

SUSTAINABILITY REPORT 2024

MBH Mortgage Bank Co. Plc.

mbhmortgagebank.hu



WELCOME WORDS FROM THE CEO

Dear Reader,

You are reading MBH Mortgage Bank Co. Plc.'s sustainability report, which – following the tradition of the past three years – aims to show and summarise the bank's results and goals. Our current report for the year 2024 is unique in several ways, despite the fact that it is published in the usual format and with the usual content.

The uniqueness of this publication lies in the changes that lie ahead not only for MBH MB, but will almost certainly affect the lives of everyday people as well as the business community. The tightening of the domestic regulatory environment following the European regulation means that companies will be subject to mandatory audited sustainability reporting – some of them already in the 2024 financial year, while others in the 2025 financial year, in line with the EU Corporate Sustainability Reporting Directive (CSRD) and the Hungarian Accounting Act. Our Bank belongs to the latter category, so our current report is likely to be the last one published in this format.

2024 was, just like the previous year, a challenging and risky period for the business. The continuing global geopolitical risks and the macro-environmental uncertainties that partially result from these risks, are leading economic players to reassess the weight of sustainability factors in their business decisions and strategies. This reassessment is a global phenomenon that is currently taking place despite the fact that the world is facing environmental disasters with increasingly frequent and severe consequences, which can be attributed to climate change. At the same time, we also see that European regulation is demanding more sophisticated measurement methods and at the same time more transparency from business entities when measuring the impact of their sustainability activities.

For MBH MB the issuance of green mortgage bonds, through which we provide refinancing loans to our partners to finance energy-efficient properties – remains a key sustainability element further on. In line with this core mission, we issued nearly HUF 60 billion worth of mortgage bonds in 2024, more than a fifth of which were green mortgage bonds – in an often challenging domestic capital market environment. At the same time, we were able to increase the size of the eligible green mortgage portfolio within the refinanced portfolio. 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 further enhanced our Green Covered Bond Framework and we launched our self developed proprietary Automated Valuation Model (AVM) business application. In the area of corporate governance, we also see the adoption of an internal policy on the process for identifying eligible green real estate collaterals and eligible green mortgage loans as an important step, which has been incorporated into the related group-wide business/risk policy.

I believe that the assessment of our Bank from the point of view of ESG has been further strengthened. Satisfaction surveys and the results of workshops with training show that progress is being made in this direction. Based on feedback from our external and internal partners, MBH Mortgage Bank is on track to improve its sustainability performance, as confirmed by the 'C' rating it received from the ESG rating agency CDP, which is two categories higher than the 'D' rating it received in the previous year.

We are committed to a continuous improvement, but we also know that it will require increasing effort and resources to meet our core sustainability objectives and to comply with the requirements and expectations of national and international legislators.

Next year we will meet again in a different format and with a content elevated to a new level.

With kind regards,

Dr. Gyula Nagy
CEO

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INTRODUCTION

1. INTRODUCTION

1.1. ABOUT THE REPORT

As part of its commitment to sustainable development, MBH Mortgage Bank (hereinafter referred to as: MBH MB, Mortgage Bank, Bank) presents its fourth Sustainability Report. Our aim is to present the Bank's 2024 environmental, social and governance (ESG)¹ performance in comprehensive way to transparently inform our stakeholders.

From 2025 onwards, the Bank, as a public limited company, will be subject to the Corporate Sustainability Reporting Directive (hereinafter: CSRD) of the European Parliament and of the Council, and will therefore prepare its independent sustainability report for the financial year 2025 in accordance with the European Sustainability Reporting Standards (hereinafter: ESRS). The Bank

will start preparing for the 2025 report already in 2025, as this sustainability report will be published at the same time as the financial report, as required by the CSRD. In addition, it should be highlighted that for the financial year 2024, the MBH Group will for the first time prepare a group-wide sustainability report under the ESRS, which will also present the sustainability performance of MBH Mortgage Bank. The current sustainability report is therefore the Bank's last publication based on the Global Reporting Initiative (hereinafter: GRI) standard. The content of the report was determined by the results of the GRI materiality assessment, which identified the material themes around which our achievements and indicators in the environmental, social and governance areas are organised.

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	01/01/2024 - 31/12/2024
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.



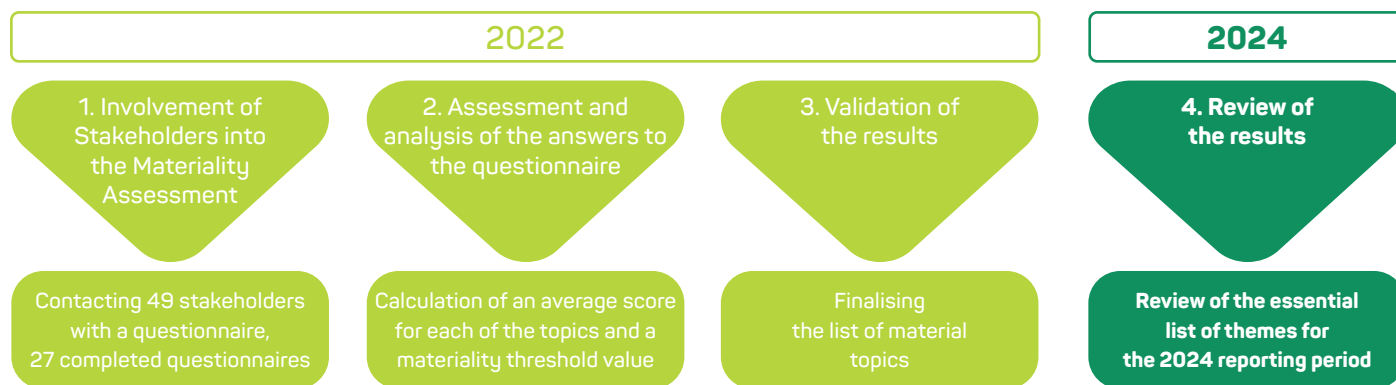
1.2. THE MAIN CRITERIA USED FOR THE PREPARATION OF THE REPORT

The most important environmental, social and governance issues for the Bank have been identified through a two-step methodology in the 2022 materiality assessment. You can read more about this in our Sustainability Reports about 2022 and 2023.

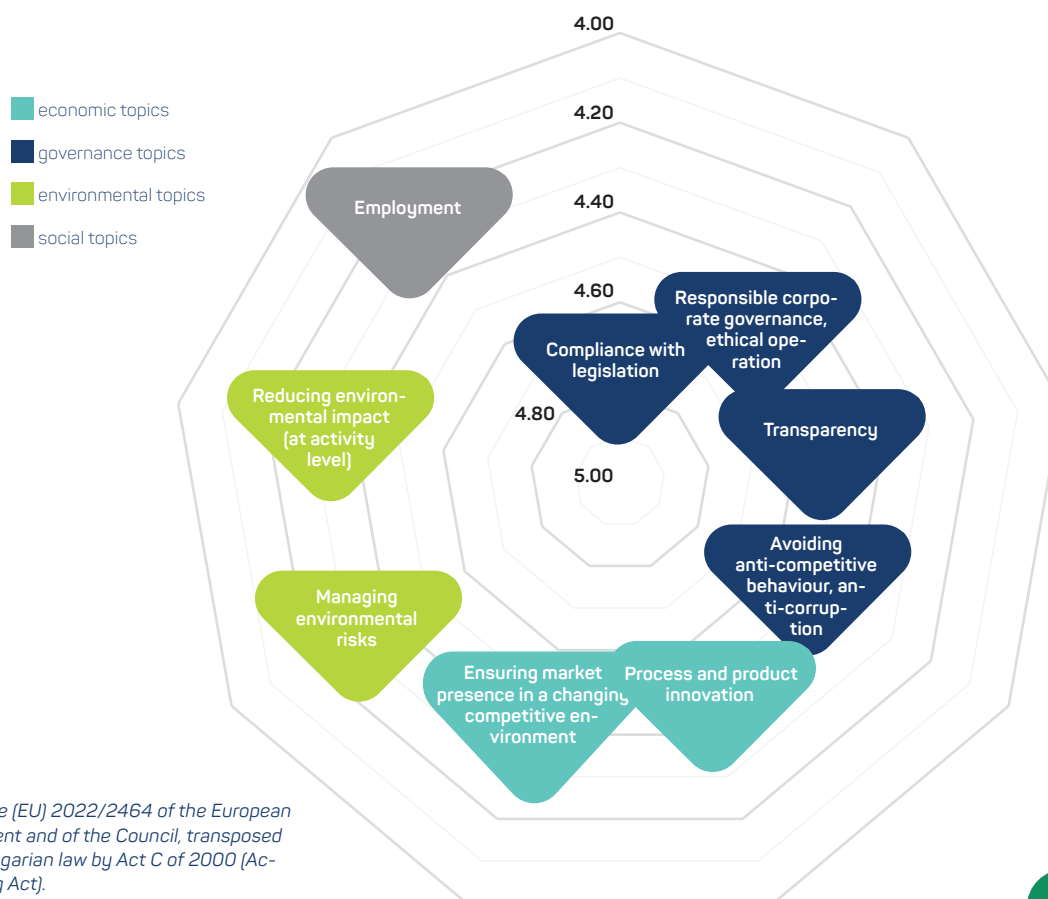
In order to identify the themes and data to be included in the report we revised the materiality analysis carried

out in 2022. As there have been no significant changes in the business activities and relationships of MBH MB, the material issues identified continue to reliably reflect the sustainability impacts of our Bank. A new, broader materiality assessment will also be conducted in 2025, meeting the dual materiality requirement of the EU CSRD² Directive.

THE PROCESS OF DEFINING MATERIAL TOPICS



RESULTS OF THE MBH MORTGAGE BANK'S MATERIALITY ASSESSMENT



² Directive (EU) 2022/2464 of the European Parliament and of the Council, transposed into Hungarian law by Act C of 2000 (Accounting Act).





2. INTRODUCING THE MBH MORTGAGE BANK

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2.1. ABOUT OUR BANK

The MBH Mortgage Bank Public Limited Company started its operations in 1998 under the name FHB Mortgage Bank Co. Plc., later continued as Takaréktör Mortgage Bank Co. Plc., and from 2023 continues to operate under the name MBH Mortgage Bank. The Bank has been a key player in the Hungarian mortgage banking market from the very beginning, and is committed to the sustainable development of mortgage lending, mortgage refinancing and the mortgage bond market.

As of 2018, the Bank has ceased its direct mortgage lending activities, focusing on refinancing mortgage loans and issuing mortgage bonds. These services are provided by MBH Mortgage Bank to the members of the MBH Group (hereinafter referred to as the Banking Group or the Group) and to external partner banks.

The activities of MBH Mortgage Bank:

- enables its partner banks to access long-term funding through mortgage bond-based refinancing,
- helps to meet the requirements of the Mortgage Funding Adequacy Ratio (MFAR) prescribed by the Hungarian National Bank,
- supports mortgage-based lending on the real estate market, and promotes the growth of green real estate financing.

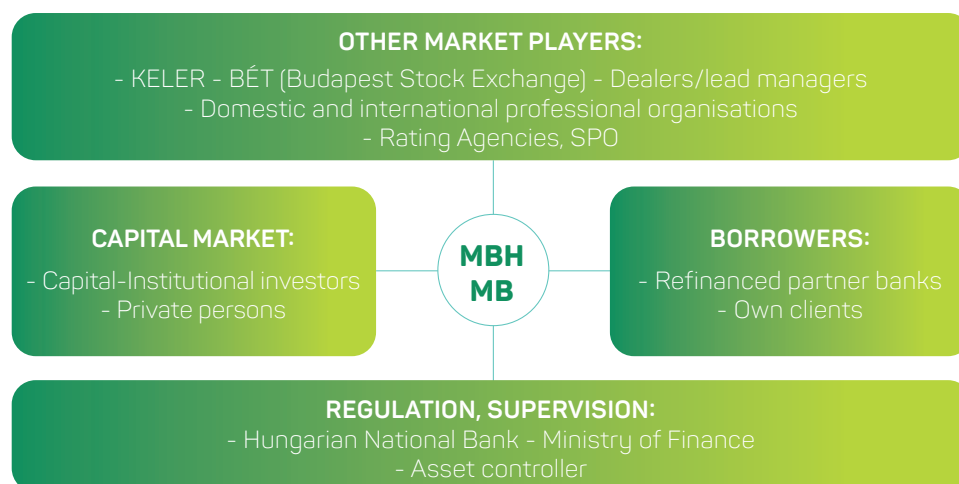
Since 2019, both the mortgage-based refinancing and mortgage bond issuance activities of the Bank have been structured to support the sustainable lending practices of the Group and its external refinancing partners.

As a mortgage bank³ we play a key role in the Hungarian financial sector, where our special role as intermediaries and refinancers helps the economy to develop sustainably. The Bank's main objective is to perform its refinancing and fund-raising functions at the highest possible level, which, for the size of MBH MB, enables us to generate significant positive environmental and social impacts in the domestic market. In our mortgage banking business, we channel funds from institutional investors into residential and corporate real estate finance through transparent, carefully designed processes, prudent risk management and pricing.

The Bank's role is twofold: on the one hand, it acts as an intermediary in mortgage lending activities and on the other hand, on the asset side, it acts as a refinancer, relying on its extensive network of domestic and international contacts. This complex network includes commercial banks on the supplier side and both investment service providers and commercial banks on the mortgage bond issuance side.

It is the goal of MBH Mortgage Bank to shape the direction of sustainable financial innovation. Our refinancing contracts are based on the principles of our Green Covered Bond Framework, which not only encourage innovation, but also help deepen partnerships. This makes the Bank an institution that is both a leader and an inspiration in the field of sustainability.

EXTERNAL RELATIONS OF THE MBH MORTGAGE BANK



³ MNB (Hungarian National Bank) sector code: C3, other financial intermediaries/specialised credit institutions



Communication with our stakeholders is a cornerstone of MBH Mortgage Bank's activity. We regularly inform dealers, lead managers and investment service providers in face-to-face meetings or in online forums. These consultations cover the details of the collateral behind green mortgage bonds and the asserting of sustainability considerations, as well as provide information on progress under the published roadmap, international regulatory changes affecting MBH MB, and domestic and global trends in the green securities market.

In 2023, we conducted our first systematic satisfaction survey among our partners. This valuable feedback has provided a basis

for further improving our operations, therefore we expect to repeat this survey in the coming years.

MBH Mortgage Bank has been an active participant in national and international professional organisations throughout 2024. These memberships not only increase the Bank's advocacy capacity, but also give us the opportunity to keep abreast of the latest market trends and changes in the regulatory environment. The knowledge gained here is key to the Bank's ability to continuously adapt to challenges and to lead the way in developing sustainable financial solutions.

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	EEMI- European Energy Efficient Mortgage Label	2022	Membership
Energy Efficiency Mortgage Label	EEMI- 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

The Bank actively participates in the Hungarian Banking Association's working group on mortgage banking and its various subgroups and forums – this is essential for the promotion of the Hungarian mortgage bond market and the clarification of legal and methodological issues of real estate valuation. MBH MB also demonstrates its professional commitment to sus-

tainability through its regular presence in the community, both nationally and internationally, and also as a participant and speaker at conferences on green finance, AVM⁴, and mortgage bonds. These events provide an opportunity to discuss current professional trends, covered bond market issues and sustainability aspects, helping to strengthen the Bank's role as a market leader and shaper.

INTERNATIONAL PRESENTATIONS AND PANEL DISCUSSIONS DELIVERED BY THE REPRESENTATIVES OF MBH MORTGAGE BANK

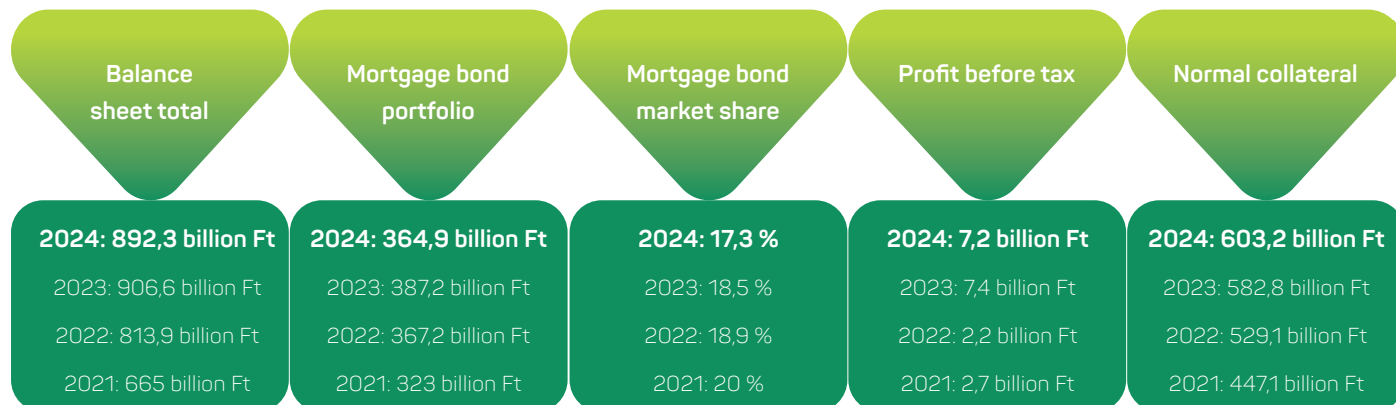
Conference	Title of presentation	Venue and time of the conference
RenoInvest – Roundtable enhancing smart investments in sustainable renovation of buildings	The Energy Efficient Mortgage Initiative of the European Mortgage Federation and its implementation in Hungary – presentation	Slovenia, Gornja Radgona, 18 th April 2024
International symposium of the European Mortgage Federation	Piloting The EEM ecosystem – panel discussion	Italy, Venice, 4 th October 2024
ENVIRONTEC – „Ökoindustria” – International Trade Exhibition for Environmental Technology, Waste, Water and Sustainability	Impact of ESG and taxonomy on SMEs, banks' strategies to green their SME portfolio – panel discussion	Hungary, Budapest, 1 st October 2024
Central and Eastern European Mortgage Bond Conference	Green Covered Bonds/ESG – panel discussion	Hungary, Budapest, 10-11 October 2024
KandK Pro Conference on real estate development and financing	Focusing on climate change and real estate, domestic and international overview of green mortgage bonds – presentation	Hungary, Budapest, 11-12 October 2024

⁴ Automated Valuation Model



2.2. FINANCIAL RESULTS

THE MBH MORTGAGE BANK'S FINANCIAL RESULTS (2021-2024)



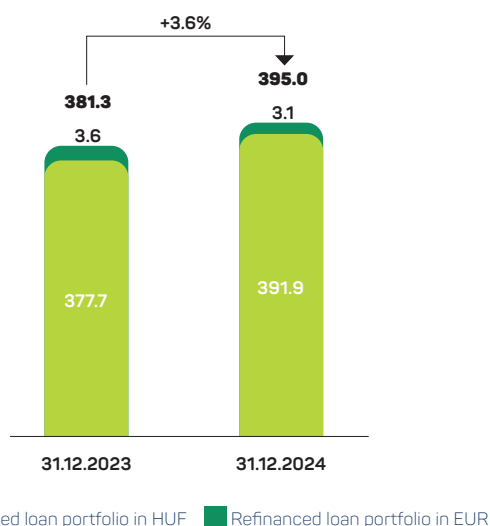
Our stable business operations and financial results are the cornerstones of our sustainable development. The Bank's balance sheet total at the end of 2024 was close to HUF 892.3 billion, down by 1.6% year-on-year.

At the end of 2024, the outstanding stock of MBH MB mortgage bonds was close to HUF 365 billion, providing a stable source of

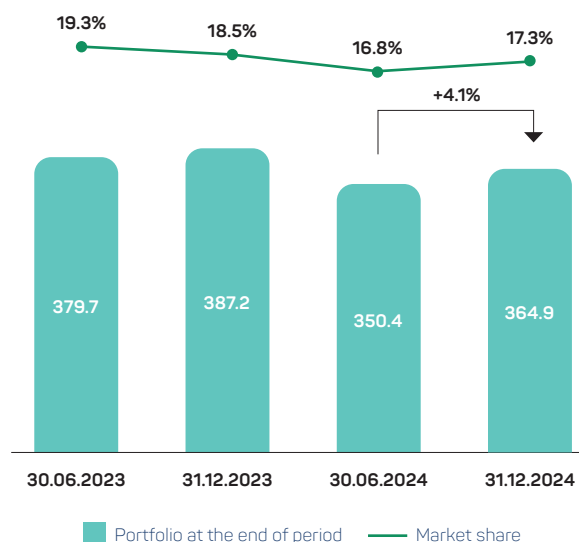
funding for the loan portfolio. The Bank's profit before tax amounted to nearly HUF 7.2 billion, which represents a 2.8% decrease year-on-year.

The stable high level of results was possible thanks to an outstanding interest income and a reduction in operating costs, further strengthening the Bank's sustainable operations and financial stability.

EVOLUTION OF REFINANCED LOANS BY HUF AND EUR DENOMINATED STOCK (IN HUF BILLION) (2023-2024)



OUTSTANDING STOCK OF MORTGAGE BONDS (IN HUF BILLION, BY NOMINAL VALUE) (20223-2024)



MBH MB maintained its leading position in the Hungarian mortgage banking market in 2024, where it was the second largest mortgage bank and the largest refinancing institution in the country, working with eight partner banks.

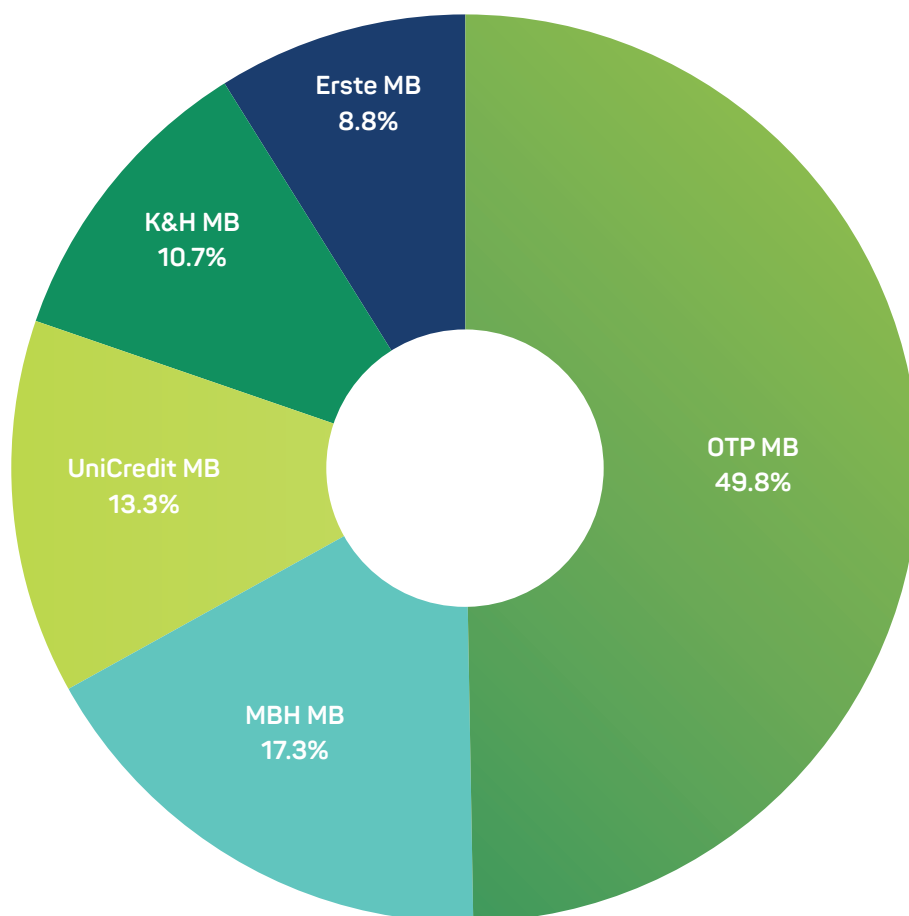
In June 2024, MBH MB made a real innovation in the capital market by organising the first mortgage bond switch auction – in the Hungarian market such an auction had previously only been organised by the Government Debt Management Agency for government bonds. The pioneer transaction was highly successful, with HUF 5.6 billion of the MJ32NV01 series being placed and resulting in the repurchase of HUF 5.6 billion of the swap paper.

The introduction of the switch auction will certainly contribute to an even higher level of investor satisfaction and further development of the mortgage bond market.

Maintaining and increasing our market share of around 17-20% remains our strategic objective, while we are paying significant attention to the sustainable transformation of our portfolio. In the coming years, we aim to continue to substantially increase the proportion of green mortgage bonds, thereby demonstrating our commitment to sustainability. The Bank's outstanding performance is demonstrated by its 42% market share in green mortgage bond issuance in 2024.



*MORTGAGE BANKS' SHARE OF OUTSTANDING MORTGAGE BONDS
(31.12.2024)*

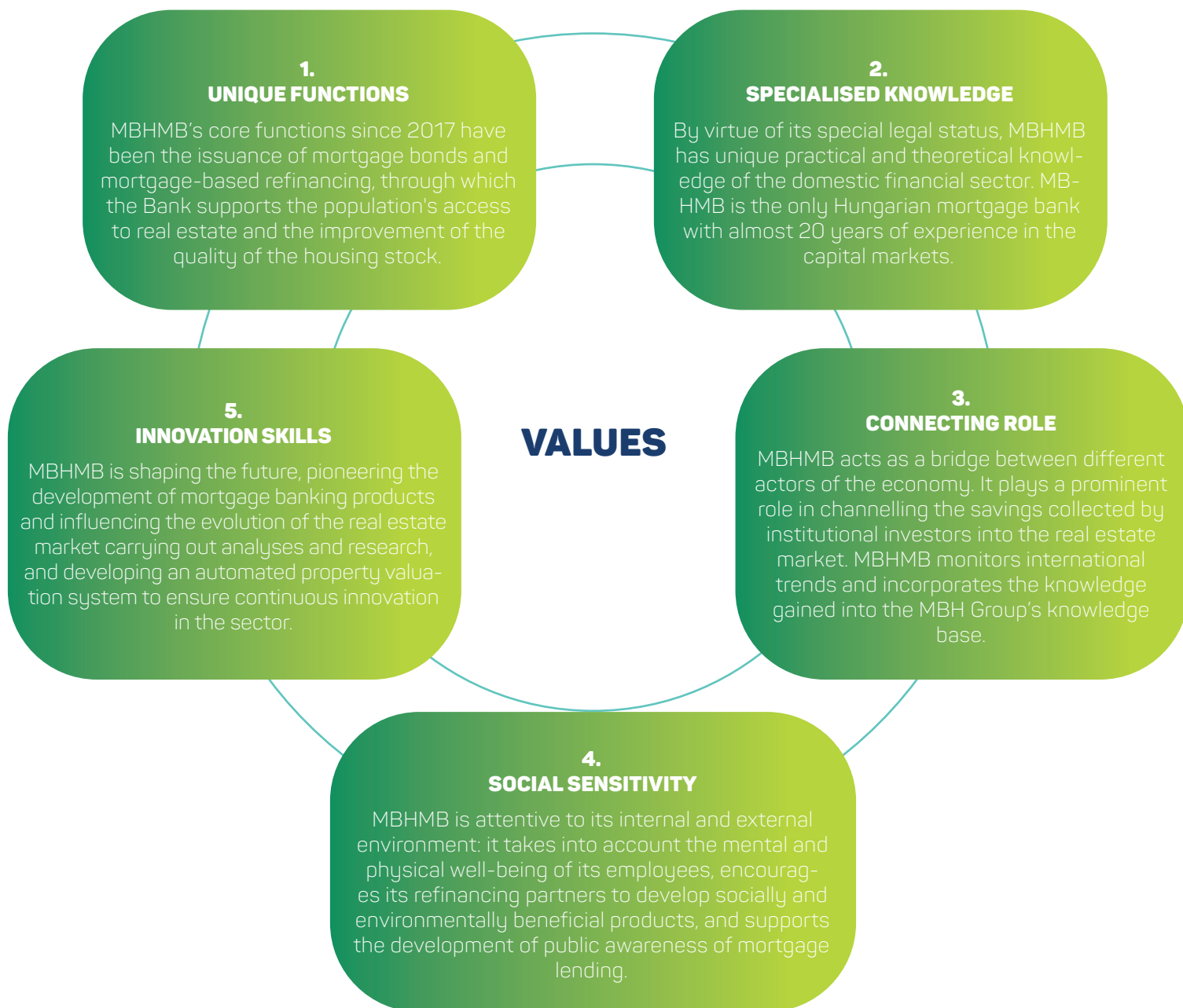


2.3. ESG APPROACH AND STRATEGY

Our values have been formulated with the primary aim of providing a solid foundation for sustainable economic, social and environmental operations. We share the principles set out by

our Bank transparently with all internal and external stakeholders to ensure that our business and ESG strategy is value-driven.

THE VALUES OF MBH MORTGAGE BANK



Based on our corporate principles, mission and vision, we developed MBH's own ESG strategy in 2022, in line with MBH Group's sustainability ambitions and Group-wide strategy. Our priority is to increase our positive influence in reducing climate change risks and improving the well-being of society. MBH MB works primarily in line with the Group's sustainability strategy, but also strives

to fulfil its own ESG ambitions – to the best of its abilities. The growth of the bank group opens up new horizons in our sustainability efforts, as we can enhance our knowledge and expand our sustainability programmes through growing internal relationships and collaboration opportunities.



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

In 2024, we have continued to focus on implementing and transparently monitoring our ESG strategy, in line with our previously set objectives. During the year, we prepared and published our standalone Sustainability Report for 2023 in July 2024 and launched a project to improve our CDP⁵ rating by submitting a questionnaire reflecting MBH MB's environmental performance, which was rated 'C' by CDP, a significant improvement compared to the previous years.

In parallel, in line with the ESRS expectations, MBH Group has comprehensively updated its Group-wide ESG strategy in 2024, which provides a solid basis for further strengthening its sustainability objectives. MBH Mortgage Bank is planning to review its strategy by 2025 to align with the new guidelines set by the Group.

Following the publication of the updated, revised edition of the Sustainability Reporting Guidelines of the Budapest Stock Exchange (BSE), MBH MB has revised its previous reporting practices. Instead of the framework and development roadmap detailed in the BSE ESG Reporting Guidelines previously used, we now consider the Sustainability Reporting Guidelines published during 2024 to be the guiding framework, as it is directly linked to the CSRD requirements. This transition will ensure that the reports of MBH MB reflect its sustainability performance in a transparent way, in line with the latest regulatory requirements. In 2024, too, the regular monitoring of our ESG commitments and targets continued as planned. Our quarterly monitoring activities

ensured that we could measure progress on an ongoing basis, while, as part of the review of the Green Covered Bond Framework, we continued to work on the development of the separation and impact assessment model of the Eligible Green Mortgage Loans. The aim is to facilitate an increase in the proportions of both refinanced green mortgages and green mortgage bonds in circulation, in line with market conditions and opportunities.

We paid particular attention to developing the ESG skills of our staff through comprehensive training programmes. We measured the success of these through satisfaction surveys and the results were used to refine the programmes. During trainings we focused on the role of sustainability in mortgage banking strategy and the practical application of ESG principles. In addition to ESG education, we also focused on further developing the AVM and its wider adoption within the MBH Group, which both increases efficiency and contributes directly to our sustainability goals. In addition, we have expanded the availability of anti-corruption training with the involvement of the Compliance area, in an effort to further increase the proportion of staff participating in such trainings. All these steps strengthen our commitment to corporate governance and transparency, which is a cornerstone of MBH MB's operations. In order to successfully implement our ESG strategy, we have strengthened our internal processes and actively monitored market and regulatory trends and expectations to help set future goals and sustain our results.

⁵ The CDP (formerly known as the Carbon Disclosure Project) certification aims to assess and disclose the environmental performance of companies, their carbon emissions and their sustainability measures.





3. RESPONSIBLE BUSINESS OPERATION

3. RESPONSIBLE BUSINESS OPERATION

3.1. MANAGING ESG RISKS

It is a priority for MBH Mortgage Bank to actively contribute to sustainable development, while effectively managing ESG risks affecting its own operations and society. We believe that by making informed business decisions, we can reduce climate risks in the medium and long term and contribute to the creation of social well-being.

The ESG risks arising from MBH MB's operations come from two main sources: the physical and transition risks associated with the real estate underlying refinanced loans, as well as the specificities of the refinancing activity itself. In the case of MBH Mortgage Bank, MBH Bank Plc. is the most important refinancing partner, so the assessment and management of our own ESG risks is closely linked to the Group's sustainability risk management strategy.

On 31 March 2024, the new ESG risk assessment system of MBH Group came into force, which currently applies mainly to MBH Bank's corporate clients. For the ESG rating, the Group uses the OPTEN ESG index or the risk rating of EBRD⁶, supplemented by client-specific factors. From January 2025, the Banking Group introduces separate minimum ESG risk standards for foreign borrowers.

MBH MB, as a member of MBH Group, applies the Group-wide risk management policies, but in line with such policies, also supplements its measures to manage ESG risks based on the specific aspects of its mortgage banking operations. Based on the recommendations of the Hungarian National Bank (5/2021. [IV.15]⁷ and 10/2022. [VIII.2]⁸) and taking into account other European regulations we are continuously developing our risk management methodology to meet the increasingly stringent sustainability requirements.

We continue to take climate change risks into account when assessing the portfolio, in particular with regard to the condition (location, technical characteristics) and energy characteristics (energy efficiency, state-of-the-art systems) of the real estate assets. We

have carried out a detailed ESG risk analysis in the construction and real estate segments, too, but quantifiable targets have yet to be set.

In 2024, we also continued to pay special attention to the further development of the Green Covered Bond Framework⁹, including the ongoing modernisation of the model for identifying Eligible Green Mortgage Loans and Green Collaterals. Improvements will focus on refining the modules for identifying green assets and assessing their impact. The current revision of the Framework was completed in early 2025, allowing for a wide practical application of the new models.

Because of our active partner bank refinancing business model, we have a fundamental interest in reducing environmental risks throughout the value chain. Therefore, we also expect our partners to apply the elements of the Green Covered Bond Framework. The contractual commitments of partner banks participating in green refinancing are as follows:

- the use and management of Green Mortgage Bond proceeds in line with green objectives,
- the application of green property selection processes and related reporting set out in the Framework.

As part of our ESG risk management, we also pay special attention to data security risks alongside financial and environmental factors. Although our Bank has stopped direct retail mortgage lending since 2018, we remain vigilant about the security of our existing customers' data. We ensure the protection of information related to retail customer loans and real estate and the prevention of possible fraud by following a group-wide procedure. Customer complaints are handled in a transparent and efficient process, resulting in a consistently low number of complaints from external parties since 2021, with 0 in the last two years and no complaints from regulators.

⁶ European Bank for Reconstruction and Development

⁷ Recommendation 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.

⁸ 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.

⁹ The Green Mortgage Bond Framework is under review in parallel with the preparation of the 2024 Sustainability Report. The currently effective Green Mortgage Bond Framework available on the [website](#) of MBH MB.



NUMBER OF CASES OF MISUSE OF CUSTOMER DATA (2021-2024)

Number of cases of misuse of customer data	2021	2022	2023	2024
Number of complaints received from external parties and substantiated by the company	1	3	0	0
Number of complaints received from regulatory bodies and substantiated by the company	0	0	0	0

3.2. REDUCING ENVIRONMENTAL IMPACT

The Bank is committed to continuously improving its sustainable financing activities and to maintaining them in line with the highest international standards. The Green Covered Bond Framework, established in 2021, is a key element of this, ensuring that green mortgage bonds are issued in a transparent, professionally sound and sustainable way.

The annual review of the Framework was also carried out in 2024, this time with a particular focus on further developing the model for green eligibility and impact assessment model of the green mortgage loans. In addition to the Green Bond Principles¹⁰ (GBP), the identification process for Eligible Green Mortgages also takes into account the requirements of the EU Taxonomy Regulation and the 9/2023 (V.25.) ÉKM decree. Our aim is to improve the quality of our databases, thereby minimisi-

ng the risk of greenwashing, to ensure that only properties that meet the essential contribution to climate change mitigation criteria set out in the EU Taxonomy Regulation and at the same time meet the appropriate thresholds for the primary energy demand (PED) of near-zero energy buildings (NZEB) standard required by the 9/2023 (V.25.) ÉKM decree (depending on the year of construction) can be eligible green properties.

As part of the development work, an active consultancy collaboration started in the third quarter of 2024, which is expected to result in the publication of our updated Green Covered Bond Framework in March 26, 2025.

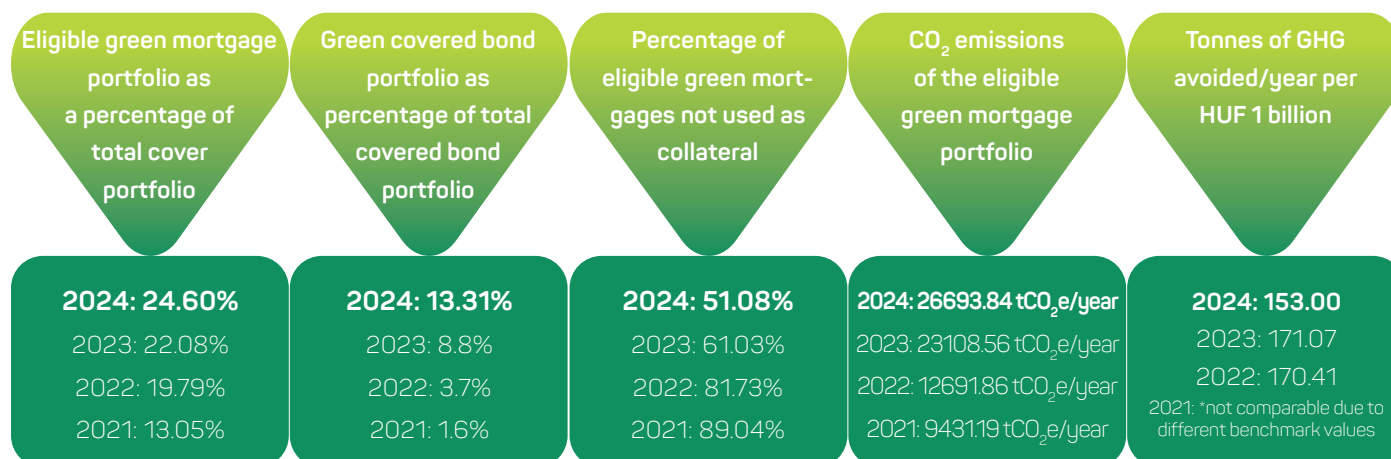
¹⁰ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>



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 (2021-2024)



Encouraging green lending contributes to the growth of the sustainable building stock, while providing an opportunity for sustainability-oriented investors to actively support the de-carbonisation of the real estate market. The ALM¹¹ area gives priority to green mortgage bond issues, while at the same time continuously striving to increase the share of the green portfolio in liquid assets. The head of the ALM area is a member of the Green Mortgage Bond Committee and therefore takes an active role in setting the maximum issuance volume in line with the Eligible Green Mortgage Portfolio.

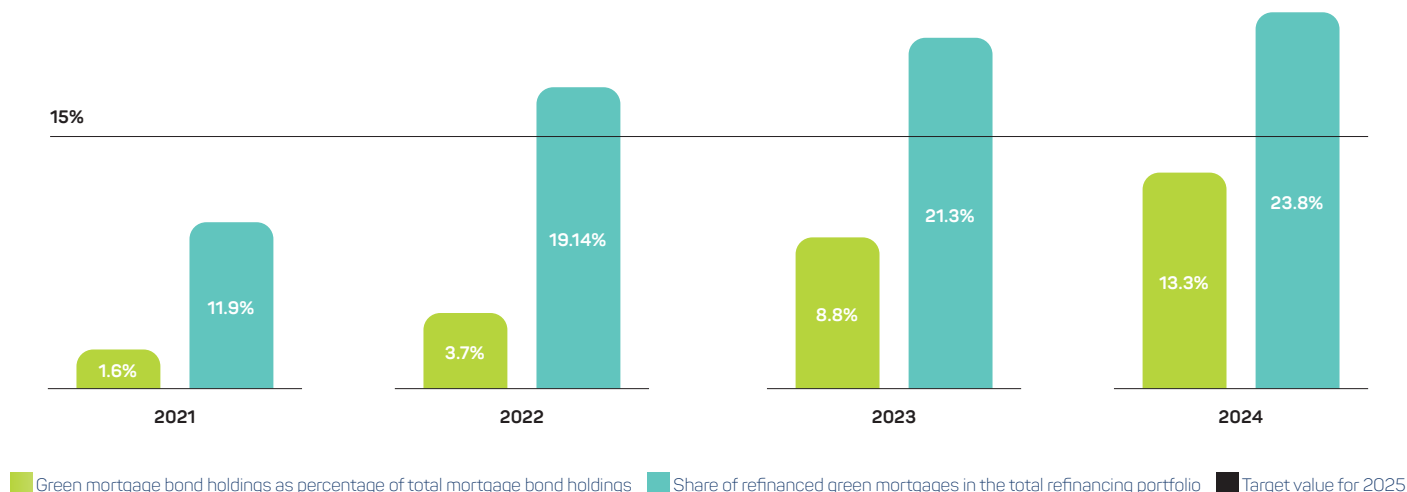
Despite the challenges of the macroeconomic and credit environment, MBH MB has achieved outstanding results in both asset and liability-side green financing. We have made impressive progress in increasing the share of green

mortgage bonds: from 8.8% at the end of 2023 to 13.3% in 2024, bringing us closer to the target of 15% by 2025. The volume of outstanding green mortgage bonds has also grown dynamically, increasing from HUF 34.1 billion in 2023 to HUF 48.6 billion in 2024, an convincing result in the field of sustainable financing. In addition, the share of refinanced green mortgage loans has also shown a significant increase, from 19.1% in 2022 to 21.3% in 2023 and 23.8% in 2024, consistently well above the original target of 15%. These advances demonstrate the tangible impact of our ESG strategy on the market.

¹¹ Asset-liability management



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 (2021–2024)



3.3. PROCESS AND PRODUCT INNOVATION

In 2024, MBH Mortgage Bank remained committed to further developing its innovation skills and implementing forward-looking projects in line with its ESG strategy. In addition to the development of mortgage lending and mortgage bonds as a specialised bond market asset class, the Bank continues to focus on supporting digitalisation processes and real estate-related developments. It has achieved this through its market research activities, the maintenance of the MBH Index product family and the continuous development of the Automated Valuation Model (AVM).

For more than 25 years, we have regularly analysed the real estate market, contributing to the development of the sector with our research. The key elements of the MBH Index¹² product family, the MBH Housing Price Index and the MBH Agricultural Land Index, continue to play a key role in accurately tracking market trends and supporting digitisation goals. In 2024, the value of 45 296 homes out of nearly 50 350 property insurance policies were reviewed with an index-based statistical methodology, using the MBH Housing Price Index. This activity met the requirements of the Basel (CRR) regulation, providing significant support for the management of the collateral behind the mortgage bonds.

Within the framework of the AVM project, MBH Mortgage Bank has further increased its digitalisation-related developments.

As a result of several years of intensive development, we have created a property database of nearly 1.6 million homes, constituting the basis of the AVM application. Out of these homes 1.24 million properties have been evaluated statistically. In accordance with the criteria set out in PM Decree 25/1997., the AVM system was launched on 1 March 2024, and by the end of 2024 311 loan advisors have used it in 188 branch offices, in 100 municipalities. The AVM application was used to carry out approximately 250 value inquiries per year in 2024. The objectives of the AVM project include further expanding the range of users of the application and refining the methodology of value creation. By the first quarter of 2025, we plan to integrate AVM's statistical valuation service into the unified collateral valuation system of MBH Bank, which will significantly simplify and speed up the process of property valuation.

Our achievements in digitalisation and innovation will continue to contribute to improving the housing conditions of the Hungarian population, enabling more modern and greener homes. MBH Mortgage Bank is committed to contributing to the wider development of the sector through its innovative solutions. One of the objectives of our ESG strategy is to educate our clients about green financial solutions so that they can contribute to enhancing sustainability in the real estate and financial sectors.

¹² www.mbhindex.hu





4. RESPONSIBLE CORPORATE GOVERNANCE

4. RESPONSIBLE CORPORATE GOVERNANCE

4.1. COMPLIANCE WITH LEGISLATION

We consider it a priority to maintain our reputation and integrity in the capital markets, and we view our corporate governance practices as a fundamental pillar of sustainable operations. MBH MB, which is subject to more stringent supervisory requirements than commercial banks, is committed to complying with increas-

ingly stringent national and EU ESG regulations. Not only do we adapt to these expectations, but we also actively participate in professional discussions, both within the Hungarian Banking Association and at a European level, in the work of the ECBC¹³.

NUMBER OF MBH MORTGAGE BANK'S CASES ARISING FROM NON-COMPLIANCE WITH LEGISLATION (2021-2024)

	2021	2022	2023	2024
Total number of non-compliance cases (pcs)	1	0	4	6
Number of cases when a fine was imposed (pcs)	0	0	1	1
Financial value of the cases	0	0	HUF 5 million	HUF 1 million
Number of cases when non-financial sanctions were imposed (pcs)	1	0	3	5

All situations that result in a fine or warning from the Hungarian National Bank or another supervisory body are defined as significant non-compliance. One of the key objectives of our ESG strategy is to reduce their incidence to zero. To this end, we

fully investigate past incidents and actively work to prevent and mitigate the risks associated with such incidents through our compliance and internal control processes.

DESCRIPTION OF MBH MORTGAGE BANK'S CASES ARISING FROM NON-COMPLIANCE WITH LEGISLATION (2024)

Details of the individual cases	Description and consequence of the case
Case ending with a fine	One consumer protection fine was imposed for non-compliance with laws and regulations because MBH Mortgage Bank violated the legal provision on the determination of the reference rate applicable to consumer mortgage loan contracts with interest rates linked to the reference rate as of 1 January 2022.
Cases ending with a non-financial sanction	<ol style="list-style-type: none"> In an executive letter, the Hungarian National Bank has stated its expectation that, in addition to the general justification in the general terms and conditions, institutions subject to the Hpt. Act¹⁴ should indicate in a transparent manner the legal change underlying the contract amendment (e.g. fee and cost increase), thus ensuring clear, understandable and transparent information on the reason for the amendment. The Hungarian National Bank has issued a consumer protection warning to the Bank to revise the columns titled "Previous Notice" of the tariffs affected by the 1 April 2024 fee increase in Notice2 and Notice3, which entered into force on 1 May 2024, and to exercise increased caution in the future when drafting the content of documents containing contractual provisions. The Hungarian National Bank has sent an executive letter requesting information on how MBH Mortgage Bank complies with certain points of the Recommendation on expected consumer protection principles. According to the warning, the Bank must fully comply with the requirements of the Offer, in particular: the content of the letter of attention, for credit agreements where the debtor's payment arrears reach the level of significant payment arrears under the Offer, the provision of verifiable information to the affected customers within the time limit set out in the Offer, and the 30-day deadline for substantive response to the consumer's notification of payment difficulties. MHB MB informed the Hungarian National Bank within the deadline that it would comply with the requirements set out in the notice in the future. An executive letter has also been sent in connection with the Bank's website, inviting the Bank to review the sub-page on payment difficulties and late payments. In the case of senior reverse mortgage loans, the annual loan balance statements for 2022 and 2023 were not sent to any of the customers concerned. The Bank made up for the delayed notifications within the deadline, as requested in the executive letter of the Hungarian National Bank.

¹³ The European Covered Bond Council

¹⁴ Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises



4.2. ETHICAL OPERATION

The market position and core values of MBH MB require strict adherence to our ethical standards, which are key to our credibility, to maintaining high levels of internal and external partnerships and to minimising reputational risks. In our dealings with our customers, partners, competitors and employees, as well as with all other stakeholders, we apply an approach based on respect, fairness and equal treatment, which is also enshrined in our Code of Ethics. We firmly 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.

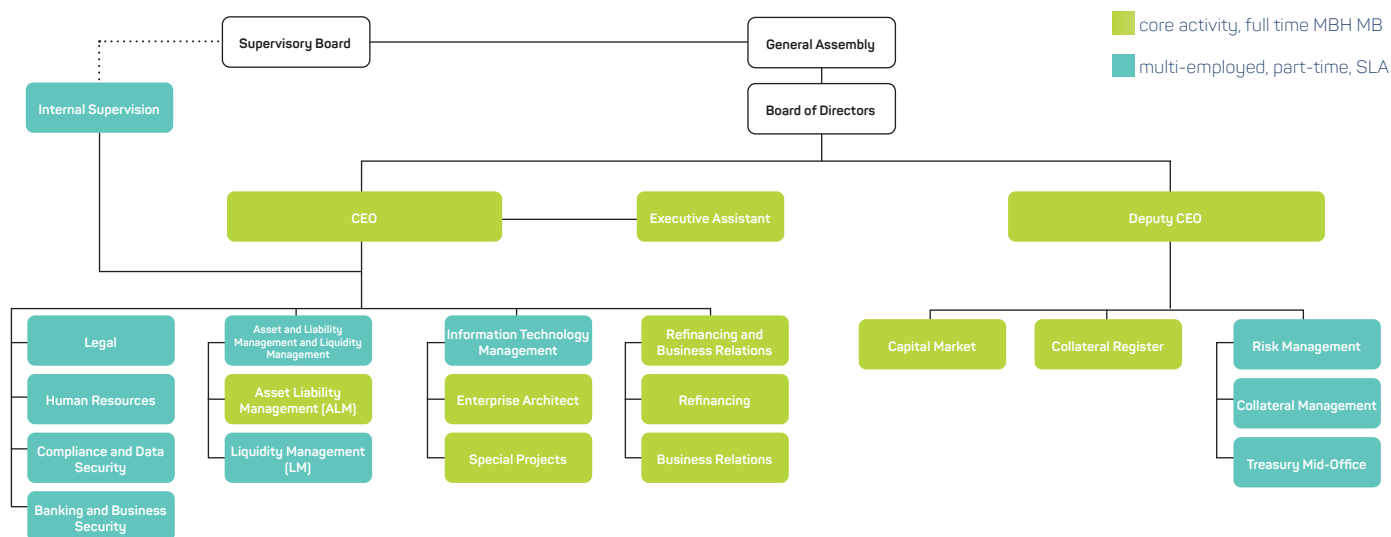
The Code of Ethics is available to all employees on our intranet surface in both English and Hungarian, and its provisions are also part of general compliance training. All new entrants are required to undergo training with an examination, and all employees undergo refresher trainings every year, which also requires an examination. When the policy is updated, employees are notified of the new version and can ask for a professional opinion if they have any questions.

The Code of Ethics classifies as ethical misconduct any event, procedure or conduct that violates an ethical standard or is contrary to the provisions of the Code. If an employee becomes aware or suspects that the standards set out in the Code have been breached, he or she must immediately report this in writing (by e-mail or letter) to the MBH Group Compliance Officer. External stakeholders are also given the opportunity to report via an anonymous reporting line. The investigation of such cases is in the competence of the Ethics Committee, which then must ascertain, 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 policies.

We are confident that appropriate training and awareness-raising have contributed to the fact that, like in the previous year, there were no ethics-related complaints or discrimination cases in 2024.

4.3. THE ORGANISATIONAL REPRESENTATION OF ESG

A SIMPLIFIED CHART OF THE MBH MORTGAGE BANK'S ORGANISATION



BOARD OF DIRECTORS (BOD)

The legal representative and the management of MBH Mortgage Bank is the Board of Directors (BoD). Its tasks include the organisation, management, coordination and control of the Bank's activities and management, thereby ensuring its lawful and prudent operation. The BoD exercises directly or by delegation the ownership and membership rights over the investments of MBH MB, and represents the issuer before third parties, courts and other authorities.

The Board of Directors is also responsible for the development of the ESG strategy, the achievement of the targets set and transparent reporting. It also plays a key role in mainstreaming sustainability and shaping the sustainability profile of MBH MB. The BoD decides which relevant topics should be included in the report and approves and publishes it. The Board of Directors' ESG-related responsibilities are clearly defined in the Organizational and Operational Rules.

The Board of Directors is composed of seven members in total: two internal members (in permanent employment relationship with MBH MB) – the CEO and the Deputy CEO – and five independent members elected by the General Assembly for a fixed term. For filling in the post the authorisation of the Hungarian National Bank is necessary. The Board of Directors, through the Chairman, exercises the rights of the employer over the members of the management.

SUPERVISORY BOARD (SB)

The Supervisory Board's (SB) primary task is to monitor the activities of the management in order to protect the Bank's ownership interests. The members of the SB, like the members of the Board of Directors, are appointed for a term of five years by the General Assembly, from among the shareholders or other relevant persons. For filling in the post the authorisation of

the Hungarian National Bank is necessary. The members of the SB are independent and three of them also participate in the work of the Audit Committee. This body supports the SB's audit functions, in particular in overseeing the financial reporting system, selecting the auditor and cooperating with the auditor.

GREEN COVERED BOND COMMITTEE (GCBC)

The main task of the Green Covered Bond Committee (GCBC) is to strengthen sustainability aspects in the Bank's governance, in particular in the areas of business decision-making and risk management. The GCBC is responsible for, among other things, approving the establishment and modifications of the Green Covered Bond Framework and determining which of the collateralised mortgage loans meet the requirements for Eligible Green Mortgages.

The committee oversees the proper use of resources from the issuance of green mortgage bonds and decides on the adoption of the environmental impact and allocation reports set out in the Green Covered Bond Framework.

The Board is composed of seven internal members, chaired by the CEO and vice-chaired by the head of Risk Management at corporate level. In selecting the members, a key criterion was that they should have a broad insight in the key areas of MBH MB. Voting members of the GCBC include the heads of the Risk and Collateral Management areas of the Banking Group, while the head of ESG and Sustainability also participate as permanent invitees. Furthermore, in 2024, a permanent invited member was also the Head of Risk Management and Resolvability and the President and CEO of the Central Organisation of Integrated Credit Institutions, or his/her delegate.

When selecting board members, we pay particular attention to professional qualifications, appropriate education and extensive experience in business, sustainability or digitalisation. The nomination process is always based on objective criteria and is not influenced by diversity criteria. Candidates must not be discriminated against on the basis of their gender or other personal characteristics. The complete nomination process is governed by the MBH Group Nominations Policy.

GENDER DISTRIBUTION IN THE GOVERNING BODIES OF MBH MB (2024, NUMBER OF PERSONS)

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



CAPITAL MARKETS DEPARTMENT

The Capital Markets department of MBH MB is responsible for coordinating the operative level implementation of the ESG Strategy. The head of this area reports directly to the CEO, and such report also includes ongoing monitoring of the achievement of ESG targets. The Capital Markets department regularly informs the Board of Directors (BoD) and the Supervisory Board (SB) on the current status of

sustainability projects. The reports include key performance indicators related to ESG strategic objectives. One of the key responsibilities of the Capital Markets is to coordinate green mortgage bond issuance and support the achievement of sustainability goals. Accordingly, the head of this area also participates in strategic decision-making as a member of the Green Covered Bond Committee.

Conflict of interests

MBH MB handles any incompatibilities and conflicts of interests pursuant to the Conflicts of interest policy no. 34/2018, published by the Central Organisation of Integrated Credit Institutions. We have designed our processes and procedures to comply with relevant legislation and supervisory recommendations, ensuring that conflicts of interest are prevented and situations that have already arisen are identified and addressed. Management employees and members of governing bodies are required to be familiar with the circumstances that may give rise to a conflict of interest and to make a declaration of conflict of interest on a regular basis.

For persons holding office in the administrative, management and supervisory bodies of MBH MB, it must be ensured that their personal interests or other duties do not conflict with their activities in the Bank. To this end, the Group Compliance area, through the Subsidiary Corporate Governance department, requests conflict of interest declarations from board members during the nomination process and reviews them annually thereafter. If a conflict of interest is identified, the General Compliance area will provide mandatory feedback to the parties concerned and propose further action if necessary.

4.4. AVOIDING ANTI-COMPETITIVE BEHAVIOUR, ANTI-CORRUPTION

MBH MB competes actively and ethically with domestic mortgage banks, while over the years it has developed fair and mutually respectful professional relationships with market participants. Professional discussions about the sector are primarily held in the forums of the Banking Association. No anticompetitive or antitrust proceedings were brought against the Bank in 2024, either, further reinforcing our commitment to operating in a clean and transparent market.

Corruption and bribery are totally incompatible with the Bank's core values and can have serious legal consequences. Our anti-corruption policy and guidelines are set out in our Code of Ethics, which clearly states that the Bank has a zero tolerance policy towards all forms of corruption. One of the fundamental principles of MBH MB's operations is to ensure fair business practices by following the highest ethical standards.

Corruption risks may primarily affect those areas of banking where stakeholders have decision-making responsibility or where they may directly influence business processes, especially in lending and refinancing. In addition, actors with access to material inside information may pose a particular risk, too.

To combat corruption, the Bank places particular emphasis on raising awareness, strengthening the moral integrity of its staff and putting in place measures to reduce the potential for abuse. It is a clear requirement for our employees not to seek, accept or provide unauthorised benefits, monetary or otherwise, to business partners or customers, and this is regularly highlighted in our mandatory trainings. In the last five years, there have been no cases which might have been indicative of bribery, corruption or undue advantage taking place.





5. OWN OPERATIONS

5. OWN OPERATIONS

5.1. EMPLOYMENT

Due to its relatively small size, MBH Mortgage Bank can pay particular attention to creating a safe and balanced working environment and promoting equal opportunities in its daily operations. Our team of experienced professionals with specialist knowledge and expertise is dedicated to delivering mortgage banking in a supportive working culture that recognises community and individual values. We believe that these efforts contribute to maintaining a stable workforce and a low employee turnover.

The core aim of our employment strategy is to promote diversity and equal opportunities, ensuring that MBH MB remains an attractive and inspiring place to work for both career entrants as well as experienced professionals. We promote equal opportunities through measures such as flexible working and working from home, humane treatment of special life situations and flexible continued employment for workers reaching retirement age.

We are committed to the long-term professional development of our staff, supported by internal training programmes and upskilling courses for the management. In addition to developing traditional business and financial skills, we are also increasingly focusing on improving sustainabil-

ity skills. In October 2024, MBH MB Capital Markets organised a training course entitled *"The evolution of sustainability reporting: future challenges for the Mortgage Bank"*, which provided colleagues working in key areas (Refinancing, Collateral Register, Capital Markets, ALM, Collateral Management, IT Support) with a comprehensive insight into MBH's ESG achievements and objectives. During the event, the future CSRD and EU Taxonomy reporting requirements for the Mortgage Bank were presented, helping participants to understand and apply the regulatory requirements in practice. In addition, during 2024, all but two of our employees completed the Sustainable Finances e-learning course as part of the centralised group training, ensuring a deeper integration of sustainability into our corporate culture.

In parallel, we have also carried out an objective evaluation of the ESG trainings. The feedback shows that satisfaction with the training programmes increased from 82.35% in 2023 to 83.12% in 2024, reflecting our growing commitment to sustainability education and the success of the continuous improvement of our trainings. Based on feedback from our staff, this year we have again assessed the opportunities for improvement and incorporated them into our training strategy.

NUMBER AND COMPOSITION OF THE WORKFORCE¹⁵ (FTE)

NUMBER OF THE WORKFORCE AND THEIR DISTRIBUTION BY GENDER (2021-2024)

Total number of employees	2021		2022		2023		2024	
	persons	%	persons	%	persons	%	persons	%
Total	15.4	100%	14.2	100%	16.5	100%	15.6	100%
Female	7.3	47.4%	7.2	50.8%	9.5	57.6%	8.5	54.5%
Male	8.1	52.6%	7.0	49.2%	7	42.4%	7.10	45.5%

COMPOSITION OF EMPLOYEES IN 2024

Type of employment	Female	Male	N/A	Total
Indefinite term	8.5	7.1	0	15.6
Fixed term	0	0	0	0
Full time	8	6	0	14
Part time	0.5	1.1	0	1.6

¹⁵ The data also include employees providing services to the Bank under the Service Agreements of MBH Mortgage Bank.



NUMBER OF EMPLOYEES ENTERING AND LEAVING (2021–2024)

Number of new employees	2021		2022		2023		2024	
	persons	%	persons	%	persons	%	persons	%
Male	2	50%	0.4	100%			0.1	100%
<30								
30-50								
50<	2	50%					0.1	100%
Female	2	50%			2	100%		
<30								
30-50					2	200%		
50<	2	50%	0.4	100%				
Total	4	100%	0.4	100%	2	100%	0.1	100 %

Number of employees leaving	2021		2022		2023		2024	
	persons	%	persons	%	persons	%	persons	%
Male	5	71.4%	1.53	76.5%				
<30								
30-50	2	28.6%						
50<	3	42.9%	1.53	76.5%				
Female	2	28.6%	0.08	23.5%	1.03	100%	1	100 %
<30								
30-50	2	28.6%	0.08	23.5%	1.03	100%		
50<							1.0	100 %
Total	7	100%	1.61	100%	1.03	100%	1.0	100 %

In 2024, MBH MB had 15.6 full-time equivalent (FTE)¹⁶ in-house employees, all of whom were based in the Bank's Budapest office. A key feature of the Mortgage Bank's operations is that certain professional and support functions, such as legal and human resources, are provided by the banking entity within the Banking Group, which acts as the group's controlling entity, under a Service Level Agreement (SLA) or in case of the MBH MB's own loan portfolio under agency contract. In 2024, 94% of the Bank's own employees were covered by collective agreements and employee representation. The CEO of MBH Mortgage Bank is not covered by employee representation or a collective agreement.

MBH MB has not employed any workers through temporary agencies, school or pension cooperatives, as we have a continued focus on direct employment and group level cooperation.

EMPLOYEE BENEFITS, EQUAL PAY, PERFORMANCE MANAGEMENT

MBH Mortgage Bank applies the single remuneration policy of the MBH Group to all its employees. The remuneration of internal members of the highest governance bodies is aligned with the company's performance targets, which include ESG aspects, thus strengthening the commitment to sustainability at the executive level of the organisation.

In accordance with the Group Remuneration Policy and Code of Ethics, MBH MB ensures equal conditions of base salary for all its employees, regardless of gender. The remuneration system is based on two main categories: Base Remuneration and Performance-Related Remuneration.

¹⁶ 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.



THE REMUNERATION POLICY OF THE MBH GROUP

Basic Remuneration

- Base salary
- Cafeteria
- Other fringe benefits

Performance-related Remuneration

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

Benefits such as life insurance, parental leave and fringe benefits are available to all of our employees, whether they work

full-time, part-time or on a temporary basis. In addition to cash benefits, the fringe benefits package contributes to improving the working environment, promoting healthy lifestyles and increasing employee well-being and motivation. It also fosters a sense of belonging to the community, helping to maintain a supportive corporate culture.

As a member of the MBH Group, the Employee Recognition Programme is also available at MBH MB, to reward employees who have an outstanding performance. As a transparent and fair reward system, it aims to reward individual and team performance that goes beyond job expectations and contributes to the success of the organisation. Based on performance evaluation and results achieved, the Group regularly recognises and rewards the Employee of the Quarter, Employee of the Year and Team of the Year, encouraging outstanding performance and commitment. In 2024, 2 of MBH MB's employees received the Employee of the Quarter award.

5.2. ENVIRONMENTAL IMPACT

Contributing to a low-emission society is a key element of our ESG strategy. We do this primarily through our business activities, in particular through green mortgage refinancing and the issuance of green mortgage bonds. With these solutions we support sustainable financing and the de-carbonisation of the real estate market. They are described in more detail in chapter 3.2. Reducing environmental impact. In the following, we present the direct environmental impacts of our Bank, which are also a priority area for our operations.

ENERGY CONSUMPTION

MBH MB has been striving for years to use energy-efficient solutions and to continuously monitor 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.

As we share our office building with other tenants, our energy consumption, including electricity and natural gas, was calculated as the annual consumption of the whole office building in proportion to the floor area rented by MBH MB. Our fuel consumption is solely due to the operation of our company fleet,

THE MBH MORTGAGE BANK'S ENERGY CONSUMPTION (2021-2024)

	2021	2022	2023	2024
Fuel consumption – petrol (l)	31 735	20 046	5 235	3 987
Fuel consumption – diesel (l)	1 199	1 085	0	0
Electricity (kWh)	43 719	32 605	42 038	44 592
Natural gas (m ³)	4 481	2 966	3 588	3 529

ENERGY USE OF THE MBH MORTGAGE BANK IN GIGAJOULESE¹⁷ (2021-2024)

	2021	2022	2023	2024
Fuel consumption – petrol (GJ)	1 069	676	155	127
Fuel consumption – diesel (GJ)	44	40	0	0
Electricity (GJ)	157	117	151	160
Natural gas (GJ)	128	85	103	101
Total energy consumption (GJ)¹⁸	1 399	917	409	388

¹⁷ Unit of measurement according to GRI publication

¹⁸ 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.

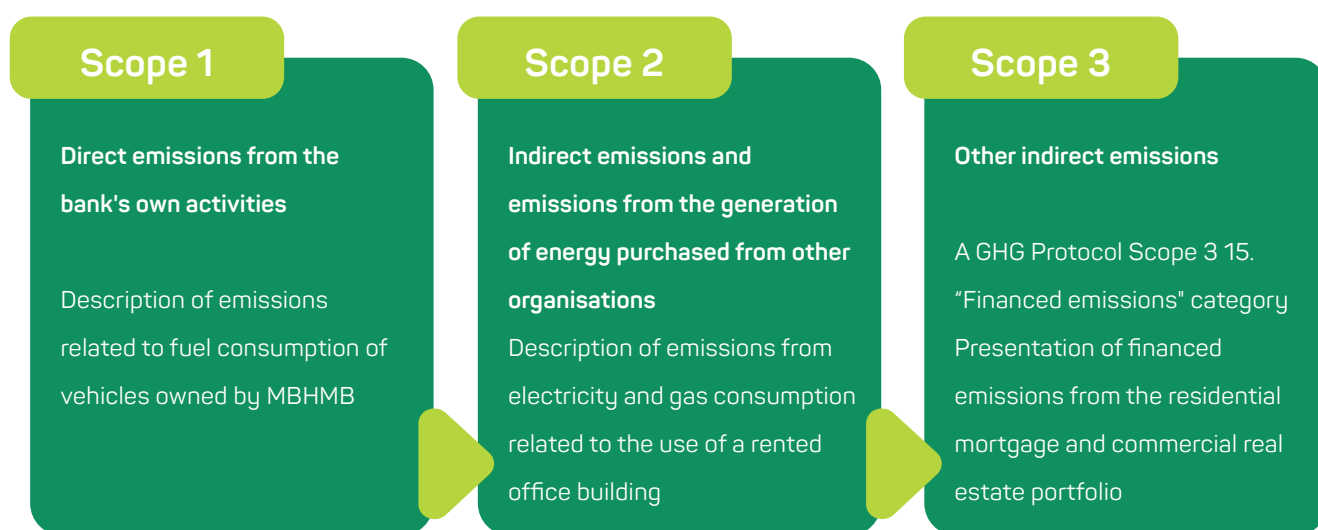


which we have significantly reduced in size in recent years, thus reducing our environmental impact.

The downward trend in our overall energy consumption over the years continues, mainly due to the sustained low fuel consumption of our car fleet. Our electricity consumption shows a slight increase while our natural gas consumption shows a minimal decrease compared to 2023.

GREENHOUSE GAS EMISSIONS

We consider the measurement and reduction of our direct and indirect greenhouse gas (GHG) emissions to be a key element of our sustainability strategy. We quantify our GHG emissions according to the corporate accounting and reporting standard of the Greenhouse Gas Protocol¹⁹, which classifies them into three categories.



The following greenhouse gases, as defined in the Kyoto Protocol, were taken into account in the calculation of greenhouse gas emissions:

- Carbon Dioxide (CO₂),
- Methane (CH₄),
- Nitrous Oxide (N₂O).

All our emissions are in all cases reported in carbon dioxide equivalent (CO₂e), converted using global warming potential (GWP) values. GWP values are based on the IPCC²⁰ Fifth Assessment Report²¹. Emission factors for petrol and diesel were determined using the National Inventory Report (Hungary, 2023), while the carbon footprint of our electricity and natural gas consumption was quantified using data from the International Energy Agency (IEA).

Our Scope 2 emissions for electricity are calculated using a location-based approach, which takes into account emission factors based on the energy mix of the country. Our consumption of natural gas – which takes place in a rented building and is therefore not under our direct operational control – is categorised as Scope 2 emissions as purchased energy under the GHG Protocol.

Our aggregate Scope 1 and Scope 2 GHG emissions show a steady decrease, mainly due to the minimisation of car use and the reduction of the size of the vehicle fleet.

Our indirect, financed GHG emissions from credit institution operations significantly exceed the direct emissions from our own operations. We have been quantifying emissions in this scope (Scope 3) since 2022, according to GHG Protocol category 15 ("Financed emissions"). We perform the

¹⁹ <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

²⁰ Intergovernmental Panel on Climate Change

²¹ https://www.ipcc.ch/site/assets/uploads/2018/02/WG1AR5_Chapter08_FINAL.pdf



MBH MORTGAGE BANK'S SCOPE 1 AND SCOPE 2 GHG EMISSIONS (2020-2024)

	2020	2021	2022	2023	2024
Fuel – petrol (tCO ₂ e)	88.87	78.07	49.31	12.88	9.81
Fuel – diesel (tCO ₂ e)	6.77	3.29	2.97	0.00	0.00
Scope 1 emissions (tCO₂e)	95.65	81.35	52.29	12.88	9.81
Electricity (tCO ₂ e)	8.25	8.38	6.36	7.74	8.21
Natural gas (tCO ₂ e)	7.29	7.64	5.05	6.11	6.01
Scope 2 emissions (tCO₂e)	15.55	16.02	11.42	13.85	14.22
Total Scope 1 and Scope 2 emissions (tCO₂e)	111.20	97.37	63.71	26.73	24.03

calculations based on the PCAF²² methodology, which is the most widely used internationally and is also proposed by the GHG Protocol to determine the financed emissions of especially banks and other financial institutions. PCAF's latest methodology²³ 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. Loans for construction and renovation purposes, transactions held for sale and real estate pledged as collateral were excluded from the calculation. In the case of residential mortgages, an additional delimitation was applied for certain types of real estate due to lack of data. As a result, the calculation has been performed for 99.47% of the residential mortgage loan portfolio to be reported in our balance sheet according to PCAF.

DELIMITATION OF MBH MORTGAGE BANK'S MORTGAGES ON COMMERCIAL REAL ESTATES (2024)

	Mortgage exposure (HUF)	Level 1 delimitation	Level 2 delimitation
Total stock on balance sheet	3 884 489 660		
After delimitation of PCAF methodology items	3 287 913 745	84.64%	
After delimitation of items due to lack of data	3 287 913 745	84.64%	100%

²² Partnership for Carbon Accounting Financials

²³ PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.

DELIMITATION OF MBH MORTGAGE BANK'S RESIDENTIAL MORTGAGES (2024)

	Mortgage exposure (HUF)	Level 1 delimitation	Level 2 delimitation
Total stock on balance sheet	409 489 217 693		
After delimitation of PCAF methodology items	298 638 331 753	72.93%	
After delimitation of items due to lack of data	297 046 027 752	72.54%	99.47%

THE MBH MORTGAGE BANK'S FINANCED EMISSIONS (2023-2024)

	2023			2024		
Asset class	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 ²⁴
Commercial real estate	2 115	0.55	4	2 272	0.69	4
Residential mortgage	33 865	0.12	3.44	34 082	0.12	3.28

Based on the methodology, the financed GHG emissions from commercial real estate in the Bank's portfolio were 2 115 tonnes of carbon dioxide equivalent (CO₂e) in 2023, rising to 2 272 tonnes of CO₂e in 2024, driven by the cleaning of underlying data. For residential mortgages, emissions of 33,865 tonnes of CO₂e were calculated in 2023, rising to 34,082 tonnes of CO₂e in 2024, driven by an increase in exposures.

Continuous monitoring of GHG intensity and other indicators in the calculation is of key importance, as this data also contribute to the development of our science-based emission reduction targets under the SBTi²⁵. In setting its science-based GHG reduction targets, MBH MB aims to align with the Group's schedule.

²⁴ 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.

²⁵ Science Based Targets initiative



5.3. SOCIAL RESPONSIBILITY

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

As part of its support for local communities, MBH MB signed a cooperation agreement with the Foundation for the School of Felsődobsza (Felsődobszai Iskoláért Alapítvány) in November 2020 to support the local primary school's educational, training and skills development activities and the extension of its pupils' knowledge. The Foundation pays particular attention to talent management, encouraging community activity and organising cultural, artistic, professional and sports events in the school. They are particularly keen to support socially disadvantaged and Roma pupils and recognise their outstanding academic and sports achievements. MBH Mortgage Bank con-

tributes to the maintenance of the Foundation year after year, also providing financial support at the end of 2024.

As a result of our support, the House of Schoolchildren along the River Hernád – "The Port of Love", was opened in September 2021, and MBH MB has been happy to contribute to its maintenance ever since. In addition to financial support, we regularly donate development toys and stationery items to support children's development and the operation of the community space.

In addition to these initiatives, MBH MB is also an active participant in MBH Group's charitable initiatives, so a significant part of our support is channelled through the Group's joint social responsibility programmes.



In order to promote a green financial culture, twice a year we provide information to institutional investors about MBH MB's ESG efforts. In addition, we are regularly represented at profes-

sional conferences, where we actively participate in the professional dialogue aimed at developing a sustainable financial sector, in line with the principles 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 2024 to 31 December 2024. 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	-	-	During the reporting period, there were no cases that would require the information to be republished.
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	8	
2-7	Employees	5.1. Employment	25	
2-8	Non-employed workers	5.1. Employment	25	
3. Governance				
2-9	Corporate governance structure and composition	4.3. The organisational representation of ESG	21	
2-10	Nomination and selection of the highest governing body	4.3. The organisational representation of ESG	21	
2-11	Chair of the highest governing body	4.3. The organisational representation of ESG	21	
2-12	The role of the highest governing body in supervising the management of the impacts	4.3. The organisational representation of ESG	21	
2-13	Delegation of responsibility for managing impacts	4.3. The organisational representation of ESG	21	
2-14	The role of the highest governing body in sustainability reporting	4.3. The organisational representation of ESG	21	



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	21	
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	12	
2-18	Evaluating the performance of the highest governing body	5.1. Employment	25	
2-19	Remuneration policies	5.1. Employment	25	
2-20	The process of determining remuneration	5.1. Employment	25	
2-21	Yearly total compensation rate	-	-	In line with the decision of the HR this information is confidential.
2-22	Declaration 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	16	
2-24	Integrating the commitment to principles	3.2. Reducing environmental impact	16	
2-25	The process of managing negative impacts	3.1. Managing environmental risks	15	
2-26	Mechanisms to be applied when concerns arise	4.2. Ethical operation	21	
2-27	Compliance with legislation	4.1. Compliance with legislation	20	
2-28	Organisational memberships	2.1. About our bank	8	
5. Stakeholder commitment				
2-29	Approach to stakeholder engagement	2.1. About our bank	8	
2-30	Collective agreements	5.1. Employment	25	
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 the material topics	3.2. Reducing environmental impact	16	
2-12	The role of the highest governing body in supervising the management of the impacts	4.3. The organisational representation of ESG	21	

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 the material topics	4. Responsible corporate governance	19	
2-26	Mechanisms to be applied when concerns arise	4.2. Ethical operation	21	
Employment				
3-3	Management of the material topics	5.1. Employment	25	
2-7	Employees	5.1. Employment	25	
2-8	Non-employed workers	5.1. Employment	25	
2-18	Evaluating the performance of the highest governing body	5.1. Employment	25	
2-19	Remuneration policies	5.1. Employment	25	
2-20	The process of determining remuneration	5.1. Employment	25	
401-1	New hired and exited workers	5.1. Employment	25	
401-2	Benefits provided to full-time workers which are not provided to temporary or part-time workers	5.1. Employment	25	
Process and product innovation				
3-3	Management of the material topics	3.3. Process and product innovation	18	
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	18	

Indicator	Name of indicator	Chapter	Page number	Comment/justification for omission
GRI 2: General Disclosures 2021				
Compliance with legislation				
3-3	Management of the material topics	4.1. Compliance with legislation	20	
2-27	Compliance with legislation	4.1. Compliance with legislation	20	
Reducing environmental impact (at activity level)				
3-3	Management of the material topics	3.2. Reducing environmental impact	16	
MBHMB2	Eligible green mortgage portfolio as a % of total collateral portfolio	3.2. Reducing environmental impact	16	
	Green mortgage bond portfolio as % of total mortgage bond portfolio	3.2. Reducing environmental impact	16	
	Percentage of eligible green mortgages not used as collateral	3.2. Reducing environmental impact	16	
	CO2 emissions of the eligible green mortgage portfolio	3.2. Reducing environmental impact	16	
	Annual GHG emissions avoided per billion HUF of issued green bonds	3.2. Reducing environmental impact	16	
Managing environmental risks				
3-3	Management of the material topics	3.1. Managing environmental risks	15	
2-25	The process of managing negative impacts	3.1. Managing environmental risks	15	
Ensuring market presence in a changing competitive environment				
3-3	Management of the material topics	2.2. Financial results	10	
2-6	Activities, value chain and other business relationships	2.1. About our company	8	
2-28	Organisational memberships	2.1. About our company	8	
2-29	Approach to stakeholder engagement	2.1. About our company	8	



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	10	
	Stock of mortgage bonds	2.2. Financial results	10	
	Normal collateral	2.2. Financial results	10	
	Refinanced loan portfolio	2.2. Financial results	10	
	Volume of outstanding green mortgage bonds	2.2. Financial results	10	
Avoiding anti-competitive behaviour, anti-corruption				
3-3	Management of the material topics	4.4. Avoiding anti-competitive behaviour, anti-corruption	23	
205-3	Confirmed corruption cases and the measures taken	4.4. Avoiding anti-competitive behaviour, anti-corruption	23	
206-1	Legal proceedings for anti-competitive behaviour, antitrust and monopoly	4.4. Avoiding anti-competitive behaviour, anti-corruption	23	
Other disclosures not related to a material topic				
302-1	Energy consumption within the organisation	5.2. Environmental impact	27	
305-1	Direct (Scope 1) GHG emissions	5.2. Environmental impact	27	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	27	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	27	



Environment (E)



Social (S)



Governance (G)





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