

# MBH Mortgage Bank

**Type of Engagement:** Annual Review

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## Introduction

In October 2021 and February 2022, MBH Mortgage Bank Co. Plc. (“MBH MB”)<sup>1</sup> issued two green covered bonds under the MBH Mortgage Bank Green Covered Bond Framework (the “Framework”)<sup>2</sup> aimed at financing and refinancing mortgage loans for green residential and commercial buildings in Hungary. In February 2024, MBH MB engaged Sustainalytics to review the projects funded with proceeds from the green covered bonds (the “Nominated Projects”) and provide an assessment as to whether the activities met the use of proceeds criteria and the reporting commitments outlined in the Framework, which was updated in February 2024. Sustainalytics provided a Second-Party Opinion on the original Framework in September 2021.<sup>3</sup> This is Sustainalytics’ second annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in November 2022.<sup>4</sup>

## Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Met the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

**Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs**

Use of Proceeds	Eligibility Criteria			KPI
	New or existing buildings	Refurbished existing buildings	Green building certifications	
<b>Green Residential Buildings</b>	Buildings built before 30 <sup>th</sup> June, 2022 that: <ul style="list-style-type: none"> <li>• Have a maximum primary energy demand (PED) of 100 kWh/m<sup>2</sup> per year and comply with the Hungarian nearly zero-energy buildings (NZEB) requirements<sup>5</sup> or</li> </ul>	Buildings that: <ul style="list-style-type: none"> <li>• Fulfil the cost-optimal minimum energy performance requirements for major renovations, as defined by the Energy Performance Buildings Directive (EPBD) or</li> <li>• Achieve a minimum 30%</li> </ul>	None	<ul style="list-style-type: none"> <li>• Annual site energy savings (in MWh/year)</li> <li>• Annual CO<sub>2</sub> emissions avoidance (in tCO<sub>2</sub>/year)</li> </ul>

<sup>1</sup> MBH MB operated as Takaréék Mortgage Bank Co. Plc. between 2018 and May 2023.

<sup>2</sup> Takaréék Bank, “Takarék Mortgage Bank Green Covered Bond Framework”, (2021), at: <https://www.en.takarekjb.hu/sw/static/file/84146.pdf>

<sup>3</sup> Takaréék Bank, “Takarék Mortgage Bank Green Covered Bond Framework Second-Party Opinion”, (2021), at: <https://www.en.takarekjb.hu/sw/static/file/84145.pdf>

<sup>4</sup> Takaréék Bank, “Takarék Mortgage Bank Annual Review”, (2022), at: <https://www.en.takarekjb.hu/sw/static/file/www.en.takarekjb.hu-files-23-89966.pdf>

<sup>5</sup> European Commission, “Nearly Zero-Energy Buildings”, (2020), at:

[https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings\\_en](https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en)

# MBH Mortgage Bank Green Covered Bond Framework

	<ul style="list-style-type: none"> <li>• Have an energy performance certificate (EPC) label A or better<sup>6</sup> or</li> <li>• Belong in the top 15% low-carbon residential buildings based on emission intensity in Hungary<sup>7</sup></li> </ul> <p>Buildings built after 30<sup>th</sup> June, 2022 that:</p> <ul style="list-style-type: none"> <li>• Have a PED at least 10% lower than the NZEB standard in Hungary where PED of 90 kWh/m<sup>2</sup> per year</li> </ul>	of primary energy savings compared to the performance of the building prior to the renovation		
<b>Green Commercial Buildings</b>	<p>Buildings built before 30<sup>th</sup> June, 2022 that:</p> <ul style="list-style-type: none"> <li>• Have a maximum primary energy demand (PED) of 100 KWh/m<sup>2</sup> per year and comply with the Hungarian nearly zero-energy buildings (NZEB) requirements<sup>8</sup></li> <li>• Have an energy performance certificate (EPC) label A or better<sup>9</sup> or</li> <li>• Belong in the top 15% low-carbon residential buildings based on emission</li> </ul>	<p>Buildings that:</p> <ul style="list-style-type: none"> <li>• Fulfil the cost-optimal minimum energy performance requirements for major renovations, as defined by the Energy Performance Buildings Directive (EPBD) or</li> <li>• Achieve a minimum 30% of primary energy savings compared to the performance of the building prior to the renovation</li> </ul>	<ul style="list-style-type: none"> <li>• International green building certification systems with a high ranking in energy and sustainability e.g. BREEAM very good or better, LEED Gold or better with energy savings at least 30% or more against ASHRAE 90.1</li> </ul>	<ul style="list-style-type: none"> <li>• Annual site energy savings (in MWh/year)</li> <li>• Annual CO<sub>2</sub> emissions avoidance (in tCO<sub>2</sub>/year)</li> </ul>

<sup>6</sup> Residential buildings with the EPC label AA or better (rating since 2016) or with a rating of A or better (rating before 2016).

<sup>7</sup> Residential buildings complying with the PED requirements from the building energy code 7/2006 including amendments of 8/2012 and were constructed in 2013 or later.

<sup>8</sup> European Commission, "Nearly Zero-Energy Buildings", (2020), at:

[https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings\\_en](https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en)

<sup>9</sup> Residential buildings with the EPC label AA or better (rating since 2016) or with a rating of A or better (rating before 2016).

	<p>intensity in Hungary<sup>10</sup></p> <p>Buildings built after 30<sup>th</sup> June, 2022 that:</p> <ul style="list-style-type: none"> <li>• Have a PED at least 10% lower than the NZEB standard in Hungary where PED of 90 kWh/m<sup>2</sup> per year</li> </ul>			
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### Issuer's Responsibility

MBH MB is responsible for providing accurate information and documentation relating to the details of the funded projects, including descriptions of projects, amounts allocated and project impact.

### Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from MBH MB's green covered bonds. The work undertaken as part of this engagement included collection of documentation from MBH MB and review of said documentation to assess conformance with the MBH Mortgage Bank Green Covered Bond Framework.

Sustainalytics relied on the information and the facts presented by MBH MB. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by MBH MB.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

### Conclusion

Based on the limited assurance procedures conducted,<sup>11</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the MBH Mortgage Bank Green Covered Bond Framework. MBH MB has disclosed to Sustainalytics that the proceeds from the green covered bonds were fully allocated as of 31<sup>st</sup> October 2023.

<sup>10</sup> Residential buildings complying with the PED requirements from the building energy code 7/2006 including amendments of 8/2012 and were constructed in 2013 or later.

<sup>11</sup> Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

## Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the Nominated Projects funded with the proceeds from the green covered bonds issued in October 2021 and February 2022 to determine if they aligned with the use of proceeds criteria outlined in the MBH Mortgage Bank Green Covered Bond Framework and above in Table.	All projects reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the Nominated Projects funded with the proceeds from the green covered bonds issued in October 2021 and February 2022 to determine if the impact of the projects was reported in line with the KPIs outlined in the MBH Mortgage Bank Green Covered Bond Framework. For a list of KPIs reported, please refer to Appendix 1.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

## Appendix

### Appendix 1: Allocation and Reported Impact

As of 31 October 2023, MBH MB had raised a total of HUF 88.56 billion (EUR 231.5 million)<sup>12</sup> through its two green covered bonds and allocated all net proceeds to finance or refinance eligible green mortgage loans for residential and commercial buildings.

**Table 3: Allocation and reported impact breakdown**

Use of Proceeds Category	Unit Type	Year of Issuance	Net Proceeds Allocation (HUF billion)	Share of Total Portfolio Financing (%)	Annual site energy savings (MWh/year)	Annual CO <sub>2</sub> emissions avoided (tCO <sub>2</sub> /year) <sup>13</sup>
Green Residential Buildings	Single-Family House	2023	38.58	44	41,331	10,457
	Multi-Family House		49.97	56	30,399	7,691
<b>Total</b>		2023	88.56	100	71,730	18,148
<b>Total bond proceeds raised (HUF billion)</b>		<b>88.56</b>				
<b>Unallocated proceeds (HUF billion)</b>		<b>0</b>				

<sup>12</sup> Exchange rate as of October 31, 2023: 1 EUR = 382.48 HUF, as calculated with MNB's official fixing rate.

<sup>13</sup> Greenhouse gas emissions avoidance determined by multiplying the site energy savings with the carbon emissions intensity.

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