Erste Bank Hungary Zrt.

Disclosure Report 2023

ERSTE

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Definitions

Reporting period

The report is based on figures as of 31 December 2023. In case tables include information on more periods, figures belonging to each period are properly marked.

Exposure for the regulatory purpose

Regulatory exposure corresponds to exposure amount applied in credit risk Standardised approach (Part Three, Title II, Chapter 2, Article 111 of the CRR) or to exposure at default (EAD) in case of Internal Rating Based approach (Part Three, Title II, Chapter 3, Article 166-168 of the CRR).

Exposure classes

The breakdown by exposure class is presented in accordance with Part Three, Title II, Chapter 2, Article 112 (referred to as Standardised Approach) and in accordance with Part Three, Title II, Chapter 3, Section 1, Article 147 (referred to as IRB Approach) of the Capital Requirements Regulation (CRR).

Gross carrying amount

For financial assets at amortised cost the gross carrying amount includes the contractual amount outstanding at the reporting period, adjusted by any interest accrued for the period based on the effective interest rate of the asset. For financial instruments measured at fair value through other comprehensive income (FVTOCI), gross carrying amount is fair value after adding back the accumulated impairment recognized against OCI. For performing debt instruments measured at fair value, gross carrying amount is fair value, while for non-performing debt instruments is fair value after adding back accumulated negative fair value changes.

Accounting values

The accounting values correspond to the book values (carrying amount) reported in financial statements. Carrying amounts in case of assets measured at amortised cost are the gross carrying amounts after deduction of the loss allowance. For financial instruments measured at fair value through other comprehensive income (FVTOCI) and fair value through profit and loss is fair value. Off-balance represent nominal values of off-balance item (guarantees given, loan commitments, other commitments), before application of the CCF. Net value in case of off-balance are nominal values after deduction of provisions for off-balance items.

Credit risk adjustments

Credit risk adjustments include loss allowances and provisions calculated in line with the relevant accounting standards. Credit risk adjustments presented in the report are calculated in line with the IFRS 9 and IAS 37 standards. Loss allowances, according to IFRS 9, represent 12 months or lifetime expected loss for financial assets measured at amortised cost (including lease and trade receivables), financial assets measured at FVTOCI and provisions for off balance items (loan commitments and financial guarantees). Other commitments, booked as off-balance items, are subject to provisioning in line with IAS37.

Write-offs

Derecognition of financial instruments as the bank has no reasonable expectation of recovering the contractual cash flows. Write-offs include (1) decrease of book value directly recognised in profit and loss and (2) utilisation of allowances (decrease of book value based on allowances created in previous period).

Disclosures in other published reports

A number of CRR disclosure requirements are also covered by Erste Bank Hungary Zrt.'s (hereinafter referred to as 'EBH' or the 'Bank') annual report. EBH's Pillar 3 disclosure report covers the full range of information to be disclosed, no complete equivalent publication is available. EBH's Annual Report has partial overlap (Risk management, Notes 31-38) with the Pillar 3 disclosure. The respective articles of the CRR and the corresponding chapter(s) of the annual report for 2023 can be found in the table below.

CRR article		Disclosure requested in the CRR article	Reference to annual report	Sub-chapter in annual report
435-1(a)	Risk management objectives and policies	Strategies and processes to manage those categories of risk	Note 31. Risk and capital management	Risk policy and strategy
435-1(b)	Risk management objectives and policies	Structure and organisation of the relevant risk management function including information of its authority and statue, or other appropriate arrangements	Note 31. Risk and capital management	Risk management organization, Risk management structure
435-1(c)	Risk management objectives and policies	Scope and nature of risk reporting and measurement systems	Note 31. Risk and capital management	Risk appetite, Portfolio and risk analytics, RCC, Risk reporting systems, Risk planning and forecasting, Recovery and resolution plans

Table 1: Overview of CRR disclosure requirements also covered by EBH's annual report

Erste Hungary's consolidated financial statements are legally required to be audited in order to ensure independent control and review of the accounts. The remaining information in the Pillar 3 Disclosure Report is also subject to review by internal audit.

Remuneration Policy – DISCLOSURE REQUIREMENTS Art. 450 CRR

EU REMA – Remuneration Policy

(point a) REMA) Information on the remuneration policy and practices at Erste Bank Hungary Zrt. are also disclosed in a separate document, which is published on the Bank's website under https://www.erstebank.hu/hu/ebh-nyito/bankunkrol/erste-bank-hungary-zrt/vallalatiranyitas/javadalmazasi-politika.

The main body overseeing remuneration during the financial year in Erste Bank Hungary Zrt. is the Remuneration Committee. The Committee consists of three external members of Board of Directors. The Committee held 2 physical meetings in the 2023 financial year.

Erste Bank Hungary Zrt. has not used external advisors so far in respect of Remuneration Governance bodies.

In point 4 of the published Remuneration Policy of Erste Bank Hungary Zrt. describes the classification of the employees who have major influence for the company's risk profile (identified staff / Material Risk Takers).

(point b) REMA) The purpose of the Remuneration Policy is to determine for Erste Bank Hungary Zrt. and the Hungarian subsidiaries of Erste Group that are subject to consolidated supervision remuneration principles that will ensure the secure and prudent operation of the organisations, consistently with efficient and effective risk management, as well as with the business strategy, objectives, values and long-term interests of the entities.

The consistent classification of material risk takers by institutions within Erste Group is guaranteed through a combination of common qualitative and appropriate quantitative criteria directly included in Article 92(3) of the CRD V, and those criteria set out in EBA/RTS/2020/05, together with the requirements set out in Article 92(2) of the CRD V.

The Bank's Supervisory Board adopts and - as frequently as required - reviews the principles of the remuneration policy based on Section 117/B (5) of the Hpt., whereas the Bank's Board of Directors is responsible for its supervision, which is audited by the Bank's Internal Audit at least once a year.

In addition to elaborating the remuneration policy, it is also the task of the Supervisory Board to control any cases that are exceptional in terms of the application of the remuneration policy, to approve any necessary amendments to the remuneration policy, and to assess the impacts of such individual amendments or exceptions.

The main changes of the Remuneration Policy have been made in 2023 are as follows:

- Clarification of conditions for the pay-out of guaranteed variable remuneration (sign-on bonus) and clarification of the guidelines for leavers.

Employees engaged in internal Control Functions shall be independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of objectives linked to their functions, independent of the performance of the business units they control, without compromising the objectivity required to execute their task appropriately.

The variable remuneration is based on performance, not guaranteed. A commitment to pay performance-related pay is only made in exceptional circumstances, when a new employee is recruited (sign-on bonus). The rules for awarding severance payments are described in point 6.8 of the published remuneration policy.

(point c) REMA) In point 3., 6.3. and 6.5. of the published remuneration are described the ways in which current and future risks are taken into account in the remuneration processes.

(point d) REMA) The ratios between fixed and variable components of remuneration is described in point 2.5 of the published Remuneration Policy.

(point e) REMA) The Supervisory Board and the Management Board of the Erste Group may, together with the Group Performance Management, annually define bonus payment thresholds for the Group and its subsidiaries and for the local banks (minimum profitability). It is based on at least two indicators, which both have to be met: Financial results of the entity and capital ratios of the entity (e.g. RAS core metrics).

The Remuneration Committee and the Management Board of Erste Bank Hungary Zrt. may define those specific groups of employees that will be effected in the event that the performance does not reach the threshold specified above.

The process of variable remuneration systems and performance appraisal are described in the published Remuneration Policy, point 2.4 and 3.

(point f) REMA) The deferred bonus payment procedure is described in point 6 of the published Remuneration Policy.

(point g) REMA) The employees are entitled, in line with the terms of the cafeteria policy, to a cafeteria allowance, the amount determined in the cafeteria policy. Further, the Bank provides other benefits to all of its employees, in the same amount and with the same accessibility to all, about which the employees may get information on site as usual (via the intranet). This includes, for example, the group life and accident insurance or the preferential employee loan. Depending on the job classification and the nature of the job-related tasks, and in line with the car and mobile phone use policy, a specified category of employees is entitled to the use of company cars and mobile phones. In addition under the employee share program WeShare by Erste Group, all employees who are in active employment in a participating entity, starting from 2021, as of the last day of the respective financial year and who have been employed for more than 6 months at the end of the performance year receive shares of Erste Group Bank AG with a net equivalent value approved annually by the Management Board of the Erste Group Bank AG (in addition to their fixed and variable remuneration).

(point i) REMA) Erste Bank Hungary Zrt. does not benefit from a derogation laid down in Article 94 (3) CRD.

(point j) REMA) The aggregated quantitative information on remuneration data of the Bank and its subsidiaries under consolidated supervision is presented on the Bank's website.

Overview of non-applicable disclosures

The following table provides an overview of the Articles of the CRR not covered by the Disclosure Report or included in other disclosures as mentioned above with an explanation of reasons for non-disclosure in this report.

CRR article		Disclosure requested in the CRR article	Reason for non-applicable disclosure
437 (f)	Disclosure of own funds	Where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation, a comprehensive explanation of the basis on which those capital ratios are calculated.	EBH does not disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in the CRR.
437a	Disclosure of own funds and eligible liabilities	Disclosure of own funds and eligible liabilities for institutions subject to Article 92a and 92b.	EBH is not classified as G-SII.
438 (g)	Disclosure of own funds requirements and risk-weighted exposure amounts	The supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied.	EBH is doesn't fulfil conditions to be classified as financial conglomerate.
439 (k)	Disclosure of exposures to counterparty credit risk	Estimate of α if the institution has received the permission of the competent authorities to estimate α.	EBH does not apply any own estimates of the scaling factor.
439 (m)	Disclosure of exposures to counterparty credit risk	Institutions shall disclose the information regarding their exposure to counterparty credit risk in case using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three	Starting with June 2021, Erste Bank switched to using the standardised approach for counterparty credit risk (SA-CCR) and replaced the original exposure method and the current exposure method used previously.
441	Disclosure of indicators of global systemic importance	G-SIIs shall disclose, on an annual basis, the values of the indicators used for determining their score in accordance with the identification methodology referred to in Article 131 of Directive 2013/36/EU.	EBH is not classified as G-SII.
447 (h)	Disclosure of key metrics	Disclosure of their own funds and eligible liabilities ratios and their components, numerator and denominator, as calculated in accordance with Articles 92a and 92b and broken down at the level of each resolution group, where applicable.	EBH is not classified as G-SII.
449 (e)	Disclosure of exposures to securitisation positions	A list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three CRR.	No implicit support in accordance with Chapter 5 of Title II of Part Three CRR has been provided to CSAS 2019-1 and SLSP SME 2021-1 securitisation transactions by EBH
449 (f)	Disclosure of exposures to securitisation positions	A list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions.	No affiliated legal entities of EBH are invested in securitisations originated by EBH.
449 (i)	Disclosure of exposures to securitisation positions	Where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three CRR including the structure of the internal assessment process and the relation between internal assessment and external ratings of the relevant ECAI disclosed in accordance with point (h), the control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review, the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels.	The Internal assessment approach for calculation of the risk weighted exposure amounts is not applied by EBH.
453 (j)	Disclosure of the use of credit risk mitigation techniques	For institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk- weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission.	EBH does not use credit derivatives as credit mitigation technique.
455 (a) (ii)	Use of internal market risk models	Where applicable, for the internal models for incremental default and migration risk and for correlation trading, the methodologies used and the risks measured through the use of an internal model including a description of the approach used by the institution to determine liquidity horizons, the methodologies used to achieve a capital assessment that is consistent with the required soundness standard and the approaches used in the validation of the model.	EBH does not use internal models for incremental default and migration risk and for correlation trading.
455 (d) (iii)	Use of internal market risk models	Highest, lowest and mean of risk numbers for incremental default and migration risk and for the specific risk of the correlation trading portfolio over the reporting period and at the end of the reporting period.	EBH does not use internal models for incremental default and migration risk and does not have a correlation trading portfolio.

Table 2: Overview of non-applicable disclosures

List of abbreviations

AC	Amortised Cost
ALCO	Asset Liability Committee
ALM	Asset Liability Management
ALMM	Additional Liquidity Monitoring Metrics
AMA	Advanced Measurement Approach
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ASF	Available Stable Funding
AT1	Additional Tier 1
ATM	Automated Teller Machine
BIA	Basic Indicator Approach
BRRD	The Bank Recovery and Resolution Directive
CCA	Climate Change Adaptation
CCF	Credit Conversion Factor
CCM	Climate Change Mitigation
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CE	**C**limate-related and Environmental
CEE	Central and Eastern Europe
CET1	Common Equity Tier 1
CFC	Carbon Footprint Calculation
CFP	Contingency Funding Plan
CIU	Collective Investment Undertakings
CLA	Credit Loss Allowances
COO	Chief Operating Officer
COREP	Common Reporting Framework
CRC	Corporate Risk Committee
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSR	Corporate Social Responsibility
CVA	Credit Valuation Adjustments
DCF	Discounted Cash Flow
DNSH	Do No Significant Harm
DPD	Days Past Due
DRC	Depreciated Replacement Cost
EAD	Exposure at Default
EaSI	Employment and Social Innovation
EBA	European Banking Authority
EBH	Erste Bank Hungary Zrt.
EBRD	European Bank for Reconstruction and Development
ECAI	The External Credit Assessment Institution
ECB	European Central Bank
ECL	Expected Credit Loss
EEPE	Effective expected positive exposure
EHQLA	Extremely High Quality Liquid Assets
EIF	European Investment Fund
EIH	Erste Befektetési Zrt
EPC	Energy Performance Certificates
ERBA	External-ratings-based approach
ERE	Erste Ingatlan Kft.
ERM	Enterprise-wide Risk Management
ESG	Environmental, Social and Governance
EU	European Union
EVE	Economic Value of Equity
FCP	Funded Credit Protection
FLI	Forward-looking information
FTP	Funds Transfer Pricing
FV	Fair Values
FVTOCI	Fair Value through Other Comprehensive Income
FX	Foreign exchange
GAR	Green Asset Ratio
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
G-SII	Global Systemically Important Institution
HICP	Harmonized Index of Consumer Prices
Hpt.	Act CCXXXVII. of 2013 on Credit Institutions and Financial Enterprises
HQLA	High quality liquid assets
IAA	Internal Assessment Approach
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
ICMA	International Capital Market Association
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process

IMA	Internal Models Approach
IMM	Internal Model Method
IPCC	Intergovernmental Panel on Climate Change
IRB	Internal Ratings Based
ISDA	International Swaps and Derivatives Association
ITS	Implementing Technical Standards
JZB	Erste Jelzálogbank Zrt.
KPI	Key Performance Indicator
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LMRM	Liquidity and Market Risk Management
LORCO	Local Operational Risk Committee
LRE	Leverage Ratio Exposure
LT EAD	Life-time Exposure at Default
LT PD	Life-time Probability at Default
LTP	Erste Lakástakarék Zrt.
MNB	Hungarian National Bank
MPE	Multiple Point of Entry
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
NFR	Non-Financial Risks
NGO	Non-governmental Organization
NII	Net Interest Income
NPE	Non-performing Exposure
NPL	Non-performing Loan
NPV	Net Present Value
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
OLC	Operational Liquidity Committee
OTC	Over-the-counter
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of Default
PFE	Potential Future Exposure
POCI	Purchased or originated credit-impaired
PPU	Permanent Partial Use
RAG	Red, Amber, Green (early warning signal)
RAS	Risk Appetite Statement
RC	Replacement Cost
RCC	Risk-bearing Capacity Calculation
RGC	Risk Governance Committee
RMA	Risk Materiality Assessment
RRC	Retail Risk Committee
RSF	Available Stable Funding
RTS	Regulatory Technical Standards
RW	Risk Weight
RWA	Risk-Weighted Assets
RWEA	Risk Weighted Exposure Amount
S&P	Standard & Poor's
SA-CCR	Standardised Approach for Counterparty Credit Risk
SEC	Securitisation
SFF	Sustainable Finance Framework
SFG	Sustainable Finance Guideline
SFT	Securities Financing Transactions
SICR	Significant Increase in Credit Risk
SL	Specialised Lending
SME	Small and Medium-sized Enterprises
SPA	Survival Period Analysis
SPE	Single Point of Entry
SREP	Supervisory Review and Evaluation Process
SRMR	Single Resolution Mechanism Regulation
STRL	Structural Liquidity Ratio
sVaR	Stressed Value at Risk
T2	Tier 2
TCFD	Task Force on Climate Related Financial Disclosures
TOR	Technical Object Rating
TREA	Total Risk Exposure Amount
UFCP	Unfunded credit Protection
UNEP FI	United Nations Environment Programme Finance Initiative
VaR	Value at Risk
WCAG	Web Content Accessibility Guidelines

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Declaration

under Regulation 575/2013 / EU (CRR) disclosure for the 2023 business year obligation Erste Bank Hungary Zrt. (hereinafter Bank) makes the following statement regarding its Disclosure:

Erste Bank Hungary Zrt. declares that the institution's risk management system is appropriate in terms of the company's strategy and profile.

The Disclosure document describes the institution's overall risk profile associated with the business strategy it uses. Key ratios and indicators are included in the document, which provides a comprehensive picture to external stakeholders on the risk management of the institution, including the connection between the Bank's risk profile and its risk appetite set by the management body.

PricewaterhouseCoopers Könyvvizsgáló Ltd. verifies that the information contained in the disclosure report is in accordance with the data sent to MNB, the National Bank of Hungary.

Budapest, 26 April 2024.

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Introduction

DISCLOSURE REQUIREMENTS Art. 436 (a) CRR

The provisions of Part Eight of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amended by Regulation (EU) 2019/876, hereinafter referred to as the Capital Requirements Regulation (CRR) apply to Erste Bank Hungary Zrt. on a consolidated basis.

Erste Bank Hungary Zrt. is a limited liability company, incorporated and domiciled in Hungary. The core activities of Erste Bank Hungary Zrt. are savings, investments, loans and credits as well as leasing services. Geographically the Bank focuses primarily on the Hungarian market and offers its services for private individuals, small and medium-sized enterprises as well as large corporations, financial institutes, municipalities, public sector and non-profit organizations. The Bank with its fully owned subsidiaries forms Erste Hungary. The Bank's subsidiaries comply with the disclosure requirements laid down under Part Eight of CRR on a consolidated basis.

Erste Bank Hungary Zrt. has been a member of Erste Group since 1997. Erste Group Bank AG is Erste Bank Hungary Zrt.'s parent company and sole shareholder as of December 2023. In 2023, Erste Group bought back the 15-15% shares of Erste Bank Hungary Zrt., held by Corvinus Nemzetközi Befektetési Zrt. (representing the Hungarian State) and the European Bank for Reconstruction and Development (EBRD). The transaction was closed in November for the shares of Corvinus Zrt. and in December for the shares of EBRD.

Erste Group Bank AG was founded in 1819 as the first Austrian savings bank and has since developed into the largest privately owned Austrian banking group and into the largest financial services provider in Central and Eastern Europe. Today, Erste Group has an extensive presence in its core markets of Austria, the Czech Republic, Slovakia, Romania, Hungary and Croatia – all of which are members of the European Union. Erste Group's shares are listed on the Vienna Stock Exchange, on the Prague Stock Exchange and on the Bucharest Stock Exchange.

This disclosure report gives readers a comprehensive overview of the current risk profile and risk management of Erste Bank Hungary Zrt. and covers the following areas:

- risk management;
- capital structure;
- capital adequacy;
- risk management systems and procedures;
- risk management with respect to each type of risk;
- risks assumed;
- credit risk mitigation techniques; and
- environmental, social and governance (ESG) risks.

Disclosure policy and structure

The current Disclosure Report of Erste Bank Hungary meets the disclosure requirements of the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter Hpt.) Article 122 and Part Eight of the CRR, which took effect on 1 January 2014. In addition, the report complies with the requirements set in Implementing technical standards (ITS) on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 (EBA/ITS/2020/04 published on 24 June 2020) and other disclosure related guidelines.

The Disclosure Report provides comprehensive disclosures on risks, risk management and capital management. This disclosure is published once a year - in Hungarian as well as in English -, following the scope and frequency as defined by Art. 433 and 433a of the CRR, further specified by ITSs on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 (EBA/ITS/2020/04), published in Official Journal as of March 2021, under reference (EU) 2021/637.

Erste Hungary has opted for the Internet as the medium of this publication https://www.erstebank.hu/hu/ebh-nyito/bankunkrol/erste-bank-hungary-zrt/vallalatiranyitas/hivatalalos-kozzetetelek.

The preparation of the Disclosure Report and the formal review for completeness and compliance with the applicable requirements is carried out by Strategic Risk Management. The Disclosure Report is subject to review by internal audit.

The General Disclosure Policy, supplemented by a series of operating procedures (such as Procedure for the Pillar 3 Disclosure Report), sets out the overarching principles and guidelines used by EBH inorder to fulfil its disclosure requirements under Part Eight of the CRR as well as the processes in place to establish, review and approve the actual disclosures.

The Disclosure Report has been attested by the Board of Directors.

Based on the institutions' audited data of 31 December 2014 the Bank was identified by the central bank of Hungary (referred to as 'MNB'), acting within its macro-prudential supervisory function, as a systemically important credit institution. Thus, the Bank is subject to a yearly 'Supervisory Review and Evaluation Process', to guarantee that the Bank has adequate rules, strategies, processes and mechanisms as well as capital and liquidity to ensure a sound management and coverage of their risks.

The regulatory framework of Basel III

Implementation of Basel III in the European Union (EU)

On 26 June 2013, the European Parliament adopted the new capital and liquidity requirements for the implementation of Basel III in the EU (Capital Requirements Directive IV, - CRD IV and Capital Requirements Regulation – CRR I). On 20 May 2019, the amendments to the Capital Requirements Directive (CRD V) and the Capital Requirements Regulation (CRR II) were published in the Official Journal of the EU. The application of the new regulatory requirements for credit institutions and investment firms became effective as of 28 June 2021, with partial applicability date from May 2019. As of this time, the Erste Hungary has been calculating regulatory capital and regulatory capital requirements according to Basel III revised framework. The finalisation of the last elements of Basel III (CRR II/CRD VI) was still an ongoing process in 2023, the banking package was endorsed in December 2023 and the new CRR rules will start applying in January 2025.

The "Three Pillars" were introduced for the first time under Basel II. The objectives of this framework are: more risk sensitive capital allocation (Pillar 1 – Minimum Capital Requirements), more detailed regulatory assessment of material risk categories (Pillar 2 - Supervisory Review Process) and increased market transparency (Pillar 3 – Market Discipline). Reforms introduced by latest Basel III framework aim to strengthen regulation, supervision and risk management of the banking sector, especially by improving banking sector's ability to absorb shocks arising from financial and economic stress, improving management and governance of risk and strengthening banks' transparency and disclosures.

Pillar 1 – Minimum requirements

As already introduced by Basel II, Pillar 1 covers the calculation of capital requirements for credit risk, market risk and operational risk. As such, it details the different methods available for calculating risk weighted assets for the three risk types and provides information on the eligibility criteria for the constituents of the capital base. Under Basel III, a leverage exposure requirement was introduced to complement the minimum risk-based capital requirements.

Basel III extended minimum requirements to also cover liquidity in addition to capital. In this regard, Pillar 1 specifies the requirements for the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

Pillar 2 – Supervisory review process

Pillar 2 requires banks to conduct an internal capital adequacy assessment process (ICAAP) to demonstrate that they have implemented methods and procedures to safeguard capital adequacy with due attention to all material risks. The ICAAP supplements the minimum regulatory requirements of Pillar 1. It considers a broader range of risk types as well as EBH's risk and capital management capabilities.

In parallel to the introduction of Pillar 1 requirements for liquidity through the Basel III framework, the ICAAP was complemented with an internal liquidity adequacy assessment process (ILAAP) to ensure banks have implemented processes and tools to safeguard the adequacy of their funding and liquidity.

Furthermore, Pillar 2 requires supervisors to conduct a Supervisory Review and Evaluation Process (SREP) to assess the soundness of banks' ICAAP and ILAAP and take any appropriate actions that may be required.

Pillar 3 – Market discipline

Taking account of Pillar 1 (Minimum Capital Requirements) and Pillar 2 (Supervisory Review Process), Pillar 3 aims to increase market transparency by providing information on the scope of application, regulatory capital, risk positions, risk measurement approaches and therefore, the capital adequacy of a bank.

Risk management at Erste Bank Hungary Zrt.

DISCLOSURE REQUIREMENTS Art. 435 (1) CRR and Art. 435 (2) CRR

Risk policy and strategy

A core function of a bank is taking risks in a conscious and selective manner and professionally steering those risks. Adequate risk policy and risk strategy is essential to a bank's fundamental financial health and operational business success.

Erste Bank Hungary has developed a risk management framework that is forward-looking, tailored to its business and risk profile and adequate for Erste Hungary's risk profile and strategy. This framework is based on a clear risk strategy that defines the overall strategic direction of the Bank in terms of risk-taking and sets strategic-level limits by risk type, which are derived from the Risk Appetite Statement (RAS). The risk strategy is consistent with the business strategy and incorporates the expected impact of external environment on the planned business and risk development.

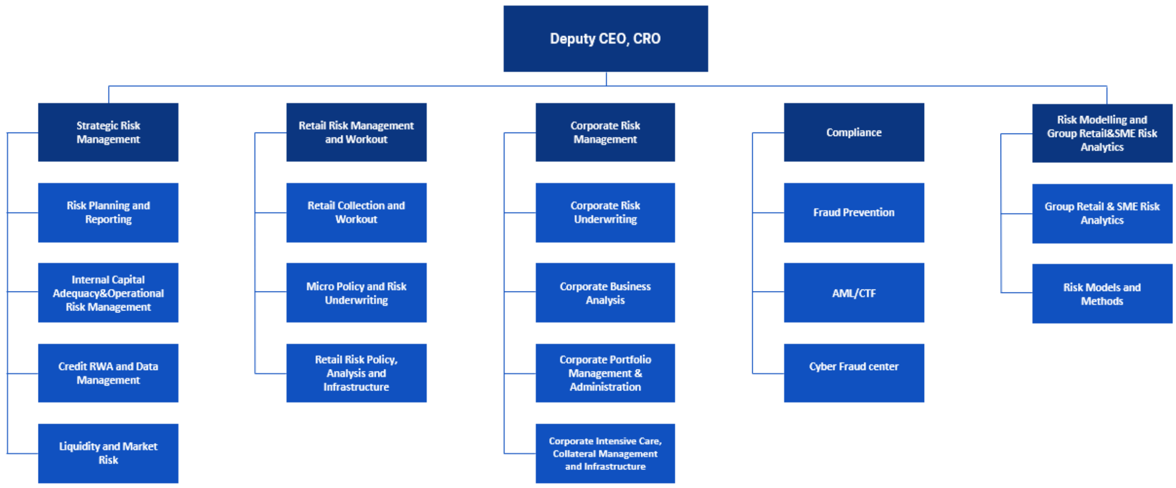
The risk strategy describes the current and targeted risk profile, defines risk management principles, strategic goals and initiatives for the main risk types as well as sets strategic limits for the significant financial and non-financial risk types as defined in the Risk Materiality Assessment. The risk strategy is executed within a clearly defined governance structure. This structure also applies to monitoring risk appetite, additional metrics, as well as to the escalation of limit breaches. It also defines key elements of the risk management framework and their integration to ensure an adequate and consistent implementation, as well as principles and activities to enhance risk culture across EBH.

Environmental, Social and Governance (ESG) risks remained one of the top priorities also in 2023. Focus in risk was on advancements in implementation of initiatives to achieve compliance with regulatory requirements and expectations such as improvements in the Carbon Footprint Calculation, development of methodologies for setting decarbonization targets for priority sectors, enhancement of Risk Materiality Assessment and reporting system, and incorporation of climate-related and environmental risks in credit risk processes.

Risk management organisation

Risk management is achieved through a clear organizational structure with defined roles and responsibilities, delegated authorities and risk limits. Risk management units are completely separate from each business unit.

The following chart illustrates the organizational structure of the risk management area:



Strategic Risk Management

Provides data, methodology and professional competence to determine the Bank's risk exposure. Promotes the stable capital situation and effective operation of the Bank by forecasting future developments in the risk exposures, as well as supports the Bank's growth in line with legal requirements.

Retail Risk Management and Workout
It evaluates credit risks against retail customers, checks credit proposals, develops risk management opinions, checks documents, records and systems, and then makes decisions. The responsibility includes the operation of retail risk management reports, analyzes, management information system. Coordination and implementation of retail workout activities.

Corporate Risk Management
Its responsibility is to evaluate the credit risks of clients falling within its competence, to make decisions, to check the credit proposals from the point of view of risk management and compliance with the rules, to comment on them, and to check the documents, records and systems related to risk taking.

Compliance
Compliance function covers all the duties stemming from applicable local and international legal requirements in the field of anti-money laundering and combating of terrorist financing. It is also responsible for the maintenance of fraud management governance as well and also takes part in the operative fraud prevention. Furthermore, the function is accountable for anti-corruption internal framework, handling conflict of interest and in its advisory role stands by almost all the other functions of the bank. The 7/24 card and payment fraud monitoring team also belongs to the Compliance area.

Risk Modelling and Group Retail & SME Analytics
Its responsibility is to collect data for the development of rating models and for model development (Basel and IFRS 9 parameters), monitoring and validation purposes, and ad hoc analyses. Developing a rating methodology that meets current strategic objectives and expectations. Development, maintenance, monitoring and validation of rating models and credit risk parameters based on relevant methodologies.

ENTERPRISE-WIDE RISK AND CAPITAL MANAGEMENT

Enterprise-wide Risk Management (ERM) includes as its fundamental component the Internal Capital Adequacy Assessment Process (ICAAP) required under Pillar 2 of the Basel framework and regulatory guides (e.g. MNB ICAAP Handbook). The ERM framework is designed to support the bank’s management in managing the risk portfolios as well as the coverage potential to ensure that the bank holds adequate capital for the nature and magnitude of its risk profile at all times. The framework is tailored to EBH’s business and risk profile and reflects the strategic goal of protecting shareholders and senior debt holders while ensuring the sustainability of the organisation. ERM framework is a modular and comprehensive management and steering system within Erste Bank Hungary as well as an essential part of the overall steering and management instruments. The ERM components necessary to ensure all aspects, in particular to fulfil regulatory requirements and to provide an effective internal steering tool, can be clustered as follows:

- Risk Appetite Statement (RAS);
- portfolio and risk analytics including Risk Materiality Assessment (RMA), concentration risk management, and stress testing;
- Risk-bearing Capacity Calculation (RCC);

In addition to the elements of the above mentioned ERM framework, the Bank’s risk management also performs the following functions:

- Risk planning and forecasting;
- Recovery and Resolution Planning;
- Risk Reporting.

In addition to the ICAAP’s ultimate goal of assuring capital adequacy and sustainability at all times, the ERM components serve to support the bank’s management in pursuing its strategy.

A fundamental objective of the Bank is to implement its strategic objectives by driving prudent and risk-conscious operations. The Bank lays down its risk management principles in its Risk Strategy. Erste Bank Hungary Zrt. uses a risk management and control system that is proactive and tailored to its business and risk profile. It is based on a clear Risk Appetite Statement (RAS) that is consistent with the Bank's business strategy and focused on early identification and management of risks and trends. In addition to meeting the internal goal of effective and efficient risk management, the Bank's risk management and control system has been developed to fulfil external and, in particular, regulatory requirements. The Bank defines its Risk Strategy and Risk Appetite through the annual planning process to ensure proper alignment of risk, limit system, capital, liquidity and performance targets.

The Bank has always focused on a reliable risk culture. As part of this, proactive behaviour and a strong risk management culture are expected from all employees. In terms of individual behaviour and decision-making, personal integrity and a high level of professionalism are essential.

Risk appetite

Risk appetite defines the maximum level of risk EBH is willing to accept in pursuing its business goals. The overall approach includes a risk appetite statement, risk limits, and the roles and responsibilities of those overseeing the implementation and monitoring of the risk appetite framework. Limit framework (i.e. risk appetite framework) of EBH includes risk limits set in Risk Appetite Statement (RAS) and Risk Strategy, industry limits, maximum lending limits and operational limits.

The RAS acts as a binding constraint to EBH's business activities within its overall risk appetite via triggers and limits approved by the Board of Directors and the Supervisory Board and acknowledged by the Managing Board. It is integrated and embedded into Erste Bank Hungary's structural processes; including business and risk strategy, budgeting process, capital and liquidity planning, recovery plan, stress testing and remuneration framework.

The RAS consists of a set of core risk metrics (capital, liquidity, risk-earnings) providing quantitative direction for overall risk-return steering and qualitative statements in the form of key risk principles that are part of the guidelines for managing risks. The core risk metrics are set as ultimate boundaries for the Bank's risk-return target setting. They are also a key part of the annual strategic planning / budgeting process and give an overall picture of capital, liquidity and risk-return trade-offs. The key objective of the RAS is to:

- ensure that EBH has sufficient resources to support its business at any given point in time and absorb stress events;
- set boundaries for the Bank's risk target setting;
- support the Bank's financial strength and the robustness of its systems and controls.

To foster risk-return steering and ensure proactive management of the risk profile, EBH creates its RAS on a forward-looking basis. External constraints such as regulatory requirements create the floor and ceiling for the RAS and therefore the amount of risk EBH is willing to accept. In order to ensure that the Bank remains within the targeted risk profile, a traffic light system was established and assigned to the core metrics. This approach allows a timely delivery of information to the respective governance and the implementation of effective remediation measures. The RAS traffic light system is defined as follows:

- RAS is green: The target risk profile is within the specified boundaries.
- RAS is amber: The undershooting or overshooting of a pre-defined threshold leads to an escalation to the designated governance and the discussion of potential remediation actions.
- RAS is red: The undershooting or overshooting of a pre-defined limit initiates an immediate escalation to the designated governance and a prompt implementation of remediation actions.

Moreover, stress indicators are defined for selected core metrics and integrated into the assessment of the stress test results. They are reported as early warning signals to the management board to support proactive management of the risk and capital profile.

In addition, supporting metrics and principles are defined by material risk type in the Risk Strategy based on RAS. These support implementation of the mid- to long-term strategy. Risk management governance ensures full oversight of risk decisions and sound execution of the Bank risk strategy. Mitigating actions are undertaken as part of the regular risk management process to ensure that the Bank remains within its RAS.

EBH RAS for 2023 was approved by the Board of Directors and the Supervisory Board and acknowledged by the Managing Board in the first quarter of 2023. In the second half of 2023, interim revisions of EBH RAS were conducted and approved by the designated governance.

ESG risks are embedded in the EBH Risk Appetite Statement and in the risk strategy and are also part of EBH's Risk Materiality Assessments. They are integrated into Erste Group's and thus EBH's risk taxonomy as transversal risks (risk types that have impact and are reflected through more than one key risk category) and are included in the relevant risk categories credit, market, liquidity and operational risk. Erste Group's definition of ESG risk is part of the Group ICAAP guideline and covers a wide range of risks arising from environmental, social and governance factors.

The table below provides an overview of performance at year-end 2023 against the approved EBH RAS:

RAS core metrics	Category	Year-end 2023	Status	Governance
Solvency Ratio (fully loaded)	Capital	24.07%	●	Board of Directors / Supervisory Board
Tier 1 Ratio (fully loaded)	Capital	18.26%	●	Board of Directors / Supervisory Board
Common Equity Tier 1 Ratio (fully loaded)	Capital	18.26%	●	Board of Directors / Supervisory Board
Economic Capital Adequacy Ratio	Capital	52.24%	●	Board of Directors / Supervisory Board
Leverage Ratio (fully loaded)	Capital	8.80%	●	Board of Directors / Supervisory Board
Survival Period Analysis (SPA)	Liquidity	EUR 905 million	●	Board of Directors / Supervisory Board
Liquidity Coverage Ratio (LCR)	Liquidity	188.00%	●	Board of Directors / Supervisory Board
Net Stable Funding Ratio (NSFR)	Liquidity	156.40%	●	Board of Directors / Supervisory Board
Return on Tangible Equity (forward looking)	Earnings / Profitability	20.03%	●	Board of Directors / Supervisory Board

Table 3: Risk Appetite Assessment

Portfolio and risk analytics

Erste Bank Hungary uses dedicated infrastructure, systems and processes to actively identify, measure, control, report and manage risks within its portfolio. Portfolio and risk analytics processes are designed to quantify, qualify and discuss risks in order to raise awareness to management in a timely manner.

Risk materiality assessment

The Risk Materiality Assessment (RMA) determines the materiality of risk types and consequently the risk profile of EBH. RMA is an annual process with the purpose of systematic identification of new and assessment of all risks for the Bank. Senior management may require to perform RMA on ad hoc basis in addition, in order to address changing operating environment or emerging risks. As such, the RMA is an integral part of the ICAAP and serves as a steering tool for senior management.

Insights generated by the assessment are used to improve risk management practices and further mitigate risks within the Bank. The assessment also serves as input for the design and definition of the Bank’s risk strategy and Risk Appetite Statement. Key outputs and recommendations of the RMA are considered in the scenario design and selection of the comprehensive and reverse stress tests.

Risk concentration analysis

Erste Bank Hungary has implemented a process to identify, measure, control and manage risk concentrations. This process is essential to ensure the long-term viability of Erste Bank Hungary, especially in times of an adverse business environment and stressed economic conditions. The output of the risk concentration analysis additionally contributes to the identification of material risks within the RMA and to the setting/calibration of the Bank’s limit system.

Stress testing

Modelling sensitivities of the Bank’s assets, liabilities and profit or loss provide management steering impetus and help to optimise Erste Bank Hungary’s risk-return profile. Stress tests help to factor in severe but plausible scenarios providing further robustness to measurement, steering and management. Risk modelling and stress testing are vital forward-looking elements of the ICAAP. Finally, sensitivities and stress scenarios are considered within the Bank’s planning process.

Erste Bank Hungary's most complex stress testing activities are scenario stress tests that take a comprehensive account of the impact of various economic scenarios, including second-round effects on all risk types (credit, market, liquidity and operational) and effects on the associated volumes of assets and liabilities as well as on profit and loss sensitivities. In addition to the standard scenario-driven stress testing exercises, reverse stress tests are performed to identify a scenario or a combination of scenarios in which viability of the current business model can be questioned. Stress testing is complemented with target-specific sensitivity tests using tools developed by the Bank. The results revealed by the analysis are fundamental to determining the Bank's risk appetite, which is an integral part of the Bank's risk strategy.

The Bank pays special attention to prevent the reproduction of the problematic portfolio and to reduce the previously non-performing portfolio.

Risk-bearing capacity calculation

Within the Risk-bearing Capacity Calculation (RCC), all material risks are regularly quantified, aggregated and compared to the coverage potential, to the bank's own funds and to limits set in risk appetite. The result and evaluation of the calculation are part of the regular reports prepared for management, supporting senior management in their decision-making processes in order to comply with prudent risk-taking and risk limits. Insights generated by the assessment are used to improve risk management practices and further mitigate risks within EBH.

The RCC describes the methodology of Pillar 2 capital adequacy calculation. In contrast to the normative (regulatory) view of Pillar 1, referring to the Bank's ability to fulfil all of its capital-related regulatory and supervisory requirements and demands, the RCC is based on an economic view of Pillar 1+ approach, assuming continuation of Erste Bank Hungary as expected by the MNB ICAAP Handbook. The RCC determines whether the Bank has sufficient internal capital for covering all (regulatory and economic) risks it is exposed to. Economic and normative perspectives at EBH are set in a way to mutually inform each other and are integrated into all material business steering activities and decisions. In addition, with applied Pillar 1+ approach the Bank increases efficiency and ensures comparability with the Pillar 1 calculation. Based on the results of the RMA, the economic capital is considered for relevant risk types as approved by the Board of Directors and the Supervisory Board. The economic capital requirement is then compared to internally available capital (coverage potential) to cover the Bank's risks in Pillar 2. The calculation of internal capital or coverage potential required to cover Pillar 2 risks/unexpected losses is the same as the Pillar 1 regulatory own funds according to CRR and CRR II (Regulation (EU) No. 575/2013 and Regulation (EU) No. 876/2019 amending regulation (EU) No. 575/2013) as expected by the MNB Guide to ICAAP. Both economic capital and coverage potential are computed on the CRR scope of consolidation of EBH as ultimate parent entity based on IFRS accounting standards.

The Management Board, the Risk Governance Committee, the Board of Directors and the Supervisory Board are briefed quarterly on the results of the ICAAP capital adequacy through the EBH ICAAP Report. It includes risks profile developments, available capital (own funds and coverage potential), consideration of potential losses in stress situations, the degree of the risk limit utilisation and the overall status of capital adequacy and outlines risk profile development in relation to risk appetite.

Risk reporting systems

The cooperation of the Bank's units in charge of risk management and the managerial reporting system ensures that management is provided with a comprehensive view of the Bank's risk position at all times.

In relation to its risk position, the Bank regularly prepares reports about its risk exposure, actual and forecasted capital position under Pillar I and Pillar II, results of comprehensive and supervisory Stress Testing, liquidity and market risk profile and concentration risk for discussion and approval for decision-making bodies and committees: for the Board of Directors, for the Managing Board, for the Supervisory Board, for the Risk Governance Committee as well as for the Risk Committees.

Risk planning and forecasting

The responsibility for risk management within the Bank includes ensuring sound risk planning and forecasting processes, focusing on both portfolio and economic environment changes. The forecasts determined by risk management are the result of close co-operation with all stakeholders in the Bank's overall planning process, and in particular, with Controlling, Finance and Accounting, Strategic/Corporate/Retail Risk Management and the Asset Liability Management by assessing:

- the expected portfolio quality and impairment levels
- risk-weighted asset management and ensuring capital adequacy
- capital allocation to entities, business lines and segments
- forecasting the liquidity and interest rate risk.

All insights from the ICAAP and controlling processes is used to allocate capital with a view to risk-return considerations.

METHODS AND INSTRUMENTS APPLIED

Key risk indicators covered by the Risk Planning framework include indicators that provide an overview of incurred or potential risks, with respect to both portfolio and economic environment developments. Indicators include RWA (and related indicators), portfolio quality indicators (impairments, NPL/NPE and relevant performance indicators etc.), as well as indicators required by the regulatory authorities under the responsibility of the Risk division.

Planning activities are performed in close cooperation with all stakeholders in the Bank´s overall process and follow a clear governance structure to ensure sound risk planning process.

Capital allocation

An important task integral to the risk planning process is the allocation of capital to entities, business lines and segments. Methodology for allocation reflects risk and controlling processes in order to allocate capital with risk-return considerations.

Recovery and resolution plans

The Directive 2014/59/EU as amended (Bank Recovery and Resolution Directive – BRRD) has been implemented in Hungary into national law by the Hungarian Resolution Act. On 7 June 2019 a legislative package (EU Banking Package) was published in the Official Journal of the EU. The EU Banking Package comprises the Directive (EU) No 2013/36 (CRD), and the Regulation (EU) No 575/2013 (CRR) as well as the BRRD and the Regulation (EU) No 806/2014 as amended (SRMR). The EU Banking Package entered into force on 27 June 2019.

Recovery Planning. In compliance with the Hpt. 114.§ Erste Bank Hungary Zrt. is required to draw up a recovery plan for potential crisis situations. In 2023 an updated Recovery Plan was submitted to the Regulator by the Bank. The EBH Recovery Plan identifies potential options for the replenishment of capital and liquidity resources of the bank in order to cope with a range of severe scenarios including both idiosyncratic and market-wide stress. The Recovery Framework is reconciled with the Risk Appetite Framework across indicators and indicator thresholds, ensuring comprehensive enterprise-wide risk management. The recovery governance described in the plan ensures timely identification and proper management of any recovery situation. Furthermore, the assessment of the EBH Recovery Plan and the recently addressed assessment of the overall recovery capacity are part of the Supervisory Review and Evaluation Process (SREP) assessment. It is relevant to demonstrate that, in a severe stress which is close to a failing or likely to fail situation, there is sufficient recovery capacity available.

Resolution Planning. Erste Bank Hungary collaborates with the resolution authorities in the drawing up of resolution plans based on local and EU regulation. Based on a joint decision taken in the Resolution College, Erste Group in April 2020 received notification of the preferred Multiple Point of Entry (MPE) resolution strategy on cross-country level, but a Single Point of Entry (SPE) resolution strategy within a country. This results in being MPE in Hungary.

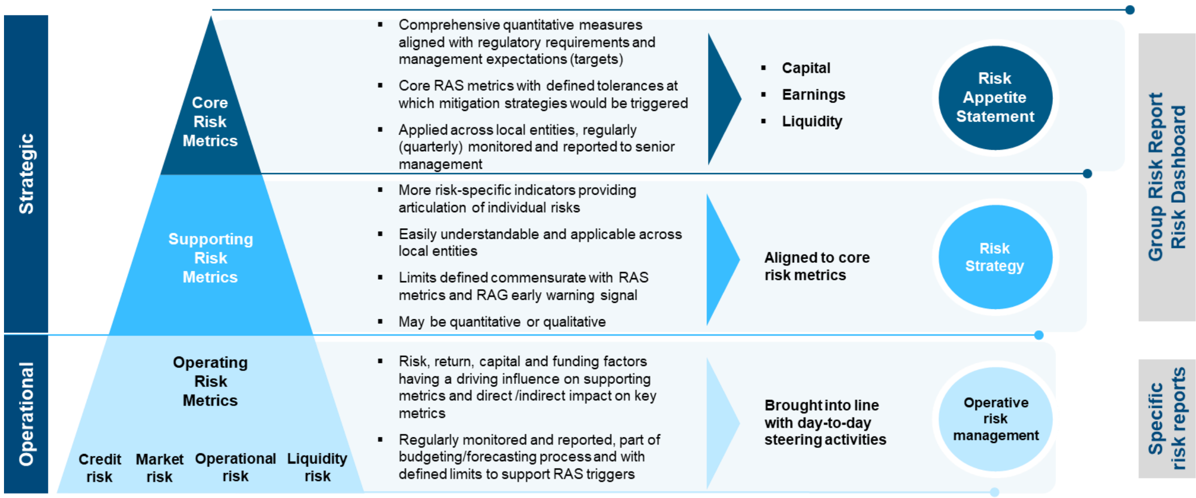
MREL. The Bank Recovery and Resolution Directive (BRRD) introduced the Minimum Requirement for own funds and Eligible Liabilities (MREL), which is – in case of Erste due to the MPE resolution strategy – set on Resolution Group level. MREL requirements are expressed as a percentage of the total risk exposure amount (TREA) as well as leverage ratio exposure (LRE).

Potential changes in the MREL requirement will be reflected in Erste Bank Hungary's funding plan as to ensure compliance with MREL and subordination targets.

Based on the MREL joint decision taken, the National Bank of Hungary provided its legal notifications. In June 2023, Erste Bank Hungary received Joint Decision determining the minimum requirement for own funds and eligible liabilities for its Resolution Group. Information on MREL targets has been published on EBH's website based on legal notifications released by the National Bank of Hungary. MREL metric is integrated into the RAS and Recovery Framework of EBH.

RISK MONITORING

All risks the Bank is exposed to and the relevant exposures are monitored on a continuous basis and managed on the following levels: portfolio, organisational and risk type level. The following figure presents an overview of the risk monitoring framework at Bank level consisting of both strategic and operational oversight as set out below.



1. Figure: Strategic and operational risk oversight and management at Erste Bank Hungary

Strategic oversight

The RAS sets the boundary for the maximum risk the bank is willing to accept in order to pursue its business objectives; this includes a set of core steering metrics with trigger levels providing strategic guidelines for risk management and planning. The risk strategy defines the overall strategic direction of the Bank in terms of risk-taking and sets strategic-level limits by risk type, based on the target risk profile and RAS, and provides a balanced risk-return view considering the strategic focus and business plans.

Both are regularly monitored and reported in the EBH ICAAP Report including a traffic light overview together with respective measures to address deviations from strategic plans or objectives identified. The EBH ICAAP Report is presented and discussed quarterly in the Managing Board, the Risk Governance Committee, the Board of Directors and the Supervisory Board.

Operational oversight

Risk management by risk type ensures that the risk-specific profile remains in line with the risk strategy and operational limits support achievement of the strategic targets. The development of the specific risk profile (i.e. retail credit, corporate credit, operational risks, etc.) is reported through dedicated risk reports in a more granular way and supports risk decision-making of the dedicated risk functions to ensure the risk profile remains within the risk strategy (i.e. operational risk report, retail risk report, etc.). These reports also include specific monitoring metrics that provide an early warning signal for adverse developments of, e.g., portfolio quality (client, segment, countries and industries) or risk drivers.

Selection and assessment of members of management bodies

The qualification requirements (skills and expertise) for members of the governing and controlling bodies of Erste Bank Hungary Zrt. are governed by the internal guidelines for the selection and assessment of members of the management and supervisory boards, defined by the Nomination Committee of the company.

These guidelines define, in accordance with applicable legal provisions (Hpt. 112. §.), the internal framework for the selection and assessment of proposed and appointed members of the management bodies, corporate bodies and are also an important tool for ensuring good corporate governance and control. The assessment of proposed and appointed members of management bodies is based on the following criteria:

- reputation requirements (no criminal record, no violation of the statutory regulations pertaining to financial organizations);
- experience criteria (education and professional experience);
- governance and independence (examination of potential conflicts of interest; the overall (existing) composition of the Board of Directors or Supervisory Board and the relevant, necessary collective knowledge and experience; the ability of the candidate to perform his/her duties independently, without undue influence from other persons).
- time expense
- overall compliance

Both on individual and on overall level the management and supervisory bodies and their members possess the necessary knowledge, experience and expertise required to fulfil their role at the company, as follows:

Overview of education	Overview of professional experience	Overview of expertise
Master - of Business Administration, - in Economics, - in Finance, - or in Engineering.	Diverse background gained at several local/regional/global organizations, private/public financial institutions as well as in consulting.	Relevant expertise on fields of banking operations.
Studies in internationally acknowledged institutions.	Overall experience of the board members covers the whole banking operation.	Deep expertise of financial markets.
Various extracurricular activities.	At least 15 years of professional experience in the banking sector or 10+ years of experience in managing respective fields.	Proven leadership skills and expertise.

Table 4: Skills and expertise of the managing and governing bodies of Erste Bank Hungary Zrt. as of 31 December 2023

Members of the Board of Directors on 31 December 2023

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

Mr Jelasity 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 Jelasity 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 Jelasity - 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 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 he holds responsibility for the safe and secure operation of the Company.

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

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

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

Mr Foltányi studied at the Budapest University of Technology at the Faculty of Electrical Engineering then finished the Bank Management Programme at The International Training Center for Bankers Ltd.

(Bankárképző). During his career he held leading positions at Inter-Európa Bank and Creditanstalt. From 1999 until 2004 as a managing partner at PWC and IBM he was responsible for the Hungarian financial sector and services offered for them, then took over the management of the IBM Global Services businesses. From 2005 until 2015 he was the Deputy Chief Executive Officer of the FHB Mortgage Bank Nyrt. Tamás Foltányi as Deputy CEO for IT and Operation (Chief Operating Officer) of the Company – since January 2016 – is responsible for the Bank’s IT and operations, supervises the IT system development and operational tasks of the Company, manages and coordinates the IT planning of the Company.

Róbert Cselovszki, Managing Director, Deputy CEO, Chief Corporates and Markets Officer (17.03.2023. -)

He graduated in 1991 at the Collage of Finance and Accounting, and attended several courses and exams at the Montreal Stock Exchange, Budapest Stock Exchange and Tokyo Stock Exchange. He is a former member of the Board of Directors and Supervisory Board of Budapest Stock Exchange. Since December 2002, he has been President of the Investment Services Association. He has worked in the financial sector for more than 30 years, and he has more than 25 years of management experience. He has strengthened the Erste team for almost 25 years, he has been working in a senior position at Erste Investment Ltd. for more than 24 years, previously as President and since 2016 as CEO. He has a high level of professionalism and his domestic market experience is complemented by the official Montreal Stock Exchange professional examination. He also has international experience, having led Erste Group's international equity sales for 4 years under matrix functional management. He is a high-level leader by example and is constantly involved in the development of the culture of the institution, setting the direction for 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 Board of Directors member (01.02.2023. -)

He graduated in 1993 at the Saarland University, then obtained a PhD degree in 1993 at the University of St. Gallen. He started his professional career in banking during his university studies in Germany. His career path has quickly taken an upward curve, holding senior positions with the Financial Markets Service Bank in Munich and later with Bank Austria Creditanstalt in Vienna. He led the restructuring of the entire Vereinsbank Victoria Bauspar in Germany, including subsidiaries in the Czech Republic and Romania, under the leadership of senior management. From 2008-2009 he was Head of Hypovereinsbank's Mortgage Business, from 2009-2013 he was Member of the Management Board of Bank Austria, Head of Consumer & SME Banking. He was member of the senior management of USB for 8 years from 2014, Head of Strategy and Business Development until 2017, then Head of Asset Management, Head of Global Wealth Management Client Strategy Office and Head of Operations EMEA Client Strategy from 2018 to 2022. In 2022, he joined the management team of Erste Group AG as Head of Group Strategy, responsible for Group Strategic Initiatives, Group Corporate Development and M&A, Group ESG Office and Social Banking.

Attila Sánta, external Board of Directors member (10.05.2023. -)

He graduated in 2002 at the Comenius University in Bratislava, Slovakia where he studied mathematics and management. He has started his banking career immediately after his studies at Slovenska sporitelna and joined the Erste Group headquarters in Vienna in 2005. Since 2007 he has held various management positions in Erste Group being responsible mainly for asset-liability management. Since

2018 he has lead the Group Balance Sheet Management division in Erste Holding covering asset-liability management, capital management and recovery & resolution planning on group level.

Members of the 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 Departmentbetween 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 ha 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. -)

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

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.

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

MS Habeler-Drabek started her carrer in 1995 at the Creditanstalt-Bankverein Bank as Restrucuring 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.

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.

Name	Number of directorate outside the Group
Radován Jelasity	-
Krisztina Zsiga	-
László Szabolcs Harmati	-
Manfred Schmid	-
Tamás Foltányi	-
Róbert Cselovszki	1
dr. János Rudnay	-
Rainer Hauser	
Attila Sánta	-
Manfred Wimmer	-
Friedrich Rödler	-
Maurizio Poletto	-
Alexandra Habeler-Drabek	-
Magdolna Nagy	-
Attila István Balla	-

Table 5: Directorate outside the Group

Members of Managing Board on 31 December 2023

Jelasity 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 Cselovszki: Managing Director, Deputy CEO, Chief Corporates and Markets Officer

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 meetings.

The quorum at the 2023 meetings of the Board of Directors and the Supervisory Board was ensured in each case.

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 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.

Policy of diversity

Erste Group was founded on the principles of accessibility and inclusion. Diversity and equal opportunities are firmly embedded in Erste Group’s corporate philosophy and corporate culture, thus providing a solid foundation for building strong and mutually beneficial relationships between Erste

Group, its employees and the communities and societies in Erste Group's markets. The commitment to promoting equal opportunities and diversity was institutionalized by appointing a Diversity Manager responsible for developing a group-wide diversity policy, identifying targets and measures, as well as regular monitoring and reporting on targets.

During 2016 the Bank has joined the European Diversity Charter and since then, renewed its membership in all years.

Risk governance committees

Risk management is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities and risk limits. Besides the Risk Governance Committee (RGC) the Bank has also established local committees in order to support an efficient decision process and in order to ensure a multi-functional supervision (i.e. ensuring the participation of various fields of professions). The main task of the committees are managing the risks, forming the related principles and risk strategies, harmonizing with business strategy, following up and monitoring the strategy and its execution, as well as strengthening the risk awareness and risk culture. The main objectives of the committees include the promotion of mutual understanding and coordination in the field of corporate and retail lending activities and between the internal management functions.

Risk Governance Committee

The Board of Directors established – with the acknowledgment of the Supervisory Board – according to "Banking Act" 110 § the Risk Governance Committee. The Risk Governance Committee held four meetings in 2023 at which it took decisions which are within its duties as outlined below:

- advises the Board of Directors with regard to current and future risk tolerance; the credit institution's risk strategy and monitors the implementation of this risk strategy;
- it further checks whether the incentives offered by the internal remuneration system duly consider the risk, the capital, the liquidity and the probability as well as the time of realised profits;
- it is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the Managing Board defined in the approval authority regulation;
- it is responsible for monitoring risk management at Erste Bank Hungary Zrt.;
- it further checks whether services and products are adequately priced to take into account the business model and the credit institution's risk strategy.

Asset-Liability Management Committee (hereinafter ALCO) task and purpose:

In order to ensure the Bank's profitability and secure operation, it regularly reviews in terms of market risks the following:

- the Bank's short and medium term liquidity and the financial assets of the Bank;
- the interest rate margin of the bank's balance sheet;
- the structure and volume of market risk, with special focus on the changes in profitability resulting from eventual interest rate volatility;
- balance sheet growth,
- capital adequacy.

In addition to ensure adequate solvency position of the Bank it regularly discusses the overall solvency situation of the Bank, contributes to the discussion about the capital management, especially about the supply side of the capital and prepares decisions related to capital management to the Managing Board.

To ensure the Bank's profitability and secure operation it has a decision-making right in the areas of liquidity and refinancing, capital, internal transfer pricing listed below in the core competence section of the chapter.

Retail Risk Committee (hereinafter RRC) task and purpose:

The Retail Risk Committee (hereafter RRC) is responsible for continuous supervision of the Bank's retail lending activity; supervision of the retail collection and work out activity; supervision of the retail credit portfolio risk; definition of regulations related to lending criteria, processes and documents which are not regulated elsewhere.

No individual risk-taking decision competence is granted to this Committee. Its tasks contain:

- develop and decide on retail risk strategy which derived from the Risk Appetite Statement approved by the Board of Directors;
- setting risk triggers fit into the annual budget and also into risk strategy of EBH;
- deciding about policy rules for retail lending products;
- decide about risk related material changes in product setup;
- granting authority for daily operative portfolio decisions, differentiate them from material decisions;
- monitoring and approving GAPs versus the Holding risk regulations;
- risk monitoring of retail lending portfolio;
- monitoring of retail collection and work out activity;
- approve risk margin to be considered in pricing;
- inform monthly the Managing Board about its decisions;
- setting the risk limits relevant for the retail portfolio in line with the risk strategy and monitoring of these limits;
- contributing to the ICAAP tasks with input, inquires and discussion on topics related to the retail portfolio.

Corporate Risk Committee (hereinafter CRC) task and purpose:

The Corporate Risk Committee (CRC) is implemented for the general purpose to strengthen the communication and understanding between Corporate Business (VÜ)/ Real Estate Finance (ISF)/ Capital Markets Financial Institutions (FI) and Risk Management areas and to support establishment of well based decisions about risk appetite, general business policies and risk policies in corporate area.

The CRC is responsible for continuous supervision of the corporate/project/Financial institution lending activity, the products developed and sold for clients, the trends of the corporate/institutional markets and the behaviour of the corporate portfolio. CRC is focusing also on interpretation of risk parameters, understanding the impacts thereof and approving the parameters. The functions of CRC are extended also to the corporate work-out & restructuring activities, trends of problematic portfolios, strategies for real estate property portfolios taken over to the books of the bank or to subsidiaries also.

The CRC is the forum of discussions and decisions on new business initiatives, on application of new tools, systems or procedures in business and in risk management, on regular reports about the high priority business and risk projects in corporate banking area.

The CRC does not take decisions regarding individual corporate clients or transactions.

Main tasks of Corporate Risk Committee:

- Defining and monitoring the corporate strategy (including all corporate areas listed above) based on the approved business and risk strategies as well risk appetite statements of the bank;
- Decision on the methodologies of provisioning and budgeting, forecasting in terms of NPL and Risk Costs;
- Decision on non-retail provisioning parameters;
- Monitoring of the volume trends, quality changes and concentrations of Corporate (ISF/FI) credit portfolio;
- Decision on minimum risk requirements for corporate clients and products;
- Decision on product development processes, implementation of individual products;
- Decision on accepting annual validation result of non retail scorecards and parameters;
- Decision on non retail PD, LGD, CCF models and parameters;
- Decision on new non-retail scorecard implementation;

- Decision on Expected Risk Margin Matrix used for pricing;
- Monitoring of the lending procedures and the sufficient controls applied in the processes;
- Monitoring of client and product segments in terms of profitability and capital requirement;
- Supervising the development of the main projects of risk and business areas;
- Supervising the collateral management functions and regulatory compliance thereof;
- Monitoring of the general compliance of local rules and procedures with risk guidelines of Erste Group and with requirements of regulators;
- Supervising the strategy of corporate work-out & restructuring, and monitoring the collection and restructuring activity of the bank;
- Supervising the strategy of Real estate restructuring &and Real estate leasing and enforcement, and monitoring the collection and restructuring activity of the bank,
- Monitoring the changes in external and internal risk regulations, identifying the impacts on the business activities, capital adequacy and regulatory compliance of the bank, including the ICAAP requirement;
- Receiving the information about the overall the Risk Strategy and Risk appetite statement, on the Risk Bearing Capacity, and on the Risk Planning and forecasting methodologies;
- Contributing to the ICAAP tasks with input, inquires and discussion on topics related to the corporate portfolio, especially:
    - contributing to discussion about the Risk Materiality Assessment and Concentration risk analysis;
    - contributing to the Risk Based planning and forecasting related to the corporate portfolio, further it is informed about the overall Budget risk base case;
    - contributing to the discussion around portfolio-level Risk Limits and Targets that are in broken down from the risk strategy;
- Responsible for setting the risk limits relevant for the Corporate/ISF/FI business line in accordance to the risk strategy and monitoring of these limits.

Local Operational Risk Committee (hereinafter LORCO) task and purpose:

- to reduce operational risk and other Non-Financial Risk exposure: the Committee ensures that information and experience revealed and gained in the course of operational risk management shall be integrated into business and supporting processes, and thereby the EBH's exposure to operational risks can be reduced;
- supervise relevant entity-level methodologies and risk management standards: for non-financial risks on the entity level
- identify, assess, manage and reduce non-financial risk exposure: the committee will ensure that information and experience revealed and gained with regard to non-financial risk management is integrated into business and supporting processes, and thereby the Bank's exposure to non-financial risks reduced;
- provide advisory opinions to strategic decisions: the committee will provide expert opinions on entity level which may have an impact on non-financial risk exposure (e.g. merger and acquisition activities, product approval process / outsourcing / risk acceptance / risk profile);
- supervise non-financial risks and risk mitigation: the committee will ensure that all risks detected and events which have already occurred are discussed and addressed in order to implement adequate corrective measures and manage and reduce non-financial risk exposure;
- review, investigate and control relevant risks and issues: the committee shall have the authority to initiate reviews, investigations and perform control into any matters within its scope of responsibility;
- take informed decisions: the committee shall have the power and decision-making competence for the reduction of non-financial risks by deciding on risk return decision proposals and entity-wide risk mitigation actions;
- serve as escalation body: the committee provides opinion and advice on issues beyond its decision-making competence, and makes recommendations/decisions to local or Group bodies.

- Reporting: ROCC Office shall consider the local entity's risk profile of non-financial risk to be submitted to ROCC and further on to Group Operational Conduct Committee (GOCC) in line with the by-laws of these committees.
- Local implementation: The committee shall consider the decisions/recommendations made by ROCC and GOCC for local entity implementation.
- Managing Board delegates its authorities for the designing, establishing, maintaining and operating of Internal Control System to the Local Operational Risk Management Committee. These tasks are summarized in the Internal Control System Procedure.

Other committees

In addition to the local committees, the CRO of Erste Bank Hungary Zrt. and the Head of Strategic Risk Department participate regularly in the Holding Level Committees. These committees are responsible for adequate coordination and implementation of Group wide risk related actions.

Group Enterprise-Wide Risk Management Committee's members are the subsidiaries' directors of Strategic Risk departments. This Committee is considered as a preliminary decision-making forum for the CRO Board in Risk relevant issues.

Material risks at Erste Bank Hungary Zrt.

At Erste Hungary, the risk materiality assessment is performed for risk types to which a credit institution is or could be potentially exposed to. This Disclosure Report presents the qualitative and - in the case of the most significant risk types - quantitative features of the following material risk types in detail:

- Credit risk (including credit risk concentration)
- Market risk (including market risks in the banking book)
- Operational risk
- Strategic risk
- Compliance risk
- Macroeconomic risk
- (Geo-)Political risk
- ESG risks

In addition, this report describes other risk types as requested by Regulation (EU) 575/2013 and Regulation (EU) 876/2019 amending Regulation (EU) 575/2013.

Scope of application

DISCLOSURE REQUIREMENTS Art. 436 CRR

Accounting principles

The financial and regulatory figures published by Erste Hungary Zrt. are based on IFRS. The consolidated financial statements of Erste Bank Hungary for the financial year ending on 31 December 2023 were prepared in compliance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union on the basis of IAS Regulation (EC) No. 1606/2002. Eligible capital components are derived from the balance sheet and income statement which were prepared in accordance with IFRS. The uniform closing date of the consolidated regulatory figures of Erste Bank Hungary is the 31 December of the respective year.

Scope of consolidation

The financial scope of consolidation is used to describe the scope of consolidation required by IFRS, which are applicable to the financial statements of the Bank.

This definition differs from the scope of consolidation according to IFRS, which also includes insurance companies and other entities, that are subject to full consolidation.

The regulatory scope of consolidation is used as a synonym for the scope of consolidation that follows the regulatory requirements for consolidation as defined by the CRR and by the Hpt.

Breakdown information is shown on consolidated level throughout the whole Disclosure Report, while Erste Bank Hungary Zrt.'s tables on solo level can be found in the Appendix.

in HUF million	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Breakdown by asset classes according to the balance sheet in the published financial statements							
Cash and cash balances	**604,510**	**604,510**	**604,510**	**-**	**-**	**37,950**	**-**
Financial assets held for trading	**110,488**	**110,488**	**-**	**61,766**	**-**	**86,672**	**-**
Derivatives	61,766	61,766	-	61,766	-	37,950	-
Other financial assets held for trading	48,,722	48,722	-	-	-	48,722	-
Non-trading financial assets at fair value through profit or loss	**389,236**	**389,236**	**389,236**	**-**	**-**	**-**	**-**
Equity instruments	2,136	2,136	2,136	-	-	-	-
Debt securities	814	814	814	-	-	-	-
Loans and advances to customers	386,286	386,286	386,286	-	-	-	-
Financial assets at fair value through other comprehensive income	**264,630**	**264,630**	**264,630**	**-**	**-**	**21,031**	**-**
Debt securities	264,630	264,630	264,630	-	-	21,031	-
Financial assets at amortised cost	**3243,865**	**3,243,865**	**3,178,509**	**6,339**	**-**	**806,213**	**-**
Pledged as collateral	*6,339*	*6,339*	-	*6,339*	-	-	-
Debt securities	1,137,340	1,137,340	1137,340	-	-	39,923	-
Loans and advances to banks	288,882	288,882	231,082	-	-	146,753	-

in HUF million	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Loans and advances to customers	1,817,643	1,817,643	1,810,087	6,339	-	619,537	-
Finance lease receivables	**33,453**	**33,453**	**33,453**	**-**	**-**	**10,735**	**-**
Property and equipment	**29,690**	**29,690**	**29,690**	**-**	**-**	**-**	**-**
Investment properties	**14,951**	**14,951**	**14,951**	**-**	**-**	**-**	**-**
Intangible assets	**32,955**	**32,955**	**-**	**-**	**-**	**-**	**32,955**
Current tax assets	**486**	**486**	**486**	**-**	**-**	**-**	**-**
Deferred tax assets	**413**	**413**	**413**	**-**	**-**	**-**	**-**
Trade and other receivables	**20,821**	**20,821**	**16,569**	**-**	**-**	**13,964**	**-**
Other assets	**44,254**	**44,254**	**44,245**	**-**	**-**	**10**	**-**
Total assets	**4,789,752**	**4,789,752**	**4,576,692**	**68,105**	**-**	**976,575**	**32,955**

Table 6: Differences between accounting and regulatory scope of consolidation of assets and mapping with regulatory risk categories – Assets (EU LI1 (EU) 2021/637)

in HUF million	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Breakdown by liability classes according to the balance sheet in the published financial statements							
Financial liabilities held for trading	**-65,459**	**-65,459**	**-**	**-65,459**	**-**	**-65459**	**-**
Derivatives	-65,459	-65,459	-	-65,459	-	-65459	-
Financial liabilities at amortised cost	**-4,067,109**	**-4,067,109**	**2**	**-245,936**	**2**	**-132,935**	**-3,940,554**
Deposits from banks	-553,073	-553,073	-	-	-	-5,573	-553,073
Deposits from customers	-3,155,378	-3,155,378	1	-126,554	1	-123,630	-3,028,823
Debt securities issued	-354,148	-354,148	1	-119,382	1	1	-354,148
Other financial liabilities	-4,510	-4510	-	-	-	-3,733	-4510
Finance lease liabilities	**-19,413**	**-19,413**	**-**	**-**	**-**	**-**	**-19,413**
Provisions	**-10,302**	**-10,302**	**-**	**-**	**-**	**-**	**-10,302**
Current tax liabilities	**-7,328**	**-7,328**	**-**	**-**	**-**	**-**	**-7,328**
Deferred tax liabilities	**-7**	**-7**	**-**	**-**	**-**	**-**	**-7**
Other liabilities	**-57,745**	**-57,745**	**-**	**-**	**-**	**-16**	**-57,745**
Total equity	**-562,389**	**-562,389**	**-**	**-**	**-**	**-**	**-562,389**
Equity attributable to owners of the parent	-562,389	-562,389	-	-	-	-	-562,389
Subscribed capital	-146,000	-146,000	-	-	-	-	-146,000
Additional paid-in capital	-117,492	-117,492	-	-	-	-	-117,492
Retained earnings and other reserves	-298,897	-298,897	-	-	-	-	-298,897
Total liabilities and equity	**-4,789,752**	**-4,789,752**	**2**	**-311,395**	**2**	**-198,410**	**-4,597,738**

Table 7: Differences between accounting and regulatory scope of consolidation of assets and mapping with regulatory risk categories – Liabilities (EU LI1 (EU) 2021/637)

Breakdown of carrying amounts refer to the risk frameworks under which capital requirement is calculated in accordance with Part Three of the CRR. Overlapping between risk frameworks exist for banking book deals in foreign exchange, as they are subject both to the credit risk and the market risk framework. There is an overlapping in case of trading book derivatives and repo transactions, as they are part of both counterparty credit risk and market risk framework. Therefore, the sum of different frameworks is not equal to the total carrying values presented under CRR scope of consolidation. In the last column, on-balance positions deducted from own funds in accordance with Part Two of the CRR are presented. As a part of deductions, additional value adjustments in accordance with Article 34 of the CRR are included for the assets measured at fair value (FV).

The aim of table below is to provide information on the main sources of difference between the financial statements carrying amounts and exposure values used for regulatory purposes by relevant risk frameworks.

		Items subject to			
in HUF million	**Total**	**Credit risk framework**	**Securitisation framework**	**CCR framework**	**Market risk framework**
Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	**4,789,752**	**4,576,692**	**-**	**68,106**	**976,576**
Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	**4,227,363**	**-**	**-**	**311,397**	**198,413**
Total net amount under the scope of prudential consolidation	**5,101,149**	**4,576,692**	**-**	**379,503**	**1,174,988**
Off-balance-sheet amounts	**836,727**	**836,727**	**-**	**-**	
Differences in valuations	- 1,805	-	-	- 1,805	
Differences due to different netting rules, other than those already included in row 2	- 105,792	-	-	- 105,792	
Differences due to consideration of provisions	61,773	61,773	-	-	
Differences due to the use of credit risk mitigation techniques (CRMs)	- 4,713	- 4,713	-	-	
Differences due to credit conversion factors	- 581,718	- 581,718	-	-	
Differences due to Securitisation with risk transfer	-	-	-	-	
Other differences	- 11,910	- 11,910	-	-	
Exposure amounts considered for regulatory purposes	**5,293,711**	**4,876,850**	**-**	**271,906**	**1,174,988**

Table 8: Main sources of differences between regulatory exposure amount and carrying value amount in financial statements (EU LI2 (EU) 2021/637)

Assets carrying value amount represents total assets of the bank under the regulatory scope of consolidation, while in respective columns portion related to relevant risk frameworks is presented. Exposures subject to market risk include only positions booked in the trading book or foreign exchange deals (see table 7), hence are not included in the framework split of the table above, but only in the column Total. On-balance items subject to deductions which are not considered in regulatory exposure, are as well excluded from the framework split of the table above, but are presented only within the column Total.

Off-balance sheet amount represents the nominal value of the off-balance items under the regulatory scope of consolidation. Effect of CCF to off-balance is shown separately in the row Differences due to conversion factors, within credit risk framework.

Differences in valuation are dedicated row for amount of AVA considered in regulatory exposure.

Differences due to netting rules different then accounting netting refer to the effect of regulatory exposure calculation for derivatives under SA-CCR method.

Differences due to consideration of provisions represent the net effect of total provisions considered in gross carrying amount at the starting point of regulatory exposure calculation, netted by provisions considered as decrease of EAD in Standardised Approach.

Differences due to use of credit risk mitigation techniques within credit risk framework represent net CRM effects considered in EAD, where the overall effect is majorly driven by exposure adjustments for financial collaterals under comprehensive method. The effects of CRM techniques within the counterparty credit risk framework represent net effect of collaterals used in exposure calculation for asset SFTs, as well as regulatory exposure driven by given collaterals for liability SFTs.

Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Erste Befektetési Zrt.	Full consolidation	X					Brokerage services
RND Solutions Infromatikai Fejlesztő és Szolgáltató Zrt.*	Full consolidation	X					IT services
Erste Ingatlan Kft.	Full consolidation	X					Real estate management
Erste Lakástakarék Zrt.	Full consolidation	X					Building society
Collat-reál Kft.	Full consolidation	X					Property management
Erste Jelzálogbank Zrt.	Full consolidation	X					Refinancing
Commerzbank Zrt.u. l.	Full consolidation	X					Other services
Z3 Ingatlanhasznosító Kft.	Full consolidation	X					Property management

* *The company was liquidated in September 2023, but its result was disclosed in the P&L until the end of the year.*

Table 9: EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

Impediments to the transfer of own funds
DISCLOSURE REQUIREMENT Art. 436 (f) CRR

Erste Bank Hungary is subject to regulatory restrictions on capital distributions stemming from the EU-wide capital requirements regulation and directive applicable to all credit institutions based in the EU. Erste Bank Hungary does not have any other significant restrictions on its ability to access or use the assets and settle the liabilities of the Bank. Also, the owners of non-controlling interests in Bank subsidiaries do not have rights that can restrict the Bank's ability to access or use the assets and settle the liabilities of the Bank.

Total capital shortfall of all subsidiaries not included in the consolidation
DISCLOSURE REQUIREMENT Art. 436(g) CRR

Art 436 (g) CRR is not applicable as Erste Bank Hungary has no subsidiaries with minimum capital standards not included in the scope of consolidation.

KEY METRICS

DISCLOSURE REQUIREMENT Art. 447 (a) to (g) and 438 (b) CRR

in HUF million	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	441,642	410,052	410,585	405,414	404,440
Tier 1 capital	441,642	410,052	410,585	405,414	404,440
Total capital	582,262	554,174	547,351	544,640	551,002
Risk-weighted exposure amounts					
Total risk exposure amount	2,419,028	2,560,469	2,477,576	2,679,074	2,603,271
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	18.26%	16.01%	16.57%	15.13%	15.54%
Tier 1 ratio (%)	18.26%	16.01%	16.57%	15.13%	15.54%
Total capital ratio (%)	24.07%	21.64%	22.09%	20.33%	21.17%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	4.77%	4.77%	4.77%	4.77%	4.28%
of which: to be made up of CET1 capital (percentage points)	2.68%	2.68%	2.68%	2.68%	2.40%
of which: to be made up of Tier 1 capital (percentage points)	3.58%	3.58%	3.58%	3.58%	3.21%
Total SREP own funds requirements (%)	12.77%	12.77%	12.77%	12.77%	12.28%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Institution specific countercyclical capital buffer (%)	0.00%	0.01%	0.01%	0.01%	0.00%
Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Other Systemically Important Institution buffer (%)	0.25%	0.25%	0.25%	0.25%	0.13%
Combined buffer requirement (%)	2.75%	2.76%	2.76%	2.76%	2.63%
Overall capital requirements (%)	15.52%	15.52%	15.52%	15.52%	14.90%
CET1 available after meeting the total SREP own funds requirements (%)	13.76%	11.51%	12.07%	10.63%	11.04%
Leverage ratio					
Total exposure measure	5,016,363	5,332,204	5,282,151	5,790,067	5,270,616
Leverage ratio (%)	8.80%	7.69%	7.77%	7.00%	7.67%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Liquidity Coverage Ratio					

in HUF million	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4
Total high-quality liquid assets (HQLA) (Weighted value - average)	1,438,797	1,427,258	1,553,000	1,783,382	1,677,946
Cash outflows - Total weighted value	1,339,927	1,495,606	1,711,073	2,193,129	1,798,390
Cash inflows - Total weighted value	572,679	613,812	716,415	1,080,776	643,927
Total net cash outflows (adjusted value)	767,248	881,794	994,658	1,112,353	1,154,462
Liquidity coverage ratio (%)	187.53%	161.86%	156.13%	160.33%	145.34%
Net Stable Funding Ratio					
Total available stable funding	3,786,158	3,563,395	3,470,520	3,763,122	3,839,117
Total required stable funding	2,421,381	2,371,789	2,416,417	2,577,186	2,379,038
NSFR ratio (%)	156.36%	150.24%	143.62%	146.02%	161.37%

Table 10: Key metrics template (Art. 447 (a) to (g) and 438 (b) CRR Table EU KM1 (EU) 2021/637)

Own Funds

DISCLOSURE REQUIREMENT Art. 437 CRR

Own funds reconciliation

For the disclosure of own funds, Erste Bank Hungary Zrt. follows the requirements according to Art. 437 CRR as well as the requirements defined in the ITS (EU) No 2021/637.

Based on the requirements defined in the CRR and ITS, the following information must be provided:

- A full reconciliation of CET1 items - additional tier 1 (AT1) items, tier 2 (T2) items, filters and deductions applied to own funds of the institution pursuant to Art. 32 to 36, 56, 66 and 79 CRR with the balance sheet in the audited financial statements of the institution. In accordance with Art. 437 (a) CRR the ITS requires to publish the EU CC2 template.
- a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;
- the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;
- a separate disclosure of the nature and amounts of (disclosure template EU CC1 as defined in the ITS):
    - each prudential filter applied pursuant to Art. 32 to 35 of CRR
    - each deduction according to Art. 36, 56 and 66 of CRR
    - items not deducted in accordance with Art. 47, 48, 56, 66 and 79 of CRR

The tables may contain rounding differences.

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
in HUF million	As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements			
Cash and cash balances		**604,510**	
Financial assets held for trading		**110,488**	
Derivatives		61,766	
Other financial assets held for trading		48,722	
Pledged as collateral		1,773	
Non-trading financial assets at fair value through profit or loss		**389,236**	
Equity instruments		2,136	
Debt securities		814	
Loans and advances to customers		386,286	
Financial assets at fair value through other comprehensive income		**264,630**	
Pledged as collateral		1,784	
Debt securities		264,630	
Financial assets at amortised cost		**3,243,865**	
Pledged as collateral		544,241	
Debt securities		1,137,340	
Loans and advances to banks		288,882	
Loans and advances to customers		1,817,643	
Finance lease receivables		**33,453**	
Property and equipment		**29,690**	
Investment properties		**14,951**	
Intangible assets		**32,955**	**d**
Current tax assets		**486**	

in HUF million	Balance sheet as in published financial statements As at period end	Under regulatory scope of consolidation As at period end	Reference
Deferred tax assets		**413**	
Trade and other receivables		**20,821**	
Other assets		**44,254**	
Total assets		**4,789,752**	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements			
Financial liabilities held for trading		**65,459**	
Derivatives		65,459	
Other financial liabilities held for trading		0	
Financial liabilities at amortised cost		**4,067,111**	
Deposits from banks		553,073	
Deposits from customers		3,155,379	
Debt securities issued		354,149	
Other financial liabilities		4,510	
Lease liabilities		**19,413**	
Provisions		**10,302**	
Current tax liabilities		**7,328**	
Deferred tax liabilities		**7**	
Other liabilities		**57,743**	
Total liabilities		**4,227,363**	
Shareholders' Equity			
Equity attributable to owners of the parent		562,389	
Subscribed capital		146,000	a
Additional paid-in capital		117,492	b
Retained earnings and other reserves		298,897	c
Total shareholders' equity		**562,389**	

Table 11: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (Art. 437 (a) CRR Table EU CC2 (EU) 2021/637)

The EU CCA table (see Annex I) contains all capital instruments that are eligible at Erste Bank Hungary consolidated level based on the template published in the Official Journal of the EU No. 2021/637 on 21 April 2021 (Art. 437 (b) CRR).

Furthermore, the full terms and conditions of the capital instruments (Art. 437 (c) CRR) are available on Erste Bank Hungary’s website or on the website of each of the issuing credit institutions, respectively.

DISCLOSURE REQUIREMENTS Art. 437 (d) and (e) CRR

The tables below present the composition of the regulatory capital based on the Implementing Technical Standards (EU) No 2021/637 (EU CC1) on the disclosure of own funds. The capital situation of the bank is stable. The capital structure exceeds the minimum requirements set out in the CRR. The consolidated solvency ratio was at 24.07% on 31st December 2023, which is significantly above the regulatory minimum.

in HUF million	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	263,492	
of which: Instrument type 1	146,000	a
of which: Instrument type 2	117,492	b
of which: Instrument type 3	-	
Retained earnings	149,884	c
Accumulated other comprehensive income (and other reserves)	34,111	c
Funds for general banking risk	-	
Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
Minority interests (amount allowed in consolidated CET1)	-	
Independently reviewed interim profits net of any foreseeable charge or dividend	19,903	c
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**467,389**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)	-2,579	
Intangible assets (net of related tax liability) (negative amount)	-21,724	d
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
Negative amounts resulting from the calculation of expected loss amounts	-	
Any increase in equity that results from securitised assets (negative amount)	-	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
Defined-benefit pension fund assets (negative amount)	-	
Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	
Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	

in HUF million	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
of which: qualifying holdings outside the financial sector (negative amount)	-	
of which: securitisation positions (negative amount)	-	
of which: free deliveries (negative amount)	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
Amount exceeding the 17,65% threshold (negative amount)	-	
of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
of which: deferred tax assets arising from temporary differences	-	
Losses for the current financial year (negative amount)	-	
Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
Other regulatory adjustments	-1,445	
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-25,747**	
Common Equity Tier 1 (CET1) capital	**441,642**	
Additional Tier 1 (AT1) capital: instruments		
Capital instruments and the related share premium accounts	-	
of which: classified as equity under applicable accounting standards	-	
of which: classified as liabilities under applicable accounting standards	-	
Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	
Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	
Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
of which: instruments issued by subsidiaries subject to phase out	-	
Additional Tier 1 (AT1) capital before regulatory adjustments	**-**	
Additional Tier 1 (AT1) capital: regulatory adjustments		
Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
Other regulatory adjustments to AT1 capital	-	

in HUF million	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**-**	
Additional Tier 1 (AT1) capital	**-**	
Tier 1 capital (T1 = CET1 + AT1)	**441,642**	
Tier 2 (T2) capital: instruments		
Capital instruments and the related share premium accounts	130,226	
Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	
Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
of which: instruments issued by subsidiaries subject to phase out	-	
Credit risk adjustments	10,394	
Tier 2 (T2) capital before regulatory adjustments	**140,620**	
Tier 2 (T2) capital: regulatory adjustments		
Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
Other regulatory adjustments to T2 capital	-	
Total regulatory adjustments to Tier 2 (T2) capital	**-**	
Tier 2 (T2) capital	**140,620**	
Total capital (TC = T1 + T2)	**582 262**	
Total Risk exposure amount	**2,419,028**	
Capital ratios and requirements including buffers		
Common Equity Tier 1 capital	18.26%	
Tier 1 capital	18.26%	
Total capital	24.07%	
Institution CET1 overall capital requirements	9.94%	
of which: capital conservation buffer requirement	2.50%	
of which: countercyclical capital buffer requirement	0.00%	
of which: systemic risk buffer requirement	0.00%	
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.25%	
of which: additional own funds requirements to address the risks other than the risk of excessive leverage	2.68%	
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	**13.76%**	

in HUF million	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
National minima (if different from Basel III)		
Amounts below the thresholds for deduction (before risk weighting)		
Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2,137	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	413	
Applicable caps on the inclusion of provisions in Tier 2		
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
Cap on inclusion of credit risk adjustments in T2 under standardised approach	1,420	
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	11,965	
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	10,394	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
Current cap on CET1 instruments subject to phase out arrangements	-	
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
Current cap on AT1 instruments subject to phase out arrangements	-	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
Current cap on T2 instruments subject to phase out arrangements	-	
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Table 12: Regulatory capital based on the Implementing Technical Standards (EU) No 2021/637 and Art. 437 (d), (e) CRR (EU CC1)

Additional information about own funds positions:
c): Retained earnings: for regulatory reporting the planned dividend is deducted
d): Intangible assets after prudent amortisation (HUF 11.2 bn lower deduction for software assets).

Own funds requirements and risk-weighted exposure amounts

DISCLOSURE REQUIREMENTS Art. 438 CRR

Based on the business activities of Erste Hungary, capital requirements are derived for the Pillar 1 risk types credit risk, market risk and operational risk. The capital requirements were complied with at all times during the reporting period.

	Total risk exposure amounts (TREA)		Total own funds requirements
in HUF million	2023	2022	2023
Credit risk (excluding CCR)	**1,810,702**	**1849,010**	**144,856**
Of which the standardised approach	98,494	113,223	7,880
Of which the Foundation IRB (F-IRB) approach	728,407	839,404	58,273
Of which slotting approach	287,675	203,831	23,014
Of which equities under the simple riskweighted approach	-	-	-
Of which the Advanced IRB (A-IRB) approach	696,127	692,553	55,690
Counterparty credit risk - CCR	**53,131**	**88,952**	**4,250**
Of which the standardised approach	26,967	-	2,157
Of which internal model method (IMM)	-	-	-
Of which exposures to a CCP	-	8	-
Of which credit valuation adjustment - CVA	17,906	33,445	1,432
Of which other CCR	8,258	55,499	661
Settlement risk	**-**	**-**	**-**
Securitisation exposures in the non-trading book (after the cap)	**-**	**-**	**-**
Of which SEC-IRBA approach	-	-	-
Of which SEC-ERBA (including IAA)	-	-	-
Of which SEC-SA approach	-	-	-
Of which 1250%	-	-	-
Position, foreign exchange and commodities risks (Market risk)	**8,948**	**13,834**	**716**
Of which the standardised approach	8,948	13,834	716
Of which IMA	-	-	-
Large exposures	**-**	**-**	**-**
Operational risk	**546,247**	**651,475**	**43,700**
Of which basic indicator approach	49,725	55,335	3,978
Of which standardised approach	-	-	-
Of which advanced measurement approach	496,522	596,139	39,722
Amounts below the thresholds for deduction (subject to 250% risk weight)	**1,031**	**3,355**	**83**
Total	**2,419,028**	**2,603,271**	**193,522**

Table 13: Overview of risk weighted exposure amounts (CRR Art. 438 (d) Template EU OV1 (EU) 2021/637)

Position amounts below the threshold for deduction (subject to credit risk 250% risk weight) is shown as a separate figure, although it represents part of capital requirement under credit risk. Main contributions to these values are significant investments according to CRR Art. 36 (1) (i) and deferred tax assets that rely on future profitability according to CRR Art. 36 (1) (c) which both are not deducted from CET1 due to threshold according to CRR Art. 48 (1).

ADDITIONAL DISCLOSURE OF SPECIALISED LENDING AND EQUITY UNDER THE SIMPLE RISK-WEIGHT

in HUF million

Specialised lending : Income-producing real estate and high volatility commercial real estate (Slotting approach)							
Regulatory categories	Remaining maturity	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Category 1	Less than 2.5 years	-	-	50%	-	-	-
	Equal to or more than 2.5 years	131,103	2,168	70%	132,729	102,207	445
Category 2	Less than 2.5 years	-	-	70%	-	-	-
	Equal to or more than 2.5 years	168,774	18,516	90%	181,806	183,490	1,299
Category 3	Less than 2.5 years	-	-	115%	-	-	-
	Equal to or more than 2.5 years	1,589	-	115%	1,589	1,848	44
Category 4	Less than 2.5 years	-	-	250%	-	-	-
	Equal to or more than 2.5 years	45	-	250%	45	130	3
Category 5	Less than 2.5 years	-	-	-	-	-	-
	Equal to or more than 2.5 years	6,573	-	-	6,573	-	3,287
Total	**Less than 2.5 years**	**-**	**-**		**-**	**-**	**-**
	Equal to or more than 2.5 years	**308,084**	**20,684**		**322,742**	**287,675**	**5,078**

Table 14: Specialised lending and equity exposures under the simple risk-weighted approach (CRR Art. 438 (e), EU CR10 (EU) 2021/637)

NON-DEDUCTED PARTICIPATIONS IN INSURANCE UNDERTAKINGS

The table below provides information on not deducted holdings of own funds instruments of an insurance undertaking, a re-insurance undertaking or insurance holding company in which the bank has a significant investment (according to Article 49 (1) CRR).

The Bank does not have non-deducted participations in insurance undertakings.

in HUF million	Exposure value	Risk-weighted exposure amount
Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	-	-

Table 15: Non-deducted participations in insurance undertakings (CRR Art. 438 (f), EU INS1 (EU) 2021/637)

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

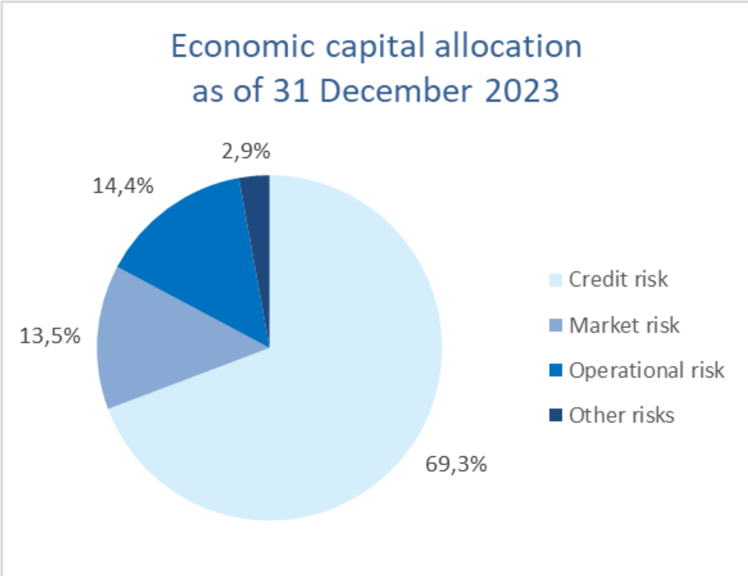
DISCLOSURE REQUIREMENTS Art. 438 (a) CRR

The Risk-bearing Capacity Calculation (RCC) is a cornerstone of the Internal Capital Adequacy Assessment Process (ICAAP) as required under Pillar 2 of the Basel III framework. Besides the Pillar 1 risk types (credit risk, market risk in the trading book, FX risk in the banking book and operational risk), risk of high-risk portfolios and business risk are explicitly considered within the economic capital calculated over a horizon of one year and at a confidence level of 99.9%. Business and strategic risk is defined as the unexpected deviation from the expected operating result which can be driven by unexpected behaviour of competitors, customers, investors and other third parties. Profit changes stemming from macroeconomic downturn are assessed under Macroeconomic risk. For the calculation of the economic capital, Erste Bank Hungary uses, where possible, more risk sensitive/advanced methodologies tailored to Erste Bank Hungary's individual risk profile and specificities of the Bank's individual risk exposures. The largest portion of economic capital requirements is coming from credit risk, which accounts for 69.3% of total economic capital requirements at the end of 2023.

The own funds and coverage potential must be sufficient to absorb Pillar 2 risks/unexpected losses resulting from the Banks's operations at any point in time (normal and stressed), as reflected in the Bank's Risk Appetite through the limits set for Bank economic capital adequacy utilisation and stressed economic capital adequacy utilisation. At the end of 2023, the economic capital adequacy was at 52.2%, fully in line with EBH RAS.

Regular monitoring of the Bank's capital requirement and the capital available for covering risks gives sufficient time to the management to take the necessary measures and intervene in a timely manner towards the mitigation of risks, thereby ensuring the prudent operation of the Bank. The Board of Directors, the Managing Board, the Risk Governance Committee and the Supervisory Board all receive quarterly reports regarding the ICAAP framework covered risks, and the previous as well as future developments of both the Pillar I and II capital situation.

The figure below shows the distribution of risk types which make up the economic capital requirement of Erste Bank Hungary. Other risks encompass business risk.



2. Figure: Economic capital composition

Risk-bearing capacity calculation

in HUF million	2023.12.31
Economic capital requirement	304,158
Coverage potential	582,262
Excess	**278,104**

Table 16: Risk-bearing capacity calculation

Capital buffers

DISCLOSURE REQUIREMENTS Art. 440 CRR

Erste Bank Hungary calculates countercyclical buffer requirements at consolidated level in accordance with Title VII, Chapter 4 of Directive 2013/36/EU (CRD IV). A number of jurisdictions (e.g.: Germany, Romania, Czech Republic, etc.) applied countercyclical buffer rates of more than 0%, resulting in an overall countercyclical buffer rate for the Bank of 0.0012%.

Tables below set out the geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer as well as the institution-specific countercyclical buffer rate for the Bank. The disclosure follows templates prescribed by Commission Delegated Regulation (EU) 2021/637with regard to implementing technical standards for the public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013.

in HUF million or %	
Total risk exposure amount	2,419,028
Institution specific countercyclical capital buffer rate	0.0012%
Institution specific countercyclical capital buffer requirement	**28.5**

Table 17: Amount of institution-specific countercyclical capital buffer (Art. 440 (b) CRR, EU CCyB2 (EU) 2021/637)

in HUF million	General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Breakdown by country:													
Czech Republic	21.90	0.11	-	-	-	22.02	1.75	-	-	1.75	21.90	0.001264%	2.00%
Slovakia	15.73	0.77	-	-	-	16.50	1.07	-	-	1.07	13.38	0.000772%	1.50%
Sweden	0.01	3.95	-	-	-	3.96	0.44	-	-	0.44	5.55	0.000320%	2.00%
Norway	0.00	-	-	-	-	0.00	0.00	-	-	0.00	0.00	0.000000%	2.50%
United Kingdom	116.92	0.13	-	-	-	117.05	7.84	-	-	7.84	97.98	0.005654%	2.00%
France	0.01	139.99	-	-	-	140.00	3.37	-	-	3.37	42.13	0.002431%	0.50%
Denmark	0.00	-	-	-	-	0.00	0.00	-	-	0.00	0.00	0.000000%	2.50%
Ireland	0.00	-	-	-	-	0.00	0.00	-	-	0.00	0.00	0.000000%	1.00%
Luxembourg	221.32	-	-	-	-	221.32	17.71	-	-	17.71	221.32	0.012771%	0.50%
Germany	4.00	6,777.54	-	-	-	6,781.54	134.76	-	-	134.76	1,684.45	0.097200%	0.75%
Romania	0.51	622.60	-	-	-	623.12	28.79	-	-	28.79	359.84	0.020764%	1.00%
Estonia	0.00	-	-	-	-	0.00	0.00	-	-	0.00	0.00	0.000000%	1.50%
Croatia	0.02	-	-	-	-	0.02	0.00	-	-	0.00	0.01	0.000001%	1.00%
Netherlands	0.15	0.00	-	-	-	0.16	0.01	-	-	0.01	0.12	0.000007%	1.00%
Australia	0.02	-	-	-	-	0.02	0.00	-	-	0.00	0.01	0.000001%	1.00%
Cyprus	32.19	-	-	-	-	32.19	2.58	-	-	2.58	32.19	0.001858%	0.50%
Total	**412.79**	**7,545.10**	**-**	**-**	**-**	**7,957.90**	**198.31**	**-**	**-**	**198.31**	**2,478.90**	**0.14304%**	

Table 18: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (CRR Art. 440 (a) CRR, EU CCyB1 (EU) 2021/637

Indicators of Global Systemic Importance

DISCLOSURE REQUIREMENTS Art. 441 CRR

EBH is not identified as a global systemically important institution (G-SII) in accordance with Art. 131 CRR. Therefore, the disclosure referred to in Article 441 CRR is not relevant.

Leverage

Leverage ratio

DISCLOSURE REQUIREMENTS Art. 451 (1) (a) CRR

The leverage ratio represents the relationship between Tier 1 capital and the leverage exposure pursuant to Article 429 CRR, more specifically the Delegated Regulation (EU) 2015/62 with regard to leverage ratio (Delegated Act) of 10 October 2014, which was published in the Official Journal of the European Union on 17 January 2015. Essentially, the leverage exposure represents the sum of unweighted on-balance sheet and off-balance sheet positions considering valuation and risk adjustments as defined in the Delegated Act.

The leverage ratio for Erste Bank Hungary at consolidated level amounted to 8.80%, comfortably above the 3% minimum requirement. The Regulation (EU) 2019/876 (Capital Requirements Regulation - CRR2) amending Regulation (EU) No 575/2013, with the application date 28th June 2021, sets the Tier 1 capital-based leverage ratio requirement at 3% for all EU banks as per the EBA's recommendation (Article 92 (d)). The ratio is calculated on period-end values for both leverage exposure and Tier 1 capital, with the Tier 1 capital based on fully-fledged CRR definitions, i.e. not including any transitional provisions. The Bank reports development of the consolidated leverage ratio to the top management on a quarterly basis.

Leverage exposure breakdown and reconciliation

DISCLOSURE REQUIREMENTS Art. 451 (1) (a) (b) (c) CRR

Erste Bank Hungary discloses its CRR leverage ratio in accordance with the Commission Implementing Regulation (EU) 2021/637 which specifies implementing technical standards for the disclosure of the leverage ratio.

in HUF million	Applicable amount
Total assets as per published financial statements	4,789,752.38
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
Adjustment for eligible cash pooling transactions	-
Adjustment for derivative financial instruments	-81,510.29
Adjustment for securities financing transactions (SFTs)	147,784.01
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	156,136.98
(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
Other adjustments	4,200.40
Total exposure measure	**5,016,363.47**

Table 19: Reconciliation of accounting assets and leverage ratio exposure (CRR Art. 451 (1) (b), EU LR1-LRSum (EU) 2021/637)

in HUF million	CRR leverage ratio exposures 2023	CRR leverage ratio exposures 2022
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs, but including collateral)	4,677,635	4,831,159
Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
(General credit risk adjustments to on-balance sheet items)	-	-
(Asset amounts deducted in determining Tier 1 capital)	-21,724	-18,594
Total on-balance sheet exposures (excluding derivatives and SFTs)	**4,655,911**	**4,812,565**
Derivative exposures		
Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	25,769	99,176
Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	35,633	40,938
Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
Exposure determined under Original Exposure Method	-	-
(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
Adjusted effective notional amount of written credit derivatives	-	-
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
Total derivatives exposures	**61,402**	**140,114**
Securities financing transaction (SFT) exposures		
Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-4,871	18,697
(Netted amounts of cash payables and cash receivables of gross SFT assets)	147,784	127,942
Counterparty credit risk exposure for SFT assets	-	-
Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
Agent transaction exposures	-	-
(Exempted CCP leg of client-cleared SFT exposure)	-	-
Total securities financing transaction exposures	**142,913**	**146,639**
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	738,654	836,726
(Adjustments for conversion to credit equivalent amounts)	-582,517	-665,428
(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	-	-
Off-balance sheet exposures	**156,137**	**171,297**
Excluded exposures		
(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
(Excluded guaranteed parts of exposures arising from export credits)	-	-
(Excluded excess collateral deposited at triparty agents)	-	-
(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
(Reduction of the exposure value of pre-financing or intermediate loans)	-	-

in HUF million	CRR leverage ratio exposures 2023	2022
(Total exempted exposures)	**-**	**-**
Capital and total exposure measure		
Tier 1 capital	441,642	394,440
Total exposure measure	**5,016,363**	**5,270,616**
Leverage ratio		
Leverage ratio (%)	8.80%	7.48%
Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.80%	7.48%
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8.80%	7.48%
Regulatory minimum leverage ratio requirement (%)	3.00%	0.00%
Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
of which: to be made up of CET1 capital	0.00%	0.00%
Leverage ratio buffer requirement (%)	0.00%	-7.48%
Overall leverage ratio requirement (%)	3.00%	-7.48%
Choice on transitional arrangements and relevant exposures		
Choice on transitional arrangements for the definition of the capital measure		
Disclosure of mean values		
Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	-	6,885
Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	142,913	146,639
Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4,873,451	5,117,091
Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4,873,451	5,130,861
Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.06%	7.71%
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.06%	7.69%

Table 20: Leverage ratio common disclosure (CRR Art. 451 (1) (b) (c) 451 (2) 451 (3), EU LR2- LRCom (EU) 2021/637)

The following table provides a breakdown of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) by exposure class.

in HUF million	CRR leverage ratio exposures
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**4,677,635**
Trading book exposures	64,466
Banking book exposures, of which:	4,613,169
Covered bonds	-
Exposures treated as sovereigns	1,507,461
Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	14,615
Institutions	631,364
Secured by mortgages of immovable properties	550,072
Retail exposures	701,697

in HUF million	CRR leverage ratio exposures
Corporates	1,039,496
Exposures in default	21,599
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	146,866

Table 21: Split-up of on-balance sheet exposures (CRR Art. 451 (1) (b), EU LR3- LRSpl (EU) 2021/637)

Management of the risk of excessive leverage

DISCLOSURE REQUIREMENTS Art. 451 (1) (d) CRR

Regulating processes used to manage excessive leverage are covered by EBH's internal regulations. The determination of capital targets are part of strategic planning process. However, the mid- and long-term strategic plans comprise high-level guidelines in respect to the required capital level, the direct targets and limits are defined by Risk Appetite Statement (RAS) (e.g. CET1 ratio, Own funds ratio, leverage ratio). During the top-down analysis the first factor is the consideration of external stakeholders' opinion while the bottom-up analysis validates the initial targets. The analyses include also the sub-ratios (e.g. CET1 ratio). The Bank uses similar processes to manage the risk of leverage. Leverage ratio is regularly monitored. Leverage ratio limits and triggers are also defined in the RAS. If the ratio reaches the early warning signs, the Bank takes steps to manage the risks arising from the size of the leverage ratio and draws the management's attention.

Factors influencing the development of leverage exposure

DISCLOSURE REQUIREMENTS Art. 451 (1) (e) CRR

Accordance to the Article 451 (1) e) of CRR the Bank disclose that its leverage ratio has not changed significantly in 2023, which exceeds both the regulatory and the internally accepted levels. The leverage ratio changed from 7.67% at the end of 2022 to 8.80% at the end of 2023.

Credit risk quality

Goals and principles of risk management

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) (f) CRR

Credit risk arises in the traditional lending and capital market business and includes losses incurred due to the default of a borrower or the impairment of a credit exposure due to the downgrading of a debtor. Country risk is implicitly considered when assessing credit risk. Credit risk is a fundamental risk for banks, the borrowers are unable to repay the loan and interest at maturity, or do not pay. Lending is one of the main activities in the profile of Erste Bank Hungary.

Credit risk related to retail, corporate, municipality, real estate and project loan portfolios are managed to ensure regulatory compliant risk management practices and to provide customers with manageable loan facilities that are within their financial capacities.

The special risk policies and rules of procedures:

- for retail customers are regulated by the Retail Risk Procedure;
- for SMEs and large corporations are regulated by the Corporate Risk Policy and Corporate risk taking approval authorities policy
- for municipalities are regulated by the Municipality Risk Policy and
- for real estate and project transactions are regulated by the Real Estate Financing Policy

Quantitative portfolio limits and qualitative risk principles are defined to ensure that the risk profile remains in line with the risk strategy. Moreover, the Bank's risk management ensures that any new products or change in lending criteria are in line with the group-wide lending framework requirements and are adequately supported by the existing risk infrastructure. Erste Bank Hungary also ensures that the local environment (market, competitive, economic, political, and legal/regulatory) is appropriately addressed. A management summary of the key developments is distributed at least quarterly to senior management and key decision makers.

Credit risk in retail lending arises from the probability that customers may fail to settle their financial obligations as stipulated by the contractual terms. Managing credit risk in retail involves dealing with a large number of relatively small exposures extended to private individuals, independent/free professionals, entrepreneurs or to micro companies in line with the Basel definitions. These exposures can be clustered into different risk segments with similar characteristics based on their rating and/or payment behaviour and treated accordingly by applying a rule-based approach. Credit risk related to retail loan portfolios is managed at the Group and local entity level as well with a common interest to ensure regulatory compliant risk management practices and to provide customers with manageable loan facilities that are within their financial capacities supported by underlying profitability.

At the Group level, retail credit risk is managed by the Group retail lending framework that sets out specific risk management policy requirements. All local entities engaged in lending activities must comply with these requirements. In addition, a standardised retail risk specific reporting platform is in place throughout the Group. This ensures that loan portfolio dynamics can be monitored and analysed regularly, identifying potential adverse developments early on and developing targeted mitigating actions.

Erste Hungary develops its local lending strategy in which input from local risk management plays a key role. Local retail risk management supports the local business lines by identifying which customer segments should be in focus in terms of new lending initiatives. Moreover, local retail risk management ensures that any new products or changes in lending criteria are in line with the Group lending framework requirements and are adequately supported by the existing risk infrastructure. Local risk management also has the primary responsibility for ensuring that country-specific know-how is incorporated into risk management practices and that implications of the local environment (market, competitive, economic, political and legal/regulatory) are appropriately addressed.

The Risk Strategy sets Credit Risk Management Principles to ensure sound risk management and responsible banking in retail and corporate lending. For corporate clients, Erste Hungary sets quantitative credit risk portfolio limits and qualitative risk principles to ensure that the credit risk profile remains in line with the Risk Strategy. Further limits are derived from the credit risk portfolio limits and include industries, countries, single names (group of connected clients, where applicable) and products. These are established to manage credit risk concentration and align the portfolio composition to the approved relevant business and risk strategies and the related documents (Policies and Procedures). For single names, the business and risk strategies are defined jointly by business and risk managers. The underlying principle is to ensure that lending activities are in compliance with the client rating-based maximum (including uncollateralised) credit limit, are based on expert opinions and analyses and involve relevant cross-functional support from other departments. In addition, as and when available, peer group analyses and information from industry leaders/losers are used to identify industry consolidation trends early on and to adjust the business and risk strategies accordingly.

No transaction can be executed without prior approval by credit risk management in accordance with the procedural requirements and explicitly delegated approval authorities. No credit decision is taken without a thorough assessment of the industry each borrower operates in, its risk profile, repayment capability and the assignment of an internal rating.

Collateral and credit enhancements are evaluated pursuant to internally defined rules. Depending on a rating grade, purpose and tenor, risk-bearing products are protected against losses by stipulating adequate collateral that is fully and indisputably legally enforceable and sufficiently documented for the bank. Nevertheless, collateral and credit enhancements can never substitute repayment capability.

The credit monitoring process is used to ensure consistency between the credit decision and the loan agreement, and to monitor the fulfilment of contractual obligations of a client. The process encompasses pre-drawn checks (i.e. fulfilment of all conditions precedent and other contractual conditions) and ongoing monitoring (i.e. fulfilment of conditions subsequent and operationalised covenants). Counterparty credit risk limits are monitored daily in an internal limit management system with remedial actions taken in case limits are exceeded. Group-wide standardised early warning monitoring process is implemented to proactively identify negative developments. When early warning signals are identified, adequate risk mitigating actions are taken.

ORGANISATION

Corporate Risk Management is the operative risk management function covering underwriting, portfolio management and workout activities for the non-retail portfolio (medium-sized enterprises, large corporate and real estate customers, corporate finance, institutional clients and counterparties, sovereigns and countries). Corporate Risk Management is the first line risk management for business booked in Erste Bank Hungary. Furthermore, it is responsible for Workout activities (workout assignments and workout reports for defined clients, preparation of scenarios for calculation of provisions) and preparation of business analysis of clients and peer group analysis for selected core industries.

Retail Risk and Workout Management is the operative risk management function responsible for defining a framework for underwriting, portfolio management and Collection (Early and Late) activities for the retail business (private individual and micro customers).

Retail Risk and Workout Management and Corporate Risk Management are responsible for setting standards and steering the retail and non-retail lending portfolios, including defining the lending and portfolio analytical framework as well as operating lending policies, credit decision-making process, early warning system, NPL steering and credit monitoring requirements for the portfolio. It ensures that only credit risk that is in line with the risk appetite, the risk strategy and limits set by Strategic Risk Management is taken on the books of Erste Bank Hungary. Furthermore, they conduct regular in-depth portfolio reviews to understand portfolio dynamics and identify potential adverse portfolio developments early on.

Both units report directly to the Chief Risk Officer (CRO) of the Management Board of Erste Bank Hungary.

Retail Risk and Workout Management and Corporate Risk Management are represented in several relevant governance committees.

As third line of defence, Internal Audit ensures an independent and objective view and assurance of credit risk management activities.

RISK MEASUREMENT AND CONTROL

Prior to granting a loan, the creditworthiness of a retail client is determined and verified in view of the risk-return trade-off supported by clients' rating. Loans can only be granted if the repayment capacity of the borrower is sufficient to service the regular repayments. Risk-adjusted pricing ensures a balanced relationship between risk and return. Following the loan origination, clients are monitored and in case of adverse developments serviced by the Collection units.

For non-retail clients, the creditworthiness and repayment capacity are determined via in-depth financial analyses and individual rating, based on the clients' financials, projections, industry analyses and assessments of the clients' business model. Defined lending standards apply, and credit decisions are taken in line with the currently valid internal credit risk approval authority rules. In case there is a deviation from some of the principles and rules in place, it must be explicitly highlighted and justified with sound and concrete arguments in the credit application for new transactions and approved by the competent approval authorities. Counterparty limits are set towards a client / client group and monitored on a daily basis to ensure that the credit risk remains within the approved limits. For each client / client group a credit review is performed at least once a year. In addition, EWS framework is established Group-wide and early warning signals are regularly monitored in order to timely recognise adverse developments and immediately take appropriate mitigating actions. Workout units are responsible for defined clients according to the bank´s policies with the aim to minimize potential losses.

Regular credit risk reports are prepared and contain relevant information for the risk management committees, Management Board and Supervisory Board. These reports inform about development of the credit portfolios in all segments and provide detailed risk-relevant information on customers at risk of default or already defaulted. These reports, building on up-to-date portfolio monitoring techniques (vintage analysis, delinquency trends, segment analyses, correlation analysis, etc.) shows the key drivers behind specific portfolio developments. The report covers new loan bookings as well as the main developments (e.g. including FX share trends, interest rate fixation information, Loan-To-Value and debt burden information) in the existing portfolio. In case of the non-retail customers, the report includes information on rating and industry segmentation, debt and collateral coverage, etc.

To further manage credit risk concentration in the portfolio, limits are also set on products, industries and countries, regularly monitored and reported. These reports also include specific monitoring metrics that provide an early warning signal for adverse developments of, e.g. portfolio quality (client, segment, countries and industries) and risk drivers. In instances where certain risk portfolios or clients / client groups are identified as potentially in distress, these are closely monitored by the dedicated risk functions to manage the risk impact and to develop effective strategies to minimize potential losses. This process facilitates early risk detection and reaction. In addition, these reports serve as the basis for reviewing the credit lending standards and the risk strategy.

A management summary of the key developments is distributed at least quarterly for retail and semi-annually for non-retail clients to senior management and key decision makers.

It is the interest of Erste Bank Hungary not to put customers into a position in which they are no longer able to meet their contractual obligations. This also includes the principle of matching the term of the debt to the object financed, in particular, as regards the relationship between operating output, cash flow, repayment capability and financing need; the recoverability of the loan and its use must be plausible and verifiable. Generally, financing in local currency is given preference, especially if the customer does not have any income in foreign currency. Interest rate hedging is provided where deemed necessary or risk is explicitly covered by buffers in repayment capacity of clients. Erste Bank Hungary has established clear policies with respect to FX lending.

Erste Hungary strictly follows a cash-flow based corporate lending approach. Any financing is based on a corporate client's ability to generate future cash-flows. Lending based exclusively on collateral is avoided as collateral only serves to reduce potential losses caused by unexpected cash-flow shortfalls. All corporate lending activities (including leverage financing) are regulated by the lending policies, prescribing limits and minimum requirements.

RISK MITIGATION

Erste Bank Hungary has implemented a sound risk management framework for identification, assessment, monitoring and mitigation of credit risks, including policies and procedures for credit application and approval process, fraud prevention, early warning and credit monitoring, collateral management, risk materiality assessment and determination of controls to mitigate the material risks in the credit process.

Apart from economic creditworthiness, the provision of collateral is a central element of risk mitigation and is particularly important for specialised lending. However, collateral is no substitute for lacking creditworthiness. The eligibility of collateral is determined in accordance with the bank's internal collateral catalogue. The Bank checks the existence of the collateral, their real value and enforceability, and continuously monitors them during the period of risk. Non-collateralised portions of debt are usually not accepted for new customers below a certain credit quality as expressed by rating grades. In addition, risk mitigation for retail and non-retail clients is based, above all, on prudent lending criteria.

In non-retail lending Maximum and Rating Based Lending framework is established to proactively manage and limit single name/ group of connected clients concentrations and to ensure monitoring, reporting and steering of single name concentrations in line with the approved Risk Appetite Statement and Risk Strategy. These frameworks are operationalized through the Operating Lending Limit framework that is applied in the credit application and approval process.

Single clients belonging to a group of connected clients are financed only if the lending principles of Erste Bank Hungary are met (any deviation needs to be brought to special attention). All single clients belonging to a group of connected clients are considered in a rating process. In such cases, the group rating and the "corporate ceiling" are taken into account. Beyond a predefined total debt level, single clients or groups of connected clients that have credit relations with more than one fully consolidated company of Erste Group are classified as limit relevant customers, with the limit cap being determined in the respective limit application.

In retail lending, the debt-to income, debt service-to-income and loan-to-value ratios have to be limited to a level that allows for a sufficient buffer in case of stressed conditions. Furthermore, FX loans (i.e. loans that are at least partially receivable in currencies other than the legal tender of the country in which the borrower is domiciled) are not allowed – with the exception of the following:

- customers have a natural hedge (i.e. no FX risk involved);
- the loan is fully secured with matching currency liquid collateral;
- explicitly approved loan share in the Risk Strategy.

Retail and non-retail customers experiencing financial difficulties are managed by Collection and Workout units. These units proactively support customers with payment difficulties as appropriate by applying different collection and workout strategies in order to maintain a healthy portfolio, increase recoveries and save costs.

Definition of past due, substandard, defaulted, impaired and forbearance

DISCLOSURE REQUIREMENTS Art. 442 (a) CRR

Erste Hungary's ongoing assessment of the customers' capacity to fulfil their obligations is carried out using a large number of risk management instruments. This includes the constant monitoring of Erste Hungary's portfolio of past due, substandard and defaulted exposures.

Past due

In the case of payments in arrears, payments are considered past due as of the date when the borrower exceeded an approved credit limit, or the borrower was advised of a lower limit than the current outstanding, or drew on an unauthorised credit facility, or did not make a contractually agreed payment in due time, and the amount concerned is significant. Unpaid credit card debt is deemed past due from the earliest due date.

'Day past due' (hereinafter DPD) count starts at the first overdue day of the account. The client level DPD is the maximum of the DPD's of the accounts for all segments (Retail, Non-retail) and products, and processes (early collection, default recognition etc.). In case of overdrafts, DPD counting starts when the client breaches the overdraft limit.

In case of credit payment moratorium DPD is frozen on contractual level.

Substandard

The borrower is vulnerable to short-term negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. As a rule, such loans are managed in specialised risk management departments.

Defaulted

Since October 2019 Erste Bank has implemented the new definition of default, to comply with the EBA Guidelines on the application of the definition of default under Art.178 of CRR and Commission Delegated Regulation (EU) 2018/171 of 19 October 2017 on supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the materiality threshold for credit obligations past due.

The definitions of non-performing and default are aligned within Erste Bank (and within Erste Group).

The materiality of 90 days past due credit obligation is applied for on-balance exposure at client level and assessed daily against the group-wide defined materiality threshold (except the local regulator has defined different thresholds) for the:

- retail exposure: as an absolute limit on client level of 100 EUR and relative 1% on client level;
- non-retail exposure: as an absolute limit on client level of 500 EUR and relative 1% on client level.

Impaired

Credit-impaired is defined as the occurrence of one or more events that have a detrimental impact on the estimated future cash flows of a financial asset.

Implementation of IFRS 9 Financial instruments standard as of 1 January 2018 led to harmonization of defaulted and impaired definitions in EBH. An impairment relevant financial instrument is credit-impaired if the customer is in default; internal rating "R" is assigned. This means that all impairment relevant financial instruments of a defaulted customer are credit-impaired. If a customer is upgraded to a non-defaulted rating grade, then all his impairment relevant financial assets will not be credit-impaired any longer. Exposure of clients in R1-R5 non-performing status is categorized as impaired.

Methods for impairment calculation:

According to the IFRS 9 there are three main stages outlined for expected credit loss (ECL) determination:

- Financial instruments that are not credit-impaired on initial recognition belong to Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 month.
- If a significant increase in credit risk (SICR) since initial recognition is identified, but the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. Instruments in Stage 2 have their ECL measured based on expected credit losses on a lifetime (LT) basis.

- If the financial instrument is credit impaired, the financial instrument is then moved to Stage 3. Instruments in Stage 3 have their ECL measured based on expected credit losses on a LT basis.
- Purchased or originated credit-impaired (POCI) financial instruments are those financial instruments that are credit-impaired on initial recognition. Their ECL is always measured on LT basis.

To recognise credit risk deterioration the Bank uses both qualitative and quantitative information both on deal and client level.

The Bank may move a financial asset from Stage 1 to Stage 2 based on information on segment of industrial activity and participation in credit payment moratorium using so called portfolio level management overlay. Such an overlay is registered on individual exposure level.

In case of financial instruments being POCI or in Stage 2 EBH calculates ECL based on lifetime probability of default. In case of non-performing clients, EBH estimates the loss given default.

Exposures are classified as individually significant if the total on- and off-balance exposure to the borrower exceeds a predefined materiality limit. Otherwise, the exposure to the customer is considered to be individually insignificant.

The individual calculation approach is applied in case of individually significant exposures to defaulted customers in Stage 3 or POCI. It consists in the individual assessment of the difference between the gross carrying amount and the present value of the expected cash flows, which are estimated by workout or risk managers. The discounting of the cash flows is based on the effective interest rate (POCI: credit-adjusted effective interest rate).

Under the rule-based approach, credit loss allowances (CLA) are calculated based on the estimated exposure at default, probability of default (PD), loss given default (LGD), and in case of off-balance items, the credit conversion factor (CCF) taking into consideration the Bank's macroeconomic expectations.

Credit loss allowance – both in individual approach and rule-based approach (through the parameters) – is calculated based on different exit strategies (auction, restructuring, cure), taking into consideration their probability of success and recovery ratios.

Forbearance

Restructuring, renegotiation and forbearance

Restructuring means contractual modification of any of the customer's loan repayment conditions including tenor, interest rate, fees, principal amount due or a combination thereof. Restructuring can be business restructuring (in the retail segment), commercial renegotiation (in the corporate segment), or forbearance (e.g. concession due to financial difficulties) in line with EBA requirements in both segments.

Restructuring and renegotiation
Restructuring as business restructuring in the retail segment or as commercial renegotiation in the corporate segment is a potential and effective customer retention tool involving re-pricing or the offering of an additional loan or both in order to maintain the bank's valuable, good clientele.

Forbearance
The definition of "forbearance" is included in Regulation (EU) 2021/451 and MNB regulation 39/2016. A restructuring is considered "forbearance" if it entails a concession towards a customer facing or about to face financial difficulties in meeting their contractual financial commitments. A borrower is in financial difficulties if any of the following conditions are met:

- the customer was more than 30 days past due in the past 3 months;
- the customer would be 30 days past due or more without receiving forbearance;
- the customer is in default;
- the customer would default without receiving forbearance;

- the contract modification involves total or partial cancellation by write-off of the debt on any of the customer's credit obligations while at customer level open credit exposure still remains.

Additional criteria for non-retail segment:

- early warning signals for this customer identified;
- customer has deteriorated financial figures, which led to decline of the rating grade;
- customer has increased probability of default;
- customer is under workout activity.

Forborne exposure is assessed at loan contract level and means only the exposure to which forbearance measures have been extended and excludes any other exposure the customer may have, as long as no forbearance was extended to these.

Forbearance concession triggers the performing forbearance classification and means that any of the following conditions are met:

- modification/refinancing of the contract would not have been granted, had the customer not been in financial difficulty;
- there is a difference in favour of the customer between the modified/refinanced terms of the contract and the previous terms of the contract;
- the modified/refinanced contract includes more favourable terms than other customers with a similar risk profile would have obtained from the same institution.
- activation of embedded forbearance clause of the contract;
- any waiver of a material financial or non-financial covenant.

Forbearance can be initiated by the bank or by the customer (on account of loss of employment, illness etc.). Components of forbearance can be instalment reduction, tenor extension, interest reduction or forgiveness, principal reduction or forgiveness, revolving exposure change to instalment and/or others.

Forbearance measures are divided and reported as:

- performing forbearance (incl. performing forbearance under probation that was upgraded from non-performing forbearance);
- non-performing forbearance (incl. defaulted forbearance; since 10/2019 the definition of non-performing status is aligned with default).

Forborne exposures are considered performing when:

- the exposure did not have non-performing status at the time the extension of or application for forbearance was approved;
- granting the forbearance has not led to classifying the exposure as non-performing/default.

Performing forborne exposures become non-performing when one of the following forbearance classifications is fulfilled during the monitoring period of a minimum two years:

- the contract modification involves total or partial cancellation of the debt by (partial) write-off;
- an additional forbearance measure is extended;
- a performing under probation loan becomes more than 30 days past due;
- the customer meets any of the default event criteria defined in the default definition;
- for corporate customers, when a final restructuring agreement cannot be concluded within 18 months after the first (preliminary) forbearance measure.

The performing forbearance classification can be discontinued and the account can become a non-forborne account when all of the following conditions are met:

- a minimum of two years have passed from the date of classifying the exposure as performing forbearance;

- under the forborne payment plan, at least 50% of the original (pre-forbearance) instalment has been regularly repaid (significant repayment) at least during half of the performing forbearance period (in the case of retail customers);
- regular repayments in a significant amount during at least half of the probation or monitoring period have been made (in the case of non-retail customers);
- significant repayment includes amount previously past-due (if any) or written-off (if no-past due amounts) for both segments retail and non-retail;
- none of the exposure of the customer is more than 30 days past due at the end of the probation period.

The non-performing forbearance classification can be discontinued and reclassified as performing forbearance under probation when all of the following conditions are met:

- minimum one year has passed from the date of classifying the exposure as non-performing forbearance or from the latest of the following events:
  - the moment of extending the restructuring measure;
  - the end of the grace period included in the restructuring agreement;
  - the moment when the exposure has been classified as defaulted.
- the forbearance has not led the exposure to be classified as non-performing;
- the customer is not classified as defaulted according to the definition of default;
- retail customers: the customer has demonstrated the ability to comply with the post-forbearance conditions by either of the following:
  - the customer has never been more than 30 days past due during the 12 months prior to the reclassification and there is no delinquent amount;
  - the customer has repaid the full past due amount or the written-off amount (if there was any).
- corporate customers: significant amount has been paid in regular repayments, analysis of financial development that leaves no concern about future compliance with post-forbearance terms and conditions. Furthermore, the customer has never been more than 30 days past due during the 12 months prior to the reclassification and there is no delinquent amount.

In the corporate segment, recognition of forbearance measures typically leads to the involvement of the responsible local workout unit. The largest part of the forbearance measures are set and monitored within the responsibility of the local workout units according to the internal regulations and standards for the workout involvement. Forbearance measures are defined as qualitative trigger events in the SICR concept.

Credit risk adjustments

DISCLOSURE REQUIREMENTS Art. 442 (b) CRR

The following paragraphs provide a description of the approaches and methods adopted for determining value adjustments and credit risk adjustments.

EXPECTED CREDIT LOSS MEASUREMENT

The general principles and standards for credit loss adjustment calculation are governed by internal policies in Erste Hungary. According to IFRS 9, credit loss adjustments are calculated for all components of credit risk exposures which are measured at amortised cost (AC) or at fair value through other comprehensive income. They include debt securities, loans and advances, demand deposits on nostro accounts with commercial banks as well as finance lease and trade receivables. In addition, credit loss adjustments are calculated for loan commitments and financial guarantees if they meet the applicable IFRS 9 definitions.

Classification into stages and definition of credit-impaired financial instruments

The stages approach applies to financial instruments within the scope of the impairment requirements of IFRS 9 and those that are not categorised as purchased or originated credit impaired financial assets

(POCI), which form a category of their own. Depending on the impairment status and the assessment of the development of credit risk, these financial instruments are assigned to one of the three stages.

Stage 1 includes not credit-impaired financial instruments at initial recognition and not credit-impaired financial instruments without a significant increase in credit risk (SICR) since initial recognition. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.

Stage 2 includes not credit-impaired financial instruments with a significant increase in credit risk since initial recognition, and not credit-impaired financial instruments if a PD curve valid at initial recognition was missing at the time of the implementation of IFRS 9 according to IFRS 9 para 7.2.20. Also, Stage 2 includes trade receivables without significant financing component to which the 'simplified approach' is applied mandatorily based on IFRS 9 requirements. In Stage 2, the credit loss adjustments are calculated as lifetime ECL. In the case of drawings by non-defaulted customers on previously committed credit lines, the whole exposure (on-balance and off-balance) is categorised as either Stage 1 or Stage 2, depending on the development of credit risk between the commitment date and the drawing date.

Stage 3 includes financial instruments that are credit-impaired at the reporting date but were not credit-impaired at initial recognition. In principle, a financial instrument becomes credit-impaired when the customer defaults. The default definition applied in Erste Hungary has been developed in accordance with EBA/GL/2016/07 'Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013' and 'Commission Delegated Regulation (EU) 2018/171 of 19 October 2017 on supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the materiality threshold for credit obligations past due'. The definition specifies the rules for default contagion across groups of connected clients and clarifies the concept of technical default. Erste Hungary generally applies a customer view in applying the default definition, which leads to an impairment of all claims even if the customer defaults only on one of several transactions ('pulling effect'). On the other hand, an upgrade to a non-defaulted rating grade implies that the total exposure ceases to be impaired. In stage 3, credit loss adjustments are calculated as lifetime ECLs.

POCI includes financial instruments that were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses against POCI exposures are always calculated on a lifetime basis (cumulative changes in lifetime ECL since initial recognition) and are reflected in the credit-adjusted effective interest rate at initial recognition. As a result, no credit loss adjustment is recognised at inception. Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss adjustment, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets.

Pursuant to Commission Delegated Regulation (EU) No 183/2014 in connection with EBA/RTS/2013/04, all credit risk adjustments are treated as specific credit risk adjustments in COREP.

Erste Hungary regularly reviews its expected credit risk adjustments. These exercises include the parameters and methodologies used in the credit risk adjustment calculation. Adjustments can take place in the context of specific reviews (cash flow assessment in case of individually assessed credit risk adjustments), routine maintenance of parameters (such as regular calibration) or in the case of specific events (e.g. improved knowledge about recovery behaviour, back-testing results).

SIGNIFICANT INCREASE IN CREDIT RISK DETERMINATION

Assessment of significant increase in credit risk (SICR) of financial instruments as at the reporting date since initial recognition is one of the key drivers affecting the amount of the ECL recognized based on IFRS 9 requirements. In this respect, across portfolios and product types, quantitative and qualitative indicators are defined for assessing SICR, including the indicator of 30 days-past-due (DPD).

Erste Group methodology allows introduction of the cure periods for migrations back to stage 1 from Stage 2 in addition those already established in general credit risk practice (forbearance, watch lists, default). They are rarely applied, only in specific countries for specific criteria without significant effect on the overall expected credit loss or Stage 2.

Quantitative criteria. Quantitative SICR indicators include adverse changes in lifetime probability of default with significance being assessed by comparison to the thresholds. The bank has established thresholds for significant increases in credit risk based on both a percentage (relative) and absolute change in PD compared to initial recognition. SICR occurs for a particular financial instrument, when both the relative and the absolute thresholds are breached.

The relative measure is calculated as a ratio between current annualised life-time probability at default (LT PD) and annualised LT PD value at initial recognition, considering remaining maturity of the instrument. Cumulative LT PD comparison can be used for simplification according to Erste Hungary methodology; however, such approach is rarely used. The breach means that such ratio has reached or is higher than the established threshold. These relative thresholds for SICR assessment are established at PD segment level or client rating level for each consolidated entity, as necessary, and are subject to initial and on-going validation.

Erste Hungary has not significantly recalibrated relative thresholds since IFRS 9 implementation. They are kept stable as one of the most significant estimates in ECL measurement. Validation finding or significant change of PD models would lead to thresholds' recalibration. There were re-estimations only for individual entities and portfolios.

The absolute threshold refers to difference of annualised LT PD on initial recognition and current annualised LT PD. It is set to 60 bps and serves as a backstop for migrations between the best ratings (LT PDs considered for remaining maturity). In such cases, relative thresholds may be breached, however overall LT PD is very low, and therefore SICR is not triggered.

Qualitative criteria. Qualitative SICR indicators include forbearance-type flags (identification of regulatory forbearance), work-out transfer flags (when the account starts being monitored by the work-out department), information from the early-warning system and fraud indicators. The assignment of some of the qualitative indicators inherently relies on experienced credit risk judgment being exercised adequately and in a timely manner. The related group-wide and entity-level credit risk controlling policies and procedures (adapted as necessary in the light of transition to IFRS 9) ensure the necessary governance framework. These indicators are used internally for identification of insolvency or increased probability that a borrower will enter bankruptcy and there is increased risk of default in the foreseeable future.

Besides the qualitative indicators defined on a client level, the assessment of a significant increase in credit risk is performed on a portfolio level if the increase in credit risk on individual instruments or at a client level is available only with a certain time lag or is observable exclusively on a portfolio level.

Erste Hungary has introduced additional portfolio level collective SICR assessment criteria due to the war in Ukraine (implemented in 2022) and related economic impacts. For more details refer to 'Collective assessment' in the next chapter. Considering the war in Ukraine, Erste Bank Hungary started with a portfolio screening to identify customers affected by the secondary effects of the geopolitical risk (Erste Bank Hungary has only very limited exposure towards the affected region). In combination with an early warning classification, 'Watch' and 'Intensified', these customers are transferred into Stage 2 and lifetime ECL are calculated. As of 31 December 2023, there was no exposure transferred to Stage 2 due to geopolitical risk.

Backstop. A backstop is applied, and the financial instruments are considered to have experienced a SICR if the borrower is more than 30 days past due on contractual payments. As observed during validation, this does not represent a major trigger for Stage 2 classification.

GROUPING OF INSTRUMENTS AND CALCULATION OF CREDIT RISK ADJUSTMENTS

Credit loss adjustments are calculated individually or collectively.

The individual calculation approach is applied in case of exposures to significant defaulted customers in Stage 3 or POCI. It consists in the individual assessment of the difference between the gross carrying amount and the present value of the expected cash flows, which are estimated by workout or risk managers. The discounting of the cash flows is based on the effective interest rate (POCI: credit-adjusted effective interest rate).

A defaulted customer is classified as individually significant if the total on- and off-balance exposure exceeds a predefined materiality limit. Otherwise, the exposure to the customer is considered individually insignificant and a rule-based (collective) approach is used for the calculation of the related credit loss adjustment as the product of gross carrying amount and LGD, where the LGD depends on characteristics such as time in default or the stage of the workout process.

For exposures to non-defaulted customers (i.e. in Stage 1 and Stage 2), collective adjustments are calculated according to a rule-based approach irrespective of the individual significance of the exposure to the customer. The calculation of collective adjustments requires grouping the related exposures into homogenous clusters based on shared risk characteristics. The grouping criteria may differ based on the customer segment (retail, corporate) and include product type, collateral type, repayment type, loan to value band, and credit rating band.

The calculation of credit loss adjustments is done on a monthly basis on a single exposure level and in the contractual currency of the exposure. To compute the collective credit loss adjustment, Erste Hungary applies an expected credit loss (ECL) model based on a three-stage approach that leads to either a 12-month ECL or to a lifetime ECL. ECL is the discounted product of exposure at default (EAD) that also includes a credit conversion factor in the case of off-balance sheet exposures, probability of default (PD) and loss given default (LGD), defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (per definition of default below), either over next 12 months (1Y PD) for Stage 1 exposures or over the remaining lifetime (LT PD) for Stage 2 and 3 and POCI exposures.
- EAD is based on the amounts Erste Group expects to be owed at the time of default, over next 12 months (1Y EAD) for Stage 1 exposures, or over the remaining lifetime (LT EAD) for Stage 2 and 3 and POCI exposures. The estimation includes current balance, expected repayments and expected drawings up to the current contractual limit by the time of default.
- LGD represents the Erste Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit exposure at the time of default (EAD).

Life-time parameters

The LT PD is developed through observation of historical defaults from initial recognition through the lifetime of the loans. It is assumed to be the same across all assets in the same portfolio and rating band.

The 1Y and LT EADs are determined based on the expected payment profiles, which vary by product type. The LT EAD calculation utilises repayment schedule or repayment type (annuity, linear, bullet). In the case of undrawn commitments, credit conversion factor is estimated for reflecting the expected credit exposure in the EAD.

The LGD is estimated as a lifetime curve for any point in time, based on historical loss observations.

The risk parameters used in the ECL calculation take into account available information at the reporting date about past events, current conditions and forecasts on future economic trends. Generally, the risk parameters applied in the calculation of collective allowances differ from the risk parameters compliant with capital requirement regulations, calculated on a through-the-cycle basis, if the characteristics of the respective portfolio in combination with IFRS standards necessitate this.

Incorporation of forward-looking information

Parameters are determined to reflect the risk as a ‘point-in-time’ measure and with consideration of forward-looking information (FLI). This results in using a baseline forecast and several alternative scenarios for selected macroeconomic variables. The alternative scenarios are derived, together with their weights of scenario outcome, as a deviation from baseline forecasts. The baseline forecasts are, with a few exceptions, internally determined by Erste Hungary. Given multiple scenarios, the ‘neutral’ PDs (and, with a few exceptions, also LGDs) are adjusted using macro models that link relevant macroeconomic variables with risk drivers. The same macro-shift models as for external and internal stress test are used.

Forward-looking information is incorporated for first three years of ECL measurement. Measurement of the parameters for the remaining lifetime returns to through-the-cycle observations immediately in year four.

Thus, the unbiased scenario weighted ECL considering FLI is derived using the weights representing the outcome of each macroeconomic scenario. Typical macroeconomic variables may include real gross domestic product, unemployment rate, inflation rate, production index as well as market interest rates. The selection of variables also depends on the availability of reliable forecasts for the given local market. The main indicator of the estimated economic development and basis for alternative scenario derivation is the GDP. In addition, economic effects of the war in Ukraine came along with the increases of the inflation and the interest rates. Erste Hungary adjusted the macro-shift models to reflect expected effects of those into credit risk parameters.

Macro-shift FLI models are recalibrated regularly to reflect the most relevant macro-variables. Variables with the highest statistical relevance are included. In 2023, a new characteristic, the country of risk, was implemented into FLI for Group (large) Corporate portfolio.

Erste Group reviewed the FLI in the fourth quarter of 2023 according to the disclosed forecasts for baseline, downside, and upside scenarios. Erste Group decided to assign 50% scenario weight to baseline forecast due to more stable macroeconomic forecasts than were observed during previous year. The approach with including the comprehensive stress test (CST) scenario into the downside scenario design is kept unchanged. However, the CST scenario was updated according to the assumptions considered in comprehensive stress test 2023. These model adjustments took place to address the still persisting uncertainty of the macroeconomic forecasts, higher downside risks and effects of those on ECL resulting from the unstable geopolitical situation.

The Bank is disclosing sensitivity of the staging and ECL on macro scenarios in the Collective assessment section below.

Baseline scenario

Erste Hungary expects the Eurozone economy to gradually recover from the first half 2024 onwards. The main factor supporting the constructive baseline outlook for the Eurozone in 2024 is a further slight easing of inflationary pressures on a domestic and as well as on global level. European gas- and electricity prices have already dropped substantially and easing pressures from global supply chains have already eased inflationary pressures in recent months. In this environment it is forecasted real wage gains for consumers in 2024, which should be supportive for private consumption growth 2024.

The expected end of global destocking in the course of 2024 should gradually improve the order situation and order backlogs of manufacturing companies. This should be another growth supportive factor during the first half of 2024. Erste Hungary fore-casts that in this environment, a gradual acceleration of consumption and investments will be seen in the first half of 2024. In this environment Erste Hungary expects the ECB to deliver the first rate cut in June 2024.

Risks to the baseline scenario and comprehensive stress test scenario as considerations added to downside scenario

The ongoing war in Ukraine, including emerging conflicts in the middle east, remains significant risk factor. If it escalates further this could potentially harm the sentiment of global investors vs the Eurozone with potential dampening effects on growth.

Russia could cut off gas supply to an increased number of “unfriendly” countries. Energy security becomes a priority for EU policymakers who regard the momentum to become less dependent from Russian commodities and to accelerate the transition to a low carbon economy. This goal could trigger an energy policy shock, whereby the price of CO2 emissions skyrocket in the first year, crystalizing a disorderly transition risk. The energy policy shock could exacerbate the increase in energy/consumer prices and de anchors inflation expectations; prompting the ECB to tighten monetary policy aggressively (affecting the entire yield curve) to keep inflation under control. In addition, the fast rise of green energy investments adds volatility and instability to a European power grid. Temporary pressure on the power grid from large swings in energy supply from green energy, could result in temporary price spikes for electricity which could harm industrial activity and the consumers purchasing power.

Moreover, the current turmoil in the Red Sea, which exerts pressure on container ship traffic between Europe and Asia could flare up again supply chain issues. This could translate into higher inflation than anticipated in our current base line scenario.

The fast rise of interest rates is a threat for the investment activity of companies and consumers could lead to lower investments than currently anticipated for our base case scenario.

In general, higher Harmonized Index of Consumer Prices (HICP), especially electricity/gas bills, reduces disposable income and contracts consumption. Given the high debt inherited from the pandemic, increasing military spending and expansive fiscal policies to mitigate higher energy prices/influx of refugees could make investors to question debt sustainability.

Macro-shift FLI models are recalibrated regularly to reflect the most relevant macro-variables. Recalibration is performed by EBH, and variables with the highest statistical relevance are included.

Upside risk to the baseline scenario

In case the global industry recovers faster and stronger, than it is expected in baseline scenario, this would certainly have an immediate positive impact on the German economy. In light of the tight interconnections between Germany and other major countries of the Eurozone, a stronger and faster recovery of German industry would also have an immediate positive impact on the entire industry of the Eurozone. A faster and stronger recovery of European industry would give GDP growth in 2024 and 2025 certainly a positive boost, as the recovery of investment activity would take hold faster and stronger than currently expected in our baseline scenario. We would expect in this scenario that consumer sentiment would also be impacted positively. So private consumption would have a bigger contribution to growth in 2024 and 2025, when compared to our baseline scenario. The services sector of the economy would benefit from a better and higher consumer sentiment as well. However, a further gradual easing of inflationary pressure – especially in the services sector – is mandatory in this scenario in order not to endanger expected rate cuts by the ECB in 2024.

Collective assessment

In addition to standard SICR assessment, Erste Bank Hungary Zrt. applied collective SICR assessment, i.e., transfer into Stage 2 based on pre-defined portfolio characteristics, due to emerging risks not covered by standard models. This approach is aligned with all affected business lines. It requires, after the assessment of the outliers from the common portfolio characteristics, to have exemptions from the collective SICR assessment, if properly documented why they would behave differently than the rest of the portfolio.

In June 2022, the Bank implemented rules for collective staging assessment due to the war in Ukraine (UA war overlays) as a combination of industries with correlation to economic downturn (cyclical industries) and one-year IFRS PD. The Bank has identified the portfolio of industry sectors susceptible to being hit by the macro-economic environment based on cost inflation and interest rate increases leading to decreasing confidence levels on consumer as well as production side, and consequently a decrease in consumption and investments.

In addition to cyclical industries, from September 2022 the Bank has introduced additional Energy stage overlay due to the distortions in the energy market with implications on gas/energy availability and price. Two-folds effects were considered. Effects of energy prices and availability on clients either due to energy intensive production processes or relying on gas as a primary input in their business processes. Vulnerability was driven by gas dependency, (limited) substitution possibilities and implications of a substitution on financials, hedging and price mechanisms. Within the industry Natural Resources and Commodities, Metals and Chemical subindustries were identified as being most affected.

The Bank evaluates, on quarterly basis, the conditions (exit triggers) for applying of collective SICR assessment. It was concluded that in case of cyclical industries the risk neither passed nor was materialized. Therefore, in December 2023, the rules for collective SICR assessment were kept the same as they were applied in 2022.

In case of Energy industries, it was concluded that conditions for exit triggers were partly fulfilled mainly on energy availability part. Electricity demand in the European Union declined for the second consecutive year in 2023, even though energy prices fell from record highs. On the other hand, in 2023, there were also signs of some permanent demand destruction, especially in the energy-intensive chemical and primary metal production sectors. These segments will remain vulnerable to energy price shocks. Moreover, all companies belonging to the Energy sector can potentially be affected by the distortions in the current energy market. However, certain business models in the energy sector rather benefit from the current situation and, thus, do not match the overall portfolio characteristics as energy sector is widely defined. Therefore, in December 2023, only selected industries (production & distribution of energy and heating) were considered within collective SICR assessment and migrated to Stage 2; except some companies excluded based on individual assessment.

Out of the overall credit risk exposure of 4,871 billion forint (2022: 5,287 billion forint) portfolio under collective staging assessment represents:

- 44.8 billion forint of cyclical industries, out of which 23.1 billion forint is in Stage 2;
- 202.7 billion forint of energy intensive industries, out of which 179.5 billion forint is in Stage 2.

Effect on Expected Credit Loss

As described above, an increase of the ECL might result from a re-assessment of the credit risk parameters and a migration to worse stages either via significant increase in credit risk (SICR) or a default. For the ECL change a positive sign (+) equals a release while a negative sign (-) equals an allocation. Values presented sensitivities are results of internal simulations.

Exposure in Stage 2 due to the application of the rules for Ukraine war overlays stood at for cyclical industries 23,100 million forint in December 2023 and 179,453 million forint for energy overlays in December 2023, with additional ECL allocated in the amount of 312 million forint for cyclical industries and 643 million forint for energy overlays.

As described above, FLI were re-assessed based on the latest macro-scenarios in the fourth quarter of 2023. The Stage 2 expo-sure due to FLI increased to 42,054 million forint as of December 2023 (62,775 million forint in December 2022). The increase of the Stage 2 exposure affected the level of ECL allocated in Stage 2 due to FLI: 9,574 million forint as of December 2023 versus 15,102 million forint as of December 2022.

QUANTITATIVE DISCLOSURE ON CREDIT RISK

DISCLOSURE REQUIREMENTS Art. 442 (c) (d) (e) (f) (g) CRR

In order to present a clear view of the credit risk in the following tables, loans and advances, finance lease receivables, trade and other receivables and debt securities are presented, as well as cash balances with central banks and other demand deposits where relevant. On top of the asset relevant positions, off-balance items are included.

Positions that are not included in following quantitative disclosures are cash on hand, equity instruments and equity investments, derivatives, property and equipment, investment property, intangible assets, investment in joint ventures and associates, current tax assets, deferred tax assets not subject to deduction, assets held for sale and other assets, which in total comprise 4.3% of total balance sheet assets.

In the following tables, detailed split of gross credit exposure, specific credit risk adjustments, accumulated write-offs and collaterals are presented, by the significant balance sheet classes, industries, geographical areas and residual maturity. The gross carrying amount represents carrying amount before adjustment by any loss allowance and negative FV change in case of instruments measured at fair value through profit or loss. The off-balance items are presented in their nominal amount. The accumulated write-offs represent amounts to which institution's rights are not extinguished, even in cases where exposure has been completely derecognised and no enforcement action has been taking place.

in HUF million	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Cash balances at central banks and other demand deposits	**583,168**	**583,168**	**-**	**-**	**-**	**-**	**-19**	**-19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**2,553,685**	**1,843,012**	**319,195**	**61,330**	**-**	**51,967**	**-26,778**	**-8,377**	**-18,391**	**-41,153**	**-**	**-36,087**	**-**	**1,707,393**	**11,737**
Central banks	55,197	55,197	-	-	-	-	-2	-2	-	-	-	-	-	-	-
General governments	124,818	124,613	146	6	-	-	-61	-59	-2	-	-	-	-	95,517	-
Credit institutions	236,441	236,441	-	-	-	-	-294	-294	-	-	-	-	-	211,540	-
Other financial corporations	120,431	119,527	904	24	-	23	-838	-829	-9	-19	-	-19	-	70,573	5
Non-financial corporations	853,660	627,935	225,645	24,331	-	21,400	-7,190	-2,658	-4,532	-14,395	-	-13,442	-	464,223	6,661
Of which SMEs	*445,333*	*330,889*	*114,374*	16,375	-	14,703	-4,584	-1,453	-3,131	-8,890	-	-8,224	-	306,549	5,246
Households	*1,163,138*	*679,299*	*92,500*	36,969	-	30,544	-18,393	-4,535	-13,848	-26,739	-	-22,626	-	865,541	5,072
Debt securities	**1,403,097**	**1,391,381**	**10,902**	**2,285**	**-**	**2,285**	**-1,283**	**-846**	**-438**	**-1,279**	**-**	**-1,279**	**-**	**378,910**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	936,234	936,234	-	-	-	-	-239	-239	-	-	-	-	-	6,431	-

in HUF million	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Credit institutions	392,878	392,878	-	-	-	-	-511	-511	-	-	-	-	-	372,478	-
Other financial corporations	6,517	5,702	-	-	-	-	-6	-6	-	-	-	-	-	-	-
Non-financial corporations	67,468	56,566	10,902	2,285	-	2,285	-527	-89	-438	-1,279	-	-1,279	-	-	-
Off-balance-sheet exposures	**730,008**	**354,352**	**92,897**	**8,647**	**-**	**5,626**	**-3,326**	**-1,626**	**-1,695**	**-3,268**	**-**	**-3,063**	**-**	**183,037**	**1,028**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	1,186	400	-	-	-	-	-	-	-	-	-	-	-	200	-
Credit institutions	38,446	37,529	918	-	-	-	-303	-273	-30	-	-	-	-	29,950	-
Other financial corporations	99,869	67,774	5,051	-	-	-	-96	-68	-28	-	-	-	-	1,335	-
Non-financial corporations	480,509	143,441	83,094	8,088	-	5,149	-1,773	-852	-921	-3,027	-	-2,854	-	148,516	1,027
Households	109,998	105,209	3,834	559	-	477	-1,154	-433	-717	-241	-	-209	-	3,036	1
Total	**5,269,958**	**4,171,913**	**422,994**	**72,262**	**-**	**59,878**	**-31,405**	**-10,868**	**-20,524**	**-45,700**	**-**	**-40,429**	**-**	**2,269,339**	**12,765**

Table 22: Credit Risk – Gross credit risk exposure/nominal value, credit risk adjustments, accumulated write-offs and collateral my balance sheet classes (Art. 442 (c) (f) CRR, EU CR1 (EU) 2021/637)

in HUF million	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Loans and advances	133,405	401,732	778,520	1,232,680	-4	2,546,333
Debt securities	-	240,689	642,152	566,568	-	1,449,408
Total	**133,405**	**642,421**	**1,420,672**	**1,799,248**	**-4**	**3,995,742**

Table 23: Credit Risk – Carrying amount of loans and debt securities by residual maturity (Art. 442 (g) CRR, EU CR1-A (EU) 2021/637)

in HUF million	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which loans and advances subject to impairment		
			Of which defaulted			
Agriculture, forestry and fishing	63,839	4,537	4,537	63,839	-4,302	-
Mining and quarrying	306	-	-	306	-7	-
Manufacturing	189,861	3,843	3,843	189,860	-3,005	-
Electricity, gas, steam and air conditioning supply	15,540	3	3	15,540	-772	-
Water supply	2,212	2	2	2,212	-32	-
Construction	27,850	2,898	2,898	27,850	-1,828	-
Wholesale and retail trade	150,229	3,375	3,375	150,229	-3,006	-
Transport and storage	24,047	68	68	24,047	-419	-
Accommodation and food service activities	17,879	4,813	4,813	17,879	-2,879	-
Information and communication	5,814	300	300	5,814	-234	-
Financial and insurance actvities	105,144	296	296	105,144	-621	-
Real estate activities	207,333	2,127	2,127	207,333	-2,264	-
Professional, scientific and technical activities	38,467	452	452	38,467	-811	-
Administrative and support service activities	23,732	1,280	1,280	23,732	-1,297	-
Public administration and defense, compulsory social security	17	9	9	17	-7	-
Education	411	5	5	411	-6	-
Human health services and social work activities	2,098	68	68	2,092	-26	-
Arts, entertainment and recreation	1,018	238	238	1,018	-42	-
Other services	1,475	15	15	1,465	-27	-
Total	**877,273**	**24,331**	**24,331**	**877,256**	**-21,585**	**-**

Table 24: Credit quality of loans and advances to non-financial corporations by industries (Art. 442 (c) (d) CRR, EU CQ5 (EU) 2021/637)

in HUF million	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
On-balance-sheet exposures	**4,649,357**	**4,649,357**	**4,649,357**	**4,649,357**	**4,649,357**		**4,649,357**
Hungary	4,627,510	63,376	63,376	4,193,029	-68,635		-1,627
Austria	12,483	24	24	12,445	-23		-
Romania	654	12	12	653	-12		-
Slovakia	47	7	7	47	-9		-
Serbia	2	1	1	2	-1		-
Other countries	8,661	4,585,937	4,585,937	443,181	4,718,037		4,650,984
Off-balance-sheet exposures	**451,856**	**6,020**	**6,020**			**-6,593**	
Hungary	438,183	6,017	6,017			-6,555	
Austria	4,842	-	-			-1	
Slovakia	8	-	-			-	
Romania	3	-	-			-1	
Serbia	3	-	-			-	
Other countries	8,817	3	3			-36	
Total	**5,101,213**	**69,635**	**69,635**	**4,214,006**	**-68,884**	**-6,593**	**-1,627**

Table 25: Credit quality of exposures by geography (Art. 442 (c) and (e) CRR, EU CQ4 (EU) 2021/637)

In the tables below past due credit exposure (performing and non-performing) is reported by financial instruments and respective past due bucket.

in HUF million	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	**583,168**	**583,168**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**2,552,933**	**2,545,162**	**7,771**	**61,330**	**37,772**	**3,509**	**6,345**	**6,969**	**3,199**	**823**	**2,713**	**61,330**
Central banks	55,197	55,197	-	-	-	-	-	-	-	-	-	-
General governments	124,818	124,818	-	6	-	-	-	-	6	-	-	6
Credit institutions	236,410	236,410	-	-	-	-	-	-	-	-	-	-
Other financial corporations	120,429	120,421	8	24	-	-	22	-	-	-	2	24
Non-financial corporations	852,942	850,861	2,081	24,331	21,506	331	1,022	669	661	37	104	24,331
Of which SMEs	*445,333*	*443,270*	*2,063*	*16,375*	*13,595*	*330*	*1,017*	*662*	*643*	*37*	*91*	*16,375*
Households	1,163,138	1,157,455	5,682	36,969	16,266	3,178	5,301	6,299	2,532	786	2,607	36,969
Debt securities	**1,449,720**	**1,449,720**	**-**	**2,285**	**2,285**	**-**	**-**	**-**	**-**	**-**	**-**	**2,285**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	948,130	948,130	-	-	-	-	-	-	-	-	-	-
Credit institutions	427,540	427,540	-	-	-	-	-	-	-	-	-	-
Other financial corporations	6,583	6,583	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	67,468	67,468	-	2,285	2,285	-	-	-	-	-	-	2,285
Off-balance-sheet exposures	**728,146**			**8,647**								**8,647**
Central banks	-			-								-
General governments	1,186			-								-
Credit institutions	36,671			-								-
Other financial corporations	99,869			-								-
Non-financial corporations	480,423			8,088								8,088
Households	109,998			559								559
Total	**4,730,800**	**3,994,883**	**7,771**	**72,262**	**40,057**	**3,509**	**6,345**	**6,969**	**3,199**	**823**	**2,713**	**72,262**

Table 26: Credit quality of performing and non-performing exposures by past due days (Art. 442 (d) CRR, EU CQ3 (EU) 2021/637)

Credit quality of forborne exposures

Credit quality of the forborne exposure is presented in the table below, including information on defaulted and impaired forborne exposure.

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Non-performing forborne						
in HUF million	Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
Cash balances at central banks and other demand deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**43,920**	**31,396**	**31,396**	**30,579**	**-3,359**	**-22,192**	**28,538**	**7,025**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	22	22	22	-	-17	5	5
Non-financial corporations	28,357	13,551	13,551	13,551	-607	-8,744	17,173	4,170
Households	15,563	17,824	17,824	17,007	-2,751	-13,431	11,360	2,851
Debt Securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan commitments given	**1,947**	**127**	**127**	**127**	**-33**	**-58**	**-**	**-**
Total	**45,867**	**31,524**	**31,524**	**30,707**	**-3,392**	**-22,250**	**28,538**	**7,025**

Table 27: Credit quality of forborne exposures (Art. 442 (c) CRR, EU CQ1 (EU) 2021/637)

Asset repossession

The table below shows the information on type and value of the collateral obtained by taking possession in exchange of cancellation of debt instrument. The overview consists of repossessed assets in the balance sheet as of December 2023.

	Collateral obtained by taking possession	
in HUF million	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	**-**	**-**
Other than PP&E	**995**	**-90**
Residential immovable property	20	-
Commercial Immovable property	975	-90
Movable property (auto, shipping, etc.)	-	-
Equity and debt instruments	-	-
Other collateral	-	-
Total	**995**	**-90**

Table 28: Collateral obtained by taking possession and execution processes (Art. 442 (d), EU CQ7 (EU) 2021/637)

“Value at initial recognition” represents the gross carrying amount of the repossessed collateral at initial recognition in the balance sheet. “Accumulated negative changes” shows a negative difference between the current and the initial value of the collateral obtained by taking possession.

Changes in stock of non-performing loans and advances

in HUF million	Gross carrying amount
Initial stock of non-performing loans and advances	**68,744**
Inflows to non-performing portfolios	26,542
Outflows from non-performing portfolios	-33,956
Outflows due to write-offs	-7,608
Outflow due to other situations	-26,347
Final stock of non-performing loans and advances	**61,330**

Table 29: Yearly development stock of non-performing loans and advances (Art. 442 (f) CRR, EU CR2 (EU) 2021/637)

Inflows to non-performing portfolios consist of new defaults during the year, as well as other increases of existing NPLs (due to accrued interest, purchase of receivables etc.). Outflows from non-performing portfolios include upgrades, recoveries, NPL sales, write-offs and other decreases of existing NPLs during the period.

Decrease in non-performing loans and advances with lower inflow compared to 2022. During 2023 there were upgrades related to the portfolio that remained under the moratoria until its closure and due to negative income prospects and thus became defaulted. As in the end, they proved to be able to continue redeeming their debt, they could cure from default after 1 year.

Credit risk mitigation techniques

Management and recognition of credit risk mitigation

DISCLOSURE REQUIREMENTS Art. 453

Collateral management has been set up within the business area Corporate Risk, Corporate Intensive Care, Collateral Management and Credit Infrastructure in the Bank. Group Collateral Management Policy has been implemented, it defines, among other things, group-wide uniform valuation standards for credit collateral. This policy ensures that the requirements of CRR are met as well as the standardization of the credit risk decision-making process with respect to the assets recognized as collateral.

All collateral eligible within the Group is specified in an exhaustive list in the 'Group Collateral Catalogue'. Locally-permitted collateral is defined by Erste Bank Hungary Zrt. (in the EBH Collateral Catalogue) in accordance with the applicable national legal provisions. The valuation and revaluation of the collateral is done in accordance with the principles defined in the Group catalogue and internal work instructions grouped by class and based on local supervisory requirements.

Collateral valuation and netting

COLLATERAL VALUATION AND MANAGEMENT

DISCLOSURE REQUIREMENTS Art. 453 (b) (c) CRR

The Bank aims at requesting liquid collaterals, i.e. those that can be exchanged for cash within the shortest possible time. The liquidity of the security is fundamentally influenced by its legal enforceability, as well as marketability, saleability.

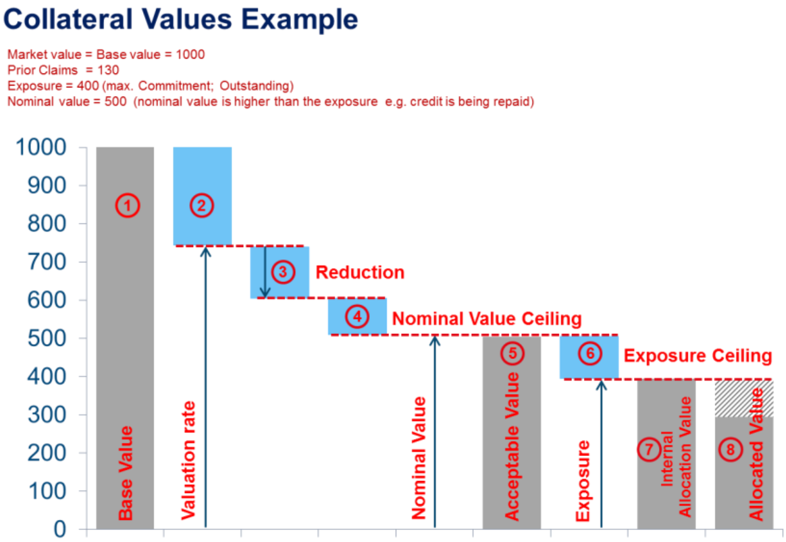
The collateral value of the offered collateral can be established as the product of the so-called base value (equals the market value) and the so-called collateral multiplier (valuation rate) that is different for the various types of collaterals, and deduction with third-party encumbrances and adjustments.

To establish the value of collateral shall be determined in accordance with the principles and calculation methods set forth in the collateral management and valuation related policies.

Collateral Management establishes the applied valuation rates described in EBH Collateral Catalogue, which are based on historical recovery rates of collaterals (both in court as well as out of court realisation).

Collateral Management monitors the valuation rates at least annually and adapted to the actual collateral recovery rates calculated in line with requirements defined by Group Credit Risk Models. In doing so the results of the last years should be considered because extremely good results as well as extremely bad results of a single year have to be balanced ("through the cycle").

The following steps are necessary for the calculation of a collateral value within the credit decision process (it has to be ensured that the results are shown in one currency; if values – e.g. base value and nominal value or prior claims – are in different currencies they have to be converted every time the calculation is performed; in COLMAN the exchange rate is at the MNB middle rate):



1) The base value (= market value) of a collateral asset has to be identified having in mind the future marketability and the lasting characteristics of the collateral asset. An appropriate timeframe for recovery also has to be taken into consideration. Therefore, the determination of the base value within the credit decision process is subject to more stringent conditions than an evaluation in general economic life. The exact regulations, on how the base value for the specific collateral types has to be determined, are part of EBH Collateral Catalogue and of the internal working instructions.
2) Application of the valuation rate: this represents the percentage of the market value at which the asset is taken into consideration.
3) Reduction of the base value (prior claims): claims that have prior ranking rights to the collateral in question, on the same collateral asset, are the prior claims. Prior claims have to be taken into consideration independent of the beneficiary of these rights (third parties or own bank). The amount of the prior claim(s) has to be deducted from the base value (multiplied by the valuation rate).
4) Nominal value ceiling: it limits the acceptable value of the collateral in case of a contractual ceiling of the title (e.g. mortgage amount). If the nominal value is not defined the whole exposure will be taken.
5) Acceptable value: represents an internal risk view on collateral, which serves to show the most probable recovery amount of the collateral in case of its liquidation. It is calculated by using the market value (base value) and multiplying it with the valuation rate and respecting reductions. The acceptable value is limited by the nominal value.
   In case of syndicated loans, the acceptable values of the collateral have to reflect the own syndication share of the participating bank.
6) Exposure ceiling: when calculating the allocated value of collateral, it has to be considered that the acceptable value is capped by the "exposure". Where by "exposure" is meant the sum of maximum of the current commitment respectively outstanding of all connected, secured loan.
7) Internal allocation value: allocation value amount equals to acceptable value capped by the exposure; it represents the maximum value of each collateral that might be allocated to the connected exposure.
8) Allocated value: this is the part of the allocation value which is assigned to a specific credit exposure and actually used for calculation of secured / unsecured exposure (the allocated value is also named "internal collateral value".

Optional base value correction: In exceptional cases, the base value may be corrected downwards by risk management and/or collateral management. Such corrections have to be reasoned and documented in the IT system. Local collateral management has to define an exhaustive list of cases, where corrections may be applied. In such cases, the corrected base value has to be delivered for all purposes. This way of correction is optional. No other individual corrections of the values are allowed.

A collateral value in the credit process is only admissible:

- If the evaluation regulations have been met (especially the appraisal of the market value and the consideration of encumbrances).
- If all legal conditions that are necessary for the complete establishment of the collateral have been fulfilled.
- If no further activities of the borrower are necessary for the bank to assure full control of the collateral.
- If all credit and collateral agreements concluded with the borrower or with the collateral provider are legally effective and enforceable under the relevant legal regulations at the moment of the signing of the contracts.
- If the collateral is also legally effective and enforceable under the relevant legal regulations in case of an insolvency of the borrower or the collateral owner.

In case a new loan is granted these requirements have to be fulfilled before disbursement of the loan; in exceptional cases registrations of mortgages in the land register or pledges have to take place within reasonable period of time after disbursement - Collateral Management has to define the exceptional cases that are accepted locally as well as the maximum time periods. If an additional evaluation of the collateral is performed after disbursement the correct input of data into the IT system has to be ensured.

Real estate

Real estate is the most important collateral within Erste Group. Residential real estate (i.e. real estate which is or will be occupied or let by the owner for residential purposes) and commercial real estate are used for credit risk mitigation. Real estate properties are evaluated at sustainable market values. The applicable appraisal methods are predefined and depend on the type of real estate. In order to determine the market value for the purposes of collateralization, all Real Estate has to be appraised according to the principles outlined within this document. These principles and valuation methods follow internationally accepted real estate valuation standards. The market value resulting from applying these principles is considered as the value which must be used for all internal purposes.

The appraised market value (= base value) serves to express prudent expectations as to value over the long term. The following steps are required in order to exclude short-term market volatility or temporary market trends:

- Assessment of the future marketability and saleability of the property – with respect to the possible necessity of a future sale at short notice – the valuator has to identify situations where current values reflect short-term demand due to market inefficiencies.
- Consideration of the normal and local market conditions: the valuator has to examine the potential impact of wider economic and social factors. It is the responsibility of the valuator to use authoritative relevant information as to local trends and sustainable values. The valuation has to be based on market data.
- Consideration of the long-term sustainable aspects of the property such as the quality of the location, construction and layout as well as construction defects. Prudent assessment of the capitalization rate specifically, taking into account long term market data and trends and excluding all short-term expectations regarding the return on investment is of great importance.
- Current use: the valuation has to be primarily based on the existing property use. A valuation based on an alternative use is only possible if there are special proven circumstances. Essentially speculative or transient uses are excluded.
- Elimination of speculative elements: current market phenomena, which are not sustainable, have to be identified explicitly.
- The income stream of the property used in the valuation should be no more than the sustainable net rental income that the type of property produces over the time in the specific local market, excluding any unusual or extraordinary cash flows. The sustainable yield has to be assessed based on a judgment of the past and current long-term market trends and not taking any uncertain elements of possible future growth into account.

- Clear and transparent documentation: the valuation methods should be adopted and expressed clearly either in the valuation principles or in the particular valuator's report. All parameters and assumptions relevant for the valuation must be documented in detail.

In general, the accepted methods for valuating real estate can be broken down into three groups:

- Market methods which calculate the value of the property by comparing historical transaction prices of comparable properties (Comparative Method).
- Income methods are typically used for income producing properties. The Capitalization Method and the Discounted Cash Flow Method (DCF) are considered acceptable.
- Cost methods which take into consideration necessary costs related to the construction, renovation or modification of the property. These include the Depreciated Replacement Cost Method (DRC) and the Residual Value Method.

Depending on the nature of property, the following valuation methods have to be applied mandatorily:

Type/Nature of property	Valuation method*
Undeveloped land (e.g.: vacant land)	Comparative method (preferred)
	Residual Value method
Residential real estate	
Apartments (flats)/ terraced and detached houses	Comparative method (preferred)
	Cost method (preferred, not for exception apartments/flats)
	Income method
	Statistical method
Houses with less than three units**	Comparative method
	Income method
	Cost method
Income producing residential real estate* **	
Residential properties with three or more units	Comparative method
	Cost method
	Income method
Income producing commercial real estate (office, small and medium commercial, industrial, warehouse and other logistics real estate, furthermore hotel and other catering or tourism real estate and multipurpose real estate)	
Income producing commercial real estate, special commercial real estate included	Comparative method (preferred)
	Income method (preferred)
	Cost method
Owner occupied commercial real estate**	Comparative method (preferred)
	Cost method
	Income method (Capitalization Method, based on potential income)
Land owned by developers (qualified assets) with the plan to realize a project	Residual Value method
Special commercial real estate****	Income method
	Comparative method
	Cost method
Agricultural and forestry real estate (farmlands)	
Agricultural and forestry real estate	Comparative method (preferred)
	Income method (preferred)
	Cost method

** The application of the listed valuation methods is mandatory - valuator has to choose best fitting method if more than one method is applicable and justify the choice of the method.*
If the usage of the property is multiple the allocation to a collateral type has to follow the definitions of the EBH Collateral Cata-logue. In such cases, land register and cadaster excerpts respectively operating permits and licenses shall be used as supporting documents.
*** This category is not distinguished in Hungarian practice.*
**** Not an eligible category for EBH.*
***** See category Income producing commercial real estate.*

Table 30: Valuation methods

In each case, the appraisal of properties and movables must be prepared with the company or external expert accepted by the Bank and holding professional license and references, or internal experts, at the cost of the borrower. The relevant order of procedure is included in the regulation on the use of appraisers. In the case of the appraisal of properties, EBH supervises the payment of the costs of the appraisal in line with the collateral management rules.

In these cases, the current value (it can be established during the decision-making and the review) of the property serving as the subject of the development, the current amount of actual development costs have to be recorded, checked and managed in accordance with the policies as collateral value has to be calculated from this.

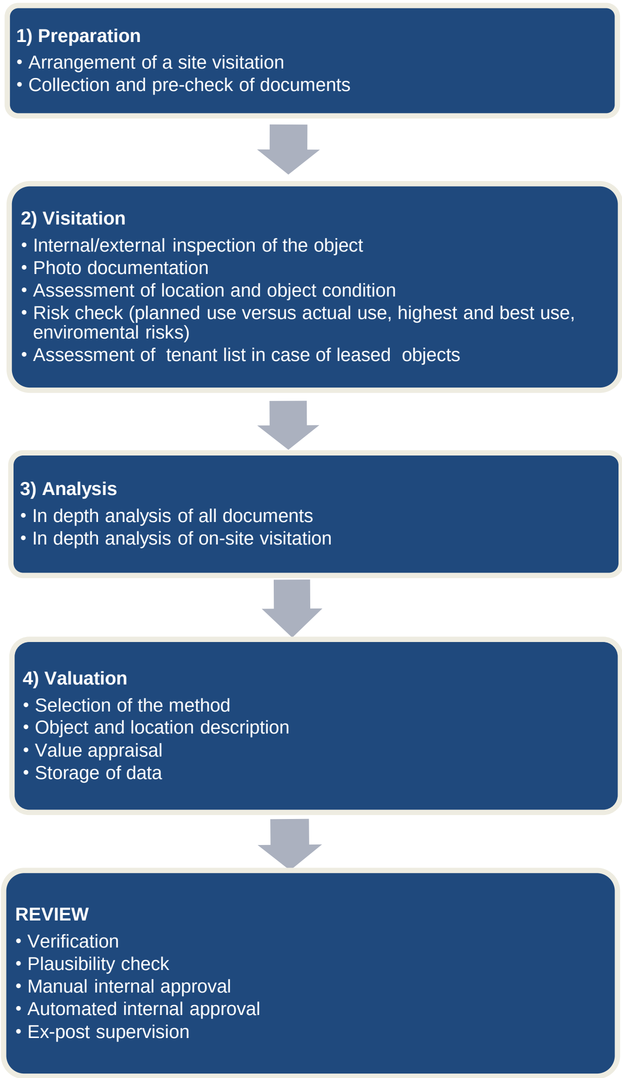
No person performing the valuation of collateral may be involved in the associated decision on risk assumption.

Changes in the value of the collaterals are continuously monitored by the Bank until the expiry of the transaction.

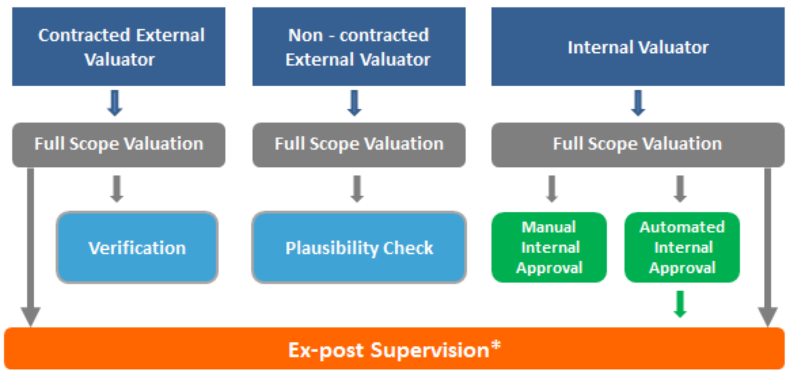
Only valuations that uphold the defined standards will be considered valid and their values accepted. A Full Scope Valuation takes all relevant factors for a comprehensive market value assessment of a property into account, including an on-site visitation, all relevant property related information, market data and a consistent appraisal. Certain minimum standards are required in order for the valuation to be accepted and local valuation units are responsible for compliance with this process.

The real estate evaluations need to be carried out by internal or external valuators who possess sufficient knowledge, experience, skills and qualifications.

The valuation process comprises of four main steps, additionally a review is to be performed after each valuation. It can be pictured as follows:



Depending on the type of valuator who carries out the valuation several kinds of checks may be done:



Financial collateral

Financial collateral assets are mainly security accounts, cash deposits (accounts, savings books) and life insurance policies. The pledge or assignment of financial collateral has to be unconditional and irrevocable. If the financial collateral is held by third party institutions, they are to be notified of the pledge or assignment. The base value of the financial collateral depends on the type of collateral asset. The base value of the cash deposit is the credit balance on account or nominal value of cash assimilated instruments. The base value of security accounts (securities) is the credit balance in securities account (market value). In case of state bond and discount treasury bill the net market value, shares – market rate value, investment unit – net value of the investment unit.

Guarantees

Guarantees are mostly provided by corporates, financial institutions, sovereigns, and public sector-related entities in combination with special credit products. The guarantee (suretyship as well in case of natural persons) must represent a direct claim on the guarantor. The guarantee must be unconditional; there may not be any clause in the contract outside the direct control of the bank that could prevent the guarantor from being obliged to pay. The guarantee as collateral must be irrevocable; there must be no clause in the contract that would allow the guarantor unilaterally to cancel the credit cover.

All guarantors must be checked with regards to their economic capacity. They must have a minimum credit rating which is reviewed at least annually. The PD of the guarantor is used for risk weighted asset calculation when the defined preconditions are met.

Receivables

Assignment (pledging) of receivables (business receivables, rental receivables, leasing receivables, etc.) can be accepted as collateral if there is an organizational unit that supervises the fulfilment of all requirements for this collateral (i.e., maintaining a continuous monitoring process). This unit has to analyze the economic quality of the receivables and the third-party debtors before establishing the collateral as well as on an ongoing basis afterwards. As well, this unit is responsible for checking the fulfilment of the eligibility criteria and documentation of the results of these checks. Overdue receivables, receivables against affiliates of the borrower and claims with high commercial dependency between the collateral borrower and the garnishee as well as receivables against garnishee with doubtful economic quality or domiciled in countries where the enforcement may be problematic are excluded. The revaluation is performed at least annually.

Treasury Collateral

For more details see chapter “Counterparty Credit Risk”

POLICIES AND PROCESSES FOR NETTING

DISCLOSURE REQUIREMENTS Art. 453 (a) CRR

Netting is currently not used for risk mitigation in the on-balance sheet customer lending business. The consideration of netting agreements for the over-the-counter (OTC) derivative business is described in the chapter “Counterparty Credit Risk”.

Main types of guarantors and credit derivative counterparties

DISCLOSURE REQUIREMENTS Art. 453 (d) CRR

Most guarantees are provided by corporates, financial institutions, sovereigns and public sector-related entities.

Erste Bank Hungary uses neither credit derivatives (Article 204 CRR) nor on-balance sheet netting agreements (Article 205 CRR) as eligible credit protection.

Risk concentrations within credit risk mitigation

DISCLOSURE REQUIREMENTS Art. 453 (e) CRR

Risk concentrations resulting from CRM techniques are understood to be the risk of a detrimental correlation of risks that may arise from the use of these techniques. This may affect a single customer, but also a portfolio defined by region, industry or type of collateral.

A high positive correlation can exist where the deterioration of credit rating or risk position of the debtors results in the devaluation of the collateral, and vice versa. In the event of material and positive correlation no capital decrease can be accounted for, therefore eligibility must be verified in the control of each transaction and to indicate them with flags as described earlier.

Collateral cannot be eligible if there exists a correlation (dependency) between the borrower and the collateral. Such correlation is given in the following cases:

- The risk of the borrower depends materially upon the underlying property or project. As such, the repayment of the facility depends materially on any cash flow generated by the underlying property serving as collateral – e.g. projects.
- The value of the collateral asset depends materially upon the credit quality of the debtor – e.g. pledge of own shares.

Correlations between the borrower and the collateral have to be identified by risk management in the credit decision process case by case. Clients rated with the Specialised Lending Rating tool (project finance and income producing real estate) are assumed to be correlated with the collateral.

Quantitative disclosure on credit risk mitigation

DISCLOSURE REQUIREMENTS Art. 453 (f) CRR

The following table gives an overview on the extent of the use of CRM techniques applied to the carrying amount of loans and advances and debt securities (net of allowances impairment).

The unsecured carrying amount represents exposures which in its entirety do not benefit from any CRM technique. The secured carrying amount consists of exposures that have at least on CRM technique associated with them, regardless of whether they are recognized under CRR as eligible. The amount of collateralized exposure is capped to the carrying amount, meaning that overcollateralization is not taken into consideration.

in HUF million	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans and advances	1,479,053	1,719,130	988,612	730,519	-
Debt securities	1,026,472	378,910	-	378,910	
Total	**2,505,525**	**2,098,040**	**988,612**	**1,109,429**	**-**
Of which non-performing exposures	51,878	11,737	9,478	2,259	-
Of which defaulted	*51,878*	*11,737*			

Table 31: Overview of CRM techniques (Art. 453 (f) CRR, EU CR3 (EU) 2021/637)

The further details on CRM techniques and credit conversion factors used in risk-weighted asset calculation, as per required by Art. 453 (g), (h) and (i), are given withing dedicated chapters for Standardised and IRB Approach.

Use of the standardised approach to credit risk

Scope of application and use of external ratings

DISCLOSURE REQUIREMENTS Art. 444 (a) (b) (c) (d) CRR

Pursuant to Article 4 (98) CRR, external credit assessment institution (ECAI) means a credit rating agency that is registered or certified in accordance with Regulation (EC) No 1060/2009.

Erste Bank Hungary generally uses the IRB Approach for determining the minimum capital requirements pursuant to Basel III. The Standardised Approach is applied to exposures in insignificant business areas and business units as well as when the rollout plan specifies a later date for transition to the IRB Approach (e.g. Micro portfolio).

STANDARD & POOR'S RATINGS

External ratings are used to a limited extent in some exposure classes to calculate the RWA in the Standardised Approach (Art. 444 (b) CRR):

- in case of central governments and central banks, the RW has to be determined pursuant to Article 114 CRR
- in case a credit assessment exists for a specific issuing programme or facility to which the item constituting the exposure belongs, this credit assessment shall be used to determine the risk weight to be assigned to that item in accordance with CRR Article 139;
- in case of institutions, if an external rating by an ECAI of the counterparty is available, the risk weight (RW) has to be determined pursuant to Article 120 CRR;
- in case an external rating by an ECAI of the counterparty in the institution exposure class is not available, the RW has to be determined pursuant to Article 121 CRR;
- In addition, the external ratings published by S&P are used by EBH for the large corporate's exposure class. Furthermore, the S&P issue credit ratings of securities and issuer credit ratings of securities issuers are used for determining the eligibility of financial collateral according to Article 197 CRR and the calculation of the volatility adjustment pursuant to Article 224 (1) CRR.

Transfer and allocation of external ratings to credit quality steps and risk weights

The transfer of the issuer/issue credit ratings onto comparable assets in the banking book is pursuant to Article 138 CRR (Art. 444 (c)). The allocation of the ratings to credit quality steps is as follows:

Moody's	OECD Country Risk Ratings	Credit Quality Step
Aaa too Aa3	0 to 1	1
A1 too A3	2	2
Baa1 too Baa3	3	3
Ba1 too Ba3	4 to 6	4
B1 too B3	6	5
Caa and below	7	6

Table 32: Allocation of external ratings to credit quality steps (Art. 444 (c) CRR)

The risk weight allocation based on the credit quality step complies with the standard association published by EBA (Art. 444 (d) CRR).

Quantitative disclosure on credit risk – Standardised Approach

DISCLOSURE REQUIREMENTS Art. 444 (e) CRR

in HUF million	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
Exposure classes	**On-balance-sheet exposures**	**Off-balance-sheet exposures**	**On-balance-sheet exposures**	**Off-balance-sheet exposures**	**RWAs**	**RWAs density (%)**
Central governments or central banks	1,473,184	-	2,393,155	6,575	-	0.00%
Regional government or local authorities	7,993	939	5,110	40	262	5.09%
Public sector entities	2	-	2	-	2	100.00%
Multilateral development banks	-	-	2,472	166	-	0.00%
International organisations	-	-	-	-	-	-
Institutions	18,428	-	18,428	-	5,716	31.02%
Corporates	22,261	61,697	14,610	29,919	39,693	89.14%
Retail	349,676	17,558	30,879	2,846	21,041	62.39%
Secured by mortgages on immovable property	7,541	294	7,541	44	2,712	35.76%
Exposures in default	2,321	14	1,084	2	1,290	118.77%
Exposures associated with particularly high risk	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-
Equity	2,950	-	2,950	-	2,950	100.00%
Other items	27,594	-	27,594	-	24,827	89.97%
TOTAL	**1,911,952**	**80,501**	**2,503,827**	**39,592**	**98,494**	**3.87%**

Table 33: Standardised approach – Regulatory exposure by exposure classes and CRM effects (Art. 453 (g) (h) (i) and 444 (e) CRR, EU CR4 (EU) 2021/637)

Exposure before CCF and CRM is regulatory exposure net of credit risk adjustments, before application of credit conversion factor to off-balance and before application of the credit risk mitigation techniques.

in HUF million	Risk weight															Total	Of which unrated
Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
Central governments or central banks	2,399,893	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,399,893	
Regional government or local authorities	3,842	-	-	-	1,308	-	-	-	-	-	-	-	-	-	-	5,150	
Public sector entities	-	-	-	-	-	-	-	-	-	2	-	-	-	-	-	2	
Multilateral development banks	2,638	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,638	
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Institutions	5,064	-	-	-	6,591	-	8,398	-	-	706	-	-	-	-	-	20,760	
Corporates	-	-	-	-	-	-	4	-	-	57,710	-	-	-	-	-	57,715	
Retail exposures	-	-	-	-	-	-	-	-	37,740	-	-	-	-	-	-	37,740	
Exposures secured by mortgages on immovable property	-	-	-	-	-	5,882	1,703	-	-	-	-	-	-	-	-	7,585	
Exposures in default	-	-	-	-	-	-	-	-	-	678	420	-	-	-	-	1,098	
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equity exposures	-	-	-	-	-	-	-	-	-	2950	-	-	-	-	-	2,950	
Other items	2,767	-	-	-	-	-	-	-	-	24,827	-	-	-	-	-	27,594	
TOTAL	**2,414,205**	**-**	**-**	**-**	**7,899**	**5,882**	**10,105**	**-**	**37,740**	**86,875**	**420**	**-**	**-**	**-**	**-**	**2,563,127**	

Table 34: Standardised approach – Regulatory exposure after CCF and CRM (Art. 444 (e) CRR, EU CR5 (EU) 2021/637)

Table above presents exposure post CCF and CRM with the breakdown to risk weights. It includes only exposure under credit risk framework, while the split of counterparty credit risk relevant exposure is presented in corresponding chapter. Under column Unrated, exposures for which credit risk assessment by a nominated ECAI is not used and for which specific risk weights are applied depending on their exposure class.

Use of the IRB Approach to credit risk

Approved approaches and transitional rules by the regulator

DISCLOSURE REQUIREMENTS Art. 452 (a) CRR

Erste Bank Hungary was authorised to calculate risk-weighted exposure amounts for credit risk using the IRB Approach as of 1 April 2008.

The following segments fall under the Foundation IRB Approach:

- Corporates;
- Specialised Lending - Slotting Criteria approach;
- Banks;
- Sovereigns.

Private individuals fall under the Advanced IRB Approach, excluding Baby loans.

The authorisation to calculate risk-weighted exposure amounts for credit risk using the IRB approaches by the supervisory authorities was issued for an indefinite period of time.

IRB OFFICIAL NOTICES AND IRB ROLL-OUT PLAN

IRB official notice for single banking entities and at consolidated level in Hungary

IRB approval with application starting from 1 April 2008

- Erste Bank Hungary Zrt.

IRB APPLICATION PLANNED – TEMPORARY PARTIAL USE (TPU)

The following portfolios of EBH will be gradually included in the application of the IRB Approach, for which a specific rollout plan is in place:

- Micro Enterprises - Sole Entrepreneur & Micro Enterprise

PERMANENT PARTIAL USE

Permanent Partial Use (PPU) is applicable to the following exposure classes and in the following cases:

- Subsidiaries
  - Erste Befektetési Zrt. (EIH) since 1 January 2010
  - Erste Ingatlan Kft. (ERE) since 1 January 2010
  - Erste Lakástakarék Zrt. (LTP) since 31 July 2011
  - Erste Jelzálogbank Zrt. (JZB) since 01 July 2016
- Sovereigns, where the exposure is in HUF;
- Municipalities
- Equity exposures
- Intragroup exposures
- Exposures related to the baby loan products defined by Hungarian Government under Decree 44/2019 (III.12.)
- All exposures, which are assigned to the exposure class Corporate other (SONST rating method) are treated according to CRR Art. 150 (1)(c)

in HUF million	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure value subject to a roll-out plan (%)
Central governments or central banks	**2,542,074**	**1,481,893**	**95.98%**	**0.00%**	**4.02%**
Of which Regional governments or local authorities		4,264	100.00%	0.00%	0.00%
Of which Public sector entities		2	100.00%	0.00%	0.00%
Institutions	**240,279**	**780,509**	**0.65%**	**0.00%**	**99.35%**
Corporates	**1,110,850**	**1,369,600**	**11.33%**	**0.37%**	**88.30%**
Of which Corporates - Specialised lending, excluding slotting approach		-	0.00%	0.00%	0.00%
Of which Corporates - Specialised lending under slotting approach		311,607	0.00%	0.00%	100.00%
Retail	**972,020**	**1,204,250**	**27.49%**	**2.22%**	**70.29%**
of which Retail – Secured by real estate SMEs		-	0.00%	0.00%	0.00%
of which Retail – Secured by real estate non-SMEs		559,373	0.00%	0.00%	100.00%
of which Retail – Qualifying revolving		-	0.00%	0.00%	0.00%
of which Retail – Other SMEs		-	0.00%	0.00%	0.00%
of which Retail – Other non-SMEs		287,128	0.00%	0.00%	100.00%
Equity	**2,950**	**2,950**	**100.00%**	**0.00%**	**0.00%**
Other non-credit obligation assets	**-**	**-**	**0.00%**	**0.00%**	**0.00%**
Total	**4,868,174**	**4,839,202**	**39.60%**	**0.66%**	**59.74%**

Table 35: Scope of the use of IRB and SA approaches (Art. 452 (b), CR6-A (EU) 2021/637)

In the table above, the exposure value is the Exposure at Default (EAD) used as a base for RWA calculation (post CCF and substitution effects due to credit risk mitigation) and excludes exposure under counterparty credit risk and securitisation frameworks.

Rating systems

DISCLOSURE REQUIREMENTS Art. 452 (f) CRR

A rating system comprises all models, methods, processes, controls, data collection and data processing that serve the assessment of credit risks, the allocation of exposures to rating grades and the quantification of default probabilities and loss estimates for certain types of exposures. The rating systems used by Erste Bank Hungary meet the requirements for the application of the IRB Approach.

RATING MODELS

The internal rating models and the estimates of related risk parameters play a key role in credit risk management, in the decision-making processes and in lending operations. Furthermore, they deliver the main determinants for the procedures to assess capital requirements. EBH uses empirical-statistical and expert-based model types. A periodic validation, monitoring and review of estimates ensures the quality of the rating models and risk parameters.

Empirical-statistical models

Empirical-statistical models of risk assessment require a large data base and are especially suitable for mass market businesses.

Based on sufficiently large empirical data bases (data of a large population from the customer base of the bank), scorecards are developed using logistic regression techniques. The key criterion used for selecting the best scorecard is the accuracy ratio. The accuracy ratio indicates the ability of the scorecard to differentiate between customers with low and high default risk. The result of the scorecard is presented as a rating grade, which is associated with a probability of default (PD) estimate.

The key element in rating models applied to retail portfolios is the assessment of account behaviour, which is updated on a monthly basis. This enables continuous risk monitoring of customer portfolios in the retail banking business. Furthermore, the rating models also include customer information that is updated at least once a year and, in any case, when a credit application is made (in the event of a credit decision).

The rating results (rating grades) are verifiable and objective, i.e. if the input information is the same, they supply the same rating grade regardless of the individual assessment by the account manager.

Empirical-statistical approaches are used not only in the retail business but also in the corporate segment. In the case of corporates, the emphasis is on statistically-developed financial ratings (evaluation of balance sheet information). Apart from the financial rating (hard facts), qualitative customer information (soft facts), and account behaviour also enters into the risk evaluation of corporate customers, which is updated at least once a year.

Expert-based models

For expert-based models, the empirical-statistical component targeting the default indicator is not as important – due to the lack of a sufficiently large population of customers in the respective customer segments or a sufficient number of defaulted customers – and is replaced by external ratings as modelling target (e.g. Bank Rating or Country Rating) or at least assisted by expert know-how, which takes into account quantitative criteria (e.g. financial information), qualitative criteria (e.g. market and industry developments) and macro-economic factors.

By helping to assess the specific debtor- and business-specific features, this expert knowledge makes an important contribution to the rating models mainly for the following customer segments: specialised lending, banks and sovereigns.

These rating models ensure a sound assessment of the debtor- and business-specific features, risk differentiation as well as precise and consistent quantitative risk estimates.

RATING METHODS

DISCLOSURE REQUIREMENTS Art. 452 (f) CRR

Exposure Classes	STATISTICAL MODEL	EXPERT MODEL
Retail, commercial	✓	
Corporate	✓	✓
SME	✓	
Special Lending (IPRE)		✓
Banks		✓
Other financial institutions		✓
Central government and central banks		✓
Country		✓
Sovereign		✓
Equities	✓	✓

Table 36: Exposure classes of the IRB Approach and applied rating methods (Art. 452 (f) CRR)

The rating methods Bank, Country, Large Corporate Rating are used as centralised methods throughout Erste Group, therefore also in EBH without any local modifications. The rating grades are determined by Erste Group centrally and made available to the Group companies.

Other rating methods (Rating Private Individuals, Rating SME, Rating Local Corporates) are developed locally in EBH.

Rating Private Individuals

Classification

Customers are assigned to the rating method Rating Private Individuals according to their occupational status.

Development

The rating method Rating Private Individuals was developed by experts at EBH as an empirical-statistical model. The rating method is applied in case of applications for a financing decision (e.g. new loan applications) and automatically within the monthly update of customer ratings.

Rating determinants

The rating model assigns scores based on demographic information, account data, product attributes as well as external data (e.g. information supplied by the Credit Bureau). The assessment of account behaviour is performed monthly and provides an essential input for timely risk assessment. Analyses done in the case of applications take into account not only the input factors for the rating, but also the current customer information on their income and expenditure.

Outputs of the rating process

Based on a scorecard, every private individual is assigned a rating grade on a rating scale of 8 grades. The customers with rating grade A1 have the lowest and customers with rating grade D2 have the highest PD. The customer rating serves as the basis for the calculation of capital requirements and plays an essential role for the credit decision and the lending terms. Private individual ratings derived from the analysis of the loan application, which includes all loans granted and applied for, are an integral part of the decision recommendation. Rating grades of customers are updated at the monthly reappraisal of account behaviour. The monthly processing of customer and account data is also the basis for the early warning system. The early warning list supplies account managers with valuable information on current risk assessments and also contains private individuals of substandard creditworthiness because of specific customer or account features. Such customers may include, for example, those with regular overdrafts or customers that have been sent reminders.

Rating SME

Classification

The rating method Rating SME (incl. micro and small enterprises) is applied to SMEs with turnover of up to 300 million HUF as well as to independent professionals.

Development

Statistically-derived rating models are used in EBH. Ratings for SME customers and independent professionals must be determined taking into account the financial situation before and after the financing being applied for. This Basel requirement is complied with by means of an online rating initiated manually for determining the current rating grade and the rating in the case of a loan application (rating by type of financing). In addition to the online rating, there is also a monthly batch rating in which the current rating grade is determined based on behaviour. This automatically updates the rating grade (based on an evaluation of account behaviour and any available external information).

Rating determinants

According to differences in income patterns, the method is broken down into two sub-groups: customers using double-entry book-keeping, customers using single-entry book-keeping. Depending on these accounting types, the following four rating determinants apply:

- **Financial factors:** A financial rating is calculated either from balance sheet information (double-entry book-keeping customers), the statement of income and expenses (single-entry book-keeping customers).

- **Qualitative factors:** Qualitative factors make it possible to take into account input factors that cannot be derived directly from financial statements. Examples are management, accounting practices, market and its trends, and external information (credit bureau notifications).
- **Account behaviour:** Particular attention is paid to account behaviour, which is automatically assessed and updated on a monthly basis. The evaluation considers and scores, for example, the incidence of payment difficulties, account balances and the extent to which available credit and overdraft facilities are used.
- **Creditworthiness based on cash flow considerations:** Finally, the ability to service debts is evaluated based on the disposable income.

Outputs of the rating process

Based on the score, every SME or professional customer is assigned a rating grade on a scale of 13 grades. In a last step of the rating assignment process, human judgement in the sense of rating overrides is possible to a limited extent. The customer rating serves as the basis for determining the regulatory capital requirement, as an indicator for the credit decision and as a factor in the credit terms and conditions.

Rating Corporates

Classification

Corporates, i.e. commercial customers with sales revenues above the 300 million HUF thresholds, are rated by the "Rating Corporates" method. Within the corporate segment, a further size differentiation exists (Corporate, Group Corporate and Group Large Corporate).

Development

Statistically-derived rating model is used EBH. The new corporate rating model landscape is in used since March 2023. All models are placed on an empirical-statistical foundation. The Group Corporate and Group Large Corporate rating models are developed centrally, the latter uses external ratings as a modelling target.

Rating determinants

The assignment of ratings for corporates is done systematically both with respect to information on past developments as well as future prospects, with special attention being paid to the relevant customer segment (e.g. whether the customers' business is capital goods intensive) and the characteristics of the relevant markets (e.g. divergent accounting rules in Eastern European countries).

Rating Corporates is a two-stage process including the assignment of individual customer ratings and group ratings.

- **Individual customer rating**: The cornerstone is the evaluation of the company's financials. Based on ratios from the financial statements, a so-called "financial rating" (hard facts) is calculated. This financial rating also takes into account local factors based on the country where the company has its registered office. Another component for rating corporates is qualitative factors (soft facts). Unlike the hard facts that enter into the financial rating, these soft facts also include projections into the future. A company's potential, opportunities and risks are determined, evaluated and documented according to a standardised procedure. Moreover, the account behaviour, which is automatically assessed also considered in the rating calculation.
- **Group rating**: In a second step, the company is considered within the context of a Group of companies that form an economic unit. The capacity and the willingness to provide support are analysed, which may have a positive influence on the individual customer rating. Additionally, the Customer's Group rating is the cap for the rating of the individual customer. Rating caps also result from country ratings.

Outputs of the rating process

Based on the score, every corporate is assigned a rating grade on a scale of 13 grades. In a last step of the rating assignment process, human judgement in the sense of rating overrides is possible to a limited extent. The customer rating serves as the basis for determining the regulatory capital requirement, as an indicator for the credit decision and as a factor in the credit terms and conditions.

Rating Specialised Lending

Classification

The Corporates customer category includes the specialised lending customer segment. These are mainly income-producing real estate projects (e.g. rental, tourism and for-sale properties) and other project financings (e.g. power plants, infrastructure).

Development

The rating methods follow the Supervisory Slotting Approach and respective regulatory requirements. Hence, their development relies on human judgement but is backed with extensive data analysis. In 2023 the Bank updated the model to the EBA compliant slotting model.

Rating determinants

Both the hard facts (financial ratios) and the soft facts differ substantially from the rating for general corporates. The indicators include the loan-to-value and the debt service coverage ratio, features of the object financed (e.g. location quality) and project risks.

Outputs of the rating process

The model output are the regulatory risk categories in the Supervisory Slotting Approach within the IRB Approach. These categories are the basis for the calculation of the capital requirement. Human judgement in the sense of rating overrides is possible to a limited extent.

Bank Rating

Classification

The rating method "Banks" is used to evaluate foreign and domestic banks, investment banks as well as financial institutions belonging to banking groups.

Development

The Bank Rating model is developed centrally and placed on an empirical-statistical foundation, using external ratings as a modelling target. The model was developed in the Group, not in EBH.

Rating determinants

The Bank Rating combines quantitative (i.e. financial ratios reflecting profitability, liquidity, asset quality or size), qualitative (i.e. soft facts) and country-specific (i.e. related to the banking environment in the customer's home country) criteria to arrive at a rank ordering.

In addition, if applicable, the customer is considered within the banking group it is belonging to. The capacity and the willingness for this banking group to provide support to the customer as well as the possibility of government support are analysed, which may have a positive influence on the individual customer rating. Additionally, the banking group's rating and the Country Rating of the customer's home country represent caps for the rating of the individual customer.

Outputs of the rating process

Based on the score achieved in the rating model, every customer from the Bank Rating segment is assigned a rating grade on a scale of 13 grades. In a last step of the rating assignment process, human judgement in the sense of rating overrides is possible to a limited extent. The rating serves as the basis for the calculation of the limit for the maximum exposure that the bank is prepared to enter into with a given customer. The rating grade must be stated in every limit and credit application. After approval of the rating, the rating grade is made available to EBH.

Sovereign Rating

Classification

The rating method Sovereign Rating is a rating for the sovereign and covers central governments, central banks and public sector entities guaranteed by the central government. In addition, the sovereign rating is also the basis for the country rating ("cross-border risk").

Development

The rating method Sovereign Rating is developed centrally, with the latest material model update in use since November 2023. It is placed on a statistical foundation, using external ratings as a modelling target. The rating reflects the risk of a default in foreign currency and thus primarily represents the transfer risk (risk arising from cross-border transactions).

The sovereign ratings are determined centrally by Erste Group with binding effect for EBH (generally quarterly, at least once a year).

Rating determinants

Two groups of countries are distinguished in the modelling: industrialised and emerging markets. The reason for the distinction is that foreign debt and debt service play an important role in emerging markets but are of minor importance as indicators in established industrialised countries. Both models combine quantitative (i.e. economic) and qualitative (e.g. judgement on financial fragility, political risk or payment record) information to arrive at a rank ordering.

Outputs of the rating process

The sovereign ratings are determined centrally by Erste Group with binding effect for the entire Group (generally quarterly, at least once a year) and are made available to the Group entities.

Based on the score achieved in the rating model, every customer from the Sovereign Rating segment is assigned a rating grade on a scale of 13 grades. In a last step of the rating assignment process, expert judgement in the sense of rating overrides is possible to a limited extent. The sovereign rating assigned is a key factor for determining the limits for sovereigns ("issuer rating") and countries ("cross-border risk rating"). Usually, the country rating also serves as a cap for the assessment of the companies located in a given country ("country ceiling").

External ratings (ECAIs)

External ratings are used for securitisations only.

RATING PROCESS

Mandatory elements of any rating process are defined group-wide. These include:

- A definition of persons who are authorised to assign ratings;
- A definition of rating and re-rating triggers;
- The rating approval process;
- A regulation of manual override of a rating;
- General principles of the 3rd party support;
- Mandatory conservatism in the application in case of missing or outdated risk information;
- A synchronization process for ratings of the same client in different entities.

Rating by the selected method

Decentralised methods

Under the decentralised methods – Rating Private Individuals, Rating SME, Rating Corporates, and Rating SL – the input data needed for the rating is entered into the IT system by the account manager or the risk manager or is inferred from historical data on payment and account behaviour. The result is a computer-assisted rating grade.

Centralised methods

The centralised approaches are the rating methods Bank Rating and Sovereign Rating. The input data is captured by central specialised departments; the process results in an internal rating grade.

Rating confirmation by risk management

As a main principle, the rating determined based on any of these methods must be confirmed by the risk management function. The only exceptions are certain assets in the retail portfolio, where the risk management decision may be derived from an automation-assisted rating result (unless this is manually overridden).

CONTROL MECHANISMS FOR RATING SYSTEMS AND KEY ROLES AND RESPONSIBILITIES IN RATING SYSTEM LIFE-CYCLE

DISCLOSURE REQUIREMENTS Art. 452 (c) (d) (e) CRR

CONTROL MECHANISMS FOR RATING SYSTEMS

Independent validation

The central Model Validation unit independently challenges credit risk models and makes certain that the credit risk models used within Erste Bank Hungary are fit for purpose. Every new IRB model developed must be validated prior to use by the Model Validation unit and on regular basis after its implementation.

The rating models are regularly validated by Model Validation unit by means of a standardised validation process carried out annually. An updated validation methodology was approved and implemented in 2021. The validation methodology comprises the following validation areas:

- validation of the conceptual soundness of the model;
- validation of the model performance;
- validation of the ongoing model use.

The validation areas consist of the qualitative and quantitative tests with clear and objective assessment criteria. All validation outcomes are submitted to a respective committee for review, discussion and final decision on the validation findings and remediation plans, if necessary.

Regular Monitoring

Central Model Monitoring unit in Holding ensures quarterly control over the performance of the IRB credit risk models used in Erste Bank Hungary. The central monitoring unit as well as the process behind remain completely independent of the validation process and unit but the analyses conducted in the course of the monitoring is methodologically aligned with those used in the validation.

Review of Estimates

To ensure optimum model performance and that models reflect latest available data, all models and risk parameters are subject to the review of estimates process. The review of estimates is conducted at least annually with the main element to judge whether existing risk parameters are still appropriate or shall be updated with re-calibrated parameters that include latest available data. Apart from the parameter re-calibration (or re-estimation of the model, where applicable), the analyses conducted in the course of the review of estimates are methodologically aligned with those of validation and monitoring activities.

Review of the rating system assignment

The usage of rating method is determined depending on the customer classification:

- Retail;
- Corporates;
- Banks;
- Sovereigns.

Every customer is assigned to a specific rating method. This allocation process is highly automated to keep the percentage of manual decisions as low as possible. It includes a number of checks executed by the IT system, e.g. the permanent monitoring of the criteria occupational status, operating income, legal form and industry code, which are needed for the automated allocation of rating methods to customers.

The checks conducted by the system for plausibility and correct completion of the data entry fields inform the user of any errors by sending a warning or error message. Ensuring data quality is done by special periodic evaluations.

KEY ROLES AND RESPONSIBILITIES IN RATING SYSTEM LIFE-CYCLE

Model Development

The main principle of model development (incl. changes to the models and reviewing the estimates) is a "subsidiarity approach". It means that as a rule, responsibilities are assigned to the lowest level that can effectively execute, i.e.:

- Model development is executed by EBH for our local models;
- All group-wide models are developed by the Holding.

The Holding is responsible to set standards for the development of all models, monitor their effective implementation and provides methodological support and advice to ensure consistency within the Group. A subsidiarity model for model development is therefore balancing development efforts between the Holding and local banks and is simplifying tailoring of approaches to local requirements and data situation. This design fosters local acceptance and ownership and facilitates involvement of local experts and business stakeholders.

Model Validation

Model validation is organized in a "Hub-and-Spoke" model, which means that all validation responsibilities are bundled within the Holding validation unit, but EBH is responsible for the sign-off of the results and for taking appropriate remediation action when necessary. Such design ensures independence and control of model validation, as well as enforce adherence to uniform standards.

Model Approval

Model approval is carried out via a dual approval model approach - corresponding Holding and Local Model Committee structures to reflect responsibilities depending on model perimeter. Topics which are affecting the Group (e.g. group-wide aspects, local models used for P1/P2 group consolidated purposes etc.) are approved in line with dual approval principle (local pre-approval, followed by SREC/SRMC-approval). The ultimate responsibility for models used within the Group (at consolidated level) lies with the Group CRO. Notwithstanding this, locally developed and used models (including local "usage" of group-wide models) are within the responsibility of the CRO of EBH. A formal process of local and Holding approval is implemented via a tailored committee structure.

Model Monitoring

Model monitoring also follows a subsidiary approach:

- The Holding monitors Pillar 1 credit risk models centrally, sets monitoring standards and oversees the monitoring execution;
- EBH is responsible for local model monitoring outcomes.

Internal Audit

Internal audit reviews at least annually EBH's rating systems and its operations, including the operations of the credit function and the estimation of PDs, LGDs, ELs and conversion factors (in line with Article 191 CRR).

In order to allow an objective assessment, the internal audit function is granted an adequate level of independence from the reviewed processes and units in order to ensure that (according to ECB Guide to Internal Models – General Topics, Chapter 1.7):

- there is an effective separation between the staff performing the internal audit function and the staff involved in the operation of the internal models: model development, model validation and the relevant business areas;
- the internal audit reports directly to the management body; and

- no undue influence is exerted on the staff responsible for the audit conclusions.

Independence between internal audit and risk management functions is ensured by the separation up to the board level (audit - CEO, risk management - CRO). Ensuring that internal audit provides independent and objective assurance on risk management is vital for risks to be managed effectively.

Audit's assessment includes a confirmation of the fulfilment of tasks of quantitative nature performed by the units responsible for development and initial validation of the rating model(s) according to CRR (Article 191), EBA/RTS/2016/03 (Article 17) and internal requirements.

Reporting related to credit risk models

The Group-wide Credit Risk Models & Credit RWA Report is an internal report dedicated to monitoring internal IRB credit risk rating models, covering EBH's IRB rating models as well. The report is produced with quarterly frequency and regularly presented to senior management, in particular the Strategic Risk Management Committee. The topics covered by the report include but not limited to: development of model parameters and their drivers, risk profile by rating grades, rating migrations, RWA development, data quality, rating process monitoring.

DEFINITIONS, METHODS, AND DATA FOR THE ESTIMATION AND VALIDATION OF THE RISK PARAMETERS

DISCLOSURE REQUIREMENTS Art. 452 (f) (h) CRR

Probability of default

The PD represents the probability that a given customer will default within the subsequent twelve-months period (one-year PD). The PD is estimated internally for the portfolios Retail, Corporates, Banks and Sovereigns.

The PD estimation methodology approved and implemented in December 2019 is in line with recently issued regulatory guidance and its resulting PDs reflect long-run average default rates on rating grade level. Additionally, when estimating PD, a margin of conservatism is added for each portfolio in order to ensure a conservative estimate as per IRB Approach standards. The regulatory floors on the minimal level of PD are applied. The difference between PDs and actual default rates arises due to the long term-average nature of PDs and conservative margins defined in the regulation that are applied in the PD estimation.

The validation of the PDs employs both qualitative and quantitative tests within the following validation areas:

- validation of the conceptual soundness of the model;
- validation of the model performance;
- validation of the ongoing model use.

In the quantitative validation, the estimated PDs are challenged with several quantitative tests such as accuracy of the risk parameter prediction, soundness of the calibration method, long-term stability as well as performance of the final estimates. Qualitative tests comprise quality of the model documentation, sampling process, representativeness of the data used, conceptual soundness of modelling approaches as well as all model use aspects. The final validation outcomes are documented in the validation report together with the respective validation findings, if necessary. The same also applies to the risk parameters LGD and CCF described below.

The table below shows the average PDs per exposure asset classes compared to observed average default rate and average historical annual default rate based on minimum 5 years of history. The exposure classes where EBH doesn't have exposures are omitted from the overview.

in HUF million or %

A-IRB	PD range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Private	**0.00 to <0.15**	**-**	**-**	**0.00%**	**-**	**-**	**-**
Private	0.00 to <0.10	-	-	0.00%	-	-	-
Private	0.10 to <0.15	-	-	0.00%	-	-	-
Private	**0.15 to <0.25**	**-**	**-**	**0.00%**	**-**	**-**	**-**
Private	**0.25 to <0.50**	**-**	**-**	**0.00%**	**0.32%**	**0.32%**	**0.83%**
Private	**0.50 to <0.75**	**141,986**	**158**	**0.11%**	**0.61%**	**0.60%**	**0.35%**
Private	**0.75 to <2.50**	**106,989**	**387**	**0.36%**	**1.52%**	**1.52%**	**0.70%**
Private	0.75 to <1.75	5,986	10	0.17%	1.31%	1.25%	0.66%
Private	1.75 to <2.5	101,003	377	0.37%	1.85%	1.83%	0.79%
Private	**2.50 to <10.00**	**75,667**	**1,293**	**1.71%**	**5.38%**	**5.10%**	**2.82%**
Private	2.5 to <5	51,044	699	1.37%	3.65%	3.83%	1.97%
Private	5 to <10	24,623	594	2.41%	8.00%	8.46%	4.52%
Private	**10.00 to <100.00**	**20,904**	**2,379**	**11.38%**	**28.79%**	**26.85%**	**14.11%**
Private	10 to <20	9,566	526	5.50%	15.02%	15.78%	7.87%
Private	20 to <30	5,972	570	9.54%	24.75%	24.52%	15.60%
Private	30.00 to <100.00	5,366	1,283	23.91%	50.67%	50.06%	23.83%
Private	**100.00 (Default)**	**12,770**	**-**	**0.00%**	**100.00%**	**100.00%**	**0.00%**

Table 37: Back-testing of PD per exposure class – A-IRB Private (Art. 452 (h) CRR, CR9 (EU) 2021/637)

in HUF million or %

F-IRB	PD range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Corporate	**0.00 to <0.15**	**7**	**-**	**0.00%**	**0.07%**	**0.09%**	**0.00%**
Corporate	0.00 to <0.10	2	-	0.00%	0.05%	0.05%	0.00%
Corporate	0.10 to <0.15	5	-	0.00%	0.13%	0.13%	0.00%
Corporate	**0.15 to <0.25**	**-**	**-**	**0.00%**	**0.22%**	**0.22%**	**0.00%**
Corporate	**0.25 to <0.50**	**42**	**-**	**0.00%**	**0.36%**	**0.35%**	**2.54%**
Corporate	**0.50 to <0.75**	**244**	**-**	**0.00%**	**0.67%**	**0.68%**	**0.29%**
Corporate	**0.75 to <2.50**	**657**	**2**	**0.30%**	**1.30%**	**1.45%**	**0.51%**
Corporate	0.75 to <1.75	332	1	0.30%	1.14%	1.08%	0.46%
Corporate	1.75 to <2.5	325	1	0.31%	2.04%	2.02%	0.61%
Corporate	**2.50 to <10.00**	**652**	**9**	**1.38%**	**4.66%**	**4.82%**	**2.39%**
Corporate	2.5 to <5	274	5	1.82%	3.09%	3.33%	2.11%
Corporate	5 to <10	378	4	1.06%	6.64%	6.72%	2.66%
Corporate	**10.00 to <100.00**	**135**	**14**	**10.37%**	**18.88%**	**16.73%**	**9.00%**
Corporate	10 to <20	123	7	5.69%	13.85%	14.19%	7.39%
Corporate	20 to <30	12	7	58.33%	23.60%	24.11%	20.04%

F-IRB	PD range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Corporate	30.00 to <100.00	-	-	0.00%	36.73%	38.64%	36.49%
Corporate	**100.00 (Default)**	**121**	**-**	**0.00%**	**100.00%**	**100.00%**	**0.00%**

Table 38: Back-testing of PD per exposure class – F-IRB Corporate (Art. 452 (h) CRR, CR9 (EU) 2021/637)

Loss Given Default

For Pillar 1 purposes, LGD is estimated at EBH only for private individuals. LGD is defined as the expected economic loss on defaulted exposures after recoveries (from collateral and other repayments) as a percentage of EAD, modelled on pool level based on the decomposition of the total LGD in a cure rate component and loss rate components for both liquidated and cured exposures. The cure rate component is estimated via a logistic regression, while the estimation of the loss given liquidation relies on linear regression. For each of the pools, which are defined as homogeneous segments by product, client segment and exposure, a separate risk differentiation is derived. For the purpose of estimation, no further recoveries are assumed for an exposure after a maximum period of time in workout that is defined on pool level based on an analysis of closed workout cases and the recovery curve. Depending on credit exposure, LGD is then calculated taking into account proportionately allocated costs, a margin of conservatism as well as an add-on to properly reflect economic downturn conditions. The LGD for default exposures is determined as an estimation of the best estimate of expected losses (ELbe) and an add-on capturing the downturn adjustment and margin of conservatism. The ELbe modelling uses the same methodology as the LGD modelling, additionally considering the different times in default to reflect changes to the loss given liquidation and cure rate.

The validation of the LGD models is performed by the independent validation function once a year, using both qualitative and quantitative tests within the following validation areas:

- validation of the conceptual soundness of the model;
- validation of the model performance;
- validation of the ongoing model use.

The table below shows the LGD back-testing results for defaulted customers on the long-term number-weighted average. All defaults over a period of at least 10 years from internal validation reports were considered in the back-testing analysis. The estimated LGDs were higher than the observed value for all sub-classes of the retail exposure class, indicating the conservativeness of the estimates.

Asset class	Average LGD estimates	Average annual observed LGD
Retail	78.24%	62.55%
thereof SME	N/A	N/A
thereof Private Individuals	78.24%	62.55%

Table 39: Back-testing LGD (Art. 452 (f) (ii) CRR)

For Pillar 1 purposes, the CCF is estimated internally only for private individuals. It is defined as the expected drawdown of off-balance sheet, non-derivative positions within twelve months on the condition that the customer defaults within this period. EAD represents current drawings plus the off-balance sheet non-derivative positions (that is, the available undrawn credit amount) multiplied by the CCF. The CCF is estimated in a two-stage process: In the first step, empirical conversion rates are determined based on the data collected on defaulted customers. The conversion rate represents the relationship between the net credit increase from the reference date to the default date, on the one hand, and the available undrawn credit at the reference date on the other hand. The reference date is the date one year before default. The second step consists of the identification of risk drivers and based on this, the segmentation and the estimation of the CCF for each homogeneous segment. The estimates of CCFs are calculated by segment as the respective mean of all conversion rates per given segment over the entire period, plus a margin of conservatism for estimation error and, if applicable, an add-on to properly reflect economic downturn conditions.

The regular validation of the CCF risk parameter is performed by the independent validation function once a year, using both qualitative and quantitative methods:

- review of the documentation;
- review of the underlying model assumptions;
- segmentation;
- outlier rules;
- use test;
- approval of limits;
- testing of data quality;
- analysis of time series;
- benchmarking.

Quantitative methods consist primarily of the comparison of actual and expected CCFs. Qualitative methods are large population distribution tests, such as analysis of raw data and time series analysis of defaults, of conversion rates and of exposure at the reference date.

The following table presents the results of back-testing at Erste Hungary level over the time period of minimum 10 years based on the internal validation reports.

Asset class	Average CCF estimates	Average observed CCF
Retail	69.02%	24.77%
thereof SME	N/A	N/A
thereof Private Individuals	69.02%	24.77%

Table 40: Back-testing CCF (Art. 452 (f) CRR (iii))

The alignment of the definition of default with recent regulatory requirements in general only had a minor impact on default rates, confined to the retail segment.

Quantitative disclosure on credit risk – IRB Approach

DISCLOSURE REQUIREMENTS Art. 452 (g) (i-v) 453 (g) (j) 180(1) (f) CRR

IRB exposures included in counterparty credit risk, securitization and other assets are not covered by tables below, but within respective chapters.

With respect to exposures under IRB Approach, a breakdown is given below of the exposure classes of corporates and retail by PD scales.

in HUF million or % / PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
A-IRB												
Exposure class A0404												
0.00 to <0.15	**-**	**-**	**-**	**-**	**0.00%**	**-**	**0.00%**	**-**	**-**		**-**	**-**
0.00 to <0.10	-	-	-	-	0.00%	-	0.00%	-	-		-	-
0.10 to <0.15	-	-	-	-	0.00%	-	0.00%	-	-		-	-
0.15 to <0.25	**-**	**-**	**-**	**-**	**0.00%**	**-**	**0.00%**	**-**	**-**		**-**	**-**
0.25 to <0.50	**-**	**-**	**-**	**-**	**0.00%**	**-**	**0.00%**	**-**	**-**		**-**	**-**
0.50 to <0.75	**231,543**	**623**	**623**	**232,166**	**0.59%**	**63,936**	**31.83%**	**-**	**68,917**	**29.68%**	**439**	**- 209**
0.75 to <2.50	**219,416**	**556**	**556**	**219,972**	**1.76%**	**74,251**	**31.67%**	**-**	**133,101**	**60.51%**	**1,227**	**- 674**
0.75 to <1.75	6,943	-	-	6,943	0.83%	3,154	30.08%	-	2,457	35.39%	17	- 20
1.75 to <2.5	212,473	556	556	213,029	1.79%	71,097	31.72%	-	130,643	61.33%	1,209	- 653
2.50 to <10.00	**92,733**	**356**	**356**	**93,089**	**5.94%**	**31,644**	**31.72%**	**-**	**109,067**	**117.16%**	**1,755**	**- 1,533**
2.5 to <5	66,125	225	225	66,349	4.37%	22,181	31.67%	-	68,378	103.06%	919	- 654
5 to <10	26,609	131	131	26,740	9.82%	9,463	31.83%	-	40,689	152.16%	836	- 879
10.00 to <100.00	**14,678**	**31**	**31**	**14,708**	**34.91%**	**5,607**	**33.08%**	**-**	**26,621**	**180.99%**	**1,737**	**- 1,653**
10 to <20	5,454	14	14	5,467	17.37%	2,287	31.77%	-	9,924	181.52%	302	- 278
20 to <30	3,123	17	17	3,140	28.14%	1,268	31.93%	-	6,207	197.70%	282	- 238
30.00 to <100.00	6,101	-	-	6,101	54.10%	2,052	34.84%	-	10,489	171.92%	1,153	- 1,137
100.00 (Default)	**11,898**	**-**	**-**	**11,898**	**100.00%**	**4,437**	**44.72%**	**-**	**8,116**	**68.22%**	**4,690**	**- 7,616**
Subtotal (exposure class)	**570,267**	**1,566**	**1,566**	**571,833**	**4.86%**	**179,875**	**32.05%**	**-**	**345,822**	**60.48%**	**9,848**	**- 11,685**
Exposure class A0408												
0.00 to <0.15	**-**	**-**	**-**	**-**	**0.00%**	**-**	**0.00%**	**-**	**-**	**0.00%**	**-**	**-**
0.00 to <0.10	-	-	-	-	0.00%	-	0.00%	-	-	0.00%	-	-
0.10 to <0.15	-	-	-	-	0.00%	-	0.00%	-	-	0.00%	-	-

in HUF million or % / PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
0.15 to <0.25	**-**	**-**	**-**	**-**	**0.00%**	**-**	**0.00%**	**-**	**-**		**-**	**-**
0.25 to <0.50	**-**	**-**	**-**	**-**	**0.00%**	**-**	**0.00%**	**-**	**-**		**-**	**-**
0.50 to <0.75	**61,480**	**70,531**	**46,707**	**108,187**	**0.59%**	**347,530**	**66.56%**	**-**	**60,368**	**38%**	**428**	**- 241**
0.75 to <2.50	**85,256**	**20,748**	**14,967**	**100,222**	**1.77%**	**228,554**	**69.15%**	**-**	**91,523**	**70%**	**1,229**	**- 698**
0.75 to <1.75	802	1,462	961	1,763	0.83%	11,177	68.90%	-	1,208	42%	10	- 4
1.75 to <2.5	84,454	19,286	14,005	98,460	1.79%	217,377	69.16%	-	90,315	71%	1,219	- 694
2.50 to <10.00	**93,183**	**11,887**	**8,748**	**101,931**	**6.18%**	**215,777**	**72.48%**	**-**	**119,822**	**117%**	**4,610**	**- 4,349**
2.5 to <5	60,872	9,453	7,041	67,913	4.36%	154,578	71.39%	-	74,866	107%	2,112	- 1,866
5 to <10	32,311	2,433	1,707	34,019	9.83%	61,199	74.66%	-	44,956	141%	2,498	- 2,483
10.00 to <100.00	**33,116**	**2,408**	**1,896**	**35,011**	**33.79%**	**115,460**	**77.95%**	**-**	**68,568**	**191%**	**9,153**	**- 9,808**
10 to <20	13,273	651	437	13,711	19.38%	25,190	78.06%	-	24,973	182%	2,080	- 2,094
20 to <30	8,654	337	230	8,885	28.63%	16,517	79.18%	-	18,827	208%	2,014	- 2,198
30.00 to <100.00	11,188	1,421	1,228	12,416	53.39%	73,753	76.96%	-	24,768	190%	5,059	- 5,516
100.00 (Default)	**21,142**	**513**	**295**	**21,436**	**100.00%**	**27,123**	**75.94%**	**-**	**10,024**	**54%**	**15,481**	**- 16,458**
Subtotal (exposure class)	**294,176**	**106,087**	**72,612**	**366,788**	**11.45%**	**934,444**	**70.55%**	**-**	**350,305**	**96%**	**30,901**	**- 31,555**
Total (all exposures classes)	**864,443**	**107,653**	**74,178**	**938,621**	**7.44%**	**1,114,319**	**47.09%**	**-**	**350,305**	**74%**	**30,901**	**- 31,555**

Table 41: A-IRB Approach - Credit risk exposures by exposure class and PD range (Art. 452 (g) CRR, EU CR6 (EU) 2021/637)

in HUF million or % / PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after SME supporting factor	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
F-IRB												
Exposure class F0100												
0.00 to <0.15	**40,719**	**-**	**-**	**177,281**	**0.07%**	**2**	**45.00%**	**3**	**45,246**	**25.52%**	**54**	**- 10**
0.00 to <0.10	40,719	-	-	177,281	0.07%	2	45.00%	3	45,246	25.52%	54	- 10
0.10 to <0.15	-	-	-	-	0.00%	-	0.00%	-	-	0.00%	-	-

in HUF million or % PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after SME supporting factor	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
0.15 to <0.25	-	-	-	-	0.00%	-	0.00%	-	-		-	-
0.25 to <0.50	-	-	-	-	0.00%	-	0.00%	-	-		-	-
0.50 to <0.75	-	-	-	-	0.00%	-	0.00%	-	-		-	-
0.75 to <2.50	-	-	-	-	0.00%	-	0.00%	-	-		-	-
0.75 to <1.75	-	-	-	-	0.00%	-	0.00%	-	-		-	-
1.75 to <2.5	-	-	-	-	0.00%	-	0.00%	-	-		-	-
2.50 to <10.00	-	-	-	-	0.00%	-	0.00%	-	-		-	-
2.5 to <5	-	-	-	-	0.00%	-	0.00%	-	-		-	-
5 to <10	-	-	-	-	0.00%	-	0.00%	-	-		-	-
10.00 to <100.00	-	-	-	-	0.00%	-	0.00%	-	-		-	-
10 to <20	-	-	-	-	0.00%	-	0.00%	-	-		-	-
20 to <30	-	-	-	-	0.00%	-	0.00%	-	-		-	-
30.00 to <100.00	-	-	-	-	0.00%	-	0.00%	-	-		-	-
100.00 (Default)	-	-	-	-	0.00%	-	0.00%	-	-		-	-
Subtotal (exposure class)	40,719	0	0	177,281	0.07%	2	45.00%	3	45,246	25.52%	54	- 10
Exposure class F0200												
0.00 to <0.15	5,579	13,078	2,616	33,420	0.09%	9	45.00%	3	11,805	35.32%	13	- 4
0.00 to <0.10	5,579	13,078	2,616	33,420	0.09%	9	45.00%	3	11,805	35.32%	13	- 4
0.10 to <0.15	-	-	-	-	0.00%	-	0.00%	-	-		-	-
0.15 to <0.25	1,310	651	130	1,440	0.16%	5	45.00%	3	659	45.78%	1	- 1
0.25 to <0.50	606,843	28,469	20,984	46,245	0.41%	10	41.35%	3	32,196	69.62%	77	- 1,092
0.50 to <0.75	-	-	-	-	0.00%	-	0.00%	-	-		-	-
0.75 to <2.50	-	331	66	96	0.83%	1	45.00%	3	99	103.11%	0	- 1
0.75 to <1.75	-	331	66	96	0.83%	1	45.00%	3	99	103.11%	0	- 1
1.75 to <2.5	-	-	-	-	0.00%	-	0.00%	-	-		-	-
2.50 to <10.00	-	918	184	184	8.10%	3	45.00%	3	415	226.29%	7	- 30
2.5 to <5	-	50	10	10	4.87%	1	45.00%	3	21	213.49%	0	- 1

in HUF million or % PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after SME supporting factor	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
5 to <10	-	868	174	174	8.28%	2	45.00%	3	394	227.03%	6	- 29
10.00 to <100.00	**191**	**2,451**	**420**	**611**	**38.45%**	**10**	**41.87%**	**3**	**1,649**	**269.92%**	**98**	**- 29**
10 to <20	-	-	-	-	0.00%	-	0.00%	-	-		-	-
20 to <30	-	-	-	-	0.00%	-	0.00%	-	-		-	-
30.00 to <100.00	191	2,451	420	611	38.45%	10	41.87%	3	1,649	269.92%	98	- 29
100.00 (Default)	**0**	**-**	**-**	**0**	**100.00%**	**1**	**45.00%**	**3**	**-**	**0.00%**	**0**	**- 0**
Subtotal (exposure class)	**613,924**	**45,897**	**24,399**	**81,995**	**0.58%**	**39**	**42.92%**	**3**	**46,823**	**57.10%**	**197**	**- 1,156**
Exposure class F0301												
0.00 to <0.15	**-**	**383**	**-**	**-**	**0.00%**	**1**	**0.00%**	**-**	**-**		**-**	**-**
0.00 to <0.10	-	383	-	-	0.00%	1	0.00%	-	-		-	-
0.10 to <0.15	-	-	-	-	0.00%	-	0.00%	-	-		-	-
0.15 to <0.25	**45,389**	**25,900**	**1,904**	**38,766**	**0.22%**	**267**	**42.59%**	**3**	**13,070**	**33.72%**	**36**	**- 87**
0.25 to <0.50	**-**	**-**	**-**	**-**	**0.00%**	**-**	**0.00%**	**-**	**-**		**-**	**-**
0.50 to <0.75	**1,386**	**2,272**	**43**	**897**	**0.70%**	**7**	**45.00%**	**3**	**752**	**83.83%**	**3**	**- 3**
0.75 to <2.50	**124,284**	**55,630**	**4,204**	**107,634**	**1.42%**	**667**	**42.38%**	**3**	**84,644**	**78.64%**	**651**	**- 468**
0.75 to <1.75	68,593	26,752	2,560	61,353	0.87%	329	42.07%	3	40,962	66.77%	224	- 174
1.75 to <2.5	55,691	28,878	1,644	46,281	2.16%	338	42.79%	3	43,682	94.38%	427	- 294
2.50 to <10.00	**123,237**	**64,309**	**3,335**	**95,969**	**4.58%**	**561**	**42.11%**	**3**	**104,580**	**108.97%**	**1,857**	**- 2,091**
2.5 to <5	86,314	36,613	2,736	67,134	3.50%	447	41.69%	3	66,596	99.20%	975	- 967
5 to <10	36,922	27,696	600	28,835	7.10%	114	43.10%	3	37,984	131.73%	882	- 1,124
10.00 to <100.00	**22,024**	**11,061**	**1,520**	**17,463**	**16.92%**	**792**	**41.41%**	**3**	**28,530**	**163.38%**	**1,227**	**- 1,264**
10 to <20	18,414	9,477	1,212	15,138	13.93%	108	41.19%	3	24,310	160.58%	864	- 949
20 to <30	0	-	-	0	25.53%	1	45.00%	3	0	238.26%	0	-
30.00 to <100.00	3,610	1,584	308	2,324	36.41%	683	42.82%	3	4,220	181.57%	363	- 315
100.00 (Default)	**8,849**	**6,295**	**1,045**	**8,662**	**100.00%**	**166**	**39.54%**	**3**	**-**	**0.00%**	**3,425**	**- 7,436**
Subtotal (exposure class)	**325,169**	**165,850**	**12,051**	**269,391**	**6.55%**	**2,461**	**42.17%**	**3**	**231,576**	**85.96%**	**7,200**	**- 11,351**
Exposure class F0304												

in HUF million or % PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after SME supporting factor	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
0.00 to <0.15	**181,400**	**22,202**	**8,405**	**107,146**	**0.08%**	**16**	**45.00%**	**3**	**33,002**	**30.80%**	**37**	**- 68**
0.00 to <0.10	63,965	19,537	8,237	75,881	0.06%	6	45.00%	3	20,152	26.56%	21	- 19
0.10 to <0.15	117,435	2,665	168	31,265	0.12%	10	45.00%	3	12,851	41.10%	16	- 49
0.15 to <0.25	**52,781**	**82,162**	**15,249**	**64,291**	**0.19%**	**25**	**42.12%**	**3**	**31,828**	**49.51%**	**53**	**- 74**
0.25 to <0.50	**134,707**	**135,059**	**36,818**	**147,618**	**0.38%**	**22**	**44.83%**	**3**	**111,882**	**75.79%**	**250**	**- 739**
0.50 to <0.75	**45,477**	**16,903**	**938**	**46,415**	**0.71%**	**13**	**44.49%**	**3**	**47,224**	**101.74%**	**146**	**- 299**
0.75 to <2.50	**53,785**	**35,178**	**3,789**	**60,427**	**1.25%**	**32**	**44.15%**	**3**	**68,733**	**113.74%**	**331**	**- 407**
0.75 to <1.75	39,705	24,988	2,050	47,953	1.01%	19	44.79%	3	52,218	108.89%	216	- 205
1.75 to <2.5	14,081	10,190	1,739	12,474	2.20%	13	41.68%	3	16,514	132.39%	114	- 202
2.50 to <10.00	**21,550**	**23,622**	**2,595**	**24,025**	**3.80%**	**17**	**39.10%**	**3**	**33,570**	**139.73%**	**349**	**- 359**
2.5 to <5	21,550	23,622	2,595	24,025	3.80%	15	39.10%	3	33,569	139.73%	349	- 359
5 to <10	0	-	-	0	9.20%	2	45.00%	3	0	198.21%	0	- 0
10.00 to <100.00	**1,707**	**766**	**191**	**1,899**	**18.67%**	**272**	**41.33%**	**3**	**4,745**	**249.94%**	**147**	**- 140**
10 to <20	1,696	766	191	1,887	18.53%	7	41.31%	3	4,719	250.04%	144	- 139
20 to <30	0	-	-	0	29.95%	1	45.00%	3	0	200.95%	0	- 0
30.00 to <100.00	11	-	-	11	40.94%	264	45.00%	3	26	233.14%	2	- 1
100.00 (Default)	**7,894**	**1,777**	**47**	**7,941**	**100.00%**	**63**	**41.77%**	**3**	**-**	**0.00%**	**3,317**	**- 5,540**
Subtotal (exposure class)	**499,303**	**317,670**	**68,031**	**459,762**	**2.41%**	**460**	**44.00%**	**3**	**330,984**	**71.99%**	**4,630**	**- 7,626**
Total (all exposures classes)	**1,438,395**	**529,416**	**104,481**	**988,429**	**2.96%**	**2,960**	**43.59%**	**2**	**654,629**	**66.23%**	**12,027**	**- 20,133**

Table 42: F-IRB Approach – Credit risk exposures by exposure class and PD range (Art. 452 (g) CRR, EU CR6 (EU) 2021/637)

in HUF million or % A-IRB	Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)		RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
		Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)				Part of exposures covered by Other funded credit protection (%)				Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)		
				Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)		Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)				
Central governments and central banks	**-**	**0.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**
Institutions	**-**	**0.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**
Corporates	**-**	**0.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**
Of which Corporates – SMEs	-	0.00%	-	-	-	-	-	-	-	-	-	-		-
Of which Corporates – Specialised lending	-	0.00%	-	-	-	-	-	-	-	-	-	-		-
Of which Corporates – Other	-	0.00%	-	-	-	-	-	-	-	-	-	-		-
Retail	**938 621**	**0,34%**	**50,34%**	**50,34%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**		**696 127**
Of which Retail – Immovable property SMEs	-	0.00%	-	-	-	-	-	-	-	-	-	-		-
Of which Retail – Immovable property non-SMEs	571 833	0,00%	82,63%	82,63%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%		345 822
Of which Retail – Qualifying revolving	-	0.00%	-	-	-	-	-	-	-	-	-	-		-
Of which Retail – Other SMEs	-	0.00%	-	-	-	-	-	-	-	-	-	-		-
Of which Retail – Other non-SMEs	366,788	0.87%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	,	350,305
Total	**938,621**	**0.34%**	**50.34%**	**50.34%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**,**	**696,127**

Table 43: A-IRB Approach – Exposure class: Retail by PD classes (Art. 453 (g) CRR, EU CR7-A (EU) 2021/637)

in HUF million or % F-IRB	Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
		Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)				Part of exposures covered by Other funded credit protection (%)				Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
				Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)		Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)				
Central governments and central banks	**177,300**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**		**45,225**
Institutions	**81,995**	**0.00%**	**0.23%**	**0.23%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**		**46,823**
Corporates	**1,048,865**	**1.47%**	**10.03%**	**10.03%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**		**847,513**
Of which Corporates – SMEs	269,391	4.68%	23.60%	23.60%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		231,576
Of which Corporates – Specialised lending	319,713	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		284,953
Of which Corporates – Other	459,762	0.60%	9.06%	9.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		330,984
Total	**1,308,161**	**1.18%**	**8.06%**	**8.06%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**		**939,561**

Table 44: F-IRB Approach – Exposure class: Retail by PD classes (Art. 453 (g) CRR, EU CR7-A (EU) 2021/637)

Risk weighted exposure amount flow statements

in HUF million	Risk weighted exposure amount
Risk weighted exposure amount as at the end of the previous reporting period	**1,720,740**
Asset size (+/-)	130,519
Asset quality (+/-)	-175,990
Model updates (+/-)	-,27,484
Methodology and policy (+/-)	-
Acquisitions and disposals (+/-)	-
Foreign exchange movements (+/-)	-12,097
Other (+/-)	-
Risk weighted exposure amount as at the end of the reporting period	**1,635,688**

Table 45: RWEA flow statements of credit risk exposures under the IRB approach (CRR Art. 438 (h), EU CR8 (EU) 2021/637)

Counterparty credit risk

Goals and principles of risk management

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) 431 (3) (4) CRR

Counterparty credit risk (CCR) for OTC derivatives and securities financing transactions (securities repurchasing transactions) is measured as the sum of current replacement costs in the case of default of the counterparty (i.e. the positive market value taking into account netting agreements) and of potential replacement costs that may result from future changes in market values due to a change in the underlying market risk factors (e.g. interest rates, currencies, or equity prices).

Counterparty credit risks are monitored and controlled at transaction level as well as at portfolio level. Erste Bank has a real-time limit monitoring system. The availability of unused limits must be checked before a transaction is executed.

ORGANISATION

Credit risks from derivatives and repurchase agreements transactions are fully integrated into the general credit risk management system. A requirement for entering into derivative transactions is the compliance with the credit process, where the same standards with respect to classification, limits and monitoring apply as in the case of conventional credit transactions. Counterparty credit risks are measured and monitored on a daily basis by Liquidity and Market Risk Management. Counterparty default risk is taken into consideration in credit risk reporting.

RISK MEASUREMENT AND CONTROL

For the internal measurement of credit risk arising from derivatives and repurchase transactions, the current market values (replacement values) and potential fluctuations of the replacement values (Potential Future Exposure) due to changes in the underlying market risk factors until maturity are taken into account.

The calculation of the potential future exposure for derivative instruments is based on the regulatory methodology of the standardised approach for counterparty credit risk (SA-CCR). Starting in 2022, SA-CCR is also used for the purposes of internal limit steering which brings regulatory and internal exposure measures in close alignment.

For the calculation of current and potential credit risks, netting procedures are taken into account only if the netting agreement with the counterparty is approved by the MNB. The amounts receivable are limited by own limits as well as within the scope of the limits of the overall credit risk exposure of the respective counterparty, groups of counterparties and countries. Additionally, settlement risk is controlled by adequate limits.

NETTING AND COLLATERAL

An important basis for the reduction of counterparty credit risk is entering into framework agreements (international framework agreements for derivatives of the International Swaps and Derivatives Association (ISDA). Based on these agreements, it is possible to net all amounts due or payable for each individual transaction under a framework agreement in the case of a credit default, with the result that only the net receivables vis-à-vis the business partner are of relevance for credit risk. Erste Bank does not make use of cross product netting (i.e. exposures, including both derivatives and SFTs netted at counterparty level).

Furthermore, collateral agreements (e.g. ISDA Credit Support Annex) are used for reducing the credit risk from derivatives. Within the scope of these collateral agreements, the portfolio with the respective counterparty is revalued periodically, usually daily, and in case of insufficient coverage additional collateral is requested.

Internal capital allocation and definition of credit limits for counterparty credit exposures

DISCLOSURE REQUIREMENTS Art. 439 (a) CRR

Counterparty credit risk is assessed as part of the centralised calculation of RWAs and treated as a component of credit risk in the RCC. In part, portfolios subject to the Standardised Approach are recalculated using IRB parameters in order to gain an economic perspective. RWAs are scaled to the confidence level of 99.92% in the RCC. Counterparty credit risk is incorporated into the RCC, which is reported quarterly to the management board. It forms one of the vital components of the Economic Capital Adequacy Limit, which is approved by the management board.

A credit limit for counterparties at individual customer level is requested and approved by the appropriate credit processing channels. Individual customer limits are regularly monitored and tracked in the reporting system. Further relevant credit limits include the maximum lending limit for the group of connected clients and industry limits which are defined in line with the RAS and the Risk Strategy and also periodically reviewed and reported to the management board and supervisory board.

Securing of collateral and establishing of reserves

DISCLOSURE REQUIREMENTS Art. 439 (b) CRR

On the basis of bilateral contracts (securities repurchase transactions, ISDA netting agreements, credit support annexes, etc.), Erste Bank has the ability to apply risk mitigating measures (netting, taking of security). Erste Bank incurs credit risk only when the net market value is positive (replacement risk). As this risk depends mainly on fluctuations in the market risk parameters (exchange rates, interest rate movements, credit spreads), open transactions must regularly be revalued and the collateral adjusted.

Acceptable collateral consists of cash denominated in certain defined currencies (generally EUR, USD and HUF) and government bonds. In the case of securities used as collateral, an additional valuation discount (haircut) depending on the residual maturity is applied. The adjustment of the collateral to the current risk situation (mark-to-market valuation of the transactions with the respective counterparty) and the review of the current collateral value (taking into account exchange rate fluctuations for collateral in foreign currency, market value of securities) are performed at contractually agreed intervals. Valuation frequencies are daily.

The ability to realise collateral in the event of counterparty insolvency and to reuse collateral (notably to re-pledge it to third parties, or to reuse it for lending or repo transactions) is ensured based on legal opinions issued on behalf of ISDA for the relevant jurisdictions of the individual counterparties. Credit value adjustments are made for unsecured exposures from derivative transactions contingent on the credit rating or PD of the counterparty and the maturity of the contract.

For repurchase agreements the mutual obligation to meet margin calls ensures full collateralisation on an ongoing basis, no additional reserves are formed for these transactions.

Limitation on wrong-way risk

DISCLOSURE REQUIREMENTS Art. 439 (c) CRR

Erste Bank has a robust framework in place for managing wrong-way risk. Dedicated limits are set in order to avoid general and specific wrong-way risk. This comprises very strict limitations for acceptable collateral for OTC business and securities finance transactions and additional limitations on trades where specific wrong-way risk could occur (e.g. no exposure reduction in case of legal connections between the trade counterparty and the reference entity of the received collateral).

Impact on collateralisation of a rating downgrade

DISCLOSURE REQUIREMENTS Art. 439 (d) CRR

Contractual provisions concerning dependencies between collateralisation and the credit rating of Erste Bank exist in the context of some collateral agreements. In 2023 there were no trades based on these agreements.

Quantitative disclosure on counterparty risk

DISCLOSURE REQUIREMENTS Art. 439 (e) to (l) in conjunction with 444 (e) and 452 (g) CRR

The table below provides an overview of the methods used to calculate CCR regulatory requirements, the main parameters used with-in each method, as well as the resulting net exposures and RWAs.

in HUF million	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
SA-CCR (for derivatives)	18,342,69	19,249,81		1.4	52,630	52,630	52,630	26,967
IMM (for derivatives and SFTs)			-	1.4	-	-	-	-
Of which securities financing transactions netting sets			-		-	-	-	-
Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
Of which from contractual cross-product netting sets			-		-	-	-	-
Financial collateral simple method (for SFTs)					-	-	-	-
Financial collateral comprehensive method (for SFTs)					258,000	258,000	142,913	8,248
VaR for SFTs					-	-	-	-
Total					**310,630**	**310,630**	**195,542**	**35,215**

Table 46: Analysis of CCR exposure by approach (Art. 436 (f) (g) (k) CRR, EU CCR1 (EU) 2021/637)

The table below provides an overview of the exposures subject to CVA capital charges in accordance with Part three, Title VI, Article 382 CRR. Erste Hungary applies the standardised method to compute CVA capital charges exclusively.

in HUF million	Exposure value	RWEA
Total transactions subject to the Advanced method	-	-
(i) VaR component (including the 3× multiplier)		-
(ii) stressed VaR component (including the 3× multiplier)		-
Transactions subject to the Standardised method	37,482	37,482
Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
Total transactions subject to own funds requirements for CVA risk	**37,482**	**37,482**

Table 47: Analysis of CCR CVA Capital Charge (Art. 439 (h) CRR, EU CCR2 (EU) 2021/637)

The table below provides an overview of the exposures towards central counterparties (CCPs) in the scope of Part Three, Title II, Chapter 6, Section 9 of the CRR and related capital requirements.

in HUF million	Exposure value	RWEA
Exposures to QCCPs (total)		1
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
(i) OTC derivatives	-	-
(ii) Exchange-traded derivatives	-	-
(iii) SFTs	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	
Non-segregated initial margin	-	-
Prefunded default fund contributions	1,001	1
Unfunded default fund contributions	-	-
Exposures to non-QCCPs (total)		-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
(i) OTC derivatives	-	-
(ii) Exchange-traded derivatives	-	-
(iii) SFTs	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	
Non-segregated initial margin	-	-
Prefunded default fund contributions	-	-
Unfunded default fund contributions	-	-

Table 48: Exposures to central counterparties (CCPs) (Art. 439 (i) CRR, EU CCR8 (EU) 2021/637)

The table below provides a breakdown of CCR exposure calculated in accordance with Part Three, Title II, Chapter 6 of the CRR and risk-weighted according to Chapter 3 of the same title: by portfolio (type of counterparties) and by risk weight (riskiness attributed according to the standardised approach).

in HUF million	Risk weight											
Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total exposure value**
Central governments or central banks	163	-	-	-	-	-	-	-	-	-	-	**163**
Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	**-**
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	**-**
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	**-**
International organisations	-	-	-	-	-	-	-	-	-	-	-	**-**
Institutions	-	-	-	-	2,199	130	-	-	2	-	-	**2,331**
Corporates	-	-	-	-	-	-	-	-	13,185	-	-	**13,185**
Retail	-	-	-	-	-	-	-	4,016	-	-	-	**4,016**
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	**-**

in HUF million	Risk weight										
Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
Other items	-	-	-	-	-	-	-	-	-	13	-	13
Total exposure value	**163**	**-**	**-**	**-**	**2,199**	**130**	**-**	**4,016**	**13,187**	**13**	**-**	**19,708**

Table 49: Standardised approach – CCR exposures by regulatory portfolio and risk weights (Art. 439 (l) referring to 444 (e) CRR, EU CCR3 (EU) 2021/637)

The table below provides an overview of RWAs and parameters used in RWA calculations for exposures subject to the CCR framework (excluding CVA charges or exposures cleared through a CCP) and where the credit risk approach is used (in accordance with Article 107 CRR) to compute RWAs in IRB approach. The same PD scale applies as for credit risk exposures.

CCR portfolio in IRB approach

The tables below show breakdown of exposures relevant for CCR, per exposure class and PD bucket. Only the exposure classes where bank has the CCR exposures are included, while the overviews for the classes with no CCR exposures are omitted.

in HUF million or %	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts
Central governments and central banks								
	0.00 to <0.15	18,857	0.04%	1	45.00%	2.50	3,333	17.68%
	0.15 to <0.25	-	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
Sub-total (Central governments and central banks)		**18,857**	**0.04%**	**1**	**45.00%**	**2,50**	**3,333**	**17.68%**
Institutions								
	0.00 to <0.15	147,345	0.09%	2	8.34%	0.63	8,358	5.67%
	0.15 to <0.25	47	0.16%	1	45.00%	2.50	21	45.78%
	0.25 to <0.50	3,177	0.48%	4	45.00%	2.50	2,653	83.53%
	0.50 to <0.75	-	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
Sub-total (Institutions)		**150,568**	**0.10%**	**7**	**9.13%**	**0.67**	**11,033**	**7.33%**
Corporates								

in HUF million or %	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts
	0.00 to <0.15	3,111	0.00%	33	1.17%	2.50	2,755	88.57%
	0.15 to <0.25	319	0.20%	13	45.00%	5.00	157	49.14%
	0.25 to <0.50	1,681	0.38%	4	45.00%	2.50	1,310	77.92%
	0.50 to <0.75	190	0.71%	2	45.00%	5.00	190	99.75%
	0.75 to <2.50	839	1.25%	15	45.00%	5.00	1,005	119.77%
	2.50 to <10.00	249	3.13%	13	45.00%	5.00	278	111.70%
	10.00 to <100.00	19	40.11%	3	45.00%	2.50	36	187.93%
	100.00 (Default)	-	-	-	-	-	-	-
Sub-total (Corporates)		**6 409**	**0.54%**	**83**	**23.73%**	**5.00**	**5,731**	**89.43%**
Retail								
	0.00 to <0.15	-	0.00%	-	0.00%	-	-	0.00%
	0.15 to <0.25	-	0.00%	-	0.00%	-	-	0.00%
	0.25 to <0.50	-	0.00%	-	0.00%	-	-	0.00%
	0.50 to <0.75	-	0.00%	-	0.00%	-	-	0.00%
	0.75 to <2.50	-	0.00%	-	0.00%	-	-	0.00%
	2.50 to <10.00	-	0.00%	-	0.00%	-	-	0.00%
	10.00 to <100.00	-	0.00%	-	0.00%	-	-	0.00%
	100.00 (Default)	-	0.00%	-	0.00%	-	-	0.00%
Sub-total (Retail)		**-**	**0.00%**	**-**	**0.00%**	**-**	**-**	**0.00%**
Total (all CCR relevant exposure classes)		**175,834**	**0.11%**	**91**	**13.51%**	**0.89**	**20,097**	**11.43%**

Table 50: IRB approach – CCR exposures by exposure class and PD scale (Art. 439 (l) referring to 452 (g) CRR, EU CCR4 (EU) 2021/637)

The table below provides an overview of all types of collateral posted or received by Erste Bank to support or reduce CCR exposures related to derivative transactions or to SFTs.

in HUF million	Collateral used in derivative transactions				Collateral used in SFTs			
Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash – domestic currency	-	92	-	-	-	-	-	1,849
Cash – other currencies	-	3,388	-	7,958	-	-	-	-
Domestic sovereign debt	-	64	-	-	-	-	-	1,849
Other sovereign debt	-	-	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-	-	-
Total	**-**	**3,543**	**-**	**7,958**	**-**	**-**	**-**	**1,849**

Table 51: Composition of collateral for exposures to CCR (Art. 439 (e) CRR, EU CCR5 (EU) 2021/637)

Erste Hungary does not have exposures to credit derivative transactions.

RWEA flow statements of CCR exposures under the IMM

As IMM (internal model method) for derivatives and SFTs is not used, template EU CCR7 – RWA flow statement of CCR exposures under the IMM according to (EU) 2021/637 is not disclosed.

Exposure to securitisation positions

Investments in securitisation positions

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d), 449 (a) to (d), (g) (h) (j) (k) (e) CRR

Erste Bank does not have investments in securatisation positions.

Securitisation activities at Erste Bank

DISCLOSURE REQUIREMENTS Art. 449 (a) to (d), (g) (h) (j) (k) (e) CRR

Erste Bank has no securitisation activities.

Quantitative disclosure on securitisation positions

SECURITISATION ACTIVITIES
DISCLOSURE REQUIREMENTS Art. 449 (j) (k) (l) CRR

Erste Bank has no securitisation positions.

Market risk

Goals and principles of risk management

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) AND 445 CRR

Market risks arise due to fluctuations of interest rates, exchange rates, equity prices and commodity prices. Market risks derive from short-term trading in instruments whose prices are determined daily (trading book) as well as from the traditional banking business (banking book). The measurement method for risk in the trading book is Value at Risk (VaR).

ORGANISATION

The responsibility for market risk rests in Liquidity and Market Risk Management (LMRM). This unit is responsible for steering, measurement, and controlling of liquidity and market risk. It covers both banking book and trading book.

The responsibilities of LMRM related to banking book management include the identification, measurement and controlling of market and liquidity risk as well as the integration into the Bank's enterprise-wide risk management and risk appetite framework. Furthermore, it is responsible for setting, controlling, and monitoring of liquidity and market risk limits in the banking book and respective limit escalation procedures.

LMRM is also responsible for the governance of market risk of the trading book. It acts independently of the trading units and takes responsibility for identifying, measuring, and monitoring of all market risks arising from capital market business. The scope of the unit also comprises setting, controlling, and monitoring of market risk limits in the trading book and respective limit escalation procedures.

RISK MEASUREMENT AND CONTROL

VaR is calculated based on the method of historic simulation. A confidence interval of 99% and a holding period of one day apply. The software package MRS is used for this purpose. The validity of the statistical methods used is constantly checked through back-testing.

The management board sets the strategic framework for market risk management, approves the risk appetite, which is appropriate to the business strategy, and approves the Bank's strategy. The ALCO is the ultimate decision-making body for market risk and other trading book-related issues. It discusses and decides on important risk management issues related to Capital Markets activities, in particular, to approve and implement risk management standards, limit structures, trading strategies. Limit compliance is verified by LMRM.

METHODS AND INSTRUMENTS OF RISK MITIGATION

The general standards of market risk controlling and management (standards, limits and analyses) are defined by Erste Bank and are described in the Principles for Managing Market Risk which are constantly reviewed and improved.

Risk measurement is guaranteed by the daily calculation of VaR. Additionally, sensitivity limits are in place for all asset classes. This system permits control that extends to the level of the individual trades and positions. The limits are monitored daily. Furthermore, a consistency check between the VaR limits and the sensitivity limits is carried out on a regular basis.

Risk measurement by purely statistical methods such as VaR does not adequately take into account the consequences of crisis situations. For this reason, Erste Bank supplements its VaR-based risk measurement with stress testing based on several methods (stressed Value at risk (sVaR), daily and ad-hoc scenario analysis). These assessments help to analyse the effects of market movements of low probability.

MARKET RISK REPORTING

Internal reporting comprises:

- daily measurement and limit control of the market risk (includes VaR, sensitivity and stop-loss limit reporting to management);
- detailed monthly reports including the banking book sent to the ALCO and the management board;
- VaR overview;
- stress testing: sVaR.

OWN FUNDS REQUIREMENT FOR EXPOSURE TO MARKET RISK UNDER THE STANDARDISED APPROACH

The table below provides an overview of the capital requirements of Erste Bank for market risk covered by the Standardised Approach, broken down by risk type.

in HUF million	RWEAs
Outright products	
Interest rate risk (general and specific)	8,784
Equity risk (general and specific)	422
Foreign exchange risk	-
Commodity risk	-
Options	
Simplified approach	-
Delta-plus approach	-
Scenario approach	-
Securitisation (specific risk)	-
Total	**9,206**

Table 52: Market risk under the Standardised approach (Art. 445 CRR, EU MR1 (EU) 2021/637)

Internal Market risk model

DISCLOSURE REQUIREMENTS Art. 455 CRR

Erste Bank Hungary does not use internal Market risk model for calculating the capital requirement.

Quantitative disclosure on market risk

in HUF million	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
Market price uncertainty	59	2,691	3	1,007	-	173	-	2,053	277	0
Close-out cost	-	-	-	-	-	-	-	-	-	-
Concentrated positions	69	-	-	185	-	NA	NA	254	-	0
Early termination	-	-	-	-	-	NA	NA	-	-	-
Model risk	-	-	-	-	-	-	-	-	-	-
Operational risk	-	-	-	-	-	NA	NA	-	-	-

in HUF million	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
Future administrative costs	47	153	-	72	-	NA	NA	272	272	0
Total Additional Valuation Adjustments (AVAs)								**2,579**	**549**	**2,030**

Table 53: Prudent valuation adjustments (PVA) (Art. 436 (e) CRR, EU PV1 (EU) 2021/637)

Liquidity Risk

GOALS AND PRINCIPLES OF RISK MANAGEMENT

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) 451a (4) CRR

Liquidity risk management framework

The liquidity risk in Erste Bank is defined in line with the principles set out by the Basel Committee on Banking Supervision as well as the European regulations (Regulation (EU) No 575/2013 (CRR), Regulation (EU) 2022/786, Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Hpt.)) and MNB recommendations in their current versions. Accordingly, a distinction is made between market liquidity risk, which is the risk that an entity cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the entity.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Bank's own refinancing cost or spread.

Erste Bank has defined and implemented a Risk Strategy, which is approved by the Board and the Supervisory Board on an annual basis. The Risk Strategy defines, inter alia, the Risk Appetite for liquidity risk as a part of the Risk Appetite Statement. In line with the Risk Appetite Statement, key liquidity principles are defined to ensure that processes are in place to manage the liquidity risk profile and the strategic limits are set in the Risk Strategy. These are further translated into operating limits and liquidity risk management policies. In addition to that, governance arrangements are in place to address any adverse developments of the Erste Bank's liquidity profile.

Structure and organization of the liquidity risk management function

Erste Group Bank AG has the central liquidity risk management function for Erste Group in addition to the responsibility for its solo level functions, i.e. it defines the principles and methodology for liquidity risk management for the other entities and ensures their proper implementation at local level. The legal entity structure of Erste Group consists of 3 levels, with Erste Group Bank AG as the top institute for the Group. Level 2 includes the core subsidiaries of Erste Group Bank AG like Erste Bank Hungary, while Level 3 includes the subsidiaries of Erste Bank: Erste Mortgage Bank, Erste Building Society and Erste Investments Hungary.

In Erste Bank Liquidity and Market Risk Management is responsible for the liquidity framework, liquidity measurement, and liquidity limit monitoring. Liquidity management is a joint effort of ALM and Capital Markets. Generally, ALM is responsible for structural liquidity management while Capital Markets is responsible for day-to-day liquidity management and the execution of liquidity-relevant transactions.

RISK MEASUREMENT AND CONTROL

Erste Bank produces several regular internal and external reports. These reports are covering both, structural liquidity risk as well as insolvency risk and are used to monitor and steer the liquidity position in Erste Bank.

Erste Group has a group wide technical architecture, which allows a daily reporting of Liquidity Coverage Ratio (LCR) for Erste Bank. Also, all other internal or external liquidity metrics as Net Stable Funding Ratio (NSFR) and Additional Liquidity Monitoring Metrics (ALMM) are reported out of this environment. The new environment enables monitoring of liquidity metrics even on a daily basis.

Survival period analysis (SPA)

The short-term insolvency risk is monitored and limited by calculating the survival period for each material currency. This analysis determines the maximum period during which the Bank can survive a set of defined scenarios, including a severe combined market and idiosyncratic crisis while relying on its pool of liquid assets.

The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflows. Furthermore, the simulation assumes increased drawdown on guarantees and loan commitments dependent on the type of customer, as well as the potential outflows from collateralized derivative transactions estimating the effect of collateral outflows in the case of adverse market movements. The SPA is part of the RAS ensuring sufficient short-term liquidity to overcome pre-defined liquidity stress scenarios.

Structural Liquidity Ratio (STRL)

The structural liquidity metric is measuring the structural funding gap ensuring an appropriate balance between assets and liabilities in the medium and long-term time horizons avoiding excessive maturities transformation and consequently avoiding increased pressure on the short term liquidity position. The STRL is part of the Risk Strategy ensuring a sound long term funding structure.

Liquidity coverage ratio (LCR)

Erste Bank is reporting the Liquidity Coverage ratio according to the delegated regulation (EU) 2015/61, in their current amended versions to the authorities on solo and local group level. The LCR is part of the RAS targeting to be well above the regulatory requirement.

Net Stable Funding Ratio (NSFR)

Erste Bank is reporting the Net Stable Funding Ratio (NSFR) according to the Regulation (EU) 2019/876 amending the Regulation (EU) No 575/2013 (final CRR 2) to the authorities on solo and group level. The NSFR is part of the RAS targeting to be well above the regulatory requirement.

Concentration analysis

Concentration risks in terms of funding providers, products and assets in the counterbalancing capacity are regularly monitored.

Comprehensive stress testing and recovery and resolution planning

Additional scenarios are analysed to further elaborate on the main vulnerabilities of Erste Bank's liquidity position. These scenarios are elaborated based on specific storylines. The scenarios and the relevant stress parameters are taken from historical evidence where available. When historical evidence is not available, expert opinions and assumptions are used.

Funds transfer pricing (FTP)

The Funds Transfer Pricing (FTP) of Erste Bank has proven to be an efficient control instrument for the management of structural liquidity risk.

METHODS AND INSTRUMENTS OF RISK MITIGATION

Erste Bank uses a number of measurement tools and metrics to quantify liquidity risk. In addition to regulatory measures (e.g. LCR, NSFR, and ALMM), Erste Bank defines its own internal metrics. The key internal metric is the Survival Period Analysis (SPA), which serves as the key tool to measure insolvency risk in Erste Bank. It focuses on a up to one-year horizon and uses a dynamic stress testing methodology. The FTP system is yet another important instrument for managing and steering the liquidity risk within Erste Bank AG. Early warning indicators also form an integral part of the liquidity risk management framework, in particular with respect to detecting the type and severity of liquidity stress events.

Limits are defined in the Risk Appetite Statement and the Risk Strategy. Limit breaches are reported to the Operational Liquidity Committee (OLC) and the Asset Liability Committee (ALCO).

Additional important information for liquidity management can be obtained via the process of planning funding needs. Therefore, a detailed overview of funding needs is prepared over the whole planning horizon. It is prepared at least annually as part of the Group ALM Strategy.

The Contingency Funding Plan (CFP) of Erste Bank ensures an adequate set of liquidity enhancing actions in times of stress as well as the necessary coordination of all parties involved in the liquidity management process. The CFP is reviewed at least annually.

LIQUIDITY MANAGEMENT IN ERSTE BANK

ALM is responsible to create a Liquidity Strategy, which is approved by the ALCO after alignment with Erste Group ALM. Furthermore, ALM sets requirements on the set-up and statutes of the local Operative Liquidity Committees.

ALM is responsible to reflect the costs and benefits of compliance with different liquidity-related limits and regulations in the internal Funds Transfer Price system, whose design and methodology are defined in the FTP policy. In terms of crisis management ALM prepares Contingency Funding Plan.

LIQUIDITY COVERAGE RATIO

DISCLOSURE REQUIREMENTS Art. 451a (2) CRR

in HUF million	Total unweighted value (average)				Total weighted value (average)			
Quarter ending on (DD Month YYY)	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1
Number of data points used in the calculation of averages	3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA)					1,433,909	1,208,261	1,072,395	960,939
CASH - OUTFLOWS								
Retail deposits and deposits from small business customers, of which:	1,629,431	1,616,881	1,632,295	1,696,946	129,158	129,057	128,889	135,040
Stable deposits	752,687	726,689	768,282	786,991	37,634	36,334	38,414	39,350
Less stable deposits	876,744	890,193	864,014	909,955	91,524	92,723	90,475	95,691
Unsecured wholesale funding	1,316,638	2,043,743	1,685,011	2,278,544	702,632	1,398,179	1,081,592	1,644,580
Operational deposits (all counterparties) and deposits in networks of cooperative banks	81,537	86,219	66,411	72,717	20,212	21,358	16,435	17,986
Non-operational deposits (all counterparties)	1,235,102	1,957,524	1,618,600	2,205,827	682,420	1,376,821	1,065,157	1,626,594
Unsecured debt	-	-	-	-	-	-	-	-
Secured wholesale funding					-	-	-	-
Additional requirements	423,761	560,895	664,665	767,508	423,761	560,895	664,665	767,508
Outflows related to derivative exposures and other collateral requirements	423,761	560,895	664,665	767,508	423,761	560,895	664,665	767,508
Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
Credit and liquidity facilities	263,142	285,272	260,903	253,958	29,372	32,883	33,157	32,901
Other contractual funding obligations	441,255	439,553	568,851	505,124	30,203	29,860	44,690	34,584
Other contingent funding obligations	39,772	18,699	13,724	20,220	30,817	10,862	6,033	12,693
TOTAL CASH OUTFLOWS					**1,345,944**	**2,161,737**	**1,959,025**	**2,627,307**
CASH - INFLOWS								
Secured lending (e.g. reverse repos)	4,428	6,176	701	839	-	-	-	-
Inflows from fully performing exposures	182,812	170,669	163,902	217,685	151,240	151,799	145,166	175,901
Other cash inflows	383,700	506,625	620,017	769,623	383,700	506,625	620,017	769,623
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
(Excess inflows from a related specialised credit institution)					-	-	-	-
TOTAL CASH INFLOWS	**570,940**	**683,470**	**784,619**	**988,147**	**534,940**	**658,424**	**765,182**	**945,524**
Fully exempt inflows	-	-	-	-	-	-	-	-
Inflows subject to 90% cap	-	-	-	-	-	-	-	-

in HUF million	Total unweighted value (average)				Total weighted value (average)			
Quarter ending on (DD Month YYY)	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1
Inflows subject to 75% cap	570,940	683,470	784,619	988,147	534,940	658,424	765,182	945,524
TOTAL ADJUSTED VALUE								
LIQUIDITY BUFFER					1,433,909	2,103,776	1,776,560	2,321,007
TOTAL NET CASH OUTFLOWS					811,004	1,503,313	1,193,843	1,681,783
LIQUIDITY COVERAGE RATIO					176.81%	139.94%	148.81%	138.01%

Table 54: Quantitative information on LCR (values are calculated as averages of month-end observations over the number of data points as outlined in the table) (Art. 451a (2) CRR, EU LIQ1 (EU) 2021/637)

Further details on the items included in the quantitative information of LCR

Diversification of the liquidity buffer and funding sources in Erste Bank is ensured by the relevant policies and the implementation of a regular monitoring of the HQLA and funding concentration in diverse categories. The monitoring is done on a monthly basis through the ALMM reports, which has the needed granularity. Derivative exposures and all potential collateral calls are considered in Erste Bank's LCR calculation and reported accordingly in the appropriate categories. The LCR is calculated and monitored for all significant currencies of Erste Bank. The review of significant currencies is done either in case of significant business strategy changes or at least on an annual basis.

Main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time

Erste Bank's liquidity surplus increased which resulted in a higher LCR ratio in comparison to previous year. Erste Bank is still having a comfortable buffer well above internal and external limits.

Explanations on the changes in the LCR over time

The increase of Erste Bank's LCR is mainly driven by an increase of issued securities, and the positive revaluation of the liquid assets caused by the decreasing yields.

Explanations on the actual concentration of funding sources

Diversification of funding sources is part of the regular monitoring of HQLAs and funding sources in several categories.

High-level description of the composition of the institution`s liquidity buffer.

Erste Bank has only Level 1 assets, mainly central bank reserves, central bank assets and central government assets.

Derivative exposures and potential collateral calls

Derivative exposures and all potential collateral calls are considered in Erste Bank's LCR calculation and reported accordingly in the appropriate categories. Their impact on the LCR itself is insignificant.

Currency mismatch in the LCR

LCR for Erste Bank is calculated for the currencies HUF, EUR, and USD as significant currencies. For HUF the currency LCR is well above 100%, for EUR and USD it is below. Considering the possibility to use some HUF collateral for EUR and USD funding as well this is seen as no issue.

NET STABLE FUNDING RATIO

DISCLOSURE REQUIREMENTS Art. 451a (3) CRR

in HUF million	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
Capital items and instruments	**459,592**	**-**	**-**	**130,490**	**590,082**
Own funds	459,592	160	-	130,490	590,082
Other capital instruments		-	-	-	-
Retail deposits		**-**	**1,704,165**	**-**	**21,642**
Stable deposits		-	824,600	-	19,625
Less stable deposits		-	879,565	-	2,017
Wholesale funding:		**-**	**1,659,306**	**-**	**51,887**
Operational deposits		-	136,018	-	-
Other wholesale funding		-	1,523,289	-	51,887
Interdependent liabilities		**-**	**-**	**-**	**-**
Other liabilities:	**5,119**	**-**	**70,351**	**19,758**	**54,934**
NSFR derivative liabilities	5,119	-	-	-	-
All other liabilities and capital instruments not included in the above categories		-	70,351	19,758	54,934
Total available stable funding (ASF)					**3,786,158**
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)					**305,013**
Assets encumbered for a residual maturity of one year or more in a cover pool		**5,058**	**5,288**	**198,172**	**177,240**
Deposits held at other financial institutions for operational purposes		**-**	**-**	**-**	**-**
Performing loans and securities:		**577,777**	**139,083**	**1,655,787**	**1,739,473**
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		18,718	-	-	-
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		69,055	28,957	280,405	301,789
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		461,943	82,175	831,699	1,021,031
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		148,715	12,763	64,885	122,925
Performing residential mortgages, of which:		12,898	12,578	381,705	311,466
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		4,268	3,915	128,605	-
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		15,163	15,373	161,978	159,834
Interdependent assets		**-**	**-**	**-**	**-**
Other assets:		**98,053**	**42,483**	**128,245**	**165,504**

in HUF million	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Physical traded commodities				-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
NSFR derivative assets		5,130	-	-	5,130
NSFR derivative liabilities before deduction of variation margin posted		29,104	-	-	1,455
All other assets not included in the above categories		63,820	42,483	128,245	158,919
Off-balance sheet items		**220,568**	**74,387**	**184,997**	**34,150**
Total RSF					**2,421,381**
Net Stable Funding Ratio (%)					**156.36%**

Table 55: Net stable funding ratio (Art. 451a (3) CRR, EU LIQ2 (EU) 2021/637)

Interest rate risk

Goals and principles of risk management

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) AND 448 (1) (c-g) and 448 (2) CRR

Interest rate risk is the risk that the bank's earnings and/or economic value might be negatively affected by changes in interest rates. Changes in the yield curve can have a negative effect on net interest income. These changes also affect the market value of assets, liabilities and off-balance sheet items, as the future payments (and thus also their NPV) vary directly with changes in interest rates. As a consequence, an effective risk management process that keeps the impacts of interest rate changes on the bank's balance sheet within appropriate limits is of fundamental importance for the security and creditworthiness of the bank.

The types of interest rate risk to which Erste Hungary is exposed are:

- gap risk – results from the term structure of interest rate sensitive instruments that arises from difference in the timing of their rate changes, covering changes to the term structure of interest rates occurring consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk);
- basis risk – arises from the imperfect correlation in the adjustment of the rates earned and paid on interest rate sensitive instruments with otherwise similar rate change characteristics;
- option risk – results from options (embedded and explicit), where the institution or its customer can alter the level and timing of their cash flows;
- model risk.

The interest rate risk management process is governed by clear responsibilities of all stakeholders in the interest rate risk framework (as described in section "Organisation") and can be divided into four high level components:

- Risk identification;
- Risk measurement;
- Risk management and risk control;
- Risk reporting.

ORGANISATION

The Asset Liability Committee (ALCO) is the highest decision-making committee concerning all aspects of interest rate risk management in the banking book. The purpose of the ALCO is to manage the balance sheet of Erste Bank, focusing on a trade-off between all consolidated balance sheet risks (interest rate, foreign exchange, liquidity, credit) and P&L by performing management actions on the Balance Sheet. It meets monthly.

The tasks of ALM comprise the management of interest risk on the banking book and also the further development and maintenance of the Funds Transfer Pricing (FTP) System while Liquidity and Market Risk Management is responsible for risk controlling.

RISK IDENTIFICATION

Erste Group runs a centralised risk system which is used by local ALM and risk departments in the EGB members. This system allows planning and consolidation as well as the modelling of interest rate risk on the balance sheet. It can capture all sources of interest rate risk and calculates their effect on the balance sheet of the Bank. The data for the current portfolio, market data for the cut-off date in question and the assumptions on future portfolio developments (volume, margins, etc.) are all entered into this system. It measures both the effect on profit/loss and the market value of the banking book positions. The data is organised by account and product. The account structure corresponds to that of the IFRS balance sheet, while the product structure represents the currency and the interest rate-related behaviour of the products in the Bank.

Key assumptions used in risk modelling

The behavioural model for demand deposits (split into clusters like retail, SME, corporates, sovereign, …) used for risk measurement are based on a life cycle framework. The number of accounts (attrition model), the average balance per account (average balance model) and the average deposit rate (deposit rate model) are modelled separately. For each cluster the core and non-core balances and interest rate sensitivity of the balance are derived. The run-off profile is determined by the combination of the attrition rate model (for core balances) and a modelled short-term outflow (for non-core balances). The estimated future interest rate cash flows are determined by the deposit rate model. The weighted average life resulting from the run-off profiles for demand deposits is capped with 5 years according to the regulatory maximum defined in EBA/GL/2022/14.

A model for client behaviour regarding loan prepayment is also used for the measurement and steering of interest rate risk in the banking book. Similar to the demand deposits loans are clustered combining loans with similar characteristics (entity, client type, loan type, currency, interest rate behaviour). The prepayment ratio is estimated from historical observations and clusters are tested for interest rate sensitivity of the prepayment ratio.

For Overdrafts and Credit Cards an attrition model is applied as well as an average coupon model.

RISK MEASUREMENT

In general, there are four methodologies applied which are used to measure interest rate risk in the banking book:

- Sensitivity measures (Key rate sensitivities, CR01) to assess the market value sensitivity of certain portfolios;
- Economic value measures (EVE) to assess the economic value change under regulatory defined scenarios;
- Earnings at risk measure (NII sensitivity, OCI sensitivity) to assess the impact on operating income of regulatory defined scenarios on Group level;
- Value at Risk based measures to assess all aggregated risk types on Group level and used for economic capital allocation under Pillar 2.

In addition, measures are implemented to estimate the basis risk, option risk and model risk throughout the entire Group.

Based on these tools a big variety of scenarios are assessed on a regular basis to capture all aspects of interest rate risk.

RISK MANAGEMENT AND RISK CONTROL

For the ongoing monitoring of interest rate risk, the following three main tools are used and monitored on a regular basis:

- Sensitivity measures (Key risk sensitivities, CR01);
- Economic value measure (EVE);
- Earnings at risk measure (NII sensitivity, FV sensitivity);

The sensitivity measures (Key rate sensitivities, CR01) focus on the general positioning of the banking book portfolio and serve as an initial starting point for deeper analysis. The economic value measure (EVE) analyses the banking book by means of NPV simulations of the market value, calculated under the interest rate shock scenarios for Supervisory outlier test on EVE as defined in EBA/RTS/2022/10. It provides insights on the balance of fixed rate assets versus fixed rate liabilities and indicates the impact of yield curve shocks on the future profitability of the bank in the long run. The earnings at risk coming from NII assesses the accounting impact of interest rate changes, calculated according to Regulatory technical standards EBA/RTS/2022/10 prescribing Supervisory shock scenarios on NII, with focus on the next 12 months providing insights on P&L changes stemming from changes in interest rates.

To complement these measures, additional stress tests are conducted according to Erste Group's Comprehensive Stress Testing Framework, internal IRRBB stress test and on an event-driven basis.

The interest rate risk strategy of the Bank sets out interest rate targets and is based on the optimisation of market risk and income possibilities, i.e. all measures developed in the interest rate strategy are analysed with respect to their effect on the income defined in the financial projections and on the market value. The interest rate risk strategy is approved by the ALCO on an annual basis and periodically reviewed to ensure that it is up to date. A modification may become necessary due to changes in the business plan or the market situation and is therefore a requirement for active risk control.

Based on the targets set out in the interest rate strategy, the results of the regular analysis and the economic forecast, investment and hedging recommendations are presented to the ALCO. These recommendations may increase or decrease risk. They may be implemented by means of on-balance sheet or off-balance sheet transactions.

INTEREST RATE RISK REPORTING

The interest rate risk of Erste Bank is calculated separately for each relevant currency and reported on the monthly basis to Bank ALCO. Furthermore, materials on the following topics are prepared for the Group ALCO:

- Market overview;
- Periodic and economic risk ratios and measures related to market risk (Market Risk Banking Book Pillar 2 RWA, EVE, Key risk sensitivities, CR01, VaR, etc);
- Positions (held-to-maturity portfolios, strategies);
- Balance sheet movements; and
- Liquidity management.

Quantitative disclosure on interest rate risk

DISCLOSURE REQUIREMENTS Art. 448 (a) (b) CRR

The potential effects of interest rate changes on equity of the Group are analysed at Erste Bank using the simulation method already described under “Risk Measurement”. Simulation models make it possible to apply maximum precision and flexibility to risk measurement, also for complex portfolio structures. The NPV simulation accounts for all future cash flows based on current knowledge.

Supervisory shock scenarios	Changes of the economic value of equity		Changes of the net interest income	
	Current period	Last period	Current period	Last period
Parallel up	-23,470	-20,676	8,642	243
Parallel down	6,033	6,447	-19,589	-14,847
Steepener	6,744	2,840		
Flattener	-19,729	-10,796		
Short rates up	-26,952	-17,576		
Short rates down	11,503	7,068		

Table 56: Interest rate risks of non-trading book activities (Art. 448 (a) (b) CRR, EU IRRBB1 EBA/ITS/2021/07)

Operational Risk

Goals and principles of risk management

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) 446 AND 454 CRR

Pursuant to Article 4 (52) CRR, Erste Hungary defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risk, model risk and information and communication technology (ICT) risk, but not strategic and reputational risk. Both quantitative and qualitative methods are used to identify operational risks and are refined further in order to capture all information relevant to risk management.

ORGANISATION

While the business areas and infrastructure units are responsible for the daily management of operational risks, Operational Risk Management is responsible for operational risk control across all business areas as well as for the uniform application of the strategy and standards for operational risk management in all areas of the bank. In detail, this results in the following tasks:

- identification of potential risks; including measures for early detection and risk avoidance;
- definition of ratios, risk indicators and guidelines;
- management and ongoing administration of the loss database;
- managing scenario assessment of specific risk situations;
- execution of stress tests;
- analysis and periodic reporting;
- promoting “three lines of defense” governance model through operational risk methods;

Operational risk management is part of the division Strategic Risk Management.

RISK MEASUREMENT AND CONTROL

The quantitative measurement methods are based on internal loss data, which is collected throughout EBH using a standard methodology and entered in a central data pool. In order to model losses that have not yet occurred but are nonetheless possible, scenarios and external data are used. In this context it is worth noting that Erste Group has been a member of the Operational Riskdata eXchange Association, an international risk loss data consortium, since 2006, and participates in the consortium on a Group-wide basis.

Apart from quantitative approaches, qualitative approaches are used to determine operational risk, primarily by performing risk analysis surveys (Internal Control System). In order to also ensure early detection of potential risks, a series of risk indicators were developed and implemented.

The results and proposals for risk control derived from the quantitative and qualitative processes are reported to line management and form the basis for measures to reduce operational risk. Furthermore, EBH defined its risk appetite for operational risk and all operational risk decisions are to be taken bearing in mind adequately balanced costs and benefits commensurate with the RAS.

RISK HEDGING

EBH has an insurance contract for covering operational risk losses.

OPERATIONAL RISK REPORTING

Information on operational risks is reported regularly to the management board. This is done within the scope of various reports, most importantly the quarterly Local Operational Risk Committee, which informs on recent losses, loss trends, qualitative information derived from Internal Control System, NFR decisions, risk indicators, key ratios and the EBH VaR for operational risk.

Approaches for the assessment of minimum capital requirements

DISCLOSURE REQUIREMENTS Art. 446 CRR

In 2009, Erste Group was granted approval by the supervisory bodies to apply the AMA at EBH.

Advanced Measurement Approach

DISCLOSURE REQUIREMENTS Art. 446 CRR

The AMA is a complex approach used for the valuation of operational risk. The required capital is calculated using an internal VaR model taking into account the following factors:

- internal loss data (historic gross loss, net of recoveries excluding insurance recoveries);
- external loss data (data from the external consortium Operational Riskdata eXchange Association);
- scenario analysis (supplements the internal and external data by rare events that may lead to large loss or damage);
- business environment and internal risk control factors (such as risk indicators and risk assessment).

The key ratio in this context for regulatory capital requirements is the VaR at a confidence level of 99.9% for one year. Capital requirement is calculated on Group level and is distributed across its subsidiaries including EBH based on a risk-sensitive allocation key.

The quantitative methods outlined (based on the central data pool, scenarios and external data) and the qualitative methods (e.g. Internal Control System) including the insurance strategy and the modelling approaches, form the operational risk framework of EBH.

For the modelling of operational risk Loss Distribution Approach is used. The modelling of the aggregate loss distribution is done in two steps. In a first step, the individual distributions of loss frequency and loss severity are calculated and then combined using a Monte Carlo simulation. The structure of the Loss Distribution Approach model complies with the CRR requirements.

Apart from internal and external loss data, scenario analyses, the business external and internal control factors (the outputs of internal control system, key risk indicators, product approval process, outsourcing process, emerging risks analysis) and the resulting changes to the risk profile are all input factors for the AMA.

Differentiation of operational risk from credit and market risk

A loss event relating to credit risk is reported as an operational risk event in the loss database when the operational risk was the actual cause of the loss. In line with regulatory requirements, these losses are not considered in the AMA model for the purposes of calculating operational risk capital requirements. Whenever an event occurs that may be attributed to operational risk or that triggers a loss or gain on the market side, then this is deemed an operational risk, reported as such and included in the AMA capital calculation.

The different types of event categories and their definitions are given under the following chapter “Quantitative disclosure on operational risk”.

Use of insurance for risk mitigation in AMA

DISCLOSURE REQUIREMENTS Art. 454 CRR

Erste Hungary uses an insurance program that has reduced the cost of meeting Erste Hungary’s traditional property insurance needs. Freed-up resources made it possible to buy additional insurance for previously uninsured bank-specific risks. This program uses a captive reinsurance entity as a vehicle to share losses within the group and access the external market.

Risk mitigating insurance effects under existing insurance contracts, taking into account all applicable legal provisions, are included in the models developed for the insurance-related reduction of capital requirements for operational risk only when the risk is reinsured on the external insurance market. The risk mitigating insurance effects are calculated using a Monte Carlo simulation for all eligible losses.

Quantitative disclosure on operational risk

DISCLOSURE REQUIREMENTS Art. 446 AND 454 CRR

The different types of event categories are defined as follows:

Internal fraud. Losses due to acts intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity/discrimination loss events, which involve at least one internal party.

External fraud. Losses due to acts of a type intended to defraud, misappropriate property or circumvent the law by a third party.

Employment practices and workplace safety. Losses arising from acts in breach of employment, health or safety laws and agreements; losses from payment of personal injury claims; from diversity/discrimination events.

Clients, products and business practices. Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements); losses due to the nature or design of a product.

Damage to physical assets. Losses arising from loss or damage to physical assets caused by natural disasters or other events.

Business disruption and system failures. Losses arising from disruption of business or system failures.

Execution, delivery and process management. Losses from failed transaction processing or process management; from relations with trade counterparties and suppliers/vendors.

in HUF million	Relevant indicator			Own funds requirements	Risk exposure amount
Banking activities	Year-3	Year-2	Last year		
Banking activities subject to basic indicator approach (BIA)	18,891	22,810	37,859	3,978	49,725
Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
Subject to TSA:	-	-	-		
Subject to ASA:	-	-	-		
Banking activities subject to advanced measurement approaches AMA	138,714	168,666	196,928	39,722	496,522

Table 57: Operational risk own funds requirements and risk-weighted exposure amounts (Art. 446 and 454 CRR, EU OR1 (EU) 2021/637)

Environmental, social and governance (ESG) risks

Environmental Risk

DISCLOSURE REQUIREMENTS Art. 435 and 449a CRR

Business strategy and process

a) Institution's business strategy to integrate environmental factors and risks, taking into account the impact of environmental factors and risks on institution's business environment, business model, strategy and financial planning

The basis of Erste Bank Hungary's ESG **strategy** is based on profound understanding of socio-environmental challenges and their impacts to the economic and political development of the region where the Bank operates. The ESG strategy is an essential part of the overall business strategy, contributing to the long-term financial resilience and growth-based business model of Erste Bank Hungary. Climate change is considered the most significant long-term challenge in Hungary.

The European Climate law, EU's Green Deal and 'Fit for 55' Package form the setting for future changes in EU strategy and legislation. Hungary will have to align with and adapt to these European goals. The investment required is massive. An essential portion of these funds will be provided by the EU or local sovereign funds. Until 2030, however, public funds will need to be supplemented by the private sector in an expected amount of approximately EUR 30 billion per year. Erste Bank Hungary wants to play a leading role and contribute to financing the green transition. This transition holds opportunities as well as risks that need to be addressed through intense research and proactive management. Erste Bank Hungary trusts that the knowledge being generated in the process will allow to be one step ahead and actively assist customers in achieving their climate targets while also supporting growth and resilience.

The necessity and benefits of green transition ensure a strong focus of Erste Bank Hungary's long-term ESG strategy, objectives and framework on this topic. Furthermore, the relevant harmful socio-environmental activities are translated into exclusion criteria for our business activities laid down within the Group Responsible Financing Policy.

ESG risks (climate and environmental risks) are part of the yearly **strategic planning** of Erste Bank Hungary which is approved by the Supervisory Board. Moreover, starting with the financial planning exercise in 2022, group-wide planning has been extended with the budgets and KPIs related to "sustainable investments" as well as GHG emissions per industry with an outlook covering a period of 5 years rolling window. The first reflects our commitment to promote the financing of climate aligned initiatives and projects as well as to boost the share of green businesses in our portfolio. The focus lies on strategically relevant industries such as real estate and energy-intensive industries such as energy and transportation. In particularly critical sectors (e.g., coal), exclusion criteria are used to ramp up the pressure on the road to transformation. From a climate-related risk perspective, both concepts aim to increase the resilience of our portfolio, either explicitly by investing in more green business or implicitly by supporting our clients on their path towards net zero transition.

b) Objectives, targets and limits to assess and address environmental risk in short-, medium-, and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes

Erste Bank Hungary is convinced that the economic success of Hungary can only be sustainable if it maintains strong social cohesion and encourages investments in the green transition.

Erste Bank Hungary strives to be a role model and a leader in the **green transition** by mobilising resources for climate action and adaptation to climate change. We believe that the green transition will be an opportunity for people in Hungary. The Bank believes in a fair transition for all and helps customers to secure their personal prosperity in the process. Thus, the green transition also opens up opportunities for growth.

Green Transition - our path to net zero:

- Achieving net zero status for the portfolio by 2050. Net zero refers to a state in which the greenhouse gases going into the atmosphere are balanced by the greenhouse gases that are removed from the atmosphere or offset by other means.
- Strengthening our position in sustainable finance in Hungary by funding climate action and adaptation to climate change.
- Achieving net zero status of banking operations by 2030 to make a direct contribution to the green transition.

Measurable ESG targets, aligned with our objectives, are set by the Group Sustainability Board and approved by the Supervisory Board. These targets are translated into individual management KPIs forming a significant part of the variable remuneration system of Erste Bank Hungary's Management Board.

We take this responsibility very seriously. To continue be successful in a decarbonized world and to create value for customers, investors, employees and society as a whole, it is our responsibility in the management of the bank to positively resolve conflicting goals between profitability and the environmental and social impact of our actions and to seize the enormous opportunities in these times of change and transformation.

The Group-level ESG strategy was approved by the Management Board (October 2021), subsequently presented to various platforms of our stakeholders and ultimately based on the review and recommendation of the Strategy and Sustainability Committee of the Supervisory Board (November 2022) approved by the Supervisory Board (April 2023). Related targets of Sustainable Financing, detailed Net Zero transition strategy, social and governance targets were similarly discussed on the Group Sustainability Board meeting (January 2023), Strategy and Sustainability Committee (February 2023) and approved by the Supervisory Board (April 2023). New targets related to the second phase of portfolio decarbonisation were approved by the Group Sustainability Board in December 2023.

Erste Bank Hungary is committed to the goals of the Paris Climate Agreement and pursues the strategic target of getting all financed greenhouse gas emissions of the portfolio onto a path that will lead to net zero. Our methodology for emissions calculation and decarbonization target setting is based on internationally recognized market standards such as the Science Based Target initiative (SBTi) and the Paris Aligned Capital Transition Assessment (PACTA).

Also, we are continuously working on improving our decarbonisation efforts and enhancing the portfolio coverage by adding industries to the scope of target setting. After the publication of our group-level decarbonization targets for Residential Real Estate, Commercial Real Estate and Energy sectors, this year we will add Oil & Gas and Auto manufacturing, Cement and Iron & Steel production targets will be added as well, but the emission from EBH's portfolio is negligible for the last two.

c) Current investment activities and (future) investment targets towards environmental objectives and EU Taxonomy-aligned activities

As regards to sustainable finance, Erste Group is committed to considering social and environmental aspects in finance, banking and client advisory services in its retail and corporate business. The publicly available Group Sustainable Finance Framework (SFF) has been de-signed as an umbrella framework that will enable Erste Group to issue sustainable finance instruments to finance new and/or refinance existing loans for its clients and projects with environmental and/or social benefits. The SFF defines rules for bond issuers in accordance with the ICMA Green Bond, Social Bond and Sustainability Bond Principles. In connection to this, the Sustainable Finance Guideline shall provide the internal operational rules of eligibility criteria and guides the due diligence process of identifying and assessing green, social and sustainable financing for the issuance of sustainable finance instruments. The internal eligibility criteria follow those of the EU Taxonomy Delegated Act from April 2021.

However, Erste Group and Erste Bank Hungary makes a fundamental distinction between the 'sustainable financing', which is provided with targets, and 'EU taxonomy-aligned financing', whereby the latter is always to be understood as a subset of the former, as it also fulfils its criteria.

The reason for this conceptual distinction is due to both the complexity and restrictions of EU Taxonomy. In the reporting period, the Taxonomy provided technical screening criteria merely for some 70 economic activities. Furthermore, providing evidence for alignment assessments presents significant challenges for our customers. Given the massive amount of reporting required under the EU Taxonomy, its application is currently limited by law to (non) financial entities that are subject to NFRD reporting obligations. This means that small and medium-sized companies, which form an important customer portfolio segment for Erste Bank Hungary, will largely remain unaffected.

These restrictions and the current focus of the EU Taxonomy have prompted us to define the term 'sustainable financing' in a more portfolio-appropriate way. Essentially, the aim is to ensure that financed economic activities that are not yet recognised as taxonomy-aligned according to the EU criteria catalogue can nevertheless make a demonstrable, significant contribution to the green transition and are sustainable in this respect.

For the purposes of classifying specific financing activities as sustainable or not sustainable, our Sustainable Finance Guideline (SFG) has set out the relevant criteria within a comprehensive due diligence process that relies on the criteria of the EU Taxonomy as a reference point and aims to identify investments designed to transition existing climate and environmental activities towards a climate-neutral, climate-resilient and environmentally sustainable economy.

The SFG allows capital flows to be channelled in a targeted manner towards the green transformation and ensures a significant contribution to environmental protection. Customer groups that are currently excluded from the EU taxonomy disclosure regulations are also included and their limited capacity to provide information is taken into account. Principally, we prioritise assessing the whole set of criteria defined under the EU taxonomy. However, where customers fail to provide sufficient information and to present evidence of meeting the Taxonomy's DNSH and/or MSS criteria, we will perform a less complex in-house DNSH and MSS screening.

In 2023 Erste Bank Hungary's new business under SFG reached EUR 62 mn, mostly in renewable energy and commercial real estate.

Erste Bank Hungary aims to reach a share of 25% sustainable corporate financing by 2026 and 15% of sustainable retail mortgages by 2027.

d) Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce environmental risks

The Code of Conduct provides guidance for our actions and defines binding rules for our daily business activities. It describes what is important to us and underlines our commitment to act as a good corporate citizen. The Code of Conduct shows that we need to act responsibly, respectfully and sustainably in everything we do.

With respect to the measures taken to mitigate the risks associated with ESG factors, the Responsible Financing Policy defines harmful socioenvironmental activities that are excluded from financing and banking services. The focus of the policy is on climate protection through the alignment of Erste Bank Hungary's financing in line with the Paris Agreement, global warming limitation, the prevention of extensive environmental degradation and measures to preserve biodiversity through restraining from arctic oil and gas financing and unconventional mining practices but also with very selective participation in hydropower projects. In addition, the directive aims to limit the impact of socially harmful activities, such as the weapons and gaming industry.

Erste Bank Hungary took a significant step with the requirement to end coal financing by 2030. However, energy supply must also be secured in the current situation in the CEE region. In line with our social commitment, the Bank decided to prolong the checkpoint of coal phase-out plans of our clients until the end of 2025. The Bank believes that this timeframe is sufficient to recalibrate the plans of coal to gas conversions to a renewable source transition. In view of the current energy crisis, nuclear energy is recognized as a necessary transition technology. In line with our commitment to Hungary, we support projects that provide the highest level of safety, as well as solutions for the long-term management of nuclear waste in accordance with the EU taxonomy.

The Policy is available on the website: Sustainability/ESG - the principles of Erste Group | Erste Group Bank AG

Within credit risk portfolio, engagement with counterparties on the topic of environmental factors involves the ESG Assessment Questionnaire, which provides a comprehensive assessment for large corporate, commercial real estate transactions within the credit application and approval process. The questionnaire enables the Bank to identify clients which are prone to environmental, climate, social and governance risks, and facilitates data collection on the environmental footprint of clients, including CO2e emissions, water consumption and waste, for example. It is updated at least annually and allows us to assess the impact of ESG factors on credit risk. Depending on the information provided, some questions may also require an in-depth assessment to understand the nature and severity of the ESG risks to which the client is exposed.

For further information, please see below the section related to risk management processes used to identify, measure and monitor activities and exposures sensitive to environmental risk (section l).

For commercial real estate, an integral component of the questionnaire assesses the environmental footprint of a building from a technical perspective, where several data points are taken from the Technical Object Rating .

In Erste Bank Hungary, all ESG assessments are digital and collected in a centralized solution (hub), making them accessible and available across the entire group, which offers the possibility to use the information for multiple purposes. Engagement with the client further includes active discussion with regards to environmental risks and opportunities relevant to the business model as well as the data the client can provide.

For SME clients an ESG Factor Heatmap is used as a risk assessment and management instrument to identify certain segments that may be exposed to ESG risk factors. The ESG Factor Heatmap combines the relevance of climate, environmental, social and governance risk factors, utilising a granular segmentation of industry sectors of the portfolio, and allows for a differentiated approach as the relevance of individual risk drivers may differ, depending on the nature of the respective (sub)sectors a company operates in. For further information regarding the ESG Factor Heatmap, please see below the section related to risk management processes used to identify, measure and monitor activities and exposures sensitive to environmental risk (section l).

Governance

e) Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of environmental risk management covering relevant transmission channels

Erste Bank Hungary’s ESG governance is driven by the fact that environmental risk is considered as a transversal risk influencing the “classical” risk types such as credit, market and operational risk, thus the existing well-established committees and board structure are used to deal with environmental risks.

f) Management body's integration of short-, medium- and long-term effects of environmental factors and risks, organisational structure both within business lines and internal control functions

In accordance with the aforementioned, environmental risks are treated within the existing organisational risk management structure where each risk owner is responsible for influencing environmental risk (independently whether short/medium/long term) on his/her area, thus:

- **ICAAP** ensures the integration of ESG into the Risk Appetite Statement, Risk Strategy, Risk Materiality Assessment, and Stress Testing framework;
- **Strategic Risk Planning and Reporting** performs carbon footprint monitoring and reporting, interim target setting for Net Zero transition of our portfolio, and inclusion of ESG in Risk Reporting;
- **Corporate Risk Management** ensures the integration of ESG into industry strategies, and participates in interim target setting for Net Zero portfolio transition; importantly, it ensures that a proper due diligence is implemented into underwriting and collateral management processes;
- **Operational Risk Management** governs ESG integration into the existing NFR risk management process and ensures the adequate impact on the operational risk capital requirements;

- **Market & Liquidity Risk Management** participates on the ESG risk assessment in the respective area.

g) Integration of measures to manage environmental factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body covering relevant transmission channels

ESG risks as transversal risks in Erste Bank Hungary's risk taxonomy are reflected not only in its Risk Strategy and Risk Materiality Assessment but also in its Risk Appetite Framework. Any development above the thresholds and their respective actions are handled based on the governance defined for the regular risk management process.

The allocation of tasks and responsibilities in the risk management framework are detailed further.

Within the Credit Committee, risk associated with environmental, social and governance factors are considered as part of the credit application, reflecting the ESG Assessment Questionnaire result. It is a requirement to attach the results of the questionnaire to the credit application, where applicable (as detailed later in this chapter), and it forms a part of the credit application and approval process, according to the established credit approval authorities of EBH.

Erste Bank Hungary's policies, together with the client and transaction environmental assessment (the latter applicable for certain real estate projects, as detailed later in this chapter), enable risk managers and other decision makers to make lending decisions in line with EBH's risk strategy. The ESG Assessment Questionnaire also includes a "risk meter" indicating the level of ESG data available from the counterparty, specifically if the company has formulated a plan to reduce its carbon footprint. Credit applications of large corporate counterparties that are considered highly contributing to climate change, not having a public transition plan, and applying for a lending policy exception, have to be approved by the Credit Committee.

The bylaws of the relevant credit committees define the committee composition and representation. They also define voting rules as well as veto rights to relevant members with regards to credit application and approval process of clients / client groups with a critical ESG assessment.

The reputational risk impact arising from ESG might also be decided by the Regional Conduct Committee (ROCC), depending on risk level, e.g., reputational risk in connection with credit decisions is delegated by ROCC to Credit Committee.

h) Lines of reporting and frequency of reporting relating to environmental risk

ESG risks as part of the internal reporting framework are currently covered by a set of reports as elaborated below.

The ESG Risk Materiality Assessment (RMA) results are reported as part of the RMA board presentation, at least once a year or on an ad-hoc basis to address changes in the operating environment.

The monthly Risk Report is presented to the Managing Board and as one of the most comprehensive risk reports, includes a chapter dedicated to ESG topics in the risk area. It focuses on our financed emissions, showing different sectoral splits and the largest emitters as well.

The Supervisory Board is informed quarterly on ESG related topics.

The achievement rate of EBH's annual as well as long-term targets with regards to the generation of Sustainable Financing is monitored monthly and presented to the respective target owners. They are primarily Business Board Members responsible for Retail and Corporate as well as corresponding Board-1 managers (e.g., Head of Commercial Real Estate, Head of Large Corporate, etc.).

As indicated above in section d, data collected on counterparties via the ESG Assessment Questionnaire is stored digitally in a central hub, allowing decision makers to access the data. The assessment is done with every annual review of a counterparty and/or as a result of a new lending request, renegotiated transactions or transactions requiring contractual changes, and its results are reported to the relevant approval authorities.

Within collateral management, we collect Energy Performance Certificates upon new financing requests and/or at the time of valuations. In 2024, physical risk data of collaterals will also be reported. Going forward, we will continue to enhance our risk reporting and monitoring framework.

The development of single risk decisions (i.e., NFR decisions) is reported to the ROCC quarterly as part of the overall NFR-dashboard.

i) Alignment of the remuneration policy with institution's environmental risk-related objectives

As regards the remuneration policy and whether environmental and social risks are included, the performance criteria and their impact on the variable remuneration (7.5-10%) of the management board of Erste Bank Hungary are determined by the remuneration committee of the supervisory board at the beginning of the financial year. The individual strategic targets include ESG targets and are defined in detail in the scorecard of the respective board member, and the achievement of these is evaluated at the end of the performance period. ESG related targets are in line with the focus areas: Holistic ESG performance, Green Transition – Green financing & Net Zero transition and Equal Opportunities. ESG targets are cascaded in the organization (Divisions and hierarchical level as appropriate).

Details of ESG KPIs for the Board Members:

- Overall ESG performance measured as external assessment by ESG rating (MSCI at least “A”, ISS ESG at least “C-”, and Sustainalytics “first quartile”) – shared by all board members
- Portfolio Net Zero transition target setting for key industries – shred by risk, finance and business board members
- Financing the “green” transition with a yearly target - assigned to Corporates & Markets Business Head
- Carbon neutral of operations – assigned to Chief Financial Officer
- ESG data management and system development – assigned to Chief Operating Officer
- ESG culture, communication, and diversity targets – assigned to Chief Executive Officer

Risk management

j) Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework

From the **risk management** perspective, the integration of short-, medium- and long-term effects of environmental factors and risks in the risk tolerance framework is covered. The severity of the impact is assessed on a yearly basis during the bank´s Risk Materiality Assessment (RMA). Time horizon is short- to medium-term (3-5Y), whereas outlook mid- to long-term (2030 - 2050).

k) Definitions, methodologies and international standards on which the environmental risk management framework is based

When it comes to how ESG risks are defined in Erste Bank Hungary, they are defined as the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of environmental, social or governance (ESG) factors on the institution’s counterparties or invested assets.

Environmental risk means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of environmental factors on the institution’s counterparties or invested assets, including factors related to the transition towards the following environmental objectives:

(a) climate change mitigation;

(b) climate change adaptation;

(c) the sustainable use and protection of water and marine resources;

(d) the transition to a circular economy;

(e) pollution prevention and control;

(f) the protection and restoration of biodiversity and ecosystems;

Environmental risk includes both physical risk or damages (like impact of extreme weather events) and transition risk, i.e. creating additional costs and capital expenditure need for transition of business activities and sectors to an environmentally sustainable economy (by legislation, technology standards, or market conformity and customer preferences), or in some cases damages through liabilities (for negative impacts by products, policies or pollution events). Physical risks can demonstrate through events of acute physical risks (most prominently weather-related events) or chronic physical risks (arise from longer-term changes in the climate, such as reduced water availability, biodiversity loss and changes in land and soil productivity).

Social risk means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of social factors on its counterparties or invested assets. They mostly materialize due to poor standards of respecting elementary rights, inclusiveness, or ineffective labour relations and unfair, untransparent or malleus customer practices. Social risks materialize mostly through damages in reputation, ineffective or even disrupting operations or loss of critical labour force, and finally through financial claims and liabilities due to improper practices.

Governance risk means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of governance factors on the institution's counterparties or invested assets. They are prominently related to poor or intransparent company governance measures, missing or weak code of conduct including lack of substantiated policies on anti-money laundering, briberies and corruption, or tax citizenship. Governance risk can arise also from governance events from poor management of critical supply chain. Materializing governance risks can significantly damage the faith and trust of customers and investors, and potentially leading to loss of revenue, higher funding costs or penalties and such affecting its ability to conduct business over the longer-term.

The sustainability strategy, goals, achievements, opportunities and risks are reported on Group level annually in accordance with the GRI Standards 2021 and follow the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) and follows the EC Guideline of Climate and Environmental risks. The consolidated non-financial report is part of the Group's annual report.

l) Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to environmental risks, covering relevant transmission channels

Within the credit risk area, a process for identifying and monitoring environmental risks is initiated as a result of a new lending request, renegotiated transactions or transactions requiring contractual changes, as well as within the annual review of a counterparty. Firstly, the ESG Factor Heatmap takes climate, environmental, social and governance risk factors into account to identify and assess ESG risks and opportunities. The heatmap covers all sectors to which the Bank has exposure to and assigns industries into low, medium, high and very high ESG classifications. It is reviewed on an annual basis. It is embedded in the internal processes and used as an integral part of the of lending standards, the credit process, for active portfolio management and the setting of industry strategies according to the relevant industry specific ESG factors, the latter which drive the steering of the portfolio.

The ESG Factor Heatmap is also used for the ESG assessment of SMEs.

Secondly, for all large corporates, real estate projects which have an exposure > EUR 20mln, an individual ESG Assessment Questionnaire shall be performed. Besides social and governance questions, a wide range of environmental risks are covered in the questionnaire, including animal welfare, waste and pollution, water use, impact on endangered zones and other environmental impacts, which are identified and reflected in the assessment. Depending on the information available from the counterparty and the assessed sensitivity/vulnerability to environmental risks, an in-depth assessment may be required in order to understand the nature and severity of the environmental risks to which the client is exposed.

Similarly, counterparties having significant exposure to physical risk (e.g., floods, heavy storms, droughts, etc.) shall undergo an in-depth assessment. The identified key environmental risks aim to determine the possible impact on the counterparty's financial performance (e.g., environmental risks driving lower profitability or increased legal costs).

In the corporate rating model, a soft fact question covering the counterparty's environmental impact is also assessed.

Another dimension Erste Bank Hungary focuses on is the incorporation of ESG factors in collateral management and real estate valuations. The incorporation of environmental factors to collateral management, in particular valuations, looks at the lifetime of the asset and is therefore applicable for the medium- to long-term time-horizon.

In internal valuations, energy efficiency of buildings and physical risks play an important role. The energy efficiency assessment is based on Energy Performance Certificates (EPC) that are requested from the client or, if available, sourced from public registers. Previously, Erste Bank Hungary has implemented several actions in order to increase the coverage of EPC data, such as automated data capture or extraction. There is a regular (quarterly) monitoring where the coverage of the EPC availability as well as its data quality is assessed and communicated to senior management. Additional actions and enhancements of established processes will continue to be implemented to further increase EPC data availability.

Up-to-date information on physical risks is gathered and considered in the assessment of the evaluated asset. Furthermore, other negative contributions of the real estate asset to climate change (i.e., DNSH - Do No Significant Harm) are also assessed in the real estate valuations.

For the assessment and management of physical risks, Erste Bank Hungary uses Munich RE's Location Risk Intelligence. Over the last year, Erste Group has conducted an assessment together with the University of Graz to identify key hazards and climate change scenarios relevant for its collateral portfolio, which was considered in the materiality assessment. The results of the assessment, highlighting the importance of river flood, fire weather stress, drought stress, sea level rise and heat stress, is integrated into the collateral management, incorporating an intermediate climate change scenario of 2-3°C by 2100 (Representative Concentration Pathway 4.5 / Shared Socioeconomic Pathway 2, developed by the Intergovernmental Panel on Climate Change (IPCC)) as a reasonable assumption. In case of the existence of very high physical risks of a location, the collateral value would be negatively affected.

In large commercial real estate transactions, environmental aspects are part of the Technical Object Rating (TOR) and cover environmental risks such as waste, pollution, water use, land use, to name a few.

Everything described so far in this chapter is incorporated into the yearly Risk Materiality Assessment for credit risk, which is described in greater detail in section n.

The materiality of ESG Risk in the market risk context is assessed in the yearly Risk Materiality Assessment. The vulnerability and readiness of sovereigns are mapped to a matrix and the percentage of exposure which is in the most vulnerable and least ready quantile of the matrix is measured against the overall exposure towards sovereigns. The exposure of the corporate security portfolio is mapped to the ESG Factor Heatmap and the exposure of the high and very high ESG risk is measured against the overall corporate exposure. Financial Institutions are currently not in scope of the Risk Materiality Assessment.

In addition, for single activities (transactions, onboarding, outsourcing etc.) the Non-Financial Risk Management process applies for the final acceptance of identified ESG-risks.

m) Activities, commitments and exposures contributing to mitigate environmental risks

As the influence of ESG risks is expected to increase over time and in line with 2023 thematic review of climate-related and environmental (CE) risks, we are currently further improving and enhancing the method and process of assessment of the materiality to monitor the impact of ESG risks in liquidity risk framework on Group level. Furthermore, ESG requirements are planned to be incorporated into the liquidity risk framework.

The materiality of ESG Risk in the market risk context is assessed in the yearly Risk Materiality Assessment. The vulnerability and readiness of sovereigns are mapped to a matrix and the percentage of exposure which is in the most vulnerable and least ready quantile of the matrix is measured against the overall exposure towards sovereigns. The exposure of the corporate security portfolio is mapped to the ESG Factor Heatmap and the exposure of the high and very high ESG risk is measured against the overall corporate exposure. Financial Institutions are currently not in scope of the Risk Materiality Assessment.

As the comprehensive analysis of the climate-related challenges, legislative and economic impacts of climate change (Climate Change House View) has shown, financing for or investing in companies exposed to physical and transitory climate risks poses a significant risk to our core business in the medium to long term. In addition, there is a risk of consequences, particularly in customer investment and advisory services, if products are advertised as "sustainable" that cannot withstand close scrutiny by the regulator ("greenwashing"). Penalties and a loss of reputation would be the consequences.

At the same time, negative impacts on the environment and society are possible if companies are financed or invested in, operate in an environmentally harmful manner and disregard fundamental human rights or the principles of good corporate governance. The establishment of sustainability criteria, on the other hand, has the effect that companies with negative sustainability impacts are avoided and that financial resources flow into companies and activities that contribute to the transformation.

To mitigate the transition risk, Erste Bank Hungary has set itself the goal of reducing the emissions it finances along the net zero path on the one hand, and significantly increasing the share of short- and medium-term sustainable financing and investments, on the other side. Erste Bank Hungary is therefore clearly committed to funding ambitious climate protection measures and to support customers in their transformation to transition the portfolio to net-zero greenhouse gas emissions by 2050.

n) Implementation of tools for identification, measurement and management of environmental risks

Thus, the tools implemented and used in Erste Bank Hungary to identify and manage ESG risks, including environmental risk, are listed herein.

Risk materiality assessment (RMA) as a senior management steering tool is an annual process with the purpose of systematic identification of new and assessment of all risks for the Bank. Climate change risks, both transitional and physical, and other environmental risks, such as environmental degradation and animal welfare, are integrated into the Risk Materiality Assessment of Erste Bank Hungary. They are identified and classified as transversal risks in our risk inventory and consequently their materiality is assessed within existing main risk types (credit, market, liquidity, operational and strategic risk) by means of qualitative and quantitative indicators. Such indicators are, for instance for the credit risk, related to greenhouse gas emissions of loan portfolios, real estate energy efficiency, exposure to key physical hazards (see below), or exposures in sectors with potential to environmental degradation.

The indicators take into account quantitative impact on our capital adequacy and forward-looking assessment relying on the scenario analysis (for materiality: short-to medium-term (3-5Y); for outlook: mid to long-term (2030 - 2050)).

RMA process is leveraging to the large extent on other internal processes and tools (e.g., carbon footprint calculation, ESG Factor Heatmap, ESG Assessment Questionnaire, Climate Hazards Scores by Munich RE, sustainable finance target monitoring), while some processes and tools are specifically in place for risk identification within RMA process (e.g., for the damage on own assets or supply chain from floods and storms – operational risk, etc.)

In addition, the group has conducted an assessment over the last year together with the University of Graz in order to identify key hazards and climate change scenarios relevant for its collateral portfolio. The assessment identified key risks in our portfolio and included an evaluation of Climate Hazards Scores, which were obtained from Munich RE and will be utilised across the entire Group. The insights gained from this exercise will be used to enhance our risk management processes.

Erste Bank Hungary will focus on key risks, including heat stress, drought stress, fire weather stress and river floods. This is based on projections for Europe, which have been derived from various IPCC climate scenarios and time horizons.

For Erste Bank Hungary's risk processes, the IPCC's climate scenario RCP 4.5. will be taken into consideration as the primary scenario, as it corresponds to the EU's current pledges (Nationally Determined Contributions) and policies. In this scenario, global emissions peak in 2040 before declining. There is little difference between RCP 4.5 and RCP 8.5 by mid-century (2050s), which is the primary period for analysis.

Limiting global temperature increase to 1.5°C, corresponding to RCP 2.6, remains the target of our decarbonisation efforts.

Decarbonisation strategy, which will effectively mitigate Erste Bank Hungary's exposure to transition risks, is based on a starting point of financed emissions which are determined in the Carbon Footprint Calculation. Portfolio decarbonisation targets aim a reduction of financed emissions by the end of the decade in the portfolios retail mortgages, commercial real estate, electricity production, automotive production and oil & gas extraction. In line with the Net Zero Banking Alliance, we strive to achieve net zero by 2050.

Consequently, Erste Group also implemented greenhouse gas calculation (internally referred to as Carbon Footprint Calculation - "CFC"). Thus, it measures financed portfolio's emissions according to PCAF (Partnership for Carbon Accounting Financials) methodology. Scope 1,2 and 3 are calculated and disclosed in line with PCAF guidance on scope 3 inclusion for selected industry sectors (i.e., for energy and mining, transportation, construction, buildings, materials, and industrial activities scope 3 emissions are included as of 31.12.2022).

From the methodology published by PCAF, Erste Bank Hungary has implemented CFC for business module, project finance, residential and commercial real estate and partly for bonds and securities (i.e., only for corporate bonds).

As already mentioned, CFC creates the starting point for the other portfolio-related risk assessment activities (RMA) and portfolio decarbonisation initiatives.

Also, please see above the section related to risk management processes used to identify, measure and monitor activities and exposures sensitive to environmental risks (section l) for an explanation on the role of the Erste Bank Hungary's ESG Factor Heatmap, for an explanation on the role of the ESG Assessment Questionnaire, the integration of environmental impact into the Bank's corporate rating model, the integration of environmental risk factors and considerations into the Bank's collateral management processes and valuation.

Based on Group EBH's RMA 2023, materiality is medium for credit risk, whereas market, liquidity, operational and strategic risk are categorized as low. The main driver of medium materiality for credit risk is transition risk, reflected by various indicators on financed greenhouse gas emissions. The potential impact of key physical risks – which have been identified in cooperation with climate experts of the University of Graz – on the other hand is deemed immaterial (low) both for credit risk (share of loan portfolio exposed to high physical risks below 1%) and own real estate assets and service providers (operational risk). Exposure to environmental degradation and animal welfare within our portfolio is assessed as medium as indicated by the conducted industry-level assessment based on the ESG Factor Heatmap - (less than 1/5 exposed to relevant risk levels). Various internal projects implemented in the last 3 years (amongst others, an ever-evolving decarbonisation strategy, better screening of (potential) clients via ESG Assessment Questionnaires for large corporates and real estate projects, continuous enhancements in climate stress testing, acquisition of a physical risk database from Munich RE) effectively reduced Erste Bank Hungary's strategic exposure to environmental risk.

Likewise, the severity of environmental risk impact in liquidity risk as well as in market risk is assessed on a yearly basis in the course of RMA.

Based on the latest assessment, the impact of ESG risk factors on the liquidity risk is considered as low/immaterial, therefore no supporting risk measures were defined in the liquidity risk appetite at this moment. For more details see above section l).

Assessment of materiality of ESG risk in market risk covers Erste Bank Hungary’s securities portfolio and is based on the internal ESG Factor Heatmap data and the readiness and vulnerability information for sovereigns, as described above in section l).

o) Results and outcome of the risk tools implemented and the estimated impact of environmental risk on capital and liquidity risk profile

Erste Bank Hungary is aware that it is necessary to provide the estimated impact of environmental risk on the institution’s capital adequacy. However, we find that there is no need to put capital aside immediately considering:

- ESG risk as transversal by nature is a driver of key risk types (e.g., credit, market, liquidity, operational risk), thus the risk management framework and economic capital are implemented under affected key risk types (preventing double counting of risk);
- ongoing implementation of proactive risk management framework (e.g., decarbonization strategy, improving data management) to cope with transitional risk, effectively reducing Group exposure to climate related and environmental (CE) risks;
- ESG as emerging risk, expected to unfold its loss potential slowly over the next decades, where the path of development is quite well understood and therefore, risk measurement systems of Erste Bank Hungary (e.g., PDs) as well as client’s behaviour will step-by-step adapt to respective changes.;

p) Data availability, quality and accuracy, as well asand efforts to improve these aspects

Since 2021, the ESG relevant data have been included in the data collection processes of Erste Bank Hungary and have been distributed to the central solutions of Erste Group for indicators’ calculation and reporting purposes (further data will be introduced to cover additional requirements).

Regarding data quality of information collected for ESG, several business and technical data quality checks have been implemented that monitor ESG relevant fields. Additional business quality checks will be implemented by the end of 2024.

Erste Bank Hungary has significantly improved the completeness of “year of construction” data for real estate collateral assets. Additional focus is given to the data quality related to ESG information as part of the data management board KPIs.

q) Description of limits to environmental risks (as drivers of prudential risks) that are set, and triggering escalation and exclusion in the case of breaching these limits

For details regarding ESG indicators and their respective governance, please see sections b) and g).

r) Description of the link (transmission channels) between environmental risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework

Erste Bank Hungary identifies sectors that are vulnerable to environmental risks via the Group's ESG Factor Heatmap as mentioned in previous sections.

Via the ESG Assessment Questionnaire previously detailed, the Bank is able to assess how certain ESG factors may have a positive or negative impact on the financial performance or solvency of clients. In this manner, the Bank is able to ensure that the potential impact of environmental risks on the loan portfolio (and thus credit risk) is considered.

Moreover, Erste Bank Hungary recognizes additional challenges caused by the ESG risks.

Particularly, environmental risks are currently reflected only indirectly in LGD models via collateral value and in the Group (Large) Corporate and Specialized Lending models via a soft fact assessment, as detailed above in section l). As a consequence, a project to holistically define and collect relevant environmental risk factors for all rating systems has been started in 2022 to ensure the explicit consideration also of climate risk drivers in future model development initiatives.

Before incorporation into the credit risk models, the Bank is considering how these risks can be incorporated into expected credit loss (ECL) measurement. In the Risk Materiality Assessment, climate and environment-related risks are overall assessed as medium. This assessment is driven by the “Transition Risk” analysis as a small percentage of the portfolio still has high GHG emissions and would therefore be exposed to increased risk in the event of a disorderly transition scenario. Disorderly transition scenario was considered in the forward-looking downside scenario. The Group did further analysis to see if ESG overlays are necessary in the future - consideration through FLI scenario was deemed as sufficient for ECL measurement as of 31 December 2023.

As regards the environmental risk impact in liquidity risk, as well as in market risk, please refer to section n).

Furthermore, ESG risks are implicitly covered in the existing Operational and Non-Financial Risk (NFR) Management framework and all methods covered therein. Also, they are explicitly addressed in the yearly Operational Risk Scenario Analysis and the Stress Testing framework. On a daily basis, the NFR decision framework can be seen as a case-by-case scenario analysis also covering ESG risks in all impact dimensions (financial, legal and reputational). Data collection and reporting requirements for ESG events follow the same standards as other Operational Risk events. Given the above, ESG risks are implicitly (via loss data) and explicitly (via scenario analysis) covered in the RWA calculation for operational risk.

The NFR decision process ensures a deep-dive scenario analysis, covering ESG risks in all dimensions (financial, legal and reputational) for single transactions (including those related to scope 3 financed emissions). In addition, the NFR decision process is intrinsic to various business decision governance frameworks, including financing, outsourcing and product development. The process is designed for risk acceptance of evaluated NFRs, including climate and environmental risks, with exact risk escalation levels and documentation. This serves as a foundation for effective risk response and monitoring.

The NFR decision process allows for comprehensive consideration of climate and environmental risks and other non-financial risks, by measuring the probability and impact of identified risk scenarios. Impacts assessed include the financial consequences of the identified risk, projected reputational damage, as well as projected legal compliance aspects associated with the acceptance of such risk(s).

Depending on the scaling of identified risks, each NFR decision has to be accepted by the appropriate risk acceptance level, depending on the combination of risk probability and risk impact. Each acceptance must be associated with respective risk mitigation measures.

Quantitative disclosure on environmental risk

The template bellow represents industry split of the Erste Hungary portfolio per industry segmentation, providing more insight into distribution of exposures toward non-financial corporations between sectors that highly contribute to climate risk and other sectors.

in HUF million

Sector/subsector	Gross carrying amount (million HUF)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (million HUF)			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures					
Exposures towards sectors that highly contribute to climate change*	**867,357**	**-**	**9,190**	**220,922**	**23,758**	**-20,673**	**-4,508**	**-13,804**	**599,547**	**185,477**	**25,730**	**56,602**	**2.87**
A - Agriculture, forestry and fishing	69,549	-	-	15,992	4,537	-4,366	-263	-3,980	37,741	22,008	4,198	5,603	3.45
B - Mining and quarrying	366	-	-	300	0	-7	-6	-0	333	-	33	-	3.61
B.05 - Mining of coal and lignite	*0*	-	-	-	-	*-0*	-	-	0	-	-	-	-
B.06 - Extraction of crude petroleum and natural gas	-	-	-	-	-	-	-	-	-	-	-	-	
B.07 - Mining of metal ores	*0*	-	-	-	-	-	-	-	0	-	-	-	0.00
B.08 - Other mining and quarrying	*363*	-	-	*297*	*0*	*-7*	*-6*	*-0*	330	-	33	-	3.64
B.09 - Mining support service activities	*3*	-	-	*3*	*0*	*-0*	*-0*	*-0*	3	-	-	-	0.00
C - Manufacturing	257,311	-	394	49,325	3,843	-3,062	-906	-1,700	173,619	58,036	1,480	24,175	1.96
C.10 - Manufacture of food products	87,724	-	-	5,527	1,222	-1,073	-158	-707	67,494	5,120	458	14,652	1.30
C.11 - Manufacture of beverages	10,088	-	-	2,613	37	-125	-62	-28	2,998	4,605	18	2,467	0.93
C.12 - Manufacture of tobacco products	-	-	-	-	-	-	-	-	-	-	-	-	
C.13 - Manufacture of textiles	1,280	-	-	166	32	-30	-3	-24	679	602	-	-	5.62
C.14 - Manufacture of wearing apparel	159	-	-	16	1	-1	-0	-1	125	35	-	-	3.22
C.15 - Manufacture of leather and related products	2,477	-	-	2,452	0	-39	-39	-0	25	519	-	1,933	1.15
C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	2,286	-	-	294	20	-25	-4	-16	1223	1,027	34	2	4.51
C.17 - Manufacture of pulp, paper and paperboard	*1,539*	-	-	*1,100*	*3*	*-33*	*-28*	*-2*	702	614	-	223	3.37
C.18 - Printing and service activities related to printing	*406*	-	-	*5*	*0*	*-2*	*-0*	*-0*	334	72	-	-	2.92
C.19 - Manufacture of coke oven products	*46,045*	-	*92*	*0*	-	*-11*	*-0*	-	32,002	14,044	-	-	1.68
C.20 - Production of chemicals	*22,654*	-	-	*22,585*	*0*	*-236*	*-235*	*-0*	13,090	9,495	-	69	3.82
C.21 - Manufacture of pharmaceutical preparations	*13,182*	-	-	-	-	*-30*	-	-	2,340	10,649	-	193	0.98
C.22 - Manufacture of rubber products	*8,034*	-	-	*1,725*	*0*	*-37*	*-17*	*-0*	7,008	441	-	585	2.34

Sector/subsector	Gross carrying amount (million HUF)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (million HUF)			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures					
C.23 - Manufacture of other non-metallic mineral products	*7,899*	-	-	*749*	*1*	*-38*	*-18*	*-0*	5,611	685	24	1,579	1.53
C.24 - Manufacture of basic metals	*845*	-	-	*346*	*499*	*-87*	*-1*	*-86*	845	-	-	-	1.29
C.25 - Manufacture of fabricated metal products, except machinery and equipment	*9,504*	-	-	*5,409*	*1,184*	*-418*	*-86*	*-319*	6,452	1,844	112	1,096	2.47
C.26 - Manufacture of computer, electronic and optical products	*1,102*	-	-	*468*	*12*	*-20*	*-10*	*-9*	297	805	-	-	5.73
C.27 - Manufacture of electrical equipment	*4,510*	-	-	*187*	*518*	*-298*	*-3*	*-281*	2,762	1,323	-	424	2.77
C.28 - Manufacture of machinery and equipment n.e.c.	*12,625*	-	-	*1,899*	*300*	*-324*	*-77*	*-220*	8,995	2,992	382	257	2.97
C.29 - Manufacture of motor vehicles, trailers and semi-trailers	*15,434*	-	*301*	*829*	*0*	*-61*	*-23*	*-0*	14,524	796	-	114	1.82
C.30 - Manufacture of other transport equipment	*4,748*	-	-	*1,426*	-	*-124*	*-113*	-	1,951	1,795	429	572	4.69
C.31 - Manufacture of furniture	*1,762*	-	-	*478*	*3*	*-6*	*-1*	*-1*	1,726	23	7	6	2.36
C.32 - Other manufacturing	*690*	-	-	*119*	*6*	*-8*	*-1*	*-4*	598	75	16	-	3.41
C.33 - Repair and installation of machinery and equipment	*2,317*	-	*1*	*932*	*2*	*-34*	*-26*	*-1*	1,839	476	-	3	3.20
D - Electricity, gas, steam and air conditioning supply	81,433	-	8,796	77,094	3	-1,078	-1,041	-2	57,916	13,829	9,689	-	2.71
D35.1 - Electric power generation, transmission and distribution	63,288	-	8,201	61,390	1	-228	-203	-0	55,301	7,724	263	-	1.02
D35.11 - Production of electricity	*17,352*	-	*595*	*15,701*	*2*	*-845*	*-838*	*-2*	1,821	6,105	9,426	-	8.83
D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	*3*	-	-	*3*	-	*-0*	*-0*	-	3	-	-	-	0.00
D35.3 - Steam and air conditioning supply	*791*	-	-	-	*0*	*-4*	-	*-0*	791	-	-	-	3.59
E - Water supply; sewerage, waste management and remediation activities	2,212	-	-	776	2	-32	-18	-1	1,848	365	-	0	2.96
F - Construction	31,726	-	-	9,017	2,912	-1,857	-304	-1,464	23,797	3,923	187	3,818	2.30
F.41 - Construction of buildings	*15,753*	-	-	*5,558*	*286*	*-403*	*-190*	*-165*	11,419	1,806	4	2,524	1.91
F.42 - Civil engineering	*5,630*	-	-	*2,489*	*175*	*-148*	*-81*	*-54*	4,489	1,098	43	,-	3.31
F.43 - Specialised construction activities	*10,343*	-	-	*971*	*2,451*	*-1,306*	*-32*	*-1,245*	7,890	1,019	140	1,294	2.33
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	160,440	-	-	40,924	5,529	-4,346	-752	-3,188	112,592	23,654	1,585	22,609	2.30
H - Transportation and storage	28,764	-	-	17,854	68	-614	-504	-52	14,653	12,989	777	345	4.08

Sector/subsector	Gross carrying amount (million HUF)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (million HUF)			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures					
H.49 - Land transport and transport via pipelines	*13,258*	-	-	*4,258*	*33*	*-226*	*-150*	*-26*	11,916	732	429	180	2.78
H.50 - Water transport	*,0*	-	-	-	*0*	*-0*	-	*-0*	0	-	-	-	0.08
H.51 - Air transport	*0*	-	-	*0*	*0*	*-0*	*-0*	*-0*	0	-	-	-	0.00
H.52 - Warehousing and support activities for transportation	*15,302*	-	-	*13,586*	*25*	*-379*	*-353*	*-19*	2,544	12,245	348	165	5.25
H.53 - Postal and courier activities	*204*	-	-	*10*	*10*	*-9*	*-0*	*-8*	193	11	-	-	1.82
I - Accommodation and food service activities	22,590	-	-	1,581	6,426	-3,397	-63	-3,240	3,674	13,380	5,533	3	7.23
L - Real estate activities	212,965	-	-	8,059	437	-1,915	-649	-176	173,373	37,294	2,246	51	3.71
Exposures towards sectors other than those that highly contribute to climate change*	**81,164**	**-**	**-**	**15,328**	**2,790**	**-2,718**	**-461**	**-1,870**	**67,876**	**9,112**	**3,353**	**822**	**3.02**
K - Financial and insurance activities	16,636	-	-	96	296	-377	-10	-213	16,293	334	9	-	3.03
Exposures to other sectors (NACE codes J, M - U)	64,528	-	-	15,232	2,494	-2,342	-452	-1,657	51,583	8,778	3,344	822	3.02
TOTAL	**948,521**	**-**	**9,190**	**236,250**	**26,548**	**-23,391**	**-4,970**	**-15,674**	**667,423**	**194,589**	**29,083**	**57,425**	**2.88**

* In accordance with the Commission delegated regulation EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006

Table 58: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity (Art. 449a CRR, EU 1.CC Transition risk-Banking b. (EU) 2022/2453)

Overview below shows gross carrying amount per EPC label and energy consumption bucket of the underlying real estate collateral. Within the overview of loans collateralized by commercial and residential immovable property per energy efficiency (EP score), Erste Hungary has also included the exposures for which the energy consumption is estimated, in addition to separately presenting it in the dedicated row. When presenting the exposure distribution per EPC label, the estimated EPC labels are not taken into consideration.

	Total gross carrying amount amount (in HUF million)															
		Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
Counterparty sector		0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
Total EU area	**746,917**	**94,193**	**468,812**	**128,222**	**40,131**	**13,267**	**2,121**	**26,011**	**46,759**	**19,799**	**149,231**	**64,735**	**56,426**	**128,008**	**255,949**	**0.00%**
Of which Loans collateralised by commercial immovable property	183,130	22,869	113,954	43,712	2,189	401	5	15,834	9,988	19,522	68,259	19,319	12,341	12,653	25,214	13.77%
Of which Loans collateralised by residential immovable property	563,787	71,324	354,858	84,510	37,942	12,866	2,116	10,177	36,771	276	80,972	45,416	44,085	115,355	230,736	40.93%
Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	255,949	25,477	185,851	44,138	50	420	12								255,949	100.00%
Total non-EU area	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Loans collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	-	-	-	-	-	-	-								-	-

Table 59: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral (Art. 449a CRR, EU 2.CC Trans-BB.RE collateral (EU) 2022/2453)

When assessing the exposure toward top 20 most polluting companies in the world - none of which is related to Erste Hungary -, Erste Group used publicly available information published by Climate Accountability Institute.

Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
-	-	-	-	-

*For counterparties among the top 20 carbon emitting companies in the world

Table 60: Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms (Art. 449a CRR, EU 4.CC Transition-toppollutcomp (EU) 2022/2453)

The source of data used for estimation of geographical areas subject to physical risk is based on Munich RE classification. Given that vast majority of Erste Hungary activities are based in Hungary, the total portfolio is presented below.

Total portfolio	Gross carrying amount (in HUF million)													
		of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing	69,549	37,741	22,008	4,198	5,603	3,45	-	-	69,549	15,992	4,537	-4,366	-263	-3,980
B - Mining and quarrying	366	333	-	33	-	3,61	-	-	366	300	0	-7	-6	-0
C - Manufacturing	257,311	173,619	58,036	1,480	24,175	1,96	-	10	257,301	49,325	3,843	-3,062	-906	-1,700
D - Electricity, gas, steam and air conditioning supply	81,433	57,916	13,829	9,689	-	2,71	-	-	81,433	77,094	3	-1,078	-1,041	-2
E - Water supply; sewerage, waste management and remediation activities	2,212	1,848	365	-	0	2,96	-	-	2,212	776	2	-32	-18	-1
F - Construction	31,726	23,797	3,923	187	3,818	2,30	-	-	31,726	9,017	2,912	-1,857	-304	-1,464
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	160,440	112,592	23,654	1,585	22,609	2,30	-	1	160,440	40,924	5,529	-4,346	-752	-3,188
H - Transportation and storage	28,764	14,653	12,989	777	345	4,08	-	-	28,764	17,854	68	-614	-504	-52
L - Real estate activities	212,965	173,373	37,294	2,246	51	3,71	-	-	212,965	8,059	437	-1,915	-649	-176
Loans collateralised by residential immovable property	5,260	1,675	1,291	2,267	27	7,91	-	-	5,260	2,446	381	-370	-163	-199
Loans collateralised by commercial immovable property	374,722	267,093	85,337	13,991	8,302	5,49	-	-	374,722	49,936	11,781	-10,365	-1,417	-7,384
Repossessed collaterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other relevant sectors (breakdown below where relevant)	103,754	71,551	22,492	8,887	825	3,94	-	0	103,754	16,909	9,216	-6,115	-525	-5,110

Table 61: Banking book - Climate change physical risk: Exposures subject to physical risk (Art. 449a CRR, EU 5.CC Physical risk (EU) 2022/2453)

The Green Asset Ratio ('GAR') represents the ratio of the taxonomy aligned assets or economic activities financed by Erste Hungary in relation to the total 'covered assets'. The covered assets are the total assets of Erste Hungary, except for assets with respect to central governments and supranational issuers, as well as exposures towards central banks and the trading book. In the table below, we are presenting information about Key Performance Indicators related to green asset ratio aligned with ESG Taxonomy and also key GAR figures related to mitigation actions.

	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock	0.02%	0.00%	0.02%	40.76%
GAR flow	0.33%	0.00%	0.33%	5.92%

Table 62: Summary of GAR KPIs

in HUF million	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
GAR - Covered assets in both numerator and denominator																
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	**1,936,264**	**500,786**	**460**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**500,786**	**460**	**-**	**-**	**-**
Financial corporations	665,385	3,606	368	-	-	-	-	-	-	-	-	3,606	368	-	-	-
Credit institutions	611,149	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	218,115	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities, including UoP	393,034	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
Other financial corporations	54,236	3,606	368	-	-	-	-	-	-	-	-	3,606	368	-	-	-
of which investment firms	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

in HUF million	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
Non-financial corporations (subject to NFRD disclosure obligations)	**71,009**	**4,126**	**92**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,126**	**92**	**-**	**-**	**-**
Loans and advances	47,528	2,862	64	-	-	-	-	-	-	-	-	2,862	64	-	-	-
Debt securities, including UoP	23,481	1,264	28	-	-	-	-	-	-	-	-	1,264	28	-	-	-
Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
Households	**1,199,870**	**493,054**	**-**	**-**	**-**	**-**						**493,054**	**-**	**-**	**-**	**-**
of which loans collateralised by residential immovable property	567,437	493,054	-	-	-	-						493,054	-	-	-	-
of which building renovation loans	-	-	-	-	-	-						-	-	-	-	-
of which motor vehicle loans	-	-	-	-	-	-						-	-	-	-	-
Local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

in HUF million	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
TOTAL GAR ASSETS	**1,025,889**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets excluded from the numerator for GAR calculation (covered in the denominator)																
EU Non-financial corporations (not subject to NFRD disclosure obligations)	876,491															
Loans and advances	830,394															
Debt securities	45,677															
Equity instruments	420															
Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)	62															
Loans and advances	62															
Debt securities	-															
Equity instruments	-															
Derivatives	-															
On demand interbank loans	5,227															
Cash and cash-related assets	21,361															
Other assets (e.g. Goodwill, commodities etc.)	122,749															
TOTAL ASSETS IN THE DENOMINATOR (GAR)	**2,962,153**															
Other assets excluded from both the numerator and denominator for GAR calculation																
Sovereigns	1,052,526															
Central banks exposure	625,529															
Trading book	110,486															

in HUF million	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR	**1,788,541**															
TOTAL ASSETS	**4,750,694**															

Table 63: Mitigating actions: Assets for the calculation of GAR

As of 31.12.2023, HUF 500,786 million, or 25.86% of covered assets are Taxonomy eligible and HUF 460 million, or 0.02% of covered assets are Taxonomy aligned in the turnover-based view.

The taxonomy eligible volume consists of the following components:

- Financing of private households to the amount of HUF 493,054 million,
- Financing of non-financial undertakings to the amount of HUF 4,126 million and of financial undertakings to the amount of HUF 3,606 million.

The Taxonomy aligned volume primarily consists of financing to financial undertakings to the amount of HUF 368 million.

% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
		Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable			
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
<u>GAR</u>	**25.86%**	**0.02%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25.86%**	**0.02%**	**-**	**-**	**-**	40.76%
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	25.86%	0.02%	-	-	-	-	-	-	-	-	25.86%	0.02%	-	-	-	40.76%
Financial corporations	0.54%	0.06%	-	-	-	-	-	-	-	-	0.54%	0.06%	-	-	-	14.01%

% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
		Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
Credit institutions	0.00%	0.00%	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	12.86%
Other financial corporations	6.65%	0.68%	-	-	-	-	-	-	-	-	6.65%	0.68%	-	-	-	1.14%
of which investment firms	0.00%	0.00%	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	0.01%
of which management companies	-	-	-	-	-	-	-	-	-	-		-	-	-	-	0.00%
of which insurance undertakings	-	-	-	-	-	-	-	-	-	-		-	-	-	-	0.00%
Non-financial corporations subject to NFRD disclosure obligations	5.81%	0.13%	-	-	-	-	-	-	-	-		-	-	-	-	1.49%
Households	41.09%	0.00%	-	-	-						41.09%	0.00%	-	-	-	25.26%
of which loans collateralised by residential immovable property	86.89%	0.00%	-	-	-						86.89%	0.00%	-	-	-	11.94%
of which building renovation loans	-	-	-	-	-						-	-	-	-	-	0.00%
of which motor vehicle loans	-	-	-	-	-						-	-	-	-	-	0.00%
Local government financing	-	-	-	-	-						-	-	-	-	-	0.00%
Housing financing	-	-	-	-	-						-	-	-	-	-	0.00%
Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-						-	-	-	-	-	0.00%

Table 64: GAR (%) - KPIs on stock

% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of total new assets covered
		Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
<u>GAR</u>	**20.18%**	**0.33%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20.18%**	**0.33%**	**-**	**-**	**-**	**5.92%**
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	20.18%	0.33%	-	-	-	-	-	-	-	-	20.18%	0.33%	-	-	-	5.92%
Financial corporations	26.29%	2.68%	-	-	-	-	-	-	-	-	26.29%	2.68%	-	-	-	0.56%
Credit institutions	0.00%	0.00%	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	0.23%
Other financial corporations	44.14%	4.50%	-	-	-	-	-	-	-	-	44.14%	4.50%	-	-	-	0.33%
of which investment firms	0.00%	0.00%	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	0.00%
of which management companies	-		-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
of which insurance undertakings	-		-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
Non-financial corporations subject to NFRD disclosure obligations	8.98%	0.20%	-	-	-	-	-	-	-	-	8.98%	0.20%	-	-	-	2.31%
Households	27.54%	0.00%	-	-	-						27.54%	0.00%	-	-	-	3.05%
of which loans collateralised by residential immovable property	92.79%	0.00%	-	-	-						92.79%	0.00%	-	-	-	0.91%
of which building renovation loans	-	-	-	-	-						-	-	-	-	-	-
of which motor vehicle loans	-	-	-	-	-						-	-	-	-	-	-
Local government financing	-	-	-	-	-						-	-	-	-	-	-
Housing financing	-	-	-	-	-						-	-	-	-	-	-

% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
	Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors				Proportion of total new assets covered
		Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable			
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-						-	-	-	-	-	-

Table 65: GAR (%) - KPIs on flows

Social risk

DISCLOSURE REQUIREMENTS Art. 435 and 449a CRR

Erste Bank Hungary's **business strategy** in regard to social risk is assured as detailed further on.

a) Adjustment of the institution's business strategy to integrate social factors and risks taking into account the impact of social risk on the institution's business environment, business model, strategy and financial planning

The social responsibility of Erste Group is strongly embedded into its foundations. Access to finance - opportunity to save and borrow money - for the unbanked part of the population was one of the main reasons for the foundation of Erste Österreichische Spar-Casse in 1819. With its historic background and as one of the important financial institutions in Central and Eastern Europe (CEE), Erste Group has an inherent responsibility for broader sustainability and ESG risks toward the society. The analysis of mid- and long-term developments, stakeholder perceptions, changes to the social and business environment and related social challenges, are **key elements to determine the ESG strategy**. ESG risks identification like potential environmental damages, severe negative social consequences or poor governance have been always an integral part of **Erste Group business and risk management framework**.

The consistently high numbers of working poor and rising cost of living and energy in the region have an adverse impact on satisfaction with living standards. A low supply of new affordable housing and the near absence of a social housing sector have led to substantial overcrowding. As property prices have risen over the past decade, not only the young and those on low incomes, but also even the lower middle class are barely able to buy homes in larger cities. At the same time, around 10% of the population is still unable to pay for heating. Working with social organisations and housing developers we help people affected by poverty to build independent lives in homes of their own or improve their housing situation.

Our analysis of socio environmental topics provided the basis for **Erste Group's long-term ESG strategy, objectives and framework**. Furthermore, as already mentioned, the identified environmental and social challenges are taken into account in the **ESG Factor Heatmap** and **Group Responsible Financing Policy**. In context of our financing and investment operations, Erste Group considers social, ecological and ethical criteria as well as impact on society and the environment in addition to economic consideration. These standards are the ones used to define our compliance principles.

Erste Group through its Social Banking continues to be the leader in offering financial services to NGOs, start-ups and individuals in difficult situations. Social Banking initiatives focus on financially excluded or vulnerable private individuals (people at risk of poverty or social exclusion), start-up and micro entrepreneurs and social organisations (non-profit sector, non-governmental organisations and social enterprises) by offering them fair access to financial products, sound financial advice and business training and mentoring. Therefore, a special Group **Social Banking Risk Policy** sets out the key requirements for managing credit risk related to social banking at Erste Group. This policy applies to social banking activities concerning private individuals, micros and new entrepreneurs, social organisations and special social projects. It provides a framework adapted to local needs and local legal regulations.

In a bid to reduce the risk related to the funding of social organisations, Erste Group Social Banking claimed the portfolio guarantee provided under the EU Programme for Employment and Social Innovation (EaSI), which expired at year-end 2022. To be able to keep offering preferential terms and loans to social entrepreneurs and new entrepreneurs, Erste Group Social Banking in 2023 obtained a new portfolio guarantee from the European Investment Fund (EIF) under the InvestEU programme.

Moreover, Erste Group is also one of 33 signatory banks joining the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking's Commitment to Financial Health and Inclusion. Within this commitment all signature banks need to set targets in respect to financial health and inclusion in 2023 and need to report on them annually with the following year thereafter to ensure transparency on the progress.

b) Objectives, targets and limits to assess and address social risk in short-term, medium-term and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes

A business environment assessment focusing in particular on climate change and socio-environmental challenges of the CEE region was completed in 2021. It is a basis for the long-term strategic considerations of the financial resilience of Erste Group's business model in relation to risks related to sustainability matters.

Erste Group's commitment to **social inclusion** is as relevant today as it was 200 years ago. The social cohesion in our region creates a strong and reliable basis for a well-functioning socio-economic environment that will bring prosperity to many. Erste Group is therefore pursuing effective initiatives to promote financial inclusion, social banking, financial education, affordable housing and gender equality. It is believed that a sound socio-economic environment provides the foundation for sound banking operations and has a positive impact on our economic performance.

Social Inclusion - societal cohesion:

- Promoting financial inclusion through our social banking activities, thereby strengthening social cohesion in the civil society.
- Helping our customers gain financial health and financial literacy, with a focus on financial education projects for children and young people.
- Investing in affordable housing.
- Promoting diversity, including gender diversity, as a significant contributor to a healthy corporate culture and performance.

Key risks and opportunities of the relevant social topics in the CEE region that translates into our aspirations to enforce the social inclusions and particularly focus on following activities.

- Fostering financial inclusion through our social banking activities and thus strengthening social cohesion and civil society. The social banking services are provided to particularly vulnerable part of our society, including socially disadvantaged private individuals, NGOs and start-ups. Our social banking provides to these groups not only banking services but most importantly financial education, experience sharing and counselling. The benefit out of our activities we see not only in satisfaction of our customers but also through the number of jobs created or preserved. Starting from EUR 115 million in 2017, we aspire to reach EUR 650 million invested by 2025 through social banking finance and EUR 1 billion by 2030, as well as to ensure 200.000 newly created and preserved jobs (starting from 20.000 in 2017).
- Investing into affordable housing to support decent living conditions for many of the lower middle-class households and single individuals. Our housing approach offers rents typically 20% - 25% below commercial landlord approach. We aim to reach a building stock of 10.000 affordable housing units by 2030 in CEE region.
- Bringing financial health and financial literacy to our clients and the young generation through our financial life-park facility and many partnership agreements with schools across the CEE region. Starting from 7.000 in 2017, we aim to provide financial education to 80.000 beneficiaries by 2030.
- Promoting gender diversity as an important element of healthy corporate culture.

ESG objectives and targets are part of the yearly strategic planning of Erste Group, which is approved by the Management Board, as well as by the local management boards. Targets, ESG KPIs are part of the variable remuneration of the Management Board members, as described in the Environmental risk chapter.

In the firm belief that everyone must be treated with dignity and respect, Erste Group established Erste 200 years ago to give everyone – without distinction of status, nationality, faith, gender, age etc. – access to prosperity. Disseminating and securing prosperity for all is and always will be our goal. Therefore, in our complicated world, Erste Hungary wants to be more than a business enterprise providing financial solutions, because it actually offers solutions to life situations. One of the key phrases of our vision is: "In addition to our banking and investment services, we demonstrate our commitment to our customers and to Hungary through our social responsibility.".

We believe that in the future, the bank will not be seen as a financial institution, but as an institution that focuses on the finances and prosperity of the people and for-profit and non-profit organisations in the region.

Just as the Bank is aware of its past and its potential, it is also aware of its responsibility as a major player in the Hungarian economy. We know that corporate sustainability and corporate responsibility can only be credible if we are honest with ourselves, if we are clear about the social and environmental impacts of our operations and their significance, if we focus on continuous improvement, and if we are not afraid to consult and even involve our stakeholders in this work.

When we talk about CSR, sustainability or social banking, we are always referring to the efforts made by the for-profit sector to take social and environmental aspects into account as an integral part of their strategy and core business, and to integrate this approach into the work of each of their areas of expertise, in order to make their own organisations more responsible, ethical and sustainable.

It is extremely important for Erste Bank Hungary - and we are mobilising a great deal of energy to this end - to be a business role model in this area as well. Our collective self-definition is based on compliance with the principles of sustainability and responsibility. Consequently, at Erste, it is not the job and glory of one single discipline to influence operations in a positive direction, but the collective responsibility and merit of 3000 of our employees.

In practice, it is worth dividing a company's sustainability and responsibility activities into 5 main categories. These are: responsible employment, ethical corporate governance, responsible business conduct, environmental responsibility and community involvement.

Social Banking and CSR website:

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

Erste Bank Hungary through its Social Banking continues to be the leader in offering financial services to NGOs in difficult situations. Social Banking initiatives focus on social organisations (non-profit sector, non-governmental organisations and social enterprises) by offering them fair access to financial products, sound financial advice and business training and mentoring.

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

Social Banking in Hungary works on equal access to financial services, both in the private and civil sector. From 2017, a wide palette of activities has been brought together under the umbrella of social responsibility. Erste Bank Hungary developed and institutionalised the value proposition for civil sectors, by developing the most affordable civil account package and a special loan product offer, supported by either a European Investment Fund (EIF) until 2023 or EU Invest guarantee from 2024.

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

As already mentioned above, social cohesion shall be strengthened through inclusivity by:

Key risks and opportunities of the relevant social topics in our country translates into our aspirations to enforce the social inclusions and particularly focus on following activities.

- Financial Literacy pilot program for 3500+ youngsters coping with poverty, discrimination or mental disability ended in 2022. 7 civil partners provided edutainment-type of trainings to the target groups based on Social Banking inputs. The program won the Mastercard award of "Best CSR Innovation in 2022".
- The Bank gave birth to a brand new financial health program with special target groups in the fall of 2022. The initiative of ours has a dual concept. The Bank is trying to help both children and young adults living in state care institutions and marginalised and indebted families with a similar background, namely that one of the parents once raised in a state care home. Regarding the youth program Erste together with its NGO partners provide financial health education by providing related trainings to 25 caregivers of such institutions who would later disseminate the knowledge to hundreds of 'their' children. Social workers and

teachers will not only teach their pupils but will also bring them a few times to extra edutainment lectures to EBH HQ. On the other hand, marginalised families (clients of our partner, Tűzcsiholó Association) receive financial counselling and practical support from Erste volunteers. Our goal concerning these families is to develop their financial know-how, behavior and money management skills and to prevent them becoming indebted or helping manage their existing debts. In 2022-23 the program reached near to 1000 youngsters and families, winning the Mastercard award of “Best CSR program of 2023”.

- The Bank’s Social Housing initiative addresses housing poverty and consists of the complex support of three programs. Our partners are Habitat for Humanity and Utcáról Lakásba Association. Target groups are the followings: homeless people, people living in deep poverty, lower class families lacking basic housing needs, families unable to use state subsidies for renovation. As a result, in 2023, our partners provided better living conditions for 17 families (88 persons), near to that, as a benefit of a cooperation with a social rent housing NGO, 10 families (54 people) gained place to live (Ukrainian refugees and Hungarian families as well)..
- The Bank called SEEDS program to life in 2017 thanks to the support of the Vienna-based Erste Foundation (Stiftung). Since then, the program has operated with the aim to develop NGOs and Social Enterprises in various ways. Our partners in implementation are IFUA Nonprofit Partner and SIMPACT Nonprofit Partner. Until the end of 2022, SEEDS provided support to more than 100 nonprofit organizations in the form of and thematic workshops (cashflow planning, HR development of the organization) and tailor-made consultancies. In the frame of SEEDS4 a new market study has been started, with focus on green micro-enterprises. In September 2022, SEEDS5 has been launched with a crisis workshop with participants from 30 NGOs where we identified the difficulties the sector has been facing and found solutions together. Subsequently, the Bank gave birth to two new trainings to support NGOs in the field of financial monitoring and also to enable them making their operation more efficient by support of corporate mentors. The program won the award of “Best corporate-civil cooperation program in 2023” at Effekteam.
- Promoting gender diversity as an important element of healthy corporate culture. There are few initiatives (for example Erste Woman and Erste Colours) in Erste Hungary that support diversity and inclusion. Erste Women represents an important role in the Bank’s Diversity actions and they maintain active cooperation with Social Banking and HR Departments. Members of the volunteer team remained active and organized online, offline and hybrid events focusing on topics like importance of filtering cervical cancer, healthy digestion, role model women in literature and in business, resilience in career, girls’ day. Erste Woman ran 3 successful charity campaigns throughout the year (#nemluxustaska – collection of handbags filled with sanitary and healthcare stuff for the benefit of underprivileged women; Santa chocolate and children’s textbooks and stationery for the benefit of underprivileged children). Furthermore, together with HR, ErsteWoman was in charge of organizing summer camps for the children of the employees where participation was subsidized by the Bank.
- Erste Colours has an important role in the Bank’s diversity strategy and activities. Its primarily objective is to strengthen our employees’ sense of security. To achieve this goal, members of this club have created visibility through organizing awareness-raising programs in order to prove that Erste is an inclusive workplace where no one should fear of discrimination. At the same time, these programs are also suitable to inform and make a positive impact on the mindset of non-affected employees thus further strengthen the tolerant and enlightened culture of the community of Erste. In 2022, the club initiated discussions with Háttér Society and Amnesty International, in addition took part in a workshop organized by the Power of Humanity Foundation. ErsteColours also has a strong cooperation and knowledge-sharing with the Group’s Diversity Team. The club had its own booth at ErsteLive. Furthermore, ErsteColours had a series of webinars throughout the year with topics like Getting to know homosexuality, coming out and transsexuality. The Bank, as a benefit of ErsteColours lobby, introduced the bank card with selected name which enables the transgender people to bank with their selected identity.

- Social Banking stands for equal accessibility and channels the needs of our disabled clients and potential employees to the decision-making procedures of the Bank. Within this framework, the Banks continuously reviews its services and employment strategy from the inclusivity and accessibility point of view, as well as sets up connections between the master-in-profession NGOs and the Bank. Erste Hungary continues to dismantle accessibility obstacles at retail branches in order to make it easier for customers living with disabilities to use our services. As a result of the program, the bank- after reshaping the branch network -, has modified 65 out of its 102-unit branch network in Hungary to date to make them physically disabled-friendly by ensuring full access to the entrances and creating larger spaces inside the branches for easier maneuvering in the customer area. Going forward, all bank branch investments will be implemented with ease of access in mind unless physical or other obstacles arise. To help this, EBH contracted a professional auditor which mapped already 15 branches from accessibility point of view. This helped EBH to set up new actions around branch investments: 54 branches are equipped by tools (induction circle), 10 branches installed KONTAKT sign-language tools, employees trained to support disabled with hearing. Tactile lines are set in 12 branches, the mapping of further tactile installations are in progress. 10 mobile ramps available at the most wheelchair-visited branches. All new and renewed branches follow the “new concept” methodology which embraces accessibility engineers’ opinion in planning. ATM network is also upgraded. the entire ATM network became jackphone-capable (supporting visually impaired to listen to their balance), 33 ATMs were completely upgraded during 2022 to further support clients in easy navigation. In 2023 further ATMs will be upgraded, first in the branches than outside. The Bank will pay attention to the special needs of people sitting in wheelchair by making the ATMs physically accessible and this way user-friendly for them. George-based website and applications are following the WCAG 2.1 instructions, including contrast, resize options, page loud-reading accessibility options and many more aspects. The Bank actively started to address actions in order to comply with the European Accessibility Act.

At the Bank we believe - and this has been confirmed by a number of international studies - that responsibility and return are not mutually exclusive. The Bank strives to offer the customers sustainable products. Erste Asset Management's sustainable funds are subject to strict rules regarding corporate environmental policy, corporate governance and general social responsibility.

Our sustainable funds are managed according to a clearly structured investment approach and take advantage of enduring trends such as renewable energy. On the other hand, the Bank firmly excludes from its portfolios products and investment trends that could harm the environment and society, such as weapons, the sale of coal, food speculation or cryptocurrencies.

The trust our customers place in our bank is of paramount importance to us at every stage of the business relationship. The Bank is constantly working to offer options that meet the customers' needs and their wealth and income.

Even in the event of temporary or permanent payment difficulties, our customers can turn to our colleagues with confidence and count on our cooperation and assistance. Our Bank will contact our customers from the moment they fall into arrears in order to keep them informed of the possible solutions to prevent and resolve further payment difficulties with their cooperation.

As a result, our customers can be relieved of the potential negative consequences of late payment. Examples of possible solutions include paying a reduced amount, building in a grace period, extending the repayment period, restructuring the loan contract (so-called credit conversion loan), or providing for instalment payments. The Bank will keep you informed about the options available by letter, telephone, in person if necessary, and in detailed product-specific information sheets available on our website.

Through all these means, the Bank responsibly does its utmost to help its customers to avoid or resolve payment difficulties.

Governance risk

DISCLOSURE REQUIREMENTS Art. 435 and 449a CRR

Governance

a) Institution's integration in their governance arrangements governance performance of the counterparty, including committees of the highest governance body, committees responsible for decision-making on economic, environmental, and social topics

For general risk governance please see the risk management organization chapter.

Regarding ESG risk governance, taking into account ESG topics is an integral part of Erste Bank Hungary's way of doing business. Consequently, this resulted in an integrated organisational model. ESG functions and responsibilities are embedded in its respective corporate and retail business as well as its risk and finance units. An exception to this rule is the ESG Office that was set up as an independent unit within the "CEO division" and within this division in the "Strategic Management Area". It functions as a knowledge hub in Erste Bank Hungary and drives the ESG strategy, targets and priorities. It develops local sustainability strategies aligned with the group-wide strategy, supports the respective local management boards and are tasked with facilitating, organising, and ensuring the information flow on the implementation of initiatives within Erste Bank Hungary.

The **Management Board** is responsible for managing the organisation as required for the benefit of the company, taking into account our shareholders, employees, clients and multi-stakeholders. It specifies the company's values and goals in concrete terms and lays down the corporate strategy with due regard to sustainability aspects and the associated opportunities and risks in respect to the environment, social concerns and corporate governance. Furthermore, it ensures the implementation of the sustainability strategy with adequate resource allocation and controls and is regularly informed of status and achievements.

Responsibilities within the Management Board for the development and implementation of the individual sustainability topics are distributed as follows:

- The CEO is responsible for global and ESG strategies and ensures that sustainability considerations are integrated into Erste Bank Hungary's corporate culture and governance framework.
- The CRO integrates environmental risks, including physical and transitory climate risks, into Erste Bank Hungary's risk management framework and ensures that governance and remuneration principles adequately account for these risks.
- The CFO is responsible for sustainability reporting and ensures that Erste Bank Hungary aligns its own operations towards net zero status.
- The Chief Corporates and Markets Officer (CCMO) ensures that the strategy for Corporates & Markets as well as relevant targets and portfolio measures are consistent with Erste Bank Hungary's strategic goal of helping the green transition in Hungary.

b) Institution's accounting of the counterparty's highest governance body's role in non-financial reporting

The Supervisory Board is responsible for overseeing the implementation of the ESG strategy and for approving fundamental decisions on strategy. In order to fulfil this role, the Supervisory Board is regularly informed on ESG related matters.

c) Institution's integration in governance arrangements of the governance performance of their counterparties including: i) Ethical considerations; (ii) Strategy and risk management; (iii) Inclusiveness; (iv) Transparency; (v) Management of conflict of interest; (vi) Internal communication on critical concerns

As further described in section d.

d) Institution's integration in risk management arrangements the governance performance of their counterparties considering: (i) Ethical considerations; (ii) Strategy and risk management; (iii) Inclusiveness; (iv) Transparency; (v) Management of conflict of interest; (vi) Internal communication on critical concerns

The potential impact of governance risks on the quality of our credit portfolio was considered within RMA 2023 for ICAAP purposes, based on the assessment at the level of industry sub-segments (ESG Factor Heatmap) as well as for the first time on the ESG Assessment Questionnaire that enable a specific coverage of large corporate clients. While the latter indicates medium materiality (e.g., supply chain issues, unclear governance structure, etc.), the former assesses governance risks very much as immaterial driving (due to substantially higher portfolio coverage) also overall assessment of governance risks within credit risk (as low/immaterial).

Within the risk assessment of loan origination and monitoring process for large corporate and commercial real estate transactions, Erste Bank Hungary includes an ESG questionnaire-based screening through the Bank's ESG Assessment Questionnaire, detailed in the Environmental risk chapter. Also covered are governance risks, covering governance failure, supply chain management issues, corporate governance and transparency, to name a few. Additional checks on minimum safeguards alignment have been added, taking into account applicable legislation and international principles such as the OECD Guidelines for Multinational Enterprises.

The ESG Assessment Questionnaire plays an integral role in the credit application for different types of clients and/or transactions, as detailed in the Environmental chapter. Together with the Bank's policies, it forms a part of the credit application and approval process, according to the established credit approval authorities of the Bank.

In the corporate rating model, two soft fact questions covering the counterparty's governance compliance are also assessed.

For segments with lower exposures, the main instrument used is the ESG Factor Heatmap, where potential governance risk factors, such as corporate governance, ethical standards and transparency, are taken into account within the industry risk assessment for our regions in the annual process of reviewing the heatmap. For further information regarding the ESG Factor Heatmap, please refer to the Environmental risk chapter.

For identified risks, the Non-Financial Risk decision process is used to evaluate and take decision on single case-base. In case of unregulated areas of concern are affected, as defined in Reputational Risk Policy, the ROCC is enforcing group standards and decision-maker in emerging single risks and takes the final decision. For further information regarding the ROCC, please refer to the Social risk chapter.

Other risks

Encumbered and unencumbered assets

DISCLOSURE REQUIREMENTS Art. 443 CRR

Erste Bank Hungary is obliged to report encumbered and unencumbered assets based on the CRR scope in the manner set out in the EBA guidelines on disclosure of encumbered and unencumbered assets. The year-end 2023 of the fair value of encumbered assets that are notionally eligible to the qualification of Extremely High Quality Liquid Assets (EHQLA) and of High Quality Liquid Assets (HQLA) are presented.

in HUF million	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the disclosing institution	425,993	67,443			4,363,760	624,308		
Equity instruments	-	-	-	-	4,301	-	4,301	-
Debt securities	202,037	67,443	192,536	65,951	1,247,305	624,308	1,147,774	559,811
of which: covered bonds	-	-	-	-	-	-	-	-
of which: securitisations	-	-	-	-	-	-	-	-
of which: issued by general governments	143,034	67,443	139,464	65,951	805,261	614,656	750,085	549,839
of which: issued by financial corporations	13,362	-	13,085	-	420,333	9,652	377,412	9,973
of which: issued by non-financial corporations	45,641	-	39,987	-	21,711	-	20,277	-
Other assets	-	-			205,876	-		

Table 66: Encumbered and unencumbered assets (Art. 443 CRR, EU AE1 (EU) 2021/637)

in HUF million	Fair value of encumbered collateral received or own debt securities issued		Non-encumbered: Fair value of collateral received or own debt securities issued available for encumbrance		Non-encumbered: Nominal of collateral received or own debt securities issued non available for encumbrance
		of which: central bank's eligible		of which: central bank's eligible	
Collateral received by the disclosing institution	**6,341**	**-**	**238,869**	**-**	**6,787,322**
Loans on demand	-	-	-	-	831,252
Equity instruments	-	-	-	-	5,832
Debt securities	6,341	-	24,713	-	81,337
of which: covered bonds	-	-	-	-	-
of which: asset-backed securities	-	-	-	-	-
of which: issued by general governments	*6,341*	-	24,713	-	*21,284*
of which: issued by financial corporations	-	-	-	-	60,053

in HUF million	Fair value of encumbered collateral received or own debt securities issued		Non-encumbered		
			Fair value of collateral received or own debt securities issued available for encumbrance		Nominal of collateral received or own debt securities issued non available for encumbrance
		of which: central bank's eligible		of which: central bank's eligible	
of which: issued by non-financial corporations	-	-	-	-	-
Loans and advances other than loans on demand	-	-	-	-	7,865
Other collateral received	-	-	214,156		5,861,037
of which: …	-	-	-	-	-
Own debt securities issued other than own covered bonds or securitisations	-	-	-	-	-
Own covered bonds and securitisation issued and not yet pledged			-	-	-
TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	-	-			-

Table 67: Collateral received and own debt securities issued (Art. 443 CRR, EU AE2 (EU) 2021/637)

in HUF million	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	**491,316**	**432,295**

Table 68: Sources of encumbrance (Art. 443 CRR, EU AE3 (EU) 2021/637)

At the end of 2023, 8.5% of the bank's assets were encumbered assets (HUF 426 billion).

Main sources of encumbrance in EBH are:

- collateralised transactions with the MNB, Loan for Growth program of the MNB,
- derivatives, repo transactions,
- activity of the Erste Mortgage Bank.

Asset classes used to the above-mentioned purposes are loans and advances to customers (mortgage loans) and debt securities, issued by the government, financial and non-financial sectors. The majority of the encumbered assets are pledged loans (HUF 224 billion), out of that HUF 212 billion are loans pledged for refinancing loans from Mortgage Banks. This is needed in order to meet the Mortgage Financing Adequacy Ratio (MFAR).

Collateralised securities (HUF 202 billion) also represent a significant part, most of the pledged securities is used for the Loan for Growth program of the National Bank of Hungary.

The actual asset encumbrance level is reviewed quarterly by the Asset Liability Committee (ALCO), where material changes are discussed, and potential steering measures approved. To further ensure proper management of asset encumbrance throughout the Erste Group, an internal governance framework is in place, which includes a Group-wide policy on reporting, steering and limiting the level of asset encumbrance on the Erste Group and the EBH level. Furthermore, asset encumbrance is an integral part of the ALM and Risk Strategies.

Macroeconomic risk

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) CRR

Macroeconomic risk is the risk that the bank incurs losses due to adverse changes in the overall economy. It includes also the risk of a severe shock that could result in such financial instability that it will spread in all parts of the financial system and to the extent that could have negative impact on the real economy.

METHODS AND INSTRUMENTS APPLIED

As transversal risk, macroeconomic risk is a risk driver of key risk types (e.g. credit, market, liquidity, operational risk…). Thus, the risk management framework around macroeconomic risk is implemented under affected key risk types. For example, it is considered in credit risk as input in Forward Looking Information (FLI) and stage overlays (risk cost calculation), steering of the sovereign and FI portfolio (watch-list and no-go list), rating models etc.

In the course of stress testing, scenarios are developed based on the assumption of deteriorating economic conditions. These macroeconomic scenarios apply not only to the entire portfolio of Erste Hungary, but also to earnings and capital adequacy. This method reveals how the changed economic conditions affect the risk and earnings situation as well as own funds. Risk modelling and stress testing are vital forward-looking elements of the ICAAP. Sensitivities and macroeconomic stress scenarios are considered within Erste Hungary's planning and budgeting process.

(Geo-)Political risk

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) CRR

(Geo-)Political risk is the exposure to a loss, caused by events in a particular country which are under the control of the government but clearly not under the control of an independent private enterprise or individual, e.g. expropriation, changes in regulatory/legal regime (incl. changes of banking regulatory regime defined by national or international authorities), war, terrorism and other political upheaval, which might have negative impact on the capital position or profitability of an institution (directly or indirectly through its clients).

METHODS AND INSTRUMENTS APPLIED

Country risk management is responsible to identify, record and report political risks. Apart from daily constant observation and reporting, there are dedicated committees which deal with political risk in a very broad sense. As (geo-)political risk is transversal, being reflected through several key risk categories (e.g. credit risk, market risk) and through other transversal risks (e.g. macroeconomic risk), the risk management methods and instruments are ap-plied on the level of affected key risk categories.

Credit risk concentration

DISCLOSURE REQUIREMENTS 435 (1) (a) (b) (c) (d) CRR

Credit Risk Concentration refers to the potential adverse consequences, which may arise from concentrations, such as exposures to same counterparties, groups of connected counterparties, counterparties in the same economic sector or geographic region or from the same activity or commodity, as well as the risk arising from the application of credit risk mitigation techniques.

METHODS AND INSTRUMENTS APPLIED

Erste Bank has implemented a comprehensive system for the identification, measurement, control, reporting and management of credit risk concentration. This is of key importance for securing the long-term viability of credit institution especially in phases with an adverse macroeconomic environment.

Credit risk concentration management at Erste Bank is based upon a framework of processes, methods and reports covering various dimensions of concentrations (including single name and industry concentrations).

Diverse analyses are conducted on a regular basis, reviewed and reported. Credit risk concentration is also taken into account systematically in the stress factors of stress tests and considered in Erste Bank Risk-bearing Capacity Calculation from the economic view. The output of the risk concentration analysis additionally contributes to the identification of material risks within the risk materiality assessment as well as to the Risk Appetite Statement and to the setting/calibration of Erste Bank's limit system.

Strategic risk

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) CRR

Strategic risk is possibility of adverse effect on the bank's financial result or capital due to absence of adequate strategies and adverse business decisions, or their inadequate implementation, changes in the business environment in which the bank operates or failure of the bank to adequately respond to these changes. Elements considered within strategic risk are:

- Business risk is the possibility of adverse effect on the bank's financial result or capital from unexpected fluctuations in volumes, margins and operating expenses, reflected in deviation of realized from expected net operating result, arising from both external factors and internal shortcomings (incl. inadequate management/operational mechanisms, systems and controls). All revenue or cost fluctuations which are attributable to market risk, credit risk or operational risk are explicitly excluded from this definition.
- Capital risk is the risk that bank has an insufficient level and composition of capital to support the its business activities and associated risks during normal and stressed conditions, which can be result of, among others, possible erosion of capital as a result of dividend and/or remuneration policies, limited access to additional capital due to ownership structure and lack of market access to supplementary capital sources.
- Profitability risk means the risk which arises due to inability of the bank to ensure adequate and constant level of profitability in line with market expectations or own targets.

METHODS AND INSTRUMENTS APPLIED

EBH uses a model developed and maintained by Erste Group for quantification of economic capital for Business/Strategic risk. In addition to covering the economic capital in Pillar 2 risk-bearing capacity, a qualitative assessment is also performed annually within the Risk Materiality Assessment framework focusing on the key aspects of Strategic risk (business risk, profitability and capital risk, management risk). Main results of the qualitative and quantitative assessments are considered during the implementation of the management and control framework as well as risk factors are simulated and analysed in the regular internal stress testing framework.

Reputational risk

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) CRR

Reputational risk is the current or prospective risk arising from negative perceptions on the part of customers, suppliers, stakeholders, the public or other relevant parties that, apart from the Bank's reputation itself, can adversely affect the bank's earnings, funds and liquidity. It mostly depends on competence, integrity, social responsibility and reliability of the bank. Reputational risk issues usually arise from transactions with clients or through different business activities.

Reputational risk (impact) can also be considered as a secondary effect of other risk categories, such as credit, market, operational and liquidity risk (source risks).

GOALS AND PRINCIPLES OF RISK MANAGEMENT

Erste Hungary does not quantify reputational risk explicitly in the economic capital calculation under pillar 2. The quantification of reputational risk distinguishes two types of losses:

- losses the bank is willing to accept in order to avoid reputational damage, typically quantified in terms of market, credit and operational risk economic capital;
- negative reputational damage on future earnings, e.g. reduced operating revenues due to the loss of customers covered by the business risk economic capital.

METHODS AND INSTRUMENTS APPLIED

Reputational Risk Management is embedded in the "Reputational Risk" Policy and in the "Operational & Non-Financial Risk management" Procedure, where the LORCO (Local Operational Risk Committee) is established. It holds delegated decision authority from the Board with respect to Operational and Non-Financial Risk decisions, which may be represented as NFR decisions based on the predefined Risk Appetite Statement (RAS).

LORCO is a forum for joint alignments, decisions, and escalations in non-financial risk areas in EBH. It facilitates lessons learned, initiates focus areas, decides on the implementation of corresponding EBH-wide measures and acts as a committee for reputational risk and ESG related non-financial risk impact.

The primary responsibility for the identification, escalation and resolution of reputational risk issues resides with the business and the relevant risk type owner supports their resolution. As an example, reputational risk is mitigated by the following measures:

- Statement of purpose;
- Code of conduct;
- Product approval process;
- Credit policies;
- pro-active press and investor communication;
- Outsourcing policy;
- Conflicts of interest and anti-corruption policy;
- Responsible Financing Policy

Identified risks are assessed and escalated in line with the risk appetite. The residual risk after mitigation is accepted using the unified method (Non Financial Risk Decision). Reputational risk is also part of the annual risk materiality assessment and the RAS.

Compliance risk

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) CRR

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities (together, "compliance laws, rules and standards").

GOALS AND PRINCIPLES OF RISK MANAGEMENT

To appropriately address Compliance risk, Erste Bank Hungary Ltd sets the "tone at the top" and oversees management's role in fostering and maintaining a sound corporate and risk culture. Erste Bank Hungary Ltd established an appropriate framework for identifying, assessing, measuring and monitoring Compliance risk. In accordance with the RAS non-compliance with regulatory or legal requirements is not eligible to any risk acceptance. More details about Regulatory Compliance Risk are given under following, dedicated chapter.

METHODS AND INSTRUMENTS APPLIED

Erste Bank Hungary Ltd in compliance with Erste Group requirements has implemented a comprehensive framework for the identification, control, reporting and management of Compliance risk. The framework and applied controls are reviewed regularly, reflecting current developments.

Regulatory Compliance Risk

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) CRR

Regulatory Compliance Risk is the risk of material financial loss, supervisory sanctions, restrictions or limitations or a loss of reputation, the Bank or its subsidiary may suffer as a result of its failure to comply with regulatory requirements. It covers the following content areas: Solvability, Liquidity, Large Exposures, Leverage Ratio, ICAAP/ILAAP, SREP, Internal Governance, Deposit Insurance, Investor Protection and some ESG aspects.

GOALS AND PRINCIPLES OF RISK MANAGEMENT

Regulatory Compliance Function assists senior and top management in preventing, detecting, assessing and mitigating potential regulatory compliance risks by the means of constant monitoring, reporting and escalation if needed. An appropriate framework has been established for identifying, assessing, measuring and monitoring Regulatory Compliance risk in line with the institution's size and complexity.

METHODS AND INSTRUMENTS APPLIED

Regulatory Compliance framework includes the program of monitoring of regulatory findings, gaps, and material incidents, as well as risk assessment and reporting. The Regulatory Relations Network ensures timely information on and coordination of supervisory-related activities.

Model risk (credit risk, market risk and operational risk related)

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) CRR

The model risk definition of Erste Hungary follows the definition as stipulated in Article 3(1) subparagraph (11) of Directive 2013/36/EU (CRD IV), i.e. model risk of Erste Hungary is defined as the potential loss an institution may incur, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models.

Credit Risk

EBH has an operating model in place with a goal to reduce the risk of potential losses and underestimation of own funds requirements as a result of flaws in the development, implementation or use of the models. In order to mitigate such risks, EBH has a framework in place that allows to identify, understand and manage its model risk for internal models across its credit risk model landscape.

To support the execution of such operating model, EBH has in place a number of policies which regulate its model risk governance, management and oversight. These policies define standards for credit risk model development, monitoring and validation across the model life-cycle, namely, organizational set-up of the area including roles and responsibilities, description of the three-lines of defense principle, execution of the model lifecycle process steps, standards for development of rating models, validation tests and measurement as an evaluation of the models' fit-for-purpose and decision authorities of model-related aspects (e.g. model tiering).

The operating model of credit risk model governance is centered around the following principles:

- a subsidiarity model for development to balance development effort and to foster local ownership, while retaining central oversight and group-wide methodological approaches;
- a hub-and-spoke model for validation to ensure independence and control of validation standards;
- a dual model for approval reflecting ownership requirements;
- a subsidiary model for central model monitoring to centrally execute the group model monitoring methodology (aligned with model validation) and ensure local responsibility for the monitoring outcome.

Market Risk

Erste Bank has a Liquidity and Market Risk Management (LMRM) Model Risk Management Policy in place. It describes the framework for model risk management within the market risk area. Among others it provides a definition for models and model risk, describes the model governance, roles and responsibilities, model approval process and treatment of model deficiencies. Apart from group processes the policy also outlines the process for local model development and validation. Furthermore, model validation procedure exists providing additional guidance on minimum validation standards.

To have a comprehensive overview of the market risk models GLMRM has a register of market risk models. This register provides all model relevant information like model owner, validation status, quantitative and qualitative model assessment, and model risk classification.

All the applied models within the market risk area do follow the life cycle framework and are under continuous validation, particularly back-testing. The internal market risk model for calculating the capital requirements of market risk shows low model risk as the model performed well, which is reflected in a low number of overshootings (as defined in Article 366 of CRR).

Operational Risk

The Advanced Measurement Approaches (AMA) model is developed, implemented and governed centrally by Holding and the economic capital are allocated to entities based on an allocation key on quarterly basis. The AMA model received ECB approval for a material model change in October 2018, the updated model is first used for the Q4 2018 capital calculation. The new model is developed in compliance with the new RTS on AMA for operational risk and is subject to an independent model validation on a regular basis.

Annex – I.

Capital instruments main features

Issuer	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	HU0000354493	KID: 11403, MM00000041914	KID: 25205, MM00000049529	AT0000A2VCV4	HU0000363130	HU0000362306	HU0000363221	HU0000363056	HU0000362439
Public or private placement	Private	Public	Private	Private	Public	Public	Public	Public	Public	Public
Governing law(s) of the instrument	Act. IV. of 2006.	Act CXX. Of 2001. on Capital market	Act CCXXXVII. of 2013. (Hpt)	Act CCXXXVII. of 2013. (Hpt)	German law with Hungarian status clause	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian
Contractual recognition of write down and conversion powers of resolution authorities	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Regulatory treatment										
Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	N/A	N/A	N/A	N/A	N/A	N/A
Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	N/A	N/A	N/A	N/A	N/A	N/A
Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated
Instrument type (types to be specified by each jurisdiction)	Act. 28. of CRR	Act. 62. of CRR	Act. 62. of CRR	Act. 62. of CRR	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred
Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	263 491 958 255 HUF	80 585 930 HUF	65 072 600 000 HUF	65 072 600 000 HUF	135 250 034 066 HUF	3 379 409 743 HUF	3 643 183 576 HUF	357 653 861 HUF	1 031 917 594 HUF	1 588 673 213 HUF
Nominal amount of instrument	146 000 000 000 HUF	3 351 510 000 HUF	170 000 000 EUR	170 000 000 EUR	350 000 000 EUR	9 930 000 USD	9 421 000 EUR	365 570 000 HUF	1 039 930 000 HUF	4 135 000 EUR
Issue price	N/A	49.92	100	100	99.833	100	100	100	100	100
Redemption price	N/A	100	100	100	100	100	100	100	100	100
Accounting classification	Equity	Liabilities at amortised cost	Subordinated liabilities	Subordinated liabilities	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost
Original date of issuance	N/A	2014.03.28	2021.06.22	2022.12.15	2022.02.04	2023.11.30	2023.03.31	2023.12.20	2023.10.31	2023.05.03
Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
Original maturity date	No expiry date	2024.03.28	2030.06.22	2029.12.15	2026.02.04	2025.12.02	2025.04.02	2025.12.22	2025.11.03	2025.05.05
Issuer call subject to prior supervisory approval	No	No	No	No	Yes	No	No	No	No	No

Issuer	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt
Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	N/A	2025.02.04	N/A	N/A	N/A	N/A	N/A
Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	No	N/A	N/A	N/A	N/A	N/A
Coupons / dividends										
Fixed or floating dividend/coupon	N/A	Fixed	Fixed	Fixed	Floating	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon rate and any related index	N/A	0.009	EURIBOR (floored) + 1,85%	EURIBOR (floored) + 3,46%	1,25% p.a., then EURIBOR + 1,25%	4,90% p.a.	3,20% p.a.	8,00% p.a.	7,80% p.a.	2,80% p.a.
Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	N/A	No	No	No	No	No	No	No	No	No
Noncumulative or cumulative	N/A	Noncumulative	Noncumulative	Noncumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Write-down features	No	No	No	No	No	No	No	No	No	No
If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Issuer	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ranking of the instrument in normal insolvency proceedings	N/A	N/A	N/A	N/A	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1	Senior non preferred	Senior non preferred	Senior non preferred	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits
Non-compliant transitioned features	No	No	No	No	No	No	No	No	No	No
If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Link to the full term and conditions of the intrument (signposting)	N/A	N/A	N/A	N/A	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges

Issuer	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	HU0000362314	HU0000362488	HU0000362819	HU0000362926	HU0000362686	HU0000362678	HU0000363049	HU0000363205	HU0000362181	HU0000363213
Public or private placement	Public	Public	Public	Public	Public	Public	Public	Public	Public	Public
Governing law(s) of the instrument	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian
Contractual recognition of write down and conversion powers of resolution authorities	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Regulatory treatment										
Current treatment taking into account, where applicable, transitional CRR rules	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Post-transitional CRR rules	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated

Instrument type (types to be specified by each jurisdiction)	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred
Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	2 488 005 809 HUF	2 480 836 854 HUF	1 130 730 377 HUF	3 046 896 430 HUF	2 709 669 956 HUF	3 294 156 105 HUF	1 791 432 047 HUF	1 288 183 183 HUF	7 536 690 915 HUF	808 341 980 HUF
Nominal amount of instrument	2 288 680 000 HUF	6 476 000 EUR	3 275 000 USD	3 038 520 000 HUF	2 617 270 000 HUF	8 631 000 EUR	4 750 000 EUR	3 797 000 USD	21 092 000 USD	2 159 000 EUR
Issue price	100	100	100	100	100	100	100	100	100	100
Redemption price	100	100	100	100	100	100	100	100	100	100
Accounting classification	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost
Original date of issuance	2023.03.31	2023.05.31	2023.08.31	2023.09.29	2023.06.30	2023.06.30	2023.10.31	2023.12.20	2023.02.01	2023.12.20
Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
Original maturity date	2025.04.02	2025.06.02	2025.09.02	2025.10.01	2025.07.02	2025.07.02	2025.11.03	2025.12.22	2025.01.31	2025.12.22
Issuer call subject to prior supervisory approval	No	No	No	No	No	No	No	No	No	No
Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Coupons / dividends										
Fixed or floating dividend/coupon	Floating	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon rate and any related index	first period 13,20% p.a., second period 12M BUBOR	2,90% p.a.	4,60% p.a.	9,00% p.a.	10,60% p.a.	2,90% p.a.	3,20% p.a.	4,90% p.a.	4,80% p.a.	3,20% p.a.
Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No	No	No
Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible

If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Write-down features	No	No	No	No	No	No	No	No	No	No
If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ranking of the instrument in normal insolvency proceedings	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits
Non-compliant transitioned features	No	No	No	No	No	No	No	No	No	No
If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Link to the full term and conditions of the intrument (signposting)	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges

Issuer	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	HU0000362827	HU0000362496	HU0000363148	HU0000363031	HU0000362660	HU0000362769	HU0000362421	HU0000362223	HU0000362918	HU0000362512
Public or private placement	Public	Public	Public	Public	Public	Public	Public	Public	Public	Public
Governing law(s) of the instrument	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian
Contractual recognition of write down and conversion powers of resolution authorities	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Regulatory treatment										
Current treatment taking into account, where applicable, transitional CRR rules	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Post-transitional CRR rules	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated
Instrument type (types to be specified by each jurisdiction)	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred
Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	1 759 936 261 HUF	2 741 125 252 HUF	2 839 417 722 HUF	1 744 755 999 HUF	2 515 489 777 HUF	1 761 294 023 HUF	1 292 566 414 HUF	3 759 565 116 HUF	1 836 536 342 HUF	8 442 005 589 HUF
Nominal amount of instrument	4 636 000 EUR	2 618 890 000 HUF	7 562 000 EUR	5 107 000 USD	7 222 000 USD	1 723 550 000 HUF	3 690 000 USD	10 593 000 USD	4 858 000 EUR	7 750 000 000 HUF
Issue price	100	100	100	100	100	100	100	100	100	100
Redemption price	100	100	100	100	100	100	100	100	100	100
Accounting classification	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost
Original date of issuance	2023.08.31	2023.05.31	2023.11.30	2023.10.31	2023.06.30	2023.08.02	2023.05.03	2023.03.01	2023.09.29	2023.05.24
Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
Original maturity date	2025.09.02	2025.06.02	2025.12.02	2025.11.03	2025.07.02	2025.08.04	2025.05.05	2025.02.28	2025.10.01	2025.09.24
Issuer call subject to prior supervisory approval	No	No	No	No	No	No	No	No	No	Yes
Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2024.09.24
Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Coupons / dividends										

Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Floating
Coupon rate and any related index	3,10% p.a.	10,85% p.a.	3,20% p.a.	4,80% p.a.	4,50% p.a.	9,75% p.a.	4,00% p.a.	4,50% p.a.	3,10% p.a.	15,00% p.a., then 3M BUBOR+ 4,15%
Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No	No	No
Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Write-down features	No	No	No	No	No	No	No	No	No	No
If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ranking of the instrument in normal insolvency proceedings	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits

Non-compliant transitioned features	No	No	No	No	No	No	No	No	No	No
If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Link to the full term and conditions of the intrument (signposting)	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges

Issuer	**Erste Bank Hungary Zrt**	**Erste Bank Hungary Zrt**	**Erste Bank Hungary Zrt**	**Erste Bank Hungary Zrt**	**Erste Bank Hungary Zrt**	**Erste Bank Hungary Zrt**	**Erste Bank Hungary Zrt**	**Erste Bank Hungary Zrt**	**Erste Bank Hungary Zrt**	**Erste Bank Hungary Zrt**	**Erste Bank Hungary Zrt**
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	HU0000362751	HU0000362835	HU0000362447	HU0000362173	HU0000362298	HU0000362744	HU0000362470	HU0000362249	HU0000363155	HU0000362900	HU0000362231
Public or private placement	Public	Public	Public	Public	Public	Public	Public	Public	Public	Public	Public
Governing law(s) of the instrument	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian	Hungarian
Contractual recognition of write down and conversion powers of resolution authorities	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Regulatory treatment											
Current treatment taking into account, where applicable, transitional CRR rules	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Post-transitional CRR rules	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated
Instrument type (types to be specified by each jurisdiction)	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred
Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	1 751 702 006 HUF	1 781 123 658 HUF	1 860 798 655 HUF	3 286 167 956 HUF	5 030 617 670 HUF	1 139 501 993 HUF	1 589 999 268 HUF	1 958 900 161 HUF	2 412 046 442 HUF	1 285 783 664 HUF	3 757 333 923 HUF
Nominal amount of instrument	4 603 000 EUR	1 761 360 000 HUF	1 732 940 000 HUF	3 014 950 000 HUF	14 189 000 USD	3 286 000 USD	4 553 000 USD	1 785 240 000 HUF	2 449 500 000 HUF	3 751 000 USD	9 700 000 EUR
Issue price	100	100	100	100	100	100	100	100	100	100	100
Redemption price	100	100	100	100	100	100	100	100	100	100	100

Accounting classification	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost
Original date of issuance	2023.08.02	2023.08.31	2023.05.03	2023.02.01	2023.03.31	2023.08.02	2023.05.31	2023.03.01	2023.11.30	2023.09.29	2023.03.01
Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
Original maturity date	2025.08.04	2025.09.02	2025.05.05	2025.01.31	2025.04.02	2025.08.04	2025.06.02	2025.02.18	2025.12.02	2025.10.01	2025.02.28
Issuer call subject to prior supervisory approval	No	No	No	No	No	No	No	No	No	No	No
Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Coupons / dividends											
Fixed or floating dividend/coupon	Fixed	Fixed	Floating	Fixed	Fixed	Fixed	Fixed	Floating	Fixed	Fixed	Fixed
Coupon rate and any related index	3,10% p.a.	9,20% p.a.	first period 13,20% p.a., second period 12M BUBOR	11,25% p.a.	5,00% p.a.	4,70% p.a.	4,10% p.a.	first period 13,00% p.a., second period 12M BUBOR	8,00% p.a.	4,70% p.a.	2,90% p.a.
Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No	No	No	No
Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Write-down features	No	No	No	No	No	No	No	No	No	No	No
If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ranking of the instrument in normal insolvency proceedings	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred	Senior preferred
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits	Other deposits
Non-compliant transitioned features	No	No	No	No	No	No	No	No	No	No	No
If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Link to the full term and conditions of the intrument (signposting)	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges	https://bet.hu/kereso?category=NEWS_NOT_BET&issuer=ERSTE%20BANK%20HUNGARY%20Zrt.&query=v%C3%A9gleges

Table 69: Capital instruments main features (EU CCA)

Annex – II.

Bank solo view

in HUF million	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Breakdown by asset classes according to the balance sheet in the published financial statements							
Cash and cash balances	**604,510**	**604,510**	**568,191**	**-**	**-**	**36,319**	**-**
Financial assets held for trading	**103,003**	**103,003**	**-**	**66,491**	**-**	**73,434**	**-**
Derivatives	66,491	66,491	-	66,491	-	36,922	-
Other financial assets held for trading	36,512	36,512	-	-	-	36,512	-
Non-trading financial assets at fair value through profit or loss	**389,235**	**389,235**	**389,235**	**-**	**-**	**-**	**-**
Equity instruments	2,136	2,136	2,136	-	-	-	-
Debt securities	814	814	814	-	-	-	-
Loans and advances to customers	386,285	386,285	386,285	-	-	-	-
Financial assets at fair value through other comprehensive income	**248,312**	**248,312**	**248,312**	**-**	**-**	**21,031**	**-**
Debt securities	248,312	248,312	248,312	-	-	21,031	-
Financial assets at amortised cost	**3,252,373**	**3,252,373**	**3,174,184**	**19,172**	**-**	**793,427**	**-**
Pledged as collateral	*19,172*	*19,172*	-	*19,172*	-	-	-
Debt securities	1,095,399	1,095,399	1,095,399	-	-	39,923	-
Loans and advances to banks	350,060	350,060	273,588	18,672	-	134,716	-
Loans and advances to customers	1,806,914	1,806,914	1,805,197	500	-	618,788	-
Finance lease receivables	**33,453**	**33,453**	**33,453**	**-**	**-**	**10,735**	**-**
Property and equipment	**26,707**	**26,707**	**26,707**	**-**	**-**	**-**	**-**
Investment properties	**197**	**197**	**197**	**-**	**-**	**-**	**-**
Intangible assets	**28,677**	**28,677**	**-**	**-**	**-**	**-**	**28,677**
Investments in associates and joint ventures	**56,342**	**56,342**	**56,342**	**-**	**-**	**-**	**-**
Deferred tax assets	**418**	**418**	**418**	**-**	**-**	**-**	**-**
Trade and other receivables	**18,879**	**18,879**	**14,628**	**-**	**-**	**13,949**	**-**
Other assets	**40,743**	**40,743**	**40,733**	**-**	**-**	**10**	**-**
Total assets	**4,802,849**	**4,802,849**	**4,552,400**	**85,663**	**-**	**948,905**	**28,677**

Table 70: Differences between accounting and regulatory scope of consolidation of assets and mapping with regulatory risk categories – Assets (EU LI1 (EU) 2021/637)

in HUF million	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Breakdown by liability classes according to the balance sheet in the published financial statements							
Financial liabilities held for trading	**-65,538**	**-65,538**	**-**	**-65,538**	**-**	**-38,410**	**-**
Derivatives	-65,538	-65,538	-	-65,538	-	-38,410	-
Financial liabilities at amortised cost	**-4,131,545**	**-4,131,545**	**-**	**-239,597**	**-**	**-127,832**	**-4,011,331**
Deposits from banks	-234,165	-234,165	-	-	-	-	-234,165
Deposits from customers	-816,092	-816,092	-	-120,214	-	-468	-695,878
Debt securities issued	-3,077,408	-3,077,408	-	-119,383	-	-123,631	-3,077,408
Other financial liabilities	-3,880	-3,880	-	-	-	-3,733	-3,880
Finance lease liabilities	**-19,413**	**-19,413**	**-**	**-**	**-**	**-**	**-19,413**
Provisions	**-7,074**	**-7,074**	**-**	**-**	**-**	**-**	**-7,074**
Current tax liabilities	**-5,511**	**-5,511**	**-**	**-**	**-**	**-**	**-5,511**
Other liabilities	**-52,953**	**-52,953**	**-**	**-**	**-**	**-16**	**-52,953**
Total equity	**-520,815**	**-520,815**	**-**	**-**	**-**	**-**	**-520,815**
Equity attributable to owners of the parent	-520,815	-520,815	-	-	-	-	-520,815
Subscribed capital	-146,000	-146,000	-	-	-	-	-146,000
Additional paid-in capital	-117,492	-117,492	-	-	-	-	-117,492
Retained earnings and other reserves	-257,323	-257,323	-	-	-	-	-257,323
Total liabilities and equity	**-4,802,849**	**-4,802,849**	**-**	**-305,135**	**-**	**-166,258**	**-4,617,097**

Table 71: Differences between accounting and regulatory scope of consolidation of assets and mapping with regulatory risk categories – Liabilities (EU LI1 (EU) 2021/637)

in HUF million	Total	Items subject to			
		Credit risk framework	Securitisation framework	CCR framework	Market risk framework
Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	**4,746,507**	**4,496,058**	**-**	**85,663**	**948,905**
Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	**4,282,034**	**-**	**-**	**305,134**	**166,258**
Total net amount under the scope of prudential consolidation	**5,051,641**	**4,496,058**	**-**	**390,797**	**1,115,163**
Off-balance-sheet amounts	772,255	772,255	-	-	
Differences in valuations	- 1,805	-	-	- 1,805	
Differences due to different netting rules, other than those already included in row 2	- 190,978	-	-	- 190,978	
Differences due to consideration of provisions	63,661	63,661	-	-	
Differences due to the use of credit risk mitigation techniques (CRMs)	- 845	- 845	-	-	

in HUF million	Total	Items subject to			
		Credit risk framework	Securitisation framework	CCR framework	Market risk framework
Differences due to credit conversion factors	- 530,841	- 530,841	-	-	
Differences due to Securitisation with risk transfer	-	-	-	-	
Other differences	93,309	93,309	-	-	
Exposure amounts considered for regulatory purposes	**5,256,399**	**4,893,598**	**-**	**198,015**	**1,115,163**

Table 72: Main sources of differences between regulatory exposure amount and carrying value amount in financial statements (EU LI2 (EU) 2021/637)

in HUF million	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	401,276	381,797	382,163	378,194	378,953
Tier 1 capital	401,276	381,797	382,163	378,194	378,953
Total capital	541,896	525,919	518,928	517,421	525,515
Risk-weighted exposure amounts					
Total risk exposure amount	2,384,181	2,524,604	2,416,986	2,640,927	2,581,022
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	16.83%	15.12%	15.81%	14.32%	14.68%
Tier 1 ratio (%)	16.83%	15.12%	15.81%	14.32%	14.68%
Total capital ratio (%)	22.73%	20.83%	21.47%	19.59%	20.36%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
of which: to be made up of Tier 1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
Total SREP own funds requirements (%)	8.00%	8.00%	8.00%	8.00%	8.00%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Institution specific countercyclical capital buffer (%)	0.00%	0.01%	0.01%	0.01%	0.00%
Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Other Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Combined buffer requirement (%)	2.50%	2.51%	2.51%	2.51%	2.50%
Overall capital requirements (%)	10.50%	10.51%	10.51%	10.51%	10.50%

in HUF million	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4
CET1 available after meeting the total SREP own funds requirements (%)	12.33%	10.62%	11.31%	9.82%	10.18%
Leverage ratio					
Total exposure measure	4,876,321	5,182,329	5,126,759	5,624,606	5,092,854
Leverage ratio (%)	8.23%	7.37%	7.45%	6.72%	7.44%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA) (Weighted value -average)	1,399,161	1,397,943	1,521,801	1,753,049	1,642,842
Cash outflows - Total weighted value	1,410,151	1,570,530	1,743,793	2,268,697	1,855,482
Cash inflows - Total weighted value	530,109	574,645	674,719	1,000,580	612,175
Total net cash outflows (adjusted value)	880,042	995,885	1,069,074	1,268,117	1,243,306
Liquidity coverage ratio (%)	158.99%	140.37%	142.35%	138.24%	132.13%
Net Stable Funding Ratio					
Total available stable funding	3,384,579	3,302,654	3,040,294	3,313,685	3,382,967
Total required stable funding	2,415,015	2,470,989	2,396,133	2,556,990	2,361,018
NSFR ratio (%)	140.15%	133.66%	126.88%	129.59%	143.28%

Table 73: Key metrics template (Art. 447 (a) to (g) and 438 (b) CRR Table EU KM1 (EU) 2021/637)

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
in HUF million	As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements			
Cash and cash balances		**604,510**	
Financial assets held for trading		**103,003**	
Derivatives		66,491	
Other financial assets held for trading		36,512	
Non-trading financial assets at fair value through profit or loss		**389,236**	
Equity instruments		2,136	
Debt securities		814	
Loans and advances to customers		386,286	
Financial assets at fair value through other comprehensive income		**248,312**	
Debt securities		248,312	

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
in HUF million	As at period end	As at period end	
Financial assets at amortised cost		**3,252,373**	
Pledged as collateral		518,977	
Debt securities		1,095,399	
Loans and advances to banks		350,060	
Loans and advances to customers		1,806,914	
Finance lease receivables		**33,453**	
Property and equipment		**26,707**	
Investment properties		**197**	
Intangible assets		**28,677**	**d**
Investments in associates and joint ventures		**53,142**	
Deferred tax assets		**418**	
Trade and other receivables		**18,879**	
Other assets		**40,742**	
Total assets		**4,799,649**	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements			
Financial liabilities held for trading		**65,538**	
Derivatives		65,538	
Financial liabilities at amortised cost		4,131,545	
Deposits from banks		**816,092**	
Deposits from customers		3,077,408	
Debt securities issued		234,165	
Other financial liabilities		3,880	
Finance lease liabilities		19,413	
Provisions		**7,074**	
Current tax liabilities		**5,511**	
Other liabilities		**52,953**	
Total liabilities		**4,282,034**	
Shareholders' Equity			
Equity attributable to owners of the parent		517,615	
Subscribed capital		146,000	a
Additional paid-in capital		117,492	b
Retained earnings and other reserves		254,123	c
Total shareholders' equity		**517,615**	

Table 74: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (Art. 437 (a) CRR Table EU CC2 (EU) 2021/637)

in HUF million	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	263,492	
of which: Instrument type 1	146,000	a
of which: Instrument type 2	117,492	b
of which: Instrument type 3	-	
Retained earnings	112,092	c
Accumulated other comprehensive income (and other reserves)	34,264	c
Funds for general banking risk	-	
Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
Minority interests (amount allowed in consolidated CET1)	-	
Independently reviewed interim profits net of any foreseeable charge or dividend	12,768	c
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**422,615**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)	-2,448	
Intangible assets (net of related tax liability) (negative amount)	-17,446	d
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
Negative amounts resulting from the calculation of expected loss amounts	-	
Any increase in equity that results from securitised assets (negative amount)	-	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
Defined-benefit pension fund assets (negative amount)	-	
Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	
Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
of which: qualifying holdings outside the financial sector (negative amount)	-	
of which: securitisation positions (negative amount)	-	
of which: free deliveries (negative amount)	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	

in HUF million	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Amount exceeding the 17,65% threshold (negative amount)	-	
of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
of which: deferred tax assets arising from temporary differences	-	
Losses for the current financial year (negative amount)	-	
Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
Other regulatory adjustments	-1,444	
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-21,339**	
Common Equity Tier 1 (CET1) capital	**401,276**	
Additional Tier 1 (AT1) capital: instruments		
Capital instruments and the related share premium accounts	-	
of which: classified as equity under applicable accounting standards	-	
of which: classified as liabilities under applicable accounting standards	-	
Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	
Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	
Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
of which: instruments issued by subsidiaries subject to phase out	-	
Additional Tier 1 (AT1) capital before regulatory adjustments	**-**	
Additional Tier 1 (AT1) capital: regulatory adjustments		
Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
Other regulatory adjustments to AT1 capital	-	
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**-**	
Additional Tier 1 (AT1) capital	**-**	

in HUF million	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 1 capital (T1 = CET1 + AT1)	**401,276**	
Tier 2 (T2) capital: instruments		
Capital instruments and the related share premium accounts	130,226	
Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	
Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
of which: instruments issued by subsidiaries subject to phase out	-	
Credit risk adjustments	10,394	
Tier 2 (T2) capital before regulatory adjustments	**140,620**	
Tier 2 (T2) capital: regulatory adjustments		
Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
Other regulatory adjustments to T2 capital	-	
Total regulatory adjustments to Tier 2 (T2) capital	**-**	
Tier 2 (T2) capital	**140,620**	
Total capital (TC = T1 + T2)	**541,896**	
Total Risk exposure amount	**2,384,181**	
Capital ratios and requirements including buffers		
Common Equity Tier 1 capital	16.83%	
Tier 1 capital	16.83%	
Total capital	22.73%	
Institution CET1 overall capital requirements	7.00%	
of which: capital conservation buffer requirement	2.50%	
of which: countercyclical capital buffer requirement	0.00%	
of which: systemic risk buffer requirement	0.00%	
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.00%	

in HUF million	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.00%	
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	**12.33%**	
National minima (if different from Basel III)		
Amounts below the thresholds for deduction (before risk weighting)		
Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2,138	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	418	
Applicable caps on the inclusion of provisions in Tier 2		
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
Cap on inclusion of credit risk adjustments in T2 under standardised approach	1,615	
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	11,965	
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	10,394	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
Current cap on CET1 instruments subject to phase out arrangements	-	
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
Current cap on AT1 instruments subject to phase out arrangements	-	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	

Table 75: Regulatory capital based on the Implementing Technical Standards (EU) No 2021/637 and Art. 437 (d), (e) CRR (EU CC1)

in HUF million	Total risk exposure amounts (TREA)		Total own funds requirements
	2023	2022	2023
Credit risk (excluding CCR)	**1,830,711**	**1,894,021**	**146,457**
Of which the standardised approach	118,489	158,509	9,479
Of which the Foundation IRB (F-IRB) approach	728,420	839,129	58,274
Of which slotting approach	287,675	203,831	23,014
Of which equities under the simple riskweighted approach	-	-	-
Of which the Advanced IRB (A-IRB) approach	696,127	692,553	55,690
Counterparty credit risk - CCR	**48,187**	**78,545**	**3,855**
Of which the standardised approach	22,569	-	1,806
Of which internal model method (IMM)	-	-	-
Of which exposures to a CCP	-	-	-
Of which credit valuation adjustment - CVA	17,369	32,176	1,390
Of which other CCR	8,248	46,369	660
Settlement risk	**-**	**-**	**-**
Securitisation exposures in the non-trading book (after the cap)	**-**	**-**	**-**
Of which SEC-IRBA approach	-	-	-
Of which SEC-ERBA (including IAA)	-	-	-
Of which SEC-SA approach	-	-	-
Of which 1250%	-	-	-
Position, foreign exchange and commodities risks (Market risk)	**8,762**	**12,316**	**701**
Of which the standardised approach	8,762	12,316	701
Of which IMA	-	-	-
Large exposures	**-**	**-**	**-**
Operational risk	**496,522**	**596,139**	**39,722**
Of which basic indicator approach	-	-	-
Of which standardised approach	-	-	-
Of which advanced measurement approach	496,522	596,139	39,722
Amounts below the thresholds for deduction (subject to 250% risk weight)	**1,045**	**3,080**	**84**
Total	**2,384,181**	**2,581,022**	**190,734**

Table 76: Overview of risk weighted exposure amounts (CRR Art. 438 (d) Template EU OV1 (EU) 2021/637)

in HUF million

Specialised lending : Income-producing real estate and high volatility commercial real estate (Slotting approach)							
Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Category 1	Less than 2.5 years	-	-	50%	-	-	-
	Equal to or more than 2.5 years	131,103	2,168	70%	132,729	102,207	445
Category 2	Less than 2.5 years	-	-	70%	-	-	-
	Equal to or more than 2.5 years	168,774	18,516	90%	181,806	183,490	1,299
Category 3	Less than 2.5 years	-	-	115%	-	-	-
	Equal to or more than 2.5 years	1,589	-	115%	1,589	1,848	44
Category 4	Less than 2.5 years	-	-	250%	-	-	-
	Equal to or more than 2.5 years	45	-	250%	45	130	3
Category 5	Less than 2.5 years	-	-	–	-	-	-
	Equal to or more than 2.5 years	6,573	-	–	6,573	-	3,287
Total	**Less than 2.5 years**	**-**	**-**		**-**	**-**	**-**
	Equal to or more than 2.5 years	**308,084**	**20,684**		**322,742**	**287,675**	**5,078**

Table 77: Specialised lending and equity exposures under the simple risk-weighted approach (CRR Art. 438 (e), EU CR10 (EU) 2021/637)

in HUF million or %

Total risk exposure amount	2,384,181
Institution specific countercyclical capital buffer rate	0.0009%
Institution specific countercyclical capital buffer requirement	**22.5**

Table 78: Amount of institution-specific countercyclical capital buffer (Art. 440 (b) CRR, EU CCyB2 (EU) 2021/637)

in HUF million	General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures - Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Breakdown by country:													
Czech Republic	0.10	0.11	-	-	-	0.22	0.01	-	-	0.01	0.10	0.000005%	2.00%
Slovakia	0.02	0.77	-	-	-	0.78	0.13	-	-	0.13	1.59	0.000091%	1.50%
Sweden	-	3.95	-	-	-	3.95	0.44	-	-	0.44	5.54	0.000316%	2.00%
United Kingdom	0.09	0.13	-	-	-	0.22	0.03	-	-	0.03	0.31	0.000018%	2.00%
France	-	139.99	-	-	-	139.99	3.37	-	-	3.37	42.13	0.002401%	0.50%
Germany	0.24	6,777.54	-	-	-	6,777.78	134.46	-	-	134.46	1,680.76	0.095780%	0.75%
Romania	-	622.60	-	-	-	622.60	28.76	-	-	28.76	359.51	0.020487%	1.00%
Croatia	0.01	-	-	-	-	0.01	0.00	-	-	0.00	0.01	0.000000%	1.00%
Netherlands	-	0.00	-	-	-	0.00	0.00	-	-	0.00	0.00	0.000000%	1.00%
Total	**0.46**	**7,545.10**	**-**	**-**	**-**	**7,545.56**	**167.20**	**-**	**-**	**167.20**	**2,089.95**	**0.119098%**	

Table 79: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (CRR Art. 440 (a) CRR, EU CCyB1 (EU) 2021/637

in HUF million	Applicable amount
Total assets as per published financial statements	4,802,848,90
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
Adjustment for eligible cash pooling transactions	-
Adjustment for derivative financial instruments	-3,412,75
Adjustment for securities financing transactions (SFTs)	105,207,96
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	166,981,32
(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-137,500,61
(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
Other adjustments	-57,804,05
Total exposure measure	**4,876,320,78**

Table 80: Reconciliation of accounting assets and leverage ratio exposure (CRR Art. 451 (1) (b), EU LR1-LRSum (EU) 2021/637)

	CRR leverage ratio exposures	
in HUF million	2023	2022
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs, but including collateral)	4,658,154	4,808,649
Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
(General credit risk adjustments to on-balance sheet items)	-	-
(Asset amounts deducted in determining Tier 1 capital)	-17,446	-15,404
Total on-balance sheet exposures (excluding derivatives and SFTs)	**4,640,708**	**4,793,245**
Derivative exposures		
Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	30,437	89,185
Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	32,644	35,722
Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
Exposure determined under Original Exposure Method	-	-
(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
Adjusted effective notional amount of written credit derivatives	-	-
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
Total derivatives exposures	**63,081**	**124,907**

in HUF million	CRR leverage ratio exposures 2023	2022
Securities financing transaction (SFT) exposures		
Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-4,871	54,732
(Netted amounts of cash payables and cash receivables of gross SFT assets)	147,923	92,794
Counterparty credit risk exposure for SFT assets	-	-
Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
Agent transaction exposures	-	-
(Exempted CCP leg of client-cleared SFT exposure)	-	-
Total securities financing transaction exposures	**143,052**	**147,527**
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	772,255	889,111
(Adjustments for conversion to credit equivalent amounts)	-605,274	-688,027
(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	-	-
Off-balance sheet exposures	**166,981**	**201,084**
Excluded exposures		
(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-137,501	-173,909
(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
(Excluded guaranteed parts of exposures arising from export credits)	-	-
(Excluded excess collateral deposited at triparty agents)	-	-
(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
(Total exempted exposures)	**-137,501**	**-173,909**
Capital and total exposure measure		
Tier 1 capital	401,276	368,953
Total exposure measure	**4,876,321**	**5,146,411**
Leverage ratio		
Leverage ratio (%)	8.23%	7.17%
Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.23%	7.17%
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8.23%	7.17%
Regulatory minimum leverage ratio requirement (%)	3.00%	0.00%
Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
of which: to be made up of CET1 capital	0.00%	0.00%
Leverage ratio buffer requirement (%)	0.00%	-7.24%
Overall leverage ratio requirement (%)	3.00%	-7.24%
Choice on transitional arrangements and relevant exposures		
Choice on transitional arrangements for the definition of the capital measure		
Disclosure of mean values		

in HUF million	CRR leverage ratio exposures 2023	CRR leverage ratio exposures 2022
Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	19,887	4,480
Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	143,052	147,527
Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4,753,156	5,003,364
Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4753,156	5,003,364
Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.44%	7.37%
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.44%	7.37%

Table 81: Leverage ratio common disclosure (CRR Art. 451 (1) (b) (c) 451 (2) 451 (3), EU LR2- LRCom (EU) 2021/637)

in HUF million	CRR leverage ratio exposures
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**4,541,592**
Trading book exposures	40,171
Banking book exposures, of which:	4,501,421
Covered bonds	-
Exposures treated as sovereigns	1,452,344
Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	10,772
Institutions	618,000
Secured by mortgages of immovable properties	544,349
Retail exposures	699,352
Corporates	1,036,865
Exposures in default	21,470
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	118,270

Table 82: Split-up of on-balance sheet exposures (CRR Art. 451 (1) (b), EU LR3- LRSpl (EU) 2021/637)

in HUF million	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Cash balances at central banks and other demand deposits	**583,168**	**583,168**	**-**	**-**	**-**	**-**	**-19**	**-19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**2,601,947**	**1,893,089**	**317,380**	**60,671**	**-**	**51,308**	**-26,514**	**-8,378**	**-18,126**	**-40,512**	**-**	**-35,446**	**-**	**1,716,247**	**11,723**
Central banks	55,197	55,197	-	-	-	-	-2	-2	-	-	-	-	-	-	-
General governments	118,367	118,162	146	6	-	-	-59	-57	-2	-	-	-	-	89,177	-
Credit institutions	297,050	297,050	-	-	-	-	-329	-329	-	-	-	-	-	230,036	-
Other financial corporations	119,190	118,286	904	22	-	22	-824	-815	-9	-18	-	-17	-	70,573	5
Non-financial corporations	852,821	627,175	225,566	24,242	-	21,312	-7,179	-2,650	-4,529	-14,309	-	-13,356	-	463,928	6,660
Of which SMEs	*444,494*	*330,129*	*114,294*	*16,287*	-	*14,615*	*-4,572*	*-1,445*	*-3,127*	*-8,805*	-	*-8,138*	-	*306,254*	*5,245*
Households	1,159,323	677,220	90,764	36,400	-	29,974	-18,121	-4,525	-13,586	-26,185	-	-22,072	-	862,532	5,058
Debt securities	**1,344,668**	**1,332,952**	**10,902**	**2,285**	**-**	**2,285**	**-1,268**	**-830**	**-438**	**-1,279**	**-**	**-1,279**	**-**	**378,910**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	877,806	877,806	-	-	-	-	-224	-224	-	-	-	-	-	6,431	-
Credit institutions	392,878	392,878	-	-	-	-	-511	-511	-	-	-	-	-	372,478	-

in HUF million	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Other financial corporations	6,517	5,702	-	-	-	-	-6	-6	-	-	-	-	-	-	-
Non-financial corporations	67,468	56,566	10,902	2,285	-	2,285	-527	-89	-438	-1,279	-	-1,279	-	-	-
Off-balance-sheet exposures	**763,609**	**370,052**	**92,897**	**8,647**	**-**	**5,626**	**-3,337**	**-1,638**	**-1,695**	**-3,268**	**-**	**-3,063**	**-**	**183,037**	**1,028**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	1,186	400	-	-	-	-	-	-	-	-	-	-	-	200	-
Credit institutions	54,146	53,229	918	-	-	-	-314	-285	-30	-	-	-	-	29,950	-
Other financial corporations	117,770	67,774	5,051	-	-	-	-96	-68	-28	-	-	-	-	1,335	-
Non-financial corporations	480,509	143,441	83,094	8,088	-	5,149	-1,773	-852	-921	-3,027	-	-2,854	-	148,516	1,027
Households	109,998	105,209	3,834	559	-	477	-1,154	-433	-717	-241	-	-209	-	3,036	1
Total	**5,293,392**	**4,179,262**	**421,179**	**71,602**	**-**	**59,219**	**-31,138**	**-10,865**	**-20,259**	**-45,059**	**-**	**-39,788**	**-**	**2,278,193**	**12,751**

Table 83: Credit Risk – Gross credit risk exposure/nominal value, credit risk adjustments, accumulated write-offs and collateral my balance sheet classes (Art. 442 (c) (f) CRR, EU CR1 (EU) 2021/637)

in HUF million	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Loans and advances	133,233	385,202	849,955	1,227,202	-	2,595,591
Debt securities	-	222,304	610,796	547,937	-	1,381,037
Total	**133,233**	**607,506**	**1,460,751**	**1,775,139**	**-**	**3,976,629**

Table 84: Credit Risk – Carrying amount of loans and debt securities by residual maturity (Art. 442 (g) CRR, EU CR1-A (EU) 2021/637)

in HUF million	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which loans and advances subject to impairment		
			Of which defaulted			
Agriculture, forestry and fishing	63,837	4,537	4,537	63,837	-4,301	-
Mining and quarrying	306	-	-	306	-7	-
Manufacturing	189,836	3,839	3,839	189,835	-3,002	-
Electricity, gas, steam and air conditioning supply	15,539	2	2	15,539	-771	-
Water supply	2,212	2	2	2,212	-32	-
Construction	27,830	2,894	2,894	27,830	-1,824	-
Wholesale and retail trade	150,051	3,367	3,367	150,051	-2,991	-
Transport and storage	24,036	66	66	24,036	-417	-
Accommodation and food service activities	17,877	4,812	4,812	17,877	-2,878	-
Information and communication	5,773	261	261	5,773	-195	-
Financial and insurance actvities	104,569	288	288	104,569	-612	-
Real estate activities	208,014	2,120	2,120	208,014	-2,257	-
Professional, scientific and technical activities	38,445	444	444	38,445	-802	-
Administrative and support service activities	23,725	1,277	1,277	23,725	-1,293	-
Public administration and defense, compulsory social security	17	9	9	17	-7	-
Education	410	4	4	410	-5	-
Human health services and social work activities	2,097	68	68	2,091	-26	-
Arts, entertainment and recreation	1,018	237	237	1,018	-42	-
Other services	1,471	14	14	1,461	-26	-
Total	**877,063**	**24,242**	**24,242**	**877,047**	**-21,488**	**-**

Table 85: Credit quality of loans and advances to non-financial corporations by industries (Art. 442 (c) (d) CRR, EU CQ5 (EU) 2021/637)

in HUF million	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
On-balance-sheet exposures	**4,629,251**	**62,955**	**62,955**	**4,204,011**	**-67,964**		**-1,627**
Hungary	4,619,522	62,768	62,768	4,195,143	-67,775		-16,27
Austria	4,255	23	23	4,218	-22		-
Romania	719	11	11	719	-11		-
Slovakia	41	6	6	41	-8		-
Serbia	1	-	-	1	-1		-
Other countries	4,713	147	147	3,889	-147		-
Off-balance-sheet exposures	**481,517**	**6,020**	**6,020**			**-6,605**	
Hungary	466,070	6,017	6,017			-6,567	
Austria	4,856	-	-			-1	
Slovakia	78	-	-			-1	
Romania	23	-	-			-	
Serbia	3	-	-			-	
Other countries	10,487	3	3			-36	
Total	**5,110,768**	**68,976**	**68,976**	**4,204,011**	**-67,964**	**-6,605**	**-1,627**

Table 86: Credit quality of exposures by geography (Art. 442 (c) and (e) CRR, EU CQ4 (EU) 2021/637)

in HUF million	Gross carrying amount/nominal amount											
		Performing exposures		Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	**583,168**	**583,168**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**2,601,947**	**2,595,175**	**6,772**	**60,671**	**37,761**	**3,499**	**6,332**	**6,911**	**3,149**	**808**	**2,211**	**60,671**
Central banks	55,197	55,197	-	-	-	-	-	-	-	-	-	-
General governments	118,367	118,366	-	6	-	-	-	-	6	-	-	6
Credit institutions	297,050	297,050	-	-	-	-	-	-	-	-	-	-
Other financial corporations	119,190	119,182	8	22	-	-	22	-	-	-	-	22
Non-financial corporations	852,821	850,820	2,001	24,242	21,506	329	1,020	668	658	33	28	24,242
Of which SMEs	*444,494*	*442,510*	*1,983*	*16,287*	*13,595*	*328*	*1,015*	*661*	*640*	*32*	*15*	*16,287*
Households	1159,323	1,154,560	4,763	36,400	16,256	3,169	5,289	6,243	2,484	776	2,183	36,400
Debt securities	**1,381,180**	**1,381,180**	**-**	**2,285**	**2,285**	**-**	**-**	**-**	**-**	**-**	**-**	**2,285**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	879,656	879,656	-	-	-	-	-	-	-	-	-	-
Credit institutions	427,540	427,540	-	-	-	-	-	-	-	-	-	-
Other financial corporations	6,517	6,517	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	67,468	67,468	-	2,285	2,285	-	-	-	-	-	-	2,285
Off-balance-sheet exposures	**763,609**			**8,647**								**8,647**
Central banks	-			-								-
General governments	1,186			-								-
Credit institutions	54,146			-								-
Other financial corporations	117,770			-								-
Non-financial corporations	480,509			8,088								8,088
Households	109,998			559								559
Total	**4,746,736**	**3,976,355**	**6,772**	**71,602**	**40,046**	**3,499**	**6,332**	**6,911**	**3,149**	**808**	**2,211**	**71,602**

Table 87: Credit quality of performing and non-performing exposures by past due days (Art. 442 (d) CRR, EU CQ3 (EU) 2021/637)

in HUF million	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Cash balances at central banks and other demand deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**43,920**	**31,396**	**31,396**	**30,579**	**-3,359**	**-22,192**	**28,538**	**7,025**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	22	22	22	-	-17	5	5
Non-financial corporations	28,357	13,551	13,551	13,551	-607	-8,744	17,173	4,170
Households	15,563	17,824	17,824	17,007	-2,751	-13,431	11,360	2,851
Debt Securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan commitments given	**1,947**	**127**	**127**	**127**	**-33**	**-58**	**-**	**-**
Total	**45,867**	**31,524**	**31,524**	**30,707**	**-3,392**	**-22,250**	**28,538**	**7,025**

Table 88: Credit quality of forborne exposures (Art. 442 (c) CRR, EU CQ1 (EU) 2021/637)

in HUF million	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	**-**	**-**
Other than PP&E	**20**	**-**
Residential immovable property	20	-
Commercial Immovable property	-	-
Movable property (auto, shipping, etc.)	-	-
Equity and debt instruments	-	-
Other collateral	-	-
Total	**20**	**-**

Table 89: Collateral obtained by taking possession and execution processes (Art. 442 (d), EU CQ7 (EU) 2021/637)

in HUF million	Gross carrying amount
Initial stock of non-performing loans and advances	**67,693**
Inflows to non-performing portfolios	26,125
Outflows from non-performing portfolios	-33,147
Outflows due to write-offs	*-7,605*
Outflow due to other situations	*-25,542*
Final stock of non-performing loans and advances	**60,671**

Table 90: Yearly development stock of non-performing loans and advances (Art. 442 (f) CRR, EU CR2 (EU) 2021/637)

in HUF million	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans and advances	1,517,816	1,727,969	997,450	730,519	-
Debt securities	968,044	378,910	-	378,910	
Total	**2,485,860**	**2,106,879**	**997,450**	**1,109,429**	**-**
Of which non-performing exposures	51,233	11,723	9,464	2,259	-
Of which defaulted	*51,233*	*11,723*			

Table 91: Overview of CRM techniques (Art. 453 (f) CRR, EU CR3 (EU) 2021/637)

in HUF million	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
Exposure classes	**On-balance-sheet exposures**	**Off-balance-sheet exposures**	**On-balance-sheet exposures**	**Off-balance-sheet exposures**	**RWAs**	**RWAs density (%)**
Central governments or central banks	1,486,386	-	2,529,487	497	-	0.00%
Regional government or local authorities	5,119	2,216	1,510	40	310	20.00%
Public sector entities	-	2,712	-	537	537	100.00%
Multilateral development banks	-	-	4,638	40	-	0.00%
International organisations	-	-	-	-	-	
Institutions	53,867	52,347	53,867	29,179	-	0.00%
Corporates	60,078	69,758	49,302	13,857	55,624	88.07%
Retail	278,067	16,684	19,710	93	11,657	58.87%
Secured by mortgages on immovable property	3,294	458	3,294	66	1,450	43.14%
Exposures in default	1,670	21	774	-	937	121.04%
Exposures associated with particularly high risk	-	-	-	-	-	
Covered bonds	-	-	-	-	-	
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	
Collective investment undertakings	-	-	-	-	-	
Equity	87,994	-	87,994	-	87,994	100.00%
Other items	-	-	-	-	-	
TOTAL	**1,976,475**	**144,196**	**2,750,576**	**44,309**	**158,509**	**5.67%**

Table 92: Standardised approach – Regulatory exposure by exposure classes and CRM effects (Art. 453 (g) (h) (i) and 444 (e) CRR, EU CR4 (EU) 2021/637)

in HUF million	Risk weight															Total	Of which unrated
Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
Central governments or central banks	2,576,069	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**2,576,069**	
Regional government or local authorities	-	-	-	-	1,550	-	-	-	-	5	-	-	-	-	-	**1,556**	
Public sector entities	-	-	-	-	-	-	-	-	-	537	-	-	-	-	-	**537**	
Multilateral development banks	4,678	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**4,678**	
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	
Institutions	85,191	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**85,191**	
Corporates	-	-	-	-	-	-	-	-	-	68,279	-	-	-	-	-	**68,279**	
Retail exposures	-	-	-	-	-	-	-	-	19,803	-	-	-	-	-	-	**19,803**	
Exposures secured by mortgages on immovable property	-	-	-	-	-	204	3,156	-	-	-	-	-	-	-	-	**3,360**	
Exposures in default	-	-	-	-	-	-	-	-	-	449	326	-	-	-	-	**774**	
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	
Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	
Equity exposures	-	-	-	-	-	-	-	-	-	87,994	-	-	-	-	-	**87,994**	
Other items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	
TOTAL	**2,665,938**	**-**	**-**	**-**	**1,550**	**204**	**3,156**	**-**	**19,803**	**157,264**	**326**	**-**	**-**	**-**	**-**	**2,848,241**	

Table 93: Standardised approach – Regulatory exposure after CCF and CRM (Art. 444 (e) CRR, EU CR5 (EU) 2021/637)

in HUF million	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure value subject to a roll-out plan (%)
Central governments or central banks	**2,598,329**	**1,571,059**	**97.92%**	**0.00%**	**2.08%**
Of which Regional governments or local authorities		5,366	100.00%	0.00%	0.00%
Of which Public sector entities		540	100.00%	0.00%	0.00%
Institutions	**343,894**	**928,984**	**11.44%**	**0.00%**	**88.57%**
Corporates	**1,205,133**	**1,358,266**	**3.86%**	**2.21%**	**93.92%**
Of which Corporates - Specialised lending, excluding slotting approach		-	0.00%	0.00%	100.00%
Of which Corporates - Specialised lending under slotting approach		312,548	0.00%	0.00%	100.00%
Retail	**969,096**	**1,129,780**	**22.94%**	**1.99%**	**75.07%**
of which Retail – Secured by real estate SMEs		-	0.00%	0.00%	100.00%
of which Retail – Secured by real estate non-SMEs		559,961	0.00%	0.00%	100.00%
of which Retail – Qualifying revolving		-	0.00%	0.00%	100.00%
of which Retail – Other SMEs		-	0.00%	0.00%	100.00%
of which Retail – Other non-SMEs		288,150	0.00%	0.00%	100.00%
Equity	**87,994**	**87,994**	**100.00%**	**0.00%**	**0.00%**
Other non-credit obligation assets	**-**	**-**	**0.00%**	**0.00%**	**100.00%**
Total	**5,204,446**	**5,076,084**	**40.27%**	**1.04%**	**58.69%**

Table 94: Scope of the use of IRB and SA approaches (Art. 452 (b), CR6-A (EU) 2021/637)

PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
in HUF million												
A-IRB												
Exposure class A0404												
0.00 to <0.15	**0**	**0**	**0**	**0**	**0.00%**	**0**	**0.00%**	**0**	**0**		**0**	**0**
0.00 to <0.10	0	0	0	0	0.00%	0	0.00%	0	0		0	0
0.10 to <0.15	0	0	0	0	0.00%	0	0.00%	0	0		0	0
0.15 to <0.25	**0**	**0**	**0**	**0**	**0.00%**	**0**	**0.00%**	**0**	**0**		**0**	**0**
0.25 to <0.50	**0**	**0**	**0**	**0**	**0.00%**	**0**	**0.00%**	**0**	**0**		**0**	**0**
0.50 to <0.75	**211,810**	**1,174**	**1,174**	**212,984**	**0.59%**	**65,090**	**32.05%**	**0**	**63,325**	**29.73%**	**403**	**-268**
0.75 to <2.50	**241,719**	**1,126**	**1,126**	**242,844**	**1.75%**	**85,897**	**32.07%**	**0**	**148,020**	**60.95%**	**1,361**	**-962**
0.75 to <1.75	11,012	2	2	11,014	0.83%	4,780	30.77%	0	3,973	36.07%	28	-61
1.75 to <2.5	230,707	1,124	1,124	231,830	1.79%	81,117	32.13%	0	144,047	62.13%	1,333	-901
2.50 to <10.00	**90,756**	**587**	**587**	**91,343**	**5.71%**	**33,112**	**32.18%**	**0**	**106,603**	**116.71%**	**1,676**	**-1,613**
2.5 to <5	68,595	458	458	69,053	4.38%	23,917	32.21%	0	72,437	104.90%	974	-793
5 to <10	22,161	129	129	22,290	9.82%	9,195	32.06%	0	34,167	153.28%	702	-819
10.00 to <100.00	**10,783**	**32**	**32**	**10,815**	**28.30%**	**5,345**	**32.40%**	**0**	**19,911**	**184.11%**	**1,002**	**-944**
10 to <20	5,273	32	32	5,305	16.84%	2,466	32.04%	0	9,610	181.17%	286	-300
20 to <30	2,573	0	0	2,573	28.14%	1,273	32.01%	0	5,099	198.18%	232	-231
30.00 to <100.00	2,938	0	0	2,938	49.13%	1,606	33.40%	0	5,202	177.09%	484	-412
100.00 (Default)	**18,766**	**1**	**0**	**18,766**	**100.00%**	**9,452**	**42.89%**	**0**	**13,072**	**69.66%**	**7,036**	**-11,563**
Subtotal (exposure class)	**573,835**	**2,919**	**2,918**	**576,753**	**5.64%**	**198,896**	**32.44%**	**0**	**350,931**	**60.85%**	**11,478**	**-15,350**
Exposure class A0408												
0.00 to <0.15	**0**	**0**	**0**	**0**	**0.00%**	**0**	**0.00%**	**0**	**0**		**0**	**0**
0.00 to <0.10	0	0	0	0	0.00%	0	0.00%	0	0		0	0
0.10 to <0.15	0	0	0	0	0.00%	0	0.00%	0	0		0	0
0.15 to <0.25	**0**	**0**	**0**	**0**	**0.00%**	**0**	**0.00%**	**0**	**0**		**0**	**0**

0.25 to <0.50	0	0	0	0	0.00%	0	0.00%	0	0		0	0
0.50 to <0.75	67,370	76,847	51,293	118,663	0.59%	352,467	64.97%	0	64,374	38.50%	455	-227
0.75 to <2.50	80,782	24,977	18,406	99,188	1.77%	222,989	68.94%	0	90,247	69.66%	1,211	-649
0.75 to <1.75	877	1,618	1,061	1,938	0.83%	12,288	69.34%	0	1,333	40.96%	11	-4
1.75 to <2.5	79,906	23,360	17,345	97,250	1.79%	210,701	68.93%	0	88,915	70.79%	1,200	-645
2.50 to <10.00	88,216	16,909	13,035	101,250	6.23%	199,765	70.80%	0	116,442	115.81%	4,518	-3,762
2.5 to <5	56,387	13,197	10,337	66,725	4.36%	140,966	69.36%	0	71,470	105.99%	2,018	-1,544
5 to <10	31,828	3,712	2,697	34,525	9.84%	58,799	73.58%	0	44,972	139.29%	2,500	-2,218
10.00 to <100.00	29,611	2,108	1,454	31,065	29.21%	55,528	78.16%	0	61,036	193.28%	7,154	-6,715
10 to <20	14,170	1,017	712	14,882	19.35%	25,376	76.63%	0	26,596	179.36%	2,214	-1,958
20 to <30	8,106	485	332	8,438	28.59%	15,359	78.96%	0	17,827	208.21%	1,906	-1,874
30.00 to <100.00	7,335	606	410	7,745	48.83%	14,793	80.25%	0	16,612	204.21%	3,034	-2,883
100.00 (Default)	20,943	679	423	21,366	100.00%	32,270	62.83%	0	9,522	56.30%	12,667	-15,763
Subtotal (exposure class)	286,922	121,520	84,610	371,532	10.55%	863,019	68.60%	0	341,621	91.95%	26,005	-27,116
Total (all exposures classes)	860,757	124,439	87,528	948,285	7.57%	1,061,915	46.60%	0	341,621	73.03%	26,005	-27,116

Table 95: A-IRB Approach - Credit risk exposures by exposure class and PD range (Art. 452 (g) CRR, EU CR6 (EU) 2021/637)

PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after SME supporting factor	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
in HUF million												
F-IRB												
Exposure class F0100												
0.00 to <0.15	2,348	0	0	2,348	0.00%	0	0.00%	0	3,080	131.19%	0	0
0.00 to <0.10	2,348	0	0	2,348	0.00%	0	0.00%	0	3,080	131.19%	0	0
0.10 to <0.15	0	0	0	0	0.00%	0	0.00%	0	0		0	0
0.15 to <0.25	30,353	0	0	17,819	0.21%	3	45.00%	3	8,612	48.33%	17	-18
0.25 to <0.50	0	0	0	0	0.00%	0	0.00%	0	0		0	0
0.50 to <0.75	0	0	0	0	0.00%	0	0.00%	0	0		0	0
0.75 to <2.50	0	0	0	0	0.00%	0	0.00%	0	0		0	0
0.75 to <1.75	0	0	0	0	0.00%	0	0.00%	0	0		0	0

1.75 to <2.5	0	0	0	0	0.00%	0	0.00%	0	0		0	0
2.50 to <10.00	**0**	**0**	**0**	**0**	**0.00%**	**0**	**0.00%**	**0**	**0**		**0**	**0**
2.5 to <5	0	0	0	0	0.00%	0	0.00%	0	0		0	0
5 to <10	0	0	0	0	0.00%	0	0.00%	0	0		0	0
10.00 to <100.00	**0**	**0**	**0**	**0**	**0.00%**	**0**	**0.00%**	**0**	**0**		**0**	**0**
10 to <20	0	0	0	0	0.00%	0	0.00%	0	0		0	0
20 to <30	0	0	0	0	0.00%	0	0.00%	0	0		0	0
30.00 to <100.00	0	0	0	0	0.00%	0	0.00%	0	0		0	0
100.00 (Default)	**0**	**0**	**0**	**0**	**0.00%**	**0**	**0.00%**	**0**	**0**		**0**	**0**
Subtotal (exposure class)	**32,701**	**0**	**0**	**20,167**	**0.19%**	**3**	**39.76%**	**3**	**11,693**	**57.98%**	**17**	**-18**
Exposure class F0200												
0.00 to <0.15	**2,147**	**1,471**	**294**	**21,189**	**0.09%**	**8**	**45.00%**	**3**	**7,127**	**33.64%**	**8**	**-1**
0.00 to <0.10	2,147	1,471	294	21,189	0.09%	8	45.00%	3	7,127	33.64%	8	-1
0.10 to <0.15	0	0	0	0	0.00%	0	0.00%	0	0		0	0
0.15 to <0.25	**419**	**16,654**	**16,501**	**16,920**	**0.16%**	**4**	**45.00%**	**3**	**10,398**	**61.45%**	**12**	**-7**
0.25 to <0.50	**614,499**	**828**	**696**	**21,191**	**0.29%**	**6**	**45.00%**	**3**	**13,394**	**63.20%**	**27**	**-566**
0.50 to <0.75	**0**	**0**	**0**	**0**	**0.00%**	**0**	**0.00%**	**0**	**0**		**0**	**0**
0.75 to <2.50	**232**	**50**	**50**	**282**	**0.83%**	**2**	**45.00%**	**3**	**306**	**108.35%**	**1**	**-1**
0.75 to <1.75	232	50	50	282	0.83%	2	45.00%	3	306	108.35%	1	-1
1.75 to <2.5	0	0	0	0	0.00%	0	0.00%	0	0		0	0
2.50 to <10.00	**0**	**520**	**104**	**104**	**4.87%**	**2**	**45.00%**	**3**	**194**	**186.12%**	**2**	**-10**
2.5 to <5	0	520	104	104	4.87%	2	45.00%	3	194	186.12%	2	-10
5 to <10	0	0	0	0	0.00%	0	0.00%	0	0		0	0
10.00 to <100.00	**0**	**75**	**75**	**75**	**26.41%**	**1**	**45.00%**	**3**	**224**	**296.79%**	**9**	**-8**
10 to <20	0	0	0	0	0.00%	0	0.00%	0	0		0	0
20 to <30	0	75	75	75	26.41%	1	45.00%	3	224	296.79%	9	-8
30.00 to <100.00	0	0	0	0	0.00%	0	0.00%	0	0		0	0
100.00 (Default)	**0**	**0**	**0**	**0**	**0.00%**	**0**	**0.00%**	**0**	**0**		**0**	**0**
Subtotal (exposure class)	**617,298**	**19,599**	**17,721**	**59,761**	**0.22%**	**23**	**45.00%**	**3**	**31,642**	**52.95%**	**60**	**-592**
Exposure class F0301												
0.00 to <0.15	**2,167**	**1,750**	**0**	**2,167**	**0.13%**	**2**	**45.00%**	**3**	**603**	**27.85%**	**1**	**0**

0.00 to <0.10	0	0	0	0	0.00%	0	0.00%	0	0		0	0
0.10 to <0.15	2,167	1,750	0	2,167	0.13%	2	45.00%	3	603	27.85%	1	0
0.15 to <0.25	**4,685**	**0**	**0**	**4,685**	**0.17%**	**1**	**45.00%**	**3**	**1,750**	**37.36%**	**4**	**-2**
0.25 to <0.50	**22,313**	**48,446**	**49**	**24,919**	**0.44%**	**28**	**43.60%**	**3**	**12,043**	**48.33%**	**48**	**-90**
0.50 to <0.75	**50,336**	**24,412**	**631**	**43,144**	**0.67%**	**223**	**40.40%**	**3**	**22,287**	**51.66%**	**117**	**-153**
0.75 to <2.50	**142,324**	**61,912**	**9,804**	**130,975**	**1.54%**	**596**	**42.26%**	**3**	**96,731**	**73.85%**	**847**	**-715**
0.75 to <1.75	67,646	31,362	2,663	57,608	1.11%	301	43.04%	3	38,414	66.68%	275	-280
1.75 to <2.5	74,678	30,550	7,140	73,367	1.87%	295	41.66%	3	58,317	79.49%	572	-435
2.50 to <10.00	**107,052**	**62,111**	**6,062**	**89,298**	**5.73%**	**579**	**42.54%**	**3**	**92,990**	**104.13%**	**2,172**	**-3,607**
2.5 to <5	41,619	28,611	2,551	35,725	3.32%	249	42.61%	3	30,745	86.06%	505	-748
5 to <10	65,432	33,500	3,511	53,573	7.33%	330	42.50%	3	62,245	116.19%	1,666	-2,859
10.00 to <100.00	**19,100**	**16,092**	**1,761**	**18,421**	**17.10%**	**233**	**42.19%**	**3**	**32,686**	**177.44%**	**1,328**	**-2,069**
10 to <20	17,827	15,687	1,755	17,664	16.59%	224	42.23%	3	31,378	177.64%	1,238	-1,864
20 to <30	1,274	405	6	757	28.95%	9	41.29%	3	1,308	172.88%	90	-205
30.00 to <100.00	0	0	0	0	0.00%	0	0.00%	0	0		0	0
100.00 (Default)	**12,290**	**1,182**	**156**	**10,069**	**100.00%**	**61**	**43.42%**	**3**	**0**	**0.00%**	**4,372**	**-5,759**
Subtotal (exposure class)	**360,268**	**215,906**	**18,463**	**323,677**	**6.41%**	**1,723**	**42.28%**	**3**	**259,092**	**80.05%**	**8,888**	**-12,395**
Exposure class F0304												
0.00 to <0.15	**64,173**	**6,658**	**669**	**64,842**	**0.05%**	**5**	**45.00%**	**3**	**13,731**	**21.18%**	**15**	**-1**
0.00 to <0.10	63,276	3,225	281	63,557	0.05%	3	45.00%	3	13,261	20.86%	14	-1
0.10 to <0.15	898	3,433	388	1,286	0.13%	2	45.00%	3	470	36.58%	1	0
0.15 to <0.25	**0**	**0**	**0**	**0**	**0.00%**	**0**	**0.00%**	**0**	**0**		**0**	**0**
0.25 to <0.50	**192,233**	**83,798**	**8,988**	**81,146**	**0.35%**	**13**	**42.71%**	**3**	**48,773**	**60.10%**	**123**	**-11**
0.50 to <0.75	**34,878**	**38,753**	**20,578**	**55,456**	**0.67%**	**12**	**44.93%**	**3**	**46,160**	**83.24%**	**166**	**-145**
0.75 to <2.50	**137,536**	**187,169**	**73,476**	**199,579**	**1.24%**	**38**	**44.85%**	**3**	**207,734**	**104.09%**	**1,113**	**-1,397**
0.75 to <1.75	104,751	163,412	67,968	161,913	1.10%	22	44.91%	3	163,139	100.76%	799	-1,065
1.75 to <2.5	32,785	23,757	5,509	37,666	1.87%	16	44.60%	3	44,595	118.39%	314	-332
2.50 to <10.00	**56,847**	**30,408**	**3,605**	**56,781**	**5.64%**	**32**	**44.39%**	**3**	**97,964**	**172.53%**	**1,417**	**-2,145**
2.5 to <5	15,496	12,471	418	13,671	3.32%	12	44.81%	3	19,008	139.04%	203	-312
5 to <10	41,351	17,937	3,186	43,110	6.37%	20	44.26%	3	78,956	183.15%	1,213	-1,833
10.00 to <100.00	**15,902**	**31,358**	**5,139**	**20,966**	**19.44%**	**42**	**42.28%**	**3**	**48,217**	**229.98%**	**1,702**	**-4,076**

10 to <20	11,129	29,027	5,005	16,134	16.59%	38	43.35%	3	37,254	230.90%	1,160	-2,700
20 to <30	4,773	2,331	135	4,832	28.95%	4	38.72%	3	10,963	226.89%	542	-1,376
30.00 to <100.00	0	0	0	0	0.00%	0	0.00%	0	0		0	0
100.00 (Default)	**4,215**	**44**	**1**	**4,126**	**100.00%**	**5**	**45.00%**	**3**	**0**	**0.00%**	**1,857**	**-1,293**
Subtotal (exposure class)	**505,784**	**378,188**	**112,456**	**482,896**	**3.02%**	**147**	**44.36%**	**3**	**462,579**	**95.79%**	**6,392**	**-9,069**
Total (all exposures classes)	**1,516,051**	**613,692**	**148,639**	**886,501**	**4.00%**	**1,896**	**43.54%**	**3**	**765,006**	**86.29%**	**15,358**	**-22,074**

Table 96: F-IRB Approach – Credit risk exposures by exposure class and PD range (Art. 452 (g) CRR, EU CR6 (EU) 2021/637)

in HUF million or %		Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
			Part of exposures covered by Other eligible collaterals (%)				Part of exposures covered by Other funded credit protection (%)							
A-IRB	Total exposures	Part of exposures covered by Financial Collaterals (%)		Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)		Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
Central governments and central banks	**-**	**0.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**
Institutions	**-**	**0.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**
Corporates	**-**	**0.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**
Of which Corporates – SMEs	-	0.00%	-	-	-	-	-	-	-	-	-	-		-
Of which Corporates – Specialised lending	-	0.00%	-	-	-	-	-	-	-	-	-	-		-
Of which Corporates – Other	-	0.00%	-	-	-	-	-	-	-	-	-	-		-
Retail	**938 621**	**0,34%**	**50,34%**	**50,34%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**	**0,00%**		**696 127**
Of which Retail – Immovable property SMEs	-	0.00%	-	-	-	-	-	-	-	-	-	-		-
Of which Retail – Immovable property non-SMEs	571 833	0,00%	82,63%	82,63%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%		345 822
Of which Retail – Qualifying revolving	-	0.00%	-	-	-	-	-	-	-	-	-	-		-
Of which Retail – Other SMEs	-	0.00%	-	-	-	-	-	-	-	-	-	-		-
Of which Retail – Other non-SMEs	366,788	0.87%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		350,305
Total	**938,621**	**0.34%**	**50.34%**	**50.34%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**		**696,127**

Table 97: A-IRB Approach – Exposure class: Retail by PD classes (Art. 453 (g) CRR, EU CR7-A (EU) 2021/637)

in HUF million or % / F-IRB	Total exposures	Credit risk Mitigation techniques – Funded credit Protection (FCP): Part of exposures covered by Financial Collaterals (%)	Funded credit Protection (FCP): Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Funded credit Protection (FCP): Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Unfunded credit Protection (UFCP): Part of exposures covered by Guarantees (%)	Unfunded credit Protection (UFCP): Part of exposures covered by Credit Derivatives (%)	Credit risk Mitigation methods in the calculation of RWEAs: RWEA without substitution effects (reduction effects only)	Credit risk Mitigation methods in the calculation of RWEAs: RWEA with substitution effects (both reduction and substitution effects)
Central governments and central banks	**177,300**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**		**45,225**
Institutions	**81,995**	**0.00%**	**0.23%**	**0.23%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**		**46,823**
Corporates	**1,048,865**	**1.47%**	**10.03%**	**10.03%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**		**847,513**
Of which Corporates – SMEs	269,391	4.68%	23.60%	23.60%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		231,576
Of which Corporates – Specialised lending	319,713	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		284,953
Of which Corporates – Other	459,762	0.60%	9.06%	9.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		330,984
Total	**1,308,161**	**1.18%**	**8.06%**	**8.06%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**		**939,561**

Table 98: F-IRB Approach – Exposure class: Retail by PD classes (Art. 453 (g) CRR, EU CR7-A (EU) 2021/637)

Risk weighted exposure amount flow statements

in HUF million	Risk weighted exposure amount
Risk weighted exposure amount as at the end of the previous reporting period	**1,720,754**
Asset size (+/-)	130,518
Asset quality (+/-)	-175,990
Model updates (+/-)	-27,484
Methodology and policy (+/-)	-
Acquisitions and disposals (+/-)	-
Foreign exchange movements (+/-)	-12,097
Other (+/-)	-
Risk weighted exposure amount as at the end of the reporting period	**1,635,701**

Table 99: RWEA flow statements of credit risk exposures under the IRB approach (CRR Art. 438 (h), EU CR8 (EU) 2021/637)

in HUF million	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU - Original Exposure Method (for derivatives)	-	-		1,4	-	-	-	-
EU - Simplified SA-CCR (for derivatives)	-	-		1,4	-	-	-	-
SA-CCR (for derivatives)	21,676,79	17,582,77		1,4	54,963	54,963	54,963	22,569
IMM (for derivatives and SFTs)			-	1,4	-	-	-	-
Of which securities financing transactions netting sets			-		-	-	-	-
Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
Of which from contractual cross-product netting sets			-		-	-	-	-
Financial collateral simple method (for SFTs)					-	-	-	-
Financial collateral comprehensive method (for SFTs)					270,333	143,052	143,052	8,248
VaR for SFTs					-	-	-	-
Total					**325,296**	**198,015**	**198,015**	**30,818**

Table 100: Analysis of CCR exposure by approach (Art. 436 (f) (g) (k) CRR, EU CCR1 (EU) 2021/637)

in HUF million	Exposure value	RWEA
Total transactions subject to the Advanced method	-	-
(i) VaR component (including the 3× multiplier)		-
(ii) stressed VaR component (including the 3× multiplier)		-
Transactions subject to the Standardised method	34,639	34,639
Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
Total transactions subject to own funds requirements for CVA risk	**34,639**	**34,639**

Table 101: Analysis of CCR CVA Capital Charge (Art. 439 (h) CRR, EU CCR2 (EU) 2021/637)

in HUF million	Risk weight											
Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	9,957	-	-	-	-	-	-	-	-	-	-	9,957
Corporates	-	-	-	-	-	-	-	-	12,224	-	-	12,224
Retail	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-	-	-	-
Total exposure value	**9,957**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,2224**	**-**	**-**	**22,181**

Table 102: Standardised approach – CCR exposures by regulatory portfolio and risk weights (Art. 439 (l) referring to 444 (e) CRR, EU CCR3 (EU) 2021/637)

in HUF million or %	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts
Central governments and central banks								
	0.00 to <0.15	18,857	0.04%	1	45.00%	2.50	3,333	17.68%
	0.15 to <0.25	-	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
Sub-total (Central governments and central banks)		**18,857**	**0.04%**	**1**	**45.00%**	**2,50**	**3,333**	**17.68%**
Institutions								
	0.00 to <0.15	147,352	0.09%	3	8.34%	0.63	8,358	5.67%
	0.15 to <0.25	47	0.16%	1	45.00%	2.50	21	45.78%
	0.25 to <0.50	3,169	0.48%	3	45.00%	2.50	2,653	83.71%
	0.50 to <0.75	-	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-	-

in HUF million or %	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts
	10.00 to <100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
Sub-total (Institutions)		**150 568**	**0.10%**	**7**	**9.13%**	**0.67**	**11,033**	**7.33%**
Corporates								
	0.00 to <0.15	3,030	0.005%	30	1.21%	2.50	2,722	89.84%
	0.15 to <0.25	319	0.20%	13	45.00%	2.50	157	49.14%
	0.25 to <0.50	1,681	0.38%	4	45.00%	2.50	1,310	77.92%
	0.50 to <0.75	190	0.71%	2	45.00%	2.50	190	99.75%
	0.75 to <2.50	839	1.25%	15	45.00%	2.50	1,005	119.77%
	2.50 to <10.00	249	3.13%	13	45.00%	2.50	278	111.70%
	10.00 to <100.00	19	40.11%	3	45.00%	2.50	36	187.93%
	100.00 (Default)	-	-	-	-	-	-	-
Sub-total (Corporates)		**6,327**	**0.54%**	**83**	**24.03%**	**2.53**	**5,731**	**90.57%**
Retail								
	0.00 to <0.15	-	0.00%	-	0.00%	-	-	0.00%
	0.15 to <0.25	-	0.00%	-	0.00%	-	-	0.00%
	0.25 to <0.50	-	0.00%	-	0.00%	-	-	0.00%
	0.50 to <0.75	-	0.00%	-	0.00%	-	-	0.00%
	0.75 to <2.50	-	0.00%	-	0.00%	-	-	0.00%
	2.50 to <10.00	-	0.00%	-	0.00%	-	-	0.00%
	10.00 to <100.00	-	0.00%	-	0.00%	-	-	0.00%
	100.00 (Default)	-	0.00%	-	0.00%	-	-	0.00%
Sub-total (Retail)		**-**	**0.00%**	**-**	**0.00%**	**-**	**-**	**0.00%**
Total (all CCR relevant exposure classes)		**175,753**	**0.11%**	**90**	**13.51%**	**0.93**	**16,764**	**10.68%**

Table 103: IRB approach – CCR exposures by exposure class and PD scale (Art. 439 (l) referring to 452 (g) CRR, EU CCR4 (EU) 2021/637)

in HUF million	Collateral used in derivative transactions				Collateral used in SFTs			
Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash – domestic currency	-	92	-	-	-	-	-	1,849
Cash – other currencies	-	3,388	-	7,958	-	-	-	-
Domestic sovereign debt	-	64	-	-	-	-	-	1,849
Other sovereign debt	-	-	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-

in HUF million	Collateral used in derivative transactions				Collateral used in SFTs			
Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Equity securities	-	-	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-	-	-
Total	**-**	**3,543**	**-**	**7,958**	**-**	**-**	**-**	**1,849**

Table 104: Composition of collateral for exposures to CCR (Art. 439 (e) CRR, EU CCR5 (EU) 2021/637)

in HUF million	RWEAs
Outright products	
Interest rate risk (general and specific)	8,762
Equity risk (general and specific)	-
Foreign exchange risk	-
Commodity risk	-
Options	
Simplified approach	-
Delta-plus approach	-
Scenario approach	-
Securitisation (specific risk)	-
Total	**8,762**

Table 105: Market risk under the Standardised approach (Art. 445 CRR, EU MR1 (EU) 2021/637)

in HUF million	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
Market price uncertainty	58	2,615	1	1,007	-	173	-	2,013	277	0
Close-out cost	-	-	-	-	-	-	-	-	-	-
Concentrated positions	69	-	-	185	-	NA	NA	254	-	0
Early termination	-	-	-	-	-	NA	NA	-	-	-
Model risk	-	-	-	-	-	-	-	-	-	-
Operational risk	-	-	-	-	-	NA	NA	-	-	-
Future administrative costs	31	102	-	48	-	NA	NA	181	181	-
Total Additional Valuation Adjustments (AVAs)								**2,448**	**458**	**1,990**

Table 106: Prudent valuation adjustments (PVA) (Art. 436 (e) CRR, EU PV1 (EU) 2021/637)

in HUF million	Total unweighted value (average)				Total weighted value (average)			
Quarter ending on (DD Month YYY)	**2023 Q4**	**2023 Q3**	**2023 Q2**	**2023 Q1**	**2023 Q4**	**2023 Q3**	**2023 Q2**	**2023 Q1**
Number of data points used in the calculation of averages	1	1	1	1	1	1	1	1
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA)					1,393,551	2,073,197	1,747,104	2,284,298
CASH - OUTFLOWS								
Retail deposits and deposits from small business customers, of which:	1,536,507	1,518,740	1,536,378	1,595,433	115,161	114,248	114,116	119,522
Stable deposits	752,687	726,689	768,282	786,991	37,634	36,334	38,414	39,350
Less stable deposits	783,820	792,051	768,097	808,442	77,527	77,914	75,701	80,172
Unsecured wholesale funding	1,408,284	2,143,405	1,781,116	2,382,264	767,731	1,467,012	1,144,727	1,716,484
Operational deposits (all counterparties) and deposits in networks of cooperative banks	131,805	141,830	127,196	133,322	32,780	35,261	31,631	33,138
Non-operational deposits (all counterparties)	1,276,479	2,001,576	1,653,920	2,248,941	734,952	1,431,751	1,113,096	1,683,346
Unsecured debt	-	-	-	-	-	-	-	-
Secured wholesale funding					-	-	-	-
Additional requirements	423,719	560,474	664,665	767,508	423,719	560,474	664,665	767,508
Outflows related to derivative exposures and other collateral requirements	423,719	560,474	664,665	767,508	423,719	560,474	664,665	767,508
Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
Credit and liquidity facilities	333,470	351,577	323,803	315,804	57,503	59,404	58,317	57,639
Other contractual funding obligations	441,255	439,553	499,027	505,124	30,203	29,860	35,062	34,584
Other contingent funding obligations	26,579	11,873	8,158	12,843	17,625	4,035	467	5,315
TOTAL CASH OUTFLOWS					**1,411,942**	**2,235,034**	**2,017,353**	**2,701,052**
CASH - INFLOWS								
Secured lending (e.g. reverse repos)	4,428	6,176	701	839	-	-	-	-
Inflows from fully performing exposures	138,150	131,133	124,201	153,050	106,892	112,631	105,876	127,547
Other cash inflows	381,483	505,638	619,684	769,409	381,483	505,638	619,684	769,409
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
(Excess inflows from a related specialised credit institution)					-	-	-	-
TOTAL CASH INFLOWS	**524,061**	**642,947**	**744,586**	**923,298**	**488,374**	**618,269**	**725,560**	**896,956**
Fully exempt inflows	-	-	-	-	-	-	-	-
Inflows subject to 90% cap	-	-	-	-	-	-	-	-
Inflows subject to 75% cap	524,061	642,947	744,586	923,298	488,374	618,269	725,560	896,956

in HUF million	Total unweighted value (average)				Total weighted value (average)			
Quarter ending on (DD Month YYY)	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1
TOTAL ADJUSTED VALUE								
LIQUIDITY BUFFER					1,393,551	2,073,197	1,747,104	2,284,298
TOTAL NET CASH OUTFLOWS					923,568	1,616,765	1,291,794	1,804,096
LIQUIDITY COVERAGE RATIO					150.89%	128.23%	135.25%	126.62%

Table 107: Quantitative information on LCR (values are calculated as averages of month-end observations over the number of data points as outlined in the table) (Art. 451a (2) CRR, EU LIQ1 (EU) 2021/637)

in HUF million	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
Capital items and instruments	**409,848**	**-**	**-**	**130,490**	**540,337**
Own funds	409,848	160	-	130,490	540,337
Other capital instruments		-	-	-	-
Retail deposits		**1,572,891**	**13,230**	**4**	**1,467,277**
Stable deposits		784,082	11,212	4	755,534
Less stable deposits		788,809	2,017	-	711,744
Wholesale funding:		**1,568,867**	**42,245**	**787,498**	**1,322,670**
Operational deposits		136,018	-	-	58,203
Other wholesale funding		1,432,850	42,245	787,498	1,264,468
Interdependent liabilities		**-**	**-**	**-**	**-**
Other liabilities:	**-**	**-**	**69,072**	**19,758**	**54,294**
NSFR derivative liabilities	-	-	-	-	-
All other liabilities and capital instruments not included in the above categories		-	69,072	19,758	54,294
Total available stable funding (ASF)					**3,384,579**
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)					**303,483**
Assets encumbered for a residual maturity of one year or more in a cover pool		**5,058**	**5,288**	**198,172**	**177,240**
Deposits held at other financial institutions for operational purposes		**-**	**-**	**-**	**-**
Performing loans and securities:		**577,177**	**139,006**	**1,651,992**	**1,735,648**
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		18,718	-	-	-
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		68,919	28,915	280,405	301,754
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		461,501	82,160	831,635	1,019,417
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		148,715	12,763	64,885	122,925
Performing residential mortgages, of which:		12,876	12,557	380,164	310,135

in HUF million	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		4,268	3,915	128,605	-
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		15,163	15,373	159,789	157,658
Interdependent assets		**-**	**-**	**-**	**-**
Other assets:		**92,049**	**42,387**	**127,582**	**164,493**
Physical traded commodities				-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
NSFR derivative assets		5,130	-	-	5,130
NSFR derivative liabilities before deduction of variation margin posted		23,100	-	-	1,155
All other assets not included in the above categories		63,820	42,387	127,582	158,208
Off-balance sheet items		**220,568**	**74,387**	**184,997**	**34,150**
Total RSF					**2,415,015**
Net Stable Funding Ratio (%)					**140.15%**

Table 108: Net stable funding ratio (Art. 451a (3) CRR, EU LIQ2 (EU) 2021/637)

Supervisory shock scenarios	Changes of the economic value of equity		Changes of the net interest income	
	Current period	Last period	Current period	Last period
Parallel up	-23,625	-18,918	8,421	-56
Parallel down	6,020	5,244	-19,135	-14,696
Steepener	6,593	3,247		
Flattener	-19,520	-11,338		
Short rates up	-26,598	-17,302		
Short rates down	11,313	6,923		

Table 109: Interest rate risks of non-trading book activities (Art. 448 (a) (b) CRR, EU IRRBB1 EBA/ITS/2021/07)

in HUF million	Relevant indicator			Own funds requirements	Risk exposure amount
Banking activities	Year-3	Year-2	Last year		
Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
Subject to TSA:	-	-	-		
Subject to ASA:	-	-	-		
Banking activities subject to advanced measurement approaches AMA	138,714	168,666	196,928	39,722	496,522

Table 110: Operational risk own funds requirements and risk-weighted exposure amounts (Art. 446 and 454 CRR, EU OR1 (EU) 2021/637)

Sector/subsector	Gross carrying amount (million HUF)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (million HUF)			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures					
Exposures towards sectors that highly contribute to climate change*	**866,275**	**-**	**-**	**220881**	**23731**	**-20,638**	**-4,507**	**-13,778**	**598,466**	**185,477**	**25,730**	**56,602**	**2.87**
A - Agriculture, forestry and fishing	69,548	-	-	15,991	4,537	-4,365	-263	-3,979	37,739	22,008	4,198	5,603	3.45
B - Mining and quarrying	366	-	-	300	0	-7	-6	-0	333	-	33	-	3.61
B.05 - Mining of coal and lignite	-	-	-	-	-	-	-	-	-	-	-	-	
B.06 - Extraction of crude petroleum and natural gas	-	-	-	-	-	-	-	-	-	-	-	-	
B.07 - Mining of metal ores	*0*	-	-	-	-	-	-	-	0	-	-	-	0.00
B.08 - Other mining and quarrying	*363*	-	-	*297*	*0*	*-7*	*-6*	*-0*	330	-	33	-	3.64
B.09 - Mining support service activities	*3*	-	-	*3*	*0*	*-0*	*-0*	*-0*	3	-	-	-	0.00
C - Manufacturing	256,481	-	-	49,317	3,839	-3,058	-906	-1,697	172,790	58,036	1,480	24,175	1.96
C.10 - Manufacture of food products	87,724	-	-	5,527	1,222	-1,073	-158	-707	67,493	5,120	458	14,652	1.30
C.11 - Manufacture of beverages	10,088	-	-	2,613	37	-125	-62	-28	2,997	4,605	18	2,467	0.93
C.12 - Manufacture of tobacco products	-	-	-	-	-	-	-	-	-	-	-	-	
C.13 - Manufacture of textiles	1,280	-	-	166	32	-30	-3	-24	679	602	-	-	5.62
C.14 - Manufacture of wearing apparel	159	-	-	16	1	-1	-0	-0	124	35	-	-	3.22
C.15 - Manufacture of leather and related products	2,477	-	-	2,452	-	-39	-39	-	25	519	-	1,933	1.15
C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	2,286	-	-	294	20	-25	-4	-16	1,223	1,027	34	2	4.51
C.17 - Manufacture of pulp, paper and paperboard	*1,539*	-	-	*1,100*	*3*	*-33*	*-28*	*-1*	702	614	-	223	3.37
C.18 - Printing and service activities related to printing	*405*	-	-	*5*	*0*	*-2*	*-0*	*-0*	334	72	-	-	2.92

Sector/subsector	Gross carrying amount (million HUF)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (million HUF)			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures					
C.19 - Manufacture of coke oven products	*45,837*	-	-	*0*	-	*-11*	*-0*	-	31,794	14,044	-	-	1.68
C.20 - Production of chemicals	*22,654*	-	-	*22,584*	*0*	*-236*	*-235*	*-0*	13,090	9,495	-	69	3.82
C.21 - Manufacture of pharmaceutical preparations	*12,589*	-	-	-	-	*-30*	-	-	1,746	10,649	-	193	1.02
C.22 - Manufacture of rubber products	*8,034*	-	-	*1,725*	*0*	*-37*	*-17*	*-0*	7,007	441	-	585	2.34
C.23 - Manufacture of other non-metallic mineral products	*7,899*	-	-	*749*	*1*	*-38*	*-18*	*-0*	5,611	685	24	1,579	1.53
C.24 - Manufacture of basic metals	*845*	-	-	*346*	*499*	*-87*	*-1*	*-86*	845	-	-	-	1.29
C.25 - Manufacture of fabricated metal products, except machinery and equipment	*9,484*	-	-	*5,402*	*1,184*	*-418*	*-86*	*-319*	6,432	1,844	112	1,096	2.47
C.26 - Manufacture of computer, electronic and optical products	*1,099*	-	-	*468*	*12*	*-20*	*-10*	*-9*	293	805	-	-	5.75
C.27 - Manufacture of electrical equipment	*4,509*	-	-	*,187*	*518*	*-298*	*-3*	*-281*	2,762	1,323	-	424	2.77
C.28 - Manufacture of machinery and equipment n.e.c.	*12,624*	-	-	*1,899*	*300*	*-323*	*-77*	*-219*	8,994	2,992	382	257	2.97
C.29 - Manufacture of motor vehicles, trailers and semi-trailers	*15,434*	-	-	*,829*	*0*	*-61*	*-23*	*-0*	14,524	796	-	114	1.82
C.30 - Manufacture of other transport equipment	*4,748*	-	-	*1,426*	-	*-124*	*-113*	-	1,951	1,795	429	572	4.69
C.31 - Manufacture of furniture	*1,761*	-	-	*478*	*3*	*-6*	*-1*	*-1*	1,726	23	7	6	2.36
C.32 - Other manufacturing	*690*	-	-	*119*	*6*	*-7*	*-1*	*-4*	598	75	16	-	3.41
C.33 - Repair and installation of machinery and equipment	*2,316*	-	-	*932*	*2*	*-34*	*-26*	*-1*	1,838	476	-	3	3.20
D - Electricity, gas, steam and air conditioning supply	81,432	-	-	77,093	2	-1,077	-1,041	-2	57,915	13,829	9,689	-	2.71

Sector/subsector	Gross carrying amount (million HUF)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (million HUF)			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures					
D35.1 - Electric power generation, transmission and distribution	63,287	-	-	61,389	0	-228	-203	-0	55,300	7,724	263	-	1.02
D35.11 - Production of electricity	17,351	-	-	15,701	2	-845	-838	-1	1,821	6,105	9,426	-	8.83
D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	,3	-	-	3	-	-0	-0	-	3	-	-	-	0.00
D35.3 - Steam and air conditioning supply	791	-	-	-	0	-4	-	-0	791	-	-	-	3.59
E - Water supply; sewerage, waste management and remediation activities	2,212	-	-	776	2	-32	-18	-1	1,847	365	-	0	2.96
F - Construction	31,705	-	-	9,016	2,908	-1,853	-304	-1,460	23,776	3,923	187	3,818	2.30
F.41 - Construction of buildings	15,750	-	-	5,558	284	-401	-190	-163	11,416	1,806	4	2,524	1.91
F.42 - Civil engineering	5,629	-	-	2,488	174	-147	-81	-53	4,488	1,098	43	-	3.31
F.43 - Specialised construction activities	10,326	-	-	970	2,450	-1,305	-32	-1,244	7,873	1,019	140	1,294	2.33
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	160,262	-	-	40,921	5,521	-4,332	-752	-3,180	112,415	23,654	1,585	22,609	2.30
H - Transportation and storage	28,752	-	-	17,854	66	-611	-504	-50	14,641	12,989	777	345	4.08
H.49 - Land transport and transport via pipelines	13,247	-	-	4,258	32	-225	-150	-25	11,906	732	429	180	2.78
H.50 - Water transport	0	-	-	-	-	-0	-	-	,0	-	-	-	0.14
H.51 - Air transport	0	-	-	0	0	-0	-0	-0	0	-	-	-	0.00
H.52 - Warehousing and support activities for transportation	15,301	-	-	13,586	25	-378	-353	-18	2,543	12,245	348	165	5.25
H.53 - Postal and courier activities	204	-	-	10	10	-8	-0	-8	193	11	-	-	1.83
I - Accommodation and food service activities	22,589	-	-	1,580	6,425	-3,395	-63	-3,239	3,673	13,380	5,533	3	7.23
L - Real estate activities	212,928	-	-	8,034	430	-1,907	-648	-169	173,336	37,294	2,246	51	3.71

Sector/subsector	Gross carrying amount (million HUF)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (million HUF)			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures					
Exposures towards sectors other than those that highly contribute to climate change*	**80,359**	**-**	**-**	**15,289**	**2,729**	**-2,656**	**-459**	**-1,810**	**67,071**	**9,112**	**3,353**	**822**	**3.05**
K - Financial and insurance activities	15,924	-	-	66	288	-367	-8	-206	15,581	334	9	-	3.16
Exposures to other sectors (NACE codes J, M - U)	64,435	-	-	15,223	2,441	-2,289	-451	-1,605	51,490	8,778	3,344	822	3.02
TOTAL	**946,634**	**-**	**-**	**236,170**	**26,460**	**-23,294**	**-4,967**	**-15,588**	**665,537**	**194,589**	**29,083**	**57,425**	**2.88**

* In accordance with the Commission delegated regulation EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006

Table 111: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity (Art. 449a CRR, EU 1.CC Transition risk-Banking b. (EU) 2022/2453)

Counterparty sector	Total gross carrying amount amount (in HUF million)															
		Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
		0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
Total EU area	**745,221**	**94,101**	**467,305**	**128,125**	**40,131**	**13,267**	**2,121**	**26,011**	**46,752**	**19,799**	**149,230**	**64,735**	**56,426**	**128,005**	**254,263**	**0.00%**
Of which Loans collateralised by commercial immovable property	183,130	22,869	113,954	43,712	2,189	401	5	15,834	9,988	19,522	68,259	19,319	12,341	12,653	25,214	13.77%
Of which Loans collateralised by residential immovable property	562,091	71,232	353,351	84,413	37,942	12,866	2,116	10,177	36,764	276	80,971	45,416	44,085	115,352	229,049	40.75%
Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	254,263	25,386	184,345	44,050	50	420	12								254,263	100.00%
Total non-EU area	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Loans collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	-	-	-	-	-	-	-								-	-

Table 112: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral (Art. 449a CRR, EU 2.CC Trans-BB.RE collateral (EU) 2022/2453)

Total portfolio	Gross carrying amount (in HUF million)	of which exposures sensitive to impact from climate change physical events – Breakdown by maturity bucket: <= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity	of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing	69,548	37,739	22,008	4,198	5,603	3.45	-	-	69,548	15,991	4,537	-4,365	-263	-3,979
B - Mining and quarrying	366	333	-	33	-	3.61	-	-	366	300	0	-7	-6	-0
C - Manufacturing	256,481	172,790	58,036	1,480	24,175	1.96	-	10	256,471	49,317	3,839	-3,058	-906	-1,697
D - Electricity, gas, steam and air conditioning supply	81,432	57,915	13,829	9,689	-	2.71	-	-	81,432	77,093	2	-1,077	-1,041	-2
E - Water supply; sewerage, waste management and remediation activities	2,212	1,847	365	-	0	2.96	-	-	2,212	776	2	-32	-18	-1
F - Construction	31,705	23,776	3,923	187	3,818	2.30	-	-	31,705	9,016	2,908	-1,853	-304	-1,460
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	160,262	112,415	23,654	1,585	22,609	2.30	-	-	160,262	40,921	5,521	-4,332	-752	-3,180
H - Transportation and storage	28,752	14,641	12,989	777	345	4.08	-	-	28,752	17,854	66	-611	-504	-50
L - Real estate activities	212,928	173,336	37,294	2,246	51	3.71	-	-	212,928	8,034	430	-1,907	-648	-169
Loans collateralised by residential immovable property	5,260	1,675	1,291	2,267	27	7.91	-	-	5,260	2,446	381	-370	-163	-199
Loans collateralised by commercial immovable property	374,722	267,093	85,337	13,991	8,302	5.49	-	-	374,722	49,936	11,781	-10,365	-1,417	-7,384
Repossessed collaterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other relevant sectors (breakdown below where relevant)	102,948	70,744	22,492	8,887	825	3.97	-	-	102,948	16,869	9,154	-6,051	-523	-5,049

Table 113: Banking book - Climate change physical risk: Exposures subject to physical risk (Art. 449a CRR, EU 5.CC Physical risk (EU) 2022/2453)

	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock	0.02%	0.00%	0.02%	42.19%
GAR flow	0.33%	0.00%	0.33%	5.92%

Table 114: Summary of GAR KPIs

in HUF million	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
GAR - Covered assets in both numerator and denominator																
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	**2,011,051**	**499,143**	**460**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**499,143**	**460**	**-**	**-**	**-**
Financial corporations	744,320	3,606	368	-	-	-	-	-	-	-	-	3,606	368	-	-	-
Credit institutions	690,084	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	297,050	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities, including UoP	393,034	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
Other financial corporations	54,236	3,606	368	-	-	-	-	-	-	-	-	3,606	368	-	-	-
of which investment firms	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

in HUF million	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
Non-financial corporations (subject to NFRD disclosure obligations)	**71,009**	**4,126**	**92**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,126**	**92**	**-**	**-**	**-**
Loans and advances	47,528	2,862	64	-	-	-	-	-	-	-	-	2,862	64	-	-	-
Debt securities, including UoP	23,481	1,264	28	-	-	-	-	-	-	-	-	1,264	28	-	-	-
Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
Households	**1,195,723**	**491,411**	**-**	**-**	**-**	**-**						**491,411**	**-**	**-**	**-**	**-**
of which loans collateralised by residential immovable property	565,794	491,411	-	-	-	-						491,411	-	-	-	-
of which building renovation loans	-	-	-	-	-	-						-	-	-	-	-
of which motor vehicle loans	-	-	-	-	-	-						-	-	-	-	-
Local governments financing	-	-	-	-	-	-						-	-	-	-	-
Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL GAR ASSETS	**1,035,724**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets excluded from the numerator for GAR calculation (covered in the denominator)																
EU Non-financial corporations (not subject to NFRD disclosure obligations)	912,333															
Loans and advances	829,467															
Debt securities	45,677															
Equity instruments	37,189															

in HUF million	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)	62															
Loans and advances	62															
Debt securities	-															
Equity instruments	-															
Derivatives	-															
On demand interbank loans	5,227															
Cash and cash-related assets	21,361															
Other assets (e.g. Goodwill, commodities etc.)	96,742															
TOTAL ASSETS IN THE DENOMINATOR (GAR)	**3,046,775**															
Other assets excluded from both the numerator and denominator for GAR calculation																
Sovereigns	991,488															
Central banks exposure	625,529															
Trading book	103,003															
TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR	**1,720,021**															
TOTAL ASSETS	**4,766,796**															

Table 115: Mitigating actions: Assets for the calculation of GAR

% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
		Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
GAR	**24.82%**	**0.02%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24.82%**	**0.02%**	**-**	**-**	**-**	**42.19%**
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	24.82%	0.02%	-	-	-	-	-	-	-	-	24.82%	0.02%	-	-	-	42.19%
Financial corporations	0.48%	0.05%	-	-	-	-	-	-	-	-	0.48%	0.05%	-	-	-	15.61%
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14.48%
Other financial corporations	6.65%	0.68%	-	-	-	-	-	-	-	-	6.65%	0.68%	-	-	-	1.14%
of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01%
of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations subject to NFRD disclosure obligations	5.81%	0.13%	-	-	-	-	-	-	-	-	5.81%	0.13%	-	-	-	1.49%
Households	41.10%	-	-	-	-						41.10%	-	-	-	-	25.08%
of which loans collateralised by residential immovable property	86.85%	-	-	-	-						86.85%	-	-	-	-	11.87%
of which building renovation loans	-	-	-	-	-						-	-	-	-	-	-
of which motor vehicle loans	-	-	-	-	-						-	-	-	-	-	-
Local government financing	-	-	-	-	-						-	-	-	-	-	-
Housing financing	-	-	-	-	-						-	-	-	-	-	-
Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
		Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-						-	-	-	-	-	-

Table 116: GAR (%) - KPIs on stock

% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of total new assets covered
		Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
GAR	**20.18%**	**0.33%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20.18%**	**0.33%**	**-**	**-**	**-**	**5.92%**
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	20.18%	0.33%	-	-	-	-	-	-	-	-	20.18%	0.33%	-	-	-	5.92%
Financial corporations	26.29%	2.68%	-	-	-	-	-	-	-	-	26.29%	2.68%	-	-	-	0.56%
Credit institutions	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	0.23%
Other financial corporations	44.14%	4.50%	-	-	-	-	-	-	-	-	44.14%	4.50%	-	-	-	0.33%
of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00

% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of total new assets covered
		Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations subject to NFRD disclosure obligations	8.98%	0.20%	-	-	-	-	-	-	-	-	8.98%	0.20%	-	-	-	2.31%
Households	27.54%	-	-	-	-						27.54%	-	-	-	-	3.05%
of which loans collateralised by residential immovable property	92.79%	-	-	-	-						92.79%	-	-	-	-	0.91%
of which building renovation loans	-	-	-	-	-						-	-	-	-	-	-
of which motor vehicle loans	-	-	-	-	-						-	-	-	-	-	-
Local government financing	-	-	-	-	-						-	-	-	-	-	-
Housing financing	-	-	-	-	-						-	-	-	-	-	-
Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-						-	-	-	-	-	-

Table 117: GAR (%) - KPIs on flows

in HUF million	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the disclosing institution	398,945	65,659			4,403,904	609,773		
Equity instruments	-	-	-	-	2,136	-	2,136	-
Debt securities	179,498	65,659	172,075	64,167	1,201,539	609,773	1,103,262	545,277
of which: covered bonds	-	-	-	-	-	-	-	-
of which: securitisations	-	-	-	-	-	-	-	-
of which: issued by general governments	120,495	65,659	119,003	64,167	759,495	600,122	705,573	535,304
of which: issued by financial corporations	13,362	-	13,085	-	420,333	9,652	377,412	9,973
of which: issued by non-financial corporations	45,641	-	39,987	-	21,711	-	20,277	-
Other assets	-	-			217,713	-		

Table 118: Encumbered and unencumbered assets (Art. 443 CRR, EU AE1 (EU) 2021/637)

in HUF million	Fair value of encumbered collateral received or own debt securities issued		Non-encumbered		
			Fair value of collateral received or own debt securities issued available for encumbrance		Nominal of collateral received or own debt securities issued non available for encumbrance
		of which: central bank's eligible		of which: central bank's eligible	
Collateral received by the disclosing institution	**-**	**-**	**19,165**	**-**	**6,570,694**
Loans on demand	-	-	-	-	831,252
Equity instruments	-	-	-	-	5,832
Debt securities	-	-	19,165	-	81,337
of which: covered bonds	-	-	-	-	-
of which: asset-backed securities	-	-	-	-	-
of which: issued by general governments	-	-	19,165	-	21,284
of which: issued by financial corporations	-	-	-	-	60,053
of which: issued by non-financial corporations	-	-	-	-	-
Loans and advances other than loans on demand	-	-	-	-	7,865
Other collateral received	-	-	-	-	5,644,408
of which: …					
Own debt securities issued other than own covered bonds or securitisations	-	-	-	-	-
Own covered bonds and securitisation issued and not yet pledged			-	-	-
TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	-	-			-

Table 119: Collateral received and own debt securities issued (Art. 443 CRR, EU AE2 (EU) 2021/637)

in HUF million	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	576,990	398,907
Derivatives	36,813	6,913
of which: Over-The-Counter	36,813	6,913
Deposits	540,177	391,994
Repurchase agreements	239,597	120,495
of which: central banks	-	-
Collateralised deposits other than repurchase agreements	300,581	271,499
of which: central banks	90,441	60,660
Debt securities issued	-	-
of which: covered bonds issued	-	-
of which: asset-backed securities issued	-	-
Other sources of encumbrance	-	38
Nominal of loan commitments received	-	-
Nominal of financial guarantees received	-	-
Fair value of securities borrowed with non cash-collateral	-	-
Other	-	38
TOTAL SOURCES OF ENCUMBRANCE	**576,990**	**398,945**

Table 120: Sources of encumbrance (Art. 443 CRR, EU AE3 (EU) 2021/637)