

## Erste Bank Hungary Zrt.

*(Privately owned company limited by shares in Hungary under registered number 01-10-041054)*

This document constitutes a registration document, as supplemented from time to time (the "**Registration Document**") for the purpose of Article 8 of the Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**") in relation to Erste Bank Hungary Zrt. (the "**Issuer**" or "**Erste Bank Hungary**") and has been drawn up in accordance with Annex 6 of the Commission Delegated Regulation (EU) 2019/980, as amended.

This Registration Document has been approved by the Austrian Financial Market Authority (*Finanzmarktaufsichtsbehörde*, the "**FMA**") in its capacity as competent authority pursuant to Article 20 of the Prospectus Regulation in conjunction with the Austrian Capital Market Act 2019 (*Kapitalmarktgesetz 2019*) and, within its validity of 12 months after its approval, forms part of any base prospectus of the Issuer consisting of separate documents within the meaning of Article 8(6) of the Prospectus Regulation. The FMA only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer that is the subject of this Registration Document.

Prospective investors should have regard to the risk factors described under the section headed "*1. Risk Factors*" in this Registration Document. This Registration Document does not describe all of the risks regarding the Issuer, but the Issuer believes that all material and specific risks relating to it have been described.

This Registration Document gives information with regard to the Issuer and its subsidiaries and participations taken as a whole (the "**Erste Bank Hungary Group**") which, according to the particular nature of the Issuer, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.



# TABLE OF CONTENTS

TABLE OF CONTENTS.....	2
DOCUMENTS INCORPORATED BY REFERENCE .....	3
DOCUMENTS AVAILABLE FOR INSPECTION .....	5
SUPPLEMENT TO THIS REGISTRATION DOCUMENT .....	5
SOURCES OF INFORMATION.....	6
FORWARD-LOOKING STATEMENTS .....	6
RESPONSIBILITY STATEMENT .....	6
1. RISK FACTORS .....	7
1.1 CREDIT RISKS.....	7
1.2 BUSINESS RISKS.....	9
1.3 LEGAL AND REGULATORY RISKS .....	12
1.4 FURTHER RISK RELATING TO THE ISSUER .....	16
2. ERSTE BANK HUNGARY ZRT.....	17
2.1 INTRODUCTION .....	17
2.2 BACKGROUND .....	17
2.3 SHARE CAPITAL OF ERSTE BANK HUNGARY .....	18
2.4 ARTICLES OF ASSOCIATION.....	18
2.5 BORROWING AND FUNDING STRUCTURE .....	19
2.6 EXPECTED FINANCING OF THE ISSUER'S ACTIVITIES.....	19
2.7 BUSINESS OVERVIEW .....	20
2.8 COVID-19 PANDEMIC .....	22
2.9 CREDIT RATINGS.....	22
2.10 RECENT EVENTS.....	23
2.11 TREND INFORMATION .....	23
2.12 SIGNIFICANT CHANGES AND MATERIAL ADVERSE CHANGES .....	23
3. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES .....	24
3.1 BOARD OF DIRECTORS .....	24
3.2 SUPERVISORY BOARD .....	25
3.3 POTENTIAL CONFLICTS OF INTEREST .....	26
3.4 AUDIT AND AUDITORS' REPORTS .....	26
3.5 SHAREHOLDERS OF THE ISSUER.....	26
4. LEGAL PROCEEDINGS.....	28
5. MATERIAL CONTRACTS .....	28
GLOSSARY AND LIST OF ABBREVIATIONS .....	29

## DOCUMENTS INCORPORATED BY REFERENCE

This Registration Document should be read and construed in conjunction with the following parts of the following documents which are incorporated by reference into this Registration Document and which have been filed with the FMA:

Document/Heading	Page reference in the relevant financial report
<b>Hungarian language version of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2020 – Annual Report 2020 (Éves beszámoló 2020)</b> (the " <b>Audited Consolidated Financial Statements 2020</b> ") <sup>1</sup>	
Consolidated Income Statement ( <i>Konzolidált eredménykimutatás</i> )	4
Consolidated Statement of Comprehensive Income ( <i>Konzolidált átfogó jövedelemkimutatás</i> )	5
Consolidated Statement of Financial Position ( <i>Konzolidált pénzügyi helyzetre vonatkozó kimutatás</i> )	6 - 7
Consolidated Statement of Changes in Equity ( <i>Konzolidált saját tőkeváltozás kimutatás</i> )	8
Consolidated Statement of Cash Flows ( <i>Konzolidált cash-flow kimutatás</i> )	9 - 10
Notes to the Consolidated Financial Statements ( <i>Kiegészítő melléklet a konszolidált éves beszámolóhoz</i> )	11 - 157
Hungarian language version of the Independent Auditor's Report 2020 ( <i>Független Könyvvizsgálói Jelentés</i> )	1 - 9
<b>Hungarian language version of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2019 – Annual Report 2019 (Éves beszámoló 2020)</b> (the " <b>Audited Consolidated Financial Statements 2019</b> ") <sup>1</sup>	
Consolidated Income Statement ( <i>Konzolidált eredménykimutatás</i> )	4
Consolidated Statement of Comprehensive Income ( <i>Konzolidált átfogó jövedelemkimutatás</i> )	5
Consolidated Statement of Financial Position ( <i>Konzolidált pénzügyi helyzetre vonatkozó kimutatás</i> )	6 - 7
Consolidated Statement of Changes in Equity ( <i>Konzolidált saját tőkeváltozás kimutatás</i> )	8
Consolidated Statement of Cash Flows ( <i>Konzolidált cash-flow kimutatás</i> )	9 - 10

<sup>1</sup> The officially signed Hungarian language versions of the Issuer's Audited Consolidated Financial Statements 2019 and 2020 are solely legally binding and definitive.

Notes to the Consolidated Financial Statements <i>(Kiegészítő melléklet a konszolidált éves beszámolóhoz)</i>	11 - 138
Hungarian language version of the Independent Auditor's Report 2019 <i>(Független Könyvvizsgálói Jelentés)</i>	1 - 7
<b>English language translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2020 – Annual Report 2020<sup>2</sup></b>	
Consolidated Income Statement	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Financial Position	6 - 7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9 - 10
Notes to the Consolidated Financial Statements	11 - 161
English language translation of the Independent Auditor's Report 2020	1 - 9
<b>English language translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2019 – Annual Report 2019<sup>2</sup></b>	
Consolidated Income Statement	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Financial Position	6 - 7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9 - 10
Notes to the Consolidated Financial Statements	11 - 137
English language translation of the Independent Auditor's Report 2019	1 - 6

For the avoidance of doubt, such parts of the Audited Consolidated Financial Statements 2019 and 2020 respectively which are not explicitly listed in the tables above, are not incorporated by reference into this Registration Document as these parts are either not relevant for the investor or covered elsewhere in this Registration Document.

Any information not listed above but included in the documents incorporated by reference is given for information purposes only.

Such parts of the documents which are explicitly listed above shall be deemed to be incorporated in, and form part of this Registration Document, save that any statement contained in such a document shall be deemed to be modified or superseded for the purpose of this Registration Document to the extent that a statement contained in this Registration Document modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Document.

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<sup>2</sup> The English language translations of the Audited Consolidated Financial Statements of the Issuer for the financial years ended 31 December 2019 and 31 December 2020 are not legally binding and are incorporated into this Registration Document by reference for convenience purposes only.

## DOCUMENTS AVAILABLE FOR INSPECTION

For the term of this Registration Document electronic versions of the following documents will be available on the Issuer's website under "www .erstebank.hu" (see also the links set out below in brackets):

- (i) the Audited Consolidated Financial Statements 2020 and the Hungarian language version of the Independent Auditor's Report 2020 incorporated by reference into this Registration Document  
("https://www.erstebank.hu/content/dam/hu/ebh/www\_erstebank\_hu/bankunkrol/eves-jelentesek/2021-04/EBH\_konzolidalt\_eves\_beszamolo\_2020.pdf")  
("https://www.erstebank.hu/content/dam/hu/ebh/www\_erstebank\_hu/bankunkrol/eves-jelentesek/2021-04/EBH\_fuggetlen\_konyvvizsgaloi\_jelentes\_a\_konzolidalt\_eves\_beszamolohoz\_2020.pdf");
- (ii) the English language translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2020 and the English language translation of the Independent Auditor's Report 2020 incorporated by reference into this Registration Document  
("https://www.erstebank.hu/content/dam/hu/ebh/www\_erstebank\_hu/bankunkrol/eves-jelentesek/2021-04/EBH\_consolidated\_financial\_statements\_2020.pdf")  
("https://www.erstebank.hu/content/dam/hu/ebh/www\_erstebank\_hu/bankunkrol/eves-jelentesek/2021-04/EBH\_auditor\_report\_to\_the\_consolidated\_financial\_statements\_2020.pdf");
- (iii) the Audited Consolidated Financial Statements 2019 and the Hungarian language version of the Independent Auditor's Report 2019 incorporated by reference into this Registration Document  
("https://www.erstebank.hu/content/dam/hu/ebh/www\_erstebank\_hu/bankunkrol/eves-jelentesek/2020-04/EBH\_konzolidalt\_eves\_beszamolo\_2019.pdf")  
("https://www.erstebank.hu/content/dam/hu/ebh/www\_erstebank\_hu/bankunkrol/eves-jelentesek/2020-04/EBH\_fuggetlen\_konyvvizsgaloi\_jelentes\_a\_konzolidalt\_eves\_beszamolohoz\_2019.pdf");
- (iv) the English language translation of the Audited Consolidated and Separate Financial Statements of the Issuer for the financial year ended 31 December 2019 and the English language translation of the Independent Auditor's Report 2019 incorporated by reference into this Registration Document  
("https://www.erstebank.hu/content/dam/hu/ebh/www\_erstebank\_hu/bankunkrol/eves-jelentesek/2020-04/EBH\_consolidated\_financial\_statements\_2019.pdf")  
("https://www.erstebank.hu/content/dam/hu/ebh/www\_erstebank\_hu/bankunkrol/eves-jelentesek/2020-04/EBH\_auditor\_report\_to\_the\_consolidated\_financial\_statements\_2019.pdf");
- (v) this Registration Document and any supplement to this Registration Document  
("https://www.erstebank.hu/content/dam/hu/ebh/www\_erstebank\_hu/bankunkrol/befektetoknek/registration-document/Registration-Dokument.pdf")  
("https://www .erstebank.hu/hu/ebh-nyito/bankunkrol/investor-relations");
- (vi) any securities note relating to securities to be issued by the Issuer and any supplement thereto  
("https://www .erstebank.hu/hu/ebh-nyito/bankunkrol/investor-relations"); and
- (vii) the Issuer's articles of association  
("www .erstebank.hu/hu/ebh-nyito/bankunkrol/erste-bank-hungary-zrt/vallalatiranyitas/alapszabaly").

## SUPPLEMENT TO THIS REGISTRATION DOCUMENT

The Issuer is obliged by the provisions of the Prospectus Regulation that if there is a significant new factor, material mistake or material inaccuracy relating to the information included in this Registration Document which may affect the assessment of the securities to be issued and which arises or is noted between the time when this Registration Document is approved and the closing of the offer period or the time when trading on a regulated market begins, whichever occurs later, the Issuer shall prepare a supplement to this Registration Document or publish a replacement Registration Document for use in connection with any subsequent offering

of the securities to be issued and shall supply to the FMA and the stock exchange operating any markets such number of copies of such supplement or replacement hereto as relevant applicable legislation require.

## **SOURCES OF INFORMATION**

Statistical and other data provided in this Registration Document has been extracted from the website of Fitch Ratings Ltd ("**Fitch**") and from the English language translation of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2020. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## **FORWARD-LOOKING STATEMENTS**

This Registration Document contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. They are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements can be identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will" and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Registration Document containing information on future earning capacity, plans and expectations regarding the Issuer's business and management, its growth and profitability, and general economic and regulatory conditions and other factors that affect it.

Forward-looking statements in this Registration Document are based on current estimates and assumptions that the Issuer makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including the Issuer's financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. The Issuer's business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Registration Document to become inaccurate. Accordingly, investors are strongly advised to read the following sections of this Registration Document: "*1. Risk Factors*" and "*2. Erste Bank Hungary Zrt.*". These sections include more detailed descriptions of factors that might have an impact on the Issuer's business and the markets in which it operates.

In light of these risks, uncertainties and assumptions, future events described in this Registration Document may not occur.

## **RESPONSIBILITY STATEMENT**

The Issuer, with its registered office at Népfürdő utca 24-26, 1138 Budapest, Hungary, is responsible for the information given in this Registration Document.

The Issuer hereby declares that, to the best of the knowledge of the Issuer, the information contained in this Registration Document is in accordance with the facts and makes no omission likely to affect its import.

# 1. RISK FACTORS

*Prospective investors should consider carefully the risks set forth below and the other information contained in this Registration Document prior to making any investment decision with respect to any securities to be issued. Prospective investors should note that the risks described below are not the only risks the Issuer faces. The Issuer has described only those risks relating to its business, operations, financial condition or prospects that it considers to be material and specific and of which it is currently aware. There may be additional risks that the Issuer currently considers not to be material and specific or of which it is not currently aware, and any of these risks could have the effects set forth below.*

*Prospective investors should also read the detailed information set out elsewhere in this Registration Document and should consult with their own professional advisers (including their financial, accounting, legal and tax advisers) and reach their own views prior to making any investment decision.*

*Each of the Issuer related risks highlighted below could have a material adverse effect on the Issuer's business, operations, financial condition or prospects which, in turn, could have a material adverse effect on the amount of principal and interest (if applicable) which investors will receive in respect of any securities to be issued. In addition, each of the Issuer related risks highlighted below could adversely affect the trading price of the securities to be issued or the rights of investors under the securities to be issued and, as a result, investors could lose some or all of their investment.*

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under securities to be issued. Most of these factors are contingencies which may or may not occur. Below the Issuer expresses its view on the likelihood of any such contingency occurring as of the date of this Registration Document.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the securities to be issued, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any securities to be issued may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.*

*The risk factors herein are organised into categories depending on their nature (with the most material risk factors mentioned first in each of the categories):*

## 1.1 CREDIT RISKS

**Erste Bank Hungary may in the future experience deterioration in credit quality of their clients, particularly as a result of financial crises or economic downturns.**

Based on its business model which is primarily concentrated on providing clients with loans, Erste Bank Hungary may in the future continue to be exposed to the risk that its borrowers may not repay their loans according to their contractual terms (defaults) and that the collateral or income stream securing the payment of these loans may be insufficient.

In case of further negative macroeconomic movements this risk may become even a bit more pronounced. This means that macroeconomic events, may lead to an increase in defaults of Erste Bank Hungary's customers, which would adversely impact its results of operations and financial condition. In addition, unanticipated political events could result in further losses for Erste Bank Hungary which means that political and economic instability resulting from, or causing, the occurrence of any of these risks would also adversely affect the market for Erste Bank Hungary's products and services.

Negative economic developments could have a negative effect on the credit quality of Erste Bank Hungary's loan portfolio. This is particularly true in cases of a significant increase in unemployment rates and deteriorated financial conditions for Erste Bank Hungary's corporate customers in Hungary. Potential higher reference interest rates could also result in more debtors to be unable to repay their loans according to their contractual terms and consequently lead to an increase of defaults for Erste Bank Hungary.

Potential exchange rate movements could have a minor direct negative impact on Erste Bank Hungary's credit portfolio quality as aiming to reduce foreign exchange ("FX") lending to retail customer a strict limit applies, while in the corporate segment it is managed by demanding natural or financial hedge. The real estate market prices have generally shown an upward trend in the last years. Collateral values are strongly correlated to the real estate market price development and if the market conditions take a turn for the worse, collateral values may be negatively influenced. Market price reductions would lead to a decline of the collateralization ratio of

the existing loan portfolios of Erste Bank Hungary as well as to potential reduced collateral recoveries in case of default of its borrowers.

Materialization of credit risk generates risk costs for the Issuer. The level of risk costs for Erste Bank Hungary is based on internal analysis of the current and historical probabilities for going into default as well as on the methods for loan management and based on assessment of the underlying asset and disposable debt serving capacity of its clients. Based on regulatory requests and accounting standards, Erste Bank Hungary allocates provisions for credit risk in order to cover expected losses in loan portfolio. Loan provisions are being calculated for financial asset valued based on amortised cost (financial asset held to maturity, loans and advances) in line with the International Financial Reporting Standard 9 (IFRS 9).

**Erste Bank Hungary may experience severe economic disruptions, as those for instance are induced by the worldwide corona virus (COVID-19) pandemic, which may have significant negative effects on Erste Bank Hungary and its clients.**

Erste Bank Hungary is directly and through its clients and suppliers exposed to multiple risks in relation to the worldwide pandemic caused by the corona virus SARS-CoV-2 ("**COVID-19**") and the measures taken to prevent the spread of COVID-19. The worldwide spread of the COVID-19 pandemic, the interim lockdowns and the resulting recession have led to deterioration of financial conditions of some Erste Bank Hungary's customers, in general, and certain sectors/businesses, e.g. air transportation, travel, tourism, consumer durables and oil industry, in particular. As a result, Erste Bank Hungary's loan portfolio quality could suffer or deteriorate, and non-performing loans may increase if respective loan moratoria regulations are lifted. If the economic conditions worsen beyond the level foreseen, this could have a material adverse effect on Erste Bank Hungary's business, financial condition and results of operations through a combination of less interest and fee income, credit losses exceeding the amount of Erste Bank Hungary's loan loss provisions.

In response to the COVID-19 pandemic and the expected economic crisis, the government and the central bank (also the regulator) have already taken and are likely to take unprecedented state intervention measures, such as imposing payment moratoria, caps on interest rates, and other interfering into contractual relationships of Erste Bank Hungary Group with its clients and suppliers and limiting or reducing the legal remedies to collect amounts due, and many more measures like borders closures and full or partial curfews, etc. to protect their citizens (health), national economies, currencies or fiscal income, thereby incurring high fiscal deficits. Any of these or similar state intervention measures could have a material adverse effect on Erste Bank Hungary Group's business, financial condition and results of operations through a combination of less interest and fee income, higher risk costs or higher other costs.

The COVID-19 pandemic may also have a negative impact on the market value of the assets that are financed by Erste Bank Hungary, serve as collateral for Erste Bank Hungary's repayment claims and/or are included in Erste Bank Hungary's cover pool.

Furthermore, the COVID-19 pandemic might lead to a second wave of asset price adjustments as well as a rise in spreads, which might have a negative impact on the Issuer's refinancing costs.

**Erste Bank Hungary is exposed to significant counterparty risk.**

In the ordinary course of its business, Erste Bank Hungary is exposed to the risk that third parties who owe Erste Bank Hungary money, securities or other assets will not perform their obligations. This exposes Erste Bank Hungary to the risk of counterparty defaults, which could be higher during periods of economic downturn.

Furthermore, Erste Bank Hungary is exposed to a risk of non-performance by counterparties in the financial services industry. This exposure can primarily arise through trading, lending, clearance and settlement. These counterparties include brokers and dealers, custodians, commercial credit institutions, investment banks, and other institutional clients. Many of these relationships expose Erste Bank Hungary to credit risk in the event of counterparty default.

In addition, in cases where the collateral that Erste Bank Hungary holds cannot be realised or is liquidated at prices below the level necessary to recover the full amount of the loan or to cover the full amount of derivative exposure, Erste Bank Hungary will incur losses if its counterparties default on their obligations.

Concerns about potential defaults by third party financial institutions can lead to significant liquidity problems, losses or defaults by other financial institutions (such as the Issuer), as the commercial and financial soundness of many financial institutions is primarily interrelated due to credit and trading. Even a perceived lack of creditworthiness may lead to market-wide liquidity problems. This risk is often referred to as "systemic risk", and it affects credit institutions (such as the Issuer) and all other types of intermediaries in the financial



services industry. Systemic risk could have a material adverse effect on Erste Bank Hungary's business, financial condition, results of operations, deposit base, liquidity and/or prospects as it leads to a need for Erste Bank Hungary to raise additional capital, while at the same time making it more difficult to do so.

## 1.2 BUSINESS RISKS

### **Erste Bank Hungary's business entails several forms of operational risks.**

Operational risk to which Erste Bank Hungary is exposed in several ways is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, such as natural disasters, terrorism, external infrastructure failures or external fraud, and includes legal risk, but excludes strategic and reputational risk. However, in case of Erste Bank Hungary reputational risk is included under the operational risk for assessment purposes due to the strong link with it as many operational risk events have a strong impact in terms of reputation. The main components of operational risk in Erste Bank Hungary are:

- **Execution risk:** Execution, delivery and process management events are stemming from failed transaction processing or process management. Losses are pertaining to relationships with trading counterparties and vendors or suppliers. The increasing number of outsourcings and the complexity of services can increase the exposure of execution risk for the Issuer. In addition, there is an increasing trend in information and communication technology ("ICT") service providers and cloud outsourcings. The major risk events in the cooperation with suppliers are the bankruptcy of a supplier, supplier delivery failure, a breach of the service agreement and an unexpected relationship termination.
- **Conduct risk:** Conduct risk is expected to remain in focus not only from a regulatory, but also from a business point of view in the upcoming years. There is a high priority on the constant development of the conduct risk management framework in Erste Bank Hungary in order to protect the customers, employees and shareholders. The highest conduct risk related event for the Issuer was due to incorrect market practice related to the foreign exchange conversion (bid/ask spread, unilateral modification, foreign exchange rate risk). The most common cases for the Issuer are the foreign exchange loan invalidity lawsuits.
- **Fraud risk:** In case of Erste Bank Hungary, such risk arises from losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity/discrimination events, involving an internal or external party. The highest share in number of fraud events comes from external fraud, i.e. card fraud events, though the largest share in sum was suffered from lending fraud events, which are credit risk ones.
- **ICT risk:** The Issuer relies heavily on information systems to conduct its business. ICT risk can lead to failure of hardware or software and processing which can compromise the availability, integrity, accessibility and security of such infrastructures and of data. ICT systems, the increasing usage of cloud services, project management and aging architecture have a potential impact from their failures on the Issuer. It includes information security risk which could result in the compromise of assets. In case of Erste Bank Hungary the radical changes in normal banking activities will pose challenges for the future (challenges of working in home office) and the deployment of complex developments remotely are new challenges too. The fraud detection will be harder because the instant payments are faster than the normal transactions and the experts are working away from each other. The standard operation and IT security should be prepared to 7x24 operations. The proportion of this risk type is increasing due to cyber fraud events. In 2020, the number of the newly discovered phishing sites increased, which may grow further in the future.
- **Legal risk (impact):** Such risk arises due to the possibility that failure to meet contractual obligations, initiated court proceedings against credit institutions and business decisions taken which are found to be unenforceable, might have a negative impact on the Issuer's business operation or financial position. In case of Erste Bank Hungary among the various sub-categories of legal risk, consumer protection risk is by far a significant driver for losses, and it is expected to remain so in the upcoming years. The risk on this side is continuously reduced by following and implementing the relevant European and national legislation. Further, the increasing number of regulations impacting banking business with its tendency to impose more and more obligations on banks to be fulfilled towards clients is expected to increase the level of uncertainty and sources of possible risk factors. This is expected to increase legal risk. Particularly, currently the extraordinary Hungarian legislation adopted in relation to the COVID-19 pandemic situation has introduced various moratoria rules both

for retail and corporate business. This represents an ongoing risk (also from legal aspects), that is reduced through continuous interpretation and implementation of the relevant legislation and by regular consultations with the Central Bank of Hungary ("**MNB**").

- Compliance risk: There is the risk for the Issuer to incur legal or regulatory sanctions, including restrictions on business activities, fines or enhanced reporting requirements, in case of failure to comply with applicable laws, rules, regulations, related self-regulatory organisation standards and codes of conduct applicable to the Issuer's banking activities. In line with the organisational responsibilities for the compliance risk, a distinction is made to the following risk sub-types:
  - Regulatory compliance risk: This is the risk of supervisory sanctions in a broad sense as the result of identified non-compliance with regulatory standards, with the main focus on compliance with Directive 2013/36/EU, as amended (*Capital Requirements Directive* - "**CRD**") and Regulation (EU) No 575/2013, as amended (*Capital Requirements Regulation* – "**CRR**") as well as the interrelated standards and guidelines. The following areas are covered: solvability (credit, market, operational Risk; capital ratios; eligible regulatory capital), liquidity (liquidity coverage ration (LCR), net stable funding ratio (NSFR)), large exposures, leverage ratio, licensing, passporting, governance (organization, fit and properness, remuneration, related parties), organisational structure, reporting, internal capital adequacy assessment process ("**ICAAP**") / internal liquidity adequacy assessment process (ILAAP) and supervisory review and evaluation process ("**SREP**"), banking secrecy, disclosure.
  - Compliance risk: this risk covers the following areas: anti-money laundering (AML), counter-terrorism financing (CTF), sanctions, embargos, data protection, securities compliance and financial crime.

#### **Erste Bank Hungary is subject to the risk that liquidity may not be readily available.**

Erste Bank Hungary relies on customer deposits to meet a substantial portion of its funding requirements. Erste Bank Hungary's deposits are provided by both retail and corporate clients, a significant proportion of which are demand deposits. Such deposits are subject to fluctuation due to factors outside Erste Bank Hungary's control (such as a massive and accelerated deposit outflow caused by major crisis, the materialisation of reputational risk (i.e. lack of trust and market crisis)). Because a significant portion of Erste Bank Hungary's funding comes from its deposit base, any material decrease in deposits could have a negative impact on Erste Bank Hungary's liquidity unless corresponding actions were taken to improve the liquidity profile of other deposits or to use its liquid assets, mainly sovereign bonds, which may not be possible on economically beneficial terms.

As credit provider, Erste Bank Hungary is exposed to market liquidity risk, which arises from an inability to easily sell an asset because there is inadequate market liquidity or market disruption. Erste Bank Hungary is also exposed to funding liquidity risk, which is an exposure to losses arising out of a change in the cost of refinancing or from insolvency of counterparties, which may result in difficulties in meeting future payment obligations, either in full, on time or on economically beneficial terms.

#### **Global conditions may in different ways have a material adverse effect on Erste Bank Hungary.**

Erste Bank Hungary is directly and through its clients connected to the global financial system and dependent on exchange rates, financial asset prices and liquidity flows. Geopolitical uncertainties over North Korea, Russia, Ukraine, Iran, Syria, Saudi Arabia, Hong Kong, Turkey and Venezuela may impact financial markets, trade and so Erste Bank Hungary's clients. Furthermore, financial uncertainties over Turkey and the high total debt levels in China and some European countries like Italy or Spain may impact financial markets, global growth and Erste Bank Hungary's clients.

The still ultra-low interest environment creates further pressure on the financial sectors globally. Monetary policy in the future will depend on inflation and due to these unprecedented policies could vary from the foreseen path in either direction fast and without prior notice. Variances in monetary policy may result also in increased volatility in debt and foreign exchange markets. Erste Bank Hungary might continue to face unpredictable monetary moves. Global monetary policy might have helped to build significant exaggeration in various asset classes such as equity, housing and bonds and these asset prices could also correct swiftly and markedly which would also affect Erste Bank Hungary due to doing business in such asset classes.

Being a small and open economy, the performance of the real economy in Hungary is strongly dependent on the global growth outlook. Hungary has a free-floating exchange rate system, with the currency being explicitly

sensitive to changes of global risk assessment. Apart from the volatility of the exchange rate, repricing of the risk premium considerably affects both short and long-term rates and yields which would also affect Erste Bank Hungary and its clients.

Regarding the Euro zone membership perspective of Hungary, leaders of the economic policy have taken a more cautious approach, in terms of the accession to the euro, focusing to a more extent on the catching-up of the economy outside the Euro zone and setting the advancement of the real convergence, as a precondition for the membership. The economic policy has not set a specific Euro adoption target date yet.

**Changes in interest rates are caused by many factors beyond Erste Bank Hungary's control, and such changes can have a significant adverse effect on its financial results, including net interest income.**

Erste Bank Hungary derives the majority of its operating income from net interest income. Interest rates are sensitive to many factors beyond Erste Bank Hungary's control, such as inflation, monetary policies the innovation of financial services, competition, domestic and international economic and political conditions. Changes in interest rates can affect the spread between the rate of interest that Erste Bank Hungary pays to borrow funds from its depositors and other lenders and the rate of interest that it charges on loans it extends to its customers. While the competitive pressure on the margins is a rather obvious factor, also changes in the absolute level of the interest rate environment can affect the spread between the rate of interest that Erste Bank Hungary pays to borrow funds from its depositors and other lenders and the rate of interest that it charges on loans it extends to its customers. If the interest margin decreases, net interest income will also decrease unless Erste Bank Hungary is able to compensate such decrease by increasing the total amount of funds it lends to its customers. The current low interest rate environment brings additional challenges for Erste Bank Hungary to interest margin stability as the potential to re-price its customers' deposits, also due to their natural floor which might be exhausted while loan yields are fully subject to the downward trend resulting in reduced net interest income. Additionally, in a very low or even negative interest rate environment, Erste Bank Hungary will bear increased costs of maintaining the regulatory and prudential liquidity buffers held in cash and highly liquid assets. An increase in rates charged to its customers can also negatively impact interest income if it reduces the amount of customer borrowings. Finally, a mismatch in the maturity structure of interest-bearing assets and interest-bearing liabilities in any given period could, in the event of changes in interest rate curves, reduce Erste Bank Hungary's net interest margin and have a material adverse effect on its net interest income.

**Market fluctuations and volatility may adversely affect the value of Erste Bank Hungary's assets, reduce profitability and make it more difficult to assess the fair value of certain of its assets.**

Financial markets could face periods of significant stress conditions when steep falls in perceived or actual values of assets held by Erste Bank Hungary and other credit/financial institutions could be accompanied by a severe reduction in market liquidity.

Market volatility and illiquidity may make revaluation of certain exposures difficult, and the value ultimately realised by Erste Bank Hungary may be different from the current or estimated fair value and therefore it could require Erste Bank Hungary to recognise further revaluation losses or realize impairment charges.

**In case of a reduction in profitability Erste Bank Hungary's profit can be lower or even negative.**

Erste Bank Hungary's results of operations in the current financial year and in the future will depend in part on the economic climate, regulatory and legislative changes and competition. Depending on the size of the reduction in profitability, such a reduction could have a material adverse effect on Erste Bank Hungary's results of operations in that period, on the reported amount of its assets and on its equity, and on Erste Bank Hungary's ability to make payments on the securities to be issued.

Erste Bank Hungary operates in a competitive market and competes against both local and foreign owned financial institutions. If Erste Bank Hungary is unable to properly respond to the competitive environment in Hungary with product and service offerings that are profitable, it may lose market shares in important parts of its business or incur losses on its activities.

**Loss of customer confidence in Erste Bank Hungary's business or in banking businesses generally could result in unexpectedly high levels of customer deposit withdrawals.**

The availability of Erste Bank Hungary's customer deposits to fund its loan portfolio and other financial assets is subject to potential changes in certain factors outside Erste Bank Hungary's control, such as a loss of confidence of depositors in either the economy in general, the financial services industry or Erste Bank Hungary specifically, credit ratings downgrades, low interest rates and significant deterioration in economic conditions. These factors could lead to a reduction in Erste Bank Hungary's ability to access customer deposit

funding on appropriate terms in the future and to sustained deposit outflows, both of which would adversely impact Erste Bank Hungary's ability to fund its operations. Any loss in customer confidence in Erste Bank Hungary's banking businesses, or in banking businesses generally, could significantly increase the amount of deposit withdrawals in a short period of time. Should Erste Bank Hungary experience an unusually high level of withdrawals, this may have an adverse effect on Erste Bank Hungary's results, financial condition and prospects and could, in extreme circumstances, prevent Erste Bank Hungary from funding its operations. A change in the funding structure towards less stable and more expensive funding sources would also result in higher liquidity buffer requirements and an adverse impact on net interest income for Erste Bank Hungary.

**Erste Bank Hungary's risk management strategies, techniques and internal control procedures may leave it exposed to unidentified or unanticipated risks.**

Erste Bank Hungary's risk management techniques may not be fully effective in mitigating Erste Bank Hungary's risk exposure in all economic market environments or against all types of risks, including risks that it fails to identify or anticipate. Furthermore, regulatory audits or other regular reviews of the risk management procedures and methods have in the past detected, and may in the future detect, potential for improvement, weaknesses or deficiencies in Erste Bank Hungary's risk management systems. Some of Erste Bank Hungary's quantitative tools and metrics for managing risks are based upon its use of observed historical market behavior. During global crisis situations, as for instance the global financial crisis or the COVID-19 pandemic, the financial markets experienced unprecedented levels of volatility (rapid changes in price development) and the breakdown of historically observed correlations across asset classes, compounded by extremely limited liquidity. In the volatile market environment, Erste Bank Hungary's risk management tools and metrics may in the future under similar conditions of market disruption only partially reflect future important risk exposures.

In addition, Erste Bank Hungary's quantitative modelling does not necessarily take all risks into account and makes numerous assumptions regarding the overall environment and/or the implicit consideration of risks in the quantification approaches, which may or may not materialize. As a result, risk exposures could arise from factors not anticipated or correctly evaluated in Erste Bank Hungary's risk estimation models thus potentially resulting in material adverse effect on its business, financial condition and results of operations, as losses greater than the maximum losses envisaged under its risk management system could occur.

### **1.3 LEGAL AND REGULATORY RISKS**

**The Issuer is subject to the risk of changes in the tax framework, in particular regarding banking taxes.**

The future development of the Issuer's assets, financial and profit position, *inter alia*, depends on the tax framework. Every future change in legislation, case law and the tax authorities' administrative practice may negatively impact on the Issuer's assets, financial and profit position, for example, as a result of the amendment or introduction of banking taxes, financial transaction taxes or other levies.

**The Issuer is subject to the risk of change in applicable laws, further certain concepts and practices might not be elaborated in detail or established firmly in the Hungarian legal and judicial system in comparison to certain other EU jurisdictions.**

The Issuer, being a credit institution operating in Hungary, must comply with a variety of Hungarian laws and regulations governing a number of matters, including banking, data protection, labour relations, welfare, health and safety as well as tax. Any failure by the Issuer to comply with applicable laws and regulations (including such aforementioned altered legal interpretations thereof) may result in fines and other sanctions by the relevant regulator, legal actions against the Issuer by client(s), and have negative legal, financial and reputational consequences for the Issuer, respectively.

In the past, Erste Bank Hungary has faced situations of laws and regulations being adopted or amended in urgent proceedings, where primary legislation has taken effect immediately and before the introduction of secondary regulations, and/or where legislative interventions were made in the existing contractual relationships with the clients, sometimes even with retroactive effect.

Such situations have already caused a shift from previous legal interpretations by certain courts and authorities of legal matters relevant for the business of the credit institutions (such as the Issuer), entrepreneurs and creditors in general, with a negative effect on the operations of the Issuer and the position of its creditors.

Civil law, competition law, securities law, company law, bankruptcy law and other areas of law have been and continue to be subject to changes as new laws are being constantly adopted in order to implement the EU legislation and jurisprudence. EU legislation and jurisprudence may be implemented and/or applied

inconsistently and it may not be possible, in certain circumstances, to obtain legal remedies in a reasonably timely manner. The relatively limited experience of a significant number of courts may lead to decisions beyond reasonable or legitimate expectations. In Hungary, being a civil law jurisdiction, judicial decisions generally have no precedential effect. For the same reason, courts themselves are generally not bound by earlier decisions taken under the same or similar circumstances, which can result in the inconsistent application of legislation to resolve the same or similar disputes. However, the Hungarian Supreme Court ("**Curia**") is implementing harmonisation efforts in this regard through uniformity decisions. The enforcement of judgments sometimes proves difficult which in the past meant that the enforcement of rights through the Hungarian court systems may be burdensome. This lack of legal certainty and the inability to obtain effective legal remedies in a timely manner may adversely affect the Issuer's business by creating a higher legal risk for certain products.

The procedural steps pertaining to insolvency proceedings result in material delays to recover defaulted loans and the success rate of debtor restructuring and the turnaround is comparatively lower. In addition, it is often difficult to locate all of the assets of an insolvent debtor. The Issuer has at times substantial difficulties receiving pay-outs on claims related to extensions of a credit, or foreclosing on collateral that secures a credit, that it has made to entities that have subsequently filed for bankruptcy protection or that have contested the enforcement thereof. In the event of eventual economic downturns, these problems could intensify, including as a result of changes in law or regulations intended to limit the impact of economic downturns on corporate and retail borrowers. These problems, if they were to persist or intensify, may have an adverse effect on the Issuer's business, results of operations and financial condition, by making collections and enforcement of collateral in Hungary more difficult and time consuming, and in some cases, impossible.

Changes in consumer protection laws as well as the application or interpretation of such laws might limit the fees and other pricing terms that the Issuer may charge for certain banking transactions and might allow consumers to claim back certain of those fees and interest already paid in the past.

**New governmental or regulatory requirements and changes in perceived levels of adequate capitalization and leverage could subject Erste Bank Hungary to increased regulatory requirements or standards and require it to obtain additional capital, liabilities eligible for MREL purposes or liquidity in the future.**

Regulatory environment is constantly changing and there are numerous ongoing initiatives for developing new, implementing and amending existing regulatory requirements applicable to European credit institutions, including Erste Bank Hungary, at national and international levels. Such initiatives which aim to continuously enhance the banking regulatory framework, *inter alia*, include the following:

- **SREP Requirements**

Erste Bank Hungary Group is subject to SREP requirements stipulated in the following regulations applicable in Hungary, the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (the "**Banking Act**") implementing Articles 97, 98, 104 (1) and 113 of CRD and the Hungarian decision on the method of exercising supervision of credit institutions and imposing supervisory measures, determined by the annual SREP based on the competent authorities' (i.e. the MNB in agreement with the European Central Bank ("**ECB**")) joint decision. According to the business model, governance and risk management, capital adequacy and the liquidity situation of Erste Bank Hungary, each year the competent authority sets an additional own funds requirement (Pillar II requirement) for Erste Bank Hungary Group. This requirement needs to be met by the sort of capital (Common Equity Tier 1 ("**CET 1**") capital, Additional Tier 1 (AT 1) capital or Tier 2 capital) set by the competent authorities. Depending on the assessment, SREP requirements may vary annually. Together with the conclusions of the SREP, the competent authorities provide Erste Bank Hungary with the conclusions related to the risks, deficiencies and concerns relating to the internal assessment of its capital needs, respectively, whether the methodologies used by Erste Bank Hungary are appropriate to the nature, extent and complexity of its activities and if the results obtained in the ICAAP reflect the unexpected losses associated with the significant risks to which Erste Bank Hungary is exposed.

An increasing Pillar 2 requirement for Erste Bank Hungary Group could trigger additional pressure on the capitalization of Erste Bank Hungary Group.

- **Capital buffers**

In line with CRD and as per the Banking Act, the MNB requires institutions (such as Erste Bank Hungary) to maintain specific capital buffers in addition to own funds requirements (Pillar I requirements) imposed by the CRR and potentially any Pillar II additional own funds requirements.

The following requirements on capital buffers are applied as of the date of this Registration Document:

- Capital conservation buffer: the capital conservation buffer of CET 1 capital amounts to 2.5% of the total risk exposure amount in accordance with Article 86 of the Banking Act;
- Countercyclical capital buffer: until further notice from the MNB, the countercyclical buffer rate for exposures situated in Hungary 0.0%. The countercyclical buffer at Erste Bank Hungary Group level will vary from period to period depending on the composition of underlying risk relevant exposures;
- Global systemically important institutions (G-SII) / Other systemically important institutions ("**O-SII**") buffer: Erste Bank Hungary Group is classified as an O-SII in Hungary and the buffer for Erste Bank Hungary Group currently amounts to 0.0% due to its temporary suspension by the MNB's Financial Stability Board from 1 July 2020. Prior to the temporary suspension, the O-SII buffer was 0.5%. To ensure a proportionate and gradual regulatory treatment, the institutions (such as the Issuer) must gradually rebuild their capital buffer initially prescribed for 2020 in three years from 2022 onwards (0.125% in 2022, 0.25% in 2023 and 0.5% in 2024). The O-SII buffer is revised annually and may also be affected by the buffer set for Erste Group (as defined in section "2.2 BACKGROUND" below) in line with Article 91 of the Banking Act.

In total, the combined capital buffer currently amounts to 2.5% of the total risk exposure and shall be covered by CET 1 capital.

- *Bank Recovery and Resolution Legislation*

The provisions of the Directive 2014/59/EU, as amended (*Bank Recovery and Resolution Directive - "BRRD"*) have been transposed into Hungarian legislation via the Hungarian Act on improvement of institutional framework to strengthen the safety of financial intermediation system and the Banking Act. The new legislation may have a negative impact on debt instruments by allowing the resolution authorities to order write-down of such instruments or convert them into instruments of ownership under resolution circumstances. Erste Bank Hungary may be subject to resolution tools and other powers as set out under the abovementioned laws.

- *EU Banking Reform Package*

On 7 June 2019 a legislative package regarding a set of revised rules aimed at reducing risks in the EU banking sector ("**EU Banking Package**") was published in the Official Journal of the EU. The EU Banking Package comprises the CRD and the CRR as well as the BRRD and the Regulation (EU) No 806/2014, as amended ("**SRMR**"). The EU Banking Package implements reforms agreed at international level following the 2007-2008 financial crises to strengthen the banking sector and addresses outstanding challenges to financial stability.

The EU Banking Package entered into force on 27 June 2019. The amendments to the CRR already apply since 27 June 2019, 28 December 2020 or 28 June 2021, respectively, and the amendments to the SRMR since 28 December 2020. The EU member states should have implemented the amendments of Directive (EU) 2019/879 (BRRD II) and the amendments to CRD into national law until 28 December 2020. The EU Banking Package has been transposed into Hungarian legislation, or in more details regulated by the Banking Act and the Act on improvement of institutional framework to strengthen the safety of financial intermediation system.

The EU Banking Package, *inter alia*, implements "Resolution Group" levels which are relevant for determining the level of application of the rules on loss absorbing and recapitalization capacity that financial institutions should comply with and defines the desired resolution strategy. The new legislative framework allows for a multiple-point-of-entry ("**MPE**") or a single-point-of-entry ("**SPE**") resolution strategy. The minimum requirement for own funds and eligible liabilities ("**MREL**") should reflect the resolution strategy which is appropriate to a group in accordance with the resolution plan. Under the SPE strategy, only one group entity, usually the parent company, i.e. Erste Group, is resolved whereas other group entities, usually operating subsidiaries such as Erste Bank Hungary Group, are not put in resolution, but upstream their losses and recapitalization needs to the entity to be resolved. Under the MPE strategy, more than one group entity may be resolved.

Erste Group received the joint decision signed by the Single Resolution Board ("**SRB**") as group resolution authority, the Croatian resolution authority, the Czech resolution authority, the Hungarian resolution authority and the Romanian resolution authority acting with the resolution college upon the

MPE approach forming separate resolution groups with Erste Group's core subsidiaries of Central and Eastern Europe ("CEE"), but with SPE approaches on country level (on resolution group level). The MPE strategy is subject to the implementation of the measures to mitigate the risk of contagion, to ensure that enough loss absorbing capacity is available at the level of each resolution group and to ensure operational continuity and separability in case of a resolution event.

Under the MPE resolution strategy the resolution entity is Erste Bank Hungary which means that the losses are recognised at Erste Bank Hungary Group level and the bail-in takes place at Erste Bank Hungary level. In this case Erste Bank Hungary can issue external (extra group) MREL eligible liabilities. The resolution plans (including resolution strategy and MREL decisions) are drawn up, assessed and approved in the resolution college on a regular basis and pose a potential regulatory risk to Erste Bank Hungary Group.

- **MREL**

In order to ensure the effectiveness of the bail-in and other resolution tools, as regulated in the Act on improvement of institutional framework to strengthen the safety of financial intermediation system, all institutions (including the Issuer) have to meet, at all times, an individual MREL requirement, internal or external, depending on the applying resolution strategy (MPE or SPE). MREL shall be calculated as amount of own funds and eligible liabilities expressed as a percentage of:

- the total risk exposure amount calculated in accordance with Article 92(3) CRR; and
- the leverage exposure calculated in accordance with Articles 429 and 429a CRR.

MREL is set on a case-by-case basis. The MREL requirement is determined by the resolution college on a yearly basis as a joint decision of the SRB and the MNB. As of the date of this Registration Document, the MREL requirement determined for Erste Bank Hungary is 24.42% of the Total Risk Exposure Amount (TREA) excluding the combined buffers requirements and 5.82% of the Total Exposure Measure (TEM). The deadline for Erste Bank Hungary to fully comply with the MREL requirements shall be 1 January 2024. MNB determined a transitional period for Erste Bank Hungary and intermediate target levels which make possible a gradual compliance with the MREL requirements. The MREL targets set for 1 January 2022 and 1 January 2024 are binding while the planned target for 1 January 2023 is non-binding.

**Erste Bank Hungary is obliged to contribute to the bank resolution fund and to the deposit insurance fund on an annual basis.**

With the adoption of the BRRD, the European Union has taken the necessary step towards setting up highly empowered resolution authorities to deal with the crisis of credit institutions and investment firms. In Hungary, this official authority was given to MNB. A key principle of the BRRD is that the costs of crisis management should be borne by the resolution schemes replenished from the contributions of market participants (such as the Issuer), e.g. by resolution funds in order to minimize the use of taxpayers' money for this purpose. For this purpose, the resolution fund (the "**Resolution Fund**") was established in Hungary.

The member institutions of the Resolution Fund (including the Issuer) pay an annual fee to the Resolution Fund. The amount of the annual fee is determined by MNB acting in its resolution role. In the case of extraordinary borrowing or bond issuance, the Resolution Fund may impose extraordinary payment obligations on member institutions (such as the Issuer). The amount and timing of the extraordinary contribution have to be in line with the loan/bond repayment terms. The extraordinary payment obligation may not exceed three times the amount of the annual fee payment obligation of the Issuer.

There is the risk that external funding will be raised in the future, which could result in an extraordinary payment obligation for member institutions (such as the Issuer). A decision on extraordinary contributions could have a negative impact on Erste Bank Hungary's profitability.

Until 1993 deposits were unlimitedly guaranteed by the Hungarian state, following the birth of the market economy based foundation deposit insurance system, which is operated by the National Deposit Insurance Fund ("**NDIF**"). If a credit institution (such as the Issuer) became insolvent, the NDIF pays compensation for its depositors within 10 working days. The upper limit of payment is defined by law to be EUR 100,000, the payment is made in Hungarian forints calculated at the foreign currency rate valid on the day preceding the start date of compensation.

The main sources of income of the NDIF are regular and extraordinary payments made by member institutions (such as the Issuer). The regular fee consists of a basic fee and a risk-based variable fee. If necessary, the NDIF may prescribe an increased or extraordinary fee payment obligation to the member institutions (such as the Issuer). The regular fee, especially the variable fee, is calculated on the basis of a predefined formula and model, certain model parameters are regularly reviewed and modified if necessary. An unfavorable change in the calculation methodology or any extraordinary payments that may be required will impose a significant additional burden on Erste Bank Hungary and could have a negative impact on Erste Bank Hungary's profitability.

#### **1.4 FURTHER RISK RELATING TO THE ISSUER**

**Credit rating agencies may suspend, downgrade or withdraw a credit rating of Erste Bank Hungary and/or Erste Group Bank AG as parent company and/or Hungary, and such action could negatively affect the refinancing conditions for Erste Bank Hungary, in particular access to debt capital markets.**

Erste Bank Hungary's credit rating is strongly interconnected to the sovereign long-term credit rating of Hungary, alongside the overall stability of the banking system in Hungary. Any downgrade of the credit rating of Erste Bank Hungary and/or of Erste Group Bank AG ("**Erste Group Bank**") as parent company or of Hungary, could have a material adverse effect on Erste Bank Hungary's liquidity and profitability, undermine its confidence and credit rating, increase its borrowing costs, limit its access to funding and capital markets or limit the range of counterparties willing to do business with Erste Bank Hungary.



## 2. ERSTE BANK HUNGARY ZRT.

### 2.1 INTRODUCTION

The Issuer is registered as a privately owned company limited by shares (*zártkörűen működő részvénytársaság*) in the Hungarian companies register (*Cégjegyzék*) at the Company Registry Court of Budapest - Capital Regional Court (*Fővárosi Törvényszék Cégbírósága*) and has the registration number 01-10-041054. The Issuer is established for an indefinite period of time and operates under Hungarian law. Its commercial name is "ERSTE BANK HUNGARY Zártkörűen Működő Részvénytársaság". The registered office of the Issuer is Népfürdő utca 24-26, 1138 Budapest, Hungary. Its telephone number is +36-1-298-0222 and its website is "www.erstebank.hu". The information on the Issuer's website does not form part of this Registration Document unless that information is incorporated by reference into this Registration Document (please see "*Documents Incorporated By Reference*" above). The Issuer's legal entity identifier (LEI) code is 549300XWJHRKLHU2PS28.

Erste Bank Hungary is a member of Erste Group (as defined below). Founded in 1819 as the first Austrian savings bank, Erste Group has been a public company since 1997, grown through numerous acquisitions and organically into a leading banking group in the CEE region, operating in seven core markets with direct and indirect presence in five additional countries. Erste Group serves a total of more than 16 million customers with almost 2,200 branches. Catering to different needs of its corporate clients, Erste Group serves small and medium-sized enterprises ("**SME**") locally in branches or separate commercial centres, while multinational groups and large corporates are serviced by Group Corporates' units.

Erste Bank Hungary is one of the largest universal banks in the Hungarian banking market and its business model fully covers the entire spectrum of financial segments, servicing over 1 million retail and corporate customers. Erste Bank Hungary provides several financial products and services through its subsidiaries: Erste Bank Hungary is the 100% shareholder of Erste Mortgage Bank, a specialised credit institution for mortgage refinancing; Erste Building Society, providing savings products for housing purposes; Erste Real Estate, responsible for managing the real estate portfolio of Erste Bank Hungary Group; and Erste Investment which provides brokerage and investment services.

### 2.2 BACKGROUND

Erste Bank Hungary Group consists of Erste Bank Hungary and its subsidiaries and participations as follows (as of 1 June 2021):

Name of the subsidiary	Ownership interest	Principal activity	Registered office	Registered capital (thousand HUF)
ERSTE Ingatlan Kft.	100%	Real estate development/ utilization	Népfürdő utca 24-26, 1138 Budapest, Hungary	170,000
ERSTE Lakástakarék Zrt.	100%	Home savings	Népfürdő utca 24-26, 1138 Budapest, Hungary	2,025,000
ERSTE Jelzálogbank Zrt.	100%	Mortgage bank	Népfürdő utca 24-26, 1138 Budapest, Hungary	3,010,000
Erste Befektetési Zrt.	100%	Investment firm	Népfürdő utca 24-26, 1138 Budapest, Hungary	2,000,000
Sió Ingatlan Invest Kft.	Indirect 100%	Sió Plaza operation	Népfürdő utca 24-26, 1138 Budapest, Hungary	12,900

Collat-real Kft.	Indirect 100%	Real estate sale and purchase	Népfürdő utca 24-26, 1138 Budapest, Hungary	3,000
<b>Name of the participation</b>				
UNION Vienna Insurance Group Zrt.	1.36%	Insurance company	Baross utca 1, 1082 Budapest, Hungary	5,000,000
Budapesti Értéktőzsde Zrt.	2.32%	Stock exchange	Szabadság tér 7. Platina torony. I. ép. IV. em., 1054 Budapest, Hungary	541,348
Garantiqa Hitelgarancia Zrt.	2.17%	Guarantee provision	Kisfaludy u. 32, 1082 Budapest, Hungary	7,839,600

Erste Bank Hungary is part of the wider Erste Group that consists of Erste Group Bank, together with its subsidiaries and participations, including Erste Bank der oesterreichischen Sparkassen AG in Austria, Česká spořitelna in the Czech Republic, Banca Comercială Română in Romania, Slovenská sporiteľňa in Slovakia, Erste Bank Croatia in the Republic of Croatia, Erste Bank Serbia in Serbia and, furthermore, in Austria, Salzburger Sparkasse Bank AG, Tiroler Sparkasse Bankaktiengesellschaft Innsbruck, Bausparkasse der österreichischen Sparkassen Aktiengesellschaft, other savings banks of the Haftungsverbund (i.e. the cross guarantee system that was formed on the basis of a set of agreements (*Grundsatzvereinbarung*) with the majority of the Austrian savings banks), Erste Group Immorent GmbH, and others (the "**Erste Group**").

The strategic goal of Erste Bank Hungary is to continue its operation as an important player of the Hungarian banking market with the support of a balanced corporate business, a reinforced risk management, good operations and a continuously improving service quality, focusing on retail customers. Erste Bank Hungary aims to provide a wide range of financial products and services to its customers throughout their whole financial lifecycle: deposits, investments products, loans, advisory services and leasing products. The Issuer strengthened its position as a leading retail lending institution, with the acquisition of Citibank's retail business line (the acquisition was completed in February 2017) in the private banking and credit card business lines, as well as in terms of electronic channels and innovative solutions, and furthermore in the market of savings. Erste Bank Hungary aims to offer tailored financial services through its segmentation-based product portfolio, and wishes to expand its existing customer base with the improvement of service quality and innovative banking solutions. Apart from its core banking activities, Erste Bank Hungary aims to play an important role in the market of products having a significant growth potential such as investment and building society services.

### 2.3 SHARE CAPITAL OF ERSTE BANK HUNGARY

As of the date of this Registration Document, the total nominal share capital of Erste Bank Hungary amounted to HUF 146,000,000,000 (fully paid), divided into 146,000,000,000 ordinary shares issued in dematerialized form, in the nominal value of HUF 146,000,000,000, maintained with the central depository company (*központi értéktár*).

Erste Bank Hungary's shares are not listed on a stock exchange.

### 2.4 ARTICLES OF ASSOCIATION

The Issuer's objects are laid down in section 3 of its articles of association and read in particular as follows:

The Issuer is a credit institution which – within the statistical classification – offers the following financial and investment services based on the Banking Act and the Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (the "**Investment Services Act**"):

Financial services:

- (a) collection of deposits and acceptance of other repayable financial instruments from the public;
- (b) provision of credit and money loans;
- (c) financial leasing;
- (d) providing payment services;

- (e) issuance of electronic money, issuance of such cash-substituting payment devices (e.g. traveller's cheques in paper form, bills of exchange) in paper form and connected services that do not qualify as payment services;
- (f) giving surety, guarantee, and other banking obligations;
- (g) commercial activities on own account or as a commission agent with currencies, foreign currencies, bills of exchange and cheques;
- (h) mediation of financial services;
- (i) depository services, safe box services; and
- (j) credit reference services.

Supplementary financial services: currency exchange activity.

Investment services:

- (a) accepting and forwarding of assignments concerning financial instruments, execution of transactions for the benefit of the customers (of Section 5(1)(a) and (b) of the Investment Services Act);
- (b) own-account trading concerning financial instruments (Section 5(1)(c) of the Investment Services Act);
- (c) investment advisory activities (Section 5(1)(e) of the Investment Services Act); and
- (d) placing financial instruments without any commitment to purchasing the instrument (financial instrument) concerned (Section 5(1)(g) of the Investment Services Act).

Supplementary investment services:

- (a) depository custody and registration of financial instruments and keeping customer accounts (Section 5(2)(a) of the Investment Services Act);
- (b) deposit management and keeping the securities account, in case of physical securities the registration of these and keeping customer accounts (Section 5(2)(b) of the Investment Services Act);
- (c) provision of investment loans (Section 5(2)(c) of the Investment Services Act);
- (d) consultancy and services concerning capital structure, business strategy and related issues, and mergers and acquisitions (Section 5(2)(d) of the Investment Services Act);
- (e) investment analysis and financial analysis (Section 5(2)(f) of the Investment Services Act);
- (f) services relating to underwriting (Section 5(2)(g) of the Investment Services Act); and
- (g) investment services activity or complementary services relating to derivative investments specified in Section 6(e)-(g), (j) and (k) of the Investment Services Act (Section 5(2)(h) of the Investment Services Act).

Further business activities other than financial services, supplementary financial services, investment services and supplementary investment services: activities relating to the management of collateral held in custody with a view to reducing or avoiding losses from financial services (Section 7(3)(i) of the Banking Act).

Other, non-profit activity: accounting, bookkeeping services and representation before tax authority that the Issuer may provide exclusively for the Hungarian subsidiaries belonging to Erste Group and for the Issuer's affiliated companies as non-profit activity to ensure for the subsidiaries and the affiliated companies prudent operation, including compliance with risk exposure and capital adequacy regulations, and the fulfilment of accounting obligations.

## **2.5 BORROWING AND FUNDING STRUCTURE**

There have been no material changes in the Issuer's borrowing and funding structure since the Issuer's last financial year.

## **2.6 EXPECTED FINANCING OF THE ISSUER'S ACTIVITIES**

Erste Bank Hungary's funding and liquidity profile reflects and will reflect a business model that primarily focuses and will focus on retail and corporate customer business in Hungary. Accordingly, Erste Bank Hungary's main funding sources, in order of significance, are and will be customer deposits, debt securities in issue, funding from supranational institutions and interbank deposits.

## 2.7 BUSINESS OVERVIEW

Erste Bank Hungary is one of the largest universal banks in the Hungarian market with a balance sheet total of EUR 10 billion in 2020, servicing over 1 million customers in both retail and corporate segments. In 2020 Erste Bank Hungary had the second largest gross loan volume in the market and for three consecutive years, Erste Bank Hungary has been the second most profitable bank in the Hungarian market<sup>3</sup>.

Erste Bank Hungary operates the 4th largest branch network in Hungary with 108 branches as of 1 June 2021. Beside of Erste Bank Hungary's strong micro business, 4 customer segments can be differentiated in retail. 87% of retail customers are part of the mass segment with no specific criteria, however Erste Bank Hungary has special focus on the top affluent customer segments: premium, world and private banking. In the past 4 years retail loan book has been rapidly growing (14% compound annual growth rate ("CAGR")) while loan quality has been also improving.<sup>4</sup>

Erste Bank Hungary's corporate business has a complete coverage in the country with 22 commercial centres in Hungary, providing a complete range of products to its corporate clients in all of its segments: SME, large corporate, municipalities and real estate and structured finance. A sustainable corporate business has been successfully built up with a balanced focus on SME and Large Corporate segments. In the past 5 years Erste Bank Hungary was able to triple its corporate loan volumes, producing above-market organic growth for five consecutive years (CAGR over 20%), while keeping a healthy risk profile and a high employee engagement index.<sup>5</sup>

### Capital Requirements

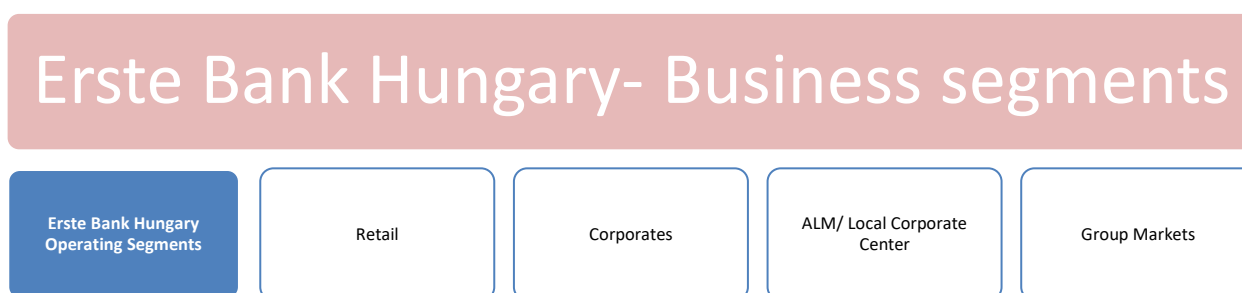
Erste Bank Hungary received the joint decision on the additional capital requirements that need to be fulfilled on a consolidated basis as set by MNB, following the SREP results in 2020. The additional regulatory capital demands comprise a Pillar 2 requirement to be composed of at least 56.25% of CET 1 capital and 75% of Tier 1 capital. As a result, the overall capital requirements encompass a Pillar 1 CRR minimum requirement, a Pillar 2 requirement and a combined buffer requirement.

### Erste Bank Hungary's Segment Reporting

The segment reporting comprises four business segments reflecting Erste Bank Hungary Group's management structure and its internal management reporting in 2020.

#### Structure of Business Segments

The Erste Bank Hungary segment reporting comprises four operating segments reflecting Erste Bank Hungary management structure



### Definitions of Erste Bank Hungary Operating Segments

#### *Retail segment*

The retail segment comprises the business activities which are in the responsibility of account managers in the retail network. Targeted customers are mainly privates, micros and free professionals.

<sup>3</sup> Sources: Erste Bank Hungary's annual reports: [www.erstebank.hu](http://www.erstebank.hu); and Golden Books published by MNB: [www.mnb.hu/en/supervision/time-series/golden-books](http://www.mnb.hu/en/supervision/time-series/golden-books).

<sup>4</sup> Sources: Annual reports of the banks: [www.money.hu/bankok](http://www.money.hu/bankok); Erste Bank Hungary's annual reports: [www.erstebank.hu](http://www.erstebank.hu); and Golden Books published by MNB: [www.mnb.hu/en/supervision/time-series/golden-books](http://www.mnb.hu/en/supervision/time-series/golden-books).

<sup>5</sup> Sources: Erste Bank Hungary's annual reports: [www.erstebank.hu](http://www.erstebank.hu); and Golden Books published by MNB: [www.mnb.hu/en/supervision/time-series/golden-books](http://www.mnb.hu/en/supervision/time-series/golden-books).

The micro client sub-segment consists of companies below the defined SME annual turnover threshold and are under the responsibility of the retail network.

Private clients in Erste Bank Hungary are segmented to sub-segments in order to ensure the optimal service level fitting to the customer needs and financial positions and profitability. There are the following sub-segments in Erste Bank Hungary: Mass, Premium, Erste World, Private Banking.

This business is mainly operated by the local banks in cooperation with their subsidiaries such as Building Society, Leasing, Asset Management with the focus on simple products ranged from loans, investment products, current accounts, savings products, to credit cards and cross selling products such as leasing, insurance and building society products.

### ***Corporates segment***

The corporates segment comprises business done with corporate customers of different turnover size and public sector:

- SME are clients which are under the responsibility of the local corporate commercial center network, mainly consisting of companies within defined annual turnover thresholds.
- Large Corporates (LC) comprising former Local Large Corporates and former Group Large Corporates business lines.
- Former Local Large Corporates (LLC) are clients with specific annual turnover thresholds (lying above SME thresholds) which are not defined as Group Large Corporate customers according to the Group Large Corporate client list.
- Former Group Large Corporates ("**GLC**") are large corporate customers/client groups with substantial operations in core markets/extended core markets of Erste Group. GLC clients can be found on the GLC client list.
- The Public Sector (PS) consists mainly of three sets of customers: public sector, public corporations and non-profit sector. In addition, the majority of municipalities are also segmented as Public Sector clients.
- Commercial Real Estate (CRE) covers for example investors in real estate for the purpose of generating income from the rental of individual properties or portfolios of properties, developers of individual properties or portfolios of properties for the purpose of generating capital gains through sale etc.

### ***Asset Liability Management (ALM) and Local Corporate Center (LCC) segment***

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

On the other side it also includes the local corporate center of Erste Bank Hungary which comprises all non-core banking business activities such as servicing participations, intragroup eliminations within Erste Bank Hungary partial group, dividends, refinancing costs of participations, all non-banking balance sheet positions (e.g. fixed assets, intangible assets) which cannot be allocated to other business segments as well as the profit and loss positions resulting from these balance sheet items. Apart from that the Corporate Center includes the reconciliations to the accounting result. Besides that the free capital of Erste Bank Hungary defined as a difference between the average IFRS capital and the sum of the average allocated equity to the operating segments is reported under ALM/Local Corporate Center.

The Local Corporate Center cannot be used for offsetting/compensating bookings of business segments and business lines results which are economically not justified.

### ***Group Markets (GM) segment***

The Group Markets (GM) segment comprises trading and markets services as well as business with financial institutions:

- Trading and Market services (TMS) comprises all activities related to active risk taking and managing risk in addition to that the execution of trades against the market using the trading books

of Erste Bank Hungary for market making, short-term liquidity management and warehousing purposes.

- Financial institutions ("FI") are companies that provide financial services for their clients or members and act as professional and active participant on financial markets for the purpose of proprietary trading or on behalf of their clients (e.g. banks, central banks, development banks, investment banks, investment funds, brokerages, insurance companies, pension funds etc.).

Business connected with serving financial institutions as a client including custody, depository services, commercial business (loans, cash management, trade & export finance) and capital markets business falls under FI.

As a general rule transfer of clients between the segments as well as business lines shall be performed at the very beginning of the year, so that the profit and loss and balance sheet effects set in with 1 January. Budget of the respective year (approved at the end of the preceding year) shall include the transfer. In case the transfer should be performed in the course of the year, Erste Bank Hungary controlling has to be immediately notified of this fact by the respective Erste Bank Hungary business unit before the transfer is carried out.

## 2.8 COVID-19 PANDEMIC

The Hungarian economy and the Hungarian banking sector as well were hit by COVID-19. Due to the COVID-19 pandemic, the gross domestic product ("GDP") decreased, the average unemployment rate increased and government deficit and public debt significantly deteriorated as a result of the new measures introduced. Despite the economic downturn in 2020 and in the first quarter of 2021, Erste Bank Hungary expects the economy to recover (reaching a GDP growth of 6.9% in 2021), starting in late spring 2021 as the economy is gradually reopening and vaccination level is relatively high. The moratoria introduced by the Hungarian government in April 2020 had a major effect on the Hungarian banking sector and will not end before the end of September 2021. The non-performing loan ("NPL") ratio remained on a low level so far, but it is currently distorted by the moratoria. Sector profitability decreased by 39% in 2020 driven mainly by risk cost bookings. Loan and deposit volumes are continuously growing while new disbursement decreased.

Although the COVID-19 pandemic had a negative effect on Erste Bank Hungary's 2020 and first quarter 2021 results as well, the Issuer was overall able to close this period successfully. Profitability decreased mainly because of the high level of risk cost creation. Operating income slightly increased, deposit and loan volumes significantly increased while new disbursement dropped mainly in the corporate segment. The NPL ratio is still on a low level in Erste Bank Hungary (2.9% in April 2021), however the actual non-performing portfolio will be fully visible after the moratoria ends. As a result of the proactive approach, Erste Bank Hungary could reach and inform its customers about the moratoria, which resulted in a participation rate much lower than the market average.

## 2.9 CREDIT RATINGS

As of the date of this Registration Document, Fitch has assigned the following credit ratings to the Issuer at the request and with the cooperation of the Issuer in the credit rating process:

Long-Term	Outlook	Short-Term
BBB+	Stable	F1

According to the rating definitions as published by Fitch ("[www.fitchratings.com](http://www.fitchratings.com)"), the above credit ratings have the following meanings:

'**BBB**' – Good credit quality. 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

**Note:** The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

'**F1**' – Highest short-term credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments.

'**Outlook**' — Rating outlooks indicate the direction a rating is likely to move over a one- to two-year period. They reflect financial or other trends that have not yet reached the level that would trigger a rating action, but which may do so if such trends continue. The majority of Outlooks are generally Stable, which is consistent with the historical migration experience of ratings over a one- to two-year period. Positive or Negative rating Outlooks do not imply that a rating change is inevitable and, similarly, ratings with Stable Outlooks can be

raised or lowered without a prior revision to the Outlook, if circumstances warrant such an action. Occasionally, where the fundamental trend has strong, conflicting elements of both positive and negative, the Rating Outlook may be described as Evolving.

More detailed information on the credit ratings can be retrieved on the following website ("[www.fitchratings.com/entity/erste-bank-hungary-zrt-81311654](http://www.fitchratings.com/entity/erste-bank-hungary-zrt-81311654)"). General information regarding the meaning of the credit rating and the qualifications which have to be observed in connection therewith can be found on the website of Fitch ("[www.fitchratings.com](http://www.fitchratings.com)").

Fitch, with its seat in 30 North Colonnade, London E14 5GN, United Kingdom is registered at Companies House in England.

Fitch is registered under the Regulation (EC) No 1060/2009, as amended ("**CRA Regulation**") as registered credit rating agency. The European Securities and Markets Authority publishes on its website ("[www.esma.europa.eu](http://www.esma.europa.eu)") a list of credit rating agencies registered in accordance with the CRA Regulation. That list shall be updated within five working days following the adoption of a decision under Articles 16, 17 or 20 of the CRA Regulation. The European Commission publishes that updated list in the Official Journal of the EU within 30 days following the updates.

## **2.10 RECENT EVENTS**

As of the date of this Registration Document, there are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.

## **2.11 TREND INFORMATION**

Macroeconomic conditions, the market environment, as well as legislation and regulation applicable to all financial institutions in Hungary have an impact on the Issuer and its business. Trends, uncertainties, requirements, liabilities or events that could reasonably be considered to have an impact on the Issuer's prospects in the current financial year are all potential risks and material and negative impacts related to COVID-19 and related deterioration of the Hungarian economy.

## **2.12 SIGNIFICANT CHANGES AND MATERIAL ADVERSE CHANGES**

To the best knowledge of the Issuer, there has been no material adverse change in the prospects of the Issuer since 31 December 2020 and no significant change in the financial performance and in the financial position of Erste Bank Hungary Group since 31 December 2020.

## 3. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

### 3.1 BOARD OF DIRECTORS

#### Members of the Board of Directors

The Issuer's board of directors consists of three members at the minimum. The members of the Issuer's board of directors shall be elected by the Issuer's general meeting for a maximum of five years. The members of the Issuer's board of directors may be re-appointed and recalled at any time by the Issuer's general meeting. Such persons may be elected as members of the Issuer's board of directors who comply with the conditions set out in the Act V of 2013 on the Civil Code (*Hungarian Civil Code*), the Banking Act, other laws and the Issuer's statutes. The appointment to the Issuer's board of directors shall take effect upon acceptance by the elected person.

The current members of Erste Bank Hungary's board of directors listed below have extensive experience in the banking market and perform the following additional functions in management or supervisory boards in other companies as of the date of this Registration Document.

NAME AND POSITION	COMPANY	FUNCTION
Jelasy Radován CEO, Chairman of the Board of Directors	Magyar Bankszövetség Erste Befektetési Zrt. Erste Asset Management GMBH ERSTE Önkéntes Nyugdíjpénztár	President Chairman of the Supervisory Board Member of the Supervisory Board Chairman of the Supervisory Board
Zsiga Krisztina Member of the Board of Directors	Erste Jelzálogbank Zrt. Erste Ingatlan Kft.	Member of the Supervisory Board Member of the Supervisory Board
Harmati László Szabolcs Member of the Board of Directors	UNION Vienna Insurance Group Biztosító Zrt. Erste Jelzálogbank Zrt. Erste Befektetési Zrt. Erste Lakástakarék Zrt.	Member of the Supervisory Board Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board
Manfred Schmid Member of the Board of Directors	-	-
Foltányi Tamás Member of the Board of Directors	-	-
Frederik Silzer Member of the Board of Directors	-	-
dr. Rudnay János Member of the Board of Directors	BBM Zrt. Dr. Rudnay János Tanácsadó Betéti Társaság Nemzetközi Vállalatok Magyarországi Társasága	Member of the Supervisory Board Chairman Chairman
Marczinkó Zoltán István	IFKA Iparfejlesztési Közhasznú Nonprofit Kft.	Chairman of the Supervisory Board



Member of the Board of Directors		
Michael Neumayr Member of the Board of Directors	-	-
Karin Svoboda Member of the Board of Directors	-	-

Source: Internal information of the Issuer

The members of Erste Bank Hungary's board of directors can be reached at its business address Népfürdő utca 24-26, 1138 Budapest, Hungary.

## 3.2 SUPERVISORY BOARD

### Members of the Supervisory Board

The Issuer's supervisory board consists of a minimum of three and a maximum of nine members who are elected by the Issuer's general meeting for a maximum of five (5) years. The members of the Issuer's supervisory board can be re-elected and recalled by the Issuer's general meeting. As long as the number of the employees employed full time by the Issuer exceeds an annual average of 200, the Issuer's general meeting shall elect one third of the members of the Issuer's supervisory board on the basis of the nomination of the workers' council. The mandate of a member representing employees is terminated simultaneously with the termination of his/her employment.

The current members of Erste Bank Hungary's supervisory board perform the following additional functions in management or supervisory boards in other companies as of the date of this Registration Document:

NAME AND POSITION	COMPANY	FUNCTION
Manfred Wimmer Chairman and member of the Supervisory Board	Salzburger Sparkasse Bank AG Die Erste österreichische Spar-Casse Privatstiftung Banca Commerciale Romana S.A.	Member of the Supervisory Board Deputy Chairman and Member of the Supervisory Board Chairman and member of the Supervisory Board
Friedrich Rödler Member of the Supervisory Board	Sparkassen-Prüfungsverband Abschlussprüferaufsichtsbehörde (APAB) Atavalla Stiftung DACA Privatstiftung	Chairman of the Supervisory Board Member of the Supervisory Board Member of the Foundation Council Member of the Management Board
Maurizio Poletto Member of the Supervisory Board	Erste Group Bank AG	Member of the Board of Directors and Chief Platform Officer
dr. Zsolnai Alíz Member of the Supervisory Board	Magyar Szanálási Vagyonkezelő Zrt.	Member of the Supervisory Board
Lucyna Stanczak-Wuczynska Member of the Supervisory Board	BNP Paribas Bank Polska S.A.	Deputy Chairman of the Supervisory Board
Alexandra Habeler-Drabek	Erste Group Bank AG	Member of the Board of Directors and Chief Risk Officer

Member of the Supervisory Board		
Nagy Magdolna Member of the Supervisory Board	-	-
dr. Kósa Anna Member of the Supervisory Board	-	-
Balla Attila István Member of the Supervisory Board	-	-

Source: Internal information of the Issuer

The members of Erste Bank Hungary's supervisory board can be reached at its business address Népfürdő utca 24-26, 1138 Budapest, Hungary.

### 3.3 POTENTIAL CONFLICTS OF INTEREST

Members of the Issuer's board of directors and supervisory board may serve on management or supervisory boards of other companies, directorship of that kind may generate in certain circumstances conflicts of interest.

Agreements (e.g. loan agreements) of Erste Bank Hungary with the members of its board of directors and its supervisory board may generate in certain circumstances conflicts of interest.

Should any such conflict of interest arise, Erste Bank Hungary has sufficient rules and procedures pursuant to the relevant local regulation, compliance rules and industry standards in place regulating the management of conflicts of interest and the ongoing application of such guidelines and rules. If any conflicts of interest are identified with respect to the members of the Issuer's board of directors, supervisory board or the upper management level, where internal procedures or measures would not be sufficient, conflicts of interest would be disclosed.

### 3.4 AUDIT AND AUDITORS' REPORTS

PricewaterhouseCoopers Könyvvizsgáló Kft., with registered seat at Bajcsy-Zsilinszky út 78, 1055 Budapest, Hungary, have audited the Hungarian language consolidated financial statements of Erste Bank Hungary prepared in accordance with IFRS as endorsed by the EU as of and for the years ended 31 December 2019 and 31 December 2020 and issued unqualified auditor's reports for the Audited Consolidated Financial Statements 2019 (dated 3 April 2020) and the Audited Consolidated Financial Statements 2020 (dated 9 April 2021). PricewaterhouseCoopers Könyvvizsgáló Kft. is member of the Chamber of Hungarian Auditors.

The financial year of Erste Bank Hungary is the calendar year.

### 3.5 SHAREHOLDERS OF THE ISSUER

Erste Bank Hungary's ownership structure as at the date of this Registration Document is as follows:

Shareholder	Number of shares	Percentage of the share capital
Erste Group Bank AG	102,200,000,000	70%
Corvinus International Investment Private Limited Company	21,900,000,000	15%
European Bank for Reconstruction and Development	21,900,000,000	15%
<b>Total</b>	<b>146,000,000,000</b>	<b>100%</b>

Source: Internal information of the Issuer

In relation to ownership and governance Erste Bank Hungary is dependent on above mentioned shareholders.

Erste Bank Hungary is not dependent on any entity within Erste Bank Hungary Group.

To the best of the knowledge of the Issuer, there are measures, like applicable corporate governance regulations, to ensure that such control over the Issuer is not abused.

The Issuer is, to the best of its knowledge, not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Issuer.

## **4. LEGAL PROCEEDINGS**

The Issuer and some of its subsidiaries are involved and have been involved in the twelve months preceding the date of this Registration Document in legal disputes, including governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), most of which have arisen or have been threatened in the course of ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of Erste Bank Hungary Group and/or the Issuer. Erste Bank Hungary Group is also subject to the following ongoing proceedings, some of which, if adversely adjudicated, may have a significant impact on the financial position or profitability of Erste Bank Hungary Group and/or the Issuer:

A significant number of consumers have initiated legal proceedings for the partial or total invalidity of their loan contracts and for the unfairness of the contractual terms. In most of the previously suspended proceedings, the court ordered the continuation of the proceedings. Even after the settlement based on the Act XXXVIII of 2014 on the Resolution of Questions Relating to the Uniformity Decision of the Curia Regarding Consumer Loan Agreements of Financial Institutions and the Act XXXVIII of 2014 on the rules of settlement rules and certain other provisions, the consumers continue to initiate further legal proceedings for the partial or total invalidity of their loan contracts referring to various reasons for invalidity.

## **5. MATERIAL CONTRACTS**

The Issuer and its subsidiaries have not entered into any material contracts, other than contracts entered into in the ordinary course of business, which could result in any member of Erste Bank Hungary Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to holders in respect of the securities to be issued.

## GLOSSARY AND LIST OF ABBREVIATIONS

For ease of reference, the glossary below sets out certain abbreviations and meanings of certain terms used in this Registration Document. Readers of this Registration Document should always have regard to the full description of a term contained in this Registration Document.

<b>Audited Consolidated Financial Statements 2019</b>	Hungarian language version of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2019
<b>Audited Consolidated Financial Statements 2020</b>	Hungarian language version of the Audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2020
<b>Banking Act</b>	Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises
<b>BRRD</b>	Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, as amended ( <i>Bank Recovery and Resolution Directive</i> )
<b>CEE</b>	Central and Eastern Europe
<b>CET 1</b>	Common Equity Tier 1
<b>COVID-19</b>	corona virus SARS-CoV-2
<b>CRD</b>	Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended ( <i>Capital Requirements Directive</i> )
<b>CRR</b>	Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as amended ( <i>Capital Requirements Regulation</i> )
<b>Curia</b>	Hungarian Supreme Court
<b>ECB</b>	European Central Bank
<b>Erste Bank Hungary</b>	Erste Bank Hungary Zrt.
<b>Erste Bank Hungary Group</b>	Issuer and its subsidiaries and participations taken as a whole
<b>Erste Group</b>	consists of Erste Group Bank, together with its subsidiaries and participations, including Erste Bank der oesterreichischen Sparkassen AG in Austria, Česká spořitelna in the Czech Republic, Banca Comercială Română in Romania, Slovenská sporiteľňa in Slovakia, the Issuer in Hungary, Erste Bank Croatia in the Republic of Croatia, Erste Bank Serbia in Serbia and, in Austria, savings banks of the Haftungsverbund, s-Bausparkasse, Erste Group Immorent GmbH, and others
<b>Erste Group Bank</b>	Erste Group Bank AG
<b>EU</b>	European Union
<b>EU Banking Package</b>	a legislative package regarding a set of revised rules (comprising the CRD, the CRR, the BRRD and the SRMR) aimed at reducing risks in the EU banking sector published on 7 June 2019 in the Official Journal of the EU
<b>EUR</b>	Euro

<b>Fitch</b>	Fitch Ratings Ltd
<b>FMA</b>	Austrian Financial Market Authority ( <i>Finanzmarktaufsichtsbehörde</i> )
<b>FX</b>	foreign exchange
<b>ICAAP</b>	internal capital adequacy assessment process
<b>IFRS</b>	International Financial Reporting Standards as adopted by the EU
<b>Issuer</b>	Erste Bank Hungary Zrt.
<b>MNB</b>	Central Bank of Hungary
<b>Prospectus Regulation</b>	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended
<b>Registration Document</b>	this registration document, as supplemented from time to time
<b>SME</b>	small and medium-sized enterprises
<b>SREP</b>	supervisory review and evaluation process
<b>SRMR</b>	Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, as amended ( <i>Single Resolution Mechanism Regulation</i> )

**REGISTERED OFFICE OF THE ISSUER**

Népfürdő utca 24-26  
1138 Budapest  
Hungary

**AUDITORS**

**PricewaterhouseCoopers Könyvvizsgáló Kft.**


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**LEGAL ADVISER**

**WOLF THEISS**

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A-1010 Vienna  
Austria

<b>Signaturwert</b>	L91ebY7UYKizDHKHeo+REX/uvxrt97DyW82W7DivwwN3WgnszsuBvaOW9XnaUSUxgoF+0aBECKD3ZhBiIKNz33z JlcTNzWx3KbfLl1MSPfrs9ls6ys1At6VoVP/J6yuSWbIXcSWdFyFaSBykhdmybBfzhavpTAm0ibXoEbD0LiwqFR jxD2rDQ8xuybiQJtYieWR7e1VFt6y5ZTg6+hHcfgqvq/EcdV63jDeY7LqKgljiER0y/JbVDDXEBqiKnOosDUdA6 +qHnlmjJj0J+loV5Fx9wBgKK1di0Nf6KZIkWVvOFKuofD3/H6Ce5CLtdmDzuArOsXOUaJzUrwLkb627w==	
	<b>Unterzeichner</b>	Österreichische Finanzmarktaufsichtsbehörde
	<b>Datum/Zeit-UTC</b>	2021-08-31T07:00:41Z
	<b>Aussteller-Zertifikat</b>	CN=a-sign-corporate-light-02,OU=a-sign-corporate-light-02,O=A-Trust Ges. f. Sicherheitssysteme im elektr. Datenverkehr GmbH,C=AT
	<b>Serien-Nr.</b>	532114608
	<b>Methode</b>	urn:pdfsigfilter:bka.gv.at:binaer:v1.1.0
<b>Prüfinformation</b>	Informationen zur Prüfung des elektronischen Siegels bzw. der elektronischen Signatur finden Sie unter: <a href="http://www.signaturpruefung.gv.at">http://www.signaturpruefung.gv.at</a>	
<b>Hinweis</b>	Dieses Dokument wurde amtssigniert. Auch ein Ausdruck dieses Dokuments hat gemäß § 20 E-Government-Gesetz die Beweiskraft einer öffentlichen Urkunde.	