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Raiffeisen Bank

Consolidated business report

30th June 2025

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(1) Macroeconomic environment

In 2024, developed economies began to enter interest rate cutting cycles, several of which continued into the first half of 2025, but several of which came to a halt. In the United States, the Fed cut its policy rate from 5.5% to 4.5% by the end of 2024, while inflation declined rather slowly. US inflation eased from an average of 8% in 2022 and 4.1% in 2023 to 3% in 2024, from where it is expected to move down only marginally on average over the course of 2025. The economy was slightly more subdued last year than in 2023, with GDP growth slowing from 2.9% to 2.8%. Looking ahead, the vast majority of the risks to growth and inflation relate to the tariff policy pursued under Donald Trump's second presidency, along which expectations of further monetary easing in the short to medium term are highly controversial. Meanwhile, the ECB also cut interest rates in the euro area in 2024, after a significant inflation correction in 2022-2023. In the monetary union, the benchmark deposit rate was cut by 100 basis points in the course of 2024 to 3% at the end of the year, before falling by a further 100 basis points in the first half of 2025, while inflation returned to its medium-term target of 2%. The euro area economy may start to recover slowly, having grown by 0.5-0.9% in 2023-2024, but the uncertainty in the external environment due to US tariff policy and the resulting significant appreciation of the euro effective exchange rate in the first half of the year could also put a brake on growth and inflation in the short term. To offset this to some extent, the EU's arming programme and the efforts of some larger member states to ease fiscal tightening to significantly improve external competitiveness and productivity could be supportive in the medium term. The 14% appreciation of EUR/USD in the first half of 2025 reflects the above.

(1.1) Hungarian economy

Hungary's economic performance in 2024 was very subdued. For the year as a whole, adjusted output grew by just 0.5% compared to 2023. Growth expectations gradually declined over the year, but the technical recession seen in the second and third quarters was followed by a temporary positive turnaround in the final quarter, which was somewhat surprising even compared to preliminary expectations. The latest GDP data for the first quarter of 2025, on the other hand, were again disappointing, with Hungarian GDP contracting by 0.2% on a quarterly basis and by 0.4% on a yearly basis, on a seasonally and calendar-adjusted and balanced time series basis. There is some growth in household final consumption, the labour market is stable, although far from being as tight as in previous years, with a minimal deterioration in indicators, while the saving appetite of the private sector is still above average. Business investment is at a multi-year low, while market financing has remained expensive, and the lack of EU funds and the uncertain external environment, or more precisely demand, remain a drag. On the contribution side, it is thus mainly the activity in the services sector that can support growth, while industry, including manufacturing, but also construction and agriculture, have tended to hold back the recovery recently. After a period of high inflation, consumption should continue to pick up as savings rates fall and, if external demand picks up, demand for capital investment should also start to rise, after which most sectors should start to contribute positively to GDP growth. The growth rate expected for this year as a whole is only 1% in mid-2025, followed by GDP growth of 2.7% next year due to the low base. Unemployment has been mixed in 2024, but has declined to 4.4% on average from 4.7% in the previous year. Supply-side capacity constraints are easing, with indicators deteriorating minimally in the short term along the weaker cyclical path, and the pace of wage outflows will therefore continue to slow. The latter is only in single -digit territory in the first half of 2025. Inflation was 4.6% at the end of 2024, temporarily higher, returning to this level in mid-2025, after fluctuating between 4.2% and 5.6%. Core inflation has also recently been just outside the central bank's 2-4% tolerance band, just above it, but both indicators are expected to return to it in 2026. As regards interest rate policy, the effective interest rate was further reduced from 10.75% to 6.5% in 2024, but the easing cycle came to a halt at the end of the year, and did not continue in the first half of 2025, nor is it likely to do so in the second half of the year, as the current inflation outlook does not allow for it, and the HUF is more vulnerable than in the past, while expectations of an expected decline in some advanced market interest rates have been reassessed in the meantime. The risk premium that the market expects for HUF assets has widened in recent years, while the risk-free developed market interest rate itself has been on a more forward path than previously thought. Against this backdrop, the EUR/HUF exchange rate, which has risen from around 380 at the beginning of 2024 to close to 410 by the end of the year, could move to a higher equilibrium level in the short to medium term, averaging around 406 EUR/HUF in 2025 and close to 415 by 2026.

(1.2) The banking sector

In the first quarter of 2025, according to data of the National Bank of Hungary (NBH) the banking sector recorded a HUF 284 billion profit after taxation on consolidated level. The net interest income was 1% lower than in 2024, while fee and commission income increased to a higher extent, by 33%.

Operating expenses increased by 32% compared to the same period of last year. Net loss allowance and risk provision changed significantly compared to the same period last year. In the first quarter of 2025, HUF 12 billion impairments were booked, as opposed to a release of HUF 16 billion in the same period of last year.

The sector's net assets were HUF 100,144 billion, which represents an 5% increase compared to the same period of 2024. Corporate loans increased by 3% and retail loans also increased by 16% compared to last year. The balance of deposits from customers also increased, the total balance of deposits from retail and non-financial companies increased by 7% compared to the first half of last year.

The ratio of non-performing loans decreased slightly from 2.5% to 2.2% compared to the same period of last year.

The cost-to-income ratio (CIR) was 70.5% in the first quarter of 2025, which changed considerably from last years's 60%. The RoE and RoA ratios have also changed, decreasing to 10.7% (from 18.1%) and 1.1% (from 1.9%), respectively. The liquidity status and capital adequacy of the sector are appropriate.

(*For the source of data please see https://statisztika.mnb.hu/publikacios-temak/felugyeleti-statisztikak/penz--es-hitelpiaci-szervezetek/hitelintezeti-aktualis-publikaciok page published by the NBH.)

(2) Non-financial statement

For the short presentation of the company's business model please see Section (4) Presentation of the business segment's performance .

The key non-financial performance indicators, which are important for the given business segments are included in Section (4) Presentation of the business segment's performance as well.

The descriptions of the company's policies followed in respect of environmental protection, social and employment matters, respecting the human rights, fighting against corruption and bribery, with references to the implemented control procedures, the results of them, along with the risks in the listed areas that might have disadvantageous effects are included in the following sections:

- (7.4) Fraud Risk Management
- (8) Environmental protection
- (9) Sustainability
- (10) Employment policy
- (11) Compliance activity

The services authorized beyond the regulatory audit that are to be disclosed in the business report and were provided by the auditor to the entity and the companies controlled by it are included in section (13) Fees charged by the auditor.

(3) Business activity

(3.1) Balance sheet

The Group's total assets increased by 4.05% (HUF 187 billion) in the first half of the year, and its market share has also increased during the year, from 5.86% at 2024 year-end to 6.04%.The outstanding growth in volumes of recent years continued during 2025, following the slowdown observed in 2023, so there was an increase in both customer liabilities and customer assets.

(HUF million)	30.06.2025	31.12.2024	Change
Total assets	4,801,954	4,615,256	4.05%
Loans and advances to clients	1,965,752	1,872,028	5.01%
Deposits from customers	3,273,232	3,183,599	2.82%

The Group's loan/deposit ratio increased from 60.57% at year-end to 61.54%, due to a 5.01% increase in customer assets.

The Group's own funds increased slightly by 0.45% in 2025. The Group's capital level remains stable, with a solvency ratio dropped to 21.82%.

(HUF million)	30.06.2025	31.12.2024*	Change
Own funds	394,328	392,577	0.30%
Solvency ratio	21.82 %	22.73%	-4.00%

* after dividend payment

In 2022, the Group launched the Euro Medium Term Note Programme (EMTN) with an envelope of EUR 2 billion and its local Bond Programme with an envelope of HUF 100 billion. In order to fulfil MREL requirements both programmes were updated in the course of 2024, while the EMTN was also updated within the first half of 2025. Under the programmes, the Bank issues (partly green) MREL-eligible bonds to institutional and retail investors. Further issuance followed during the first half of 2025 based on the updated EMTN, totalling EUR 300 million. Thus, MREL closing stock increased by EUR 254.67 million from 2024 to the first half of 2025.

(3.2) Profit or loss

Profit or loss item			Change	
	01.01.2025-30.06.2025	01.01.2024-30.06.2024	(HUF million)	%
Net interest and dividend income	84,969	97,866	-12,897	-13.18%
Net income from commissions and fees	54,509	44,652	9,857	22.08%
Operating expenses	-44,503	-39,973	-4,530	11.33%
Risk cost	9,929	7,520	2,409	32.03%
Other result	-50,282	-49,380	-902	1.83%
Profit before tax	54,622	60,685	-6,063	-9.99%
Tax expense	-8,739	-9,225	486	-5.27%
Profit for the year	**45,883**	**51,460**	**-5,577**	**-10.84%**

Operating expenses include personnel expenses, other administrative expenses and depreciation and amortisation, the fees paid to OBA and BEVA are presented in other result.
In addition to impairment of financial assets, Risk cost also includes the amount of other provisions.

The Group recognised HUF 45,883 million for the business year, which was (10.84)% lower than the result of the previous year.

The main components of profit are the following:

- Net interest income decreased by 13.18% compared to last year, reflecting the declining yield environment in the forint market and to the fact that the interest component of the result of FX swaps classified as economic hedging will be reported as interest from 2025 instead of the previous trading result.
- Commission income improved significantly compared to the previous year, driven by higher income on payment services and investment management fees.
- The increase in the Group's operating costs was primarily due to the increase in wage and material costs induced by the high inflationary environment.
- During the first half of 2025, the Group recorded HUF 2,409 million lower risk costs compared to the previous year.
- There was no significant change in the other result category compared to the previous year.
- In the first half of 2025, the Group's tax liability increased by HUF 486 million compared to the previous year. This is primarily due to higher business and corporate tax induced by higher sales and profit before tax.

The Group's costs growth rate exceeded that of its revenues, so the cost/income ratio increased slightly in 2025 (32.61%). The Group’s return on equity was 20.70% in 2025.

(3.3) Events after the reporting date

There were no events after the balance sheet date that would affect the disclosure.

(4) Presentation of the business segment’s performance

(4.1) Corporate and Investment Banking business segment

The Group’s corporate and investment banking business segment maintained its dominant role in the commercial banking market in 2024, further increased its loan portfolio, and, with its 8-10% market share, is one of the leading market players in the mid and large corporate segment, and it belongs to the leading banks in export finance and treasury services as well.

The largest portion of the Group's green assets arise from its project financing and syndication activity, which is an important pillar of the ESG strategy of the entire banking group. In line with this, in 2024 the majority of newly disbursed project loans are green loans, both in the property and non-property categories.

The expansion of the loan portfolio was achieved with a conservative business policy and risk-taking. Overall, the loan portfolio remained of excellent quality.

The Group emphasizes the significance of the Demján Sándor Loan Program announced by EXIM Bank in the first half of 2025. It commenced with an investment loan program with a total budget of HUF 350 billion, followed by a working capital loan product launched in May 2025 with a budget of HUF 200 billion. Due to its relatively low budget and favourable terms, the working capital loan program was fully subscribed at a record pace, exhausting its funds in just 5 days. Thanks to a swift response, the Group was able to utilize a larger amount from the refinancing facility than its market share would suggest. The sources for the investment program remained available even by mid-year due to the larger budget and low investment activity in Hungary. The Group actively utilizes this funding to provide clients with cost-effective financing.

The agricultural sector also faces challenges in 2025. The crop production area presents a mixed picture due to the increasingly common drought; early-harvest crops show average yield levels, while the drought-sensitive corn yields are expected to be below average. However, the agribusiness sector stands before tremendous opportunities, as there has been unprecedented interest in the investment applications announced under the KAP ST II Pillar, which includes HUF 1,500 billion in funding for economic development. The most popular funding categories for livestock farmers and the food industry have been oversubscribed by four to five times. Most of the applications will announce results in the second half of 2025, meaning that the majority of the investments are expected to commence in 2026. The Group actively participates in financing these programs, having developed a complete product portfolio necessary for the implementation of supported investments, including subsidized and market-based investment loans, bank guarantees related to advances, and pre-financing loans for subsidies.

In the firs half of 2025, the Group's documentary services area continued its successful operations, achieving a year-over-year guarantee volume increase of over 10%. This was accomplished despite the stagnation in the construction industry, which constitutes the majority of documentary transactions.

Important part of the Group's client service model is the financing of municipalities, entities owned by municipalities, non-profit companies, associations, condominiums and other communities. It provides a full range of advanced financial services to its clients and securely handles deposits placed with the Group. Services focus on managing clients' investments and providing investment, development and project loans to municipalities, associations and condominiums. In the latter activities, ESG aspects and sustainable financing come to the fore, so the Group strives to ensure that as much of the newly disbursed loans as possible are green loans.

The Group supports the use of banking services for corporate and municipal clients through the continuous development of digital channels. The role of the branch network and personal interactions has evolved, merging into a new "phygital" format. In addition to the instant payment system, the Group supports clients with "QR code" and "Payment request" based payments, as well as card acceptance solutions (POS and VPOS). The digital developments ensure efficient customer service and also facilitate the use of ASP services by municipalities.

The financial institutions division - similar to previous years, successfully closed the first half of 2025, further increasing its custodial portfolio and its loan portfolio is also above plan. It continues to be successful in selling and managing transaction volumes and products, with particular attention to the increasingly popular innovative cash management products.

The capital markets division – based on statistics from the Hungarian National Bank – continued to generate the highest foreign exchange turnover among banks in Hungary in the first half of 2025, and once again became the largest player in the derivatives section of the Budapest Stock Exchange. In the first half of 2025, Raiffeisen Bank Zrt. was the second-largest primary dealer of Hungarian government securities, while securing third place in the trading of discount treasury bills. During this period, the investment banking division successfully closed several bond issuances as lead manager and also achieved outstanding results in M&A advisory.

(4.2) Retail clients

In the first half of 2025, several partly contradictory trends were observed in the Hungarian market environment, significantly impacting the retail banking sector. While the decline in GDP and industrial production is pushing the Hungarian economy towards recession, it is favourable for the population that real wages continue to grow (Q1 2025: 3.5%) alongside a decreasing inflation trend (KSH: June 2025: 4.6%).

The positive trends among the population have contributed to the retail segment achieving good results in the first half of 2025: the number of retail private (Mass) and premium banking clients is approximately 2% higher than at the end of 2024; demand for the Group's products has strongly increased in both lending and investment areas. However, the changes in transaction fees introduced in 2024 and the voluntary fee reduction for retail services starting in May 2025 negatively affect revenues and post-tax profits.

The good acquisition results are also attributed to the Group's intensive marketing activities, as the Group placed significant emphasis on customer acquisition support through various channels in 2025. Notable initiatives include ongoing bank account opening promotions and special promotions for the Yellow accounts aimed at the younger generation (ages 14-25). The Group is also increasingly focusing on partner sales, having established a fruitful collaboration with Tesco stores starting in November 2024. The loyalty program is becoming increasingly popular among the clients, allowing existing customers to receive numerous discounts from commercial and service partners. In the first half of 2025, the Group also renewed its retail customer referral program, placing it on a new digital foundation.

The Group continues its strategy of simplifying the product portfolio and educating customers. One element of this is the transformation of its card offering, in which the Group is gradually switching to a simpler product range that includes only VISA cards. By renewing the branches and establishing Smart Points within them, the Group supports the clients in becoming familiar with and confidently using its products and digital services. This may also explain why the Group continues to lead in the customer satisfaction measuring NPS (Net Promoter Score) among domestic universal banks (H1 2025 NPS: 26).

The digital strategy continues to focus on expanding the features of the myRaiffeisen mobile application and the range of products that can be applied for online. Thanks to these developments, both the number of online account openings and online product applications has significantly increased, and more services are becoming available 24/7 in the application. The Group continues to lead in introducing innovative payment solutions, such as cash deposit ATMs available in several branches and being the first in the market to introduce qvik payment acceptance. For sustainable development, the myRaiffeisen application also provides access to carbon footprint tracking.

The market environment was particularly turbulent in the first half of 2025, during which investor activity among clients remained high. There was notable interest and demand for investment funds, but amid market movements, interest and client activity in the stock markets strengthened. Meanwhile, regardless of changes in the market interest rate environment, demand for government bonds did not significantly change. Interest in other savings options continued to stagnate among retail clients due to the low interest rate environment.

The division also continued its successful business activities in retail lending. Demand for retail mortgage loans remained strong, as residential real estate market were active combined with significant real estate price increase. Demand for personal loans also grew significantly, exceeding expectations, furthermore the Group could see all time high new sales in the previous months. The sale of baby loan remained balanced even after launching new Workers Loan subsidized product in January, which also generated significant demand. The macroeconomic conditions remained stable, resulted in an acceptable level of interest rate.

In lending, a key objective is to meet customer needs where security and predictability are the main priorities. Top strategic focus is digitalization, where most customers already used the fully online application process for unsecured lending products, and even higher share of existing customers applied for overdrafts and credit cards online. The Group aims to make this application option available for more products and a wider range of customers in the near future.

Overall, a key goal remains to continuously improve the customer experience in retail lending, with digitalization playing a crucial role. The Group is confident that with further improvements in external conditions, lending will remain strong, further supported by the "Start Otthon Program" subsidized housing loan scheme starting in September 2025.

The Group's market share in retail loan portfolios did not change significantly, standing at 5.4% at the end of May 2025.

(4.3) Private Banking clients

The goal of Raiffeisen Private Banking is to preserve, enrich and pass on the family wealth of high-net-worth clients from generation to generation. With the expert work of its experienced consultants, the Group provides its key clients with safety, convenience, discretion and personalized individual solutions.

Raiffeisen Private Banking closed an extremely successful period in the first half of 2025. Thanks to the honourable trust of its clients, the assets entrusted to management reached HUF 1,353 billion by the end of June, which represents a 9 % annualised increase. To ensure the effective and efficient service of the increased wealth, the development of available capacities is a permanent priority. The visible expansion of Private Banking continuously strengthens the Group's market position.

Creating and maintaining the satisfaction of key private customers is unbelievable without personalized solutions and the highest level of service. Accordingly, Raiffeisen Private Banking invested a significant amount of money in the introduction of new products and services and in the development of IT systems and the knowledge base of banking advisors during the period under review.

Digitalization has received a special focus, as a result of which not only customers can manage their finances undisturbed and independently, but employees can also be available at points far from their workplace. Great emphasis was placed on reducing administrative burdens, as a result of which the Group significantly reduced the use of paper and the number of signatures to be signed.

(4.4) Financial institutions

The financial institution division and client basis has a strategic importance to the Group, which continues to grow dynamically, thanks to the comprehensive and unique customer service model, the wide product range and continuous innovation.

The key target group of the business area remains domestic insurance companies, investment fund managers, funds, as well as domestic and international financial institutions and investment service providers, which are increasingly popular due to their numerous advantages and innovative solutions and products that help their clients to provide high-level, fast and secure service for their cash management and payment transactions. In addition to the aforementioned, the focus is also on Hungarian and international banking relationships, as well as - taking into account the Group's strategy and in accordance with the enforcement of strict compliance principles - relevant payment service providers and the contracted currency exchange intermediaries of Raiffeisen Bank Zrt. Since 2021, the financial institutions division has been responsible for the professional coordination of payment service providers (PSPs) within the banking group and has been implementing the regional strategy for this market segment.

The financial institutions asset portfolio stabilized in the first half of 2025 on the high base achieved in previous years, maintaining its moderate risk profile and low capital requirement, while increasing the proportion of ESG-rated assets . The deposit portfolio was characterized by volatility generated market events and increasing competition. In addition to interest income , the growth of fee and commission income also contributed to the above-plan results. The business continues to be characterized by stable funding, innovation and long-term reliable customer relationships. The area's risk cost is extremely moderate, and the cost/income ratio stabilized at a very low level.

In the first half of 2025, the Group's custody area continued its successful operation, continuing its intensive growth trend, both in the number of domestic clients and in the custody portfolio, despite the volatile market and regulatory environment and increasing competition.

The clear positive feedback from both clients and the industry proves that the Group is one of the strongest brands in regional money and capital markets, as well as in servicing financial institutions and product innovations.

(4.5) Subsidiaries

Raiffeisen Corporate Lízing Zrt.

Since 2014, the Company, which is 100% Bank-owned, has been the unified entity within the Raiffeisen Leasing group for providing financial leasing services exclusively to non-consumer clients, as well as special state-supported loan schemes for financing the purchase of assets, vehicles, and equipment.

The Company has been a significant player in the medium and large corporate segment for years, primarily by serving the leasing needs of banking clients. The passenger car and heavy commercial vehicle financing business is a key strategic focus.

The Company continued its previously initiated strategy in 2025, in which, in addition to leasing financing of vehicle and/or asset investments of medium and large corporate customers, increasing emphasis is placed on boosting leasing services for the micro and small enterprise segment. In addition to its own sales channels, special emphasis is placed on mobilizing the Bank's medium and large corporate sales network and exploiting sales synergies related to common customers. The goal remains to maintain the good quality of the portfolio , keep costs low through cost-effective operation, and establish and maintain long-term profitable operation.

Raiffeisen Autó Lízing Kft.

The Company is 100% owned subsidiary of Raiffeisen Corporate Lízing Zrt.. The popularity of operating lease dropped significantly due to the accounting method prescribed by IFRSs and due to the availability of finance leases with preferential interest conditions (NHP, EXIM, KAVOSZ) and as a consequence of that a decrease occurred in the vehicle and asset financing provided without fleet service. The strategy of the Company is the demand-based client servicing and individual management of transactions and it does not put an emphasis on concluding new businesses in operating leasing arrangements.

RB Szolgáltató Központ Kft.

The Company is a 100% owned subsidiary of the Bank. The Company was founded by the Bank in order to open and operate a banking operating center in Nyíregyháza. Its activity began as call center and sales activity and that extended to phone collection, credit assessment and banking operation activities.

RB Szolgáltató Központ Kft. ceased its activities on 31.12.2024 based on a decision of the owner. The entire staff and equipment necessary for the performance of the activities were taken over and purchased by the owner Raiffeisen Bank Zrt. The Bank will continue to carry out the previous activities of the Company at the same level starting on 1 January 2025, while the business activities of RB Szolgáltató Központ Kft. have ceased.

Raiffeisen Befektetési Alapkezelő Zrt.

The Company is a 100% owned subsidiary of the Bank. The Company's assets under management continued to grow in the first half of 2025, following the strong growth of previous years, at a decreasing pace, but slightly above the market average. In the first third of the period, assets under management were still growing vigorously, but from March onwards there was a slowdown, which was due to the turbulence in the stock markets due to the customs war, and the less attractive performance of the bond markets due to the halt in the interest rate reduction cycle. As investors' focus shifted from the end of 2024 to actively managed, rapidly changing portfolios of mixed and absolute return funds, high market volatility only temporarily dampened investor interest. May brought another boost in asset turnover, partly due to the strengthening of the forint and increased demand for euro short-term bond base , and partly because the demand for outstanding regional equity base and the aforementioned managed funds with an absolute return target were able to more than compensate for the outflow of assets from forint bond funds. Assets managed in ESG funds were unable to benefit from this segment rotation this period, while the assets of the real estate base continued to erode despite their more competitive performance.

The Company's operating results were favourable, in which, in addition to the rapid growth of revenues, controlled costs also played a role.

The Company has been transforming its product portfolio in recent years to adapt to the challenges posed by the market. The first step was the creation of three base targeting different risk levels, equipped with active management and strict risk management, in cooperation with the Austrian fund manager of the Raiffeisen Group. As a result of the next step of the product portfolio transformation, with the launch of a new base in 2023, the Company now manages five funds with an ESG focus, ensuring that clients can choose between traditional and ESG products in all major asset classes. In addition, the Company successfully implemented a strategy shift in its funds managed with an absolute return target, thanks to which their popularity has increased significantly. During the first half of the year, this product range was expanded with another fund, a product with an active strategy based on exploiting bond market movements will become available to retail clients in 2026. The Company's success is indicated by the fact that its activities have been rewarded with several awards in recent years.

SCT Kárász utca Kft.

It is a 100% owned subsidiary of the Bank. The activity of the Company is facility management.

Its business activities for 2023 and 2024 focused on the management and operation of the properties it owns, which is not expected to change during the 2025 financial year.

Raiffeisen Ingatlan Üzemeltető Kft.

It is a 100% owned subsidiary of Raiffeisen Befektetési Alapkezelő Zrt. The activity of the Company is facility management, such as managing shopping centers, office buildings, industrial and commercial properties, banking branch offices.

It performed also in the first half of 2025, in the name of its largest client Raiffeisen Ingatlan Alap, complete financial and technical management and renting-out activity.

(5) Corporate governance statement

Responsible corporate governance is a fundamental tool of the foremost goals of the Group, the precondition of long-term value creation. The duty of corporate governance is to create an appropriate balance, operating order amongst owners, client, employees, business partners and the wider public. The Raiffeisen Bank Zrt.full complies with relevant legislations and HNB's instructions and recommendations. The Group's organisational setup and operating conditions are included in Article of Association and in the Organisational and Operational Policy both accepted by the sole shareholder. The Group continuously revises and improves its corporate governance practice

(6) Financial instruments

The Group prepares its financial statements in accordance with the requirements of IFRS.

In accordance with the requirements of IFRSs and Accounting Law the Group shall from 2018 on – in accordance with IFRS9 – classify its financial assets as measured at amortised cost, measured at fair value through other comprehensive income, or measured at fair value through profit or loss, based on

- the Group's business model to manage the financial assets; and

- the contractual cash flow characteristics of the financial assets.

A financial asset shall be measured at amortised cost, if both of the below conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the below conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through profit or loss, except when in accordance with the above it is measured at amortised cost or at fair value through other comprehensive income.

The Group can at initial recognition irrevocably elect to present the subsequent changes in the fair value of certain equity instruments, that otherwise would be measured at fair value through profit or loss, in other comprehensive income.

The Group may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Group shall classify all financial liabilities as measured at amortised cost, except for those cases described in the standards in detail, in which cases they shall be treated as financial liabilities measured at fair value through profit or loss.

The accounting policy of the Group and a number of disclosures requires the determination of fair value of financial assets and liabilities. Fair value is determined for measurement and/or disclosure purposes based on the below methods.

All financial instruments are initially recognised at fair value plus directly attributable transaction costs (except for financial instruments measured at fair value through profit or loss in which case transaction costs are charged directly to profit or loss). The fair value is the price that the Group would receive in case of selling an asset or the Group would have to pay in case of transferring a liability in an orderly transaction between market participants at the measurement date.

Subsequent to initial recognition the basis of determining fair value of financial instruments quoted in active markets is the bid price in case of assets and the ask price in case of liabilities. If observable price is not available, fair value is determined using valuation techniques that rely on observable market data. The method may be comparison with similar instruments for which there is an observable quoted market price, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Fair value of financial instruments may be determined using techniques based entirely or partly on assumptions that are not underpinned by actual market transactions or observable market data.

The Group designed the following methodology to determine fair value:

Derivative transactions:

- Fair value of foreign currency forward and futures transactions is the difference between the forward exchange rate, determined for the maturity of the transaction and prevailing at the valuation date, and the strike price, discounted from date of maturity to valuation date.
- Fair value of cross currency swaps is the difference between the forward exchange rate, determined for the maturity of the transaction and prevailing at the valuation date, and the strike price, discounted from date of maturity to valuation date, calculated for the forward leg. Yield curves used for the purpose of the valuation incorporate current market interest premium.
- Fair value of interest rate swaps and forward rate agreements (FRA) is the net present value of the expected future cash flows discounted to the valuation date.
- Fair value of plain vanilla and exotic foreign currency options is determined using the modified Black-Scholes model. In case of exotic options for which no closed formula exist, values are determined using iterative techniques.

- Fair value of cross currency interest rate swaps is the net present value of the expected future cash flows of the instrument discounted to the valuation date, where we incorporate into the yield curve used for the purpose of the valuation the interest rate premium (basis swap spread) representative to the market of those instruments (also including country risk premium).

- Fair value of stock and index futures is determined based on the difference of the quoted price and the strike price.

Securities:

Fair value of securities measured at fair value through profit or loss or at fair value through other comprehensive income is determined using market prices available in Bloomberg information system. It is the stock exchange closing price in case of securities where it is available. In case of securities where stock exchange price is not available, the fair value is the net present value of the expected future cash flows of the security discounted to the valuation date.

Loans:

Loans are basically measured at amortised cost which equals the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any expected credit loss allowance recorded.

To hedge the fair value changes of certain loans with fixed interest rate the Group entered into interest rate swaps. Such loans hedged with IRS transactions are measured in the financial statements at amortised cost adjusted for fair value changes attributable to the hedged risk.

Deposits:

The Group measures its deposits at amortised cost. Certain structured deposits contain embedded derivatives which are separated from the deposits. The Group measures the embedded derivatives at fair values with its changes recognised in profit or loss.

The Group involves certain deposits with fixed interest rate in hedge accounting. The fair value of those deposits is determined by calculating the net present value of expected future cash flows discounted to the reporting date.

Bonds issued:

Non-structured self-issued bonds are measured at amortised cost and thus they are not revalued, except for bonds involved in hedge accounting. In such cases only interest rate risk is hedged not credit risk.

Fair value of hedge-accounted issued bonds with fixed interest rate is the present value of future cash flows, whereas in case of structured instruments the Group values the embedded derivative which is separated from the host contract.

Hedge accounting

The Group designated certain derivative instruments held for risk management purposes as hedging instruments designated in hedge accounting. At inception of the hedge the Group formally documents the relationship between the hedging instrument(s) and the hedged item(s), the risk management objectives and hedging strategy followed by entering into the transaction and the method used for measuring hedge effectiveness. The Group evaluates at inception of the hedging relationship and continuously thereafter whether the hedging instrument will be highly effective in offsetting the fair value changes of the hedged item attributable to the hedged risk over the entire term of the hedging instrument and whether the actual results fall within the 80-125 percent range.

(7) Basic principles of risk management and hedging policy

The Group operates an independent, from business functions entirely separated risk management under the supervision of deputy CEO responsible for risk management. The credit risk assessment and management of clients is a task assigned to the Credit Risk Department and Retail and SME Risk Management Department, the analysis of market, operational and fraud risks and compliance with Basel III regulations, capital adequacy calculations, developing credit risk models at the portfolio level is the task assigned to Integrated Credit Risk Department.

(7.1) Credit Risk Management

Risk and credit assessment of non-retail clients is based on individual analysis and rating, typically with quarterly financial monitoring and yearly limit review. In retail and micro enterprise financing there is an automated scorecard-based assessment.

Constraints of financing are represented by the desired balance of business and risk factors as determined by the owner and the management of the Group, the act on financial institutions and other legislations and the framework defined by the Group's Credit Policy.

The economic crisis due to coronavirus pandemic did not cause in 2021 a systematic and mass increase in the balance of non-performing loans, only a few clients became non-performing, amongst them some with relatively higher exposure. Thus, non-performing rate (NPE) for corporates was about 2% in 2021, for retail it stabilised at about 5%, remaining below the mid-term strategic plan. This healthy level was also facilitated by measures for clearance of non-performing portfolio continuing in 2021 along with the application of standard workout methods.

In 2022, the Group still did not experience any systematic portfolio deterioration in the corporate segment, the NPE ratio remained at the previous low level, moreover further decreased in the retail segment to a level of around 4%, while in case of the entire banking portfolio, also taking into account credit risk bearing banking book securities, it was only 1.9%.

This stable/slightly positive trend has been maintained in the first half of 2023, with no meaningful inflows into the non-performing portfolio and individual sporadic cases are counterbalanced by recoveries and returns, with the NPE ratio across the entire bank portfolio, taking into account credit risk bearing banking book securities, declining to 1.7% by the end of 2023

In 2024, the Group's non-performing loan portfolio increased slightly (by approximately HUF 2.4 billion), however, one of the main drivers of this additions was the exchange rate change impact of non-performing corporate loans denominated in foreign currency, in the amount of approximately +HUF 1.8 billion. The change in non-performing loans net of exchange rate changes is negligible overall. In segment view, the decrease of recent years continued in the retail segment, while in the corporate segment the newly recognized non-performing status of three corporate groups caused a noticeable increase. No relevant systematic deterioration was noticeable in any segment. The problematic exposure management and collection efforts also yielded significant results in 2024, significantly offsetting the emergence of new defaults. The ratio of non-performing exposures (NPE) at bank level continued to decrease, to 1.3%.

In the first half of 2025, significant decrease happened again in the volume and share of the problematic portfolio; due the achievement of the special exposure management and collection activities, the ration of the non-performing exposures (NPE) has dropped to 0,7%, the ratio of the non-performing loans (NPL) is 1,3%. Within this period, the run-down of the non-performing loans amounted to HUF 21 billion, the new inflow remained very low, even despite of the wide early warning activities operations.

Nevertheless, current low default probabilities are expected to rise in the future. This is mainly due to the deterioration of the business environment, market uncertainties (transformation of the international tariff system), energy price volatility, the decreased, but stabilized on a relatively elevated level inflation- and interest environment, the narrowing of the demand and investment side, negative developments in the real estate market and the geopolitical risks; therefore the Group has carried out strengthened and intensive monitoring activities related to these dimensions since October 2021 supplemented with portfolio stress testing. The Group pays particular attention to analysing the expected direct and indirect impacts of increased geopolitical risks.

In retail segment, the portfolio remains stable with low default rates, however the Group is prepared to manage the risks mainly arising from persistent inflation, changes in the interest rate environment and the slow economic recovery.

The risk management procedures of the Group operate in accordance with the requirements of Basel IV and IFRS9. Base data necessary to sophisticatedly measure risks are contained in structured form in a modern data warehouse. From 2012 the capital requirement of the whole banking portfolio (corporate, retail and SME) is quantified using the advanced, internal rating based (IRB) methodology. During 2017 the municipality portfolio was returned to the standard methodology. The Group started the same transformation in 2018 regarding financing the top segment of individuals which was completed in the last quarter of 2019. From 2023 for the sovereign portfolio also the standardized methodology is used.

Capital requirement of baby loans, worker's loan private banking and employee loans in retail segment and the capital requirement of products in crisis guarantee schemes and factoring products in the micro segment is calculated using the standard methodology.

Measuring and reporting risks is performed on a monthly and quarterly basis in compliance with the Group's and regulator's requirements. The Group uses the results of risk models widely in pricing, in determining credit decisions and strategic directions, thereby ensuring long-term capital adequacy, building up an profitable portfolio that is stable also in respect of risks and the efficient usage of capital available.

The Group reacted to the above mentioned economic and geopolitical changes also in its credit policy, by judging riskiness of industries, besides higher granularity, the volume/probability of short-term effects and expected mid-term prospect also plays a particular role. Financing activity targets industries with better conditions and clients with stronger resilience, whereas the more vulnerable part of the portfolio requires a more cautious approach. In respect of the latter the Group acted with particular care also during determining impairment and besides revisions of parameters and macro variables of the impairment models carried out taking a conservative approach, it recognised additional impairment if necessary. In the first half of 2025, the most important risks covered by the additional provisioning model on the corporate side are: real estate market yield risks, refinancing risk induced by the high interest rate environment, inflation, geopolitical risks and, changes in environmental impacts as additional risk factors. The Group continuously revises and if justified adjusts the adequate level of related reserves. Part of this additionally allocated impairment is recognized as in-model adjustment, that implies also stage transfer for a part of the impacted portfolio due to the increased credit risk. It is important to emphasize that these stage transfers are not the implications of the respective individual customer's deteriorating risk profile, but only the consequence of these adjustments recognized in industry approach described hereby.

During 2023, the Group developed its methodology for assessing sustainability-related transition risks, primarily environmental risks, as part of the corporate lending process, which are applied to its corporate portfolio from the first quarter of 2024.

In the retails segment, the measurement of climate change and physical risks related to extreme climate events, as well as the quantification of the negative effects to mortgage collateral exposed to them, have been developed by the Group and incorporated into the impairment calculation during 2023.

In the retail segment in March 2020 the Group identified increased risks based on the industry classification of the client's employer, building categories of high/medium/low risk based on expected economic downturn and in November 2020 decided to apply portfolio level management adjustments, so-called overlays to appropriately represent also these risks in impairment calculation. Furthermore, it recognised additional impairment losses on the riskiest clients participating in the moratorium, which was revised at each extension of the moratorium. At the end of June 2023, the management corrections affecting the moratorium were phased out 6 months after the end of the general payment moratorium, as the transactions concerned will be evaluated in normal monitoring processes and are again subject to days past due calculations, thus not carrying additional risks. During 2021 and 2022, the Group fully examined changes in the income situation of customers in order to anticipate potential problems. Due to the impact of energy market risks and increasing liquidity and profitability difficulties, the Group made portfolio-level management adjustments in both the micro and small enterprise segments several times during 2022. In 2023 it continued to closely monitor the transactions concerned but did not see any reason to phase out the adjustments as a consequence of persistent inflationary pressures and the economic downturn. As a result of monitoring, the scope of transactions concerned was redefined and expanded with sole entrepreneurs financed in the retail segment and companies operating in risky industries and their employees. In 2024 and in the first half of 2025, due to the slow but rising unemployment rate and a significantly slower than expected recovery of economic growth in Hungary, the Group has maintained management overlays for the most credit risk-sensitive customer groups, which have been fine-tuned to reflect the results of ongoing customer monitoring, due to risks not covered by the model.

(7.2) Operational Risk Management

All organisational units participate actively in managing and as necessary decreasing the level of operational risk (department, region, subsidiary). The Group makes significant efforts to improve the risk management organisation and increase risk awareness, which includes identifying, collecting, assessing, reporting, monitoring and also managing operational risks threatening to achieve the Group's business goals. The main tools used to identify risks are collection of loss data, risk indicators, scenario analyses and risk self-assessments. In course of this work the root causes of all identified operational risk events are explored and used up in decisions on process improvements.

In order to further strengthen the operational risk management activity, the Group implemented those standards that comply with the requirements imposed by the advanced measurement method.

The Group continues to efficiently operate the operational risk framework AMA (Advanced Measurement Approach) introduced in 2016.

(7.3) Market and Liquidity Risk Management

Market and liquidity risk is managed within the Group at a number of levels using advanced methods and infrastructure, monitoring is performed independently of business functions. Measuring and reporting risks is done on a daily/weekly/monthly and quarterly basis in compliance with the requirements of the Group and the regulator. Grouping, measuring, managing of risks and building economic capital is done in the framework of the Group's ICAAP processes.

Measuring and controlling the risks is effected through complex risk, position, stop loss and VaR limit systems, the methodology of which is in accordance with the requirements of the parent bank and the regulator. Management of market and liquidity risks related to banking activity covers the following areas: trading book and banking book interest rate risk; the Group's liquidity risk also from going concern and stress point of view; the risk arising from illiquidity of market positions; share price risk, foreign currency risk, risk inherent in option trading, counterparty risk of OTC derivative transactions. In addition to that, this function of the Group ensures the independent pricing of various financial instruments in accordance with regulation required by the parent bank and by IFRS 9. In addition to this, Market Risk function is responsible for controlling the market-conformity of capital and money market transactions.

(7.4) Fraud Risk Management

Fraud risk is a dominant element of operational risks. The areas of the Group responsible for managing and handling fraud risk pay special attention to all fraud incidents and continuously monitor and evaluate fraud trends. The insights gained from these activities are consistently integrated into the core or monitoring processes of the Group.

(8) Environmental protection

In the first half of 2025, the Group prepared for the renewal of the Environmentally Oriented Management System operated according to the ISO 14001:2015 standard and the annual supervisory audit of our Energy Management System according to the ISO 50001:2018 standard through internal audits conducted in 10 branches and the AGORA headquarters. This year, both audits will be hold for the first time in an integrated manner.

As part of the branch network redesign program, the renewal of mechanical and lighting systems aimed at increasing energy efficiency (LED installation) continued at the beginning of this year; a total of 4 locations underwent energy efficiency upgrades or investments.

Following the expansion of the solar power plant (HMKE) at the RBSC building in Nyíregyháza (completed on June 7, 2024), the system provided 23% of the total electricity demand for 2024. Now, after the first half of 2025, this ratio has increased to 34%, which will naturally change—decrease—by the end of the year, but it clearly indicates that the investment is cost-effective. Since the commissioning of the locally generated electricity, The Group has prevented approximately 51.27 tons of CO2 equivalent greenhouse gas emissions from harming the environment.

In 2025, the implementation of solar systems at branches will continue, with the first step being the installation of a 10 kWp HMKE at the Pestszentlőrinc branch in May. We have signed contracts for solar systems to be installed at 4 additional branches: Szigetszentmiklós, Budaörs, Pólus Center, and Nyíregyháza (RNYI). The implementation at all locations is expected to be completed by the end of summer.

The renewal of the road fleet vehicles will also continue. The announced tender includes the procurement of additional EV (fully electric) and HEV (hybrid) vehicles.

(9) Sustainability

Our planet, the biodiversity and the quality of our life is largely impacted by the natural factors making up the biological system. The business activity of the financial sector has a significant impact on the environment and on society. However, this is a two-way relationship, the finance sector itself is also affected by environmental and social factors. The two most significant environmental effects of these times are climate change and biodiversity loss.

In terms of defining environmental, social and governance (ESG) risks, the Group follows EBA's position and takes on a prudential view when it comes to ESG, elaborating on the risks related to it, i.e. 'ESG risks materialize when the ESG factors affecting institutions' counterparties have a negative impact on the financial performance or solvency of such market players'. As ESG refers to environmental, social and governance aspects, the Group identifies the following risks from these aspects. The detailed information about ESG related topics is disclosed yearly in the separate and consolidated non-financial statement, last published for year-end 2024.

Key considerations of ESG risks

Environmental risks

Environmental risks are driven by environmental factors. They should be understood as the financial risks posed by the institutions' exposures to counterparties that may both potentially contribute to or be affected by climate change and other forms of environmental degradation (such as air pollution, water pollution, scarcity of fresh water, land contamination, biodiversity loss and deforestation).

The Group identifies environmental risks as a result of the following factors:

- Transition-related risks: regulatory, technological and market changes that generate changes in the lending and other risks arising in the course of banking activities related to climate change, environmental pollution and water ecological processes.

- Physical risks: acute or chronic environmental events related to climate change, environmental pollution and aquatic ecological processes that directly endanger the physical integrity and security of assets and/or customers financed in the course of banking activities, thereby affecting their operability, income-generating capacity and value, as well as the security of supply chains. Acute physical risks include: floods, storms, droughts, forest fires. Chronic physical risks include: desertification, sea level rise, air and water quality, permanent deterioration of water volumes, and persistent increase in temperature.

Social risks

Social risks arise from financial impact generated by misuse of human capital such the rights, well-being and interests of people and communities.

Governance risks

Governance risks refer to the governance practice of the institutions' counterparties, including the inclusion of ESG factors in policies and procedures under the governance of the counterparties.

These risks affect:

- the value of the companies' assets, business model, income-generating capacity, supply chains, investable resources, regulatory environment;

- household income, expenditure, and the value of their assets;

- and at the macroeconomic level, the value of capital assets, investment needs, productivity and competitiveness levels, consumer preferences, and the related operation of public finances, interest rates and exchange rates.

These changes may be reflected in the Group's operations as follows:

- credit risk: increased defaults, depreciation of collateral;

- market risk: unexpected changes in asset price movements that are difficult to predict;

- operational risk: vulnerabilities in supply chains, physical operational risks;

- liquidity risk: increased liquidity needs, refinancing risk;

- reputational risks: reputational damage due to inadequate management of the above, risks of being painted 'green'.

Risk framework

The Group takes these risks into account in its risk frameworks over different time horizons as follows:

Short-term

Individual risks

The Group implicitly takes into account the mentioned risks in the corporate customer base during the annual review and credit approval process. In 2023, a modification of the lending process was introduced, in the course of which the Group explicitly analyses the environmental assessment of the customer and the loan objective on the business side ('ESG expert opinion') and presents the identifiable environmental risk profile ('ESG risk assessment') as a separate part of the risk manager's position on the risk side.

The Group surveyed its selected customers in order to obtain access to their sustainability data (in the form of an electronic questionnaire). In the survey, in addition to estimated and factual data related to GHG emissions, the Group collects data on water and land use; waste production and environmental pollution characteristics. In addition to short-term consideration, these data also serve as input for the assessment of medium-term (ESG score) and long-term (climate scenarios). The Group has taken note of the National Bank of Hungary's recommendation for a minimum set of questions to be answered in this regard and will apply this questionnaire to the affected customers and loan applications going forward.

The Group is making efforts to obtain energy performance data for collaterals. Where the legal environment allows, it is a mandatory condition to provide the related certificates in the case of new funding, and in the case of existing funding and/or in the absence of a legal obligation, data collection is carried out on a 'best effort' basis within targeted campaigns.

The Group has implemented sector-wide lending policies to define sustainability financing conditions. By the end of 2024, it has established clear lending policies in the following sectors: tobacco, coal, renewable energy, oil and gas; steel, nuclear energy, real estate and construction and related raw materials.

Portfolio risks

With the help of scientific methodologies (PCAFs) and estimates, measurements were made regarding the financed GHG intensity of the corporate customer base, which was published in the separate and consolidated non-financial statement for 2024 as the first time, section 'E1-6: Gross scopes 1, 2, 3 and total GHG emissions'.

For the corporate segment the additional risk arising from ESG factors was considered using the Special Risk Factors (SRF) Framework, primarily to account for unmodelled macroeconomic effects but also to cover environmental risks as a temporary compensations of the model weaknesses.

Mid-term

Individual risks

In 2022, the Group introduced an ESG scoring system to assess customers in a standardized way from the environmental perspective. The model was developed by the parent company (RBI), and its use is uniform for the medium-sized and large corporate customers. The ESG score has no direct impact on the client's credit rating. The ESG model is based on an industry base score, supplemented by an additional carbon dioxide emission factor. It is possible to deviate the industry average score in this way in a positive or negative direction along individual customer specifics. During scoring, the risk analyst evaluates a number of aspects based on the client's report, data reporting and disclosures, which, supplemented with the data of the above-mentioned electronic questionnaire (where available), determines a final client score within the industry score limits. The ESG score can provide guidance on the calibration of customers' expected environmental risks in the medium term, and as such, it serves as input information for the above-mentioned sustainability assessments related to the lending process.

Portfolio risks

Based on the ESG Score mentioned above, the Group plans to introduce portfolio management tools in the future (sub-portfolio level measurements, targets and limits), which will be broken down to a local level based on the parent company's group-level limit management. In 2025, it is expected to introduce a monitoring process for the change in the average ESG Score of the portfolio above 10%, as well as for the maximum amount of the part of the portfolio with the worst ESG Score.

Regarding theGroup's ambitions towards the 2015 Paris Agreement climate targets, the Group committed to reducing its financed GHG emissions by 17% by the end of 2030, based on the level measured at the end of 2023. The objective for the corporate client portfolio has been formulated as an overarching target and was approved by the Board of Directors. In the coming years, this effort is expected to be further developed and detailed sector-specific goals may be developed.

Long-term

Portfolio risks

A long-term Climate Stress Test has been prepared at the level of the RBI Group and its subsidiaries, taking into account the above-mentioned customer and collateral sustainability data, along the scenarios defined by the EBA. The Group's results have been completed by the end of 2024, which examined the long-term impact of climate risks on the Group's profitability and capital adequacy in each scenario. The results show that the Group is not exposed to significant risk overall over the 2030-40-50 time horizon, but there are portfolios that are more vulnerable under certain scenarios.

Reference to the non-financial disclosure

During the reporting period, it was determined that there are no financially material risks from climate change to the regular risk parameters (market risk, credit risk, operational risk, and liquidity risk). The effects of climate change are only observed through scenario analyses over longer periods. The effects from climate risks are incorporated into risk measurement and limitation. Further information on the nature, extent and mitigation of climate change risk are available in the 2024 year-end separate and consolidated non-financial statement's chapter IRO-1: 'Process to identify and assess material impacts, risks and opportunities'.

Key sources of estimation uncertainty and critical accounting judgments

In the double materiality analysis for the separate and consolidated non-financial statement in 2024, the financial materiality of sustainability matters was considered in the short, medium, and long-term. In the short term, defined as the reporting period of the consolidated financial statements, it was assessed that there were no financially material risks from sustainability matters. As a result, the consolidated financial statements do not include any separate disclosure on sustainability related uncertainties that materially affect the estimation assumptions. In the long term, which is considered as ten years onwards, there is also a low chance of a material impact on the credit risk of our customer portfolio due to climate change transition risk.

(10) Employment policy

The Group is one of the leading employers in the financial sector: in the first half of 2025, the average statistical number was 3,086. It is especially important for the Group to carry out its activities as a fair and correct employer, on the one hand fully considering and complying with the prescriptions of the Hungarian Labour Code, on the other hand ensuring favourable work and career opportunities and continuous professional development and development as a leader to its employees.

Recruitment and selection is done centrally, in course of the activity of HR, paying attention to the core principles of inclusive culture and taking care that diversity be a part of the daily selection practice. The Group's selection practice is focused on trained and qualified workforce, however at the same time it provides an opportunity also to graduates for intensive professional development.

The Group pays attention to and strives for ensuring for its employees fair and competitive income compared to Hungarian labour market. Fringe benefits, within the framework of Cafeteria system, provide a choice for the colleagues to select from a wide range of benefit most fitting their personal needs.

All employees are covered by the performance development process operated by the Group, which provides a framework for clear goal setting, constructive feedback and well-grounded performance evaluations. Performance-dependent financial and moral rewards incentivise the colleagues to achieve outstanding performance.

The Group has a complex training and development activity, which is focused, besides developing professional knowledge and skills, on programmes to improve personal, managerial, language and digital skills. In the reporting period, the Group's employees spent an average of 2.7 days on training and development events and programs, without e-learning 0.1 days. The continuous development of employees' digital skills has a major role in the training and development portfolio. The Group launched the AI Pioneer program in 2024 to promote the application of AI, selecting 60 employees as AI Ambassadors from various business areas. Their tasks include developing AI case studies in their respective fields and supporting other employees in using this technology in their daily operations. The Group supports the colleagues in successful and effective coping with everyday performance challenges and stress situations with community building and employee well-being programmes.

The Group operates a comprehensive and conscious succession planning practice, the goal of which on the one hand is the retention of managers and employees working in key professional roles, on the other hand the succession planning and development.

The Workplace Council operates within the organisational framework of the Group, ensuring consideration of employee interests.

With the introduction of the flexible working framework in 2020, the Group organised, except for the critical business areas, the employees' working from home, which, subsequent to the pandemic, as a new standard will remain an integral part of the operation and will continue to be operated in a framework and construction based on the field of work.

(11) Compliance activity

In accordance with the regulations and the requirements of NBH the Group operates for exploring and managing compliance risks – as part of the internal defence lines – an independent organizational unit who performs the following functions:

- Controlling the compliance with ethical rules, issuing guidance on related questions, performing investigations of notices
- Ensuring compliance with regulations on conflicts of interest and the control of that
- Organizing and operating anti-corruption measures within the group
- Maintaining the internal loan register

- FATCA/CRS monitoring and reporting
- Fighting against money-laundering and financing international terrorism, as well as organizing, governing and coordinating the compliance with international sanctioning measures within the group, operating relating monitoring system; operating a notification and control system, liaison with the competent authority.
- Ensuring and controlling the compliance with regulations regarding segregation of financing and investment services, restricting the flow of information, prohibition of insider trading and market manipulation and employee trading, and liaison with the competent authority.
- Ensuring and controlling compliance with regulations on investment related services (e.g. Bszt.), performing defensive task related to client assets.

The organizational location of the compliance function and its scope of activities are in all respects in accordance with relevant regulations, with NBH guideline on the system of lines of defence and the underlying EBA (GL2021/005) guideline.

(12) Research and development

The Group performs R+D activity during application development related to financial services, as well as in the implementation of business and risk management modelling.

(13) Fees charged by the auditor

The following net fees were charged in the first half of year 2025 and 2024 by Deloitte Könyvvizsgáló és Tanácsadó Kft. and by Deloitte Üzletviteli és Vezetési Tanácsadó Zrt.:

(HUF million)	01.01.2025-30.06.2025	01.01.2024-30.06.2024
Audit of financial statements	99	94
Other assurance services	0	55
Total	**99**	**149**

(14) Branch network

The Group serves its clients through branches located at the following addresses as at 30.06.2025

- 1015 Budapest, Széna tér 1/a.
- 1024 Budapest, Lövőház u. 2-6.
- 1037 Budapest, Szépvölgyi út 41.
- 1051 Budapest, Vörösmarty tér 4.
- 1061 Budapest, Andrássy út 1.
- 1066 Budapest, Teréz krt. 12.
- 1085 Budapest, Üllői út 39-43.
- 1106 Budapest, Örs vezér tere 25.
- 1115 Budapest, Etele út 68.
- 1123 Budapest, Alkotás utca 53.
- 1133 Budapest, Váci út 116-118.
- 1148 Budapest, Örs vezér tere 24.
- 1173 Budapest, Ferihegyi út 74.
- 1203 Budapest, Kossuth Lajos utca 21-29.
- 2030 Érd, Budai út 22.
- 2100 Gödöllő, Gábor Áron u. 5.
- 2400 Dunaújváros, Vasmű út 39.
- 2600 Vác, Széchenyi u. 28-32.
- 2800 Tatabánya, Fő tér 20.
- 3200 Gyöngyös, Fő tér 12.
- 3525 Miskolc, Erzsébet tér 2.
- 4024 Debrecen, Piac u. 18.
- 4400 Nyíregyháza, Korányi Frigyes u. 5.
- 5000 Szolnok, Szapáry út 22.
- 6000 Kecskemét, Kisfaludy u. 5.
- 6500 Baja, Dózsa György út 12.
- 6720 Szeged, Széchenyi tér 3.
- 6800 Hódmezővásárhely, Kossuth tér 6.
- 7400 Kaposvár, Berzsenyi utca 1-3.
- 7621 Pécs, Irgalmasok útja 5.
- 8000 Székesfehérvár, Távírda utca 1.
- 8360 Keszthely, Széchenyi utca 1-3.
- 8500 Pápa, Fő tér 15.
- 8900 Zalaegerszeg, Kossuth u. 21-23.
- 9024 Győr, Vasvári P. út 1/a.
- 9400 Sopron, Széchenyi tér 14-15.
- 9700 Szombathely, Fő tér 36.
- 1023 Budapest, Bécsi út 27.
- 1036 Budapest, Bécsi út 136.
- 1045 Budapest, Árpád út 183-185.
- 1055 Budapest, Szent István körút 27.
- 1062 Budapest, Váci út 1-3.
- 1072 Budapest, Rákóczi út 44.
- 1087 Budapest, Kerepesi út 9.
- 1114 Budapest, Bocskai út 1.
- 1117 Budapest, Hunyadi János út 19.
- 1123 Budapest, Alkotás utca 55-61.
- 1139 Budapest, Váci út 81.
- 1152 Budapest, Szentmihályi út 137.
- 1181 Budapest, Üllői út 417.
- 1211 Budapest, Kossuth Lajos u. 85.
- 2040 Budaörs, Templom tér 22.
- 2310 Szigetszentmiklós, Vak Bottyán u. 18.
- 2500 Esztergom, Kossuth Lajos u. 14.
- 2800 Tatabánya, Fő tér 14.
- 2900 Komárom, Mártírok útja 14.
- 3300 Eger, Jókai Mór utca 5.
- 3527 Miskolc, Bajcsy Zs.u. 2-4.
- 4026 Debrecen, Péterfia utca 18.
- 4400 Nyíregyháza, Kossuth tér 7.
- 5600 Békéscsaba, Andrássy út 19.
- 6200 Kiskőrös, Petőfi S. tér 8.
- 6500 Baja, Dózsa György út 12.
- 6722 Szeged, Kossuth Lajos sugárút 9-13.
- 7100 Szekszárd, Széchenyi utca 37-39.
- 7621 Pécs, Bajcsy Zs. u. 11.
- 8000 Székesfehérvár, Palotai út 1.
- 8200 Veszprém, Mindszenty József u. 2.
- 8400 Ajka, Szabadság tér 4.
- 8800 Nagykanizsa, Deák tér 11-12.
- 9022 Győr, Arany János utca 28-32.
- 9200 Mosonmagyaróvár Fő u. 26.
- 9431 Fertőd, Fő u. 12.

(15) Key financial indicators

(HUF million or %)	30.06.2025	30.06.2024
Key profitability and efficiency ratios		
Number of branches	74	73
Net interest income	84,879	97,728
Net fee and commission income	54,509	44,652
Operating expenses	44,584	39,763
Cost to income ratio (without transaction fee and taxes)	32.61%	29.75%
Provisioning	9,935	7,474
Profit for the year	45,883	51,460
Return on equity after tax (ROE)	20.70%	23.30%
Return on assets after tax (ROI)	1.91%	2.15%
Net interest margin	3.66%	4.31%
Provisioning ratio	-0.99%	-0.81%
Total assets	4,801,954	4,779,457
Gross carrying amount of loans and advances to clients	2,014,213	1,843,170
Deposits from customers	3,273,232	3,319,897
Loan to deposit ratio	61.54%	55.52%
Deposits from banks	529,595	535,154
Key risk ratios		
Impairment related to loans and advances to clients	48,461	63,053
NPL exposure	33,780	49,861
NPL ratio	1.68%	2.71%
NPL coverage ratio	143.46%	126.46%
Provisioning ratio	-0.99%	-0.81%
Total capital specific key ratios		
Common equity tier 1 capital (CET1)	278,258	274,826
Additional tier 1 capital (AT1)	46,979	46,979
Tier 2 Capital	69,091	68,341
Total regulatory capital	394,328	390,145
Risk-weighted asset	1,807,270	1,790,192
CET 1 capital ratio	15.40%	15.35%
Tier 1 capital ratio	18.00%	17.98%
Total capital ratio	21.82%	21.79%
Leverage ratio	6.64%	6.64%
Liquidity risk specific key ratio		
Liquidity coverage ratio (LCR)	180.80%	179.00%
LCR High Quality Liquid Assets	1,809,275	2,153,582
LCR Net Outflows	1,000,684	1,202,937
Net Stable Funding Ratio (NSFR)	142.44%	149.81%