CIB BANK LTD.
and its subsidiaries

Consolidated financial statements
prepared in accordance with
International Financial Reporting Standards
as adopted by EU
for the year ended 31 December 2021

with the report of the Independent Auditor

Contents

Building a better working world

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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholder of CIB Bank Zrt.

Report on the audit of the consolidated annual financial statements

Opinion

We have audited the accompanying 2021 consolidated annual financial statements of CIB Bank Zrt. ("the Company") and its subsidiaries (altogether "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021 - showing a balance sheet total of HUF 2.782.664 million and a total comprehensive income for the year of HUF 15.842 million -, the related consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated annual financial statements, including a summary of significant accounting policies.

In our opinion the consolidated annual financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for consolidated annual financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated annual financial statements" section of our report.

We are independent of the Group in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated annual financial statements section" of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated annual financial statements.

Determination of expected credit losses related to loans to customers

Material misstatements due to fraudulent financial reporting often result from understatement of expected credit losses. Credit impairment is a highly subjective area due to the level of judgement applied by management in determining expected credit losses ("ECL"). The identification of impairment and the determination of the recoverable amount is a judgmental process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, and expected net selling prices of collaterals. The portfolios which give rise to the greatest uncertainty are typically those where impairments are derived from estimates of future cash flows and realizable value of collateral, calculated using collective impairment models, are unsecured or are subject to potential collateral shortfalls.	Our audit procedures included among others the following procedures. We assessed the design and tested the operating effectiveness of internal controls over the approval, recording and monitoring of loans measured at amortized cost and controls over ECL calculations including the quality of underlying data and applications. We assessed the controls over the general IT environment of the applications relevant from audit perspective related to the determination of ECL. For ECL calculated on an individual basis, we tested the assumptions used by the management underlying the impairment identification and quantification focusing on loan cases with the most significant potential impact on the consolidated annual financial statements.

These models require the significant periodic judgment of management regarding correct segmentation, the identification of significant changes in credit risk, the inclusion of forward-looking elements as well as the application of management overlay to reflect on circumstances beyond the modelling capabilities. Due to the significance of loans to customers at amortised cost (representing 41% of Total Assets as of 31 December 2021) and the related estimation uncertainty, this is considered a key audit matter.	We assessed the Group's assumptions on the expected future cash flows, including the realisable value of collaterals and estimates of recovery on default based on our own understanding and available market information. We considered the regulatory measures on the assumptions applied by the Group for ECL estimation purposes. For ECL calculated on collective basis we evaluated the model governance, methodologies, inputs and assumptions used (probability of default, loss given default, significant changes in credit risk and forward-looking elements). We involved internal credit risk specialists to assist us in performing our audit procedures to assess the appropriateness of ECL calculated on a collective basis, including staging. Further we recalculated collective ECL for the whole portfolio. We also assessed whether the disclosures in the consolidated annual financial statements appropriately reflect the Group's exposure to credit risk and are compliant with the EU IFRSs. Loans to customers measured at amortized cost are presented under Note 24. The Group's disclosures about its risk management policies are included in Note 48 which specifically explains the key assumptions used when determining credit risk and their evaluation are detailed in Note 48.

<u>General IT controls over the financial reporting process</u>

A significant part of the Group's financial reporting process is heavily reliant on IT systems with embedded automated processes and controls over the capture, storage and extraction of information. A fundamental component of these processes and controls is ensuring appropriate user access and change management protocols exist and are being adhered to.
These protocols are important because they ensure that access and changes to IT systems and related data are made and authorized in an appropriate manner.
As our audit of the consolidated financial statements sought to place a high level of reliance on IT systems and application controls related to financial reporting, a high proportion of the overall audit effort has been carried out regarding to understand and test IT infrastructure and applications including relevant application controls. Furthermore, the complexity of IT systems and nature of application controls requires special technology expertise and specialized skills to be involved in the audit, we therefore consider this as a key audit matter.

We focused our audit on those IT systems and controls that are significant for the Group's financial reporting. As audit procedures over the IT systems and application controls require specific expertise, we involved IT audit specialists to assist us in performing our audit procedures. Our audit procedures included among others the following procedures.
We understood and assessed the overall IT control environment and the controls in place which included controls over access to systems and data, as well as system changes. We adjusted our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system.
As part of our audit procedures we tested the operating effectiveness of controls over appropriate access rights to assess whether only appropriate users had the ability to create, modify or delete user accounts for the relevant in-scope applications. We also tested the operating effectiveness of controls around system development and program changes to establish that changes to the system were appropriately authorized, developed and implemented. Additionally, we assessed and tested the design and operating effectiveness of the application controls embedded in the processes relevant to our audit.
The Group's disclosures about its IT Systems are included in Note XI of the business report.

Other matters

The consolidated annual financial statements as at 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 18 March 2021.

Other information

Other information consists of the 2021 consolidated business report of the Group. Management is responsible for the preparation of the consolidated business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the consolidated annual financial statements does not cover the consolidated business report.

In connection with our audit of the consolidated annual financial statements, our responsibility is to read the other information and, in doing so, consider whether 1) the other information is materially inconsistent with the consolidated annual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the consolidated business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

We are required to confirm also whether the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

In our opinion, the consolidated business report of the Group for 2021 is consistent, in all material respects, with the 2021 consolidated annual financial statements of the Group and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Group further requirements with regard to its consolidated business report, we do not express opinion in this regard.

We also confirm that the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Group and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the other information, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated annual financial statements

Management is responsible for the preparation and fair presentation of the consolidated annual financial statements in accordance with the EU IFRSs and for the preparation in accordance with the supplementary requirements of the Hungarian Accounting Law relevant for consolidated annual financial statements prepared in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated annual financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual financial statements, including the disclosures, and whether the consolidated annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the consolidated annual financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as the statutory auditor of the Company by the Shareholder of the Company on 2 April 2021. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for one year.

Consistency with Additional Report to Audit Committee

Our audit opinion on the consolidated annual financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Group in conducting the audit.

In addition to statutory audit services and services disclosed in the consolidated business report and in the consolidated annual financial statements, no other services were provided by us to the Company and its controlled undertakings.

The engagement partner on the audit resulting in this independent auditor's report is Kónya Zsolt.

Budapest, 23 February 2022

(The original Hungarian version has been signed.)

Kónya Zsolt
Engagement partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Dr. Hruby Attila
Registered auditor
Chamber membership No.: 007118

Consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2021

(million HUF)

	Note	2021	2020
Interest income		56,775	40,432
of which interest income calculated using effective interest rate method		*54,952*	*41,534*
Interest expense		(10,571)	(7,937)
Net interest income	**7**	**46,204**	**32,495**
Fee and commission income		40,974	36,654
Fee and commission expense		(12,638)	(9,751)
Net fee and commission income	**8**	**28,336**	**26,903**
Income from trading activities	9	8,999	6,447
Fair value adjustments in hedge accounting	10	(580)	376
Profits (losses) from derecognition of financial instruments	11	599	551
Net change in value of financial assets mandatorily measured at fair value through profit or loss	12	(4,675)	1,412
Other operating income	13	2,218	973
Other operating expense	13	(1,821)	(2,027)
Net operating income		**79,280**	**67,130**
Impairment profits (losses) and provisions for losses	14	(5,352)	(4,469)
Profits (losses) on changes in contracts relating moratoria	14	(2,352)	(2,418)
Operating expenses without bank tax	15	(49,302)	(46,857)
Profit/(loss) before bank tax and income taxes		**22,274**	**13,386**
Bank tax	16	(3,807)	(3,716)
Profit/(loss) before income taxes		**18,467**	**9,670**
Income tax expense	17	(2,625)	(2,276)
Net profit/(loss) for the year		**15,842**	**7,394**
Items that may be reclassified to profit or loss		(615)	(1,505)
Items that may not be reclassified to profit or loss		248	2,038
Other comprehensive income for the year (net of tax)	**19**	**(367)**	**533**
Total comprehensive income for the year		**15,475**	**7,927**

Budapest, 23 February 2022

Dr. Pál Simák
CEO and Chairman of the Board

Krisztián Németh
CFO and Deputy CEO

CIB Bank Ltd.

The notes on pages 10 to 87 are an integral part of these consolidated financial statements.

Consolidated statements of financial position
as at 31 December 2021

(million HUF)

	Note	31/12/2021	31/12/2020
Cash and current accounts with central banks	20	50,589	64,881
Financial assets measured at fair value through profit or loss	21	142,663	84,527
a) securities held for trading		*10,290*	*2,262*
b) trading derivatives		*50,370*	*23,704*
c) financial assets mandatorily measured at fair value		*82,003*	*58,561*
Financial assets measured at fair value through other comprehensive income	22	276,073	305,553
Financial assets measured at amortised cost		2,233,448	1,882,572
a) loans to banks	*23*	*904,897*	*695,445*
b) loans to customers	*24*	*1,151,106*	*1,114,357*
c) debt securities	*25*	*177,445*	*72,770*
Fair value changes of the hedged financial assets in portfolio hedge (+/-)	26	(5,611)	3,583
Hedging derivatives	26	16,368	1,388
Property, land and equipment	28	19,793	27,485
Intangible assets	29	11,606	12,178
Repossessed properties	27	4,381	5,666
Tax assets	17	1,408	1,282
a) current		*296*	*702*
b) deferred		*1,112*	*580*
Non-current assets held for sale		3,732	86
Other assets	30	28,214	22,181
Total assets		**2,782,664**	**2,411,382**

Budapest, 23 February 2022

Dr. Pál Simák	**Krisztián Németh**
CEO and Chairman of the Board	CFO and Deputy CEO

CIB Bank Ltd.

The notes on pages 10 to 87 are an integral part of these consolidated financial statements.

(million HUF)

	Note	31/12/2021	31/12/2020
Financial liabilities measured at amortised cost		2,422,573	2,093,734
a) deposits from banks	*31*	*403,603*	*354,706*
b) deposits from customers	*32*	*2,018,970*	*1,728,069*
c) subordinated debts	*35*	*-*	*10,959*
Fair value changes of the hedged financial liabilities in portfolio hedge (+/-)	26	(2,248)	82
Trading derivatives	21	42,222	17,853
Hedging derivatives	26	17,098	9,168
Tax liabilities	17	1,309	1,064
a) current		*638*	*208*
b) deferred		*671*	*856*
Other liabilities	33	24,691	31,185
Provisions	34	12,126	8,911
Total liabilities		**2,517,771**	**2,161,997**
Share capital	36	50,000	50,000
Reserves	37	86,542	86,791
Retained earnings		128,351	112,594
Total shareholder's equity		**264,893**	**249,385**
Total liabilities and shareholder's equity		**2,782,664**	**2,411,382**

Budapest, 23 February 2022

Dr. Pál Simák
CEO and Chairman of the Board

Krisztián Németh
CFO and Deputy CEO

CIB Bank Ltd.

The notes on pages 10 to 87 are an integral part of these consolidated financial statements.

Statement of changes in equity
for the year ended 31 December 2021

(million HUF)

	Note	Ordinary shares	Retained earnings	Capital reserve	Revaluation reserve	General reserve	Other reserve	Total
Balance at 31 December 2019		**50,000**	**106,032**	**16,225**	**8,463**	**5,817**	**53,302**	**239,839**
VISA C reclassification effect	21	-	1,619	-	-	-	-	**1,619**
Other comprehensive income (OCI)	19	-	-	-	533	-	-	**533**
General reserve	37	-	(1,151)	-	-	1,151	-	**-**
Development reserve	37	-	(1,300)	-	-	-	1,300	**-**
Net profit / (loss) for the period		-	7,394	-	-	-	-	**7,394**
Balance at 31 December 2020		**50,000**	**112,594**	**16,225**	**8,996**	**6,968**	**54,602**	**249,385**
Other comprehensive income (OCI)	21	-	33	-	(367)	-	-	**(334)**
General reserve	19	-	(1,418)	-	-	1,418	-	**-**
Release of development reserve	37	-	1,300	-	-	-	(1,300)	**-**
Net profit / (loss) for the period		-	15,842	-	-	-	-	**15,842**
Balance at 31 December 2021		**50,000**	**128,351**	**16,225**	**8,629**	**8,386**	**53,302**	**264,893**

Budapest, 23 February 2022

Dr. Pál Simák
CEO and Chairman of the Board

Krisztián Németh
CFO and Deputy CEO

CIB Bank Ltd.

The notes on pages 10 to 87 are an integral part of these consolidated financial statements.

Consolidated statements of cash flows
as at 31 December 2021

(million HUF)

	Note	2021	2020
Operating activities			
Net profit/(loss) before income taxes		18,467	9,669
Interest income	7	(56,775)	(40,432)
Interest expense	7	10,572	7,937
Dividend income	13	(19)	
Depreciation and amortisation	15	6,106	5,645
Increase / (decrease) in impairment loss on financial instruments	14	4,675	6,240
Allocation / (reversal) of provisions	34	3,367	2,266
Increase / (decrease) in impairment loss on repossessed assets	27	(330)	(1,619)
Net unrealized (gain) / loss on financial instruments		3,498	(2,613)
Fair value adjustment on PPE	28	(11)	(103)
Effect of exchange revaluation		5,334	(7,479)
Decrease / (increase) in loans to banks	23	12,370	87,142
Decrease / (increase) in FVPL financial assets	21	(7,848)	3,267
Decrease / (increase) in loans to customers	24	(74,193)	(114,677)
Decrease / (increase) in other assets and non-current assets held for sale	30	(6,441)	(9,675)
Decrease / (increase) in repossessed assets	27	(281)	(23)
Proceeds from sale of repossessed assets	27	1,896	6,619
Increase / (decrease) in deposits from banks	31	59,462	62,817
Increase / (decrease) in deposits from customers	32	280,619	276,004
Increase / (decrease) in other liabilities	33	726	3,746
Interest received	7	55,461	32,258
Interest paid	7	(8,276)	(7,858)
Dividend received	13	19	-
Income tax paid	17	(2,460)	(1,622)
Cash flows used in operating activities		**305,938**	**317,509**
Investing activities			
Purchase of financial investments	22, 25	(214,351)	(78,623)
Proceeds from sale of financial investments	22, 25	128,175	115,634
Acquisitions to intangible and tangible assets	28, 29	(5,425)	(4,380)
Proceeds from sale of intangible and tangible assets	28 ,29	330	224
Decrease / (increase) in ROU assets	38	(475)	(1,161)
Change in investment in subsidiaries		-	47
Cash flows used in investing activities		**(91,746)**	**31,741**
Financing activities			
Increase / (decrease) in subordinated debts	35	(11,031)	-
Increase / (decrease) in lease liabilities	33	(1,044)	(31)
Dividend paid		-	-
Cash flows used in investing activities		**(12,075)**	**(31)**
Net increase / (decrease) in cash and cash equivalents		**202,117**	**349,219**
Net foreign exchange difference		5,226	15,067
Cash and cash equivalents at the beginning of year		679,279	252,993
Cash and cash equivalents at the end of year		**824,622**	**617,279**

The notes on pages 10 to 87 are an integral part of these consolidated financial statements.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalent comprises the following balances with less than three months maturity from the date of acquisition.

(million HUF)

	Note	31/12/2021	31/12/2020
Cash and current accounts with central bank	20	50,589	64,881
Loans to banks	23	774,033	552,398
Cash and cash equivalents at the year end		**824,622**	**617,279**

Budapest, 23 February 2022

Dr. Pál Simák
CEO and Chairman of the Board

Krisztián Németh
CFO and Deputy CEO

CIB Bank Ltd.

Notes to the consolidated financial statements

Part A Accounting policies

(1) Corporate information

The sole owner and ultimate parent company of CIB Bank Ltd. ("the Bank") is Intesa Sanpaolo S.p.A. /IT Torino, Piazza San Carlo 156/, a bank registered in Italy that holds 100% of the shares of the Bank as at 31 December 2021.

The Bank is a fully licensed Hungarian bank conducting local and international banking business both within and outside Hungary.

The registered address of the Bank is 4-14 Medve utca, 1027 Budapest.

Persons authorized to sign the consolidated financial statement are Dr. Pál Simák Chief Executive Officer, Chairman of the Board and Krisztián Németh Chief Financial Officer and Deputy Chief Executive Officer.

Person responsible for directing and managing the tasks related to accounting is Hajnalka Szarvas (Budaörs), the chartered accountant registration number: 005105.

The Bank and its subsidiaries ("the Group") engaged Ernst & Young Ltd. (1132 Budapest, Váci út 20.; Chamber of Hungarian Auditors reg. no.: 001165) to perform the statutory audit of the business year 2021. The individual responsible for the auditing is Dr. Attila Hruby, member of the Chamber of Auditors (MKVK registration number: 007118). The Group paid HUF 155.7 million plus VAT for audit, the fee includes the statutory audit fees of CIB Bank and its subsidiaries and group reporting to the auditor of the parent and HUF 3.8 million plus VAT for other assurance services to the auditor company in 2020.

The average number of active employees of the Group was 2,177 in 2021 and 2,172 in 2020, respectively.

As at 31 December 2021 the Bank had the following subsidiaries:

Company	CIB Group's share %	Country of incorporation	Principal business
CIB Leasing Co. Ltd.	100%	Hungary	Financial leasing services
CIB Rent Leasing and Trading Company Ltd.	100%	Hungary	Leasing services
CIB Insurance Broker Ltd.	100%	Hungary	Insurance agency services
Recovery Ltd.	100%	Hungary	Real estate management

The Bank took over the activities and assets of CIB Factor on 1 January 2017, as a result of which the activities of CIB Factor ceased to exist, its voluntary liquidation started on 27 December 2017, closed on 28 April 2020, and the Company was liquidated.

(2) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by European Union.

The consolidated financial statements for the year ended 31 December 2021 were authorized for issue in accordance with a resolution of the Management Board on 23 February 2022.

These consolidated financial statements are prepared for statutory filing purposes.

The Group is consolidated by its ultimate parent company. The ultimate parent company's consolidated financial statements are available at www.intesasanpaolo.com web site.

The original consolidated financial statements have been prepared in Hungarian and this is the translation of the Hungarian version. The original consolidated financial statements are available at www.cib.hu web site.

(3) Basis of measurement and consolidation

The consolidated financial statements of the Group have been prepared on a historical cost basis except for financial instruments which are measured at fair value, thus financial instruments measured at fair value through other comprehensive income, derivative financial instruments, other financial assets and liabilities held for trading. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges are adjusted to record changes in fair value of hedged items attributable to the risks that are being hedged.

(3) Basis of measurement and consolidation (continued)

These financial statements are presented in Hungarian Forint (HUF) and all amounts are rounded to the nearest million except when otherwise stated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of CIB Bank Ltd. and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using accounting policies consistent with those of the parent.

All inter-company balances and transactions, including unrealized profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are investees controlled by the Bank. According to IFRS 10 the Bank controls an investee if it is exposed to or has the right to, variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which control commences until the date when control ceases. The list of consolidated subsidiaries is included in Note (1).

(4) Changes in the business year

COVID-19 pandemic

The epidemiological actions related to COVID-19 pandemic also had and impact on the financial year of the Group.

On 11 March 2020, the Government of Hungary declared an emergency situation related to coronavirus pandemic. In connection with this emergency, the following steps took place which also affected the operations of the Group:

- On 18 March 2020, based on Government Decree 47/2020. (III. 18.) and Act LVIII of 2020, a payment moratoria has come into force concluding that retail and corporate customers received a deferral of payment for principal and interest instalments until 31 December 2020. The moratoria applied to loans already disbursed under existing credit agreements. Affected loan products included mortgage loans, unsecured loans, leases, credit cards and overdrafts. The moratoria took effect automatically, but the debtor might have declared his withdrawal from moratoria. After the moratoria expired, none of the instalments could have been higher than contracted before application of moratorium measures, but the payment period would be leghtened.
- The Act CVII of 2020 on transitional measures for the stabilization of certain social groups and enterprises in financial difficulties (Moratoria Act II) and Government Decree 637/2020. (XII.22.) on special emergency rules for credit moratiora provided a moratoria on principal and interest payments, and prohibited the termination of loans from 1 January 2021 to 30 June 2021 for credit and loan agreements outstanding and disbursed on 18 March 2020.
- In 2021 the payment moratoria have been prolonged until 31 October 2021 and then until 30 June 2022. The second prolongation is conditional and has to be applied for: debtors within certain social groups and corporate customers with financial difficulties should apply to payment moratorium. Payment moratoria cannot be applied on loans collateralized with security or on vehicle lease agreements.
- In accordance with the regulations of the European Central Bank and European Systemic Risk Board, the National Bank of Hungary (MNB) called on Banks to extend the previous dividend approval and payment restriction to 1 January 2021, which was valid until 30 September 2020. The Central Bank also expected credit institutions to refrain from repurchasing shares for the purpose of remunerating shareholders by 1 January 2021 (shares repurchased for allowances are not included in this category) and to consider variable remuneration policy restrictions on payments until the same date. These restrictions were eliminated at 31 December 2021.
- The National Bank of Hungary eased capital adequacy requirements.
- On September 15, 2021, based on Government Decree 537/2021 (IX. 15.), interest rate of overdrafts and credit cards under the moratoria has been maximalised at 11.99%. The Decree is effective retrospective therefore interest rate of all credit card and overdraft debts under moratoria should not be higher this rate since 18 March 2020.
- On 24 December 2021, based on Government Decree 782/2021 (XII. 24.), the reference interest rate on residential mortgage loans should not be higher on the level effective on 27 October 2021 at the next interest period date. The maximalization is effective between 1 January and 30 June 2022. The regulation does not have significant impact on the Group’s interest levels.

(4) Changes in the business year (continued)

- The Group's response to all pandemics was primarily driven by maintaining the health of colleagues and customers, protecting jobs and ensuring business continuity. Although the pandemic situation required new scenarios in several respects to meet the priorities set for 2020, the Group was able to take a significant step towards successfully and efficiently closing the 4-year strategic cycle by the end of 2021, despite the difficult circumstances. Through a number of innovations introduced for the first time on the market, the range of services available on digital channels has been further expanded, which has been and continues to be of particular help to customers and branch staff in the event of an epidemic. As a result, the Group's revenues increased significantly while maintaining its costs. Overall, the epidemic situation did not violate the principle of going concern.

IBOR Reform

IBOR rates have been basis of determination of time value of money in numerous transactions worldwide. Due to the Reform IBOR rates will be replaced with alternative reference rates which will be based on executed transactions instead of declarations of market participants.

Starting from the beginnings of 2022 some significant LIBOR rates will cease to be published, i.e., CHF LIBOR, GBP LIBOR, EUR LIBOR. Contracts based on variable interest rates have to be amended accordingly.

Amendments to IFRS being response to the changes in financial markets have been introduced in two phases:

- Phase 1 amendments provide temporary exceptions for specific hedge accounting requirements impacted by uncertainties arising from the reform before an existing interest rate benchmark (IBOR) is replaced with an alternative benchmark interest rate. These amendments apply to annual reporting periods beginning on or after 1 January 2020.
- Phase 2 amendments relate to issues that could affect financial reporting when an IBOR is replaced with an alternative benchmark interest rate. The amendments are relevant for many entities and in particular those with financial assets, financial liabilities or lease liabilities that are subject to the interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the reform. The Phase 2 amendments apply to annual reporting periods beginning on or after 1 January 2021.

In order to comply with the new regulations, the Group has decided to choose the substitute interest rates. In case of contracts denominated in EUR, EURIBOR has been offered to customers. There are only very few contracts that are denominated in USD. Currently there are no products where any LIBOR rates are announced. In case of the basis of penalty interests the Group has decided to convert to risk free rates.

(5) Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below:

5.1 Foreign currency transactions

The presentation currency of the Group is the Hungarian Forint (HUF). Transactions in foreign currencies are translated into the respective functional currency of the Group at the spot exchange rates at the date of transactions. Spot rate is the official rate of exchange quoted by the Hungarian Central Bank. At 31 December 2021 the euro was EUR 1 = HUF 369.00 (2020: EUR 1 = HUF 365.13).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined.

5.2 Financial instruments

The Group has applied IFRS 9 requirements since 1 January 2018, except for the hedge accounting items, which is still evaluated according to IAS 39 until the dynamic risk management standard of IASB will be available.

5.2.1 Date of recognition

All "regular way" purchases and sales of financial assets and liabilities are recognised on the settlement date, i.e. the date that the financial asset is delivered except for derivatives. Regular way purchases or sales are purchases or sales that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Derivatives are recognised on a trade date basis. Trade date is the date that the Group commits itself to purchase or sell an asset.

(5) Significant accounting policies (continued)

The evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value measurement is not evidenced by a valuation technique that uses only data from observable markets, then the carrying amount of the financial instrument on initial recognition is adjusted to defer the difference between the fair value measurement and the transaction price.

Subsequently, the difference is recognised in profit and loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. If the fair value measurement is evidenced by a quoted price in an active market or is based in another valuation technique that uses only data from observable markets, then the Group immediately recognises gain or loss.

In 2013 the National Bank of Hungary launched its program called Funding for Growth Scheme (FGS). Under the program the National Bank granted refinancing funds for Hungarian credit institution with 0% interest rate mainly in order to finance small- and medium businesses (SMB) by providing loans with discount rate and exchange foreign currency loans to HUF loans. The program had three phases. The maximum interest rate of loans granted was 2.5% which, in case of the first two phases, was lower than the interest rate of similar loans available in the market. The difference between the fair value and gross book value of loans (granted and given as well) was recognised as impairment on loan losses. The discount factor used for determining the fair value of loans was swap yield curve that belongs to the currency of the loan, increased by the risk premium of the partner group.

5.2.2. Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes (5). All financial instruments are measured initially at their fair value plus transaction costs, except for financial assets and financial liabilities recorded at fair value through profit or loss. Transaction cost and other adjustment at initial recognition is amortized using the effective interest rate method.

5.2.3 Measurement categories of financial assets and liabilities

The Group classifies its financial assets based on the business model for managing the assets and its contractual terms. Financial assets are measured at either:

- amortised cost
- fair value through other comprehensive income (FVOCI)
- fair value through profit or loss (FVPL)

5.2.4 Business model assessment

The Group determines its business model reflecting its intention to generate cash flows, that is, whether the Group's objective is solely to collect contractual cash flows from the instruments or is to collect both the contractual cash flows arising from sale. If none of these is suitable, then the financial instrument is measured at FVPL.

Business model assessment is based on reasonably expected scenarios, considering the following factors:

- frequency, volume and timing of the sales in prior periods, the reason for such sales and the expectation about the future sales activity considered as an overall assessment on how the cash flows were collected;
- main purpose of holding securities;
- evaluation of the instrument's performance and it's reporting to the management;
- risk assessment of the financial instrument and strategy for managing those risks.

5.2.5 The SPPI test

In case, when the business model is to hold financial instruments to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payment of principle and interest (the SPPI test), so that the interest includes only consideration for the time value of money, credit risk and a profit margin that is consistent with a basic lending arrangement.

Where the contractual terms represent exposure to risk or volatility that are unrelated to a basic lending arrangement, so they do not give rise to solely payment of principle and interest, the financial instrument is measured at FVPL.

(5) Significant accounting policies (continued)

Assessing whether the contractual terms of the instrument are SPPI, the Group considers the following factors:

- leverage features
- prepayment and extension terms
- conditions that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans)
- convertible options
- condition regarding contractually linked instruments

A relevant question when assessing the SPPI Test features for a financial instrument is whether the time value of money is modified. In cases, when the time value of money is modified, benchmark cash flow test is performed in order to determine how different the contractual cash flows of such instrument could be in respect of the cash flows that would arise had the "time value of money" element not been modified.

Assessing benchmark cash flow test the following factors are considered:

- currency
- refixing period of the interest rate.
- frequency of interest payment.
- tenor of the interest rate (underlying rate).
- maturity

5.2.6 Fair value

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

IFRS 13 Fair Value Measurement seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorizes the inputs used in valuation techniques into three levels:

- Level 1: inputs are the (unadjusted) quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs are inputs other than quoted prices included within Level 1 that are directly or indirectly observable for the asset or liability to be measured.
- Level 3: inputs are unobservable inputs for the asset or liability.

The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. For equities traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market closing prices at the close of business on the reporting date.

The fair value of interest-bearing items not traded on an active market is estimated based on discounted cash-flows using interest rates for items with similar remaining maturity. Risk characteristics of the customers country risk factors are also taken into consideration therefore allowances of these receivables are taken into account during evaluation. The carrying value of demand deposits is considered to be the fair value.

For equities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is based on the expected discounted cash flows. There are certain assumptions made by the management during the evaluation such as credit risk, discount rates and forecast cash flows.

Classification is based on a hierarchy that reflects the significance of unobservable inputs used in the measurement. In case of changes occurred in the inputs or the weights when evaluating the fair values of assets, the assets could be reclassified in the fair value hierarchy.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note (45).

5.2.7 Loans to banks

Loans to banks include financial assets with fixed or determinable payments that are not quoted in an active market.

Measurement of loans to banks is driven by business model and the result of the SPPI test.

For Expected Credit Loss (ECL) calculation please refer to Note 5.2.16.

(5) Significant accounting policies (continued)

5.2.8 Loans to customers

Loans to customers are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market.

Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction. All loans and advances are recognised when cash is advanced to borrowers.

Measurement of loans to customers is driven by business model and the result of the SPPI test.

For ECL calculation please refer to Note 5.2.16.

Where possible the Group seeks to restructure loans rather than to take possession of collateral. Restructuring may involve extending the payment period arrangements and the agreement of new loan conditions, particularly interest level. The Management continuously monitors renegotiated or restructured loans to ensure that all criteria are met and that future payments are likely to occur. These loans continue to be subject to an individual or collective impairment assessment.

The Group provides commercial factoring services in order to finance its partners' business activity. There are two main types of factoring deals: deal with recourse and non-recourse. The Group classifies the financed receivables depending on whether all the risks and rewards has been transferred, or not. Accordingly:

- in case of non-recourse factoring deals the Group acquires all risks and rewards of the receivable and therefore the total amount of the receivable is recognised in its books irrespectively of paying the total amount, or not.
- in case of recourse factoring deals the Group does not acquire all risks and rewards of the receivable therefore only the paid amount is recognised in its books as loan advance to customers.

Receivables from factoring transactions are initially recognised at fair value which is the invoiced amount less purchase discount. After initial recognition receivables from factoring are measured at amortised cost using the effective interest rate method less allowance for impairment. In case of non-recourse factoring deals the Group applies net presentation: if the total amount of the acquired receivable is not paid, any related liability is deducted from the carrying amount of the receivable. The Group does not apply the simplified provisioning method when determining the allowance of impairment. Receivables from factoring transactions are not represented separately but disclosed within loans and advances to customers.

Loans that are individually assessed for impairment (i.e. non-performing exposure exceeding HUF 75 million or EUR 250,000 at the customer level) and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the allowance is credited to the allowance.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal systems that consider credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors and have been estimated based upon historical patterns of losses in each component.

The Group classifies credit impaired exposures as default exposure when the exposure is more than 90 day past due or it is unlikely that the Group can collect the contractual cash flows and the past due amount is higher than the 1% of the total on-balance sheet exposure, and higher than EUR 100 for retail loans and EUR 500 for non-retail loans, in line with CRR 178 paragraph. Loan exposures shall continue to be disclosed as non-performing loans up to at least 3 months from when they no longer meet conditions to be classified as such. Default loans are qualitied non-performing loans, in line with 39/2016 National Bank Decree (X.11.).

Credit impaired assets are part of those financial assets whose estimated cash-flows have been negatively impacted (impaired) by one or more events that have occurred. The impairment of financial assets may not necessarily be associated with specific event but may instead result from combination of factors.

Some of the most common circumstances where objective evidence of impairment can be identified are listed below:

- significant financial difficulty of the borrower
- breach of contract, such as default or missed due date
- economic or contractual reasons relating to the borrower's financial difficulty
- probability of bankruptcy or another financial reorganisation of the debtor
- the disappearance of an active market
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(5) Significant accounting policies (continued)

Positions classified as non-performing loans must continue to be recognised as credit impaired loans until at least 3 months (90 days) have elapsed since they no longer meet the conditions to be classified as such. It may can be concluded, that all credit-impaired instruments must be assigned to Stage 3.

The general mostly applied rule of calculating impairments and allowances are based on discounted expected future cash flow method, with best available data for the Group. The present value of the available estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the available estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

5.2.9 Derivatives financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices, and valuation techniques such as discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Interest income or expense on non-hedging derivative instruments are presented under 'Profits (losses) on trading' in the statement of comprehensive income together with the changes in the fair value.

The Group applies hedge accounting to its fixed rate assets and liabilities hedged by interest rate swaps in order to mitigate its interest rate risk in the banking book. Hedged instruments are identified both on individual and portfolio level. Fair value change of financial assets hedged in portfolio is presented as a separate line in the statement of financial position. The Group tries to keep hedging ratio at around 100%.

The method of recognising fair value gain or loss depends on whether the derivative is designated as a hedging instrument or not. The Group, in accordance with the Intesa Sanpaolo Group's policies, designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge). Hedge accounting is used for derivatives designated in this way provided the following criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items (efficiency tests). The effectiveness of the hedge must be tested both at its inception (designation of hedging relationship) and regularly during the entire lifetime of the hedge. In the case of a fair value hedge, changes in the fair value of derivatives that are designated as hedging items in fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Interest income and interest expense recognised on hedging derivative instruments are presented as interest income and interest expense in the statement of comprehensive income together with the interest income and interest expense recognised on hedged items. Change in fair value of hedging derivatives are presented under 'Fair value adjustments in hedge accounting' in the statement of comprehensive income together with the change in fair value of the hedged instrument attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

If the hedged item is derecognised, the unamortized fair value adjustment is recognised immediately in profit or loss.

IAS 39 Financial Instruments: Recognition and Measurement requires hedge effectiveness to be assessed both prospectively and retrospectively. Retrospective test reveals the degree of hedge effectiveness achieved during the period from designation to the performance of the test; in other words, it measures how much the actual results have deviated from those of a perfect hedge.

Prospective test demonstrates the expected effectiveness of the hedge in future periods. To qualify for hedge accounting at the inception of a hedge and, at a minimum, at each reporting date, the delta in the fair value or cash flows of the hedged item attributable to the hedged risk must be highly effective in offsetting the changes in the fair value or cash flows of the hedging instrument on a prospective and retrospective basis, within a range of 80% to 125%.

Notes (21) and (26) provide further details regarding derivative financial instruments and hedge accounting.

(5) Significant accounting policies (continued)

5.2.10 Debt securities at fair value through other comprehensive income (FVOCI)

The Group classifies debt instruments measures at FVOCI when both of the following conditions are met:

- the objective of the business model is to collect contractual cash flow and sell the debt instrument
- the contractual terms of the instrument meet the SPPI test

These instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss.

For ECL calculation of debt instruments at FVOCI please refer to Note 5.2.16.3.

On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from equity to profit or loss.

5.2.11 Equity instruments at fair value through other comprehensive income (FVOCI)

The Group occasionally classifies equity instruments at FVOCI, such classification is irrevocable and is made on an instrument-by-instrument basis. Equity instruments can be classified as equity instruments at FVOCI when they meet the definition of equity under IAS 32 and are not held for trading.

Changes is fair value of these instruments are recognised in OCI and are never recycled to profit or loss, even if the asset is sold. Accumulated gain or loss is transferred to retained earning upon derecognition.

Equity instruments at FVOCI are not subject to an impairment assessment and no impairment is recognised on them.

5.2.12 Deposits from bank and customers

All money market and customer deposits are initially recognised at fair value. After initial recognition, all interest-bearing deposits, other than liabilities held for trading, are subsequently measured at amortized cost with the interest expense booked to profit or loss with effective interest method.

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

For liabilities carried at amortized cost, any gain or loss is recognised in profit or loss when the liability is derecognised.

5.2.13 Financial assets at fair value through profit or loss (FVPL)

Financial assets included in this category are debt securities, equities and short positions that have been acquired principally for the purpose of selling or repurchasing in the near term or held as part of a portfolio that is managed together for short-term profit or position taking. These instruments are initially recognised at fair value, with no transaction costs taken into consideration.

FVPL assets are subsequently recognised at fair value; changes in the fair value are presented in profit and loss. These instruments are not assessed in the ECL calculation.

5.2.14 Financial assets measured mandatorily at fair value through profit or loss (MFVPL)

The Group classifies loans as financial assets measured mandatorily at fair value through profit or loss, where the contractual characteristics does not meet the criteria of SPPI test.

The Group has exposures generated by the Housing Subsidy Scheme for Families (CSOK). Interest of these mortgage loans are subsidized until a certain term of the loan, where the subsidy amount depends on family conditions. Regarding this product (CSOK), the interest subsidy is calculated on the basis of 130% of the Government Debt Management Agency reference yield, while the transaction interest rate is fixed at 3%. Due to the different conditions in the transaction, the product is placed in the SPPI failed category and is measured at fair value through profit or loss.

The Group has exposures generated by the program of Hungarian Development Bank for small and medium businesses. There is a mismatch regarding the interest characteristics of these special loans, as the interest reference rate is not line with the disbursed currency, therefore the criteria of the SPPI test is not met and these loans are also measure at fair value through profit or loss.

In 2019, the Group issued a so-called „babaváró" family support loan under the „Family Protection Plan", which has an interest that could not be higher than the 130% plus 200 bp of the weighted arithmetic average of the 5-year government bond's average yields established at auctions during the 3-month period before the disclosure. The Group evaluate the loans at fair value, at level 3 of the fair value hierarchy, because the loan's cash-flow have not just capital and interest components. The Group uses the discounted cash-flows for evaluating the fair value of the loans. The discount rate is the average interest of disbursed loans updated monthly.

(5) Significant accounting policies (continued)

Investments in equity and debt securities that are not held for trading are also measured MFVPL (unless they are designed at FVOCI).

5.2.15 Derecognition of financial instruments

5.2.15.1 Derecognition due to substantial modification of terms and conditions

When a contractual clauses are modified during the life of an instrument, it must be verified whether the original asset must continue to be recognised in the balance sheet or whether, on contrary, the original instrument has to be eliminated from the balance sheet (derecognition) and a new financial instrument has to be recognised. The Group derecognises a financial asset, when the terms and conditions are renegotiated to the extent that, substantially, it becomes a new loan. An assessment of the "substantial nature" of the modification shall be made, both in regard to qualitative and to quantitative elements. The qualitative and quantitative analyses designed to determine the "substantial nature" of the contractual modifications made to a financial asset will have to consider:

- the purposes for which modifications were made for example renegotiation of contract for commercial reasons and concessions made in response to economic problems faced by the counterparty.
- the presence of specific objective elements ("triggers") that affect the characteristics and/or the contractual cash flows of the financial instrument

Assessing the derecognition of a financial asset, the Group considers the following changes as significant change in cash flow:

- change in currency
- change in counterparty
- conversion of debt exposure into equity.
- if the modification results in an instrument that would no longer meet SPPI test
- other cases of a substantial change in the nature of the contract (i.e. the introduction of contractual clauses which expose the debtor to new and other risk components, such as returns tied to equity or commodity components, leverage effects or similar clauses.

The difference is recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

Where the modification does not indicate significant change in cash flows, the modification does not result in derecognition. In this case the EIR is not modified and the relating gain or loss is recognised in the statement of profit or loss as profits (losses) on changes in contracts relating moratoria.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

5.2.15.2 Derecognition other than for substantial modification

The Group qualifies a financial asset for derecognition where:

- the rights to receive cash flows form the asset expire
- the Group transfers its contractual rights to receive cash flows from the asset or if the Group retains the rights to the cash flows, but has assumed to pay the received cash flows in full without delay to a third party
- the Group has transferred substantially all the risks and rewards of the asset, or if the Group retains the risk and rewards of the asset, but has transferred control of the asset

Financial liability is derecognised when the obligation is cancelled or expires.

5.2.16 Impairment of financial assets

From 1 January 2018, the Group applies the expected credit loss model for all financial assets measured at amortized cost or FVOCI, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9.

The Group's ECL calculations are outputs of complex models, elements of the ECL models that are considered accounting judgements and estimated include:

- the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss (LTECL)
- the segmentation of financial assets when their ECL is assessed on a collective basis
- development of ECL models, including the various formulas and the choice of inputs.
- selection of forward-looking macroeconomic information included in the calculation of ECL.

(5) Significant accounting policies (continued)

Loans to customers are classified to the non-performing loan category if the receivable is individually impaired. Evidence of impairment may include that the borrower is experiencing significant financial difficulties (is under liquidation), the probability that they will become insolvent (probability of default is 100%) or there is a material delinquency in interest or principal payments (more than 90 days material past due amount) and where observable data indicates that there is a change in economic conditions that correlate with default (managed by work-out department). For more information on non-performing loans see Note (48) on Risk Management.

Non-performing loans are considered as credit-impaired assets.

Exposure is fully written-off, when it can be supported by documents that all recovery options (including legal procedures against the debtor and the guarantor for the guarantor) are exhausted and no further recovery is expected. Exposures can also be written-off partially, when considering the supporting documents, usually at a late stage of legal proceedings, that part of the exposure to the debtor is unlikely to be recoverable.

5.2.16.1 Overview of Expected Credit Loss principles

Expected credit loss allowance is based on the credit losses expected to arise over the life of the asset (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date.

The Group has significant amount of low credit risk financial assets. These are mainly intercompany items (receivables from related parties) related to account of loans to banks and loans to customers.

For some exposures (clearly identified and performing government debt securities measured at fair value through other comprehensive income), the IFRS 9 low credit risk exemption is adopted, according to which exposures that, at the date of transition to the new Standard, are rated as investment grade, or above (and similar) is recognised as bearing low credit risk and treated as Stage 1. Investment grade can be allocated only to exposures with pd lower than 2% or to exposures that has "Investment grade" published by external financial rating company.

Simplified method of impairment requirements is applied on financial assets subject to IFRS 15 (trade receivables) based on IFRS 9.

The Group classifies its financial assets into Stage 1, Stage 2, Stage 3 and POCI as described below:

- Stage 1: When loans are first recognised, the Group recognises an allowance based on the 12mECLs.
- Stage 2: When a loan has a significant increase in credit risk determined by a comparison of the Probability of Default art first recognition and that at reporting date.

  The following criteria is used to classify exposures to Stage 2:

  - Performing exposures with more than 30 days past due over the materiality threshold
  - Forborne exposures
  - Performing exposures with early warning signals
  - Performing exposures with significant increase in PD or other risk indicators similar to PD which can be used to assess the increase in credit risk
- Stage 3: Credit impaired assets are classified to Stage 3 during staging.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired assets on initial recognition. POCI assets are recorded at fair value at original recognition.

5.2.16.2. The calculation of ECLs

The mechanism of ECL calculation considers the following key elements:

- *Exposure at default (EAD).* The exposure consists of on-balance sheet assets and off-balance sheet liabilities, where off-balance sheet exposure represents the amount of contingent off-balance sheet liabilities of the Group adjusted by a credit conversion factor (CCF) to convert off-balance sheet exposure into an on-balance sheet equivalent and is added to the actual on-balance sheet exposure. The credit conversion factor is defined at the level of loan facilities and is calculated using the simplified statistical methods adopted for Internal Capital Adequacy Assessment (ICAAP) purposes. In case of financial instruments classified as stage 2, EAD is determined on a yearly basis.
- *Probability of default (PD).* PD component determines probability of default, i.e. the probability of transition from the performing portfolio to the non-performing portfolio on debtor level. The PD component is the result of a combination of objective and subjective information about the debtor's creditworthiness. The PD component for the retail (private individuals and entrepreneurs), small business, corporate (SME and large corporate) and project segments is calculated with statistically developed models. For each mentioned segment the Group is using a separate, segment-specific model for the calculation of PDs and internal ratings. The models were developed with the point-in-time method.

(5) Significant accounting policies (continued)

- *Loss given at default (LGD).* LGD calculated by portfolio segments is the measure of losses incurred on facilities that have defaulted. Assuming that the process of collection of the existing and future non-performing facilities of the Group will be equally or similarly efficient as the historical collection, LGD also represents the assessment of future losses on each facility that will default. For the purpose of the assessment of impairment / provision, the Group uses the results of a simplified statistical method that was approved for Internal Capital Adequacy Assessment (ICAAP) purposes with downturn adjustments. The Advanced Internal Rating Based approach (AIRB) compliant LGD models are finalized.
- Including forward-looking information in the calculation of Expected Credit Losses (ECL), also connected to changes in the macro-economic scenario. Macro-economic inputs comprise both EU and domestic data, e.g. GDP, unemployment data.

When estimating the ECLs, the Group considers three scenarios: a best case, a worst case, a most likely. Each of these is associated with different risk parameters. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by Credit Risk function.

A collective component of the total allowance is established for:

- groups of homogeneous loans that are not considered individually significant, and
- groups of assets that are individually significant but that were not found to be individually impaired (loss incurred but not reported).

In assessing the need for collective loss allowance, management considers factors such as credit quality, portfolio size, concentration and economic factors.

Parameters used in the collective assessment are calculated with statistical methodologies and models which are to the largest extent possible aligned or identical to those used in the processes of approval of facilities or calculation of capital adequacy.

For the portfolio segments with insufficient homogeneous set of data for statistical assessment of loss, the Group uses risk parameters provided by ISP group calculated on the whole ISP group portfolio for:

- central governments and central banks
- public sector entities treated as institutions
- municipalities
- institutions

The parameters used in the impairment / provision calculation is subject to regular internal reviews in order to ensure that those always reflect a best estimate for expected credit risk losses.

Management can apply judgment to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date.

5.2.16.3 Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at fair value through OCI do not reduce the carrying amount of these financial assets, it remains at fair value. The amount equal to the allowance is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss in recognised in OCI is recycled to the profit and loss upon derecognition.

Financial assets included in this category are largely those had previously been classified as financial investments available-for- sale under IAS 39.

5.2.16.4 Purchased originated credit impaired financial assets (POCI)

The Group considers the change in currency of the contract and the change in customer as significant change in the contractual cash flows. If this change is due to financial difficulties, the exposure is classified as purchased originated credit impaired financial asset. Credit impaired financial assets can also be purchased, occasionally.

The Group only recognises the cumulative changes in LTECL since initial recognition in loss allowance.

Interest income is recognised using a credit-adjusted effective interest rate.

5.2.17 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when the Group currently has a legally enforceable right to set off the amounts and it intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(5) Significant accounting policies (continued)

5.3 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central bank and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in the fair value and are used by the Group in the management of its short-term commitments.

Cash is carried at amortized cost in the statement of financial position.

5.4 Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralized by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in net trading income.

5.5 Repurchase and reverse repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for non-trading investments. The liability for amounts received under these agreements is included in deposits from banks. The difference between sale and repurchase price is treated as interest expense in the respective period.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position. Amounts paid under these agreements are included in deposits from banks. The difference between purchase and resale price is treated as interest income in the respective period.

5.6 Finance lease receivables (Group as lessor)

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. The net investment in finance leases provided by the Group is included in loans and advances to customers. A receivable is recognised over the leasing period for an amount equalizing the present value of the lease payment using the implicit rate of interest at the inception of the lease and including any residual value that has been guaranteed whether by the lessee, a party related to the lessee, or an independent third party. All income resulting from the receivable is included in interest income in the statement of comprehensive income, except for the residual value accounted as other operating income (expense) when closing the contract.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- there is a change in contractual terms, other than a renewal or extension of the arrangement.
- a renewal option is exercised, or extension granted, unless the term of the renewal or extension was initially included in the lease term.
- there is a change in the determination of whether fulfilment is dependent on a specified asset; or
- there is substantial change to the asset.

5.7 Intangible assets, property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Cost incurred after initial recognition are capitalized, except for tangible assets measured at fair value.

At subsequent measurement the assets – except for owner-occupied properties - are measured at cost, net of accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis over the estimated useful lives of all property, plant and equipment, except operational buildings.

(5) Significant accounting policies (continued)

The following depreciation rates and residual values are applied:

	Depreciation rate	Residual value
Premises – head quarters	3%	30% of gross value
Premises – branches	5%	30% of gross value
Leasehold improvements	5%	individually assessed
Electronic equipment's and office furniture	14.5%	individually assessed
Computer equipment	33%	individually assessed
Software	20%	individually assessed
Motor vehicles	20%	20% of gross value

Owner-occupied premises are subsequently carried at the revalued amount. The market trends which can affect the values of the properties, are inspected on an annual basis, and in every 3 years an independent valuation is performed. If the inspections show that there is a major difference between the carrying amount and the market value, the properties are revalued.

When an owner-occupied property is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Increases in carrying amounts arising from revaluation are recognised in the asset revaluation reserve and revaluation reserve on the other comprehensive income in equity, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in profit or loss.

Decreases in carrying amounts that offset previous increases of the same asset are recognised against the asset revaluation reserve. All other decreases in carrying amounts are recognised as loss in profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from de-recognition of the asset is included in profit or loss as operating income in the year the asset is derecognised. The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date.

5.8 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in profit or loss.

5.9 Repossessed properties

Repossessed properties are usually repossessed under lease contracts or real estate developments/projects or construction contracts.

The Group keeps all repossessed real estates with the intent to dispose of the asset in the reasonable short period of time. Repossessed assets shall be measured at the lower of cost or fair value less cost to sell (FVLCTS) and shall not be amortised but only subject to the impairment test.

Repossessed properties are derecognised when either they have been disposed or when the repossessed property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Reclassification from/to repossessed properties are only possible when there is a change in use. If a repossessed property is reclassified as a property for own use, the reclassification is carried out at the fair value of the property at the time of reclassification.

5.10 Other assets

Other assets' initial recognition is assessed on an individual basis, based on the type of the asset. The balance of other assets includes those balances which have not been disclosed separately in the statement of financial position. After initial recognition they are measured at the lower of cost and net realizable value.

(5) Significant accounting policies (continued)

Receivables are initially measured at fair value and subsequently measured at amortised cost. For the impairment of the receivables the Group uses the simplified impairment model. For the impairment of the receivables the Group uses the simplified impairment model. Impairment is accounted when the customer does not fulfill the payment in time: in case the delay is within 90 days, 1% of the receivable, after 90 days the 100% of the receivable is recognised as impairment.

5.11 Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded and met only when the sale is highly probable, and the asset is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, equipment and intangible assets once classified as held for sale are not depreciated or amortised.

5.12 Revenue recognition

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018, which replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

A contract with a customer recognised as financial instrument which may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in scope of the IFRS 9 and then applies IFRS 15 to the residual.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with costumers and the related assets and liabilities recognised by the Group. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

A five-step model is applied to determine when to recognise revenue, and at what amount. The revenue is recognised when the Group transfers goods or services to a customer, measured at the amount at which the Group expects to be entitled.

The Group earns fee and commission income from a diverse range of services it provides to its customers.

The following fee types are not integral part of the effective interest rate of the financial pursuant to IFRS 9 and, consequently have to be recognised in compliance with IFRS 15:

- the fees charged for loan service
- the commitment fees to originate a loan when the loan disbursement commitment is not designated at fair value through profit or loss and it is unlikely that specific loan agreement will be made
- the loan syndication fees received by the bank making a loan and does not keep any part of the loan for itself.

Fees earned for providing services - such as servicing fee, account turnover fee, card fee, investment services fee, documentary fee and cash management fee - are recognised over time. Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transactions. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria. Loan syndication fees are recognised in profit or loss when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same effective interest rate as for the other participants.

Dividend income is recognised when the Group's right to receive the payment is established.

5.13 Taxation

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Local business tax and Innovation contribution are both revenue driven taxes, thus considered income tax.

Deferred tax

Deferred tax is recognised for temporary difference in relation with corporate tax expense.

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

(5) Significant accounting policies (continued)

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that is probable that taxable profit will be available against which the deductible temporary differences and the carry forward for unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and at the time of transaction affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax items are measured using tax rates that are probable in the period in which the temporary differences reverse, based on tax laws that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax items are recognised in profit or loss as income tax expense.

Deferred tax asset and deferred tax liabilities are offset if legally enforceable rights exist to set off current tax assets against current tax liabilities and the deferred taxes relates to the same taxable entity and the same tax authority.

Bank tax

For 2021 the basis and rates are defined with reference to statutory reported financial data of the reporting entity for the period ended 31 December 2019. For 2020 the basis and rates are defined with reference to statutory reported financial data of the reporting entity for the period ended 31 December 2018.

The tax rates for credit institutions were 0.15% of adjusted total asset value for the first HUF 50 billion and 0.2% had been applied for the amount exceeding HUF 50 billion.

Bank tax is presented as operating expense in the profit or loss as it does not meet the definition of income tax under IFRS and presented on a separate line on the face of the comprehensive income.

Financial transaction duty

Financial transaction duty is presented as operating expense in profit or loss.

Pandemic related special tax

In order to implement the Economic Protection Plan and to replenish the Epidemiological Fund, a special tax relating to pandemic situation was introduced in 2020 based on Government Decree 108/2020. (IV.14.).

The base of the special tax is defined in Act LIX of 2006 on a special tax and annuity to improve the balance of public finances. 4 / A. § (4), point 1, for the tax year 2020 exceeding HUF 50 billion

The rate of the special tax is 0.19 percent.

The tax amount reduces the bank tax to be paid in the future, so it will only appear in the statement of financial position, not in the statement of comprehensive income.

5.14 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in the statement of financial position.

5.15 Financial guarantees

In the ordinary course of business, the Group provides financial guarantees consisting of letters of credit, letters of guarantees and acceptances. Financial guarantees are initially recognised in the statement of financial position at fair value, and the fair value is recognised in other liabilities.

Subsequent to initial recognition, the Group's liabilities under such guarantees are each measured at the higher of the loss allowance in accordance with IFRS 9 and the amount initially recognised (before 1 January 2018 at the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee). Any change in the liability relating to financial guarantees is recorded in profit or loss.

(5) Significant accounting policies (continued)

5.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

For details please refer to Note (34).

5.17 Leases (Group as lessee)

The Group has applied IFRS 16 leasing standard from 1 January 2019 for every contract whether a contract is or contains a lease. The standard should be applied for every lease contract: A contract contains a lease if the lessee has the right to control the use of and identified asset for a period in exchange for consideration. According to the standard, the lessee recognises a right-of-use asset and a lease liability. An identified asset may be a single asset or a capacity portion of an asset. A capacity or other portion of an asset that is not physically distinct is not an identified asset according to IFRS 16.

The contract needs to contain that the lessee has the right to obtain substantially all the economic benefits from use of the asset, and the right to decide on the use of the identified asset. The customer may obtain the economic benefits of use of the asset directly or indirectly in different ways.

If a contract is a lease, or it has a lease part, the Group as a lessee recognises a right-of-use asset, a lease liability, a depreciation, and an interest expense from the commencement date. The “right of use” represents a lessee’s right to use the underlying asset. After the commencement date, the lessee shall re-evaluate the lease liability to take into account the changes in the lease terms, or in the conditions.

The Group uses the following exemptions permitted under IFRS 16 for all the asset groups:

- For the low-value assets the Group does not recognise right-of-use asset. The lease payments are associated with these leases as an expense. The threshold for the low-value assets are EUR 5.000.
- The leases which have a lease term of 12 months or less are classified as short-term leases, and still recognised as expenses.
- It is applicable to use the IFRS 16 standard for intangible assets, however the Group choses not to use IFRS 16 standard for intangible asset leases (e.g. software).

A lease contract can contain non-lease components as well. The purpose of IFRS 16 is to modify the accounting of leases not the accounting of services, so the standard requires the lessor and the lessee to separate the lease and non-lease components in a contract. The standard does not define the separation of these components for the lessee when measuring the lease if the non-leasing component is not significant comparing to the lease component. This exemption can be used for asset classes/groups – according to this, the Group uses this exemption for the vehicle leases. Neither deductible nor non-deductible VAT is taken into account when measuring the lease liability. The Group adopted portfolio approach for contracts including large number of individually small value, homogenous assets.

When determining the lease liability, the Group takes into account every fix-payments, variable lease payments that depend on an index or a rate, and every option (purchase, renewal, extension, early termination, guaranteed residual value, etc.) that the Group is reasonably certain to exercise. For leases where the lease payment changes are not tied to market rate changes (e.g. payments tied to quantitative indicators), the Group still recognises the lease as an expense.

The lease liability measured at the present value of the lease payments discounted using the Intesa Group interbank borrowing rate as a discount rate. The applied interest rate is revised annually.

The discount is used for the lease period stated in the lease contracts. When a contract has an indefinite maturity, the Group uses assumptions considering the option to extend the lease if the lessee is reasonably certain to exercise that option. With reference to property leases, the Group has decided to consider for all new contracts only the first period of renewal as reasonably certain, unless there are particular contract clauses, facts, or circumstance that lead to the consideration of additional renewals.

In case of changes in the lease contract conditions, or the discount rates, the lease liability is needed to be remeasured. The remeasurement difference is recognised in the underlying asset use rights. If the core contents of the lease contract change, the current right-of-use asset, and the lease liability is derecognised, and new right-of-use asset and lease liability will be recognised.

(5) Significant accounting policies (continued)

In May 2020, IASB issued a publication called Covid-19-Related Rent Concessions, which summarizes the changes that may be affected the IFRS 16 Leases standard that were triggered by the epidemic. Among other things, the publication summarizes what constitutes an amendment to a leasing contract and what may constitute a temporary benefit (in the context of an epidemic situation) and thus does not provide for an amendment to the contract. During the financial year, the Bank received rent concessions for certain bank branches, however, as they are all related to the situation due to COVID-19, therefore it is not necessary to apply contract accounting to them and the Group recognises the effect of these benefits in the statement of comprehensive income..

5.18 Net operating income

Net operating income represents profit from business operations and is defined as profit before tax connected to non-financial operations.

5.19 Employee benefits

Employee benefit is a consideration paid to employees for their services, which may be short-term employee benefits, post-employment benefits, other long-term employee benefits and severance payments.

Short term employee benefits are recognised as a current expense in the period when employees render their services. These include wages, social security contributions, bonuses, paid holidays and other fringe benefits and the tax charges thereon.

Payments to defined contribution pension and other welfare plans are recognised as an expense in the period in which they are earned by the employees.

There are no long-term employee benefits at the Group.

5.20 Government grants

Government grant is recognised only when there is reasonable assurance that the entity will comply any conditions attached to the grant and the grant will be received.

5.21 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The list contains standards and interpretations issued and expected to be relevant to the Group and to be adopted when they become effective.

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

Effective for reporting periods beginning on or after 1 January 2022:

- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- Reference to Conceptual Framework (Amendments to IFRS 3)
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities Contracts
- IFRS 16 Leases – Lease Incentives

Effective for reporting periods beginning on or after 1 January 2023:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- IAS 12 Income taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

(6) Significant accounting estimates and judgements

In preparing these annual financial statements the Management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The most significant cases for which judgments and estimates are required to be made by the management include:

- the use of measurement models for determining the fair value of financial instruments not listed on active markets,
- recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used,
- the measurement of impairment on non-financial assets,
- the measurement of impairment losses on financial assets,
- the measurement of provisions,
- the measurement of impairment on repossessed assets.

Sometimes it is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. In such cases, it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the asset or liability affected. In all such cases, the Group would disclose the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.

6.1 Fair value of financial instruments

Where the fair values of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. For details please refer to Note (45).

6.2 Recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group had unused tax loss carry forwards as of 31 December 2021 and 2020. Due to the current market and economic conditions the management considered whether the Group will have tax planning opportunities available that could support the recognition of these losses as deferred tax assets.

6.3 Impairment on non-financial assets

Impairment exists when the carrying value of an asset or a cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on discounted cash flow model.

Impairment losses are recognised in profit or loss. An impairment loss for non-financial assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6.4 Impairment on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

(6) Significant accounting estimates and judgements (continued)

Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades.
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs and LGDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Collective impairment is calculated with 3 main segments:

1. The first segmentation applied by the Bank when allocating a PD transaction, segregating the customer groups based on the customer rating and CRR compliant customer.
2. When calculating LGD, groups shall be formed on the basis of current transaction and collateral data.
3. When calculating CCF, it shall be classified according to the trade and its callability.

6.5 Provisions for risk and charges

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. In assessing and determining the amount of obligation the Group considers whether a reliable estimate can be made of the amount of outflow of economic benefits.

Provisions are recognised and measured based on IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The Group is involved in ongoing legal disputes; provision is made based on the best estimate of the expenditure required to settle the obligation. The Group is committed to close branches; provision is made based on the landlord's agreement for the obligation to be settled.

Provision on personal type expenses and other obligations are measured based on the best available estimation.

For details please refer to Note (34).

6.6 Impairment on repossessed properties

Repossessed assets shall be measured at the lower of cost and fair value less cost to sell (FVLCTS).

Subsequent to initial recognition repossessed properties are annually tested for impairment and stated at the lower of cost and FVLCTS. The Group regards the market value determined by external valuations as the FVLCTS for its repossessed real estates.

The basis of the impairment calculation is the market value determined by an external valuation dated less than 90 days from the relevant year end date. External valuation should be prepared for all commercial assets, and for residential assets above or equal net book value of HUF 50 million. For residential assets below net book value of HUF 50 million external valuations should be prepared in every 3 years and during the intervening period statistical revaluation could be applied.

6.7 Accounting estimates related to COVID-19 moratoria

The moratoria on the COVID-19 pandemic required the following accounting estimates:

- Expected credit loss calculations: During the payment moratoria the debtors are exempted from paying the interest and principal instalment, so in case of debtors under moratoria, no payment delay can be established. Late payment is a determining factor for probability of default, so the solvency of debtors is determined by other means. For details please refer to Note (48) point (a) Credit risk.
- Due to the moratoria, the cash-flow of each transaction will change, and for customers who have indicated the opt in, the Group has adjusted the cash-flow that the next instalment will be due after June 2022. The debtor however may opt out anytime from the moratoria, however debtors who are opted out, cannot opt in again. Consequently, the determination of the cash flows of each transaction involves an estimate due to the moratoria.
- In order to estimate the expected accounting impact of the interest rate stop regulation, the difference between the actual/expected BUBOR interest rate at the time of re-pricing and the contractual interest rate of 27 October 2021, which was not recorded on a contract-by-contract basis in the period December 2021 to June 2022 due to the timing of the closing processes, was calculated, but is included as other provisions in the financial statement.

Part B Information on the consolidated statement of comprehensive income

(7) Interest income and interest expense

(million HUF)

Interest income	2021	2020
Loans to banks measured at amortised cost	11,830	4,288
Loans to customers measured at amortised cost	34,773	30,649
Debt securities measured at amortised cost	2,784	1,480
Financial assets measured at fair value through other comprehensive income	4,725	4,880
Negative interest on financial liabilities	840	237
Interest income calculated using effective interest rate method	***54,952***	***41,534***
Securities held for trading	112	92
Financial assets mandatorily measured at fair value	3,043	922
Hedging derivatives	(1,332)	(2,116)
Other interest income	***1,823***	***(1,102)***
Total	**56,775**	**40,432**

Interest regarding hedging derivatives are presented as other interest income, causing a negative balance in the profit or loss and other comprehensive income.

Interest income on financial assets classified as stage 3 is HUF 1,327 million during 2021, and HUF 843 million during 2020.

(million HUF)

Interest expenses	2021	2020
Deposits from banks	4,136	2,667
Deposits from customers	5,442	4,284
Lease liabilities	34	80
Negative interest on financial assets	829	931
Hedging derivatives	130	(25)
Total	**10,751**	**7,937**

The Group's interest income increased significantly in 2021, the main drivers were customer loans and bank placements. While the interest income on customer loans increased mainly due to volume effect, bank placements brought more income besides the higher balance, mainly because of the preferential deposit connected to Funding for Growth Scheme (FGS) and the interest rate hikes of MNB. This latter were especially important in relation to the 1-week deposit facility of MNB.

Parallel with income, interest expense increased as well, but at a lower extent, mainly due to higher interest rates paid on bank liabilities, caused by the higher volume of FGS refinancing and the growth of mortgage refinancing sources to meet the Mortgage-financing compliance ratio (JMM). The interest rates on customer deposit grew slightly in line with higher HUF money market interest rate environment, which caused significant growth in corporate time deposit volumes and interest rates.

(8) Fee and commission income and expense

(million HUF)

Fee and commission income	2021	2020
Account turnover fee income	13,906	12,436
Investment services fee income	6,995	6,411
Card fee income	8,979	7,843
Servicing fee income from loans	2,620	2,678
Cash management fee income	1,081	1,099
Documentary fee income	2,578	1,727
Agent fee income	1,023	1,009
Other fee income	3,792	3,451
Total	**40,974**	**36,654**

(million HUF)

Fee and commission expense	2021	2020
Card fee expense	7,639	4,702
Account turnover fee expense	695	2,266
Investment services fee expense	430	321
Documentary fee expense	1,809	989
Servicing fee expenses for loans	544	136
Agent fee expense	378	371
Other fee expense	1,143	966
Total	**12,638**	**9,751**

Commission income increased significantly compared to the previous year. Cash management and card related income grew in parallel with the transactional turnover (year 2020 was negatively affected by COVID related measures and economic recession). Investment services fees increased as well in line with growing savings balance of the customers. Commission expenses grew, due to the increased transactional activity as well.

(9) Income from trading activities

(million HUF)

	2021	2020
Net profits/(losses) from trading derivatives and trading with foreign currencies	9,213	6,258
Net profits/(losses) from securities held for trading	(214)	189
Total	**8,999**	**6,447**

The revaluation loss fx of assets and liabilities measured at fair value through profit or loss is HUF 4,705 million in 2021 (HUF 9,545 million profit in 2020).

Trading result increased significantly compared to last year, mainly due to the unrealized revaluation gain on the IRS portfolio. However this favourable effect was offset by the large revaluation loss on SPPI failed loans shown on a separate line 'Net change in value of financial assets mandatorily measured at fair value through profit or loss' in the P&L. See notes (12).

(10) Fair value adjustments in hedge accounting

(million HUF)

	2021	2020
Income from	**38,534**	**5,397**
a) fair value hedge derivatives	22,759	1,860
b) hedged debt securities	-	449
c) hedged loans	100	524
d) hedged financial liabilities	15,675	2,564
Losses for	**(39,114)**	**(5,021)**
a) fair value hedge derivatives	(15,502)	(835)
b) hedged debt securities	(13,284)	(1,504)
c) hedged loans	(9,722)	(260)
d) hedged financial liabilities	(606)	(2,422)
Total	**(580)**	**376**

(11) Profits (losses) from derecognition of financial instruments

(million HUF)

	2021	2020
Losses from sale of debt securities at AC	-	(2)
Profits from sale of debt securities at FVOCI	611	1,240
Losses from sale of debt securities at FVOCI	(12)	(687)
Total	**599**	**551**

All sales were not in contradiction with the prescription of the concerned business model.

(12) Net change in value of financial assets mandatorily measured at fair value through profit or loss

(million HUF)

	2021	2020
Loans to customers	(4,734)	947
Debt securities	11	556
Equity instruments	48	(91)
Total	**(4,675)**	**1,412**

The revaluation result of the VISA C share reclassified to “Financial assets at fair value through profit or loss” with retrospective effect from the acquisition date is shown in the line “Debt securities”. See notes (21) and (22) for details.

The significant revaluation loss on loans to customers is offset by the revaluation gain on derivatives (IRS) used to hedge their interest rate risk, see note (9).

(13) Other operating income and expense

(million HUF)

Other operating income	2021	2020
Gain from selling of tangible and intangible assets	24	6
Gain on IFRS16 RoU assets	-	14
Dividend and similar income	19	-
Change of inventory	10	50
Gain on non-current asset held for sale	277	271
Fair value adjustment on premises	11	103
Derecognition of lapsed liabilities due to Accounting Act [1]	1,048	-
Other income	829	529
Total	**2,218**	**973**

[1] In 2021, the Group reviewed its liabilities to customers under the Accounting Act and removed them from its books due to legal lapse.

(million HUF)

Other operating expense	2021	2020
Loss from selling of tangible and intangible assets	13	-
Cancellation of obsolete assets	22	-
Loss on IFRS16 RoU assets	17	-
Change of inventory	2	-
Loss on non-current asset held for sale	278	272
Telecommunication expenses related to business activities	558	459
Obligatory fees	640	588
Subsidies/grants paid, fines	23	26
Other expenses	268	682
Total	**1,821**	**2,027**

(14) Impairment losses, provisions and net loan losses including profits (losses) on changes in contracts relating moratoria

(million HUF)

	2021	2020
Individual impairment (expense) / reversal for loan losses	2,301	(454)
Collective impairment (expense) / reversal for loan losses	(5,560)	(4,495)
Impairment (expense) / reversal for losses on debt securities	(18)	(15)
Net (losses) / gains on sale of loans	192	733
Net (losses) / gains on changes in contracts relating moratoria	(2,352)	(2,418)
Net (losses) / gains on financial assets measured at amortised cost	**(5,437)**	**(6,649)**
Net (losses) / gains on financial assets measured at fair value through other comprehensive income	**(27)**	**43**
Provision (expense) / reversal for financial guarantees	145	(282)
Provision (expense) / reversal for other commitments and contingencies	946	(999)
Net (losses) / gains on repossessed properties	338	1,619
Other impairment (expense) / reversal for other receivables	71	367
Other provision (expense) / reversal	(3,740)	(986)
Other impairment losses and provisions (expense) / reversal	**(2,240)**	**(281)**
Total	**(7,704)**	**(6,887)**

(14) Impairment losses, provisions and net loan losses including profits (losses) on changes in contracts relating moratoria (continued)

Profits (losses) on changes in contract without derecognition contains the losses arising from the contract modifications due to the COVID-19 pandemic related loan moratoria.

Provision and impairments were HUF 817 million lower in 2021 than in the previous year, due to lower gain on repossessed real estate sales (HUF -1,281 million). Loan related impairments were slightly lower than in 2020, as last year the Group made large new provisions, due to the pandemic. Although the Group followed a prudent approach in 2021 as well, the additional impact of the pandemic and moratoria did not reach the year 2020 amount (HUF 1,212 million less impairments in 2021). The majority of new impairments was made on Stage 2 portfolio. With the application of IFRS 9 para 5.4.3 rules, the Group recorded modification loss connected to moratoria in the amount of HUF 1,634 million in 2021 as well, while the interest rate freeze of the mortgage portfolio caused HUF 718 million modification loss.

Net (losses) / gains on repossessed properties comprises impairment and result on sales. The result on sales was HUF 352 million during 2021 and HUF 966 million during 2020, respectively.

Impairment, and impairment reversal relating to POCI assets are detailed in Note (24).

(15) Operating expenses without bank tax

(million HUF)

	2021	2020
Personnel expenses	22,909	21,418
of which salaries	*18,036*	*16,471*
of other benefits	*1,583*	*1,639*
of social contributions	*3,290*	*3,308*
Depreciation and amortisation	6,106	5,645
Office and information technology maintenance	8,094	8,048
Financial transaction duty	3,532	3,552
Other taxes and obligatory fees	3,886	3,202
Material expenses	1,356	1,372
Rent and leasing	110	441
Communications	950	915
Advertising	748	453
Legal fees	545	469
Expert fees	245	161
Other expenses	821	1,181
Total	**49,302**	**46,857**

Increase in salaries mainly thanks to the salary increase of 4% compared to previous year.

The Bank does not make contributions to pension or other welfare funds for its employees.

Detailed information about lease payments can be found in Note (38).

(16) Bank tax

(million HUF)

	2021	2020
CIB Bank Ltd.	3,688	3,572
CIB Leasing Co. Ltd.	119	144
Total	**3,807**	**3,716**

The change in the basis of bank tax is presented in the 5.13 Taxation section of the significant accounting judgements and estimates.

(17) Income taxes

The current income tax expense is based on the corporate income tax payable on the results for the year determined in accordance with Hungarian taxation rules.

The applicable corporate income tax rate for the Group is 9% for the years 2021 and 2020.

For deferred tax calculation purposes, the Group applied the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled.

(million HUF)

Amounts recognised in profit or loss	**2021**	**2020**
Current income tax charge	3,296	2,298
of which corporate income tax	*1,013*	*457*
of which local business tax	*1,984*	*1,600*
of which innovation contribution	*299*	*241*
Deferred income tax	(671)	(22)
of which origination and reversal of temporary differences	*(671)*	*(22)*
Total	**2,625**	**2,276**

Reconciliation of income tax expense to profit before tax	**2021**		**2020**	
	million HUF	**%**	**million HUF**	**%**
Profit before tax	18,467		9,671	
Consolidation amending amount	694		4,984	
Theoretical income tax expense at the statutory rate	1,724	9.00	1,319	9.00
Tax base amending items according to the local regulations	(632)	(3.42)	(383)	(3.96)
of which use of deferred losses	*(1,021)*	*(5.53)*	*(409)*	*(4.23)*
of which non-deductible provision	*-7*	*(0.03)*	*(150)*	*(1.55)*
of which non-deductible expenditure	*396*	*2.14*	*176*	*1.82*
Change on not recognised tax asset	(219)	(1.19)	(222)	(2.29)
Recognised tax assets	(531)	(2.88)	(280)	(2.90)
Other income type taxes	2,283	12.36	1,842	19.05
Income tax at effective tax rate	**2,625**	**13.87**	**2,276**	**21.81**

(million HUF)

Deferred tax assets and liabilities comprise	**2021**		**2020**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Carry forward losses	1,112	-	580	-
Properties	-	438	-	576
Total deferred tax to profit or loss	**1,112**	**438**	**580**	**576**
Financial assets measured at other comprehensive income	-	233	-	280
Total deferred tax through OCI	**-**	**233**	**-**	**280**
Total	**1,112**	**671**	**580**	**856**

The management assess whether sufficient taxable profit will be available at the Group to allow the benefit of all deferred tax asset to be utilized. The management decided to recognise deferred tax asset as at 31 December 2021 based on the budget plan. In relation of deferred taxes, the Bank took intro account the COVID-19 pandemic situation and the expiration of the moratoria on 30 June 2022 and prepared the profit and loss forecast according to it.

(17) Income taxes (continued)

The balance of carry forward unused tax losses was HUF 302,692 million as at 31 December 2021 and HUF 319,534 million as at 31 December 2020. From the remaining amount the Bank set a deferred tax asset of HUF 1,112 million for 2022 income tax.

(million HUF)

Carry forward tax losses by maturity breakdown	2021	2020
Can be utilised until 31/12/2021	-	5,506
Can be utilised until 31/12/2022	3,655	3,655
Can be utilised until 31/12/2023	242	242
Can be utilised until 31/12/2024	1,340	1,340
Can be utilised until 31/12/2025	884	908
Can be utilised until 31/12/2026	11	-
Can be utilised until 31/12/2030	296,560	307,883
Total	**302,692**	**319,534**

(18) Dividend paid

In accordance with the recommendation of the National Bank of Hungary, the Group did not pay dividends to its owners either in 2019 or in the 2020 business year.

In December 2021, the Group paid a dividend advance of HUF 11,000 million to its owners. After taking into account the net profit of 2021 and the accumulated retained earnings of previous years, the expected amount of dividend, including the dividend advance, will be HUF 23,500 million.

(19) Other comprehensive income

(million HUF)

	2021	2020
Net gain/(loss) from changes in fair value on debt securities	(11,132)	(2,347)
of which credit risk changes	*29*	*(43)*
Hedge accounting adjustment on debt securities measured at fair value through OCI	11,055	1,246
Reclassification adjustment to profit or loss	(599)	(553)
Deferred tax	61	149
Items that may be reclassified to profit or loss	**(615)**	**(1,505)**
Net gain/(loss) from changes in fair value on equity instruments	166	113
Reclassification adjustment to equity [(1)]	-	(1,619)
Deferred tax	(15)	(10)
Fair value adjustment on premises	97	3,554
Items that may not be reclassified to profit or loss	**248**	**2,038**
Total (net of tax)	**(367)**	**533**

[(1)] The Group has reclassified VISA C shares as debt securities with retroactive effect from the date of acquisition and reclassified them from other financial assets at fair value through profit or loss to other comprehensive income at fair value through profit or loss. As a result of the reclassification, the result of the change in fair value recognized in other comprehensive income before 1 January 2020 was transferred to retained earnings.

The line ‘Net gain/(loss) from changes in fair value on equity instruments’ includes a fx revaluation gain of HUF 134 million (HUF 76 million loss in 2020).

Further information about hedge accounting is presented in Note (26).

Fair value adjustment on premises is the valuation difference of the owner-occupied properties. In 2020 the properties were revalued by an external appraiser, as a result of which the Group recognised a valuation difference in other comprehensive income.

Part C Information on the consolidated statement of financial position

(20) Cash and current accounts with central bank

Cash and current accounts with the central bank comprise notes and coins of various currencies and nostro accounts with the central bank kept in Hungarian Forint.

(million HUF)

	31/12/2021	31/12/2020
Cash	13,714	17,336
Current HUF account with the National Bank of Hungary	36,875	47,545
Total	**50,589**	**64,881**

Mandatory reserve with National Bank of Hungary is disclosed in Note (23).

(21) Financial assets measured at fair value through profit or loss

Securities held for trading

(million HUF)

	31/12/2021	31/12/2020
Hungarian Government securities – HUF	9,994	2,043
Hungarian Government securities – NON-HUF	21	114
Bank and corporate bonds – HUF	-	1
Shares listed on stock exchange – HUF	266	38
Shares listed on stock exchange – NON-HUF	9	-
Other securities– NON-HUF	-	66
Total	**10,290**	**2,262**

Income on investments and other non-fix yield assets are recognised in income from trading activities.

In 2020, the Group reclassified the Intesa Sanpaolo S.p.A. shares that are part of the remuneration system from trading securities to fair value through profit or loss.

Financial derivatives designated as held for trading: breakdown by product

(million HUF)

31/12/2021	Positive fair value		Negative fair value	
	Fair value	Notional value	Fair value	Notional value
Interest rates	40,711	586,499	33,319	512,405
Currencies	6,828	410,106	6,072	412,474
Equities and stock indexes	2,831	42,272	2,831	42,272
Total	**50,370**	**1,038,877**	**42,222**	**967,151**

(million HUF)

31/12/2020	Positive fair value		Negative fair value	
	Fair value	Notional value	Fair value	Notional value
Interest rates	13,974	462,066	10,689	444,402
Currencies	8,226	372,041	5,660	360,212
Equities and stock indexes	1,504	41,740	1,504	41,740
Total	**23,704**	**875,847**	**17,853**	**846,354**

(21) Financial assets measured at fair value through profit or loss (continued)

Financial assets mandatorily measured at fair value

(million HUF)

	31/12/2021	31/12/2020
Loans to customers	80,245	56,847
Debt securities	1,699	1,548
Equity instruments	59	166
Total	**82,003**	**58,561**

Equity instruments include Intesa Sanpaolo S.p.A. shares which are part of the remuneration system.

VISA Series C preference shares do not qualify as equity instruments under IAS 32 because they contain an obligation to deliver a variable number of shares, so VISA C shares needed to be reclassified as debt securities at book value of HUF 1,548 million (initial book value of HUF 1,056 million and HUF 492 million unrealized gains) at 31 December 2020.

Financial assets mandatorily measured at fair value comprises loans to customers, which do not meet the criteria of SPPI test. Presentation of loans to customers mandatorily measured at fair value is included in Note (24).

(22) Financial assets measured at fair value through other comprehensive income

(million HUF)

	31/12/2021	31/12/2020
Hungarian government securities – HUF	245,172	280,349
Hungarian government securities – NON-HUF	13,968	19,203
Foreign government securities – NON-HUF	1,624	1,484
Bank and corporate bonds – HUF	13,290	2,664
Total debt instruments	**274,054**	**303,700**
Shares listed on stock exchange – NON-HUF	1,904	1,743
Shares not listed - HUF	115	110
Total equity instruments	**2,019**	**1,853**
Total	**276,073**	**305,553**

The ECL allowance for debt instruments measured at FVOCI amounted to HUF 159 million at 31 December 2021 and HUF 131 million at 31 December 2020, respectively.

As explained in Note (21), the Bank retrospectively classified VISA C shares as debt securities from the date of acquisition and reclassified them as financial assets at fair value through profit or loss in 20220.

All of the FVOCI financial assets are classified as Stage 1.

The FVOCI assets' credit risks are detailed in Note (48).

The Group pledged debt instruments measured at FVOCI amounted to HUF 232,977 million as collateral for its liabilities at 31 December 2021 (HUF 188,180 million at 31 December 2020).

(23) Loans to banks

(million HUF)

	31/12/2021	31/12/2020
Nostro accounts	**16,093**	**16,648**
Due from banks	**888,804**	**678,797**
Due from National Bank of Hungary	726,611	369,263
Due from other Hungarian banks	33,090	12,922
Due from banks in Intesa Sanpaolo Group	128,267	294,591
Due from other banks	836	2,021
Total	**904,897**	**695,445**

The Bank is required to maintain with a National Bank of Hungary a minimum average balance as a restricted deposit for the month equivalent to 1% of the Bank's total resident customer deposits, foreign customer HUF and currency (less than one year) deposits. The compulsory reserve amounted to HUF 17,389 million at 31 December 2021 and HUF 15,313 million at 31 December 2020.

The Group had no active repurchase agreement at 31 December 2021. The active repurchase agreement amounted to HUF 3,430 million at 31 December 2020.

The majority of the exposures of loans to banks are classified as Stage 1 in the ECL module for impairment calculation.

(24) Loans to customers measured at amortised cost and at fair value through profit or loss

Analysis by sector

The gross loan portfolio may be analysed by sector as follows:

Sector	31/12/2021		31/12/2020	
	million HUF	%	million HUF	%
Private customers	530,459	41.79	443,074	36.70
Heavy industry	155,575	12.26	138,635	11.48
Other, mostly service industries	140,245	11.05	125,197	10.37
Light industry	66,178	5.22	60,443	5.01
Real estate investments	49,235	3.88	83,997	6.96
Financial activities	83,694	6.59	78,924	6.54
Trading	83,488	6.58	101,793	8.43
Transportation and communication	66,880	5.27	58,649	4.86
Food processing	40,659	3.20	64,123	5.31
Agriculture	48,460	3.82	48,243	4.00
Chemicals and pharmaceuticals	4,362	0.34	4,123	0.34
Total	**1,269,235**	**100.00**	**1,207,201**	**100.00**

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

Analysis by segment and staging

(million HUF)

Gross carrying amount 31/12/2021	Stage 1	Stage 2	Stage 3	POCI assets	Measured at FVPL	Total
Central government	42,280	-	-	-	-	**42,280**
Corporate	554,539	77,552	24,487	4,860	43	**661,481**
Retail	393,431	71,138	13,725	6,978	80,202	**565,474**
Total	**990,250**	**148,690**	**38,212**	**11,838**	**80,245**	**1,269,235**

(million HUF)

ECL allowance 31/12/2021	Stage 1	Stage 2	Stage 3	POCI assets	Measured at FVPL	Total
Central government	(424)	-	-	-	-	**(424)**
Corporate	(3,101)	(4,698)	(9,477)	(217)	-	**(17,463)**
Retail	(3,508)	(7,447)	(7,367)	(1,675)	-	**(19,997)**
Total	**(7,033)**	**(12,145)**	**(16,814)**	**(1,892)**	**-**	**(37,884)**

(million HUF)

Gross carrying amount 31/12/2020	Stage 1	Stage 2	Stage 3	POCI assets	Measured at FVPL	Total
Central government	91,244	-	-	-	-	**91,244**
Corporate	503,711	104,997	27,729	4,208	57	**640,702**
Retail	369,278	29,275	12,413	7,499	56,790	**475,255**
Total	**964,233**	**134,272**	**40,142**	**11,707**	**56,847**	**1,207,201**

(million HUF)

ECL allowance 31/12/2020	Stage 1	Stage 2	Stage 3	POCI assets	Measured at FVPL	Total
Central government	(604)	-	-	-	-	**(604)**
Corporate	(3,685)	(4,728)	(11,563)	(344)	-	**(20,320)**
Retail	(2,624)	(3,269)	(6,971)	(2,209)	-	**(15,073)**
Total	**(6,913)**	**(7,997)**	**(18,534)**	**(2,553)**	**-**	**(35,997)**

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

Analysis of gross loan portfolio and expected loan loss by stage

(million HUF)

Gross loan portfolio	01/01/2021	Increase	Decrease	Stage reclassifi-cation	Write-down	Sale	Exchange difference	31/12/2021
Stage 1	**964,233**	**367,795**	**(299,210)**	**(47,710)**	**-**	**-**	**5,142**	**990,250**
Central government	91,244	5,683	(55,007)	-	-	-	360	42,280
Other financial corporation	15,785	19,382	(557)	4,049	-	-	258	38,917
Non-financial corporation	487,926	44,146	(14,418)	(6,555)	-	-	4,523	515,622
Retail	369,278	298,584	(229,228)	(45,204)	-	-	1	393,431
Stage 2	**134,272**	**59,221**	**(83,782)**	**38,717**	**-**	**-**	**262**	**148,690**
Central government	-	-	-	-	-	-	-	-
Other financial corporation	12,038	645	(8,634)	(4,049)	-	-	-	-
Non-financial corporation	92,959	5,155	(21,887)	1,071	-	-	254	77,552
Retail	29,275	53,421	(53,261)	41,695	-	-	8	71,138
Stage 3	**40,142**	**35,497**	**(45,458)**	**8,993**	**(420)**	**(906)**	**364**	**38,212**
Other financial corporation	861	91	(232)	-	-	-	41	761
Non-financial corporation	26,868	22,446	(30,822)	5,484	(230)	(335)	315	23,726
Retail	12,413	12,960	(14,404)	3,509	(90)	(571)	8	13,725
POCI	**11,707**	**5,519**	**(5,276)**	**-**	**(2)**	**(158)**	**48**	**11,838**
Other financial corporation	-	-	-	-	-	-	-	-
Non-financial corporation	4,208	2,695	(2,091)	-	-	-	48	4,860
Retail	7,499	2,824	(3,185)	-	(2)	(158)	-	6,978
Measured at FVPL	**56,847**	**37,124**	**(13,724)**	**-**	**-**	**(2)**	**-**	**80,245**
Other financial corporation	-	-	-	-	-	-	-	-
Non-financial corporation	57	-	(14)	-	-	-	-	43
Retail	56,790	37,124	(13,710)	-	-	(2)	-	80,202
Total	**1,207,201**	**505,156**	**(447,450)**	**-**	**(422)**	**(1,066)**	**5,816**	**1,269,235**

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

(million HUF)

ECL	01/01/2021	Adjust-ment	Write-back	Stage reclassifi-cation	Modifi-cation loss	Decrease in allowance account due to write-offs	Write-off recognis-ed direct-ly through profit or loss	Decrease due to derecog-nition	Exchange difference	Other change	31/12/2021
Stage 1	**(6,913)**	**(10,741)**	**4,408**	**467**	**(393)**	**-**	**-**	**1**	**(16)**	**6,154**	**(7,033)**
Central government	(604)	(64)	248	-	-	-	-	-	(5)	1	(424)
Other financial corporation	(239)	(24)	532	(6)	15	-	-	-	-	(401)	(123)
Non-financial corporation	(3,446)	(7,343)	2,342	52	23	-	-	-	(11)	5,404	(2,979)
Retail	(2,624)	(3,310)	1,286	421	(431)	-	-	1	-	1,150	(3,507)
Stage 2	**(7,997)**	**(8,566)**	**4,371**	**79**	**(1,045)**	**-**	**-**	**-**	**(30)**	**1,043**	**(12,145)**
Central government	-	-	-	-	-	-	-	-	-	-	-
Other financial corporation	(61)	-	55	6	-	-	-	-	-	-	-
Non-financial corporation	(4,667)	(2,837)	2,594	243	(150)	-	-	-	(30)	149	(4,698)
Retail	(3,269)	(5,729)	1,722	(170)	(895)	-	-	-	-	894	(7,447)
Stage 3	**(18,534)**	**(7,284)**	**8,616**	**(546)**	**(190)**	**420**	**(131)**	**769**	**(185)**	**251**	**(16,814)**
Other financial corporation	(251)	(50)	49	-	1	-	-	-	(12)	(3)	(266)
Non-financial corporation	(11,312)	(3,743)	5,695	(294)	(15)	230	(36)	386	(164)	73	(9,810)
Retail	(6,971)	(3,491)	2,872	(252)	(176)	190	(95)	383	(9)	181	(7,368)
POCI	**(2,553)**	**(983)**	**1,742**	**-**	**37**	**2**	**(1)**	**80**	**7**	**(223)**	**(1,892)**
Other financial corporation	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporation	(344)	(383)	18	-	29	-	-	-	7	456	(217)
Retail	(2,209)	(600)	1,724	-	8	2	(1)	80	-	(679)	(1,675)
Measured at FVPL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial corporation	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporation	-	-	-	-	-	-	-	-	-	-	-
Retail	-	-	-	-	-	-	-	-	-	-	-
Total	**(35,997)**	**(27,574)**	**19,137**	**-**	**(1,591)**	**422**	**(132)**	**850**	**(224)**	**7,225**	**(37,884)**

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

(million HUF)

Gross loan portfolio	01/01/2020	Increase	Decrease	Stage reclassifi-cation	Write-down	Sale	Exchange difference	31/12/2020
Stage 1	**900,338**	**345,183**	**(269,759)**	**(39,371)**	**-**	**(18)**	**27,860**	**964,233**
Central government	36,388	54,787	(9,525)	6,702	-	-	2,892	91,244
Other financial corporation	21,779	5,169	(11,498)	(129)	-	-	464	15,785
Non-financial corporation	518,325	43,552	(56,644)	(41,687)	-	-	24,380	487,926
Retail	323,846	241,675	(192,092)	(4,257)	-	(18)	124	369,278
Stage 2	**88,922**	**41,279**	**(29,991)**	**28,738**	**-**	**(100)**	**5,424**	**134,272**
Central government	6,079	2,105	(2,111)	(6,702)	-	-	629	-
Other financial corporation	160	16,566	(4,817)	129	-	-	-	12,038
Non-financial corporation	54,286	8,225	(5,798)	31,461	-	-	4,785	92,959
Retail	28,397	14,383	(17,265)	3,850	-	(100)	10	29,275
Stage 3	**33,662**	**20,856**	**(18,369)**	**10,633**	**(3,397)**	**(4,914)**	**1,671**	**40,142**
Other financial corporation	940	65	(222)	-	(16)	-	94	861
Non-financial corporation	23,126	15,673	(17,420)	10,225	(3,045)	(3,228)	1,537	26,868
Retail	9,596	5,118	(727)	408	(336)	(1,686)	40	12,413
POCI	**12,672**	**2,001**	**(2,725)**	**-**	**(9)**	**(542)**	**310**	**11,707**
Other financial corporation	-	-	-	-	-	-	-	-
Non-financial corporation	4,227	174	(479)	-	-	(24)	310	4,208
Retail	8,445	1,827	(2,246)	-	(9)	(518)	-	7,499
Measured at FVPL	**25,948**	**40,793**	**(9,889)**	**-**	**(4)**	**(1)**	**-**	**56,847**
Other financial corporation	-	-	-	-	-	-	-	-
Non-financial corporation	205	214	(358)	-	(4)	-	-	57
Retail	25,743	40,579	(9,531)	-	-	(1)	-	56,790
Total	**1,061,542**	**450,112**	**(330,733)**	**-**	**(3,410)**	**(5,575)**	**(35,265)**	**1,207,201**

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

(million HUF)

ECL	01/01/2020	Adjust-ment	Write-back	Stage reclassifi-cation	Modifi-cation loss	Decrease in allowance account due to write-offs	Write-off recognis-ed direct-ly through profit or loss	Decrease due to derecog-nition	Exchange difference	Other change	31/12/2020
Stage 1	**(5,598)**	**(7,115)**	**3,337**	**487**	**1,574**	**-**	**-**	**34**	**(215)**	**583**	**(6,913)**
Central government	(182)	(53)	60	-	-	-	-	-	(15)	(414)	(604)
Other financial corporation	(35)	(225)	360	1	16	-	-	-	(1)	(355)	(239)
Non-financial corporation	(3,713)	(4,421)	2,203	336	(25)	-	-	-	(199)	2,373	(3,446)
Retail	(1,668)	(2,416)	714	150	1,583	-	-	34	-	(1,021)	(2,624)
Stage 2	**(6,577)**	**(5,813)**	**3,943**	**(287)**	**370**	**-**	**-**	**102**	**(313)**	**578**	**(7,997)**
Central government	(1,570)	-	1,377	-	-	-	-	-	(190)	383	-
Other financial corporation	(15)	(61)	16	(1)	-	-	-	-	-	-	(61)
Non-financial corporation	(2,053)	(3,549)	1,083	(146)	111	-	-	2	(123)	8	(4,667)
Retail	(2,939)	(2,203)	1,467	(140)	259	-	-	100	-	187	(3,269)
Stage 3	**(22,444)**	**(9,297)**	**5,538**	**(200)**	**127**	**3,393**	**(223)**	**4,321**	**(537)**	**788**	**(18,534)**
Other financial corporation	(194)	(140)	76	-	1	16	-	-	(18)	8	(251)
Non-financial corporation	(13,353)	(7,283)	2,916	(191)	6	3,041	(33)	2,814	(492)	1,263	(11,312)
Retail	(8,897)	(1,874)	2,546	(9)	120	336	(190)	1,507	(27)	(483)	(6,971)
POCI	**(3,606)**	**(360)**	**3,403**	**-**	**65**	**9**	**(5)**	**300**	**(22)**	**(2,337)**	**(2,553)**
Other financial corporation	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporation	(703)	(101)	2,099	-	30	-	-	24	(22)	(1,671)	(344)
Retail	(2,903)	(259)	1,304	-	35	9	(5)	276	-	(666)	(2,209)
Measured at FVPL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial corporation	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporation	-	-	-	-	-	-	-	-	-	-	-
Retail	-	-	-	-	-	-	-	-	-	-	-
Total	**(38,225)**	**(22,585)**	**16,221**	**-**	**2,136**	**3,402**	**(228)**	**4,757**	**(1,087)**	**(388)**	**(35,997)**

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

Stage 1 loans increased in 2021 in the households segment by HUF 24.153 million, thanks to the high demand for mortgage loans, but the volume of Babaváró and personal loans grew as well. At the same time corporate loans (other financial and non-financial companies) rose by HUF 50.828 million, mainly in the SME segment. The decrease of loans to General Government was the result of some repo transactions made on the last days of 2020 that matured in January 2021.

Stage 2 category increased by HUF 14,418 million, due exposures under moratoria, as the Group classified all exposures opted in for the third phase of the moratoria as Stage 2.

Balance of Stage 3 loans decreased by HUF 1,930 million, thanks to some large repayments, while new inflow was low.

The significant increase in the measured at FVPL category is mainly due to Babaváró loans.

Expected credit losses grew by HUF 1,887 million in 2021, the majority of which is connected to Stage 2 loans, as the Group set aside enough provisions to cover the potential negative impact of credit quality worsening after the end of the moratoria.

The amount of accumulated write off as at 31 December 2021 is HUF 129,277 million (31 December 2020: HUF 125,127 million) and includes the amount of principal, overdue interest and fees that have been derecognised because the Bank cannot expect to collect contractual cash flows.

The non-discounted values of the POCI assets amounted to HUF 14,629 million at 31 December 2021, and HUF 15,066 million at 31 December 2020.

The Group had no active repurchase agreement at 31 December 2021. The active repurchase agreement amounted to HUF 50,000 million at 31 December 2020.

The revaluation gains on loans specified as hedged items is presented in Note (26).

The liquidation value of collateral that the Group holds relating to loans at 31 December 2021 amounts to HUF 1,221,505 million and HUF 1,046,256 million as at 31 December 2020, respectively.

According to IFRS 9 para 5.4.3 rules, due to the payment moratoria related to COVID-19 pandemic, the Group modified the cash-flow the loans subject to moratoria. According to this, the debtors do not pay interest and principal until the expiration of the moratoria, and then after the expiration of the moratoria, the customer pays the contractual instalment with an extended term. The Group may not charge compound interest for the period of the moratoria. The new cash-flow is discounted by the original interest rate and any realised loss is recorded on a transaction-by-transaction basis within amortised cost. With the application of this rule the Group recorded HUF 2,352 million modification loss connected to moratoria for 2021 and HUF 2,418 million for 2020.

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

COVID-19 moratoria related portfolio

(million HUF)

31/12/2021	Number of obligors	Of which: granted	Gross carrying amount					Residual maturity of moratoria					
				Of which: granted				<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 12 months <= 18 months	> 18 months
					Of which:[1]	Of which:[2]	Of which: expired						
Moratoria loans and advances	30,970	30,970	261,443	261,443	261,443	-	261,443	-	-	-	-	-	-
of which: Households				162,147	162,147	-	162,147	-	-	-	-	-	-
_of which: Collateralised by residential immovable property				92,181	92,181	-	92,181	-	-	-	-	-	-
of which: Non-financial corporations				91,797	91,797	-	91,797	-	-	-	-	-	-
_of which: Small and medium-sized enterprises				70,593	70,593	-	70,593	-	-	-	-	-	-
_of which: Collateralised by commercial immovable property				58,094	58,094	-	58,094	-	-	-	-	-	-

[1] Of which: legislative moratoria [2] Of which: subject to extended legislative moratoria

(million HUF)

31/12/2020	Number of obligors	Of which: granted	Gross carrying amount					Residual maturity of moratoria					
				Of which: granted				<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 12 months <= 18 months	> 18 months
					Of which:[1]	Of which:[2]	Of which: expired						
Moratoria loans and advances	47,715	47,715	356,448	356,448	356,448	-	-	356,448	-	-	-	-	-
of which: Households				196,242	196,242	-	-	196,242	-	-	-	-	-
_of which: Collateralised by residential immovable property				112,937	112,937	-	-	112,937	-	-	-	-	-
of which: Non-financial corporations				150,801	150,801	-	-	150,801	-	-	-	-	-
_of which: Small and medium-sized enterprises				106,403	106,403	-	-	106,403	-	-	-	-	-
_of which: Collateralised by commercial immovable property				90,178	90,178	-	-	90,178	-	-	-	-	-

[1] Of which: legislative moratoria [2] Of which: subject to extended legislative moratoria

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

(million HUF)

31/12/2021	Gross carrying amount						
		Performing			Non-performing		
			Of which:[1]	Of which: Stage 2		Of which:[1]	Of which:[2]
Moratoria loans and advances	261,443	231,093	35,381	100,077	30,350	15,142	28,278
of which: Households	162,147	150,403	6,958	58,353	11,743	8,043	10,189
_of which: Collateralised by residential immovable property	92,181	84,109	4,824	39,291	8,071	5,929	6,780
of which: Non-financial corporations	91,797	73,900	28,422	41,723	17,897	6,389	17,379
_of which: Small and medium-sized enterprises	70,593	58,331	24,768	32,733	12,262	6,162	11,744
_of which: Collateralised by commercial immovable property	58,094	51,965	22,188	28,518	6,129	3,673	6,040

[1] Of which: exposures with forbearance measures
[2] Of which: unlikely to pay that are not past-due or past-due <= 90 days

(million HUF)

31/12/2021	Accumulated impairment, accumulated negative changes in fair value due to credit risk						
		Performing			Non-performing		
			Of which:[1]	Of which: Stage 2		Of which:[1]	Of which:[2]
Moratoria loans and advances	22,471	10,496	3,671	9,584	11,975	6,767	10,996
of which: Households	12,432	6,790	1,393	6,412	5,642	4,202	4,933
_of which: Collateralised by residential immovable property	7,984	4,320	864	4,087	3,664	2,953	3,097
of which: Non-financial corporations	9,432	3,335	2,278	3,172	6,097	2,329	5,828
_of which: Small and medium-sized enterprises	7,949	2,671	1,894	2,526	5,278	2,283	5,008
_of which: Collateralised by commercial immovable property	4,194	2,220	1,827	2,113	1,975	951	1,923

[1] Of which: exposures with forbearance measures
[2] Of which: unlikely to pay that are not past-due or past-due <= 90 days

Loans reported as loans covered by the “current” moratorium on 30 June 2021 are to be reclassified as loans covered by the overdue moratorium from July.

As of 31 December 2021, the Group only records loans and advances that are subject to an expired moratorium.

The portfolio of loans subject to moratorium under Hungarian regulations is HUF 2,449 million in Stage 1, HUF 40,125 million in Stage 2, HUF 13,477 million in Stage 3, totalling HUF 56,051 million at 31 December 2021.

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

(million HUF)

31/12/2020	Gross carrying amount								
		Performing				Non-performing			
			Of which:[1]	Of which:[2]	Of which: Stage 2		Of which:[1]	Of which:[2]	Of which:[3]
Moratoria loans and advances	356,448	321,771	321,771	2,734	88,876	34,677	34,677	10,451	31,188
of which: Households	196,242	185,788	185,788	2,022	19,232	10,454	10,454	6,369	8,838
_of which: Collateralised by residential immovable property	112,937	104,660	104,660	1,751	12,352	8,277	8,277	5,485	7,052
of which: Non-financial corporations	150,801	127,402	127,402	712	69,644	23,399	23,399	3,258	21,457
_of which: Small and medium-sized enterprises	106,403	90,608	90,608	711	41,789	15,795	15,795	3,258	13,853
_of which: Collateralised by commercial immovable property	90,178	81,075	81,075	111	49,011	9,103	9,103	2,232	7,777

[1] Of which: grace period of capital and interest
[2] Of which: exposures with forbearance measures
[3] Of which: unlikely to pay that are not past-due or past-due <= 90 days

(million HUF)

31/12/2020	Accumulated impairment, accumulated negative changes in fair value due to credit risk								
		Performing				Non-performing			
			Of which:[1]	Of which:[2]	Of which: Stage 2		Of which:[1]	Of which:[2]	Of which:[3]
Moratoria loans and advances	21,843	8,061	8,061	285	5,955	13,782	13,782	4,447	12,573
of which: Households	8,433	3,275	3,275	235	2,306	5,158	5,158	3,419	4,397
_of which: Collateralised by residential immovable property	5,652	1,901	1,901	207	1,410	3,751	3,751	2,804	3,214
of which: Non-financial corporations	12,561	4,173	4,173	50	3,649	8,388	8,388	792	7,940
_of which: Small and medium-sized enterprises	10,146	2,911	2,911	50	2,453	7,235	7,235	792	6,788
_of which: Collateralised by commercial immovable property	5,484	2,657	2,657	6	2,366	2,827	2,827	455	2,654

[1] Of which: grace period of capital and interest
[2] Of which: exposures with forbearance measures
[3] Of which: unlikely to pay that are not past-due or past-due <= 90 days

(24) Loans to customers measured at amortised cost and at fair value through profit or loss (continued)

Analysis of leasing sector

The leasing subsidiary of the Bank operates in the domestic leasing market and provide finance lease products to customers. The term of the leasing contracts is usually between 3 months and 10 years.

The following tables indicate the key amounts of this activity for the receivables not past due.

(million HUF)

Future minimum lease payments	31/12/2021	31/12/2020
Within one year	26,968	25,755
One to five years	62,013	60,651
More than five years	8,973	9,767
Total	**97,954**	**96,173**

(million HUF)

The present value of minimum lease payment receivables comprises	31/12/2021	31/12/2020
Within one year	24,926	23,838
One to five years	57,271	56,542
More than five years	7,692	8,632
Total	**89,889**	**89,012**
Unearned finance lease income	8,065	7,161
Accumulated allowance for uncollectible minimum lease payments receivable	(3,809)	(4,123)

(25) Securities at amortized cost

(million HUF)

	31/12/2021		31/12/2020	
	Carrying amount	Provision	Carrying amount	Provision
Hungarian government bonds – HUF	69,417	(37)	-	-
Bank and corporate bonds – HUF	64,139	(110)	48,931	(89)
Bank and corporate bonds – other currency	43,889	(45)	23,839	(86)
Total	**177,445**	**(192)**	**72,770**	**(175)**

All of the financial assets measured at amortized cost are classified as Stage 1.

The Bank pledged bonds at amortized cost amounted to HUF 69,586 million as collateral for its liabilities at 31 December 2021.

(26) Hedging derivatives

Financial derivatives designated as fair value hedge: breakdown by hedged instrument

(million HUF)

31/12/2021	Positive fair value		Negative fair value	
	Fair value	Notional value	Fair value	Notional value
Interest rate derivatives - hedge of debt securities	10,433	142,284	472	16,826
Interest rate derivatives - hedge of loans	211	21,950	89	2,528
Interest rate derivatives - hedge of deposits	22	5,535	14,076	144,751
Micro fair value hedges total	**10,666**	**169,769**	**14,637**	**164,105**
Interest rate derivatives - hedge of loans	5,702	52,645	176	4,700
Forward rate agreements - hedge of financial deposits	-	-	2,285	265,000
Portfolio fair value hedges total	**5,702**	**52,645**	**2,461**	**269,700**
Total	**16,368**	**222,414**	**17,098**	**433,805**

(million HUF)

31/12/2020	Positive fair value		Negative fair value	
	Fair value	Notional value	Fair value	Notional value
Interest rate derivatives - hedge of debt securities	416	25,803	3,440	152,293
Interest rate derivatives - hedge of loans	-	-	248	20,938
Interest rate derivatives - hedge of deposits	787	82,630	1,884	39,103
Micro fair value hedges total	**1,203**	**108,433**	**5,572**	**212,334**
Interest rate derivatives - hedge of loans	74	13,500	3,596	45,845
Forward rate agreements - hedge of financial deposits	111	200,000	-	-
Portfolio fair value hedges total	**185**	**213,500**	**3,596**	**45,845**
Total	**1,388**	**321,933**	**9,168**	**258,179**

Carrying amounts and accumulated change of fair value of hedged instruments, lack of efficiency recognised in statement of profit or loss

(million HUF)

31/12/2021	Carrying amount		Accumulated fair value adjustments due to fair value changes attributa-ble to the hedged risk		Lack of efficiency recognised in state-ment of profit or loss
	Assets	Liabilities	Assets	Liabilities	
Debts securities	154,509	-	(10,646)	-	(381)
Loans	34,879	-	805	-	4
Deposits	-	160,305	-	(12,004)	(202)
Hedged items in micro fair value hedges total	**189,388**	**160,305**	**(9,841)**	**(12,004)**	**(579)**
Loans	62,944	-	(5,611)	-	71
Deposits	-	262,752	-	(2,248)	(72)
Hedged items in portfolio fair value hedges total	**62,944**	**262,752**	**(5,611)**	**(2,248)**	**(1)**
Total	**252,332**	**399,049**	**(15,452)**	**(14,252)**	**(580)**

(26) Hedging derivatives (continued)

(million HUF)

31/12/2020	Carrying amount		Accumulated fair value adjustments due to fair value changes attributable to the hedged risk		Lack of efficiency recognised in statement of profit or loss
	Assets	Liabilities	Assets	Liabilities	
Debts securities	171,509	-	2,533	-	(213)
Loans	32,573	-	1,226	-	(15)
Deposits	-	123,478	-	942	685
Hedged items in micro fair value hedges total	**204,082**	**123,478**	**3,759**	**942**	**457**
Loans	51,355	-	3,583	-	(82)
Deposits	-	200,082	-	82	1
Hedged items in portfolio fair value hedges total	**51,355**	**200,082**	**3,583**	**82**	**(81)**
Total	**255,437**	**323,560**	**7,342**	**1,024**	**376**

Accumulated amount of fair value hedge adjustment is included in the carrying amount in case of loans, debt securities and financial liabilities at amortized cost. In the case of financial assets measured at FVOCI, the fair value adjustment is recognised in comprehensive income.

Adjustments of hedged loan and deposit portfolios for changes in their fair values attributable to the hedged risk – excluding accrued interests – are presented separately in the statement of financial position. Regardless of their sign the loan portfolio related items are always on the asset side in line “Fair value changes of the hedged financial assets in portfolio hedge (+/-)” while the deposit portfolio related items are always on the liability side in line “Fair value changes of the hedged financial liabilities in portfolio hedge (+/-)”.

(27) Repossessed properties

(million HUF)

Net book value	31/12/2021	31/12/2020
Opening balance	**5,666**	**10,644**
Additions	624	23
Sale	(1,896)	(6,619)
Reclassification	-	-
Net (losses) / gain from impairment charges	13	1,618
Closing balance	**4,381**	**5,666**

(million HUF)

	Gross value		Impairment	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Building	1,020	2,492	(205)	(639)
Land	6,324	6,582	(2,758)	(2,769)
Total	**7,344**	**9,074**	**(2,963)**	**(3,408)**

The repossessed properties in return for the claim are located in several locations in Hungary. The closing balance included HUF 3,394 million worth of real estate in Budapest as of 31 December 2021 and HUF 4,296 million as of 31 December 2020.

(28) Property, plant and equipment

(million HUF)

	Land, premis-es	Lease-hold improve-ments	Elec-tronic equip-ment, office furniture	IT equip-ment	Motor vehicles	Other	Total
Cost							
Balance at 01/01/2020	**23,109**	**4,217**	**8,740**	**7,973**	**392**	**118**	**44,549**
IFRS 16 – ROU assets disposals	575	-	4	395	169	-	**1,143**
Additions	86	193	430	181	-	-	**890**
Disposals	-89	-190	-206	-107	-47	-	**-639**
Revaluation	2,647	-	-	-	-	-	**2.647**
Balance at 31/12/2020	**26.328**	**4.220**	**8.968**	**8.442**	**514**	**118**	**48,590**
IFRS 16 – ROU assets disposals	(4,214)	-	18	(7)	132	-	**(4,071)**
Additions	838	398	760	223	-	-	**2,219**
Disposals	(1,112)	(512)	(720)	(87)	(-42)	(-1)	**(2,475)**
Reclassification to IFRS 5	(3,653)	-	-	-	-	-	**(3,653)**
Revaluation	31	-	-	-	-	-	**31**
Balance at 31/12/2021	**18,218**	**4,106**	**9,026**	**8,571**	**604**	**117**	**40,642**
Accumulated depreciation and impairment losses							
Balance at 01/01/2020	**1,309**	**3,907**	**7,767**	**7,402**	**185**	**-**	**20,570**
Depreciation of IFRS 16 – ROU assets disposals	1,040	-	10	19	59	-	**1,128**
Depreciation for the year	445	55	250	218	-	-	**968**
Impairment expense / (reversal)	(103)	-	-	-	-	-	**(103)**
Disposals	(60)	(190)	(110)	(45)	(42)	-	**(447)**
Revaluation	(1,010)	-	-	-	-	-	**(1,010)**
Balance at 31/12/2020	**1,621**	**3.772**	**7.917**	**7.594**	**202**	**-**	**21,106**
Depreciation of IFRS 16 – ROU assets disposals	814	-	13	97	95	-	**1,019**
Depreciation for the year	358	91	243	220	1	-	**913**
Impairment expense / (reversal)	(11)	6	-	-	-	-	**(5)**
Disposals	(978)	(372)	(675)	(86)	(34)	-	**(2,145)**
Reclassification to IFRS 5	(39)	-	-	-	-	-	**(39)**
Revaluation	-	-	-	-	-	-	**-**
Balance at 31/12/2021	**1,765**	**3,497**	**7,498**	**7,825**	**264**	**-**	**20,849**
Net book value							
Balance at 31/12/2020	**24,707**	**448**	**1,051**	**848**	**312**	**118**	**27,484**
Balance at 31/12/2021	**16,453**	**609**	**1,528**	**746**	**340**	**117**	**19,793**

Leasehold improvements include improvements on leased branches.

Information about right-of-use-assets are presented in Note (38).

(28) Property, plant and equipment (continued)

As at 31 December 2021, the Bank performed the valuation of its banking properties in accordance with the revaluation model, using external, independent valuation, and determined that there was no significant change in its fair value, therefore no further valuation difference was recognized. In 2020, the result of the revaluation was HUF 3,656 million.

The net value of functional properties would have been HUF 12,626 million in 2021 without the application of the revaluation model, and HUF 12,199 million in 2020.

Owner-occupied premises are classified in Level 3 of the fair value measurement hierarchy.

(29) Intangible assets

(million HUF)

	Software licenses and develop-ment	Other	Total
Cost			
Balance at 01/01/2020	**53,491**	**409**	**53,900**
Acquisition	2,789	-	**3,490**
Development	701	-	**701**
Disposals	(34)	(138)	**(172)**
Balance at 31/12/2020	**56,947**	**271**	**57,218**
Additions	2,780	-	**2,780**
Development	426	-	**426**
Disposals	(1)	(1)	**(2)**
Balance at 31/12/2021	**60,152**	**270**	**60,422**
Accumulated depreciation and impairment losses			
Balance at 01/01/2020	**41,160**	**385**	**41,545**
Amortisation for the year	3,628	5	**3,634**
Impairment for the year	1	-	**1**
Disposals	-	(139)	**(139)**
Balance at 31/12/2020	**44,789**	**251**	**45,040**
Amortisation for the year	3,753	5	**3,758**
Impairment for the year	19	-	**19**
Disposals	-	(1)	**(1)**
Balance at 31/12/2021	**48,561**	**255**	**48,816**
Net book value			
Balance at 31/12/2020	**12,158**	**20**	**12,178**
Balance at 31/12/2020	**11,591**	**15**	**11,606**

The net book value of internally developed software is HUF 7,096 million as at 31 December 2021, and HUF 7,160 million as at 31 December 2020, respectively.

The development of the Data Warehouse (SAS) is significant among the intangible assets. The net book value is HUF 1,627 million and the remaining average amortization period is 2.5 years as at 31 December 2021

(30) Other assets

(million HUF)

	31/12/2021	31/12/2020
Accrued assets	2,343	2,751
Non-income tax receivables	6,284	4,514
Interim dividends receivables	11,000	-
Items in transit (stock)	813	648
Trade receivables	593	2,090
Inventories	103	97
Other items	7,078	12,081
Total	**28,214**	**22,181**

In December 2021, the Bank paid a dividend advance of HUF 11,000 million based on a shareholder's decision.

The balance of the Non-income tax receivables line relates mainly to pandemic related special tax receivable and value added tax receivable.

Other items include the balance of settlement accounts which contains those cash in transit which are unsettled as at period end. The settlement account related to value date differences on branch account does not have a significant balance at 31 December 2021. As at 31 December 2020 the balance of the account was HUF 432 million.

(31) Deposits from banks

(million HUF)

	31/12/2021	31/12/2020
Deposits from National Bank of Hungary	210,776	159,763
Deposits from other banks in Hungary	158,058	133,984
Deposits from banks in other countries	34,769	60,959
Total	**403,603**	**354,706**
of which related party items	*17,592*	*41,030*

(32) Deposits from customers

(million HUF)

	31/12/2021	31/12/2020
Deposits from customers in Hungary	1,978,474	1,681,006
Deposits from customers in other countries	40,496	47,063
Total	**2,018,970**	**1,728,069**
of which related party	*1,132*	*235*

The revaluation gains on deposits specified as hedged items is presented in Note (26).

(33) Other liabilities

(million HUF)

	31/12/2021	31/12/2020
Lease liabilities	4,397	9,760
Accrued liabilities	7,252	6,999
Suppliers	4,807	4,645
Non-income tax liability	3,298	3,268
Items in transit	729	573
Financial guarantees	355	500
Other items	3,853	5,440
Total	**24,691**	**31,185**

The balance of the Non-income tax liability line relates mainly to financial transaction duty liability and personal income tax liability.

Items in transit include the balance of the transfer of benefits which are not technically payable with wages and salaries but which are included in them.

The balance of other items contains those items in transit which are unsettled as at period end.

Further information about lease liabilities is presented in Note (38).

(million HUF)

Financial guarantees comprise	31/12/2021	31/12/2020
Opening balance	**500**	**215**
Increase during the year	84	313
Decrease during the year	(229)	(28)
Closing balance	**355**	**500**

Concerning financial guarantees see Note (39) on Commitments and contingencies.

(34) Provisions

(million HUF)

	Commit-ments and contingen-cies	Legal disputes	Other	Total
Balance at 01/01/2020	**987**	**3,558**	**2,826**	**7,371**
Allocation	1,788	903	811	**3,502**
Use	-	(37)	(489)	**(526)**
Reversal	(770)	(6)	(660)	**(1,436)**
Balance at 31/12/2020	**2,005**	**4,418**	**2,488**	**8,911**
Allocation	804	4,072	**1,764**	**6,640**
Use	-	(24)	**(250)**	**(274)**
Reversal	1,752	(79)	**(1,320)**	**(3,151)**
Balance at 31/12/2021	**1,057**	**8,387**	**2,682**	**12,126**

Provisions for commitment and contingences were created for future credit obligations (see also Note (39) on Commitments and contingencies). For all booked provisions, the Bank expects out-flows / payments in a period longer than 1 year from reporting date.

Other provisions include the Group's future obligations relating to rationalising the branch network and provision on personal type expenses based on our best available estimation.

The discount effect on provisions is not material.

(35) Subordinated debts

(million HUF)

	31/12/2021	31/12/2020
From Intesa Bank Ireland plc. for 30 million EUR. The debt's expiry date is 26 November 2021 with interest payable at 3 months EURIBOR plus 0.37%.	-	10,959
Total	**-**	**10,959**

The subordinated debt was repaid in 2021.

(36) Share capital

During 2021 there was no change regarding the share capital.

At 31 December 2021 the fully paid share capital consisted of 50,000,000,003 ordinary shares of HUF 1 each.

(37) Reserves

Capital reserve

Capital reserve contains the shareholders total capital contributions that connecting to the issue of new shares. There was no change in capital reserves during the business year.

Revaluation reserve

Revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets, until the assets are derecognised or impaired.

Furthermore, the revaluation reserve comprises the cumulative, positive change in fair value of those tangible asset for which the revaluation model is applied, until the assets are derecognised or the change in fair value becomes negative.

In 2020, the Group recognised a revaluation reserve of HUF 3,554 million in connection with the revaluation of its own properties.

Other reserve

Other reserve comprises the Bank's income from transaction under common control in the amount of HUF 4,164 million. Income from transaction under common control contains the income from the sale of CIB Investment Fund Ltd during 2013.

In addition to the above other reserve includes proceed received on sale of loan portfolio to the shareholder in amount of HUF 49,137 million. This equity contribution increased the other reserves during 2014.

In 2020, a HUF 1,300 million development reserve was transferred from retained earnings to the tied-up reserve. in order to meet the requirements of the Corporate Tax regulation in connection with the tax advantage connected to renovation of the Bank's Head Office. With the capitalization of the investment in tangible assets implemented in 2021, the full amount of the development reserve was used.

General reserve

Under section 83 of Act No. CCXXXVII of 2013, an amount equal to 10% of net profit after tax must be transferred to a non-distributable general reserve from the retained earnings. If there is a loss in the current financial year, the general reserve may be released insofar as to cover any such losses but is not to exceed the amount set aside in the general reserve.

Reserves classified as capital reserve, revaluation reserve, other reserve and general reserve can not be paid as dividend.

Reserves classified as capital reserve, revaluation reserve, other reserve and general reserve can not be paid as dividend.

(38) Leases (Group as a lessee)

The Bank classified the right-of-use assets to property, land and equipment in the statement of financial position. Breakdown of the leases which are recognised as right-of-use assets:

(million HUF)

ROU assets	Premises (branch)	IT equip-ment	Vehicles	Other	Total
Cost					
Balance at 01/01/2020	**9,423**	**103**	**212**	**60**	**9,798**
Additions	1,287	494	188	4	**1,973**
Disposals	(712)	(98)	(19)	-	**(829)**
Balance at 31/12/2020	**9,998**	**498**	**381**	**64**	**10,942**
Additions	462	167	134	18	**781**
Disposals	(4,675)	(174)	(3)	-	**(4,852)**
Balance at 31/12/2021	**5,785**	**492**	**512**	**82**	**6,871**
Accumulated depreciation					
Balance at 01/01/2020	**845**	**11**	**41**	**8**	**905**
Depreciation for the year	1,040	30	67	10	**1,147**
Disposals	-	(10)	(8)	-	**(18)**
Balance at 31/12/2020	**1,885**	**31**	**100**	**18**	**2,034**
Depreciation for the year	967	271	97	13	**1,348**
Disposals	(153)	(174)	(2)	-	**(329)**
Balance at 31/12/2021	**2,699**	**128**	**195**	**31**	**3,053**
Net book value					
Balance at 31/12/2020	**8,113**	**468**	**285**	**42**	**8,908**
Balance at 31/12/2020	**3,086**	**364**	**317**	**51**	**3,818**

The real estate right-of-use assets are mainly lease of branches. The duration of these contracts are mostly 5 years, with an option for extension. The Group also has several contracts with indefinite maturity. There is no purchase option in the terms of these contracts.

During the year 2021 the significant decrease in the gross value of premises is due to the change in estimates in the rental contract of the flagship branches. The effect of the change in the remaining term reduced the lease liability by HUF 4,564 million.

The vehicle lease contracts mainly have a 5 years duration. When determining the right-of-use, the Group excludes the extension and the purchase option, because the Group do not have an intention to use either of them.

The IT right-of-use assets are typically leased line and server leases. When evaluating the right of use asset, the Group takes into account both the extension and the cancellation options. These contracts do not contain purchase options.

Breakdown of the lease liabilities:

(million HUF)

	31/12/2021		31/12/2020	
	Present value	Interest	Present value	Interest
Maturity with less than 1 year	1,369	16	1,339	54
Maturity between 1 and 5 years	2,469	31	4,689	152
Maturity over 5 years	558	7	3,731	62
Total	**4,396**	**54**	**9,759**	**268**

(38) Leases (Group as a lessee) (continued)

Profit or loss items of the lease contracts:

(million HUF)

	2021	2020
Lease liability interest expense	34	80
Lease payment fees	648	325
from which short-term lease payments	*-*	*1*
from which low-value asset lease payments	*545*	*-*
from which variable lease payments	*104*	*324*

The lease payments in the profit or loss are classified as operating expenses.

The short-term lease payments were closed in previous year. The new vehicle leases are recognised as right-of-use assets and lease liabilities.

Leases related to the leasing of low-value assets include the leasing payments for assets required for banking operations.

A portion of the variable lease payment are IT maintenance related, the rest of the contracts are banking and office operation related leasing.

The value of the future expected liabilities related to leases that are not recognised under lease liabilities is shown in the table below:

(million HUF)

	31/12/2021	31/12/2020
Future liabilities related to short-term lease contracts	-	1
Future liabilities related to variable lease payments	103	324

The cash-flow contains the following outflows from lease payments:

(million HUF)

	2021	2020
Cash outflows from lease liabilities	1,377	1,147
Interest expense related to lease liabilities	34	80
Other lease payments	648	325
from which low-value asset lease payments	*545*	*1*
from which variable lease payments	*104*	*324*

(39) Commitments and contingencies

Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customer's contingent liabilities upon the failure of the customers to perform under the terms of contract. Guarantees and standby letters of credit carry the same credit risk as loans. Credit guarantees can be in the form of bills of exchange or in the form of irrevocable letters of credit, guarantees, and endorsement liabilities from bills rediscounted.

Commitment to extend credit represents contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses.

The amount of long-term financial guarantees and commitments with a remaining maturity over one year is HUF 122,972 million as at 31 December 2020 and HUF 148,585 million as at 31 December 2020, respectively.

The amount of the securities in custody is HUF 1,198,019 million at 31 December 2021 and HUF 1,164,028 million at 31 December 2020, respectively.

(39) Commitments and contingencies (continued)

(million HUF)

31/12/2021	Gross amount	Other liability	Provision
Guarantees	74,444	(342)	-
Letters of credit	3,974	(13)	-
Total financial guarantees	**78,418**	**(355)**	**-**
Commitments	474,862	-	(1,057)
Total	**553,280**	**(355)**	**(1,057)**

(million HUF)

31/12/2020	Gross amount	Other liability	Provision
Guarantees	79,064	(477)	-
Letters of credit	2,866	(22)	-
Total financial guarantees	**81,930**	**(499)**	**-**
Commitments	403,362	-	(2,005)
Total	**485,292**	**(499)**	**(2,005)**

The following tables set out information about the gross carrying amount and the corresponding ECLs in relation to financial guarantees and commitments

(million HUF)

Outstanding exposure	Stage 1	Stage 2	Stage 3	Total
Balance at 01/01/2021	**465,339**	**19,274**	**679**	**485,292**
Increase	1,719,708	124,487	13,368	**1,857,563**
Decrease	(1,658,794)	(118,638)	(13,363)	**(1,790,795)**
Transfers to Stage 1	-	(5,131)	(5)	**(5,136)**
Transfers to Stage 2	5,131	-	82	**5,213**
Transfers to Stage 3	5	(82)	-	**(77)**
Exchange difference	956	414	2	**1,372**
Other adjustments	(152)	-	-	**(152)**
Balance at 31/12/2021	**532,193**	**20,324**	**763**	**553,280**

(million HUF)

ECL	Stage 1	Stage 2	Stage 3	Total
Balance at 01/01/2021	**(1,151)**	**(861)**	**(492)**	**(2,504)**
Allocation	(570)	(146)	(171)	**(887)**
Use	406	409	53	**868**
Reversal	502	428	179	**1.109**
Transfers to Stage 1	-	15	-	**15**
Transfers to Stage 2	(15)	-	1	**(14)**
Transfers to Stage 3	-	(1)	-	**(1)**
Exchange difference	(1)	5	(2)	**2**
Other adjustment	-	-	-	**-**
Balance at 31/12/2021	**(829)**	**(151)**	**(432)**	**(1,412)**

(39) Commitments and contingencies (continued)

(million HUF)

Outstanding exposure	Stage 1	Stage 2	Stage 3	Total
Balance at 01/01/2020	**418,676**	**8,356**	**408**	**427,440**
Increase	1,859,214	117,113	9,682	**1,986,009**
Decrease	(1,815,119)	(114,187)	(9,740)	**(1,939,046)**
Transfers to Stage 1	-	7,775	185	**7,960**
Transfers to Stage 2	(7,775)	-	142	**(7,633)**
Transfers to Stage 3	(185)	(142)	-	**(327)**
Other adjustments	10,528	359	2	**10,889**
Balance at 31/12/2020	**465,339**	**19,274**	**679**	**485,292**

(million HUF)

ECL	Stage 1	Stage 2	Stage 3	Total
Balance at 01/01/2020	**(836)**	**(95)**	**(271)**	**(1,202)**
Allocation	(943)	(830)	(302)	**(2,075)**
Use	171	35	23	**229**
Reversal	477	52	60	**589**
Transfers to Stage 1	-	(22)	-	**(22)**
Transfers to Stage 2	22	-	(1)	**21**
Transfers to Stage 3	-	1	-	**1**
Exchange difference	(21)	(2)	1	**(22)**
Other adjustment	(21)	-	(2)	**(23)**
Balance at 31/12/2020	**(1,151)**	**(861)**	**(492)**	**(2,504)**

(40) Carrying amount of financial assets and liabilities by earlier of contractual repricing or maturity date

(million HUF)

31/12/2021	Current	Under 1 month	From 1 to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest sensitive	Total
Assets								
Cash and current accounts with central bank	36,875	-	-	-	-	-	13,714	**50,589**
Effective interest rates	*2,40*	-	-	-	-	-	-	***1,75***
Securities held for trading	-	5	91	3,270	3,715	2,934	275	**10,290**
Effective interest rates	-	*2,85*	*3,60*	*4,64*	*4,78*	*4,45*	-	***4,50***
Derivative financial assets	-	10,342	24,574	27,116	2,461	2,245	-	**66,738**
Securities mandatorily measured at FVPL	-	-	-	-	-	-	1,758	**1,758**
Financial assets measured at fair value through OCI	-	115,213	-	15,667	143,174	-	2,019	**276,073**
Effective interest rates	-	*4,73*	-	*4,37*	*3,67*	-	-	***4,13***
Loans to banks	16,104	822,805	42,515	23,473	-	-	-	**904,897**
Effective interest rates	-	*3,35*	*4,02*	*2,97*	-	-	-	***3,31***
Loans to customers at AC and FVPL [(1)]	36,630	190,592	229,561	166,315	421,276	181,366	-	**1,225,740**
Effective interest rates	*5,02*	*2,96*	*3,33*	*2,67*	*2,65*	*3,85*	-	***3,07***
Debt securities at amortised cost	-	44,194	27,375	-	85,932	19,944	-	**177,445**
Effective interest rates	-	*3.84*	*2.99*	-	*4.51*	*3.79*	-	***4.03***
Liabilities								
Deposits from banks	3,044	93,792	51,975	31,072	195,968	27,752	-	**403,603**
Effective interest rates	*0,62*	*3,53*	*2,88*	*-0,49*	*0,05*	*-0,05*	-	***1,18***
Deposits from customers	1,524,092	166,036	189,330	27,768	94,547	14,949	-	**2,016,722**
Effective interest rates	*0.20*	*2.15*	*1.91*	*0.74*	*1.47*	*0.50*	-	***0.59***
Derivative financial liabilities	-	5,425	24,425	20,011	2,859	6,600	-	**59,320**
Net repricing gap	**(1,437,527)**	**917,898**	**58,386**	**156,990**	**363,184**	**157,188**	**17,766**	**233,885**

[(1)] Including portfolio hedge adjustment

(40) Carrying amount of financial assets and liabilities at by earlier of contractual repricing or maturity date (continued)

(million HUF)

31/12/2020	Current	Under 1 month	From 1 to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest sensitive	Total
Assets								
Cash and current accounts with central bank	47,545	-	-	-	-	-	17,336	**64,881**
Effective interest rates	*0.60*	-	-	-	-	-	-	***0.44***
Securities held for trading	-	3	225	1,269	591	70	104	**2,262**
Effective interest rates	-	*0.27*	*0.43*	*0.57*	*4.21*	*2.12*	-	***1.53***
Securities mandatorily measured at FVPL	-	6,533	7,389	7,726	2,458	986	-	**25,092**
Derivative financial assets	-	-	-	-	-	-	1,714	**1,714**
Financial assets measured at fair value through OCI	-	61,994	34,665	58,359	148,682	-	1,853	**305,553**
Effective interest rates	-	*0.96*	*0.31*	*0.31*	*0.79*	-	-	***0.68***
Loans to banks	20,097	605,054	70,294	-	-	-	-	**695,445**
Effective interest rates	-	*0.45*	*1.78*	-	-	-	-	***0.57***
Loans to customers at AC and FVPL [(1)]	96,546	266,936	203,740	188,290	304,237	115,038	-	**1,174,787**
Effective interest rates	*2.52*	*1.89*	*2.17*	*1.98*	*2.94*	*3.83*	-	***2.47***
Debt securities at amortised cost	-	44,145	-	7,313	7,378	13,934	-	**72,770**
Effective interest rates	-	*0.80*	-	*2.15*	*7.67*	*1.75*	-	***1.82***
Liabilities								
Deposits from banks	2,069	83,390	60,481	45,910	145,275	17,581	-	**354,706**
Effective interest rates	-	*1.18*	*0.46*	*(0.89)*	*0.24*	*0.00*	-	***0.34***
Deposits from customers	1,377,640	69,235	168,739	16,217	91,165	5,073	-	**1,728,069**
Effective interest rates	-	*0.59*	*1.31*	*0.77*	*1.28*	*1.67*	-	***0.23***
Subordinated debts	-	-	-	10,959	-	-	-	**10,959**
Effective interest rates	-	-	-	*0.46*	-	-	-	***0.46***
Derivative financial liabilities	-	5,623	6,815	10,264	2,263	2,056	-	**27,021**
Net repricing gap	**(1,215,521)**	**826,417**	**80,278**	**179,607**	**224,643**	**105,318**	**21,007**	**221,749**

[(1)] *Including portfolio hedge adjustment*

(41) Carrying amount of assets and liabilities by maturity date

(million HUF)

31/12/2021	Under 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Assets						
Cash and current accounts with banks [(1)]	50,589	-	-	-	-	**50,589**
Securities held for trading	4	12	213	3,975	6,086	**10,290**
Derivative financial assets	1,644	1,787	5,003	31,722	26,582	**66,738**
Securities mandatorily measured at FVPL	-	-	-	-	1,758	**1,758**
Financial assets measured at fair value through OCI	-	-	1,624	206,866	67,583	**276,073**
Loans to banks [(1)]	786,937	538	24,468	92,954	-	**904,897**
Loans to customers at amortised cost and at fair value through profit or loss [(2)]	78,917	28,098	189,444	534,728	394,553	**1,225,740**
Debt securities at amortised cost	-	-	-	157,501	19,944	**177,445**
Intangible assets, property, plant and equipment, repossessed properties	-	-	-	35,780	-	**35,780**
Tax assets	-	-	-	1,408	-	**1,408**
Non-current asset held for sale	-	-	3,732	-	-	**3,732**
Other assets	2,343	-	916	24,955	-	**28,214**
Total assets	**920,434**	**30,435**	**225,400**	**1,089,889**	**516,506**	**2,782,664**
Liabilities						
Deposits from banks	13,589	5,942	32,997	303,382	47,693	**403,603**
Deposits from customers [(2)]	1,650,755	56,669	29,241	251,851	28,206	**2,016,722**
Derivative financial liabilities	1,136	644	8,118	28,914	20,508	**59,320**
Tax liabilities	-	-	-	1,309	-	**1,309**
Other liabilities	7,252	-	729	16,710	-	**24,691**
Provisions for risk and charges	-	-	-	12,126	-	**12,126**
Total liabilities	**1,672,732**	**63,255**	**71,085**	**614,292**	**96,407**	**2,517,771**
Net position	**(752,298)**	**(32,820)**	**154,315**	**475,597**	**420,099**	**264,893**

[(1)] The balance comprises restricted deposits, as the Bank is required to maintain a compulsory reserve set by the National Bank of Hungary, please refer to Note (23).

[(2)] Including portfolio hedge adjustment

(41) Carrying amount of assets and liabilities by maturity date (continued)

(million HUF)

31/12/2020	Under 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Assets						
Cash and current accounts with banks [(1)]	64,881	-	-	-	-	**64,881**
Securities held for trading	3	132	624	1,306	197	**2,262**
Derivative financial assets	5,087	1,387	693	8,783	9,142	**25,092**
Securities mandatorily measured at FVPL	-	-	-	-	1,714	**1,714**
Financial assets measured at fair value through OCI	-	9,547	83,477	201,410	11,119	**305,553**
Loans to banks [(1)]	572,226	2,388	-	105,838	14,993	**695,445**
Loans to customers at amortised cost and at fair value through profit or loss [(2)]	166,289	65,303	177,312	468,598	297,285	**1,174,787**
Debt securities at amortised cost	-	-	-	51,522	21,248	**72,770**
Intangible assets, property, plant and equipment, repossessed properties	-	-	-	45,329	-	**45,329**
Tax assets	-	-	-	1,282	-	**1,282**
Non-current asset held for sale	-	-	86	-	-	**86**
Other assets	2,751	-	745	18,685	-	**22,181**
Total assets	**811,237**	**78,757**	**262,937**	**902,753**	**355,698**	**2,411,382**
Liabilities						
Deposits from banks	11,446	4,960	48,445	266,057	23,798	**354,706**
Deposits from customers [(2)]	1,428,405	28,180	84,755	181,738	5,073	**1,728,151**
Subordinated debts	-	-	10,959	-	-	**10,959**
Derivative financial liabilities	2,792	1,496	624	12,129	9,980	**27,021**
Tax liabilities	-	-	-	1,064	-	**1,064**
Other liabilities	6,999	-	573	23,613	-	**31,185**
Provisions for risk and charges	-	-	-	8,911	-	**8,911**
Total liabilities	**1,449,642**	**34,636**	**145,356**	**493,512**	**38,851**	**2,161,997**
Net position	**(638,405)**	**44,121**	**117,581**	**409,241**	**316,847**	**249,385**

[(1)] *The balance comprises restricted deposits, as the Bank is required to maintain a compulsory reserve set by the National Bank of Hungary, please refer to Note (23).*

[(2)] *Including portfolio hedge adjustment*

(42) Analysis of financial liabilities' gross contractual cash flows by remaining contractual maturities

The following table summarize the maturity profile the Bank's financial liabilities' gross contractual cash flows – together with future interest income - as at 31 December 2021 and 2020. Repayments which are not subject to notice are treated as if notice were to be given immediately.

Carrying amount of the undiscounted financial liabilities is disclosed in the Note (40).

(million HUF)

31/12/2021	Under 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Deposits from banks	13,925	7,007	37,498	320,558	47,719	**426,707**
Deposits from customers	1,650,849	57,263	32,428	252,344	28,218	**2,021,102**
Derivative financial liabilities	1,136	644	8,118	28,914	20,508	**59,320**
Financial guarantees	3,187	6,982	46,306	20,059	1,884	**78,418**
Commitments	63,730	14,042	125,003	102,631	169,456	**474,862**
Total undiscounted financial liabilities	**1,732,827**	**85,938**	**249,353**	**724,506**	**267,785**	**3,060,409**

(million HUF)

31/12/2020	Under 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Deposits from banks	11,588	5,370	50,243	270,515	23,814	**361,530**
Deposits from customers	1,428,415	28,526	85,979	182,465	5,073	**1,730,458**
Subordinated debts	-	-	11,004	-	-	**11,004**
Derivative financial liabilities	2,792	1,496	624	12,129	9,980	**27,021**
Financial guarantees	1,386	4,403	20,497	55,023	621	**81,930**
Commitments	74,681	12,496	112,509	61,421	142,255	**403,362**
Total undiscounted financial liabilities	**1,518,862**	**52,291**	**280,856**	**581,553**	**181,743**	**2,615,305**

Part D Additional information

(43) Related party transactions

Companies (Intesa Sanpaolo Group)

For the purpose of the consolidated financial statements, related parties include all the enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the reporting enterprise (this includes parents, subsidiaries and fellow subsidiaries), associated companies and key management personnel.

Intesa Sanpaolo S.p.A /Italy, Torino/ (ultimate parent) is regarded as a related party that has significant control over the Group.

The Group also has entered into several transactions with companies controlled by Intesa Sanpaolo Group.

The most significant transactions with related parties are loan deposits and derivatives (foreign exchange swap deals and interest rate swap transactions).

All transaction with companies in the Intesa Sanpaolo Group are priced on an arm's length basis and are to be settled in cash.

(million HUF)

	31/12/2021			31/12/2020		
	Parent	ISP Group Compa-nies	Total	Parent	ISP Group Compa-nies	Total
Assets						
Due from banks and due from customers	138,474	845	**139,319**	305,961	538	**306,499**
Financial investments	68	-	**68**	232	-	**232**
Derivative financial assets	48,188	-	**48,188**	15,659	3	**15,662**
Other assets	11,348	38	**11,386**	390	19	**409**
Liabilities						
Due to banks and due to customers	17,258	1,466	**18,724**	40,457	808	**41,265**
Subordinated debts	-	-	**-**	-	10,959	**10,959**
Derivative financial liabilities	50,950	2	**50,952**	16,142	-	**16,142**
Other liabilities	298	128	**426**	1,113	3	**1,116**
Commitments						
Guarantees	1,962	-	**1,962**	116	-	**116**
Loan commitments	59,994	1	**59,995**	59,994	1	**59,995**
Interest rate derivatives	1,649,050	-	**1,649,050**	1,379,619	-	**1,379,619**
Currency derivatives	254,518	2,550	**257,068**	95,984	1,805	**97,789**
Equity derivatives	9,920	-	**9,920**	9,905	-	**9,905**
Net interest income/(expense)	**225**	**(49)**	**176**	**(227)**	**(76)**	**(303)**
Trading and hedge income/(expenses)	**(1,626)**	**(5)**	**(1,631)**	**691**	**1**	**692**
Other operating income/(expense)	**44**	**57**	**101**	**(249)**	**57**	**(192)**
Operating expense	**(1,178)**	**(482)**	**(1,660)**	**(1,386)**	**(226)**	**(1,612)**

(43) Related party transactions (continued)

Significant transactions between related parties

Due from banks and due from customers

The Bank placed short term EUR liquidity at its parent at the end of the year and placed as well long-term HUF deposits at parent bank in 2019-2020 amounting to HUF 94,000 million.

Commitments

The portfolio of loan commitments to the parent is overdraft limit for liquidity management purposes.

Key management personnel

The key management personnel, who have authority and responsibility for planning, directing and controlling the activities of the entity, are the members of the Bank's Management Board and Supervisory Board. They receive conditions generally provided to the employees of the CIB Group.

(million HUF)

Exposures to / from Boards members	31/12/2021	31/12/2020
Assets		
Loans	243	49
Equity instruments	59	166
Liabilities		
Current accounts and deposits	1,050	1,125
Commitments		
Loans and overdraft facilities not disbursed	5	7
Compensation		
Salaries and other short-term benefits including contribution paid on compensation	1,196	980

There is no termination benefit or other long-term employee benefit in place.

There were changes in the Bank's key management members during 2021 and 2020.

(44) Average balances

Averages carrying amounts and average interest rates (where appropriate) are set out in the table below. The amounts are calculated by using a simple average of daily balances for trading instruments and monthly balances for other instruments. The average interest rates disclosed are the weighted average effective yields of interest-bearing financial instruments for the reporting period.

(million HUF)

31/12/2021	Average carrying amount	Average interest rate (%)
Financial assets		
Cash	11,347	0.00
Securities measured at FVPL	6,412	1.83
Financial assets measured at fair value through OCI	304,111	1.55
Loans to banks	804,223	1.38
Loans to customers at AC and FVPL	1,187,564	3.28
Debt securities measured at amortised cost	95,316	1.66
Financial liabilities		
Deposits from banks	396,628	0.90
Deposits from customers	1,759,891	0.29
Lease liabilities	10,342	0.44
Subordinated debts	7,101	0.48

(44) Average balances (continued)

(million HUF)

31/12/2020	Average carrying amount	Average interest rate (%)
Financial assets		
Cash	12,558	0.00
Securities measured at FVPL	5,510	1.86
Financial assets measured at fair value through OCI	348,478	1.29
Loans to banks	547,341	0.67
Loans to customers at AC and FVPL	1,094,454	2.94
Debt securities measured at amortised cost	46,081	1.25
Financial liabilities		
Deposits from banks	342,270	0.74
Deposits from customers	1,485,347	0.28
Lease liabilities	10,554	0.72
Subordinated debts	9,353	0.86

(45) Fair value of financial assets and liabilities

The following tables comprise the book value and the fair value of those financial assets and liabilities, which are not presented at fair value in the consolidated statement of financial position.

(million HUF)

31/12/2021	Variable rate instruments		Fix rate instruments	
	Book value	Fair value	Book value	Fair value
Financial assets				
Loans to banks	132,032	129,435	772,594	772,844
Loans to customers	753,703	757,423	397,403	380,291
Debt securities at amortised cost	177,445	172,978	-	-
Financial liabilities				
Deposits from banks	139,069	143,121	264,534	248,907
Deposits from customers	1,704,256	1,691,040	314,714	309,382

(million HUF)

31/12/2020	Variable rate instruments		Fix rate instruments	
	Book value	Fair value	Book value	Fair value
Financial assets				
Loans to banks	152,082	144,659	543,363	543,525
Loans to customers	793,654	794,288	320,703	317,900
Debt securities at amortised cost	72,770	74,197	-	-
Financial liabilities				
Deposits from banks	137,599	141,242	217,107	216,588
Deposits from customers	1,537,587	1,538,336	190,482	189,743
Subordinated debts	10,959	11,057	-	-

(45) Fair value of financial assets and liabilities (continued)

Where available, the fair value of financial instruments is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. The Group discounts the cash-flows using the exchange rate swap yield curve and adds a client/deal level risk premium. The discounting is based on the cash-flows assembled by the deal conditions.

For financial assets measured at amortised cost, fair value is the market price or quoted exchange rate at the reporting date.

The fair value of deposits on demand is the amount payable at the reporting date.

The fair value of deposits from banks and customers is estimated using discounted cash flows.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: inputs that are quoted marked prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Unobservable input is used for instruments with conditions not closely connected to active markets.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

(million HUF)

31/12/2021	Level 1	Level 2	Level 3	Total
Financial assets				
Securities held for trading	9,922	368	-	**10,290**
Trading derivative financial instruments	-	50,370	-	**50,370**
Securities measured at MFVPL	59	1,699	-	**1,758**
Loans to customers measured at MFVPL	-	-	80,245	**80,245**
Financial assets measured at FVOCI	261,044	14,914	115	**276,073**
Hedging derivative financial instruments	-	16,368	-	**16,368**
Financial liabilities				
Trading derivative financial instruments	-	42,222	-	**42,222**
Hedging derivative financial instruments	-	17,098	-	**17,098**

(million HUF)

31/12/2020	Level 1	Level 2	Level 3	Total
Financial assets				
Securities held for trading	936	1,326	-	**2,262**
Trading derivative financial instruments	-	23,704	-	**23,704**
Securities measured at MFVPL	166	1,548	-	**1,714**
Loans to customers measured at MFVPL	-	-	56,847	**56,847**
Financial assets measured at FVOCI	301,295	4,148	110	**305,553**
Hedging derivative financial instruments	-	1,388	-	**1,388**
Financial liabilities				
Trading derivative financial instruments	-	17,853	-	**17,853**
Hedging derivative financial instruments	-	9,168	-	**9,168**

During 2021, there was no realignment between levels 1 and 2, nor was there any other transfer to valuation level 3.

In 2020, VISA Series A shares were transferred from Level 2 to Level 1 because a review during the year found that the Series A preference shares are convertible into non-preference, ordinary Series A shares, which include available market price, so the two shares have the same quoted price and need to be classified as Level 1 in accordance with IFRS 13.

(45) Fair value of financial assets and liabilities (continued)

The following table shows an analysis of financial instruments not measured at fair value by level of the fair value hierarchy:

(million HUF)

31/12/2021	Level 1	Level 2	Level 3	Total fair value	Total book value
Financial assets					
Cash and current account with central banks	50,589	-	-	**50,589**	**50,589**
Loans to banks	-	-	902,279	**902,279**	**904,897**
Loans to customers at amortised cost	-	-	1,137,714	**1,137,714**	**1,151,106**
Debt securities at amortised cost	113,868	59,110	-	**172,978**	**177,445**
Financial liabilities					
Deposits from banks	-	-	392,029	**392,029**	**403,603**
Deposits from customers	-	-	2,000,423	**2,000,423**	**2,018,970**

(million HUF)

31/12/2020	Level 1	Level 2	Level 3	Total fair value	Total book value
Financial assets					
Cash and current account with central banks	64,881	-	-	**64,881**	**64,881**
Loans to banks	-	-	688,184	**688,184**	**695,445**
Loans to customers at amortised cost	-	-	1,112,188	**1,112,188**	**1,114,357**
Debt securities at amortised cost	18,342	55,854	-	**74,196**	**72,770**
Financial liabilities					
Deposits from banks	-	-	357,830	**357,830**	**354,706**
Deposits from customers	-	-	1,728,079	**1,728,079**	**1,728,069**
Subordinated debts	-	-	11,057	**11,057**	**10,959**

(46) Business combinations

There was no business combination in 2021 nor in 2020.

(47) Events after the reporting period

There was no significant adjusting or non-adjusting event after the reporting period.

Part E Information on risks

(48) Risk management

Risk is inherent in the Group's activities, but it is carefully managed through a process of ongoing identification, measurement and monitoring, subject to prudent risk limits and strong control. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The most significant risks to which the Group is exposed are credit-, operational-, liquidity- and market risk, including interest rate, foreign exchange risks and other price risk.

The Management Board of the Bank is responsible to define risk management strategies in line with the expectations of the international and local Supervisory Authorities and regulatory framework and Intesa Sanpaolo S.p.A. The Management Committees of the Bank implement the execution of these policies. Independent Risk Assumption and Risk Management Committee provides independent risk supervision over the internal risk controls and management information systems.

Credit policies department within the Chief Risk Officer area is responsible for implementing and maintaining risk related procedures to ensure an independent control process. Bank Treasury is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and manages daily liquidity of the Bank. Activity of Treasury is supervised on a daily basis by the Market Risk Department and strategic Asset-Liability Management decisions are made by Assets and Liabilities Committee.

Risk management processes throughout the Bank are audited annually by the internal audit function that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal audit discusses the results of all assessments with management. Risk management framework is also comprehensively examined yearly by the National Bank of Hungary in the course of the Supervisory Review and Evaluation Process.

The Group has established reporting systems, which permit the continuous monitoring of risk exposures. The risks are measured and quantified according to different methods, both statistical and non-statistical. Each method is based on different levels of uncertainty. The combination of methods makes it possible for the Group to assess the behaviour of its exposure in different risk scenarios in order to capture all the aspects of the risk. This reflects both the expected loss likely to arise in normal circumstances and unexpected loss, which is an estimate of the ultimate actual loss based on statistical models.

As part of its overall risk management, the Group uses derivative transactions to hedge financial risk to manage interest rate, foreign exchange risk and other risk transfer methodologies to minimize the loss on credit risks and other unforeseen operational and market events. The Group actively uses collaterals to reduce its credit risks.

(a) Credit risk

Credit risk is the risk that a customer or counter party will be unable or unwilling to meet a commitment that they have entered into with the Group. It arises from lending, trade finance, treasury and other activities undertaken by the Group. Credit risk on loans and receivables is managed by the Management Board through the Credit Committee, the Credit Risk Governance Committee and the Problem Asset Committee, which establish credit regulations including the approval processes, discretionary credit limits, standards for the measurement of credit exposures, risk ratings of clients and assessments of management quality and financial performance.

Each significant outstanding loan is reviewed at least monthly. Loans are classified based on a point rating system, which incorporates qualitative and quantitative factors.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the Statement of Financial Position. Credit risk on trading instruments is managed by the Management Board through the Assets and Liabilities Committee. The Group maintains strict control on open net positions, i.e. the difference between purchase and sale contracts, by both amount and term.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The transfers of financial assets between the stages are „symmetrical". This means that just as in the presence of a significant increase in credit risk, an asset must be transferred to stage 2, if subsequently its credit quality returns to being no longer significantly worse than measured at the time of initial recognition of the asset, the financial instrument can be transferred back to stage 1. The metrics used by the Group that determine „improvements" – i.e. transitions from stage 2 to stage 1 – must be the same (in terms both of variables observed and of change in the variables chosen) identified to determine „worsening".

(48) Risk management (continued)

Any occurrence of a „significant increase in credit risk" (and hence transfer to stage 2) must be measured not by reference to the overall debtor, but to each individual exposure pertaining to the same counterparty.

Determination of the expected credit loss is always performed after measurement of the risk level with respect to initial recognition of the instrument. The Group compares the risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information. The drivers to identify the actual occurrence of a significant increase in credit risk on a performing exposure are the following:

- increase in the lifetime probabilities of default
- the existence of the past due position of more than 30 days
- the granting of forbearance measures to the performing debtor

According to IFRS 9, the concept of "low credit risk" can include exposures having investment grade rating, without being limited to them. For an instrument to have "low credit risk" it is not necessary to have received an external rating. The instrument may be rated by means of the Group's internal rating methodologies, provided its assessment in line with the generally accepted definition of "low credit risk". The Group decided not to make a general use of the "low credit risk" exemption, i.e. simplification that permits to assume that instruments with "low credit risk" have not undergone a significant increase in credit risk since origination and thus can automatically be included in Stage 1.

The Group uses ratings and a master scale to determine a significant increase in credit risk. These ratings are determined based on an internal model. If the rating cannot be decided on the basis of the internal model, the so-called benchmark probability of default is established.

The Group sets a threshold for its significant growth. This threshold is determined based on simulations, forecasts, and historical data. Separate specific thresholds are set for retail, SME, corporate and large corporate sectors. Thresholds have been set adequately reflect when a loan needs to be classified in Stage 2, but if the loan performs well, it can return to Stage 1.

The Group measures the impairment of non-performing (Stage 3) exposures in two different ways: by statistical measurement for exposures below HUF 75 million or € 250,000 where the Group calculates impairment from internal models or based on estimated parameters, or applies individual impairment calculation where the client-level exposure is above the mentioned threshold.

A default is considered to exist if the borrower encounters a payment difficulty of more than 90 days, if the client wishes to settle repayment out of court, if its credit quality indicators deteriorate significantly, if future cash flows are not expected to fully cover the debt to the Group, if there is a severe decline in the customer's business, or if the exposure is either partially or fully written off and the loan is sold.

In relation to non-performing exposures, a component linked to the most likely and downside scenarios expected over the period of the next three years is considered in addition to a component linked to current economic conditions. In fact, as required by IFRS 9, the effects of the forward-looking scenario on LGD estimates pegged to the current conditions must also be considered. The forward-looking scenario component is aimed at capturing the non-linearity of the relationship between the macroeconomic variables and ECL measurement, by analysing the forecast uncertainty of the variables used for the preparation of the most likely scenario. It is based on the methodological framework that it is used for performing loans but ignores the upside scenario from prudential perspective and only considers the average downside and most-likely scenarios over the period of the next three years.

Due to the moratoria, the definition of default was revised by the Group is 2020, and the loans are no more classified to non-performing portfolio automatically, but in all cases, the backgrounds of the indicators are investigated.

For the identification of non-performing transactions and the determination of impairment for the loans is crucial for the Group to have adequate forward-looking information. For this purpose, the Group also prepares various macroeconomic and transaction-level forecasts and scenarios in accordance with the requirements of IFRS 9.

In line with Intesa Sanpaolo Group's best practice, the Group used its own models to calculate the forward-looking component of IFRS9, both in determining the macroeconomic scenario and in forecasting the default rate. The Bank uses the same tools and logic as the annual ICAAP stress test methodology. In 2020, in view of the epidemic situation, CIB Group revised the IFRS9 calculation twice and compared its own macroeconomic variables with the NHB's macro variables, and at the end of the year calculated the numerical difference in impairment / provisioning following the NHB's circular recommendation.

(48) Risk management (continued)

In the epidemic situation, in addition to the revision of IFRS9, risk management developed new measurement frameworks for customers under the moratoria in different segments to properly monitor credit risk growth and then formed an additional provision in Stage 2 as a management overlay. With these new frameworks, the Bank estimated from month to month which customers would have a payment problem after the moratoria expired. The Bank examined in which sector the given client worked, how his willingness to pay and save changed during the moratoria, whether his indebtedness may have increased, how his account turnover decreased, using also the pre-moratorial client behaviour statistics.

In 2020, Risk Management reviewed the segmentation process and developed a new methodology that is in line with regulations. CIB Group intends to apply the new regulatory segmentation method uniformly when calculating the first pillar (with the related features of the STD approach) and the second pillar capital requirements, credit and debt rating processes, reporting, modelling processes and provisioning.

Credit claim may be partially or fully written off and removed from on balance sheet, even without waving entirely the claim, as long as legal proceedings have not been completed and even very low possibility of recovery remains. The write-off can only involve the portion of the loan covered by provisions and, therefore, each loan can only be written off up to the amount of its net book value. In order to accelerate the write-off of loans whose possibility of recovery is deemed marginal, on a periodic basis (at least every six month) portfolios of bad loans are defined to be subject to total or partial write-offs if bearing the following macro-characteristics:

- percentage coverage >95%
- vintage (understood as the period of time in “bad loan” status) > 5 years or >8 years, respectively, for non-mortgage and mortgage loans.

The methodological framework for estimating the risk parameters used to calculate ECL is based on the reference framework for the development of AIRB international models and the other risk metrics used for management purposes. The internal rating systems provide the basis for development of the IFRS 9 models. These internal systems have been adapted to align them with the requirement of the Standard. Indeed, determination of the risk parameters is based on point in time approach able to incorporate all available information, including forward-looking data. The methodology applied to develop the EAD model is based on a fixed time lag of 12 months in order to estimate the share of available margins that will be used in case of default.

In the Stage 1 category, the ECL is calculated by the Bank estimating a 1-year PD and LGD forecast and default exposure (EAD) at the beginning of the observation period. In Category 2, Stage calculates the life expectancy loss based on the remaining maturity. In the Stage 3 category, it adds an add-on parameter to the non-performing LGD forecast.

In determining the PD and LGD credit risk parameters, the Bank uses the basic + add-on approach, in line with the best practice of the Intesa Sanpaolo Group, where the add-on is based on the distance between pessimistic and optimistic scenarios. On the PD side, the estimated TTC matrix based on past data is skewed according to the Merton-Vasics methodology to fit the predicted default scenario rate, and then the estimated one-year and lifetime PD parameter was determined using these matrixes. In determining the LGD parameter, the Bank does not use a macroeconomic model, but uses the EBA stress test coefficients to rescale its own long-term LGD estimate, where the EBA stress test coefficients are determined according to each macroeconomic scenario.

There were no offsetting of assets and liabilities neither in 2021, nor in 2020.

The tables on the following pages show the maximum exposure to credit risk (net carrying amount) by class of financial asset.

(48) Risk management (continued)

(million HUF)

31/12/2021	Maximun exposure to credit risk	Maximum amount of the collateral or guarantees that can be considered							Exposure not guaranteed	Associated ECL
		Residential immovable property	Commercial immovable property	Cash, deposits	Movable property	Equity and debt securities	Rest	Financial guarantees received		
Cash and current account with central banks	50,589	-	-	-	-	-	-	-	50,589	-
Loans to banks	904,897	-	-	-	-	-	-	19,000	885,897	583
Loans to customers	1,151,106	300,920	128,202	21,982	83,476	28,858	18,197	114,167	455,304	37,884
of which General governments	*41,854*	-	*542*	-	*12*	-	-	-	*41,300*	*425*
of which Other financial corporations	*39,291*	*474*	*1,718*	-	*15*	-	-	*17,026*	*20,058*	*389*
of which Non-financial corporations	*604,686*	*2,921*	*115,844*	*21,232*	*62,617*	*2,186*	*18,003*	*95,123*	*286,760*	*17,073*
of which Households	*465,275*	*297,525*	*10,098*	*750*	*20,832*	*26,672*	*194*	*2,018*	*107,186*	*19,997*
Debt securities	177,445	-	-	-	-	-	-	-	177,445	-
Total financial assets at amortised cost	**2,284,037**	**300,920**	**128,202**	**21,982**	**83,476**	**28,858**	**18,197**	**133,167**	**1,569,235**	**38,467**
Derivatives financial instruments	66,738	-	-	-	-	-	-	-	66,738	-
Securities held for trading	10,290	-	-	-	-	-	-	-	10,290	-
Financial assets mandatorily measured at fair value	82,003	12,258	966	-	12	-	-	63,728	5,039	-
Financial assets measured at fair value through profit or loss	**159,031**	**12,258**	**966**	**-**	**12**	**-**	**-**	**63,728**	**82,067**	**-**
Financial assets measured at fair value through other comprehensive income	**276,073**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**276,073**	**-**
Total financial assets	**2,719,141**	**313,178**	**129,168**	**21,982**	**83,488**	**28,858**	**18,197**	**196,895**	**1,927,375**	**38,467**
Financial guarantees	74,102	511	5,136	5,438	139	1,005	-	5,568	56,305	342
Letters of credit	3,961	137	464	-	-	-	-	-	3,360	13
Commitments	473,805	4,176	9,074	21,150	1,053	309	3,791	50,466	383,786	1,057
Total commitments and contingencies	**551,868**	**4,824**	**14,674**	**26,588**	**1,192**	**1,314**	**3,791**	**56,034**	**443,451**	**1,412**

(48) Risk management (continued)

(million HUF)

31/12/2020	Maximun exposure to credit risk	Maximum amount of the collateral or guarantees that can be considered							Exposure not guaranteed	Associated ECL
		Residen-tial immov-able property	Commer-cial immovable property	Cash, deposits	Movable property	Equity and debt securities	Rest	Financial guarantees received		
Cash and current account with central banks	64,881	-	-	-	-	-	-	-	64,881	-
Loans to banks	695,445	-	-	-	-	-	-	-	695,445	320
Loans to customers	1,114,357	248,972	108,870	10,676	78,921	26,120	22,489	92,850	525,459	35,998
of which General governments	*90,640*	*-*	*453*	*-*	*12*	*-*	*-*	*-*	*90,175*	*604*
of which Other financial corporations	*28,133*	*587*	*769*	*21*	*2*	*-*	*-*	*12,261*	*14,493*	*554*
of which Non-financial corporations	*592,193*	*2,809*	*97,998*	*10,135*	*56,584*	*2,101*	*22,204*	*78,437*	*321,925*	*19,766*
of which Households	*403,391*	*245,576*	*9,650*	*520*	*22,323*	*24,019*	*285*	*2,152*	*98,866*	*15,074*
Debt securities	72,770	-	-	-	-	-	-	-	72,770	175
Total financial assets at amortised cost	**1,947,453**	**248,972**	**108,870**	**10,676**	**78,921**	**26,120**	**22,489**	**92,850**	**1,358,555**	**36,318**
Derivatives financial instruments	25,092	-	-	-	-	-	-	-	25,092	-
Securities held for trading	2,262	-	-	-	-	-	-	-	2,262	-
Financial assets mandatorily measured at fair value	58,561	8,282	892	-	13	-	-	44,793	4,581	-
Financial assets measured at fair value through profit or loss	**85,915**	**8,282**	**892**	**-**	**13**	**-**	**-**	**44,793**	**31,935**	**-**
Financial assets measured at fair value through other comprehensive income	**305,553**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**305,553**	**-**
Total financial assets	**2,338,921**	**257,254**	**109,762**	**10,676**	**78,934**	**26,120**	**22,489**	**137,643**	**1,696,043**	**36,318**
Financial guarantees	78,587	406	4,143	6,352	150	995	-	3,012	63,529	477
Letters of credit	2,844	71	388	4	-	-	-	-	2,381	22
Commitments	401,357	3,354	5,071	1,625	2,325	184	2,373	34,074	352,351	2,005
Total commitments and contingencies	**482,788**	**3,831**	**9,602**	**7,981**	**2,475**	**1,179**	**2,373**	**37,086**	**418,261**	**2,504**

(48) Risk management (continued)

The following table presents the Group's loans and advances to customers before taking into account any collateral held or other credit enhancement broken down by the relevant geographical areas:

(million HUF)

	31/12/2021	31/12/2020
Hungary	1,175,839	1,154,666
Euro Zone countries	21,353	21,285
EU - non-Euro Zone countries	36,119	31,025
Other regions	35,924	225
Total	**1,269,235**	**1,207,201**

An industry sector analysis of the Group's financial assets, before taking into account collateral held or other credit enhancements is provided in Note (24).

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities.
- For commercial lending, mortgage pledges over real estate properties, inventory and trade receivables.

The Group also obtains guarantees from parent companies for loans to their subsidiaries. The Group monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses and requests if necessary additional collateral in accordance with the underlying agreement.

Effect of Credit Risk Mitigation on the exposure to credit risk:

(million HUF)

	31/12/2021	31/12/2020
Financial collateral	(40,971)	(84,932)
Guarantees	(209,799)	(141,230)
Total	**(250,770)**	**(226,162)**

The Group assesses the loans with internal rating system, which differentiates the quality of non-overdue loans. The table below shows the credit quality of the loans and advances to customers excluding allowances based on the Group's credit rating system.

(million HUF)

Gross carrying amount 31/12/2021	Stage 1 Collec-tive	Stage 2 Collec-tive	Stage 3 Indi-vidual	Stage 3 Collec-tive	POCI assets	Meas-ured at FVPL	Total
Performing loans							
A – Excellent	43,893	24	-	-	1	250	**44,168**
B – Stable	467,177	51,480	-	-	3,530	39,677	**561,864**
C – Acceptable	420,047	67,779	-	-	3,216	36,385	**527,427**
D – High Risk	51,821	29,050	-	-	244	2,758	**83,873**
Other	7,312	357	-	-	-	986	**8,655**
Total performing loans	**990,250**	**148,690**	**-**	**-**	**6,991**	**80,056**	**1,225,987**
Non-performing loans							
Corporate loans	-	-	20,356	4,228	1,971	-	**26,555**
Retail loan	-	-	575	13,053	2,876	189	**16,693**
Total non-performing loans	**-**	**-**	**20,931**	**17,281**	**4,847**	**189**	**43,248**

(48) Risk management (continued)

(million HUF)

Gross carrying amount 31/12/2020	Stage 1 Collec-tive	Stage 2 Collec-tive	Stage 3 Indi-vidual	Stage 3 Collec-tive	POCI assets	Meas-ured at FVPL	Total
Performing loans							
A – Excellent	83,712	15,822	-	-	1	290	**99,825**
B – Stable	419,873	22,165	-	-	2,714	31,723	**476,475**
C – Acceptable	328,258	58,699	-	-	2,402	22,393	**411,752**
D – High Risk	75,974	31,370	-	-	248	1,244	**108,836**
Other	56,417	6,216	-	-	898	1,061	**64,592**
Total performing loans	**964,234**	**134,272**	**-**	**-**	**6,263**	**56,711**	**1,161,480**
Non-performing loans							
Corporate loans	-	-	24,533	3,294	1,238	-	**29,065**
Retail loan	-	-	451	11,864	4,205	136	**16,656**
Total non-performing loans	**-**	**-**	**24,984**	**15,158**	**5,443**	**136**	**45,721**

The „Other" rating refers to clients, which were assessed with not the latest, but a previous rating model.

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. These facilitates focused on management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The attributable risk ratings are assessed and updated regularly.

Thanks to portfolio cleaning efforts the credit quality of the portfolio started to improve in the previous periods and the positive tendency reflected in declining NPL volumes and improving cost of risk.

The table below shows the credit quality of the due from banks portfolio, based on the external rating system.

(million HUF)

	AAA/ AA-	A+/ A-	BBB+/ BBB-	BB+/ BB-	B+/ B-	Less than B-	Not rated	Total
31/12/2021	105	4,233	164,427	-	13	-	736,119	**904,897**
31/12/2020	1,275	2,410	310,129	528	260	-	380,843	**695,445**

The not rated category also includes outstanding exposures to the National Bank of Hungary with a balance of HUF 726,591 million at 31 December 2021 and HUF 369,263 million at 31 December 2020. The National Bank of Hungary is not rated as a customer but is rated BBB+ category based on the country risk rating.

The table below shows the aging analysis of past due but not individually impaired loans by segment.

(million HUF)

31/12/2021	Under 1 month	31 to 60 days	61 to 90 days	Over 91 days	Total
Corporate loans	18,573	973	51	156	**19,753**
Retail loan	11,289	2,765	671	397	**15,122**
Total	**29,862**	**3,738**	**722**	**553**	**34,875**

(million HUF)

31/12/2020	Under 1 month	31 to 60 days	61 to 90 days	Over 91 days	Total
Corporate loans	10,873	96	160	194	**11,323**
Retail loan	9,628	1,324	596	286	**11,834**
Total	**20,501**	**1,420**	**756**	**480**	**23,157**

(48) Risk management (continued)

Of the total aggregate amount of gross past due but not individually impaired loans and advances to customers, the liquidation value of collateral that the Group held as at 31 December 2021 is HUF 6,484 million and HUF 5,780 million as at 31 December 2020.

In the case of individually insignificant loans, a collective (portfolio-based) assessment is performed. Historical portfolio losses are taken into account as a key factor in determining collective impairment.

Collective impairment is determined based on the probabilistic bankruptcy probability modeled in accordance with the IFRS9 framework and the loss rate at default. Changes in gross carrying amount, and thus the volume of financial instruments themselves, may affect the change in recognised impairment.

The credit risk of derivative clients is determined on a counterparty basis for the entire duration of the exposure.

(b) Liquidity risk

Liquidity risk is defined as the risk that the Group will not be able to meet its payment obligations due to its inability to obtain funds on the market (funding liquidity risk) or to liquidate its assets (market liquidity risk).

The Management Board is responsible for maintaining an adequate level of liquidity and for defining control policies and management processes relating to the specific risk profile. Assets & Liabilities Management Committee monitors the implementation of the Liquidity Policy of the Bank and delegates day-to-day activities to the most appropriate offices and departments of the Bank. In the day-to-day liquidity management, the Head of Treasury and ALM is responsible for implementing the liquidity strategy and maintaining adequate liquidity within the limits described below. The Financial and Market Risk Management Department measures and monitors the liquidity position and controls liquidity limits on a daily basis and is also in charge of reporting to the management bodies and to the Parent Company liquidity positions and compliance with limits.

The key elements of the Group's liquidity strategy are as follows:

- continuous respect of regulatory liquidity ratios
- improve Structural Liquidity Position through matched funding (from shareholder or market driven)
- focused approach to short-term, medium-term, long-term product definitions in each business line

Through active participation in monetary and financial markets, the Treasury and ALM ensures integrated management of the Bank's liquidity in local currency as well as in foreign currencies; optimizes the liquidity portfolio, guaranteeing efficient collateral management; and with regard to the other CIB group companies, the Treasury and ALM coordinates and facilitates intragroup cash flows, favouring organized, efficient development in compliance with internal and external regulations. It also acts to resolve any liquidity imbalances of the subsidiaries, in cooperation with the Financial and Market Risk Management Department, promoting all operating activities deemed suitable to return or keep the subsidiaries within the limits set forth by internal or external rules.

The Liquidity Policy includes to the Contingency Funding Plan where the strategies for addressing liquidity shortfalls in emergency situations are defined, together with the liquidity early warning system in operation.

The liquidity ratio is calculated as the ratio of liquid assets to total assets where liquid assets consists of cash, nostro account balances, 30-days interbank position and bonds with maximum 30-day remaining maturity, which are categorized by the National Bank of Hungary as eligible for its repo facility.

In addition to the liquid assets of the liquidity ratio, the Group also has an EUR 700 million equivalent short-term (below 18 month) uncommitted multi currency credit line with the Parent Company.

The liquidity ratio during the year was as follows:

Liquidity ratio (1)	31/12/2021	31/12/2020
31 December	29.7%	30.9%
Daily average during the period	30.5%	24.8%
Highest	33.9%	32.1%
Lowest	26.2%	19.9%

(1) The liquidity of the Group depends on the Bank stand-alone liquidity; the above table includes the CIB Bank only liquidity ratios.

The maturity profile of the Group's financial liabilities at the end of the year is presented in Note (42).

The COVID-19 pandemic did not have a negative impact on the Group's liquidity. The loan-to-deposit ratio was very favourable at 60.8% at the end of the year in the terms of liquidity (68.0% in 2020).

Due to the loan repayment moratoria introduced as a part of government measures, the Group rescheduled capital and interest payments to its customers in 2021 In the amount of approximately HUF 29,376 million (HUF 74,100 million in 2020).

(48) Risk management (continued)

(c) Market risk - Trading

Market risk is the risk of loss due to fluctuations in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios. The market risk for the trading portfolio is managed and monitored through applying methodology that reflects the interdependency between risk variables.

The market risk for the trading portfolio is managed and monitored based on a VaR (Value at Risk) methodology. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

The Group uses simulation models to assess possible changes in the market value of the trading portfolio based on historical data from previous years. The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The factors of the distribution are calculated by using exponentially weighted historical data. The use of VaR has limitation because it is based on historical correlation and volatilities in market prices and assumes that future price movements will follow a statistical distribution.

Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under – or over-estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments.

Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

Since VaR is an integral part of the Group's market risk management, VaR limits have been established for all trading operations with separate limit amounts for foreign exchange, interest rate, equity and total VaRs. Exposures are reviewed daily against the limits by management.

(million HUF)

VaR 2021 [1]	Foreign exchange	Interest rate	Equity	Correla-tion effect	Total
31 December	17	30	0	(18)	**30**
Daily average during the period	14	48	0	(13)	**51**
Highest	42	137	8	4	**133**
Lowest	3	9	0	(55)	**18**

(million HUF)

VaR 2020 [1]	Foreign exchange	Interest rate	Equity	Correla-tion effect	Total
31 December	11	10	0	(9)	**12**
Daily average during the period	16	60	0	3	**63**
Highest	63	176	10	114	**176**
Lowest	2	3	0	10	**10**

[1] *As the market risk trading book is managed at the Bank level, the tables include the amounts on a Bank level basis.*

In addition to the VaR limits, position and stop-loss limits have been set up in line with the internal regulations of Intesa Sanpaolo Group.

Position limits enables the monitoring of exposures real time, and as a robust measurement technique, can be relied upon in case of error in the VaR model. Separate position limits and sub-limits are in place for foreign exchange, equity and interest rate positions.

Stop-loss limits are designed to control the downside movement of the profit and loss in a particular position. Separate stop-loss limits have been established both on a month-to-date and year-to-date horizon for the individual Treasury desks.

(48) Risk management (continued)

(d) Market risk – Non-trading

Interest rate risk– Non-trading

Interest rate risk is measured by the extent to which changes in market interest rates impact on equity and on net interest income. Gaps in the value of assets, liabilities and off-balance sheet instruments that mature or reprice during a given period generate interest rate risk. The Group reduces this risk by matching the repricing of assets and liabilities using pricing/maturity techniques, including the use of derivative products.

Interest rate risk is managed by the Treasury in the Group day-to-day operation supervised by the senior management, by Risk Management, and by the Parent Company. Risk tolerance limitation and the related policy are set by the Bank's Management Board. On the tactical horizon, interest risk is managed by the Financial Risk Committee, which proposes position and sensitivity limits, and monitors such limits to restrict the effect of movements in interest rates on current earnings and on the value of interest sensitive assets and liabilities.

The following table demonstrates the sensitivity of the statement of profit or loss and other comprehensive income to a reasonable possible change in interest rates, with all other variables held constant.

The sensitivity of equity economic value is calculated on the changes of the net present value (NPV) of all non-trading financial assets, liabilities and derivatives on 31 December 2021 on the basis of the effects of standard shock scenarios.

The sensitivity of the net interest income is the effect of the standard shock scenarios on the net interest income within one-year time horizon, based on the floating and fixed rate non-trading financial assets and financial liabilities and derivative instruments as of 31 December 2021. The Group uses for the sensitivity calculations NPV calculations with admitting negative value on interest rates for the year 2021.

A threshold of zero is implemented in the calculation for those cases when the decrease of basis points would indicate a negative interest income. This method amends the symmetry of the sensitivity analysis.

(million HUF)

2021	Shock scenarios in basis points (+)	Sensitivity of net interest income	Sensitivity of equity				
			Under 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
HUF	+100	**7,406**	34	(484)	(2,121)	1,106	**(1,465)**
EUR	+100	**1,381**	(68)	76	519	679	**1,206**
USD	+100	**337**	35	27	170	21	**253**
CHF	+100	**22**	(13)	3	(10)	(31)	**(51)**
Other	+100	**(28)**	2	1	2	3	**8**

(million HUF)

2021	Shock scenarios in basis points (-)	Sensitivity of net interest income	Sensitivity of equity				
			Under 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
HUF	(100)	**(7,189)**	(34)	495	2,285	(1,262)	**1,484**
EUR	(100)	**(1,572)**	40	(46)	(319)	(588)	**(913)**
USD	(100)	**(341)**	(36)	(28)	(177)	(24)	**(265)**
CHF	(100)	**(11)**	5	(1)	13	22	**39**
Other	(100)	**19**	(2)	(1)	(2)	(3)	**(8)**

(48) Risk management (continued)

(million HUF)

2020	Shock scenarios in basis points (+)	Sensitivity of net interest income	Sensitivity of equity				
			Under 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
HUF	+100	**6,811**	(319)	(207)	244	915	**633**
EUR	+100	**1,549**	(112)	199	669	592	**1,348**
USD	+100	**60**	(21)	7	16	15	**17**
CHF	+100	**47**	(10)	23	(25)	(43)	**(55)**
Other	+100	**(21)**	0	1	2	3	**6**

(million HUF)

2020	Shock scenarios in basis points (-)	Sensitivity of net interest income	Sensitivity of equity				
			Under 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
HUF	(100)	**(7,139)**	319	207	(244)	(915)	**(633)**
EUR	(100)	**(1,605)**	112	(199)	(669)	(592)	**(1,348)**
USD	(100)	**(297)**	21	(7)	(16)	(15)	**(17)**
CHF	(100)	**(1)**	10	(23)	25	43	**55**
Other	(100)	**(10)**	0	(1)	(2)	(3)	**(6)**

Foreign exchange risk– Non-trading

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in FX rates.

The Group has assets and liabilities, both on and off-balance sheet, denominated in various foreign currencies. Foreign exchange risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

Any non-trading foreign exchange risk is transferred through internal hedges to trading book and is therefore reflected and managed via the value-at-risk figures in the trading books described under section (c) Market risk – Trading, with the exception of strategic and residual foreign FX positions.

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonable possible changes in exchange rates, with all other variables held constant:

(million HUF)

2021	Sensitivity of net income			
	EUR	USD	CHF	Total
5% strengthening of currencies vs. HUF	(72)	6	(3)	**(69)**
5% weakening of currencies vs. HUF	72	(6)	3	**69**

(million HUF)

2020	Sensitivity of net income			
	EUR	USD	CHF	Total
5% strengthening of currencies vs. HUF	(19)	(6)	(21)	**(46)**
5% weakening of currencies vs. HUF	19	6	21	**46**

Changes in exchange rates does not have any effect on equity.

(48) Risk management (continued)

The currency structure of the Group's financial assets, liabilities as follows:

(currency equivalents in million HUF)

31/12/2021	HUF	EUR	CHF	USD	Other	Total
Cash and current account with central banks	49,063	1,212	47	188	79	**50,589**
Securities held for trading	10,259	19	-	12	-	**10,290**
Securities measured at MFVPL	-	59	-	1,699	-	**1,758**
Securities measured at FVOCI	258,576	3,861	-	13,636	-	**276,073**
Loans to banks	855,143	43,625	137	4,137	1,855	**904,897**
Loans to customers at amortised cost and at fair value through profit or loss	897,579	271,485	10,172	52,115	-	**1,231,351**
Debt securities at amortised cost	133,556	16,514	-	-	27,375	**177,445**
Total financial assets	**2,204,176**	**336,775**	**10,356**	**71,787**	**29,309**	**2,652,403**
Deposits from banks	339,263	49,678	12,751	1,891	20	**403,603**
Deposits from customers	1,536,554	398,917	5,106	71,198	7,195	**2,018,970**
Total financial liabilities	**1,875,817**	**448,595**	**17,857**	**73,089**	**7,215**	**2,422,573**
Net on-statement of financial position	**328,359**	**(111,820)**	**(7,501)**	**(1,302)**	**22,094**	**229,830**
FX position of derivatives	**(102,077)**	**113,702**	**7,368**	**1,525**	**(22,184)**	
Off-balance	***445,593***	***101,793***	***-***	***4,482***	***-***	***551,868***
Guaranteed	*60,925*	*13,175*	*-*	*2*	*-*	***74,102***
Letters of credit	*-*	*3,537*	*-*	*424*	*-*	***3,961***
Commitments	*384,668*	*85,081*	*-*	*4,056*	*-*	***473,805***

(48) Risk management (continued)

(currency equivalents in million HUF)

31/12/2020	HUF	EUR	CHF	USD	Other	Total
Cash and current account with central banks	62,942	1,235	95	392	217	**64,881**
Securities held for trading	2,082	66	-	114	-	**2,262**
Securities measured at MFVPL	-	167	-	1,547	-	**1,714**
Securities measured at FVOCI	283,123	-	-	22,430	-	**305,553**
Loans to banks	504,742	173,371	7,112	2,640	7,580	**695,445**
Loans to customers at amortised cost and at fair value through profit or loss	850,944	292,653	11,251	16,355	1	**1,171,204**
Debt securities at amortised cost	48,931	23,839	-	-	-	**72,770**
Total financial assets	**1,752,764**	**491,331**	**18,458**	**43,478**	**7,798**	**2,313,829**
Deposits from banks	259,144	79,764	14,592	1,206	-	**354,706**
Deposits from customers	1,314,190	336,920	4,833	62,232	9,894	**1,728,069**
Subordinated debts	-	10,959	-	-	-	**10,959**
Total financial liabilities	**1,573,334**	**427,643**	**19,425**	**63,438**	**9,894**	**2,093,734**
Net on-statement of financial position	**179,430**	**63,688**	**(967)**	**(19,960)**	**(2,096)**	**220,095**
FX position of derivatives	**(34,065)**	**56,711**	**(1,037)**	**(20,280)**	**(2,175)**	
Off-balance	***385,738***	***93,033***	**-**	***4,017***	**-**	***482,788***
Guaranteed	*67,752*	*10,835*	-	-	-	***78,587***
Letters of credit	-	*2,539*	-	*305*	-	***2,844***
Commitments	*317,986*	*79,659*	-	*3,712*	-	***401,357***

(e) Operational risk

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of internal processes, human resources and internal systems, or as a result of external events. Operational risk includes:

- legal risk, meaning the risk of losses resulting from the breach of laws or regulations, contractual or other liability or from other disputes.
- model risk, 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.
- compliance risk, defined as the risk to incur judicial or administrative penalties, significant financial losses or damage to reputation as a result of the violation of mandatory rules or self-governance regulation.
- conduct risk, defined as the risk of incurring judicial or administrative sanctions, material financial losses or reputational harms as a result of behaviours unfair towards customers, jeopardizing the integrity and orderly functioning of financial markets, constituting an infringement of regulations in financial crimes area (e.g. anti-money laundering, counter terrorism, embargoes, anti-corruption, tax crimes, cyber crimes);
- ICT risk (Information and Communication Technology risk), defined as the risk of economic, reputational and market share losses related to the use of information and communication technology. (IT security risk is part of the ICT risk);
- information Security risk, defined as the risk of sustaining economic loss, or reputational harm, including those arising from the failure to comply with rules as a result of the loss of confidentiality, integrity and/or availability of corporate information favoured or caused by the use of technology or related to it;
- cyber risk is the risk of disruption to business processes and/or financial loss and/or damage to reputation deriving from improper use and/or dissemination of digital data and information, any actual or attempted unauthorized access to the Bank's ICT or to the digital data and information contained therein and any malicious or involuntary activity that compromises or uses it inappropriately, jeopardizing business processes and/or supporting critical infrastructures;

(48) Risk management (continued)

- financial reporting risk, defined as the possibility that quantitative or qualitative accounting or financial information contained in company communications disclosed to the public is not true, correct or complete due to the inadequacy of administrative processes or the ICT applications used to produce it.

Strategic and reputational risks are excluded.

In the Group, Operational Risk Management measures and monitors the exposure to operational risk and reports thereon to the corporate bodies of the Bank, such as the Management Board, Supervisory Board, Audit Committee, Risk Assumption and Risk Management Committee and Operational Risk Committee. Operational Risk Management is also responsible for the consistent application and operation of the Intesa Sanpaolo Group's operational risk management framework, also taking into account the local idiosyncrasies.

In the Group, the governing committee responsible for overviewing operational risk management activities is the Operational Risk Committee (ORC). The primary purpose of the Committee is to propose, advise on and investigate matters related to operational risk, thereby support the Management Board of the Bank. The Committee meets quarterly when it reviews and discusses the Bank's operational risk exposure and the ongoing risk mitigation actions.

In managing the Group's operational risk exposure, both qualitative and quantitative tools are being applied.

One of the qualitative tools is the annual operational risk self-diagnosis where operational criticalities are identified, and mitigating actions are defined in response to those criticalities. A set of operational key risk indicators is also used as a qualitative measure aiming at conveying an easily understandable overall picture to the senior management about the operational risk profile of the Group, and in the meanwhile, enabling the Group to react in a timely manner to adverse changes in that risk profile.

As a quantitative measure historical operational risk loss data have been collected and analysed in a systematic way since 2004. On the basis of the analyses performed by Operational Risk Management, mitigating actions are initiated to avoid the re-occurrence of similar losses or prevent the materialization of potential risks.

In 2021, the Group detected and recorded in its internal loss database 720 operational risk events which caused HUF 272 million effective operational loss (excluding losses boundary with credit risk and specific provisions). In 2020, the corresponding numbers were 947 events with HUF 454 million loss.

Since January 2008 the Group have been calculating the regulatory capital requirement of the operational risk on the basis of The Standardized Approach (TSA). For ICAAP purposes, the Group quantifies the operational risk capital requirement using the ISP Group's Advanced Measurement Approach (AMA) model.

As a result of the COVID-19 epidemic, new operating costs emerged amounted to HUF 22 million in 2021, and HUF 43 million in 2020.

The Group considers the following, among others, as direct operational risk costs related to the epidemic:

- costs of preventing the spread of the coronavirus: costs of additional hand sanitizers, masks and rubber gloves purchased by institutions, costs of emergency disinfections and cleaning
- costs of setting up mass telework and home office: costs of newly purchased computers and other equipment (the acquisition of which was not included in the Group's annual procurement plan)
- extraordinary investment and operating costs related to the branch and central buildings: additional costs of guarding closed buildings, costs of glass walls and screens installed in the branches
- the operating costs of an organization set up to ensure crisis management and business continuity

The Group considers the following, among others, as indirect operational risk costs related to the epidemic:

- losses related to the postponement and / or closure of projects due to a coronavirus epidemic, extraordinary write-offs

Part F Information on capital

(49) Capital and capital management

The primary objective of the capital management of the Group is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximize the shareholder value, accompanied by an optimal financing structure.

The basis of the capital management of the Group members in the short run is the continuous monitoring of their capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position.

Capital adequacy

The Capital Requirements Directive package (CRDIV/CRR) transposes the global standards on banking regulation (known as the Basel III agreement) into the EU legal framework. The rules have been being applied from 1 January 2014. The framework aims at making institutions in the EU more solid and strengthening their capacity to adequately manage the risks linked to their activities and creating capital bases adequate to absorb any losses they may incur in doing business, with special focus on the liquidity risk management tools and the capital requirements.

The Group has entirely complied with the regulatory capital requirements in 2021 as well as in 2020.

The Group quantifies the regulatory and ICAAP capital requirements. Both the risk management processes, and the capital requirement comprehensively cover the Bank.

Internal Capital Adequacy Assessment Process (ICAAP)

The second pillar of Basel II capital framework prescribes how supervisory authorities and banks can effectively assess the appropriate level of capital. The assessment must cover all the risks incurred by the Group, their sensitivity to crisis scenarios, and how they are expected to evolve in light of changes in the Group's business going forward.

The Group not only reviews its capital ratios, but it also assesses and continuously monitors its risk bearing capacity. The Group's primary internal measure to assess the impact of very severe unexpected losses across the different risk types is economic capital, which is also planned as part of the risk and capital strategy.

The Group continuously focusing on the following risks:

Credit Risk

Risk that customers may not be able to meet their contractual payment obligations.

Operational Risk

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Market Risk

The risk that arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.

Residual Risk

The risk that arises from the recognised risk measurement and mitigation techniques used by the credit institution proves less effective than expected.

Model Risk

Model risk is the risk of losses relating to the development, implementation or improper use of any other models by the institution for decision-making (e.g. product pricing, evaluation of financial instruments, monitoring of risk limits, etc.)

Concentration Risk

Concentration risk is a banking term denoting the overall spread of a bank's outstanding accounts over the number or variety of debtors to whom the bank has lent money. This risk is calculated using a "concentration ratio" which explains what percentage of the outstanding accounts each bank loan represents.

(49) Capital and capital management (continued)

Banking book – Interest Rate Risk

Risk of losses on the fair value of the portfolio of banking assets and liabilities, not including trading assets and liabilities, resulting from changes in interest rates.

Interest rate risk is taken to be the current or prospective risk to both the earnings and capital of institutions arising from adverse movements in interest rates. In the context of Pillar 2, this is in respect of the banking book only, given that interest rate risk in the trading book is already covered under market risk regulations.

Liquidity Risk

The risk arising from the Group's potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs.

Country Risk

The risk that the Group may suffer a loss, in any given country, due to deterioration in economic conditions, political and social unrest, nationalization and expropriation of assets, government repudiation of external indebtedness, exchange controls and currency depreciation or devaluation.

Settlement Risk

Settlement risk is the risk that a transaction executed is not settled as expected through a settlement system. Settlement risk comprises credit risk and liquidity risk elements. Treasury transactions, trading book items (deals) and capital market dealings concluded as part of investment services convey a settlement risk that is a specific mix of credit and liquidity risk. The credit institution or the investment firm bears the risk that while it fulfils its contractual obligations (payment or delivery), the counterparty fails or defaults to do so.

Reputational Risk

The reputation risk is defined as a risk of a drop-in profits or capital due to a negative perception of the image of the bank by customers, counterparties, shareholders, investors or supervisory authorities

Strategic Risk

Present or prospective strategic risk is defined as the risk linked to a potential drop in profits or capital due to changes in the operating context or erroneous corporate decisions, inadequate implementation of decisions or poor reactions to changes in the competitive environment.

High Risk Portfolio

In line with the National Bank of Hungary's (MNB) requirement the Bank identifies the portfolio meeting the criteria defined by the MNB for high risk portfolios and allocates additional capital for such portfolios. Repossessed assets are forming part of the high-risk portfolios.

Applied methodologies

Under Pillar 1 the Group applies Standardized Methodologies (STA) for quantifying the regulatory capital requirement of Credit risk, Operational risk and Market risk. Under Pillar 2 the Group implemented and use advanced methodologies for ICAAP purposes.

Capital management

The Group's regulator, National Bank of Hungary sets and monitors capital requirements for the Group in the so called SREP - supervisory review and evaluation process.

The Group's regulatory capital consists of the sum of the following elements:

- Tier 1 (all qualifies as Common Equity Tier 1 (CET1) capital), which includes ordinary share capital, related share premiums, retained earnings, OCI, reserves and deductions for intangible assets and deferred tax other than temporary differences
- Tier 2 capital, which includes qualifying subordinated liabilities

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, specific limits, risk measures, the rules and ratios.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value based on total capital ratio.

(49) Capital and capital management (continued)

(million HUF)

Regulatory capital	31/12/2021	31/12/2020
Share capital	50,000	50,000
Reserves	199,051	191,990
Current year's profit	15,842	7,394
Expected dividend deduction	(23,500)	-
Total shareholder's equity	**241,393**	**249,384**
Deduction item: intangible assets	(6,479)	(5,932)
Deduction item: prudential valuation	(467)	(410)
Deduction item: deferred tax asset	(1,112)	(580)
Deduction item: insufficient coverage for non-performing exposures	(124)	-
FVOCI instruments	8,014	977
Tier 1 capital	**241,225**	**243,439**
Subordinated capital	-	1,987
Tier 2 capital	**-**	**1,987**
Total capital	**241,225**	**245,424**
Risk weighted assets for Credit risks	1,095,981	1,071,374
Risk weighted assets for Market risks	7,568	10,276
Risk weighted assets for Operating risks	126,892	111,121
Credit Valuation Adjustment	2,266	1,775
Risk weighted assets	**1,232,707**	**1,194,546**
Tier 1 capital ratio (%)	**19.57%**	**20.38%**
Total capital ratio (%)	**19.57%**	**20.55%**

Total shareholder's equity includes the planned dividend payment based on the of net profit of 2021 and the accumulated retained earnings of previous years. The proposed dividend is subject to be resolved by the shareholder at the time of the approval of the annual financial statements.

As described in paragraph 6 of Regulation 2020/873 of the European Parliament and of the Council of 24 June 2020, the temporary omission of unrealized gains or losses on other comprehensive income (FVOCI) government securities is recognized for the first time on 31 December 2020 in a separate COREP report for the quarter ending.

During 2021, the Group recalculated the effect of the temporary omission of unrealized gains or losses on government securities measured at fair value through other comprehensive income and amended the audited COREP report at the end of 2020. The column of the Regulatory capital table for 31 December 2020 includes the values in the amended audited COREP report.

The Group does not apply the temporary rules of CRR: 473a. and instead of the template document, it shall publish a text document stating that Group's own funds, capital adequacy ratio, and leverage ratio already reflect the amount of unrecognised gains and losses on government securities measured at fair value through other comprehensive income.

The Group comply with Article 13a of Regulation No. 241/2014 of the European Parliament and Council, and the amount of intangible assets to be deducted from own funds has been adjusted with prudential amortisation for software as of 31 December 2020.

The minimum capital requirement is 8% under Pillar1. The Group also meet the requirement of SREP.

SREP requirements for 2022 are already available, and the Group estimates to meet the relating requirements based on current and projected financial position.

CIB BANK LTD.
and its subsidiaries

Business and management report
based on the audited consolidated financial statements
for the year ended 31 December 2021
prepared in accordance with
International Financial Reporting Standards
as adopted by EU

I. Macro and microeconomic environment

1. GDP

The Hungarian economic performance has primarily been dominated by the COVID-19 pandemic situation and the related restriction measures for the last two years. In 2020, the volume of GDP was 5.0% lower than in the previous year, while in 2021 the domestic economy posted a strong rebound in line with the lifting of the containment measures.

The third wave of the coronavirus hit Hungary especially hard, but the Hungarian economy proved to be much more resilient in Q1. The economic impact of the shutdowns was less severe compared to the previous year, mainly due to the more selective and targeted nature of the containment measures. GDP was only 2.1% lower compared to a year earlier. Owing to the fast pace of vaccination, the reopening started earlier than in other European countries, providing strong impetus to economic growth in Q2. The economy lost some momentum in the third quarter of the year: domestic demand remained robust, but the industrial and export sectors were weighed down by weaker external demand and persistant supply side bottlenecks. On the other hand, the recovery of Hungarian economy continued at faster pace in the last months of the year. GDP output increased by an annual 7.2 % in the fourth quarter, the better-than-expected rise was boosted primarily by industrial activity picked up.

As a result in 2021, the economic performance grew by 7.1% compared to the previous year and by 2.1% compared to 2019 before the coronavirus crisis. Looking ahead, illustrating the high degree of uncertainty and the various pandemic scenarios for the whole of 2022 the National Bank of Hungary projected a GDP growth in Hungary in a remarkable wide range between 4.0% and 5.0%.

Source: KSH

2. Budget and external balance

Due to the the high costs of managing the pandemic and restarting the economy, the Hungarian deficit was much higher than the 3% Maastricht threshold in the last two years. The 2021 budget deficit target was originally set at 6.5% but was later raised to 7.5% level to incorporate the impact of the coronavirus.

The 2021 fiscal performance was twin-faced, especially due to the effect of the domestic pre-financing of EU-funded projects and programmes. This fiscal trait will remain in place in the first half of 2022 too. Last year’s annual data showed that the overall state budget produced an annual cash-based deficit of HUF 5,102 billion. The massive deficit was primarily driven by the expenditures related to defence against the pandemic and to the restarting of the economy, but the strong wave of EU-financed programs and their pre-financing without sufficient inflow of the related EU financing also played a significant role. The above-plan cash-based deficit naturally created a massive jump in state financing needs and the Government Debt Management Agency raised its cap for foreign currency bond issuance due to the delay in payments from the EU.

However, the ESA-based balance (calculated in accordance with the EU-methodology) is likely to come close to the plan of -7.5% of GDP, with the final data to arrive later in 2022. Meanwhile the government debt ratio is expected to return to below 80%. Owing to the rapid recovery of the Hungarian economy and the high inflation environment, the Ministry of Finance has rescheduled investments worth 755 bln HUF next year to reduce the budget deficit to 4.9% of GDP from 5.9% targeted earlier. Hence, the declining trend in the debt ratio may continue in 2022.

I. Macro and microeconomic environment (continued)

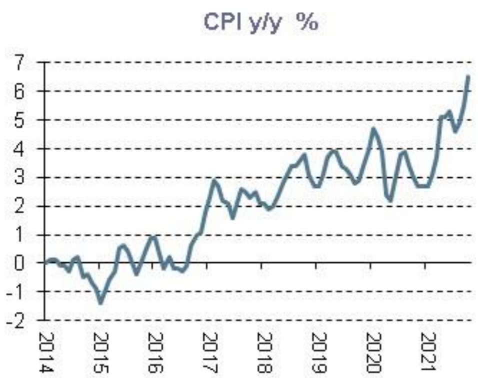
The 2021 external balances were also twin-faced. In the first half of the year Hungary's external balance strengthened mainly due to the fast recovery of exports. On the other hand, from Q3 the global supply difficulties had its impact on the country's external balances, too. The global semiconductor shortage, the drastic rise in commodity and energy prices and the deteriorating external demand led to a signicifant fall in exports. Moreover, the strengthening in domestic demand resulting from the restarting of the economy, the gradually rising investment rate and the jump in energy prices were reflected in rising imports via the deteriorating terms of trade. As a result, the C/A balance has already become negative and reached EUR -2250 mln by Q3.

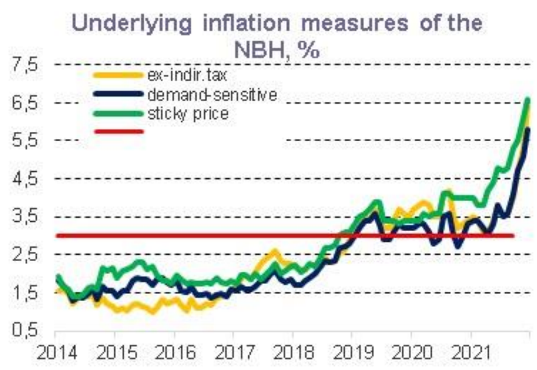
3. Inflation

The Hungarian inflation has been rising steadily since the beginning of 2021. Headline CPI jumped from 2.7% to 7.4% by the end of the last year, while the outcome implied an annual average CPI of 5.1% for 2021, up from 3.3% in 2020. Following the reopening of the global economy, the strong external inflationary pressures alongside with the relatively weak domestic currency and strong domestic demand triggered a broad-based acceleration of prices. Regarding the whole of 2021, of the main price categories alcohol and tobacco prices and motor fuel prices were showing significant, above-average rise.

Core inflation also showed volatile movements, but the annual average of 3.9% was down from 4.1% in the preceding year. Tax-adjusted core inflation index calculated by the MNB showed an annual average rise of 3.9%.

Headline CPI may remain elevated throughout the first half of 2022 while a meaningful deceleration of inflation can only be expected from Q3. As a result, CPI will decline close to the central bank tolerance band again in 2022 Q4. According to MNB's forecast, inflation will be in the range of 4.7% to 5.1%, core inflation excluding indirect taxes will amount to 5.3%–5.5% this year.





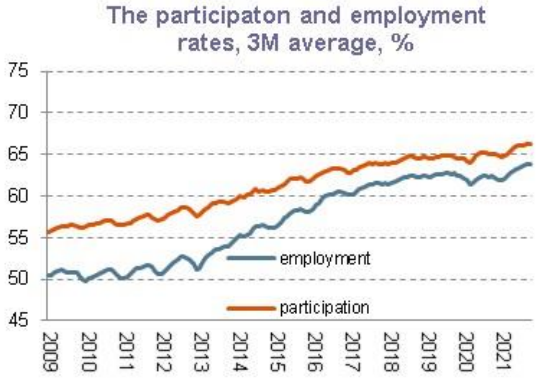
Source: MNB, KSH

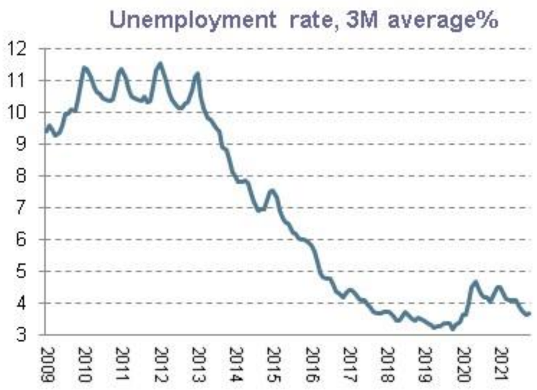
4. Labor market

In line with the restart of the economy the demand for labour started to strengthen. The unemployment rate fell from the 5% peak in January to around 4% relatively fast and it stood at 3.7% at the end of the year. Altough the unemployment rate remains slightly above pre-COVID lows (below 3.5%), the labor market is extremely tight. The employment rate hit a new high at 74.0% in November and the number of employed persons expanded by 31,000 in 2021. The number of employees in the public employment programme dropped further and was down by almost 6,000 y-o-y in 2021, and the number of employees working abroad also declined by 21,000 compared to previous year. Structural inequilibrium has been on the rise, with reports of labour shortages in several areas of the economy.

Net wages grew by 8.6% in the first eleven months of the year, but real wage growth decelerated to 3.5% on the back of rising inflation. The engine of growth is the public sector (+9.6%), but private sector wage growth remained robust, too (+7.8%). The shortage of skilled labor alongside with government measures keep wage growth well supported, net wage growth is likely to accelerate even further next year thanks to the minimum wage rise and acute supply side problems.

I. Macro and microeconomic environment (continued)





Source: MNB, KSH

5. Monetary policy

At the beginning of 2021 the National Bank of Hungary left all key rates on hold and proceeded with loose monetary conditions and continued its economic stimulus programmes via the unconventional toolkit (QE program and lending facilities). On the other hand, from the middle of the year the domestic inflation rose significantly, mainly driven by the reopening of economies, the supportive fiscal policy, the previous year's low base and global supply problems (such as the global chip and container shortage). In order to mitigate the accelerating inflation pressure, the Hungarian central bank launched a gradual tightening cycle and raised the base rate by 180 bps (from 0.6% to 2.40%), while the 1W deposit rate - which became the effective rate - reached 4.0% by the end of the year.

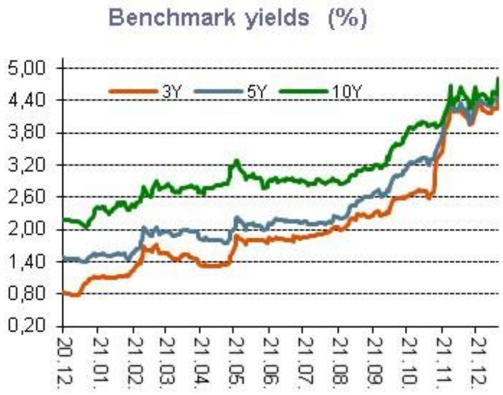
The central bank also announced the end of both the QE and corporate bond purchase programs while the HUF swap facility was also terminated. Further tightening moves will strongly depend on incoming new information, FX rate developments and changes in the outlook for inflation, but the NBH is expected to continue the tightening cycle until at least Q2 2022.

Source:MNB

Despite pending economic risks and uncertainties related to the NBH's monetary normalization the Hungarian currency fluctuated in a stable manner throughout 2021 mostly in the EUR/HUF 355-365 range, while the annual average EUR/HUF level was 358.5.

In the government securities market, the NBH tightening cycle pushed short yields higher. The high fiscal deficit, rising inflation expectations and expectations for a lengthy tightening cycle triggered the upward shift in longer yields too. The 10Y yield finished 2021 at 4.47%, up by more than 230 bps compared to the same period of 2020.

I. Macro and microeconomic environment (continued)



Data source: Reuters

6. Banking environment

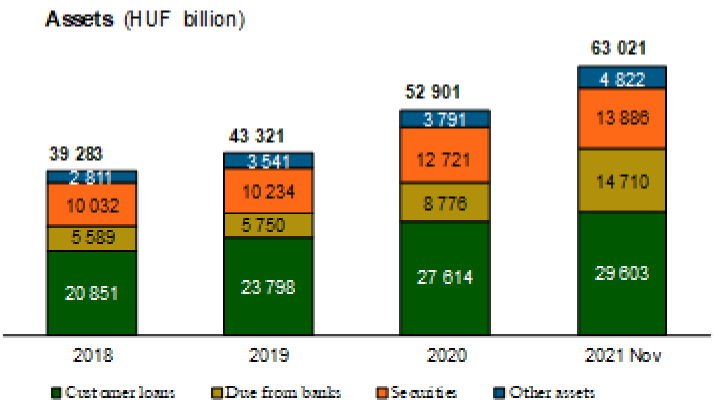
The Hungarian banking sector achieved an outstanding growth in 2021 in terms of lending. Profitability of the sector improved, while the liquidity and capital position of the banks is still solid.

Local corporate lending increased by 7,4% by November 2021, compared to the same period of 2020, while the growth rate was well over 10% considering also the securities purchased by the sector under the Bond for Growth program. Government and Central Bank supported loan programmes were the main contributors to the growth in the corporate segment. In addition the moratorium on payments also reduced the amortization of the loan portfolio.

Retail lending grew by 15,6% compared to the same period of 2020. The growth was supported by mortgage loans, where new disbursements increased by almost 40% compared to 2020, while the same rate for personal loans reached 38%. Babaváró new disbursements on the other hand declined by 11% compared to last year, but still this product could as well contribute to the rising lending volumes. Payment moratorium had a positive impact as well, through lower amortization of the portfolio.

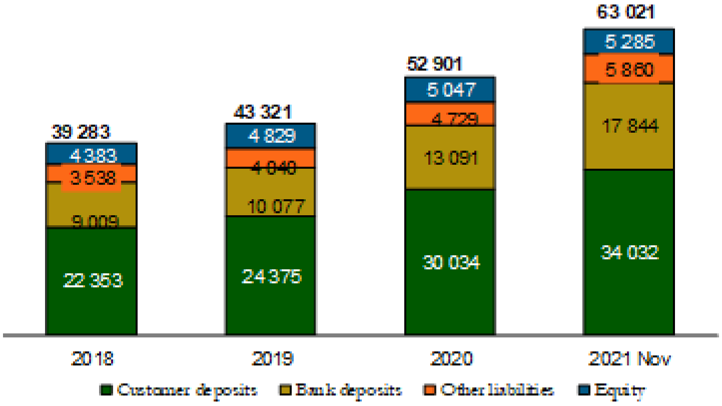
The volume of deposits from customers increased by 13.3% compared to the end of 2020, reaching HUF 34,032 billion at the end of November 2021. Retail deposits increased by 11.6%, while corporate deposit showed 12.8% increase compared to December 2020.

At the same time the net asset value of investment funds totalled HUF 6,385 billion at the end of November 2021 (+9.5%). While government bond portfolio of consumer customers increased by 7.6% as of October 2021 from the beginning of the year, and it reached HUF 9,694 billion volume.



I. Macro and microeconomic environment (continued)

Liabilities (HUF billion)



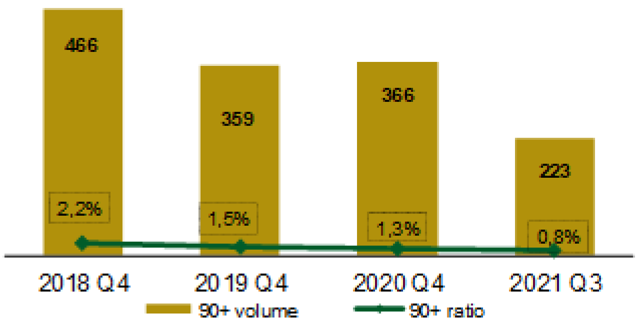
Data source: NBH, IFRS

Credit quality

90+ past due loan ratio of the sector (non-performing loans) decreased significantly to 0.8% as of September 2021.

Volume of corporate loans with more than 90 days past due within total loan showed a significant decrease and the 90+ ratio was 0.9% at the end of September 2021. The retail segment's portfolio quality has also improved with a 90+ ratio decreased to 1.3% as of Q3 2021, which is further 0.5% point improvement compared to the 2020 year-end.
The moratorium supported the improvement of the portfolio quality.

90+ DPD ratio and volume (HUF billion)



Data source: NBH; IFRS, Q4 2021 data is not available

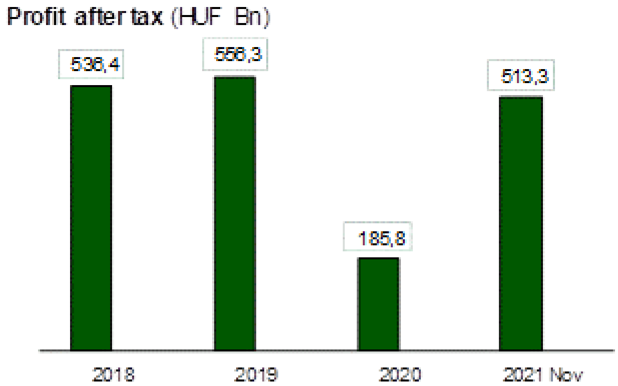
Profitability

The profitability of the banking sector had improved by more than 100% compared to the same period of last year as of November 2021, mainly due to the significant higher operating income and lower provisioning.

The effect of the higher Operating Cost level (+9,5%) was totally offset by the increase in Net Operating Margin (+19,2%), moreover the impairment losses decreased to the half of the prior year level, the banking sector's profit after tax totalled to HUF 513 billion as of November 2021.

Net Interest Income increased by 21.0%, Net Commission income increased by 10.6%, Profit from Trading Activities increased by 12.5% and Other Income / Expense decreased by 20.1% compared to the same period last year. The cost / income ratio was 53.8% at the end of November 2021.

I. Macro and microeconomic environment (continued)



Data source: NBH; IFRS

Liquidity and Capital

The amount of liquid assets (securities and interbank receivables) increased by HUF 7,099 billion (+33.0%) while the sector's loan to deposit ratio (net customer loan / customer deposits) decreased by 4.7% points (84.8% as of November 2021) due to a significant increase in the customer deposit portfolio.

The liquidity and capital position of the domestic banking system has further improved over the past year, strengthening its resilience even in the face of a longer-lasting recovery. The banking system can be characterized by a positive result and a strong capital position, with a Capital Adequacy Ratio (CAR) at 19.5% as of September 2021 (includes Co-operative credit institutions).

II. Business strategy and priorities

In 2018, CIB Bank, hand in hand with its parent company, Intesa Sanpaolo Bank Group, established the fundamental strategic directions and objectives of the period until the end of 2021. In line with this, as a universal service provider, CIB continued to operate serving all customer segments by substantially improving its operational efficiency, while holding on to long-term profitable operation, through increased business volumes, digitalisation covering the full spectrum of banking operations and the optimisation of sales channels.

The pillars of the strategy – in line with the key strategic objectives of Intesa Sanpaolo Group 2018-2021 business plan – are as follows:

- The implementation of the **digital transition** permeating the whole of the bank parallel to the transformation of the role and tasks of the physical network.
- **Increasing revenues** in an increasingly competitive environment in the interest of sustainably profitable operation, by ensuring that an increasing proportion of revenues is derived from the fees and commissions of additional services provided to customers.
- **Improving cost efficiency** by way of digitalisation and the optimisation of sales channels. In this context, process transformations related to digitalisation, the increasing of the ratio of online sales, the simplification of sales activities and certain other activities supporting sales through the increased involvement of third partners and agents, as well as the directing of released capacities to the performance of greater added-value activities will be implemented.
- The conclusion of the process aimed at **reducing the portfolio of non-performing loans** and maintaining loan quality.

In order for the Bank to be able to meet its objectives of long-term profitable operation and improvement, it identified the further acceleration of business growth as a top business priority in 2021. As part of this, the Bank aims to further increase its market share in segments and products that are particularly important to its business policy. At the same time, it aims to take further steps in making digital switchover happen, in parallel with transforming its branch network. A major element of the Bank's activities last year was to optimise and simplify its processes, thereby also improving the efficiency of its operations. In order to meet its business goals, the Bank decided in 2021 to draw on the lessons of the pandemic situation started in 2020 and create an environment for its employees that will improve their work-life balance in the long term.

II. Business strategy and priorities (continued)

Although the protracted COVID-19 epidemic, the macroeconomic environment changing due to soaring inflation, and the development of the labour market posed significant challenges to the Group in 2021, CIB managed to take significant steps towards successfully and profitably closing the 4-year strategic cycle by the end of 2021, despite the difficult circumstances. The Group's new loan disbursements increased significantly, with the result that its market share improved substantially in the most important segments. At the same time, due to the prudent and consistent lending policy developed over previous years, the Group's credit portfolio proved to be crisis-resistant and its quality did not deteriorate. Through a number of innovations introduced as firsts on the market - such as completely paperless, mobile self-account opening- the range of services available through digital channels was further expanded. As a result, Group's revenues increased significantly while its costs remained stable. All this and the favourable development of the macroeconomic environment and the programs and measures of the MNB resulted in a significant improvement in the Group's cost efficiency ratio. In 2021, based on experiences of the pandemic situation, the Group began to integrate its central areas functioning in multiple geographical locations into one headquarter that meets all the contemporary standards, while working from home will be a permanent part of its future operations.

III. Outlook for the banking sector

Slow down in lending activity

The rate hikes started by the Central Bank in the second half of 2021 is expected to negatively impact the demand for financing. In addition, the end of Fund for Growth Schemes (FGS) and Bond for Growth schemes will also result in lower demand for corporate lending. Household loans will continue to increase at a lower pace driven by end of the moratoria and rising interest rates both on the mortgage and customer lending market.

Massive inflow of savings

Saving market is expected to increase further both in terms of direct and indirect deposits fuelled by growing wages, extraordinary tax refund for the private individuals and attractive interest rate enviroment.

Slight worsening in credit quality

Payment moratoria will still offer a shelter for limited number of customers with financial difficulties during the first half of 2022, but slight worsening of credit quality is expected in the second half of the year. The end of the payment moratoria and potential stricter fiscal and monetary policy after the elections might cause an increase in overdue loans in corporate and retail business as well. NPL ratios are expected to increase in 2022.

IV. Evaluation on the performance of CIB Group including net assets, financial and earning position

Assets

The balance sheet total of CIB Group amounted to HUF 2,782,664 million (+15.4% compared to December 2020) as of December 2021. The higher total assets were primarily a consequence of the increase in customer and bank deposits.

Customer loans

At the end of December 2021 CIB Group's consolidated gross loan portfolio was HUF 1,269,235 million (+5.1%). Within the total portfolio the proportion of consumer loans (mortgage, car financing and others) levelled at 41.0% by the end of December (+2.5%). The share of large corporate loans diminished by 2.8%, to 38.2%, while that of SME and Small Business financing changed by +0.2% and +0.1% respectively. Demand for new financing was strong, retail mortgage and personal loan new disbursements rose by 49% and 19% (while Babaváró loan new sales dropped by -17%). Corporate new disbursements were able to grow by 93% compared to year 2020, thanks to the very popular Funding for Growth schemes and because of some big ticket transactions in the Large Corporate business line.

Loan portfolio quality

The credit quality of CIB Group's loan portfolio improved further in 2021, and the share of 90+ days past due loans decreased to 0.6% (-1.3%) thanks to limited new inflow (supported by the moratorium) and portfolio cleaning activities. Despite the positive change in portfolio quality the Group made HUF 4,746 million impairment on financial assets over the year, to cover the losses that may arise after the moratorium ends.

Securities

The Group held securities portfolio of HUF 465,566 million by December 2021 (+21.8%) of which securities measured fair value through profit or loss amounted to HUF 10,290 million; held to collect and sell portfolio reached HUF 276,073 million, while held to collect investments amounted to HUF 177,445 million. Most of the security portfolio (73.1% of total securities held) consisted of domestic government bonds.

IV. Evaluation on the performance of CIB Group including net assets, financial and earning position (continued)

Interbank receivables

CIB Group's liquid assets portfolio – cash and equivalents and interbank loans – amounted to HUF 955,486 million (+25.7%) by the end of December 2021. 14.6% of interbank receivables was placed within Intesa Sanpaolo Group, while 80.0% was short term placement at MNB.

Repossessed properties, tangible, and intangible assets

Net book value of repossessed properties, fixed and intangible assets was HUF 35,780 million (-21.1% compared to December 2020), the decrease was the result of repossessed asset sales. The net book value of repossessed real estates closed at HUF 4,381 million.

Liabilities

Customer Deposits

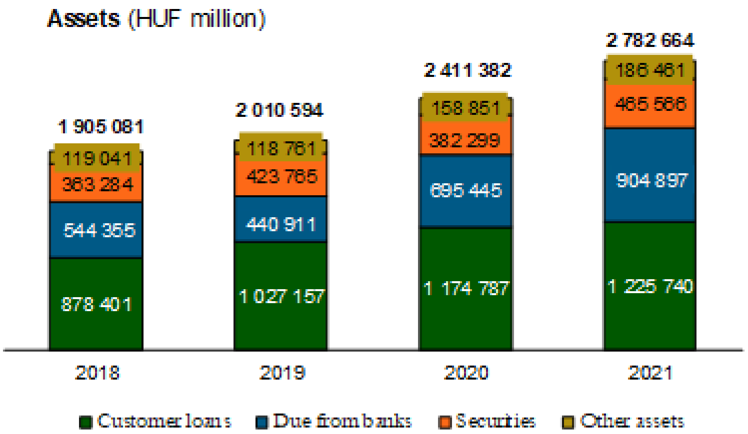
Total customer deposits amounted to HUF 2,016,722 million (+16.7%) by the end of December 2021. All business segments contributed to the growth.

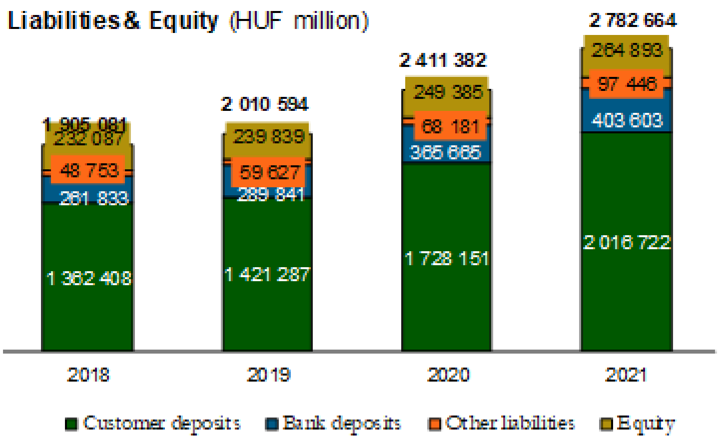
Deposit from banks

Interbank funds totalled to HUF 403,603 million (+10.4%) as of December 2021, the increase was the result of refinancing received from the central bank as part of FGS. A small part of the funds came from the Group's parent company, accounting for 3.8% of the total of interbank deposits, while the remaining part was received from supranational financial institutions, mortgage banks and from the central bank.

Equity

CIB Group's total shareholders' equity was HUF 264,893 million, 6.2% higher than in 2020 thanks to the the profit for the current year.





Data source: CIB Group, IFRS

IV. Evaluation on the performance of CIB Group including net assets, financial and earning position (continued)

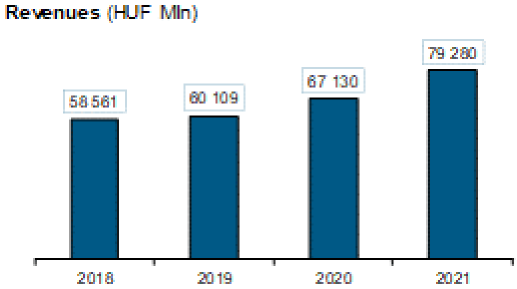
Profit and loss

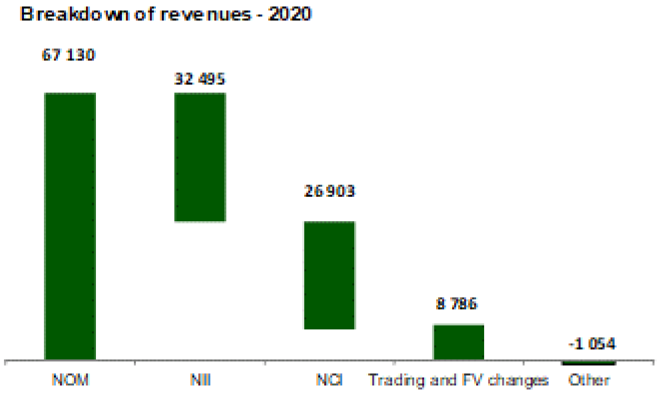
The Group closed year 2021 with a profit of HUF 15,842 million (114% higher than in 2020).

Revenues

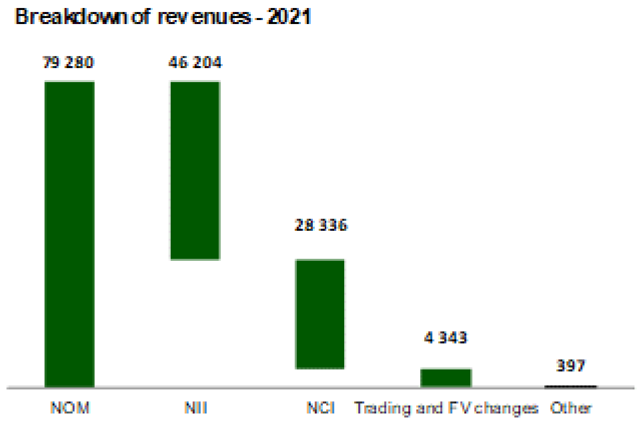
Total revenue of CIB Group amounted to HUF 79,280 million (+18.1% compared to 2020), out of which Net Interest Income was HUF 46,204 million (+42.2%). Net Commission Income was HUF 28,336 million (+5,3%), while Trading Income and Fair Value changes totalled to HUF 4,343 million (-50.6%), Other operating income and expenses reached HUF 397 million.

Revenues increased compared to 2020, thanks to to the growing business activity especially in customer lending and cash management transactions, while increasing HUF interest rates also contributed to the improving net interest income.





Relative weight 48.4% 40.1% 13.1% (1.6)%



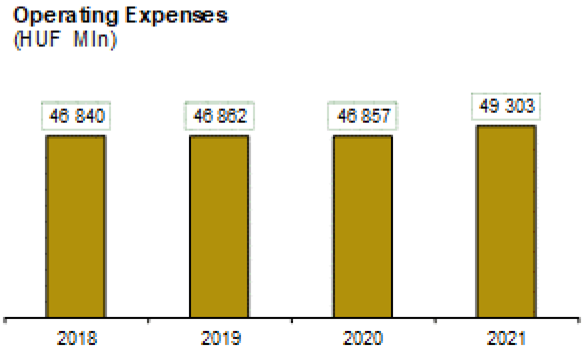
Relative weight 58.3% 35.7% 5.5% 0.5%

Data source: CIB Group, IFRS

IV. Evaluation on the performance of CIB Group including net assets, financial and earning position (continued)

Operating expenses

Total operating expenses increased by 5.2% to HUF 49,303 million without the bank tax, mainly due to the effect of the weaker local currency and rising inflation.



Data source: CIB Group, IFRS

Banking sector tax

Total extraordinary bank tax of the Group amounted to HUF 3,807 million in 2021.

Allowances and impairments

The cumulated amount of new allowances, impairments and provisions showed a balance of HUF (7,704) million. Out of the total, loan impairments reached HUF (3,112) million, due to increased risk connected to customers under the moratorium. In addition to the above the Group recorded HUF (1,634) million modification loss connected to moratoria and HUF (718) million in relation to the interest rate stop law, in line with IFRS 9, paragraph 5.4.3.

Net result on repossessed real estates was positive, HUF 338 million, thanks to the gain on real estate sales.

V. Operations of the subsidiaries in 2021

The Group structure was the following at each 31 December:

(number of companies)	2021	2020
Companies for providing services and products to Group's customers	3	3
Companies responsible for the management of repossessed assets	1	1
Total	**4**	**4**

Companies for providing services and products to Group's customers

CIB Leasing Ltd.

The business profile of the company, founded in 2000, is closed-end financial lease – primarily related to motor vehicles – and to provide financing to the purchase of vehicles and machinery. At the end of 2010 CIB Credit Ltd, CIB Property Ltd, and CIB Residential Property Ltd merged into CIB Leasing Ltd making the company the only entity in CIB Group providing financial leasing services. Continuing the simplification of the Group structure at the end of 2017 CIB Real Estate Leasing Ltd. merged to CIB Leasing Ltd, who records a market share of 4.5% as of September 2021. The total assets of the company in December 2021 were HUF 110,804 million. Net results for year 2021 was a profit of HUF 2,955 million.

CIB Rent Ltd.

The company is specialized in operative leasing transactions. The total assets of the company at the end of 2021 were HUF 233 million, while annual result was a loss of HUF 14 million.

CIB Insurance Broker Ltd.

The company was founded in 2001 to deal with insurance brokerage activities. At the end of 2021 total assets of CIB Insurance Broker Ltd. amounted to HUF 1,529 million, while its profit after tax was HUF 553 million.

V. Operations of the subsidiaries in 2021 (continued)

Company responsible for the management of repossessed assets

Recovery Ltd.

Recovery Ltd. (previously Expert Ltd.) is the main vehicle for the repossession of real estates. On 31 December 2011 CIB REAL Ltd. (a company dealing with the management of Group's operating premises) merged with Recovery Ltd. The sole legal successor of the merged entities is Recovery Ltd. Total assets of the company closed the year at HUF 9,198 million. The company closed the year with a profit of HUF 733 million.

VI. Key events and processes occurring after the balance sheet date

No significant events or processes occurred after the balance sheet date, during the period prior to the preparation of the financial statements and the approval thereof that could have a material impact on the Bank financial or earnings position.

VII. Utilisation of financial instruments in the Group

The Group holds a substantial quantity of liquid financial instruments.

The purpose of the substantial cash and short-term bank placements is to ensure immediate liquidity on top of the unencumbered high quality security portfolio. The portfolio of securities held for trading, serves several purposes at the same time: buffer to serve customers' investment needs, provide a short-term opportunity to realise profit, while also as a secondary source of liquidity.

The derivative transactions are FX forward deals, futures deals on the stock-exchange and OTC contracts, FX swaps, FX options, interest rate swaps and forward rate agreements. The Group performs such transactions mainly for hedging purposes. In the latter case the primary objective is not to hedge individual transactions for profit taking, but to reduce the bank's FX and interest rate risk exposure.

VIII. Risk-management and hedging policy of the Group

ISP Group's regulations pertaining to the various significant types of risk are approved, and reviewed at least once a year, by the Management Board of the parent company. The Group has credit risk management, market risk management, liquidity and liquidity crisis management, interestrate risk, country risk - counterparty risk management and operational risk management policies. These regulations serve to define the framework of its activities related to the specific areas of risk management along unified principles across the entire Group.

CIB Group's credit risk management policy defines fundamentals of credit risk management across the Group, risk appetite of the Group both on general level and on an annual basis adjusted to the changing business environment. Basic roles and responsibilities, clear segregation of duties and major tools of credit risk measurement and management are unambiguously defined in the policy.

The financial portfolio policy includes the guiding principles related to currency and interest risk, the regulations containing methodology of sensitivity analysis and value-at-risk calculations, as well as the limits for the risk exposures.

The liquidity policy determines the fundamental principles, goals, and procedures for liquidity management, maximum liquidity exposure limits, as well as the organizational framework for monitoring them. In the frame of the liquidity strategy, the bank's senior management takes into consideration the likely future development of business volumes, and the cost of funds.

The liquidity policy includes the liquidity contingency plan, which specifies the procedures to be followed in case of an unexpected crisis scenario and defines the order the liquidation of assets which may depend on the nature of the crisis. In these regulations, the bank also defines the maximum tolerance related to Basel 3 regulatory liquidity ratios, the LCR and the NSFR.

The Group applies hedge accounting to some specific assets hedged by interest rate swaps in order to mitigate the interest rate risk in the Banking Book. The Group in accordance with IFRS and Intesa Sanpaolo Group policies designates certain derivatives also as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge). In the case of derivatives that do not qualify for hedge accounting, changes in the fair value of such derivative instrument are recognised immediately through profit and loss.The P&L calculation method depends on the purpose of the transaction wether trading or hedging. The effect of the changes in the fair value is immediately recognized on the income statement in case of the derivative transactions for trading purposes.

The country risk management policy regulates the method for establishing limits for individual countries and specifies the extent of the regularly reviewed limits as well.

VIII. Risk-management and hedging policy of the Group (continued)

The operational risk management guidelines define the events that are grouped into this risk category, and the methods for measuring the risks of this type borne by the Group.

IX. Price, credit, interest, liquidity and cash-flow risks of the Group

In the course of its business operations, the Group is primarily and mainly exposed to credit risk. The mitigation of this type of risk is achieved partly through compliance with the statutory requirements and internal limits, and partly through prudent lending and loss-provisioning practices.

Legal requirements as well as best practices of risk management are transformed into daily operations of the Group by internal regulations. The internal regulations treat in detail the procedures related to debtor rating, deal approval, limit-setting, the recognition and evaluation of collateral, loan and customer monitoring, and risk management, applicable to the various customers and customer groups. They also specify the lending-related responsibilities and duties of the individual organizational units. In alignment with the requirements of the supervisory bodies and its owner, the Group pursues a prudent policy in terms of assumption of risk.

Lending process is managed along structured principles in its entire complexity from customer request via credit approval, disbursement, and monitoring until full repayment of the loan or, if unavoidable, until work-out management. Basis of any credit-risk related decision is the exposure of the group of connected clients towards CIB Group.

In the frame of the core business activity the Group is actively managing the interest rate risk by defining the maximum accepted level of interest rate risk exposure held in the banking book and the expected net interest income. Each year, the Management Board, under the supervision of the Supervisory Board and in line with the group level risk tolerance of the parent company, determines the risk appetite and corresponding limits. Reports on the current interest rate risk position are submitted to the respective risk management committees on monthly basis and regulated in the banking book interest rate risk management policy.

Special emphasis is also placed on the management of liquidity and cash-flow risks, due to the high importance of maintaining the Bank's liquidity and disponibility and ensuring the safety of customer deposits constantly.

Among the various price risks, the Group is predominantly exposed to the changes of currency exchange rates, as well as the changes of the market values of securities. The Group aims to hedge its FX positions in the frame of the trading book activities performed by the Treasury.

X. Research and development

In 2021 and 2020 the Group had no own research and development and did not participate in the financing of any research projects.

XI. IT controls over financial reporting processes

The applications are developed within the group or by external partners. CIB Bank applies risk-proportionate administrative and technical measures to protect IT systems that store and manage data as follows:

- access to data / systems is only possible on the basis of a pre-defined authorization management process that applies the principle of minimum authorization, ensures segregation of duties and regularly checks the scope of those entitled to access;
- user identification, authentication, password management is regulated and verified;
- the systems have a well-separated test and development environment, which ensures that software developments and modifications are only implemented in the operating environment after proper, regulated testing and approval;
- the systems are protected by appropriate network boundary protection and segmentation, and network communications are protected;
- the regular backup and storage of the IT system that stores and manages the data is regulated, the organization performs regular recovery tests;
- ensure the redundant operation of the IT systems that store and manage data;
- developed a BCP for critical systems and processes, which is regularly tested and reviewed;
- ensure that all activities related to the processing of data are fully logged and that the logs are confidential, available, inviolable and non-repudiable;
- protection against malicious codes is continuous and up-to-date;
- ensure that manufacturer updates for your employee environments are regularly installed;
- apply a data leakage protection solution to reduce the risk of data leakage.

XII. Employment policy

CIB Group employed 2,007 active employees at the end of 2021 as a major player in the Hungarian banking sector. Out of these, 165 employees were employed part-time by the bank. The focus of 2021 from an HR point of view was the digitalization of HR processes, the strengthening of digital competences throughout the organization and the implementation of the new way of working.

Strengthening digital competences and providing the knowledge needed for digital development and operation are also of outmost importance in the recruitment strategy. CIB Group is committed to recruiting colleagues with the flexible and innovative mindset and openness to digital solutions for rapidly evolving technology and changing roles. In light of this, in 2021, in case of fresh graduate candidates the Bank put higher focus on higher education in its recruitment, and HR also recruits on new platforms and with the help of new technical solutions. In 2021, the Group hired 346 new employees.

CIB Bank started a new way of working, which was prepared in the previous year and was implemented in 2021. This is based on a more flexible operation that supports cooperation even more, taking advantage of the available collaborative tools. In HQ areas, colleagues work partly from home, for which the bank provides the necessary technological solutions and platforms, as well as technological tools. The staff, especially the managers, were prepared to work in the new way of working through workshops and trainings. In 2021, the HQ office environment has been transformed to support the new way of working, supporting flexible operation, hybrid working, collaboration and further strengthening the community.

XIII. Sites of operation

The Banks head office is located at 1027 Budapest, Medve u. 4-14.

XIV. Corporate governance policy

In keeping up with the applicable national and EU regulations CIB Group and its subsidiaries comply, without exception, with the rules set out therein, including those on corporate governance. The national and EU norms are made available to the public via the www.magyarkozlony.hu and the http://eur-lex.europa.eu websites, respectively.

Consistent professional governance within CIB Group takes place in accordance with the “Principles of the professional governance and operation of CIB Group” policy, which defines also the guidelines for the running the organisation.

The Group’s parent company issues group-level policies at predetermined intervals and on specified topics, which are enforced and implemented by the Group in accordance with the applicable “Policy on the Implementation and Issuance of Group Policies”.

The Group operates a responsible internal governance system, in which the individual governance and supervisory functions are clearly separated from one another. The governance functions are carried out by the Management Board and Governance Committees, while the control functions are performed by the Supervisory Board, the Audit Committee, Internal Audit and Validation, as well as through second-level and various built-in process controls. The external control function of the Group is performed by the Auditor.

The **Sole Shareholder** practices the rights of the General Meeting which is the Group’s supreme decision-making body. The Sole Shareholder makes decisions in writing in the authority of the supreme decision making body, which becomes effective as soon as it is communicated to the Management Board. The Sole Shareholder makes decisions in accordance with the Group’s Statutes and the relevant statutory regulations. The Sole Shareholder chooses the members of the Management Board, as well as the executive entitled to use the title of CEO, from the members of the Management Board. Decisions falling within the Sole Shareholder’s exclusive scope of authority are comprised by the Group’s Statutes.

The **Management Board** is the Group’s management body. Its members are chosen by the Sole Shareholder practicing the authority of the supreme decision maker in keeping with the Group’s Statutes. The Management Board has its own rules of procedure. The duties of the Management Board include making all decisions related to the management of the Group that are outside of the Sole Shareholder’s scope of authority, in accordance with the law or the Group’s Statutes.

The **Supervisory Board** is the Group’s highest controlling body. Its members are chosen by the Sole Shareholder practicing the authority of the supreme decision maker. The Supervisory Board has its own rules of procedure. It is the duty of the Supervisory Board to oversee the Group’s executive management and administrative procedures, business management, trading and other relationships, in accordance with the provisions of the Group’s Statutes.

XIV. Corporate governance policy (continued)

The **Audit Committee** is a body that supports the professional activities of the Supervisory Board with respect to internal audit tasks. The Audit Committee’s members and rules of procedure are defined by the Sole Shareholder practicing the authority of the supreme decision maker. The committee’s duties include the review of the auditing process, internal and external control and risk management system.

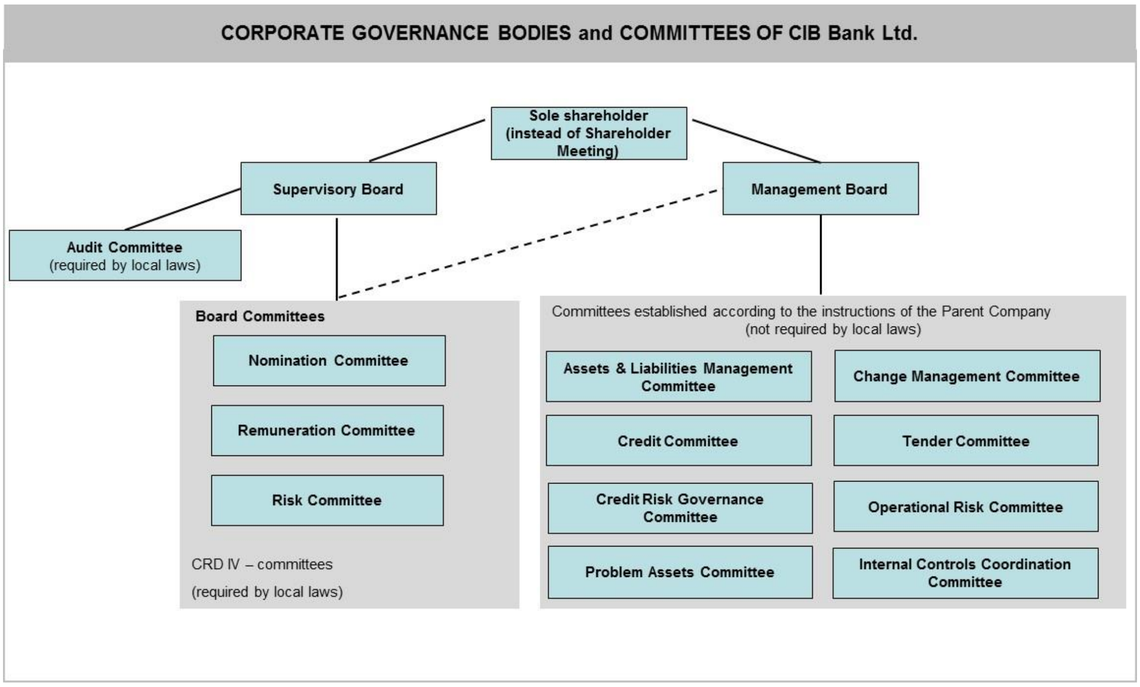
The **Remuneration Committee** operates based on the Constitution and upon 117. § (6) of Act CCXXXVII of 2013 also known as the Hungarian Banking Act (Hpt.). Remuneration Committee’s members and rules of procedure are decided by the Supervisory Board. The Committee’s duties include overseeing and preparing decisions regarding the remuneration of the members of the management board, Key People (as defined in the Remuneration Policy) performing internal control functions in compliance with the relevant legislation, supervisory guidance and Intesa Sanpaolo Group Remuneration Policies and preparing decisions regarding the remunerations and the Remuneration Policy.

The **Nomination Committee** operates based on the Constitution and upon 112. § of the Hungarian Banking Act (Hpt.). The Committee’s duties include recommending the appointments of the members of the Management Board and the Supervisory Board to the Sole Shareholder and also the re-assessment of the suitability of the members.

The **Risk Committee** operates based on the Constitution and upon 110. § of the Hungarian Banking Act (Hpt.). The Committee’s duties include supporting the Management Board and the Supervisory Board to define the risk appetite framework and the risk strategy of the Group and in the implementation of the approved risk strategy.

Other governance committees are established on the basis of the resolution of the Management Board (in line with the Bank’s Statutes). The scope of authority and the operating procedures of these committees must be stipulated by a Policy that is approved by the Management Board. Governance Committees are the individual decision-making initiating, proposing and opining bodies depending on the responsibilities assigned by the Management Board. Governance Committees may operate along with Subcommittees and sections.

The members, operation and decision-making competencies of governance committees are regulated in a separate policy.



XIV. Corporate governance policy (continued)

CIB Bank, as part of the Intesa Sanpaolo Banking Group, has a diversity and inclusion policy approved by the Management Board and applicable to all members of the CIB Group. The Policy has been introduced to strengthen and make more effective CIB Bank's commitment to implement and disseminate the principles of diversity in all its forms (gender, gender identity and/or gender expression, sexual orientation, marital status and family situation, age, ethnicity, religious beliefs, political affiliation, trade union membership, nationality, language, cultural background, physical and mental condition, or any other characteristic of the individual, including the expression of one's own ideas) in accordance with the principles set out in the Group's Code of Ethics and its internal Code of Conduct. The Policy aims to create a working environment based on plurality, respect and harmony, where people with different qualities, beliefs and opinions can work together to create value; where everyone is free to express themselves and where everyone's talents and qualities are not only recognised, but everyone has equal opportunities for professional development and remuneration.

Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Mission:

- To ensure a continuous and independent supervision over the conduct of business and the processes, in order to prevent or detect any irregular practices or risky behaviors / situations;
- To ensure the efficient and effective management of the Bank’s processes, the safeguard of assets and protection against losses, reliability and integrity of the accounting and operational information, the compliance of operations with the policies established by corporate governance bodies and internal and external regulations;
- To provide consulting support to the Bank and Group functions, also by participating in projects, with the aim of adding value and improving the effectiveness of control, risk management and governance processes of the organization;
- To ensure the supervision over the Internal Control System of subsidiaries.

XV. Non-financial statement

The chapter of non-financial statement is on the following pages.

Budapest, 23 February 2022

Dr. Pál Simák	**Krisztián Németh**
CEO and Chairman of the Board	CFO and Deputy CEO

CIB Bank Ltd.

CIB Group Business and management report 2021

Chapter XIII. Non-financial statement

31st December 2021

Table of content

I. LETTER TO STAKEHOLDERS AND EXECUTIVE SUMMARY

Since 2005, every year CIB Group has prepared its sustainability report in line with the GRI international reporting guidelines. Starting in 2018, this has been supplemented by a shorter, non-financial chapter prepared for the financial statements, and for the first time, this 2021 edition serves as a combination of the former sustainability reporting and the actual non-financial reporting.

The CIB Group has integrated sustainability principles into its core business and corporate culture, and it is along these lines that we carry out our various tasks, because like our parent company, the Intesa Sanpaolo Group, we believe that best practice is for these to be reflected in an organisation's processes and day-to-day operations.

In 2018, CIB, together with its parent company the Intesa Sanpaolo Group, defined the fundemantal strategic directions and objectives for the period to 2021, a period that is now coming to an end. Accordingly, the CIB Group's key aim is to implement digital transition and at the same time to restructure the branch network, expand sustainable lending, improve cost efficiency and increase revenues, and to complete the process of reducing non-performing loans while maintaining high loan quality. With strong parent company support behind us, our main points of focus continue to be solidifying our position as a bank that provides consistently outstanding services to our discerning retail and corporate customers improving the customer experience, ensuring value creation, and implementing innovation and efficiency. These four point encapsulate our corporate philosophy and our value system. We believe that long-term, sustainable operations can only be ensured by achieving these goals and embracing these values.

CIB was in a strong position to cope with the challenges brought about by the coronavirus: the steps taken to implement the digital transition have allowed it to continue providing banking services seamlessly throughout the crisis. Part of this was that recently, CIB Bank began installing ATMs that enable customers to make instant cash deposits, and this process continued in 2021. Basic banking transactions can be conveniently dealt with through the bank's internet banking platform and mobile app, while for more complex matters there is our telephone banking service, which allows customers to see to their banking remotely, 24/7. In addition, CIB has introduced numerous measures to help effectively protect the health of its employees and customers.

The coronavirus has presented major challenges for the entire global economy, the banking sector included. However, CIB Bank is well capitalised, stable and in an excellent liquidity position: when the crisis broke out, thanks to the systematic work it had carried out in recent years, it had a healthy loan portfolio of above-average quality, and was therefore ready and able to assist its customers, and it now wishes to play an active role in restarting the Hungarian economy.

During our operations we continued our programmes aimed at retaining our staff and supporting the professional development of exceptional employees, as well as at shaping our corporate culture in line with our business objectives. We made significant efforts to strengthen the commitment and motivation of our employees, and have sought to involve them not only in the implementation of the strategy but also in the social and environmental programmes and energy saving initiatives launched by the banking group.

As in previous years, we have prepared our report in accordance with the guidelines of our parent company and the standards of the Global Reporting Initiative (GRI). The current, enhanced and restructured report includes the various material topics, examined primarily from the point of view of our main stakeholders and the target group of our report, the customers. For the eleventh year in a row, our report also includes a demonstration of compliance with the principles set out in the UN Global Compact. Please read through our report carefully and share your thoughts and comments with us, so that we can deliver even better performance to the satisfaction of all our stakeholders.

Best regards, Dr. Pál Simák, Chief Executive Officer, Chairman of the Management Board

II. METHODOLOGY

The report contains information regarding the CIB Group's organisational units and subsidiaries in Hungary. The data contained in the report is is group-level data, unless otherwise expressly stated. When determining the content of the report, we relied heavily on the results of the various consultations held with external and internal stakeholders during the year, and the material topics were determined in accordance with the requirements of the GRI reporting standards.

The report primarily aims to provide the CIB Group's stakeholders with an overview of the organisation's performance and operations, in light of the topics and issues that are most of interest or of concern to them. Accordingly, besides the main, strategic and corporate-governance results, the report presents four major topics in detail:

- Governance and risk management
- Society
- People
- Environment and climate change

The above four main topics also provide the structure for the report. The four main sections are thus also arranged in this same way: we explain how the given topic fits into our strategy, and what management approach we have taken, and then we present our main results and challenges of 2021, the extent to which last year's objectives were fulfilled, and our new commitments for the coming years.

- Reporting period:calendar year 2021
- Date of previous (mandatory) report: Business and management report non-financial statement, March 2021
- Date of previous (voluntary) report: sustainability report, June 2019 (GRI standard: "in accordance Core")
- Reporting cycle: annual
- GRI application level: GRI standard 2021 "in accordance Core"
- Validity of data: Figures valid as at 31 December 2021, unless specified otherwise.

Reference: EU Directive 2014/95/EU, in accordance with the relevant requirements of Act C of 2000 on Accounting (Sub-sections (1) – (5) of Section 95/C and Subsection (5) of Section 134), Intesa Sanpaolo Consolidated Non-Financial Statement, Hungarian voluntary sustainability reporting practice

You can read more about the boundaries of the current 2021 report, the material topics and the process of determining them as well as the GRI index, can be found in the annexes.

Entities included in the CIB Group's consolidated financial statements

Subsidiary	Country of registration	Scope of Activity
CIB Bank Zrt.	Hungary	Commercial banking, leasing and factoring
CIB Lízing Zrt.	Hungary	Financial leasing
CIB Rent Zrt.	Hungary	Leasing
CIB Biztosítási Alkusz Kft.	Hungary	Insurance brokerage
Recovery Zrt.	Hungary	Financial consulting

III. Main actions taken in response to COVID-19

Health and safety, creating a new system of working, adapting our approach and processes to the new situation and assisting our employees in coping with the new challenges remained a focus for our HR activities as the pandemic continued to cast a shadow on everyday life. The coronavirus had a greater impact on most people's life in 2021 than perhaps any other factor, influencing every aspect of the private and the professional domain.

CIB was among the first to respond to the crisis in Hungary in 2020. This was partly because it had prepared for various scenarios, implementing a range of crisis management measure that helped us react effectively and quickly when the pandemic broke out – and CIB continued to implement and flesh out these responses in 2021. The actions taken and the internal regulations that are in place have proven helpful in effectively managing the coronavirus crisis within the bank, including in preventing and reducing infection rate at the company. The Bank set up a coronavirus crisis team on 22 February 2020, which has been monitoring the national pandemic situation and has introduced additional stricter or more relaxed rules for work to fit the situation. All measures and the decisions taken by the management of the bank in relation to the pandemic were primarily intended to safeguard the health of our employees and of customers, to protect jobs and to ensure business continuity. The team continued to support the priorities of protecting the Bank's staff and customers as well as maintaining effective and profitable operations in 2021.

While the bank introduced several short-term measures designed to deal with the specific characteristics of the various waves of pandemic, early in 2021 it decided to fundamentally change the way we work at the bank. The Management Board launched a new, long-term program called "NEO" (as in a new way of working), aimed at creating a new physical and operational reality for the bank. The NEO programme has been assigned with the following tasks:

- Introducing a long-term hybrid working model of 60% office based and 40% home based work for head office staff
- Optimising the physical working space in line with the new working model
- Rationalising the number of office buildings and maintaining one head office building instead of two
- Refurbishing the remaining head office building and altering the office layout and working environment along ESG principles

The refurbished head office will become fully operational in Q1 2022, while the individual floors of the building have already begun to be re-occupied by the staff since Q4 2021.

Besides the long-term changes, a number of changes with a shorter impact have also been introduced:

- Working from home for all roles where this is feasible has become the new normal. Until the end of the third wave (Q3 2021) CIB made sure that, where possible, its head office employees worked from home, and in line with the then easing pandemic situation, the Bank transitioned first to voluntary and later to a compulsory hybrid arrangement of 60% office-based and 40% home-based work. Unfortunately, despite the high rates of vaccination among its staff (87% as of November 2021), infection rates and the severity of infections increased rapidly again during the fourth wave, forcing the Bank to return to home-based work for almost all its head office staff, and this will remain the case until the situation normalises.
- To mitigate the risk of catching the virus, we introduced various internal rules designed to significantly reduce the risk of mass infection within the Bank. These included, for example, having to wear a mask when indoors, social distancing, regular disinfecting of hands, as well as limits on the number of participants at both internal and customer meetings and at corporate events.
- Furthermore, at the branches, plexiglass and partitions were installed, and, for a certain period , alternating shifts were introduced to protect our employees and our customers. We also provided our employees with virus tests when necessary.
- Training programs suitable for those working from home were revised.
- Detailed guides were prepared for both our managers and our people to help them cope with the challenges of working from home.
- The service portfolio of IntrApp, the mobile communication platform introduced during the first wave of the pandemic in 2020, has been gradually extended to support distance learning and virtual community building.
- Regular and fully transparent information was provided about the actions taken in response to the pandemic.

IV. IDENTITY AND PROFILE

1. Company presentation

CIB Bank is a subsidiary of the Intesa Sanpaolo Group. Backed by its major international parent company and with 40 years of experience as a universal credit institution, CIB Bank offers a full range of commercial banking and investment services, supplemented by the products and plans of its subsidiaries (CIB Leasing, CIB Insurance Broker). With a branch network present in all parts of the country, CIB Bank offers its services to more than 440,000 customers, while continuously seeking innovative solutions tailored to the needs of its customers. The services of CIB Bank are available to businesses, institutions, municipalities and sole traders, as well as to retail customers. Besides the bank's branches, customers also have an exceptionally wide variety of electronic channels to choose from, through which to manage their finances quickly and conveniently, such as the CIB Internet Bank, CIB Bank Online, the CIB Bank Mobile Application, or the eBroker information and securities trading system.

Name:	CIB Bank Zrt.
Territory of operation:	Hungary
Registered office:	Budapest
Form of incorporation:	Privately held joint-stock company (Zrt.)
Ownership structure:	Intesa Sanpaolo S.p.A., sole owner

CIB Group

Number of employees:	2,007
Number of customers:	441,935
Ratio of domestic (Hungarian) suppliers:	94.0%
Distributed value added:	HUF 50,522 million
Our activities:	Commercial banking, leasing and factoring
Our presence in the country:	a detailed list of branches can be found on www.cib.hu.

Intesa Sanpaolo

One of the most significant banking groups of the eurozone

Strategic international presence

Subsidiaries in 12 countries, 7.2 million customers, nearly 1,000 branches

Market leader in Italy

4,300 branches, 13.5 million customers in Italy

National presence of the CIB Group

	TOTAL			Budapest			West-Hungary			East-Hungary		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Number of employees	2,002	2,034	2,007	1,591	1,636	1,599	196	189	189	215	209	219
Number of branches	64	63	61	26	25	23	19	19	19	19	19	19
Number of ATMS	123	121	120	50	50	49	35	33	32	38	38	39

Based on data as at 31 December

IV. Identity and profile (cont.)

2. Business model

Based on the four-year growth strategy set for the CIB Group in 2018, the banking group has set itself the goal of becoming the primary bank of its customers. The key elements of this approach are the simplification of banking processes, increasing customer satisfaction, and digitalisation, which is set to play a prominent role in sales and in the service model. As the non-financial statement is part of the annual financial statements of CIB Group, the Group's business strategy, target group, financial performance, as well as the impact of the coronavirus pandemic on our business and operations are described in the relevant chapters of the report above (Business and Management Report Chapter II. Business strategy and priorities)

3. Group value and solidity

The 2018-2021 business plan

In 2018, CIB Group, together with its parent company, the Intesa Sanpaolo Bank Group, established the fundamental strategic directions and objectives of the period to 2021. In line with this, as a universal financial service provider for all customer segments, it aims at long-term and sustainably profitable operation. The Group's strategic commitment for digitalisation covering the full spectrum of back and front-end operation leads to the optimisation of sales channels and thus to increased business volumes.

The pillars of the strategy – in line with the key strategic objectives of the Intesa Sanpaolo Bank Group's 2018-2021 business plan – were as follows:

- Implementing the digital transition, a process that affects all elements of the Group's central operation, alongside a parallel transformation of the role and tasks of the physical network.
- Growing revenues in an increasingly competitive environment in the interests of sustainably profitable operation, by ensuring a higher proportion of revenues from the fees and commissions related to additional customer services.
- Improving cost efficiency by way of digitalisation and the optimisation of sales channels. In this context, process transformations related to digitalisation, the increasing of the ratio of online sales, the simplification of sales activities and certain other activities supporting sales through the increased involvement of third partners and agents, as well as the directing of released capacities to the performance of greater added-value activities will be implemented.
- The conclusion of the process aimed at reducing the portfolio of non-performing loans, and maintaining loan quality.

For more information on the achievement of the strategic business objectives of the past four years, please refer to the Business and strategic priorities' section of the Business and Management Report

Economic and financial performance and distribution of the value generated

The evaluation of the CIB Group's performance is described in more detail than below in the "Evaluation on the performance of CIB Group including net assets, financial and earning position" section of the Business and Management Report.

ECONOMIC VALUE GENERATED AND DISTRIBUTED*

CIB (bn HUF)	2019		2020		2021	
ECONOMIC VALUE GENERATED	64,833	100.0%	61,576	100.0%	76,236	100%
ECONOMIC VALUE DISTRIBUTED	-57,493	88.7%	-47,573	77.3%	-50,522	66,3%
Employees	-22,143	34.2%	-21,404	34.8%	-22,894	30,0%
Suppliers	-12,491	19.3%	-13,359	21.7%	13,094	17,2%
Government, organisation, communities	-12,860	19.8%	-12,810	20.8%	14,534	19,0%
Shareholders	-10,000	15.4%	0	0.0%	0	0,0%
Economic value retained	7,340	11.3%	14,003	22.7%	25,714	33,7%

** The reason of the difference between the data published in our Sustainability Report 2019 issued in 2020 and the data provided in this report is due to a change in the calculation methodology. Based on data as at 31 December.*

IV. Identity and profile (cont.)

4. Vision and values

We work to provide high-quality banking and financial services to our customers and to create and exploit opportunities for development in all areas of our activity.

Aware of the importance of our activities, we promote a model of growth that focuses on sustainable results and the creation of a process based on the trust that derives from customer and shareholder satisfaction, a sense of belonging on the part of our employees and close monitoring of the needs of the community and the local area.

We compete on the market with a sense of fair play and are ready to cooperate with other economic entities, both private and public, whenever necessary to reinforce the overall capacity for growth of the economies of the countries in which we operate. Our aim, in accordance with the ethical values of our international banking group, is to operate with a sense of responsibility in terms of fairness, transparency and sustainable development. (except from our Code of Ethics)

Integrity

The Group pursues its goals with honesty, fairness and with a sense of responsibility in full compliance with the rules, professional ethics and spirit of signed agreements.

Quality

The Group's aim is to continually improve. It is forward-looking and anticipates challenges, cultivating widespread creativity with the objective of achieving innovation and worth.

Transparency

Transparency forms the basis for all our activities, communications and contracts in order to enable stakeholders to make independent, fully informed decisions.

Respect for specific qualities

The Group's intention is to combine its international and national dimension with its local roots, becoming a bank that "thinks big", without losing sight of individuals.

Equality

We are committed to eliminating discrimination from our conduct, and to respecting differences of gender, age, race, religion, political beliefs, trade union membership, sexual orientation and identity, language or disability.

Value of individuals

The value of each and every individual guides the entire modus operandi of the Group, which adopts listening and dialogue as tools for continually improving relations with all stakeholders.

Responsibility in the use of resources

We strive to use all resources with the utmost care, encouraging conduct focused on optimisation and the prevention of waste and ostentation and prioritising choices geared towards long-term sustainability.

GUARANTEES OF STABLE VALUE CREATION

The bank has been operating in the Hungarian financial market for more than 40 years. Stable operation requires a prudent, effective corporate governance system that supports the employees in making the right decisions. Within our corporate governance framework, which is also strongly influenced by the effective statutory provisions, the following elements are of key importance in the interest of ensuring stable operation:

✓	Assessment and management of the risks of the operating environment, use of an advanced compliance system
✓	Corporate governance tools and processes that support responsible and ethical operation
✓	Continuous focus on efficiency and efforts to ensure sustainably profitable operation
✓	Stakeholder dialogue with the aim of mapping and shaping the expected risks and expectations
✓	Conscious efforts to develop financial skills in society
✓	Balanced pricing policy that optimises market effectiveness and responsible decision-making
✓	Strict lending principles: we don't simply sell products, we provide proactive advisory services and product offers that are tailored to fit in with our customers' business models, and which take into account the size, profile, current financial situation, resilience and long-term plans of each business. Our conservative lending policy and transparent, stringent lending principles ensure legal compliance and a balanced credit portfolio. We attribute great importance to providing comprehensive information to our partners, allowing them to make thoroughly informed decisions on whether our offer is valuable from a business point of view, and whether they can afford it.
✓	Almost all our staff have indefinite-term employment contracts, which for us is also reflective of a committed employment relationship that can be planned for in the long term. To meet our seasonal labour requirements, we also employ workers under a contract staffing arrangement. The proportion of employees working part-time increased slightly since last year, this is how we help our employees to find the ideal work-life balance.
✓	Responsible employment

IV. Identity and profile (cont.)

5. Voluntary commitment to domestic and international initiatives

International initiatives

Global Compact: A UN initiative that promotes corporate social responsibility through the adoption of ten fundamental principles relating to human rights, labour rights, the environment and combating corruption.

Equator Principles: Guidelines for social and environmental risk assessment and management in projects, based on criteria recommended by the International Finance Corporation, a World Bank organisation. The CIB Group has joined the Equator principles through its parent company, the Intesa Sanpaolo Group.

Domestic initiatives

The Bank's partnerships with professional organisations also represent an important aspect of the Bank's community relations. The interests of the various sectors of the economy, and society, are represented by the associations formed by stakeholders, each focusing on a clearly defined set of objectives. Our participation in these organisations is important for two fundamental reasons. Firstly, it creates an opportunity to engage in professional dialogue, and secondly, it provides Bank Group, and the bank sector as a whole, with a means of upholding and protecting its interests as part of a structured advocacy group.

Hungarian Banking Association: The Hungarian Banking Association is the interest advocacy organisation of the Hungarian banking sector, coordinating and representing the official position of the banking community. Its main task is to represent the professional interests of its members.

Budapest Chamber of Commerce and Industry: The primary mission of the chamber is to promote the development and organisation of the economy, safeguard the security of business transactions and the fairness of market conduct and represent the general and collective interests of those engaged in economic activities by operating on the basis of the principle of self-government.

Italian Chamber of Commerce in Hungary. Its principal activity is to liaise with the competent Italian and Hungarian authorities in order to jointly develop the measures necessary to increase the exchange of goods between the two countries.

Hungarian Association of Internal Auditors: Its mission is to secure the acceptance of, support, develop and represent the interests of the internal audit profession in Hungary, to raise awareness of international and European internal audit knowledge and professional practice in Hungary, and to train and examine internal auditors.

ISACA, Hungarian Chapter: The Hungarian entity of the Information Systems Audit and Control Association (ISACA), an international professional organisation.

Chamber of Hungarian Auditors Represents the interests and professionalism of the audit profession.

Hungarian Forex Society The official interest advocacy organisation of Hungarian foreign exchange, money market, derivatives and government securities dealers. Its objective is to deepen and develop the professional knowledge of those involved in foreign exchange, money market or capital market transactions, and to represent the interests of Hungarian commercial banks at the appropriate professional forums.

Hungarian Advertising Association Through its services and programmes, it provides a unique platform for all sectors of the industry to engage in dialogue and collaborative thinking and implement innovative ideas for the development of the industry.

Hungarian Canadian Chamber of Commerce It provides an excellent platform for develop commercial relationships between Canada and Central Eastern Europe.

Hungarian Self-Regulating Advertising Body Its principal tasks are to develop the self-regulatory principles of advertising practice in Hungary, establish international relations, evaluate legislation related to advertising practice, provide a preliminary opinion on advertising campaigns, co-ordinate between member companies, present and disseminate the principles and practice of self-regulation, and communicate the society's needs and criticisms to the advertising industry.

ACCA The global body for professional accountants.

Hungarian Leasing Association The professional advocacy organisation of asset finance companies (leasing firms, banks, financial enterprises) in Hungary.

Hungarian Factoring Association Its goals include interest representation and lobbying, training and continuing education, lectures, consultative forums, the exchange of experience, the dissemination of information and the development of financial culture in Hungary.

Hungarian Association of Independent Insurance Brokers In addition to the protection of professional interests, its goals include the self-regulation of, and the development of a professional and ethical background for, brokers' activities, the education and professional liability insurance of brokers, and participation in the development of legislation on insurance brokers.

IV. Identity and profile (cont.)

6. Materiality analyses and stakeholder engagement

Non-financial reporting covers the material topics and indicators that reflect significant economic, environmental and social impacts, and enable stakeholders to assess the reporting organization's performance in the reporting period. As well as constituting the core of non-financial and sustainability reporting, these aspects are also essential for identifying and managing risks and opportunities, also contributing to shaping the company's strategy with regard to relevant issues for the business and its stakeholders. To this end, in line with the process outlined in the GRI Standards, CIB Group updates its materiality analysis on an annual basis.

The CIB Group's 2021 materiality analysis process was set out in line with the following macro-phases:

- revision of stakeholder mapping of the CIB Group;
- revision in changes of relevant material issues for the CIB Group and its stakeholders based on desktop research, initial benchmarking and feedback received from stakeholders;
- guidance from the parent company's analyses of national/international documentation, standards and legislation;
- review of the prioritisation of the issues through the involvement of internal and external ESG professionals in order to validate the positioning of the relevant issues within the materiality matrix.
- validation of the materiality matrix.

Stakeholder mapping

Maintaining the stability of our operations and implementing a trust-based growth strategy that offers real opportunities requires continuous dialogue with our stakeholders. We regard as our stakeholders all those who may be affected by the activities and operations of our bank and/or who may have an impact on our company. Of these, the following groups are of key importance to our operation: employees, customers, shareholders, suppliers, the environment and the community. We contact our stakeholders through different means of communication and through various channels, the most important of which are highlighted in the report.

The following stakeholders have been identified and are informed by the CIB Group about its activities and its achievements through customised communication channels and through other means. As part of our two-way dialogue, stakeholders' expectations, concerns and ideas are also gathered.

Stakeholder group	Stakeholders	The dialogue	Important issues
Employees	All group employees, including temporary employees and trainees	▪ Representation of interests ▪ Employee Satisfaction survey ▪ Internal communication ▪ Internal discussions ▪ Employee events ▪ Voluntary activities ▪ Internal by-laws and instructions	▪ Stability ▪ Financial performance ▪ Responsible employment, career management, recognition, training events ▪ Equal opportunities ▪ Work-life balance ▪ Safety at work ▪ Work tools ▪ Corporate culture
Customers	Retail customers, corporate customers (small businesses, SME and corporate), municipal customers	▪ Website ▪ CIB Mobile Application ▪ Retail and corporate customer research ▪ 100% Listening Program ▪ Branches ▪ CIB 24 customer service ▪ Complaint management ▪ Public reports ▪ Marketing materials ▪ Business / Partner meetings	▪ Stability ▪ Financial performance ▪ Corporate governance ▪ Client-driven culture and the related trainings and activities ▪ Product portfolio, digitalisation, pricing ▪ Quality and promptness of service ▪ Complaint management ▪ Financial exclusion and inclusion, responsible lending ▪ Environmentally friendly solutions ▪ Social responsibility
Shareholder	Intesa Sanpaolo Group	▪ Annual achievement report and plan ▪ Internal audit report ▪ Discussions ▪ Thematic reports ▪ Monthly and quarterly financial reports	▪ Financial performance ▪ Stability ▪ Strategy ▪ Corporate governance

IV. Identity and profile (cont.)

Stakeholder group	Stakeholders	The dialogue	Important issues
Suppliers	International and domestic suppliers, subcontractors	▪ Partner meetings ▪ Audits ▪ Official correspondence	▪ Corporate governance and reliability
Environment	Nature, Future generations	▪ Website ▪ Media	▪ Environmental responsibility ▪ National Bank Green recommendation ▪ ESG
Community	Non-profit, civic organisations and non-profit organisations for the betterment of local communities, supported by us National, regional and local media, financial media, trade media Trade associations, boards of trade, industry organisations we maintain contacts with Organisations and pools of interests representing specific groups of society	▪ Trade events ▪ Official correspondence and consultations ▪ Local events, collaborations ▪ Reports ▪ Annual report ▪ Sustainability reporting ▪ Website ▪ Press events ▪ Press releases ▪ Press monitoring and analysis ▪ Marketing & PR campaigns ▪ Trade events	▪ Social responsibility ▪ Environmentally friendly solutions ▪ Stability and financial success ▪ Financial performance ▪ Corporate governance, fair competition and anti-corruption ▪ Responsible marketing ▪ Product portfolio ▪ Strategy ▪ Responsible lending and marketing ▪ Financial performance ▪ Pricing ▪ Complaint management, Fair competition and anti-corruption

Identification of material issues

CIB Group identified the priority issues for the Group and for its stakeholders through a complex analysis in 2013, and since then we have conducted a yearly revision of this. During this year's revision we took into the following elements into consideration:

- benchmarking against the non-financial reporting practices of the largest, banks in Hungary;
- internal document sources, including the 2018-2021 Business Plan, the Code of Ethics, the CIB Group's Business and Management Report of 2020 and the last years's Consolidated Non-financial Statements of the last year of our parent company.
- external documents, including reference standards and frameworks for sustainability performance reports (GRI standards)
- guiding documents and recommendations on non-financial reporting issued by our parent company based on international documents related to sustainability issues (such as Principles for Responsible Banking and the main regulations in the sector, the EU Non-financial Reporting Disclosure Directive; Sustainability Reports/Consolidated Non-financial Statements and additional public documentation issued by other Italian and international financial groups; documents drafted by national and international institutions for the identification of general and specific trends in the banking sector);
- results that have emerged from the dialogues on sustainability, ESG and non-financial reporting with our parent company and our peers, as well as with external sustainability experts.

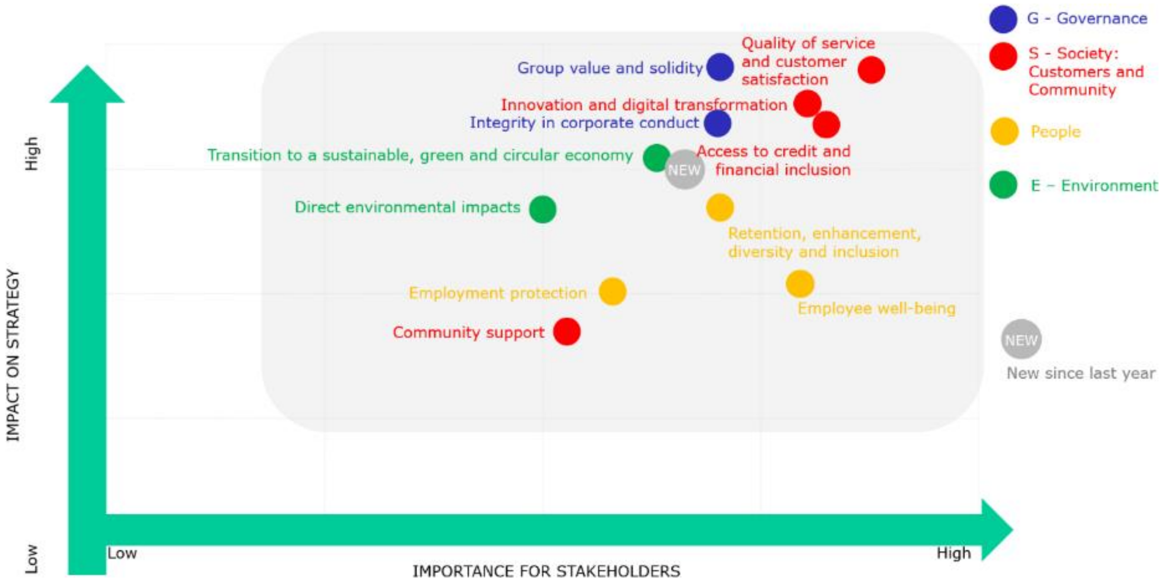
IV. Identity and profile (cont.)

Prioritisation of issues and definition of the materiality matrix

The primary target audience for this report is the wider community and all stakeholders who are interested in our non-financial performance. Of the target audiences defined in previous years, we are using other primary communication channels for the purpose of informing and engaging them, so this report only serves as a supplementary source of information in the dialogue conducted with these two groups.

Internal and external experts validated last year's prioritization as well as the positioning of all material topics on the matrix. Based on GRI standards and the fact that a new four-year strategic period for CIB Bank will start in 2022, the bank plans to implement a complex materiality analysis in 2022 with stakeholder engagement to update the local stakeholder inputs applied in our analysis.

The results of the Materiality Analysis are graphically represented using a Cartesian coordinate system known as the Materiality Matrix, which shows on the y axis the relevance that the material issues have for the Group and its strategy, and on x axis, the relevance that they have for stakeholders based on their decision-making requirements and prospects. This representation makes it possible to disclose in summary form the significance (i.e. the materiality) of each issue on the basis of its overall position on the graph.



Every material aspect identified relates to all units within the organisation.

Main variations in the 2021 materiality matrix

Several changes were made in 2021 to the review of material issues as compared to the previous report. One of the reasons for these changes is the increasing importance of environmental sustainability, the circular economy and ESG considerations from both a stakeholder and strategic perspective that has been evident in recent years. Accordingly, eleven material issues were identified instead of the previous ten: one new themes were added to the matrix: Transition to a sustainable, green and circular economy.

Another change is that 'Innovation and digital transformation' has become a separate issue (previously it was part of the 'Quality of services and customer satisfaction' material issue), as digitalisation was already a pillar of our four-year strategy between 2018 and 2021 and its importance has increased even more since then. 'Corporate values and stability' and 'Corporate lawfulness and ethics' were merged into 'Integrity in corporate conduct', one material issue.

In order to be more in line with the consolidated non-financial reporting of the Intesa Sanpaolo Group, our parent company, we renamed 'Responsible value creation' as 'Group value and solidity', 'Business integrity' as 'Integrity in corporate conduct', 'Financial access and inclusion' as 'Access to credit and financial inclusion', and 'Community engagement' as 'Community support'.

IV. Identity and profile (cont.)

Matrix validation

Placement by dimension was based on the previous survey, desktop benchmark research and internal-external expert assessment. All issues that are significant for the Group or for at least one of its stakeholders have been considered material and have been reported and covered in detailed in this document. The materiality matrix was validated by Head of CSR with the involvement of internal and external ESG expertise.

Impacts, risks and opportunities at national and international level

Material issues	Risks and opportunities	National and international trends and objectives
Group value and solidity	•Credit quality • Efficient use of capital and diversification • Attracting sustainability-conscious investors • Management of business, ESG and reputational risks • Changes in the organisational structure	• Globalisation and competitiveness • Evaluation of long-term scenarios including climate related risks and opportunities • Promotion of transparent and efficient financial markets • Dissemination of ESG values and culture • Assessment of the financial implications linked to ESG impacts
Innovation and digital transformation	• Compliance and data breach risk management • Service quality • Privacy • IT risk • Market and services diversification	• Digital transformation/Digital identity, online payments and billing • New technologies to ensure greater accessibility and effectiveness and excellence in the services provided • Digital customer experience • Dissemination of the use of home banking services • Application of artificial intelligence and robotics
Transition to a sustainable, green and circular economy	• Risks linked to climate change • Management of reputational and ESG risks in loans and insurance products	• Support to the growth of demand and supply of low carbon products and services • Transition to a sustainable economy through a collaborative network and the promotion of circular development models • Support for loans for environmental projects •Identification, management and reporting of governance, strategy, climate risk management, climate related objectives promoted by the Task Force for Climate Disclosure (TCFD) • Promotion of actions aimed at mitigation and adaptation to climate change • Increasing attention to the protection of biodiversity and ecosystem services
Employment protection	• Employment • Labour law risks • Changes in the organisational structure	• Uncertain employment levels due to the pandemic context • Consultation with and inclusion of employees • Continuity of employment/Welfare, well-being and social safety nets • Flexibility of employment
Access to credit and financial inclusion	Financial inclusion • Management of reputational and ESG risks in loans • Applying Guidelines for Environmental, Social and Governance Risks Concerning Lending Operations	• Increased levels of financial education including in terms of sustainability • Integration of ESG risk factors into credit management
Quality of service and customer satisfaction	• Proximity to the customer and operational streamlining • Product innovation and service models • IT risk • Reputational risks associated with the application of ESG factors/criteria • Lack of capacity	• Growth in bank deposits and increase in loans, due to or in relation to the uncertainty linked to the pandemic context • Business continuity and consumer satisfaction • Reorientation of the financial system towards an offer that incorporates the ESG criteria • Customer health and safety • Service digitisation

IV. Identity and profile (cont.)

Material issues	Risks and opportunities	National and international trends and objectives
Integrity in corporate conduct	• Corruption prevention • Compliance and data breach risk management • Investments in sensitive sectors • Fight against organised crime	•Spread of organised crime • Incentives fot ethical conduct • Fight against active and passive corruption • Protection of free competition • Compliance with labour laws • Privacy, cyber and data security • Anti-money laundering • Anti-fraud
Retention, enhancement, diversity and inclusion	• Talent attraction • Investments in training • Diversity & inclusion management • Enhancement of human resources	• Incentives for the banking advisor to actively assist in disseminating ESG products • ESG criteria in the incentivisation and inclusion of employees • Gender diversity, equal treatment and inclusion • Adoption of performance appraisal models that incorporate ESG elements
Employee well-being	• Company welfare initiatives • Work-life balance and flexibility • Management of employees' health and safety risks • Burnout	• Attention to company climate • Attention to employees' health and safety • Dissemination of welfare and well-being practices • Application of protocols for the prevention and mitigation of biological risks
Direct environmental impacts	• Operational protection in risk situations • Impact on costs and business investments	• Reduction and reporting of atmospheric emissions to combat climate change • Responsible use of energy and natural resources • Waste management • Clean and accessible energy and water • Promotion of concrete climate actions • Dissemination of the environmental protection culture
Community support	• Brand enhancement • Group's leadership in society for the dissemination of the sustainability culture • Promotion and measurement of activities with high social impact • Management of current sociodemographic changes	• Social and economic development of local communities • Strengthening cooperation to achieve global sustainable development objectives • Dissemination of social finance instruments • Increase in social inequalities • Rising average age of the population

V. GOVERNANCE AND RISK MANAGEMENT

1. Governance structure

The bank's top decision-making body until 31 October 2016 was the general meeting; from 1 November 2016, the bank has one shareholder, Intesa Sanpaolo S.p.A., which adopts its resolutions in writing.

The structure of other decision-making bodies as follows:

- The bank's executive body is the Management Board, the members of which are employed by CIB Bank.
- The Supervisory Board is the Bank's supervisory body.

The Management Board

Members of the Management Board on <u>31 December 2021</u>

- Chairman & Chief Executive Officer (Pál Simák)
- Deputy Chief Executive Officer (Dario Massimo Grassani)
- Retail Business Line (Dr. Tamás Ákos),
- Corporate Business Line (Balázs Szabó)
- Risk Management (CRO, Zoltán Csordás)
- Operations (COO, Sante Cusimano)
- Finance (CFO, Krisztián Németh)

The Audit Committee

The Audit Committee supports the professional activity of the Supervisory Board primarily in respect of internal audit, risk management, accounting and compliance tasks. The Audit Committee has three members and its composition as of 31 December 2021 as follows:

Members of the Audit Committee on <u>31 December 2021</u>

- Gianfranco Pizzutto – Chairman (ISP business consultant)
- Ezio Salvai (ISP business consultant)
- Alberto Piazza Spessa (ISP, Head of Foreign Banks Risk Governance)

The Supervisory Board

The Supervisory Board has 6 members.

Members of the Supervisory Board on <u>31 December 2021</u>

- Ezio Salvai – Chairman (ISP business consultant)
- Francesco Del Genio – Deputy Chairman (ISP – Head of Deteriorated Assets Section at International Sub. Division)
- Gianfranco Pizzutto (ISP business consultant)
- Alexander Resch (VUB, Chairman & Chief Executive Officer)
- Alberto Piazza Spessa (ISP, Head of Foreign Banks Risk Governance)
- Ilona Csuka-Fügedy (CIB, trade union representative)

Steering committees

The steering committees are authorised to independently make decisions and launch initiatives affecting the entire CIB Group, within the scope of authority delegated to them by the bank's Management Board:

- Credit Risk Management Committee
- Asst Liability Management Committee
- Credit Committee
- Operational Risk Committee
- Problem Assets Committee
- Internal Controls Coordination Committee
- Tender Committee
- Committee for Change Management

Further details can be found in the relevant chapter (Corporate governance and policy chapter) of the CIB Business and Management Report above.

V. Governance and risk management (cont.)

Responsibilities and diversity of the management and control bodies

The Bank's Organisational and Operational Regulations (OOR) also clearly define the key principles related to responsible practices. Through this, the Bank rejects all forms of discrimination and corruption in both its internal and external communication, prohibits any form of discrimination and guarantees the general requirements of equal treatment in accordance with the relevant EU guidelines. Besides the above, the regulations governing compliance and risk management activities set out similar principles aimed at supporting responsible operations.

The CIB Group ensures equal treatment for its existing and future employees in accordance with the Fundamental Law of Hungary, the effective statutory provisions and the CIB Group's Code of Ethics. This is achieved through the transparency of decision-making processes within the company and the ethical training provided to both managers and to the other employees. The examination of ethical issues associated with this topic and the subsequent preventive changes ensure legal and ethical compliance in this area.

We ensure equal treatment for all existing and prospective employees, but at the same time we also place particular emphasis on ensuing working opportunities for people with disabilities and disadvantaged workers, and to creating a level playing field for these individuals. Where necessary, we adapt the hiring process to accommodate the special needs of applicants with altered abilities. Through these measures, we ensure the diversity and inclusion of our staff.

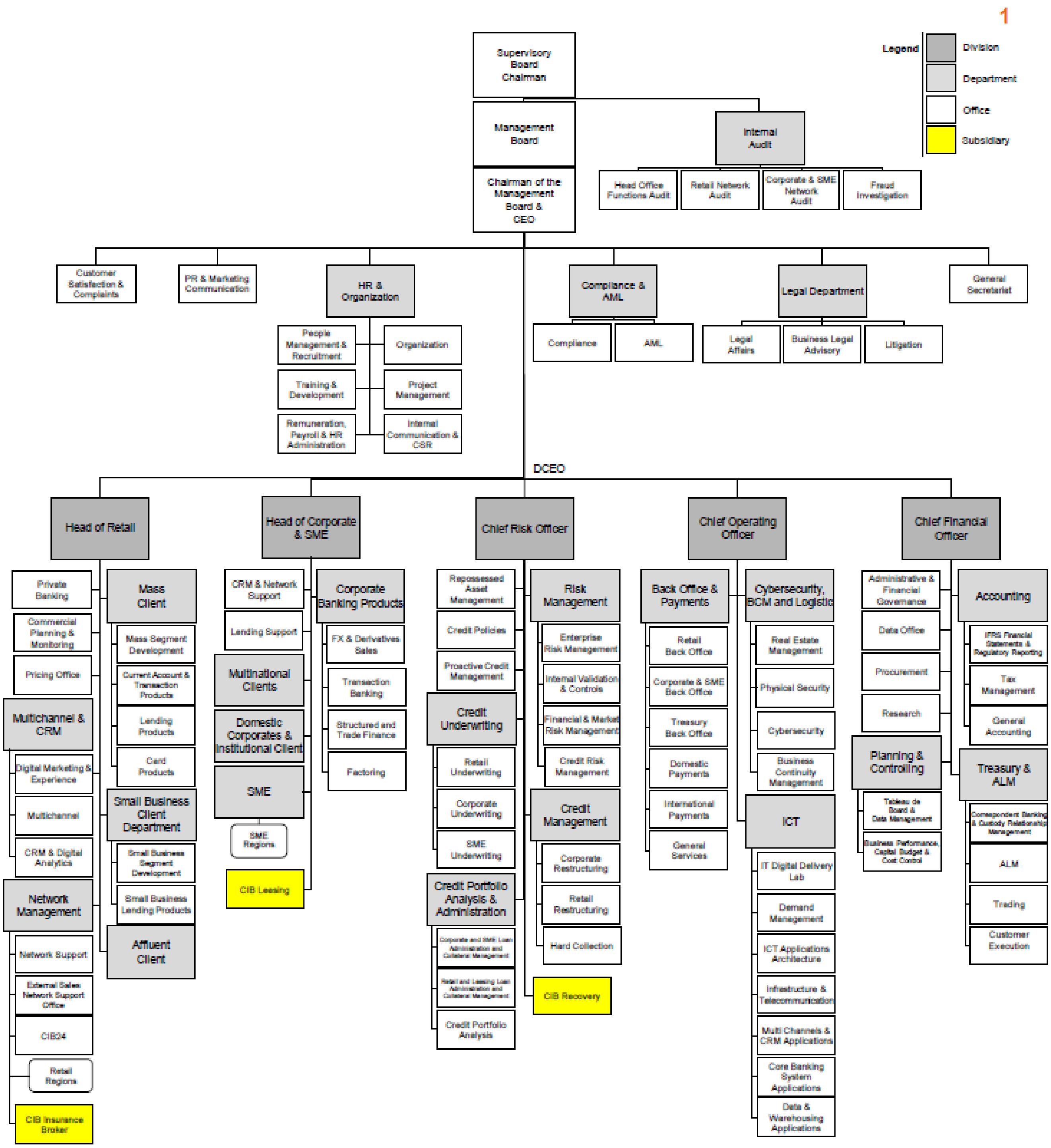
Internal control and risk management

The Bank has adopted a three-tier Integrated Internal Control System. This model provides for the following controls:

- **Level I:** these controls are carried out by the operational and business units themselves (the “Level I Functions”), as well as by units that are exclusively dedicated to the performance of control tasks and that report to the head of the units, or they are carried out as part of our back-office operations.
- **Level II:** the functions responsible for these controls are independent from the business and operating functions and contribute to defining the risk governance policies and the risk management processes:
  - Compliance and AML Department
  - Risk Management Department
- **Level III:** internal auditing controls, designed to identify violations of procedures and regulations and to periodically assess the comprehensiveness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organizational structure of the other components of the internal control system at pre-established intervals depending on the nature and severity of the risks.

V. Governance and risk management (cont.)

ORGANISATIONAL STRUCTURE



V. Governance and risk management (cont.)

Sustainability governance

2021 proved to be the turning point in terms of ESG readiness for the Hungarian financial sector. In April 2021, the Magyar Nemzeti Bank (MNB), Hungary's central bank, issued what it termed its Green Recommendation, specifically requesting all financial institutions being supervised by the MNB to comply with a list of requirements. Recommendation 47/2021. (IV. 14.) of the MNB on climate-related and environmental risks and the integration of environmental sustainability considerations into the activities of credit institutions states as follows:

- "The purpose of the recommendation is to set out the expectations of the MNB in relation to the identification, measurement, management, control and disclosure of climate-related and environmental risks and the integration of environmental sustainability considerations into the business activities of credit institutions, thereby increasing the predictability of the application of the law and facilitating the uniform application of the relevant legislation.
- The recommendation is addressed to credit institutions subject to the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises"

The recommendation focuses on the following areas:

- Supervisory expectations for integrating environmental sustainability considerations into company's business model and strategy
- Supervisory expectations for internal governance
- Supervisory expectations for risk management
  - Risk management framework
  - Credit risk management
  - Operational risk management
  - Market risk management
  - Liquidity risk management
  - Sensitivity-, scenario analysis and stress testing
- Supervisory expectations for disclosures

In order to cover all ESG areas and create a clear organizational structure for managing the related tasks, the deputy CEO of CIB Bank has formally been nominated as ESG Manager of the CIB Group, thus becoming the person at management board level who is responsible for ESG management. Mr. Dario Grassani is supported by the ESG task force, representing all relevant functional areas, while several ESG streams have also been created to focus on specific topics. The new ESG governance model acknowledges the importance of ESG inclusion at strategy level, and creates an efficient and flexible internal structure to safeguard the appropriate adaptation of all national and international provisions. The ESG governance model adopted by the Bank was defined also in accordance with the international subsidiary banks division framework for the ESG matters, established in 2021.

ESG training

In order to provide a proper understanding of the ESG topics and develop the necessary new skills and competences among the staff, CIB has begun providing education and training programs for its employees. In 2021, the Bank was involved in several initiatives launched by the Intesa Sanpaolo Group International Subsidiary Banks Division for the different functions involved in ESG projects and activities. Various types of initiatives, from live sessions and online webinars to distant learning, addressed different functions - from the Risk, Credit, Business functions to Compliance, Legal, the CSR teams and Energy Efficiency referents, as well as the managerial population – and covered different aspects such as the regulatory framework for sustainable finance, the risks and opportunities connected to the ESG and the impact on the risk management operations. In particular, a first extended e-learning course involved 112. Contents of further new, topic-specific training programs are being finalized, as well.

V. Governance and risk management (cont.)

Implementation and governance of code of ethics

The Code of Ethics reflects the broader vision of our social and environmental responsibilities. It explains the values we espouse and that we have made a commitment to uphold

As a company that operates in compliance with strict ethical norms, we have put in place a number of mechanisms that reveal risks that have previously, due to their nature, remained hidden; these include ethical risks. The purpose of the procedural rules is for victims in ethics cases, who until now have been unable to ask for help, to be able to consult and request advice, before taking action, if needs be, and to do so in an anonymous manner. In every member country the Intesa Sanpaolo Group has established a local ethics ombudsman system which, with a few exceptions, investigates ethics-related reports in the member country concerned, and the decisions are also made locally. To enable us to take local conventions into account, in addition to the ethics ombudsman the CIB Group has also established an Ethics Committee, the chairperson of which, as ethics ombudsman, is the Bank's head of CSR. We send a notification of every report to our head office in Italy without delay. The Ethics Committee does not impose sanctions, its task is to judge whether the claims made in the report are well grounded, and to take steps to share the lessons learned. If the report is well grounded, the Committee passes the case on to the appropriate professional department for investigation and a decision, and also to the HR department for a possible labour-law investigation.

We wish to achieve our goals while observing, and putting into practice, the principles of sustainable development and responsible operation. Our operation is founded on our seven core values introduced previously. The fulfilment of these requirements is assured by our advanced corporate governance system and decision-making processes (see above in Governance structure).

Ethical company, responsible operation

The purpose of the procedural rules is to enable victims in ethics cases to ask for help, to consult and request advice, before taking action if needs be, and to do so in an anonymous manner. The CIB Group has an Ethics Committee, chaired by the bank's Head of CSR as the ethics ombudsman. During 2021, no reports were received, following the trend started in 2020: the pandemic changed the working environment dramatically.

	2019	2020	2021
Number of ethical complaints	11	0	0

The significant change in the number of non-compliance reports is a consequence of the pandemic. Due to the fact that central areas where the majority of the reports originated from, went to mandatory full home office for long time, personal interactions decreased accordingly, resulting in the decrease of possible situations that previously triggered non-compliance reports. The Group is aware that non-complaint behaviors still exist and it needs to identify and eliminate the risk and damage these behaviors cause for the employees and for the Group itself. It understands that it is crucial to maintain the awareness of ethical principles and the provisions of the Code of Conduct within the staff, therefore the Group launched a mandatory all staff e-learning course on ethics in 2021, using interactive learning tools.

The interactive educational material, prepared first in 2012 and re-drafted in 2019/2020, serves as the basis for an online training course that all employees are required to complete. The educational material consist of a story told in the form of a graphic novel, providing guidance through the rules of the Code of Conduct, rules of behaviour and ethical procedures by providing the most important information, interactive exercises and case studies. The purpose of the educational program is to explain the most important information concerning ethical values and ethical processes in an interesting, easy to understand and interactive way and to facilitate the understanding of these through various activities, including by providing examples for the rules of conduct. The ethics related subject matter must be mastered by all new hires, while all employees are required to sit a new exam on the subject every four years.

Due to the pandemic, no ethics exam was required in 2020, but in spring 2021 all staff had to enrol on the course. Of 1,970 staff who enrolled, 1,685 completed the e-learning course and successfully finished the exam. The remaining colleagues are expected to retake the exam in 2022.

Proportion of employees who took a distance learning course and exam in ethics in 2021 was 86%:

The Rules of Conduct set out the rules based on the values manifested in the Code of Conduct. They set out in detail the personal rules of conduct, the details of the operation of the Bank, and the rules of expected model behaviour, specifically discussing anti-corruption measures and gifts. Breaching the Rules of Conduct may result in disciplinary measures.

The rules ensuring ethical behaviour, with a special focus on corruption-free and non-discriminatory operations, are included in the rules of procedure of the CIB Group as regulations adopted by the Board of Directors, violation of which may have consequences under labour law. Other key areas of corporate governance are the fight against money laundering, the avoidance of conflicts of interest, risk management and internal audit, which are dealt with by specified individuals reponsible for these matters.

V. Governance and risk management (cont.)

2. Management of environmental, social and governance risks and monitoring related reputation risks

The Bank identifies its environmental, social and governance risks continually and ensures that appropriate measures are taken in the management approach to prevent or successfully mitigate potential or existing risks. We continually review and improve our existing policies, processes, management systems and tools to ensure effective response to changes in risks. These management approaches and any relevant changes to them are presented in each chapter.

The Bank believes that a large banking group has a significant influence in terms of sustainability in both the short and long term. This influence concerns the consumption of resources and the generation of emissions and waste directly related to its commercial activities, as well as activities and behaviour that the Bank cannot directly control, but which are generated by customers and suppliers. This is a principle of conduct. The Bank is therefore committed to promoting responsible resource management in order to reduce its ecological footprint and assess the consequences of its activities on the environment. The Bank's approach is to prevent, manage and, where possible, reduce environmental impacts, including those related to energy consumption, generated directly or indirectly by its activities.

The CIB has joined the Equator principles through its parent company, the Intesa Sanpaolo Group, and adopted the Rules concerning the Equator Principles.

Based on the Group's approach the Bank identifies the following as sensitive sectors of activity under the ESG (Environmental, Social and Governance) profile:

- Defence
- Coal mining
- Oil and gas
- Mining sector (other than coal)
- Forestry and use of forest areas
- Power generation (coal, oil, gas, nuclear)
- Chemical industry
- Pharmaceuticals and Biotechnology
- Tobacco
- Gambling

The following rules have been adopted in the areas mentioned above: Intesa Sanpaolo Group's regulations, Guidelines for the Governance of Environmental, Social and Governance Risks Concerning Lending Operations, was adopted in 2020, and Rules for Lending Operations in the Coal Sector and Rules for Lending Operations in the Unconventional Oil and Gas sector in the above-mentioned areas were adopted by CIB Bank in 2021

Monitoring reputational risks

The Bank pursues the active management of its image among all stakeholders, through the involvement of all the organizational units and by seeking robust and sustainable growth, capable of creating value for all stakeholders. The Bank aims to minimize possible negative effects on its reputation through rigorous and detailed governance, proactive risk management and the direction and control of activities.

The overall management and monitoring of reputational risks is primarily pursued through:

- compliance with standards of ethics and conduct and self-governance
- the continuous strengthening of the risk culture through actions aimed at achieving widespread internalization at all organizational levels
- an integrated primary risks management system, aimed at limiting exposure to them and respecting the limits contained in the Risk Appetite Framework.

In general terms, particular attention is paid to the assessment of ESG/reputational risk profiles related to operations in ESG sensitive sectors, which may be subject to specific criteria for limiting or excluding financing activities, taking into account the specific characteristics of the sector and the purpose of the financing granted. In particular, the regulation of operations in sensitive sectors will be developed with the aim of limiting or excluding, for each sector, the financing of activities with higher ESG and reputational risk profiles, identifying criteria for the eligibility of counterparties in line with the Group's strategic objectives and with a view to engaging customers in moving towards more sustainable business models.

V. Governance and risk management (cont.)

Which area is responsible for what?

Compliance

The purpose of the **compliance function** is to ensure that the activity of the CIB Group is conducted within a legal framework and that the Group's operation complies with the legal requirements. It is responsible for identifying, assessing and managing compliance risks (e.g. risk of supervisory or regulatory sanction, significant financial loss or reputational damage), in particular in the following regulatory areas: conflicts of interest, market abuse, consumer protection, investment services.

Internal audit

Internal audit is an independent, objective assurance and consulting activity, the aim of which is to improve the operation and increase the effectiveness of the given organisation, and within this framework it evaluates and, with its recommendations, supports the effectiveness of the organisation's risk management, governance and control procedures. The task of internal audit is to evaluate the control system intended to manage risks and to make recommendations for improvement.

Legal department

The purpose of the **legal department** is to provide the legal framework for the activities of the CIB Group, to ensure that its operation, processes and products are developed in accordance with the law, to prepare the necessary internal rules, to assist in amending the internal rules, to represent and protect the members of the CIB Group before the authorities and courts and any third parties, and to ensure data protection compliance.

Anti-money laundering area

The task of the **anti-money laundering area** is to supervise banking activities related to the prevention and combating of money laundering and terrorist financing, and to ensure compliance with international financial sanctions.

V. Governance and risk management (cont.)

3. Integrity in corporate conduct

RELEVANT ISSUES

- Fighting against corruption and combating money laundering
- Protection of free competition
- Privacy protection
- Consumer protection
- Whistle blowing

WHY THESE ISSUES ARE RELEVANT

The CIB Group recognises that compliance with internal and external regulations and Code of Conduct is of significant importance, also from a strategic viewpoint, and therefore it acts in the belief that respecting standards and fairness in business are essential elements in carrying out banking operations, which by nature are based on trust and transparency. Indeed, CIB believes that compliance with standards encourages the creation and maintenance of a competitive economic environment and protection of customer rights, which contributes to the development of local areas and communities. CIB also seeks to be a reliable and professional partner for the regulators. In this context, the CIB Group actively adheres to the principles of the United Nations' Global Compact that envisage the development of policies for combating corruption, protecting human rights and workers' rights and safeguarding the environment by implementing the internal rules and guidance issued by the parent company, Intesa Sanpaolo. Intesa Sanpaolo has defined and implemented a well-structured system of risk assessment throughout the company structures, which is applied according to risk assessment criteria and used by CIB as well. Adherence to the rules and integrity of corporate conduct are also ensured through compliance activities focused on the monitoring of risk in relation to fighting corruption and money laundering, counter-terrorist financing, embargo management, protecting consumers and protecting competition. CIB adheres to the principle of active cooperation in preventing these phenomena, which represent a serious threat to the legal economy.

Performance indicators and results achieved

Relevant issues	Projects	2021 Actions/Results	2022 Objective
Fighting against corruption and combating money laundering	Training to prevent corruption and money laundering Number of dismissals due to corruption	Annual all staff training was rolled out on anti-money laundering and counter terrorist financing in October 2021 – the training materials are tailor-made for different functions (participation rate 95%). New employees are trained continuously. Several ad hoc training sessions were held in order to increase awareness of certain new topics. The anti-corruption training was rolled out in October 2021 for all staff (participation rate 98%). Number of ethics reports on suspected corruption (report): 2021: 0 Number of employees dismissed due to corruption: (report): 2021: 0	Perform the following training activities in 2022, as part of the 3-years anti-money laundering and anti-corruption training plan: - Keep presentation on the orientation training for new retail relationship managers - Roll out the AML training for newcomers within 2 weeks from joining the Bank - Roll out the annual basic/specialized AML e-learning training to all staff - Keep specialized trainings for the MAL staff at quarterly level - Roll out the annual anti-corruption e-learning training to all staff - In the case of regulatory changes or if deemed necessary according to the results of the controls, organize extraordinary specialized trainings to dedicated staff (e.g. branch managers etc.) in order to increase awareness

V. Governance and risk management (cont.)

Relevant issues	Projects	2021 Actions/Results	2022 Objective
Privacy protection	Training on privacy protection Substantiated complaints concerning breaches of customer privacy and losses of customer data	Annual training was introduced in October 2021 for all staff,97,4 % participation Substantiated complaints concerning breaches of customer privacy and losses of customer data. 2021: 3; 2020: 1; 2019: 2	Continue the regular training on privacy protection
Consumer protection	Training on consumer protection	The consumer protection training was introduced for all staff in October 2021 (participation rate 97%); sales staff receive more detailed training, with a special focus on appropriate conduct towards customers	Continue the regular training on consumer protection
Business ethics	Training in ethics	Distance training on ethics and exam was introduced in March 2021 for all employees.	Continue the regular training on ethics
Whistleblowing	Whistleblowing reports	There were no instances of whistleblowing in 2021	-

Fighting against corruption and combating money laundering

The Bank regularly revises and updates its Code of Ethics as well as its regulations on the behaviour expected of its employees, which expressly prohibit corruption. Key regulations of Intesa Sanpaolo such as Intesa Sanpaolo Group Compliance Guidelines, Group Anti-corruption Guidelines and Conflicts of interest Management Group Rules have been adopted by the Bank.

The conflicts-of-interest rules adopted by CIB Group are more stringent than the relevant national regulations, i.e. the provisions of Act CXXXVII of 2013 (Credit Institutions Act), Act CXXXVIII of 2007 (Investment Firms Act) and Act I of 2012 (Labour Code).

All employees of CIB Group regularly attend e-learning courses on anti-corruption topics such as money laundering and the financing of terrorism, as well as conflicts of interest, via the Bank's e-learning platform (MultiLearn) accessed through our internal network.

Relevant points and detailed descriptions

In terms of responsible banking operations, defining responsibilities clearly, and in certain cases – depending on the relative importance of the given function – creating a separate organisational unit, is of key importance. We regard legal compliance – especially with respect to the prevention of market abuse and money laundering – and the appropriate management of the risks arising from our operations to be of particular importance.

The functions supporting compliance with EU guidelines and legislative requirements ensure responsible operation, and a key part of this is the efforts we make to ensure corruption-free operation.

Second-level controls performed by the Compliance and AML functions ensure the monitoring of compliance with the legal and internal requirements.

A separate team of specialists coordinates activities to prevent money laundering and the financing of terrorism. They have the task of checking transactions that are relevant or risky in terms of money laundering and potential sanctions, authorising the opening of accounts for new customers of high AML risk and reviewing existing high-risk customer relationships, as well as providing training for employees in the prevention of money laundering, forwarding reports to the competent authorities and ensuring the necessary flow of information..

The obligatory Code of Conduct, which was adopted in 2008 with an update in 2020, and the Anti-corruption Regulations issued by our parent company Intesa Sanpaolo in 2017 and its subsequent update in 2020, which was adopted accordingly in CIB Group, include a set of rules on the prohibition of corruption. The anti-corruption guidelines of CIB Group is published also on the website of the Bank (https://www.cib.hu/en/Maganszemelyek/rolunk/fenntarthatosag/ertekeink.html). As a part of its efforts to combat corruption – in keeping with the relevant guiding principles of Intesa Sanpaolo – the CIB Group does not in any way support politicians or political parties, or organizations with which they are associated. As a matter of course, our zero-tolerance policy towards corruption applies to our employees and our suppliers as well as to other third parties we deal with.

Internal audit is an independent, objective assurance and consulting activity, the aim of which is to improve the operation and increase the effectiveness of the given organisation. In order to assist in achieving the organisation's stated objectives, the Internal Audit function methodically and systematically assesses and improves the effectiveness of the audited organisation's governance and control procedures.

V. Governance and risk management (cont.)

The purpose of the risk management function is to identify the risks of the given organisational unit, to measure the identified risks and manage them to ensure that they do not jeopardise prudent operation or the fulfilment of business objectives. At CIB Group, it is the Risk Management -Department that is responsible for these activities.

It is important for us to advance ethical behaviour within our industry by exhibiting fair market and competitive conduct, leading by example, and through participation. We adhere to the self-regulating approach adopted by the industry and apply this to our own operations, while acting ethically towards our competitors. Fair competitive market conduct serves as the basis for our pricing policy.

How relevant issues are monitored

Corporate governance regulations, process requirements, second-level controls and internal training courses ensure that our employees do not fall victim to or become involved in corruption. Our employees receive training and information on the relevant topics through ethics training and regular anti-corruption e-learning sessions. The compliance systems ensure that anti-corruption rules are enforced through audits.

Employees take part in distance learning courses and examinations on the prevention of money laundering, anti-corruption, conflicts of interest, security awareness and compliance via the e-learning platform accessible via the intranet, as well as through in-person training courses.

The controlling of conflicts of interest is performed by the independent Compliance unit.

The Compliance and AML Department also performs the controlling and recording of gifts accepted by employees. The key principles governing gifts are zero-tolerance and exceptionality. The acceptance of gifts can, in certain cases, be classified as corruption. The internal regulation on the Rules on Gifts and Entertainment Expenses of CIB Group has been adopted in 2018 and updated last time in 2021.

The Code of Ethics mailbox (etikaibejelentes@cib.hu) and postal address, under the jurisdiction of the Ethics Committee, allowing the reporting of any reports, questions or comments, represents another guarantee for all stakeholders, which can be used by all to report any rights violations with the guarantee that any reports made will be treated confidentially and will not result in retaliation. An additional guarantee is provided by the involvement of the Compliance and Internal Audit functions through the email addresses compliance@cib.hu and nevtelenbejelentes@cib.hu, which are available for this purpose as well.

Main indicators (31 December 2021)

	2019	2020	2021
Proportion of employees who took a distance-learning course and an exam in money-laundering prevention (%)	83%	97%	95%
Proportion of employees who took a distance-learning course and an exam in anti-corruption (%):	95%	93%	98%
Number of ethics reports on suspected corruption (report):	0	0	0
Number of employees dismissed due to corruption (report)	0	0	0

Consumer protection

In the current market environment, the protection of customers is of prime importance and is treated as a key objective by CIB. The rapid growth of, and proliferation of new technology in, financial markets and the entry to the market of new service providers and third-party intermediaries, have only increased the risk of fraud, abuse of, and misconduct towards, consumers, especially those with low incomes and limited knowledge of financial matters, and who are therefore in need of greater protection. Consequently, it is of the utmost importance for CIB to manage its relationships with its customers in a transparent and fair manner.

Consumer protection encompasses every aspect of the entire life cycle of banking products and services provided by CIB. Internal policies are in place focusing on the sale processes and on management of long term relationships between the Bank and its customers, ensuring that:

- the informative and the contractual documents to be provided to the customers are formalized in a clear, understandable and transparent way,
- the sales staff is aware of the behavioural rules during the pre-contractual stages and the sale process,
- adequate internal governance has been implemented in terms of regulation, controls and training
- special attention is given to the proper management of disabled customers.

V. Governance and risk management (cont.)

Protection of free competition

The objectives of the Intesa Sanpaolo Group and the CIB Group include ensuring the group's ability to operate in the market in full compliance with the latest regulations on competition. In the interest of complying with these regulations, the Intesa Sanpaolo Group runs an international competition-law compliance programme, part of which is the "EU Competition Compliance Policy", which also applies to CIB and has been published and adopted by CIB. Based partly on the local regulatory requirements, the local Compliance Competition Policy has been adopted by CIB to ensure that employees of the CIB Group have sufficient understanding of the competition regulations to enable them to recognise potential infractions of competition law in the course of their work, to observe the competition regulations and to seek legal advice where necessary.

Privacy protection

To ensure that the personal data of the customers of the CIB Group are processed lawfully, in compliance with the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council (hereinafter: GDPR) and (Hungarian) Act CXII of 2011 on Informational Self-Determination and Freedom of Information, the CIB Group has drafted and issued its own Data Protection and Data Security Policy. The policy describes the principles and the legal basis of data processing, lists the individual cases of data processing, defines the rules regarding the Data Protection Impact Assessment (DPIA) and prior consultation, and sets out the rules on data transfer as well as the rights of data subjects and the means of exercising them.

In addition to the above regulations, CIB Bank has also adopted the regulations of its parent company, the Intesa Sanpaolo Group, GDPR project - guidelines on the protection of personal data of natural persons (applicable in the eu).

An independent Data Protection Officer (DPO) has been appointed by the CIB Group whose job it is to monitor compliance with the relevant legal regulations, consult on privacy issues, provide advice, where requested, regarding the DPIA and monitor its performance and to act as a primary point of contact for the supervisory authority.

	2019	2020	2021
Substantiated complaints concerning breaches of customer privacy and losses of customer data	2	1	3

Whistleblowing

The special rules of the whistleblowing process are detailed in a separate annex (Special rules on internal systems for reporting violations (whistleblowing)) of Internal Audit Manual.

There were no whistleblowing reports received during 2021 and there were no ongoing or pending items from the previous period either. Our management approach to this was described previously under 'Implementation and governance of code of ethics'.

VI. SOCIETY

MATERIAL AND RELEVANT ISSUES

- Quality of service and customer satisfaction
- Innovation and digital transformation
- Access to credit and financial inclusion
- Community support
- Responsibility towards the supply chain

WHY THESE ISSUES ARE MATERIAL AND RELEVANT

The CIB Group understands its key role in activities focused on the economic, social, cultural and civil growth of the communities in which it operates: financing the real economy, supporting those in need and the civil sector, sustainable investments and investments in innovation, and promoting cultural heritage are all part of CIB's approach.

Reflected at the Intesa Sanpaolo Group level and in the CIB Group's local strategy, it is committed to providing top-quality banking, financial and insurance products and services to its customers, fostering the development of the areas in which it operates. In its business plan for 2018-2021, CIB's aim is to maintain sustainable growth through the active involvement of its colleagues and the use of digital infrastructure. Due to these two factors, CIB is able to provide its customers with innovative, high-quality products, while expanding its range of services and its available channels, as well as their accessibility.

Another important aspect is the ability to meet its customers' needs through an operational structure that offers simple solutions, tailored to these needs and focused on IT security and the physical safety of customers, also thanks to the continuous reinforcement of the controls implemented by the Group, while maintaining a responsible and transparent approach in terms of its relationships with its customers.

During the Covid crisis in 2020 and 2021, our well-established approach of supporting the real economy enabled us to offer private individuals and businesses financial support at a very challenging time, helping our retail customers to make use of the loan payment moratorium and developing innovative restructuring, revitalisation and growth solutions for our corporate customers.

In terms of supporting the third sector and vulnerable segments of the population, CIB's long-standing commitment resulted in various programs aimed at easing the negative effects of the pandemic on households and individuals. CIB offered financial and in-kind support to several NGOs, hospitals and grassroots community groups being active in emergency and rehabilitation services. CIB also offered its own media channels (e.g. its Facebook and Instagram page) to promote the Covid-related activities of various civil society groups and created a series of promotion materials under the title "Uncrowned heroes".

Performance indicators and results achieved

Material and relevant issues	Projects	2021 Actions/Results	2022 Objective
Quality of service and customer satisfaction	Net Promoter Score	NPS extended to new products and services 8 activities were involved into the program during 2021	Follow NPS trends, increase the level of quality of services
	Average response times to customer complaints and appeals (Parent Company) in line with reference regulations (RR)	Continuous training for the entire branch network in complaint management Trained colleagues reached the number of 93 in call center and back offices, other 13 branches were trained in person.	Reduce administration and information mistakes
	Expansion of the multichannel platform for responding to complaints and digital transformation	Increase number of responses to customers' complaints in email channel (online responses) to speed up response time and avoid paper-based answers. The ratio of online answers (email) increased from 48% (beginning of 2021) to 66% (end of 2021).	Increase online response rates

VI. Society (cont.)

Material and relevant issues	Projects	2021 Actions/Results	2022 Objective
Quality of service and customer satisfaction	Re-structure of customer feedback management	Fine-tune groups of measured services New types of campaigns are built in the caring activities based on relationship management point of view.	Create actions on focused results
	IT security training for employees	IT security training for employees Annual training was introduced in April 2021 for all staff. The participation rate in the training was 97 % (1848 people passed the exam)	IT security training for employees
Innovation and digital transformation	CIB Customer digital ratio	The CIB Customer digital ratio increased by 12,64% to 78,85 % CIB digital sales on total sales increased by 50,2% (to 30,04%)	
Access to credit and financial inclusion	Education and spread of financial culture	World Savings Day - 150 children participated in financial education classes	Money week World Savings Day
Community support	Volunteering	Food Bank food collection (56 colleagues took part as a volunteer) Blood donation (62 colleagues donated blood)	Launching voluntary initiatives among colleagues
	Contribution to the community	The total monetary contribution to the community was 16 180 000 HUF (excl donation)	Community support initiatives

VI. Society (cont.)

1. Quality of service and customer satisfaction

COMPANY POLICIES
CIB Bank's Code of Ethics – that is, the local edition of the Group document of the same name – identifies values and principles that encompass our conduct with customers. These pillars are the principles of listening and dialogue, transparency and fairness, and the protection of safety in business relations. These values and principles are broken down into precise behavioral guidelines in our Code of Conduct that commits management board members, managers, employees and other staff to comply with them. In addition, for specific areas of activity governing the quality of customer relations, there are governance guidelines and rules based on the initiation of processes which, adopting models involving high levels of protection, shape conduct according to criteria of considerable good faith and fairness in relations. Customer health and safety aspects are also monitored through policies that establish principles and rules of conduct and define responsibilities in operational relationships at the branches. Besides the above-mentioned documents, CIB adheres to Group-level rules and guidelines: the Group guidelines for the management of complaints, the security rules for preventing and managing service fraud, consumer protection regulations, rules on investor relations (retail and corporate) and guidelines for the approval of new products and services.

At the heart of the strategy are our customers: our goal is for the bank to become the primary financial service provider for its customers through excellent customer relationships. This is the main driver behind our corporate governance, our day-to-day operations and the changes we undertake.

In 2021, customer satisfaction, retention and relationship management remained at the focus of the bank's activities. To this end, the CIB Mérce Programme, launched in 2019, was used to keep in touch with customers on a day-to-day basis. The CIB Mérce Programme was established under the direction of the bank's parent company, Intesa Sanpaolo.

By 2021, 75% of customers were enrolled, and the number of emails that had been sent exceeded 1 million. Customers who use this channel to provide feedback to us have a response rate of 8.5%. The evaluation shows that the NPS score has been steadily increasing, reaching 40.2% in December 2021 (on a scale of -100% to +100%).

Service quality

A high level of customer focus is ensured not only by the training of our employees and the incentive system and corporate culture that determine their attitude, but also by our prudent and effective corporate governance system. Within our corporate governance framework, which is largely determined shaped by the statutory requirements, the following elements are the most important in terms of ensuring customer focus:

✓	Assertively representing customer's interests at the highest decision-making levels when planning our strategy and the actions required to implement it
✓	In our pricing policy, besides observing principles of fair competition and market efficiency, we consider the opportunities of our customers, and alongside responsible decision-making, we strive to extend our products and services to a wide range of customers so that no one is excluded due to their disadvantaged situation
✓	Stakeholder dialogue with the professional and civil-sector organisations that represent the interests of customers
✓	Our compliance system, which aims to ensure full observance of the statutory regulations that are aimed at ensuring the well-being of customers
✓	Self-regulation in terms of responsible and ethical sales and marketing and sales (see annex for the certificate)
✓	HR systems and processes that ensure customer focus in the day-to-day work of employees (corporate culture, incentive system, training, diversity)

VI. Society (cont.)

DISTRIBUTION OF CIB GROUP'S CUSTOMERS BY TYPE (PERSONS)

Number of customers (persons)	2019	2020	2021
Retail	352,619	377,963	381,593
Corporate	61,390	60,443	60,342
Total	**414,009**	**438,406**	**441,935**

Based on data as at 31 December

DISTRIBUTION OF CIB GROUP CUSTOMERS BY AGE (%)

Distribution of customers (%)	2019	2020	2021
0-32 years	16.1	18.9	18.7
33-42 years	23.1	20.8	19.9
43-52 years	26.4	25.9	26.3
53-67 years	22.4	22.2	22.2
Over 67 years	12.0	12.2	12.8

Based on data as at 31 December

DISTRIBUTION OF CIB GROUP RETAIL CUSTOMERS BY LENGTH OF RELATIONSHIP WITH THE BANK (%)

Distribution of customers (%)	2019	2020	2021
0-1 years	6.0	5.6	10.3
2-4 years	11.7	5.6	11.8
5-7 years	5.2	3.0	5.9
8-10 years	10.2	6.5	7.7
11-20 years	57.2	72.2	56.6
20 years or more	9.7	7.1	7.7

Based on data as at 31 December

RETAIL PRODUCT USE (INCLUDING MICRO-BUSINESS CUSTOMERS)

Product use	2019*	2020	2021
Retail loans (HUF billion)	426.0	512.1	609.8
Retail deposits (HUF billion)	641.6	734.2	865.8
Number of active bank cards	362,368	344,095	355,419
Number of active CIB Internet Bank customers (persons)	307,641	389,125	428,897

** At the end of 2019, some customers were transferred back to Business from the Workout segment, and we also changed the 2018 numbers retrospectively; consolidated IFRS data as at 31 December*

CORPORATE PRODUCT USAGE

Product use	2019*	2020	2021
Corporate loans (HUF billion)*	658.1	723.8	723.4
Corporate deposits (HUF billion)	779.4	993.8	1153.2
Number of active bank cards	5,532	4,592	4,708
Number of active CIB Internet Bank customers (persons)	3,820	5,633	5,750

** At the end of 2019, some customers were transferred back to Business from the Workout segment, and we also changed the 2018 numbers retrospectively; consolidated IFRS data as at 31 December*

VI. Society (cont.)

OUR CUSTOMERS' VALUE

Supporting innovation and development is vital for any large company. In 2021, further technical improvements have been implemented to support the delivery of a positive customer experience. The bank has developed its online channels, including its ATM network (with ATMs for instant cash payments) and digital tools available in the branch network that help to reduce paper waste and simplify services.

When customers respond to customer satisfaction surveys, it means they trust us to take their views into account. In 2021 (after its launch in 2018), the CIB Survey Programme was already being used as an effective tool for surveying the opinions of the bank's customers. During the year, more than 1,000,000 enquiries were received by email regarding the bank's products and services. With a response rate of almost 10%, we have achieved a steadily increasing NPS score of over 39% for our services, which is positive and encouraging.

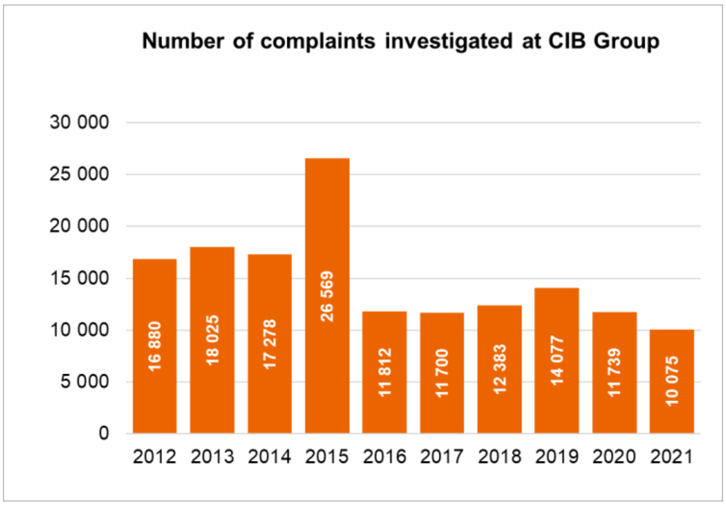
In addition to the CIB Survey Programme, the customer satisfaction surveys, which have been conducted continuously for 14 years, were also carried out in 2021: in addition to retail customers, a competitor benchmarking survey was launched in the SME segment.

Benchmarking the bank against its competitors always provides useful information to position the bank in the market, and the results can be used as a basis for improvement

A renewed model for the surveys was introduced in 2020, based on the net promotor score (NPS), with satisfaction and loyalty indicators complementing and nuancing the results. In the new model, the results are calculated on a product basis, giving a more accurate picture of customer satisfaction with regard to the various product groups

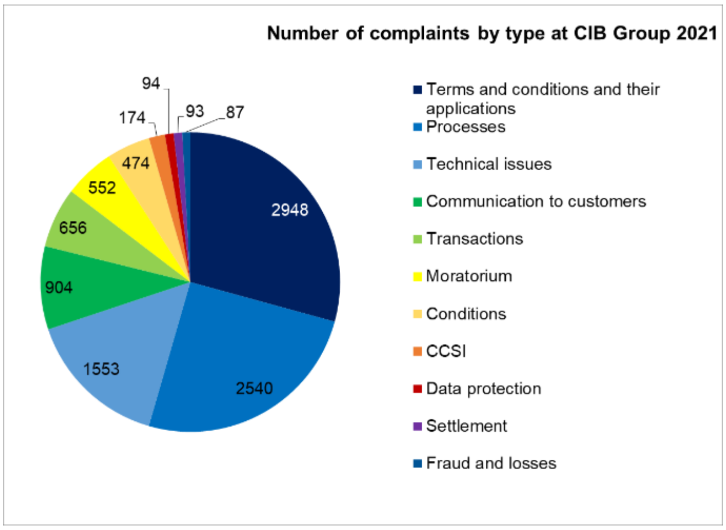
In addition to satisfaction surveys, the bank pays particular attention to the handling of incoming complaints. It is very important that in the case of these inquiries, we seek an appropriate resolution to the problem by applying a fair approach; this objective is supported over the course of the year through training and expert assistance across the entire CIB Group. In 2021, the number of customer complaints received by the Bank Group decreased significantly, thanks to in part to the digital improvements implemented, the new features introduced through electronic channels, the launch of paperless account opening on mobile phones and in the branches, the launch of Apple Pay and Google Pay, which allow easy, secure and fast payment by debit card, and the further development of our ATM network.

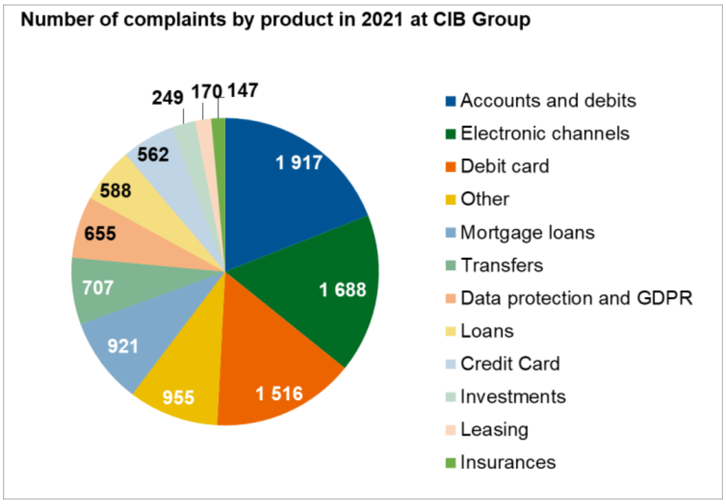
Under the new model, the number of branches operating in a renewed environment was further increased in 2021, and customers are now able to make appointments for personal advice and services via the bank's website.



Republishing change on data for 2018 and 2019: the difference between is due to the ex-post correction resulting from the specificity of the complaint handling process. Based on data as at 31 December..

VI. Society (cont.)





Based on data as at 31 December

Customer protection and responsible sales

We offer several ways for customers to resolve their temporary payment difficulties, such as:

- For loans not secured on real estate, there is a possibility of reducing monthly loan payments by extending the term of the loan. Through our CIB Debt Consolidation Loan II product, several loans that are not secured on real estate, or credit card debts or overdraft debts, can be consolidated and paid off over a longer period in equal monthly instalments.
- In the case of loans that are secured on real estate, we recommend the CIB Optimal Payment Easing Programme, which enables customers to extend the term of the loan as well as to reduce their monthly payments by 25% over 5 years. If this is still not enough for customers, they can apply for a customised rescheduling plan, subject to providing adequate proof of the reason for their payment difficulties.
- It is important for us to respond flexibly to changes that have resulted in financial difficulties for customers. We have set up a special unit within the bank to prevent future risks and to deal with them in good time

VI. Society (cont.)

Key elements in a responsible customer relationship

Regular communication	We maintain personal contact with our customers and engage in continuous dialogue.
Trust	Customers should feel secure and should have confidence in their point of contact for matters financial.
Partnership	We establish stable, crisis-proof partnerships with dependable professional support and open communication.
Value creation	We develop long-term financial solutions that create real value.
Simplicity	Drawing on the synergies within the banking group, we give preference to the simplest and most transparent structures and solutions.

Responsible marketing

The CIB Group supports the achievement of strategic goals with the visual appearance and slogan used in its marketing materials. Our existing and potential customers learn about our products and services through our marketing activity. It is important for us to provide understandable, accurate information in a way that generates interest in our products and services.

We finalise our marketing communication materials after the legal and compliance departments have reviewed them, to ensure responsible operation and full legal compliance. We take both ethical and sustainability guidelines into account in our campaigns. The CIB Group does not advertise in media that provide a platform for the expression of any extreme views.In line with the goal of responsible communication with our customers, and in compliance with the statory provisions, we do not recommend our products to minors, and we do not advertise in public institutions where the education and training of young people under the age of 18 takes place.

The certificate from the Self-Regulatory Advertising Board on advertising self-regulation can be found among the appendices.

Customer health and safety

CIB Bank protects the health and safety of its employees and all the people in all its head offices and branches. For this purpose, it has the necessary safety and operational regulations in place.

The bank's branches remained open continuously during the pandemic. For the health of the customers and colleagues, we ask that a distance of at least 1.5 metres be maintained, hand sanitisers are available everywhere, we disinfect more frequently, we have installed protective Plexiglas at the counters of our branches, and during the spring and autumn epidemic waves, everyone in the branches and head offices is required to wear a mask. In addition, messages were sent through our communication channels advising our customers to visit our branches only when absolutely necessary, as they can do their banking conveniently through our digital channels and 24/7 call centre without visiting our branches.

VI. Society (cont.)

2. Innovation and digital transformation

COMPANY POLICIES

In line with its strategy for 2018 - 2022, the Bank is consistently pursuing the path of digital transformation established in previous years and continues to increase digital penetration among its customers by extending digitalisation to new products and services.

The Board of Directors of CIB Bank approves the IT Security Plan each year; in addition, in line with current regulations, cybersecurity is governed by guidelines and integrated processes for the safeguarding of the interests and rights of customers through the Bank's Integrated Internal Control System which defines responsibilities at all levels of the company. The cybersecurity profile is also based on disseminating an awareness of risks and prevention methods by all the parties involved (Bank structures, employees, customers and suppliers).

In the retail segment, CIB aims to increase the volume of lending by developing the various sales channels, in particular the mobile app, the internet banking platform and the online product-application processes that are available through the website. With regard to savings products, CIB is places great emphasis on providing alternative savings solutions in the current low interest rate environment. In the area of premium banking services, the aim is to continuously expand the offering, and to provide high-standard asset management and insurance products and excellent, standardised banking services through the electronic channels and the branch network. Serving the millennial generation is a primary focus of the strategy, where CIB is looking to increase its activity by developing new digital products and services and through co-operation with institutions of higher education. Part of CIB's business strategy is to strengthen the corporate segment's market position by acquiring new customers and increasing business volumes. By upgrading the corporate internet banking and front-end system and by simplifying processes, the aim is for SME and large corporate customers to execute an increased proportion of their payment, deposit and currency transactions at CIB. There is also a major emphasis on strengthening treasury and documentary services. In addition to the above CIB wants to further exploit synergies with its parent company, Intesa Sanpaolo, in order to strengthen its presence in the multinational corporate sector. New areas of focus for the coming years include:

- the International Confirming solution to ease cross-border commercial activities, and
- ESG-conscious lending activity

We strive to minimize the adverse environmental and social impacts of our products and services.

- Risk management processes
- Decision-making process
- Comprehensive provision of information to stakeholder customers and partners
- Simplification
- High degree of advertising self-regulation

The digitalisation processes paving the way towards an integrated multichannel Bank

Our digital transition is measured by two performance indicators:

- Customer digital ratio: was 78,85% in 2021 (which means an increase by 12,64% from 2020)
- Digital sales on total sales: was 30,04% in 2021 (which means an increase by 50,2% from 2020).

Both indicators show and increase from last year in line with our development efforts. Our digital transition is measured by two performance indicators:

Retail solutions

CIB Bank serves as a pilot bank for implementing new digital capabilities within the Intesa Sanpaolo Group, and therefore the bank developed an excellent portfolio of digital solutions for customers, from traditional internet banking to digital onboarding.

Online personal loan application and account opening for new customers – a radical innovation from CIB Bank

In the second half of 2018, CIB Bank was among the first in Hungary to make fully online personal loan application and account opening available for new customers through its website, without having to visit a branch or sign contracts sent by post or delivered by courier. The popularity of the service has been growing steadily ever since.

Two years later we introduced even an online form of application for mortgages and housing loans as well. In this process the calculation and initiation are performed online via video call and only the contract signing procedure remains to be done in branches. With this feature customers do not have to wait in a queue in branches, but they can apply for mortgages and housing loans from the comfortable environment of their homes.

VI. Society (cont.)

Since May 2021, current account opening is also available via our mobile app. Without a connection to a live operator during the process, the customer simply takes a selfie and captures his or her documents for identification. This initiative of CIB aims at implementing an end to end mobile-only customer acquisition process to increase customer reach, engagement and sales of value-added services and products. The process is designed to generate a seamless experience, significantly enhancing the satisfaction of potential new customers through specific solutions for app-based onboarding: the customer can open a current account in a matter of minutes, using simplified forms that require as little field-filling as possible, and with no need to switch channels to complete the process.

Website

As part of the digital transition, CIB Bank updated its website in 2018: in addition to the already mentioned breakthrough online application option, this essential source of information (the website) was given useful new functions, a more transparent structure and an updated design. In designing the structure of the new site, CIB Bank placed as much emphasis on the appropriate positioning of links and buttons as it did on customer-friendly wording: these represent the key to rapid search and easy navigation. Comprehensibility is also being improved through the addition of useful new content. Besides the usual extra functions such as online messaging and complaint reporting or currency exchange, new features are being added to the website every year. This includes the geolocation-based branch and ATM search function or the call-back request function, which is available from both the main page and the subpages, and the chat function, extended with chatbot, that serves customers 24 hours a day. The personal loan and home loan calculators have also been updated on the website, with changes not only to the content and the menu items, but in the design as well. The design is of course responsive, meaning that the interface has been optimised for all devices, including tablets and mobile phones.

CIB Bank Mobile App

Five years after its launch, in 2021 the number of users of the CIB Bank Mobile App topped 300,000 during the year, and by the end of October we had a total of 305,450 users. Among small business customers, the number of active users is 31,760 (total: 45,006) while there are 212,169 active users among individuals (total: 260,444). On the other hand if using the ISBD methodology for defining active users, 90.1% of the active individuals and 98.7% of active small Business customers have at least one of the 3 digital channels (Internet Bank [old], CIB Bank Online or the CIB Bank Mobile Application).

Two main new features of our mobile application in 2021 are the 'Remote offer' feature and – after the succesful introduction of Apple Pay in the previous year – Google Pay.

From May 2021, a new 'Remote offer' feature will be available in the CIB Bank Mobile Application (and through CIB Bank Online), which will allow the Bank to share documents, including contracts, via the app, as part of a remote proposal sent to the customer, and to request the customer to upload documents via the proposal (e.g. for loan application or income verification). The customer can view the uploaded support documents and contracts after logging into the CIB Bank Mobile Application (i.e. after identification) and then accept and sign them electronically, by simply using the PIN code (Touch or Face ID) for logging into the app, and can also take photos of/upload the documents requested by the bank. After signing by the customer, the bank also signs the agreements electronically, and the copy signed by the bank can be viewed in the CIB Bank mobile app under 'Agreements'. The function currently allows for the remote, as well as for the in-branch, paperless application for and conclusion of contracts related to non-mortgage loans. The Bank plans to continuously expand the range of products and services available. The remote offer process is growing in popularity because the preliminary information related to the offer is provided by phone (or in the branch in the case of a paperless branch process) and the documentation is sent by the advisor or CIB24 banker to the customer's mobile app via the bank's internal application (Digical ABC), so the customer can apply for the loan and conclude the agreement from the comfort of his or her home, without visiting the branch. In the event of a new public health emergency, Remote offer provides both branches and the Call centre with the possibility of serving customers remotely, without an appointment, in relation to the products available.

With effect from 7 October 2021, Google Pay will be available to all retail and business customers with a Visa card. The digital wallet, which makes it even easier and safer for Android users to manage payment transactions, combines everything one needs at the checkout: a quick and easy way to pay in-store, as well as multiple layers of security to protect payment data. Google Pay also makes it easier to store boarding passes for flights or redeem points for various loyalty programmes, among other things. The app is free to download or update from the Google Play store.

Even if there were other competitors who launched Google Pay sooner than us, only Mastercard cards could be added to their app. Therefore, CIB Bank was the first financial institution in Hungary to make the Google Pay app available to retail and corporate customers with Visa debit cards, which it did starting on 7 October 2021. Since then, there has been a steep rise in both the number and volume of transactions using this payment method: by mid-October, more than 2,300 transactions had been made with it, and with a combined volume of more than HUF 10 million a day. CIB Bank expects this facility to further increase the penetration of digital services, and of course plans to extend Google Pay to other types of bank cards.

VI. Society (cont.)

Installation of ATMs that enable instant cash deposits

Digital transition is also supported by the fact that in 2019 CIB Bank began installing advanced ATMs that enable instant cash deposits, which will be followed by additional such machines in 2020. In the case of these ATMs, the amount deposited appears and becomes usable on the customer's account in a matter of seconds. Cash deposits via ATMs can be made 24 hours a day, including at weekends. The installation of ATMs that enable instant deposits is a major development for both personal and business banking, as they allow customers to deposit money that then becomes immediately available on their accounts, without having to use the branch cash-desk service. In 2021 we continued to instal more instant-deposit-enabled ATMs and, as a result, we now have 31 machines with this function, which is more than 26% of our total ATM network.

Corporate solutions

CIB Business Online – internet banking for businesses

In August 2019, a new internet banking service, CIB Business Online, was launched that was tailored specifically to the needs of our corporate customers, to making it even easier for them to deal with their finances online.

The goal with regard to this development is to reach or exceed the level of service of the currently highly popular Business Terminal in 2022. Alongside the classic electronic banking services, we have made day-to-day banking tasks of our corporate customers more efficent and convenient through digital customer service and paperless processes.

Besides the already wide range of services available, the bank is constantly expanding this channel to include new functions, and so the securities service, a customs payment (EBÜK) service, direct debits orders and cash pool reports are all available through it. In addition, CIB Business Online, replacing the previous paper-based process, will help business customers with their daily banking communications through more than 40 different digitised processes.

Key features of the CIB Business Online:

- Information 24 hours a day
- Adjustable to individual needs
- Works well with internet browsers; no other software or plug-in needs to be installed
- Device-independent use; even allows remote signing
- Can be used by multiple users each with differing access rights
- Allows both independent and joint signature

Key features of the Business Terminal:

- Information 24 hours a day
- Adjustable to individual needs
- Can be installed on an individual PC or a network
- Can be used by multiple users each with differing access rights
- Independent and joint signature

The service can be used to meet various needs using two different kinds of authentication tool that satisfy the requirements of the PSD2 Directive and that assure the security of banking operations:

- ViCA (Virtual Smart Card App) – an innovative personal authentication app that runs on an android/iOS smart device, and is a password generator. The one-time password generated by ViCA is always sent to the bank by the automatic operation of the corresponding function of ViCA.
- CIB Hard Token – a PIN-protected password generator that provides a single-use, limited-time numeric code for logging in and approving transactions that require a signature.

International Confirming – supply-chain finance

Confirming is an Intesa Sanpaolo solution Supply Chain Finance program that supprts cross-border commercial transactions by leveraging on top-of-tech digital platform, enabling a more efficient form of financing and of connecting the participants in a supply chain – the buyer and the suppliers.

- For suppliers, it is a net working capital financing solution – an efficient and fast way to advance receivables to the buyer, i.e. a cheaper and more extensive form of credit
- For buyers, it is a net working capital management tool – a smart way to improve supply chain financial stability and an effective solution to reduce working capital by extending DPOs

VI. Society (cont.)

Funding for Growth Scheme – refinaced loans

Another focus of CIB's medium-term strategy is financing the real economy, and accordingly, the bank is further developing its range of products and services aimed at the SME segment. In addition to financing from our own resources, our goal is to actively participate in the provision of subsidised forms of financing (including the refinancing programmes of the National Bank of Hungary [its Funding for Growth Schemes], EXIM Bank and MFB). In addition to SME and corporate loans and leasing services, the CIB Group also offers factoring services to help bridge short-term liquidity shortages.

Products/services that the bank group offers to our customers

✓	Investment products
✓	Transfers
✓	Credit and shopping cards
✓	Debit cards
✓	Credit products
✓	Current accounts and deposits
✓	Mortgage loans
✓	Insurance products
✓	Electronic channels
✓	Leasing
✓	Other

On 1 May 2020, the CIB Group was one of the first banks in Hungary to join the new Funding for Growth Scheme (FGS) launched by the MNB (Hungary's central bank) and FGS Go!, which was launched for capital investments and leasing transactions, thus further increasing the share of predictable, fixed-rate products in the portfolio. The FGS Go! scheme ended on 30 September 2021, and CIB finished the scheme in line with the general market share.

Documentary services

A factor that makes business more difficult to conduct both internationally and domestically is lack of trust between parties, which is usually the result of perceived default risk. Thus, the range of trade finance products that are offered should include services related to documentary transactions, so that these risks can be reduced. We offer a wide range of documentary products to our customers, from documentary collection, letters of credit and guarantees, to discounting of export LCs.

The Bank focuses particularly on providing a high level of service to businesses in the agriculture and food sectors. We are supporting the government's stated objective that products should have attained the highest possible degree of processing before leaving the country, through a number of banking instruments. Our goal is to continue to assist in the sustainable development of the sectors.

Online leasing calculator for car financing

As in all other areas of life, digitisation is evident in lease financing too. More and more of our customers are learning about our various financing options online. The information covers both the terms and conditions and details on the various financing schemes. The popularity of our online calculator is growing each year, 38,842 visitors in 2020 compared to 46,589 visitors in 2021 means 20% growth. Our customers can obtain personalised offers online based on their needs or request a call-back in order to as about our terms and conditions in more detail. Our experts are there to provide full assistance with the documents to be submitted and the entire financing process.

VI. Society (cont.)

Digital solutions at the branches

In 2018, CIB Bank opened its first new-generation bank branch on Szent István körút, which was followed in 2019 by two more branches, the Westend Shopping Mall branch and the Kék golyó utca branches, and later two more branches (one in Újpest and the other in Debrecen) have joined the group of new-generation branches, and with the transformation of the KÖKI branch we reached 10% of the total branch network. The new approach to branches developed by the bank's parent company, Intesa Sanpaolo - and known as the AGDM model - is that branches should serve not only as a place for managing one's finances, but also as a kind of community space where customers have an opportunity to talk, meet or even work. Accordingly, the new type of branches most closely resemble a livingroom, with a sofa and a large communal table that anyone can sit at, not just those who come to the bank to do business. In the new type of branch, digital solutions that enable the execution of simpler transactions are given priority; anyone can access CIB's internet banking platform or mobile app via tablets on the communal table, and if they want, they can ask the bankers for help in using them. For transactions requiring advice (e.g. mortgage applications, investments), spaces with different levels of separation are available: there are semi-separate areas where the layout of the furniture creates the confidential environment needed for the meeting, and fully separate meeting rooms for maximum privacy. CIB Bank has also redesigned its branch service model across its entire network: incoming customers are greeted at the entrance by a member of staff who helps them find the easiest and quickest channel for whatever they want to do. The bank intends to introduce this service to all its branches, and it is already in use in the busier branches in Budapest and elsewhere in the country. In addition, the bank has introduced priority customer service among its retail customers, the essence of which is to provide as many customers as possible with their own point of contact. To complement the transition to digital, we have made cash-desk transactions paperless at all our branches, and we have plans to make other branch processes paperless as well. Customers can complete certain steps of their transaction on a tablet, then at the end of the process they do not have to sign a piece of paper, but instead, an electronic receipt via the tablet, which the bank sends them by email or via the CIB Bank Mobile Application and CIB Bank Online.

In January 2018, graphometric signature touchpads for cash-desk HUF withdrawals and deposits, as well as HUF and FCY bank transfers and inter-account transfers were introduced in our branch network, allowing for a completely paperless process for these transactions. The infrastructure is currently available in all 61 units of CIB Bank, but due to the pandemic since spring 2020, less attention has been paid to paperless service in the recent period, and the share of purely electronic receipts in transactions has fallen to a fraction.

The so-called Danube signature pads, already in use for cash-desk transactions, not only help with the fastest in-branch transactions, but thanks to the Digical ABC application launched in April 2020, digitisation has also started to take hold in more complex in-branch activities. The new Digical ABC front-end system is already being implemented by all subsidiary banks operating under the auspices of ISBD, with the aim of providing fully digital and paperless services. The Bank's 61 branches currently offer retail current account opening, permanent investment advisory services and MiFID testing through the new platform, but it is also an excellent tool for transferring information to customers by sharing documents, customer portfolios and transaction histories via a signature pad and by displaying data graphically. In all processes, agreements are signed with the customer using #withSIGN, a qualified electronic service, and documents signed this way by both the customer and the bank are sent to the customer's mobile application. When opening an account, our customers can choose from four types of accounts and three types of debit cards linked to them. Over the past year and a half, more than 6,100 accounts have been opened in a paperless process in branches, and its share of total account openings, including the mobile app solution mentioned above, has been steadily increasing. Setting together all our paperless account processes i.e. the branch solution, the Acquisition Portal and the DA Mobile based openings, in 2021 we opened 8700 current accounts without printing the nearly 100 pages documentation which means we saved more than 850.000 printed pages all in all.

IT security

The Group considers the protection of information and customers to be a matter of strategic importance. In line with current regulations, cybersecurity is governed by guidelines and integrated processes for the protection of the interests and rights of customers and employees, with rules set out in the bank's Integrated Internal Control System, which defines responsibilities at all levels of the company.

CIB's cybersecurity model has a risk-based approach and is divided into three main macro-areas:

- Orientation: defined through the review of organisational aspects and policies/processes, strategic and predictive intelligence on cybersecurity risks, awareness-raising activities and information flows to internal control bodies.
- Control: ensured through risk management, the execution of controls in line with the most widespread cybersecurity standards.
- Active monitoring: guaranteed through an integrated approach based on technological and organisational initiatives aimed at customers, stakeholders, third parties and the supply chain.

VI. Society (cont.)

In accordance with this model, appropriate roles and responsibilities have been defined to support and oversee this aspect, including: the Corporate Bodies and Committees that assume general responsibility for the orientation and control of cybersecurity, supported by the Governance Functions that ensure its effective management; the Information Security Officer (ISO), who ensures the protection of information and infrastructure in line with the Parent Company's strategy, assures consistency between internal regulations, promotes and develops integration between the various responsibilities in the cybersecurity field, and guarantees compliance with the regulatory framework; and the Relevant Functions that provide services, and design and release cybersecurity solutions in compliance with the relevant regulations.

Cybersecurity tasks are carried out according to Parent Company guidelines. The model and the cybersecurity management system as a whole are periodically reviewed and updated, at least once a year or in conjunction with any external or internal changes (e.g. changes to laws and regulations, or organisational or technological changes) that may have an impact on cybersecurity, with a focus on continuous improvement. The Parent Company cybersecurity structure provides annual Strategic Intelligence activities aimed at identifying the most relevant risk scenarios, in relation to which the necessary areas of orientation are determined, to help ensure the Group's Cyber Readiness.

Given the growing importance of cybersecurity issues, including in relation to the 2018-2021 Business Plan, the CIB Bank Management Board annually approves the IT Security Plan which organizes, in a structured and coordinated way, the challenges posed by cyber space.

The underlying goal of the Plan is to clearly define responsibilities related to the spread of the cybersecurity culture at all levels in order to protect all of the company's assets. In particular, the Plan envisages the implementation of the Group's cybersecurity strategy, which must be based on a perfect knowledge of every element of the area to be protected, which grows together with the range of services offered and the new risks, strongly linked to behaviour and to the human factor.

Some of the most important initiatives for the bank are:

- the activities aimed at improving protection for customers during a period of rapid growth in the use of digital services and in response to the new context resulting from Covid, and more specifically, enhancing cybersecurity and the resilience of systems and applications designed for that purpose, mainly in connection with services offered to customers;
- strengthening of anti-fraud monitoring, especially in view of the Covid situation, which may increase the chance of attacks against customers less accustomed to using digital channels.
- strengthening of security monitoring of Third Parties that provide the bank with services using their own methodology for the evaluation, classification and verification of suppliers as regards cybersecurity and business continuity. The checks cover the supplier's entire life cycle within the bank (the contracting phase, provision of the service, and termination of the contract).
- the enhancement of the security measures adopted by employees such as the extension of services with multi-factor authentication, in accordance with the new way of working resulting from Covid.
- enhancement of internal processes and communications to be applied if a critical event occurs in order to reduce associated risk.

Particular attention has been paid to customer awareness of cybersecurity issues by posting regular updates on the matter on the website, on the most popular social networks, on the bank's secure channels (e.g. via emails, app notices and text messages), in close coordination with the Hungarian authorities.

The new training materials were introduced in 2021, aimed at all levels of the company's hierarchy in a customized manner, including senior management and the relevant IT functions. In 2021,1848 people completed the training.

VI. Society (cont.)

3. Access to credit and financial inclusion

COMPANY POLICIES
The CIB Group provides a range of products and services that promote financial inclusion and access to credit, in accordance with the Code of Ethics that promotes social inclusion, enabling people to improve their lives. The Code of Ethics also emphasises our commitment to the promotion of economic and social development in Hungary. This commitment includes helping companies to develop and improve their competitiveness, and to harness innovations and internationalise their business.

Financial inclusion of vulnerable people

We regard it as particularly important that the bank should support vulnerable people and social groups both through dedicated projects and with specifically designed products that will enable them to access essential financial services to get back on their feet.

Small Business

Many businesses have suffered as a result of the coronavirus, and thus the government has launched a number of schemes under the state-subsidised Széchenyi Card Programme GO! to help these businesses access funding and start trading again.

For customers with existing loans, the CIB Green Wave Extra Exit Credit, the Exit CIB Active Loan and the CIB Partner Exit Mortgage Loan are solutions for, among others, the redemption of debts accumulated during the moratorium period.

In 2021, the simplification of small business lending was launched with innovative online solutions that reduce the administrative burden and contribute to paperless banking.

In 2021 we simplified the process of lending to small businesses through various innovative online solutions that have helped reduce workload and cut down on paper usage.

In addition, for recently established small businesses and other customers with a low number of transactions, we offer the Partner Start Account Package, which provides them with a cost-effective means of conducting their banking. As part of this package, we waive the following fees during an initial discount period:

- CIB Bank Mobile Application and CIB Internet Bank / CIB Bank Online registration fee (which is usually payable at the time the bank account agreement is concluded)
- CIB Bank Mobile Application monthly fee
- Bank card fee in the first year (Visa Compact business card)
- Discounts on transactions on the electronic and CIB Business Online channels (HUF and FCY payments, HUF payments via GIRO to the tax authority (NAV) account (on all the electronic channels).

The above mentioned monthly account management fee is valid in the case of a single monthly salary transfer of at least HUF 40,000. It can be offered to both individual and corporate businesses.

Education and spread of financial culture

It is very important for the bank to provide its customers with what CIB terms as “real opportunities”, i.e. genuine opportunities rooted in the real economy, that will have a profound impact on their businesses over the long term, as this will encourage them to take responsible, carefully considered financial decisions in full knowledge of the possible outcomes and the risks involved. By recognising the responsibility in shaping the financial awareness of our environment, the bank is actively involved in programmes that focus on improving financial literacy.

Financial education and familiarisation with matters financial cannot be started early enough and schools have a decisive role to play in this. The bank helps them in this objective by participating in two programmes that focus on developing the financial awareness of primary and secondary school students.

From the very beginning, the bank has participated – at the initiative of the Hungarian Banking Association – in the Pénz7 (Money7) series of programmes launched with the professional support of the Pénziránytű Foundation, thereby joining the European Money Week initiative. 7 colleagues participated in the program as volunteers and held online financial education classes.

In 2017 the Bank joined the financial education programme launched at The Art of Saving initiative of our parent company, Intesa Sanpaolo, in occasion of the World Savings Day on 31 October. Several initiatives and workshops have been organized locally since 2017, both in-person lessons in schools as well as online formats also promoted on the bank’s channels, and in October 2021 a CIB’s volunteer, respecting the latest COVID restrictions, gave financial educational lessons to a total of 150 students aged 10 to 18.

Responsible investment

CIB Bank is providing 40 in-house ESG funds and almost 100 3rd party ESG funds. Four of the 40 in-house funds were issued in Hungary and fall under Article 8 of the SFDR Regulation. The four funds issued in Hungary are.

- CIB ESG Derivative Fund
- CIB Responsible Investments Derivative Fund

- CIB (Euro) ESG Derivative Fund
- CIB (Euro) Responsible Investments Derivative Fund

The CIB (Euro) ESG Derivative Funds allow investors to benefit from the performance of ESG (Environmental, Social, Governance) responsible companies in HUF and EUR. The fund's return is linked to the performance of the STOXX Global ESG Leaders Select 50 Price EUR equity index. This equity index includes 50 companies that meet the sustainability criteria set by the equity index manager.

CIB (Euro) Responsible Investment Derivative Funds' return payments are linked to the performance of the STOXX Global ESG Leaders Diversification Select 50 Price EUR equity index. This equity index includes 50 companies that operate responsibly according to ESG criteria defined by the index manager.

The ESG product offer is included in the recommended portfolios of products of CIB Bank.

VI. Society (cont.)

4. Community support

COMPANY POLICIES

CIB plays an active role in the areas in which it operates. The Code of Ethics draws attention to the requirements and needs of the community: this commitment consists of various activities that tangibly contribute to achieving sustainable development goals such as the promotion of solidarity initiatives with projects set up through partnerships, donations, the sponsorship of important cultural and social initiatives, and the protection and promotion of the historical, artistic and cultural heritage of Hungary. Initiatives are undertaken in collaboration with local entities and institutions, to ensure they have a positive social impact. In line with the Group's core values, initiatives are implemented in accordance with the transparency and accountability criteria, and by implementing processes and procedures that aim to avoid any possible personal or business conflict of interest.

Intesa Sanpaolo Sponsorship Guidelines and Rules for Donations in the International Subsidiary Banks were adopted (in 2015 and 2019) by CIB Bank.

In addition to being financially profitable, it is also important for us to meet our responsibilities towards society. In the interests of ensuring that both our stability and our growth strategy are fully supported, we minimise social and environmental risks and aim to have a positive impact, for the good of our community and our environment. Our responsible operation also extends to our external relationships and the role that we fulfil in society.

In times such as these, brought on by the pandemic, when cooperation and collaboration are more important than ever, CIB Bank, as a responsible company, aims to make its responsibility towards society as a whole – in addition to its customers, employees and partners – tangible. As we all struggle with the impact of COVID-19, it is essential for the Bank to be able to respond quickly to the specific needs that have arisen and to provide genuine assistance to the community.

Uncrowned Heroes

2020 saw the launch of the Uncrowned Heroes initiative, under which the bank supports dedicated groups of individuals and NGOs that selflessly help the elderly, teachers, doctors, nurses and others in need of support during the pandemic. .

The first beneficiary of this initiative was the non-profit public benefit organisation “Etesd”, with whom cooperation continued in 2021. “Etesd” launched its second “Etesd a Dokit 2” (“Feed the Doctor 2”) campaign in November 2020, which continued in January 2021. This involved sending lunches to frontline workers every day of the week. The goal of CIB Bank's support was twofold: first, to help frontline healthcare workers and second, to help restaurants that would otherwise have faced closure and at which the meals for the healthcare workers were prepared every day.

The bank has also set up the Uncrowned Heroes award to support organisations that selflessly help vulnerable individuals and communities in need. The 2021 award, which included a cash prize of HUF 5 million and assistance with communications, was given to the National Ambulance Service (OMSZ), whose staff played a key role in helping people during the pandemic.

As part of the initiative, the bank also supported two organisations working with children who developed physical or psychological problems during the COVID period. The donation to the Bethesda Hospital Foundation will be used to further develop the paediatric hospital's post-COVID outpatient clinic, while the Világszép Foundation will use the donation to provide development and camping programmes for disadvantaged children living in children's homes. Each of the two foundations received a donation of HUF 1,750,000.

In addition to financial backing and cooperation, the Bank also provides communications assistance to the organisations to present their day-to-day life and thus encourage people to support the organisation or community initiative presented.

Animal welfare campaigne

CIB Bank does a customer satisfaction activity every year, and decided to put a deeper purpose behind it. 2021 was the third year that the campaign focused on helping animal shelters and engaged with animal lovers.

In Hungary, many dogs and cats are waiting in shelters, still few people choose to adopt, so CIB decided to stand by this cause and cooperated with the animal shelter of Csömör in 2021. CIB choose this shelter based on the proposal of the Hangya Közösség, which is an organization supporting animal shelters across the country. CIB Bank did branch and social media communication promoting the shelter's animals and also supported them with a 500 000 HUF donation. The shelter spent the donation on what they needed the most at the time: pet food and veterinary costs.

VI. Society (cont.)

JótettBank – Banki Véradók Hete (Good Deed Bank – Banking Blood Donors' Week)

Blood donation is a very important issue for society, and it has become even more so during the pandemic, when the number of voluntary blood donors and therefore the national blood supply has decreased drastically. Joining the Hungarian Banking Association's Good Deed Bank – Banking Blood Donors' Week initiative, the bank hosted a blood donation session at its head office, in cooperation with the Hungarian National Blood Transfusion Service and the Hungarian Red Cross, in which 62 bank employees volunteered to give blood.

Hungarian Food Bank Association

The national food collection weekend organised by the Hungarian Food Bank Association is a charitable initiative that provides an opportunity for our employees to contribute in a way that is free from the influence of business interests, and complies fully with the CIB Group's corporate social responsibility principles. Towards the end of November 2021, 56 CIB Bank employees, observing the latest COVID restrictions, participated as volunteers in the food collection weekend of the Hungarian Food Bank Association. A total of 31,158 kg of food was collected in stores where CIB volunteers also assisted in food collection.

Contribution to the community in 2021

In 2021, the total monetary contribution to the community was 16,180,000 HUF (excl donation).

The main action areas in which monetary contributions were made in 2021 were healthcare for 5,000,000 HUF and social welfare for 11,180,000 HUF.

Over the course of 2021, donations amounting to HUF 4,000,000 HUF were made to the community.

VI. Society (cont.)

5. Responsibility towards the supply chain

COMPANY POLICIES

In order to ensure that relations with suppliers and our purchasing policies can create conditions that promote sustainable economic development and respect for human rights, CIB Bank manages centralised sourcing, regulatory monitoring, supplier qualification and monitoring activities.

The key principle governing the acquisition of goods or services (necessary to the bank's operation) is to be able to achieve the best value for money so as to maximize economic return and ensure the level of quality and service we require.

To this end, we must:

- observe the principles set out in the Code of Ethics, especially those regarding transparency and equality in selecting suppliers and carrying out the sourcing process, and we must observe the Code of Conduct
- observe the statutory provisions that regulate procedures for obtaining, managing and disclosing personal data, in order to protect non-disclosure and privacy rights
- apply the Regulations on the management of insider information and proprietary transactions
- observe the "Guidelines for Group Operational Risk Management", "Intesa Sanpaolo Group Compliance Guidelines", " Guidelines for the Governance of the Group's Reputational Risk" and, where applicable, the "Non-group and Intra-Group Outsourcing Guidelines"
- separate the operating functions from the control functions, to avoid conflicts of interest in the awarding of supply contracts
- ensure that organisational and control units promptly report any anomalies in or deviations from processes
- comply with applicable guidelines on social and environmental sustainability to guarantee, along the entire supply chain, and subject to the specifics of the local environment, respect for the environment and for human rights, as well as appropriate employment conditions and business ethics, through measures and resources that minimise negative impacts and promote awareness of risks and of social and environmental opportunities
- comply with regulations on health and safety in the workplace
- comply with regulations on protecting industrial and intellectual copyright and, in all cases, the lawful origin of goods supplied.

Our suppliers

Responsible procurement is a key pillar of our operations. Therefore, our most important core principle when choosing suppliers is to display fairness and transparency in the selection process, which is thus based on the joint application of tendering and negotiation. This is why it is especially important for us to maintain good supplier relationships that enable continuous dialogue. Our objective is to operate an efficient cost management system and procurement process, and to control expenses.

The same terms apply to all our suppliers, and in the course of their selection our procurement principles and rules are enforced consistently.

Our procurement principles are as follows:

- a supplier selection system that ensures transparency and a level playing field;
- consistent and favourable payment terms;
- insisting on legal, above-board employment even at our subcontractors;
- the use of environmentally friendly technologies, environmentally friendly products and materials, and the recycling of waste is encouraged and in certain cases compulsory.

The management of suppliers is important for CIB Bank, and covers all activities needed to register and monitor suppliers, and to analyse and assess them based on technical, financial, commercial, environmental and social sustainability factors as well as on organisational considerations and reputational risks, and in terms of how good a fit they are in light of our specific needs.

The parent company made the decision to introduce the Supplier Portal (Portale Fornitori) system at the subsidiaries. The future suppliers of CIB Bank will have the possibility to register themselves on the portal, providing not only their official data but also specifying the procurement categories that they have experience in. At the same time, it allows CIB Bank to increase its knowledge of its suppliers, both existing and prospective, and to increase the degree of fair market competition between them.

VI. Society (cont.)

The ISO 50001 guidelines that were previous integrated into our procurement processes (for example, the principle that low-consumption, energy-efficient and sustainable equipment and solutions should be prioritised over high-consumption alternatives during the procurement process) are fully in line with the Rules in Green Banking Procurement which was adopted in 2021. The initiatives under the latter are essentially aimed at protecting the environment. CIB Bank is committed to the responsible sourcing and use of goods and services that comply with the regulations on environmental protection and conservation. The main considerations are energy consumption, CO_2 emissions, waste generation, and consumption of materials such as paper, toner and stationery. In keeping with the principles of our parent company, Intesa Sanpaolo, ethically sound conduct is reflected in a commitment we insist on in the contracts we conclude with suppliers, which is that the suppliers must confirm, before signing the contract, that they have read our Code of Ethics, understood the parts that relate to them ("Guiding Principles for our Stakeholder Relationships" and "Guiding Principles for our Supplier Relationships"), that they agree with its contents and that they will fully comply with its provisions in their own operations. At the same time, suppliers can submit reports related to ethical issues to us at etikaibejelentes@cib.hu.

In addition to the rules regarding ethical behaviour, contracts concluded with all our suppliers now include paragraphs related to GDPR and anti-corruption, in compliance with our internal policies and the external regulations.

Other key issues for us are:

- respect for the rights of suppliers (in particular the right to health, safety and non-discrimination);
- respect for human rights throughout the supply chain (in particular the avoidance of suppliers who violate the human rights of their employees or their wider community);
- the inclusion of energy efficiency considerations as a key element of our procurement, refurbishment and construction plans.

Number of suppliers and value of services purchased by geographical area

	Number of suppliers			Value of purchased goods and services (million HUF)		
	2019	2020	2021	2019	2020	2021
Total	2,504	1,507	1,294	20,675	20,484	22,986
Hungary	2,416	1,426	1,217	17,470	16,253	17,500
Europe (excl. Hungary)	72	71	67	2,477	3,862	5,111
North-America	13	9	8	701	354	352
Asia	3	1	2	27	15	24

Based on data as at 31 December

VII. PEOPLE

MATERIAL ISSUES

- Employment protection
- Retention, enhancement, diversity and inclusion
- Employee well-being

WHY THESE ISSUES ARE MATERIAL

Responding to the challenges brought about by COVID-19 determined much of our activities in 2021, as it had done in the previous year. In 2021, however, we were able to make good use of the experience we had acquired during the first wave of the virus. When planning and implementing our human resource activities, we continued to bear in mind that CIB is more than a place of work, but a community, a place of innovation and a business.

As we monitored changes to the general well-being of our colleagues over the pandemic, it became clearer than ever that maintaining the motivation of our employees is of key strategic importance, as is the – closely related – goal of cultivating a sense of belonging to an empathetic but at the same time high-performance team. Accordingly, we provided our staff with the opportunity to participate in eleven online community-building programmes over the course of eight months, as part of our “Shake up your connections” initiative.

The changes necessitated by COVID did not, however, mean that training designed to ensure the success of our business became any less important. Alongside in-person training, greater emphasis than usual was placed on online and hybrid training alternatives, with a focus on e-learning solutions and developing skills and competencies needed to support our digitalisation objectives.

The demand for work-life balance increased, having regard to which, with the epidemiological situation becoming less critical – and hopefully passing entirely –, CIB Group continues – and will continue – to provide the option of working in home office for its employees, the regulatory and technical background of which has already been implemented.

The uncertainty experienced in the past period lent an increased importance to the systems supporting employees in a difficult social and/or financial situation (sickness, death), such as the Social Committee operated jointly with the representatives of the employees, the International Healthcare Programme, and the Group-wide life and accident insurance programme.

Since in 2021 the jobs market was again marked by a shortage of suitable applicants, the number of unfilled vacancies increased in parallel with the – sadly, short-lived – improvement in the COVID situation. So that the bank could find and attract suitable candidates and reach people who are less active than others on the jobs market, the bank expanded its recruitment channels, engaging additional service providers and using new tools and methods. We engaged new, various headhunter services, also called technical search service and tried new ad options. In some cases candidates were asked to prepare a task online before the interviews.

With diversity and inclusion in mind and taken into consideration the Diversity and Inclusion Principles and the Rules for combatting sexual harassment, we supported our employees raising their children at home in thinking consciously about their careers as women, as well as in preparing for their return to work, by organising the Womentoring programme in 2021 too.

Performance indicators and results achieved

Material issues	Projects	2021 Actions/Results	2022 Objectives
Employment protection	Recruitment	Inclusion of new, partially digital recruitment channels	Further broadening of the means of recruitment, segmented search for candidates Internship programmes in every business line
	Employees belonging to trade union	Trade union members 127 In 2021	The aim remains to maintain a stable working environment.
	Employee with indefinite-term contract	In 2021: 1994	
	Average fluctuation	In 2021: 17 %	
	Wages of entry-level employees compared to minimum wage	In 2021: 234 %	

VII. People (cont.)

Material issues	Projects	2021 Actions/Results	2022 Objectives
Retention, enhancement, diversity and inclusion	Feedback culture	Planning and launch of a 7-month programme series	Bank-wide survey on the topic of feedback culture
	Talent University	Launching 3 specialty areas within the programme: 38 participant	Closure of the programme, presentation of project tasks
	Sales incentive scheme	Testing of the incentive scheme developed based on the new guiding principles	Implementation of the new scheme in all business lines
	Onboarding	Development of and preparation for a new process	Launch of digital onboarding process
	Diversity and inclusion initiatives	• ISP D&I guideline was implemented • Organisation of the online Womentoring day (47 participants)	We are improving our internal and external communications regarding our Womentoring programme
Employee well-being	Well-being and quality of life in the company - Smart working	Regulations relating to working at home, ensuring the availability of tools and systems	Establishment of the technical facilities necessary for hybrid working at the new head office
	Health and safety – Employee health screening	Exploration of the private healthcare market, rethinking our needs	Selection of a service provider to ensure a consistent and fully coordinated service

1. Employment protection

COMPANY POLICIES

The company's approach to manage issues related to the protection of employers' rights is entirely in line with the principles outlined in the Group Code of Ethics and the Principles on Human Rights, both of which are incorporated in the CIB Group Code of Conduct. Besides this, the company has also adopted the Rules on diversity for sexual orientation and identity, implemented in the Labour Policy of CIB Group, which reinforces the rejection of all forms of discrimination.

The company continues to maintain excellent relations with the various employee advocacy bodies, operating for example, a Social Committee that includes members delegated from the trade union on the employee side and that aims to provide an organized framework for the awarding of certain allowances (funeral and welfare-related assistance, advances on various payments, etc.) required by our employees. We regard as being of particular importance during the pandemic period.

Job protection

Our responsible employment principles and practices ensure a stable community of employees and the specialist knowledge needed for the bank group's operation, which not only boosts personal satisfaction, but also correlates directly with the quality and speed of customer service.

As a responsible employer, we ensure nearly all our staff have indefinite-term employment contracts in place, which is also reflective of a committed employment relationship that can be planned for over the long term. To meet our seasonal staffing requirements, we also employ staff through contracts with temporary employment agencies. At the same time, the proportion of employees who are working on a part-time basis is increasing – and this another way we are helping employees achieve a better work-life balance. We place considerable emphasis on employee retention and training, we regularly announce internship programmes, and we recognise the achievements of high-performing individuals in numerous ways.

Number of employees of CIB Group

	2019	2020	2021
Fixed-term contracts	19	13	13
Indefinite-term contracts	1,983	2,021	1,994
Total	2,002	2,034	2,007

Number of employees of CIB Group

	2019	2020	2021
Number of part-time workers	130	169	165
Number of workers of reduced functional capacity	84	85	99
Number of temporary staff	105	41	26

Based on data as at 31 December

Employment protection indicators of CIB Group

	2019	2020	2021
Employee with indefinite-term contract	1,983	2,021	1,994
Average fluctuation	20.5%	14.5%	17.0%
Wages of entry-level employees compared to minimum wage	232%	219%	234%

Based on data as at 31 December

Labour relations

At the end of 2021, the CIB Group employed a staff of 2,007, almost all of them under open-ended contracts, a reflection of our commitment to reliable and secure long-term employment. 26 workers have been hired on a temporary basis in order to satisfy seasonal staffing demands. There are an increasing proportion of part-time workers due to an effort to help improve the work-life balance of our staff.

Our bank complies fully with the Labour Code, and beyond this the organisation regulates matters that affect every employee equally in the HR regulations. There is no collective agreement. There is a trade union at CIB Bank; as at the end of December 2021, it had 127 members. Representatives of the union constitute the employee side of the Social Committee, whose duties include the management of certain welfare allowances granted to workers.

	2019	2020	2021
Trade union members	154	135	127
Works Council participants	10	N/A	N/A

Based on data as at 31 December

2. Retention, enhancement, diversity and inclusion of employees

COMPANY POLICIES

In terms of remuneration and incentives, CIB Group operates based on the principles of the Group Code of Ethics and the Group Remuneration and Incentives Policy. The latter is implemented in two regulations, the Remuneration Policy of the CIB Group, which includes the general rules for the whole organization, and the Sales Incentives Scheme, which focuses specifically on the incentives applied in the sales structure.

To support the above processes the company operates a performance management system described in the related manual – 'Performance management system of the CIB Group'.

The Labour Policy of the CIB Group and the 'Working from home and telecommuting manual' also include relevant measures in this regard, such as employee health screening (as an incentive), which is described in the Labour Policy, while the 'Working from home and telecommuting manual' sets out the framework for home-based work, which has taken on considerable importance in terms of staff retention since the COVID-19 outbreak.

In terms of training and development, the CIB Group has a manual on Training and Development, in which two Group guidelines, the 'Rules for ensuring sustainability in the organisation of communications events and training courses' and the Principles of Human Rights are implemented.

In terms of diversity and inclusion, the Group Code of Ethics, the Principles of Human Rights, the Diversity and Inclusion Principles and the Rules for combatting sexual harassment have all been adopted, and enhance the specific qualities of each employee, from as early as the recruitment and selection phase, as described in the related regulation. Besides this, the 'Rules on diversity for sexual orientation and identity', implemented in the Labour Policy of the CIB Group is also evidence of the commitment of the company to this matter.

Recruitment and selection

The jobs market was again characterised by a shortage of labour in 2021, i.e. a large number of unfilled vacancies. In response, various methods and channels were employed to locate and attract high quality candidates. Of the various recruitment methods, our employee referral program continued to be successfully used, and in addition, new companies were added to the roster of employment and head-hunting companies we work with, and online job sites were used in order to reach potential candidates who are not active on the labour market. Job ads were updated and revised, and some were placed on social media sites. We used an additional, special technical search service. We search for potential candidates in both internal and external databases. In 2021, we stepped up our cooperation with universities and other institutes of higher education, in order to better reach our key employee target group of highly educated graduates. A number of fresh graduate employees and internees were attracted to the company as a result of presentations held at various universities by senior employees from CIB, as well as through our collaboration on various specialist courses at the university.

Staff turnover has been lower at the bank compared to the previous year. This is reflected in the age and gender breakdowns.

Employee termination at CIB Group

	2019	2020	2021
Termination rate (average)	20.5%	14.5%	17.0%
Termination rate by age groups			
21-25	26.3%	35.8%	29.3%
26-30	37.4%	19.1%	26.6%
31-35	27.0%	13.8%	24.7%
36-40	15.9%	13.2%	14.4%
41-45	16.1%	13.0%	12.5%
46-50	9.9%	10.9%	10.8%
51-55	9.8%	8.9%	10.3%
56-60	41.9%	15.5%	13.0%
61-	43.8%	10.0%	16.7%

Based on data as at 31 December

	2019	2020	2021
Termination rate by gender			
Male	21.4%	15.3%	17.9%
Female	20.0%	14.3%	16.6%
Number of new recruits and job-leavers across CIB Group			
Number of new employees	447	334	337
Number of job leavers	442	319	382

Based on data as at 31 December

In 2021, employees working in entry-level jobs earned, on average, HUF 391.882, i.e. 234% of the minimum wage.

Average gross base salary of male and female employees by position category at CIB Group (million HUF)

	2019	2020	2021
Male managers*	14.06	14.26	15.18
Female managers*	11.96	12.39	12.94
Male officers	9.15	9.38	10.37
Female officers	8.09	8.13	8.94
Male employees	4.74	4.80	5.26
Female employees	4.46	4.55	4.91

** without Executives; Based on data as at 31 December*

Percentage of average pay gap per gender (women compared to men)

	2019	2020	2021
Managers*	-14.9%	-13.1%	-14.7%
Officers	-11.6%	-13.3%	-13.8%
Employees	-6.0%	-5.2%	-6.6%

** without Executives; Based on data as at 31 December*

Average compa-ratio* by gender and position at CIB Group

	2019			2020			2021		
	Male	Female	Female / Male ratio	Male	Female	Female / Male ratio	Male	Female	Female / Male ratio
Managers	84.4%	85.5%	101.1%	87.2%	86.4%	99.1%	90.1%	90.2%	100.1%
Officers	92.7%	90.7%	97.9%	94.1%	92.0%	97.8%	102.3%	100.0%	97.7%
Employees	97.3%	94.5%	97.1%	100.3%	97.4%	97.1%	104.2%	100.4%	96.4%
TOTAL	93.8%	93.1%	99.3%	96.1%	95.6%	99.4%	101.6%	99.7%	98.1%

**The salary compa-ratio shows the ratio of the employees' salaries level to the median value of the banking salary market at the appropriate job level . Based on data as at 31 December*

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VII. People (cont.)

People and digital transformation

Due partly to the pandemic, the process of digital transformation accelerated in 2020, and in 2021 the use of digital platforms and digitalised solutions became integral to almost every aspect of our day-to-day activities. Working from home, the ability to remotely access the bank's systems, and the introduction of online and hybrid training, as well as the mobile version of the CIB Intranet, all encourage our colleagues to immerse themselves in the opportunities presented by the online and digital world both as employees of CIB and as private individuals. Several initiatives aimed at improving knowledge relating to digitisation have been launched at the bank. As part of the Digital Galaxy online programme held over on 5 occasions, participants attended topic-based interactive presentations (on online marketing strategies, megatrends in information technology, online sales, etc.). In the "Digital talks" programme that was run by our parent company, managers listened to specialist presentations on the process of digital transformation. In addition, as part of the bank's talent programme, a 7-month course in Agile and Lean project management was launched, while digital skills development was also supported by an interactive e-learning course on Cybersecurity and IT Security Awareness.

Assessment and incentive systems

Both the 2021 ISP Group Remuneration Policy and the 2021 CIB Group Remuneration Framework were adopted, in accordance with international and local regulations.

Salaries are classified on the basis of various criteria. The criteria considered include the complexity of tasks by job, the popularity of the qualifications required for the job on the labour market, the wage lifecycle, i.e. at which phase the employee concerned reached a specific position, the employee's experience and his/her actual performance in the job.

Performance assessment

The managers working in Head Office have been supported by a flexible and user-friendly performance assessment system called NewPat in specifying targets for members of their teams and then in assessing achievement of such goals as well as the competences that are of benefit to the employees in their work. The targets for 2021 are set and subsequently evaluated under 'NewPat' system, which provides the comprehensive evaluation mechanisms in a manner and on the basis of principles that are transparent for assessors and employees alike.

On theother hand, the performance management processes for the network is GPS.. The GPS system was designed in line with the Bank's strategy for our sales staff of the International Subsidiary Banks of Intesa Sanpaolo. The scheme is based on a methodology developed by the International Subsidiary Banks Division (ISBD) of Intesa Sanpaolo, our shareholder. The sales incentive system has been designed in order to motivate and retain our successful and efficient staff members and line managers so we can work together for achieving our strategy. In 2021, additional jobs were included in the sales incentives system.

During the performance assessment period, panel discussions are conducted across the organisation in order to ensure the consistency of the assessments between the levels of management and individual divisions. All Bank employees get an assessment of their performance and a review of their career options.

Recognition and career management

Closely related to the performance assessment mechanisms, the career management system also continues to operate, primarily in order to identify and retain talents, enable all employees to consider their desired career paths at the CIB Banking Group and to ensure that managers develop conscious replacement strategies within their teams.

In 2021, we expanded our recognition portfolio. As in previous years, based on the nominations of the managers and the sales results of the previous year, we awarded our 150 top salespeople and supporters at an online ceremony. The "Masters Of Feedback" Managers and Gold Teams of the Year have been selected, and together with our employees who are celebrating their 20th, 25th, 30th, 35th and 40th anniversary as CIB employees, will be greeted by members of the Management Board at a large-scale year opener awards ceremony in 2022.

The wide range of fringe benefits is an important component of our remuneration strategy. In 2021, the gross amount of fringe benefits due to full-time workers was HUF 35,000, the same as the year before. Part-time workers were again entitled to a pro rata share of the above amount. 2021 saw slight changes to the range of and rules governing fringe benefits During the shaping of the system of benefits, important factors included the employee experience as well as an effort to provide all possible benefits that remained tax-exempt or continued to have a preferential tax rate in 2021. In addition to the above, the list of available components was simplified to a reasonable extent, taking into consideration the related paperwork and disclosure requirements.

VII. People (cont.)

Training

	2019	2020	2021
Average training hours per employee per year	41.9	37.9	48.9
Total training hours	83,820	77,183	98,081
Numbers of training hours by gender and position category			
Managers (male)	2,870	2,695	3,884
Managers (female)	2,740	2,362	4,319
Officers and employees (male)	21,298	19,202	24,418
Officers and employees (female)	56,912	52,924	65,461

Based on data as at 31 December

In 2021, the training programmes took place both online and in the classroom. Newly enrolled colleagues take part in a 3.5-hour digital orientation programme covering more than 10 topics, during which they learn about the organisational operation of the bank, and acquire key knowledge about the organisation, bank security, compliance and data security and the related regulations. In 2021, this video series was expanded to include a digitalised 6-month professional onboarding programme, which is available to new members of staff who will be dealing with SME banking. This year, 112 new colleagues participated in the 4-week professional orientation programme of the branch network.

The roster of exams prescribed by law has changed, and in 2021, the professional education materials related to the specific topics were expanded to include interactive materials, professional articles and case studies. In 2021, new e-learning training courses were launched at the bank, of which the “MCD” (Mortgage Credit Directive), the “Cybersecurity and IT Security Awareness” and the “Approaching ESG & climate-change risk for the lending operations” course – this latter launched by Intesa Sanpaolo, our parent company – were particularly important.

The classroom and online professional training courses held for the sales network were supported by more than 25 hours of training videos on products, processes and systems. There were more than 2,800 attendances at the 51 branch network training courses held in 2021. In addition, middle managers and branch managers attended the training programme launched by the parent company, named Growing Your Managerial Skills (GYMS) that consisted respectively in 2 modules for the former/middle managers (39 attendees) and 4 modules for the latter/branch managers (79 attendees).

The online training and development process for newly appointed managers was revised and it now ensures continuous support for these managers during the first year following their appointment. The training touches on all major skills and competencies new managers need in the job and covers the key challenges and situations they are likely to face. The 12-month management development programme includes online training sessions and in-person consultations as well as coaching and mentoring support.

In 2021, non-management colleagues had a total of 8 training topics to choose from and managers had 10 topics to choose from under the online skills development programme called ‘CIB Spirit Open’. We introduced a new course under the programme entitled ‘Feedback Plus’, the aim of which to develop the key skill of providing constructive feedback to colleagues. The course is delivered in the form of concise training interventions and podcasts for managers and their staff, with the focus being on learning how to deliver consistent, impactful and motivating feedback. In 2021, the coaching, mediation and cooperation-enhancing programmes remained available for staff.

Talent development

In 2021, the basic training component of the programme entitled Talent University was completed. The basic training – built on a credit scheme – was successfully completed by 43 persons, 38 of whom will continue the programme as part of the 7-month period of training in the various specialist topics. The development of the specialist topics and the associated professional guidance is supported by CIB’s managers of the various specialist areas. Talented individuals had three specialist topics to choose from: Management, Agile and Lean project management, and Customer Experience. In the course of completing the specialist topics, the participants take part in the development and implementation of an actual CIB project, and the programme will be closed in 2022 with the presentation of a report to the managers of CIB Bank.

International Talent Programme

The International Talent Programme of our parent company, the Intesa Sanpaolo Group (ISBD), is a key initiative at group level aimed at developing the competencies of our colleagues and strengthening the work ethos focused on high performance and professional excellence. In addition to taking part in personal development, professional and leadership training as well as dedicated mentoring programmes, participants enrolled in the programme – which takes 3-5 years to complete – also have the opportunity to acquire a minimum of one year’s work experience abroad within the banking group.

VII. People (cont.)

Succession plans to ensure business continuity

In order to ensure business continuity in the case of a vacancy in a managerial position, the succession plan is reviewed annually. During the performance evaluation period, discussions are held regarding potential successors for the various managerial positions and a list of potential candidates is compiled. The purpose of succession planning is to ensure that individuals with managerial potential are identified and their skills and competencies suitably developed, ahead of time. The net is spread wide and is not limited to one business line – we take an organisation-wide approach to sourcing and developing managerial talent. A succession plan is prepared for every managerial position, though more time and resources are allocated to succession planning for senior management positions.

Inclusion and diversity management

The Bank's Organisational and Operational Regulations (OOR) clearly specify the key principles underlying responsible operation. The bank rejects all forms of discrimination and corruption in its internal and external communications, prohibits any form of discrimination and guarantees the general requirements of equal treatment in accordance with the applicable EU guidelines. The internal regulations governing compliance and risk management activity endorse similar principles aimed at supporting responsible operation.

The CIB Group ensures equal treatment and opportunity for its employees in accordance with the Fundamental Law of Hungary and other statutory provisions on the matter, and with the Bank Group's Code of Ethics and the parent company's Diversity and Inclusion Principles. This is achieved through the transparency of decision-making processes within the company and the ethics-related training provided to managers and other employees. The investigation of ethics issues associated with this topic and the preventive actions that are taken in response ensure legal and ethical compliance in all areas of the bank's operation.

The bank's 'Womentoring' initiative, which is designed to support women at our company in thinking about a specifically 'female' career path, was created to help increase the proportion of women in senior management positions, and to prepare women who have been on maternity leave to return to work successfully. As part of the programme, information, advice and suggestions were provided by both internal and external trainers, presenters and experts. 47 colleagues participated in the online Womentoring day program in 2021.

Since our headquarters are based in Budapest, it is no surprise that most of our employees live in or near the capital. However, staff who live in other regions of the country but need to travel to the head office due to the nature of their duties are given an opportunity to limit their presence at the head office to certain days of the week, while doing telework from a branch outside the capital on the other days of the week. As a result, a relatively large number of staff, 408, spend most of their time working outside Budapest.

Proportion of employees by gender and category at the CIB Group*

	2019		2020		2021	
	Male	Female	Male	Female	Male	Female
by category						
Managers	55.4%	44.6%	57.4%	42.6%	55.7%	44.3%
Officers	49.4%	50.6%	48.9%	51.1%	48.4%	51.6%
Employees	26.0%	74.0%	25.7%	74.3%	24.9%	75.1%
by age						
21-25	45.5%	54.5%	43.3%	56.7%	36.9%	63.1%
26-30	37.1%	62.9%	38.8%	61.2%	41.6%	58.4%
31-35	38.9%	61.1%	40.8%	59.2%	42.2%	57.8%
36-40	39.7%	60.3%	37.3%	62.7%	38.1%	61.9%
41-45	31.6%	68.4%	29.2%	70.8%	31.2%	68.8%
46-50	31.4%	68.6%	32.6%	67.4%	27.4%	72.6%
51-55	27.2%	72.8%	31.4%	68.6%	31.9%	68.1%
56-60	10.6%	89.4%	14.8%	85.2%	18.3%	81.7%
61-	35.7%	64.3%	38.9%	61.1%	42.1%	57.9%

Currently no women appointed in the Board. Based on data as at 31 December

VII. People (cont.)

3. Employee well-being

COMPANY POLICIES

In terms of health and safety at work, the Labour Policy of the CIB Group, including the occupational health rules, and CIB Group's Central Work Safety Regulation need to be mentioned. These are in line with the Group Code of Ethics and the Group Health and Safety Policy, and with other related group guidelines, such as the Rules for Occupational Health & Safety Management Systems in the International Subsidiary Banks.

The 'Working from home and telecommuting manual' is also a relevant, as it includes measures related to health and safety as well as guidelines for ensuring employee well-being and an effective work-life balance.

Well-being and quality of life at the company

In 2021, several initiatives aimed at developing the corporate culture were implemented as part of the CIB Spirit employee programme. Under the various family-friendly initiatives, 281 children of CIB employees were granted financial support for a more experience-rich summer holiday during the 12-week season, and 800 Santa packages were distributed among the children of our staff. The Top Allstars Gala – held once a year – took the form of an online awards ceremony at which members of the Management Board presented awards to 150 of our employees in the categories of "best salesperson" and "best supporting employee". In 2021, the 8-month "Shake up your connections" programme, aimed at maintaining and strengthening formal and informal relationships between staff, was concluded. As part of this initiative, a total of more than 100 virtual teams participated in the programmes, which ran on the 'Teams' online platform, and more than 700 online participants connected with each other in the most challenging period of the Covid wave of that time. In addition to the teams-based bank simulation competition and quiz, a new platform providing means for online community-building, allowing for the founding of both formal and informal groups, was also introduced. The 'Shake up your connections' programme also included, in cooperation with the parent company, well-being webinars, online exhibition guided tours, and a tipping game for the UEFA 2021 European football league. The Employee Assistance Programme (EAP) remained available for all our staff in 2021. As part of this service, employees who were struggling financially, together their families, could access psychological, legal, financial and lifestyle counselling. Between January and October 2021, the service was used by our employees 425 times. CIB Bank's employer brand (CIB Spirit) celebrated its 10th anniversary in 2021, providing employees with a chance to attend a series of online anniversary events over a period of 10 weeks.

CIB Bank received for the third year in a row the "Family Friendly Company" award from the Hungarian Foundation "Three Princes, Three Princesses Movement" for the various initiatives to support family-friendly programmes for employees".

We continued the "CImBi" (buddy) programme. The purpose of the programme is to support recently hired employees, so that they feel part of the CIB community, integrate effectively, and familiarise themselves with the corporate culture as soon as possible. Experienced volunteering employees share with the new entrant supported by them why they think it is good to work at CIB, and what opportunities and community programmes are available in the Bank.

Furthermore, CIB's employees also participated in some practical sessions dedicated to physical and mental well-being, promoted by the International Subsidiary Banks Division since the beginning of the pandemic and aiming at improving the well-being of colleagues in a difficult time and helping them deal with stress and anxiety. Face Yoga, Pilates, Movement masterclasses and practice lessons held by specialized trainers were organized in 2021.

Health and safety

Participation in regular fitness-for-work health examinations, as required by the applicable law, remained compulsory for all our staff in 2021. Beyond a certain seniority of position, as in previous years, an annual health examination is provided for managers in the framework of occupational health checks, with regard to the higher risk factors.

Recognising the need a harmonized approach for of health and safety at work, CIB Bank has adopted the Rules for Occupational Health and Safety Management Systems applicable to the international subsidiary banks of the Intesa Sanpaolo Group (2018) furthermore the Health and Safety Rules for Personnel of Italian Group Companies who are on Foreign Assignments (2021) and manages the OH&S activities in close cooperation with the Parent company team

During the COVID-19 pandemic period, CIB Bank's Health and Safety Officer was involved to develop OH&S regulations in agreement with the ISP Group, to manage the different modes of intervention according to the epidemiological spread of the epidemic, with standards shared at group level, and appropriately customized in accordance with the laws of the country. Such interventions were run in close cooperation with the Parent company's Safety and Protection Department.

VII. People (cont.)

Working from home

With the epidemiological situation becoming less critical, and hopefully soon to pass entirely, CIB Group continues, and will continue, to provide its employees with the option of working from home. To this end, it has developed and formalized the procedure for applying to work from home and has issued guidelines on how such work is to conducted. The bank provides employees working from home with the required access to its IT systems, as well as the laptop (with the necessary accessories) and a mobile phone (the device itself and the subscription) necessary for such home-based work.

Number of employees eligible for any possible remote working framework	2019	2020	2021
Head office staff	900	1418	1389
Network staff	0	134	134

Based on data as at 31 Decembe

International Healthcare Programme

The health of employees is of the utmost importance to CIB, as it is to our parent company, not only for ethical reasons but because our employees are our company's most valuable resource. For this reason, employees on indefinite-term contracts in CIB Bank are beneficiaries of the ISBD International Healthcare Programme. Through the International Healthcare Programme, in 2021 the bank offered employees with permanent contracts second medical opinions and/or medical treatment at centres of excellence in foreign countries. The programme provides assistance for employees with serious medical conditions (e.g. cancer, or conditions requiring complex surgical procedures), covers the cost of treatment and of any additional services (VISA assistance, travel costs), and all transport and accommodation expenses in the foreign country, and also reimburses medical costs incurred once the employee returns home.

Total injuries in the workplace and working days lost

	2019	2020	2021
Total injuries	13	5	9
Working days lost	84	71	43
Number of injuries - men	2	1	0
Number of injuries - women	11	4	9
Number of injuries during working hours	3	3	3
Number of injuries when commuting	10	2	6
Number of injuries during working hours - men	0	1	0
Number of injuries during working hours - women	3	2	3
Number of injuries when commuting - men	2	0	0
Number of injuries when commuting - women	8	2	6

Based on data as at 31 December

Absence from work by reasons (%)

	2019	2020	2021
Illness	17,3	18,1	22,9
Injury	0,1	0,1	0,1
Maternity leave	79	76,2	73,8
Other	3,5	5,6	3,2

Based on data as at 31 December

Participation in regular fitness-for work examinations as required by the applicable law remained compulsory for all staff members in 2021. Beyond a certain seniority of position, as in previous years, an annual health examination is provided for managers and senior experts (241 HC) in 2021 in the framework of occupational health checks, with regard to the higher risk factors. The exams are still carried out by Worcare-Oxivit, who have provided us with occupational health services since 1994. In addition, HungariaMed-M Kft. has also been providing us with such services since the second half of 2016.

VIII. ENVIRONMENT AND CLIMATE CHANGE

MATERIAL ISSUES

- Transition to a sustainable, green and circular economy
- Direct environmental impacts

WHY THESE ISSUES ARE MATERIAL

Climate change is an extremely important phenomenon and the changes taking place are transforming our planet. As well as its consequences and repercussions on the planet's ecosystem, the constant increase in global temperatures due to the growing concentration of greenhouse gases in the atmosphere is also impacting on the economic and social dynamics of present and future generations.

The seriousness of the phenomenon was confirmed by the National Bank of Hungary (MNB), which issued its Green Recommendation in April 2021, specifically requesting all financial institutions supervised by the MNB to comply with a list of requirements. Recommendation 47/2021. (IV. 14.) of the MNB on climate-related and environmental risks and the integration of environmental sustainability considerations into the activities of credit institutions clearly defines its purpose and scope:

- "The purpose of the recommendation is to set out the expectations of the Magyar Nemzeti Bank in relation to the identification, measurement, management, control and disclosure of climate-related and environmental risks and the integration of environmental sustainability considerations into the business activities of credit institutions, thereby increasing the predictability of the application of the law and facilitating the uniform application of the relevant legislation.
- The recommendation is addressed to credit institutions subject to the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises"

Performance indicators and results achieved

Material issues	Projects	2021 Actions/Results	2022 Objectives
Transition to a sustainable, green and circular economy	Green finance	Join the Green Refinancing program of the National Bank of Hungary	An indicator related to this material issue will be defined in 2022.
Direct environmental impacts	Reducing environmental footprint	Green culture and initiatives In connection with the Earth Hour initiative, we saved 13,5 kwh of energy Under the Good Deed Bank Green7 initiative, 1100 trees were planted at the end of 2021.	
	Responsible management of resources	Reduction in paper usage by 7873 kg Energy Reduction in energy consumption per person by 760 kWh	

1. Transition to a sustainable, green and circular economy

COMPANY POLICIES

In accordance with the principles of the Code of Ethics and the Rules for the environmental and energy policy, the CIB Group has long paid particular attention to the green products and services it offers its customers, one of the goals being to contribute to the combating of climate change. The CIB Group supports the transition to a low-carbon economy, promoting renewable energy, energy efficiency and the circular business model, and encouraging the development of its various customer segments, committed to reducing their environmental footprint, by gradually increasing its green product and service portfolio.

Loans and services for the Green and Circular Economy

Mass segment

CIB Bank has joined the Green Refinancing program of the National Bank of Hungary (NHP-ZOP). Under this program the national bank provides refinancing funds at zero rate if it is used by banks to finance low-energy-consumption newbuild properties for private individuals. A low-energy-consumption property must have an energy rating of at least "BB" (which means it has a near-zero energy demand and at least 25% of this energy must be produced from renewable sources). A further condition for refinancing is that the interest rate on the loan must not exceed 2.5%, fixed for the entire term, which is much lower than the average market rate. This green mortgage loan is being offered to CIB's customers since October 2021.

VIII. Environment and Climate Change (cont.)

Small business

In the small business segment, in line with the ESG guidelines and the MNB's Green Recommendation, a key focus will be on the digitisation of services, with plans to develop an online account quotation platform for small businesses, to introduce fully online account opening and to make online loan applications available for additional products in 2022. These solutions will reduce the use of paper, save other resources, and reduce the number of branch visits needed and the associated carbon emissions.

Green culture and initiatives

Riding a bike to work remained popular, and our bicycle storage facilities were used to full capacity last year as well, with all 176 spaces continuously occupied.

Among the environmental initiatives the CIB Group first joined Earth Hour, the WWF's international climate protection initiative, 11 years ago, in 2010. It continued with this in 2021, and all external lighting was switched off not must for an hour but for the entire weekend, to emphasise how seriously we take the matter of climate change and environmental protection. With the various measures combined, we improved on the results of the previous year, saving a total of 13,5 kWh in energy.

Joining the Hungarian Banking Association's JótettBank Zöld7 (Good DeedBank Green Week for Banks) initiative, CIB Bank agreed, in conjunction with the "Neo" project launched in connection with the refurbishment of our head office in Petrezselyem Street, to plant one indigenous Hungarian tree in the Ócsa National Park (with professional assistance from Erdőmentők, a forest conservation association) for every colleague who moves into the refurbished head office. Under the scheme, a total of some 1,100 trees had been planted by the end of December 2021.

VIII. Environment and Climate Change (cont.)

1. Direct environmental impact

COMPANY POLICIES

The Intesa Sanpaolo Group's Code of Ethics and the Rules for environmental and energy policy, define the principles and guidelines that apply to the environmental commitments of CIB Bank and to the monitoring of the impact of its activities. We aim to use all our resources sparingly. We promote conduct that is based on the most efficient and environmentally friendly use of resources and on the avoidance of waste and excess. We give priority to solutions that are designed with sustainability in mind.

In December 2016, CIB Bank adopted its own energy policy, in which we have stated:

- we are committed to complying with all legal requirements and other commitments undertaken in relation to energy management;
- we are continuously working towards improving our energy performance indicators and our energy management system;
- we provide access to information and resources to achieve our energy management goals;
- we integrate energy efficiency, as a key element, into our procurement, refurbishment and newbuild plans;
- we strive to prevent pollution and reduce our ecological footprint and energy consumption by raising the energy efficiency awareness of our colleagues;
- we motivate our people to actively contribute to achieving our corporate goals and to creating more effective processes.

Also, in 2021 the Bank adopted the Intesa Sanpaolo 's Green Banking Procurement (2021) .

The bank recently upgraded from the original ISO 50001:2012 standard to the more sophisticated ISO50001:2018 standard.

Greenhouse gas emissions and energy consumption

The management of CIB Bank has declared its commitment to reducing unreasonable energy consumption and to increasing energy efficiency, and as part of our social engagement, to the comprehensive fulfilment of the requirements of the relevant EU Directives, as well as to the maintenance and continuous development of a modern, integrated energy management system. In operating an efficient energy management system, the primary objective is to maintain the trust of the customers, preserve the reputation of CIB Bank and secure and improve the market position.

ISO 50001 at the CIB Bank

Recognizing that energy management has become a key factor both in business and from a social point of view, CIB Bank introduced the ISO 50001 energy management system standard at the company in 2016, which helps embed energy management into its corporate culture. Besides being a legal requirement, the introduction of this standard is also a means of improving the company's energy efficiency through regulated and monitored energy management and is therefore justified by both management expectations and professional reasons. In 2020, CIB Bank successfully maintained its ISO 50001 certification and succeeded in upgrading to the latest version of the standard, which is now a risk-based rather than a consumption-based approach.

Its goal is to reduce energy costs, greenhouse gas emissions and other forms of harmful environmental impact. The standard aims to integrate energy management activities into a single system and is based on the "plan, do, check, act" (PDCA) process cycle.

VIII. Environment and Climate Change (cont.)

	2019	2020	2021
Total energy use (GJ)	58,941	60,192	46,009
Electricity use (kWh)	9,739,875	9,057,564	7,420,857
Other renewable energy (kWh)	16,511	13,510	14,060
Natural gas consumption (m3)	386,684	428,278	412,647
Fuel consumption (l)	211,351	152,993	169,083
Petrol company car (l)	29,348	41,246	67,509
Diesel company car (l)	118,553	76,835	65,940
Petrol private car (l)	34,655	16,769	18,761
Diesel private car (l)	28,795	18,143	16,873
Vehicle Group (piece)	126	129	135
Energy consumption (GJ/person)	30.3	30.3	23.2
Energy consumption (GJ per m2 of office space)	1.06	1.1	0.92
Total Direct Greenhouse gas emissions [CO2eq] (Scope1) (tCO2)	545	394.6	429.5
Total Indirect Greenhouse gas emissions [CO2eq] (Scope2) (tCO2)	3,031.6	2,970.5	2,516
Total Greenhouse gas emissions [CO2eq] (Scope1+ Scope2) (tCO2)	3,581.6	3,365.1	2,945.1
CO2 emissions from energy consumption (t/per employee)	3.6	3.46	1.5
Employee headcount (average)	1,944	1,987	1,984
Office m2	55,313	54,625	50,002

Based on data as at 31 December

The solar collectors installed on the roof of the office building the Petrezselyem Street HQ and in the Medve Street HQ, as well as at the CIB24 buildings, provide hot water to the three central office buildings. The solar collectors have been under repair recently, and therefore the energy generated by them has been minimal, with the longer-term fall in output being due to system failure in recent years.

	2019	2020	2021
GHG emission avoided through the use of solar collectors (tons)	3.7	3.0	3.0

Based on data as at 31 December

Our successful environmental programs related to energy consumption and climate change

- In 2021 there were only a few measures taken in the branch network; the Újpest branch’s HVAC system was upgraded and the lighting system was changed to LED lighting.
- In 13 branches, the UPS devices have been changed to modern, low-consumption devices.
- In 2021 we changed the external marketing board lighting to LED in 13 branches.
- In 2021 we replaced the HVAC system in 4 branches (the Győr, Szeged, Szolnok and Budapest’s Örs Vezér tere branches) to modern, low-consumption equipment.

VIII. Environment and Climate Change (cont.)

Responsible management of resources

	2019	2020	2021
Water use (m3)	24,734	16,192	13,545
Water consumption (m3/per employee)	11.7	7.96	6.8
Paper consumption (office A4, A3) (kg)	115,864	72,410	66,216
Paper usage per employee (office A4, A3) (kg/person)	59.6	36.4	33.4
Employee headcount (average)	1,944	1,987	1,984
Office m2	55,313	54,625	50,002

Based on data as at 31 December

Our successful environmental programs related to responsible resource management

- Selective waste collection was introduced at the bank's renovated Petrezselyem headquarter at the end of 2021 .
- Every year, the volume of hazardous waste is reduced, and most of our other waste is reused (e.g. restaurant grease).
- Paper usage per employee – office A4, A3 – 33,4 kg/person.
- Paperless projects : Starting from 2018, CIB Bank has launched some specific actions to promote dematerialisation and reduce paper consumption related to commercial and/or transactional activiites. In 2021, paper savings related to these initiatives the bank has saved 2325,67Kg of paper.

Paper consumption

	2019	2020	2021
Paper total (kg)	134,964	93,690	85,817
certified paper: 100% recycled	96,591	62,644	43,998
FSC-certified paper	20,491	11,760	3,010
other paper	-	-	-
uncertified paper	17,882	19,286	38,809

**"The data discrepancy with our 2019 Sustainability Report was caused by a reversal of the data in the lines Certified paper: 100% recycled and FSC certified paper." Based on data as at 31 December*

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IX. Annexes

1. The most relevant group and company policies and rules

All policies and guidelines are relevant to all our business units.

Policy/rule exact name	Date of sending by ISP to CIB	Adopted by CIB	Local (CIB) owner of the policy
INTESA SANPAOLO GROUP'S CODE OF ETHICS	04.04.2017	23.05.2017	Compliance & AML
GROUP'S INTERNAL CODE OF CONDUCT	30.11.2020	15.12.2020	Compliance & AML
REGULATION OF INTESA SANPAOLO GROUP	27.01.2021	09.02.2021	Legal Department
GUIDELINES ON THE DRAFTING OF THE CONSOLIDATED NON-FINANCIAL STATEMENT IN ACCORDANCE WITH LEG. DECREE NR 254/2016	21.06.2019	17.07.2019	Accounting
GDPR PROJECT - GUIDELINES ON THE PROTECTION OF PERSONAL DATA OF NATURAL PERSONS (APPLICABLE IN THE EU)	22.05.2018	01.10.2018	Legal Department
INTESA SANPAOLO GROUP COMPLIANCE GUIDELINES	26.02.2021	23.02.2021	Compliance & AML
GROUP ANTI-CORRUPTION GUIDELINES	09.06.2020	19.06.2020	Compliance & AML
GUIDELINES FOR COMBATING MONEY LAUNDERING AND TERRORIST FINANCING AND FOR MANAGING EMBARGOES	30.04.2021	05.06.2021	Compliance & AML
GUIDELINES FOR THE GOVERNANCE OF THE GROUP'S REPUTATIONAL RISKS	18.08.2020	08.09.2020	Enterprise Risk Management
SECURITY PRINCIPLES	17.06.2019	29.10.2019	Physical Security
ADMINISTRATIVE AND FINANCIAL GOVERNANCE GUIDELINES	20.11.2020	17.11.2020	Administrative & Financial Governance
EU COMPETITION COMPLIANCE POLICY (EU ANTI-TRUST RULES) (APPLICABLE NELL'EU)	10.11.2020	12.01.2021	Legal Department
GROUP RULES ON INTERNAL SYSTEM FOR REPORTING VIOLATIONS (WHISTLEBLOWING)	18.06.2020	07.05.2020	Internal Audit
RULES FOR THE MANAGEMENT OF GIFTS AND ENTERTAINMENT EXPENSES	04.10.2017	17.10.2017	Compliance & AML
PRINCIPLES OF CONDUCT IN FISCAL MATTERS	07.05.2018	24.04.2018	Accounting
RULES ON DIVERSITY FOR SEXUAL ORIENTATION AND IDENTITY	01.10.2014	13.01.2015	Compliance & AML
RULES FOR OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM IN THE ISBS	22.01.2019	09.04.2019	Cybersecurity, BCM and Logistic
GROUP GUIDELINES FOR THE MANAGEMENT OF COMPLAINTS, DISAVOWALS, PETITIONS TO SUPERVISORY AUTHORITIES AND APPEALS TO ALTERNATIVE DISPUTE RESOLUTION BODIES	09.08.2016	02.02.2017	Customer omplaints

IX. Annexes (cont.)

Policy/rule exact name	Date of sending by ISP to CIB	Adopted by CIB	Local (CIB) owner of the policy
SECURITY RULES FOR PREVENTING AND MANAGING SERVICE FRAUDS	15.07.2020	01.12.2020	Cybersecurity, BCM and Logistic
INTESA SANPAOLO SPONSORSHIP GUIDELINES	22.05.2015	22.05.2015	PR & Marketing Communication
RULES FOR DONATIONS IN THE INTERNATIONAL SUBSIDIARY BANKS	23.09.2019	29.10.2019	PR & Marketing Communication
PRINCIPLES ON HUMAN RIGHTS	19.01.2018	22.03.2018	PR & Marketing Communication
CONSUMER PROTECTION RULES	07.02.2017	17.10.2017	Compliance & AML
RULES ON INVESTOR PROTECTION OF RETAIL CLIENTS FOR ISB (APPLICABILE IN VUB, CIB, PBZ, ISP SLO, ISP RO)	01.10.2018	27.11.2018	Compliance & AML
RULES FOR THE ENVIRONMENTAL AND ENERGY POLICY	03.02.2014	15.07.2014	Cybersecurity, BCM and Logistic
RULES GOVERNING THE SUSTAINABILITY IN THE ORGANISATION OF COMMUNICATIONS EVENTS AND TRAINING COURSES	21.06.2011	02.01.2012	HR & Organization
SUSTAINABILITY RULES FOR THE PURCHASE AND USE OF PAPER AND DERIVATIVE MATERIALS	08.11.2012	23.04.2013	Procurement
ISP GROUP GUIDELINES FOR THE APPROVAL OF NEW PRODUCTS, SERVICES AND ACTIVITIES AIMED AT SPECIFIC TARGET CUSTOMERS & IMPLEMENTING	11.06.2020	19.06.2020	HR & Organization
GUIDELINES FOR THE GOVERNANCE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS CONCERNING LENDING OPERATIONS	03.08.2020	22.09.2020	Enterprise Risk Management
RULES ON LENDING OPERATIONS IN THE COAL SECTOR	07.09.2021	17.11.2021	Credit Policies
RULES FOR LENDING OPERATIONS IN THE UNCONVENTIONAL OIL&GAS SECTOR	07.09.2021	17.11.2021	Credit Policies
RULES CONCERNING STRESS TESTING	09.07.2021	24.08.2021	Enterprise Risk Management
ISP GROUP RULES ON DATA GOVERNANCE	24.11.2020	23.03.2021	Data Office
RULES ON INTERNAL APPROVAL PROCESS FOR CREDIT RISK MEASUREMENT INTERNAL SYSTEMS IN THE FOREIGN BANKS	27.11.2020	15.12.2020	Credit Risk Management
RULES CONCERNING THE EQUATOR PRINCIPLES	09.12.2020	09.02.2021	Credit Policies
CONFLICTS OF INTEREST MANAGEMENT GROUP RULES	21.06.2021	29.06.2021	Compliance & AML
GROUP GUIDELINES ON OUTSOURCING	21.12.2020	05.10.2021	Procurement

IX. Annexes (cont.)

Policy/rule exact name	Date of sending by ISP to CIB	Adopted by CIB	Local (CIB) owner of the policy
AML RULEBOOK ON MEASURES AND ACTIONS FOR ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING	15.01.2021	09.02.2021	Compliance & AML
ISP GROUP RULES FOR MANAGEMENT OF GIFTS AND ENTERTAINMENT EXPENSES	15.01.2021	09.02.2021	Compliance & AML
CREDIT GRANTING RULES FOR INTERNATIONAL SUBSIDIARY BANKS	28.01.2021	09.03.2021	Credit Policies
DIVERSITY AND INCLUSION PRINCIPLES	03.02.2021	23.02.2021	PR & Marketing
GROUP RULES FOR THE HARMONIZATION OF THE MONEY LAUNDERING RISK PROFILE OF THE SHARED CUSTOMERS	08.02.2021	23.02.2021	Compliance & AML
GROUP RULES FOR THE MANAGEMENT AND USE OF COUNTRY LISTS FOR COMBATING MONEY LAUNDERING AND TERRORIST FINANCING	08.02.2021	23.02.2021	Compliance & AML
RULES ON GROUP NEW SETTLEMENTS IN COUNTRIES WITH DEFICIENCIES IN ANTI-MONEY LAUNDERING AND COMBATING TERRORIST FINANCING	08.02.2021	23.02.2021	Compliance & AML
GROUP MODEL RISK MANAGEMENT GUIDELINES	15.03.2021	18.05.2021	Enterprise Risk Management
HEALTH AND SAFETY RULES FOR PERSONNEL OF ITALIAN GROUP COMPANIES WHO ARE ON FOREIGN ASSIGNMENTS	26.03.2021	26.11.2021	Cybersecurity, BCM and Logistic
PROCESS GUIDE: CYBERSECURITY AND BC SERVICES – SECURITY OPERATION CENTER	16.04.2021	expected 28.02.2022	Cybersecurity, BCM and Logistic
RULES ON CREDIT RISK APPETITE ISBS	07.05.2021	05.10.2021	Credit Risk Management
GROUP CREDIT GOVERNANCE GUIDELINES	09.06.2021	20.09.2021	Credit Policies
RULES GOVERNING TRANSACTIONS WITH SUBJECTS ACTIVE IN THE ARMAMENTS SECTOR	17.06.2021	29.06.2021	Compliance & AML
ISP GROUP GUIDELINES FOR THE GOVERNANCE OF THE GROUP'S MOST SIGNIFICANT TRANSACTIONS	23.09.2020	20.10.2020	Credit Policies
RULES FOR GREEN BANKING PROCUREMENT	23.07.2021	30.11.2021	Procurement
RULES ON INVESTOR PROTECTION OF CORPORATE CLIENTS FOR INTERNATIONAL SUBSIDIARIES (APPLICABILE IN VUB, CIB, PBZ, ISP SLO, ISP RO)	01.10.2018	27.11.2018	Compliance & AML
POLICY CONCERNING RELATIONS BETWEEN INTERNATIONAL SUBSIDARY BANKS AND POLITICAL PARTIES	28.12.2008	15.04.2009	Compliance & AML
ANTITRUST COMPLIANCE PROGRAMME	10.11.2020	12.01.2021	Compliance & AML
POLICY ON SEXUAL HARASSMENT	03.09.2021	20.09.2021	HR & Organization

IX. Annexes (cont.)

2. Human rights

COMPANY POLICIES

Through the Intesa Sanpaolo Group's policy, Principles on Human Rights, the CIB Group pledges to: support the protection of human rights in accordance with the principles established in the Universal Declaration of Human Rights of 1948 and subsequent international conventions on civil and political rights and economic, social and cultural rights. The Bank expects all of its Hungarian and foreign partners to do the same.

In the course of its operation, the Group fully respects the Fundamental Law of Hungary and all other general domestic and international conventions on human rights and ethics. The CIB Group has always been committed to protecting human rights, in line with the values set out in its Code of Ethics.

We treat the protection of the personal data of our customers as a key priority and investigate complaints related to data processing and take steps to reduce the number of complaints to a minimum.

The CIB Group is committed to eliminating all forms of discrimination from its conduct and to respecting differences in gender, age, race, religion, political and trade union affiliation, and language, and to respecting the rights of those with disabilities. The CIB Group has signed the declaration of the Self-Regulating Advertising Body guaranteeing the fair and respectful depiction of people.

The CIB Group has always been committed to protecting human rights, in line with the values set out in the Code of Ethics. Aware that its activities have direct and indirect implications for human rights, the CIB Group has defined its areas of responsibility for each of its stakeholders. Indeed, it has considered the impact of its activities separately with respect to its employees, customers, suppliers, and the community. The environment is another issue closely related to the principles of human rights, and the promotion of high environmental standards must therefore be considered key to the upholding and enjoyment of these rights.

The bank abides by the laws of the country, including the Fundamental Law of Hungary as it relates to human rights, and as such, has zero tolerance for child and forced labour.

Why this issue is relevant?

According to the UN Guiding Principles on Business and Human Rights, approved in 2011, individual countries have a duty to protect human rights and businesses must respect these rights wherever they operate. Through their activities, businesses can have various impacts on human rights: positive impacts, such as the supply of innovative services that improve people's lives, or negative impacts, including the exploitation of workers, for example, or the forced displacement of people or entire communities. Businesses can also be indirectly involved in violations committed by others.

In its role as an intermediary, a financial institution such as the CIB Group initiates a value chain that involves many different individuals, entities and businesses. For this reason, it is committed to identifying, mitigating and, where possible, preventing potential violations of human rights related to its activities, as recommended by the UN's Guiding Principles on Business and Human Rights

The process of monitoring human rights

In addition to complying with the applicable laws, the CIB Group strives to identify, mitigate and prevent, as much as possible, any potential violation of human rights in connection with its operations. Its parent company, Intesa Sanpaolo, adopted a policy on human rights that was approved by its Board of Directors in 2018, and that, based on the principles already expressed in the group's Code of Ethics, states that

- it is committed to support the protection of human rights in accordance with the principles set forth in the UN Universal Declaration of Human Rights of 1948 and in subsequent international conventions on civil, political, economic, social and cultural rights;
- it recognises the principles set out in the ILO's (International Labour Organisation's) fundamental conventions, particularly the right of association, the ban on forced and child labour and the elimination of discrimination at work;
- it contributes to the fight against corruption, accepting the guidelines of the OECD (Organisation for Economic Co-operation and Development) and the anti-corruption standards published by the UN in 2003, and also by adopting a zero-tolerance policy to any manifestation of corruption.

The Intesa Sanpaolo Group's Human Rights Policy was adopted by the CIB Group in 2018.

The CIB Group undertakes to uphold human rights in all situations in which it recognises that its activities might have an impact and has therefore outlined areas of responsibility for all stakeholder groups affected by its operations – employees, customers, suppliers and communities. As the issue of the environment is closely interrelated with that of human rights, support for strict environmental standards is a key means of ensuring respect for and enforcement of human rights. The area of impact is extensive and can be summarised as follows:

- respect for employee rights;
- respect for the rights of customers (in particular the right to privacy, health, safety and non-discrimination);

IX. Annexes (cont.)

- respect for the rights of suppliers (in particular the right to health, safety and non-discrimination);
- respect for human rights throughout the supply chain (in particular the avoidance of trade relations with suppliers who violate the human rights of their employees or their wider community);
- respect for human rights with regard to credit operations, investment projects and customer services (including risk analysis, especially when it concerns large-scale projects and businesses in sensitive industries).

We pay particular attention to the most vulnerable in society, both through various forms of community support and through projects designed to promote financial integration.

How relevant issues are monitored

Respect for and the expansion of human rights are monitored by the Compliance, Human Resources and CSR functions.

The Code of Ethics mailbox (etikaibejelentes@cib.hu) under the control of the Ethics Committee represents another guarantee for all stakeholders, which can be used by all parties to report any rights violations with the guarantee that any reports submitted will be treated confidentially and will not result in retaliation.

Human rights indicators at CIB Group

	2019	2020	2021
Proportion of employees by gender and category (%)			
Manager	55.4% / 44.6%	57.4% / 42.6%	55.7% / 44.3%
Officer	49.4% / 50.6%	48.9% / 51.1%	48.4% / 51.6%
Employee	26.0% / 74.0%	25.7% / 74.3%	24.9% / 75.1%
Accident in the workplace			
Total injuries	13	5	9
Working days lost	84	71	43
Reports of non-compliance with the Code of Ethics for human rights			
Number of reports	1	0	0
Donations for vulnerable and disadvantaged groups			
Donations (HUF)	14,000,000	41,200,000	4,000,000

Based on data as at 31 December

IX. Annexes (cont.)

3. Self-regulatory Body certificate

CERTIFICATE

HUNGARIAN ADVERTISING
SELF-REGULATORY BOARD
ADVERTISING, CLEARLY

Certificate
about
Corporate Social Responsibility
of

CIB Bank Zrt.

Önszabályozó Reklám Testület (ÖRT), the Hungarian Advertising Self-Regulatory Organization certifies that CIB Bank Zrt.

was full member of ÖRT between 1 January 2021 and 31 December 2021
with its membership committed itself:
to responsible commercial communication,
to comply with the Advertising Code of Ethics,
to submit itself to the resolutions issued by the Advertising Jury,
asking for Copy Advice for prior control of the legality and ethical correctness
providing training for its staff about ethical standards.

03 January 2022, Budapest

dr. Molnár Kálmán
Chairman

dr. Fazekas Ildikó
Director

IX. Annexes (cont.)

4. Sustainable Development Goal contribution

CIB Material issues / SDGs	Group value and solidity	Direct environmental impacts	Transition to a sustainable, green and circular economy	Retention, enhancement, diversity and inclusion of employees	Employee well-being	Employment protection	Quality of service and customer satisfaction	Access and credit and financial inclusion	Community support	Integrity in corporate conduct	Innovation and digital transformation
1. No poverty								■	■		
2. Zero hunger									■		
3. Good health and well-being					■		■	■	■		
4. Quality education				■				■	■		
5. Gender equality				■				■			
7. Affordable and clean energy		■	■								
8. Decent work and economic growth	■			■	■	■		■		■	
9. Industry, innovation and infrastructure								■			■
10. Reduced inequalities				■				■			
11. Sustainable cities and communities								■	■		
12. Responsible consumption and production		■			■					■	■
13. Climate action		■	■								
15. Life and land		■	■								
16. Peace and justice strong institutions										■	
17. Partnerships for the goals										■	

In terms of UN's sustainable development goals, the Group's operational model and business conduct have 7 goals of higher attention:

- good health and well-being,
- gender equality,
- decent work and economic growth,
- industry, innovation and infrastructure,
- reduced inequalities,
- responsible consumption and production,
- climate action.

The highlighted development goals are described with relevant content in the Group Code of Ethics (provisions for employee, customer, shareholder, environment, community, and supply chain relations), and are reflected in actions specified in the strategic plan.

IX. Annexes (cont.)

5. GRI Index

Indicator	Brief description	Page number	UN Global Compact	SDG
102 – Presenting the organisation				
Organisational profile				
102-1	Name of the organisation	page 6		
102-2	Activities, brands, products and services	page 6		
102-3	Location of headquarters	page 6		
102-4	Location of operations	page 6		
102-5	Ownership and legal form	page 6		
102-6	Markets served	page 6		
102-7	Scale of the organisation	page 6		
102-8	Information on employees and other workers	page 6., 50.	Principle 6	8
102-9	Supply chain	page 43 - 44.		
102-10	Significant changes to the organisation and its supply chain	No changes		
102-11	Precautionary principle or approach	page 7		
102-12	External initiatives	page 9		
102-13	Membership of associations	page 9		
Strategy and analysis				
102-14	Statement from senior decision-maker	page 3		
Ethics and integrity				
102-16	Values, principles, standards and norms of behaviour	page 8, 9, 19.	Principle 10	16
102-17	Mechanisms for advice and concerns about ethics	page 19, 25	Principle 10	16
Corporate governance				
102-18	Governance structure	page 15		
102-19	Delegating authority	page 15-16		
102-20	Executive-level responsibility for economic, environmental, and social topics	page 18		
102-22	Composition of the highest governance body and its committees	page 15		6, 16
102-23	Chair of the highest governance body	page 15		16
Stakeholder engagement				
102-40	List of stakeholder groups	page 10-11		
102-41	Percentage of total employees covered by collective bargaining agreements	page 47	Principle 3	8
102-42	Identifying and selecting stakeholders	page 10		
102-43	Approach to stakeholder engagement	page 10		
102-44	Key topics and concerns raised	page 10-11		
Reporting practice				
102-45	Entities included in the consolidated financial statements	page 4		
102-46	Defining report content and topic boundaries	page 4		
102-47	List of material topicspa	page 12-14		
102-48	Restatements of information	Restatements marked in the text at indicators		
102-49	Changes in reporting	page 11-12.		
102-50	Reporting period	page 4		
102-51	Date of most recent report	page 4		
102-52	Reporting cycle	page 4		
102-53	Contact point for questions regarding the report	fenntarthatosag@cib.hu		
102-54	Claims of reporting in accordance with the GRI Standards	page 4		
102-55	GRI content index	page 66-69		
102-56	External assurance	"For details on the audit, see "Independent Auditor's Report" in the section on the Business Report."		

IX. Annexes (cont.)

Indicator	Brief description	Page number	UN Global Compact	SDG
Human rights				
103-2	The management approach and its components	page 62-63	Principles 1, 2, 3, 4, 5, 6	8, 16
103-3	Evaluation of the management	page 62-63		
Responsibility towards the supply chain				
103-2	The management approach and its components	page 43 - 44	Principles 1, 2, 3, 4, 5, 6	8, 16
103-3	Evaluation of the management	page 43 - 44		
204-1	Proportion of spending on local suppliers	page 6, 43		8

Material issues

Indicator	Brief description	Page number	UN Global Compact	SDG
Group value and solidity		Direct impact on external stakeholder: Owner, Customers		
103-1	Explanation of the material topic and its boundary	page 7		
103-2	The management approach and its components	page 7		8, 16
103-3	Evaluation of the management	page 7		
201-1	Direct economic value generated and distributed	page 7		5, 7, 8. 9, 13
201-2	Financial implications and other risks and opportunities due to climate change	page 54-55	Principle 7	
205-2	Communication and training about anti-corruption policies and procedures	page 22-24	Principle 10	16
Integrity in corporate conduct		Direct impact on external stakeholder: Customers		
103-1	Explanation of the material topic and its boundary	page 22		
103-2	The management approach and its components	page 22		16
103-3	Evaluation of the management	page 22-23		
205-1	Operations assessed for risks related to corruption	page 20	Principle 10	16
205-2	Communication and training about anti-corruption policies and procedures	page 22-24	Principle 10	16
205-3	Confirmed incidents of corruption and actions taken	page 24	Principle 10	16
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	page 23		16
	Proportion of employee who took a distance learning course and an exam in money laundering prevention	page 24		
	Proportion of employee who took a distance learning course and an exam in ethics	page 19		
Quality of service and customer satisfaction		Direct impact on external stakeholder: Customers		
103-1	Explanation of the material topic and its boundary	page 26, 28		
103-2	The management approach and its components	page 26, 28		
103-3	Evaluation of the management	page 26, 28		
G4-FS6	Distribution of business-line portfolios by region, customer size (e.g. micro/SME/large corporate) and industry	page 29		1, 8, 9

IX. Annexes (cont.)

Material issues

Disclosure		Chapter and Page number	UN Global Compact	SDG
Innovation and digital transformation		Direct impact on external stakeholder: Customers		
103-1	Explanation of the material topic and its boundary	page 26, 33		
103-2	The management approach and its components	page 26, 33		9, 12
103-3	Evaluation of the management	page 27, 33		
	Customer digital ratio	page 33		9, 12
	Digital sales on total sales	page 33		9, 12
Access to credit and financial inclusion		Direct impact on external stakeholder: Customers		
103-1	Explanation of the material topic and its boundary	page 26		
103-2	The management approach and its components	page 26, 39		4, 5, 8, 9, 10, 11
103-3	Evaluation of the management	page 27, 39		
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	page 39		4, 5, 8, 9, 10, 11
G4-FS16	Initiatives to enhance financial literacy by type of beneficiary	page 39		4, 5, 8, 9, 10, 11
Community support		Direct impact on external stakeholder: Local community		
103-1	Explanation of the material topic and its boundary	page 26, 40.		
103-2	The management approach and its components	page 26, 40.		1, 2, 3, 4, 11
103-3	Evaluation of the management	page 27, 40.		
413-1	Operations with local community engagement, impact assessments, and development programs	page 41 - 42		1, 2, 3, 4, 11
Employment protection		Direct impact on external stakeholder: Customers		
103-1	Explanation of the material topic and its boundary	page 45 - 46		
103-2	The management approach and its components	page 45 - 46		
103-3	Evaluation of the management	page 45 - 46		
102-8	Information on employees and other workers	page 6, 51	Principle 6	8
401-1	New employee hires and employee turnover	page 47, 48	Principle 6	5, 8
Retention, enhancement, diversity and inclusion		Direct impact on external stakeholder: Customers		
103-1	Explanation of the material topic and its boundary	page 45-47		
103-2	The management approach and its components	page 45-47		
103-3	Evaluation of the management	page 46-49		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	page 45, 47, 48	Principle 6	1,2,5,8
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	page 49		
404-1	Average hours of training per year per employee	page 50	Principle 6	4,5,8
404-2	Programs for upgrading employee skills and transition assistance programs	page 49-51		
405-1	Diversity of government bodies and employees	page 51	Principle 6	5,8
405-2	Ratio of basic salary and remuneration of women to men	page 48	Principle 6	5,8, 10
Employee well-being		Direct impact on external stakeholder: Customers		
103-1	Explanation of the material topic and its boundary	page 45, 52		
103-2	The management approach and its components	page 45, 52		
103-3	Evaluation of the management	page 46, 52		
403-9	Work-related injuries	page 53		3,8

IX. Annexes (cont.)

Material issues				
Disclosure		**Chapter and Page number**	**UN Global Compact**	**SDG**
Transition to a sustainable, green and circular economy		Direct impact on external stakeholder: Customers, Owner, Society		
103-1	Explanation of the material topic and its boundary	page 54-55	Principle 7,8,9	
103-2	The management approach and its components	page 54-55	Principle 7,8,9	
103-3	Evaluation of the management	page 54-55	Principle 7,8,9	
Direct environmental impacts		Direct impact on external stakeholder: Nature, Society		
103-1	Explanation of the material topic and its boundary	page 54, 56-58	Principle 7,8,9	
103-2	The management approach and its components	page 54, 56-58	Principle 7,8,9	
103-3	Evaluation of the management	page 54-58	Principle 7,8,9	
301-1	Paper consumption	page 58	Principle 7, 8	12, 13
302-1	Energy consumption within the organisation	page 58	Principle 7,8	8,12
302-4	Reduction of energy consumption	page 57	Principles 8,9	7,8, 11,13
303-5	Water consumption	page 58	Principle 7,8	6
305-1	Direct (Scope 1) GHG emissions	page 57	Principle 7,8	8,12,13
305-2	Energy indirect (Scope 2) GHG emissions	page 57	Principle 7,8	8,12,13
305-5	Reduction of GHG emissions	page 57	Principles 8,9	8,12,13