GRÁNIT BANK PUBLIC LIMITED COMPANY

SEPARATE FINANCIAL STATEMENTS

**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
AS ADOPTED BY THE EUROPEAN UNION**

31 DECEMBER 2024

WITH AN INDEPENDENT AUDITOR'S REPORT

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SEPARATE INCOME STATEMENT

Data in HUF millions

	Annex	2024	2023
Interest income based on the effective interest method		71,778	84,040
Other interest income		29,424	37,062
Interest income		**101,202**	**121,102**
Interest expense based on the effective interest method		54,641	63,214
Other interest expense		14,854	20,919
Interest expense		**69,495**	**84,133**
Net interest income	4	**31,707**	**36,969**
Fee and commission income		5,425	3,781
Fee and commission expense		1,409	552
Net fee and commission income	5	**4,016**	**3,229**
Net profit from financial instruments measured at fair value through profit or loss	6	2,277	2,168
Net profit from financial instruments not classified as measured at fair value through profit or loss	7	38	159
Profit from FX transactions		1,166	-1,743
Dividend income	8	1,853	754
NET BUSINESS PROFIT		**41,057**	**41,536**
Other operating income	9	908	599
Other operating expenses	9	2,114	1,685
Credit gains (+) and losses (-)	10	1,501	955
Provisioning or (+) release (-) of provisions	29	-27	337
Modification gains / losses (-) net		27	-70
NET OPERATING PROFIT		**38,404**	**39,088**
Personnel expenses	11	5,473	4,600
Other general administrative costs	12	13,246	11,521
Depreciation	26-27	1,677	1,175
PROFIT BEFORE TAX		**18,008**	**21,792**
Income taxes	13	1,143	2,754
PROFIT AFTER TAX		**16,865**	**19,038**

Profit per one share (HUF)*		
Basic EPS	1,219	1,292
Diluted EPS	1,219	1,292

*Based on consolidated data

The Board of Directors authorised publication of the financial statements on 07.04.2025.

Éva Hegedűs	Jenő Siklós
Chairperson & CEO	deputy CEO

SEPARATE OTHER COMPREHENSIVE INCOME STATEMENT

Data in HUF millions

	Annex	2024	2023
Profit after tax		**16,865**	**19,038**
Profit/loss from change in fair value		-278	1,376
Deferred-tax effect of change in fair value		1	-111
Change in expected credit loss on debt securities measured at fair value through other comprehensive income		24	1
Items to be reclassified to profit or loss subsequently:		**-253**	**1,266**
TOTAL OTHER COMPREHENSIVE INCOME		**-253**	**1,266**
TOTAL COMPREHENSIVE INCOME		**16,612**	**20,304**

The Board of Directors authorised publication of the financial statements on 07.04.2025.

Éva Hegedűs
Chairperson & CEO

Jenő Siklós
deputy CEO

SEPARATE BALANCE SHEET

Data in HUF millions	Annex	31.12.2024	31.12.2023 Reclassified*	01.01.2023 Reclassified*
Assets				
Cash and cash equivalents	14	627,389	465,547	56349
Receivables from the MNB	15	39,971	99,867	280196
Interbank placements	15	88,597	53,207	49513
Securities	16	364,214	281,317	288874
Derivative financial assets	17	11,837	11,480	36603
Loans and advances to customers	18.2	418,497	330,753	288093
Investments in subsidiaries, joint ventures and associates*	20	19,075	14,946	3100
Other assets*	25	18,137	10,560	10748
Intangible assets	26	8,781	4,753	3387
Property, plants and equipments	27	1,580	1,602	1883
Deferred tax assets	28	161	91	142
TOTAL ASSETS		**1,598,239**	**1,274,123**	**1,018,888**
Liabilities				
Liabilities to the MNB	21	186,508	200,783	219698
Liabilities to credit institutions	21	92,148	83,798	57844
Liabilities to customers	22	1,168,593	896,117	674367
Derivative financial liabilities	17	5,362	7,377	5120
Income tax payment liability		245	1,430	1368
Deferred tax liability		0	0	0
Provisions	29	548	574	237
Other liabilities	30	4,142	7,388	3992
TOTAL LIABILITIES		**1,457,546**	**1,197,467**	**962,626**
Equity				
Subscribed capital	31	19,223	15,395	15395
Capital reserve		66,850	23,443	23443
Profit reserve		48,745	33,567	16220
Reserve for share-based payment transactions settled in equity instruments		370	180	303
Other reserves		5,652	3,965	2061
Accumulated other comprehensive income (AOCI)		-147	106	-1160
TOTAL EQUITY	**38**	**140,693**	**76,656**	**56,262**
Total liabilities and equity		**1,598,239**	**1,274,123**	**1,018,888**

*The Bank previously recognised the contribution transferred to the ESOP Entity as share, which it then reclassified to other assets, as detailed in section 3.5.12.

The Board of Directors authorised publication of the financial statements on 07.04.2025.

Éva Hegedűs
Chairperson & CEO

Jenő Siklós
deputy CEO

SEPARATE STATEMENT OF CHANGES IN EQUITY

Data in HUF millions

	Subscribed capital	Capital reserve	Accumulated other comprehensive income (AOCI)	Profit reserve	Other reserves	Reserve for share-based payment transactions settled in equity instruments	Total
Balance at start of period - 01.01.2024	**15,395**	**23,443**	**106**	**33,567**	**3,965**	**180**	**76,656**
Profit after tax	0	0	0	16,865	0	0	**16,865**
Other comprehensive income	0	0	-253	0	0	0	**-253**
Total comprehensive income	0	0	-253	16,865	0	0	**16,612**
Issue of shares	1,221	16,014	0	0	0	0	**17,235**
Employee Stock Ownership Plan (Transaction with owners)	2,607	27,393	0	0	0	190	**30,190**
Transfer of general reserve	0	0	0	-1,687	1,687	0	**0**
Balance at end of period - 31.12.2024	**19,223**	**66,850**	**-147**	**48,745**	**5,652**	**370**	**140,693**

Data in HUF millions

	Subscribed capital	Capital reserve	Accumulated other comprehensive income (AOCI)	Profit reserve	Other reserves	Reserve for share-based payment transactions settled in equity instruments	Total
Balance at start of period - 01.01.2023	15,395	23,443	-1,160	16,220	2,061	303	56,262
Profit after tax	0	0	0	19,038	0	0	19,038
Other comprehensive income	0	0	1,266	0	0	0	1,266
Total comprehensive income	0	0	1,266	19,038	0	0	20,304
Issue of shares	0	0	0	0	0	0	0
Employee Stock Ownership Plan (Transaction with owners)	0	0	0	213	0	-123	90
Transfer of general reserve	0	0	0	-1,904	1,904	0	0
Balance at end of period - 31.12.2023	**15,395**	**23,443**	**106**	**33,567**	**3,965**	**180**	**76,656**

The Board of Directors authorised publication of the financial statements on 07.04.2025.

Éva Hegedűs
Chairperson & CEO

Jenő Siklós
deputy CEO

SEPARATE STATEMENT OF CASH FLOWS

Data in HUF millions

	2024	2023 Corrected**
Profit before tax	18,009	**21,793**
Modifying items		
Interest income	-101,202	-121,103
Interest expense	69,494	84,133
Impairment of tangible assets, and intangible assets*	1,677	1,175
Net realised profit on the sale of tangible assets	0	0
Credit loss on debt securities, loans and other assets not measured through profit or loss	1,474	-1,025
Change in provisions	-27	-337
Non-realised profit from financial instruments measured at fair value through profit or loss	2,181	-17,659
Deferred tax	-46	59
Change in ESOP benefit plan reserve	190	90
Dividend income	-1,853	-754
Change in the revaluation difference of financial instruments measured at fair value through other comprehensive income	-254	1,266
Currency revaluation difference of cash and cash equivalents***	-1,626	1,591
Cash flow from pre-tax operating income before change in operating assets and liabilities	**-11,983**	**-30,770**
Change in debt securities held for trading	-3,072	6,220
Change in debt securities designated as measured at fair value through profit or loss	-29,056	-14,890
Change in receivables from the MNB and other credit institutions	23,738	179,303
Change in loans and advances to customers	-91,502	-40,463
Change in other assets*/**	-8,402	339
Change in derivative transactions	-357	25,124
Change in operating assets*/**	**-108,651**	**155,634**
Change in liabilities to the MNB and credit institutions	-5,801	6,980
Change in liabilities to customers	272,807	219,689
Change in other liabilities	-3,430	4,132
Change in derivative transactions	-2,015	2,257
Change in operating liabilities	**261,561**	**233,058**
Interest received	102,273	116,704
Interest paid	-69,764	-82,015
Income tax paid	-2,282	-2,814
Net cash flow from operating activities	**171,154**	**389,797**

Cash flow from investment activities	2024	2023 restated**
Change in securities measured obligatorily at fair value through profit or loss, not held for trading	8	0
Purchase of debt securities measured at fair value through other comprehensive income	-9,629	-16,693
Income from the sale or maturity of debt securities measured at fair value through other comprehensive income	6,407	40,777
Purchase of debt securities held at amortised cost	-80,969	-49,452
Income from the sale or principal repayment of debt securities held at amortised cost	33,946	59,722
Purchase of tangible assets	-2,176	-211
Sale of tangible assets	1,555	0
Acquisition of intangible assets	-5,037	-2,058
Dividend received	1,853	754
Investments in subsidiaries**	-4,130	-11,845
Net cash flow from investment activities**	**-58,172**	**20,992**
Net cash flow from financing activities		
Issue of shares	3,828	0
ESOP benefit plans	43,406	0
Non-share capital contribution by shareholders	0	0
Net cash flow from financing activities	**47,234**	**0**
Currency revaluation difference of cash and cash equivalents***	1,626	-1,591
Net increase/decrease in cash and cash equivalents	**161,842**	**409,198**
Cash and cash equivalents at the beginning of the year	465,547	56,349
Cash and cash equivalents at the end of the year	627,389	465,547

Cash and cash equivalents components	31.12.2024	31.12.2023
Cash	1,491	1,248
Account receivables from central banks	614,632	446,970
Other demand deposits	11,266	17,329
Total	**627,389**	**465,547**

The sign has been modified for the comparative period, as detailed in section 3.5.12.
**The Bank previously recognised the contribution transferred to the ESOP Entity as share, which it then reclassified to other assets, as detailed in section 3.5.12.
***The cash flow statement has been supplemented to include the currency revaluation difference of cash and cash equivalents.

The Board of Directors authorised publication of the financial statements on 07.04.2025.

Éva Hegedűs	Jenő Siklós
Chairperson & CEO	deputy CEO

NOTES

1 GENERAL INFORMATION

Date of establishment

GRÁNIT BANK ("Bank") is a commercial bank operating as a public limited company incorporated in Hungary, established on 25 September 1985 under the name Általános Vállalkozási Bank Rt.

Following several changes of ownership, as the legal successor of the previous banks, the Bank has, since 20 May 2010, been trading under the name GRÁNIT Bank Zrt.

The company's registered office:	1095 Budapest, Lechner Ödön fasor 8.
Company court registration number:	01-10-041028
Website:	www.granitbank.hu

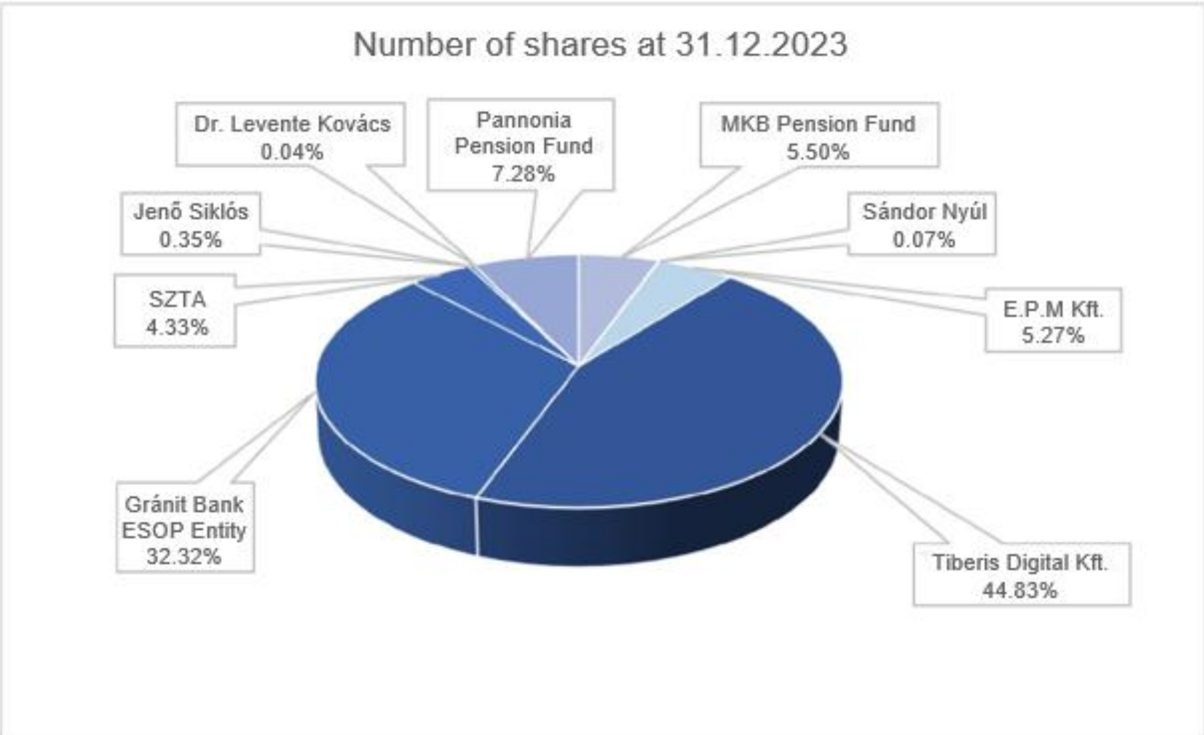
Range of activities

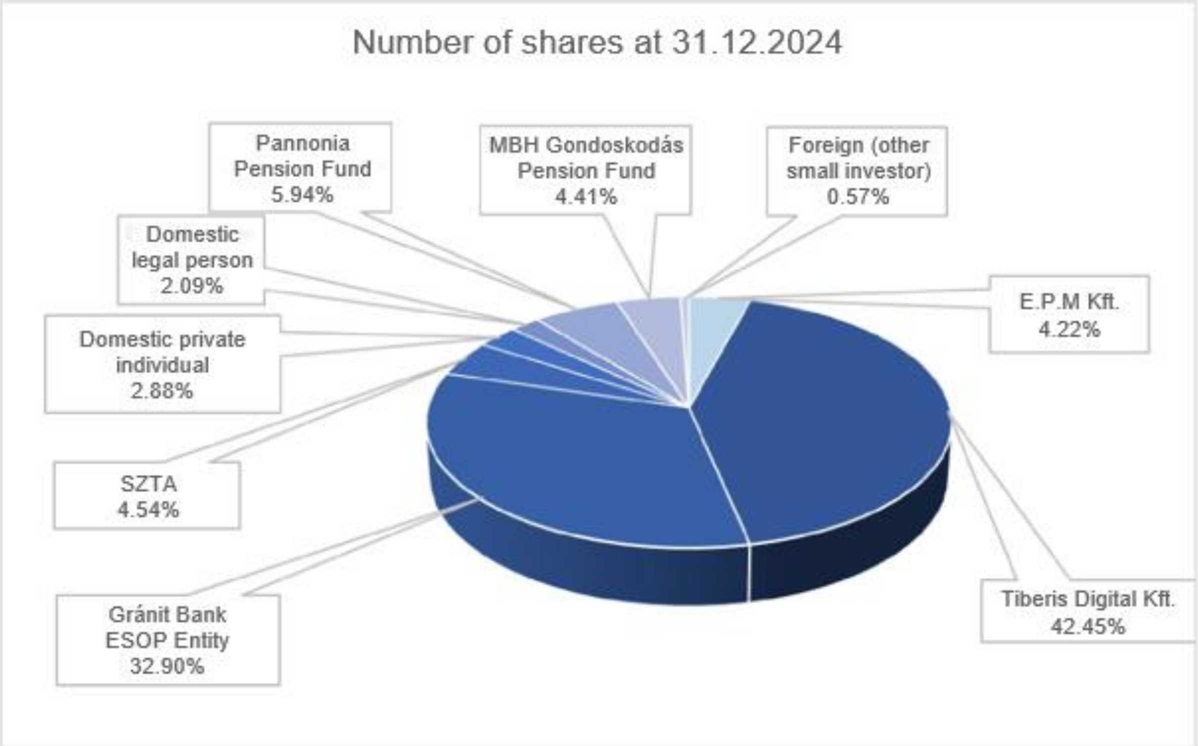
The Bank is entitled to offer financial and supplementary financial services as listed in Section 3 of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises.

The National Bank of Hungary issued a foreign-exchange authority licence to the Bank on 20 July 1994, in which it authorised the Bank to provide financial services in foreign currencies.

Since 17 April 2000, based on resolution 41031-4/1999 of the Hungarian Financial Supervisory Authority (MNB), the Bank has been engaged in universal banking activities.

Ownership structure





As of 25 November 2024, Gránit Bank changed its legal form from a private limited company to a public limited company and its existing ordinary shares were listed on the Budapest Stock Exchange on 25 November 2024. At the same time, the Bank's Board of Directors decided on a public increase of the Bank's share capital, under which 1,220,820 ordinary shares with a nominal value of HUF 1,000 and an issue value of HUF 14,500 were issued for a total amount of HUF 17,701,890,000, which were subscribed by retail and institutional investors. The capital increase was registered on 16 December 2024, the date on which the Bank's subscribed capital became HUF 19,223,077,000.

The ultimate beneficial owner of the Bank

The Bank's ultimate owner is Ferenc István Tiborcz, who is the ultimate beneficial owner of Tiberis Digital Kft., a company which holds 42.45% ownership interest in the Bank. In addition to the ordinary shares, he also holds Class D voting preference shares.

Type D preference shares grant ten times the voting rights in respect of the following matters: the IPO of the Bank's shares; the appointment and removal of the Chairman and Deputy Chairman of the Board of Directors and the Supervisory Board and the members of the Board of Directors and the Supervisory Board and their remuneration, taking into account the type A and B shares; the appointment of the CEO; decision on the increase of the Bank's share capital). Tiberis Digital holds the majority of type D shares.

Companies in which the Bank has a majority influence

- **Equilor Befektetési Zrt. and its subsidiaries (50.01%)**
- **ESOP Entity: The Bank has included it as a subsidiary in the consolidation circle, irrespective of the ownership interest, in view of the fact that the company qualifies as a structured entity under IFRS 12, i.e. the control necessary for full inclusion and stipulated by IFRS 10 is in place, irrespective of the ownership interest. The Bank's control over the ESOP Entity is not exercised through voting rights and ownership, but**

through the right to establish the rules that define the ESOP’s operation and purpose, such as its articles of association and remuneration policy.

- Tarragona Holding Zrt. (95%) (owner of Diófa Alapkezelő Zrt. - from 10 January 2024: Gránit Alapkezelő Zrt.)

- Gránit Pénzügyi Lízing Zrt. (formerly DLL Finance Zrt.) and Gránit Lízing Kft. (formerly DLL Leasing Kft.) (directly and indirectly 100%)

In 2024 the Bank established a subsidiary, GBG Szolgáltató Kft. with a registered capital of HUF 10 million. The Bank has 100% ownership in the newly established company. The company was included in the group of consolidated companies as of 29.02.2024.

Persons authorised to sign the annual financial statements of the Bank

Éva Hegedüs (Chairperson & CEO)

Jenő Siklós (Deputy CEO)

Members of the Bank’s Board of Directors and Supervisory Board

Board of Directors	Supervisory Board
Éva Hegedüs (Chairperson & CEO)	Sándor Nyúl (Chairman)
Péter Bence Jendrolovics (Deputy CEO)	Márton Oláh
István Vida	Szabolcs Gábor Tóth
Dr. Judit Tóth	Dr. Judit Gubuznai
János Major (Deputy CEO)	István Árkovics

Consolidated Financial Statements

The Bank also prepares consolidated annual financial statements, using the same accounting framework as for the separate annual financial statements. The Bank’s separate and consolidated statements are approved and published on the same day.

The separate financial statements, together with the consolidated financial statements for the year ending 2024, provide a complete picture of the financial position of the Bank and the Banking Group.

The consolidated annual financial statements are available at: www.granitbank.hu

2 SIGNIFICANT AND UNUSUAL EVENTS THAT OCCURRED DURING THE YEAR

Launch of the ESOP 4 programme, capital increase

In 2024, the Bank launched the ESOP (Employee Share Ownership Programme) 4, under which the Bank issued HUF 30 billion in capital (2,607,335 shares at a price of 1,150.6%), subscribed by the ESOP Entity. Of the HUF 30 billion, HUF 27 billion was funded by an external loan, so this part of the issued capital may also be taken into account in the Bank's regulatory capital; the remaining HUF 3 billion was provided by the Bank to the ESOP Entity as a founder's contribution and is not taken into account in the Bank's own funds.

Stock exchange listing, public increase of share capital

As of 25 November 2024, Gránit Bank changed its legal form from a private limited company to a public limited company and its existing ordinary shares were listed on the Budapest Stock Exchange on 25 November 2024. At the same time, the Bank's Board of Directors decided on a public increase of the Bank's share capital, under which 1,220,820 ordinary shares with a nominal value of HUF 1,000 and an issue value of HUF 14,500 were issued for a total amount of HUF 17,701,890,000, which were subscribed by retail and institutional investors. The capital increase was registered on 16 December 2024, the date on which the Bank's subscribed capital became HUF 19,223,077,000.

Acquisition of ownership in the Hungarian leasing companies of De Lage Landen International B.V.

On 8 December 2023, the Bank's Board of Directors authorised the Bank's management to make a binding takeover bid for the purchase of a 76.66% share in De Lage Landen Finance Zrt. and a 100% share in De Lage Landen Leasing Kft. The Bank's takeover bid was accepted and the transaction was closed on 31 July 2024, following approval by the National Bank of Hungary and the Hungarian Competition Authority.

3 MATERIAL ACCOUNTING POLICY INFORMATION

Name of person responsible for compiling the IFRS statements: Jenő Siklós (registration number: 133130),

3.1 Basis for preparing the statements

The Bank's financial statements were prepared on a cost value basis, except for the following essential elements:

Items	Basis for measurement
Financial instruments measured at fair value through profit or loss	Fair value
Financial assets measured at fair value through other comprehensive income	Fair value
Reserve for share-based payment transactions settled in equity instruments (IFRS 2)	Fair value

The Bank (or "Group") keeps its accounting records and compiles its ledger in accordance with the provisions of commercial banking and financial legislation in force in Hungary, based on the principle of a going concern. The management is not aware of any events or material uncertainties that would cast doubt on the Bank's ability to continue as a going concern. The Bank's books are kept in Hungarian forint ("HUF"). Unless otherwise stated, balances are shown in million forints ("million HUF").

Declaration of conformity

As from 1 January 2018, the Bank uses IFRSs for statutory purposes instead of the Hungarian accounting standards (the date of transition is therefore 1 January 2017).
This financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS) and all rules thereunder as applicable and adopted by the EU, and also comply with the additional requirements of Act C of 2000 on Accounting for **separate** financial statements prepared in accordance with the IFRS as adopted by the EU.

The Bank's **separate** and consolidated statements are approved and published on the same day.

3.2 Estimates

In some cases, the management needs to make significant estimates or assumptions when preparing the financial statements under IFRS. These significant estimates and assumptions affect the value of assets and liabilities, and of income and expenses, shown in the financial statements, as well as the presentation of contingent assets and liabilities presented in the Notes. Actual results may differ from estimated data.

Estimates and related assumptions are based on past experience and other factors considered relevant. Accounting estimates and the underlying assumptions are reviewed by the Bank on an annual basis. Changes to accounting estimates are recognised by the Bank during the period of the respective change.

The Bank discloses the nature and amount of changes in accounting estimates that have an impact on the current period or are expected to have an impact on future periods, except for the effect on future periods in cases when making an advance estimate is impossible. If the amount of an impact on future periods is not disclosed because an estimate cannot be made, the Bank must disclose this fact.

Future changes in the economic environment, financial strategy, regulatory environment, accounting regulations, and other areas may result in changes in estimates that may have a significant impact on future financial statements.

The most important estimates and assumptions that have an impact on the Group's report:

- Classification of financial assets: assessment of the exclusive principal and interest requirement pertaining to the characteristics of the business model and the contractual cash flows (see Paragraph 4.6.1 for details)
- Credit loss on financial assets (see Paragraphs 4.6.3 and 40.7.1 and Note 21 for details)
- Determination of the fair value of financial instruments in cases where the fair value of a financial instrument is determined by the Bank on the basis of significant unobservable inputs (see Paragraph 4.6.2 and Note 24 for more details).
- Determination of deferred tax receivables: assessment with respect to the attainment of future taxable profit (see Paragraph 4.5.15 for details).
- Provisioning: estimation of the likelihood or extent of liabilities arising from a past event (see Paragraph 4.6.12 for details).
- Adjustment loss recognised as a result of the interest rate freeze introduced (see Paragraph 4.5.11 and Note 12 for details).
- IFRS 2 share-based benefits reserve (see Paragraph 4.6.14 and Note 36 for details).

3.3 Currency translation

The functional currency of the Bank is Hungarian forint (HUF). **The Bank presents its financial statements in Hungarian forints rounded to the nearest million.**

The Bank records its foreign exchange and foreign currency reserves, as well as its receivables and payables denominated in foreign currency, at the time of their acquisition or generation, in the respective currency, and also records them in forint at the MNB mid-exchange rate valid at the time of acquisition.

The Bank revalues its foreign currency held on account and in cash, as well as its receivables and liabilities denominated in foreign currencies, once a month, at the MNB's prevailing mid foreign exchange rate.

The Bank recognises the profit from revaluation in its end-of-month and end-of-year financial statements in the Profit or loss from FX transactions line, except for the foreign currency exchange rate difference related to financial instruments measured at fair value through profit or loss, which is recorded in the Profit or loss from changes in fair value of financial instruments line.

3.4 Income statement

3.4.1 Interests

Effective interest rate

The Bank determines interest income and interest expense using the effective interest method and recognises them in profit or loss. The effective interest rate is the rate at which the estimated future cash flows over the term of the financial asset or financial liability can be discounted:

- in the case of financial assets, to the gross book value,
- in the case of financial liabilities, to the amortised cost.

When the Bank determines the effective interest rate for (non-impaired) financial instruments, it estimates future cash flows by taking into account all contractual conditions of the financial instrument (prepayment, prolongation of term, callback, or similar options), but disregarding any expected credit losses.

In the case of purchased or originated credit-impaired financial assets (i.e. financial assets that are already impaired at the time of initial recognition) the Bank determines the interest income by applying the *credit-adjusted effective interest rate* method. The credit-adjusted effective interest rate is the rate by which the estimated future cash payments or cash incomes over the life of the financial asset may be discounted precisely down to the amortised cost of the purchased or originated credit-impaired financial asset. When calculating the credit-adjusted effective interest rate, the Bank estimates the expected cash flows taking into account all contractual terms applicable to the financial asset and the expected credit loss.

The effective or credit-adjusted effective interest rate includes all fees and items paid or received by the contractual parties that are an integral part of the effective interest rate, as well as transaction costs and any other premium or discount. Transaction costs are ancillary costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Determining interest income and interest expense

The Bank determines interest income or interest expense based on the gross book value in the case of (non-impaired) financial assets and amortised cost in the case of financial liabilities, using the effective interest rate.

Recognition of interest income and interest expense

In the statement of income, interest income and interest expense related to the following financial instruments are presented under *Interest income* and *Interest expense*:

- interest on financial assets and financial liabilities measured at amortised cost, that is determined using the effective interest method;
- interest on debt securities measured at fair value through other comprehensive income, that is determined using the effective interest method;
- other income similar to interest not determined using the effective interest method
    - in the case of derivative financial instruments (interest rate swaps [IRS]), the Bank applies the so-called “dirty” accounting method, i.e. interest income and interest expense on transactions – including accrued interest – are recognised in the ‘Other interest income’ line, while the fair value result is recognised in the ‘Net profit from financial instruments measured at fair value through profit or loss’ line. This is in line with the economic hedging objective of the IRSs, i.e. to hedge the interest rate risk of fixed-rate loans and securities.
    - interest income on loans and securities measured at fair value through profit or loss

    Realised interest income on FX swaps

3.4.2 Fees and commissions

Fees and commissions that are part of the effective interest rate are recognised in the income statement under *Interest income* or *Interest expense*. All other fee and commission income is recognised in the income statement under *Fee and commission income*.

Recognised fees that are not an integral part of the effective interest rate of a financial instrument include:

- commitment fees for the origination of a loan for which the loan commitment is not measured at fair value through profit or loss and it is unlikely that a special loan agreement will be concluded;
- credit syndication fees received by the Bank that arise where the Bank intermediates a loan and keeps nothing from the loan package for itself (or keeps a part of the package at the same effective interest rate and at similar risk as other participants).

Fees and commission expenses not included in the effective interest rate are usually service fees that are recognised by the Bank as an expense when it receives the service.

3.4.3 Net profit from financial instruments measured at fair value through profit or loss

In this line, the Bank recognises its net profit from held-for-trading financial instruments, financial instruments obligatorily measured at fair value through profit or loss, not for trading, as well as from financial securities designated as measured at fair value through profit or loss, except for the profit from the interest on those instruments, which is shown under the Other interest income / (other interest expense) line.

3.4.4 Profit from FX transactions

Under Profit from FX transactions are recognised the realised exchange rate gains on financial instruments held in non-functional currencies as well as the unrealised gains on exchange rate changes in respect of financial assets and liabilities not measured at fair value through profit or loss.

3.4.5 Dividend income

The Bank only recognises dividends in profit or loss when its right to the dividends has been established, it is likely that the economic benefits associated with the dividend will be realised as income and the amount of the dividend can be measured reliably.

3.4.6 Other operating income

Under other income the Bank recognises

- the net result from the sale of non-financial assets, if it is net income
- other income related to non-financial assets and liabilities

3.4.7 Other expenses

Under other expenses the Bank recognises

- The net result from the sale of non-financial assets, if it is a net loss
- Non-income tax expenses, except for taxes on personnel expenses, which are recognised under personnel expenses.
- Recognised impairment on non-financial assets
- other expenses related to non-financial assets and liabilities

3.4.8 Other general administrative costs

Under Other administrative costs the Bank recognises material expenses (the value of the use of purchased materials, fuel costs and impairment on inventories) and other administrative costs (telecommunication and postal charges, IT operating costs, rents paid, costs of services used, costs of other services), as well as transaction tax and special bank tax. Since 2010, credit and financial institutions in Hungary have been subject to a special bank tax. The bank tax and its reversal must be recognised as an expense in the year to which it legally applies. As the bank tax is based on non-net revenue values, it does not qualify for income tax under IFRS and must therefore be presented as an operating expense in the report. In 2020, in addition to the bank tax already applied, an extraordinary special epidemiological tax liability has also been incurred. Pursuant to the relevant provision, the extraordinary special tax paid in 2020 is deductible from the ordinary bank tax liability for the next 5 years, so this item had no impact on the result for 2020, and is recognised as a receivable in the balance sheet under other assets.

3.4.9 Income taxes

Recognised profits or losses from actual and deferred corporate tax are recognised under Income taxes.

Actual and deferred tax is recognised as income or expense and is included in the after-tax profit or loss for the period, except when the tax is incurred in the settlement of transactions or events – in the same or another period – that the Bank recognises through other comprehensive income or directly in equity.

Actual tax

Actual tax on profits includes corporate tax, local tax and innovation contribution. The corporate tax is paid to the national tax authorities competent with respect to the Bank's place of business. The basis for tax payment is the pre-tax profit calculated from the tax-paying company's accounting profit adjusted by items reducing and increasing the tax base. The local tax and the innovation contribution are paid to the relevant local authority, and the tax is based on the Bank's annual net turnover determined by law.

Actual taxes relating to the current period and prior periods that are still not settled are recognised as liabilities by the Bank. If the amount already paid for the current period and prior periods exceeds the amounts due for these periods, the excess is recognised as an asset.

Actual tax liabilities (tax receivables) for the current period and prior periods are valued at the amount that is expected to be paid to the tax authority (or expected to be recovered from the tax authority), using tax rates (and tax laws) that were in force or substantially in force by the date on which the statement of financial position is based.

3.5 Balance sheet items

3.5.1 Financial instruments

The Bank recognises financial instruments in accordance with IFRS 9.

Financial assets include Cash and cash equivalents, government securities, receivables from credit institutions, loans and advances to customers, debt securities, shares, participations, and derivative transactions. Financial assets are recognised by the Bank in the following balance sheet lines:

(a) Cash and cash equivalents
(b) Receivables from the MNB
(c) Interbank placements
(d) Securities
(e) Derivative financial assets
(f) Loans and advances to customers
(g) Other assets (buyers)

Financial liabilities arise from claims for the repayment of money or other financial assets. They mostly include liabilities to credit institutions, liabilities to customers, suppliers, and derivative financial liabilities. Financial liabilities are recognised by the Bank in the following balance sheet lines:

(a) Liabilities to the MNB
(b) Liabilities to credit institutions
(c) Liabilities to customers
(d) Derivative financial liabilities
(e) Other liabilities (trade creditors)

Recognition and initial measurement

The Bank recognises loans and receivables, deposits, and debt securities when they arise. All other instruments are recognised on the day the Bank commits to purchase or sell the asset.
With the exception of trade receivables, the Bank recognises all financial assets not measured at fair value at their fair value adjusted by the transaction costs that are directly related to their issue or purchase.

Financial assets measured at fair value are recognised at fair value, and the transaction costs directly related to their issue and purchase are recognised through profit or loss.

With the exception of financial liabilities measured at fair value through profit or loss, the Bank recognises financial liabilities at fair value adjusted by transaction costs. In the case of financial liabilities measured at fair value through profit or loss, the value at initial recognition is the fair value; directly related transaction costs are recognised through profit or loss.

Transaction costs include fees and commissions paid to agents, advisers, brokers, and traders, as well as fees charged by regulators and stock exchanges, and taxes and fees related to the transfer. Transaction costs exclude premiums and discounts arising from lending, financing costs, internal administrative or holding costs.

Trade receivables, if they do not contain a material financing component, are recognised by the Bank at transaction price.

Classification
Classification of financial assets

The Bank classifies its financial assets in the following categories:

a) financial assets measured at fair value through profit or loss;
b) financial assets measured at amortised cost;
c) debt instruments measured at fair value through other comprehensive income; and
d) investments in equity instruments measured at fair value through other comprehensive income.

The Bank measures the financial asset at amortised cost if both of the following conditions are met:

- the financial asset belongs to a group in which the business model is the collection of contractual cash flows; and
- the contractual cash flows of the financial asset only include principal and interest on the outstanding principal.

The amortised cost of financial assets or financial liabilities is the value of the financial asset or financial liability as determined at initial recognition fewer principal repayments, increased or decreased by the accumulated amortisation of the difference between this original value and the value at maturity using the effective interest rate method, and, in the case of financial assets, decreased by accumulated expected credit loss.

The gross book value of financial assets is the amortised cost of the asset before expected credit loss.

The Bank measures the financial asset as a financial asset measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset belongs to a group in which the business model is the collection of contractual cash flows and sale; and
- the contractual cash flows of the financial asset only include principal and interest on the outstanding principal.

Investments in equity instruments are measured by the Bank at fair value, unless the Bank, at the time of initial recognition, makes an irrevocable decision to choose the “measured at fair value through other comprehensive income” category for the financial asset in question.

All other financial assets are categorised by the Bank in the measured at fair value through profit or loss category.

At initial recognition, the Bank has the option to classify a financial instrument measured at amortised cost or measured at fair value through other comprehensive income as irrevocably classified in the measured at fair value through profit or loss category if this eliminates or significantly reduces an accounting inconsistency.

The decision-making person or body determines the classification of financial instruments at the time of purchase.

Classification of financial liabilities

The Bank classifies its financial liabilities in the following categories:

- financial liabilities measured at amortised cost

Non-trading financial liabilities are measured by the Bank at fair value at initial recognition, less directly attributable transaction costs; any subsequent measurement is at amortised cost using the effective interest method, unless the Bank at initial recognition designated the financial liability as measured at fair value through profit or loss.
If the Bank designated a financial liability as measured at fair value through profit or loss at initial recognition, in any subsequent measurements

- the changes in fair value, if related to the Bank's own credit risk, are recognised through other comprehensive income,
- all other fair value changes are recognised through profit or loss.

The Bank uses the contractual conditions of the issued instrument as a basis for classifying the instrument as a financial liability or equity.

Specification of business model

The Bank specifies the purpose of its business model relating to its portfolio of assets. To do this, it takes the following information into consideration:

- principles and objectives attached to the portfolio and the practical applications of these principles. The management's portfolio-related strategy may focus on collecting contractual interest income, maintaining a given interest rate level, adjusting the maturity of financial assets to the maturity of the financial liabilities that finance them, or realising cash flows through the sale of the asset;
- how the portfolio's performance is evaluated and reported to management;
- the risks affecting the performance of the business model (and the financial assets included in it), and the manner in which these risks are managed;
- the method of remuneration of the Bank's managers: whether it depends on the development of the fair value of the managed assets or the collection of contractual cash flows; and
- the frequency, extent and timing of sales of previous periods, the reason for sales, the expectations for future sales. When evaluating information about past sales, it takes into account the reasons for sales, the conditions prevailing at the time of the sales, and compares them with current conditions. The Bank does not evaluate the information on sales in an isolated manner but collectively, i.e. it looks at how the objective formulated by the Bank is achieved and how the cash flows related to the financial instrument are realised.

Based on the above, the Bank classifies its financial assets according to three business models:

- "Collection of contractual cash flows" includes the financial assets for which the key business objective is the collection of contractual cash flows;
- "Collection of contractual cash flows and sale" includes the financial assets for which the business objective is partly achieved by collecting the contractual cash flows of the financial assets and partly by selling the financial assets; and
- "Other" includes the financial assets that do not belong to the groups under the other two business models.

The financial assets held by the Bank for trading purposes, or the performance of which is measured at fair value, are measured at fair value through profit or loss, as in the case of these the objective is neither the collection of contractual cash flows nor the collection of contractual cash flows and the sale of the assets.

Measurement of the characteristics of contractual cash flows

Classification in a measurement group also depends on the characteristics of the cash flows associated with the financial asset. For financial assets that the Bank intends to measure at amortised cost or at fair value through other comprehensive income, the Bank must consider whether they in terms of the cash flows of the financial asset meet the solely principal and interest (SPPI) requirement under IFRS 9. The principal is the fair value of the financial asset at initial recognition. Interest primarily expresses the consideration for the time value of the outstanding amount of principal and the credit risk in a given period, but it also includes other basic credit risks and costs, as well as a profit margin.

If the SPPI requirement is met, the Bank examines, in the denominated currency of the financial asset, whether the cash flows arising from the contract are consistent with the basic loan agreements.

To assess whether the contractual cash flows only include principal and interest payments, the Bank examines the contractual terms of the financial instrument. The examination also includes the assessment of whether the financial asset contains any contractual conditions that result in a change in the amount or timing of contractual cash flows that makes the financial asset no longer meet the SPPI requirement. To assess this, the Bank takes into account:

- future events, the occurrence of which affects the amount and timing of contractual cash flows;
- leverage characteristics;
- conditions for prepayment and term extension;
- conditions that put a limit on the Bank’s claims related the given asset’s cash flows (e.g. non-recourse asset agreements); and
- the existence of a modified element related to the time value of money.

Contractual cash flows do not solely include principal and interest, if in the contractual cash flows there are risks or volatility exposures not associated with a basic loan agreement. Thus a financial instrument fails to meet SPPI requirements if the contractual cash flows include exposure to changes in share prices or commodity prices, or if they include leverage.

The Bank has failed the SPPI test, i.e. it is required to report “Babaváró” loans and loans under the CSOK and CSOK Plus schemes in the category measured at fair value through profit or loss.

Derecognition

Derecognition of financial instruments

The Bank derecognises a financial asset if
- the contractual right to the cash flows from the financial asset expires; or
- the contractual rights are transferred in a manner by which substantially all risks and rewards associated with the financial asset are transferred; or
- the Bank does not transfer and neither does it retain substantially all risks and gains associated with the financial asset, but does not retain control over the financial asset.

Derecognition of financial instruments

The Bank derecognises a financial liability when it is terminated, i.e. when the commitments specified in the given contract have been fulfilled, they have been cancelled, or they have expired.

Netting of financial assets and financial liabilities

Financial assets and financial liabilities are offset by the Bank against one another and the resulting net amount is recognised in the balance sheet when and only if the Bank has a legally enforceable right to offset the amounts and it intends to realise the asset and meet the liability by netting or concurrently.

3.5.2 Determining fair value

Fair value is the price that the Bank would receive upon the sale of an asset, or that it would pay upon transferring a liability, on the primary market, or in the absence of this, on an optimal market, under a standard transaction between market participants at the time of the measurement. The fair value of a liability reflects the effect of the risk of default. Besides measurement at the time of initial recognition, the Bank performs the measurement of fair value on a daily basis.

IFRS 13 "Fair value measurement" creates a fair value hierarchy in order to increase the consistency and comparability of measurements at fair value and related disclosures. The hierarchy categorises the inputs of measurement methods used to determine fair value into the following three levels:

- Level 1 inputs: Quoted (unadjusted) prices on active markets of identical assets or liabilities to which the Bank has access at the time of the measurement;
- Level 2 inputs: Inputs included in Level 1 other than quoted prices, that are directly or indirectly observable concerning the asset or liability; and
- Level 3 inputs: Non-observable inputs of the assets or liabilities.

If available, the Bank determines the fair value of the instrument based on the price quoted on an active market. A market is considered active if transactions relating to the asset or liability are carried out with sufficient frequency and quantity to enable the market to provide ongoing pricing information.

If no quoted prices from an active market are available, the Bank uses measurement techniques that are appropriate under the given circumstances and for which sufficient data are available to determine fair value. The use of relevant observable inputs must be maximised and the use of non-observable inputs must be minimised during the process. Measurement techniques are regularly reviewed by the Bank and each measurement technique is based on the latest market data. Measurement techniques are based on available market data, so their use must entail certain estimates and assumptions (correlations, volatilities, etc.). Changes in assumptions may affect the fair value of financial instruments presented.

The fair value of a financial asset at initial recognition is usually the transaction price. If the Bank determines that the transaction price differs from the fair value at initial recognition, it will do the following:

- if the financial asset has an active market or the fair value is based on a measurement technique that only uses data from observable markets, the Bank immediately recognises the difference between the fair value at initial recognition and the transaction price in profit or loss.
- in all other cases, the Bank defers or accrues the difference between the fair value at initial recognition and the transaction price. The accrued or deferred difference is recognised in profit or loss so as to be consistent with the change in the value of the financial asset.

In the case of NHP loans (both receivables and payables) the Bank accrues or defers the difference between the transaction price and the fair value at initial recognition, and recognises it in profit or loss over the term of the loan in accordance with the change in the value of the loan.

Transfers between various levels of the fair value hierarchy are recognised at the end of the reporting period in which the change occurred and the movements between hierarchy levels are presented in the Notes.

The methodology used for the measurement of fair value, and the inputs and assumptions used for the calculations, are detailed in Note 23.

3.5.3 Expected credit losses

The Bank recognises expected credit losses in respect of the following financial instruments not measured at fair value through profit or loss:

(a) debt instruments,
(b) issued financial guarantees, and

(c) issued loan commitments.

The Bank recognises no expected credit loss on investments in equity, as these are recognised at fair value in the balance sheet.

The Bank calculates the expected credit loss for the remaining term, except for the following financial instruments, for which expected credit loss is calculated for 12 months:

- debt securities with low credit risk at the reporting date,
- other financial instruments the credit risk of which has not deteriorated significantly compared to that at initial recognition.

Determining the expected credit losses

Expected credit losses are the probability-weighted estimates of credit losses incurred over the 12-month life (Bucket 1) or expected life (Buckets 2 and 3) of the financial asset.

Impaired financial assets

At each reporting date, the Bank assesses whether its financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income are impaired. A financial asset is considered impaired if one or more events have occurred that had an adverse effect on the expected future cash flows associated with the financial asset.

If the conditions of a loan are renegotiated due to the deterioration of the debtor's position, the loan must be considered impaired, unless it can be shown that the risk of collecting the contractual cash flows is significantly reduced and there are no other indicators for expected credit loss.

Methodology for establishing expected credit losses

The Bank has developed a detailed methodology for the establishment of expected credit losses, which is included in the effective RISK-007/2011 Transaction rating, measurement, and impairment and provisioning rules. See Note 38.7.1 for a summary of the methodology.

Reporting the expected credit losses in the balance sheet

Expected credit losses is reported by the Bank as follows:

(i.) in the case of financial assets measured at amortised cost, as an amount decreasing gross book value;

(ii.) in the case of financial guarantee contracts and loan commitments, as a provision (if this exceeds the amount of non-discounted fees);

(iii.) if a financial instrument contains both drawn and undrawn components, and the Bank is unable to separate the expected credit losses calculated for the undrawn component from that related to the drawn component, the Bank determines the expected credit loss on the two components in aggregate. The aggregate expected credit losses will decrease the gross book value of the drawn component. If the expected credit losses so determined exceeds the gross book value of the drawn component, the difference is recognised by the Bank as a provision.

(iv.) in the case of financial assets measured at fair value through other comprehensive income, the recognised expected credit loss is not shown in the balance sheet as in the case of these the balance sheet value is the fair value. Recognised expected credit loss modifies cumulative other comprehensive income (the Fair value reserve).

3.5.4 Designation as measured at fair value through profit or loss

At initial recognition, the Bank classifies some financial assets as measured at fair value through profit or loss, as this designation eliminates or significantly reduces an accounting inconsistency that would otherwise arise. The Bank typically applies this method to its loan and security assets that are fixed rate and hedge interest rate risk with IRS transactions (interest rate swaps). The Bank does not apply the hedge accounting method, and therefore uses the option to designate them as measured at fair value through profit or loss in order to reduce an otherwise existing accounting mismatch.

3.5.5 Hedging transactions

The Bank does not currently use hedge accounting in its statements.

3.5.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical form. The Bank recognises an intangible asset in its balance sheet if it meets the requirements of identifiability, control over the resource, the existence of future economic benefits, as well as reliable measurement. If an intangible asset does not meet the recognition requirements, the Bank recognises the cost of its acquisition or production as an expense when it is incurred (except for acquisition in a business combination, as this forms part of the goodwill recognised at the date of the acquisition).

Software

Intangible assets consist mainly of software. Computer software often contains both tangible and intangible elements. The Bank determines whether the asset is to be treated in accordance with IAS 16 Property, plant and equipment or IAS 38 Intangible assets by looking at which component of the given asset is more significant. When the software is not an integral part of a particular hardware, the software is treated as an intangible asset by the Bank.

The Bank measures purchased software at cost less accumulated depreciation and impairment.

The cost of the purchased software is the cash or cash equivalent paid for the acquisition, at the time of the acquisition of the given asset, or the fair value of any other consideration given.

The cost of an intangible asset acquired individually includes:

- the item’s purchase price, including import duties and non-recoverable sales taxes, less any discounts (trade discounts and quantity discounts); and
- costs directly attributable to the preparation of the device for its intended use.

The subsequent costs associated with the software are activated by the Bank only if they increase the future economic benefits associated with the software. All other subsequent costs are recognised as an expense at the time they are incurred.

The useful life of all software owned by the Bank is fixed. The Bank depreciates software on a straight-line basis over its expected useful life and recognises depreciation in profit or loss.

The Bank does not calculate a residual value for core software and applies a depreciation rate of 10% for these assets. In the case of non-core software, the estimated residual value is 5% and the depreciation rate is 16.67%.

The depreciation methods and useful lives are reviewed by the Bank at each reporting date and, if necessary, adjusted.

Self-funded investments

The Bank recognises various projects as self-funded investments.

In accordance with the general rule relating to intangible assets, the Bank recognises self-funded investments in its balance sheet only if they meet the requirements of identifiability, control over the resource, the existence of future economic benefits, as well as reliable measurement.
For internally produced intangible assets, as required by IAS 38, processes need to be separated into a research and a development phase. Expenditures related to research must be recognised immediately through profit or loss.
Self-funded investments must meet the following additional conditions in order to be activated as intangible assets:

a) they must be technically feasible,

b) an intention to implement must be present,
c) the technical, financial and other conditions necessary for the implementation must be available,
d) an ability to utilise the investment must be present,
e) the investment must demonstrably generate future benefits.

The costs incurred can be activated as an asset only if the conditions (a) to (e) exist concurrently and if they can be reliably measured.

In terms of the eligibility of the costs incurred, IAS 38 requires that only the costs directly incurred for the development can be recognised, such as:

- materials, services directly used by the Bank for the development,
- personnel expenses that were needed for the production.

The Bank's accounts of self-funded investments do not include expenditures related to the research phase, as the settlements for each project begin/began when the given project reaches/reached the development phase.

Of the various costs settled in relation to self-funded investments, IAS 38 only accepts the costs that were incurred directly.

For self-funded investments, the Bank applies a 10% depreciation rate.

3.5.7 Leases

The Bank, as Lessee

In accordance with IFRS 16, the lessee recognises a "right of use" receivable and a lease liability in its records. The "right of use" receivable is to be recorded in the manner of other non-financial assets, and depreciation must also be recognised on it. The lease liability is to be recorded in the books as the present value of the lease payments to be made during the lease term, discounted based on the internal rate of return of the transaction. The Bank writes off the right of use receivables (and lease liabilities) recognised in its balance sheet over 3-5 years. The Bank does not apply the requirements of IFRS 16 for intangible assets, only for rights of use of the tangible asset type.

3.5.8 Provisions

A provision is recognised by the Bank if there is an existing obligation resulting from a past event, and it is probable that the fulfilment of the obligation will entail an outflow of resources representing economic benefits to third parties, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the expenditure required to settle the existing obligation at the balance sheet date, taking into account the risks and uncertainties inherent in the given obligation.

The Bank also recognises the established expected credit loss on financial guarantees and loan commitments among provisions.

3.5.9 Financial guarantees and loan commitments

A financial guarantee agreement is a contract that requires the issuer to make specific payments to indemnify the owner for a loss resulting from the fact that a specific debtor has failed to pay at the due date in accordance with the original or modified terms of a debt instrument.

Loan commitments provide credit in an obligatory manner at a future date subject to predetermined conditions.

At initial recognition, the Bank measures the issued financial guarantees and the loan commitments that it has provided below market rates at fair value, and then this initial fair value is amortised over the term of the financial guarantee or loan commitment. In the subsequent measurement, the value of financial guarantees and loan commitments is the higher of the amounts of amortised cost and expected credit loss.
All other loan commitments are recognised by the Bank at the amount of the calculated credit loss.

3.5.10 Employee benefits

Short-term employee benefits

Short-term employee benefits include:

- wages, salaries and social security contributions;
- paid short-term absences, if the absence is payable within twelve months of the end of the related employment service period;
- profit-sharing and bonuses, if payable within twelve months of the end of the related employment service period; and
- non-monetary benefits for current employees.

Short-term employee benefits are recognised by the Bank as personnel expenses when the related employee service is performed. The Bank will recognise a liability in the amount of the expected payment if the Bank has a legal or assumed obligation to pay the amount as a result of the employee's past service, and the obligation can be estimated reliably.

Share-based benefits

The Bank provides its employees with share-based benefits through the ESOP entity. The benefit is paid by the Bank's shareholders, but it is the Bank that receives the services as a consideration for the benefit, therefore the benefit is recognised by the Bank as a share-based payment transaction settled in equity instruments in accordance with IFRS2.43B(b). The expense or the related increase in equity is recognised in the period in which the employees render the service. When applying to transactions with employees, the Bank must determine the fair value of the services received on the basis of the fair value of the equity instruments granted, as the fair value of the services received typically cannot be determined reliably. The fair value of these equity instruments is to be determined at the date they are granted.

3.5.11 Subscribed capital and reserves

The Bank divides its equity in the balance sheet as follows:

(i.) Subscribed capital
(ii.) Capital reserve
(iii.) Profit reserve
(iv.) Other reserves
(v.) Cumulative other comprehensive income

Cumulative other comprehensive income reflects the cumulative fair value changes and expected credit losses of financial assets measured at fair value through other comprehensive income (FVOCI).

3.5.12 Reclassification of comparative figures in the balance sheet

The Bank has made the following reclassifications in respect of the comparative figures in the balance sheet:

- The Bank previously recognised the contribution transferred to the ESOP Entity as share in its balance sheet. In 2024, the Bank reviewed this practice and decided that a more appropriate presentation would be to classify the asset contribution as a receivable on the balance sheet, in view of the fact that, by providing the founder's assets, Gránit Bank does not acquire ownership in the ESOP Entity, but the participating members acquire a membership share from the founding assets, in the manner provided for by the ESOP Act. In addition, the ESOP Entity must repay the founder's assets to the Bank simultaneously with the closure of the programme. In order to ensure comparability, the Bank has reclassified the share to other assets in relation to the comparative data for 2023, as follows:

	2023 reclassified	2023 original	Impact
Investments in subsidiaries, joint ventures and associates	14,946	19,422	(4,476)
Other assets	10,560	6,084	4,476

- The impact of the reclassification of the asset contribution transferred to the ESOP Entity was also adjusted in the cash flow for the 2023 comparative data. The sign and the balance of the relevant line in the depreciation line of the cash flow statement were corrected. The amount of the foreign currency revaluation difference of cash and cash equivalents was removed from cash flow resulting from operating activities. In addition, the calculation method in the net cash flow line from operating activities was corrected. The impact of the correction on the comparative data is presented in the table below:

	31.12.2023 Reclassified	12.31.2023 - Original	Impact
Impairment of tangible assets, and intangible assets	1,175	-1,175	2,350
Currency revaluation difference of cash and cash equivalents	1,591	0	1,591
Cash flow from pre-tax operating income before change in operating assets and liabilities	**-30,770**	**-34,711**	**3,941**
Change in other assets	339	2,489	-2,150
Change in operating assets	**155,634**	**157,784**	**-2,150**
Net cash flow from operating activities	**389,797**	**422,717**	**-32,920**
Investments in subsidiary	**-11,845**	**-11,645**	-200
Net cash flow from investment activities	**20,992**	**21,192**	**-200**
Currency revaluation difference of cash and cash equivalents	-1,591	0	-1,591
Net increase/decrease in cash and cash equivalents	**409,198**	**409,198**	**0**

3.5.13 Standards and interpretations that became effective during the present reporting period

The following modifications became effective on 1 January 2024:

- Amendment to IFRS 16. Leases: Lease Liability in a Sale and leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments apply to leaseback transactions that meet the requirements of IFRS 15 and are to be accounted for as sales. The amendments require a seller lessee to subsequently measure its liabilities arising from the transaction without recognising a gain or loss related to the right of use it retains. This includes deferring such gains even if the liability is to settle variable payments that do not relate to an index or an interest rate.
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (originally issued on 23 January 2020, amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify when liabilities are classified as current or non-current. As with most financial institutions, the Group classifies its statement of financial position by liquidity rather than classifying its assets and liabilities as current or non-current. Therefore, this amendment had no impact on the consolidated financial statements.
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Date of publication: Amendments to the Supplier Finance Arrangements standard (Issued on: 25 May 2023). In response to concerns raised by users of financial statements about inappropriate or misleading disclosures about finance arrangements, the IASB issued amendments to IAS 7 and IFRS 7 in May 2023 to require disclosure about an entity's supplier finance arrangements (SFAs). These amendments require disclosure of an entity's supplier finance arrangements that enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and the entity's exposure to liquidity risk. The additional disclosure requirements are intended to enhance the transparency of supplier finance arrangements. The amendments do not affect recognition or measurement principles, only disclosure requirements.

The application of these amendments did not have a material impact on the Bank's financial statements.

3.5.14 Future changes to the accounting policy

Certain new standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2025, and for which the Bank has not exercised its earlier application option.

- Amendments to the classification and measurement of financial instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026). On 30 May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 as follows:
  - requirement to clarify the date of recognition and derecognition of certain financial assets and liabilities, with a new exception for certain financial liabilities settled in cash using an electronic payment system;
  - requirement to clarify and provide further guidance on assessing whether a financial asset meets the interest payment (SPPI) criterion;
  - requirement to add new disclosures regarding certain instruments under contractual terms that could change cash flows (for example, certain instruments linked to the achievement of environmental, social and governance (ESG) objectives); and
  - requirement to update disclosures for equity instruments measured at fair value through other comprehensive income (FVOCI).

The Bank is currently assessing the impact of the amendments on its financial statements.

- IFRS 18 Presentation and Disclosures in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027). In April 2024, the IASB issued IFRS 18, a new standard on presentation and disclosure in financial statements that focuses on updating the income statement. The key new concepts introduced in IFRS 18 relate to the following:
  - structure of the income statements;
  - mandatory disclosure in the financial statements of certain measures of profit or loss that are reported outside the entity's financial statements (i.e. management-defined performance measures); and
  - enhanced principles for aggregation and disaggregation of items, which generally apply to the primary financial statements and the notes.

IFRS 18 replaces IAS 1; many of the other existing principles of IAS 1 still prevail, subject to limited changes. IFRS 18 will not affect the presentation or measurement of items in financial statements, but may change what an entity reports as “operating profit or loss”. IFRS 18 is effective for annual periods beginning on or after 1 January 2027 and includes comparative information.

The Bank is currently assessing the impact of the amendments on its financial statements.

- IFRS 19 — Subsidiaries without Public Accountability: Disclosures (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027). IFRS 19 allows eligible subsidiaries to apply IFRS accounting standards with reduced disclosure requirements. The Bank is not eligible to apply the reduced disclosure requirements introduced by this standard.

- IFRS 14, Regulatory Deferral Accounts (issued on: 30 January 2014). IFRS 14 provides a possibility to first-time adopters to continue to account for amounts related to interest rate regulation in accordance with their previous GAAP requirements when applying IFRS. However, in order to improve comparability with entities that already apply IFRS and do not have such amounts, the standard requires that the effect of interest rate regulation be presented separately from other items. Entities that already prepare their financial statements in compliance with the IFRS are not eligible to apply the standard. This standard is effective from a date to be determined by the IASB.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments are intended to address conflicts between the requirements of IFRS 10 and IAS 28 in the treatment of sales of assets or contributions between investors and their associates or joint ventures. The primary consequence of the amendments is that the full gain or loss is to be recognised when a transaction includes a business activity. Partial profit or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are held by a subsidiary. In 2015, the IASB decided to postpone the effective date of these amendments indefinitely.

4 NET INTEREST AND SIMILAR INCOME

Data in HUF millions

	2024	2023
Interest income based on the effective interest method		
Interest income on financial assets measured at fair value through other comprehensive income	786	1,730
Interest income on financial assets measured at amortised cost	70,992	82,310
Total interest income based on the effective interest rate method	**71,778**	**84,040**
Interest income on financial assets held for trading	16,956	27,861
Interest income on financial assets designated as measured at fair value through profit or loss	10,490	8,147
Interest income on financial assets measured obligatorily at fair value through profit or loss, not for trading	1,720	1,054
Interest income on financial leasing	167	0
Other interest income	91	0
Total other interest income	**29,424**	**37,062**
Total interest and similar income	**101,202**	**121,102**
Interest expense based on the effective interest method		
Interest expense on financial liabilities measured at amortised cost	54,641	63,214
Total interest expense based on the effective interest rate method	**54,641**	**63,214**
Other interest expense	0	0
Interest expense on financial liabilities held for trading	14,854	20,919
Total other interest expense	**14,854**	**20,919**
Interest expenses	**69,495**	**84,133**
Total net interest and similar income	**31,707**	**36,969**

5 NET FEE AND COMMISSION INCOME

Data in HUF millions

	2024	2023
Investment services	90	76
Custody services	74	66
Loan and guarantee fee income	105	0
Cash flow and account management	3,277	2,376
Bank card services	1,073	792
Fund manager fee	0	0
Other	806	471
Total fee and commission income	**5,425**	**3,781**
Investment services	0	0
Custody services	62	49
Loan and guarantee fee expenditures	285	126
Brokerage commission	1	2
Cash flow and account management	267	219
Bank card services	751	141
Fund manager fee	0	0
Other	43	15
Total fee and commission expense	**1,409**	**552**
Net fee and commission income	**4,016**	**3,229**

Lump sum fees related to the generation of loans are part of the interest calculated with the effective interest method, so they are recognised under interest and similar income and expense over the life of the loan or receivable. The fees and commissions reported here are typically one-off items that are recognised as income when incurred.

6 PROFIT OR LOSS FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Data in HUF millions

	2024	2023
Profit or (-) loss from financial assets and liabilities held for trading, net	4,685	-26,657
- profit from securities held for trading	*218*	*74*
- net profit from derivatives held for trading	*4,467*	*-26,787*
- profit or loss from loans held for trading	*0*	*55*
Net profit or loss (-) from financial assets measured obligatorily at fair value through profit or loss, not for trading	*-521*	2,759
Net profit or loss (-) from financial assets designated as measured at fair value through profit or loss	-1,887	26,066
Total net profit from financial instruments measured at fair value through profit or loss	**2,277**	**2,168**

Financial assets

The net profit/loss from financial assets measured obligatorily at fair value through profit or loss, not for trading, include the profit impact of changes in the fair value of loans that failed the SPPI test. The net earnings figure was largely the result of the follow-up fair value measurement of “babaváró” loans. Additional information related to the valuation is provided in Note 23. Fair valuation of financial instruments. The interest income from these instruments is recognised in the interest income line.

The profit/loss from financial assets designated as measured at fair value through profit or loss include changes in the fair value of fixed-rate customer loans and securities to which IRSs treated as hedges from an economic point of view are related. The FVTPL designation is intended to reduce the otherwise existing accounting mismatch. Additional information related to the valuation is provided in Note 23. Fair valuation of financial instruments. The Bank recognises the interest income of the designated assets in its interest income.

Derivatives

The net result on derivatives mainly includes the fair value result of interest rate swaps entered into to hedge, in terms of public economy, the interest rate risk on fixed-rate loans to customers and securities.

7 PROFIT OR LOSS FROM FINANCIAL INSTRUMENTS NOT CLASSIFIED AS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Data in HUF millions

	2024	2023
Expected credit loss of securities measured at fair value through other comprehensive income	0	0
Profit realised from the sale of securities measured at fair value through other comprehensive income	38	159
Realised profit on sale of securities measured at amortised cost	0	0
Total net profit from financial instruments not classified as measured at fair value through profit or loss	**38**	**159**

Profit or loss from loans not classified as measured at fair value through profit or loss is recognised by the Bank in the Credit gains and losses line.

8 DIVIDEND INCOME

The majority of the Bank’s dividend income comes from the dividend received on the 2023 results of EQUILOR Befektetési Zrt. (HUF 1,203 million) and Gránit Alapkezelő Zrt. (HUF 648 million), subsidiaries of the Bank. The Bank received the remaining amount from MBH Alapkezelő Zrt. and VISA Inc.

9 OTHER INCOME AND EXPENSES

Data in HUF millions

	2024	2023
Intermediated services	30	48
Marketing support	244	149
Income from insurer	12	2
OBA reimbursement	0	226
Other operating income	2	174
Result of the previous year's self-revision	620	0
Total other operating income	**908**	**599**
Taxes	148	96
Authority fees	268	413
Resolution Fund	211	239
Claim Settlement Fund	29	31
Other operating expenses	1,458	906
Total other operating expense	**2,114**	**1,685**

A significant portion of the result of the previous years' self-revision is the modification of the extra-profit tax, where the Bank identified that the items that reduce the tax base were not fully taken into account.
The European resolution authority has opened a liquidation procedure for the Hungarian parent company of Sberbank, Sberbank Europe AG of Austria. Due to Sberbank Magyarország Zrt.'s severe liquidity and capital situation, the MNB has also withdrawn the Hungarian credit institution's operating licence and ordered its liquidation.

As a result of the compensation process of Sberbank Magyarország Zrt., the National Deposit Insurance Fund (OBA) imposed an extraordinary payment obligation on its member institutions for a total amount of HUF 73,550 million, with a payment deadline of 25 May 2022. The amount of the extraordinary payment obligation of GRÁNIT Bank Zrt. for 2022 was HUF 563 million. The OBA has repaid the extraordinary fee in full, partly in 2022 (HUF 337 million) and partly in 2023 (HUF 226 million). Under Other income, 'OBA reimbursement', this HUF 226 million amount was recognised in 2023.

10 CREDIT GAINS AND LOSSES

Data in HUF millions

	2024	2023
Separate expected credit losses on loans (net) - loss	652	113
Group expected credit losses on loans (net) - profit	-70	292
Management overlay (net)	0	0
Total expected credit loss on loans	**582**	**405**
Collective expected credit loss of securities held at amortised cost - loss	870	430
Securities measured at fair value through other comprehensive income - loss	1	1
Group expected credit loss on securities	**871**	**431**
Other (write-offs, recovery from write-offs, impairment of other assets, etc.)	48	119
Total credit gains and losses	**1,501**	**955**
Release of provisions related to lending activities	-27	337
Provisioning or (-) release of provisions	**-27**	**337**

For further information on changes in profit or loss from expected credit loss and provisioning, see Note 37.7.

11 PERSONNEL EXPENSES

Average number of personnel	**2024**	**2023**
Knowledge workers	331	255
Physical workers	0	0
Management	7	7
Average number of employees in total	**338**	**262**

Data in HUF millions

	2024	**2023**
Wage costs	4,301	3,564
Other expenditure related to personnel	355	352
Share-based payment transactions settled in equity instruments	190	90
Social contribution	588	568
Vocational training contribution	0	0
Rehabilitation contribution	39	26
Total gross Personal expenses	**5,473**	**4,600**

12 GENERAL ADMINISTRATIVE COSTS

Data in HUF millions

	2024	**2023**
Material costs	128	151
Bank card service	1,338	903
IT costs	1,429	1,107
Property rentals	23	17
Advertising, commercials	1,971	2,065
Membership fees	32	13
Education, further training	10	16
Information line rental	116	52
Expert fees	436	778
Insurance	20	15
Other rentals	7	5
Other non-material services	360	848
Transaction fees	2,685	1,486
Special bank tax	1,705	1,347
Office maintenance	264	178
Telecommunication	15	14
Other operating costs	563	229
Extra profit tax	2,144	2,297
Other general administrative costs	**13,246**	**11,521**

Bank tax

The Bank paid HUF 1,705 million in bank tax in 2024 (HUF 1,347 million in 2023). The tax base was HUF 864,921 million for 2024 and HUF 685,758 million for 2023. The effective tax rate was 0.2% in 2024 (0.2% in 2023).
In the case of credit institutions, the tax base in 2024 is the amended balance sheet total according to IFRS as at 31 December 2022 (in 2023, it was the IFRS amended balance sheet total as at 31 December 2021). In 2024 (and in 2023) the applicable tax rate was 0.15% for the part of the tax base below HUF 50,000 million and 0.20% for the part above HUF 50,000 million.

The tax base of the bank tax imposed on the Bank in 2025 is the IFRS amended balance sheet total as at 31 December 2023, the tax base was HUF 1,067,196 and the amount of the tax is expected to be HUF 2,109 million. The Bank's 2025 obligation arises on 1 January 2025.

Extra profit tax

Government Decree 144/2023 (IV. 24.) was amended in 2024 as well, and Government Decree 197/2022 (VI.4.) on extra-profit taxes, introduced for credit institutions in 2022, was the governing law.
The Bank paid HUF 2,144 million in extra profit tax in 2024. (it was HUF 2,297 million in 2023) The tax base was HUF 16,494 million for 2024 and HUF 23,676 million for 2023.
In 2024, the basis for extra-profit tax is the profit before tax determined based on the financial statements for the 2022 tax year, with the understanding that the amount recognised under the title of dividend and the profit from the sale of goods and provision of services arising from non-ordinary activities must be taken into account as a reducing item. The special tax on financial institutions, the financial transaction tax and the extra-profit tax settled against the profit before tax for 2022 must be taken into account as increasing items.
In 2023, for credit institutions, the tax base portion to be calculated from 1 January 2023 to 30 June 2023 is 50 per cent of the net turnover (net interest income and net fee and commission income) determined on the basis of the annual financial statements for the previous tax year; the tax base portion to be calculated from 1 July 2023 to 31 December 2023 is 50 per cent of the profit before tax determined on the basis of the annual statements for the previous tax year. In 2024 the applicable tax rate was 0.13% for the part of the tax base below HUF 10,000 million and 0.30% for the part above HUF 10,000 million. In 2023 the applicable tax rate was 0.13% for the part of the tax base below HUF 10,000 million and 0.30% for the part above HUF 10,000 million.

The extra profit tax base payable by the Bank in 2025 is HUF 26,895 million, based on the pre-tax profit determined on the basis of the annual financial statements for the tax year 2023, taking into account the increasing and decreasing items. The amount of the tax, the rate of which is 7% for the part of the tax base not exceeding HUF 20,000 million and 18% for the part exceeding HUF 20,000 million, is expected to be HUF 2,641 million. The Bank's 2025 obligation arises on 1 January 2025.

Transaction fees

In 2013, the authorities introduced a tax designated as financial transaction fee. This is payable by the Bank on the basis of specific types of transactions (including cash withdrawals and other transactions). The rate of the fee for cash withdrawals is 0.6%, with no upper limit. For other transactions, the tax rate is 0.3%, but not higher than HUF 10,000 per transaction.

On 8 July 2024, the Government announced measures to increase budget revenues. Government Decree 183/2024 (VII.8.) increased financial transaction fee rates and introduced, as a new element, the additional currency conversion fee (See in detail in Note 2. significant and unusual events that occurred during the year.)

13 INCOME TAX

The components of income tax for 2024 and 2023 are as follows:

Data in HUF millions

	2024	2023
Corporate tax	0	1,894
Local taxes	1,189	919
Deferred tax	-46	-59
Total	**1,143**	**2,754**

Corporate tax expense
In 2024 the corporate income tax was 9% on annual profits (also 9% in 2023).
Due to their non-sales nature, local taxes are part of the income tax in the income statement. The local tax includes business tax and innovation tax.
In Hungary there is no agreement on the determination of taxes that would be final from a legal point of view. Within six years of the tax year, the tax authority may review the accounting records at any

time and may adjust the tax imposed. Consequently, in the case of a tax authority audit, a tax adjustment may also occur at the Bank. The tax authority reviewed and closed the corporate tax returns of the Bank until 2010, and it also reviewed and closed the Bank's 2015, 2017, 2018 and 2022 tax returns. The management is unaware of the existence of any significant tax liability arrears that could arise in years not yet audited by the tax authority.
The effective tax rate applied to the Bank's profit differs from the statutory requirement on account of the following items:

Data in HUF millions

	2024	2023
Profit before tax	**18,008**	**21,792**
Corporate tax rate (%)	9%	9%
Calculated corporate tax	1,621	1,961
Tax implications		
Calculated corporate tax	1,621	1,961
Local taxes	1,189	919
Other	-1,667	-124
Income taxes	**1,143**	**2,754**
Effective tax rate (%)	6.35%	12.64%

The Bank's affiliate made an investment in a listed property. The company implementing the investment project recorded twice the amount of the listed investment. Of the amount recognised at the balance sheet date (HUF 41,737 million), it shared the opportunity for the discount with the Bank, which qualifies as its affiliate. In its 2024 corporate tax return, the Bank claimed a discount related to listed property investment and renovation in the amount of HUF 15,336 million (the related tax effect is reflected in the "Other" amount in the table above).

14 CASH AND CASH EQUIVALENTS

Data in HUF millions

	31.12.2024	31.12.2023
Cash	1,491	1,248
Account receivables from central banks	614,632	446,970
Other demand deposits	11,266	17,329
Cash and cash equivalents	**627,389**	**465,547**

15 RECEIVABLES FROM THE MNB AND INTERBANK PLACEMENTS

Data in HUF millions

	31.12.2024	31.12.2023
Receivables from the MNB	39,971	99,867
Interbank placements ("treasury type")	13,319	53,207
Loans provided ("non-treasury type")	75,278	0
Total interbank receivables	**128,568**	**153,074**

16 SECURITIES

Data in HUF millions

	31.12.2024	31.12.2023
Equity instruments	*0*	0
Discount treasury bills, government securities	*7,771*	*4,422*
Total debt securities	0	4,422
Financial assets held for trading	**7,771**	**4,422**
Credit institution shares	18	21
Other shares	28	5
Corporate bonds	15	22
Financial assets obligatorily measured at fair value through profit or loss	**61**	**48**
Corporate bonds	*71,153*	*66,312*
Bank bonds	*37,374*	*22,345*
Government securities	*9,843*	*0*
Financial assets designated as measured at fair value through profit or loss	**118,370**	**88,657**
Equity instruments	16	16
Government securities	10,958	7,537
Bank bonds	872	872
Total debt securities	11,830	8,409
Financial assets measured at fair value through other comprehensive income	**11,846**	**8,425**
Government securities	113,704	109,570
Bank bonds	87,773	55,079
Corporate bonds	24,689	15,116
Financial assets measured at amortised cost	**226,166**	**179,765**
Total	**364,214**	**281,317**

Securities designated as measured at fair value through profit or loss are fixed-interest-rate securities whose interest rate risk is, from an economic point of view, hedged by the Bank with IRSs.

The FVTPL designation is intended to reduce an otherwise existing accounting mismatch. In addition to bank bonds, the portfolio as at 31 December 2024 includes premium corporate bonds purchased within the framework of the Bond Funding for Growth Scheme (BGS) launched by the MNB in 2019, in an amount of 40,173 (in 2023: HUF 35,728 million).

In the case of shares measured at fair value through other comprehensive income, not held for trading, the management has made an irrevocable decision at initial recognition to recognise the change in the fair value of these instruments in other comprehensive income instead of profit or loss. The decision primarily aims to represent the business objective that these shares are not held by the Bank for trading purposes, but rather in an ancillary manner, relating to banking activities.

This category includes the following shares on 31.12.2024:

- Garantiqa Hitelgarancia Zrt. (0.1036%)
- MBH Alapkezelő Zrt. (previously MKB-Pannónia Alapkezelő Zrt.) (0.96%)

This category includes the following shares on 31.12.2023:

- Garantiqa Hitelgarancia Zrt. (0.1036%)
- MBH Alapkezelő Zrt. (previously MKB-Pannónia Alapkezelő Zrt.) (0.96%)

The fair value of the listed shares cannot be reliably established, as there is no active market for these shares. In the opinion of the Management, the cost of the investments equates approximately to their fair value.

On 31.12.2024 an expected credit loss of HUF 4 million (on 31.12.2023, HUF 3 million) was recognised for securities measured at fair value through other comprehensive income (for details, see: Note 20).

Further information related to the fair value of securities is provided in Note 24, and further information related to expected credit loss is provided in Note 19. More detailed information on the related Risk Management processes is available in Note 38.

17 DERIVATIVE FINANCIAL INSTRUMENTS

Data in HUF millions

31.12.2024	Nominal value, assets	Nominal value, liabilities	Positive fair value (assets)	Negative fair value (liabilities)
MIRS	10,774	0	1,687	0
Interest rate swap transaction (IRS)	0	9,770	0	1,046
Currency swap transaction	-41,248	-35,818	266	118
Total derivatives held for trading	**-30,474**	**-26,048**	**1,953**	**1,164**
IRSs covering the interest rate risk of securities	5,402	59,359	702	1,869
IRSs covering the interest rate risk of BGS corporate bonds	46,492	0	6,896	0
IRSs covering the interest rate risk of loans	27,223	69,495	2,286	2,329
General portfolio hedging IRSs	0	0	0	0
Total derivative transactions for fair value hedging from an economic point of view	**79,117**	**128,854**	**9,884**	**4,198**
Total derivative financial instruments	**48,643**	**102,806**	**11,837**	**5,362**

Data in HUF millions

31.12.2023	Nominal value, assets	Nominal value, liabilities	Positive fair value (assets)	Negative fair value (liabilities)
MIRS	10,774	0	1,915	0
Interest rate swap transaction (IRS)	0	9,770	0	1,152
Currency swap transaction	74,356	76,921	316	631
Total derivatives held for trading	**85,130**	**86,691**	**2,232**	**1,782**
IRSs covering the interest rate risk of securities	6,767	41,270	622	2,213
IRSs covering the interest rate risk of BGS corporate bonds	46,279	1,000	6,253	6
IRSs covering the interest rate risk of loans	20,611	41,924	2,371	3,362
General portfolio hedging IRSs	0	287	0	10
Total derivative transactions for fair value hedging from an economic point of view	**73,657**	**84,481**	**9,246**	**5,592**
Total derivative financial instruments	**158,787**	**171,172**	**11,478**	**7,374**

Derivatives for trading

MIRS transactions have been introduced by the MNB, for monetary policy purposes – they are unconditional interest rate swaps with a general scope.

Derivatives held, from an economic point of view, for hedging purposes

Derivatives held, from an economic point of view, for hedging purposes are entered into by the Bank to cover the interest rate risk of fixed-interest customer loans and securities (government securities, bank bonds and corporate bonds purchased under the Bond Funding for Growth Scheme). The Bank does not apply hedge accounting to these transactions, but has designated the underlying transactions as measured at fair value through profit or loss to reduce an otherwise existing accounting mismatch.

18 LOANS AND ADVANCES TO CUSTOMERS

Data in HUF millions

	31.12.2024	31.12.2023
Loans held for trading	97	97
Loans and advances to customers obligatorily measured at fair value through profit or loss	23,611	18,577
Loans and advances to customers designated as measured at fair value through profit or loss	98,817	54,826
Exposure of loans and advances to customers measured at amortised cost	297,696	258,501
of which: lease receivables	*4,247*	*3,871*
Expected credit losses (-)	-1,617	-1,172
Portfolio-level overlay (-)	0	0
Modification loss (-)	-107	-75
Net exposure of loans and advances to customers measured at amortised cost	295,972	257,253
Total customer receivables	**418,497**	**330,753**

Loans held for trading

Among held-for-trading customer receivables, the Bank recognises purchased receivables that were purchased in 2019 at a discounted price for sale.

Customer receivables obligatorily measured at fair value through profit or loss

Customer receivables obligatorily measured at fair value through profit or loss are customer loans that, based on their business model, would be measured at amortised cost, but as shown by the SPPI test their cash flows do not consist exclusively of principal and interest payment components, so even after their initial recognition they continue to be recognised by the Bank at fair value, and changes in their fair value are recognised through profit or loss. Loans that have failed the SPPI test can be categorised as follows:

- Loans with family housing allowance “CSOK” and “CSOK PLUSZ” subsidies for which the subsidy also includes a non-market-based component
- MFB refinanced loans in the case of which the loans are denominated in EUR but repayments are made in HUF, and therefore the transactions also entail a currency risk
- “Babaváró” loans, for which the interest rate scheme also includes a non-market-based component (a scheme launched in 2019; the Bank did not yet have any such transaction on its books in the previous years)

Customer receivables designated as measured at fair value through profit or loss

Customer receivables designated as measured at fair value through profit or loss are fixed-interest-rate loans whose interest rate risk is hedged by the Bank with IRSs. The FVTPL designation is intended

to reduce an otherwise existing accounting mismatch (the Bank does not apply hedge accounting to these transactions).

Loans and advances to customers measured at amortised cost

The portfolio of loans and advances to customers measured at amortised cost includes HUF 4,653 million of transactions financed in the framework of the MNB’s Funding for Growth Scheme (NHP Program I and II), the initial fair value of which differs from the transaction price, and the difference is deferred by the Bank over the life of the transactions. As a result of the amortisation of the related effective interest rate, the settlement has no overall impact on profit. The deferred initial difference is HUF 5,614 million and the amount not yet amortised is HUF 106 million. For subsequent NHP schemes, the Bank did not identify any initial fair value difference.

19 EXPECTED CREDIT LOSSES ON FINANCIAL INSTRUMENTS / PROVISIONING (BALANCE SHEET)

Data in HUF millions

31.12.2024	Gross exposure		Expected credit losses/provisioning		Net exposure	
	Receivables	Guarantees/Undrawn lines	Expected credit losses	Provision	Receivables	Guarantees/Undrawn lines
Loans and advances to customer measured at amortised cost						
Retail segment	19,417	1,038	110	1	19,307	1,037
Corporate segment	86,604	99,588	714	279	85,890	99,309
Other financial corporate segment	82,131	63,813	196	131	81,935	63,682
Project loans	81,846	40,695	433	136	81,413	40,559
Local municipalities	0	0	0	0	0	0
Non-profit segment	873	20	5	0	868	20
Government segment	26,718	4,598	159	1	26,559	4,597
Total loans and advances to customer measured at amortised cost	**297,589**	**209,752**	**1,617**	**548**	**295,972**	**209,205**
Securities measured at amortised cost						
Corporate segment	25,267	0	273	0	24,994	0
Other financial corporate segment	1,019	0	1,019	0	0	0
Bank segment	87,469	0	0	0	87,469	0
Government segment	113,749	0	46	0	113,703	0
Total securities measured at amortised cost	**227,504**	**0**	**1,338**	**0**	**226,166**	**0**

	Gross exposure		Expected credit loss/provisioning		Net exposure	
	Receivables	Guarantees/Undrawn lines	Expected credit loss	Provision	Receivables	Guarantees/Undrawn lines
<u>**Securities measured at fair value through other comprehensive income**</u>						
Other financial corporate segment	16	0	0	0	16	0
Bank segment	872	0	0	0	872	0
Government segment	10,958	0	4	0	10,954	0
Total securities measured at fair value through other comprehensive income	**11,846**	**0**	**4**	**0**	**11,842**	**0**
<u>**Interbank placements**</u>						
Interbank placements	**13,319**	**0**	**0**	**0**	13,319	0
Total interbank placements	**13,319**	**0**	**0**	**0**	**13,319**	**0**

Data in HUF millions

31.12.2023	Gross exposure		Expected credit losses/provisioning		Net exposure	
	Receivables	Guarantees/Undrawn lines	Expected credit losses	Provision	Receivables	Guarantees/Undrawn lines
Loans and advances to customer measured at amortised cost						
Retail segment	22,180	1,019	81	5	22,099	1,014
Corporate segment	118,223	71,610	653	430	117,570	71,180
Other financial corporate segment	66,882	15,488	68	13	66,814	15,475
Project loans	34,696	22,550	211	126	34,485	22,424
Local municipalities	51	0	0	0	51	0
Non-profit segment	970	0	1	0	969	0
Government segment	20,507	4,500	93	0	20,414	4,500
Total loans and advances to customer measured at amortised cost	**263,509**	**115,167**	**1,107**	**574**	**262,402**	**114,593**
Securities measured at amortised cost						
Other financial corporate segment	0	0	0	0	0	0
Bank segment	52,879	0	261	0	52,618	0
Government segment	109,173	0	46	0	109,127	0
Total securities measured at amortised cost	**162,052**	**0**	**307**	**0**	**161,745**	**0**
Securities measured at fair value through other comprehensive income						
Other financial corporate segment	0	0	0	0	0	0
Bank segment	962	0	0	0	962	0
Government segment	7,280	0	0	0	7,280	0
Total securities measured at fair value through other comprehensive income	**8,242**	**0**	**0**	**0**	**8,242**	**0**

Interbank placements						
Interbank placements	104,631	0	0	0	104,631	0
Total interbank placements	**104,631**	**0**	**0**	**0**	**104,631**	**0**

The amount of receivables includes the amount of the capital receivable for the relevant segment.
The securities measured at fair value through other comprehensive income lines do not include shares classified in this category as they are not subject to expected credit losses.

20 SUBSIDIARIES

The Bank has the following investments in subsidiaries:

Data in HUF millions

	31.12.2024	31.12.2023 Reclassified
Gránit Pénzügyi Lízing Zrt.	537	0
Gránit Lízing Kft.	6,783	0
Equilor Befektetési Zrt. (50.01%)	3,100	3,100
Tarragona Holding Zrt. (94.16%)	8,645	11,846
GBG Szolgáltató Kft. (100%)	10	0
Total	**19,075**	**14,946**

In 2024, the Bank purchased 76.66% share in De Lage Landen Finance Zrt. and a 100% share in De Lage Landen Leasing Kft. Following the acquisition, the companies continued to operate under the names Gránit Pénzügyi Lízing Zrt. and Gránit Lízing Kft., as subsidiaries of Gránit Bank.

In 2024 the Bank established a subsidiary, GBG Szolgáltató Kft. with a capital of HUF 10 million, which operates as a group service provider.

In 2023, the Bank acquired a 94.16% stake in Tarragona Zrt, which is registered as a subsidiary in its books. Tarragona Holding Zrt. holds 95.96% interest in Diófa Alapkezelő Zrt. (from 10 January: 2024 Gránit Alapkezelő Zrt.). The reason for the decrease in share is that the purchase price included a variable element (in the amount of 10/12 of the dividend payable for the year 2023), which was settled in April 2024 and thus the related liability was derecognised against the share.

The 50.01% stake in EQUILOR Befektetési Zrt. acquired in 2022 remained unchanged in 2023 or 2024.

Further information on the acquisition of the stake in Gránit Lízing companies is presented in the Bank's consolidated financial statements.

From 2024, the Bank records the founder's assets transferred to the ESOP Entity as other assets and not as share, and accordingly reclassified them to other assets in the comparative data as of 31.12.2023. More information is presented in Note 3*.5.12. Reclassification of comparative figures in the balance sheet.*

21 LIABILITIES TO THE MNB AND CREDIT INSTITUTIONS

Data in HUF millions

	31.12.2024	31.12.2023
Funding for Growth Scheme (NHP)	53,357	67,457
MNB refinancing loan	131,666	131,665
Interest rate swap collateral account	1,485	1,660
Liabilities to the MNB	**186,508**	**200,783**
EXIM	54,737	35,129
MBH	7,132	4,336
MFB	165	2
OTP	4,081	0
KBC	242	0
KDB	5,762	0
Interbank deposits	20,029	44,331
Liabilities to credit institutions	**92,148**	**83,798**
- of this, measured at amortised cost	*92,148*	*83,798*
- of this, designated as measured at fair value through profit or loss	*0*	*0*

The FGS line in the portfolio of liabilities to the MNB includes HUF 4,653 million of refinancing received in the framework of the MNB's Funding for Growth Scheme (FGS I, II), the initial fair value of which differs from the transaction price, and the difference is deferred by the Bank over the life of the transactions. As a result of the amortisation of the related effective interest rate, the settlement has no overall impact on profit. The deferred initial difference is HUF 5,614 million and the amount not yet amortised is HUF 106 million. For subsequent NHP schemes, the Bank did not identify any initial fair value difference. The liability shown under the FGS line includes HUF 42 billion of loans taken out under the FGS Go! scheme.

The FGS line under Liabilities to the MNB also includes so-called synthetic EUR transactions in an amount of HUF 764 million, created with the consolidation of HUF funds drawn under the Funding for Growth Scheme and related CCIRS transactions (foreign exchange rate swaps) concluded with the MNB.

The liability shown in the refinancing loan to the MNB line includes funds raised under the MNB's fixed-interest secured loan tender with a maturity of 5 years.

Refinancing loans

The Bank entered into several refinancing credit line agreements with various financial institutions (FHB – Jelzálogbank, MFB – Fejlesztési Bank; EXIM Bank) to finance part of its activities. The definition of eligible beneficiaries, and the monitoring of the final borrowers and the repayment process are governed by a number of contractual provisions. All credit risks related to the final borrower are borne by the Bank in all cases, and the Bank is also responsible to ensure compliance with all obligations.

In 2013 the National Bank of Hungary (MNB) launched a new programme under the name Funding for Growth Scheme. The aim of the programme is to offer refinancing to small and medium-sized enterprises (SMEs) through the Hungarian banking system. For a temporary period and up to a specified amount, the MNB provides credit institutions participating in the programme with funds at a lower interest rate than the market rate. The credit institutions use these funds to extend loans with similarly favourable conditions to SMEs for specific purposes. The maximum term of the refinancing loans is 10 years at the start and is consistent with the maturity of the loan granted to the customer. In order to mitigate the negative economic impact of the coronavirus epidemic and to avoid credit market disruptions, the MNB launched the FGS Go! scheme on 20 April 2020 with a HUF 1,500 billion budget, which was increased by HUF 1,000 billion to HUF 2,500 billion through the Monetary Council's decision of 17 November 2020. Under this scheme, the central bank provides refinancing loans to credit institutions at 0% interest for a maximum maturity of 20 years, which they will, on the one hand, lend further to the SME sector in the form of loans or financial leases at a capped annual cost, and, on the other hand, use for refinancing financial enterprises for the same purpose. Refinancing loans are recognised in the balance sheet as financial liabilities held at amortised cost.

The National Bank of Hungary (MNB) introduced a fixed-interest secured loan transaction from 25 March 2020 until withdrawal, the purpose of the monetary tool being to ensure liquidity at longer maturities. The interest rate on the loan is the fixed interest rate published in the tender notice, while interest payments are due quarterly. Possible maturities of the loans are 3 months, 6 months, 12 months, 3 years and 5 years; the Bank took out loans with a maturity of 5 years.

The management of the Bank thinks it is in full compliance with the covenants related to the loans taken out as at 31 December 2024 (and at 31 December 2023).

22 LIABILITIES TO CUSTOMERS

Data in HUF millions

	31.12.2024	31.12.2023
Demand deposits	362,412	345,804
within 3 months	598,525	440,547
Over 3 months, within 1 year	138,491	78,010
between 1 year and 5 years	51,066	25,703
between 5 years and 10 years	9,040	5,193
between 10 years and 15 years	8,446	859
more than 15 years	613	0
Total liabilities to customers	**1,168,593**	**896,117**

The Bank recognises its liabilities to customers at amortised cost, and has no liability to customers that it has designated as measured at fair value through profit or loss.

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

Data in HUF millions

31.12.2024	Fair value				Book value
	Level 1 input	Level 2 input	Level 3 input	Total fair value	
<u>**Assets**</u>					
Cash and cash equivalents	**1,491**	**625,898**	**0**	**627,389**	**627,389**
Receivables from the MNB	**0**	**39,966**	**0**	**39,966**	**39,971**
Interbank placements	**0**	**88,597**	**0**	**88,597**	**88,597**
Securities	**136,099**	**124,482**	**97,904**	**358,485**	
- of which:					
Held-for-trading securities	*7,771*	*0*	*0*	*7,771*	*7,771*
Securities obligatorily measured at fair value through profit or loss, not held for trading	*46*	*0*	*15*	*61*	*61*
Securities designated as measured at fair value through profit or loss	*9,844*	*36,299*	*72,227*	*118,370*	*118,370*
Securities measured at fair value through other comprehensive income	*10,958*	*872*	*16*	*11,846*	*11,846*
Securities measured at amortised cost	*107,480*	*87,311*	*25,646*	*220,437*	*226,166*
Derivative financial assets	**0**	**11,837**	**0**	*11,837*	11,837
Loans and advances to customers	0	0	406,316	406,316	418,497
- of which:					
Held-for-trading customer receivables	*0*	*0*	*97*	*97*	*97*
Customer receivables measured obligatorily at fair value through profit or loss, not for trading	*0*	*0*	*23,611*	*23,611*	*23,611*

Customer loans designated as measured at fair value through profit or loss	*0*	*0*	*98,817*	*98,817*	*98,817*
Customer loans measured at amortised cost	*0*	*0*	*283,791*	*283,791*	*295,972*
Investments in subsidiaries, joint ventures and associates	**0**	**0**	**19,075**	**19,075**	**19,075**
Liabilities					
Liabilities to the MNB	**0**	**1,485**	**172,561**	174,046	186,508
Liabilities to credit institutions	**0**	**77,870**	**11,657**	89,527	92,148
Liabilities to customers	**0**	**0**	**1,168,593**	1,168,593	1,168,593
Derivative financial liabilities	**0**	**5,362**	**0**	5,362	5,362
Credit lines and financial guarantees	**0**	**0**	**230,287**	230,287	**230,287**

Data in HUF millions

31.12.2023	**Fair value**				
	Level 1 input	**Level 2 input**	**Level 3 input**	**Total fair value**	**Book value**
Assets					
Cash and cash equivalents	1,232	464,315		465,547	465,547
Receivables from the MNB		99,867		99,867	99,867
Interbank placements		53,207		53,207	53,207
Securities	119,844	70,930	80,745	271,519	281,477
- of which:					
Held-for-trading securities	*4,422*	*0*	*0*	*4,422*	*4,422*
Securities obligatorily measured at fair value through profit or loss, not held for trading	*26*	*0*	*22*	*48*	*48*
Securities designated as measured at fair value through profit or loss	*5,913*	*16,993*	*65,750*	*88,657*	*88,657*

Securities measured at fair value through other comprehensive income	*7,530*	*879*	*16*	*8,425*	*8,425*
Securities measured at amortised cost	*101,953*	*53,058*	*14,955*	*169,966*	*179,925*
Derivative financial assets		11,480		11,480	11,480
Loans and advances to customers			321,286	321,286	330,819
- of which:					
Held-for-trading customer receivables			*39*	*39*	*39*
Customer receivables measured obligatorily at fair value through profit or loss, not for trading			*18,577*	*18,577*	*18,577*
Customer loans designated as measured at fair value through profit or loss			*54,826*	*54,826*	*54,826*
Customer loans measured at amortised cost			*247,844*	*247,844*	*257,377*
Investments in subsidiaries, joint ventures and associates			16,146	16,146	16,146
Liabilities					
Liabilities to the MNB		1,660	181,433	183,093	200,783
Liabilities to credit institutions		38,050	56,284	94,334	83,798
Liabilities to customers			895,910	895,910	896,117
Derivative financial liabilities		7,377		7,377	7,377
Credit lines and financial guarantees			574	574	574

MOVEMENTS IN FINANCIAL ASSETS CLASSIFIED IN LEVEL 3 OF THE FAIR VALUE HIERARCHY

Data in HUF millions

	Customer loans	Total debt securities	Stock and other shares
Opening - 01.01.2024	**73,500**	**65,772**	**16**
Disbursement / purchase	74,199	7,333	0
Repayment / sale	-23,900	0	0
Gain or loss recognised in profit	-1,274	-863	0
Profit or loss recognised in other comprehensive income	0	0	0
Closing - 31.12.2024	**122,525**	**72,242**	**16**

Fair value of financial instruments

Financial instruments measured at fair value

Trading instruments (including derivatives), transactions obligatorily measured at fair value through profit or loss, transactions designated as measured at fair value through profit or loss, as well as instruments measured at fair value through other comprehensive income (OCI), are subsequently measured and accounted for at fair value as detailed below.

Liquid market products
In the case of liquid market products, the Bank determines the fair value either by applying the market price directly or by applying the relevant market yield curve directly.

In the case of liquid market products, it is not necessary to adjust the applied market price or market yield curve by additional cost elements, as these are actively included in the price and yield curves by the operations of the market.

Typically these include spot and futures products that are standard transactions concluded with government and bank counterparties and where at least monthly quotes or yield curve quotes are available.

In the case of measurement based on liquid market prices or market yield curves, the Bank classifies the inputs used as level 1 or level 2 inputs under the fair value hierarchy established by IFRS 13.

Non-liquid market products
In the case of non-liquid market products, the Bank discounts the cash-flow elements of the transaction with the discount rate resulting from the sum of the relevant value of the risk-free yield curve and the cost elements assigned to the transaction.

The Bank applies the following additional cost elements as a diversion of the risk-free yield curve:

1. credit risk premium,
2. saleability premium (liquidity premium)

Instruments measured at fair value using level 3 inputs

The Bank uses level 3 inputs for the following financial instruments that are subsequently measured at fair value:

- Customer receivables measured obligatorily at fair value through profit or loss, not for trading

- Customer loans designated as measured at fair value through profit or loss
- Held-for-trading customer receivables
- Securities measured at fair value through other comprehensive income
- Corporate bonds purchased under the Bond Funding for Growth Scheme (BGS)

Loans that are required to be measured at fair value through profit or loss (because they failed the SPPI test, i.e. the future cash flows of the given loan do not only include principal and interest components), and loans designated as measured at fair value through profit or loss are measured by the Bank using the discounted cash flow method, applying the premium components described above.

Loans obligatorily measured at fair value through profit or loss as at 31.12.2024 include "babaváró" loans in the amount of HUF 20,285 million (it was HUF 17,548 million at 31.12.2023) that were subsequently measured at FVTPL due to their failure to pass the SPPI test. The Bank also estimates the fair value of "babaváró" loans using the discounted cash flow model, estimating the expected cash flows at the transaction level. The Bank assumes that the expected cash flow for "babaváró" loans is most affected by the following factors:

- the woman's age at the time of applying for the loan
- the number of children already born to the family when applying for the loan
- whether an application for suspension has been submitted at the time of the valuation

Based on these factors, the Bank classified customers into groups, assessed the expected behaviour of the groups through a representative sample as well, and determined the expected cash flows for the transactions at an individual level, which it then discounted using a market swap yield curve, adjusted by the premiums detailed above.

The Bank quantified in the fair value sensitivity analysis of "babaváró" loans that a shift of +100 bp in the market swap yield curve used for discounting would reduce the fair value amount by HUF 1,026 million. This impact is expected to be mitigated by a shift in the yield curve of the Government Debt Management Agency (ÁKK) through interest cash flows.

As at 31.12.2024, the balance of held-for-trading loans includes receivables purchased in 2019, which the Bank purchased at a discounted price for the purpose of sale, and thus their subsequent measurement falls under FVTPL, i.e. the fair value through profit or loss category. In estimating the fair value of these loans, the Bank takes into account the fact that it has entered into an agreement with an independent party to whom it may sell the receivables at an option price equal to the purchase price. Taking this into account, the Bank's management believes that, in the case of these transactions, the book value of the transactions is the best approximation of fair value.

The Bank's non-trading shares are ancillary investments that do not have an active market and in the case of which the Bank's management believes that their book value, which is based on their cost, approximately equals their fair value.

No market price can be observed for the fair valuation of the bonds purchased under the BGS scheme (although the bonds have been listed on the stock exchange, no liquid market has been established), so they are valued using the discounted cash flow (DCF) method – similarly to loans valued at fair value – also taking into account the premiums detailed above.

The following sensitivity analysis shows the impact of premiums as non-observable components on fair values. Fair values are presented both with and without the inclusion premiums – as non-observable components – as follows:

Customer loans/bonds	31.12.2024 Fair value with premium	Fair value without premium	Effect of premium component
For trading	97	97	0
Obligatorily measured at fair value	20,285	20,393	-108
Designated as measured at fair value	98,817	101,631	-2,814
BGS bonds	40,173	42,477	-2,304

Data in HUF millions

Customer loans/bonds	31.12.2023 Fair value with premium	Fair value without premium	Effect of premium component
For trading	39	39	0
Obligatorily measured at fair value	18,577	18,686	-109
Designated as measured at fair value	54,826	55,661	-835
BGS bonds	35,728	38,043	-2,315

The balance of securities obligatorily measured at fair value through profit or loss includes – in addition to shares listed on the stock exchange – the Bank's investment in VISA Inc. which, due to its specific characteristics, is classified as a bond. For VISA Inc., the Bank uses an unobservable component in fair valuation: It includes a multiplier of 0.9 in the calculation as a liquidity premium.

Among financial instruments measured at fair value under the subsequent measurement, there was no transfer between the levels of the measurement hierarchy either in 2024 or in 2023.

For the results of fair value measurement, see Note 6. Profit or loss from financial instruments measured at fair value through profit or loss.

Financial instruments not measured at fair value

In the following we present the methods and assumptions used to quantify the fair value of financial instruments that are not held at fair value through profit or loss in the financial statements and their subsequent measurement is based on their amortised cost. The fair value of these instruments is determined only for presentation in the Notes.

Securities held at amortised cost
The Bank's portfolio currently includes bank bonds and government securities, the fair value of which is determined by the Bank directly applying the market yield curve.

Customer loans and interbank transactions held at amortised cost, liabilities held at amortised cost

In the case of liquid assets and liabilities or those with a short remaining term (less than 1 year), the Bank assumes that their book value, based on their amortised cost, approximately equals their fair value. This assumption also applies to demand assets and liabilities, savings assets and liabilities without a specific maturity, and floating-rate assets and liabilities.
The estimated fair value of fixed-rate liabilities held at amortised cost with a residual maturity of over 1 year (including refinancing liabilities) is determined using the discounted cash flow calculation method on the basis of the market yield curve corresponding to the remaining maturity.
The fair value of fixed-rate assets held at amortised cost with a residual maturity of over 1 year is determined using the discounted cash flow calculation method on the basis of the estimated market yield curve of the asset, corresponding to the remaining maturity, applying the premium components described above.

The Bank believes that the book value, less expected credit loss, is the best approach to the fair value of defaulted transactions classified in Bucket 3, during the calculation of which an **separate** cash flow stress method is used to determine the value of the transaction and therefore no non-realised profit or loss is recognised for these transactions in these Notes.

24 OTHER INFORMATION RELATING TO FINANCIAL INSTRUMENTS

Assets used as collateral for liabilities and contingent liabilities

Data in HUF millions

	31.12.2024	31.12.2023
Encumbered assets:		
Total debt securities	59,604	86,782
Loans and advances other than demand receivables	109,126	104,192
- of which: loans secured on property	*30,825*	*35,814*
Total assets used as collateral	**168,730**	**190,974**

	31.12.2024	31.12.2023
Received collaterals related to encumbered assets:		
Total debt securities	19	2,475
Loans and advances other than demand receivables	5,218	5,430
Other received collateral	59,852	60,140
	65,089	**68,045**

Among the encumbered assets, the debt securities serve as collateral for loans from the MNB and are disclosed in the balance sheet on the Securities line. Loans and advances other than demand receivables consist in part of the assets that used as collateral for the MNB Funding for Growth Scheme, and in part, of loans refinanced by MFB, Eximbank and Takarékbank, which are included in the balance sheet under Receivables from customers.

Transferred financial assets

At 31 December 2024, the Bank had no transferred assets that did not qualify for derecognition or in which the Bank had a continuing involvement (the situation was the same on 31 December 2023).

Offsetting of financial assets and liabilities

The following tables show the financial assets and liabilities that are subject to an enforceable, primary netting agreement as at 31 December 2023:

Data in HUF millions

31.12.2024	**Volumes stated in the balance sheet**		
	Gross value of financial assets	**Gross value of financial liabilities to be offset**	**Net value of financial assets**
Derivatives	11,837	7,643	4,194
Total financial assets subject to offsetting or primary netting agreements	**11,837**	**7,643**	**4,194**

	Volumes stated in the balance sheet		
	Gross value of financial liabilities	**Gross value of financial assets to be offset**	**Net value of financial liabilities**
Derivatives	5,362	2,736	2,626
Total financial liabilities subject to offsetting or primary netting agreements	**5,362**	**2,736**	**2,626**

31.12.2023	Volumes stated in the balance sheet		
	Gross value of financial assets	Gross value of financial liabilities to be offset	Net value of financial assets
Derivatives	11,480		11,480
Total financial assets subject to offsetting or primary netting agreements	**11,480**		**11,480**

	Volumes stated in the balance sheet		
	Gross value of financial liabilities	Gross value of financial assets to be offset	Net value of financial liabilities
Derivatives	7,377		7,377
Total financial liabilities subject to offsetting or primary netting agreements	**7,377**		**7,377**

The derivatives are subject to the following netting agreements: ISDA (International Swaps and Derivatives Association) agreements, CSAs (Credit Support Annexes) and GMRAs (Global Master Repurchase Agreements). The Bank has no open repurchase or reverse repurchase (repo) transactions on the reporting dates.

The Bank has no primary netting agreements, the financial assets and liabilities under which are not offset against each other in the balance sheet.

Financial asset reclassifications due to a business model during the year

In 2024, no reclassification was effected due to a business model.

Information on credit, market and liquidity risk management

Information on the management of credit, market and liquidity risks of the Bank is provided in Note 37 on Risk management.

25 OTHER ASSETS

Data in HUF millions

	31.12.2024	31.12.2023
Receivables from founders	62	62
Other liability that may be linked to an ESOP programme	4,667	4,476
Advances	14	2
Buyers	16	3
Bank card activity settlements	743	660
Account management settlements	1,676	1,829
Guarantee fee accrual	*702*	154
Other receivables	1,740	-64
Other financial assets, total	**9,620**	**7,122**
Banking operation stocks	145	34
Central budget subsidies	2,703	2,343
Deferred operating costs	1,300	397
Special epidemiological tax	231	231
Special tax receivables	440	0
Accrual of incentives provided	1,710	0
Other non-financial receivables	1,988	433
Other non-financial assets, total	**8,517**	**3,438**
Other assets	**18,137**	**10,560**

From 2024, the Bank records the founder's assets transferred to the ESOP Entity as other assets and not as share, and accordingly reclassified them to other assets in the comparative data as of 31.12.2023. More information is presented in Note 3*.5.12. Reclassification of comparative figures in the balance sheet*.

Of the other assets, items recognised in the Buyers line are classified as financial instruments, which were mainly received in January 2025.

In order to mitigate the economic damage caused by COVID-19, the Government decided to introduce a special epidemiological tax under the Economy Protection Action Plan (Govt. Decree 108/2020 (IV.14.)). The credit institution may choose to reduce its liability for the special bank tax in the following years by the amount paid as the special epidemiological tax, and the Bank will therefore record this as a receivable in its books.

Other receivables that may be linked to the ESOP programme are the founder's assets provided by the Bank to the ESOP Entity, which the Bank previously reported as share in its balance sheet. In 2024, the Bank reviewed this practice and decided that a more appropriate presentation would be to classify the asset contribution as a receivable on the balance sheet, in view of the fact that, by providing the founder's assets, Gránit Bank does not acquire ownership in the ESOP Entity, but the participating members acquire a membership share from the founding assets, in the manner provided for by the ESOP Act. In addition, the ESOP Entity must repay the founder's assets to the Bank simultaneously with the closure of the programme. In order to ensure comparability, the Bank has reclassified the share to other assets in relation to the comparative data for 2023.

26 INTANGIBLE ASSETS

Change in intangible assets 2024

Data in HUF millions

Change in the gross value of intangible assets	Cost (gross value)			
	Opening	Increase	Decrease	Closing
Concessions, licences and similar rights	15	1		16
Intellectual property	6,788	5,036		11,824
Gross value of intangible assets	**6,803**	**5,037**	**0**	**11,840**

Accumulated depreciation of intangible assets	Accumulated depreciation			
	Opening	Increase	Decrease	Closing
Concessions, licences and similar rights	13			13
Intellectual property	2,038	1,008		3,046
Accumulated depreciation of intangible assets	**2,051**	**1,008**	**0**	**3,059**

Net value of intangible assets	Net asset value
Concessions, licences and similar rights	3
Intellectual property	8,778
Net value of intangible assets	**8,781**

The increase in 2024 was due to projects carried out in the spirit of digital development, as a result of which IT systems were developed. One of the most significant developments was the replacement of the securities registration system related ~~to~~ the expansion of investment services activities.

Change in intangible assets 2023

Change in the gross value of intangible assets	Cost (gross value)			
	Opening	Increase	Decrease	Closing
Concessions, licences and similar rights	14	1	0	15
Intellectual property	4,741	2,047	0	6,788
Gross value of intangible assets	**4,755**	**2,049**	**0**	**6,803**

Accumulated depreciation of intangible assets	Accumulated depreciation			
	Opening	Increase	Decrease	Closing
Concessions, licences and similar rights	12	1	0	13
Intellectual property	1,355	683	0	2,038
Accumulated depreciation of intangible assets	**1,367**	**684**	**0**	**2,051**

Net value of intangible assets	Net asset value

Concessions, licences and similar rights	3
Intellectual property	4,750
Net value of intangible assets	**4,753**

27 TANGIBLE ASSETS

Change in tangible assets 2024

Data in HUF millions

Change in the gross value of tangible assets	**Cost (gross value)**			
	Opening	**Increase**	**Decrease**	**Closing**
Property and related concessions, licences and similar rights	1,475	774	1,056	1,193
Equipment, machinery and vehicles	1,349	655	105	1,899
Gross value of tangible assets	**2,824**	**1,429**	**1,161**	**3,092**

Accumulated depreciation of tangible assets	**Accumulated depreciation**			
	Opening	**Increase**	**Decrease**	**Closing**
Property and related concessions, licences and similar rights	442	395	281	556
Equipment, machinery and vehicles	779	273	96	956
Accumulated depreciation of tangible assets	**1,221**	**668**	**377**	**1,512**

Net value of tangible assets	**Net asset value**
Property and related concessions, licences and similar rights	637
Equipment, machinery and vehicles	943
Net value of tangible assets	**1,580**

Change in tangible assets 2023

Data in HUF millions

Change in the gross value of tangible assets	Cost (gross value)			
	Opening	Increase	Decrease	Closing
Property and related concessions, licences and similar rights	1,393	82	0	1,475
Equipment, machinery and vehicles	1,220	129	0	1,349
Gross value of tangible assets	**2,613**	**211**	**0**	**2,824**

Accumulated depreciation of tangible assets	Accumulated depreciation			
	Opening	Increase	Decrease	Closing
Property and related concessions, licences and similar rights	184	258	0	442
Equipment, machinery and vehicles	545	234	0	779
Accumulated depreciation of tangible assets	**730**	**492**	**0**	**1,221**

Net value of tangible assets	Net asset value
Property and related concessions, licences and similar rights	1,033
Equipment, machinery and vehicles	570
Net value of tangible assets	**1,602**

On 31.12.2024, 'Property and related concessions, licences and similar rights' include property lease rights in the amount of HUF 399 million (on 31.12.2023: HUF 803 million), which the Bank recognised as an asset in its balance sheet in accordance with the requirements of IFRS 16 effective from 1 January 2019. The lease right embodies the lease rights of the Bank's head office, branches and parking spaces.

Recognised rights of use apply to the following types of assets:

Presentation of changes in rights of use 2024

	Cost (gross value)			
	Opening	**Increase**	**Decrease**	**Closing**
Properties	1,078	704	1,078	704
Parking spaces	123	43	123	43
Gross value of rights to use assets	**1,201**	**747**	**1,201**	**747**

	Accumulated depreciation of rights to use assets			
	Opening	**Increase**	**Decrease**	**Closing**
Properties	362	348	394	316
Parking spaces	36	32	36	32
Accumulated depreciation of rights to use assets	**398**	**380**	**430**	**348**

	Net asset value
Properties	388
Parking spaces	11
Net value of rights to use assets	**399**

Presentation of changes in rights of use 2023

Data in HUF millions

	Cost (gross value)			
	Opening	Increase	Decrease	Closing
Properties	1,078	0	0	1,078
Parking spaces	123	0	0	123
Gross value of rights to use assets	**1,201**	**0**	**0**	**1,201**

	Accumulated depreciation			
	Opening	Increase	Decrease	Closing
Properties	141	221	0	362
Parking spaces	13	23	0	36
Gross value of rights to use assets	**154**	**244**	**0**	**398**

	Net asset value
Properties	716
Parking spaces	87
Net value of rights to use assets	**803**

28 DEFERRED TAX RECEIVABLES AND TAX LIABILITIES

Deferred tax and its changes recognised in the balance sheet:

31 December 2024

Data in HUF millions

	Asset	Liability	Profit	Equity
Fair value difference of securities - instruments measured through comprehensive income	15	0	0	24
Tax adjustment items				
Intangible assets and tangible assets	15	0	9	0
Expected credit loss	82	0	39	0
Credit provision	49	0	-2	0
Total tax adjustment items	**146**	**0**	**46**	**0**
Total deferred tax	**161**	**0**	**46**	**24**

31 December 2023

Data in HUF millions

	Asset	Liability	Profit	Equity
Fair value difference of securities - instruments measured through comprehensive income	-9	0	0	-111
Tax adjustment items				
Intangible assets and tangible assets	6	0	-17	0
Expected credit loss	42	0	39	0
Credit provision	52	0	37	0
Total tax adjustment items	**100**	**0**	**59**	**0**
Total deferred tax	**91**	**0**	**59**	**-111**

The Bank recognises the profit effect of deferred tax in the Income taxes line.

29 PROVISIONS

The development of provisions related to lending activities is detailed in Note 19, together with the development of expected credit loss.

30 OTHER LIABILITIES

Data in HUF millions

	31.12.2024	31.12.2023
Suppliers	377	198
Leasing liabilities	579	789
Account management settlements	242	528
Accrual of operating costs	1,942	1,031
Accrual of bonuses	147	315
Recognitions relating to inherited portfolio	98	91
Variable purchase price linked to acquisition	0	3,276
Other liabilities	0	0
Total other financial liabilities	**3,385**	**6,228**
Liabilities to central budget	462	565
Accrued income	99	99
Other non-financial liabilities	196	496
Total other non-financial liabilities	**757**	**1,160**
Total other liabilities	**4,142**	**7,388**

Of the other liabilities, items recognised in the Suppliers line are classified as financial instruments, which have been settled by the date of approval of the statements.

On 31.12.2023, the liability arising from the variable purchase price was related to the acquisition of the Diófa Group, which was completed in April 2024.

31 SUBSCRIBED CAPITAL

	31.12.2024	31.12.2023
Issued ordinary shares in circulation, no.	19,223,077	15,394,922
The nominal value of issued ordinary shares in circulation is HUF 1,000.	19,223,077	15,394,922

Shareholders of the Bank:

By ownership share	31.12.2024	31.12.2023
Tiberis Digital Kft.	42.45%	44.83%
E.P.M Kft. (Éva Hegedűs Chairperson & CEO)	4.22%	5.27%
ESOP Entity	32.90%	32.32%
MBH Gondoskodás Pension Fund	4.41%	5.50%
Széchenyi Capital Fund of Funds	4.54%	4.33%
Pannonia Pension Fund	5.94%	7.28%
Domestic private individual	2.88%	0.47%
Domestic legal persons	2.09%	0.00%
Other foreign small investor	0.57%	0.00%
Total	**100.00%**	**100.00%**

In 2024, the Bank launched the ESOP (Employee Share Ownership Programme) 4, under which the Bank issued HUF 30 billion in capital (2,607,335 shares at a price of 1,150.6%), subscribed by the ESOP Entity.

As of 25 November 2024, Gránit Bank changed its legal form from a private limited company to a public limited company and its existing ordinary shares were listed on the Budapest Stock Exchange on 25 November 2024. At the same time, the Bank's Board of Directors decided on a public increase of the Bank's share capital, under which 1,220,820 ordinary shares with a nominal value of HUF 1,000 and an issue value of HUF 14,500 were issued for a total amount of HUF 17,701,890,000, which were subscribed by retail and institutional investors. The capital increase was registered on 16 December 2024, the date on which the Bank's subscribed capital became HUF 19,223,077,000.

Further information is available in Notes 2 Significant and unusual events that occurred during the year and Notes 34 Defined benefit plans.

Data in HUF millions

	Subscribed capital	Capital reserve	*Issued bond*
Items related to financing activities 01.01.2023	**15,395**	**23,443**	*0*
Capital Increase	0	0	*0*
Bond issue	0	0	*0*
Items related to financing activities 12.31.2023	**15,395**	**23,443**	*0*
Capital Increase	3,828	43,407	*0*
Bond refund	0	0	*0*
Items related to financing activities 12.31.2024	**19,223**	**66,850**	*0*

32 CONTINGENT RECEIVABLES AND LIABILITIES

In its ordinary course of business, the Bank concludes business transactions with financial instruments related to loans that carry off-balance-sheet risk. This includes credit lines, financial guarantees, and letters of credit. These instruments contain credit risk elements that exceed the amounts recognised in the balance sheet.
The credit risk of off-balance-sheet financial instruments means the possibility of loss arising from the non-contractual performance of any other party to the financial instrument. With respect to contingent liabilities, the Bank follows the same lending policy as in the case of financial instruments in the balance sheet, from approval procedures to risk management limits to monitoring processes.
Credit lines are contractual agreements for the provision of credit, usually with a fixed or otherwise specified maturity, and with payment obligations. The potential credit loss is less than the amount of undrawn funds, since in the case of most credit lines provision of the credit depends on the customer's compliance with the terms to be fulfilled. As many credit lines are expected to expire without the credit being actually drawn down, the amount of the commitments does not necessarily reflect future cash needs.
Issued financial guarantees are contingent liabilities by which the Bank guarantees the performance of one of the Bank's customers to a third party. The credit risk inherent in the issuance of a guarantee is essentially the same as in the case of lending to other customers. When determining the probability of loss resulting from the guarantee, the Bank applies the same principles as for the establishment of the provision to be generated for potential loss of other credit lines.
Letters of Credit are financing transactions between the Bank and a customer, where the customer is usually the buyer/importer whereas the beneficiary is typically the seller/exporter of goods. The credit risk is limited, as the delivered goods serve as collateral for the transaction.
The Bank generates provisions for the credit risk of its contingent liabilities related to its lending activities as detailed in Note 20.

The Bank's contingent receivables and contingent liabilities related to lending are as follows:

Data in HUF millions

	2024	2023
Contingent liabilities	**230,303**	**144,426**
Guarantees	60,845	28,444
Revolving loan	65,989	17,263
Approved credit lines	103,453	98,703
Other	16	16
Contingent receivables	**935,581**	**1,054,254**
Guarantees and received sureties	29,674	24,443
Property received as collateral	239,158	197,272
Guarantees received from the Hungarian state	533,430	699,797
Other guarantees	109,150	128,798
Received credit lines	24,169	3,944

For more information on the collateral received, see the Loan portfolio coverage table in Note 38.7.1.

33 TRANSACTIONS WITH RELATED PARTIES

The concept of related party includes the entities that are directly or indirectly under the control of the Banking Group, have an influence over the Banking Group, are controlled by the same entity as the Banking Group, as well as associates and the management of the Banking Group.

Data in HUF millions

	Credit		Deposit	
	2024	2023	2024	2023
Subsidiaries	51,717	0	11,666	4,998
BDPST group (Group of companies owned by the Bank's majority shareholder)	7,147	1,806	12,838	3,907
Owners with a significant influence and their close relatives	343	2,292	6,084	801
Total	**59,207**	**4,098**	**30,588**	**9,706**

Credit and deposit transactions with the related parties were concluded at market terms.
The Bank also executes securities transactions on behalf of its related parties, but the fees charged for these transactions are not material and therefore are not presented. The Bank had no transactions with its parent company at the end of the years 2023 and 2024. Only the parent company has control over the Bank. The Bank has no associates or jointly ventures.

Management in key positions

The Management of the Banking Group includes the members of the Bank's Board of Directors and Supervisory Board, the CEO and the Deputy CEOs.

Data in HUF millions

	Credit		Deposit	
	2024	2023	2024	2023
Supervisory Board	100	0	33	53
Board of Directors – Management	262	5,200	253	4,101
Total	**362**	**5,200**	**286**	**4,154**

Credit and deposit transactions with the Management were concluded at market terms.

Compensation paid to the Management for the business year

2024	Number of persons receiving compensation	Short-term employee benefits	Other long-term benefits	Share-based benefits
Board of Directors - Management	8	414	249	108
Supervisory Board	7	12	0	0
Total	**15**	**426**	**249**	**108**

2023	Number of persons receiving compensation	Short-term employee benefits	Other long-term benefits	Share-based benefits
Board of Directors - Management	8	405	219	51
Supervisory Board	5	29	0	0
Total	**13**	**433**	**219**	**51**

34 DEFINED BENEFIT PLANS

The Bank manages its Remuneration Policy by defining remuneration principles ensuring a safe and prudent operation that is in line with the Bank's business strategy, goals, values, and the long-term interests of the organisation, as well as an effective and efficient risk management, and in harmony with all of these ensures the increase of shareholder value.

The Remuneration Policy applies to all employees of the Bank, with a particular focus on senior executives and employees with risk-taking and control functions as defined in the Internal Rules and employees in the same remuneration category as the above, whose activities have a material impact on the risk taking of the Bank.

The Bank's System of Remuneration consists of the following:

- Basic wage,
- Fringe benefits,
- Annual bonus,
- Target bonus (project bonus),
- Rewards,
- Participation in ESOP Entity.

Annual bonus, reward

Data in HUF millions

	2024	2023
Liability at the beginning of the period	**315**	**433**
Payment	-233	-421
Training	945	303
Liability at the end of the period	**1,027**	**315**

Employee Stock Ownership Plan (ESOP)

ESOP II

The Bank's Board of Directors decided on the ESOP II Plan on the basis of a resolution adopted by the Bank's General Meeting on 15.12.2020. The ESOP Entity used all of the founder's equity of HUF 2,910 million placed at its disposal by the Bank (1,799,484 shares at a price of 161.7%) for the subscription of ordinary shares issued by the Bank.

The structure of ESOP II is identical to that of ESOP I, with a similar 3-year duration, and the fulfilment conditions are set out in the ESOP Articles of Association and the Remuneration Policy. The benefit is paid by the Bank's shareholders, but it is the Bank that receives the services as a consideration for the benefit, therefore the benefit is recognised by the Bank as a share-based payment transaction settled in equity instruments in accordance with IFRS2.43B(b). The expense or the related increase in equity is recognised in the period in which the employees rendered the service, i.e. over the 3 years of the plan, in a linear manner. The Bank must determine the fair value of the services received on the basis of the fair value of the equity instruments granted, as the fair value of the services received typically cannot be determined reliably. Similar to the previous plan, the Bank determined the fair value using a methodology based on scenario analysis, estimating the value of the likely share price increase resulting from the service provided by the employees participating in the plan. The fair value at the time of the provision was HUF 213 million, and correspondingly the increase in equity and cost per year was HUF 71 million.

In 2021, the founding assets of the ESOP II Plan increased by an additional HUF 100 million.

The ESOP II plan was closed in 2023, and accordingly, the total amount (HUF 213 million) was transferred, within equity, from the 'Reserve for share-based payment transactions settled in equity instruments' line to the 'Profit reserve' line.

ESOP III

On 16.11.2021, the Extraordinary General Meeting of the Bank decided to launch the ESOP III Remuneration Policy, which, as in previous programmes, will have a 3-year reference period of 2022-2024. The General Meeting authorised the Bank's Board of Directors to issue new ordinary shares as follows: the number of shares issued is 3,703,704, the per-share nominal value of the shares issued is HUF 1,000, the issue price is 450%, the total value of the issue is HUF 16,667 million. The issued shares will be financed by the ESOP Entity partly from the contribution of the Bank, as founder, (HUF 1,667 million) and partly from a loan from an independent bank (HUF 15,000 million). The transfer of the founders' assets to the ESOP took place in 2021 (with this sum increasing the Bank's stake in the ESOP Entity accordingly), but the related share issue by the Bank was only effected in 2022, as was the borrowing from an independent bank and the related capital increase.
Given that IFRS 2 requires the expense or the related increase in equity to be recognised in the period in which the employees render the service (i.e. over the 3 years of the plan), this had no impact on the 2021 business year. The fair value at the grant date was HUF 270 million, with a corresponding annual increase in equity and costs of HUF 90 million from 2022 onwards.

ESOP IV

During the implementation of the Remuneration Policy of the GRÁNIT Bank ESOP Entity for the years 2024 to 2026, under the mandate granted by Resolution No 39/2024 (05.14.) of the General Meeting, in its Board Decision No 121/2024 (IX.11.) of 11 September 2024, the Issuer's Board of Directors decided to increase the Issuer's share capital from HUF 15,394,922,000 to HUF 18,002,257,000. As part of the share capital increase, the Issuer issued 2,607,335 dematerialised ordinary shares (ISIN: HU0000094149) with a nominal value of HUF 1,000 each and an issue value of HUF 11,506 each, which were subscribed by the Gránit Bank ESOP Entity ("Private Capital Increase").

In connection with the Private Capital Increase, on 18 October 2024, the GRÁNIT Bank ESOP Entity made available to the Issuer a cash contribution in the total amount of HUF 29,999,996,510. The Private Capital Increase was registered by the Company Court of the Metropolitan Court of Budapest on 24 October 2024.

35 COMPENSATION OF THE AUDITOR

Data in HUF millions

	2024	2023
Fees for statutory audit services	92	76
Fees for non-audit services provided by a statutory auditor	34	23
Fees for services provided by other audit firms	113	62
Total fees paid to audit firms	**239**	**161**

As required by the Accounting Act, the Bank is a company subject to an audit. In 2024 (and in 2023) PricewaterhouseCoopers Könyvvizsgáló Kft. provided statutory audit services to the Bank.
Non-auditing services provided by a registered auditor primarily include accounting advisory services in both years.
The fees for services provided by other auditing firms include legal services and tax and accounting advisory fees.

36 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

37 RISK MANAGEMENT

37.1 Risk Management Committees

The **Asset-Liability Committee** ("ALCO") is a standing committee set up by the Board of Directors. It has, within specified limits, decision-making rights concerning the management of the Bank's assets and liabilities and related risk management and capital adequacy issues. The detailed rules of operations of the committee are defined in a separate regulation. The Committee had 8 meetings in 2024.

The **Credit Committee** ("CC") is a standing Committee set up by the Board of Directors. It has decision-making rights concerning the Bank's risk-taking, as well as issues related to risk-taking and its monitoring. The detailed rules of operations of the committee are defined in a separate regulation.

The **Problem Claims Committee** ("PCC") is a standing committee set up by the Board of Directors. It has decision-making rights to recover the Bank's overdue receivables, to conduct activities concerned with other breaches of contract or other facts, and to monitor, manage and recover the Bank's claims and commitments related to problematic claims and customers. The detailed rules of operations of the committee are defined in a separate regulation.

37.2 Risk strategy, processes, scope

The Bank manages its risks prudently, conservatively, and makes sure that its customers should not become indebted to an extent over their capacity of repayment, which must not be exceeded even during a potential economic turbulence.

The Bank's portfolio of assets is of impeccable quality thanks to the Bank's exceptionally well-regulated and conservative risk-taking policy.

Since 2010 the Bank has used the standard method for calculating the credit and market risk capital requirement in Pillar I, while it uses the basic indicator method for calculating the capital requirement for operational risk.

The Bank develops its portfolio in compliance with conservative risk management and prudent business policy to ensure the best possible quality of it. The Bank's risk management strategy and policy are based on the following guidelines:

- The ultimate goal of all the Bank's business activities is to make a profit of sufficient magnitude in the long term, after provisioning for risk (expected credit losses, provisioning).
- The Bank's strategy for defining asset-side growth targets is to build what in risk terms is a high-quality portfolio, regarding the quality of the portfolio as the primary objective rather than quantity-based growth.
- The business and risk management functions are jointly responsible for the quality of the Bank's asset portfolio.
- An independent credit risk management function has been established, separate from the business area within the organisation, and directly reporting to the Bank's Chairperson and CEO as an organisational unit.
- Those responsible for Compliance and Anti-Money Laundering (hereinafter: AML) perform their activities, in terms of organisation, separately from operating and risk-taking processes.
- The prudent and conservative risk management policies are regularly reviewed by the Bank, so they were also reviewed in 2024. It is part of the Bank's risk-taking policy that it must be implemented in a dynamically changing business environment.
- The Bank continuously monitors the operations of the established risk management systems and, if possible, subsequently measures the results and improves and ameliorates them on the basis of the experience gained.
- The Bank's management body with control powers approves, regularly reviews, and evaluates strategies and rules for segregation of responsibilities within the organisation, prevention of conflicts of interest, the taking, measurement, management, monitoring and evaluation of risks, including risks resulting from the macro-economic environment and changes in the current economic cycle.

- A part of the risk management strategy is the development of effective risk management processes.
- The risk management process is part of the Bank's comprehensive management system, the aspects of which play a role in strategic and annual planning.
- In any case, risk taking can only take place within the approved limit, in accordance with the guidelines of the Credit Policy.
- The Bank assumes only risks that can be measured and managed and that do not exceed its risk-bearing capacity. The risks are taken into account in the course of business decisions.
- The Bank focuses its risk-taking on business activities in which it possesses the necessary expertise and technical conditions for the assessment, measurement and monitoring of the risks entailed.
- The Bank's risk management policy includes the principle of safe operations, the principle of the avoidance of conflicts of interest, the principle of managing material risks, the cost-benefit principle, and the principle of avoiding prohibited activities.
- The Bank uses multi-level decision making in its lending decisions.
- Bank risks are determined on the basis of the MNB ICAAP/ILAAP/BMA manual[1] and the CRR[2].
- The Bank continuously monitors exposures and compliance with the limits at the level of the Credit Committee, the Asset-Liability Committee, the Board of Directors and the Supervisory Board as well. Risk management policy also involves a balance between the risk and return of positions and the continuously monitoring of it.
- The prior approval of the Asset-Liability Committee is required before the submission of the more important risk management rules/regulations detailed in the ELC Rules of Procedure to other decision-making bodies.
- The Bank also applies the four-eye principle when implementing risk-taking decisions to ensure compliance and fully conformity with the relevant policies.
- In order to reduce risks and capital requirements, the Bank only assumes any risks, depending on the creditworthiness of the customer and the risk structure of the transaction, if collateral or security of adequate quality (e.g. received guarantee, security deposit, government security collateral, surety, mortgage, etc.) is available.

37.3 Organisational units and functions that ensure the identification, measurement and monitoring of risks

The Bank has developed and operates its internal lines of defence, as well as each element that forms part of them, in accordance with the relevant legal requirements, supervisory requirements and the specificities, scope, complexity and risks of the service activities conducted by the Bank.

Accordingly, the Bank has developed and operates internal lines of defence that promote:

- the reliable and efficient operations of the Bank in accordance with laws and internal regulations,
- the protection of the Bank's assets, as well as the economic interests and social goals of its customers and owners,
- through these, the Bank's smooth and efficient operations and the preservation of trust towards the Bank.

The Bank's internal lines of defence comprise responsible internal governance and the internal lines of defence, such as the first line of defence (controls embedded in business processes), the second line of defence (risk control and compliance) and the third line of defence (internal audit). The Bank ensures the implementation of responsible internal management by establishing and operating the organisational structure, organisation and system of bodies and commissions defined in its

[1]the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and their supervisory review and Business Model Analysis (BMA) Methodology Manual for the supervised institutions

[2] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012

Organisational and Operational Regulations, and by exercising management and control functions. The tools of the internal control functions are risk control functions, the compliance function and the internal audit function. The Bank's separate policies govern these tools, which are independent of each other and the functions they control.

The ALC regularly reviews the operations of internal lines of defence as well as the individual sub-systems that form part of them, and prepares a report of its findings regularly for the Board of Directors and the Supervisory Board.

Separate policies and rules of procedure govern the operations and interrelationship of all the Bank's decision-making bodies and organs (Board of Directors, Supervisory Board, Management Committee, CC, ALC, PCC), as well as Internal Audit and Compliance.

Overall, the lines of defence work effectively. Meetings of the Management Committee and the ALC are held at least once a month, whereas the Board of Directors and the Supervisory Board meet at least quarterly. Any deficiencies that may arise are addressed by immediate measures.

Those responsible for Compliance and AML also perform their activities separately from operating and risk-taking processes.

Risk Management function:

Risk Management is independent of the activities it supervises and controls, as well as from the Compliance function and Internal Audit.

The organisational framework of the process by which risk appetite can be established, the extent of the risks undertaken can be monitored and continuously maintained, has been set out within the risk strategy. The Bank does not limit risk management activities to the risk management area only, as being a company with a risk-conscious approach, the management of the Bank's risks is also the responsibility of its governing body, its management and employees alike.

As regards the Bank's growth, risk management areas have been separated, and a Risk Management Directorate and a Risk Management Methodology Directorate operate within the risk management function.

The Risk Management Directorate is headed by a Managing Director, whose immediate operational superior is the Chairperson & CEO of the Bank. They have an obligation of accountability and regular reporting to the Chief Risk Officer (CRO) during the performance of the risk control function, which is separate from the operational risk management areas. All subordinate employees of the Board of Directors have an obligation to report to the managing director of the Board of Directors.

The Risk Management Directorate is divided into the following departments:

- Corporate Credit Risk Management Department
- Retail Credit Risk Management Department
- Corporate Credit Monitoring Group

The Risk Management Methodology Directorate is headed by a Managing Director, with the deputy CEO, Strategy and Analysis as their immediate operational superior. They have an obligation of accountability and regular reporting to the Chief Risk Officer (CRO) during the performance of the risk control function, which is separate from the operational risk management areas. All subordinate employees of the Board of Directors have an obligation to report to the managing director of the Board of Directors.

The Risk Management Methodology Directorate is divided into the following department(s):

- Market and Operational Risk Management

The independent control of the system and operations of risk management is primarily provided by the ALC and its members, the competence of which is defined in detail in the relevant Rules of Procedure. Central risk control is implemented at the level of the Deputy CEO responsible for Strategy and Analysis.

Risk assumption activities are conducted by the Bank on the basis of a system of detailed written rules, and rules are reviewed by the Bank on an annual basis.

37.4 Mitigating and covering risks

The main principles of the policies pertaining to risk mitigation and credit risk coverage, the strategies and processes for risk mitigation and the control of the effectiveness of credit risk coverage tools, as well as the key aspects of the measurement of collateral, are set out in the Bank's Collateral measurement policy.

Principles:

The policy defines the proportion of collateral that the Bank assigns to various collateral types.

Methodology used to determine collateral value (depending on the type of collateral):

- Collaterals specified by law and 100% recognised: e.g. security deposits, state surety/guarantee.
- Collateral/liquidation value established by appraisers approved by the Bank. The policy sets out for the appraisers the system of requirements used for different types of collateral, as well as the minimum discount rate that can be applied.
- By discounting the value recorded in the guarantor's books, if the value cannot be established on the basis of the previous 2 methodologies.
- In the case of a surety/guarantee assumed by a third party for the claims of a debtor of the Bank, a value determined by using a discount rate adjusted to the third party's debtor rating.
- In the case of securities, a value determined by using discount rates taking into account the volatility of the exchange rate in accordance with the methodology set out in the policy.

The determination of the collateral value of a collateral is done in accordance with the methodology set out in the policy; in case appraisers approved by the Bank are employed, the collateral value determined by them is validated under the control of the risk manager.

The Bank reviews the collateral value of all collaterals with a frequency that is in accordance with prevailing legislation and internal regulations and, in the case of negative information, reviews it immediately after such information has arisen. The Bank verifies the existence of each collateral at least annually, and at least every six months in the case of certain collaterals.

The Bank also accepts collateral that does not meet the requirements for reducing the capital requirement (e.g. surety guarantees, specific pledges on an asset, warrants, etc.); however, only collateral that meets the requirements of CRR is taken into account to reduce the capital requirement for credit risk.

37.5 Risk types relevant for the Bank, covered by capital in Pillar I

a) Credit risk, in particular:
   - credit risk,
   - counterparty risk,
   - Credit Valuation Adjustment (CVA) risk,
   - settlement risk (late performance and open delivery).

   The Bank uses the standard method for calculating the capital requirement for credit risk.

b) Market risk
   - trading book share price rate risk,
   - trading book interest rate risk,
   - the entire currency risk.

   The monitoring of the market risk by the use of appropriate IT systems, and the Bank fully complies with the legal requirements in the field of risk management. The Bank uses the standard method for calculating the capital requirement for market risk.

c) Operational risk that includes all related risk sub-types defined by law (human, system, legal, external, etc.).

   The Bank uses the basic indicator method for calculating the capital requirement for operational risk.

37.6 Principles and strategy for the internal capital adequacy assessment process – ICAAP[3]

Risk appetite, desired risk structure:

Risk appetite is the amount of risk an organisation is willing to take and can tolerate.

Aspects of the determination of risk appetite:

- what type and what degree of risk the Bank intends to take and what return can be expected from it;
- whether the Bank has any comparative advantage in an area;
- what the capital requirement for actual risks is in the Bank,
- taking stock of all risks the Bank assumes, including the risks inherent in off-balance-sheet activities,
- risk assumption regularly reviewed and adjusted by the Bank on the basis of environmental, business, and risk information and analyses.

It is the responsibility of the governing body and the management of the Bank to define risk appetite and risk tolerance levels for the Bank's business and risk strategy.

The Bank builds up its loan portfolio in line with the asset-liability strategy, whereby it is a basic requirement that the borrower should repay the loan from its regular cash flow (cash-flow-based lending), of course still with the involvement of a maximum level of collateral to secure the loan.

***Designating target variables and indicators*:**

It is a principle of the Bank's risk management policy is that the risk cost of the loan portfolio should not exceed 3.5% of the balance sheet total.

The Bank pursues a business policy that ensures compliance with the minimum capital adequacy requirements under Article 92 of the CRR, the capital buffer requirements under Sections 86-96 of the Credit Institutions Act, the capital requirement imposed by the MNB (the Supervisory Authority) under the Supervisory Review and Evaluation Process (SREP[4]) and the capital recommendation imposed by the MNB (Section 85/B of the Credit Institutions Act).

The Bank's Board of Directors, based on the medium-term strategy, adopts a detailed annual financial plan. In the framework of this, the Bank takes market information into account and conservatively assesses the proportion of default and risk costs of loans by corporate division and product class.

The composition and quality of the portfolio is monitored monthly by the Asset-Liability Committee. A quarterly report on the development of the results and the quality of the portfolio is made to the Board of Directors and the Supervisory Board. The Board of Directors and the Supervisory Board discuss and approve the reports and take the appropriate measures as necessary.

The Bank limits its risk appetite by setting limits. Compliance with this is monitored and regularly measured in accordance with the limits established and defined in the internal regulations, employing the Management Information System developed by the Strategy and Analysis Directorate in accordance with internal regulations. This will ensure (even under stress conditions) that the set limits, risk indicators, etc. should be consistent with the Bank's risk appetite and risk tolerance.

Based on a risk map the Bank identified the risk factors relevant to it. The Bank has a thorough understanding of its risk structure, i.e. the proportion of each type of risk in the portfolio, its concentration and significance, which is monitored by the ALCO on a monthly basis and by the Board of Directors at least quarterly. The Bank currently considers credit risk to be its most important type of risk.

Responsibilities and duties are set out in detail in the Bank's internal regulations.

Risk types managed in Pillar 2

- Credit risk
  - credit risk,
  - counterparty risk,
  - Credit Valuation Adjustment (CVA) risk,
  - settlement risk (late performance and open delivery),

[3] Internal Capital Adequacy Assessment Process
[4] Supervisory Review and Evaluation Process

  - concentration risk,
  - country risk,
  - residual risk,
  - high-risk portfolios,
  - other asset risk,

- Market risk
  - trading book share price rate risk,
  - trading book interest rate risk,
  - the entire currency risk,

- Interest rate risk in the banking book

- Risks of operational nature
  - operational risk
  - legal risk and business management risk
  - information and communication technology (ICT) risk
  - reputational risk
- Modelling risk
- Strategic and business risk
- Corporate governance and control function risk
- Liquidity risk
- Regulatory risks
- Climate change and environmental risks

The risk management concept and order of each risk type are set out in separate policies.

37.7 Credit risk

The Bank pays special attention to the fact that customers should be able to repay their loans from their regular income, but at the same time in order to protect deposit owners, it applies a wide range of collaterals as an adequate mitigation against credit risk. The high quality of the portfolio is the joint result of a thorough risk management analysis work conducted prior to decision making, the decision-making mechanism (pre-screening, risk analysis, decision by, depending on the amount, of the Lending Committee or of the Board of Directors), the application of a wide range of collaterals, and strict credit monitoring.

a. *The Bank determines the credit risk (limit) of customers / customer groups on the basis of strict procedures and individual decisions in the following structure:*

   Types of risk assumption limits

   - Credit limit: for all loans and credit substitute products
   - Guarantee limit: for guarantees in a narrower sense, letters of credit, bill broker transactions, and similar transactions in which the Bank commits to fulfil an obligation of the customer,
   - Substitution limit (pre-settlement): for foreign exchange transactions, derivatives, forward rate agreements, repo transactions, securities-based loans, etc.,
   - Settlement limit: the risk arising from the execution and clearing of trading products,
   - Issuer limit: includes issuer risks shown in the trading or investment book.

The sum of the above limits is the gross aggregate limit.

In all cases, the prerequisite for entering into risk assumption transactions is prior approval by the body having decision-making power in accordance with the effective regulations, and by the retail business and risk management manager in the case of standard retail overdrafts and "babaváró" loans.

Limit monitoring is based on the daily closing balance. There is a separate internal regulation for dealing with limit overruns, which includes the obligation of immediate reporting.

b. *The threshold of the maximum credit risk that can be assumed concerning each customer/customer group is determined by the approved limits, which take into account the Bank's current high-risk assumption limit.*

c. *Causal (industry) concentration means the risk of concurrent default attributable to the same common cause or causes.*

The role of industry limits is to control the magnitude of the risks assumed by the Bank and to mitigate the Bank's risk-taking in sectors that pose a higher risk.

The Bank defines limits for the corporate portfolio concerning each industry of the national economy.

The Bank also applies product limits in respect of retail mortgage loans, overdrafts, Lombard (securities-backed) loans and "babaváró" loans.

d) *The country limit* limits the amount of all risks that can be assumed *regarding a particular country*, i.e. the given government itself, any party entering into an agreement with the Bank or risk-bearing party incorporated in the given country, the citizens of the foreign state and any other economic entity that belongs under the jurisdiction of that foreign state for any other reason.

Country risk also includes the cases where the recovery of a receivable or receivables from a particular customer depends on income from a foreign country. If several criteria are at play, the transaction is to be charged against the limit of the country with the lower rating.

37.8 Customer and transaction rating, determination of expected credit loss

I. Schedule of ratings

I.1 Quarterly rating:

The Bank performs the rating of transactions for its exposures subject to IFRS 9 at least once per calendar quarter, for the last day of the quarter. The aim of the quarterly transaction rating is to classify the exposures in accordance with the MNB's requirements and the requirements of IFRS 9, and to recognise or reverse the expected credit loss and the provision for the transaction rating in accordance with the relevant segment methodology.

I.2. Extraordinary rating:

In the intervals between quarterly ratings, an extraordinary rating must be performed for individual exposures in the case when during the processing of the information received by any of the Bank's organisational units, a level of risk is detected with a receivable or off-balance sheet liability that necessitates the recognition of a loss significantly higher than the expected credit loss or provision recorded in the books, and/or the exposure must be reclassified into the non-performing and/or restructured category.

II. Measurement of the expected credit loss

When measuring expected credit losses, the Bank does not necessarily identify all possible scenarios, but takes into account the risk or likelihood of a credit loss occurring by calculating with both the likelihood of the occurrence and of the non-occurrence of the credit loss, even if the likelihood of the occurrence of the credit loss is very low. In practice this means that the Bank:

- for financial assets whose repayment if based on a schedule, if individually assessed in the context of a unique scenario analysis for estimating expected credit losses, in addition to the original scenario included in the agreement, it examines two more scenarios, assigning likelihoods to their occurrence and then employing the DCF[5] method to calculate the amount of the required expected credit loss;
- for financial assets where the expected credit loss is estimated on the basis of collective principles – on the basis of the PD*LGD*EAD[6] formula – rather than by outlining individual cash flow scenarios, it incorporates the probability of the various scenarios into its model during the determination of the PD value and thus calculates the amount of the required expected credit loss.

III. Exposure portfolios for transaction rating

In order to estimate the expected credit loss or provisioning as accurately as possible, the Bank identified the following exposure portfolios from its current portfolio. Each portfolio adequately

[5] discounted cash flow

[6] Probability of Default / Loss Given Default / Exposure at Default

aggregates transactions that have characteristics similar to each other, so each portfolio is internally sufficiently homogeneous while being sufficiently different from each other so that the rating indicators that form the basis for expected credit loss and provisioning, and their relative weight, can be calibrated separately for each portfolio in order to reach a more accurate estimate.

(a) Retail customers
- private individuals
- primary producers
- sole traders

(b) Non-retail customers
- companies (non-financial corporations)
- project companies (special lending exposures)
- other financial corporations (e.g. leasing companies, factoring companies)
- other non-profit companies
- local municipalities
- credit institutions (financial institutions)
- government/state

(c) Other receivables (fee claims)

(d) Off-balance-sheet liabilities

IV. Transaction rating categories under IFRS 9 (with a different term: stages or buckets)

As a first step in determining the expected credit loss of its financial instruments, the Bank classifies its financial instruments into one of three transaction rating categories (valuation buckets).

(a) Bucket 1 (stage 1) – Well-performing financial instruments

Basically, this bucket includes the financial instruments that the Bank considers to be performing well, as their credit risk is typically low or has not significantly increased compared to the initial recognition.

(b) Bucket 2 (stage 2) – Underperforming financial instruments

This bucket includes financial instruments whose credit risk has increased significantly since the initial recognition, but which have not yet reached non-performing status.

The following are considered to be a significant increase in credit risk:

- Arrears of more than 30 days (the assumption may be refuted and the period and fact of the moratorium ordered by the authority must also be taken into account).
- Lifetime PD in all segments, except for the State, Bank, Municipality segments: Depending on the PD band, the absolute value is applied in the low PD bands, while the relative value in the higher PD bands (absolute change: 0.25%; relative change: 3 times PD change).
- A deterioration of 3 categories compared to the initial recognition on the master scale, in the case of segments evaluated using the master scale or a deterioration in lifetime PD compared to the initial lifetime PD value, as described in the regulation.
- The deterioration 3 categories in customer rating compared to the initial recognition in the case of financial institutions and the government and municipal segments.
- Restructuring of a risk assumption agreement.
- “Problematic” classification as described in the policy for problematic transactions (to be considered carefully).
- In the case of retail mortgage loans, a significant increase of over 95% of the loan-to-value ratio compared to at that the time of the disbursement.
- In the case of speculative property financing project loans, indicators specified in recommendation 12/2018. (II.27.) of the MNB.
- In addition, the Bank may classify certain sectors or certain retail customers as “vulnerable” (e.g. due to the exposure of their jobs/income to a crisis situation) – this “vulnerable” classification also implies a Bucket 2 classification.

- Special circumstances indicating the need for a lifetime assessment

(c) Bucket 3 (stage 3) – Non-performing (defaulted) financial instruments

This bucket includes only the financial instruments that are non-performing (defaulted), classified in the 17th, i.e. last, category ("default") of the Bank's 17-grade credit loss master scale, and those that have been overdue for more than 90 days and the part affected by the delay is significant, as well as those classified by the Bank as non-performing according to other criteria specified in the relevant policy (e.g. if the transaction is considered to be non-performing under Article 178 of the CRR, or if it is likely that the transaction will not be recovered without collateral enforcement, or if the counterparty is in liquidation, etc.).

The real difference between the classification into the three classification categories (buckets) under IFRS 9 is not the individual or collective methodology used for measuring the expected credit loss, or the absolute value of the loss, but rather the relative magnitude of the change in the credit risk, and the fact that

- the expected credit loss is calculated by the Bank on the basis of the 12-month default risk in Bucket 1, whereas in Buckets 2 and 3 the Bank bases its calculation on the lifetime default risk (except for bullet/balloon type transactions where the Bank determines the rate of the expected loss on the basis of the lifetime default risk in Bucket 1 as well, given that in the case of such transactions the default pattern is concentrated over the period beyond the next 12 months), and

- the Bank calculates the interest income on the basis of the gross amortised cost (excluding expected credit loss) in the case of transactions in Bucket 1 and Bucket 2, and on the net amortised cost (including expected credit loss) in the case of transactions in Bucket 3.

V. Overview of the measurement methods used by the Bank

The Bank measures and recognises expected credit loss/provisions in accordance with the rules of IFRS 9 as follows.

V.1. Simplified collective measurement method

The Bank applies the collective measurement method in the case of other receivables (receivables from financial and investment services, typically fees).

Other receivables are receivables from financial and investment services, typically without collateral, which the Bank classifies into the transaction rating buckets set out in the MNB Decree using a simplified rating based on the number of days in delay.

Under the simplified collective measurement method, the Bank determines the amount of expected credit loss on the basis of a predetermined fixed percentage applied to the exposure outstanding on the date of the measurement.

V.2. Individual measurement method

- includes *the PD * LGD * EAD method that shows collective characteristics but is based on individual data, and*
- the *discounted cash flow method based on individual cash flow estimates* ("DCF method")

The Bank applies the individual DCF method to its exposures exceeding HUF 1 billion (subject to certain exceptions set out in the relevant policy), based on expert analysis; while expected credit loss/provision is primarily calculated for exposures below HUF 1 billion on the basis of the method with collective characteristics, taking into consideration PD, LGD and other correction factors estimated on a statistical basis in Bucket 1 and Bucket 2, while the Bank uses the DCF model in Bucket 3. In 2021, the Bank increased the threshold for individual assessment from HUF 500 million to HUF 1 billion in order to narrow the range of transactions where expert estimates are used.

V.2.1. Individual measurement model with collective characteristics

As a general rule, the Bank calculates Expected Loss ("EL") on the basis of indicators developed for the estimation of Probability of Default (PD), Exposure at Default ("EAD") and Loss Given Default ("LGD"). The method used to determine exposure at default depends on whether the item is on-balance-sheet or off-balance-sheet.

(a) In the case of an on-balance-sheet item, "EAD", i.e. the exposure at default means, for the purpose of simplification, the book exposure of that item at the reporting date.

(b) For off-balance-sheet items, the value of "EAD" must first be determined using a credit conversion factor ("CCF"), which is the probability of an exposure ("E") being included in the balance sheet or not.

The Bank establishes the credit conversion factor (equivalent) pursuant to CRR, according to a standard method.

Based on the above, the Bank, as a general rule, establishes the expected credit loss using the following formula:

$$EL = PD \times LGD \times EAD \times CCF$$

The calculations are made in accordance with the requirements of IFRS9 using the point in time estimation method, applied in the macroeconomic correction component of PD.

V.2.2. Individual expected credit loss establishment method based on the cash-flow stress model

In addition to the expected credit loss model used as a general rule, the Bank may also use a purely individual measurement model that determines the expected credit loss of a given individually measured transaction using the discounted cash flows ("DCF") method based on CF scenarios developed by an expert.

To establish the basis of the individual expected credit loss established using the DCF method, the credit risk manager of the given loan, in addition to the original contractual cash-flow scenario, based on their best knowledge of the customer and the given transaction develops at least two more potential cash-flow scenarios, where at least one of these is expected to be based on the assumption that the transaction becomes non-performing. The credit risk manager assigns probabilities to the two or more cash flow stress scenarios.

VI. Combined transaction rating (credit risk master scale)

The Bank, combining

(a) its own regularly monitored and updated customer rating categories based on historical data, and

(b) its scoring system for the behaviour of a particular customer concerning a specific transaction ("behavioural scoring"), which also includes forward-looking information,

has created a 17-grade master scale in order to measure credit risk changes for the following segments:

- Retail segment
- Corporate segment
- Other financial corporate segment
- Project loans segment
- Non-profit segment

The 17-grade master scale shows the increase in credit risk from category 1, the lowest credit risk, up to 17, the highest credit risk category characterised by non-performance.

This master scale evaluates the Bank's transactions in a particular portfolio based on a complex set of criteria that not only take into account past data of the particular customer and transaction, but also consider several pieces of forward-looking information based on the customer's transaction behaviour. Based on the master scale, the Bank also adjusts the PD calculated for each transaction by incorporating macroeconomic indicators. Such a complex credit risk monitoring system enables the Bank to detect an increase in credit risk before the particular transaction becomes overdue. As a result, a transaction with a significantly increased credit risk is classified into a transaction rating category (expected credit loss/provisioning bucket) where the expected credit loss/provision calculation is based on a lifetime estimate of the expected credit loss.

The Bank has developed various behavioural point systems for its customer portfolios with significantly different characteristics. These behavioural point systems examine different characteristic behavioural elements concerning transactions under a particular customer portfolio, thereby allowing the transactions belonging to each customer portfolio to be classified to the appropriate level of the single master scale on the basis of the Bank's customer rating/debtor rating and their most typical behavioural patterns during the combined transaction rating process.

The Bank relies on the available ratings of external rating agencies to determine the probability of default concerning the government, municipal and banking segments.

VII. Macroeconomic adjustment of the PD calibration

In addition to keeping the forward-looking nature of the probability of default (PD) in mind, the Bank monitors external macroeconomic indicators and the MNB's indicator forecasts to ensure the monitoring of economic cycles, and in response to these, adjusts, for each transaction, the base PD values determined in the first round, with the macro factor being a constituent component of the final PD as a multiplying factor. In selecting the model variables, the Bank has taken into account the fact that these external macroeconomic indicators are in all cases publicly available to users and the forecasts of those indicators are continuously available and expected to remain so for the long term. The differentially defined macroeconomic indicators include:

- Gross Domestic Product (GDP) volume indices – seasonally and calendar-adjusted and balanced data (previous quarter = 100.0%),
- Customer price index (CPI),
- Employment rate,
- Unemployment rate.

In line with the MNB's requirements, the Bank uses indicator forecasts according to the 3 scenarios (baseline, favourable, adverse) prepared by the MNB in its model for calculating expected credit loss, where the baseline corresponds to the most probable forecast trajectory, and the favourable and adverse ones are respectively based on more favourable and less favourable projected trajectories. The average of the expected credit loss results calculated with macro-correction multipliers modelled in this way, weighted by the probabilities according to the scenarios, gives the final expected credit loss rate.

Probabilities of the macro scenarios used for the end of 2024 and 2023:

- baseline: 66.7%
- favourable: 7.7%
- adverse: 25.6%

VIII. Application of a risk multiplier

The PD calculated as described above is in line with IFRS 9 requirements and reflects the Bank's expected credit loss; however, in the case of a combination of specific economic circumstances, the Bank may decide to apply a multiplier factor that increases PD levels across the board. This combination could, for example, be a risk of unanticipated macroeconomic risks materialising. In such a case, the Bank may use a specific methodology to determine what it considers to be the likely PD increase in the event of a significant deterioration in the general economic situation, and apply this as a multiplier.

IX. LGD calibration

The value of loss given default (LGD) is the difference between the book value of the exposure at the time of default and the amount of collateral that the Bank is expected to be able to use. The Bank determines the value of the collateral that is expected to be available on the basis of a general discount predetermined for each type of collateral, based on the market value of the collateral. The Bank determined the general discount to be used with the market value determined in accordance with the Collateral Measurement Policy by collateral type, using external expert estimates.

X. Restructured loans

The Bank has detailed regulations that set forth the rules of restructuring as follows:

(1) The Bank treats all loans, acquired receivables or any other receivables arising from transactions classified as money lending or from other financial services, if containing a discount and granted to the debtor, obligor (hereinafter collectively referred to as the obligor or the customer) at the request of the obligor or the Bank, as restructured receivables. In addition, restructured receivables include commitments related to lending that may become receivables at the customer's discretion (collectively: receivables) if the discount was granted to an obligor that has or is expected to have financial difficulties in meeting its financial obligations.

(2) The Bank recognises receivables as restructured receivables that include a discount and where the original agreement that gave rise to the receivable has been amended to avoid non-payment because the debtor is or, in the absence of the discount, would be unable to meet its repayment obligation under the original contractual terms.

(3) In the absence of information to the contrary, it may be assumed that the debtor has no financial difficulties if the debtor has not had a payment delay of more than 30 days in respect of any of its liabilities to the Bank within 90 days prior to the conclusion or the amendment of the contract.

(4) The Bank does not consider as restructured loans (receivables) those loans in relation to which the underlying agreements have been amended due to changes in market conditions, and where the parties agree on market terms relevant to similar types of agreements, furthermore, the obligor's solvency demonstrates that it will be able to meet its obligations under the agreement.

(5) The Bank does not automatically consider its exposures as restructured for the purposes of MNB Decree 39/2016 (X.11), with regard to repayment rescheduling due to the moratorium, if the exposure is affected by the moratorium. However, this option for preferential treatment is not applicable to exposures that joined the moratorium as of 1 November 2021. The Bank will decide on a case-by-case basis whether to recognise an exposure as a restructured exposure due to the exceptional situation caused by the coronavirus pandemic or due to contractual amendments concluded in the context of the moratorium.

XI. Tables related to credit risk

Loan portfolio by industry

The following table shows the net loans portfolio (receivables from customers and credit institutions) broken down by industry on 31 December 2024 and 31 December 2023. In addition to capital claims, the net exposure also includes undrawn facilities and guarantees issued.

Data in HUF millions

Sector	31.12.2024	31.12.2023
Financial and insurance activities*	138,828	168,865
Properties	64,441	74,977
Household/Retail	53,555	45,372
Professional and scientific activities, administrative and service support activities	28,333	27,902
Other services	26,569	24,242
Manufacturing	26,457	47,566
Trade, vehicle repair	20,024	36,552
Accommodation and food service activities	15,812	8,469
Other activities	9,351	4,168
Electricity, gas, steam supply, air conditioning	9,187	23,827
Transportation, warehousing	8,575	17,597
Agriculture, forestry, fishing	6,660	6,505
Construction	5,863	15,590
Human health services and social work activities	1,984	2,907
Information and communication	1,377	5,463
Arts, entertainment and recreation	575	857
Education	517	603
Mining, mining services	278	323
Water supply, waste water collection and treatment, waste management, decontamination	111	184
Public administration and defence, compulsory social security	0	51
Total	**418,497**	**512,020**

Breakdown of customer portfolio by rating

The Bank, combining

a) its regularly monitored and updated customer rating categories based on historical data, and

b) its scoring system for the behaviour of a particular customer concerning a specific transaction ("behavioural scoring"), which also includes forward-looking information, has created a 17-grade master scale in order to measure credit risk changes for the following portfolios:

- retail portfolio,
- corporate portfolio,
- portfolio of project companies
- portfolio of other financial corporations (e.g. leasing companies, factoring companies)
- portfolio of other non-profit organisations.

The 17-grade master scale shows the increase in credit risk from category 1, the lowest credit risk, up to 17, the highest credit risk category characterised by non-performance.

This master scale evaluates the Bank's transactions in a particular portfolio based on a complex set of criteria that not only take into account past data of the particular customer and transaction, but also consider several pieces of forward-looking information based on the customer's transaction behaviour.

The following table shows the breakdown of customer loans by internal rating categories (master scale rating).

Data in HUF millions

		31.12.2024		31.12.2023	
	Internal rating	**Gross exposure**	Expected credit loss	**Gross exposure**	Expected credit loss
Retail segment	1-4	0	0	0	0
	5-8	16,954	11	18,284	30
	9-12	1,929	12	3,908	9
	13-17	454	7	1,006	43
		19,337	**30**	**23,198**	**82**
Corporate segment	1-4	0	0	0	0
	5-8	85,068	518	186,724	523
	9-12	1,296	119	2,780	115
	13-16	228	65	330	16
		86,592	**702**	**189,834**	**654**
Other financial corporate segment	1-4	0	0	0	0
	5-8	81,839	181	51,350	65
	9-12	0	0	31,020	3
	13-16	294	15	0	0
		82,133	**196**	**82,370**	**68**
Project loans	1-4	0	0	0	0
	5-8	81,719	354	56,388	109
	9-12	0	0	772	15
	13-17	126	80	87	87
		81,845	**434**	**57,247**	**211**
Non-profit segment	1-4	0	0	0	0
	5-8	873	5	970	1
	9-12	0	0	0	0
	13-17	0	0	0	0
		873	**5**	**970**	**1**
Government segment	9-12	26,715	156	0	0
		26,715	**156**	**0**	**0**
		297,495	**1,523**	**353,619**	**1,016**

The table does not include unauthorised credit facilities (in the amount of HUF 94 million), for which the Bank recognises a 100% expected credit loss under the simplified procedure.

Data in HUF millions

	Internal rating	31.12.2024 Undrawn lines	31.12.2024 Provision	31.12.2023 Undrawn lines	31.12.2023 Provision
Retail segment	1-4	1	0	0	0
	5-8	769	0	918	5
	9-12	268	0	27	0
	13-17	0	0	74	0
		1,038	**0**	**1,019**	**5**
Corporate segment	1-4	0	0	0	0
	5-8	99,554	279	71,493	425
	9-12	35	0	118	5
	13-16	0	0	0	0
		99,589	**279**	**71,611**	**430**
Other financial corporate segment	1-4	0	0	0	0
	5-8	63,813	130	15,399	13
	9-12	0	0	89	0
	13-16	0	0	0	0
		63,813	**130**	**15,488**	**13**
Project loans	1-4	0	0	0	0
	5-8	40,695	136	22,550	126
	9-12	0	0	0	0
	13-17	0	0	0	0
		40,695	**136**	**22,550**	**126**
Non-profit segment	1-4	0	0	0	0
	5-8	20	0	0	0
	9-12	0	0	0	0
	13-17	0	0	0	0
		20	**0**	**0**	**0**
		205,155	**545**	**110,668**	**574**

As the table presents the customer portfolio, it does not include the HUF 4,100 million undrawn credit facility of credit institutions and the related provision of HUF 3 million.

Loan portfolio coverage

The following table shows the market value of collateral related to the segments of the loan portfolio as of 31.12.2024 and 31.12.2023.

Data in HUF millions

	31.12.2024			31.12.2023		
	Net exposure	**Collateral**	**Not covered**	**Net exposure**	**Collateral**	**Not covered**
Retail segment	56,045	40,590	15,455	23,117	39,144	0
Corporate segment	102,552	75,926	26,626	189,180	171,652	17,529
Other financial corporate segment	121,944	69,533	52,411	82,302	122,613	0
Project loans	109,554	92,406	17,148	57,035	86,394	0
Local municipalities	0	0	0	51	456	0
Non-profit segment	868	868	0	969	628	341
Bank segment	75,278	75,278	0	43,828	70,000	0
Government segment	27,534	17,746	9,788	24,914	14,383	10,532
Total	**493,775**	**372,347**	**121,428**	**421,397**	**505,270**	**28,402**

Exposures and their collaterals classified in Bucket 3

Data in HUF millions

	Gross exposure	Collateral
31.12.2024	679	3,447
31.12.2023	1,331	2,618

Collaterals by segment by type of collateral

Data in HUF millions

Collateral type	31.12.2024	31.12.2023
Retail segment		
Guarantee	364	765
Property	78,096	30,257
Suretyship	18,323	0
Deposit / Cash / Hungarian government securities / Other security deposit	2,673	2,959
Other	8	23
Retail segment total	**99,464**	**34,004**
Corporate segment		
Guarantee	52,016	24,142
Property	43,001	64,027
Suretyship	15,079	32,659
Deposit / Cash / Hungarian government securities / Other security deposit	28,742	28,205
Other	17,443	25,954
Corporate segment total	**156,281**	**174,987**
Other financial corporate segment		
Guarantee	6,204	423
Property	284	1,768
Suretyship	112,500	105,000
Deposit / Cash / Hungarian government securities / Other security deposit	388	9,147
Other	349	349
Other financial corporate segment total	**119,725**	**116,687**
Project loans		
Guarantee	42,707	10,512
Property	125,598	49,944
Suretyship	8,568	439
Deposit / Cash / Hungarian government securities / Other security deposit	9,082	2,193
Other	18,238	12,471
Project loans total	**204,193**	**75,559**
Non-profit segment		
Suretyship	103	628
Deposit / Cash / Hungarian government securities / Other security deposit	400	0
Other	0	0
Non-profit segment total	**503**	**628**
Grand total	**580,166**	**401,865**

Movements between IFRS 9 buckets

Data in HUF millions

2024

Bucket classification at the beginning/end of year	**Bucket 1**	**Bucket 2**	**Bucket 3**	**Derecognised during the period**	**Total**
Expected credit loss - loans					
31.12.2023	**910**	**338**	**110**	**-252**	**1,106**
Created during the period	579	224	0	0	
Bucket 1	-2,177	0	0	-191	
Bucket 2	1,987	-260	27	-2	
Bucket 3	291	0	38	-5	
31.12.2024	**1,590**	**302**	**175**	**-450**	**1,617**
Provision					
31.12.2023	**572**	**63**	**0**	**-61**	**574**
Created during the period	440	0	0	0	**440**
Bucket 1	-48	-107	0	-317	**-472**
Bucket 2	-42	104	0	-56	**6**
Bucket 3	0	0	0	0	**0**
31.12.2024	**922**	**60**	**0**	**-434**	**548**

2023

Bucket classification at the beginning/end of year	**Bucket 1**	**Bucket 2**	**Bucket 3**	**Derecognised during the period**	**Total**
Expected credit loss					
31.12.2022	**561**	**215**	**105**	**-178**	**704**
Created during the period	390	0	1	0	
Bucket 1	-32	129	6	-71	
Bucket 2	-9	-2	1	-3	
Bucket 3	0	-4	-3	0	
31.12.2023	**910**	**338**	**110**	**-252**	**1106**
Provision					
31.12.2022	**178**	**11**	**0**	**-34**	**154**
Created during the period	260	54	0	0	
Bucket 1	135	-1	0	-27	
Bucket 2	-1	-1	0	0	
Bucket 3	0	0	0	0	
31.12.2023	**572**	**63**	**0**	**-61**	**574**

Restructured transactions

At 31.12.2024, the Bank has 14 transactions of 13 customers, totalling HUF 1,238 million, recorded as restructured, all of which have been restructured due to the moratorium. (At 31.12.2023, the Bank had 41 transactions of 35 customers, totalling HUF 3,870 million, recorded as restructured.) The reason for the decrease is primarily that the Bank discontinued the registration of certain transactions participating in the 3rd and 4th stages of the Moratorium as restructured receivables after their problem-free trial period.

Expected credit loss ***movement board***

Data in HUF millions

	Expected credit loss					Gross exposure				
Bucket 1	**Opening - 01.01.2024**	**Created**	**Credit risk change**	**Derecognition**	**Closing - 31.12.2024**	**Opening - 01.01.2024**	**Created**	**Change in exposure**	**Derecognition**	**Closing - 31.12.2024**
Customer loans measured at amortised cost										
Retail segment	9	14	60	0	83	21,515	100	-306	-2,445	18,864
Corporate segment	460	123	-64	-120	399	181,683	13,641	-34,145	-79,309	81,870
Other financial corporate segment	68	142	-19	-10	181	82,355	30,714	-10,660	-20,585	81,824
Project loans	28	218	79	-5	320	48,908	35,005	-2,198	-5,230	76,485
Local municipalities	0	0	0	0	0	50	0	0	-50	0
Non-profit segment	1	5	0	-1	5	970	478	-145	-430	873
Bank segment	0	0	0	0	0	43,828	35,000	-3,550	0	75,278
Government segment	92	12	112	-57	159	25,009	3,284	12,412	-13,987	26,717
Total customer loans measured at amortised cost	**659**	**514**	**168**	**-193**	**1,148**	**404,317**	**118,222**	**-38,592**	**-122,036**	**361,911**
Securities measured at amortised cost										
Government segment	45	2	0	-1	46	110,173	4,214	592	-230	114,749
Bank segment	261	0	-259	-1	1	51,878	126	59,736	-25,271	86,469
Corporate segment	161	22	89	0	272	15,000	10,195	72	0	25,267
Total securities measured at amortised cost	**467**	**24**	**-170**	**-2**	**319**	**177,051**	**14,535**	**60,400**	**-25,501**	**226,485**

	Expected credit loss					Gross exposure				
	Opening – 01.01.2024	**Created**	**Credit risk change**	**Derecognition**	**Closing – 31.12.2024**	**Opening – 01.01.2024**	**Created**	**Change in exposure**	**Derecognition**	**Closing – 31.12.2024**
Securities measured at fair value through other comprehensive income										
Bank segment	0	0	0	0	0	963	0	0	-90	873
Government segment	0	0	0	0	0	7,281	3	3,849	-176	10,957
Total securities measured at fair value through other comprehensive income	**0**	**0**	**0**	**0**	**0**	**8,244**	**3**	**3,849**	**-266**	**11,830**
Interbank placements										
Interbank placements	0	0	0	0	0	104,631	53,290	0	-104,631	53,290
Total interbank placements	**0**	**0**	**0**	**0**	**0**	**104,631**	**53,290**	**0**	**-104,631**	**53,290**
Bucket 1 total	**1,126**	**538**	**-2**	**-195**	**1,467**	**694,243**	**186,050**	**25,657**	**-252,434**	**653,516**

	Expected credit loss					Gross exposure				
Bucket 2	**Opening - 01.01.2024**	**Created**	**Credit risk change**	**Derecognition**	**Closing - 31.12.2024**	**Opening - 01.01.2024**	**Created**	**Change in exposure**	**Derecognition**	**Closing - 31.12.2024**
Customer loans measured at amortised cost										
Retail segment	64	0	-42	-1	21	1,617	0	-966	-128	523
Corporate segment	177	116	-44	-1	248	7,821	1,514	-899	-4,015	4,421
Other financial corporate segment	0	0	0	0	0	15	13	0	-15	13
Project loans	97	0	-62	0	35	8,252	0	-2,932	0	5,320
Local municipalities	0	0	0	0	0	0	0	0	0	0
Non-profit segment	0	0	0	0	0	0	0	0	0	0
Bank segment	0	0	0	0	0	0	0	0	0	0
Government segment	0	0	0	0	0	0	0	0	0	0
Total customer loans measured at amortised cost	**338**	**116**	**-148**	**-2**	**304**	**17,705**	**1,527**	**-4,797**	**-4,158**	**10,277**
Securities measured at amortised cost										
Government segment	0	0	0	0	0	0	0	0	0	0
Total securities measured at amortised cost	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Securities measured at fair value through other comprehensive income										
Bank segment	0	0	0	0	0	0	0	0	0	0
Total securities measured at fair value through other comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Bucket 2 total	**338**	**116**	**-148**	**-2**	**304**	**17,705**	**1,527**	**-4,797**	**-4,158**	**10,277**

Bucket 3	Expected credit loss: Opening - 01.01.2024	Expected credit loss: Created	Expected credit loss: Credit risk change	Expected credit loss: Derecognition	Expected credit loss: Closing - 31.12.2024	Gross exposure: Opening - 01.01.2024	Gross exposure: Created	Gross exposure: Change in exposure	Gross exposure: Derecognition	Gross exposure: Closing - 31.12.2024
Customer loans measured at amortised cost										
Retail segment	6	0	4	-4	6	66	0	-32	-4	30
Corporate segment	16	0	48	0	64	329	0	18	-119	228
Other financial corporate segment	0	0	15	0	15	0	0	294	0	294
Project loans	86	0	-6	0	80	86	0	40	0	126
Local municipalities	0	0	0	0	0	0	0	0	0	0
Non-profit segment	0	0	0	0	0	0	0	0	0	0
Bank segment	0	0	0	0	0	0	0	0	0	0
Government segment	0	0	0	0	0	0	0	0	0	0
Total customer loans measured at amortised cost	**108**	**0**	**61**	**-4**	**165**	**481**	**0**	**320**	**-123**	**678**
Securities measured at amortised cost										
Other financial corporate segment	0	0	1,019	0	1,019	0	0	1,019	0	1,019
Total securities measured at amortised cost	**0**	**0**	**1,019**	**0**	**1,019**	**0**	**0**	**1,019**	**0**	**1,019**

Securities measured at fair value through other comprehensive income										
Bank segment	0	0	0	0	0	0	0	0	0	0
Total securities measured at fair value through other comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Bucket 3 total	**108**	**0**	**1,080**	**-4**	**1,184**	**481**	**0**	**1,339**	**-123**	**1,697**
Grand total	**1,572**	**654**	**930**	**-201**	**2,955**	**712,429**	**187,577**	**22,200**	**-256,715**	**665,491**

	Provision					**Undrawn line**				
Bucket 1	**Opening - 01.01.2024**	**Created**	**Credit risk change**	**Derecognition**	**Closing - 31.12.2024**	**Opening - 01.01.2024**	**Created**	**Change in exposure**	**Derecognition**	**Closing - 31.12.2024**
Customer loans measured at amortised cost										
Retail segment	1	0	0	0	1	862	683	-195	-317	1,033
Corporate segment	429	196	-54	-293	278	71,237	46,209	-14,502	-3,898	99,046
Other financial corporate segment	13	116	1	0	130	15,488	51,205	-3,779	0	62,914
Project loans	71	128	-40	-24	135	21,549	16,447	-3,912	6,516	40,600
Local municipalities	0	0	0	0	0	0	0	0	0	0
Non-profit segment	0	0	0	0	0	0	20	0	0	20
Bank segment	1	0	2	0	3	3,828	0	273	0	4,101
Government segment	0	0	0	0	0	4,500	0	98	0	4,598
Total customer loans measured at amortised cost	**515**	**440**	**-91**	**-317**	**547**	**117,464**	**114,564**	**-22,017**	**2,301**	**212,312**
Bucket 1 total	**515**	**440**	**-91**	**-317**	**547**	**117,464**	**114,564**	**-22,017**	**2,301**	**212,312**

Bucket 2	Provision				Closing - 31.12.2024	Undrawn line				
	Opening - 01.01.2024	Created	Credit risk change	Derecognition		Opening - 01.01.2024	Created	Change in exposure	Derecognition	Closing - 31.12.2024
Customer loans measured at amortised cost										
Retail segment	5	0	-3	-1	1	154	0	-146	-6	2
Corporate segment	0	0	0	0	0	373	0	-27	0	346
Other financial corporate segment	0	0	0	0	0	0	0	0	0	0
Project loans	54	0	0	-54	0	1,000	0	-1,000	0	0
Local municipalities	0	0	0	0	0	0	0	0	0	0
Non-profit segment	0	0	0	0	0	0	0	0	0	0
Bank segment	0	0	0	0	0	0	0	0	0	0
Government segment	0	0	0	0	0	0	0	0	0	0
Total customer loans measured at amortised cost	**59**	**0**	**-3**	**-55**	**1**	**1,527**	**0**	**-1,173**	**-6**	**348**
Bucket 2 total	**59**	**0**	**-3**	**-55**	**1**	**1,527**	**0**	**-1,173**	**-6**	**348**
Grand total	**574**	**440**	**-94**	**-372**	**548**	**118,991**	**114,564**	**-23,190**	**2,295**	**212,660**

37.9 Market risk

The Bank controls its market price risks, and thus, in particular, its foreign exchange, interest rate and security exposures, through an appropriate internal and external targeted limit system. At present, Treasury's own-account trading is largely related to liquidity management, meeting customer needs and hedging market risk for these and other Bank transactions. Compliance with the limits is monitored by Market and Operational Risk Management, which is overseen by the Asset-Liability Committee.

Counterparty and customer limits are set for the Treasury's counterparties, which are recorded in the Treasury's front office system (Inforex). The Bank mitigates its risks concerning major institutional partners through netting and daily margin collateral (ISDA, CSA, GMRA) agreements.

Any market risks resulting from trading book exposures have been only limited in scope, and the thresholds have been respected – trading was mostly done in government securities and discount treasury bills. The Bank also had stock-exchange listed equity positions, which are not in the trading book, since they are to be held and not sold. The Bank does not currently trade in non-linear foreign currency or interest rate derivatives or commodities.

Interest rate risk

The Bank considers the management of interest rate risk in the banking book (IRRBB) to be of high importance, and, via Interbank Transactions (IRS, CCIRS), replaces its major fixed-rate assets with variable-rate assets that are adjusted to the liabilities. The trading book interest rate risk is described in the Market Risks section of the Trading Book.

Interest rate risk typically arises due to the fact that the repricing time, repricing reference, or the repricing rate or mark-up of the asset and liability items differ from each other.

The capital requirement for the Bank Book's interest rate risk under Pillar 2 is determined by the Bank through interest rate sensitivity stress calculations based on the time remaining until repricing, taking into account the individual cash flow elements (assets, liabilities) of the transactions, as well as through their gap values and indicators for each repricing band. The calculations examine the potential changes in the Bank's economic value of equity ("EVE"), the expected net interest income ("NII") for the year, and the potential changes in expected fair value of earnings ("VE") on the portfolio as a function of the changes in yield curve levels. During the modelling process, the Bank applies a scenario rate and direction-dependent specific model for the repricing delay and the inflow and outflow of demand deposits into and from fixed deposits, and takes into account the options for legal and contractually embedded, primarily negative interest rates. During its stress tests, the Bank also examines stress cases of its own design, in addition to the supervisory requirements (the "standard" tests). The stress scenarios are as follows, of which both EVE, NII and VE versions have been produced.

Main stress scenarios:

Number	Scenario	Type	Method
1	Parallel_UP	standard	Parallel yield upshift
2	Parallel_DOWN	standard	Parallel yield downshift
3	Steepening	standard	short-term yields fall, long-term yields rise
4	Flattening	standard	short-term yields rise, long-term yields fall
5	Short_UP	standard	short-term yields rise
6	Short_DOWN	standard	short-term yields fall
7	Long_UP	Gránit Bank requirement	long-term yields rise
8	Long_DOWN	Gránit Bank requirement	long-term yields fall
9	Sensitivity_UP	Gránit Bank requirement	Parallel yield upshift
10	Sensitivity_DOWN	Gránit Bank requirement	Parallel yield downshift
11	Parallel_UP_Dynamic	Gránit Bank requirement	Parallel yield upshift, taking into account the effects of portfolio changes
12	Parallel_DOWN_Dynamic	Gránit Bank requirement	Parallel yield downshift, taking into account the effects of portfolio changes
15	Parallel_UP_OLD_STANDARD	For the Supervisory Limit	200 parallel upshift
16	Parallel_DOWN_OLD_STANDARD	For the Supervisory Limit	200 parallel upshift

Below are the stress rates applied in the calculations, by currency, in compliance with the supervisory framework:

CCY	Type	Base scenario	Shift in base points	CCY	Type	Base scenario	Shift in base points
HUF	standard	Parallel +/-	300	CHF	standard	Parallel +/-	100
HUF	standard	Short +/-	450	CHF	standard	Short +/-	150
HUF		Long +/-	200	CHF		Long +/-	100
EUR	standard	Parallel +/-	200	GBP	standard	Parallel +/-	250
EUR	standard	Short +/-	250	GBP	standard	Short +/-	300
EUR		Long +/-	100	GBP		Long +/-	150
USD	standard	Parallel +/-	200	JPY	standard	Parallel +/-	100
USD	standard	Short +/-	300	JPY	standard	Short +/-	100
USD		Long +/-	150	JPY		Long +/-	100
All		Sensitivity +/-	100	PLN	standard	Parallel +/-	250
All		Parallel Dynamic +/-	conforming to the standard	PLN	standard	Short +/-	350
All	"old standard"	Parallel +/-	200	PLN		Long +/-	150

For the calculations, the swap yield curve representing the level of the interbank interest rate is primarily applied (based on Interbank-FRA-IRS yields), while in the case of securities, the yields representing government securities are used. The market yield levels of the relevant currencies are applied transformed into zero-coupon log yields. Standard shifts are understood in log yields, while sensitivity shifts are calculated in nominal yields.

The Bank quantifies the interest rate risks, checks compliance with the limit and presents it to the Asset-Liability Committee on a monthly basis.

Given its activities, the Bank's reference interest rate risks are moderate.

The year-end 2024 main banking book interest rate stress results are as follows:

ID	Scenario	Type	Results by currency (in million HUF) Total Stress amount	HUF	EUR	USD	Other
EVE - 1	Parallel_UP	standard	-9,088.0	-8,072.7	-1,084.0	68.5	0.1
EVE - 2	Parallel_DOWN	standard	10,134.9	8,952.9	1,250.6	-68.7	-0.1
EVE - 3	Steepening	standard	2,521.5	2,617.2	-31.4	-64.3	0.0
EVE - 4	Flattening	standard	-4,181.5	-4,127.5	-133.6	79.6	0.0
EVE - 5	Short_UP	standard	-7,491.5	-7,121.5	-470.4	100.3	0.1
EVE - 6	Short_DOWN	standard	7,858.2	7,471.4	487.5	-100.6	-0.1
EVE - 7	Long_UP	Gránit Bank requirement	-2,535.6	-2,170.5	-366.3	1.2	0.0
EVE - 8	Long_DOWN	Gránit Bank requirement	2,902.7	2,500.6	403.2	-1.2	0.0
EVE - 9	Sensitivity_UP	Gránit Bank requirement	-3,123.3	-2,611.7	-544.2	32.7	0.0
EVE - 10	Sensitivity_DOWN	Gránit Bank requirement	3,294.3	2,737.0	590.3	-33.0	0.0
EVE - 11	Parallel_UP_Dynamic	Gránit Bank requirement	-8,877.4	-7,874.3	-1,071.6	68.5	0.1
EVE - 12	Parallel_DOWN_Dynamic	Gránit Bank requirement	10,134.9	8,952.9	1,250.6	-68.7	-0.1
EVE - 15	Parallel_UP_OLD_STANDARD	For the Supervisory Limit	-6,123.4	-5,138.4	-1,050.1	65.0	0.1
EVE - 16	Parallel_DOWN_OLD_STANDARD	For the Supervisory Limit	6,772.3	5,606.5	1,232.2	-66.4	-0.1
NII - 1	Parallel_UP	standard	1,439.2	2,849.6	-524.5	-869.6	-16.4
NII - 2	Parallel_DOWN	standard	-1,368.5	-2,753.7	520.8	852.3	12.0
NII - 3	Steepening	standard	-1,127.1	-2,415.1	472.6	806.5	8.9
NII - 4	Flattening	standard	1,606.1	3,213.4	-571.6	-1,019.7	-15.9
NII - 5	Short_UP	standard	2,017.3	4,031.4	-707.0	-1,287.3	-19.9
NII - 6	Short_DOWN	standard	-1,886.3	-3,846.1	697.9	1,249.9	12.0
NII - 7	Long_UP	Gránit Bank requirement	127.7	119.3	20.0	-11.5	0.0
NII - 8	Long_DOWN	Gránit Bank requirement	-126.0	-117.8	-19.6	11.5	0.0
NII - 9	Sensitivity_UP	Gránit Bank requirement	208.0	880.4	-251.7	-412.0	-8.7
NII - 10	Sensitivity_DOWN	Gránit Bank requirement	-204.6	-875.5	254.2	412.0	4.7
NII - 11	Parallel_UP_Dynamic	Gránit Bank requirement	1,511.3	2,915.9	-518.7	-869.6	-16.4
NII - 12	Parallel_DOWN_Dynamic	Gránit Bank requirement	-1,368.5	-2,753.7	520.8	852.3	12.0
NII - 15	Parallel_UP_OLD_STANDARD	For the Supervisory Limit	417.1	1,761.1	-502.5	-824.0	-17.4
NII - 16	Parallel_DOWN_OLD_STANDARD	For the Supervisory Limit	-411.1	-1,750.9	509.2	824.0	6.5

The year-end 2023 main banking book interest rate stress results are as follows:

ID	Scenario	Type	Results by currency (in million HUF)				
			Total Stress amount	HUF	EUR	USD	Other
EVE - 1	Parallel_UP	standard	-2,884.1	-3,500.7	439.8	176.6	0.3
EVE - 2	Parallel_DOWN	standard	3,509.7	4,133.9	-440.6	-183.3	-0.3
EVE - 3	Steepening	standard	526.9	657.5	-15.9	-114.5	-0.2
EVE - 4	Flattening	standard	-835.8	-1,123.3	135.8	151.4	0.3
EVE - 5	Short_UP	standard	-2,190.7	-2,628.8	229.0	208.8	0.4
EVE - 6	Short_DOWN	standard	2,544.2	2,960.3	-197.8	-218.0	-0.4
EVE - 7	Long_UP	Gránit Bank requirement	-797.3	-990.3	164.8	28.2	0.0
EVE - 8	Long_DOWN	Gránit Bank requirement	1,134.9	1,307.0	-143.8	-28.4	0.0
EVE - 9	Sensitivity_UP	Gránit Bank requirement	-888.5	-1,202.1	224.2	89.1	0.3
EVE - 10	Sensitivity_DOWN	Gránit Bank requirement	961.4	1,275.7	-223.3	-90.8	-0.3
EVE - 11	Parallel_UP_Dynamic	Gránit Bank requirement	-2,542.8	-3,198.9	479.2	176.6	0.3
EVE - 12	Parallel_DOWN_Dynamic	Gránit Bank requirement	3,509.7	4,133.9	-440.6	-183.3	-0.3
EVE - 15	Parallel_UP_OLD_STANDARD	For the Supervisory Limit	-1,762.9	-2,379.8	439.8	176.6	0.5
EVE - 16	Parallel_DOWN_OLD_STANDARD	For the Supervisory Limit	2,040.1	2,664.5	-440.6	-183.3	-0.5
NII - 1	Parallel_UP	standard	5,261.5	7,360.3	-1,167.7	-943.9	12.9
NII - 2	Parallel_DOWN	standard	-5,164.6	-7,292.1	1,196.4	943.9	-12.9
NII - 3	Steepening	standard	-5,022.7	-6,888.5	969.1	907.7	-11.0
NII - 4	Flattening	standard	6,465.6	8,719.9	-1,147.7	-1,120.1	13.5
NII - 5	Short_UP	standard	8,009.0	10,848.3	-1,451.8	-1,404.4	16.9
NII - 6	Short_DOWN	standard	-7,827.4	-10,713.0	1,498.0	1,404.4	-16.9
NII - 7	Long_UP	Gránit Bank requirement	95.0	101.7	-0.9	-5.7	0.0
NII - 8	Long_DOWN	Gránit Bank requirement	-85.7	-92.3	0.9	5.7	0.0
NII - 9	Sensitivity_UP	Gránit Bank requirement	1,397.7	2,450.1	-586.4	-472.0	6.0
NII - 10	Sensitivity_DOWN	Gránit Bank requirement	-1,372.8	-2,434.3	595.5	472.0	-6.0
NII - 11	Parallel_UP_Dynamic	Gránit Bank requirement	5,381.2	7,463.5	-1,151.2	-943.9	12.9
NII - 12	Parallel_DOWN_Dynamic	Gránit Bank requirement	-5,164.6	-7,292.1	1,196.4	943.9	-12.9
NII - 15	Parallel_UP_OLD_STANDARD	For the Supervisory Limit	2,803.7	4,903.5	-1,167.7	-943.9	11.9
NII - 16	Parallel_DOWN_OLD_STANDARD	For the Supervisory Limit	-2,738.5	-4,865.0	1,196.4	943.9	-13.7

The above stress test result totals are a simple sum total of the stress results by currency.

The internal limits and the capital calculation are generally based on the worst results and their 6- and 12-month averages.

It is clear that in the year 2024, the parallel up/down stress effects in the economic value of equity (EVE) approach are the largest, while last year the NII stress results were more significant. This is primarily a consequence of compliance with changing supervisory limits; the results of the two stress types can be improved partly at the expense of each other. The portfolio is therefore more balanced for the stresses of the expected next 1-year interest income effects (NII). Volume growth also reflects the dynamic growth of the Bank.

Currency risk

The Bank does not have any significant open foreign exchange positions, and Treasury continuously monitors the risk coverage needs, and keeps the positions below the limits. Compliance with the limits is monitored by Market and Operational Risk Management, which is overseen by the Asset-Liability Committee.

The additional Pillar 2 capital requirement of foreign exchange positions is quantified using the methodology of the standardised VaR calculator required by the Regulator, also taking into account the Regulator's relevant recommendations. The capital requirement for foreign exchange risk is, in line with the net positions, moderate. VaR is by definition the estimated amount of money that can be lost maximum on a given portfolio due to market risk over a specified period and at a given confidence level. This measurement takes into account the market risk associated with the current portfolio. The Bank also quantifies stressed VaR values, the essence of the calculation being that a correlation matrix reflecting high volatilities caused by a former market crisis period is used.

The total currency risk capital requirement is determined by the higher of the VaR and SvaR measures. Pillar 2 parametric VaR calculation results at a confidence level of 99% and with a 10-day retention period are as follows:

Value at Risk calculations for the Bank's total foreign exchange risk

Confidence level:	99%	
Portfolio retention period:	1 day	
	Maximum calculated loss with 99% certainty	
	(in million HUF)	
VaR values	**2024**	**2023**
Average daily value	33.98	5.44
Lowest value	0.59	0.71
Highest value	75.47	14.70
At the end of the year	1.33	2.84
SvaR values	2024	2023
Average daily value	114.72	12.35
Lowest value	1.50	1.15
Highest value	218.28	46.59
At the end of the year	3.41	8.03
Total capital requirement (Pillar II)	33.82	97.12

In addition, the Bank operates its own VaR model using a dedicated system (Varitron), whose results are used alongside the analytical targets for limit monitoring purposes regarding foreign exchange risks, using parametric VaR calculation results at a confidence level of 99% with a 10-day retention period.

Trading Book Market Risks

With respect to the interest rate risk of the Trading Book and the exchange rate risk of the shares, the Bank also applies the value at risk calculation, which is a parametric VaR and SVaR calculation with a 99% confidence level and a 10-day retention period, in line with the methodology mentioned in relation to currency risk. Exposures to these risks are moderate in line with the size and activity of the Trading Book. Results of the calculations:

Value at Risk calculations for the interest rate risk of the Trading Book

Confidence level: 99%

Portfolio retention period: 10 days

Maximum calculated loss with 99% certainty

(in million HUF)

VaR values	**2024**	**2023**
Average daily value	31.11	114.36
Lowest value	14.84	35.93
Highest value	53.50	258.17
At the end of the year	36.15	35.93
SvaR values	2024	2023
Average daily value	141.73	175.85
Lowest value	91.56	51.54
Highest value	215.19	273.60
At the end of the year	97.21	133.47
Total capital requirement (Pillar II)	166.26	241.06

Value at Risk calculations for the equity risk of the Trading Book

Confidence level: 99%

Portfolio retention period: 10 days

Maximum calculated loss with 99% certainty

(in million HUF)

VaR values	**2024**	**2023**
Average daily value	0.00	0.00
Lowest value	0.00	0.00
Highest value	0.00	0.00
At the end of the year	0.00	0.00
SvaR values	2024	2023
Average daily value	0.00	0.00
Lowest value	0.00	0.00
Highest value	0.00	0.00
At the end of the year	0.00	0.00
Total capital requirement (Pillar II)	0.00	0.00

At the end of 2024, the securities in the Trading Book contained government bonds and financial institution bonds with a nominal value of HUF 14,012 million. There was no equity position.

The Bank does not trade in commodities or non-linear interest rate derivatives.

Organisational structure

The Bank's market risk management area is located within Market and Operational Risk Management, which reports to the Risk Management Methodology Directorate under the CRO. This department is responsible for all market risk analysis tasks, individual analyses and regular monitoring, also including the monitoring of market risk limits (daily, weekly, monthly, etc.). This department also conducts the rating of partners and the maintenance of related regulations. The activity is supervised by the Asset-Liability Committee, through which, and through regular monthly monitoring and limit approvals, the management is also involved in the processes.

37.10 Liquidity risk

The operative management of liquidity risks is the responsibility of the Treasury Directorate, while regulatory and monitoring tasks are carried out jointly with Market and Operational Risk Management.

In compliance with the regulations pertaining to prudent operations, the Bank is required to manage its own resources and the resources entrusted to it by other parties in a way that ensures the maintenance of both its prompt liquidity and long-term solvency. The Bank's liquidity management procedure applies to and is based on "normal" market conditions. Separate instructions regulate the requirements to be met in the case of a liquidity emergency. In addition, the procedure is based on and is in compliance with the current monetary policy and legislation; any changes affecting liquidity must immediately be discussed and the appropriate changes, if necessary, must be approved by the Asset-Liability Committee or, where appropriate, the Board of Directors.

The Bank manages its liquidity risks primarily through the establishment of appropriate processes and control mechanisms and the creation of an adequate level of liquidity reserves.

Principles to be applied in the liquidity management process:

- The Bank draws up a liquidity plan for assets, liabilities and relevant off-balance-sheet items. Continuous monitoring and updating of this plan is an essential part of the Bank's liquidity management and the management of assets and liabilities. Liquidity planning is supervised by the Asset-Liability Committee.
- A short-term (30-day, with particular attention to the first two weeks) cash flow plan is made
- concerning the Bank, broken down by day and currency at least for the first week.
- A rolling type financing plan is made concerning the Bank, broken down by month, for the next three-month period. The plan must be prepared for one expected situation and, depending on the uncertainty of the estimate, for one or more stress scenarios, in line with the MNB's recommendation on the measurement, management and control of liquidity risks.
- The liquidity forecast – in its normal and stressed versions – is prepared by the Treasury's Liquidity Management area and is submitted for approval to the Bank's Asset-Liability Committee.
- In order to monitor maturity compliance, long-term maturity coverage calculations are also required.
- Regarding customer deposits, the Bank regularly monitors and analyses the composition and maturity structure of deposits and the development of the key deposits. During the analysis, particular attention must be paid to the development of deposit concentrations
- When preparing the regular weekly liquidity status report – which Treasury compiles from customer-level data and distributes to the Bank's Managers on a weekly basis – the deposit situation is examined in a weekly/monthly/3-monthly maturity breakdown. In respect of the above periods, the changes in the volume of fixed deposits above HUF 100 million are assessed, while the volume of deposits subject to renewal risk is identified separately. Treasury examines individually the renewal of large maturing deposits that are particularly important in terms of liquidity (deposits of at least 10% of the regulatory capital), and conducts regular business-line reconciliation in these cases.

Maturity transformation is a major source of income for the Bank, however, only risks of an acceptable degree must be assumed for the sake of profitability. A strategic question is the degree of liquidity risk (maturity transformation) tolerated by the Bank's management. With regard to the maturity structure of liabilities and assets, to be established by the Bank, the Bank must strive to extend the maturity structure of the funds to be raised and to determine the maturity of loans on the basis of the structure of available/attainable funds.

Liquidity table of financial assets and liabilities -- 31.12.2024 (contracted, outstanding, non-discounted capital and interest cash flows)

Financial assets	**Remaining maturity**						
	0-7 days	**8-30 days**	**31-90 days**	**91-180 days**	**181-365 days**	**over 365 days**	**Total**
Liquid assets	3,025	0	0	0	0	0	**3,025**
Securities	356,717	0	0	0	0	0	**356,717**
Loans and advances to customers	724	198	7,500	29,772	16,932	447,244	**502,370**
Receivables from the MNB and other credit institutions	675,237	0	0	0	0	101,356	**776,593**
Other assets	1,006	0	0	0	0	0	**1,006**
Derivative financial assets	65,640	14,334	2,645	0	9,101	281,750	**373,471**
Contingent receivables	33,804	0	0	0	0	0	**33,804**
of which: Guarantees, letters of credit received	16,859	0	0	0	0	0	**16,859**
Received credit lines	16,945	0	0	0	0	0	**16,945**
Total	**1,136,154**	**14,533**	**10,145**	**29,772**	**26,033**	**830,350**	**2,046,987**

Financial liabilities	**Remaining maturity**						
	0-7 days	**8-30 days**	**31-90 days**	**91-180 days**	**181-365 days**	**over 365 days**	**Total**
Liabilities to customers	511,443	171,104	82,720	30,330	15,765	25,945	**837,307**
Liabilities to the MNB and other credit institutions	133,664	186,135	29,536	85,792	40,938	142,428	**618,493**
Issued securities	0	0	0	0	0	0	**0**
Derivative financial instruments	65,634	14,234	2,707	0	9,380	274,905	**366,860**
Contingent liabilities	449,629	0	0	0	0	0	**449,629**
of which: Guarantees, letters of credit granted	65,757	0	0	0	0	0	**65,757**
Granted credit lines	383,872	0	0	0	0	0	**383,872**
Total	**1,160,371**	**371,473**	**114,963**	**116,122**	**66,083**	**443,278**	**2,272,290**

Liquidity table of financial assets and liabilities -- 31.12.2023 (contracted, outstanding, non-discounted capital and interest cash flows)

Financial assets	Remaining maturity						
	0-7 days	8-30 days	31-90 days	91-180 days	181-365 days	over 365 days	Total
Liquid assets	1,232	0	0	0	0	0	**1,232**
Securities	271,172	0	0	0	0	0	**271,172**
Loans and advances to customers	5,895	186	2,956	25,381	23,195	338,039	**395,652**
Receivables from the MNB and other credit institutions	491,953	0	81,003	0	0	67,505	**640,461**
Other assets	2,056	0	0	0	0	0	**2,056**
Derivative financial assets	73,789	81,692	8,427	8,213	18,429	227,057	**417,606**
Contingent receivables	11,277	0	0	0	0	0	**11,277**
of which: Guarantees, letters of credit received	25	0	0	0	0	0	**25**
Received credit lines	11,252	0	0	0	0	0	**11,252**
Total	**857,373**	**81,878**	**92,386**	**33,594**	**41,624**	**632,601**	**1,739,456**

Financial liabilities	Remaining maturity						
	0-7 days	8-30 days	31-90 days	91-180 days	181-365 days	over 365 days	Total
Liabilities to customers	474,054	145,284	64,150	34,376	20,095	32,825	**770,784**
Liabilities to the MNB and other credit institutions	94,123	31,258	18,385	23,490	10,700	241,717	**419,672**
Issued securities	0	0	0	0	0	0	**0**
Derivative financial instruments	73,179	81,771	6,671	7,072	14,511	209,948	**393,153**
Contingent liabilities	120,523	0	0	0	0	0	**120,523**
of which: Guarantees, letters of credit granted	45,497	0	0	0	0	0	**45,497**
Granted credit lines	75,026	0	0	0	0	0	**75,026**
Total	**761,880**	**258,312**	**89,206**	**64,938**	**45,307**	**484,490**	**1,704,133**

Contingent receivables are only included in this table to illustrate the Bank's liquidity position and are not shown in the balance sheet.

37.11 Management of counterparty risk

During the management of counterparty risk, credit and trading limits are adapted to the counterparty risk management system as follows:

In terms of market risks, the rules for establishing counterparty limits and the limit management method have been approved by the Bank's Board of Directors, and continuous monitoring is performed in Treasury's front office system (Inforex). The Market and Operational Risk Management Department monitors compliance with the limits based on information from the system.

It is a general rule that the Bank only assumes any obligation that entails risk-taking if an approved limit exists. For any bank/counterparty and customer with whom Treasury wishes to conclude a business transaction that entails risk-taking, a limit approved by a body with the appropriate decision-making powers must first be set, or the credit risk must be excluded.

Derivative transactions are typically concluded with partners in the framework of ISDA, CSA, and GMRA agreements. i.e. netting and daily margin collateral agreements are used to mitigate risks significantly.

In the process of setting limits and analysing and monitoring partners, the following factors must be taken into account, also meeting the relevant stipulations of the Counterparty risk assessment policy, the Customer and partner rating policy and the Partner limit management policy:

- Collateral that can be recognised in terms of capital reduction, such as government/surety guarantees, financial collateral, property collateral. The degree of coverage required for the partners depends on the partner rating and the magnitude of the partner as detailed in the Collateral measurement policy.

  In the case of an institutional partner, the Bank typically does not open a partner limit based on collateral different from financial or other strong guarantees.

- In order to manage wrong-way risk exposures, counterparty groups and group limits are set up for counterparties between whom a credit risk dependency exists.

For each Treasury transaction the Bank determines the risk weight and percentage charge for the given transaction in the manner and to the extent specified in the Counterparty limit management policy, charging them to the limits set for the counterparty institution (typically lending pre-settlement, settlement, issuer limit types, etc.).

In order to identify and manage risks, counterparty rating as a function involves, on the one hand, an examination that is performed before the assumption of the exposure, as well as continuous risk monitoring.

Limit monitoring and customer risk measurement as a minimum requirement for monitoring is complemented by close cooperation in the mandatory quarterly receivables rating process and actions related to collateral in accordance with the Transaction Rating and Collateral Measurement Regulations.

Partner ratings must be reviewed at least once a year, or whenever an event arises that requires a review of the rating. The measurement of counterparty risk must take into account related market, liquidity, legal and operational risks. During the monitoring process, the Bank also monitors the transparency of the partner/group.

If any of the analysts or managers of the Bank becomes aware of significant warning signs (e.g.: the Partner's external rating deteriorates, its economic situation worsens significantly, the launch of bankruptcy or winding-up proceedings is published, there are long-term payment delays, etc.), the rating must be updated immediately after the information has become known. In justified cases, an extraordinary rating may serve as a basis for measures to promote the Bank's security.

In the case of negative news from the market, the manager of Treasury or the Risk Management may temporarily suspend the partner limit applicable to the Bank's given partner.

The Asset-Liability Committee has the decision-making power to close a partner limit or to terminate the existing transactions.

The Bank essentially limits the unexpected risk of financial deposits arising from ISDA contracts, even as may arise due to the downgrading of the Bank, by taking minimal trading and typically hedging, i.e. overall moderate net derivative, positions in its activities, while maintaining significant liquid assets. In addition, when regulating the minimum level of liquidity reserves, the Bank takes into account the preparation for stress situations and the results of stress tests that are run regularly.

When concluding ISDA agreements, the Bank properly enforces the principle of symmetric obligations between the parties and the observance of market standards.

With regard to counterparty risk, for the transactions listed in Annex II to Regulation (EU) No 575/2013, the Bank determines the exposure value on the basis of the market pricing method.

37.12 Operational risk

The objective of operational risk management is to support efforts to keep unexpected operating costs low, and to promote efficient organisational operations.

The Bank primarily manages operational risks by focusing on prevention and with the continuous monitoring and appropriate elaboration of internal processes, regulations and procedures, event collection and forward-looking self-assessment, the appropriate training of employees participating in the working processes, and the ongoing development and implementation of built-in control mechanisms.

Numerical measurement of the levels of risk takes place through the continuous gathering of data on events that occur, and regular self-assessments based on forward-looking estimates made at individual department level. These surveys outline the patterns in the distribution of the events and the risk factors, thereby helping to identify the areas where intervention is necessary. The process is supported by a network of operational risk officers appointed in each department of the organisation.

Operational risk management and monitoring is carried out by Market and Operational Risk Management, a process overseen by the Asset-Liability Committee.

All operational risks are to be reported to the Market and Operational Risk Management, and a relevant report must be submitted to the Asset-Liability Committee on a quarterly basis and at least annually to the Board of Directors.

The Bank prepares an annual self-assessment concerning its operational risks, which is also reported to the Asset-Liability Committee and the Board of Directors.

Based on the collection of loss events, it can be stated that a total of HUF 30,890 million losses were identified in 2024, thus the conservative capital requirement rate created using the robust basic indicator approach under Pillar I (HUF 4,173 million) proved to be sufficient to cover operational risks in 2024. By 2024, the Bank completed its self-assessment of operational risks and, according to the results of the audit, no further capital formation is required.

37.13 Risk of excessive leverage

The Bank monitors the risks resulting from excessive leverage through monthly monitoring. The Bank calculates leverage on the basis of the relevant Regulation (EU) 575/2013 and reports it to the Asset-Liability Committee.

The Asset-Liability Committee is entitled to order specific measures in case the value of the indicator falls below the alert level or below the limit value.

37.14 High-risk portfolios

The Bank sets limits for “High-risk portfolios” (balloon, bullet, portfolios built with the cooperation of an independent intermediary, etc.) as defined by the MNB, and accordingly the Bank develops a diversified portfolio paying special attention to risk assessment prior to credit decisions and follow-up management of loans. The Asset-Liability Committee receives monthly information on portfolio developments and limit utilisation.

37.15 Risks considered as not relevant and their justification

Risk of securitisation:

The Bank does not plan to act as a risk transferor, risk taker or sponsor concerning securitisation transactions.

Modelling risk:

The Bank uses control processes to handle modelling risks, which include regular validation and measurement and repeated measurement, where applicable. Modelling risk arises primarily from VaR models related to expected credit loss and provisioning, and market risk.

38 CAPITAL AND CAPITAL ADEQUACY

The following tables show equity in two structures, as required by Section 114/B of Act C of 2000 in order to facilitate the comparability of equity components presented in these IFRS statements with those presented in previous years' HAS statements.

Based on IFRS financial statements

Data in HUF millions

	31.12.2024	31.12.2023
Subscribed capital	19,223	15,395
Capital reserve	66,850	23,443
Profit reserve	48,745	33,567
Reserve for share-based payment transactions settled in equity instruments	370	180
Fixed reserve	0	0
Accumulated other comprehensive income (AOCI)	-147	106
Other reserves	5,652	3,965
Total equity	**140,693**	**76,656**

Based on the Hungarian Accounting Act (Act C of 2000, Section 114/B)

Data in HUF millions

	31.12.2024	31.12.2023
Share capital under IFRS	19,223	15,395
Capital reserve	67,220	23,623
General reserve	5,652	3,965
Fixed reserve	0	0
Valuation reserve	-147	106
Profit reserve	31,880	14,529
Profit after tax	16,865	19,038
Total equity	**140,693**	**76,656**

Information about regulatory capital

Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises and Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR) require that the Bank have a certain level of regulatory capital. The Bank reports its capital adequacy position to the National Bank of Hungary (MNB) on a quarterly basis, and forecasts are regularly made regarding the expected capital adequacy developments.

Data in HUF millions

	2024	2023
Common equity Tier 1 capital (CET1)	123,880	61,173
Additional Tier 1 capital (CET1)	0	0
Total Tier 1 capital	**123,880**	**61,173**
Subordinated loan capital	0	0
Total Tier 2 capital	0	**0**
REGULATORY CAPITAL	**123,880**	**61,173**

During the years 2024 and 2023, as well as on 31.12.2024 and 31.12.2023, the Bank met the capital adequacy requirements of the MNB. The Bank pays no dividends from this year's profit.
The 2024 regulatory capital data presented are preliminary and do not yet include the full 2024 earnings, only the six months' earnings that can be included as part of the Tier 1 capital, subject to the MNB's approval.
For the sake of comparability, the 2023 regulatory capital data presented are preliminary and do not yet include the full 2023 earnings, only the two months' earnings that can be included as part of the Tier 1 capital, subject to the MNB's approval.

The Board of Directors authorised publication of the financial statements on 07.04.2025.

Éva Hegedűs	Jenő Siklós
Chairperson & CEO	deputy CEO