

# Management Report

to

**the Consolidated Financial Statements of the Erste Bank Hungary banking group for 2023  
prepared in accordance with International Financial Reporting Standards  
adopted by the European Union**

**Budapest, 5 April 2024**

The consolidated financial statements and management report of ERSTE Bank Hungary Zrt. for the year 2023 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

The economic downturn which started in the second half of 2022 and lasted for four quarters ended in the third quarter of 2023 with quarterly GDP growth of 0.8%. However, the recovery which had started promisingly stalled in the last quarter of 2023, with the economy stagnating both compared to the previous quarter and to the same period in 2022. In 2023 as a whole, the economy thus contracted in total by 0.9% on an annual basis, after growing by 4.6% in 2022. Behind the unfavourable performance was a decline in consumption and investment activity, while exports were essentially flat on an annual basis in 2023 due to subdued external activity. At the same time, weak domestic demand led to a more pronounced decline in imports, so that the contribution of net exports to growth was positive, largely offsetting the negative contribution of domestic consumption. On the production side, apart from the significantly positive contribution of agriculture to growth, most sectors performed weakly in 2023. This year moderating inflation, positive real wages and a further normalisation of the interest rate environment should help domestic demand to recover. However, the weak economic outlook in Europe will continue to delay the benefits of capacity expansions in previous years and the recovery in industrial exports. Overall, we expect the economy to recover in 2024 at a slower pace than previously thought.

The unemployment rate averaged 4% in 2023, up slightly from 3.6% in 2022 due to the less favourable economic situation. In the medium term, the indicator is most likely to hover between 3% and 4%, with the Hungarian labour market expected to remain tight.

After peaking at 25.7% in January 2023, inflation initially declined at a slower pace, but kept on falling at an accelerating pace from the second half of the year. By December, the annual rate of increase in consumer prices slowed to 5.5%. Annual average inflation was 17.6% in 2023. The key factors behind disinflation were the moderation in the rise of food prices, the normalisation of energy and commodity prices, the renewed strengthening of the forint, the disciplining effect of falling consumer demand on pricing behaviour and the supportive role of the base effect. Overall, we expect annual inflation figures to fluctuate broadly between 4-5.5% for 2024 as a whole, with no clear trend. We expect inflation to return to the central bank's target range on a sustained basis only in the second half of 2025.

The normalisation of monetary policy began in May 2023. The benchmark overnight deposit rate then fell for the first time since its introduction in October 2022, by 100 basis points from 18% to 17%. Thereafter, the central bank gradually moved the benchmark overnight deposit rate closer to the base rate in 100 basis point steps. In September, the two interest rate levels converged at 13%. Overnight deposit tenders were phased out and the base rate became effective again. In the fourth quarter, the central bank continued to cut the base rate by 75 basis points, bringing it down to 10.75% by the end of the year and to 10% by the end of January. According to the Monetary Council's forward guidance, both the risks surrounding disinflation and the volatility of international investor sentiment requires prudent monetary policy. The Council continuously assesses incoming macroeconomic data, the inflation outlook and developments in the risk environment. On the basis of this information, it takes data-driven decisions on the further reduction of the base rate and its optimal pace.

In December 2023, the European Commission gave a positive assessment of the steps taken on judicial reform and decided to release €10.2 billion from the Cohesion Fund. This is about one third of the total amount that the EU had previously blocked due to rule of law concerns. In addition, an advance of 20% (€920 million) of the €3.9 billion RRF loan and €0.7 billion RePowerEU grant has been made available to Hungary.

In 2023, the forint exchange rate consolidated thanks to improved risk perception, a high interest rate environment and a rapid improvement in the external balance. Indeed, the current account balance turned from a deficit of 8.2% of GDP to a slight surplus in 2023. Compared to December 2022, the forint appreciated by 4.4% in nominal terms against the euro by end-2023. A more or less stable, slightly depreciating forint exchange rate seems the most likely scenario for the period ahead.

The government balance in 2023 showed a cash deficit of HUF 4,593 billion, substantially higher than projected. The deficit on an accrual basis could be around 6.5% of GDP, up from 6.2% in 2022. The main drivers behind the higher-than-expected deficit were a significant shortfall in consumption-related tax revenues compared to plan and a surge in debt servicing costs. Government debt-to-GDP ratio declined only slightly from 73.9% in 2022.

In January 2023, S&P downgraded Hungary's sovereign debt rating from BBB to BBB minus with a stable outlook. Also in January, Fitch maintained Hungary's debt rating at BBB but downgraded the outlook from stable to negative, before affirming it in December. Moody's left the Hungarian rating at Baa2 with a stable outlook. Currently, Fitch and Moody's ranked Hungary's debt by two notches and S&P by one notch higher than non-investment grade.

The Hungarian banking sector continued to perform well in 2023. The sector's total balance expanded by around 12%. With loans up 6%, deposits grew by 7%, keeping the loan-to-deposit ratio remained stable at 72%.

Sector operating income is 29% higher than in the previous year. The increase in income is primarily driven by a 32% increase in net interest income, which rose to HUF 3,304 billion in nominal terms. Net fee and commission income rose by 17%, supported the revenue side by HUF 1,356 billion, and trading, exchange and other income by a total of HUF 280 billion.

Operating expenses rose by 18% in 2023 which thus meant HUF 2,552 billion, with an operating profit of HUF 2,388 billion. Thanks to the strong labour market the reduction in risk costs has a favourable effect. As a result, the sector's profit after tax in 2023 was HUF 1929 billion, up 130% on the previous year. The sector's cost-to-income ratio improved from 57% to 52%, while the return on equity increased from 10% to 20%.

The banking sector continued to actively participate in government programmes in 2023, thereby supporting the economy. These include its activities in the Baby Loan, the Family Home Loan, the Széchenyi Programme and the relevant chapters of the Baross Gábor Re-industrialisation Loan Programme.

The imposition of extra profit and social contribution taxes, a credit moratorium in agriculture, interest caps on existing loans and voluntary interest caps on newly issued loans, have all had a major impact on the Bank's operations and its effectiveness. At the same time, the Hungarian National Bank amended the rules on required reserves, which had a negative impact on interest income. Secondly, the change in ATM rules has required many players in the sector to redesign their ATM networks, in some cases requiring additional ATMs to be deployed in the coming years, thereby increasing costs.

The Hungarian banking sector also underwent a number of structural changes in 2023. The trio of Budapest Bank, MKB Bank and Takarékbank transformed into MBH bank. After the completion of its full merger in May, the bank acquired a significant majority stake in Duna Savings Bank, which will continue to operate without being merged following the acquisition. In addition the acquisition of the Fundamenta housing fund can also be linked to MHB.

Among the changes affecting Erste Bank, Erste Group AG bought back the 15% shareholding from both the state-owned Corvinus International Fund Management and the EBRD, thus restoring 100% Group ownership of the Hungarian banking branch.

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: through deposits, investment products, loans and advisory services throughout their entire financial lifecycle. 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.

## Change in the legal form of Erste Hungary

The operating form and ownership structure of Erste Hungary changed in the financial year of 2023. Erste Group Bank AG bought back the EBRD and Corvinus Zrt.'s 30% share in Erste Bank Hungary Zrt. in 2023. The transaction was concluded with Corvinus Zrt. in November and with the EBRD in December. 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 Hungary Zártkörűen Működő Részvénytársaság.

The ownership structure of Erste Bank Hungary Zrt. is as of 31.12.2023 as follows:

Owner	Number of shares	Share of ownership
Erste Group Bank AG	146,000,000,000	100%
Corvinus International Investment Ltd.	-	-
European Bank for Reconstruction and Development	-	-
<b>Total</b>	<b>146,000,000,000</b>	<b>100%</b>

## 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, which are cornerstones of Financial Health. In 2023, we relaunched our home savings product, which greatly supports our customers' long-term housing goals.

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 66% at the end of 2022 to 71% 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.

	31.12.2022	31.12.2023
Market sensitivity of equity	3.86%	5.95%
Economic sensitivity of equity	5.18%	6.39%
12-month simulated net interest income sensitivity*	11.97%	11.99%

\* 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 4 790 billion, down 6% year-on-year. Profit after tax amounted to HUF 114.9 billion, HUF 61.4 billion higher than in the previous year.

At the end of 2023, the structure of Erste Hungary's asset portfolio changed slightly compared to the previous year. The nominal amount of net receivables from customers fell by HUF 28 billion in total, driven by the corporate business (HUF -96.2 billion, down 49.7% year-on-year), with a higher decrease in loans to customers of the large corporate business. At the same time, the retail business line's portfolio increased by only 6.9%.

Held-to-maturity securities decreased significantly, by HUF 154 billion in total, thus their share in the balance sheet total shrank to 24%. Receivables from credit institutions decreased significantly by HUF 70.1 billion, bringing their share in the balance sheet total down to 6%, while placements at the National Bank of Hungary increased, bringing their share of the balance sheet total to 13%.

The share of deposits in the liability structure has changed slightly. Deposits from monetary financial institutions decreased by HUF 110 billion year-on-year, thanks to lower short-term borrowing. Overall, the share of liabilities to credit institutions in the balance sheet total decreased to 12% compared to last year.

Customer deposits decreased by HUF 341 billion in 2023, after HUF 301 billion increase in 2022, and the share of customer deposits in the balance sheet total was slightly below last year's level at 66%. The Bank has a 9.8% market share of retail deposits, down 33 basis points year-on-year. The market share of total deposits decreased by 42 basis points compared to 2022.

Erste Hungary's operating income increased significantly by HUF 86.1 billion, while its operating expenses increased by HUF 6.5 billion compared to the previous year, resulting in an overall operating profit of HUF 205 billion (64% increase compared to 2022).

In terms of operating income, net interest income is 5.4% (HUF -8.7 billion) lower than at the end of last year. Both interest income and other similar income (HUF 249.2 billion) and interest expense and other similar expense (HUF 228 billion) rose in 2023.

The improvement on the income side was due to increased free liquidity, which the Bank invested in short-term interbank lending and securities, allowing interest income to continue to grow.

The HUF 228 billion increase in expenses is partly accounted for by the increase in interest expenses for institutional customers and interbank deposits, mainly due to the rise in overnight interest rates. In addition, there was a change in the accounting treatment of foreign exchange swaps, whereby the interest component of these transactions was reclassified from trading profit to interest income in order to comply with the Accounting Policy of the Erste Bank Group. As a result of the change, HUF -58.7 billion was reclassified to interest expense.

Erste Hungary's commission and fee income increased by HUF 10.2 billion compared to last year (HUF 87.1 billion in 2022) and reached HUF 97.3 billion in 2023. The result increased significantly due to higher card and payment and investment service revenues.

The result from Financial operations increased by HUF 19.6 billion year-on-year to HUF 12.4 billion in 2023.

The increase was due to a change in the accounting treatment of foreign exchange swaps, whereby the interest component of these swaps was reclassified from trading profit to interest income in order to comply with Erste Bank Group's Accounting Policy. As a result of the change, HUF -58.7 billion was reclassified from the result of financial operations to interest income.

The result from financial assets required to be calculated at fair value against the profit or loss, increased significantly (by HUF 64.2 billion) due to the change in market yields and reached HUF 43 billion in 2023. The above improvement was caused by the revaluation result on subsidised loans due to a significant change in the interest rate environment, which reduced operating revenues last year (by HUF -21 billion) and significantly increased this year (by HUF +43 billion), resulting in an improvement of HUF 64 billion compared to the same period last year.

In 2023, annual operating costs amounted to HUF 103 billion, an increase of 6.7% compared to the same period last year. The higher costs were mainly driven by an increase in personnel costs, which rose by 16.4% to HUF 47.9 billion mainly due to wage increases. Other administrative expenses (material costs) increased by 76.7% to HUF 41.8 billion, mainly due to IT costs. Depreciation and amortisation totalled over HUF 13.2 billion which was lower than the previous year's level. The premium paid to the National Deposit Insurance Fund (OBA) decreased significantly by HUF 5.2 billion in 2023, almost entirely due to the full reimbursement of the OBA premium linked to Sberbank, which was settled last year.

The result from Other operating activities was worse (HUF 13.6 billion) compared to the previous year, mainly due to the higher level of sectoral tax (bank tax, resolution fund levy, extra profit tax, OBA premium).

The cost/income ratio improved from 44.0% (2022 Q4) to 33.5% (2023 Q4), driven by higher operating income growth.

At the end of December 2023, the provision for impairment and risk provisions was HUF 2 billion, mainly due to the lower amount of provisions for new transactions.

## 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	2022	2023	Change %
Total assets	226,473,057	219,148,799	-3%
Total equity	33,456,390	45,561,636	36%
Share capital	2,000,000	2,000,000	0%
Result for the year	17,369,815	23,105,246	33%



### 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	2022	2023	Change %
Total assets	30,735,239	28,169,638	-8%
Total equity	28,410,984	27,079,511	-5%
Share capital	141,181	141,181	0%
Result for the year	1,591,564	168,527	-89%

### 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	2022	2023	Change %
Total assets	170,714,637	139,875,483	-18%
Total equity	12,081,039	8,760,645	-27%
Share capital	2,025,000	2,000,000	-1%
Result for the year	2,001,151	3,480,606	74%

### 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	2022	2023	Change %
Total assets	2,064,723	2,364,604	15%
Total equity	1,478,678	1,466,310	-1%
Share capital	3,000	3,000	0%
Result for the year	-17,886	-12,368	-31%

### 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	2022	2023	Change %
Total assets	216,184,050	232,694,905	8%
Total equity	11,873,197	11,015,444	-7%
Share capital	3,015,000	3,015,000	0%
Result for the year	1,022,113	-4,854,728	-575%

### RND Solutions IT Development and Services Ltd.

The Company was acquired by Erste Befektetési Zrt on 1 September 2021 and was consolidated from 31 December 2021 together with Random Capital Zrt. RND as an independently owned company provided the IT infrastructure for Random. After the successful integration of Random and RND in Erste Befektetési Zrt. including IT solution, it was concluded to write off the related software in RND Solutions Zrt. in 2022. In December 2022 Erste Befektetési Zrt. as a sole owner decided about the liquidation of RND. The liquidation process started on 1 January 2023 and finished on 31 March 2023.

Key financial data:

in thousands of forints	2022	2023	Change %
Total assets	133,483	-	-100%
Total equity	133,305	-	-100%
Share capital	160,000	-	-100%
Result for the year	-56,153	3,015	-105%

### 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	2022	2023	Change %
Total assets	32,574,314	9,554,449	-71%
Total equity	27,774,622	5,962,875	-79%
Share capital	2,466,916	2,466,916	0%
Result for the year	636,660	-1,448,747	-328%

### 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	2022	2023	Change %
Total assets	4 339 018	2 698 944	-38%
Total equity	4 325 193	2 674 673	-38%
Share capital	4 303 000	4 303 000	0%
Result for the year	22 193	-1 650 519	-7537%

## 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, monitoring customer needs. We carry out regular recurring research: mystery shopping and customer satisfaction surveys in branches, as well as on branch advisory, central customer service and electronic channel (GeorgeApp and GeorgeWeb). Based on customer feedback we compose metrics and measurable parameters: Channel Satisfaction, Customer Experience Index (CXI) and Net Promoter Score (NPS) surveys.

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 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 2023, the year-end headcount of Erste Hungary was 3 337.69 FTEs , while at the end of 2022 it was 3 335.86 FTEs per 8-hour working day, thus the total headcount roughly remained unchanged.

The average age of our staff is 41 years, with an average length of service of 8.7 years, of which 62% are women and 38% are men.

Erste Hungary Group takes care to retain and attract talent, and to this end it is constantly working on building its employer image, providing a competitive benefits package, developing its organisational culture and maintaining a high level of employee commitment, which is also one of the Group's key strategic priorities.

Erste Hungary Group pays particular attention to no discrimination anywhere in its operations, especially in the selection and remuneration systems, and annually analyses the operation of the gender-neutral remuneration system.

The facilitation and maintenance of work-life balance is an important aspect for Erste Hungary Group, which is supported by a number of benefits and the work organisation and operating model is set up accordingly. In the current hybrid operating model, it offers a 60% work-from-home option for colleagues in the head office area who are able to do so due to their sphere of duties, as well as the possibility to work from home full-time.

In Erste Hungary Group, we consciously address succession planning every year, assessing potential successors for management and key specialist positions and providing specific development opportunities for this group.

In addition to succession planning, we pay particular attention to identifying and attracting young talent. In 2022, the traineeship programme provided a total of 99 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 28 trainees have participated in the ErStep programme in 2023.

## 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

In line with the hybrid operating model, training and education were also delivered with a mix of online and face-to-face presence, adapting to the development needs in each area, organisational development objectives and the need to adapt to continuous technological evolution. Our mentoring programme, leadership development programme, talent programme and other professional and soft-skills training continued and we organised several other workshops and off-sites. In 2022, we provided 20 soft-skills and a variety of IT training to our colleagues.

The various training courses in 2023 amounted to a total of 8,404 training days, attended by 74% of our colleagues, with 1 person spending an average of 3.5 days on various training courses.

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 41 training sessions were organised for them on 25 different topics and attended by a total of 118 employees.

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) and Erste's foundation in Vienna.

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

#### Financial awareness

A central initiative of the Bank's financial education activities is the Financial Patronage Programme, which over the past 5 years has reached more than 4,500 young people growing up in a segregated environment, in need or with disabilities. We have established strategic partnerships with a number of NGOs to implement elements of the programme. In 2023, the Bank's main focus under the Financial Patronage Programme was on financial education for children and young people in state care and financial mentoring for families in debt. In relation to the former target group, financial education was provided to 25 educators and teachers who, thanks to the knowledge gained and the lesson plans provided by the programme, prepared hundreds of young people for the start of their financial lives. In addition, four thematic days were organised in the capital during the year, giving children the opportunity to learn more about financial health. At the same time, for families in need, the focus was on debt settlement. Of course, we also provided basic financial education for the families helped by the BAGázs Association and the Fire Fetchers [Tűzcsihológ] Association, but then we worked with 20 families to reduce their existing debts, with 16 Bank volunteers as mentors. The Financial Patronage Programme was awarded first place in the Mastercard Bank of the Year 2023 CSR category, repeating its success in 2021.

#### 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 2023, 32 families, 142 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 462 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 160 NPOs have received support through thematic workshops (financial planning, organisational development) or personalised advice. In September 2022, Erste held a so-called

"crisis workshop", attended by around 50 participants from NGOs and social enterprises. During the half-day event at the ERSTE headquarters, the current challenges (energy prices, inflation, amendment of the KATA Act) and possible responses to them, as well as the possible role of ERSTE were discussed using a world café methodology, which highlighted the difficulties organisations face in liquidity planning. The Bank's aim in its programme was to enable NGOs to anticipate impending financial difficulties so that they could deal with them in good time and have the necessary financial knowledge. With 34 NGOs and 73 corporate volunteers participating in the programme, ERSTE Bank also relied heavily on its 6 external partners for volunteers. In 2023, the programme was awarded the Effect 2030 - ESG Solutions "Everybody's Society" category by the Effect 2030 Association.

#### +1 action - Community teamwork



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, 3,102 employees have participated and 153 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 135 non-profit organisations with a real social impact, worth nearly HUF 100 million, helping many people in need.

From 2021, Erste Bank Hungary became the main 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.

In total 540 of our colleagues did volunteering for our partners and customers. Through the donations of the bank's colleagues, we provided HUF 800,000 in aid.

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

#### Other cooperation agreements

##### Margo Award sponsorship and Margo x Erste #higgyamadban special prize

In 2023, we joined the Margó Prize as a sponsor, which is awarded every year to a first fiction author who is judged worthy by a professional jury. From 2023, Erste presents the Margó x Erste #higgyamadban Special Prize to the first-time author who embodies what we at Erste call the #higgyamadban factor through their writing journey and/or the story they create.

We chose this sponsorship because it is closely linked in spirit to the #higgyamadban narrative, as budding writers create without knowing if anyone will ever read their work. On the other hand, Erste's brand and brand message can reach a wide audience, as almost everyone can relate to reading. And the Margo Festival in the autumn, where the awards are presented, is attended by people aged between 18 and 65, typically of higher status and open to culture.

## Hungarian Ice Hockey Federation

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 third 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, gifts were donated to 118 disadvantaged children reached by 3 Social Banking partner organisations.

## 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. Thanks to Erste Green's initiative, the Erste Live staff events in the last couple of years 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 2023, 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 every six months. They participated in the fourth Bodrog PET Cup event, where colleagues collected more than 300 bags, i.e. 1323 kg of rubbish and came 3rd in the competition.

At the end of May, the MÜMÜ (Plastic-Free Workshop) visited the Erste headquarters, where colleagues and their families could learn about the adventurous journey of plastic. The bank also invited the schools in the area and the residents of the district. During the 3 days spent here, 8 classes from 4 schools arrived with a total of 184 students who could see what happens to plastic during production and afterwards. How to reuse and what is the difference between reuse and recycling. A total of nearly 500 people visited Mümü at the headquarters.

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 2023, continuing its commitment. Erste Green

personally participated with Jane Goodall in the planting of 300-400 saplings in the 2nd district, organised by the Jane Goodall Institute.

### 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 culture/arts, role and challenges of female leaders and self-defence.

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; and bracelet knitting for the Mallow Flower [Mályvavirág] Foundation's cervical cancer prevention campaign).

### 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.

### Physical and information communication accessibility in the branch network

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.



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 98 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 certified 26 of our branches as accessible based on their inspection. The auditor's mapping has helped to develop new actions around branch investments: 54 branches have been equipped with devices (induction loops), all 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.

Over the past few years, Erste Bank has paid special attention to the accessibility of its ATM network.

For several years now, the entire ATM network has been equipped with keyboards with tactile elements to assist blind and partially sighted customers in using the ATM, which will be complemented by screen reader support from the beginning of 2023. Screen reader support can be activated by connecting a headset.

Our ATM modernisation programme, which will run until the end of 2025, will aim to ensure accessibility and usability for both existing and new ATMs. Currently, 32% of Erste's ATM network is accessible without barriers and 35% is usable without barriers. Most of these machines are accessible in our branches, as the entire branch ATM network was renewed in 2023. The new type of ATMs also offers the possibility to set contrast, further increasing the satisfaction of blind and partially sighted customers when using ATMs. Contrast can be adjusted in the top right corner of the screen after the transaction has been initiated.

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

#### Erste Hungary's support for employees with special needs in the Erste Tower

- 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 were installed in many areas and in order to reduce energy consumption the installation of energy-saving LED lights will soon be finished throughout the tower. 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 and working 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, metal and glass 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 CO<sub>2</sub> 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 Bank's headquarters building and branch network in 2022 and 2023, which we will continue in 2024. 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. 76 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, envelopes made from recycled paper for external mail, 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 22 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 12 electric and 2 hybrid vehicles, by 2030 the total company car fleet will be electric..

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

### *Government measures*

A new voluntary interest rate decreasing measure was launched for newly disbursed loans on 29 January 2024. The new cap was announced by the Ministry for National Economy following discussions between the government and the Hungarian Banking Association. Based on the voluntary commitment financial institutions should impose 0% interest margin between 1 February and 1 May 2024 on forint-based, newly disbursed corporate loans for 6 months from the date of disbursement. After 6 months the interest margin may return to the normal level.

As it was communicated by the Government, the 2023 extensions were the closing act of the SME regulations. The measure expires on 1 April 2024 according to the current legislation and will not be further extended.

### *Dividend*

The proposed dividend to be presented at the Annual general meeting is amounting to 95 billion forint.

Budapest, 5 April 2024

.....  
Jelasity Radovan  
President and CEO

.....  
Manfred Schmid  
Deputy Chief Financial Officer

## Annex 1: Erste Hungary's branch network as of 31 December 2023:

Branches
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
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.
2890 Tata, Országgyűlés tér 3.
2000 Szentendre, Duna korzó 18.
7200 Dombóvár, Hunyadi tér 19-21.
7620 Pécs, Rákóczi u 62-64.

3100 Salgótarján, Erzsébet tér 5.
2800 Tatabánya, Fő tér 20. A. ép.
7100 Szekszárd, Széchenyi u 40.
6720 Szeged, Széchenyi tér 17.
4024 Debrecen, Vár u 4.
4080 Hajdúnánás, Dorogi u 10-14.
5100 Jászberény, Szabadság tér 20.
5300 Karcag, Kossuth tér 6.
5000 Szolnok, Baross Gábor út 8.
5200 Törökszentmiklós, Kossuth u 125.
4625 Záhony, Ady E. u 27-31.
3200 Gyöngyös, Mikszáth Kálmán u 4.
3950 Sárospatak, Rákóczi u 40.
2400 Dunaújváros, Dózsa György u 2/a
8900 Zalaegerszeg, Ispotály köz 2.
2040 Budaörs, Szabadság utca 27.
5540 Szarvas, Szabadság u. 32.
2600 Vác, Széchenyi u. 14.
4600 Kisvárda, Szent László u. 26.
9021 Győr, Árpád u. 42.
9600 Sárvár, Batthyány u. 20.
8100 Várpalota, Szent István út 7-9.
2900 Komárom, Gyár u. 2-6.
2100 Gödöllő, Szabadság tér 14.
2030 Érd, Budai út 13.
4220 Hajdúböszörmény, Szt. István tér 2.
5600 Békéscsaba, Andrássy út 20.
5900 Orosháza, Kossuth u. 2.
6400 Kiskunhalas, Bethlen G. tér 4.
2700 Cegléd, Népkör u. 2.
9700 Szombathely, Mártírok tere 12.
8400 Ajka, Szabadság tér 4/a
7700 Mohács, Szabadság út 16.
6800 Hódmezővásárhely, Andrássy út 2-4.
8200 Veszprém, Ádám I. utca 2.
2120 Dunakeszi, Fő utca 24.
2330 Dunaharaszti, Dózsa György út 27.
2440 Százhalombatta, Szent István tér 9.
4300 Nyírbátor, Szabadság tér 10.
3700 Kazincbarcika, Egressy utca 44.
2660 Balassagyarmat, Rákóczi fejedelem utca 34-36.
6100 Kiskunfélegyháza, Mártírok útja 1.

8600 Siófok, Fő utca 172.

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4700 Mátészalka, Kölcsey utca 15.

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3580 Tiszaújváros, Bethlen Gábor utca 5/b.

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7030 Paks, Dózsa György út 64.

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8800 Nagykanizsa, Fő utca 2.

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6600 Szentes, Kossuth Lajos utca 12-16.

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7400 Kaposvár, Fő utca 2.

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9200 Mosonmagyaróvár, Fő utca 26.

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3300 Eger, Dobó tér 1.

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6300 Kalocsa, Szent István utca 37.

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2310 Szigetszentmiklós, Háros utca 120.

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2500 Esztergom, Petőfi S. utca 2.

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8360 Keszthely, Kossuth Lajos utca 11.

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4400 Nyíregyháza, Nagy Imre tér 1.

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4200 Hajdúszoboszló, Szilfákalja utca 4.

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6000 Kecskemét, Kisfaludy utca 6

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3527 Miskolc, Bajcsy-Zsilinszky út 1.

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1085 Budapest, Blaha Lujza tér 1-3.

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## Annex 2: ERSTE HUNGARY CORPORATE GOVERNANCE REPORT FOR YEAR 2023

### ERSTE HUNGARY CORPORATE GOVERNANCE REPORT FOR THE YEAR 2023

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 Sole Shareholder 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 Sole Shareholder 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 Sole Shareholder 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 Sole Shareholder;
- 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 Sole Shareholder;
- 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 Sole Shareholder for a maximum of 5 years. The members of the Board of Directors may be re-appointed and recalled at any time by the Sole Shareholder.

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 No. 1 manager appointed to lead the Company), the Chief Retail Officer, the CFO, the COO, the Chief Risk Officer and the Deputy Chief Corporate and Financial Market Officer, who manage their respective organisation units in order to fulfil their responsibilities.

The Chairman elected by the Board of Directors and employed by the Company (in 2023 and currently the CEO), and his deputies (in 2023 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 at least 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 2023 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 2023

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

Mr Jelasy 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 Jelasy 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 Jelasy - 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 and Economics 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.

**Róbert Cselovszki** Managing Director, Deputy Chief Corporate and Financial Markets Officer (17.03.2023 - )

Graduated from the College of Finance and Accounting in 1991 and attended several courses and exams at the Montreal Stock Exchange, the Budapest Stock Exchange and the Tokyo Stock Exchange. He was previously a member of the Board of Directors and the Supervisory Board of the Budapest Stock Exchange. Since December 2002, he has been President of the Investment Services Association. He has been working in the financial sector for more than 30 years and has more than 25 years of management experience. He has strengthened the Erste team for almost 25 years, and has been working in senior management positions at Erste Befektetési Zrt. for more than 24 years, previously as Chairman and since 2016 as CEO. He has a high level of professional expertise, complemented by his domestic market experience and a formal professional qualification from the Montreal Stock Exchange. He also has international experience, having led the international equity sales of Erste Group for 4 years in a matrix functional management role. He is a high-level, exemplary leader who is constantly involved in the development of the institution's culture, providing direction to his colleagues and team.

**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.

**Rainer Hauser**, external member of the Board of Directors (01.02.2023 - )

Graduated from Saarland University in 1993 and received his PhD from the University of St. Gallen in 1993. He started his professional career in the banking sector during his studies in Germany. His career path quickly started to rise, holding senior positions at the Financial Markets Service Bank in Munich and later at Bank Austria Creditanstalt in Vienna. He led the restructuring of the entire Vereinsbank Victoria Bauspar in Germany, including the subsidiaries in the Czech Republic and Romania, under the direction of senior management. He was Head of Mortgage Business at Hypovereinsbank from 2008-2009 and Member of the Board of Bank Austria from 2009-2013, Head of Consumer and SME Banking. From 2014, he was a member of the senior management of USB for 8 years, Head of Strategy and Business Development until 2017 and Head of Asset Management, Head of Global Wealth Management Client Strategy Office and Head of EMEA Client Strategy Operations from 2018 to 2022. In 2022, he joined the management team of Erste Group AG as Head of Group Strategy, responsible for Group-wide strategic initiatives, Group-wide corporate development and M&A, Group-wide ESG Office and Social Banking.

**Attila Santa**, External Member of the Board (10.05.2023 - )

Graduated in 2002 from Comenius University in Bratislava, where he studied Mathematics and Management. He started his banking career at Slovenska sporitelna immediately after his studies and joined Erste Group's headquarters in Vienna in 2005.

From 2007 he held various management positions at Erste Group, where he was mainly responsible for asset and liability management. Since 2018, he has been leading the group-level balance management department at Erste Holding, which includes asset-liability management, capital management, and recovery and resolution planning at the group level.

## 2.2. Members of Supervisory Board on 31 December 2023

**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 Austria 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.

**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.

**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 2023

**Jelasiy 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

Róbert Cselovszky, Managing Director, Deputy Chief Corporate and Financial Market Officer

### **3. Number of meetings held by the Board of Directors and the Supervisory Board in 2023**

In 2023 both the Board of Directors and Supervisory Board held four physical meetings.

The quorum at the 2023 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 Sole Shareholder;
- 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 Sole Shareholder;
- reviews the reports on the management of the Company;
- submits its opinions, proposed resolutions and propositions to the Sole Shareholder and the Board of Directors;
- comments on the draft amendments to the Statutes prior to the submission thereof to the Sole Shareholder;
- submits a proposal to the Sole Shareholder 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 Sole Shareholder 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 Sole Shareholder;
- sets up committees out of its members and adopts the by-laws of such committees;
- informs the Sole Shareholder 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;
- 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 Sole Shareholder and, if necessary, initiates the decision-making of the Sole Shareholder 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 Sole Shareholder 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 Sole Shareholder. The members of the Supervisory Board can be re-elected and recalled by the Sole Shareholder 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 Sole Shareholder 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 Sole Shareholder.

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 2023 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 Sole Shareholder 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 2023, the Audit Committee held four meetings, the Committee had a quorum at all of them.

In 2023 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 2023

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 2023, the Risk Governance Committee held four meetings, the Committee had a quorum at all of them.

In year 2023 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 2023:

Attila Sánta, Chairperson

Rainer Hauser, 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 2023 the Committee held two meetings; the Committee had a quorum at both meetings.

In 2023 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 2023:

dr. János Rudnay, Chairman  
Rainer Hauser, Deputy Chairman  
Attila Sánta

## 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 2023 the Committee held two meetings; the Committee had a quorum at both meetings.

In 2023 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 2023:

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](http://www.erstebank.hu)):

<https://www.erstebank.hu/hu/ebh-nyito/bankunkroll/erste-bank-hungary-zrt/vallalatiranyitas/hivatalalos-kozvetetelek>

#### **Auditor**

The Company has an auditor, appointed by the Sole Shareholder, and registered in the Company Register.

The Company engaged PricewaterhouseCoopers Könyvvizsgáló Kft. (1055 Budapest, Bajcsy-Zsilinszky út 78.) with the audit of its 2023 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 Act<sup>1</sup> and establishes its by-laws on insider trading.

#### 4. Competence of the Sole Shareholder

The Company's main decision-making body is the Sole Shareholder which decides in writing on matters within the competence of the General Meeting (or the Sole Shareholder) in accordance with the law and the Statutes, and must notify the executive officers of such decisions. The decisions shall become effective upon notification to the Board of Directors.

Decisions of the Sole Shareholder may be initiated by the Board of Directors or, in cases provided for by law, by the Supervisory Board, the competent authority, the Auditor and the court of registration.

The following matters fall within the exclusive competence of the Sole Shareholder in 2023:

- the amendment of the Statutes, with the exception of the amendment in accordance with Section 13.5. m) of the Appendix;
- increasing and decreasing the registered capital of the Company;
- deciding on the exclusion of the exercise of the right of pre-emptive subscription;
- the decision to change the Bank's form of operation, to transform it or to dissolve it without legal succession;
- 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;
- 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;
- changing or amending the rights attached to shares issued by the Bank;
- deciding to issue convertible bonds or bonds with subscription rights;
- the issuance of preference shares by the Bank or authorisation of such issuance;
- the initiation of winding-up proceedings or bankruptcy proceedings in respect of the Bank, or consent to the initiation of liquidation proceedings in respect of the Bank;
- 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 Sole Shareholder by law or the Statutes.

The Sole Shareholder delegates its power to decide to change (open, close) of the Bank's business sites and branches to competence of the Board of Directors of the Bank, with the proviso that the Board of Directors is entitled and obliged to amend the Appendix to the Statutes simultaneously in accordance with the decision of the Board of Directors taken within this power. The Board of Directors shall not be entitled to delegate its power of decision to change the Bank's business sites or branches to any other body, in particular to any other organisational unit or person.

#### 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](http://www.erstebank.hu)): <https://www.erstebank.hu/hu/ebh-nyito/bankunkrol/erste-bank-hungary-zrt/vallalatiranyitas/javadalmazasi-politika>

<sup>1</sup> Act CXX of 2001 on the Capital Market



## 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 EBH's supreme body is the Sole Shareholder, this is not relevant to the Company.**

**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: **As EBH's supreme body is the Sole Shareholder, this is not relevant to the Company.**

**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

Explanation: **As EBH's supreme body is the Sole Shareholder, this is not relevant to the Company.**

**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

Explanation: **As EBH's supreme body is the Sole Shareholder, this is not relevant to the Company.**

**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

**Explanation:** **As EBH's supreme body is the Sole Shareholder, this is not relevant to the Company.**

**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

**Explanation:** **As EBH's supreme body is the Sole Shareholder, this is not relevant to the Company.**

**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:** **As EBH's supreme body is the Sole Shareholder, this is not relevant to the Company.**

**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

**Explanation:** **As EBH's supreme body is the Sole Shareholder, this is not relevant to the Company.**

**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

**Explanation:** **As EBH's supreme body is the Sole Shareholder, this is not relevant to the Company.**

**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?

<b>Yes</b>	<b>No</b>
<b>1.6.2.1.</b> 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?	
<b>Yes</b>	<b>No</b>
<b>1.6.2.2.</b> Do the internal regulations of the Company cover the methods for the assessment of events judged to be important for publication?	
<b>Yes</b>	<b>No</b>
<b>1.6.2.3.</b> Did the Board of Directors/Governing Board assess the efficiency of the publication processes?	
<b>Yes</b>	<b>No</b>
<b>1.6.2.4.</b> Did the Company publish the findings of the efficiency assessment of the publication process?	
Yes	<b>No</b>
<b>Explanation:</b> <b>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.</b>	
<b>1.6.3.</b> Did the Company publish its annual company event calendar?	
Yes	<b>No</b>
<b>Explanation:</b> <b>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.</b>	
<b>1.6.4.</b> Did the Company publish its strategy, business ethics and policies regarding other stakeholders?	
Yes	<b>No</b>
<b>Explanation:</b> <b>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.</b>	
<b>1.6.5.</b> 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?	
<b>Yes</b>	<b>No</b>
<b>1.6.6.</b> 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	<b>No</b>
<b>Explanation:</b> <b>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.</b>	
<b>1.6.8.</b> 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?	
<b>Yes</b>	<b>No</b>
<b>1.6.9.1.</b> Did the Company publish its guidelines relating to the trading of its shares by insiders?	
Yes	<b>No</b>
<b>Explanation:</b> <b>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.</b>	
<b>1.6.9.2.</b> 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	<b>No</b>
<b>Explanation:</b> <b>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.</b>	

**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

**Explanation:** **As EBH's supreme body is the Sole Shareholder, this is not relevant to the Company.**

**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?



<b>Yes</b>	No
<b>2.8.3.</b> Did shareholders receive information about the operation of the system of internal controls? <b>Yes</b>	No
<u>Explanation:</u> <b>EBH's supreme body is the Sole Shareholder.</b>	
<b>2.8.4.</b> Does the Company have a function ensuring compliance (compliance function)? <b>Yes</b>	No
<b>2.8.5.1.</b> 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? <b>Yes</b>	No
<b>2.8.5.2.</b> Did the relevant organisation of the Company and the General Meeting received information about the efficiency of the risk management procedures? <b>Yes</b>	No
<u>Explanation:</u> <b>EBH's supreme body is the Sole Shareholder.</b>	
<b>2.8.6.</b> 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? <b>Yes</b>	No
<b>2.8.7.</b> 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? <b>Yes</b>	No
<b>2.8.8.</b> 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? <b>Yes</b>	No
<b>2.9.2.</b> Did the Board of Directors / Governing Board invite the Company's auditor in an advisory capacity to the meetings on financial reports ? <b>Yes</b>	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

Explanation: **As EBH's supreme body is the Sole Shareholder, this is not relevant to the Company.**

**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

Explanation: **As EBH's supreme body is the Sole Shareholder, this is not relevant to the Company.**

**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

Explanation: **As EBH's supreme body is the Sole Shareholder, this is not relevant to the Company.**

**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

Explanation: **As EBH's supreme body is the Sole Shareholder, this is not relevant to the Company.**

**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

Explanation: **As EBH's supreme body is the Sole Shareholder, this is not relevant to the Company.**

**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

Explanation: **EBH's supreme body is the Sole Shareholder.**

**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

Explanation: **As EBH's supreme body is the Sole Shareholder.**

**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 2023, Erste Hungary achieved an energy consumption reduction of 5.2% compared to 2022. Together with Green Energy procurement, this directly resulted in 88 tCO<sub>2</sub>e emission reduction in 2023.

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:**

Employee well-being and work-life balance are the cornerstones of the organisational culture of Erste Hungary Group. This goal is manifest both in the way we organise work (home office, flexible working hours, part-time work) and in our benefits schemes. In 2023, Erste Bank has again been awarded the Family-friendly Workplace certification.

### **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 the in-house mentoring program, where our colleagues can be mentored by our middle and senior managers.

In 2023, 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 management 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, is 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.