



ANNUAL **23**  
REPORT



## CEO's Welcome

It is accurate to state that our perception of ourselves evolves together with our perception of the outside world.

We have been going about our regular lives since 2020 while dealing with challenges that this generation has never seen before. We encounter formidable obstacles on all fronts every month, which adds up to extreme strain on a personal level.

The stress that has built up in our world is felt via our skin. Inflation, conflicts, skyrocketing oil prices, stagnant or declining GDP figures, growing fraud and cyber-security dangers, and a significant overhaul of the financial industry are all results of changes in our macroenvironment.

Taking care of one of these elements would provide exactly the right amount of difficulty, particularly when considering the totality of them.

***How should our perception of ourselves alter during such a long and rich historical time, if at all? In a situation this unstable, what does it mean to be a national clearing house?***

A large storm will snap a tree with an unyielding trunk. A tree that lacks adaptability wastes its strength and perishes without leaving a successor. When a tree loses its resilience, irreversible damage can occur extremely quickly.

Never before has GIRO Zrt.'s role in the payment ecosystem been more logical, essential, and progressive than it is right now.

There is a shift in domestic payments toward immediacy. It is in the best interests of our country to provide market participants with a viable payment option that enables them to transfer money in an easy, affordable, quick, and secure manner.

While thousands of current accounts were unprecedentedly compromised by fraud in 2023, consumers will have widespread access to instant payments in retail and online stores starting in 2024. This probably isn't the best

market environment to introduce a new payment option.

For this reason, the Magyar Nemzeti Bank has stated that it expects a central fraud monitoring system to be put in place in order to decrease fraudulent transfers and support banks' fraud systems in real time.

GIRO Zrt. simultaneously seeks to establish instant payment as a payment instrument and a comprehensive payment solution.

Therefore we welcomed the requirement for all banks to process payment requests, the opportunity for „non-bank” entities to register secondary account identifiers, and the introduction of the charge back process for instant payments. The consolidation of clearing and settlement platforms is anticipated to be the catalyst for the next big advancement in domestic electronic payments.

Many may have asked how the national clearing house's service profile and brand could be further expanded and changed when GIRO Zrt. was acquired by Magyar Nemzeti Bank in 2014.

What we see emerging is fueled by ambition as much as the national payments strategy and the major world events of the past few years. Our aspiration and conviction is that the emergence of services predicated on the cooperation of banks would lead to a nation's payment ecosystem developing dynamically. Only by enhancing a national clearing house's strengths would this be possible.

I appreciate my colleagues' tenacity and commitment. We are going to stay on the course we have started, which is to gradually and deliberately develop mutual respect, trust, and synergy in order to eventually achieve our final goal, the widespread usage of digital payments. Since time is money.



**Dr. Zsolt Selmeczi-Kovács**  
CEO

Man has a natural desire to learn new things. He is driven by an innate desire to comprehend the environment he lives in, to understand its significance, and to be able to apply it to his own situation.

## Our services – reliability and innovation

Similar to prior years, our business can reflect on 2023 as another fruitful year in terms of the quality of its financial results and services.

We are concentrating on the broader usage of the immediate payment system and the supplementary services based on it (payment request and secondary payment account identification service), even if the steady and seamless functioning of the Interbank Clearing System (BKR) remains a top priority.

The GIROInstant core infrastructure for instant payments performed 162.8 million transactions successfully in 2023, an increase of 6% over the previous year. The amount of the transactions also increased, rising 7.4% to around HUF 29 739.4 billion. 99.9% of transfers were cleared in the system in less than five seconds on average per year.

The instant payment system offers a great foundation for the creation of additional solutions that complement electronic payment solutions because of its unmatched speed.

The quantity of payment request transactions increased significantly last year as well, rising by 182.86% over the prior year.

Since the service's inception, the GIROInstant system has operated with great availability. Our GIROInstant system has outperformed the anticipated 99.9% availability for nine months, and the total number of extraordinary events has impacted 0.0043% of the total transactions.

We offer a high degree of dependable service through our central settlement systems, the overnight InterGIRO1 and the intraday InterGIRO2 systems, in addition to the GIROInstant service.

In contrast to the 99.95% committed, the availability is 99.84% for InterGIRO1 and 99.95% for InterGIRO2. For the overnight InterGIRO1 settlement, 113.5 million transactions were handled, and for the intraday InterGIRO2 settlement, 151 million transactions. In 2023, the Instant Payment System's core component (RealTime24/7) underwent regular version upgrades to ensure long-term operational security, the connected satellite systems were upgraded, and the developments announced in the AFR2.0 program (EAM project, support for the implementation of the receiving side of payment requests at Clearing Members, and raising the threshold for instant payments to HUF 20 million) were implemented. Following the November 2023 release, users could access the self-service site settings functionality in the GIROInstant central system, and low-priority bugs were also fixed.

Based on data net of individual high-volume requests, the overall number of queries handled through the GIRinfo service exceeded 3.2 million in 2023, a 9.6% increase from 2022.

There are still queries to Ministry of Interior records accounting for 99.9% of GIRinfo traffic.

As of 2022, the KKSZB Gateway application—which is necessary to establish a connection with the KKSZB—has been finished and will enable current clients to query Ministry of Interior records in their original format. In 2023, work on developing and testing the various query types

as well as the token manager—which manages customer tokens—continued. By mid-2024, the GIRinfo service will be available via the KKSZB channel.

Queries made through the KKSZB will eventually take the place of direct GIRinfo-initiated queries to the BM (Ministry of Interior) register.

In 2023, significant projects for our technical services—GIRONet and GIROlock—also got underway.

We have a very eventful year and a year full of innovations and challenges behind us as well as ahead of us. In 2023, the repercussions of the war will still be felt, and the outcomes are still unknown. Our objective is still to leverage technology to provide the fastest and safest payment options possible in order to boost economic growth and solidify the acceptance of electronic payments.

# Financial results – success in numbers

Numerous issues have affected the economy, including high inflation, erratic exchange rates, transient tax arrangements, and brief interruptions in the energy markets. The tightening of monetary policy in response to a rapidly rising inflationary environment has resulted in an atmosphere with high interest rates. Better interest and foreign exchange revenues than anticipated have resulted from this for GIRO Zrt. Due to a more moderate than anticipated occurrence of expenses, government tax policy initiatives, such as the mid-year adjustment of the extra profit tax, positively impacted the financial performance.

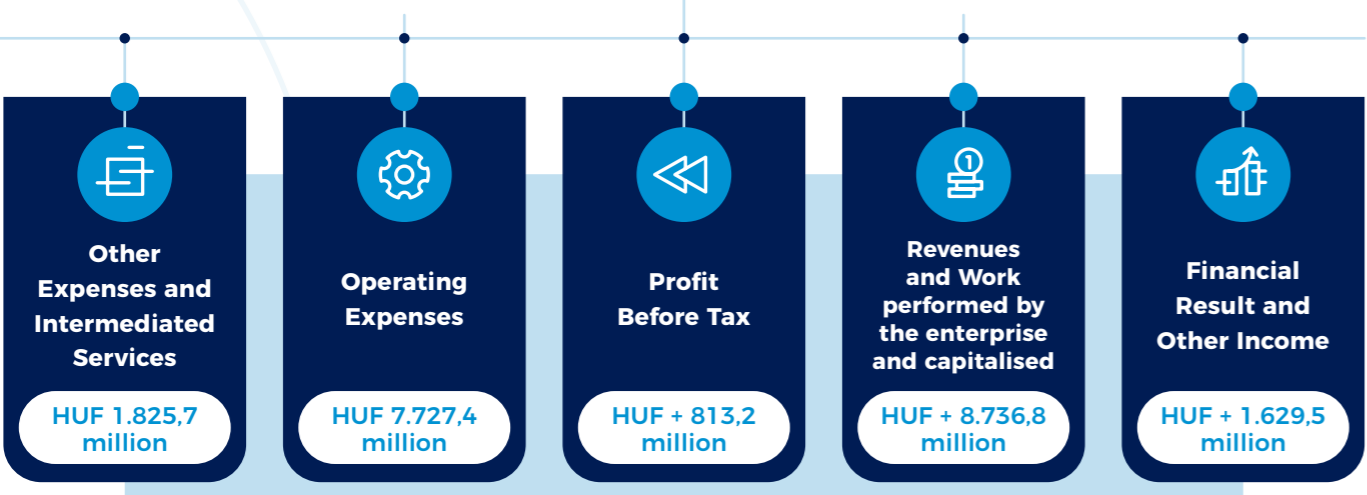
One of the main reasons the company overcame the market challenges in the year was its **stringent cost control**. The Company managed to end the year with a successful record, even in spite of the unfavorable macroeconomic climate. GIRO Zrt. ended 2023 with a profit before taxes of **HUF +813.2 million**, a substantial amount

more than the HUF - 526.3 million that was expected for the same year.

The capital situation of the company is steady, with equity financing accounting for 93.8% of its assets. Current assets make up HUF 8,819.6 million, or 45.7% of total assets. Of these, the balance of demand and time deposits, cash and cash equivalents, and negotiable securities is HUF 7,615.4 million, which gives the company a strong degree of liquidity. This liquid asset foundation permits enhancements and offers enough protection for operations that are both safe and effective.

Although the Company's management substantially overcome the obstacles, the influence of the weak external economic performance in 2023 was evident in the clearing and settlement operations' performance, which could not be isolated from the market environment. **There were 427,320,259 cleared transactions** in the reviewed year, which is 508,350 fewer than in 2022. The plan performance index of 96.0 percent and **the growth index of 99.9%** clearly show that 2023 was not a year of economic growth.

## Key Figures for the 2023 Financial Year





## Infrastructure

The IT Operations and Development departments are combined under the Infrastructure Operations and Development Directorate, which is led by a new Director, in accordance with the structural reorganization of 2023. Among other things, the Directorate is in charge of the creation and management of the business's IT systems. Its primary responsibilities are to maintain the BKR's secure operation, minimize IT risks, and install and run back-office systems.

In addition to ensuring the safe and efficient operation of the BKR components, the year 2023 was dedicated to learning and adopting new technologies for IT operations. The company uses a private cloud architecture of more than 1400 virtual machines operating on fewer than 50 physical servers to power its business services.

We successfully carried out the GIROInstant service's Oracle major version update throughout the year, despite the need for a total service interruption. As a result of careful planning, the downtime during the execution of this difficult work amounted only to 0.008% of the yearly uptime.

The full private cloud environment's planned modifications were also accomplished while the live GIROInstant service was still operational.

In terms of internal firewall and routing tools in the IT field, the transition from the CheckPoint firewall cluster of physical devices to the virtualized VMware NSX solution also meant the introduction of a whole new technology (*SDN - Software Defined Network*).

The project to replace the VDI that is now in use in office settings was also started in 2023. The proposition is predicated on cost reduction and more efficient use of architectural resources.

The central installation framework's use has also expanded in the IT directorate this year. The framework serves as the primary ticket management system for Operations as well as the central IT Infrastructure configuration management and deployment solution for production and back-office services. The framework makes it possible for the IT department to execute the identity verification of the versions that have been tested, cleared for live deployment, and are deployed along with the precise filing of all the relevant and up-to-date documentation for each system's operation.

Automated deployers minimize the faults caused by human error and enable more efficient use of IT resources. As part of its annual planning, the infrastructure operations and development section has also begun to update its strategy. The fundamental tenet of the IT strategy is still operational security, with additional focus on cost-effective operations and keeping up with technological advancements. To optimize infrastructure efficiency, fewer physical machines will be used in conjunction with a life-cycle study of hardware components. Technological adjustments will also be required, most notably the use of containerization. Additionally, the IT department set itself the goal of rationalizing its network in the near future, which includes automating the configuration of network devices, simplifying the topology, and reducing the number of devices.





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