,054
b	for investment purposes	438,529	543,692
2/A	Valuation difference of government securities	-183	6
3	Loans and advances of credit institutions	493,784	209,255
a	sight	20,761	10,353
b	other receivables for financial services	473,023	198,902
	ba maturities within a year	390,307	116,647
	of which: from affiliated enterprises	113,707	1,792
	from other participations	0	0
	from the National Bank of Hungary	276,600	94,750
	from clearing houses	0	0
	bb maturities over a year	82,716	82,255
	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
	of which: from affiliated enterprises	0	0
	from other participations	0	0
	from clearing houses	0	0
4	Loans to customers	1,891,525	1,503,619
a	from financial services	1,891,056	1,503,549
	aa maturities within a year	205,249	172,758
	of which: from affiliated enterprises	33,357	27,711
	from other participations	0	0
	ab maturities over a year	1,685,807	1,330,791
	of which: from affiliated enterprises	153,400	111,337
	from other participations	433	290
b	from investment services	469	70

(in HUF million)		31. 12. 2011	31. 12. 2012
Items			
	of which: from affiliated enterprises	21	0
	from other participations	0	0
ba	from equity market investment services	0	0
bb	from OTC investment services	469	55
bc	receivables from customers originating from investment services	0	0
bd	receivables from clearing houses	0	0
be	receivables from other investment services	0	15
4/A	Valuation difference of receivables from customers	0	0
5	Debt securities, including fixed-income securities	91,702	80,559
a	securities issued by municipalities and other government agencies (excluding government securities)	72,981	64,746
aa	for trading purposes	0	0
ab	for investment purposes	72,981	64,746
b	securities issued by other issuers	19,127	15,933
ba	for trading purposes	3,085	2,888
	of which: issued by affiliated enterprises	0	0
	issued by other participations	0	0
	repurchased own issue	0	0
bb	for investment purposes	16,042	13,045
	of which: issued by affiliated enterprises	0	0
	issued by other participations	0	0
5/A	Valuation difference of debt securities	-406	-120
6	Shares and other variable yield securities	0	0
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
7	Shares and participations for investment purposes	864	864
a	shares and participations for investment purposes	864	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
8	Shares and participations in affiliated enterprises	13,482	11,586
a	shares and participations for investment purposes	13,482	11,586
	of which: shares in credit institutions	3,000	3,000
b	adjustment of shares and participations held for trading purposes	0	0
	of which: shares in credit institutions	0	0
9	Intangible assets	9,075	12,517
	Intangible assets	9,075	12,517
	Adjustment of intangible assets	0	0
10	Tangible assets	11,778	9,520
a	tangible assets for purposes of financial and investment services	11,778	9,520
aa	real estate	5,004	4,837
ab	technical equipment, machinery, appliances, vehicles	4,256	3,559
ac	investments	2,518	1,124

(in HUF million)		31. 12. 2011	31. 12. 2012
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
11	Own shares	0	0
12	Other assets	46,659	44,363
a	inventories	6,680	17,020
b	other receivables	23,205	14,315
	of which: from affiliated enterprises	1,879	1,979
	from other participations	0	0
12/A	Valuation difference of other receivables	0	0
12/B	Positive valuation difference on derivative transactions	16,774	13,028
13	Accruals	34,663	28,221
a	accrued income	33,661	27,351
b	accrued costs and expenses	1,002	870
c	deferred expenses	0	0
TOTAL ASSETS		3,215,327	2,761,623
	of which: Current assets	849,390	664,386
	Invested assets	2,331,274	2,069,016

LIABILITIES

(in HUF million)		31. 12. 2011	31. 12. 2012
Items			
1	Deposits by credit institutions	1,644,563	1,085,134
a	sight	3,814	19,837
b	time deposits from financial services	1,640,749	1,065,297
	ba maturities within a year	495,748	227,880
	of which: from affiliated enterprises	456,692	205,075
	from other participations	0	0
	from the National Bank of Hungary	25,000	0
	from clearing houses	0	0
	bb maturities over a year	1,145,001	837,417
	of which: from affiliated enterprises	1,015,461	733,583
	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)			
Items		31. 12. 2011	31. 12. 2012
1/A	Valuation difference of deposits from credit institutions	0	0
2	Deposits by customers	1,188,498	1,336,810
a	savings	2,422	2,401
aa	sight	2,422	2,401
ab	maturities within a year	0	0
ac	maturities over a year	0	0
b	other liabilities from financial services	1,186,004	1,333,248
ba	sight	330,763	308,547
	of which: from affiliated enterprises	20,272	19,586
	from other participations	373	188
bb	maturities within a year	792,857	967,778
	of which: from affiliated enterprises	4,626	3,073
	from other participations	1,169	4,911
bc	maturities over a year	62,384	56,923
	of which: from affiliated enterprises	0	0
	from other participations	0	0
c	from investment services	72	1,161
	of which: from affiliated enterprises	0	19
	from other participations	0	33
ca	liabilities from investment services at equity markets	0	0
cb	liabilities from investment services outside equity markets	72	1,156
cc	liabilities from investment services to customers	0	0
cd	liabilities to clearing houses	0	0
ce	liabilities from other investment services	0	5
2/A	Valuation difference of liabilities to customers	0	0
3	Liabilities from securities issued	3,958	500
a	bonds issued	3,958	500
aa	maturities within a year	0	0
	of which: from affiliated enterprises	0	0
	from other participations	0	0
ab	maturities over a year	3,958	500
	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	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)			
Items		31. 12. 2011	31. 12. 2012
4	Other liabilities	73,875	76,694
a	maturities within a year	28,700	53,374
	of which: from affiliated enterprises	3	621
	from other participations	0	10
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	45,175	23,320
5	Accrued expenses and deferred income	34,693	33,622
a	accrued income	352	806
b	accrued costs and expenses	34,324	32,800
c	deferred income	17	16
6	Provisions	14,543	3,366
a	provisions for pensions and severance payment	1,584	0
b	risk provisions for pending and future liabilities	2,241	1,353
c	general risk provisions	0	0
d	other risk provisions	10,718	2,013
7	Subordinated liabilities	83,617	65,082
a	subordinated loan capital	83,617	65,082
	of which: from affiliated enterprises	81,454	62,919
	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
8	Subscribed capital	100,000	100,000
	of which: nominal value of repurchased ownership share	0	0
9	Subscribed but unpaid capital (-)	0	0
10	Capital reserve	151,327	151,327
a	margin between nominal value and issue price of shares and participations (agio)	151,327	151,327
b	other	0	0
11	General reserve	0	0
12	Profit reserve (+-)	55,592	-79,750
13	Fixed reserve	0	0
14	Valuation reserve	3	-99
a	Reserve for restatement on fixed assets and inventories	0	0
b	Reserve for restatement at fair value	3	-99
15	Retained earnings (+-)	-135,342	-11,063
TOTAL LIABILITIES		3,215,327	2,761,623
	of which: Short-term liabilities	1,699,551	1,604,298
	Long-term liabilities	1,294,960	959,922
	Own equity	171,580	160,415

in HUF million

Off balance items

Items	31. 12. 2011	31. 12. 2012
Contingent liabilities	316,488	189,851
Future liabilities	758,120	689,615
Total contingent and future liabilities	1,074,608	879,466

in HUF million

Off balance items

Items	31. 12. 2011	31. 12. 2012
Contingent liabilities	2,729,624	2,259,395
Future liabilities	716,783	684,267
Total contingent and future liabilities	3,446,407	2,943,662

II. Profit & Loss account

(in HUF million)

Items	31. 12. 2011	31. 12. 2012
1 Interest and other interest-type revenues earned	166,090	163,950
a interest revenue from fixed-income debt securities	21,813	33,023
of which: from affiliated enterprises	0	0
from other participations	0	0
b other interest and interest-type revenues	144,277	130,927
of which: from affiliated enterprises	11,657	13,829
from other participations	15	15
2 Interest paid and other interest-type expenses	91,890	98,553
of which: to affiliated enterprises	34,221	36,999
to other participations	241	208
Net interest margin (1-2)	74,200	65,397
3 Revenue from securities	3,141	2,755
a revenue from securities and participations held for trading purposes (dividends, participations)	0	0
b revenue from participations in other enterprises (dividends, participations)	3,000	2,600
c revenue from other participations (dividends, participations)	141	155
4 Fees and commissions earned	32,637	32,520
a from revenues of other financial services	31,770	31,650
of which: from affiliated enterprises	3,332	3,612
from other participations	94	85
b from revenues of investment services (excluding income from trading activity)	867	870
of which: from affiliated enterprises	141	200
from other participations	0	0
5 Fees and commissions paid (due)	8,935	7,588
a from expenses of other financial services	8,392	7,131
of which: to affiliated enterprises	48	15
to other participations	0	0
b from expenses of investment services (excluding expenses of trading activity)	543	457

(in HUF million)		31. 12. 2011	31. 12. 2012
Items			
	of which: to affiliated enterprises	270	205
	to other participations	0	0
6	Net result of financial transactions (6.a-6.b+6.c-6.d)	27,905	23,428
a	from revenues of other financial services	24,896	32,590
	of which: from affiliated enterprises	9,241	13,471
	from other participations	0	0
	valuation difference	0	0
b	from expenses of other financial services	15,794	12,977
	of which: to affiliated enterprises	9,786	9,365
	to other participations	0	0
	valuation difference	0	109
c	from revenues of investment services (income from trading activity)	105,499	87,488
	of which: from affiliated enterprises	1,756	10,746
	from other participations	0	58
	restatement of impairment of securities held for trading purposes	0	0
	valuation difference	21,818	24,902
d	from expenses of investment services (expenses of trading activity)	86,696	83,673
	of which: to affiliated enterprises	100	16,251
	to other participations	3	182
	impairment of securities held for trading purposes	0	0
	valuation difference	4,534	6,234
7	Other revenues from business activity	13,888	18,171
a	revenues from non-financial and non-investment services	1,928	2,011
	of which: from affiliated enterprises	344	462
	from other participations	13	27
b	other revenues	11,960	16,160
	of which: from affiliated enterprises	1,726	495
	from other participations	0	0
	restatement of impairment of inventories	433	0
8	General administrative expenses	44,323	43,315
a	personnel expenses	22,259	22,228
	aa payroll	14,992	15,472
	ab other personnel expenses	2,350	1,695
	of which: social security costs	414	210
	retirement costs	404	203
	ac contributions on wages	4,917	5,061
	of which: social security costs	3,873	299
	retirement costs	3,244	12
b	other administrative costs (materials expenses)	22,064	21,087
9	Depreciation	4,614	4,469
10	Other expenses of business activity	78,510	98,203
a	expenses of non-financial and non-investment services	1,607	1,418
	of which: to affiliated enterprises	0	37
	to other participations	0	0
b	other expenses	76,903	96,785
	of which: to affiliated enterprises	75	194

(in HUF million)		31. 12. 2011	31. 12. 2012
Items			
	to other participations	0	0
	impairment of inventories	1,376	3,820
11	Impairment of receivables and risk provisions for pending and future liabilities	174,611	100,294
a	impairment of receivables	174,190	99,973
b	risk provisions for pending and future liabilities	421	321
12	Restatement of impairment of receivables and use of risk provisions for pending and future liabilities	38,398	111,069
a	restatement of impairment of receivables	36,363	109,876
b	use of risk provisions for pending and future liabilities	2,035	1,193
12/A	Difference between risk provisions allocated and used	1,422	0
13	Impairment of debt securities as well as of shares and participations in affiliated enterprises and other participations held for trading purposes	6,448	9,604
14	Restatement of impairment of debt securities and shares and participations in affiliated enterprises and other participations held for investment purposes	0	3,240
15	Profit/loss from usual (business) activities	-125,850	-6,893
	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)	-126,171	-7,486
	Profit/loss from non-financial and non-investment services (7.a-10.a)	321	593
16	Extraordinary income	91	1
17	Extraordinary expenses	21,813	4,171
18	Extraordinary profit/loss (16-17)	-21,722	-4,170
19	Pre-tax profit/loss (+-15+-18)	-147,572	-11,063
20	Taxes	0	0
21	After-tax profit/loss (+-19-20)	-147,572	-11,063
22	General reserves, use (+-)	-12,230	0
23	Allocation of profit reserves for dividends and participations	0	0
24	Approved dividends and participations	0	0
	of which: to affiliated enterprises	0	0
	to enterprises affiliated in other forms of participations	0	0
25	Balance sheet profit/loss (+-21-/+22+23-24)	-135,342	-11,063

III. Cash-flow statement

(in HUF million)		31. 12. 2011	31. 12. 2012
Items			
1	Interest income	166,090	163,950
2	+ Income from other financial services (excluding restatement of securities impairment and positive valuation difference of receivables)	57,533	65,110
3	+ Other income (excluding use of provision, restatement of surplus provision, impairment of inventories, and restatement of extraordinary write-offs)	10,160	5,678
4	"+ Income from investment services (excluding restatement of securities impairment and positive valuation difference)"	83,667	62,591
5	+ Income from non-financial and non-investment services	1,928	2,011
6	+ Dividend income	3,141	2,755
7	+ Extraordinary revenues	91	1
8	- Interest costs	91,890	98,553
9	- Other expenses of financial services (excluding securities impairment and negative valuation difference of receivables)	10,756	29,455
10	- Other expenses (excluding provisions, inventories impairment and extraordinary write-offs)	62,403	90,717
11	- Expenses from investment services (excluding securities impairment and negative valuation difference)	82,162	77,896
12	- Expenses of non-financial and non-investment services	1,607	1,418
13	- General administrative expenses	44,323	43,315
14	- Extraordinary expenses (excluding corporate tax liability for the current year)	113	4,149
15	- Corporate tax liability for the current year	0	0
16	- Dividend payment liability	0	0
17	Operating cash flow (lines 01 to 16)	29,355	-43,407
18	± Change in liabilities (+ if increase, - if decrease)	229,374	-408,436
19	± Change in receivables (- if increase, + if decrease)	-331,223	698,469
20	± Change in inventories (- if increase, + if decrease)	-3,023	-14,160
21	± Change in securities registered among current assets (- if increase, + if decrease)	-54,274	-225,222
22	± Change in securities registered among invested assets (- if increase, + if decrease)	-10,342	-4,850
23	± Change in investments (including advances paid) (- if increase, + if decrease)	-164	1,394
24	± Change in intangible assets (- if increase, + if decrease)	-3,329	-3,442
25	± Change in net value of fixed assets (excluding investments and advances paid) (- if increase, + if decrease)	-5,274	-3,605
26	± Change in active accruals (- if increase, + if decrease)	1,692	6,442
27	± Change in passive accruals (+ if increase, - if decrease)	5,998	-1,071
28	+ Capital increase	179,999	0
29	+ Cash assets received in perpetuity by law	0	0
30	- Cash assets transferred in perpetuity by law	-21 700	-22
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
34	Net cash flow (lines 17 to 33)	17,089	2,089
35	- Change in cash (forint and currency petty cash, cheques)	-737	-1,616
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)	17,826	3,703

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of Erste Bank Hungary Zrt.

Report on financial statements

1.) We have audited the accompanying 2012 annual financial statements of Erste Bank Hungary Zrt. ("the Company"), which comprise the balance sheet as at 31 December 2012 - showing a balance sheet total of HUF 2,761,623 million and a loss for the year of HUF 11,063 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 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.) 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 2012 and of the results of its operations for the year then ended in accordance with the Hungarian Accounting Law.

Other reporting requirement- Report on the business report

7.) We have reviewed the business report of Erste Bank Hungary Zrt. for 2012. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law. 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 2012 corresponds to the disclosures in the 2012 financial statements of Erste Bank Hungary Zrt.

Budapest, 12 March 2013

The original Hungarian language version has been signed.

Martin Zuba
Ernst & Young Kft.
Registration No.: 001165

Sulyok Krisztina
Registered auditor
Chamber membership No.: 006660

Consolidated companies

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 16 per cent in 2012. The company registered the highest trading volume of the year in the section of listed shares last year (HUF 810,124 million).

The company concluded the year 2012 on HUF 3,032 million after-tax profit, and its total assets amounted to HUF 47,926 million.

Data in HUF million	2011 TOTAL	2012 TOTAL
Trading results in 2011-2012		
Stock trading volume at BSE (Erste)	1,431,627	810,124
Total stock trading volume at BSE	7,865,695	5,007,010
Market share	18.20%	16.18%
Ranking	1	1
Futures trading volume (total)	1,098,686	640,224
Futures trading volume (BUX)	181,062	61,768
Futures trading volume (stocks)	432,382	217,182
Futures trading volume (forex)	485,382	361,274
Number of contracts (total)	3,282,140	1,939,256
Number of contracts (BUX)	878,099	333,891
Number of contracts (stocks)	429,677	299,449
Number of contracts (forex)	1,974,364	1,305,916
Market share (BUX)	23.45%	20.88%
Market share (stocks)	26.82%	22.54%
Market share (forex)	15.83%	14.85%
Ranking (BUX)	1	2
Ranking (stocks)	1	2
Ranking (forex)	2	3

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]
- Erste Ingatlanlízings Zrt. [Erste Real Estate Leasing Co. Ltd.]
- Erste Lakáslízings Zrt. [Erste Home Leasing Ltd. Co.]

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 the asset portfolio of Autófinanszírozási Zrt., Eszközfinanszírozási Zrt., and Leasing Bérlet Kft. is represented by financing passenger cars and small utility vehicles in Hungary. The customer scope of those three companies exceeded 60,000 customers in 2012.

Ingatlanlízings Zrt. focused on leasing newly constructed properties, while Lakáslízings Zrt. was specialised on leasing used homes. The target group of both companies consisted of private individuals and micro businesses as well as small and medium enterprises.

As of 31 December 2012, three companies operating as financial enterprises and holding identical VAT positions to the parent bank—notably, Erste Leasing Autófinanszírozási Zrt., Erste Leasing Eszközfinanszírozási Zrt., and Erste Ingatlanlízings Zrt.—have been integrated in the parent bank both legally and organisationally.

Erste Faktor Zrt. and Magyar Factor Zrt.

Erste Faktor Zrt. [Erste Factoring Co. Ltd.] started operation in the third quarter of 2005. As a result, the banking group has expanded its range of services.

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.

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 75 per cent of total sales, and the combined market share of the Top 10 still exceeded 95 per cent.

In 2012, the combined factoring turnover of Erste Faktor and Magyar Factor amounted to HUF 177.8 billion, corresponding to a 20.6-per cent market share. This performance earned Erste Bank Hungary Zrt. second spot in the ranking of Hungarian factoring companies.

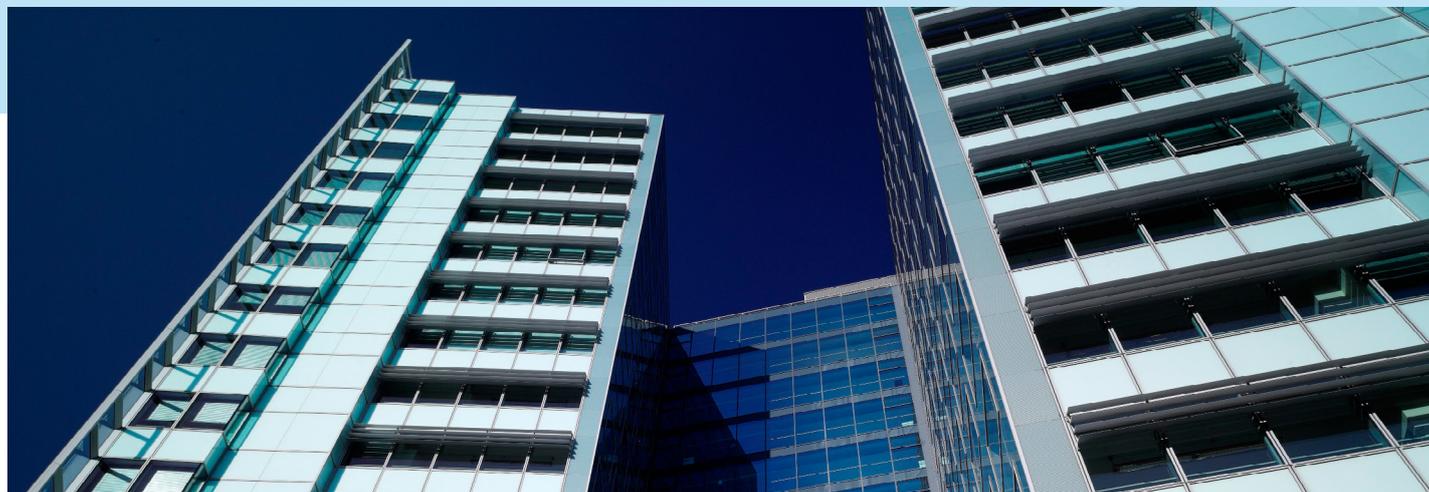
Total assets of Erste Faktor Zrt. was HUF 14.6 billion at the end of 2012.

Total assets of Magyar Factor Zrt. amounted to HUF 1.8 billion at the end of 2012.

Erste Ingatlan Kft.

The core activities of Erste Ingatlan Kft. [Erste Real Estate LLC] focus on selling real estate acquired by the company as owner to end-users, furthering the ability of the properties to generate income, providing facility management, and ensuring the relevant engineering and technical background. The strategic objective of Erste Ingatlan is to promote the profitability of the Bank's real estate portfolio by high-quality professional support and proactive sales activities. In addition, Erste Ingatlan Kft. provides Erste banking group with business support in the areas of portfolio management, real estate utilisation, facility operation, property appraisal, and workout transactions.

ERSTE Ingatlan Kft. is a 100-per cent shareholder in project company Sió Ingatlan Invest Kft. [Sió Property Invest LLC], established for the development of SIÓ Pláza, a shopping and entertainment centre located downtown Siófok. After completion of the construction and occupancy process, SIÓ Pláza opened to the public on 23 June 2012.



Consolidated report

I. Balance sheet

ASSETS

(in HUF million) Items	2011	2012
Cash and balances with central banks	328,162	148,744
Loans and advances to credit institutions	226,109	127,822
Loans and advances to customers	2,309,752	1,879,497
Risk provisions for loans and advances	-334,158	-295,953
Derivative financial instruments	21,628	15,671
Trading assets	141,635	273,988
Financial assets - available for sale	160,814	205,723
Financial assets - held to maturity	314,002	351,507
Intangible assets	11,765	13,634
Property and equipment	11,989	11,368
Current tax assets	1,451	796
Deferred tax assets	58	85
Assets classified as held for sale	1,564	943
Other assets	53,162	54,376
Total assets	3,247,936	2,788,200

LIABILITIES AND EQUITY

(in HUF million) Items	2011	2012
Deposits by banks	1,684,385	1,096,429
Customer deposits	1,201,878	1,360,292
Debt securities in issue	4,788	1,420
Derivative financial instruments	48,973	23,720
Trading liabilities	13	329
Provisions	9,405	3,814
Current tax liabilities	182	211
Deferred tax liabilities	366	1,293
Other liabilities	36,276	24,718
Subordinated liabilities	83,880	65,390
Total equity	177,791	210,585
Attributable to:		
Non-controlling interests	0	0
Owners of the parent	177,791	210,585
Total liabilities and equity	3,247,936	2,788,200

II. Profit & loss account

(in HUF million)	2011	2012
Items		
Interest and similar income	208,726	209,496
Interest and similar expenses	-92,626	-105,716
Net interest income	116,100	103,780
Fee and commission income	39,108	38,795
Fee and commission expenses	-10,053	-10,873
Net fee and commission income	29,055	27,922
Net trading result	11,891	2,529
Risk provisions for loans and advances	-225,808	-61,331
Net operating income / (expenses)	-68,762	72,901
Personnel expenses	-26,532	-24,389
Other administrative expenses	-27,940	-22,627
Depreciation and amortisation	-5,163	-5,186
General administrative expenses	-59,635	-52,203
Other operating result	-15,515	-21,092
Profit / (loss) before tax	-143,911	-394
Taxes on income	-5,492	-5,719
Loss for the year	-149,403	-6,113
Attributable to:		
Non-controlling interests	0	0
Owners of the parent	-149,403	-6,113
Other comprehensive income		
Available for sale-reserve		
Gain during the year	1	25
Loss during the year	-23	-32
Cash flow hedge-reserve		
Gain during the year		
Loss during the year		-106
Deferred tax related to 'Available for sale-reserve'	4	1
Deferred tax related to 'Cash flow hedge-reserve'		20
Other comprehensive income – total	-18	-91
Total comprehensive income	-149,421	-6,205
Attributable to:		
Non-controlling interests	0	0
Owners of the parent	-149,421	-6,205

III. Cash-flow statement

(in HUF million)	2011	2012
Items		
Loss for the year	-149,403	-6,113
Non-cash adjustments for items in profit / (loss) for the year		
Depreciation and amortisation of assets	5,163	5,186
Impairment and reversal of impairment, revaluation of assets	6,898	3,483
Allocation to and release of provisions (including risk provisions)	194,743	-43,796
(Gains) / losses from the sale of assets	62	-34
Fair value of derivative financial instruments (excluding cash option premiums)	-16,487	-19,164
Revaluation of subordinated liabilities	8,564	-5,49
Change in deferred tax assets/liabilities	433	901
Other	240	450
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Loans and advances to credit institutions	-106,865	98,287
Loans and advances to customers	-41,010	430,255
Trading assets	46,870	-131,722
Financial assets - available for sale	-287	-114
Financial assets - held to maturity	428	-3,752
Other assets from operating activities	-26,032	-3,421
Deposits by banks	157,457	-587,956
Customer deposits	107,901	158,415
Debt securities in issue	-21,089	-3,368
Trading liabilities	-7,717	-211
Other liabilities from operating activities	11,291	-11,529
Cash flows from operating activities	171,160	-119,352
Proceeds of disposal		
Financial assets - held to maturity and associated companies	27,232	20,566
Property and equipment, intangible assets and investment properties	30,992	159,888
Acquisition of	1,489	346
Financial assets - held to maturity and associated companies		
Financial assets - available for sale	-21,542	-54,319
Property and equipment, intangible assets and investment properties	-159,564	-204,796
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	-11,775	-7,410
Cash flows (used in) investing activities	-1,424	0
Capital increases	-134,592	-85,725
Dividends paid	180,000	39,000
Cash flows from/(used in) financing activities		-47,130
Increase in accrued liabilities	0	33,789
Change in assets derived from financing activity	180,000	25,659
Cash and cash equivalents at beginning of period	111,594	328,162
Cash flows from operating activities	171,160	-119,352
Cash flows from investing activities	-134,592	-85,725
Cash flows from financing activities	180,000	25,659
Cash and cash equivalents at end of period	328,162	148,744
Cash flows related to taxes, interest and dividends		
Payments for taxes on income	-7,090	-6,944
Interest received	208,820	209,590
Dividends received	141	155
Interest paid	-100,563	-113,652

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 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in total 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 2012, 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
23 April 2013

Branch network

Budapest branches

Árkád Üzletközpont Branch	1106	Budapest	Örs vezér tere 25.
Bajcsy-Zsilinszky út Branch	1055	Budapest	Bajcsy-Zsilinszky út 74.
Baross tér Branch	1077	Budapest	Baross Gábor tér 15.
Bartók-Ház Branch	1114	Budapest	Bartók Béla út 43-47.
Bécsi út Branch	1036	Budapest	Bécsi út 52-54.
Béke tér Branch	1139	Budapest	Lehel út 70-72. F1 épület
Bosnyák tér Branch	1149	Budapest	Bosnyák tér 8.
Böszörményi út 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.
Danubius Ház Branch	1138	Budapest	Váci út 141.
Egry József utca Branch	1111	Budapest	Egry József utca 2.
Erzsébet körút 8. Branch	1073	Budapest	Erzsébet körút 8.
Eurocenter Branch	1032	Budapest	Bécsi út 154. (Eurocenter)
Európa Torony Branch	1138	Budapest	Népfürdő utca 24-26.
Fehérvári út 130. Branch	1116	Budapest	Fehérvári út 130.
Fehérvári út 28. Branch	1117	Budapest	Fehérvári út 28.
Ferenc körút Branch	1094	Budapest	Ferenc körút 25.
Flórián tér Branch	1033	Budapest	Flórián tér 3.
Heltai Jenő tér Branch	1039	Budapest	Heltai Jenő tér 15.
Hűvösvölgy Branch	1021	Budapest	Hűvösvölgyi út 138. (StopShop)
Istenhegyi Branch	1125	Budapest	Nógrádi u. 39.
József körút Branch	1085	Budapest	József körút 86.
Kálvin tér Branch	1082	Budapest	Baross utca 1-3.
Károly körút Branch	1075	Budapest	Károly körút 7.
Kispest Branch	1193	Budapest	Kossuth tér 23-24.
Kossuth tér Branch	1055	Budapest	Kossuth tér 13-15.
Kossuth tér VIP Branch	1055	Budapest	Kossuth tér 13-15.
Kőbánya Branch	1102	Budapest	Kőrösi Csoma sétány 9/B
Köki Terminál Branch	1195	Budapest	Vak Bottyán út 75. a-c.
Krisztina tér Branch	1013	Budapest	Krisztina tér 2.
Mammut II. Branch	1024	Budapest	Margit körút 87-89.
Margit körút Branch	1027	Budapest	Margit körút 48.
Maros utca Branch	1122	Budapest	Maros utca 19-21.

Nagyvárad tér Branch	1091 Budapest	Üllői út 121. (Nagyvárad tér)
Párisi utca Branch	1052 Budapest	Páris u. 3.
Pesterzsébet Branch	1203 Budapest	Kossuth Lajos utca 21-29.
Pólus Center Branch	1151 Budapest	Szentmihályi út 131.
Rákóczi tér Branch	1085 Budapest	József körút 30-32.
Rákoskeresztúr Branch	1173 Budapest	Kaszáló utca 47.
Tátra utca Branch	1136 Budapest	Tátra utca 6.
Teréz körút Branch	1066 Budapest	Teréz körút 24.
Thököly út Branch	1143 Budapest	Gizella út 59.
Törökvész út Branch	1022 Budapest	Bég utca 3-5.
Újpest Branch	1042 Budapest	Árpád út 68.
Váci út 33. Branch	1134 Budapest	Váci út 33.
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.
Békéscsaba, Andrásy út Branch	5600	Békéscsaba	Andrásy út 20.
Berettyóújfalu Branch	4100	Berettyóújfalu	Bajcsy-Zs. u. 1.
Budaörs Branch	2040	Budaörs	Szabadság u.27.
Cegléd Branch	2700	Cegléd	Népkör u. 2.
Csorna Branch	9300	Csorna	Szent István tér 29.
Debrecen, Belváros Branch	4026	Debrecen	Hatvan utca 1/B fszt.9
Debrecen, Egyetem Branch	4032	Debrecen	Egyetem tér 1.
Debrecen, Szent Anna u. Branch	4024	Debrecen	Szent Anna utca 14/B
Debrecen, Vár u. Branch	4024	Debrecen	Vár utca 4.
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, Dobó tér Branch	3300	Eger	Szt. János u. 13.
Eger, Kossuth utca Branch	3300	Eger	Kossuth Lajos utca 13/a.
Érd Branch	2030	Érd	Budai út 13.
Esztergom Branch	2500	Esztergom	Imaház utca 2/a
Gödöllő Branch	2100	Gödöllő	Szabadság tér 14.
Gyöngyös Branch	3200	Gyöngyös	Mikszáth Kálmán utca 4.
Győr, Bajcsy-Zs. út Branch	9021	Győr	Bajcsy-Zs. u. 30-32.
Győr, Árpád út Branch	9021	Győr	Árpád út 42.
Gyula Branch	5700	Gyula	Városház utca 16.
Hajdúböszörmény Branch	4220	Hajdúböszörmény	Szt. István tér 2.
Hajdúnánás Branch	4080	Hajdúnánás	Dorogi utca 10-14.
Hajdúszoboszló Branch	4200	Hajdúszoboszló	Hősök tere 9-11.
Hatvan Branch	3000	Hatvan	Kossuth tér 16.
Hódmezővásárhely Branch	6800	Hódmezővásárhely	Andrásy 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, Dobó körút Branch	6000	Kecskemét	Dobó körút 7.
Kecskemét, Nagykőrösi utca Branch	6000	Kecskemét	Nagykőrösi utca 11.
Keszthely Branch	8360	Keszthely	Kossuth utca 45.
Kiskunfélegyház Branch	6100	Kiskunfélegyháza	Mártírok útja 1.
Kiskunhalas Branch	6400	Kiskunhalas	Bethlen Gábor tér 4.
Kisvárdra Branch	4600	Kisvárdra	Szent László utca 26.
Komárom Branch	2900	Komárom	Gyár u. 2-6.
Lenti Branch	8960	Lenti	Zrínyi utca 3.
Makó Branch	6900	Makó	Csanád Vezér tér 5.
Mátészalka Branch	4700	Mátészalka	Kölcsey utca 15.
Mezőkövesd Branch	3400	Mezőkövesd	Mátyás Király út 129.
Miskolc, Bajcsy-Zs. utca Branch	3527	Miskolc	Bajcsy-Zsilinszky utca 1-3.
Miskolc, Mindszent tér Branch	3530	Miskolc	Mindszent tér 3.
Miskolc, Városház tér Branch	3525	Miskolc	Városház tér 9.
Mohács Branch	7700	Mohács	Szabadság út 16.
Mór Branch	8060	Mór	Köztársaság tér 1.
Mosonmagyaróvár Branch	9200	Mosonmagyaróvár	Fő utca 26.
Nagykanizsa, Belváros Branch	8800	Nagykanizsa	Fő utca 2.
Nyírbátor Branch	4300	Nyírbátor	Szabadság tér 10
Nyíregyháza, Luther utca Branch	4401	Nyíregyháza	Luther u. 2.
Nyíregyháza, Vay Á. krt. Branch	4400	Nyíregyháza	Vay Ádám körút 12.
Orosház Branch	5900	Orosháza	Kossuth utca 2-4.
Paks Branch	7030	Paks	Dózsa György út 64.
Pápa Branch	8500	Pápa	Fő tér 25-26.
Pécs, Alkotmány utca Branch	7624	Pécs	Alkotmány utca 12.
Pécs, Diana tér Branch	7632	Pécs	Diana tér 20.
Pécs, Rákóczi út Branch	7620	Pécs	Rákóczi út 62-64.
Salgótarján Branch	3100	Salgótarján	Erzsébet tér 5.
Sárospatak Branch	3950	Sárospatak	Rákóczi utca 40.
Sárvár Branch	9600	Sárvár	Batthyány u. 20.
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, Kölcsey utca Branch	6720	Szeged	Kölcsey utca 13.
Szeged, Széchenyi tér Branch	6720	Szeged	Széchenyi tér 17.
Székesfehérvár, Budai út Branch	8000	Székesfehérvár	Budai út 32.
Székesfehérvár, Palotai út Branch	8000	Székesfehérvár	Palotai út 4.
Szekszárd Branch	7100	Szekszárd	Széchenyi utca 40.

Szentendrei Branch	2000	Szentendre	Duna korzó 18.
Szentes Branch	6600	Szentes	Kossuth u.12-16.
Szentgotthárd Branch	9970	Szentgotthárd	Széchenyi utca 2.
Szigetszentmiklós Branch	2310	Szigetszentmiklós	Szent Miklós útja 1.
Szolnok, Baross utca Branch	5000	Szolnok	Baross utca 8.
Szombathely, Mártírok tér Branch	9700	Szombathely	Mártírok tere 12.
Tapolca Branch	8300	Tapolca	Deák Ferenc u.7.
Tatabánya Branch	2800	Tatabánya	Fő tér 20.
Tata Branch	2890	Tata	Országgyűlés tér 3.
Tiszaújváros Branch	3580	Tiszaújváros	Bethlen Gábor utca 5/b
Törökszentmiklós Branch	5200	Törökszentmiklós	Kossuth utca 125.
Váci út Branch	2600	Vác	Széchenyi u. 14.
Várpalota Branch	8100	Várpalota	Szent István út 7-9.
Veszprém Branch	8200	Veszprém	Szabadság tér 1.
Záhony Branch	4625	Záhony	Ady Endre utca 27-31.
Zalaegerszeg, Ispotályköz Branch	8900	Zalaegerszeg	Ispotály köz 2.
Zirc Branch	8420	Zirc	Rákóczi tér 16.

Corporate Sales organisation

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, Managing Board

The Supervisory Board of Erste Bank Hungary Zrt.

31 December 2012

Chairman:

Manfred Wimmer Chairman

Members:

Martin Rohmann	member
Martin Skopek	member
Friedrich Rödler	member
Róbert Nemes	representative of the employees
Attila Szóráth	representative of the employees

The Managing Board of Erste Bank Hungary Zrt.

31 December 2012

President:

Radován Jelasity Chairman of the Managing Board – internal member

Members:

János Major	internal member
Bernhard Spalt	internal member
László Pelle	internal member
János Rudnay	external member
Frederik Silzer	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.

