



SUSTAINABILITY REPORT 2023

MBH Mortgage Bank Co. Plc.

www.mbhmortgagebank.hu



WELCOME WORDS FROM THE CEO

Dear Reader,

You are reading the Sustainability Report by the MBH Mortgage Bank Co. Plc. regarding the year 2023, which aims at introducing the results of our bank in an understandable and transparent way. It is a natural part of our more than 25 years of mortgage banking that we report our financial performance annually to market participants. However, we believe that, in addition to financial indicators, the annual publication of our sustainability report is the only way to give a full picture of our ambitions and achievements.

2023 was a challenging and difficult year in terms of the economic environment. The unprecedented level of inflation in our Bank's history – and the resulting extremely high yield environment – has resulted in a significant slowdown in mortgage lending, which is the basis of our mortgage banking operations. Growing geopolitical risks as a result of the war in our neighbourhood have also negatively affected the business environment, making it more difficult for business actors to pursue a sustainability strategy.

I am proud to share with you that, despite the challenges of the economic environment, our mortgage bank had an outstanding year in 2023. With the favourable development of the main financial indicators, we have been able to remain active as an issuer in the mortgage bond market and increase the outstanding stock of issued green mortgage bonds. In 2023, our Bank sold the most mortgage bonds on the domestic market, which was rewarded by the Budapest Stock Exchange with the „Mortgage Bond Issuer of the Year” award. In parallel, we have been able to increase the size of our refinanced loan portfolio, including the eligible green mortgage portfolio.

From the very beginning, our ESG approach has been defined by a sense of responsibility for our common future, and we are committed to achieving both environmental and social sustainability goals. In 2023, we met our sustainability targets for our core business, despite the short-term challenges of an adverse market environment. In one year, the share of green mortgage bonds in the outstanding mortgage bond portfolio increased by 138% and the share of green refinancing increased by 11% in the total refinanced loan portfolio. We have fur-



ther enhanced our Green Covered Bond Framework and launched the business application of our self developed proprietary Automated Valuation Model (AVM) system. In the area of corporate governance, we also see the adoption of an internal policy on the process for identifying eligible green mortgage collaterals and eligible green mortgages as an important step, which has been incorporated into the related group-wide business/risk policy.

We continue to believe that MBH Mortgage Bank Co. Plc. has a significant and positive impact on the environment, not only in the pursuit of its business objectives, but also through the conscious consideration of sustainability issues. We showcase this impact and our commitment in our latest sustainability report 2023.

With kind regards,

Dr. Gyula Nagy
CEO

TABLE OF CONTENTS

TABLE OF CONTENTS

Welcome words from the CEO	2
1. INTRODUCTION	4
1.1. About the Report	5
1.2. The main criteria used for the preparation of the Report	6
2. INTRODUCING THE MBH MORTGAGE BANK	8
2.1. About our Bank	9
2.2. Financial results	11
2.3. ESG approach and strategy	13
3. RESPONSIBLE BUSINESS OPERATION	16
3.1. Managing ESG risks	17
3.2. Reducing environmental impact	18
3.3. Process and product innovation	20
3.4. Transparency	20
4. RESPONSIBLE CORPORATE GOVERNANCE	21
4.1. Compliance with legislation	22
4.2. Ethical operation	23
4.3. The organisational representation of ESG	23
4.4. Avoiding anti-competitive behaviour, anti-corruption	25
5. OWN OPERATIONS	26
5.1. Employment	27
5.2. Environmental impact	29
5.3. Social responsibility	33
6. ANNEXES	34
6.1. GRI Index	35
IMPRINT	41



1. INTRODUCTION

1. INTRODUCTION

1.1. ABOUT THE REPORT

As an element of MBH Mortgage Bank's contribution to sustainable development, we are publishing our third sustainability report. As a listed company and an active issuer of listed mortgage bonds, we will follow the expectations of the ESG/Sustainability Reporting Guidelines of the Budapest Stock Exchange also in our 2023 ESG/sustainability¹ performance presentation, transparently presenting our organisation to both external and internal stakeholders.

The Report is based on the Global Reporting Initiative (hereinafter: GRI) standard. The content of the Report is the result of a materiality assessment based on the standard's guidelines: we publish our key findings, environmental, social and governance indicators and results on the relevant topics identified here.

Reporting organisation	MBH Mortgage Bank Co. Plc. (hereinafter referred to as: MBH Mortgage Bank, Bank, or MBHMB)
Address of the organisation's headquarters	1117 Budapest, Magyar Tudósok körútja 9. G. épület
Scope of the Report	The Sustainability Report applies to MBH Mortgage Bank Co. Plc. only, and the reporting entity does not have any subsidiaries. The Bank operates in Hungary only.
Reporting Period	01/01/2023 - 31/12/2023
Report cycle	Yearly
Financial reporting period	Yearly and half-yearly reporting period <i>The difference between the reporting periods of the Financial and Sustainability reports is due to the fact that the Bank is a public limited company, its shares are listed on the stock exchange and therefore the interim financial report is mandatory, while the Sustainability report is published only annually.</i>
Reporting standard applied	The Report has been prepared according to the GRI Standards (2021) 'in accordance' level of compliance.
Certification by an external party	The information and data contained in the Report are not certified by an external party.

We welcome your questions and feedback on our report to Illés Tóth Deputy CEO at the following email address: toth.illes@mbhbank.hu.

¹ In the Report, the terms ESG and sustainability are used synonymously.



1.2. THE MAIN CRITERIA USED FOR THE PREPARATION OF THE REPORT

To determine the scope of the topics and disclosures presented in our Sustainability Report, in 2022 we conducted a materiality assessment in accordance with the GRI Standards (2021). The list of material issues identified in the survey has been revised by our Capital Markets area during the 2023 reporting period. There have been no material changes to the Bank's business relationships and organisational activities compared to last year, and therefore our list of material topics for 2023 provides a credible and complete representation of our Bank's ESG operations and results. We will redefine material issues for the Bank during 2024, in line with² the double materiality requirement of the EU Directive on Corporate Sustainability Reporting.

In the previous year the survey identified the environmental, social, and governance issues most relevant to the Bank in a

INTERNAL STAKEHOLDERS

- MBH Mortgage Bank Board members
- MBH Mortgage Bank internal managers
- MBH Bank group-level Compliance, ESG, HR, Risk management and Strategy areas

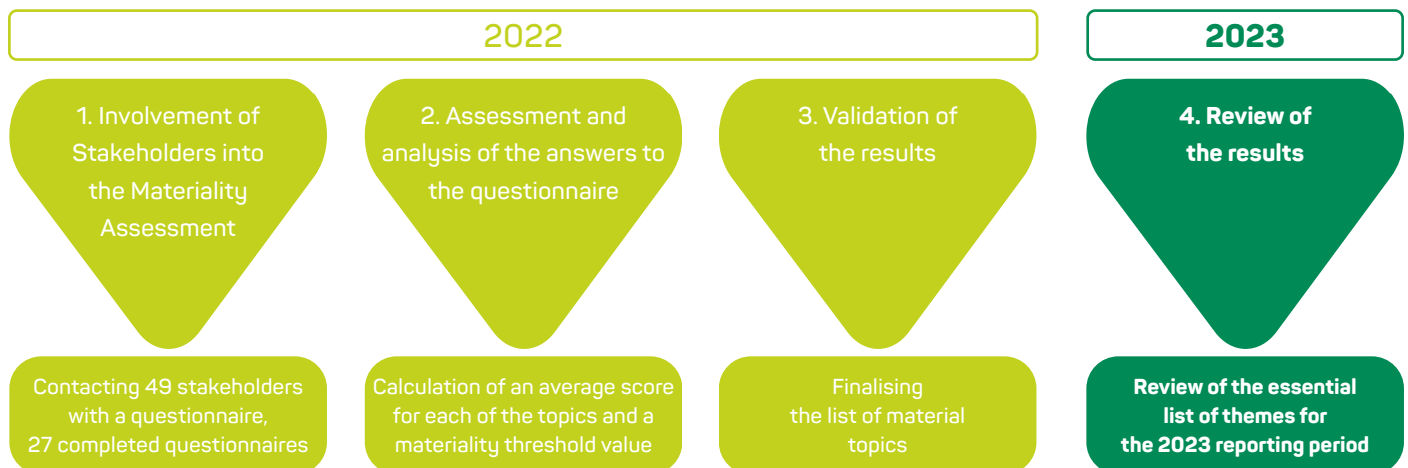
two-step approach. The first step was to identify and prioritise, with the involvement of the Capital Markets area and the CEO, and with the help of a consultant, the areas where the Bank and its value chain could have a direct or indirect impact. The assessment took into account the most important industry and sustainability trends and frameworks, regulatory requirements and MBH Mortgage Bank's values and strategic objectives. As a second step, the shortlist and definitions of potentially material issues were shared with the Bank's key stakeholders, who indicated through a questionnaire which sustainability issues they considered material to the Bank's sustainability reporting.

All internal and external stakeholders who are directly or indirectly affected by the Bank's operations are included in the survey:

EXTERNAL STAKEHOLDERS

- Institutional investors and distributors
- Regulatory authorities
- Professional organisations
- Refinancing partner banks

THE PROCESS OF DEFINING MATERIAL TOPICS

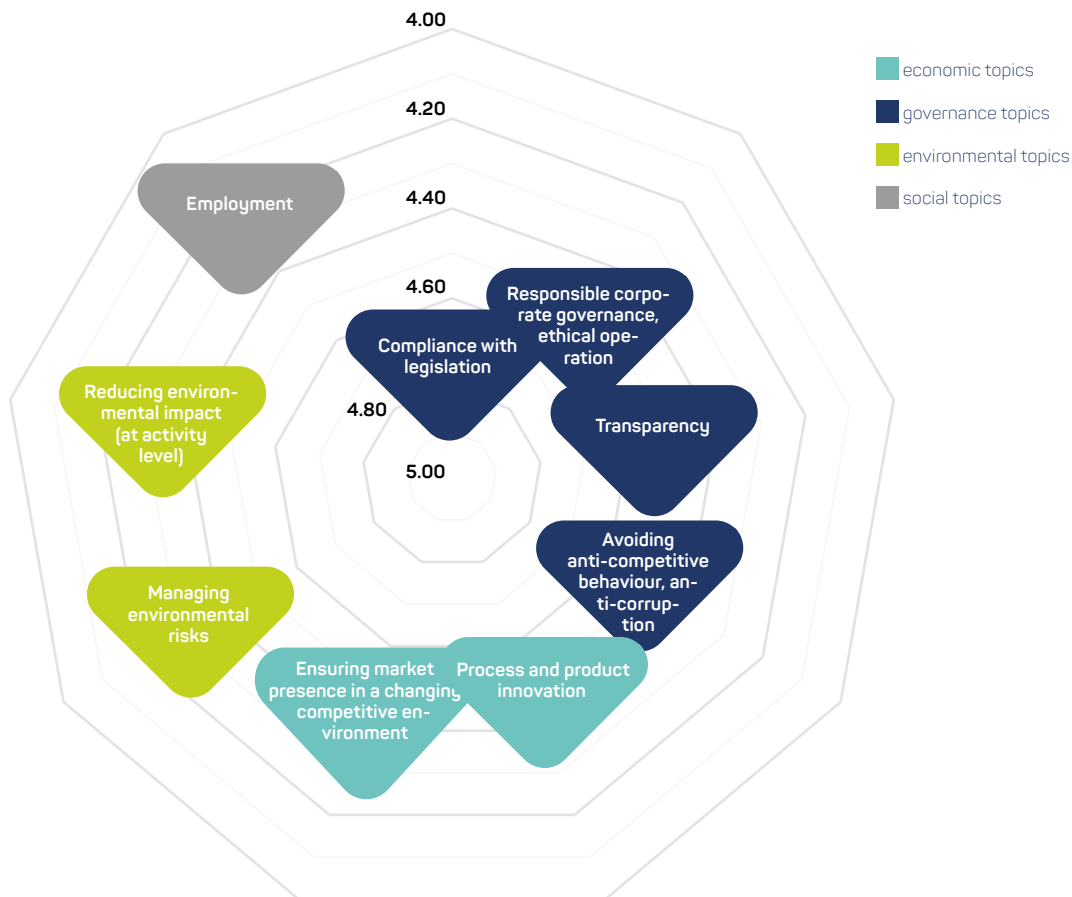


During the materiality assessment, the stakeholders voted about 15 potentially material topics, and as a result of the survey – based on the materiality threshold value – we have identified 9 material topics.

² Directive (EU) 2022/2464 of the European Parliament and of the Council, transposed into Hungarian law by Act C of 2020 (Accounting Act)



RESULTS OF THE MBH MORTGAGE BANK'S MATERIALITY ASSESSMENT



OUR KEY TOPICS IN ORDER OF MATERIALITY

Material topic

1. Compliance with legislation
2. Responsible corporate governance, ethical operation
3. Transparency
4. Avoiding anti-competitive behaviour, anti-corruption
5. Process and product innovation
6. Ensuring market presence in a changing competitive environment
7. Managing environmental risks
8. Reducing environmental impact (at activity level)
9. Employment

Other assessed topic

10. Economic downturn and periods of uncertainty
11. Education and training
12. Economic performance
13. Workplace health and security
14. Protection of customer data and fraud prevention
15. Anti-discrimination, diversity, and inclusion





2. INTRODUCING THE MBH MORTGAGE BANK

2. INTRODUCING THE MBH MORTGAGE BANK

2.1. ABOUT OUR BANK

MBH Mortgage Bank Plc. started its operations in 1998 under the name FHB Mortgage Bank Plc., later on under the name Takarék Mortgage Bank Plc. and since 2023 under the name MBH Mortgage Bank. Our Bank has been a key player in the Hungarian mortgage banking sector since its foundation, and is committed to the continuous and sustainable development of domestic mortgage lending, mortgage-based refinancing and the mortgage bond market. As of 2018, the Bank has ceased its direct mortgage lending activities, and its main activities are accordingly the refinancing of mortgage loans for members of MBH Group (hereinafter: Banking Group or Group) and partner banks outside the Group, as well as the issuance of mortgage bonds.

Through its activities, MBH Mortgage Bank

- enables partner banks to refinance through mortgage bond issuances, which are typically long-term liabilities,
- helps to meet the requirements of the Mortgage Funding Adequacy Ratio (MFAR) prescribed by the Hungarian National Bank and,
- supports the spread of green real estate financing.

Since 2019, both our mortgage-based refinancing and mortgage bond issuance activities have been structured to support the sustainable lending practices of the Group and its external refinancing partners.

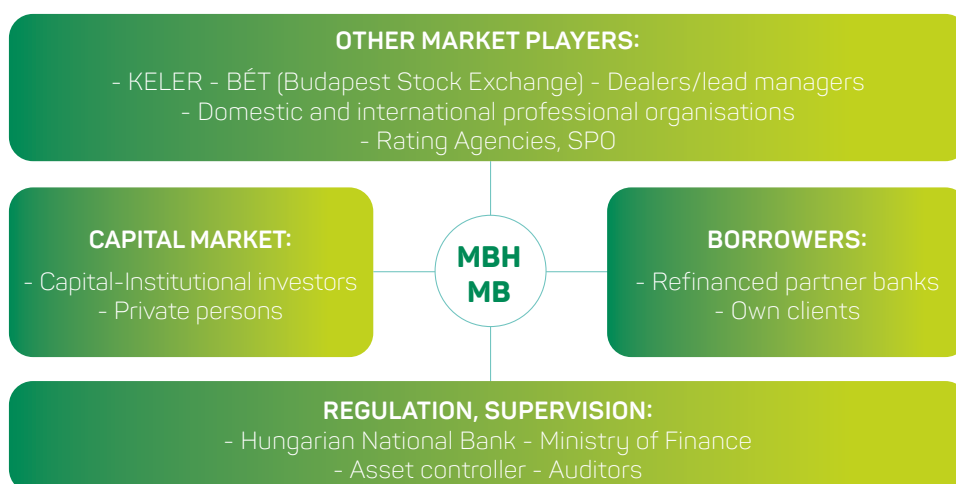
As a mortgage bank³, we play a special intermediary role in the domestic banking system. Our bank is able to have a significant positive environmental and social impact on the Hunga-

rian market, even indirectly, through its fundraising and refinancing functions, in relation to its size. As a mortgage bank, we raise long-term funds from institutional investors, which we channel through prudent bank refinancing processes (risk management, pricing) to finance residential and corporate real estate purchases. With the introduction of green refinancing and the issuance of green mortgage bonds from the second half of 2021, we are on the road to a low-emission society, which is described in more detail in chapter 3.2, titled Reducing environmental impact.

In the Hungarian banking system, MBHMB plays an intermediary role through its mortgage lending activities and a refinancing role through its asset-side business activities. All this requires the maintenance of a complex system of domestic and international relations, in which, in addition to borrowers and capital market players, regulatory and supervisory entities also play a key role.

Our main partners are commercial banks for mortgage refinancing and commercial banks and investment service providers for mortgage bond issuance. In order to advance our strategic goals, our refinancing activities set out the principles and requirements for green refinancing in contracts consistent with the current Green Covered Bond Framework, creating a solid basis for further green innovation, mutual motivation and collaborative thinking.

EXTERNAL RELATIONS OF THE MBH MORTGAGE BANK



³ MNB sector code: C3, other financial intermediaries/specialised credit institutions



Keeping in touch with our partners is a key element of MBH-MB's operations, and we keep dealers, lead managers and investment service providers informed of updates several times a year, either in person or online. The information provided to actual and potential investors includes the green collateral behind the green mortgage bonds, the current sustainability aspects, the progress made according to the published roadmap, the tightening of international regulations affecting the Bank, and the current situation of the domestic and international green securities market. We started a partner satisfaction

survey in 2023, which we intend to continue as a good practice in the future, too.

MBHMB was represented in national and international professional organisations in 2023, too. Through its memberships, the Bank not only improves its advocacy capacity, but also participates in the professional community to keep abreast of current trends and best practices in the market to adapt to changes in the market and regulatory environment.

MBH MORTGAGE BANK'S ORGANISATIONAL MEMBERSHIPS

Name of the organisation	Description of the organisation	Date of joining	Membership, role
Hungarian Banking Association Mortgage bank professional committee	Advocacy of Hungarian banks Mortgage bank subcommittee	1998	Administrative and Regulatory Working Group; Capital Markets Working Group; Real Estate Valuation Working Group
ECBC/EMF	European Covered Bond Council	2000	Statistics Committee working group leader: Dr. Gyula Nagy
Energy Efficiency Mortgage Initiative	EEMI – European Energy Efficient Mortgage Initiative	2020	Membership
Energy Efficiency Mortgage Label	EEML- European Energy Efficient Mortgage Label	2022	Membership
Energy Efficiency Mortgage Label	EEML- European Energy Efficient Mortgage Label	2022	MBHMB delegates a member to the committee
EMF Research and Data Committee	European Mortgage Federation	2022	President Dr. Gyula Nagy

MBHMB actively participates in the mortgage banking working group of the Hungarian Banking Association and its subgroups, which plays a significant role in the development of the Hungarian mortgage bond market and clearing up and developing the legal and methodological issues of the Hungarian real estate valuation.

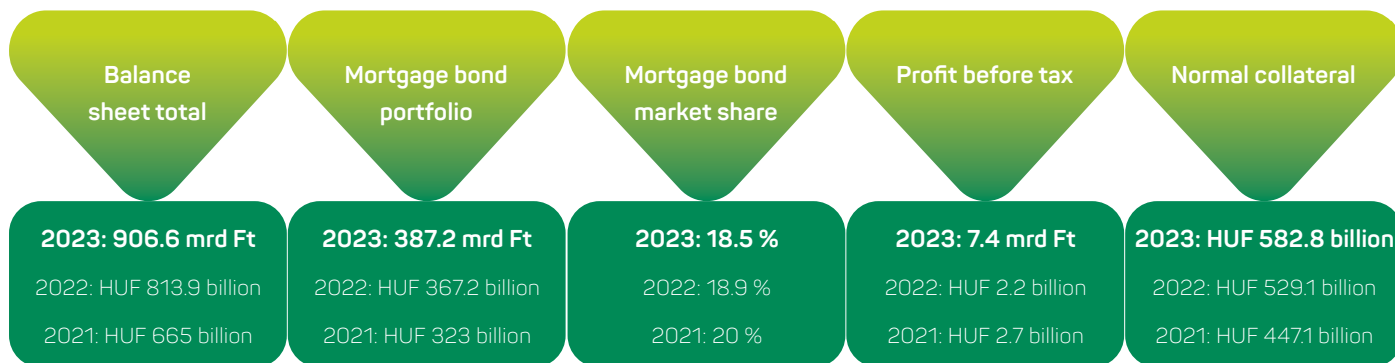
The Bank is also a regular speaker and participant at green/AVM⁴/mortgage bond conferences in Hungary and abroad, where current professional topics and general covered bond market and sustainability issues are discussed.

⁴ Automated Valuation Model



2.2. FINANCIAL RESULTS

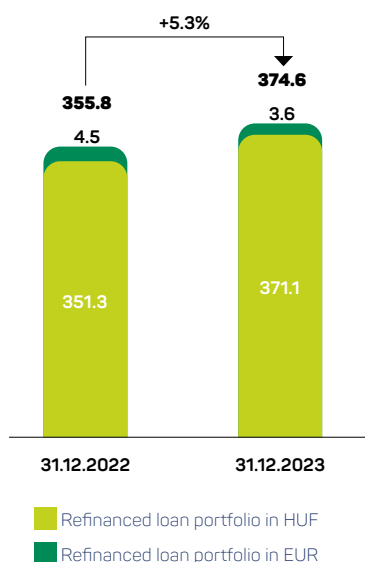
THE MBH MORTGAGE BANK'S FINANCIAL RESULTS (2021-2023)



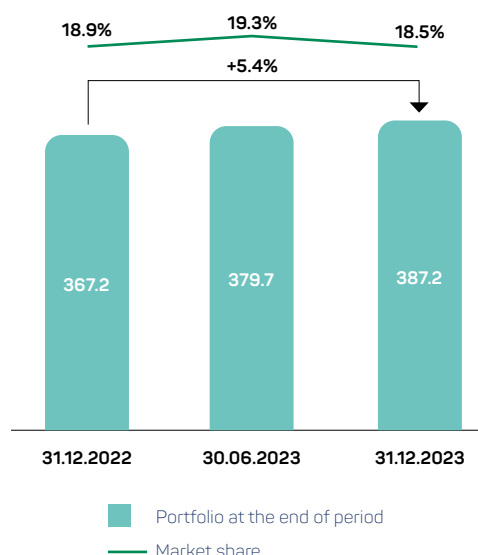
We see our stable business operations and financial results as the basis for sustainable development. At the end of 2023, the Bank's balance sheet total was close to HUF 907 billion (+11.4% year/year), partly as a result of the growth of the refinanced loan portfolio by 5.3% year on year. The outstanding stock of MBHMB mortgage bonds exceeded HUF 387 billion at the end

of 2023, providing a stable source of the credit portfolio. The Bank's profit before tax reached almost HUF 7.4 billion (+242.2% year/year) despite the extra profit special tax imposed in 2023. The increase in profit was driven by high interest income, the result on interest rate swaps, a reduction in operating costs and the release of impairment losses.

EVOLUTION OF REFINANCED LOANS BY HUF AND EUR DENOMINATED STOCK (IN HUF BILLION) (2022-2023)



OUTSTANDING STOCK OF MORTGAGE BONDS (IN HUF BILLION, BY NOMINAL VALUE) (2022-2023)

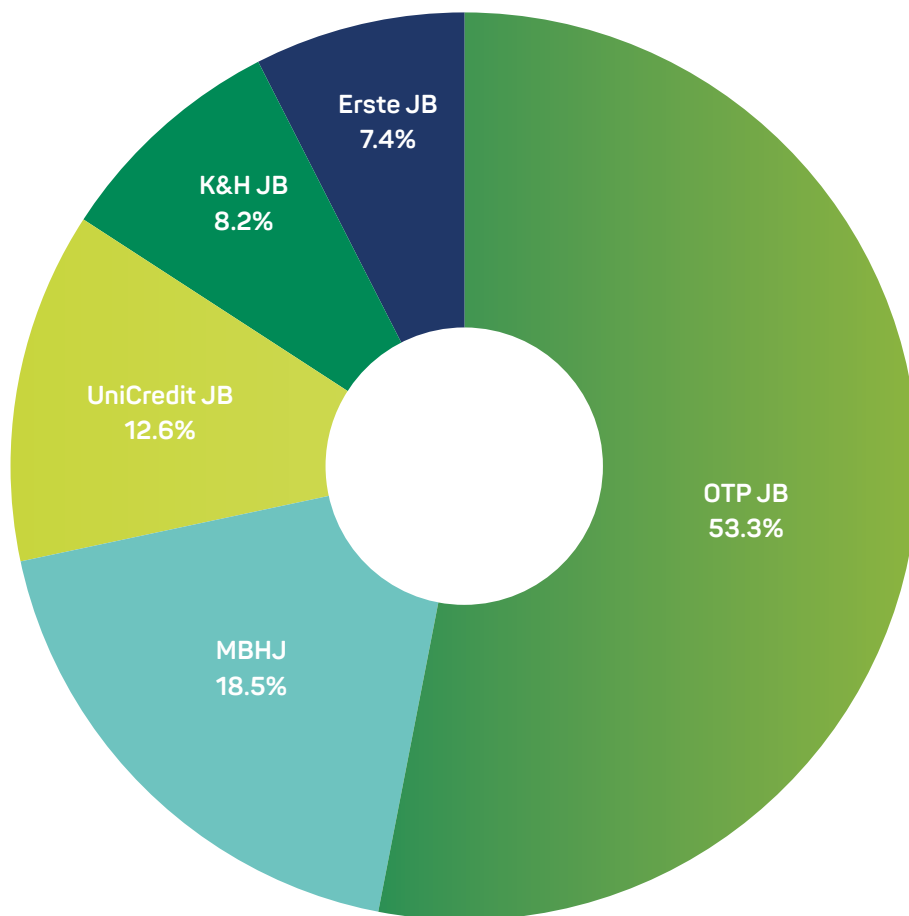


In 2023, MBHMB was still Hungary's second largest mortgage bank and the country's largest refinancing mortgage bank, with eight partner banks. In recognition of our 42% share of new mortgage bond issuance in the HUF market in 2023, our bank was awarded the BSE "Mortgage Bond Issuer of the Year" award.

Maintaining our market position of nearly 20% is an important goal for us, and we intend to significantly increase the share of green mortgage bonds in our portfolio in the coming years.



*MORTGAGE BANKS' SHARE OF OUTSTANDING MORTGAGE BONDS
(31.12.2023)*

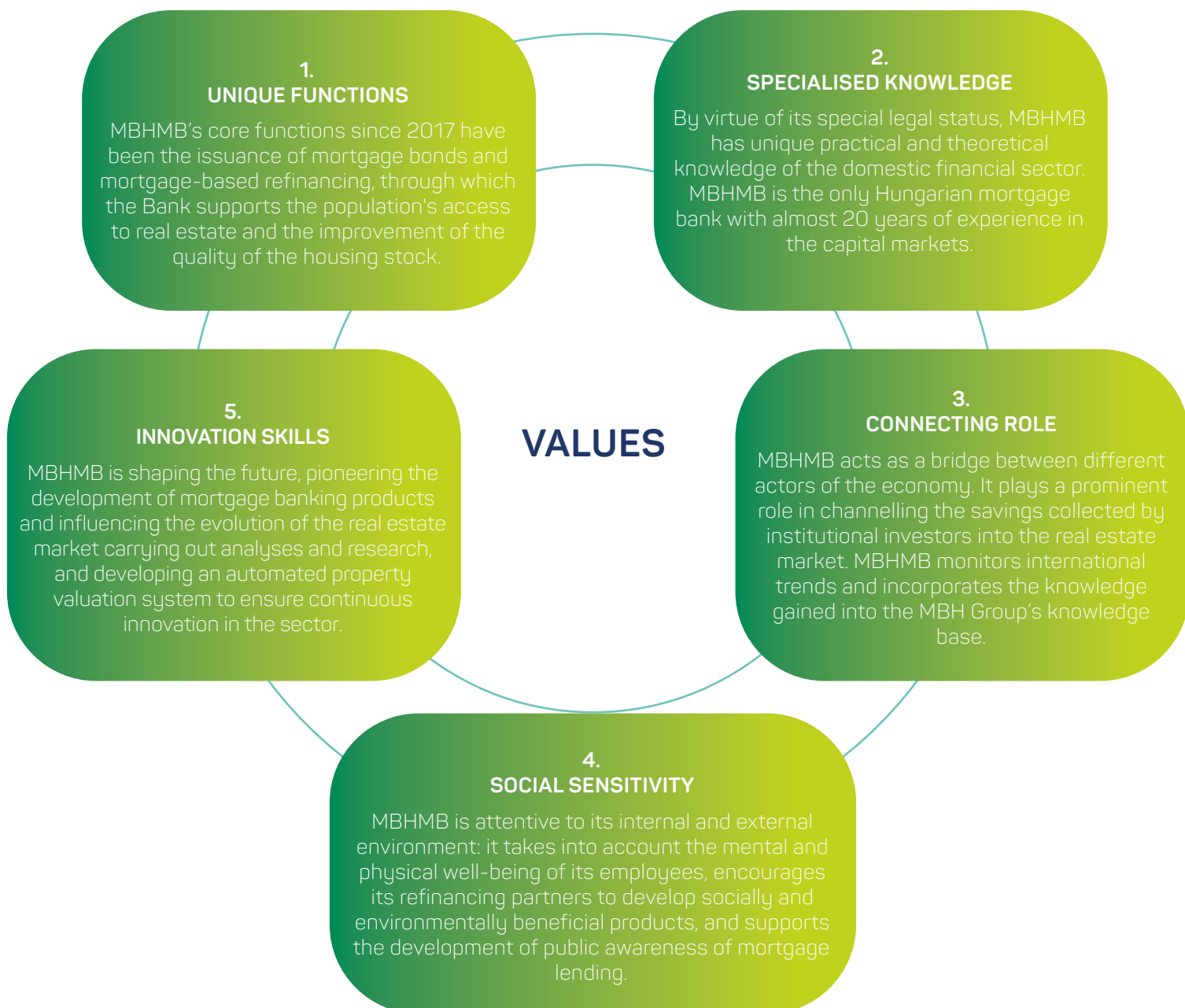


2.3. ESG APPROACH AND STRATEGY

In formulating our values, we have paid particular attention to ensuring that they provide the basis for our sustainable economic, social and environmental activities. Our values

are communicated transparently to our internal and external stakeholders, ensuring the value-driven implementation of our business and ESG strategy.

THE VALUES OF MBH MORTGAGE BANK



In line with MBH Group's ESG strategy, in 2022 we developed MBHMB's ESG strategy based on our corporate values, mission and vision, which sets as a key objective to strengthen our MBHMB's impact on climate risk reduction and social well-being. While MBH's activities are primarily aligned with the Group's sustainability activities, it seeks to develop its ESG efforts as

much as possible within this framework. The expansion of the Group provides an opportunity to do so, as existing synergies and an expanding internal network of contacts will allow us to increase our sustainability knowledge and expand our sustainability activities.



MBH MORTGAGE BANK'S ESG STRATEGY

VALUES

Unique functions, specialised knowledge, connecting role, social sensitivity, readiness to innovate.

MISSION

The issuance of green mortgage bonds that meet international standards, and the use of the proceeds for green purposes in a prudent and transparent way. In addition, MBHMB is committed to the development of real estate processes and exploit digital solutions.

VISION

Key role in domestic mortgage-based refinancing and the issuance of green mortgage bonds. Supporting the development of mortgage lending products with green and social elements, creating a market basis for „sustainable mortgage bonds“.

THE PILLARS OF THE ESG STRATEGY

Prominent role within the MBH Group for sustainability efforts

Developing a product portfolio that promotes sustainability

Full digitalisation and the continuous control of IT data security

THE GOALS OF THE ESG STRATEGY

Responsible corporate governance | Promoting products and services with environmental benefits | Equal opportunities | Ensuring responsible growth | Transparency | Contributing to a low-emission society

To better implement and monitor our strategy, during 2023 we published an MNB (Hungarian National Bank) and an EEML Transparency Report, an Allocation Report related to the Green Covered Bond Framework and revised our Green Covered Bond Framework.

Following the practice started in 2022, our capital markets area reported quarterly to the Board of Directors and the Supervisory Board on MBHMB's green mortgage bond issuance and other sustainability activities also in 2023, which helped to integrate sustainability considerations into business decision-making. As of Q4 2022, the report to the Board of Directors and the Supervisory Board includes a list and status of the KPIs and commitments that our Bank has made in relation to its reporting or ESG strategy. To deepen our responsible corporate governance practices, we have added ESG responsibilities to the tasks of each department in the Organisational and Operational Rules, and the Bank's tasks now include the integration of sustainability objectives into our business operations.

In order to implement our ESG Strategy of as effectively as possible, we have placed a great emphasis on developing the ESG knowledge and awareness of our employees and of members of the highest governance bodies (Board of Directors and Supervisory Board). The top governance bodies also received targeted training in 2023, with central coordination by the ESG area of MBH Banking Group and a training organised by the Capital Markets area of MBHMB.

The objective of the training is to provide the management body with an understanding of what the concept of sustainability means for a specialised credit institution in the mortgage banking environment, to give information on new market trends and expectations, and an understanding of how sustainability is reflected in the operations of MBHMB, focusing on the role of sustainability in mortgage banking strategy and its relation to business strategy.



THE PROGRESS OF OUR MAIN ESG ACHIEVEMENTS (2022-2023)

Topic	2022	2023
Green Covered Bond Framework	Publication of the Allocation And Impact Assessment Report	Revision of our Framework
EEML⁵ Initiative	First among domestic mortgage banks to join the initiative	Regular publication of the transparency report
Incorporation of ESG responsibilities into the Rules of Procedure	Preparations	Appearance of responsibilities in the Organisational and Operational Rules
The ESG Strategy	Establishing the strategy, definition of the sustainability goals	Significant progress on our ESG goals, including an increase in the share of green mortgage bonds and refinanced green mortgages
Preparation of a report to the Board of Directors and the Supervisory Board	Supplement on the issuance of green mortgage bonds and the Bank's sustainability activities	Extension with the status of the ESG strategic objectives
ESG training	General compliance and anti-corruption training for employees and management, ESG training for employees	ESG-focused training for employees and management, development of anti-corruption training
Financed GHG emissions	Calculation and publication of our financed GHG emissions (Scope 3 Category 15)	Tracking our financed emissions, preparation a Net Zero strategy

⁵ Energy Efficient Mortgage Label





3. RESPONSIBLE BUSINESS OPERATION

3. RESPONSIBLE BUSINESS OPERATION

3.1. MANAGING ESG RISKS

Despite the significant increase in business risks, at MBH Mortgage Bank we continue to believe that by consciously shaping the way we do business, we can have an impact on reducing climate risks and improving social well-being.

In order to operate risk management as efficiently as possible, the Mortgage Bank applies MBH's Group-wide risk management practice. The Group continuously incorporates sustainability considerations into its risk management policies based on international taxonomy and best practices. Due to the tightening of international legislation, the definition MBHMB of Green Property and Eligible Green Mortgage used by the MBH Green Covered Bond Framework has also been revised in 2023. Our Bank continuously incorporates Recommendations No 5/2021. (IV.15.)⁶ and No 10/2022. (VIII.2.)⁷ of the Hungarian National Bank and other European recommendations on the financial sector into its methodology for identification and measurement of environmental risks.

We also complement our measures to manage ESG risks with specific elements arising from our mortgage banking activities. Our aim is to completely harmonise the selection model for the identification of green properties and Eligible Green Mortgages in the Green Covered Bond Framework with the central ESG risk management framework. As a significant achievement, the policy for the identification process of eligible green real estate collateral and eligible green mortgage loans was published at the end of 2023 and the detailed procedures were incorporated into the revision of the business/risk rules of procedure in early 2024, paving the way for their practical application in 2024.

As our business model is based on active partner bank refinancing, reducing environmental risks at the value chain level is of fundamental interest to us, and we also expect our partners to apply the elements of our Green Covered Bond

Framework. The partner banks participating in the green refinancing commit in their contracts to:

- use and manage the Green Covered Bond proceeds in line with green objectives;
- and to apply the green property selection processes and reporting set out in the Green Covered Bond Framework.

In assessing the collateral or security, MBHMB takes into account the risks associated with climate change. In the case of real estate collateral, the location of the property, its technical and overall energy characteristics, the efficiency of its mechanical systems or the age of the machinery and equipment are part of the valuation.

The analysis of the portfolio's climate change risk and the factors used for the above-mentioned valuation also ensure the prudential compliance of MBHMB, through data provision in connection with the ESG disclosure requirements which are part of Pillar 3⁸ of the CRR (Capital Requirements Reporting). We will continue to ensure the highest possible level of compliance with Pillar 3 disclosures on ESG risks throughout 2024, too: we are developing our new collateral register system and, for residential properties, we are retrieving missing energy certificates and assign them to the properties in our portfolio.

The Bank has not been engaged in any direct retail mortgage lending activities since 2018, but we follow Group-wide procedures to prevent the leakage or loss of personal, retail mortgage and real estate data of our existing customers and to ensure full fraud detection. The Group also operates a complaints handling process to monitor and properly address any customer complaints that may arise. Since 2020, the number of complaints from external parties has remained consistently low, while the number of complaints from regulatory bodies has been zero.

NUMBER OF CASES OF MISUSE OF CUSTOMER DATA (2020- 2023)

Number of cases of misuse of customer data	2020	2021	2022	2023
Number of complaints received from external parties and substantiated by the bank	6	1	3	0
Number of complaints received from regulatory bodies and substantiated by the bank	0	0	0	0

⁶ MNB 5/2021. Recommendation: climate-related and environmental risks and the integration of environmental sustainability considerations in the activities of credit institutions.

⁷ Recommendation No 10/2022 (VIII.2.) of the Hungarian National Bank on climate-related and environmental risks and the integration of environmental sustainability considerations in the activities of credit institutions.

⁸ Pillar 3 disclosure is an EU disclosure obligation for qualitative and quantitative information on the risks associated with banks' activities and their capital and risk management, with the aim of increasing transparency and strengthening market discipline - Commission Implementing Regulation (EU) 2022/2453 (30 November 2022)



3.2. REDUCING ENVIRONMENTAL IMPACT

Committed to measuring, monitoring and communicating our indirect environmental and non-financial impact, we publish quarterly label reports that meet international standards, independent third-party certifications and European label requirements, and also an MNB Transparency Report and a Green Covered Bond Framework Allocation Report.

We developed our Green Covered Bond Framework in 2021 in accordance with the standards of the Green Bond Principles⁹ published by the International Capital Market Association (ICMA), and it has been certified by the independent expert Sustainalytics¹⁰. Based on the Framework, MBHMB prepares an annual Impact Report providing information on the environmental impacts of the Eligible Green Mortgage Portfolio. We publish quarterly allocation reports on the use of proceeds from the issuance of green mortgage bonds – these reports are published on the Bank's website.¹¹

In December 2023 we revised and in February 2024 we published our updated Green Covered Bond Framework, together with a second-party opinion, as follows:

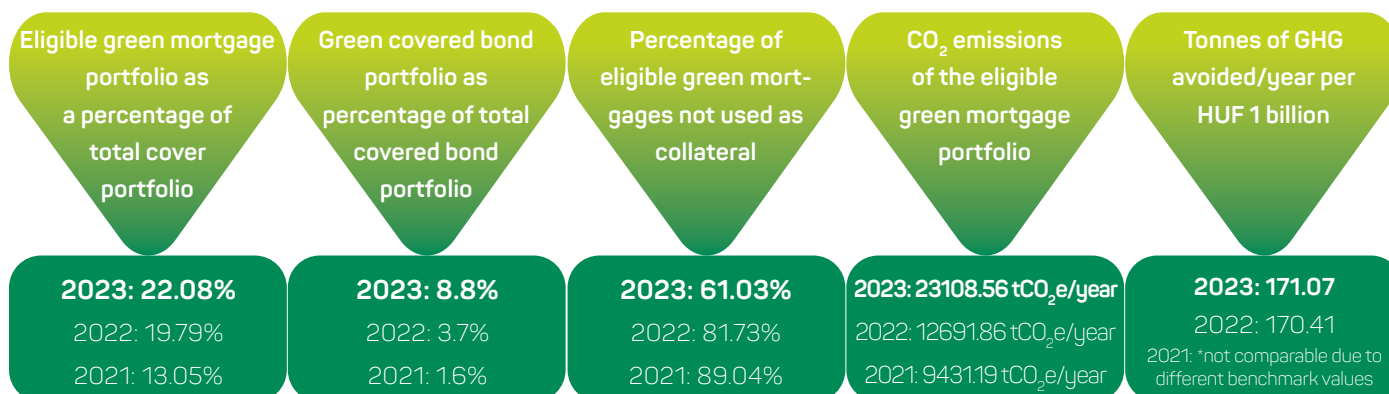
- we complemented it with the provisions of Annex I. of the Green Bond Principles published in June 2022
- we updated the green eligibility criteria in line with the requirements of the Hungarian Decree 9/2023 (25 May 2023) on the energy performance of buildings, which applies to the buildings constructed after 1 November 2023, taking into account the changes in the regulatory system on the energy performance of buildings
- inclusion of the name change made in May 2023
- adding improvements to MBHMB's corporate governance and transparency to enhance sustainable operations

In February 2022, we became the first Hungarian mortgage bank to join the circle of international banks having the European Energy Efficient Mortgage Label. The EEML is a quality label that provides stakeholders with information about the bank portfolio in a transparent way, taking into account the energy efficiency of the property. Information is published on a quarterly basis, on the homepages of the Bank and EEML.¹²

OTHER REPORTS BY THE MBH MORTGAGE BANK RELATED TO ITS ENVIRONMENTAL IMPACT



MAIN INDICATORS OF THE ALLOCATION REPORT AND THE REPORT ON THE GREEN LABEL (2021-2023)



⁹ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

¹⁰ Sustainalytics is a leading independent ESG research, rating and analysis company: www.sustainalytics.com

¹¹ Green Covered Bond - MBH Mortgage Bank: <https://www.mbhmortgagebank.hu/sustainability/green-covered-bond>

¹² <https://www.mbhmortgagebank.hu/energy-efficient-mortgage-label-eeml>



The specific indicators described discussed in the allocation report and the report in connection with the green label refer to those elements of the mortgage bank's asset and liability side product structure, with which, if they enter the market, the Bank can indirectly achieve a positive environmental impact in its core business. These products, in addition to promoting green lending, target a sustainability-minded investor base with the securities issued, thereby increasing the energy efficiency of the real estate market and supporting the Bank's strategic objectives.

The ALM¹³ area supports green mortgage bond issuance with its activities and seeks to increase the green portfolio within liquid assets. The head of the ALM area is a member of the Green Covered Bond Committee and therefore has direct decision-making power in determining the maximum volume of green mortgage bonds that can be issued in a given period, depending on the development of the eligible green mortgage loan portfolio.

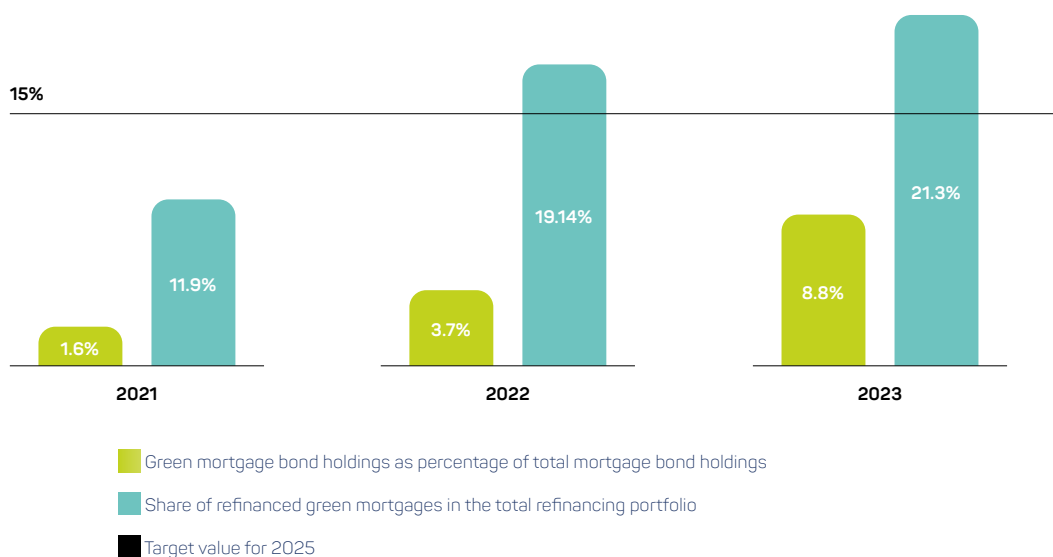
In its standalone ESG strategy, MBHMB has set a target to increase the proportion of green or sustainable assets in its liquid asset portfolio to 5% in 2023, which was achieved by the end of the year. We would like to continue to increase the share of these instruments, but the range of bond-type instruments available in the domestic market that are liquid in HUF and can

be classified as sustainable remains narrow: besides green government bond series and bonds from supranational issuers, green mortgage bonds and green corporate bonds are available. As a consequence, the ALM tends to buy green government bonds and green bonds of supranational issuers from among the available instrument types.

Our commitments and targets in our ESG strategy published in 2022 are continuously monitored on a quarterly basis. In our strategy, we have made commitments to promote products and services with environmental benefits, and one of the key indicators is to increase the share of refinanced green mortgages within the total refinancing portfolio. The 15% target was exceeded by the end of 2022 and further increased to over 21% in 2023. Given the unfavourable macroeconomic and credit environment, we have not adjusted our ESG strategy targets for 2023.

We are proud that, despite the significant slowdown in mortgage lending, we have made significant progress in asset and liability side lending during 2023. We have also set a target of 15% for 2025 to increase the share of green mortgage bonds in the total outstanding mortgage bond portfolio. We have more than doubled the share of green mortgage bonds in the total mortgage bond portfolio (from 3.7% to 8.8%) compared to 2022.

GREEN MORTGAGE BOND PORTFOLIO AS A PERCENTAGE OF TOTAL OUTSTANDING MORTGAGE BOND AND THE SHARE OF GREEN MORTGAGES IN THE TOTAL REFINANCING PORTFOLIO THAT ARE REFINANCED (2021-2023)



¹³ Asset-liability management



3.3. PROCESS AND PRODUCT INNOVATION

In line with the ESG strategy, MBHMB prioritises the development of its innovation skills and the implementation of forward-looking projects. Besides the development of mortgage lending and mortgage bonds as a specialised bond market asset class, the Bank is also interested in digitalisation processes and the development of the real estate market, which it supported through its market research activities, the development and application of a residential property and agricultural land index and the development of an automated property valuation system in 2023.

MBH Mortgage Bank has been continuously analysing and researching the real estate market for 25 years, regularly publishing its experience and contributing to the professional development of the sector. The **MBH Index product family** is one of the decisive elements of our activities. The two products of the MBH Index product family (www.mbhindex.hu) are the MBH Housing Price Index and the MBH Agricultural Land Index. The Housing Price Index, available since 1998, has reached a major milestone this year with the publication of the 100th index data point in the Housing Price Index dataset. MBH Index published nine real estate market studies in the form of articles and publications¹⁴ during 2023. MBH Mortgage Bank has mainly implemented its ESG objectives related to digitalisation by using the Housing Price Index. One of the outstanding results of this is that during the mandatory Basel (CRR) property revaluations, 41,005 out of a total of 53,363 properties in the mortgage-backed securities portfolio (own and refinanced loan portfolio) were revalued using the index-based statistical methodology, and 5,374 properties were revalued with MBHMB the AVM method.

The other main project of MBHMB is the **Automated Valuation Model (AVM)**, the goal of which is to support the Banking

Group's digitisation objectives. The AVM solution generates real estate values exclusively based on electronic data, through automated processes, which are delivered to the target users also through electronic channels (program interface, API, other middleware solutions). As part of its ESG strategy, as its 2023 target our mortgage bank has committed to expanding value creation to a nationwide level and to primarily serve MBH Bank with this.

As a result of several years of intensive development, we have created a property database of nearly 1.6 million flats, from which we have produced AVM values for nearly 1.15 million properties after carrying out value modelling, in accordance with the criteria set out in Annex 5 point 2 of PM Decree 25/1997., by covering a total of 38 municipalities in Hungary. The business launch of the AVM application took place on 15 September 2023 and 38 credit advisors tested the new application in 17 municipalities and 19 branches nationwide until the end of 2023.

A further aim of the AVM project is to refine the methodology of value creation and expand the number of users of the AVM application to the entire network of branches providing credit advice. The integration of the AVM statistical valuation service into the MBH Bank's unified collateral valuation system, currently under development, is planned for the first quarter of 2025.

Our achievements in digitalisation and innovation will indirectly contribute to improving the housing conditions of the Hungarian population, as these solutions will enable our customers to have access to more modern and environmentally friendly homes, while also providing them with green financial solutions.

3.4. TRANSPARENCY

Our status as an active issuer of mortgage bonds and our position on the stock market requires a level of transparency that is even higher than that expected from credit institutions. While we were able to further increase the volume of green mortgage bonds in circulation (to HUF 34.1 billion in 2023), we also handled ensuring transparency in mortgage bond issuance as a priority. This year we have again successfully published the quarterly reporting elements related to green refinancing and mortgage bond issuance, which include the following:

- green mortgage bond allocation report,
- supervision transparency report,
- rating agency report,
- European Green Label report¹⁵.

In order to improve the transparency of our non-financial performance at the organisational level, at the end of 2021 we prepared an ESG development roadmap¹⁶, in line with the ESG Reporting Guidelines published by the Budapest Stock Exchange. Our goal is to achieve the BSE's Advanced level sustainability reporting by 2025, but we are constantly reviewing our targets in line with changing EU sustainability reporting regulations, too.

According to the EU Corporate Sustainability Reporting Directive (CSRD), because of its status on the stock exchange, MBH Mortgage Bank is required to prepare its sustainability report for the financial year 2025 at first in 2026 in accordance with the European Sustainability Reporting Standards (ESRS). The CSRD's requirements for limited assurance on sustainability reporting will provide increased transparency for both our Bank and the EU market.

¹⁴ <https://www.mbhindex.hu/in-english>

¹⁵ In February 2022, the Bank received the European Energy Efficient Mortgage Label (EEML) with an obligation to regularly publish a transparency report belonging to the label.

¹⁶ <https://www.mbhmortgagebank.hu/sw/static/file/en.takarekzsb.hu-files-23-89159.pdf>





4. RESPONSIBLE CORPORATE GOVERNANCE

4. RESPONSIBLE CORPORATE GOVERNANCE

4.1. COMPLIANCE WITH LEGISLATION

While maintaining our integrity and reputation in the securities market is a priority, we view our corporate governance practices as essential to ensuring our sustainability. As a mortgage bank and an active issuer of securities subject to stricter supervisory rules than commercial banks, we not only follow the

evolving ESG regulations and drafts at the national and EU level, but also play an active role in their professional discussion both at the Hungarian Banking Association level and at the European level, within the ECBC¹⁷.

NUMBER OF MBH MORTGAGE BANK'S CASES ARISING FROM NON-COMPLIANCE WITH LEGISLATION (2020-2023)

	2020	2021	2022	2023
Total number of non-compliance cases (pcs)	1	1	0	4
Number of cases when a fine was imposed (pcs)	1	0	0	1
Financial value of the cases	HUF 5.5 million	0	0	HUF 5 million
Number of cases when non-financial sanctions were imposed (pcs)	0	1	0	3

Significant non-compliance is defined as situations that result in a fine or warning from MNB or another supervisory body. Our ESG strategy sets a target of zero number of incidents of non-compliance. To this end, past incidents are fully in-

vestigated, and through our compliance and internal control processes we strive to avoid such incidents and minimise the associated risks.

DESCRIPTION OF MBH MORTGAGE BANK'S CASES ARISING FROM NON-COMPLIANCE WITH LEGISLATION (2023)

Details of the individual cases	Description and consequence of the case
Case ending with a fine	The Bank violated the legal provisions on the provision and timely settlement of credit advances to the consumer within 5 days of the notification of the intention to repay, and a consumer protection fine was imposed in one case. The Supervisory Authority required the Mortgage Bank to amend its business rules and internal regulatory and customer information documents to comply with the legislation, and to inform the MNB of these measures within 30 working days.
Cases ending with a non-financial sanction	In the three cases where no financial sanction was imposed, the Supervision drew the Bank's attention to the infringement in the form of a consumer protection warning because of the information that must be displayed on the website. The warning included the inclusion of a complaints policy and information on the risk of over-indebtedness, information to heirs and that the Bank should publish the amount of the share capital without delay, but no later than the following day.

¹⁷ The European Covered Bond Council



4.2. ETHICAL OPERATION

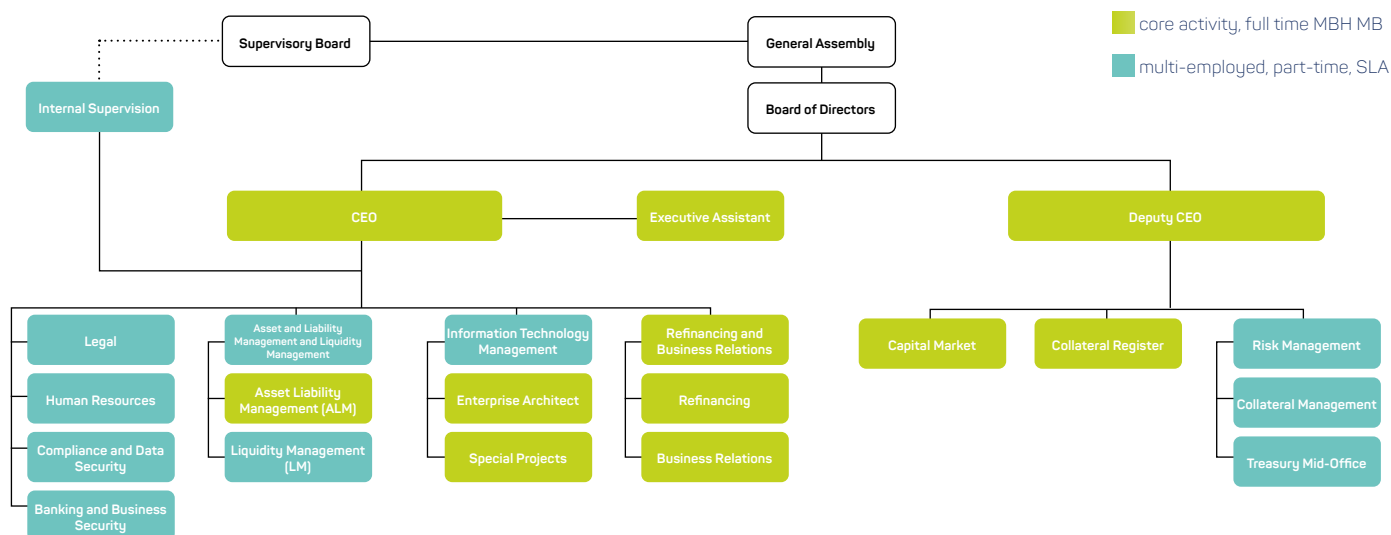
MBHMB's market position and values require full compliance with our code of ethics in order to maintain a high level of credibility, internal and external partnerships and minimise reputational risks. In our dealings with our customers, partners, competitors, employees and any other entities, we treat each other fairly and equally, based on respect and dignity, and this is enshrined in our Code of Ethics. We reject any behaviour that is exclusionary or discriminates against any person or group, with respect for the rights of the individual as a priority. We also stand up for those who have suffered harm.

The Code of Ethics is available to all employees on the internal intranet in both English and Hungarian, and its provisions are also included in the general compliance training material. All new recruits are required to undergo mandatory training with an examination, and all employees receive a mandatory refresher training on an annual basis, which is also subject to an examination. If the policy is reviewed and updated, employees are notified of the publication of any amended material. In the case of a specific question, all employees can ask for an expert opinion.

The Code of Ethics classifies as ethical misconduct any event, procedure or conduct that violates an ethical standard or is contrary to the Code. If an employee suspects that the standards set out in the Code of Ethics have been violated, he or she must immediately report it in writing (e-mail, letter) to the Group MBH Compliance Officer. The possibility to report is also available to our external stakeholders through an anonymous reporting line. In such cases, the Ethics Committee is entitled to decide whether the information and evidence contained in the complaint justify a substantive examination of the complaint and the initiation of an ethics procedure. The Ethics Committee and the Compliance Officer keep the investigation confidential – in accordance with applicable laws and internal regulations. During 2023, after the publication of the Whistleblower Protection Act¹⁸, we reviewed our Whistleblowing Policy, as well as the procedures of the Bank's Ethics Committee. We believe that proper training and information has contributed to the fact that no ethics-related whistleblowing occurred during 2023.

4.3. THE ORGANISATIONAL REPRESENTATION OF ESG

A SIMPLIFIED CHART OF THE MBH MORTGAGE BANK'S ORGANISATION



¹⁸ Act XXV. of 2023



BOARD OF DIRECTORS (BOD)

The Board of Directors (BoD) is the legal representative and executive body of MBH Mortgage Bank. Organises, directs, coordinates and controls the activities and management of the Bank, ensuring its lawful and prudent operation. The BoD exercises, directly or by delegation, ownership and membership rights over MBHMB's investments and represents the issuer in dealings with third parties, courts and other authorities.

The BoD is responsible for setting up the ESG strategy, achieving its objectives and presenting it transparently through the Sustainability Report. The BoD therefore has a direct impact on the enforcement of sustainability factors and the sustainability profile of MBHMB. The Board of Directors also decides on the final list of relevant issues and the adoption and publication of the report. In 2023 we included these ESG competences of the BoD in the Organisational and Operational Rules, too.

The BoD is composed of two internal members (in permanent employment with MBHMB) and five independent members elected by the General Meeting for a fixed term from among shareholders or other persons. The validity of their mandate is subject to authorisation by the MNB. Internal members are the Chief Executive Officer and the Deputy Chief Executive Officer. The Board of Directors, through the Chairman of the Board of Directors, exercises the rights of employer over the members of the management.

SUPERVISORY BOARD (SB)

The Supervisory Board (SB) is responsible for monitoring the activities of the management in order to safeguard the Bank's ownership interests. Like the BoD members, the term of office of the SB members is 5 years. The members are elected by the General Meeting from among the shareholders or other persons, and their mandate is subject to the approval of the MNB. The members of the SB are independent, and three of them are

also members of the Audit Committee, which assists the SB in monitoring the financial reporting system, selecting the auditor and cooperating with the auditor.

The Bank's Capital Markets area prepares quarterly submissions for BoD and FB decisions, which are also subject to prior consultation with the relevant departments. The ESG information document, which includes the Bank's ESG strategy objectives, related sustainability activities and key sustainability performance indicators, is also part of this submission.

GREEN MORTGAGE BOND COMMITTEE (GCBC)

A special corporate governance body, the Green Covered Bond Committee (GCBC), was established at the end of 2020 to strengthen the role of sustainability factors in the Bank's corporate governance, with a particular focus on business and risk management. The Green Covered Bond Committee approves, among other things, the establishment and modifications of the Green Covered Bond Framework and which of the mortgages covered meet the requirements for Eligible Green Mortgages. The GCBC is also responsible for monitoring the proper use of resources from the issuance of green mortgage bonds and for approving the environmental impact and allocation reports set out in the Green Covered Bond Framework.

The GCBC is composed of 7 internal members, chaired by the CEO and vice-chaired by the Head of Enterprise Risk Management. In selecting the members of the body, a key criterion was to ensure that members have an overview of all key areas of the Bank, and therefore the voting members of the GCBC meetings include the heads of the Risk and Collateral Management areas of the Banking Group, as well as a permanent invited member from the Head of ESG and Sustainability. Furthermore, in 2023, a permanent invited member was also the Head of Risk Management and Resolvability, the President and CEO of the Central Organisation of Integrated Credit Institutions, or his/her delegate.

Important criteria for the nomination of each member of the body are professional preparedness, appropriate educational attainment and a broad experience in business, sustainability or digitisation. Selection is made independently of diversity criteria and candidates must not be disadvantaged because of their gender or other characteristics. The process is governed by the MBH Group Nominations Policy.

GENDER DISTRIBUTION IN THE GOVERNING BODIES OF MBH MORTGAGE BANK (2023, NUMBER OF PERSONS)

Body	Female	Male	Total
Board of Directors (BoD)	2	5	7
Supervisory Board (SB)	1	4	5
Green Covered Bond Committee (GCBC)	2	5	7



CAPITAL MARKETS AREA

The Capital Markets area of MBH MB coordinates the implementation of the ESG strategy at operational level, with its head reporting directly to the CEO, including monitoring the implementation of the ESG strategy. From Q3 2021 onwards, the Capital Markets area regularly reports on the current sta-

tus of sustainability projects at the BoD and SB meetings, and from Q4 2022 onwards, it also reports on the development of key performance indicators related to the objectives of the ESG strategy. The Capital Markets area is responsible for the coordination of green mortgage bond issues. The head of this function is a member of the Green Covered Bond Committee.

Conflict of interests

Incompatibilities and conflicts of interests are regulated by the Conflicts of interest policy no. 34/2018, published by the Central Organisation of Integrated Credit Institutions. We have developed our processes and procedures in line with the principles set out in the relevant legislation and supervisory recommendations to avoid conflicts of interest and to identify and address those that have already occurred. Management, employees and members of governing bodies are required to be aware of the circumstances that may give rise to a conflict of interest and to make a declaration of conflict of interest on a regular basis.

There shall be no conflict of interest between the duties performed for the Bank by persons holding office in the administrative, management and supervisory bodies of MBHMB and their private interests or other duties. To prevent this, the conflict of interest declarations of board members are checked during the nomination process and on an annual basis by the Compliance area through the Subsidiary Corporate Governance department. In the case of a detected conflict of interest, the General Compliance area is obliged to provide feedback to the parties concerned.

4.4. AVOIDING ANTI-COMPETITIVE BEHAVIOUR, ANTI-CORRUPTION

In its mortgage banking activities, MBHMB competes actively but ethically with domestic mortgage banks, establishing a fair and mutually respectful professional relationship over the years. Issues affecting the sector are typically discussed within the Banking Association. There were no competition or antitrust proceedings against the Bank in 2023.

Corruption and bribery are contrary to the Bank's sustainability values and violate criminal law. Our anti-corruption policy and guidelines are set out in our Code of Ethics, which clearly states that the Bank prohibits and rejects all forms of corruption. MBHMB has the highest ethical standards and applies the principle of zero tolerance.

Within our Bank mainly those areas can be at risk, where stakeholders have a decision-making role and influence on business activities of the Bank (lending, refinancing). There may be a risk of corruption for people who have access to material (insider)

information or can influence decision-making directly or indirectly (e.g. through their job hierarchy).

We seek to minimise the associated risks by raising awareness of corruption, enhancing the moral integrity of our employees and reducing situations that provide opportunities for corruption. Employees of the Bank shall not solicit, accept or give any undue advantage, monetary or otherwise, from a client during their work, and we also draw their attention to this as part of their mandatory training. In the last four years, no cases of bribery, corruption or undue advantage have been recorded.





5. OWN OPERATIONS

5. OWN OPERATIONS

5.1. EMPLOYMENT

Due to its relatively small size, MBH Mortgage Bank pays particular attention to creating a safe and stable working environment and to promoting equal opportunities in its daily operations. Mortgage banking, a specialised lending activity, is carried out by our professionally well-trained team in a supportive environment that recognises community and individual values. We believe that our efforts contribute to the stability and low turnover of the Bank's own employee base.

A key objective of our employment strategy is to promote equal opportunities and diversity, so that MBHMB remains an inspiring and attractive place to work for both new and experienced colleagues. We aim to improve equal opportunities by supporting home office, by dealing with special life situations in a humane way, and by keeping retired colleagues on flexible working arrangements.

The long-term employment of our employees and the development of their skills is supported by a range of internal professional and leadership trainings. In the latter, in addition

to the traditional business and financial competences, we also aim to enhance sustainability skills. Accordingly, during 2023, all employees completed the e-learning training on Sustainable Finance as part of the central training at Group level. At the mortgage bank level, our strategic objectives include measuring satisfaction with the quantity and quality of ESG training, which we started in 2023, and which produced a very positive satisfaction score of 82%.

On an FTE¹⁹ basis, MBHMB had 16.5 own employees in 2023, all of whom worked in the Bank's Budapest office. A key feature of MBHMB's operation is that certain activities for the member banks are carried out within the Banking group by the specialised departments (e.g. the Legal or Human Resources functions) of the group's leading bank entity under a Service Level Agreement (SLA), or in case of the MBHMB's own loan portfolio under agency contract. In 2023 on an FTE basis the number of employees not counting as MBHMB employees was 5.5. We did not employ anyone through temporary work agencies or through school and pensioner co-operatives.

NUMBER AND COMPOSITION OF THE WORKFORCE²⁰ (FTE)

NUMBER OF THE WORKFORCE AND THEIR DISTRIBUTION BY GENDER (2020–2023)

2020	2020		2021		2022		2023	
	Number of persons	%	Number of persons	%	Number of persons	%	Number of persons	%
Összes alkalmazott	15.6	100%	15.4	100%	14.2	100%	16.5	100%
Nő	7.3	49.4%	7.3	47.4%	7.2	50.8%	9.5	57.6%
Férfi	8,3	50.6%	8.1	52.6%	7.0	49.2%	7	42.4%

COMPOSITION OF EMPLOYEES IN 2023

Type of employment	Female	Male	N/A	Total
Indefinite term	9.5	7	0.0	16.5
Fixed term	0.0	0.0	0.0	0.0
Full time	9.0	5.0	0.0	14.0
Part time	0.5	2.0	0.0	2.5

¹⁹ The information presented in this report on the changes and composition of the number of employees is based on full-time equivalent (FTE) data as of 31 December each year.

²⁰ The data also include employees providing services to the Bank under the Service Agreements of MBH Mortgage Bank.



GRI 2-7, 2-8, 2-18, 2-19, 2-20, 401-1, 401-2

NUMBER OF EMPLOYEES ENTERING AND LEAVING (2020-2023)

Number of new employees	2020		2021		2022		2023	
	Number of persons	%	Number of persons	%	Number of persons	%	Number of persons	%
Male	2	66.6%	2	50%	0.4	100%		
<30								
30-50	1	33.3%						
50<	1	33.3%	2	50%				
Female	1	33.3%	2	50%			2	100%
<30								
30-50							2	100%
50<	1	33.3%	2	50%	0.4	100%		
Total	3	100%	4	100%	0.4	100%	2	100%

Number of employees leaving	2020		2021		2022		2023	
	Number of persons	%	Number of persons	%	Number of persons	%	Number of persons	%
Male	2	33.3%	5	71.4%	1.53	76.5%		
<30								
30-50	2	33.3%	2	28.6%				
50<			3	42.9%	1.53	76.5%		
Female	4	66.6%	2	28.6%	0.08	23.5%	1.03	100%
<30								
30-50	4	66.6%	2	28.6%	0.08	23.5%	1.03	100%
50<								
Total	6	100%	7	100%	1.61	100%	1.03	100%

EMPLOYEE BENEFITS, EQUAL PAY, PERFORMANCE MANAGEMENT

MBHMB applies the remuneration policy of the MBH Group to all its employees. ESG aspects have been included in the overall corporate performance targets for the remuneration of internal members of the highest governance bodies.

The Group, in accordance with its Remuneration Policy and Code of Ethics, ensures equal conditions for its female and male employees in terms of basic salary. The Remuneration Policy allocates all components of remuneration to Basic Remuneration or Performance-related Remuneration.



THE REMUNERATION POLICY OF THE MBH GROUP

Basic Remuneration

- Base salary
- Cafeteria
- Other fringe benefits

- Entry bonus
- Commission/area incentive
- Project bonus
- Target premium
- Retaining bonus
- Non-compulsory pension benefits
- Compensation

Performance-related Remuneration

- Reward
- Annual bonus

In addition to cash benefits, the multi-component fringe benefits package promotes an improved working environment, supports healthy lifestyles, motivation and a sense of belonging to the community, in addition to employee well-being. Some of these benefits, such as life insurance, parental leave and cafeteria, are available to full-time, part-time and temporary workers, too.

The MBH Group has established the Employee Recognition Program to reward employees for their outstanding performance. The Employee Recognition Program is a transparent recognition system that provides a framework for rewarding exemplary individual and team performance that goes far beyond the job duties and commitment to the company. The Group also regularly rewards its Employee of the Quarter, Employee of the Year and Team of the Year based on the achievement of targets and performance.

5.2. ENVIRONMENTAL IMPACT

Contributing to a low-emission society is a key element of our ESG strategy. Due to the nature of our business, we are able to do this predominantly by offering green mortgage refinancing and green mortgage bonds, which are described in more detail in chapter 3.2., titled Reducing environmental impact. In the following, we present the direct environmental impact of our Bank, which is also a key focus of our operations.

ENERGY CONSUMPTION

For several years, MBHMB has been looking for efficient energy use solutions and assessing the carbon footprint of its own operations. We use the Greenhouse Gas Protocol operational control approach to calculate our energy consumption and greenhouse gas emissions. Since we share our office building with several tenants, our electricity and natural gas consumption is calculated on the annual energy consumption and floor area of the entire office building, pro-rated to the floor area rented by MBHMB. Our fuel consumption comes from the use of our company fleet, which has been significantly reduced in size in recent years.

THE MBH MORTGAGE BANK'S ENERGY CONSUMPTION (2020-2023)

	2020	2021	2022	2023
Fuel consumption – petrol (l)	36,128	31,735	20,046	5,235
Fuel consumption – diesel (l)	2,472	1,199	1,085	0
Electricity (kWh)	37,739	43,719	32,605	42,038
Natural gas (m ³)	4,280	4,481	2,966	3,588

ENERGY USE OF THE MBH MORTGAGE BANK IN GIGAJOULES²¹ (2020-2023)

	2020	2021	2022	2023
Fuel consumption – petrol (GJ)	1,217	1,069	676	155
Fuel consumption – diesel (GJ)	90	44	40	0
Electricity (GJ)	136	157	117	151
Natural gas (GJ)	122	128	85	103
Total energy consumption (GJ)²²	1,566	1,399	917	409

²¹ Unit of measurement according to GRI publication

²² When converting our total energy consumption into Joule for petrol and diesel we used the British Petrol (BP - Approximate conversion factors) database, and for natural gas we used the data provided by the service provider when converting from cubic meters to Joule. For electricity, the standard conversion number 1 kWh = 3.6 MJ was used.

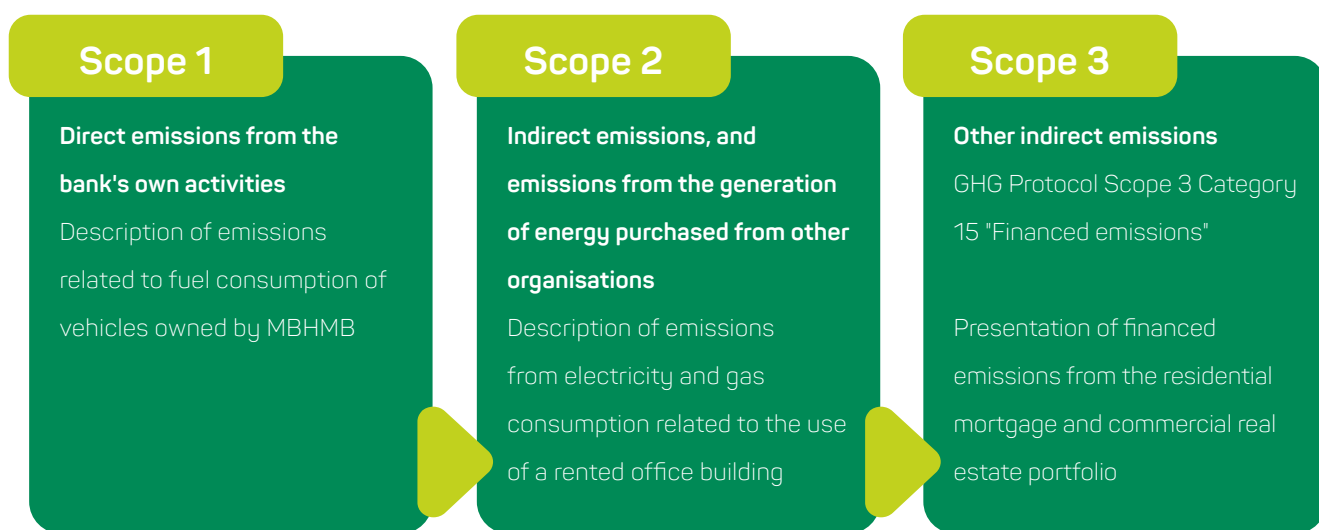


GRI 302-1, 305-1, 305-2, 305-3

While in 2022, our electricity and gas consumption decreased significantly due to group-wide energy efficiency measures in the operation of the property, and MBHMB's corporate culture of working from home; we see a slight increase in 2023 compared to the base year. In total energy consumption, this is significantly offset by a reduction in fuel consumption by our company car fleet, and thanks to this our total energy consumption in 2023 was halved compared to that in 2022.

GREENHOUSE GAS EMISSIONS

We consider the assessment and progressive reduction of our direct and indirect greenhouse gas (GHG) emissions as the basis for our effective sustainability activities. Based on the Greenhouse Gas Protocol's Standard for Corporate Accounting and Reporting, our Bank distinguishes three categories when quantifying its emissions.²³



Of the greenhouse gases covered by the Kyoto Protocol, the following three were included in our carbon footprint calculations:

- carbon dioxide (CO₂),
- methane (CH₄),
- nitrous oxide (N₂O).

All our emissions are reported in carbon dioxide equivalent (CO₂e), converted using global warming potential (GWP) values. GWP values are based on the IPCC²⁴ Fifth Assessment Report.²⁵ The emission factors for petrol and diesel were determined using the National Inventory Report (Hungary, 2023) database. The carbon footprint of our electricity consumption and natural gas use was calculated using data from the International Energy Agency (IEA).

In order to determine our GHG emissions as accurately as possible, we have used different emission factors compared to the previous years in the compilation of this report, so our Scope 1 and Scope 2 values are reported again. We used a location-based approach to determine our Scope 2 emissions.

Since our natural gas consumption is not in a leased building under our operational control, it is included in our Scope 2 emissions as purchased energy under the GHG Protocol.

We have been monitoring MBH Mortgage Bank's direct Scope 1 emissions since 2019, Scope 2 emissions since 2020 and Scope 3 emissions since 2022.

²³ <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

²⁴ Intergovernmental Panel on Climate Change

²⁵ https://www.ipcc.ch/site/assets/uploads/2018/02/WG1AR5_Chapter08_FINAL.pdf



MBH MORTGAGE BANK'S SCOPE 1 AND SCOPE 2 GHG EMISSIONS (2019–2023)

	2019	2020	2021	2022	2023
Fuel – petrol (tCO ₂ e)	138.44	88.87	78.07	49.31	12.88
Fuel – diesel (tCO ₂ e)	17.38	6.77	3.29	2.97	0.00
Scope 1 emissions (tCO₂e)	155.82	95.65	81.35	52.29	12.88
Electricity (tCO ₂ e)	n/a	8.25	8.38	6.36	7.74
Natural gas (tCO ₂ e)	n/a	7.29	7.64	5.05	6.11
Scope 2 emissions (tCO₂e)	n/a	15.55	16.02	11.42	13.85
Total Scope 1 and Scope 2 emissions (tCO₂e)	155.82	111.20	97.37	63.71	26.73

Our aggregate Scope 1 and Scope 2 GHG emissions have shown a steady decline since 2019, thanks to minimising car use and reducing our vehicle fleet.

Our indirectly financed GHG emissions in connection with our credit institution operations are significantly higher than those from our own operations. The vast majority of our indirect emissions comes from the total emissions of projects through refinancing. We have quantified our Scope 3 emissions since 2022 by taking into account GHG Protocol category 15, „Financed emissions“. The basis for the calculation is the PCAF methodology²⁶, which is the most widely used internationally and is also proposed by the GHG Protocol to determine the financed emissions of banks and other financial institutions. PCAF's latest methodology provides guidance for seven asset classes,

of which – due to our business profile – we have defined our financed emissions for the asset classes of residential mortgages („Mortgages“) and commercial real estate („Commercial real estate“). Based on the PCAF methodological delimitation, the calculation can be extended to on-balance-sheet own and refinanced loans for purchase purposes for both asset classes. Thus, loans for construction and renovation, as well as transactions held for sale or real estate included as collateral in transactions, were not included in the calculation, and for residential mortgages, an additional delimitation was applied for certain types of real estate due to lack of data. Therefore, the calculation was performed for 99.26% of the residential mortgage portfolio to be reported in our balance sheet according to PCAF.

DELIMITATION OF MBH MORTGAGE BANK'S MORTGAGES ON COMMERCIAL REAL ESTATES (2023)

	Mortgage exposure (HUF)	Level 1 delimitation	Level 2 delimitation
Total stock on balance sheet	4,581,520,349		
After delimitation of PCAF methodology items	3,853,923,372	84.12%	
After delimitation of items due to lack of data	3,853,923,372	84.12%	100%

²⁶ Partnership for Carbon Accounting Financials



DELIMITATION OF MBH MORTGAGE BANK'S RESIDENTIAL MORTGAGES (2023)

	Mortgage exposure (HUF)	Level 1 delimitation	Level 2 delimitation
Total stock on balance sheet	399,430,708,665		
After delimitation of PCAF methodology items	286,213,438,751	71.66%	
After delimitation of items due to lack of data	284,084,447,841	71.12%	99.26%

THE MBH MORTGAGE BANK'S FINANCED EMISSIONS (2022-2023)

Asset class	2022			2023		
	GHG emissions (tCO ₂ e)	GHG intensity (tCO ₂ e/million HUF)	PCAF data quality	GHG emissions (tCO ₂ e)	GHG intensity (tCO ₂ e/million HUF)	PCAF data quality ²⁷
Commercial real estate	3,339	0.70	4	2,115	0.55	4
Residential mortgage	49,314	0.18	3.49	33,865	0.12	3.44

According to the methodology, the financed GHG emissions of commercial real estate in the bank's portfolio in 2022 were 3,339 tonnes of carbon dioxide equivalent, while the emissions of this portfolio in 2023 are estimated to be 2,115 tonnes of carbon dioxide equivalent, a decrease mainly due to a reduction in our exposure.

For residential mortgages, 49,314 tonnes of carbon dioxide equivalents were calculated in 2022, decreasing to 33,865 tonnes of carbon dioxide equivalents in 2023. We consider it a significant achievement that we were able to achieve a significant reduction in GHG emissions from our residential mortgage

portfolio compared to last year, driven by improved data quality and a favourable portfolio performance, while increasing the number of loans included in the calculation. The continuous monitoring of GHG intensity and other indicators in the calculation helps to inform the development of our science-based (SBTi²⁸ based) emission reduction targets, which are a clear ambition for the Group level targets for 2024.

²⁷ In addition to the emission results, the PCAF methodology also requires the publication of data quality on emission factors, which is rated on a scale of 1 to 5, where 1 is the highest data quality. Based on our research, the Bank's reported data quality levels of 4 (Commercial real estate) and 3.44 (Residential mortgages) are at or above international practice.

²⁸ Science Based Targets initiative



5.3. SOCIAL RESPONSIBILITY

The main focus of MBHMB's social engagement is supporting children's education and promoting a conscious, green financial culture.

In November 2020 MBHMB signed grant agreement with the Foundation for the School of Felsődobsza (Felsődobszai Iskoláért Alapítvány), aiming to improve the conditions of education, teaching, skills development and awareness-raising activities in the primary school of Felsődobsza. The Foundation places a great emphasis on talent development, promoting community activity, organising cultural, artistic, professional and sporting events for the primary school, and preserving traditions. The foundation recognises the most outstanding student and athlete achievements, with a special focus on socially disadvantaged and Roma students.

As a result of our support, in September 2021 the House of Schoolchildren along the River Hernád – „The Port of Love” – was opened, and the Bank has been happy to support it ever since. In addition to financial support, MBHMB regularly donates various development toys and office supplies to the community centre.

In order to promote a green financial culture, twice a year we provide information to institutional investors about MBHMB's ESG efforts. We also regularly attend professional conferences, where we actively participate in the collective reflection on making the financial sector sustainable along the lines set out in the Report.





6. ANNEXES

6. ANNEXES

6.1. GRI INDEX

MBH Mortgage Bank Co. Plc. Publishes its report in accordance with the GRI Standards for the period 1 January 2023 to 31 December 2023. In addition to the indicators designated by the GRI standard, the Bank has also used its own indicators to

measure its sustainability performance, under the MBHMBX designation.

No GRI sector standard is available for banks and financial institutions at the time of reporting.

Indicator	Name of indicator	Chapter	Page number	Comment/justification for omission
GRI 2: General Disclosures 2021				
1. Reporting practices of the organisation				
2-1	Organisational data	1.1. About the Report	5	
2-2	Entities included in the organisation's sustainability report	1.1. About the Report	5	
2-3	Reporting period, frequency and contact	1.1. About the Report	5	
2-4	Restatements of information	5.2. Environmental impact	29	The Bank's Scope 1-2 GHG emissions have changed compared to the previous Report. The reason is an update in emission factors.
2-5	External assurance	1.1. About the Report	5	
2. Activities and employees				
2-6	Activities, value chain and other business relationships	2.1. About our bank	9	
2-7	Employees	5.1. Employment	27	
2-8	Workers who are not employees	5.1. Employment	27	
3. Governance				
2-9	Corporate governance structure and composition	4.3. The organisational representation of ESG	23	
2-10	Nomination and selection of the highest governing body	4.3. The organisational representation of ESG	23	
2-11	Chair of the highest governing body	4.3. The organisational representation of ESG	23	
2-12	The role of the highest governing body in supervising the management of the impacts	4.3. The organisational representation of ESG	23	
2-13	Delegation of responsibility for managing impacts	4.3. The organisational representation of ESG	23	
2-14	The role of the highest governing body in sustainability reporting	4.3. The organisational representation of ESG	23	



Indicator	Name of indicator	Chapter	Page number	Comment/justification for omission
GRI 2: General Disclosures 2021				
3. Governance				
2-15	Conflict of interests	4.3. The organisational representation of ESG	25	
2-16	Communication of critical concerns	-		There were no critical cases during the reporting period.
2-17	Collective knowledge of the highest governing body	2.3. ESG approach and strategy	13, 14	
2-18	Evaluating the performance of the highest governing body	5.1. Employment	27	
2-19	Remuneration policies	5.1. Employment	27	
2-20	The process of determining remuneration	5.1. Employment	27	
2-21	Annual total compensation ratio			In line with the decision of the HR this information is confidential.
2-22	Statement on the Sustainable Development Strategy	Welcome words from the CEO	2	



Indicator	Name of indicator	Chapter	Page number	Comment/justification for omission
GRI 2: General Disclosures 2021				
4. Strategy, policies, and practice				
2-23	Policy commitments	3.2. Reducing environmental impact	18	
2-24	Integrating the commitment to principles	3.2. Reducing environmental impact	18	
2-25	The process of managing negative impacts	3.1. Managing environmental risks	17	
2-26	Mechanisms to be applied when concerns arise	4.2. Ethical operation	23	
2-27	Compliance with legislation	4.1. Compliance with legislation	22	
2-28	Organisational memberships	2.1. About our bank	9	
5. Stakeholder commitment				
2-29	Approach to stakeholder engagement	2.1. About our bank	9	
2-30	Collective agreements			As there are no employees covered by collective agreements, it is not included in the report.
Material topics				
3-1	The process of defining material topics	1.2. The main criteria used for the preparation of the Report	6	
3-2	List of material topics	1.2. The main criteria used for the preparation of the Report	6	
Transparency				
3-3	Management of material topics	3.4. Transparency	20	
2-12	The role of the highest governing body in supervising the management of the impacts	4.3. The organisational representation of ESG	23	



Indicator	Name of indicator	Chapter	Page number	Comment/justification for omission
GRI 2: General Disclosures 2021				
Responsible corporate governance, ethical operation				
3-3	Management of material topics	4. Responsible corporate governance	22	
2-26	Mechanisms to be applied when concerns arise	4.2. Ethical operation	23	
Employment				
3-3	Management of material topics	5.1. Employment	27	
2-7	Employees	5.1. Employment	27	
2-8	Non-employed workers	5.1. Employment	27	
2-18	Evaluating the performance of the highest governing body	5.1. Employment	27	
2-19	Remuneration policies	5.1. Employment	27	
2-20	The process of determining remuneration	5.1. Employment	27	
401-1	New hired and exited workers	5.1. Employment	27	
401-2	Benefits provided to full-time workers which are not provided to temporary or part-time workers	5.1. Employment	27	
Process and product innovation				
3-3	Management of material topics	3.3. Process and product innovation	20	
MBHMB3	Number of properties revalued using the index-based statistical methodology for the real estate collateral of the own and refinanced loan portfolio backing mortgage bonds	3.3. Process and product innovation	20	



Indicator	Name of indicator	Chapter	Page number	Comment/justification for omission
GRI 2: General Disclosures 2021				
Compliance with legislation				
3-3	Management of material topics	4.1. Compliance with legislation	22	
2-27	Compliance with legislation	4.1. Compliance with legislation	22	
Reducing environmental impact (at activity level)				
3-3	Management of material topics	3.2. Reducing environmental impact	18	
MBHMB2	Eligible green mortgage portfolio as a % of total collateral portfolio	3.2. Reducing environmental impact	18	
	Green covered bond portfolio as % of total covered bond portfolio	3.2. Reducing environmental impact	18	
	Percentage of eligible green mortgages not used as collateral	3.2. Reducing environmental impact	18	
	CO ₂ emissions of the eligible green mortgage portfolio	3.2. Reducing environmental impact	18	
	Annual GHG emissions avoided per billion HUF of issued green bonds	3.2. Reducing environmental impact	18	
Managing environmental risks				
3-3	Management of material topics	3.1. Managing environmental risks	17	
2-25	The process of managing negative impacts	3.1. Managing environmental risks	17	
Ensuring market presence in a changing competitive environment				
3-3	Management of material topics	2.2. Financial results	11	
2-6	Activities, value chain and other business relationships	2.1. About our bank	9	
2-28	Organisational memberships	2.1. About our bank	9	
2-29	Approach to stakeholder engagement	2.1. About our bank	9	



Indicator	Name of indicator	Chapter	Page number	Comment/justification for omission
GRI 2: General Disclosures 2021				
Ensuring market presence in a changing competitive environment				
MBHMB1	Mortgage bond market share	2.2. Financial results	11	
	Stock of mortgage bonds	2.2. Financial results	11	
	Normal collateral	2.2. Financial results	11	
	Refinanced loan portfolio	2.2. Financial results	11	
	Volume of outstanding green mortgage bonds	2.2. Financial results	11	
Avoiding anti-competitive behaviour, anti-corruption				
3-3	Management of material topics	4.4. Avoiding anti-competitive behaviour, anti-corruption	25	
205-3	Confirmed corruption cases and the measures taken	4.4. Avoiding anti-competitive behaviour, anti-corruption	25	
206-1	Legal proceedings for anti-competitive behaviour, antitrust and monopoly	4.4. Avoiding anti-competitive behaviour, anti-corruption	25	
Other disclosures not related to a material topic				
302-1	Energy consumption within the organisation	5.2. Environmental impact	29	GRI 2-4: Data revised due to conversion factor
305-1	Direct (Scope 1) GHG emissions	5.2. Environmental impact	29	GRI 2-4: Data revised due to update of emission factors This was part of our Net Zero strategy for the definition of the base years. No biogenic emissions were found.
305-2	Indirect GHG emissions from energy (Scope 2)	5.2. Environmental impact	29	GRI 2-4: Data revised due to update of emission factors This was part of our Net Zero strategy for the definition of the base years.
305-3	Scope 3 – Financed emissions	5.2. Environmental impact	29	



Environment (E)



Social (S)



Governance (G)





Published by the Mortgage Bank Co. Plc.
July 2024
mbhmortgagebank.hu

MBH
MORTGAGE BANK