

# Business Report

for

**the Separate Financial Statements of Erste Bank Hungary Zrt.**

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

**Concerning Year 2021**

**Budapest, 1 April 2022**

Company registration number:

Budapest Metropolitan Court

01-10-041054

The Financial Statements and Business Report for 2021 of Erste Bank ("Erste Bank") includes 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.

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## BUSINESS ENVIRONMENT, OBJECTIVES AND STRATEGY OF ERSTE BANK

The economy recovered successfully from the pandemic crisis in 2021 and might have grown by 6.8-7.0% annually. The output rose in every quarter, with the recovery slowing in third quarter however. This was mainly due to subdued performance of manufacturing industry that was burdened by global supply-side bottlenecks. In the last quarter, worsening of the pandemic situation might have had negative effects on growth, as well, stemming mainly from lower external demand. However services and construction probably continued to support the growth at the year-end, as well.

Unemployment rate remained unchanged and stood at 4.1% in 2021, as well.

Inflation rose sharply last year. In December consumer prices were on average 7.4% higher on an annual basis than a year earlier. In FY 2021, the annual average inflation was 5.1%. The highest price increases were recorded for fuel prices (23% y/y on average) and for alcohol and tobacco products (10.9% y/y on average). Prices for services increased by 2.9% y/y on average last year.

2021 was an eventful year for the monetary policy. As a result of increasing inflation risks, the MNB began a rate-hiking cycle and started to phase out its longer-term instruments connected to the coronavirus crisis in summer. The crisis lending program of "Funding for Growth Go! Scheme" for corporates and the use of the long-term collateralized lending facility provided to commercial banks were terminated already in summer. After a gradual tapering process, the monetary policy closed its government securities purchase program in December. In addition, the close of the Bond Funding for Growth Scheme was also announced at the year-end.

Meanwhile, there was a major shift in monetary policy in November, as the monetary council separated the policy rate from the one-week deposit rate in order to be able to react more flexibly to negative changes in global risk assessment. In the changed framework, the rate of the one-week deposit facility – that is set on weekly level - determines effective rates, leading to relevant increases in short-term market rates and yields. As the rate of the one-week deposit facility was raised to 4%, the spread between the two rates reached 160 basis points by year-end. In January 2022, this difference narrowed however, and according to recent communication of the MNB, the two rates may converge again in H1 this year – probably at much higher levels. According to the MNB's forward-guidance, "the Monetary Council will continue the cycle of interest rate increases until the inflation outlook stabilizes in a sustainable manner at the central bank target and inflation risks rebalance over the monetary policy horizon." However as the forint has strengthened so far this year, the tightening pressure has eased somewhat. Effective interest rates may stabilize at around 5% in the middle of the year.

In 2022, GDP is expected to grow by 4.7% annually. External demand may remain subdued until the middle of the year. Its expected recovery however will likely boost exports again from the second half of the year provided that supply-chain disruptions ease permanently. Meanwhile, consumption and investment may remain the engines of growth, mainly as a result of the fiscal expansion in the first half of the year.

The banking sector's profit recovered after the 2020 drop and increased by 111% reaching 642 billion forint in the first three quarters of 2021 mainly due to the increasing operating income and lower risk cost. The payment moratoria started in March 2020 was partially prolonged by 30 June 2022 for a selected group of customers (pensioners, families with children, public workers, retail customers' whose income decreased and companies' whose income decreased). Partly due to the payment moratoria the banking sector's income increased by 13%, while costs increased by 5%. Increasing inflation is expected to put a pressure on costs in the following years.

In 2021 the retail loan portfolio of the sector increased by 15%. This is attributable to the disbursement of baby expecting loans, housing loans, personal loans and the impact of payment moratoria. The disbursement of most major loan type increased in 2021 due to the fast economic recovery. The pace of retail loan portfolio increase started to slow down by the end of 2021 probably due to the tightening interest rate environment.

Corporate loan portfolio increased by 11% in 2021 mainly due to the disbursement of state supported loan programs like new Lending for Growth Program and Széchenyi Go. New disbursement of corporate loans increased by 15% in the first three quarters of 2021. As part of NBH's monetary tightening policy NBH announced the end of all corporate loan programs in 2021 including Lending for Growth Program and Bond Funding for Growth Scheme. As a subsidiary the government introduced Széchenyi Go program which provides various types of corporate loans with low interest rates.

The strategic goal of Erste Bank Hungary Zrt. ('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). To fulfil this goal the Bank introduced George, which is a digital platform on mobile and web. Through this platform the Bank can provide essential financial information, services and offer new products for its customers. Erste Bank Hungary Zrt. 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.

Erste Bank Hungary strengthened its position by acquiring 100% of the shares in Random Capital Zrt., a leading online brokerage company in September 2021. The Bank has also signed a sale and purchase agreement with Commerzbank AG to acquire 100% of the shares in its Hungarian subsidiary Commerzbank Zrt on 17 December 2021. 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 2021. 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 Hungary focuses on a safe and high quality servicing of customers in both retail and corporate segment. The strategic goal of Erste Hungary is to remain one of the leading banks in Hungary. The bank aims to further strengthen both retail and corporate segments, while improve its risk management, efficiency and the quality of its services. Erste Hungary offers wide range of financial services to its customers during their lifetime: deposit, investments, loans and financial consulting is among the bank's products.

Erste Bank Hungary offers wide range of financial solutions and services to its retail customers. The loan processes are continuously being improved with special attention to digital channels to support growth. The fast economic rebound after the 2020 economic recession caused a dynamic loan disbursement increase. In the retail segment our focus products are unsecured loans, mortgages and state supported loan products. Erste Hungary was among the first banks to introduce baby expecting loan in 2019, resulting in significant market share in this product line.

The bank offers a full range of products in the corporate segment. We are expecting the highest increase in the SME segment, where we are focusing on the improvement of transactional services and proximity banking via a countrywide presence. The bank pays special attention to agricultural financing in its corporate strategy. To stimulate the economy, the state introduced several state supported loan products, in which the bank is actively participating to support the Hungarian companies and economy.

Erste Bank Hungary focuses on improving its digital channels and offer innovative solutions to its customers. The relevance of these developments has further increased during the pandemic. A large share of our customers used our digital channels during the pandemic to minimize personal contact. Due to the pandemic the bank speeded up its digital development efforts to increase the service quality. In line with our business strategy the bank introduced George, which offers continuously widening digital products and services for retail clients. However, the modernization of branches did not stop, as the bank still considers personal banking an important channel. In this spirit the bank is renewing its branches based on its branch concept.

To remain a leading bank in Hungary, Erste Bank offers wide range of financial services beyond its core operation in cooperation with its subsidiaries: investments and pension savings services are available for our customers. We continue to service our customers with existing building society contracts, although the product sales is currently suspended.

Risk management remained a core focus of Erste Hungary to support 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.

	2020.12.31	2021.12.31
Sensitivity of the market value of the total equity	4,69%	5,27%
Sensitivity of the economic value of the total equity	4,80%	6,77%
Sensitivity of the net interest income, simulated for 12 months*	7,23%	5,63%

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

## FINANCIAL DATA

Erste Bank's Total assets reached 4,178 billion forint by the year end, which corresponds to a 15.4% year-on-year growth. Erste Bank reported 55.8 billion forint after tax profit.

The structure of Erste Bank's asset portfolio is in line with the end of 2020. The net volume of Loans to customers significantly increased, the total increase was 101 billion forint, driven mainly by Retail portfolio increase (114.1 billion forint, 11.8%) due to higher new disbursements in all products. Corporate volumes slightly decreased by 2.5%, as new disbursements in Large Corporations segment and the FX effect in all segments were lower YoY.

The portfolio of held to maturity investments grew significantly, approximately by 227 billion forint and their share within the balance sheet total (28%) slightly higher than previous year's level (26%). Loans to credit institutions significantly increased by 393 billion forint, with their share within Total assets reaching 17%. At the same time Cash and cash equivalents at central bank decreased and their share within Total assets reached 3%.

The deposit portfolio structure slightly changed within liability side compared to the last year. Deposits from credit institutions increased by 34 billion forint (6%) since the moderate growth in the refinancing loans under the NHP Go and NKP Bond programs. The share of Amounts owed to credit institutions within the balance sheet total decreased from the previous year's 16% to 14%.

Customer deposits grew significantly by 524 billion forint in 2020, followed by 500 billion forint increase in 2021, and their share within the total balance sheet increased to 73%. Boost in customer deposit base was triggered by higher current account volumes (lower spending in the pandemic). Erste Bank has an 9.2% market share regarding retail deposits, which corresponds to a 48 bps rise compared to last year. Total deposit market share increased by 65 bps YoY.

Erste Bank's Operating income increased by 28.1 billion forint, while Operating expenses increased compared to the previous year by 7.3 billion forint, resulting in a 90.6 billion forint (+30% growth compared to 2020) Operating result at the end of 2021.

Regarding the elements of Operating income, Net interest income was up by 19.5% (15 billion forint) compared to previous year. The higher income is mainly driven by higher balances and higher yields towards the end of the year.

Interest income (by 27 billion forint) and interest expense (by 15.6 billion forint) increased in 2021.

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. Higher interest income is partially counterbalanced by and -3.5 billion forint refund related to revolving loans in the moratoria (retrospective interest cap of 12%).

Increasing interest expense is driven by interbank and CI deposits, which increased on a year on year basis. In addition breakage cost of -4.4 billion forint was paid in connection with the prepayment and renegotiation of subordinated debt.

The net fee and commission income of the Bank increased by 8.4 billion forint compared to the previous year's level (51.3 billion forint), and reached 59.7 billion forint. Higher payments and investment related fee were driving the increase.

Net trading income increased by 4.8 billion forint compared to the previous year.

Gains/losses from financial instruments measured at fair value through Profit and Loss, mainly the baby expecting loan portfolio, decreased significantly driven by the movement of the yield curve resulting and reached - 10.3 billion forint (8.7 billion forint lower YoY).

Operating expenses amounted to 74.8 billion forint in 2021 and by 10.8% higher than in the previous year. Higher Operating expenses are mainly caused by the increase in Personnel related expenses, increased 13.5% and sum up to 33.9 billion forint, due to salary increase. Other administrative expenses increased by 5.3% and reached 26.1 billion forint, mainly due to higher IT costs. The increase is driven by significant IT investments (George license fee). Depreciation exceeded 14.8 billion forint and increased by 15.4% compared to the previous year as a result of several big IT projects (CREM, George, PSD2, EDW, Netbank write-off). Deposit insurance increased 0.5 billion forint due to higher OBA rate.

Other operating result was worse by 6.1 billion forint compared to the previous year due to higher banking tax and higher contributions to Recovery and Resolution Fund.

Selling gains on sold AfS and HtC securities are higher compared to previous year by 0.9 billion forint, which partially counterbalanced growing expenses.

Cost-income ratio decreased from 49.2% (Q4 2020) to 45.2% (Q4 2021) primarily driven by higher growing operating income, than operating expense.

Risk provision for loans and off-balance exposures (-9 billion forint) decreased by 22.4 billion forint in 2021 compared to the previous year due to COVID related risk cost bookings and modification loss booked on the risk cost line in 2020.

## 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 (GeorgeWeb, GeorgeApp) 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 availability of online channels. 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

2021 year-end headcount (2 992,91) was 2 employees lower compared to 2020 (2 995) in Erste Bank, projected to 8-hour employment

The average age of our employees is 40 years, the average length of their employment is 7,4 years, 63% women and 37% men.

During 2021 Erste Bank provided an opportunity for 75 trainees within the framework of a trainee programme to get an inside view of Erste Bank's operation and to acquire work experience. Besides our regular trainee program, we launched a new program named ErStep for students pursuing their university studies. There were 16 students participating in our ErStep program.

Due to the pandemic situation in Hungary until September 2021 employees in HQ were working more from Home Office, 90% of it's HQ employees are HO capable. 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 stayed on a high level, 2021 engagement was 77%. Erste Bank introduce a new ways of working model, which will be used in the future as well. Our new ways of working model allows 50% HO work in HQ jobs(if the job content allows) and we also introduce teleworking opportunity, which means 100% HO work.

## 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 2021, Erste Bank continued all the relevant training activities in line with our development plan. We continued with our mentoring program and also organized several other trainings and workshops. During the summer period, when the pandemic situation allowed, we organized several off-sites and team buildings.

We have continued both our soft skill and English language development in online format: 32 types of soft skill and several 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 several offsites (when the pandemic situation allowed personal presence), to support our teams and colleagues – who haven't met since March 2020– to keep their team spirit and be able to spend some time together.

We were focusing on our talent pool, providing them special training opportunities. We organized 40 development sessions for them, in 29 different topics.

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 we continued with the internal knowledge sharing possibilities, like sharing information about our Agile teams and their working method.

## 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 Hungary 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 Hungary is committed not only to its banking and investment activities to Hungary and its customers, but also through its social engagements and financial health ambitions

Social Banking and CSR website:

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

### 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 Hungary 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 Hungary 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 2500+ 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. The Program won the Mastercard Year of the Bank Award in "The best social innovation" category.

Near to the above program, Erste Social Banking is professional supporter of **Privátbankár's** (online financial media platform) country-wide financial competition, addressing secondary school pupils. The competition reached more than 30k students in 2 rounds in 2021.



**Social Housing** program addressed housing poverty and people in living needs.

There are several layers that are addressed by the Program: homeless or at-the-edge-of homelessness people, people living in dangerous circumstances, lower class families lacking basic housing needs, families lacking subsidies for renovation.

The Programs in 2021 was supported by Utcáról Lakásba Egyesület and Habitat for Humanity; as a result, 91 people live in better conditions by end of 2021, having hope for a better life. In total, from 2020, this is 214 life helped to see the future. The program continues, learnings are embedded into the Affordable Housing ambitions.

### 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 Hungary together with IFUA Nonprofit Partner and SIMPACT Nonprofit Partner initiated its civil education program called SEEDS, already in 4 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 and -4 provided again tailor-made consultancies and thematic workshops (cashflow planning, HR development of the organization) to support social entities to become investment ready. Under the SEEDS4 umbrella, a new market study has been started, with focus on green micro-enterprises. SEEDS4 closing is due by May 2022.

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, total 7+4 clients benefited in 2 years 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-felelossegvallalas/kozossegi-szerepvallalas/a-seeds-program>

### +1 Act – Community teamwork



The +1Tett programme was launched in 2015 with the aim of encouraging employees of Erste Hungary 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, 2240 colleagues participated in voluntary work and 114 projects were implemented. In 2021, after strict restrictions of the pandemics, the teams could finally help in person, meet each other and connect with social and environmental issues.

### CSR activities in 2021

...were rich in terms of themes and engagement to leader topics of the wider society.

Bank donations supported 71 requests from 50mio HUF Projects for social impact, financial literacy, support of underprivileged and disabled people, +1 Act supports and late pandemic activities.

From 2021, Erste Bank Hungary became the exclusive sponsor of Civil Award, the biggest civil award event in Hungary.

Regular sponsorship of GoodImpact, a unique market of civil services offered to forprofit sector, continued, since 2019.

Erste Bank is a golden level member and advisor of operation at THBE, Hungary's only social impact investor group.

All bigger Erste events engaged civil partners of Social Banking, all together 42 of them (branch audits, sign-translation in branches, Big Return to Office campaign, ErsteLive: Taste the Social Banking!, +1 Act, Santa Chocolate donation, „Be the Angel of a kid at Christmas!“ campaign, ErsteNő and ErsteGreen events).

Related posts are available at [Erste Bank Hungary's Facebook page](#) where Social Banking itself generated more than 32k engagement to the Bank.

## Additional cooperation projects

### TEDx Danubia

TEDxDanubia is the first official Hungarian version of the international TED conference, which has now become a concept. Erste partnered with the organisers for an event – titled Countdown – in September that focused on sustainability/environmental issues. After the dedicated and passionate performers our CEO, Radovan Jelasity also appeared on stage and talked about the responsibility of banks and big companies in sustainability.

The organization goes on with the sustainability topic in 2022, so we keep cooperating with them in accordance with our 2030 plan

### League of Legends European Championship

Erste Group established a cooperation agreement in 2020 with Riot Games, a game developer and e-sport organiser company, becoming official sponsor of the finals in the playoffs of the League of Legends European Championship. The banking group celebrated its debut in the world of e-sports by an emotional story that presented how players are faced with various obstacles and challenges. In 2021, Erste observed growing recognition of e-sports and related communities.

League of Legends European Championship (LEC) is a leading championship in Multiplayer Online Battle Arena with over 100 million players participating worldwide.

### Hungarian Ice Hockey Federation

We are determined to assist teams playing in the domestic championship, support junior teams, and contribute to help ice hockey flourish by providing our business knowledge and sponsorship.

Erste Bank has supported adult men's premier league in ice hockey in Hungary for five consecutive years since September 2017.

It is our objective to support teams through our business know-how and sponsorship activities in the domestic championship and thus contribute to the success of ice hockey in Hungary.

### 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: Be the Angel of a kid at Christmas!-campaign

First at Erste Bank Hungary's life, Social Banking organized a special format of Christmas charity. Colleagues could engage to a special desire of a kid which was handed over anonymously. As a result of the campaign, 114 gifts were donated to 4

Social Banking partner's kids (orphans, living deep-poverty, single parents, roma). The event showed not only the openness to donate but the commitment to a fair and balanced society of Erste employees. The gifts were packaged into reused paper boxes, decorated in a sustainable way (the potential less paper coverage).

### Erste Green

Erste Hungary 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 Hungary 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 Hungary. Organizing community programs on the environment, "Green" everyday life, sensitization and promotion of eco-awareness, Presence in the social life of Erste, contact with other employee clubs and Achieving a positive social impact are their main drivers.

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 online webinars about household eco-tips, cellular solar panel-application tips and tools, invited colleagues to online film-club with WWF and Jane Goodall Institut. Benefit from their lobby-activity, the 2021 Erste Live event was completely plastic-free and the Christmas tree at the main Tower of Erste has been replaced to a wooden installation (can be reinstalled every year without cutting a new tree).

Recobin, EBH's official partner in garbage recycling provided the Bank's headquarter with cap collectors, Cseriti, leader second-hand franchise in Hungary was supported by Erste Green during the whole year by collecting clothes and goods from employees.

The Team won the Prize of HBLF at the category of "Business life for environment" in 2021.



### Erste Women

Erste Women represents an important role in Erste Diversity actions. Members of the volunteer team remained active and organized online events focusing on Girls in science covering gender-questions, social responsible events for Down-syndrome people, financial literacy of women (Erste Investment Zrt, Marie Invests), life-saving and women in psychology. 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 high, irrespective of being away from the collection points.

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.

They maintain active cooperation with Social Banking and HR; in their 2022 plans they focus on the "Legitimate self-defense", covering topics of physical and mental defense strategies, burdens of ADHD and special needs, awareness building of cervix cancer and related women diseases.



## Erste Colours

In Q3 2021, the employee resource group of LMBTQIA people have been formed, with the support of EBH Board. They organized a kickoff online workshop with the participation of Háttér Társaság, sharing the basics of the relevant connotations. In addition to that, they participated at Amnesty International's workshop, discussing gender/sexuality-based bias and actions. In 2022, they plan to continue their program with awareness building and supporting the impacted ally employees in the bank.

## 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 Hungary continues to dismantle accessibility obstacles at retail branches in order to facilitate for customers living with disabilities as conveniently as possible. As a result of the program, the bank- after reshaping the branch network -, has modified 65 out of its 103-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 manoeuvring 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 already 15 branches from accessibility point of view. This helped EBH to set up new actions around branch investments: 50 branches are equipped by tools (induction circle), 10 branches installed KONTAKT sign-language tools, employees trained to support disabled with hearing. Tactile lines are set in 11 branches, the mapping of further tactile installations are in progress. 10 mobile ramps available at the most wheelchair-visited branches. All new and renewed branches follow the "new concept" methodology which embraces accessibility engineers' opinion in planning. ATM network is also upgraded. 2/3 of the total assets of ATM network are jackphone-capable (supporting visually impaired to listen to their balance), 140 ATMs are planned to be completely upgraded during 2022 to further support clients in easy navigation.

George-based website and applications are following the WCAG 2.1 instructions, including contrast, resize options, page loud-reading accessibility options and many more aspects.

## Employer for disabled at Erste Tower

The Erste Tower building is barrier-free, all floors and all wings are wheelchair accessible. There are no thresholds or they are triggered by a cover changer and wheelchair accessible. (Access from the garage is provided only by a threshold, but the reason for this is that the garage has a separate fire section, at the boundary of which the fire doors must be provided with a threshold.)

- Our elevators are also without thresholds and there is a separate call button for people with mobility and visual impairments, which means that the elevators wait longer to help with boarding.
- During the construction, the height of the light switches and the elevator call panels were designed to be accessible from a wheelchair throughout the building.
- 3 parking spaces and 2 disabled toilets are available for the disabled in the Erste Tower.
- In the outside car park we provide 1 dedicated car park for the disabled (for pre-registered guests).
- Access to the halls for the disabled through the opening door next to the turnstiles is unobstructed.
- The buffet and the canteen are also accessible.
- Kitchens at all floors are also accessible.
- In floor washbasins and washbasins with reduced mobility, the lights are switched on automatically with a motion sensor.

Awareness building of disability and sensitivisation trainings are planned to 2022, in order to continue the support of employees with special need.

## 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 building is "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 building 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 building for years, collecting plastic, paper and municipal waste separately. In further 10 branches we also have been carrying out selective waste collection and 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 7500 MWh of green electricity in 2022 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. We will expand the parking lot again in 2022. We have already purchased 1 electric car and ordered further 2.

We have a cooperation with GreenGo in order that employees can use in Budapest related to business trips.

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

### Bond issuance conform to MREL requirements

Erste Bank Hungary Zrt. issued MREL-eligible senior preferred euro-denominated bonds of 350 million euro, in February 2022. The issuance contributed to meet MREL regulatory requirements. The bond is listed in Vienna Stock Exchange and Budapest Stock Exchange.

### Geopolitical crisis

The evolving Russia-Ukraine situation does not impact Erste Hungary directly and overall, as exposures to both countries are negligible and no additional risk provisioning is currently required in this context. Indirect effects, such as financial market volatility or sanctions-related knock-on effects on some of our customers cannot be ruled out, though.

Further geopolitical developments might lead to economic difficulties, but any resulting financial effects cannot be assessed at the current point in time.

As a pre-caution activity Erste Hungary has already taken some measures, precisely two announcement were published on its website in relation to prescribe higher collateral behind the Lombard and derivative deals.

### Dividend

The proposed dividend to be presented at the Annual general meeting is amounting to 50 billion forint.

Budapest, 1 April 2022

.....	.....
Radován Jelasity	Manfred Schmid
Chairman and Chief Executive Officer	Chief Financial Officer



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

<b>Branch</b>
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, Húvösvölgyi 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.
1152 Budapest, Szentmihályi út 137.
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.
8000 Székesfehérvár, Palotai u 4.

8060 Mór, Köztársaság tér 1.

8500 Pápa, Fő tér 25-26.

6720 Szeged, Kölcsey u 13.

2890 Tata, Országgyűlés tér 3.

2000 Szentendre, Duna korzó 18.

7200 Dombóvár, Hunyadi tér 19-21.

3400 Mezőkövesd, Mátyás király út 129.

7620 Pécs, Rákóczi u 62-64.

3100 Salgótarján, Erzsébet tér 5.

2800 Tatabánya, Fő tér 20. A. ép.

7100 Szekszárd, Széchenyi u 40.

6720 Szeged, Széchenyi tér 17.

4024 Debrecen, Vár u 4.

4080 Hajdúnánás, Dorogi u 10-14.

5100 Jászberény, Szabadság tér 20.

5300 Karcag, Kossuth tér 6.

5000 Szolnok, Baross Gábor út 8.

5200 Törökszentmiklós, Kossuth u 125.

4625 Záhony, Ady E. u 27-31.

3200 Gyöngyös, Mikszáth Kálmán u 4.

3950 Sárospatak, Rákóczi u 40.

2400 Dunaújváros, Dózsa György u 2/a

8900 Zalaegerszeg, Ispotály köz 2.

2040 Budaörs, Szabadság utca 27.

5540 Szarvas, Szabadság u. 32.

2600 Vác, Széchenyi u. 14.

4600 Kisvárda, Szent László u. 26.

9021 Győr, Árpád u. 42.

9600 Sárvár, Batthyány u. 20.

8100 Várpalota, Szent István út 7-9.

2900 Komárom, Gyár u. 2-6.

2100 Gödöllő, Szabadság tér 14.

2030 Érd, Budai út 13.

4220 Hajdúböszörmény, Szt. István tér 2.

5600 Békéscsaba, Andrássy út 20.

5900 Orosháza, Kossuth u. 2.

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.

6300 Kalocsa, Szent István utca 37.

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, Szilfákajla 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 2021 compared to 2020 Erste Bank reached an 5,4% energy consumption decrease. With purchased green energy this directly resulted in 2.747 tCO<sub>2</sub> emission reduction in 2021.

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 Hungary'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 colour, 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 with the focus and priorities of the diversity and inclusion endeavors of the organization articulated in the Group Diversity Policy. **More information available at section CORPORATE SOCIAL RESPONSIBILITY.**

**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)

**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, 30 mentees and 20 mentors participated in this initiative in 2021.

In 2021 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 Hungary 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 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 2021 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.