

Business Report

to

**the Consolidated Financial Statements of the Erste Bank Hungary banking group for 2022
prepared in accordance with International Financial Reporting Standards
adopted by the European Union**

Budapest, 31 March 2023

The consolidated financial statements and business report of ERSTE Bank Hungary Zrt. for the year 2022 include a summary of the activities of the Bank and its subsidiaries (hereinafter Erste Hungary), together with information that has had an impact on Erste Hungary's operations from the aspect of assessment of business activities.

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BUSINESS ENVIRONMENT, GOALS AND STRATEGY OF ERSTE HUNGARY

Hungary's GDP expanded by 7.3% in the first half of 2022, driven by the strong contribution to the consumption of government benefits paid to the population in the first quarter. However, in the second half of the year, there were signs of a slowdown. Uncertainty factors intensified in the context of the Russian-Ukrainian war, developments in energy prices and shortages, the outcome of negotiations on European Union funds, and upside risks to inflation. A rising interest rate environment, increased cost of living and a cutback in utility subsidies were forecast to dampen domestic demand. This could push GDP up by around 5% in 2022. In 2023, the economy is expected to slow down visibly, with GDP growth last forecast to be between 0.5% and 1.5%.

The rise in inflation has continued to accelerate, affecting a wide range of goods and services. The annual inflation rate rose to 14.5% and core inflation to 15.7%. The main driver of these was the repeated repricing of food, household energy and services in response to cost shocks. Food and household energy prices rose well above the annual average, with the former increasing by 26% on average and the latter by 21.7%. Service prices rose by 7.1% in 2022 compared to the previous year. At the same time, the official prices regulated by the government had a disinflationary effect, and the government decided to extend them until 30 April 2023. The MNB's forecast for 2023 suggests that global effects and the contraction in domestic demand will have a disinflationary impact, which, together with base effects, will contribute to an accelerating decline in the CPI in the second half of the year. The CPI is expected to range between 15.0% and 19.5% in 2023, returning to single digits in 2024 between 2.3% and 4.5%.

Hungary managed to reach an agreement with the European Union on its Recovery Fund programmes by the end of 2022. Following the adoption of the decision and the completion of the 27 super-milestones previously identified by the EU, EU funds could arrive in Hungary in 2023.

The forint weakened considerably against the euro on the back of the risks, with the euro-to-HUF exchange rate falling to 432 in October, before strengthening close to 400 by the end of the year.

The labour market recovered rapidly after the coronavirus crisis, with an average unemployment rate of 3.6%, a 50 basis point reduction compared to 2021.

In order to curb record-high inflation, the National Bank of Hungary continued to tighten monetary conditions, with the Monetary Council raising the base rate to 13% on 27 September, at the same time announcing the end of the base rate hike cycle. In October, another measure was announced, an increase in the overnight deposit rate to 18%.

The new end date of the repeatedly extended moratorium on loan repayments introduced during the coronavirus epidemic was set at 31 December 2022, and the interest rate freeze measure for residential mortgage-backed loans in force since 1 January was extended until 30 June 2023, which was also extended to not interest-subsidised mortgage-backed loan contracts with interest periods fixed up to 5 years. The Government also announced an interest rate freeze measure for SME loans, under which the reference rate applied to HUF-based variable-rate SME loans and financial leasing contracts not subject to interest rate subsidies cannot be higher than the reference rate in force on 28 June 2022.

The Széchenyi Card Programme for small and medium-sized enterprises was extended, with loans available until the end of the year at a fixed interest rate of 3.5% and from 2023 at a fixed interest rate of 5%.

The newly established Government decided to impose a sectoral extra-profit tax of around HUF 800 billion per year, in the spirit of fiscal adjustment and in order to achieve the deficit-to-GDP target. Of this, HUF 250 billion will directly burden the banking sector. Banks will have to pay a special tax of 10% of their net turnover for the previous full tax year in 2022 and 8% of their turnover for 2022 in 2023.

In the first half of 2022, the sector reported a net profit after tax of HUF 200 billion on a stand-alone, non-consolidated basis, down 42% year-on-year. Government measures have significantly reduced the profitability of the banking sector, with the decline in profit mainly due to the accounting of extra profit tax, interest rate freeze measures and impairment methods, the impact of which was only moderately offset by the rising interest profit. In addition, the National Deposit Insurance Fund's notice was received in the second quarter of 2022 of the extraordinary payment obligation to be met by companies resulting from the Sberbank compensation process. Rising inflation has put further significant pressure on costs.

Retail credit issuance increased by 9% in the first two quarters of 2022 compared with December 2021, partly due to subsidised loans and partly to frontloaded demand related to interest rate hikes. However, this momentum slowed down in line with the rising interest rate environment and the moderation in housing market activity, declining in the second half of 2022. The annual growth rate of corporate credit increased to 15% by the end of the third quarter, while SME credit growth reached 10%. Growth

was catalysed by government-supported loan products such as the Széchenyi Program Go. The share of NPL loans did not change significantly.

Erste's strategic objective is to continue its balanced operations as a dominant player in the Hungarian banking market, both in its retail and corporate business, with strengthened risk management, increasingly efficient operations, continuously improving services and innovative banking solutions. Erste maintains its strategic ambition to become the market leader in customer satisfaction.

Erste Bank and all its subsidiaries are committed to providing their customers with a wide range of financial solutions and services: deposits, investment products, loans and advisory services throughout their entire financial life. In support of this, it is continuously developing, among other things, its George platform, the Bank's digital mobile and web-based internet banking platform. Through this platform, it offers new products and services in addition to easy access to basic information.

In order to maintain its market position, it aims to serve its current customers and expand its customer base by offering financial services in a simplified and understandable way, tailoring its product portfolio to its customers. To further strengthen its market position, Erste acquired 100% of the shares of Commerzbank Zrt., a Hungarian subsidiary of Commerzbank AG, a full-service provider of banking services active in the corporate market, in 2022. By integrating its customer portfolio, the Bank expanded its corporate business and became the fifth largest corporate lender in Hungary with a market share of more than 10%.

Change in the legal form of Erste Hungary

The operating form and ownership structure of Erste Hungary will remain unchanged in the financial year of 2022. The Bank's current form of operation is a private limited company (Zrt.), which was registered with the Court of Registration on 3 January 2011. The full name of the Bank is Erste Bank Hungary Zártkörűen Működő Részvénytársaság.

The ownership structure of Erste Bank Hungary Zrt. is as follows:

Owner	Number of shares	Share of ownership
Erste Group Bank AG	102 200 000 000	70%
Corvinus International Investment Ltd.	21 900 000 000	15%
European Bank for Reconstruction and Development	21 900 000 000	15%
Total	146 000 000 000	100%

PRODUCT RANGE, COOPERATION AGREEMENTS - STRATEGIC ALLIANCES

In a heavily challenging environment, Erste Hungary remains focused on providing customers with safe, high-quality, personalised service. Its strategic objective is to further strengthen its presence as a dominant player in the Hungarian banking market, as a universal bank in both retail and corporate segments, with an expanding service and product portfolio, strengthened risk management, more efficient operations and continuously rising service quality. The Bank, together with its subsidiaries, offers its current and prospective customers a wide range of financial solutions and services throughout their financial lifecycle: deposits, investment products, loans and other advisory services.

In retail lending, we continue to target an increase in unsecured lending, housing loans and state-subsidised loans. We continue to improve our lending processes and channels to ensure growth and customer satisfaction, with a particular focus on meeting digital needs.

The corporate business continues to offer full banking services to all segments, with the aim of developing transaction services and maintaining a national presence. Customers have access to most of the state-subsidised credit facilities, which are of paramount importance in the corporate strategy. In addition, the Bank places a strong emphasis on financing the agricultural sector.

In addition to core banking activities, Erste Hungary also plays an important role in the market for high-growth potential products such as investment and savings products. We continue to serve our customers with home savings contracts, but the sale of this product is currently suspended.

Erste Hungary aims to expand its existing customer base by improving service quality and developing innovative banking solutions. To this end, it gives priority to existing electronic channels, including the George platform, which was launched in

2021 in line with its business strategy. George makes available to retail customers an ever-expanding range of digital products and services. As a result, customers use George much more frequently than they used to do with netbanking and mobile banking. The number of digitally active customers has continued to grow, from 60% at the end of 2021 to 67% today. George is regularly updated with continuous upgrades, with identified customer service calls now available from George, and the PIN for the bank card can be securely verified. 2022 saw the launch of Moneyback, a new cashback discount programme on the George App, which offers personalised offers based on shopping habits. From next year, customers can even open online bank and securities accounts, and apply for credit cards and personal loans by confirming their identity with a selfie. Secure screen sharing will also be available.

However, the Bank continues to attach great importance to personal service and therefore places great emphasis on branch network development, constantly renewing our branches based on its innovative concept.

THE MAIN RESOURCES AND RISKS OF ERSTE HUNGARY, RELATED CHANGES AND UNCERTAINTIES

Asset and liability management (interest rate risk management)

To measure the interest rate risk on the bank's books, Erste Hungary uses a simulation process that is one of the most methodologically advanced solutions, which takes into account both traditionally used approaches, i.e. net interest income simulation (income perspective) and cash flow valuation, i.e. economic value simulation (economic perspective). The Asset and Liability Committee (ALCO) is the main strategic decision-making body for asset and liability management, including interest rate risk management. In line with its mandate, it regularly reviews Erste Hungary's interest rate risk positions and the development of its positions. In addition to monitoring the position, it is entitled to assess and rate Erste Hungary's interest rate risk position. Its powers include approving and changing the relevant internal policies, in particular the applicable limits, assumptions, procedures and methodologies. Other departments involved in the management of interest rate risk: (1) Liquidity and Market Risk Management, which measures Erste Hungary's exposure to interest rate risk, examines and analyses the reasons for changes in the risk profile and supports the decision-making process by considering the limit levels; (2) Asset and Liability Management (ALM), which performs operational decision-making functions related to ALCO's activities; (3) Money and Capital Markets, which is the operational executor of ALCO's strategic decisions and ALM's market transactions. Erste Hungary's management receives regular reports on the development of the interest rate risk exposure in the bank's books. These reports allow the management to:

- evaluate the level and trend of Erste Hungary's aggregate exposure to interest rate risk;
- check compliance with the defined risk tolerance levels;
- identify any excessive risk-taking above the level set out in the policy;
- determines whether Erste Hungary has sufficient capital to take a given amount of interest rate risk;
- make decisions regarding interest rate risk.

Liquidity risk management

Erste Hungary uses a *Survival Period Analysis (SPA)* based on stress scenarios to measure its shorter-term liquidity risk. The analysis shows the level to which Erste Hungary's liquidity buffer would decrease in different liquidity stress scenarios subject to the given assumptions. The ALM's task is to reconcile the maturity structure of balance sheet and off-balance sheet items in such a way that the cumulative net cash flow is positive up to the time period defined as the limit. In addition to the survival period analysis based on stress scenarios, the liquidity risk management will take into account the compliance with the liquidity ratios (currency matching ratio, currency balance ratio) introduced by the Hungarian regulators and the compliance with the expected level of the liquidity ratios (LCR, NSFR) introduced by the Basel Committee on Banking Supervision. Liquidity and Market Risk Management regularly monitors and reports to ALCO the current values of the liquidity indicators.

Interest rate risk management

Erste Hungary uses two analytical approaches to quantify the magnitude of interest rate risk: a) net interest income and b) simulation of the economic value of equity.

Both types of risk indicators revealed low to medium interest rate risk exposure, with both internal and external limits being met during the year.

The sensitivity of the economic value of equity:

The change in the economic value of capital under the six stress scenarios defined by the European Banking Authority, relative to the value of capital calculated in a no-change scenario.

The economic value of equity is the sum of the values of the change in the value of equity due to positive and negative interest rate movements, calculated by currency, compared to the value of equity calculated in a constant interest rate scenario. The worst-case scenarios of rising and falling interest rates are summarised on a currency-by-currency basis. This methodology takes the value of credit spreads to be zero (ignored) both when generating the cash flows and when calculating the present value, and applies a 0% interest rate floor value to the points on the yield curve shocked by historical interest rate changes.

12-month simulated net interest income sensitivity:

The aggregate of the 1-year change in net interest income per currency due to the assumed interest rate movements in the EBA scenarios, compared to the net interest income calculated in the no-change scenario.

	2021.12.31	2022.12.31.
Market sensitivity of equity	5,22%	3,86%
Economic sensitivity of equity	7,14%	5,18%
12-month simulated net interest income sensitivity*	5,78%	11,97%

* Net interest income modelled for 12 months, based on EBA scenarios

Financial data

At the end of the year Erste Hungary's balance sheet total was HUF 5 098 billion, up 19.4% year-on-year. Profit after tax amounted to HUF 53.5 billion, HUF 5.8 billion lower than in the previous year.

At the end of 2022, the structure of Erste Hungary's asset portfolio changed slightly compared to the previous year. The nominal amount of net receivables from customers increased significantly by HUF 415 billion, driven by the corporate business (+ HUF 377.5 billion, up 49.7% year-on-year), with a higher increase in loans to customers of the large corporate business, and a significant increase in customer loan portfolios due to the migration of Commerzbank. At the same time, the retail business line's portfolio increased by only 1.6%.

Held-to-maturity securities increased significantly, by HUF 50.4 billion in total, but their share in the balance sheet total remained similar to the previous year (25%). Receivables from credit institutions decreased significantly by HUF 330 bn, bringing their share in the balance sheet total down to 7%, while placements at the National Bank of Hungary increased, bringing their share of the balance sheet total to 12%.

The share of deposits in the liability structure has changed slightly. Deposits from monetary financial institutions increased by HUF 298 bn year-on-year, thanks to an increase in refinancing related to the NHP Hajrá and NKP programmes, as well as to higher short-term borrowing. Overall, the share of liabilities to credit institutions in the balance sheet total increased to 13% compared to last year.

Customer deposits increased by HUF 301 billion in 2022, after HUF 513 billion in 2021, and the share of customer deposits in the balance sheet total was slightly below last year's level at 67%. There was also a significant increase in deposits due to the migration of Commerzbank. The Bank has a 9.1% market share of retail deposits, down 13 basis points year-on-year. The market share of total deposits increased by 41 bps compared to 2021.

Erste Hungary's operating income increased significantly by HUF 44.8 billion, while its operating expenses increased by HUF 13.8 billion compared to the previous year, resulting in an overall operating profit of HUF 125 billion (33% increase compared to 2021).

In terms of operating income, net interest income is 66.8% (HUF 64 billion) higher than at the end of last year. Both interest receivable and analogous receivables (HUF 181.5 billion) and interest payable and analogous payables (HUF 125.1 billion) rose in 2022.

The improvement on the revenue side was driven by higher interest income on customer loans, reflecting dynamic growth in business volumes. In addition, there is an increase in interest income on securities and money market placements thanks to additional liquidity resulting from the growth in customer deposits. The above positive trend was slightly offset by HUF 9.9 billion allocated in the books during the year to the expected losses on mortgages and SME interest rate freeze.

The HUF 125.1 bn increase in expenses is mainly accounted for by the increase in interest expenses for institutional customers and interbank deposits, mainly due to the rise in overnight interest rates.

Erste Hungary's commission and fee income increased by HUF 12.7 billion compared to last year (HUF 74.4 billion in 2021) and reached HUF 87.1 billion in 2022. The result increased significantly due to higher card and payment and investment service revenues.

The result from Financial operations decreased by HUF 20.8 billion year-on-year to HUF -7.2 billion in 2022, mainly due to the revaluation of derivatives.

The result from financial assets required to be calculated at fair value against the profit or loss, mainly from the baby loan portfolio, decreased significantly (by HUF 11.1 billion) due to the change in market yields and reached HUF -21.2 billion in 2022.

In 2022, annual operating costs amounted to HUF 96.5 billion, an increase of 16.7% compared to the same period last year. The higher costs were mainly driven by an increase in personnel costs, which rose by 10.4% to HUF 41.2 billion mainly due to wage increases. Other administrative expenses (material costs) increased by 33.7% to HUF 39.2 billion, mainly due to IT costs. Depreciation and amortisation totalled over HUF 16.1 billion which was close to the previous year's level. The premium paid to the National Deposit Insurance Fund (OBA) increased significantly by HUF 4.6 bn in 2022, of which HUF 3.2 bn is related to Sberbank.

The result from Other operating activities was worse (HUF 33.2 billion) compared to the previous year, mainly due to the extra profit tax shown in the books in June. In addition, higher bank tax due to increased portfolios also had a negative impact on the other operating result.

The lower result from the sale of securities in 2022 was HUF 1 billion.

The cost/income ratio improved from 46.8% (2021 Q4) to 43.6% (2022 Q4), driven by higher operating income growth.

At the end of December 2022, the provision for impairment and risk provisions was HUF -9.7 bn, mainly due to provisions for the Commerzbank migrated portfolio and expected losses on the mortgage and SME interest rate freeze.

OPERATION OF SUBSIDIARIES

Erste Hungary, Erste Bank Hungary Zrt. and its subsidiaries, are major players in the Hungarian financial market. In addition to the credit institution activities of Erste Bank, Erste Hungary's operations include investment services, leasing and factoring activities, as well as asset and real estate management carried out by its subsidiaries. In order to operate more efficiently and with more risk awareness, Erste Hungary is streamlining its group structure, which will result in the consolidation of its activities into fewer independent legal entities. The tables presenting the financial information of the subsidiaries include the individual unaudited figures prepared in accordance with IFRS in respect of the mortgage bank and the housing savings bank, and in accordance with Hungarian accounting law in respect of the other companies.

Erste Befektetési Zrt. [Erste Investment Private Limited Company]

The company is an investment service provider; its main activity is other financial intermediation.

The company was founded in 1998 and has been a market leader ever since. Constantly expanding its product range, it offers its customers the full range of products sold by investment companies.

Its aim is to provide its customers with high-quality, fast and simple services. Erste Hungary's network of branches offers an online trading system to ensure fast and accurate execution of customers' orders on the stock exchange and government securities market anywhere in the country.

Key financial data:

in thousands of forints	2021	2022	Change %
Total assets	230 928 089	226 473 057	-2%
Total equity	23 086 574	33 456 390	45%
Share capital	2 000 000	2 000 000	0%
Result for the year	9 183 989	17 369 815	89%

Erste Ingatlan Kft. [Erste Real Estate Ltd.]

Real estate marketing, real estate leasing, real estate management and real estate development are the activities of Erste Real Estate Ltd.

Key financial data:

in thousands of forints	2021	2022	Change %
Total assets	35 889 689	30 735 239	-14%
Total equity	33 556 899	28 410 984	-15%
Share capital	141 181	141 181	0%
Result for the year	6 878 587	1 591 564	-77%

Sió Ingatlan Invest Kft. [Sió Real Estate Investment Ltd.]

Sió Ingatlan Invest Kft. is a project company established for the development of the SIÓ Plaza in the centre of Siófok. The company was sold by the Bank on 1 December 2021.

Key financial data:

in thousands of forints	2021	2022	Change %
Total assets	0	0	
Total equity	0	0	
Share capital	0	0	
Result for the year	112 416	0	-100%

Erste Lakástakarék Zrt. [Erste Housing Savings Private Limited Company]

Erste Lakástakarék Zrt. is a specialised credit institution selling housing savings products, which received its operating licence from the Supervisory Authority on 29 September 2011 and started its sales activities on 17 October 2011.

In Act LXIII of 2018, the Parliament amended Act CXIII of 1996 on Housing Savings Banks. Under the law which entered into force on 17 October 2018, savings contracts were no longer eligible for state aid from that date. The subsidy used to be 30% of the savings, up to a maximum of HUF 72,000 per year per contract. Contracts concluded previously are still eligible for subsidy. The company plans to introduce new schemes.

Key financial data:

in thousands of forints	2021	2022	Change %
Total assets	170 717 318	170 714 637	0%
Total equity	11 039 887	12 081 039	9%
Share capital	2 025 000	2 025 000	0%
Result for the year	1 171 151	2 001 151	71%

Collat-real Ltd.

The Company was founded on 10 March 2014 by Erste Bank Hungary Zrt. as the sole owner. The main activity of the Company is the sale of real estate owned by the Company.

Key financial data:

in thousands of forints	2021	2022	Change %
Total assets	2 095 876	2 064 723	-1%
Total equity	1 496 564	1 478 678	-1%
Share capital	3 000	3 000	0%
Result for the year	51 871	-17 886	-134%

Erste Jelzálogbank Zrt. [Erste Mortgage Bank Private Limited Company]

The Company was founded on 11 December 2015 by Erste Bank Hungary Zrt. as sole owner. The Company's main profile is refinancing.

Key financial data:

in thousands of forints	2021	2022	Change %
Total assets	213 926 577	216 184 050	1%
Total equity	9 027 037	11 873 197	32%
Share capital	3 010 000	3 015 000	0%
Result for the year	-1 670 723	1 022 113	-161%

Random Capital Bróker Zrt.

The Company is a leading online brokerage company, providing investment services.

The Company was acquired by Erste Befektetési Zrt on 1 September 2021 and was consolidated from 31 December 2021. The Company merged into Erste Befektetési Zrt. on 1 October 2022.

Key financial data:

in thousands of forints	2021	2022	Change %
Total assets	16 693 952	0	-100%
Total equity	989 414	0	-100%
Share capital	285 500	0	-100%
Result for the year	0	0	

RND Solutions IT Development and Services Ltd.

The Company provided IT services to Random Capital Bróker Zrt.

The Company was acquired by Erste Befektetési Zrt on 1 September 2021 and was consolidated from 31 December 2021.

Key financial data:

in thousands of forints	2021	2022	Change %
Total assets	202 551	133 483	-34%
Total equity	189 458	133 305	-30%
Share capital	160 000	160 000	0%
Result for the year	0	-56 153	

Commerzbank Zrt. "v.a."

On 17 December 2021, the Bank signed a sale and purchase agreement with Commerzbank AG for the acquisition of 100% (306 016 shares) of the shares of Commerzbank Zrt., its Hungarian subsidiary. Commerzbank Zrt. is a full-service banking institution active in the corporate market.

Following the receipt of regulatory approvals and the completion of the contractual administrative procedures, the transaction was closed on 30 November 2022, as a result of which Erste became the sole shareholder of Commerzbank Zrt. as of 1 December.

in thousands of forints	2021	2022	Change %
Total assets	0	32 574 314	100%
Total equity	0	27 774 622	100%
Share capital	0	2 466 916	100%
Result for the year	0	636 660	100%

Z3 Ingatlanhasznosító Kft. [Z3 Real Estate Utilisation Limited Liability Company]

The Company was founded by Commerzbank Zrt. on 14 December 2022 and acquired on the same day by Erste Ingatlan Zrt. The real estate used as the headquarters of Commerzbank Zrt. was transferred to the Company and thus its main activity is real estate management.

in thousands of forints	2021	2022	Change %
Total assets	0	4,339,018	100%
Total equity	0	4,325,193	100%
Share capital	0	4,303,000	100%
Result for the year	0	22,193	100%

QUANTITATIVE AND QUALITATIVE INDICATORS AND RATIOS OF PROCESS PERFORMANCE

The Bank also measures the quality of its internal operations through the performance of its main customer service channels (branch network, telephone customer service, electronic channels) and the main customer processes that take place there. The definition of the expected performance of the customer service channels and customer processes is preceded by understanding customer needs. We carry out regular recurring research: annual customer satisfaction and customer expectations surveys, mystery shopping surveys in branches, as well as branch advisory, telephone customer service and electronic channel (GeorgeApp and GeorgeWeb) Channel Satisfaction, Customer Experience Index (CXI) and Net Promoter Score (NPS) surveys.

We translate customer needs and expectations into metrics and measurable parameters. We build a measurement system primarily focussed on business processes and channels in Erste Hungary and perform measurements to map customer perceptions and determine process performance. We examine our processes from the point where the customer need emerges to the point of satisfaction of the need. The key performance indicators that describe process performance are lead time, error rate, service levels such as waiting time measurement, and availability of electronic channels. For these indicators, targets are set and the results of regular measurements are compared to the desired value.

If process performance is below target, we will carry out a detailed process analysis to identify the reasons for non-compliance and develop recommendations for improvement. This is done on a weekly and monthly basis, involving the areas concerned in the process. If necessary, a process improvement project is launched, where we develop an action plan using process improvement methodologies to improve process efficiency.

EMPLOYMENT POLICY

In 2022, the year-end headcount of Erste Hungary was 98.26 FTEs higher (3 335.86 FTEs) compared to the end of 2021 (3 237.6 FTEs) per 8-hour work period, mainly due to the takeover and integration of Commerzbank employees.

The average age of our staff is 41 years, with an average length of service of 8.7 years, of which 63% are women and 37% are men.

During 2022, the traineeship programme provided 137 trainees with the opportunity to gain insight into the Bank's operations and professional experience. In addition to our traditional trainee programme, we launched the ErStep trainee programme, a complex 1.5-year rotational programme for students in higher education. A further 30 trainees have participated in the ErStep programme.

Following the significant amount of work done in home office that was introduced during the pandemic, Erste Hungary introduced "new ways of working", an operating model to return to regular operations. The new operating model grants a 60% home office option to the colleagues in the head office whose sphere of duties allows it, and we introduced remote work, which allows working fully from home. In 2022 we had more than 200 colleagues working remotely, mainly in IT, Operations and the Contact Centre.

PRESENTATION OF SITES

Since 1 September 2006, the Bank's registered seat has been located at 24-26 Népfürdő Street, 1138 Budapest. The modern office building houses the central organisation units of Erste Hungary and its subsidiaries. We have a nationwide network of branches, which are professionally managed at a regional level (Budapest 1, Budapest 2, Northeast Hungary, Southeast Hungary, Midwest Hungary, West and East Hungary). The branch network is listed in Annex 1.

EDUCATION POLICY

After the 2-year pandemic, we returned to regular operations and training activities in 2022, but we have also introduced new training methods and kept online training in some areas where we feel it is more effective. We continued with our mentoring programme, leadership development programme, talent programme and other professional and soft-skill training and organised a number of other workshops and off-sites. In 2022, we provided 20 soft-skill and a range of IT training to our colleagues. In total, in 2022, more than 1000 colleagues participated in over 65 different types of training.

In line with Erste Group's ambitions, we have transformed our former 11 values into 5 common values that serve as a basis for our training programmes as well as our other activities.

We also paid special attention to our colleagues nominated to the talent pool, organising special dedicated training sessions for them. A total of 49 training sessions were organised for them on 25 different topics.

In the retail area, intensive training of new entrants continued, as well as the development of the sales support area, in order that colleagues in the branches receive outstanding support.

In IT, we continued internal knowledge-sharing opportunities, organised extensive training opportunities around our new agile tribe and their way of working.

SOCIAL MISSION AND SPONSORSHIP

Social responsibility

In the firm belief that all people deserve dignity and respect, our founders created Erste 200 years ago to ensure prosperity for all, regardless of status, nationality, religion, gender, age or any other factor. Our aim has always been to make it widely available. An important message of our mission is that "in addition to our banking and investment services, we demonstrate our commitment to our customers and to Hungary through our social responsibility".

Our Social Banking and Social Responsibility thematic pages can be found here:

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

Social banking

There are many reasons why many people lack access to the basic necessities of everyday life, live in poverty or lack financial stability. Erste Group is committed to supporting those in whom people have little faith, and to helping these people achieve economic development and access to financial services.

The aim of social impact banking in Hungary is to ensure equal access to financial services in both the private and civil sectors. Since 2017, we have integrated a wide range of activities under the umbrella of social responsibility. The Bank has created and institutionalised a value proposition for NGOs by developing the best-priced NGO account package and a special loan product guaranteed by the European Investment Fund (EIF).

In addition to financial instruments, Social Banking has also developed additional value propositions for specific disadvantaged groups.

Financial awareness

The Bank's Financial Literacy Pilot Programme, which reached more than 3,500 young people growing up in existential need, in segregated communities or with disabilities, ended in 2022. Over the past 4 years, we have delivered our financial literacy training to these target groups in a fun format with the help of 7 NGO partners. In addition, the Bank also provided key professional support in the national Junior Financial Guru competition organised by the online financial medium, Privátbankár, reaching more than 30,000 secondary school students in 2022.

In the autumn of 2022, the Bank launched a new initiative called the Financial Patronage Programme, which aims to enhance the financial skills of young people living in children's homes and those who have been raised in children's homes and now have families. With respect to the first target group, financial education will be provided to 25 educators and teachers, who will use the knowledge and lesson plans made available in the programme to prepare hundreds of young people for the start of their financial lives. In addition, they will also bring their students to the Erste Tower a few times during the year to learn more

about financial health. However, in the case of families in need, the focus is on debt settlement. Of course, we also provide basic financial education to the families helped by the Fire Fetchers Association, but after that we work with them on reducing their existing debts, with the help of several bank staff members as mentors.

Social Housing Programme

The Social Housing programme addresses the issue of housing poverty. The Bank is involved in the implementation of three projects by two NGOs (Habitat for Humanity, Street to Housing Association) and provides financial support. The target groups of these programmes are people who are homeless or in a state of near homelessness, families without basic housing needs, and families without access to public renovation assistance.

In 2022, 22 families, 106 people in total, benefited from the three programmes, and since the start of the Bank's Social Housing programme, we managed to substantially improve the housing conditions of 320 people.

SEEDS Programme

The Bank launched the SEEDS programme in 2017 thanks to the support of the Vienna-based Erste Foundation (Stiftung). IFUA Non-Profit Partner and SIMPACT Non-Profit Partner are also present as implementing partners in this programme for the complex development of NGOs and social enterprises. So far, more than 100 NPOs have received support through thematic workshops (financial planning, organisational development) or personalised advice. Under the umbrella of SEEDS4, which closed in the summer of 2022, a new market research project was launched to address the challenges of green and sustainable small businesses. And under SEEDS5, launched in September 2022, a crisis workshop was held with 30 NGOs to identify the challenges facing the sector. As a follow-up, two new SEEDS training courses were launched to help NGOs to monitor their finances and to improve their operations.

+1 action - Community teamwork



+1 action programme

The +1 action programme was launched in 2015 with the aim of encouraging Erste Hungary employees to participate in community programmes that go beyond simple team building and show colleagues how easy and fun it is to lend a helping hand.

The goal of the +1 action programme is to give more space to community building and grassroots initiatives. Since 2018, we have been jointly recommending NGOs and communities to our employees with the support of Social Banking. The Bank also provides financial support to applications for community work. Since the start of the programme, 2,602 employees have participated and 133 projects have been completed.

Community involvement

The Bank remains highly committed to contributing to alleviating society's most pressing problems.

Bank donations supported projects of 95 non-profit organisations with a real social impact, worth HUF 85 million, helping many people in need.

From 2021, Erste Bank Hungary became the exclusive sponsor of the Civil Award, Hungary's most prestigious civil awards event.

Regular sponsorship of GoodImpact, a unique marketplace for civil society services to the for-profit sector, has been ongoing since 2019.

Erste Bank is a gold-level member of the Social Impact Investors Association (THBE), Hungary's only social impact investor group.

During the year, we have given around 50 NGO partners the opportunity to get involved in the Bank's life and processes. In many cases, we counted on them as contributors to professional programmes, but we were often able to integrate their products and services into the Bank's events (branch accessibility audits, sign language translation in branches, ErsteLive, +1 Action, Santa Claus chocolate donation, "Be a child's angel at Christmas" campaign, Banquito Festival, Bake Sale, ErsteWomen and ErsteGreen events).

During the spring and autumn charity bake sales, colleagues collected donations of HUF 2.5 million for the Hungarian Food Bank Association.

Nearly 80 colleagues have been involved in volunteering in border areas and other organisations in the context of the war in Ukraine. Through the donations of the bank's colleagues and the contribution of Erste Hungary, we provided nearly HUF 20 million in aid to needy refugees fleeing the war. Volunteer colleagues received +5 days off.

News about the community programmes are regularly published on the Erste Bank Hungary's Facebook page.

Other cooperation agreements

TEDx Danubia

TEDxDanubia is the first independently organised, official Hungarian version of the international TED conference that has become a concept. The screening of the film *Beyond zero* and the round table discussion that followed explored the responsibility of companies in sustainability and how far we can go to achieve zero emissions. Róbert Cselovszki participated in the discussion on behalf of Erste Hungary.

Hungarian Ice Hockey Federation

We are determined to use our business knowledge and sponsorship to help teams competing in the domestic league, support youth development and contribute to the revival of hockey in our country.

For the sixth year, since September 2017, Erste Bank has been supporting the Hungarian first-class adult men's ice hockey championship, the Erste League.

Our aim is to support teams in the domestic league with our business knowledge and sponsorship activities, thereby contributing to the success of hockey in Hungary.

Become a Junior Finance Guru - support for the national high school finance competition

We firmly believe that the path to a happier, more prosperous future lies in improving financial culture and financial awareness. That's why it is important for us to support important initiatives like the Become a Financial Junior Guru competition, which offers students from vocational grammar schools, specialised and vocational secondary schools essential financial knowledge and valuable prizes. The winning teams were taken on a field trip to the Erste Group Financial Life Park.

Christmas charity: "Be a child's angel at Christmas" campaign

For the second time in the life of Erste Bank Hungary, a special format Christmas charity campaign was organised by the Social Banking area. Colleagues could anonymously participate in fulfilling the wishes of disadvantaged children. As a result of the action, 82 gifts were donated to children reached by 3 Social Banking partner organisations (children in foster care, children of single parents, and children living in extreme poverty).

Erste Green

The Bank continually endeavours to demonstrate its commitment to protecting the environment through its actions, and in addition to complying with the parent company's standards (reducing carbon emissions, paper consumption, electricity consumption and heating energy), it takes further steps to make our organisational culture and operations more environmentally friendly, thereby broadening our social responsibility.

In early 2016, Erste Green was launched as an initiative of an internally organised volunteer group with the primary aim of raising awareness, education and commitment to sustainability among our colleagues. The main activities of the team include organising environmental community programmes, "green" everyday life, sensitising and promoting eco-consciousness, being present in Erste's corporate life, liaising with other employee clubs and achieving a positive social impact.

Green education is becoming increasingly important. In 2021, Erste Green launched a Facebook channel for environmentally conscious colleagues to share their thoughts on environmental topics, news, articles and debates. It has also organised online webinars on household eco-tips, tips and tools for solar application, tenders and invited colleagues to the WWF and Jane Goodall Institute's online film club. Thanks to Erste Green's initiative, the Erste Live staff event in 2021 and 2022 became completely plastic-free, and the Christmas tree in the Erste Tower was replaced by a wooden installation that can be re-installed and re-decorated every year without cutting down another tree. In 2022, each quarter focused its programmes on a specific theme (Energy Consumption, Ecosystem, Plastic Free, Overconsumption). At the intersection of health and environmental awareness, plogging (running litter picking) and morning bike events were organised each quarter. They participated in the 3rd Lake Tisza PET Cup event, where colleagues collected more than 200 bags of rubbish and came 2nd in the competition.

In 2022, the Bank joined the "Green Heart" programme of the Hungarian Banking Association's Good Deed bank initiative, under which it undertook to plant a tree in the name of each of its colleagues. In 2022 Erste Green participated in these tree plantings, which were organised with the help of the 10 Million Tree Foundation.



ErsteWoman

ErsteWoman plays an important role in the Bank's diversity actions, and is actively linked to HR and Social Banking in its programme.

The volunteer team members remained active, organising offline, online and hybrid events focusing on self-defence, covering physical and mental protection strategies, ADHD challenges and special needs, cervical cancer and awareness of typical male diseases.

During the year, ErsteWomen successfully organised 3 charity campaigns (#noluxurybag - collection of women's bags filled with health and medical items for disadvantaged women; Santa Claus chocolate collection for disadvantaged children; collection of school supplies for disadvantaged children living in poverty). In addition, the provision of summer camping opportunities for employees' children and financial support for this was also organised jointly by ErsteWomen and HR.



ErsteColours

ErsteColours plays a key role in Erste's diversity actions. The primary goal of the club is to empower LGBTQIA employees. By raising the visibility of its members and organising support programmes, they have raised awareness that Erste is an inclusive and accepting environment where no one should fear discrimination and everyone can be who they are without fear. The club has also helped to raise awareness of the issue among non-affected colleagues through sensitisation presentations, which further strengthens the acceptance of the community.

In 2022, the club participated in consultations with the Background Society and Amnesty International, and was a workshop participant in the Power of Art Foundation. In cooperation with the Group's Diversity area, closer cooperation and experience sharing are being developed. The club had its own stand at Erste Live. In order to increase visibility and share information, it organised webinars on the topics of Gay and Getting Familiar, Coming out and Transsexuality.

Clients with reduced mobility

The aim of social impact banking is to promote equal access to banking services and to express the views of bank customers and potential employees. In this context, we continuously review our service channels and employment strategy, and liaise with expert NGOs and the Bank. Social banking acts as a bridge between the civil society actors it supports and potential investors, donors and charities.

Erste Hungary continues to remove barriers to accessibility in retail branches to make everyday banking as convenient as possible for customers with disabilities.

As a result of the programme, the bank has modified 65 of its branch network in Hungary comprising 102 units following the refurbishment of the branch network, providing full access to entrance for people with reduced mobility and larger interiors. Going forward, all branch investments will be made with easy access in mind, unless physical or other barriers arise. To facilitate this, Erste Hungary has engaged a professional auditor who has already mapped 15 branches from an accessibility perspective. This has helped to develop new actions around branch investments: 54 branches have been equipped with devices (induction loops), 10 branches have installed a CONTACT sign language translation service, and staff have been trained to support the hearing impaired. Tactile lanes have been installed in 12 branches and others are being mapped. Mobile ramps are available in the 10 branches most frequented by wheelchair users. All new and renewed branches in the network follow the "new concept" methodology, which takes into account the opinions of accessibility engineers in the design.

We are also upgrading the ATM network: the entire ATM network is jack-phone enabled (helping the visually impaired to hear their balance). During 2022, we completed the full renovation/replacement of 33 ATMs to further support easy on-screen navigation for customers. In 2023, additional branch ATMs will be replaced, followed by the replacement of non-branch ATMs. We are also looking after people with reduced mobility when we roll out new machines, with our machines positioned so that they can be used from a wheelchair.

The George-based site and applications follow WCAG 2.1 guidelines, including contrast, resizing settings, page read-aloud options and more.

Support for workers with special needs at Erste Torony

- The tower is barrier-free and accessible by wheelchair on all floors and wings. Thresholds are removed or replaced by floor separators, making crossing for wheelchairs smooth. (The only exception is the garage entrance, but this is not feasible with fire doors due to the fire compartment boundary.)
- Our lifts are also threshold-free, and there is a special call button for the visually and mobility impaired, which makes the lifts wait longer to assist in getting in and out.
- The height of the light switches and lift panels were designed to be wheelchair accessible throughout the building.
- We have 3 handicapped parking spaces.
- 2 disabled toilets are located in the Tower.
- In the parking lot outside the building, we provide 1 dedicated disabled parking space for our guests (for guests who have registered in advance).
- Disabled access to the lobby is made barrier-free through the opening door next to the turnstiles.
- The buffet and canteen are also accessible.
- Kitchens on all floors of the building are also accessible.
- In toilets, lights switch on automatically with the help of motion sensors.

Erste Hungary's energy management

The Bank places a strong emphasis on increasing energy efficiency in both its headquarters and its branch network to protect and sustain our environment.

The Bank's headquarters building is classified as an "A" class office building, equipped with high technical content, modern cooling and heating technologies, and a building surveillance system, in line with the technical and energy efficiency requirements of the time. In 2022, our headquarters, the Europe Tower, was awarded outstanding Breeam certification. Motion and position sensors and energy-saving LED lights were installed in many areas to reduce energy consumption. The heating and air conditioning systems operate in energy-saving mode at night and on weekends, taking into account real comfort needs and holidays. All workstations in the building have natural lighting, which is an important factor in maintaining the health of workers and reducing energy consumption. We ensure reduced energy consumption during off-peak periods by changing the operating mode according to opening hours, which also allows our entire branch network to operate more energy efficiently.

Through continuous improvements, we are replacing the equipment that supplies energy to the building with more efficient equipment that serves the needs with better efficiency, while keeping in mind the need for comfort and the principle of minimal environmental impact.



In the spirit of environmental awareness, we have been carrying out separate waste collection in our head office and currently in 10 branches for years, collecting plastic, paper and municipal waste separately. We are planning to expand separate waste collection in the branch network.

From 2016, we will purchase 8,000 MWh of green energy every year, not only directly reducing our CO₂ emissions, but also indirectly supporting the deployment of innovative renewable energy systems. We feel obliged to continue this activity and have purchased another 7,500 MWh of green energy to power the branch network in 2022, which we will continue in 2023. This will cover 100% of Erste Hungary's electricity needs from green power.

In order to continuously maintain and improve the efficiency of energy management, we implemented an ISO50001 compliant energy management system at the end of 2017. Also at the end of 2017, in addition to our internal demand and the support of the Group, we expanded our ISO activities and introduced our ISO14001 environmental management system, further strengthening our commitment to protecting our environment.

The development and renewal of our branch network are ensured by the innovative operation of our continuously improving standards and ISO systems. Artificial lighting is provided by energy-efficient fluorescent and LED luminaires. 50 branches are now lit by state-of-the-art LED light sources. The lighting of logos and illuminated signs is time program controlled, and night lighting is limited or kept to the minimum necessary in most areas. Our newly installed equipment is energy class A.

When selecting newly installed air conditioning systems, we give preference to VRV (heat pump) and inverter systems that promote energy efficiency. Newly installed boilers are condensing boilers which not only save energy but also directly reduce emissions.

To reduce paper consumption, the Bank has introduced the possibility of paper-free cash withdrawals at its ATMs and uses recyclable, environmentally friendly paper not only in its ATMs but also in its daily operations.

For internal mail, Erste Hungary uses 24 times addressable envelopes, recycled paper and stamps. Scrapped but still usable computers and unused furniture are donated to educational institutions and foundations in need, and used copiers and ink cartridges are collected by suppliers.

In order to reduce the direct environmental impact of transport, the size of the company car fleet is continuously determined according to demand, and modern vehicles with energy-efficient engines are purchased. Special attention is paid to the regular monitoring of emissions and fuel consumption. We have installed 14 stations for charging electric cars in the central building and have retained 7 old chargers with low capacity. This year we are planning to expand the car park by building more electric car chargers. We currently have 4 electric and 3 hybrid vehicles, and expect to be delivered 5 more electric vehicles, and we are planning to accelerate the replacement of the car fleet with electric cars.

We have a cooperation agreement with two car-sharing services (GreenGo and ShareNow), which provide employees with electric cars for company trips with GreenGo in Budapest and ShareNow nationwide, reducing emissions.

Erste Hungary provides a storage area for more than 180 bicycles simultaneously in its headquarters for colleagues who cycle to work, thus promoting health and environmentally friendly traffic. In the bicycle storage area, 6 free charging points for e-bikes and scooters have been provided, thus increasing the e-mobility awareness of employees within the bank.

EVENTS AFTER THE BALANCE SHEET DATE

Recent international events in banking sector

In course of March the U.S. based Silicon Valley Bank (SVB) was announced collapsed, and also the Switzerland based Credit Suisse bank (CS) reported financial difficulties and needed government intervention. Both banks were major players in global markets as well.

The situation was consolidated meanwhile, in both cases:

- SVB was taken over by Federal Reserves and deposits were moved into a so called 'bridge bank';
- in case of CS, it was recently announced that UBS, another global player of the sector, plans to buy.

These events do not impact Erste Hungary directly. Indirect effects, like any knock-on effect concerning trust toward the bank sector can not be ruled out, but the liquidity and capital situation of Erste Hungary is stable.

Dividend

The proposed dividend to be presented at the Annual general meeting is amounting to 15 billion forint.

Budapest, 31 March 2023.

.....
Jelasity Radovan
President and CEO

.....
Manred Schmid
Deputy Chief Financial Officer

Annex 1: Erste Hungary's branch network as of 31 December 2022:

Accounts
1138 Budapest, Népfürdő utca 24-26.
1222 Budapest, Nagytétényi út 37-43.
1203 Budapest, Kossuth Lajos u 21-29.
1117. Budapest, Októberhuszonharmadika utca 8-10.
1106 Budapest, Őrs vezér tere 25.
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.
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. building A.

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 Sáropatak, 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 Kisvárd, 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, Szilfákalja utca 4.

6000 Kecskemét, Kisfaludy utca 6

3530 Miskolc, Corvin utca 1-3.

3527 Miskolc, Bajcsy-Zsilinszky út 1.

1138 Budapest, Népfürdő utca 24-26.

1222 Budapest, Nagytétényi út 37-43.

Annex 2: ERSTE HUNGARY CORPORATE GOVERNANCE REPORT FOR YEAR 2022

ERSTE HUNGARY CORPORATE GOVERNANCE REPORT FOR THE YEAR 2022

Under Section 95/B of Act C of 2000 on Accounting, ERSTE BANK HUNGARY Private Limited Company („the Company”) hereby publishes its Corporate Governance Report.

The Company established its corporate governance system in a responsible, efficient and transparent manner, in accordance with the effective legislation applicable to companies and credit institutions, the recommendations and expectations of the NBH (financial supervisor) as well as with considering the interest of the Company’s clients and Shareholders.

The Company - as an issuer of certain listed securities - prepared its corporate governance report to ensure transparency and full comparability – in accordance with Corporate Governance Recommendations (“Recommendations” or “CGR”) approved by the Board of Directors of the Budapest Stock Exchange Zrt. on 8 December 2020. The Company emphasizes however that the Company is a credit institution operating as a private limited company, which applies the recommendations prepared for listed public limited companies with the derogations arising from its organization, activities and operations as follows.

PART I

1. Operation of the Board of Directors, and a description of the division of responsibilities and duties between the Board of Directors and the executive management

The Board of Directors is the managing body of the Company, which directs the operations of the Company within the framework of the law, the Statutes, and the resolutions of the General Meeting and considering the recommendations of the Supervisory Board. The Board of Directors adopts its own by-laws after seeking the prior opinion of the Supervisory Board.

- The duties of the Board of Directors are to govern the affairs of the Company and exercise all those rights which do not fall within the exclusive competence of the General Meeting or the Supervisory Board. In particular, the Board of Directors represents the Company vis-à-vis third parties, at courts and authorities
- ensures that the books of the Company are kept in accordance with the relevant rules;
- makes a proposal to the General Meeting for the amount of remuneration to be paid to the members of the Supervisory Board;
- on the basis of Section 98(1) of the Credit Institutions Act, establishes the internal regulations making possible the prudence and transparency of investments and commitments, as well as the control and minimisation of risks, and records those regulations in an annex to its by-laws;
- initiates the decision-making of the General Meeting;
- elects the Managing Directors in accordance with the Credit Institutions Act, exercises the employer’s rights over them, and determines the terms of the employment agreements of the CEO and the Managing Directors;
- prepares or procures the preparation and audit of the annual report, including the suggestion on the usage of the after-tax profits, and submits the same to the Supervisory Board and the General Meeting;
- establishes committees and advising bodies to support the preparation of decisions.
- approves the principles of investments; and
- prepares and accepts the budget of the Bank and the amendments thereof.

The Board of Directors consists of at least 3 members, elected by the General Meeting for a maximum of 5 years. The members of the Board of Directors may be re-appointed and recalled at any time by the General Meeting.

The members of the Board of Directors are persons employed by the Company (internal members) and persons not employed by the Company (external members).

The Chairman organises the work of and ensures the effective operation of the Board of Directors, represents the Board of Directors and carries out the duties specified in the Statutes and the by-laws of the Board of Directors.

The meeting of the Board of Directors is held as often as the Board of Directors deems necessary or appropriate but at least 4 (four) times a year. The Chairman of the Board of Directors convenes a Board of Directors meeting upon a written request from any member, specifying the reason for convening the meeting and the proposed agenda. The invitation must be sent in advance to the members of the Board of Directors as laid down in the by-laws.

The Board of Directors has a quorum if at least a simple majority of the members are present. The Board of Directors makes its decisions by simple majority of the members present, subject to Sections 13.9 and 13.10 of the Statutes unless it is otherwise provided by the relevant legislation or the Statutes.

The Board of Directors may pass its resolutions in writing (including fax), teleconference or videoconference.

The internal members of the Board of Directors are the CEO, the Chief Retail Officer, the CFO, the COO and the Chief Risk Officer.

The Chairman elected by the Board of Directors and employed by the Company (in 2022 and currently the CEO), and his deputies (in 2022 and currently the internal members of the Board of Directors) qualify as managing directors under the Credit Institution Act. The Board of Directors decides on the distribution of business activities amongst the managing directors and the rules of replacement. The decisions of the Board of Directors are implemented by the managing directors.

The Board of Directors established a Managing Board . The Managing Board is a body that exercises operative control over the Company, makes the necessary decisions and specifies principles to manage the daily operation of the Company. .

The members of the Managing Board are the Chairman of the Board of Directors (the CEO) and the Deputy CEO's, who are also internal members of the Board of Directors. The CEO is the Chairman of the Managing Board.

The Managing Board convenes its meeting on a weekly basis. The Managing Board has a quorum if more than half of its members are present. Resolutions of the Managing Board are passed by simple majority.

The Managing Board informs the Board of Directors of the measures delivered and the decisions made on a quarterly basis.

In the year 2022 the decision of the Board of Directors related, amongst others, to the following matters:

- reports of the management,
- Risk Management reports,
- the organizational changes of the Company,
- adoption of the amendments of internal regulations within the competence of the Board of Directors,
- preparation of the annual accounts and the related documentation,
- monitoring the inspections carried out by authorities,
- decisions related to the Company's policies,
- decisions related to the subsidiaries of the Company

2. Introduction to the members of the Board of Directors, the Supervisory Board and the Managing Board

2.1. Members of the Board of Directors on 31 December 2022

Radovan Jelasyty Chairman of the Board of Directors, CEO (01.06.2011. -)

Mr Jelasyty was born in Baja, finished his secondary school in Budapest. He obtained an MBA at the Finance Faculty of Illinois University in Chicago after acquiring a degree in economics at the Belgrade University. He started his banking career at the Deutsche Bank in Frankfurt where he worked for four years as area manager responsible for Central-Eastern Europe. Later he participated in banking projects in Germany, Poland and Bulgaria, on behalf of McKinsey&Company in Frankfurt. As Vice President of the Banking Rehabilitation Agency he participated in the reorganization of the banking sector and in the launch of the privatization process of several large banks. After serving as Deputy Governor, he was appointed the Governor of the National Bank of Serbia in 2004 and held this office until 2010. As central banker, Mr Jelasyty played an important role in the consolidation of the Serbian banking sector and the insurance market, as well as in the strengthening of the regulatory and supervisory bodies; furthermore he played a key role in Serbia's negotiations with international financial institutions. Mr Jelasyty - as Chief Executive Officer of the Company since June 2011 – beyond his responsibilities specified by the laws and by the by-laws of the Board of Directors - is responsible for the financial stability of the Company, acts as managing director of the Company and assists the Board of Directors in making decisions affecting the entire Company. He contributes to setting directions to the Company's business policies with evaluation of local and foreign business and macro-economic environment. He manages and coordinates the Company's Corporate Division, supervises the strategic and business planning as well as the operation of the Division. In addition to his position held in the Company, he has been the member of the General Council in the Hellenic Financial Stability Fund in Athens from October 2016 till November 2019. He is the president of the Hungarian Banking Association from May 2020.

László Harmati Managing Director, Deputy CEO Retail (02.04.2013. -)

Mr Harmati started his career at the ITCB - Consulting and Training, then between 1998 and 1999 he was Head of Department of Entrepreneurship and Regulation in the Ministry of Finance. Between 1999 and 2002, as Head of Department of Regulation at the National Bank of Hungary, he played a leading role, amongst others, in the development and launching of the domestic trading book regulation and the implementation of the Basel capital rules in Hungary. From 2002 until early 2013, as Deputy CEO at FHB Mortgage Bank Nyrt, and as CEO from 2010 the supervision of the entire business area belonged into his competence and as a consequence, he played a leading role in the management of the bank's business strategy. In 2006 and 2007 he undertook an active role in founding the FHB Bank Zrt where he fulfilled the position of the CEO. In 2010 and 2011 he was in charge of the acquisition of Allianz Bank Zrt. Mr Harmati is associated with the establishment of the new business model, managing the rationalization project, and the intensive retail online developments (netbank, netbroker, lead generation via the Internet). He had a leading role in the cost rationalization, the development of the new set of tools for housing subsidy, he is credited with the re-tuning of the collection protocols, and the increase of the branch and direct channels' cross-sale potential. László Harmati as Deputy CEO (Chief Retail Officer) of the Company – since April 2013 – manages and coordinates the retail division of the Bank, supervises the operation of the branch network, manages and supervises the sale of retail products, the customer service and the telesales channel of the Bank.

Krisztina Zsiga Managing Director, Deputy CEO Risk management (06.11.2017. -)

Ms Zsiga graduated in 1993 at the Manchester Metropolitan University. She has been working in risk management for more than 20 years. She gained wide experience on this area in various European countries. Between 1995 and 2007 she worked at Inter-Európa Bank, Citibank and the CitiGroup in Budapest, Moscow, Norway, Prague, and London. She joined Erste Group Bank AG in January 2008 where she was working as Head of Retail Risk Management. Between 2013 and 2016 she was

member of the Company's Supervisory Board before she had been elected as external member of the Board of Directors. In November 2017 Krisztina Zsiga was elected as Deputy CEO for Risk Management (Chief Risk Officer) of the Company. She supervises the credit policies of the Bank's business lines, including the credit rating, collateral valuation and provisioning policies. She regularly reviews market risks, supervises the delegation of functions regarding credit clients and she holds responsibility for the safe and secure operation of the Company.

Manfred Schmid, Managing Director, Deputy CEO Finance (01.06.2021. -)

Mr. Manfred Schmid graduated at the Universität Wien, Business Informatics faculty in 1991 and continued his studies at Robert Kennedy University, Delémont, where he got his International Tax Law Diploma in 2022. He has professional experience in the field of IT, accounting and controlling at Budapest and Vienna. Between 1998 and 2001 he was filling director role and leading the Accounting and Controlling area in Erste Bank Hungary Zrt, between 2001 and 2010 the same position in Slovenska sporitelna a.s. (Erste Group Bank AG's subsidiary in Slovakia). He was leading the Group Accounting and Group Controlling area in Erste Group Bank AG between 2010 and 2020, thus he has been employed by Erste Group Bank AG and its subsidiaries for 22+ years. Manfred Schmid as Deputy CEO (Chief Financial Officer) of the Company – since May 2021 – is responsible for the financial stability within the Company's business policies and he supervises the Finance and Accounting, Controlling, ALM, Facility and Property Management and Procurement areas.

Tamás Foltányi, Managing Director, Deputy CEO IT and Operation (15.01.2016. -)

Mr Foltányi studied at the Budapest University of Technology at the Faculty of Electrical Engineering then finished the Bank Management Programme at The International Training Center for Bankers Ltd. (Bankárképző). During his career he held leading positions at Inter-Európa Bank and Creditanstalt. From 1999 until 2004 as a managing partner at PwC and IBM he was responsible for the Hungarian financial sector and services offered for them, then took over the management of the IBM Global Services businesses. From 2005 until 2015 he was the Deputy Chief Executive Officer of the FHB Mortgage Bank Nyrt. Tamás Foltányi as Deputy CEO for IT and Operation (Chief Operating Officer) of the Company – since January 2016 – is responsible for the Bank's IT and operations, supervises the IT system development and operational tasks of the Company, manages and coordinates the IT planning of the Company.

Dr. János Rudnay, external Board of Directors member (01.10.2004. -)

Mr Rudnay graduated at the Vienna University' Law School in 1977. Between 1977 and 1994 he worked in management positions at various Philips affiliates. As of 1994 has was the CEO of the Pécs Brewery Rt. then from 1995 he was the CEO of Reemtsma Debrecen Tobacco Plant Kft. Between 2001 and 2002 he was the member of SPB Investment Rt's advisory board. He has been a consultant to Erste Group Bank AG since September 2002. From 4 December 2003 he was external Board member of Postbank and Savings Fund Rt, then from 1 October 2004 he has been elected as external member of the Board of Directors at the Company.

Frederik Silzer external Board of Directors member (01.08.2005. -)

Mr Silzer started his career in 1988 at the die Erste österreichische Spar-Casse Bank, then from 1993 he worked at AVABANK in the are coordinating affiliates and he was Executive Director at several Central European subsidiaries. In 1998 he joined Bank Austria AG (earlier operated as Creditanstalt AG) where he was in charge of coordinating subsidiaries, amongst other in Hungary. Since 2008 he has been in charge of coordinating the activity of Erste Bank der österreichischen Sparkassen AG in Central-Eastern Europe, including Hungary, he is responsible for numerous acquisition and integration projects.

Karin Svoboda, external Board of Directors member (01.04.2020.-)

Ms Karin Svoboda graduated in 1995 as economist at the University of Vienna. She started her career at Erste Group Bank AG from 1998, where she held various management positions from 2002. Later she was appointed the Head of Projects and CEE Governance, Head of Group Crisis Management and Head of Group Capital Management. Karin Svoboda is the Head of Enterprise wide Risk Management - since 2017 – is responsible for group level ICAAP framework, central credit risk calculation, group level IFRS 9 impairment methodology and validation, regulatory and management risk reporting, recovery and resolution planning.

Zoltán István Marczinkó, external Board of Directors member (11.08.2016. -)

Mr Marczinkó graduated in 1988 at the Karl Marx University of Economic Sciences. At the beginning of his career, he worked as the Head of Section for Production Organization in Dabas Printing House. He worked at Budapest Bank Nyrt. as Lending Executive from 1992. Later he was appointed the Head of Branch Network/Head of Central Branch at the HBW Express Savings Cooperative. He worked in the same position (branch manager) at Budapest Bank Nyrt. from 2000 to the end of the year 2010, after that he was the head of the Corporate Business Center. From 2013 he worked at the Széchenyi Kereskedelmi Bank Zrt. as Head of Acquisitions and Business Development. From 2014 he is Deputy Secretary of State at the Ministry for National Economy, responsible for Key Corporate Relations.

Michael Neumayr, external Board of Directors member (14.09.2016. -)

Mr Neumayr graduated in 1980 as doctor of law at the University of Vienna and subsequently obtained a diploma in International Relations at the Johns Hopkins University, Bologna Center. He started his professional career in 1982 in international banking at Girozentrale Group, and held various management positions at the international division in Vienna, and the subsidiary in Zurich. In 1995 he joined Bank Austria Creditanstalt, Vienna, heading the International Finance and Syndications Department

until 2002. From 2002 to 2008 he was Executive Director and Member of the Board of Directors at the European Bank for Reconstruction and Development (EBRD) in London, representing Austria and five other shareholder countries, including Bosnia and Herzegovina, and Kazakhstan. Since 2008, he has been an independent business advisor, and member of the board of directors and investment committees at various international financial institutions.

2.2. Members of Supervisory Board on 31 December 2022

Dr. Manfred Wimmer, Supervisory Board member, Chairman of the Supervisory Board (01.09.2008. -)

Mr Wimmer graduated in 1978 at the Law School of the Innsbruck University. Between 1982 and 1999 he worked at the International Division of Creditanstalt, Wien. He has been working at ERSTE Bank der Oesterreichischen Sparkassen AG. between 1998-1999 as Head of International Marketing Department between 1999-2002 as acquisition and integration Project Manager of Ceska Sporitelna then between 2002-2007 as Head of Strategic Holding Development Area. Between 2007 and 2008 he held the position of the President and Board Member of Banca Comerciala Romana. Since 2008 Mr Wimmer is Board Member at Erste Group Bank AG responsible for Finance and Accounting and Performance Management. He retired as of 1 September 2013, but he is keeping the Chairman position of the Company's Supervisory Board.

Friedrich Rödler, Supervisory Board member (28.04.2012. -)

Mr Rödler graduated in 1975 at the Vienna Technical University (Mathematics and IT specialty), then obtained an academic degree at the Vienna School of Economics in 1976, then a second degree in "International relations" specialty. From 1976 until 1986 he was employed by Arthur Andersen & Co, then between 1986 and 1990 he worked as a partner at GRT Robol & CO. He held various positions at PwC from 1990 to 2013. Mr Rödler is the Chairman of the Supervisory Board of Erste Group Bank AG. He has more than 34 years of work experience in financial, accounting and tax consultancy matters.

Alexandra Habeler-Drabek, Supervisory Board member (01.04.2021. -)

Ms Habeler-Drabek started her career in 1995 at the Creditanstalt-Bankverein Bank as Restructuring and Workout Manager, in 1999 she became the Head of Risk Management Corporate & SME. Between 2001 and 2010 she held different leader positions in Unicredit Bank Austria. In 2010 she became head of Workout & Restructuring & Op-risk in Erste Bank Österreich, then she was the head of Operative Risk Management between 2012 and 2014. Between 2013 and 2016 she was the head of Group Enterprise-wide Risk Management in Erste Group Bank AG. She was the CRO of Slovenská sporiteľňa, a.s. between 2017-2019, since 2019 she is the CRO of Erste Group Bank AG.

Maurizio Poletto, Supervisory Board member (01.06.2021. -)

Mr. Maurizio Poletto, during his professional career, held positions where he could gain broad professional horizon in digital banking developments and trends, not only in incumbent banking side, but also in digital strategy and transformation. He has 8+ years experience in leadership role in George Labs GmbH (connected to Erste Group Bank AG). Since 1st January 2021 he has been member of the Board of Directors of Erste Group Bank AG as Chief Platform Officer. He became Supervisory Board member at Erste Bank Hungary from 1st June 2021.

dr. Alíz Zsolnai, Supervisory Board member (11.08.2016. -)

Ms Zsolnai graduated in 2002 at the University of Szeged. She passed Specialist Exam in Public Administration in 2004. In 2006 she spent three months internship in the HM Treasury and finished her PhD studies in 2012. From 2002 she is a government official in the Ministry of Finance, where she worked as Deputy Head of Department in 2014, and as Head of Department since 2015.

Aleksandra Gren, Supervisory Board member (21.12.2022. -)

Ms Gren started her career at the Royal Bank of Canada in Vancouver in 1995. Then she joined an American-based financial service technology company (Fidelity Information Services), where she worked in cooperation with global banking players between 1996 and 1999, participating in the sales, product development and strategic activities of its clients operating in the American, European and Middle Eastern markets. In 2001, she was a member of the start-up business team of ING Direct Italy, which was entering the market at the time, in Milan. She has been working for Fiserv since July 2002. Between 2003 and 2021, as the managing director of Fiserv Poland, she managed the domestic operations of the launch of new technology initiatives in the financial services sector in Poland. After the company's structural change, she is the head of financial solutions at Fiserv Poland SA from May 2021. With a strategic approach, she focuses on value-creating innovation, changes and their implementation, challenges facing the financial sector and modern solutions. She has received several international recognitions for her leadership role in the banking technology field and for her ESG initiatives

Magdolna Nagy, Supervisory Board member, representing employees (01.02.2013. -)

Ms Nagy is the Head of the Custody area of the Company

She graduated in 1990 at the Budapest School of Economics. She has 20 years of experience in investment services. Since 1993 she developed the depository service activity in various Hungarian banks. Between 1993 and 1997, she was head of

deposit management at Magyar Hitelbank then between 1997 and 2000 at CIB Central European International Bank Rt. At the Company she has been Head of the Custody area 2000.

Anna Kósa, Supervisory Board member, representing employees (11.08.2016. -)

Ms Kósa is the Head of Compliance at the Company.

She graduated as lawyer in the University of Miskolc. She worked as compliance and legal executive at the beginning of her career at the Magyarországi Volksbank. She joined the Company in 2012 as compliance expert at the AML and Securities Compliance. She was responsible for performance of compliance functions related to the financial and investment service activities of the Company and for the supervision of the relevant internal processes from compliance aspects. Later she was the Acting Head of Compliance Department. She is the Head of Compliance) since May 2016.

Attila István Balla, Supervisory Board member, representing employees (06. 12. 2018. -)

Mr Balla is the regional head of the branch network in the East Hungarian region, originally graduated as an engineer, but he also finished economy studies in 1993. Before joining the Company in 2010, he worked for several other credit institution in various positions (head of sale at retail and SME segment for Unicredit or branch director for Raiffeisen..etc). He was mainly responsible for sales activities in his positions, but he had committee mandates as well, like Supervisory Board member for Erste Biztosító as well as for UniCredit Bank.

2.3. Members of Managing Board on 31 December 2022

Jelasily Radován, Chairman of the Board of Directors, CEO, managing director responsible for the Corporate Business

László Harmati, Managing Director, Deputy CEO Retail

Krisztina Zsiga, Managing Director, Deputy CEO Risk management

Manfred Schmid, Managing Director, Deputy CEO Finance

Tamás Foltányi, Managing Director, Deputy CEO IT and Operation

3. Number of meetings held by the Board of Directors and the Supervisory Board in 2022

In 2022 both the Board of Directors and Supervisory Board held four meetings.

The quorum at the 2022 meetings of the Board of Directors and the Supervisory Board was ensured in each case.

4. The presentation of criteria considered when evaluating the work of the Board of Directors, the Supervisory Board, the Managing Board, as well as of the members of these bodies

The Company is a credit institution subject to the Credit Institution Act, where, in line with the legislative provisions the Remuneration Committee and the Nomination Committee appraised the members of the Board of Directors and the Supervisory Board. The appraisal criteria for members of these bodies are laid down in the Remuneration Policy published by the Company, its Fit & Proper regulation and other criteria laid down in the Credit Institution Act. No further measures were made as a follow-up to this appraisal.

5. Report on the operation of individual committees

5.1. Supervisory Board

The Supervisory Board carries out all duties which are delegated into its competence by the applicable laws or by the Statutes, in particular:

- ensures that the Company operates in accordance with the general rules of operation, including the Statutes and the resolutions of the General Meeting;

- comments on the annual report; inspect the Company's annual, interim (or other extraordinary) and consolidated balance sheets (reports) and the proposals concerning the payment of dividends; and submit the reports on the same to the General Meeting;
- reviews the reports on the management of the Company;
- submits its opinions, proposed resolutions and propositions to the General Meeting and the Board of Directors;
- comments on the draft amendments to the Statutes prior to the submission thereof to the General Meeting;
- submits a proposal to the General Meeting on the person and remuneration of the Auditor;
- reviews and evaluates the underlying principles of the Company's business policy and comment on the Company's business policy;
- submits a proposal to the General Meeting on the appointment, removal, and remuneration of the members of the Board of Directors;
- reviews the Company's accounting statements and documents in order to establish whether they are in compliance with the Company's business policy, the binding statutory regulations, the Statutes and the resolutions and instructions passed by the General Meeting;
- sets up committees out of its members and adopts the by-laws of such committees;
- informs the General Meeting of the results of its control and other activities;
- reviews the performance of the Board of Directors of the Company;
- comments on the budget of the Company in advance as well as any decreases or increases of the figures in the budget exceeding 10%;
- comments on the key points of the collective agreement to be concluded with the employees of the Company;
- comments on the interim balance sheet of the Company, which is necessary for the payment of interim dividends or for any other reason, in advance;
- approves the proposal of the Board of Directors for the payment of interim dividends in advance (Section 3:263(2) of the Civil Code);
- comments on the guidelines of investments;
- comments on the principles of the internal rules that stipulate the signing rights of the persons undertaking commitments on behalf of the Company (other than the decisions regarding the authorisation of specific persons) and of the internal regulations concerning the policy on public announcements in advance;
- comments on any capital increase of the Company;
- comments on the by-laws of the Board of Directors;
- informs the General Meeting and, if necessary, initiate the decision-making of the General Meeting if, in the judgment of the Supervisory Board, the activity of the Board of Directors is contrary to the law, the Statutes, or the resolutions of the General Meeting or the Supervisory Board, or otherwise contrary to the interests of the Company or the Shareholders;
- represents the Company at court in matters defined in the Civil Code;
- comments on the establishment, voluntary dissolution, sale and acquisition of subsidiaries, on the increase or decrease of participation in subsidiaries, on the establishment and/or closing-down of representations and representative offices,
- comments on the election of the Chairman of the Board of Directors and the Managing Directors;
- prepares the agreement to be concluded with the auditor, monitors the enforcement of the professional requirements and rules of conflict of interest in respect of the auditor, performs tasks in relation to cooperation with the auditor, and if necessary, makes a proposal to the Board of Directors to take measures;
- accepts, implements and reviews the principles of the remuneration policy and is responsible for the monitoring thereof; and

- gives its approval, consent or comment (opinion) in relation to any other issue where approval, consent or comment (opinion) is required in accordance with the Statutes or with some by-laws or internal rules of the Company.

The Supervisory Board consists of at least 3 and at most 9 members, elected for five years by the General Meeting. The members of the Supervisory Board can be re-elected and recalled by the General Meeting at any time. As long as the annual average number of the Company's FTE employees exceeds 200 people, one third of the Supervisory Board members are appointed by the General Meeting on the basis of the nomination of the Work Council. The mandate of members representing employees ceases upon the termination of his/her employment.

The Chairman of the Supervisory Board can be invited to the meetings of the Board of Directors in a consultative capacity.

The Supervisory Board meets as frequently as it deems necessary, or upon the request from any Supervisory Board member, but at least four times a year.

The invitation letters and the proposals concerning the matters to be discussed at the Supervisory Board's meeting must be sent to the members as laid down in the by-laws.

The Supervisory Board meeting has a quorum when at least two-third of the Supervisory Board members are present, with at least three members present other than those elected upon the appointment of the Works Council.

The Supervisory Board passes its decisions with a simple majority and the open vote by the members present. The opinion of the employee representatives must be recorded in each case. Where the employee delegate's opinion is unanimously different from the Supervisory Board's majority opinion, the minority position of the employees must be disclosed to the General Meeting.

The Supervisory Board may pass its resolutions in writing, (including fax), teleconference or video conference, as laid down in the by-laws.

As a rule, the documents related to the Supervisory Board meetings and resolutions are drawn up in English.

In 2022 the Supervisory Board resolutions affected primarily the following issues:

- quarterly reports of the Board of Directors, Remuneration Policy,
- matters related to the governance of the Internal Audit;
- the Company's organizational transformations,
- preparation of the Annual Report and the related report, making proposals,
- making decisions related to the main changes related to subsidiaries,

5.2. Audit Committee

The Audit Committee is a sub-committee of the Supervisory Board that carries out advisory and consultancy tasks to the Supervisory Board as laid down in its by-laws, and performs other tasks as laid down by the Supervisory Board. Under the by-laws, the Audit Committee is competent in the following matters, amongst others:

tasks related to the report under the Accounting Act, the audit made by the auditors, the person of the auditor and the contract to be concluded with it, the evaluation of the financial reporting system; furthermore the Audit Committee performs tasks related to the operation of internal control, such as the activities of the internal independent audit organization and proposes measures in connection with the risk assessment and risk management systems.

The Audit Committee consists of 3 members, elected by the General Meeting from the independent members of the Supervisory Board not representing employees. At least one member of the Audit Committee must have an accounting or auditing qualification.

The Audit Committee holds meetings as necessary but it must have at least two meetings a year. The meeting is convened by the Chairman, or in his absence by the Deputy Chairman. The meeting of the Audit Committee must be convened if initiated by the Supervisory Board by specifying the purpose of the meeting.

The Audit Committee has a quorum if it is duly convened and at least two of its members are present. Otherwise the rules on the convention of the Supervisory Board apply. The Audit Committee passes its resolutions with unanimous decision.

The rules of the Audit Committee's operation are laid down in its by-laws, adopted by the Supervisory Board. If all members of the Audit Committee agrees, its meeting can be convened electronically, via fax or the phone.

The Audit Committee may pass its resolutions by phone, fax or in any similar way.

The Chairman, or in the absence of the Chairman the Deputy Chairman makes a presentation to the Supervisory Board on the activity performed by or the meetings of the Audit Committee since the last report. Regular reports must be drawn up on the meeting of the Audit Committee and annexed to the material of the Supervisory Board meetings.

In 2022, the Audit Committee held four meetings, the Committee had a quorum at all of them.

In 2022 the Audit Committee primarily passed decisions on internal audit, the inspections carried out by the NBH at the Company, the annual report and the auditor. The Board of Directors made no resolutions against the proposal from the Committee.

Members of the Audit Committee on 31 December 2022

Friedrich Rödler, Chairman
Manfred Wimmer
Alexandra Habeler-Drabek

5.3. Risk Governance Committee

The Risk Governance Committee is responsible for examining the reports related to the Company's risk profile, the risk management framework and risk management processes, and to supervise continuously the Company's solvency positions and compliance with the legislation and Erste Group level standards. It examines pricing principles, reviews remuneration guidelines in the context whether they comply with the institution's risk, capital and liquidity positions and the expected revenues.

The Committee receives information on every relevant development in risk management, reviews and discusses portfolio reports, and reports prepared on the risk management framework and related processes.

Three members of the Committee are delegated from amongst the external members of the Board of Directors.

Any member of the Board of Directors or the Supervisory Board, and the Deputy CEO Risk Management (CRO, head of risk management areas in the Company) can also participate at the Committee's meetings but with no voting right, however, he/she can participate in the debates. Where the matters to be discussed require, the Chairman, or in his absence the Deputy Chairman can invite other Company employees or experts with appropriate expertise, to attend the Committee meeting with no voting right.

The Risk Governance Committee holds its meetings as required but at least four times a year.

The Risk Governance Committee has a quorum if it is convened duly and at least two of its members are present. To pass a resolution on any matter discussed at the Committee's meeting at least two members voting for the decision is required. The members participating at the meeting via a teleconference or a video conference must be considered attending members.

The Risk Governance Committee may pass its resolutions via phone, fax or other similar ways.

The Chairman, or in his absence the Deputy Chairman reports to the Board of Directors on the activities completed by the Committee since the previous report and the meetings held. The Committee reports regularly to the Supervisory Board on its activities.

In 2022, the Risk Governance Committee held four meetings, the Committee had a quorum at all of them.

In year 2022 the Committee dealt with the matters within its competence, the amendment of risk management policies, and the effects of external events relevant for risk management.

Members of the Risk Governance Committee on 31 December 2022:

Karin Svoboda, Chairperson
Frederik Silzer, Deputy Chairman
dr. János Rudnay

5.4. Remuneration Committee

The Remuneration Committee performs the tasks specified in the Credit Institution Act, as laid down in its by-laws.

The Remuneration Committee has three members, its members are delegated from amongst the external members of the Board of Directors.

The by-laws of the Committee sets out the persons that can attend the meetings of the Committee in consultative capacity. Depending on the agenda items, further guests, the Company's employees and external experts can be invited to the meetings of the Remuneration Committee.

The Committee holds meetings as required but at least twice a year. The meetings of the Committee must be convened if initiated by any of its members by specifying the purpose of the meeting.

The Committee may pass its resolutions by phone, fax or in any similar way.

The Committee has a quorum if at least two of its members are present. The Committee can pass decisions in any matter discussed at the meeting if at least two members vote for it. Members participating at a meeting by conference call or video conference shall be considered as being present.

In 2022 the Committee held two meetings; the Committee had a quorum at both meetings.

In 2022 the Committee mainly dealt with changes in the top management, remuneration issues, tasks within the Remuneration Committee's competence and matters related to the amendment of the Remuneration Policy.

Members of the Remuneration Committee on 31 December 2022:

dr. János Rudnay, Chairman
Frederik Silzer, Deputy Chairman
Karin Svoboda

5.5. Nomination Committee

The Nomination Committee performs the tasks specified in the Credit Institution Act, as laid down in its by-laws.

The Nomination Committee has three members, its members are delegated from amongst the members of the Supervisory Board.

The by-laws of the Committee sets out the persons that can attend the meetings of the Committee in consultative capacity. Depending on the agenda items, further guests, the Company's employees and external experts can be invited to the meetings of the Nomination Committee.

The Committee holds meetings as required but at least twice a year. The meetings of the Committee must be convened if initiated by any of its members by specifying the purpose of the meeting.

The Committee may pass its resolutions by phone, fax or in any similar way.

The Committee has a quorum if at least two of its members are present. The Committee can pass decisions in any matter discussed at the meeting if at least two members vote for it. Members participating at a meeting by conference call or video conference shall be considered as being present.

In 2022 the Committee held two meetings; the Committee had a quorum at both meetings.

In 2022 the Committee mainly dealt with matters related to the evaluation and nomination of members of committees, and changes of policies on the suitability of members and other key individuals..

Members of the Nomination Committee on 31 December 2022:

Friedrich Rödler, Chairman
Alexandra Habeler-Drabek
Maurizio Poletto

1. Presentation of the system of internal controls and evaluation of the activity in the relevant period

The Company established and ensured the system of internal controls at group level, in line with the Credit Institution Act and the recommendations of the NBH, and laid it down in the by-laws of the Company. The primary goal for operating internal controls is to facilitate the Company's prudent, efficient operation, in compliance with the legislation and by-laws, furthermore to assist the Company management in substantiated decision-making.

The basic pillars to the Company's internal control functions are the risk control function (risk management), compliance control function (compliance) and internal audit function. In the context of the financial process the work of the auditor is part of the internal control mechanism.

Internal Audit

The internal audit performs examination and evaluation of the activities of the Company and the subsidiaries and ancillary businesses subject to consolidated supervision with the Company. In this context it monitors compliance with legislative requirements, official orders and bylaws, whether organizational units operate as provided for in the strategic objectives, it verifies the compliance and operation of business records, the outsourced activities and the content of the Remuneration Policy. As preventive activity, it contributes to projects as advisor, and forms an opinion when new products, by-laws, systems are introduced, if necessary.

The Internal Audit reports to the Supervisory Board, the Audit Committee and forwards the reports to the Managing Board and the Board of Directors of the Company, and ensures that the reports are available to the financial supervisory authority.

The annual report of the Internal Audit on the implementation of the remuneration policy is forwarded to the Remuneration Committee as well.

The Supervisory Board controls the organisation of the Internal Audit, as part of which it:

- ensures that the Company has a comprehensive control system making efficient operation possible;
- monitors the annual and interim financial reports of the Company;
- accepts the annual audit plan of the Internal Audit organisational unit;
- discusses the reports prepared by the Internal Audit at least semi-annually and controls the implementation of the necessary measures;
- supports the work of the Internal Audit with the invitation of an external expert as necessary; and
- makes a proposal on the change of headcount of the Internal Audit organisational unit (Section 152(3) of the Credit Institutions Act).

The Supervisory Board develops recommendations and proposals on the basis of the findings of the examinations carried out by the Internal Audit.

Decisions related to the establishment of an employment of the Head of Internal Audit, and his dismissal by the Company cannot be passed without the preliminary consent of the Supervisory Board.

Audit Committee

The sub-committee of the Supervisory Board, the Audit Committee also performs tasks related to the operation of the internal control system and the activities of the independent internal audit system, amongst others:

- discusses all Internal Audit related material prepared for the Supervisory Board,
- makes proposals for the Supervisory Board on the appointment and dismissal of the Head of Internal Audit, on the organization, headcount and main operational rules of the Internal Audit,
- makes proposals to the Supervisory Board in connection with the annual audit plan and the outcome of the internal audit activity, and
- proposes measures in the context of risk assessment and management systems.

Anti money-laundering and Compliance

The Compliance area of the Company carries out tasks related to the prevention of money laundering, international sanctions, fraud management and compliance risk detection and management tasks, on the basis of the relevant EU and Hungarian legislation. In this context they draw up by-laws and procedures compliant with relevant legislation, in connection with their activities they perform inquiries and audits and perform similar professional supervision of the subsidiaries of the Company.

These areas of the Company prepare an annual comprehensive report on the anti money-laundering and compliance activity and status, to be approved by the Board of Directors and the Supervisory Board of the Company.

Risk Management

The Company's risk management system is established to comply with legislative and supervisory requirements, in addition to the internal objectives of efficient and effective risk management. This system includes risk identification, the evaluation and analysis of their effects, drawing up plans for the required measures, and monitoring the efficiency of the risk management system. The management of the Company passes its resolutions considering the significant risks.

Apart from the Risk Governance Committee, the Company set up further committees in order to ensure support to efficient decision making process and the multi-functional supervision (joint participation of various professional areas). Their main purpose is to establish risk management, the related principles, risk strategy and its alignment with the business strategy, its follow-up and monitoring, and to increase risk awareness. Among the key objectives of these committees are the implementation of mutual coordination between corporate, retail lending and internal management functions.

Risk management standards and expectations are laid down in detail in the risk management by-laws of the Company.

The Company publishes its Disclosure Report pursuant to the Capital Requirements Regulations ("Risk Management report") on its website each year, containing the organizational structure of risk management and the relevant risk management information of the Company in the relevant year, and the risk factors influencing the Company's operation and management. The Risk Management report can be accessed here at the Company website (www.erstebank.hu):
<https://www.erstebank.hu/hu/ebh-nyito/bankunkroll/erste-bank-hungary-zrt/vallalatiranyitas/hivatalos-kozzetetelek>

Auditor

The Company has an auditor, appointed by the General Meeting, and registered in the Company Register.

The Company engaged PricewaterhouseCoopers Könyvvizsgáló Kft. (1055 Budapest, Bajcsy-Zsilinszky út 78.) with the audit of its 2022 annual report and consolidated annual report in line with the legislation in force. Appointed auditor: Árpád Balázs (1124 Budapest, Dobsinai u. 1.; mother's name: Kozma Hedvig; Registration number with the Chamber: 006931).

The auditor performs its other tasks specified by the law (in particular by the Credit Institutions Act); furthermore the Board of Directors and the Supervisory Board can request the auditor to perform special audit and to issue a report on such audits.

The Company regularly presents, in the Notes to the Annual Accounts, the fees by the auditor for the other certification services, for tax consultancy and other non-audit services charged in the reporting year (in addition to the fee charged by the auditor for the audit of the reports of the reporting year).

2. The company's disclosure policy

The Company is a private limited company that lays down its publication principles and procedures in its by-laws, in accordance with the legislative provisions. The by-laws lay down principles and procedures which ensure that all relevant information about the Company and circumstances influencing its share price are disclosed accurately, in a timely fashion and in full.

- The Company regularly presents, in the Notes to the Annual Accounts, the fees by the auditor for the other certification services, for tax consultancy and other non-audit services charged in the reporting year (in addition to the fee charged by the auditor for the audit of the reports of the reporting year).
- The Company publishes its Risk Management report on its website each year, containing the organizational structure of risk management and the relevant risk management information at the Company in the relevant year, and the risk factors influencing the Company's operation and management.
- The Company publishes on its website, together with its annual report, the main remuneration data for the previous years, furthermore the summary of its current remuneration policy is available on the website.
- In its annual report the Company discloses information on the professional career of the members of the Board of Directors, the Supervisory Board and the Managing Board.

3. The Company's policy on trading by insiders

The Company is a private limited company, which manages the list of insider traders in line with the provisions of the Capital Market Act¹ and establishes its by-laws on insider trading.

4. Method of exercising shareholders' rights

The Company's main decision-making body is the General Meeting, where shareholders can exercise their participation and voting rights in person or via proxy.

The General Meeting is convened by the Board of Directors. The convention of the General Meeting can be initiated by one or several Shareholders or any Supervisory Board member in writing; its decision can be also initiated by the competent authority, the auditor and the court of registration. Invitation to the General Meeting is sent by the Board of Directors in writing (via post, fax or, upon an express request, e-mail) to the Shareholders, at least thirty days before the date of the meeting.

The General Meeting can be attended via telecommunication devices (phone, videophone, online conference devices), in line with the rules laid down in the Statutes.

The General Meeting can also pass resolutions in writing, without holding a meeting. In such a case a resolution is adopted when the last vote required to pass a resolution is received by the Board of Directors, provided that it is received within 30 days after the sending out of the draft resolution. Any Shareholder can request the convention of a meeting in person within five working days following the receipt of the draft resolutions.

The General Meeting shall have a quorum if Shareholders holding more than 75% of votes are present. A second or further General Meeting can be convened to a date at least three working days after the General Meeting without a quorum, with the same agenda; in this case the General Meeting has a quorum where Shareholders holding at least 50% of the votes are present.

The General Meeting decides in matters referred to its competence by law of the Statutes. The following matters fall within the exclusive competence of the General Meeting:

- the amendment of the Statutes, with the exception of the amendment in accordance with Section 13.6. m) of the Appendix;
- increasing the registered capital of the Company;
- electing and recalling the members of the Board of Directors and determining their remuneration;
- electing and recalling the members of the Supervisory Board and the Auditor and determining their remuneration;

¹ Act CXX of 2001 on the Capital Market

- electing and recalling the members of the Audit Committee;
- approving the annual report (including approving the report of the Board of Directors on its business activities in the preceding year and the report of the Supervisory Board on that report), including the decision on the use of after-tax profits;
- evaluating the work performed in the previous business year by the members of the Board of Directors, deciding on the discharge that may be granted to the members of the Board of Directors;
- decision on the payment of any dividends and interim dividends;
- returning the banking licence of the Company;
- approving the by-laws of the Supervisory Board; and
- deciding on any issue which is referred to the competence of the General Meeting by law or the Statutes.

In the decision making process of the General Meeting the voting requirements laid down in the Civil Code² apply, except if any of these matters belong to the Reserved Competence of the General Meeting as laid down in the Statutes, in which case the special voting rules as laid down in the Statutes apply.

5. Remuneration statement

The Company publishes, together with its annual report, on its website the main remuneration data for the previous years, furthermore the summary of its current remuneration policy is available on its website.

The summary of the Remuneration Policy can be accessed here at the Company website (www.erstebank.hu):
<https://www.erstebank.hu/hu/ebh-nyito/bankunkrol/erste-bank-hungary-zrt/vallalatiranyitas/javadalmazasi-politika>

² Act V of 2013 on the Civil Code of Hungary

II. PART

Corporate Governance Report on Compliance with the Corporate Governance Recommendations (CGR)

As part of the Corporate Governance Report, by completing the following tables, **the Company declares to what extent it applied in its own practice of corporate governance the recommendations and suggestions formulated in the different points of the CGR published by the Budapest Stock Exchange Ltd.**

By reviewing the tables, market participants may receive information on the extent to which the corporate governance practice of different companies meets certain requirements included in the CGR, and may easily compare the practices of the different companies.

Level of compliance with the Recommendations

The Company should indicate whether it applies the relevant recommendation or not, and in the case of a negative answer, it should provide the reasons for not applying the given recommendation.

1.1.1. Does the Company have an organisational unit dealing with investor relationship management, or a designated person to perform these tasks?

Yes

No

1.1.2. Are the Company's Articles of Association available on the Company's website?

Yes

No

1.1.4. If the Company's Articles of Association allow shareholders to exercise their rights in their absence, did the Company publish the methods and conditions of doing so, including all necessary documents?

Yes

No

Explanation: **As a private limited company, the Company communicates directly with the shareholders.**

1.2.1. Did the Company publish on its website a summary document containing the rules applicable to the conduct of its General Meetings and to the exercise of voting rights by shareholders?

Yes

No

Explanation: **The Statutes of the Company include these rules.**

1.2.2. Did the Company publish the exact date when the range of those eligible to participate in a given company event is set (record date), and also the last day when the shares granting eligibility for participating in a given company event are traded?

Yes

No

Explanation: **Not relevant as the Company is a private limited company.**

1.2.3. Did the Company hold its General Meetings in a manner providing for maximum shareholder participation?

Yes

No

1.2.6. The Company did not restrict the shareholders' right to designate a different representative for each of their securities accounts to represent them at any General Meeting. (Answer Yes, if not)

Yes

No

1.2.7. For proposals for the agenda items, were the Board of Directors' draft resolution and also the Supervisory Board's opinion disclosed to the shareholders?

Yes

No

1.3.3. The Company did not restrict the right of its shareholders attending a General Meeting to request information, add comments and submit proposals, or set any preconditions for these with the exception of some measures taken to conduct the General Meeting in a correct manner and as intended. (Answer Yes, if not)

Yes

No

1.3.4. By answering the questions raised at the General Meeting, did the Company ensure compliance with the information provision and disclosure principles set out in legal and stock exchange requirements?

Yes

No

1.3.5. Did the Company publish on its website the answers to the questions that the representatives of the Company's boards or its auditor present at the General Meeting could not satisfactorily answer at the meeting within 3 working days following the General Meeting, or an official statement explaining why it refrained from giving answers?

Yes

No

Explanation: The Company is a private limited company and as a consequence no legal obligation exists for such publication, due to the special characteristics of the operational form.

1.3.7. Did the Chairman of the General Meeting order a recess or suggest that the General Meeting be postponed when a proposal or proposal relating to a particular issue on the agenda was submitted which the shareholders hadn't had a chance to become familiar with before the General Meeting?

Yes

No

Explanation: There were no such proposals.

1.3.8.1. The Chairman of the General Meeting did not use a combined voting procedure for a decision related to electing and recalling executive officers and Supervisory Board members. (Answer Yes, if not)

Yes

No

1.3.8.2. For executive officers or Supervisory Board members, whose nominations were supported by shareholders, did the Company disclose the identity of the supporting shareholder(s)?

Yes

No

1.3.9. Prior to discussing agenda items concerning the amendment of the Articles of Association, did the General Meeting pass a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific way?

Yes

No

Explanation: The Company is a private limited company and as a consequence no legal obligation exists for such separate resolution.

1.3.10. Did the Company publish the minutes of the General Meeting containing the resolutions, the description of the draft resolutions and any important questions and answers related to the draft resolutions within 30 days following the General Meeting?

Yes

No

Explanation: The Company is a private limited company and as a consequence no legal obligation exists for such publication, due to the special characteristics of the operational form.

1.6.1.1. Do the Company's publication guidelines cover the procedures for electronic, online disclosure?

Yes

No

1.6.1.2. Does the Company design its website by considering the aspects of disclosure and the information of investors?

Yes

No

1.6.2.1. Does the Company have an internal publication policy in place which covers the processing the information listed in Section 1.6.2 of the Recommendations document?

Yes

No

1.6.2.2. Do the internal regulations of the Company cover the methods for the assessment of events judged to be important for publication?

Yes

No

1.6.2.3. Did the Board of Directors/Governing Board assess the efficiency of the publication processes?

Yes

No

1.6.2.4. Did the Company publish the findings of the efficiency assessment of the publication process?

Yes

No

Explanation: The Company is a private limited company and as a consequence no legal obligation exists for such publication, due to the special characteristics of the operational form.

1.6.3. Did the Company publish its annual company event calendar?

Yes

No

Explanation: The Company is a private limited company and as a consequence no legal obligation exists for such publication, due to the special characteristics of the operational form.

1.6.4. Did the Company publish its strategy, business ethics and policies regarding other stakeholders?

Yes

No

Explanation: The Company is a private limited company and as a consequence no legal obligation exists for such publication, due to the special characteristics of the operational form.

1.6.5. Did the Company publish the career information of Board of Directors / Governing Board, Supervisory Board and management members in its annual report or on the company website?

Yes

No

1.6.6. Did the Company publish all relevant information about the internal organisation and the operation of the Board of Directors / Governing Board and the Supervisory Board, about the work of the management, the assessments of these and the changes in the current year?

Yes

No

Explanation: The Company is a private limited company and as a consequence no legal obligation exists for such publication, due to the special characteristics of the operational form.

1.6.8. Did the Company publish its risk management guidelines and information about its system of internal controls, the main risks and the principles for their management?

Yes

No

1.6.9.1. Did the Company publish its guidelines relating to the trading of its shares by insiders?

Yes

No

Explanation: The Company is a private limited company and as a consequence no legal obligation exists for such publication, due to the special characteristics of the operational form.

1.6.9.2. Did the Company disclose the share of the Board of Directors / Governing Board, Supervisory Board and management members in the securities issued by the Company in the annual report or in some other way?

Yes

No

Explanation: The Company is a private limited company and as a consequence no legal obligation exists for such publication, due to the special characteristics of the operational form.

1.6.10. Did the Company publish the relationship of Board of Directors / Governing Board, Supervisory Board and management members may have with third parties which could affect the operation of the Company?

Yes

No

Explanation: The Company is a private limited company and as a consequence no legal obligation exists for such publication, due to the special characteristics of the operational form.

2.1.1. Does the Company's Articles of Association contain clear provisions regarding the responsibilities and competences of the General Meeting and the Board of Directors / Governing Board?

Yes **No**

2.2.1. Does the Board of Directors / Governing Board have a rules of procedure in place defining the organisational structure, the actions for arranging for and conducting the meetings, and the tasks regarding the adopted resolutions, as well as other issues related to the operation of the Board of Directors / Governing Board?

Yes **No**

2.2.2. Does the Company publish the procedure used for nominating Board of Directors / Governing Board members?

Yes **No**

Explanation: **The Statutes of the Company include these rules.**

2.3.1. Does the Supervisory Board provide a detailed description of its operation and duties, as well as the administrative procedures and processes followed by it, in its rules of procedure and work plan?

Yes **No**

2.4.1.1. Did the Board of Directors / Governing Board and the Supervisory Board hold meetings periodically at a predefined interval?

Yes **No**

2.4.1.2. Did the rules of procedure of the Board of Directors / Governing Board and the Supervisory Board provide rules for the conduct of meetings that cannot be planned in advance, and for decision-making using electronic telecommunications means?

Yes **No**

2.4.2.1. Did board members have access to the proposals to be presented at the meeting of the respective board at least five days prior to the meeting?

Yes **No**

2.4.2.2. Did the Company arrange the proper conduct of the meetings, the drawing up of the meeting minutes and management of the resolutions made by the Board of Directors / Governing Board and the Supervisory Board?

Yes **No**

2.4.3. Do the rules of procedure provide for the regular or ad hoc participation of non-board members at respective board's meetings?

Yes **No**

2.5.1. Were the members of the Board of Directors / Governing Board and the Supervisory Board nominated and elected in a transparent process, and was the information about the candidates made public in due time before the General Meeting?

Yes **No**

Explanation: **The Company is a private limited company and as a consequence no legal obligation exists for such publication, due to the special characteristics of the operational form.**

2.5.2. Does the composition and size of the boards comply with the principles set out in Section 2.5.2 of the Recommendations?

Yes **No**

2.5.3. Did the Company ensure that the newly elected Board of Directors / Governing Board and Supervisory Board members became familiar with the structure and operation of the Company and their tasks were carried out as members of the respective boards?

Yes **No**

2.6.1. Did the Governing Board / Supervisory Board request (in the context of preparing the annual corporate governance report) its members considered to be independent to confirm their independence at regular intervals?

Yes

No

2.6.2. Does the Company provide information about the tools which ensure that the Board of Directors / Governing Board assesses objectively the management's activities?

Yes

No

Explanation: The Company is a private limited company and as a consequence no legal obligation exists, due to the special characteristics of the operational form.

2.6.3. Did the Company publish its guidelines concerning the independence of its Governing Board / Supervisory Board members and the applied independence criteria on its website?

Yes

No

Explanation: The Company is a private limited company and as a consequence no legal obligation exists for such publication, due to the special characteristics of the operational form.

2.6.4. Does the Supervisory Board of the Company have any members who has held any position in the Board of Directors or in the management of the Company in the previous five years, not including cases when they were involved to ensure employee participation?

Yes

No

Explanation: A member of the Supervisory Board was a non-executive member of the Board of Directors in the previous 5 years.

2.7.1. Did members of the Board of Directors / Governing Board inform the Board of Directors / Governing Board and (if applicable) the Supervisory Board (or the Audit Committee if a uniform governance system is in place) if they, or individuals they have business relations with, or their relatives have interest in any business transactions of the Company (or any subsidiaries thereof) which excludes their independence?

Yes

No

2.7.2. Were transactions and assignments between members of boards/ members of the management/individuals closely associated with them and the Company/subsidiaries of the Company carried out in accordance with the Company's general business practice but applying more stringent transparency rules compared to general business practice, and were they approved?

Yes

No

2.7.3. Did board members inform the Supervisory Board / Audit Committee (Nominating Committee) if they had received an appointment for board membership or management position of a company not belonging to the Company Group?

Yes

No

2.7.4. Did the Board of Directors / Governing Board develop guidelines for the flow of information and the management of insider information within the Company, and monitor compliance with them?

Yes

No

2.8.1. Did the Company create an independent internal audit function that reports directly to the Audit Committee / Supervisory Board?

Yes

No

2.8.2. Does Internal Audit have unrestricted access to all information necessary for carrying out audits?

Yes

No

2.8.3. Did shareholders receive information about the operation of the system of internal controls?

Yes

No

2.8.4. Does the Company have a function ensuring compliance (compliance function)?

Yes

No

2.8.5.1. Is the Board of Directors / Governing Board or a committee operated by it responsible for the supervision and management of the entire risk management of the Company?

Yes

No

2.8.5.2. Did the relevant organisation of the Company and the General Meeting received information about the efficiency of the risk management procedures?

Yes

No

2.8.6. With the involvement of the relevant areas, did the Board of Directors / Governing Board develop the basic principles of risk management taking into account the special idiosyncrasies of the industry and the Company?

Yes

No

2.8.7. Did the Board of Directors / Governing Board define the principles for the system of internal controls to ensure the management and control of the risks affecting the Company's activities as well as the achievement of its performance and profit objectives?

Yes

No

2.8.8. Did internal control systems functions report about the operation of internal control mechanisms and corporate governance functions to the competent board at least once a year?

Yes

No

2.9.2. Did the Board of Directors / Governing Board invite the Company's auditor in an advisory capacity to the meetings on financial reports ?

Yes

No

Level of compliance with the Proposals

The Company must state whether it follows the relevant proposal included in the Corporate Governance Recommendations, or not (Yes / No). The Company can also explain any derogation from it.

1.1.3. Does the Company's Articles of Association provide an opportunity for shareholders to exercise their voting rights also when they are not present in person?

Yes **No**

1.2.4. Does the Company determine the place and time of General Meetings initiated by shareholders by taking the initiating shareholders' proposal into account?

Yes **No**

1.2.5. Does the voting procedure used by the Company ensure a clear, unambiguous and fast determination of voting results, and in the case of electronic voting, also the validity and reliability of the results?

Yes **No**

1.3.1.1. Are the Board of Directors/Governing Board and the Supervisory Board represented at the General Meeting?

Yes **No**

1.3.1.2. In the event the Board of Directors/Governing Board and the Supervisory Board is absent, is it disclosed by the Chairman of the General Meeting before discussion of the agenda began?

Yes **No**

1.3.2.1. The Articles of Association of the Company does not preclude any individuals from receiving an invitation to the General Meetings of the Company at the initiative of the Chairman of the Board of Directors/Governing Board and being granted the right to express their opinion and to add comments there if that person's presence and expert opinion is presumed to be necessary or help provide information to the shareholders and help the General Meeting make decisions.

Yes **No**

1.3.2.2. The Articles of Association of the Company did not preclude any individual from receiving an invitation to the General Meetings of the Company at the initiative of shareholders requesting to supplement the agenda items of the General Meeting and from being granted the right to express their opinion and to add comments there. (Answer Yes, if not)

Yes **No**

1.3.6. Does the annual report of the Company prepared as specified in the Accounting Act contain a brief, easy-to-understand and illustrative summary for shareholders, including all material information related to the Company's annual operation?

Yes **No**

1.4.1. In line with Section 1.4.1, did the Company pay dividend within 10 working days to those of its shareholders who had submitted all the necessary information and documents?

Yes **No**

1.6.11. Did the Company publish its information in English as well, in line with the provisions of Section 1.6.11?

Yes **No**

1.6.12. Did the Company inform its investors about its operation, financial situation and assets on a regular basis, but at least quarterly?

Yes **No**

2.9.1. Does the Company have in place internal procedures regarding the use of external advisors and outsourced activities?

Yes **No**

Annex 3: Non-financial statement

Non-financial statement

Just like Erste Group, Erste Hungary is committed to taking an active role beyond traditional banking and to integrating sustainability principles into its core operations and corporate culture. In this context, Erste Hungary continuously seeks opportunities to be an active member of the society in which it operates, beyond financial profitability, contributing to the achievement of common goals and successes.

Environment

The guiding principle of Erste Group's environmental strategy and understanding of sustainability are based on the central message of "Our Common Future", as formulated in the 1987 document of the UN Brundtland Commission: *"Sustainable development is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs."*

In 2016, we introduced an Energy Management Information System (ENIR) based on the MSZ EN ISO 50001:2012 standard, which was a legal obligation. Subsequently, on 05.06.2017 we launched the Environmental Management System (KIR) based on the MSZ EN ISO 14001:2015 standard. Both the KIR and the ENIR are integral professional parts of an existing and valid policy. In 2019, the two existing policies were merged into one policy SZT540/2016 Energy Management Policy and SZT460/2016 Environmental Management Policy. The merged policy is SZT297/2019, which was renewed in 2022 SZR304/2022. The mandatory and inseparable technical annex to the policy is the KIR and ENIR manual. The verification of the functioning of ISO systems is carried out in the form of so-called internal audits.

In 2022, Erste Hungary achieved an energy consumption reduction of -11% compared to 2021. Together with Green Energy procurement, this directly resulted in 293 tCO₂e emission reduction in 2022.

At the beginning of 2016, the Erste Green initiative was also launched, a voluntary organisation of colleagues to achieve environmental goals. Its primary goal is to raise awareness, educate and increase colleagues' commitment to our environment (e.g. litter picking, car-free day, etc.).

Social and employment issues, respect for human rights

The Erste Group's approach to diversity and inclusion is enshrined by the 1819 constitutional deed of Erste Österreichische Sparkasse, which state that "no person shall be excluded from the benefits enjoyed by the deposit holders of the Savings Bank on the basis of age, sex, social status or nationality".

A diverse and inclusive workforce is essential for business success. Companies that are committed to diversity and inclusion can reap the benefits of more engaged employees, better brand image and increased customer satisfaction. Erste Group considers diversity and inclusion to be a core element of its strategy and a priority for attracting and retaining the best employees.

Erste Hungary's principles of diversity and inclusion are also reflected in the company's mission statement and code of conduct; these documents provide for a working environment free from discrimination and harassment and that recognises the work and merits of all individuals, regardless of gender, age, disability, marital status, sexual orientation, colour, religion or political affiliation, ethnic origin, nationality or any other aspect not related to employment.

The Bank's management has continued to implement the previous diversity strategy, which sets out the key issues and priorities for the organisation's diversity and inclusion efforts, guided by the Diversity Policy guidelines. **Further details can be found in the SOCIAL RESPONSIBILITY chapter.**

Work-life balance: Erste Hungary encourages spontaneous networking and the organisation of clubs by employees to provide recreation, share experiences and participate in fun events. In addition to the 16 (employee-organised) clubs currently in operation (organised around a wide range of lifestyle, hobbies, and sports activities), additional virtual clubs have been created to allow our employees to connect with each other in the virtual space with their common interests.

The loyalty programme Erste Care, launched in 2019, which includes elements such as sabbatical leave, other extra days off and optional health or pension contributions, has seen an outstanding take-up.

Family-friendly workplace, making working parents' daily life easier: During the 2020 pandemic, the home office was extended throughout Erste Hungary, except for the branch network. As we implemented the flexible and home-oriented smart-office working environment concept in 2019 in respect of the headquarters (affecting around 2,000 colleagues), the transition to 90% HO was already fast and smooth in the spring of 2020.

Working parents received a range of assistance to help them support their families and manage their working responsibilities. Paid time off in addition to every day of leave was given to colleagues who raise a child under 14 years of age and cannot manage to look after the child. A minibus service was provided to support our commuter employees to get home quickly to their families in a safe, infection-free environment.

Generational diversity: Erste Hungary gives its employees over 50 years of age 2 extra paid days off and over 55 years of age 4 extra paid days off, which is above the statutory age-related entitlement to leave. Our employees can choose to make voluntary pension or health insurance contributions from the cafeteria in the fringe benefits portfolio. One element of Erste Care is a health insurance plan for all employees with at least 2 years of service, which covers most specialist medical care. Also part of the programme is an annual medical screening package for health maintenance. After 8 years of service, the scheme can be extended to cover a family member, or a single annual fixed voluntary pension contribution is also available. Additional elements of the Erste Care scheme are extra paid days off and the possibility to request a sabbatical leave for employees with more than 8 years of service.

We continued our in-house mentoring programme, where colleagues can be mentored by our middle and senior managers.

In 2022, Erste Bank Hungary Zrt. renewed its membership of the **Hungarian Diversity Charter** - the Hungarian version of the European Diversity Charter - and thereby reaffirmed its commitment to respecting equality, creating a diverse organisational culture, fostering relations with employees and customers, non-discrimination in the business environment and promoting a long-term sustainable corporate culture in line with the values enshrined in the Charter.

Other employment issues are dealt with in the Employment Policy chapter of the business report.

Ethical banking, fighting corruption and bribery, preventing money laundering and terrorist financing

Erste Group pays particular attention to fair and ethical conduct, the prevention of corruption, the prevention of money laundering and terrorist financing, compliance with applicable international sanctions, and compliance with laws and regulations. To support and monitor these functions, the Bank operates an independent Compliance function, which is directly responsible to senior management for ensuring that these activities are carried out to an appropriate standard.

To ensure compliance, Erste Hungary relies on a number of policies to ensure the highest level of regulatory compliance. Accordingly, the Bank has in place all the regulatory documents necessary for the performance of its functions, the most important of which are the Compliance Policy, the Code of Ethics, the Conflict of Interest Guidelines, the Conflict of Interest Management Policy, the Internal Lending Policy, the Whistleblowing Policy, the Anti-Money Laundering and Terrorist Financing Prevention Policy, the Anti-Corruption Policy, the Sanctions and Embargoes Policy, the Fraud Prevention Policy and the Consequences Management Policy.

One of the most important objectives in the development of the Bank's internal policies and procedures, in addition to full compliance with the law, was to comply with the recommendations of international professional organisations and the National Bank of Hungary.

In its operations (including the prevention of money laundering and terrorist financing, fraud prevention, general compliance activities and compliance activities related to the provision of investment services), the Compliance function takes a continuous risk-based approach and conducts its activities on the basis of an annual plan and Compliance Risk Assessment (CRA) and Fraud Risk Assessment (FRA). In preparing these plans and assessments, the Bank assesses the compliance risk of each of its departments and processes and establishes its work and control plan accordingly. In preparing the work plan, the focus is on changes in legislation or regulatory obligations, assessing international trends and meeting international standards.

The Compliance area also carries out additional risk assessments and prepares an action plan to eliminate or minimise the risks identified. The Compliance function reports to the Bank's Management Board and Supervisory Board on a quarterly basis on its activities and any risks identified, as well as on the measures taken to mitigate those risks.

We review our risk assessment methodology at regular intervals to ensure the effectiveness of our risk management system. The results of the regular reviews and lessons learned from individual cases are continuously integrated into our risk management procedures.

To ensure that all areas of the Bank conduct its business ethically in the knowledge of compliance requirements:

- The Bank provides a wide range of training programmes on compliance-related topics and the Code of Ethics, which new colleagues are required to attend and which all employees are obliged to undergo regularly.
- The Compliance area communicates regularly with all the Bank's control areas (so-called second line of defence areas) in order to organise and operate an efficient flow of information between the control and monitoring functions.
- The Compliance area is required to comment on internal policies and products that are about to be launched. The Bank applies the provisions of the Code of Ethics at all times in product development and service provision.
- The Bank maintains a dedicated whistleblowing channel for the anonymous reporting of abuse in order to detect ethical and legal violations.