

SUSTAINABILITY REPORT 2022

MBH Mortgage Bank Co. Plc.



WELCOME WORDS FROM THE CEO

Dear Reader,

You are reading the Sustainability Report by the MBH Mortgage Bank Co. Plc. (previously: Takaréknál Mortgage Bank Co. Plc.) regarding the year 2022, the creation and publication of which constitutes another important step for us on this responsible path started a few years ago. Last year we published our first Sustainability Report in the Bank's history, and with our current publication, we aim not only to further develop the report, but also to show that sustainability issues and expectations are becoming more and more important in our daily operations and an important part of our long-term strategy.

The year 2022 has brought significant changes in the world, and the future has become more unpredictable and uncertain for all of us. The world has barely recovered from the shock of a global pandemic, a major war in our neighbourhood and inflation at levels not seen for decades are posing serious challenges for governments and businesses alike, while the signs of the climate crisis are becoming more and more evident in our daily lives. In such a difficult time and in a changed environment, it is legitimate to ask how the sustainability ambitions of previous years can be maintained and whether sustainability objectives are still sufficient.

We ourselves are faced with the fact that the changed global environment is forcing business actors to adapt even more than usual. It is our responsibility to adapt in a way that meets our sustainability objectives. As a specialised lending institution, MBH Mortgage Bank continues to believe that we can act to improve sustainability through our activities, and have an impact on our external and internal environment. Our partner in this is the MBH Banking Group, whose member banks have further strengthened their cooperation on reaching ESG goals in 2022.

At the Mortgage Bank, we also know that sustainability is about continuous learning, development, and improvement. Our green mortgage issuance, our automated property valuation model (AVM), our internal governance, our relationships with our employees and external partners are all areas that need conscious improvement.

In our report, we present some of our milestone sustainability achievements. A significant step forward is the improvement of transparency related to our green mortgage bonds, as from Q1 2022, we provide detailed quarterly data on the composition and energy profile of green loans and green mortgage collaterals of our green mortgage bonds meeting international standards as well.

We have been analysing Hungarian housing market trends for more than a decade, and our housing index is one of the key benchmarks for tracking and analysing changes in the domestic housing market. Recently, we have focused on the energy characteristics of the housing stock. The aim of



our research is to contribute, as a financing and refinancing financial institution, to financing solutions that can bring about a substantial improvement in the energy performance of the Hungarian housing stock. This will allow property owners to benefit from lower utility bills and increased property values, while at the same time achieving significant savings at the level of the national economy in the face of rising energy costs.

Building on the Housing Index database, we have continued to develop our automated property valuation model (AVM), which will be a key building block for future property valuation/revaluation activities across the MBH Group, enabling customers to benefit from a faster and more efficient mortgage lending process than at present.

In parallel to the above, steps have been taken to strengthen the role of sustainability in corporate governance, to establish lines of responsibility in internal rules, to keep senior managers properly informed, to involve mortgage bank colleagues and to educate.

We trust that our current report adequately reflects to the reader our above achievements and aspirations.

With kind regards,

Dr Gyula Nagy
Chief Executive Officer

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1. INTRODUCTION

1. INTRODUCTION

1.1. ABOUT THE REPORT

Contributing to sustainable development is an integral part of MBH Mortgage Bank's mission. As an active issuer of listed mortgage bonds and as a listed company, we present our sustainability performance transparently to the Bank's external and internal stakeholders in accordance with the ESG Reporting Guidelines of the Budapest Stock Exchange. Following the ESG/Sustainability¹ Reporting Schedule prepared in late 2020 based on the Guidelines, we are publishing our second Sustainability Report.

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, results, and indicators on the material topics identified here.

Reporting organisation	MBH Mortgage Bank Co. Plc. (hereinafter: MBH Mortgage Bank, Bank, or MBH MB)
Address of the organisation's headquarters	1117 Budapest, Magyar Tudósok körútja 9. Building G.
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	01.01.2022 –31.12.2022
Reporting cycle	Yearly
Financial reporting period	Yearly and half-yearly reporting period
	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 Budapest Stock Exchange and therefore the interim financial report is mandatory, while the Sustainability report is currently published only annually.
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 toth.illes@mbhbank.hu.

¹In 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, we conducted a materiality assessment in accordance with the GRI Standards (2021). The survey identified the environmental, social, and governance issues most relevant to the Bank in a 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. In the assessment, we took into account industry and sustainability trends, 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:

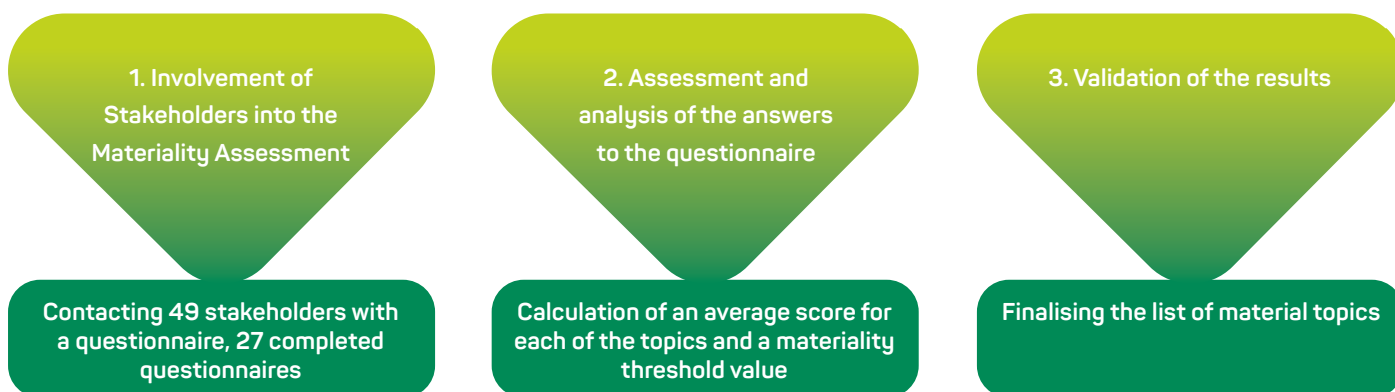
INTERNAL STAKEHOLDERS

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

EXTERNAL STAKEHOLDERS

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

THE PROCESS OF DEFINING MATERIAL TOPICS



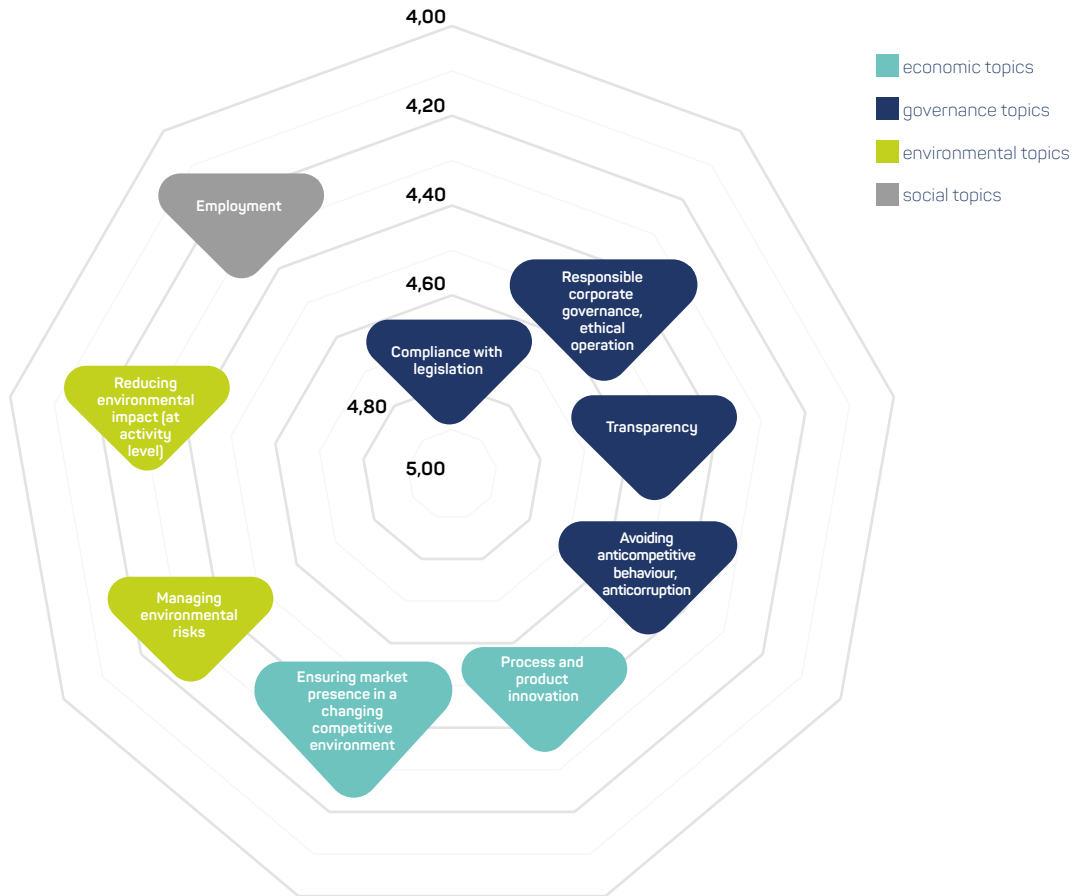
During the materiality assessment the stakeholders voted on 15 potentially material topics, and as a result of the survey – based on the materiality threshold value – we have identified 9 material topics. The topic of „Protection of customer data

and fraud prevention” was not included in this year's list of material topics, unlike in our 2021 Report. You can read about our activities in this area in last year's Report.²

²<https://www.mbhmortgagebank.hu/sw/static/file/en.takarekijzb.hu-files-23-89158.pdf>



RESULTS OF THE MBH MORTGAGE BANK'S MATERIALITY ASSESSMENT



OUR MATERIAL 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





2. INTRODUCING THE MBH MORTGAGE BANK

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2.1. ABOUT OUR BANK

Our organisation, since its establishment in 1998 (legal predecessor: Takaréék Mortgage Bank Co. Plc., previously FHB Mortgage Bank Co. Plc.) has been a key player in the Hungarian mortgage banking sector, and is committed to the continuous development of domestic mortgage lending, mortgage-based refinancing, and the mortgage bond market. In September 2015, Mortgage Bank became a member of the Integration Organization of Cooperative Credit Institutions under Act CXXXV of 2013 on the Integration of Cooperative Credit Institutions and the Amendment of Certain Economic Legislation (Act on the Integration of Cooperative Credit Institutions) and also became a member of the Cooperative Credit Institutions Guarantee Association. As of 2018, the business profile of the Bank has been streamlined ceasing its direct mortgage lending activities and operating typically as a *refinancing mortgage bank* as a member of the MBH Group (hereinafter: Banking Group or Group), with its main activities being the refinancing of mortgage loans for the members of the Group and partner banks outside the Group, as well as the issuance of mortgage bonds. Through these activities, MBH Mortgage Bank makes available to its partner banks the possibility of refinancing with mortgage bonds typically meaning a long-term borrowing and supports compliance with the Mortgage Funding Adequacy Ratio (MFAR) required by MNB and facilitates the spreading of green real estate financing.

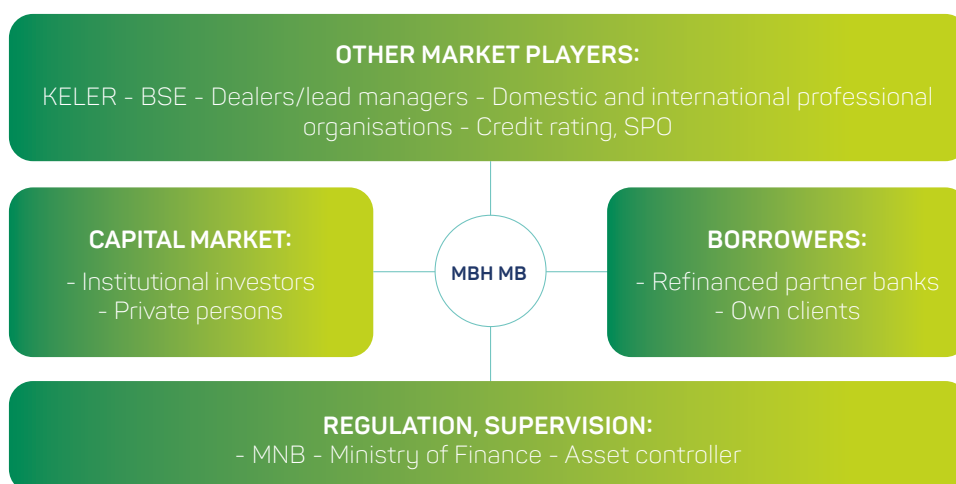
Since 2019, both our mortgage-based refinancing and mortgage bond issuance activities have been structured to support the sustainable lending practices of the Group and external refinancing partners.

As a specialised lending institution³ – along with domestic mortgage banks – we play a unique intermediary role in the domestic banking system, which allows us to achieve a multiplied impact for our relatively small size within the Banking Group. We raise long-term funds, typically from institutional investors, which we channel through careful bank lending processes (risk management, pricing) to finance residential and corporate real estate purchases and real estate secured loan claims. Both functions contribute indirectly to a sustainable society. With the introduction of green refinancing and the issuance of green mortgage bonds from the second half of 2021, we are on the long road to a low-emission society, which is described in more detail in chapter 3.2. Reducing environmental impact.

Our *intermediary* role in mortgage lending and our *refinancing* role, which determines business activity on the asset side, requires the maintenance of a complex system of domestic and international relationships, in which regulatory and supervisory entities are also key.

Our main partners are commercial banks for mortgage refinancing and commercial banks, insurers, investment fund managers and investment service providers for mortgage bond issuance. In our refinancing activities, we set out in contracts the principles and requirements for refinancing – within this, separately for green refinancing. With most partner banks, we have developed long-term relationships that provide a solid basis for further green innovation, mutual motivation, and green collective thinking.

EXTERNAL RELATIONS OF THE MBH MORTGAGE BANK



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



Dealers, lead managers and investment service providers are informed several times a year, either in person or online, about the green collateral assets behind green mortgage bonds, the implementation of current sustainability aspects, the progress made according to the published roadmap, the changes in international and domestic regulatory environment and the current situation of the domestic and international green securities market. We inform potential investors in green mortgage bonds in a similar way, by surveying the group of people interested in dedicated green securities.

The Bank was also represented in national and international professional organisations in 2022. Through its memberships, the Bank not only improves its advocacy capacity, but also participates in professional consultations 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	Type 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 European Mortgage Federation	2000	Statistics Committee Working Group chairman: Dr Gyula Nagy MBH MB CEO
Energy Efficiency Mortgage Initiative	European Covered Bond Council	2020	Membership role
Energy Efficiency Mortgage Label Energy Efficiency Mortgage Label	European Covered Bond Council	2022	Membership role
Energy Efficiency Mortgage Label	European Covered Bond Council	2022	MBH Mortgage Bank delegates a member to the committee
EMF Research and Data Committee	European Mortgage Federation Working Group	2022	President Dr Gyula Nagy MBH MB CEO

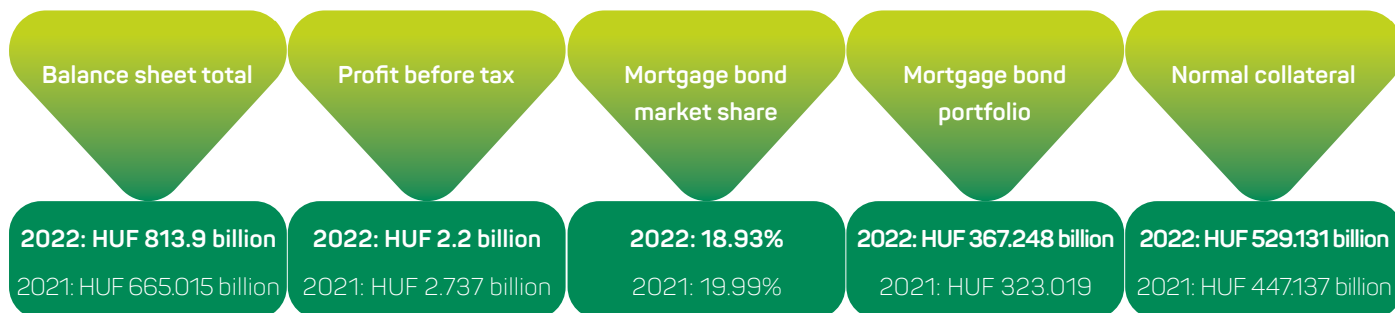
As an active member of the Mortgage Bank's, Working Group of the Hungarian Banking Association, our work has a direct impact on the legislative environment affecting the mortgage banking sector, on the development of the banking processes and regulatory environment for property valuation, and on the role of the domestic mortgage bond market in the macro-economy.

In addition to its organisational memberships, the Bank is regularly invited to professional conferences organised by Euromoney, the European Covered Bond Council (hereinafter: ECBC), the European Mortgage Federation and VdP (Association of German Mortgage Banks), where our staff give presentations or participate in panel discussions on general covered bond market and sustainability topics.



2.2. FINANCIAL RESULTS

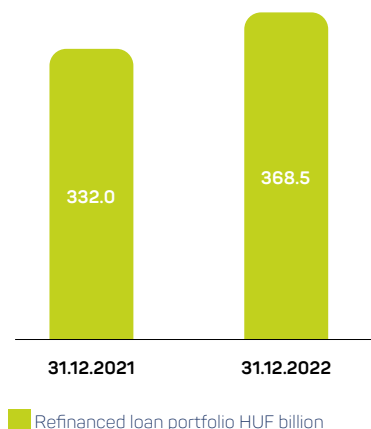
MBH MORTGAGE BANK'S FINANCIAL RESULTS 2022



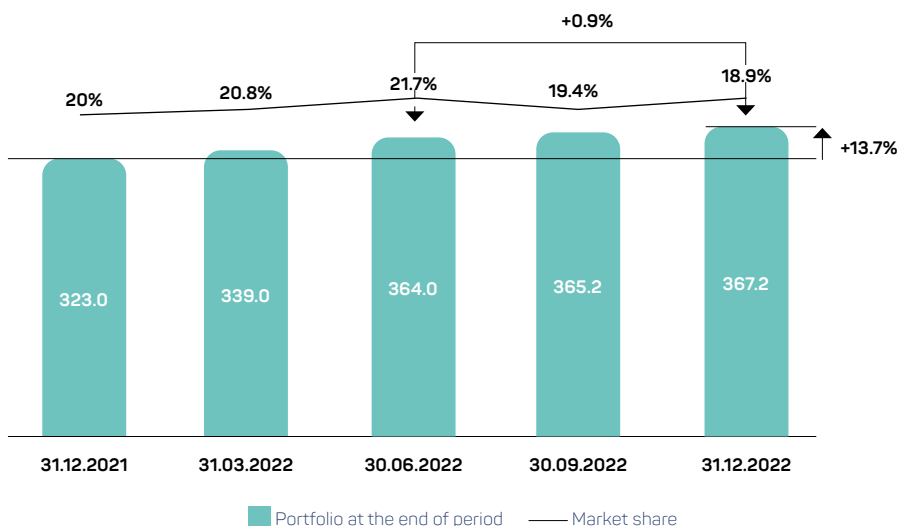
Our sustainable development is based on stable business operations and financial results which MBH Mortgage Bank has been able to keep in 2022 as well. At the end of 2022, the Bank's balance sheet total was close to HUF 814 billion (+22.4% year/year), partly as a result of the dynamic growth of the refinanced loan portfolio. At the end of 2022, the

outstanding portfolio of MBH mortgage bonds, the source of existing mortgage loans, exceeded HUF 367 billion. As a result of the introduction of the special extra profit tax, our profit before tax in 2022 was HUF 2.2 billion, representing a decrease of HUF 579 million (-21,2% year/year) compared to the 2021 annual result.

EVOLUTION OF THE REFINANCED LOAN PORTFOLIO



STOCK OF OUTSTANDING MORTGAGE BONDS

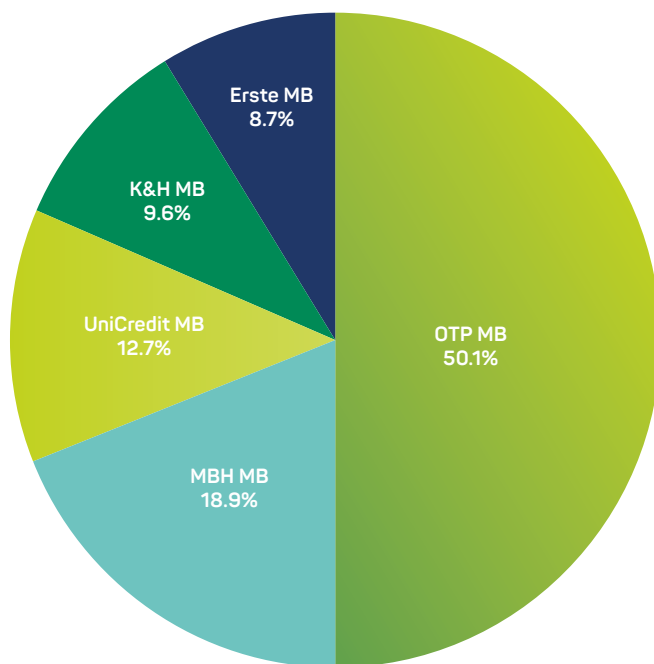


Our results show that MBH Mortgage Bank was the second largest mortgage bank in Hungary and the largest refinancing mortgage bank with 9 partner banks in 2022. An important objective of ours is to maintain or increase this nearly 20%

market position, while significantly increasing the share of green mortgages in our portfolio and the share of green mortgage bonds in our liabilities.



SHARE OF MORTGAGE BANKS BASED ON THEIR OUTSTANDING MORTGAGE BONDS (Q4 2022)

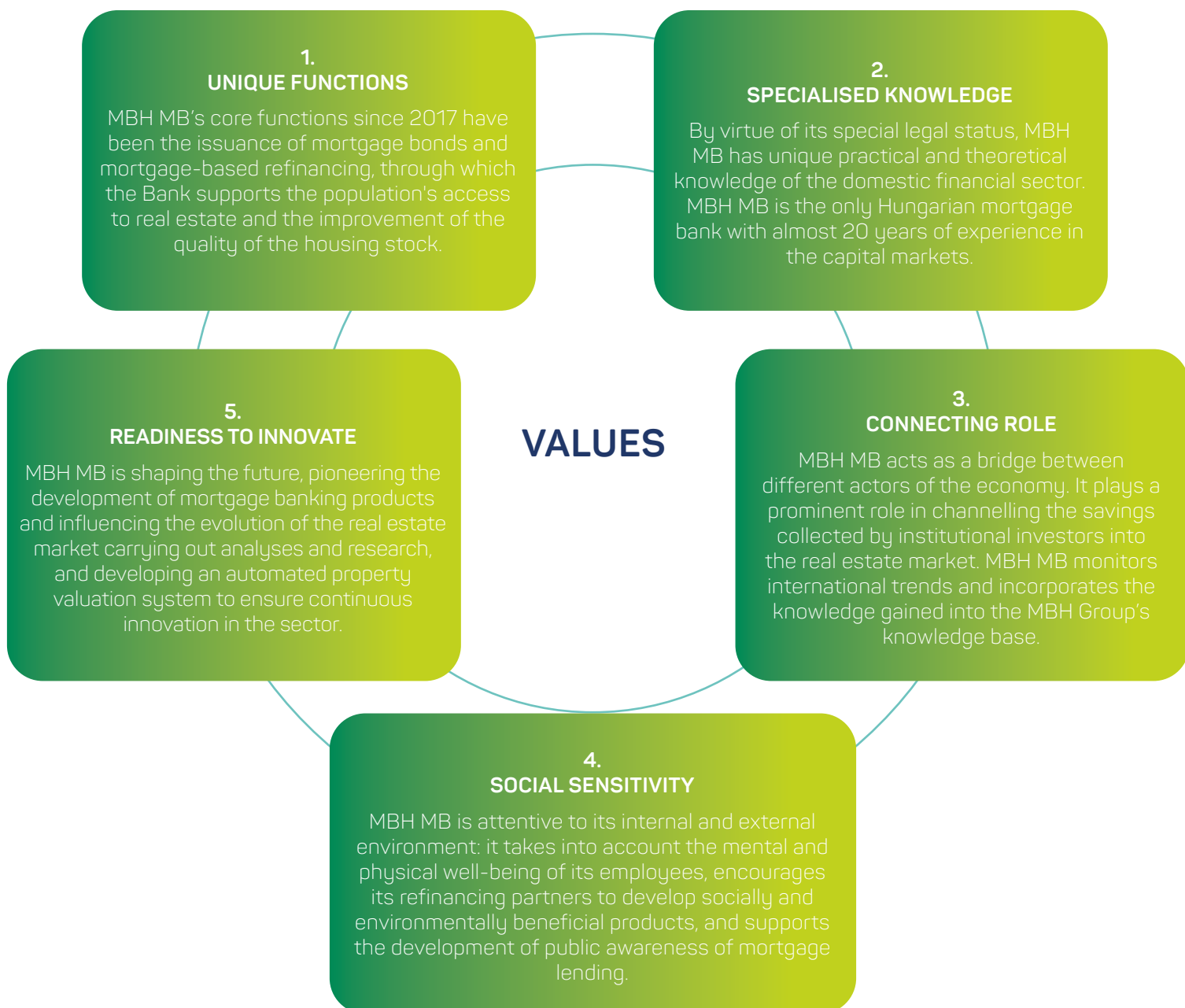


2.3. ESG APPROACH AND STRATEGY

At MBH Mortgage Bank, we believe that our business and sustainability performance is largely determined by our

corporate values. Our value system is designed to provide reliable guidance to our employees and business partners alike.

THE MBH MORTGAGE BANK'S VALUES



Building on MBH Mortgage Bank's values and in line with the MBH Group's ESG strategy, we have worked out our own ESG strategy which was approved by the Board of Directors on the 10th of August 2022 by its resolution No. 37/2022. The

preparation of an ESG strategy will increase our commitment to achieving our sustainability objectives, which will strengthen our impact on reducing climate risks and improving social well-being in the medium and long term.



MBH MORTGAGE BANK'S ESG STRATEGY

VALUES

Unique functions, specialised knowledge, connecting role, social sensitivity, innovative skills

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. Furthermore, MBH Mortgage Bank is committed to improving the real estate valuation process and to exploiting digitalisation 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“.

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

ESG STRATEGY GOALS

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

In order to develop an ESG Strategy of the highest possible quality, we have placed great emphasis on developing the ESG knowledge and awareness of our employees and the highest governance bodies (Board of Directors and Supervisory Board).

As the first package of actions of our comprehensive series of actions,

- in 2020, we joined the Energy Efficient Mortgage Initiative (hereinafter: EEMI) platform,
- created our Green Covered Bond Framework,
- identified green collateral,
- issued green mortgage bonds and
- obtained the European Energy Efficiency Mortgage Label (hereinafter: EEML).

In 2022, we published an MNB and EEML transparency report and an allocation report connected to the Green Covered

Bond Framework, and established the Green Covered Bond Committee. The heads of each area are also members of the Green Covered Bond Committee and are thus directly involved in the professional decision-making process related to MBH Mortgage Bank's core business of contributing to a low-emission society.

Our capital markets area reports quarterly to the Board of Directors and the Supervisory Board on MBH Mortgage Bank's green mortgage bond issuance and other sustainability activities, which helps to integrate sustainability considerations into business decision-making. The Q4 2022 report already included the status of the key performance indicators (KPIs) presented in the 2021 Sustainability Report and ESG Strategy.





3. RESPONSIBLE BUSINESS OPERATION

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GRI 2-25

3.1. MANAGING ESG RISK

The Bank pays particular attention to the ESG risks posed by climate change to its own operations and society. By consciously shaping the way we do business, we can have an impact on reducing climate risk and improving social well-being in the medium and long term.

As a member bank of the MBH Group, MBH Mortgage Bank, too, applies the risk management policy of the Group. The Group continuously incorporates Recommendation No 5/2021. (IV. 15)⁴ and No 10/2022 (VIII.2)⁵ of the Hungarian National Bank and other European recommendations into its methodology for internal identification and measurement of environmental risks. Based on international taxonomy and good practices, sustainability aspects are also included in the Risk Management Policy and in the definition of *Green Property* and *Eligible Green Mortgage* used in the MBH Mortgage Bank's Green Covered Bond Framework.

In addition to applying the group-wide risk management policy, we also add operational specificities to our measures to manage ESG risk. Our aim is to harmonise the *sorting model* for the identification of green properties and Eligible Green Mortgage in the Green Covered Bond Framework with the central ESG risk management framework.

As our business model is based on active counterparty refinancing, reducing environmental risks at the value chain level is our fundamental interest. Partner banks participating in green refinancing are contractually committed to the following elements of the Green Covered Bond Framework:

- the use and management of Green Mortgage Bond' proceeds in line with green objectives;
- green property selection processes and related reporting.

Social risks may arise primarily from the leakage or loss of personal, retail customer credit and real estate data, or incomplete fraud detection. In order to maintain and improve data security and fraud prevention, MBH Mortgage Bank follows Group-wide policies and procedures, and the Group has a complaint management process in place to monitor and properly address related customer complaints. Since 2020, the number of complaints from external parties has remained consistently low, while the number of complaints from regulatory bodies has been zero in all three years.

NUMBER OF CASES OF MISUSE OF CUSTOMER DATA

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

⁴Recommendation No. 5/2021 (IV.15.) of the Hungarian National Bank on climate-related and environmental risks and the Integration of environmental sustainability considerations in the activities of credit institutions
⁵Recommendation 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



3.2. REDUCING ENVIRONMENTAL IMPACT

We are committed to continuously measuring and transparently communicating the non-financial impacts of our operations, including our indirect environmental impacts. We seek to ensure the credibility of our results by publishing a *transparency* report that meets international standards, independent third-party certification, and European green label requirements.

We developed our Green Covered Bond Framework in 2021 in accordance with the standards of the Green Bond Principles⁶ published by the International Capital Market Association (ICMA), and it has been certified by the independent expert Sustainalytics. Under the Framework, in our impact assessment

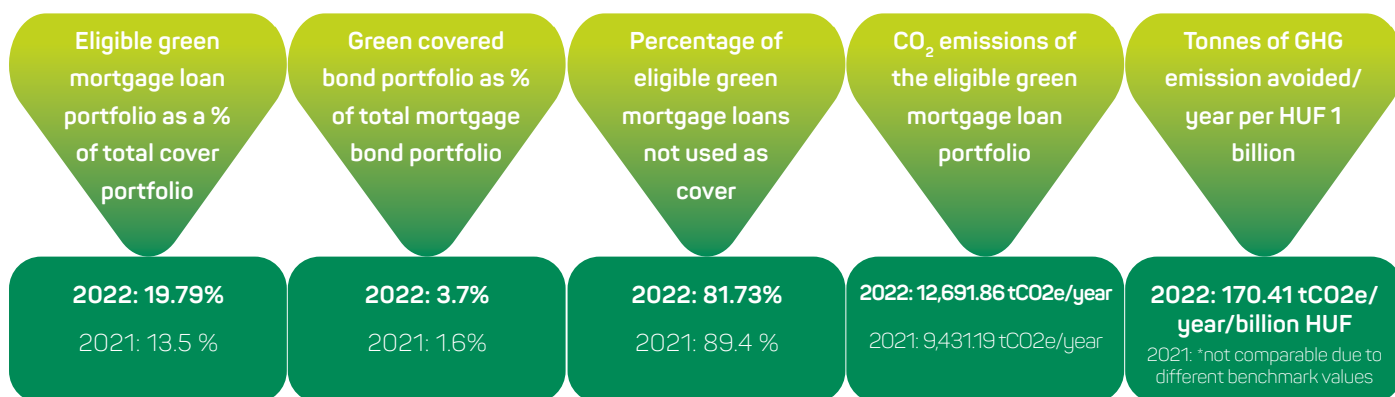
report, we report on the environmental impact of the Eligible Green Mortgage Portfolio annually, and we report on the allocation of proceeds from the issuance of green mortgage bonds on a quarterly basis in our allocation report. We publish the information on the Bank's website.⁷

In February 2022, we were the first Hungarian mortgage bank to join the circle of international banks with the European Energy Efficiency Mortgage Label (EEML). The EEML is a quality label that provides stakeholders with information about the bank portfolio in a transparent way, taking into account energy efficiency. Information is published on a quarterly basis, on the homepages of the Bank⁸ and EEML.⁹

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

<p>Transparency Report https://www.mbhjelzalogbank.hu/archiv-jelzaloglevel-transzparencia-jelentesek</p>	<p>Green Covered Bond Framework Allocation and Impact Report https://www.mbhjelzalogbank.hu/zold-jelzaloglevel</p>	<p>Energy Efficient Mortgage Label Report https://www.mbhjelzalogbank.hu/europai-energiatahatekony-jelzalog-vedjegy-eeml</p>
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MAIN INDICATORS OF THE ALLOCATION REPORT AND THE REPORT ON THE GREEN LABEL



⁶<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

⁷<https://www.mbhjelzalogbank.hu/zold-jelzaloglevel>

⁸<https://www.mbhjelzalogbank.hu/europai-energiatahatekony-jelzalog-vedjegy-eeml>

⁹<https://www.energy-efficient-mortgage-label.org/product/62/graph/169/absolute-amount-eem>



The specific MBH Mortgage Bank indicators described herein 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 operation. These products indirectly increase the energy efficiency of the real estate market by

- (i) encouraging green lending
- (ii) targeting a sustainability-oriented investor base with the securities issued.

Our strategic objective is to continuously increase the proportion of sustainable securities in the Bank's liquid asset portfolio. By the end of 2022, we reached a 3.54% rate, and we have set a target of 5% for 2023.

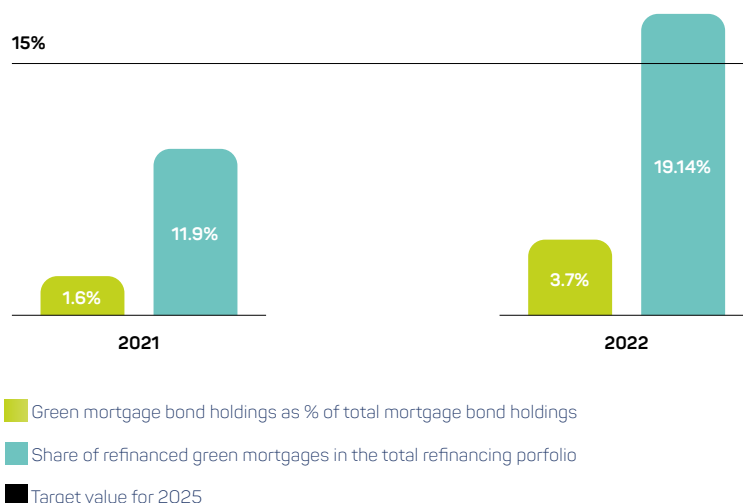
The Asset and Liability Management (hereinafter: ALM) and Liquidity Management areas play an important role in planning mortgage bonds issuance and in the management of the liquid asset-side portfolio. The Head of the ALM area is a member of the Green Covered Bond Committee and therefore has voting rights in determining the maximum amount of green mortgage bonds that can be issued in a given period, depending on the development of the eligible Green Mortgage Bond portfolio. The range of sustainable bond-type instruments available in the domestic market that are liquid in forint is still narrow:

green government bond series, bonds from supranational issuers, green mortgage bonds and green corporate bonds are available.

Quarterly monitoring of the commitments and objectives of the ESG Strategy published during 2022 started this year. We have made commitments to promote products and services with environmental benefits, with a focus on increasing the share of refinanced green mortgages in the total refinancing portfolio. The target of 15% was exceeded by the end of 2022, increasing the share of these mortgages in the portfolio to 19.14%. The impressive result of our commitment encourages us to review the target for refinanced green mortgages from time to time, bearing in mind that the evolution of the share of green mortgages is a non-linear process that is difficult to predict and influenced by a number of factors.

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 are not yet close to this figure, but the increase is clear: the share of green mortgage bonds has more than doubled (from 1.6% to 3.7%) compared to 2021.

GREEN MORTGAGE BOND HOLDINGS AS A PERCENTAGE OF TOTAL MORTGAGE BOND HOLDINGS AND THE SHARE OF REFINANCED GREEN MORTGAGES IN THE TOTAL REFINANCING PORTFOLIO



3.3. PROCESS AND PRODUCT INNOVATION

A key objective of our ESG strategy is to introduce and develop projects based on innovation skills. Besides the development of mortgage lending and mortgage bonds as a specialised bond market asset class, MBH Mortgage 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 model (AVM) in 2022.

Throughout a quarter of a century of activity, our Bank has been continuously analysing and researching the real estate market, regularly publishing its experience and research results, thus contributing to the modernisation of the sector. One of the key brands of this is the MBH Index product family, which includes the MBH Housing Price Index and the MBH Agricultural Land Index. MBH Mortgage Bank achieved its ESG objectives related to digitalisation primarily through the application of the Housing Price Index. MBH Mortgage Bank took a significant step forward in 2022 with regard to the property revaluations required under the CRR¹⁰, when it voluntarily committed to revalue its entire portfolio annually, and thereby, and fulfilling all other conditions, obtained the MNB's permission to use the „European Premium Covered Bond" logo. In the 2022 revaluation of the real estate collateral for the own disbursement and refinanced loan portfolio backing

the mortgage bonds, nearly 41,800 properties out of a total of nearly 56,500 properties were revalued using the index-based statistical methodology.

One of MBH Mortgage Bank's flagship projects is the Automated Valuation Model (AVM) which support the Group's digitisation objectives. The planned AVM solution will generate reliable real estate values exclusively based on electronic data, through automated processes, which will be delivered to the target users also through electronic channels (programme interface, API, other middleware solutions).

In the context of its ESG strategy, MBH Mortgage Bank has committed to expanding the revaluations nationwide as a target for 2022. As a result of several years of intensive development, we have created a property database of nearly 1.3 million properties, from which we have produced AVM values for nearly 1.1 million properties after carrying out value modelling¹¹.

The AVM project also aims to finalise the methodology for value creation, expand the national roll-out of AVM value creation, and develop a customer service application, which is expected to be introduced in Q3 2023.

3.4. TRANSPARENCY

MBH Mortgage Bank's status as an active issuer of mortgage bonds and its public operation resulting from the listing of its shares require a level of transparency that is even higher than that expected from credit institutions. We have made significant progress in increasing the transparency related to mortgage bond issuance: while we have been able to further increase the volume of green mortgage bonds in circulation (by HUF 13.6 billion in 2022), we have successfully developed the elements for quarterly reporting on green refinancing and mortgage bond issuance.

The content of the quarterly report:

- green mortgage bond allocation report,
- supervision transparency report,
- rating agency report,
- European Energy Efficient Mortgage Label Report

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

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 roadmap (see Annex 1), in which we committed to sustainability reporting in line with the ESG Reporting Guidelines published by the Budapest Stock Exchange. Our target is to reach quarterly frequency and Advanced level of sustainability reporting by 2025, with a view to achieving ESG certification with limited assurance in 2026. Our plan for 2026 is to prepare for the definition of a Science Based Target and to assess the resources and costs involved.

¹⁰Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions

¹¹In accordance with the criteria set out in point 2 of Annex 5 to PM Decree No. 25/1997 (VIII. 1.), covering a total of 38 municipalities in Hungary.





4. RESPONSIBLE CORPORATE GOVERNANCE

4. RESPONSIBLE CORPORATE GOVERNANCE

4.1. COMPLIANCE WITH LEGISLATION

Responsible corporate governance is essential to ensure sustainable growth. As a player in the credit institutions sector, including as a mortgage bank subject to stricter supervisory rules than commercial banks, and as an active issuer of securities, we prioritise compliance with the law and timely preparation for expected changes in the regulatory environment in order to maintain our integrity and reputation

in the securities market. We not only monitor the continuously tightening domestic and international green and ESG regulatory drafts, but also play an active role in their discussion both at the level of the domestic banking association and within the ECBC.

NUMBER OF MBH MORTGAGE BANK'S CASES ARISING FROM NON-COMPLIANCE WITH LEGISLATION

	2020	2021	2022
All cases arising from non-compliance (2020-2022)	1	1	0
Number of cases when a fine was imposed	1	0	0
Financial value of the cases	HUF 5.5 million	0	0
Number of cases when non-financial sanctions were imposed	0	1	0

Significant non-compliance is defined as cases that result in a fine or warning from MNB or another supervisory body. We seek to avoid incidents of non-compliance with the legislation and minimise the associated risks by investigating previous

incidents and through our compliance and internal control processes. In line with our ESG strategy, we take all necessary steps to keep the number of non-compliance cases at zero in the future as well.

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

Details of the individual cases	Description and consequence of the case
Case1 (2020)	MNB fined the Bank for HUF 5.5 million for fulfilling its data reporting obligations incorrectly to comply.
Case2 (2021)	MNB has warned the Bank to comply in the future with its obligation to regularly provide information on time, to comply publish the number of voting rights attached to its shares by series, indicating the owned share stocks and the amount of share capital for the last day of the month without delay, but no later than the following day.



4.2. ETHICAL OPERATION

Full compliance with ethical rules is a key factor in maintaining internal and external partnerships and minimising reputational risks. Our Code of Conduct states that in our dealings with our customers, partners, competitors, employees and any other entities, we will treat each other fairly, equitably and equally, based on respect and dignity. We shall respect personal rights and reject any behaviour that is exclusionary or discriminates against any person or group, and stand up for those who have been harmed.

The Code of Conduct can be found on the internal intranet interface, and is also part of the general compliance training material. The training is mandatory for all employees, who then must pass an exam from such material. In the case of a specific question, all employees can ask for an expert opinion.

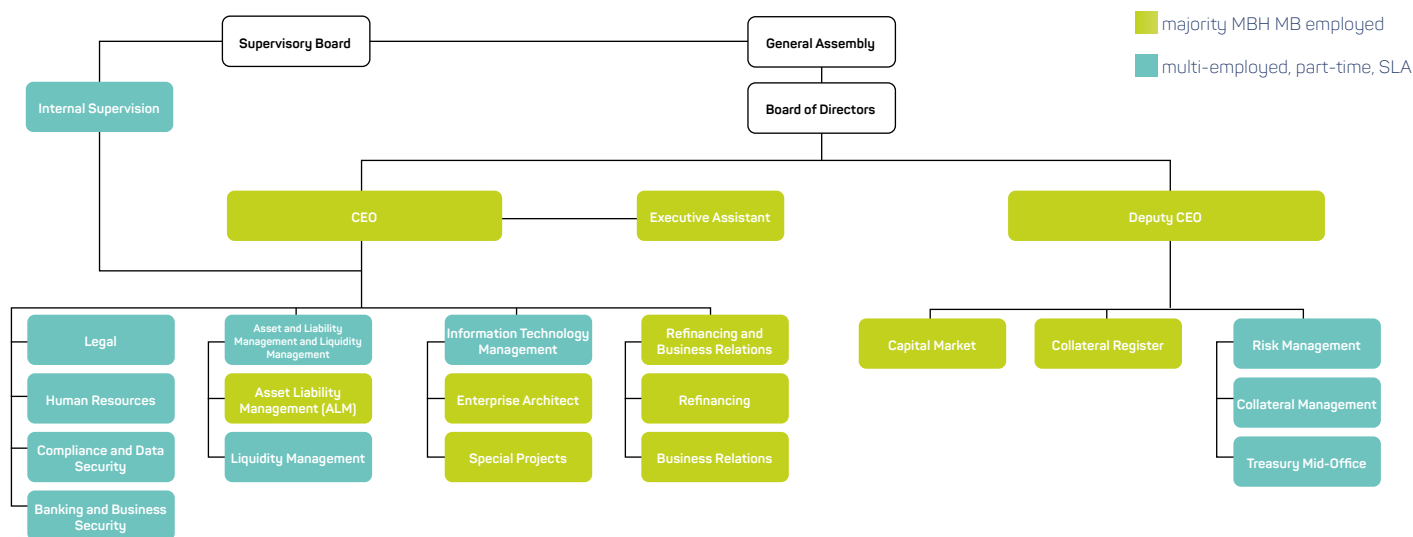
The Code of Conduct defines ethical misconduct as any event, procedure, or conduct that violates the rules set out in the Code of Ethics or otherwise breaches moral standards. If our employees suspect a breach of the standards set out in the

Code of Conduct, they must immediately report it in writing (e-mail, letter) to the MBH Investment Bank Compliance Officer, who is responsible for their function at group level. We provide anonymous reporting to our external stakeholders. In case of an anonymous complaint, 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 regulations.

Between 2020 and 2022 there were three reports of suspected ethics violations. Out of the three cases one was initiated in 2020 and closed in 2021. None of these cases have turned into an ethical investigation.

4.3. THE ORGANISATIONAL REPRESENTATION OF ESG

A SIMPLIFIED FIGURE OF THE MBH MORTGAGE BANK'S ORGANISATION



BOARD OF DIRECTORS (BoD)

The Board of Directors (BoD) is MBH Mortgage Bank's management body with governance and representative functions. It represents the Bank vis-à-vis third parties, before courts and other authorities. It continuously organises, directs, coordinates and controls the activities and management of MBH Mortgage Bank, it ensures its lawful and prudent operation.

The BoD is fully responsible for the contents of the sustainability report, for setting up the ESG strategy and for achieving the objectives set out in it, and also for ensuring their consistency. Accordingly, the BoD has a direct impact on the implementation of sustainability factors and its decisions directly determine MBH Mortgage Bank's sustainability profile. The Board of Directors decides on the list of material topics and accepting the report. The proposal for the BoD decision is prepared by the Bank's Capital Markets area and is subject to prior consultation of the areas concerned. We aim to include these ESG competences of the BoD in the Organisational and Operational Rules in 2023.

The members of the BoD are elected by the General Assembly for a fixed term from among the shareholders or other persons, and their mandate is subject to the approval of the MNB. The BoD consists of two internal (employed on a permanent basis by MBH Mortgage Bank) and five independent members. Internal members are the CEO and the Deputy CEO. 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) monitors the activities of the Board of Directors and the management of the Bank, in order to safeguard the interests of its owners. The members of the SB are chosen for a fixed term by the General Assembly, from the circle of 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.

Reinforcing the practice started in 2021, we commit to include a presentation of the ESG strategy and related activities as a mandatory element of the regular quarterly Board and Supervisory Board reports, which will be communicated to the head of the ESG Group and the Sustainability department of the MBH Group.

GREEN COVERED BOND COMMITTEE (GCBC)

In order to strengthen the role of sustainability factors in the Bank's corporate governance, in particular in the areas of business and risk management, we have established at the end of 2020 a special corporate governance tool, the Green Covered Bond Committee (GCBC). The Green Covered Bond Committee's approval is a prerequisite for, among other things, the creation and modification of the Green Covered Bonds Framework and also to determine which of the mortgages covered meet the requirements for Eligible Green Mortgages. The GCBC also monitors the proper use of resources from the issuance of green mortgage bonds and approves the environmental impact and allocation reports set out in the Green Covered Bond Framework. The GCBC consists of 6 members, the Chairman and Vice-Chairman of the Board are two members of the Bank's internal Management Board.

The main criterion for the selection of the GCBC members was to ensure that they have a good overview of all important areas of the Bank, and therefore the heads of the Risk and Collateral Management areas of the Banking Group are permanent guests at GCBC meetings. In 2022, a permanent invited member was the head of the Integration Organisation, the Chief Executive and Head of Corporate Governance of the MTB Bank of Hungarian Savings Cooperatives Co. Ltd. (current company name: MBH Investment Bank Plc.).

An important criterion for the nomination of each member is professionalism, appropriate education, competence, extensive experience in business, sustainability, or digitalisation. Selection is made regardless of gender and other diversity criteria.

MBH MORTGAGE BANK'S GENDER DISTRIBUTION OF GOVERNING BODIES

Board	Female	Male	Total
Board of Directors (BoD)	2	5	7
Supervisory Board (SB)	1	4	5
Green Covered Bond Committee (GCBC)	2	4	6



CAPITAL MARKET DEPARTMENT

At the operational level, the implementation of the ESG strategy and the fulfilment of the sustainability reporting commitment made at the end of 2021 is coordinated by the Capital Market department of MBH Mortgage Bank. The Head of Capital Market reports directly to the CEO including monitoring the implementation of the ESG strategy. From Q3

2021 onwards, the area will report regularly on the current status of sustainability projects at the Board and Supervisory Board meetings, and from Q4 2022 onwards, it will also present the progress of key performance indicators (KPIs) related to the objectives set out in the ESG strategy. The Capital Markets area is also directly responsible for the coordination of green mortgage bond issues. The head of the 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. Based on the relevant legislation and supervisory recommendations, it sets out principles, processes, and procedures for the management of conflicts of interest and incompatibilities, to prevent conflicts of interest from arising and to identify and manage conflicts of interest that have already occurred. Management and employees should be aware of the circumstances that may give rise to a conflict of interest and should periodically make a declaration of conflict of interest.

The management of MBH Mortgage Bank intends to take all necessary measures to prevent any conflict of interest between the tasks performed for MBH Mortgage Bank by persons holding office in its administrative, management and supervisory bodies and the private interests or other tasks of such persons.

4.4. AVOIDING ANTI-COMPETITIVE BEHAVIOUR, ANTI-CORRUPTION

In refinancing mortgage loans and issuing mortgage bonds, the MBH Mortgage Bank competes actively but ethically with other mortgage banks, with which it has developed a fair 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 2022.

MBH Mortgage Bank's anti-corruption policy is regulated by the Bank's Code of Conduct, which states that the Bank rejects and prohibits all forms of corruption. Corruption and bribery not only violate criminal law and economic standards, but are also contrary to sustainability values, which is why the Bank applies the principle of zero tolerance, following the highest ethical standards.

Corruption within our organisation can occur mainly in areas where stakeholders have a decision-making role and influence

on business activities (lending, refinancing). There may be a risk of corruption for people who have access to important (insider) information or can influence decision-making directly or indirectly (e.g. through their job hierarchy). Managers and employees are regularly required to make a declaration of interest, which is also part of the anti-corruption policy, as well as raising awareness, increasing the moral integrity of employees and reducing situations that allow corruption. Employees of the Bank shall not solicit, accept, or give any undue advantage, monetary or otherwise, from a client in connection with their work, which they are informed of as part of mandatory training. In the last 3 years, no cases of bribery, corruption, or undue advantage have been recorded, so the number of confirmed corruption cases is zero in all three years.





5. THE MBH MORTGAGE BANK'S OWN OPERATION

5. THE MBH MORTGAGE BANK'S OWN OPERATION

5.1. EMPLOYMENT

MBH Mortgage Bank's ESG strategy places special emphasis on developing a sustainable work environment and human resource management. Accordingly, mortgage bank tasks, which count as specialised credit institution activities, are performed by a professionally well-trained workforce with a corporate culture that recognises community and individual values. A key objective of the ESG strategy is to ensure that MBH Mortgage Bank remains an inspiring and attractive place to work for both new and experienced colleagues by promoting equal opportunities and diversification. On an FTE basis, MBH Mortgage Bank had 14.2 own employees in 2022, all of whom worked in the Bank's Budapest office. The Bank's own workforce is characterised by stability and low turnover.

The significant, multi-stage restructuring of the bank group structure after 2018 involved a reallocation of staff within each entity within the group, which in several cases affected (inactive) employees of the predecessor. A key feature of MBH Mortgage Bank's operation is that certain activities were carried out by the specialised departments of the Group's leading bank entity within the Banking Group under a Service Level Agreement (SLA) in the current year. The number of employees in each of the specialised fields of activity that worked for MBH Mortgage Bank was quantified based on the service contracts in force. In 2022, on an FTE basis, the number of employees not counting as MBH Mortgage Bank employees was 24.31. We do not employ anyone through temporary agency contracts or through school and pensioner co-operatives.

NUMBER AND COMPOSITION OF THE WORKFORCE (FTE)¹²

NUMBER AND DISTRIBUTION BY GENDER OF THE WORKFORCE

	2020	%	2021	%	2022	%
Total number of employees	15.3	100%	15.4	100%	14.2	100%
Female	7.6	49.4%	7.3	47.4%	7.2	50.8%
Male	7.8	50.6%	8.1	52.6%	7.0	49.2%

COMPOSITION OF EMPLOYEES IN 2022

Type of employment	Female	Male	N/A	Total
Indefinite term	7.2	7	0.0	14.2
Fixed term	0.0	0.0	0.0	0.0
Employees with a not guaranteed number of hours*	0.0	0.0	0.0	0.0
Full time	6.0	5.0	0.0	11.0
Part time	1.2	2.0	0.0	3.2

**Any employee who is not guaranteed a minimum number of hours per day, week or month, but must be available to work as needed.

¹²The 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.



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

NUMBER OF EMPLOYEES ENTERING AND LEAVING

Number of new employees	2020	%	2021	%	2022	%
Male	2	66.6%	2	50%	0.4	100%
<30 years						
30-50 years	1	33.3%				
50< years	1	33.3%	2	50%	0.4	
Female	1	33.3%	2	50%	0	
<30 years						
30-50 years						
50< years	1	33.3%	2	50%		100%
Total	3	100%	4	100%	0.4	100%

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

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

EMPLOYEE BENEFITS, GENDER PAY EQUALITY, PERFORMANCE MANAGEMENT

MBH Mortgage Bank applies the Group's remuneration policy to all employees, including members of the highest governance body, on the basis of the relevant internal rules. Under the remuneration policy, MBH Mortgage Bank employees may receive performance-related pay based on performance assessment ("bonus") up to a maximum of 12 months' basic salary. Performance assessment gives feedback on the employee's performance throughout the year, documents achievements, commitments, problem solving and challenges which have been defined as the focus, and decides

on performance-related remuneration. External members of our Governing Boards receive fixed remuneration and are not eligible for starting bonuses, recruitment incentives, severance payments or clawbacks. Internal members are subject to the current Remuneration Policy.

The HR department is responsible for the development and operation of the Bank's Group-wide Remuneration System and Remuneration Policy in accordance with the relevant legislation and MNB recommendations. The Remuneration Policy applicable to MBH Mortgage Bank for the year 2022 has been developed by MKB Bank Co. Plc. as the parent bank (current name: MBH Bank Co. Plc.) and is available on the MBH Bank website in Hungarian.¹³

¹³<https://www.mhbhbank.hu/az-mkb-bankrol/kozlemenyek/eves-es-feleves-jelentesek-es-osszefoglalo-jelentesek/2022-12-19>



With the introduction of the "We are partners in sustainability" programme, ESG goals will be integrated into the Group's overall corporate goals from 2022. From this, employees define their individual objectives by setting quantitative and qualitative performance criteria. The objectives are followed by a half year assessment.

FRINGE BENEFITS FOR FULL AND PART TIME EMPLOYEES

There is no difference between fringe benefits for full-time and part-time employees in accordance with the compensation guidelines based on the Group-wide policy.

Fringe benefits and other allowances in 2022:

- advance payment from the salary,

- support for glasses,
- SZÉP card for catering services.

Support to be provided on a social basis:

- social support,
- school enrolment support,
- support upon the birth of a child,
- support for those marrying for the first time,
- mobility support.

Other awards and rewards:

- jubilee reward,
- reward upon obtaining a diploma,
- employee recommendation reward,
- Employee of the Month award.

5.2. ENVIRONMENTAL IMPACT

An essential part of our sustainability efforts is to contribute to a low-emission society, which we provide predominantly through green refinancing and green mortgage bonds, linked to our business activities. (See chapter 3.2. Reducing environmental impact.) We also look at the environmental footprint of our own operations and strive to use energy as efficiently as possible.

ENERGY CONSUMPTION

We use the operational control approach to calculate our energy consumption and emissions. Electricity and natural gas are calculated on the basis of the annual energy consumption of the entire office building and the floor area, pro-rated to the floor area rented by MBH Mortgage Bank. And our fuel consumption is based on the average annual number of vehicles in our fleet.

ENERGY USE OF THE MBH MORTGAGE BANK

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

ENERGY USE OF THE MBH MORTGAGE BANK IN GIGAJOULES¹⁴

	2020	2021	2022
Fuel consumption – petrol (GJ)	1,217.42	1,069.38	675.50
Fuel consumption – diesel (GJ)	90.42	43.86	39.69
Electricity (GJ)	135.86	157.39	117.38
Natural gas (GJ)	149.24	156.25	103.42
Total energy consumption (GJ)	1,592.94	1,426.88	935.98

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 of the Government Decree 70/2016 (XII. 29.) when converting from cubic meters to Joule. For electricity, the standard conversion number 1 kWh = 3.6 MJ was used.

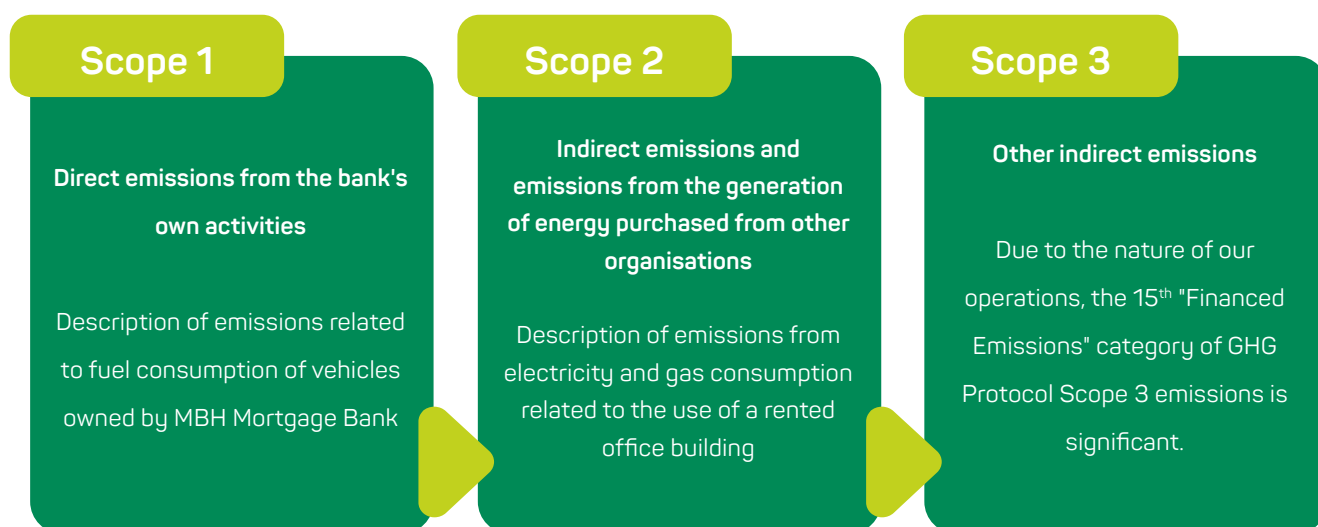
¹⁴Unit of measurement according to GRI publication



Our electricity and natural gas consumption increased slightly in 2021, due to a gradual return to office space following the pandemic. In 2022, however, we have been able to significantly reduce our electricity and gas consumption as a result of energy efficiency measures in group-wide property management and MBH Mortgage Bank's corporate culture of supporting working from home. Our fuel consumption fell by a third by 2022, due to a reduction in our vehicle fleet.

GREENHOUSE GAS EMISSIONS

MBH Mortgage Bank views it as its mission to assess and gradually reduce its direct and indirect greenhouse gas (GHG) emissions in the coming years. Based on the Greenhouse Gas Protocol's Standard for Corporate Accounting and Reporting, MBH Mortgage Bank distinguishes three categories when analysing its environmental impacts.¹⁵



In calculating our carbon footprint, we quantified emissions of three GHGs from the Kyoto Protocol's GHG portfolio, which are:

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

Individual emissions have been converted to the equivalent amount in carbon dioxide in tonnes, using the Global Warming Potential (GWP), and these values are used in the Sustainability Report. The Global Warming Potential values are taken from the IPCC Fifth Assessment Report.¹⁶ To determine emission factors for petrol and diesel, we used the Environmental Protection Agency (EPA) database (Emission Factors for Greenhouse Gas Inventories, 2018). The carbon footprint of our electricity

consumption and natural gas use were calculated using data from the International Energy Agency (IEA). As we have used different emission factors from previous years, the data in our 2021 report will be republished. We used a market-based approach to determine our Scope 2 emissions. No biogenic emissions were found.

We have been monitoring MBH Mortgage Bank's direct Scope 1 emissions from 2019, indirect Scope 2 emissions from 2020 and Scope 3 emissions were reported for the first time in 2022.

¹⁵<https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

¹⁶https://www.ipcc.ch/site/assets/uploads/2018/02/WG1AR5_Chapter08_FINAL.pdf



MBH MORTGAGE BANK'S SCOPE 1 AND SCOPE 2 GHG-EMISSIONS (TCO2E)

Scope 1 emissions	2019	2020	2021	2022
Fuel – petrol	130.56	83.82	73.63	46.51
Fuel – diesel	17.07	6.65	3.23	2.92
Total Scope 1 emissions	147.63	90.47	76.85	49.43
Scope 2 emissions (market based)	2019	2020	2021	2022
Electricity	n/a	7.37	8.54	6.36
Gas	n/a	7.29	7.64	5.05
Total Scope 2 emissions	n/a	14.66	16.17	11.42
Total Scope 1 and Scope 2 emissions	147.63	105.13	93.02	60.85

Due to the changing role of MBH Mortgage Bank within the Group and the transformation of the Group, our Scope 1 and Scope 2 emissions are steadily decreasing. With the reduction in the MBH Mortgage Bank fleet, vehicle emissions as a percentage of total emissions have fallen from 86% to 81% over three years.

Our indirect emissions are significantly higher than our GHG emissions from our own operations, the vast majority of which are the sum of emissions from projects undertaken through refinancing. We have therefore quantified these emissions for the first time in 2022 by calculating Scope 3 category 15 of the GHG Protocol, i.e. "Financed emissions". The calculation was based on the Partnership for Carbon Accounting Financials (PCAF) methodology¹⁷ proposed by the GHG Protocol,

which is the most widely used methodology internationally for determining the financed emissions of banks and other financial institutions. The PCAF provides guidance for seven asset classes, and due to our mortgage banking operations, we have defined our issuance for the residential mortgages ('Mortgages') and commercial real estate ('Commercial real estate') categories. According to the PCAF methodological delineation, for both asset classes, the calculation was made for on-balance-sheet own and refinanced loans for purchase purposes, while loans for construction and renovation purposes, as well as transactions held for sale or real estate included as collateral in transactions, were not included in the calculation. In the case of residential mortgages, due to a lack of data on certain types of property, an additional delimitation was applied, so that the calculation was made on 97.64% of the stock to be reported in our balance sheet according to PCAF.

DELIMITATION OF MBH MORTGAGE BANK'S MORTGAGES ON COMMERCIAL REAL ESTATE

	Mortgage exposure (HUF)	Level 1 delimitation percentage	Level 2 delimitation percentage
Total stock on balance sheet	5,841,354,905		
After delimitation of PCAF methodology items	4,740,838,757	81.16%	
After delimitation of items due to data deficiency	4,740,838,757	81.16%	100%

¹⁷Financed emissions 2nd edition, 2022



DELIMITATION OF MBH MORTGAGE BANK'S RESIDENTIAL MORTGAGES

	Mortgage exposure (HUF)	Level 1 delimitation percentage	Level 2 delimitation percentage
Total stock on balance sheet	389,970,364,215		
After delimitation of PCAF methodology items	278,366,265,971	71.38%	
After delimitation of items due to data deficiency	271,810,686,374	69.70%	97.64%

According to the methodology, the financed GHG emissions for commercial real estate in 2022 were 3339 tonnes of carbon dioxide equivalent, while for residential mortgages, a 49314 tonnes of carbon dioxide equivalent was calculated.

The analysis of GHG intensity, i.e. financed GHG emissions per million forints, and other indicators in the calculation will help inform the development of our emission reduction targets.

THE MBH MORTGAGE BANK'S FINANCED ISSUANCE (2022)¹⁸

Category	GHG emissions (tCO ₂ e)	GHG-intensity (tCO ₂ e/millió Ft)	PCAF data quality
Commercial real estate	3,339	0.70	4
Residential mortgage	49,314	0.18	3.49

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 3.49 (Residential mortgages) are at or above international practice.

¹⁸EY and MBH Mortgage Bank calculation



5.3. SOCIAL RESPONSIBILITY

MBH Mortgage Bank believes it is important to contribute to solving society's most pressing problems and to reducing growing social inequalities. The main focus of our social engagement is supporting children's education and promoting a conscious, green financial culture.

In November 2020, MBH Mortgage Bank signed a 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. Furthermore, the Foundation's priority activities include talent management, promoting community activity, organising cultural, artistic, professional and sports events at the primary school, preserving traditions, and recognising the

most outstanding pupils and athletes, with special attention to socially disadvantaged and Roma pupils. As a result of the sponsorship, on the 23rd of September 2021, the House of Schoolchildren along the River Hernád, „The Port of Love” was opened. In addition to financial support, in December 2021, MBH Mortgage Bank donated various educational toys to the community centre. The cooperation continued in 2022, with MBH Mortgage Bank buying office supplies and toys for the children supported by the Foundation as a Christmas gift in December.

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





6. ANNEXES

6. ANNEXES

6.1. DEVELOPMENT ROADMAP FOR ESG REPORTING

ESG category	2022	2023	2024	2025
Type of publication (stand-alone or integrated)	Stand-alone	Stand-alone	Stand-alone	Stand-alone
Frequency of publication (yearly, quarterly)	Yearly	Yearly	Yearly	Quarterly update
Format of the report (basic or standardised)	Report according to GRI	Report according to GRI	Report according to GRI	Report according to GRI
Certification by an external party (yes, no)	No	No	No	No
Objectives (yes, no, is there any monitoring?)	No	No	ESG objective	ESG objective
ESG category (level) throughout the year (where it can be categorised based on its existing elements)	Intermediate level	Intermediate level	Intermediate level	Advanced level
Development goals until the end of the year for reaching the next level (e.g. usage of the standard, certification etc.)	Usage of standard	Preparation of defining the ESG goals	Incorporation of ESG objective	Preparation for the definition of Science Based Targets in 2026.
Actions planned by the end of the year (e.g.: definition of the baseline, assessment of reporting processes/ capacity, development of data collection methodology, performing the materiality assessment, etc.)	<ul style="list-style-type: none"> · Getting to know the GRI standard · Analysis of good practices of the sector · Materiality assessment and stakeholder mapping/survey of responsibilities/ definition of the dedicated ESG tasks · Compilation of the report · Setting up the processes for data collection and processing 	<ul style="list-style-type: none"> · Development of the implemented processes · Drafting the ESG objectives for the short, medium and long term 	<ul style="list-style-type: none"> · Preparation for the quarterly reporting 	<ul style="list-style-type: none"> · Preparation for the definition of Science Based Target, assessing related resources and cost factors · Conducting the selection process for an external party for limited external assurance



6.2. GRI INDEX

MBH Mortgage Bank Co. Plc. reported in accordance with the GRI Standards for the period 1 January 2022 to 31 December 2022. 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 MBX designation.

GRI sector standards applicable to the Bank are not available at the time of reporting.

Indicator	Name of indicator	Chapter	Page number	Comment/justification for omission
GRI 2: General Disclosures 2021				
1. The organisation and its reporting practices				
2-1	Organisational details	1.1. About the Report	5	
2-2	Entities included in the organisation's sustainability reporting	1.1. About the Report	5	
2-3	Reporting period, frequency and contact	1.1. About the Report	5	
2-4	Restatements of information	5.1. Employment 5.2 Environmental impact	26 28	The data in the table on number and gender distribution of employees have changed compared to the previous Report. 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	26	
2-8	Workers who are not employees	5.1. Employment	26	
3. Governance				
2-9	Governance structure and composition	4.3. The organisational representation of ESG	22	
2-10	Nomination and selection of the highest governing body	4.3. The organisational representation of ESG	22	



Indicator	Name of indicator	Chapter	Page number	Comment/justification for omission
GRI 2: General Disclosures 2021				
3. Governance				
2-11	Chair of the highest governing body	4.3. The organisational representation of ESG	22	
2-12	Role of the highest governance body in overseeing the management of impacts	4.3. The organisational representation of ESG	22	
2-13	Delegation of responsibility for managing impacts	4.3. The organisational representation of ESG	22	
2-14	The role of the highest governing body in sustainability reporting	4.3. The organisational representation of ESG	22	
2-15	Conflict of interests	4.3. The organisational representation of ESG	22	
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	
2-18	Evaluating the performance of the highest governing body	5.1. Employment	26	
2-19	Remuneration policies	5.1. Employment	26	
2-20	Process to determine remuneration	5.1. Employment	26	
2-21	Annual total compensation ratio			In line with the decision of the HR this information is confidential.
2-22	Statement on 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	17	
2-24	Embedding policy commitments	3.2. Reducing environmental impact	17	
2-25	Processes to remediate negative impacts	3.1. Managing ESG risks	16	
2-26	Mechanisms for seeking advice and raising concerns	4.2. Ethical operation	22	
2-27	Compliance with laws and legislation	4.1. Compliance with legislation	21	
2-28	Membership associations	2.1. About our bank	9	
5. Stakeholder commitment				
2-29	Approach to stakeholder engagement	2.1. About our bank	9	
2-30	Collective bargaining agreements			As there are no employees covered by collective agreements, it is not included in the report.
Material topics				
3-1	Process to determine material topics	1.2. The main criteria used for the preparation of the Report	8	
3-2	List of material topics	1.2. The main criteria used for the preparation of the Report	8	
Transparency				
3-3	Management of material topics	3.4. Transparency	19	
2-12	Role of the highest governance body in overseeing the management of impacts	4.3. The organisational representation of ESG	22	



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	21	
2-26	Mechanisms for seeking advice and raising concerns	4.2. Ethical operation	22	
Employment				
3-3	Management of material topics	5.1. Employment	26	
2-7	Employees	5.1. Employment	26	
2-8	Workers who are not employees	5.1. Employment	26	
2-18	Evaluating the performance of the highest governing body	5.1. Employment	26	
2-19	Remuneration policies	5.1. Employment	26	
2-20	Process to determine remuneration	5.1. Employment	26	
401-1	New employee hires and employee turnover	5.1. Employment	26	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.1. Employment	26	
Process and product innovation				
3-3	Management of material topics	3.3. Process and product innovation	19	
MB11	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	19	



Indicator	Name of indicator	Chapter	Page number	Comment/justification for omission
GRI 2: General Disclosures 2021				
Compliance with legislation				
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2-27	Compliance with laws and legislation	4.1. Compliance with legislation	21	
Reducing environmental impact (at activity level)				
3-3	Management of material topics	3.2. Reducing environmental impact	17	
MB6	Eligible green mortgage loan portfolio as a % of the total cover portfolio	3.2. Reducing environmental impact	17	
MB7	Green covered bond portfolio as % of the total mortgage bond portfolio	3.2. Reducing environmental impact	17	
MB8	Proportion of eligible green mortgage loans not used as cover	3.2. Reducing environmental impact	17	
MB9	CO2 emissions of the eligible green mortgage loan portfolio	3.2. Reducing environmental impact	17	
MB10	Annual GHG emissions avoided per billion HUF of issued green bonds	3.2. Reducing environmental impact	17	
Managing environmental risks				
3-3	Management of material topics	3.1. Managing ESG risk	16	
2-25	Processes to remediate negative impacts	3.1. Managing ESG risk	16	
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	Membership associations	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				
2-29	Approach to stakeholder engagement	2.1. About our bank	9	
MB1	Mortgage bond market share	2.2. Financial results	11	
MB2	Mortgage bond portfolio	2.2. Financial results	11	
MB3	Ordinary cover	2.2. Financial results	11	
MB4	Refinanced loan portfolio	2.2. Financial results	11	
MB5	Volume of outstanding green mortgage bonds	2.2. Financial results	11	
Avoiding anti-competitive behaviour, anti-corruption				
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205-3	Confirmed incidents of corruption and actions taken	4.4. Avoiding anti-competitive behaviour, anti-corruption	24	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	4.4. Avoiding anti-competitive behaviour, anti-corruption	24	
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305-1	Direct (Scope 1) GHG emissions	5.2. Environmental impact	28	
305-2	Energy indirect (Scope 2) GHG emissions	5.2. Environmental impact	28	
305-3	Other indirect (Scope 3) GHG emissions	5.2. Environmental impact	28	



Environment (E)



Social (S)



Governance (G)





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