

# Raiffeisen Bank Hungary **Financial Update of 2024H1 - Investor Presentation** **September 2024**

10.09.2024

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# Presentation Contents

- 01 Executive Summary**
- 02 Overview of Raiffeisen Bank Hungary
- 03 ESG & Sustainability Framework
- 04 Group Resolution Strategy and Implications for RBHU
- 05 Hungarian Macroeconomic Environment
- 06 Hungarian Banking Sector
- 07 Appendices

## The 6th largest bank in Hungary and the 5th largest network bank within Raiffeisen Bank International Group 5th largest network unit in the Group

- Greenfield launch in 1987
- Part of **Raiffeisen Bank International** (100% owned)
- **5.8% share** of RBI's **total assets** and 4.5 % share of RWA
- **Strong corporate client base** in Hungary
- **~7% of market share** by loans to customers

## ESG Factors

- **RBI first Austrian banking group to sign UN Principles for Responsible Banking**
- Steady increase in bond eligible green loans as of 2023YE
- **Several ESG Funds** provided by Raiffeisen AM
- **50mn USD SP privately placed** bonds in 2022, **300mn EUR SP international** issued bonds in 2024

### Total assets

30/06/2024

**HUF 4 779 bn / EUR 12 097 mn**

+10.4% YoY

### Net customer loans

30/06/2024

**HUF 1 780 bn / EUR 4 505 mn**

+5.2% YoY

### MOODY'S rating<sup>1</sup>

10/05/2022

**A3 stable**

### Profit after tax

1-6/2024

**HUF 51 bn / EUR 130 mn**

+72.6% YoY

### Customer deposits

30/06/2024

**HUF 3 320 bn / EUR 8 403 mn**

+17.7% YoY

### CET1/CAR

30/06/2024

**15.4% / 21.8%**

+10 bps YoY

+0.1 bps YoY

### Loans to Deposits<sup>2</sup>

30/06/2024

**55.5%**

-6.8 pp YoY

### Net interest income

1-6/2024

**HUF 98 bn / EUR 247 mn**

+5% YoY

1

**Established franchise**

- Sixth largest player by assets with more than 30 years presence in the HU market

2

**Strong capital position & profitability**

- High profitability with appropriate capital adequacy ratios, integral part of RBI Group , A3 Stable rating by Moody's

3

**Portfolio quality & risk control**

- Good loan portfolio quality kept with low corporate PD, mainly mortgage covered retail loans

4

**Liquidity & MPE strategy**

- High liquidity position, Multiple-Point-of-Entry (MPE) chosen as resolution strategy

5

**ESG commitment**

- Steady increase in green loan volumes with a significant pipeline in clean transportation and renewable energy

6

**Strong macroeconomic fundamentals**

- Recent GDP growth aligned with peers, while maintaining strong economic fundamentals

7

**Attractive sector**

- Solid Hungarian banking sector with high 2023 profitability and strong stability indicators

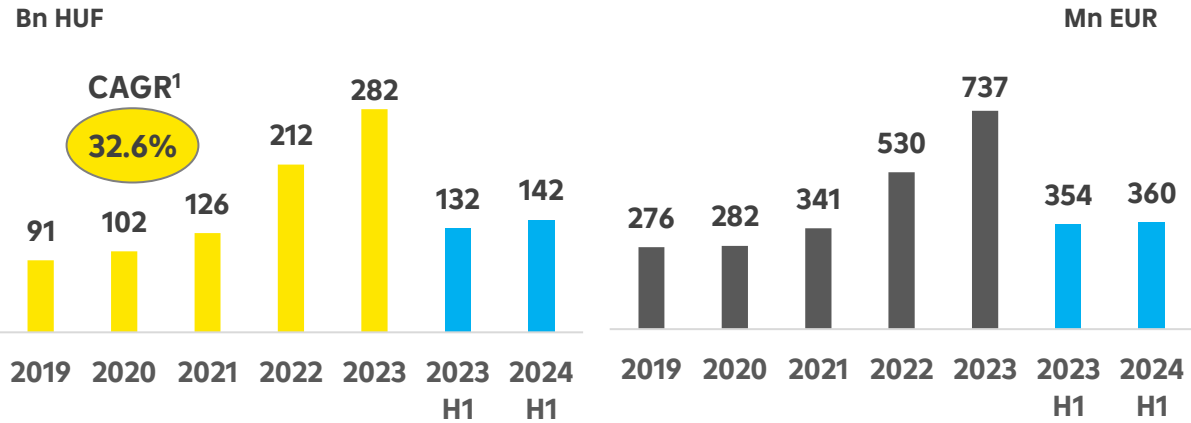
# Presentation **Contents**

- 01 Executive Summary
- 02 Overview of Raiffeisen Bank Hungary**
- 03 ESG & Sustainability Framework
- 04 Group Resolution Strategy and Implications for RBHU
- 05 Hungarian Macroeconomic Environment
- 06 Hungarian Banking Sector
- 07 Appendices

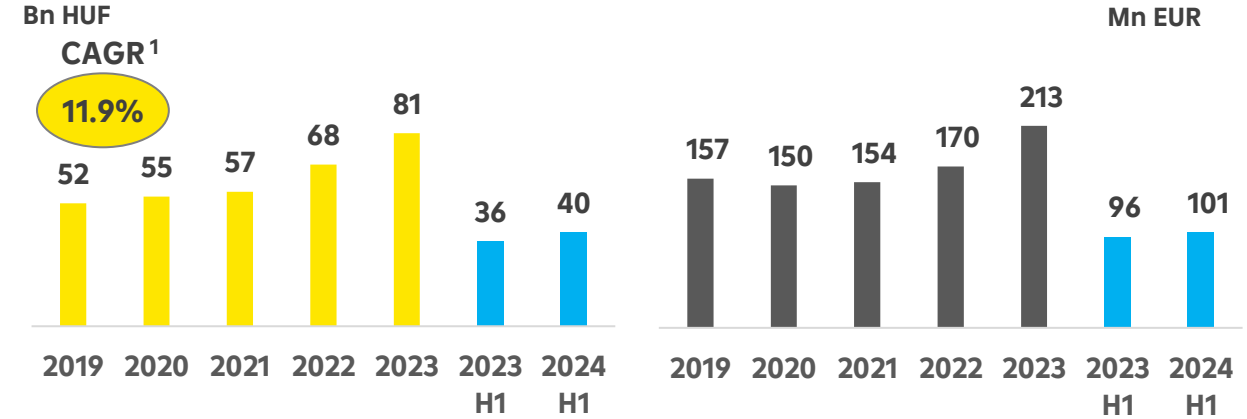
# Strong profit generation continued in 2024 driven by core income

## Core income

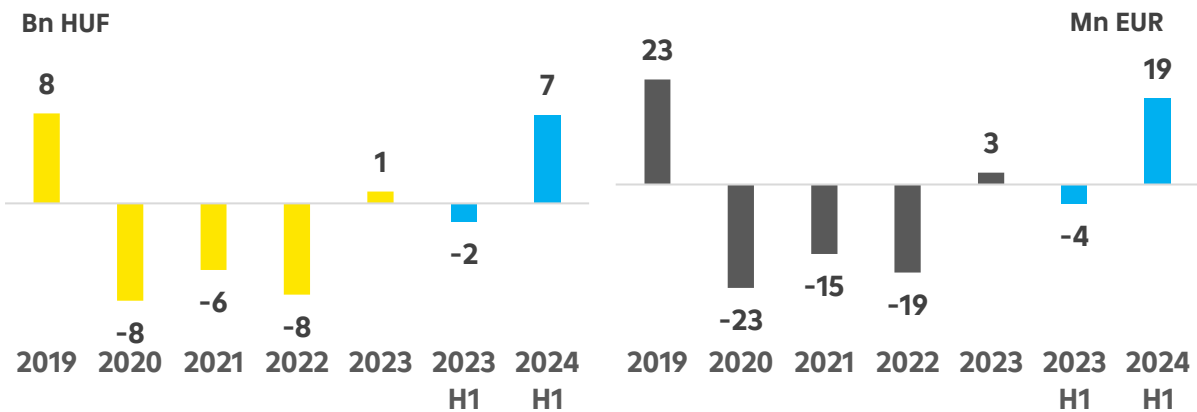
(Net interest income + Net fee and commission)



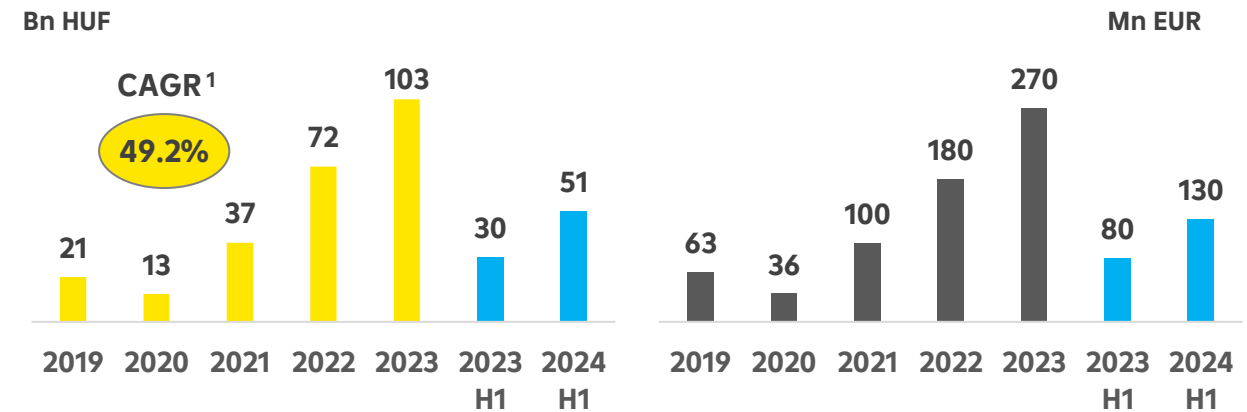
## OPEX



## Impairment

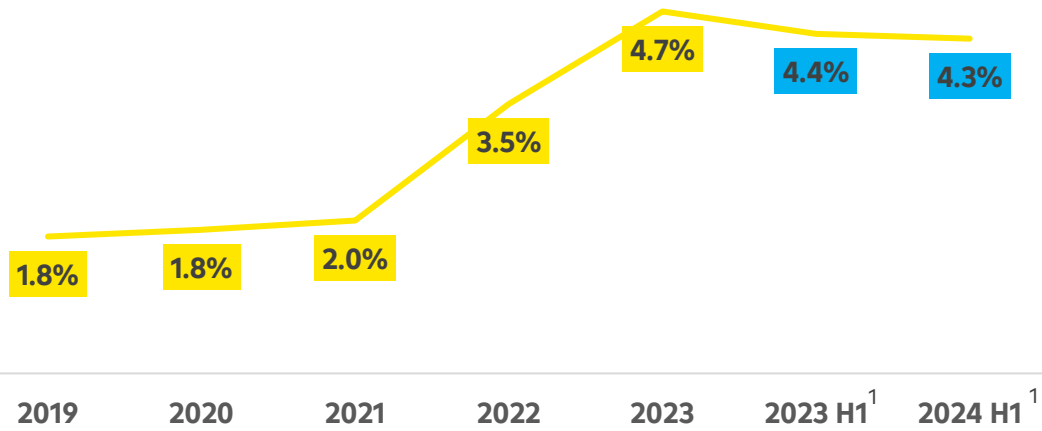


## Profit after tax

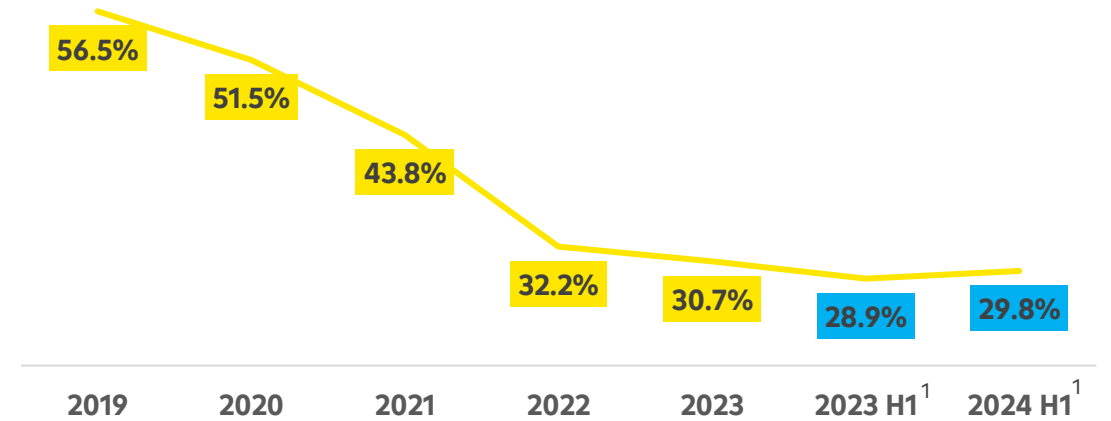


# Key performance indicators show high profitability in 2022-23

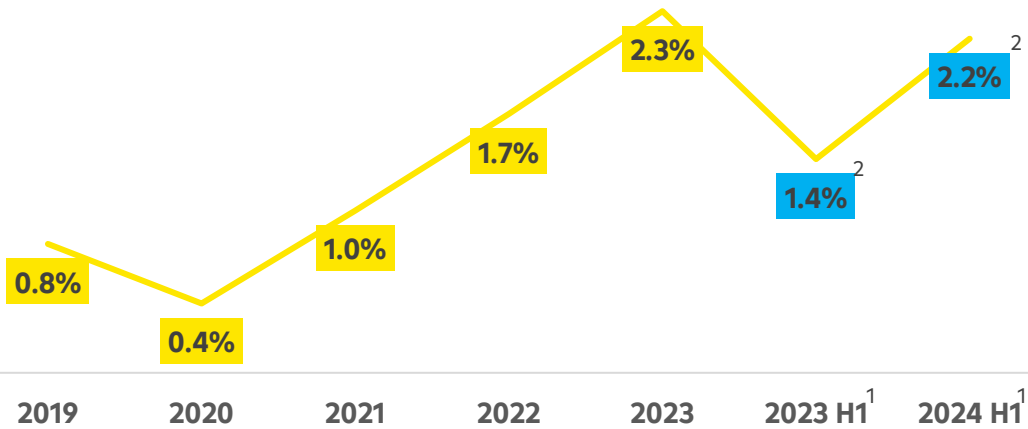
### Net interest margin



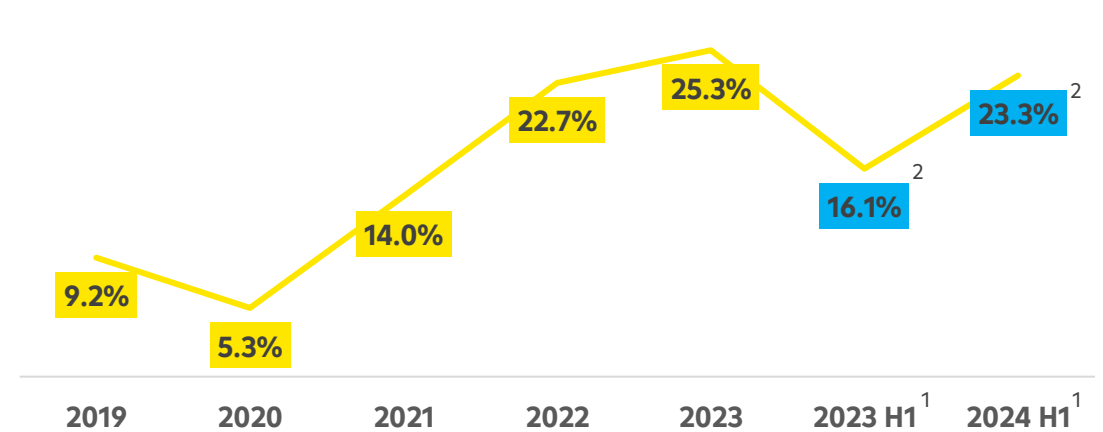
### Cost income ratio (without transaction fee and taxes)



### Return on Asset

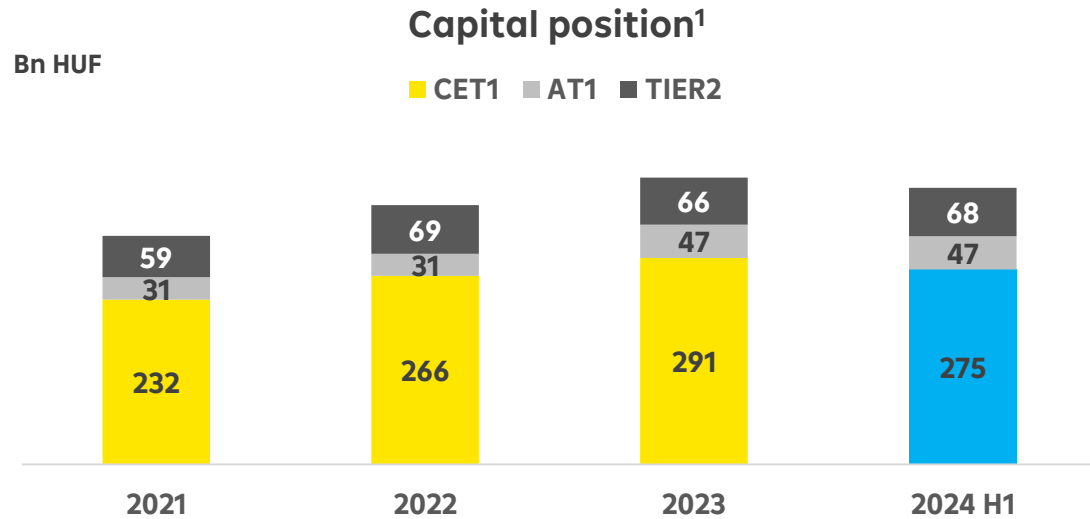


### Return on Equity



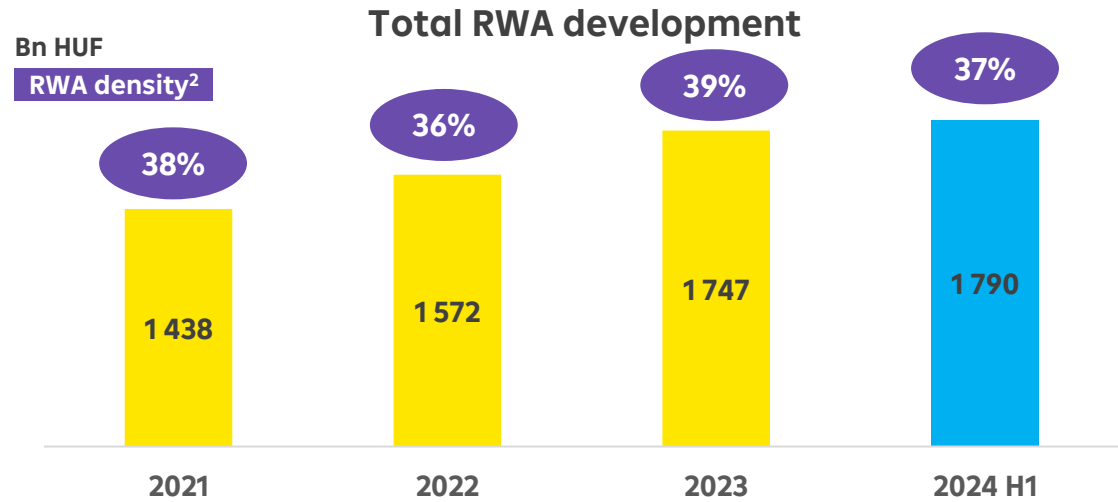
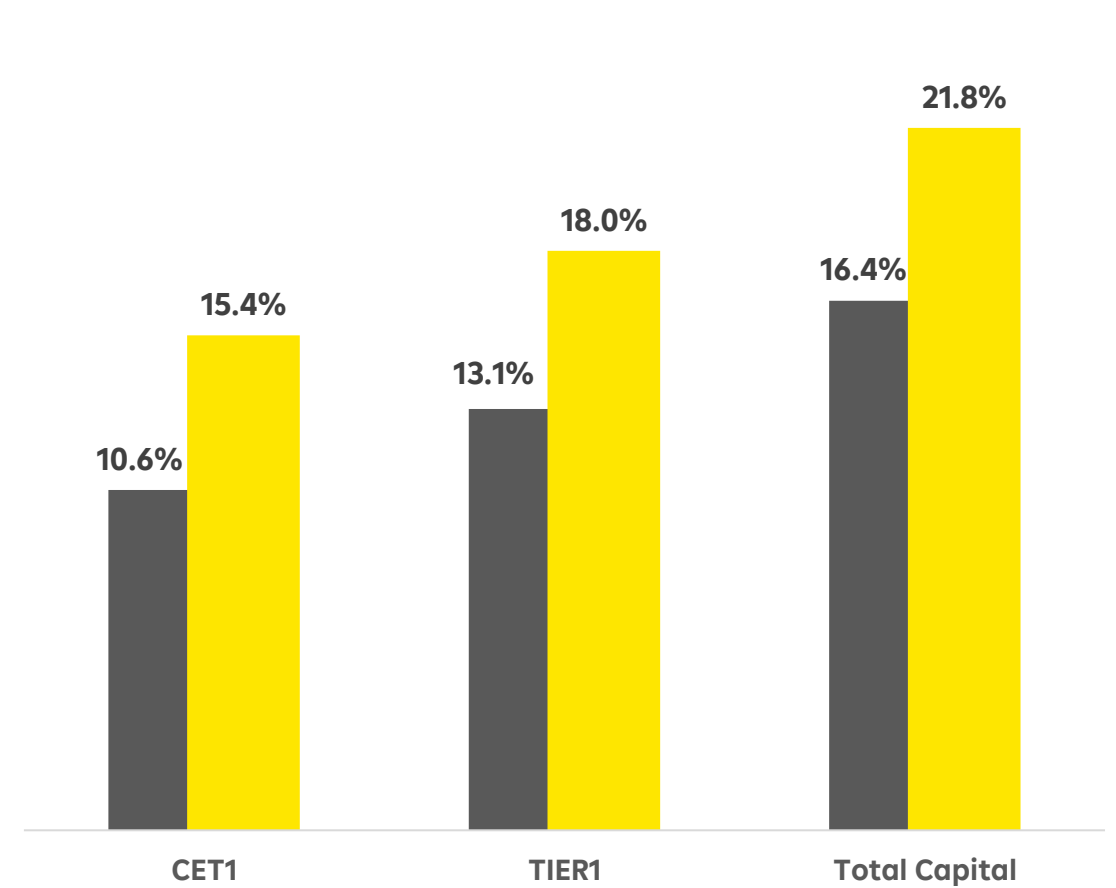
Note: (1) Annualized figures, (2) Extra Profit Tax on Raiffeisen Bank Hungary ~27.9bn HUF, ~72.9 mn EUR in 2023 and ~17.2bn HUF, ~43.5mn EUR in 2024. Source: 2024 H1 Financial Statement, Company Information





### Total capital requirements & capital adequacy ratios<sup>1</sup>

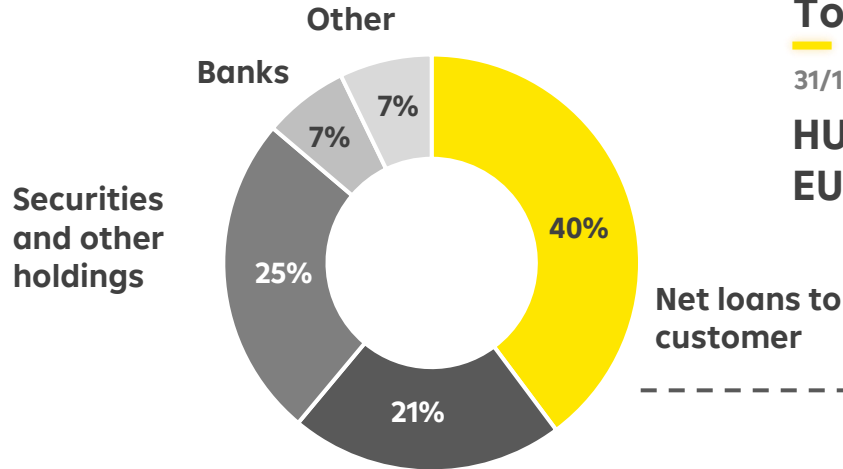
■ Total capital requirement ■ CAR 2024H1



Note: (1) Fully loaded regulatory capital, (2) RWA density calculated by Total RWA/Total Assets. Source: 2024 H1 Financial Statement Investor presentation September 2024

# Balanced asset structure with 40% loans to customers, quality risk profile very low 83bps corporate PD

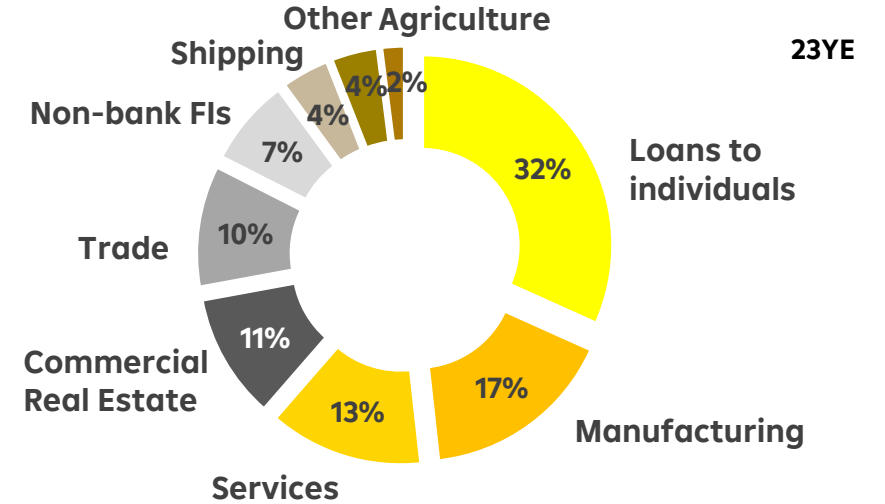
**Total assets**



**Total assets**

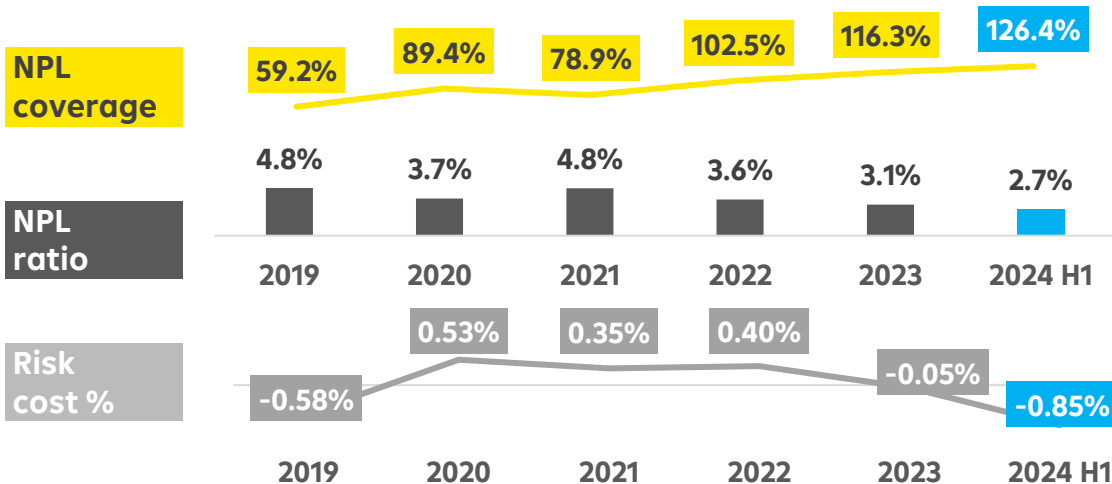
31/12/2023  
**HUF 4 432 bn**  
**EUR 11 578 mn**

**Loan portfolio by gross loans**



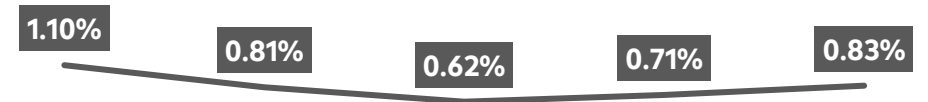
**National Bank of Hungary**

**Asset quality**

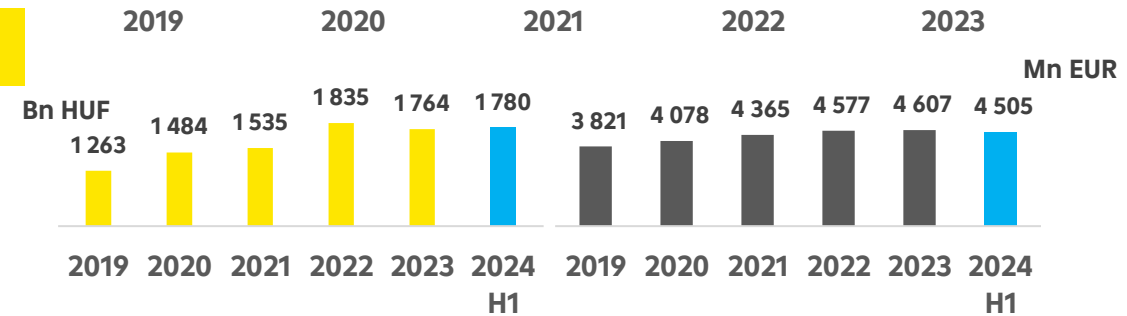


**Corporate PD<sup>1</sup>**

**Low corporate probability of default rates**



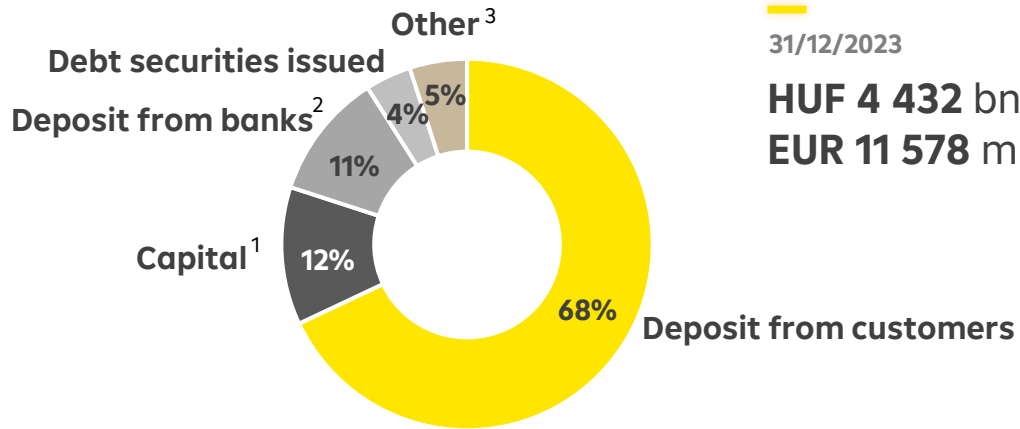
**Total loans**



Note (1): Avg. probability of default measured on exposure at default related to clients which are rated in corporate rating model, and not being in default. Source: 2024 H1 Financial Statement, Company Information Investor presentation September 2024

# Diversified deposit base and high liquidity ratios above regulatory requirements

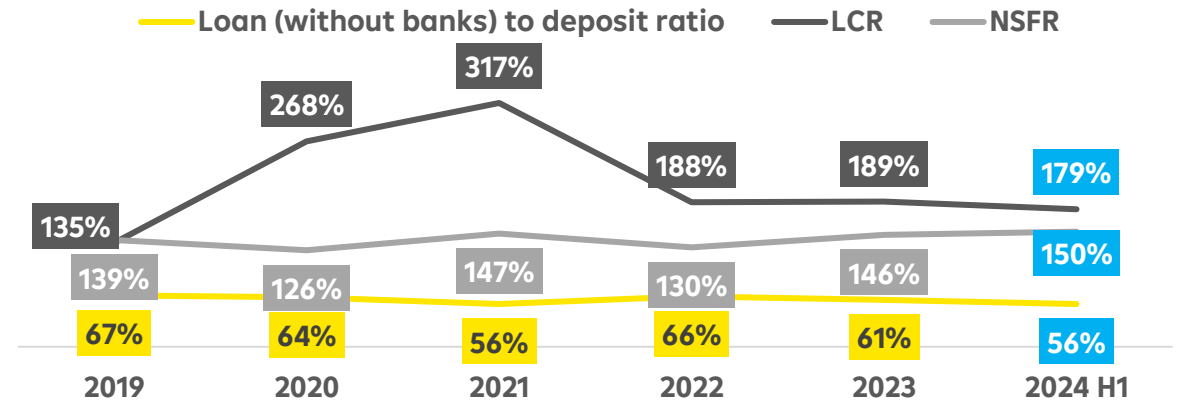
**Total liabilities**



## Liabilities & Equity

31/12/2023  
**HUF 4 432 bn**  
**EUR 11 578 mn**

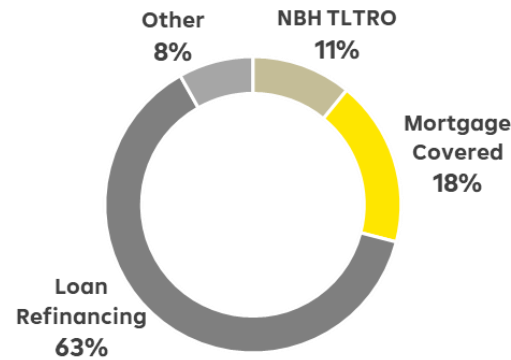
**Selected liquidity ratios (Bank only)**



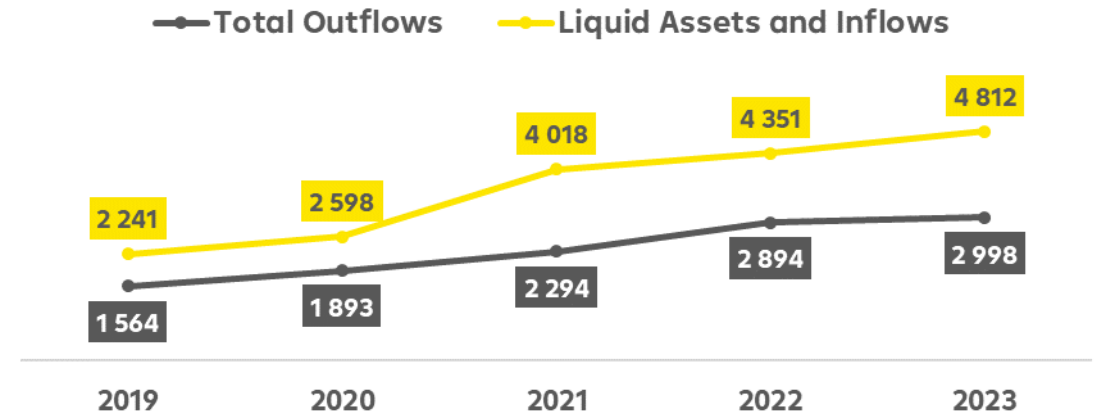
**Retail deposit breakdown<sup>4</sup>**



**Deposit from banks breakdown<sup>4</sup>**



**Liquidity Coverage Ratio components and highlights<sup>4</sup>**



Note: (1) Equity and Subordinated Debt. (2) NBH TLTRO, Covered Mortgage refinancing loan, Other loan refinancing (Exim and NBH), Other Deposits from Banks. (3) Derivatives, Provisions, Current tax liabilities and Other liabilities. (4) Figures based on Risk Disclosure and are yearly averages. Source: 2024 H1 Financial Statement, Company Information

# Presentation Contents

- 01 Executive Summary
- 02 Overview of Raiffeisen Bank Hungary
- 03 ESG & Sustainability Framework**
- 04 Group Resolution Strategy and Implications for RBHU
- 05 Hungarian Macroeconomic Environment
- 06 Hungarian Banking Sector
- 07 Appendices

# Commitment in ESG via building of sustainable portfolio, sale of ESG funds, and set up of strong governance & risk framework



## Sustainable Strategy Pillar 1 – Governance and Strategy Analysis

- Quarterly **Sustainability Council** meetings introduced with **CRO acting as Chairman**
- Strategy Office appointed to **central function** to maintain overview of ESG, **operational tasks** remain **within the functional units**
- Periodical MNB Green Recommendation **GAP analysis** and **action plan**
- **Climate horizon analysis** to identify climate vulnerability & opportunities
- **ESG framework** will be elaborated in line with CSRD and international standards (2024)



## Sustainable Strategy Pillar 2 – Sustainable Finance

- **Strong position in corporate green financing**
- Initiation of **portfolio strategies** in lending in line with transition
- **300mn EUR SP green MREL bond issuance in 2024 and 50mn USD SP green MREL bond issuance in 2022**
- **Proven track record in green bond advisory** services
- **5 ESG FoFs** introduced and are **being offered to clients**
- Received the award for being the „**Green Bank of the Year 2022**“ and „**Green Fund Management Company of 2022**“ from the NBH



## Sustainable Strategy Pillar 3 – ESG Risk Assessment

- Introduction of **ESG Risk Framework** aligned with RBI Group standards
- **ESG lending process** implemented for corporate loans
- Initiation of **ESG scoring methodology** to track ESG risks of borrowers
- Development of **measurement tools to quantify and tackle environmental risk** is led by RBI
- Measurement of **Scope 1, Scope 2 and limited Scope 3** already **collected**



## Sustainable Strategy Pillar 4 – ESG Reporting

- Voluntary **non-financial** and **climate related reporting**, and obligatory **governance report**
- Reporting **ESG risks** under CRR 449a from 2025
- **Preparations** for reporting under **CSRD** (concerning FY24)
- Regulatory non-financial information and information under EU Taxonomy is currently **gathered and published on Raiffeisen Group level**

## Sustainability Bond Framework

### Use of proceeds and external review



**SUSTAINABLE DEVELOPMENT GOALS**



*„...Raiffeisen Bank Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021.“*

[!\[\]\(10f8862fc183b400327470ea85afe9ae\_img.jpg\) Sustainability Bond Framework and Second Party Opinion](#)

### Asset Evaluation and Management of proceeds

Raiffeisen Bank's Sustainability Bond Committee is responsible for ensuring that allocations are made to Eligible Loans

Raiffeisen's Sustainable Portfolio Manager manage the net proceeds using an internal sustainability bond register

Raiffeisen Bank assumes the full allocation of proceeds within 36 months from Sustainable Bond Issuance

Unallocated proceeds will be held in cash or cash equivalents

### Reporting

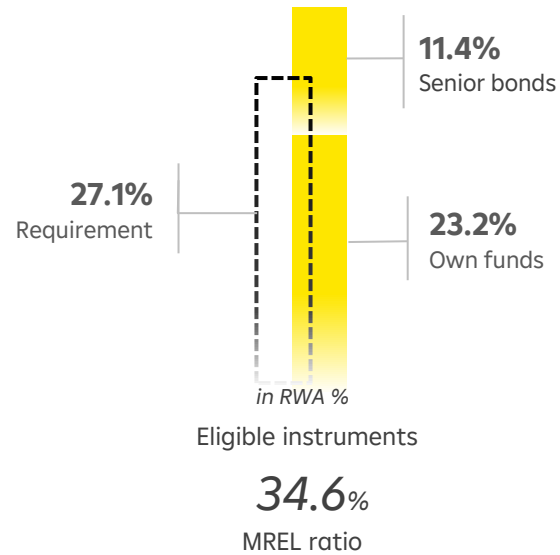
Annual Allocation and Impact report on the use of proceeds containing the total volume, amount breakdown by categories and balance of unallocated proceeds

The Allocation and Impact report include several quantitative and qualitative indicators of the Portfolio

# Presentation **Contents**

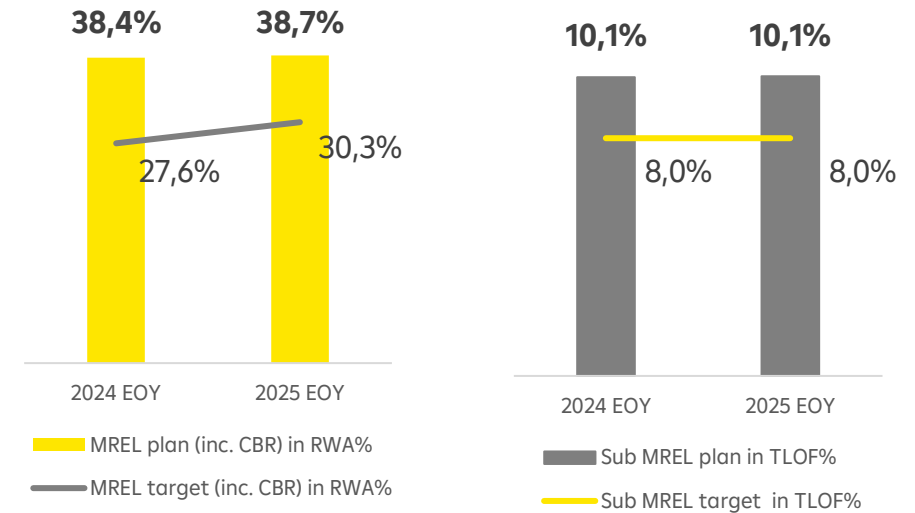
- 01 Executive Summary
- 02 Overview of Raiffeisen Bank Hungary
- 03 ESG & Sustainability Framework
- 04 Group Resolution Strategy and Implications for RBHU**
- 05 Hungarian Macroeconomic Environment
- 06 Hungarian Banking Sector
- 07 Appendices

## MREL compliance as of December 2023



- Buffer to MREL requirement: 745 bps as of 01.01.2024
- TREA EUR 4,287 mn
- MREL requirements for resolution group HU is 27.14% incl. CBR of 3.00% starting from 2024

## MREL and Subordination targets/plans as of September 2024



- MREL targets are based on official requirements of NBH as of March 2024
- Gross issuance plans in 2024: EUR 0-100mn Senior Non-Preferred Bond

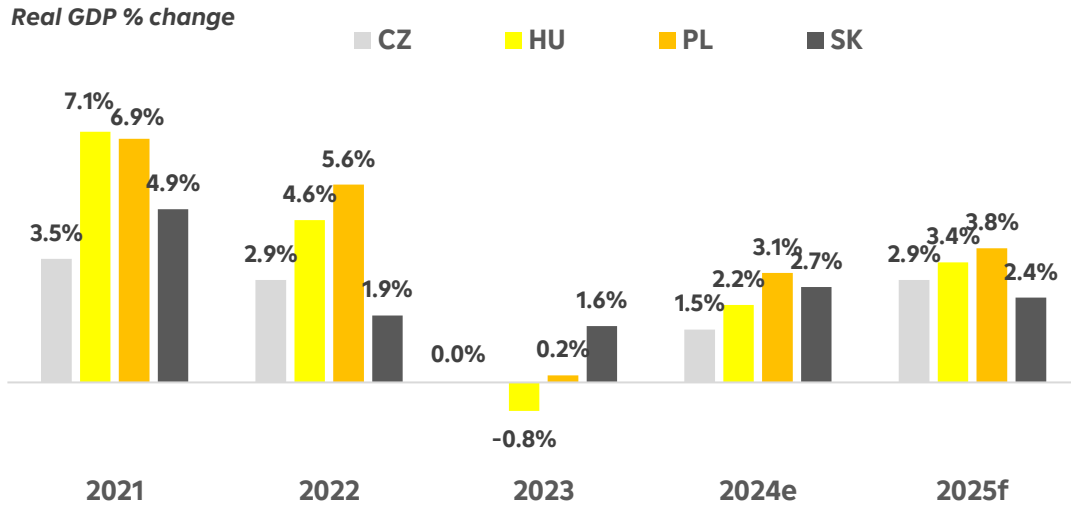


# Presentation **Contents**

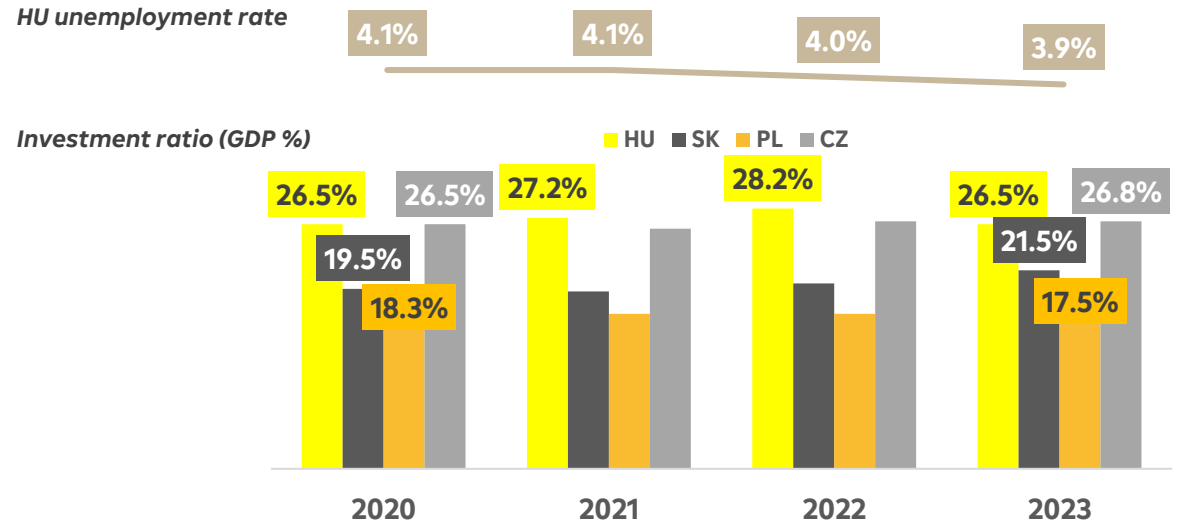
- 01 Executive Summary
- 02 Overview of Raiffeisen Bank Hungary
- 03 ESG & Sustainability Framework
- 04 Group Resolution Strategy and Implications for RBHU
- 05 Hungarian Macroeconomic Environment**
- 06 Hungarian Banking Sector
- 07 Appendices

# HU macroeconomic fundamentals supported by high investment ratio, strong employment and restoring of CA balances in 2023

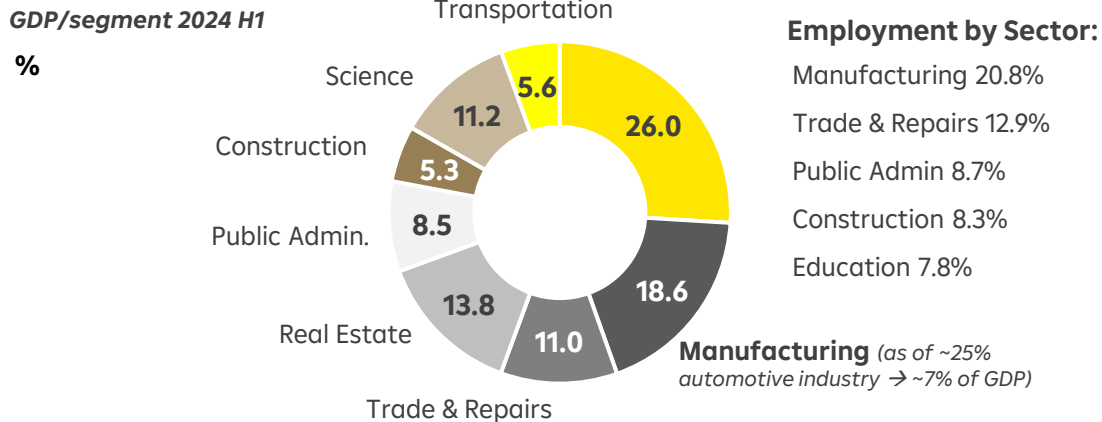
## HU GDP aligned with regional peers in 2023



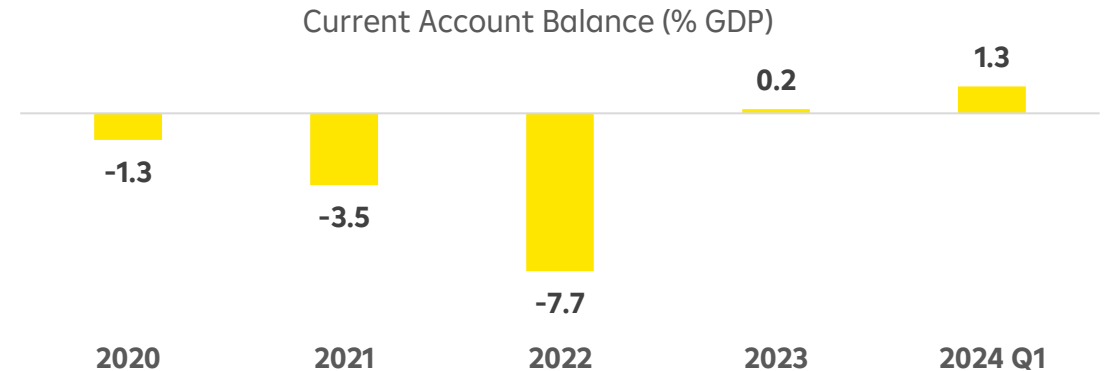
## HU investment ratio above region (2020-2023), low unemployment kept at ~4%



## Relatively high share of manufacturing segment within HU economic output

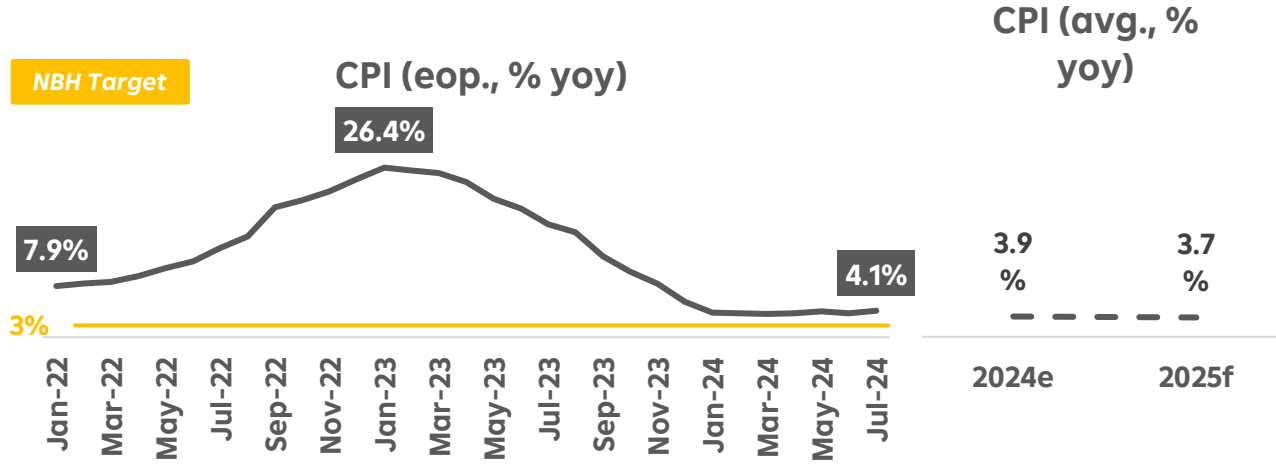


## CA surplus in 2023 mainly driven by normalizing energy prices

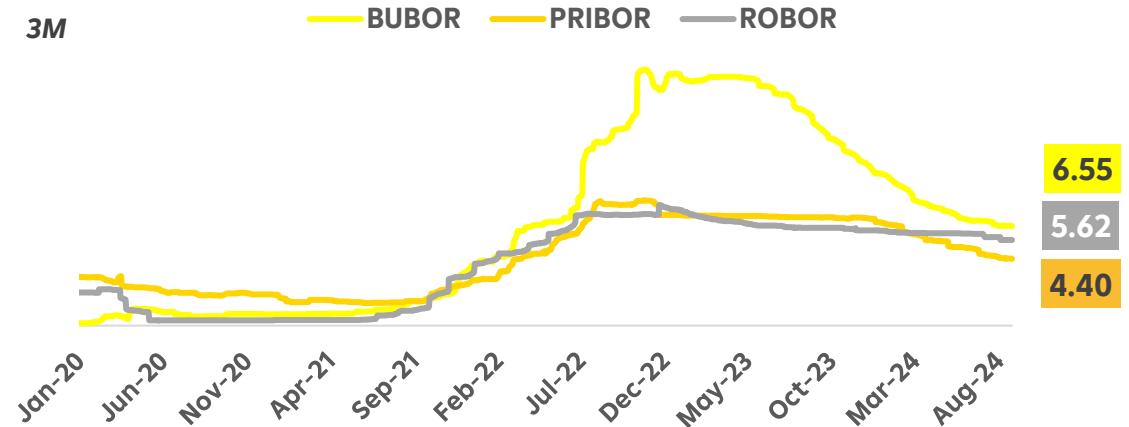


# Steady decrease of inflation from 23'Q1 and normalizing rates

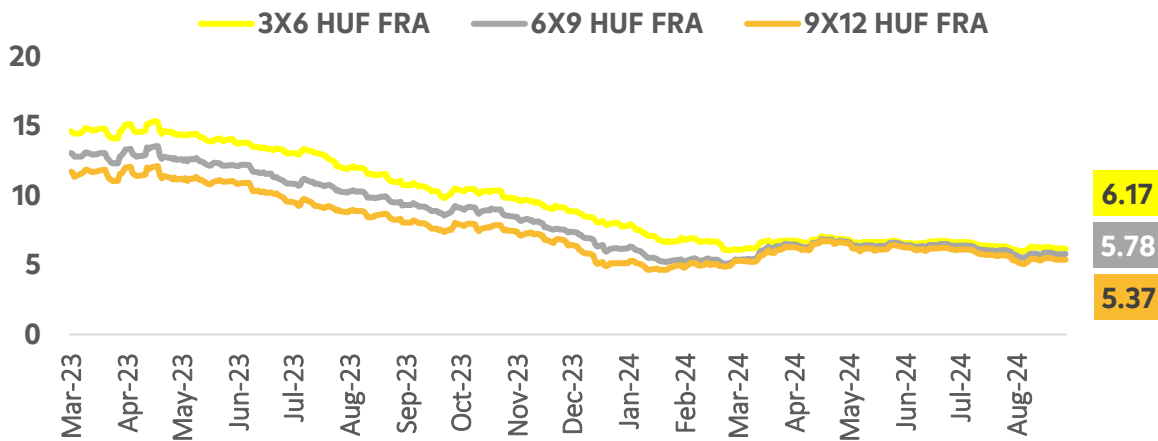
Steady decrease of inflation currently at 3.6% after peak in Q1, 2023



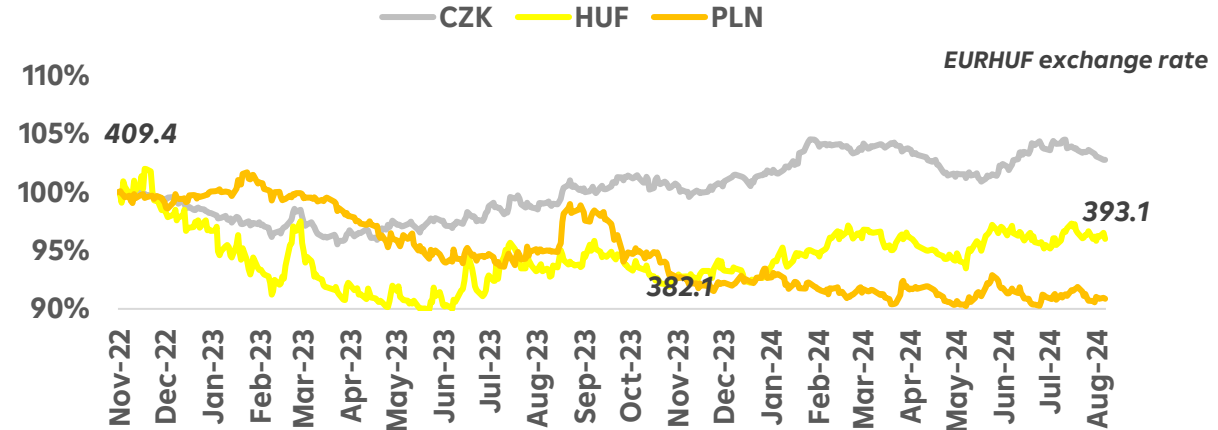
Gradual convergence of rates towards region



Steadily decreasing rates throughout the years

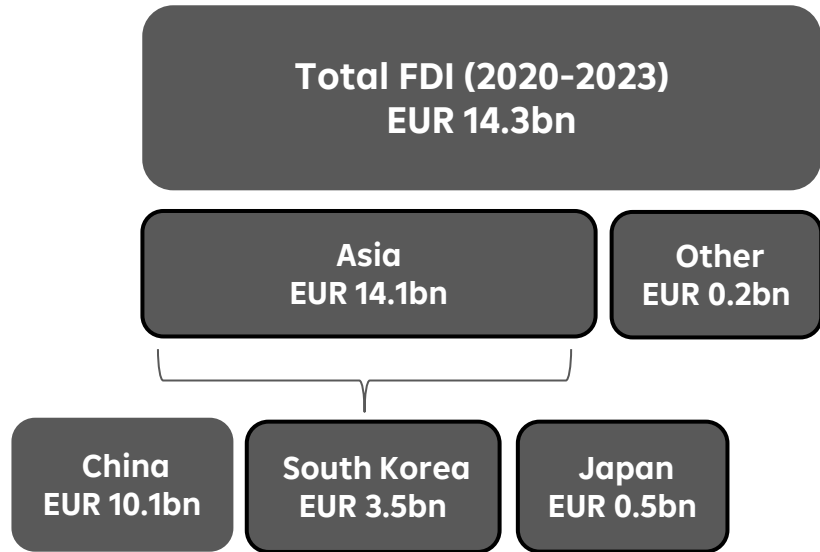


Strengthening HUF currently ranges at 380-400 vs EUR



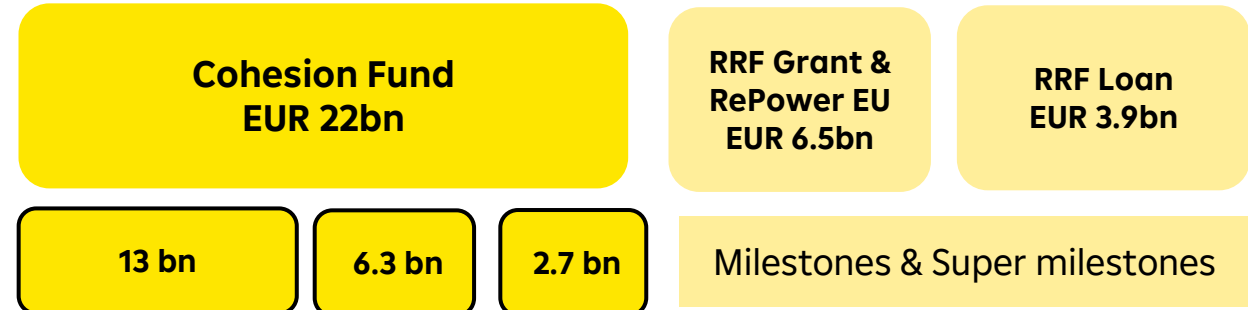
# HU government policy to stimulate growth, through lending driven consumption, Asian FDI and EU funds

Significant investment in HU from Asian FDI mainly driven by battery/EV industry



- In terms of investment type, suppliers and battery are the considerable segments

13bn EUR funds expected to be unblocked from the Cohesion Fund



Horizontal enabling conditions + additional requirements

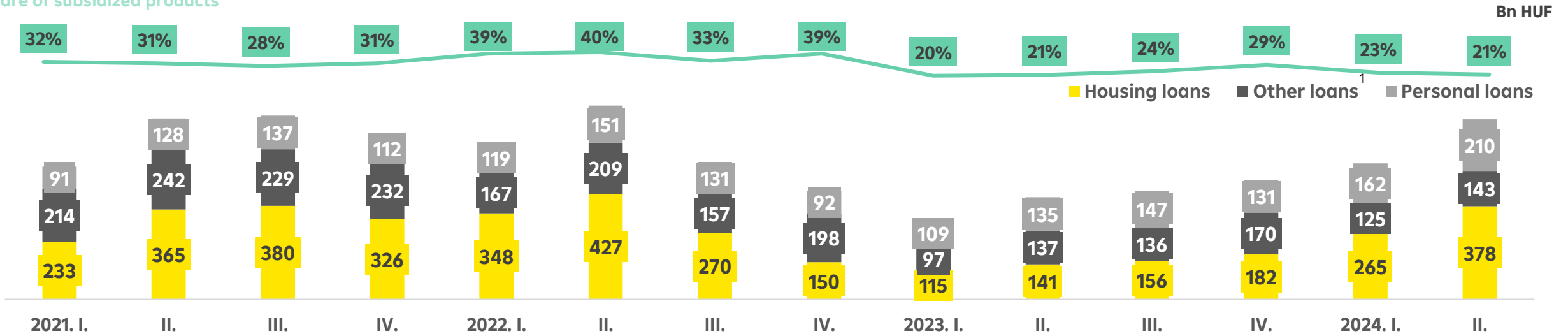
- EUR 10.2 bn fund is **unlocked** in **2023 December**
- ~EUR 2 bn fund is unblocked in **2024 March**
- **Recent update (12 March 2024):** EP's legal affairs committee took the Commission to court over the 10.2 bn EUR payoff
- According to the EC: HU was in line with the requirements of horizontal enabling conditions – expected to defend their perspective on court

- First tranche (~EUR 780mn) received in 2024 Q1
- Advance payments under RePower EU can be drawn down without milestone Achievement (~ EUR 920mn, in two tranches: 1. ~EUR 450mn in **January 2024**; 2. EUR 470mn in 2025)

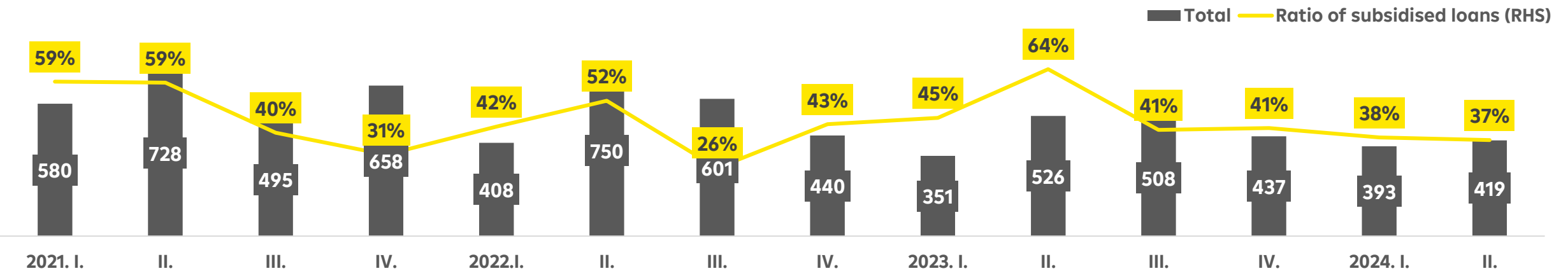
# Strong subsidized lending programs with focus on SME and family support

## New household loans in the credit institution sector

Share of subsidized products



## New SME loans in the credit institutions sector



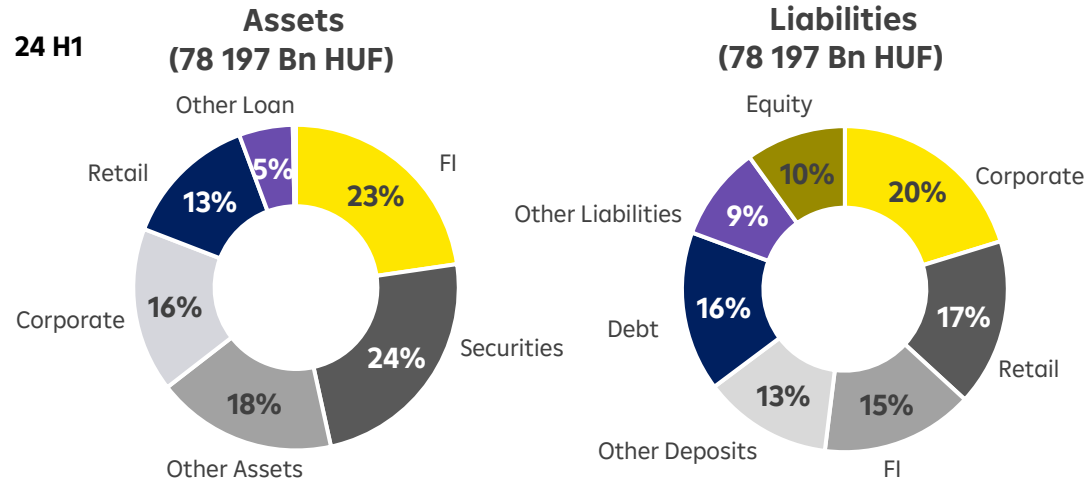
Note: (1) Including home equity loans, baby loans, other consumer loans and other loans. Source: Central Bank of Hungary Investor presentation September 2024

# Presentation **Contents**

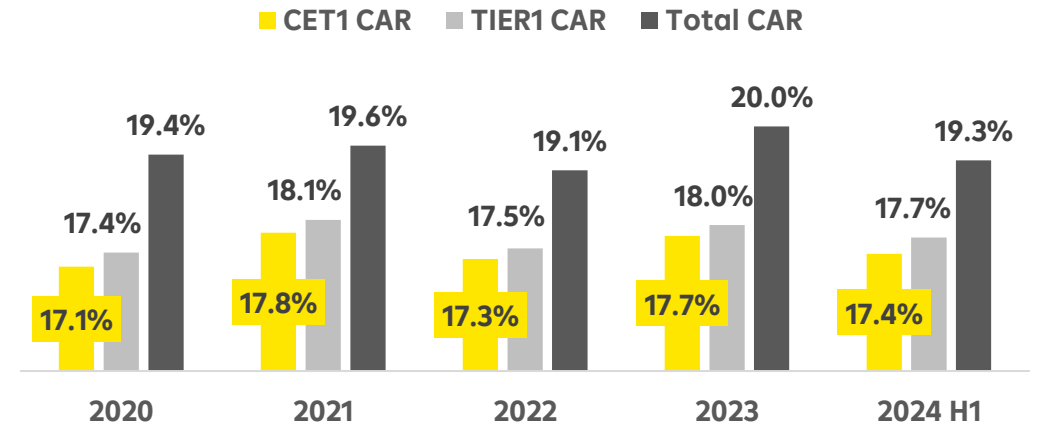
- 01 Executive Summary
- 02 Overview of Raiffeisen Bank Hungary
- 03 ESG & Sustainability Framework
- 04 Group Resolution Strategy and Implications for RBHU
- 05 Hungarian Macroeconomic Environment
- 06 Hungarian Banking Sector**
- 07 Appendices

# Healthy HU banking sector with balanced structure, low NPL and high stability indicators

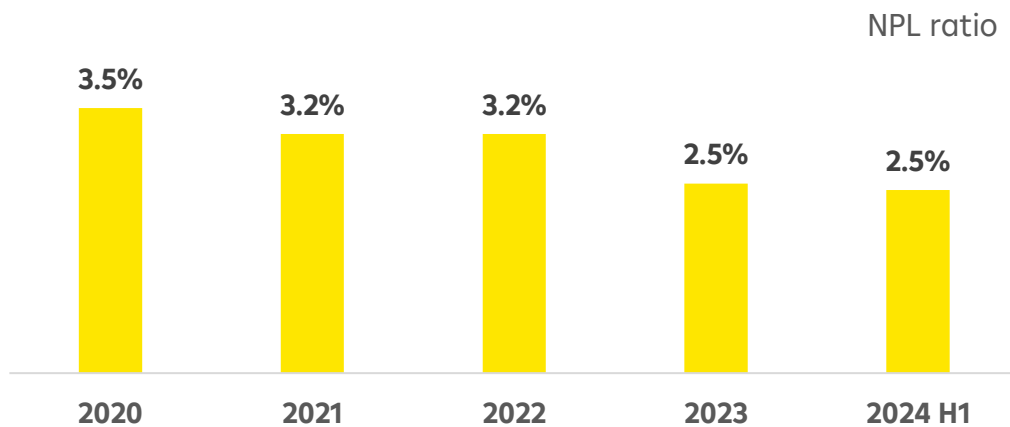
## Balanced banking sector assets and liabilities



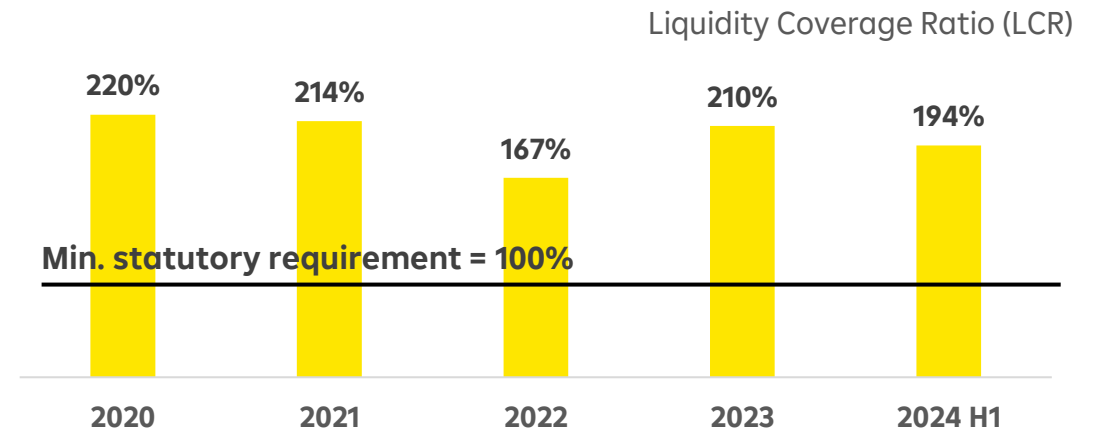
## Consistently high capital adequacy ratios



## Decreasing NPL trend continued

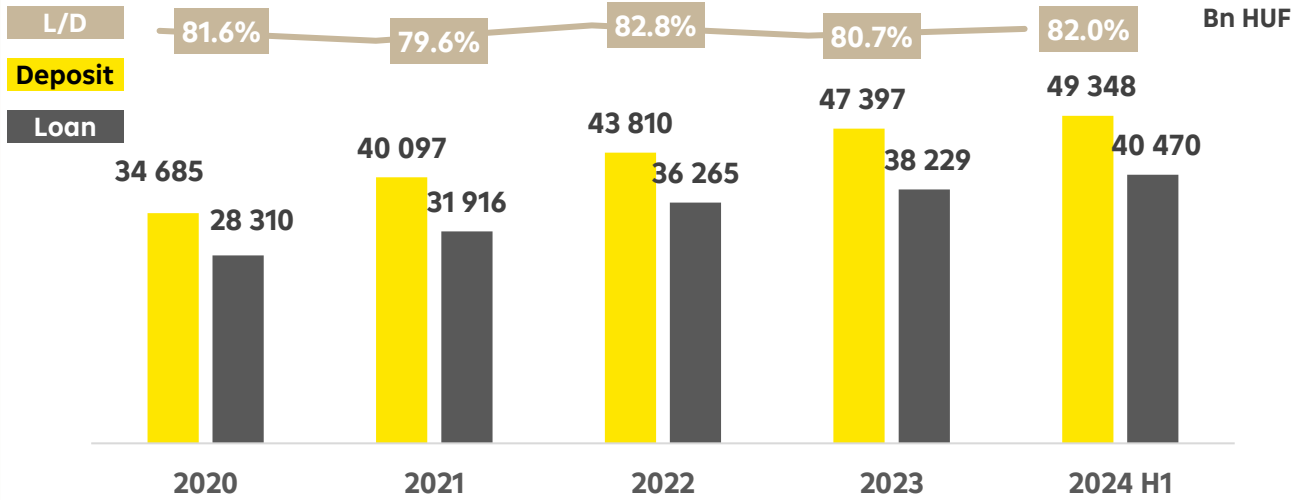


## LCR is well above the 100% statutory requirement

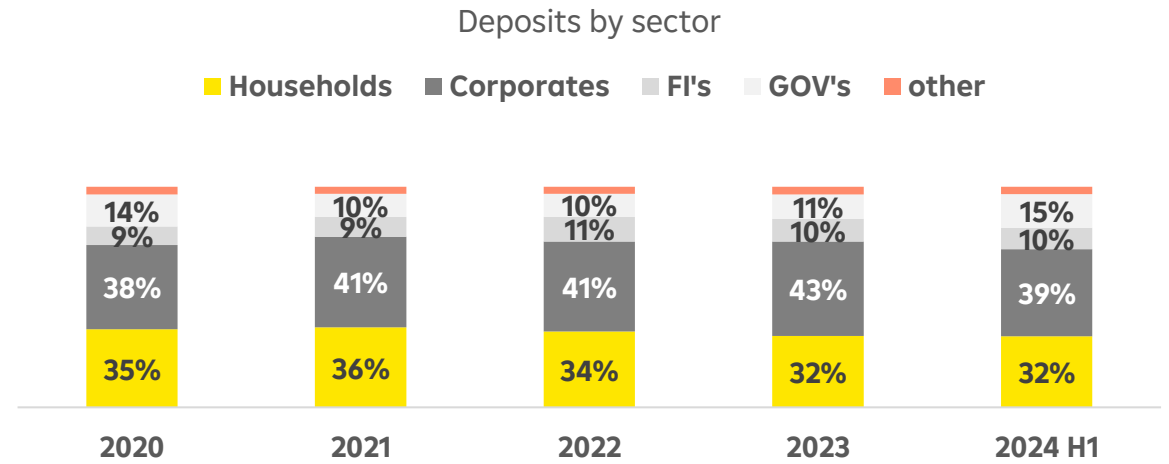


# Loan to deposits ratio stable at 80%, retail lending penetration below regional average

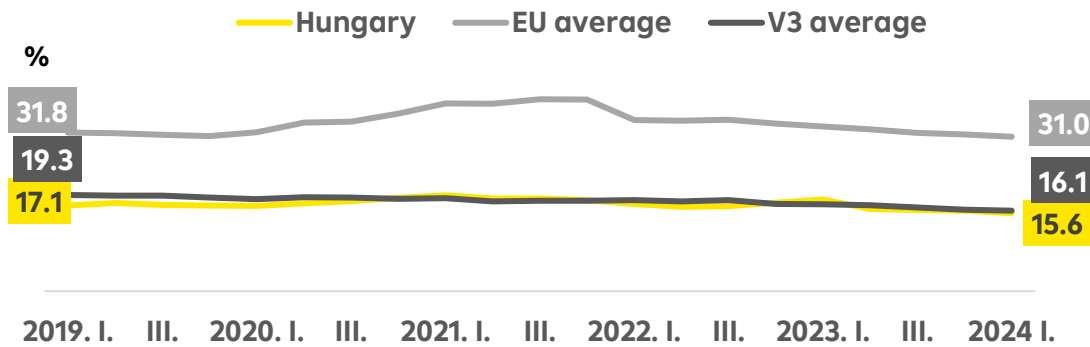
Steady growth continued in both deposits and loans with a persistent ~80% L/D



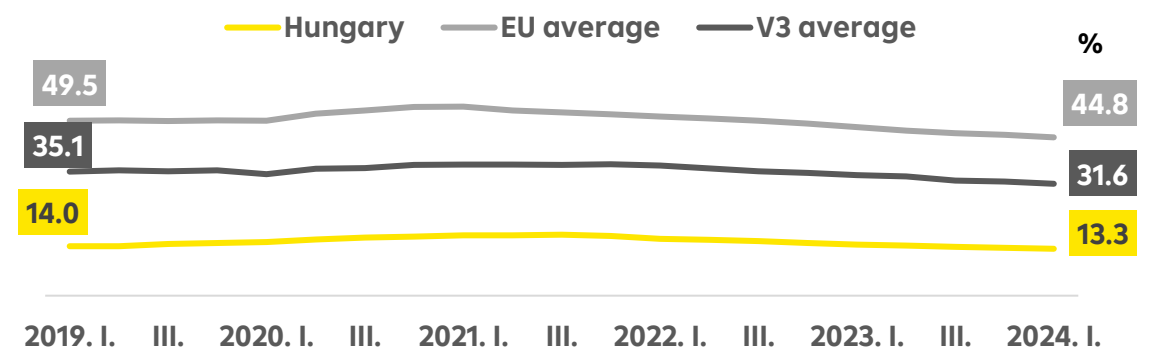
Diversified deposit structure with ~30-40% retail and ~40% corporate segments



HU Corporate<sup>1</sup> debt penetration to GDP is in line with the V3<sup>2</sup> average



HU household credit to GDP remains lower than V3<sup>2</sup> average



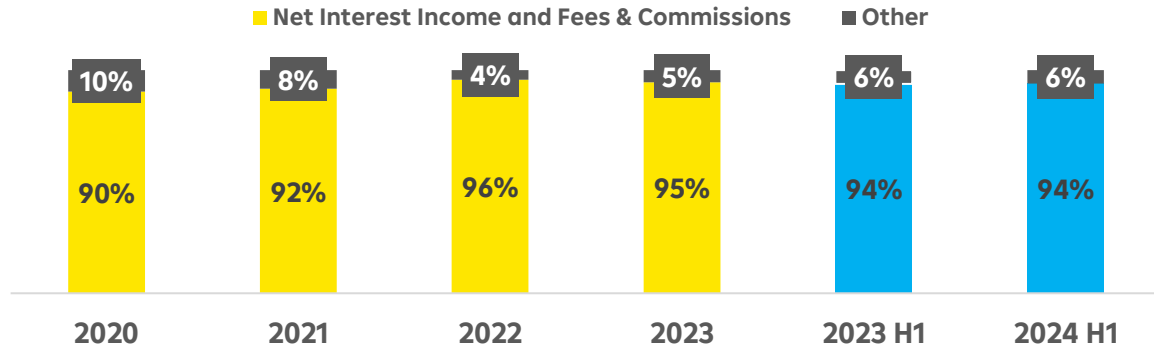
Note: (1) Non-Financial Corporations, (2) Average of data representing the Czech Republic, Poland and Slovakia. Source: Central Bank of Hungary Investor presentation September 2024



# High 2023 sector profitability driven mainly by NII growth

## High share of NII and NCI in revenue composition

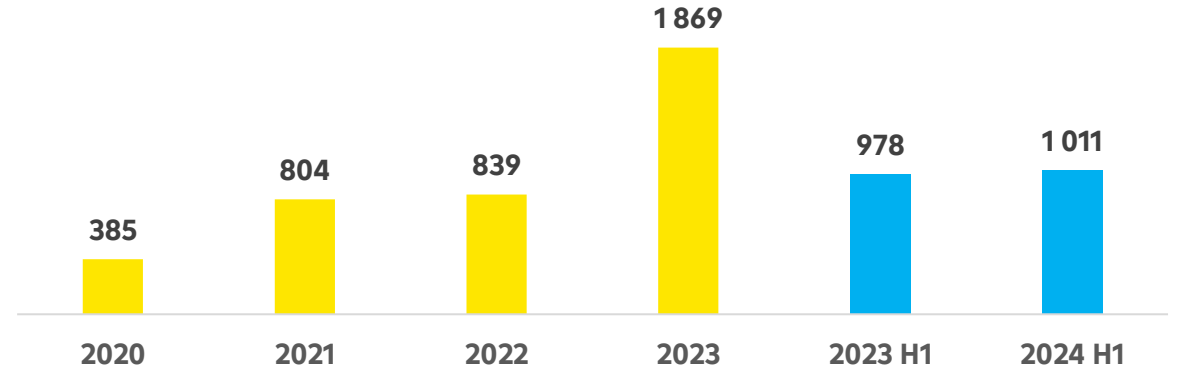
Revenue composition



## High ~2 000 bn HUF consolidated profit reached in 2023

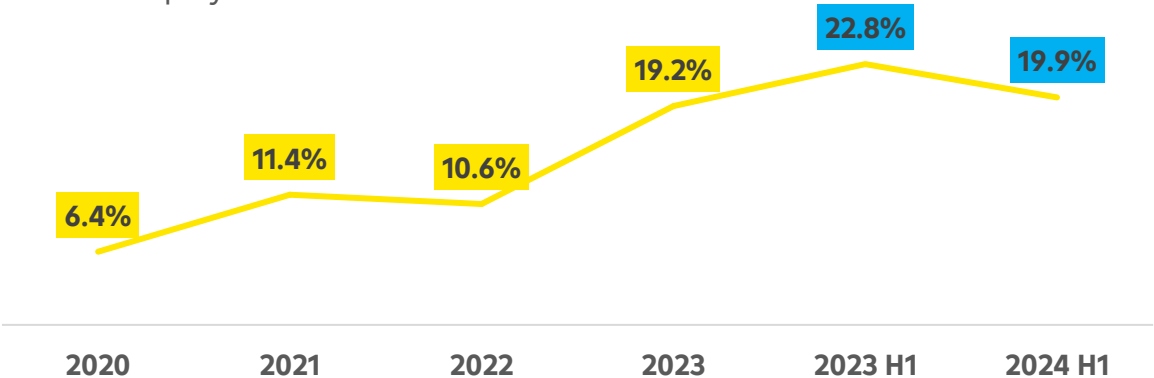
Profit after tax

Bn HUF



## 9% improvement in profitability in 2023 YoY

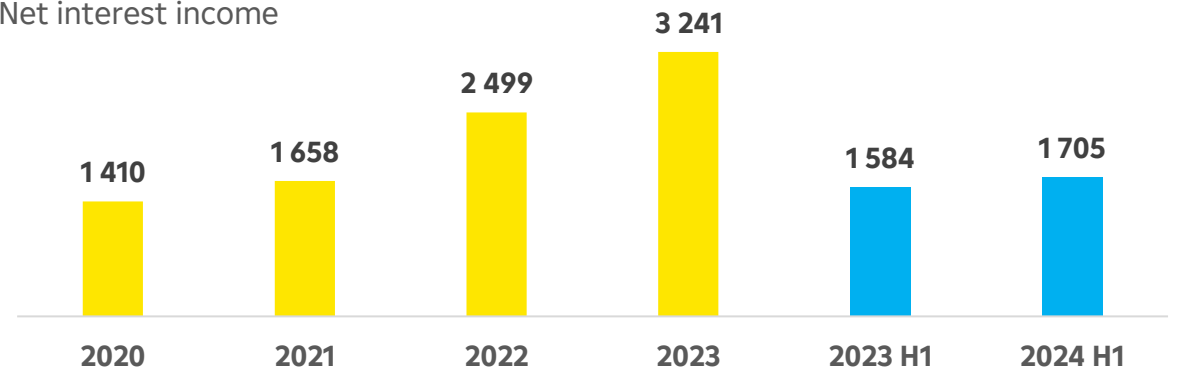
Return on Equity



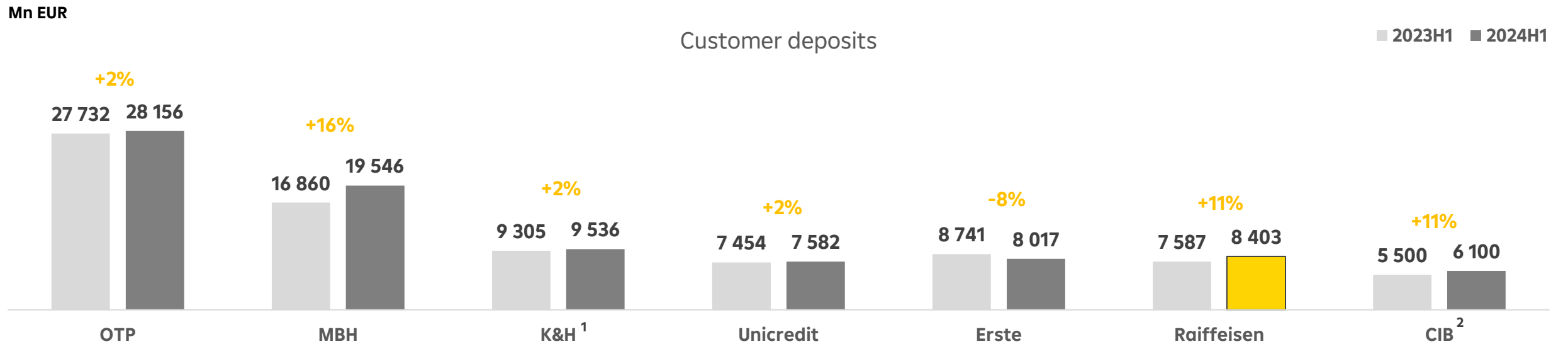
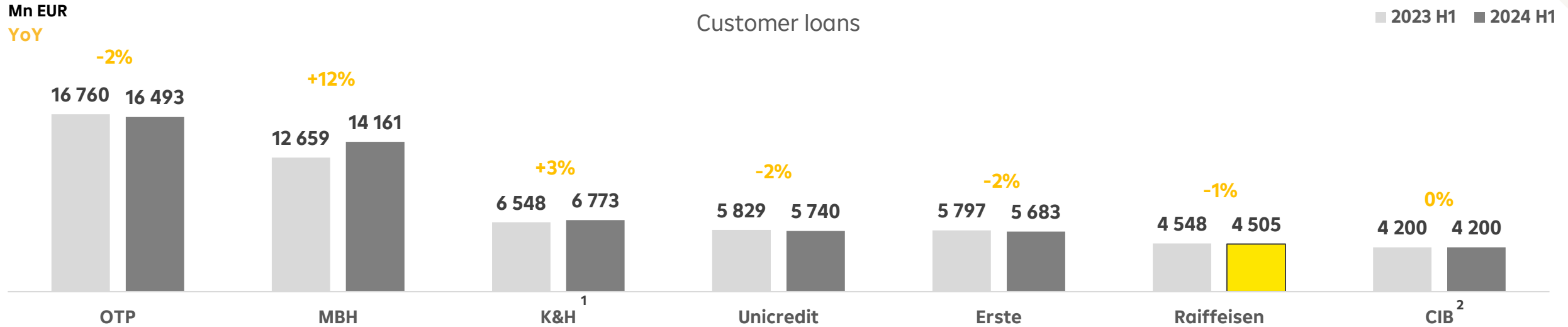
## High Net Interest Income with > 3 000 bn HUF

Net interest income

Bn HUF

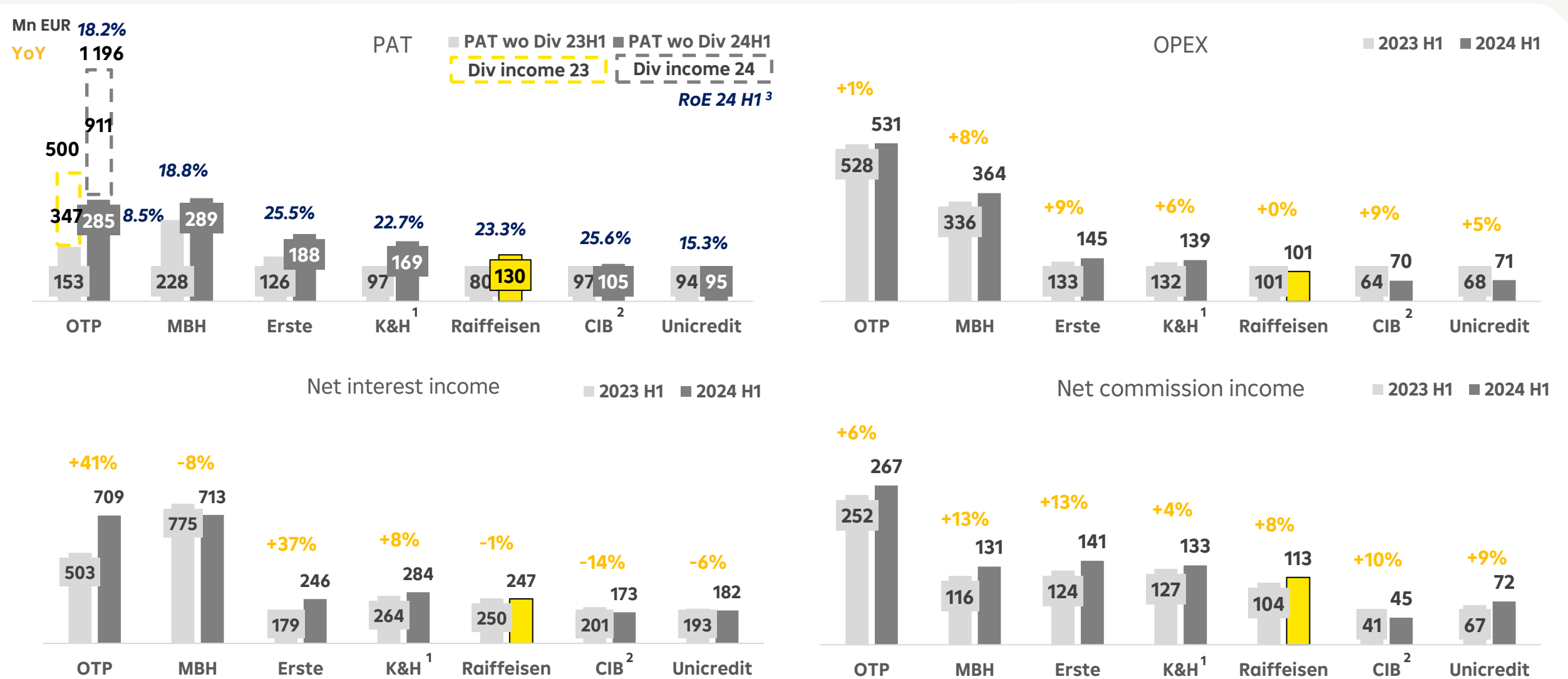


# #6 customer lending position kept in 2024H1, while customer deposit base increased above competition YoY



Note (1): K&H represents the Hungarian subsidiary of KBC Group (2): CIB represents the Hungarian subsidiary of Intesa Sanpaolo Group. Source: 2024 H1 Financial Statements & Quarterly Group Investor Reports 2024 H1 Investor presentation

# Very strong profit generation of sector continued in 24H1'



Note (1): K&H represents the Hungarian subsidiary of KBC Group (2): CIB represents the Hungarian subsidiary of Intesa Sanpaolo Group. (3) Return on Equity ratio was calculated by the division of 2 X 24 H1 PAT and average equity of 23YE and 24 H1. Source: 2024 H1 Financial Statements & Quarterly Group Investor Reports 2024 H1

1

**Established franchise**

- Sixth largest player by assets with more than 30 years presence in the HU market

2

**Strong capital position & profitability**

- High profitability with appropriate capital adequacy ratios, integral part of RBI Group , A3 Stable rating by Moody's

3

**Portfolio quality & risk control**

- Good loan portfolio quality kept with low corporate PD, mainly mortgage covered retail loans

4

**Liquidity & MPE strategy**

- High liquidity position, Multiple-Point-of-Entry (MPE) chosen as resolution strategy

5

**ESG commitment**

- Steady increase in green loan volumes with a significant pipeline in clean transportation and renewable energy

6

**Strong macroeconomic fundamentals**

- Recent GDP growth aligned with peers, while maintaining strong economic fundamentals

7

**Attractive sector**

- Solid Hungarian banking sector with high 2023 profitability and strong stability indicators

# Presentation **Contents**

- 01 Executive Summary
- 02 Overview of Raiffeisen Bank Hungary
- 03 ESG & Sustainability Framework
- 04 Group Resolution Strategy and Implications for RBHU
- 05 Hungarian Macroeconomic Environment
- 06 Hungarian Banking Sector
- 07 Appendices**

	2019	2020	2021	2022	2023	2023H1	2024 H1
EUR/HUF	330.58	363.90	351.68	400.87	382.80	371.93	395.10