

# Financial Statements

in accordance with Hungarian Accounting Standards

as at 31 December 2017

Budapest, 13 April 2018

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## Balance Sheet

### Assets

31.12.2017

Line No.	Description of the item	31.12.2016 (data in HUF million)	31.12.2017 (data in HUF million)
<b>1</b>	<b>Cash and cash equivalents</b>	<b>24,120</b>	<b>20,292</b>
<b>2</b>	<b>Government securities</b>	<b>614,691</b>	<b>648,423</b>
a	for trading purposes	109,277	20,868
b	for investment purposes	504,065	626,344
<b>2/A</b>	<b>Valuation difference of government securities</b>	<b>1,349</b>	<b>1,211</b>
<b>3</b>	<b>Receivables from credit institutions</b>	<b>223,295</b>	<b>62,225</b>
a	due on demand	2,374	1,617
b	other receivables from financial services	220,921	60,608
ba	with maturity within one year	220,921	60,608
	Of which: from affiliated undertakings	31,764	9,131
	from other participating interests	5,502	-
	to the Central Bank of Hungary	133,299	28,966
	from clearing houses	-	-
bb	with maturity over one year	-	-
	Of which: from affiliated undertakings	-	-
	from other participating interests	-	-
	to the Central Bank of Hungary	-	-
	from clearing houses	-	-
c	from investment services	-	-
	Of which: from affiliated undertakings	-	-
	from other participating interests	-	-
	receivables from clearing houses	-	-
<b>3/A</b>	<b>Valuation difference of receivables from credit institutions</b>	<b>-</b>	<b>-</b>
<b>4</b>	<b>Receivables from customers</b>	<b>1,020,724</b>	<b>1,191,165</b>
a	from financial services	1,020,519	1,191,162
aa	with maturity within one year	126,754	233,719
	Of which: from affiliated undertakings	3,942	61,033
	from other participating interests	-	-
ab	with maturity over one year	893,765	957,443
	Of which: from affiliated undertakings	33,617	1,658
	from other participating interests	-	-
b	from investment services	205	3
	Of which: from affiliated undertakings	-	-
	from other participating interests	-	-
ba	receivables from stock market investment services	-	-
bb	from OTC investment services	196	1
bc	receivables from customers, arising from investment services	-	-
bd	receivables from clearing houses	-	-
be	receivables from other investment services	9	2
<b>4/A</b>	<b>Valuation difference of receivables from customers</b>	<b>-</b>	<b>-</b>

<b>5</b>	<b>Debt securities, including those with fixed interest rates</b>	<b>28,900</b>	<b>117,071</b>
a	debt securities in issue by local governments and other public bodies (excluding government securities)	2,808	2,329
aa	for trading purposes	-	-
ab	for investment purposes	2,808	2,328
b	debt securities in issue by other issuers	25,969	114,791
ba	for trading purposes	200	31,170
	Of which: issued by affiliated undertakings	-	-
	issued by other participating interests	-	-
	repurchased own-issue securities	-	-
bb	for investment purposes	25,769	83,622
	Of which: issued by affiliated undertakings	-	-
	issued by other participating interests	-	-
<b>5/A</b>	<b>Valuation difference of debt securities</b>	<b>123</b>	<b>-49</b>
<b>6</b>	<b>Shares and other variable-yield securities</b>	<b>-</b>	<b>-</b>
a	shares and interests held for trading purposes	-	-
	Of which: issued by affiliated undertakings	-	-
	issued by other participating interests	-	-
b	variable-yield securities	-	-
ba	for trading purposes	-	-
bb	for investment purposes	-	-
<b>6/A</b>	<b>Valuation difference of shares and other variable-yield securities</b>	<b>-</b>	<b>-</b>
<b>7</b>	<b>Shares and interests held for investment purposes</b>	<b>1,771</b>	<b>1,321</b>
a	shares and interests held for investment purposes	1,771	1,321
	Of which: interests in credit institutions	-	-
b	value adjustment of shares and interests held for investment purposes	-	-
	Of which: interests in credit institutions	-	-
<b>7/A</b>	<b>Valuation difference of shares and interests</b>	<b>-</b>	<b>-</b>
<b>8</b>	<b>Shares and interests in affiliated undertakings</b>	<b>53,765</b>	<b>54,729</b>
a	shares and interests held for investment purposes	53,765	54,729
	Of which: interests in credit institutions	9,808	9,753
b	value adjustment of shares and interests held for investment purposes	-	-
	Of which: interests in credit institutions	-	-
<b>9</b>	<b>Intangible assets</b>	<b>15,675</b>	<b>22,315</b>
	Intangible assets	15,675	22,315
	Value adjustment of intangible assets	-	-
<b>10</b>	<b>Property and equipment</b>	<b>8,648</b>	<b>8,340</b>
a	property and equipment held for the purpose of financial and investment services	8,648	8,340
aa	properties	5,498	5,020
ab	plant and machinery, equipment, vehicles	2,641	2,519
ac	investments	509	801
ad	payments made on account	-	-
b	property and equipment not directly held for the purpose of financial and investment services	-	-
ba	properties	-	-
bb	plant and machinery, equipment, vehicles	-	-
bc	investments	-	-
bd	payments made on account	-	-
c	value adjustment of property and equipment	-	-
<b>11</b>	<b>Own shares</b>	<b>-</b>	<b>-</b>
<b>12</b>	<b>Other assets</b>	<b>28,342</b>	<b>32,969</b>
a	inventories	825	506
b	other receivables	14,024	13,140

<i>Of which:</i>			
<i>receivables from affiliated undertakings</i>		3,342	3,180
<i>receivables from other participating interests</i>		247	71
<b>12/A Valuation difference of other receivables</b>		-	-
<b>12/B Positive valuation difference of derivative transactions</b>		<b>13,493</b>	<b>19,323</b>
<b>13 Accrued and deferred assets</b>		<b>18,561</b>	<b>20,175</b>
a accrued income		16,377	17,463
b accrued expenses		2,184	2,712
c deferred expenses		-	-
<b>TOTAL ASSETS</b>		<b>2,038,492</b>	<b>2,179,025</b>
<i>Of which:</i>	<i>Current assets</i>	513,665	402,409
	<i>Fixed assets</i>	1,506,266	1,756,442

Date: Budapest, 13 April 2018

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

.....  
Ivan Vondra  
Chief Financial Officer

## Liabilities

31.12.2017

Line No.	Description of the item	31.12.2016 (data in HUF million)	31.12.2017 (data in HUF million)
<b>1</b>	<b>LIABILITIES TO CREDIT INSTITUTIONS</b>	<b>231,815</b>	<b>229,102</b>
a	due on demand	7,953	6,633
b	liabilities committed for a certain period, arising from financial services	223,862	222,469
ba	with maturity within one year	50,449	44,293
	Of which: from affiliated undertakings	41,200	6,238
	from other participating interests	-	-
	to the Central Bank of Hungary	-	13,255
	liabilities to clearing houses	-	-
bb	with maturity over one year	173,413	178,176
	Of which: from affiliated undertakings	58,104	77,792
	from other participating interests	-	-
	to the Central Bank of Hungary	65,702	62,397
	liabilities to clearing houses	-	-
c	from investment services	-	-
	Of which: from affiliated undertakings	-	-
	from other participating interests	-	-
	liabilities to clearing houses	-	-
<b>1/A</b>	<b>VALUATION DIFFERENCE OF LIABILITIES TO CREDIT INSTITUTIONS</b>	-	-
<b>2</b>	<b>LIABILITIES TO CUSTOMERS</b>	<b>1,388,784</b>	<b>1,478,881</b>
a	savings deposits	2,360	2,355
aa	due on demand	2,360	2,355
ab	with maturity within one year	-	-
ac	with maturity over one year	-	-
b	other liabilities arising from financial services	1,384,442	1,475,023
ba	due on demand	1,022,150	1,239,489
	Of which: from affiliated undertakings	104,257	83,327
	from other participating interests	1,566	4,392
bb	with maturity within one year	296,864	176,312
	Of which: from affiliated undertakings	3,754	-
	from other participating interests	-	-
bc	with maturity over one year	65,428	59,222
	Of which: from affiliated undertakings	-	-
	from other participating interests	-	-
c	from investment services	1,982	1,503
	Of which: from affiliated undertakings	44	147
	from other participating interests	106	63
ca	liabilities arising from stock market investment services	-	-
cb	liabilities arising from OTC investment services	1,982	1,503
cc	liabilities to customers, arising from investment services	-	-
cd	liabilities to clearing houses	-	-
ce	liabilities arising from other investment services	-	-
<b>2/A</b>	<b>VALUATION DIFFERENCE OF LIABILITIES TO CUSTOMERS</b>	-	-
<b>3</b>	<b>DEBT SECURITIES ISSUED</b>	<b>11,464</b>	<b>2,033</b>
a	issued bonds	11,464	2,033
aa	with maturity within one year	-	-

	Of which: from affiliated undertakings	-	-
	from other participating interests	-	-
ab	with maturity over one year	11,464	2,033
	Of which: from affiliated undertakings	-	-
	from other participating interests	-	-
b	other debt securities issued	-	-
ba	with maturity within one year	-	-
	Of which: from affiliated undertakings	-	-
	from other participating interests	-	-
bb	with maturity over one year	-	-
	Of which: from affiliated undertakings	-	-
	from other participating interests	-	-
c	debt instruments treated as securities in terms of accounting but not qualified as securities according to the Securities Act	-	-
ca	with maturity within one year	-	-
	Of which: from affiliated undertakings	-	-
	from other participating interests	-	-
cb	with maturity over one year	-	-
	Of which: from affiliated undertakings	-	-
	from other participating interests	-	-
<b>4</b>	<b>OTHER LIABILITIES</b>	<b>26,983</b>	<b>28,620</b>
a	with maturity within one year	16,058	13,213
	Of which: from affiliated undertakings	313	2
	from other participating interests	-	-
b	with maturity over one year	-	-
	Of which: from affiliated undertakings	-	-
	from other participating interests	-	-
<b>4A</b>	<b>NEGATIVE VALUATION DIFFERENCE OF DERIVATIVES</b>	<b>10,925</b>	<b>15,406</b>
<b>5</b>	<b>ACCRUED AND DEFERRED LIABILITIES</b>	<b>21,111</b>	<b>19,285</b>
a	deferred income	336	302
b	deferred expenses	16,949	16,790
c	deferred income	3,826	2,193
<b>6</b>	<b>SUNDRY PROVISIONS</b>	<b>24,081</b>	<b>5,648</b>
a	provision for pensions and severance payments	-	-
b	risk provision for contingent liabilities and commitments	21,285	2,988
c	general risk provisions	-	-
d	other provisions	2,796	2,660
<b>7</b>	<b>SUBORDINATED LIABILITIES</b>	<b>55,008</b>	<b>54,864</b>
a	subordinated loan capital	55,008	54,864
	Of which: from affiliated undertakings	50,793	50,650
	from other participating interests	-	-
b	other capital contribution of the members in the case of credit institutions operating as cooperatives	-	-
c	other subordinated liabilities	-	-
	Of which: from affiliated undertakings	-	-
	from other participating interests	-	-
<b>8</b>	<b>SUBSCRIBED CAPITAL</b>	<b>146,000</b>	<b>146,000</b>
	Of which: ownership interests repurchased at nominal value	-	-
<b>9</b>	<b>SUBSCRIBED BUT UNPAID CAPITAL (-)</b>	<b>-</b>	<b>-</b>
<b>10</b>	<b>CAPITAL RESERVE</b>	<b>117,492</b>	<b>117,492</b>
a	difference between the nominal value and the issue price of shares and interests (premium)	117,492	117,492

b	other	-	-
11	<b>GENERAL RESERVE</b>	<b>3,526</b>	<b>11,623</b>
12	<b>RETAINED EARNINGS (+)</b>	<b>(20,455)</b>	<b>11,283</b>
13	<b>TIED-UP RESERVE</b>	<b>-</b>	<b>-</b>
14	<b>VALUATION RESERVE</b>	<b>945</b>	<b>1,317</b>
a	Valuation reserve of the value adjustment	-	-
b	Valuation reserve of fair valuation	945	1,317
15	<b>PROFIT OR LOSS FOR THE YEAR ACCORDING TO THE STATEMENT OF FINANCIAL POSITION (+)</b>	<b>31,738</b>	<b>72,877</b>
<b>TOTAL LIABILITIES</b>		<b>2,038,492</b>	<b>2,179,025</b>
<i>Of which: Short-term maturity liabilities</i>		1,408,741	1,499,205
<i>Long-term maturity liabilities</i>		305,313	294,295
<i>Total equity</i>		279,246	360,592

Line No.	Description of the item	31.12.2016 (data in HUF million)	31.12.2017 (data in HUF million)
1	Contingent liabilities	375,268	400,498
2	Liabilities	2,198,107	3,468,593
<b>TOTAL CONTINGENT LIABILITIES AND COMMITMENTS</b>		<b>2,573,375</b>	<b>3,869,091</b>

Line No.	Description of the item	31.12.2016 (data in HUF million)	31.12.2017 (data in HUF million)
1	Contingent claims	2,129,777	2,514,604
2	Future receivables	2,213,667	3,519,076
<b>TOTAL CONTINGENT CLAIMS AND FUTURE RECEIVABLES</b>		<b>4,343,444</b>	<b>6,033,680</b>

Date: Budapest, 13 April 2018

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

.....  
Ivan Vondra  
Chief Financial Officer



## Income statement

31.12.2017

Line No.	Description of the item	31.12.2016 (data in HUF million)	31.12.2017 (data in HUF million)
<b>1</b>	<b>INTEREST AND SIMILAR INCOME RECEIVED</b>	<b>77,657</b>	<b>84,695</b>
a	interest income received (due) on debt securities with fixed interest rates	19,668	26,975
	Of which: from affiliated undertakings	-	-
	from other participating interests	-	-
b	other interest and similar income received	57,989	57,720
	Of which: from affiliated undertakings	852	1,140
	from other participating interests	15	11
<b>2</b>	<b>INTEREST PAID AND SIMILAR CHARGES</b>	<b>15,137</b>	<b>6,840</b>
	Of which: to affiliated undertakings	8,937	4,816
	to other participating interests	14	-
	<b>INTEREST DIFFERENTIAL (1-2)</b>	<b>62,520</b>	<b>77,855</b>
<b>3</b>	<b>INCOME FROM SECURITIES</b>	<b>3,862</b>	<b>2,581</b>
a	income from shares and interests held for trading (dividends, equity holdings)	-	-
b	income from interests in affiliated undertakings (dividends, equity holdings)	49	2,500
c	income from other interests (dividends, equity holdings)	3,813	81
<b>4</b>	<b>FEE AND COMMISSION INCOME RECEIVED (DUE)</b>	<b>47,518</b>	<b>56,086</b>
a	from the income of other financial services	45,981	54,507
	Of which: from affiliated undertakings	8,054	10,180
	from other participating interests	1,872	967
b	of the income of investment services (excluding the income of trading activities)	1,537	1,579
	Of which: from affiliated undertakings	-	60
	from other participating interests	-	50
<b>5</b>	<b>COMMISSIONS AND FEES PAID (PAYABLE)</b>	<b>8,716</b>	<b>12,375</b>
a	of the expenses of other financial services	7,656	11,658
	Of which: to affiliated undertakings	31	107
	to other participating interests	-	102
b	of the expenses of investment services (excluding the expenses of trading activities)	1,060	717
	Of which: to affiliated undertakings	700	384
	to other participating interests	2	1
<b>6</b>	<b>NET PROFIT OR LOSS FROM FINANCIAL TRANSACTIONS (6.A-6.B+6.C-6.D)</b>	<b>(4,126)</b>	<b>15,545</b>
a	from the income of other financial services	19,859	35,981
	Of which: from affiliated undertakings	4,032	19,207
	from other participating interests	-	4,508
	valuation difference	-	-
b	of the expenses of other financial services	23,257	21,915
	Of which: to affiliated undertakings	5,685	5,136

	to other participating interests	-	167
	valuation difference	-	-
c	of the income of investment services (the income of trading activities)	100,783	106,899
	Of which:		
	from affiliated undertakings	40,719	47,307
	from other participating interests	539	761
	reversal of the impairment loss of securities held for trading	-	-
	valuation difference	36,537	50,813
d	of the expenses of investment services (the expenses of trading activities)	101,511	105,420
	Of which:		
	to affiliated undertakings	30,106	42,895
	to other participating interests	297	538
	impairment loss of securities held for trading	-	-
	valuation difference	31,637	39,725
<b>7</b>	<b>OTHER INCOME FROM BUSINESS ACTIVITIES</b>	<b>57,494</b>	<b>31,113</b>
a	income of services other than financial or investment services	1,794	1,379
	Of which:		
	from affiliated undertakings	1,050	629
	from other participating interests	-	2
b	other income	55,700	29,734
	Of which:		
	from affiliated undertakings	89	1,804
	from other participating interests	-	7
	reversal of the impairment loss of inventories	237	266
<b>8</b>	<b>GENERAL ADMINISTRATION COSTS</b>	<b>47,664</b>	<b>50,946</b>
a	staff costs	25,772	28,449
	aa wages and salaries	18,596	21,522
	ab other employee benefits	1,417	1,609
	Of which:		
	social insurance costs	100	50
	pension-related costs	94	52
	ac contributions on wages and salaries	5,759	5,317
	Of which:		
	social insurance costs	4,947	4,446
	pension-related costs	5	-
b	other administration costs (material costs)	21,892	22,497
<b>9</b>	<b>DEPRECIATION</b>	<b>5,323</b>	<b>8,448</b>
<b>10</b>	<b>OTHER EXPENDITURE RELATING TO BUSINESS ACTIVITIES</b>	<b>92,807</b>	<b>77,779</b>
a	expenses on services other than financial or investment services	1,186	894
	Of which:		
	to affiliated undertakings	44	20
	to other participating interests	-	-
b	other expenditure	91,621	76,885
	Of which:		
	to affiliated undertakings	2	25
	to other participating interests	-	24
	impairment loss of inventories	-	68
<b>11</b>	<b>IMPAIRMENT LOSS ON RECEIVABLES AND RISK PROVISIONING FOR CONTINGENT LIABILITIES AND COMMITMENTS</b>	<b>59,585</b>	<b>34,396</b>
a	impairment loss on receivables	44,987	20,770
b	risk provisioning for contingent liabilities and commitments	14,598	13,626
<b>12</b>	<b>REVERSAL OF IMPAIRMENT LOSS ON RECEIVABLES AND THE USE OF RISK PROVISIONS FOR CONTINGENT LIABILITIES AND COMMITMENTS</b>	<b>84,384</b>	<b>85,866</b>
a	reversal of impairment loss on receivables	83,638	53,643
b	the use of risk provisions for contingent liabilities and commitments	746	32,223
<b>12/A</b>	<b>DIFFERENCE BETWEEN THE GENERAL RISK PROVISION AND ITS UTILISATION</b>	<b>-</b>	<b>-</b>

13	<b>IMPAIRMENT LOSS ON DEBT SECURITIES HELD FOR INVESTMENT PURPOSES AND ON SHARES AND EQUITY HOLDINGS IN AFFILIATED UNDERTAKINGS AND IN OTHER PARTICIPATING INTERESTS</b>	<b>3,302</b>	<b>2,942</b>
14	<b>REVERSAL OF IMPAIRMENT LOSS ON DEBT SECURITIES HELD FOR INVESTMENT PURPOSES AND ON SHARES AND EQUITY HOLDINGS IN AFFILIATED UNDERTAKINGS AND IN OTHER PARTICIPATING INTERESTS</b>	<b>6,649</b>	<b>1,457</b>
15	<b>PRE-TAX RESULT (1-2+3+4-5+-6+7-8-9-10-11+12-13+14)</b>	<b>40,904</b>	<b>83,617</b>
16	<b>TAX PAYMENT LIABILITY</b>	<b>5,640</b>	<b>2,643</b>
17	<b>RESULT AFTER TAX (+-15-16)</b>	<b>35,264</b>	<b>80,974</b>
18	<b>APPROPRIATION AND USE OF GENERAL RESERVE (+-)</b>	<b>3,526</b>	<b>8,097</b>
19	<b>NET RESULT FOR THE PERIOD (+-17-/418)</b>	<b>31,738</b>	<b>72,877</b>

Date: Budapest, 13 April 2018

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

.....  
Ivan Vondra  
Chief Financial Officer

## Notes

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

Legal form:	Company limited by shares (Zártkörűen Működő Részvénytársaság)
Date of foundation:	17 December 1986
Date of registration:	12 April 1988 (last registration of changes: on January 22, 2018)
Registered office:	1138 Budapest, Népfürdő u. 24-26.
The company's internet address:	<a href="http://www.erstebank.hu">http://www.erstebank.hu</a>
Owners:	Erste Group Bank AG (70%)
	European Bank for Reconstruction and Development (15%)
	Corvinus Nemzetközi Befektetési Zrt. (15%)

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

#### SCOPE OF ACTIVITIES

##### Main activity:

64.19'08 Other monetary intermediation

##### Other activities:

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

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

##### Financial services:

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

- (x) *loan reference services.*

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

- (xi) *Currency conversion activity.*

#### **Investment services:**

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

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

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

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

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

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

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

#### **Auditor's details:**

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

The Bank's auditor is PricewaterhouseCoopers Könyvvizsgáló Kft.(1055 Budapest, Bajcsy-Zsilinszky út 78.)

Registration number with the Chamber of Hungarian Auditors: 001464

Appointed auditor: Árpád Balázs (mother's maiden name: Kozma Hedvig, 1124 Budapest, Dobsinai u. 1, membership number with the chamber: 006931)

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

31 December 2017

Radován Jelasity	Chairman, internal member
László Szabolcs Harmati	internal member
Ivan Vondra	internal member
Tamás Foltányi	internal member
Krisztina Zsiga	internal member
Alexandra Habeler-Drabek	external member
Frederik Silzer	external member
dr. János Ruday	external member
Zoltán István Marczinkó	external member
Michael Neumayr	external member

31 December 2017

Manfred Wimmer	Chairman
Friedrich Rödler	member
Gernot Mittendorfer	member
Maximilian Clary Und Aldringen	member
dr. Alíz Zsolnai	member
Lucyna Stanczak-Wuczynska	member
Magdolna Nagy	employee member
Márta Marosvölgyi	employee member
dr. Anna Kósa	employee member

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

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

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

ERSTE Bank Hungary Zrt. took into account the provisions of the following laws when establishing its accounting policy used for the preparation of its report for the year 2017 and the related accounting system:

- Act C of 2000 (hereinafter: Accounting Act)
- 250/2000 (XII.24.) Government Decree on the specificities of annual reporting and bookkeeping liabilities of financial enterprises (hereinafter: Decree on bookkeeping at credit institutions)
- Act CCXXXVII. of 2013 on Credit Institutions and Financial Enterprises (Credit Institutions Act)
- Directive 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
- MNB Decree 40/2016. (X.11.) on prudential requirements of customer and partner classification and collateral valuation
- Act CXX of 2001 on the Capital Market (hereinafter: Capital Market Act)
- Act LXXXI of 1996 on Corporate Income Tax and Dividend Tax (hereinafter: Corporate Tax Act)
- Civil Code: Act V of 2013 on the Civil Code

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

The accounting date of the financial statements for 2017: 31 December 2017

Date of preparation of the balance sheet: 4 January 2018

### Measurement methods used in the financial statements

#### The measurement of assets and liabilities

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

In accordance with the content requirements of Section 87(1) of the Credit Institutions Act, the provisions of Government Decree 250/2000. (XII. 24) (Annex 7) and the National Bank of Hungary Decree 40/2016, the Bank classified its outstanding claims, investments and undertaken contingent liabilities and commitments required for the assessment of individual risks and the establishment of the impairment losses and provisions serving as a collateral for such risks individually.

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

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

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

Based on the impairment loss established during classification as well as on the size of the provision, the Bank classified outstanding claims, investments and undertaken liabilities into the categories performing and non-performing.

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

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

#### Fair value measurement

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

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

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

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

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

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

In the case of securities held for trading, the valuation difference is recognised directly in the profit/loss and in the case of securities available for sale, it is recognised in the shareholders' equity (valuation reserve).

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

The Bank does not have fair value and cash flow hedge transactions at 31.12.2017.



## Impairment loss and sundry provisions

The general principles and methodologies for asset evaluation and impairment and credit risk provision calculation within Bank in line with regulatory and accounting standards are described in internal policies.

Asset evaluation is performed for:

- receivables from credit institutions and customers derived from financial and investment services, receivable-type prepaid expenses and accrued income (hereinafter collectively: the 'receivables'),
- off balance sheet liabilities,
- assets received in exchange for receivables and recorded as inventory,
- assets sold with deferred payment, repurchase obligation and a right of recourse,
- litigated receivables,
- other customer claims,
- claims against employees and ex-employees.

The evaluation process performed monthly for receivables and off-balance sheet liabilities and quarterly for other items. During the assessment, all of the following criteria are taken into account:

- customer and partner rating,
- compliance with the order of repayment (overdue),
- value, mobility, accessibility of the security offered as collateral and the changes therein,
- re-marketability and mobility of the item,
- future payment obligation that qualifies as a loss from the item,
- special risks.

Individual asset evaluation is applied for individually significant exposures. Asset evaluation is performed group-based for individually insignificant exposures using evaluation groups with similar characteristics (client rating, product, collateral level, revocability, etc.). An exposure is considered as individually significant if the client's total exposure (including on-balance and off-balance) is over the materiality limit of HUF 50 million.

As a result of asset evaluation impairment is may be created for on-balance sheet items. For off-balance sheet items credit risk provision is may be accounted. Also in case of group-based evaluation impairment or provision is allocated to individual deals.

Individual assessment of receivables and off-balance sheet liabilities for defaulted customers is based on discounted cash flow method. This means that a difference between carrying amount and net present value (NPV) of the expected cash flows is recognised as expected credit loss and lead to impairment allocation. All estimated cash payments as well as estimated collateral recoveries and costs for selling and obtaining collateral are considered as expected cash flows. The effective interest rate is used as the discount rate in the calculation of the NPV of the expected cash flows. Litigated receivables are evaluated considering the chance of losing the litigation. For other items impairment or provision rate is dependent on overdue days and expectations on future losses.

Group based evaluation uses risk parameters to calculate impairment or provision rate for each evaluation group. Risk parameters of receivables and off balance sheet liabilities are: probability of default (PD, only for performing client), loss given default (LGD) and credit conversion factors (CCF) in case of off-balance-sheet exposures. For other items group-based impairment or provision rate is dependent on overdue days.

Special risks are taken into consideration so that minimum or additional impairment is accounted for the deal in case of restructuring or other specific risk category (e.g. capitalised interest, project loans, balloon payment, combined products) defined in regulatory resolutions.

The Bank regularly reviews its impairment and credit risk provision. These exercises comprise the parameters and methodologies used in its calculation. Adjustments can take place in the context of specific reviews, routine maintenance of parameters (such as regular calibration) or in the case of specific events (e.g. improved knowledge about recovery behaviour, back-testing results).

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

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

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

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

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

#### Making interest pending

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

#### Income statement

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

In accordance with Section 11/A. § (2) of the Government Decree 250/2000. (XII. 24), the Bank, classified its extraordinary items among either financial or other income or expenses based on their nature and content. Related items are presented under note III/5.

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

#### Depreciation of assets

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

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

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

### Accounting closing and stocktaking

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

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

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

### Notes

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

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

## I/3 Legislative changes with an effect on the Bank's financial and income situation in 2016

Due to changes in legislation of Banking tax during 2017, the basis of calculation changed from the corrected total assets of the Bank for the year 2009, to total assets for two years prior to the actual period. The tax rate for entities of total assets over HUF 50 billion was 0.24% in 2016, while 0.21% in 2017. Below HUF 50 billion of total assets, the rate of banking tax is 0.15% in both years.

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

### Balance sheet composition

The Bank's balance sheet total was HUF 2,179 billion at the end of 2017, 6.9 % higher than the balance sheet total at the end of the previous year. The amount of total equity is HUF 360,592 million.

### Items on the asset side

Similarly to the previous year, a further decrease is observable in the portfolio of receivables from credit institutions and their share within total assets. Mainly placements with the National Bank of Hungary (MNB) decreased by about HUF 104.3 billion, mainly as a result of diminishing interest rate environment and limited amount of excess liquidity. Thus the share of receivables from credit institutions within total assets fall back to 2.9% as compared with the 10.9% reported for the preceding year. Receivables from credit institutions have decreased with HUF 161 billion in total compared to 2016. The proportion of receivables from customers have increased, mainly as a result of growing new disbursements and migrated Citi loan portfolio, thus, at the end of the year, it amounted to 54.7% of the Bank's asset portfolio in contrast to 50.1% in the previous year. The portfolio of government securities grew by HUF 34 billion, out of which government securities held for trading purposes decreased by 81%, while government securities held for investment purposes increased by 24%.

The gross amount of retail loans (including the self-employed) was HUF 692 billion. The proportion of HUF loans and FX loans was 99.7%-0.3%. At the end of the year, 56.9% of long-term maturity retail loans were housing loans (HUF 394 billion) and 34.7% were consumer loans (HUF 240 billion).

## Changes in the distribution of retail loans by product group in 2017:

Households, retail customers (million HUF)	31.12.2016	31.12.2017	change %
housing loans	414,831	394,192	(4.98)%
consumer loans	225,117	240,230	6.71%
other loans	36,684	57,989	58.08%
<b>Total</b>	<b>676,632</b>	<b>692,411</b>	<b>2.33%</b>

The (gross) loans to business organizations (including local governments, not profit-oriented organizations, financial undertakings and the central budget) increased to HUF 562 billion by the end of the year, which was HUF 111 billion higher than the portfolio at the end of 2016.

## Main asset categories, 2016-2017

(In million HUF)	31.12.2016	31.12.2017	Change %	Proportion %	
			2017/2016	31.12.2016	31.12.2017
Cash and cash equivalents	24,120	20,292	(15.9)%	1.2%	0.9%
Government securities	614,691	648,423	5.5%	30.2%	29.8%
Receivables from credit institutions	223,295	62,225	(72.1)%	11.0%	2.9%
Receivables from customers	1,020,724	1,191,165	16.7%	50.1%	54.7%
Other assets	155,662	256,920	65.0%	7.6%	11.8%
<b>TOTAL ASSETS</b>	<b>2,038,492</b>	<b>2,179,025</b>	<b>6.9%</b>	<b>100.0%</b>	<b>100.0%</b>

## Items on the liabilities side

There was a slight change in the structure of liabilities in 2017 compared to the end of 2016. Proportions, similarly to the prior year trend, continued shifting towards retail and corporate deposits. Liabilities consist of the following: retail and corporate deposits 67.9% (68% in 2016), own resources 16.5% (14% in 2016) and other (from credit institutions, the central bank, money market funds and third party funding) funds 15.6% (18% in 2016).

The Bank recognized HUF 54.864 million subordinated loan capital in its liabilities.

## Deposits in 2017

Deposits (million HUF)	31.12.2016	31.12.2017
Central government	6,357	10,894
Local governments	17,855	41,316
Other financial enterprises	322,180	238,668
Money market funds	62,959	21,907
Companies engaged in activities auxiliary to financial services	4,444	7,357
Insurers and pension funds	6,351	5,486
Auxiliary undertakings	19,590	9,554
Non-financial enterprises	419,056	441,007
Households, retail customers	447,611	616,948
Households, self-employed	12,191	14,470
Households non-profit	48,695	45,272
Foreign countries	19,513	24,499
<b>Total</b>	<b>1,386,802</b>	<b>1,477,378</b>

As regards customer deposits, the portfolio increased by HUF 91 billion, and in parallel with this, their share within the balance sheet total increased to 72% from 68% in 2016. The Bank has a 7.92% market share regarding retail deposits, which corresponds to a 176 bps increase over the past year.

<b>Retail deposits (million HUF)</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
Due on demand	318,797	518,626
Fixed-term deposit – on account	128,274	97,787
Fixed-term deposit – in document	540	535
<b>Total</b>	<b>447,611</b>	<b>616,948</b>

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

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

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

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

#### **Main liability categories, 2016-2017**

<b>(In million HUF)</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>Change %</b>	<b>Proportion %</b>	<b>Proportion %</b>
			2017/2016	31.12.2016	31.12.2017
Liabilities to credit institutions	231,815	229,102	(1.2)%	11.4%	10.5%
Liabilities to customers	1,388,784	1,478,881	6.5%	68.1%	67.9%
Total equity	279,246	360,592	29.1%	13.7%	16.5%
Other liabilities, sundry provisions	138,647	110,449	(20.3)%	6.8%	5.1%
<b>TOTAL LIABILITIES</b>	<b>2,038,492</b>	<b>2,179,024</b>	<b>6.9%</b>	<b>100.0%</b>	<b>100.0%</b>

#### **Income statement**

The Bank's Operating income increased considerably, while Operating expenses grew in a lesser extent compared to the previous year, resulting in a HUF 72.9 billion After tax profit at the end of 2017.

Regarding the elements of Operating income, Net interest income was up by 24,5% (HUF 15.3 billion) compared to previous year.

The interests received increased by HUF 7 billion, while interests paid were lower by HUF 8.3 billion (-55%).

Administrative costs were higher by 6.9% this year compared to the same period of the previous year. Within this category, staff costs increased by 10.4%, while other administrative costs increased by 2.8%.

The Bank's 2017 year-end headcount (2 827) was higher with 181 employee than 2016 (2 626) projected to 8-hour employment. The Bank's average 2017 headcount was more than 100 people higher compared to 2016, primarily due to the integration of the acquired Citibank consumer business. In line with the long-term strategy of the Bank the projects supporting its development and improvement continued.

The average age of our employees is 38 years, and the average length of their employment is 6.2 years.

During 2017, the Bank provided an opportunity for 126 trainees within the framework of a trainee programme to get an inside view of the Bank's operation and to acquire work experience. 4% of those participating in the Bank's trainee programme were recruited as employees of the Bank.

Depreciation increased by 58.7% (HUF 3,125 million) compared to the previous year. The change was mainly due to the increase in depreciation of licenses and softwares.

## Operating revenues and expenses in 2016-2017

(In million HUF)	2016	2017	Change %
			2017/2016
Net interest income	62,520	77,855	24.5%
Commission income	38,802	43,711	12.7%
Dividend income, interests	3,862	2,581	(33.2)%
Profit/loss from financial transactions	(4,126)	15,545	(476.7)%
<b>Operating revenues</b>	<b>101,058</b>	<b>139,692</b>	<b>38.2%</b>
Administration costs	47,664	50,946	6.9%
<i>Staff costs</i>	25,772	28,449	10.4%
<i>Other costs</i>	21,892	22,497	2.8%
Depreciation	5,323	8,448	58.7%
<b>Operating expenses</b>	<b>52,987</b>	<b>59,394</b>	<b>12.1%</b>
Other profit or loss*	(35,313)	(46,666)	32.1%
Impairment loss + provision	(62,887)	(37,339)	(40.6)%
Reversals of impairment loss + provision	91,033	87,324	(4.1)%
Pre-tax result	40,904	83,617	104.4%
Result after tax	35,264	80,974	129.6%
<b>Net result for the period</b>	<b>31,738</b>	<b>72,877</b>	<b>129.6%</b>

\* Including earlier extraordinary items

## Main profitability indices

Rate of return on assets (ROA)	31.12.2016	31.12.2017
Profit/loss before tax / Asset value	0.02	0.04
Profit/loss for the year / Asset value	0.02	0.04

  

Rate of return on total equity (ROE)	31.12.2016	31.12.2017
Profit/loss for the year / Total equity	0.13	0.22

## Impairment loss, provision

At the end of 2017, 79.2% of loans are within low-risk category, which is 8.8% higher than the 2016 figure. The most significant improvement is observable in the portion of non-performing loans (decreased from 12.4% to 7.0%), yet there has been a decrease in the portion of special-mention and sub-standard loans as well, respectively a decrease of 2.8% and 0.6% to 11% and 2.8%.

Due to the improved portfolio, there was a HUF 42 billion lower impairment loss and risk provision at the end of 2017. On one hand, a number of large non-performing corporate loans have been recovered, while on the other, successful retail workout activity also contributed to the reduced impairment loss and risk provision balance. Furthermore, in line with new regulations, the statistical impairment calculation on performing loans has been ceased. This is substituted by the impairment calculated on newly defaulted loans, yet compared to 2016, there has been a lower number of defaults in 2017 both in the case of retail and corporate contracts. Impairment on non-performing loans ratio increased to 70%.

## Purchase of Citibank's Hungarian retail banking and cards business

In February 2017 the Bank completed one of the largest bank portfolio acquisitions in the last 10 years by acquiring the Hungarian consumer banking business of Citibank Europe plc. The transaction resulted in Erste Bank Hungary having the second largest retail customer portfolio in Hungary. As part of the acquisition process, making headway in asset management, the Bank launched the new Erste World segment in March 2016, expanding its mass-affluent and private banking services. Conforming to the scale and complexity of the deal, the acquisition contract provided a 90 day post-migration period for the parties in order to calculate and finalize the purchase price.

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

Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises and Directive (EU) No 575/2013 on prudential requirements for credit institutions and investment firms regulate the limit values of certain risky activities of credit institutions and their secure operation. Compliance with this Act can be summarized as follows, based on the data on 31 December 2017:

For each activities regarded as risky, the Act determines the limit values as a proportion of the Bank's own funds. The Bank's own funds that can be taken into account for covering the risks of the year 2017 and as the basis of restrictions were HUF 330.567 million (there was no limit overrun in the period in question).

Compliance with the limits prescribed by the Credit Institutions Act:

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

Section 83 (1)-(2) The Bank accumulated general reserve of HUF 8,067 million in 2017.

Section 79 § (1)-(2) The Bank's solvency ratio exceeded the minimum value specified in the Act throughout the year. At the end of the year, based on the numerical data of the statement of financial position, the solvency ratio decreased from 20.58% in 2016 to 19.63%.

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

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

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

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

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

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

Section 84 § (1) At the end of 2017 the Bank had no general risk provision.

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

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

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

Data in million HUF

Description	Statement of financial position line	31.12.2016	31.12.2017
Cash and cash equivalents	1	1,881	2,445
Government securities	2	18,880	17,293
Receivables from credit institutions	3	85,224	22,047
Receivables from customers	4	213,519	290,122
Debt securities	5	4,131	71,261
Shares and other variable-yield securities	6	-	-
Shares and interests held for investment purposes	7	857	854
Shares and interests in affiliated undertakings	8	-	-
Other receivables	12b, 12/A, 12/B	4,469	3,248
Accrued and deferred assets	13	1,402	1,987
<b>Total</b>		<b>330,363</b>	<b>409,257</b>

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

Data in million HUF

Description	Statement of financial position line	31.12.2016	31.12.2017
Liabilities to credit institutions	1	40,182	26,445
Liabilities to customers	2	467,843	410,370
Debt securities issued	3	487	-
Other liabilities	4	8,913	4,783
Accrued and deferred liabilities	5	3,544	4,224
Sundry provision	6	20,565	-
Subordinated liabilities	7	50,793	50,650
<b>Total</b>		<b>592,327</b>	<b>496,472</b>

## II/3 Receivables from credit institutions and customers by remaining maturity (excluding receivables on demand) 31.12.2017

Data in million HUF

Description	Maturity					Total	
	3 months	3 months - 1 year	1 - 5 years	Over 5 years	Impairment loss	Deferred interest provision	
3.b) Other receivables from credit institutions from financial services	27,334	33,274	0	0	0	0	60,608
4.a) Receivables from customers arising from financial services	52,395	152,542	206,294	738,809	-63,457	(830)	1,085,753



## II/4 Liabilities to credit institutions and customers by remaining maturity (excluding demand deposit items) 31.12.2017

Data in million HUF

Description	Maturity				Total
	3 months	3 months - 1 year	1 - 5 years	Over 5 years	
1.b) Liabilities to credit institutions, committed for a certain period, arising from financial services	51,541	29,222	70,899	70,807	222,469
2.ab) Customers' savings deposits with a maturity of up to one year	-	-	-	-	-
2.ac) Customers' savings deposits with a maturity over one year	-	-	-	-	-
2.bb) Other liabilities to customers, with maturity within one year, arising from financial services	84,489	91,645	178	-	176,312
2.bc) Other liabilities to customers, with maturity over one year, arising from financial services	6,203	17,413	35,606	-	59,222
7) Subordinated liabilities (subordinated loan capital)	-	-	51,512	3,352	54,864

## II/5 Receivables from the parent company and the subsidiaries 31.12.2017

Data in million HUF

Statement of financial position lines	Description	Maturity			Total
		due on demand	within one year	over one year	
3)	Receivables from credit institutions	1,617	60,608	-	62,225
of which	- from the parent company	925	1,031	-	1,956
	- from subsidiaries	-	8,100	-	8,100
4)	Receivables from customers	105,409	128,310	957,443	1,191,162
of which	- from the parent company	-	-	-	-
	- from subsidiaries	333	60,700	1,658	62,691
12b)	Other receivables	-	13,140	-	13,140
of which	- from the parent company	-	2,849	-	2,849
	- from subsidiaries	-	331	-	331
13)	Accrued and deferred assets	-	20,175	-	20,175
of which	- from the parent company	-	1,899	-	1,899
	- from subsidiaries	-	905	-	905

## II/6 Liabilities to the parent company and the subsidiaries 31.12.2017

Data in million HUF

Statement of financial position lines	Description	Maturity			Total
		due on demand	within one year	over one year	
<b>1)</b>	<b>Liabilities to credit institutions</b>	<b>6,633</b>	<b>44,293</b>	<b>178,176</b>	<b>229,102</b>
of which	- from the parent company	8	6,238	-	6,246
	- from subsidiaries	6,036	-	77,792	83,828
<b>2)</b>	<b>Liabilities to customers</b>	<b>1,241,844</b>	<b>176,312</b>	<b>60,725</b>	<b>1,478,881</b>
of which	- from the parent company	-	-	-	-
	- from subsidiaries	83,327	-	147	83,474
<b>3)</b>	<b>Liabilities existing as a result of debt securities in issue</b>	<b>-</b>	<b>-</b>	<b>2,033</b>	<b>2,033</b>
of which	- from the parent company	-	-	-	-
	- from subsidiaries	-	-	-	-
<b>4)</b>	<b>Other liabilities</b>	<b>-</b>	<b>28,620</b>	<b>-</b>	<b>28,620</b>
of which	- from the parent company	-	-	-	-
	- from subsidiaries	-	2	-	2
<b>5)</b>	<b>Accrued and deferred liabilities</b>	<b>-</b>	<b>19,285</b>	<b>-</b>	<b>19,285</b>
of which	- from the parent company	-	774	-	774
	- from subsidiaries	-	228	-	228
<b>7)</b>	<b>Subordinated liabilities</b>	<b>-</b>	<b>-</b>	<b>54,864</b>	<b>54,864</b>
of which	- from the parent company	-	-	50,650	50,650
	- from subsidiaries	-	-	-	-

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

Data in million HUF

### Interests for investment purposes 31.12.2017

Description	In affiliated undertakings (subsidiaries)	In affiliated associates	In other non-affiliated undertakings	Total
Opening balance	53,765	-	1,771	55,536
Growth (+)*	2,000	-	-	2,000
Decrease (-)	-	-	2	2
Reclassification (+, -)	-	-	-	-
<b>Closing balance</b>	<b>55,765</b>	<b>-</b>	<b>1,769</b>	<b>57,534</b>
Impairment loss	2,494	-	448	2,942
Reversal of impairment loss	1,457	-	-	1,457
<b>Carrying amount</b>	<b>54,729</b>	<b>-</b>	<b>1,320</b>	<b>56,049</b>
Statement of financial position line	8.a)	-	7.a)	

## II/8 The portfolio of intangible assets

Data in million HUF

Description	Licenses	Goodwill	Total
<b>1</b> Gross value on 01.01.2017	33,558	5,792	39,350
2 Growth (+)	12,775	595	13,370
3 Decrease (-)	1,204	976	2,180
4 Transfer (+, -)	-	-	-
<b>5</b> Gross value on 31.12.2017 (1+2-3±4)	45,129	5,411	50,540
<b>6</b> Accumulated depreciation on 01.01.2017	18,447	5,228	23,675
7 Increase of depreciation (+)	6,201	356	6,557
of which depreciation of the reviewed period	5,960	356	6,316
of which extraordinary depreciation in the reviewed period	241	-	241
8 Decrease of depreciation (-)	1,031	976	2,007
9 Change of depreciation due to transfer (+, -)	-	-	-
<b>10</b> Accumulated depreciation on 31.12.2017 (6+7-8±9)	23,617	4,608	28,225
<b>11</b> Net value on 31.12.2017 (5-10)	21,512	803	22,315
Statement of financial position line			9)

During 2017 HUF 209 million extraordinary depreciation was recorded on activated IT software and HUF 32 million extraordinary depreciation was recorded on undeployed IT software. During the revision of software inventory (scheduled every third year) the entity decides about the scrapping of unused software.

## II/9 The portfolio of property and equipment and investments held for the purpose of financial and investment services (including licenses)

Data in million HUF

Description	Properties	Plant and machinery, vehicles	Investments	Total
<b>1</b> Gross value on 01.01.2016	9,570	14,425	518	24,513
2 Growth (+)	532	1,341	301	2,174
3 Decrease (-)	665	1,219	18	1,902
4 Transfer (+, -)	-	-	-	-
<b>5</b> Gross value on 31.12.2016 (1+2-3±4)	9,437	14,547	801	24,785
<b>6</b> Accumulated depreciation on 01.01.2016	4,072	11,784	9	15,865
7 Increase of depreciation (+)	750	1,382	-	2,132
of which depreciation of the reviewed period	750	1,382	-	2,132
of which extraordinary depreciation in the reviewed period	-	-	-	-
8 Decrease of depreciation (-)	405	1,138	9	1,552
9 Change of depreciation due to transfer (+, -)	-	-	-	-
<b>12</b> Accumulated depreciation on 31.12.2016 (6+7-8±9)	4,417	12,028	-	16,445
<b>13</b> Net value on 31.12.2016 (5-12)	5,020	2,519	801	8,340
Statement of financial position line		10.aa)	10.ab)	10.ac)
				10.a)

The table also contains the data of licenses relating to real properties.

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

The Bank has tenancy related to properties serves financial and investment purposes in its books amounted HUF 9 million net (HUF 298 million gross with amortization of HUF 289 million) at the end of FY 2017 (FY 2017 amortization amounted to HUF 5 million).

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

In 2016 the Bank had no property and equipment or investments not directly held for financial and investment services.

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

In 2016 the Bank had no rights relating to properties not directly held for financial and investment services.

## **II/13 The portfolio of assets reported as inventories, per type 31.12.2017**

Data in million HUF			
Description	Carrying amount	Impairment loss	Book value
<b>Purchased inventories</b>	<b>407</b>	<b>-</b>	<b>407</b>
a Raw materials and consumables	175	-	175
b Goods	-	-	-
c Performance of subcontractors	-	-	-
d Other materials	232	-	232
e Advances and prepayments for inventories	-	-	-
<b>Inventories received in exchange for receivables</b>	<b>123</b>	<b>23</b>	<b>99</b>
a Properties	122	23	98
b Machinery and equipment, fixtures and fittings	-	-	-
c Vehicles	-	-	-
d Other assets	1	-	1
<b>Total inventories</b>	<b>530</b>	<b>23</b>	<b>506</b>
<b>Statement of financial position line</b>			<b>12.a)</b>

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

Data in million HUF

Contingent liabilities	31.12.2016	31.12.2016 of which: related	31.12.2017	31.12.2017 of which: related
- undertaken guarantees and suretyship	23,870	-	31,710	-
- unused credit line	347,994	-	363,842	-
- lawsuits	192	-	2,409	-
- return guarantee	-	-	-	-
- liabilities arising from forward deal in securities	-	-	-	-
- import letters of credit	2,114	-	2,537	-
- export letters of credit	-	-	-	-
- other contingent liabilities	1,098	-	-	-
<b>Total</b>	<b>375,268</b>	<b>-</b>	<b>400,498</b>	<b>-</b>

Liabilities	31.12.2016	31.12.2016 of which: related	31.12.2017	31.12.2017 of which: related
- futures	5,592	-	5,015	-
- forward	-	-	-	-
- delivery repo - passive	-	-	1,654	-
- spot	18,996	18,996	34,080	-
- margin	462,830	151,580	513,683	101,528
- FRA	-	-	-	-
- swap	680,490	574,326	1,744,023	-
- option	156,708	-	264,630	-
- interest rate swap (IRS)	873,491	506,636	905,508	36,896
<b>Total</b>	<b>2,198,107</b>	<b>1,251,538</b>	<b>3,468,593</b>	<b>138,424</b>

The Bank has financial liabilities solely from its normal banking activity with no material off balance sheet liabilities among them.

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

Data in million HUF

Stock exchange deals	Contract amount (measured at the rate of the Central Bank of Hungary)		Expenditure taken into account		Income taken into account	
	In 2016	In 2017	In 2016	In 2017	In 2016	In 2017
- liabilities arising from foreign exchange futures	4	(58)	-	-	-	-
<b>Total</b>	<b>4</b>	<b>(58)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Deals concluded in the interbank market	Contract amount (measured at the rate of the Central Bank of Hungary)		Income taken into account		Expenditure taken into account	
	In 2016	In 2017	In 2016	In 2017	In 2016	In 2017
- spot	8	(32)	0	0	0	0
- margin	(207)	(2,558)	0	0	0	0
- options	1	99	648	657	691	640
- FRA	0	0	0	0	0	0
- swap	503	4,695	12,832	18,656	10,057	14,620
- forward	0	1	0	0	0	0
- IRS	5,840	5,640	13	11	177	147
<b>Total</b>	<b>6,145</b>	<b>7,845</b>	<b>13,493</b>	<b>19,324</b>	<b>10,925</b>	<b>15,407</b>

The Bank had no derivative instruments in hedging relationship through 2016 and 2017.

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

	Data in million HUF	
	31.12.2016	31.12.2017
<b>Collaterals received</b>		
- Cash collateral	9,573	47,009
- Bank guarantees and joint and several suretyship	1,056	2,092
- Guarantees from the central budget	91,246	93,678
- Guarantees from other public or state-owned bodies	9,764	13,997
- Securities – shares	2,255	3,485
- Securities – other securities	5,400	15,679
- Assignment of sales revenue	-	-
- Assignment of other receivables	7,088	8,750
- Lien registered on goods in stock	55,314	61,924
- Mortgages	1,392,766	1,525,383
- Other	555,315	742,607
- Suretyship	171,032	288,670
- Movable	280,426	302,746
- Other lien	90,377	100,532
- Other	13,480	50,659
<b>Total collaterals and securities</b>	<b>2,129,777</b>	<b>2,514,604</b>
Collaterals and securities (up to the value of the receivable)	663,845	778,714
<b>Future receivables</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
- delivery repo - active	9,809	-
- futures	5,600	4,899
- forward	-	465
- spot	19,004	34,048
- margin	462,416	508,567
- FRA	-	-
- swap	680,994	1,748,717
- option	156,710	311,253
- interest rate swap	857,816	891,521
- IRS	21,318	19,606
<b>Total</b>	<b>2,213,667</b>	<b>3,519,076</b>

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

	Data in million HUF	
	Closing balance of claims made contingent	
Description	31.12.2016	31.12.2017
Deal interest, default interest, interest-type commissions	28,283	16,153
Financial service fees	31	23
<b>Total</b>	<b>28,314</b>	<b>16,176</b>

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

	Data in million HUF	
	Amount of received contingent claims	
Description	In 2016	In 2017
Deal interest, default interest, interest-type commissions	38,080	14,426
Financial service fees	59	12
<b>Total</b>	<b>38,139</b>	<b>14,438</b>

## II/19 The portfolio of sundry provisions per type 31.12.2017

Data in million HUF

	Opening balance	Growth in the year	Decrease in the year	Impact of exchange rate changes	Closing balance
For contingent liabilities and commitments	21,175	2,396	22,636	(355)	580
For litigations	111	22,354	19,982	(74)	2,409
Other provisions	2,795	325	461	-	2,659
<b>Total</b>	<b>24,081</b>	<b>25,075</b>	<b>43,079</b>	<b>(429)</b>	<b>5,648</b>
*Provision created for deferred interest of housing loans with deferred payment*	1,560	-	730	-	830
<b>Total</b>	<b>25,641</b>	<b>25,075</b>	<b>43,809</b>	<b>(429)</b>	<b>6,478</b>

\* Recognised in the receivables from customers line

### Provision for litigations

Provision for litigations covers allowances for such legal cases that have no direct linkage to the core business of the company such as, for example, labour and employment related issues.

This category also includes HUF 1.7 billion related to a Supreme Court (Curia) decision:

By the decision of the Hungarian Competition Authority of 19 November 2013 11 leading Hungarian banks were fined for harmo-nised activities in setting their practices in the case of the "Endpayment" scheme in the period of 15 September 2011 - 30 January 2012. The decision was appealed and the legal case continued at Supreme Court (Curia). By the Curia decision due to the imperfection of the legal procedure the original decision is nailed, the amount of the fine was paid back to the Bank and new procedure is ordered. Conforming to the decision the Bank allocated legal provision in 2017, in the amount of the original fine of HUF 1.7 billion.

### Other provision

The determining majority of other provisions are coming from items already recognized in 2016, like HUF 1.78 billion warranty like provision related to 'Large debt sale', HUF 551 million related to a stamp duty obligation and HUF 160 million concerning the residual items out of the legally obliged forced conversion related to factored.

## II/20 Changes of the portfolio of impairment losses by asset class 31.12.2017

Data in million HUF

	Opening balance	Impairment loss due to classification	Reversed from the impairment for the year under review due to classification/write-offs	Net increase	Reversed from the impairment for the previous years due to classification/write-offs	Decrease due to sales	Exchange rate changes	Closing balance
Receivables from credit institutions	59	-	-	-	-	-	-1	58
Receivables from customers	106,856	33,618	12,873	20,745	53,592	10,675	65	63,399
Other receivables	291	127	101	26	51	-	-	266
Securities and interests	11,983	2,942	-	2,942	1,457	-	-1	13,467
Inventories	223	70	-	70	-	268	-2	23
<b>Total</b>	<b>119,412</b>	<b>36,757</b>	<b>12,974</b>	<b>23,783</b>	<b>55,100</b>	<b>10,943</b>	<b>61</b>	<b>77,213</b>

The assessment of the Bank's financial and income situation, page 22.

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

Data in million HUF

Description	Statement of financial position line	31.12.2016	31.12.2017
<b>Accrued income</b>	<b>13a</b>	<b>16,377</b>	<b>17,463</b>
- interest on placements		2,695	2,756
- interest on securities		9,387	10,125
- exchange rate margin of securities for investment purposes		-	27
- pro rata profit/loss of derivatives		1,835	1,741
- other income from commissions and fees		2,460	2,814
- rent		-	-
- other income		-	-
<b>Accrued expenses</b>	<b>13b</b>	<b>2,184</b>	<b>2,712</b>
- operating costs		784	1,632
- other accrued costs		1,378	1,072
- accrued losses relating to derivatives		22	8
<b>Deferred expenses</b>	<b>13c</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>13</b>	<b>18,561</b>	<b>20,175</b>

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

Data in million HUF

Description	Statement of financial position line	31.12.2016	31.12.2017
<b>Deferred income</b>	<b>5a</b>	<b>336</b>	<b>302</b>
- deferred income of derivatives		244	230
- deferred interest income		92	72
<b>Deferred expenses</b>	<b>5b</b>	<b>16,949</b>	<b>16,790</b>
- interest on deposits		1,324	859
- interest on subordinated loan capital		219	135
- interest on issued bonds		799	875
- exchange rate margin of securities for investment purposes		5,124	4,964
- deferred profit/loss of derivatives		611	427
- operating costs		-	-
- other deferred expenditure		8,872	9,530
<b>Deferred income</b>	<b>5c</b>	<b>3,826</b>	<b>2,193</b>
- other deferred income		3,826	2,010
- bargain purchase		-	183
<b>Total</b>	<b>5</b>	<b>21,111</b>	<b>19,285</b>



## II/23 Changes in total equity

Data in million HUF

The items of total equity	31.12.2016	Growth (+)	Decrease (-)	31.12.2017
Subscribed capital	146,000	-	-	146,000
Capital reserve	117,492	-	-	117,492
- premium	117,492	-	-	117,492
- other	-	-	-	-
General reserve	3,526	8,097	-	11,623
Retained earnings	(20,455)	31,738	-	11,283
transfer of the profit or loss for the previous year according to the statement of financial position	(20,455)	31,738	-	11,283
Valuation reserve	945	372	-	1,317
valuation reserve of fair valuation	945	372	-	1,317
Profit or loss for the year according to the statement of financial position	31,738	72,877	31,738	72,877
<b>Total</b>	<b>279,246</b>	<b>113,084</b>	<b>31,738</b>	<b>360,592</b>

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

- The total exposure value of the total large exposures was HUF 1,182.828 billion, the reduced value with deductions according to Article 395 (1) of the CRR, undertaken by the Bank, was HUF 1,182.828 billion on the statement of financial position date (of this HUF 823.867 billion to the Central Bank of Hungary and the Government Debt Management Agency); the value adjusted by exceptions was HUF 196.797 billion.
- To cover its open liquidity and interest rate risk positions existing in the various currencies, the Bank concludes IRS (Interest Rate Swap) and CCIRS (Cross Currency Interest Rate Swap) deals.  
The cross currency interest rate swap deals (CCIRS) are used for financing the CHF and the EUR loan portfolios; their typical term is between 2 and 5 years.
- At the end of 2017 the Bank had no subordinated receivables among its assets, but there were subordinated – non-convertible – liabilities among liabilities to the amount of approximately HUF 54,864 million. Within this:  
subordinated liabilities – securities amounted to HUF 4,215 million → (A)  
subordinated and financial liabilities – loans were HUF 50,649 million → (B)

A)

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

Name of Bonds	Issue date	Subscribe partner	Subscribe amount (million HUF)	Interest	Maturity date
Erste Guarantee Bond	01.12.2008	Erste Sparkassen Biztosító Zrt	389.3	6.88%	01.12.2020
Erste Guarantee 2 Bond	30.04.2009	ERSTE Vienna Insurance Group Zrt*	473.7	8.19%	30.04.2019
ERSTE Subordinated Loan Capital Bond	28.03.2014	ERSTE Vienna Insurance Group Zrt*	3,352	0.9%	28.03.2024
<b>Total:</b>			<b>4,215</b>		

B)

The balance of subordinated loan capital as of 31. December 2017, made available to us by Erste Group Bank AG, are as follows:

	Amount (million EUR)	Amount (million HUF)	Interest and index	Maturity (year)
MM00000000133	32	9,924	EUR3MT+198	2021
MM00000000136	68	21,089	EUR3MT+198	2021
MM000000006689	35	10,855	EUR3MT+250	2021
MM000000017633	28.312	8,781	EUR3MT+198	2021
<b>Összesen</b>	<b>163.312</b>	<b>50,649</b>		

- There are no assets encumbered by a mortgage and related rights among the intangible assets and property and equipment owned by the Bank.
- On the statement of financial position date, the Bank had no real sale and repurchase liabilities, within the framework of which it received assets from the counterparty with a repurchase obligation.
- The Bank is a member of the National Deposit Insurance Fund and the Investor Protection Fund and joined the Resolution Fund (Szanálási Alap). The amounts of the contributions paid in 2017 according to the applicable rules:
  - Contribution paid to the National Deposit Insurance Fund HUF 1,302 million
  - Contribution paid to the Investor Protection Fund HUF 3.4 million
  - Contribution paid to the Resolution Fund HUF 567 million
- In its books among own securities, the Bank showed at nominal value securities in value of HUF 713,278 million. The value of third-party securities was HUF 1,430,664 million.
- The Bank's own securities and securities owned by third parties denominated in HUF, excluding business shares, on 31 December 2017:

	Data in million HUF
<b>Portfolio of own securities denominated in</b>	
At nominal value (dematerialised)	619,071
At nominal value (physical)	2,020
At book value	675,645
of this securities maturing within one year	58,503
Securities in the custody of KELER Rt	618,671
Stored with a third party (dematerialised)	400
In own custody (physical)	1,620
<b>Portfolio of securities denominated in HUF, owned by third parties</b>	
Portfolio of securities owned by third parties	1,271,310
of this in the custody of KELER	1,072,924
of this in own custody	197,669
of this stored with a third party	717

HUF 211,853 million of the securities denominated in HUF and owned by third parties is printed.

- The Bank's own securities denominated in foreign currencies, excluding business shares, on 31 December 2017:

	Data in million HUF
<b>Portfolio of own securities denominated in foreign currencies</b>	
At nominal value	92,187
At book value	88,879
Of securities, in the custody of KELER Rt	92,187

- The Bank's securities denominated in foreign currencies and owned by third parties, on 31 December 2017 (expressed in HUF):

	Data in million HUF
<b>Customer securities in custody</b>	
At nominal value (dematerialised)	157,794
At nominal value (physical)	1,541

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

	Data in million HUF	
Recognised costs	2016	2017
<b>Description</b>		
Costs of raw materials	663	679
Value of contracted services	20,525	21,177
The value of other services	704	641
Wages and salaries	18,596	21,522
Staff costs	1,417	1,609
Contributions on wages and salaries	5,759	5,317
Depreciation	5,323	8,448
<b>Total: Er: 8), 9)</b>	<b>52,987</b>	<b>59,393</b>

	2016	2017
<b>Contracted services</b>		
<b>Description</b>		
Property rent	4,088	4,202
Hardware/Software rent	286	281
IT services	5,836	6,504
Advertising, promotion	2,311	1,964
Education	266	268
Telecommunications, data transmission and postal charges	1,769	1,720
Service fees related to the production of bank account statements	151	149
Audits, reviews, expert services	175	133
Travel and transportation	196	199
Experts' fees	1,657	1,745
Cash and valuables transportation, property protection	878	876
Expenses related to operation	2,315	2,449
Other	597	687
<b>Total</b>	<b>20,525</b>	<b>21,177</b>

The total balance charged by PwC for 2017 consists of HUF 133 million for audit fees and HUF 20 million for other services involving the issuance of a report (gross amounts, value-added tax included).

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

Data in million HUF		
Income	2016	2017
<b>Description</b>		
Income from mediated services	645	685
Other	1,149	694
<b>Total: Er: 7a)</b>	<b>1,794</b>	<b>1,379</b>
Expenses	2016	2017
<b>Description</b>		
Expenses of mediated services	602	643
Other	584	251
<b>Total: Er: 10a)</b>	<b>1,186</b>	<b>894</b>

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

Data in million HUF		
Income	2016	2017
<b>Description</b>		
Commissions and fees relating to the management of client accounts	15,046	16,496
Foreign exchange commissions	2,292	2,512
Exchange rate gain on foreign exchange trade	1,352	2,083
Bank card commissions	11,820	15,518
Fees and commissions related to lending	2,430	2,594
Guarantee fees	199	193
Lease commissions	-	0
Pension fund commissions	5	74
Mortgage bank commissions	3	2
Exchange gain on fixed assets	12,331	21,616
Insurance and other brokerage commissions	14,070	16,805
Other	50	246
Exchange gain on revaluation	6,176	12,283
Income from Széchenyi Card fees	66	67
<b>Total: Er: 4a), 6a)</b>	<b>65,840</b>	<b>90,489</b>

Expenses	2016	2017
<b>Description</b>		
Commissions relating to account management	542	622
Foreign exchange commissions	1	0
Other commission-type banking charges	42	67
Costs of card production	627	1,315
Guarantee fees	-	1
Commissions relating to bank cards	1,929	2,657
Exchange rate loss on foreign exchange trade	4,916	5,578
Expenses related to lending	1,073	1,150
Brokerage commissions and charges payable to the post	889	1,556
Exchange rate loss on fixed assets	17,919	14,314
Other	2,723	4,627
Exchange rate loss on valuation	252	1,685
<b>Total: Er: 5a), 6b)</b>	<b>30,913</b>	<b>33,572</b>

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

Data in million HUF

Income	2016	2017
<b>Description</b>		
Commercial activity	2,585	447
Exchange rate profit on issued bonds	-	0
Income from account management	1,537	1,578
Exchange rate gain on futures/forward deals	58,710	52,650
Fair valuation income of derivatives	36,688	50,878
Exchange rate gain on the fair valuation of securities held for trading	629	0
Income from option fees and premiums	1,847	2,848
Other activities	323	76
<b>Total: Er: 4b, 6c)</b>	<b>102,319</b>	<b>108,477</b>

  

Expenses	2016	2017
<b>Description</b>		
Commercial activity	2,909	2,501
Commission agent activities	562	406
Exchange rate loss on issued bonds	2	6
Custodian, safekeeping and portfolio management activities	217	252
Exchange rate loss on futures/forward deals	64,983	59,689
Fair valuation expenses of derivatives	32,149	40,140
Exchange rate loss on the fair valuation of securities held for trading	-	452
Expenses of option prices and premiums	1,468	2,632
Other activities	281	60
<b>Total: Er: 5b, 6d)</b>	<b>102,571</b>	<b>106,138</b>

### III/5 Recognised items of other operating income and expenses

	Data in million HUF	
	2016	2017
<b>Other income</b>		
Income relating to the sale of fixed assets	15,945	18,929
Income from selling own receivables and write-offs	35,244	4,740
Reversal of the impairment loss of inventories	237	44
Use and release of provisions	4	2
Use and release of other provisions	928	461
Deferred income of interest rate swaps connected to credit activity (HIRS)**	1,657	1,814
Other income	3,478	5,123
Subtotal	57,493	31,113
Previous years' corporate income tax income*	-	-
Income related to derecognised loans to customers (fx settlement related)	-	-
Value of assets received without consiredation*	1	-
Subtotal*	1	-
<b>Total: Er: 7b)</b>	<b>57,494</b>	<b>31,113</b>

\*Prior extraordinary items

\*\*

#### National Bank of Hungary (NBH) security program

NBH introduced a floating-rate-payer forint interest rate swap (IRS) facility with terms of three and five years starting from June 2014 and one with a term of ten years starting from July 2015. This facility applies some preferential elements to intensify usage of IRS tenders and also additional purchase of government securities by Banks. Banks are entitled to the preferential element if the government security portfolio is kept at a given level. In 2017 HUF 266 million is presented as deferred income related to IRS.

#### NBH SME lending program (PHP)

NBH introduced a lending activity linked floating-rate-payer forint interest rate swap (HIRS) with terms of one and three years starting from February 2016. Banks are entitled to the preferential gain if criteria combining growth and stability elements related to lending activity in SME sector are met. In 2017 HUF 1,548 million is presented as deferred income related to HIRS.

	Data in million HUF	
	2016	2017
<b>Other expenditure</b>		
Expenditure relating to the sale of fixed assets and inventories	15,936	19,189
Expenditure relating to selling own receivables and write-offs	33,619	12,105
Impairment loss of inventories	-	24
Expenditure of allocating provisions	97	14,809
Allocation of other provisions	1,855	325
Taxes, duties and contributions	16,779	19,520
Other expenditure	3,474	5,593
Subtotal	71,760	71,565
Previous years' corporate income tax expense*	-	-
Non-recurring expenses due to FX settlements*	217	-
Write-off of receivables*	20,830	6,467
Value of assets transferred without consiredation*	-	2
Subtotal*	21,047	6,469
<b>Total: Er: 10b)</b>	<b>92,807</b>	<b>78,034</b>

\*Prior extraordinary items

### III/6 Geographical breakdown of income

81.55% of income are interior, 18.36% are with partners from other EU members.

Data in million HUF

Income	Domestic	EU other	Outside EU	Total
Interest and similar income received	84,063	610	22	84,695
Income from securities	2,581	-	-	2,581
Fee and comission income received (due)	55,698	251	137	56,086
Income of other financial services	16,987	18,986	8	35,981
	68,625	38,132	141	
Income of investment services (the income of trading activities)				106,898
Other income of business services	30,841	272	-	31,113
<b>Total</b>	<b>258,795</b>	<b>58,251</b>	<b>308</b>	<b>317,354</b>

### IV/1 Erste Bank Hungary Zrt.'s interests ensuring a direct majority and a qualifying holding 31.12.2017

Direct majority interest in undertakings

Company name	The Bank's ownership ratio in %	Subscribe d capital on 31.12.2016 HUF million	Subscribe d capital on 31.12.2017 HUF million	Total equity on 31.12.2016 HUF million	Total equity on 31.12.2017 HUF million	Registered office of the company	The company's internet address
Erste Jelzálogbank Zrt.	100.00	3,000	3,005	3,616	6,389	1138 Budapest, Népfürdő u. 24-26	none
Erste Befektetési Zrt.	100.00	2,000	2,000	10,907	12,714	1138 Budapest, Népfürdő u. 24-26.	<a href="http://www.erstebroker.hu">http://www.erstebroker.hu</a>
Erste Lakástakarék Zrt.	100.00	2,015	2,025	5,733	3,746	1138 Budapest, Népfürdő u. 24-26.	<a href="http://www.erstebank.hu/hu/lakastakarekpenztar.html">http://www.erstebank.hu/hu/lakastakarekpenztar.html</a>
Erste Ingatlan Kft.	100.00	210	210	40,991	41,889	1138 Budapest, Népfürdő u. 24-26.	<a href="http://www.ersteingatlan.hu/">http://www.ersteingatlan.hu/</a>
Erste Lakáslízing Zrt.	100.00	53	53	223	298	1138 Budapest, Népfürdő u. 24-26.	none

Indirect majority interest in undertakings

Company name	The Bank's ownership ratio in %	Subscribed capital on 31.12.2016 HUF million	Subscribed capital on 31.12.2017 HUF million	Total equity on 31.12.2016 HUF million	Total equity on 31.12.2017 HUF million	Registered office of the company	The company's internet address
Sió Ingatlan Invest Kft.	100.00	13	13	3,283	3,086	1138 Budapest, Népfürdő u. 24-26.	none
Collat-real Kft.	100.00	3	8	6,367	6,832	1138 Budapest, Népfürdő u. 24-26.	none

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

Data in million HUF

Derivatives	Positive fair value		Negative fair value		Future cash flow	
	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017
- futures	-	-	-	-	4	(58)
- forward	-	-	-	-	-	1
- spot	-	-	-	-	8	(32)
- margin	-	-	-	-	(207)	(2,558)
- FRA	-	-	-	-	-	-
- swap	12,832	18,656	10,057	14,620	503	4,695
- option	648	657	691	640	1	99
- IRS	13	11	177	147	5,840	5,640
<b>Total</b>	<b>13,493</b>	<b>19,323</b>	<b>10,925</b>	<b>15,406</b>	<b>6,149</b>	<b>7,786</b>

Data in million HUF

Securities for trading purposes	Carrying amount		Fair value		Valuation difference		Recognition of valuation	
	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017
Government bonds	98,404	23,070	98,655	22,972	251	-97	Profit/loss	Profit/loss
Discounted treasury bills	10,873	9,129	10,905	9,126	31	-3	Profit/loss	Profit/loss
Central-bank bond	-	-	-	-	-	-	Profit/loss	Profit/loss
<b>Total government securities:</b>	<b>109,277</b>	<b>32,199</b>	<b>109,559</b>	<b>32,098</b>	<b>282</b>	<b>-100</b>		
Debt securities	200	19,837	202	19,781	2	-57	Profit/loss	Profit/loss
<b>Grand total:</b>	<b>109,477</b>	<b>52,037</b>	<b>109,761</b>	<b>51,879</b>	<b>284</b>	<b>-157</b>		

Data in million HUF

Securities available for sale	Carrying amount		Fair value		Valuation difference		Recognition of valuation	
	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017
Investment unit	-	-	-	-	-	-	-	-
Government bonds	108,688	105,141	109,754	106,379	1,066	1,238	Valuation reserve	Valuation reserve
Discounted treasury bills	-	-	-	-	-	-	Valuation reserve	Valuation reserve
Central-bank bond	-	-	-	-	-	-	Valuation reserve	Valuation reserve
Other bonds	28,577	3,495	28,700	3,577	121	82	Valuation reserve	Valuation reserve
<b>Total</b>	<b>137,265</b>	<b>108,636</b>	<b>138,454</b>	<b>109,956</b>	<b>1,187</b>	<b>1,320</b>		



#### IV/3 The shareholder having a qualifying holding in Erste Bank Hungary Zrt. 31.12.2016

Name of the shareholder	Registered office of the shareholder	The ratio of its votes in %
ERSTE Group Bank AG	A-1010 Wien, Am Belvedere 1	70.00
European Bank for Reconstruction and Development	Broadgate, 1 Exchange Square, London EC2A 2JN, United Kingdom	15.00
Corvinus Nemzetközi Befektetési Zrt.	Kapás utca 6-12. Budapest, 1027 Hungary	15.00

On 9 February 2015 Erste Group, the European Bank for Reconstruction and Development (EBRD) and Hungarian Government declared cooperation on common press conference. Erste Group offered to the Hungarian Government and to EBRD to acquire minority share in Erste Bank Hungary Zrt at a maximum level of 15% per each.

Bilateral negotiations ended at 11.08.2016 and the change in the ownership structure was realized.

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

Description	Nominal value (HUF/share)		Pieces		Value (in million HUF)	
	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017
Registered shares	1	1	146,000,000,000	146,000,000,000	146,000	146,000

The Bank's share capital is HUF 146,000,000,000 (one hundred and forty six billion forints), consisting exclusively of cash contributions, that is, 146,000,000,000 (one hundred and forty six billion) registered ordinary shares with a nominal value of HUF 1 (one forint) each. The Bank's share capital has been fully paid up.

#### IV/5 The average annual statistical headcount and the costs of wages and salaries of employees by group 31.12.2017

Employees by groups	Average statistical headcount (2016)	Average statistical headcount (2017)	Wages and salaries (HUF million) (2016)	Wages and salaries (HUF million) (2017)
Full-time				
- white-collar	2,632	2,762	18,037	20,325
- blue-collar	-	-	-	-
Total	2,632		18,037	20,325
Part-time				
- white-collar	99	174	399	839
- blue-collar	-	-	-	-
Total	99	174	399	839
Pensioners				
- white-collar	1	1	3	4
- blue-collar	-	-	-	-
Total	1	-	3	4
<b>Grand total</b>	<b>2,732</b>	<b>2,937</b>	<b>18,439</b>	<b>21,168</b>

Other wages and salaries for employees not on the payroll: HUF 354 million.

#### IV/6 Other employee benefits

Data in million HUF	31.12.2016	31.12.2017
Cafeteria vouchers, certificates, season tickets	400	349
Sick pay	162	180
Payments into health insurance funds	100	50
Pension fund contributions	94	52
Cafeteria benefits - Housing supports	98	161
Use of own cars, travel allowances	57	68
Daily allowances	46	50
Entertainment costs	52	84
Education, catering	26	40
Cafeteria benefits – Cash support	-	156
Other unspecified benefits	382	419
<b>Total other employee benefits (8ab)</b>	<b>1,417</b>	<b>1,609</b>

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

Description	Data in million HUF	
	Headcount	Remuneration
Board of Directors	10	804
Supervisory Board	9	37
<b>Total</b>	<b>19</b>	<b>841</b>

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

#### IV/8 The amount of loans disbursed to the members of the Board of Directors, the management and the members of the Supervisory Board 31.12.2017

Description	Data in million HUF		
	Contractual amount	Outstanding debt	Conditions of the loan
Total amount of loans granted	100	91	According to the general terms and conditions of the loans provided to employees.
<b>Total</b>	<b>100</b>	<b>91</b>	

## IV/9 Cash flow statement

Data in million HUF

Line No.	Description	2016	2017
1	Interest income	77,657	84,695
2	+ Income from other financial services (excluding the reversal of the impairment loss of securities and the positive valuation difference of receivables)	65,840	90,489
3	+ Other income (excluding the use of provisions and the reversal of surplus provisions, the reversal of the impairment loss of inventories and the reversal of extraordinary write-offs)	54,535	29,781
4	+ Income from investment services (excluding the reversal of the impairment loss of securities and the positive valuation difference)	65,782	57,664
5	+ Income of services other than financial or investment services	1,794	1,379
6	+ Dividend income	3,862	2,581
7	- Interest expenses	(15,137)	(6,840)
8	- Expenses of other financial services (excluding the impairment loss of securities and the negative valuation difference of receivables)	(35,127)	(29,610)
9	- Other expenses (excluding the accumulation of provisions, impairment loss of inventories and unplanned write-offs)	(152,079)	(87,211)
10	- Expenses of investment services (excluding the impairment loss of securities and the negative valuation difference)	(74,878)	(60,322)
11	- Expenses on services other than financial or investment services	(1,186)	(894)
12	- General administration costs	(47,664)	(50,946)
13	- Corporate income tax liabilities for the year under review	(5,640)	(2,643)
14	- Dividend payment liabilities	-	-
<b>15</b>	<b>Operating cash flow (lines 01-14)</b>	<b>(62,241)</b>	<b>28,123</b>
16	± Changes in liabilities (+ if increased, - if decreased)	29,039	74,964
17	± Changes in receivables (- if increased, + if decreased)	115,280	34,996
18	± Changes in inventories (- if increased, + if decreased)	621	518
19	± Changes in securities reported in current assets (- if increased, + if decreased)	(52,915)	67
20	± Changes in securities reported among fixed assets (- if increased, + if decreased)	(177,097)	(124,277)
21	± Changes in investments (including advances) (- if increased, + if decreased)	(93)	(292)
22	± Changes in intangible assets (- if increased, + if decreased)	(4,515)	(6,640)
23	± Changes in property and equipment (excluding investments and payments made on account) (- if increased, + if decreased)	(5,639)	(7,848)
24	± Changes in accrued and deferred assets (- if increased, + if decreased)	170	(1,614)
25	± Changes in accrued and deferred liabilities (+ if increased, - if decreased)	6,041	(1,826)
26	+ Capital increase	77,999	-
27	+ cash and cash equivalents received permanently based on a legal provision	-	-
28	- Cash and cash equivalents transferred permanently based on a legal provision	-	-
29	effect of the previous years on the retained earnings	-	-
30	effect of the previous years on the general reserve	-	-
31	- Nominal value of withdrawn own shares	-	-
<b>32</b>	<b>Net cash flow (lines 17-33)</b>	<b>(73,350)</b>	<b>(3,828)</b>
33	- changes in cash (HUF and foreign currency in cash, checks)	1,755	1,906
34	- changes in the portfolio of deposit money (HUF and FX current accounts and short-term maturity deposit accounts with the Central Bank of Hungary, and HUF deposit accounts managed by another credit institution based on specific laws)	(75,105)	(5,734)

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

		Data in million HUF	
7	Items decreasing the tax base	31.12.2016	31.12.2017
7 (1) a	Accrued loss	18,142	40,701
7 (1) b	Use of provisions	379	624
7 (1) c	Environmental provision		
7 (1) cs	Extraordinary depreciation reversed during the tax year		
7 (1) d	Depreciation according to the Tax Act (+SZNy value at the time of derecognition)	5,808	8,311
7 (1) dz	The exchange rate gain on the sale of the reported participation in the tax year and the impairment loss reversed regarding the reported interest in the tax year		
7 (1) dzs	Exchange rate gains and exchange rate losses accounted for during the year-end revaluation of financial fixed assets and long-term maturity liabilities		
7 (1) e	50% of the profit/loss of capital market operations		
7 (1) f	Development reserve		
7 (1) g	Received dividends	28	2,581
7 (1) gy	Withdrawal of interests		
7 (1) h	Beneficiary exchanges of interest		
7 (1) i	Training of industrial apprentices		
7 (1) j	Allowance for the employment of skilled workers and unemployed persons		
7 (1) k	50% of the interest rate differential received from an affiliated party		
7 (1) l	Works of art		
7 (1) ly	Grants and allowances received without any obligation of repayment		
7 (1) m	Repurchased own shares, redemption of business shares		
7 (1) n	Use of provision of FX settlements		
7 (1) ny	Uncollectable receivables	14	18
7 (1) o	Income relating to the trading of greenhouse gas emission units	55	
7 (1) p	Condominium income		
7 (1) r	Conversion difference		
7 (1) s	Cancelled fines		
7 (1) u	50% of royalties received		1
7 (1) w	Impact of tax audit and self-audit		
7 (1) x	Value of interests in small and medium-sized enterprises	778	
7 (1) z	100% of local business tax		
7 (1) z	Confirmed donations	2	
18 (1) a)	Other		2
	<b>Total</b>	<b>25,206</b>	<b>52,237</b>

		Data in million HUF	
8	Items increasing the tax base	31.12.2016	31.12.2017
8 (1) a	Expenses recognised as a result of a provision (for expected liabilities, future costs)	2,056	2,670
8 (1) d	Costs not related to the company's business activity (Annex 3 of the Corporate Tax Act) (e.g.: services, deficit, wastage, bribery in excess of 200 thousand)	141	71
8 (1) b	Depreciation (planned, extraordinary, derecognition)	5,323	8,688
8 (1) m/b	The part of expenses which was recognised as a result of the exchange rate loss or impairment loss recognised in relation to the reported interest in the tax year or as a result of the derecognition of the participation under any title and which is in excess of the income		
8 (1) dzs	Exchange rate gains and exchange rate losses on financial fixed assets and long-term maturity liabilities		
8 (1) j	The part of the interest on the liability falling to the liability exceeding three times the total equity		
8 (1) r	Derecognition of interests in the event of transformation		
8 (1) t	Beneficiary exchanges of interest		
8 (1) m	Expenses relating to the interest in a controlled foreign company		
8 (1) k	50% of the interest rate differential paid to affiliated parties		
8 (1) n	Supports granted (e.g. donations), benefits, monetary assets transferred permanently and assets transferred without consideration, liabilities assumed, services provided free of charge		
8 (1) h	Cancelled receivables		
8 (1) gy	Impairment loss accounted for receivables	44	24
8 (1) o	Conversion difference		
8 (1) e	Fines, tax penalties	198	169
	FX settlements		
8 (1) p	Impact of tax audit and self-audit		
8 (1) s	Non-payment of long-term donations		
8 (1) u	Tax base increase related to the allowance of small and medium-sized enterprises		
8 (1) v	Retrenchment at taxpayers qualified as micro-enterprises		
18 (1) b)	Other (e.g. the amendment of transfer prices)	318	301
	Other		
	<b>Total</b>	<b>8,080</b>	<b>11,923</b>

		Data in million HUF	
Tax calculation		31.12.2016	31.12.2017
Pre-tax result		40,904	83,317
Credit institution tax		5,635	2,302
Total tax base adjustments		(17,126)	(40,314)
Corporate income tax base (pursuant to the general rules)		18,142	40,701
Tax base according to the minimum income (profit)		7,959	(45)
Amount of corporate income tax		-	-
Corporate income tax (10%/16%)		3,402	3,663
Tax refund related to FX settlements (-)		3,402	2,712
Tax allowances (Sections 21-23)		-	600
Tax paid abroad that can be set off		4	6
<b>Payable corporate income tax</b>		<b>0</b>	<b>351</b>

The tax authorities may audit the books and records at any time within 6 years after the relevant tax year and may set a deficit or surplus tax.

#### **IV/11 Data of the persons entitled to represent Erste Bank Hungary Zrt. and obliged to sign the annual report 31.12.2017**

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

Responsible for the guidance and supervision of accounting and bookkeeping:

János Rádi (mother's maiden name: Mária Kmetty)

Registration number: 168198, certificate number: 009310, registration expertise: IFRS, finance

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

Erste Group Bank AG, Austria, 1100 Vienna, Am Belvedere 1.

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

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

At Erste Bank Hungary Zrt's Annual general meeting, to be held 26 April, proposal of dividend payment amounting to HUF 40 billion is presented, that will be paid during 2018.

Date: Budapest, 13 April 2018

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Radován Jelasity  
Chairman-Chief Executive Officer

.....  
Ivan Vondra  
Chief Financial Officer