

Business Report

for

the Consolidated Financial Statements of Erste Bank Hungary Zrt.

in accordance with International Financial Reporting Standards as adopted by the European Union

Concerning Year 2018

Budapest, 4 April 2019

Company registration number:

Budapest Metropolitan Court

01-10-041054

The Consolidated Financial Statements and Business Report for 2018 of ERSTE Bank Hungary Zrt. and its subsidiaries ("Erste Hungary") contains primarily a summary of its banking activities, supplemented with the information that affected Erste Hungary's operation for the purposes of the evaluation of its business operation.

Table of Contents

Business environment, objectives and strategy of Erste Hungary	3
Change in form of operation of the Bank	4
Product range, cooperation agreements, strategic alliances	4
Main resources and risks, and the related changes and uncertainties	5
Financial data	7
Operations of subsidiaries	8
Quantitative and qualitative performance indicators and markers for the processes	12
Employment policy	12
Description of business premises	12
Education policy	12
Corporate Social Responsibility	13
Erste Hungary's energy Management	17
Events after the balance sheet date	18
Annex No. 1: List of branches	19
Annex No. 2: Erste Hungary Corporate Governance Report for year 2018.....	22
Annex No. 3: Non-financial statement	57

BUSINESS ENVIRONMENT, OBJECTIVES AND STRATEGY OF ERSTE HUNGARY

The economy grew by 4.9% year on year ('y/y') in 2018, following the 4.1% annual growth seen in 2017. All sectors contributed positively to growth in 2018. The most important drivers were services and construction, growing by 4.4% y/y and 22.9% y/y, respectively. Industry grew by 3.2% y/y, while following a yearly drop seen in 2017, performance of agriculture increased by 5.3%, annually.

With regards to internal consumption, the positive trend continued in 2018. On the one hand, retail sales increased by 6.6% annually. On the other hand, volume of investments in the national economy increased by an impressive 17% y/y, which was not a very considerable slowdown from the 2017 investment growth figures, exceeding 20% on yearly level. Continued utilization of EU funds and stable internal demand supported investments in the construction industry, while investments dynamics in the processing industry somewhat slowed in 2018.

In 2018, total foreign trade and services export volume of the country grew by 4.7%, while total foreign trade and services import volume grew by 7.1%, compared to 2017. Unemployment rate is moving on a decreasing path and has been steadily below 10% since the second half of 2013. Till the end of 2018, unemployment fell to 3.6%, mainly due to employment increases in the private sector. Meanwhile, number of workers employed in the frame of government's public working programmes decreased in 2018, as well.

In December 2018, consumer prices were 2.7% higher on average than a year before. In 2018, consumer prices rose by 2.8% on average, compared to the previous year. The highest price rises were recorded for foods (4.2% y/y) and alcoholic beverages and tobacco (5.6% y/y), while prices of consumer durables decreased by 0.4% y/y.

The National Bank of Hungary (NBH) has left unchanged the policy rate at a historically low level of 0.9% since 2016 and used unconventional measures to further ease monetary conditions. As a result, the 3M interbank market rate was close to 0% in the first half of the year, afterwards it increased and reached 0.13% at the end of 2018, however still remained well below the level of the policy rate of 0.9%.

Tight labour market conditions, coupled with continued increases in real wages suggest that household consumption will likely remain one of the main drivers of economic growth in 2019, as well. Increase in volume of investments would slow down however, as utilization of EU funds might slowly come to an end. More fragile world economic outlook and decline of industrial performance in Germany could pose a risk on domestic GDP growth and trade prospects. NBH is prepared for the gradual and cautious normalization of the monetary policy, however loose monetary conditions could prevail in the first half the year.

In 2018, retail loan portfolio, as a balance of disbursements and repayments, increased by 7.3% compared to the end of the previous year which is a result of significant increase in mortgage and personal loan new disbursements. Housing loan volume increased by 10% still supported by home purchase state subsidy for families (CSOK). New disbursement increased by 31% and reached 850 billion forint for the first time since 2008 but due to the current debt burden rules households' indebtedness is under control. More than 60% of new housing loans have at least 5 year interest period thanks to NBH measures (e.g. modification of payment-to-income ('PTI') limits, certified consumer friendly mortgage product) which decreases risks in case of interest rate increase. Personal loan volume increased by 37% due to a huge 150% increase in new disbursement driven by interest rate decrease and maximum ticket size increase making personal loan to a competitive alternative for housing purposes. During 2018, housing loan and consumer loan conditions didn't change. Total corporate loan volume increased by 13.6%, SME by 12% and micro by 21%. In the last quarter of 2018 demand growth for long term loans stopped as companies are waiting for the new Funding for Growth Scheme Fix to be launched in 2019. On the liability side, despite the result of the squeezing out effect of the low interest rate environment and alternative investment opportunities, both retail and corporate deposit volumes increased significantly.

Based on the Memorandum of Understanding, signed by Erste Group, the Hungarian Government and the European Bank for Reconstruction and Development (EBRD) in February 2015 the banking tax was further reduced to 21 basis points for 2018 and to 20 bps for 2019.

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

Change in form of operation of the Bank

The Bank's form of operation and ownership structure did not change during the business year of 2018. The change in the corporate form of Erste Bank Hungary Zrt. to private limited company (Zrt.) was registered by the Court of Registration as of 3 January 2011. The full name of the Bank is Erste Bank Hungary Zártkörűen Működő Részvénytársaság.

The ownership structure of the Bank is the following:

Owner	Number of shares	Ownership share
Erste Group Bank AG	102,200,000,000	70%
Corvinus Nemzetközi Befektetési Zrt.	21,900,000,000	15%
European Bank for Reconstruction and Development	21,900,000,000	15%
Total	146,000,000,000	100%

PRODUCT RANGE, COOPERATION AGREEMENTS, STRATEGIC ALLIANCES

2018 was a very successful year for Erste Bank Hungary, new loan disbursement substantially increased, (doubled both in retail and in corporate) well above market average in every segment. This significant increase was achieved by more than doubling the new disbursement in both retail and corporate lending over a year.

In 2018 we continue to mainly focus on unsecured lending (consumer loan and credit card) in retail. To support growth, in March we simplified and accelerated the retail lending process. Risk decisions related to unsecured loans are now automated for salary clients. Furthermore, in October we introduced our online personal loan application process for a specific client group which enables disbursement within minutes. We successfully renewed our credit card value proposition and repositioned our micro services. We also strengthened our position in cards business due to the successful utilization of the know-how taken over with the Citi acquisition.

As a universal bank, other products and services are also in focus. The real estate boom started in 2016 has continued in 2018 as well which supported new disbursement of mortgage loans. The boom was supported by real estate investments, improvement of residents' financial situation, and reduction of unemployment rate, favourable supporting system and low interest rate environment. In October 2018 the National Bank of Hungary further tightened the existing regulation of the payment-to-income ratio to increase the share of loans fixed for at least ten years. According to the new rules higher income is needed for the same loan, if the loan is fixed for less than ten years. Due to the elimination of the reduced value-added tax rate on new homes at the end of 2019, we assume that this supporting environment for new disbursement of mortgage loans will last until the end of this year. Our aim is to increase our mortgage stock.

The Bank was a leader in affluent wealth management in 2018 and aims to become top1 player in the future.

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

The dynamic of SME lending did not change in 2018 therefore the Bank paid special attention to this segment. We introduced Erste Power Business, a new brand with new products for SMEs and micro enterprises. We introduced an express loan process as a part of our strategy to make lending faster and more efficient in corporate segment. Beyond SME segment Erste Hungary focuses on Large Corporate segment too and aims is to reach main bank status with local champions.

The agricultural sector remained in focus in 2018. Erste Hungary provided special credit products designed for the agricultural sector via branch- and telesales campaign.

A new account was introduced for micro-enterprises at the end of 2018. The "Erste Black Friday" Account Package aims primarily merchants with a special fee structure which is adjusted to the enterprise's account turnover.

MAIN RESOURCES AND RISKS, AND THE RELATED CHANGES AND UNCERTAINTIES

Asset-liability management (interest rate risk management)

Erste Hungary uses a simulation procedure, one of the more advanced methodology solutions, to measure the interest rate risk of its banking book, as that method takes into account both traditionally applied approaches, i.e., the net interest-income simulation (income perspective) and the cash flow assessment, i.e., the economic value simulation (economic perspective). The highest-level strategic decisions on asset-liability management and, more specifically, interest rate risk management, are made by the Asset-Liability Committee (ALCO). In accordance with its responsibilities, the Committee regularly reviews the interest rate risk situation of the Group and the development of its positions. In addition to monitoring the position, the Committee also has the right to evaluate and rate the Group's interest rate risk position. Its competence includes the approval and modification of applicable internal regulations, with special regard to the modification of effective limits, assumptions, procedures and methods. Other organizational units involved in interest rate risk management are: (1) Liquidity and Market Risk Management, which quantifies the changes of the risk exposures of the Erste Hungary, identifies the reasons and supports the decision-making considering the limit compliance (2) Asset-Liability Management (ALM), which prepares final decisions and supports the activities of ALCO, (3) Capital Markets, which performs the operational implementation of the strategic decisions of ALCO and the market transactions of ALM. Erste Hungary's management receives regular reports on the banking book interest rate risk variation. Those reports enable the management:

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

Liquidity risk management

The Group uses a *Survival Period Analysis* based on stress scenarios to measure its shorter-term liquidity risks. The analysis shows for how long Erste Hungary would be able to fulfil its payment obligations in various liquidity stress scenarios, under specific conditions. ALM is responsible for coordinating the maturity structure of on-balance and off-balance items by ensuring that the aggregated net cash flows remain positive for the period of time specified as the limit. In addition to the survival period analysis based on stress scenarios, compliance with the liquidity ratios introduced by Hungarian regulators (Foreign funding adequacy ratio, Foreign currency equilibrium ratio) as well as compliance with the expected levels of the liquidity ratios (LCR, NSFR) introduced by the Basel Committee on Banking Supervision are also taken into account when managing liquidity risks. Liquidity and Market Risk Management regularly monitors and reports the current figures of liquidity ratios to ALCO.

During the year, the gross client loan portfolio increased significantly. The development of the net loan portfolio was further helped by the decreasing risk provision. Both retail and corporate loan portfolios increased. The volume of client deposits grew significantly in 2018, mainly due to increasing demand deposit portfolio of retail clients. The flow of liquidity from sight deposits to term deposits was observable only in the corporate segment.

Interest rate risk management

Erste Hungary applies two analytical methods to quantify interest rate risk: a) the net interest income method, and b) the simulation of the market value of total equity (effective until January 2018), then the simulation of the economic value of total equity (effective from February 2018). The MVoE still need to be monitored because it is more in accordance with the capital optimization and P&L movements.

All types of risk indicators suggested a low to medium interest rate risk exposure during 2018; both the external and the internal limits were met during the year.

Sensitivity of the market value of the total equity:

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

Sensitivity of the economic value of the total equity:

The economic value of equity is estimated as a difference between the net present value of all the future cash inflows (assets) and outflows (liabilities) derived from the current balance sheet. The EVE calculation excludes the credit spread from both the cash flow and discount factor calculation. The simulated interest rate movements represent parallel shifts of the entire yield curve, but apply a 0% yield curve floor throughout the yield curve.

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

It is expressed as the absolute sum total of the variation of the 1-year net interest income by currency, occurring as a result of parallel 200 basis point assumed change in interest rates compared to the net interest income calculated with an unchanged interest rate scenario. Methodological changes: 100 basis point floor applied from January 2018, and the effective rate is the sum result of the worst case scenarios per currency.

<i>Table No. 1</i>	<i>2017.12.31</i>	<i>2018.12.31</i>
Sensitivity of the market value of the total equity	3.46%	7.42%
Sensitivity of the economic value of the total equity	-	5.86%
Sensitivity of the net interest income, simulated for 12 months*	8.78%	3.78%

*Sensitivity of the net interest income, simulated for 12 months in 2018 is calculated by +/-200bp floored at -100bp

The repricing table classifies the volumes of assets, liabilities and off-balance sheet items into time bands, in the main currencies, according to the next repricing date. The repricing gap is calculated after the classification, as the difference of the assets and liabilities. The table below does not include the demand deposit portfolio, whose maturities are modelled.

At the end of 2018, the portfolios denominated in HUF had a positive repricing gap. The positive gap of the longer terms (≥ 5 years) resulted primarily from the longer-term government securities portfolio with a fixed interest rate and the retail loan portfolio.

The interest-bearing items, denominated in USD and EUR, are dominated by deals priced within one year, i.e. those statement of financial position components carry generally low repricing risks. In the case of interest-bearing items denominated in CHF, we have surplus assets due to the CHF corporate loan portfolio.

Table No.2

2018					
in HUF million	0 - 3 months	3 - 6 months	6 - 12 months	over 1 year	
Repricing gap in EUR positions	162 889	36 039	17 517	-	17 855
Repricing gap in HUF positions	531 185	62 519	13 446		586 304
Repricing gap in CHF positions	2 223	194	7 483	-	756
Repricing gap in USD positions	-	2 927	19 977	-	3 312

FINANCIAL DATA

Erste Hungary's Net profit set a new record in 2018 – highly beating 2017 YE result.

Erste Hungary's Total assets reached 2.564 billion forint by the year end, which corresponds to a 15.5% year-on-year growth. Erste Hungary reported an after tax profit of 58.5 billion forint.

The structure of Erste Hungary's asset portfolio shows a significant change at the end of 2018 compared to the preceding years. The net volume of customer loans significantly increased - mainly as a result of growing new disbursements. The total increase was 166 billion forint. Though the contribution by the different Business Lines varies, i.e. Retail portfolio increased by 9% due to higher mortgage and personal loan new disbursement, furthermore Corporate volumes could grow substantially above the market by 24%.

The security portfolio held to maturity investments grew approximately by 84 billion forint, however their share within the balance sheet total remained on previous year's level (29%). Loans to credit institutions also grew together with their share within Total assets (4% vs 3% in 2017). At the same time cash and cash balances at central bank slightly increased together with their share within Total assets (2% vs 1% in 2017).

The portfolio structure within liability side is roughly the same as last year. Deposits from credit institutions increased by 66 billion forint since the preceding year. Overall the share of amounts owed to credit institutions within the balance sheet total remained on the previous year's level at 10%.

Customer deposits gained significantly by 190 billion forint in 2018, though their share within the total balance sheet remained on the same level of 2017 (67%). Boost in customer deposit base was triggered by higher current account volumes. Erste Hungary has 8.01% market share regarding retail deposits, which corresponds to a 9 bps rise compared to last year. While market share of sight deposits decreased by 87 bps, term deposits increased by 149 bps.

Debt securities issued grew significantly by 59 billion forint driven by mortgage bond issuances. The share of own equity within Total liabilities slightly decreased to 14%.

Erste Hungary's Operating income increased considerably, while Operating expenses slightly decreased compared to the previous year, resulting in a 71 billion forint (+22.4% growth vs. 2017) Operating result at the end of 2018.

Regarding the elements of Operating income, Net interest income was up by 3.9% (2.6 billion forint) compared to previous year.

Both interest income (by 4.1 billion forint; 5.3%) and interest expense (by 1.5 billion forint; 13.6%) increased in 2018.

Income side was boosted by the interest income earned on customer loans due to significant volume increase of personal, mortgage and corporate portfolio. Moreover interest income earned on securities grew thanks to additional liquidity from customer deposits.

Both sight and term deposit interest expense decreased in 2018.

The Net fee and commission income of the Bank is also improved, and by 5.6 billion forint higher than the amount of the previous year. The growth induced by the increase in revenues and the lower level of expenses. Both payment transfer card - and distribution fees were improved.

Net trading income increased by 5.1 billion forint as compared to the previous year mainly due to the gain realized on MIRS program. MIRS is an unconditional preferential monetary IRS program launched by NBH in 2018, terminated by the end of the year. In the frame of the program NBH pays 6 month BUBOR, while the counterparty institution pays a fix interest rate. Day one gain is realised in trading result amounted to 4 billion forint.

Operating expenses amounted to 68 billion forint in 2018 and by 0.7% lower than in the previous year.

Lower Operating expenses are partly caused by the decrease in Personnel related expenses. Other administrative expenses also decreased.

Cost-income ratio improved from 54.1% (Q4 2017) to 48.8% (Q4 2018) mainly as a result of higher operating income.

Other operating result was lower by 15.7 billion forint compared to preceding year as 2017 was boosted by one-off items of provision release and selling gains as well. Furthermore other operating result is lower due to increased financial transaction tax and higher contribution to recovery and resolution fund.

Risk provision for loans and off-balance exposures improved by 4.0 billion forint in 2018 compared to the previous year, caused by a substantial reversal of impairment in the reporting period.

At the end of 2018, Erste Hungary's capital adequacy was stable; the solvency ratio (20.10%) was higher than the statutorily required level. The capital position has increased. (Tier 1 deduction is calculated based on the hypothesis of 20 billion HUF dividend proposed to the General Meeting not yet approved.)

OPERATIONS OF SUBSIDIARIES

Erste Hungary has a determinative role in Hungarian financial market. Erste Hungary's operation is over the banking activity as it contains investment services, leasing and factoring services and asset and property management services. To increase the efficiency Erste Hungary rationalized the group structure by merging the activities to less legal entities. The following tables that include the financial data of subsidiaries are based on individual financial statement of the subsidiaries in accordance with IFRS in case of Erste Jelzálogbank Zrt. and Erste Lakástakarék Zrt. but in accordance with Hungarian accounting rules in case of all other entities. The figures are not yet audited.

Erste Befektetési Zrt.

The Company provides investment services.

The Company was founded in 1998. The Company is in a leader position on the Hungarian capital market. The volume of the products available for customers are increasing continuously. The Company's goal to provide high level services to customers on a quicker and simpler way. In the branches of Erste Hungary on-line trading system ensure that the customer's orders met regarding stock-exchange and government bonds in anywhere in the country.

Main financial data

in thousand forint	2017	2018	Change %
Total assets	163,175,387	152,234,616	-6.70%
Total equity	12,714,344	12,872,958	1.25%
Issued capital	2,000,000	2,000,000	-
Profit or loss for the year	4,307,184	4,458,614	3.52%

Erste Lakáslízing Zrt.

Within Erste Hungary this company provides financial leasing. On 1 January 2013, five leasing companies merged in to the Bank (Erste Leasing Autófinanszírozó Zrt., Erste Leasing Eszközfinanszírozó Zrt., Erste Ingatlanlízing Zrt., Erste Faktor Zrt., and Magyar Faktor Zrt.). The business goal was to achieve a high safety customer portfolio.

Erste Lakáslízing Zrt's main activity is property in use leasing.

Main financial data

in THUF	2017	2018	Change %
Total assets	1,984,989	1,850,617	-6.70%
Total equity	306,040	182,738	-40.29%
Issued capital	53,000	50,000	-5.66%
Profit or loss for the year	82,776	37,009	-55.29%

The Bank signed a preliminary contract at the end of 2018 on selling the company Erste Lakáslízing Zrt. The contract covers all the material conditions of the sale. On that base the company is reclassified into 'Assets held for sale' as a disposal group of assets, under IFRS5. The value of 'Asset held for sale' is 1.405 million forint as of 31 December 2018, representing assets decreased by liabilities after intercompany elimination. The sale is expected to be realised in the first half year of 2019.

Erste Ingatlan Kft.

The Company's main activities are the followings: property sale, property leasing and property management activities.

Main financial data

in THUF	2017	2018	Change %
Total assets	42,499,217	36,698,024	-13.65%
Total equity	41,842,574	34,262,468	-18.12%
Issued capital	210,000	170,000	-19.05%
Profit or loss for the year	1,096,360	389,907	-64.44%

Sió Ingatlan Invest Kft.

Sió Ingatlan Invest Kft. is a project company that developed the SIÓ Shopping Center at Siófok city. The Company is owned by Erste Ingatlan Kft. in 100%.

Main financial data

in THUF	2017	2018	Change %
Total assets	3,312,005	3,154,520	-4.75%
Total equity	3,041,009	3,025,116	-0.52%
Issued capital	12,900	12,900	-
Profit or loss for the year	-44,833	-15,893	-64.55%

Erste Lakástakarék Zrt.

Erste Lakástakarék Zrt. is a credit institution that deals with building society. Its license has been issued on 29 September 2011 by the Financial Supervisory Authority and started its trading activity on 17 October 2011.

In October 2018 a legal act was accepted by the Parliament (2018:LXIII) modifying the legal act regulating building societies (1996:CXIII), enacted 17 October 2018. After enacting the new regulation, clients contracting with building societies housing purpose saving products are not entitled to government subsidy. The government subsidy amounts up to 30% of the savings, maximized in 72 thousand forint per year, per contract and contracts signed before 17 October 2018 stayed under the subsidized scheme. The company is considering potential new products.

Main financial data

in THUF	2017	2018	Change %
Total assets	73,169,251	94,695,786	29.42%
Total equity	3,740,401	8,477,349	126.64%
Issued capital	2,025,000	2,025,000	-
Profit or loss for the year	(1,982,518)	157,676	1357.33%

Collat-real Kft.

The Company was founded on 10 March 2014 by Erste Bank Hungary Zrt. The Company's main activity is property management.

Main financial data

in THUF	2017	2018	Change %
Total assets	6,911,871	7,029,112	1.70%
Total equity	6,832,119	6,978,785	2.15%
Issued capital	8,000	8,000	0.00%
Profit or loss for the year	-23,739	146,666	

Erste Jelzálogbank Zrt.

The Company was founded on 11 December 2015 by Erste Bank Hungary Zrt. The Company's main activity is refinancing.

Main financial data:

in THUF	2017	2018	Change %
Total assets	88,562,077	165,590,385	87.00%
Total equity	6,389,229	10,286,479	61.00%
Issued capital	3,005,000	3,010,000	0.20%
Profit or loss for the year	224,175	1,008,250	349.70%

QUANTITATIVE AND QUALITATIVE PERFORMANCE INDICATORS AND MARKERS FOR THE PROCESSES

Erste Hungary measures the quality of its internal operations through the main customer service channels (branch, Contact Centre, online channels), and through the performance of its major customer service processes. The performance requirements for customer processes and service channels are defined following an assessment of customer needs. We conduct regular researches: annual customer satisfaction and customer expectations surveys, mystery shopping in branches, and regular event-triggered surveys of branch visitors, online channels (Netbank, MobileBank) and Contact Centre covering Channel Satisfaction, Customer Experience Index (CXI) and Net Promoter Score (NPS).

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

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

EMPLOYMENT POLICY

Erste Hungary's 2018 year-end headcount (3,124) was higher with 88 employee than 2017 (3,047) projected to 8-hour employment. Erste Hungary's average 2018 headcount was lower with 14.56 people compared to 2017, primarily due to we hired development project people in the second half of the year. In line with the long-term strategy of Erste Hungary 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 5.7 years, of which 63% women (37% men).

During 2018 Erste Hungary provided an opportunity for 101 trainees within the framework of a trainee programme to get an inside view of the Bank's operation and to acquire work experience. 11% of those participating in Erste Hungary's trainee programme were hired as employees of Erste Hungary.

DESCRIPTION OF BUSINESS PREMISES

Erste Hungary's registered office has been at Népfürdő utca 24-26 since 1 September 2006. The modern office building hosts the organisational units of Erste Bank Hungary Zrt's head office and the subsidiaries. Erste Hungary has a nationwide branch network, which is professionally controlled at regional level (Budapest 1., Budapest 2., North-East Hungary, South-East Hungary, East Hungary, West Hungary, Middle-West Hungary). The branches are listed in Annex No. 1.

EDUCATION POLICY

Similar to the previous years Erste Hungary has concluded a wide range of development activities in 2018. It means that in general our employees spend average 33 working days with trainings. The main development focuses were the deepening of the professional knowledge, mainly the mortgage and micro trainings, and the increase of the effectiveness of our sales and customer care activities. We also focused on the English language trainings of our employees and soft skill development, providing 16 different training opportunities for the employees. In the Retail division we continued the intensive training of our new joiners, with a new, practice oriented system, granting wide range system knowledge based education for the

new joiners. Based on the Development Centre held last year for our Branch Directors we provided individual development plans for them. Our digital channel and private banking departments focused on the sales techniques and customer care development processes in 2018 and departments, who are responsible for banking products and processes participated in special professional conferences and workshops.

The corporate division divided the development focuses among sales techniques and customer experience courses, strengthening cooperation and team cohesion, where our colleagues had the chance to discover new training methods. Day to day operation based on cultural values was an important focus supported by external presenters.

At the Risk area the main focus was on the better cooperation and leadership development. We also successfully launched the Risk Academy. With professional conferences we supported our colleagues, to be up to date in technical questions.

Our IT division pays attention to IT operational and business intelligence trends. Next to it we started our IT Academy program, which was successful and very popular during the whole year.

We started Talent programs on 3 level in 2018: B-1 (Board minus 1), B-2 and branch managers. Our talents participate in soft skill trainings, project work and performances/workshops to wider their knowledge, their full program takes 1.5 year.

In overall banking we put the emphasis on the management development trainings and more than 80% of our managers participated in one or more from our various trainings. We continued our companywide cultural development program supported by our managers and by the volunteer change agent team. Our 2018 employee engagement survey showed a significant increase in all areas across the Bank.

CORPORATE SOCIAL RESPONSIBILITY

In the firm belief that everyone must be treated with dignity and respect, our founders established Erste 200 years ago to give everyone – without distinction of status, nationality, faith, gender, age etc. – access to prosperity. Disseminating and securing prosperity for all is and always will be our goal. An important phrase of our vision is that "Our commitment to our customers and to Hungary, in addition to our banking and investment services, is also demonstrated by our commitment to society."

Therefore, in our complicated world, Erste Hungary wants to be more than a business enterprise providing financial solutions, because it actually offers solutions to life situations. In the light of this, Erste Hungary is committed not only to its banking and investment activities to Hungary and its customers, but also through its social engagements.

Social Banking

For various reasons, a substantial number of people do not have access to the basic means of everyday life, live in poverty or lack financial stability. Erste Hungary is dedicated to support those who only a few believe in, to help themselves in their economic development and to have access to financial services.

Social Banking in Hungary works on equal access to financial services, both in the private and civil sector. From 2017, a wide palette of activities has been brought together under the umbrella of social responsibility. Erste Bank Hungary developed and institutionalised the value proposition for civil sectors, by developing the most affordable civil account package and a special loan product offer, supported by a European Investment Fund (EIF) guarantee.

ERSTE Foundation in Hungary

Established in 2003 from Erste Österreichische Spar-Casse, the first savings cooperative in Austria founded in 1819, ERSTE Foundation (ERSTE Stiftung) is the biggest foundation in the savings cooperatives sector in Austria.

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

In cooperation with Erste Stiftung, Erste Hungary together with IFUA Nonprofit Partner successfully completed its civil education programme called SEEDS; 68 applicants participated in it and 10 received an additional grant. In 2019, SEEDS2 continues with tailor-made consultancy services.

**ERSTE Stiftung**

Further information: <http://www.erstestiftung.org/>

+1 tett program



“Our commitment to our customers and Hungary is evidenced by our social responsibility acts besides our banking and investment services”.

+1 Act – Community teamwork

+ 1Tett (+1Act) programme

The +1Tett programme was launched in 2015 with the aim of encouraging employees of Erste Hungary to participate in a community programme that goes beyond simple team-building and shows colleagues how good and how easy it is to help.

The goal of the +1Tett program is to give more space to community-building, bottom-up initiatives. It is important for us to be able to identify with the goals of our Bank. That is why we have expanded the +1Tett programme and, since then, we have not only contributed to the goals of the selected organisations, but also encouraged our colleagues to find their own associations and help them to work more effectively.

In 2018, 320 colleagues participated in voluntary work and 16 projects were implemented. We constantly report on the volunteer programmes created within the Community Teamwork on Erste Bank's Facebook page.

Együnk egymásért (Eat for Each Other) programme

In cooperation with the Hungarian Food Bank Association, Erste Hungary organised the “Eat for each other” campaign. Nine departments of the Bank joined to this event and collected financial donations for poor families.

News of volunteering programs initiated as part of our Community Teamwork have been posted continually on Erste Bank Hungary's Facebook page.

Additional cooperation projects

Virtuózok

The Virtuózok Classical Talent Show is looking for and presenting real talents to the audience.

The musicians in the Virtuózok are talented children who are not "created" by the show. The show explores their talents and helps them to gain a strong professional background, maximum attention, and provides the necessary competitions and opportunities for their artistic careers.

Talent needs support. For example, a bank that believes in them. Erste Hungary believes in Virtuózok, which is why Erste Hungary has been the main sponsor of the classical talent tracking program for the third time in 2018.



As a main sponsor, we have media appearances in TV, radio and online channels, and we have an arrangement with Virtuózok for staging concerts at our client events.

Donations to the Rost Andrea Art Foundation

Rost Andrea is a world-famous Hungarian opera singer. Through her foundation, she supports young talented singers, giving them a chance to perform at gala events nationwide. Our Private Banking clients receive tickets for those events as well.

Paloznak Jazz Picnic

Erste Hungary was the main sponsor of the Paloznak Jazz picnic, and also supported a course in the famous Snétberger Roma jazz education semester.

Magyar Jégkorong Szövetség

For three years, since September 2017, Erste Hungary has sponsored the adult men's first-class Hungarian Hockey Championship, the Erste Hungarian League, and from 2018 became the main sponsor of the Hungarian Adult Men's Hockey Team.

We are determined to help the teams in the domestic championship through our business knowledge and sponsorship to contribute to the hockey being able to flourish in Hungary.

Our main goal is to support the national teams competing in the league just as support the development of the next generation of ice-hockey players, and make ice hockey more successful and more popular in Hungary – not only with sponsorship but with business know-how.



Kékszalag Erste World Nagydíj

Erste Hungary supports the Hungarian Sailing Association and was the main sponsor of the Kékszalag, Europe's largest round the lake sailing competition at Lake Balaton, with 500 boats participating.

In 2016, Erste Hungary's new service Erste World debuted as naming sponsor to the 48th Kékszalag Nagydíj [Blue Ribbon Grand Prix]. Erste World's universe is similar to the world of sailing: the Blue Ribbon Grand Prix attracts those who appreciate real performance and real values. This is exactly what Erste World promises in the scope of financial services: "we help customers find real values, create real wealth from their assets, because property turns into value when you use it to lay down the foundations of your family's future and happiness and yours as well".

At the location of the sailing race, Erste World offered special programs, including a lounge that featured the values of the Lake Balaton region and a VIP section designed for priority guests. Involving local partners, Erste World Club debuted at the venue, offering value-creating partnership to VIP customers and partners alike.

Donation to the Hungarian Mountaineering and Sport Climbing Federation

Erste Hungary supports the expeditions of Dávid Klein, the most successful Hungarian mountain climber of these days. He gives presentations on motivation to Erste's clients and also organises in-company activities. He is one of the best examples of Erste's brand essence, that those who believe in themselves can achieve more.

Donut sale for Nemzetközi Cseperedő Alapítvány

Charity donut sales have been organised in cooperation with Nemzetközi Cseperedő Alapítvány [International Growing-up Foundation] at Erste's Headquarters since 2014 twice a year with involvement from donut shop Fánki Donut. In the sponsorship project Erste Hungary purchases the donuts being sold by the Foundation's staff at Erste Headquarters on a specific day. When the donut sale project was launched, 300 donuts were made, but in November 2017 over a thousand donuts were sold in just 90 minutes! The entire proceeds from the donut sale went to the Foundation, supporting kids living with communication and social skill disorders, in particular autism, and their environment. In recent years, a total of nearly 3.5 million forint has been donated this way.

Erste Green

Erste Hungary is committed to protecting the environment and has a responsibility for the environment and the society in which we live and operate. In addition to complying with parent company-level standards (reduction of carbon dioxide emissions, paper consumption, electricity and heating energy), Erste Hungary is taking further steps to make our organisational culture and operations more environmentally friendly and greener, and thereby increase our social responsibility.

At the beginning of 2016, the Erste Green initiative, a voluntary organisation of colleagues was launched to achieve environmental goals. The primary purpose of this initiative is to raise awareness, educate and increase the commitment of our colleagues within Erste Hungary.



Customers with disability

Social Banking stands for equal accessibility and presenting the voice of banks' clients and potential employees. Within this framework, we continuously review our service channels and employment strategy, as well as setting up connections between the master-in-profession NGOs and the Bank. Social Banking acts as a bridge between the supported civil players and potential investors, supporters and charities.

Erste Hungary continues to dismantle accessibility obstacles at retail branches in order to facilitate for customers living with disabilities and confined to wheelchairs to manage their banking matters as conveniently as possible. As a result of the program, the bank has modified 80 out of its 117-unit branch network in Hungary to date to make them disabled-friendly by ensuring full access to the entrances and creating larger spaces inside the branches for easier manoeuvring in the customer area. Going forward, all bank branch investments will be implemented with ease of access in mind unless physical or other obstacles arise.

ERSTE HUNGARY'S ENERGY MANAGEMENT

Erste Hungary places particular emphasis on environmental protection, sustainability and increasing our energy efficiency, both in its head office buildings and in its branch network.

Erste Hungary's head office buildings are "A" category office buildings constructed according to the technical and energy efficiency requirements of our age, with high technical content, modern cooling and heating technologies and a building surveillance system. Motion and position sensors, as well as energy-efficient LED light sources have been installed in several places in order to reduce energy consumption. During nights and weekends, heating and air conditioning systems operate in energy-saving mode, taking into account real needs for comfort, as well as banking holidays. All work stations in the buildings are lit by natural light, which is an important factor both with regard to the preservation of our employees' health and the reduction of energy consumption. With the use of mode switching adapted to business hours, we ensure reduced energy consumption during periods of inactivity, which allows our entire branch network to operate with improved energy efficiency.



As part of our continuous improvements, we replace our buildings' energy supply equipment with more efficient devices that are able to meet the demand with better efficiency, taking into account the need for comfort and the principle of minimal environmental impact.

In the spirit of environmental awareness, we have been carrying out selective waste collection in our head office buildings for years, collecting plastic, paper and municipal waste separately. We also plan to extend the scope of selective waste collection in our branch network.

We bought 8,000 MWh of green electricity per year in 2016-2017 and 2018, which not only helped us to directly reduce our CO₂ emissions, but with our purchase, we also indirectly facilitated the spread of innovative systems generating renewable energies. We are committed to continuing this activity. We are therefore planning to buy another 8000 MWh of green electricity in 2019 for the operation of our banking network.

In order to continuously maintain and improve the efficiency of our energy management, we introduced an energy management system that meets the requirements of the ISO50001 standard at the end of 2017. In line with our internal needs and with the support of the Group, we expanded our ISO activities at the end of 2017 and also introduced the ISO 14001 environment management system, which further enhanced our commitment to environmental protection.

The development and renewal of our branch network are ensured by continuously improved standards and the innovative operation of our ISO systems. Artificial lighting is provided by energy-efficient fluorescent and LED lights. The lighting of logos and illuminated advertisements is operated with the use of a timer programme, and in most places, night-time lighting is limited or reduced to a strict minimum. Our newly installed equipment is mostly of energy efficiency class "A".

When selecting newly installed air conditioning equipment, we prefer VRV (heat pump) and inverter devices, which facilitate the efficient use of energy. Newly installed boilers are condensing, which allow us not only to save fuel but also to directly reduce our emissions.

In order to reduce paper consumption, Erste Hungary has introduced in its ATMs the option of cash withdrawal without a receipt slip. We use recyclable, environmentally friendly paper not just in its ATMs but also in the course of daily work.

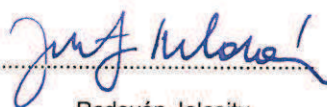
In its internal correspondence, Erste Hungary uses envelopes that can be addressed 24 times, as well as recycled paper and stamps. Erste Hungary donates scrapped but still usable computers, as well as disused furniture, to educational institutions and foundations in need, while used copier and printer cartridges are collected by the suppliers.

In order to reduce the direct adverse environmental impact of transport, the size of our vehicle fleet is continuously determined based on current needs, through the exchange and procurement of modern vehicles with energy-efficient engines. Special attention is paid to the regular monitoring of emissions and fuel consumption, while our colleagues receive driver trainings focusing on ECO-Drive techniques using the ILearning system. Erste Hungary provides space for the storage of more than 180 bicycles in its head office buildings for colleagues travelling to work by bike, thereby promoting health and environmentally friendly transportation.

EVENTS AFTER THE BALANCE SHEET DATE

No significant event occurred until the date that the financial statement was authorised for issue.

Budapest, 4 April 2019



Radován Jelasity

Chairman and Chief Executive Officer



Ivan Vondra

Chief Financial Officer

ANNEX NO. 1: LIST OF BRANCHES

Branch
1138 Budapest, Népfürdő utca 24-26.
1222 Budapest, Nagytétényi út 37-43.
1138 Budapest, Váci út 141.
1203 Budapest, Kossuth Lajos u 21-29.
1073 Budapest, Erzsébet krt 8.
1106 Budapest, Őrs vezér tere 25.
1033 Budapest, Flórián tér 3.
1102 Budapest, Kőrösi Csoma sétány 9/B
1013 Budapest, Krisztina tér 2.
1143 Budapest, Gizella u 59.
1193 Budapest, Kossuth tér 23-24.
1085 Budapest, József krt. 86.
1066 Budapest, Teréz krt. 24.
1032 Budapest, Bécsi út 154.
1021 Budapest, Hűvösvölgyi út 138.
1116 Budapest, Fehérvári út 130.
1082 Budapest, Baross u. 1-3.
1042 Budapest, Árpád út 68.
1134 Budapest, Váci út 33.
1211 Budapest, Kossuth Lajos utca 70-86.
1195 Budapest, Vak Bottyán út 75. a-c. ép.
1173 Budapest, Kaszáló utca 47.
1054 Budapest, Szabadság tér 14.
1152 Budapest, Szentmihályi út 137.
1111 Budapest, Egry József utca 2.
1051 Budapest, Vörösmarty tér 4.
1087 Budapest, Kerepesi út 9.
1024 Budapest, Lövház utca 1-5. 3. ép.
1123 Budapest, Alkotás utca 53.
1024 Budapest, Lövház utca 1-5. földszint
1114 Budapest, Bartók Béla út 47.
1062 Budapest, Váci út 1-3.
1138 Budapest, Váci út 135-139.
1123 Budapest, Alkotás út 55-61.
6500 Baja, Vörösmarty u 5.
9300 Csorna, Szent István tér 29.
4032 Debrecen, Egyetem tér 1.
5700 Gyula, Városház u 16.

6900 Makó, Csanád vezér tér 5.

9400 Sopron, Előkapu u 2-4.

9970 Szentgotthárd, Széchenyi u 2.

8000 Székesfehérvár, Palotai u 4.

8060 Mór, Köztársaság tér 1.

8500 Pápa, Fő tér 25-26.

6720 Szeged, Kölcsey u 13.

2890 Tata, Országgyűlés tér 3.

2000 Szentendre, Duna korzó 18.

7200 Dombóvár, Hunyadi tér 19-21.

3400 Mezőkövesd, Mátyás király út 129.

7620 Pécs, Rákóczi u 62-64.

3100 Salgótarján, Erzsébet tér 5.

2800 Tatabánya, Fő tér 20. A. ép.

6300 Kalocsa, Szent István király út 30.

7100 Szekszárd, Széchenyi u 40.

6720 Szeged, Széchenyi tér 17.

4024 Debrecen, Vár u 4.

4080 Hajdúnánás, Dorogi u 10-14.

5100 Jászberény, Szabadság tér 20.

5300 Karcag, Kossuth tér 6.

5000 Szolnok, Baross Gábor út 8.

5200 Törökszentmiklós, Kossuth u 125.

4625 Záhony, Ady E. u 27-31.

3200 Gyöngyös, Mikszáth Kálmán u 4.

3950 Sárospatak, Rákóczi u 40.

2400 Dunaújváros, Dózsa György u 2/a

8000 Székesfehérvár, Budai út 32.

8900 Zalaegerszeg, Ispotály köz 2.

2040 Budaörs, Szabadság utca 27.

5540 Szarvas, Szabadság u. 32.

2600 Vác, Széchenyi u. 14.

4600 Kiszvárd, Szent László u. 26.

6000 Kecskemét, Dobó krt. 7.

9021 Győr, Árpád u. 42.

9600 Sárvár, Batthyány u. 20.

8100 Várpalota, Szent István út 7-9.

2900 Komárom, Gyár u. 2-6.

2100 Gödöllő, Szabadság tér 14.

2030 Érd, Budai út 13.

4220 Hajdúböszörmény, Szt. István tér 2.

5600 Békéscsaba, Andrásy út 20.

5900 Orosháza, Kossuth u. 2.

6400 Kiskunhalas, Bethlen G. tér 4.

2700 Cegléd, Népkör u. 2.

9700 Szombathely, Mártírok tere 12.

8400 Ajka, Szabadság tér 4/a

7700 Mohács, Szabadság út 16.

6800 Hódmezővásárhely, Andrásy út 2-4.

8200 Veszprém, Ádám I. utca 2.

2120 Dunakeszi, Fő utca 24.

2330 Dunaharaszti, Dózsa György út 27.

2440 Százhalombatta, Szent István tér 9.

4300 Nyírbátor, Szabadság tér 10.

3700 Kazincbarcika, Egressy utca 44.

2660 Balassagyarmat, Rákóczi fejedelem utca 34-36.

6100 Kiskunfélegyháza, Mártírok útja 1.

8420 Zirc, Rákóczi tér 16.

8600 Siófok, Fő utca 172.

4700 Mátészalka, Kölcsey utca 15.

3580 Tiszaújváros, Bethlen Gábor utca 5/b.

7030 Paks, Dózsa György út 64.

8800 Nagykanizsa, Fő utca 2.

6600 Szentes, Kossuth Lajos utca 12-16.

7400 Kaposvár, Fő utca 2.

9200 Mosonmagyaróvár, Fő utca 26.

3300 Eger, Dobó tér 1.

4024 Debrecen, Piac utca 32.

6300 Kalocsa, Szent István utca 37.

4400 Nyíregyháza, Országzászló tér 10.

2310 Szigetszentmiklós, Háros utca 120.

2500 Esztergom, Petőfi S. utca 2.

8360 Keszthely, Kossuth Lajos utca 11.

4400 Nyíregyháza, Nagy Imre tér 1.

4200 Hajdúszoboszló, Szilfákajla utca 49.

6000 Kecskemét, Kossuth tér 6-7.

6000 Kecskemét, Kisfaludy utca 5. 1. em. 1.

3530 Miskolc, Corvin utca 1-3.

3527 Miskolc, Bajcsy-Zsilinszky út 1.

9021 Győr, Bajcsy-Zsilinszky út 30-32

Annex No. 2: Erste Hungary Corporate Governance Report for year 2018

ERSTE HUNGARY
CORPORATE GOVERNANCE REPORT
FOR THE YEAR 2018

Under Section 95/B of Act C of 2000 on Accounting, ERSTE BANK HUNGARY Private Limited Company („the Company”) hereby publishes its Corporate Governance Report.

As a general note, the Company declares that starting from 17 November 2018 it does not have securities listed on a regulated market and, as a consequence, the Company is not subject to the section 95/B of Act C of 2000 on Accounting following this date.

The Company established its corporate governance system in a responsible, efficient and transparent manner, in accordance with the effective legislation applicable to companies and credit institutions, the recommendations and expectations of the NBH (financial supervisor) as well as with considering the interest of the Company's clients and Shareholders.

The Company - as an issuer of certain listed securities before the 16th November in 2018 - prepared its corporate governance report – to ensure transparency and full comparability – in accordance with Corporate Governance Recommendations (“Recommendations” or “CGR”) approved by the Board of Directors of the Budapest Stock Exchange Zrt. on 12 November 2012. The Company emphasizes however that the Company is a credit institution operating as a private limited company, which applies the recommendations prepared for listed public limited companies with the derogations arising from its organization, activities and operations as follows.

PART I**1. Operation of the Board of Directors, and a description of the division of responsibilities and duties between the Board of Directors and the executive management**

The Board of Directors is the managing body of the Company, which directs the operations of the Company within the framework of the law, the Statutes, and the resolutions of the General Meeting and considering the recommendations of the Supervisory Board.. The Board of Directors adopts its own by-laws after seeking the prior opinion of the Supervisory Board.

- The duties of the Board of Directors are to govern the affairs of the Company and exercise all those rights which do not fall within the exclusive competence of the General Meeting or the Supervisory Board. In particular, the Board of Directors represents the Company vis-à-vis third parties, at courts and authorities
- ensures that the books of the Company are kept in accordance with the relevant rules;
- makes a proposal to the General Meeting for the amount of remuneration to be paid to the members of the Supervisory Board;
- on the basis of Section 98(1) of the Credit Institutions Act, establishes the internal regulations making possible the prudence and transparency of investments and commitments, as well as the control and minimisation of risks, and records those regulations in an annex to its by-laws;
- initiates the decision-making of the General Meeting;
- elects the Managing Directors in accordance with the Credit Institutions Act, exercises the employer's rights over them, and determines the terms of the employment agreements of the CEO and the Managing Directors;
- prepares or procures the preparation and audit of the annual report, including the suggestion on the usage of the after-tax profits, and submits the same to the Supervisory Board and the General Meeting;
- establishes committees and advising bodies to support the preparation of decisions.
- approves the principles of investments; and
- prepares and accepts the budget of the Bank and the amendments thereof.

The Board of Directors consists of at least 3 members, elected by the General Meeting for a maximum of 5 years. The members of the Board of Directors may be re-appointed and recalled at any time by the General Meeting.

The members of the Board of Directors are persons employed by the Company (internal members) and persons not employed by the Company (external members).

The Chairman organises the work of and ensures the effective operation of the Board of Directors, represents the Board of Directors and carries out the duties specified in the Statutes and the by-laws of the Board of Directors.

The meeting of the Board of Directors is held as often as the Board of Directors deems necessary or appropriate but at least 4 (four) times a year. . The Chairman of the Board of Directors convenes a Board of Directors meeting upon a written request from any member, specifying the reason for convening the meeting and the proposed agenda. The invitation must be sent in advance to the members of the Board of Directors as laid down in the by-laws.

The Board of Directors has a quorum if at least a simple majority of the members are present. The Board of Directors makes its decisions by simple majority of the members present, subject to Sections 13.9 and 13.10 of the Statutes unless it is otherwise provided by the relevant legislation or the Statutes.

The Board of Directors may pass its resolutions in writing (including fax), teleconference or videoconference.

The internal members of the Board of Directors are the CEO, the Chief Retail Officer, the CFO, the COO and the Chief Risk Officer.

The Chairman elected by the Board of Directors and employed by the Company (in 2018 and currently the CEO), and his deputies (in 2018 and currently the internal members of the Board of Directors) qualify as managing directors under the Credit Institution Act. The Board of Directors decides on the distribution of business activities amongst the managing directors and the rules of replacement. The decisions of the Board of Directors are implemented by the managing directors.

The Board of Directors established a Managing Board . The Managing Board is a body that exercises operative control over the Company, makes the necessary decisions and specifies principles to manage the daily operation of the Company. .

The members of the Managing Board are the Chairman of the Board of Directors (the CEO) and the Deputy CEO's, who are also internal members of the Board of Directors. The CEO is the Chairman of the Managing Board.

The Managing Board convenes its meeting on a weekly basis. The Managing Board has a quorum if more than half of its members are present. Resolutions of the Managing Board are passed by simple majority..

The Managing Board informs the Board of Directors of the measures delivered and the decisions made on a quarterly basis.

In the year 2018 the decision of the Board of Directors related, amongst others, to the following matters:

- reports of the management,
- Risk Management reports,
- the organizational changes of the Company,
- adoption of the amendments of internal regulations within the competence of the Board of Directors,
- preparation of the annual accounts and the related documentation,
- monitoring the inspections carried out by authorities,
- decisions related to the Company's policies,
- decisions related to the subsidiaries of the Company

2. Introduction to the members of the Board of Directors, the Supervisory Board and the Managing Board

2.1. Members of the Board of Directors on 31 December 2018

Radovan Jelasity Chairman of the Board of Directors, CEO (01.06.2011. -)

Mr Jelasity was born in Baja, finished his secondary school in Budapest. He obtained an MBA at the Finance Faculty of Illinois University in Chicago after acquiring a degree in economics at the Belgrade University. He started his banking career at the Deutsche Bank in Frankfurt where he worked for four years as area manager responsible for Central-Eastern Europe. Later he participated in banking projects in Germany, Poland and Bulgaria, on behalf of McKinsey&Company in Frankfurt. As Vice President of the Banking Rehabilitation Agency he participated in the reorganization of the banking sector and in the launch of the privatization process of several large banks. After serving as Deputy Governor he was appointed the Governor of the National Bank of Serbia in 2004 and held this office until 2010. . As central banker, Mr Jelasity played an important role in the consolidation of the Serbian banking sector and the insurance market, as well as in the strengthening of the regulatory and supervisory bodies; furthermore he played a key role in Serbia's negotiations with international financial institutions. Mr Jelasity - as Chief Executive Officer of the Company since June 2011 – beyond his responsibilities specified by the laws and by the by-laws of the Board of Directors , - is responsible for the financial stability of the Company, acts as managing director of the Company and assists the Board of Directors in making decisions affecting the entire Company. He contributes to setting directions to the Company's business policies with evaluation of local and foreign business and macro-economic environment. He manages and coordinates the Company's Corporate Division, supervises the strategic and business planning as well as the operation of the Division. In addition to his position held in the Company, he has been the member of the General Council in the Hellenic Financial Stability Fund in Athens since October 2016.

László Harmati Managing Director, Deputy CEO Retail (02.04.2013. -)

Mr Harmati started his career at the ITCB - Consulting and Training, then between 1998 and 1999 he was Head of Department of Entrepreneurship and Regulation in the Ministry of Finance. Between 1999 and 2002, as Head of Department of Regulation at the National Bank of Hungary, he played a leading role, amongst others, in the development and launching of the domestic trading book regulation and the implementation of the Basel capital rules in Hungary. From 2002 until early 2013, as Deputy CEO at FHB Mortgage Bank Nyrt, and as CEO from 2010 the supervision of the entire business area belonged into his competence and as a consequence he played a leading role in the management of the bank's business strategy. In 2006 and 2007 he undertook an active role in founding the FHB Bank Zrt where he fulfilled the position of the CEO. In 2010 and 2011 he was in charge of the acquisition of Allianz Bank Zrt. Mr Harmati is associated with the establishment of the new business model, managing the rationalization project, and the intensive retail online developments (netbank, netbroker, lead generation via the Internet). He had a leading role in the cost rationalization, the development of the new set of tools for housing subsidy, he is credited with the re-tuning of the collection protocols, and the increase of the branch and direct channels' cross-sale potential. László Harmati as Deputy CEO (Chief Retail Officer) of the Company – since April 2013 – manages and coordinates the retail division of the Bank, supervises the operation of the branch network, manages and supervises the sale of retail products, the customer service and the telesales channel of the Bank.

Krisztina Zsiga Managing Director, Deputy CEO Risk management (06.11.2017. -)

Ms Zsiga graduated in 1993 at the Manchester Metropolitan University. She has been working in risk management for more than 14 years. She gained wide experience on this area in various European countries. Between 1995 and 2007 she worked at Inter-Európa Bank, Citibank and the CitiGroup in Budapest, Moscow, Norway, Prague, and London. She joined Erste Group Bank AG in January 2008 where she was working as Head of Retail Risk Management. Between 2013 and 2016 she was member of the Company's Supervisory Board before she had been elected as external member of the Board of Directors. In November 2017 Krisztina Zsiga was elected as Deputy CEO for Risk Management (Chief Risk Officer) of the Company. She supervises the credit policies of the Bank's business lines, including the credit rating, collateral valuation and provisioning policies. She regularly reviews market risks, supervises the delegation of functions regarding credit clients and he holds responsibility for the safe and secure operation of the Company.

Ivan Vondra, Managing Director, Deputy CEO Finance (07.11.2015. -)

Mr Vondra used to work at the Czech subsidiary of the Erste Group, at Česká Sporitelna as Head of Accounting, Controlling and Business Intelligence since 2002. Between 1992 and 1996 he was Deputy CFO at International Commercial Bank in Prague he gained 20 years of experience in the financial market. Ivan Vondra as Deputy CEO (Chief Financial Officer) of the Company – since November 2015 – is responsible for the financial stability within the Company's business policies and he supervises the Finance and Accounting, Controlling, ALM, Facility and Property Management and Procurement areas.

Tamás Foltányi, Managing Director, Deputy CEO IT and Operation (15.01.2016. -)

Mr Foltányi studied at the Budapest University of Technology at the Faculty of Electrical Engineering then finished the Bank Management Programme at The International Training Center for Bankers Ltd. (Bankárképző). During his career he held leading positions at Inter-Európa Bank and Creditanstalt. From 1999 until 2004 as a managing partner at PWC and IBM he was responsible for the Hungarian financial sector and services offered for them, then took over the management of the IBM Global Services businesses. From 2005 until 2015 he was the Deputy Chief Executive Officer of the FHB Mortgage Bank Nyrt. Tamás Foltányi as Deputy CEO for IT and Operation (Chief Operating Officer) of the Company – since January 2016 – is responsible for the Bank's IT and operations, supervises the IT system development and operational tasks of the Company, manages and coordinates the IT planning of the Company.

Dr. János Rudnay, external Board of Directors member (01.10.2004. -)

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

Frederik Silzer external Board of Directors member (01.08.2005. -)

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

Alexandra Habeler-Drabek, external Board of Directors member (06.12.2017. -)

MS Habeler-Drabek started her career in 1995 at the Creditanstalt-Bankverein Bank as Restructuring and Workout Manager, in 1999 she became the Head of Risk Management Corporate & SME. Between 2001 and 2010 she held different leader positions in Unicredit Bank Austria. In 2010 she became head of Workout & Restructuring & Op-risk in Erste Bank Österreich, then she was the head of Operative Risk Management between 2012 and 2014. Between 2013 and 2016 she was the head of Group Enterprise-wide Risk Management in Erste Group Bank AG. Since 2017 she is the CRO of Slovenská sporiteľňa, a.s.

Zoltán István Marczinkó, external Board of Directors member (11.08.2016. -)

Mr Marczinkó graduated in 1988 at the Karl Marx University of Economic Sciences. At the beginning of his career he worked as the Head of Section for Production Organization in Dabas Printing House. He worked at Budapest Bank Nyrt. as Lending Executive from 1992. Later he was appointed the Head of Branch Network/Head of Central Branch at the HBW Express Savings Cooperative. He worked in the same position (branch manager) at Budapest Bank Nyrt. from 2000 to the end of the year 2010, after that he was the head of the Corporate Business Center.

From 2013 he worked at the Széchenyi Kereskedelmi Bank Zrt. as Head of Acquisitions and Business Development. From 2014 he is Deputy Secretary of State at the Ministry for National Economy, responsible for Key Corporate Relations.

Michael Neumayr, external Board of Directors member (14.09.2016. -)

Mr Neumayr graduated in 1980 as doctor of law at the University of Vienna and subsequently obtained a diploma in International Relations at the Johns Hopkins University, Bologna Center.

He started his professional career in 1982 in international banking at Girozentrale Group, and held various management positions at the international division in Vienna, and the subsidiary in Zurich. In 1995 he joined Bank Austria Creditanstalt, Vienna, heading the International Finance and Syndications Department until 2002.

From 2002 to 2008 he was Executive Director and Member of the Board of Directors at the European Bank for Reconstruction and Development (EBRD) in London, representing Austria and five other shareholder countries, including Bosnia and Herzegovina, and Kazakhstan.

Since 2008, he is an independent business advisor, and member of supervisory boards of several banks and financial institutions.

2.2. Members of Supervisory Board on 31 December 2018**Dr. Manfred Wimmer**, Supervisory Board member, Chairman of the Supervisory Board (01.09.2008. -)

Mr Wimmer graduated in 1978 at the Law School of the Innsbruck University. Between 1982 and 1999 he worked at the International Division of Creditanstalt, Wien. He has been working at ERSTE Bank der Oesterreichischen Sparkassen AG. between 1998-1999 as Head of International Marketing Department between 1999-2002 as acquisition and integration Project Manager of Ceska Sporitelna then between 2002-2007 as Head of Strategic Holding Development Area. Between 2007 and 2008 ha held the position of the President and Board Member of Banca Comerciala Romana. Since 2008 Mr Wimmer is Board Member at Erste Group Bank AG responsible for Finance and Accounting and Performance Management. He retired as of 1 September 2013, but he is keeping the Chairman position of the Company's Supervisory Board.

Friedrich Rödler, Supervisory Board member (28.04.2012. -)

He graduated in 1975 at the Vienna Technical University (Mathematics and IT specialty), then obtained an academic degree at the Vienna School of Economics in 1976, then a second degree in "International relations" specialty. From 1976 until 1986 he was employed by Arthur Andersen & Co, then between 1986 and 1990 he worked as a partner at GRT Robol & CO. He held various positions at PWC from 1990 to 2013. Mr Rödler is the Chairman of the Supervisory Board of Erste Group Bank AG. He has more than 34 years of work experience in financial, accounting and tax consultancy matters.

Gernot Mittendorfer, Supervisory Board member (02.12.2013. -)

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

Maximilian Clary Und Aldringen, Supervisory Board member (22.03.2016. -)

Mr Clary Und Aldringen graduated at the Universität Passau and European School of Management. He started his master's degree studies at London Business School for Executive MBA Degree in 2014. During his working career he held several positions at Raiffeisen Zentralbank Österreich AG and Raiffeisen Bank International AG. From 2013 until 2014 he was employed at the Romanian subsidiary of Erste Bank Bank AG, Banca Comerciala Romana as a consultant to the Chief Operating Officer. Since April 2014, he had been the senior manager of the Group Strategy area of Erste Group Bank AG, and since January 2015 he is the head of this area.

dr. Alíz Zsolnai, Supervisory Board member (11.08.2016. -)

Ms Zsolnai graduated in 2002 at the University of Szeged. She passed Specialist Exam in Public Administration in 2004. In 2006 she spent three months internship in the HM Treasury and finished her PhD studies in 2012. From 2002 she is a government official in the Ministry of Finance, where she worked as Deputy Head of Department in 2014, and as Head of Department since 2015.

Lucyna Stanczak-Wuczynska, Supervisory Board member (28.02.2017. -)

Ms Stanczak-Wuczynska graduated in 1990 at the Warsaw School of Economics then obtained a second degree in Economics and European Integration. She started her professional career in 1992 at Credit Agricole. Between 1998 and 2000 she was the Structured Finance Vice President of ABN Amro Bank Polska S.A. She joined the European Bank for Reconstruction and Development (EBRD) in 2000 in Poland, where she became Country Director. Since August 2014 she has been working at the headquarters of EBRD in London as Financial Institutions (EU Banks) Director.

Magdolna Nagy, Supervisory Board member, representing employees (01.02.2013. -)

Ms Nagy is the Head of the Custody area of the Company

She graduated in 1990 at the Budapest School of Economics. She has 20 year experience in investment services. Since 1993 she developed the depository service activity in various Hungarian banks. Between 1993 and 1997, she was head of deposit management at Magyar Hitelbank then between 1997 and 2000 at CIB Central European International Bank Rt. At the Company she has been Head of the Custody area 2000.

Márta Marosvölgyi, Supervisory Board member, representing employees (13.05.2013. – 03.10.2018)

Ms Marosvölgyi was the Head of the Operations Control within IT and Operation area of the Company.

She has a chartered accountant degree; and she graduated in 2002 at the Budapest Business School as economist and controller. She started her professional career in 2002 as accountant at Colling Ltd. Between 2003-2007 she worked as an expert at Citibank Hungary and Citibank Handlowy/Warsaw/Poland (current accounts, deposits, loans, insurance and investments) within Operation, and she supported the conversion of the Core Bank System. Between 2007 and 2010 she worked at HSBC's Polish bank as Financial Control Manager. She joined ERSTE BANK HUNGARY Zrt. in 2010 as Head of Section at the Operation Control; since January 2011 she led the Operations Control Department at the Company. Her employment was terminated on the 3rd of October 2018.

Anna Kósa, Supervisory Board member, representing employees (11.08.2016. -)

Ms Kósa is the Head of Compliance at the Company.

She graduated as lawyer in the University of Miskolc. She worked as compliance and legal executive at the beginning of her career at the Magyarországi Volksbank. She joined the Company in 2012 as compliance expert at the AML and Securities Compliance. She was responsible for performance of compliance functions related to the financial and investment service activities of the Company and for the supervision of the relevant internal processes from compliance aspects. Later she was the Acting Head of Compliance Department. She is the Head of Compliance (named Compliance, AML and Fraud Prevention Department earlier) since May 2016.

Attila István Balla, Supervisory Board member, representing employees (06. 12. 2018. -)

Mr Balla is the regional head of the branch network in the East Hungarian region, originally graduated as an engineer, but he also finished economy studies in 1993. Before joining the Company in 2010, he worked for several other credit institution in various positions (head of sale at retail and SME segment for Unicredit or branch director for Raiffeisen..etc). He was mainly responsible for sales activities in his positions, but he had committee mandates as well, like Supervisory Board member for Erste Biztosító as well as for UniCredit Bank.

2.3. Members of Managing Board on 31 December 2018

Jelasky Radován, Chairman of the Board of Directors, CEO, managing director responsible for the Corporate Business

László Harmati, Managing Director, Deputy CEO Retail

Krisztina Zsiga Managing Director, Deputy CEO Risk management

Ivan Vondra Managing Director, Deputy CEO Finance

Tamás Foltányi: Managing Director, Deputy CEO IT and Operation

3. Number of meetings held by the Board of Directors and the Supervisory Board in 2018

In 2018 both the Board of Directors and Supervisory Board held four meetings.

The quorum at the 2018 meetings of the Board of Directors and the Supervisory Board was ensured in each case.

4. The presentation of criteria considered when evaluating the work of the Board of Directors, the Supervisory Board, the Managing Board, as well as of the members of these bodies

The Company is a credit institution subject to the Credit Institution Act, where, in line with the legislative provisions the Remuneration and Nomination Committee appraised the members of the Board of Directors and the Supervisory Board. The appraisal criteria for members of these bodies are laid down in the Remuneration Policy published by the Company, its Fit & Proper regulation and other criteria laid down in the Credit Institution Act. No further measures were made as a follow-up to this appraisal.

5. Report on the operation of individual committees

5.1. Supervisory Board

The Supervisory Board carries out all duties which are delegated into its competence by the applicable laws or by the Statutes, in particular:

- ensures that the Company operates in accordance with the general rules of operation, including the Statutes and the resolutions of the General Meeting;
- comments on the annual report; inspect the Company's annual, interim (or other extraordinary) and consolidated balance sheets (reports) and the proposals concerning the payment of dividends; and submit the reports on the same to the General Meeting;
- reviews the reports on the management of the Company;
- submits its opinions, proposed resolutions and propositions to the General Meeting and the Board of Directors;
- comments on the draft amendments to the Statutes prior to the submission thereof to the General Meeting;
- submits a proposal to the General Meeting on the person and remuneration of the Auditor;
- reviews and evaluates the underlying principles of the Company's business policy and comment on the Company's business policy;

- submits a proposal to the General Meeting on the appointment, removal, and remuneration of the members of the Board of Directors;
- reviews the Company's accounting statements and documents in order to establish whether they are in compliance with the Company's business policy, the binding statutory regulations, the Statutes and the resolutions and instructions passed by the General Meeting;
- sets up committees out of its members and adopts the by-laws of such committees;
- informs the General Meeting of the results of its control and other activities;
- reviews the performance of the Board of Directors of the Company;
- comments on the budget of the Company in advance as well as any decreases or increases of the figures in the budget exceeding 10%;
- comments on the key points of the collective agreement to be concluded with the employees of the Company;
- comments on the interim balance sheet of the Company, which is necessary for the payment of interim dividends or for any other reason, in advance;
- approves the proposal of the Board of Directors for the payment of interim dividends in advance (Section 3:263(2) of the Civil Code);
- comments on the guidelines of investments;
- comments on the principles of the internal rules that stipulate the signing rights of the persons undertaking commitments on behalf of the Company (other than the decisions regarding the authorisation of specific persons) and of the internal regulations concerning the policy on public announcements in advance;
- comments on any capital increase of the Company;
- comments on the by-laws of the Board of Directors;
- informs the General Meeting and, if necessary, initiate the decision-making of the General Meeting if, in the judgment of the Supervisory Board, the activity of the Board of Directors is contrary to the law, the Statutes, or the resolutions of the General Meeting or the Supervisory Board, or otherwise contrary to the interests of the Company or the Shareholders;
- represents the Company at court in matters defined in the Civil Code;
- comments on the establishment, voluntary dissolution, sale and acquisition of subsidiaries, on the increase or decrease of participation in subsidiaries, on the establishment and/or closing-down of representations and representative offices,
- comments on the election of the Chairman of the Board of Directors and the Managing Directors;
- prepares the agreement to be concluded with the auditor, monitors the enforcement of the professional requirements and rules of conflict of interest in respect of the auditor, performs tasks in relation to cooperation with the auditor, and if necessary, makes a proposal to the Board of Directors to take measures;
- accepts, implements and reviews the principles of the remuneration policy and is responsible for the monitoring thereof; and
- gives its approval, consent or comment (opinion) in relation to any other issue where approval, consent or comment (opinion) is required in accordance with the Statutes or with some by-laws or internal rules of the Company.

The Supervisory Board consists of at least 3 and at most 9 members, elected for five years by the General Meeting. The members of the Supervisory Board can be re-elected and recalled by the General Meeting at any time. As long as the annual

average number of the Company's FTE employees exceeds 200 people, one third of the Supervisory Board members are appointed by the General Meeting on the basis of the nomination of the Work Council. The mandate of members representing employees ceases upon the termination of his/her employment.

The Chairman of the Supervisory Board can be invited to the meetings of the Board of Directors in a consultative capacity.

The Supervisory Board meets as frequently as it deems necessary, or upon the request from any Supervisory Board member, but at least four times a year.

The invitation letters and the proposals concerning the matters to be discussed at the Supervisory Board's meeting must be sent to the members as laid down in the by-laws.

The Supervisory Board meeting has a quorum when at least two-third of the Supervisory Board members are present, with at least three members present other than those elected upon the appointment of the Works Council.

The Supervisory Board passes its decisions with a simple majority and the open vote by the members present. The opinion of the employee representatives must be recorded in each case. Where the employee delegate's opinion is unanimously different from the Supervisory Board's majority opinion, the minority position of the employees must be disclosed to the General Meeting.

The Supervisory Board may pass its resolutions in writing, (including fax), teleconference or video conference, as laid down in the by-laws.

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

In 2018 the Supervisory Board resolutions affected primarily the following issues:

- quarterly reports of the Board of Directors, Remuneration Policy,
- matters related to the governance of the Internal Audit;
- the Company's organizational transformations,
- preparation of the Annual Report and the related report, making proposals,
- making decisions related to the main changes related to subsidiaries,

5.2. Audit Committee

The Audit Committee is a sub-committee of the Supervisory Board that carries out advisory and consultancy tasks to the Supervisory Board as laid down in its by-laws, and performs other tasks as laid down by the Supervisory Board. Under the by-laws, the Audit Committee is competent in the following matters, amongst others:

tasks related to the report under the Accounting Act, the audit made by the auditors, the person of the auditor and the contract to be concluded with it, the evaluation of the financial reporting system; furthermore the Audit Committee performs tasks related to the operation of internal control, such as the activities of the internal independent audit organization and proposes measures in connection with the risk assessment and risk management systems.

The Audit Committee consists of 3 members, elected by the General Meeting from the independent members of the Supervisory Board not representing employees. At least one member of the Audit Committee must have an accounting or auditing qualification.

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

The Audit Committee has a quorum if it is duly convened and at least two of its members are present. Otherwise the rules on the convention of the Supervisory Board apply. The Audit Committee passes its resolutions with unanimous decision.

The rules of the Audit Committee's operation are laid down in its by-laws, adopted by the Supervisory Board. If all members of the Audit Committee agrees, its meeting can be convened electronically, via fax or the phone.

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

The Chairman, or in the absence of the Chairman the Deputy Chairman makes a presentation to the Supervisory Board on the activity performed by or the meetings of the Audit Committee since the last report. Regular reports must be drawn up on the meeting of the Audit Committee and annexed to the material of the Supervisory Board meetings.

In 2018, the Audit Committee held four meetings, the Committee had a quorum at all of them.

In 2018 the Audit Committee primarily passed decisions on internal audit, the inspections carried out by the NBH at the Company, the annual report and the auditor. The Board of Directors made no resolutions against the proposal from the Committee.

Members of the Audit Committee on 31 December 2018

Friedrich Rödler, Chairman

Gernot Mittendorfer, Deputy Chairman

Maximilian Clary Und Aldringen, member

5.3. Risk Governance Committee

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

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

Three members of the Committee are delegated from amongst the external members of the Board of Directors.

Any member of the Board of Directors or the Supervisory Board, and the Deputy CEO Risk Management (CRO, head of risk management areas in the Company) can also participate at the Committee's meetings but with no voting right, however, he/she can participate in the debates. Where the matters to be discussed require, the Chairman, or in his absence the Deputy Chairman can invite other Company employees or experts with appropriate expertise, to attend the Committee meeting with no voting right.

The Risk Governance Committee holds its meetings as required but at least four times a year.

The Risk Governance Committee has a quorum if it is convened duly and at least two of its members are present. To pass a resolution on any matter discussed at the Committee's meeting at least two members voting for the decision is required. The members participating at the meeting via a teleconference or a video conference must be considered attending members.

The Risk Governance Committee may pass its resolutions via phone, fax or other similar ways.

The Chairman, or in his absence the Deputy Chairman reports to the Board of Directors on the activities completed by the Committee since the previous report and the meetings held. The Committee reports regularly to the Supervisory Board on its activities.

In 2018, the Risk Governance Committee held four meetings, the Committee had a quorum at all of them.

In year 2018 the Committee dealt with the matters within its competence, the amendment of risk management policies, and the effects of external events relevant for risk management.

Members of the Risk Governance Committee on 31 December 2018

Alexandra Habeler-Drabek, Chairperson

Frederik Silzer, Deputy Chairman

dr. János Rudnay

5.4. Remuneration and Nomination Committee

The Remuneration and Nomination Committee performs the tasks specified in the Credit Institution Act, as laid down in its by-laws.

The Remuneration and Nomination Committee has three members, its members are delegated from amongst the external members of the Board of Directors.

The by-laws of the Committee sets out the persons that can attend the meetings of the Committee in consultative capacity. Depending on the agenda items, further guests, the Company's employees and external experts can be invited to the meetings of the Remuneration and Nomination Committee.

The Committee holds meetings as required but at least twice a year. The meetings of the Committee must be convened if initiated by any of its members by specifying the purpose of the meeting.

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

The Committee has a quorum if at least two of its members are present. The Committee can pass decisions in any matter discussed at the meeting if at least two members vote for it. Members participating at a meeting by conference call or video conference shall be considered as being present.

In 2018 the Committee held two meetings; the Committee had a quorum at both meetings.

In 2018 the Committee mainly dealt with changes in the top management, remuneration issues, tasks within the Remuneration and Nomination Committee's competence and matters related to the amendment of the Remuneration Policy.

Members of the Remuneration and Nomination Committee on 31 December 2018:

dr. János Rudnay, Chairman

Frederik Silzer, Deputy Chairman

Alexandra Habeler-Drabek

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

The Company established and ensured the system of internal controls at group level, in line with the Credit Institution Act and the recommendations of the NBH, and laid it down in the by-laws of the Company. The primary goal for operating internal controls is to facilitate the Company's prudent, efficient operation, in compliance with the legislation and by-laws, furthermore to assist the Company management in substantiated decision-making.

The basic pillars to the Company's internal control functions are the risk control function (risk management), compliance control function (compliance) and internal audit function. In the context of the financial process the work of the auditor is part of the internal control mechanism.

Internal Audit

The internal audit performs examination and evaluation of the activities of the Company and the subsidiaries and ancillary businesses subject to consolidated supervision with the Company. In this context it monitors compliance with legislative requirements, official orders and bylaws, , whether organizational units operate as provided for in the strategic objectives, it verifies the compliance and operation of business records, the outsourced activities and the content of the Remuneration Policy. As preventive activity, it contributes to projects as advisor, and forms an opinion when new products, by-laws, systems are introduced, if necessary.

The Internal Audit reports to the Supervisory Board, the Audit Committee and forwards the reports to the Managing Board and the Board of Directors of the Company, and ensures that the reports are available to the financial supervisory authority.

The annual report of the Internal Audit on the implementation of the remuneration policy is forwarded to the Remuneration and Nomination Committee as well.

The Supervisory Board controls the organisation of the Internal Audit, as part of which it:

- ensures that the Company has a comprehensive control system making efficient operation possible;

- monitors the annual and interim financial reports of the Company;
- accepts the annual audit plan of the Internal Audit organisational unit;
- discusses the reports prepared by the Internal Audit at least semi-annually and controls the implementation of the necessary measures;
- supports the work of the Internal Audit with the invitation of an external expert as necessary; and
- makes a proposal on the change of headcount of the Internal Audit organisational unit (Section 152(3) of the Credit Institutions Act).

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

Decisions related to the establishment of an employment of the Head of Internal Audit, and his dismissal by the Company cannot be passed without the preliminary consent of the Supervisory Board.

Audit Committee

The sub-committee of the Supervisory Board, the Audit Committee also performs tasks related to the operation of the internal control system and the activities of the independent internal audit system, amongst others:

- discusses all Internal Audit related material prepared for the Supervisory Board,
- makes proposals for the Supervisory Board on the appointment and dismissal of the Head of Internal Audit, on the organization, headcount and main operational rules of the Internal Audit,
- makes proposals to the Supervisory Board in connection with the annual audit plan and the outcome of the internal audit activity, and
- proposes measures in the context of risk assessment and management systems.

Anti money-laundering and Compliance

The Anti-money laundering, the Compliance and Fraud Prevention areas of the Company carry out tasks related to the prevention of money laundering, international sanctions, fraud management and compliance risk detection and management tasks, on the basis of the relevant EU and Hungarian legislation. In this context they draw up by-laws and procedures compliant with relevant legislation, in connection with their activities they perform inquiries and audits and perform similar professional supervision of the subsidiaries of the Company.

These areas of the Company prepare an annual comprehensive report on the anti money-laundering and compliance activity and status, to be approved by the Board of Directors of the Company.

Risk Management

The Company's risk management system is established to comply with legislative and supervisory requirements, in addition to the internal objectives of efficient and effective risk management. This system includes risk identification, the evaluation and analysis of their effects, drawing up plans for the required measures, and monitoring the efficiency of the risk management system. The management of the Company passes its resolutions considering the significant risks.

Apart from the Risk Governance Committee, the Company set up further committees in order to ensure support to efficient decision making process and the multi-functional supervision (joint participation of various professional areas). Their main purpose is to establish risk management, the related principles, risk strategy and its alignment with the business strategy, its follow-up and monitoring, and to increase risk awareness. Among the key objectives of these committees are the implementation of mutual coordination between corporate, retail lending and internal management functions.

Risk management standards and expectations are laid down in detail in the risk management by-laws of the Company.

The Company publishes its Disclosure Report pursuant to the Capital Requirements Regulations ("Risk Management report") on its website each year, containing the organizational structure of risk management and the relevant risk management information of the Company in the relevant year, and the risk factors influencing the Company's operation and management. The Risk Management report can be accessed here at the Company website (www.erstebank.hu): <https://www.erstebank.hu/hu/ebh-nyito/bankunkrol/erste-bank-hungary-zrt/vallalatiranyitas/hivatalalos-kozzetelelek/2018/06/01/modositott-2017-evi-kockazatkezelesi-jelentes>

Auditor

The Company has an auditor, appointed by the General Meeting, and registered in the Company Register.

The Company engaged PricewaterhouseCoopers Könyvvizsgáló Kft. (1055 Budapest, Bajcsy-Zsilinszky út 78.) with the audit of its 2018 annual report and consolidated annual report in line with the legislation in force. Appointed auditor: Árpád Balázs (1124 Budapest, Dobsinai u. 1.; mother's name: Kozma Hedvig; Registration number with the Chamber: 006931).

The auditor performs its other tasks specified by the law (in particular by the Credit Institutions Act); furthermore the Board of Directors and the Supervisory Board can request the auditor to perform special audits and to issue a report on such audits.

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

7. The company's disclosure policy

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

- The Company regularly presents, in the Notes to the Annual Accounts, the fees by the auditor for the other certification services, for tax consultancy and other non-audit services charged in the reporting year (in addition to the fee charged by the auditor for the audit of the reports of the reporting year).
- The Company publishes its Risk Management report on its website each year, containing the organizational structure of risk management and the relevant risk management information at the Company in the relevant year, and the risk factors influencing the Company's operation and management.
- The Company publishes on its website, together with its annual report, the main remuneration data for the previous years, furthermore the summary of its current remuneration policy is available on the website.
- In its annual report the Company discloses information on the professional career of the members of the Board of Directors, the Supervisory Board and the Managing Board.

8. The Company's policy on trading by insiders

The Company is a private limited company, which manages the list of insider traders in line with the provisions of the Capital Market Act¹ and establishes its by-laws on insider trading.

9. Method of exercising shareholders' rights

The Company's main decision-making body is the General Meeting, where shareholders can exercise their participation and voting rights in person or via proxy.

The General Meeting is convened by the Board of Directors. The convention of the General Meeting can be initiated by one or several Shareholders or any Supervisory Board member in writing; its decision can be also initiated by the competent authority, the auditor and the court of registration. Invitation to the General Meeting is sent by the Board of Directors in writing (via post, fax or, upon an express request, e-mail) to the Shareholders, at least thirty days before the date of the meeting.

The General Meeting can be attended via telecommunication devices (phone, videophone, online conference devices), in line with the rules laid down in the Statutes.

The General Meeting can also pass resolutions in writing, without holding a meeting. In such a case a resolution is adopted when the last vote required to pass a resolution is received by the Board of Directors, provided that it is received within 30 days after the sending out of the draft resolution. Any Shareholder can request the convention of a meeting in person within five working days following the receipt of the draft resolutions.

The General Meeting shall have a quorum if Shareholders holding more than 75% of votes are present. A second or further General Meeting can be convened to a date at least three working days after the General Meeting without a quorum, with the same agenda; in this case the General Meeting has a quorum where Shareholders holding at least 50% of the votes are present.

¹ Act CXX of 2001 on the Capital Market

The General Meeting decides in matters referred to its competence by law of the Statutes. The following matters fall within the exclusive competence of the General Meeting:

- the amendment of the Statutes;
- increasing the registered capital of the Company;
- electing and recalling the members of the Board of Directors and determining their remuneration;
- electing and recalling the members of the Supervisory Board and the Auditor and determining their remuneration;
- electing and recalling the members of the Audit Committee;
- approving the annual report (including approving the report of the Board of Directors on its business activities in the preceding year and the report of the Supervisory Board on that report), including the decision on the use of after-tax profits;
- evaluating the work performed in the previous business year by the members of the Board of Directors, deciding on the discharge that may be granted to the members of the Board of Directors;
- decision on the payment of any dividends and interim dividends;
- returning the banking licence of the Company;
- approving the by-laws of the Supervisory Board; and
- deciding on any issue which is referred to the competence of the General Meeting by law or these Statutes.

In the decision making process of the General Meeting the voting requirements laid down in the Civil Code² apply, except if any of these matters belong to the Reserved Competence of the General Meeting as laid down in the Statutes, in which case the special voting rules as laid down in the Statutes apply.

10. Remuneration statement

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

The summary of the Remuneration Policy can be accessed here at the Company website (www.erstebank.hu):
<https://www.erstebank.hu/hu/ebh-nyito/bankunkrol/erste-bank-hungary-zrt/vallalatiranyitas/javadalmazasi-politika>

² Act V of 2013 on the Civil Code of Hungary

II. PART

Corporate Governance Report on Compliance with the Corporate Governance Recommendations (CGR)

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

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

Level of compliance with the Recommendations

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

A 1.1.1 The Board of Directors / Governing Body ensured that shareholders received access to information in time to enable them to exercise their rights.

Yes (Complies)

No (Explanation)

A 1.1.2 The company applies the "one share - one vote" principle.

Yes (Complies)

No (Explanation)

A 1.2.8 The company ensures that shareholders must meet the same requirements in order to attend at the general meeting.

Yes (Complies)

No (Explanation)

A 1.2.9 Items on the general meeting agenda only include subjects which are correctly detailed and summarized clearly and unambiguously.

Yes (Complies)

No (Explanation)

The proposals included the suggestions of the Supervisory Board and a detailed explanation of the effects of the decision.

Yes (Complies)

No (Explanation)

A 1.2.10 Shareholders' comments on and supplements to the items on the agenda were published at least two days prior to the general meeting.

Yes (Complies)

No (Explanation)

The Company is a private limited company and as a consequence no legal obligation exists for such publication, due to the special characteristics of the operational form.

A 1.3.8 Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.

Yes (Complies)

No (Explanation)

The Company is a private limited company and as a consequence no legal obligation exists for such publication, due to the special characteristics of the operational form. In this year no shareholder comments were received to the agenda items of the General Meeting.

Written comments made on the items on the agenda were published two working days prior to the general meeting.

Yes (Complies)

No (Explanation)

The Company is a private limited company and as a consequence no legal obligation exists for such publication, due to the special characteristics of the operational form

A 1.3.10 The election and dismissal of executives took place individually and by separate resolutions.

Yes (Complies)

No (Explanation)

A 2.1.1 The responsibilities of the Board of Directors / Governing Body include those laid out in Section 2.1.1 of CGR.

Yes (Complies)

No (Explanation)

The Company is subject to the Credit Institution Act, which delegates the task under Subsection 2.1.1. d) of CGR, in accordance with the Remuneration Policy of the Company, to the Remuneration and Nomination Committee, otherwise the tasks of the Board of Directors cover Section 2.1.1.

A 2.3.1 The Board of Directors / Governing Board held meetings regularly, at times designated in advance.

Yes (Complies)

No (Explanation)

The Supervisory Board held meetings regularly, at times designated in advance.

Yes (Complies)

No (Explanation)

The rules of procedure of the Board of Directors / Governing Board provide for unscheduled meetings and decision-making through electronic communications channels.

Yes (Complies)

No (Explanation)

The rules of procedure of the Supervisory Board provide for unscheduled meetings and decision-making through electronic communications channels.

Yes (Complies)

No (Please explain)

A 2.5.1 The Governing Board / Supervisory Board of the company has a sufficient number of independent members to ensure the impartiality of the board.

Yes (Complies)

No (Explanation)

No Governing Board operates at the Company. The Supervisory Board has a sufficient number of independent members to ensure the impartiality of the board.

A 2.5.4 At regular intervals (in connection with the CGR) the Governing Board / Supervisory Board requested a confirmation of their independent status from those members considered independent.

Yes (Complies)

No (Explanation)

The Company is a private limited company, which is not subject to the provisions of the Civil Code on the independence of such persons in the public limited companies. No Governing Board operates at the Company.

A 2.5.6 The company disclosed on its website the guidelines on the independence of the Governing Board / Supervisory Board, as well as the criteria applied for assessing independence.

Yes (Complies)

No (Explanation)

The Company is a private limited company and as a consequence no legal obligation exists for such disclosure, due to the special characteristics of the operational form

A 2.6.1 Members of the Board of Directors / Governing Board informed the Board of Directors / Governing Board (Supervisory Board/Audit Committee) if they (or any other person in a close relationship to them) had a significant personal stake in a transaction of the company (or the company's subsidiary).

Yes (Complies)

No (Explanation)

A 2.6.2 Transactions between board and executive management members (and persons in close relationship to them) and the company (or its subsidiary) were conducted according to general rules of practice of the company, but with stricter transparency rules in place.

Yes (Complies)

No (Explanation)

Transactions which according to 2.6.2, fell outside the normal course of the company's business, and their terms and conditions were approved by the Supervisory Board.

Yes (Complies)

No (Explanation)

The Company is subject to the Credit Institution Act, and according to this legislation, transactions concluded between the members of the bodies or the management (and persons related to them) and the Company (and its subsidiaries) are approved by the body/bodies specified by the Statutes and by-laws, established in line with the requirements of the Credit Institution Act on internal lending and conflict of interests.

A 2.6.3 Board members informed the Supervisory Board/Audit Committee (nomination committee) if they received an offer of Board membership or an offer of an executive management position in a company which is not part of the company group.

Yes (Complies)

No (Explanation)

Pursuant to Sections 143-145 of the Credit Institution Act, any member of the Board of Directors shall immediately notify the Company Secretariat if he/she establishes or terminates a membership in the management or any of the bodies of a company which is not a member of the Erste group. Such notification is examined by Compliance - in line with Section 13.12. of the Statutes and by-laws of the Company - for potential conflicts of interest, and in the event of identifying a conflict of interests it calls the person concerned, by setting an appropriate deadline, to resolve the conflict of interest.

A 2.6.4 The Board of Directors / Governing Body established its guidelines on information flow within the company and the handling of insider information, and monitored compliance with those guidelines.

Yes (Complies)

No (Explanation)

The Board of Directors / Governing Body established its guidelines regarding insiders' trading in securities and monitored compliance with those guidelines.

Yes (Complies)

No (Explanation)

A 2.7.1 The Board of Directors / Governing Body formulated remuneration guidelines regarding the evaluation and remuneration of the work of the Board of Directors / Governing Body, the Supervisory Board and the executive management.

Yes (Complies)

No (Explanation)

The Company is subject to the Credit Institution Act, and in line with the requirements of that legislation the principles of the Remuneration Policy of the Company are adopted and reviewed by the Supervisory Board. In line with the legislative provisions the Remuneration and Nomination Committee appraised the members of the Board of Directors and the Supervisory Board.

The Supervisory Board formed an opinion on the remuneration guidelines.

Yes (Complies)

No (Explanation)

The Company is subject to the Credit Institution Act, and in line with the requirements of that legislation the principles of the Remuneration Policy of the Company are adopted and reviewed by the Supervisory Board.

The guidelines regarding the remuneration for the Board of Directors / Governing Body and the Supervisory Board and the changes in those guidelines were approved by the general meeting, as a separate item on the agenda.

Yes (Complies)

No (Explanation)

The Company is subject to the Credit Institution Act, and in line with the requirements of that legislation the principles of the Remuneration Policy of the Company are adopted and reviewed by the Supervisory Board and the Remuneration and Nomination Committee makes separate decisions on the remunerations of the members of the Board of Directors and Supervisory Board.

A 2.7.2 The Board of Directors / Governing Body prepared an evaluation of the work it carried out in the given business year.

Yes (Complies)

No (Explanation)

The Company is subject to the Credit Institution Act, and in line with the requirements of that legislation the appraisal of the performance of the members of the Board of Directors is the responsibility of the Remuneration and Nomination Committee.

A 2.7.2.1 The Supervisory Board prepared an evaluation of the work it carried out in the given business year.

Yes (Complies)

No (Explanation)

The Company is subject to the Credit Institution Act, and in line with the requirements of that legislation the appraisal of the performance of the members of the Supervisory Board is the responsibility of the Remuneration and Nomination Committee. The decision on a possible discharge of the members of the Board of Directors falls within the exclusive competence of the General Meeting as laid down in the Civil Code.

A 2.7.3 It is the responsibility of the Board of Directors / Governing Body to monitor the performance of and determine the remuneration for the executive management.

Yes (Complies)

No (Explanation)

The frameworks of benefits due to members of the executive management that do not represent normal practice, and the changes in those benefits were approved by the general meeting as a separate agenda item.

Yes (Complies)

No (Explanation)

The Company is subject to the Credit Institution Act, and in line with the requirements of that legislation the frameworks of the remuneration applied by the Company is different from the normal practice and as a consequence the relevant policy framework and changes in the benefits are adopted and reviewed by the Remuneration and Nomination Committee, within the framework set by the principles of the Remuneration Policy.

A 2.7.4 The structure of share-incentive schemes were approved by the general meeting.

Yes (Complies)

No (Explanation)

Prior to the decision by the general meeting on share-incentive schemes, shareholders received detailed information (at least according to those contained in 2.7.4).

Yes (Complies)

No (Explanation)

A 2.7.7 The Remuneration Statement was prepared by the company and submitted to the general meeting.

Yes (Complies)

No (Explanation)

The Remuneration Policy of the Company is approved by the Supervisory Board, in line with the requirements of the Credit Institution Act. The summary of the policy is published by the Company. Furthermore, the Company prepares, under the CRR³, and publishes in the framework of the Risk Management report its remuneration data for the reporting year. The Risk Management report is approved by the Managing Board of the Company.

The Remuneration Statement includes information about the remuneration of individual members of the Board of Directors / Governing Body, the Supervisory Board, and the executive management.

Yes (Complies)

No (Explanation)

The Company prepares, under the CRR, and publishes in the framework of the Risk Management report its remuneration data for the reporting year regarding employees having significant effects on the risk profile of the Company (key persons). The Risk Management report contains remuneration data on an aggregate basis.

A 2.8.1 The Board of Directors / Governing Body or the committee operated by it is responsible for monitoring and controlling the company's entire risk management.

Yes (Complies)

No (Explanation)

The Company, as a credit institution with at least 5 percent market share in terms of its balance sheet total, has a Risk Governance Committee established in line with the Credit Institution Act.

The Board of Directors / Governing Body request information on the efficiency of risk management procedures at regular intervals.

³ Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (CRR)

Yes (Complies)

No (Explanation)

The Board of Directors / Governing Body took the necessary steps to identify the major risk areas.

Yes (Complies)

No (Explanation)

A 2.8.3 The Board of Directors / Governing Body formulated the principles regarding the system of internal controls.

Yes (Complies)

No (Explanation)

Risk control function, compliance control function and internal audit function can be classified as internal control functions. The system of internal controls, and the principles related to that system are established in accordance with the Credit Institution Act and Recommendation No. 5/2016 (VI. 06.) of the NBH, approved by the bodies provided for in the by-laws and legislation. The bank level framework of risk control function, the application of risk taking principles (identification, measuring, mitigation, monitoring) and the rules of determination of risk bearing capacity calculation were defined within the framework of enterprise-wide risk management which was approved by the management and the Board of Directors of the Company. The Compliance policy comprises the provisions of compliance control function is subject to approval by the management of the Company. Regarding internal audit system please see Sections 5.1., 5.2. and 6 of this corporate governance report.

The system of internal controls established by the executive management guarantees the management of risks affecting the activities of the company, and the achievement of the company's performance and profit targets.

Yes (Complies)

No (Explanation)

A 2.8.4 When developing the system of internal controls, the Board of Directors / Governing Body took into consideration the viewpoints included in 2.8.4.

Yes (Complies)

No (Explanation)

A 2.8.5 It is the duty and responsibility of the executive management to develop and maintain the system of internal controls.

Yes (Complies)

No (Please explain)

Within the framework laid down in the Credit Institution Act.

A 2.8.6 The company created an independent Internal Audit function which reports to the Audit Committee / Supervisory Board.

Yes (Complies)

No (Explanation)

The Internal Audit reported at least once to the Audit Committee / Supervisory Board on the operation of risk management, internal control mechanisms and corporate governance functions.

Yes (Complies)

Regarding reporting of Internal Audit please see Section 6 of this corporate governance report.

A 2.8.7 The internal audit activity is carried out by the Internal Audit function based on authorization from the Audit Committee / Supervisory Board.

Yes (Complies)

No (Explanation)

As an organization, the Internal Audit function is independent from the executive management.

Yes (Complies)

No (Explanation)

A 2.8.8 The Internal Audit schedule was approved by the Board of Directors / Governing Body (Supervisory Board) based on the recommendation of the Audit Committee.

Yes (Complies)

No (Explanation)

According to the Credit Institution Act, the internal audit plan is adopted by the Supervisory Board.

A 2.8.9 The Board of Directors / Governing Body prepared its report for shareholders on the operation of internal controls.

Yes (Complies)

No (Explanation)

The operation of internal controls established in line with the Credit Institution Act is audited by the Internal Audit; the supervision of the Internal Audit is in the competence of the Supervisory Board. Risk control and compliance control are subject to the governance by the member of the Board member of the Company responsible for risk management (Deputy CEO Risk Management). These areas regularly report to the Board of Directors, to the Supervisory Board, and to the Managing Board.

The Board of Directors / Governing Body developed its procedures regarding the receipt, processing of reports on the operation of internal controls, and the preparation of its own report.

Yes (Complies)

No (Explanation)

The Internal Audit, and in the cases specified in the Credit Institution Act, the Supervisory Board is responsible for development of the procedures related to the reports on internal controls in accordance with the Credit Institution Act.

A 2.8.11 The Board of Directors / Governing Body identified the most important deficiencies or flow in the system of internal controls, and reviewed and re-evaluated the relevant activities.

Yes (Complies)

No (Explanation)

A 2.9.2 The Board of Directors / Governing Body, the Supervisory Board and the Audit Committee were notified in all cases when an assignment given to the auditor may have resulted in significant additional expense, caused a conflict of interest, or affected normal business practices significantly in any other way.

Yes (Complies)

No (Explanation)

A 2.9.3 The Board of Directors / Governing Body informed the Supervisory Board of any assignment given to the external auditor or an external advisor in connection with any event which held significant bearing on the operations of the company.

Yes (Complies)

No (Explanation)

The Board of Directors / Governing Body pre-determined in a resolution what circumstances constitute "significant bearing" on the operation of the Company.

Yes (Complies)

No (Explanation)

The Company classifies economic transactions as „significant bearing” actions according to the Decree 24/2008. (VIII. 15.) of the Minister of Finance .

A 3.1.6 On its website, the company disclosed duties delegated to the Audit Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes (Complies)

No (Explanation)

The Company is a private limited company and as a consequence no legal obligation exists for such publication, due to the special characteristics of the operational form. The Company publishes significant part of the above data in this Corporate Governance Report.

A 3.1.6.1 On its website, the company disclosed duties delegated to the Nomination Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes (Complies)

No (Explanation)

The Company is a private limited company and as a consequence no legal obligation exists for such disclosure, due to the special characteristics of the operational form The Company publishes significant part of the above data in this Corporate Governance Report.

A 3.1.6.2 On its website, the company disclosed duties delegated to the Remuneration Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes (Complies)

No (Explanation)

The Company is a private limited company and as a consequence no legal obligation exists for such disclosure, due to the special characteristics of the operational form The Company publishes significant part of the above data in this Corporate Governance Report.

A 3.2.1 The Audit Committee / Supervisory Board monitored the efficiency of risk management, the operation of internal controls, and the activity of the Internal Audit.

Yes (Complies)

No (Explanation)

A 3.2.3 The Audit Committee / Supervisory Board received accurate and detailed information on the work schedule of the Internal Auditor and the independent auditor, and received the auditor's report on problems discovered during the audit.

Yes (Complies)

No (Explanation)

A 3.2.4 The Audit Committee / Supervisory Board requested the new candidate for the position of auditor to submit the disclosure statement according to 3.2.4.

Yes (Complies)

No (Explanation)

A 3.3.1 There is a Nomination Committee operating at the company.

Yes (Complies)

No (Explanation)

A 3.3.2 The Nomination Committee provided for the preparation of personnel changes.

Yes (Complies)

No (Explanation)

The Nomination Committee reviewed the procedures regarding the election and appointment of members of the executive management.

Yes (Complies)

No (Explanation)

The Nomination Committee evaluated the activity of board and executive management members.

Yes (Complies)

No (Explanation)

The Nomination Committee examined all the proposals regarding the nomination of board members which were submitted by shareholders or the Board of Directors / Governing Body.

Yes (Complies)

No (Explanation)

The Remuneration and Nomination Committee examines, in accordance with the Credit Institution Act, the nomination of the members of the Board of Directors, Managing Directors and members of the Supervisory Board.

A 3.4.1 There is a Remuneration Committee operating at the company.

Yes (Complies)

No (Explanation)

A 3.4.2 The Remuneration Committee made a proposal for the system of remuneration for the boards and the executive management (individual levels and the structure of remuneration), and carries out its monitoring.

Yes (Complies)

No (Explanation)

A 3.4.3 The remuneration of the executive management was approved by the Board of Directors / Governing Body based on the recommendation of the Remuneration Committee.

Yes (Complies)

No (Explanation)

The remuneration of the Board of Directors / Governing Body was approved by the general meeting based on the recommendation of the Remuneration Committee.

Yes (Complies)

No (Explanation)

In accordance with the requirements of the Credit Institution Act, the employer's rights with regard to Managing Directors are exercised by the Board of Directors of the Company; the remuneration of the members of the Board of Directors is approved by the General Meeting.

The Remuneration Committee also monitored the share option, cost reimbursement and other benefits in the remuneration system.

Yes (Complies)

No (Explanation)

A 3.4.4 The Remuneration Committee made proposals regarding remuneration guidelines.

Yes (Complies)

No (Explanation)

A 3.4.4.1 The Remuneration Committee made proposals regarding the remuneration of individual persons.

Yes (Complies)

No (Explanation)

A 3.4.4.2 The Remuneration Committee reviewed the terms and conditions of contracts concluded with the members of the executive management.

Yes (Complies)

No (Explanation)

A 3.4.4.3 The Remuneration Committee ascertained whether the company fulfilled its disclosure obligations regarding remuneration issues.

Yes (Complies)

No (Explanation)

A 3.4.7 The majority of the members of the Remuneration Committee are independent.

Yes (Complies)**No (Explanation)**

The Company is a credit institution subject to the Credit Institution Act and as a consequence a Remuneration and Nomination Committee is established in accordance with the regulations of the Act . The members are delegated from amongst the external members of the Board of Directors (who are not in employment relationship with the Company).

A 3.5.1 The Board of Directors / Governing Body disclosed its reasons for combining the Remuneration and Nomination Committees.

Yes (Complies)**No (Explanation)**

The Credit Institution Act applicable to the Company does not require a publication on the reasons of this combination.

A 3.5.2 The Board of Directors / Governing Body carried out the duties of the Nomination Committee and disclosed its reasons for doing so.

Yes (Complies)**No (Explanation)**

There is a Remuneration and Nomination Committee operating at the Company.

A 3.5.2.1 The Board of Directors / Governing Body carried out the duties of the Remuneration Committee and disclosed its reasons for doing so.

Yes (Complies)**No (Explanation)**

There is a Remuneration and Nomination Committee operating at the Company.

A 4.1.1 In its disclosure guidelines, the Board of Directors / Governing Body established those principles and procedures which ensure that all relevant information about the operations of the company and circumstances influencing its share price are disclosed and made available accurately, in a timely fashion and in full.

Yes (Complies)

No (Explanation)

The Company is a private limited company, and its sets out its disclosure principles and procedures in accordance with the laws (primarily the Civil Code, the Credit Institution Act, the Capital Markets Act⁴, the Act on Investment Services⁵, the Act C of 2000 on Accounting and the Decree 24/2008 (VIII.15.) of the Minister of Finance) in its by-laws, ensuring that all material information affecting the price of its securities is disclosed precisely, fully and in a timely manner.

A 4.1.2 The company ensured in its disclosure activities that all shareholders and market participants were treated equally.

Yes (Complies)

No (Explanation)

The Company is a private limited company, where arrangement made by the three Shareholders of the Company and the provisions of the Statutes apply regarding disclosure towards market participants. Please see Section 7 of present Corporate Governance Report.

A 4.1.3 The company's disclosure guidelines include the procedures governing electronic, on-line disclosure.

Yes (Complies)

No (Explanation)

The company develops its website taking into consideration disclosure guidelines and the provision of information to investors.

Yes (Complies)

No (Explanation)

The Company is a private limited company who develops its website in line with its ownership structure, applying the disclosure principles in accordance with the standards laid down in the Credit Institution Act and the Act on Investment Services.

A 4.1.4 The Board of Directors / Governing Body assessed the efficiency of disclosure processes.

Yes (Complies)

No (Explanation)

⁴ Act CXX of 2001 on Capital Markets

⁵ Act CXXXVIII of 2007 on investment companies and commodity exchange service providers as well as on the rules of the activities to be carried out by them

A 4.1.5 The company published its corporate events calendar on its website.

Yes (Complies)

No (Explanation)

The Company is a private limited company and as a consequence no legal obligation exists for such publication, due to the special characteristics of the operational form. The Company publishes the material content of resolutions passed by the General Meeting.

A 4.1.6 In the annual report and on the website of the company, the public was informed about the company's corporate strategy, its main business activities, business ethics and its policies regarding other stakeholders.

Yes (Complies)

No (Explanation)

A 4.1.8 In the annual report the Board of Directors / Governing Body disclosed the character and size of any other assignments given by the company or its subsidiaries to the auditing firm responsible for auditing the financial statements.

Yes (Complies)

No (Explanation)

A 4.1.9 In the annual report and on the website the company discloses information on the professional career of the members of the Board of Directors / Governing Body, the Supervisory Board and the executive management.

Yes (Complies)

No (Explanation)

A 4.1.10 The company provided information on the internal organization and operation of the Board of Directors / Governing Body and the Supervisory Board.

Yes (Complies)

No (Explanation)

The Company is a private limited company that provides public information on the compositions and operations of the Board of Directors and the Supervisory Board as laid down in this Corporate Governance Report.

A 4.1.10.1 The company provided information on the criteria considered when evaluating the work of the Board of Directors / Governing Body, the executive management and the individual members thereof.

Yes (Complies)

No (Explanation)

A 4.1.11 In the annual report and in the Remuneration Statement on the company's website, the company informed the public about the applied remuneration guidelines, including the remuneration and fees provided for members of the Board of Directors / Governing Body, the Supervisory Board and the executive management.

Yes (Complies)

No (Explanation)

The Company publishes the summary of its Remuneration Policy, and in the framework of the Risk Management report its remuneration data for the reporting year. The Company does not publish the remuneration declaration laid down in the Commission Recommendation 2004/913/EC.

A 4.1.12 The Board of Directors / Governing Body disclosed its risk management guidelines, including the system of internal controls, the applied risk management principles and basic rules, as well as information about major risks.

Yes (Complies)

No (Explanation)

The Company publishes its Risk Management report with the above content, in line with the requirements of the Credit Institution Act.

A 4.1.13 In order to provide market participants with information, the company publishes its report on corporate governance at the same time that it publishes its annual report.

Yes (Complies)

No (Explanation)

A 4.1.14 The company discloses its guidelines governing insiders' trading in the company's securities on its website.

Yes (Complies)

No (Explanation)

The Company is a private limited company whose securities are not traded publicly.

The company published in the annual report and on its website ownership in the company's securities held by the members of the Board of Directors / Governing Body, the Supervisory Board and the executive management, as well as any interests held in share-incentive schemes.

Yes (Complies)

No (Explanation)

The Company is a private limited company, whose shares are owned by three Shareholders, Erste Group Bank AG, EBRD and the Hungarian State.

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

Yes (Complies)

No (Explanation)

The Company is a private limited company that treats and keeps record of the relationships between the Board of Directors and the management with third parties that can influence the operation of the Company as laid down in its by-laws, in accordance with the Credit Institution Act.

Level of compliance with the Suggestions

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

In view of the fact that the FT Recommendation contains proposals on listed public limited companies established in Hungary, the Company, as private limited company does not apply most of them. Below we list the proposals followed by the Company

J 1.1.3	The company has an investor relations department.	<u>Yes</u> / No
J 1.2.2	The company's articles of association are available on the company's website.	<u>Yes</u> / No
J 2.1.2	The rules of procedure define the composition of the Board of Directors / Governing Body and all procedures and protocols for the preparation and holding of meetings, the drafting of resolutions and other related matters.	<u>Yes</u> / No
J 2.2.1	The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation and duties, as well as procedures and processes which the Supervisory Board followed.	<u>Yes</u> / No
J 2.3.2	Board members had access to the proposals of a given meeting at least five days prior to the board meeting.	<u>Yes</u> / No
J 2.3.3	The rules of procedure regulate the regular or occasional participation at board meetings of persons who are not members of the boards.	<u>Yes</u> / No
J 2.4.3	Newly elected, non-executive board members were able to familiarize themselves with the structure and operations of the company, as well as their duties as board members through a tailored induction programme. Note: the Company has no induction programmes	<u>Yes</u> / No
J 2.5.2	The separation of the responsibilities of the Chairman of the Board of Directors / Governing Body from those of the Chief Executive Officer has been outlined in the basic documents of the company.	<u>Yes</u> / No

J 2.5.5	The company's Supervisory Board has no member who held a position in the Board of Directors / Governing Body or the executive management of the company in the three years prior to his nomination.	<u>Yes</u> / No
J 2.7.5	The development of the remuneration system of the Board of Directors / Governing Body, the Supervisory Board and the executive management serves the strategic interests of the company and thereby those of the shareholders.	<u>Yes</u> / No
J 2.7.6	In the case of members of the Supervisory Board, the company applies a fixed amount of remuneration and does not apply a remuneration component related to the share price.	<u>Yes</u> / No
J 2.8.2	The Board of Directors / Governing Body developed its risk management policy and regulations with the cooperation of those executives who are responsible for the design, maintenance and control of risk management procedures and their integration into the company's daily operations.	<u>Yes</u> / No
J 2.8.10	When evaluating the system of internal controls, the Board of Directors / Governing Body took into consideration the aspects mentioned in Section 2.8.10 of CGR.	<u>Yes</u> / No
J 2.8.12	The company's auditor assessed and evaluated the company's risk management systems and the risk management activity of the executive management, and submitted its report on the matter to the Audit Committee / Supervisory Board.	<u>Yes</u> / No
J 2.9.4	The Board of Directors / Governing Body may invite the company's auditor to participate in those meetings where it debates general meeting agenda items.	<u>Yes</u> / No
J 2.9.5	The company's Internal Audit function co-operated with the auditor in order to help it successfully carry out the audit.	<u>Yes</u> / No
J 3.1.4	The company's committees are made up of members who have the capabilities, professional expertise and experience required to perform their duties.	<u>Yes</u> / No
J 3.1.5	The rules of procedure of committees operating at the company include those aspects detailed in Section 3.1.5 of CGR.	<u>Yes</u> / No

J 3.2.2	The members of the Audit Committee / Supervisory Board were fully informed about the accounting, financial and operational peculiarities of the company.	<u>Yes</u> / No
J 3.3.3	The Nomination Committee prepared at least one evaluation for the chairman of the Board of Directors / Governing Body on the operation of the Board of Directors / Governing Body and the work and suitability of the members of the Board of Directors / Governing Body.	<u>Yes</u> / No
J 3.4.5	The Remuneration Committee prepared the Remuneration Statement.	<u>Yes</u> / No
J 4.1.4	The disclosure guidelines of the company at least extend to those details contained in Section 4.1.4 of CGR.	<u>Yes</u> / No
J 4.1.7	The company's financial reports followed IFRS guidelines.	<u>Yes</u> / No
J 4.1.16	The company also prepares and releases its disclosures in English.	<u>Yes</u> / No

Annex No. 3: Non-financial statement

Non-financial statement

As in Erste Bank Group AG (Erste Group) the active engagement beyond classic banking activity and the integration of sustainability principles into basic operation and into corporate culture are integral parts of Erste Hungary (Group). In this context beyond financial efficiency, Group is continuously looking for opportunities to be an active member of the society in which it operates to support reaching our common goals and successes.

Environmental protection

The main principle of Erste Group's environment strategy and interpretation of sustainability are based on the central message of "Our common future", which was released by the UN's Brundtland Commission in 1987: *"sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."*

In 2016 Erste Hungary implemented Energy management systems (ENIR), which is based on the standard requirements of MSZ EN ISO 50001:2012, which implementation was a legal obligation. After this Erste Hungary started its Environmental management systems (KIR) on 5 June 2017 in accordance with MSZ EN ISO 14001:2015 standard. Both KIR and ENIR are inseparable parts of the currently existing Group regulations in force. These two internal regulations are the SZT540/2016 Energy Management Policy and the SZT460/2016 Environmental Management Policy, the manuals of KIR and ENIR are obligatory and inseparable annexes of these. The surveillance of the operation of ISO systems are done by internal audit.

In 2018 compared to 2017 Erste Hungary reached a 5.2% energy consumption decrease. This directly resulted in 195 452,7 kg CO₂ emission reduction in 2018.

Erste Green, a voluntary initiative of our employees for the purpose of implementing environment protection objectives, was launched early 2016. The primary aim is to draw attention to the topic in Erste Hungary along with education and enhancing our colleagues' engagement in our environment (e.g. garbage collection, car-free day, etc.).

Social and employment questions, respecting human rights

The basis for Group's approach to diversity and inclusion lies in the Founding Document of the Erste österreichische Spar-Casse from 1819, which states: "No age, no gender, no social status, nor nationality should be excluded from the benefits which are provided to all the depositors of the Savings Bank."

A diverse and inclusive workforce is essential for business success. Companies that are committed to diversity and inclusion benefit from more engaged employees, a better brand image and higher customer satisfaction. Erste Group sees diversity and inclusion as a vital part of its human resources strategy and key to attracting and retaining top employees.

Erste Bank Hungary's diversity and inclusion principles are reflected both in its Statement of Purpose and Code of Conduct, which emphasise a work environment that is free of discrimination and harassment, and values the work and worth of each and every person regardless of gender, age, disability, marital status, sexual orientation, skin colour, religious or political affiliation, ethnic background, nationality or any other aspect unrelated to their employment.

In December 2017, EBH's Managing Board adopted a diversity strategy for EBH for 2018-2019 which sets the focus and priorities of the diversity and inclusion endeavours of the organisation. There were several focus areas identified in EBH's diversity strategy and actual implementation steps made in 2018.

Work-life balance: EBH to become a "safe haven" workplace for all kinds of employee resource groups. EBH encourages the spontaneous networking and organisation of clubs by employees in order to ensure recreation, shared experience and joyful events. Currently 17 clubs (employee resource groups) operate within EBH, organised around various lifestyles, hobbies, sport activity. EBH provides financial and logistical support to these clubs with a view to support colleagues in their personal self-fulfilment and well-being endeavours and to help them to balance between personal and professional life and to feel good at the workplace.

Family friendly workplace, help everyday life of working parents: Home office, flexible working environment concept – programme started in June, 2018 across the entire organisation.

Generation diversity: Leadership training in 2018 focused also on cross-generational aspects to be able to attract and retain colleagues from different generations. In 2018 EBH launched a mentoring programme, in which junior leaders can be mentored by senior managers across the organization: 66 mentees and 44 mentors completed the program in 2018.

Women's equality: ErsteNő (Erste Women Club), a significant employee resource group for women, has been actively operating at EBH since 2017. EBH's Women Club has put together and started to implement its own strategy to improve the work-life balance of working women and to support mothers returning from maternity leave and promote female careers at EBH. Their goal is to enable EBH to attract and retain the best female talent by ensuring a balanced life and a friendly workplace. It participated in shaping and promoting EBH's home-office, flexible work programme and organised role model discussions with female leaders. ErsteNő's major focus and efforts were directed towards the involvement of mothers on maternity leave in the everyday life of the bank. They succeeded in inviting mothers on maternity leave to the various social events at EBH and linked them into its internal communication networks in order to make them feel that EBH counts on them and wants to keep in touch with them during their absence from work. ErsteNő has also organised wellbeing events such as a female self-defence workshop, coaching for fathers, summer camps for Erste children, female leader panel discussions, charity fundraisers and networking events.

Ethnic Diversity: EBH initiated and accomplished a training programme in 2018 for Roma students in close cooperation with three NGOs (promoting the inclusion of young Roma in higher education). We have secured 2-6 month internships in several professional areas of EBH for Roma students coming from various universities.

Disabled in the Workplace: The Equal Chances task force (HR, Social Banking Diversity Officer) has launched its activity in 2018 in strong cooperation with the Incorpora network. An in-house kick-off event took place during Diversity Week in May 2018 to direct attention to disabled people as our potential or existing employees and clients. EBH participated in Incorpora's job fair to identify potential job candidates for EBH. Incorpora's activities and its member organisations have been presented to the senior management and area heads at EBH. As a result, several areas have committed to opening positions to disabled employees and some of them already identified positions and job descriptions that could be filled by disabled colleagues.

Disabled clients - value propositions, enhance accessibility – With the participation of the front office areas, consumer protection lawyers and Social Banking, we identified the areas of value propositions and product features to be offered to disabled clients and explored further opportunities for accessibility to existing services.

In 2018 EBH also strengthened its communication on diversity internally in order to educate, raise awareness and build a diversity culture.

In May 2018 EBH joined in the events of Diversity Week, an initiative of the Hungarian Diversity Charter, through various in-house diversity initiatives. The organisations participating in this programme **dedicate a week to the topic of diversity**, during which they launch programmes and hold events to raise awareness of and celebrate diversity.

During this week, we held the kick-off event of the Equal Chances task force, to focus on people with disabilities. We held a panel discussion with an NGO representing disabled people and a young artist with disabilities who has acted in a recent Hungarian movie on young disabled people (*Kills on wheels*, 2016). We also showed the film itself that same afternoon in our in-house "movie theatre".) During Diversity Week we also made a fun and light-hearted survey of our employees to recognise, draw attention to and celebrate our own diversities. The ultimate goal of the survey was to search for and find the "most diverse area" of EBH. The winning unit was announced and celebrated in an all-bank social event (*Erste Live Show*).

Erste also organized family programmes and invited colleagues and their family members to events sponsored by EBH (classical music concerts, cultural and sport events).

In 2018, the company again signed the Hungarian Diversity Charter, the Hungarian version of the European Diversity Charter, by which it has reinforced its commitment to respecting equality, creating a diverse organisational culture and continuously developing employee relationships, partnerships with customers and the business environment to promote anti-discrimination and a long-term sustainable culture, which is in line with the values described in the Charter.

Further employment related questions can be found in the chapter of Employment Policy.

Fight against corruption and blackmailing

Erste Hungary pays close attention to the proper operation of compliance activity, the formation of a wide scope of competence, fair and ethical operation, preventing corruption and compliance with all legal requirements and norms. Executing its planned review Compliance did not identify any issues in this area. To ensure Group-level compliance, EBH is supported by several Group Policies to ensure the highest level of legal compliance. Accordingly, EBH has the appropriate regulatory documentation to maintain its duties, of which the most important are its compliance policy, Code of Ethics, conflict of interest principles,

management of conflicts of interest, internal credit policy, whistleblowing policy, money laundering and terrorist financing prevention policy, anti-corruption policy, sanctions and embargoes policy, anti-fraud policy and management of consequences policy. While formulating the applicable compliance regulations in EBH, compliance with the recommendations of international professional organisations and of the National Bank of Hungary were a main focus.

During its operations (including preventing money laundering and terrorist financing, anti-fraud, general compliance and compliance operations related to supplying investment services) the Compliance department consistently applies a risk-based approach and performs its activities along an annual plan and Compliance Risk Assessment (CRA) and Fraud Risk Assessment (FRA). During the preparation of this plan, the CRA and the FRA, the Bank evaluates all of its organisational units and processes from a compliance risk perspective and sets out its work and audit plan accordingly. During the preparation of the work plan, it focuses on taking the changes in legal obligations into account, as well as evaluating international trends and implementing international standards.

Compliance makes further risk assessments and draws up an action plan to eliminate or minimise the identified risks. Compliance reports on its activity and on the (eventually) revealed risks and measures implemented to decrease these risks every six months to EBH's Managing Board and annually to the Supervisory Board.

In order to implement compliance-conscious and ethical business operation in all areas of EBH:

- A wide range of educational programmes – concentrating on compliance topics and on the Code of Ethics – operates in EBH; these are obligatory for new co-workers and all employees need to participate in them regularly.
- Compliance maintains frequent communication with all – so called second line of defence – control areas of EBH in order to effectively organise and maintain control and audit functions.
- Compliance regularly comments on internal policies, product developments and remuneration policy. The Bank applies the provisions of the Code of Ethics throughout the entire process of product development and service provision.
- The Bank operates an anonymous whistleblowing line to detect possible ethical and legal violations.

Social banking

Erste Hungary is committed to ensure equal chances to people and to enterprises to reach a wide range of banking services. In the name of social responsibility Group introduced the Good.Bee program in 2011 which prepared for a new impact level of social banking. The initiative reached significant results during the "Most Innovative Social Investment Award" call. From 2016, Social Banking institutionalized the support ensured by Erste Hungary to those social organizations and groups which need a product or service offer other than the average banking conditions.

Under the aegis of this program, Group in collaboration with Erste Stiftung supports the SEEDS enterprise development program, which takes place with the participation of 67 social enterprises for 1.5 years. In this context Group contributes with free consultancy and with tendering non-refundable financial instruments to develop the socially active enterprises of the future.

The „Erste Higgly Magadban!” tender ended with great success which in 2017 activated nearly 300 tenderer and 90 000 voters in Hungary. Through community voting and jurying, several social enterprises won support for a start from Erste Hungary to reach their goal.

In addition, Group is an active player in the social organizations network via pro bono business development consulting, financing opportunities and creating business cooperations.