

# Business Report

for

the Financial Statements of Erste Bank Hungary Zrt.

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

Concerning Year 2020

**Budapest, 9 April 2021**

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Budapest Metropolitan Court

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The Financial Statements and Business Report for 2020 of Erste Bank ("Erste Bank") contains primarily a summary of its banking activities, supplemented with the information that affected Erste Bank's operation for the purposes of the evaluation of its business operation

## Table of Contents

Business environment, objectives and strategy of Erste Bank .....	3
Change in form of operation of the Bank .....	4
Product range, cooperation agreements, strategic alliances .....	4
Main resources and risks, and the related changes and uncertainties .....	4
Financial data .....	6
Quantitative and qualitative performance indicators and markers for the processes .....	7
Employment policy .....	7
Description of business premises .....	8
Education policy .....	8
Corporate Social Responsibility .....	8
Erste Bank's energy Management .....	12
Events after the balance sheet date .....	14
Annex No. 1: List of branches .....	15
Annex No. 2: Non-financial statement .....	18

## BUSINESS ENVIRONMENT, OBJECTIVES AND STRATEGY OF ERSTE BANK

Coronavirus crisis has resulted in a GDP contraction of 5.1% in 2020. The second quarter was most impacted due to substantial preventive and lockdown measures impacting the economy and thus resulting in a -13.4% quarterly GDP data. The third and fourth quarter of the year, however - despite still producing negative figures - showed a positive surprise against analyst consensus. This is attributable to the industrial production's resilience in the second wave of the pandemic.

Unemployment rate increased last year, but to a lesser extent than anticipated: the unemployment rate in 2020 increased only moderately, to 4.3% from 3.3% in 2019.

In December 2020, consumer prices were 2.7% higher on average than a year before. The annual average CPI in 2020 was 3.3%. The main contributor to inflation was food (7.2% y/y increase), alcoholic beverages and tobacco (6.9% y/y). Prices of services also increased, by 2.9% y/y in 2020.

The National Bank of Hungary (NBH) have significantly changed the monetary policy toolkit in 2020. In September, the 1-week depo rate was increased to 0.75%, while the policy rate remained unchanged at 0.6%. The central bank would react to changes in risk assessment via the 1-week depo rate, if the changes posed upside risks to inflation. NBH have been emphasizing their commitment to maintaining price stability even in the Coronavirus pandemic. Considering the expected volatile inflation rates and sensitivity of the forint to changes of global risk assessment, this cautious approach is justified. Despite a relatively strict interest rate environment at the short end of the curve, NBH will maintain their accommodative stance via their corporate lending and substantial bond purchase programmes.

The economy is set to expand by 5.5% annually this year. The restrictive measures announced in November 2020 have been prolonged, keeping uncertainty related to recovery at a high level. After the weaker performance expected for the first quarter, a strong economic rebound is anticipated from the second quarter, however, this is conditional to the progress of mass vaccination. The planned state investments would have a decisive role in the expected rebound.

The banking sector's profits decreased by 45% reaching 305 billion forint in the first three quarters of 2020 mainly due to the increasing risk cost. Although the payment moratoria started in March 2020 would temporarily hide the financial effects of the pandemic, in this period a risk cost of 264 billion forint was booked, while non-performing loan portfolio decreased by 0.7%. Partly due to the payment moratoria the banking sector's income increased by 10%, while costs increased by 9%. In the first three quarters of 2020 the retail loan portfolio of the sector increased by 11%. This is attributable to the disbursement of baby expecting loans and the impact of payment moratoria. Although new disbursement of housing loans increased by 1% despite the effects of the pandemic, consumer lending decreased by 41% in the first three quarters of 2020. The highest participation rate in payment moratoria was recorded for personal loan, mortgage and overdraft products in June 2020.

Corporate loan portfolio increased by 11% in the first three quarters of 2020 mainly due to the disbursement of NBH's new Lending for Growth Program and the effects of payment moratoria. New disbursement of corporate loans increased by 8% in this period due to the introduction of MNB's new Lending for Growth Program.

The strategic goal of Erste Bank ('Bank') is to continue its operation as a major player in the Hungarian banking market with a well-balanced retail/corporate business, a reinforced risk management, efficient operations and a continuously improving service quality. The Bank has a strategic objective of becoming the most likeable bank of the market with #1 position in customer experience index (CXI). Erste Bank and its subsidiaries ('Erste Hungary') provides a wide range of financial products and services to its customers throughout their whole financial life cycle: deposits, investments products, loans, advisory services and leasing products. The Bank strengthened its position as a leading retail lending institution, with the acquisition of Citibank's retail business line in 2017, as well as with the acquisition of the portfolio of Aegon's Building Society in 2019. In order to keep its market position, the bank offers tailored financial services through its simplified and segment-based product portfolio, and targets to expand its existing customer base with the improvement of service quality and innovative banking solutions. Apart from its core banking activities, Erste Hungary plays an important role in markets with significant growth potential such as investments and savings.

## Change in form of operation of the Bank

The Bank's form of operation and ownership structure did not change during the business year of 2020. The change in the corporate form of Erste Bank to private limited company (Zrt.) was registered by the Court of Registration as of 3 January 2011. The full name of the Bank is Erste Bank Hungary Zártkörűen Működő Részvénytársaság.

The ownership structure of the Bank is the following:

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

## PRODUCT RANGE, COOPERATION AGREEMENTS, STRATEGIC ALLIANCES

In this challenging environment Erste Bank focuses on its customers to offer them safe and high quality services in retail and corporate segment. The strategic goal of Erste Bank is to operate as one of the leading banks in Hungary. As a universal bank we put a great emphasis on both retail and corporate segment. The bank aims to further strengthen both retail and corporate segments, while improve its risk management, efficiency and the quality of its services. Erste Bank offers wide range of financial services to its customers during their lifetime: deposit, investments, loans, financial consulting and leasing is among the bank's products.

As a universal bank Erste Bank offers wide range of financial solutions and services to its retail customers. The loan processes are continually improved with special attention on digital channels to support growth. Due to the economic recession and social distancing during the pandemic, loan disbursement slowed down, but did not stop. In retail segment we are focusing on unsecured and secured loans. Erste Bank was among the first who introduced baby expecting loan in 2019. Due to this move Erste Bank is among the top players in this product.

The bank offers full range of product offer in the corporate segment, while expecting the highest increase in the SME segment, where we are focusing on the transactional service improvement and a country wide presence. Besides that the bank pays special attention to the agricultural financing in its corporate strategy. Beyond loans the bank offers transactional services and other financial solutions to its corporate customers. The bank actively participating in the MNB's Loans for Growth Program to support the Hungarian companies and economy. This program was introduces as an answer to the pandemic.

Erste Bank focuses on improving its digital channels and offer innovative solutions to its customers. The relevance of these developments are increased during the pandemic. High rate of our customers used our digital channels during the pandemic to minimize personal contacts. Due to the pandemic the bank speed up its digital development efforts to increase the service quality. However the modernization of branches did not stop, because we still believe in personal service.

To remain a leading bank in Hungary Erste Bank offers wide range of financial services beyond its core operation in cooperation with its subsidiaries: Building Society, investments and pension savings services are available for our customers.

Risk management remained a core focus of Erste Bank which ensures responsible lending.

## MAIN RESOURCES AND RISKS, AND THE RELATED CHANGES AND UNCERTAINTIES

Erste Bank uses a simulation procedure, one of the more advanced methodology solutions, to measure the interest rate risk of its banking book, as that method takes into account both traditionally applied approaches, i.e., the net interest-income simulation (income perspective) and the cash flow assessment, i.e., the economic value simulation (economic perspective). The highest-level strategic decisions on asset-liability management and, more specifically, interest rate risk management, are made by the Asset-Liability Committee (ALCO). In accordance with its responsibilities, the Committee regularly reviews the interest rate risk situation of the Bank and the development of its positions. In addition to monitoring the position, the Committee

also has the right to evaluate and rate the Bank's interest rate risk position. Its competence includes the approval and modification of applicable internal regulations, with special regard to the modification of effective limits, assumptions, procedures and methods. Other organizational units involved in interest rate risk management are: (1) Liquidity and Market Risk Management, which quantifies the changes of the risk exposures of the Erste Bank, identifies the reasons and supports the decision-making considering the limit compliance (2) Asset-Liability Management (ALM), which prepares final decisions and supports the activities of ALCO, (3) Capital Markets, which performs the operational implementation of the strategic decisions of ALCO and the market transactions of ALM. Erste Bank's management receives regular reports on the banking book interest rate risk variation. Those reports enable the management:

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

#### *Liquidity risk management*

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

#### *Interest rate risk management*

Erste Bank applies two analytical methods to quantify interest rate risk: a) the net interest income method, and b) the simulation of the economic value of total equity.

All types of risk indicators suggested a low to medium interest rate risk exposure during 2020; both the external and the internal limits were met during the year.

#### *Sensitivity of the economic value of the total equity:*

It is expressed as the absolute sum total of the variation of the economic capital value by currency, occurring as a result of the six stress scenarios defined by the European Banking Authority, compared to the capital amount calculated with an unchanged interest rate scenario.

The economic value of equity is estimated as a difference between the net present value of all the future cash inflows (assets) and outflows (liabilities) derived from the current balance sheet. The EVE calculation excludes the credit spread from both the cash flow and discount factor calculation.

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

It is expressed as the variation of the 1-year net interest income by currency, occurring as a result of the EBA scenarios compared to the net interest income calculated with an unchanged interest rate scenario.

<i>Table No. 1</i>	<b>2019.12.31</b>	<b>2020.12.31</b>
Sensitivity of the market value of the total equity	5.72%	4.69%
Sensitivity of the economic value of the total equity	4.73%	4.80%
Sensitivity of the net interest income, simulated for 12 months*	8.06%	7.23%

\* Sensitivity of the net interest income, simulated for 12 months, scenarios defined by EBA were applied

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

The interest-bearing items, denominated in USD and EUR, are dominated by deals priced within one year, i.e. those statement of financial position components carry generally low repricing risks.

*Table No.2*

in HUF million	0-3 months	3-6 months	6-12 months	over 1 year
<b>As of 31 December 2020</b>				
Repricing gap in HUF positions	- 1 325 447	5 743	124 166	1 052 496
Repricing gap in EUR positions	- 253 012	72 722	19 680	93 813
Repricing gap in USD positions	- 114 824	1 036	3 544	7 630
Repricing gap in CHF positions	- 5 904	231	8 417	158

## FINANCIAL DATA

Erste Bank's Total assets reached 3,621 billion forint by the year end, which corresponds to a 26.5% year-on-year growth. Erste Bank reported 18.9 billion forint after tax profit, significantly reduced by payment moratorium related modification loss bookings and COVID related risk cost bookings.

The structure of Erste Bank's asset portfolio is in line with the end of 2019. The net volume of Loans to customers significantly increased - mainly as a result of growing baby loans, NHP Go program and payment moratorium. The total increase was 175 billion forint, driven mainly by Retail portfolio increase (143 billion forint, 17.4%) due to higher mortgage and baby loan new disbursements largely offsetting lower personal loan and lombard loan new disbursements. However, corporate volumes could grow only slightly by 5%, as new disbursements in Real Estate and Public Sector segments were significantly lower YoY.

The portfolio of held to maturity investments grew significantly, approximately by 181 billion forint, however their share within the balance sheet total remained on previous year's level (26%). Loans to credit institutions significantly increased by 215 billion forint, with their share within Total assets reaching 9%. At the same time Cash and cash equivalents at central bank increased together and their share within Total assets reached 5%.

The deposit portfolio structure within liability side changed compared to the last year. Deposits from credit institutions increased by 202 billion forint since the preceding year fueled also by the refinancing loans under the NHP Go program. The share of Amounts owed to credit institutions within the balance sheet total increased from the previous year's 13% to 16%.

Customer deposits grew significantly by 524 billion forint in 2020, but their share within the total balance sheet remained at 70%. Boost in customer deposit base was triggered by higher current account volumes (lower spending in the pandemic). Erste Bank has an 8.7% market share regarding retail deposits, which corresponds to a 32 bps rise compared to last year. Both the market share of sight deposits (+9 bps) and of term deposits (+59 bps) slightly increased.

Despite the pandemic, Erste Bank's Operating income increased considerably by 4,4 billion forint, while Operating expenses increased compared to the previous year by 4.2 billion forint, resulting in a 69.7 billion forint (+0.3% growth compared to 2019) Operating result at the end of 2020.

Regarding the elements of Operating income, Net interest income was up by 8.6% (6.1 billion forint) compared to previous year. Net interest income increase is partially offset by -4.2 billion forint moratorium related modification loss booked into net interest income in 2020. Without this year-on-year net interest income increase would reach +14.5%.

Both of the interest income (by 8.9 billion forint) and the interest expense (by 2.8 billion forint) increased in 2020.

Income side was boosted by the interest income earned on customer loans due to significant volume increase. Moreover interest income earned on securities grew thanks to additional liquidity from customer deposits. The pandemic-driven moratorium related modification loss (-4.2 billion forint) decreased interest income.

Increasing interest expense is driven by interbank and CI deposits, which increased on a year on year basis.

The Net fee and commission income of the Bank remained on the previous year's level (51.3 billion forint), and is only slightly lower by 40 million forint (-0.08%) than at the end of 2019. The decrease is induced by slightly lower income (-211 million forint) only partially offset by lower expenses (+170 million forint). Lower payment related fees in 2020 driven by the pandemic were counterbalanced by significantly higher investment related fees.

Net trading income decreased by 1.8 billion forint compared to the previous year.

Gains/losses from financial instruments measured at fair value through Profit and Loss decreased driven by the movement of long-term yields.

Operating expenses amounted to 67.5 billion forint in 2020 and by 6.6% higher than in the previous year.

Higher Operating expenses are only partly caused by the increase in Personnel related expenses, due to lower salary and headcount increase.

Other administrative expenses increased by 11.3% and reached 24.8 billion forint, mainly due to higher IT costs and increase in MNB supervisory fee. IT cost increase is driven by significant IT investments (Instant payments, PSD2) as well as EUR FX rate increase affecting the Euro based settlement typical for IT.

Depreciation exceeded 12.8 billion forint and increased by 13.0% compared to the previous year as a result of the two IT projects mentioned above.

Cost-income ratio increased from 47.7% (Q4 2019) to 49.2% (Q4 2020) primarily driven by higher operating expenses.

Other operating result was worse compared to the previous year due to higher banking tax and higher contributions to Recovery and Resolution Fund. Besides that, selling gains on sold AfS securities are also lower compared to previous year.

Risk provision for loans and off-balance exposures (-27.3 billion forint) decreased by 33.3 billion forint in 2020 compared to the previous year due to COVID related risk cost bookings and modification loss booked on the risk cost line in the amount of -3.6 billion forint.

## QUANTITATIVE AND QUALITATIVE PERFORMANCE INDICATORS AND MARKERS FOR THE PROCESSES

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

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

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

## EMPLOYMENT POLICY

2020 year-end headcount (2,995) was 38,5 employees higher compared to 2019 (2,956.5) in Erste Bank, projected to 8-hour employment, primarily due to new hires in IT development area - in line with the long-term strategy of Erste Bank supporting its development and improvement.

The average age of our employees is 39,7 years, the average length of their employment is 7 years, 63% women and 37% men.

During 2020 Erste Bank provided an opportunity for 85 trainees within the framework of a trainee programme to get an inside view of Erste Bank's operation and to acquire work experience.

Due to the pandemic situation in Hungary in 2020, Erste Bank from the mid of March 2020 ordered Home Office work in all Home Office capable jobs, 90% of its HQ employees were working from home and also introduced special measures in the front office areas, in line with governmental actions. According to the regular pulse surveys, employees and managers both stated that they haven't experienced drop in effectiveness or productivity, stayed well organized and the employee engagement also increased by 9% points in 2020.

## DESCRIPTION OF BUSINESS PREMISES

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

## EDUCATION POLICY

Despite the very special circumstances due to the pandemic situation in 2020, Erste Bank continued all the relevant training activities in line with our development plan. We continued with our mentoring program and also organized several Tudás Akadémia – reflecting to the pandemic situation.

We have continued both our soft skill and English language development in online format: more than 30 soft skill and IT courses were available. We also offered courses to our colleagues to support them in the new, remote working situation, like remote meetings, resilience,

We started new leadership development programs – also in online format – where we were already focusing on our planned new ways of working and how to manage hybrid teams.

Our 11 value of Erste Bank is the base both of our development activities and all other activities. We consciously build them in the training processes.

We also organized online offsites, to support our teams and colleagues – who haven't met since March – to keep their team spirit and be able to spend some time together.

Within retail we have continued the intensive education of our newcomers and also put focus to the development of our sales trainers to ensure the highest quality support for our front line colleagues.

In IT in 2020 we focused to build and widen our professional competences and we have continued the IT Academy which included courses and workshops from IT world available to all employees of the bank.

Similar to IT the Risk division has also organized Risk Academy with the same approach and details as IT Academy.

## CORPORATE SOCIAL RESPONSIBILITY

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

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

New Social Banking and CSR website developed in 2020:

<https://www.erstebank.hu/hu/ebh-nyito/bankunkrol/vallalati-tarsadalmi-felelossegevallalas>

### Social Banking

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

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

Beyond financial tools, Social Banking developed special value propositions for given underprivileged people.



Financial Literacy program for 2000+ youngsters coping with poverty, discrimination or mental disability. 7 civil partners provided edutainment-type of trainings to the target groups based on Social Banking inputs.

Social Housing program addressed housing poverty and people in living needs. By the help of Utcáról Lakásba Egyesület and Habitat for Humanity, 26 families, 123 people live in better conditions by end of 2020, having hope for a better life. The program continues and develops new elements.

### ERSTE Foundation in Hungary

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

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

In cooperation with Erste Stiftung, Erste Bank together with IFUA Nonprofit Partner and SIMPACT Nonprofit Partner initiated its civil education programme called SEEDS, already in 3 rounds. SEEDS1 invited 68 applicants and 10 received an additional grant. In 2019, SEEDS2 continued with tailor-made consultancy services and provided again 10 grants and 3 financings in order to accelerate social impact in several areas. Due to the high demand, in 2020, SEEDS3 provided again tailor-made consultancies and thematic workshops (cashflow planning, HR development of the organization) to support social entities to become investment ready. SEEDS3 closing is due by April 2021.

Erste Stiftung, in cooperation with Group Social Banking Development, developed a value proposition (interest refund) for nonprofit clients with regards of Covid impact. In Hungary 7 clients benefited from the offer via local Social Banking.



**ERSTE Stiftung**

Further information: <http://www.erstestiftung.org/>  
<https://www.erstebank.hu/hu/ebh-nyito/bankunkrol/vallalati-tarsadalmi-feelossegvallalas/kozossegi-szerepvallalas/a-seeds-program>

### +1 Act – Community teamwork



### + 1Tett (+1Act) programme

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

The goal of the +1Tett program is to give more space to community-building, bottom-up initiatives. Since 2018, with the help of Social Banking, we encourage our colleagues to find their beneficiaries from an offer-list which consists civil organizations or communities. Applications for community work are financially supported by EBH in order to maximize impact that employees provide.

Since the beginning, 2000 colleagues participated in voluntary work and 94 projects were implemented. In 2020, due to pandemic, volunteer works could not happen in person; yet the Bank decided to offer the financial support to the 24 beneficiaries in order to help them maintaining their original services.

### CSR in 2020 Pandemic

Erste Bank always aims to give support where the need occurs. In 2020, pandemic deeply affected not only individuals, but organizations, NGOs, micro enterprises as well. At the beginning of the pandemic, EBH financially supported 3 different smaller social enterprises to produce masks by their underprivileged beneficiaries. These masks were transferred to social homes, elderly homes and social workers. Social Banking supported a survey in cooperation with SIMPACT nonprofit Ltd,

focusing on covid impact on nonprofit sector and related policy change needs. Financial support was provided to several umbrella organizations who helped people – in growing need: Centre of Single Parents (support for food and cleaning tools), Budapest Bike Maffia (providing food for homeless people), House of Parents (summer camp for orphans).

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

## **Additional cooperation projects**

### [Help for those fighting the virus](#)

During the #wearewithyou campaign, our bank set aside 50.000.000 forint to help those who are in the forefront of fighting the spread and effects of the virus: healthcare workers, healthcare institutions and social organizations, and socially responsible business.

Our goal was to improve the life-saving and patient care facilities of hospitals and to support non-governmental organizations providing social care.

### [Hungarian Ice Hockey Federation](#)

For three years, since September 2017, Erste Bank has sponsored the adult men's first-class Hungarian Hockey Championship, the Erste Hungarian League, and from 2018 to 2020 became the main sponsor of the Hungarian Adult Men's Hockey Team.

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

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

### [Supporting the National Financial Awareness Competition and Student Forum](#)

We seriously believe that the way to a happier, prosperous future is through the development of financial culture and financial awareness. That is why it is important for us to support initiatives such as the National Financial Awareness Competition and Student Forum, which offers students of vocational high schools, technical schools essential financial knowledge, and valuable prizes.

### [Christmas charity fairs](#)

In cooperation of Social Banking, EBH organized an online Christmas Advent calendar where promoted 20 civil organizations producing handmade products; both employees and clients could buy products therefore support the organization and their beneficiaries (orphans, underprivileged people, disabled people). In addition, Social Banking organized 4 rounds of „advent voting” where employees could vote for 4 NGOs in 4 weeks (out of the offered 12) who received donation from the Bank. These NGOs support homeless people, disabled people, kids in hospital and single parents.

### [Erste Green](#)

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

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

Green education becomes more and more important. Erste Green started a Facebook channel for environmentally conscious colleagues to share thoughts on green-related topics, news, articles and debates. It also organized an online lecture about household eco-tips and encouraged top management to share their own Green stories to set example.

Recobin, EBH's official partner in garbage recycling provided the Bank's headquarter with cap collectors.



### Erste Women

Erste Women represents an important role in Erste Diversity actions. In the pandemics, members of the volunteer team remained active and organized online events focusing on Girls in science, Men around women, life saving and women harassment. Erste Women actively arranged 2 charity campaigns (#nemluxustaska – collection of woman bags filled with sanitary and healthcare stuff for underprivileged women, Santa chocolate for underprivileged kids) where the participation rate from the colleagues from home office was higher than ever.

The successful Roadshow with Maternity Leavers (originally initiated by Erste Women) continued by 2 occasions, the summer camp organization was as well managed in cooperation with HR and Erste Women.

In cooperation of Erste Women and HR, Erste Bank won the prize of „Family friendly workplace” from 3Királyfi3Királylány Association. The prize is well deserved and valid for 1 year.

They maintain active cooperation with Social Banking and HR; in their 2021 plans they focus on the existing themes and open the door for all employees to participate.



### Customers with disability

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

From 2020, Head of Social Banking Hungary is appointed to be the Diversity Officer.

Erste Bank continues to dismantle accessibility obstacles at retail branches in order to facilitate for customers living with disabilities and confined to wheelchairs to manage their banking matters as conveniently as possible. As a result of the program, the bank has modified 80 out of its 117-unit branch network in Hungary to date to make them disabled-friendly by ensuring full access to the entrances and creating larger spaces inside the branches for easier maneuvering in the customer area. Going forward, all bank branch investments will be implemented with ease of access in mind unless physical or other obstacles arise. To help this, EBH contracted a professional auditor which mapped 9 branches from accessibility point of view. This helped EBH to set up new actions around branch investments: 50 branches are equipped by tools and trained to support disabled with hearing, the mapping of tactile lines (helping impaired) has been started. As a test, 6 branches were mapped by a service provider from an accessibility point of view (how to get there on the streets the easiest way). In 2021, a new contract is prepared to set up online sign-language translation in the branch network, HR prepares a sensitization elearning for all employees about disability.

## ERSTE BANK'S ENERGY MANAGEMENT

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

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



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

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

We bought 8,000 MWh of green electricity every year from 2016, which not only helped us to directly reduce our CO<sub>2</sub> emissions, but with our purchase, we also indirectly facilitated the spread of innovative systems generating renewable energies. We are committed to continuing this activity. We are therefore planning to buy another 8000 MWh of green electricity in 2021 for the operation of our banking network.

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

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

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

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

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

In order to reduce the direct adverse environmental impact of transport, the size of our vehicle fleet is continuously determined based on current needs, through the exchange and procurement of modern vehicles with energy-efficient engines. Special attention is paid to the regular monitoring of emissions and fuel consumption, while our colleagues receive driver trainings focusing on ECO-Drive techniques using the ILearning system. In Headquarter 4 stations was built suitable for charging electric cars in the parking lot.

Erste Bank provides space for the storage of more than 180 bicycles in its head office buildings for colleagues travelling to work by bike, thereby promoting health and environmentally friendly transportation. We installed 6 charging stations for e-bikes and scooters in the bicycle storage room, which will increase the sensitivity of employees within the bank to e-Mobility.

## EVENTS AFTER THE BALANCE SHEET DATE

There is no event to disclose.

Budapest, 9 April 2021



Radován Jelasity  
Chairman and Chief Executive Officer



Ivan Vondra  
Chief Financial Officer

**ANNEX NO. 1: LIST OF BRANCHES**

Branch
1138 Budapest, Népfürdő utca 24-26.
1222 Budapest, Nagytétényi út 37-43.
1203 Budapest, Kossuth Lajos u 21-29.
1073 Budapest, Erzsébet krt 8.
1106 Budapest, Őrs vezér tere 25.
1033 Budapest, Flórián tér 3.
1102 Budapest, Kőrösi Csoma sétány 9/B
1143 Budapest, Gizella u 59.
1193 Budapest, Kossuth tér 23-24.
1085 Budapest, József krt. 86.
1066 Budapest, Teréz krt. 24.
1032 Budapest, Bécsi út 154.
1021 Budapest, Hűvösvölgyi út 138.
1116 Budapest, Fehérvári út 130.
1082 Budapest, Baross u. 1-3.
1042 Budapest, Árpád út 68.
1134 Budapest, Váci út 33.
1211 Budapest, Kossuth Lajos utca 70-86.
1195 Budapest, Vak Bottyán út 75. a-c. ép.
1173 Budapest, Kaszáló utca 47.
1054 Budapest, Szabadság tér 14.
1152 Budapest, Szentmihályi út 137.
1111 Budapest, Egy József utca 2.
1052 Budapest, Bécsi utca 5
1087 Budapest, Kerepesi út 9.
1024 Budapest, Lövház utca 1-5. 3. ép.
1123 Budapest, Alkotás utca 53.
1114 Budapest, Bartók Béla út 47.
1062 Budapest, Váci út 1-3., Westend
1123 Budapest, Alkotás út 55-61.
6500 Baja, Vörösmarty u 5.
9300 Csorna, Szent István tér 29.
4032 Debrecen, Egyetem tér 1.
5700 Gyula, Városház u 16.
6900 Makó, Csanád vezér tér 5.
9400 Sopron, Előkapu u 2-4.

**9970 Szentgotthárd, Széchenyi u 2.**

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**8000 Székesfehérvár, Palotai u 4.**

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**8060 Mór, Köztársaság tér 1.**

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**8500 Pápa, Fő tér 25-26.**

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**6720 Szeged, Kölcsey u 13.**

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**2890 Tata, Országgyűlés tér 3.**

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**2000 Szentendre, Duna korzó 18.**

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**7200 Dombóvár, Hunyadi tér 19-21.**

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**3400 Mezőkövesd, Mátyás király út 129.**

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**7620 Pécs, Rákóczi u 62-64.**

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**3100 Salgótarján, Erzsébet tér 5.**

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**2800 Tatabánya, Fő tér 20. A. ép.**

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**7100 Szekszárd, Széchenyi u 40.**

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**6720 Szeged, Széchenyi tér 17.**

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**4024 Debrecen, Vár u 4.**

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**4080 Hajdúnánás, Dorogi u 10-14.**

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**5100 Jászberény, Szabadság tér 20.**

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**5300 Karcag, Kossuth tér 6.**

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**5000 Szolnok, Baross Gábor út 8.**

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**5200 Törökszentmiklós, Kossuth u 125.**

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**4625 Záhony, Ady E. u 27-31.**

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**3200 Gyöngyös, Mikszáth Kálmán u 4.**

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**3950 Sárospatak, Rákóczi u 40.**

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**2400 Dunaújváros, Dózsa György u 2/a**

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**8900 Zalaegerszeg, Ispotály köz 2.**

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**2040 Budaörs, Szabadság utca 27.**

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**5540 Szarvas, Szabadság u. 32.**

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**2600 Vác, Széchenyi u. 14.**

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**4600 Kisvárd, Szent László u. 26.**

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**9021 Győr, Árpád u. 42.**

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**9600 Sárvár, Batthyány u. 20.**

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**8100 Várpalota, Szent István út 7-9.**

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**2900 Komárom, Gyár u. 2-6.**

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**2100 Gödöllő, Szabadság tér 14.**

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**2030 Érd, Budai út 13.**

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**4220 Hajdúböszörmény, Szt. István tér 2.**

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**5600 Békéscsaba, Andrássy út 20.**

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**5900 Orosháza, Kossuth u. 2.**

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6400 Kiskunhalas, Bethlen G. tér 4.

2700 Cegléd, Népkör u. 2.

9700 Szombathely, Mártírok tere 12.

8400 Ajka, Szabadság tér 4/a

7700 Mohács, Szabadság út 16.

6800 Hódmezővásárhely, Andrássy út 2-4.

8200 Veszprém, Ádám I. utca 2.

2120 Dunakeszi, Fő utca 24.

2330 Dunaharaszti, Dózsa György út 27.

2440 Százhalombatta, Szent István tér 9.

4300 Nyírbátor, Szabadság tér 10.

3700 Kazincbarcika, Egressy utca 44.

2660 Balassagyarmat, Rákóczi fejedelem utca 34-36.

6100 Kiskunfélegyháza, Mártírok útja 1.

8420 Zirc, Rákóczi tér 16.

8600 Siófok, Fő utca 172.

4700 Mátészalka, Kölcsey utca 15.

3580 Tiszaújváros, Bethlen Gábor utca 5/b.

7030 Paks, Dózsa György út 64.

8800 Nagykanizsa, Fő utca 2.

6600 Szentes, Kossuth Lajos utca 12-16.

7400 Kaposvár, Fő utca 2.

9200 Mosonmagyaróvár, Fő utca 26.

3300 Eger, Dobó tér 1.

4024 Debrecen, Piac utca 32.

6300 Kalocsa, Szent István utca 37.

4400 Nyíregyháza, Országzászló tér 10.

2310 Szigetszentmiklós, Háros utca 120.

2500 Esztergom, Petőfi S. utca 2.

8360 Keszthely, Kossuth Lajos utca 11.

4400 Nyíregyháza, Nagy Imre tér 1.

4200 Hajdúszoboszló, Szilfákalja utca 4.

6000 Kecskemét, Kisfaludy utca 6

3530 Miskolc, Corvin utca 1-3.

3527 Miskolc, Bajcsy-Zsilinszky út 1.

## ANNEX NO. 2: NON-FINANCIAL STATEMENT

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

### Environmental protection

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

In 2016 Erste Bank implemented Energy management systems (ENIR), which is based on the standard requirements of MSZ EN ISO 50001:2012, which implementation was a legal obligation. After this Erste Bank started its Environmental management systems (KIR) on 5 June 2017 in accordance with MSZ EN ISO 14001:2015 standard. Both KIR and ENIR are inseparable parts of the currently existing Group regulations in force. These two internal regulations are the SZT540/2016 Energy Management Policy and the SZT460/2016 Environmental Management Policy has been merged in 2019. The new consolidated regulations are contained in SZT297 / 2019. The manuals of KIR and ENIR are obligatory and inseparable annexes of these. The surveillance of the operation of ISO systems are done by internal audit.

In 2020 compared to 2019 Erste Bank reached an 8.2% energy consumption decrease. This directly resulted in 397 566.2 kg CO2 emission reduction in 2020.

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

### Social and employment questions, respecting human rights

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

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

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

EBH's Managing Board continued to excel a diversity strategy for EBH for 2018-2019 which sets the focus and priorities of the diversity and inclusion endeavors of the organization. 2020, the year of Pandemic reinforced the importance of flexible and supportive way of doing business, HR and environmental actions.

**Work-life balance:** EBH encourages the spontaneous networking and organization of clubs of all kinds of employee resource groups. Near to the existing 19 clubs (employee resource groups) operating within EBH (organized around various lifestyles, hobbies, sport activity), several virtual clubs have been formulated in the new virtual world to connect people and give new hobbies to their everyday life.

Erste Care established in 2019 - including sabbatical leaves, extra vacation days, healthcare insurance or optional pension fund contribution – has been used actively by employees. Additional service like Mon-Fri phone center for mental support for employees was announced.

#### **Family friendly workplace, help everyday life of working parents:**

In pandemics, home office has been fully extended to the Bank, except for branch network. As flexible-smart working environment concept has been fully completed already in 2019, the transformation for 90% home office was implemented fastly in the spring of 2020. Working parents received several supports to manage their family and work-life such as additional holiday near to the requested one, or full home office for parents having kids under 14 combined with the mixed holiday-paid off days system.

Transfer bus-network was provided free of charge for all employees who asked for transportation (avoiding fertilization at public transportation and safe travel to the family)

**ErsteNő (ErsteWoman: employee resource group for women)** EBH keeps in touch with mothers on maternity leave: on FB social media channel, the number of followers reached 800+ who voted this channel as the main information forum about the bank. 2 roadshows for mothers was held virtually. In cooperation of HR & ErsteNő, EBH won a prize of a „Family friendly workplace” from the 3Prince&3Princess Association. Also ErsteNő organized 2 virtual workshops with regards of the topic of „fathers in pandemic” and „resilience in pandemics”.

**Generation diversity:** EBH grants 2 additional vacation days above the age of 50 and 4 additional days from the age of 55. This is on top of the annual vacation days according to the age set by law. Employees may select Voluntary Pension Plan and/or Voluntary Health Plan contribution from the annual fringe benefit (cafeteria) portfolio, the cost is covered by the employer. One of the Erste Care benefits is the health insurance coverage for each employee after 2 years of service which provides private medical services in most medical specialization. The program also has a non-risk element which covers annual medical check-ups as a health prevention element. After 8 years of service the health insurance coverage can be extended to another family member or a fixed amount of contribution can be selected to be transferred to the employee's Voluntary Pension Plan. Also as part of Erste care service period is rewarded by extra days off and longer service time (8 years and +) is rewarded by sabbatical leave.

EBH continued its in-house mentoring program where colleagues could be mentored by senior and mid-level managers across the organization. Despite the virtuality, 68 participated in this initiative in 2020.

**Women's equality** Erste Women represents an important role in Erste Diversity actions. In the pandemics, members of the volunteer team remained active and organized online events focusing on Girls in science, Men around women, life saving and women harassment. Erste Women actively arranged 2 charity campaigns (#nemluxustaska – collection of woman bags filled with sanitary and healthcare stuff for underprivileged women, Santa chocolate for underprivileged kids) where the participation rate from the colleagues from home office was higher than ever.

The successful Roadshow with Maternity Leavers (originally initiated by Erste Women) continued by 2 occasions, the summer camp organization was as well managed in cooperation with HR and Erste Women.

In cooperation of Erste Women and HR, Erste Bank won the prize of „Family friendly workplace” from 3Királyfi3Királylány Association. The prize is well deserved and valid for 1 year.

They maintain active cooperation with Social Banking and HR; in their 2021 plans they focus on the existing themes and open the door for all employees to participate.

HR organized a new training series for B-2&B-3 level women leaders, specifically about women leadership, career, resilience and self-confidence. Due to the success, the program will be presented in the 2021 training palette as well.

**Ethnic Diversity:** EBH employees have volunteered to act as mentors within the Integrom program, the aim of which is to help young –graduate and secondary educated.

**Disabled in the Workplace:** Cooperation with NGOs to employ disabled in the banks is continuous. The Diversity Policy offers several surveys and tools to renew and address the topic which will start in 2021 as part of the Group Diversity Program.

**Disabled clients - value propositions, enhance accessibility** – With the participation of the front office areas, consumer protection lawyers and Social Banking, we identified the areas of value propositions and product features to be offered to disabled clients and explored further opportunities for accessibility to existing services. Further information can be found at the CSR part of this report.

In 2020 EBH conducted a **Diversity Survey** amongst employees where both the main diversity elements and unconscious bias were questioned. Results and potential actions of the survey will be elaborated in 2021.

EBH and its diversity groups have organized **charity events and awareness building** during the year of 2020. ErsteNő partnered in charity events, ErsteGreen organized virtual events around food saving, environment protection, HO tips.

All social actions of EBH are communicated on Erste Bank's Facebook with high reach volumes.

In 2020 the company renewed signatory of the **Hungarian Diversity Charter**, the Hungarian version of the European Diversity Charter, by which it has reinforced its commitment to respecting equality, creating a diverse organisational culture and continuously developing employee relationships, partnerships with customers and the business environment to promote anti-discrimination and a long-term sustainable culture, which is in line with the values described in the Charter.

## Ethical banking, fight against corruption and blackmailing, anti-money laundering (AML) and combating the financing of terrorism (CFT)

Erste Bank pays close attention to fair and ethical operation, preventing corruption, AML, CFT and compliance with all legal requirements and norms. To support and supervise these functions, an independent organisational unit the **Compliance** operates at EBH and directly report to Board and also Supervisory Board on compliant banking operation.

To ensure Group-level compliance, EBH is supported by several Group Policies to ensure the highest level of legal compliance. Accordingly, EBH has the appropriate regulatory documentation to maintain its duties, of which the most important are its Compliance policy, Code of Ethics, Conflict of interest principles, Management of conflicts of interest, Internal credit policy, Whistleblowing policy, Money laundering and terrorist financing prevention policy, Anti-corruption policy, Sanctions and embargoes policy, Anti-fraud policy and Management of consequences policy.

While formulating the applicable compliance regulations in EBH, compliance with the legal requirements, recommendations of international professional organisations and of the National Bank of Hungary were a main focus.

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

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

In order to ensure an effective risk management system, Compliance regularly supervises its risk assessment methodology. Results of revision conducted in 2020 and former experiences are continuously implemented into the risk management program.

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

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

EBH operates an anonymous whistleblowing line to detect possible ethical and legal violations.

## Social banking

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

Social Banking provides products and services to the civil sector and their beneficiaries. Above that, Social Banking established bridge between the Bank and the civil network, by connecting services or goods.

Erste Bank developed and institutionalised the value proposition for civil sectors, by developing the most affordable civil account package and a special loan product offer, supported by a European Investment Fund (EIF) guarantee.

In cooperation with Erste Stiftung, Erste Bank together with IFUA Nonprofit Partner and SIMPACT Nonprofit Partner initiated its civil education programme called SEEDS, already in 3 rounds. SEEDS1 invited 68 applicants and 10 received an additional grant. In 2019, SEEDS2 continued with tailor-made consultancy services and provided again 10 grants and 3 financings in order to accelerate social impact in several areas. Due to the high demand, in 2020, SEEDS3 provides again tailor-made consultancies and thematic workshops to support social entities to become investment ready.

In 2019, financial literacy flagship program have been started by involvement of 6 civil organizations. Based on EBH's financial materials, they developed edutainment-type of trainings for underprivileged and handicapped audience in order to make them more comfortable with the money handling. The program reached nearly 2000 participants and is planned to expand.

The topic of Social Housing is a current one in all Europe. Lack of available social flats and low number of municipal flats raise the need of new initiatives and refreshment of policies. Social Banking have set up a cooperation with the 2 biggest NGOs in the topic and aims to make 160 people's living conditions better.

Social banking plays essential role in diversity actions of the Bank and offers its clients to serve different areas, for example: Recobin for garbage selection, Incorpora for underprivileged employment, Integrom for roma mentorship, psychologists for Erste Women trainings, clients for +1 Act or charity fairs.

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