

**ERSTE Befektetési Zrt.**

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

31 December 2011

**ERSTE INVESTMENT LTD.**

***CONTENTS***

	Page
Independent Auditors' Report	1
Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union	
Consolidated Statement of Financial Position at December 31, 2011	2
Consolidated Income Statement for the year ended December 31, 2011	3
Consolidated Statement of Comprehensive Income for the year ended December 31, 2011	4
Consolidated Cash Flow Statement for the Year Ended December 31, 2011	5-6
Consolidated Statement of Changes in Equity for the year ended December 31, 2011	7
Notes to the Consolidated Financial Statements	8 - 67

## **Independent auditors' report**

To the shareholder of Erste Befektetési Zrt.

We have audited the accompanying consolidated financial statements of Erste Befektetési Zrt. and its subsidiary, ("the Group") which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Erste Befektetési Zrt. as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

31 May 2012

A handwritten signature in blue ink, appearing to read 'Sándor', is written over the printed name of the auditor.

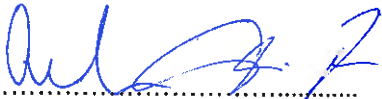
Ernst & Young Kft.  
Budapest, Hungary

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At December 31, 2011**

	<i>Notes</i>	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>			
Cash and cash equivalents	3.	20,626,397	22,383,186
Financial assets at fair value held for trading	4.	5,616,796	5,097,408
Trading assets pledged as collateral	5.	0	4,822,277
Derivative financial assets	6.	158,348	99,306
Financial assets -available-for-sale	7.	133	1,133
Receivables from securities trading	8.	1,932,693	9,254,561
Receivables from customers	9.	6,026,033	7,023,374
Other assets	10.	203,669	526,126
Current tax assets	11.	380,546	9,482
Deferred tax assets	28.	52,158	38,850
Tangible fixed assets	12.	321,136	307,493
Intangible fixed assets	12.	436,978	426,044
<b>TOTAL ASSETS</b>		<u><b>35,754,887</b></u>	<u><b>49,989,240</b></u>
<b>LIABILITIES AND EQUITY</b>			
Financial liabilities at fair value held for trading	13.	11,981	3,055,433
Derivative financial liabilities	6.	16,798	168,842
Payables on securities trading	14.	1,328,177	8,196,777
Payables to customers	15.	18,948,896	20,628,234
Trade payables	16.	68,878	52,523
Short-term loans	17.	2,775,861	3,989,135
Current tax liabilities	11.	0	123,503
Other liabilities	18.	828,146	1,649,027
Provisions	19.	384,538	47,164
Deferred tax liabilities	28.	0	13,546
<b>TOTAL LIABILITIES</b>		<u><b>24,363,275</b></u>	<u><b>37,924,184</b></u>
<b>EQUITY</b>			
Share capital	20.	2,000,000	2,000,000
Share premium	20.	141,882	141,882
Retained earnings		<u>9,249,730</u>	<u>9,923,174</u>
<b>TOTAL EQUITY</b>		<u><b>11,391,612</b></u>	<u><b>12,065,056</b></u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>35,754,887</b></u>	<u><b>49,989,240</b></u>

Approved by the Board of Directors on May 31, 2012 Budapest

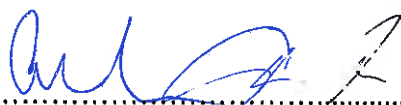
  
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Róbert Cselovszki, Zsolt Grebicsaj  
President General Director and Managing Director

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**CONSOLIDATED INCOME STATEMENT**  
for the year ended December 31, 2011

	<i>Notes</i>	<i>2011</i>	<i>Reclassified</i> <i>2010</i>
Net trading income	21.	1,890,677	3,083,704
Net fees and commission income	22.	4,645,605	5,317,773
Impairment of receivables from customers	23.	-44,699	-8,716
<b>Total operating income</b>		<b>6,491,583</b>	<b>8,392,761</b>
Financial result, net	24.	1,320,174	1,459,586
General and administrative expenses	25.	-1,106,784	-960,361
Personal expenses	26.	-1,875,054	-2,775,477
Other operating expenses, net	27.	-938,348	-975,011
Depreciation and amortisation	12.	-265,339	-297,041
<b>Total operating expenses</b>		<b>-2,865,351</b>	<b>-3,548,304</b>
<b>Profit before tax</b>		<b>3,626,232</b>	<b>4,844,457</b>
Income tax	28.	-799,676	-1,249,612
<b>Net profit for the year</b>		<b>2,826,556</b>	<b>3,594,845</b>
<i>Attributable to:</i>			
Equity holders of the parent		2,826,556	3,594,845

Approved by the Board of Directors on May 31, 2012 Budapest



Róbert Cselovszki, Zsolt Grebicsaj  
President General Director and Managing Director

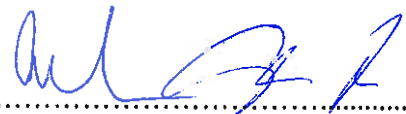
**ERSTE INVESTMENT LTD.  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(in thousands of HUF, unless otherwise stated)**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the year ended December 31, 2011

	<i>Notes</i>	<u>2011</u>	<u>2010</u>
<b>Net profit for the year</b>		<b>2,826,556</b>	<b>3,594,845</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>0</b>	<b>0</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>2,826,556</b>	<b>3,594,845</b>
<i>Attributable to:</i>			
Equity holders of the parent		<b>2,826,556</b>	<b>3,594,845</b>

Approved by the Board of Directors on May 31, 2012 Budapest



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Róbert Cselovszki, Zsolt Grebicsaj  
President General Director and Managing Director

**ERSTE**  
**EFFEKTETÉSI ZRT.**  
1108 Budapest • Népfürdő utca 24-26.  
- 3 -

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**CONSOLIDATED CASH FLOW STATEMENT**

for the year ended December 31, 2011

	<i>Notes</i>	<i>2011</i>	<i>2010</i>
<b>Operating Activities</b>			
Net profit before income tax		3,626,232	4,844,457
<i>Adjustments to reconcile profit for the year to net cash used in operating activities:</i>			
Depreciation and amortisation	12.	654,432	494,718
Allowance and release of impairment for past due receivables from negative client cash accounts, net	9.	265,339	297,041
Loss on sale of tangible and intangible fixed assets	12.	44,699	139,236
Allowance and release of provisions for liabilities, net	12.	7,020	11,499
<i>Changes in operating assets and liabilities:</i>			
Net change in financial assets at fair value held for trading	19.	337,374	46,942
Net change in trading assets pledged as collateral		293,854	1,638,503
Net change in derivative financial assets	4.	-519,388	-1,570,311
Net change in financial assets -available-for-sale	5.	4,822,277	8,558,327
Net change in receivables from securities trading	6.	-59,042	196,956
Net change in receivables from customers	7.	1,000	.0
Net change in other assets	8.	7,321,868	7,642,357
Net change in financial liabilities at fair value held for trading	9.	952,642	3,431,102
Net change in derivatives financial liabilities	10.	322,457	71,655
Net change in payables on securities trading	13.	-3,043,452	-11,832,713
Net change in payables to customers	6.	-152,044	125,553
Net change in trade payables	14.	-6,868,600	-6,955,722
Net change in other liabilities	15.	-1,679,338	2,116,483
Income tax paid	16.	16,355	-36,960
	18.	-820,881	-108,224
	28.	-1,321,097	-932,911
<b>Net cash flow used in operating activities</b>		<b>3,253,421</b>	<b>6,044,767</b>
<b>Investing activities:</b>			
Purchase of tangible and intangible fixed assets	12.	-352,757	-330,735
Proceeds on disposal of tangible and intangible fixed assets	12.	55,821	16,878
<b>Net cash flow used in investing activities</b>		<b>-296,936</b>	<b>-313,857</b>
<b>Financing activities:</b>			
Borrowings		580,956,726	784,107,075
Repayment of loans		-582,170,000	-783,150,000
Dividend paid	20.	-3,500,000	-3,770,000
<b>Net cash flow from financing activities</b>		<b>-4,713,274</b>	<b>-2,812,925</b>
<b>Net increase in cash and cash equivalents</b>		<b>-1,756,789</b>	<b>2,917,985</b>
Cash and cash equivalents, beginning of the year	3.	22,383,186	19,465,201
<b>Cash and cash equivalents, end of the year</b>	3.	<b>20,626,397</b>	<b>22,383,186</b>

**ERSTE INVESTMENT LTD.  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(in thousands of HUF, unless otherwise stated)**

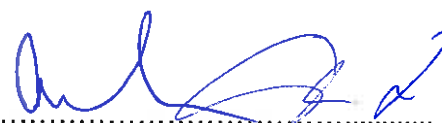
**CONSOLIDATED CASH FLOW STATEMENT [continued]**

*Notes*

for the year ended December 31, 2011

	<i>2011</i>	<i>2010</i>
<b>Operating cash flows from interest and dividends</b>		
Interest paid	257,352	317,402
Interest received	1,575,128	1,685,526
Dividend received	687,377	761,663
 <b>Cash and cash equivalents, end of the year</b>		
Deposits from customers	3. 18,948,896	20,025,888
Nostro accounts	3. 1,677,501	2,357,298
<b>Cash and cash equivalents, end of the year</b>	<b>20,626,397</b>	<b>22,383,186</b>

Approved by the Board of Directors on May 31, 2012 Budapest



Róbert Cselovszki, Zsolt Grebicsaj  
President General Director and Managing Director

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- 3 -



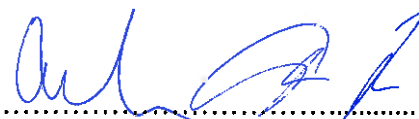
**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended December 31, 2011

	Share Capital	Share premium	Retained Earnings	Total
Notes	20.	20.	20.	
<b>At January 1, 2010</b>	<b>2,000,000</b>	<b>141,882</b>	<b>10,098,329</b>	<b>12,240,211</b>
Dividend paid	0	0	-3,770,000	-3,770,000
Profit for the year	0	0	3,594,845	3,594,845
<b>At December 31, 2010</b>	<b>2,000,000</b>	<b>141,882</b>	<b>9,923,174</b>	<b>12,065,056</b>

	Share Capital	Share premium	Retained Earnings	Total
Notes	20.	20.	20.	
<b>At January 1, 2011</b>	<b>2,000,000</b>	<b>141,882</b>	<b>9,923,174</b>	<b>12,065,056</b>
Dividend paid	0	0	-3,500,000	-3,500,000
Profit for the year	0	0	2,826,556	2,826,556
<b>At December 31, 2011</b>	<b>2,000,000</b>	<b>141,882</b>	<b>9,249,730</b>	<b>11,391,612</b>

Approved by the Board of Directors on May 31, 2012 Budapest



Róbert Cselovszki, Zsolt Grebicsaj  
President General Director and Managing Director



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**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Corporate information**

Erste Investment Ltd. (hereinafter referred to as 'the Company') was formed as a private limited company on May 24, 1990 as Girocentrale. Due to changes in ownership, the name of the Company has changed several times since it was founded. During the ownership of Investmentbank Austria AG the Company was called Bank Austria Investment Hungary [Bank Austria Investment Ltd] until December 18, 1997. Investmentbank Austria AG then sold its 100 % ownership to ERSTE Bank Der Oesterreichischen Sparkassen AG. Due to the change of the ownership, the Company's name was changed to ERSTE Bank Befektetési Magyarország Rt. [ERSTE Bank Investment Hungary]. On December 31, 1997 ERSTE Bank der Oesterreichischen Sparkassen AG acquired majority ownership of the domestic Mezőbank Rt., whose official name, as of November 1, 1998 became ERSTE Bank Hungary Rt. According to the resolutions and merge contracts of the owners, Mezőbank Értékpapírforgalmazó és Befektetési Rt. Magyarország [Mezőbank Securities and Investment Ltd, Hungary], which previously operated independently, was merged into ERSTE Bank Investment on March 31, 1998.

On December 1, 2002 the Court of registration subscribed the ownership change, since the new 100% owner of the Company became ERSTE Bank Hungary.

In 2003 one of the subsidiaries of ERSTE Bank Hungary, ESZE Kft. obtained the 1% ownership of the Company.

On July 31, 2004 the Postbank Security Ltd. was merged into the Company.

In the year 2006 the name of the Company has changed to Erste Befektetési Zrt [Erste Investment Ltd.]. The new name was registered on September 08, 2006.

In the year 2007 ESZE Kft. was merged into the Erste Ingatlan Kft., thus Erste Ingatlan Kft. obtained 1% ownership of the Company. This 1% ownership was sold to Erste Bank Hungary Zrt. on December 15, 2011.

Erste Investment Ltd. is a limited liability company incorporated and domiciled in Hungary.

The headquarters of the Company: 1138 Budapest, Népfürdő u. 24-26.

The ownership structure of Erste Investment Ltd. at December 31, 2011 is as follows:

- 100 % Erste Bank Hungary Zrt. (1138 Budapest, Népfürdő u. 24-26.)

Erste Investment Ltd. is a subsidiary of Erste Bank Hungary Zrt. (hereinafter referred to as 'Erste Bank Hungary') which consolidates the financial statement of Erste Investment Ltd. and the financial statements of its subsidiary (Portfolio Trading, Service and Information Technology Ltd., hereinafter referred to as 'Portfolió Ltd.' ) in its financial statements.

The above mentioned consolidated financial statements are available at the head office of Erste Bank Hungary (1138 Budapest, Népfürdő u. 24-26.).

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

The ultimate parent of Erste Investment Ltd. is Erste Group Bank AG. (formerly known as Erste Bank der Oesterreichischen Sparkassen AG and hereinafter referred to as 'Erste Group Bank AG.', head office: Austria, Wien, 1010 Graben 21). It prepares the consolidated financial statement of the International Erste Group. This annual report is available at the head office of Erste Group Bank AG. The average number of employees at the company and its subsidiary companies (together the "Group" or "Erste Investment Group") was 142 and 149 as at December 31, 2011 and 2010, respectively.

Erste Investment Ltd. has been approved by PSZÁF (Hungarian Financial Supervisory Authority), to carry out business activity as an investment company.

Core business activities include:

Erste Investment Ltd.

- trading and selling of listed and not listed securities both on nostro and on commission trade,
- trading and selling of derivative financial instruments, primarily for institutional investors,
- trading and selling of government bonds on primary and secondary markets,
- organizing of public issue of securities,
- organizing of private offering of securities,
- consultation related to purchase, sale, merge and split up of companies,
- trading in investment notes
- portfolio management, primarily for institutional and corporate investors and local governments,
- preparation of share and securities market research,
- investment advisory services,
- maintaining securities accounts of the clients related to core business activities; providing securities custody and depository services,
- securities lending and borrowing.

Portfolió Ltd.

- hardware advisory services,
- software development advisory services,
- data processing.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

## **2. Accounting policies**

### **2.1 Basis of preparation**

The Consolidated Financial Statements have been prepared on a historical cost basis, except for available-for-sale financial assets, financial assets and financial liabilities at fair value held for trading, trading assets pledged as collateral and derivative financial instrument, that have been measured at fair value.

The Consolidated Financial Statements are presented in thousands of HUF, which is the Erste Investment Group's presentation currency.

#### ***Statement of compliance***

The consolidated financial statements of the Erste Investment Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations approved by the International Accounting Standards Board ("IASB") as adopted by the European Union.

#### ***Basis of consolidation***

The Consolidated Financial Statements for the year ended December 31, 2011 include the financial statements of Erste Investment Ltd. and its subsidiary the Portfolió Ltd. where the Company owns 100% interest and exercises effective control.

The books and records of the Erste Investment Group companies are maintained in accordance with local requirements and then adjusted to present the financial position and results of operations in accordance with IFRS.

The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

### **2.2 Significant accounting judgements and estimates**

In the process of applying the Erste Investment Group's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

#### ***Going concern***

The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

***Fair value of financial instruments***

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that determined them. Models are approved in the product development process before they are used and calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk, volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

***Impairment losses on loans and advances***

The Erste Investment Group reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the Consolidated Income Statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Erste Investment Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

***Deferred tax assets***

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

***Impairment of equity instruments***

The Erste Investment Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgement. The Erste Investment Group treats 'significant' generally as 30% or more and 'prolonged' greater than 12 months. In addition, the Erste Investment Group evaluates other factors, such as the share price volatility.

## **2.3 Summary of significant accounting policies**

### **2.3.1 Foreign currency translation**

Foreign currency transactions are translated into HUF at the official exchange rates published by the National Bank of Hungary prevailing on the transaction date.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

Each entity in the Erste Investment Group determines its own functional currency (HUF in each) and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are recorded in the functional currency at the rate ruling at the date of the transaction. At the statement of financial position date, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the statement of financial position date. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, as well as unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the Consolidated Income Statement.

### **2.3.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and amounts due from financial institutions (i.e.: commercial banks, KELER Zrt., (Central clearing house and depository) except for transactions under settlement with KELER Zrt.), which mature within three months of the date of origination and are free from contractual encumbrances. These accounts contain nostro accounts and deposits from customers, not available for use by the Group. According to the legal requirements the customer deposits are held on separate bank accounts (commercial bank or KELER Zrt.) The Group may receive interest on these separate deposits, but the Group does not pay any interest to the customers on it. The customer deposits may be used restrictedly for the next purposes:

- financial settlement of the customer's transactions
- settlement of liabilities to customers.

There are no other short- term assets with an original maturity of three months or less in this line of the consolidated statement of financial position.

See Note 3. and Cash flow statement

### **2.3.3 Financial assets and liabilities**

Financial assets and liabilities in the scope of International Accounting Standard 39 ("IAS 39") "Financial Instruments: Recognition and Measurement" are classified as either financial assets or liabilities at fair value held for trading or designated at fair value, financial assets or liabilities measured at amortised cost, or financial assets available-for-sale, as appropriate. The Erste Investment Group determines the classification of its financial assets and liabilities at initial recognition.

#### ***Date of recognition***

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Erste Investment Group commits to purchase or sell the asset. Derivatives are recognised on trade date basis.

#### **2.3.3.1 Financial assets at fair value held for trading**

Financial assets and liabilities at fair value are classified as held for trading if they are acquired or incurred for the purpose of selling or repurchasing in the near term. The financial assets and

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

liabilities at fair value held for trading are measured at fair value. Changes in fair value are recognised in 'Net trading income'. Interest and dividend income or expenses are recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities and short positions in debt securities and securities which have been acquired principally for the purpose of selling and/or repurchasing in the near term.

#### **2.3.3.2 Trading assets pledged as collateral**

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the consolidated statement of financial position (instrument is derecognized) if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

#### **2.3.3.3 Derivative financial instruments**

In the normal course of business, Erste Investment Group enters into various derivative financial instruments. Such financial instruments are held for trading and are initially recognised and subsequently measured at their fair value. Fair values are determined based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Gains and losses resulting from these instruments are included in the Consolidated Income Statement as Net trading income.

In relation to derivative trading Erste Investment Group usually requires customers and is sometimes required by counterparts to place deposit in the form of cash or securities to cover risks related to the instrument. If the deposit is received or paid in accordance with the terms of a particular contract it is considered to be a part of the contract's fair value and is included in derivative assets or liabilities as of the year end. If the deposit placed or received is not directly linked to a particular contract it is shown as a receivable or payable with counterparts or customers on the face of the consolidated statement of financial position.

#### ***Forwards and futures***

Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated stock exchanges and are subject to daily cash margin requirements.

The Group currently has no option transactions.

#### **2.3.3.4 Financial assets available-for-sale**

Financial assets available-for-sale are those non-derivative financial assets that are classified as available-for-sale or are not classified as designated at fair value through profit or loss, held-to-maturity or loans and advances. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised through Other Comprehensive Income as Available-for sale Reserve until the investment is derecognised or until the investment is determined

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

to be impaired at which time the cumulative gain or loss previously reported in equity is included in the Consolidated Income Statement. Interest is calculated using the effective interest method and recognised in the Consolidated Income Statement. Dividends on available-for-sale equity instruments are recognised as profit or loss when the Erste Investment Group's right to receive payment is established. Equity instruments currently classified as available-for-sale have a fair value equal to cost as this is believed to be the best estimate of their fair value.

For available-for-sale financial investments, Erste Investment Group assesses at each statement of financial position date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Consolidated Income Statement – is removed from Available-for-sale Reserve and recognised in the Consolidated Income Statement. Impairment losses on equity investments are not reversed through the Consolidated Income Statement; increases in their fair value after impairment are recognised directly in Available-for-sale Reserve.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Net trading income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Consolidated Income Statement, the impairment loss is reversed through the Consolidated Income Statement.

#### **2.3.3.5 Financial assets measured at amortised cost**

Financial assets measured at amortised cost are carried at amortised cost using the effective interest method. Interest is recognized in the Consolidated Income Statement. Gains and losses are recognised in the Consolidated Income Statement when the loans and receivables are derecognised or impaired.

##### **2.3.3.5.1 Receivables from customers**

The Group may grant investment loans to its clients. The purpose of an investment loan is to complement the resources available for the purchase of a security or to provide credit for the whole of the purchase price. The purchase of securities with investment loans can take place exclusively with the completion of a commissioned purchase order given by the client to the Group simultaneously with the agreement on the investment loan.

Receivables from customers are in all instances fully collateralized upon the entry into of the transaction with the client. In case of default, the Group is permitted to sell the assets of the client and offset its receivables against the cash obtained.

Subject to compliance of the maximum value of the investment loan allowed for financing at any point of time, the Group may limit the stock of investment loans and deferred payments for any given



**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

security. The maximum size of an investment loan that can be granted to a client is determined on the basis of their client rating.

The Group may, on the basis of a separate agreement, allow deferred financial settlement for the client. On this basis, the client shall meet its payment obligation at the latest on the 15th day from its due date.

If the Group allowed the client a deferred financial settlement, the total quantity of the securities purchased in the transaction affected by the deferred financial settlement shall be used as collateral for the benefit of the Group, in addition to which, the client is obliged to provide the collateral determined by the Group (basic and floating collateral), continuously, until the financial settlement of the transaction.

#### **2.3.3.5.2 Receivables from securities trading**

Receivables from securities trading include the following:

- Receivables from trading on the Budapest Stock Exchange (BSE) shows the balance of receivables resulting from securities transactions concluded on the stock exchange on own account around the statement of financial position date (not trade on commission).
- Receivables from OTC market trading include receivables from security transactions concluded on the OTC market on own account (not trade on commission).
- Other receivables from KELER Zrt. include settlement and deposit accounts held with the clearing house and amounts transferred to the Stock Exchange Settlement Fund maintained by the clearing house.

#### **2.3.3.5.3 Allowance for impairment of loans and receivables**

For amounts due from banks and loans and advances to customers carried at amortised cost, Erste Investment Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If Erste Investment Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). Accounting for impairment on other receivables (trade receivables, receivables against stock exchange) is carried out based on the same principles. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collaterals have been realised or have been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the impairment of receivables from customers.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Erste Investment Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience

### **2.3.3.6 Financial liabilities measured at amortised cost**

#### **2.3.3.6.1 Payables on securities trading**

Payables on securities trading include the following:

- Payables arising from OTC and auction trading includes liabilities from security transactions concluded on the OTC market on own account (not trade on commission).
- Payables arising from trading on the Budapest Stock Exchange shows the balance of liabilities resulting from securities transactions concluded on the stock exchange on own account around the statement of financial position date (not trade on commission).

#### **2.3.3.6.2 Payables to customer**

Payables to customer include the positive balance of the Clients Accounts.

Client Accounts mean the accounts kept for clients and exclusively used for the execution of client orders.

### **2.3.3.7 Derecognition of financial assets and liabilities**

The Erste Investment Group derecognises a financial asset and a financial liability only when the derecognition criteria in IAS 39 are met.

#### *Financial assets*

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;

and either:

- the Group has transferred substantially all the risk and rewards of the asset, or
- the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In case, the Group also recognised an associated liability the transferred asset and the associated liability are measured on a basis that reflects the rights and obligations the Group has retained.

Continuing involvement has taken the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Consolidated Income Statement.

#### **2.3.4 Repurchase and reverse repurchase agreements**

Erste Investment Group enters into transactions involving the purchase of securities with a simultaneous agreement to resell (reverse repurchase agreements) and transactions involving the sale of securities with a simultaneous agreement to repurchase (repurchase agreements) to provide short-term financing and liquidity. In reverse repurchase agreements, the cash delivered is derecognised and a corresponding receivable, including accrued interest, is recorded on the consolidated statement of financial position, recognising the Erste Investment Group's right to receive it back. In repurchase agreements, the cash received, including accrued interest is recognised on the Consolidated statement of financial position with a corresponding obligation to return it. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognised as interest income or interest expense over the life of each agreement using the effective yield method and included in interest income and expense, respectively.

Securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognised on or are not derecognised from the consolidated statement of financial position, unless the risks and rewards of ownership are obtained or relinquished. In repurchase agreements where Erste Investment Group transfers owned securities and where the recipient is granted the right to resell or re-pledge them, the securities are reclassified in the

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

consolidated statement of financial position to trading assets pledged as collateral. Erste Investment Group monitors the market value of the securities received or delivered on a daily basis and provides or requests additional collateral or recalls or returns surplus collateral in accordance with the underlying agreements.

### **2.3.5 Securities borrowing and lending**

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the consolidated statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the consolidated statement of financial position, unless they are sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in 'Net trading income'.

### **2.3.6 Tangible and intangible fixed assets**

Tangible and intangible fixed assets are stated at cost, less accumulated depreciation and amortisation. Depreciation and amortisation are computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

Buildings	6%
Machinery, equipment and vehicles	14.5% - 20%
Software	33%
Other intangibles	12.5% - 33%

Depreciation and amortisation on tangible and intangible fixed assets commence on the day such assets are placed into service. Depreciation is not charged on land or on assets in the course of construction.

The carrying value of each tangible and intangible asset is reviewed annually and adjusted for permanent impairment, where it is considered necessary. Where the carrying value of a tangible or intangible fixed asset is greater than the estimated recoverable amount, it is written down immediately to the estimated recoverable amount.

The Group currently has no intangible assets with indefinite useful lives.

### **2.3.7 Provisions and contingencies**

Provisions are recognised when Erste Investment Group has a current legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any losses in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is virtually certain.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

**2.3.8 Taxation**

*Income taxes*

Income taxes have been provided for in the Consolidated Financial Statements in accordance with the tax legislation enacted or substantively enacted by the statement of financial position date in the Hungarian jurisdictions in which Erste Investment Group operates. The income tax charge comprises current and deferred taxes and is recognised in the Consolidated Income Statement. Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. The Hungarian local business tax and innovation contribution are presented as part of income tax. Taxes other than income taxes are recorded within operating expenses.

*Deferred taxes*

Deferred income tax is provided using liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the statement of financial position date, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recognised only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

*Bank Tax*

The Hungarian Parliament approved a new Act in August 2010 which provides a framework for the levying of a "bank tax" on financial institutions in the years 2010, 2011 and 2012. According to this act each financial institution - that already had a closed financial year and related financial statements on 1 July 2010 - would be subject to assessment and payment of the bank tax for 2010. The basis and the rate of the bank tax that is payable differs depending on the type of financial institutions. For 2010 the rates are uniformly based on statutory reported financial data of the reporting entity for the period ended 31 December 2009. For investment companies the tax base is the income from investment service activities less expenses on investment service activities shown in the HAS annual report for the year 2009 and the tax rate is 5.6 %. The bank tax is recorded as an expense in the financial period in which it is legally payable. As the bank tax is payable based on prior year non net income measures it does not meet the definition of income tax under IFRS and is therefore presented as an operating expense in the consolidated income statement. " According to the passed law the bank tax will remain in effect in both 2011 and 2012.

**2.3.9 Customer assets and funds**

Erste Investment Group acts in its own name as trustee and also in a fiduciary capacity for the benefit of third parties. The assets managed in such a capacity are not reported on the consolidated statement

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

of financial position unless they are invested with the Erste Investment Group. Erste Investment Group earns commission and performance fee income from such transactions and assets. These activities potentially expose Erste Investment Group to liability risks in cases of gross negligence with regard to non-compliance with its fiduciary and contractual duties. Erste Investment Group has policies and processes in place to control these risks.

#### **2.3.10 Net trading income**

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading and the derivative financial instruments and net gains on financial assets available for sale. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised through Other Comprehensive Income as available-for-sale Reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in "Net trading income". Interest is calculated using the effective interest method and recognised in "Net trading income". Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate to the net carrying amount of the financial asset or financial liability. Dividends on available-for-sale equity instruments are recognised as profit or loss when the Erste Investment Group's right to receive payment is established.

#### **2.3.11 Fee and commission income**

The Erste Investment Group earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income can be divided into two broad categories, income earned from services that are provided over a certain period of time and income earned from providing transaction-type services. The key basis of recognition is as follows:

Fees and commission earned from services that are provided over a certain period of time are recognised over the service period.

Fees and commission earned from providing transaction-type services are recognised when the service has been completed.

Performance linked fees or fee components are recognised when the performance criteria are met.

Fee and commission income is predominantly earned from services that are provided over a period of time including assets and wealth management, advisory fees. Fees predominantly earned from providing transaction-type services include underwriting fees and commission and brokerage fees.

#### **2.3.12 Dividends**

Dividends are recognised as a liability at the statement of financial position date only if they are declared before or on the statement of financial position date. Dividends are disclosed when they are proposed before the statement of financial position date or proposed or declared after the statement of financial position date but before the Consolidated Financial Statements are authorised for issue.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

**2.3.13 Determination of fair value**

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

**2.3.14 Operating leases**

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the period of the lease term and are included in general and administrative expenses.

**2.3.15 Determination of whether an arrangement contains a lease**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

**2.4 Changes in accounting policies**

*APPLICATION OF AMENDED AND NEW IFRS/LAS*

Standards issued but not yet effective up to the date of the Group's financial statements are listed below. The listing is of Standards and interpretations issued which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

*Standards and interpretations not yet effective*

*Amendments to IFRS 7 - Disclosures—Transfers of Financial Assets*

Amendment of IFRS 7 was issued in October 2010 and is effective for financial years beginning on or after 1 July 2011. The aim of new disclosures is that users are able to understand relationships between transferred financial assets (which are not derecognised) and associated liabilities resulting from such transfers. The disclosure requirements also enable users to evaluate the nature and risks retained in those transferred financial assets which are derecognised but entity keeps some continuing involvement in the transferred assets.

The amendment is not expected to have material effect on financial statements of Erste Hungary. It will only result in new disclosures. The Group decided not to apply the amendment before it becomes effective.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

*IFRS 9: Financial Instruments - classification and measurement*

The new IFRS 9 standard was issued in November 2009 and becomes effective for financial years beginning on or after 1 January 2013. Earlier application is permitted. However, as the EU has not yet endorsed the standard, it is therefore not yet applicable for EU entities for the 2011 financial year.

An amendment concerning accounting for financial liabilities issued in October 2010 supplemented the existing requirements for classification and measurement of financial assets, which were issued in November 2009.

IFRS 9 introduces two classification criteria for financial assets: 1. An entity's business model for managing the financial assets and 2. the contractual cash flow characteristics of the financial assets. As a result, a financial asset is measured at amortised cost only if both conditions are met: a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value with changes recognised in Income Statement, except of equity instruments that could be valued through other comprehensive income.

Based on changes in the business model an entity shall reclassify all affected assets from fair value to amortised cost category or vice versa.

*Issued standards not yet endorsed by European Union*

*IFRS 10 Consolidated Financial Statements*

IFRS 10 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. It replaces IAS 27, "Consolidated and Separate Financial Statements" and interpretation SIC-12, "Consolidation – Special Purpose Entities".

IFRS 10 establishes a single control model that applies to all entities, including those that were previously considered special purpose entities under SIC-12. An investor controls an investee when it is exposed, or has rights to variable returns from the investee, and has the ability to affect those returns through its power over the investee. The assessment of control is based on all facts and circumstances and the conclusion is reassessed if there is an indication that there are changes in facts and circumstances.

Furthermore, IFRS 10 addresses other issues such as control with less than majority of voting rights, control solely through rights other than voting rights, delegated decision rights. Parts dealing with consolidation procedures, non-controlling interests and loss of control were taken over into IFRS 10 from IAS 27.

The Group is currently evaluating its control of its subsidiaries in light of the new definition of control in IFRS 10. The Group decided not to apply IFRS 10 before it becomes effective, but at this time it is not practical to quantify the impacts of it.

*IFRS 11 Joint Arrangements*

IFRS 11 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. It supersedes IAS 31, "Interests in Joint Ventures" and SIC-13, "Jointly-controlled Entities – Nonmonetary Contributions by Venturers".



**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

IFRS 11 focuses on the nature of the rights and obligations of the arrangement. It classifies joint arrangements as either joint ventures or joint operations. IFRS 11 requires the use of the equity method of accounting for joint ventures by eliminating the option to use the proportionate consolidation method. The standard is not relevant for the Group.

As The Group has no jointly controlled investment, does not apply proportionate consolidation method allowed in IAS 31, so application of this standard is not expected to have any impact on the Group's financial statements.

*IFRS 12 Disclosure of Involvement in Other Entities*

IFRS 12 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. It establishes the provision of information on the nature, associated risks, and financial effects of interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities, as disclosure objectives. IFRS 12 requires comprehensive disclosure, and specifies minimum disclosures that an entity must provide to meet the disclosure objectives. Disclosures are provided separately for subsidiaries, joint operations, joint ventures, associates, unconsolidated structured entities. IFRS 12 is a comprehensive standard for disclosures. Therefore no specific disclosure requirements can be found in IFRS 10, IFRS 11 and IAS 28.

Application of this standard, which The Group is currently assessing, is not expected to have any significant impact on the Group's financial statements. However, it will result in new disclosures. The Group decided not to apply IFRS 12 before it becomes effective

*IAS 27 (revised 2011) Separate Financial Statements*

Revised IAS 27 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. After revision only the part relevant for individual financial statements was kept in IAS 27. This is due to the fact that IFRS 10 becomes a new standard relevant for consolidated financial statements. This resulted in a change of the name of the IAS 27. IAS 27 revised is not expected to have material effect on financial statements of the Group. The Group decided not to apply IAS 27 issued in 2011 before it becomes effective.

*IAS 28 (revised 2011) Investments in Associates and Joint Ventures*

Revised IAS 28 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. Joint ventures are added in the scope of the revised IAS 28 which also results in the change of the name of the standard. This is due to the fact that under IFRS 11 equity method is the only way of including the joint ventures in the consolidated financial statements. IAS 28 revised is not expected to have a material effect on financial statements of the Group. The Group decided not to apply IAS 28 issued in 2011 before it becomes effective.

*IFRS 13 Fair Value Measurement*

IFRS 13 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. It establishes a single source of guidance for fair value measurement under IFRS. It applies for fair value measurements which are already required or permitted by other standards. Therefore IFRS 13 does not increase the scope of assets and liabilities measured at fair value. IFRS 13 also introduces more comprehensive disclosure requirements on fair value measurement (e.g. fair value hierarchy enhanced also to financial instruments measured at amortised cost).

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

Application of these amendments does not have any impact on the Group's financial statements as The Group had decided not to apply the fair value measurement standard prior to its effective date. It is not practical to quantify the estimated effects of this new standard.

*Amendments to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*

Amendments to IFRS 1 were issued in December 2010 and are effective for annual periods beginning on or after 1 July 2011.

*Amendments to IAS 12 - Deferred Tax: Recovery of Underlying Assets*

Amendments to IAS 12 were issued in December 2010 and are effective for annual periods beginning on or after 1 January 2012. These amendments provide clarification for deferred taxes arising from investment property measured using the fair value model in IAS 40. For such property there is a rebuttable presumption that the carrying amount of the property will be recovered entirely through sale rather than through use. Application of these amendments is not expected to have any impact on the Group's financial statements since The Group does not use investment property category.

*Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income*

Amendments to IAS 1 were issued in June 2011 and become effective for annual periods beginning on or after 1 July 2012. The main requirement is to present the items of other comprehensive income (OCI) depending on whether they are reclassifiable to profit or loss or not. Moreover, if OCI items are presented before tax then the tax related to each of the two categories has to be presented separately.

Application of these amendments will have an impact on the presentation of the statement of comprehensive income due to changes in the presentation of OCI items and their tax effects. The Group decided not to apply these amendments before they become effective.

*IFRIC14 (IAS 19 revised 2011) Employee Benefits*

IAS 19 revised was issued in June 2011 and becomes effective for annual periods beginning on or after 1 January 2013. The revision brought changes mainly for accounting for defined benefit plans. Net interest is recognised in profit or loss by multiplying the net defined liability by the discount rate. Actuarial gains and losses are treated as re-measurements and are recognised fully in other comprehensive income. Clarifications were done for the area of plan amendments, curtailments and settlements. Past service costs are recognised immediately in profit or loss. Disclosure requirements were revised. New definition and recognition criteria were introduced for the termination benefits.

Application of this standard is not expected to have any impact on the Group's financial statements. The Group decided not to apply IAS 19 issued in 2011 before it becomes effective.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**2.5. Reclassification and comparatives**

	As previously reported	As reclassified	Comment
Net fees and commission income	5,322,821	5,317,773	PSZÁF fee has been reclassified from "Other operating expenses, net"
General and administrative expenses	-1,052,706	-960,361	Expense from consignment services has been reclassified to "Other operating expenses, net"
Other operating expenses, net	-887,714	-975,011	PSZÁF fee has been reclassified to "Net fees and commission income" and Expense from consignment services has been reclassified from "General administrative expenses"
<b>Total</b>	<b>3,382,401</b>	<b>3,382,401</b>	
Net difference	<u>0</u>	<u>0</u>	

The reason of the PSZÁF fee's reclassification is that this fee is a direct expense on brokerage activities. Expense from consignment services has been reclassified to "Other operating expenses, net", because Income from consignment services is also presented in this P/L category.

In 2011 the amount of VAT charged was recorded as cost, while in 2010 it was recorded as expense. The apportionment of VAT has not been calculated since 1 January, 2011, because the rate of apportionment is not relevant (less than 1%).

**3. CASH AND CASH EQUIVALENTS**

	<u>2011</u>	<u>2010</u>
Cash on hand	508	602
Deposits with KELER Zrt.	352,373	595,258
Current accounts with banks	<u>20,273,516</u>	<u>21,787,326</u>
	<u>20,626,397</u>	<u>22,383,186</u>
Deposits from customers/not available for use by the Group	18,948,896	20,025,888
Nostro accounts	1,677,501	2,357,298

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**4. FINANCIAL ASSETS AT FAIR VALUE HELD FOR TRADING**

	<i>2011</i>	<i>2010</i>
Hungarian government bonds	856,238	287,278
Shares quoted on the Budapest Stock Exchange	2,944,096	2,535,651
OTC-traded shares	1,242	1,665
Treasury bills	1,355,425	1,526,585
Investment notes	379,582	21,790
Other bonds held for trading	80,213	724,439
	<u>5,616,796</u>	<u>5,097,408</u>

100.00% and 99.99% of the financial assets at fair value held for trading were denominated in HUF as at December 31, 2011 and 2010, respectively.

Interest rates on securities held for trading ranged from 5.12% to 8.5% and 5.5% to 10.0% as at December 31, 2011 and 2010, respectively.

In case of securities lending transactions Erste Investment Group continues to recognise the financial asset in its consolidated statement of financial position, if the Group transfers a financial asset in such a way that it retains substantially all the risks and rewards of ownership of the financial asset.

In case of securities borrowing transactions Erste Investment Group does not recognise the financial asset in its consolidated statement of financial position, if the Group obtains a financial asset in such a way that the counterparty retains substantially all the risks and rewards of the financial asset.

As at December 31, 2011 the Group had only borrowing transactions where it has not obtained all the risks and rewards therefore the group has not recognised the assets.

The tables below show the outstanding balances of Erste Investment Group from securities borrowing/lending transactions and repurchase/reversed repurchase agreements as at December 31, 2011 and 2010, respectively.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**4. FINANCIAL ASSETS AT FAIR VALUE HELD FOR TRADING [continued]**

**Securities borrowing transactions on December 31, 2011**

<b>Security name</b>	<b>Opening date</b>	<b>Closing date</b>	<b>Nominal value</b>	<b>Fair Value</b>
MAGYAR TELEKOM	2011.12.28	2012.01.25	2,313	11,981
OJB 2015/I	2011.12.21	2012.01.04	1,000	946
D120502	2011.11.11	2012.02.13	1,500,000	1,462,940
BMW	2011.11.11	2012.02.13	10	161,041
COMMERZBANK AG	2011.11.11	2012.02.13	10	4,054
TOTAL FINA ELF	2011.11.11	2012.02.13	10	122,896
SIEMENS AG	2011.11.11	2012.02.13	10	230,050
DEUTSCHE BANK	2011.11.11	2012.02.13	10	91,581
NOKIA (DEM)	2011.11.14	2012.02.13	10	11,736
E.ON AG	2011.11.11	2012.02.13	10	51,865
BCO SANT.CEN.HISP	2011.11.14	2012.02.13	10	18,263
THYSSEN KRUPP AG	2011.11.11	2012.02.13	10	55,148
BASF N ORD	2011.11.11	2012.02.13	10	167,668
<b>Total</b>			<b>1,503,413</b>	<b>2,390,169</b>

**Securities borrowing transactions on December 31, 2010**

<b>Security name</b>	<b>Opening date</b>	<b>Closing date</b>	<b>Nominal value</b>	<b>Fair Value</b>
2019/A Magyar Államkötvény	2010.12.23	2011.01.04	3,500,000	3,309,894
2019/A Magyar Államkötvény	2010.12.23	2011.01.04	3,500,000	3,309,894
Aegon Pénzpiaci Alap	2010.12.30	2011.01.03	0.217	0.400
MOL	2010.12.31	2011.12.30	50,000	1,043,500
OTP	2010.12.31	2011.12.30	15,000	755,850
OTP	2010.12.31	2011.12.30	25,000	1,259,750
OTP	2010.12.31	2011.12.30	10,000	503,900
Richter Gedeon	2010.12.31	2011.12.30	10,000	426,430
Concorde VM Abszolút Befektetési Alap	2010.12.31	2011.01.03	5	8
OTP DWS Feltörekvő Piaci Rv Alap	2010.12.31	2011.01.03	1	2
Quantis Globális Trend USD Rv Alapok Alapja N HUF	2010.12.31	2011.01.03	0.001	0.001
Quantis India USD Rv Alapok Alapja	2010.12.31	2011.01.03	3	6
Quantis Kelet-Európa EUR Rv Alapok Alapja N HUF	2010.12.31	2011.01.03	0.163	0.299
Aberdeen Money Market Fund Euro B	2010.12.31	2011.01.03	0.003	369
Espa Stock Asia-Infrastruct. EUR	2010.12.31	2011.01.03	0.001	2
Parvest Equity Turkey Classic CAP	2010.12.31	2011.01.03	0.415	190
ING Invest Prestige & Lux	2010.12.31	2011.01.03	0.001	135
ING Invest Materials	2010.12.31	2011.01.03	0.005	1,191
Parvest Equity Russia Classic CAP	2010.12.31	2011.01.03	26	5,031
			<b>7,110,036</b>	<b>10,616,153</b>

**ERSTE INVESTMENT LTD.  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(in thousands of HUF, unless otherwise stated)**

**4. FINANCIAL ASSETS AT FAIR VALUE HELD FOR TRADING [continued]**

**Repurchase and reverse repurchase agreements on December 31, 2011**

On December 31, 2011 there was not any repurchase or reverse repurchase transaction open.

**Repurchase and reverse repurchase agreements on December 31, 2010**

Security name	Type	Opening date	Closing date	Nominal value	Fair value
2014/C Magyar Államkötvény	repurchase	2010.12.29	2011.01.05	600,000	602,346
				<u>600,000</u>	<u>602,346</u>
	reverse				
2014/C Magyar Államkötvény	repurchase	2010.12.29	2011.01.05	600,000	602,346
				<u>600,000</u>	<u>602,346</u>

Receivables from customers (Note 9) include receivables from reverse repurchase transactions, while Payables to customers (Note 14) include liabilities from repurchase agreements. Securities in borrowing transactions are shares quoted on BSE (Magyar Telekom), and shares quoted on foreign stock exchange (BMW, Commerzbank, Total Fina Elf, Siemens AG, Deutsche Bank, Noki, E.ON AG BCO Sant.Cen Hisp., Thyssen Krupp AG, BASF Ord).

D120502 is a T-bill issued by the Hungarian State, OJB 2015/I is a bond issued by OTP Bank in Hungary.

**5. TRADING ASSETS PLEDGED AS COLLATERAL**

	<u>2011</u>	<u>2010</u>
Hungarian government bonds	0	864,199
Treasury bills	0	3,958,078
	<u>0</u>	<u>4,822,277</u>

The collateral in 2010 was given in connection with securities borrowing transactions and securities trading on the stock exchange.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**6. DERIVATIVE FINANCIAL INSTRUMENTS**

The table below shows the fair values of derivative financial instruments, recorded as asset or liability, together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

<b>Futures contracts</b>	<u><b>2011</b></u>	<u><b>2010</b></u>
Other futures contracts (shares)	732,758	5,688,423
<b>Long positions (notional amount)</b>	<u><b>732,758</b></u>	<u><b>5,688,423</b></u>
Index futures contracts	-177,500	0
Currency futures contracts	-55,785	0
Other futures contracts (shares)	-3,928,801	-5,274,931
<b>Short positions (notional amount)</b>	<u><b>-4,162,086</b></u>	<u><b>-5,274,931</b></u>
<b>Net position</b>	<u><u><b>-3,429,328</b></u></u>	<u><u><b>413,492</b></u></u>
	<u><b>2011</b></u>	<u><b>2010</b></u>
Index futures contracts	2,250	0
Other futures contracts (shares)	156,098	99,306
<b>Positive fair value positions</b>	<u><b>158,348</b></u>	<u><b>99,306</b></u>
Currency futures contracts	-1,798	0
Other futures contracts (shares)	-15,000	-168,842
<b>Negative fair value positions</b>	<u><b>-16,798</b></u>	<u><b>-168,842</b></u>
<b>Net fair value position</b>	<u><u><b>141,550</b></u></u>	<u><u><b>-69,536</b></u></u>

**7. FINANCIAL ASSETS - AVAILABLE-FOR-SALE**

	<u><b>2011</b></u>	<u><b>2010</b></u>
Shares held in Erste Securities Istanbul A.S. (Lehman Brothers)	33	33
Shares held in ERSTE FAKTOR Zrt	0	1,000
ERSTE Ingatlan Fejlesztő, Hasznosító és Mérnöki Kft.	100	100
	<u><u><b>133</b></u></u>	<u><u><b>1,133</b></u></u>

Equity instruments classified as available-for-sale have a fair value equal to cost because this is believed to currently be the best estimate of their fair value. Of the available-for-sale securities portfolio 75,19% and 97.09% was denominated in HUF both at December 31, 2011 and 2010, respectively. As at December 31, 2011 24.81 % of the available-for-sale securities portfolio was denominated in EUR, and recorded at its original purchase price of EUR 121.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**7. FINANCIAL ASSETS - AVAILABLE-FOR-SALE [continued]**

On November 16, 2009 Erste Investment Ltd. acquired an interest of 0.01% in Tasfiye Halinde Lehman Brothers Menkul Degerler A.S. (Büyükdere Cad. No: 185, Kanyon Ofis Blogu, Kat: 14, Levent, Istanbul, Turkey) for an amount of EUR 121 (HUF 33 thousands). According to the extraordinary General Assembly of Lehman Brothers A.S. - held on 18 March 2010 - the name of the company was amended as Erste Securities Istanbul Menkul Degerler Anonim Sirketi.

**8. RECEIVABLES FROM SECURITIES TRADING**

	<u>2011</u>	<u>2010</u>
Receivables from trading on the Budapest Stock Exchange	493,886	548,770
Receivables from OTC market trading	1,163,807	8,443,777
Other receivables from KELER Zrt.	<u>275,000</u>	<u>262,014</u>
	<u>1,932,693</u>	<u>9,254,561</u>

**9. RECEIVABLES FROM CUSTOMERS**

	<u>2011</u>	<u>2010</u>
Trade receivables from customers	584,177	317,369
Receivables from negative client cash accounts	2,104,490	1,730,050
Investment loans	3,521,301	4,512,845
Repurchase agreements	<u>0</u>	<u>602,346</u>
Impairment on past due receivables from negative client cash accounts	-183,935	-139,236
	<u>6,026,033</u>	<u>7,023,374</u>

The details of repurchase agreements are presented in Note 4.

An analysis of the change in the impairment for past due receivables from negative client cash accounts are as follows:

	<u>2011</u>	<u>2010</u>
Balance as at January 1	139,236	130,520
Release of impairment	-14,864	-14,430
Impairment charged during the year	<u>59,563</u>	<u>23,146</u>
Balance as at December 31	<u>183,935</u>	<u>139,236</u>



**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**9. RECEIVABLES FROM CUSTOMERS [continued]**

	<u>2011</u>	<u>2010</u>
Gross value of impaired receivables	291,973	141,869
Impairment	-183,935	-139,236
Net value of impaired receivables	108,038	2,633
Problem-free receivables	1,812,517	1,588,181
Receivables from negative client cash accounts	<u>2,104,490</u>	<u>1,730,050</u>

Investment loans to customers are carried net of incurred credit losses. The estimated fair value of loans should be the amount of estimated future cash flows expected to be received, discounted at market rates. As the majority of loans are repriced monthly, management believes that the carrying value approximates the fair value.

When the Group grants a client a deferred financial settlement or investment loan, all securities purchased in the transaction is used as collateral for the benefit of the Group, in addition to which, the client is obliged to provide collateral determined by the Group (basic and floating collateral), continuously, until the financial settlement of the transaction.

The receivables outstanding as at December 31, 2011 from investment loans are rated problem-free and client collaterals cover the receivables in each case.

As there is no past experience of Erste Investment Group incurring losses from deferred payments and investment loans transactions, and the receivables are covered by collateral and the transactions are of short-term maturity, management believes that it is not necessary to account for any collective impairment at the Group.

**10. OTHER ASSETS**

	<u>2011</u>	<u>2010</u>
Loans given to employees	60,486	30,110
Prepaid expenses	11,080	10,526
Other tax receivables	7,481	33,032
Accrued commission of investment funds	29,356	37,995
Accrued income from brokerage fees	26,100	20,609
Accrued income from profit sharing from Erste Group Bank AG.	5,795	338,023
Other	<u>63,371</u>	<u>55,831</u>
	<u>203,669</u>	<u>526,126</u>

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**11. CURRENT TAX ASSETS / CURRENT TAX LIABILITIES**

<u>Current tax assets</u>	<u>2011</u>	<u>2010</u>
Income tax	297,939	11,981
Innovation contribution	-4,655	-24,646
Local tax	87,262	22,147
Total	<u>380,546</u>	<u>9,482</u>

<u>Current tax liabilities</u>	<u>2011</u>	<u>2010</u>
Local tax	0	123,503
Total	<u>0</u>	<u>123,503</u>

**12. TANGIBLE AND INTANGIBLE FIXED ASSETS**

	<u>Machinery, Equipment and Vehicles</u>	<u>Intangible assets</u>	<u>Total</u>
<u>Gross value</u>			
January 1, 2011	997,881	1,776,434	2,774,315
Additions	141,225	211,532	352,757
Disposals	-82,501	-94,365	-176,866
December 31, 2011	<u>1,056,605</u>	<u>1,893,601</u>	<u>2,950,206</u>
<u>Accumulated depreciation and amortisation</u>			
January 1, 2011	690,388	1,350,390	2,040,778
Charge for the year	84,622	180,717	265,339
Disposals	-39,541	-74,484	-114,025
December 31, 2011	<u>735,469</u>	<u>1,456,623</u>	<u>2,192,092</u>
<u>Net book value</u>			
December 31, 2010	<u>307,493</u>	<u>426,044</u>	<u>733,537</u>
December 31, 2011	<u>321,136</u>	<u>436,978</u>	<u>758,114</u>

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**12. TANGIBLE AND INTANGIBLE FIXED ASSETS [continued]**

	Machinery, Equipment and Vehicles	Intangible assets	Total
<u>Gross value</u>			
January 1, 2010	923,503	1,578,319	2,501,822
Additions	132,620	198,115	330,735
Disposals	-58,242	0	-58,242
December 31, 2010	997,881	1,776,434	2,774,315
<u>Accumulated depreciation and amortisation</u>			
January 1, 2010	628,787	1,144,815	1,773,602
Charge for the year	91,466	205,575	297,041
Disposals	-29,865	0	-29,865
December 31, 2010	690,388	1,350,390	2,040,778
<u>Net book value</u>			
December 31, 2009	294,716	433,504	728,220
December 31, 2010	307,493	426,044	733,537

Erste Investment Group does not have any expenditure of property, plant and equipment in the course of its construction on December 31, 2011. Erste Investment Group does not have any intangible assets from internal development on December 31, 2011.

The acquisition cost of fully amortised tangible and intangible assets was as follows:

*Fully amortised still in use*

	<u>2011</u>	<u>2010</u>
Tangible fixed assets (fully amortised still in use)	577,829	529,516
Intangible fixed assets (fully amortised still in use)	811,638	753,013
	<u>1,389,467</u>	<u>1,282,529</u>

**13. FINANCIAL LIABILITIES AT FAIR VALUE HELD FOR TRADING**

	<u>2011</u>	<u>2010</u>
Short positions (Shares quoted on the Budapest Stock Exchange)	11,981	3,055,433
Short positions (Bonds quoted on the Budapest Stock Exchange)	0	0
	<u>11,981</u>	<u>3,055,433</u>

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**14. PAYABLES ON SECURITIES TRADING**

	<u>2011</u>	<u>2010</u>
Payables arising from OTC and auction trading	747,912	7,487,505
Payables arising from trading on the Budapest Stock Exchange	580,265	709,272
	<u>1,328,177</u>	<u>8,196,777</u>

**15. PAYABLES TO CUSTOMERS**

	<u>2011</u>	<u>2010</u>
Client accounts in HUF	13,777,879	15,256,946
Client accounts in foreign currency	5,171,017	4,768,942
Liabilities from repurchase agreements	0	602,346
	<u>18,948,896</u>	<u>20,628,234</u>

The details of repurchase agreements are presented in Note 4.

**16. TRADE PAYABLES**

	<u>2011</u>	<u>2010</u>
Accounts payable (Suppliers)	68,878	52,523
	<u>68,878</u>	<u>52,523</u>

**17. SHORT-TERM LOANS**

	<u>2011</u>	<u>2010</u>
Short-term loans from domestic banks	900,000	1,600,000
Overdrafts	1,875,861	2,389,135
	<u>2,775,861</u>	<u>3,989,135</u>

The short-term bank loans were granted by Erste Bank Hungary. The interest rates on the borrowed funds range from 4.75% to 7,00% and 4.5% to 6,7% based on market rates in 2011 and 2010 respectively.

<b>December 31, 2011</b>	<b>in thousands of EUR</b>	<b>HUF/EUR</b>	<b>in thousands of HUF</b>
Money Market line hold at disposal	120,000	311.13	37,335,600
Credit drawn on			<u>900,000</u>
Undrawn facility			36,435,600

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**17. SHORT-TERM LOANS [continued]**

<b>December 31, 2011</b>	<b>in thousands of EUR</b>	<b>HUF/EUR</b>	<b>in thousands of HUF</b>
Overdraft credit facility at Erste Bank Hungary			1,000,000
Overdraft credit facility at Commerzbank			600,000
Overdraft credit facility at ING	3,000	311.13	<u>933,390</u>
Total overdrafts credit facilities			2,533,390
Overdraft facility drawn on			<u>1,875,861</u>
Undrawn overdraft facility			657,529

<b>December 31, 2010</b>	<b>in thousands of EUR</b>	<b>HUF/EUR</b>	<b>in thousands of HUF</b>
Money Market line hold at disposal	120,000	278.75	33,450,000
Credit drawn on			<u>1,600,000</u>
Undrawn facility			31,850,000

<b>December 31, 2010</b>	<b>in thousands of EUR</b>	<b>HUF/EUR</b>	<b>in thousands of HUF</b>
Overdraft credit facility at Erste Bank Hungary			1,000,000
Overdraft credit facility at Commerzbank			600,000
Overdraft credit facility at Erste Bank AG	25,000	278.75	6,968,750
Overdraft credit facility at ING	3,000	278.75	<u>836,250</u>
Total overdrafts credit facilities			9,405,000
Overdraft facility drawn on			<u>2,389,135</u>
Undrawn overdraft facility			7,015,865

**18. OTHER LIABILITIES**

	<u>2011</u>	<u>2010</u>
Accrued commission of agents	388,991	331,848
Other accrued expenses (audit fee, Reuters, Hungarian Financial Supervisory Authority fee, other accrued cost and expenditures)	64,821	70,767
Accrued bonus	139,864	1,027,383
Personal income tax liability	169,129	161,305
Social security liability	43,211	40,926
Other tax liability	6,263	14,782
Other	<u>15,867</u>	<u>2,016</u>
	<u>828,146</u>	<u>1,649,027</u>

In 2011 the amount of bonus, for the period ending December 31, 2011, was not accrued, but there was a provision charged for the bonus amount, due to the uncertainty of the final amount.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**19. PROVISIONS**

	<u>2011</u>	<u>2010</u>
Provisions	384,538	47,164
	<u>384,538</u>	<u>47,164</u>

In 2011. the amount of provision at HUF 15,367 thousands was charged for client claims, and the amount of provision at HUF 369,170 thousands was charged for bonus.

In 2010. the amount of provision at HUF 37,716 thousands was charged for client claims and HUF 9,448 thousands was charged for default interests payable to Tax Authority.

**Changes of provisions**

	<u>2011</u>	<u>2010</u>
January 1	47,164	222
Charged of provisions	384,538	47,164
Release of provisions	-47,164	-222
December 31	<u>384,538</u>	<u>47,164</u>

**20. EQUITY**

The composition of the shares as at December 31, 2011 and December 31, 2010:

- 200,000 pieces of ordinary shares of HUF 10,000 nominal value and each fully paid.

The share premium was HUF 141,882 thousands as at December 31, 2011 and 2010 respectively.

At the Annual General Meeting held on March 22, 2011, the shareholders approved to distribute HUF 3,500,000 thousand in dividends after the year 2010, i.e. HUF 17,500 per share. Erste Investment Ltd. paid this dividend to Erste Bank Hungary Zrt. and to Erste Ingatlan Kft. on April 22, 2011.

**Capital management**

Erste Investment Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of Erste Investment Ltd.'s capital is monitored using, among other measures, the rules and ratios established by the Act CXXXVIII of 2007 (on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities).

During 2011 Erste Investment Ltd. complied in full with all its externally imposed capital requirements.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**20. EQUITY [continued]**

**Capital adequacy**

In accordance with the law (the Act CXXXVIII of 2007, on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities), Erste Investment Ltd. must have a minimum regulatory capital amount higher than 8% of risk weighted assets. Erste Investment Ltd. takes this additional requirement into consideration when preparing its detailed budget and creates further reserves in order to have sufficient regulatory capital in case if the HUF is depreciating or other unexpected events occur. Erste Investment Ltd. reports its solvency situation to PSZÁF (Hungarian Financial Supervisory Authority) quarterly. Its subsidiary Portfólió Ltd. is not regulated and is not obliged to comply with any externally imposed capital requirements.

The following table shows the solvency margin based on the statutory accounts of Erste Investment Ltd. in 2011 and 2010 respectively:

	<b>2011</b>	<b>2010</b>
Subscribed capital	2,000,000	2,000,000
Capital reserve	141,882	141,882
Profit reserve, if positive	6,015,162	6,071,840
Standalone retained profit for the year	0	152,444
Intangible assets (-)	-5,165	-1,352
<b>CORE CAPITAL</b>	<b>8,151,879</b>	<b>8,364,814</b>
Amount of book value of interests not treated as qualifying participations in other financial institutions exceeding the limit	369,662	2,626,623
Total capital requirement for positions and exchange rate (incl. large exposure)	97,765	42,369
<b>TOTAL ADDITIONAL CAPITAL FOR COVERING MARKET RISK</b>	<b>65,177</b>	<b>28,246</b>
<b>SOLVENCY MARGIN AVAILABLE FOR COVERING RISK</b>	<b>7,847,394</b>	<b>5,766,437</b>
MINIMAL CAPITAL ADEQUACY	1,502,486	1,415,336
<b>SOLVENCY MARGIN EXCESS/(DEFICIENCY)</b>	<b>6,344,908</b>	<b>4,351,101</b>
<b>CAPITAL ADEQUACY RATIO (%)</b>	<b>41.78</b>	<b>32.59</b>

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**21. NET TRADING INCOME**

	<u>2011</u>	<u>2010</u>
Net gain on financial assets at fair value held for trading	1,890,677	3,083,704
Shares	-480,415	-636,956
Government securities	389,084	1,306,676
Other bonds	299,715	304,762
Other securities	4,791	3,903
Net income/expense from futures	1,369,622	1,962,064
Net income from forwards	307,880	143,255
	<u>1,890,677</u>	<u>3,083,704</u>

**22. NET FEES AND COMMISSION INCOME**

<b>FEE AND COMMISSION INCOME</b>	<u>2011</u>	<u>2010</u>
Brokerage fees	6,433,606	8,079,208
Commission received for securities issuance	1,412,739	986,618
Commissions from custodian services	2,903	1,734
Income from advisory services	44,469	25,071
Account keeping fee	845,064	669,042
Other fees and commissions received	100,223	100,713
Total fees and commission income	<u>8,839,004</u>	<u>9,862,386</u>

<b>FEE AND COMMISSION EXPENSES</b>	<u>2011</u>	<i>Reclassified</i> <u>2010</u>
Brokerage fees paid	-3,554,495	-4,063,750
Commission paid for securities issuance	-358,990	-34,954
Costs of custodian services	-14,780	-5,676
Other fees and commissions paid	-265,134	-440,233
Total fees and commission expense	<u>-4,193,399</u>	<u>-4,544,613</u>
<b>Net fees and commission income</b>	<u><b>4,645,605</b></u>	<u><b>5,316,773</b></u>

**23. IMPAIRMENT OF RECEIVABLES FROM CUSTOMERS**

	<u>2011</u>	<u>2010</u>
Release of impairment	14,864	14,430
Impairment charged during the year	-59,563	-23,146
	<u>-44,699</u>	<u>-8,716</u>



**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**24. FINANCIAL RESULT, NET**

	<u>2011</u>	<u>2010</u>
Interest income	897,940	863,368
Foreign exchange gain	24,668	45,700
Interest income of repurchase agreements	17,058	33,349
Income from investment loans and deferred payments	<u>638,344</u>	<u>834,538</u>
Total financial income	1,578,010	1,776,955
Interest expense	-240,778	-284,020
Foreign exchange loss	0	0
Interest expense of repurchase agreements	<u>-17,058</u>	<u>-33,349</u>
Total financial expense	<u>-257,836</u>	<u>-317,369</u>
<b>Financial income, net</b>	<b><u>1,320,174</u></b>	<b><u>1,459,586</u></b>

**25. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2011</u>	<i>Reclassified</i> <u>2010</u>
Rental fees	-117,583	-101,304
Legal consulting and other advisory fees	-41,337	-37,831
Reuters and other fees	-140,236	-98,162
Bank charges	-52,408	-72,831
Marketing	-35,618	-43,528
Telephone and post	-77,395	-77,344
IT services	-272,595	-172,810
Maintenance	-55,368	-53,058
Insurance fees	-39,987	-37,657
Travelling and accommodation costs	-18,933	-22,384
Administration services	-159,306	-144,922
Training and education costs	-27,812	-33,149
Consignment services	-1,748	-1,800
Membership fees	-10,342	-4,707
Other	<u>-56,116</u>	<u>-58,874</u>
	<u>-1,106,784</u>	<u>-960,361</u>

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**26. PERSONNEL EXPENSES**

	<u>2011</u>	<u>2010</u>
Wages and salaries	-1,468,615	-2,152,056
Social security expenses	-406,439	-623,421
	<u>-1,875,054</u>	<u>-2,775,477</u>

**27. OTHER OPERATING EXPENSES, NET**

<b>Other operating income</b>	<u>2011</u>	<u>2010</u>
Release of provision	47,164	222
Income from consignment services	84,282	69,546
Income from hardware and software services	75,712	85,488
Income of fixed asset disposal	55,821	16,878
Other income	10,626	15,952
<b>Total other operating income</b>	<u>273,605</u>	<u>188,086</u>

<b>Other operating expenses</b>	<u>2011</u>	<i>Reclassified</i> <u>2010</u>
Non-reclaimable VAT	0	-228,186
Paid membership and supervisory fees	-145,487	-113,784
Donations to foundations	-79,857	-190,600
Expense of fixed asset disposal	-62,841	-28,377
Provisions	-384,537	-47,164
Other taxes paid	-1,523	-1,507
Special tax of Financial Institutions	-424,430	-424,430
Expenses from consignment services	-81,015	-92,345
Other expenses	-32,263	-36,704
Total other operating expense	<u>-1,211,953</u>	<u>-1,163,097</u>
<b>Other operating expenses, net</b>	<u><b>-938,348</b></u>	<u><b>-975,011</b></u>

Financial institutions shall be liable to pay the Bank tax in 2012. The bank tax for the Group is expected to be HUF 424,430 thousands also in 2012. The bank tax is recorded as an expense in the financial period in which it is legally payable.

In 2011 the amount of VAT charged was recorded as cost, while in 2010 it was recorded as expense. The apportionment of VAT has not been calculated since 1 January, 2011, because the rate of apportionment is not relevant (less than 1%).

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

**28. INCOME TAXES**

The components of income tax expense for the years ended December 31, 2011 and 2010 are:

	<u>2011</u>	<u>2010</u>
Current income tax expense	-520,346	-876,506
Local tax expense	-266,246	-352,408
Innovation contribution expense	-39,937	-52,861
Deferred tax Benefit	<u>26,853</u>	<u>32,163</u>
Total income tax	<u><u>-799,676</u></u>	<u><u>-1,249,612</u></u>
Net profit before income tax	3,626,232	4,844,457
Effective tax rate after adjustments	22.05%	25.79%

**Statutory income tax expense**

In 2011 and 2010, corporate income tax is payable at 19% on taxable statutory profits.

The corporate tax was 10 % of the positive tax base up to HUF 250 million forints in 2010, and was 10% of the positive tax base up to HUF 500 million forints in 2011.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the statement of financial position date, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised, this tax rate is 19 % for the year ended December 31, 2011.

A reconciliation between the tax expense and the accounting profit multiplied by domestic tax rate for the years ended 31 December 2011 and 2010 is as follows:

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**28. INCOME TAXES [continued]**

	2011	2010
<b>Profit before tax</b>	<b>3,626,232</b>	<b>4,844,457</b>
Income tax rate*	19%	19%
<b>Income tax calculated (19%)</b>	<b>688,984</b>	<b>920,447</b>
Local tax and innovation contribution expense	306,183	405,269
Effect of local tax and innovation contribution on income tax	-58,175	-77,002
Adjustments related to prior year income tax	0	52,007
Income not subject to tax	-130,194	-145,438
<i>dividend</i>	<i>-130,602</i>	<i>-144,716</i>
<i>other</i>	<i>408</i>	<i>-722</i>
Non-deductible expenses	47,139	145,500
<i>thin capitalization</i>	<i>21,879</i>	<i>95,225</i>
<i>donations</i>	<i>14,650</i>	<i>35,720</i>
<i>other</i>	<i>10,609</i>	<i>14,555</i>
Fair value adjustments of financial instruments	39,584	-9,581
Other permanent differences	-3,845	3,411
Effect of different tax rate *	-90,000	-45,000
<b>Income tax expense reported in the Consolidated Income Statement</b>	<b>799,676</b>	<b>1,249,612</b>

\* The corporate tax was 10 % of the positive tax base up to HUF 250 million in 2010 and up to HUF 500 in 2011.

Deferred income taxes

The deferred taxes as included in the consolidated statement of financial position and changes recorded in the Consolidated Income Statement are as follows:

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**28. INCOME TAXES [continued]**

**For the year ended December 31, 2011:**

	<b>Liabilities</b>	<b>Assets</b>	<b>Consolidated Income Statement impact</b>
Fair value adjustments of financial instruments	0	-22,048	-40,103
Allowance of provisions adjustments	0	73,062	64,143
Fixed assets depreciation	0	0	733
Personal costs (unused vacation)	0	1,144	2,080
<b>Total</b>	<b>0</b>	<b>52,158</b>	<b>26,853</b>
Net deferred tax assets		<u>52,158</u>	

**For the year ended December 31, 2010:**

	<b>Liabilities</b>	<b>Assets</b>	<b>Consolidated Income Statement impact</b>
Fair value adjustments of financial instruments	-15,408	33,462	27,635
Allowance of provisions adjustments	1,795	7,124	8,875
Fixed assets depreciation	0	-733	-2,909
Personal costs (unused vacation)	67	-1,003	-1,438
<b>Total</b>	<b>-13,546</b>	<b>38,850</b>	<b>32,163</b>
Net deferred tax assets		<u>25,304</u>	

**29. FUNDS UNDER MANAGEMENT AND CLIENT'S SECURITIES HANDLED BY THE GROUP**

Erste Investment provides securities custody and depository services. The market value of client's securities handled by the Group amounted to: HUF 678,447,743 thousands as at December 31, 2011 and HUF 551,639,943 thousands as at December 31, 2010.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**30. RELATED PARTY TRANSACTIONS**

The ultimate parent of Erste Investment Ltd. is Erste Group Bank AG. It prepares the consolidated financial statement of the International Erste Group. Other related parties of Erste Investment Group are subsidiaries of Erste Group Bank AG. The following tables provide the outstanding balances at the year-end and the total amount of transactions, which have been entered into with related parties for the relevant financial year.

Transactions with related parties (equity holders: Erste Bank Hungary, Erste Ingatlan Kft. and ultimate parent: Erste Group Bank AG.) are summarized below for the year ended December 31, 2011:

<i>Open transactions at December 31, 2011</i>			
<b>Description / Related Party</b>	<b>Erste Bank Hungary</b>	<b>Erste Group Bank AG</b>	<b>Erste Ingatlan Kft.</b>
Bank accounts (held at the related party)	13,814,453	5,560,262	
Overdrafts	(71,552)	(1,677,596)	
Loan taken from revolving loan facility	(900,000)		
Receivables from securities trading		177,398	
Accounts receivable	25,752		
Payables on securities trading		(44,349)	
Payables to customers	(84,006)	(323,761)	
Trade payables		(1,757)	
Accrued interest expense	(313)		
Accrued commission (income)	14,000	5,795	
Accrued expenses (commission)	(178,251)	(415)	

<i>Transactions during 2011</i>	<b>Erste Bank Hungary</b>	<b>Erste Group Bank AG</b>	<b>Erste Ingatlan Kft.</b>
Interest paid on loan	(133,871)	(99,300)	
Interest received on bank account	692,592	19,893	
Commission income	297,973	16,080	
Distribution fee		1,203,782	
Paid interdealer fee	(1,214,523)		
Paid commission fee	(24,284)	(119,045)	
Profit sharing income from securities trading	28,252	7,107	
Income from costs charged towards and IT services fee	103,156		
SLA fee paid by Portfolió Ltd.	(38,293)		
Rental fee (office lease payments)	(42,906)		(43,718)

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**30. RELATED PARTY TRANSACTIONS [continued]**

Transactions with other related parties for the year ended December 31, 2011:

<i>Open transactions at December 31, 2011</i>					
Description / Related Party	Brokerjet	Erste Securities Polska	Erste Alapkezelő Zrt.	Erste Sparinvest	Erste Securities Istambul
Bank accounts (held at the related party)	119,827	3,495			473
Receivables from customers			16		
Accounts receivable		1,124	277,159		
Accrued commission				18,605	

<i>Transactions during 2011</i>							
Description / Related Party	Brokerjet	Erste Securities Istanbul	Erste Securities Polska	Erste Alapkezelő Zrt.	Erste Sparinvest	Ceska sporitelna	Erste Bank London
Interest received on bank account			1,525				
Interest paid on loan	(13)		(151)				
Commission income from investment notes transactions				249,066			
Commission income			3,651	38,602	72,230	2,266	397
Commission paid	(1162)		(157)	(100)			
Income from costs charged towards and IT services fee				37,820			

The securities held by the Erste Investment Group include bonds issued by Erste Bank Hungary amounting to HUF 22,043 thousands and HUF 40,539 thousands as at December 31, 2011 and 2010 respectively.

The securities held by the Erste Investment Group include bonds issued by Erste Bank AG amounting to HUF 2,117 thousands as at December 31.

The members of the Board of Directors have not received any loan during 2011 and 2010 respectively.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**30. RELATED PARTY TRANSACTIONS [continued]**

Transactions with related parties (equity holders: Erste Bank Hungary, Erste Ingatlan Kft. and ultimate parent: Erste Group Bank AG.) are summarized below for the year ended December 31, 2010:

<i>Open transactions at December 31, 2010</i>			
<b>Description / Related Party</b>	<b>Erste Bank Hungary</b>	<b>Erste Group Bank AG</b>	<b>Erste Ingatlan Kft.</b>
Bank accounts (held at the related party)	16,291,251	4,188,637	
Overdrafts	(76,162)	(2,312,893)	
Loan taken from revolving loan facility	(1,600,000)		
Receivables from securities trading		8,096,364	
Receivables from customers		74,752	
Accounts receivable	16,131		
Payables on securities trading		(6,694,499)	
Payables to customers	(116,982)		
Payables from repurchase agreements		(602,346)	
Trade payables		(3,268)	(144)
Accrued interest expense	(307)		
Accrued commission (income)	26,600	341,104	
Accrued expenses (commission)	(115,241)	(9,618)	

<i>Transactions during 2010</i>	<b>Erste Bank Hungary</b>	<b>Erste Group Bank AG</b>	<b>Erste Ingatlan Kft.</b>
Interest paid on loan	(163,710)	(110,264)	
Interest received on bank account	680,016	5,286	
Commission income	258,251	37,452	
Distribution fee		710,787	
Paid interdealer fee	(1,231,646)		
Paid commission fee	(37,419)	(208,906)	
Profit sharing income from securities trading		335,317	
Income from costs charged towards and IT services fee	116,103		108
SLA fee paid by Portfolió Ltd.	(45,088)		
Rental fee (office lease payments)			(120,517)



**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**30. RELATED PARTY TRANSACTIONS [continued]**

Transactions with other related parties for the year ended December 31, 2010:

<i>Open transactions at December 31, 2010</i>				
Description / Related Party	Brokerjet	Erste Securities Polska	Erste Alapkezelő Zrt.	Erste Sparinvest
Bank accounts (held at the related party)	231,856	110,796		
Accounts receivable		7,950	72,572	
Accrued commission				20,213

<i>Transactions during 2010</i>							
Description / Related Party	Brokerjet	Erste Securities Istanbul	Erste Securities Polska	Erste Alapkezelő Zrt.	Erste Sparinvest	Ceska sporitelna	Erste Bank London
Interest received on bank account			1,699				
Interest paid on loan	(53)		(137)				
Commission income from investment notes transactions				471,629			
Commission income			48,107	72,572	57,552	3,336	10,012
Commission paid	(977)	(2,370)	(87)				
Income from costs charged towards and IT services fee				33,113			

**31. COMPENSATION OF KEY MANAGEMENT PERSONNEL**

The Board of Directors and Members of the Supervisory Board received no remuneration for their Board related activities in 2011 and in 2010.

The compensation of key management personnel - such as the members of the Management, key employees (heads of department) of the Group and its subsidiaries - according to the compensation categories defined in IAS 24, is summarised below:

	<u>2011</u>	<u>2010</u>
Short-term employee benefits	<u>636,468</u>	<u>581,047</u>

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

**32. OPERATING LEASES**

The Group has entered into operating leases on premises. These leases have a life of 10 years with a renewal option for an additional 5 years included in the contracts.

Erste Investment Group rents its offices from Erste Ingatlan Kft, and from Erste Bank Hungary Zrt. The rental fee (lease payments) of the offices paid by the group amounted to HUF 103,837 thousands for the year ended December 31, 2011, while it was HUF 87,973 thousands for the year ended December 31, 2010.

Future minimum lease payments under non-cancellable operating leases as at December 31 are as follows:

	<b>2011</b>	<b>2010</b>
	<b>EUR</b>	<b>EUR</b>
Within one year	300,945	319,815
After one year but not more than five years	1,203,782	1,279,259
More than five years	<u>1,354,255</u>	<u>2,132,098</u>
	<u><b>2,858,982</b></u>	<u><b>3,731,172</b></u>

The rental agreement determines the rental fee in EUR while all payments are deliverable in HUF at the prevailing exchange rate.

**33. FAIR VALUE OF FINANCIAL INSTRUMENTS**

*Financial instruments at fair value*

Financial assets at fair value held for trading, trading assets pledged as collateral, financial assets - available-for-sale, financial liabilities at fair value held for trading, and derivatives are carried at their fair value.

*Determination of fair value of financial instruments*

Financial instruments purchased or sold are recorded on a trade date basis and include proprietary securities and contractual commitments arising pursuant to futures, forward contracts. The estimated fair value of financial instruments is determined in accordance with the requirements of IAS 39. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in a forced sale or liquidation. The fair values of assets or liabilities that are actively traded in organised financial markets are determined by reference to quoted market bid or ask prices. For assets where there is no active market, fair value is determined using valuation techniques. The Group does not have financial instruments where the valuation techniques would be based on non market observable inputs.

*Fair value of derivatives*

All derivatives are carried at their fair value. Fair values of trading derivative financial instruments, such as forward foreign exchange, and futures are marked to market, based on international money and capital market price quotations.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**33. FAIR VALUE OF FINANCIAL INSTRUMENTS [continued]**

In the normal course of business the Group may enter into a number of transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses.

Set out below is a comparison by class of the carrying amounts and fair value of Erste Investment Group's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 2011	Fair value 2011	Unrecognised gain/(loss) 2011	Carrying value 2010	Fair value 2010	Unrecognised gain/(loss) 2010
<b><i>Financial assets</i></b>						
Financial assets at fair value held for trading	5,616,796	5,616,796	0	5,097,408	5,097,408	0
Trading assets pledged as collateral	0	0	0	4,822,277	4,822,277	0
Derivative financial assets	158,348	158,348	0	99,306	99,306	0
Financial assets -available-for-sale	133	133	0	1,133	1,133	0
Receivables from securities trading	1,932,693	1,932,693	0	9,254,561	9,254,561	0
Receivables from customers	6,026,033	6,026,033	0	7,023,374	7,023,374	0
	Carrying value 2011	Fair value 2011	Unrecognised gain/(loss) 2011	Carrying value 2010	Fair value 2010	Unrecognised gain/(loss) 2010
<b><i>Financial liabilities</i></b>						
Financial liabilities at fair value held for trading	11,981	11,981	0	3,055,433	3,055,433	0
Derivative financial liabilities	16,798	16,798	0	168,842	168,842	0
Payables on securities trading	1,328,177	1,328,177	0	8,196,777	8,196,777	0
Payables to customers	18,948,896	18,948,896	0	20,628,234	20,628,234	0
Trade payables	68,878	68,878	0	52,523	52,523	0
Short-term loans	2,775,861	2,775,861	0	3,989,135	3,989,135	0
Total unrecognised change in unrealised fair value			0			0

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**33. FAIR VALUE OF FINANCIAL INSTRUMENTS [continued]**

For assets currently classified as available-for-sale where there is no active market, fair value is assumed to be equal to cost as this is believed to be the best estimate of their fair value.

Equities and derivatives are quoted on the Stock Exchange and are measured on the quoted market prices, as are the majority of securities held. In the case of t-bills maturing within 3 months valuation techniques are used based on observable inputs to determine fair value.

As the maturity of Receivables from securities trading, Receivables from customers, Payables on securities trading, Trade payables and Short-term loans are short-term, management believes that the carrying value is the best estimate of their fair value.

**Determination of fair value and fair value hierarchy**

The following table shows an analysis of financial instruments recorded at fair value between those whose fair value is based on quoted market prices and those involving techniques where the model inputs are observable in the market. Erste Investment Group does not have financial instruments where the valuation techniques involve the use of non-market observable inputs.

Equity instruments currently classified as available-for-sale have a fair value equal to cost because this is believed to be the best estimate of their fair value. Therefore this table doesn't contain financial assets -available-for-sale.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

<b>December 31, 2011:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value held for trading	4,437,297	1,179,499	0	5,616,796
Trading assets pledged as collateral	0	0	0	0
Derivative financial assets	158,348	0	0	158,348
Financial liabilities at fair value held for trading	11,981	0	0	11,981
Derivative financial liabilities	16,798	0	0	16,798
	<u>4,624,424</u>	<u>1,179,499</u>	<u>0</u>	<u>5,803,923</u>

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**33. FAIR VALUE OF FINANCIAL INSTRUMENTS [continued]**

<b>December 31, 2010:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value held for trading	3,030,108	2,067,300	0	5,097,408
Trading assets pledged as collateral	864,199	3,958,078	0	4,822,277
Derivative financial assets	99,306	0	0	99,306
Financial liabilities at fair value held for trading	3,055,433	0	0	3,055,433
Derivative financial liabilities	168,842	0	0	168,842
	<u>7,217,888</u>	<u>6,025,378</u>	<u>0</u>	<u>13,243,266</u>

Erste Investment Group uses the valuation techniques-market observable for treasury bills, structured bonds short- term maturity (less than 1 year). These securities do not have capital market price quotations. Their fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method based on benchmark yields. Market information is available on the Government Debt Management Agency's home page.

**34. RISK MANAGEMENT**

Risk is inherent in Erste Investment Group's activities but it is managed through a process of ongoing identification, measurement and monitoring and is subject to risk limits and other controls. Erste Investment Group is exposed to credit risk, liquidity risk and market risk. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through Erste Investment Group's strategic planning process.

The Board of Directors is responsible for identifying and controlling risks; however, there is a separate independent department responsible for managing and monitoring risks.

Monitoring and controlling risks is primarily performed based on limits established by Erste Investment Group. These limits reflect the business strategy and market environment of Erste Investment Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Erste Investment Group's objective is to achieve an appropriate balance between risk and return, and this is reflected in the Group's Risk Policy. Erste Investment Group has adopted Erste Group Bank AG approach to risk management that has been developed using internationally accepted guidelines and procedures tailored to the markets in which the Erste Investment Group operates.

Erste Investment Group manages a variety of risks in the ordinary course of its business. These risks are identified, measured, and monitored through various control mechanisms across the Group in accordance with the risk policy approved by Erste Group Bank AG and Erste Bank Hungary as parent companies.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**34. RISK MANAGEMENT [continued]**

The Global Erste Group policy sets risk management standards for the Erste Investment Group and is supported in this role by the Risk Management Departments of those companies. They are responsible for approving credit and market limits, and setting other risk parameters.

New products introduced by the Group are subject to a new product development and approval process. The approval process includes an assessment of necessary accounting, legal, regulatory and compliance issues, tax and operational issues, and a full report of credit, market, and liquidity risks associated with the new product (including estimates of revenues and costs). Limits governing the activity in the new product are proposed at the preliminary stage to ensure future risk management criteria are established before the product is implemented.

Utilisation of market risk and counterparty risk limits is monitored intra-day and on-line using a real-time risk management system.

Detailed below are the primary risks associated with the Erste Investment Group's business:

***Liquidity risk***

Erste Investment Group has an independent department to manage Erste Investment Group's cash flows. Key goals are to provide data for the production of cash flow projections, identify where the Group's cash resources are restricted, monitor and address non-receipt of securities and cash and provide relevant information to enable Erste Investment Group to secure committed external financing lines. The Group calculates minimum cash requirements and provides detailed analysis to ensure Management is informed on any liquidity related issues.

**ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES AND LIQUIDITY RISK BY RESIDUAL MATURITY**

December 31, 2011:	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash and cash equivalents	20,626,397	0	0	0	0	20,626,397
Financial assets at fair value held for trading	1,112,803	1,020,426	137,058	43,604	3,302,905	5,616,796
Trading assets pledged as collateral	0	0	0	0	0	0
Derivative financial assets	130,674	27,674	0	0	0	158,348
Financial assets available-for- sale	0	0	0	0	133	133
Receivables from securities trading	1,657,693	275,000	0	0	0	1,932,693
Receivables from customers	6,026,033	0	0	0	0	6,026,033
<b>Total financial assets</b>	<b>29,553,600</b>	<b>1,323,100</b>	<b>137,058</b>	<b>43,604</b>	<b>3,303,038</b>	<b>34,360,400</b>

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**34. RISK MANAGEMENT [continued]**

<b>December 31, 2011:</b>	<b>Within 3 months</b>	<b>Within one year and over 3 months</b>	<b>Within 5 years and over one year</b>	<b>Over 5 years</b>	<b>Without maturity</b>	<b>Total</b>
Financial liabilities at fair value held for trading	11,981	0	0	0	0	11,981
Derivative financial liabilities	16,798	0	0	0	0	16,798
Payables on securities trading	1,328,177	0	0	0	0	1,328,177
Payables to customers	18,948,896	0	0	0	0	18,948,896
Trade payables	68,878	0	0	0	0	68,878
Short-term loans	2,775,861	0	0	0	0	2,775,861
<b>Total financial liabilities</b>	<b>23,150,591</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23,150,591</b>
<b>Liquidity excess/(deficiency)</b>	<b>6,403,009</b>	<b>1,323,100</b>	<b>137,058</b>	<b>43,604</b>	<b>3,303,038</b>	<b>11,209,809</b>

This table of the liabilities show the amount of undiscounted Cash flow

<b>December 31, 2011:</b>	<b>Within 3 months</b>	<b>Within one year and over 3 months</b>	<b>Within 5 years and over one year</b>	<b>Over 5 years</b>	<b>Without maturity</b>	<b>Total</b>
Financial liabilities at fair value held for trading	11,981	0	0	0	0	11,981
Derivative financial liabilities	16,798	0	0	0	0	16,798
Payables on securities trading	1,328,177	0	0	0	0	1,328,177
Payables to customers	18,948,896	0	0	0	0	18,948,896
Trade payables	68,878	0	0	0	0	68,878
Short-term loans	2,776,173	0	0	0	0	2,776,173
<b>Total undiscounted financial liabilities</b>	<b>23,150,903</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23,150,903</b>

<b>December 31, 2010:</b>	<b>Within 3 months</b>	<b>Within one year and over 3 months</b>	<b>Within 5 years and over one year</b>	<b>Over 5 years</b>	<b>Without maturity</b>	<b>Total</b>
Cash and cash equivalents	22,383,186	0	0	0	0	22,383,186
Financial assets at fair value held for trading	2,196,503	78,329	268,061	15,172	2,539,343	5,097,408
Trading assets pledged as collateral	4,534,407	287,870	0	0	0	4,822,277
Derivative financial assets	60,982	38,324	0	0	0	99,306
Financial assets available-for-sale	0	0	0	0	1,133	1,133
Receivables from securities trading	9,004,561	250,000	0	0	0	9,254,561
Receivables from customers	7,023,374	0	0	0	0	7,023,374
<b>Total financial assets</b>	<b>45,203,013</b>	<b>654,523</b>	<b>268,061</b>	<b>15,172</b>	<b>2,540,476</b>	<b>48,681,245</b>

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**34. RISK MANAGEMENT [continued]**

December 31, 2010:	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Financial liabilities at fair value held for trading	3,055,433	0	0	0	0	3,055,433
Derivative financial liabilities	129,595	39,247	0	0	0	168,842
Payables on securities trading	8,196,777	0	0	0	0	8,196,777
Payables to customers	20,628,234	0	0	0	0	20,628,234
Trade payables	52,523	0	0	0	0	52,523
Short-term loans	3,510,591	478,544	0	0	0	3,989,135
<b>Total financial liabilities</b>	<b>35,573,153</b>	<b>517,791</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>36,090,944</b>
<b>Liquidity excess/(deficiency)</b>	<b>9,629,860</b>	<b>136,732</b>	<b>268,061</b>	<b>15,172</b>	<b>2,540,476</b>	<b>12,590,301</b>

This table of the liabilities show the amount of undiscounted Cash flow

December 31, 2010:	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Financial liabilities at fair value held for trading	3,055,433	0	0	0	0	3,055,433
Derivative financial liabilities	129,595	39,247	0	0	0	168,842
Payables on securities trading	8,196,777	0	0	0	0	8,196,777
Payables to customers	20,628,234	0	0	0	0	20,628,234
Trade payables	52,523	0	0	0	0	52,523
Short-term loans	3,510,813	478,544	0	0	0	3,989,357
<b>Total undiscounted financial liabilities</b>	<b>35,573,375</b>	<b>517,791</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>36,091,166</b>

***Market risk-Trading***

Market risk arises from exposure to changes in equity, bond and commodity prices, credit spreads, interest rates and foreign exchange rates, and the correlation between them and their levels of volatility. The potential losses that could arise from these changes are measured and controlled by the Group's market risk methodology. Erste Investment Group uses a range of techniques to manage the price risk.



**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

**34. RISK MANAGEMENT [continued]**

For the purposes of Trading risk measurement and control the following limits have been determined by Erste Investment Group:

- Open equity limit
- PVBP (Present Value of Basis Points) limit
- Stop-loss limit
- VaR limit

*Open equity limit (delta)*

The open equity position limits (excluding arbitrage book) applies to the end of day closing positions in equities, GDR/ADR and futures positions. Traded equities are assigned to one of five main categories, each of which has a separate limit. Individual equities, within the main groups, also have a singular limit attached to them. BUX futures positions have also a separate limit. An overall limit has also been defined but a separate limit applies over and above this to Xetra-traded equities open positions.

*PVBP (Present Value of Basis Points, interest rate sensitivity) limit*

The basis point sensitivity limits show the interest rate risk of the Group to a predetermined (i.e. 1) basis parallel shift in the yield curve.

K+ (Risk management and position keeping system) calculates the sensitivity of each position individually and these are sorted by exposure currency into 11 maturity bands (3 month, 6 month, 9 month, 1 year, 3 year, 5 year, 7 year, 10 year, 15 year, 20 year and 30 year). PVBP values within an exposure currency and assigned to the same time bucket are netted together to determine the net sensitivity of each time bucket of the exposure currency. Sensitivities are not, however, subject to netting between the time buckets themselves. Instead both the total positive and negative sensitivity are arrived at. The highest absolute figure of the two is taken as the total sensitivity of the given exposure currency.

*Stop-loss limits*

Stop-loss (loss-cut) limits attempt to cap losses caused by the negative move of underlying market rates or rates to a predefined limit.

Limits have been determined for the Fixed Income and Equity trading on a monthly and yearly basis.

*VaR (Value at risk) limit*

Although Erste Investment Group is satisfied that the controls it uses to manage the market price risk in its trading book is an effective means of controlling that risk, it recognises that measures of market price risk, when considered in isolation, have the following main limitations:

The historical data on which the calculations have been based may not reflect all the factors that are relevant to the estimation of VaR, give the correct weight to these factors or be the best estimate of risk factor changes that will occur in the future; and

Focusing on the maximum loss that is expected to be incurred 99% of the time says little about the smaller losses that are expected to be incurred more frequently or the size of the losses in excess of the VaR that are expected to be incurred 1% of the time.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**34. RISK MANAGEMENT [continued]**

Erste Investment Group applies a VaR methodology to assess the market risk positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for various changes in market conditions. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon. Risk Management Treasury and Investment Banking of Erste Bank AG. calculate the official VaR figures daily using the KVaR+ Sailfish risk calculation program. Calculation is made according to the historical simulation method to a 99% confidence interval for a one-day holding period (based on a time series for the last 730 calendar days). The Group does not consider itself to be exposed to significant currency risk, therefore the Group does not calculate FX VaR but alternative methods are used instead. (See below)

*VaR (Value at risk) assumptions*

The table below shows the VAR figures.

<b>December 31, 2011</b>	<b>Total</b>	<b>Interest</b>	<b>Currency</b>	<b>Price</b>	<b>Commodity</b>	<b>Volatility</b>
<b>TOTAL VaR</b>	13,111	2,784	0	12,172	0	0
Fixed income portfolio	4,885	2,098	0	4,081	0	0
Equity portfolio	0	0	0	0	0	0
Arbitrage portfolio	13,381	0	0	13,381	0	0

<b>December 31, 2010</b>	<b>Total</b>	<b>Interest</b>	<b>Currency</b>	<b>Price</b>	<b>Commodity</b>	<b>Volatility</b>
<b>TOTAL VaR</b>	14,194	6,108	0	10,992	0	0
Fixed income portfolio	4,346	4,346	0	0	0	0
Equity portfolio	5,331	0	0	5,331	0	0
Arbitrage portfolio	15,074	3,145	0	13,372	0	0

*Currency risk*

The table below shows an analysis of the Group's currency exposures. As the table shows, Erste Investment Group does not have significant assets/liabilities in foreign currency.

Consequently, Erste Investment Group does not consider itself exposed to significant currency risk.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**34. RISK MANAGEMENT [continued]**

*Net foreign currency position and foreign currency risk*

<b>December 31, 2011:</b>	<b>HUF</b>	<b>EUR</b>	<b>OTHER</b>	<b>Total</b>
Cash and cash equivalents	14,333,234	2,605,772	3,687,390	20,626,397
Financial assets at fair value held for trading	5,616,796	0	0	5,616,796
Trading assets pledged as collateral	0	0	0	0
Derivative financial assets	158,348	0	0	158,348
Financial assets available-for-sale	100	33	0	133
Receivables from securities trading	1,932,693	0	0	1,932,693
Receivables from customers	5,179,277	521,752	325,003	6,026,033
<b>Total financial assets</b>	<b>27,220,449</b>	<b>3,127,557</b>	<b>4,012,394</b>	<b>34,360,400</b>
Financial liabilities at fair value held for trading	11,981	0	0	11,981
Derivative financial liabilities	15,000	499	1,299	16,798
Payables on securities trading	1,328,177	0	0	1,328,177
Payables to customers	13,777,880	2,248,259	2,922,757	18,948,896
Trade payables	67,029	1,757	93	68,878
Short-term loans	955,872	764,111	1,055,878	2,775,861
<b>Total financial liabilities</b>	<b>16,155,939</b>	<b>3,014,626</b>	<b>3,980,027</b>	<b>23,150,591</b>
<b>Currency excess</b>	<b>11,064,510</b>	<b>112,932</b>	<b>32,367</b>	<b>11,209,809</b>
<b>December 31, 2010:</b>	<b>HUF</b>	<b>EUR</b>	<b>OTHER</b>	<b>Total</b>
Cash and cash equivalents	15,462,300	4,154,224	2,766,662	22,383,186
Financial assets at fair value held for trading	5,097,323	85	0	5,097,408
Trading assets pledged as collateral	4,822,277	0	0	4,822,277
Derivative financial assets	99,306	0	0	99,306
Financial assets available-for-sale	1,100	33	0	1,133
Receivables from securities trading	9,254,561	0	0	9,254,561
Receivables from customers	6,742,122	196,517	84,705	7,023,374
<b>Total financial assets</b>	<b>41,479,019</b>	<b>4,350,859</b>	<b>2,851,367</b>	<b>48,681,245</b>
Financial liabilities at fair value held for trading	3,055,433	0	0	3,055,433
Derivative financial liabilities	168,842	0	0	168,842
Payables on securities trading	8,196,777	0	0	8,196,777
Payables to customers	15,859,291	2,891,596	1,877,347	20,628,234
Trade payables	49,255	3,268	0	52,523
Short-term loans	1,676,162	1,389,909	923,064	3,989,135
<b>Total financial liabilities</b>	<b>29,005,760</b>	<b>4,284,773</b>	<b>2,800,411</b>	<b>36,090,944</b>
<b>Currency excess</b>	<b>12,473,229</b>	<b>565,142</b>	<b>-448,070</b>	<b>12,590,301</b>

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**34. RISK MANAGEMENT [continued]**

***Interest rate risk***

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The majority of the Group's lending and borrowing contracts and other financial assets and liabilities generally bear interest at fixed rates generally over fixed time horizons, but the maturities of the majority of the Erste Investment Group's assets and liabilities are relatively short-term. Consequently, Erste Investment Group does not consider itself exposed to significant interest rate risk or consequential cash flow risk. The Erste Investment Group's assets and liabilities are categorised by the earlier of contractual re-pricing or maturity dates.

Interest bearing assets with fixed interest rate on December 31, 2011:

December 31, 2011	Below 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non interest bearing	Total
Cash and cash equivalents	20,625,858	0	0	0	0	539	20,626,397
Financial assets at fair value held for trading	497,638	615,165	1,020,426	137,058	43,604	3,302,905	5,616,796
Trading assets pledged as collateral	0	0	0	0	0	0	0
Derivative financial assets	0	0	0	0	0	158,348	158,348
Financial assets -available-for- sale	0	0	0	0	0	133	133
Receivables from securities trading	0	0	275,000	0	0	1,657,693	1,932,693
Receivables from customers	3,521,301	0	0	0	0	2,504,732	6,026,033
<b>Total</b>	<b>24,644,797</b>	<b>615,165</b>	<b>1,295,426</b>	<b>137,058</b>	<b>43,604</b>	<b>7,624,350</b>	<b>34,360,400</b>

Interest bearing assets with fixed interest rate on December 31, 2010:

December 31, 2010	Below 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non interest bearing	Total
Cash and cash equivalents	22,382,584	0	0	0	0	602	22,383,186
Financial assets at fair value held for trading	1,348,035	848,468	78,329	268,061	4,952	2,549,563	5,097,408
Trading assets pledged as collateral	449,137	4,085,270	287,870	0	0	0	4,822,277
Derivative financial assets	0	0	0	0	0	99,306	99,306
Financial assets -available-for- sale	0	0	0	0	0	1,133	1,133
Receivables from securities trading	0	0	250,000	0	0	9,004,561	9,254,561
Receivables from customers	5,115,191	0	0	0	0	1,908,183	7,023,374
<b>Total</b>	<b>29,294,947</b>	<b>4,933,738</b>	<b>616,199</b>	<b>268,061</b>	<b>4,952</b>	<b>13,563,348</b>	<b>48,681,245</b>

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

**34. RISK MANAGEMENT [continued]**

The Group has no interest bearing assets with floating interest rates on December 31, 2011 and 2010 respectively.

The Group has interest bearing liabilities with fixed interest rates on December 31, 2011:

- in “Short term loans” maturity “Below 1 month” amounted to HUF 2,775,861 thousands
- Non interest bearing amounted to HUF 20,374,730 thousands.

The Group has interest bearing liabilities with fixed interest rates on December 31, 2010:

- in “Short term loans” maturity “Below 1 month” amounted to HUF 3,510,591 thousands; maturity “3-12 months” amounted to HUF 478,544 thousands
- maturity “Below 1 month” in Payables to customers amounted to HUF 602,346 thousands
- Non interest bearing amounted to HUF 31,499,463 thousands.

The Group has no interest bearing liabilities with floating rates on December 31, 2011 and 2010 respectively.

***Credit risk***

Erste Investment Group’s trading activities involve the execution, settlement and financing of various securities and financial instrument transactions. The execution of these transactions includes the purchase and sale of securities and other trading activities. These activities may expose Erste Investment Group to credit risk in the event that the counterparty to the transaction is unable or unwilling to fulfil its contractual obligations and credit enhancements (including collateral) are not sufficient to cover losses.

The Group’s exposure to non-performance of its counterparties in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile securities markets, credit markets and regulatory changes. In these situations Erste Investment Group may be required to purchase or sell financial instruments at prevailing market prices that may not fully cover the obligations of its customers or counterparties.

Counterparty risk is considered as being a combination of “pre-settlement” and/or “settlement” risk, and limits are assigned considering both types of risk. The Group’s exposure to pre-settlement credit risk associated with counterparty non-performance is limited to the net replacement cost of the contracts in a gain position which are recognised in Erste Investment Group’s Consolidated Financial Statements, while settlement credit risk occurs when the Group is expecting an asset delivery from the counterparty on a settlement basis other than delivery-versus-payment (“DVP”), including cases of pre-delivered sale or prepaid purchase.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**34. RISK MANAGEMENT [continued]**

Erste Investment Group manages credit risk by following its established credit approval process, monitoring credit limits, and requiring collateral where appropriate. This includes analysis of risk concentrations, including those to individual counterparties, industry sectors, products, countries and geographic regions. The Group has controls in place to monitor credit exposures by limiting transactions with specific counterparties.

The credit approval process is based on a system of quantitative and qualitative analysis tailored for the volatility of the environments in which the Erste Investment Group operates.

Larger risk limits are usually set for counterparties, which are large international banks, brokers and corporations. Trading with smaller counterparties is performed on prepayment/pre-delivery basis or delivery-versus-payment (“DVP”) within small limits covering market risk of the transactions. The majority of domestic equity and fixed income transactions with local counterparts and custodians of foreign investors are settled delivery-versus-payment (“DVP”) via Keler Zrt. and Erste Bank AG.

*Maximum exposure to credit risk*

Erste Investment Group expects that the maximum exposure to credit risk of financial assets is the gross amount of its.

The table below shows the maximum exposure to credit risk of financial assets:

	Notes	Gross maximum exposure 2011	Gross maximum exposure 2010
Cash and cash equivalents (excluding cash on hand)	3.	20,625,858	22,382,584
Financial assets held for trading	4.	5,616,796	5,097,408
Trading assets pledged as collateral	5.	0	4,822,277
Derivative financial assets	6.	158,348	99,306
Financial assets -available-for-sale	7.	133	1,133
Receivables from securities trading	8.	1,932,693	9,254,561
Receivables from customers	9.	6,209,968	7,162,610
<b>Total credit risk exposure</b>		<u>34,543,796</u>	<u>48,819,879</u>

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**34. RISK MANAGEMENT [continued]**

*Risk concentrations of the maximum exposure to credit risk*

The table below shows the geographical analysis of the financial assets:

<b>December 31, 2011:</b>	<b>Hungary</b>	<b>Austria</b>	<b>Other countries</b>	<b>Total</b>
Cash and cash equivalents (excluding cash on hand)	14,761,300	5,680,090	184,468	20,625,858
Financial assets held for trading	5,616,796	0	0	5,616,796
Trading assets pledged as collateral	0	0	0	0
Derivative financial assets	158,348	0	0	158,348
Financial assets -available-for-sale	133	0	0	133
Receivables from securities trading	1,755,295	177,398	0	1,932,693
Receivables from customers	5,969,383	497	240,088	6,209,968
	<b>28,261,255</b>	<b>5,857,985</b>	<b>424,556</b>	<b>34,543,796</b>

The amount of other countries includes an item of HUF 70,044 thousands from Greek.

<b>December 31, 2010:</b>	<b>Hungary</b>	<b>Austria</b>	<b>Other countries</b>	<b>Total</b>
Cash and cash equivalents (excluding cash on hand)	17,737,134	4,421,442	224,008	22,382,584
Financial assets held for trading	5,054,104	0	43,304	5,097,408
Trading assets pledged as collateral	4,822,277	0	0	4,822,277
Derivative financial assets	99,306	0	0	99,306
Financial assets -available-for-sale	1,133	0	0	1,133
Receivables from securities trading	846,740	8,096,364	311,457	9,254,561
Receivables from customers	6,997,666	80,161	84,783	7,162,610
	<b>35,558,360</b>	<b>12,597,967</b>	<b>663,552</b>	<b>48,819,879</b>

The amount of other countries includes an item of HUF 311,457 thousands from Czech Republic.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**34. RISK MANAGEMENT [continued]**

The following table shows the industry sector analysis of financial assets

<b>December 31, 2011:</b>	<b>Government</b>	<b>Financial services</b>	<b>Institutional Investors</b>	<b>Retail</b>	<b>Other</b>	<b>Total</b>
Cash and cash equivalents (excluding cash on hand)	0	20,625,858	0	0	0	20,625,858
Financial assets held for trading	2,211,663	59,765	0	0	3,345,368	5,616,796
Trading assets pledged as collateral	0	0	0	0	0	0
Derivative financial assets	0	158,348	0	0	0	158,348
Financial assets -available-for-sale	0	33	100	0	0	1,133
Receivables from securities trading	0	1,591,565	266,816	74,312	0	1,932,693
Receivables from customers	0	733,328	1,765,785	3,710,855	0	6,209,968
	<b>2,211,663</b>	<b>23,168,897</b>	<b>2,032,701</b>	<b>3,785,167</b>	<b>3,345,368</b>	<b>34,543,796</b>

The amount of "Other" includes shares and investment funds in "Financial assets held for trading".

<b>December 31, 2010:</b>	<b>Government</b>	<b>Financial services</b>	<b>Institutional Investors</b>	<b>Retail</b>	<b>Other</b>	<b>Total</b>
Cash and cash equivalents (excluding cash on hand)	0	22,382,584	0	0	0	22,382,584
Financial assets held for trading	2,313,526	224,775	0	0	2,559,107	5,097,408
Trading assets pledged as collateral	4,822,277	0	0	0	0	4,822,277
Derivative financial assets	0	99,306	0	0	0	99,306
Financial assets -available-for-sale	0	33	1,100	0	0	1,133
Receivables from securities trading	0	9,218,606	0	35,955	0	9,254,561
Receivables from customers	0	428,699	1,662,545	5,071,366	0	7,162,610
	<b>7,135,803</b>	<b>32,354,003</b>	<b>1,663,645</b>	<b>5,107,321</b>	<b>2,559,107</b>	<b>48,819,879</b>

The amount of "Other" includes shares and investment funds in "Financial assets held for trading".



**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**34. RISK MANAGEMENT [continued]**

*Credit quality per class of financial assets*

The following table shows the credit quality by class of financial assets.

<b>December 31, 2011:</b>	<b>High grade</b>	<b>Standard or Sub- standard grade</b>	<b>Past due but not impaired</b>	<b>Individually impaired</b>	<b>Total</b>
Cash and cash equivalents (excluding cash on hand)	20,625,858	0	0	0	20,625,858
Financial assets held for trading	5,616,796	0	0	0	5,616,796
Trading assets pledged as collateral	0	0	0	0	0
Derivative financial assets	158,348	0	0	0	158,348
Financial assets -available- for-sale	133	0	0	0	133
Receivables from securities trading	1,932,693	0	0	0	1,932,693
Receivables from customers	4,105,478	0	1,812,517	291,973	6,209,968
	<u>32,439,306</u>	<u>0</u>	<u>1,812,517</u>	<u>291,973</u>	<u>34,543,796</u>

<b>December 31, 2010:</b>	<b>High grade</b>	<b>Standard or Sub- standard grade</b>	<b>Past due but not impaired</b>	<b>Individually impaired</b>	<b>Total</b>
Cash and cash equivalents (excluding cash on hand)	22,382,584	0	0	0	22,382,584
Financial assets held for trading	5,097,408	0	0	0	5,097,408
Trading assets pledged as collateral	4,822,277	0	0	0	4,822,277
Derivative financial assets	99,306	0	0	0	99,306
Financial assets -available- for-sale	1,133	0	0	0	1,133
Receivables from securities trading	9,254,561	0	0	0	9,254,561
Receivables from customers	5,432,560	0	1,588,181	141,869	7,162,610
	<u>47,089,829</u>	<u>0</u>	<u>1,588,181</u>	<u>141,869</u>	<u>48,819,879</u>

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**34. RISK MANAGEMENT [continued]**

The table below shows the percentage of secured and unsecured financial assets:

<b>December 31, 2011:</b>	<b>Secured share of exposure in percentage</b>	<b>Secured share of exposure</b>	<b>Unsecured share of exposure in percentage</b>	<b>Unsecured share of exposure</b>
High grade	100.00%	32,439,306	0.00%	0
Standard grade	0	0	0	0
Sub-standard grade	0	0	0	0
Past due but not impaired	100.00%	1,812,517	0	0
Impaired	37.00%	108,038	63.00%	183,935
<b>Total</b>	<b>99.47 %</b>	<b>34,359,861</b>	<b>0.53 %</b>	<b>183,935</b>

<b>December 31, 2010:</b>	<b>Secured share of exposure in percentage</b>	<b>Secured share of exposure</b>	<b>Unsecured share of exposure in percentage</b>	<b>Unsecured share of exposure</b>
High grade	100.00%	48,678,010	0.00%	0
Standard grade	0	0	0	0
Sub-standard grade	0	0	0	0
Past due but not impaired	100.00%	1,588,181	0	0
Impaired	1.86%	2,633	98.14%	139,236
<b>Total</b>	<b>99.72 %</b>	<b>50,268,824</b>	<b>0.28 %</b>	<b>139,236</b>

Aging analysis of past due but not impaired financial assets:

<b>December 31, 2011:</b>	<b>Less than 30 days</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>More than 91 days</b>	<b>Total</b>
Receivables from customers	1,812,517				1,812,517
<b>Total</b>	<b>1,812,517</b>				<b>1,812,517</b>

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(in thousands of HUF, unless otherwise stated)

**34. RISK MANAGEMENT [continued]**

December 31, 2010:	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Receivables from customers	1,588,181				1,588,181
Total	1,588,181				1,588,181

*Collateral*

*Receivables from customers*

The Group shall perform or (depending on the transaction) endeavour to perform the agreement made with the client if sufficient cash for the transaction and for the broker's fee payable to the Group and other costs and fees payable by the client are available to the Group in full upon the entry into of the transaction with the client and thereafter in accordance with the provisions of the Group's Business Rules.

If the client does not make available sufficient cash for the transactions made with the Group, then the Group may carry out constrained liquidation in respect of the transactions performed in part or in whole by the Group and affected by the insufficiency of cash without any further request. If the client has a Coverage and Collateral Agreement in place, then the provisions of the Coverage and Collateral Agreement and the Business Rules, or if there is no Coverage and Collateral Agreement, then only the provisions of the Business Rules shall be applicable to the rules of constrained liquidation.

The Group only becomes entitled to constrained liquidation when under the agreement made with the client the Group becomes obliged to perform the agreement. If the Group exercises its right to constrained liquidation, then on the basis of the constrained liquidation it shall also be entitled to exercise its right to seek satisfaction from any instrument of the client held by or made available to the Group as a security deposit or exercise its right of set-off against any instrument of the client held by or made available to the Group and becomes entitled to seek satisfaction from any other collateral without further notice. The client accepts that when exercising its right to seek satisfaction from the security deposit, or any other right of set-off or right to seek satisfaction, the Group may seek satisfaction without delay for all its claims arising out of outstanding fees or costs, default interest or fines for default in payment even if the client did not receive any request for payment or any notice to that effect in respect of such liabilities or the period of time granted in the request for payment / notice to that effect has not expired.

The Group has the right to seek satisfaction from the Instruments held as a security deposit, which serve as collateral for any claim plus related costs arising on any grounds against the client as a main obligor, co-debtor or collateral debtor. When becoming entitled to seek satisfaction, the Group may seek satisfaction directly from the security deposit. Moreover the provisions of the Business Rules shall govern the provision of collateral for the payment obligation of the client vis-à-vis the Group and the due performance by the client.

**ERSTE INVESTMENT LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(in thousands of HUF, unless otherwise stated)**

**34. RISK MANAGEMENT [continued]**

The Group may grant investment loans to its clients. The purpose of an investment loan is to complement the resources available for the purchase of a security intended for purchase making use of the investment loan or to provide credit for the whole purchase price. The purchase of securities with investment loans can take place exclusively with the completion of a commissioned purchase order given by the client to the Group simultaneously with the agreement on the investment loan.

The client shall provide, as security for its liabilities originating from an investment loan, the following collaterals:

- the securities purchased with the use of that investment loan
- floating collateral: collateral required by the Group, during the term of the loan and in the period from the coming into effect of the investment loan agreement and the disbursement of the loan, calculated according to the daily decrease in the price of the security concerned in that transaction and the accumulation of interests.

Subject to compliance of the maximum value of the investment loan allowed for financing at any point of time, the Group may limit the stock of investment loans and deferred payments for any given security. The maximum size of an investment loan that can be granted to a client is determined on the basis of their client rating.

The Group may, on the basis of a separate agreement, allow deferred financial settlement for clients. On this basis, the client shall meet its payment obligation at the latest on the 15th day from its due date.

If the Group allowed the client a deferred financial settlement, the total quantity of the securities purchased in the transaction affected by the deferred financial settlement shall be used as collateral for the benefit of the Group, in addition to which, the client is obliged to provide the collateral determined by the Group (basic and floating collateral), continuously, until the financial settlement of the transaction.

According to the above mentioned, Erste Investment Ltd. referred the clients' securities to as collateral for all the receivables from customers. The fair value of the client's securities owned handled by the Group, which means, the fair value of the collateral amounted to HUF 678,447,743 thousands and 551,639,943 on December 31, 2011 and 2010 respectively.

***Receivables from securities trading***

Receivables from securities trading include the following:

- Receivables from trading on the Budapest Stock Exchange shows the balance of receivables resulting from securities transactions concluded on the stock exchange on own account around the consolidated statement of financial position date (not trade on commission).
- Receivables from OTC market trading include receivables from security transactions concluded on the OTC market on own account (not trade on commission).
- Other receivables from KELER Zrt. include settlement and deposit accounts held with the clearinghouse and amounts transferred to the Stock Exchange Settlement Fund maintained by the clearinghouse.

**ERSTE INVESTMENT LTD.  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(in thousands of HUF, unless otherwise stated)**

**34. RISK MANAGEMENT [continued]**

“Receivables from securities trading” derive from the difference between the trade date and the settlement date of the deals. Security delivery and bank transfer however occur the same day, so this kind of transactions means covered receivables.

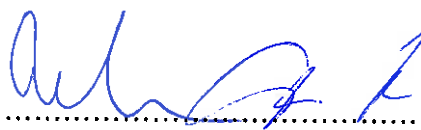
*Operational risk*

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud or inadequate internal controls and procedures. Erste Investment Group manages this risk through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by Internal Audit.

**35. EVENTS AFTER THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATE**

At the Annual General Meeting held on May 7, 2012 the shareholders approved to distribute dividends of HUF 3,000 million.

Approved by the Board of Directors on May 31, 2012 Budapest



.....  
Róbert Cselovszki, Zsolt Grebicsaj  
President General Director and Managing Director

**ERSTE**  
**BEFEKTETÉSI ZRT.**  
1136 Budapest • Népfürdő utca 24-26.  
- 3 -