Elektronikusan aláírta:
Németh Krisztián

Elektronikusan aláírta:
Simák Pál

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 2023

with the report of the Independent Auditor

Contents

Ernst & Young Kft.
Ernst & Young Ltd.
H-1132 Budapest Váci út 20.
1399 Budapest 62. Pf.632, Hungary

Tel: +36 1 451 8100
Fax: +36 1 451 8199
www.ey.com/hu
Cg. 01-09-267553

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 2023 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 2023 - showing a balance sheet total of HUF 3.315.812 million and a total comprehensive income for the year of HUF 69.265 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 material accounting policy information.

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 2023 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	
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 judgmental 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 segmentation, the identification of significant changes in credit risk, the inclusion of forward-looking elements as well as the application of management	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

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 2023) 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 Loans to customers measured at amortised cost and at fair value through profit or loss.

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

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,

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 storage and extraction of information. A fundamental component of these 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.

require specific expertise, we involved IT audit specialists to assist us in 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 IT controls over financial reporting processes of the business report.

Other information

Other information consists of the 2023 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 2023 is consistent, in all material respects, with the 2023 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 of consolidated annual financial statements that give a true and fair view in accordance with 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 three 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 Dr. Hruby Attila.

Budapest, 23 February 2024

(The original Hungarian version has been signed.)

Dr. Hruby Attila
engagement partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

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

Consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2023

(million HUF)

	Note	2023	2022
Interest income		302,216	179,586
of which interest income calculated using effective interest rate method		*273,625*	*164,286*
of which interest income on transactions subject to interest rate cap regulations above the interest rate specified in the regulation		*10,801*	*4,054*
Interest expense		(157,841)	(73,707)
Net interest income	**7**	**144,375**	**105,879**
Fee and commission income		54,404	46,843
Fee and commission expense		(20,589)	(17,441)
Net fee and commission income	**8**	**33,815**	**29,402**
Income from trading activities	9	(14,122)	8,341
Fair value adjustments in hedge accounting	10	606	851
Profits (losses) from derecognition of financial instruments	11	(1,393)	25
Net change in value of financial assets mandatorily measured at fair value through profit or loss	12	7,089	(7,646)
Other operating income	13	1,335	1,557
Other operating expense	13	(2,070)	(2,815)
Net operating income		**169,635**	**135,594**
Impairment profits (losses) and provisions for losses	14	(5,007)	(12,598)
Profits (losses) on changes in contracts without derecognition	14	(7,883)	(9,789)
Operating expenses without bank tax	15	(65,388)	(58,307)
Profit/(loss) before bank tax and extra-profit tax		**91,357**	**54,900**
Bank tax	16	(5,297)	(4,571)
Extra-profit tax	16	(14,918)	(9,621)
Profit/(loss) before income taxes		**71,142**	**40,708**
Income tax expense	17	(7,213)	(4,608)
Net profit/(loss) for the year		**63,929**	**36,100**
Items that may be reclassified to profit or loss		5,592	(2,377)
Items that may not be reclassified to profit or loss		(256)	(264)
Other comprehensive income for the year (net of tax)	**19**	**5,336**	**(2,641)**
Total comprehensive income for the year		**69,265**	**33,459**

Budapest, 23 February 2024

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.

(million HUF)

	Note	31/12/2023	31/12/2022
Cash and current accounts with central banks	20	560,560	156,582
Financial assets measured at fair value through profit or loss	21	203,481	247,812
a) securities held for trading		*14,661*	*15,288*
b) trading derivatives		*67,028*	*135,659*
c) financial assets mandatorily measured at fair value		*121,792*	*96,865*
Financial assets measured at fair value through other comprehensive income	22	536,581	295,683
Financial assets measured at amortised cost		1,926,794	2,305,558
a) loans to banks	*23*	*258,717*	*788,659*
b) loans to customers	*24*	*1,423,814*	*1,319,812*
c) debt securities	*25*	*244,263*	*197,087*
Fair value changes of the hedged financial assets in portfolio hedge (+/-)	26	(5,338)	(12,340)
Hedging derivatives	26	17,791	33,133
Property, land and equipment	28	22,266	20,237
Intangible assets	29	13,304	12,146
Repossessed properties	27	506	2,617
Tax assets	17	1,430	1,734
a) current		*113*	*171*
b) deferred		*1,317*	*1,563*
Non-current assets held for sale		3,568	3,570
Other assets	30	34,869	26,842
Total assets		**3,315,812**	**3,093,574**

Budapest, 23 February 2024

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.

(million HUF)

	Note	31/12/2023	31/12/2022
Financial liabilities measured at amortised cost		2,867,754	2,636,832
a) deposits from banks	*31*	*477,165*	*498,297*
b) deposits from customers	*32*	*2,390,589*	*2,138,535*
Fair value changes of the hedged financial liabilities in portfolio hedge (+/-)	26	4,948	(4,967)
Trading derivatives	21	56,383	108,544
Hedging derivatives	26	22,224	37,486
Tax liabilities	17	2,971	2,655
a) current		*2,971*	*2,655*
b) deferred		-	-
Other liabilities	33	30,488	27,539
Provisions	34	11,575	10,281
Total liabilities		**2,996,343**	**2,818,369**
Share capital	36	50,000	50,000
Reserves	37	179,972	168,420
Retained earnings		89,497	56,784
Total shareholder's equity		**319,469**	**275,204**
Total liabilities and shareholder's equity		**3,315,812**	**3,093,574**

Budapest, 23 February 2024

Dr. Pál Simák	**Krisztián Németh**
CEO and Chairman of the Board	CFO and Deputy CEO

CIB Bank Ltd.

Consolidated statement of changes in equity
for the year ended 31 December 2023

(million HUF)

	Note	Ordinary shares	Retained earnings	Capital reserve	Revaluation reserve	General reserve	Other reserve	Total
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**
Other comprehensive income (OCI)	19	-	-	-	5,336	-	-	**5,336**
General reserve	37	-	(6,216)	-	-	6,216	-	**-**
Dividend paid	18	-	(25,000)	-	-	-	-	**(25,000)**
Net profit / (loss) for the period		-	63,929	-	-	-	-	**63,929**
Balance at 31 December 2023		**50,000**	**89,497**	**96,925**	**11,324**	**18,421**	**53,302**	**319,469**

Budapest, 23 February 2024

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.

(million HUF)

	Note	2023	2022
Operating activities			
Net profit/(loss) before income taxes		71,142	40,708
Interest income	7	(302,215)	(179,586)
Interest expense	7	157,841	73,707
Dividend income	13	(32)	(3)
Depreciation and amortisation	15	6,672	6,400
Increase / (decrease) in impairment loss on financial instruments	14	12,784	23,969
Allocation / (reversal) of provisions	34	1,654	(588)
Increase / (decrease) in impairment loss on repossessed assets	27	(1,547)	(696)
Net unrealized (gain) / loss on financial instruments		7,912	(2,469)
Fair value adjustment on PPE	28	(9)	-
Effect of exchange revaluation		(4,063)	21,740
Decrease / (increase) in loans to banks	23	(53,342)	(24,583)
Decrease / (increase) in FVPL financial assets	21	485	(1,514)
Decrease / (increase) in loans to customers	24	(145,921)	(184,598)
Decrease / (increase) in other assets and non-current assets held for sale	30	(3,693)	4,057
Decrease / (increase) in repossessed assets	27	-	(14)
Proceeds from sale of repossessed assets	27	3,659	2,474
Increase / (decrease) in deposits from banks	31	(22,868)	91,411
Increase / (decrease) in deposits from customers	32	265,251	70,755
Increase / (decrease) in other liabilities	33	3,348	807
Interest received	7	286,483	157,635
Interest paid	7	(151,861)	(63,482)
Dividend received	13	32	3
Income tax paid	17	(7,155)	(3,354)
Cash flows used in operating activities		**124,557**	**32,779**
Investing activities			
Increase in financial investments	22, 25	(159,140)	(62,742)
Decrease in financial investments (maturity, sale)	22, 25	192,992	16,312
Acquisitions to intangible and tangible assets	28, 29	(6,836)	(7,068)
Proceeds from sale of intangible and tangible assets	28 ,29	88	299
Cash flows used in investing activities		**27,104**	**(53,199)**
Financing activities			
Increase / (decrease) in lease liabilities	33	(1,721)	(1,652)
Dividend paid	18	(25,000)	(23,500)
Cash flows used in investing activities		**(26,721)**	**(25,152)**
Net increase / (decrease) in cash and cash equivalents		**129,940**	**(45,572)**
Net foreign exchange difference		(5,993)	7,085
Cash and cash equivalents at the beginning of year		786,135	824,622
Cash and cash equivalents at the end of year		**905,082**	**786,135**

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	31/12/2023	31/12/2022
Cash and current accounts with central bank	20	560,560	156,582
Financial assets measured at fair value through other comprehensive income	22	299,374	-
Loans to banks	23	45,148	629,553
Cash and cash equivalents at the year end		**905,082**	**786,135**

Budapest, 23 February 2024

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.

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 2023. The individual responsible for the auditing is Dr. Attila Hruby, member of the Chamber of Auditors (MKVK registration number: 007118). For the year 2023, the Group paid HUF 180 million plus VAT to the auditor for the audit services, which includes the statutory audit fees of CIB Bank and its subsidiaries, and the parent company reports.

The average statistical number of employees employed in the given year was 2,263 (2,210 in 2022, respectively). The Group employed 2,114 active employees at 31 December 2023 (2,055 at 31 December 2022).

As at 31 December 2023 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 2023 were authorized for issue in accordance with a resolution of the Management Board on 23 February 2024.

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. In 2023 and 2022, 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 in financial year 2023. The war and its consequences have no significant impact on the Group's operations.

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.
- On 14 October 2022, Government Decree 390/2022 (X.14.) extended the scope of the interest rate cap to non-subsidised mortgage loan contracts with up to five years rollover period, with effect from 1 November 2022.
- 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).
- The interest rate cap regulations, which are still in force in 2023, have been extended several times and will remain in force until 30 June 2024 under the latest amendment. The extension has affected only those contracts for which the 782/2021. (XII. 24.) Government Decree applied and was extended from 1 November 2022 non-subsidised mortgage loan contracts with up to five years rollover period.

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.
- With effect from 1 July 2023, the Government has established a new calculation method for credit institutions and financial companies in its Decree No. 144/2023. The Decree changed the tax base from 50% of the annual net turnover to 50% of the pre-tax profit, while the tax rate for the part of the annual net turnover not exceeding HUF 10 billion has been changed to 13%, and to 30% for the amount above this.
- For further details, see note 5.13.

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

Global minimum tax

- The 140-member working group of the OECD (Organisation for Economic Co-operation and Development)/G20 Inclusive Framework prepared a declaration on the reform of the international tax system, which was adopted and issued by 137 countries on 8 October 2021 under the title "Statement on a Two-Pillar Solution to Address the Tax Challenges Arising From the Digitalisation of the Economy". Since then, the OECD has published model rules and other documents related to the second pillar of this solution (the Pillar Two model rules).
- The second pillar (Global Anti-Base Erosion Rules (GloBE)) includes an income restriction rule which charges a low taxable income of the parent company and an undertaxed payment rule that denies deductions or an equivalent adjustment where the entity your low taxable income is not considered taxable.
- On 20 November 2023, the Ministry of Finance published the Hungarian legislation on additional taxes to ensure a global minimum tax level (the "Minimum Tax Act") transposing EU Directive 2022/2523 into Hungarian law. Act LXXXIV of 2023 follows to a large extent the OECD Model Rules and their commentary, including the Administrative Guidance published by the OECD so far.
- The GloBE rules are designed to reduce a harmful tax competition at international level by introducing a single minimum rate of profit tax (15%) for multinational groups and large domestic groups of companies operating in EU member states. The scope requirement is that the group must have consolidated revenues of at least EUR750 million in at least two of the four tax years preceding the tax year in question.
- Under the GloBE rules, the effective tax rate ("ETR") determines whether a group operating in a given state has a low tax burden, so the most critical question is which type of taxes can be taken into account when determining the minimum tax. If a group is under-taxed (ETR less than 15%) in a given country for a given year based on the ETR calculation, it becomes liable to assess and pay a top-up tax.
- The transition year for CIB Group is going to be 2024. Further details are provided in note 5.13

(5) Material 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 2023 the euro was EUR 1 = HUF 382.78 (2022: EUR 1 = HUF 400.25).

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.

Exchange differences arising on revaluation are recognised in the profit or loss for the period. Except for exchange differences arising on revaluation of available-for-sale investments, which are recognised as other comprehensive income.

Transactions in foreign currencies are initially recorded by the Group in its functional currency at the spot rate of exchange ruling at the date of the transaction.

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.

(5) Material accounting policies (continued)

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 Ministry of Economic Development has launched the Baross Gábor Reindustrialisation Loan Programme from the beginning of February 2023 with a budget of HUF 700 billion. The loans available under the programme can be obtained through commercial banks or directly through Eximbank, but all loans are backed by the resources provided by Eximbank. The interest rate on the loans is fixed until the end of the term, typically up to 6% for forint loans and up to 3.5% for euro loans.

For Baross Gábor and NHP loans, the bank applies similar accounting treatment.

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

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.

(5) Material accounting policies (continued)

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.

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) Material accounting policies (continued)

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 100 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.

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.

(5) Material accounting policies (continued)

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.

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) Material accounting policies (continued)

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.

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.

(5) Material accounting policies (continued)

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
- 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.

(5) Material accounting policies (continued)

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.

5.2.16.2. 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.

(5) Material accounting policies (continued)

- *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.

5.2.16.3 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) Material accounting policies (continued)

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.

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.

(5) Material accounting policies (continued)

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.

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.

(5) Material accounting policies (continued)

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.

5.13 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:

(5) Material accounting policies (continued)

- 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 2023 the basis and rates are defined with reference to statutory reported financial data of the reporting entity for the period ended 31 December 2021. 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.

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

In the first half of 2023, the tax liability is based on 50% of the net turnover calculated on the basis of the annual accounts of the previous tax year, however, in the second half of FY2023 calculated on 50% of the pre-tax profit for 2022. In 2022, the annual tax calculation is based on the net turnover for 2021. The tax rate is 8% for the first half of 2023, 13% for the part of the tax base not exceeding HUF 10 billion in the second half of 2023 and 30% for the amount above this amount.

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

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.

Global minimum tax

Based on preliminary calculations based on 2022 data, the CIB Group will not incur any top-up tax liability.

(5) Material accounting policies (continued)

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. 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.

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.

(5) Material accounting policies (continued)

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.

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 Bank's financial statements:

- IFRS 17: Insurance contracts
- Amendment to IAS 1: Disclosure of accounting policy
- Amendment to IAS 8: Determining Accounting Estimates
- Amendment to IAS 12: Deferred tax relating to assets and liabilities arising from a single transaction
- Amendment IAS 12: International Tax Reform - Pillar Two Model Rules

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

In periods in which Pillar Two legislation is (substantively) enacted but not yet effective, the amendment requires disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes including both qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

(5) Material accounting policies (continued)

For example:

- Qualitative information such as how an entity is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist, and
- Quantitative information such as:
  - An indication of the proportion of an entity's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or
  - An indication of how the entity's overall effective tax rate would have changed if Pillar Two legislation had been effective.

Once the legislation is effective, additional disclosures are required for the current tax expense related to Pillar Two income taxes. The requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The Group has reviewed its corporate structure in light of the introduction of Pillar Two Model Rules in the various jurisdictions in which it operates. The Group has determined that it will not be subject to Pillar Two taxes once the legislation becomes effective since its effective tax rate is above 15% in all the jurisdictions in which it operates. Therefore, as the related Pillar Two disclosures are not required, the amendments will have no impact on the Group's consolidated financial statements at 31 December 2023.

The following revised standards and interpretations are not expected to have a material impact on the Bank's financial statements:

For fiscal years beginning on or after January 1, 2024:

- Amendment to IAS 1: Classification of Long- and Short-Term Liabilities
- Amendment to IFRS 16: Lease liabilities on sale and leaseback

The following revised Standards and Interpretations are not yet effective and have not yet been endorsed by the European Union:

- Amendment to IFRS 16: Measurement of lease liabilities on sale and leaseback
- Amendment to IAS 7: Factoring
- Amendment to IAS 21: Lack of Exchangeability
- Amendment to IAS 28 and IFRS 10: Sale or transfer of assets between an investor and an associate or joint venture

(6) Material accounting estimates and judgements

In accordance with the amendment to IAS 8, the Bank considers accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty.

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) Material 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

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 2023 and 2022. 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) Material 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 interest rate cap

- In order to estimate the expected accounting impact of the interest rate cap regulation, the difference between the actual/expected BUBOR rate at the time of the repricing and the interest rate set by the regulation was calculated for loans repriced in the period December 2021 - June 2022, based on volume.
- 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.
- On 30 November 2023, under Government Decree 522/2023, the interest rate freeze will be extended until 30 June 2024 under unchanged conditions. The estimated impact of this is similar to 2022, i.e. the difference between the actual/expected BUBOR rate and the reference rate set in the Regulation is accounted for as a reduction of the exposure per contract at the individual level.

Part B Information on the consolidated statement of comprehensive income

(7) Interest income and interest expense

(million HUF)

Interest income	2023	2022
Loans to banks measured at amortised cost	122,074	71,579
Loans to customers measured at amortised cost	108,653	63,460
of which interest income on transactions subject to interest rate cap regulations above the interest rate specified in the regulation	*10,801*	*4,054*
Debt securities measured at amortised cost	14,545	9,954
Financial assets measured at fair value through other comprehensive income	28,194	18,383
Negative interest on financial liabilities	159	911
Interest income calculated using effective interest rate method	***273,625***	***164,286***
Securities held for trading	1,241	1,038
Financial assets mandatorily measured at fair value	7,762	4,680
Hedging derivatives	19,588	9,581
Other interest income	***28,591***	***15,299***
Total	**302,216**	**179,586**

Interest income on financial assets classified as stage 3 is HUF 3,739 million in 2023, and HUF 2,338 million in 2022.

(million HUF)

Interest expenses	2023	2022
Deposits from banks	32,423	16,762
Deposits from customers	107,143	45,463
Lease liabilities	138	9
Negative interest on financial assets	151	389
Hedging derivatives	17,986	11,084
Total	**157,841**	**73,707**

The Group's interest income increased significantly during 2023, with customer loans and bank lending being the main sources of growth. In both cases, the significantly higher forint interest rate environment was the main driver of the revenue growth, as illustrated by the fact that the average 3-month BUBOR rose from 10% in 2022 to over 14% in 2023.

In parallel with revenues, interest expenses also increased, albeit at a more modest pace. Interest rates expected by customers have also increased due to high benchmark rates, and the share and stock of time deposits in customer deposits (mainly corporate customers) has increased. Interest paid on bank liabilities has also increased due to the impact of the higher HUF interest rate environment.

(8) Fee and commission income and expense

(million HUF)

Fee and commission income	2023	2022
Account turnover fee income	16,786	15,902
Investment services fee income	8,490	6,982
Card fee income	10,392	10,381
Servicing fee income from loans	3,979	2,953
Cash management fee income	1,283	1,444
Documentary fee income	4,377	3,656
Agent fee income	1,563	1,091
Other fee income	7,534	4,434
Total	**54,404**	**46,843**

(million HUF)

Fee and commission expense	2023	2022
Card fee expense	10,075	9,803
Account turnover fee expense	1,539	1,476
Investment services fee expense	396	405
Documentary fee expense	3,389	2,759
Servicing fee expenses for loans	2,330	1,027
Agent fee expense	744	750
Other fee expense	2,116	1,221
Total	**20,589**	**17,441**

Commission income increased significantly compared to the previous year. Cash and card commission income increased due to higher transaction volumes, driven by double-digit inflation. Investment services revenues also increased due to buoyant demand for investment funds and their increasing holdings. The increase in lending commissions was driven by some large corporate transactions. Commission expenses also rose in line with higher transaction activity.

(9) Income from trading activities

(million HUF)

	2023	2022
Net profits/(losses) from trading derivatives and trading with foreign currencies	(16,227)	7,198
Net profits/(losses) from securities held for trading	2,105	1,143
Total	**(14,122)**	**8,341**

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 8,559 million in 2023 (HUF 24,451 million loss in 2022).

The result from trading activities fell significantly compared to last year, mainly due to lower revaluation gains on IRS transactions. The increase in trading securities revenue was driven by retail government securities redemptions.

The revaluation losses on IRS transactions in 2023 and gains in 2022 are offset by the revaluation gains on loans carried at fair value, which the Bank reports in the line 'Changes in fair value of financial assets at fair value through profit or loss', see note (12).

(10) Fair value adjustments in hedge accounting

(million HUF)

	2023	2022
Income from	**60,730**	**47,639**
a) fair value hedge derivatives	30,052	27,589
b) hedged debt securities	22,225	-
c) hedged loans	7,632	1,042
d) hedged financial liabilities	821	19,008
Losses for	**(60,124)**	**(46,788)**
a) fair value hedge derivatives	(30,587)	(21,650)
b) hedged debt securities	-	(14,344)
c) hedged loans	(382)	(10,418)
d) hedged financial liabilities	(29,155)	(376)
Total	**606**	**851**

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

(million HUF)

	2023	2022
Profits from sale of debt securities at FVOCI	318	1,128
Losses from sale of debt securities at FVOCI	(1,715)	(1,103)
Profits from sale of debt securities measured at amortised cost	4	
Total	**(1,393)**	**25**

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)

	2023	2022
Loans to customers	6,769	(7,609)
Debt securities	259	(47)
Equity instruments	61	10
Total	**7,089**	**(7,646)**

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

(13) Other operating income and expense

(million HUF)

Other operating income	2023	2022
Gain from selling of tangible and intangible assets	5	17
Gain on IFRS16 RoU assets	13	425
Dividend and similar income	32	3
Change of inventory	119	10
Gain on non-current asset held for sale	6	14
Revaluation gain on premises	13	-
Derecognition of lapsed liabilities due to Accounting Act (1)	191	12
ISP Intragroup service income	112	59
Other tax-related income	14	27
Other income	830	990
Total	**1,335**	**1,557**

(1) 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 2023, other revenue includes the down payment of HUF 588 million for the failed sale of real estate.

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 2023.

(million HUF)

Other operating expense	2023	2022
Cancellation of obsolete assets	1	1
Loss on IFRS16 RoU assets	-	348
Change of inventory	5	3
Loss on non-current asset held for sale	1	12
Revaluation loss on premises	4	-
Telecommunication expenses related to business activities	590	626
Obligatory fees	780	675
Subsidies/grants paid, fines	283	17
Other tax-related expenses	41	39
Other expenses	365	1,094
Total	**2,070**	**2,815**

The Group shows it’s compensation and indemnities (HUF 903 million) paid in 2022 under the line of “other expenses”. In 2023 the amount recognised as an expense under this heading was not considered significant.

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

(million HUF)

	2023	2022
Individual impairment (expense) / reversal for loan losses	1,535	(1,904)
Collective impairment (expense) / reversal for loan losses	(5,922)	(11,974)
Impairment (expense) / reversal for losses on debt securities	(1,803)	(117)
Net (losses) / gains on sale of loans	285	132
Gains (losses) on changes in contracts without derecognition	(7,883)	(9,789)
Net (losses) / gains on financial assets measured at amortised cost	**(13,788)**	**(23,652)**
Net (losses) / gains on financial assets measured at FVOCI	**69**	**(26)**
Provision (expense) / reversal for financial guarantees	122	91
Provision (expense) / reversal for other commitments and contingencies	(655)	(442)
Net (losses) / gains on repossessed properties	1,547	696
Other impairment (expense) / reversal for other receivables	936	8
Other provision (expense) / reversal	(1,121)	938
Other impairment losses and provisions (expense) / reversal	**829**	**1,291**
Total	**(12,890)**	**(22,387)**

The loss from the modification of contracts without derecognition of assets relates to the moratorium on repayments and the change in cash flows resulting from the interest rate cap regulations.

Provision and impairments were HUF 9,497 million less in 2023 than in the previous year, due to lower modification losses in connection with the mortgage and SME loan interest rate cap regulations (HUF -7,883 million, a decrease of HUF 1,906 million compared to previous year). Individual loan impairments show a release of HUF 1,535 million, thanks to the improving portfolio quality. Collective impairments were less by HUF 6,052 million compared to the previous year, because of the additional impairments on customers most affected by inflation and economic slow-down in 2022.

Other provisions were less favourable by HUF 462 million, because of the releases on provision for risk and charges in 2022, while we made some provisions for this purpose in 2023.

The gain on the repossessed assets was HUF 1,553 million in 2023 and HUF 572 million in 2022.

The impairment and reversal of impairment related to POCI assets is highlighted in note (24).

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

(million HUF)

	2023	2022
Personnel expenses	30,461	25,504
of which salaries	*24,518*	*20,814*
of other benefits	*2,359*	*1,640*
of social contributions	*3,584*	*3,050*
Depreciation and amortisation	6,672	6,400
Office and information technology maintenance	12,016	9,731
Financial transaction duty	5,273	5,596
Other taxes and obligatory fees	4,514	5,384
Material expenses	2,311	1,617
Rent and leasing	128	138
Communications	1,191	1,117
Advertising	1,096	711
Legal fees	489	672
Expert fees	300	223
Other expenses	937	1,214
Total	**65,388**	**58,307**

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

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)

	2023	2022
CIB Bank Ltd.	19,931	13,800
CIB Leasing Co. Ltd.	284	392
Total	**20,215**	**14,192**

See note 5.13 for details.

(17) Income taxes

Current tax

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

In 2023, corporate income tax is 9% of the tax base (also 9% in 2022), local business tax is 2% of the tax base (also 2% in 2022), and the innovation contribution is 0.3% of the tax base (also 0.3% in 2022). 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.

(million HUF)

Amounts recognised in profit or loss	**2023**	**2022**
Current income tax charge	7,528	5,497
of which corporate income tax	*2,840*	*1,539*
of which withholding tax paid abroad	*202*	*151*
of which local business tax	*3,874*	*3,310*
of which innovation contribution	*612*	*497*
Deferred income tax	(315)	(889)
of which origination and reversal of temporary differences	*(315)*	*(889)*
Total	**7,213**	**4,608**

(17) Income taxes (continued)

Reconciliation of income tax expense to profit before tax	2023 million HUF	2023 %	2022 million HUF	2022 %
Profit before tax	71,142		40,708	
Consolidation amending amount	(888)		2,588	
Theoretical income tax expense at the statutory rate	6,323	9.00	3,897	9.00
Tax base amending items according to the local regulations	(3,140)	(4.47)	(2,379)	(5.50)
of which use of deferred losses	(3,202)	(4.56)	(2,464)	(5.69)
- usage of previously not recognised tax losses	*(900)*	*(1.28)*	*(470)*	*(1.09)*
- change in previously unrecognised tax losses	*(2,302)*	*(3.28)*	*(1,994)*	*(4.61)*
of which non-deductible provision	(88)	(0.13)	(1)	0.00
of which non-deductible expenditure	150	0.21	86	0.20
Income not subject to tax and tax allowance	(455)	(0.65)	(717)	(1.66)
Other income taxes – local business tax, innovation contribution	4,486	6.39	3,807	8.79
Total	**7,213**	**10.27**	**4,608**	**10.64**

(million HUF)

Deferred tax assets and liabilities comprise	2023 Assets	2023 Liabilities	2022 Assets	2022 Liabilities
Carry forward losses	2,302	-	1,994	-
Properties	-	424	-	431
Total deferred tax to profit or loss	**2,302**	**424**	**1,994**	**431**
Financial assets measured at other comprehensive income	-	524	-	-
Properties valued using a revaluation model	-	34	-	-
Total deferred tax through OCI	**-**	**561**	**-**	**-**
Effect of netting gross deferred tax position (1)	(985)	(985)	(431)	(431)
Total	**1,317**	**-**	**1,563**	**-**

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

The balance of carry forward unused tax losses was HUF 251,513 million and HUF 283,244 million as at 31 December 2023 and 2022, respectively. Of the remaining amount, the Group has recognised a deferred tax asset of HUF 1,994 million for corporate income tax for 2024 (HUF 1,994 million for 2023).

(million HUF)

Carry forward tax losses by maturity breakdown	2023	2022
Can be utilised until 31/12/2023	-	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	-	-
Can be utilised until 31/12/2027	1,965	1,965
Can be utilised until 31/12/2028	712	-
Can be utilised without time limit	246,370	278,813
Total	**251,271**	**283,244**

(18) Dividend paid

After taking into account the net profit of 2023 and the accumulated retained earnings of previous years, the expected dividend will be HUF 31,000 million.

Based on the result for 2022, a dividend of HUF 25,000 million was paid in 2023.

(19) Other comprehensive income

(million HUF)

	2023	2022
Net gain/(loss) from changes in fair value on debt securities	16,797	(11,370)
of which credit risk changes	*(71)*	*30*
Hedge accounting adjustment on debt securities measured at fair value through OCI	(12,076)	8,809
Reclassification adjustment to profit or loss	1,397	(25)
Deferred tax	(526)	209
Items that may be reclassified to profit or loss	**5,592**	**(2,377)**
Net gain/(loss) from changes in fair value on equity instruments	16	64
Reclassification adjustment to equity	-	(352)
Fair value adjustment on premises	(238)	-
Deferred tax	(34)	24
Items that may not be reclassified to profit or loss	**(256)**	**(264)**
Total (net of tax)	**5,336**	**(2,641)**

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

The line 'Net gain/(loss) from changes in fair value on equity instruments' does not include a FX revaluation result in 2023 (loss of HUF 438 million in 2022).

In 2022, 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)

	31/12/2023	31/12/2022
Cash	19,755	19,743
Current HUF account with the National Bank of Hungary	540,805	136,839
Total	**560,560**	**156,582**

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)

	31/12/2023	31/12/2022
Hungarian Government securities – HUF	14,420	15,151
Hungarian Government securities – NON-HUF	227	90
Shares listed on stock exchange – HUF	3	38
Shares listed on stock exchange – NON-HUF	11	9
Total	**14,661**	**15,288**

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)

31/12/2023	Positive fair value		Negative fair value	
	Fair value	Notional value	Fair value	Notional value
Interest rates	60,227	636,070	49,250	587,056
Currencies	5,047	404,994	5,375	395,303
Equities and stock indexes	1,754	27,747	1,758	27,747
Total	**67,028**	**1,068,811**	**56,383**	**1,010,106**

(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**

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

Financial assets mandatorily measured at fair value

(million HUF)

	31/12/2023	31/12/2022
Loans to customers	120,242	95,660
Debt securities	1,161	982
Equity instruments	389	223
Total	**121,792**	**96,865**

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)

	31/12/2023	31/12/2022
Hungarian government securities – HUF	208,194	264,216
Hungarian government securities – NON-HUF	5,764	14,774
Foreign government securities – NON-HUF	1,683	1,822
Central bank bonds – HUF	299,693	-
Bank and corporate bonds – HUF	21,110	14,750
Total debt instruments	**536,444**	**295,562**
Shares not listed - HUF	137	121
Total equity instruments	**137**	**121**
Total	**536,581**	**295,683**

The ECL allowance for debt instruments measured at FVOCI amounted to HUF 118 million at 31 December 2023 and HUF 189 million at 31 December 2022, respectively.

The Group has classified its financial assets at fair value through other comprehensive income as Stage 1 expected credit losses.

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

FVOCI bonds pledged as collateral for liabilities amounted to HUF 121,756 million at 31 December 2023 (HUF 211,973 million at 31 December 2022).

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)

	31/12/2023	31/12/2022
Nostro accounts	**21,365**	**29,950**
Due from banks	**237,352**	**758,709**
Due from National Bank of Hungary	498	580,588
Due from other Hungarian banks	148,776	67,028
Due from banks in Intesa Sanpaolo Group	86,464	108,088
Due from other banks	1,614	3,005
Total	**258,717**	**788,659**

The Bank is required to maintain with a National Bank of Hungary a minimum balance as a restricted deposit for the month equivalent to 10% (6% until 31 January 2023 and 12% from 1 February to 30 November 2023) of the Bank's total resident customer deposits, foreign customer HUF and currency (less than one year) deposits (6% in 2022). The compulsory reserve amounted to HUF 176,977 million at 31 December 2023 and HUF 110,298 million at 31 December 2022.

The Group had no active repurchase agreement at 31 December 2023 or at the end of 2022.

The total 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	31/12/2023 million HUF	31/12/2023 %	31/12/2022 million HUF	31/12/2022 %
Private customers	630,519	39.47	565,648	38.58
Heavy industry	161,150	10.09	169,855	11.58
Other, mostly service industries	193,915	12.14	152,197	10.38
Light industry	74,014	4.63	61,889	4.22
Real estate investments	77,202	4.83	60,824	4.15
Financial activities	125,778	7.87	100,118	6.83
Trading	86,677	5.42	87,656	5.98
Transportation and communication	138,385	8.66	156,583	10.68
Food processing	49,197	3.08	49,593	3.38
Agriculture	53,638	3.36	56,764	3.87
Chemicals and pharmaceuticals	7,162	0.45	5,178	0.35
Total	**1,597,637**	**100.00**	**1,466,305**	**100.00**

Analysis by segment and staging

(million HUF)

Gross carrying amount 31/12/2023	Stage 1	Stage 2	Stage 3	POCI assets	Measured at FVPL	Total
Central government	103,609	-	-	-	-	**103,609**
Corporate	642,680	161,181	17,573	2,996	292	**824,722**
Retail	404,653	129,341	10,175	5,188	119,949	**669,306**
Total	**1,150,942**	**290,522**	**27,748**	**8,184**	**120,241**	**1,597,637**

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

(million HUF)

ECL allowance 31/12/2023	Stage 1	Stage 2	Stage 3	POCI assets	Measured at FVPL	Total
Central government	(638)	-	-	-	-	**(638)**
Corporate	(4,264)	(9,790)	(9,567)	(139)	-	**(23,760)**
Retail	(4,247)	(18,135)	(5,675)	(1,126)	-	**(29,183)**
Total	**(9,149)**	**(27,925)**	**(15,242)**	**(1,265)**	**-**	**(53,581)**

(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)

Analysis of gross loan portfolio and expected loan loss by stage

(million HUF)

Gross loan portfolio	01/01/2023	Increase	Decrease	Stage reclassifi-cation	Write-down	Sale	Exchange difference	31/12/2023
Stage 1	**1,156,692**	**781,457**	**(651,095)**	**(120,075)**	**-**	**-**	**(16,037)**	**1,150,942**
Central government	148,991	25,903	(65,006)	-	-	-	(6,279)	103,609
Other financial corporation	48,862	99,256	(89,030)	(3,574)	-	-	(442)	55,072
Non-financial corporation	531,938	522,643	(409,890)	(47,804)	-	-	(9,279)	587,608
Retail	426,901	133,655	(87,169)	(68,697)	-	-	(37)	404,653
Stage 2	**157,892**	**100,704**	**(92,379)**	**127,723**	**-**	**-**	**(3,418)**	**290,522**
Central government	-	-	-	-	-	-	-	-
Other financial corporation	310	2,498	(1,879)	3,574	-	-	-	4,503
Non-financial corporation	104,727	66,941	(58,994)	47,402	-	-	(3,398)	156,678
Retail	52,855	31,265	(31,506)	76,747	-	-	(20)	129,341
Stage 3	**47,185**	**13,399**	**(21,352)**	**(7,648)**	**(295)**	**(2,974)**	**(567)**	**27,748**
Other financial corporation	689	22	(130)	-	-	-	(1)	580
Non-financial corporation	23,658	6,369	(12,380)	404	(35)	(458)	(565)	16,993
Retail	22,838	7,008	(8,842)	(8,052)	(260)	(2,516)	-	10,175
POCI	**8,877**	**1,171**	**(1,583)**	**-**	**(1)**	**(188)**	**(92)**	**8,184**
Other financial corporation	-	-	-	-	-	-	-	-
Non-financial corporation	3,260	164	(336)	-	-	-	(92)	2,996
Retail	5,617	1,007	(1,247)	-	(1)	(188)	-	5,188
Measured at FVPL	**95,659**	**45,539**	**(20,957)**	**-**	**-**	**-**	**-**	**120,241**
Other financial corporation	-	-	-	-	-	-	-	-
Non-financial corporation	30	274	(12)	-	-	-	-	292
Retail	95,629	45,265	(20,945)	-	-	-	-	119,949
Total	**1,466,305**	**942,270**	**(787,366)**	**-**	**(2969**	**(3,162)**	**(20,114)**	**1,597,637**

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

(million HUF)

ECL	01/01/2023	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	31/12/2023
Stage 1	**(8,919)**	**(10,140)**	**4,785**	**1,939**	**(3,377)**	**-**	**-**	**-**	**126**	**6,437**	**(9,149)**
Central government	(900)	(241)	451	-	-	-	-	-	52	-	(638)
Other financial corporation	(186)	(18)	16	171	(103)	-	-	-	-	102	(18)
Non-financial corporation	(3,610)	(5,913)	1,984	361	(561)	-	-	-	74	3,418	(4,247)
Retail	(4,223)	(3,968)	2,334	1,407	(2,713)	-	-	-	-	2,917	(4,246)
Stage 2	**(19,052)**	**(18,241)**	**11,296**	**(2,348)**	**(3,184)**	**-**	**-**	**-**	**416**	**3,188**	**(27,925)**
Central government	-	-	-	-	-	-	-	-	-	-	-
Other financial corporation	(15)	(144)	42	(171)	(229)	-	-	-	-	229	(288)
Non-financial corporation	(9,813)	(4,657)	4,702	(156)	(181)	-	-	-	416	187	(9,502)
Retail	(9,224)	(13,440)	6,552	(2,021)	(2,774)	-	-	-	-	2,772	(18,135)
Stage 3	**(21,517)**	**(5,971)**	**9,404**	**409**	**(689)**	**297**	**(168)**	**2,179**	**170**	**644**	**(15,242)**
Other financial corporation	(234)	-	49	-	-	-	-	-	-	(16)	(201)
Non-financial corporation	(10,046)	(3,525)	3,774	(205)	(37)	21	(2)	451	169	35	(9,365)
Retail	(11,237)	(2,446)	5,581	614	(652)	276	(166)	1,728	1	625	(5,676)
POCI	**(1,345)**	**(547)**	**1,284**	**-**	**(466)**	**1**	**(1)**	**58**	**1**	**(250)**	**(1,265)**
Other financial corporation	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporation	(55)	(114)	418	-	-	-	-	-	1	(389)	(139)
Retail	(1,290)	(433)	866	-	(466)	1	(1)	58	-	139	(1,126)
Measured at FVPL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial corporation	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporation	-	-	-	-	-	-	-	-	-	-	-
Retail	-	-	-	-	-	-	-	-	-	-	-
Total	**(50,833)**	**(34,899)**	**26,769**	**-**	**(7,716)**	**298**	**(169)**	**2,237**	**713**	**10,019**	**(53,581)**

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

(million HUF)

Gross loan portfolio	01/01/2022	Increase	Decrease	Stage reclassifi-cation	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)

Stage 1 loans did not change significantly during 2023, because the decrease in Central government segment (by HUF 45,382 million), and in the households segment (HUF 22,248 million), were offset by the increase of loans to non-financial corporations (HUF 55,670 million). In the households segment the decrease was the result of HUF 68,697 million movement among stages, that reduced the Stage 1 balance, despite the significant new loan disbursements during the year.

Stage 2 category increased by HUF 132,630 million, mainly in the non-financial corporate and in the households segments, as the Bank moved the customers who would be most effected by the end of interest rate caps or by the economic recession into Stage 2. It worth mentioning that Stage 2 volume also increased due to the recovery from Stage 3.

Balance of Stage 3 loans dropped by HUF 19,437 million, mainly in the Households segments, due to the transfer of loans previously under moratoria back into Stage 2.

The increase in the measured at FVPL category is mainly due to “Babaváró loans” (see Chapter 45). The gross value movement table includes the effect of the fair value measurement of the items which increase and decrease the gross value.

Expected credit losses grew only by HUF 2,748 million in 2023, the majority of which is connected to Stage 2 loans, while impairment on Stage 3 loans reduced significantly in line with the drop in NPL volume.

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 2023 is HUF 140,088 million (31 December 2022: HUF 139,977 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 9,481 million at 31 December 2023, and HUF 10,862 million at 31 December 2022.

The Group had no active repurchase agreement at 31 December 2023 or at the end of 2022.

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 2023 amounts to HUF 1,844,214 million and HUF 1,600,646 million as at 31 December 2022, respectively.

The Group pledged loans to customers amounted to HUF 121,413 million as collateral for its liabilities at 31 December 2023 (HUF 193,929 million at 31 December 2022).

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 7,903 in 2023 (HUF 9,697 million 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	31/12/2023	31/12/2022
Within one year	32,083	30,088
One to five years	69,025	66,706
More than five years	2,378	7,940
Total	**103,486**	**104,734**

(million HUF)

The present value of minimum lease payment receivables comprises	31/12/2023	31/12/2022
Within one year	30,643	29,049
One to five years	65,505	63,594
More than five years	2,090	7,293
Total	**98,238**	**99,936**
Unearned finance lease income	5,248	4,797
Accumulated allowance for uncollectible minimum lease payments receivable	14,395	14,464

(25) Securities at amortized cost

(million HUF)

	31/12/2023		31/12/2022	
	Carrying amount	Provision	Carrying amount	Provision
Hungarian government bonds – HUF	149,895	(94)	69,596	(45)
Bank and corporate bonds – HUF	79,875	(140)	81,646	(129)
Bank and corporate bonds – other currency	14,493	(1,879)	45,845	(140)
Total	**244,263**	**(2,113)**	**197,087**	**(314)**

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

Bonds at amortized cost pledged as collateral for liabilities amounted to HUF 134,034 million at 31 December 2023 (HUF 78,590 million at 31 December 2022).

(26) Hedging derivatives

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

(million HUF)

31/12/2023	Positive fair value		Negative fair value	
	Fair value	Notional value	Fair value	Notional value
Interest rate derivatives - hedge of debt securities	7,977	102,371	6,530	99,914
Interest rate derivatives - hedge of loans	859	24,866	281	13,709
Interest rate derivatives - hedge of deposits	852	10,500	13,301	136,060
Micro fair value hedges total	**9,688**	**138,097**	**20,112**	**249,683**
Interest rate derivatives - hedge of loans	1,473	11,991	2,014	35,400
Interest rate derivatives - hedge of deposits	6,630	90,000	98	50,000
Portfolio fair value hedges total	**8,103**	**101,991**	**2,112**	**85,400**
Total	**17,791**	**240,088**	**22,224**	**335,083**

(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**

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

(million HUF)

31/12/2023	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	191,324	-	607	-	365
Loans	47,112	-	305	-	31
Deposits	-	140,339	-	(7,564)	142
Hedged items in micro fair value hedges total	**238,436**	**140,339**	**912**	**(7,564)**	**538**
Loans	40,291	-	(5,338)	-	(193)
Deposits	-	145,700	-	4,948	261
Hedged items in portfolio fair value hedges total	**40,291**	**145,700**	**(5,338)**	**4,948**	**68**
Total	**278,727**	**286,039**	**(4,426)**	**(2,616)**	**606**

(26) Hedging derivatives (continued)

(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**

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	31/12/2023	31/12/2022
Opening balance	**2,617**	**4,831**
Additions	-	14
Sale	(3,659)	(2,474)
Net (losses) / gain from impairment charges	1,548	696
Closing balance	**506**	**2,617**

(million HUF)

	Gross value		Impairment	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Building	347	846	(66)	(63)
Land	225	1,834	-	-
Total	**572**	**2,680**	**(66)**	**(63)**

The repossessed properties in return for the claim are located in several locations in Hungary. The closing balance included HUF 54 million worth of real estate in Budapest as of 31 December 2023 and HUF 1,664 million as of 31 December 2022.

(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 01/01/2022	**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**
IFRS 16 – ROU assets additions (+) / disposals (-)	2,462	-	-	498	135	15	**3,110**
Additions	572	223	620	200	-	-	**1,615**
Disposals	(16)	(106)	(501)	(453)	(4)	-	**(1,080)**
Revaluation	(229)	-	-	-	-	-	**(229)**
Balance at 31/12/2023	**23,366**	**4,074**	**7,867**	**9,033**	**882**	**224**	**45,446**
Accumulated depreciation and impairment losses							
Balance at 01/01/2022	**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**
Depreciation of IFRS 16 – ROU assets disposals	838	-	-	240	132	(7)	**1,203**
Depreciation for the year	382	151	385	257	1	-	**1,176**
Impairment expense / (reversal)	16	1	1	-	-	-	**18**
Disposals	(6)	(106)	(442)	(453)	(4)	-	**(1,011)**
Balance at 31/12/2023	**5,385**	**3,413**	**5,892**	**7,947**	**504**	**38**	**23,179**
Net book value							
Balance at 31/12/2022	**16,422**	**590**	**1,800**	**885**	**376**	**164**	**20,237**
Balance at 31/12/2023	**17,981**	**661**	**1,975**	**1,085**	**378**	**186**	**22,266**

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 2023, the Bank performed the valuation of own properties in accordance with the revaluation model, using external, independent valuation, which resulted in an increase of HUF 240 million in other comprehensive income and a decrease of HUF 489 million in the statement of comprehensive income.

The net value of functional properties would have been HUF 14,059 million in 2023 without the application of the revaluation model, and HUF 14,034 million in 2022.

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

Non-current assets held for sale

(million HUF)

	31/12/2023	31/12/2022
Premises	3,266	3,266
Land	235	235
Other	67	69
Total	**3,568**	**3,570**

(million HUF)

	31/12/2023	31/12/2022
Opening balance	**3,570**	**3,732**
Reclassification from tangible assets	-	-
Additions	1,533	12
Disposals	-1,535	(174)
Closing balance	**3,568**	**3,570**

The Bank intends to sell its former headquarters building on the real estate market following its move to Petrezselyem headquarter. The sale is currently under way and the transaction is expected to close in 2024. No gain or loss was recognised in 2022 or 2023 connected to the building.

(29) Intangible assets

(million HUF)

	Software licenses and develop-ment	Other	Total
Cost			
Balance at 01/01/2022	**60,152**	**270**	**60,422**
Acquisition	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**
Additions	4,147	-	**4,147**
Development	1,074	-	**1,074**
Disposals	(815)	(15)	**(830)**
Balance at 31/12/2023	**59,149**	**344**	**59,493**
Accumulated depreciation and impairment losses			
Balance at 01/01/2022	**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 31/12/2022	**42,608**	**348**	**42,956**
Amortisation for the year	3,974	4	**3,978**
Impairment for the year	67	-	**67**
Disposals	(796)	(16)	**(812)**
Balance at 31/12/2023	**45,853**	**336**	**46,189**
Net book value			
Balance at 31/12/2022	**12,135**	**11**	**12,146**
Balance at 31/12/2023	**13,297**	**7**	**13,304**

The net book value of internally developed software is HUF 2,253 million as at 31 December 2023, and HUF 1,542 million as at 31 December 2022, respectively.

A significant intangible asset is the development of the data warehouse (SAS) with a net book value of 902 million at 31 December 2023 (HUF 1,262 million at 31 December 2022) and an average remaining amortization period of 2.8 years.

(30) Other assets

(million HUF)

	31/12/2023	31/12/2022
Accrued assets	7,692	3,241
Non-income tax receivables	6,533	6,837
Settlement accounts	18,040	13,139
Items in transit (stock)	40	1,040
Trade receivables	1,645	604
Inventories	116	107
Other items	803	1,874
Total	**34,869**	**26,842**

(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 5,605 million at 31 December 2023 and HUF 5,318 million in at 31 December 2022.

(31) Deposits from banks

(million HUF)

	31/12/2023	31/12/2022
Deposits from National Bank of Hungary	150,356	201,848
Deposits from other banks in Hungary	196,331	175,975
Deposits from banks in other countries	130,478	121,474
Total	**477,165**	**498,297**
of which related party	*124,423*	*112,210*

(32) Deposits from customers

(million HUF)

	31/12/2023	31/12/2022
Deposits from customers in Hungary	2,357,575	2,105,106
Deposits from customers in other countries	33,014	33,429
Total	**2,390,589**	**2,138,535**
of which related party	*1,522*	*1,395*

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

(33) Other liabilities

(million HUF)

	31/12/2023	31/12/2022
Lease liabilities	5,156	3,482
Accrued liabilities	10,114	8,096
Suppliers	2,763	3,692
Non-income tax liability	3,685	3,353
Items in transit	38	895
Financial guarantees	144	267
Settlement accounts	5,462	7,057
Other items	3,126	697
Total	**30,488**	**27,539**

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 4,991 million at 31 December 2023 and HUF 4,758 million at 31 December 2022.

(33) Other liabilities (continued)

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

(million HUF)

Financial guarantees comprise	31/12/2023	31/12/2022
Opening balance	**267**	**355**
Increase during the year	95	99
Decrease during the year	(218)	(187)
Closing balance	**144**	**267**

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 01/01/2022	**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**
Allocation	1,900	1,231	547	**3,678**
Use	-	(192)	(101)	**(293)**
Reversal	(1,244)	(24)	(633)	**(1,901)**
Exchange difference	(17)	(173)	-	**(190)**
Balance at 31/12/2023	**2,179**	**8,101**	**1,295**	**11,575**

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 2023 there was no change regarding the share capital.

At 31 December 2023 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.

(37) Reserves (continued)

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.

The Group has recognised a revaluation surplus HUF 240 million in the FY 2023 relating 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.

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.

The following tables shows the breakdown of reserves:

(million HUF)

Reserves	31/12/2023	31/12/2022
Capital reserve	96,925	96,925
Financial assets at FVOCI revaluation reserve	5,443	-165
Tangible assets revaluation reserve	5,881	6,153
General reserve	18,421	12,205
Other reserve	53,302	53,302
Total	**179,972**	**168,420**

(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 01/01/2022	**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**
Additions	2,636	513	158	34	**3,341**
Disposals	(174)	(15)	(23)	(19)	**(231)**
Balance at 31/12/2023	**8,167**	**1,175**	**827**	**107**	**10,276**
Accumulated depreciation					
Balance at 01/01/2022	**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**
Depreciation for the year	1,012	256	153	11	**1,432**
Disposals	(174)	(16)	(21)	(18)	**(229)**
Balance at 31/12/2023	**4,288**	**493**	**463**	**38**	**5,282**
Net book value					
Balance at 31/12/2022	**2,255**	**424**	**361**	**47**	**3,087**
Balance at 31/12/2023	**3,879**	**681**	**365**	**69**	**4,994**

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.

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)

	31/12/2023		31/12/2022	
	Present value	Interest	Present value	Interest
Maturity with less than 1 year	1,530	154	1,300	8
Maturity between 1 and 5 years	2,941	269	1,758	19
Maturity over 5 years	685	37	422	4
Total	**5,156**	**460**	**3,480**	**31**

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

Profit or loss items of the lease contracts:

(million HUF)

	2023	2022
Lease liability interest expense	138	9
Lease payment fees	373	616
from which low-value asset lease payments	138	*512*
from which variable lease payments	138	*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)

	31/12/2023	31/12/2022
Future liabilities related to variable lease payments	103	103

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

(million HUF)

	2023	2022
Cash outflows from lease liabilities	1,433	1,346
Interest expense related to lease liabilities	138	9
Other lease payments	373	616
from which low-value asset lease payments	*247*	*512*
from which variable lease payments	*127*	*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 173,691 million as at 31 December 2023 and HUF 137,201 million as at 31 December 2022, respectively.

The amount of the securities in custody is HUF 1,164,633 million as at 31 December 2023 and HUF 1,270,476 million as at 31 December 2022, respectively.

(39) Commitments and contingencies (continued)

(million HUF)

31/12/2023	Gross amount	Other liability	Provision
Guarantees	70,833	(139)	-
Letters of credit	3,672	(5)	-
Total financial guarantees	**74,505**	**(144)**	**-**
Commitments	567,787	-	(2,179)
Total	**642,292**	**(144)**	**(2,179)**

(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)**

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 01/01/2023	**655,314**	**9,808**	**848**	**665,970**
Increase	1,837,729	618,759	19,269	**2,475,757**
Decrease	(1,864,303)	(604,074)	(19,892)	**(2,488,269)**
Transfers to Stage 1	-	22,259	55	**22,314**
Transfers to Stage 2	(22,259)	-	261	**(21,998)**
Transfers to Stage 3	(55)	(261)	-	**(316)**
Exchange difference	(10,868)	(301)	3	**(11,166)**
Other adjustments	-	-	-	**-**
Balance at 31/12/2023	**595,558**	**46,190**	**544**	**642,292**

(million HUF)

ECL	Stage 1	Stage 2	Stage 3	Total
Balance at 01/01/2023	**(1,282)**	**(156)**	**(369)**	**(1,807)**
Allocation	(1,182)	(612)	(200)	**(1,994)**
Use	174	72	32	**278**
Reversal	790	96	297	**1,183**
Transfers to Stage 1	-	(52)	-	**(52)**
Transfers to Stage 2	52	-	(21)	**31**
Transfers to Stage 3	-	21	-	**21**
Exchange difference	17	4	(4)	**17)**
Other adjustment	-	-	-	**-**
Balance at 31/12/2023	**(1,431)**	**(627)**	**(265)**	**(2,323)**

(39) Commitments and contingencies (continued)

(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)**

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

(million HUF)

31/12/2023	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	540,805	-	-	-	-	-	19,755	**560,560**
Effective interest rates	*9.87*	-	-	-	-	-	-	***9.52***
Securities held for trading	-	1,152	520	8,199	3,465	1,311	14	**14,661**
Effective interest rates	-	*5.13*	*5.72*	*6.31*	*5.94*	*5.86*	-	***6.06***
Derivative financial assets	-	15,679	33,843	31,982	1,819	1,496	-	**84,819**
Securities mandatorily measured at FVPL	-	-	-	-	-	-	1,550	**1,550**
Financial assets measured at fair value through OCI	137	384,801	17,704	84,056	49,883	-	-	**536,581**
Effective interest rates	-	*6.12*	*5.32*	*6.86*	*5.82*	-	-	***6.18***
Loans to banks	21,560	89,779	128,009	19,369	-	-	-	**258,717**
Effective interest rates	-	*7.81*	*13.12*	*11.34*	-	-	-	***10.05***
Loans to customers at AC and FVPL (1)	106,774	330,876	116,412	263,005	455,070	266,581	-	**1,538,718**
Effective interest rates	*9.36*	*7.80*	*8.52*	*5.78*	*4.79*	*5.42*	-	***6.31***
Debt securities at amortised cost	-	59,670	-	-	149,815	34,778	-	**244,263**
Effective interest rates	-	*8.79*	-	-	*7.37*	*6.53*	-	***7.60***
Liabilities								
Deposits from banks	2,329	90,826	181,420	30,883	148,343	23,364	-	**477,165**
Effective interest rates	*3.95*	*10.39*	*6.57*	*0.30*	*0.83*	*0.17*	-	***4.78***
Deposits from customers	1,490,398	524,646	229,012	61,442	89,226	813	-	**2,395,537**
Effective interest rates	*1.58*	*7.92*	*8.29*	*6.00*	*2.22*	*4.30*	-	***3.75***
Derivative financial liabilities	-	14,846	37,807	22,518	2,440	996	-	**78,607**
Net repricing gap	**(823,451)**	**251,639**	**(151,751)**	**291,768**	**420,043**	**278,993**	**21,319**	**288,560**

(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)

31/12/2022	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*

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

(million HUF)

31/12/2023	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)]	560,560	-	-	-	-	**560,560**
Securities held for trading	1	38	8,197	4,852	1,573	**14,661**
Derivative financial assets	1,659	748	13,687	46,051	22,674	**84,819**
Securities mandatorily measured at FVPL	-	-	-	-	1,550	**1,550**
Financial assets measured at fair value through OCI	299,693	-	99,951	119,096	17,841	**536,581**
Loans to banks [(1)]	73,161	4,835	20,217	160,504	-	**258,717**
Loans to customers at amortised cost and at fair value through profit or loss [(2)]	197,726	56,061	321,466	485,744	477,721	**1,538,718**
Debt securities at amortised cost	-	-	44,328	165,157	34,778	**244,263**
Intangible assets, property, plant and equipment, repossessed properties	-	-	-	36,076	-	**36,076**
Tax assets	-	-	-	1,430	-	**1,430**
Non-current asset held for sale	-	-	3,568	-	-	**3,568**
Other assets	7,692	-	156	27,021	-	**34,869**
Total assets	**1,140,492**	**61,682**	**511,570**	**1,045,931**	**556,137**	**3,315,812**
Liabilities						
Deposits from banks	19,212	15,375	30,509	350,379	61,690	**477,165**
Deposits from customers [(2)]	1,886,090	90,597	76,287	287,300	55,263	**2,395,537**
Derivative financial liabilities	3,258	915	5,267	49,564	19,603	**78,607**
Tax liabilities	-	-	-	2,971	-	**2,971**
Other liabilities	10,114	-	38	20,336	-	**30,488**
Provisions for risk and charges	-	-	-	11,575	-	**11,575**
Total liabilities	**1,918,674**	**106,887**	**112,101**	**722,125**	**136,556**	**2,996,343**
Net position	**(778,182)**	**(45,205)**	**399,469**	**323,806**	**419,581**	**319,469**

[(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)

31/12/2022	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.

(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)

31/12/2023	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	20,090	19,100	46,931	409,583	62,323	**558,027**
Deposits from customers	1,885,379	92,010	91,809	368,306	58,696	**2,496,200**
Derivative financial liabilities	3,258	915	5,267	49,564	19,603	**78,607**
Financial guarantees	3,101	6,256	24,499	39,964	685	**74,505**
Commitments	78,498	52,988	194,521	69,409	172,371	**567,787**
Total undiscounted value of financial liabilities	**1,990,326**	**171,269**	**363,027**	**936,826**	**313,678**	**3,775,126**

(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**

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)

	31/12/2023			31/12/2022		
	Parent	ISP Group Compa-nies	Total	Parent	ISP Group Compa-nies	Total
Assets						
Due from banks and due from customers	91,616	467	**92,083**	121,602	597	**121,602**
Financial investments	400	-	**400**	232	-	**232**
Derivative financial assets	68,349	9	**68,358**	133,107	2	**133,107**
Other assets	87	71	**158**	154	40	**154**
Liabilities						
Due to banks and due to customers	123,817	2,128	**125,945**	111,853	1,751	**111,853**
Derivative financial liabilities	69,651	-	**69,651**	130,087	-	**130,087**
Other liabilities	541	8	**549**	381	-	**381**
Commitments						
Guarantees	1,040	1,439	**2,479**	2,036	1,001	**3,037**
Loan commitments	59,999	1	**60,000**	59,998	1	**59,999**
Interest rate derivatives	1,704,773	-	**1,704,773**	1,507,758	-	**1,507,758**
Currency derivatives	78,880	7,500	**86,380**	133,658	7,096	**140,754**
Net interest income/(expense)	**2,804**	**(134)**	**2,670**	**2,712**	**(356)**	**2,356**
Trading and hedge income/(expenses)	**4,838**	**(607)**	**4,231**	**2,799**	**(132)**	**2,667**
Other operating income/(expense)	**14**	**111**	**125**	**5**	**59**	**64**
Operating expense	**(584)**	**(2,499)**	**(3,083)**	**(510)**	**(2,185)**	**(2,695)**

(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 66,004 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 MREL (Minimum Requirement for Own Funds and Eligible Liabilities) requirements, the Bank has drawn down senior non-preferred, long maturity (3-5-7 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	31/12/2023	31/12/2022
Assets		
Loans	321	341
Equity instruments	389	223
Liabilities		
Current accounts and deposits	213	366
Commitments		
Loans and overdraft facilities not disbursed	7	6
Compensation		
Salaries and other short-term benefits including contribution paid on compensation	1,230	1,039

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

There were changes in the Bank's key management members during 2023 and 2022.

(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)

31/12/2023	Average carrying amount	Average interest rate (%)
Financial assets		
Cash	12,573	0.00
Securities measured at FVPL	13,879	9.15
Financial assets measured at fair value through OCI	295,350	9.55
Loans to banks	904,033	13.51
Loans to customers at AC and FVPL	1,542,740	7.72
Debt securities measured at amortised cost	143,633	8.13
Financial liabilities		
Deposits from banks	528,994	6.10
Deposits from customers	2,106,338	5.09
Lease liabilities	3,795	3.63

(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

(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)

	31/12/2023				31/12/2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Securities held for trading	14,339	296	26	**14,661**	14,610	122	556	**15,288**
Trading derivative financial instruments	-	67,028	-	**67,028**	-	135,659	-	**135,659**
Securities measured at MFVPL	389	1,161	-	**1,550**	223	982	-	**1,205**
Loans to customers measured at MFVPL	-	-	120,242	**120,242**	-	-	95,660	**95,660**
Financial assets measured at FVOCI	235,068	301,376	137	**536,581**	265,180	30,382	121	**295,683**
Hedging derivative financial instruments	-	17,791	-	**17,791**	-	33,133	-	**33,133**
Financial liabilities					-	108,544	-	**108,544**
Trading derivative financial instruments	-	56,383	-	**56,383**	-	37,486	-	**37,486**
Hedging derivative financial instruments	-	22,224	-	**22,224**	14,610	122	556	**15,288**

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

Fair value hierarchy: financial instruments measured at amortised cost

(million HUF)

	31/12/2023 Level 1	Level 2	Level 3	Fair value total	Book value	31/12/2022 Level 1	Level 2	Level 3	Fair value total	Book value
Financial assets										
Cash and current account with central banks	560,560	-	-	**560,560**	**560,560**	156,582	-	-	**156,582**	**156,582**
Loans to banks	-	-	257,388	**257,388**	**258,717**	-	-	-	**787,184**	**787,184**
Loans to customers at amortised cost	-	-	1,414,825	**1,414,825**	**1,423,814**	-	-	1,308,560	**1,311,293**	**1,311,293**
Debt securities at amortised cost	235,644	-	-	**235,644**	**244,263**	164,500	16,980	-	**181,480**	**197,087**
Financial liabilities										
Deposits from banks	-	-	479,907	**479,907**	**477,165**	-	-	497,663	**497,663**	**498,297**
Deposits from customers	-	-	2,390,020	**2,390,020**	**2,390,589**	-	-	2,121,775	**2,121,775**	**2,138,535**

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)

	31/12/2023				31/12/2022			
	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	216,314	214,991	42,403	42,397	372,231	370,834	416,428	416,350
Loans to customers at amortised cost	949,297	957,433	474,517	457,392	869,879	880,381	449,933	430,912
Debt securities at amortised cost	244,263	235,644	-	-	197,087	181,480	-	-
Financial liabilities								
Deposits from banks	251,447	263,117	225,718	216,790	233,171	245,201	265,126	252,462
Deposits from customers	1,778,725	1,779,400	611,864	610,620	1,627,804	1,616,173	510,731	505,602

(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)

	01/01/2023	Gains / losses in profit or loss	Gains / losses in OCI	Increase (purchase, disburse-ment)	Sale	Other change	Reclassifi-cation	Exchange difference	31/12/2023
Loans to customers measured at MFVPL	**95,660**	6,769	-	24,937	-	(7,124)	-	-	**120,242**
Equity instruments measured at FVOCI	**121**	-	16	-	-	-	-	-	**137**

(million HUF)

	01/01/2022	Gains / losses in profit or loss	Gains / losses in OCI	Increase (purchase, disburse-ment)	Sale	Other change	Reclassifi-cation	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**

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 2023 nor in 2022.

(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 100 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.

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 addition to the component relating to current economic conditions, the Group also considers the most likely, optimistic and pessimistic scenario components for the next three years for non-performing exposures, in accordance with the criteria described. As required by IFRS 9, the effects of the forward-looking scenario on LGD estimates subject to current conditions shall also be taken into account using the components mentioned above. The forward-looking scenario component aims to capture the nonlinearity of the relationship between macroeconomic variables and the ECL measure by analysing the forecast uncertainty of the variables used to construct different scenarios. This is based on a methodological framework where the Group considers the average of pessimistic, optimistic and most likely scenarios over the next three years.

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 Group uses the same tools and logic as the annual ICAAP stress test methodology. Every year CIB Group reviews the IFRS9 calculation and compares its own macroeconomic variables with the HNB's macroeconomic variables and calculates the numerical difference in the impairment/provisioning at the end of the year following the HNB's Circular recommendation.

(48) Risk management (continued)

The Group is constantly confronted with new risks, such as energy supply, geopolitical risks and inflation, while the effects of the pandemic are beginning to ease. Traditional IFRS9 models are not flexible enough to deal with new risks in a rapidly changing environment. Therefore, since 2020, the Group has been using a risk framework called "prudential-addon", which takes into account regulatory guidelines and allows for the identification and management of new credit risks. More generally, prudential add-ons or managerial overlays are a widely used strategy to help manage emerging risks in the banking sector that are difficult to address with traditional models, in the absence of historical data. With this framework, the Group monitors credit risk quarter by quarter through estimates based on different portfolios and borrower groups to avoid duplication and assess which customers are likely to have payment problems.

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.

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 Group 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 Group 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)

31/12/2023	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	560,560	-	-	-	-	-	-	-	560,560	-
Loans to banks	258,717	-	-	-	-	-	-	143,320	115,397	365
Loans to customers	1,423,814	346,861	142,263	24,663	92,795	26,334	8,924	206,231	575,743	53,582
of which General governments	*102,972*	-	-	-	*5*	-	-	*42,588*	*60,379*	*638*
of which Other financial corporations	*59,651*	*359*	*3,679*	*538*	*19*	-	-	*17,620*	*37,436*	*507*
of which Non-financial corporations	*741,014*	*4,258*	*126,445*	*24,045*	*75,404*	*4,116*	*8,833*	*143,227*	*354,686*	*23,256*
of which Households	*520,177*	*342,244*	*12,139*	*80*	*17,367*	*22,218*	*91*	*2,796*	*123,242*	*29,181*
Debt securities	244,263	-	-	-	-	-	-	-	244,263	2,113
Total financial assets at amortised cost	**2,487,354**	**346,861**	**142,263**	**24,663**	**92,795**	**26,334**	**8,924**	**349,551**	**1,495,963**	**56,060**
Derivatives financial instruments	84,819	-	-	-	-	-	-	-	84,819	-
Securities held for trading	14,661	-	-	-	-	-	-	-	14,661	-
Financial assets mandatorily measured at fair value	121,792	22,005	938	62	10	-	-	86,933	11,844	-
Financial assets measured at fair value through profit or loss	**221,272**	**22,005**	**938**	**62**	**10**	**-**	**-**	**86,933**	**111,324**	**-**
Financial assets measured at fair value through other comprehensive income	**536,581**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**536,581**	**118**
Total financial assets	**3,245,207**	**368,866**	**143,201**	**24,725**	**92,805**	**26,334**	**8,924**	**436,484**	**2,143,868**	**56,178**
Financial guarantees	70,694	694	5,011	7,861	95	2,455	-	7,719	46,859	139
Letters of credit	3,667	149	562	52	-	-	-	-	2,904	5
Commitments	565,608	2,889	9,469	23,997	1,721	174	-	55,337	472,021	2,179
Total commitments and contingencies	**639,969**	**3,732**	**15,042**	**31,910**	**1,816**	**2,629**	**-**	**63,056**	**521,784**	**2,323**

(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
		Residen-tial immov-able property	Commer-cial 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)

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)

	31/12/2023	31/12/2022
Hungary	1,517,472	1,366,306
Euro Zone countries	25,698	26,118
EU - non-Euro Zone countries	21,106	35,179
Other regions	33,361	38,701
Total	**1,597,637**	**1,466,304**

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)

	31/12/2023	31/12/2022
Financial collateral	(78,467)	(92,516)
Guarantees	(441,695)	(347,411)
Total	**(520,162)**	**(439,927)**

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 31/12/2023	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	Stage 3 Collective	POCI assets	Measured at FVPL	Total
Performing loans							
A – Excellent	72,459	636	-	-	-	295	**73,390**
B – Stable	587,425	47,045	-	-	1,706	54,308	**690,484**
C – Acceptable	443,825	145,737	-	-	1,305	47,078	**637,945**
D – High Risk	45,048	96,498	-	-	2,261	18,187	**161,994**
Other	2,185	606	-	-	163	4	**2,958**
Total performing loans	**1,150,942**	**290,522**	**-**	**-**	**5,435**	**119,872**	**1,566,771**
Non-performing loans							
Corporate loans	-	-	13,402	4,170	1,472	-	**19,044**
Retail loan	-	-	329	9,847	1,277	369	**11,822**
Total non-performing loans	**-**	**-**	**13,731**	**14,017**	**2,749**	**369**	**30,866**

(48) Risk management (continued)

(million HUF)

Gross carrying amount 31/12/2022	Stage 1 Collec-tive	Stage 2 Collec-tive	Stage 3 Indi-vidual	Stage 3 Collec-tive	POCI assets	Meas-ured 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**

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.

The quality of the portfolio has steadily improved 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
31/12/2023	725	194,754	59,958	-	574	-	2,706	**258,717**
31/12/2022	4,106	15,174	183,470	-	6	-	585,903	**788,659**

The not rated category also includes outstanding exposures to the National Bank of Hungary with a balance of HUF 160 million at 31 December 2023 and HUF 242,886 million at 31 December 2022, 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)

31/12/2023	Under 1 month	31 to 60 days	61 to 90 days	Over 91 days	Total
Corporate loans	25,525	4,252	666	113	**30,556**
Retail loan	20,005	1,582	710	232	**22,529**
Total	**45,530**	**5,834**	**1,376**	**345**	**53,085**

(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**

(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 2023 is HUF 4,900 million and HUF 5,118 million as at 31 December 2022.

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)]	31/12/2023	31/12/2022
31 December	25.1%	29.6%
Daily average during the period	21.9%	28.3%
Highest	29.1%	34.1%
Lowest	17.2%	15.6%

[(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 Russian-Ukrainian war did not have a negative impact on the Group's liquidity, The loan-to-deposit ratio was very favourable at 64.2% at the end of the year in the terms of liquidity (65.8% in 2022).

(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 2023 [1]	Foreign exchange	Interest rate	Equity	Correla-tion effect	Total
31 December	13	127	0	(12)	**128**
Daily average during the period	24	222	0	(21)	**225**
Highest	78	420	1	(79)	**420**
Lowest	5	33	0	(1)	**37**

(million HUF)

VaR 2022 [1]	Foreign exchange	Interest rate	Equity	Correla-tion 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**

[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 2023 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 2023. The Group uses for the sensitivity calculations, among others, the NPV and the modified duration method, allowing a negative value on the interest rates for the year 2023.

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)

2023	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	**1,524**	(821)	(413)	(6,857)	(794)	**(8,885)**
EUR	+100	**1,717**	24	123	746	508	**1,400**
USD	+100	**407**	5	27	210	20	**263**
CHF	+100	**9**	(1)	4	5	(9)	**(2)**
Other	+100	**7**	3	1	1	3	**8**

(million HUF)

2023	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)	**(1,757)**	832	423	7,213	911	**9,380**
EUR	(100)	**(1,732)**	(24)	(125)	(778)	(573)	**(1,500)**
USD	(100)	**(409)**	(6)	(27)	(218)	(23)	**(274)**
CHF	(100)	**(56)**	1	(4)	(5)	10	**3**
Other	(100)	**(34)**	(1)	1	1	1	**2**

(48) Risk management (continued)

(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)**

IBOR reform

The table below presents the outstanding effected in IBOR reform

(million HUF)

Reference rate	Type of the contract	31/12/2023	31/12/2022
USD LIBOR	Loans to customers	-	57,878
USD LIBOR	Deposits from customers	46	11,270
USD LIBOR	Trading derivatives	-	18,408
USD LIBOR	Hedging derivatives	-	22,729
Total		**46**	**110,285**

Amounts affected by the IBOR reform decreased by HUF 110,239 million during the year. The remaining deposits are USD LIBOR based amounts placed 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)

2023	Sensitivity of net income			
	EUR	USD	CHF	Total
5% strengthening of currencies vs, HUF	(16)	2	3	**(11)**
5% weakening of currencies vs, HUF	16	(2)	(3)	**11**

(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**

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)

31/12/2023	HUF	EUR	CHF	USD	Other	Total
Cash and current account with central banks	558,579	1,343	129	376	133	**560,560**
Securities held for trading	14,423	96	-	142	-	**14,661**
Securities measured at MFVPL	-	389	-	1,161	-	**1,550**
Securities measured at FVOCI	529,134	5,764	-	1,683	-	**536,581**
Loans to banks	193,981	43,767	176	18,464	2,329	**258,717**
Loans to customers at amortised cost and at fair value through profit or loss	1,114,815	378,681	2,416	48,144	-	**1,544,056**
Debt securities at amortised cost	229,770	14,493	-	-	-	**244,263**
Total financial assets	**2,640,702**	**444,533**	**2,721**	**69,970**	**2,462**	**3,160,388**
Deposits from banks	321,285	152,022	-	3,858	-	**477,165**
Deposits from customers	1,771,960	497,095	6,613	104,204	10,717	**2,390,589**
Total financial liabilities	**2,093,245**	**649,117**	**6,613**	**108,062**	**10,717**	**2,867,754**
Net on-statement of financial position	**547,457**	**(204,584)**	**(3,892)**	**(38,092)**	**(8,255)**	**292,634**
FX position of spot and derivatives	**(266,568)**	**213,998**	**3,842**	**38,570**	**8,271**	
Off-balance	***384,446***	***244,853***	***-***	***10,670***	***-***	***639,969***
Guaranteed	*46,931*	*23,763*	*-*	*-*	*-*	***70,694***
Letters of credit	*-*	*3,437*	*-*	*230*	*-*	***3,667***
Commitments	*337,515*	*217,653*	*-*	*10,440*	*-*	***565,608***

(48) Risk management (continued)

(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 spot and 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***

(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 2023, CIB Group recorded HUF 865 million effective operational loss (excluding losses boundary with credit risk and specific provisions) in its internal loss database connected to 326 operational risk events. In 2022, the corresponding numbers were 262 events with HUF 2,118 million loss. The growth 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.

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 2023 as well.

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	31/12/2023	31/12/2022
Share capital	50,000	50,000
Reserves	205,540	189,104
Current year's profit	63,929	36,100
Expected dividend deduction	(31,000)	(25,000)
Total shareholder's equity	**288,469**	**250,204**
Deduction item: intangible assets	(7,191)	(7,090)
Deduction item: prudential valuation	(791)	(664)
Deduction item: deferred tax asset	(1,317)	(1,563)
Deduction item: insufficient coverage for non-performing exposures	(400)	(109)
FVOCI instruments	-	8,535
Tier 1 capital	**278,770**	**249,313**
Tier 2 capital	**-**	**-**
Total capital	**278,770**	**249,313**
Risk weighted assets for credit risks	1,167,718	1,160,598
Risk weighted assets for market risks	9,078	15,750
Risk weighted assets for operational risks	216,983	184,792
Risk exposure amount for credit valuation adjustment	1,407	2,096
Risk exposure amount for settlement/delivery	-	1
Risk weighted assets	**1,395,186**	**1,363,237**
Tier 1 capital ratio (%)	**19.98%**	**18.29%**
Total capital ratio (%)	**19.98%**	**18.29%**

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 exclusion of the amount of unrealised gains or losses on government securities at FVOCI was last applied by the Group in the COREP report for the quarter ended 31 December 2022.

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 2024 are already available and the Group meets the relating requirements based on current and projected financial position.

CIB BANK LTD.
and its subsidiaries

Business and management report
based on the audited consolidated financial statements
for the year ended 31 December 2023
prepared in accordance with
International Financial Reporting Standards
as adopted by EU

I. Macro and microeconomic environment

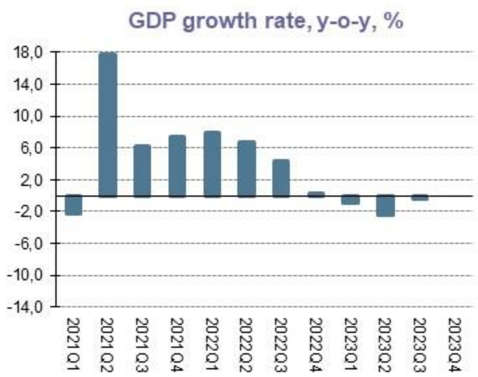
1. GDP

The performance of the Hungarian economy was twin-faced in 2023. In the first half of the year the economy remained in recession mainly due to the fact that the consumption weakened further in tandem with declining real earnings, and investments also came to a halt on the back of weaker demand and high financing costs. GDP growth in Q1 2023 was at -0.9% on yearly basis while in Q2 the economic downturn accelerated to 2.4% year-on-year. As a result, H1 average volume of GDP was -1.7%, but it also meant that the economy reached a cyclical low in Q2 2023.

After the protracted recession period, the Hungarian economy started its gradual recovery path from Q3. Although economic output in the July-September period was still down 0.4% year-on-year but on a quarterly basis, Hungarian economy was able to achieve a visible expansion (+ 0.8%).

However, the economy lost steam in the last three months of the year. In the fourth quarter, economic performance was stagnant, unchanged from the previous quarter and the last three months of last year. As a result, Hungary was unable to avoid recession last year, and economic output fell by 0.8% for the year as a whole.

Looking ahead, illustrating the high degree of uncertainty and the various scenarios (global growth and inflation outlook, development of the geopolitical tensions, degree of the monetary easing cycles of core central banks) for the whole of 2024 the National Bank of Hungary projected a GDP growth in Hungary in a wide range between 2.5% and 3.5%.



Source: KSH

2. Budget and external balance

Due the the high inflation and weak growth environment, the Hungarian fiscal deficit was much higher than the 3% Maastricht threshold in the last two years. The 2023 budget deficit target was originally set at 3.5% but was later raised to 5.2% to minimise the decline in economic performance, but even this was not enough, and the final figure could be reach to 6% of GDP. It means that the Hungary's cash-flow-based budget deficit was close to 4,600 billion forints.

The massive deficit was primarily driven by the unfavourable macroeconomic enviroment. The larger-than-expected economic downturn had a negative impact on tax revenues (especially VAT), while the high inflation-high interest rate environment dramatically raised interest expenditures.

The above-plan deficit created a jump in state financing needs, and due to the unfavourable interest rate environment, bonds could only be issued at much higher yields than in previous years. Despite the high budget deficit, public debt may remain on a downward path. The gross public debt-to-GDP ratio is projected by the NBH to fall to nearly 73% by the end of 2023.

According to the 2024 Budget Act, the government targets a 2.9% GDP proportionate deficit and tries to put the budget balance back on a sustainable path. As a result, the public debt ratio is expected to moderate to around 71.0% by the end of 2024.

External balance indicators showed a rapid recovery last year. In 2023, the trade balance posted a surplus of €9.3 billion. The improvement in the trade balance is largely due to depressed import levels reflecting lower energy prices and weaker investment and consumption related imports. The combined effect of normalizing energy prices and the recession has turned a record deficit in 2022 into a record surplus in 2023.

The impressive improvement in the external trade in goods is also reflected in the current account. In 2022 the deficit exceeded 8% of GDP, this year the shortfall could disappear completely, and the C/A balance may even show a minimal surplus.

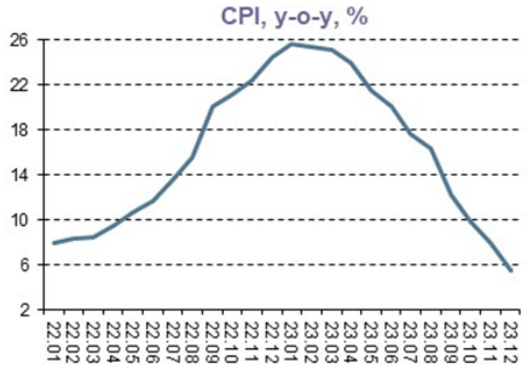
I. Macro and microeconomic environment (continued)

3. Inflation

After the massive domestic inflation shock in 2022, the annual consumer price index has been falling steadily since inflation peaked in January 2023. Easing global inflationary pressures, a more stable FX rate, the disinflationary impact of moderating domestic demand, together with a high base, pushed the annual rate of price increases to single-digit territory in the last quarter of the year.

Headline CPI dropped from 24.5% to 5.5% by the end of the last year, but the outcome implied an annual average CPI of 17.6% for 2023, up from 14.5% in 2022. Core inflation also showed a downward trend, but due to high figures at the beginning of the year the annual average jumped from 15.7% to 18.2% in the preceding year. The tax-adjusted core inflation index calculated by the NBH showed an annual average rise of 18.1%.

Possible weakening of the FX rate, the speed of the recovery and beginning of the year repricing pose upside risks to the inflation outlook, hence also in this case the central bank has a wide projection. According to NHB's forecast, inflation will be in the range of 4.0% to 5-5%, core inflation excluding indirect taxes will amount to 4.4%–6.0% this year.



Source: KSH

4. Labor market

As the economy had lost momentum and then fell into recession, the unemployment rate has gradually risen to around 4% in the first half of 2023 and then to 4.4% in December. However, the number of the employed rose further during most of the year before it stabilised close to 4.75 million in Q4. The tightness of the labour market has subsided somewhat last year but the economy is still close to full employment. The number of employees in the public employment programme dropped by 6,600 (to 62,700) compared to one year ago, while the number of employees working abroad rose by 7.500 (to 107,300) compared to 2022.

The unemployment rate is expected to decrease in 2024 in line with the economic recovery. The tight labour market is likely to remain a feature of the domestic economy in the medium term.

Net wages grew by 14.0% in the first 11 months of the year. The engine of growth was the private sector where wages increased by more than 16%, but public sector wage growth remained robust, too. However, even high nominal wage increases could not fully offset high inflation, real wage dynamics were close to -3.5% for the year as a whole. 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 above 10% in 2024.

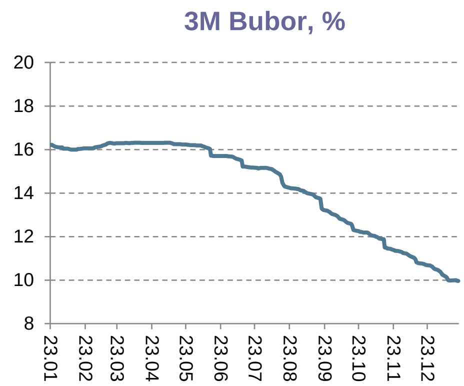
Source: KSH

I. Macro and microeconomic environment (continued)

5. Monetary policy

After the National Bank of Hungary was forced to maintain extremely high interest rates (18%) for a long time to protect market stability, the central bank started normalizing monetary conditions in May 2023 in line with the improving risk assessment of the country. The more stable external environment, stronger risk appetite towards emerging markets, falling energy prices, the turnaround in Hungary's external balances, falling inflation trend and financial market stability created room for the cut. The gap between the O/N and the policy rate was closed by September at 13% but the NBH's easing cycle continued in the last three months of the year too, hence the policy rate finished the year at 10.75%.

According to the forward guidance, the Monetary Council will remain in a data-driven mode in the coming months, taking a step-by-step approach on the basis of incoming data. The focus will remain on inflation and market stability, the NBH aims at keeping real rates in positive territory. Optimally (with a favourable inflation path and stable external sentiment), the base rate could fall to around 6% by the end of 2024.



Source:MNB

The forint showed a visible trend of appreciation against the euro in 2023, with the EUR/HUF cross exchange rate falling from the 395-400 range at the beginning of 2023 to below 370 in early June followed by a relatively robust correction phase, but the EUR/HUF rate exchange rate fluctuated below the level of 390 until the end of the year, with more moderate volatility than before. The forint's nearly 5% appreciation against the euro and the annual FX market trend was mainly driven by the high interest rate differential, but the changes in global risk appetite was also a HUF supportive factor. The annual average EUR/HUF level was close to 381.

In the government securities market, the NBH's normalization pushed short yields lower. The robust improvement in our external position, falling inflation expectations and the improvemnet of the country's risk perception triggered a downward shift in longer yields too. The 10Y yield finished 2023 at 5.8%, down by more than 300 bps compared to the same period of 2022.

Source: Reuters

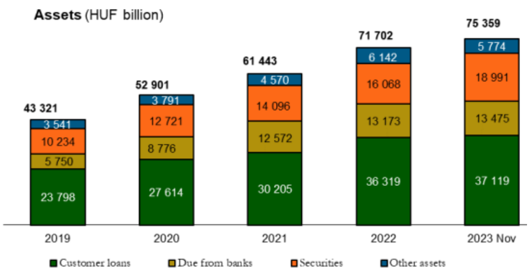
I. Macro and microeconomic environment (continued)

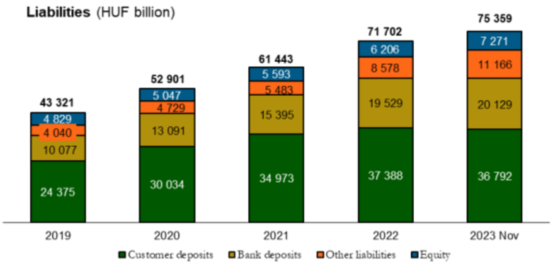
6. Banking environment

On the lending side, the Hungarian banking sector's growth slowed in 2023, while customer deposits declined by 2.2% year-on-year, mainly in the retail segment. On the other hand, inherent in this the high interest rates improved banks' profitability and the sector's liquidity and capital position remained solid this year.

Corporate lending increased by 2.5% by November 2023 compared to end-2022. Corporate loans continue to be pulled mainly by government-backed lending programs, as demand for market-based loans has been low due to the high interest rate environment. Retail lending increased by 2.0% compared to end-2022, thanks to increased demand for home equity loans. For this product, new disbursements increased by 17.9% y/y over the first 11 months, while disbursements for loans to purchase real estate in the sector were down by 53.5% over the same period. New disbursements of Personal Loan increased by 3.1%, while new disbursements of Babaváró continued to decline in 2023, with 40.3% less disbursements in the first 11 months compared to the same period of last year.

Customer deposits decreased by 1.6% compared to the end of 2022. Within this, retail deposits fell by 8.6%, while corporate deposits increased by 1.4%.



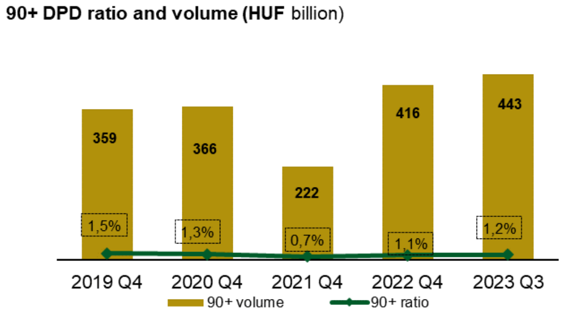


Data source: NBH, IFRS, Q4 2023 data is not available

Credit quality

The sector's 90+ delinquent loans (non-performing loans) ratio has stagnated after increasing in 2022, standing at 1.2% in September 2023.

The volume of 90 days past due corporate loans as a share of total loans also increased, with the 90+ ratio at 0.9% at end-September 2023 (0.8% at the same time in 2022). The portfolio quality of the retail segment stagnated, with the 90+ ratio remaining at 1.5% in Q3 2023, due to the deteriorating economic environment..



Data source: NBH; IFRS, Q4 2023 data is not available

Profitability

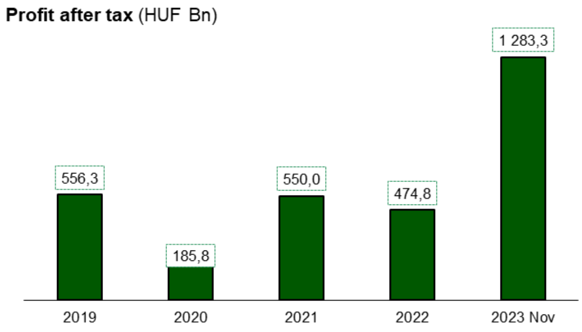
The high interest rate environment has had an unprecedented positive impact on the profitability of the banking sector, which increased by 170.3% by November 2023 compared to the end of 2022.

Banking sector profit after tax amounted to HUF 1,283 billion in November 2023.

Net interest income increased by 30% and net commission income by 8.2% compared to the same period last year Operating expenses rose by 14.8%, mainly due to personnel costs (+22.2%).

The cost/revenue ratio at the end of November 2023 was 43.3%.

I. Macro and microeconomic environment (continued)



Data source: NBH; IFRS

Liquidity and Capital

The stock of liquid assets (securities and interbank receivables) of the domestic banking system increased by HUF 3,224 billion (+11%), while the sector's loan-to-deposit ratio (net customer loans/customer deposits) rose by 3.7% points (at 98.5% in November 2023), as the stock of customer deposits grew at a lower rate.

The capital adequacy ratio (CAR) increased from 19.7% to 21.8% in September 2023 due to improved 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 built a solid position to cope with a wide range of challenges. CIB Bank is a well-capitalised, stable financial institution with an excellent liquidity position, above-average quality, a healthy portfolio and a strong commitment to be an active participant in the further development of the Hungarian economy.

- In 2023, we have taken further steps to strengthen the Bank's ability to generate commission income. This includes developing key business areas such as bank insurance, asset management and our factoring service Confirming.
- We have taken significant steps to streamline our activities through automation, process redesign and prioritisation.
- We have taken significant steps to optimise our energy use, laying the foundations for our ESG strategy.
- Last year, we continued our efforts to ensure the well-being of our staff. We have continued to operate our employee retention programmes and to strive to create a corporate culture that is aligned with our business objectives. We have 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 second year of the 2022-2025 strategic cycle with an outstanding performance: 2023 was one of the most successful years in the history of the CIB Group. By significantly increasing our revenues and keeping our costs below the average annual inflation rate, our cost efficiency improved further in 2023.

II. Business strategy and priorities (continued)

The Group was able to further increase its market share in a number of strategic priority segments, expanding our digital services and the proportion of our clients using them. Meanwhile, our staff turnover has decreased and the Group's staff retention has improved.

III. Outlook for the banking sector

Slow growth in lending activity

As the economy will emerge from recession and interest rate will go down, we expect a revival in lending activity, although the double digit growth rate of 2020, 2021 is not expected to be achieved. Lower mortgage interest rates (partly as an impact of the voluntary cap) will contribute to higher demand for housing loans. Government supported lending programmes (e.g. Széchenyi loans) will be key to provide cheap financing in the Micro and SME segments.

Slight worsening in credit quality

Although the credit quality of the banking sector is very healty and we did not observe significant worsening as a result of the past quarters recession, there might be some worsening next year, because of the expected end of the interest rate cap schemes.

Lower profitability in the banking sector

The current year was extraordinary in terms of profitability, but the sector will face lower revenues in 2024 as the interest rate environment will return into the sigle-digit range. Despite the reduction in revenues and profitability government measures (e.g. windfall taxes, mortgage and SME interest rate caps etc.) will remain in place, reducing further the net income of the sector. The inflated cost base (both Personal Expenses and G&A) will also remain causing a negative change in the cost/income ratio of the banks

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 3,315,812 million (+11.2% compared to December 2022) as of December 2023. The higher total assets were primarily a consequence of the increase in customer and bank deposits.

Customer loans

At the end of December 2023 CIB Group's consolidated gross loan portfolio was HUF 1,597,637 million (+9.0%). Within the total portfolio the proportion of consumer loans (mortgage, car financing and others) grew to 39.5% by the end of December (+1.5%). The share of large corporate loans dropped by 4.5%, to 35.3%, while that of SME and Small Business financing changed by +1.6% and +0.1% respectively. Demand for new financing remained at the level of last year, despite the economic downturn and high interest rates. Corporate new disbursements increased by 4% compared to year 2022, especially in Large Corporate. In retail demand for new mortgages decreased by 5% in line with the struggling housing market, while Babaváró loan new sales dropped by -22%.

Loan portfolio quality

The credit quality of CIB Group's loan portfolio remained very strong, the share of 90+ days past due loans remained at 0.6% (-0.03%). Some deterioration could be observed in Small Business (+0.3%) or Personal loans (+0.3%), while the ratio for SME improved at the same rate (-0.3%). To prepare for the negative impact of a contiuing economic recession and because of the modification loss caused by the interest rate cap measures the Group made HUF 12,890 million impairment on financial assets over the year.

Securities

The Group held securities portfolio of HUF 797,055 million by December 2023 (+56.5%) of which securities measured fair value through profit or loss amounted to HUF 16,211 million; held to collect and sell portfolio reached HUF 536,581 million, while held to collect investments amounted to HUF 244,263 million. Most of the security portfolio consisted of domestic government or MNB bonds (83.4% of total securities held) and mortgage bonds.

Interbank receivables

CIB Group's liquid assets portfolio – cash and equivalents and interbank loans – amounted to HUF 819,277 million (-13.3%) by the end of December 2023. 11.2% of interbank receivables was placed within Intesa Sanpaolo Group, while 66.1% was short term placement at MNB.

Repossessed properties, tangible, and intangible assets

Net book value of repossessed properties, fixed and intangible assets was HUF 36,076 million (+3.1% compared to December 2022), the increase was the result of new fixed assets and software investments. The net book value of repossessed real estates closed at HUF 506 million.

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

Liabilities

Customer Deposits

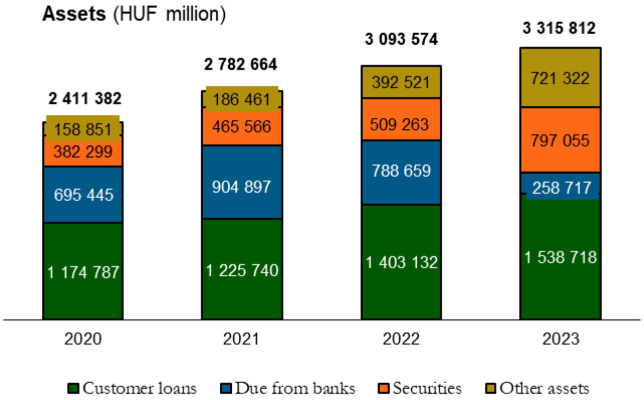
Total customer deposits amounted to HUF 2,395,537 million (+12.3%) by the end of December 2023. The growth was mainly driven by the corporate segments.

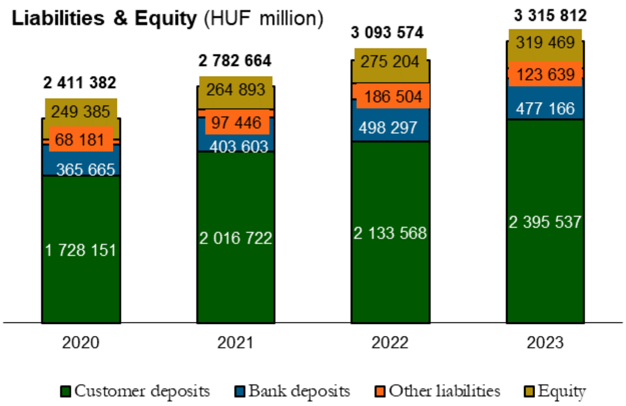
Deposit from banks

Interbank funds totalled to HUF 477,165 million (-4.2%) as of December 2023, the decrease was caused by the continuous run-off of refinancing received under the Funding for Growth Scheme. The share of funds came from the Group's parent company, accounted for 26.0% 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.

Equity

CIB Group's total shareholders' equity was HUF 319,469 million, 16.1% higher than in 2022 mainly thanks to the the profit for the current year.





Data source: CIB Group, IFRS

Profit and loss

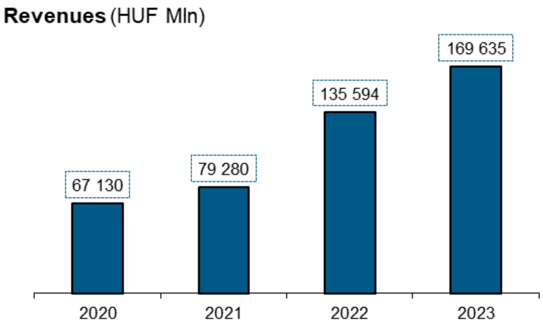
The Group closed year 2023 with a profit of HUF 63,929 million (77.1% higher than in 2022).

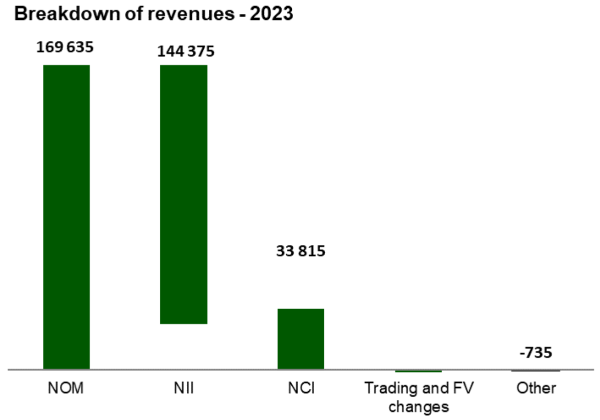
Revenues

Total revenue of CIB Group amounted to HUF 169,635 million (+25.1% compared to 2022), out of which Net Interest Income was HUF 144,375 million (+36.4%). Net Commission Income was HUF 33,815 million (+15.0%), while Trading Income and Fair Value changes totalled to HUF -7.820 million (-597.8%), Other operating income and expenses reached HUF -735 million.

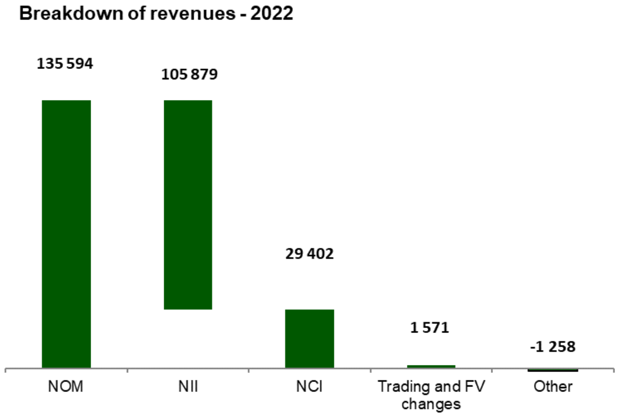
IV. Evaluation on the performance of CIB Group including net assets, financial and earning position (continued)

Revenues grew compared to 2022, mainly thanks to the higher interest rate environment and the growing business activity especially in customer lending and savings.





Relative weight 85.1% 19.9% -4.6% -0.4%



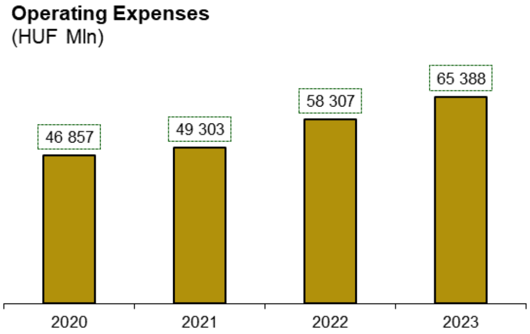
Relative weight 78.1% 21.7% 1.2% -0.9%

Data source: CIB Group, IFRS

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

Operating expenses

Total operating expenses increased by 12.1% to HUF 65.388 million without the bank tax, mainly due to the rising inflation and salary increases.



Data source: CIB Group, IFRS

Banking sector tax

Total extraordinary bank tax of the Group (including the extraprofit tax) amounted to HUF 20,215 million in 2023.

Allowances and impairments

Provision and impairments reached HUF 12,890 million, HUF 9,497 million less in 2023 than in the previous year, due to lower modification losses in connection with the mortgage and SME loan interest rate cap regulations (HUF -7,883 million, a decrease of HUF 1,906 million compared to previous year). Individual loan impairments show a release of HUF 1.535 million, thanks to the improving portfolio quality. Collective impairments were less by HUF 6,052 million compared to the previous year, because of the additional impairments on customers most affected by inflation and economic slow-down in 2022.

Other provisions were less favourable by HUF 462 million, because of the releases on provision for risk and charges in 2022, while some provisions were made for this purpose in 2023.

V. Operations of the subsidiaries in 2023

The Group structure was the following at each 31 December:

(number of companies)	2023	2022
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 5.4% as of September 2023. The total assets of the company in December 2023 were HUF 114,349 million. Net results for year 2023 was a loss of HUF 622 million, mainly 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 2023 were HUF 244 million, while annual result was a profit of HUF 9 million.

V. Operations of the subsidiaries in 2023 (continued)

CIB Insurance Broker Ltd.

The company was founded in 2001 to deal with insurance brokerage activities. At the end of 2023 total assets of CIB Insurance Broker Ltd. amounted to HUF 1,593 million, while its profit after tax was HUF 943 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 8,029 million. The company closed the year with a profit of HUF 519 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.

Entity ensures the continuous maintanance of liquidity from significant amount of cash, interbank placement and unencumbered, high-quality securities.

Securitiy portfolio held for trading serves multiple business functions: on one hand, it is used for serving client needs; on the other hand, offers potential profit taking of short-term price movements; lastly, it can be used as secondary source of liquidity.

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.

VIII. Risk-management and hedging policy of the Group (continued)

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.

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 2023 and 2022 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;

IX. IT controls over financial reporting processes (continued)

- 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

As a major player in the Hungarian banking sector, CIB Group employed 2,114 active employees at the end of 2023. The bank employed 171 of them on a part-time basis. The banking group hired 347 new employees in 2023. From an HR perspective, the focus in 2023 was on strengthening the development culture, focusing on employee wellbeing and addressing the situation caused by the high inflation outbreak.

In view of the persistently high level of inflation, the steady rise in market salary levels and high employee expectations, the Bank continued to place great emphasis on a sustainable adjustment of salaries, bonuses and other benefits in line with market dynamics. To alleviate the difficulties caused by the significant inflation, the bank provided all the colleagues, except for the Management Board members, a one-off financial support equivalent to half monthly base salary in December, before the holidays. In addition, based on the decision of the CIB Group management at the end of 2023, the annual amount of the cafeteria allowance will be increased significantly to HUF 500,000 gross from 2024, a measure motivated by the reinforcement of an important element of the CIB compensation package.

As a financial services provider, bank employees have countless mandatory training courses, but beyond these, there are many new skills to learn. Therefore, training & development is one of the key priorities in the 2022-25 HR and bank level strategy. In line with this, the "Learning is cool!" campaign has been launched, with a focus on the importance of development, the promotion of existing and brand-new training opportunities, and the effectiveness of different learning formats. In the first phase of the campaign, the leadership development portfolio was significantly renewed and most of the training was delivered in the classroom again. Key innovation in leadership development included the new training packages, top management sponsors linked to specific topics, and training sessions in the summer. By participating in the renewed programs, managers also supported disadvantaged children. In the second phase of the campaign, a 7-part blog series was posted about the key challenges of learning, existing and brand-new training opportunities, and even about how to find time to learn. The "Learning is cool!" online mini conference focused on developing new learning habits, colleagues could nominate their leaders for the "Developing Leader" award, and "Learning is cool" digital badges let colleagues thank each other for teaching and listening. The creative concept for the "Learning is cool!" campaign featured a fictional virtual senior manager, the Chief Hybrid Officer.

CIB Bank, as a caring employer, has an important role and responsibility in maintaining the physical and mental health of its employees. A good example of this is the more than ten employee initiatives running in 2023 to help our colleagues stay balanced. Closely linked to the CIB Spirit employer brand, the 'Wellbeing Weeks' series of programs offered colleagues the opportunity to participate in valuable professional presentations on sleep quality, burnout, the effects of sedentary work and our diet, as well as quiz tournaments. More than 20 CIB colleagues started their 1- or 2-month sabbatical period, physiotherapist consultations were held at CIB headquarters, the international Headspace app helped to build a relaxation routine, and the Dog Friendly Office program was introduced. In 2023, the International Health Program, which provides second medical opinion and world-class treatment for serious illnesses, was also available. The Employee Assistance Program provided immediate psychological support to staff in need. For colleagues, family members and CIB maternity leavers, DokiApp's online medical clinic provided support throughout the year, with specialists, dieticians, pediatricians and psychologists on hand to help with health issues. The wellbeing and family-friendly programs available in the Bank have won several awards (Special Award of the Wellbeing Association, "Family Friendly Large Enterprise of the Year", Lovable Workplace Award) and actively contributed to further increasing employee satisfaction and reducing turnover.

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.

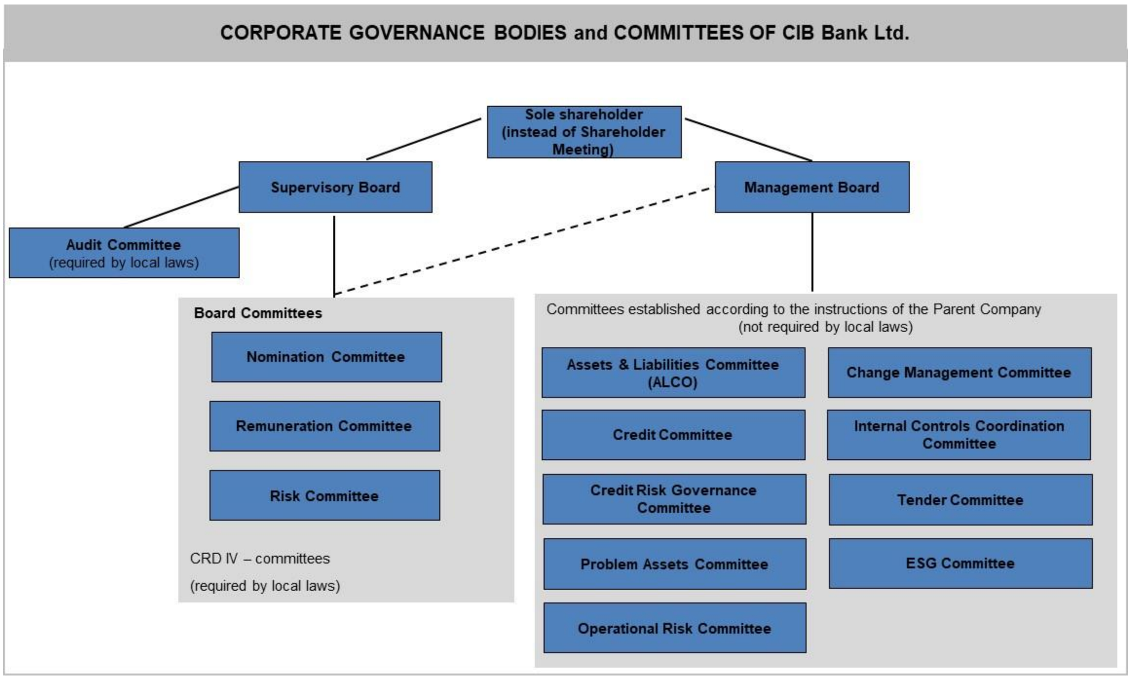
The **Nomination Committee** operates based on the Constitution and upon 112. § of the Hungarian Banking Act (Hpt.). The Committee's duties include recommending the appointments of the members of the Management Board and the Supervisory Board to the Sole Shareholder and also the re-assessment of the 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.

XIV. Corporate governance policy (continued)



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.

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, 23 February 2024

Dr. Pál Simák	Krisztián Németh
CEO and Chairman of the Board	CFO and Deputy CEO

CIB Bank Ltd.

CIB Group Business and Management Report 2023

Chapter XV Non-financial statement

31 December 2023

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 guidelines. Starting in 2018, this has been supplemented by a shorter, non-financial chapter prepared for the financial statements. The sustainability report and the abridged non-financial report are combined as an integral part of the business report, as a separate chapter. The requirements of the EU's Corporate Sustainability Reporting Directive (CSRD) and its associated standard (ESRS), which will regulate sustainability reporting from 2024, and the Hungarian legal requirements will be incorporated into our reporting process.

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 SPA, we believe that these should be reflected in an organization's processes and day-to-day operations.

In 2022, CIB, together with its Parent Company Intesa Sanpaolo SPA, defined the fundamental strategic directions and objectives in the 2022-2025 Group's Business Plan, which were also applicable in 2023.

- 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**

CIB Group's main objectives are to further develop digital banking services, and at the same time to restructure the roles 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, as well as innovation and efficiency. We believe that long-term, successfully sustainable operations can only be ensured by achieving these goals and embracing these values.

CIB has established stable positions to cope with a wide variety of challenges. The war in Ukraine, the energy crisis and inflation posed significant challenges to the entire global economy and the banking sector. CIB Bank stands at the disposal of its customers as a capital-strong, stable financial institution with an excellent liquidity position, that, thanks to the systematic work it has carried out over recent years, has a healthy portfolio of above-average quality, and that wishes to play an active role in the further development of the Hungarian economy.

Over the past year, we have taken the following steps to achieve our strategic objectives:

- We started to rethink our value proposition structure in order to adapt flexibly to the market challenges caused by the changing interest rate environment and the changing needs of our customer base.
- We continued to optimise our processes to ensure that our customers can manage their finances in a more convenient and faster way, and that we can afford to focus more on business growth.
- We increased our market share in key strategic segments, significantly strengthening our position in the lending market.
- We renewed our approach and processes in the field of banking insurance.
- We implemented new corporate governance solutions to ensure ESG transition, introducing new functions and processes.
- We continued to optimise our costs, increase the energy efficiency of our buildings and reduce our paper consumption, thereby alleviating the additional burden on our business management in a high inflation environment, while further strengthening our commitment to sustainable operations.
- In response to the challenges posed by the macroeconomic environment, even greater attention was paid to ensuring employee well-being.
- We further strengthened the level of employee engagement by reinforcing our approach of a caring and attractive workplace.

III. Letter to all stakeholders, executive summary (cont.)

The financial sector has a key role to play in the transition toward a green economy. The Bank is therefore fully committed to and supports the implementation of the National Bank of Hungary's Green Recommendation, which is being put together by a dedicated committee, the ESG Committee, on behalf of the Management Board. The Committee is chaired by the Bank's general Deputy CEO, the Management Board member responsible for the implementation of the MNB's Green Recommendations. Based on a precise schedule, working groups have been set up involving almost all areas of the Bank to ensure that we take measures in line with local, bank-group and international expectations. As in previous years, these are reported on thematically within the 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 and the target group of our report, the customers. For the thirteenth 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 using the kommunikacio@cib.hu address, so that our bank can deliver even better performance to the satisfaction of all our stakeholders.

With warmest regards, Dr. Pál Simák, Chairman & CEO

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, the Bank 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 transition and cybersecurity
  - 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 employees
  - Well-being, health and safety of the Group's employees
  - 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: it explains how the given topic fits into the strategy, and what management approach has been taken, and then presents the main results and challenges of 2023, the extent to which last year's objectives were fulfilled, and the new commitments for the coming years.

- Reporting period: calendar year 2023
- 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, Green Taxonomy Regulation 2020/852 EU
- Validity of data: Figures valid as of 31 December 2023, 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. The boundaries of the current 2023 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

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 455,736 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:	2,114
Number of customers:	455,736
Ratio of domestic (Hungarian) suppliers:	93.2%
Distributed value added:	HUF 111,758 million
The Bank activities:	Commercial banking, leasing and factoring
The Bank presence in the country:	a detailed list of branches can be found on www.cib.hu.

Intesa Sanpaolo Group

One of the most significant banking groups of the eurozone

Strategic international presence

Subsidiaries in 12 countries, 7.1 million customers, 891 branches

Market leader in Italy

3,349 branches, 13.6 million customers in Italy

Based on data as at 31 December 2023

National presence of the CIB Group

	TOTAL			Budapest			West-Hungary			East-Hungary		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Number of employees	2,007	2,055	2,114	1,599	1,642	1,696	189	193	198	219	220	220
Number of branches	61	60*	60	23	23	22	19	19	19	19	19	19
Number of ATMS	120	118	117	49	46	45	32	32	32	39	40	40

*Due to an error identified in the 2022 report, the 2022 data has been changed.

Based on data as at 31 December 2023

III. Identity and profile (cont.)

2. Business model

Based on the four-year growth strategy set for the CIB Group in 2023, 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 war in Ukraine on the Bank 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

CIB Group's local business priorities for 2022-2025

In 2022, Intesa Sanpaolo SPA defined the key strategic directions and objectives at Group level for the period up to 2025, and in line with this, the CIB Group, together with its Parent Company, has also defined a further breakdown of these at local level. 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 the employees by **simplifying processes** and optimising the "new way of working".
- **Strengthening our credit engine** to support the growth, while **maintaining loan quality.**
- **Modernising and stabilising the 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 assessment 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)	2021		2022		2023	
ECONOMIC VALUE GENERATED	76,236	100.0%	112,526	100.0%	158,164	100.0%
ECONOMIC VALUE DISTRIBUTED	-50,522	66.3%	-95,353	84.7%	111,758	70.7%
Employees	-22,894	30.0%	-25,475	22.6%	30,444	19.2%
Suppliers	13,094	17.2%	-15,705	14.0%	18,767	11.9%
Government, organisation, communities	14,534	19.0%	-30,673	27.3%	37,547	23.7%
Shareholders	0	0.0%	-23,500	20.9%	25,000	15.8%
Economic value retained	25,714	33.7%	17,173	15.3%	46,406	29.3%

Based on data as of 31 December 2023

III. Identity and profile (cont.)

4. Vision and values

Our Mission
We, people of Intesa Sanpaolo:

- ***Believe*** in the integrity and sustainability of our actions and those of our Bank.
- ***Care*** for our customers through the excellence of our products, our services and our behaviour.
- ***Create value and innovation*** for people, businesses, and communities in all countries and areas where we operate.
- ***Build a future*** fostering sustainable development in favour of the environment, the younger generations and a truly inclusive society.

In implementing the corporate mission, the Group's strategy is aimed at creating solid and sustainable value over time, in economic, financial, social and environmental terms, built on relationships of trust with our stakeholders and based on the following values:

Integrity: We pursue our goals with honesty, fairness and responsibility, in full and true respect of the rules and professional ethics and in the spirit of the agreements signed.

Excellence: We set ourselves the goal of continuous improvement, forward thinking, anticipating challenges and fostering creativity aimed at innovation, both recognising and rewarding merit.

Transparency: We are committed to making transparency the basis of our actions, our communications and our contracts to allow all those who have dealings with us to make informed, conscious and independent decisions.

Respect for specific qualities: Our aim is to combine large-scale operations with profound local roots and be a bank with a broad vision, which makes people and communities come first.

Equality and inclusion: We are committed to avoiding any discrimination in our conduct and to respecting differences in gender, gender identity and/or expression, emotional-sexual orientation, marital status and family situation, age, ethnicity, religious belief, political and trade union affiliation, socio-economic status, nationality, language, cultural background, physical and mental condition or any other characteristic of a person, including those related to the expression of their thoughts.

Values of the individual: The value of each single person is a guide for our modus operandi: we use listening and dialogue as tools to continuously improve our relationships. We take care of people's health and safety in order to provide a professional experience that respects physical and psychological well-being.

Environmental protection: We promote efficient and conscious use of all resources, avoiding waste and always favouring sustainable choices over time. We are committed to combating climate change, protecting nature and biodiversity, and supporting the transition to a sustainable, green and circular economy.

In August 2023, the Bank adopted the renewed Code of Ethics of its Parent Company, Intesa Sanpaolo, and implemented it in its policies in 2023 (Extract from the renewed Code of Ethics).

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 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: the bank does not simply sell products, it provides proactive advisory services and product offers that are tailored to fit in with the customers' business models, and which take into account the size, profile, current financial situation, resilience and long-term plans of each business. The bank's conservative lending policy and transparent, stringent lending principles ensure legal compliance and a balanced credit portfolio. The Bank attributes great importance to providing comprehensive information to its stakeholders, to allow them to make thoroughly 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 is also reflective of a committed employment relationship that can be planned for in the long term. To meet the bank's seasonal labour requirements, it also employs workers under a contract staffing arrangement. The proportion of employees working part-time increased slightly since last year, this is how it helps the employees to find the ideal work-life balance.
✓	Responsible employment

III. Identity and profile (cont.)

5. Voluntary commitment to domestic and international initiatives

International initiatives and memberships

UN Global Compact promotes corporate social responsibility through the adoption of ten fundamental principles relating to human rights, labour rights, the environment and combating corruption.

Equator Principles are 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 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. CIB 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 means of upholding and protecting its interests as part of a structured advocacy group.

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.

The primary mission of the **Budapest Chamber of Commerce and Industry** 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.

The principal activity of the **Italian Chamber of Commerce in Hungary** 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.

The mission of the **Hungarian Association of Internal Auditors** 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 is the Hungarian entity of the Information Systems Audit and Control Association (ISACA), an international professional organisation.

The Chamber of Hungarian Auditors represents the interests and professionalism of the audit profession.

Hungarian Forex Society is 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.

Through its services and programmes, the **Hungarian Advertising Association** 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.

The Hungarian Canadian Chamber of Commerce provides an excellent platform for developing commercial relationships between Canada and Central Eastern Europe.

The principal tasks of the **Hungarian Self-Regulating Advertising Body** 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 is the global body for professional accountants.

The Hungarian Leasing Association is the professional advocacy organisation of asset finance companies (leasing firms, banks, financial enterprises) in Hungary.

The goals of the **Hungarian Factoring Association** 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.

In addition to the protection of professional interests, the goals of the **Hungarian Association of Independent Insurance Brokers** 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 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.

'We are Open' is a non-profit organisation that shows millions of people that creating an open workplace culture creates not only moral but also business value. Open organisations, where employees are judged solely on their actions and performance, are more successful and their employees more engaged.

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's three key stakeholder groups (employees, retail and corporate customers and strategic media partners) were actively involved in prioritising relevant issues, therefore no direct stakeholder engagement was carried out in 2023.

The CIB Group's 2023 materiality analysis process was set out in line with the following macro-phases:

- revision of stakeholder mapping of the CIB Group;
- reviewing the economic, environmental and social impacts of the CIB Group (impact assessment)
- reviewing changes in key topics and issues relevant to the CIB Group and its stakeholders based on secondary research, industry benchmarking and secondary information available on stakeholders;
- guidance from the Parent Company's analyses of national/international documentation, standards and legislation;
- reviewing the prioritisation of topics with the involvement of internal and external ESG experts
- validation of the materiality list:
    - ESG Task Force manager and members directly involved in reporting
    - CEO
    - internal and external ESG experts and
    - Intesa Sanpaolo's sustainability reporting approaches and guidelines.

Preparations for the EU CSRD commenced in 2023, as part of which the data collection, methodology development and internal discussions necessary for the double materiality analysis for the 2024 report also started.

Stakeholder mapping

Maintaining the stability of CIB's operations and implementing a trust-based growth strategy that offers real opportunities requires continuous dialogue with its stakeholders. The Bank regard as the bank's 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 importance to the operation: employees, customers, shareholders, suppliers, the environment and the community. CIB contact the stakeholders through different means of communication and through various channels, the most important of which 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 the bank 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
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 ▪ Complaint management ▪ Financial inclusion ▪ Environmentally friendly solutions ▪ Social responsibility ▪ Responsible lending, ESG risk assessment and performance measurement

Stakeholder group	Stakeholders	The dialogue	Relevant issues
Shareholder	Intesa Sanpaolo Group	▪ Annual achievement report and plan ▪ Internal audit report ▪ Discussions ▪ Thematic reports ▪ Monthly and quarterly financial reports	▪ Financial performance ▪ Stability ▪ Strategy and corporate governance ▪ Transition to a green economy ▪ Social impact ▪ 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 topics

CIB Group identified the material topics for the Group and for its stakeholders through a complex analysis in 2013, and since then the bank has conducted a yearly revision of this. As preparations for the more standardised 2024 reporting, the preparation for double materiality, have already started in 2023, the question of whether the inclusion of a new material topic or the amendment of an existing one would be necessary, specifically for the year, was examined in 2023. The bank took into consideration the following:

- benchmarking against the non-financial reporting practices of the largest banks in Hungary;
- intra-bank resources (documents), the 2022 - 2025 Business Plan, the Code of Ethics, the CIB Group's Business and Management Report of 2022, the Parent Company's 2022 Consolidated Non-Financial Report and the Consolidated Non-Financial Report issued on 30 June 2023.
- external documents, including reference standards and frameworks for sustainability performance reports (GRI standards) the BSE's sustainability reporting guidelines for listed companies
- guiding documents and recommendations on non-financial reporting issued by the 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 the Parent Company and the Bank peers, as well as with external sustainability experts.

Prioritisation of issues and definition of the materiality list

The primary target audience for this report is the wider community and all stakeholders who are interested in the non-financial performance. As for 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 CIB Bank's new business plan, the Bank conducted a complex materiality analysis with stakeholder engagement in 2022, in line with previously published plans, and incorporated the results into the report. In 2023, no direct stakeholder engagement was carried out, but a review of available secondary data was conducted.

In general, the research conducted among stakeholders confirmed the list of material issues and there is general agreement on the material impacts and relative priority.

Instead of presenting the results of the materiality analysis graphically, the list of material topics for 2023 is presented in a list format, in line with many international practices and GRI Standards.

- Governance and risk management
  - Group value and solidity;
  - Innovation, digital transition and cybersecurity
  - 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 employees
  - Well-being, health and safety of the Group's employees
  - Employment protection
- Environment and climate change
  - Transition to a sustainable, "green" and circular economy
  - Direct environmental impacts

Every material topic identified relates to all units within the organisation.

III. Identity and profile (cont.)

Validation of material issues

Placement by dimension was based on the previous survey, desktop benchmark research and internal-external expert assessment, which was validated by the head of the ESG Task Force working group within the Bank Group and the CEO.

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

	Possible/Current positive and negative impacts generated	
Material topics	**Positive**	**Negative**
Group value and solidity	• Maximisation of value generation and distribution processes and related distribution to shareholders/ stakeholders (for example, employees and suppliers) • Contribution to the growth of the Hungarian economy and the welfare system through tax contribution	• Potential reduction in the value of the organisation, with negative consequences in terms of redistribution of value to shareholders/ stakeholders • Potential unfair value distribution by unbalanced stakeholder power and information in value distribution decision making
Innovation, digital transition and cybersecurity	• Compliance with current regulations and correct data management best practices for the benefit of stakeholder privacy • Promotion of innovation and digital transformation processes • Development of multidisciplinary applied research projects • Support to businesses and start-ups and to development and innovation programmes with an impact on the economy and society • Support for the development of innovation ecosystems • Acceleration of business transformation and support for the long-term development of companies • Spread of an innovation-driven mentality/culture with events and new educational formats • Work-life balance of customers and employees	• Breach of IT systems / intentional and/or unintentional compromise of data involving confidential information to the detriment of the organisation and with related direct indirect impacts on the external context • Potential failure to manage innovation and digital transformation processes • Potential exclusion of current or potential customers with lower digital knowledge or skills
Transition to a sustainable, green and circular economy	• Supporting customers in the ESG/climate transition • Contribution to natural capital protection activities • Contribution to biodiversity protection of environmentally-friendly practices	• No or partial influence in sustainable development processes through specific investment and insurance instruments, with negative repercussions for the economic, environmental, social and governance dimensions • Potential negative economic impact on the short term by prioritizing mid- and long-term climate change targets and risks
Employment protection	• Positive repercussions for employees and their professional/personal dignity (greater retention) • Ensuring the right to free association of the organisation's employees • Promotion of activities aimed at preventing cases of child or forced labour within the organisation and its value chain	• Deterioration of employees' professional/personal dignity • Potential conflicts with trade union organisations and deficiencies in the application of the right to collective bargaining
Access to credit and financial inclusion	• Financial inclusion of vulnerable social groups, with consequent positive impacts on development and social mobility processes • Better access to credit and spread of financial culture among the reference communities • Loans to the third sector, with credit support and services dedicated to non-profit organisations to promote local initiatives	• Poor access / financial discrimination against vulnerable social groups, with consequent negative impacts on development and social mobility processes • Financial difficulties that threaten customers' ability to meet their basic needs

III. Identity and profile (cont.)

	Possible/Current positive and negative impacts generated	
Material topics	**Positive**	**Negative**
Quality of service and customer satisfaction	• High service quality and consequent customer satisfaction with positive repercussions for shareholders/ stakeholders • Customer well-being • Sustainable economic growth	• Low customer satisfaction due to potential ineffective/inefficient management of disputes/complaints and customer relationship • Customer health and safety • Service digitalisation
Integrity in corporate conduct	• Awareness and dissemination of the culture of ethics and human rights of management, employees, business partners and other stakeholders • Sustainable economic growth • Awareness raising in the Hungarian community through employees and customers and business partners	• Potential cases of non-compliance and human rights violations within the organisation and along its value chain • Potential violations or negative economic impact by conflicts between national business as usual ethical behaviour and standards within the group
Retention, enhancement, diversity and inclusion of the Group employees	• Competitive employee remuneration • Creation of job and professional development opportunities • Parental leave support • Development of employees' skills through dedicated training • Recruiting games and international talent program for talent selection • Career site renewal and constant updating; study and use of new social media channels • Partnerships with educational systems and NGOs with a focus on diversity and inclusion	• Potential for increased turnover and loss of key know-how and skills • Loss of appeal as an employer with reference to targets not connected to the traditional core business
Well-being, health and safety of the Group's employees	• Positive impacts on employees' health, safety and well-being (e.g. reduction of occupational accidents/diseases) • Employee benefits/welfare	• Potential negative impacts on employees' health, safety and well-being (e.g. increased accident rate)
Direct environmental impacts	• Promotion of energy efficiency initiatives and the use of renewable energy within the organisation with consequent reduction of GHG emissions • Reduction of paper waste and material use	• Potential increase in energy consumption (within the organisation and along its value chain) and related increase in greenhouse gas emissions • Contribution to climate change through indirect greenhouse gas emissions • Climate adaptation difficulties by location, building and infrastructure circumstances
Community support	• Investments in infrastructure and services supported locally as well as in social and cultural events and initiatives • Support for local development through donations and contributions in kind • Support to address social needs • Fostering youth education and employability • Commitment to the promotion of culture	• Projects and activities with current and/or potential negative impacts on the development of local communities (e.g. environmental, social) • Reduction in local community citizenship by economic priorities

	Related trends, risks and opportunities	
Material topics	**National and international trends and objectives**	**Risks and opportunities**
Group value and solidity	• 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	• 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

III. Identity and profile (cont.)

	Related trends, risks and opportunities	
Material topics	**National and international trends and objectives**	**Risks and opportunities**
Innovation, digital transition and cybersecurity	• 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	• Compliance and data breach risk management • Service quality • Privacy • IT risk • Market and services diversification • IT and cyber security • Customer inclusion/exclusion
Transition to a sustainable, green and circular economy	• 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 on Climate-Related Financial Disclosures (TCFD) • Promotion of actions aimed at mitigation and adaptation to climate change • Increasing attention to the protection of biodiversity and ecosystem services • ESG criteria based customer assessment and inclusion/exclusion processes • Increasing ESG data and reporting demand and requirements	• Risks linked to climate change • Management of reputational and ESG risks in loans and insurance products • Sustainable investments • Sustainable infrastructure, cities and economies
Employment protection	• Uncertain employment levels due to the war situations and economic recession context • Consultation with and inclusion of employees • Continuity of employment/welfare, well-being and social safety nets • Flexibility of employment	• Labour law risks • Changes in the organisational structure • Preserving knowledge
Access to credit and financial inclusion	• Increased levels of financial education including in terms of sustainability • Integration of ESG risk factors into credit management	• Management of reputational and ESG risks in loans • Applying Guidelines for Environmental, Social and Governance Risks Concerning Lending Operations
Quality of service and customer satisfaction	• Growth in bank deposits and increase in loans, due to or in relation to the uncertainty linked to the social and geopolitical context • Business continuity and consumer satisfaction • Reorientation of the financial system towards an offer that incorporates the ESG criteria • Customer health and safety • Service digitisation	• 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 products and services
Access to credit and financial inclusion	• Increased levels of financial education including in terms of sustainability • Integration of ESG risk factors into credit management	• Management of reputational and ESG risks in loans • Applying Guidelines for Environmental, Social and Governance Risks Concerning Lending Operations

III. Identity and profile (cont.)

	Related trends, risks and opportunities	
Material topics	**National and international trends and objectives**	**Risks and opportunities**
Access to credit and financial inclusion	• Increased levels of financial education including in terms of sustainability • Integration of ESG risk factors into credit management	• Management of reputational and ESG risks in loans • Applying Guidelines for Environmental, Social and Governance Risks Concerning Lending Operations
Quality of service and customer satisfaction	• Growth in bank deposits and increase in loans, due to or in relation to the uncertainty linked to the social and geopolitical context • Business continuity and consumer satisfaction • Reorientation of the financial system towards an offer that incorporates the ESG criteria • Customer health and safety • Service digitisation	• 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 products and services
Integrity in corporate conduct	•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 • Legal pressure to set up effective grievance and whistle blowing systems	• Corruption prevention • Compliance and data breach risk management • Investments in sensitive sectors • Fight against organised crime • Human rights awareness raising • Sustainable economic growth
Retention, enhancement, diversity and inclusion of the Group employees	• 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 assessment models that incorporate ESG elements • Increasing accountability demands regarding DEI data and impact	• Employee engagement and satisfaction • Talent attraction • Investments in training • Enhancement of human resources
Well-being, health and safety of the Group's employees	• 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	• Employee engagement and satisfaction • Company welfare initiatives • Work-life balance and flexibility • Management of employees' health and safety risks • Burnout
Direct environmental impacts	• 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 • Dissemination of the environmental protection culture	• Increasing environmental awareness and behaviour change • Operational protection in risk situations • Impact on costs and business investments • Employee engagement
Community support	• 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	• 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

IV. GOVERNANCE AND RISK MANAGEMENT

1. Governance structure

The bank's top decision-making body until 31 October 2016 was the general meeting; from 1 November 2016, the Bank has one shareholder, Intesa Sanpaolo S.p.A., which adopts its resolutions in writing. Further details are available in Chapter XIV Corporate Governance Statement of CIB Bank's 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 2023

- Chairman & Chief Executive Officer (Pál Simák)
- General Deputy Chief Executive Officer (Alberto De Stavola)
- Head of Retail (Dr. Tamás Ákos),
- Head of Corporate and SME (Balázs Szabó)
- Risk Management (CRO, Zoltán Csordás)
- Operations (COO, Sante Cusimano)
- Finance (CFO, Krisztián Németh)

In 2023, there were no female members of the 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 2023 as follows:

Members of the Audit Committee on 31 December 2023

- Gianfranco Pizzutto – Chairman (ISP business consultant)
- Alice Grittini (ISP, ESG Manager)
- Margaret Dezse (independent SB member)

On 31 December 2023 CIB Bank's Audit Committee had two female members.

The Supervisory Board

The Supervisory Board has 7 members. **Members of the Supervisory Board on 31 December 2023**

- Ignacio Jaquotot – President (ISP business consultant)
- Francesco Del Genio – Deputy Chairman (ISP – Head of Deteriorated Assets Section at Int. Sub. Division)
- Gianfranco Pizzutto (ISP business consultant)
- Alice Grittini (ISP, ESG Manager)
- Draginja Duric (ISP business consultant)
- Margaret Dezse (independent member)
- Robert Stöllinger (independent member)

On 31 December 2023 CIB Bank's Supervisory Board had two female members.

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
- ESG 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) 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.

The Bank ensure equal treatment for all existing and prospective employees, but at the same time CIB also place particular emphasis on ensuring working opportunities for people with disabilities and disadvantaged workers, and to creating a level playing field for these individuals. Where necessary, the Bank adapt the hiring process to accommodate the special needs of applicants with altered abilities. Through these measures, the bank ensure the diversity and inclusion of its staff.

Comments received from the Bank’s stakeholders are always answered by the specialist department competent in the matter concerned, in accordance with the internal and external regulations. These processes will be addressed at a later point, where we discuss the management and valuation of each material topic.

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 who was joined by a Senior ESG Consultant in January 2023. 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 the back-office operations.

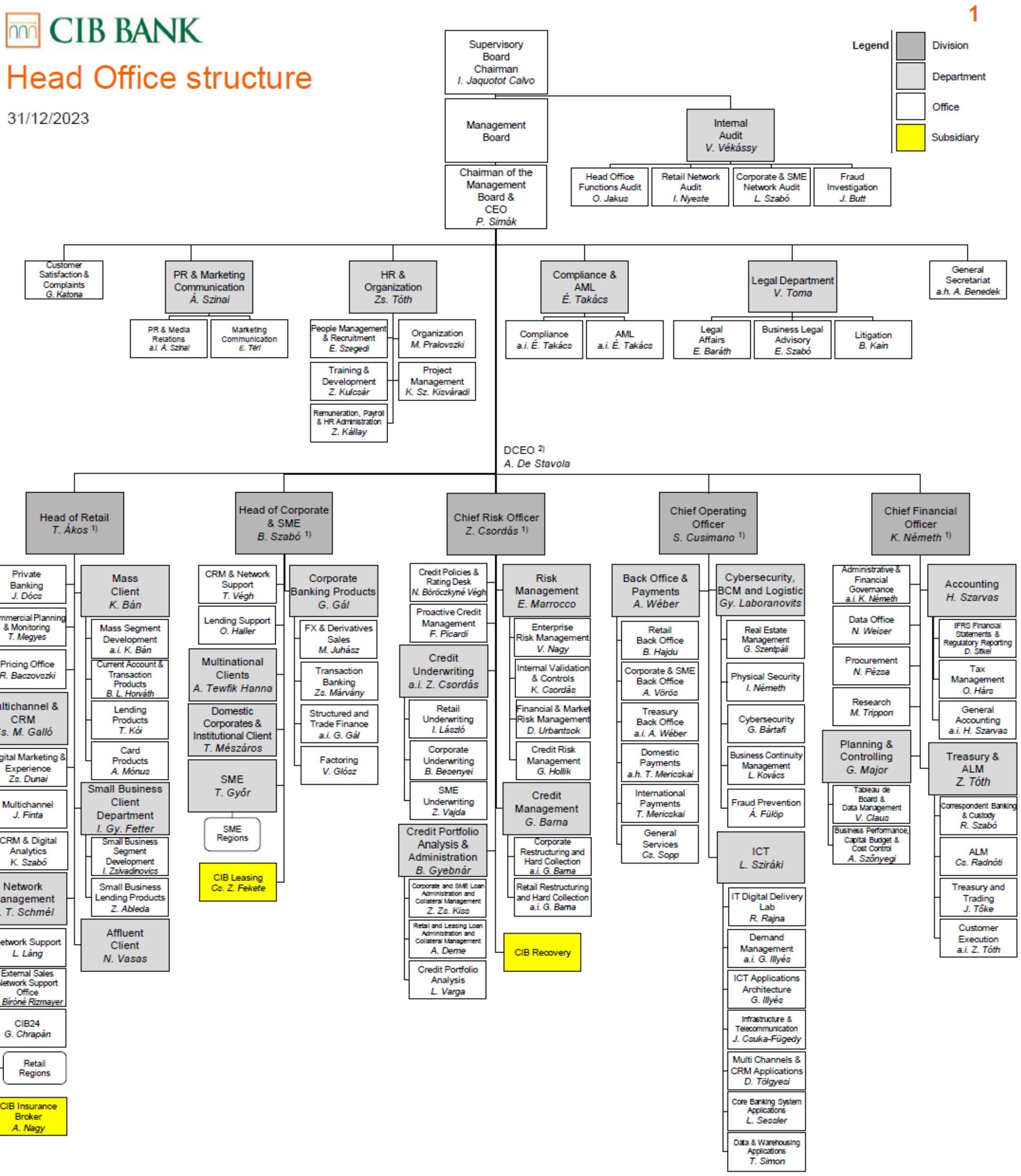
Level II: the functions responsible for these controls are independent from the business and operating functions and contribute to defining the risk governance policies and the risk management processes:

- 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 in governance, ESG management

Based on the Green Recommendation of the National Bank of Hungary, a transparent organisational structure has been established at CIB Bank to carry out ESG-related tasks, taking into account the corporate governance guidelines. Alberto De Stavola, Deputy CEO of CIB Bank, has been formally appointed as ESG Manager of the CIB Group, in line with the Parent Company's expectations, in order to ensure that ESG aspects are given the highest focus and are represented at senior management level. Under his guidance, a permanent ESG working group has been set up to monitor ongoing activities, with the participation of the most relevant functional areas, typically at senior management level. For operational work, teams have been set up for the different topics. The operation of the teams and the working group is coordinated by the ESG Consultant, who reports to the Deputy CEO. Managing business transformation and IT tasks identified in the report requirements is the responsibility of the overall ESG project. In addition, a bi-monthly ESG Committee, composed of senior managers and other relevant executives was established on September 2023, to provide direct information to senior management, in addition to performing operational management and monitoring of results. Among its tasks, it is important to highlight its involvement in strategic and operational planning and in assessing business opportunities and trends related to sustainability. It ensures that ESG strategic criteria are taken into consideration in developing business processes. It monitors changes in the external regulatory environment related to sustainability and ensures that the internal policies are developed in compliance with the owners' expectations.

The ESG governance model adopted by the Bank was developed on the basis of the guidelines of the Intesa Sanpaolo Group's International Subsidiary Banks Division. All areas concerned work closely with the Parent Company throughout the process. The ESG Manager of each of the member banks of the Intesa Sanpaolo Group's International Subsidiary Banks Division participates in a quarterly meeting of ESG Managers coordinated by the ESG Manager of the Division to discuss the Group's ongoing and planned development initiatives and their implementation.

ESG training

In 2023, CIB's Parent Company Intesa Sanpaolo organised a series of ESG training programmes for its employees. In addition to the webinar entitled 'ESG Sustainable Lending & Investments for manager' provided to senior managers, colleagues working in Business, Risk, Legal, Procurement and CSR have participated in e.g ESG Social Lending, ESG Real Estate, ESG & Credit Risk courses. Participants spent 2,809 hours in total with ESG related training and capacity building.

In 2023, the Bank's ESG training offer was further expanded by a simulation training programme in English, where participants worked in teams to make decisions on how to manage the water resources of a lake. The interactive training programme provided a good opportunity for learning and thinking together about how to balance profit and sustainability.

Another new element in the training offer is the "Greenstorm" community building and education programme. The one-month training primarily focused on the 3Rs (Refuse, Reuse, Recycle). As part of the programme, external experts shared their knowledge and participants incorporated the lessons learned into their daily lives through interesting challenges.

Digital ESG training materials provided accessible and relevant knowledge for all employees throughout the year. Good examples of this are the Parent Company's "ISP4ESG – Our Contribution to the Future" video course in Hungarian, and the 4-hour "ESG in Lending" training material, which includes a lecture by the speaker of the International Bankers Training Centre and the Bank's experts.

ESG was a key theme in the "Learning is Trendy" internal campaign in autumn 2023. In the campaign's blog series, colleagues had an opportunity to read, among other topics, about why it is useful to learn about ESG, what digital learning materials are available, and what podcasts, articles and studies are worth reading and listening to.

IV. Governance and risk management (cont.)

Implementation and governance of Code of Ethics

The Code of Ethics reflects the broader vision of the Bank social and environmental responsibilities. It explains the values the Bank espouse and that CIB has made a commitment to uphold.

As a company that operates in compliance with strict ethical norms, the Bank has 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 its 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.

The Bank aims to achieve its goals while observing, and putting into practice, the principles of sustainable development and responsible operation. It operates on the basis of the seven core values introduced previously. The fulfilment of these requirements is assured by the advanced corporate governance system and decision-making processes (see above in Governance structure).

Ethical company, responsible operation

	2020	2021	2022	2023
Number of ethical complaints	0	0	6	3

In 2023, the number of specific reports decreased, and more general ethical questions were also received from colleagues. Actual reports were received in connection with management and employee behaviour (three in total), and the necessary ethical procedure was initiated in all.

In order to help employees better understand the rules and ethical principles set out in the Code of Conduct, the Group launched a mandatory all-staff e-learning course in 2021, using interactive learning tools, and this continued in 2022 with 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.

After 2021, it was planned to repeat the e-learning in 2023, but due to changes in Intesa Sanpaolo's Group Code of Ethics, the course content needs to be modified, which technically can only be done in 2024, so the updated training will take place in 2024.

The Rules of Conduct set out the rules based on the values manifested in the 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 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 National Bank of Hungary's Green Recommendation, CIB continued to develop its ESG policy in 2023. The framework set out in the policy includes the ESG Exclusion List (consisting of the activities excluded from financing by the Parent Company, e.g. coal mining or non-conventional O&G), the industry ESG risk heatmap, the ESG sector strategy and the ESG individual assessment framework. ESG credit risk exposure became part of internal reporting in 2023 and is presented quarterly by the Bank at Credit Risk Governance Committee (CRGC) meetings. The report monitors ESG risks within the corporate segment in terms of new volume and total portfolio, based on the following four frameworks:

1. ESG risk heat map
2. Distribution across ESG sensitive industries
3. OPTEN ESG index and
4. Intesa Sanpaolo internal ESG indices.*

For ESG risks, ISP Policy V-673 is the reference guide. Group guidelines for the governance of environmental, social and governance (esg) risks

In addition, the Bank also monitors the maturity structure within the ESG sensitivity framework. The Bank has also implemented the Parent Bank rules on the classification of sustainable credit products and credit transactions in the CIB Banking Group Environmental, Social and Governance (ESG) Risk Policy V-166

In line with the National Bank of Hungary'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 reviews and improves 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 carbon 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 SpA, and has recognised 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:

- Agriculture, Fishery, Livestock
- Defence
- Forestry
- Automotive – Manufacturing
- Gambling
- Chemicals, Rubber and Plastic
- Metals – Non-Ferrous Metals
- Coal Mining
- Mining
- Oil and Gas
- Construction Materials – Concrete, lime and plaster
- Power generation
- Tobacco

Within the CIB Group's ESG individual assessment framework, transactions are classified into the following ESG risk categories:

- Low: a partner/transaction whose ESG and reputational risk profile is not relevant and/or whose development plan is in line with the transition to a lower carbon, more sustainable business;
- Medium-low: counterparty/transaction with a limited ESG and reputational risk profile and/or a development plan that is consistent with a transition to a lower carbon, more sustainable business;
- Medium: a counterparty/transaction with a critical ESG and reputational risk profile but characterised by a development plan for transition to a more sustainable economy and lower CO2 emissions, or one that does not exhibit a critical ESG and reputational risk profile but is characterised by a weak or incomplete strategy for transition to a more sustainable economy and lower CO2 emissions;

IV. Governance and risk management (cont.)

- Medium-high: a counterparty/transaction that raises significant concerns regarding ESG and reputational risk profiles and/or has a weak or incomplete strategy for transitioning to a more sustainable business and lower CO2 emissions;
- High: a counterparty/case that has structural weaknesses in ESG and reputational risk profiles and/or a weak or missing strategy for moving to more sustainable business and lower CO2 emissions;
- Very high: partner/trader with a very critical ESG and reputational risk profile and lacking a strategy to move towards more sustainable business and lower carbon emissions.

In January 2022, the European Banking Authority (EBA) published its Pillar 3 disclosure requirements regarding ESG risks, which set out the standards for tables and templates for ESG risk disclosures to be integrated into Pillar 3 disclosures in accordance with CRR II (Article 449a), inter alia:

- qualitative disclosure of environmental, social and governance risks
- quantitative disclosure on transition risks related to climate change
- quantitative disclosure on the physical risk of climate change
- green asset ratio / banking book taxonomy alignment ratio and other measures to mitigate climate change.

These disclosure requirements will apply from the end of 2022, starting with annual disclosure and semi-annually thereafter.

2023 results:

- Compliance with reporting obligations under Pillar 3
- Developing a quarterly reporting system for monitoring the Bank’s own emission plan
- Establishment of an ESG Committee to monitor the Bank's compliance with the MNB’s Green Recommendation
- Incorporate ESG risk management metrics into regular quarterly reporting to effectively monitor ESG risks.)
- Integration of the use of the Opten ESG index into loan proposals
- Process development and digitisation related to the MNB Green Preferential Capital Requirement Programme.

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, which also include ESG 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 risk management system designed to limit exposure to risks and to comply with the limits set out in the Risk Appetite Framework (RAF).

In the case of transactions representing exceptional risk (Most Significant Transactions or MSTs), an individual transaction-level ESG risk review report is integrated into the lending process in the case of transactions that affect sensitive sectors and where the owners’ opinion is also provided in connection with the decision-making process.

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. When adapting to external regulatory developments in the case of ESG risks, the compliance function ensures that the risk of legal and regulatory obligations is adequately considered and that relevant controls are effectively integrated into the relevant business processes.

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 and 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 Code 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	2023 Actions/Results	2024 objectives
Fighting against corruption and combating money laundering	Training to prevent corruption and money laundering.	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	Implementation of the following training programmes in 2024: - Bespoke annual training on money laundering and terrorist financing - Organisation of annual anti-corruption training - Anti-money laundering training for all new hires - 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
Combating money laundering	Review of systems and processes		Implementation of the following tasks in 2024: Implementation of modifications as a result of a comprehensive review of the systems and processes supporting money laundering prevention
Fighting against corruption and combating money laundering (cont.)	Number of dismissals due to corruption	Number of ethics reports on suspected corruption: 2023: 0 Number of employees dismissed due to corruption in 2023: 0	

IV. Governance and risk management (cont.)

Relevant issues	Projects	2023 Actions/Results	2024 objectives
Privacy protection	Training on data protection Substantiated complaints concerning breaches of customer privacy and losses of customer data	Annual training participation in 2023 covered 99%. Substantiated complaints concerning breaches of customer privacy and losses of customer data: 2023: 1 2022: 3; 2021: 2*	Increasing and deepening data protection awareness within the organisation.
Consumer protection	Training on consumer protection	The consumer annual training participation in 2023 covered 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	Due to changes in Intesa Sanpaolo's Group Code of Ethics, the course content needs to be modified, so training will be organized in 2024.	Continue the regular training on ethics
Whistleblowing	Whistleblowing	In 2023, 0 cases of abuse occurred.	-

*Due to an error identified in the 2021 report, the 2021 data has been changed.

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 operation, clearly defining responsibilities, and in certain cases – depending on the relative importance of the given function – creating a separate organisational unit, is of key importance. The bank regards legal compliance – especially with respect to the prevention of market abuse and money laundering – and the appropriate management of the risks arising from its operation as being 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 CIB makes 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 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 the Bank's Parent Company Intesa Sanpaolo in 2017 and its subsequent update in 2020 , 2022 and 2023, 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, the zero-tolerance policy towards corruption applies to the Bank's employees and 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 us to advance ethical behaviour within our 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 it's competitors. Fair competitive market conduct serves as the basis for our pricing policy.

How relevant issues are monitored

Corporate governance regulations, process requirements, second-level controls and internal training courses ensure that employees do not fall victim to or become involved in corruption. 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 Anti-Money Laundering Department also performs the controlling of the gifts accepted by employees and monitors the proper maintenance of related records. 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 in 2021 and 2023.

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 2023)	**2021**	**2022**	**2023**
Proportion of participants in distance learning and examination in money-laundering prevention topics (%):	95%	97%	99%
Proportion of employees who took a distance-learning course and an exam in anti-corruption (%):	98%	100%	100%
Number of ethics reports on suspected corruption (report):	0	0	0
Number of employees dismissed due to corruption (employee):	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. In 2023, 99% of employees completed the training.

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.

Data protection

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 means of exercising the rights of data subjects.

In addition to the above requirements, CIB Bank also implemented its Parent Company's GDPR guidelines – (GDPR project – guidelines on the protection of personal data of natural persons (applicable in the EU)), which is currently part of the V-114 regulations.

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	2023
Substantiated complaints concerning breaches of customer privacy and losses of customer data:	1	2*	3	1

*Due to an error identified in the 2021 report, the 2021 data has been changed.

Whistleblowing

The special rules of the whistleblowing process are detailed in a separate annex (Special rules on internal systems for reporting violations (whistleblowing) of the Internal Audit Manual.

There were no whistleblowing reports received during 2023 and there were no ongoing or pending items from the previous period either. The procedure is primarily set out in the Internal Control Manual K-024, Annex M-50, Special Rules for Anonymous Filings, and in the CIB Group Code of Ethics.

V. SOCIETY

Material and Relevant issues

- Quality of service and customer satisfaction
- Innovation, digital transition 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 between 2022-2025, CIB continues to aim to ensure 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.

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. In 2023, CIB continued to provide financial and in-kind support to a number of NGOs and community groups.

Performance indicators and results achieved

Material and relevant issues	Projects	2023 Actions/Results	2024 Objectives
Quality of service and customer satisfaction	Net Promoter Score (NPS)	By fine-tuning the NPS research, we have significantly supported quality improvements by focusing mainly on two areas: feedback related to online channels and branch service, which have led to improvements that add real value to the banking experience of customers.	Further expanding NPS research with mystery shopping at branches. The Bank plan to visit and test not only its own branches, but also those of its competitors, which will allow to make comparisons.
	Average response times to customer complaints and appeals (Parent Company) in line with reference regulations (RR).	The process of responding to complaints in writing will be subject to further quality assurance checks.	To continuously improve the quality of service.

V. Society (cont.)

Material and relevant issues	Projects	2023 Actions/Results	2024 Objectives
Quality of service and customer satisfaction (cont.)	Expansion of the multichannel platform for responding to complaints and digital transformation	Reducing the proportion of paper responses to complaints will produce steady results. The percentage of responses sent by email has increased steadily over the year, reaching 70.6% in 2023, not only avoiding paper and postage costs, but also making it easier and faster for customers to get feedback from the bank.	To continuously increase the online response rate.
	Re-structure of customer feedback management	By monitoring the results of actions aimed at achieving the most important improvements, more focused attention was given to fully meet the customer needs.	Creation of new actions taking into account the business plans and monitoring of their results
	IT security training for employees	The training coordinated by the Parent Company was further expanded with the following cybersecurity training courses, which included a mandatory exam. ○ Cyber security smart working: 2085 participants ○ Cybersecurity framework: 2061 people ○ Computer fraud and new trends: 2072 participants ○ Protect yourself from phishing: 2095 participants The Bank also run a quarterly Ethical *Phishing campaign* for employees to raise employee awareness and vigilance.	Introduction of new training topics, updating existing training materials.
Innovation, digital transition and cybersecurity	CIB Customer digital ratio	CIB Customer digital ratio was 84.1 % in 2023 (which means an increase by 2.5 % from 2022) The ratio of CIB customers using a new product or service through digital sales was 47.9 % in 2023 (which means an increase of 1.9 % compared to 46% in 2022)	CIB Customer digital ratio: 86% Ratio of CIB customers using a new product or service through digital sales: 51%
Access to credit and financial inclusion	Education and spread of financial culture	14 employees participated in the Pénz7 [Money Week] as volunteers in 2023	Participation in the Pénz7 (Money Week) programme and providing further support for the dissemination of financial literacy
Community support	Volunteering	Continuation of financial education activities based on employee involvement World Savings Day – 90 children participated in financial education classes	Exploring possibilities for launching further financial education projects, also involving colleagues
	Community support	Food Bank food collection (31 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 CIB Group's Code 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 the customers: the 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 CIB's corporate governance, day-to-day operations and the changes the bank undertake.

In 2023, customer retention and maintaining close relationships are the Bank's priority. The customers have been contacted through dedicated bankers and channels with answers and solutions to their feedback. This is implemented within the framework of the still high-priority CIB Survey Programme.

In the programme, CIB provides customised solutions for individual feedback, while the results of the CIB Monitor (Top-Down NPS) survey are assessed across the entire customer base.

This latter, comprehensive research, leveraging on the increasing amount of data received, provides an opportunity for the bank to offer solutions also to customers who are not reached through its research, but who may still have similar problems in managing their day-to-day finances.

The CIB Monitor was established under the direction of the bank's Parent Company, Intesa Sanpaolo.

Service quality

A high level of customer focus is ensured not only by the training of the employees and the incentive system and corporate culture that determine their attitude, but also by the prudent and effective corporate governance system. Within the 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 the strategy and the actions required to implement it.
✓	In the pricing policy, besides observing principles of fair competition and market efficiency, the bank consider the opportunities of its customers, and alongside responsible decision-making, CIB strive to extend its 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 the customers
✓	The Bank's 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	2023
Retail	377,963	381,593	393,962	396,252
Corporate	60,443	60,342	60,496	59,484
Total	**438,406**	**441,935**	**454,458**	**457,759**

Based on data as at 31 December 2023

DISTRIBUTION OF CIB GROUP CUSTOMERS BY AGE (%)

Distribution of customers (%)	2020	2021	2022	2023
0-32 years	18.9	18.7	20.3	20.3
33-42 years	20.8	19.9	18.8	18.3
43-52 years	25.9	26.3	26.0	25.8
53-67 years	22.2	22.2	21.8	22.1
Over 67 years	12.2	12.8	13.1	13.5

Based on data as at 31 December 2023

DISTRIBUTION OF CIB GROUP RETAIL CUSTOMERS BY LENGTH OF RELATIONSHIP WITH THE BANK (%)

Distribution of customers (%)	2020	2021	2022	2023
0-1 years	5.6	10.3	13.8	13.9
2-4 years	5.6	11.8	10.8	11.0
5-7 years	3.0	5.9	7.6	8.7
8-10 years	6.5	7.7	5.1	4.2
11-20 years	72.2	56.6	52.7	50.5
20 years or more	7.1	7.7	10.0	11.7

Based on data as at 31 December 2023

RETAIL PRODUCT USE (INCLUDING MICRO-BUSINESS CUSTOMERS)

Product use	2020	2021	2022	2023
Retail loans (HUF billion)	512.1	609.8	672.3	738.3
Retail deposits (HUF billion)	734.2	865.8	883.2	832.1
Number of active bank cards	344,095	355,419	376,117	373,999
Number of active CIB Internet Bank customers (persons)	389,125	428,897	428,996	439,806

consolidated IFRS data are presented as of 31 December 2023.

CORPORATE PRODUCT USAGE

Product use	2020	2021	2022	2023
Corporate loans (HUF billion)*	723.8	723.4	861.7	902.0
Corporate deposits (HUF billion)	993.8	1153.2	1255.4	1558.5
Number of active bank cards	4,592	4,708	4,943	5,234
Number of active CIB Internet Bank customers (persons)	5,633	5,750	5,269	5,244

consolidated IFRS data are presented as of 31 December 2023

V. Society (cont.)

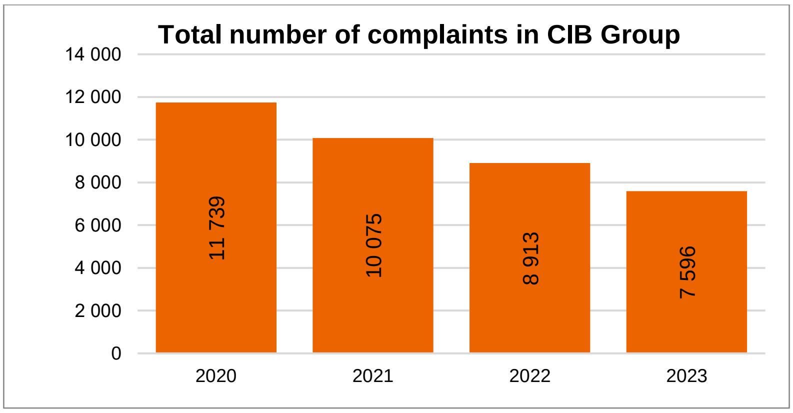
Customers' values

Supporting innovation and development is one of the bank's objectives.In 2023, the bank further developed its ATM network (with ATMs for instant cash payments) not only near its branches, but also in other locations through new partnerships. The use of digital tools available in the branch network, which aim to reduce the amount of paper used and simplify administration, is part of everyday operations. But it has also developed not only the tools but also the products to make them available online, speeding up the process of requesting services. In line with current rules and digital developments, previous steps can be omitted or modernised to make banking faster and easier for customers..

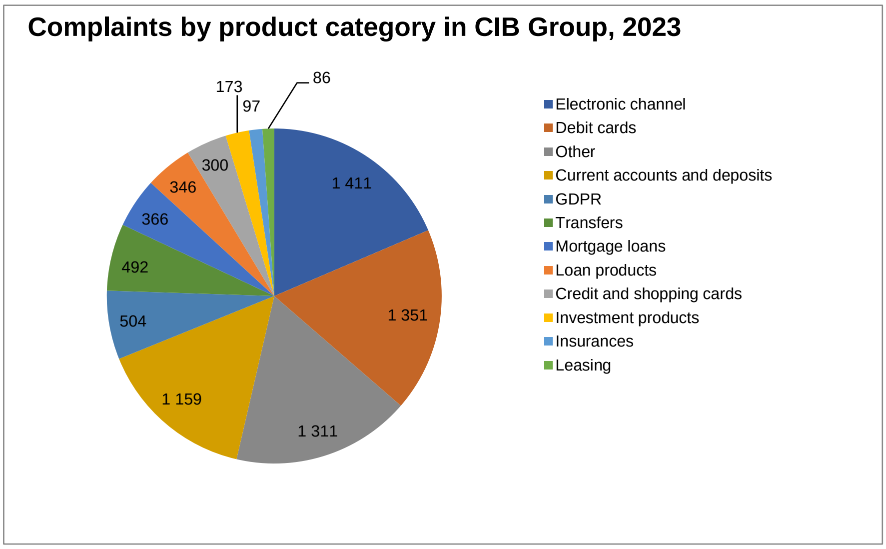
When customers respond to customer satisfaction surveys, it means they trust us to take their views into account. In 2023 (following its launch in 2019), the CIB Survey Programme was already being used as a solid tool for surveying the opinions of the bank's customers, and this has now been rounded out effectively by the new CIB Monitor Programme. Customers were asked not only about their overall satisfaction, but also about their product and channel usage habits and satisfaction.

In addition to satisfaction surveys, the Bank pays particular attention to the handling of complaints received. It is important to approach these inquiries with a customer-centric approach, and this approach was supported by continuous training and expert assistance within the Bank's departments throughout the year. In 2023, the number of customer complaints received by the CIB Group will continue to decrease, thanks to the digital improvements implemented, the new functions introduced through electronic channels, the paperless service requests available on mobile phones and in branches, and the further development of the ATM network, among other things.

Under the new model, the number of branches operating in a renewed environment was further increased in 2023, and customers are able to make appointments for personal advice and services via the bank's website.



Based on data as of 31 December 2023

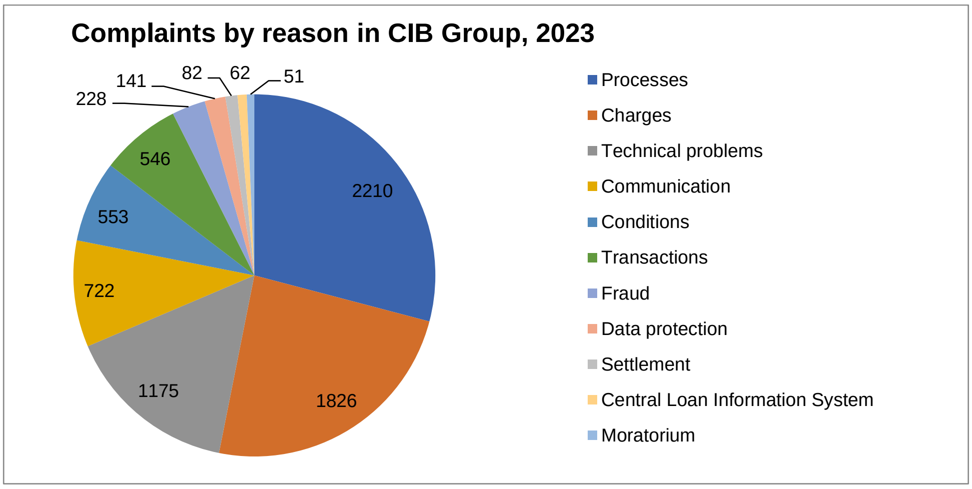


Based on data as at 31 December 2023

V. Society (cont.)

In 2023, the bank decided to phase out one of its applications, which is no longer supported by technology, and has been preparing its customers who used this application, the first internet banking channel, throughout the year. The decision to phase out the application was rational, but customers were inconvenienced by the decision. Comments and complaints about the withdrawal of the channel were received throughout the year, and customers who found it more difficult to cope with the transition to the new channel voiced their dissatisfaction, increasing the number of complaints about electronic channels.

There were also some minor disruptions during the year, which led to an increase in the number of incoming calls to CIB24, the telephone helpline. The increased number of calls resulted in longer waiting times to be connected to the operator, which eventually resulted in complaints. During the year, in recognition of CIB24's capacity problems, further work reorganisation and resource increases were made in the relevant department



Based on data as of 31 December 2023

Customer protection and responsible sales

For CIB Bank, it is of utmost importance to provide its customers in payment difficulties and those who have fallen into payment arrears with appropriate information and to find a solution together. In case of payment delays, the Bank may therefore contact its customers through various channels (by post or, with their consent, by SMS, telephone or electronic means) in order to establish contact and find a solution together. The Bank may also contact its customers in person through an agent, who will be informed by post of the identity and contact details of the agent prior to the contact.

The Bank requests its customers to inform the Bank as soon as possible, preferably before the payment default occurs, if there is a negative change in their solvency, in order to find a solution for its customers as soon as possible.

Payment facilitation solutions are also available if customers are in arrears or if they have been paying their instalments in good time but are experiencing payment difficulties.

In negotiating with the customer, the Bank will seek to maintain the original terms of contract, and the employees will also provide information on other payment facilitation and restructuring options involving contract renegotiation. The Bank provides both short-term (temporary) and long-term (contract amendment-based) solutions to help its customers manage the payment delay.

- As a temporary solution, the Bank offers its customers a grace period or an instalment repayment agreement to settle the overdue debt.
- For loans secured by real estate: maturity extension, payment facilitation, termination of combined schemes.
- For loan products not secured by real estate (personal loans, overdraft facilities, credit cards, shopping cards): maturity extension, debt settlement.

V. Society (cont.)

Key elements in a responsible customer relationship

Regular communication	The bank maintain personal contact with it's customers and engage in continuous dialogue.
Trust	Customers should feel secure and should have confidence in their point of contact for matters financial.
Partnership	The Bank establish stable, crisis-proof partnerships with dependable professional support and open communication.
Value creation	The Bank develops long-term financial solutions that create real value.
Simplicity	Drawing on the synergies within the banking group, the Bank gives 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. Existing and potential customers become aware of the Bank's products and services through marketing activities. It is important for the Bank to provide clear and accurate information in a way that generates interest in its products and services.

The marketing communication materials will be finalised after the legal and compliance departments have reviewed them, to ensure responsible operation and full legal compliance. The bank takes both ethical and sustainability guidelines into account in the 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 the customers, and in compliance with the statory provisions, the bank does not recommend it's products to minors, and it does 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.

The Bank takes into account the principles of diversity and inclusion in its marketing communications activities..

A process of environmentally responsible marketing communication activities was implemented from the summer of 2023, in the course of which the Bank applies guidelines to be followed during media buying, production, event management and the purchase of promotional gifts.

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, furthermore, the Bank continued to recommend that a distance of 1.5 metres be observed, and protective plexiglass were still used at customer service counters in branches where this was requested and also possible.

V. Society (cont.)

2. Innovation, digital transition and cybersecurity

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 the National Bank of Hungary's Recommendation 4/2021. (III.30.) on the digital transformation of credit institutions, which the bank committed to fully implementing in the medium term.

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 objectives of the strategy remains to serve the needs of Generation Y (born between 1980 and 1994), the Bank is now also serving Generation Z (born between 1995 and 2009) and even Generation Alpha (born between 2010 and 2024) with the latest members of the ECO account family, 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.

From 2023, the international Confirming solution is available in ISBD countries, simplifying the financial side of cross-border trade relations, either through account management or factor financing, thereby reducing the risk for customers. The bank introduced an Online Corporate Account Opening platform with chat and video chat functionality by the end of 2023, and the proportion of retail customers using digital services is expected to reach over 85% by 2025.

The bank has prepared the foundations for ESG-conscious lending by setting up a dedicated ESG team, laying down key principles and adding ESG rating elements to its data, so it can support its clients on the topic and create a transparent ESG strategy.

CIB strive to reduce the adverse environmental and social impacts of it's products and services.

- Risk management processes
- Decision-making process
- Comprehensive provision of information to stakeholder customers and partners
- Simplification
- High degree of self-regulation in advertising

The digitalisation processes paving the way towards an integrated multichannel Bank

Digital transition is measured by the Bank using the following two performance indicators:

- CIB Customer digital ratio was 84.1 % in 2023 (which means an increase by 2.5 % from 2022)
- The ratio of CIB customers using a new product or service through digital sales was 47.9 % in 2023 (which means an increase of 1.9 % compared to 46 % in 2022)

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, one of the first online account opening sites in Hungary launched in 2018, since May 2021 it has been possible to open a current account online via a mobile app, which became even more popular in 2023.

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, the personal loan application can be accessed online through the mobile app, while for mortgage and home loans, CIB can only offer the application online via video call due to legal constraints. With this feature customers do not have to wait in a queue in branches, but they can apply for mortgages and housing loans from the comfortable environment of their homes.

Website

In 2023, no significant changes were made to the Bank's website, which serves its visitors with a modern design, functionality and structure, appropriate for the current times. The interface, designed in line with the standards of the Parent Company, 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 responsive, meaning that the interface is optimised for all devices (including tablets and mobile phones).

CIB Bank Mobile Application

Eight years after its launch in 2023, the number of users of the CIB Bank Mobile App has continued to grow and has been the most important digital channel for years. Based on year-end 2023 data, the Bank now has 326,000 individual clients and 49,900 corporate clients with CIB Bank Online and/or CIB Bank Mobile App digital channel access across all digital channels.

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 on property (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 will 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 remote securities account opening feature will be available from February 2024, 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. At the annual level, 80.9 % of current account credit line applications, 28.1 % of personal loan applications and contract conclusions and 33.3 % of credit card applications are now made 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.

The new QR payment standard, which is expected to be implemented nationally from 01 February 2024 under the AFR 2.0 project, has already been completed and is live on both the receiving and sending sides by December 2023.The implementation of NFC and Deeplink payment methods, which will be launched nationally in September 2024, will also be completed soon.

V. Society (cont.)

As of 14 May, 2022, a new feature has been added to the existing #withPAY service, allowing the customers to donate to the WWF conservation organisation, helping them in their efforts to protect natural habitats. This function allows the 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. Here the WWF was the first beneficiary on the list. Once the customers have selected the WWF from the list, they were asked to enter the amount they wish to donate, and approve the payment. After that, the donation was sent directly to the WWF.

Of the current electronic channels - CIB Bank Online, CIB Bank Mobile Banking, CIB InternetBank - the bank decided to phase out the CIB InternetBank platform, which is already outdated in terms of its technology, by 31.12.2023.

Installation of ATMs that enable instant cash deposits

In 2023 the bank continued to install more instant-deposit-enabled ATMs and, as a result, we now have 49 machines with this function, which is more than 41.5% of the 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 the corporate customers, to make it even easier for them to deal with their finances online.

The goal with regard to this development was to reach or exceed the level of service of the currently highly popular Business Terminal in 2023. The full functionality of the current Business Terminal was successfully achieved by the end of 2022, so the Business Terminal service was terminated and additional convenience features were developed in the new application in 2023. This includes minor, largely interface changes to the functionality that CIB has implemented based on feedback from it’s customers. CIB has also introduced a version of the ViCA authentication tool that can be installed on a Windows desktop. Alongside the classic electronic banking services, the Bank has made the day-to-day banking tasks of it’s corporate customers more efficient and convenient through digital customer service and paperless processes.

In addition to the already wide range of services offered, the bank is continuously adding new features to this channel, such as securities services, customs payment (EBÜK) services, direct debit orders, cash pool reports, as well as the sending and receiving of payment requests for corporate clients from the second half of the year and the introduction of the CIB Automated Terminal service, which will enable the bank's clients to initiate queries and orders automatically without user interaction. 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

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.

V. Society (cont.)

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
- 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 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. The bank 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. It 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. Its 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 customers are learning about the various financing options online. The information covers both the terms and conditions and details on the various financing schemes. Although the popularity of the online calculator has been growing year on year, this growth has stalled since 2022 due to market restructuring (with a significant increase in car prices and interest rates, which have led to a significant drop in the share of private customers in sales). Compared to 38,842 visitors in 2020, the 46,589 visitors in 2021 represented a 20% increase, while 46,550 visitors in 2022 and 55,262 visitors in 2023 represented a 20% increase compared to 2022.The customers can obtain personalised offers online based on their needs or request a call-back in order to as about the terms and conditions in more detail. The bank's experts are there to provide full assistance with the documents to be submitted and the entire financing process.

Digital solutions at the branches

CIB Bank opened its first new-generation branch on Szent István körút in 2018, and in the following years the reached 10% of the total branch network, but the transformation process, of course, did not stop there. In 2023, the modernisation of the Gödöllő and Dunakeszi branches was completed. The new approach to branches developed by the bank's Parent Company, Intesa Sanpaolo - 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.

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, the Bank has made cash-desk transactions paperless at all branches, and the Bank has 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.

V. Society (cont.)

In January 2018, graphometric signature touchpads for cash-desk HUF withdrawals and deposits, as well as HUF and FX bank transfer orders and inter-account transfer orders were introduced in the branch network, allowing for a completely paperless process for these transactions. In this process, the bank's customers can receive the completed cash-desk receipts or transfer slips via the electronic channel, while the 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 since spring 2020, less attention has been paid to paperless service in the recent period, and the share of purely electronic receipts in transactions has fallen to a fraction. From September 2022 – also in response to the end of the pandemic – paperless cash-desk service is available again in branches, representing, on average, over 90% of all cash-desk 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. When opening an account, the customers can choose from four types of accounts and three types of debit cards linked to them. In addition to photo IDs in card format, from January 2023 customers can also open an account with a valid Hungarian passport using this solution. In 2023, 36.0% of account openings were paperless, of which 19.1% were done in a branch on DigicalABC, while the remaining 16.9% were done using the online account opening feature of the mobile app.

IT and cyber security

The Bank considers the protection of customer information to be of strategic importance and is therefore continuously working with the Hungarian authorities to help protect its customers against the growing 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, the bank has defined appropriate roles and responsibilities 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's cybersecurity organisation conducts annual strategic analysis activities to identify the main risk scenarios, in relation to which the Group's cybersecurity resilience is strengthened by determining the necessary areas of orientation.

Given the growing importance of cybersecurity, including in relation to the 2022-2025 Business Plan, 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.

The bank has 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.

In 2023, colleagues passed the following exams:

- Cybersecurity smart working: 2,085
- Cybersecurity framework: 2,061
- Computer fraud and new trends: 2,072
- Protect yourself from phishing: 2,095.

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 the Bank's 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. In December 2022, CIB Group introduced the "Rules for the classification of sustainable credit products and lending transactions", which have been implemented.

Financial inclusion of vulnerable people

It is particularly important for the bank to support vulnerable people and social groups both through dedicated projects and through products designed for these groups, thus helping ensure the fair distribution of resources.

Small Business

The Russian-Ukrainian war following the outbreak of the coronavirus as well as the energy crisis across Europe have left many businesses in a difficult situation, so the purpose of the state-subsidised schemes available under the Széchenyi Card Programme MAX in 2022, then the Széchenyi Card Programme MAX+ in 2023 continue 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. The EXIT products mentioned will be available from March 2023 with fixed interest rates and grace periods as well.

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 group of 31 beneficiary customers in 2022 increased by a further 15 customers in 2023, with the amount disbursed increasing from HUF 23,69-0 to a further HUF 32,11-0 in 2023.

The electronic channel migration has enabled not only SMEs and large companies, but also 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, the Bank offers the Partner Start Account Package, which provides them with a cost-effective means of conducting their banking. As part of this package, CIB 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 to the tax authority (NAV) account (on all the electronic channels)).

The above discounted rates are valid for account turnovers of at least HUF 4-0/month. The account package can be offered to both individual and corporate businesses, 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. The Bank is aware of its responsibility to shape the financial awareness of its environment, and is therefore actively involved in programmes focusing not only 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 Foundation, thereby joining the European Money Week initiative. 14 colleagues participated in the programme as volunteers with holding online financial education classes.

The Bank participates in financial education initiatives launched by its Parent Company, such as:

- In 2017, the "Art of Saving" initiative was launched, which is a financial education programme linked to the World Savings Day on 31 October. Since its inception, it has organised a number of initiatives and workshops, including face-to-face sessions in schools as well as online formats also promoted through the bank's communication channels. In 2023, the Bank's volunteers gave financial education lessons to a total of 90 students aged between 10 and 18 (212 in 2022).
- In 2023, the Bank joined its parent bank's latest initiative, the Money Master Challenge, a playful financial quiz challenge for seventh-grade students. 62 students participated in the national round in February 2023, and the international round took place in March.
- The S.A.V.E Ambassador programme is a special initiative in the framework of which higher-grade secondary school students are actively engaged in learning about sustainability and social inclusion. The international round of the programme was held in January 2023, in which the Hungarian team came third.

In 2022, the Bank joined for the first time as a sponsor of the national financial awareness competition "Become a Junior Financial Achiever!" and continued to support it in 2023. The spring round of the competition was open to high schools, while the autumn round to technical and vocational schools. The organisers have set up the programme specifically for educational purposes, to give students the chance to gain practical knowledge in a playful way. They are specifically targeting an increasing number of students from less privileged backgrounds. Financial 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. The jury for the spring and autumn rounds of the competition was composed of 13 volunteers.

Responsible investment

Among the international subsidiary banks of the Intesa Sanpaolo Group, CIB Bank have further expanded its ESG product range, with a total of 46 ESG funds in its portfolio (2022:46), that focus on environmental and social issues or have sustainable investment objectives, classified in the new financial services sector on the basis of Articles 8 and 9 of the Sustainable Finance Disclosure Regulation (SFDR). The ESG product range is included in the Bank's recommended product portfolios. In the course of providing its investment services, CIB Bank Zrt. also provides investment advice on financial products issued by third parties that are subject to the SFDR. In providing investment advice, the Bank pays particular attention to informing its customers of the sustainability characteristics of the financial products covered by the SFDR, as disclosed by the issuer of the financial products distributed by CIB Bank Zrt. customers may find information on the impact of sustainability risks on the product in the documentation published by the issuer of the relevant investment product. In addition, in order to assess the sustainability preferences of the customers or potential customers, the Bank will include a suitability questionnaire with questions assessing the ESG criteria of the customer. The Bank's objective is to help its customers understand the products that meet their sustainability preferences and to make investment decisions. By taking these criteria into account, investments can contribute to the sustainable functioning of the economy and to mitigating adverse environmental impacts. The Bank monitors the way in which the issuer of the products distributed by the Bank takes into account the main adverse impacts on sustainability factors, assesses this as part of the product approval process, and takes this information into account when developing individual investment advice. The investment products covered by the advice are selected through a complex product approval process. Only investment funds covering the exposure of (sub)asset classes are selected for the model portfolio-based investment advice service, for which a distribution contract has been concluded with the fund managers in advance. Today, the world is facing many challenges – climate change and the natural disasters that accompany it, growing inequality, the transition to a circular economy, depletion of resources – and the Bank has a responsibility to be a steward not only of finances but also of nature and society, and to provide the right conditions to maintain and improve them. Therefore, when developing distribution relationships, an important criterion is to consider whether the fund manager concerned has a product with an ESG (Environmental, Social and Governance) focus.

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 the Bank to fulfil its responsibility towards society. It therefore minimises social and environmental risks both to ensure its stability and to fully support its growth strategy, and strives to create a positive impact for the benefit of the community and the environment. Responsibility extends to the Bank's external relations as well as to its role in society.

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. It is essential for the Bank to be able to respond quickly to the specific needs that have arisen and to provide genuine assistance to the community.

Turkey earthquake

In early 2023, Turkey was hit by an extremely severe earthquake. To help the survivors of the earthquake, the Bank launched a fundraising campaign among its customers. In order to facilitate rapid relief efforts, an option was provided to send donations directly from the home screen of the CIBBank Mobile Application to the Hungarian Reformed Church Aid, which the Bank had already partnered with after the outbreak of the war in the neighbouring country.

Uncrowned heroes and animal welfare

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 after the epidemic ended and, unusually, in 2023, the Bank combined this initiative with its annual customer satisfaction campaign, which has been organised every year since 2019.

As part of the campaign, in 2023 the Bank collaborated with the Bicske "Puppy Nursery" Animal Welfare Association, who, in addition to providing homes for dogs in need, also set social sensitisation and education as an important objective. The association regularly organises various programmes for schools and companies to visit the shelter, meet the dogs and the shelter manager as well as the volunteers – and on these occasions they talk to children and adults a lot about the importance of animal welfare, good pet ownership and adoption. Another big problem in the country is the lack of education about spaying and neutering, so the manager of the Dog Shelter has an ongoing offer to the people of Bicske to share useful information about spaying and neutering and to help them with the financial burden of the neutering surgery. Furthermore, their work is of paramount importance in the current challenging economic climate: many dogs are abandoned because the owner is unable to take responsibility for the pet due to a change in living conditions, and this has led to a decrease in the willingness to adopt.

The association also received a subsidy of HUF 1,00-0, 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. In addition to this, the Bank's staff also donated material aid to the shelter.

.

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 fourth time in 2023, 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 112 bank employees participated as voluntary blood donors (2022: 65).

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 the Bank's 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 2023, 31 CIB Bank employees participated as volunteers in the food collection weekend of the Hungarian Food Bank Association (2022: 36). A total of 23,950 kg of food was collected in stores where CIB volunteers also assisted in food collection (2022: 21,602).

Contribution to the community in 2023

In 2023, the total monetary contribution to the community was HUF 36,45-0 2022: HUF 19,35-0).

The main areas of action for which financial contributions were made in 2023 were: social sector: HUF 26 000 000 (2022: HUF 13 000 000), education and culture: HUF 7 500 000 and environmental protection: HUF 1 950 000. Compared to previous years, the focus in 2023 was shifted from health to social and livelihood-oriented civil affairs, education and environmental protection.

Over the course of 2023, donations amounting to HUF 17,50-0 were made to the community. (2022: HUF 6,35-0).

V. Society (cont.)

5. Responsibility towards the supply chain

COMPANY POLICIES

In order to ensure that relations with suppliers and the Bank's 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, the Bank 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 the Bank 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.
- The Bank must comply with the Green Banking Procurement (2023)

Our suppliers

Responsible procurement is a key pillar of the Bank's operations. Therefore, the bank's 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 to maintain good supplier relationships that enable continuous dialogue. The objective is to operate an efficient cost management system and procurement process, and to control expenses. The same terms apply to all suppliers, and in the course of their selection the Bank enforces the same procurement principles and rules consistently.

The 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 the subcontractors;
- the use of environmentally friendly technologies, environmentally friendly products and materials, and the recycling of waste is encouraged and in certain cases compulsory.
- taking ESG guidelines into account when selecting suppliers.

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 which 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 the 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 2023. 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 CIB's Parent Company, Intesa Sanpaolo, ethically sound conduct is reflected in a commitment it insists on in the contracts the Bank concludes with suppliers, which is that the suppliers must confirm, before signing the contract, that they have read the 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 at etikaibejelentes@cib.hu.

In addition to the rules regarding ethical behaviour, contracts concluded with all the suppliers of the Bank now include paragraphs related to GDPR and anti-corruption, in compliance with the internal policies and the external regulations.

Other key issues 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 the 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)		
	2021	**2022**	**2023**	**2021**	**2022**	**2023**
Total	1,294	1,472	1,346	22,986	24,889	27,070
Hungary	1,217	1,375	1,255	17,500	19,098	20,208
Europe (excl. Hungary)	67	84	78	5,111	5,294	6,393
North-America	8	13	12	352	498	470
Asia	2	0	1	24	0	0

Based on data as of 31 December 2023

VI. PEOPLE

MATERIAL TOPICS

- Employment protection
- Retention, enhancement, diversity and inclusion
- Well-being, health and safety of the Group's employees

WHY THESE ISSUES ARE MATERIAL

CIB, as a caring employer, has an important role and responsibility in maintaining the physical and mental health of its employees and their sense of belonging to the community. In the CIB Spirit portfolio, new initiatives have been introduced in this same approach, in addition to the already operating and well-established programmes (Wellbeing Weeks, Expert Help Programme, DokiApp portfolio expansion, CIB Spirit Day, etc.)

The employees of the Bank, as a financial services provider, must attend countless mandatory training courses required by law, in addition to which they need to learn and re-learn many new skills as well. It is no coincidence that training and development is one of the top HR priorities of the Banking Strategy 2022-2025. In addition to business training, the training series supporting the insurance model change process, the successful launch of the renewed management development portfolio and the “Learning is Trendy” campaign series were highlighted this year.

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 working in home office 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.

In 2023, the continuing tight labour market and fierce competition for skilled workers continued to be a challenge. Labour market characteristics remain unchanged: a significant proportion of potential candidates are passive jobseekers, traditional advertisements and advertising channels are less effective, and the use of so-called technical recruitment services has played a significant role in successfully filling vacancies. Specialised recruitment and selection partners have been used for particularly difficult and challenging searches, typically for specialist and management positions.

Performance indicators and results achieved

Material topics	Projects	2023 Actions/Results	2024 Objectives
Employment protection	Recruitment	Replacement of the Application Tracking System, successful implementation of SAP Success Factors; renewal of recruitment processes and tools	Reconsideration of the employer branding strategy
		Further expansion of professional trainee programmes; reconsideration of conditions and frameworks.	Supporting career opportunities for junior trainees and young professionals, increasing their chances of finding a job within the Bank.
	Employees belonging to trade union	Trade union members in 2023: 104 (2022: 115)	Strengthen links with employee interest representation.
	Employee with indefinite-term contract	In 2023: 2,109 (2022: 2,048)	Maintaining the proportion of employees with indefinite-term employment contracts
	Average fluctuation	In 2023: 12.9 % (2022: 17.3%)	Maintain and possibly further improve the staff turnover rate.
	Wages of entry-level employees compared to minimum wage	In 2023: 177% (2022: 217%)	Ensuring a competitive starting salary.

VI. People (cont.)

Material topics	Projects	2023 Actions/Results	2023 Objectives
Retention, enhancement, diversity and inclusion of the Group employees (cont.)	Talent University	Creation of a new talent programme concept	Launch of a new talent programme
	Management development	Launch of a new management development programme. Launch of a new Leadership Development Portfolio (LED) Completion of the 1-year “Master In branch management” training for branch managers	Review of the restructuring of the Leadership Development (LED) portfolio
	Wellbeing	Launch of new Wellbeing programmes Implementation of the Wellbeing weeks programme series Launch of the EAP (Expert Assistance Programme). The range of users of the DokiApp health platform has been extended to include mothers on maternity leave.	Review of the employer branding strategy
	Sales incentive scheme	Implementation of the new NIM system in all business lines Successful implementation of the NIM system.	Both the sales bonus paid and the so-called target bonus were brought closer to the market average level in all business lines
	Onboarding	Extending digital onboarding and introducing business as usual	Renewal of the CImBi programme; elaboration and introduction of the Onboarding mentoring frameworks
	Diversity and inclusion initiatives	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. 1) In the case of both CIB Bank and its subsidiaries – with the exception of Recovery Ingatlanhasznosító és Szolgáltató Zrt. currently under liquidation – the ratio of the underrepresented gender on the supervisory boards is at least 20%. 2) In all quarters, the ratio remained in the +/-4 percentage points range.	Compliance with the commitments made by the CEO: 1) the ratio of the underrepresented gender on supervisory boards is 20% or more; 2) the average standard deviation of salaries per gender expressed in percentage relative to the banking sector median remains within a +/-4 percentage point range for all CIB employees.
	Re-employment of employees returning from a longer period of absence	Maintaining the re-employment level achieved	Maintaining the re-employment level achieved
Well-being, health and safety of the Group's employees	Well-being and quality of life in the company - Smart working	Expansion of the Cafeteria system to support home office expenses As a new element, a simplified fixed subsidy of HUF 12,000/month can be applied for.	The introduction of a differentiated allowance in the Cafeteria system corresponding to the number of hours worked in the home office.
	Health and safety – Employee health screening	Introduction of a new health service available to all	Survey of the employee health insurance market, preparation for the introduction of the benefit

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 Code of Conduct. Besides this, the company has also adopted the ISP Principles 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 the employees. This is particularly important at a time when so many external crises are challenging the workers (epidemics, war, rising living costs).

Job protection

The 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, the bank ensures nearly all its 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 its seasonal staffing requirements, CIB also employs staff through contracts with temporary employment agencies. At the same time, the proportion of employees who are working on a part-time basis is consistently high – and this another way CIB 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 places considerable emphasis on employee retention and training, it regularly announces internship programmes, and it recognises the achievements of high-performing individuals in numerous ways.

Number of employees of CIB Group

	2020	2021	2022	2023
Fixed-term contracts	13	13	7	5
Indefinite-term contracts	2,021	1,994	2,048	2,109
Total	2,034	2,007	2,055	2,114

Based on data as at 31 December 2023

Number of employees of CIB Group

	2020	2021	2022	2023
Number of part-time workers	186	185	192	186
Male managers	2	1	2	1
Female managers	0	0	0	0
Male officers	3	3	5	4
Female officers	46	52	52	53
Male employees	20	16	10	7
Female employees	115	113	123	121

Number of workers of reduced functional capacity	2020	2021	2022	2023
Number of beneficiaries of the personal allowance	85	99	102	116
Number of people receiving rehabilitation or disability benefit	6	6	8	8
Number of temporary staff	41	26	14	12

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 31 December 2023

The headcount data presented in this chapter (People) and its breakdown by different aspects (e.g. gender, age) are based on active employee data, in line with local practice, which differs from the methodology used in the CNFS of CIB's Parent Company Intesa Sanpaolo, which takes into account all 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	2023
Employee with indefinite-term contract	2,021	1,994	2,048	2,109
Average fluctuation	14.5%	17.0%	17.3%	12.9%
Wages of entry-level employees compared to minimum wage	219%	234%	217%	177%

Based on data as at 31 December 2023

Labour relations

At the end of 2023, the CIB Group employed 2,114 people (2055 in 2022), of whom 2,109 (2048 in 2022) were on permanent contracts, reflecting the bank's commitment to reliable and secure long-term employment.12 employees have been hired on a temporary basis (2022: 14), 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 the 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 2023, it had 104 members (2022: 115). 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	2023
Trade union members	134*	127	115	104
Works Council participants	N/A	N/A	N/A	N/A

*Due to an error identified in the 2022 report, the 2020 data has been changed.

Based on data as of 31 December 2023

The Bank Group works with 651 external staffs, 376 of whom also have a permanent entry card (2022: 788 and 303, respectively). The aim is to improve the conscious management of outsiders, refine the 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 employees

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 assessment 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. This is complemented by two group-level policies (Mandatory training, Green banking procurement), which are currently being implemented.

In order to continuously improve the skills of the employees working in the control functions area, to retain talent and enhance professional competencies, to create a culture of knowledge sharing and internal mobility, the "Rules for rotation of staff among the functions control company" Group policy was introduced at the end of 2022, in the scope of which 2 successful rotations were completed in the Bank in 2023.

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 Hungary, the shortage of skilled labour, especially in IT and banking expert positions, remained a major challenge in 2023 as well. The Bank continuously analysed the effectiveness of the Bank's recruitment strategies, testing and combining different channels and tools. 22% of the candidates recruited came from the Bank's successful Employee Referral Programme, and the number of candidates recruited by direct approach continued to increase. In 2023, the Bank also reviewed and modified the employment framework of its Professional Trainee Programme, which resulted in an increase in the attractiveness of the programme for young career starters, and a higher number of employees transferred from the programme to fill part of the vacancies compared to previous years. In order to increase the efficiency of the recruitment processes and improve the candidate experience, the SAP Success Factors recruitment module was introduced in 2023, and the Bank plans to further expand and develop it in the coming years.

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	2023
Termination rate (average)	14.5%	17.0%	17.3%	12.9%
21-25	35.8%	29.3%	28.0%	33.3%
26-30	19.1%	26.6%	25.9%	23.0%
31-35	13.8%	24.7%	20.7%	12.8%
36-40	13.2%	14.4%	14.5%	13.4%
41-45	13.0%	12.5%	12.9%	8.1%
46-50	10.9%	10.8%	13.1%	9.0%
51-55	8.9%	10.3%	14.8%	6.7%
56-60	15.5%	13.0%	16.9%	14.7%
61-	10.0%	16.7%	26.3%	9.7%

Based on data as of 31 December 2023

VI. People (cont.)

	2020	2021	2022	2023
Termination rate by gender				
Male	15.3%	17.9%	16.6%	14.8%
Female	14.3%	16.6%	17.7%	11.9%
Number of new recruits and job-leavers across CIB Group				
Number of new employees	334	337	396	336
Number of job leavers	319	382	369	288

Based on data as of 31 December 2023

In 2023, employees working in entry-level jobs earned, on average, HUF 471,788 i.e. 177 % of the minimum wage (2022: HUF 433,089 and 217%, respectively). Due to legal minimum wage above average increase level, the difference of entry level salaries and minimum wages decreased.

Average gross base salary of male and female employees by position category at CIB Group (million HUF)

	2020	2021	2022	2023
Male managers*	14.3	15.2	16.8	19.1
Female managers*	12.4	12.9	14.4	15.7
Male officers	9.4	10.4	11.7	13.0
Female officers	8.1	8.9	9.9	10.9
Male employees	4.8	5.3	6.3	7.1
Female employees	4.5	4.9	5.7	6.3

**Based on data as of 31 December 2023*

Average total gross remuneration of male and female employees by job category at CIB Group (HUF million)

	2020	2021	2022	2023
Male managers*	16.8	17.7	20.6	24.3
Female managers*	14.3	15.1	17.5	20.0
Male officers	10.7	11.8	13.4	15.3
Female officers	9.1	9.9	11.3	12.8
Male employees	5.4	5.8	7.0	8.1
Female employees	5.1	5.6	6.6	7.4

**Based on data as of 31 December 2023*

Average gross base salary as a percentage by gender (women compared to men)

	2020	2021	2022	2023
Managers*	86.7%	84.8%	85.7%	82.4%
Officer	86.1%	85.6%	84.6%	84.2%
Employees	93.7%	92.4%	90.5%	89.1%

** Based on data as of 31 December 2023*

Average total remuneration as a percentage by gender (women compared to men)

	2020	2021	2022	2023
Managers*	85.1%	85.3%	84.9%	82.4%
Officer	85.0%	83.9%	84.3%	83.6%
Employees	95.7%	95.5%	94.3%	91.9%

** Based on data as of 31 December 2023*

As one of its diversity and inclusion objectives, CIB has committed to +/- 4% average standard deviation of salaries per gender at CIB Bank level relative to the median value of the banking salary market. This difference has not exceeded the target in any quarter since the commitment was made, i.e. since Q3 2022.

Average compa-ratio* by gender and position at CIB Group

	2021			2022			2023		
	Male	Female	Female / Male ratio	Male	Female	Female / Male ratio	Male	Female	Female / Male ratio
Managers	90.1%	90.2%	100.1%	93.6%	90.9%	97.1%	97.7%	100.7%	103.0%
Officer	102.3%	100.0%	97.7%	104.0%	99.2%	95.4%	115.7%	109.0%	94.2%
Employees	104.2%	100.4%	96.4%	108.2%	103.7%	95.9%	120.0%	113.8%	94.8%
Total	101.6%	99.7%	98.1%	104.5%	101.9%	97.6%	115.2%	111.8%	97.1%

**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 31 December 2023*

VI. People (cont.)

People and digital transformation

Artificial intelligence, robotics, innovative technologies are all encouraging the employees to learn more about the online and digital world, both as CIB employees and as individuals. In January, the Digital Competency Survey was completed, with 55.8 percent of CIB employees taking part. All respondents immediately received their own digital competency profile, which in addition to strengths included a number of targeted development tips as well. In 2023, the Digital Galaxy video library has been expanded with more exciting topics and presentations. In these programmes, CIB experts explored exciting topics such as agility, data-driven culture, machine learning and even e-customer identification.

This year again, the management circle was able to attend several presentations on digital transformation in the "Digital talks" series coordinated by the Parent Company. The topics covered included innovation for sustainable growth and even the macroeconomic outlook for the future. A large volume of online training material is available at the Bank to develop knowledge on digitalisation. The focus was on cyber security, phishing and new cyber fraud trends. Teaching about digitalisation is also effective in a more playful way, so at the annual all-staff event (CIB Spirit day), employees had the opportunity to experience a virtual reality park and simulators.

Individual learning from digital training material and online courses poses many difficulties. Useful knowledge and tips on this topic were included in the blog series of the "Learning is Trendy" campaign, authored by the Chief Hybrid Officer, a fictitious virtual manager created last year. The Bank provides digital solutions for its employees not only at work but also in their daily lives, currently mainly in the areas of well-being and health, with services available to all online and by phone (DokiAPP Employee Care platform, EAP service provision). Furthermore, a significant part of the programmes and events for employees will continue to be implemented in the online space, providing the possibility to connect to an event from any geographical location.

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 2023 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. For the sales staff, the previously used system that was essentially focused on sales incentives (GPS) was replaced by a new, comprehensive and unified performance management system (NIM – Network Incentive Model), which will support the performance assessment processes in the future. The NIM system was designed in line with the Bank's strategy for the sales staff of the International Subsidiary Banks of Intesa Sanpaolo. Both systems (NewPAT and NIM) are based on a methodology developed by the International Subsidiary Banks Division (ISBD) of Intesa Sanpaolo, the Bank's shareholder. The performance of 100% of the employees will be assessed against pre-defined objectives, either through the NewPAT or NIM performance management systems, depending on their job role.

The NIM performance management system, which supports sales incentives, has been developed in order to motivate and retain sales employees and managers to work together for achieving the Bank's strategy. 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.

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 Group and to ensure that managers develop conscious replacement strategies within their teams. In 2021, the scope of recognition was extended. As in previous years, a total of 155 employees were rewarded as the best salespeople and supporters of 2023, based on nominations from managers and the previous year's sales results. This year again, employees had the opportunity to nominate their managers for an executive role model award, and the golden teams competition was launched in October. The official presentation of the awards will take place in February 2024, together with CIB employees celebrating their anniversary.

The wide-ranging system of fringe benefits is an important part of the new remuneration strategy. In 2023, 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. 2023 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 by the bank to provide all possible benefits that remained tax-exempt or continued to have a preferential tax rate in 2023.

VI. People (cont.)

Accordingly, several new tax-free options have been added to the list of optional items this year: language course subsidy, GreenGo car-sharing service, MOL Bubi bike-sharing service and providing subsidy for Home Office expenses. 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	2023
Average training hours per employee per year	37.9	48.9	67.0*	58.1
Total training hours	77,183	98,081	137,750	122,898
Numbers of training hours by gender and position category				
Managers (male)	2,695	3,884	5,668	5,875
Managers (female)	2,362	4,319	5,744	6,518
Officers (male)	4,028	5,936	8,388	6,834
Officers (female)	4,285	7,215	9,651	8,798
Employees (male)	15,174	18,481	24,527	20,392
Employees (female)	48,639	58,246	83,771	74,481

**Due to an error identified in the 2022 report, the 2022 data has been changed.*

Based on data as of 31 December 2023

Online and classroom training for employees in sales areas continued to be a priority in 2023 as well. In the Retail business line, in addition to the varied orientation programmes, the main focus was on a series of multi-level training courses supporting the change of the insurance model. In Corporate and Small Business, in addition to developing their professional skills, the Bank's employees were able to participate in a variety of negotiation and presentation training sessions. The 1-year Master in Branch Management programme for CIB branch managers and deputy managers was completed in May 2023. The opening event included a 360-degree individual assessment, 4 customised classroom training sessions, a webinar series on 21st century management, a 25-item optional online course offering, and the highly successful "Let's meet at the branch!" community programme. The one-year long online training/development process for newly appointed managers within the organisation ensured that, in 2023, fresh managers will continue to receive support for one year after their appointment. The programme covers all the fundamental managerial competencies that a manager with lesser experience needs. The 12-month management development process includes online training, consultations, and mentoring support.

With the support of senior management sponsors, the Bank's Leadership Development Programme was renewed in 2023 and is called: LED (Leadership Development). A new training portfolio was introduced that is highly predictable, offers programmes throughout the calendar year, is innovative in its methodology, diverse in its programmes and actively supports the formation of the leadership community through student groups. The key topics of the leadership development programme included staff development, meaningful communication, managing complex change, women's leadership challenges, and improving business English. The new programmes were communicated to managers through a variety of communication platforms and formats (posters, targeted management letters, awareness-raising videos and interactive games). The staff community was involved even during the application period for the management programmes.

The goal of the internal "Learning is Trendy" campaign, launched in autumn 2023, was to make learning more popular and to encourage employees and managers to spend more time learning. In addition, an important message of the initiative was to motivate employees to self-improve, to take more responsibility for their own development, to become aware of the training opportunities available and to place more value on knowledge transfer. The campaign raised awareness of the importance of learning in a variety of ways and forms: on the CIB Spirit day with a dedicated stand, a poster, a 7-part blog series, new training opportunities, an online mini-conference on learning.

The input for the development of a skills training portfolio of more than 10 elements was provided by the performance assessment panels at the beginning of the year. For employees and managers, the trainings were available online, offline and in hybrid schemes as well. In 2023, a variety of targeted training opportunities were offered for the joint development of teams working together. Various e-learning programmes and training solutions supported the completion of courses and exams required by legislation ("MCD - Mortgage Credit Directive", MiFID II, IDD).

Talent development

This year, the Bank's previous talent programmes were analysed, reviewed and evaluated. Based on this, new talent development directions and potential programme plans for 2024 were developed. These include the renewal of the Talent University and a comprehensive development programme to support the internal career-building of talented employees working in the branch network.

	2020	2021	2022	2023
Number of appointments (pcs)	11	11	9	12
Ratio of appointments as a percentage of total headcount (%)	0.48%	0.49%	0.39%	0.52%

Based on data as of 31 December 2023

VI. People (cont.)

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 the 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, the Bank 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. When the plan is being drawn up, opportunities across divisions will also be explored, thereby increasing the number of potential candidates. Succession plans will be prepared for all management positions, but with a particular focus on 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.

The bank's 'Womentoring' initiative, which is designed to promote career awareness among women in CIB's 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 2023, 26 employees participated in person in the Womentoring programme (2022: 33). Decrease is due to the lower number of women on maternity leave in 2023 and some vis major personal events that disables some participation (participation willingness ratio did not change). Since the headquarters are based in Budapest, it is no surprise that most of the 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, 418, spend most of their time working outside Budapest (2022: 413).

Proportion of employees by gender and category at the CIB Group*

	2021		2022		2023	
By category	Male	Female	Male	Female	Male	Female
Managers	55.7%	44.3%	56.5%	43.5%	54.9%	45.1%
Officer	48.4%	51.6%	47.7%	52.3%	46.0%	54.0%
Employees	24.9%	75.1%	25.4%	74.6%	25.8%	74.2%
By age						
21-25	36.9%	63.1%	36.0%	64.0%	36.2%	63.8%
26-30	41.6%	58.4%	41.8%	58.2%	44.0%	56.0%
31-35	42.2%	57.8%	43.3%	56.7%	45.1%	54.9%
36-40	38.1%	61.9%	37.9%	62.1%	36.8%	63.2%
41-45	31.2%	68.8%	30.2%	69.8%	29.0%	71.0%
46-50	27.4%	72.6%	28.9%	71.1%	28.7%	71.3%
51-55	31.9%	68.1%	35.0%	65.0%	32.2%	67.8%
56-60	18.3%	81.7%	21.4%	78.6%	26.7%	73.3%
61-	42.1%	57.9%	36.0%	64.0%	27.6%	72.4%

Based on data as of 31 December 2023

VI. People (cont.)

The Bank's Womentoring initiative, was launched 6 years ago, with one of the main objectives being to support women's career paths. As part of this, colleagues who are still raising their children at home and who are already thinking about returning were once again personally welcomed. During the meeting, the focus was on topics that could help them return to the world of work: they were provided information on the Bank's business results and the recent organisational changes, and received practical information on how to get back on track.

Thanks to the program and the conscious preparations, the rate of returning colleagues is constantly at a high level

	2020	2021	2022	2023
Re-employment rate for employees returning from a long-term absence	63%	51%	77%	66%

Based on data as of 31 December 2023

3. Well-being, health and safety of the Group's employees

COMPANY POLICIES

The well-being of employees is unimaginable without their health protection. 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 2023, several programmes aimed at the preservation of the employees’ well-being were implemented in the scope of the CIB Spirit employee programme portfolio.

In the scope of the family-friendly initiatives, 294 children of CIB employees were granted financial support for a more experience-rich summer holiday during the 12-week season, and 447 children participated in a Santa Claus celebration for the employees' children. Furthermore, a drawing competition for the employees’ children brought summer experiences to life. These initiatives, among others, were the reason why CIB Bank won the "Family Friendly Company of the Year" grand prize in the large company category from the Three Princes, Three Princesses Foundation.

The annual TOP Allstars gala was again held in the form of an in-person event, where members of the Management Board awarded 154 employees in the “best salesperson” and “best supporting employee” categories; and for the first time this year in the “best account manager” category.

In the autumn, 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 Company. 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.

The “Well-being Weeks” series of programmes aimed at the personal well-being of employees, their mental and physical health, was made more meaningful by interactive online and offline presentations, quizzes and the reintroduction of the “Expert Assistance Programme” (EAP service). In addition, the DokiApp Employee Care service continued to be available to all colleagues in 2023, allowing them to request online medical, psychological, dietetic and physiotherapy advice and consultations from DokiAPP specialists at short notice. This service was made available to pregnant women and mothers with infants in the second half of the year as part of a pilot project.

To strengthen the link between head office and sales staff, a series of “Investigators” programmes was implemented with the help of the Corporate Business Line. Interested employees were given the opportunity to visit the plants and sites of the corporate customers in an organised setting, and to see first-hand the improvements their work has contributed to. The "Let's meet in the branch" programme gives colleagues working in the retail branch network and other areas of the Bank the opportunity to meet in person and get to know each other's work.

In 2023, special focus was given to the reduction of the environmental impact of individual large-scale events. To this end, CIB looked for venues where modern architectural solutions were applied and were easily accessible by public transport. At events, CIB favoured digital solutions over printed posters and participants were given specific instructions on how to arrive by public transport. In 2023, the “Dogs in the office” programme was also launched in the renovated head office, allowing CIB employees to bring their pets into the office under clear and transparent rules.

At the initiative of the Parent Company, employee satisfaction surveys are carried out every two years at bank group level. Topics covered in the complex survey include satisfaction with work and the working environment, and cooperation between staff and managers. The 2023 survey shows high levels of employee satisfaction. 96% of the Bank's employees are satisfied with their job at CIB Bank. 69.8% of employees participated in the survey.

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, the work culture and the values of the Bank.

VI. People (cont.)

Energy crisis and inflation – protection of the quality of life

To alleviate the difficulties caused by the still high inflation, the Bank provided a one-off financial support of half a month's basic salary to all colleagues, except members of the Board of Directors, in December, before the holidays.

Health and safety

The Bank attaches particular importance to its employees' health protection, without which employee well-being is unthinkable. Participation in regular fitness-for-work health examinations, as required by the applicable law, remained compulsory for all bank staff in 2023. In 2023, in keeping with the practice of previous years, for all managers and, above a certain job grade, for team leaders and senior experts (286 persons in total, 281 in 2022), 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 examinations and the executive medical screening are carried out by Doctor24, which has been providing us with this service since 1994.

Recognising the need for 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.

Working from home

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 the necessary access to IT systems, as well as the laptop (with the necessary input and output peripheries) and mobile phone (device and subscription) necessary for working. Furthermore, the bank's employees can claim HUF 12,000 per month under the Cafeteria scheme to support them with home office expenses.

Number of employees eligible for any possible remote working framework	**2020**	**2021**	**2022**	**2023**
Head office staff	1,418	1,389	1,418	1,462
Network staff	134	134	144	144

Based on data as of 31 December 2023

International Health Programme

The health of employees is of the utmost importance to CIB, as it is to CIB's Parent Company, not only for ethical reasons but because employees are the Bank's company's most valuable resource. 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 2023 the Bank offered employees with indefinite-term 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. In 2023, the range of services were expanded to include so-called precision or personalised medicine, which enables individualised, selected treatments by revealing the genetic background of a cancer disease. The second medical opinion is also available to family members of eligible employees.

VI. People (cont.)

Total injuries in the workplace and working days lost

	2020	2021	2022	2023
Total injuries	5	9	6	11
Total number of working days lost	71	43	26	45
Total number of working days lost - men	1	0	10	1
Total number of working days lost - women	70	43	16	44
Number of injuries - men	1	0	3	1
Number of injuries - women	4	9	3	10
Number of injuries during working hours	3	3	4	7
Number of injuries when commuting	2	6	2	4
Number of injuries during working hours - men	1	0	2	0
Number of injuries during working hours - women	2	3	2	7
Number of injuries when commuting - men	0	0	1	1
Number of injuries when commuting - women	2	6	1	3

Based on data as of 31 December 2023

Absence from work by reasons (%)

	2020	2021	2022	2023
Illness - men	62.5	70.8	78.5	77.9
Illness - women	16.2	20.9	20	17.7
Injuries in the workplace - men	0.0	0.0	0.5	0.0
Injuries in the workplace - women	0.1	0.1	0.0	0.1
Maternity leave - men**	0.0	0.0	0.0	0.0
Maternity leave - women	79.5	76.9	77.2	78.3
Other* - men	37.4	29.2	21	22.1
Other* - women	4.2	2.2	2.7	3.9

**other and personal reasons (e.g. illness of a child, bereavement, university exams, moving home).*
Based on data as of 31 December 2023

The OHS training was announced on the e-learning platform during the first semester (May-June). The OHS exam was compulsory for all employees and was passed with 97% pass rate (2022: 99%).

	2020	2021	2022	2023
Number of OSH training hours per year – OSH training (hours)	849	1,424.3	1,525.5	1,539.75
Number of participants per year – OSH training (persons)	1,886	1,899	2,034	2,053
Percentage of participants per year – OSH training (%)	88.0%	93.0%	98.9%	97.0%

Based on data as of 31 December 2023

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 National Bank of Hungary (MNB) when it issued its "Green Recommendation" in April 2021, and clarified it in autumn 2022, specifically requesting all financial institutions supervised by the National Bank of Hungary to comply with the published requirements. Recommendation 10/2022. (VIII. 2.) of the National Bank of Hungary 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 National Bank of Hungary 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	2023 Actions/Results	2024 Objectives
Transition to a sustainable, green and circular economy	Green finance	▪ The bank joins the Green Refinancing programme of the National Bank of Hungary ▪ An action plan was drafted to implement the National Bank of Hungary's Green Recommendation ▪ On 1 February 2023, a dedicated Green Interest Discount was introduced to support an increase in loan applications for the purchase or construction of energy efficient real property	10% increase in loans applied for with the Green Interest Discount compared to 2023

VII. Environment and Climate change (cont.)

Material topics	Projects	2023 Actions/Results	2024 Objectives
Direct environmental impacts	Reducing environmental footprint	▪ Green culture and initiatives ▪ In connection with the Earth Hour initiative, were 14.7 kwh of energy saved ▪ Revision and issue of the Car policy in compliance with the Parent Company's ESG guidelines, thereby achieving CO_2 savings from new car purchases ▪ From 2023 onwards, only hybrid, plug-in hybrid or electric taxis will be available for business trips by taxi. ▪ Selective waste collection at the head office ▪ Modernisation of mechanical equipment by installing more energy-efficient systems ▪ Energy reduction through the installation of LED lights at branch offices ▪ Energy savings by modernising and programming lifts in the head office ▪ Modernisation of cooling system and office space air-ventilation zoning at the head office ▪ Installation of heat pump system for the head office to improve cooling/heating energy use ▪ Space use optimisation	▪ 2024 Objectives ▪ Green culture and Earth Hour initiative ▪ Replacement of additional motor vehicles with plug-in hybrid vehicles based on the issued Car policy, in line with ESG guidelines ▪ Installation of electric car chargers in the head office, also for charging private cars ▪ Development of scooter chargers ▪ Continuation of selective waste collection ▪ Procurement of electricity generated by solar panels ▪ Achieving energy savings in branches through the installation of a BMS system ▪ Modernisation of mechanical equipment by installing more energy-efficient systems ▪ (heat pumps, air conditioning units) ▪ Energy reduction through the installation of LED lights at branch offices ▪ Wall insulation and replacement of doors and windows in order to save energy ▪ Space use optimisation ▪ Modernisation of UPS systems
	Responsible management of resources	The bank saved 11 520 kg of paper when sending bulk mail (2022: 7,946 kg) Total energy savings: 938,889 kWh (2022: 2,798,002 kWh)	Search for further paper reduction solutions, digitisation

VII. Environment and Climate Change (cont.)

1. Taxonomy

Following the completion of the Green Home Programme, the Bank launched market-based products (available from 1 December 2022) to finance residential customers, which provide interest rate discounts for the purchase or construction of real property with an energy rating of at least “BB” and an annual primary energy consumption of less than 80 kWh/m^2/year. During 2023, the Bank also announced a promotion for this product, whereby the Bank will plant a tree for every home loan with green interest rate subsidy product accepted in full during the promotional period, i.e. from 01.06.2023 to 31.07.2023.

Moreover, the Bank also enforced environmental sustainability criteria in its customer acquisition activities. If a person became a customer through the customer referral programme, the Bank planted a tree for every new customer that came in as a referral. The programme ran until 31 March 2023.

In 2023, the range of products supporting environmental sustainability was further expanded. In both housing loans and personal loans, products were launched to finance new loan purposes that support residential energy efficiency investments and, through this, environmental considerations.

Since the Bank places a strong emphasis on digital solutions in the area of small business acquisition, the online business account quotation platform, which was launched in 2022, was followed by the launch of an online small business account-opening system at the end of 2023. In lending, the bank again this year helped businesses with financing primarily through the KAVOSZ Széchenyi Card Programme (Széchenyi Card Programme Max+), in addition to its own loan products.

In 2023, there was also a strong focus on card acceptance services, with the introduction of innovative solutions such as the CIB softPOS online application service.

Environmental sustainability has an increasingly important role in the financing of the corporate business line, and, simultaneously with this, restrictions are implemented in the coal, unconventional oil and gas extraction sector. The Bank's loan portfolio has seen an increasing share of loans provided for renewable energy production (photovoltaic solar power plants and biogas plants), loans supporting transition and energy investment loans.

The production of renewable energy and the transition to circular economy is promoted by the Bank's owner, Intesa Sanpaolo, through its subsidiary banks in the framework of the Circular Economy Plafond, in which CIB Bank is also participating.

In addition, EXIMBANK’s Green refinancing programme is also available at CIB Bank.

Sales have started for the S-Loan product range, launched at the end of last year, which provides funding for sustainability purposes at a discounted rate for SMEs and large corporates.

Sustainability financing is increasingly becoming a mainstream part of operations. It is important to ensure that transactions are identifiable from a sustainability perspective, as well as the legal guidelines under which the Bank categorises transactions into compliance classes. A complete solution – compliant with Regulation (EU) 2020/852 – has been developed and is currently 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 to the above, the Bank is looking for opportunities to provide financing from the green credit line provided by a refinancer, such as the EXIMBANK Green Refinancing Programme available at CIB Bank. As the framework conditions for the financing solutions available under the above schemes are slightly different, the Bank can cater for more customer needs.

Full compliance with the Taxonomy is the highest of the multi-level sustainability objectives. This legislation imposes the most conditions on the financed investments. So far, the number of transactions meeting the legal requirements has been minimal.

The Intesa Sanpaolo banking group is committed to sustainable and responsible investment. Eurizon Capital SGR S.p.A., 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 SFDR (EU Regulation on Sustainability Disclosures) and more than 54% of its products are in compliance with Articles 8 and 9 of the SFDR.

Intesa Sanpaolo and Eurizon Asset Management Hungary Zrt., part of the Eurizon Group, have made the implementation of ESG (Environmental, Social and Governance) and SRI (Socially Responsible Investment) aspects a priority in the design of new products, in line with the relevant EU regulations and the expectations of the Eurizon Capital SgR Group, and have therefore taken these aspects into account in the development of new products, which now promote environmental and social features, in line with the requirements of the SFDR 8. CIB Bank Zrt. also offers its clients investment funds issued in HUF and covered by Articles 8 and 9 of the SFDR:

- Subfund of the Eurizon ESG Talentum Total Return Funds
- Subfund of the Eurizon Euro ESG Talentum Total Return Funds

Detailed data tables are provided at the end of the report in Annex 6.

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. In December 2022, CIB Group introduced the "Rules for the classification of sustainable credit products and lending transactions", which have been implemented.

Loans and services for the Green and Circular Economy

Mass segment

On 1st February 2023, CIB Bank introduced the dedicated Green Interest Discount, which provides a low-interest loan for the purchase and construction of low-energy consumption real property, provided that the property has at least "BB" energy rating and its primary energy consumption does not exceed the value of 80kWh/m^2/year. This gives customers access to the Bank's most favourable interest rate without any income-related conditions.

Small business

In the small business segment, in line with the ESG guidelines and the National Bank of Hungary'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, furthermore, we are currently rolling out the fully online application of the CIB softPOS product and online corporate account opening, and plan to expand online loan application system to other products in the future. Digital solutions reduce the use of paper: all contracts and declarations are signed digitally and stored by the bank. By opening an account online, the administration time is reduced by about 40 minutes. All these actions have saved resources and reduced the number of branch visits needed. In the long term, the bank is also committed to environmentally sustainable banking and is continuously exploring further solutions and products, in line with market demands.

Corporate

In the corporate segments, the bank encourages its customers to invest in green and circular investments and developments through preferential pricing. This includes developments related to renewable energy, investments targeting energy efficiency as well as efficiency technology upgrades. The measures are detailed in the Taxonomy section.

Corporate products supporting sustainability introduced in 2023:

- Széchenyi Restart Investment Loan MAX
- Agricultural Széchenyi Restart Green Investment Loan MAX
- Agricultural Széchenyi Green MAX+
- Széchenyi Green Investment Loan MAX+
- EXIM JEA Green loan purpose
- EXIM BGH JEA Green
- EXIM BHG Green Investment
- S.Loan offer
- Circular Exonomy and Green investment loans

Green culture and initiatives

Riding a bike to work

Riding a bike to work continues to be popular, and the bank's bicycle storage facilities were used to full capacity last year.

Earth Hour

Among the environmental initiatives the CIB Group first joined Earth Hour, the WWF's international climate protection initiative, 13 years ago, in 2010. This continued in 2023, with the non-essential external lighting in the head office switched off not just for an hour, but for the whole weekend, to underline the importance of climate change and the environment. A total of 14.7 kWh of energy was saved (2022: 13.5 kWh).

VII. Environment and Climate Change (cont.)

World Environment Day

To mark the International World Environment Day (5 June), the theme of which in 2023 was the reduction of plastic waste, the Bank joined its Parent Company's initiative, including a series of campaigns involving its employees and customers:

- plastic cap collectors were placed in the staff tea kitchens of the Petrezselyem utca head office and in the customer service areas of the five busiest branches. Employees and customers could bring in their plastic caps until 15 December 2023, which the Bank sold with the help of its waste collection partner and donated the proceeds to the Bethesda Children's Hospital Foundation. The total amount of the subsidy was 1,00-0 HUF.
- In addition, the Bank's employees were able to participate in an international webinar with a presentation by 17-year-old activist Haaziq Kazi entitled #BeatPlasticPollution.
- Between 1 June 2023 and 31 July 2023, a promotion was launched, whereby customers who have benefited from the Green Interest Discount and fulfilled the related conditions became entitled to a HUF 20-0 refund after disbursement, furthermore, the Bank will plant 1 tree for each disbursed loan transaction, to be completed by 30 May 2024 at the latest.

International Day for Combating Food Loss and Waste

29 September is the International Day of Awareness of Food Loss and Waste', and, in line with the initiative of Intesa Sanpaolo International Division, the Bank made available to its customers a donation function on the CIB Bank Mobile Application between 29 September and 13 October, through which donations could be sent directly to the Hungarian Food Bank Association. The goal of the Hungarian Food Bank Association is to distribute the food surplus, which is accumulating in extraordinary quantities, to those in need. In doing so, they not only reduce food waste and help to reduce the environmental impact of food destruction, but also use the saved food to directly support those most in need. In the framework of the campaign, the bank's customers donated HUF 981,277 through the CIB Bank mobile application.

On the occasion of this world day, the Bank's employees participated in an international webinar where useful information was disseminated on food waste.

Tree planting

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 the bank's customers but also the environment: for every new referral customer the Bank will plant 1 tree.

The promotion was carried out between 04.02.2022 and 31.03.2023 and covered the planting of more than 17,000 trees. Some of the trees (8,068 in total) were planted by the end of March 2023, while the remaining trees (9,266) will be planted in equal parts in the autumn of 2023 and early 2024.

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. Intesa Sanpaolo has chosen to pursue the "Net Zero" objective by 2050 for all its main business lines, including its own emissions, the lending and investment portfolios, the asset management and insurance divisions. The Group joins the Net-Zero Banking Alliance (NZBA), the Net Zero Asset Managers Initiative (NZAMI), the Net Zero Asset Owner Initiative (NZAOA) as well as the Net Zero Insurance Alliance (NZIA).

The Bank's aim to use all its resources sparingly. CIB promote conduct that is based on the most efficient and environmentally friendly use of resources and on the avoidance of waste and excess. CIB give priority to solutions that are designed with sustainability in mind.

In December 2016, CIB Bank adopted its own energy policy, in which we have 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 2023 the Bank adopted the Intesa Sanpaolo's Green Banking Procurement, the implementation of which, as well as the development of a control function are underway.

The Bank recently upgraded from the original ISO 50001:2012 standard to the more sophisticated ISO50001:2018 standard. The certificate was issued in compliance with the new standard on 27.01.2021. The requirements of the standard are set out in K-057 Manual.

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 its 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 certification for another three years in compliance with the ISO50001:2018 standard.

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	2023
Total energy use (GJ)	60,192	46,009	34,567	34,001.63
Electricity use (kWh)	9,057,564	7,420,857	5,528,170	5,162,785
Other renewable energy (kWh) - Solar panel for hot water	13,510	14,060	15,592	6,690
Natural gas consumption (m3)	428,278	412,647	337,599	337,174
Thermal energy: district heating (GJ)	2,346.85	3,413.86	3,098.88	3,854.57
Fuel consumption (l)	152,993	169,083	208,858	205,259
Petrol company car (l)	41,246	67,509	108,410	118,142
Diesel company car (l)	76,835	65,940	63,753	65,208
Petrol private car (l)	16,769	18,761	22,513	12,961.82
Diesel private car (l)	18,143	16,873	14,182	8,198.53
Vehicle Group (piece)	129	135	137	135
Energy consumption (GJ/person)	30.3	23.2	16	16.578
Energy consumption (GJ per m2 of office space)	1.1	0.92	0.72	0.75
Total Direct Greenhouse gas emissions [CO2eq] (Scope1) (tCO2)	394.6	429.5	473.62	1,139.14*
Total Indirect Greenhouse gas emissions [CO2eq] (Scope2) (tCO2)	2,970.5	2,516	1,869.6	991.25*
Total Greenhouse gas emissions [CO2eq] (Scope1+ Scope2) (tCO2)	3,365.1	2,945.1	2,343.2	2,130.39
CO2 emissions from energy consumption (t/per employee)	3.46	1.5	1.2	1.04
Employee headcount (average)	1,987	1,984	2,031	2,051
Office m2	54,625	5-2	47,972	45,654

Based on data as of 31 December 2023

**The share of Scope1 and Scope2 changed due to a reallocation of consumption.*

	2022	2023
Total energy saving	2,798,002 kWh	938,889* kWh
Key measures contributing to energy savings:	• Modernisation of the lighting system at branches and at the head office. • Optimisation of mechanical equipment settings • Replacement and modernisation of mechanical equipment • Increasing user awareness through education, communication and information sharing	• Modernisation of mechanical equipment by installing more energy-efficient systems • Energy reduction through the installation of LED lights at branch offices • Energy savings by modernising and programming lifts in the head office • Modernisation of cooling system and office space air-ventilation zoning at the head office • Installation of heat pump system for the head office to improve cooling/heating energy use • Space use optimisation

**In 2022, the closure of the Medve Street headquarter had a one-off impact.*

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. Solar collectors are operational in 2023, after the fault has been rectified.

	2020	2021	2022	2023
GHG emission avoided through the use of solar collectors (tons)	3.0	3.0	2.8	1.56

Based on data as at 31 December 2023

VII. Environment and Climate Change (cont.)

The Bank's successful environmental programs related to energy consumption and climate change

- Interior lighting were upgraded in two bank branches
  - There were minor mechanical engineering investments at branches to improve subsystems (fan coils, radiators, thermostats)
  - Modernisation and programming of lifts are delivering savings at the Budapest head office
  - Energy savings resulting from IT cooling modernisation and office space ventilation zoning
  - Installation of heat pump system for the head office has improved cooling/heating energy use
  - A heat pump cooling/heating system was installed in the Baja branch to improve energy use efficiency.
  - According to the amended Car Policy issued on 19.07.2023, only plug-in hybrid electric vehicles (PHEV) executive cars and standard hybrid pool cars can be ordered from this date. The regulation will be reviewed at the end of 2024 with a view to the possible introduction of zero-emission cars.

Responsible management of resources

	2020	**2021**	**2022**	**2023**
Water use (m3)	16,192	13,545	12,703	18,340*
Water consumption (m3/per employee)	7.96	6.8	6.3	8.9
Paper consumption (office A4, A3) (kg)	72,410	66,216	87,089	59,529
Paper usage per employee (office A4, A3) (kg/person)	36.4	33.4	43	29
Employee headcount (average)	1,987	1,984	2,031	2,051
Office m2	54,625	5-2	47,972	45,654

**Due to the increased coming back after hybrid work due to the pandemic, and gardening activity water consumption has increased. Based on data as of 31 December 2023*

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) (29 kg/person) (2022: 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 relation to these initiatives, the bank saved 11,520 kg of paper for bulk mailing.59,529 kg of paper was used for office printing and pre-printed forms, which meant 27,560 kg less paper consumption in 2023. Overall, 36,123 kg less paper was used in 2023 than in 2022, which is a 25% decrease. Within this, there was a 66% reduction in the use of uncertified paper.

Paper consumption

	2021	**2022**			**2023**		
	Office	Office	Non-office	Total	Office	Non-office	Total
Paper total (kg)	85,817	87,089	58,243	145,332	59,529	49,680	109,208
Certified paper: 100% recycled	43,998	36,061	-	36,061	36,292	3,211	39,503
FSC-certified paper	3,010	979	-	979	3,210	29,528	32,738
Uncertified paper	38,809	50,049	58,243	108,292	20,026	16,941	36,967

Based on data as of 31 December 2023

VIII. Annexes

1. The most relevant group and company policy and rule

All policies and guidelines are relevant to all business units of the bank.

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
RULES FOR THE MANAGEMENT OF GIFTS AND ENTERTAINMENT EXPENSES	2017.10.04	2017.10.17	2018.01.01	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 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 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 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
ISP GROUP GUIDELINES FOR THE GOVERNANCE OF THE GROUP’S MOST SIGNIFICANT TRANSACTIONS	2020.01.14	2020.04.28	2020.04.28	Credit Policies
GROUP ANTI-CORRUPTION GUIDELINES	2020.04.09	2020.04.28	2020.05.26	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
GUIDELINES FOR COMBATING MONEY LAUNDERING AND TERRORIST FINANCING AND FOR MANAGING EMBARGOES	2020.04.09	2020.04.28	2020.05.26	Compliance & AML
INTESA SANPAOLO GROUP COMPLIANCE GUIDELINES	2020.04.09	2020.04.28	2020.05.26	Compliance & AML
RULES ON GROUP NEW SETTLEMENTS IN COUNTRIES WITH DEFICIENCIES IN ANTI-MONEY LAUNDERING AND COMBATING TERRORIST FINANCING	2020.05.06	2020.06.19	2020.06.22	Compliance & AML
RULES ON THE MANAGEMENT OF MOST SIGNIFICANT TRANSACTIONS	2020.05.07	2020.10.20	2021.10.20	Enterprise Risk Management
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
RULES ON CREDIT RISK APPETITE ISBS	2020.06.24	2020.07.16	2020.12.04	Credit Risk Management
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
RULES ON LENDING OPERATIONS IN THE COAL SECTOR	2020.08.03	2020.09.22	2021.06.29	Credit Policies
GUIDELINES FOR THE GOVERNANCE OF THE GROUP'S REPUTATIONAL RISKS	2020.08.18	2020.09.08	2020.12.04	Strategic Risk Management
ANTITRUST COMPLIANCE PROGRAMME	2020.11.10	2021.01.12	2021.06.15	Compliance & AML
EU COMPETITION COMPLIANCE POLICY (EU ANTI-TRUST RULES) (APPLICABLE IN THE EU)	2020.11.10	2021.01.12	2021.06.15	Legal Department
ADMINISTRATIVE AND FINANCIAL GOVERNANCE GUIDELINES	2020.11.20	2020.11.17	2020.11.17	Administrative & Financial Governance
RULES CONCERNING STRESS TESTING	2020.11.20	2020.12.01	2020.12.15	Strategic Risk Management
ISP GROUP RULES ON DATA GOVERNANCE	2020.11.24	2021.03.23	2023.09.01	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
CONFLICTS OF INTEREST MANAGEMENT GROUP RULES	2020.12.17	2021.02.09	2021.06.29	Compliance & AML
GROUP GUIDELINES ON OUTSOURCING	2020.12.21	2021.10.05	2021.10.05	Procurement

Name of policy/rule	Year of issue by ISP	Adopted by CIB (year)	Introduced by CIB (year)	Local (CIB) owner of the policy
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	2022.06.21	PR & Marketing Communication
GROUP RULES FOR THE HARMONISATION OF THE MONEY LAUNDERING RISK PROFILE OF THE SHARED CUSTOMERS	2021.02.08	2021.02.23	2021.08.05	Compliance & AML
GROUP RULES FOR THE MANAGEMENT AND USE OF COUNTRY LISTS FOR COMBATING MONEY LAUNDERING AND TERRORIST FINANCING	2021.02.23	2021.02.23	2021.08.05	Compliance & AML
GROUP MODEL RISK MANAGEMENT GUIDELINES	2021.03.15	2021.05.18	2021.05.18	Strategic Risk Management
HEALTH AND SAFETY RULES FOR PERSONNEL OF ITALIAN GROUP COMPANIES WHO ARE ON FOREIGN ASSIGNMENTS	2021.03.26	2022.11.26	2022.11.25	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
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
GREEN BANKING PROCUREMENT	2021.07.23	2021.11.30	clearing with ISP in progress	Procurement
POLICY ON SEXUAL HARASSMENT	2021.09.03	2021.09.20	2023.11.22	HR & Organisation
RULES FOR LENDING OPERATIONS IN THE UNCONVENTIONAL OIL&GAS SECTOR	2021.09.07	2021.11.17	2021.11.18	Credit Policies
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	2023.04.24	Enterprise Risk Management

** The Parent Company regulations are available in English. Based on information as of 31 December 2023*

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.

The Bank treat the protection of the personal data of it's 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 ILO (International Labour Organisation) fundamental conventions, particularly the right of association and collective bargaining, 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.) Human rights (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).

The Bank pays 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 related to human rights 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	2023
Proportion of employees by gender and category (%)				
Manager	57.4% / 42.6%	55.7% / 44.3%	56.5% / 43.5%	54.9% / 45.1%
Officer	48.9% / 51.1%	48.4% / 51.6%	47.7% / 52.3%	46.0% / 54.0%
Employee	25.7% / 74.3%	24.9% / 75.1%	25.4% / 74.6%	25.8% / 74.2%
Work-related injuries**				
Total accidents	5	9	6	11
Working days lost (due to accidents)	71	43	26	45
Reports of non-compliance with the Code of Ethics for human rights				
Number of reports	0	0	6	3
Donations for vulnerable and disadvantaged groups				
Donations (HUF)	41,20-0	4,00-0	6,35-0	17,50-0

* Due to an error identified in the 2022 report, the 2022 data has been changed.

** See the detailed table I Chapter VI. People / 3. Well-being, health and safety of the Group's employees

Based on data as of 31 December 2023

VIII. Annexes (cont.)

3. The MNB Green Recommendation

2021 proved to be a turning point in terms of the ESG preparedness of the Hungarian financial sector, in April 2021 the National Bank of Hungary (MNB) issued its document entitled "Green Recommendation". In this document, it specifically called on all financial institutions supervised by the National Bank of Hungary' to comply with the issued requirements. Recommendation 47/2021. (IV.14.) of the National Bank of Hungary 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 National Bank of Hungary contains the following:

- The purpose of the recommendation is to set out the expectations of the National Bank of Hungary 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
  - i. Risk management framework
  - ii. Credit risk management
  - iii. Operational risk management
  - iv. Market risk management
  - v. Liquidity risk management
  - vi. Sensitivity and scenario analysis and stress management
  - vii. Expectations related to disclosure

In 2022, the National Bank of Hungary 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.

CIB Bank's commitment to the recommendation

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 has established an ESG Committee, one of whose tasks is to continuously monitor and track compliance with the MNB Green Recommendation and to implement the action plan in accordance with the results of the deviation analysis.

Disclosures under the MNB Green Recommendation are included in the relevant chapters of this report.

VIII. Annexes (cont.)

4. Self-regulatory Body certificate

CERTIFICATE

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 2023 and 31 December 2023
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 2024, Budapest

dr.Molnár Kálmán Chariman	Fazekas Ildikó dr. Fazekas Ildikó Director

ÖNSZABÁLYOZÓ
REKLÁM TESTÜLET
REKLÁM. TISZTÁN

VIII. Annexes (cont.)

5. Contribution to the Sustainable Development Goals (SDGs)

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 employees	Well-being, health and safety of the Group's employees	Employment protection	Quality of service and customer satisfaction	Access and credit and financial inclusion	Community support	Integrity in corporate conduct	Innovation, digital transition and cybersecurity
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 on land		■									
16. Peace, justice and strong institutions										■	
17. Partnerships for the goals										■	

In terms of UN's Sustainable Development Goals, the CIB 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 Sustainable 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.)

6. Taxonomy Reporting

Disclosures related to taxonomy regulation and climate change

1) Disclosures made by credit institutions

Credit institutions shall disclose the information referred to in Article 8(1) of Regulation (EU) 2020/852 as set out in Annexes V and XI of this Regulation. The information shall be presented in table format, using the tables set out in Annex VI to this Regulation as follows:

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

Main KPI	Total environmentally sustainable assets million HUF	KPI Turnover Based	KPI Capex Based	Coverage over total assets [3]	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
Green Assets Ratio (GAR) stock	**11,431**	**0.65%**	**2.41%**	**56.87%**	**57.68%**	**43.13%**

Additional KPIs	Total environmentally sustainable activities	KPI Turnover Based	KPI Capex Based	Coverage over total assets	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
GAR Flow	*10,111*	*0.57%*	*2.13%*	*12.06%*		
Trading book [1]	*0.00*					
Financial Guarantees	*0.00*					
Fees and commissions income [2]	*0.00*					

[1] For credit institutions that do not meet the conditions of Article 94(1) of the CRR or the conditions set out in Article 325a (1) of the CRR

[2] Fees and commissions income from services other than lending and AuM

Institutions shall disclose forward-looking information for this KPIs, including information in terms of targets, together with relevant explanations on the methodology applied.

[3] % of assets covered by the KPI over banks' total asssets

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

1.a Assets for the calculation of GAR – Turnover

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	31/12/2023	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
	Million HUF		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transi-tional	Of which enbling			Of which Use of Proceeds	Of which adapta-tion	Of which enbling			Of which Use of Proceeds	Of which transition-al / adapta-tion	Of which enbling
	GAR - Covered assets in both numerator and denominator	**777,336**	**445,196**	**11,431**		**2,862**	**7,362**						**445,196**	**11,431**		**2,862**	**7,362**
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	776,860	444,720	11,431		2,862	7,362						444,720	11,431		2,862	7,362
2	**Financial undertaking**	**14,137**	**12,833**	**1,303**		**29**	**1,274**						**12,833**	**1,303**		**29**	**1,274**
3	**Credit institutions**	**1,107**	**63**										**63**				
4	Loans and advances	718	63										63				
5	Debt securities, including UoP																
6	Equity instruments	389															
7	**Other Financial corporation**	**13,031**	**12,770**	**1,303**		**29**	**1,274**						**12,770**	**1,303**		**29**	**1,274**
7.1	*Of which others*																
7.2	Loans and advances																
7.3	Debt securities, including UoP																
7.4	Equity instruments																
8	***Of which investment firms***	***13,031***	***12,770***	***1,303***		***29***	***1,274***						***12,770***	***1,303***		***29***	***1,274***
9	Loans and advances	13,031	12,770	1,303		29	1,274						12,770	1,303		29	1,274
10	Debt securities, including UoP																
11	Equity instruments																
12	***Of which management companies***																
13	Loans and advances																
14	Debt securities, including UoP																
15	Equity instruments																
16	***Of which insurance***																
17	Loans and advances																
18	Debt securities, including UoP																
19	Equity instruments																
20	**Non-Financial undertakings**	**114,539**	**31,605**	**9,155**		**2,833**	**6,087**						**31,605**	**9,155**		**2,833**	**6,087**
21	Loans and advances	112,449	31,605	9,155		2,833	6,087						31,605	9,155		2,833	6,087
22	Debt securities, including UoP	2,090															
23	Equity instruments																
24	**Households**	**646,368**	**400,282**	**974**									**400,282**	**974**			
24.1	Of which other	246,086															
25	Of which loans collateralised by residential immovable	400,282	400,282	974									400,282	974			
26	Of which building renovation																
27	Of which motor vehicle loans																
28	**Local governments financing**	**1,815**															
29	Housing financing																
30	Other local government	1,815															
31	Collateral obtained by taking	476	476										476				

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

1.a Assets for the calculation of GAR – Turnover (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
31/12/2023 Million HUF		Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM+CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which special-ised lending	Of which transi-tional	Of which enabling			Of which special-ised lending	Of which adapta-tion	Of which enabling			Of which special-ised lending	Of which transition-al / adapta-tion	Of which enabling
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	988,056	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	**Financial and Non-Financial**	**881,753**															
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	575,642															
35	Loans and advances	541,022															
35.1	of which others	304,091															
36	of which loans collateralised by commercial immovable	236,930															
37	of which building renovation loans																
38	Debt securities	34,620															
39	Equity instruments																
40	Non-EU country counterparties not subject to NFRD disclosure obligations	27,246															
41	Loans and advances	27,246															
42	Debt securities																
43	Equity instruments																
44	Derivatives	904															
45	On demand interbank loans	16,086															
46	Cash and cash-related	19,755															
47	Other categories of assets (e.g. Goodwill, commodities	69,558															
47.1	Financial undertakings	278,865															
47.2	EU Credit institutions not subject to NFRD disclosure obligations	229,905															
47.3	Loans and advances	149,115															
47.4	Debt securities, including	80,790															
47.5	Equity instruments																
47.6	EU Other Financial	47,095															
47.7	of which investment firms	47,095															
47.8	Loans and advances	46,957															
47.9	Debt securities, including																
47.10	Equity instruments	137															
47.11	of which management																
47.12	Loans and advances																
47.13	Debt securities, including																
47.14	Equity instruments																
47.15	of which insurance																
47.16	Loans and advances																
47.17	Debt securities, including																
47.18	Equity instruments																

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

1.a Assets for the calculation of GAR – Turnover (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
31/12/2023 Million HUF		Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transi-tional	Of which enbling			Of which Use of Proceeds	Of which adapta-tion	Of which enbling			Of which Use of Proceeds	Of which transition-al / adapta-tion	Of which enbling
47.19	of which others																
47.20	Loans and advances																
47.21	Debt securities, including																
47.22	Equity instruments																
47.23	Non-EU Credit institutions not subject to NFRD disclosure obligations	574															
47.24	Loans and advances	574															
47.25	Debt securities, including																
47.26	Equity instruments																
47.27	Non-EU Other Financial	1,292															
47.28	of which investment firms	1,292															
47.29	Loans and advances	130															
47.30	Debt securities, including	1,161															
47.31	Equity instruments																
47.32	of which management																
47.33	Loans and advances																
47.34	Debt securities, including																
47.35	Equity instruments																
47.36	of which insurance																
47.37	Loans and advances																
47.38	Debt securities, including																
47.39	Equity instruments																
47.40	of which others																
47.41	Loans and advances																
47.42	Debt securities, including																
47.43	**Equity instruments**																
47.45	**Collateral obtained by**																
47.46	**Collateral obtained by**																
47.47	**Goodwill**																
47.48	**Investments in subsidiaries,**	**2,832**															
47.49	**Consolidation adjustments**																
47.50	**Other**	**66,726**															
47.51	Other (Calculated)	66,726															
47.52	Other (Editable)																
48	**Total GAR assets**	**1,765,392**	**445,196**	**11,431**		**2,862**	**7,362**						**445,196**	**11,431**		**2,862**	**7,362**
49	**Assets not covered for GAR calculation**	1,338,749															
50	**Central governments and supranational issuers**	**467,535**															
51	**Central banks exposure**	**840,997**															
52	**Trading book**	**30,217**															
53	**Total assets**	**3,104,140**	**445,196**	**11,431**		**2,862**	**7,362**						**445,196**	**11,431**		**2,862**	**7,362**

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

1.a Assets for the calculation of GAR – Turnover (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
31/12/2023 Million HUF		Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transi-tional	Of which enbling			Of which Use of Proceeds	Of which adapta-tion	Of which enbling			Of which Use of Proceeds	Of which transition-al / adapta-tion	Of which enbling
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																	
54	Financial guarantees*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	Assets under management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55.1	Of which other																
56	Of which debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	Of which equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

*The table was not completed as the exposure was not considered material by the Bank.

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

1.b Assets for the calculation of GAR – CAPEX

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	31/12/2023 Million HUF	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transi-tional	Of which enbling			Of which Use of Proceeds	Of which adapta-tion	Of which enbling			Of which Use of Proceeds	Of which transition-al / adapta-tion	Of which enbling
	GAR - Covered assets in both numerator and denominator	**777 336**	**475 894**	**42 554**		**4 719**	**32 768**						**475 894**	**42 554**		**4 719**	**32 768**
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	776 860	475 418	42 554		4 719	32 768						475 418	42 554		4 719	32 768
2	**Financial undertaking**	**14 137**	**13 031**	**2 856**		**233**	**2 610**						**13 031**	**2 856**		**233**	**2 610**
3	**Credit institutions**	**1 107**															
4	Loans and advances	718	0	0		0	0						0	0	0	0	0
5	Debt securities, including UoP	0	0	0		0	0						0	0	0	0	0
6	Equity instruments	389	0	0		0	0						0	0		0	0
7	**Other Financial corporation**	**13 031**	**13 031**	**2 856**		**233**	**2 610**						**13 031**	**2 856**		**233**	**2 610**
7.1	*Of which others*																
7.2	Loans and advances	0	0	0		0	0						0	0	0	0	0
7.3	Debt securities, including UoP	0	0	0		0	0						0	0	0	0	0
7.4	Equity instruments	0	0	0		0	0						0	0		0	0
8	***Of which investment firms***	**13 031**	**13 031**	**2 856**		**233**	**2 610**						**13 031**	**2 856**		**233**	**2 610**
9	Loans and advances	13 031	13 031	2 856		233	2 610						13 031	2 856	0	233	2 610
10	Debt securities, including UoP	0	0	0		0	0						0	0	0	0	0
11	Equity instruments	0	0	0		0	0						0	0		0	0
12	***Of which management companies***																
13	Loans and advances	0	0	0		0	0						0	0	0	0	0
14	Debt securities, including UoP	0	0	0		0	0						0	0	0	0	0
15	Equity instruments	0	0	0		0	0						0	0		0	0
16	***Of which insurance***																
17	Loans and advances	0	0	0		0	0						0	0	0	0	0
18	Debt securities, including UoP	0	0	0		0	0						0	0	0	0	0
19	Equity instruments	0	0	0		0	0						0	0		0	0
20	**Non-Financial undertakings**	**114 539**	**62 105**	**38 724**		**4 486**	**30 158**						**62 105**	**38 724**		**4 486**	**30 158**
21	Loans and advances	112 449	62 105	38 724		4 486	30 158						62 105	38 724	0	4 486	30 158
22	Debt securities, including UoP	2 090	0	0		0	0						0	0	0	0	0
23	Equity instruments	0	0	0		0	0						0	0		0	0
24	**Households**	**646 368**	**400 282**	**974**									**400 282**	**974**			
24.1	Of which other	246 086	0	0		0	0						0	0	0	0	0
25	Of which loans collateralised by residential immovable	400 282	400 282	974		0	0						400 282	974	0	0	0
26	Of which building renovation	0	0	0		0	0						0	0	0	0	0
27	Of which motor vehicle loans	0	0	0		0	0										
28	**Local governments financing**	**1 815**															
29	Housing financing	0	0	0		0	0						0	0	0	0	0
30	Other local government	1 815	0	0		0	0						0	0	0	0	0
31	Collateral obtained by taking	476	476	0		0	0						476	0	0	0	0

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

1.b Assets for the calculation of GAR – CAPEX (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
31/12/2023	Million HUF	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM+CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which special-ised lending	Of which transi-tional	Of which enabling			Of which special-ised lending	Of which adapta-tion	Of which enabling			Of which special-ised lending	Of which transition-al / adapta-tion	Of which enabling
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**988 056**															
33	**Financial and Non-Financial**	**881 753**															
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	575 642															
35	Loans and advances	541 022															
35.1	of which others	304 091															
36	of which loans collateralised by commercial immovable	236 930															
37	of which building renovation loans	0															
38	Debt securities	34 620															
39	Equity instruments	0															
40	Non-EU country counterparties not subject to NFRD disclosure obligations	27 246															
41	Loans and advances	27 246															
42	Debt securities	0															
43	Equity instruments	0															
44	Derivatives	904															
45	On demand interbank loans	16 086															
46	Cash and cash-related	19 755															
47	Other categories of assets (e.g. Goodwill, commodities	69 558															
47.1	Financial undertakings	278 865															
47.2	EU Credit institutions not	229 905															
47.3	Loans and advances	149 115															
47.4	Debt securities, including	80 790															
47.5	Equity instruments	0															
47.6	EU Other Financial	47 095															
47.7	of which investment firms	47 095															
47.8	Loans and advances	46 957															
47.9	Debt securities, including	0															
47.10	Equity instruments	137															
47.11	of which management																
47.12	Loans and advances	0															
47.13	Debt securities, including	0															
47.14	Equity instruments	0															
47.15	of which insurance																
47.16	Loans and advances	0															
47.17	Debt securities, including	0															
47.18	Equity instruments	0															
47.19	of which others																
47.20	Loans and advances	0															

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

1.b Assets for the calculation of GAR – CAPEX (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
31/12/2023 Million HUF		Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM+CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which special-ised lending	Of which transi-tional	Of which enabling			Of which special-ised lending	Of which adapta-tion	Of which enabling			Of which special-ised lending	Of which transition-al / adapta-tion	Of which enabling
47.21	Debt securities, including	0															
47.22	Equity instruments	0															
47.23	Non-EU Credit institutions not subject to NFRD disclosure obligations	574															
47.24	Loans and advances	574															
47.25	Debt securities, including	0															
47.26	Equity instruments	0															
47.27	Non-EU Other Financial	1 292															
47.28	of which investment firms	1 292															
47.29	Loans and advances	130															
47.30	Debt securities, including	1 161															
47.31	Equity instruments	0															
47.32	of which management																
47.33	Loans and advances	0															
47.34	Debt securities, including	0															
47.35	Equity instruments	0															
47.36	of which insurance																
47.37	Loans and advances	0															
47.38	Debt securities, including	0															
47.39	Equity instruments	0															
47.40	of which others																
47.41	Loans and advances	0															
47.42	Debt securities, including	0															
47.43	**Equity instruments**	**0**															
47.45	**Collateral obtained by**	**0**															
47.46	**Collateral obtained by**	**0**															
47.47	**Goodwill**	**0**															
47.48	**Investments in subsidiaries,**	**2 832**															
47.49	**Consolidation adjustments**	**0**															
47.50	**Other**	**66 726**															
47.51	Other (Calculated)	**66 726**															
47.52	Other (Editable)	**0**															
48	**Total GAR assets**	**1 765 392**	**475 894**	**42 554**		**4 719**	**32 768**						**475 894**	**42 554**		**4 719**	**32 768**
49	**Assets not covered for GAR calculation**	**1 338 749**															
50	**Central governments and**	**467 535**											0	0	0	0	0
51	**Central banks exposure**	**840 997**											0	0	0	0	0
52	**Trading book**	**30 217**											0	0	0	0	0
53	**Total assets**	**3 104 140**	**475 894**	**42 554**		**4 719**	**32 768**						**475 894**	**42 554**		**4 719**	**32 768**

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

1.b Assets for the calculation of GAR – CAPEX (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
31/12/2023 Million HUF			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM+CCA)				
		Total gross carrying amount	Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which special-ised lending	Of which transi-tional	Of which enabling			Of which special-ised lending	Of which adapta-tion	Of which enabling			Of which special-ised lending	Of which transition-al / adapta-tion	Of which enabling
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																	
54	Financial guarantees*	0											0	0	0	0	0
55	Assets under management																
55.1	Of which other	0											0	0	0	0	0
56	Of which debt securities	0											0	0	0	0	0
57	Of which equity instruments	0											0	0	0	0	0

*The table was not completed as the exposure was not considered material by the Bank.

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

2.a GAR sector information – Turnover

	a	b	c	e	f	h	i	k	l	n	o	q	r
	Breakdown by sector - NACE 4 digits level (code and label)	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM+CCA)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount	
		Mn HUF	Of which environmentally sustainable (CCM)	Mn HUF	Of which environmentally sustainable (CCM)	Mn HUF	Of which environmentally sustainable (CCA)	Mn HUF	Of which environmentally sustainable (CCA)	Mn HUF	Of which environmentally sustainable	Mn EUR	Of which environmentally sustainable
1	C22.22 Manufacture of plastic packing goods	1,535	1,535			-	-			1,535	1,535		
2	C23.51 Manufacture of cement	60	31			-	-			60	31		
3	C26.51 Manufacture of instruments and appliances for measuring, testing and navigation	-	-			-	-			-	-		
4	C27.32 Manufacture of other electronic and electric wires and cables	820	338			-	-			820	338		
5	C27.51 Manufacture of electric domestic appliances	821	143			-	-			821	143		
6	C29.10 Manufacture of motor vehicles	18,769	18,168			-	-			18,769	18,168		
7	D35.11 Production of electricity	35,058	5,259			-	-			35,058	5,259		
8	F42.11 Construction of roads and motorways	-	-			-	-			-	-		
9	L68.20 Rental and operating of own or leased real estate	552	-			-	-			552	-		
10	M71.20 Technical testing and analysis	106	-			-	-			106	-		
11	C19.20 Manufacture of refined petroleum products	17,231	1,568			-	-			17,231	1,568		
12	D35.23 Trade of gas through mains	109	16			-	-			109	16		
13	G46.42 Wholesale of clothing and footwear	368	-			-	-			368	-		
14	G46.51 Wholesale of computers, computer peripheral equipment and software	1	-			-	-			1	-		
15	K64.92 Other credit granting	6,831	622			-	-			6,831	622		
16	M70.10 Activities of head offices	30,189	3,925			-	-			30,189	3,925		

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

2.b GAR sector information – CAPEX

	a	b	c	e	f	h	i	k	l	n	o	q	r
	Breakdown by sector - NACE 4 digits level (code and label)	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM+CCA)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount	
		Mn HUF	Of which environmentally sustainable (CCM)	Mn HUF	Of which environmentally sustainable (CCM)	Mn HUF	Of which environmentally sustainable (CCA)	Mn HUF	Of which environmentally sustainable (CCA)	Mn HUF	Of which environmentally sustainable	Mn EUR	Of which environmentally sustainable
1	C22.22 Manufacture of plastic packing goods	1,535	261			-	-			1,535	261		
2	C23.51 Manufacture of cement	60	38			-	-			60	38		
3	C26.51 Manufacture of instruments and appliances for measuring, testing and					-	-			-	-		
4	C27.32 Manufacture of other electronic and electric wires and cables	820	594			-	-			820	594		
5	C27.51 Manufacture of electric domestic appliances	821	236			-	-			821	236		
6	C29.10 Manufacture of motor vehicles	18,769	18,769			-	-			18,769	18,769		
7	D35.11 Production of electricity	35,058	13,672			-	-			35,058	13,672		
8	F42.11 Construction of roads and motorways	-	-			-	-			-	-		
9	L68.20 Rental and operating of own or leased real estate	552	-			-	-			552	-		
10	M71.20 Technical testing and analysis	106	-			-	-			106	-		
11	C19.20 Manufacture of refined petroleum products	17,231	2,654			-	-			17,231	2,654		
12	D35.23 Trade of gas through mains	109	42			-	-			109	42		
13	G46.42 Wholesale of clothing and footwear	368	32			-	-			368	32		
14	G46.51 Wholesale of computers, computer peripheral equipment and software	1	-			-	-			1	-		
15	K64.92 Other credit granting	6,831	1,052			-	-			6,831	1,052		
16	M70.10 Activities of head offices	30,189	24,755			-	-			30,189	24,755		

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

3.a GAR KPI stock – Turnover

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	31/12/2023	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM+CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
	% (compared to total covered assets in the denominator)			Of which specialised lending	Of which transi-tional	Of which enabling			Of which specialised lending	Of which transi-tional	Of which enabling			Of which specialised lending	Of which transi-tional	Of which enabling	
1	**GAR - Covered assets in both numerator and denominator**	**25.22**	**0.65**	**-**	**0.16**	**0.42**	**-**	**-**	**-**	**-**	**-**	**25.22**	**0.65**	**-**	**0.16**	**0.42**	**25.04**
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	25.19	0.65	-	0.16	0.42	-	-	-	-	-	25.19	0.65	-	0.16	0.42	25.03
3	**Financial corporations**	**0.73**	**0.07**	**-**	**-**	**0.07**	**-**	**-**	**-**	**-**	**-**	**0.73**	**0.07**	**-**	**-**	**0.07**	**0.46**
4	**Credit institutions**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.04**
5	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.02
6	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01
8	**Other financial corporations**	**0.72**	**0.07**	**-**	**-**	**0.07**	**-**	**-**	**-**	**-**	**-**	**0.72**	**0.07**	**-**	**-**	**0.07**	**0.42**
9	***of which other***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	***of which investment firms***	***0.72***	***0.07***	**-**	**-**	***0.07***	**-**	**-**	**-**	**-**	**-**	***0.72***	***0.07***	**-**	**-**	***0.07***	***0.42***
14	Loans and advances	0.72	0.07	-	-	0.07	-	-	-	-	-	0.72	0.07	-	-	0.07	0.42
15	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	***of which management companies***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
18	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	***Of which insurance***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
22	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	**Non-financial corporations**	**1.79**	**0.52**	**-**	**0.16**	**0.34**	**-**	**-**	**-**	**-**	**-**	**1.79**	**0.52**	**-**	**0.16**	**0.34**	**3.69**
26	**NFCs subject to NFRD disclosure obligations**	**1.79**	**0.52**	**-**	**0.16**	**0.34**	**-**	**-**	**-**	**-**	**-**	**1.79**	**0.52**	**-**	**0.16**	**0.34**	**3.69**
27	Loans and advances	1.79	0.52	-	0.16	0.34	-	-	-	-	-	1.79	0.52	-	0.16	0.34	3.62
28	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.07
29	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	**Households**	**22.67**	**0.06**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**22.67**	**0.06**	**-**	**-**	**-**	**20.82**
31	of which other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.93
32	of which loans collateralised by residential immovable property	22.67	0.06	-	-	-	-	-	-	-	-	22.67	0.06	-	-	-	12.90
33	of which building renovation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	of which motor vehicle loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35	**Local government financing**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.06**
36	House financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

3.a GAR KPI stock – Turnover (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	31/12/2023	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM+CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
	% (compared to total covered assets in the denominator)			Of which specialised lending	Of which transi-tional	Of which enabling			Of which specialised lending	Of which transi-tional	Of which enabling			Of which specialised lending	Of which transi-tional	Of which enabling	
37	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.06
38	**Collateral obtained by taking possession: residential and commercial immovable**	0.03	-	-	-	-	-	-	-	-	-	0.03	-	-	-	-	0.02
49	**Total GAR assets**	**25.22**	**0.65**	**-**	**0.16**	**0.42**	**-**	**-**	**-**	**-**	**-**	**25.22**	**0.65**	**-**	**0.16**	**0.42**	**56.87**

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

3.b GAR KPI stock – CAPEX

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	31/12/2023	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM+CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
	% (compared to total covered assets in the denominator)			Of which special-ised lending	Of which transi-tional	Of which enabling			Of which special-ised lending	Of which transi-tional	Of which enabling			Of which special-ised lending	Of which transi-tional	Of which enabling	
1	**GAR - Covered assets in both numerator and denominator**	**26.96**	**2.41**	**0.00**	**0.27**	**1.86**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**26.96**	**2.41**	**0.00**	**0.27**	**1.86**	**25.04**
2	Loans and advances, debt secu-rities and equity instruments not HfT eligible for GAR calculation	26.93	2.41	0.00	0.27	1.86	0.00	0.00	0.00	0.00	0.00	26.93	2.41	0.00	0.27	1.86	25.03
3	**Financial corporations**	**0.74**	**0.16**	**0.00**	**0.01**	**0.15**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.74**	**0.16**	**0.00**	**0.01**	**0.15**	**0.46**
4	**Credit institutions**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.04**
5	Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02
6	Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Equity instruments	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.01
8	**Other financial corporations**	**0.74**	**0.16**	**0.00**	**0.01**	**0.15**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.74**	**0.16**	**0.00**	**0.01**	**0.15**	**0.42**
9	***of which other***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***
10	Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11	Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12	Equity instruments	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00
13	***of which investment firms***	***0.74***	***0.16***	***0.00***	***0.01***	***0.15***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.74***	***0.16***	***0.00***	***0.01***	***0.15***	***0.42***
14	Loans and advances	0.74	0.16	0.00	0.01	0.15	0.00	0.00	0.00	0.00	0.00	0.74	0.16	0.00	0.01	0.15	0.42
15	Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
16	Equity instruments	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00
17	***of which management companies***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***
18	Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
19	Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
20	Equity instruments	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00
21	***Of which insurance***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***
22	Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
23	Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
24	Equity instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
25	**Non-financial corporations**	**3.52**	**2.19**	**0.00**	**0.25**	**1.71**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**3.52**	**2.19**	**0.00**	**0.25**	**1.71**	**3.69**
26	**NFCs subject to NFRD disclosure obligations**	**3.52**	**2.19**	**0.00**	**0.25**	**1.71**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**3.52**	**2.19**	**0.00**	**0.25**	**1.71**	**3.69**
27	Loans and advances	3.52	2.19	0.00	0.25	1.71	0.00	0.00	0.00	0.00	0.00	3.52	2.19	0.00	0.25	1.71	3.62
28	Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.07
29	Equity instruments	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00
30	**Households**	**22.67**	**0.06**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**22.67**	**0.06**	**0.00**	**0.00**	**0.00**	**20.82**
31	of which other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.93
32	of which loans collateralised by residential immovable property	22.67	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22.67	0.06	0.00	0.00	0.00	12.90
33	of which building renovation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
34	of which motor vehicle loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
35	**Local government financing**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.06**
36	House financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

3.b GAR KPI stock – CAPEX (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	31/12/2023	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM+CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
	% (compared to total covered assets in the denominator)			Of which specialised lending	Of which transi-tional	Of which enabling			Of which specialised lending	Of which transi-tional	Of which enabling			Of which specialised lending	Of which transi-tional	Of which enabling	
37	Other local government financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06
38	**Collateral obtained by taking possession: residential and commercial immovable**	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.00	0.02
49	**Total GAR assets**	**26.96**	**2.41**	**0.00**	**0.27**	**1.86**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**26.96**	**2.41**	**0.00**	**0.27**	**1.86**	**56.87**

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

4.a GAR KPI flow – Turnover

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	31/12/2023	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM+CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total new assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
	% (compared to flow of total eligible assets)			Of which specia-lised lending	Of which transi-tional	Of which enabling			Of which specia-lised lending	Of which transi-tional	Of which enabling			Of which specia-lised lending	Of which transi-tional	Of which enabling	
1	**GAR - Covered assets in both numerator and denominator**	**9.91**	**0.57**	**-**	**0.16**	**0.36**	**-**	**-**	**-**	**-**	**-**	**9.91**	**0.57**	**-**	**0.16**	**0.36**	**12.06**
2	Loans and advances, debt secu-rities and equity instruments not HfT eligible for GAR calculation	9.91	0.57	-	0.16	0.36	-	-	-	-	-	9.91	0.57	-	0.16	0.36	12.06
3	**Financial corporations**	**0.18**	**0.02**	**-**	**-**	**0.02**	**-**	**-**	**-**	**-**	**-**	**0.18**	**0.02**	**-**	**-**	**0.02**	**0.11**
4	**Credit institutions**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.01**
5	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	0.01
8	**Other financial corporations**	**0.18**	**0.02**	**-**	**-**	**0.02**	**-**	**-**	**-**	**-**	**-**	**0.18**	**0.02**	**-**	**-**	**0.02**	**0.10**
9	***of which other***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-
10	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
13	***of which investment firms***	***0.18***	***0.02***	**-**	**-**	***0.02***	**-**	**-**	**-**	**-**	**-**	***0.18***	***0.02***	**-**	**-**	***0.02***	0.10
14	Loans and advances	0.18	0.02	-	-	0.02	-	-	-	-	-	0.18	0.02	-	-	0.02	0.10
15	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
17	***of which management companies***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-
18	Loans and advances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-
19	Debt securities, including UoP	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-
20	Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-
21	***Of which insurance undertakings***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-
22	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
25	**Non-financial corporations**	**0.73**	**0.51**	**-**	**0.16**	**0.34**	**-**	**-**	**-**	**-**	**-**	**0.73**	**0.51**	**-**	**0.16**	**0.34**	**2.89**
26	**NFCs subject to NFRD disclosure obligations**	**0.73**	**0.51**	**-**	**0.16**	**0.34**	**-**	**-**	**-**	**-**	**-**	**0.73**	**0.51**	**-**	**0.16**	**0.34**	**2.89**
27	Loans and advances	0.73	0.51	-	0.16	0.34	-	-	-	-	-	0.73	0.51	-	0.16	0.34	2.87
28	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03
29	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
30	**Households**	**9.01**	**0.04**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9.01**	**0.04**	**-**	**-**	**-**	**9.05**
31	of which other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.93
32	of which loans collateralised by residential immovable property	9.01	0.04	-	-	-	-	-	-	-	-	9.01	0.04	-	-	-	5.12
33	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	of which motor vehicle loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

4.a GAR KPI flow ¥ Turnover (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	31/12/2023	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM+CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total new assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
	% (compared to flow of total eligible assets)			Of which specia-lised lending	Of which transi-tional	Of which enabling			Of which specia-lised lending	Of which transi-tional	Of which enabling			Of which specia-lised lending	Of which transi-tional	Of which enabling	
35	**Local government financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	House financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
38	**Collateral obtained by taking**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49	**Total GAR assets**	9.91	0.57	-	0.16	0.36	-	-	-	-	-	9.91	0.57	-	0.16	0.36	12.06

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

4.b GAR KPI flow ¥ CAPEX

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	31/12/2023	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM+CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total new assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
	% (compared to flow of total eligible assets)			Of which specia-lised lending	Of which transi-tional	Of which enabling			Of which specia-lised lending	Of which transi-tional	Of which enabling			Of which specia-lised lending	Of which transi-tional	Of which enabling	
1	**GAR - Covered assets in both numerator and denominator**	**11.59**	**2.13**	**0.00**	**0.26**	**1.60**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**11.59**	**2.13**	**0.00**	**0.26**	**1.60**	**12.06**
2	Loans and advances, debt secu-rities and equity instruments not HfT eligible for GAR calculation	11.59	2.13	0.00	0.26	1.60	0.00	0.00	0.00	0.00	0.00	11.59	2.13	0.00	0.26	1.60	12.06
3	**Financial corporations**	**0.18**	**0.04**	**0.00**	**0.00**	**0.04**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.18**	**0.04**	**0.00**	**0.00**	**0.04**	**0.11**
4	**Credit institutions**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.01**
5	Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Equity instruments	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.01
8	**Other financial corporations**	**0.18**	**0.04**	**0.00**	**0.00**	**0.04**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.18**	**0.04**	**0.00**		**0.04**	**0.10**
9	***of which other***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***
10	Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11	Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12	Equity instruments	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00
13	***of which investment firms***	***0.18***	***0.04***	***0.00***	***0.00***	***0.04***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.18***	***0.04***	***0.00***	***0.00***	***0.04***	***0.10***
14	Loans and advances	0.18	0.04	0.00	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.18	0.04	0.00	0.00	0.04	0.10
15	Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
16	Equity instruments	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00
17	***of which management companies***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***
18	Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
19	Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
20	Equity instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
21	***Of which insurance undertakings***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***
22	Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
23	Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
24	Equity instruments	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00
25	**Non-financial corporations**	**2.40**	**2.05**	**0.00**	**0.25**	**1.57**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**2.40**	**2.05**	**0.00**	**0.25**	**1.57**	**2.89**
26	**NFCs subject to NFRD disclosure obligations**	**2.40**	**2.05**	**0.00**	**0.25**	**1.57**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**2.40**	**2.05**	**0.00**	**0.25**	**1.57**	**2.89**
27	Loans and advances	2.40	2.05	0.00	0.25	1.57	0.00	0.00	0.00	0.00	0.00	2.40	2.05	0.00	0.25	1.57	2.87
28	Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03
29	Equity instruments	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00
30	**Households**	**9.01**	**0.04**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**9.01**	**0.04**	**0.00**	**0.00**	**0.00**	**9.05**
31	of which other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.93
32	of which loans collateralised by residential immovable property	9.01	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.01	0.04	0.00	0.00	0.00	5.12
33	of which building renovation loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
34	of which motor vehicle loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
35	**Local government financing**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

4.b GAR KPI flow ¥ CAPEX (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
31/12/2023		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM+CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total new assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
% (compared to flow of total eligible assets)				Of which specia-lised lending	Of which transi-tional	Of which enabling			Of which specia-lised lending	Of which transi-tional	Of which enabling			Of which specia-lised lending	Of which transi-tional	Of which enabling	
36	House financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
37	Other local government financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
38	Collateral obtained by taking	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
49	**Total GAR assets**	**11.59**	**2.13**	**0.00**	**0.26**	**1.60**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**11.59**	**2.13**	**0.00**	**0.26**	**1.60**	**12.06**

2) Common disclosures applicable to all financial and non-financial undertakings

Credit institutions shall disclose the information referred to in Article 8(6) and (7) of Regulation (EU) 2020/852 as set out in Annex XII of this Regulation.

The information shall be presented in table format, using the tables set out in Annex XII to this Regulation as follows.

Template 1: Nuclear and fossil gas related activities (GAR Stock and GAR Flow)

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

VIII. Annexes (cont.) Taxonomy Reporting (cont.)

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)	23,52 %
Exposures to Taxonomy non-eligible economic activities / total assets (2021/2178/EU, Article 10 (3) a)	23,36 %
Exposures to undertakings that are not obliged to push non-financial information / total assets(2021/2178/EU, Article 10 (3) c)	20,45 %

Data in million HUF (31st December 2023)

Total assets	3 315 812
Exposures to central governments, central banks and supranational issuers	1 310 351
Derivatives	84 819
Trading book	81 689
On-demand interbanks loans	21 901

Indicators

Exposures to central governments, central banks and supranational issuers / total assets	39,5%
Derivatives / total assets	2,6%
Trading book / total assets	2,5%
On-demand interbanks loans / total assets	0,7%

VIII. Annexes (cont.)

7. GRI Index

Declaration	**The CIB Group's report for the period between 1 January and 31 December 2023 has been prepared in accordance with the GRI standard.**
GRI 1 applied	**GRI 1: Fundation 2021**
GRI Sector Standard applied	**Not applicable**

Disclosure	**Brief description**	**Page number**	**UN Global compact**	**SDG**
GRI 2 - General presentation 2021				
2-1	Organizational details	Page 6		
2-2	Entities included in the organisation's sustainability reporting	Page 5		
2-3	Reporting period, frequency and contact point	Page 4, yearly		
2-4	Restatements of information	Marked at the relevant information.		
2-5	External assurance	No external assurance		
2-6	Activities, value chain, and other business relationships	Page 6, 7, 46-47		1,8,9, 12,17
2-7	Employees	Page 6, 50-56	Principle 6	8
2-8	Workers who are not employees	Page 51		8,10, 12,17
2-9	Governance structure and composition	Pages 17-20		6, 16
2-10	Nomination and selection of members of the highest governance body	Annual Report XIV Corporate Governance Statement, page 12		
2-11	Chair of the highest governance body	Page 17		16.
2-12	The role of the highest governance body in overseeing the management of impacts	Reason for omission: Information not available ¥ Under review and development Page20		
2-13	Delegation of responsibility for managing impacts	Page 17-18		
2-14	The role of the highest governance body in sustainability reporting	Page 12, 13, 20, 22		
2-15	Conflict of interest	Pages 24-26, 44		
2-16	Communication on critical concerns	Page 20		
2-17	Collective knowledge of the highest governance body	Page 20		
2-18	Evaluation of the performance of the highest governance body	Reason for omission: Information not available - under development		
2-19	Remuneration policies	Business and Management Report, pages 12		
2-20	Process to determine remuneration	Annual report XII Employment policy, page 11		
2-21	Annual total compensation ratio	Reason for omission: Confidentiality constraints ¥ The aggregate data is commercially sensitive information, not reported publicly		
2-22	Statement on sustainable development strategy	Page 3-4		
2-23	Policy commitments	Pages 8-9, 75, 68-70.	Principle 10	16.

VIII. Annexes (cont.) GRI (cont.)

Declaration	**The CIB Group's report for the period between 1 January and 31 December 2023 has been prepared in accordance with the GRI standard.**			
GRI 1 applied	**GRI 1: Fundation 2021**			
GRI Sector Standard applied	**Not applicable**			
Disclosure	**Brief description**	**Page number**	**UN Global compact**	**SDG**
2-24	Embedding policy commitments	At the beginning of each chapter		
2-25	Processes to remediate negative impacts	Page 21		1,2,3, 5,7,8, 9,10,11,12,13,15,16,17
2-26	Mechanisms for seeking advice and raising concerns	Page 20, 21	Principle 10	16,17
2-27	Compliance with laws and regulations	Pages 22-26		
2-28	Membership associations	Page 9		
2-29	Approach to stakeholder engagement	Pages 10-11		
2-30	Collective bargaining agreements	Page 71-72	Principle 3	8,16
GRI 3: Material topics 2021				
3-1	Process to determine material topics	Pages 10-16		
3-2	List of material topics	Page 5, 12, 13-16		
3-3	Management of material topics	At the beginning of the chapter relevant to the material topic.		

Material topics

Disclosure	**Brief description**	**Page number**	**UN Global compact**	**SDG**
Group value and solidity		Direct impact on external stakeholder: Customers		
GRI 3: Material topics 2021				
3-3	Management of material topics	Page 7, 3-4		1, 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 76-85	Principle 7	13
GRI 205: Anti-corruption 2016				
205-2	Communication and training about anti-corruption policies and procedures	Page 25-27	Principle 10	16.
Innovation, digital transition and cybersecurity		Direct impact on external stakeholder: Customers		
GRI 3: Material topics 2021				
3-3	Management of material topics	Page 30, 34, 36-41		9, 12
	Percentage of CIB customers using digital services	Page 30, 36-41		9, 12
	Digital sales rates	Pages 36-41		9, 12
Transition to a sustainable, green and circular economy		Direct impact on external stakeholder: Customers, Owner, Society		
GRI 3: Material topics 2021				
3-3	Management of material topics	Page 60-61, 73, 76-85	Principle 7, 8, 9	1,7,8,10,13

VIII. Annexes (cont.) GRI (cont.)

Employment protection		Direct impact on external stakeholder: Customers		
GRI 3: Material topics 2021				
3-3	Management of material topics	Pages 48-49		1,8
GRI 2: General presentation 2021				
2-7	Employees	Page 6, 50	Principle 6	8.
GRI 401: Employment 2016				
401-1	New employee hires and employee turnover	Page 51-53	Principle 6	5, 8
Access to credit and financial inclusion		Direct impact on external stakeholder: Customers		
GRI 3: Material topics 2021				
3-3	Management of material topics	Page 29-30, 42-43		1,3,4, 5, 8, 9, 10, 11
	Initiatives to improve access to financial services for disadvantaged people	Page 42-43		4, 5, 8, 9, 10, 11
	Initiatives to enhance financial literacy by type of beneficiary	Page 43		4, 5, 8, 9, 10, 11
Quality of service and customer satisfaction		Direct impact on external stakeholder: Customers		
GRI 3: Material topics 2021				
3-3	Management of material topics	Pages 29-30, 31-35		3,8,9
	Business line portfolios	Page 30-35		8, 9
Integrity in corporate conduct		Direct impact on external stakeholder: Customers		
GRI 3: Material topics 2021				
3-3	Management of material topics	Pages 25-28		8,12,16, 17.
GRI 205: Anti-corruption 2016				
205-1	Operations assessed for risks related to corruption	Page 21, 25-26	Principle 10	16.
205-2	Communication and training about anti-corruption policies and procedures	Pages 25-28	Principle 10	16.
205-3	Confirmed incidents of corruption and actions taken	Page 27	Principle 10	16.
GRI 418: Customer Privacy 2016				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 26, 28, 33-34		16.
Retention, enhancement, diversity and inclusion		Direct impact on external stakeholder: Customers		
GRI 3: Material topics 2021				
3-3	Management of material topics	Pages 48-49, 52		
GRI 202: Market presence 2016				
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Page 53	Principle 6	1,2,5,8,10
GRI 401: Employment 2016				
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 54		
GRI 404: Training and education 2016				
404-1	Average hours of training per year per employee	Page 55	Principle 6	5,8,10
404-2	Programs for upgrading employee skills and transition assistance programs	Pages 54-56		5,8,10,17
404-3	Percentage of employees receiving regular performance and career development reviews	Page 54		

VIII. Annexes (cont.) GRI (cont.)

Retention, enhancement, diversity and inclusion (cont.)		Direct impact on external stakeholder: Customers		
GRI 405: Diversity and equal opportunity 2016				
405-1	Diversity of government bodies and employees	Page 49, 50, 52, 56	Principle 6	5,8,10
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 51, 70-72	Principle 6	
Well-being, health and safety of the Group's employees		Direct impact on external stakeholder: Customers		
GRI 3: Material topics 2021				
3-3	Management of material topics	Page 49, 57-59		3,8
GRI 403: Occupational health and safety 2018				
403-5	Worker training on occupational health and safety	Page 59		3,8
403-9	Work-related injuries	Page 59		3,8
Direct environmental impacts		Direct impact on external stakeholder: Nature, Society		
GRI 3: Material topics 2021				
3-3	Management of material topics	Page 65-67	Principle 7, 8, 9	3,7,12,13, 15
GRI 301: Materials 2016				
301-1	Materials used by weight or volume	Page 67	Principle 7, 8	12, 13
GRI 302: Energy 2016				
302-1	Energy consumption within the organisation	Page 66	Principle 7, 8	12
302-4	Reducing of energy consumption	Page 66	Principle 8, 9	7, 11,13
GRI 303: Water and Effluents 2018				
303-3	Water withdrawal	Page 67	Principle 7, 8	
GRI 305: Emissions 2016				
305-1	Direct (Scope 1) GHG emissions	Page 66	Principle 7, 8	7,12,13
305-2	Energy indirect (Scope 2) GHG emissions	Page 66	Principle 7, 8	7,12,13
305-5	Reduction of GHG emissions	Page 66	Principle 8, 9	7,12,13
Community support		Direct impact on external stakeholder: Local community		
GRI 3: Material topics 2021				
3-3	Management of material topics	Page 29-30, 44-45		1, 2, 3, 4, 11
GRI 413: Local communities 2016				
413-1	Operations with local community engagement, impact assessments, and development programs	Page 44-45		1, 2, 3, 4, 11