



INDEPENDENT AUDITOR'S REPORT

To the shareholders of Erste Bank Hungary Zrt.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Erste Bank Hungary Zrt. (the "Company") and its subsidiaries (together the "Group") included in the digital file 549300XWJHRKLHU2PS28-2022-12-31-en.zip¹ which comprise the consolidated statement of financial position as of 31 December 2022 (in which total assets are MHUF 5,097,804), the consolidated income statement, the consolidated statement of comprehensive income (in which the total comprehensive income for the year is MHUF 43,325 profit), the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year then ended and the notes to the consolidated financial statements comprising significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and they have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Accounting Act") relevant for the consolidated annual financial statements prepared in accordance with IFRS as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee dated 31 March 2023.

Basis for opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing ("HNSA") and with applicable laws and regulations in force in Hungary. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, for matters not regulated in the Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and we also comply with further ethical requirements set out in these.

The non-audit services that we have provided to the Group, in the period from 1 January 2022 to 31 December 2022, are disclosed in note 47 to the consolidated financial statements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group are in accordance with the applicable laws and regulations in Hungary and that we have not provided non-audit services that are prohibited under Article 5 of Regulation of the European Parliament and Committee No 537/2014 and Subsection (1) and (2) of Section 67/A of Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors.

¹ The SHA 256 HASH algorithm value of the 549300XWJHRKLHU2PS28-2022-12-31-en.zip file:
A2D793A9F2FCC9965E5CFFFAA81D1D661830131FDEE2E6A2909D9B227A72F7F



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

Our audit approach

Overview

<i>Overall group materiality</i>	Overall group materiality applied was MHUF 2,654
<i>Group Scoping</i>	We included three subsidiaries in our audit which amount up to 99% of the consolidated net result.
<i>Key Audit Matters</i>	<ul style="list-style-type: none">• Credit loss allowance on loans and advances to customers• Accounting for the acquisition of Commerzbank Zrt.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

<i>Materiality</i>	MHUF 2,654
<i>Determination</i>	5% of the average consolidated profit before tax of the last 3 years
<i>Rationale for the materiality benchmark applied</i>	We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.



We have identified three subsidiaries, which, in our view, required an audit of their significant account balances, due to their financial significance to the group. Those reporting components are public interest entities.

For the remaining components we performed analytical review on Group level. This together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Credit loss allowance on loans and advances to customers

The net balance of loans and advances to customers at amortised cost was MHUF 1,903,555 as at 31 December 2022, representing 37% of total assets. Credit loss allowance recognised in the balance sheet amounted to MHUF 67,355.

Management disclosed related assumptions, balances and estimates in section C and D of the notes to the consolidated financial statements on accounting policy, as well as in notes 11., 15. and 33.

Credit loss allowance recognised on expected credit losses is determined on the basis of subjective criteria and management is required to apply significant judgement when calculating individual and collective expected credit loss allowances especially when considering the current uncertain economic environment.

The first step in the expected credit loss calculation is to identify whether there was significant increase in credit risk. The selected indicators will determine whether a 12-month or a lifetime expected credit loss is calculated.

In the calculation of individual expected credit loss, the most significant uncertainty is involved in the estimation of expected future cash flows, and in probability weighting of cash-flow scenarios, where cash flows include recoveries both from collections of contractual cash flows and from collaterals.

We gained an understanding of the lending process from disbursement to monitoring and to the calculation of impairment, identified the main control points, and tested their operational effectiveness, including management's approval. Thereby the focus was on adaptations of methods and processes introduced to capture the increased uncertainties of the present and future environment in expected credit losses.

We performed credit review for individually significant loans on a sample basis. We checked the stage classification of the loans based on credit application and monitoring documents as well as customer-related financial and non-financial information.

For a sample of individually impaired loans, we checked whether assumptions, estimations and scenario weightings applied in calculations of the recoverable amount are reasonable and whether the calculations are correct.

For collective loss allowances we assessed whether the methodology applied by the Group was compliant with *IFRS 9 Financial instruments* with the support of our internal modelling experts. We read the validation documents, recalculated, on a sample basis, selected model parameters and the expected credit loss allowances, and assessed the tool used by the Group to calculate expected credit loss allowances.

We checked input data for the expected credit loss allowance calculation (both historical and



The Group applies impairment models to calculate collective credit loss allowances. These models quantify the probability of default, exposure at default and the loss given default as the primary parameters in the estimation of the recoverable amount, taking into account forward looking information – in line with the requirements of *IFRS 9 Financial instruments*.

The modelling methodologies are developed using historical experience, which - in uncertain economic conditions that currently vary across customer segments and industry sectors - can result in limitations in their reliability to appropriately estimate expected credit loss.

A further limitation is caused by the fact, that, to reduce the economic consequences of the COVID-19 pandemic and the uncertain economic environment the Hungarian government maintained various loan support programs introduced first in 2020, including moratoria on loan repayment transactions. These programs complicate a timely reflection of a potential deterioration of the loan portfolio and resulted in artificially low observed default rates.

To address these limitations, management applied quantitative and qualitative adjustments to expected credit loss that include the following:

- Additional criteria to assess significant increase in credit risk, partly relating to those staying in the moratoria
- Adjustment of macroeconomic assumptions and the weighting of the applied scenarios
- Additional expert judgement based adjustment of the estimation method of credit risk parameters

We paid considerable attention to this area during our audit due to the significance of the amounts involved and because of the subjective nature of the judgments and assumptions that management is required to make, particularly due the high level of uncertainty that can be experienced in the current economic environment.

measurement data), indicators used to determine whether there was significant increase in credit risk and analysed the development of credit losses.

To address increased estimation uncertainty, we evaluated the adequacy of credit risk parameters and models taking into consideration possible distortions of currently observed data due to state payment support programs. We also critically assessed the plausibility of expectations and estimates, that have been introduced due to aforementioned distortions, to identify significant increases in credit risk of single customers or customer groups.

We read section C, D. and points 11., 15. and 33. of the notes to the consolidated financial statements to assess whether disclosures are in line with *IFRS 9 Financial Instruments* and *IFRS 7 Financial instruments: Disclosures* standards.



Accounting for the acquisition of Commerzbank Zrt.

On 17 December 2021, the Company signed a sale and purchase agreement with Commerzbank AG to acquire 100% of the share capital in its Hungarian subsidiary Commerzbank Zrt. ('Commerzbank') The parties received the necessary regulatory approvals for the acquisition in September 2022. The acquisition process was closed on 30 November 2022, under which the Company became the sole shareholder of Commerzbank Zrt. as of 1 December 2022. The client portfolio of Commerzbank was transferred to the Group subsequently.

The transaction has been accounted for as a business combination in accordance with the requirements of *IFRS 3 Business Combinations*, the relevant details of the transactions were presented in section B of the notes to the consolidated financial statements.

The preliminary purchase price allocation resulted in the recognition of a goodwill of HUF 4,778 million in the Group's consolidated financial statements. This amount is calculated as the difference of adjusted net equity and preliminary purchase price.

We paid particular attention to this matter because the acquired portfolio is significant, and it is an individual transaction, that requires complex accounting and significant management estimates, including fair value adjustments and goodwill.

Furthermore, the migration of the portfolio to the systems of the Group is a complex exercise, involving a high number of individual exposures.

We have read the acquisition agreement, the portfolio transfer agreement, the accounting documents related to acquisition, and checked the accounting treatment of the acquisition and the portfolio transfer.

As part of our procedures, we have critically assessed whether assumptions used in the purchase price allocation performed by management with the aim of determining fair value adjustments and goodwill are reasonable.

Relating to the migration procedures, we performed the following tasks:

- We assessed the control environment and checked selected controls performed relating to the procedures of migrating data and documents
- We checked migrated data verification reports on a sample basis

We have assessed the adequacy of the disclosures made in the consolidated financial statements in accordance with the requirements of *IFRS 3 Business Combinations*.

Other information: the consolidated business report that is referred to as management report in the Annual report

Other information comprises the consolidated business report that is referred to as management report in the annual report of the Group. Management is responsible for the preparation of the consolidated business report in accordance with the provisions of the Accounting Act and other relevant regulations, and for the preparation of the annual report in accordance with Act CXX of 2001 on Capital Market. Our opinion on the consolidated financial statements does not cover the consolidated business report or the annual report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the consolidated business report and the annual report and, in doing so, consider whether the consolidated business report and the annual report are materially inconsistent with the consolidated



financial statements or our knowledge obtained in the audit, or otherwise appear to be materially misstated. If based on our work performed we conclude that the consolidated business report and the annual report are materially misstated we are required to report this fact and the nature of the misstatement.

Based on the Accounting Act, it is also our responsibility when reading the consolidated business report to consider whether the consolidated business report has been prepared in accordance with the provisions of the Accounting Act and other relevant regulations, if any, and to express an opinion on this and on whether the consolidated business report is consistent with the consolidated financial statements.

Because the Company's transferable securities are admitted to trading on a regulated market of a Member State of the European Economic Area, our opinion on the consolidated business report shall cover the information prepared under Paragraphs e) of Subsection (2) of Section 95/B, and state whether the information referred to in Paragraphs a)-d), g) and h) of Subsection (2) of Section 95/B of the Accounting Act has been provided.

As the Company is a public interest entity preparing consolidated financial statements and the conditions in Paragraph a) and b) of Subsection (5) of Section 134 of the Accounting Act are met at the balance sheet date, the Company shall publish a non-financial statement required by Section 95/C in its consolidated business report relating to the companies included in the consolidation. In this respect, we shall state whether the consolidated business report includes the non-financial statement required by Section 95/C, and Subsection (5) of Section 134.

In the course of fulfilling our obligation, in respect of forming our opinion on the consolidated business report we have considered the requirements set out in the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 on Supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("ESEF Regulation") as the regulations prescribing further requirements for the business report.

In our opinion, the 2022 consolidated business report of the Group, also including the information prepared under Paragraphs e) of Subsection (2) of Section 95/B, is consistent with the 2022 consolidated financial statements in all material respects; and the consolidated business report has been prepared in accordance with the provisions of the Accounting Act and the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 on Supplementing Directive 2004/109/EC of the European Parliament and of the Council.

We are not aware of any other material inconsistency or material misstatement in the consolidated business report and the annual report and therefore we have nothing to report in this respect.

We state that the information referred to in Paragraphs a)-d), g) and h) of Subsection (2) of Section 95/B of the Accounting Act has been provided. The consolidated business report includes the non-financial statement required by Section 95/C, and Subsection (5) of Section 134 of the Accounting Act.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and to prepare the consolidated financial statements in accordance with the supplementary requirements of the Accounting Act relevant for the consolidated annual financial statements prepared in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HNSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HNSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Group on 25 April 2017. Our appointment has been renewed annually by shareholder resolutions representing a total period of uninterrupted engagement appointment of six years.

The engagement partner on the audit resulting in this independent auditor's report is Árpád Balázs.

Report on the compliance of the presentation of the consolidated financial statements with the requirements of the regulation on the european single electronic format

We have undertaken a reasonable assurance engagement on the compliance of the presentation of the consolidated financial statements of the Group included in the 549300XWJHRKLHU2PS28-2022-12-31-en.zip digital files ("consolidated financial statements in ESEF format") with the requirements set out in the ESEF Regulation.

Responsibilities of the management and those charged with governance for the consolidated financial statements in ESEF format

The management is responsible for the presentation of the consolidated financial statements in ESEF format that comply with the ESEF Regulation. This responsibility includes:

- the preparation of the consolidated financial statements in the applicable XHTML format;
- the selection and application of appropriate iXBRL tags as required by ESEF Regulation using judgement where necessary, including the full application of relevant tags and the proper creation and linking of extension elements; and
- the design, implementation and maintenance of internal control relevant to the application of the ESEF Regulation.

Those charged with governance are responsible for overseeing the Group's financial reporting process including compliance with the ESEF Regulation.

Our responsibility and summary of the work performed

Our responsibility is to express an opinion on whether the presentation of the consolidated financial statements in ESEF format complies, in all material respect, with the requirements of the ESEF Regulation based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Hungarian National Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000).

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the ESEF Regulation. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation whether due to fraud or error. Our reasonable assurance engagement included obtaining an understanding of the tagging,



obtaining an understanding of the Group's internal controls relevant to the application of the requirements of the ESEF Regulation, and verifying whether the XHTML format was applied properly, evaluating the completeness of the Group's tagging of the consolidated financial statements using the XBRL markup language, evaluating the appropriateness of the Group's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified and evaluating the use of anchoring in relation to the extension elements.

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

Opinion

In our opinion, the presentation of the consolidated financial statements in ESEF format of the Group for the financial year ended 31 December 2022 included in the 549300XWJHRKLHU2PS28-2022-12-31-en.zip digital file complies, in all material respects, with the requirements of the ESEF Regulation.

Budapest, 31 March 2023

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