



2022

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REPORT

2022
GIRO

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GREETING OF THE CHIEF EXECUTIVE OFFICER

Looking back year after year is rewarding and constructive, but I believe that only if it is accompanied by the right conclusions.

We are living in an historic decade, in which everyday life has been dominated by anxiety.

Just recovering from two years of the COVID pandemic, we have been hit by a new wave of crises, the shape and scale of which cannot be estimated. The war between Russia and Ukraine in our neighbourhood is an epicentre for our region, and its seismic waves are affecting business and economic activity worldwide. Experts are using a well-known biblical analogy to predict the 7 lean years after the 7 good years.

What can we do in these moments of historic urgency?

Under pressure, it is not easy to think straight, it is difficult to balance on a thin plank and keep going. However, at the beginning of the decade, the National Bank of Hungary, together with GIRO Zrt, committed itself to taking money transfers to a new level, to further improving and simplifying it. I believe that even in times of tension, we should not give up on our goals, but simply update the tools and choose them well.

What does this mean for GIRO Zrt?

The Company has been at the service of digital payments in the country for 34 years. It is a solid foundation on which we can build with confidence. Its foundation is an outstanding testimony of cohesion and long-term alliance, on which we can rely to face the challenges in today's changing environment.

One of the secrets and keys to the unbroken success of GIRO Zrt. and the Hungarian retail money transfers lies in its excellent team of professionals. The knowledge and experience accumulated by our colleagues guarantee our clients' satisfaction and mutual cooperation. It is a guarantee for the success of the high-priority and high-profile projects that lie ahead, which will contribute to the growth and development of our company.

Money transfers in Hungary have been growing dynamically in recent years, with the next stage being the emergence of instant payments as a new payment method in the market. Its expansion is a milestone of key importance for our national economy, and its rapid implementation is in our common interest.

Since the foundation of our company, we have been providing secure, low-cost and user-friendly solutions to the Hungarian banking sector, and thus to business and retail sectors alike. It is in this spirit that we will continue our work and move forward on the path towards diversified and thus increasingly efficient money transfers for the Hungarian economy.

I would like to thank my colleagues for their perseverance and dedication. We will continue on the path we have begun, which is an unbroken and focused building process of synergy, trust and mutual respect towards the ultimate goal of the spread of digital payments. Because time is money.



DR. ZSOLT SELMECZI-KOVÁCS

DR. ZSOLT SELMECZI-KOVÁCS
CEO

OUR SERVICES - RELIABILITY AND INNOVATION

As in previous years, 2022 was another successful year for our company, both in terms of quality of service and management.

We continue to aim for a stable and smooth operation of the Bank-to-Bank Clearing System (BKR), and we have also made it a priority to expand the instant payment system and its complementary services (payment request and secondary account identification service). Preparations for the long-term enhancement of the operational security of the core (RealTime24/7) element of the Instant Payment System, the preparation for AFR2.0 and the sharpening of the VIBER communication solution for higher operational security were completed in 2022. The preparation tasks for the **GIROInstant** central system were completed in 2022, but in order to support the preparation of the banks, in agreement with the National Bank of Hungary, the activation of the changes was scheduled for the end of January 2023. In order to meet the requirement for continued safe and reliable operation of the GIROInstant system, a complete upgrade of the database server environment will be implemented with the RIM version.

In 2022, the GIROInstant central infrastructure successfully processed **153.5 million transactions**, 13.2% more than in the previous year, and the value of the traffic also showed an upward trend, reaching nearly **HUF 27,676.5 billion, 23.8%** more than in the previous year. Most transactions were settled in March (**14.3 million**).

Regarding operational security, it is important that the GIROInstant system has been running smoothly from the start-up, with the expected performance. On an annual average, the rate of transfers settled within **5 seconds** is above **99.8%**. The instant transfer system with its unparalleled speed, simplicity and favourable fees has contributed significantly to the strengthening of cashless payments and proves the effectiveness and success of the steps and efforts made by the National Bank of Hungary and GIRO Zrt. towards the development of payments.

The payment application introduced in 2020 has only been partially rolled out on the receiving side, while on the sending side, connections to both the individual and the bulk payment application

(**GIROFix**) services are ongoing. AFR 2.0 will bring **100% coverage** on the receiving side by 2024, which is expected by many interested customers, so a more substantial uptake of the service is expected in 2024.

Since the pilot operation of the instant settlement system, from 3 June 2019, our Company has been operating the Credit Limit Register module required for the out-of-hours collateralisation of the instant settlement VIBER on behalf of the National Bank of Hungary under a specific agreement. In 2022, there was one month, when we failed to provide the expected **99.9% availability** and provided the service with **100% availability** in all the other months.

Also as of 3 June 2019, GIRO is managing the instant payment accounts on behalf of the National Bank of Hungary. Within the framework of the transfer service, the provision and withdrawal of liquidity for members from the VIBER account, the credit line utilisation and the settlement of transactions between clearing members are carried out by GIRO Zrt. on the settlement accounts it has registered. In 2022, we provided the service below the expected **99.9% availability** in 6 months and with **100% availability** in the other months.

In addition to the GIROInstant service, we continue to provide a high quality and reliable service with our central settlement systems InterGIRO1 nighttime and InterGIRO2 daytime. The availability is **99.83%** for InterGIRO1 and **99.73%** for InterGIRO2, compared to the **99.95% availability** target. Our GIROInstant system delivered below the expected **99.9% availability** in 6 months and **100% availability** in the other months. **117.7 million transactions** were processed for InterGIRO1 overnight settlement and **156.6 million** for InterGIRO2 daytime settlement.

The daily operation of IG1, IG2 and GIROInstant systems is uninterrupted, the operators and support staff have the necessary knowledge and have successfully solved the problems that may arise without external support. Based on the agreement with the Hungarian State Treasury,

the **GIRODirect** service was discontinued for all Treasury institutions on 31 March 2022, and at the same time the Electra Archive service was extended to them.

As a result of this change, the number of customers using the GIRODirect service was reduced to 3.

In 2022, the total number of queries processed through the GIRInfo service exceeded **3.7 million**, an increase of **6% compared** to 2021 and the highest in the last five years. The telecommunications sector accounted for the largest number of clients initiating queries.

99.9% of **GIRInfo** traffic is still generated by queries to the registers of the Ministry of the Interior.

The CCISB-Gateway application, which is required to connect to the CCISB, has been completed and will continue to allow existing clients to make queries from the records of the Ministry of Interior. Testing of each query type was partially completed

in 2022. In the medium term, queries launched via GIRInfo will be replaced by queries launched via CCISB.

Regarding our **GIRONet** service, the GIRO authentication service was developed in 2022, which will enable our partners to use GIROLock certificates in their own applications to identify users. The authentication service will be used in the first instance by the MNB Klir application developed by the National Bank of Hungary, expected to be available from July 2023, replacing the former WebeC service.

In line with technological developments in the **GIROLock** service, in 2022 we started preparing for a complete renewal of the service, both physical and software, which we plan to implement in 2023. The change will mainly involve the replacement of core components, with no planned change in business services. On the client side, no additional tasks are planned other than the installation of new certificates and issuer certificates.

GIRInfo

3.7 MILLION QUERIES

GIROFix

100% AVAILABILITY

GIROInstant

153.5 MILLION TRANSACTIONS

GIROHáló

AUTHENTICATION SERVICE WAS DEVELOPED

GIROLock

STARTED PREPARING FOR A COMPLETE RENEWAL

PERFORMANCE - SUCCESS IN NUMBERS

The year 2022 was a year of crises. However, despite the challenges, it was a year of successful management. The coronavirus crisis, which had just subsided at the end of the subject year, was replaced in February by the economic difficulties caused by the Russian-Ukrainian war. The conflict and the resulting sanctions policy led to a surge in energy prices, causing inflation in the economy. GIRO Zrt. could not escape the impact of rising prices, volatile exchange rates, increasing wage pressure and special taxes. Thanks to tight procurement and cost controls, operating costs were kept below budget. The Company's difficulties in the year under review were further exacerbated by the "extra profit tax" introduced to adjust the budget, which burdened GIRO Zrt.'s 2022 result by **HUF 729.3 million**. A higher interest rate level, which was introduced in order to curb inflation, resulted in a more favourable financial result. Overall, the Company closed the year with a loss before tax of **HUF 562.6 million**, which is above the **HUF -1,113.4 million** budgeted for the year.

The Company's capital position remains stable, with **96.7%** of its assets financed by equity. **48.2%** of the

total assets, **HUF 8,638.4 million**, are represented by current assets, of which the combined balance of cash and cash equivalents, demand and time deposits and negotiable securities is **HUF 7,845.6 million**, which provides the Company with a high level of liquidity. The Company's capital position remains stable, with **96.7%** of its assets financed by equity.

On an annual basis, **427,829 thousand transactions** were settled in the Interbank Clearing System, which means an increase of **3.3%**. Year-on-year growth peaked in March (7.1%), but the energy crisis has gradually narrowed the window of opportunity and the cumulative growth index has started to decline almost monotonically. Individual transactions managed to grow by 7.5% despite the difficult economic environment. In this context, the growth of the instant platform remained impressive (+13.2%), while the turnover of the intraday platform stagnated (+0.2%). Group direct debit (-0.8%) and group transfers (+1.2%) reached levels close to the base.

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STRATEGY - CONTINUITY WITH NEW DIRECTIONS

Our company is constantly working to assess future challenges and opportunities and to strengthen its market position. Our experts are working along the lines of development set out in the company's strategy, taking into account international and domestic trends, to provide new and more efficient services to our clients.

We plan to continue the digital transformation and to exploit the new opportunities that digitalisation

brings. We will pay particular attention to innovation and the introduction of new technologies to raise the quality and efficiency of our services to even higher levels.

In 2023 and 2024, we plan to introduce a number of new developments aimed at improving the customer experience and increasing our competitiveness. Management is committed to ensuring the long-term success of the Company through strategic thinking.



ZSOLT KADA

DEPUTY CHIEF EXECUTIVE OFFICER,
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