CIB Bank Zrt.

Az Európai Unió által elfogadott Nemzetközi Pénzügyi Beszámolási Standardok szerint készült konszolidált pénzügyi kimutatások / Consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by EU

2022. december 31. / 31 December 2022

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Building a better working world

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This is a translation of the Hungarian Report

Independent Auditor's Report

To the Shareholder of CIB Bank Zrt.

Report on the audit of the consolidated annual financial statements

Opinion

We have audited the accompanying 2022 consolidated annual financial statements of CIB Bank Zrt. ("the Company") and its subsidiaries (altogether "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022 - showing a balance sheet total of HUF 3,093,574 million and a total comprehensive income for the year of HUF 33,459 million -, the related consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated annual financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated annual financial statements" section of our report.

We are independent of the Group in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

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

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated annual financial statements section" of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated annual financial statements.

Determination of expected credit losses related to loans to customers

Material misstatements due to fraudulent financial reporting often result from understatement of expected credit losses.

Credit impairment is a highly subjective area due to the level of judgement applied by management in determining expected credit losses ("ECL"). The identification of impairment and the determination of the recoverable amount is a judgemental process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, and expected net selling prices of collaterals. The portfolios which give rise to the greatest uncertainty are typically those where impairments are derived from estimates of future cash flows and realizable value of collateral, calculated using collective impairment models, are unsecured or are subject to potential collateral shortfalls. These models require the significant periodic judgment of management regarding correct

Our audit procedures included among others the following procedures.

We assessed the design and tested the operating effectiveness of internal controls over the approval, recording and monitoring of loans measured at amortized cost and controls over ECL calculations including the quality of underlying data and applications.

We assessed the controls over the general IT environment of the applications relevant from audit perspective related to the determination of ECL.

For ECL calculated on an individual basis, we tested the assumptions used by the management underlying the impairment identification and quantification focusing on loan cases with the most significant potential impact on the consolidated annual financial statements. We assessed the Group's assumptions on the expected future cash flows, including the realisable value of collaterals and segmentation, the identification of significant changes in credit risk, the inclusion of forward-looking elements as well as the application of management overlay to reflect on circumstances beyond the modelling capabilities.

Given the economic uncertainties from the Russian - Ukrainian conflict, risks of the global economy and payment moratoria in place, the estimation of forward-looking information requires significant judgement.

Due to the significance of loans to customers at amortised cost (representing 43% of Total Assets as of 31 December 2022) and the related estimation uncertainty, this is considered a key audit matter.

estimates of recovery on default based on our own understanding and available market information. We considered the regulatory measures on the assumptions applied by the Group for ECL estimation purposes.

For ECL calculated on collective basis we evaluated the model governance, methodologies, inputs and assumptions used (probability of default, loss given default, significant changes in credit risk and forward-looking elements).

We involved internal credit risk specialists to assist us in performing our audit procedures to assess the appropriateness of ECL calculated on a collective basis, including staging. Further we recalculated collective ECL for the whole portfolio.

We also assessed whether the disclosures in the consolidated annual financial statements appropriately reflect the Group's exposure to credit risk and are compliant with the EU IFRSs.

Loans to customers measured at amortized cost are presented under Note 24.

The Group's disclosures about its risk management policies are included in Note 48 which specifically explains the key assumptions used when determining credit risk and their evaluation are detailed in Note 48.

General IT controls over the financial reporting process

A significant part of the Group's financial reporting process is heavily reliant on IT systems with embedded automated processes and controls over the capture, storage and extraction of information. A fundamental component of these

We focused our audit on those IT systems and controls that are significant for the Group's financial reporting. As audit procedures over the IT systems and application controls require specific expertise, we involved IT audit specialists to assist us in processes and controls is ensuring appropriate user access and change management protocols exist and are being adhered to.

These protocols are important because they ensure that access and changes to IT systems and related data are made and authorized in an appropriate manner.

As our audit of the consolidated financial statements sought to place a high level of reliance on IT systems and application controls related to financial reporting, a high proportion of the overall audit effort has been carried out regarding to understand and test IT infrastructure and applications including relevant application controls. Furthermore, the complexity of IT systems and nature of application controls requires special technology expertise and specialized skills to be involved in the audit, we therefore consider this as a key audit matter.

performing our audit procedures. Our audit procedures included among others the following procedures.

We understood and assessed the overall IT control environment and the controls in place which included controls over access to systems and data, as well as system changes. We adjusted our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system.

As part of our audit procedures we tested the operating effectiveness of controls over appropriate access rights to assess whether only appropriate users had the ability to create, modify or delete user accounts for the relevant in-scope applications. We also tested the operating effectiveness of controls around system development and program changes to establish that changes to the system were appropriately authorized, developed and implemented. Additionally, we assessed and tested the design and operating effectiveness of the application controls embedded in the processes relevant to our audit.

The Group's disclosures about its IT Systems are included in Note XI of the business report.

Other information

Other information consists of the 2022 consolidated business report of the Group. Management is responsible for the preparation of the consolidated business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the consolidated annual financial statements does not cover the consolidated business report.

In connection with our audit of the consolidated annual financial statements, our responsibility is to read the other information and, in doing so, consider whether 1) the other information is materially inconsistent with the consolidated annual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the consolidated business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

We are required to confirm also whether the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

In our opinion, the consolidated business report of the Group for 2022 is consistent, in all material respects, with the 2022 consolidated annual financial statements of the Group and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Group further requirements with regard to its consolidated business report, we do not express opinion in this regard.

We also confirm that the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Group and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the other information, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated annual financial statements in accordance with the EU IFRSs and for the preparation in accordance with the supplementary requirements of the Hungarian Accounting Law relevant for consolidated annual financial statements prepared in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the consolidated annual financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as the statutory auditor of the Company by the Shareholder of the Company on 2 April 2021. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for two years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the consolidated annual financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Group in conducting the audit.

In addition to statutory audit services and services disclosed in the consolidated business report and in the consolidated annual financial statements, no other services were provided by us to the Company and its controlled undertakings.

The engagement partner on the audit resulting in this independent auditor's report is Nagyváradiné Szépfalvi Zsuzsanna.

Budapest, 24 February 2023

(The original Hungarian version has been signed.)

Nagyváradiné Szépfalvi Zsuzsanna
engagement partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Dr. Hruby Attila
Registered auditor
Chamber membership No.: 007118

CIB BANK

CIB BANK LTD.
and its subsidiaries

Consolidated financial statements
prepared in accordance with
International Financial Reporting Standards
as adopted by EU
for the year ended 31 December 2022

with the report of the Independent Auditor

Contents

Consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2022

(million HUF)

	Note	2022	2021
Interest income		179,586	56,775
of which interest income calculated using effective interest rate method		*164,286*	*54,952*
of which interest income on transactions subject to interest rate cap regulations above the interest rate specified in the regulation		*4,054*	-
Interest expense		(73,707)	(10,571)
Net interest income	**7**	**105,879**	**46,204**
Fee and commission income		46,843	40,974
Fee and commission expense		(17,441)	(12,638)
Net fee and commission income	**8**	**29,402**	**28,336**
Income from trading activities	9	8,341	8,999
Fair value adjustments in hedge accounting	10	851	(580)
Profits (losses) from derecognition of financial instruments	11	25	599
Net change in value of financial assets mandatorily measured at fair value through profit or loss	12	(7,646)	(4,675)
Other operating income	13	1,557	2,218
Other operating expense	13	(2,815)	(1,821)
Net operating income		**135,594**	**79,280**
Impairment profits (losses) and provisions for losses	14	(12,598)	(5,352)
Profits (losses) on changes in contracts without derecognition	14	(9,789)	(2,352)
Operating expenses without bank tax	15	(58,307)	(49,302)
Profit/(loss) before bank tax and extra-profit tax		**54,900**	**22,274**
Bank tax	16	(4,571)	(3,807)
Extra-profit tax	16	(9,621)	
Profit/(loss) before income taxes		**40,708**	**18,467**
Income tax expense	17	(4,608)	(2,625)
Net profit/(loss) for the year		**36,100**	**15,842**
Items that may be reclassified to profit or loss		(2,377)	(615)
Items that may not be reclassified to profit or loss		(264)	248
Other comprehensive income for the year (net of tax)	**19**	**(2,641)**	**(367)**
Total comprehensive income for the year		**33,459**	**15,475**

Budapest, 24 February 2023

Dr. Pál Simák
CEO and Chairman of the Board

Krisztián Németh
CFO and Deputy CEO

CIB Bank Ltd.

The notes on pages 10 to 89 are an integral part of these consolidated financial statements.

Consolidated statements of financial position
as at 31 December 2022

(million HUF)

	Note	31/12/2022	31/12/2021
Cash and current accounts with central banks	20	156,582	50,589
Financial assets measured at fair value through profit or loss	21	247,812	142,663
a) securities held for trading		*15,288*	*10,290*
b) trading derivatives		*135,659*	*50,370*
c) financial assets mandatorily measured at fair value		*96,865*	*82,003*
Financial assets measured at fair value through other comprehensive income	22	295,683	276,073
Financial assets measured at amortised cost		2,305,558	2,233,448
a) loans to banks	*23*	*788,659*	*904,897*
b) loans to customers	*24*	*1,319,812*	*1,151,106*
c) debt securities	*25*	*197,087*	*177,445*
Fair value changes of the hedged financial assets in portfolio hedge (+/-)	26	(12,340)	(5,611)
Hedging derivatives	26	33,133	16,368
Property, land and equipment	28	20,237	19,793
Intangible assets	29	12,146	11,606
Repossessed properties	27	2,617	4,381
Tax assets	17	1,734	1,408
a) current		*171*	*296*
b) deferred		*1,563*	*1,112*
Non-current assets held for sale		3,570	3,732
Other assets	30	26,842	28,214
Total assets		**3,093,574**	**2,782,664**

Budapest, 24 February 2023

Dr. Pál Simák
CEO and Chairman of the Board

Krisztián Németh
CFO and Deputy CEO

CIB Bank Ltd.

The notes on pages 10 to 89 are an integral part of these consolidated financial statements.

Consolidated statements of financial position
as at 31 December 2022

(million HUF)

	Note	31/12/2022	31/12/2021 Restated
Financial liabilities measured at amortised cost		2,636,832	2,422,573
a) deposits from banks	*31*	*498,297*	*403,603*
b) deposits from customers	*32*	*2,138,535*	*2,018,970*
Fair value changes of the hedged financial liabilities in portfolio hedge (+/-)	26	-4,967	(2,248)
Trading derivatives	21	108,544	42,222
Hedging derivatives	26	37,486	17,098
Tax liabilities	17	2,655	1,309
a) current		*2,655*	*638*
b) deferred		-	*671*
Other liabilities	33	27,539	24,691
Provisions	34	10,281	12,126
Total liabilities		**2,818,369**	**2,517,771**
Share capital	36	50,000	50,000
Reserves	37, 5.22	168,420	167,242
Retained earnings		56,784	47,651
Total shareholder's equity		**275,204**	**264,893**
Total liabilities and shareholder's equity		**3,093,574**	**2,782,664**

Budapest, 24 February 2023

Dr. Pál Simák
CEO and Chairman of the Board

Krisztián Németh
CFO and Deputy CEO

CIB Bank Ltd.

The notes on pages 10 to 89 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2022

(million HUF)

	Note	Ordinary shares	Retained earnings	Capital reserve	Revaluation reserve	General reserve	Other reserve	Total
Restated balance at 31 December 2020		**50,000**	**31,894**	**96,925**	**8,996**	**6,968**	**54,602**	**249,385**
Other comprehensive income (OCI)	19	-	33	-	(367)	-	-	(334)
General reserve	37	-	(1,418)	-	-	1,418	-	-
Release of development reserve	37	-	1,300	-	-	-	(1,300)	-
Net profit / (loss) for the period		-	15,842	-	-	-	-	15,842
Restated balance at 31 December 2021		**50,000**	**47,651**	**96,925**	**8,629**	**8,386**	**53,302**	**264,893**
Other comprehensive income (OCI)	19	-	32	-	(2,641)	-	-	(2,289)
General reserve	37	-	(3,819)	-	-	3,819	-	-
Dividend paid	18	-	(23,500)	-	-	-	-	(23,500)
Net profit / (loss) for the period		-	36,100	-	-	-	-	36,100
Balance at 31 December 2022		**50,000**	**56,784**	**96,925**	**5,988**	**12,205**	**53,302**	**275,204**

Budapest, 24 February 2023

Dr. Pál Simák
CEO and Chairman of the Board

Krisztián Németh
CFO and Deputy CEO

CIB Bank Ltd.

The notes on pages 10 to 89 are an integral part of these consolidated financial statements.

Consolidated statements of cash flows
as at 31 December 2022

(million HUF)

	Note	2022	2021
Operating activities			
Net profit/(loss) before income taxes		40,708	18,467
Interest income	7	(179,586)	(56,775)
Interest expense	7	73,707	10,572
Dividend income	13	(3)	(19)
Depreciation and amortisation	15	6,400	6,106
Increase / (decrease) in impairment loss on financial instruments	14	23,969	4,675
Allocation / (reversal) of provisions	34	(588)	3,367
Increase / (decrease) in impairment loss on repossessed assets	27	(6969	(330)
Net unrealized (gain) / loss on financial instruments		(2,469)	3,498
Fair value adjustment on PPE	28	-	(11)
Effect of exchange revaluation		21,740	5,334
Decrease / (increase) in loans to banks	23	(24,583)	12,370
Decrease / (increase) in FVPL financial assets	21	(1,514)	(7,848)
Decrease / (increase) in loans to customers	24	(184,598)	(74,193)
Decrease / (increase) in other assets and non-current assets held for sale	30	4,057	(6,441)
Decrease / (increase) in repossessed assets	27	(14)	(281)
Proceeds from sale of repossessed assets	27	2,474	1,896
Increase / (decrease) in deposits from banks	31	91,411	59,462
Increase / (decrease) in deposits from customers	32	70,755	280,619
Increase / (decrease) in other liabilities	33	807	726
Interest received	7	157,635	55,461
Interest paid	7	(63,482)	(8,242)
Dividend received	13	3	19
Income tax paid	17	(3,354)	(2,460)
Cash flows used in operating activities		**32,779**	**305,972**
Investing activities			
Increase in financial investments	22, 25	(62,742)	(214,351)
Decrease in financial investments (maturity, sale)	22, 25	16,312	128,175
Acquisitions to intangible and tangible assets	28, 29	(7,068)	(5,425)
Proceeds from sale of intangible and tangible assets	28 ,29	299	330
Cash flows used in investing activities		**(53,199)**	**(91,271)**
Financing activities			
Increase / (decrease) in subordinated debts	35	-	(11,031)
Increase / (decrease) in lease liabilities	33	(1,652)	(1,553)
Dividend paid	18	(23,500)	-
Cash flows used in investing activities		**(25,152)**	**(12,584)**
Net Increase / (decrease) in cash and cash equivalents		**(45,572)**	**202,117**
Net foreign exchange difference		7,085	5,226
Cash and cash equivalents at the beginning of year		824,622	679,279
Cash and cash equivalents at the end of year		**786,135**	**824,622**

The notes on pages 10 to 89 are an integral part of these consolidated financial statements.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalent comprises the following balances with less than three months maturity from the date of acquisition.

(million HUF)

	Note	31/12/2022	31/12/2021
Cash and current accounts with central bank	20	156,582	50,589
Loans to banks	23	629,553	774,033
Cash and cash equivalents at the year end		**786,135**	**824,622**

Budapest, 24 February 2023

Dr. Pál Simák
CEO and Chairman of the Board

Krisztián Németh
CFO and Deputy CEO

CIB Bank Ltd.

Notes to the consolidated financial statements

Part A Accounting policies

(1) Corporate information

The sole owner and ultimate parent company of CIB Bank Ltd. ("the Bank") is Intesa Sanpaolo S.p.A. /IT Torino, Piazza San Carlo 156/, a bank registered in Italy that holds 100% of the shares of the Bank as at 31 December 2022.

The Bank is a fully licensed Hungarian bank conducting local and international banking business both within and outside Hungary.

The registered address of the Bank is 2-8 Petrezselyem street, 1024 Budapest.

Persons authorized to sign the consolidated financial statement are Dr. Pál Simák Chief Executive Officer, Chairman of the Board and Krisztián Németh Chief Financial Officer and Deputy Chief Executive Officer.

Person responsible for directing and managing the tasks related to accounting is Hajnalka Szarvas (Budaörs), the chartered accountant registration number: 005105.

The Bank and its subsidiaries ("the Group") engaged Ernst & Young Ltd. (1132 Budapest, Váci út 20.; Chamber of Hungarian Auditors reg. no.: 001165) to perform the statutory audit of the business year 2022. The individual responsible for the auditing is Dr. Attila Hruby, member of the Chamber of Auditors (MKVK registration number: 007118). The Group paid HUF 131 million plus VAT for audit, the fee includes the statutory audit fees of CIB Bank and its subsidiaries and group reporting to the auditor of the parent and HUF 2 million plus VAT for other assurance services to the auditor company in 2022.

The average number of active employees of the Group was 2,210 in 2022 and 2,177 in 2021, respectively.

As at 31 December 2022 the Bank had the following subsidiaries:

Company	CIB Group's share %	Country of incorporation	Principal business
CIB Leasing Co. Ltd.	100%	Hungary	Financial leasing services
CIB Rent Leasing and Trading Company Ltd.	100%	Hungary	Leasing services
CIB Insurance Broker Ltd.	100%	Hungary	Insurance agency services
Recovery Ltd.	100%	Hungary	Real estate management

(2) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by European Union.

The consolidated financial statements for the year ended 31 December 2022 were authorized for issue in accordance with a resolution of the Management Board on 24 February 2023.

These consolidated financial statements are prepared for statutory filing purposes.

The Group is consolidated by its ultimate parent company. The ultimate parent company's consolidated financial statements are available at www.intesasanpaolo.com web site.

The original consolidated financial statements have been prepared in Hungarian and this is the translation of the Hungarian version. The original consolidated financial statements are available at www.cib.hu web site.

(3) Basis of measurement and consolidation

The consolidated financial statements of the Group have been prepared on a historical cost basis except for financial instruments which are measured at fair value, thus financial instruments measured at fair value through other comprehensive income, derivative financial instruments, other financial assets and liabilities held for trading. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges are adjusted to record changes in fair value of hedged items attributable to the risks that are being hedged.

These financial statements are presented in Hungarian Forint (HUF) and all amounts are rounded to the nearest million except when otherwise stated.

(3) Basis of measurement and consolidation (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of CIB Bank Ltd. and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using accounting policies consistent with those of the parent.

All inter-company balances and transactions, including unrealized profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are investees controlled by the Bank. According to IFRS 10 the Bank controls an investee if it is exposed to or has the right to, variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which control commences until the date when control ceases. The list of consolidated subsidiaries is included in Note (1).

(4) Major changes in economic policy and other important events under the reporting period

Russian-Ukrainian war

Russia's invasion of Ukraine began on 24 February 2022. The invasion was condemned worldwide and sanctions were imposed on Russia and its political elite. The invasion caused a monetary and economic crisis in both Russia and Ukraine, resulting in a significant devaluation of both the Russian rouble and the Ukrainian hryvnia and a significant drop in GDP in both countries. Air and sea transport in Ukraine was suspended for extended periods, causing a number of other negative economic events worldwide. From a global perspective, the invasion and related sanctions have led to a decline in international trade and a sharp rise in the prices of some commodities.

The EU and its Member States strongly condemn the war against Ukraine and Belarus' entry into the war. The European Council and the Council of the European Union meet regularly to discuss various aspects of the situation in Ukraine. The EU has significantly expanded sanctions against Russia by adding a significant number of individuals and entities to the sanctions list and has adopted unprecedented restrictive measures against Russia.

The Group will continue to monitor and analyse developments in the war. The war and its consequences have no significant impact on the Group's operations.

Moratoria

On 11 March 2020, the Government of Hungary declared an emergency situation related to coronavirus pandemic. In connection with this emergency, the following steps took place which also affected the operations of the Group:

- The Act CVII of 2020 on transitional measures for the stabilization of certain social groups and enterprises in financial difficulties (Moratoria Act II) and Government Decree 637/2020. (XII.22.) on special emergency rules for credit moratoria provided a moratoria on principal and interest payments, and prohibited the termination of loans from 1 January 2021 to 30 June 2021 for credit and loan agreements outstanding and disbursed on 18 March 2020.
- In 2021 the payment moratoria was prolonged until 31 October 2021 and then until 30 June 2022. The second prolongation was conditional and had to be applied for: debtors within certain social groups and corporate customers with financial difficulties could apply to payment moratoria. Payment moratoria could not be applied on loans collateralized with security or on vehicle lease agreements.
- On September 15, 2021, based on Government Decree 537/2021 (IX. 15.), interest rate of overdrafts and credit cards under the moratoria was maximalised at 11.99%. The Decree is effective retrospective therefore interest rate of all credit card and overdraft debts under moratoria should not be higher this rate since 18 March 2020. The scheme is expired with the closure of moratoria.
- On June 17, 2022, the Government announced a new extension of the moratoria on payments on Decree 216/2022 (VI.17). The extension of the moratoria applies only to contracts that were in moratoria before 18 June 2022. The fourth phase of the moratoria was due between 01 August 2022 and 31 December 2022. At the same time, it was announced that the third phase of the moratoria will end on 31 July 2022. The regulation has no material impact on the Group's results.
- In addition to the above, the Government, in Decree 292/2022. (VIII. 8.) has granted a payment moratoria on loan contracts and financial contracts of agricultural farmers between 1 September 2022 and 31 December 2023. The payment moratoria applies to loans already disbursed under contracts existing on 31. August 2022. The payment moratoria is open to debtors who have declared their intention to join by 15 September 2022. The regulation has no significant impact on the Group's results.
- On 22 September 2022, the central bank of Hungary issued its Management Circular No. 368801-2/2022 on the management of exposures to customers in payment moratoria, impairment levels and the accounting of portfolio-level management adjustments. The application of the corrections contained in the management circular has no material impact on the Group's results.

(4) Major changes in economic policy and other important events under the reporting period (continued)

Interest rate cap

- On 24 December 2021, based on Government Decree 782/2021 (XII. 24.), the reference interest rate on residential mortgage loans should not be higher on the level effective on 27 October 2021 at the next interest period date. The maximalization was effective between 1 January and 30 June 2022.
- On 14 October 2022, based on Government Decree 390/2022 (X.14.) extended the effective date of regulation 782/2021 until 30 June 2023 and from 01 November 2022, the Regulation had to also apply to non-subsidised mortgage loan contracts with up to five years rollover period.
- According to the interest rate cap regulations, the reference rate applied to the loans concerned between 1 January 2022 and 30 June 2023 cannot be higher than the reference rate in force on 27 October 2021.
- On 26 October 2022, based on Government Decree 415/2022, the maximized interest rate regulation was extended to small and medium-sized enterprises. The Government fixes the reference rate at an earlier level (28 June 2022), so that the reference rate cannot be higher than the reference rate applicable to the contract on 28 June 2022. The regulation does have significant impact on the Group's interest levels, see Note (24).

Extraordinary payment to the National Deposit Insurance Fund

On 4 March 2022, the National Deposit Insurance Fund (OBA) borrowed HUF 147 billion from the National Bank of Hungary to compensate Sberbank's depositors. The OBA will settle this loan by imposing a one-off extraordinary payment obligation on its members and by issuing a 5-year bond with a total nominal value of HUF 75 billion. In this context, on 6 April 2022, the OBA's Board of Directors imposed an extraordinary payment obligation on its member institutions pursuant to Article 234(8) of the Hungarian Law on the Statute of the Bank. If the OBA generates income from the event of loss necessitating the call on the loan or the issue of the bond, it must be used first of all to reduce the outstanding loan or bond debt and then to reduce or repay the extraordinary payment obligation of the credit institutions. The extraordinary payment obligation is recorded as a receivable by the Bank pursuant to Article 234 (9) of Act CCXXXVII of 2013. The total amount of the receivable was HUF 3,168 million, of which HUF 1,897 million was repaid by the end of December 2022. At the end of 2022, OBA 2027/A bonds are included in the financial statements with a nominal value of HUF 4,995 million. The bonds were redeemed at the beginning of 2023.

Extra-profit tax

On 4 June 2022, the Government decided to impose an extra profit tax on credit and financial institutions for the years 2022 and 2023, according to Decree No 197/2022. The tax is based on the net turnover of the year preceding the year of payment. The tax rate is 10% in 2022 and 8% in 2023. For further details, see note 5.13.

IBOR reform

IBOR rates have been basis of determination of time value of money in numerous transactions worldwide. Due to the Reform IBOR rates will be replaced with alternative reference rates which will be based on executed transactions instead of declarations of market participants.

Starting from the beginnings of 2022 some significant LIBOR rates ceased to be published, i.e., CHF LIBOR, GBP LIBOR, EUR LIBOR. Contracts based on variable interest rates have to be amended accordingly. The six most widely used GBP and JPY reference rates will be published on the basis of a changed methodology ("synthetic LIBOR"). The USD LIBOR benchmark rate will be fixed until mid 2023, but its new use is prohibited by regulators, with limited exceptions.

Amendments to IFRS being response to the changes in financial markets have been introduced in two phases:

- Phase 1 amendments provide temporary exceptions for specific hedge accounting requirements impacted by uncertainties arising from the reform before an existing interest rate benchmark (IBOR) is replaced with an alternative benchmark interest rate. These amendments apply to annual reporting periods beginning on or after 1 January 2021.
- Phase 2 amendments relate to issues that could affect financial reporting when an IBOR is replaced with an alternative benchmark interest rate. The amendments are relevant for many entities and in particular those with financial assets, financial liabilities or lease liabilities that are subject to the interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the reform. The Phase 2 amendments apply to annual reporting periods beginning on or after 1 January 2021.

In order to comply with the new regulations, the Group has decided to choose the substitute interest rates. In case of contracts denominated in EUR, EURIBOR has been offered to customers. There are only very few contracts that are denominated in USD. Currently there are no products where any LIBOR rates are announced. In case of the basis of penalty interests the Group has decided to convert to risk free rates.

The amounts effected in IBOR reform is presented in note (48.d).

(5) Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below:

5.1 Foreign currency transactions

The presentation currency of the Group is the Hungarian Forint (HUF). Transactions in foreign currencies are translated into the respective functional currency of the Group at the spot exchange rates at the date of transactions. Spot rate is the official rate of exchange quoted by the Hungarian Central Bank. At 31 December 2022 the euro was EUR 1 = HUF 400.25 (2021: EUR 1 = HUF 369.00).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined.

5.2 Financial instruments

The Group has applied IFRS 9 requirements since 1 January 2018, except for the hedge accounting items, which is still evaluated according to IAS 39 until the dynamic risk management standard of IASB will be available.

5.2.1 Date of recognition

All "regular way" purchases and sales of financial assets and liabilities are recognised on the settlement date, i.e. the date that the financial asset is delivered except for derivatives. Regular way purchases or sales are purchases or sales that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Derivatives are recognised on a trade date basis. Trade date is the date that the Group commits itself to purchase or sell an asset.

The evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value measurement is not evidenced by a valuation technique that uses only data from observable markets, then the carrying amount of the financial instrument on initial recognition is adjusted to defer the difference between the fair value measurement and the transaction price.

Subsequently, the difference is recognised in profit and loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. If the fair value measurement is evidenced by a quoted price in an active market or is based in another valuation technique that uses only data from observable markets, then the Group immediately recognises gain or loss.

In 2013 the National Bank of Hungary launched its program called Funding for Growth Scheme (FGS). Under the program the National Bank granted refinancing funds for Hungarian credit institution with 0% interest rate mainly in order to finance small- and medium businesses (SMB) by providing loans with discount rate and exchange foreign currency loans to HUF loans. The program had three phases.

The maximum interest rate of loans granted was 2.5% which, in case of the first two phases, was lower than the interest rate of similar loans available in the market. The difference between the fair value and gross book value of loans (granted and given as well) was recognised as impairment on loan losses. The discount factor used for determining the fair value of loans was swap yield curve that belongs to the currency of the loan, increased by the risk premium of the partner group.

5.2.2. Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes (5). All financial instruments are measured initially at their fair value plus transaction costs, except for financial assets and financial liabilities recorded at fair value through profit or loss. Transaction cost and other adjustment at initial recognition is amortized using the effective interest rate method.

5.2.3 Measurement categories of financial assets and liabilities

The Group classifies its financial assets based on the business model for managing the assets and its contractual terms. Financial assets are measured at either:

- amortised cost
- fair value through other comprehensive income (FVOCI)
- fair value through profit or loss (FVPL)

(5) Significant accounting policies (continued)

5.2.4 Business model assessment

The Group determines its business model reflecting its intention to generate cash flows, that is, whether the Group's objective is solely to collect contractual cash flows from the instruments or is to collect both the contractual cash flows arising from sale. If none of these is suitable, then the financial instrument is measured at FVPL.

Business model assessment is based on reasonably expected scenarios, considering the following factors:

- frequency, volume and timing of the sales in prior periods, the reason for such sales and the expectation about the future sales activity considered as an overall assessment on how the cash flows were collected;
- main purpose of holding securities;
- evaluation of the instrument's performance and it's reporting to the management;
- risk assessment of the financial instrument and strategy for managing those risks.

5.2.5 The SPPI test

In case, when the business model is to hold financial instruments to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payment of principle and interest (the SPPI test), so that the interest includes only consideration for the time value of money, credit risk and a profit margin that is consistent with a basic lending arrangement.

Where the contractual terms represent exposure to risk or volatility that are unrelated to a basic lending arrangement, so they do not give rise to solely payment of principle and interest, the financial instrument is measured at FVPL.

Assessing whether the contractual terms of the instrument are SPPI, the Group considers the following factors:

- leverage features
- prepayment and extension terms
- conditions that limit the Group's claim to cash flows from.specified assets (e.g. non-recourse loans)
- convertible options
- condition regarding contractually linked instruments

A relevant question when assessing the SPPI Test features for a financial instrument is whether the time value of money is modified. In cases, when the time value of money is modified, benchmark cash flow test is performed in order to determine how different the contractual cash flows of such instrument could be in respect of the cash flows that would arise had the "time value of money" element not been modified.

Assessing benchmark cash flow test the following factors are considered:

- currency
- refixing period of the interest rate.
- frequency of interest payment.
- tenor of the interest rate (underlying rate).
- maturity

5.2.6 Fair value

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

IFRS 13 Fair Value Measurement seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorizes the inputs used in valuation techniques into three levels:

- Level 1: inputs are the (unadjusted) quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs are inputs other than quoted prices included within Level 1 that are directly or indirectly observable for the asset or liability to be measured.
- Level 3: inputs are unobservable inputs for the asset or liability.

The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. For equities traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market closing prices at the close of business on the reporting date.

(5) Significant accounting policies (continued)

The fair value of interest-bearing items not traded on an active market is estimated based on discounted cash-flows using interest rates for items with similar remaining maturity. Risk characteristics of the customers country risk factors are also taken into consideration therefore allowances of these receivables are taken into account during evaluation. The carrying value of demand deposits is considered to be the fair value.

For equities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is based on the expected discounted cash flows. There are certain assumptions made by the management during the evaluation such as credit risk, discount rates and forecast cash flows.

Classification is based on a hierarchy that reflects the significance of unobservable inputs used in the measurement. In case of changes occurred in the inputs or the weights when evaluating the fair values of assets, the assets could be reclassified in the fair value hierarchy.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note (45).

5.2.7 Loans to banks

Loans to banks include financial assets with fixed or determinable payments that are not quoted in an active market.

Measurement of loans to banks is driven by business model and the result of the SPPI test.

For Expected Credit Loss (ECL) calculation please refer to Note 5.2.16.

5.2.8 Loans to customers

Loans to customers are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market.

Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction. All loans and advances are recognised when cash is advanced to borrowers.

Measurement of loans to customers is driven by business model and the result of the SPPI test.

For ECL calculation please refer to Note 5.2.16.

Where possible the Group seeks to restructure loans rather than to take possession of collateral. Restructuring may involve extending the payment period arrangements and the agreement of new loan conditions, particularly interest level. The Management continuously monitors renegotiated or restructured loans to ensure that all criteria are met and that future payments are likely to occur. These loans continue to be subject to an individual or collective impairment assessment.

The Group provides commercial factoring services in order to finance its partners' business activity. There are two main types of factoring deals: deal with recourse and non-recourse. The Group classifies the financed receivables depending on whether all the risks and rewards has been transferred, or not. Accordingly:

- in case of non-recourse factoring deals the Group acquires all risks and rewards of the receivable and therefore the total amount of the receivable is recognised in its books irrespectively of paying the total amount, or not.
- in case of recourse factoring deals the Group does not acquire all risks and rewards of the receivable therefore only the paid amount is recognised in its books as loan advance to customers.

Receivables from factoring transactions are initially recognised at fair value which is the invoiced amount less purchase discount. After initial recognition receivables from factoring are measured at amortised cost using the effective interest rate method less allowance for impairment. In case of non-recourse factoring deals the Group applies net presentation: if the total amount of the acquired receivable is not paid, any related liability is deducted from the carrying amount of the receivable. The Group does not apply the simplified provisioning method when determining the allowance of impairment. Receivables from factoring transactions are not represented separately but disclosed within loans and advances to customers.

Loans that are individually assessed for impairment (i.e. non-performing exposure exceeding HUF 75 million or EUR 250,000 at the customer level) and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the allowance is credited to the allowance.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal systems that consider credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors and have been estimated based upon historical patterns of losses in each component.

(5) Significant accounting policies (continued)

The Group classifies credit impaired exposures as default exposure when the exposure is more than 90 day past due or it is unlikely that the Group can collect the contractual cash flows and the past due amount is higher than the 1% of the total on-balance sheet exposure, and higher than EUR 100 for retail loans and EUR 500 for non-retail loans, in line with CRR 178 paragraph. Loan exposures shall continue to be disclosed as non-performing loans up to at least 3 months from when they no longer meet conditions to be classified as such. Default loans are qualitied non-performing loans, in line with 39/2016 National Bank Decree (X.11.).

Credit impaired assets are part of those financial assets whose estimated cash-flows have been negatively impacted (impaired) by one or more events that have occurred. The impairment of financial assets may not necessarily be associated with specific event but may instead result from combination of factors.

Some of the most common circumstances where objective evidence of impairment can be identified are listed below:

- significant financial difficulty of the borrower
- breach of contract, such as default or missed due date
- economic or contractual reasons relating to the borrower's financial difficulty
- probability of bankruptcy or another financial reorganisation of the debtor
- the disappearance of an active market
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Positions classified as non-performing loans must continue to be recognised as credit impaired loans until at least 3 months (90 days) have elapsed since they no longer meet the conditions to be classified as such. It may can be concluded, that all credit-impaired instruments must be assigned to Stage 3.

The general mostly applied rule of calculating impairments and allowances are based on discounted expected future cash flow method, with best available data for the Group. The present value of the available estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the available estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

5.2.9 Derivatives financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices, and valuation techniques such as discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Interest income or expense on non-hedging derivative instruments are presented under 'Profits (losses) on trading' in the statement of comprehensive income together with the changes in the fair value.

The Group applies hedge accounting to its fixed rate assets and liabilities hedged by interest rate swaps in order to mitigate its interest rate risk in the banking book. Hedged instruments are identified both on individual and portfolio level. Fair value change of financial assets hedged in portfolio is presented as a separate line in the statement of financial position.

The method of recognising fair value gain or loss depends on whether the derivative is designated as a hedging instrument or not. The Group, in accordance with the Intesa Sanpaolo Group's policies, designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge). Hedge accounting is used for derivatives designated in this way provided the following criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items (efficiency tests). The effectiveness of the hedge must be tested both at its inception (designation of hedging relationship) and regularly during the entire lifetime of the hedge. In the case of a fair value hedge, changes in the fair value of derivatives that are designated as hedging items in fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Interest income and interest expense recognised on hedging derivative instruments are presented as interest income and interest expense in the statement of comprehensive income together with the interest income and interest expense recognised on hedged items. Change in fair value of hedging derivatives are presented under 'Fair value adjustments in hedge accounting' in the statement of comprehensive income together with the change in fair value of the hedged instrument attributable to the hedged risk.

(5) Significant accounting policies (continued)

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

If the hedged item is derecognised, the unamortized fair value adjustment is recognised immediately in profit or loss.

IAS 39 Financial Instruments: Recognition and Measurement requires hedge effectiveness to be assessed both prospectively and retrospectively. Retrospective test reveals the degree of hedge effectiveness achieved during the period from designation to the performance of the test; in other words, it measures how much the actual results have deviated from those of a perfect hedge.

Prospective test demonstrates the expected effectiveness of the hedge in future periods. To qualify for hedge accounting at the inception of a hedge and, at a minimum, at each reporting date, the delta in the fair value or cash flows of the hedged item attributable to the hedged risk must be highly effective in offsetting the changes in the fair value or cash flows of the hedging instrument on a prospective and retrospective basis, within a range of 80% to 125%.

Notes (21) and (26) provide further details regarding derivative financial instruments and hedge accounting.

5.2.10 Debt securities at fair value through other comprehensive income (FVOCI)

The Group classifies debt instruments measures at FVOCI when both of the following conditions are met:

- the objective of the business model is to collect contractual cash flow and sell the debt instrument
- the contractual terms of the instrument meet the SPPI test

These instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss.

For ECL calculation of debt instruments at FVOCI please refer to Note 5.2.16.3.

On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from equity to profit or loss.

5.2.11 Equity instruments at fair value through other comprehensive income (FVOCI)

The Group occasionally classifies equity instruments at FVOCI, such classification is irrevocable and is made on an instrument-by-instrument basis. Equity instruments can be classified as equity instruments at FVOCI when they meet the definition of equity under IAS 32 and are not held for trading.

Changes is fair value of these instruments are recognised in OCI and are never recycled to profit or loss, even if the asset is sold. Accumulated gain or loss is transferred to retained earning upon derecognition.

Equity instruments at FVOCI are not subject to an impairment assessment and no impairment is recognised on them.

5.2.12 Deposits from bank and customers

All money market and customer deposits are initially recognised at fair value. After initial recognition, all interest-bearing deposits, other than liabilities held for trading, are subsequently measured at amortized cost with the interest expense booked to profit or loss with effective interest method.

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

For liabilities carried at amortized cost, any gain or loss is recognised in profit or loss when the liability is derecognised.

5.2.13 Financial assets at fair value through profit or loss (FVPL)

Financial assets included in this category are debt securities, equities and short positions that have been acquired principally for the purpose of selling or repurchasing in the near term or held as part of a portfolio that is managed together for short-term profit or position taking. These instruments are initially recognised at fair value, with no transaction costs taken into consideration.

FVPL assets are subsequently recognised at fair value; changes in the fair value are presented in profit and loss. These instruments are not assessed in the ECL calculation.

5.2.14 Financial assets measured mandatorily at fair value through profit or loss (MFVPL)

The Group classifies loans as financial assets measured mandatorily at fair value through profit or loss, where the contractual characteristics does not meet the criteria of SPPI test.

(5) Significant accounting policies (continued)

The Group has exposures generated by the Housing Subsidy Scheme for Families (CSOK). Interest of these mortgage loans are subsidized until a certain term of the loan, where the subsidy amount depends on family conditions. Regarding this product (CSOK), the interest subsidy is calculated on the basis of 130% of the Government Debt Management Agency reference yield, while the transaction interest rate is fixed at 3%. Due to the different conditions in the transaction, the product is placed in the SPPI failed category and is measured at fair value through profit or loss.

The Group has exposures generated by the program of Hungarian Development Bank for small and medium businesses. There is a mismatch regarding the interest characteristics of these special loans, as the interest reference rate is not line with the disbursed currency, therefore the criteria of the SPPI test is not met and these loans are also measure at fair value through profit or loss.

In 2019, the Group issued a so-called „babaváró" family support loan under the „Family Protection Plan", which has an interest that could not be higher than the 130% plus 200 bp of the weighted arithmetic average of the 5-year government bond's average yields established at auctions during the 3-month period before the disclosure. The Group evaluate the loans at fair value, at level 3 of the fair value hierarchy, because the loan's cash-flow have not just capital and interest components. The Group uses the discounted cash-flows for evaluating the fair value of the loans. The discount rate is the average interest of disbursed loans updated monthly.

Investments in equity and debt securities that are not held for trading are also measured MFVPL (unless they are designed at FVOCI).

5.2.15 Derecognition of financial instruments

5.2.15.1 Derecognition due to substantial modification of terms and conditions

When contractual clauses are modified during the life of an instrument, it must be verified whether the original asset must continue to be recognised in the balance sheet or whether, on contrary, the original instrument has to be eliminated from the balance sheet (derecognition) and a new financial instrument has to be recognised. The Group derecognises a financial asset, when the terms and conditions are renegotiated to the extent that, substantially, it becomes a new loan. An assessment of the "substantial nature" of the modification shall be made, both in regard to qualitative and to quantitative elements. The qualitative and quantitative analyses designed to determine the "substantial nature" of the contractual modifications made to a financial asset will have to consider:

- the purposes for which modifications were made for example renegotiation of contract for commercial reasons and concessions made in response to economic problems faced by the counterparty.
- the presence of specific objective elements ("triggers") that affect the characteristics and/or the contractual cash flows of the financial instrument

Assessing the derecognition of a financial asset, the Group considers the following changes as significant change in cash flow:

- change in currency
- change in counterparty
- conversion of debt exposure into equity.
- if the modification results in an instrument that would no longer meet SPPI test
- other cases of a substantial change in the nature of the contract (i.e. the introduction of contractual clauses which expose the debtor to new and other risk components, such as returns tied to equity or commodity components, leverage effects or similar clauses.

The difference is recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

Where the modification does not indicate significant change in cash flows, the modification does not result in derecognition. In this case the EIR is not modified and the relating gain or loss is recognised in the statement of profit or loss as profits (losses) on changes in contracts relating moratoria.

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. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

5.2.15.2 Derecognition other than for substantial modification

The Group qualifies a financial asset for derecognition where:

- the rights to receive cash flows form the asset expire
- the Group transfers its contractual rights to receive cash flows from the asset or if the Group retains the rights to the cash flows, but has assumed to pay the received cash flows in full without delay to a third party

(5) Significant accounting policies (continued)

- the Group has transferred substantially all the risks and rewards of the asset, or if the Group retains the risk and rewards of the asset, but has transferred control of the asset

Financial liability is derecognised when the obligation is cancelled or expires.

5.2.16 Impairment of financial assets

From 1 January 2018, the Group applies the expected credit loss model for all financial assets measured at amortized cost or FVOCI, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9.

The Group's ECL calculations are outputs of complex models, elements of the ECL models that are considered accounting judgements and estimated include:

- the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss (LTECL)
- the segmentation of financial assets when their ECL is assessed on a collective basis
- development of ECL models, including the various formulas and the choice of inputs.
- selection of forward-looking macroeconomic information included in the calculation of ECL.

Loans to customers are classified to the non-performing loan category if the receivable is individually impaired. Evidence of impairment may include that the borrower is experiencing significant financial difficulties (is under liquidation), the probability that they will become insolvent (probability of default is 100%) or there is a material delinquency in interest or principal payments (more than 90 days material past due amount) and where observable data indicates that there is a change in economic conditions that correlate with default (managed by work-out department). For more information on non-performing loans see Note (48) on Risk Management.

Non-performing loans are considered as credit-impaired assets.

Exposure is fully written-off, when it can be supported by documents that all recovery options (including legal procedures against the debtor and the guarantor for the guarantor) are exhausted and no further recovery is expected. Exposures can also be written-off partially, when considering the supporting documents, usually at a late stage of legal proceedings, that part of the exposure to the debtor is unlikely to be recoverable.

5.2.16.1 Overview of Expected Credit Loss principles

Expected credit loss allowance is based on the credit losses expected to arise over the life of the asset (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date.

The Group has significant amount of low credit risk financial assets. These are mainly intercompany items (receivables from related parties) related to account of loans to banks and loans to customers.

For some exposures (clearly identified and performing government debt securities measured at fair value through other comprehensive income), the IFRS 9 low credit risk exemption is adopted, according to which exposures that, at the date of transition to the new Standard, are rated as investment grade, or above (and similar) is recognised as bearing low credit risk and treated as Stage 1. Investment grade can be allocated only to exposures with pd lower than 2% or to exposures that has "Investment grade" published by external financial rating company.

Simplified method of impairment requirements is applied on financial assets subject to IFRS 15 (trade receivables) based on IFRS 9.

The Group classifies its financial assets into Stage 1, Stage 2, Stage 3 and POCI as described below:

- Stage 1: When loans are first recognised, the Group recognises an allowance based on the 12mECLs.
- Stage 2: When a loan has a significant increase in credit risk determined by a comparison of the Probability of Default art first recognition and that at reporting date.

  The following criteria is used to classify exposures to Stage 2:

  - Performing exposures with more than 30 days past due over the materiality threshold
  - Forborne exposures
  - Performing exposures with early warning signals
  - Performing exposures with significant increase in PD or other risk indicators similar to PD which can be used to assess the increase in credit risk
- Stage 3: Credit impaired assets are classified to Stage 3 during staging.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired assets on initial recognition. POCI assets are recorded at fair value at original recognition.

(5) Significant accounting policies (continued)

5.2.16.2. The calculation of ECLs

The mechanism of ECL calculation considers the following key elements:

- *Exposure at default (EAD).* The exposure consists of on-balance sheet assets and off-balance sheet liabilities, where off-balance sheet exposure represents the amount of contingent off-balance sheet liabilities of the Group adjusted by a credit conversion factor (CCF) to convert off-balance sheet exposure into an on-balance sheet equivalent and is added to the actual on-balance sheet exposure. The credit conversion factor is defined at the level of loan facilities and is calculated using the simplified statistical methods adopted for Internal Capital Adequacy Assessment (ICAAP) purposes. In case of financial instruments classified as stage 2, EAD is determined on a yearly basis.
- *Probability of default (PD).* PD component determines probability of default, i.e. the probability of transition from the performing portfolio to the non-performing portfolio on debtor level. The PD component is the result of a combination of objective and subjective information about the debtor's creditworthiness. The PD component for the retail (private individuals and entrepreneurs), small business, corporate (SME and large corporate) and project segments is calculated with statistically developed models. For each mentioned segment the Group is using a separate, segment-specific model for the calculation of PDs and internal ratings. The models were developed with the point-in-time method.
- *Loss given at default (LGD).* LGD calculated by portfolio segments is the measure of losses incurred on facilities that have defaulted. Assuming that the process of collection of the existing and future non-performing facilities of the Group will be equally or similarly efficient as the historical collection, LGD also represents the assessment of future losses on each facility that will default. For the purpose of the assessment of impairment / provision, the Group uses the results of a simplified statistical method that was approved for Internal Capital Adequacy Assessment (ICAAP) purposes with downturn adjustments. The Advanced Internal Rating Based approach (AIRB) compliant LGD models are finalized.
- Including forward-looking information in the calculation of Expected Credit Losses (ECL), also connected to changes in the macro-economic scenario. Macro-economic inputs comprise both EU and domestic data, e.g. GDP, unemployment data.

When estimating the ECLs, the Group considers three scenarios: a best case, a worst case, a most likely. Each of these is associated with different risk parameters. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by Credit Risk function.

A collective component of the total allowance is established for:

- groups of homogeneous loans that are not considered individually significant, and
- groups of assets that are individually significant but that were not found to be individually impaired (loss incurred but not reported).

In assessing the need for collective loss allowance, management considers factors such as credit quality, portfolio size, concentration and economic factors.

Parameters used in the collective assessment are calculated with statistical methodologies and models which are to the largest extent possible aligned or identical to those used in the processes of approval of facilities or calculation of capital adequacy.

For the portfolio segments with insufficient homogeneous set of data for statistical assessment of loss, the Group uses risk parameters provided by ISP group calculated on the whole ISP group portfolio for:

- central governments and central banks
- public sector entities treated as institutions
- municipalities
- institutions

The parameters used in the impairment / provision calculation is subject to regular internal reviews in order to ensure that those always reflect a best estimate for expected credit risk losses.

Management can apply judgment to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date.

(5) Significant accounting policies (continued)

5.2.16.3 Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at fair value through OCI do not reduce the carrying amount of these financial assets, it remains at fair value. The amount equal to the allowance is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss in recognised in OCI is recycled to the profit and loss upon derecognition.

Financial assets included in this category are largely those had previously been classified as financial investments available-for- sale under IAS 39.

5.2.16.4 Purchased originated credit impaired financial assets (POCI)

The Group considers the change in currency of the contract and the change in customer as significant change in the contractual cash flows. If this change is due to financial difficulties, the exposure is classified as purchased originated credit impaired financial asset. Credit impaired financial assets can also be purchased, occasionally.

The Group only recognises the cumulative changes in LTECL since initial recognition in loss allowance.

Interest income is recognised using a credit-adjusted effective interest rate.

5.2.17 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when the Group currently has a legally enforceable right to set off the amounts and it intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

5.3 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central bank and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in the fair value and are used by the Group in the management of its short-term commitments.

Cash is carried at amortized cost in the statement of financial position.

5.4 Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralized by securities or cash. The transfer of the securities to counterparties is only reflected on the 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 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.

5.5 Repurchase and reverse repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for non-trading investments. The liability for amounts received under these agreements is included in deposits from banks. The difference between sale and repurchase price is treated as interest expense in the respective period.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position. Amounts paid under these agreements are included in deposits from banks. The difference between purchase and resale price is treated as interest income in the respective period.

5.6 Finance lease receivables (Group as lessor)

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. The net investment in finance leases provided by the Group is included in loans and advances to customers. A receivable is recognised over the leasing period for an amount equalizing the present value of the lease payment using the implicit rate of interest at the inception of the lease and including any residual value that has been guaranteed whether by the lessee, a party related to the lessee, or an independent third party. All income resulting from the receivable is included in interest income in the statement of comprehensive income, except for the residual value accounted as other operating income (expense) when closing the contract.

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.

(5) Significant accounting policies (continued)

A reassessment is made after inception of the lease only if one of the following applies:

- there is a change in contractual terms, other than a renewal or extension of the arrangement.
- a renewal option is exercised, or extension granted, unless the term of the renewal or extension was initially included in the lease term.
- there is a change in the determination of whether fulfilment is dependent on a specified asset; or
- there is substantial change to the asset.

5.7 Intangible assets, property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Cost incurred after initial recognition are capitalized, except for tangible assets measured at fair value.

At subsequent measurement the assets – except for owner-occupied properties - are measured at cost, net of accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis over the estimated useful lives of all property, plant and equipment, except operational buildings.

The following depreciation rates and residual values are applied:

	Depreciation rate	Residual value
Premises – head quarters	3%	30% of gross value
Premises – branches	5%	30% of gross value
Leasehold improvements	5%	individually assessed
Electronic equipment's and office furniture	14.5%	individually assessed
Computer equipment	33%	individually assessed
Software	20%	individually assessed
Motor vehicles	20%	20% of gross value

Owner-occupied premises are subsequently carried at the revalued amount. The market trends which can affect the values of the properties, are inspected on an annual basis, and in every 3 years an independent valuation is performed. If the inspections show that there is a major difference between the carrying amount and the market value, the properties are revalued.

When an owner-occupied property is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Increases in carrying amounts arising from revaluation are recognised in the asset revaluation reserve and revaluation reserve on the other comprehensive income in equity, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in profit or loss.

Decreases in carrying amounts that offset previous increases of the same asset are recognised against the asset revaluation reserve. All other decreases in carrying amounts are recognised as loss in profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from de-recognition of the asset is included in profit or loss as operating income in the year the asset is derecognised. The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date.

5.8 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in profit or loss.

5.9 Repossessed properties

Repossessed properties are usually repossessed under lease contracts or real estate developments/projects or construction contracts.

(5) Significant accounting policies (continued)

The Group keeps all repossessed real estates with the intent to dispose of the asset in the reasonable short period of time. Repossessed assets shall be measured at the lower of cost or fair value less cost to sell (FVLCTS) and shall not be amortised but only subject to the impairment test.

Repossessed properties are derecognised when either they have been disposed or when the repossessed property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Reclassification from/to repossessed properties are only possible when there is a change in use. If a repossessed property is reclassified as a property for own use, the reclassification is carried out at the fair value of the property at the time of reclassification.

5.10 Other assets

Other assets' initial recognition is assessed on an individual basis, based on the type of the asset. The balance of other assets includes those balances which have not been disclosed separately in the statement of financial position. After initial recognition they are measured at the lower of cost and net realizable value.

Receivables are initially measured at fair value and subsequently measured at amortised cost. For the impairment of the receivables the Group uses the simplified impairment model. For the impairment of the receivables the Group uses the simplified impairment model. Impairment is accounted when the customer does not fulfill the payment in time: in case the delay is within 90 days, 1% of the receivable, after 90 days the 100% of the receivable is recognised as impairment.

5.11 Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded and met only when the sale is highly probable, and the asset is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, equipment and intangible assets once classified as held for sale are not depreciated or amortised.

5.12 Revenue recognition

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018, which replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

A contract with a customer recognised as financial instrument which may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in scope of the IFRS 9 and then applies IFRS 15 to the residual.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with costumers and the related assets and liabilities recognised by the Group. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

A five-step model is applied to determine when to recognise revenue, and at what amount. The revenue is recognised when the Group transfers goods or services to a customer, measured at the amount at which the Group expects to be entitled.

The Group earns fee and commission income from a diverse range of services it provides to its customers.

The following fee types are not integral part of the effective interest rate of the financial pursuant to IFRS 9 and, consequently have to be recognised in compliance with IFRS 15:

- the fees charged for loan service
- the commitment fees to originate a loan when the loan disbursement commitment is not designated at fair value through profit or loss and it is unlikely that specific loan agreement will be made
- the loan syndication fees received by the bank making a loan and does not keep any part of the loan for itself.

Fees earned for providing services - such as servicing fee, account turnover fee, card fee, investment services fee, documentary fee and cash management fee - are recognised over time. Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transactions. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria. Loan syndication fees are recognised in profit or loss when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same effective interest rate as for the other participants.

Dividend income is recognised when the Group's right to receive the payment is established.

(5) Significant accounting policies (continued)

5.13 Taxation

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Local business tax and Innovation contribution are both revenue driven taxes, thus considered income tax.

Deferred tax

Deferred tax is recognised for temporary difference in relation with corporate tax expense.

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that is probable that taxable profit will be available against which the deductible temporary differences and the carry forward for unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and at the time of transaction affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax items are measured using tax rates that are probable in the period in which the temporary differences reverse, based on tax laws that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax items are recognised in profit or loss as income tax expense.

Deferred tax asset and deferred tax liabilities are offset if legally enforceable rights exist to set off current tax assets against current tax liabilities and the deferred taxes relates to the same taxable entity and the same tax authority.

Financial transaction duty

Financial transaction duty is presented as operating expense in profit or loss.

Bank tax

For 2022 the basis and rates are defined with reference to statutory reported financial data of the reporting entity for the period ended 31 December 2020. For 2021 the basis and rates are defined with reference to statutory reported financial data of the reporting entity for the period ended 31 December 2019.

The tax rates for credit institutions were 0.15% of adjusted total asset value for the first HUF 50 billion and 0.2% had been applied for the amount exceeding HUF 50 billion.

Bank tax is presented as operating expense in the profit or loss as it does not meet the definition of income tax under IFRS and presented on a separate line on the face of the comprehensive income.

Pandemic related special tax

In order to implement the Economic Protection Plan and to replenish the Epidemiological Fund, a special tax relating to pandemic situation was introduced in 2020 based on Government Decree 108/2020. (IV.14.).

The base of the special tax is defined in Act LIX of 2006 on a special tax and annuity to improve the balance of public finances. 4 / A. § (4), point 1, for the tax year 2020 exceeding HUF 50 billion

The rate of the special tax is 0.19 percent.

The tax amount reduces the bank tax to be paid in the future, so it will only appear in the statement of financial position, not in the statement of comprehensive income.

Extra-profit tax

The tax liability is based on the net turnover calculated on the basis of the annual accounts of the previous tax year in accordance with the Income Tax Act (Act C of 1990 on Local Taxes), the net turnover for 2022 is based on the net turnover for 2021 and for 2023 on the net turnover for 2022. The tax rate is 10 % for 2022 and 8 % for 2023.

(5) Significant accounting policies (continued)

As the extra-profit tax does not meet the definition of an income tax under IFRS, it is presented as a separate line in the statement of comprehensive income as an operating expense due to its significant size.

5.14 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in the statement of financial position.

5.15 Financial guarantees

In the ordinary course of business, the Group provides financial guarantees consisting of letters of credit, letters of guarantees and acceptances. Financial guarantees are initially recognised in the statement of financial position at fair value, and the fair value is recognised in other liabilities.

Subsequent to initial recognition, the Group's liabilities under such guarantees are each measured at the higher of the loss allowance in accordance with IFRS 9 and the amount initially recognised (before 1 January 2018 at the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee). Any change in the liability relating to financial guarantees is recorded in profit or loss.

5.16 Provisions

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

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

For details, please refer to Note (34).

5.17 Leases (Group as lessee)

The Group applies IFRS 16 Leases to all contracts that contain a lease element or are wholly leases. The requirements of the standard apply to all lease contracts. A contract contains a lease if the lessee has the right to control the use of and identified asset for a period in exchange for consideration. According to the standard, the lessee recognises a right-of-use asset and a lease liability. An identified asset may be a single asset or a capacity portion of an asset. A capacity or other portion of an asset that is not physically distinct is not an identified asset according to IFRS 16.

The contract needs to contain that the lessee has the right to obtain substantially all the economic benefits from use of the asset, and the right to decide on the use of the identified asset. The customer may obtain the economic benefits of use of the asset directly or indirectly in different ways.

If a contract is a lease, or it has a lease part, the Group as a lessee recognises a right-of-use asset, a lease liability, a depreciation, and an interest expense from the commencement date. The "right of use" represents a lessee's right to use the underlying asset. After the commencement date, the lessee shall re-evaluate the lease liability to take into account the changes in the lease terms, or in the conditions.

The Group uses the following exemptions permitted under IFRS 16 for all the asset groups:

- For the low-value assets the Group does not recognise right-of-use asset. The lease payments are associated with these leases as an expense. The threshold for the low-value assets are EUR 5.000.
- The leases which have a lease term of 12 months or less are classified as short-term leases, and still recognised as expenses.
- It is applicable to use the IFRS 16 standard for intangible assets, however the Group choses not to use IFRS 16 standard for intangible asset leases (e.g. software).

A lease contract can contain non-lease components as well. The purpose of IFRS 16 is to modify the accounting of leases not the accounting of services, so the standard requires the lessor and the lessee to separate the lease and non-lease components in a contract. The standard does not define the separation of these components for the lessee when measuring the lease if the non-leasing component is not significant comparing to the lease component. This exemption can be used for asset classes/groups – according to this, the Group uses this exemption for the vehicle leases. Neither deductible nor non-deductible VAT is taken into account when measuring the lease liability. The Group adopted portfolio approach for contracts including large number of individually small value, homogenous assets.

(5) Significant accounting policies (continued)

When determining the lease liability, the Group takes into account every fix-payments, variable lease payments that depend on an index or a rate, and every option (purchase, renewal, extension, early termination, guaranteed residual value, etc.) that the Group is reasonably certain to exercise. For leases where the lease payment changes are not tied to market rate changes (e.g. payments tied to quantitative indicators), the Group still recognises the lease as an expense.

The lease liability measured at the present value of the lease payments discounted using the Intesa Group interbank borrowing rate as a discount rate. The applied interest rate is revised annually.

The discount is used for the lease period stated in the lease contracts. When a contract has an indefinite maturity, the Group uses assumptions considering the option to extend the lease if the lessee is reasonably certain to exercise that option. With reference to property leases, the Group has decided to consider for all new contracts only the first period of renewal as reasonably certain, unless there are particular contract clauses, facts, or circumstance that lead to the consideration of additional renewals.

The Group remeasures a lease liability when its cash flows change. The Group determines the revised lease payments for the remaining lease term based on the revised contractual payments. The remeasurement difference is recognised in the underlying asset use rights. If the core contents of the lease contract change, the current right-of-use asset, and the lease liability is derecognised, and new right-of-use asset and lease liability will be recognised.

In May 2020, IASB issued a publication called Covid-19-Related Rent Concessions, which summarizes the changes that may be affected the IFRS 16 Leases standard that were triggered by the epidemic. Among other things, the publication summarizes what constitutes an amendment to a leasing contract and what may constitute a temporary benefit (in the context of an epidemic situation) and thus does not provide for an amendment to the contract. During the financial year 2021, the Group received rent concessions for certain bank branches, however, as they are all related to the situation due to COVID-19, therefore it is not necessary to apply contract accounting to them and the Group recognized the effect of these benefits in the statement of comprehensive income. During 2022, the Group did not receive such a rent concession.

5.18 Net operating income

Net operating income represents profit from business operations and is defined as profit before tax connected to non-financial operations.

5.19 Employee benefits

Employee benefit is a consideration paid to employees for their services, which may be short-term employee benefits, post-employment benefits, other long-term employee benefits and severance payments.

Short term employee benefits are recognised as a current expense in the period when employees render their services. These include wages, social security contributions, bonuses, paid holidays and other fringe benefits and the tax charges thereon.

Payments to defined contribution pension and other welfare plans are recognised as an expense in the period in which they are earned by the employees.

There are no long-term employee benefits at the Group.

5.20 Government grants

Government grant is recognised only when there is reasonable assurance that the entity will comply any conditions attached to the grant and the grant will be received.

5.21 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The list contains standards and interpretations issued and expected to be relevant to the Group and to be adopted when they become effective.

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- Reference to Conceptual Framework (Amendments to IFRS 3)
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities Contracts
- IFRS 16 Leases – Lease Incentives

(5) Significant accounting policies (continued)

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

Effective for reporting periods beginning on or after 1 January 2023:

- IAS 1 Classification of Liabilities as Current or Non-current (Amendments)
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors:
- IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective for reporting periods beginning on or after 1 January 2024:

- IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)

5.22 Comparative figures

Restatement of equity items

In compiling the consolidated accounts, since 2018 the Bank erroneously applied a capital consolidation item which should no longer have been included in the individual accounts of one of the subsidiaries due to a capital settlement effected by offsetting the negative retained earnings with capital reserves. The error has been corrected and the comparative data have also been corrected in the consolidated statements of financial position and the consolidated statement of changes in equity.

The impact of the restatement of comparative information is summarized in the following table:

(million HUF)

Consolidated statements of financial position	31/12/2022	31/12/2021 restated	Restatement between reserves	31/12/2021 previously presented	31/12/2020 restated	Restatement between reserves	31/12/2020 previously presented
Share capital	50,000	50,000	-	50,000	50,000	-	**50,000**
Reserves	168,420	167,242	80,700	86,542	167,491	80,700	**86,791**
Retained earnings	56,784	47,651	(80,700)	128,351	31,894	(80,700)	**112,594**
Total shareholder's equity	**275,204**	**264,893**	-	**264,893**	**249,385**	-	**249,385**

The restatement concerned the following supplementary note: (37) Reserves

(6) Significant accounting estimates and judgements

In preparing these annual financial statements the Management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The most significant cases for which judgments and estimates are required to be made by the management include:

- the use of measurement models for determining the fair value of financial instruments not listed on active markets,
- recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used,
- the measurement of impairment on non-financial assets,
- the measurement of impairment losses on financial assets,
- the measurement of provisions,
- the measurement of impairment on repossessed assets.

Sometimes it is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. In such cases, it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the asset or liability affected. In all such cases, the Group would disclose the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.

(6) Significant accounting estimates and judgements (continued)

6.1 Fair value of financial instruments

Where the fair values of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. For details, please refer to Note (45).

6.2 Recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used

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 utilized. Management estimation 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.

The Group had unused tax loss carry forwards as of 31 December 2022 and 2021. Due to the current market and economic conditions the management considered whether the Group will have tax planning opportunities available that could support the recognition of these losses as deferred tax assets.

6.3 Impairment on non-financial assets

Impairment exists when the carrying value of an asset or a cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on discounted cash flow model.

Impairment losses are recognised in profit or loss. An impairment loss for non-financial assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6.4 Impairment on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades.
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs and LGDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Collective impairment is calculated with 3 main segments:

1. The first segmentation applied by the Bank when allocating a PD transaction, segregating the customer groups based on the customer rating and CRR compliant customer.
2. When calculating LGD, groups shall be formed on the basis of current transaction and collateral data.
3. When calculating CCF, it shall be classified according to the trade and its callability.

6.5 Provisions for risk and charges

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. In assessing and determining the amount of obligation the Group considers whether a reliable estimate can be made of the amount of outflow of economic benefits.

Provisions are recognised and measured based on IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

(6) Significant accounting estimates and judgements (continued)

The Group is involved in ongoing legal disputes; provision is made based on the best estimate of the expenditure required to settle the obligation. The Group is committed to close branches; provision is made based on the landlord's agreement for the obligation to be settled.

Provision on personal type expenses and other obligations are measured based on the best available estimation.

For details, please refer to Note (34).

6.6 Impairment on repossessed properties

Repossessed assets shall be measured at the lower of cost and fair value less cost to sell (FVLCTS).

Subsequent to initial recognition repossessed properties are annually tested for impairment and stated at the lower of cost and FVLCTS. The Group regards the market value determined by external valuations as the FVLCTS for its repossessed real estates.

The basis of the impairment calculation is the market value determined by an external valuation dated less than 90 days from the relevant year end date. External valuation should be prepared for all commercial assets, and for residential assets above or equal net book value of HUF 50 million. For residential assets below net book value of HUF 50 million external valuations should be prepared in every 3 years and during the intervening period statistical revaluation could be applied.

6.7 Accounting estimates related to moratoria

The moratoria on the COVID-19 pandemic required the following accounting estimates:

- Expected credit loss calculations: During the payment moratoria the debtors are exempted from paying the interest and principal instalment, so in case of debtors under moratoria, no payment delay can be established. Late payment is a determining factor for probability of default, so the solvency of debtors is determined by other means. For details, please refer to Note (48) point (a) Credit risk.
- Due to the moratoria, the cash-flow of each transaction will change, and for customers who have indicated the opt in, the Group has adjusted the cash-flow that the next instalment will be due after 31 December 2022. The debtor however may opt out anytime from the moratoria, however debtors who are opted out, cannot opt in again. Consequently, the determination of the cash flows of each transaction involves an estimate due to the moratoria.
- Due to the agricultural moratoria, the cash flow of loan, credit and financial leasing contracts will change, and for those customers who have notified the Bank that they will enter the moratoria, the Bank has adjusted the cash flow so that the next instalment payment will be made after 31 December 2023. The client may decide to exit the moratoria at any time.

6.8 Accounting estimates related to interest rate cap

- To estimate the expected accounting impact of the interest rate freeze regulation, the difference between the actual/expected BUBOR rate at the time of repricing and the interest rate as of 27 October 2021 as defined in the regulation was calculated based on the volume of loans repriced in the period December 2021 - June 2022. Due to the timeliness of the closing processes, this difference was not booked per contract, but was included in the financial statements as other provisions in the amount of HUF 718 million as of 31 December 31.
- On 14 October 2022, based on Government Decree 390/2022 (X.14.) extended the effective date of regulation 782/2021 until 30 June 2023 and from 01 November 2022, the Regulation had to also apply to non-subsidised mortgage loan contracts with up to five years rollover period.
- According to the interest rate cap regulations, the reference rate applied to the loans concerned between 1 January 2022 and 30 June 2023 cannot be higher than the reference rate in force on 27 October 2021.
- On 26 October 2022, based on Government Decree 415/2022, the interest rate cap regulation was extended to small and medium-sized enterprises. The Government fixes the reference rate at an earlier level (28 June 2022), so that the reference rate cannot be higher than the reference rate applicable to the contract on 28 June 2022.
- From 2022, the Group calculated the difference between the actual/expected BUBOR rate and the interest rate as a reduction of the exposure per contract according to the regulations. The provision of HUF 718 million recognised in 2021 for the interest rate cap has been reversed.

Part B Information on the consolidated statement of comprehensive income

(7) Interest income and interest expense

(million HUF)

Interest income	2022	2021
Loans to banks measured at amortised cost	71,579	11,830
Loans to customers measured at amortised cost	63,460	34,773
of which interest income on transactions subject to interest rate cap regulations above the interest rate specified in the regulation	*4,054*	-
Debt securities measured at amortised cost	9,954	2,784
Financial assets measured at fair value through other comprehensive income	18,383	4,725
Negative interest on financial liabilities	911	840
Interest income calculated using effective interest rate method	***164,286***	***54,952***
Securities held for trading	1,038	112
Financial assets mandatorily measured at fair value	4,680	3,043
Hedging derivatives	9,581	(1,332)
Other interest income	***15,299***	***1,823***
Total	**179,586**	**56,775**

The interest on hedging derivative instruments is included in other interest income, causing a negative balance in the profit or loss and other comprehensive income in 2021.

Interest income on financial assets classified as stage 3 is HUF 2,338 million in 2021, and HUF 1,327 million in 2021.

(million HUF)

Interest expenses	2022	2021
Deposits from banks	16,762	4,136
Deposits from customers	45,463	5,442
Lease liabilities	9	34
Negative interest on financial assets	389	829
Hedging derivatives	11,084	130
Total	**73,707**	**10,751**

The Group's interest income increased significantly in 2022, the main drivers were customer loans and bank placements. In both cases the driver for the growth was the significantly higher HUF interest rate environment, as 3M BUBOR average level jumped from 1,5% (in 2021) to 10% in 2022.

Parallel with income, interest expense increased as well, but at a lower extent. Higher reference rates caused increased interest expectations in the corporate segments, where the share and amount of time deposits increased as well. The interest rates on bank deposit grew in line with higher HUF money market interest rate environment.

(8) Fee and commission income and expense

(million HUF)

Fee and commission income	2022	2021
Account turnover fee income	15,902	13,906
Investment services fee income	6,982	6,995
Card fee income	10,381	8,979
Servicing fee income from loans	2,953	2,620
Cash management fee income	1,444	1,081
Documentary fee income	3,656	2,578
Agent fee income	1,091	1,023
Other fee income	4,434	3,792
Total	**46,843**	**40,974**

(million HUF)

Fee and commission expense	2022	2021
Card fee expense	9,803	7,639
Account turnover fee expense	1,476	695
Investment services fee expense	405	430
Documentary fee expense	2,759	1,809
Servicing fee expenses for loans	1,027	544
Agent fee expense	750	378
Other fee expense	1,221	1,143
Total	**17,441**	**12,638**

Commission income increased significantly compared to the previous year. Cash management and card related income grew in parallel with the transactional turnover, driven by double digit inflation and economic growth. Investment services fees stagnated due to the lower demand for government securities in the Households sector. Commission expenses grew, due to the increased transactional activity as well.

(9) Income from trading activities

(million HUF)

	2022	2021
Net profits/(losses) from trading derivatives and trading with foreign currencies	7,198	9,213
Net profits/(losses) from securities held for trading	1,143	(214)
Total	**8,341**	**8,999**

The net profits/(losses) from trading derivatives and trading with foreign currencies includes, among other items, fx revaluation loss of assets and liabilities not measured at fair value through profit or loss of HUF 24,451 million in 2022 (HUF 4,705 million loss in 2021).

Trading result slightly decreased compared to last year, mainly due to the lower unrealized revaluation gain on the IRS portfolio. Gain on trading securities grew in relation to government bond buy-backs from retail customers.

The revaluation gain on IRS portfolio was offset by the revaluation loss on SPPI failed loans shown on a separate line 'Net change in value of financial assets mandatorily measured at fair value through profit or loss' in the P&L. See notes (12).

(10) Fair value adjustments in hedge accounting

(million HUF)

	2022	2021
Income from	**47,639**	**38,534**
a) fair value hedge derivatives	27,589	22,759
b) hedged debt securities	-	-
c) hedged loans	1,042	100
d) hedged financial liabilities	19,008	15,675
Losses for	**(46,788)**	**(39,114)**
a) fair value hedge derivatives	(21,650)	(15,502)
b) hedged debt securities	(14,344)	(13,284)
c) hedged loans	(10,418)	(9,722)
d) hedged financial liabilities	(376)	(606)
Total	**851**	**(580)**

(11) Profits (losses) from derecognition of financial instruments

(million HUF)

	2022	2021
Profits from sale of debt securities at FVOCI	1,128	611
Losses from sale of debt securities at FVOCI	(1,103)	(12)
Total	**25**	**599**

All sales were not in contradiction with the prescription of the concerned business model.

(12) Net change in value of financial assets mandatorily measured at fair value through profit or loss

(million HUF)

	2022	2021
Loans to customers	(7,609)	(4,734)
Debt securities	(47)	11
Equity instruments	10	48
Total	**(7,646)**	**(4,675)**

The significant revaluation loss on loans to customers is offset by the revaluation gain on derivatives (IRS) used to hedge their interest rate risk, see note (9).

(13) Other operating income and expense

(million HUF)

Other operating income	2022	2021
Gain from selling of tangible and intangible assets	17	24
Gain on IFRS16 RoU assets	425	-
Dividend and similar income	3	19
Change of inventory	10	10
Gain on non-current asset held for sale	14	277
Fair value adjustment on premises	-	11
Derecognition of lapsed liabilities due to Accounting Act [1]	12	1,048
ISP Intragroup service income	59	57
Other tax-related income	27	45
Other income	990	727
Total	**1,557**	**2,218**

[1] In 2021, the Group reviewed its liabilities to customers under the Accounting Act and removed them from its books due to legal lapse.

The line 'Gain on IFRS16 RoU assets' includes the positive result from the closure of leasing contracts.

In 2022, the Group recognised HUF 701 million in other income due to the recovery of operating losses incurred in prior years. The income from such recoveries was not considered significant in 2021.

(million HUF)

Other operating expense	2022	2021
Loss from selling of tangible and intangible assets	-	13
Cancellation of obsolete assets	1	22
Loss on IFRS16 RoU assets	348	17
Change of inventory	3	2
Loss on non-current asset held for sale	12	278
Telecommunication expenses related to business activities	626	558
Obligatory fees	675	640
Subsidies/grants paid, fines	17	23
Other tax-related expenses	39	-
Other expenses	1,094	268
Total	**2,815**	**1,821**

In 2022, the total amount of other expenses includes compensation paid under various titles amounting to HUF 903 million. The amount of compensation paid for 2021 was not considered significant.

(14) Impairment losses, provisions and net loan losses including profits (losses) on changes in contracts without derecognition

(million HUF)

	2022	2021
Individual impairment (expense) / reversal for loan losses	(1,904)	2,301
Collective impairment (expense) / reversal for loan losses	(11,974)	(5,560)
Impairment (expense) / reversal for losses on debt securities	(117)	(18)
Net (losses) / gains on sale of loans	132	192
Gains (losses) on changes in contracts without derecognition	(9,789)	(2,352)
Net (losses) / gains on financial assets measured at amortised cost	**(23,652)**	**(5,437)**
Net (losses) / gains on financial assets measured at fair value through other comprehensive income	**(26)**	**(27)**
Provision (expense) / reversal for financial guarantees	91	145
Provision (expense) / reversal for other commitments and contingencies	(442)	946
Net (losses) / gains on repossessed properties	696	338
Other impairment (expense) / reversal for other receivables	8	71
Other provision (expense) / reversal	938	(3,740)
Other impairment losses and provisions (expense) / reversal	**1,291**	**(2,240)**
Total	**(22,387)**	**(7,704)**

Gains (losses) on changes in contract without derecognition include losses arising from the contract modifications partly due to the moratoria, and partly due to the interest rate cap regulations.

Provision and impairments were HUF 14,683 million higher in 2022 than in the previous year, due to the modification losses in connection with the mortgage and SME loan interest rate cap regulations (HUF -9.789 million, an increase of HUF 7,437 million compared to previous year). Individual loan impairments (HUF -1,904 million) were at a moderate level, after the releases in 2021 in connection with some large recoveries. Collective impairments increased by HUF 6,414 million compared to 2021, because of additional impairments on customers most affected by inflation and economic slow-down.

Net (losses) / gains on repossessed properties includes impairment and result on sales. The gain on sale was HUF 572 million in 2022 and HUF 352 million in 2021.

Impairment, and impairment reversal relating to POCI assets are detailed in Note (24).

(15) Operating expenses excluding bank tax and extra-profit tax

(million HUF)

	2022	2021
Personnel expenses	25,504	22,909
of which salaries	*20,814*	*18,036*
of other benefits	*1,640*	*1,583*
of social contributions	*3,050*	*3,290*
Depreciation and amortisation	6,400	6,106
Office and information technology maintenance	9,731	8,094
Financial transaction duty	5,596	3,532
Other taxes and obligatory fees	5,384	3,886
Material expenses	1,617	1,356
Rent and leasing	138	110
Communications	1,117	950
Advertising	711	748
Legal fees	672	545
Expert fees	223	245
Other expenses	1,214	821
Total	**58,307**	**49,302**

Increase in salaries compared to previous year, mainly thanks to the salary increase and higher variable salary accrual.

Rental and leasing charges include the balance of charges for low-value leases and short-term leases, as well as variable lease payments.

The Group does not contribute to pension or other welfare funds for employees.

Detailed information about lease payments can be found in Note (38).

(16) Bank tax and extra-profit tax

(million HUF)

	2022	2021
CIB Bank Ltd.	13,800	3,688
CIB Leasing Co. Ltd.	392	119
Total	**14,192**	**3,807**

See note 5.13 for details.

(17) Income taxes

Current tax

Current tax includes corporate income tax, local business tax and innovation contribution.

In 2022, corporate income tax is 9% of the tax base (also 9% in 2021), local business tax is 2% of the tax base (also 2% in 2021), and the innovation contribution is 0.3% of the tax base (also 0.3% in 2021). The tax base of corporate income tax differs from the common tax base for business tax and the innovation levy.

Deferred tax

For deferred tax calculation purposes, the Bank applied the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled. For details, please refer to Note 5.13 and Note 6.2.

(17) Income taxes (continued)

(million HUF)

Amounts recognised in profit or loss	2022	2021
Current income tax charge	5,497	3,296
of which corporate income tax	*1,539*	*1,013*
of which withholding tax paid abroad	*151*	*-*
of which local business tax	*3,310*	*1,984*
of which innovation contribution	*497*	*299*
Deferred income tax	(889)	(671)
of which origination and reversal of temporary differences	*(889)*	*(671)*
Total	**4,608**	**2,625**

Reconciliation of income tax expense to profit before tax	2022 million HUF	2022 %	2021 million HUF	2021 %
Profit before tax	40,708		18,467	
Consolidation amending amount	2,588		694	
Theoretical income tax expense at the statutory rate	3,897	9.00	1,724	9.00
Tax base amending items according to the local regulations	(2,379)	(5.50)	(1,106)	(5.77)
of which use of deferred losses	(2,464)	(5.69)	(1,567)	(8.18)
- usage of previously not recognised tax losses	*(470)*	*(1.09)*	*(455)*	*(2.38)*
- change in previously unrecognised tax losses	*(1,994)*	*(4.61)*	*(1,112)*	*(5.80)*
of which non-deductible provision	(1)	0.00	(7)	(0.04)
of which non-deductible expenditure	86	0.20	468	2.44
Income not subject to tax and tax allowance	(717)	(1.66)	(276)	(1.44)
Other income taxes – local business tax, innovation contribution	3,807	8.79	2,283	11.92
Total	**4,608**	**10.64**	**2,625**	**13.70**

(million HUF)

Deferred tax assets and liabilities comprise	2022 Assets	2022 Liabilities	2021 Assets	2021 Liabilities
Carry forward losses	1,994	-	1,112	-
Properties	-	431	-	438
Total deferred tax to profit or loss	**1,994**	**431**	**1,112**	**438**
Financial assets measured at other comprehensive income	-	-	-	233
Total deferred tax through OCI	-	-	-	**233**
Effect of netting gross deferred tax position [1]	(431)	(431)	-	-
Total	**1,563**	**-**	**1,112**	**671**

[1] From 2022, the Group shall present the net position of deferred tax assets and liabilities in the statement of financial position.

(17) Income taxes (continued)

The balance of carry forward unused tax losses was HUF 283,244 million and HUF 302,692 million as at 31 December 2022 and 2021, respectively. Of the remaining amount, the Group has recognised a deferred tax asset of HUF 1,994 million for corporate income tax for 2023 (HUF 1,112 million for 2022).

(million HUF)

Carry forward tax losses by maturity breakdown	2022	2021
Can be utilised until 31/12/2022	-	3,655
Can be utilised until 31/12/2023	242	242
Can be utilised until 31/12/2024	1,340	1,340
Can be utilised until 31/12/2025	884	884
Can be utilised until 31/12/2026	-	11
Can be utilised until 31/12/2027	1,965	-
Can be utilised until 31/12/2030	278,813	296,560
Total	**283,244**	**302,692**

(18) Dividend paid

Based on the result for 2021, a dividend of HUF 23,500 million was paid in 2022.

After taking into account the net profit of 2022 and the accumulated retained earnings of previous years, the expected dividend will be HUF 25,000 million.

(19) Other comprehensive income

(million HUF)

	2022	2021
Net gain/(loss) from changes in fair value on debt securities	(11,370)	(11,132)
of which credit risk changes	*30*	*29*
Hedge accounting adjustment on debt securities measured at fair value through OCI	8,809	11,055
Reclassification adjustment to profit or loss	(25)	(599)
Deferred tax	209	61
Items that may be reclassified to profit or loss	**(2,377)**	**(615)**
Net gain/(loss) from changes in fair value on equity instruments	64	166
Reclassification adjustment to equity	(352)	-
Deferred tax	24	(15)
Fair value adjustment on premises	-	97
Items that may not be reclassified to profit or loss	**(264)**	**248**
Total (net of tax)	**(2,641)**	**(367)**

The line 'Net gain/(loss) from changes in fair value on equity instruments' includes a fx revaluation loss of HUF 134 million (HUF 134 million gain in 2021).

Further information about hedge accounting is presented in Note (26).

Reclassification adjustment to equity includes the realised loss on the derecognition of Visa A shares, see note (22).

Fair value adjustment on premises is the valuation difference of the owner-occupied properties.

Part C Information on the consolidated statement of financial position

(20) Cash and current accounts with central bank

Cash and current accounts with the central bank comprise notes and coins of various currencies and nostro accounts with the central bank kept in Hungarian Forint.

(million HUF)

	31/12/2022	31/12/2021
Cash	19,743	13,714
Current HUF account with the National Bank of Hungary	136,839	36,875
Total	**156,582**	**50,589**

Mandatory reserve with National Bank of Hungary is disclosed in Note (23).

(21) Financial assets measured at fair value through profit or loss

Securities held for trading

(million HUF)

	31/12/2022	31/12/2021
Hungarian Government securities – HUF	15,151	9,994
Hungarian Government securities – NON-HUF	90	21
Shares listed on stock exchange – HUF	38	266
Shares listed on stock exchange – NON-HUF	9	9
Total	**15,288**	**10,290**

Income on investments and other non-fix yield assets are recognised in income from trading activities.

Financial derivatives designated as held for trading: breakdown by product

(million HUF)

31/12/2022	Positive fair value		Negative fair value	
	Fair value	Notional value	Fair value	Notional value
Interest rates	121,767	523,179	93,959	468,578
Currencies	11,768	251,377	12,461	398,725
Equities and stock indexes	2,124	34,712	2,124	34,712
Total	**135,659**	**809,268**	**108,544**	**902,015**

(million HUF)

31/12/2021	Positive fair value		Negative fair value	
	Fair value	Notional value	Fair value	Notional value
Interest rates	40,711	586,499	33,319	512,405
Currencies	6,828	410,106	6,072	412,474
Equities and stock indexes	2,831	42,272	2,831	42,272
Total	**50,370**	**1,038,877**	**42,222**	**967,151**

(21) Financial assets measured at fair value through profit or loss (continued)

Financial assets mandatorily measured at fair value

(million HUF)

	31/12/2022	31/12/2021
Loans to customers	95,660	80,245
Debt securities	982	1,699
Equity instruments	223	59
Total	**96,865**	**82,003**

Equity instruments include Intesa Sanpaolo S.p.A. shares which are part of the remuneration system.

Debt securities include Visa series C preferred shares, which are not equity instruments.

Financial assets mandatorily measured at fair value comprises loans to customers, which do not meet the criteria of SPPI test. Presentation of loans to customers mandatorily measured at fair value is included in Note (24).

(22) Financial assets measured at fair value through other comprehensive income

(million HUF)

	31/12/2022	31/12/2021
Hungarian government securities – HUF	264,216	245,172
Hungarian government securities – NON-HUF	14,774	13,968
Foreign government securities – NON-HUF	1,822	1,624
Bank and corporate bonds – HUF	14,750	13,290
Total debt instruments	**295,562**	**274,054**
Shares listed on stock exchange – NON-HUF	-	1,904
Shares not listed - HUF	121	115
Total equity instruments	**121**	**2,019**
Total	**295,683**	**276,073**

The ECL allowance for debt instruments measured at FVOCI amounted to HUF 198 million at 31 December 2022 and HUF 159 million at 31 December 2021, respectively.

All of the FVOCI financial assets are classified as Stage 1.

The FVOCI assets' credit risks are detailed in Note (48).

The Group pledged debt instruments measured at FVOCI amounted to HUF 211,973 million as collateral for its liabilities at 31 December 2022 (HUF 232,977 million at 31 December 2021).

In 2022, the Group sold its Visa A shares in Visa Inc. as this investment no longer coincides with the Group's investment strategy. The fair value on the date of sale is HUF 2,653 million and the accumulated loss recognised in OCI of HUF 328 million was transferred to retained earnings. In 2022, the dividend received income related to Visa A shares was HUF 11 million.

(23) Loans to banks

(million HUF)

	31/12/2022	31/12/2021
Nostro accounts	**29,950**	**16,093**
Due from banks	**758,709**	**888,804**
Due from National Bank of Hungary	580,588	726,611
Due from other Hungarian banks	67,028	33,090
Due from banks in Intesa Sanpaolo Group	108,088	128,267
Due from other banks	3,005	836
Total	**788,659**	**904,897**

(23) Loans to banks (continued)

The Bank is required to maintain with a National Bank of Hungary a minimum average balance as a restricted deposit for the month equivalent to 6% of the Bank's total resident customer deposits, foreign customer HUF and currency (less than one year) deposits (1% in 2021). The compulsory reserve amounted to HUF 110,298 million at 31 December 2022 and HUF 17,389 million at 31 December 2021.

The Group had no active repurchase agreement at 31 December 2022 or at the end of 2021.

The majority of the exposures of loans to banks are classified as Stage 1 in the ECL module for impairment calculation.

(24) Loans to customers measured at amortised cost and at fair value through profit or loss

Analysis by sector

The gross loan portfolio may be analysed by sector as follows:

Sector	31/12/2022 million HUF	%	31/12/2021 million HUF	%
Private customers	565,648	38.58	530,459	41.79
Heavy industry	169,855	11.58	155,575	12.26
Other, mostly service industries	152,197	10.38	140,245	11.05
Light industry	61,889	4.22	66,178	5.22
Real estate investments	60,824	4.15	49,235	3.88
Financial activities	100,118	6.83	83,694	6.59
Trading	87,656	5.98	83,488	6.58
Transportation and communication	156,583	10.68	66,880	5.27
Food processing	49,593	3.38	40,659	3.20
Agriculture	56,764	3.87	48,460	3.82
Chemicals and pharmaceuticals	5,178	0.35	4,362	0.34
Total	**1,466,305**	**100.00**	**1,269,235**	**100.00**

Analysis by segment and staging

(million HUF)

Gross carrying amount 31/12/2022	Stage 1	Stage 2	Stage 3	POCI assets	Measured at FVPL	Total
Central government	148,991	-	-	-	-	**148,991**
Corporate	580,800	105,037	24,347	3,260	30	**713,474**
Retail	426,901	52,855	22,838	5,617	95,629	**603,840**
Total	**1,156,692**	**157,892**	**47,185**	**8,877**	**95,659**	**1,466,305**

(million HUF)

ECL allowance 31/12/2022	Stage 1	Stage 2	Stage 3	POCI assets	Measured at FVPL	Total
Central government	(900)	-	-	-	-	**(900)**
Corporate	(3,796)	(9,828)	(10,280)	(55)	-	**(23,959)**
Retail	(4,223)	(9,224)	(11,237)	(1,290)	-	**(25,974)**
Total	**(8,919)**	**(19,052)**	**(21,517)**	**(1,345)**	-	**(50,833)**

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

(million HUF)

Gross carrying amount 31/12/2021	Stage 1	Stage 2	Stage 3	POCI assets	Measured at FVPL	Total
Central government	42,280	-	-	-	-	**42,280**
Corporate	554,539	77,552	24,487	4,860	43	**661,481**
Retail	393,431	71,138	13,725	6,978	80,202	**565,474**
Total	**990,250**	**148,690**	**38,212**	**11,838**	**80,245**	**1,269,235**

(million HUF)

ECL allowance 31/12/2021	Stage 1	Stage 2	Stage 3	POCI assets	Measured at FVPL	Total
Central government	(424)	-	-	-	-	**(424)**
Corporate	(3,101)	(4,698)	(9,477)	(217)	-	**(17,463)**
Retail	(3,508)	(7,447)	(7,367)	(1,675)	-	**(19,997)**
Total	**(7,033)**	**(12,145)**	**(16,814)**	**(1,892)**	**-**	**(37,884)**

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

Analysis of gross loan portfolio and expected loan loss by stage

(million HUF)

Gross loan portfolio	01/01/2022	Increase	Decrease	Stage reclassification	Write-down	Sale	Exchange difference	31/12/2022
Stage 1	**990,250**	**793,945**	**(619,869)**	**(27,743)**	-	-	**20,109**	**1,156,692**
Central government	42,280	141,161	(36,405)	-	-	-	1,955	148,991
Other financial corporation	38,917	80,110	(70,882)	-	-	-	717	48,862
Non-financial corporation	515,622	423,431	(399,182)	(25,295)	-	-	17,362	531,938
Retail	393,431	149,243	(113,400)	(2,448)	-	-	75	426,901
Stage 2	**148,690**	**46,328**	**(53,618)**	**11,109**	-	-	**5,383**	**157,892**
Central government	-	-	-	-	-	-	-	-
Other financial corporation	-	310	-	-	-	-	-	310
Non-financial corporation	77,552	30,472	(30,392)	21,736	-	-	5,359	104,727
Retail	71,138	15,546	(23,226)	(10,627)	-	-	24	52,855
Stage 3	**38,212**	**18,887**	**(23,934)**	**16,634**	**(295)**	**(3,244)**	**925**	**47,185**
Other financial corporation	761	14	(178)	-	-	-	92	689
Non-financial corporation	23,726	14,016	(17,555)	3,557	(70)	(820)	804	23,658
Retail	13,725	4,857	(6,201)	13,077	(225)	(2,424)	29	22,838
POCI	**11,838**	**992**	**(4,022)**	-	**(18)**	**(157)**	**244**	**8,877**
Other financial corporation	-	-	-	-	-	-	-	-
Non-financial corporation	4,860	107	(1,930)	-	-	(21)	244	3,260
Retail	6,978	885	(2,092)	-	(18)	(136)	-	5,617
Measured at FVPL	**80,245**	**36,485**	**(21,071)**	-	-	-	-	**95,659**
Other financial corporation	-	-	-	-	-	-	-	-
Non-financial corporation	43	3	(16)	-	-	-	-	30
Retail	80,202	36,482	(21,055)	-	-	-	-	95,629
Total	**1,269,235**	**896,637**	**(722,514)**	-	**(313)**	**(3,401)**	**26,661**	**1,466,305**

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

(million HUF)

ECL	01/01/2022	Adjust-ment	Write-back	Stage reclassifi-cation	Modifi-cation loss	Decrease in allowance account due to write-offs	Write-off recognis-ed direct-ly through profit or loss	Decrease due to derecog-nition	Exchange difference	Other change	31/12/2022
Stage 1	**(7,033)**	**(8,177)**	**3,816**	**(139)**	**(4,227)**	-	-	-	**(240)**	**7,081**	**(8,919)**
Central government	(424)	(107)	77	-	-	-	-	-	(82)	(364)	(900)
Other financial corporation	(123)	(112)	84	-	(171)	-	-	-	(1)	137	(186)
Non-financial corporation	(2,979)	(3,381)	1,547	83	(635)	-	-	-	(157)	1,912	(3,610)
Retail	(3,507)	(4,577)	2,108	(222)	(3,421)	-	-	-	-	5,396	(4,223)
Stage 2	**(12,145)**	**(14,409)**	**5,218**	**2,223**	**(3,356)**	-	-	-	**(306)**	**3,723**	**(19,052)**
Central government	-	-	-	-	-	-	-	-	-	-	-
Other financial corporation	-	(15)	-	-	-	-	-	-	-	-	(15)
Non-financial corporation	(4,698)	(6,821)	1,895	116	(205)	-	-	-	(305)	205	(9,813)
Retail	(7,447)	(7,573)	3,323	2,107	(3,151)	-	-	-	(1)	3,518	(9,224)
Stage 3	**(16,814)**	**(11,753)**	**7,134**	**(2,084)**	**(1,122)**	**295**	**(106)**	**2,463**	**(237)**	**707**	**(21,517)**
Other financial corporation	(266)	(44)	93	-	-	-	-	-	(33)	16	(234)
Non-financial corporation	(9,810)	(5,465)	4,288	(199)	(160)	70	(8)	612	(181)	177	(10,046)
Retail	(7,368)	(6,244)	2,753	(1,885)	(962)	225	(98)	1,851	(23)	514	(11,237)
POCI	**(1,892)**	**(501)**	**1,657**	-	**(661)**	**18**	**(12)**	**131**	**(5)**	**(80)**	**(1,345)**
Other financial corporation	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporation	(217)	-	571	-	-	-	-	21	(5)	(425)	(55)
Retail	(1,675)	(501)	1,086	-	(661)	18	(12)	110	-	345	(1,290)
Measured at FVPL	-	-	-	-	-	-	-	-	-	-	-
Other financial corporation	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporation	-	-	-	-	-	-	-	-	-	-	-
Retail	-	-	-	-	-	-	-	-	-	-	-
Total	**(37,884)**	**(34,840)**	**17,825**	-	**(9,366)**	**313**	**(118)**	**2,594**	**(788)**	**11,431**	**(50,833)**

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

(million HUF)

Gross loan portfolio	01/01/2021	Increase	Decrease	Stage reclassification	Write-down	Sale	Exchange difference	31/12/2021
Stage 1	**964,233**	**367,795**	**(299,210)**	**(47,710)**	-	-	**5,142**	**990,250**
Central government	91,244	5,683	(55,007)	-	-	-	360	42,280
Other financial corporation	15,785	19,382	(557)	4,049	-	-	258	38,917
Non-financial corporation	487,926	44,146	(14,418)	(6,555)	-	-	4,523	515,622
Retail	369,278	298,584	(229,228)	(45,204)	-	-	1	393,431
Stage 2	**134,272**	**59,221**	**(83,782)**	**38,717**	-	-	**262**	**148,690**
Central government	-	-	-	-	-	-	-	-
Other financial corporation	12,038	645	(8,634)	(4,049)	-	-	-	-
Non-financial corporation	92,959	5,155	(21,887)	1,071	-	-	254	77,552
Retail	29,275	53,421	(53,261)	41,695	-	-	8	71,138
Stage 3	**40,142**	**35,497**	**(45,458)**	**8,993**	**(420)**	**(906)**	**364**	**38,212**
Other financial corporation	861	91	(232)	-	-	-	41	761
Non-financial corporation	26,868	22,446	(30,822)	5,484	(230)	(335)	315	23,726
Retail	12,413	12,960	(14,404)	3,509	(90)	(571)	8	13,725
POCI	**11,707**	**5,519**	**(5,276)**	-	**(2)**	**(158)**	**48**	**11,838**
Other financial corporation	-	-	-	-	-	-	-	-
Non-financial corporation	4,208	2,695	(2,091)	-	-	-	48	4,860
Retail	7,499	2,824	(3,185)	-	(2)	(158)	-	6,978
Measured at FVPL	**56,847**	**37,124**	**(13,724)**	-	-	**(2)**	-	**80,245**
Other financial corporation	-	-	-	-	-	-	-	-
Non-financial corporation	57	-	(14)	-	-	-	-	43
Retail	56,790	37,124	(13,710)	-	-	(2)	-	80,202
Total	**1,207,201**	**505,156**	**(447,450)**	-	**(422)**	**(1,066)**	**5,816**	**1,269,235**

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

(million HUF)

ECL	01/01/2021	Adjustment	Write-back	Stage reclassification	Modification loss	Decrease in allowance account due to write-offs	Write-off recognised directly through profit or loss	Decrease due to derecognition	Exchange difference	Other change	31/12/2021
Stage 1	**(6,913)**	**(10,741)**	**4,408**	**467**	**(393)**	**-**	**-**	**1**	**(16)**	**6,154**	**(7,033)**
Central government	(604)	(64)	248	-	-	-	-	-	(5)	1	(424)
Other financial corporation	(239)	(24)	532	(6)	15	-	-	-	-	(401)	(123)
Non-financial corporation	(3,446)	(7,343)	2,342	52	23	-	-	-	(11)	5,404	(2,979)
Retail	(2,624)	(3,310)	1,286	421	(431)	-	-	1	-	1,150	(3,507)
Stage 2	**(7,997)**	**(8,566)**	**4,371**	**79**	**(1,045)**	**-**	**-**	**-**	**(30)**	**1,043**	**(12,145)**
Central government	-	-	-	-	-	-	-	-	-	-	-
Other financial corporation	(61)	-	55	6	-	-	-	-	-	-	-
Non-financial corporation	(4,667)	(2,837)	2,594	243	(150)	-	-	-	(30)	149	(4,698)
Retail	(3,269)	(5,729)	1,722	(170)	(895)	-	-	-	-	894	(7,447)
Stage 3	**(18,534)**	**(7,284)**	**8,616**	**(546)**	**(190)**	**420**	**(131)**	**769**	**(185)**	**251**	**(16,814)**
Other financial corporation	(251)	(50)	49	-	1	-	-	-	(12)	(3)	(266)
Non-financial corporation	(11,312)	(3,743)	5,695	(294)	(15)	230	(36)	386	(164)	73	(9,810)
Retail	(6,971)	(3,491)	2,872	(252)	(176)	190	(95)	383	(9)	181	(7,368)
POCI	**(2,553)**	**(983)**	**1,742**	**-**	**37**	**2**	**(1)**	**80**	**7**	**(223)**	**(1,892)**
Other financial corporation	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporation	(344)	(383)	18	-	29	-	-	-	7	456	(217)
Retail	(2,209)	(600)	1,724	-	8	2	(1)	80	-	(679)	(1,675)
Measured at FVPL	-	-	-	-	-	-	-	-	-	-	-
Other financial corporation	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporation	-	-	-	-	-	-	-	-	-	-	-
Retail	-	-	-	-	-	-	-	-	-	-	-
Total	**(35,997)**	**(27,574)**	**19,137**	**-**	**(1,591)**	**422**	**(132)**	**850**	**(224)**	**7,225**	**(37,884)**

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

Stage 1 loans increased the most in the Central government segment (by HUF 106,711 million), due to large corporates belonging to the government. Loans to non-financial corporations grew by HUF 16,316 million, mainly in SME, thanks to the very successful Széchenyi loan products. In the households segment growth reached HUF 33,470 million, thanks to the high demand for mortgage loans, but the volume of personal loans grew as well.

Stage 2 category increased by HUF 9,202 million, mainly because of moving Russian non-financial corporate exposure into S2, on the other hand transfer of Retail exposures under moratoria into Stage 3 had the opposite effect.

Balance of Stage 3 loans increased by HUF 8,973 million, mainly in the Households segments, due to the above mentioned transfer of loans under moratoria.

The increase in the measured at FVPL category is mainly due to Babaváró loans.

Expected credit losses grew by HUF 12,949 million in 2022, the majority of which is connected to modification losses, due to interest rate cap regulations. Higher Stage 2 and Stage 3 loan volumes caused additional credit losses as well.

Until 2021, the daily accrual of interest in the retail segment was presented gross in the increase/decrease columns, from 2022 onwards the movements due to the effect of daily interest accruals are eliminated.

The amount of accumulated write-offs as at 31 December 2022 is HUF 139,977 million (31 December 2021: HUF 129,277 million) and includes the amount of principal, overdue interest and fees that have been derecognised because the Group cannot expect to collect contractual cash flows.

The non-discounted values of the POCI assets amounted to HUF 10,862 million at 31 December 2022, and HUF 14,629 million at 31 December 2021.

The Group had no active repurchase agreement at 31 December 2022 or at the end of 2021.

The revaluation gains on loans specified as hedged items is presented in Note (26).

The liquidation value of collateral that the Group holds relating to loans at 31 December 2022 amounts to HUF 1,600,646 million and HUF 1,221,505 million as at 31 December 2021, respectively.

According to IFRS 9 para 5.4.3 rules, due to the payment moratoria related to COVID-19 pandemic and the payment moratoria in the agricultural sector, the Group modified the cash-flow the loans subject to moratoria. Accordingly, the debtors will not pay interest and principal until the end of the moratoria, and after the end of the moratoria, the debtors will pay the contractual repayment instalment with an extended term. During the moratoria period, the Group may not charge compound interest. The new cash-flow is discounted by the original interest rate and any realised loss is recorded on a transaction-by-transaction basis within amortised cost. By applying this rule, in 2022 the Group recorded a modification loss of HUF 92 million (2021: 2,352 million) due to the moratoria.

The interest rate cap regulations described in notes (4) and (6.7) had a significant impact on the Group's results, the related modification loss amounted to HUF 9,697 in 2022.

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

Analysis of leasing sector

As a lessor, the Group operates in the domestic leasing market and provide finance lease products to customers. The term of the leasing contracts is usually between 3 months and 10 years.

The following tables indicate the key amounts of this activity for the receivables not past due.

(million HUF)

Future minimum lease payments	31/12/2022	31/12/2021
Within one year	30,088	26,968
One to five years	66,706	62,013
More than five years	7,940	8,973
Total	**104,734**	**97,954**

(million HUF)

The present value of minimum lease payment receivables comprises	31/12/2022	31/12/2021
Within one year	29,049	24,926
One to five years	63,594	57,271
More than five years	7,293	7,692
Total	**99,936**	**89,889**
Unearned finance lease income	4,797	8,065
Accumulated allowance for uncollectible minimum lease payments receivable	14,464	(3,809)

(25) Securities at amortized cost

(million HUF)

	31/12/2022		31/12/2021	
	Carrying amount	Provision	Carrying amount	Provision
Hungarian government bonds – HUF	69,596	(45)	69,417	(37)
Bank and corporate bonds – HUF	81,646	(129)	64,139	(110)
Bank and corporate bonds – other currency	45,845	(140)	43,889	(45)
Total	**197,087**	**(314)**	**177,445**	**(192)**

Almost all of the financial assets measured at amortized cost are classified as Stage 1.

The Group pledged bonds at amortized cost amounted to HUF 78,590 million as collateral for its liabilities at 31 December 2022 (HUF 69,586 million at 31 December 2021).

(26) Hedging derivatives

Financial derivatives designated as fair value hedge: breakdown by hedged instrument

(million HUF)

31/12/2022	Positive fair value		Negative fair value	
	Fair value	Notional value	Fair value	Notional value
Interest rate derivatives - hedge of debt securities	26,058	153,893	-	-
Interest rate derivatives - hedge of loans	1,985	26,049	82	9,016
Interest rate derivatives - hedge of deposits	-	-	31,875	159,593
Micro fair value hedges total	**28,043**	**179,942**	**31,957**	**168,609**
Interest rate derivatives - hedge of loans	5,090	26,645	47	1,000
Interest rate derivatives - hedge of deposits	-	-	3,613	115,000
Forward rate agreements - hedge of financial deposits	-	-	1,869	140,000
Portfolio fair value hedges total	**5,090**	**26,645**	**5,529**	**256,000**
Total	**33,133**	**206,587**	**37,486**	**424,609**

(million HUF)

31/12/2021	Positive fair value		Negative fair value	
	Fair value	Notional value	Fair value	Notional value
Interest rate derivatives - hedge of debt securities	10,433	142,284	472	16,826
Interest rate derivatives - hedge of loans	211	21,950	89	2,528
Interest rate derivatives - hedge of deposits	22	5,535	14,076	144,751
Micro fair value hedges total	**10,666**	**169,769**	**14,637**	**164,105**
Interest rate derivatives - hedge of loans	5,702	52,645	176	4,700
Forward rate agreements - hedge of financial deposits	-	-	2,285	265,000
Portfolio fair value hedges total	**5,702**	**52,645**	**2,461**	**269,700**
Total	**16,368**	**222,414**	**17,098**	**433,805**

Carrying amounts and accumulated change of fair value of hedged instruments, lack of efficiency recognised in statement of profit or loss

(million HUF)

31/12/2022	Carrying amount		Accumulated fair value adjustments due to fair value changes attributable to the hedged risk		Lack of efficiency recognised in statement of profit or loss
	Assets	Liabilities	Assets	Liabilities	
Debt securities	122,420	-	(23,942)	-	262
Loans	44,117	-	(1,493)	-	(13)
Deposits	-	131,076	-	(28,038)	320
Hedged items in micro fair value hedges total	**166,537**	**131,076**	**(25,435)**	**(28,038)**	**569**
Loans	15,305	-	(12,340)	-	338
Deposits	-	250,395	-	(4,967)	(56)
Hedged items in portfolio fair value hedges total	**15,305**	**250,395**	**(12,340)**	**(4,967)**	**282**
Total	**181,842**	**381,471**	**(37,775)**	**(33,005)**	**851**

(26) Hedging derivatives (continued)

(million HUF)

31/12/2021	Carrying amount		Accumulated fair value adjustments due to fair value changes attributable to the hedged risk		Lack of efficiency recognised in statement of profit or loss
	Assets	Liabilities	Assets	Liabilities	
Debt securities	154,509	-	(10,646)	-	(381)
Loans	34,879	-	805	-	4
Deposits	-	160,305	-	(12,004)	(202)
Hedged items in micro fair value hedges total	**189,388**	**160,305**	**(9,841)**	**(12,004)**	**(579)**
Loans	62,944	-	(5,611)	-	71
Deposits	-	262,752	-	(2,248)	(72)
Hedged items in portfolio fair value hedges total	**62,944**	**262,752**	**(5,611)**	**(2,248)**	**(1)**
Total	**252,332**	**399,049**	**(15,452)**	**(14,252)**	**(580)**

Accumulated amount of fair value hedge adjustment is included in the carrying amount in case of loans, debt securities and financial liabilities at amortized cost. In the case of financial assets measured at FVOCI, the fair value adjustment is recognised in comprehensive income.

Adjustments of hedged loan and deposit portfolios for changes in their fair values attributable to the hedged risk – excluding accrued interests – are presented separately in the statement of financial position. Regardless of their sign the loan portfolio related items are always on the asset side in line "Fair value changes of the hedged financial assets in portfolio hedge (+/-)" while the deposit portfolio related items are always on the liability side in line "Fair value changes of the hedged financial liabilities in portfolio hedge (+/-)".

(27) Repossessed properties

(million HUF)

Net book value	31/12/2022	31/12/2021
Opening balance	**4,831**	**5,666**
Additions	14	624
Sale	(2,474)	(1,896)
Net (losses) / gain from impairment charges	696	13
Closing balance	**2,617**	**4,381**

(million HUF)

	Gross value		Impairment	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Building	846	1,020	1,020	2,492
Land	1,834	6,324	6,324	6,582
Total	**2,680**	**7,344**	**7,344**	**9,074**

The repossessed properties in return for the claim are located in several locations in Hungary. The closing balance included HUF 1,664 million worth of real estate in Budapest as of 31 December 2022 and HUF 3,394 million as of 31 December 2021.

(28) Property, plant and equipment and non-current assets held for sale

Property, plant and equipment

(million HUF)

	Land, premises	Leasehold improvements	Electronic equipment, office furniture	IT equipment	Motor vehicles	Other	Total
Cost							
Balance at 01/01/2021	**26.328**	**4.220**	**8.968**	**8.442**	**514**	**118**	**48,590**
IFRS 16 – ROU assets additions (+) / disposals (-)	(4,214)	-	18	(7)	132	-	**(4,071)**
Additions	838	398	760	223	-	-	**2,219**
Disposals	(1,112)	(512)	(720)	(87)	(-42)	(-1)	**(2,475)**
Reclassification to IFRS 5	(3,653)	-	-	-	-	-	**(3,653)**
Revaluation	31	-	-	-	-	-	**31**
Balance at 31/12/2021	**18,218**	**4,106**	**9,026**	**8,571**	**604**	**117**	**40,642**
IFRS 16 – ROU assets additions (+) / disposals (-)	(80)	-	-	185	180	10	**295**
Additions	2,453	104	897	326	-	82	**3,862**
Disposals	(14)	(253)	(2,175)	(294)	(33)	-	**(2,769)**
Revaluation	-	-	-	-	-	-	**-**
Balance at 31/12/2022	**20,577**	**3,957**	**7,748**	**8,788**	**751**	**209**	**42,030**
Accumulated depreciation and impairment losses							
Balance at 01/01/2021	**1,621**	**3.772**	**7.917**	**7.594**	**202**	**-**	**21,106**
Depreciation of IFRS 16 – ROU assets disposals	814	-	13	97	95	-	**1,019**
Depreciation for the year	358	91	243	220	1	-	**913**
Impairment expense / (reversal)	(11)	6	-	-	-	-	**(5)**
Disposals	(978)	(372)	(675)	(86)	(34)	-	**(2,145)**
Reclassification to IFRS 5	(39)	-	-	-	-	-	**(39)**
Revaluation	-	-	-	-	-	-	**-**
Balance at 31/12/2021	**1,765**	**3,497**	**7,498**	**7,825**	**264**	**-**	**20,849**
Depreciation of IFRS 16 – ROU assets disposals	751	-	-	125	136	14	**1,026**
Depreciation for the year	1,639	109	313	221	1	31	**2,314**
Impairment expense / (reversal)	1	8	10	-	-	-	**19**
Disposals	(1)	(247)	(1,873)	(268)	(26)	-	**(2,415)**
Balance at 31/12/2022	**4,155**	**3,367**	**5,948**	**7,903**	**375**	**45**	**21,793**
Net book value							
Balance at 31/12/2021	**16,453**	**609**	**1,528**	**746**	**340**	**117**	**19,793**
Balance at 31/12/2022	**16,422**	**590**	**1,800**	**885**	**376**	**164**	**20,237**

Leasehold improvements include improvements on leased branches.

For information on right-of-use-assets, see Note (38).

(28) Property, plant and equipment and non-current assets held for sale (continued)

As at 31 December 2022, the Bank performed the valuation of its banking properties in accordance with the revaluation model, using external, independent valuation, and determined that there was no significant change in its fair value, therefore no further valuation difference was recognized.

The net value of functional properties would have been HUF 14,034 million in 2022 without the application of the revaluation model, and HUF 12,626 million in 2021.

Owner-occupied premises are classified in Level 3 of the fair value measurement hierarchy.

Non-current assets held for sale

(million HUF)

	31/12/2022	31/12/2021
Premises	3,266	3,435
Land	235	235
Other	69	62
Total	**3,570**	**3,732**

(million HUF)

	2022.12.31.	2021.12.31.
Opening balance	**3,732**	**86**
Reclassification from tangible assets	-	3,614
Additions	12	32
Disposals	(174)	-
Closing balance	**3,570**	**3,732**

In 2021, the Group decided to sell the headquarters building in Medve Street, Budapest, and the branch in Pécs, Hungary, which were reclassified to non-current assets held for sale.

The property in Pécs was sold in 2022. The sale of the former headquarters is ongoing and the transaction is expected to close in the first half of 2023.

(29) Intangible assets

(million HUF)

	Software licenses and develop-ment	Other	Total
Cost			
Balance at 01/01/2021	**56,947**	**271**	**57,218**
Acquisition	2,780	-	**2,780**
Development	426	-	**426**
Disposals	(1)	(1)	**(2)**
Balance at 31/12/2021	**60,152**	**270**	**60,422**
Additions	3,096	105	**3,201**
Development	1,480	-	**1,480**
Disposals	(9,985)	(16)	**(10,001)**
Balance at 31/12/2022	**54,743**	**359**	**55,102**
Accumulated depreciation and impairment losses			
Balance at 01/01/2021	**44,789**	**251**	**45,040**
Amortisation for the year	3,753	5	**3,758**
Impairment for the year	19	-	**19**
Disposals	-	(1)	**(1)**
Balance at 31/12/2021	**48,561**	**255**	**48,816**
Amortisation for the year	3,900	109	**4,009**
Impairment for the year	132	-	**132**
Disposals	(9,985)	(16)	**(10,001)**
Balance at 31/12/2021	**42,608**	**348**	**42,956**
Net book value			
Balance at 31/12/2021	**11,591**	**15**	**11,606**
Balance at 31/12/2022	**12,135**	**11**	**12,146**

The net book value of internally developed software is HUF 1,542 million as at 31 December 2022, and HUF 955 million as at 31 December 2021, respectively.

A significant intangible asset is the development of the data warehouse (SAS) with a net book value of 1,262 million at 31 December 2022 (HUF 1,627 million at 31 December 2021) and an average remaining amortization period of 2.8 years.

(30) Other assets

(million HUF)

	31/12/2022	31/12/2021
Accrued assets	3,241	2,343
Non-income tax receivables	6,837	6,284
Settlement accounts	13,139	2,955
Interim dividends receivables	-	11,000
Items in transit (stock)	1,040	813
Trade receivables	604	593
Inventories	107	103
Other items	1,874	4,123
Total	**26,842**	**28,214**

(30) Other assets (continued)

The balance of the 'Non-income tax receivables' line relates mainly to pandemic related special tax receivable and value added tax receivable.

The 'Settlement accounts' line includes the balance of the internal technical accounts, which contains those cash in transit which are unsettled at the end of the period. Of this amount, the value date differences on branch account were HUF 5,318 million at 31 December 2022. As at 31 December 2021, the balance was not considered significant.

In December 2021, the Bank paid a dividend advance of HUF 11,000 million based on a shareholder's decision.

(31) Deposits from banks

(million HUF)

	31/12/2022	31/12/2021
Deposits from National Bank of Hungary	201,848	210,776
Deposits from other banks in Hungary	175,975	158,058
Deposits from banks in other countries	121,474	34,769
Total	**498,297**	**403,603**
of which related party	*112,210*	*17,592*

(32) Deposits from customers

(million HUF)

	31/12/2022	31/12/2021
Deposits from customers in Hungary	2,105,106	1,978,474
Deposits from customers in other countries	33,429	40,496
Total	**2,138,535**	**2,018,970**
of which related party	*1,395*	*1,132*

The revaluation gains on deposits specified as hedged items is presented in Note (26).

(33) Other liabilities

(million HUF)

	31/12/2022	31/12/2021
Lease liabilities	3,482	4,397
Accrued liabilities	8,096	7,252
Suppliers	3,692	4,807
Non-income tax liability	3,353	3,298
Items in transit	895	729
Financial guarantees	267	355
Settlement accounts	7,057	1,252
Other items	697	2,601
Total	**27,539**	**24,691**

The balance of the 'Non-income tax liability' line relates mainly to financial transaction duty liability and personal income tax liability.

Items in transit include the balance of the transfer of benefits which are not technically payable with wages and salaries but which are included in them.

The 'Settlement accounts' line includes the balance of the internal technical accounts, which contains those items in transit which are unsettled at the end of the period. Of this amount, the balance of card clearing account were HUF 4,758 million at 31 December 2022. As at 31 December 2021, the balance was not considered significant.

(33) Other liabilities (continued)

Further information about lease liabilities is presented in Note (38).

(million HUF)

Financial guarantees comprise	31/12/2022	31/12/2021
Opening balance	**355**	**500**
Increase during the year	99	84
Decrease during the year	(187)	(229)
Closing balance	**267**	**355**

Concerning financial guarantees see Note (39) on Commitments and contingencies.

(34) Provisions

(million HUF)

	Commit-ments and contingen-cies	Legal disputes	Other	Total
Balance at 01/01/2021	**2,005**	**4,418**	**2,488**	**8,911**
Allocation	804	4,072	**1,764**	**6,640**
Use	-	(24)	**(250)**	**(274)**
Reversal	1,752	(79)	**(1,320)**	**(3,151)**
Balance at 31/12/2021	**1,057**	**8,387**	**2,682**	**12,126**
Allocation	1,273	523	933	**2,729**
Use	-	(1,266)	(418)	**(1,684)**
Reversal	(790)	(674)	(1,715)	**(3,180)**
Exchange difference	-	289	-	**289**
Balance at 31/12/2022	**1,540**	**7,259**	**1,482**	**10,281**

Provisions for commitment and contingences were created for future credit obligations (see also Note (39) on Commitments and contingencies). For all booked provisions, the Bank expects out-flows / payments in a period longer than 1 year from reporting date.

Other provisions include the Group's future obligations relating to rationalising the branch network and provision on personal type expenses based on our best available estimation.

The discount effect on provisions is not material.

(35) Subordinated debts

The subordinated debt was repaid in 2021.

(36) Share capital

During 2022 there was no change regarding the share capital.

At 31 December 2022 the fully paid share capital consisted of 50,000,000,003 ordinary shares of HUF 1 each.

(37) Reserves

Capital reserve

Capital reserve contains the shareholders total capital contributions that connecting to the issue of new shares. There was no change in capital reserves during the business year.

In compiling the consolidated accounts, since 2018 the Bank erroneously applied a capital consolidation item which should no longer have been included in the individual accounts of one of the subsidiaries due to a capital settlement effected by offsetting the negative retained earnings with capital reserves. The error has been corrected and the comparative data have also been corrected in the consolidated statements of financial position and the consolidated statement of changes in equity. The table in note (5.22) illustrates the impact of the restatement on the comparative data.

Revaluation reserve

Revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets, until the assets are derecognised or impaired.

Furthermore, the revaluation reserve comprises the cumulative, positive change in fair value of those tangible asset for which the revaluation model is applied, until the assets are derecognised or the change in fair value becomes negative.

In 2020, the Group recognised a revaluation reserve of HUF 3,554 million in connection with the revaluation of its own properties.

Other reserve

The other reserve includes the Bank's income of HUF 4,164 million from the transaction under common control related to the sale of CIB Investment Fund Management Ltd. in 2013.

The proceed of HUF 49,137 million from the loan portfolio sold to the parent company is also included in other reserve. This capital contribution increased reserves in 2014.

In 2020, a HUF 1,300 million development reserve was transferred from retained earnings to the tied-up reserve. in order to meet the requirements of the Corporate Tax regulation in connection with the tax advantage connected to renovation of the Bank's Head Office. With the capitalization of the investment in tangible assets implemented in 2021, the full amount of the development reserve was used.

General reserve

Under section 83 of Act No. CCXXXVII of 2013, an amount equal to 10% of net profit after tax must be transferred to a non-distributable general reserve from the retained earnings. If there is a loss in the current financial year, the general reserve may be released insofar as to cover any such losses but is not to exceed the amount set aside in the general reserve.

Reserves classified as capital reserve, revaluation reserve, other reserve and general reserve can not be paid as dividend.

Reserves classified as capital reserve, revaluation reserve, other reserve and general reserve can not be paid as dividend.

(38) Leases (Group as a lessee)

The Bank classified the right-of-use assets to property, land and equipment in the statement of financial position. Breakdown of the leases which are recognised as right-of-use assets:

(million HUF)

ROU assets	Premises (branch)	IT equip-ment	Vehicles	Other	Total
Cost					
Balance at 01/01/2021	**9,998**	**498**	**381**	**64**	**10,942**
Additions	462	167	134	18	**781**
Disposals	(4,675)	(174)	(3)	-	**(4,852)**
Balance at 31/12/2021	**5,785**	**492**	**512**	**82**	**6,871**
Additions	405	349	186	10	**950**
Disposals	(485)	(164)	(6)	-	**(655)**
Balance at 31/12/2022	**5,705**	**677**	**692**	**92**	**7,166**
Accumulated depreciation					
Balance at 01/01/2021	**1,885**	**31**	**100**	**18**	**2,034**
Depreciation for the year	967	271	97	13	**1,348**
Disposals	(153)	(174)	(2)	-	**(329)**
Balance at 31/12/2021	**2,699**	**128**	**195**	**31**	**3,053**
Depreciation for the year	905	287	141	14	**1,347**
Disposals	(154)	(162)	(5)	-	**(321)**
Balance at 31/12/2022	**3,450**	**253**	**331**	**45**	**4,079**
Net book value					
Balance at 31/12/2021	**3,086**	**364**	**317**	**51**	**3,818**
Balance at 31/12/2022	**2,255**	**424**	**361**	**47**	**3,087**

The real estate right-of-use assets are mainly lease of branches. The duration of these contracts are mostly 5 years, with an option for extension. The Group also has several contracts with indefinite maturity. There is no purchase option in the terms of these contracts.

During the year 2021 the significant decrease in the gross value of premises is due to the change in estimates in the rental contract of the flagship branches. The effect of the change in the remaining term reduced the lease liability by HUF 4,564 million.

Vehicle lease contracts typically have a term of 5 years. When determining the right-of-use, the Group does not take into account either the extension or the purchase option, as it does not intend to exercise either of them.

The IT right-of-use assets are typically leased line and server leases. When evaluating the right-of-use asset, the Group takes into account both the extension and the cancellation options. These contracts do not contain purchase options.

Breakdown of the lease liabilities:

(million HUF)

	31/12/2022		31/12/2021	
	Present value	**Interest**	**Present value**	**Interest**
Maturity with less than 1 year	1,300	8	1,369	16
Maturity between 1 and 5 years	1,758	19	2,469	31
Maturity over 5 years	422	4	558	7
Total	**3,480**	**31**	**4,396**	**54**

(38) Leases (Group as a lessee) (continued)

Profit or loss items of the lease contracts:

(million HUF)

	2022	2021
Lease liability interest expense	9	34
Lease payment fees	616	648
from which short-term lease payments	-	-
from which low-value asset lease payments	*512*	*545*
from which variable lease payments	*104*	*104*

The lease payments in the profit or loss are classified as operating expenses.

The short-term lease payments were closed in previous year. The new vehicle leases are recognised as right-of-use assets and lease liabilities.

Leases related to the leasing of low-value assets include the leasing payments for assets required for banking operations.

A portion of the variable lease payment are IT maintenance related, the rest of the contracts are banking and office operation related leasing.

The value of the future expected liabilities related to leases that are not recognised under lease liabilities is shown in the table below:

(million HUF)

	31/12/2022	31/12/2021
Future liabilities related to short-term lease contracts	-	-
Future liabilities related to variable lease payments	103	103

The cash-flow contains the following outflows from lease payments:

(million HUF)

	2022	2021
Cash outflows from lease liabilities	1,346	1,377
Interest expense related to lease liabilities	9	34
Other lease payments	616	648
from which low-value asset lease payments	*512*	*545*
from which variable lease payments	*104*	*104*

(39) Commitments and contingencies

Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customer's contingent liabilities upon the failure of the customers to perform under the terms of contract. Guarantees and standby letters of credit carry the same credit risk as loans. Credit guarantees can be in the form of bills of exchange or in the form of irrevocable letters of credit, guarantees, and endorsement liabilities from bills rediscounted.

Commitment to extend credit represents contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses.

The amount of long-term financial guarantees and commitments with a remaining maturity over one year is HUF 137,201 million as at 31 December 2022 and HUF 122,972 million as at 31 December 2021, respectively.

The amount of the securities in custody is HUF 1,270,476 million as at 31 December 2022 and HUF 1,198,019 million as at 31 December 2021, respectively.

(39) Commitments and contingencies (continued)

(million HUF)

31/12/2022	Gross amount	Other liability	Provision
Guarantees	61,403	(259)	-
Letters of credit	3,490	(8)	-
Total financial guarantees	**64,893**	**(267)**	**-**
Commitments	601,077	-	(1,540)
Total	**665,970**	**-267**	**(1,540)**

(million HUF)

31/12/2021	Gross amount	Other liability	Provision
Guarantees	74,444	(342)	-
Letters of credit	3,974	(13)	-
Total financial guarantees	**78,418**	**(355)**	**-**
Commitments	474,862	-	(1,057)
Total	**553,280**	**(355)**	**(1,057)**

The following tables set out information about the gross carrying amount and the corresponding ECLs in relation to financial guarantees and commitments

(million HUF)

Outstanding exposure	Stage 1	Stage 2	Stage 3	Total
Balance at 01/01/2022	**532,193**	**20,324**	**763**	**553,280**
Increase	1,725,898	79,103	18,971	**1,823,972**
Decrease	(1,615,862)	(88,238)	(19,878)	**(1,723,978)**
Transfers to Stage 1	-	(1,869)	59	**(1,810)**
Transfers to Stage 2	1,869	-	929	**2,798**
Transfers to Stage 3	(59)	(929)	-	**(988)**
Exchange difference	11,275	1,417	4	**12,696**
Other adjustments	-	-	-	**-**
Balance at 31/12/2022	**655,314**	**9,808**	**848**	**665,970**

(million HUF)

ECL	Stage 1	Stage 2	Stage 3	Total
Balance at 01/01/2022	**(829)**	**(151)**	**(432)**	**(1,412)**
Allocation	(969)	(147)	(199)	**(1,315)**
Use	139	57	43	**239**
Reversal	406	72	248	**726**
Transfers to Stage 1	-	(3)	(1)	**(4)**
Transfers to Stage 2	3	-	(26)	**(23)**
Transfers to Stage 3	1	26	-	**27**
Exchange difference	(33)	(10)	(2)	**(45)**
Other adjustment	-	-	-	**-**
Balance at 31/12/2022	**(1,282)**	**(156)**	**(369)**	**(1,807)**

(39) Commitments and contingencies (continued)

(million HUF)

Outstanding exposure	Stage 1	Stage 2	Stage 3	Total
Balance at 01/01/2021	**465,339**	**19,274**	**679**	**485,292**
Increase	1,719,708	124,487	13,368	**1,857,563**
Decrease	(1,658,794)	(118,638)	(13,363)	**(1,790,795)**
Transfers to Stage 1	-	(5,131)	(5)	**(5,136)**
Transfers to Stage 2	5,131	-	82	**5,213**
Transfers to Stage 3	5	(82)	-	**(77)**
Exchange difference	956	414	2	**1,372**
Other adjustments	(152)	-	-	**(152)**
Balance at 31/12/2021	**532,193**	**20,324**	**763**	**553,280**

(million HUF)

ECL	Stage 1	Stage 2	Stage 3	Total
Balance at 01/01/2021	**(1,151)**	**(861)**	**(492)**	**(2,504)**
Allocation	(570)	(146)	(171)	**(887)**
Use	406	409	53	**868**
Reversal	502	428	179	**1.109**
Transfers to Stage 1	-	15	-	**15**
Transfers to Stage 2	(15)	-	1	**(14)**
Transfers to Stage 3	-	(1)	-	**(1)**
Exchange difference	(1)	5	(2)	**2**
Other adjustment	-	-	-	**-**
Balance at 31/12/2021	**(829)**	**(151)**	**(432)**	**(1,412)**

(40) Carrying amount of financial assets and liabilities by earlier of contractual repricing or maturity date

(million HUF)

31/12/2022	Current	Under 1 month	From 1 to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest sensitive	Total
Assets								
Cash and current accounts with central bank	136,839	-	-	-	-	-	19,743	**156,582**
Effective interest rates	*2.40*	-	-	-	-	-	-	***2.10***
Securities held for trading	-	222	252	2,761	11,896	110	47	**15,288**
Effective interest rates	-	*10.82*	*11.98*	*12.60*	*6.07*	*9.32*	-	***7.42***
Derivative financial assets	-	27,323	68,521	64,028	4,592	4,328	-	**168,792**
Securities mandatorily measured at FVPL	-	-	-	-	-	-	1,205	**1,205**
Financial assets measured at fair value through OCI	121	121,085	57,047	34,506	82,924	-	-	**295,683**
Effective interest rates	-	*12.64*	*9.92*	*12.05*	*11.57*	-	-	***11.74***
Loans to banks	30,175	690,309	47,972	20,203	-	-	-	**788,659**
Effective interest rates	-	*15.49*	*14.88*	*16.62*	-	-	-	***14.88***
Loans to customers at AC and FVPL [(1)]	51,167	345,183	152,137	186,555	436,986	231,104	-	**1,403,132**
Effective interest rates	*10.33*	*7.71*	*9.23*	*5.25*	*3.49*	*4.45*	-	***5.79***
Debt securities at amortised cost	-	65,039	29,485	-	86,671	15,892	-	**197,087**
Effective interest rates	-	*13.40*	*5.56*	-	*10.35*	*7.37*	-	***10.40***
Liabilities								
Deposits from banks	3,892	100,042	156,277	65,937	144,137	28,011	-	**498,296**
Effective interest rates	*4.91*	*12.60*	*7.22*	*(0.28)*	*0.32*	*(0.01)*	-	***4.89***
Deposits from customers	1,402,648	417,744	182,486	35,503	81,255	13,932	-	**2,133,568**
Effective interest rates	*2.84*	*10.71*	*10.68*	*4.92*	*2.24*	*0.58*	-	***5.05***
Derivative financial liabilities	-	16,705	69,667	45,792	8,377	5,489	-	**146,030**
Net repricing gap	**(1,188,238)**	**714,670**	**(53,016)**	**160,821**	**389,300**	**204,002**	**20,995**	**248,534**

[(1)] *Including portfolio hedge adjustment*

(40) Carrying amount of financial assets and liabilities at by earlier of contractual repricing or maturity date (continued)

(million HUF)

31/12/2021	Current	Under 1 month	From 1 to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest sensitive	Total
Assets								
Cash and current accounts with central bank	36,875	-	-	-	-	-	13,714	**50,589**
Effective interest rates	*2.40*	-	-	-	-	-	-	***1.75***
Securities held for trading	-	5	91	3,270	3,715	2,934	275	**10,290**
Effective interest rates	-	*2.85*	*3.60*	*4.64*	*4.78*	*4.45*	-	***4.50***
Derivative financial assets	-	10,342	24,574	27,116	2,461	2,245	-	**66,738**
Securities mandatorily measured at FVPL	-	-	-	-	-	-	1,758	**1,758**
Financial assets measured at fair value through OCI	-	115,213	-	15,667	143,174	-	2,019	**276,073**
Effective interest rates	-	*4.73*	-	*4.37*	*3.67*	-	-	***4.13***
Loans to banks	16,104	822,805	42,515	23,473	-	-	-	**904,897**
Effective interest rates	-	*3.35*	*4.02*	*2.97*	-	-	-	***3.31***
Loans to customers at AC and FVPL [(1)]	36,630	190,592	229,561	166,315	421,276	181,366	-	**1,225,740**
Effective interest rates	*5.02*	*2.96*	*3.33*	*2.67*	*2.65*	*3.85*	-	***3.07***
Debt securities at amortised cost	-	44,194	27,375	-	85,932	19,944	-	**177,445**
Effective interest rates	-	*3.84*	*2.99*	-	*4.51*	*3.79*	-	***4.03***
Liabilities								
Deposits from banks	3,044	93,792	51,975	31,072	195,968	27,752	-	**403,603**
Effective interest rates	*0.62*	*3.53*	*2.88*	*-0.49*	*0.05*	*-0.05*	-	***1.18***
Deposits from customers	1,524,092	166,036	189,330	27,768	94,547	14,949	-	**2,016,722**
Effective interest rates	*0.20*	*2.15*	*1.91*	*0.74*	*1.47*	*0.50*	-	***0.59***
Derivative financial liabilities	-	5,425	24,425	20,011	2,859	6,600	-	**59,320**
Net repricing gap	**(1,437,527)**	**917,898**	**58,386**	**156,990**	**363,184**	**157,188**	**17,766**	**233,885**

[(1)] *Including portfolio hedge adjustment*

(41) Carrying amount of assets and liabilities by maturity date

(million HUF)

31/12/2022	Under 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Assets						
Cash and current accounts with banks [1]	156,582	-	-	-	-	156,582
Securities held for trading	15	46	2,343	12,466	418	15,288
Derivative financial assets	1,817	3,213	9,001	83,687	71,074	168,792
Securities mandatorily measured at FVPL	-	-	-	-	1,205	1,205
Financial assets measured at fair value through OCI	-	39,681	86,373	152,141	17,488	295,683
Loans to banks [1]	682,479	20,406	1,203	84,571	-	788,659
Loans to customers at amortised cost and at fair value through profit or loss [2]	104,818	44,741	316,626	518,518	418,429	1,403,132
Debt securities at amortised cost	-	-	29,485	151,710	15,892	197,087
Intangible assets, property, plant and equipment, repossessed properties	-	-	-	35,000	-	35,000
Tax assets	-	-	-	1,734	-	1,734
Non-current asset held for sale	-	-	3,570	-	-	3,570
Other assets	3,241	-	1,146	22,455	-	26,842
Total assets	**948,952**	**108,087**	**449,747**	**1,062,282**	**524,506**	**3,093,574**
Liabilities						
Deposits from banks	34,186	7,609	65,932	306,304	84,265	498,296
Deposits from customers [2]	1,738,205	55,769	48,217	162,664	128,713	2,133,568
Derivative financial liabilities	5,663	2,428	5,639	77,551	54,749	146,030
Tax liabilities	-	-	-	2,655	-	2,655
Other liabilities	8,096	-	895	18,548	-	27,539
Provisions for risk and charges	-	-	-	10,281	-	10,281
Total liabilities	**1,786,150**	**65,806**	**120,683**	**578,003**	**267,727**	**2,818,369**
Net position	**(837,198)**	**42,281**	**329,064**	**484,279**	**256,779**	**275,205**

[1] *The balance comprises restricted deposits, as the Bank is required to maintain a compulsory reserve set by the National Bank of Hungary, please refer to Note (23).*

[2] *Including portfolio hedge adjustment.*

(41) Carrying amount of assets and liabilities by maturity date (continued)

(million HUF)

31/12/2021	Under 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Assets						
Cash and current accounts with banks [(1)]	50,589	-	-	-	-	**50,589**
Securities held for trading	4	12	213	3,975	6,086	**10,290**
Derivative financial assets	1,644	1,787	5,003	31,722	26,582	**66,738**
Securities mandatorily measured at FVPL	-	-	-	-	1,758	**1,758**
Financial assets measured at fair value through OCI	-	-	1,624	206,866	67,583	**276,073**
Loans to banks [(1)]	786,937	538	24,468	92,954	-	**904,897**
Loans to customers at amortised cost and at fair value through profit or loss [(2)]	78,917	28,098	189,444	534,728	394,553	**1,225,740**
Debt securities at amortised cost	-	-	-	157,501	19,944	**177,445**
Intangible assets, property, plant and equipment, repossessed properties	-	-	-	35,780	-	**35,780**
Tax assets	-	-	-	1,408	-	**1,408**
Non-current asset held for sale	-	-	3,732	-	-	**3,732**
Other assets	2,343	-	916	24,955	-	**28,214**
Total assets	**920,434**	**30,435**	**225,400**	**1,089,889**	**516,506**	**2,782,664**
Liabilities						
Deposits from banks	13,589	5,942	32,997	303,382	47,693	**403,603**
Deposits from customers [(2)]	1,650,755	56,669	29,241	251,851	28,206	**2,016,722**
Derivative financial liabilities	1,136	644	8,118	28,914	20,508	**59,320**
Tax liabilities	-	-	-	1,309	-	**1,309**
Other liabilities	7,252	-	729	16,710	-	**24,691**
Provisions for risk and charges	-	-	-	12,126	-	**12,126**
Total liabilities	**1,672,732**	**63,255**	**71,085**	**614,292**	**96,407**	**2,517,771**
Net position	**(752,298)**	**(32,820)**	**154,315**	**475,597**	**420,099**	**264,893**

[(1)] The balance comprises restricted deposits, as the Bank is required to maintain a compulsory reserve set by the National Bank of Hungary, please refer to Note (23).
[(2)] Including portfolio hedge adjustment

(42) Analysis of financial liabilities' gross contractual cash flows by remaining contractual maturities

The following table summarize the maturity profile of the Group's financial liabilities' gross contractual cash flows, together with future interest income. Repayments which are not subject to notice are treated as if notice were to be given immediately.

Carrying amount of the financial liabilities is disclosed in the Note (40).

(million HUF)

31/12/2022	Under 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Deposits from banks	35,445	11,800	84,735	374,216	86,734	**592,930**
Deposits from customers	1,739,488	58,772	65,660	165,747	128,713	**2,158,380**
Derivative financial liabilities	5,663	2,428	5,639	77,551	54,749	**146,030**
Financial guarantees	3,307	7,189	24,306	27,398	2,693	**64,893**
Commitments	72,368	53,820	175,381	97,091	202,417	**601,077**
Total undiscounted value of financial liabilities	**1,856,271**	**134,009**	**355,721**	**742,003**	**475,306**	**3,563,310**

(million HUF)

31/12/2021	Under 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Deposits from banks	13,925	7,007	37,498	320,558	47,719	**426,707**
Deposits from customers	1,650,849	57,263	32,428	252,344	28,218	**2,021,102**
Derivative financial liabilities	1,136	644	8,118	28,914	20,508	**59,320**
Financial guarantees	3,187	6,982	46,306	20,059	1,884	**78,418**
Commitments	63,730	14,042	125,003	102,631	169,456	**474,862**
Total undiscounted value of financial liabilities	**1,732,827**	**85,938**	**249,353**	**724,506**	**267,785**	**3,060,409**

Part D Additional information

(43) Related party transactions

Companies (Intesa Sanpaolo Group)

For the purpose of the consolidated financial statements, related parties include all the enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the reporting enterprise (this includes parents, subsidiaries and fellow subsidiaries), associated companies and key management personnel.

Intesa Sanpaolo S.p.A /Italy, Torino/ (ultimate parent) is regarded as a related party that has significant control over the Group.

The Group also has entered into several transactions with companies controlled by Intesa Sanpaolo Group.

The most significant transactions with related parties are loan deposits and derivatives (foreign exchange swap deals and interest rate swap transactions).

All transaction with companies in the Intesa Sanpaolo Group are priced on an arm's length basis and are to be settled in cash.

(million HUF)

	31/12/2022			31/12/2021		
	Parent	ISP Group Compa-nies	Total	Parent	ISP Group Compa-nies	Total
Assets						
Due from banks and due from customers	121,602	597	**121,602**	138,474	845	**139,319**
Financial investments	232	-	**232**	68	-	**68**
Derivative financial assets	133,107	2	**133,107**	48,188	-	**48,188**
Other assets	154	40	**154**	11,348	38	**11,386**
Liabilities						
Due to banks and due to customers	111,853	1,751	**111,853**	17,258	1,466	**18,724**
Derivative financial liabilities	130,087	-	**130,087**	50,950	2	**50,952**
Other liabilities	381	-	**381**	298	128	**426**
Commitments						
Guarantees	2,036	1,001	**3,037**	1,962	-	**1,962**
Loan commitments	59,998	1	**59,999**	59,994	1	**59,995**
Interest rate derivatives	1,507,758	-	**1,507,758**	1,649,050	-	**1,649,050**
Currency derivatives	133,658	7,096	**140,754**	254,518	2,550	**257,068**
Equity derivatives	-	-	-	9,920	-	**9,920**
Net interest income/(expense)	**2,712**	**(356)**	**2,356**	**225**	**(49)**	**176**
Trading and hedge income/(expenses)	**2,799**	**(132)**	**2,667**	**(1,626)**	**(5)**	**(1,631)**
Other operating income/(expense)	**5**	**59**	**64**	**44**	**57**	**101**
Operating expense	**(510)**	**(2,185)**	**(2,695)**	**(1,178)**	**(482)**	**(1,660)**

(43) Related party transactions (continued)

Significant transactions between related parties

Due from banks and due from customers

The Bank placed short term EUR liquidity at its parent at the end of the year and placed as well long-term HUF deposits at parent bank in 2019-2022 amounting to HUF 90,010 million.

Commitments

The portfolio of loan commitments to the parent is overdraft limit for liquidity management purposes.

Due to banks and due to customers

In order to comply with the tightening MREL (Minimum Requirement for Own Funds and Eligible Liabilities) requirements, the Bank has drawn down senior non-preferred, long maturity (5-7 years) euro-denominated loans from its parent bank on several occasions.

Key management personnel

The key management personnel, who have authority and responsibility for planning, directing and controlling the activities of the entity, are the members of the Bank's Management Board and Supervisory Board. They receive conditions generally provided to the employees of the CIB Group.

(million HUF)

Exposures to / from Boards members	31/12/2022	31/12/2021
Assets		
Loans	341	243
Equity instruments	223	59
Liabilities		
Current accounts and deposits	366	1,050
Commitments		
Loans and overdraft facilities not disbursed	6	5
Compensation		
Salaries and other short-term benefits including contribution paid on compensation	1,039	1,196

There is no termination benefit or other long-term employee benefit in place.

There were changes in the Bank's key management members during 2022 and 2021.

(44) Average balances

Averages carrying amounts and average interest rates (where appropriate) are set out in the table below. The amounts are calculated by using a simple average of daily balances for trading instruments and monthly balances for other instruments. The average interest rates disclosed are the weighted average effective yields of interest-bearing financial instruments for the reporting period.

(million HUF)

31/12/2022	Average carrying amount	Average interest rate (%)
Financial assets		
Cash	13,278	0.00
Securities measured at FVPL	18,519	5.67
Financial assets measured at fair value through OCI	329,124	5.59
Loans to banks	876,345	8.17
Loans to customers at AC and FVPL	1,378,820	5.18
Debt securities measured at amortised cost	120,041	5.21
Financial liabilities		
Deposits from banks	468,463	3.50
Deposits from customers	2,041,146	2.20
Lease liabilities	3,943	0.23

(million HUF)

31/12/2021	Average carrying amount	Average interest rate (%)
Financial assets		
Cash	11,347	0.00
Securities measured at FVPL	6,412	1.83
Financial assets measured at fair value through OCI	304,111	1.55
Loans to banks	804,223	1.38
Loans to customers at AC and FVPL	1,187,564	3.28
Debt securities measured at amortised cost	95,316	1.66
Financial liabilities		
Deposits from banks	396,628	0.90
Deposits from customers	1,759,891	0.29
Lease liabilities	10,342	0.44
Subordinated debts	7,101	0.48

(45) Fair value of financial assets and liabilities

Where available, the fair value of financial instruments is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. The Group discounts the cash-flows using the exchange rate swap yield curve and adds a client/deal level risk premium. The discounting is based on the cash-flows assembled by the deal conditions.

For financial assets measured at amortised cost, fair value is the market price or quoted exchange rate at the reporting date.

The fair value of deposits on demand is the amount payable at the reporting date.

The fair value of deposits from banks and customers is estimated using discounted cash flows.

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

- Level 1: inputs that are quoted marked prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Unobservable input is used for instruments with conditions not closely connected to active markets.

Fair value hierarchy: financial instruments measured at fair value

(million HUF)

	31/12/2022				31/12/2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Securities held for trading	14,610	122	556	**15,288**	9,922	368	-	**10,290**
Trading derivative financial instruments	-	135,659	-	**135,659**	-	50,370	-	**50,370**
Securities measured at MFVPL	223	982	-	**1,205**	59	1,699	-	**1,758**
Loans to customers measured at MFVPL	-	-	95,660	**95,660**	-	-	80,245	**80,245**
Financial assets measured at FVOCI	265,180	30,382	121	**295,683**	261,044	14,914	115	**276,073**
Hedging derivative financial instruments	-	33,133	-	**33,133**	-	16,368	-	**16,368**
Financial liabilities	-	108,544	-	**108,544**				
Trading derivative financial instruments	-	37,486	-	**37,486**	-	42,222	-	**42,222**
Hedging derivative financial instruments	14,610	122	556	**15,288**	-	17,098	-	**17,098**

(45) Fair value of financial assets and liabilities (continued)

Fair value hierarchy: financial instruments measured at amortised cost

(million HUF)

	31/12/2022					31/12/2021				
	Level 1	Level 2	Level 3	Fair value total	Book value	Level 1	Level 2	Level 3	Fair value total	Book value
Financial assets						50,589	-	-	**50,589**	**50,589**
Cash and current account with central banks	156,582	-	-	**156,582**	**156,582**	-	-	902,279	**902,279**	**904,897**
Loans to banks	-	-	-	**787,184**	**787,184**	-	-	1,137,714	**1,137,714**	**1,151,106**
Loans to customers at amortised cost	-	-	1,308,560	**1,311,293**	**1,311,293**	113,868	59,110	-	**172,978**	**177,445**
Debt securities at amortised cost	164,500	16,980	-	**181,480**	**197,087**	50,589	-	-	**50,589**	**50,589**
Financial liabilities										
Deposits from banks	-	-	497,663	**497,663**	**498,297**	-	-	392,029	**392,029**	**403,603**
Deposits from customers	-	-	2,121,775	**2,121,775**	**2,138,535**	-	-	2,000,423	**2,000,423**	**2,018,970**

The following tables comprise the book value and the fair value of those financial assets and liabilities, which are not presented at fair value in the statement of financial position.

(million HUF)

	31/12/2022				31/12/2021			
	Variable rate instruments		Fix rate instruments		Variable rate instruments		Fix rate instruments	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets								
Loans to banks at amortised cost	372,231	370,834	416,428	416,350	132,032	129,435	772,594	772,844
Loans to customers at amortised cost	869,879	880,381	449,933	430,912	753,703	757,423	397,403	380,291
Debt securities at amortised cost	197,087	181,480	-	-	177,445	172,978	-	-
Financial liabilities								
Deposits from banks	233,171	245,201	265,126	252,462	139,069	143,121	264,534	248,907
Deposits from customers	1,627,804	1,616,173	510,731	505,602	1,704,256	1,691,040	314,714	309,382

(45) Fair value of financial assets and liabilities (continued)

Fair value – Level 3 disclosure

The following tables shows the reconciliation of the opening and closing amounts of Level 3 financial instruments measured at fair value:

(million HUF)

	01/01/2022	Gains / losses in profit or loss	Gains / losses in OCI	Increase (purchase, disbursement)	Sale	Other change	Reclassification	Exchange difference	31/12/2022
Loans to customers measured at MFVPL	80,245	(7,609)	-	28,452	-	(5,428)	-	-	95,660
Equity instruments measured at FVOCI	115	-	6	-	-	-	-	-	121

(million HUF)

	01/01/2021	Gains / losses in profit or loss	Gains / losses in OCI	Increase (purchase, disbursement)	Sale	Other change	Reclassification	Exchange difference	31/12/2021
Loans to customers measured at MFVPL	56,847	(4,734)	-	30,941	-	(2,809)	-	-	80,245
Equity instruments measured at FVOCI	110	-	5	-	-	-	-	-	115

The following table summarises the valuation techniques together with the significant unobservable inputs used to calculate the fair value of the Bank's Level 3 financial instruments measured at fair value:

	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)	Sensitivity of fair values to unobservable inputs
Loans to customers measured at MFVPL	Discounted cash flows	Client spread embedded in the client rates	0-100%	If client spreads increases, fair value can decrease.
Equity instruments measured at FVOCI	Cost method	Publicly available data (financial statements)	na	na

(46) Business combinations

There was no business combination in 2022 nor in 2021.

(47) Events after the reporting period

There was no significant adjusting or non-adjusting event after the reporting period.

Part E Information on risks

(48) Risk management

Risk is inherent in the Group's activities, but it is carefully managed through a process of ongoing identification, measurement and monitoring, subject to prudent risk limits and strong control. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The most significant risks to which the Group is exposed are credit-, operational-, liquidity- and market risk, including interest rate, foreign exchange risks and other price risk.

The Management Board of the Bank is responsible to define risk management strategies in line with the expectations of the international and local Supervisory Authorities and regulatory framework and Intesa Sanpaolo S.p.A. The Management Committees of the Bank implement the execution of these policies. Independent Risk Assumption and Risk Management Committee provides independent risk supervision over the internal risk controls and management information systems.

Credit policies department within the Chief Risk Officer area is responsible for implementing and maintaining risk related procedures to ensure an independent control process. Bank Treasury is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and manages daily liquidity of the Bank. Activity of Treasury is supervised on a daily basis by the Market Risk Department and strategic Asset-Liability Management decisions are made by Assets and Liabilities Committee.

Risk management processes throughout the Bank are audited annually by the internal audit function that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal audit discusses the results of all assessments with management. Risk management framework is also comprehensively examined yearly by the National Bank of Hungary in the course of the Supervisory Review and Evaluation Process.

The Group has established reporting systems, which permit the continuous monitoring of risk exposures. The risks are measured and quantified according to different methods, both statistical and non-statistical. Each method is based on different levels of uncertainty. The combination of methods makes it possible for the Group to assess the behaviour of its exposure in different risk scenarios in order to capture all the aspects of the risk. This reflects both the expected loss likely to arise in normal circumstances and unexpected loss, which is an estimate of the ultimate actual loss based on statistical models.

As part of its overall risk management, the Group uses derivative transactions to hedge financial risk to manage interest rate, foreign exchange risk and other risk transfer methodologies to minimize the loss on credit risks and other unforeseen operational and market events. The Group actively uses collaterals to reduce its credit risks.

(a) Credit risk

Credit risk is the risk that a customer or counter party will be unable or unwilling to meet a commitment that they have entered into with the Group. It arises from lending, trade finance, treasury and other activities undertaken by the Group. Credit risk on loans and receivables is managed by the Management Board through the Credit Committee, the Credit Risk Governance Committee and the Problem Asset Committee, which establish credit regulations including the approval processes, discretionary credit limits, standards for the measurement of credit exposures, risk ratings of clients and assessments of management quality and financial performance.

Each significant outstanding loan is reviewed at least monthly. Loans are classified based on a point rating system, which incorporates qualitative and quantitative factors.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the Statement of Financial Position. Credit risk on trading instruments is managed by the Management Board through the Assets and Liabilities Committee. The Group maintains strict control on open net positions, i.e. the difference between purchase and sale contracts, by both amount and term.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The transfers of financial assets between the stages are „symmetrical". This means that just as in the presence of a significant increase in credit risk, an asset must be transferred to stage 2, if subsequently its credit quality returns to being no longer significantly worse than measured at the time of initial recognition of the asset, the financial instrument can be transferred back to stage 1. The metrics used by the Group that determine „improvements" – i.e. transitions from stage 2 to stage 1 – must be the same (in terms both of variables observed and of change in the variables chosen) identified to determine „worsening".

(48) Risk management (continued)

Any occurrence of a „significant increase in credit risk" (and hence transfer to stage 2) must be measured not by reference to the overall debtor, but to each individual exposure pertaining to the same counterparty.

Determination of the expected credit loss is always performed after measurement of the risk level with respect to initial recognition of the instrument. The Group compares the risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information. The drivers to identify the actual occurrence of a significant increase in credit risk on a performing exposure are the following:

- increase in the lifetime probabilities of default
- the existence of the past due position of more than 30 days
- the granting of forbearance measures to the performing debtor

According to IFRS 9, the concept of "low credit risk" can include exposures having investment grade rating, without being limited to them. For an instrument to have "low credit risk" it is not necessary to have received an external rating. The instrument may be rated by means of the Group's internal rating methodologies, provided its assessment in line with the generally accepted definition of "low credit risk". The Group decided not to make a general use of the "low credit risk" exemption, i.e. simplification that permits to assume that instruments with "low credit risk" have not undergone a significant increase in credit risk since origination and thus can automatically be included in Stage 1.

The Group uses ratings and a master scale to determine a significant increase in credit risk. These ratings are determined based on an internal model. If the rating cannot be decided on the basis of the internal model, the so-called benchmark probability of default is established.

The Group sets a threshold for its significant growth. This threshold is determined based on simulations, forecasts, and historical data. Separate specific thresholds are set for retail, SME, corporate and large corporate sectors. Thresholds have been set adequately reflect when a loan needs to be classified in Stage 2, but if the loan performs well, it can return to Stage 1.

The Group measures the impairment of non-performing (Stage 3) exposures in two different ways: by statistical measurement for exposures below HUF 75 million or € 250,000 where the Group calculates impairment from internal models or based on estimated parameters or applies individual impairment calculation where the client-level exposure is above the mentioned threshold.

A default is considered to exist if the borrower encounters a payment difficulty of more than 90 days, if the client wishes to settle repayment out of court, if its credit quality indicators deteriorate significantly, if future cash flows are not expected to fully cover the debt to the Group, if there is a severe decline in the customer's business, or if the exposure is either partially or fully written off and the loan is sold.

In relation to non-performing exposures, a component linked to the most likely and downside scenarios expected over the period of the next three years is considered in addition to a component linked to current economic conditions. In fact, as required by IFRS 9, the effects of the forward-looking scenario on LGD estimates pegged to the current conditions must also be considered. The forward-looking scenario component is aimed at capturing the non-linearity of the relationship between the macroeconomic variables and ECL measurement, by analysing the forecast uncertainty of the variables used for the preparation of the most likely scenario. It is based on the methodological framework that it is used for performing loans but ignores the upside scenario from prudential perspective and only considers the average downside and most-likely scenarios over the period of the next three years.

Due to the moratoria, the definition of default was revised by the Group is 2020, and the loans are no more classified to non-performing portfolio automatically, but in all cases, the backgrounds of the indicators are investigated.

For the identification of non-performing transactions and the determination of impairment for the loans is crucial for the Group to have adequate forward-looking information. For this purpose, the Group also prepares various macroeconomic and transaction-level forecasts and scenarios in accordance with the requirements of IFRS 9.

In line with Intesa Sanpaolo Group's best practice, the Group used its own models to calculate the forward-looking component of IFRS9, both in determining the macroeconomic scenario and in forecasting the default rate. The Bank uses the same tools and logic as the annual ICAAP stress test methodology. In 2022, in view of the epidemic situation, CIB Group revised the IFRS9 calculation twice and compared its own macroeconomic variables with the NHB's macro variables, and at the end of the year calculated the numerical difference in impairment / provisioning following the NHB's circular recommendation.

(48) Risk management (continued)

Throughout 2022, following the epidemic situation, the Russia-Ukraine war, increase in the energy prices, high inflation and weak Hungarian Forint, risk management maintained and further developed the risk framework introduced in 2020 taking also into account additional directives of the regulator (on moratoria related to Covid-19 pandemic, interest rate cap and moratoria in the agricultural sector) in different segments to properly monitor credit risk growth and then formed additional provision in Stage 2, stage 3 or with worsening the client's rating with booking management overlay. With these frameworks, the Group estimated from quarter to quarter which customers would have a payment problem.

The Group intends applies the regulatory segmentation method uniformly when calculating the first pillar (with the related features of the STD approach) and the second pillar capital requirements, credit and debt rating processes, reporting, modelling processes and provisioning.

Credit claim may be partially or fully written off and removed from on balance sheet, even without waving entirely the claim, as long as legal proceedings have not been completed and even very low possibility of recovery remains. The write-off can only involve the portion of the loan covered by provisions and, therefore, each loan can only be written off up to the amount of its net book value. In order to accelerate the write-off of loans whose possibility of recovery is deemed marginal, on a periodic basis (at least every six month) portfolios of bad loans are defined to be subject to total or partial write-offs if bearing the following macro-characteristics:

- percentage coverage >95%
- vintage (understood as the period of time in "bad loan" status) > 5 years or >8 years, respectively, for non-mortgage and mortgage loans.

The methodological framework for estimating the risk parameters used to calculate ECL is based on the reference framework for the development of AIRB international models and the other risk metrics used for management purposes. The internal rating systems provide the basis for development of the IFRS 9 models. These internal systems have been adapted to align them with the requirement of the Standard. Indeed, determination of the risk parameters is based on point in time approach able to incorporate all available information, including forward-looking data. The methodology applied to develop the EAD model is based on a fixed time lag of 12 months in order to estimate the share of available margins that will be used in case of default.

In the Stage 1 category, the ECL is calculated by the Bank estimating a 1-year PD and LGD forecast and default exposure (EAD) at the beginning of the observation period. In Category 2, Stage calculates the life expectancy loss based on the remaining maturity. In the Stage 3 category, it adds an add-on parameter to the non-performing LGD forecast.

In determining the PD and LGD credit risk parameters, the Bank uses the basic + add-on approach, in line with the best practice of the Intesa Sanpaolo Group, where the add-on is based on the distance between pessimistic and optimistic scenarios. On the PD side, the estimated TTC matrix based on past data is skewed according to the Merton-Vasics methodology to fit the predicted default scenario rate, and then the estimated one-year and lifetime PD parameter was determined using these matrixes. In determining the LGD parameter, the Group uses a macroeconomic model in the corporate segment and uses the EBA stress test coefficients to rescale its own long-term LGD estimate, where the EBA stress test coefficients are determined according to each macroeconomic scenario.

There were no offsetting of assets and liabilities neither since 2020.

The tables on the following pages show the maximum exposure to credit risk (net carrying amount) by class of financial asset.

(48) Risk management (continued)

(million HUF)

31/12/2022	Maximum exposure to credit risk	Maximum amount of the collateral or guarantees that can be considered							Exposure not guaranteed	Associated ECL
		Residential immovable property	Commercial immovable property	Cash, deposits	Movable property	Equity and debt securities	Rest	Financial guarantees received		
Cash and current account with central banks	156,582	-	-	-	-	-	-	-	156,582	-
Loans to banks	788,659	-	-	-	-	-	-	56,610	732,049	492
Loans to customers	1,319,812	312,993	125,778	23,424	88,261	26,165	13,627	225,952	503,612	50,833
of which General governments	*148,091*	-	*553*	-	*8*	-	-	*77,999*	*69,531*	*900*
of which Other financial corporations	*49,424*	*455*	*1,403*	*337*	*12*	-	-	*25,977*	*21,240*	*433*
of which Non-financial corporations	*640,059*	*3,787*	*112,906*	*22,908*	*69,522*	*3,974*	*13,471*	*119,769*	*293,722*	*23,527*
of which Households	*482,238*	*308,751*	*10,916*	*179*	*18,719*	*22,191*	*156*	*2,207*	*119,119*	*25,973*
Debt securities	197,087	-	-	-	-	-	-	-	197,087	315
Total financial assets at amortised cost	**2,462,140**	**312,993**	**125,778**	**23,424**	**88,261**	**26,165**	**13,627**	**282,562**	**1,589,330**	**51,640**
Derivatives financial instruments	168,792	-	-	-	-	-	-	-	168,792	-
Securities held for trading	15,288	-	-	-	-	-	-	-	15,288	-
Financial assets mandatorily measured at fair value	96,865	14,987	656	-	9	-	-	75,243	5,970	-
Financial assets measured at fair value through profit or loss	**280,945**	**14,987**	**656**	**-**	**9**	**-**	**-**	**75,243**	**190,050**	**-**
Financial assets measured at fair value through other comprehensive income	**295,683**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**295,683**	**189**
Total financial assets	**3,038,768**	**327,980**	**126,434**	**23,424**	**88,270**	**26,165**	**13,627**	**357,805**	**2,075,063**	**51,829**
Financial guarantees	61,144	514	3,945	6,945	105	3,201	-	8,287	38,147	259
Letters of credit	3,482	152	512	13	-	-	-	-	2,805	8
Commitments	599,537	4,601	9,752	23,954	239	89	-	43,865	517,037	1,540
Total commitments and contingencies	**664,163**	**5,267**	**14,209**	**30,912**	**344**	**3,290**	**-**	**52,152**	**557,989**	**1,807**

(48) Risk management (continued)

(million HUF)

31/12/2021	Maximum exposure to credit risk	Maximum amount of the collateral or guarantees that can be considered							Exposure not guaranteed	Associated ECL
		Residential immovable property	Commercial immovable property	Cash, deposits	Movable property	Equity and debt securities	Rest	Financial guarantees received		
Cash and current account with central banks	50,589	-	-	-	-	-	-	-	50,589	-
Loans to banks	904,897	-	-	-	-	-	-	19,000	885,897	583
Loans to customers	1,151,106	300,920	128,202	21,982	83,476	28,858	18,197	114,167	455,304	37,884
of which General governments	*41,854*	-	*542*	-	*12*	-	-	-	*41,300*	*425*
of which Other financial corporations	*39,291*	*474*	*1,718*	-	*15*	-	-	*17,026*	*20,058*	*389*
of which Non-financial corporations	*604,686*	*2,921*	*115,844*	*21,232*	*62,617*	*2,186*	*18,003*	*95,123*	*286,760*	*17,073*
of which Households	*465,275*	*297,525*	*10,098*	*750*	*20,832*	*26,672*	*194*	*2,018*	*107,186*	*19,997*
Debt securities	177,445	-	-	-	-	-	-	-	177,445	-
Total financial assets at amortised cost	**2,284,037**	**300,920**	**128,202**	**21,982**	**83,476**	**28,858**	**18,197**	**133,167**	**1,569,235**	**38,467**
Derivatives financial instruments	66,738	-	-	-	-	-	-	-	66,738	-
Securities held for trading	10,290	-	-	-	-	-	-	-	10,290	-
Financial assets mandatorily measured at fair value	82,003	12,258	966	-	12	-	-	63,728	5,039	-
Financial assets measured at fair value through profit or loss	**159,031**	**12,258**	**966**	-	**12**	-	-	**63,728**	**82,067**	-
Financial assets measured at fair value through other comprehensive income	**276,073**	-	-	-	-	-	-	-	**276,073**	-
Total financial assets	**2,719,141**	**313,178**	**129,168**	**21,982**	**83,488**	**28,858**	**18,197**	**196,895**	**1,927,375**	**38,467**
Financial guarantees	74,102	511	5,136	5,438	139	1,005	-	5,568	56,305	342
Letters of credit	3,961	137	464	-	-	-	-	-	3,360	13
Commitments	473,805	4,176	9,074	21,150	1,053	309	3,791	50,466	383,786	1,057
Total commitments and contingencies	**551,868**	**4,824**	**14,674**	**26,588**	**1,192**	**1,314**	**3,791**	**56,034**	**443,451**	**1,412**

(48) Risk management (continued)

The following table presents the Group's loans and advances to customers before taking into account any collateral held or other credit enhancement broken down by the relevant geographical areas:

(million HUF)

	31/12/2022	31/12/2021
Hungary	1,366,306	1,175,839
Euro Zone countries	26,118	21,353
EU - non-Euro Zone countries	35,179	36,119
Other regions	38,701	35,924
Total	**1,466,304**	**1,269,235**

An industry sector analysis of the Group's financial assets, before taking into account collateral held or other credit enhancements is provided in Note (24).

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities.
- For commercial lending, mortgage pledges over real estate properties, inventory and trade receivables.

The Group also obtains guarantees from parent companies for loans to their subsidiaries. The Group monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses and requests if necessary additional collateral in accordance with the underlying agreement.

Effect of Credit Risk Mitigation on the exposure to credit risk:

(million HUF)

	31/12/2022	31/12/2021
Financial collateral	(92,516)	(40,971)
Guarantees	(347,411)	(209,799)
Total	**(439,927)**	**(250,770)**

The Group assesses the loans with internal rating system, which differentiates the quality of non-overdue loans. The table below shows the credit quality of the loans and advances to customers excluding allowances based on the Group's credit rating system.

(million HUF)

Gross carrying amount 31/12/2022	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	Stage 3 Collective	POCI assets	Measured at FVPL	Total
Performing loans							
A – Excellent	52,711	153	-	-	4	424	**53,292**
B – Stable	580,418	30,717	-	-	2,903	51,214	**665,252**
C – Acceptable	465,031	74,420	-	-	2,138	38,155	**579,744**
D – High Risk	50,193	52,539	-	-	219	2,473	**105,424**
Other	8,340	62	-	-	-	2,240	**10,642**
Total performing loans	**1,156,693**	**157,891**	-	-	**5,264**	**94,506**	**1,414,354**
Non-performing loans							
Corporate loans	-	-	20,417	3,930	1,212	-	**25,559**
Retail loan	-	-	809	22,028	2,401	1,154	**26,392**
Total non-performing loans	-	-	**21,226**	**25,958**	**3,613**	**1,154**	**51,951**

(48) Risk management (continued)

(million HUF)

Gross carrying amount 31/12/2021	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	Stage 3 Collective	POCI assets	Measured at FVPL	Total
Performing loans							
A – Excellent	43,893	24	-	-	1	250	**44,168**
B – Stable	467,177	51,480	-	-	3,530	39,677	**561,864**
C – Acceptable	420,047	67,779	-	-	3,216	36,385	**527,427**
D – High Risk	51,821	29,050	-	-	244	2,758	**83,873**
Other	7,312	357	-	-	-	986	**8,655**
Total performing loans	**990,250**	**148,690**	**-**	**-**	**6,991**	**80,056**	**1,225,987**
Non-performing loans							
Corporate loans	-	-	20,356	4,228	1,971	-	**26,555**
Retail loan	-	-	575	13,053	2,876	189	**16,693**
Total non-performing loans	**-**	**-**	**20,931**	**17,281**	**4,847**	**189**	**43,248**

The „Other" rating refers to clients, which were assessed with not the latest, but a previous rating model.

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. These facilitates focused on management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The attributable risk ratings are assessed and updated regularly.

Thanks to portfolio cleaning efforts the credit quality of the portfolio started to improve in the previous periods and the positive tendency reflected in declining NPL volumes and improving cost of risk.

The table below shows the credit quality of the due from banks portfolio, based on the external rating system.

(million HUF)

	AAA/ AA-	A+/ A-	BBB+/ BBB-	BB+/ BB-	B+/ B-	Less than B-	Not rated	Total
31/12/2022	4,106	15,174	183,470	-	6	-	585,903	**788,659**
31/12/2021	105	4,233	164,427	-	13	-	736,119	**904,897**

The not rated category also includes outstanding exposures to the National Bank of Hungary with a balance of HUF 242,886 million at 31 December 2022 and HUF 726,591 million at 31 December 2021, The National Bank of Hungary is not rated as a customer but is rated BBB+/BBB- category based on the country risk rating.

The table below shows the aging analysis of past due but not individually impaired loans by segment.

(million HUF)

31/12/2022	Under 1 month	31 to 60 days	61 to 90 days	Over 91 days	Total
Corporate loans	17,291	601	137	80	**18,109**
Retail loan	15,102	1,498	472	347	**17,419**
Total	**32,393**	**2,099**	**609**	**427**	**35,528**

(million HUF)

31/12/2021	Under 1 month	31 to 60 days	61 to 90 days	Over 91 days	Total
Corporate loans	18,573	973	51	156	**19,753**
Retail loan	11,289	2,765	671	397	**15,122**
Total	**29,862**	**3,738**	**722**	**553**	**34,875**

(48) Risk management (continued)

Of the total aggregate amount of gross past due but not individually impaired loans and advances to customers, the liquidation value of collateral that the Group held as at 31 December 2022 is HUF 5,118 million and HUF 6,484 million as at 31 December 2021.

In the case of individually insignificant loans, a collective (portfolio-based) assessment is performed, Historical portfolio losses are taken into account as a key factor in determining collective impairment.

Collective impairment is determined based on the probabilistic bankruptcy probability modelled in accordance with the IFRS9 framework and the loss rate at default, Changes in gross carrying amount, and thus the volume of financial instruments themselves, may affect the change in recognised impairment.

The credit risk of derivative clients is determined on a counterparty basis for the entire duration of the exposure.

(b) Liquidity risk

Liquidity risk is defined as the risk that the Group will not be able to meet its payment obligations due to its inability to obtain funds on the market (funding liquidity risk) or to liquidate its assets (market liquidity risk).

The Management Board is responsible for maintaining an adequate level of liquidity and for defining control policies and management processes relating to the specific risk profile. Assets & Liabilities Management Committee monitors the implementation of the Liquidity Policy of the Bank and delegates day-to-day activities to the most appropriate offices and departments of the Bank. In the day-to-day liquidity management, the Head of Treasury and ALM is responsible for implementing the liquidity strategy and maintaining adequate liquidity within the limits described below. The Financial and Market Risk Management Department measures and monitors the liquidity position and controls liquidity limits on a daily basis and is also in charge of reporting to the management bodies and to the Parent Company liquidity positions and compliance with limits.

The key elements of the Group's liquidity strategy are as follows:

- continuous respect of regulatory liquidity ratios
- improve Structural Liquidity Position through matched funding (from shareholder or market driven)
- focused approach to short-term, medium-term, long-term product definitions in each business line

Through active participation in monetary and financial markets, the Treasury and ALM ensures integrated management of the Bank's liquidity in local currency as well as in foreign currencies; optimizes the liquidity portfolio, guaranteeing efficient collateral management; and with regard to the other CIB group companies, the Treasury and ALM coordinates and facilitates intragroup cash flows, favoring organized, efficient development in compliance with internal and external regulations. It also acts to resolve any liquidity imbalances of the subsidiaries, in cooperation with the Financial and Market Risk Management Department, promoting all operating activities deemed suitable to return or keep the subsidiaries within the limits set forth by internal or external rules.

The Liquidity Policy includes to the Contingency Funding Plan where the strategies for addressing liquidity shortfalls in emergency situations are defined, together with the liquidity early warning system in operation.

The liquidity ratio is calculated as the ratio of liquid assets to total assets where liquid assets consists of cash, nostro account balances, 30-days interbank position and bonds with maximum 30-day remaining maturity, which are categorized by the National Bank of Hungary as eligible for its repo facility.

In addition to the liquid assets of the liquidity ratio, the Group also has an EUR 1,000 million equivalent short-term (below 18 month) uncommitted multi currency credit line with the Parent Company.

The liquidity ratio during the year was as follows:

Liquidity ratio [1]	31/12/2022	31/12/2021
31 December	29.6%	29,7%
Daily average during the period	28.3%	30,5%
Highest	34.1%	33,9%
Lowest	15.6%	26,2%

[1] The liquidity of the Group depends on the Bank stand-alone liquidity; the above table includes the CIB Bank only liquidity ratios.

The maturity profile of the Group's financial liabilities at the end of the year is presented in Note (42).

The COVID-19 pandemic did not have a negative impact on the Group's liquidity, The loan-to-deposit ratio was very favourable at 65.8% at the end of the year in the terms of liquidity (60.8% in 2021).

Due to the loan repayment moratoria introduced as a part of government measures, the Group rescheduled capital and interest payments to its customers in 2022 in the amount of approximately HUF 3,906 million (HUF 29,376 million in 2021).

(48) Risk management (continued)

(c) Market risk - Trading

Market risk is the risk of loss due to fluctuations in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios. The market risk for the trading portfolio is managed and monitored through applying methodology that reflects the interdependency between risk variables.

The market risk for the trading portfolio is managed and monitored based on a VaR (Value at Risk) methodology. 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.

The Group uses simulation models to assess possible changes in the market value of the trading portfolio based on historical data from previous years. The VaR models are designed to measure market risk in a normal market environment.

The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The factors of the distribution are calculated by using exponentially weighted historical data. The use of VaR has limitation because it is based on historical correlation and volatilities in market prices and assumes that future price movements will follow a statistical distribution.

Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under – or over-estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments.

Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

Since VaR is an integral part of the Group's market risk management, VaR limits have been established for all trading operations with separate limit amounts for foreign exchange, interest rate, equity and total VaRs. Exposures are reviewed daily against the limits by management.

(million HUF)

VaR 2022 [1]	Foreign exchange	Interest rate	Equity	Correlation effect	Total
31 December	23	351	0	(24)	350
Daily average during the period	20	155	0	(20)	155
Highest	74	486	5	(116)	448
Lowest	5	32	0	(4)	33

(million HUF)

VaR 2021 [1]	Foreign exchange	Interest rate	Equity	Correlation effect	Total
31 December	17	30	0	(18)	**30**
Daily average during the period	14	48	0	(13)	**51**
Highest	42	137	8	4	**133**
Lowest	3	9	0	(55)	**18**

[1] *As the market risk trading book is managed at the Bank level, the tables include the amounts on a Bank level basis,*

In addition to the VaR limits, position and stop-loss limits have been set up in line with the internal regulations of Intesa Sanpaolo Group.

Position limits enables the monitoring of exposures real time, and as a robust measurement technique, can be relied upon in case of error in the VaR model. Separate position limits and sub-limits are in place for foreign exchange, equity and interest rate positions.

Stop-loss limits are designed to control the downside movement of the profit and loss in a particular position. Separate stop-loss limits have been established both on a month-to-date and year-to-date horizon for the individual Treasury desks.

(48) Risk management (continued)

(d) Market risk – Non-trading

Interest rate risk– Non-trading

Interest rate risk is measured by the extent to which changes in market interest rates impact on equity and on net interest income. Gaps in the value of assets, liabilities and off-balance sheet instruments that mature or reprice during a given period generate interest rate risk. The Group reduces this risk by matching the repricing of assets and liabilities using pricing/maturity techniques, including the use of derivative products.

Interest rate risk is managed by the Treasury in the Group day-to-day operation supervised by the senior management, by Risk Management, and by the Parent Company. Risk tolerance limitation and the related policy are set by the Group's Management Board. On the tactical horizon, interest risk is managed by the Financial Risk Committee, which proposes position and sensitivity limits, and monitors such limits to restrict the effect of movements in interest rates on current earnings and on the value of interest sensitive assets and liabilities.

The following table demonstrates the sensitivity of the statement of profit or loss and other comprehensive income to a reasonable possible change in interest rates, with all other variables held constant.

The sensitivity of equity economic value is calculated on the changes of the net present value (NPV) of all non-trading financial assets, liabilities and derivatives on 31 December 2022 on the basis of the effects of standard shock scenarios.

The sensitivity of the net interest income is the effect of the standard shock scenarios on the net interest income within one-year time horizon, based on the floating and fixed rate non-trading financial assets and financial liabilities and derivative instruments as of 31 December 2022. The Group uses for the sensitivity calculations NPV calculations with admitting negative value on interest rates for the year.

A threshold of zero is implemented in the calculation for those cases when the decrease of basis points would indicate a negative interest income. This method amends the symmetry of the sensitivity analysis.

(million HUF)

2022	Shock scenarios in basis points (+)	Sensitivity of net interest income	Sensitivity of equity				
			Under 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
HUF	+100	**3.861**	91	338	(5.789)	(634)	**(5.994)**
EUR	+100	**1.680**	(37)	152	937	393	**1.445**
USD	+100	**589**	(7)	26	221	25	**265**
CHF	+100	**28**	(2)	(2)	(13)	(15)	**(32)**
Other	+100	**4**	(1)	1	1	2	**4**

(million HUF)

2022	Shock scenarios in basis points (-)	Sensitivity of net interest income	Sensitivity of equity				
			Under 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
HUF	(100)	**(3,865)**	(89)	(338)	6,082	805	**6,460**
EUR	(100)	**(1,676)**	38	(154)	(974)	(445)	**(1,536)**
USD	(100)	**(593)**	7	(27)	(231)	(28)	**(279)**
CHF	(100)	**(32)**	9	14	46	16	**86**
Other	(100)	**(1)**	(1)	(1)	(1)	(1)	**(4)**

(48) Risk management (continued)

(million HUF)

2021	Shock scenarios in basis points (+)	Sensitivity of net interest income	Sensitivity of equity				
			Under 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
HUF	+100	**7,406**	34	(484)	(2,121)	1,106	**(1,465)**
EUR	+100	**1,381**	(68)	76	519	679	**1,206**
USD	+100	**337**	35	27	170	21	**253**
CHF	+100	**22**	(13)	3	(10)	(31)	**(51)**
Other	+100	**(28)**	2	1	2	3	**8**

(million HUF)

2021	Shock scenarios in basis points (-)	Sensitivity of net interest income	Sensitivity of equity				
			Under 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
HUF	(100)	**(7,189)**	(34)	495	2,285	(1,262)	**1,484**
EUR	(100)	**(1,572)**	40	(46)	(319)	(588)	**(913)**
USD	(100)	**(341)**	(36)	(28)	(177)	(24)	**(265)**
CHF	(100)	**(11)**	5	(1)	13	22	**39**
Other	(100)	**19**	(2)	(1)	(2)	(3)	**(8)**

IBOR reform

The table below presents the outstanding effected in IBOR reform

(million HUF)

Reference rate	Type of the contract	31/12/2022	31/12/2021
USD LIBOR	Loans to customers	57,878	52,504
USD LIBOR	Deposits from customers	11,270	11,074
USD LIBOR	Trading derivatives	18,408	15,960
USD LIBOR	Hedging derivatives	22,729	12,540
Other LIBOR	Loans to customers	-	39,886
Other LIBOR	Deposits from customers	-	27,846
Total		**110,285**	**159,810**

Amounts affected by the IBOR reform decreased by HUF 49,525 million during the year. The year end balance consisted of USD LIBOR based volumes. Derivative deals had the biggest shares, it reached 37% of the total. USD LIBOR based loans include mainly floating rate deals with foreign corporate clients linked to 1 or 3 month USD LIBOR, while deposits consist of amounts placed at the Bank by EURIZON investment funds.

Foreign exchange risk– Non-trading

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in FX rates.

The Group has assets and liabilities, both on and off-balance sheet, denominated in various foreign currencies. Foreign exchange risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

Any non-trading foreign exchange risk is transferred through internal hedges to trading book and is therefore reflected and managed via the value-at-risk figures in the trading books described under section (c) Market risk – Trading, with the exception of strategic and residual foreign FX positions.

(48) Risk management (continued)

The table below indicates the currencies to which the Group had significant exposure at the end of the reported periods on its non–trading assets and liabilities and its forecast cash flows. The table shows the impact of reasonably possible changes in exchange rates against the forint, with all other variables held constant.

(million HUF)

2022	Sensitivity of net income			
	EUR	USD	CHF	Total
5% strengthening of currencies vs, HUF	11	(48)	0	**(37)**
5% weakening of currencies vs, HUF	(11)	48	0	**37**

(million HUF)

2021	Sensitivity of net income			
	EUR	USD	CHF	Total
5% strengthening of currencies vs, HUF	(72)	6	(3)	**(69)**
5% weakening of currencies vs, HUF	72	(6)	3	**69**

Changes in exchange rates does not have any effect on equity.

The currency structure of the Group's financial assets, liabilities as follows:

(currency equivalents in million HUF)

31/12/2022	HUF	EUR	CHF	USD	Other	Total
Cash and current account with central banks	154,721	1,038	151	515	157	**156,582**
Securities held for trading	15,189	67	-	32	-	**15,288**
Securities measured at MFVPL	-	223	-	982	-	**1,205**
Securities measured at FVOCI	279,087	3,653	-	12,943	-	**295,683**
Loans to banks	668,845	101,961	111	15,545	2,197	**788,659**
Loans to customers at amortised cost and at fair value through profit or loss	987,949	361,139	3,079	63,305	-	**1,415,472**
Debt securities at amortised cost	151,241	16,361	-	-	29,485	**197,087**
Total financial assets	**2,257,032**	**484,442**	**3,341**	**93,322**	**31,839**	**2,869,976**
Deposits from banks	347,403	144,497	-	6,396	-	**498,296**
Deposits from customers	1,547,585	475,518	7,337	98,630	9,465	**2,138,535**
Total financial liabilities	**1,894,988**	**620,015**	**7,337**	**105,026**	**9,465**	**2,636,831**
Net on-statement of financial position	**362,044**	**(135,573)**	**(3,996)**	**(11,704)**	**22,374**	**233,145**
FX position of derivatives	**(141,600)**	**142,432**	**3,816**	**11,945**	**(20,445)**	
Off-balance	***450,881***	***201,707***	-	***11,575***	-	***664,163***
Guaranteed	*45,016*	*16,107*	-	*21*	-	***61,144***
Letters of credit	-	*3,132*	-	*350*	-	***3,482***
Commitments	*405,865*	*182,468*	-	*11,204*	-	***599,537***

(48) Risk management (continued)

(currency equivalents in million HUF)

31/12/2021	HUF	EUR	CHF	USD	Other	Total
Cash and current account with central banks	49,063	1,212	47	188	79	**50,589**
Securities held for trading	10,259	19	-	12	-	**10,290**
Securities measured at MFVPL	-	59	-	1,699	-	**1,758**
Securities measured at FVOCI	258,576	3,861	-	13,636	-	**276,073**
Loans to banks	855,143	43,625	137	4,137	1,855	**904,897**
Loans to customers at amortised cost and at fair value through profit or loss	897,579	271,485	10,172	52,115	-	**1,231,351**
Debt securities at amortised cost	133,556	16,514	-	-	27,375	**177,445**
Total financial assets	**2,204,176**	**336,775**	**10,356**	**71,787**	**29,309**	**2,652,403**
Deposits from banks	339,263	49,678	12,751	1,891	20	**403,603**
Deposits from customers	1,536,554	398,917	5,106	71,198	7,195	**2,018,970**
Total financial liabilities	**1,875,817**	**448,595**	**17,857**	**73,089**	**7,215**	**2,422,573**
Net on-statement of financial position	**328,359**	**(111,820)**	**(7,501)**	**(1,302)**	**22,094**	**229,830**
FX position of derivatives	**(102,077)**	**113,702**	**7,368**	**1,525**	**(22,184)**	
Off-balance	***445,593***	***101,793***	-	***4,482***	-	***551,868***
Guaranteed	*60,925*	*13,175*	-	*2*	-	***74,102***
Letters of credit	-	*3,537*	-	*424*	-	***3,961***
Commitments	*384,668*	*85,081*	-	*4,056*	-	***473,805***

(e) Operational risk

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of internal processes, human resources and internal systems, or as a result of external events. Operational risk includes:

- legal risk, meaning the risk of losses resulting from the breach of laws or regulations, contractual or other liability or from other disputes;
- model risk, defined as the potential loss an institution may incur, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models;
- compliance risk, defined as the risk to incur judicial or administrative penalties, significant financial losses or damage to reputation as a result of the violation of mandatory rules or self-governance regulation;
- conduct risk, defined as the risk of incurring judicial or administrative sanctions, material financial losses or reputational harms as a result of behaviours unfair towards customers, jeopardizing the integrity and orderly functioning of financial markets, constituting an infringement of regulations in financial crimes area (e,g, anti-money laundering, counter terrorism, embargoes, anti-corruption, tax crimes, cyber crimes);
- ICT risk (Information and Communication Technology risk), defined as the risk of economic, reputational and market share losses related to the use of information and communication technology, (IT security risk is part of the ICT risk);
- information Security risk, defined as the risk of sustaining economic loss, or reputational harm, including those arising from the failure to comply with rules as a result of the loss of confidentiality, integrity and/or availability of corporate information favoured or caused by the use of technology or related to it;
- cyber risk is the risk of disruption to business processes and/or financial loss and/or damage to reputation deriving from improper use and/or dissemination of digital data and information, any actual or attempted unauthorized access to the Bank's ICT or to the digital data and information contained therein and any malicious or involuntary activity that compromises or uses it inappropriately, jeopardizing business processes and/or supporting critical infrastructures;

(48) Risk management (continued)

- financial reporting risk, defined as the possibility that quantitative or qualitative accounting or financial information contained in company communications disclosed to the public is not true, correct or complete due to the inadequacy of administrative processes or the ICT applications used to produce it.

Strategic risk is excluded.

Reputational risk is expressly excluded from the Basel II definition of operational risk. However, there are several Basel II rules that require the consideration of reputational risk in calculating risk capital. Reputational risk events can arise as a result of many different causes, often involving an operational risk event. When a reputational risk event occurs, there are frequently negative legal, regulatory, key person and stock price impacts. Reputational risk is managed and measured in operational risk framework.

In the Group, the governing committee responsible for overviewing operational risk management activities is the Operational Risk Committee (ORC). The primary purpose of the Committee is to propose, advise on and investigate matters related to operational risk, thereby support the Management Board of the Bank. The Committee meets quarterly when it reviews and discusses the Bank's operational risk exposure and the ongoing risk mitigation actions.

In managing the Group's operational risk exposure, both qualitative and quantitative tools are being applied.

One of the qualitative tools is the annual operational risk self-diagnosis where operational criticalities are identified, and mitigating actions are defined in response to those criticalities. A set of operational key risk indicators is also used as a qualitative measure aiming at conveying an easily understandable overall picture to the senior management about the operational risk profile of the Group, and in the meanwhile, enabling the Group to react in a timely manner to adverse changes in that risk profile.

As a quantitative measure historical operational risk loss data have been collected and analysed in a systematic way since 2004. On the basis of the analyses performed by Operational Risk Management, mitigating actions are initiated to avoid the re-occurrence of similar losses or prevent the materialization of potential risks.

In 2022, the Group detected and recorded in its internal loss database 279 operational risk events which caused HUF 2,118 million effective operational loss (excluding losses boundary with credit risk and specific provisions). In 2021, the corresponding numbers were 250 events with HUF 272 million loss. The increase in the effective operational loss was caused by two specific items in 2022, related to costs related to a lost litigation and a supervisory fine.

Since January 2008 the Group have been calculating the regulatory capital requirement of the operational risk on the basis of The Standardized Approach (TSA), For ICAAP purposes, the Group quantifies the operational risk capital requirement using the ISP Group's Advanced Measurement Approach (AMA) model.

As a result of the COVID-19 epidemic, new operating costs emerged amounted to HUF 7 million in 2021 and HUF 22 million in 2021.

The Group considers the following, among others, as direct operational risk costs related to the epidemic:

- costs of preventing the spread of the coronavirus: costs of additional hand sanitizers, masks and rubber gloves purchased by institutions, costs of emergency disinfections and cleaning
- costs of setting up mass telework and home office: costs of newly purchased computers and other equipment (the acquisition of which was not included in the Group's annual procurement plan)
- extraordinary investment and operating costs related to the branch and central buildings: additional costs of guarding closed buildings, costs of glass walls and screens installed in the branches
- the operating costs of an organization set up to ensure crisis management and business continuity

The Group considers the following, among others, as indirect operational risk costs related to the epidemic:

- losses related to the postponement and / or closure of projects due to a coronavirus epidemic, extraordinary write-offs

Part F Information on capital

(49) Capital and capital management

The primary objective of the capital management of the Group is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximize the shareholder value, accompanied by an optimal financing structure.

The basis of the capital management of the Group members in the short run is the continuous monitoring of their capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position.

Capital adequacy

The Capital Requirements Directive package (CRDIV/CRR) transposes the global standards on banking regulation (known as the Basel III agreement) into the EU legal framework. The rules have been being applied from 1 January 2014. The framework aims at making institutions in the EU more solid and strengthening their capacity to adequately manage the risks linked to their activities and creating capital bases adequate to absorb any losses they may incur in doing business, with special focus on the liquidity risk management tools and the capital requirements.

The Group has entirely complied with the regulatory capital requirements in 2022 as well as in 2021.

The Group quantifies the regulatory and ICAAP capital requirements. Both the risk management processes and the capital requirement comprehensively cover the Bank.

Internal Capital Adequacy Assessment Process (ICAAP)

The second pillar of Basel II capital framework prescribes how supervisory authorities and Groups can effectively assess the appropriate level of capital. The assessment must cover all the risks incurred by the Group, their sensitivity to crisis scenarios, and how they are expected to evolve in light of changes in the Group's business going forward.

The Group not only reviews its capital ratios, but it also assesses and continuously monitors its risk bearing capacity. The Group's primary internal measure to assess the impact of very severe unexpected losses across the different risk types is economic capital, which is also planned as part of the risk and capital strategy.

The Group continuously focusing on the following risks:

Credit Risk

Risk that customers may not be able to meet their contractual payment obligations.

Operational Risk

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Market Risk

The risk that arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.

Counterparty risk

The risk that arises from a counterparty which may default before the final settlement of the deal's cash-flows, potentially resulting in a situation where the other party can not realize gains from the deal.

Residual Risk

The risk that arises from the recognised risk measurement and mitigation techniques used by the credit institution proves less effective than expected.

Model Risk

Model risk is the risk of losses relating to the development, implementation or improper use of any other models by the institution for decision-making (e.g. product pricing, evaluation of financial instruments, monitoring of risk limits, etc.).

Concentration Risk

Concentration risk is a banking term denoting the overall spread of a bank's outstanding accounts over the number or variety of debtors to whom the bank has lent money. This risk is calculated using a "concentration ratio" which explains what percentage of the outstanding accounts each bank loan represents.

(49) Capital and capital management (continued)

Banking book – interest rate risk

Risk of losses on the fair value of the portfolio of banking assets and liabilities, not including trading assets and liabilities, resulting from changes in interest rates.

Interest rate risk is taken to be the current or prospective risk to both the earnings and capital of institutions arising from adverse movements in interest rates. In the context of Pillar 2, this is in respect of the banking book only, given that interest rate risk in the trading book is already covered under market risk regulations.

Liquidity Risk

The risk arising from the Group's potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs.

Country Risk

The risk that the Group may suffer a loss, in any given country, due to deterioration in economic conditions, political and social unrest, nationalization and expropriation of assets, government repudiation of external indebtedness, exchange controls and currency depreciation or devaluation.

Settlement Risk

Settlement risk is the risk that a transaction executed is not settled as expected through a settlement system. Settlement risk comprises credit risk and liquidity risk elements. Treasury transactions, trading book items (deals) and capital market dealings concluded as part of investment services convey a settlement risk that is a specific mix of credit and liquidity risk. The credit institution or the investment firm bears the risk that while it fulfils its contractual obligations (payment or delivery), the counterparty fails or defaults to do so.

Reputational Risk

The reputation risk is defined as a risk of a drop-in profits or capital due to a negative perception of the image of the bank by customers, counterparties, shareholders, investors or supervisory authorities.

Strategic Risk

Present or prospective strategic risk is defined as the risk linked to a potential drop in profits or capital due to changes in the operating context or erroneous corporate decisions, inadequate implementation of decisions or poor reactions to changes in the competitive environment.

High Risk Portfolio

In line with the National Bank of Hungary's (MNB) requirement the Bank identifies the portfolio meeting the criteria defined by the MNB for high-risk portfolios and allocates additional capital for such portfolios. Repossessed assets are forming part of the high-risk portfolios.

Applied methodologies

Under Pillar 1 the Group applies Standardized Methodologies (STA) for quantifying the regulatory capital requirement of Credit risk, Operational risk and Market risk, Under Pillar 2 the Group implemented and use advanced methodologies for ICAAP purposes.

Capital management

The Group's regulator, National Bank of Hungary sets and monitors capital requirements for the Group in the so called SREP - supervisory review and evaluation process.

The Group's regulatory capital consists of the sum of the following elements:

- Tier 1 (all qualifies as Common Equity Tier 1 (CET1) capital), which includes ordinary share capital, related share premiums, retained earnings, OCI, reserves and deductions for intangible assets and deferred tax other than temporary differences
- Tier 2 capital, which includes qualifying subordinated liabilities

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, specific limits, risk measures, the rules and ratios.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value based on total capital ratio.

(49) Capital and capital management (continued)

(million HUF)

Regulatory capital	31/12/2022	31/12/2021
Share capital	50,000	50,000
Reserves	189,104	199,051
Current year's profit	36,100	15,842
Expected dividend deduction	(25,000)	(23,500)
Total shareholder's equity	**250,204**	**241,393**
Deduction item: intangible assets	(7,090)	(6,479)
Deduction item: prudential valuation	(664)	(467)
Deduction item: deferred tax asset	(1,563)	(1,112)
Deduction item: insufficient coverage for non-performing exposures	(109)	(124)
FVOCI instruments	8,535	8,014
Tier 1 capital	**249,313**	**241,225**
Tier 2 capital	-	-
Total capital	**249,313**	**241,225**
Risk weighted assets for credit risks	1,160,598	1,095,981
Risk weighted assets for market risks	15,750	7,568
Risk weighted assets for operational risks	184,792	126,764
Risk exposure amount for credit valuation adjustment	2,096	2,266
Risk exposure amount for settlement/delivery	1	-
Risk weighted assets	**1,363,237**	**1,232,579**
Tier 1 capital ratio (%)	**18.29%**	**19.57%**
Total capital ratio (%)	**18.29%**	**19.57%**

Total shareholder's equity includes the planned dividend payment based on the of net profit of 2022 and the accumulated retained earnings of previous years. The proposed dividend is subject to be resolved by the shareholder at the time of the approval of the annual financial statements.

As described in paragraph 6 of Regulation 2020/873 of the European Parliament and of the Council of 24 June 2020, the temporary omission of unrealized gains or losses on other comprehensive income (FVOCI) government securities is recognized for the first time on 31 December 2020 in a separate COREP report for the quarter ending.

During 2022, the Group recalculated the value of risk weighted assets for operational risk and amended the audited COREP report at the end of 2021. The column for 31 December 2021 of the regulatory capital table includes the values reported in the amended audited COREP report.

The Group does not apply the temporary rules of CRR: 473a, and instead of the template document, it shall publish a text document stating that Group's own funds, capital adequacy ratio, and leverage ratio already reflect the amount of unrecognised gains and losses on government securities measured at fair value through other comprehensive income.

The Group has adjusted the amount of intangible assets to be deducted from own funds by the prudential amortization of software in accordance with point 13a of Regulation No, 241/2014 of the European Parliament and Council.

The minimum capital requirement is 8% under Pillar1. The Group also meet the requirement of SREP.

SREP requirements for 2023 are already available and the Group meets the relating requirements based on current and projected financial position.

CIB BANK

CIB BANK LTD.
and its subsidiaries

Business and management report
based on the audited consolidated financial statements
for the year ended 31 December 2022
prepared in accordance with
International Financial Reporting Standards
as adopted by EU

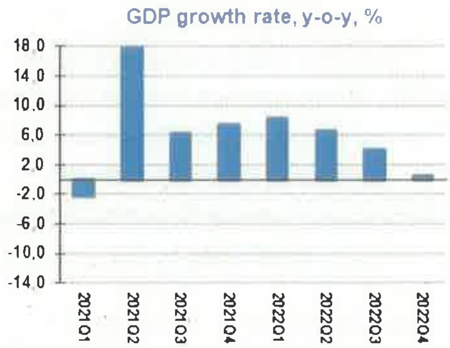
I. Macro and microeconomic environment

1. GDP

The performance of the Hungarian economy was twin-faced in 2022. In the first half of the year the domestic economy posted a strong rebound mainly due to the ful reopening after the coronavirus crisis, the supportive pre-election fiscal measures, the tight labour market, the strong wage outflows, and the high savings of the household sector. GDP growth in Q1 2022 was at 8.2% year-on-year, while in Q2 the economic growth slowed to 6.5% year-on-year -still very robust dynamics compared to the preceding years. As a result, H1 average GDP growth was 7.2%, but this trend was not sustainable for the rest of the year.

In Q3 the economy contracted 0.7% compared to the previous quarter, which was followed by minus 0.4% q-o-q growth in Q4, hence the economy was in technical recession In addition to the direct and indirect impacts of the war in Ukraine, fiscal and monetary tightening, sky high inflation and cost-side pressures in the corporate sector alongside with slowing global growth dampen the outlook. On the other hand, owing to the strong first half of the year, GDP growth was still 4.6% in 2022 as a whole.

Looking ahead, illustrating the high degree of uncertainty and the various scenarios (war situation in Ukraine, development of the energy crisis, degree of the interest rate hike cycles of core central banks) for the whole of 2023 the National Bank of Hungary projected a GDP growth in Hungary in a remarkably wide range between 0.5% and 1.5%.



Source: KSH

2. Budget and external balance

The 2022 budget deficit target was originally set at 4.9% but was later raised to 6.1% due to the massive natural gas reserve accumulation. Owing to the intense pre-election fiscal measures, the negative effect of war, the uncertainties related to EU funds and the development of global commodity and energy prices, serious imbalances have developed in the economy resulting in high inflation and a massive fiscal deficit. On the other hand, in the second part of the year the government committed to putting the budget back on a balanced path. Thus, it announced the details of the fiscal adjusmtent plan (windfall taxes, fiscal consolidation, amendment of regulated utility prices) in early summer.

According to preliminary data the deficit target (without gas reserve accumulation) was achieved. It also means that the government debt ratio (thanks to the strong nominal GDP growth) decreased from 76.8% to 72.9%.

The massive deficit was primarily driven by the surge in energy prices, but the strong wave of EU-financed programs and their pre-financing without sufficient inflow of the related EU financing also played a significant role. The above-plan cash-based deficit naturally created a massive jump in state financing needs and the Government Debt Management Agency raised its cap for foreign currency bond issuance due to the delay in payments from the EU. According to amended 2023 Budget Act, the government reduce the budget deficit next year to 3.5% of GDP and tries to put budget balance back on a sustainable path. As a result, the public debt ratio is expected to decrease to around 70.0% by the end of 2023.

External balance indicators showed an ongoing unfavourable development in 2022. The trade balance has been rapidly deteriorating since mid-2021 due to robust domestic demand, high energy prices, and the depreciating FX rate. The aggregate deficit for 2022 was €8.293 bn. The key reason behind the deterioration in the balance was the huge energy bill, with the energy account remaining flat, the trade balance would have accumulated a deficit of ~ €3 billion.

The jump of the deficit in the energy balance also had a negative impact on the current account. The C/A deficit is expected to reach 7% of the GDP in 2022, according tot he NBH.

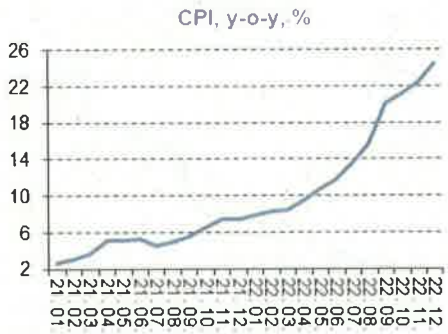
I. Macro and microeconomic environment (continued)

3. Inflation

In 2022 the Hungarian economy was characterized by strong underlying inflationary pressures affecting a broadening range of goods and services. The sharp rise in global energy, food and commodity prices and tensions in supply chains were pushing up imported inflation, exacerbated by the relative weak forint exchange rate.

Headline CPI jumped from 7.4% to 24.5% by the end of the last year, while the outcome implied an annual average CPI of 14.5% for 2022, up from 5.1% in 2021. Core inflation also showed a massive upward trend, thus the annual average jumped from 3.9% to 15.7% in the preceding year. The tax-adjusted core inflation index calculated by the MNB showed an annual average rise of 15.6%.

There is a lot of uncertainty surrounding the outlook for 2023, but CPI may peak around 25-26 % in the first month of the year and remain at very high levels in the first half of the year. Inflation is not likely to return to single-digit levels until the last quarter of 2023 and the annual average inflation next year is likely to be between 17.5% and 19.5%.



Source: KSH

4. Labor market

Following the drop of the unemployment rate to below 4% in February, the labour market maintained sub-4% levels throughout the rest of the year. The figure mainly fluctuated at 3.6-3.8%, returning to the highest point of the range in November. At the same time the number of the employed rose further during most of the year before it stabilised close to 4.7 million in Q4 2022. This path was characteristic of both the private and the state sector. However, the number of employees in the public employment programme dropped by 16,500 compared to one year ago, while the number of employees working abroad rose by 16,000 compared to 2021.

The unemployment rate may gradually rise further in the next couple of months to approach/reach the 4% level, but a drastic and sustained rise in the number of unemployed is not expected. The tight labour market is likely to remain a feature of the domestic economy in the medium term.

Net wages grew by 17.5% in the first 11 months of the year. The engine of growth was the public sector where wages increased by more than 20%, but private sector wage growth remained robust, too. The shortage of skilled labor alongside with government measures (the massive minimum wage rise) will keep wage growth well supported, net wage growth is likely to remain well above 10% in 2023.

Source: KSH

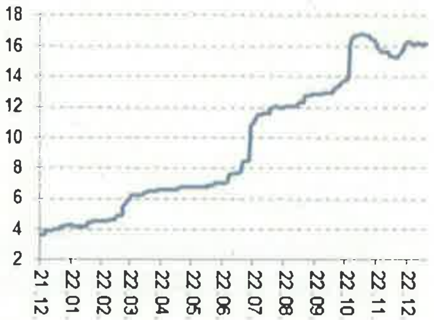
I. Macro and microeconomic environment (continued)

5. Monetary policy

Reacting to strengthening inflation risks and increased financial market volatility, the central bank accelerated the tightening cycle in 2022. The base rate was raised by 1060 bps (from 2.4% to 13.0%) in the first nine month of the year, but at the end of September the NBH announced that this point would mark the end of the cycle. However, the central bank was forced to take aggressive action to protect the forint exchange rate in mid-October. To deal with the surge in the risk premium, the NBH raised short rates substantially. The central bank drastically widened the interest rate corridor (the lower end of the corridor remained at 12.5% while the upper end jumped to 25%) and introduced an O/N deposit facility at 18% – which implies an effective 500bps rate hike.

The effective interest rate may remain at the current level in the coming period and as long as there is no material proof of improvement in CPI, external balances and the general risk perception of Hungary. The convergence of the base rate and the one-week deposit rate could start in Q1 with cautious steps depending on incoming data and market developments. Optimally, the base rate could fall to around 10% by the end of 2023.

3M Bubor, %

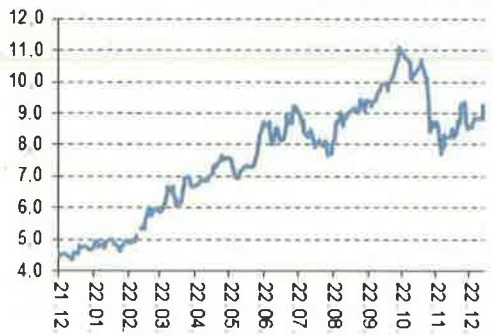


Source:MNB

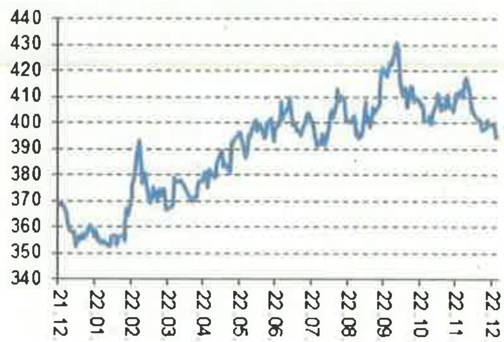
The forint showed a massive trend of depreciation against the euro in 2022, with the EUR/HUF cross exchange rate rising from the 355-365 range at the beginning of 2021 to above 430 in mid-October. It was followed by a relatively robust correction phase (mainly thanks to the NBH's extraordinary interest rate hike), thus the forint closed 2022 against the euro below the 400 threshold. However, it still implies more than 10% yearly depreciation against the euro. The annual FX market trend was strongly driven by the rising global risk aversion, the uncertainty about EU funds, the external imbalances and the above-average exposure to Russian gas. The annual average EUR/HUF level exceeded 391.

In the government securities market, the NBH tightening cycle pushed short yields higher. The high fiscal deficit, rising inflation expectations, deterioration of the country's risk perception and expectations for a lengthy tightening cycle triggered an upward shift in longer yields too. The 10Y yield finished 2022 at 9.0%, up by more than 450 bps compared to the same period of 2021.

10Y yield, %



EUR/HUF



Data source: Reuters

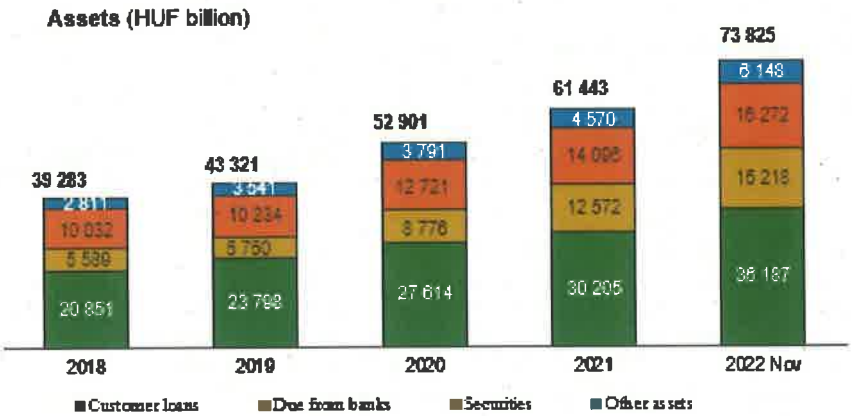
I. Macro and microeconomic environment (continued)

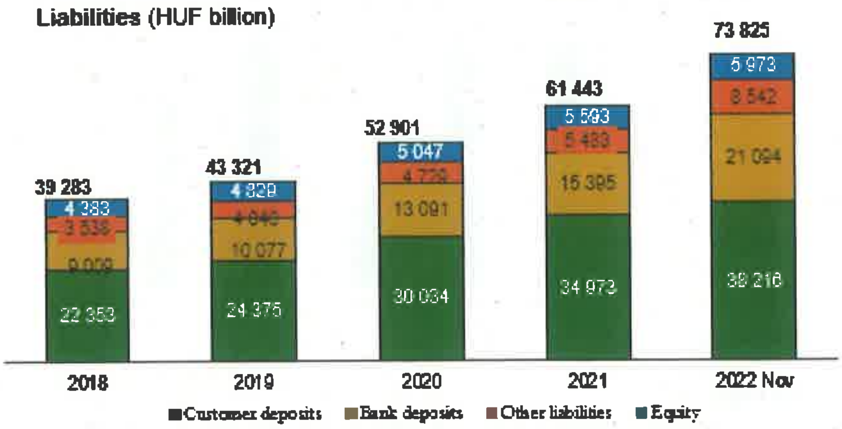
6. Banking environment

The Hungarian banking sector was able to maintain the dynamic growth on the lending side, while the increase of customer deposits dropped into the single digit territory in 2022. Profitability of the sector worsened as a result of government actions (windfall taxes, interest rate caps etc.) and higher loan impairments, but the liquidity and capital position of the sector remained solid.

Local corporate lending increased by 18,0% by November 2022, compared to end of 2021. Government supported loan programmes were the main contributors to the growth in the corporate segment, in addition to FX impact coming from HUF weakening, without FX effect the growth rate was 13,4%. Retail lending grew by 5,8% compared to the end of 2021. The growth was supported by mortgage loans, where demand remained strong during the most part of the year, although new disbursements declined by almost 5% compared to the previous year, while the same rate for personal loans reached +7%. Babaváró new disbursements declined by 24% in the first 11 months compared to the same period of last year, but still this product could as well contribute to the rising lending volumes.

The volume of deposits from customers increased by 9.3% compared to the end of 2021. Retail deposits stagnated (+0,3%), due to the high inflation, while corporate deposit showed 4,9% increase compared to December 2021. The growth rate were impacted positively by the deposit of other financial intermediaries (e.g. Investment Funds) that grew by 40% over the same period.





Data source: NBH, IFRS, Q4 2022 data is not available

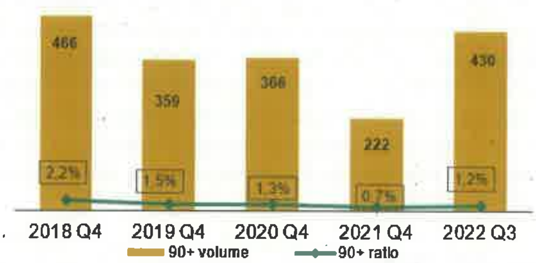
I. Macro and microeconomic environment (continued)

Credit quality

90+ past due loan ratio of the sector (non-performing loans) increased significantly to 1.2% as of September 2022.

Volume of corporate loans with more than 90 days past due within total loan showed a decrease and the 90+ ratio was 0.8% at the end of September 2022. The retail segment's portfolio quality worsened with a 90+ ratio slightly increased to 1.5% as of Q3 2022, which is 0.2% point increase compared to the 2021 year-end due to the end of moratorium and deteriorating economic environment.

90+ DPD ratio and volume (HUF billion)



Data source: NBH; IFRS, Q4 2022 data is not available

Profitability

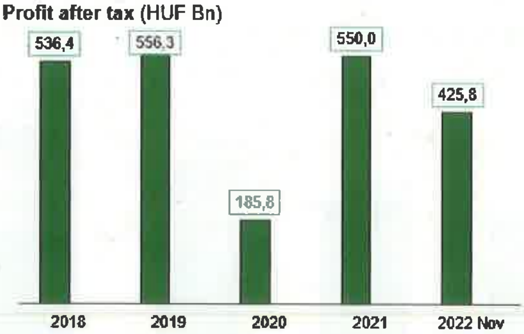
Despite the rising revenues the profitability of the banking sector had decreased by 22.6% compared to the end of 2021 as of November 2022, mainly due to the government measures in 2022 (extra profit tax and special transaction taxes), interest rate cap on mortgage and SME loans, portfolio quality deterioration and fair value losses.

The banking sector's profit after tax totalled to HUF 426 billion as of November 2022.

Net Interest Income increased by 63.2%, thanks to higher local currency interest rates, Net Commission income increased by 11.2%, due to transactional turnover growth, compared to the same period of last year. Profit from Trading Activities dropped to zero due to high fair value losses. At the same time operating cost level increased by 12.1% due to the rising inflation, weaker local currency and high energy pricing.

The cost / income ratio was 49.5% at the end of November 2022.

Profit after tax (HUF Bn)



Data source: NBH; IFRS

Liquidity and Capital

The liquidity and capital position of the domestic banking system has deteriorated slightly over the past year.

The amount of liquid assets (securities and interbank receivables) increased by HUF 4,821 billion (+18.0%) while the sector's loan to deposit ratio (net customer loan / customer deposits) increased by 8.2% points (92.4% as of November 2022) because of lower customer deposit growth in 2022.

Capital Adequacy Ratio (CAR) decreased from 20% to 18.2% as of September 2022 (includes Co-operative credit institutions) due to the deteriorating profitability.

II. Business strategy and priorities

In 2022, CIB, together with its parent company, Intesa Sanpaolo Group, defined the key strategic directions and objectives for the period 2022 – 2025:

- Increase **commission income** generating capacity;
- **Market share** growth while maintaining **portfolio quality;**
- Further develop and strengthen **digital sales** and strategy;
- **Simplify** processes and increase the proportion of value-creating activities;
- Modernising the IT architecture, ensuring **its stable operation;**
- Implementing the **ESG strategy;**
- Strengthening employee motivation and **engagement.**

The main objective of CIB Group is to further develop digital banking services, while at the same time transforming the role of the branch network, expanding sustainable lending, improving cost efficiency and increasing revenues, while maintaining a high quality loan portfolio. With solid parent bank support behind us, our key focus remains our ambition to be a bank that continues to deliver outstanding services to our highly demanding retail and corporate customers, while improving the customer experience and delivering value creation, innovation and efficiency. We believe that only by embracing these values and striving to achieve these goals can we continue to operate successfully and sustainably in the long term.

CIB has established a solid position to cope with a wide range of challenges. The outbreak of the coronavirus pandemic and then the war in Ukraine posed significant challenges to the entire global economy and the banking sector. CIB Bank is a well-capitalised, stable and highly liquid financial institution with a healthy portfolio of above-average quality, thanks to its systematic work over the past years, and aims to be an active participant in the further development of the Hungarian economy.

- **In 2022, we have taken further steps to strengthen the Bank's ability to generate commission income.** This includes developing key business areas such as banking insurance and asset management.
- **We took significant steps to simplify our activities** through automation, redesigning our processes and setting priorities.
- **We made great efforts to ensure the well-being of our employees**, to which end the strengthening of personal relationships can make a decisive contribution, while adapting effectively to the new hybrid working environment and the substantially changed inflationary environment. During our operations we continued our programmes aimed at retaining our staff and supporting the professional development of exceptional employees, as well as at shaping our corporate culture in line with our business objectives. We made significant efforts to strengthen the commitment and motivation of our employees and have sought to involve them not only in the implementation of the strategy but also in the social and environmental programmes and energy saving initiatives launched by the Group.

The CIB Group closed the first year of the 2022-2025 strategic cycle with an outstanding performance. Revenues more than doubled, while cost increase lagged behind the high inflationary environment. As a result, cost efficiency improved significantly in 2022. The Group was able to further increase its market share in a number of strategic segments, expanding the range of its services available through remote offer and the range of its products available through digital channels. As a result, the CIB Group ended the year with a return on equity that doubled the COVID period.

III. Outlook for the banking sector

Slow down in lending activity

The current double digit interest rates for local currency loans, coupled with the expected economic slow down will reduce the demand for investment loans in the corporate sector. High interest rates and house prices will cause the same on the mortgage market. Government supported lending programmes (e.g. Széchenyi loans) will partially mitigate the negative impact in the Micro and SME segments and the prolongation of Babaváró loans is also a positive development in Retail lending.

Worsening in credit quality

Economic slow down together with the extremely high inflation will have a negative impact on the debt servicing capacity of corporate customers and households as well. In the corporate sectors with high energy consumption will be hit by the most, while among households those with high debt to income ratio are in danger. Expected decline in real estate prices will reduce collateral values leading to higher impairments as well.

III. Outlook for the banking sector (continued)

Lower profitability in the banking sector

Although the increase in interest rate contributed positively to revenues, government measures (e.g. windfall taxes, mortgage and SME interest rate caps, moratoria in the agriculture sector) will partially offset this positive impact. High inflation on the other hand will lead to an increase in both Personal Expenses and G&A, while worsening credit quality will cause higher impairments.

IV. Evaluation on the performance of CIB Group including net assets, financial and earning position

Assets

The balance sheet total of CIB Group amounted to HUF 3,093,574 million (+11.2% compared to December 2021) as of December 2022. The higher total assets were primarily a consequence of the increase in customer and bank deposits.

Customer loans

At the end of December 2022 CIB Group's consolidated gross loan portfolio was HUF 1,466,305 million (+15.5%). Within the total portfolio the proportion of consumer loans (mortgage, car financing and others) levelled at 38.0% by the end of December (-3.0%). The share of large corporate loans grew by 1.5%, to 39.8%, while that of SME and Small Business financing changed by +1.3% and +0.3% respectively. Demand for new financing was strong, especially in the Corporate division where new disbursements were able to grow by 5% compared to year 2021, thanks to the Széchenyi loans and because of high demand in the Large Corporate business line. In retail demand for new mortgages started to decline in the second half of the year, annual new production was 16% less than in 2021, while Babaváró loan new sales dropped by -10%. On the other hand new personal loans increased by 10%.

Loan portfolio quality

The credit quality of CIB Group's loan portfolio deteriorated slightly with the end of the moratoria in 2022, however the share of 90+ days past due loans stagnated at 0.63% (+0.03%). Some deterioration could be observed in Small Business (+0.8%) and SME (+0.2%), due to rising inflation. To prepare for the negative impact of economic slow down in 2023 and because of the modification loss caused by the interest rate cap measures the Group made HUF 23,678 million impairment on financial assets over the year.

Securities

The Group held securities portfolio of HUF 509,263 million by December 2022 (+9.4%) of which securities measured fair value through profit or loss amounted to HUF 16,493 million; held to collect and sell portfolio reached HUF 295,683 million, while held to collect investments amounted to HUF 197,087 million. Most of the security portfolio consisted of domestic government bonds (68,6% of total securities held) and mortgage bonds.

Interbank receivables

CIB Group's liquid assets portfolio – cash and equivalents and interbank loans – amounted to HUF 945,241 million (-1.1%) by the end of December 2022. 12.9% of interbank receivables was placed within Intesa Sanpaolo Group, while 75.9% was short term placement at MNB.

Repossessed properties, tangible, and intangible assets

Net book value of repossessed properties, fixed and intangible assets was HUF 35,000 million (-2.2% compared to December 2021), the decrease was the result of repossessed asset sales. The net book value of repossessed real estates closed at HUF 2,617 million.

Liabilities

Customer Deposits

Total customer deposits amounted to HUF 2,133,568 million (+5.8%) by the end of December 2022. The growth was mainly driven by the corporate segments.

Deposit from banks

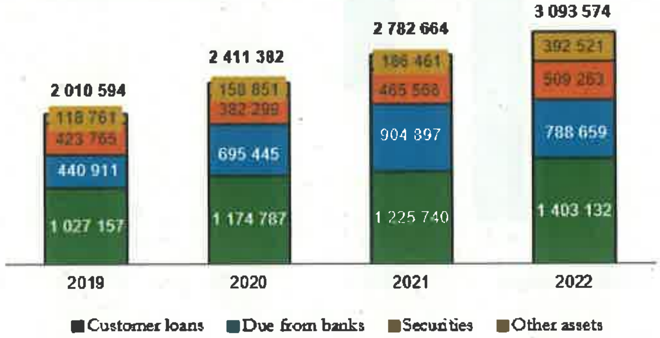
Interbank funds totalled to HUF 498,297 million (+23.5%) as of December 2022, the increase was mostly related to the senior non preferred loan received from the parent to comply with the MREL requirements. The share of funds came from the Group's parent company, accounted for 22.2% of the total of interbank deposits, while the remaining part included the refinancing received from the central bank as part of FGS, loans from supranational financial institutions, mortgage banks and from the central bank.

IV. Evaluation on the performance of CIB Group including net assets, financial and earning position (continued)

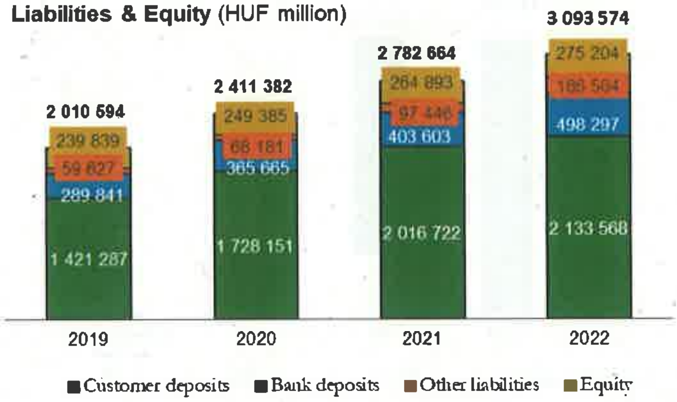
Equity

CIB Group's total shareholders' equity was HUF 275,204 million, 3.9% higher than in 2021 mainly thanks to the the profit for the current year.

Assets (HUF million)



Liabilities & Equity (HUF million)



Data source: CIB Group, IFRS

Profit and loss

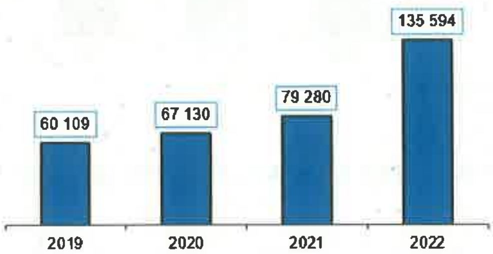
The Group closed year 2022 with a profit of HUF 36,100 million (128% higher than in 2021).

Revenues

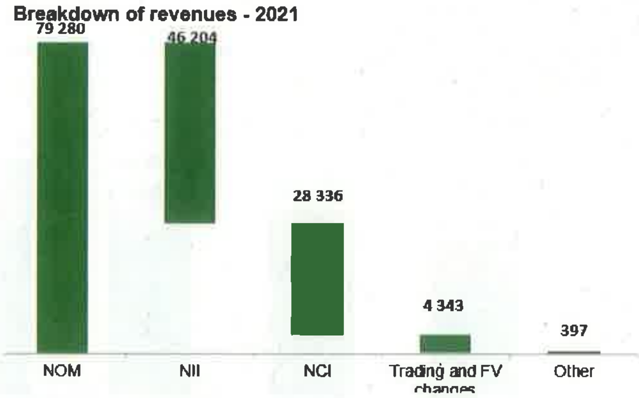
Total revenue of CIB Group amounted to HUF 135,594 million (+71.0% compared to 2021), out of which Net Interest Income was HUF 105,879 million (+129.2%). Net Commission Income was HUF 29,402 million (+3,8%), while Trading Income and Fair Value changes totalled to HUF 1,571 million (-63.8%), Other operating income and expenses reached HUF -1,258 million.

Revenues grew compared to 2021, mainly thanks to increasing HUF interest rates and the growing business activity especially in customer lending and cash management transactions.

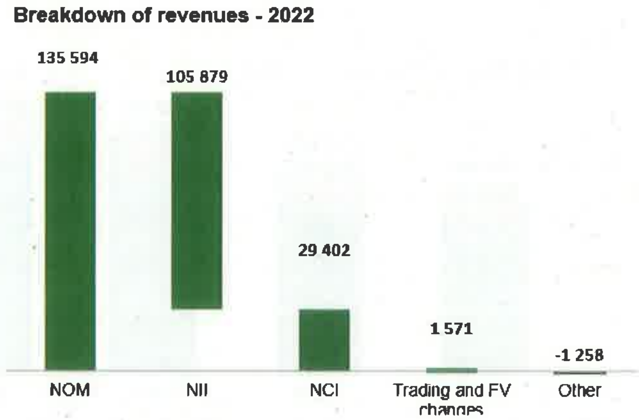
Revenues (HUF Mln)



IV. Evaluation on the performance of CIB Group including net assets, financial and earning position (continued)



Relative weight	58.3 %	35.7%	5.5%	0.5%

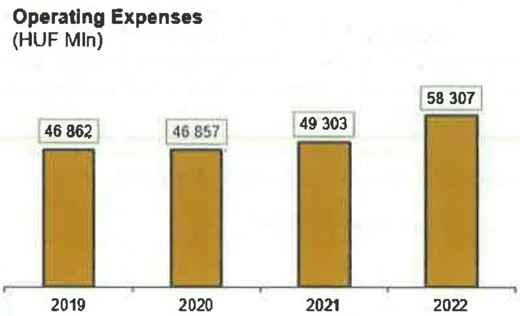


Relative weight	78.1%	21.7%	1.2%	-0.9%

Data source: CIB Group, IFRS

Operating expenses

Total operating expenses increased by 18.3% to HUF 58,307 million without the bank tax, mainly due to the effect of the weaker local currency and rising inflation and the transactional duty increase.



Data source: CIB Group, IFRS

Banking sector tax

Total extraordinary bank tax of the Group (including the extraprofit tax) amounted to HUF 14,192 million in 2022.

IV. Evaluation on the performance of CIB Group including net assets, financial and earning position (continued)

Allowances and impairments

Provision and impairments reached HUF 22,387 million, HUF 14,683 million higher in 2022 than in the previous year, due to the modification losses in connection with the mortgage and SME loan interest rate cap regulations (HUF -9.789 million, an increase of HUF 7,437 million compared to previous year). Individual loan impairments (HUF -1,904 million) were at a moderate level, after the releases in 2021 in connection with some large recoveries. Collective impairments increased by HUF 6,414 million compared to 2021, because of additional impairments on customers most affected by inflation and economic slow-down."

Other provisions were less than in 2021 by HUF 3,531 million, mainly because of less provision on legal cases.

V. Operations of the subsidiaries in 2022

The Group structure was the following at each 31 December:

(number of companies)	**2022**	**2021**
Companies for providing services and products to Group's customers	3	3
Companies responsible for the management of repossessed assets	1	1
Total	**4**	**4**

Companies for providing services and products to Group's customers

CIB Leasing Ltd.

The business profile of the company, founded in 2000, is closed-end financial lease – primarily related to motor vehicles – and to provide financing to the purchase of vehicles and machinery. At the end of 2010 CIB Credit Ltd, CIB Property Ltd, and CIB Residential Property Ltd merged into CIB Leasing Ltd making the company the only entity in CIB Group providing financial leasing services. Continuing the simplification of the Group structure at the end of 2017 CIB Real Estate Leasing Ltd. merged to CIB Leasing Ltd, who recorded a market share of 5.6% as of September 2022. The total assets of the company in December 2022 were HUF 116,530 million. Net results for year 2022 was a loss of HUF 539 million, due to the extraprofit tax and agriculture moratoria related modification losses.

CIB Rent Ltd.

The company is specialized in operative leasing transactions. The total assets of the company at the end of 2022 were HUF 234 million, while annual result was a loss of HUF 45 million.

CIB Insurance Broker Ltd.

The company was founded in 2001 to deal with insurance brokerage activities. At the end of 2022 total assets of CIB Insurance Broker Ltd. amounted to HUF 1,459 million, while its profit after tax was HUF 788 million.

Company responsible for the management of repossessed assets

Recovery Ltd.

Recovery Ltd. (previously Expert Ltd.) is the main vehicle for the repossession of real estates. On 31 December 2011 CIB REAL Ltd. (a company dealing with the management of Group's operating premises) merged with Recovery Ltd. The sole legal successor of the merged entities is Recovery Ltd. Total assets of the company closed the year at HUF 7,130 million. The company closed the year with a profit of HUF 289 million.

VI. Key events and processes occurring after the balance sheet date

No significant events or processes occurred after the balance sheet date, during the period prior to the preparation of the financial statements and the approval thereof that could have a material impact on the Bank financial or earnings position.

VII. Utilisation of financial instruments in the Group

The Group holds a substantial quantity of liquid financial instruments.

The purpose of the substantial cash and short-term bank placements is to ensure immediate liquidity on top of the unencumbered high quality security portfolio. The portfolio of securities held for trading, serves several purposes at the same time: buffer to serve customers' investment needs, provide a short-term opportunity to realise profit, while also as a secondary source of liquidity.

VII. Utilisation of financial instruments in the Group (continued)

The derivative transactions are FX forward deals, futures deals on the stock-exchange and OTC contracts, FX swaps, FX options, interest rate swaps and forward rate agreements. The Group performs such transactions mainly for hedging purposes. In the latter case the primary objective is not to hedge individual transactions for profit taking, but to reduce the bank's FX and interest rate risk exposure.

VIII. Risk-management and hedging policy of the Group

ISP Group's regulations pertaining to the various significant types of risk are approved, and reviewed at least once a year, by the Management Board of the parent company. The Group has credit risk management, market risk management, liquidity and liquidity crisis management, interestrate risk, country risk - counterparty risk management and operational risk management policies. These regulations serve to define the framework of its activities related to the specific areas of risk management along unified principles across the entire Group.

CIB Group's credit risk management policy defines fundamentals of credit risk management across the Group, risk appetite of the Group both on general level and on an annual basis adjusted to the changing business environment. Basic roles and responsibilities, clear segregation of duties and major tools of credit risk measurement and management are unambiguously defined in the policy.

The financial portfolio policy includes the guiding principles related to currency and interest risk, the regulations containing methodology of sensitivity analysis and value-at-risk calculations, as well as the limits for the risk exposures.

The liquidity policy determines the fundamental principles, goals, and procedures for liquidity management, maximum liquidity exposure limits, as well as the organizational framework for monitoring them. In the frame of the liquidity strategy, the bank's senior management takes into consideration the likely future development of business volumes, and the cost of funds.

The liquidity policy includes the liquidity contingency plan, which specifies the procedures to be followed in case of an unexpected crisis scenario and defines the order the liquidation of assets which may depend on the nature of the crisis. In these regulations, the bank also defines the maximum tolerance related to Basel 3 regulatory liquidity ratios, the LCR and the NSFR.

The Group applies hedge accounting to some specific assets hedged by interest rate swaps in order to mitigate the interest rate risk in the Banking Book. The Group in accordance with IFRS and Intesa Sanpaolo Group policies designates certain derivatives also as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge). In the case of derivatives that do not qualify for hedge accounting, changes in the fair value of such derivative instrument are recognised immediately through profit and loss.The P&L calculation method depends on the purpose of the transaction wether trading or hedging. The effect of the changes in the fair value is immediately recognized on the income statement in case of the derivative transactions for trading purposes.

The country risk management policy regulates the method for establishing limits for individual countries and specifies the extent of the regularly reviewed limits as well.

The operational risk management guidelines define the events that are grouped into this risk category, and the methods for measuring the risks of this type borne by the Group.

IX. Price, credit, interest, liquidity and cash-flow risks of the Group

In the course of its business operations, the Group is primarily and mainly exposed to credit risk. The mitigation of this type of risk is achieved partly through compliance with the statutory requirements and internal limits, and partly through prudent lending and loss-provisioning practices.

Legal requirements as well as best practices of risk management are transformed into daily operations of the Group by internal regulations. The internal regulations treat in detail the procedures related to debtor rating, deal approval, limit-setting, the recognition and evaluation of collateral, loan and customer monitoring, and risk management, applicable to the various customers and customer groups. They also specify the lending-related responsibilities and duties of the individual organizational units. In alignment with the requirements of the supervisory bodies and its owner, the Group pursues a prudent policy in terms of assumption of risk.

Lending process is managed along structured principles in its entire complexity from customer request via credit approval, disbursement, and monitoring until full repayment of the loan or, if unavoidable, until work-out management. Basis of any credit-risk related decision is the exposure of the group of connected clients towards CIB Group.

In the frame of the core business activity the Group is actively managing the interest rate risk by defining the maximum accepted level of interest rate risk exposure held in the banking book and the expected net interest income. Each year, the Management Board, under the supervision of the Supervisory Board and in line with the group level risk tolerance of the parent company, determines the risk appetite and corresponding limits.

IX. Price, credit, interest, liquidity and cash-flow risks of the Group (continued)

Reports on the current interest rate risk position are submitted to the respective risk management committees on monthly basis and regulated in the banking book interest rate risk management policy.

Special emphasis is also placed on the management of liquidity and cash-flow risks, due to the high importance of maintaining the Bank's liquidity and disponibility and ensuring the safety of customer deposits constantly.

Among the various price risks, the Group is predominantly exposed to the changes of currency exchange rates, as well as the changes of the market values of securities. The Group aims to hedge its FX positions in the frame of the trading book activities performed by the Treasury.

X. Research and development

In 2022 and 2021 the Group had no own research and development and did not participate in the financing of any research projects.

XI. IT controls over financial reporting processes

The applications are developed within the group or by external partners. CIB Bank applies risk-proportionate administrative and technical measures to protect IT systems that store and manage data as follows:

- access to data / systems is only possible on the basis of a pre-defined authorization management process that applies the principle of minimum authorization, ensures segregation of duties and regularly checks the scope of those entitled to access;
- user identification, authentication, password management is regulated and verified;
- the systems have a well-separated test and development environment, which ensures that software developments and modifications are only implemented in the operating environment after proper, regulated testing and approval;
- the systems are protected by appropriate network boundary protection and segmentation, and network communications are protected;
- the regular backup and storage of the IT system that stores and manages the data is regulated, the organization performs regular recovery tests;
- ensure the redundant operation of the IT systems that store and manage data;
- developed a BCP for critical systems and processes, which is regularly tested and reviewed;
- ensure that all activities related to the processing of data are fully logged and that the logs are confidential, available, inviolable and non-repudiable;
- protection against malicious codes is continuous and up-to-date;
- ensure that manufacturer updates for your employee environments are regularly installed;
- apply a data leakage protection solution to reduce the risk of data leakage.

XII. Employment policy

CIB Group, as a major player in the Hungarian banking sector, had 2,055 active employees at the end of 2022. Of these, 174 were employed on a part-time basis. The Group hired 407 new employees in 2022. From an HR perspective, the focus in 2022 was on monitoring and correcting remuneration factors, developing digital competencies in the organisation and reinvigorating community relations.

Due to the significant and sudden increase in inflation, intra-year changes in market wage levels, exchange rate volatility and the related changes in employee expectations, a significant focus was needed to monitor compensation factors. The Bank has placed greater emphasis on more frequent market benchmarking of wages, bonuses and other benefits, and on adjusting benefit elements in line with market dynamics, while also in a sustainable way.

Digitisation is a key element of the Bank's strategy and, in this context, the development of the digital skills of its staff has been a priority. As part of this, we conducted a digital competency survey among colleagues, based on the EU Digital Competence Framework. On the one hand, this provides colleagues with a self-diagnosis of where they stand in terms of openness to change and digital skills, and on the other hand, it provides a good basis for identifying the areas in which training should be provided to staff. In the "Digital Galaxy" video library, available to all colleagues via the employee mobile app, our staff can find up-to-date training content, presentations and discussions on digitalisation, with the participation of experts from both inside and outside the Bank. The optimum use of digital tools and applications supporting hybrid meetings was also taught to colleagues through a series of blogs sent to them by a fictional virtual senior manager, the Chief Hybrid Officer.

XII. Employment policy (continued)

The return after the extended home office period due to the Covid waves and the relocation of the Bank's headquarters from two to one headquarters have led to a renewed focus on community relations in 2022. To this end, a number of our major programmes were once again in the form of face-to-face events. Examples include a CIB Spirit Day for all colleagues, a Top Allstars gala celebrating top performers, and a week-long "Hello Office!" event to mark the return to the office. We have relaunched the "Let's meet at the branch!" initiative, whereby a branch invites a central colleague for an informal chat or programme, thus strengthening collaboration between the network and the central areas. Staff wellbeing was also a major focus during this period, with the Wellbeing Weeks also providing an opportunity for staff to strengthen relationships through face-to-face, informal programmes.

XIII. Sites of operation

The Banks head office is located at 1024 Budapest, Petrezselyem u. 2-8.

XIV. Corporate governance policy

In keeping up with the applicable national and EU regulations CIB Group and its subsidiaries comply, without exception, with the rules set out therein, including those on corporate governance. The national and EU norms are made available to the public via the www.magyarkozlony.hu and the http://eur-lex.europa.eu websites, respectively.

Consistent professional governance within CIB Group takes place in accordance with the "Principles of the professional governance and operation of CIB Group" policy, which defines also the guidelines for the running the organisation.

The Group's parent company issues group-level policies at predetermined intervals and on specified topics, which are enforced and implemented by the Group in accordance with the applicable "Policy on the Implementation and Issuance of Group Policies".

The Group operates a responsible internal governance system, in which the individual governance and supervisory functions are clearly separated from one another. The governance functions are carried out by the Management Board and Governance Committees, while the control functions are performed by the Supervisory Board, the Audit Committee, Internal Audit and Validation, as well as through second-level and various built-in process controls. The external control function of the Group is performed by the Auditor.

The **Sole Shareholder** practices the rights of the General Meeting which is the Group's supreme decision-making body. The Sole Shareholder makes decisions in writing in the authority of the supreme decision making body, which becomes effective as soon as it is communicated to the Management Board. The Sole Shareholder makes decisions in accordance with the Group's Statutes and the relevant statutory regulations. The Sole Shareholder chooses the members of the Management Board, as well as the executive entitled to use the title of CEO, from the members of the Management Board. Decisions falling within the Sole Shareholder's exclusive scope of authority are comprised by the Group's Statutes.

The **Management Board** is the Group's management body. Its members are chosen by the Sole Shareholder practicing the authority of the supreme decision maker in keeping with the Group's Statutes. The Management Board has its own rules of procedure. The duties of the Management Board include making all decisions related to the management of the Group that are outside of the Sole Shareholder's scope of authority, in accordance with the law or the Group's Statutes.

The **Supervisory Board** is the Group's highest controlling body. Its members are chosen by the Sole Shareholder practicing the authority of the supreme decision maker. The Supervisory Board has its own rules of procedure. It is the duty of the Supervisory Board to oversee the Group's executive management and administrative procedures, business management, trading and other relationships, in accordance with the provisions of the Group's Statutes.

The **Audit Committee** is a body that supports the professional activities of the Supervisory Board with respect to internal audit tasks. The Audit Committee's members and rules of procedure are defined by the Sole Shareholder practicing the authority of the supreme decision maker. The committee's duties include the review of the auditing process, internal and external control and risk management system.

The **Remuneration Committee** operates based on the Constitution and upon 117. § (6) of Act CCXXXVII of 2013 also known as the Hungarian Banking Act (Hpt.). Remuneration Committee's members and rules of procedure are decided by the Supervisory Board. The Committee's duties include overseeing and preparing decisions regarding the remuneration of the members of the management board, Risk Takers (as defined in the Remuneration Policy) performing internal control functions in compliance with the relevant legislation, supervisory guidance and Intesa Sanpaolo Group Remuneration Policies in addition assessing and preparing decisions regarding the remunerations and the Remuneration Policy to the Supervisory Board for approval.

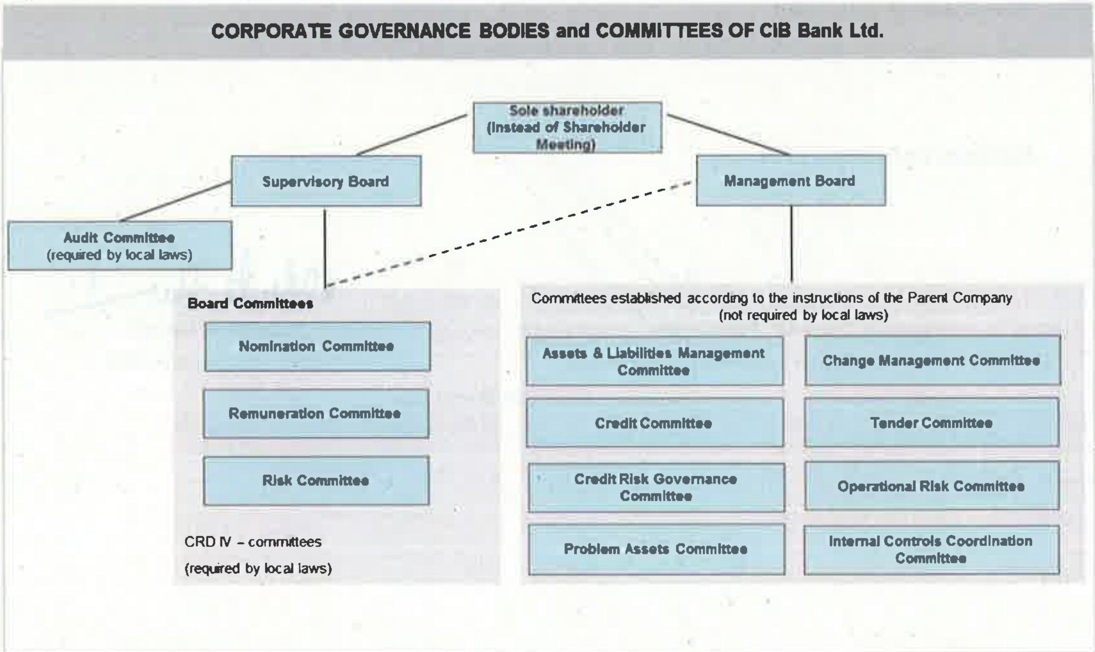
XIV. Corporate governance policy (continued)

The **Nomination Committee** operates based on the Constitution and upon 112. § of the Hungarian Banking Act (Hpt.). The Committee's duties include recommending the appointments of the members of the Management Board and the Supervisory Board to the Sole Shareholder and also the re-assessment of the suitability of the members.

The **Risk Committee** operates based on the Constitution and upon 110. § of the Hungarian Banking Act (Hpt.). The Committee's duties include supporting the Management Board and the Supervisory Board to define the risk appetite framework and the risk strategy of the Group and in the implementation of the approved risk strategy.

Other governance committees are established on the basis of the resolution of the Management Board (in line with the Bank's Statutes). The scope of authority and the operating procedures of these committees must be stipulated by a Policy that is approved by the Management Board. Governance Committees are the individual decision-making initiating, proposing and opining bodies depending on the responsibilities assigned by the Management Board. Governance Committees may operate along with Subcommittees and sections.

The members, operation and decision-making competencies of governance committees are regulated in a separate policy.



CIB Bank, as part of the Intesa Sanpaolo Banking Group, has a diversity and inclusion policy approved by the Management Board and applicable to all members of the CIB Group. The Policy has been introduced to strengthen and make more effective CIB Bank's commitment to implement and disseminate the principles of diversity in all its forms (gender, gender identity and/or gender expression, sexual orientation, marital status and family situation, age, ethnicity, religious beliefs, political affiliation, trade union membership, nationality, language, cultural background, physical and mental condition, or any other characteristic of the individual, including the expression of one's own ideas) in accordance with the principles set out in the Group's Code of Ethics and its internal Code of Conduct. The Policy aims to create a working environment based on plurality, respect and harmony, where people with different qualities, beliefs and opinions can work together to create value; where everyone is free to express themselves and where everyone's talents and qualities are not only recognised, but everyone has equal opportunities for professional development and remuneration.

Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

XIV. Corporate governance policy (continued)

Mission:

- To ensure a continuous and independent supervision over the conduct of business and the processes, in order to prevent or detect any irregular practices or risky behaviors / situations;
- To ensure the efficient and effective management of the Bank's processes, the safeguard of assets and protection against losses, reliability and integrity of the accounting and operational information, the compliance of operations with the policies established by corporate governance bodies and internal and external regulations;
- To provide consulting support to the Bank and Group functions, also by participating in projects, with the aim of adding value and improving the effectiveness of control, risk management and governance processes of the organization;
- To ensure the supervision over the Internal Control System of subsidiaries.

XV. Non-financial statement

The chapter of non-financial statement is on the following pages.

Budapest, 24 February 2023

Dr. Pál Simák
CEO and Chairman of the Board

Krisztián Németh
CFO and Deputy CEO

CIB Bank Ltd.

CIB Group Business and Management Report 2022

Chapter XIII. Non-financial statement

31 December 2022

Table of Contents

I. LETTER TO ALL STAKEHOLDERS, EXECUTIVE SUMMARY

Since 2005, every year CIB Group has prepared its sustainability report in line with the GRI international reporting standards. Starting in 2018, this has been supplemented by a shorter, non-financial chapter prepared for the financial statements. In 2022, in continuity with the first application, the sustainability report and the abridged non-financial report are combined as an integral part of the business report, as a separate chapter.

CIB Group has integrated sustainability principles into its core business and corporate culture, and it is along these lines that we carry out our various tasks, because like our Parent Company, Intesa Sanpaolo Group, we believe that these have to be reflected in an organisation's processes and day-to-day operations.

In 2022, CIB, together with its Parent Company, defined the fundamental strategic directions and objectives for the period to 2022-2025.

- Increasing **commission income** generation capacity
- Increasing **market share** while maintaining **portfolio quality**
- Further developing and strengthening **digital sales** and strategy
- **Simplifying** processes and increasing the proportion of value-creating activities
- Modernising the IT architecture, ensuring **stable operations**
- Implementing the **ESG (environmental, social and governance) strategy**
- Further strengthening employee motivation and **engagement**

The main objective of the CIB Group is to further develop digital banking services, while at the same time transforming the role of the branch network, expanding sustainable lending, improving cost efficiency and increasing revenues, while maintaining a high quality loan portfolio. With strong Parent Company support behind us, our main points of focus continue to be solidifying our position as a bank that provides consistently outstanding services to our discerning retail and corporate customers improving the customer experience, ensuring value creation, and implementing innovation and efficiency. We believe that long-term, sustainable operations can only be ensured by achieving these goals and embracing these values.

CIB has established stable positions to cope with a wide range of challenges. The outbreak of the coronavirus pandemic and then the war in Ukraine posed significant challenges to the entire global economy and the banking sector. CIB Bank stands at the disposal of its customers with a strong capital and liquidity position and with a healthy portfolio of above-average quality, to play an active role in restarting the Hungarian economy.

- **In 2022, we have taken further steps to strengthen the Bank's capacity to generate fee revenues.** This includes meeting the key performance indicators and financial targets set for 2022, as well as developing key business lines such as banking insurance and asset management.
- **We took significant steps to simplify our activities** through automation, redesigning our processes and setting priorities.
- **We made great efforts to ensure the well-being of our employees**, to which end the strengthening of personal relationships can make a decisive contribution, while adapting effectively to the new hybrid working environment and the substantially changed inflationary environment. During our operations we continued our programmes aimed at retaining our staff and supporting the professional development of exceptional employees, as well as at shaping our corporate culture in line with our business objectives. We made significant efforts to strengthen the commitment and motivation of our employees and have sought to involve them not only in the implementation of the strategy but also in the social and environmental programmes and energy saving initiatives launched by the Group.

The financial sector has a key role to play in the transition towards a sustainable, more green economy. The Bank is therefore fully committed to and support the implementation of the Magyar Nemzeti Bank's (MNB's, the National Bank of Hungary's) Green Recommendation, which is being put together by the Management Board under professional responsibility of the General Deputy CEO. Based on a precise schedule, working groups have been set up involving all areas of the Bank to ensuring that measures in line with local,Bank-Group and international expectations are taken. As in previous years, these are reported on thematically within our non-financial reporting framework, prepared in accordance with our parent company's guidelines, national and international standards for non-financial reporting and the international Global Reporting Initiative (GRI) standards. The current, enhanced and restructured report includes the various material topics, examined primarily from the point of view of our main stakeholders. For the twelfth year in a row, our report also includes a demonstration of compliance with the principles set out in the UN Global Compact. Please read through the report carefully and share your thoughts and comments with us at kommunikacio@cib.hu, so that the Bank can deliver even better performance to the satisfaction of all our stakeholders.

Best regards, Dr. Pál Simák, Chief Executive Officer, Chairman of the Management Board

II. METHODOLOGY

The report contains information regarding the CIB Group's organisational units and subsidiaries in Hungary. The data contained in the report is group-level data, unless otherwise expressly stated. When determining the content of the report, we relied heavily on the results of the various consultations held with external and internal stakeholders during the year, and the material topics were determined in accordance with the requirements of the GRI reporting standards.

The report primarily aims to provide the CIB Group's stakeholders with an overview of the organisation's performance and operations, in light of the topics and issues that are most of interest or of concern to them. Accordingly, besides the main, strategic and corporate-governance results, the report presents four major topics in detail, including the processes and results of the following eleven material topics identified:

- Governance and risk management
    - Group value and solidity;
    - Innovation digital transformation and cyber security
    - Integrity in corporate conduct
- Society
    - Quality of service and customer satisfaction
    - Access to credit and financial inclusion
    - Community support
- People
    - Retention, enhancement, diversity and inclusion of the Group's People
    - Well-being and health & safety of the Group's People
    - Employment protection
- Environment and climate change
    - Transition to a sustainable, green and circular economy
    - Direct environmental impacts

The four main sections are thus also arranged in this same way: we explain how the given topic fits into our strategy, and what management approach we have taken, and then we present our main results and challenges of 2022, the extent to which last year's objectives were fulfilled, and our new commitments for the coming years.

- Reporting period: calendar year 2022
- The previous "Business and Management Report Non-Financial Statement", March 2022
- Reporting cycle: annual
- Applied reporting standards and guidelines: Global Reporting Initiative (GRI), Global Compact
- CIB Group has reported in accordance with the GRI Standards for the period 1st January 2022 – 31st December 2022.
- Validity of data: Figures valid as of 31 December 2022, unless specified otherwise.

Other legislation and guidelines: EU Directive 2014/95/EU, in accordance with the relevant requirements of Act C of 2000 on Accounting (Subsections (1) – (5) of Section 95/C and Subsection (5) of Section 134), the Budapest Stock Exchange's Non-financial Reporting Directive for listed companies, Intesa Sanpaolo Consolidated Non-Financial Statement.

You can read more about the boundaries of the current 2022 report, the material topics and the process of determining them as well as the GRI index, can be found in the annexes.

Entities included in the CIB Group's consolidated financial statements

Subsidiary	Country of registration	Scope of Activity
CIB Bank Zrt.	Hungary	Commercial banking, leasing and factoring
CIB Lízing Zrt.	Hungary	Financial leasing
CIB Rent Zrt.	Hungary	Leasing
CIB Biztosítási Alkusz Kft.	Hungary	Insurance brokerage
Recovery Zrt.	Hungary	Financial consulting

II. METHODOLOGY (cont.)

Responding to emergency situations: post-Covid, war, energy crisis

The 2022 posed a number of challenges to the Bank Group in terms of the socio-economic environment. Although the economy seemed to be recovering from the coronavirus epidemic, a war unexpectedly broke out close to its borders., As a consequence people had to face challenging rates of inflation and an increase in energy prices,

Restrictions due to Covid-19 (the requirement to wear masks and hold a valid immunity card to enter the workplace and attend training courses) were lifted in the first quarter of 2022, as the pandemic situation abated. However, the smart working up to 60% of the time remains in place for jobs where a physical presence in the office is not required.

When the war broke out, CIB Bank joined the community of helpers. It participated in the assistance efforts in many ways. On the day after the war begun, it immediately donated one million HUF to each of the three major Hungarian charity organizations (Hungarian Interchurch Aid, Hungarian Charity Service of the Order of Malta, SOS Children's Villages) that are known to have played a prominent role and been active in the effective management of the refugees.. Joining the initiative of the Parent Bank Intesa Sanpaolo, CIB Bank also launched and ran a fundraising campaign for more than a month, through- wich CIB's customers had the opportunity to collect and transfer funds to theHungarian Reformed Church Aid Service. using their mobile applications with just a few clicks. In addition, the bank's volunteer employees were also actively involved in helping the colleagues of the Ukrainian partner bank PRAVEX and their families. They organised the reception, accommodation, boarding and transport to Budapest of the partner bank's employees and their family members at the border, and their relocation to Italy upon Parent Company instructions. In addition, CIB Bank provided financial support to its employees who hosted relatives from Ukraine. Almost 150 CIB Bank's employees volunteered for the humanitarian campaign providing a safe harbour to many families after their arrival in Hungary.

In order to alleviate the difficulties caused by rising inflation, which has particularly affected energy bills and food prices, the CIB Group provided direct financial support to all its employees – except senior managers and those on the same salary level as them – including colleagues on maternity leave. It provided one-off financial support in September and December. In addition to the planned April pay rise, it is raised basic salalries again in November with a particular emphasis on those on lower than average salaries.

III. IDENTITY AND PROFILE

1. Company presentation

CIB Bank is a subsidiary of the Intesa Sanpaolo Group. Backed by its major international Parent Company and with 40 years of experience as a universal credit institution, CIB Bank offers a full range of commercial banking and investment services, supplemented by the products and plans of its subsidiaries (CIB Leasing, CIB Insurance Broker). With a branch network present in all parts of the country, CIB Bank offers its services to more than 454.458 customers, while continuously seeking innovative solutions tailored to the needs of its customers. The services of CIB Bank are available to businesses, institutions, municipalities and sole traders, as well as to retail customers. Besides the bank's branches, customers also have an exceptionally wide variety of electronic channels to choose from, through which to manage their finances quickly and conveniently, such as the CIB Internet Bank, CIB Bank Online, the CIB Bank Mobile Application, or the eBroker information and securities trading system.

Name:	CIB Bank Zrt.
Territory of operation:	Hungary
Registered office:	Budapest
Form of incorporation:	Privately held joint-stock company (Zrt.)
Ownership structure:	Intesa Sanpaolo S.p.A., sole owner

CIB Group

Number of employees:	2055
Number of customers:	454.458
Ratio of domestic (Hungarian) suppliers:	93,4 %
Distributed value added:	HUF 95,353 million
Our activities:	Commercial banking, leasing and factoring
Our presence in the country:	a detailed list of branches can be found on www.cib.hu website.

Intesa Sanpaolo Group

One of the most significant banking groups of the eurozone	Strategic international presence
Subsidiaries in 12 countries, 6,9 million customers, 905 branches	
Market leader in Italy	3,662 branches, 13.6 million customers in Italy

Based on data as of 2nd January 2023

National presence of the CIB Group

	TOTAL			Budapest			West-Hungary			East-Hungary		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Number of employees	2.034	2.007	2.055	1.636	1.599	1.642	189	189	193	209	219	220
Number of branches	63	61	61	25	23	23	19	19	19	19	19	19
Number of ATMS	121	120	118	50	49	46	33	32	32	38	39	40

Based on data as of 31st December 2022

III. IDENTITY AND PROFILE (cont.)

2. Business model

Based on the four-year growth strategy set for the CIB Group in 2022, the banking group has set itself the goal of becoming the primary bank of its customers. The main component in this approach is to simplify bank processes, improve customer satisfaction, and digitalisation, which has an important role in sales and the service model. As the non-financial statement is part of the annual financial statements of CIB Group, the Group's business strategy, target group, financial performance, as well as the impact of the coronavirus pandemic and the war in Ukraine on our business and operations are described in the relevant chapters of the report above (Business and Management Report, Chapter II: Business strategy and priorities)

3. Group value and solidity

The 2022-2025 Business Plan

In 2022, CIB Group, together with its Parent Company the Intesa Sanpaolo Banking Group, defined the fundamental strategic directions and objectives for the period to 2025. In line with this, as a universal financial service provider for all customer segments, it aims at long-term and sustainably profitable operation. The Group's strategic commitment for digitalisation covering the full spectrum of back and front-end operation leads to the optimisation of sales channels and thus to increased business volumes.

The pillars of the strategy are as follows:

- **Extending digitalisation** to all segments, exploiting existing digital solutions and developing **new end-to-end digital services**
- Achieving dynamic growth **in lending** and **ramping up services generating fee revenue, with an emphasis on ESG initiatives**
- Increasing the **motivation and engagement** of our employees by **simplifying processes** and optimising the "new way of working".
- **Strengthening our credit engine** to support our growth, while **maintaining loan quality.**
- **Modernising and stabilising our IT architecture** in order to improve customer experience and optimise IT operating costs.

More detailed information on the achievement of the strategic business objectives is available in the Business and strategic priorities chapter of the Business and Management Report.

Economic and financial performance and distribution of the value generated

The evaluation of the CIB Group's performance is described in more detail than below in the "Evaluation on the performance of CIB Group including net assets, financial and earning position" section of the Business and Management Report.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

CIB (HUF bn)	2020		2021		2022	
ECONOMIC VALUE GENERATED	61.576	100,0%	76.236	100,0%	112.526	100,0%
ECONOMIC VALUE DISTRIBUTED	-47.573	77,3%	-50.522	66,3%	-95.353	84,7%
Employees	-21.404	34,8%	-22.894	30,0%	-25.475	22,6%
Suppliers	-13.359	21,7%	13.094	17,2%	-15.705	14,0%
Government, organisation, communities	-12.810	20,8%	14.534	19,0%	-30.673	27,3%
Shareholders	0	0,0%	0	0.0%	-23.500	20,9%
Economic value retained	14.003	22,7%	25.714	33,7%	17,173	15,3%

Based on data as of 31st December 2022

III. IDENTITY AND PROFILE (cont.)

4. Vision and values

CIB Bank work to provide high-quality banking and financial services to CIB's customers and to create and exploit opportunities for development in all areas of our activity.

Aware of the importance of our activities, the Bank promote a model of growth that focuses on sustainable results and the creation of a process based on the trust that derives from customer and shareholder satisfaction, a sense of belonging of employees and close monitoring of the needs of the community at local level.

The Bank is competing on the market with a sense of fair play and are ready to cooperate with other economic entities, both private and public, whenever necessary to reinforce the overall capacity for growth of the economies of the countries in which we operate. CIB's aim, in accordance with the ethical values of its international banking group, is to operate with a sense of responsibility in terms of fairness, transparency and sustainable development. (except from the Code of Ethics)

Integrity
The Group pursues its goals with honesty, fairness and with a sense of responsibility in full compliance with the rules, professional ethics and spirit of signed agreements.

Quality
The Group's aim is to continually improve. It is forward-looking and anticipates challenges, cultivating widespread creativity with the objective of achieving innovation and worth.

Transparency
Transparency forms the basis for all our activities, communications and contracts in order to enable stakeholders to make independent, fully informed decisions.

Respect for specific qualities
The Group's intention is to combine its international and national dimension with its local roots, becoming a bank that "thinks big", without losing sight of individuals.

Equality
We are committed to eliminating discrimination from our conduct, and to respecting differences of gender, age, race, religion, political beliefs, trade union membership, sexual orientation and identity, language or disability.

Value of individuals
The value of each and every individual guides the entire modus operandi of the Group, which adopts listening and dialogue as tools for continually improving relations with all stakeholders.

Responsibility in the use of resources
We strive to use all resources with the utmost care, encouraging conduct focused on optimisation and the prevention of waste and ostentation and prioritising choices geared towards long-term sustainability.

GUARANTEES OF STABLE VALUE CREATION

The Bank has been operating in the Hungarian financial market for more than 40 years. Stable operation requires a prudent, effective corporate governance system that supports the employees in making the right decisions. Within the Bank's corporate governance framework, which is also strongly influenced by the effective statutory provisions, the following elements are of key importance in the interest of ensuring stable operation:

✓	Assessment and management of the risks of the operating environment, use of an advanced compliance system
✓	Corporate governance tools and processes that support responsible and ethical operation
✓	Continuous focus on efficiency and efforts to ensure sustainably profitable operation
✓	Stakeholder dialogue with the aim of mapping and shaping the expected risks and expectations
✓	Conscious efforts to develop financial skills in society
✓	Balanced pricing policy that optimises market effectiveness and responsible decision-making
✓	Strict lending principles: CIB Bank does not simply sell products, but provides proactive advisory services and product offers that are tailored to fit in with its customers' business models, and which take into account the size, profile, current financial situation, resilience and long-term plans of each business. CIB's conservative lending policy and transparent, stringent lending principles ensure legal compliance and a balanced credit portfolio. The Bank attributes great importance to provide comprehensive information to its stakeholders, to allow them to take informed decisions on whether the Bank's offer is valuable from a business point of view, and whether they can afford it.
✓	Almost all the Bank's staff have indefinite-term employment contracts, which for us is also reflective of a committed employment relationship that can be planned for in the long term. To meet seasonal labour requirements, the Bank also employs workers under a contract staffing arrangement. The proportion of employees working part-time increased slightly since last year, this is how the Bank helps its employees to find the ideal work-life balance.
✓	Responsible employment

III. IDENTITY AND PROFILE (cont.)

5. Voluntary commitment to domestic and international initiatives

Membership in international initiatives

Global Compact: A UN initiative that promotes corporate social responsibility through the adoption of ten fundamental principles relating to human rights, labour rights, the environment and combating corruption.

Equator Principles: Guidelines for social and environmental risk assessment and management in projects, based on criteria recommended by the International Finance Corporation, a World Bank organisation. The CIB Group has joined the Equator principles through its Parent Company, the Intesa Sanpaolo Group.

Membership in national initiatives

The Bank's partnerships with professional organisations also represent an important aspect of the Bank's community relations. The interests of the various sectors of the economy, and society, are represented by the associations formed by stakeholders, each focusing on a clearly defined set of objectives. Our participation in these organisations is important for two fundamental reasons. Firstly, it creates an opportunity to engage in professional dialogue, and secondly, it provides Bank Group, and the bank sector as a whole, with a means of upholding and protecting its interests as part of a structured advocacy group.

Hungarian Banking Association: The Hungarian Banking Association is the interest advocacy organisation of the Hungarian banking sector, coordinating and representing the official position of the banking community. Its main task is to represent the professional interests of its members.

Budapest Chamber of Commerce and Industry: The primary mission of the chamber is to promote the development and organisation of the economy, safeguard the security of business transactions and the fairness of market conduct and represent the general and collective interests of those engaged in economic activities by operating on the basis of the principle of self-government.

Italian Chamber of Commerce in Hungary: Its principal activity is to liaise with the competent Italian and Hungarian authorities in order to jointly develop the measures necessary to increase the exchange of goods between the two countries.

Hungarian Association of Internal Auditors: Its mission is to secure the acceptance of, support, develop and represent the interests of the internal audit profession in Hungary, to raise awareness of international and European internal audit knowledge and professional practice in Hungary, and to train and examine internal auditors.

ISACA, Hungarian Chapter: The Hungarian entity of the Information Systems Audit and Control Association (ISACA), an international professional organisation.

Chamber of Hungarian Auditors: Represents the interests and professionalism of the audit profession.

Hungarian Forex Society: The official interest advocacy organisation of Hungarian foreign exchange, money market, derivatives and government securities dealers. Its objective is to deepen and develop the professional knowledge of those involved in foreign exchange, money market or capital market transactions, and to represent the interests of Hungarian commercial banks at the appropriate professional forums.

Hungarian Advertising Association: Through its services and programmes, it provides a unique platform for all sectors of the industry to engage in dialogue and collaborative thinking and implement innovative ideas for the development of the industry.

Hungarian Canadian Chamber of Commerce: It provides an excellent platform for develop commercial relationships between Canada and Central Eastern Europe.

Hungarian Self-Regulating Advertising Body: Its principal tasks are to develop the self-regulatory principles of advertising practice in Hungary, establish international relations, evaluate legislation related to advertising practice, provide a preliminary opinion on advertising campaigns, co-ordinate between member companies, present and disseminate the principles and practice of self-regulation, and communicate the society's needs and criticisms to the advertising industry.

ACCA: The global body for professional accountants.

Hungarian Leasing Association: The professional advocacy organisation of asset finance companies (leasing firms, banks, financial enterprises) in Hungary.

Hungarian Factoring Association: Its goals include interest representation and lobbying, training and continuing education, lectures, consultative forums, the exchange of experience, the dissemination of information and the development of financial culture in Hungary.

Hungarian Association of Independent Insurance Brokers: In addition to the protection of professional interests, its goals include the self-regulation of, and the development of a professional and ethical background for, brokers' activities, the education and professional liability insurance of brokers, and participation in the development of legislation on insurance brokers.

The Hungarian Public Relations Association: It is an organisation that represents and protects the professional, ethical, individual and collective interests of PR professionals nationwide, and works to increase the recognition of the PR profession.

III. IDENTITY AND PROFILE (cont.)

6. Materiality analyses and stakeholder engagement

Non-financial reporting covers the material topics and indicators that reflect significant economic, environmental and social impacts, and enable stakeholders to assess the reporting organisation's performance in the reporting period. As well as constituting the core of non-financial and sustainability reporting, these aspects are also essential for identifying and managing risks and opportunities, also contributing to shaping the company's strategy with regard to relevant issues for the business and its stakeholders. To this end, in line with the process outlined in the GRI standards, CIB Group updates its materiality analysis on an annual basis. In 2022, the Bank has actively involved its employees, retail and corporate customers and strategic media partners – in prioritising relevant issues.

The CIB Group's 2022 materiality analysis process was set out in line with the following macro-phases:

- revision of stakeholder mapping of the CIB Group;
- revision of economic, environmental and social impacts of the CIB Group;
- reviewing changes in key topics and issues relevant to the CIB Group and its stakeholders based on secondary research, industry benchmarking and business feedback from stakeholders;
- guidance from the Parent Company's analyses of national/international documentation, standards and legislation;
- reviewing the prioritisation of topics with:
    - involvement of internal and external ESG experts
    - employee questionnaire
    - retail and corporate customer research
    - structured interviews with strategic media partners
- validation of the materiality matrix with:
    - ESG Task Force (working group)
    - CEO, ESG responsible Board member
    - internal and external ESG experts and
    - Intesa Sanpaolo sustainability reporting approaches and guidances

Stakeholder mapping

Maintaining the stability of CIB's operations and implementing a trust-based growth strategy that offers real opportunities requires continuous dialogue with the Bank's stakeholders. The Bank regards as stakeholders all those who may be affected by the activities and operations of the bank and/or who may have an impact on the company. Of these, the following groups are of key operational importance: employees, customers, shareholders, suppliers, the environment and the community. Contacting its stakeholders is through different means of communication and through various channels, the most important ones are highlighted in the report.

The following stakeholders have been identified and are informed by the CIB Group about its activities and its achievements through customised communication channels and through other means. As part of our two-way dialogue, stakeholders' expectations, concerns and ideas are also gathered.

Stakeholder group	Stakeholders	The dialogue	Relevant issues
Employees	All group employees, including temporary employees and trainees	▪ Representation of interests ▪ Employee Satisfaction survey ▪ Internal communication ▪ Internal discussions ▪ Employee events ▪ Voluntary activities ▪ Internal by-laws and instructions	▪ Stability ▪ Financial performance ▪ Responsible employment, career management, recognition, training events ▪ Equal opportunities ▪ Work-life balance ▪ Safety at work ▪ Work tools ▪ Corporate culture ▪ Inflation, energy crisis, living costs

III. IDENTITY AND PROFILE (cont.)

Stakeholder group	Stakeholders	The dialogue	Relevant issues
Customers	Retail customers, corporate customers (small businesses, SME and corporate), municipal customers	▪ Website ▪ CIB Bank Mobile Application ▪ Retail and corporate customer research ▪ "100% Listening Programme" ▪ Branches ▪ CIB 24 customer service ▪ Complaint management ▪ Public reports ▪ Marketing materials ▪ Business / Partner meetings	▪ Stability ▪ Financial performance ▪ Corporate governance ▪ Client-driven culture and the related trainings and activities ▪ Product portfolio, digitalisation, pricing ▪ Quality and promptness of service ▪ Complains management ▪ Financial inclusion ▪ Environmentally friendly solutions ▪ Social responsibility ▪ Responsible lending: ESG risk assessment and performance measurement
Shareholder	Intesa Sanpaolo Group	▪ Annual achievement report and plan ▪ Internal audit report ▪ Discussions ▪ Thematic reports Monthly and quarterly financial reports	▪ Financial performance ▪ Stability ▪ Strategy ▪ Corporate governance ▪ Transition to a green economy ▪ Non-financial reporting
Suppliers	International and domestic suppliers, subcontractors	▪ Partner meetings ▪ Audits ▪ Official correspondence	▪ Corporate governance and reliability
Environment	Nature Future generations	▪ Website ▪ Media	▪ Environmental responsibility ▪ National Bank Green Recommendation ▪ ESG risk assessment and reporting
Community	Non-profit, civic organisations and non-profit organisations for the betterment of local communities, supported by us National, regional and local media, financial media, trade media Authorities and organisations cooperating in regulatory matters Organisations and pools of interests representing specific groups of society Trade associations, boards of trade, industry organisations we maintain contacts with	▪ Trade events ▪ Official correspondence and consultations ▪ Local events, collaborations ▪ Reports ▪ Annual report ▪ Sustainability reporting ▪ Website ▪ Press events ▪ Press releases ▪ Press monitoring and analysis ▪ Marketing & PR campaigns ▪ Official correspondence ▪ Audits ▪ Trade events	▪ Social responsibility ▪ Environmentally friendly solutions ▪ Stability and financial success ▪ Financial performance ▪ Corporate governance, fair competition and anti-corruption ▪ Responsible marketing ▪ Product portfolio ▪ Strategy ▪ Pricing ▪ Complaint management, Fair competition and anti-corruption ▪ Responsible lending and marketing

III. IDENTITY AND PROFILE (cont.)

Identification of material issues

CIB Group identified the material topics for the Group and for its stakeholders through a complex analysis in 2013, and since then we have conducted a yearly revision of this. During this year's revision we took into the following elements into consideration:

- benchmarking against the non-financial reporting practices of the largest, banks in Hungary;
- internal document sources, the '2022-2025 Business Plan', the 'Code of Ethics', the '2021 CIB Group's Business and Management Report' and the '2021 ISP Group Consolidated Non-financial Statements' and the 'ISP Group Consolidated Non-financial Statements as of 30th June 2022'.
- external documents, including reference standards and frameworks for sustainability performance reports (GRI standards) the The Budapest Stock Exchange's sustainability reporting guidelines for listed companies
- guiding documents and recommendations on non-financial reporting issued by our Parent Company based on international documents related to sustainability issues (such as Principles for Responsible Banking and the main regulations in the sector, the EU Non-financial Reporting Disclosure Directive; Sustainability Reports/Consolidated Non-financial Statements and additional public documentation issued by other Italian and international financial groups; documents drafted by national and international institutions for the identification of general and specific trends in the banking sector);
- results that have emerged from the dialogues on sustainability, ESG and non-financial reporting with our Parent Company and our peers, as well as with external sustainability experts.

Prioritisation of issues and defining the materiality matrix

The primary target audience for this report is the wider community and all stakeholders who are interested in our non-financial performance. Of the target audiences defined in previous years, we are using other primary communication channels for the purpose of informing and engaging them, so this report only serves as a supplementary source of information in the dialogue conducted with these two groups.

Based on the GRI standards and following the new CIB Bank 'Business Plan 2022-2025', the Bank conducted a materiality analysis with stakeholder in 2022.

In 2022, four target groups were prioritized to be included for prioritising the relevant topics, through questionnaires or structured interviews.

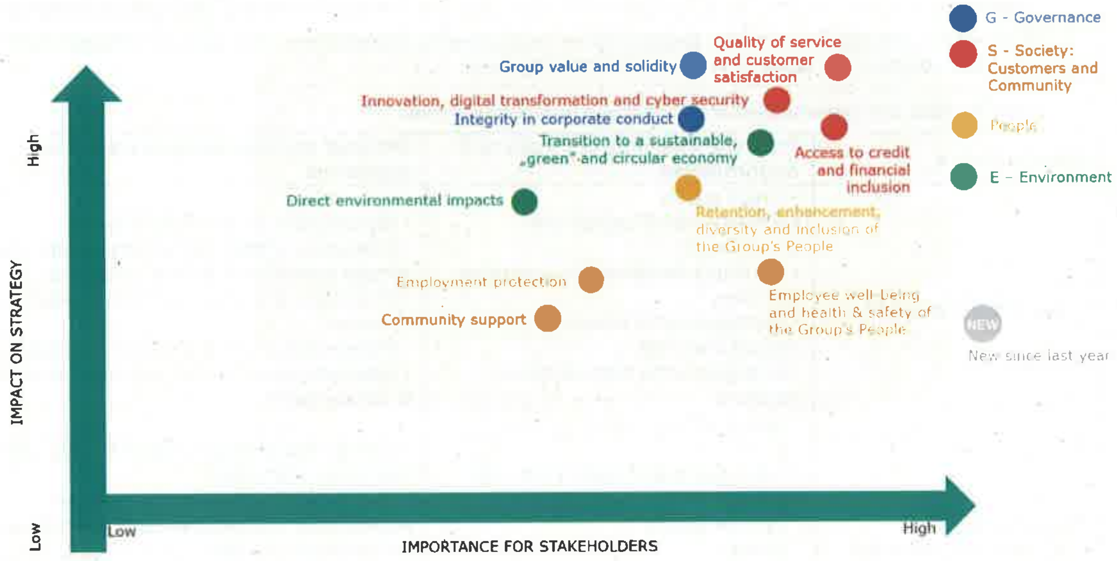
- Employees had the opportunity voluntarily participate in an internal questionnaire to highlight relevant topics and prioritize them. 245 out of 2055 colleagues completed the questionnaire
- Small Business and retail customers received ESG-related questions included in the regular TOP- Down research. 321 Small Business customers answered out of the potential 15.354 targeted ones and 455 retail customers out of 21.901.
- CIB Group selected 3 main strategic media partners for interviews to include media and through their views the wider societies information on relevant issues and prioritization.

In general, the stakeholder research validated the list of materiality issues, an overall agreement on the material impacts and the relative priority can be identified.

The results of the Materiality Analysis are graphically represented using a coordinate system known as the Materiality Matrix, which shows on the y axis the relevance that the material issues have for the Group and its strategy, based on their decision-making requirements and prospects, and on x axis, the relevance that they have for stakeholders. This representation makes it possible to disclose in summary form the significance (i.e., the materiality) of each issue on the basis of its overall position on the graph.

III. IDENTITY AND PROFILE (cont.)

CIB Group – Materiality matrix 2022



Every material topic identified relates to all units within the organisation.

Main variations in the 2022 materiality matrix

In 2022 both the importance for stakeholders and impact on strategy show increased evidences with some material issues:

'Transition to a sustainable, green and circular economy' topic has strengthened somewhat along both dimensions, while 'Retention, training, diversity and inclusion of the of the Group's People' has strengthened from a strategic perspective. The other issues remain relevant and are part of the Bank Group's strategy and annual action plan. By renaming a few materials issues the emphasis of content diversity is more given (adding cyber security and health & safety).

III. IDENTITY AND PROFILE (cont.)

Matrix validation

Placement by dimension based on the previous survey, desktop benchmark research and internal-external expert assessment, was validated by the ESG Task Force within the CIB Group and with the CEO's involvement as well.

All issues that are significant for the Group or for at least one of its stakeholders have been considered material and have been reported and covered in detailed in this document.

Impacts, risks and opportunities at national and international level

Material topics	Potential /real impacts, risks and opportunities	National and international trends and objectives
Group value and solidity	• Credit quality • Efficient use of capital and diversification • Attracting sustainability-conscious investors • Management of business, ESG and reputational risks • Changes in the organisational structure • Sustainable economic growth	• Globalisation and competitiveness • Evaluation of long-term scenarios including climate related risks and opportunities • Promotion of transparent and efficient financial markets • Dissemination of ESG values and culture • Assessment of the financial implications linked to ESG impacts
Innovation digital transformation and cyber security	• Compliance and data breach risk management • Service quality • Privacy • IT risk • Market and services diversification • IT and cyber security	• Digital transformation/Digital identity, online payments and billing • New technologies to ensure greater accessibility and effectiveness and excellence in the services provided • Digital customer experience • Dissemination of the use of home banking services • Application of artificial intelligence and robotics
Transition to a sustainable, green and circular economy	• Risks linked to climate change • Management of reputational and ESG risks in loans and insurance products • Sustainable investments • Sustainable infrastructure, cities, economies	• Support to the growth of demand and supply of low carbon products and services • Transition to a sustainable economy through a collaborative network and the promotion of circular development models • Support for loans for environmental projects •Identification, management and reporting of governance, strategy, climate risk management, climate related objectives promoted by the Task Force for Climate Disclosure (TCFD) • Promotion of actions aimed at mitigation and adaptation to climate change • Increasing attention to the protection of biodiversity and ecosystem services
Employment protection	• Employment • Labour law risks • Changes in the organisational structure • Knowledge retention • Human rights	• Uncertain employment levels due to the pandemic context • Consultation with and inclusion of employees • Continuity of employment/Welfare, well-being and social safety nets • Flexibility of employment
Access to credit and financial inclusion	• Financial inclusion • Management of reputational and ESG risks in loans within lending activities • Applying Guidelines for ESG Risks Concerning Lending Operations • Human rights	• Increased levels of financial education • Integration of ESG risk factors into credit management

III. IDENTITY AND PROFILE (cont.)

Material topics	Risks and opportunities	National and international trends and objectives
Quality of service and customer satisfaction	• Proximity to the customer and operational streamlining • Product innovation and service models • IT risk • Reputational risks associated with the application of ESG factors/criteria • Lack of capacity • Access to product and services	• Growth in bank deposits and increase in loans, due to or in relation to the uncertainty linked to the pandemic context • Business continuity and consumer satisfaction • Reorientation of the financial system towards an offer that incorporates the ESG criteria • Customer health and safety • digitalisation of services
Integrity in corporate conduct	• Corruption prevention • Compliance and data breach risk management • Investments in sensitive sectors • Fight against organised crime • Human rights • Sustainable economic growth	•Spread of organised crime • Incentives for ethical conduct • Fight against active and passive corruption • Protection of free competition • Compliance with labour laws • Privacy, cyber and data security • Anti-money laundering • Anti-fraud
Retention, enhancement, diversity and inclusion of the Group's People	• Employee engagement and satisfaction Talent attraction • Investments in training • Diversity & inclusion management • Enhancement of human resources	• Incentives for the banking advisor to actively assist in disseminating ESG products • ESG criteria in the incentivisation and inclusion of employees • Gender diversity, equal treatment and inclusion • Adoption of performance appraisal models that incorporate ESG elements
Well-being and health & safety and of the Group's People	• Employee engagement and satisfaction Company welfare initiatives • Work-life balance and flexibility • Management of employees' health and safety risks • Burnout	• Attention to company climate • Attention to employees' health and safety • Dissemination of welfare and well-being practices • Application of protocols for the prevention and mitigation of biological risks
Direct environmental impacts	• Environmental awareness raising and behaviour change Operational protection in risk situations • Impact on costs and business investments	• Reduction and reporting of atmospheric emissions to combat climate change • Responsible use of energy and natural resources • Waste management • Clean and accessible energy and water • Promotion of concrete climate actions • Building up the culture of environmental responsibility
Community support	• Community wellbeing • Financial consciousness • Employee awareness raising and engagement Brand enhancement • Group's leadership in society for the dissemination of the sustainability culture • Promotion and measurement of activities with high social impact • Management of current sociodemographic changes	• Social and economic development of local communities • Strengthening cooperation to achieve global sustainable development objectives • Dissemination of social finance instruments • Increase in social inequalities • Rising average age of the population

IV. GOVERNANCE AND RISK MANAGEMENT

1. Governance structure

The bank's top decision-making body until 31st October 2016 was the general meeting; from 1st November 2016, the Bank has one shareholder, Intesa Sanpaolo S.p.A., which adopts its resolutions in writing. More details can be found in the XIV. Corporate Governance policy section of the CIB Bank Business and Management Report

The structure of other decision-making bodies as follows: The bank's executive body is the Management Board, the members of which are employed by CIB Bank. The Supervisory Board is the Bank's supervisory body.

The Management Board

Members* of the Management Board on 31 December 2022

- Chairman & Chief Executive Officer (Pál Simák)
- Deputy Chief Executive Officer (Alberto De Stavola)
- Retail Business Line (Dr. Tamás Ákos),
- Corporate Business Line (Balázs Szabó)
- Risk Management (CRO, Zoltán Csordás)
- Operations (COO, Sante Cusimano)
- Finance (CFO, Krisztián Németh)

In 2022, there were no women in CIB Bank's Management Board.

The Audit Committee

The Audit Committee supports the professional activity of the Supervisory Board primarily in respect of internal audit, risk management, accounting and compliance tasks. The Audit Committee has three members and its composition as of 31 December 2022 as follows:

Members of the Audit Committee on 31st December 2022

- Gianfranco Pizzutto – Chairman (ISP business consultant)
- Alice Grittini (ISP, ESG Manager)
- Margaret Dezse (independent SB member)

As of 31 December 2022, there were two female members of the Audit Committee of CIB Bank.

The Supervisory Board

The Supervisory Board has 7 members.

Members of the Supervisory Board on 31st December 2022:

- Ignacio Jaquotot – President (ISP business consultant)
- Francesco Del Genio – Deputy Chairman (ISP – Head of Deteriorated Assets Section at International Sub. Division)
- Gianfranco Pizzutto (ISP business consultant)
- Alice Grittini (ISP, ESG Manager)
- Alexander Resch (ISBD, Head of Retail Division)
- Margaret Dezse (independent member)
- Robert Stöllinger (independent member)

On 31 December 2022, there were two female members of the Supervisory Board of CIB Bank.

Steering committees

The steering committees are authorised to independently make decisions and launch initiatives affecting the entire CIB Group, within the scope of authority delegated to them by the bank's Management Board:

- Assets & Liabilities Management Committee (ALCO)
- Credit Risk Management Committee (CRGC)
- Credit Committee
- Problem Assets Committee
- Operational Risk Committee
- Internal Controls Coordination Committee
- Tender Committee
- Change Management Committee

Further details can be found in the relevant chapter (Corporate governance and policy chapter) of the CIB Business and Management Report above.

IV. GOVERNANCE AND RISK MANAGEMENT (cont.)

Responsibilities and diversity of the management and control bodies

The Bank's Organisational and Operational Regulations (OOR) also clearly define the key principles related to responsible practices. Through this, the Bank rejects all forms of discrimination and corruption in both its internal and external communication, prohibits any form of discrimination and guarantees the general requirements of equal treatment in accordance with the relevant EU guidelines. Besides the above, the regulations governing compliance and risk management activities set out similar principles aimed at supporting responsible operations.

The CIB Group ensures equal treatment for its existing and future employees in accordance with the Fundamental Law of Hungary, the effective statutory provisions and the "CIB Group's Code of Ethics". This is achieved through the transparency of decision-making processes within the company and the ethical training provided to both managers and to the other employees. The examination of ethical issues associated with this topic and the subsequent preventive changes ensure legal and ethical compliance in this area.

We ensure equal treatment for all existing and prospective employees, but at the same time we also place particular emphasis on ensuing working opportunities for people with disabilities and disadvantaged workers, and to creating a level playing field for these individuals. Where necessary, we adapt the hiring process to accommodate the special needs of applicants with altered abilities. Through these measures, we ensure the diversity and inclusion of our staff.

Comments received from our stakeholders are always answered by the specialist department competent in the matter concerned, in accordance with the internal and external regulations. Therefore, these processes are mentioned later on where the management and performance review of the material issues are described.

In order to cover all ESG areas and create a clear organisational structure for managing the related tasks, the deputy CEO of CIB Bank has formally been nominated as ESG Manager of the CIB Group, thus becoming the person at management board level who is responsible for ESG management. This position was filled for the first time by Dario Grassani, who was assisted by an ESG working group representing all relevant specialist departments. He was succeeded by Alberto De Stavola, who arrived in October 2022. In addition, several ESG teams have been set up to address specific individual issues. The new ESG governance model acknowledges the importance of applying ESG at a strategic level and creates an efficient and flexible internal organisational structure to ensure proper adaptation of all national and international provisions. The ESG governance model adopted by the Bank was defined and is operating in accordance with the Intesa Sanpaolo Group's International Subsidiary Banks Division framework for ESG matters, established in 2021.

Internal control and risk management

The Bank has adopted a three-tier Integrated Internal Control System. This model provides for the following controls:

Level I: these controls are carried out by the operational and business units themselves (the "Level I Functions"), as well as by units that are exclusively dedicated to the performance of control tasks and that report to the head of the units, or they are carried out as part of our back-office operations.

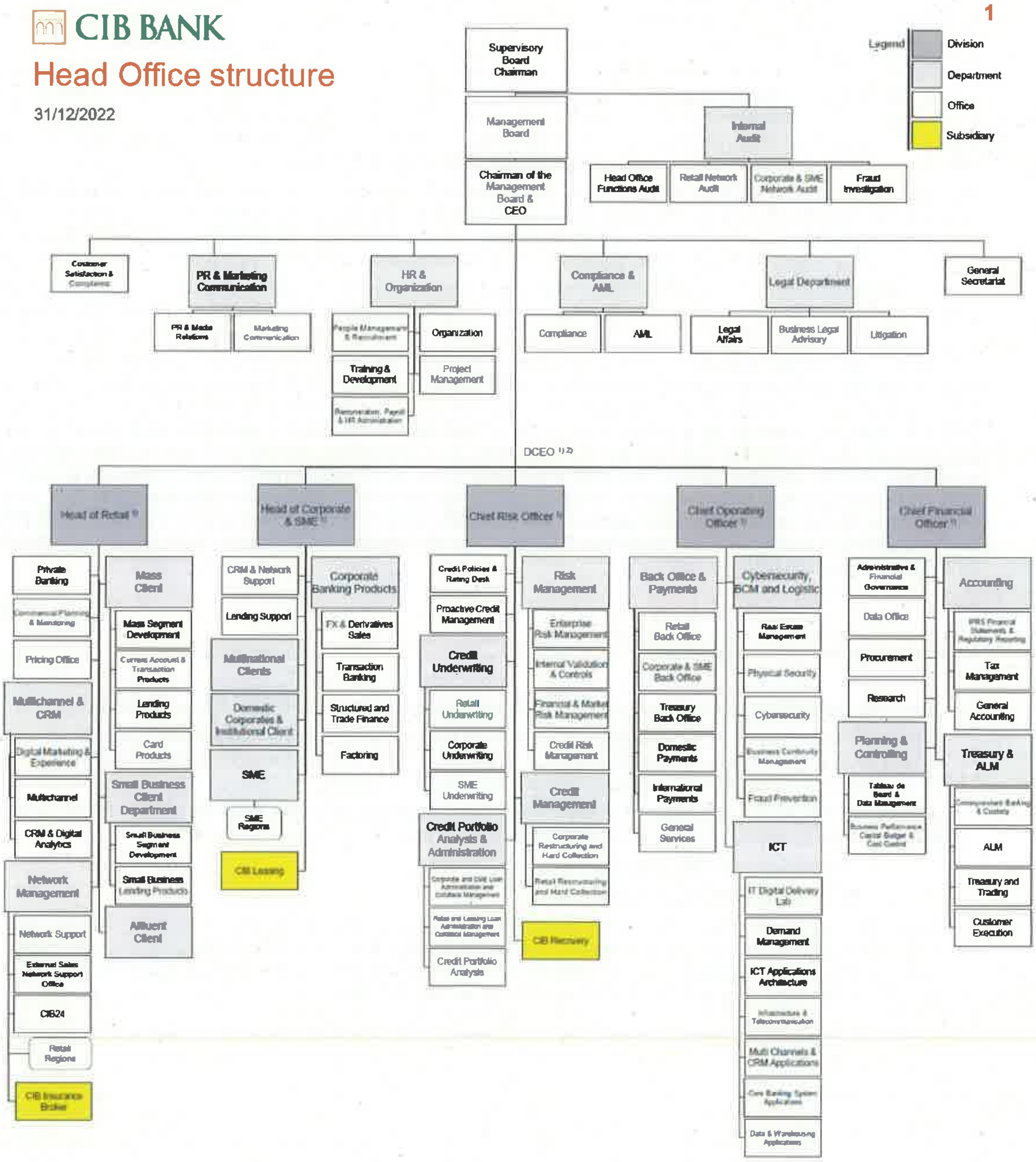
Level II: the functions responsible for these controls are independent from the business and operating functions and contribute to defining the risk governance policies and the risk management processes:

- Compliance and AML Department
- Risk Management Department

Level III: internal auditing controls, designed to identify violations of procedures and regulations and to periodically assess the comprehensiveness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal control system at pre-established intervals depending on the nature and severity of the risks.

IV. GOVERNANCE AND RISK MANAGEMENT (cont.)

ORGANISATIONAL STRUCTURE



IV. GOVERNANCE AND RISK MANAGEMENT (cont.)

Sustainability governance, ESG management

Since 2021 proved to be a turning point in terms of the ESG preparedness of the Hungarian financial sector, in April 2021 the Magyar Nemzeti Bank (MNB, the National Bank of Hungary) issued its document entitled 'Green Recommendation'. In this document, it specifically called on all financial institutions supervised by the Magyar Nemzeti Bank to comply with the issued requirements. Recommendation 47/2021. (IV.14.) of the Magyar Nemzeti Bank on climate change and environmental risks and the integration of environmental sustainability criteria provides guidelines for the activities of credit institutions, which was updated and supplemented with a knowledge base in 2022. Recommendation 10/2022 (VIII.2) of the Magyar Nemzeti Bank contains the following:

- The purpose of the recommendation is to set out the expectations of the Magyar Nemzeti Bank in relation to the identification, measurement, management, control and disclosure of climate-related and environmental risks and the integration of environmental sustainability considerations into the business activities of credit institutions, thereby increasing the predictability of the application of the law and facilitating the uniform application of the relevant legislation.
- The recommendation is addressed to credit institutions subject to the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter: Credit Institutions Act).

The recommendation focuses on the following areas:

- General expectations
- Supervisory expectations for integrating environmental sustainability considerations into company's business model and strategy
- Supervisory expectations for internal governance
- Supervisory expectations for risk management
    - Risk management framework
    - Credit risk management
    - Operational risk management
    - Market risk management
    - Liquidity risk management
    - Sensitivity and scenario analysis and stress management
- Expectations related to disclosure

In 2022, the Magyar Nemzeti Bank revised its Green Recommendation of April 2021 and amended it on several points. As in the previous version, the new Recommendation sets out expectations on climate change and environmental risk management, and also sets specific deadlines for more detailed expectations than before.

ESG training

In 2022, ESG trainings covered the topics of sustainable finance, ESG risks, legal regulatory frameworks and climate scenarios. The series of online training courses launched by Intesa Sanpaolo ("ESG skills for business", "Webinar for green banking", "ESG litigation", etc.) targeted mainly employees working in the business, risk, legal, procurement and CSR areas. The mandatory digital orientation programme for new hires has been extended to include ESG, so that employees joining CIB will learn why ESG principles are important to the Bank's operations as soon as they join. This is effectively complemented by the video course "ISP4ESG – our contribution to the future" in Hungarian, available on the LEA education platform launched by the Parent Company, which introduces, among other things, the basics of ESG, the legal framework, sector classification, the main ESG and reputational risks, their categorisation and the risk management rules. . In order to better understand the context, an online training programme on "ESG in Lending", supported by trainers from the International Bankers Training Centre, was offered to employees involved in corporate lending, complemented by a professional roundtable discussion. The technical content of the programme was then divided into sections and used to produce a rewatchable online video course for all.

IV. GOVERNANCE AND RISK MANAGEMENT (cont.)

Implementation and governance of Code of Ethics

The "Code of Ethics" reflects the broader vision of our social and environmental responsibilities. It explains the values we espouse and that we have made a commitment to uphold

As a company that operates in compliance with strict ethical norms, we have put in place a number of mechanisms that reveal risks that have previously, due to their nature, remained hidden; these include ethical risks. The purpose of the procedural rules is for victims in ethics cases, who until now have been unable to ask for help, to be able to consult and request advice, before taking action, if needs be, and to do so in an anonymous manner. In every member country the Intesa Sanpaolo Group has established a local ethics ombudsman system which, with a few exceptions, investigates ethics-related reports in the member country concerned, and the decisions are also made locally. To enable us to take local conventions into account, in addition to the ethics ombudsman the CIB Group has also established an Ethics Committee, the chairperson of which, as ethics ombudsman, is the Bank's head of CSR. The Bank sends a notification of every report to the head office in Italy without delay. The Ethics Committee does not impose sanctions, its task is to judge whether the claims made in the report are well grounded, and to take steps to share the lessons learned. If the report is well grounded, the Committee passes the case on to the appropriate professional department for investigation and a decision, and also to the HR department for a possible labour-law investigation.

We wish to achieve our goals while observing, and putting into practice, the principles of sustainable development and responsible operation. Our operation is founded on our seven core values introduced previously. The fulfilment of these requirements is assured by our advanced corporate governance system and decision-making processes (see above in Governance structure).

Ethical company, responsible operation

	2020	2021	2022
Number of ethical complaints	0	0	6

The significant change in the number of reports regarding irregularities, which began to increase again in 2022, reflects the fact that the proportion of face-to-face encounters, i.e., workplace attendance, increased significantly again compared to the two years before the coronavirus pandemic. In 2022, reports related to the following matters were received: managerial behaviour, employee behaviour, and external partner behaviour. In all cases, we initiated the necessary ethical and, where necessary, employee-disciplinary proceedings, in parallel. In order to improve employees' awareness of the rules and ethical principles set out in the "Code of Conduct", the Group launched a mandatory all-staff e-learning course on ethics in 2021, using interactive learning tools, and this continued in 2022 for new hires.

The interactive educational material, prepared first in 2012 and re-drafted in 2019/2020, serves as the basis for an online training course that all employees are required to complete. The educational material consists of a story told in the form of a graphic novel, providing guidance through the rules of the "Code of Conduct", rules of behaviour and ethical procedures by providing the most important information, interactive exercises and case studies. The purpose of the educational programme is to explain the most important information concerning ethical values and ethical processes in an interesting, easy to understand and interactive way and to facilitate the understanding of these through various activities, including by providing examples for the rules of conduct. The ethics related subject matter must be mastered by all new hires, while all employees are required to sit a new exam on the subject every four years.

While 1685 of the 1970 employees enrolled in 2021 completed the e-learning course and passed the exam, the next all staff training is scheduled for 2023.

The "CIB Group Rules of Conduct" set out the rules based on the values manifested in the „ Group's Internal Code of Conduct". They set out in detail the personal rules of conduct, the details of the operation of the Bank, and the rules of expected model behaviour, specifically discussing anti-corruption measures and gifts. Breaching the "CIB Group Rules of Conduct" may result in disciplinary measures.

The rules ensuring ethical behaviour, with a special focus on corruption-free and non-discriminatory operations, are included in the rules of procedure of the CIB Group as regulations adopted by the Board of Directors, violation of which may have consequences under labour law. Other key areas of corporate governance are the fight against money laundering, the avoidance of conflicts of interest, risk management and internal audit, which are dealt with by specified individuals responsible for these matters.

IV. GOVERNANCE AND RISK MANAGEMENT (cont.)

2. Managing environmental, social and governance risks

In order to integrate ESG considerations, and to comply with the statutory obligations and with the Magyar Nemzeti Bank's "Green Recommendation", CIB continued to develop its ESG policy in 2022. The framework set out in the policy includes the ESG Exclusion List (consisting of the activities excluded from financing by the Parent Bank e.g., coal mining, unconventional O&G), the industry ESG risk heatmap, the ESG sector strategy and the ESG individual assessment framework. ESG credit risk exposure will become part of internal reporting in 2023. In line with the Magyar Nemzeti Bank's "Green Recommendation", the bank will continue to incorporate ESG factors into the rest of the portfolio and in relation to collateral.

The Bank identifies its environmental, social and governance risks continually and ensures that appropriate measures are taken in the management approach to prevent or successfully mitigate potential or existing risks. The Bank continually review and improve its existing policies, processes, management systems and tools to ensure effective response to changes in risks. These management approaches and any relevant changes to them are presented in each chapter.

The Bank believes that a large banking group has a significant influence in terms of sustainability in both the short and long term. This influence concerns the consumption of resources and the generation of emissions and waste directly related to its commercial activities, as well as activities and behaviour that the Bank cannot directly control, but which are generated by customers and suppliers. This is a principle of conduct. The Bank is therefore committed to promoting responsible resource management in order to reduce its ecological footprint and assess the consequences of its activities on the environment. The Bank's approach is to prevent, manage and, where possible, reduce environmental impacts, including those related to energy consumption, generated directly or indirectly by its activities.

CIB has signed up to the Equator Principles through its Parent Company, Intesa Sanpaolo Group, and has adopted the Rules concerning the Equator Principles.

Based on the Group's approach the Bank identifies the following as sensitive sectors of activity under the ESG (Environmental, Social and Governance) profile:

- Chemicals, Rubber and Plastics
- Defence
- Mining (other than coal)
- Coal mining
- Pharmaceuticals and Biotechnology – Manufacturing
- Gambling
- Oil & gas
- Electricity production
- Logging and other forestry activities
- Tobacco

CIB's ESG individual assessment framework classifies transactions into the following ESG risk categories:

- Low ESG risk
- Medium – Low ESG risk
- Medium ESG risk
- High ESG risk

Detailed rules on risk categorisation are still being developed and are expected to be introduced into the lending process by 2023.

Monitoring reputational risks

The Bank pursues the active management of its image among all stakeholders, through the involvement of all the organisational units and by seeking robust and sustainable growth, capable of creating value for all stakeholders. The Bank aims to minimise possible negative effects on its reputation through rigorous and detailed governance, proactive risk management and the direction and control of activities.

- The overall management and monitoring of reputational risks is primarily pursued through:
- compliance with standards of ethics and conduct and self-governance
- the continuous strengthening of the risk culture through actions aimed at achieving widespread internalisation at all organisational levels
- an integrated primary risks management system, aimed at limiting exposure to them and respecting the limits contained in the Risk Appetite Framework.

In general terms, particular attention is paid to the assessment of ESG/reputational risk profiles related to operations in ESG sensitive sectors, which may be subject to specific criteria for limiting or excluding financing activities, taking into account the specific characteristics of the sector and the purpose of the financing granted. In particular, the regulation of operations in sensitive sectors will be developed with the aim of limiting or excluding, for each sector, the financing of activities with higher ESG and reputational risk profiles, identifying criteria for the eligibility of counterparties in line with the Group's strategic objectives and with a view to engaging customers in moving towards more sustainable business models.

IV. GOVERNANCE AND RISK MANAGEMENT (cont.)

What is the task of the various functional areas?

Compliance

The purpose of the **compliance function** is to ensure that the activity of the CIB Group is conducted within a legal framework and that the Group's operation complies with the legal requirements. It is responsible for identifying, assessing and managing compliance risks (e.g. risk of supervisory or regulatory sanction, significant financial loss or reputational damage), in particular in the following regulatory areas: conflicts of interest, market abuse, consumer protection, investment services.

Internal audit

Internal audit is an independent, objective assurance and consulting activity, the aim of which is to improve the operation and increase the effectiveness of the given organisation, and within this framework it evaluates and, with its recommendations, supports the effectiveness of the organisation's risk management, governance and control procedures. The task of internal audit is to evaluate the control system intended to manage risks and to make recommendations for improvement.

Legal department

The purpose of the **legal department** is to provide the legal framework for the activities of the CIB Group, to ensure that its operation, processes and products are developed in accordance with the law, to prepare the necessary internal rules, to assist in amending the internal rules, to represent and protect the members of the CIB Group before the authorities and courts and any third parties, and to ensure data protection compliance.

Anti-money laundering area

The task of the **anti-money laundering area** is to supervise banking activities related to the prevention and combating of money laundering and terrorist financing, and to ensure compliance with international financial sanctions.

IV. GOVERNANCE AND RISK MANAGEMENT (cont.)

3. Integrity in corporate conduct

RELEVANT ISSUES

- Fighting against corruption and combating money laundering
- Protection of free competition
- Privacy protection
- Consumer protection
- Whistleblowing

WHY THESE ISSUES ARE RELEVANT

The CIB Group recognises that compliance with internal and external regulations and codes of conduct is of significant importance, also from a strategic viewpoint, and therefore it acts in the belief that respecting standards and fairness in business are essential elements in carrying out banking operations, which by nature are based on trust and transparency. Indeed, CIB believes that compliance with standards encourages the creation and maintenance of a competitive economic environment and protection of customer rights, which contributes to the development of local areas and communities. CIB also seeks to be a reliable and professional partner for the regulators. In this context, the CIB Group actively adheres to the principles of the United Nations' Global Compact that envisage the development of policies for combating corruption, protecting human rights and workers' rights and safeguarding the environment by implementing the internal rules and guidance issued by the Parent Company, Intesa Sanpaolo. Intesa Sanpaolo has defined and implemented a well-structured system of risk assessment throughout the company structures, which is applied according to risk assessment criteria and used by CIB as well. Adherence to the rules and integrity of corporate conduct are also ensured through compliance activities focused on the monitoring of risk in relation to fighting corruption and money laundering, counter-terrorist financing, embargo management, protecting consumers and protecting competition. CIB adheres to the principle of active cooperation in preventing these phenomena, which represent a serious threat to the legal economy.

Performance indicators and results achieved

Relevant issues	Projects	2022 Actions/Results	2023 Objectives
Fighting against corruption and combating money laundering	Training to prevent corruption and money laundering Number of dismissals due to corruption	Annual all staff training was rolled out on anti-money laundering and counter terrorist financing in October 2022 - The course materials are adapted to the needs of each specialist field. The participation rate in the courses was 97%. New employees are trained continuously. A number of unscheduled training courses were held to deepen knowledge on newly emerging issues, such as the correct identification and recording of beneficial owners, the main money laundering risks, relevant legislative changes and related internal policy changes. The anti-corruption training was rolled out in October 2022 for all staff (participation rate 100%). - The orientation training for new Relationship Managers includes detailed requirements on preventing money laundering - Roll out of the AML training for newcomers within 2 weeks from joining the Bank - Specialised quarterly training courses for anti-money laundering employees - Specialised training courses were organised for specific job functions (e.g., branch managers, cashiers, SME points of contact, etc.), in order to raise awareness. Number of ethics reports on suspected corruption in 2022: 0 Number of employees dismissed due to corruption in 2022: 0	Implementation of the following training programmes in 2023: - Bespoke annual training on money laundering and terrorist financing - Organisation of annual anti-corruption training - Anti-money laundering training for all new hires - Orientation training for new retail customer relationship managers - Provision of specialised training for anti-money laundering employees - Provision of ad hoc training on specific topics as a result of changes in legislation or where reasonably required by the results of audits or requested by a particular department

IV. GOVERNANCE AND RISK MANAGEMENT (cont.)

Relevant issues	Projects	2022 Actions/Results	2023 Objectives
Data protection	Training on privacy protection Substantiated complaints concerning breaches of customer privacy and losses of customer data	Annual training was introduced in October 2022 for all staff, the participation rate was 99%. Substantiated complaints concerning breaches of customer privacy and losses of customer data. 2022: 3; 2021: 2*; 2020: 1	Continue the regular training on privacy protection
Consumer protection	Training on consumer protection	The consumer protection training was introduced for all staff in October 2022 (participation rate 99%); sales staff receive more detailed training, with a special focus on appropriate conduct towards customers.	Continue the regular training on consumer protection
Business ethics	Training in ethics	In 2021, the Group launched an interactive e-learning course on ethics, mandatory for all staff. The next mandatory exam will be in 2023.	Continue the regular training on ethics
Whistleblowing	Whistleblowing	There were no instances of whistleblowing in 2022	-

**Restatement: 2021 data changed due to mistype identified in Report 2021*

Fighting against corruption and combating money laundering

The Bank regularly revises and updates its "Code of Ethics" as well as its regulations on the behaviour expected of its employees, which expressly prohibit corruption. Key regulations of Intesa Sanpaolo such as "Intesa Sanpaolo Group Compliance Guidelines", "Group Anti-corruption Guidelines" and "Conflicts of interest Management Group Rules" have been adopted by the Bank. The conflicts-of-interest rules adopted by CIB Group are more stringent than the relevant national regulations, i.e., the provisions of Act CXXXVII of 2013 (Credit Institutions Act), Act CXXXVIII of 2007 (Investment Firms Act) and Act I of 2012 (Labour Code). All employees of CIB Group regularly attend e-learning courses on anti-corruption topics such as money laundering and the financing of terrorism, as well as conflicts of interest, via the Bank's e-learning platform (MultiLearn) accessed through our internal network.

Relevant points and detailed descriptions

In terms of responsible banking operations, defining responsibilities clearly, and in certain cases – depending on the relative importance of the given function – creating a separate organisational unit, is of key importance. It is particularly important for the Bank to operate in compliance with the law – especially with respect to the prevention of market abuse and money laundering – and the appropriate management of the risks arising from our operations to be of particular importance.

The functions supporting compliance with EU guidelines and legislative requirements ensure responsible operation, and a key part of this is the efforts we make to ensure corruption-free operation.

Second-level controls performed by the Compliance and AML functions ensure the monitoring of compliance with the legal and internal requirements.

A separate team of specialists coordinates activities to prevent money laundering and the financing of terrorism. They have the task of checking transactions that are relevant or risky in terms of money laundering and potential sanctions, authorising the opening of accounts for new customers of high AML risk and reviewing existing high-risk customer relationships, as well as providing training for employees in the prevention of money laundering, forwarding reports to the competent authorities and ensuring the necessary flow of information.

The obligatory code of conduct, which was adopted in 2008 with an update in 2020, and the anti-corruption regulations issued by our Parent Company Intesa Sanpaolo in 2017 and its subsequent update in 2020, which was adopted accordingly in CIB Group, include a set of rules on the prohibition of corruption. The anti-corruption guidelines of CIB Group are published also on the website of the Bank (https://www.cib.hu/en/Maganszemelyek/rolunk/fenntarthatosag/ertekeink.html). As a part of its efforts to combat corruption – in keeping with the relevant guiding principles of Intesa Sanpaolo – the CIB Group does not in any way support politicians or political parties, or organisations with which they are associated. As a matter of course, our zero-tolerance policy towards corruption applies to our employees and our suppliers as well as to other third parties we deal with.

IV. GOVERNANCE AND RISK MANAGEMENT (cont.)

Internal audit is an independent, objective assurance and consulting activity, the aim of which is to improve the operation and increase the effectiveness of the given organisation. In order to assist in achieving the organisation's stated objectives, the Internal Audit function methodically and systematically assesses and improves the effectiveness of the audited organisation's governance and control procedures.

The purpose of the risk management function is to identify the risks of the given organisational unit, to measure the identified risks and manage them to ensure that they do not jeopardise prudent operation or the fulfilment of business objectives. At CIB Group, it is the Risk Management -Department that is responsible for these activities.

It is important for the company to advance ethical behaviour within its industry by exhibiting fair market and competitive conduct, leading by example, and through participation. The Bank adhere to the self-regulating approach adopted by the industry and apply this to its own operations, while acting ethically towards the Bank's competitors. Fair competitive market conduct serves as the basis for CIB's pricing policy.

How relevant issues are monitored

Corporate governance regulations, process requirements, second-level controls and internal training courses ensure that our employees do not fall victim to or become involved in corruption. Our employees receive training and information on the relevant topics through ethics training and regular anti-corruption e-learning sessions. The compliance systems ensure that anti-corruption rules are enforced through audits.

Employees take part in distance learning courses and examinations on the prevention of money laundering, anti-corruption, conflicts of interest, security awareness and compliance via the e-learning platform accessible via the intranet, as well as through in-person training courses.

The controlling of conflicts of interest is performed by the independent Compliance unit.

The Compliance and AML Department also performs the controlling and recording of gifts accepted by employees. The key principles governing gifts are zero-tolerance and exceptionality. The acceptance of gifts can, in certain cases, be classified as corruption. The internal regulation on the Rules on Gifts and Entertainment Expenses of CIB Group has been adopted in 2018 and updated last time in 2021.

The code of ethics mailbox (etikaibejelentes@cib.hu) and postal address, under the jurisdiction of the Ethics Committee, allowing the reporting of any reports, questions or comments, represents another guarantee for all stakeholders, which can be used by all to report any rights violations with the guarantee that any reports made will be treated confidentially and will not result in retaliation. An additional guarantee is provided by the involvement of the Compliance and Internal Audit functions through the email addresses compliance@cib.hu and nevtelenbejelentes@cib.hu, which are available for this purpose as well.

Main indicators (31 December 2022)

	2020	2021	2022
Proportion of people who participated in distance learning and examination in money-laundering prevention topics (%):	97%	95%	97%
Proportion of employees who took a distance-learning course and an exam in anti-corruption (%):	93%	98%	100%
Number of ethics reports on suspected corruption (report):	0	0	0
Number of employees dismissed due to corruption (report)	0	0	0

Consumer protection

In the current market environment, the protection of customers is of prime importance and is treated as a key objective by CIB. The rapid growth of, and proliferation of new technology in, financial markets and the entry to the market of new service providers and third-party intermediaries, have only increased the risk of fraud, abuse of, and misconduct towards, consumers, especially those with low incomes and limited knowledge of financial matters, and who are therefore in need of greater protection. Consequently, it is of the utmost importance for CIB to manage its relationships with its customers in a transparent and fair manner.

Consumer protection encompasses every aspect of the entire life cycle of banking products and services provided by CIB. Internal policies are in place focusing on the sale processes and on management of long-term relationships between the Bank and its customers, ensuring that:

- the informative and the contractual documents to be provided to the customers are formalised in a clear, understandable and transparent way,
- the sales staff is aware of the behavioural rules during the pre-contractual stages and the sale process,
- adequate internal governance has been implemented in terms of regulation, controls and training
- special attention is given to the proper management of disabled customers.
- The Bank hold annual training on the subject of consumer protection, in the framework of which colleagues with customer relations responsibilities acquire a deeper understanding of the requirements related to serving customers. The training was completed by 99% of colleagues in 2022..

IV. GOVERNANCE AND RISK MANAGEMENT (cont.)

Protection of free competition

The objectives of the Intesa Sanpaolo Group and the CIB Group include ensuring the group's ability to operate in the market in full compliance with the latest regulations on competition. In the interest of complying with these regulations, the Intesa Sanpaolo Group runs an international competition-law compliance programme, part of which is the "EU Competition Compliance Policy", which also applies to CIB and has been published and adopted by CIB. Based partly on the local regulatory requirements, the local "Compliance Competition Policy" has been adopted by CIB to ensure that employees of the CIB Group have sufficient understanding of the competition regulations to enable them to recognise potential infractions of competition law in the course of their work, to observe the competition regulations and to seek legal advice where necessary.

Privacy

To ensure that the personal data of the customers of the CIB Group are processed lawfully, in compliance with the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council (hereinafter: GDPR) and (Hungarian) Act CXII of 2011 on Informational Self-Determination and Freedom of Information, the CIB Group has drafted and issued its own "Data Protection and Data Security Policy". The policy describes the principles and the legal basis of data processing, lists the individual cases of data processing, defines the rules regarding the Data Protection Impact Assessment (DPIA) and prior consultation, and sets out the rules on data transfer as well as the rights of data subjects and the means of exercising them.

In addition to the above regulations, CIB Bank has also recognised and implemented the requirements of its Parent Company concerning the GDPR project, i.e. the guidelines on the protection of personal data of natural persons (applicable in the EU).

An independent Data Protection Officer (DPO) has been appointed by the CIB Group whose job it is to monitor compliance with the relevant legal regulations, consult on privacy issues, provide advice, where requested, regarding the DPIA and monitor its performance and to act as a primary point of contact for the supervisory authority.

	2020	2021	2022
Substantiated complaints concerning breaches of customer privacy and losses of customer data.	1	2*	3

**Restatement: 2021 data changed due to mistype identified in Report 2021*

Whistleblowing

The special rules of the whistleblowing process are detailed in a separate annex (Special rules on internal systems for reporting violations (whistleblowing)) of Internal Audit Manual.

There were no whistleblowing reports received during 2022 and there were no ongoing or pending items from the previous period either. Our management approach to this was described previously under 'Implementation and governance of Code of Ethics'.

V. SOCIETY

Material and Relevant issues

- Quality of service and customer satisfaction
- Innovation digital transformation and cybersecurity
- Access to credit and financial inclusion
- Community support
- Responsibility towards the supply chain

Why these issues are material and relevant

The CIB Group understands its key role in activities focused on the economic, social, cultural and civil growth of the communities in which it operates: financing the real economy, supporting those in need and the civil sector, sustainable investments and investments in innovation, and promoting cultural heritage are all part of CIB's approach.

Reflected at the Intesa Sanpaolo Group level and in the CIB Group's local strategy, it is committed to providing top-quality banking, financial and insurance products and services to its customers, fostering the development of the areas in which it operates. In its business plan for the period 2022-2025, CIB continues to aim at ensuring its long-term sustainable growth by actively engaging its employees and leveraging its digital infrastructure, with a continued focus on internal efficiency. Due to these factors, CIB is able to provide its customers with innovative, high-quality products, while expanding its range of services and its available channels, as well as their accessibility.

Another important aspect is the ability to meet its customers' needs through an operational structure that offers simple solutions, tailored to these needs and focused on IT security and the physical safety of customers, also thanks to the continuous reinforcement of the controls implemented by the Group, while maintaining a responsible and transparent approach in terms of its relationships with its customers.

During the Covid-19 pandemic in 2020 and 2021, our well-established approach of supporting the real economy enabled us to offer private individuals and businesses financial support at a very challenging time, helping our retail customers to make use of the loan payment moratorium and developing innovative restructuring, revitalisation and growth solutions for our corporate customers. Continuing and extending this strategy, the Bank has supported customers performing their activities in exceptional economic circumstances in 2022. CIB is at the forefront in delivering central support programmes, complemented by its own and the Parent Company's support products and services, in order to ensure that all customers in all situations receive real help during the recession.

In terms of supporting the third sector and vulnerable segments of the population, CIB's long-standing commitment resulted in various programs aimed at easing the negative effects of the pandemic on households and individuals. CIB offered financial and in-kind support to several NGOs, hospitals and grassroots community groups being active in emergency and rehabilitation services. CIB also offered its own media channels (e.g., its Facebook and Instagram page) to promote the Covid-related activities of various civil society groups and created a series of promotion materials under the title "Uncrowned heroes".

Performance indicators and results achieved

Material and relevant issues	Projects	2022 Actions/Results	2023 Objectives
Quality of service and customer satisfaction	Net Promoter Score (NPS)	Monitor NPS trends, improve service quality based on results	To use NPS to set tactical or strategic goals for monitoring, but also enable the Bank to achieve improvements that its customers can also experience.
	Average response times to customer complaints and appeals (Parent Company) in line with reference regulations (RR)	Continuous training for the entire branch network in complaint management Trained colleagues reached the number of 60 in call centre and back offices, other 9 branches were trained in person. Reduction of administration and information-provision errors	To improve the quality of service.
	Expansion of the multichannel platform for responding to complaints and digital transformation	Increase number of responses to customers' complaints in email channel (online responses) to speed up response time and avoid paper-based answers. In 2022, the online response rate was maintained at the previous year's level of 66%.	Increase online response rates

V. SOCIETY (cont.)

Material and relevant issues	Projects	2022 Actions/Results	2023 Objectives
Quality of service and customer satisfaction	Re-structure of customer feedback management	Fine-tune groups of measured services New types of campaigns are built in the caring activities based on relationship management point of view.	Create actions on focused results and monitoring the results
	IT security training for employees	The Protect Yourself from Phishing exam was taken by 2069, the Cyber Security Smart Work exam by 2061 and the Cybersecurity Framework exam by 2033, well above the minimum 95% target.	IT security training for employees
Innovation digital transformation and cyber security	Customer digital ratio	Percentage of CIB customers using digital services: 82.6% in 2022 (an increase of 5.15% compared to 2022)	
Access to credit and financial inclusion	Education and spread of financial culture	Percentage of CIB customers using a new product or service through digital sales: 46.2% in 2022 (an increase of 53.8% compared to 30.04% in 2021) 13 employees participated in the "Pénz7" [Money Week] as volunteers in 2022	Participation in the "Pénz7 programme"
Community support	Volunteering	"World Savings Day" - 212 children participated in financial education classes	Participation in the "World Savings Day programme"
	Community support	Food collection weekend of the Hungarian Food Bank Association (36 colleagues took part as a volunteer)	Launching voluntary initiatives among colleagues

V. SOCIETY (cont.)

1. Quality of service and customer satisfaction

COMPANY POLICIES
"CIB Bank's Code of Ethics" – that is, the local edition of the Group document of the same name – identifies values and principles that encompass our conduct with customers. These pillars are the principles of listening and dialogue, transparency and fairness, and the protection of safety in business relations. These values and principles are broken down into precise behavioural guidelines in our „CIB Group's Rules of Conduct" that commits management board members, managers, employees and other staff to comply with them. In addition, for specific areas of activity governing the quality of customer relations, there are governance guidelines and rules based on the initiation of processes which, adopting models involving high levels of protection, shape conduct according to criteria of considerable good faith and fairness in relations. Customer health and safety aspects are also monitored through policies that establish principles and rules of conduct and define responsibilities in operational relationships at the branches. Besides the above-mentioned documents, CIB adheres to Group-level rules and guidelines: the Group guidelines for the management of complaints, the security rules for preventing and managing service fraud, consumer protection regulations, rules on investor relations (retail and corporate) and guidelines for the approval of new products and services.

At the heart of the strategy are our customers: our goal is for the Bank to become the primary financial service provider for its customers through excellent customer relationships. This is the main driver behind our corporate governance, our day-to-day operations and the changes we undertake.

In 2022, ensuring customer satisfaction has become perhaps more important than ever: retaining customers and nurturing relationships is a priority for the Bank. The Bank's previous satisfaction surveys were revamped: new tools and a new type of survey were used to collect feedback. In addition to the "CIB Mérce Program" (CIB Measurement Program) launched in 2019, the bank launched comprehensive online surveys (Top-down NPS) for its retail customers.

This allowed us to collect immediate feedback in monthly waves with a more detailed questionnaire to get a comprehensive yet up-to-date picture of our customers' views on our services. The "CIB NPS Monitor" is managed by the bank's Parent Company, Intesa Sanpaolo.

Service quality

A high level of customer focus is ensured not only by the training of our employees and the incentive system and corporate culture that determine their attitude, but also by our prudent and effective corporate governance system. Within our corporate governance framework, which is largely determined shaped by the statutory requirements, the following elements are the most important in terms of ensuring customer focus:

✓	Assertively representing customer's interests at the highest decision-making levels when planning our strategy and the actions required to implement it.
✓	In our pricing policy, besides observing principles of fair competition and market efficiency, we consider the opportunities of our customers, and alongside responsible decision-making, we strive to extend our products and services to a wide range of customers so that no one is excluded due to their disadvantaged situation
✓	Stakeholder dialogue with the professional and civil-sector organisations that represent the interests of customers
✓	Our compliance system, which aims to ensure full observance of the statutory regulations that are aimed at ensuring the well-being of customers
✓	Self-regulation in terms of responsible and ethical marketing and sales (see annex for the certificate)
✓	HR systems and processes that ensure customer focus in the day-to-day work of employees (corporate culture, incentive system, training, diversity)

V. SOCIETY (cont.)

DISTRIBUTION OF CIB GROUP'S CUSTOMERS BY TYPE (PERSONS)

Number of customers (persons)	2020	2021	2022
Retail	377,963	381,593	393,962
Corporate	60,443	60,342	60,496
Total	**438,406**	**441,935**	**454,458**

Based on data as of 31 December 2022

DISTRIBUTION OF CIB GROUP CUSTOMERS BY AGE (%)

Distribution of customers (%)	2020	2021	2022
0-32 years	18.9	18.7	20.3
33-42 years	20.8	19.9	18.8
43-52 years	25.9	26.3	26.0
53-67 years	22.2	22.2	21.8
67 years or more	12.2	12.8	13.1

Based on data as of 31st December 2022

DISTRIBUTION OF CIB GROUP RETAIL CUSTOMERS BY LENGTH OF RELATIONSHIP WITH THE BANK (%)

Distribution of customers (%)	2020	2021	2022
0-1 years	5.6	10.3	13.8
2-4 years	5.6	11.8	10.8
5-7 years	3.0	5.9	7.6
8-10 years	6.5	7.7	5.1
11-20 years	72.2	56.6	52.7
20 years or more	7.1	7.7	10.0

Based on data as of 31st December 2022

RETAIL PRODUCT USE (INCLUDING MICRO-BUSINESS CUSTOMERS)

Product use	2020	2021	2022
Retail loans (HUF billion)	512.1	609.8	672.3
Retail deposits (HUF billion)	734.2	865.8	883.2
Number of active bank cards	344,095	355,419	376,117
Number of active CIB Internet Bank customers (persons)	389,125	428,897	428,996

consolidated IFRS data are presented as of 31st December 2022

CORPORATE PRODUCT USAGE

Product use	2020	2021	2022
Corporate loans (HUF billion)*	723.8	723.4	861.7
Corporate deposits (HUF billion)	993.8	1,153.2	1,255.4
Number of active bank cards	4,592	4,708	4,943
Number of active CIB Internet Bank customers (persons)	5,633	5,750	5,269

consolidated IFRS data are presented as of 31st December 2022

V. SOCIETY (cont.)

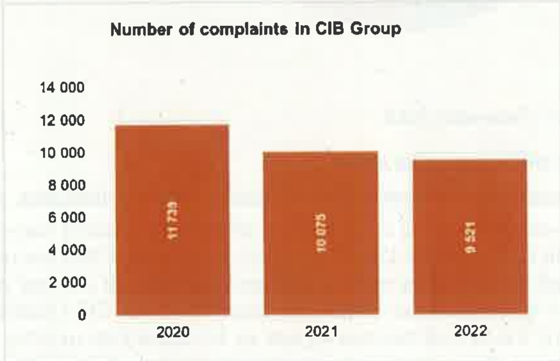
OUR CUSTOMERS' VALUE

Supporting innovation and development is always a way forward for a large company. In 2022, the Bank continued to improve its ATM network (with ATMs for instant cash deposits) as well as the digital tools available in the branch network, which, in addition to simplifying administration, also aim to reduce the amount of paper used. As a result of the latter, the number of current accounts opened in CIB branches using digital means - thus paperless - increased from 25% to 32% in 2022.

When customers respond to customer satisfaction surveys, it means they trust CIB to take their views into account. In 2022 the "CIB Mérce Program" (CIB Measurement Program) was already being used as a solid tool for surveying the opinions of the bank's customers, and this has now been rounded out effectively by our new top-down "CIB NPS Monitor Programme". The Bank asked its customers not only about their overall satisfaction, but also about their product and channel usage habits and their satisfaction with them.

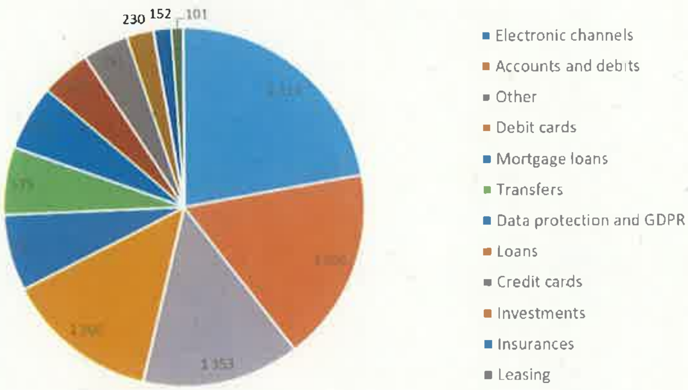
In addition to satisfaction surveys, the Bank pays particular attention to the handling of incoming complaints. It is very important that in the case of these inquiries, we seek an appropriate resolution to the problem by applying a fair approach; this objective is supported over the course of the year through training and expert assistance across the entire CIB Group. In 2022, the number of customer complaints received by the Bank Group decreased significantly, thanks to in part to the digital improvements implemented, the new features introduced through electronic channels, the launch of paperless account opening on mobile phones and in the branches, the launch of Apple Pay and Google Pay, which allow easy, secure and fast payment by debit card, and the further development of our ATM network.

Under the new model, the number of branches operating in a renewed environment was further increased in 2022, and customers are able to make appointments for personal advice and services via the Bank's website.



Based on data as of 31st December 2022

Number of complaints by category in CIB Groups in 2022



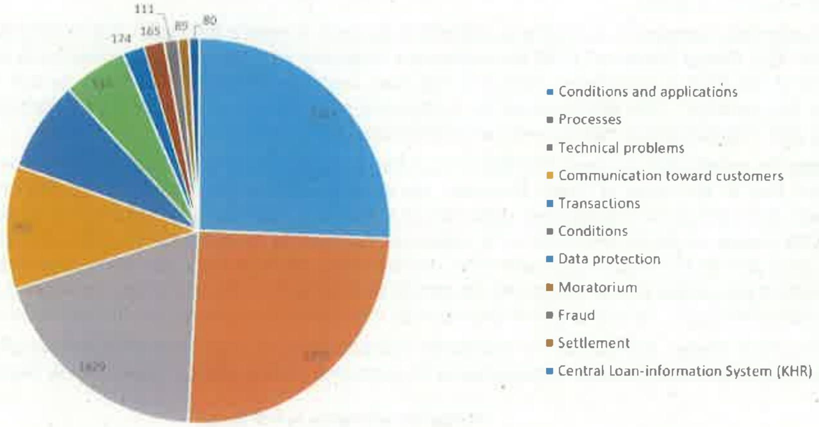
Based on data as of 31st December 2022

Significant changes in 2022 can be identified for two types of complaints compared to 2021. An increase of complaint related Electronic channels is due to the fact that in the first half of 2022, there were two major outages affecting the bank's electronic channels. During this period, the Bank's electronic channels were either not available at all or only partially available to customers.

V. SOCIETY (cont.)

This caused an increase in the number of complaints during this period. Complaints related Accounts and debits decreased significantly since 2021 because the bank has simplified its account packages, streamlined its account opening processes and made the process more transparent for customers.

Number of complaints by type in CIB Groups in 2022



Based on data as of 31st December 2022

Customer protection and responsible sales

We offer several ways for customers to resolve their temporary payment difficulties, such as:

For loans not secured on real estate, there is a possibility of reducing monthly loan payments by extending the term of the loan. Through our CIB Debt Consolidation Loan II product, several loans that are not secured by real estate collateral, or credit card debts or overdraft debts, can be consolidated and paid off over a longer period in equal monthly loan payments. In the case of loans that are secured on real estate, we recommend the "CIB Optimal Payment Easing Programme", which enables customers to extend the term of the loan as well as to reduce their monthly payments by 25% over 5 years. If this is still not enough for customers, they can apply for a customised rescheduling plan, subject to providing adequate proof as to the reason for their repayment difficulties.

It is important for us to respond flexibly to changes that have resulted in financial difficulties for customers. We have set up a special unit within the Bank to prevent future risks and to deal with them in good time.

V. SOCIETY (cont.)

Key elements in a responsible customer relationship

Regular communication	We maintain personal contact with our customers and engage in continuous dialogue.
Trust	Customers should feel secure and should have confidence in their point of contact for matters financial.
Partnership	We establish stable, crisis-proof partnerships with dependable professional support and open communication.
Value creation	We develop long-term financial solutions that create real value.
Simplicity	Drawing on the synergies within the banking group, we give preference to the simplest and most transparent structures and solutions.

Responsible marketing

The CIB Group supports the achievement of strategic goals with the visual appearance and slogan used in its marketing materials. Our existing and potential customers learn about our products and services through our marketing activity. It is important for us to provide understandable, accurate information in a way that generates interest in our products and services.

We finalise our marketing communication materials after the legal and compliance departments have reviewed them, to ensure responsible operation and full legal compliance. We take both ethical and sustainability guidelines into account in our campaigns. The CIB Group does not advertise in media that provide a platform for the expression of any extreme views.

In line with the goal of responsible communication with our customers, and in compliance with the statory provisions, we do not recommend our products to minors, and we do not advertise in public institutions where the education and training of young people under the age of 18 takes place.

The certificate from the Self-Regulatory Advertising Board on advertising self-regulation can be found among the appendices.

Customer health and safety

CIB Bank protects the health and safety of its employees and all the people in all its head offices and branches. For this purpose, it has the necessary safety and operational regulations in place.

In accordance with the relevant statutory regulations, wearing a mask was no longer mandatory in branches from 7 March 2022, but in order to protect health, this option remained available to both customers and employees, and the Bank continued to request that a distance of at least 1.5 metres be observed, hand sanitiser was available everywhere, and protective plexiglass were still used at customer service counters in branches where this was possible. During the epidemic, the Bank sent messages through its communication channels advising customers to visit branches only when absolutely necessary, as they can conveniently manage their banking administration matters through digital channels and the 24/7 call centre service without visiting the branches.

V. SOCIETY (cont.)

2. Innovation digital transformation and cyber security

COMPANY POLICIES

The Bank's strategy for 2022-2025 is an integral continuation of the digital transformation process that has delivered results in recent years, and therefore the aim is to continue to increase digital penetration among our customers by extending digitalisation to new products and services. This is of course in line with the guidelines set out in Magyar Nemzeti Bank's Recommendation 4/2021. (III.30.) on the digital transformation of credit institutions, which we are committed to fully implementing in the medium term. From February 2023, the bank plans to launch a new online banking platform with chat and video chat functionality and expects the proportion of customers using digital services to exceed 85% by 2025.,."

The Board of Directors of CIB Bank approves the IT Security Plan each year; in addition, in line with current regulations, cybersecurity is governed by guidelines and integrated processes for the safeguarding of the interests and rights of customers through the Bank's Integrated Internal Control System which defines responsibilities at all levels of the company. The cybersecurity profile is also based on disseminating an awareness of risks and prevention methods by all the parties involved (Bank structures, employees, customers and suppliers).

In the retail segment, CIB aims to increase the volume of lending by developing the various sales channels, in particular the mobile app, the internet banking platform and the online product-application processes that are available through the website. In the area of premium banking services, the aim is to continuously expand the offering, and to provide high-standard asset management and insurance products and excellent, standardised banking services through the electronic channels and the branch network. While one of the primary goals of the strategy remains to serve the needs of Generation Y (born between 1980-1994), we are also serving Generation Z (born between 1995-2009) and even Generation Alpha (born between 2010-2024) with the latest members of the Bank's 'ECO Account' product portfolio while also playing a role in the financial and digital education of the younger generations. CIB is looking to expand its activities in this area by developing new digital products and services and through cooperation with institutions of higher education.

Part of CIB's business strategy is to strengthen the corporate segment's market position by acquiring new customers and increasing business volumes. By upgrading the corporate internet banking and front-end system and by simplifying processes, the aim is for SME and large corporate customers to execute an increased proportion of their payment, deposit and currency transactions at CIB. There is also a major emphasis on strengthening treasury and documentary services. In addition to the above CIB wants to further exploit synergies with its Parent Company, Intesa Sanpaolo, in order to strengthen its presence in the multinational corporate sector.

New areas of focus for the coming years include:

- the International Confirming solution to ease cross-border commercial activities, and
- ESG-conscious lending activity

We strive to minimise the adverse environmental and social impacts of our products and services.

- Risk management processes
- Decision-making process
- Comprehensive provision of information to stakeholder customers and partners
- Simplification
- High degree of advertising self-regulation

The digitalisation processes paving the way towards an integrated multichannel Bank

Our digital transition is measured by two performance indicators:

- Percentage of CIB customers using digital services: 82.6% in 2022 (an increase of 5.15% compared to 2022)
- The share of CIB customers using a new product or service through digital sales was 46.2% in 2022 (an increase of 53.8% compared to 30.04% in 2021).

Retail solutions

CIB Bank serves as a pilot bank for implementing new digital capabilities within the Intesa Sanpaolo Group, and therefore the Bank developed an excellent portfolio of digital solutions for customers, from traditional internet banking to digital onboarding.

Online personal loan application and account opening for new customers – a radical innovation from CIB Bank

Following the launch of the Acquisition Portal, an online account opening site in 2018, since May 2021 it has also been possible to open a current account via a mobile app, which will continue to grow in popularity in 2022.

V. SOCIETY (cont.)

Without a connection to a live operator during the process, the customer simply takes a selfie and captures his or her documents for identification. This initiative of CIB aims at implementing an end to end mobile-only customer acquisition process to increase customer reach, engagement and sales of value-added services and products. The process is designed to generate a seamless experience, significantly enhancing the satisfaction of potential new customers through specific solutions for app-based onboarding: the customer can open a current account in a matter of minutes, using simplified forms that require as little field-filling as possible, and with no need to switch channels to complete the process.

For retail loans, customers can continue to apply for personal loans through the online process via the previously launched Acquisition Portal. For mortgages and home loans, for the time being, due to legal constraints, the application process is available online via video call. With this feature, customers do not have to queue in branches, but can apply for mortgages and home loans from the comfort of their homes.

Website

In 2022, no significant changes were made to the Bank's website, which offers visitors a modern design, functionality and structure. Designed in line with the standards of the Parent Company, the interface continues to offer online sales (for current accounts and personal loans) and a chat function, extended to include a chatbot, which serves customers 24 hours a day. The overall website design is naturally responsive, meaning that the interface is optimised for all devices (including tablets and mobile phones),

CIB Bank Mobile Application

Six years after its launch in 2022, the number of users of the CIB Bank Mobile App has continued to grow and has been our most important digital channel for years. Taking all digital channels into account, as of December 2022, 317,335 of the Bank's individual clients and 50,487 of its corporate clients now have access to at least one of the three digital channels (Internet Bank [old], CIB Bank Online or the CIB Bank Mobile App).

The Remote Offer function introduced in May 2021 on the CIB Bank Mobile Application (CIB Bank Online) continues to be very popular, allowing the Bank to share documents/agreements through the app as part of a remote offer sent to the customer, and the customer can also be requested to upload documents through the offer (for example, for loan applications or income verifications). The customer can view the uploaded documents/agreements after logging into the CIB Bank mobile application (identification) and then accept/sign them electronically, simply with the PIN code (Touch or Face ID) for logging into the application and can also take photos of/upload the documents requested by the Bank. After the signature by the customer, the Bank also signs the agreements electronically, and the copy signed by the Bank can be viewed in the CIB Bank mobile application > Agreements menu item.

Using this function, applications and agreements for loans and services not secured by real estate collateral (retail and certain small-business loans) may be submitted/concluded remotely or personally at the branches, in paperless format, and from February 2022, the Loan Protection Insurance available with these loans can also be applied for in the in-branch paperless process. From August 2022, the Call Centre is also be able to carry out documentary and personal data modifications for retail customers through the Remote Offer function, which is unique, as it was previously only available in bank branches. The introduction of remote securities accounts is expected in February 2023, but the Bank plans to continuously expand the range of products and services available.

The Remote Offer process continues to grow in popularity, because the preliminary information related to the offer is provided by phone (or in the branch in case of a paperless branch process) and the documentation is sent by the advisor or CIB24 banker to the customer's mobile application via the Bank's internal application (Digical ABC), so the customer can apply and conclude the agreement from the comfort of his/her home, without visiting the branch, and in the branch, all of this is conducted in a paperless manner. On a yearly basis, 72,6% of current account credit line applications, 30.6% of personal loan applications and contracts and 36.3% of credit card applications are now made through Remote offer. function. Personal Loan applications and contract conclusions are now conducted through the Remote Offer function. This popular remote or in-branch paperless process also supports ESG initiatives by encouraging the use of Digital Services/Applications, although in the event of a new public health emergency, Remote Offer provides both branches and the Call Centre with the possibility of serving customers remotely, without an appointment, for the products available.

From 14 May 2022, QR code payments are available via the CIB Bank Mobile Application. This feature allows customers to scan with their smartphones the QR code generated by third parties and in this way send them money quickly and easily, or to create their own QR code to receive money. The service is not limited to intra-bank transactions, as customers can scan all QR codes, or have them scanned, using the applications of financial institutions/services that are based on the standard specified by the Magyar Nemzeti Bank on 12.07.2019.

From 14 May 2022, a new feature has been added to the existing #withPAY service, allowing our customers to donate to the WWF conservation organisation, helping them in their efforts to protect natural habitats. This function

V. SOCIETY (cont.)

allows our customers to transfer any amount of money to WWF Hungary free of charge. The donation process is very quick and easy: Customers need to select the function from the pre-login screen or from the dedicated menu item. WWF was the first beneficiary on the list. Once customers had selected WWF from the list, they were asked to enter the amount they wished to donate and then the payment was approved. The donated amount was then sent directly to WWF.
Of our current electronic channels - CIB Bank Online, CIB Bank Mobile Money, CIB InternetBank - we decided to phase out the latter platform, which is now technologically obsolete, and this was made possible by the fact that the functionality of two of our newer channels became fully functional in 2022: it is now possible to use all the services that were previously only available within CIB InternetBank (e.g. standing transfer orders, group direct debit orders).

Installation of ATMs that enable instant cash deposits

In 2022 we continued to instal more instant-deposit-enabled ATMs and, as a result, we now have 49 machines with this function, which is more than 41,5% of our total ATM network. The installation of ATMs that enable instant deposits is a major development for both personal and business banking, as they allow customers to deposit money that then becomes immediately available on their accounts, without having to use the branch cash-desk service.

Corporate solutions

CIB Business Online – internet banking for businesses

In August 2019, a new internet banking service, CIB Business Online, was launched that was tailored specifically to the needs of our corporate customers, to making it even easier for them to deal with their finances online.

The goal with regard to this development is to reach or exceed the level of service of the currently highly popular Business Terminal in 2023. The whole functionality of the current Business Terminal has been fully achieved at the end of 2022. Alongside the classic electronic banking services, we have made day-to-day banking tasks of our corporate customers more efficient and convenient through digital customer service and paperless processes.

Besides the already wide range of services available, the Bank is constantly expanding this channel to include new functions, and so the securities service, a customs payment (EBÜK) service, direct debits orders and cash pool reports are all available through it. In addition, CIB Business Online, replacing the previous paper-based process, will help business customers with their daily banking communications through more than 40 different digitised processes.

Key features of the CIB Business Online:

- Information 24 hours a day
- Adjustable to individual needs
- Works well with internet browsers; no other software or plug-in needs to be installed
- Device-independent use; even allows remote signing
- Can be used by multiple users each with differing access rights
- Allows both independent and joint signature
- Biometric identification is available
- Ergonomic usability

Key features of the Business Terminal:

- Information 24 hours a day
- Adjustable to individual needs
- Can be installed on an individual PC or a network
- Can be used by multiple users each with differing access rights
- Allows both independent and joint signature

The service can be used to meet various needs using two different kinds of authentication tool that satisfy the requirements of the PSD2 Directive and that assure the security of banking operations:

- ViCA (Virtual Smart Card App) – an innovative personal authentication app that runs on an android/iOS smart device, and is a password generator. The one-time password generated by ViCA is always sent to the Bank by the automatic operation of the corresponding function of ViCA.
- CIB Hard Token – a PIN-protected password generator that provides a single-use, limited-time numeric code for logging in and approving transactions that require a signature.

International Confirming – supply-chain finance

Confirming is an Intesa Sanpaolo solution Supply Chain Finance programme that supports cross-border commercial transactions by leveraging on top-of-tech digital platform, enabling a more efficient form of financing and of connecting the participants in a supply chain – the buyer and the suppliers.

- For suppliers, it is a net working capital financing solution – an efficient and fast way to advance receivables to the buyer, i.e. a cheaper and more extensive form of credit

V. SOCIETY (cont.)

- For buyers, it is a net working capital management tool – a smart way to improve supply chain financial stability and an effective solution to reduce working capital by extending Days Payable Outstanding (DPOs).

Documentary services

A factor that makes business more difficult to conduct both internationally and domestically is lack of trust between parties, which is usually the result of perceived default risk. Thus, the range of trade finance products that are offered should include services related to documentary transactions, so that these risks can be reduced. CIB offers a wide range of documentary products to its customers, from documentary collection, letters of credit and guarantees, to discounting of export LCs.

The Bank focuses particularly on providing a high level of service to businesses in the agriculture and food sectors. CIB is supporting the government's stated objective that products should have attained the highest possible degree of processing before leaving the country, through a number of banking instruments. The goal is to continue to assist in the sustainable development of the sectors.

Online leasing calculator for car financing

As in all other areas of life, digitisation is evident in lease financing too. More and more of our customers are learning about our various financing options online. The information covers both the terms and conditions and details on the various financing schemes. The popularity of CIB's online calculator has been increasing year on year, but this growth slowed in 2022 due to market changes. Compared to 38 842 visitors in 2020, 46 589 visitors in 2021 represented a 20% increase, while 46 550 visitors in 2022.The customers can obtain personalised offers online based on their needs or request a call-back in order to as about the Bank's terms and conditions in more detail. CIB's experts are there to provide full assistance with the documents to be submitted and the entire financing process.

Digital solutions at the branches

In 2018, CIB Bank opened its first new-generation bank branch on Szent István körút. In 2018, CIB Bank opened its first new generation branch on Szent István körút, and in the following years, with the complete transformation of 5 more branches, it reached 10% of the total branch network in this indicator, but the transformation process did not stop there. In 2022, the modernisation of the Fényes Elek street branch located in the head office building was completed. The new approach to branches developed by the bank's Parent Company, - and known as the AGDM model - is that branches should serve not only as a place for managing one's finances, but also as a kind of community space where customers have an opportunity to talk, meet or even work.

V. SOCIETY (cont.)

Accordingly, the new type of branches most closely resembles a living room, with a sofa and a large communal table that anyone can sit at, not just those who come to the Bank to do business. In the new type of branch, digital solutions that enable the execution of simpler transactions are given priority; anyone can access CIB's internet banking platform or mobile app via tablets on the communal table, and if they want, they can ask the bankers for help in using them. For transactions requiring advice (e.g., mortgage applications, investments), spaces with different levels of separation are available: there are semi-separate areas where the layout of the furniture creates the confidential environment needed for the meeting, and fully separate meeting rooms for maximum privacy. CIB Bank has also redesigned its branch service model across its entire network: incoming customers are greeted at the entrance by a member of staff who helps them find the easiest and quickest channel for whatever they want to do. The Bank intends to introduce this service to all its branches, and it is already in use in the busier branches in Budapest and elsewhere in the country. In addition, the Bank has introduced priority customer service among its retail customers, the essence of which is to provide as many customers as possible with their own point of contact. To complement the transition to digital, we have made cash-desk transactions paperless at all our branches, and we have plans to make other branch processes paperless as well. Customers can complete certain steps of their transaction on a tablet, then at the end of the process they do not have to sign a piece of paper, but instead, an electronic receipt via the tablet, which the Bank sends them by email or via the CIB Bank Mobile Application and CIB Bank Online.

In January 2018, graphometric signature touchpads for cash-desk HUF withdrawals and deposits, as well as HUF and FCY bank transfers and inter-account transfers were introduced in our branch network, allowing for a completely paperless process for these transactions. In this process, our customers can receive the completed cash-desk receipts or transfer slips via the electronic channel, while our customers without an electronic channel contract, or agents and depositors who are not registered as customers, receive the transaction certificate via e-mail. Due to the pandemic situation that developed in the spring of 2020, less attention has been paid to paperless services in the recent period, and the ratio of purely electronic receipts in transactions has fallen to a fraction of the total. From September 2022 response to the end of the epidemic, the paperless checkout service was reintroduced in branches and represents on average around 70% of all checkout transactions.

The so-called Danube signature pads, already in use for cash-desk transactions, not only help with the fastest in-branch transactions, but thanks to the Digical ABC application launched in April 2020, digitisation has also started to take hold in more complex in-branch activities. The new Digical ABC front-end system is already being implemented by all subsidiary banks operating under the auspices of ISBD, with the aim of providing fully digital and paperless services. New for account opening is that administrators need even less manual work when recording data thanks to the improved document management function. In addition to photo IDs in card format, customers can now also open accounts with a valid passport using this solution, which has been developed and successfully tested, and is expected to go live in February 2023. Since its launch, more than 16.000 accounts have been opened in the paperless process, and its ratio within total account openings – together with the mobile app solution mentioned above – has been steadily increasing, reaching almost 45% of all retail current accounts opened by the Bank.

With all the paperless in-branch solutions, the Acquisition Portal and the DA Mobile-based account opening combined, we opened a total of 8.700 current accounts in 2021 without printing out the nearly 100-page documentation, and 19.056 current accounts in 2022 similarly, which means that in total we saved more than 2 230.000 printed pages.

IT and cyber security

The Bank considers the protection of its customers' information to be of strategic importance, and in continuous cooperation with its Hungarian counterparts, it contributes to the protection of its customers against the increasing number of cyber attacks. In line with current regulations, cybersecurity is governed by guidelines and integrated processes for the protection of the interests and rights of customers and employees, with rules set out in the bank's Integrated Internal Control System, which defines responsibilities at all levels of the company.

CIB's cybersecurity model has a risk-based approach and is divided into three main macro-areas:

- Orientation: defined through the review of organisational aspects and policies/processes, strategic and predictive intelligence on cybersecurity risks, awareness-raising activities and information flows to internal control bodies.
- Control: ensured through risk management, the execution of controls in line with the most widespread cybersecurity standards.
- Active monitoring: guaranteed through an integrated approach based on technological and organisational initiatives aimed at customers, stakeholders, third parties and the supply chain.

In accordance with this model, appropriate roles and responsibilities have been defined to support and oversee this aspect, including: the Corporate Bodies and Committees that assume general responsibility for the orientation and control of cybersecurity, supported by the Governance Functions that ensure its effective management; the Information Security Officer (ISO), who ensures the protection of information and infrastructure in line with the Parent Company's strategy, assures consistency between internal regulations, promotes and develops integration between the various responsibilities in the cybersecurity field, and guarantees compliance with the regulatory framework; and the relevant functions that provide services, and design and release cybersecurity solutions in compliance with the relevant regulations.

V. SOCIETY (cont.)

Cybersecurity tasks are carried out according to Parent Company guidelines. The model and the cybersecurity management system as a whole are periodically reviewed and updated, at least once a year or in conjunction with any external or internal changes (e.g., changes to laws and regulations, or organisational or technological changes) that may have an impact on cybersecurity, with a focus on continuous improvement. The Parent Company cybersecurity structure provides annual Strategic Intelligence activities aimed at identifying the most relevant risk scenarios, in relation to which the necessary areas of orientation are determined, to help ensure the Group's Cyber Readiness.

Given the growing importance of cybersecurity issues, in relation to the CIB Business Plan 2022-2025 as well, the CIB Bank Management Board annually approves the IT Security Plan which organises, in a structured and coordinated way, the challenges posed by cyber space.

The underlying goal of the Plan is to clearly define responsibilities related to the spread of the cybersecurity culture at all levels in order to protect all of the company's assets. In particular, the Plan envisages the implementation of the Group's cybersecurity strategy, which must be based on a perfect knowledge of every element of the area to be protected, which grows together with the range of services offered and the new risks, strongly linked to behaviour and to the human factor.

Some of the most important initiatives for the Bank are:

- activities aimed at improving the protection of customers during a period of rapid growth in the use of digital services, enhancing cybersecurity and the resilience of systems and applications designed for this purpose, especially in connection with services provided to customers;
- strengthening of anti-fraud monitoring, which may increase the protection of customers less familiar with the use of digital channels;
- strengthening of security monitoring of Third Parties that provide the Bank with services using their own methodology for the evaluation, classification and verification of suppliers as regards cybersecurity and business continuity. The checks cover the supplier's entire life cycle within the Bank (the contracting phase, provision of the service, and termination of the contract).
- tightening up the security measures expected of employees, in line with the new way of working brought about by the pandemic, for example, by extending services to include multi-factor authentication;
- enhancement of internal processes and communications to be applied if a critical event occurs in order to reduce associated risk.

We have paid particular attention to informing customers about cybersecurity issues by posting regular updates on the matter on the website, on the most popular social portals and on the bank's secure channels (e.g., via e-mails, app notices and text messages), in close cooperation with the Hungarian authorities.

The new training materials were introduced in 2022, aimed at all levels of the company's hierarchy in a customised manner, including senior management and the relevant IT functions.

The Protect Yourself from Phishing exam was taken by 2069, the Cybersecurity Smart Work exam by 2061 and the Cybersecurity Framework exam by 2033, well above the minimum 95% target or participation rate.

V. SOCIETY (cont.)

3. Access to credit and financial inclusion

COMPANY POLICIES

The CIB Group provides a range of products and services that promote financial inclusion and access to credit, in accordance with the "Code of Ethics" that promotes social inclusion, enabling people to improve their lives. The "Code of Ethics" also emphasises our commitment to the promotion of economic and social development in Hungary. This commitment includes helping companies to develop and improve their competitiveness, and to harness innovations and internationalise their business. CIB Group implemented in December 2022 the "Rules for the classification of sustainable credit products and lending transaction" which implementation will follow in the upcoming period.

Financial inclusion of vulnerable people

It is particularly important for the Bank to support vulnerable people and social groups both through dedicated projects and with specifically designed products for them, thus helping to ensure a fair distribution of resources.

Retail

As part of its Parent Company's initiative, CIB bank introduced the CIB ECO Parent Bank Account product on 25 November 2022, which is accompanied by a discounted overdraft facility. The launch of the product is aimed at helping parents with children under three years of age who have a certified employment record. At the time of its announcement, the following discounts were announced: the overdraft facility available in the product package was available at an interest rate of 15.99%, with a credit line assessment and renewal fee of HUF 0. On the electronic channels, HUF 0 was also charged for interbank and intra-bank HUF transfers, standing transfer orders and group direct debits.

Small Business

The Russian-Ukrainian war and the consequent energy crisis after the outbreak of the coronavirus have left many businesses in a difficult situation, so the purpose of the schemes available under the renewed state-subsidised "Széchenyi Card Programme MAX" continues to be to support these businesses in restarting and accessing funds.

For customers with existing loans, the CIB Green Wave Extra Exit Credit, the Exit CIB Active Loan and the CIB Partner Exit Mortgage Loan are solutions for, among others, the redemption of debts accumulated during the moratorium period.

In the first quarter of 2022, the online Welcome Vario (pre-approved) lending process was launched, which is available for both sole traders and businesses in the small businesses segment and allows for fully online administration from application to contract signing, which is done electronically.

The electronic channel migration has enabled a considerable number of small businesses (and even sole traders) to migrate to the CIB Business Online platform, which is an electronic channel with a wide range of functionalities – e.g., multiple transfers, direct debit orders, extensive forms and self administration functions – thereby replacing many previously paper-based processes.

In addition, for recently established small businesses and other customers with a low number of transactions, we offer the Partner Start Account Package, which provides them with a cost-effective means of conducting their banking. As part of this package, we waive the following fees during an initial discount period:

- CIB Bank Mobile Application and CIB Internet Bank / CIB Bank Online registration fee (which is usually payable at the time the bank account agreement is concluded)
- CIB Bank Mobile Application monthly fee
- Bank card fee in the first year (Visa Compact business card)

Discounts on transactions on the electronic and CIB Business Online channels (HUF and FCY payments, HUF payments via GIRO Ltd. to the tax authority (National Tax and Customs Administration) account (on all the electronic channels).

The discounted rates mentioned above apply to accounts with a minimum turnover of HUF 40,000 / month. The account package can be offered to both individuals and companies, but the main target group is newly established businesses.

V. SOCIETY (cont.)

Education and spread of financial culture

It is very important for the Bank to provide its customers with what CIB terms as "real opportunities", i.e., genuine opportunities rooted in the real economy, that will have a profound impact on their businesses over the long term, as this will encourage them to take responsible, carefully considered financial decisions in full knowledge of the possible outcomes and the risks involved. By recognising the responsibility in shaping the financial awareness of our environment, the Bank is actively involved in programmes that focus on improving financial literacy. Financial education and familiarisation with matters financial cannot be started early enough and schools have a decisive role to play in this. The Bank helps them in this objective by participating in two programmes that focus on developing the financial awareness of primary and secondary school students.

- From the very beginning, the Bank has participated – at the initiative of the Hungarian Banking Association – in the "Pénz7" (Money7) series of programmes launched with the professional support of the Pénziránytű (Money Compass) Foundation, thereby joining the European Money Week initiative. 13 colleagues participated in the programme as volunteers and held online financial education classes.
- Since the inception in 2017 the financial education programme launched at "The Art of Saving" initiative of our Parent Company, has organised a number of events and workshops, including face-to-face sessions in schools as well as online formats also promoted through the bank's communication channels. In October 2022, CIB's volunteers delivered financial education lessons to a total of 212 students aged between 10 and 18. In addition to all the above, this year, the Bank also joined the latest initiative, the "S.A.V.E Ambassador programme", a special initiative in the framework of which higher-grade secondary school students are actively engaged in learning about sustainability and social inclusion.
- In 2022, the Bank joined for the first time as a sponsor of the national financial awareness competition "Become a Junior Financial Achiever!", open to teams from technical and vocational schools. The organisers have set up the programme specifically for educational purposes and want students to gain practical knowledge in a playful way. They are specifically targeting an increasing number of students from less privileged backgrounds. Educational materials for students from technical and vocational schools have been compiled and supervised by experts for the competition, which help them learn about everyday finance based on real-life situations.

Sustainable investment

Among the international subsidiary banks of the Intesa Sanpaolo Group, VUB Bank (Slovakia), Intesa Sanpaolo Bank (Slovenia) and CIB Bank have further expanded their ESG product range, with a total of 46 ESG funds in their portfolios, that focus on environmental and social issues or have sustainable investment objectives, classified according to Articles 8 and 9 of the new Sustainable Finance Disclosure Regulation (SFDR). The ESG product range is included in the Bank's recommended product portfolios.

V. SOCIETY (cont.)

4. Community support

COMPANY POLICIES

CIB plays an active role in the areas in which it operates. The "Code of Ethics" draws attention to the requirements and needs of the community: this commitment consists of various activities that tangibly contribute to achieving sustainable development goals such as the promotion of solidarity initiatives with projects set up through partnerships, donations, the sponsorship of important cultural and social initiatives, and the protection and promotion of the historical, artistic and cultural heritage of Hungary. Initiatives are undertaken in collaboration with local entities and institutions, to ensure they have a positive social impact. In line with the Group's core values, initiatives are implemented in accordance with the transparency and accountability criteria, and by implementing processes and procedures that aim to avoid any possible personal or business conflict of interest.

"Intesa Sanpaolo Sponsorship Guidelines and Rules for Donations in the International Subsidiary Banks" were adopted (in 2015 and 2019) by CIB Bank.

In addition to being financially profitable, it is also important for us to meet our responsibilities towards society. In the interests of ensuring that both our stability and our growth strategy are fully supported, we minimise social and environmental risks and aim to have a positive impact, for the good of our community and our environment. Our responsible operation also extends to our external relationships and the role that we fulfil in society.

In times such as these, when cooperation and collaboration are more important than ever, CIB Bank, as a responsible company, aims to make its responsibility towards society as a whole – in addition to its customers, employees and partners – tangible. While we are all struggling with the effects of the war, it is vital for the Bank to be able to respond quickly to the specific needs that arise and provide real help to the community.

Uncrowned Heroes

In 2020, during the pandemic period, the Bank launched the "Uncrowned Heroes" initiative, under which the Bank supported non-governmental organisations (NGOs) that selflessly help, among others, the elderly, teachers, doctors and others in need during the pandemic.

The programme continued in 2022, after the pandemic has subsided, with the support of two organisations that support marginalised groups and that include community engagement as an important part of their work. The work of these two organisations is particularly important in the current economic situation caused by war. The aims of the Charity Taxi Foundation include social care for needy small communities, awareness raising, community building and social sensitisation. By combining the needs of the supporting and the supported side, they are working for a more solidarity-based and sustainable society. The Rosa Parks Foundation provides a developmental community for socially or financially marginalised, mainly Roma children who do not have equal opportunities to reach the top of the school system. At 'Láthatalan Tanoda' (Invisible School), the tools provided by social work, pedagogy and law are used to support families to exercise their right to choose their school, to ensure that their children can attend high-quality inclusive schools, to improve their self-confidence and to fully develop their skills. They contribute to children's development through individual mentoring, development activities and cultural and leisure programmes. The two organisations received HUF 1.650.000 each.

In addition to financial backing and cooperation, the Bank also provides communications assistance to the organisations to present their day-to-day life and thus encourage people to support the organisation or community initiative presented.

Animal welfare campaign

CIB Bank does a customer satisfaction activity every year and decided to put a deeper purpose behind it. 2022 was the fourth year that the campaign focused on helping animal shelters and engaged with animal lovers. In Hungary, there are many dogs and cats waiting in shelters, yet few people decide to adopt them, so CIB decided to stand by this cause. In 2022, it partnered with FEMA Animal Rescue Association, which runs the shelter in Lovasberény. CIB choose this shelter based on the proposal of the Hangya Közösség, which is an organisation supporting animal shelters across the country. We conducted branch and social media communications to promote the shelter's animals, and bank employees were also involved in the campaign, donating material goods to the shelter. In addition to this, the Bank also supported the organisation with donations worth HUF 500.000. The shelter spent the donation on what they needed the most at the time: pet food and veterinary costs.

V. SOCIETY (cont.)

JótettBank – Banki Véradók Hete (Good Deed Bank – Banking Blood Donors' Week)

The Bank joined the initiative of the Hungarian Banking Association's Good Deed Bank – Banking Blood Donors' week for the third time in 2022, and once again hosted a blood donation in its head office in cooperation with the National Blood Transfusion Service and the Hungarian Red Cross, in which 65 bank employees participated as voluntary blood donors.

Hungarian Food Bank Association

The national food collection weekend of the Hungarian Food Bank Association enable a form of charitable cooperation that provides an opportunity for our employees to contribute in a way that is free from the influence of business interests, and complies fully with the CIB Group's corporate social responsibility principles. Towards the end of November 2022, 36 CIB Bank employees participated as volunteers in the food collection weekend of the Hungarian Food Bank Association. A total of 21.602 kg of food was collected in stores where CIB volunteers also assisted in food collection.

Contribution to the community in 2022

In 2022, the total monetary contribution to the community was HUF 19,350,000

The main area of action for which monetary contributions were made in 2022 was the social sector, in a value of HUF 13,000,000. Compared to previous years, instead of supporting the health sector, and in line with the decrease in the intensity of the coronavirus pandemic, in 2022 we prioritised support for social and livelihood-focused civil affairs, due to the significant increase in inflation and energy costs.

Over the course of 2022, donations amounting to HUF 6,350,000 HUF were made to the community.

V. SOCIETY (cont.)

5. Responsibility towards the supply chain

COMPANY POLICIES

In order to ensure that relations with suppliers and our purchasing policies can create conditions that promote sustainable economic development and respect for human rights, CIB Bank manages centralised sourcing, regulatory monitoring, supplier qualification and monitoring activities.

The key principle governing the acquisition of goods or services (necessary to the bank's operation) is to be able to achieve the best value for money so as to maximise economic return and ensure the level of quality and service we require.

To this end, we must:

- observe the principles set out in the "Code of Ethics", especially those regarding transparency and equality in selecting suppliers and carrying out the sourcing process, and we must observe the "Code of Conduct"
- observe the statutory provisions that regulate procedures for obtaining, managing and disclosing personal data, in order to protect non-disclosure and privacy rights
- apply the Regulations on the management of insider information and proprietary transactions
- observe the "Guidelines for Group Operational Risk Management", "Intesa Sanpaolo Group Compliance Guidelines", " Guidelines for the Governance of the Group's Reputational Risk" and, where applicable, the "Non-group and Intra-Group Outsourcing Guidelines"
- separate the operating functions from the control functions, to avoid conflicts of interest in the awarding of supply contracts
- ensure that organisational and control units promptly report any anomalies in or deviations from processes
- comply with applicable guidelines on social and environmental sustainability to guarantee, along the entire supply chain, and subject to the specifics of the local environment, respect for the environment and for human rights, as well as appropriate employment conditions and business ethics, through measures and resources that minimise negative impacts and promote awareness of risks and of social and environmental opportunities
- comply with regulations on health and safety in the workplace
- comply with regulations on protecting industrial and intellectual copyright and, in all cases, the lawful origin of goods supplied.

Our suppliers

Responsible procurement is a key pillar of our operations. Therefore, our most important core principle when choosing suppliers is to display fairness and transparency in the selection process, which is thus based on the joint application of tendering and negotiation. This is why it is especially important for us to maintain good supplier relationships that enable continuous dialogue. Our objective is to operate an efficient cost management system and procurement process, and to control expenses.

The same terms apply to all our suppliers, and in the course of their selection our procurement principles and rules are enforced consistently.

Our procurement principles are as follows:

- a supplier selection system that ensures transparency and a level playing field;
- consistent and favourable payment terms;
- insisting on legal, above-board employment even at our subcontractors;
- the use of environmentally friendly technologies, environmentally friendly products and materials, and the recycling of waste is encouraged and in certain cases compulsory.

The management of suppliers is important for CIB Bank, and covers all activities needed to register and monitor suppliers, and to analyse and assess them based on technical, financial, commercial, environmental and social sustainability factors as well as on organisational considerations and reputational risks, and in terms of how good a fit they are in light of our specific needs.

The Parent Company made the decision to introduce the Supplier Portal (Portale Fornitori) system at the subsidiaries. The future suppliers of CIB Bank will have the possibility to register themselves on the portal, providing not only their official data but also specifying the procurement categories that they have experience in. At the same time, it allows CIB Bank to increase its knowledge of its suppliers, both existing and prospective, and to increase the degree of fair market competition between them.

V. SOCIETY (cont.)

The ISO 50001 guidelines that were previous integrated into our procurement processes (for example, the principle that low-consumption, energy-efficient and sustainable equipment and solutions should be prioritised over high-consumption alternatives during the procurement process) are fully in line with the Rules in Green Banking Procurement which was adopted in 2021. The initiatives under the latter are essentially aimed at protecting the environment. CIB Bank is committed to the responsible sourcing and use of goods and services that comply with the regulations on environmental protection and conservation. The main considerations are energy consumption, CO_2 emissions, waste generation, and consumption of materials such as paper, toner and stationery. In keeping with the principles of our Parent Company, Intesa Sanpaolo, ethically sound conduct is reflected in a commitment we insist on in the contracts we conclude with suppliers, which is that the suppliers must confirm, before signing the contract, that they have read our "Code of Ethics", understood the parts that relate to them ("Guiding Principles for our Stakeholder Relationships" and "Guiding Principles for our Supplier Relationships"), that they agree with its contents and that they will fully comply with its provisions in their own operations. At the same time, suppliers can submit reports related to ethical issues to us at etikaibejelentes@cib.hu.

In addition to the rules regarding ethical behaviour, contracts concluded with all our suppliers now include paragraphs related to GDPR and anti-corruption, in compliance with our internal policies and the external regulations.

Other key issues for us are:

- respect for the rights of suppliers (in particular the right to health, safety and non-discrimination);
- respect for human rights throughout the supply chain (in particular the avoidance of suppliers who violate the human rights of their employees or their wider community);
- the inclusion of energy efficiency considerations as a key element of our procurement, refurbishment and construction plans.

Number of suppliers and value of services purchased by geographical area

	Number of suppliers			Value of purchased goods and services (million HUF)		
	2020	2021	2022	2020	2021	2022
Total	1,507	1,294	1,472	20,484	22,986	24,889
Hungary	1,426	1,217	1,375	16,253	17,500	19,098
Europe (excl. Hungary)	71	67	84	3,862	5,111	5,294
North America	9	8	13	354	352	498
Asia	1	2	0	15	24	0

Based on data as of 31st December 2022

VI. PEOPLE

Material topics

- Employment protection
- Retention, enhancement, diversity and inclusion
- Well-being and health & safety and of the Group's People

Why these issues are material

In this complex and fast-changing environment, maintaining the employees' motivation, sense of belonging to a team and community, as well as their physical and mental health are even more important. In 2022, the design and organisation of the employee programme portfolio ("Hello office", "CIB Spirit Day", "Top Gala", "Well-being weeks", etc.) was always based on the above aspects.

The challenges of the past period have not overshadowed the role and importance of training in achieving business success. In addition to classroom programmes, there are online, hybrid and e-learning training solutions as well. In addition to business training, there is a strong focus on developing constructive and motivational feedback and talent management.

The demand for work-life balance increased, having regard to which, with the epidemiological situation passing entirely, CIB Group continues – and will continue – to provide the option of smart working for its employees, the regulatory and technical background of which has already been implemented.

The uncertainty experienced in the past period lent an increased importance to the systems supporting employees in a difficult social and/or financial situation (sickness, death), such as the Social Committee operated jointly with the representatives of the employees, the "International Healthcare Programme", and the Group-wide life and accident insurance programme.

Labour market shortages remained significant in 2022. As the pandemic situation improved and restrictions were lifted, the number of open positions increased, the labour market reached full employment by the end of 2022 and the unemployment rate returned to pre-COVID levels. Since a significant proportion of potential candidates are passive jobseekers and the effectiveness of traditional advertising has drastically declined, the use of so-called technical recruitment services has become the default recruitment tool. The Bank has been testing new recruitment tools and channels (Instagram campaign, festival presence, etc.) and has also enhanced its existing recruitment platforms to find and attract the best candidates. Specialised recruitment and selected partners have been involved in order to manage searches for particularly difficult and challenging positions.

Performance indicators and results achieved

Material topics	Projects	2022 Actions/Results	2023 Objectives
Employment protection	Recruitment	Inclusion of new, partially digital recruitment channels Zyntern development; Instagram campaign, Further broadening of the means of recruitment, segmented search for candidates / LinkedIn life page development	Analysis of the Application Tracking System, preparation of system replacement to improve recruitment efficiency and candidate experience.
	Employees belonging to trade union	Trade union members in 2022: 115	Further expansion of professional trainee programmes.
	Employee with indefinite-term contract	In 2022: 2,048	
	Average fluctuation	In 2022: 17,3 %	
	Wages of entry-level employees compared to minimum wage	In 2022: 217 %	

VI. PEOPLE (cont.)

Material topics	Projects	2021 Actions/Results	2022 Objectives
Retention, enhancement, diversity and inclusion of the Group's People	Feedback culture	Design and launch of a year-long programme series to further strengthen the organisational culture based on constructive quality-related feedback. Deliver training sessions, podcasts, and a bank-wide survey. Valuation: Done 100%	Incorporate more frequent evaluations and feedback sessions into daily operations
	Talent University	Implementation of the 3 specialty areas of the "Talent University programme", formal closure of the programme, presentation of project tasks to the senior management. Valuation: Done 100%	Creation of a new talent programme concept
	Management development	Implementation of management development programmes and creation of a new concept	Launch of a new management development concept
	Wellbeing	Revision of the Well-being Programmes	Launching new well-being programmes
	Sales incentive scheme	Development of a user-friendly application as a result of continuous testing of the incentive scheme built around new principles, successful preparation for the 2023 launch Valuation: user-friendly application achieved after a successful testing period	Implementation of the new NIM system in all business lines
	Onboarding	Development of and preparation for a new process Launch of digital onboarding process Completed: 2022 pilot /valuation	Extending digital onboarding and introducing business as usual
	Diversity and inclusion initiatives	We are enhancing the internal and external communication of the "Womentoring" programme Completed: interview preceding long term absence, active communication	Meeting the targets set in 2022: 1) underrepresented gender on supervisory boards is 20% or greater; 2) average standard deviation of salaries per gender remain within a +/-4 percentage point range
	Re-employment of employees returning from a longer period of absence	Improving value, 77% in 2022	Maintaining the re-employment level achieved
Well-being and health & safety and of the Group's People	Well-being and quality of life in the company - Smart working	Regulations relating to working at home, ensuring the availability of tools and systems Establishment of the technical facilities necessary for hybrid working at the new head office Valuation: successfully implemented, our employees in the head office work on average 60% from home	Expansion of the Cafeteria system to support smart office expenses
	Health and safety – Employee health screening	Exploration of the private healthcare market, rethinking our needs Selection of a service provider in order to ensure uniform and coordinated service Valuation: successful tender, high quality service in the long term	Introduction of a new health service available to all

VI. PEOPLE (cont.)

1. Employment protection

COMPANY POLICIES

The company's approach to manage issues related to the protection of employers' rights is entirely in line with the principles outlined in the Group "Code of Ethics" and the ISP Principles on Human Rights, both of which are incorporated in the "CIB Group Rules of Conduct". Besides this, the company has also adopted the .. "Rules on diversity for sexual orientation and identity", implemented in the "Labour Policy of CIB Group", which reinforces the rejection of all forms of discrimination.

The Company continues to maintain excellent relations with the various employee advocacy bodies, operating for example, a Social Committee that includes members delegated from the trade union on the employee side and that aims to provide an organised framework for the awarding of certain allowances (funeral and welfare-related assistance, advances on various payments, etc.) required by our employees. This is particularly important at a time when so many external crises are challenging CIB employees (epidemic, war, rising living costs).

Job protection

CIB's responsible employment principles and practices ensure a stable community of employees and the specialist knowledge needed for the Bank Group's operation, which not only boosts personal satisfaction, but also correlates directly with the quality and speed of customer service.

As a responsible employer, CIB ensures nearly all our staff have indefinite-term employment contracts in place, which is also reflective of a committed employment relationship that can be planned for over the long term. To meet the Bank's seasonal staffing requirements, we also employ staff through contracts with temporary employment agencies. At the same time, the proportion of employees who are working on a part-time basis is increasing – and this another way the Bank is helping employees achieve a better work-life balance and help employees returning from a long period of absence to reintegrate into the world of work. The Bank place considerable emphasis on employee retention and training, the Bank regularly announce internship programmes, and recognise the achievements of high-performing individuals in numerous ways.

Number of employees of CIB Group*

	2020	2021	2022
Fixed-term contracts	13	13	7
Indefinite-term contracts	2,021	1,994	2,048
Total	2,034	2,007	2,055

Based on data as of 31st December 2022

Number of employees of CIB Group

	2020	2021	2022
Number of part-time workers	186	185	192
Male managers	2	1	2
Female managers	0	0	0
Male officers	3	3	5
Female officers	46	52	52
Male employees	20	16	10
Female employees	115	113	123
Number of workers of reduced functional capacity	85	99	102
Number of temporary staff	41	26	14

The previously reported figures for 2020-2021 have changed due to the application of a new calculation methodology; these figures include data for senior managers and inactive employees. Based on data as of 31st December 2022

**The headcount data presented in this (People) chapter and its breakdown by different aspects (e.g., gender, age) are based ont he data of active employees according to local practice, which differs from the methodology used by CIB's Parent Bank, Intesa Sanpaolo in its CNFS, which takes into account the total number of employees, including inactive and atypical workers (e.g., temporary workers) in addition to active employees.*

VI. PEOPLE (cont.)

Employment protection indicators of CIB Group

	2020	2021	2022
Employee with indefinite-term contract	2,021	1,994	2,048
Average fluctuation	14.5%	17.0%	17.3%
Wages of entry-level employees compared to minimum wage	219%	234%	217%

Based on data as of 31st December2022

Labour relations

At the end of 2022, the CIB Group employed a staff of 2,055, almost all of them under open-ended contracts, a reflection of our commitment to reliable and secure long-term employment. 14 workers have been hired on a temporary basis in order to satisfy seasonal staffing demands. There are an increasing proportion of part-time workers due to an effort to help improve the work-life balance of our staff.

The bank complies fully with the "Labour Code", and beyond this the organisation regulates matters that affect every employee equally in the HR regulations. There is no collective agreement. There is a trade union at CIB Bank; as at the end of December 2022, it had 115 members. Representatives of the union constitute the employee side of the Social Committee, whose duties include the management of certain welfare allowances granted to workers.

Persons	2020	2021	2022
Trade union members	135	127	115
Works Council participants	N/A	N/A	N/A

Based on data as of 31 December

CIB Group works with 788 outsiders, 303 of whom also have a permanent badge. Our aim is to improve the conscious management of externals, refine our methodology and identify sustainability risks in the future. All outsiders, as well as all contractors working with the CIB Group, accept the guidelines of the CIB Group's "Code of Ethics" as mandatory to them within the framework of their commission or contract agreement.

VI. PEOPLE (cont.)

2. Retention, enhancement, diversity and inclusion of the Group's People

COMPANY POLICIES

In terms of remuneration and incentives, CIB Group operates based on the principles of the Group "Code of Ethics" and the Group Remuneration and Incentives Policy. The latter is implemented in two regulations, the "Remuneration Policy of the CIB Group", which includes the general rules for the whole organisation, and the Sales Incentives Scheme, which focuses specifically on the incentives applied in the sales structure.

To support the above processes the company operates a performance management system described in the related manual – "Performance management system of the CIB Group".

The Labour Policy of the CIB Group and the 'Working from home and telecommuting manual' also include relevant measures in this regard, such as employee health screening (as an incentive), which is described in the Labour Policy, while the 'Working from home and telecommuting manual' sets out the framework for home-based work, which has taken on considerable importance in terms of staff retention after the pandemic period.

In terms of training and development, the CIB Group has a manual on Training and Development, in which two Group guidelines, the "Rules for ensuring sustainability in the organisation of communications events and training courses" and the "Principles of Human Rights" are implemented.

In terms of diversity and inclusion, the Group's "Code of Ethics", the "Principles of Human Rights", the "Diversity and Inclusion Principles" have been introduced, and ISP's "Rules for combatting sexual harassment" have been adopted, all of which enhance the specific qualities of each employee, from as early as the recruitment and selection phase, as described in the related regulation. Besides this, the "Rules on diversity for sexual orientation and identity", implemented in the "Labour Policy of the CIB Group" is also evidence of the commitment of the company to this matter.

Recruitment and selection

In 2022, the labour market continued to be characterised by significant labour shortages, i.e. a high number of vacancies, and it will be increasingly challenging to find and attract high quality candidates. Among the various recruitment methods, our employee referral programme continues to be successful, and we have further expanded the list of recruitment and headhunting companies we work with. We have introduced new recruitment channels and used online job search sites to reach potential candidates who are not active in the labour market. Job advertisements have been updated and revised, with recruitment channels selected based on measurements of advertising effectiveness. The Bank searches for potential candidates in both internal and external databases. In 2022, CIB continued to work closely with a number of universities and other higher education institutions, in order to reach key employee target groups of highly qualified graduates. A number of fresh graduate employees and internees were attracted to the company as a result of presentations held at various universities by senior employees from CIB, as well as through our collaboration on various specialist courses at the university.

Staff turnover has been lower at the Bank compared to the previous year. This is reflected in the age and gender breakdowns.

Employee termination at CIB Group

	2020	2021	2022
Termination rate (average)	14.5%	17.0%	17.3%
Termination rate by age groups			
21-25	35.8%	29.3%	28.0%
26-30	19.1%	26.6%	25.9%
31-35	13.8%	24.7%	20.7%
36-40	13.2%	14.4%	14.5%
41-45	13.0%	12.5%	12.9%
46-50	10.9%	10.8%	13.1%
51-55	8.9%	10.3%	14.8%
56-60	15.5%	13.0%	16.9%
61-	10.0%	16.7%	26.3%

Based on data as of 31st December 2022

VI. PEOPLE (cont.)

	2020	2021	2022
Termination rate by gender			
Male	15.3%	17.9%	16.6%
Female	14.3%	16.6%	17.7%
Number of new recruits and job-leavers across CIB Group			
Number of new employees	334	337	396
Number of job leavers	319	382	369

Based on data as of 31st December 2022

In 2022, employees working in entry-level jobs earned, on average, HUF 433,089, i.e., 217% of the minimum wage.

Average gross base salary of male and female employees by position category at CIB Group (million HUF)

	2020	2021	2022
Male managers*	14, 3.	15.2	16.8
Female managers*	12.4	12.9	14.4
Male officers	9.4	10.4	11.7
Female officers	8.1	8.9	9.9
Male employees	4.8	5.3	6.3
Female employees	4.5	4.9	5.7

** The previously reported figures for 2020-2021 have changed due to the application of a new calculation methodology. these figures do not include Executive's data. Based on data as of 31st December 2022*

Average total gross remuneration of male and female employees by job category at CIB Group (HUF million)

	2020	2021	2022
Male managers*	16.8	17.7	20.6
Female managers*	14.3	15.1	17.5
Male officers	10.7	11.8	13.4
Female officers	9.1	9.9	11.3
Male employees	5.4	5.8	7.0
Female employees	5.1	5.6	6.6

** The previously reported figures for 2020-2021 have changed due to the application of a new calculation methodology. these figures do not include Executive's data. Based on data as of 31st December 2022*

Average gross base salary as a percentage by gender (women compared to men)

	2020	2021	2022
Managers*	86.7%	84.8%	85.7%
Officer	86.1%	85.6%	84.6%
Employees	93.7%	92.4%	90.5%

** The previously reported figures for 2020-2021 have changed due to the application of a new calculation methodology. these figures do not include Executive's data. Based on data as of 31st December 2022*

Average total remuneration as a percentage by gender (women compared to men)

	2020	2021	2022
Managers*	85.1%	85.3%	84.9%
Officer	85.0%	83.9%	84.3%
Employees	95.7%	95.5%	94.3%

** The previously reported figures for 2020-2021 have changed due to the application of a new calculation methodology. these figures do not include Executives data Based on data as of 31st December 2022*

Average compa-ratio* by gender and position at CIB Group

	2020			2021			2022		
	Male	Female	Female / Male ratio	Male	Female	Female / Male ratio	Male	Female	Female / Male ratio
Managers	87.2%	86.4%	99.1%	90.1%	90.2%	100.1%	93.6%	90.9%	97.1%
Officer	94.1%	92.0%	97.8%	102.3%	100.0%	97.7%	104.0%	99.2%	95.4%
Employees	100.3%	97.4%	97.1%	104.2%	100.4%	96.4%	108.2%	103.7%	95.9%
Total	96.1%	95.6%	99.4%	101.6%	99.7%	98.1%	104.5%	101.9%	97.6%

**The salary comparison ratio shows the % wage level of employees in relation to the median value of the bank salary market, by gender and by job level. Based on data as of 31st December 2022*

VI. PEOPLE (cont.)

People and digital transformation

By 2022, smart working, remote access to banking systems, online education, e-learning and access to the CIB Intranet from a mobile phone has become part of our everyday lives. All of these will encourage employees to become more immersed in the opportunities offered by the online and digital world, both as CIB employees and as individuals. Several initiatives aimed at improving knowledge relating to digitalisation have been launched in the Bank. The Digital Galaxy video library, available to all employees, includes exciting topics such as online marketing strategy, IT megatrends, design thinking, start-up ecosystem, etc.).

In the scope of the "Digital talks" programme series coordinated by the Parent Company, the management could attend special presentations concerning digital transformation. An integral part of the Bank's talent programme was the agility and service design methodology, which went well beyond the scope of knowledge transfer through project work. The new learning platform of the Parent Company ("LEA - Learn Everyday, Anywhere") was introduced in 2022, which meets international modern learning needs and the educational content is available in Hungarian (also) from anywhere, anytime (on PC, mobile, tablet, etc.). LEA provides additional useful learning materials and exams in connection with cybersecurity, data phishing and new cyber fraud trends.

As digitalisation is a high priority topic, our annual all-staff event (CIB Spirit Day) also provided the employees with VR (Virtual Reality) solutions, a robotics lab and digital experience collection. The introduction of hybrid working in the central areas and the simultaneous in-person and online office presence of our employees required the launch of a structured training/educational communication series. The education project was facilitated by a fictitious virtual manager, the Chief Hybrid Officer, "who" provided useful and relevant knowledge on the use of new IT tools and online meeting etiquette through blog posts. Furthermore, the digital competency survey provided useful information for training in the coming years.

Performance assessment

The managers working in Head Office have been supported by a flexible and user-friendly performance assessment system called NewPat in specifying targets for members of their teams and then in assessing achievement of such goals as well as the competences that are of benefit to the employees in their work. The targets for 2022 are set and subsequently evaluated under 'NewPat' system, which provides the comprehensive evaluation mechanisms in a manner and on the basis of principles that are transparent for assessors and employees alike. On the other hand, the performance management processes for the network is GPS. The GPS system was designed in line with the Bank's strategy for our sales staff of the International Subsidiary Banks of Intesa Sanpaolo. The scheme is based on a methodology developed by the International Subsidiary Banks Division (ISBD) of Intesa Sanpaolo, our shareholder. The performance of 100% of our employees is assessed against pre-defined objectives, either through the NewPAT performance assessment system or the GPS sales incentive system, depending on their job role.

The sales incentive system has been designed in order to motivate and retain the Bank's staff members and line managers so we can work together for achieving our strategy. In 2022, additional jobs were included in the sales incentives system. During the performance assessment period, a series of panel discussions held throughout the organisation ensure the consistency of the evaluations between the management levels and the individual divisions. All Bank employees get an assessment of their performance and a review of their career options.

VI. PEOPLE (cont.)

Recognition and career management

Closely related to the performance assessment mechanisms, the career management system also continues to operate, primarily in order to identify and retain talents, enable all employees to consider their desired career paths at the CIB Banking Group and to ensure that managers develop conscious replacement strategies within their teams. In 2021, we expanded our recognition portfolio. As in previous years, after a two-year hiatus, we once again awarded our 150 best salespeople and supporters in a personal ceremony, based on nominations from managers and the previous year's sales results. The winners of the "Strong Leaders in Stormy Times" awards, the Gold Team winners and our employees celebrating their 20th, 25th, 30th, 35th and 40th anniversaries at CIB were welcomed by Management Board members at a large-scale end-of-year awards ceremony in December 2022.

The wide-ranging system of fringe benefits is an important part of our new remuneration strategy. In 2022, the gross amount of fringe benefits due to full-time workers was HUF 35,000, the same as the year before. Part-time workers continued to be entitled to Cafeteria benefits on a pro-rata basis. 2022 saw slight changes to the range of and rules governing fringe benefits During the shaping of the system of benefits, important factors included the employee experience as well as an effort to provide all possible benefits that remained tax-exempt or continued to have a preferential tax rate in 2022. In addition to the above, the list of available components was simplified to a reasonable extent, taking into consideration the related paperwork and disclosure requirements.

Training

	2020	2021	2022
Average training hours per employee per year	37.9	48.9	67.9
Total training hours	77,183	98,081	137,750
Numbers of training hours by gender and position category			
Managers (male)	2,695	3,884	5,668
Managers (female)	2,362	4,319	5,744
Officers (male)	4,028	5,936	8,388
Officers (female)	4,285	7,215	9,651
Employees (male)	15,174	18,481	24,527
Employees (female)	48,639	58,246	83,771

Based on data as of 31 December 2022

In 2022, several new features were added to the digital orientation training programme for new hires, where new employees learn about the bank's organisational functioning and the most important organisational, bank security, compliance and data protection matters and regulations. On the one hand, two new chapters on ethical management and ESG have been added to the Welcome Video platform, and on the other hand, these training contents constitute an integral part of the digital onboarding programme launched in 2022.

This year, 513 new colleagues participated in the 4-week professional orientation programme of the branch network. which has been extended with an additional 1 week of in-branch mentoring. The purpose of this is to allow new onboarding branch network employees to practice the skills they have acquired in the first 4 weeks under the supervision of experienced experts. Classroom and online training sessions provided to sales employees continued to be a priority. Among these, the multi-module "Small Business Academy" programme, the negotiation and persuasion training series conducted in the corporate division and the professional and skills development training courses related to insurance sales stand out. In 2022 4,510 (without duplication 630) participants took part in the 72 different branch network training courses organised.

An entirely new two-semester, one-year long management training programme was launched for branch managers and assistant branch managers. In addition to classroom and online training sessions, the "Master in Branch Management" programme includes a 360-degree individual assessment, a three-part webinar series on intergenerational cooperation and an application scheme. As a result of the latter, the winning Branches were able to meet with their chosen focal area or with employees invited from different focal areas.

The one-year long online training/development process for newly appointed managers within the organisation ensured that, in 2022, that they continued to receive support for one year after appointment.. The programme covers all the fundamental managerial competencies that a manager with less experience needs. The one-year management development process includes online training, consultations, and mentoring support. In addition, coaching, mediation and collaboration development programmes and services were also available in 2022 in the organisation.

VI. PEOPLE (cont.)

The “Feedback Plus” programme series, launched in 2021 to strengthen an organisational culture based on constructive and improvement-encouraging feedback, has been completed. This initiative focuses on a set of tools for providing repeated, regular, qualitative and motivating feedback through employee and management training, internal conferences and podcasts. 960 persons completed the “Feedback Plus” questionnaire and shared their experiences and suggestions on feedback. 85% of the employees reported that their manager is well prepared to carry out the assessment and takes sufficient time to do so. 76% felt that their manager motivates and encourages them and provides the right support, alongside developmental feedback, to ensure that improvements are actually made. In addition to developing the skills to be used in feedback, the training portfolio was updated in line with the needs assessment from the panel review meetings at the beginning of the year, with 4 training topics for employees and 6 for managers.

Several training solutions and platforms were made available to employees to complete the courses and exams required by legislation. The previously introduced e-learning programmes (“MCD - Mortgage Credit Directive”, MIFID, IDD) continued, but

Talent development

The “Talent University programme”, launched before the pandemic broke out, was completed in 2022. After the credit-based initial training, participants continued their learning and experience-gaining in one of the 3 specialty areas (Agile-Lean, Customer Experience, Management) also supported by CIB managers. While completing the specialty areas, the participants were also involved in the elaboration and implementation of real CIB projects, and the programme concluded with a presentation provided to CIB Bank executives. The courses provided within the scope of the Agile/Lean and Customer Experience specialty areas and related projects were also open to employees from other specialty areas, resulting in 33 “Talent Programme” participants and 16 more employees from other specialty areas successfully completing the training programme.

	2020	2021	2022
Number of appointments (pcs)	11	11	9
Ratio of appointments as a percentage of total headcount (%)	0.48%	0.49%	0.39%

Based on data as of 31st December 2022

International Talent Programme

“The International Talent Programme” of CIB’s Parent Company, the Intesa Sanpaolo Group (ISBD), is a key initiative at group level aimed at developing the competencies of our colleagues and strengthening the work ethos focused on high performance and professional excellence. In addition to taking part in personal development, professional and leadership training as well as dedicated mentoring programmes, participants enrolled in the programme – which takes 3-5 years to complete – also have the opportunity to acquire a minimum of one year’s work experience abroad within the banking group.

Succession plans to ensure business continuity

In order to ensure business continuity in the event of a vacancy in a managerial position, we review the succession plan annually, as part of the annual performance assessment process. During the performance evaluation period, discussions are held regarding potential successors for the various managerial positions and a list of potential candidates is compiled. The purpose of the succession plan is to ensure that resources with good potential are identified and developed, potentially even across divisions. A succession plan is prepared for each managerial position, though we pay particular attention to senior management positions.

Inclusion and diversity management

The Bank’s Organisational and Operational Regulations (OOR) clearly specify the key principles underlying responsible operation. The Bank rejects all forms of discrimination and corruption in its internal and external communications, prohibits any form of discrimination and guarantees the general requirements of equal treatment in accordance with the applicable EU guidelines. The internal regulations governing compliance and risk management activity endorse similar principles aimed at supporting responsible operation. The CIB Group ensures equal treatment and opportunity for its employees in accordance with the Fundamental Law of Hungary and other statutory provisions on the matter, and with the Bank Group’s “Code of Ethics” and the Parent Company’s “Diversity and Inclusion Principles”. This is achieved through the transparency of decision-making processes within the company and the ethics-related training provided to managers and other employees. The investigation of ethics issues associated with this topic and the preventive actions that are taken in response ensure legal and ethical compliance in all areas of the bank’s operation.

VI. PEOPLE (cont.)

The Bank's 'Womentoring' initiative, which is designed to promote career awareness among women in our workforce, was created to help increase the proportion of women in senior management positions, and to prepare women who have been on maternity leave to return to work successfully. As part of the programme, information, advice and suggestions were provided by both internal and external trainers, presenters and experts. In 2022, 33 employees participated in person in the "Womentoring" programme. Since our headquarters are based in Budapest, it is no surprise that most of our employees live in or near the capital. However, staff who live in other regions of the country but need to travel to the head office due to the nature of their duties are given an opportunity to limit their presence at the head office to certain days of the week, while doing telework from a branch outside the capital on the other days of the week. As a result, a relatively large number of staff, 413, spend most of their time working outside Budapest.

Proportion of employees by gender and category at the CIB Group*

	2020		2021		2022	
by category	Male	Female	Male	Female	Male	Female
Managers	57.4%	42.6%	55.7%	44.3%	56.5%	43.5%
Officer	48.9%	51.1%	48.4%	51.6%	47.7%	52.3%
Employees	25.7%	74.3%	24.9%	75.1%	25.4%	74.6%
by age						
21-25	43.3%	56.7%	36.9%	63.1%	36.0%	64.0%
26-30	38.8%	61.2%	41.6%	58.4%	41.8%	58.2%
31-35	40.8%	59.2%	42.2%	57.8%	43.3%	56.7%
36-40	37.3%	62.7%	38.1%	61.9%	37.9%	62.1%
41-45	29.2%	70.8%	31.2%	68.8%	30.2%	69.8%
46-50	32.6%	67.4%	27.4%	72.6%	28.9%	71.1%
51-55	31.4%	68.6%	31.9%	68.1%	35.0%	65.0%
56-60	14.8%	85.2%	18.3%	81.7%	21.4%	78.6%
61-	38.9%	61.1%	42.1%	57.9%	36.0%	64.0%

Based on data as of 31st December 2022

The Bank's Womentoring initiative, was launched 5 years ago, with one of the main objectives being to support women's career paths. As part of this, after 2 years, we were able to personally welcome back women colleagues who are still raising their children at home and who are already thinking about returning. During the one-day programme, staff were given a range of topics to help them get back to work, including the bank's business results, recent organisational changes and practical information on how to get back to work...

Thanks to the programme and the awareness-raising sessions, the ratio of employees returning from a long period of absence has increased.

	2020	2021	2022
Re-employment rate for employees returning from a long-term absence	63%	51%	77%

Based on data as of 31st December 2022

VI. PEOPLE (cont.)

3. Well-being and health & safety and of the Group's People

COMPANY POLICIES

Health protection is an important part of employee well-being. In terms of health and safety at work, the "Labour Policy of the CIB Group", including the occupational health rules, and "CIB Group's Central Work Safety Regulation" need to be mentioned. These are in harmony with the ISP Group's "Code of Ethics", "Health and Safety Policy" and with other related group guidelines, such as the "Rules for Occupational Health & Safety Management Systems in the International Subsidiary Banks".

The 'Working from home and telecommuting manual' is also a relevant, as it includes measures related to health and safety as well as guidelines for ensuring employee well-being and an effective work-life balance.

Well-being and quality of life at the company

In 2022, several programmes aimed at improving corporate culture and rebuilding small and large communities in the workplace after the pandemic were implemented within the scope of the "CIB Spirit" employee programme portfolio.

In the scope of the family-friendly initiatives, 273 children of CIB employees were granted financial support for a more experience-rich summer holiday during the 12-week season, and 426 children participated in a Santa Claus celebration for our employees' children. These initiatives, among others, were the reason why CIB Bank received the "Family Friendly Company" award for the fourth time from the Three Princes, Three Princesses Movement Foundation and this year, for the first time, it was awarded the "family-friendly workplace" certification mark of Családbarát Magyarország.

The annual "TOP Allstars" gala was again held in the form of an in-person event, where members of the Management Board awarded 151 employees in the "best salesperson" and "best supporting employee" categories. Also in the framework of a personal event, CIB's senior management honoured management role models, golden teams and last but not least, employees who are celebrating their work anniversary.

In the autumn, after a long break, sporting events were once again organised for sports-loving employees. A total of 120 employees represented CIB Bank at the "Sports Meeting of Hungarian Banks" and at sports days organised by the parent bank. In September, the "CIB Spirit Day" all-staff event was held with the participation of more than 1,000 people, also focusing on strengthening the larger community. Strengthening the community spirit of smaller teams was supported by an increased team building budget for the year 2022.

A series of "Wellbeing Weeks" were held in an effort to enhance the personal wellbeing and mental and physical health of employees, enriched by interactive online presentations, game challenges and the introduction of the DokiApp the telemedicine service. The "Employee Assistance Programme" (EAP) service remained available for all colleagues in 2022 too. In the scope of this service, employees in a difficult financial situation and their family members could receive psychological, legal, financial and lifestyle consultation.

Employees working in the central area had a chance to express their expectations and opinions both before and after the head office relocation. At the opening of the new head office, 1,300 central employees took part in a week-long "Hello Office!" programme, where participants could attend coffee mornings, yoga classes, improvisation theatre performances and a flash mob concert.

The Bank's online onboarding programme was renewed, in the course of which general information that is relevant, important or practical for all new employees was shared, helping them to get started, learn about the organisation, our work culture and the values of the Bank.

Employee satisfaction surveys are carried out every two years at bank group level at the initiative of the parent bank. In addition to assessing the overall level of job satisfaction, the complex survey also provides a snapshot of the employees' relationship with co-workers and managers, the working environment and the local handling of, comparing the results achieved in previous surveys with the indicators of the ISP Group's international subsidiaries. The results of the survey, launched in 2021, were received by the Bank this year, showing that the overall job satisfaction index related to the work performed at CIB Bank, measured in the two last surveys (2016 and 2019), increased from 76% to 81% and then to 89%, thus achieving an outstanding result among ISP subsidiary banks (where the average satisfaction index in 2021 was 73%). Employees also rated highly their relationship with their direct colleagues (95%, +5%), the opportunity to work independently (95%, +4%) and the stability and security of their jobs (92%, +15%). The survey covered 1,060 people, 52.2% of the total headcount at the time.

VI. PEOPLE (cont.)

Energy crisis and inflation – protection of the quality of life

In order to alleviate the difficulties caused by rising inflation, which has particularly affected overheads costs and food prices, in September 2022 we provided one-off financial support to all our employees – except senior managers and those in the same salary bracket – including those with children at home, then we provided a new increase in basic salaries in November – on top of the planned April pay rise – with a particular focus on lower paid employees.

We brought forward the disbursement of the amounts of the October-December SZÉP card claims, which would have been settled with the December salary payments according to the rules and paid them together with the third quarter amounts on the September payroll date (30.09.2022), thus contributing the alleviation of the difficulties caused by high inflation and rising costs and supporting the most practical use of the funds.

Health and safety

The health protection of its employees is particularly important for the Bank, as it is a defining part of employee well-being. Participation in regular fitness-for-work health examinations, as required by the applicable law, remained compulsory for all our staff in 2022. In keeping with the practice of previous years, for managers above a certain grade and for senior experts (281 in total) the Bank continued to provide executive medical screening as part of the annual occupational health examination, due to the higher-risk environment. Both the occupational health screening and the managerial screening are carried out by Doctor24, which has been providing services to the Bank since 1994.

Recognising the need a harmonised approach for of health and safety at work, CIB Bank has adopted the "Rules for Occupational Health and Safety Management Systems applicable to the international subsidiary banks of the Intesa Sanpaolo Group" (2018) furthermore the "Health and Safety Rules for Personnel of Italian Group Companies who are on Foreign Assignments" (2021) and manages the OH&S activities in close cooperation with the Parent Company team

Smart working

Now that the epidemic situation has passed — the CIB Group continues to offer its employees the opportunity to work from home in the long term. For this purpose, CIB developed and regulated the process of applying for and regularly engaging in home office. The Bank provides employees working from home with the required access to its IT systems, as well as the laptop (with the necessary accessories) and a mobile phone (the device itself and the subscription) necessary for such home-based work.

Number of employees eligible for any possible remote working framework	2020	2021	2022
Head office staff	1,418	1,389	1,418
Network staff	134	134	144

Based on data as of 31st December 2022

International Healthcare Programme

The health of employees is of the utmost importance to CIB, as it is to our Parent Company, not only for ethical reasons but also because our employees are our company's most valuable asset. For this reason, employees on indefinite-term contracts in CIB Bank are beneficiaries of the ISBD "International Healthcare Programme". Through the "International Healthcare Programme", in 2022 the Bank offered employees with permanent contracts second medical opinions and/or medical treatment at centres of excellence in foreign countries. The Programme provides assistance for employees with serious medical conditions (e.g., cancer, or conditions requiring complex surgical procedures), covers the cost of treatment and of any additional services (VISA assistance, travel costs), and all transport and accommodation expenses in the foreign country, and also reimburses medical costs incurred once the employee returns home. The second medical opinion services are also available for the entitled employees' family members.

VI. PEOPLE (cont.)

Total injuries in the workplace and working days lost

	2020	2021	2022
Total injuries	5	9	6
Total number of working days lost	71	43	26
Total number of working days lost - men	1	0	10
Total number of working days lost - women	70	43	16
Number of injuries - men	1	0	3
Number of injuries - women	4	9	3
Number of injuries during working hours	3	3	4
Number of injuries when commuting	2	6	2
Number of injuries during working hours - men	1	0	2
Number of injuries during working hours - women	2	3	2
Number of injuries when commuting - men	0	0	1
Number of injuries when commuting - women	2	6	1

Based on data as of 31 December 2022

Absence from work by reasons (%)

	2020	2021	2022
Illness – men	62.5	70.8	78.5
Illness – women	16.2	20.9	20
Accident in the workplace - men	0.0	0.0	0.5
Accident in the workplace - women	0.1	0.1	0.0
Maternity leave - men	0.0	0.0	0.0
Maternity leave - women	79.5	76.9	77.2
Other* - men	37.4	29.2	21
Other* - women	4.2	2.2	2.7

** other and personal reasons (e.g. child's illness, mourning, university exams, moving home)*
Based on data as of 31st December 2022

The OHS training was announced on our e-learning platform during the first semester (May-June). The OHS exam was compulsory for all our employees and was passed with 99% pass rate.

	2020	2021	2022
Number of OSH training hours per year – OHS training (hours)	849	1,424.3	1,525.5
Number of participants per year – OHS training (persons)	1,886	1,899	2,034
Percentage of participants per year – OHS training (%)	88%	93%	98.9%

Based on data as of 31st December 2022

VII. ENVIRONMENT AND CLIMATE CHANGE

MATERIAL TOPICS

- Transition to a sustainable, green and circular economy
- Direct environmental impacts

WHY THESE ISSUES ARE MATERIAL

Climate change is an extremely important phenomenon and the changes taking place are transforming our planet. As well as its consequences and repercussions on the planet's ecosystem, the constant increase in global temperatures due to the growing concentration of greenhouse gases in the atmosphere is also impacting on the economic and social dynamics of present and future generations.

The seriousness of the phenomenon was confirmed by the Magyar Nemzeti Bank (MNB – the National Bank of Hungary) when it issued its "Green Recommendation" in April 2021, and clarified it in autumn 2022, specifically requesting all financial institutions supervised by the Magyar Nemzeti Bank to comply with the published requirements. Recommendation 10/2022. (VIII.2.). of the Magyar Nemzeti Bank on climate-related and environmental risks and the integration of environmental sustainability considerations into the activities of credit institutions clearly defines its purpose and scope:

"The purpose of the recommendation is to set out the expectations of the Magyar Nemzeti Bank in relation to the identification, measurement, management, control and disclosure of climate-related and environmental risks and the integration of environmental sustainability considerations into the business activities of credit institutions, thereby increasing the predictability of the application of the law and facilitating the uniform application of the relevant legislation.
The recommendation is addressed to credit institutions subject to the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter: Credit Institutions Act)."

Energy efficiency efforts have become even more important in the context of the energy crisis in 2022.

Performance indicators and results achieved

Material topics	Projects	2022 Actions/Results	2023 Objectives
Transition to a sustainable, green and circular economy	Green finance	Join the "Green Refinancing" programme of the National Bank of Hungary An action plan was drafted to implement the Magyar Nemzeti Bank's "Green Recommendation" Housing loans under the Magyar Nemzeti Bank "Green Home Programme" were sold until the end of the programme (March 2022).	An indicator related to this material issue will be defined in 2023.
Direct environmental impacts	Reducing environmental footprint	Green culture and initiatives In connection with the "Earth Hour" initiative, the Bank saved 13.5 kwh of energy	Revision and issue of the Car policy in compliance with the parent bank's ESG guidelines, thereby achieving CO2 savings from new car purchases From 2023 onwards, only hybrid, plug-in hybrid or electric taxis will be available for business trips by taxi.
	Responsible management of resources	The Bank has saved 7.946 kg of paper when sending bulk mail Total energy saving 2.798.002 kWh	Further reduction of total paper consumption by 15 000 kg

VII. ENVIRONMENT AND CLIMATE CHANGE (cont.)

Taxonomy

In the financing of retail customers, the acceptance and disbursement of loans under the „Zöld Otthon Program" ("Green Home Programme") continued in 2022. Following the closure of the programme, the Bank launched market-based products (available from 1 December 2022) that provide interest rate reductions for the purchase or construction of properties with an energy rating of at least "BB" and an annual primary energy consumption not exceeding 80 kWh/m2/year.

In addition, the Bank also applies environmental sustainability criteria in its acquisition activities for its clients. If a customer becomes a client through the referral programme, the Bank will plant one tree for every new client that comes in as a referral.

In 2023, the Bank plans to further broaden its range of products that support environmental sustainability. In both home loans and personal loans, it will launch products to finance new loan targets that support residential energy efficiency investments and, through this, environmental considerations.

In 2022, the number of small business customers, including both funded and non-funded customers, continued to grow. In 2022, the Bank continued to provide lending to businesses mainly through the „Kavosz Széchenyi Card Programme" ("Széchenyi Card Programme GO!" in the first half of the year, followed by "Széchenyi Card Programme MAX"), in addition to its own loan products. Within the framework of the programme, CIB Bank also introduced the Széchenyi Investment Loan MAX, which was available at a higher subsidy rate for improving energy efficiency and supporting technology change, thus strengthening the number of ESG products available at CIB Bank. The Hungarian government has announced that it will support the "Széchenyi Card Programme" in 2023 with an even larger amount of HUF 290 billion, so state supported Kavosz products are expected to be the focus of financing in the coming period.

From February 2022, online lending will also be available for small business customers, so that some small business customers of CIB Bank can now borrow without visiting a branch. The service allows customers to access financing tailored to their specific needs in just a few hours, with favourable terms and conditions. The service is currently available on CIB Bank Vario's revolving and overdraft products, but the bank plans to gradually expand the range of products covered.

In 2022, the bank also placed a strong emphasis on the sale of e-commerce and POS services, as well as innovative solutions, with the successful launch of the CIB softPOS service at the end of the year, which provides merchants with a simple and cost-effective card acceptance solution.

Environmental sustainability is playing an increasingly important role in the financing of the corporate business, which has been accompanied by restrictions in the coal, unconventional oil and gas extraction sectors. The Bank's loan portfolio has seen an increasing focus on investment loans for renewable energy generation (photovoltaic solar, biogas) and for the transition to renewable energy. 8 new projects were signed in 2022, creating 148 MW of renewable capacity.

The production of renewable energy and the shift to circular economy is promoted by the Bank's parent bank Intesa Sanpaolo through its subsidiary banks under the Circular Economy and Green Fund. The total amount allocated to the subsidiary banks for this purpose is EUR 300.000.000. CIB Bank in Hungary has signed loan agreements for EUR 49.700.000[4] under the above programme.

In addition, CIB Bank has access to EXIM Bank's "Green Refinancing Programme", under which it has signed EUR 1 250 000[4] in 2022 for sustainability-related lending.

At the end of 2022, the S-Loan product line was launched, which provides funding for sustainability purposes for small and medium-sized enterprises and large corporates. The roll-out is expected to start next year.

Sustainable finance is increasingly taking a prominent place in the Bank's operations. It is important to be able to identify transactions from a sustainability perspective, as well as the legislation and guidelines under which transactions are categorised into compliance classes. A complete solution, compliant with Regulation (EU) 2020/852, has been developed and is being implemented. A financing solution to support renewable energy production and the transition to circular economy, as well as other social, corporate governance and environmental financing solutions, is already available in the Bank. This rewards transactions in this category with a pricing discount. In addition, the bank is looking for opportunities to provide financing from the green line provided by a refinancer, such as the EXIM Bank "Green Refinancing Programme" available at CIB Bank. As the framework conditions for the financing solutions available under the above differ slightly, we are able to meet a wider range of customer needs.

Full compliance with Taxonomy is the highest of our multi-level sustainability objectives. As of 31 December 2022, we have USD 30 million[4] in contracted stock that complies with the legislation (aligned to EU Taxonomy[1]). The financed transaction is for an investment related to the production of battery copper foils. The product is mainly used in the battery production of electric vehicles. The investment will apply circular economy principles by recycling finished copper foil that does not meet quality requirements. However, the amount used (drawn down) is minimal and therefore its weight in relation to the total assets is minimal.

VII. ENVIRONMENT AND CLIMATE CHANGE (cont.)

Intesa Sanpaolo Group is committed to sustainable and responsible investment. Eurizon Capital, the Group's asset management arm, was the first to establish an ethical investment fund in Italy in 1996 and in 2017 integrated ESG guidelines into its investment decision-making processes. In 2021, Eurizon adopted a sustainability policy in line with the European SFDR (EU Regulation on Sustainability Disclosures) and more than 41% of its products are compliant with Articles 8 and 9 of the SFDR. Eurizon Group takes into account the main adverse impacts of investment decisions on sustainability factors. In addition, Eurizon, in the belief that sound corporate governance policies and practices (covering environmental, social and corporate governance issues) can create value over the long term, has adopted the Italian Stewardship Principles and Italian Corporate Governance Principles (defined in line with the principles set out in the "External Corporate Governance Code" adopted by EFAMA, the European Federation of Fund and Asset Managers). Eurizon has adopted a strategy for the exercise of administrative and voting rights in listed companies, aiming at an effective integration between corporate governance and the investment process. Eurizon Asset Management Hungary Zrt., a member of the Intesa Sanpaolo Group, has made the implementation of ESG (Environmental, Social and Governance) and SRI (Socially Responsible Investment) aspects a priority in the development of new products, in compliance with the relevant EU regulations and the expectations of the Eurizon Capital Group, and has therefore issued a number of investment funds under Article 8 of the SFDR for the clients of CIB Bank Zrt:

- CIB ESG Talentum Total Return Funds Subfund
- CIB Euro ESG Talentum Total Return Funds Subfund
- CIB Sustainable Development Derivative Fund
- CIB Euro Sustainable Development Derivative Fund
- CIB Responsible Investment Derivative Fund
- CIB Euro Responsible Investment Derivative Fund
- CIB ESG Capital Protected Derivatives Sub-Fund
- CIB ESG 2 Capital Covered Derivative Sub-Fund

The table below shows the disclosures of CIB Bank pursuant to Article 8(1) of Regulation (EU) 2020/852

exposures to Taxonomy-eligible economic activities/ total assets (2021/2178/EU, Article 10(3)(a)2	19.14 %
exposures to Taxonomy non-eligible economic activities / total assets (2021/2178/EU, Article 10(3)(a)2	59.96 %
exposures to undertakings that are not obliged to publish non-financial information/ total assets (2021/2178/EU, Article 10(3)(c)3	52.09 %
Data in million HUF	
Total assets	3,093,574
Exposures to central governments, central banks and supranational issuers	1,085,538
Derivatives	168,792
Trading book	150,947
On-demand interbank loans	167,105
Indicators	
Exposures to central governments, central banks and supranational issuers / total assets	35.1%
Derivatives / total assets	5.5%
Trading portfolio / total assets	4.9%
On-demand interbank loans / total assets	5.4%

Notes:

1 Taxonomy-aligned economic activity: economic activity meeting the requirements set out in Article 3 of Regulation (EU) 2020/852

2 Exposure to taxonomy-eligible and taxonomy non-eligible economic activities has been determined on the basis of the main activity of our corporate customers (TEÁOR).

3 We considered enterprises with more than 500 employees as enterprises subject to NFRD.

4 Amount in the currency of the contract

VII. ENVIRONMENT AND CLIMATE CHANGE (cont.)

1. Transition to a sustainable, green and circular economy

COMPANY POLICIES

In accordance with the principles of the "Code of Ethics" and the "Rules for the environmental and energy policy", the CIB Group has long paid particular attention to the green products and services it offers its customers, one of the goals being to contribute to the combating of climate change. The CIB Group supports the transition to a low-carbon economy, promoting renewable energy, energy efficiency and the circular business model, and encouraging the development of its various customer segments, committed to reducing their environmental footprint, by gradually increasing its green product and service portfolio.

Loans and services for the Green and Circular Economy

Mass segment

CIB Bank has joined the "Green Refinancing programme" of the National Bank of Hungary (NHP-ZOP). Under this programme the national bank provides refinancing funds at zero rate if it is used by banks to finance low-energy-consumption newbuild properties for private individuals. A low-energy-consumption property must have an energy rating of at least "BB" (which means it has a near-zero energy demand and at least 25% of this energy must be produced from renewable sources). A further condition for refinancing is that the interest rate on the loan must not exceed 2.5%, fixed for the entire term, which is much lower than the average market rate. The Bank offered this product to its customers from October 2021 until the end of the programme, i.e., the end of March 2022.

Small business

In the small business segment, in line with the ESG guidelines and the Magyar Nemzeti Bank's "Green Recommendations", a key focus will be on the digitisation of services, thus the online account recommendation platform will already be available to small businesses in the second half of 2022. The introduction of fully online account opening and the preparations for enabling online loan application for additional products are currently in progress. These solutions will reduce the use of paper, save resources, and reduce the number of branch visits needed and the associated emissions.

Within the framework of the "Széchenyi Card Programme", the Széchenyi Investment Loan MAX and its sub-scheme for loan purposes supporting energy efficiency improvement and technology change are also available for Small Businesses, providing a possibility to finance any loan purposes that support sustainability, green economy or circular economy principles, or where the investment project results in the replacement of assets currently used by the company with material- and energy-efficient, environmentally friendly assets and technologies, or where the investment involves the purchase or replacement of more energy-efficient assets and technologies.

Green culture and initiatives

Riding a bike to work remained popular, and our bicycle storage facilities were used to full capacity last year as well. Among the environmental initiatives the CIB Group first joined "Earth Hour", the WWF's international climate protection initiative, 11 years ago, in 2010. It continued with this in 2022, and all external lighting was switched off not must for an hour but for the entire weekend, to emphasise how seriously we take the matter of climate change and environmental protection. With the various measures combined, we improved on the results of the previous year, saving a total of 13,5 kWh in energy.

In February 2022, the Welcome promotion was launched, which means that existing customers have the opportunity to recommend CIB Bank to their friends, family members and business partners, and the recommending CIB customer or the new customer can also receive a credit. In February 2022, the promotion was extended to include not only our customers but also our environment: for every new referral customer the Bank will plant 1 tree.

The promotion was implemented between 04.02.2022 and 31.10.2022 and provides a possibility for planting more than 8,000 trees.

VII. ENVIRONMENT AND CLIMATE CHANGE (cont.)

2. Direct environmental impact

COMPANY POLICIES

The "Intesa Sanpaolo Group's Code of Ethics" and the "Rules for environmental and energy policy", define the principles and guidelines that apply to the environmental commitments of CIB Bank and to the monitoring of the impact of its activities. The aim is to use all our resources sparingly. CIB promotes conduct that is based on the most efficient and environmentally friendly use of resources and on the avoidance of waste and excess. The Bank give priority to solutions that are designed with sustainability in mind.

In December 2016, CIB Bank adopted its own energy policy, in which the Bank has stated:

- we are committed to complying with all the legal requirements and other commitments undertaken in relation to energy management;
- we are continuously working towards improving our energy performance indicators and our energy management system;
- we provide access to information and resources to achieve our energy management goals;
- we integrate energy efficiency, as a key element, into our procurement, refurbishment and newbuild plans;
- we strive to prevent pollution and reduce our ecological footprint and energy consumption by raising the energy efficiency awareness of our colleagues;
- we motivate our people to actively contribute to achieving our corporate goals and to creating more effective processes.

Also, in 2021 the Bank adopted the Intesa Sanpaolo 's Green Banking Procurement (2021).

The Bank recently upgraded from the original ISO 50001:2012 standard to the more sophisticated ISO50001:2018 standard. The certificate issued on 27.01.2021 has been issued according to the new standard.

Greenhouse gas emissions and energy consumption

The management of CIB Bank has declared its commitment to reducing unreasonable energy consumption and to increasing energy efficiency, and as part of our social engagement, to the comprehensive fulfilment of the requirements of the relevant EU Directives, as well as to the maintenance and continuous development of a modern, integrated energy management system. In operating an efficient energy management system, the primary objective is to maintain the trust of the customers, preserve the reputation of CIB Bank and secure and improve the market position.

ISO 50001 at the CIB Bank

Recognising that energy management has become a key factor both in business and from a social point of view, CIB Bank introduced the ISO 50001 energy management system standard at the company in 2016, which helps embed energy management into its corporate culture. Besides being a legal requirement, the introduction of this standard is also a means of improving the company's energy efficiency through regulated and monitored energy management and is therefore justified by both management expectations and professional reasons. In December 2022, CIB Bank successfully renewed its ISO50001:2018 certification for another three years.

Its goal is to reduce energy costs, greenhouse gas emissions and other forms of harmful environmental impact. The standard aims to integrate energy management activities into a single system and is based on the "plan, do, check, act" (PDCA) process cycle.

VII. ENVIRONMENT AND CLIMATE CHANGE (cont.)

	2020	2021	2022
Total energy use (GJ)	60,192	46,009	34,576
Electricity use (kWh)	9,057,564	7,420,857	5,528,170
Other renewable energy (kWh) - Solar panel for hot water	13,510	14,060	15,592
Natural gas consumption (m3)	428,278	412,647	337,599
Fuel consumption (l)	152,993	169,083	208,858
Petrol company car (l)	41,246	67,509	108,410
Diesel company car (l)	76,835	65,940	63,753
Petrol private car (l)	16,769	18,761	22,513
Diesel private car (l)	18,143	16,873	14,182
Vehicle Group (piece)	129	135	137
Energy consumption (GJ/person)	30.3	23.2	16.0
Energy consumption (GJ per m2 of office space)	1.1	0.92	0.72
Total Direct Greenhouse gas emissions [CO2eq] (Scope1) (tCO2)	394.6	429.5	473.62
Total Indirect Greenhouse gas emissions [CO2eq] (Scope2) (tCO2)	2,970.5	2,516	1,869.6
Total Greenhouse gas emissions [CO2eq] (Scope1+ Scope2) (tCO2)	3,365.1	2,945.1	2,343.2
CO2 emissions from energy consumption (t/per employee)	3.46	1.5	1.2
Employee headcount (average)	1,987	1,984	2,031
Office m2	54,625	50,002	47,972

Based on data as of 31st December 2022

Total energy saving in 2022	2,798,002 kWh
Key measures contributing to energy savings:	• Lighting upgrades in bank branches and headquarters. • Optimisation of mechanical equipment settings • Replacement and modernisation of mechanical equipment • Increasing user awareness through education, communication and information sharing

The solar collectors installed on the roof of the office building the Petrezselyem Street HQ and in the Medve Street HQ, as well as at the CIB24 buildings, provide hot water to the three central office buildings. The solar collectors have been under repair recently, and therefore the energy generated by them has been minimal, with the longer-term fall in output being due to system failure in recent years.

	2020	2021	2022
GHG emission avoided through the use of solar collectors (tons)	3.0	3.0	2.8

Based on data as of 31st December 2022

Our successful environmental programs related to energy consumption and climate change

- Modernised interior lighting in 14 branches
- Replaced the lighting on the external marketing boards in 6 branches with LEDs
- Upgraded office spaces in head office with LED
- Minor mechanical investments in 20 branches to improve subsystems (fan coils, radiators, thermostats)

VII. ENVIRONMENT AND CLIMATE CHANGE (cont.)

Responsible management of resources

	2020	2021	2022
Water use (m3)	16,192	13,545	12,703
Water consumption (m3/per employee)	7.96	6.8	6.3
Paper consumption (office A4, A3) (kg)	72,410	66,216	87,089
Paper usage per employee (office A4, A3) (kg/person)	36.4	33.4	43
Employee headcount (average)	1,987	1,984	2,031
Office m2	54,625	50,002	47,972

Based on data as of 31st December 2022

CIB's successful environmental programs related to responsible resource management

- An information system has been introduced to provide branch managers with monthly information on the electricity, gas and water consumption of the branch they manage. In addition, regional energy forums will be organised to analyse consumption data from branches with branch managers, and share good practices
- Paper usage per employee – office A4, A3 – 43 kg/person.
- Paperless projects: Starting from 2018, CIB Bank has launched some specific actions to promote dematerialisation and reduce paper consumption related to commercial and/or transactional activiites. In 2022, the Bank has saved 7.946 kg of paper when sending bulk mail. 8 837 kg of paper was used for office printing, but due to the change of address of the headquarters, the pre-printed forms had to be changed, which meant the purchase of 10 109 kg of additional paper.In 2022, the Bank started to include sanitary paper products in the calculations, which means 9 450 kg. This finally resulted in a surplus of 2 392 kg of paper compared to the total..

Paper consumption

	2020	2021	2022		
	Office	Office	Office	Non-office	Total
Paper total (kg)	93,690	85,817	87,089	58,243	145,332
certified paper: 100% recycled	62,644	43,998	36,061	-	36,061
FSC-certified paper	11,760	3,010	979	-	979
uncertified paper	19,286	38,809	50,049	58,243	108,292

. *Based on data as of 31st December 2022*

VIII. ANNEXES

1. The most relevant group and company policy and rule

All policies and guidelines are relevant to all our business units.

Name of policy/rule	Year of issue by ISP	Adopted by CIB (year)	Introduced by CIB (year)	Local (CIB) owner of the policy
POLICY CONCERNING RELATIONS BETWEEN INTERNATIONAL SUBSIDARY BANKS AND POLITICAL PARTIES	2008	2009.04.15	2009.04.15	Compliance & AML
RULES GOVERNING THE SUSTAINABILITY IN THE ORGANISATION OF COMMUNICATIONS EVENTS AND TRAINING COURSES	2011.06.21	2012.01.02	2012.09.26	HR & Organisation
SUSTAINABILITY RULES FOR THE PURCHASE AND USE OF PAPER AND DERIVATIVE MATERIALS	2012.11.08	2013.04.23	2013.05.01	Procurement
RULES FOR THE ENVIRONMENTAL AND ENERGY POLICY	2014.02.03	2014.07.15	2015.03.11	Cybersecurity, BCM and Logistic
RULES ON DIVERSITY FOR SEXUAL ORIENTATION AND IDENTITY	2014.10.01	2015.01.13	2016.12.31	Compliance & AML
INTESA SANPAOLO SPONSORSHIP GUIDELINES	2015.05.22	2015.05.22	2015.05.22	PR & Marketing Communication
GROUP GUIDELINES FOR THE MANAGEMENT OF COMPLAINTS, DISAVOWALS, PETITIONS TO SUPERVISORY AUTHORITIES AND APPEALS TO ALTERNATIVE DISPUTE RESOLUTION BODIES	2016.08.09	2017.02.02	2017.03.01	Customer Satisfaction and Quality Assurance
CONSUMER PROTECTION RULES	2017.02.07	2017.10.17	2018.10.30	Compliance & AML
INTESA SANPAOLO GROUP'S CODE OF ETHICS	2017.04.04	2017.05.23	2017.05.31	Compliance & AML
PRINCIPLES ON HUMAN RIGHTS	2018.01.19	2018.03.22	2018.03.22	PR & Marketing Communication
PRINCIPLES OF CONDUCT IN FISCAL MATTERS	2018.05.07	2018.04.24	2018.04.25	Accounting
GDPR PROJECT - GUIDELINES ON THE PROTECTION OF PERSONAL DATA OF NATURAL PERSONS (APPLICABLE IN THE EU)	2018.05.22	2018.10.01	2018.10.01	Legal Department
RULES ON INVESTOR PROTECTION OF RETAIL CLIENTS FOR ISB (APPLICABILE IN VUB, CIB, PBZ, ISP SLO, ISP RO)	2018.10.01	2018.11.27	2019.03.27	Compliance & AML
RULES ON INVESTOR PROTECTION OF CORPORATE CLIENTS FOR INTERNATIONAL SUBSIDIARIES (APPLICABILE IN VUB, CIB, PBZ, ISP SLO, ISP RO)	2018.10.01	2018.11.27	2019.03.27	Compliance & AML
RULES FOR OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM IN THE ISBS	2019.01.22	2019.04.09	2020.03.31	Cybersecurity, BCM and Logistic
SECURITY PRINCIPLES	2019.06.17	2019.10.29	2021.10.06	Physical Security
GUIDELINES ON THE DRAFTING OF THE CONSOLIDATED NON-FINANCIAL STATEMENT IN ACCORDANCE WITH LEG. DECREE NR 254/2016	2019.06.21	2019.07.17	2019.09.30	Accounting
RULES FOR DONATIONS IN THE INTERNATIONAL SUBSIDIARY BANKS	2019.09.23	2019.10.29	2019.10.29	PR & Marketing Communication
GROUP ANTI-CORRUPTION GUIDELINES	2020.06.09	2020.06.19	2020.09.08	Compliance & AML

Name of policy/rule	Year of issue by ISP	Adopted by CIB (year)	Introduced by CIB (year)	Local (CIB) owner of the policy
ISP GROUP GUIDELINES FOR THE APPROVAL OF NEW PRODUCTS, SERVICES AND ACTIVITIES AIMED AT SPECIFIC TARGET CUSTOMERS & IMPLEMENTING	2020.06.11	2020.06.19	2020.09.01	HR & Organisation
GROUP RULES ON INTERNAL SYSTEM FOR REPORTING VIOLATIONS (WHISTLEBLOWING)	2020.06.18	2020.05.07	2020.07.31	Internal audit
SECURITY RULES FOR PREVENTING AND MANAGING SERVICE FRAUDS	2020.07.15	2020.12.01	2021.01.01	Cybersecurity, BCM and Logistic
GUIDELINES FOR THE GOVERNANCE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS CONCERNING LENDING OPERATIONS	2020.08.03	2020.09.22	2022.12.02	Strategic Risk Management
GUIDELINES FOR THE GOVERNANCE OF THE GROUP'S REPUTATIONAL RISKS	2020.08.18	2020.09.08	2020.12.04	Strategic Risk Management
EU COMPETITION COMPLIANCE POLICY (EU ANTI-TRUST RULES) (APPLICABLE IN THE EU)	2020.11.10	2021.01.12	2021.06.15	Legal Department
ANTITRUST COMPLIANCE PROGRAMME	2020.11.10	2021.01.12	2021.06.15	Compliance & AML
ADMINISTRATIVE AND FINANCIAL GOVERNANCE GUIDELINES	2020.11.20	2020.11.17	2020.11.17	Administrative & Financial Governance
ISP GROUP RULES ON DATA GOVERNANCE	2020.11.24	2021.03.23	2021.04.01	Data Office
RULES ON INTERNAL APPROVAL PROCESS FOR CREDIT RISK MEASUREMENT INTERNAL SYSTEMS IN THE FOREIGN BANKS	2020.11.27	2020.12.15	2021.03.24	Credit Risk Management
GROUP'S INTERNAL CODE OF CONDUCT	2020.11.30	2020.12.15	2021.08.31	Compliance & AML
RULES CONCERNING THE EQUATOR PRINCIPLES	2020.12.09	2021.02.09	2021.05.21	Credit Policies
GROUP GUIDELINES ON OUTSOURCING	2020.12.21	2021.10.05	2021.10.05	Procurement
RULES FOR THE MANAGEMENT OF GIFTS AND ENTERTAINMENT EXPENSES	2021.01.15	2021.02.09	2021.05.10	Compliance & AML
AML RULEBOOK ON MEASURES AND ACTIONS FOR ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING	2021.01.15	2021.02.09	2022.02.01	Compliance & AML
ISP GROUP RULES FOR MANAGEMENT OF GIFTS AND ENTERTAINMENT EXPENSES	2021.01.15	2021.02.09	2021.05.10	Compliance & AML
REGULATION OF INTESA SANPAOLO GROUP	2021.01.27	2021.02.09	not needed	Legal Department
CREDIT GRANTING RULES FOR INTERNATIONAL SUBSIDIARY BANKS	2021.01.28	2021.03.09	2021.10.20	Credit Policies
DIVERSITY AND INCLUSION PRINCIPLES	2021.02.03	2021.02.23	2021.09.20	PR & Marketing Communication
RULES ON GROUP NEW SETTLEMENTS IN COUNTRIES WITH DEFICIENCIES IN ANTI-MONEY LAUNDERING AND COMBATING TERRORIST FINANCING	2021.02.08	2021.02.23	2021.02.23	Compliance & AML
INTESA SANPAOLO GROUP COMPLIANCE GUIDELINES	2021.02.26	2021.02.23	2021.04.15	Compliance & AML
GROUP MODEL RISK MANAGEMENT GUIDELINES	2021.03.15	2021.05.18	2021.05.18	Strategic Risk Management

Name of policy/rule	Year of issue by ISP	Adopted by CIB (year)	Introduced by CIB (year)	Local (CIB) owner of the policy
HEALTH AND SAFETY RULES FOR PERSONNEL OF ITALIAN GROUP COMPANIES WHO ARE ON FOREIGN ASSIGNMENTS	2021.03.26	2022.11.26	Expected 2022.03.31	Cybersecurity, BCM and Logistic
PROCESS GUIDE: CYBERSECURITY AND BC SERVICES – SECURITY OPERATION CENTER	2021.04.16	2022.02.28	2022.03.22	Cybersecurity, BCM and Logistic
RULES ON CREDIT RISK APPETITE ISBS	2021.05.07	2021.10.05	2022.03.23	Credit Risk Management
GROUP CREDIT GOVERNANCE GUIDELINES	2021.06.09	2021.09.20	2021.09.20	Credit Policies
RULES GOVERNING TRANSACTIONS WITH SUBJECTS ACTIVE IN THE ARMAMENTS SECTOR	2021.06.17	2021.06.29	2021.11.25	Compliance & AML
RULES CONCERNING STRESS TESTING	2021.07.09	2021.08.23	2022.07.05	Strategic Risk Management
GREEN BANKING PROCUREMENT	2021.07.23	2021.11.30	Expected 2023 Q3	Procurement
POLICY ON SEXUAL HARASSMENT	2021.09.03	2021.09.20	Expected 2023.03.31	HR & Organisation
RULES ON LENDING OPERATIONS IN THE COAL SECTOR	2021.09.07	2021.11.17	2021.11.18	Credit Policies
RULES FOR LENDING OPERATIONS IN THE UNCONVENTIONAL OIL&GAS SECTOR	2021.09.07	2021.11.17	2021.11.18	Credit Policies
ISP GROUP GUIDELINES FOR THE GOVERNANCE OF THE GROUP'S MOST SIGNIFICANT TRANSACTIONS	2021.12.06	2022.01.25	2022.03.23	Credit Policies
RULES ON THE MANAGEMENT OF MOST SIGNIFICANT TRANSACTIONS	2022.02.15	2022.03.09	2022.03.23	Enterprise Risk Management
GROUP RULES FOR THE MANAGEMENT AND USE OF COUNTRY LISTS FOR COMBATING MONEY LAUNDERING AND TERRORIST FINANCING	2022.05.26	2022.06.30	2022.08.04	Compliance & AML
CONFLICTS OF INTEREST MANAGEMENT GROUP RULES	2022.05.30	2022.07.12	2022.10.10	Compliance & AML
GUIDELINES FOR COMBATING MONEY LAUNDERING AND TERRORIST FINANCING AND FOR MANAGING EMBARGOES	2022.06.07	2022.06.30	2022.10.04	Compliance & AML
GROUP RULES FOR THE HARMONISATION OF THE MONEY LAUNDERING RISK PROFILE OF THE SHARED CUSTOMERS	2022.06.24	2022.07.12	2022.09.27	Compliance & AML
GROUP GUIDELINES FOR THE GOVERNANCE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISKS	2022.07.20	2022.08.23	2022.12.02	Enterprise Risk Management
RULES FOR THE CLASSIFICATION OF SUSTAINABLE CREDIT PRODUCTS AND LENDING TRANSACTION	2022.11.08	2022.12.13	Expected 2023.03.31	Enterprise Risk Management

** The parent bank regulations are available in English. Based on information as of 31st December 2022*

VIII. ANNEXES (cont.)

2. Human rights

COMPANY POLICIES

Through the Intesa Sanpaolo Group's policy, "Principles on Human Rights", the CIB Group pledges to support the protection of human rights in accordance with the principles established in the "Universal Declaration of Human Rights" of 1948 and subsequent international conventions on civil and political rights and economic, social and cultural rights. The Bank expects all of its Hungarian and foreign partners to do the same.

In the course of its operation, the Group fully respects the Fundamental Law of Hungary and all other general domestic and international conventions on human rights and ethics. The CIB Group has always been committed to protecting human rights, in line with the values set out in its "Code of Ethics".

We treat the protection of the personal data of our customers as a key priority and investigate complaints related to data processing and take steps to reduce the number of complaints to a minimum.

The CIB Group is committed to eliminating all forms of discrimination from its conduct and to respecting differences in gender, age, race, religion, political and trade union affiliation, and language, and to respecting the rights of those with disabilities. The CIB Group has signed the declaration of the Self-Regulating Advertising Body guaranteeing the fair and respectful depiction of people.

The CIB Group has always been committed to protecting human rights, in line with the values set out in the "Code of Ethics". Aware that its activities have direct and indirect implications for human rights, the CIB Group has defined its areas of responsibility for each of its stakeholders. Indeed, it has considered the impact of its activities separately with respect to its employees, customers, suppliers, and the community. The environment is another issue closely related to the principles of human rights, and the promotion of high environmental standards must therefore be considered key to the upholding and enjoyment of these rights.

The Bank abides by the laws of the country, including the Fundamental Law of Hungary as it relates to human rights, and as such, has zero tolerance for child and forced labour.

Why this issue is relevant?

According to the UN Guiding Principles on Business and Human Rights, approved in 2011, individual countries have a duty to protect human rights and businesses must respect these rights wherever they operate. Through their activities, businesses can have various impacts on human rights: positive impacts, such as the supply of innovative services that improve people's lives, or negative impacts, including the exploitation of workers, for example, or the forced displacement of people or entire communities. Businesses can also be indirectly involved in violations committed by others.

In its role as an intermediary, a financial institution such as the CIB Group initiates a value chain that involves many different individuals, entities and businesses. For this reason, it is committed to identifying, mitigating and, where possible, preventing potential violations of human rights related to its activities, as recommended by the UN's Guiding Principles on Business and Human Rights

The process of monitoring human rights

In addition to complying with the applicable laws, the CIB Group strives to identify, mitigate and prevent, as much as possible, any potential violation of human rights in connection with its operations. Its Parent Company, Intesa Sanpaolo, adopted a policy on human rights that was approved by its Board of Directors in 2018, and that, based on the principles already expressed in the group's Code of Ethics, states that

- it is committed to support the protection of human rights in accordance with the principles set forth in the UN Universal Declaration of Human Rights of 1948 and in subsequent international conventions on civil, political, economic, social and cultural rights;
- it recognises the principles set out in the ILO's (International Labour Organisation's) fundamental conventions, particularly the right of association, the ban on forced and child labour and the elimination of discrimination at work;
- it contributes to the fight against corruption, accepting the guidelines of the OECD (Organisation for Economic Co-operation and Development) and the anti-corruption standards published by the UN in 2003, and also by adopting a zero-tolerance policy to any manifestation of corruption.

VIII. ANNEXES (cont.)

The Intesa Sanpaolo Group's Human Rights Policy was adopted by the CIB Group in 2018.

The CIB Group undertakes to uphold human rights in all situations in which it recognises that its activities might have an impact and has therefore outlined areas of responsibility for all stakeholder groups affected by its operations – employees, customers, suppliers and communities. As the issue of the environment is closely interrelated with that of human rights, support for strict environmental standards is a key means of ensuring respect for and enforcement of human rights. The area of impact is extensive and can be summarised as follows:

- respect for employee rights;
- respect for the rights of customers (in particular the right to privacy, health, safety and non-discrimination);
- respect for the rights of suppliers (in particular the right to health, safety and non-discrimination);
- respect for human rights throughout the supply chain (in particular the avoidance of trade relations with suppliers who violate the human rights of their employees or their wider community);
- respect for human rights with regard to credit operations, investment projects and customer services (including risk analysis, especially when it concerns large-scale projects and businesses in sensitive industries).

We pay particular attention to the most vulnerable in society, both through various forms of community support and through projects designed to promote financial integration.

How material topics are monitored

Respect for and the expansion of human rights are monitored by the Compliance, Human Resources and CSR functions.

The Code of Ethics mailbox (etikaibejelentes@cib.hu) under the control of the Ethics Committee represents another guarantee for all stakeholders, which can be used by all parties to report any rights violations with the guarantee that any reports submitted will be treated confidentially and will not result in retaliation.

Human rights indicators at CIB Group

	2020	2021	2022
Proportion of employees by gender and category (%)			
Manager	57.4% / 42.6%	55.7% / 44.3%	56.5%/ 43.5%
Officer	48.9% / 51.1%	48.4% / 51.6%	47.7%/ 52.3%
Employee	25.7% / 74.3%	24.9% / 75.1%	25.4%/ 74.6%
Work-related injuries			
Total accidents	5	9	6
Working days lost (due to accidents)	71	43	26
Reports of non-compliance with the Code of Ethics for human rights			
Number of reports	0	0	6
Donations for vulnerable and disadvantaged groups			
Donations (HUF)	41,200,000	4,000,000	6,350,000

Based on data as of 31st December

VIII. ANNEXES (cont.)

3. Self-regulatory Body certificate

CERTIFICATE

HUNGARIAN ADVERTISING SELF-REGULATORY BOARD
ADVERTISING CLEARLY

Certificate
about
Corporate Social Responsibility
of

CIB Bank Zrt.

Önszabályozó Reklám Testület (ÖRT), the Hungarian Advertising Self-Regulatory Organization certifies that CIB Bank Zrt.

was full member of ÖRT between 1 January 2022 and 31 December 2022
with its membership committed itself:
to responsible commercial communication,
to comply with the Advertising Code of Ethics,
to submit itself to the resolutions issued by the Advertising Jury,
asking for Copy Advice for prior control of the legality and ethical correctness
providing training for its staff about ethical standards.

11 January 2023, Budapest

dr. Molnár Kálmán	dr. Fazekas Ildikó
Chairman	*Director*

VIII. ANNEXES (cont.)

4. Sustainable Development Goal contribution

CIB Material topics / SDGs	Group value and solidity	Direct environmental impacts	Transition to a sustainable, green and circular economy	Retention, enhancement, diversity and inclusion of the Group' s People	Well-being and health & safety and of the Group' s People	Employment protection	Quality of service and customer satisfaction	Access and credit and financial inclusion	Community support	Integrity in corporate conduct	Innovation digital transformation and cyber security
1. No poverty	■		■			■		■	■		
2. Zero hunger									■		
3. Good health and well-being		■			■		■	■	■		
4. Quality education								■	■		
5. Gender equality	■			■				■			
7. Affordable and clean energy		■	■								
8 Decent work and economic growth	■		■	■	■	■		■		■	
9. Industry, innovation and infrastructure	■							■			■
10. Reduced inequalities	■			■				■			
11. Sustainable cities and communities								■	■		
12. Responsible consumption and production		■								■	■
13. Climate action		■	■								
15. Life and land		■									
16. Peace and justice strong institutions										■	
17. Partnerships for the goals										■	

In terms of UN's sustainable development goals, the Group's operational model and business conduct have 7 goals of higher attention:

- good health and well-being
- gender equality,
- decent work and economic growth,
- industry, innovation and infrastructure,
- reduced inequalities,
- responsible consumption and production,
- climate action.

The highlighted development goals are described with relevant content in the Group Code of Ethics (provisions for employee, customer, shareholder, environment, community, and supply chain relations), and are reflected in actions specified in the strategic plan.

VIII. ANNEXES (cont.)

5. GRI Content Index

Statement of use	**CIB Group has reported in accordance with the GRI Standards for the period 01.01.2022 - 31.12.2022.**
GRI 1 used	**GRI 1: Foundation 2021**
Applicable GRI Sector Standard(s)	**Not applicable**

Disclosure	Short description	Page number	UN Global Compact	SDG
GRI 2 – General disclosures				
2-1	Organizational details	Page 6		
2-2	Entities included in the organization's sustainability reporting	Page 4		
2-3	Reporting period, frequency and contact point	Page 4		
2-4	Restatements of information	Marked in text by the disclosure.		
2-5	External assurance	No external assurance		
2-6	Activities, value chain and other business relationships	Page 6		
2-7	Employees	Page 6, 48	Principle 6.	8
2-8	Workers who are not employees	Page 49		
2-9	Governance structure and composition	Page 16-19.		6, 16
2-10	Nomination and selection of the highest governance body	Annual report section XIV. Corporate governance policy page Page 16-18		
2-11	Chair of the highest governance body	Page 16		16.
2-12	Role of the highest governance body in overseeing the management of impacts	Reason for omission: Information unavailable - Currently under revision and development		
2-13	Delegation of responsibility for managing impacts	Page 17		
2-14	The role of the highest governance body in sustainability reporting	Page 19, 21		
2-15	Conflict of interest	Page 24-25		
2-16	Communication of critical concerns	Page 17		
2-17	Collective knowledge of the highest governance body	Page 19		
2-18	Evaluation of the performance of the highest governance body	Reason for omission: Information unavailable - It is under construction.		
2-19	Remuneration policies	Nyilvánosságra hozatali jelentés secion 17, page 85-91 (only in Hungarian language available)		
2-20	Process to determine remuneration	Annual report section XII. Employment policy page 15-16		
2-21	Annual total compensation ratio	Reason for omission: Confidentiality constraints - The aggregate data is business sensitive information, not reported publicly.		
2-22	Statement on sustainable development strategy	Page 3		
2-23	Policy commitments	Page 8-9	Principle 10.	16.
2-24	Embedding policy commitments	At the beginning of each chapter		
2-25	Processes to remediate negative impacts	Page 21		

Disclosure	Short description	Page number	UN Global Compact	SDG
2-26	Mechanisms for seeking advice and raising concerns	Page 20, 25	Principle 10.	16.
2-27	Compliance with laws and regulations	Page 22-26		
2-28	Membership associations	Page 9		
2-29	Approach to stakeholder engagement	Page 10-12		
2-30	Collective bargaining agreements	Page 49	Principle 3.	8.
GRI 3: Material Topics 2021				
3-1	Process to determine material topics	Page 10-13		
3-2	List of material topics	Page 4		
3-3	Management of material topics	At the beginning of each chapter on a material topic		

Material topics

Disclosure	Short description	Page number	UN Global Compact	SDG
Group value and solidity		Direct impact on external stakeholders: owner, customers		
GRI 3: Material Topics 2021				
3-3	Management of material topics	Page 7		8, 16.
GRI 201: Economic Performance 2016				
201-1	Direct economic value generated and distributed	Page 7		5, 7, 8. 9, 13.
201-2	Financial implications and other risks and opportunities due to climate change	Pages 53-54	Principle 7.	
GRI 205: Anti-corruption 2016				
205-2	Communication and training about anti-corruption policies and procedures	Pages 22-24	Principle 10.	16.
Innovation, digital transformation and cyber security		Direct impact on external stakeholders: Customers		
GRI 3: Material Topics 2021				
3-3	Management of material topics	Page 27, 34		9, 12.
	Percentage of CIB customers using digital services	Page 34		9, 12.
	Digital sales rates	Page 34-35		9, 12.
Transition to a sustainable, green and circular economy		Direct impact on external stakeholders: Customers, Owner, Society		
GRI 3: Material Topics 2021				
3-3	Management of material topics	Pages 59	Principles 7,8,9	
Employment protection		Direct impact on external stakeholders: Customers		
GRI 3: Material Topics 2021				
3-3	Management of material topics	Pages 46-47		
GRI 2: General Disclosures 2021				
2-7	Employee	Page 6., 48	Principle 6.	8.
GRI 401: Employment 2016				
401-1	New employee hires and employee turnover	Pages 49-51	Principle 6.	5, 8.
Access to credit and financial inclusion		Direct impact on external stakeholders: Customers		
GRI 3: Material Topics 2021				
3-3	Management of material topics	Page 27, 40		4, 5, 8, 9, 10, 11.
	Initiatives to improve access to financial services for disadvantaged people	Page 40		4, 5, 8, 9, 10, 11.
	Initiatives to enhance financial literacy by type of beneficiary	Page 41		4, 5, 8, 9, 10, 11.

Disclosure	Short description	Page number	UN Global Compact	SDG
Service quality and customer satisfaction		Direct impact on external stakeholders: Customers		
GRI 3: Material Topics 2021				
3-3	Management of material topics	Page 27-28		
	Customer distribution	Page 30		1, 8, 9.
Fair business conduct		Direct impact on external stakeholders: Customers		
GRI 3: Material Topics 2021				
3-3	Management of material topics	Page 23-24		16.
GRI 205: Anti-corruption 2016				
205-1	Operations assessed for risks related to corruption	Page 2	Principle 10.	16.
205-2	Communication and training about anti-corruption policies and procedures	Page 23-25	Principle 10.	16.
205-3	Confirmed incidents of corruption and actions taken	Page 26	Principle 10.	16.
GRI 418: Customer Privacy 2016				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 24		16.
Retention, enhancement, diversity and inclusion		Direct impact on external stakeholders: Customers		
GRI 3: Material Topics 2021				
3-3	Management of material topics	Pages 46-47		
GRI 202: Market Presence 2016				
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Page 49	Principle 6.	1,2,5,8.
GRI 401: Employment 2016				
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	Page 53		
GRI 404: Training and Education 2016				
404-1	Average hours of training per year per employee	Page 53	Principle 6.	4,5,8.
404-2	Programs for upgrading employee skills and transition assistance programs	Page 53-54		
404-3	Percentage of employees receiving regular performance and career development reviews	Page 52		
GRI 405: Diversity and Equal Opportunity 2016				
405-1	Diversity of governance bodies and employees	Page 55	Principle 6.	5,8.
405-2	Ratio of basic salary and remuneration of women to men	Page 51	Principle 6.	5,8, 10.
	Number of trade union members	Page 49	Principle 6.	
Well-being and health & safety of the Group's People		Direct impact on external stakeholders: Customers		
GRI 3: Material Topics 2021				
3-3	Management of material topics	Page 46, 57		
GRI 403: Occupational Health and Safety 2018				
403-5	Worker training on occupational health and safety	Page 57		
403-9	Work-related injuries	Page 58		3,8.
Direct environmental impacts		Direct impact on external stakeholders: natural environment, Society		
GRI 3: Material Topics 2021				
3-3	Management of material topics	Page 59	Principles 7,8,9	
GRI 301: Materials 2016				
301-1	Materials used by weight or volume	Page 65	Principles 7,8	12, 13.
GRI 302: Energy 2016				
302-1	Energy consumption within the organization	Page 64	Principles 7,8	8,12.
302-4	Reducing of energy consumption	Page 64	Principles 8,9	7,8, 11,13.
GRI 303: Water and Effluents 2018				
303-3	Water withdrawal	Page 65	Principles 7,8	6.

Disclosure	Short description	Page number	UN Global Compact	SDG
GRI 305: Emissions 2016				
305-1	Direct (Scope1) GHG emissions	Page 64	Principles 7,8	8,12, 13.
305-2	Energy indirect (Scope 2) GHG emissions	Page 64	Principles 7,8	8,12, 13.
305-5	Reduction of GHG emissions	Page 64	Principles 8,9	8,12,13.
Community support		Direct impact on external stakeholders: Local community		
GRI 3: Material Topics 2021				
3-3	Management of material topics	Page 27, 42		1, 2, 3, 4, 11.
GRI 413: Local Communities 2016				
413-1	Operations with local community engagement, impact assessments, and development programs	Page 42-43		1, 2, 3, 4, 11.